Supplemental Listing Document

If you are in any doubt about this document, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, accountant or other professional adviser. The Singapore Exchange Securities Trading Limited (the "**SGX-ST**") assumes no responsibility for the correctness of any of the statements made or opinions or reports expressed in this document. Admission to the Official List of the SGX-ST is not to be taken as an indication of the merits of Macquarie Bank Limited, the Company (defined below) or the Warrants.

Non-collateralised warrants
20,000,000 European Style Cash Settled Call Warrants
relating to the ordinary shares of Tencent Holdings Limited
issued by

Macquarie Bank Limited

(ABN 46 008 583 542)
(Incorporated under the laws of Australia)

Issue Price: SGD 0.203 per Warrant

This document is published for the purpose of obtaining a listing of all the above warrants (the "**Warrants**") to be issued by Macquarie Bank Limited (the "**Issuer**") and is supplemental to and should be read in conjunction with a base listing document published on 15 July 2022 (the "**Base Listing Document**") for the purpose of giving information with regard to the Issuer and the Warrants. Information relating to Tencent Holdings Limited (the " **Company**") is contained in this document.

This document does not constitute or form part of any offer, or invitation, to subscribe for or to sell, or solicitation of any offer to subscribe for or to purchase, Warrants or other securities of the Issuer, nor is it calculated to invite, nor does it permit the making of, offers by the public to subscribe for or purchase for cash or other consideration Warrants or other securities of the Issuer. Restrictions have been imposed on offers and sales of the Warrants and on distributions of documents relating thereto in Singapore, the United States, the United Kingdom, Hong Kong and Australia (see Base Listing Document).

Investors are warned that the price of the Warrants 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 Warrants and carefully study the risk factors set out in this document before they invest in the Warrants.

The Warrants constitute direct, general and unsecured contractual obligations of the Issuer and of no other person, including those in respect of deposits, but excluding any debts for the time being preferred by law and any subordinated obligations and if you purchase the Warrants you are relying upon the creditworthiness of the Issuer and have no rights under the Warrants against the Company.

The Issuer is regulated as an authorised deposit taking institution by the Australian Prudential Regulation Authority ("APRA"). The Issuer, acting through its Singapore branch is authorised and licensed by the Monetary Authority of Singapore to carry on wholesale banking business in Singapore pursuant to the Banking Act 1970 of Singapore and therefore is subject to the supervision of the Monetary Authority of Singapore.

23 December 2022

Application has been made to the SGX-ST for permission to deal in and for quotation of the Warrants and the SGX-ST has agreed in principle to grant permission to deal in and for quotation of the Warrants. It is expected that dealings in the Warrants will commence on 27 December 2022.

Warrants are complex instruments and are not suitable for inexperienced investors. Investors should also have sufficient financial resources and liquidity to bear all of the risks of an investment in the Warrants. Prospective purchasers should not invest in Warrants which are complex financial instruments unless they have the expertise (either alone or with a financial adviser) to evaluate how the Warrants will perform under changing conditions, the resulting effects on the value of the Warrants and the impact this investment will have on the potential investor's overall investment portfolio.

Subject as set out below, the Issuer accepts full responsibility for the accuracy of the information contained in this document and the Base Listing Document in relation to itself and the Warrants. To the best of the knowledge and belief of the Issuer (which has taken all reasonable care to ensure that such is the case), the information contained in this document and the Base Listing Document for which it accepts responsibility (subject as set out below in respect of the information contained herein with regard to the Company) is in accordance with the facts and is not limited by anything likely to affect the import of such information. The information contained herein with regard to the Company consists of extracts from information released publicly. The Issuer accepts responsibility for accurately reproducing such extracts but accept no further or other responsibility in respect of such information.

Neither the delivery of this document nor any sale made hereunder shall create any implication that there has been no change in the affairs of the Issuer, and its subsidiaries and affiliates since the date hereof. No person has been authorised to give any information or to make any representations other than those contained in this document in connection with the offering of the Warrants, and, if given or made, such information or representations must not be relied upon as having been authorised by the Issuer.

This document does not constitute an offer or invitation by or on behalf of the Issuer to purchase or subscribe for any of the Warrants. The distribution of this document and the offering of the Warrants may, in certain jurisdictions, be restricted by law. The Issuer requires persons into whose possession this document comes to inform themselves of and observe all such restrictions.

The Warrants have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the "**Securities Act**"). Warrants, or interests therein, may not at any time be offered, sold, resold or delivered within the United States or to, or for the account or benefit of, U.S. persons and any offer, sale, resale or delivery made within the United States or to, or for the account or benefit of, a U.S. person will not be recognised. A further description of certain restrictions on offering and sale of the Warrants and distribution of this document is given in the section headed "Sales Restrictions" in the Base Listing Document.

The SGX-ST has made no assessment of, nor taken any responsibility for, the financial soundness of the Issuer or the merits of investing in the Warrants, nor have they verified the accuracy or the truthfulness of statements made or opinions expressed in this document.

The Issuer or its affiliates may repurchase Warrants at any time and any Warrant which is repurchased may be offered from time to time in one or more transactions in the over-the-counter market or otherwise at prevailing market prices or in negotiated transactions, at the discretion of the Issuer. Investors should not therefore make any assumption as to the number of Warrants in issue at any time.

References in this document to the "**Conditions**" shall mean references to the Terms and Conditions of the European Style Cash Settled Call Warrants contained in the Base Listing Document. Terms not defined herein shall have the meanings ascribed thereto in the Conditions.

TERMS AND CONDITIONS OF THE WARRANTS

*The following are the terms and conditions of the Warrants and should be read in conjunction with, and are qualified by reference to, the other information set out in this document and the base listing document dated 15 July 2022 (the "**Base Listing Document**").*

The Conditions are set out in the section headed "Terms and Conditions of the European Style Cash Settled Call Warrants" in the Base Listing Document. For the purposes of the Conditions, the following terms shall have the following meanings:

Warrants:	20,000,000 European Style Cash Settled Call Warrants relating to the ordinary shares ("**Shares**") of the Company
Company:	Tencent Holdings Limited (Reuters Instrument Code: 0700.HK)
Conversion Ratio (number of Shares per Warrant):	0.010000 (i.e. every 100 Warrants initially relate to 1 Share)
Underlying Price[1] and Source:	HKD 313.000 (out of the money) (Reuters/Bloomberg)
Exercise Price:	HKD 450.000
Gearing[1]:	2.7x
Premium[1]:	81%
Volatility[1]:	Implied: 140% Historical: 38%
Launch Date:	20 December 2022
Closing Date:	23 December 2022
Dealing Commencement Date:	27 December 2022
Last Trading Date:	The 5th Business Day immediately preceding the Expiry Date, provided that if such day is not a day on which The Stock Exchange of Hong Kong Limited ("**HKEX**") is open for dealings during its normal trading hours ("HK Business Day"), the Business Day immediately preceding such day which is also a HK Business Day, currently being 27 September 2023
Expiry Date:	04 October 2023
Board Lot:	100 Warrants

[1] These figures are calculated as at, and based on information available to the Issuer on or about, the date of the termsheet in respect of the Warrants. The Issuer is not obliged, and undertakes no responsibility to any person, to update or inform any person of any changes to the figures after the date of the termsheet in respect of the Warrants.

Valuation Date:	Each of the five Exchange Business Days immediately preceding the Expiry Date (subject to Market Disruption Events as set out in the Conditions of the Warrants)
Exercise:	Warrantholders shall not be required to deliver an exercise notice. Exercise of Warrants shall be determined by whether the Cash Settlement Amount (less any Exercise Expenses) is positive. If the Cash Settlement Amount (less any Exercise Expenses) is positive, all Warrants shall be deemed to have been automatically exercised at 12:00 noon (Singapore time) on the Expiry Date (or if the Expiry Date is not a Business Day, the immediately preceding Business Day). The Cash Settlement Amount less the Exercise Expenses in respect of the Warrants shall be paid in the manner set out in Condition 4(c) of the Warrants. In the event the Cash Settlement Amount (less any Exercise Expenses) is zero or negative, all Warrants shall be deemed to have expired at 12:00 noon (Singapore time) on the Expiry Date (or if the Expiry Date is not a Business Day, the immediately preceding Business Day) and Warrantholders shall not be entitled to receive any payment from the Issuer in respect of the Warrants.
Cash Settlement Amount:	In respect of each Warrant, shall be an amount (if positive) payable in the Settlement Currency equal to the Exchange Rate multiplied by: (A) (i) the arithmetic mean of the closing prices of one Share (as derived from the daily publications of the Relevant Stock Exchange, subject to any adjustments to such closing prices determined by the Issuer to be necessary to reflect any capitalisation, rights issue, distribution or the like) for each Valuation Date LESS (ii) the Exercise Price MULTIPLIED by (B) the Conversion Ratio In certain circumstances, the Conversion Ratio and the Exercise Price will be adjusted as set out in Condition 6 of the Warrants.
Exchange Rate:	The rate of exchange for the conversion of the Reference Currency to the Settlement Currency as at 5:00 p.m. (Singapore time) on the Expiry Date as shown on Bloomberg provided that if the Bloomberg service ceases to display such information, such page as displays such information on such other services as may be selected by the Issuer.
Reference Currency:	Hong Kong dollars
Settlement Currency:	Singapore dollars The Shares are traded in Hong Kong dollars on HKEX. However, the Warrants will be issued and traded in Singapore dollars on the Singapore Exchange Securities Trading Limited ("**SGX-ST**").

Exercise Expenses:	Warrantholders will be required to pay all charges (including any taxes if applicable) which are incurred in respect of the exercise of the Warrants.
Relevant Stock Exchange:	HKEX
Clearing System:	The Central Depository (Pte) Limited ("**CDP**")
Fees and Charges:	Normal transaction and brokerage fees shall apply to the trading of the Warrants on the SGX-ST.

In addition, the Conditions have been modified as follows:

Reference to "Business Day" in Condition 2 shall be replaced by "Exchange Business Day".

"**Exchange Business Day**" shall be a day on which the HKEX is open for dealings in Hong Kong during its normal trading hours.

The Conditions set out in the section headed "Terms and Conditions of the European Style Cash Settled Call Warrants" in the Base Listing Document are set out below. This section is qualified in its entirety by reference to the detailed information appearing elsewhere in this document which shall, to the extent so specified or to the extent inconsistent with the relevant Conditions set out below, replace or modify the relevant Conditions for the purpose of the Warrants.

TERMS AND CONDITIONS OF THE EUROPEAN STYLE CASH SETTLED CALL WARRANTS

1. Form, Status, Transfer and Title

(a) *Form*. The Warrants (which expression shall, unless the context otherwise requires, include any further warrants issued pursuant to Condition 11) are issued subject to and with the benefit of:

(i) a master instrument by way of deed poll (the "**Master Instrument**") dated 15 July 2022, made by Macquarie Bank Limited (the "**Issuer**"); and

(ii) a master warrant agent agreement (the "**Warrant Agent Agreement**") dated 26 November 2004 and such other Warrant Agent Agreement as may be in force from time to time, made between the Issuer and the Warrant Agent for the Warrants.

Copies of the Master Instrument and the Warrant Agent Agreement are available for inspection at the specified office of the Warrant Agent.

The Warrantholders (as defined below) are entitled to the benefit of, are bound by and are deemed to have notice of all the provisions of the Master Instrument and the Warrant Agent Agreement.

(b) *Status*. The Warrants constitute direct, general and unsecured contractual obligations of the Issuer and rank, and will rank, equally among themselves and *pari passu* with all other present and future unsecured and unsubordinated obligations of the Issuer (save for statutorily preferred exceptions). The Warrants provide for cash settlement on exercise.

(c) *Transfer*. The Warrants are represented by a global warrant certificate ("**Global Warrant**") which will be deposited with The Central Depository (Pte) Limited ("**CDP**"). Warrants in definitive form will not be issued. Transfers of Warrants may be effected only in Board Lots or integral multiples thereof. All transactions in (including transfers of) Warrants, in the open market or otherwise, must be effected through a securities account with CDP. Title will pass upon registration of the transfer in the records maintained by CDP.

(d) *Title*. Each person who is for the time being shown in the records maintained by CDP as entitled to a particular number of Warrants shall be treated by the Issuer and the Warrant Agent as the holder and absolute owner of such number of Warrants, notwithstanding any notice to the contrary. The expression "**Warrantholder**" shall be construed accordingly.

2. Warrant Rights and Exercise Expenses

(a) *Warrant Rights*. Every Warrant entitles each Warrantholder, upon due exercise and on compliance with Condition 4, to payment by the Issuer of the Cash Settlement Amount (as defined below) (if any) in the manner set out in Condition 4.

The "**Cash Settlement Amount**", in respect of each Warrant, shall be an amount (if positive) payable in the Settlement Currency equal to:

(A) (i) the arithmetic mean of the closing prices of one Share (as derived from the daily publications of the relevant stock exchange on which the Shares related to the Warrants are traded ("**Relevant Stock Exchange**") (as specified in the relevant Supplemental Listing Document), subject to any adjustments to such closing prices determined by the Issuer to be necessary to reflect any capitalisation, rights issue, distribution or the like) for each Valuation Date (as defined below) LESS (ii) the Exercise Price for the time being MULTIPLIED by (B) the Conversion Ratio,

and multiplied by the applicable exchange rate if the Reference Currency is different from the Settlement Currency.

If the Issuer determines, in its sole discretion, that on any Valuation Date a Market Disruption Event (as defined below) has occurred, then that Valuation Date shall be postponed until the first succeeding Business Day (as defined below) on which there is no Market Disruption Event, unless there is a Market Disruption Event on each of the two Business Days immediately following the original date that, but for the Market Disruption Event, would have been a Valuation Date. In that case:

(A) that second Business Day shall be deemed to be the Valuation Date notwithstanding the Market Disruption Event; and

(B) the Issuer shall determine the closing price on the basis of its good faith estimate of the bid price that would have prevailed on that second Business Day but for the Market Disruption Event.

If the postponement of a Valuation Date as aforesaid would result in a Valuation Date falling on or after the Expiry Date, then (1) the Business Day immediately preceding the Expiry Date (the "**Last Valuation Date**") shall be deemed to be the Valuation Date notwithstanding the Market Disruption Event and (2) the Issuer shall determine the closing price on the basis of its good faith estimate of the bid price that would have prevailed on the Last Valuation Date but for the Market Disruption Event.

"**Conversion Ratio**" means the ratio (expressed as the number of Shares to which one Warrant relates) specified by the Issuer, subject to adjustments in accordance with these Conditions.

"**Market Disruption Event**" means the occurrence or existence on any Valuation Date of (i) any suspension of trading on the Relevant Stock Exchange of the Shares requested by the Company if that suspension, is in the determination of the Issuer, material, (ii) any suspension of or limitation imposed on trading (including but not limited to unforeseen circumstances such as by reason of movements in price exceeding limits permitted by the Relevant Stock Exchange or any act of God, war, riot, public disorder, explosion, terrorism or otherwise) on the Relevant Stock Exchange in the Shares if that suspension or limitation is, in the determination of the Issuer, material, or (iii) the closing of the Relevant Stock Exchange or a disruption to

trading on the Relevant Stock Exchange if that disruption, is in the determination of the Issuer, material as a result of the occurrence of any act of God, war, riot, public disorder, explosion, terrorism or otherwise.

"**Valuation Date**" means, with respect to the exercise of Warrants, and subject as provided above in relation to a Market Disruption Event, each of the five Business Days immediately preceding the Expiry Date relating to such exercise.

(b) *Exercise Expenses*. Warrantholders will be required to pay all charges (including any taxes if applicable) which are incurred in respect of the exercise of the Warrants (the "**Exercise Expenses**"). An amount equivalent to the Exercise Expenses will be deducted by the Issuer from the Cash Settlement Amount in accordance with Condition 4. Notwithstanding the foregoing, the Warrantholders shall account to the Issuer on demand for any Exercise Expenses to the extent that they were not or could not be deducted from the Cash Settlement Amount prior to the date of payment of the Cash Settlement Amount to the Warrantholders in accordance with Condition 4.

3. Expiry Date

Unless automatically exercised in accordance with Condition 4(b), the Warrants shall be deemed to expire at 12:00 noon (Singapore time) on the Expiry Date (or if the Expiry Date is not a Business Day, the immediately preceding Business Day).

4. Exercise of Warrants

(a) *Exercise*. Warrants may only be exercised on the Expiry Date (or if the Expiry Date is not a Business Day, the immediately preceding Business Day) in accordance with Condition 4(b).

(b) *Automatic Exercise*. Warrantholders shall not be required to deliver an exercise notice. Exercise of Warrants shall be determined by whether the Cash Settlement Amount (less any Exercise Expenses) is positive. If the Cash Settlement Amount (less any Exercise Expenses) is positive, all Warrants shall be deemed to have been automatically exercised at 12:00 noon (Singapore time) on the Expiry Date (or if the Expiry Date is not a Business Day, the immediately preceding Business Day). The Cash Settlement Amount less the Exercise Expenses in respect of the Warrants shall be paid in the manner set out in Condition 4(c) below. In the event the Cash Settlement Amount (less any Exercise Expenses) is zero or negative, all Warrants shall be deemed to have expired at 12:00 noon (Singapore time) on the Expiry Date (or if the Expiry Date is not a Business Day, the immediately preceding Business Day) and Warrantholders shall not be entitled to receive any payment from the Issuer in respect of the Warrants.

(c) *Settlement*. In respect of Warrants which are automatically exercised in accordance with Condition 4(b), the Issuer will pay to the relevant Warrantholder the Cash Settlement Amount (if any) in the Settlement Currency. The aggregate Cash Settlement Amount (less any Exercise Expenses) shall be despatched as soon as practicable and no later than five Business Days following the Last Valuation Date by way of crossed cheque or other payment in immediately available funds drawn in favour of the Warrantholder only (or, in the case of joint Warrantholders, the first-named Warrantholder) appearing in the records maintained by CDP. Any payment

made pursuant to this Condition 4(c) shall be delivered at the risk and expense of the Warrantholder and posted to the Warrantholder's address appearing in the records maintained by CDP (or, in the case of joint Warrantholders, to the address of the first-named Warrantholder appearing in the records maintained by CDP). If the Cash Settlement Amount is equal to or less than the determined Exercise Expenses, no amount is payable.

(d) *CDP not liable.* CDP shall not be liable to any Warrantholder with respect to any action taken or omitted to be taken by the Issuer or the Warrant Agent in connection with the exercise of the Warrants or otherwise pursuant to or in connection with these Conditions.

(e) *Business Day*. In these Conditions, a "**Business Day**" shall be a day on which the SGX-ST is open for dealings in Singapore during its normal trading hours and banks are open for business in Singapore.

5. Warrant Agent

(a) *Warrant Agent*. The Issuer reserves the right, subject to the appointment of a successor, at any time to vary or terminate the appointment of the Warrant Agent and to appoint another Warrant Agent provided that it will at all times maintain a Warrant Agent which, so long as the Warrants are listed on the SGX-ST, shall be in Singapore. Notice of any such termination or appointment and of any change in the specified office of the Warrant Agent will be given to the Warrantholders in accordance with Condition 9.

(b) *Agent of Issuer*. The Warrant Agent will be acting as agent of the Issuer and will not assume any obligation or duty to or any relationship of agency or trust for the Warrantholders. All determinations and calculations by the Warrant Agent under these Conditions shall (save in the case of manifest error) be final and binding on the Issuer and the Warrantholders.

6. Adjustments

(a) *Potential Adjustment Event*. Following the declaration by a Company of the terms of any Potential Adjustment Event (as defined below), the Issuer will determine whether such Potential Adjustment Event has a dilutive or concentrative or other effect on the theoretical value of the Shares and, if so, will (i) make the corresponding adjustment, if any, to any one or more of the Conditions as the Issuer determines appropriate to account for that dilutive or concentrative or other effect, and (ii) determine the effective date of that adjustment. The Issuer may, but need not, determine the appropriate adjustment by reference to the adjustment in respect of such Potential Adjustment Event made by an exchange on which options or futures contracts on the Shares are traded.

(b) *Definitions*. "**Potential Adjustment Event**" means any of the following:

(i) a subdivision, consolidation or reclassification of the Shares (excluding a Merger Event) or a free distribution or dividend of any such Shares to existing holders by way of bonus, capitalisation or similar issue;

(ii) a distribution or dividend to existing holders of the Shares of (1) such Shares, or (2) other share capital or securities granting the right to payment of dividends and/or the proceeds of liquidation of the Company equally or proportionately with such payments to holders of such Shares, or (3) share capital or other securities of another issuer acquired by the Company as a result of a "spin-off" or other similar transaction, or (4) any other type of securities, rights or warrants or other assets, in any case for payment (in cash or otherwise) at less than the prevailing market price as determined by the Issuer;

(iii) an extraordinary dividend;

(iv) a call by the Company in respect of the Shares that are not fully paid;

(v) a repurchase by the Company of the Shares whether out of profits or capital and whether the consideration for such repurchase is cash, securities or otherwise;

(vi) with respect to a Company an event that results in any shareholder rights pursuant to a shareholder rights agreement or other plan or arrangement of the type commonly referred to as a "poison pill" being distributed, or becoming separated from shares of common stock or other shares of the capital stock of such Company (provided that any adjustment effected as a result of such an event shall be readjusted upon any redemption of such rights); or

(vii) any other event that may have, in the opinion of the Issuer, a dilutive or concentrative or other effect on the theoretical value of the Shares.

(c) *Merger Event, Tender Offer, Nationalisation and Insolvency*. If a Merger Event, Tender Offer, Nationalisation or Insolvency occurs in relation to the Shares, the Issuer may take any action described below:

(i) determine the appropriate adjustment, if any, to be made to any one or more of the Conditions to account for the Merger Event, Tender Offer, Nationalisation or Insolvency, as the case may be, and determine the effective date of that adjustment. The Issuer may, but need not, determine the appropriate adjustment by reference to the adjustment in respect of the Merger Event, Tender Offer, Nationalisation or Insolvency made by an options exchange to options on the Shares traded on that options exchange;

(ii) cancel the Warrants by giving notice to the Warrantholders in accordance with Condition 9. If the Warrants are so cancelled, the Issuer will pay an amount to each Warrantholder in respect of each Warrant held by such Warrantholder which amount shall be the fair market value of a Warrant taking into account the Merger Event, Tender Offer, Nationalisation or Insolvency, as the case may be, less the cost to the Issuer and/or any of its affiliates of unwinding any underlying related hedging arrangements, all as determined by the Issuer in its reasonable discretion. Payment will be made in such manner as shall be notified to the Warrantholders in accordance with Condition 9; or

(iii) following any adjustment to the settlement terms of options on the Shares on such exchange(s) or trading system(s) or quotation system(s) as the Issuer in its reasonable discretion shall select (the "**Option Reference Source**") make a corresponding adjustment to any one or more of the Conditions, which adjustment will be effective as of the date determined by the Issuer to be the effective date of the corresponding adjustment made by the Option Reference Source. If options on the Shares are not traded on the Option Reference Source, the Issuer will make such adjustment, if any, to any one or more of the Conditions as the Issuer determines appropriate, with reference to the rules and precedents (if any) set by the Option Reference Source, to account for the Merger Event, Tender Offer, Nationalisation or Insolvency, as the case may be, that in the determination of the Issuer would have given rise to an adjustment by the Option Reference Source if such options were so traded.

Once the Issuer determines that its proposed course of action in connection with a Merger Event, Tender Offer, Nationalisation or Insolvency, it shall give notice to the Warrantholders in accordance with Condition 9 stating the occurrence of the Merger Event, Tender Offer, Nationalisation or Insolvency, as the case may be, giving details thereof and the action proposed to be taken in relation thereto. Warrantholders should be aware that due to the nature of such events, the Issuer will not make an immediate determination of its proposed course of action or adjustment upon the announcement or occurrence of a Merger Event, Tender Offer, Nationalisation or Insolvency.

(d) *Definitions*. "**Insolvency**" means that by reason of the voluntary or involuntary liquidation, bankruptcy, insolvency, dissolution or winding-up of or any analogous proceeding affecting a Company (i) all the Shares of that Company are required to be transferred to a trustee, liquidator or other similar official or (ii) holders of the Shares of that Company become legally prohibited from transferring them. "**Merger Date**" means the closing date of a Merger Event or, where a closing date cannot be determined under the local law applicable to such Merger Event, such other date as determined by the Issuer. "**Merger Event**" means, in respect of the Shares, any (i) reclassification or change of such Shares that results in a transfer of or an irrevocable commitment to transfer all of such Shares outstanding to another entity or person, (ii) consolidation, amalgamation, merger or binding share exchange of a Company with or into another entity or person (other than a consolidation, amalgamation, merger or binding share exchange in which such Company is the continuing entity and which does not result in reclassification or change of all of such Shares outstanding), (iii) takeover offer, exchange offer, solicitation, proposal or other event by any entity or person to purchase or otherwise obtain 100 per cent. of the outstanding Shares of the Company that results in a transfer of or an irrevocable commitment to transfer all such Shares (other than such Shares owned or controlled by such other entity or person), or (iv) consolidation, amalgamation, merger or binding share exchange of the Company or its subsidiaries with or into another entity in which the Company is the continuing entity and which does not result in a reclassification or change of all such Shares outstanding but results in the outstanding Shares (other than Shares owned or controlled by such other entity) immediately prior to such event collectively representing less than 50 per cent. of the outstanding Shares immediately following such event, in each case if the Merger Date is on or before the Valuation Date or, if there is more than one Valuation Date, the Last Valuation Date. "**Nationalisation**" means that all the Shares or all or substantially all of the assets of a Company are

nationalised, expropriated or are otherwise required to be transferred to any governmental agency, authority, entity or instrumentality thereof. "**Tender Offer**" means a takeover offer, tender offer, exchange offer, solicitation, proposal or other event by any entity or person that results in such entity or person purchasing, or otherwise obtaining or having the right to obtain, by conversion or other means, greater than 10 per cent. and less than 100 per cent. of the outstanding voting shares of the Company, as determined by the Issuer, based upon the making of filings with governmental or self-regulatory agencies or such other information as the Issuer deems relevant.

(e) *Other Adjustments*. Except as provided in this Condition 6 and Condition 12, adjustments will not be made in any other circumstances, subject to the right reserved by the Issuer (such right to be exercised in the Issuer's sole and unfettered discretion and without any obligation whatsoever) to make such adjustments as it believes appropriate in circumstances where an event or events occur which it believes in its sole discretion (and notwithstanding any prior adjustment made pursuant to the above) should, in the context of the issue of the Warrants and the obligations of the Issuer, give rise to such adjustment provided that such adjustment is considered by the Issuer not to be materially prejudicial to the Warrantholders generally (without considering the circumstances of any individual Warrantholder or the tax or other consequences of such adjustment in any particular jurisdiction).

(f) *Notice of Adjustments*. All determinations made by the Issuer pursuant hereto will be conclusive and binding on the Warrantholders. The Issuer will give, or procure that there is given, notice as soon as practicable of any adjustment and of the date from which such adjustment is effective by publication in accordance with Condition 9. For the avoidance of doubt, no notice will be given if the Issuer determines that adjustments will not be made.

7. Purchases

The Issuer or its related corporations may at any time purchase Warrants at any price in the open market or by tender or by private treaty. Any Warrants so purchased may be held or resold or surrendered for cancellation.

8. Meetings of Warrantholders; Modification

(a) *Meetings of Warrantholders*. The Warrant Agent Agreement contains provisions for convening meetings of the Warrantholders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution (as defined in the Warrant Agent Agreement) of a modification of the provisions of the Warrants or of the Warrant Agent Agreement.

At least 21 days' notice (exclusive of the day on which the notice is given and of the day on which the meeting is held) specifying the date, time and place of the meeting shall be given to the Warrantholders. Such a meeting may be convened by the Issuer or by Warrantholders holding not less than ten per cent. of the Warrants for the time being remaining unexercised. The quorum at any such meeting for passing an Extraordinary Resolution will be two or more persons holding or representing not less than 25 per cent. of the Warrants for the time being remaining unexercised, or at any adjourned meeting two or more persons being or representing Warrantholders whatever the number of Warrants so held or represented.

A resolution will be an Extraordinary Resolution when it has been passed at a duly convened meeting by not less than three-quarters of the votes cast by such Warrantholders who, being entitled to do so, vote in person or by proxy.

An Extraordinary Resolution passed at any meeting of the Warrantholders shall be binding on all the Warrantholders, whether or not they are present at the meeting. Resolutions can be passed in writing if passed unanimously.

(b) *Modification*. The Issuer may, without the consent of the Warrantholders, effect (i) any modification of the provisions of the Warrants or the Master Instrument which is not materially prejudicial to the interests of the Warrantholders or (ii) any modification of the provisions of the Warrants or the Master Instrument which is of a formal, minor or technical nature, which is made to correct an obvious error or which is necessary in order to comply with mandatory provisions of Singapore law. Any such modification shall be binding on the Warrantholders and shall be notified to them by the Warrant Agent before the date such modification becomes effective or as soon as practicable thereafter in accordance with Condition 9.

9. Notices

(a) *Documents*. All cheques and other documents required or permitted by these Conditions to be sent to a Warrantholder or to which a Warrantholder is entitled or which the Issuer shall have agreed to deliver to a Warrantholder may be delivered by hand or sent by post addressed to the Warrantholder at his address appearing in the records maintained by CDP or, in the case of joint Warrantholders, addressed to the joint holder first named at his address appearing in the records maintained by CDP, and airmail post shall be used if that address is not in Singapore. All documents delivered or sent in accordance with this paragraph shall be delivered or sent at the risk of the relevant Warrantholder.

(b) *Notices*. All notices to Warrantholders will be validly given if published in English on the web-site of the SGX-ST. Such notices shall be deemed to have been given on the date of the first such publication. If publication on the web-site of the SGX-ST is not practicable, notice will be given in such other manner as the Issuer may determine. The Issuer shall, at least one month prior to the expiry of any Warrant, give notice of the date of expiry of such Warrant in the manner prescribed above, provided that if the tenure of the Warrant is less than one month, the Issuer shall publish the expiry notice as soon as practicable after the listing of the Warrant.

10. Liquidation

In the event of a liquidation or dissolution of the Company or the appointment of a liquidator (including a provisional liquidator) or receiver or judicial manager or trustee or administrator or analogous person under Singapore or other applicable law in respect of the whole or substantially the whole of its undertaking, property or assets, all unexercised Warrants will lapse and shall cease to be valid for any purpose, in the case of voluntary liquidation, on the effective date of the relevant resolution and, in the case of an involuntary liquidation or dissolution, on the date of the relevant court order or, in the case of the appointment of a liquidator (including a provisional liquidator) or receiver or judicial manager or trustee or administrator or analogous person under Singapore or other applicable law in respect of the whole or substantially the whole of its undertaking, property or assets, on the date when such appointment is effective but subject (in any such case) to any contrary mandatory requirement of law. In the event of the voluntary liquidation of the Company, the Issuer shall make such adjustments or amendments as it reasonably believes are appropriate in the circumstances.

11. Further Issues

The Issuer shall be at liberty from time to time, without the consent of the Warrantholders, to create and issue further warrants so as to form a single series with the Warrants.

12. De-Listing

(a) *De-Listing*. If at any time, any Shares cease to be listed, traded or publicly quoted on the Relevant Stock Exchange for any reason and are not immediately re-listed, re-traded or re-quoted on an exchange, trading system or quotation system acceptable to the Issuer ("**De-Listing**"), the Issuer shall give effect to these Conditions in such manner and make such adjustments and amendments to the rights attaching to the Warrants (including terminating the Warrants early) as it shall, in its absolute discretion, consider appropriate to ensure, so far as it is reasonably able to do so, that the interests of the Warrantholders generally are not materially prejudiced as a consequence of such De-Listing (without considering the individual circumstances of any Warrantholder or the tax or other consequences that may result in any particular jurisdiction).

(b) *Adjustments*. Without prejudice to the generality of Condition 12(a), where the Shares are, or, upon the De-Listing, become, listed on any other stock exchange, these Conditions may, in the absolute discretion of the Issuer, be amended to the extent necessary to allow for the substitution of that other stock exchange in place of the Relevant Stock Exchange and the Issuer may, without the consent of the Warrantholders, make such adjustments to the entitlements of Warrantholders on exercise (including, if appropriate, by converting foreign currency amounts at prevailing market rates into the Settlement Currency) as may be appropriate in the circumstances.

(c) *Issuer's Determination*. The Issuer shall determine, in its absolute discretion, any adjustment or amendment and its determination shall be conclusive and binding on the Warrantholders save in the case of manifest error. Notice of any adjustments or amendments shall be given to the Warrantholders in accordance with Condition 9 as soon as practicable after they are determined.

13. Early Termination for Illegality and Force Majeure, etc.

(a) *Illegality and Force Majeure, etc*. If the Issuer determines that, for reasons beyond its control, the performance of its obligations under the Warrants has become illegal or impractical in whole or in part for any reason, or the Issuer determines that, for reasons beyond its control, it is no longer legal or practical for it to maintain its hedging arrangements with respect to the Warrants for any reason, the Issuer may at its discretion and without obligation terminate the Warrants early by giving notice to the Warrantholders in accordance with Condition 9.

Should any one or more of the provisions contained in the Conditions be or become invalid, the validity of the remaining provisions shall not in any way be affected thereby.

(b) *Termination*. If the Issuer terminates the Warrants early, then the Issuer will, if and to the extent permitted by applicable law, pay an amount to each Warrantholder in respect of each Warrant held by such holder equal to the fair market value of a Warrant notwithstanding such illegality or impracticality less the cost to the Issuer of unwinding any underlying related hedging arrangements, all as determined by the Issuer in its sole and absolute discretion. Payment will be made in such manner as shall be notified to the Warrantholders in accordance with Condition 9.

14. Governing Law

The Warrants, the Master Instrument and the Warrant Agent Agreement will be governed by and construed in accordance with Singapore law. The Issuer and each Warrantholder (by its purchase of the Warrants) shall be deemed to have submitted for all purposes in connection with the Warrants, the Master Instrument and the Warrant Agent Agreement to the non-exclusive jurisdiction of the courts of Singapore.

15. Prescription

Claims against the Issuer for payment of any amount in respect of the Warrants will become void unless made within six years of the Expiry Date and, thereafter, any sums payable in respect of such Warrants shall be forfeited and shall revert to the Issuer.

16. Contracts (Rights of Third Parties) Act 2001 of Singapore

Unless otherwise provided in the Global Warrant, the Master Instrument and the Warrant Agent Agreement, a person who is not a party to any contracts made pursuant to the Global Warrant, the Master Instrument and the Warrant Agent Agreement has no rights under the Contracts (Rights of Third Parties) Act 2001 of Singapore to enforce any terms of such contracts. Except as expressly provided herein, the consent of any third party is not required for any subsequent agreement by the parties hereto to amend or vary (including any release or compromise of any liability) or terminate such contracts.

SUMMARY OF THE ISSUE

The following is a summary of the issue and should be read in conjunction with, and is qualified by reference to, the other information set out in this document and the Base Listing Document. Terms used in this Summary are defined in the Conditions.

Issuer:	Macquarie Bank Limited
Company:	Tencent Holdings Limited
The Warrants:	European Style Cash Settled Call Warrants relating to the Shares
Number:	20,000,000 Warrants
Form:	The Warrants will be issued subject to, and with the benefit of, an instrument by way of deed poll dated 15 July 2022 (the "**Master Instrument**") and executed by the Issuer and a master warrant agent agreement dated 26 November 2004 (the "**Warrant Agent Agreement**") and made between the Issuer and the Warrant Agent.
Conversion Ratio (number of Shares per Warrant):	0.010000 (i.e. every 100 Warrants initially relate to 1 Share)
Cash Settlement Amount:	In respect of each Warrant, shall be an amount (if positive) payable in the Settlement Currency equal to the Exchange Rate multiplied by: (A) (i) the arithmetic mean of the closing prices of one Share (as derived from the daily publications of the Relevant Stock Exchange, subject to any adjustments to such closing prices determined by the Issuer to be necessary to reflect any capitalisation, rights issue, distribution or the like) for each Valuation Date LESS (ii) the Exercise Price MULTIPLIED by (B) the Conversion Ratio In certain circumstances, the Conversion Ratio and the Exercise Price will be adjusted as set out in Condition 6 of the Warrants.
Exchange Rate:	The rate of exchange for the conversion of HKD to SGD as at 5:00 p.m. (Singapore time) on the Expiry Date as shown on Bloomberg provided that if the Bloomberg service ceases to display such information, such page as displays such information on such other services as may be selected by the Issuer.
Denominations:	Warrants are represented by a global warrant in respect of all the Warrants.
Exercise:	Warrantholders shall not be required to deliver an exercise notice. Exercise of Warrants shall be determined by whether the Cash Settlement Amount (less any Exercise Expenses) is positive. If the Cash Settlement Amount (less any Exercise Expenses) is positive, all Warrants shall be deemed to have been automatically exercised at 12:00 noon (Singapore time) on the Expiry Date (or if the Expiry Date is not a Business Day, the immediately preceding Business Day). The Cash

	Settlement Amount less the Exercise Expenses in respect of the Warrants shall be paid in the manner set out in Condition 4(c) of the Warrants. In the event the Cash Settlement Amount (less any Exercise Expenses) is zero or negative, all Warrants shall be deemed to have expired at 12:00 noon (Singapore time) on the Expiry Date (or if the Expiry Date is not a Business Day, the immediately preceding Business Day) and Warrantholders shall not be entitled to receive any payment from the Issuer in respect of the Warrants.
Trading Currency:	Singapore dollars
Transfers of Warrants:	Warrants may only be transferred in Board Lots (or integral multiples thereof). All transfers in Warrants, in the open market or otherwise, must be effected through a securities account with CDP. Title will pass upon registration of the transfer in the records of CDP.
Listing:	Application has been made to the SGX-ST for permission to deal in and for quotation of the Warrants and the SGX-ST has agreed in principle to grant permission to deal in and for quotation of the Warrants. Issue of the Warrants is conditional on such listing being granted. It is expected that dealings in the Warrants on the SGX-ST will commence on or about 27 December 2022.
Governing Law:	The laws of Singapore
Warrant Agent:	Macquarie Capital Securities (Singapore) Pte. Limited
Further Issues:	Further issues which will form a single series with the Warrants will be permitted.

The above summary is qualified in its entirety by reference to the detailed information appearing elsewhere in this document and the Base Listing Document.

RISK FACTORS

The following risk factors are relevant to the Warrants:

(a) investment in Warrants involves substantial risks including market risk, liquidity risk, and the risk that the Issuer will be unable to satisfy its obligations under the Warrants. Investors should ensure that they understand the nature of all these risks before making a decision to invest in the Warrants. You should consider carefully whether Warrants are suitable for you in light of your experience, objectives, financial position and other relevant circumstances. Warrants are not suitable for inexperienced investors;

(b) the Warrants constitute direct, general and unsecured contractual obligations of the Issuer and no other person and will rank pari passu with the Issuer's other unsecured contractual obligations and with the Issuer's unsecured and unsubordinated debt other than indebtedness preferred by mandatory provisions of law. The Warrants are not secured by any collateral. Section 13A(3) of the Banking Act of 1959 of Australia provides that, in the event of the Issuer becoming unable to meet its obligations or suspends payments, the assets of the Issuer in Australia are to be available to satisfy specified liabilities in priority to all other liabilities of the Issuer (including the obligations of the Issuer under the Warrants). The specified liabilities include first, certain obligations of the Issuer to APRA in respect of amounts payable by APRA to holders of protected accounts, and then as the next priority obligations of the Issuer in respect of APRA's costs of administration, then other liabilities of the Issuer in Australia in relation to protected accounts that account-holders keep with the Issuer, following this any debts that the Authorised Deposit-taking Institution owes to the Reserve Bank of Australia and any liabilities under an industry support contract (certified under section 11CB of the Banking Act) and then, any other liabilities, in order of their priority. If you purchase the Warrants you are relying upon the creditworthiness of the Issuer and have no rights under the Warrants against any other person. In particular, it should be noted that the Issuer issues a large number of financial instruments, including Warrants, on a global basis and, at any given time, the financial instruments outstanding may be substantial. If you purchase the Warrants you are relying upon the creditworthiness of the Issuer and have no rights under the Warrants against the company which has issued the underlying shares. The Issuer is not a fiduciary of Warrantholders (as defined in the Conditions) and has substantially no obligation to a Warrantholder other than to pay amounts in accordance with the terms thereof as set forth herein and in the Base Listing Document. The Issuer does not in any respect underwrite or guarantee the performance of any Warrant. Any profit or loss realised by a Warrantholder in respect of a Warrant upon exercise or otherwise due to changes in the value of such Warrant, or the underlying shares, is solely for the account of such Warrantholder. In addition, the Issuer shall have the absolute discretion to put in place any hedging transaction or arrangement which it deems appropriate in connection with any Warrant or the underlying shares. A reduction in the rating, if any, accorded to outstanding debt securities of the Issuer by any one of its rating agencies could result in a reduction in the trading value of the Warrants;

(c) the price of the Warrants may fall in value as rapidly as it may rise and Warrantholders may sustain a total loss of their investment. The risk of losing all or any part of the purchase price of a Warrant upon the expiry of the Warrants means that, in order to recover and realise a return on investment, investors in Warrants must generally anticipate correctly the direction, timing and magnitude of any change in the value of the shares of the underlying company. Changes in the price of the shares of the underlying company can be unpredictable, sudden and large and such changes may result in the price of such shares moving in a direction which will negatively impact upon the return on an investment. In the case of Warrants relating to shares, certain events relating to such shares or the underlying company may cause adverse movements in the value and price of the underlying shares, as a result of

which, the Warrantholders may, in certain circumstances, sustain a total loss of their investment if, for the Warrants, the average closing price of the underlying shares on the valuation dates falls below or is equal to the exercise price;

(d) due to their nature, the Warrants can be volatile instruments and may be subject to considerable fluctuations in value. The price of the Warrants may fall in value as rapidly as it may rise due to, including but not limited to, variations in the frequency and magnitude of the changes in the price of the underlying shares, dividends, interest rate, volatility, foreign exchange rates, the time remaining to expiry and the creditworthiness of the Issuer;

(e) before exercising or selling the Warrants, the holders of Warrants should carefully consider, among other things, (i) the trading price of the Warrants; (ii) the value and volatility of the reference security; (iii) the time remaining to expiration; (iv) the probable range of Cash Settlement Amounts; (v) any change(s) in interim interest rates and dividend yields; (vi) any change(s) in currency exchange rates; (vii) the depth of the market or liquidity of the reference security; (viii) any related transaction costs; and (ix) the creditworthiness of the Issuer;

(f) fluctuations in the price of the underlying shares will affect the price of the Warrants but not necessarily in the same magnitude and direction, therefore, prospective investors intending to purchase Warrants to hedge their market risk associated with investing in the underlying shares, should recognise the complexities of utilising the Warrants in this manner;

(g) the settlement amount of Warrants at any time prior to the expiry of the Warrants may be less than the trading price of such Warrants at that time. The difference between the trading price and the settlement amount as the case may be, will reflect, among other things, a “time value” for the Warrants. The “time value” of the Warrants will depend partly upon the length of the period remaining to the expiry date of the Warrants and expectations concerning the value of the shares of the underlying company;

(h) investors should note that an investment in the Warrants involves valuation risks in relation to the underlying asset. The value of the underlying asset may vary over time and may increase or decrease by reference to various factors, which may include corporate actions, macro economic factors and market trends. Certain events relating to the underlying shares require or permit the Issuer to make certain adjustments or amendments to the Conditions (for example, adjusting the Exercise Price and the Conversion Ratio). However, the Issuer is not required to make an adjustment for every event that affects the underlying asset. If an event occurs that does not require the Issuer to adjust the Conversion Ratio or any other part of the Conditions, the market price of the Warrants and the return upon the exercise of the Warrants may be affected;

(i) as indicated in the Conditions, a Warrantholder must tender a specified number of Warrants at any one time in order to exercise. Thus, Warrantholders with fewer than the specified minimum number of Warrants in a particular series will either have to sell their Warrants or purchase additional Warrants, incurring transactions costs in each case, in order to realise their investment;

(j) unless otherwise specified in the Conditions, in the case of any exercise of the Warrants, there may be a time lag between the date on which the Warrants are exercised and the time the applicable settlement amount relating to such an event is determined. Any such delay between the time of exercise and the determination of the settlement amount will be specified in the Conditions. However such delay could be significantly longer, particularly in the case of a delay in the exercise of the Warrants arising from, a determination by the Issuer that a Market Disruption Event has occurred at any relevant time or that adjustments are required in accordance with the Conditions. That applicable settlement amount, may change significantly

during any such period, and such movement or movements could decrease or modify the settlement amount of the Warrants;

(k) if, whilst the Warrants remain unexercised, trading in the underlying shares on the relevant stock exchange is suspended, trading in the Warrants may be suspended for a similar period;

(l) in the case of the Warrants, certain events relating to the shares of the underlying company require or, as the case may be, permit the Issuer to make certain adjustments or amendments to the Conditions, and investors have limited anti-dilution protection under the Conditions. The Issuer may at its sole discretion adjust the entitlement upon exercise or valuation of the Warrants for events such as, amongst others, subdivision of the shares of the underlying company and dividend in specie, however the Issuer is not required to make an adjustment for every event that may affect the shares of the underlying company;

(m) the Warrants are only exercisable on their expiry date and may not be exercised by Warrantholders prior to such expiry date. Accordingly, if on such expiry date the Cash Settlement Amount (where applicable) is zero or negative, a Warrantholder will lose the value of his investment;

(n) investors should note that it is not possible to predict the price at which the Warrants will trade in the secondary market or whether such market will be liquid or illiquid. A decrease in the liquidity of the Warrants or the underlying shares, futures, derivatives or other security related to the Warrants may cause, in turn, an increase in the volatility associated with the price of such issue of Warrants. The Issuer may, but is not obligated to, at any time, purchase Warrants at any price in the open market or by tender or private agreement. Any Warrants so purchased may be held or resold or surrendered for cancellation. As the Warrants are only exercisable on the expiry date, an investor will not be able to exercise his warrants to realize value in the event that the relevant issue becomes illiquid;

(o) in the event of any delisting of the Warrants from the SGX-ST (other than at expiry), the Issuer will use all reasonable efforts to list the Warrants on another exchange. If the Warrants are not listed or traded on any exchange, pricing information for the Warrants may be difficult to obtain and the liquidity of the Warrants may be adversely affected;

(p) two or more risk factors may simultaneously have an effect on the value of a Warrant such that the effect of any individual risk factor may not be predicted. No assurance can be given as to the effect any combination of risk factors may have on the value of a Warrant;

(q) in the ordinary course of their business, including without limitation in connection with the Issuer or its appointed designated market maker's market making activities, the Issuer and any of its respective subsidiaries and affiliates may effect transactions for their own account or for the account of their customers and hold long or short positions in the underlying shares or related derivatives. In addition, in connection with the offering of any Warrants, the Issuer and any of its respective subsidiaries and affiliates may enter into one or more hedging transactions with respect to the underlying shares or related derivatives. In connection with such hedging or market-making activities or with respect to proprietary or other trading activities by the Issuer and any of its respective subsidiaries and its affiliates, the Issuer and any of its respective subsidiaries and affiliates may enter into transactions in the underlying shares or related derivatives which may affect the market price, liquidity or value of the Warrants and which may affect the interests of Warrantholders;

(r) if the Issuer determines in good faith that the performance of its obligations under the Conditions has become unlawful or impractical in whole or in part, the Issuer may at its sole and absolute discretion and without obligation, terminate the Warrants prior to the expiry date,

in which event the Issuer to the extent permitted by any relevant applicable law, will pay to each Warrantholder an amount as determined by the Issuer, in its sole and absolute discretion, in accordance with the Conditions. If the Issuer terminates the Warrants prior to the expiry date, the Issuer will, if and to the extent permitted by any relevant applicable law, pay each Warrantholder an amount to be determined by the Issuer, in its sole and absolute discretion, to be the fair market value of the Warrants immediately prior to such termination or otherwise determined as specified in the Conditions, notwithstanding the illegality or impracticality;

(s) the Issuer may enter into discount, commission or fee arrangements with brokers and/or any of its affiliates with respect to the primary or secondary market in the Warrants and such arrangement may present certain conflicts of interest for the brokers. The arrangements may or may not result in the benefit to investors in Warrants buying and selling Warrants through nominated brokers. Investors in the Warrants should note that any brokers with whom the Issuer has a commission arrangement does not, and cannot be expected to deal, exclusively in the Warrants, therefore any broker and/or its subsidiaries or affiliates may from time to time engage in transactions involving the shares in the underlying company and/or structured products of other issuers over the same shares in the same underlying company as the Warrants for their proprietary accounts and/or accounts of their clients. The fact that the same broker may deal simultaneously for different clients in competing products in the market place may affect the value of the Warrants and present certain conflicts of interests;

(t) Third party individuals may comment on the Warrants on social media or other platforms from time to time. None of these third party individuals, whether sponsored by the Issuer or not, is an agent of the Issuer and such commentary is not the Issuer's advice or recommendation to invest in the Warrants. The Issuer is not responsible for any statements or comments made by such third party individuals. To the extent a fee is paid by the Issuer, such fee arrangement may present potential conflicts of interest for the individual;

(u) changes in Singapore tax law and/or policy may adversely affect Warrantholders. Warrantholders who are in any doubt as to the effects of any such changes should consult their stockbrokers, bank managers, accountants, solicitors or other professional advisers;

(v) as the Warrants are represented by a global warrant certificate which will be deposited with the CDP:

(i) investors should note that no definitive certificate will be issued in relation to the Warrants;

(ii) there will be no register of Warrantholders and each person who is for the time being shown in the records maintained by CDP as entitled to a particular number of Warrants by way of interest (to the extent of such number) in the global warrant certificate in respect of those Warrants represented thereby shall be treated as the holder of such number of Warrants;

(iii) investors will need to rely on any statements received from their brokers/custodians as evidence of their interest in the Warrants; and

(iv) notices to such Warrantholders will be published on the web-site of the SGX-ST. Investors will need to check the web-site of the SGX-ST regularly and/or rely on their brokers/custodians to obtain such notices; and

(w) the value of the Warrants depends upon, amongst other things, the ability of Issuer to fulfil its obligations under the terms which, in turn is primarily dependent on the financial prospects of the Issuer; and

(x) Foreign Account Tax Compliance withholding may affect payments on the Warrants

Sections 1471 through 1474 of the U.S. Internal Revenue Code of 1986 ("FATCA") impose a new reporting regime and, potentially, a 30% withholding tax with respect to (i) certain payments from sources within the United States, (ii) "foreign passthru payments" made to certain non-U.S. financial institutions that do not comply with this new reporting regime, and (iii) payments to certain investors that do not provide identification information with respect to interests issued by a participating non-U.S. financial institution.

"Passthru payments" means any withholdable payment and any "foreign passthru payment," which is currently not defined. The current proposed FATCA regulations ("**Proposed Regulations**") state that the Internal Revenue Service and the U.S. Treasury have determined, that withholding on "foreign passthru payments" is not required, pending further guidance and analysis. The Proposed Regulations provide that such withholding will not be effective before the date that is two years after the publication of final regulations defining the term "foreign pass-thru payment".

While the Warrants are in dematerialised form and held within the clearing systems, in all but the most remote circumstances, it is not expected that FATCA will affect the amount of any payment received by the clearing systems. However, FATCA may affect payments made to custodians or intermediaries in the subsequent payment chain leading to the ultimate investor if any such custodian or intermediary generally is unable to receive payments free of FATCA withholding. It also may affect payment to any ultimate investor that is a financial institution that is not entitled to receive payments free of withholding under FATCA, or an ultimate investor that fails to provide its broker (or other custodian or intermediary from which it receives payment) with any information, forms, other documentation or consents that may be necessary for the payments to be made free of FATCA withholding. Investors should choose the custodians or intermediaries with care (to ensure each is compliant with FATCA or other laws or agreements related to FATCA) and provide each custodian or intermediary with any information, forms, other documentation or consents that may be necessary for such custodian or intermediary to make a payment free of FATCA withholding. An Issuer's obligations under the Warrants are discharged once it has paid the clearing systems and an Issuer has therefore no responsibility for any amount thereafter transmitted through the clearing systems and custodians or intermediaries.

(y) our business and results of operation have been and may, in the future, be adversely affected by financial markets, global credit and other economic conditions generally.

Macquarie Group Limited (ABN 94 122 169 279) ("MGL") and its controlled entities (" **Macquarie Group**") businesses operate in or depend on the operation of global markets, including through exposures in securities, loans, derivatives and other activities. In particular, uncertainty and volatility in global credit markets, liquidity constraints, increased funding costs, the level and volatility of interest rates, constrained access to funding, fluctuations or other significant changes in both equity and capital market activity, supply chain disruptions and labor shortages have adversely affected and may again affect transaction flow in a range of industry sectors.

Additionally, global markets may be adversely affected by the current or anticipated impact of climate change, extreme weather events or natural disasters, the emergence or continuation of widespread health emergencies or pandemics, cyberattacks or campaigns, military conduct, including escalating military tension between Russia and Ukraine, terrorism or other

geopolitical events. The dynamic and rapidly evolving sanctions environment, including the volume and nature of sanctions during the Russia-Ukraine conflict, Western sanction programs against China and Chinese reaction and sanctions in relation to human rights issues, continues to drive heightened sanctions compliance risk and complexity in applying control frameworks across the market. Moreover, actions by Russia, and any further measures taken by the U.S. or its allies, could have negative impacts on regional and financial markets and economic conditions. The actions of market participants in response to the Russia-Ukraine conflict, including growing concerns about energy availability, have also resulted in substantial volatility in the global commodity markets. Given that global energy security poses a threat to financial stability, a disorderly transition from Russian oil and gas supplies may magnify risks to the financial system.

Actions taken by central banks, including changes to official interest rate targets, balance sheet management and government-sponsored lending facilities are beyond the MBL Group's control and difficult to predict. Sudden changes in monetary policy, for example in response to high inflation, could lead to financial market volatility and are likely to affect market interest rates and the value of financial instruments and other assets and liabilities, and can impact our customers.

The commercial soundness of many financial institutions may be closely interrelated as a result of credit, trading, clearing or other relationships among financial institutions. Concerns about, or a default by, one or more institutions or by a sovereign could lead to market-wide liquidity problems, losses or defaults by other institutions, financial instruments losing their value and liquidity, and interruptions to capital markets that may further affect us. This is sometimes referred to as "systemic risk" and may adversely affect financial intermediaries, such as clearing agencies, clearing houses, banks, securities firms, hedge funds and exchanges that we interact with on a daily basis. If any of our counterpart financial institutions fail, our financial exposures to that institution may lose some or all of their value. Any of these events would have a serious adverse effect on our liquidity, profitability and value;

(z) many of our businesses are highly regulated and we could be adversely affected by temporary and permanent changes in regulations and regulatory policy.

We operate various kinds of businesses across multiple jurisdictions or sectors, which are regulated by more than one regulator. Additionally, some members of the Macquarie Group own or manage assets and businesses that are regulated. Our businesses include an Authorised Deposit-taking Institution ("**ADI**") in Australia (regulated by APRA), a credit institution in Ireland and bank branches in the United Kingdom, the Dubai International Finance Centre and Singapore. The regulations vary from country to country but generally are designed to protect depositors and the banking system as a whole, not holders of the Issuer's securities or creditors. In addition, as a diversified financial institution, many of our businesses are subject to financial services regulation other than prudential banking regulation, as well as laws, regulations and oversight specific to the industries applicable to our businesses and assets.

Regulatory agencies and governments frequently review and revise banking and financial services laws, security and competition laws, fiscal laws and other laws, regulations and policies, including fiscal policies. Changes to laws, regulations or policies, including changes in interpretation or implementation of laws, regulations or policies, could substantially affect us or our businesses, the products and services we offer or the value of our assets, or have unintended consequences across our business. These may include changing required levels of liquidity and capital adequacy, increasing tax burdens generally or on financial institutions or transactions, limiting the type of financial services and products that can be offered and/or increasing the ability of other providers to offer competing financial services and products, as well as changes to prudential regulatory requirements. Global economic conditions and increased scrutiny of the culture in the banking sector have led to increased supervision and regulation, as well as changes in regulation in markets in which we operate, particularly for

financial institutions, and may lead to further significant changes of this kind. Health, safety and environmental laws and regulations can also change rapidly and significantly. The occurrence of any adverse health, safety or environmental event, or any changes, additions to, or more rigorous enforcement of, health, safety and environmental standards could have a significant impact on operations and/or result in material expenditures

In some countries in which we do business or may in the future do business, in particular in emerging markets, the laws and regulations applicable to the financial services industry are uncertain and evolving, and it may be difficult for us to determine the requirements of local laws in every market. Our inability to remain in compliance with local laws in a particular market could have a significant and negative effect not only on our businesses in that market but also on our reputation generally. In addition, regulation is becoming increasingly extensive and complex and some areas of regulatory change involve multiple jurisdictions seeking to adopt a coordinated approach or certain jurisdictions seeking to expand the territorial reach of their regulation.

APRA may introduce new prudential regulations or modify existing regulations, including those that apply to the Issuer as an ADI. Any such event could result in changes to the organisational structure of Macquarie Group and adversely affect MBL and/or its controlled entities (the "**MBL Group**").

We are also subject in our operations worldwide to rules and regulations relating to corrupt and illegal payments, counter-terrorism financing, anti-bribery and corruption and adherence to anti-money laundering obligations, as well as laws, sanctions and economic trade restrictions relating to doing business with certain individuals, groups and countries (" **AML/CTF laws**"). The geographical diversity of our business increases the risk that we may be found in violation of such rules or regulations. Emerging technologies, such as cryptocurrencies, could limit our ability to track the movement of funds thereby heightening the risk of our breaching AML/CTF laws. Additionally, as a result of the ongoing Russia-Ukraine conflict, the current sanctions environment remains dynamic and rapidly evolving. sanctions and export controls could adversely affect our business activities and investments in sanctioned jurisdictions, as well as expose us to compliance risk and reputational harm. Our ability to comply with these laws is dependent on our ability to improve detection and reporting capabilities and reduce variation in control processes and oversight accountability;

(aa) we may be adversely affected by increased governmental and regulatory scrutiny or negative publicity.

The political and public sentiment regarding financial institutions have resulted in a significant amount of adverse press coverage, as well as adverse statements or charges by regulators or other government officials, and in some cases, to increased regulatory scrutiny, enforcement actions and litigation. Investigations, inquiries, penalties and fines sought by regulatory authorities have increased substantially over the last several years, with regulators exercising their enhanced enforcement powers in commencing enforcement actions or with advancing or supporting legislation targeted at the financial services industry. If we are subject to adverse regulatory findings, the financial penalties could have a material adverse effect on our results of operations. Adverse publicity, governmental scrutiny and legal and enforcement proceedings can also have a negative impact on our reputation with clients and on the morale and performance of our employees;

(ab) changes and increased volatility in currency exchange rates may adversely impact our financial results and our financial and regulatory capital positions.

While our consolidated financial statements are presented in Australian dollars, a significant portion of our operating income is derived, and operating expenses are incurred, from our offshore business activities, which are conducted in a broad range of currencies. Changes in the rate at which the Australian dollar is translated from other currencies can impact our

financial statements and the economics of our business. Insofar as we are unable to hedge or have not completely hedged our exposure to currencies other than Australian dollar, our reported profit and foreign currency translation reserve would be affected.

In addition, because MBL Group's regulatory capital position is assessed in Australian dollars, our capital ratios may be adversely impacted by a depreciating Australian dollar, which increases the capital requirement for assets denominated in currencies other than Australian dollars;

(ac) our business may be adversely affected by our failure to adequately manage the risks associated with strategic opportunities and new businesses, including acquisitions, and the exiting or restructuring of existing businesses.

We are continually evaluating strategic opportunities and undertaking acquisitions of businesses, some of which may be material to our operations. Our completed and prospective acquisitions and growth initiatives may cause us to become subject to unknown liabilities of the acquired or new business and additional or different regulations.

Future growth, including through acquisitions, mergers and other corporate transactions, may also place significant demands on our legal, accounting, IT, risk management and operational infrastructure and result in increased expenses. A number of our recent and planned business initiatives and further expansions of existing businesses may also expose us to new and enhanced risks, including reputational concerns arising from dealing with a range of new counterparties and investors, actual or perceived conflicts of interest, regulatory scrutiny of these activities, potential political pressure, increased credit-related and operational risks, including risks arising from IT systems and reputational concerns with the manner in which these businesses are being operated or conducted.

We may be exposed to a number of risks in acquiring new businesses and in outsourcing, exiting or restructuring existing businesses. Where our acquisitions are in foreign jurisdictions, or are in emerging or growth economies in particular, we may be exposed to heightened levels of regulatory scrutiny and political, social or economic disruption and sovereign risk in emerging and growth markets;

(ad) our business depends on our brand and reputation.

We believe our reputation in the financial services markets and the recognition of the Macquarie brand by our customers are important contributors to our business. Many companies in Macquarie Group and many of the funds managed by entities owned, in whole or in part, by MBL and MGL use the Macquarie name. We do not control those entities that are not in MBL Group, but their actions may reflect directly on our reputation.

Our business may be adversely affected by negative publicity or poor financial performance in relation to any of the entities using the Macquarie name, including any Macquarie-managed fund or funds that Macquarie has promoted or is associated with. If funds that use the Macquarie name or are otherwise associated with Macquarie-managed assets are perceived to be managed inappropriately, those managing entities could be subject to criticism and negative publicity, harming our reputation and the reputation of other entities that use the Macquarie name;

(ae) competitive pressure, both in the financial services industry as well as in the other industries in which we operate, could adversely impact our business .

We face significant competition from local and international competitors, which compete vigorously in the markets and sectors across which we operate. In addition, the use of digital channels by customers to conduct their banking continues to rise and emerging competitors are increasingly utilizing new technologies and seeking to disrupt existing business models,

including in relation to digital payment services and open data banking, that challenge, and could potentially disrupt, traditional financial services. We face competition from established providers of financial services as well as from businesses developed by non-financial services companies. We believe that we will continue to experience pricing pressures in the future as some of our competitors seek to obtain or increase market share.

Any consolidation in the global financial services industry may create stronger competitors with broader ranges of product and service offerings, increased access to capital, and greater efficiency and pricing power which may enhance the competitive position of Macquarie's competitors. The effect of competitive market conditions, especially in our main markets, products and services, may lead to an erosion in our market share or margins;

(af) our ability to retain and attract qualified employees is critical to the success of our business and the failure to do so may materially adversely affect our performance.

Our employees are our most important resource, and our performance largely depends on the talents and efforts of highly skilled individuals. Our continued ability to compete effectively in our businesses and to expand into new business areas and geographic regions depends on our ability to retain and motivate our existing employees and attract new employees. Competition from within the financial services industry and from businesses outside the financial services industry for qualified employees has historically been intense. Recent employment conditions associated with the pandemic have made the competition to hire and retain qualified employees significantly more challenging.

In order to attract and retain qualified employees, we must compensate such employees at or above market levels. As a regulated entity, we may be subject to limitations on remuneration practices. These limitations may require us to further alter our remuneration practices in ways that could adversely affect our ability to attract and retain qualified and talented employees;

Current and future laws (including laws relating to immigration and outsourcing) may restrict our ability to move responsibilities or personnel from one jurisdiction to another. This may impact our ability to take advantage of business and growth opportunities or potential efficiencies;

(ag) our business is subject to the risk of loss associated with price volatility in the equity and other markets in which we operate.

We are exposed to changes in the value of financial instruments and other financial assets that are carried at fair market value, as well as changes to the level of our advisory and other fees, due to changes in interest rates, exchange rates, equity and commodity prices and credit spreads and other market risks. These changes may result from changes in economic conditions, monetary and fiscal policies, market liquidity, availability and cost of capital, international and regional political events, acts of war or terrorism, corporate, political or other scandals that reduce investor confidence in capital markets, natural disasters or pandemics or a combination of these or other factors.

We trade in foreign exchange, interest rate, commodity, bullion, energy, securities and other markets and are an active price maker in the derivatives market. Certain financial instruments that we hold and contracts to which we are a party are complex and these complex structured products often do not have readily available markets to access in times of liquidity stress. We may incur losses as a result of volatility in market prices for products we trade, which decreases the valuation of our trading and investment positions, including our interest rate and credit products, currency, commodity and equity positions. In addition, reductions in equity market prices or increases in interest rates may reduce the value of our clients' portfolios, which in turn may reduce the fees we earn for managing assets in certain parts of our business. Increases in interest rates or attractive prices for other investments could cause our clients to transfer their assets out of our funds or other products.

Interest rate benchmarks around the world (for example, the London Interbank Offered Rate or LIBOR) have been subject to regulatory scrutiny and are subject to change.

Interest rate risk arises from a variety of sources including mismatches between the repricing periods of assets and liabilities. As a result of these mismatches, movements in interest rates can affect earnings or the value of the Macquarie Group;

(ah) failure of third parties to honor their commitments in connection with our trading, lending and other activities may adversely impact our business.

We are exposed to the potential for credit-related losses as a result of an individual, counterparty or issuer being unable or unwilling to honor its contractual obligations. We are also exposed to potential concentration risk arising from large individual exposures or groups of exposures. Like any financial services organization, we assume counterparty risk in connection with our lending, trading, derivatives and other businesses where we rely on the ability of third parties to satisfy their financial obligations to us on a timely basis. Our recovery of the value of the resulting credit exposure may be adversely affected by a number of factors, including declines in the financial condition of the counterparty, the value of property we may hold as collateral and the market value of the counterparty instruments and obligations we hold. Credit losses can and have resulted in financial services organizations realizing significant losses and in some cases failing altogether. To the extent our credit exposure increases, it could have an adverse effect on our business and profitability if material unexpected credit losses occur;

(ai) failure to maintain our credit ratings and those of our subsidiaries could adversely affect our cost of funds, liquidity, competitive position and access to capital markets.

The credit ratings assigned to us and certain of our subsidiaries by rating agencies are based on an evaluation of a number of factors, including our ability to maintain a stable and diverse earnings stream, strong capital ratios, strong credit quality and risk management controls, funding stability and security, disciplined liquidity management and our key operating environments, including the availability of systemic support in Australia. In addition, a credit rating downgrade could be driven by the occurrence of one or more of the other risks identified in this section or by other events that are not related to the MBL Group.

If we fail to maintain our current credit ratings, this could (i) adversely affect our cost of funds and related margins, liquidity, competitive position, the willingness of counterparties to transact with us and our ability to access capital markets or (ii) trigger our obligations under certain bilateral provisions in some of our trading and collateralized financing contracts. Under these provisions, counterparties could be permitted to terminate contracts with us or require us to post additional collateral, which could cause us to sustain losses and impair our liquidity by requiring us to find other sources of financing or to make significant cash payments or securities movements;

(aj) our business operations expose us to potential tax liabilities that could have an adverse impact on our results of operations and our reputation.

We are exposed to risks arising from the manner in which the Australian and international tax regimes may be applied and enforced, both in terms of our own tax compliance and the tax aspects of transactions on which we work with clients and other third parties. Our international, multi-jurisdictional platform increases our tax risks. Any actual or alleged failure to comply with or any change in the interpretation, application or enforcement of applicable tax laws and regulations could adversely affect our reputation and affected business areas, significantly increase our own tax liability and expose us to legal, regulatory and other actions;

(ak) we may incur financial loss, adverse regulatory consequences or reputational damage due to inadequate or failure in internal or external operational systems and risk infrastructure, people and processes.

Our businesses depend on our ability to process and monitor, on a daily basis, a very large number of transactions, many of which are highly complex, across numerous and diverse markets in many currencies. While we employ a range of risk monitoring and risk mitigation techniques, those techniques and the judgments that accompany their application cannot anticipate every economic and financial outcome or the specifics and timing of such outcomes. As such, we may, in the course of our activities, incur losses. There can be no assurance that the risk management processes and strategies that we have developed will adequately anticipate or be effective in addressing market stress or unforeseen circumstances. We face the risk of operational failure, termination or capacity constraints of any of the counterparties, clearing agents, exchanges, clearing houses or other financial intermediaries we use to facilitate our securities or derivatives transactions, and as our interconnectivity with our clients and counterparties grows, the risk to us of failures in our clients' and counterparties' systems also grows. Our financial, accounting, data processing or other operating systems and facilities may fail to operate properly or become disabled as a result of events that are wholly or partially beyond our control.

We are subject to laws, rules and regulations regarding compliance with our privacy policies and the disclosure, collection, use, sharing and safeguarding of personally identifiable information, the violation of which could result in litigation, regulatory fines and enforcement actions. Furthermore, a breach, failure or other disruption of our data management systems and technology, or those of our third party service providers, could lead to the unauthorized or unintended release, misuse, loss or destruction of personal or confidential data about our customers, employees or other third parties in our possession, which could materially damage our reputation and expose us to liability for violations of privacy and data protection laws.

We are exposed to the risk of loss resulting from the failure of our internal or external processes and systems, such as from the disruption or failure of our IT systems, or from external suppliers and service providers including cloud-based outsourced technology platforms, or external events.

We are also exposed to the risk of loss resulting from the actions or inactions of our employees, contractors and external service providers. It is not always possible to deter or prevent employee misconduct and the precautions we take to prevent and detect this activity may not be effective in all cases, which could result in financial losses, regulatory intervention and reputational damage.

(al) a cyber attack, information or security breach, or a technology failure could adversely affect our ability to conduct our business, manage our exposure to risk or expand our businesses, result in the disclosure or misuse of confidential or proprietary information, and increase our costs.

Our businesses depend on the security and efficacy of our data management systems and technology, as well as those of third parties with whom we interact or on whom we rely. While we seek to operate in a control environment that limits the likelihood of a cyber and information security incident, and to ensure that the impact of a cyber and information security incident can be minimized by information security capability and incident response, there can be no assurances that our security control will provide absolute security against a changing external threat environment.

Cyber and information security risks for financial institutions have increased in recent years, in part because of the proliferation of new technologies, the use of internet and telecommunications technology and the increased sophistication and activities of attackers.

Despite efforts to protect the integrity of our systems and implement protective measures, we may not be able to anticipate all security breaches or implement preventive measures against such security breaches.

As a result of increasing consolidation, interdependence and complexity of financial entities and technology systems, a technology failure, cyber attack or other information or security breach that significantly degrades, deletes or compromises the systems or data of one or more financial entities could have a material impact on counterparties or other market participants, including us. Any third-party technology failure, cyber attack or other information or security breach, termination or constraint could adversely affect our businesses.

Cyber attacks or other information or security breaches, whether directed at us or third parties, may result in a material loss or have adverse consequences for MBL Group;

(am) we could suffer losses due to hostile, catastrophic or unforeseen events, including due to environmental and social factors.

Our businesses and assets are subject to the risk of unforeseen, hostile or catastrophic events, many of which are outside of our control, including natural disasters, extreme weather events, occurrence of diseases, leaks, spills, explosions, release of toxic substances, fires, accidents on land or at sea, terrorist attacks , military conflict including the current conflict between Russia and Ukraine, or other hostile or catastrophic events.

Any significant environmental change or external event (including increased frequency and severity of storms, floods and other catastrophic events such as earthquake, pandemic (such as COVID-19), other widespread health emergencies, civil unrest, geopolitical or terrorism events) has the potential to disrupt business activities, impact our operations or reputation, increase credit risk and other credit exposures, damage property and otherwise affect the value of assets held in the affected locations and our ability to recover amounts owing to us. In addition, we may implement measures to provide short term financial assistance to customers who are facing financial difficulties as a consequence of such environmental or social factors and may be unable to pay amounts due to us.

The occurrence of any such events may prevent us from performing under our agreements with clients, may disrupt our business activities, impair our operations or financial results, affect the value of assets held in the affected locations, and may result in litigation, regulatory action, negative publicity or other reputational harm. We may also not be able to obtain insurance to cover some of these risks and the insurance that we have may be inadequate to cover our losses.

Any such long-term, adverse environmental consequences could prompt us to exit certain businesses altogether. Such an event or environmental change (as the case may be) could have an adverse impact on economic activity, consumer and investor confidence, or the levels of volatility in financial markets.

We also face increasing public scrutiny, laws and regulations related to environmental and social factors. We risk damage to our brand and reputation if we fail to act responsibly in a number of areas, such as diversity and inclusion, environmental stewardship, support for local communities, corporate governance and transparency and considering environmental and social factors in our investment and procurement processes. Failure to effectively manage these risks may result in breaches of our statutory obligations and could adversely affect our business, prospects, reputation, financial performance or financial condition;

(an) we could suffer losses due to climate change.

Our businesses could also suffer losses due to climate change. Climate change is systemic in nature and is a significant long-term driver of both financial and non-financial risks. Climate change related impacts include physical risks from changing climatic conditions which could result from increased frequency and/or severity of adverse weather events. Such disasters could disrupt our operations or the operations of customers or third parties on which we rely. Additionally, climate change could result in transition risks such as changes to laws and regulations, technology development and disruptions and changes in consumer and market preferences. towards a low carbon economy. These factors could restrict the scope of our existing businesses, limit our ability to pursue certain business activities and offer certain products and services, amplify credit and market risks, negatively impact asset values and/or otherwise adversely impact us, our business or our customers. Our response to climate change, our climate strategies, policies and disclosure, and/or our ability to achieve our climate-related goals and commitments may affect MBL Group's performance and could have wide-ranging impacts for the MBL Group. These include, but are not limited to, impacts on the probability of default and losses arising from defaults, asset valuations and collateral, may result in litigation, regulatory scrutiny and/or action, negative publicity or other reputational harm or could prompt us to exit certain businesses altogether. Failure to effectively manage these risks could adversely affect our business, prospects, reputation, financial performance or financial condition.

(ao) conflicts of interest could limit our current and future business opportunities.

As we expand our businesses and our client base, we increasingly have to address potential or perceived conflicts of interest, including situations where our services to a particular client conflict with, or are perceived to conflict with, our own proprietary investments or other interests or with the interests of another client, as well as situations where one or more of our businesses have access to material non-public information that may not be shared with other businesses within the Macquarie Group. While we believe we have adequate procedures and controls in place to address conflicts of interest, including those designed to prevent the improper sharing of information among our businesses, appropriately dealing with conflicts of interest is complex and difficult, and our reputation could be damaged and the willingness of clients or counterparties to enter into transactions may be adversely affected if we fail, or appear to fail, to deal appropriately with conflicts of interest. In addition, potential or perceived conflicts could give rise to claims by and liabilities to clients, litigation or enforcement actions;

(ap) litigation and regulatory actions may adversely impact our results of operations.

We may, from time to time, be subject to material litigation and regulatory actions, for example, as a result of inappropriate documentation of contractual relationships, class actions or regulatory breaches, which, if they crystallize, may adversely impact upon our results of operations and financial condition in future periods or our reputation. We regularly obtain legal advice and make provisions, as deemed necessary. There is a risk that any losses may be larger than anticipated or provided for or that additional litigation, regulatory actions or other contingent liabilities may arise. Furthermore, even where monetary damages may be relatively small, an adverse finding in a regulatory or litigation matter could harm our reputation or brand, thereby adversely affecting our business;

(aq) we are subject to global economic, market and business risks with respect to the COVID-19 pandemic.

The COVID-19 pandemic caused, and will likely continue to cause, severe impacts on global, regional and national economies and disruption to international trade and business activity. Governments worldwide, enacted emergency measures to combat the spread of the virus, including wide ranging restrictions on, suspensions of, or advice against, regional and international travel, gatherings of groups of people, as well as prolonged closures of

workplaces and many other normal activities, all of which have had, and may continue to have, a substantial negative impact on economic and business activity due to a range of factors. While financial markets have rebounded from the significant declines that occurred early in the pandemic certain circumstances that arose or became more pronounced after the onset of the COVID-19 pandemic have persisted, including (i) relatively weak consumer confidence; (ii) elevated levels of market volatility; (iii) yields on government bonds which, at times, were near zero; (iv) ongoing heightened credit risk with regard to industries that have been most severely impacted by the pandemic; (v) higher cyber security, information security and operational risks as a result of hybrid work arrangements; and (vi) interruptions in the supply chain that have adversely affected many businesses and have contributed to higher rates of inflation. This may in turn reduce the level of activity in sectors in which certain of our businesses operate and thus have a negative impact on such businesses' ability to generate revenues or profits.

Governments and central banks around the world have taken increased measures to stabilize the financial markets and support economic growth. If the COVID-19 pandemic is prolonged and/or actions of governments and central banks are unsuccessful in mitigating the economic disruption, the negative impact on global growth and global financial markets could be amplified, and may lead to recessions in national, regional or global economies.

We continue to closely monitor the pandemic and related risks as they evolve globally and domestically. The impact of COVID-19 on the economy and our personnel and operations is highly uncertain and cannot be predicted and will depend on the magnitude and duration of the pandemic, the emergence and spread of variants of COVID-19, the prevalence of escalating rates of infection in various jurisdictions, the availability, adoption and efficacy of treatments and vaccines, future actions taken by government authorities, central banks and other third parties in response to the pandemic. All these factors may lead to further reduced client activity and demand for our products and services, higher credit and valuation losses in our loan and investment portfolios, impairments of financial assets, trading losses and other negative impacts on our financial position, including possible constraints on capital and liquidity, as well as higher costs of capital, and possible changes or downgrades to our credit ratings. If conditions deteriorate or remain uncertain for a prolonged period, our funding costs may increase and our ability to replace maturing liabilities may be limited, which could adversely affect our ability to fund and grow our business. This may adversely impact our results of operations and financial condition.

(ar) we may not manage risks associated with the replacement of benchmark indices effectively.

LIBOR and other interest rate benchmarks (collectively, the "**IBORs**") have been the subject of ongoing national and international regulatory scrutiny and reform. The transition away from and discontinuance of LIBOR or any other benchmark rate and the adoption of alternative reference rates ("**ARR**") by the market introduce a number of risks for us, our clients, and the financial services industry more widely. These include, but are not limited to:

(i) Conduct risks – where, by undertaking actions to transition away from using the IBORs, we face conduct risks which may lead to client complaints, regulatory sanctions or reputational impact if the MBL Group is (1) considered to be undertaking market activities that are manipulative or create a false or misleading impression; (2) misusing sensitive information or not identifying or appropriately managing or mitigating conflicts of interest; (3) not taking an appropriate or consistent response to remediation activity or customer complaints; or (4) providing regulators with inaccurate regulatory reporting.

(ii) Legal and execution risks – relating to documentation changes required for new ARR products and for the transition of legacy contracts to ARRs, which transition will, in turn, depend, to a certain extent, on the availability of ARR products and on the participation of customers and third-party market participants in the transition process; legal proceedings or other actions regarding the interpretation and

enforceability of provisions in IBOR-based contracts; and regulatory investigations or reviews in respect of our preparation and readiness for the replacement of IBOR with alternative reference rates.

(iii) Financial risks and pricing risks – arising from: (1) any changes in the pricing mechanisms of financial instruments linked to IBOR or ARRs which could impact the valuations of these instruments; and (2) the implementation of the International Swaps and Derivatives Association's protocol for the transition of derivatives contracts, and similar guidance for cash products which could cause earnings volatility depending on the nature of contract modifications and changes in hedge accounting.

(iv) Operational risks – due to the potential need for us, our clients and the market to adapt technology systems, operational processes and controls to accommodate one or more ARRs for a large volume of trades.

Any of these factors may have a material adverse effect on MBL Group's business, results of operations, financial condition and prospects.

(as) Investors should note that they are exposed to an exchange rate risk as the Warrants will be issued and traded in Singapore dollars while the underlying shares are traded in Hong Kong dollars and the Cash Settlement Amount is converted from a foreign currency into Singapore dollars. The value of the Warrants may therefore be affected by, amongst other factors, the relative exchange rates of the Singapore dollar and the Hong Kong dollars. Exchange rates between currencies are determined by forces of supply and demand in the foreign exchange markets. These forces are, in turn, affected by factors such as international balances of payments and other economic and financial conditions, government intervention in currency markets and currency trading speculation. Fluctuations in foreign exchange rates, foreign political and economic developments, and the imposition of exchange controls or other foreign governmental laws or restrictions applicable to such investments may affect the foreign currency market price and the exchange rate-adjusted equivalent price of the Warrants. Fluctuations in the exchange rate of any one currency may be offset by fluctuations in the exchange rate of other relevant currencies.

(at) The price of the Share is published during the trading hours of the Relevant Stock Exchange. The trading days and hours of the Relevant Stock Exchange are different from that of the SGX-ST. In assessing the price of the Warrants, you should be aware of the differences in the time zone and the actual trading days and hours of the relevant exchanges in Singapore and Hong Kong. For example, the price of the Share may be volatile during which the Stock SGX-ST is not open for trading of the Warrants. There may also be certain period of time during the trading hours of the SGX-ST when the prices of the Shares are not available. The market maker will not be able to provide liquidity for the Warrants during such times.

INFORMATION RELATING TO THE COMPANY

All information contained in this document regarding the Company, including, without limitation, its financial information, is derived from publicly available information. The Issuer has not independently verified any of such information.

Tencent Holdings Limited (the "**Company**") operates as a holding company. The Company, through its subsidiaries, provides social networking, music, web portals, e-commerce, mobile games, Internet services, payment systems, entertainment, artificial intelligence, and technology solutions. Tencent Holdings serves customers worldwide.

The information set out in Appendix I of this document relates to the unaudited consolidated financial statements of the Company and its subsidiaries for the three and nine months ended 30 September 2022 and has been extracted and reproduced from an announcement by the Company dated 16 November 2022 in relation to the same. Further information relating to the Company may be located on the Company's web-site at http://www.tencent.com/.

INFORMATION RELATING TO THE DESIGNATED MARKET MAKER

Macquarie Capital Securities (Singapore) Pte. Limited ("**MCSSP**") has been appointed the designated market maker ("**DMM**") for the Warrants. The DMM will provide competitive buy and sell quotes for the Warrants continuously during the trading hours of the SGX-ST on the following basis:

(a)	Maximum bid and offer spread	:	10 times the minimum permitted price movement in the Warrants in accordance with the rules of the SGX-ST or SGD 0.20, whichever is the greater
(b)	Minimum quantity subject to bid and offer spread	:	10,000 Warrants
(c)	Last Trading Day for Market Making	:	The date falling five Business Days immediately preceding the Expiry Date, provided that if such day is not a day on which HKEX is open for dealings during its normal trading hours ("HK Business Day"), the Business Day immediately preceding such day which is also a HK Business Day

Quotations will/may however not be provided by the DMM in the following circumstances:

(i) during the pre-market opening and five minutes following the opening of the SGX-ST on any trading day;

(ii) if the Warrant is valueless (where the Issuer's bid price is below the minimum bid size for such securities as prescribed by the SGX-ST);

(iii) when trading in the Shares is suspended or limited in a material way (including price quote limits activated by the relevant exchange or otherwise); for the avoidance of doubt, the DMM is not obliged to provide quotations for the Warrants at any time when the shares or securities relating to or constituting the Index are not traded for any reason;

(iv) when the Issuer or DMM faces technical problems affecting the ability of the DMM to provide the bid and offer prices;

(v) when the ability of the Issuer to source a hedge or unwind an existing hedge, as determined by the Issuer in good faith, is materially affected by the prevailing market conditions. The Issuer will inform the SGX-ST of its inability to do so as soon as practicable;

(vi) in cases where the Issuer has no Warrants to sell, the DMM will only provide the bid price;

(vii) when the stock market experiences exceptional price movements and volatility; and

(viii) when it is a public holiday in Singapore or Hong Kong and the SGX-ST or HKEX is not open for dealings.

History and Business

MCSSP holds a Capital Markets Services License issued by the Monetary Authority of Singapore and is a trading member of SGX-ST as well as a Clearing Member of the CDP. Under the Capital Markets

Services License, MCSSP is permitted to deal in securities and provide custodial services as well as act as an exempt financial adviser. Its principal activities are those relating to the provision of stock and share broking services, prescribed under the rules and regulations of the SGX-ST, and related securities research services. MCSSP is a wholly owned subsidiary of Macquarie Group Holdings (Singapore) Pte. Limited and its ultimate holding company is Macquarie Group Limited.

SUPPLEMENTAL INFORMATION RELATING TO THE ISSUER

The Macquarie Bank Limited Interim Directors' Report and Financial Report for the half-year ended 30 September 2022 is set out in Appendix II of this document. References to page numbers in Appendix II are to page numbers of the Macquarie Bank Limited Interim Directors' Report and Financial Report. Copies of the Macquarie Bank Limited Interim Directors' Report and Financial Report can be obtained at the office of Macquarie Capital Securities (Singapore) Pte. Limited at 9 Straits View #21-07 Marina One West Tower Singapore 018937, and viewed at www.macquarie.com.au.

For more information on the Issuer, please see www.macquarie.com.

Queries regarding the Warrants may be directed to 1800 288 2880 (Toll Free) or +65 6601 0289 (International) or info@warrants.com.sg.

SALE

General

No action has been or will be taken by the Issuer that would permit a public offering of the Warrants or possession or distribution of any offering material in relation to the Warrants in any jurisdiction where action for that purpose is required. No offers, sales or deliveries of any Warrants, or distribution of any offering material relating to the Warrants may be made in or from any jurisdiction except in circumstances which will result in compliance with any applicable laws or regulations and will not impose any obligation on the Issuer. In the event that the Issuer contemplates a placing, placing fees may be payable in connection with the issue and the Issuer may at its discretion allow discounts to placees.

European Economic Area

Please note that in relation to EEA states, additional selling restrictions may apply in respect of any specific EEA state.

The Warrants are not offered, sold or otherwise made available and will not be offered, sold, or otherwise made available under this document to any retail investor in the European Economic Area. Consequently no key information document required by Regulation (EU) No 1286/2014 (the " **PRIIPs Regulation**") for offering or selling the Warrants or otherwise making them available to retail investors in the European Economic Area has been prepared and therefore offering or selling the Warrants or otherwise making them available to any retail investor in the European Economic Area may be unlawful under the PRIIPS Regulation. For the purposes of this provision:

(a) the expression "**retail investor**" means a person who is one (or more) of the following:

(i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "**MiFID II**"); or

(ii) a customer within the meaning of Directive 2016/97/EU (as amended, the Insurance Distribution Directive), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or

(iii) not a qualified investor as defined in Regulation (EU) 2017/1129 (as amended and superseded the "**Prospectus Regulation**"); and

(b) the expression "**offer**" includes the communication in any form and by any means of sufficient information on the terms of the offer and the Warrants to be offered so as to enable an investor to decide to purchase or subscribe the Warrants.

United Kingdom

Each dealer has represented and agreed, and each further dealer appointed in respect of the Warrants will be required to represent and agree, that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Warrants which are the subject of the offering contemplated by this Base Listing Document to any retail investor in the United Kingdom.

For the purposes of this provision:

(a) the expression "retail investor" means a person who is one (or more) of the following:

(i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 (" **EUWA**"); or

(ii) a customer within the meaning of the provisions of the Financial Services and Markets Act, as amended (the "**FSMA**") and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA; or

(iii) not a qualified investor as defined in Article 2 of Regulation (EU) 2017/1129 as it forms part of domestic law by virtue of the EUWA; and

(b) the expression an "offer" includes the communication in any form and by any means of sufficient information on the terms of the offer and the Warrants to be offered so as to enable an investor to decide to purchase or subscribe for the Warrants.

Each dealer has represented and agreed, and each further dealer appointed in respect of the Warrants will be required to represent and agree, that:

(a) in respect of Warrants having a maturity of less than one year: (i) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business; and (ii) it has not offered or sold and will not offer or sell any Warrants other than to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses where the issue of the Warrants would otherwise constitute a contravention of Section 19 of the FSMA, by us;

(b) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) received by it in connection with the issue or sale of the Warrants in circumstances in which section 21(1) of the FSMA does not apply to the Issuer; and

(c) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Warrants in, from or otherwise involving the United Kingdom.

United States of America

The Warrants have not been, and will not be, registered under the Securities Act. Subject to certain exceptions, Warrants, or interests therein, may not at any time be offered, sold, resold or delivered, directly or indirectly, in the United States or to, or for the account or benefit of, any U.S. person or to others for offering, sale or resale in the United States or to any such U.S. person. Offers and sales of Warrants, or interests therein, in the United States or to U.S. persons would constitute a violation of United States securities laws unless made in compliance with registration requirements of the Securities Act or pursuant to an exemption therefrom. As used herein, "**United States**" means the United States of America (including the States and the District of Columbia), its territories, its possessions and other areas subject to its jurisdiction; and "**U.S. person**" means any citizen or resident of the United States, including any corporation, partnership or other entity created or organised in or under the laws of the United States or of any political subdivision thereof, any estate or trust the income of which is subject to United States income taxation regardless of its source, and any other "**U.S. person**" as such term is defined in Regulation S under the Securities Act.

Singapore

This document has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, this document and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of Warrants may not be circulated or distributed, nor may Warrants be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than pursuant to, and in accordance with the conditions of, any applicable provision of the Securities and Futures Act 2001 of Singapore.

Hong Kong

Each distributor, purchaser or subscriber of the Warrants has represented and agreed that it has not issued or had in its possession for the purposes of issue, and will not issue, or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Warrants, which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Warrants which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong and any rules made under that Ordinance.

Commonwealth of Australia

This document is not a prospectus, product disclosure statement or any other disclosure document for the purposes of the Corporations Act 2001 (Cth) (the "**Act**"). This document has not been, and will not be, lodged with the Australian Securities and Investments Commission, ASX Limited or any other government agency in Australia. Each Warrantholder will be required to represent and agree that, unless the applicable final terms otherwise provides, it:

(a) has not offered or invited applications, and will not make any offer, or invite applications, for the issue, sale or purchase of any Warrant in Australia (including an offer or invitation which is received by a person in Australia); and

(b) has not distributed or published, and will not distribute or publish, this document, any addendum to the Base Listing Document and this document or any other offering material or advertisement relating to any Warrant in Australia,

Unless:

(a) the offeree or invitee is a "wholesale client", "sophisticated investor" or "professional investor" (as defined in the Act);

(b) the minimum aggregate consideration payable by each offeree or invitee is at least A$500,000 (or its equivalent in other currencies but disregarding moneys lent by the offeror or its associates); or

(c) the offer or invitation otherwise does not require disclosure to investors in accordance with Part 6D.2 or Chapter 7 of the Act.

Section 708(19) of the Act provides that an offer of debentures for issue or sale does not need disclosure to investors under Part 6D.2 of the Act if the issuer is an Australian ADI. As at the date of this document, the Issuer is an ADI.

SUPPLEMENTAL GENERAL INFORMATION

The information set out herein is supplemental to, and should be read in conjunction with, the information set out on page 121 of the Base Listing Document.

1. Settlement of trades done on a normal “ready basis” on the SGX-ST generally takes place on the second Business Day following the transaction. Dealing in the Warrants will take place in Board Lots in Singapore dollars. For further details on the transfer of Warrants and their exercise, please refer to the section headed “Summary of the Issue” above.

2. It is not the current intention of the Issuer to apply for a listing of the Warrants on any stock exchange other than the SGX-ST.

3. The Issuer is an indirect subsidiary of Macquarie Group Limited. Macquarie Group Limited, with its controlled entities ("**Macquarie Group**"), is a large diversified Australian-based financial institution with a long and successful history. Like any financial institution, Macquarie Group has been subject to lawsuits.

   There are no, nor have there been, any governmental, legal or arbitration proceedings (including any proceedings which are pending or threatened of which Macquarie Bank or the Macquarie Group is aware) in the 12 month period prior to the date of this document which may have or have had a significant effect on the financial position or profitability of Macquarie Bank.

4. To the best of the Issuer's knowledge, there has been no adverse change, material in the context of the issue of the Warrants, in the financial position of the Issuer since 30 September 2022.

5. The following contracts, relating to the issue of the Warrants, have been or will be entered into by the Issuer and may be material to the issue of the Warrants:

   (a) the Master Instrument; and

   (b) the Warrant Agent Agreement.

   None of the directors of the Issuer has any direct or indirect interest in any of the above contracts.

6. The Warrants are not fully covered by Shares held by Issuer or a trustee for and on behalf of the Issuer. The Issuer has appropriate risk management capabilities to manage the issue of the Warrants.

7. Copies of the following documents may be inspected during usual business hours on any weekday (Saturdays, Sundays and holidays excepted) at the office of Macquarie Capital Securities (Singapore) Pte. Limited at 9 Straits View, #21-07 Marina One West Tower, Singapore 018937, until the expiry of the Warrants:

   (a) the Constitution of the Issuer;

   (b) the 2021 and 2022 annual reports of the Issuer and the unaudited half-year financial statements of the Issuer;

   (c) the Master Instrument;
   (d) the Warrant Agent Agreement; and

(e) the Base Listing Document.

APPENDIX I

REPRODUCTION OF THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE THRESS AND NINE MONTHS ENDED 30 SEPTEMBER 2022 OF TENCENT HOLDINGS LIMITED AND ITS SUBSIDIARIES

The information set out below is a reproduction of the unaudited consolidated financial statements of the Company and its subsidiaries for the three and nine months ended 30 September 2022 and has been extracted and reproduced from an announcement by the Company dated 16 November 2022 in relation to the same.

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.

TENCENT HOLDINGS LIMITED
騰訊控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 700)

ANNOUNCEMENT OF THE RESULTS FOR THE THREE AND NINE MONTHS ENDED 30 SEPTEMBER 2022

The Board is pleased to announce the unaudited consolidated results of the Group for the three and nine months ended 30 September 2022. The Interim Financial Information of the Group has been reviewed by the Auditor in accordance with International Standard on Review Engagements 2410 "Review of interim financial information performed by the independent auditor of the entity" issued by the International Auditing and Assurance Standards Board, and by the Audit Committee.

FINANCIAL PERFORMANCE HIGHLIGHTS

	Unaudited				
	Three months ended				
	30 September 2022	30 September 2021	Year-on-year change	30 June 2022	Quarter-on-quarter change
	(RMB in millions, unless specified)				
Revenues	**140,093**	142,368	-2%	134,034	5%
Gross profit	**61,983**	62,747	-1%	57,867	7%
Operating profit	**51,593**	53,137	-3%	30,067	72%
Profit for the period	**38,842**	40,075	-3%	19,230	102%
Profit attributable to equity holders of the Company	**39,943**	39,510	1%	18,619	115%
EPS (RMB per share)					
– basic	**4.187**	4.143	1%	1.951	115%
– diluted	**4.104**	4.074	1%	1.915	114%
Non-IFRS operating profit	**40,907**	40,828	stable	36,667	12%
Non-IFRS profit attributable to equity holders of the Company	**32,254**	31,751	2%	28,139	15%
Non-IFRS EPS (RMB per share)					
– basic	**3.381**	3.329	2%	2.949	15%
– diluted	**3.306**	3.269	1%	2.896	14%

	Unaudited Nine months ended		
	30 September 2022	30 September 2021	Year-on-year change
	(RMB in millions, unless specified)		
Revenues	**409,598**	415,930	-2%
Gross profit	**176,924**	188,127	-6%
Operating profit	**118,877**	161,897	-27%
Profit for the period	**81,805**	132,105	-38%
Profit attributable to equity holders of the Company	**81,975**	129,864	-37%
EPS (RMB per share)			
– basic	**8.595**	13.634	-37%
– diluted	**8.398**	13.313	-37%
Non-IFRS operating profit	**114,112**	126,388	-10%
Non-IFRS profit attributable to equity holders of the Company	**85,938**	98,908	-13%
Non-IFRS EPS (RMB per share)			
– basic	**9.010**	10.384	-13%
– diluted	**8.796**	10.142	-13%

OPERATING INFORMATION

	As at 30 September 2022	As at 30 September 2021	Year-on-year change	As at 30 June 2022	Quarter-on-quarter change
		(in millions, unless specified)			
Combined MAU of Weixin and WeChat	**1,308.9**	1,262.6	3.7%	1,299.1	0.8%
Mobile device MAU of QQ	**574.4**	573.7	0.1%	568.7	1.0%
Fee-based VAS registered subscriptions	**228.7**	235.4	-2.8%	234.7	-2.6%

BUSINESS REVIEW AND OUTLOOK

During the third quarter, we started to benefit from the adjustments that we have made to reposition ourselves for a new industry paradigm. We activated in-feed advertisements in Video Accounts, achieved breakthroughs in international games publishing, and executed cost efficiency initiatives which re-focused us on core activities and controlled our cost growth. As a result, we achieved year-over-year growth in non-IFRS earnings after four quarters of decline. Leveraging our extensive user reach and products such as Mini Programs and Tencent Meeting, we served society in critical use cases and assisted digitalisation of offline industries. Our resilient businesses, diversified cash flows, sizeable cash balance and substantial investment portfolio enable us to invest in strategic growth areas and innovation, while at the same time returning capital to shareholders. We will distribute the large majority of our Meituan shareholding, which has generated significant returns, both strategically and financially. Below are some highlights from our key products and business lines during the reporting quarter:

Communication and Social

We leveraged the extensive reach of Weixin and the ease of use of Mini Programs to assist the real economy. Within Mini Programs, we accommodated more commerce and municipal service use cases. Mini Programs' DAU surpassed 600 million, representing an increase of over 30% year-on-year. Mini Programs' daily activations grew even faster, by over 50% year-on-year. We deepened the adoption of Mini Programs in key commerce categories such as food and beverage, apparel, and department stores, where offline merchants and brands are increasingly integrating their membership and loyalty programs, and building multi-channel retailing with Mini Programs. The Health Code Mini Programs helped users verify their health and travel status with over 320 billion visits year-to-date[1].

For QQ, we collaborated with brands, such as Gucci and KFC, to launch their virtual spaces within Super QQ Show, where they can provide immersive interactions for users. We enabled users to showcase and share their personalised party rooms with the broader community.

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[1] During the period from 1Q 2022 to 3Q 2022

Digital Content

Our fee-based VAS subscriptions decreased by 3% year-on-year to 229 million. For Tencent Video, subscriptions declined moderately to 120 million due to content scheduling delays, while ARPU increased due to our initiative in adjusting membership pricing. We released popular self-commissioned drama series such as Love Like The Galaxy, which ranked first by video views across all online platforms in China[2].

Domestic Games

With the implementation of our world-leading Minor protection program, we have become fully compliant with China regulations, and fostered a healthier industry environment. Time spent from Minors decreased by 92% year-on-year, and constituted 0.7% of our Domestic Games' total time spent in July 2022. We demonstrated resilience in our adult user base and user engagement, as the industry lapped the impact of Minor protection measures implemented in September 2021. For September 2022, our combined PC and mobile games DAU of adult users increased by a double-digit percentage year-on-year growth rate, while total time spent on our PC and mobile games by adult users increased by a single-digit percentage year-on-year growth rate.

We are successfully extending the longevity of our leading game franchises, such as CrossFire. We published the original CrossFire PC game 14 years ago. As a result of our innovation in areas such as its player versus environment mode and ranked mode, CrossFire remains the leading FPS game on PC in China, achieving a high single-digit percentage year-on-year growth in its grossing receipts in the first nine months of this year. In 2015, we published CrossFire Mobile, developed by TiMi Studio Group, which significantly expanded the franchise's overall player base in China, and which currently remains one of the top 10 mobile games by time spent and grossing receipts in China[3], even after we launched a number of other successful FPS games.

International Games

In games development, we are extending the success of our market-leading internally developed franchises. Riot Games applied its experience as the industry pioneer in eSports to drive VALORANT Champions tournament as the most watched eSports event in the tactical shooter genre[4], expanding VALORANT's fanbase and achieving record-high grossing receipts for the game during the third quarter of 2022. In October 2022, Supercell released the biggest-ever content update for Clash of Clans, boosting user engagement and in-game consumption. Clash of Clans has generally ranked as the top mobile strategy game internationally by annual grossing receipts since its launch in 2012, and maintained the number one position year-to-date in 2022[5].

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2 Source: Enlightent, 3Q 2022

3 Source: by time spent according to QuestMobile and by grossing receipts according to data.ai, 3Q 2022

4 Source: by hours watched according to Esports Charts, 3Q 2022

5 Source: data.ai, during the period from 1 January, 2022 to 14 November, 2022

In games publishing, we achieved breakthroughs with the successful release of two new titles, showcasing the capabilities of our global brand Level Infinite in localised content marketing and user community management. Tower of Fantasy, an open world MMORPG we released in August 2022, was the second highest-ranked MMORPG by DAU internationally in the quarter[6]. Tower of Fantasy achieved commercial success in the most competitive markets, ranking first by grossing receipts among MMORPG in Japan and second in the United States[6]. On 4 November, 2022, we launched GODDESS OF VICTORY: NIKKE, a sci-fi RPG shooter with anime graphics, which ranked first by grossing receipts internationally across all mobile games[7]. GODDESS OF VICTORY: NIKKE was developed by Shift Up, a Korean studio in which we are an investor, and demonstrates our ability to support small sized creative teams via our publishing expertise and resources.

Online Advertising

For Video Accounts, we saw robust advertising demand for in-feed advertisements, particularly from the FMCG category. Advertising in Video Accounts is complementary and incremental to our existing advertising revenue. Excluding Video Accounts, Weixin's advertising revenue grew year-on-year, with rapid growth from Mini Programs.

FinTech

Our commercial payment volume posted double-digit year-on-year growth during the third quarter of 2022, with notable expansion in categories such as groceries, dining services and transportation.

Cloud and Other Business Services

As we scaled back loss-making activities and focused on internally developed products, revenue declined slightly year-on-year, but gross profit increased significantly year-on-year. We are actively assisting non-Internet industries to embrace digital transformation, boosting our revenue contributions from historically offline industries. For example, Tencent Cloud Enterprise enables customers such as banks and municipalities that prefer to host data on private clouds to integrate and deploy our public cloud products within their private clouds, meeting their needs for security and compliance. Public sector organisations, such as hospitals and schools, are increasingly using our key SaaS tools, facilitating efficient collaboration and online education.

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6 Source: data.ai, 3Q 2022

7 Source: data.ai, during the period from 4 November, 2022 to 14 November, 2022

Third Quarter of 2022 Compared to Third Quarter of 2021

The following table sets forth the comparative figures for the third quarter of 2022 and the third quarter of 2021:

	Unaudited Three months ended	
	30 September 2022	30 September 2021
	(RMB in millions)	
Revenues	**140,093**	142,368
Cost of revenues	**(78,110)**	(79,621)
Gross profit	**61,983**	62,747
Interest income	**2,328**	1,703
Other gains, net	**20,886**	22,984
Selling and marketing expenses	**(7,124)**	(10,435)
General and administrative expenses	**(26,480)**	(23,862)
Operating profit	**51,593**	53,137
Finance costs, net	**(1,950)**	(1,942)
Share of profit/(loss) of associates and joint ventures, net	**(3,697)**	(5,668)
Profit before income tax	**45,946**	45,527
Income tax expense	**(7,104)**	(5,452)
Profit for the period	**38,842**	40,075
Attributable to:		
Equity holders of the Company	**39,943**	39,510
Non-controlling interests	**(1,101)**	565
	38,842	40,075
Non-IFRS operating profit	**40,907**	40,828
Non-IFRS profit attributable to equity holders of the Company	**32,254**	31,751

Revenues. Revenues decreased by 2% to RMB140.1 billion for the third quarter of 2022 on a year-on-year basis. The following table sets forth our revenues by line of business for the third quarter of 2022 and the third quarter of 2021:

	Unaudited			
	Three months ended			
	30 September 2022		30 September 2021	
	Amount	**% of total revenues**	Amount	% of total revenues
	(RMB in millions, unless specified)			
VAS	**72,727**	**52%**	75,203	53%
Online Advertising	**21,443**	**15%**	22,495	16%
FinTech and Business Services	**44,844**	**32%**	43,317	30%
Others	**1,079**	**1%**	1,353	1%
Total revenues	**140,093**	**100%**	142,368	100%

– Revenues from VAS[8] decreased by 3% to RMB72.7 billion for the third quarter of 2022 on a year-on-year basis. International Games revenues increased by 3% to RMB11.7 billion, or 1% in constant currency terms, amid the ongoing industry normalisation post-COVID. During the quarter, we saw robust growth from VALORANT, the successful launch of Tower of Fantasy, and an expanded game portfolio at Miniclip, versus decreased revenue from PUBG Mobile. Domestic Games revenues decreased by 7% to RMB31.2 billion, as transitional industry challenges resulted in lower paying user counts. By title, we saw decreased revenues from Honour of Kings and Peacekeeper Elite influenced by the Minor protection measures which took effect from September 2021 onward, versus incremental revenues from recently launched League of Legends: Wild Rift, Return to Empire, and League of Legends Esports Manager. Social Networks revenues decreased by 2% to RMB29.8 billion, reflecting increased revenues from our Video Accounts live streaming service and music subscription service, versus decreased revenues from music- and games-related live streaming services and our video subscription service.

[8] Mobile games VAS revenues (including mobile games revenues attributable to our Social Networks business) decreased by 4% year-on-year to RMB41 billion, while PC client games revenues were broadly stable at RMB11.7 billion, for the third quarter of 2022.

– Revenues from Online Advertising decreased by 5% to RMB21.5 billion for the third quarter of 2022 on a year-on-year basis. The rate of year-on-year decline narrowed from the previous quarter, driven by the improvement of games, eCommerce and FMCG categories, as well as the lapping of certain industry-specific headwinds from 2021. Social and Others Advertising revenues decreased by 1% to RMB18.9 billion, reflecting continued weakness in certain ad categories, offset by strong demand for our Video Accounts in-feed ads. Media Advertising revenues decreased by 26% to RMB2.6 billion, reflecting lower advertising revenue from Tencent Video, primarily due to fewer releases of popular drama series, and to comparison versus Tokyo Olympic Games in the same period last year.

– Revenues from FinTech and Business Services grew by 4% to RMB44.8 billion for the third quarter of 2022 on a year-on-year basis. FinTech Services revenue growth was higher than the previous quarter, benefitting from the recovery of online and offline commercial payment activities. Business Services revenues decreased slightly year-on-year, reflecting our continued efforts to scale back loss-making activities.

Cost of revenues. Cost of revenues decreased by 2% to RMB78.1 billion for the third quarter of 2022 on a year-on-year basis, reflecting more disciplined spending on channel and distribution costs, cloud project deployment costs, as well as content costs, versus increased server and bandwidth costs particularly those associated with the growth of our Video Accounts services. As a percentage of revenues, cost of revenues was 56% for the third quarter of 2022, broadly stable compared to the third quarter of 2021, reflecting the benefits from the efficiency measures implemented across our organisation, versus our continued investments in key strategic areas, most notably Video Accounts services. The following table sets forth our cost of revenues by line of business for the third quarter of 2022 and the third quarter of 2021:

	Unaudited			
	Three months ended			
	30 September 2022		30 September 2021	
	Amount	**% of segment revenues**	Amount	% of segment revenues
	(RMB in millions, unless specified)			
VAS	**35,139**	**48%**	35,344	47%
Online Advertising	**11,506**	**54%**	12,051	54%
FinTech and Business Services	**29,902**	**67%**	30,955	71%
Others	**1,563**	**145%**	1,271	94%
Total cost of revenues	**78,110**		79,621	

– Cost of revenues for VAS decreased by 1% to RMB35.1 billion for the third quarter of 2022 on a year-on-year basis, reflecting increases in revenue sharing costs associated with the growth of our Video Accounts live streaming service, and VALORANT eSports events production costs, versus decreases in revenue sharing costs associated with music- and games-related live streaming services, and optimised channel and distribution costs.

– Cost of revenues for Online Advertising decreased by 5% to RMB11.5 billion for the third quarter of 2022 on a year-on-year basis, reflecting more tightly controlled content costs, channel and distribution costs associated with our mobile advertising network, versus increased server and bandwidth costs associated with our Video Accounts.

– Cost of revenues for FinTech and Business Services decreased by 3% to RMB29.9 billion for the third quarter of 2022 on a year-on-year basis, primarily due to our decreased cloud project deployment costs as we scaled back loss-making activities, and decreased server and bandwidth costs associated with Business Services as a result of our efficiency measures.

Other gains, net. We recorded net other gains of RMB20.9 billion for the third quarter of 2022, which were primarily non-IFRS adjustment items such as net gains on deemed disposals and disposals of certain investee companies (including a RMB41.3 billion gain from the deemed disposal of Sea Limited), net fair value losses from revaluation of certain investee companies, and impairment provisions against certain investee companies in verticals such as online entertainment and FinTech.

Selling and marketing expenses. Selling and marketing expenses decreased by 32% to RMB7.1 billion for the third quarter of 2022 on a year-on-year basis, reflecting more disciplined spending on marketing activities across our organisation, particularly for our digital content services, Business Services, games and utility products. As a percentage of revenues, selling and marketing expenses decreased to 5% for the third quarter of 2022 from 7% for the third quarter of 2021.

General and administrative expenses. General and administrative expenses increased by 11% to RMB26.5 billion for the third quarter of 2022 on a year-on-year basis, reflecting increased R&D expenses, staff costs, as well as operating lease and office expenses.

Finance costs, net. Net finance costs were RMB2 billion for the third quarter of 2022, broadly stable compared to the same period last year, reflecting increases in foreign exchange gains largely offset by increases in interest expenses.

Share of profit/(loss) of associates and joint ventures, net. We recorded share of losses of associates and joint ventures of RMB3.7 billion for the third quarter of 2022, compared to share of losses of RMB5.7 billion for the third quarter of 2021. Non-IFRS share of profits of associates and joint ventures was RMB2.4 billion for the third quarter of 2022, compared to non-IFRS share of losses of RMB0.3 billion for the third quarter of 2021. The change primarily reflected improved profitability at certain domestic associates as a result of their cost optimisation measures.

Income tax expense. Income tax expense increased by 30% to RMB7.1 billion for the third quarter of 2022 on a year-on-year basis, reflecting our provision of withholding tax during the quarter.

Profit attributable to equity holders of the Company. Profit attributable to equity holders of the Company increased by 1% to RMB39.9 billion for the third quarter of 2022 on a year-on-year basis. Non-IFRS profit attributable to equity holders of the Company increased by 2% to RMB32.3 billion for the third quarter of 2022, reflecting our business rationalisation and cost efficiency initiatives, as well as associates' net contribution turning from losses to profits.

Third Quarter of 2022 Compared to Second Quarter of 2022

The following table sets forth the comparative figures for the third quarter of 2022 and the second quarter of 2022:

	Unaudited	
	Three months ended	
	30 September 2022	30 June 2022
	(RMB in millions)	
Revenues	**140,093**	134,034
Cost of revenues	**(78,110)**	(76,167)
Gross profit	**61,983**	57,867
Interest income	**2,328**	1,945
Other gains, net	**20,886**	4,420
Selling and marketing expenses	**(7,124)**	(7,932)
General and administrative expenses	**(26,480)**	(26,233)
Operating profit	**51,593**	30,067
Finance costs, net	**(1,950)**	(1,809)
Share of profit/(loss) of associates and joint ventures, net	**(3,697)**	(4,460)
Profit before income tax	**45,946**	23,798
Income tax expense	**(7,104)**	(4,568)
Profit for the period	**38,842**	19,230
Attributable to:		
Equity holders of the Company	**39,943**	18,619
Non-controlling interests	**(1,101)**	611
	38,842	19,230
Non-IFRS operating profit	**40,907**	36,667
Non-IFRS profit attributable to equity holders of the Company	**32,254**	28,139

Revenues. Revenues increased by 5% to RMB140.1 billion for the third quarter of 2022 on a quarter-on-quarter basis.

– Revenues from VAS increased by 1% to RMB72.7 billion. International Games revenues increased by 9% to RMB11.7 billion, driven by the successful launch of Tower of Fantasy and the robust performance of VALORANT. Domestic Games revenues decreased by 2% to RMB31.2 billion, reflecting incremental revenues from newly launched League of Legends Esports Manager and Arena Breakout, versus decreased revenues from certain existing titles. Social Networks revenues increased by 2% to RMB29.8 billion, reflecting increased revenues from our music and video subscription services and Video Accounts live streaming service, versus decreased revenue from music-related live streaming service.

– Revenues from Online Advertising increased by 15% to RMB21.5 billion. Social and Others Advertising revenues increased by 17% to RMB18.9 billion, benefitting from positive seasonality, the initial monetisation of Video Accounts in-feed ads, and our ongoing efforts to improve our targeting technology. Media Advertising revenues increased by 3% to RMB2.6 billion.

– Revenues from FinTech and Business Services increased by 6% to RMB44.8 billion, driven primarily by FinTech revenue sequential growth attributable to the improvement in commercial payment activities.

Cost of revenues. Cost of revenues increased by 3% to RMB78.1 billion for the third quarter of 2022 on a quarter-on-quarter basis. We saw increased transaction costs of FinTech Services and content costs, versus decreased server and bandwidth costs and cloud project deployment costs as we further enhanced cost efficiency relative to the previous quarter. As a percentage of revenues, cost of revenues decreased to 56% for the third quarter of 2022 from 57% for the second quarter of 2022.

– Cost of revenues for VAS decreased by 1% to RMB35.1 billion for the third quarter of 2022, due to our tightened control measures on channel and distribution costs.

– Cost of revenues for Online Advertising increased by 4% to RMB11.5 billion for the third quarter of 2022, due to increased content costs and channel and distribution costs driven by sequentially improved online advertising revenues.

– Cost of revenues for FinTech and Business Services increased by 6% to RMB29.9 billion for the third quarter of 2022. We saw increased transaction costs of FinTech Services as a result of sequentially higher payment volumes, versus decreased server and bandwidth costs and cloud project deployment costs associated with Business Services reflecting our continued efficiency measures.

Selling and marketing expenses. Selling and marketing expenses decreased by 10% to RMB7.1 billion for the third quarter of 2022 on a quarter-on-quarter basis, reflecting more disciplined spending on marketing activities across our organisation.

General and administrative expenses. General and administrative expenses were RMB26.5 billion for the third quarter of 2022, broadly stable on a quarter-on-quarter basis.

Share of profit/(loss) of associates and joint ventures, net. We recorded share of losses of associates and joint ventures of RMB3.7 billion for the third quarter of 2022, compared to share of losses of RMB4.5 billion for the second quarter of 2022. Non-IFRS share of profits of associates and joint ventures was RMB2.4 billion for the third quarter of 2022, compared to non-IFRS share of losses of RMB1 billion for the second quarter of 2022, reflecting sequentially improved profitability at certain domestic associates as a result of their cost optimisation measures.

Profit attributable to equity holders of the Company. Profit attributable to equity holders of the Company increased by 115% to RMB39.9 billion for the third quarter of 2022 on a quarter-on-quarter basis. Non-IFRS profit attributable to equity holders of the Company increased by 15% to RMB32.3 billion for the third quarter of 2022, reflecting our business rationalisation and cost efficiency initiatives, as well as associates' net contribution turning from losses to profits.

Other Financial Information

	Unaudited Three months ended			Unaudited Nine months ended	
	30 September 2022	30 June 2022	30 September 2021	**30 September 2022**	30 September 2021
	(RMB in millions, unless specified)				
EBITDA (a)	**43,124**	38,628	42,683	**120,035**	136,605
Adjusted EBITDA (a)	**48,610**	44,668	49,257	**139,380**	152,531
Adjusted EBITDA margin (b)	**35%**	33%	35%	**34%**	37%
Interest and related expenses	**2,729**	2,327	2,092	**7,159**	5,730
Net (debt)/cash (c)	**(27,271)**	(20,429)	(26,146)	**(27,271)**	(26,146)
Capital expenditures (d)	**2,377**	3,015	7,061	**12,363**	21,731

Note:

(a) EBITDA is calculated as operating profit minus interest income and other gains/losses, net, and adding back depreciation of property, plant and equipment, investment properties as well as right-of-use assets, and amortisation of intangible assets and land use rights. Adjusted EBITDA is calculated as EBITDA plus equity-settled share-based compensation expenses.

(b) Adjusted EBITDA margin is calculated by dividing Adjusted EBITDA by revenues.

(c) Net (debt)/cash represents period end balance and is calculated as cash and cash equivalents, plus term deposits and others, minus borrowings and notes payable.

(d) Capital expenditures consist of additions (excluding business combinations) to property, plant and equipment, construction in progress, investment properties, land use rights and intangible assets (excluding video and music content, game licences and other content).

The following table reconciles our operating profit to our EBITDA and Adjusted EBITDA for the periods presented:

	Unaudited Three months ended			Unaudited Nine months ended	
	30 September 2022	30 June 2022	30 September 2021	**30 September 2022**	30 September 2021
	(RMB in millions, unless specified)				
Operating profit	**51,593**	30,067	53,137	**118,877**	161,897
Adjustments:					
Interest income	**(2,328)**	(1,945)	(1,703)	**(6,010)**	(4,947)
Other gains, net	**(20,886)**	(4,420)	(22,984)	**(38,439)**	(63,268)
Depreciation of property, plant and equipment and investment properties	**5,289**	5,589	5,374	**16,564**	16,051
Depreciation of right-of-use assets	**1,693**	1,673	1,129	**5,002**	3,273
Amortisation of intangible assets and land use rights	**7,763**	7,664	7,730	**24,041**	23,599
EBITDA	**43,124**	38,628	42,683	**120,035**	136,605
Equity-settled share-based compensation	**5,486**	6,040	6,574	**19,345**	15,926
Adjusted EBITDA	**48,610**	44,668	49,257	**139,380**	152,531

Non-IFRS Financial Measures

To supplement the consolidated results of the Group prepared in accordance with IFRS, certain additional non-IFRS financial measures (in terms of operating profit, operating margin, profit for the period, net margin, profit attributable to equity holders of the Company, basic EPS and diluted EPS) have been presented in this announcement. These unaudited non-IFRS financial measures should be considered in addition to, not as a substitute for, measures of the Group's financial performance prepared in accordance with IFRS. In addition, these non-IFRS financial measures may be defined differently from similar terms used by other companies.

The Company's management believes that the non-IFRS financial measures provide investors with useful supplementary information to assess the performance of the Group's core operations by excluding certain non-cash items and certain impact of investment-related transactions. In addition, non-IFRS adjustments include relevant non-IFRS adjustments for the Group's major associates based on available published financials of the relevant major associates, or estimates made by the Company's management based on available information, certain expectations, assumptions and premises.

The following tables set forth the reconciliations of the Group's non-IFRS financial measures for the third quarter of 2022 and 2021, the second quarter of 2022, as well as the first nine months of 2022 and 2021 to the nearest measures prepared in accordance with IFRS:

	Unaudited three months ended 30 September 2022								
		Adjustments							
	As reported	Share-based compensation (a)	Net (gains)/ losses from investee companies (b)	Amortisation of intangible assets (c)	Impairment provisions/ (reversals) (d)	SSV & CPP (e)	Others (f)	Income tax effects (g)	Non-IFRS
	(RMB in millions, unless specified)								
Operating profit	**51,593**	**5,925**	**(32,341)**	**1,313**	**12,962**	**1,445**	**10**	**–**	**40,907**
Profit for the period	**38,842**	**8,020**	**(32,106)**	**3,065**	**13,283**	**1,445**	**1,738**	**(933)**	**33,354**
Profit attributable to equity holders	**39,943**	**7,818**	**(32,402)**	**2,836**	**11,617**	**1,445**	**1,738**	**(741)**	**32,254**
EPS (RMB per share)									
– basic	**4.187**								**3.381**
– diluted	**4.104**								**3.306**
Operating margin	**37%**								**29%**
Net margin	**28%**								**24%**

	Unaudited three months ended 30 June 2022								
		Adjustments							
	As reported	Share-based compensation (a)	Net (gains)/ losses from investee companies (b)	Amortisation of intangible assets (c)	Impairment provisions/ (reversals) (d)	SSV & CPP (e)	Others (f)	Income tax effects (g)	Non-IFRS
	(RMB in millions, unless specified)								
Operating profit	30,067	6,507	(5,539)	1,255	2,831	1,370	176	–	36,667
Profit for the period	19,230	8,439	(6,085)	2,989	3,189	1,370	176	(321)	28,987
Profit attributable to equity holders	18,619	8,257	(5,968)	2,767	3,189	1,370	176	(271)	28,139
EPS (RMB per share)									
– basic	1.951								2.949
– diluted	1.915								2.896
Operating margin	22%								27%
Net margin	14%								22%

	Unaudited three months ended 30 September 2021							
		Adjustments						
	As reported	Share-based compensation (a)	Net (gains)/ losses from investee companies (b)	Amortisation of intangible assets (c)	Impairment provisions/ (reversals) (d)	SSV & CPP (e)	Income tax effects (g)	Non-IFRS
	(RMB in millions, unless specified)							
Operating profit	53,137	6,652	(26,569)	1,149	6,389	70	–	40,828
Profit for the period	40,075	10,242	(26,781)	3,093	6,452	70	(633)	32,518
Profit attributable to equity holders	39,510	10,063	(26,491)	2,719	6,452	70	(572)	31,751
EPS (RMB per share)								
– basic	4.143							3.329
– diluted	4.074							3.269
Operating margin	37%							29%
Net margin	28%							23%

	Unaudited nine months ended 30 September 2022								
		Adjustments							
	As reported	**Share-based compensation (a)**	**Net (gains)/ losses from investee companies (b)**	**Amortisation of intangible assets (c)**	**Impairment provisions/ (reversals) (d)**	**SSV & CPP (e)**	**Others (f)**	**Income tax effects (g)**	**Non-IFRS**
	(RMB in millions, unless specified)								
Operating profit	**118,877**	**20,568**	**(56,439)**	**3,956**	**22,796**	**4,163**	**191**	**–**	**114,112**
Profit for the period	**81,805**	**26,094**	**(56,743)**	**9,217**	**24,304**	**4,163**	**1,919**	**(2,122)**	**88,637**
Profit attributable to equity holders	**81,975**	**25,527**	**(56,912)**	**8,460**	**22,633**	**4,163**	**1,919**	**(1,827)**	**85,938**
EPS (RMB per share)									
– basic	**8.595**								**9.010**
– diluted	**8.398**								**8.796**
Operating margin	**29%**								**28%**
Net margin	**20%**								**22%**

	Unaudited nine months ended 30 September 2021							
		Adjustments						
	As reported	Share-based compensation (a)	Net (gains)/ losses from investee companies (b)	Amortisation of intangible assets (c)	Impairment provisions/ (reversals) (d)	SSV & CPP (e)	Income tax effects (g)	Non-IFRS
	(RMB in millions, unless specified)							
Operating profit	161,897	16,558	(65,283)	3,335	9,811	70	–	126,388
Profit for the period	132,105	22,936	(69,425)	8,932	9,968	70	(2,425)	102,161
Profit attributable to equity holders	129,864	22,294	(68,857)	7,838	9,961	70	(2,262)	98,908
EPS (RMB per share)								
– basic	13.634							10.384
– diluted	13.313							10.142
Operating margin	39%							30%
Net margin	32%							25%

Note:

(a) Including put options granted to employees of investee companies on their shares and shares to be issued under investee companies' share-based incentive plans which can be acquired by the Group, and other incentives

(b) Including net (gains)/losses on deemed disposals/disposals of investee companies, fair value changes arising from investee companies, and other expenses in relation to equity transactions of investee companies

(c) Amortisation of intangible assets resulting from acquisitions

(d) Mainly including impairment provisions/(reversals) for associates, joint ventures, goodwill and other intangible assets arising from acquisitions

(e) Mainly including donations and expenses incurred for the Group's SSV & CPP initiatives

(f) Mainly including expenses incurred for regulatory fines and certain litigation settlements of the Group and/or arising from investee companies

(g) Income tax effects of non-IFRS adjustments

Liquidity and Financial Resources

Our cash and debt positions as at 30 September 2022 and 30 June 2022 were as follows:

	Unaudited 30 September 2022	Unaudited 30 June 2022
	(RMB in millions)	
Cash and cash equivalents	**160,177**	184,658
Term deposits and others	**155,436**	131,257
	315,613	315,915
Borrowings	**(180,703)**	(183,050)
Notes payable	**(162,181)**	(153,294)
Net debt	**(27,271)**	(20,429)

As at 30 September 2022, the Group had net debt of RMB27.3 billion, compared to net debt of RMB20.4 billion as at 30 June 2022. The sequential change was mainly due to the effect of foreign currency translation differences on our US dollar denominated indebtedness, partly offset by free cash flow generation and other payments.

For the third quarter of 2022, the Group had free cash flow of RMB27.6 billion. This was a result of net cash flow generated from operating activities of RMB41 billion, versus payments for capital expenditures of RMB5 billion, payments for media content of RMB6.4 billion, and payments for lease liabilities of RMB2 billion.

As at 30 September 2022, the fair value of our shareholdings[9] in listed investee companies (excluding subsidiaries) was RMB532.5 billion, and the carrying value of our unlisted investments was RMB339.5 billion.

[9] Including those held via special purpose vehicles, on an attributable basis.

CONSOLIDATED INCOME STATEMENT
FOR THE THREE AND NINE MONTHS ENDED 30 SEPTEMBER 2022

	Note	Unaudited Three months ended 30 September 2022 RMB'Million	Unaudited Three months ended 30 September 2021 RMB'Million	Unaudited Nine months ended 30 September 2022 RMB'Million	Unaudited Nine months ended 30 September 2021 RMB'Million
Revenues					
Value-added Services		**72,727**	75,203	**217,148**	219,659
Online Advertising		**21,443**	22,495	**58,069**	67,148
FinTech and Business Services		**44,844**	43,317	**129,820**	124,237
Others		**1,079**	1,353	**4,561**	4,886
	2	**140,093**	142,368	**409,598**	415,930
Cost of revenues	4	**(78,110)**	(79,621)	**(232,674)**	(227,803)
Gross profit		**61,983**	62,747	**176,924**	188,127
Interest income		**2,328**	1,703	**6,010**	4,947
Other gains, net	3	**20,886**	22,984	**38,439**	63,268
Selling and marketing expenses	4	**(7,124)**	(10,435)	**(23,114)**	(28,978)
General and administrative expenses	4	**(26,480)**	(23,862)	**(79,382)**	(65,467)
Operating profit		**51,593**	53,137	**118,877**	161,897
Finance costs, net		**(1,950)**	(1,942)	**(5,694)**	(5,251)
Share of profit/(loss) of associates and joint ventures, net		**(3,697)**	(5,668)	**(14,437)**	(8,177)
Profit before income tax		**45,946**	45,527	**98,746**	148,469
Income tax expense	5	**(7,104)**	(5,452)	**(16,941)**	(16,364)
Profit for the period		**38,842**	40,075	**81,805**	132,105
Attributable to:					
Equity holders of the Company		**39,943**	39,510	**81,975**	129,864
Non-controlling interests		**(1,101)**	565	**(170)**	2,241
		38,842	40,075	**81,805**	132,105
Earnings per share for profit attributable to equity holders of the Company (in RMB per share)					
– basic	6(a)	**4.187**	4.143	**8.595**	13.634
– diluted	6(b)	**4.104**	4.074	**8.398**	13.313

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE THREE AND NINE MONTHS ENDED 30 SEPTEMBER 2022

	Unaudited		Unaudited	
	Three months ended 30 September		Nine months ended 30 September	
	2022	2021	**2022**	2021
	RMB'Million	RMB'Million	**RMB'Million**	RMB'Million
Profit for the period	**38,842**	40,075	**81,805**	132,105
Other comprehensive income, net of tax:				
Items that may be subsequently reclassified to profit or loss				
Share of other comprehensive income of associates and joint ventures	**948**	(157)	**1,190**	120
Transfer of share of other comprehensive income to profit or loss upon disposal and deemed disposal of associates and joint ventures	**42**	–	**28**	2
Transfer to profit or loss upon disposal of financial assets at fair value through other comprehensive income	**–**	–	**2**	–
Net losses from changes in fair value of financial assets at fair value through other comprehensive income	**(8)**	–	**(32)**	–
Currency translation differences	**5,809**	(4,607)	**8,337**	(11,943)
Other fair value gains, net	**1,830**	133	**5,912**	1,388
Items that will not be subsequently reclassified to profit or loss				
Share of other comprehensive income of associates and joint ventures	**503**	(16)	**311**	418
Loss from changes in fair value of assets held for distribution	**–**	–	**(17,130)**	–
Net (losses)/gains from changes in fair value of financial assets at fair value through other comprehensive income	**(26,433)**	(36,411)	**(146,864)**	28,594
Currency translation differences	**2,245**	(130)	**4,322**	(228)
	(15,064)	(41,188)	**(143,924)**	18,351
Total comprehensive income for the period	**23,778**	(1,113)	**(62,119)**	150,456
Attributable to:				
Equity holders of the Company	**24,826**	(594)	**(59,534)**	150,673
Non-controlling interests	**(1,048)**	(519)	**(2,585)**	(217)
	23,778	(1,113)	**(62,119)**	150,456

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2022

	Note	**Unaudited 30 September 2022 RMB'Million**	Audited 31 December 2021 RMB'Million
ASSETS			
Non-current assets			
Property, plant and equipment		**55,406**	61,914
Land use rights		**18,195**	17,728
Right-of-use assets		**22,448**	20,468
Construction in progress		**7,671**	5,923
Investment properties		**555**	517
Intangible assets		**175,744**	171,376
Investments in associates	8	**301,846**	316,574
Investments in joint ventures		**6,796**	6,614
Financial assets at fair value through profit or loss	9	**207,222**	192,184
Financial assets at fair value through other comprehensive income	10	**169,918**	250,257
Prepayments, deposits and other assets		**37,054**	37,177
Other financial assets		**7,563**	1,261
Deferred income tax assets		**28,358**	26,068
Term deposits		**24,945**	19,491
		1,063,721	1,127,552
Current assets			
Inventories		**2,933**	1,063
Accounts receivable	11	**44,837**	49,331
Prepayments, deposits and other assets		**71,615**	65,390
Other financial assets		**1,521**	1,749
Financial assets at fair value through profit or loss	9	**21,089**	10,573
Term deposits		**109,636**	83,813
Restricted cash		**2,614**	2,476
Cash and cash equivalents		**160,177**	167,966
Assets held for distribution		**–**	102,451
		414,422	484,812
Total assets		**1,478,143**	1,612,364

	Note	**Unaudited 30 September 2022 RMB'Million**	Audited 31 December 2021 RMB'Million
EQUITY			
Equity attributable to equity holders of the Company			
Share capital		**–**	–
Share premium		**68,636**	67,330
Treasury shares		**(3,193)**	–
Shares held for share award schemes		**(4,565)**	(4,843)
Other reserves		**(54,303)**	73,901
Retained earnings		**749,345**	669,911
		755,920	806,299
Non-controlling interests		**62,486**	70,394
Total equity		**818,406**	876,693
LIABILITIES			
Non-current liabilities			
Borrowings	14	**171,009**	136,936
Notes payable	15	**151,535**	145,590
Long-term payables		**10,246**	9,966
Other financial liabilities		**5,679**	5,912
Deferred income tax liabilities		**13,895**	13,142
Lease liabilities		**18,082**	16,501
Deferred revenue		**3,944**	4,526
		374,390	332,573
Current liabilities			
Accounts payable	13	**99,789**	109,470
Other payables and accruals		**55,176**	60,582
Borrowings	14	**9,694**	19,003
Notes payable	15	**10,646**	–
Current income tax liabilities		**10,555**	12,506
Other tax liabilities		**2,864**	2,240
Other financial liabilities		**5,738**	3,554
Lease liabilities		**6,207**	5,446
Deferred revenue		**84,678**	87,846
Dividends payable for distribution in specie	7(b)	**–**	102,451
		285,347	403,098
Total liabilities		**659,737**	735,671
Total equity and liabilities		**1,478,143**	1,612,364

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2022

	Unaudited								
	Attributable to equity holders of the Company								
	Share capital RMB'Million	Share premium RMB'Million	Treasury shares RMB'Million	Shares held for share award schemes RMB'Million	Other reserves RMB'Million	Retained earnings RMB'Million	Total RMB'Million	Non-controlling interests RMB'Million	Total equity RMB'Million
Balance at 1 January 2022	–	67,330	–	(4,843)	73,901	669,911	806,299	70,394	876,693
Comprehensive income									
Profit for the period	–	–	–	–	–	81,975	81,975	(170)	81,805
Other comprehensive income, net of tax:									
– share of other comprehensive income of associates and joint ventures	–	–	–	–	1,421	–	1,421	80	1,501
– loss from changes in fair value of assets held for distribution	–	–	–	–	(17,130)	–	(17,130)	–	(17,130)
– transfer of share of other comprehensive income to profit or loss upon disposal and deemed disposal of associates and joint ventures	–	–	–	–	28	–	28	–	28
– net losses from changes in fair value of financial assets at fair value through other comprehensive income	–	–	–	–	(144,629)	–	(144,629)	(2,267)	(146,896)
– transfer to profit or loss upon disposal of financial assets at fair value through other comprehensive income	–	–	–	–	1	–	1	1	2
– currency translation differences	–	–	–	–	13,009	–	13,009	(350)	12,659
– other fair value gains, net	–	–	–	–	5,791	–	5,791	121	5,912
Total comprehensive income for the period	–	–	–	–	(141,509)	81,975	(59,534)	(2,585)	(62,119)
Transfer of losses on disposal and deemed disposal of financial instruments to retained earnings	–	–	–	–	7,327	(7,374)	(47)	–	(47)
Transfer of share of other comprehensive income to retained earnings upon disposal and deemed disposal of associates and joint ventures	–	–	–	–	(4)	4	–	–	–
Share of other changes in net assets of associates and joint ventures	–	–	–	–	5,474	–	5,474	–	5,474
Transfer of share of other changes in net assets of associates and joint ventures to profit or loss upon disposal and deemed disposal	–	–	–	–	(2,224)	–	(2,224)	–	(2,224)
Transactions with equity holders									
Capital injection	–	–	–	–	–	–	–	3	3
Employee share option schemes:									
– value of employee services	–	1,533	–	–	84	–	1,617	74	1,691
– proceeds from shares issued	–	279	–	–	–	–	279	–	279
Employee share award schemes:									
– value of employee services	–	16,162	–	–	1,131	–	17,293	341	17,634
– shares withheld for share award schemes	–	–	–	(2,713)	–	–	(2,713)	–	(2,713)
– vesting of awarded shares	–	(2,738)	–	2,738	–	–	–	–	–
Tax benefit from share-based payments	–	–	–	–	9	–	9	–	9
Profit appropriations to statutory reserves	–	–	–	–	30	(30)	–	–	–
Repurchase and cancellation of shares	–	(14,709)	–	–	–	–	(14,709)	–	(14,709)
Repurchase of shares (to be cancelled)	–	–	(3,193)	–	–	–	(3,193)	–	(3,193)
Cash dividends	–	–	–	–	–	(12,950)	(12,950)	(527)	(13,477)
Dividends under distribution in specie (Note 7(b))	–	–	–	–	–	17,809	17,809	–	17,809
Non-controlling interests arising from business combinations	–	–	–	–	–	–	–	908	908
Acquisition of additional equity interests in non wholly-owned subsidiaries	–	–	–	–	678	–	678	(4,284)	(3,606)
Dilution of interests in subsidiaries	–	–	–	–	(1,004)	–	(1,004)	972	(32)
Disposal of subsidiaries	–	–	–	–	–	–	–	(1)	(1)
Changes in put option liabilities in respect of non-controlling interests	–	–	–	–	336	–	336	30	366
Recognition of put option liabilities arising from business combinations	–	–	–	–	(175)	–	(175)	–	(175)
Transfer of equity interests of subsidiaries to non-controlling interests	–	779	–	253	1,643	–	2,675	(2,839)	(164)
Total transactions with equity holders at their capacity as equity holders for the period	–	1,306	(3,193)	278	2,732	4,829	5,952	(5,323)	629
Balance at 30 September 2022	–	68,636	(3,193)	(4,565)	(54,303)	749,345	755,920	62,486	818,406

	Unaudited								
	Attributable to equity holders of the Company								
	Share capital RMB'Million	Share premium RMB'Million	Treasury shares RMB'Million	Shares held for share award schemes RMB'Million	Other reserves RMB'Million	Retained earnings RMB'Million	Total RMB'Million	Non-controlling interests RMB'Million	Total equity RMB'Million
Balance at 1 January 2021	–	48,793	–	(4,412)	121,139	538,464	703,984	74,059	778,043
Comprehensive income									
Profit for the period	–	–	–	–	–	129,864	129,864	2,241	132,105
Other comprehensive income, net of tax:									
– share of other comprehensive income of associates and joint ventures	–	–	–	–	534	–	534	4	538
– transfer of share of other comprehensive income to profit or loss upon disposal and deemed disposal of associates and joint ventures	–	–	–	–	2	–	2	–	2
– net gains/(losses) from changes in fair value of financial assets at fair value through other comprehensive income	–	–	–	–	29,809	–	29,809	(1,215)	28,594
– currency translation differences	–	–	–	–	(10,873)	–	(10,873)	(1,298)	(12,171)
– other fair value gains, net	–	–	–	–	1,337	–	1,337	51	1,388
Total comprehensive income for the period	–	–	–	–	20,809	129,864	150,673	(217)	150,456
Transfer of gains on disposal and deemed disposal of financial instruments to retained earnings	–	–	–	–	(20,123)	20,123	–	–	–
Transfer of share of other comprehensive income to retained earnings upon disposal and deemed disposal of associates and joint ventures	–	–	–	–	(2)	(3)	(5)	(4)	(9)
Share of other changes in net assets of associates and joint ventures	–	–	–	–	6,210	–	6,210	1	6,211
Transfer of share of other changes in net assets of associates and joint ventures to profit or loss upon disposal and deemed disposal	–	–	–	–	(354)	–	(354)	5	(349)
Transactions with equity holders									
Capital injection	–	–	–	–	–	–	–	510	510
Employee share option schemes:									
– value of employee services	–	1,405	–	–	37	–	1,442	38	1,480
– proceeds from shares issued	–	943	–	–	–	–	943	–	943
Employee share award schemes:									
– value of employee services	–	13,553	–	–	450	–	14,003	402	14,405
– shares withheld for share award schemes	–	–	–	(2,633)	–	–	(2,633)	–	(2,633)
– vesting of awarded shares	–	(1,874)	–	1,874	–	–	–	–	–
Tax benefit from share-based payments	–	–	–	–	454	–	454	–	454
Profit appropriations to statutory reserves	–	–	–	–	33	(33)	–	–	–
Repurchase and cancellation of shares	–	(1,735)	(435)	–	–	–	(2,170)	–	(2,170)
Cash dividends	–	–	–	–	–	(12,683)	(12,683)	(315)	(12,998)
Distributions from a non wholly-owned subsidiary	–	–	–	–	–	–	–	(1,401)	(1,401)
Non-controlling interests arising from business combinations	–	–	–	–	–	–	–	1,086	1,086
Acquisition of additional equity interests in non wholly-owned subsidiaries	–	–	–	–	(731)	–	(731)	(3,137)	(3,868)
Dilution of interests in subsidiaries	–	–	–	–	103	–	103	577	680
Disposal of subsidiaries	–	–	–	–	–	–	–	(32)	(32)
Changes in put option liabilities in respect of non-controlling interests	–	–	–	–	730	–	730	14	744
Lapses of put option liabilities in respect of non-controlling interests	–	–	–	–	783	–	783	–	783
Recognition of put option liabilities arising from business combinations	–	–	–	–	(826)	–	(826)	–	(826)
Transfer of equity interests of subsidiaries to non-controlling interests	–	956	–	143	(4,486)	–	(3,387)	3,254	(133)
Total transactions with equity holders at their capacity as equity holders for the period	–	13,248	(435)	(616)	(3,453)	(12,716)	(3,972)	996	(2,976)
Balance at 30 September 2021	–	62,041	(435)	(5,028)	124,226	675,732	856,536	74,840	931,376

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2022

	Unaudited Nine months ended 30 September	
	2022	2021
	RMB'Million	RMB'Million
Net cash flows generated from operating activities	**110,488**	123,935
Net cash flows used in investing activities	**(86,533)**	(144,051)
Net cash flows (used in)/generated from financing activities	**(39,281)**	39,724
Net (decrease)/increase in cash and cash equivalents	**(15,326)**	19,608
Cash and cash equivalents at beginning of the period	**167,966**	152,798
Exchange gains/(losses) on cash and cash equivalents	**7,537**	(1,533)
Cash and cash equivalents at end of the period	**160,177**	170,873

Note:

1 General information, basis of preparation and presentation

The Company was incorporated in the Cayman Islands with limited liability. The shares of the Company have been listed on the Main Board of the Stock Exchange since 16 June 2004.

The Company is an investment holding company. The Group is principally engaged in the provision of VAS, Online Advertising services and FinTech and Business Services.

The condensed consolidated interim financial information comprises the consolidated statement of financial position as at 30 September 2022, the consolidated income statement and the consolidated statement of comprehensive income for the three months and nine months then ended, the consolidated statement of changes in equity and the consolidated statement of cash flows for the nine months then ended, and notes, comprising significant accounting policies and other explanatory information. The Interim Financial Information is presented in RMB, unless otherwise stated.

The Interim Financial Information has not been audited but has been reviewed by the external auditor of the Company.

The Interim Financial Information has been prepared in accordance with IAS 34 "Interim Financial Reporting" issued by the International Accounting Standards Board and should be read in conjunction with the annual consolidated financial statements of the Group for the year ended 31 December 2021, which have been prepared in accordance with IFRS, as set out in the 2021 annual report of the Company dated 23 March 2022 (the "2021 Financial Statements").

Except as described below, the accounting policies and method of computation used in the preparation of the Interim Financial Information are generally consistent with those used in the 2021 Financial Statements in all material aspects, which have been prepared in accordance with IFRS under the historical cost convention, as modified by the revaluation of FVPL, FVOCI, dividends payable for distribution in specie, certain other financial assets and liabilities, which are carried at fair values.

Taxes on income for the interim period are accrued using the estimated tax rates that would be applicable to expected total annual assessable profit.

The following amendments to standards have been adopted by the Group for the financial year beginning on 1 January 2022:

Amendments to IAS 16	Property, Plant and Equipment: Proceeds before Intended Use
Amendments to IFRS 3	Reference to the Conceptual Framework
Amendments to IAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Amendments to IFRSs	Annual Improvements to IFRS Standards 2018–2020 Cycle

The adoption of these amended standards does not have significant impact on the consolidated financial statements of the Group.

2 Segment information

The Group has the following reportable segments for the three and nine months ended 30 September 2022 and 2021:

– VAS;

– Online Advertising;

– FinTech and Business Services; and

– Others.

The "Others" business segment consists of the financials of investment in, production of and distribution of, films and television programmes for third parties, copyrights licensing, merchandise sales and various other activities.

There were no material inter-segment sales during the three and nine months ended 30 September 2022 and 2021. The revenues from external customers reported to the chief operating decision-makers are measured in a manner consistent with that applied in the consolidated income statement.

The segment information provided to the chief operating decision-makers for the reportable segments for the three and nine months ended 30 September 2022 and 2021 is as follows:

	Unaudited Three months ended 30 September 2022				
	VAS RMB'Million	**Online Advertising RMB'Million**	**FinTech and Business Services RMB'Million**	**Others RMB'Million**	**Total RMB'Million**
Segment revenues	**72,727**	**21,443**	**44,844**	**1,079**	**140,093**
Gross profit/(loss)	**37,588**	**9,937**	**14,942**	**(484)**	**61,983**
Cost of revenues					
Depreciation	**1,530**	**1,643**	**2,237**	**2**	**5,412**
Amortisation	**4,887**	**1,600**	**57**	**351**	**6,895**

	Unaudited Three months ended 30 September 2021				
	VAS RMB'Million	Online Advertising RMB'Million	FinTech and Business Services RMB'Million	Others RMB'Million	Total RMB'Million
Segment revenues	75,203	22,495	43,317	1,353	142,368
Gross profit	39,859	10,444	12,362	82	62,747
Cost of revenues					
Depreciation	1,429	1,300	2,590	26	5,345
Amortisation	4,574	2,094	18	346	7,032

	Unaudited Nine months ended 30 September 2022				
	VAS RMB'Million	Online Advertising RMB'Million	FinTech and Business Services RMB'Million	Others RMB'Million	Total RMB'Million
Segment revenues	**217,148**	**58,069**	**129,820**	**4,561**	**409,598**
Gross profit/(loss)	**110,574**	**24,097**	**42,516**	**(263)**	**176,924**
Cost of revenues					
Depreciation	**4,778**	**4,939**	**7,133**	**35**	**16,885**
Amortisation	**14,407**	**5,641**	**160**	**1,331**	**21,539**

	Unaudited Nine months ended 30 September 2021				
	VAS RMB'Million	Online Advertising RMB'Million	FinTech and Business Services RMB'Million	Others RMB'Million	Total RMB'Million
Segment revenues	219,659	67,148	124,237	4,886	415,930
Gross profit	117,892	31,414	38,380	441	188,127
Cost of revenues					
Depreciation	4,285	3,780	7,878	76	16,019
Amortisation	14,092	5,897	48	1,447	21,484

3 Other gains, net

	Unaudited Three months ended 30 September		Unaudited Nine months ended 30 September	
	2022	2021	**2022**	2021
	RMB'Million	RMB'Million	**RMB'Million**	RMB'Million
Net gains on disposals and deemed disposals of investee companies (a)	**42,327**	17,932	**66,190**	27,522
Subsidies and tax rebates	**3,051**	2,130	**8,861**	6,881
Net fair value (losses)/gains on FVPL ((b) and Note 9)	**(9,867)**	8,629	**(8,790)**	37,949
Dividend income	**45**	85	**790**	625
Impairment provision for investee companies, goodwill and other intangible assets arising from acquisitions (c)	**(12,962)**	(6,389)	**(22,796)**	(9,811)
Donations (d)	**(1,300)**	–	**(3,838)**	(1,600)
Net fair value gains/(losses) on other financial instruments (e)	**82**	57	**(576)**	(116)
Others	**(490)**	540	**(1,402)**	1,818
	20,886	22,984	**38,439**	63,268

Note:

(a) The disposal and deemed disposal gains of approximately RMB66,190 million recognised during the nine months ended 30 September 2022 mainly comprised the following:

- step down gain of approximately RMB41,299 million arising from transfer of the investment in Sea Limited (NYSE: SE) to FVOCI as a result of resignation of the board of directors representative in that investee company on 5 September 2022, details of which are explained in Note 8(b);

- gain of approximately RMB18,481 million arising from partial divestment of Sea Limited on 4 January 2022, details of which are explained in Note 8(c); and

- aggregate net gains of approximately RMB3,606 million (nine months ended 30 September 2021: approximately RMB9,193 million) on disposals, partial disposals or deemed disposals of various investments of the Group, and net gains of approximately RMB2,804 million (nine months ended 30 September 2021: approximately RMB18,329 million) on dilution of the Group's equity interests due to new equity interests being issued by certain associates and a joint venture. These investee companies are principally engaged in games development, insurance and Internet-related businesses.

(b) During the three and nine months ended 30 September 2022, the net fair value losses on FVPL mainly comprised net losses of approximately RMB10,086 million and RMB9,193 million as a result of decreases in valuations of certain investee companies (three and nine months ended 30 September 2021: net gains of approximately RMB8,580 million and RMB37,877 million, respectively).

(c) The impairment provision for investee companies, goodwill and other intangible assets arising from acquisitions mainly comprised the following:

	Unaudited		Unaudited	
	Three months ended 30 September		Nine months ended 30 September	
	2022	2021	**2022**	2021
	RMB'Million	RMB'Million	**RMB'Million**	RMB'Million
Investments in associates (Note 8(d))	**7,382**	5,704	**17,125**	8,898
Investments in joint ventures and others	**1,686**	685	**1,777**	712
Goodwill and other intangible assets arising from acquisitions	**3,894**	–	**3,894**	201
	12,962	6,389	**22,796**	9,811

(d) During the three and nine months ended 30 September 2022, donations mainly included approximately RMB1,259 million and RMB3,763 million for SSV & CPP of the Group (three and nine months ended 30 September 2021: nil).

(e) During the three and nine months ended 30 September 2022, the net fair value gains/(losses) on other financial instruments mainly included net gains of approximately RMB100 million and net losses of approximately RMB558 million, respectively, as a result of changes in valuations of investment-related financial instruments (three and nine months ended 30 September 2021: net gains of approximately RMB57 million and net losses of approximately RMB116 million, respectively).

4 Expenses by nature

	Unaudited		Unaudited	
	Three months ended 30 September		Nine months ended 30 September	
	2022	2021	**2022**	2021
	RMB'Million	RMB'Million	**RMB'Million**	RMB'Million
Transaction costs (a)	**32,404**	33,108	**93,279**	95,721
Employee benefits expenses (b)	**27,390**	25,963	**84,169**	70,351
Content costs (excluding amortisation of intangible assets)	**16,598**	16,932	**48,488**	47,842
Amortisation of intangible assets (c)	**7,743**	7,710	**23,984**	23,548
Bandwidth and server custody fees (excluding depreciation of right-of-use assets)	**7,368**	7,107	**22,750**	19,874
Depreciation of property, plant and equipment, investment properties and right-of-use assets	**6,982**	6,503	**21,566**	19,324
Promotion and advertising expenses	**4,596**	8,024	**15,225**	22,199

Note:

(a) Transaction costs primarily consist of bank handling fees, channel and distribution costs.

(b) During the three and nine months ended 30 September 2022, the Group had incurred expenses for the purpose of R&D of approximately RMB15,082 million and RMB45,475 million, respectively (three and nine months ended 30 September 2021: approximately RMB13,730 million and RMB37,859 million, respectively), which mainly comprised employee benefits expenses of approximately RMB12,369 million and RMB37,627 million, respectively (three and nine months ended 30 September 2021: approximately RMB11,348 million and RMB31,318 million, respectively).

No significant development expenses had been capitalised for the three and nine months ended 30 September 2022 and 2021.

During the three and nine months ended 30 September 2022, employee benefits expenses included the share-based compensation expenses of approximately RMB5,925 million and RMB20,568 million, respectively (three and nine months ended 30 September 2021: approximately RMB6,652 million and RMB16,558 million, respectively), which contained those incurred for employees related to SSV & CPP of approximately RMB20 million and RMB54 million, respectively (three and nine months ended 30 September 2021: approximately RMB10 million).

(c) Amortisation charges of intangible assets are mainly in respect of media content including video and music content, game licenses, and other content. During the three and nine months ended 30 September 2022, amortisation of media content was approximately RMB6,753 million and RMB21,061 million, respectively (three and nine months ended 30 September 2021: approximately RMB6,990 million and RMB21,419 million, respectively).

During the three and nine months ended 30 September 2022, amortisation of intangible assets included the amortisation of intangible assets arising from acquisitions of approximately RMB1,313 million and RMB3,956 million, respectively (three and nine months ended 30 September 2021: RMB1,149 million and RMB3,335 million, respectively).

(d) During the three and nine months ended 30 September 2022, expenses incurred related to SSV & CPP (excluding share-based compensation expenses) were approximately RMB186 million and RMB400 million, respectively (three and nine months ended 30 September 2021: RMB70 million).

(e) During the three and nine months ended 30 September 2022, expenses incurred for regulatory fines and certain litigation settlements were approximately RMB10 million and RMB191 million, respectively (three and nine months ended 30 September 2021: nil), of which approximately RMB3 million and RMB20 million (three and nine months ended 30 September 2021: nil) were included in "Other gains, net".

5 Income tax expense

Income tax expense is recognised based on management's best knowledge of the income tax rates expected for the financial year.

(a) Cayman Islands and British Virgin Islands corporate income tax

The Group was not subject to any taxation in the Cayman Islands and the British Virgin Islands for the three and nine months ended 30 September 2022 and 2021.

(b) Hong Kong profits tax

Hong Kong profits tax has been provided for at the rate of 16.5% on the estimated assessable profits for the three and nine months ended 30 September 2022 and 2021.

(c) PRC CIT

PRC CIT has been provided for at applicable tax rates under the relevant regulations of the PRC after considering the available preferential tax benefits from refunds and allowances, and on the estimated assessable profit of entities within the Group established in the Mainland of China for the three and nine months ended 30 September 2022 and 2021. The general PRC CIT rate is 25% for the three and nine months ended 30 September 2022 and 2021.

Certain subsidiaries of the Company in the Mainland of China were approved as High and New Technology Enterprise, and they were subject to a preferential corporate income tax rate of 15% for the three and nine months ended 30 September 2022 and 2021. Moreover, according to announcement and circular issued by relevant government authorities, a subsidiary which was qualified as a national key software enterprise was subject to a preferential corporate income tax rate of 10%.

In addition, certain subsidiaries of the Company are entitled to other tax concessions, mainly including the preferential tax rate of 15% applicable to some subsidiaries located in certain areas of the Mainland of China upon fulfillment of certain requirements of the respective local governments.

(d) Corporate income tax in other jurisdictions

Income tax on profit arising from other jurisdictions, including the United States, Europe, Asia and South America, had been calculated on the estimated assessable profit for the three and nine months ended 30 September 2022 and 2021 at the respective rates prevailing in the relevant jurisdictions, ranging from 12.5% to 35%.

(e) Withholding tax

According to applicable tax regulations prevailing in the PRC, dividends distributed by a company established in the Mainland of China to a foreign investor with respect to profit derived after 1 January 2008 are generally subject to a 10% withholding tax. If a foreign investor is incorporated in Hong Kong, under the double taxation arrangement between the Mainland of China and Hong Kong, the relevant withholding tax rate applicable to such foreign investor will be reduced from 10% to 5% subject to the fulfillment of certain conditions.

Dividends distributed from certain jurisdictions that the Group's entities operate in are also subject to withholding tax at respective applicable tax rates.

The income tax expense of the Group for the three and nine months ended 30 September 2022 and 2021 is analysed as follows:

	Unaudited		**Unaudited**	
	Three months ended 30 September		**Nine months ended 30 September**	
	2022	2021	**2022**	2021
	RMB'Million	RMB'Million	**RMB'Million**	RMB'Million
Current income tax	**4,787**	7,202	**17,514**	19,853
Deferred income tax	**2,317**	(1,750)	**(573)**	(3,489)
	7,104	5,452	**16,941**	16,364

6 Earnings per share

(a) Basic

Basic EPS is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the period.

	Unaudited		**Unaudited**	
	Three months ended 30 September		**Nine months ended 30 September**	
	2022	2021	**2022**	2021
Profit attributable to equity holders of the Company (RMB'Million)	**39,943**	39,510	**81,975**	129,864
Weighted average number of ordinary shares in issue (million shares)	**9,541**	9,536	**9,538**	9,525
Basic EPS (RMB per share)	**4.187**	4.143	**8.595**	13.634

(**b**) **Diluted**

The share options and awarded shares granted by the Company have potential dilutive effect on the EPS. Diluted EPS is calculated by adjusting the weighted average number of ordinary shares outstanding by the assumption of the conversion of all potential dilutive ordinary shares arising from share options and awarded shares granted by the Company (collectively forming the denominator for computing the diluted EPS).

In addition, the profit attributable to equity holders (numerator) has been adjusted by the effect of the share options and restricted shares granted by the Company's non wholly-owned subsidiaries and associates, excluding those which have anti-dilutive effect on the Group's diluted EPS.

	Unaudited		**Unaudited**	
	Three months ended 30 September		**Nine months ended 30 September**	
	2022	2021	**2022**	2021
Profit attributable to equity holders of the Company (RMB'Million)	**39,943**	39,510	**81,975**	129,864
Dilution effect arising from share-based awards issued by non wholly-owned subsidiaries and associates (RMB'Million)	**(219)**	(85)	**(440)**	(209)
Profit attributable to equity holders of the Company for the calculation of diluted EPS (RMB'Million)	**39,724**	39,425	**81,535**	129,655
Weighted average number of ordinary shares in issue (million shares)	**9,541**	9,536	**9,538**	9,525
Adjustments for share options and awarded shares (million shares)	**137**	140	**171**	214
Weighted average number of ordinary shares for the calculation of diluted EPS (million shares)	**9,678**	9,676	**9,709**	9,739
Diluted EPS (RMB per share)	**4.104**	4.074	**8.398**	13.313

7 Dividends

(a) Final dividends

A final dividend in respect of the year ended 31 December 2021 of HKD1.60 per share (2020: HKD1.60 per share) was proposed pursuant to a resolution passed by the Board on 23 March 2022 and approved by the shareholders at the 2022 AGM. Such dividend amounting to HKD15,260 million (2021: HKD15,238 million) was paid during the nine months ended 30 September 2022.

(b) Interim dividend by way of distribution in specie

On 23 December 2021, the Board resolved to declare a distribution of a special interim dividend by the Company in the form of a distribution in specie of approximately 457 million Class A ordinary shares of JD.com to the shareholders. The share certificates of the relevant shares of JD.com in respect of the distribution to qualifying shareholders were dispatched to qualifying shareholders on 25 March 2022 (the "Share Certificate Dispatch Date").

Dividends payable for distribution in specie was approximately RMB84.6 billion right before the Share Certificate Dispatch Date, measured at fair value using the market price of the JD.com Shares to be distributed. Fair value changes on the dividends payable amounting to approximately RMB17.1 billion from 1 January 2022 to the Share Certificate Dispatch Date were recognised in equity as a result of the changes in the fair value of the JD.com Shares to be distributed. Upon the dispatch of the share certificates of the JD.com Shares to be distributed, the assets held for distribution and dividends payable for distribution in specie were derecognised and the cumulated fair value losses of assets held for distribution amounting to approximately RMB11.8 billion were transferred from other reserves to retained earnings.

The Board did not declare any interim dividend for the nine months ended 30 September 2022 and 2021.

8 Investments in associates

	Unaudited 30 September 2022 RMB'Million	Audited 31 December 2021 RMB'Million
Investments in associates		
– Listed entities (Note)	**176,496**	200,785
– Unlisted entities	**125,350**	115,789
	301,846	316,574

Note:

As at 30 September 2022, the fair value of the investments in associates consisting of directly and indirectly held listed equity interests was approximately RMB376,076 million (31 December 2021: RMB634,661 million).

Movement of investments in associates is analysed as follows:

	Unaudited Nine months ended 30 September	
	2022	2021
	RMB'Million	RMB'Million
At beginning of period	**316,574**	297,609
Additions (a)	**10,530**	42,127
Transfers (b)	**(5,720)**	27,461
Dilution gains on deemed disposals	**2,774**	18,329
Share of profit/(loss) of associates, net	**(14,617)**	(8,353)
Share of other comprehensive income of associates	**1,496**	533
Share of other changes in net assets of associates	**5,474**	6,211
Dividends	**(662)**	(1,296)
Disposals (c)	**(2,030)**	(2,645)
Impairment provision ((d) and Note 3(c))	**(17,125)**	(8,898)
Currency translation differences	**5,152**	(1,637)
At end of period	**301,846**	369,441

Note:

(a) During the nine months ended 30 September 2022, the Group's additions to investments in associates mainly comprised the following:

(i) the Group subscribed for 49.9% equity interests in an investment holding company at a consideration of approximately EUR300 million (equivalent to approximately RMB2,132 million), which in turn owns equity interests of a listed company engaged in game development; and

(ii) new associates and additional investments in existing associates with an aggregate amount of approximately RMB8,398 million during the nine months ended 30 September 2022, which are principally engaged in games development, FinTech, High-tech manufacturing, comic development and other Internet-related businesses.

(b) On 5 September 2022, the Group's entire investment in Sea Limited with a carrying amount of approximately RMB4,441 million was transferred from investment in an associate to financial instruments as a result of resignation of the board of directors representative in that investee company, and the Group irrevocably designated it as FVOCI with step down gain of approximately RMB41,299 million recognised in "Other gains, net" (Note 3(a)).

(c) On 4 January 2022, the Group entered into a transaction to divest an aggregate of 14,492,751 Class A ordinary shares of Sea Limited with a carrying amount of approximately RMB825 million, and to convert all its supervoting Class B ordinary shares to Class A ordinary shares (collectively, the "Transaction"). Upon the completion of the Transaction, the Group's equity interest in Sea Limited was reduced from 21.3% to 18.7% with its voting power reduced to less than 10%, and a disposal gain of approximately RMB18,481 million was recognised in "Other gains, net" (Note 3(a)).

(d) During the nine months ended 30 September 2022, an aggregate impairment loss of approximately RMB17,125 million (nine months ended 30 September 2021: RMB8,898 million) had been recognised for associates with impairment indicators, and the majority of these associates' recoverable amounts were determined using fair value less costs of disposal.

9 Financial assets at fair value through profit or loss

FVPL include the following:

	Unaudited 30 September 2022 RMB'Million	Audited 31 December 2021 RMB'Million
Included in non-current assets:		
Investments in listed entities	**9,939**	19,802
Investments in unlisted entities	**189,057**	163,382
Treasury investments and others	**8,226**	9,000
	207,222	192,184
Included in current assets:		
Investments in listed entities	**3**	4
Treasury investments and others	**21,086**	10,569
	21,089	10,573
	228,311	202,757

Movement of FVPL is analysed as follows:

	Unaudited Nine months ended 30 September	
	2022	2021
	RMB'Million	RMB'Million
At beginning of period	**202,757**	172,537
Additions and transfers (a)	**33,898**	23,061
Changes in fair value (Note 3)	**(8,790)**	37,949
Disposals and others	**(18,006)**	(23,366)
Currency translation differences	**18,452**	(2,482)
At end of period	**228,311**	207,699

Note:

(a) During the nine months ended 30 September 2022, the Group's additions and transfers mainly comprised the following:

(i) new investments and additional investments with an aggregate amount of approximately RMB36,225 million made in listed entities, unlisted entities and treasury investments. These investee companies are principally engaged in social media platforms and other Internet-related businesses; and

(ii) an existing investee company engaged in Online-To-Offline service platform with an amount of approximately RMB4,390 million had been redesignated as FVOCI upon the conversion of its preferred shares into ordinary shares upon its IPO.

10 Financial assets at fair value through other comprehensive income

FVOCI include the following:

	Unaudited	Audited
	30 September	31 December
	2022	2021
	RMB'Million	RMB'Million
Equity investments in listed entities	**146,333**	227,788
Equity investments in unlisted entities	**22,473**	22,392
Treasury investments	**1,112**	77
	169,918	250,257

Movement of FVOCI is analysed as follows:

	Unaudited Nine months ended 30 September	
	2022 **RMB'Million**	2021 RMB'Million
At beginning of period	**250,257**	213,091
Additions and transfers (a)	**59,645**	31,316
Changes in fair value	**(146,443)**	27,903
Disposals	**(6,827)**	(27,119)
Currency translation differences	**13,286**	(1,251)
At end of period	**169,918**	243,940

Note:

(a) During the nine months ended 30 September 2022, except as described in Note 8(b) and Note 9(a)(ii), the Group's additions and transfers mainly comprised the following:

(i) additional investment in a listed entity engaged in social network platform of approximately USD787 million (equivalent to approximately RMB5,236 million);

(ii) new investments and additional investments with an aggregate amount of approximately RMB5,172 million made in listed entities, unlisted entities and treasury investments. These investee companies are principally engaged in FinTech services and other Internet-related businesses;

(iii) an existing investee company with a carrying amount of approximately RMB1,757 million had been transferred from investment in an associate to FVOCI as a result of resignation of the board of directors representative in that associate; and

(iv) an existing investee company engaged in games development with a carrying amount of approximately RMB657 million had been transferred from investment in FVOCI to a subsidiary upon completion of a business combination.

11 Accounts receivable

Accounts receivable and their ageing analysis, based on recognition date, are as follows:

	Unaudited 30 September 2022 RMB'Million	Audited 31 December 2021 RMB'Million
0 ~ 30 days	**19,902**	21,639
31 ~ 60 days	**8,982**	13,255
61 ~ 90 days	**6,580**	6,105
Over 90 days	**9,373**	8,332
	44,837	49,331

Receivable balances as at 30 September 2022 and 31 December 2021 mainly represented amounts due from online advertising customers and agencies, FinTech and cloud customers, content production related customers, and third party platform providers.

Some online advertising customers and agencies are usually granted with a credit period within 30 to 90 days immediately following the month-end in which the relevant obligations under the relevant contracted advertising orders are delivered. Third party platform providers usually settle the amounts due by them within 60 days. Other customers, mainly including content production related customers and FinTech and cloud customers, are usually granted with a credit period within 90 days.

12 Share-based payments

(a) Share option schemes

The Company has adopted five share option schemes, namely, the Pre-IPO Option Scheme, the Post-IPO Option Scheme I, the Post-IPO Option Scheme II, the Post-IPO Option Scheme III and the Post-IPO Option Scheme IV.

The Pre-IPO Option Scheme, the Post-IPO Option Scheme I, the Post-IPO Option Scheme II and the Post-IPO Option Scheme III expired on 31 December 2011, 23 March 2014, 16 May 2017 and 13 May 2019, respectively. Upon the expiry of these schemes, no further options would be granted under these schemes, but the options granted prior to such expiry continued to be valid and exercisable in accordance with provisions of the schemes. As at 30 September 2022, there were no outstanding options exercisable of the Pre-IPO Option Scheme, the Post-IPO Option Scheme I and the Post-IPO Option Scheme III.

In respect of the Post-IPO Option Scheme IV which continues to be in force, the Board may, at its discretion, grant options to any qualifying participants to subscribe for shares in the Company, subject to the terms and conditions stipulated therein. The exercise price must be in compliance with the requirement under the Listing Rules. In addition, the option vesting period is determined by the Board provided that it is not later than the last day of a 7-year period for the Post-IPO Option Scheme IV after the date of grant of option.

The Company allowed certain of the grantees under the Post-IPO Option Scheme II and the Post-IPO Option Scheme IV to surrender their rights to receive a portion of the underlying shares (with equivalent fair value) to set off against the exercise price and/or individual income tax payable when they exercised their options.

Movements in the number of share options outstanding and their related weighted average exercise prices are as follows:

	Unaudited				
	Post-IPO Option Scheme II		Post-IPO Option Scheme IV		Total
	Average exercise price	Number of options	Average exercise price	Number of options	Number of options
At 1 January 2022 (Note)	**HKD191.64**	**35,146,117**	**HKD402.75**	**81,689,281**	**116,835,398**
Granted	**–**	**–**	**HKD353.22**	**12,778,815**	**12,778,815**
Exercised	**HKD145.80**	**(647,665)**	**HKD283.03**	**(838,192)**	**(1,485,857)**
Lapsed/forfeited/waived	**HKD135.50**	**(22,176)**	**HKD565.68**	**(1,250,801)**	**(1,272,977)**
At 30 September 2022	**HKD192.54**	**34,476,276**	**HKD394.77**	**92,379,103**	**126,855,379**
Exercisable as at 30 September 2022	**HKD192.48**	**34,366,901**	**HKD382.18**	**43,466,458**	**77,833,359**
At 1 January 2021	HKD205.36	37,435,134	HKD380.50	67,806,750	105,241,884
Granted	–	–	HKD588.22	16,596,659	16,596,659
Exercised	HKD189.96	(2,177,144)	HKD322.88	(2,224,941)	(4,402,085)
Lapsed/forfeited	HKD124.30	(10,938)	HKD410.22	(253,452)	(264,390)
At 30 September 2021	HKD206.34	35,247,052	HKD424.05	81,925,016	117,172,068
Exercisable as at 30 September 2021	HKD206.30	35,125,239	HKD380.14	30,595,176	65,720,415

Note:

As a result of the distribution in specie of JD.com Shares (Note 7(b)), pursuant to the scheme rules of the Post-IPO Option Scheme II and the Post-IPO Option Scheme IV, adjustments had been made to the exercise prices of the outstanding share options thereunder as at the Ex-dividend Date, and were reflected in the average exercise prices of related outstanding share options listed above.

During the nine months ended 30 September 2022, no options were granted to any executive director of the Company (nine months ended 30 September 2021: 3,374,630 options were granted to an executive director of the Company) and 843,657 options previously granted were voluntarily waived.

(b) Share award schemes

The Company has adopted the Share Award Schemes as of 30 September 2022, which are administered by an independent trustee appointed by the Group. The vesting period of the awarded shares is determined by the Board.

Movements in the number of awarded shares for the nine months ended 30 September 2022 and 2021 are as follows:

	Number of awarded shares	
	Unaudited	
	Nine months ended 30 September	
	2022	2021
At beginning of period	**121,314,396**	82,594,936
Granted (Note)	**55,765,718**	63,413,575
Lapsed/forfeited	**(7,043,445)**	(4,469,574)
Vested and transferred	**(44,198,741)**	(28,547,171)
At end of period	**125,837,928**	112,991,766
Vested but not transferred as at the end of period	**22,799**	18,972

Note:

As a result of the distribution in specie of JD.com Shares (Note 7(b)), pursuant to the scheme rules of the 2013 Share Award Scheme and the 2019 Share Award Scheme, adjustments had been made to the number of shares subject to share awards which remained unvested as at the Ex-dividend Date. The number of awarded shares granted during the nine months ended 30 September 2022 included a total of 3,606,234 additional awarded shares which were awarded pursuant to such adjustments.

During the nine months ended 30 September 2022, 58,398 awarded shares (excluding the additional 3,182 awarded shares awarded pursuant to adjustments as a result of the distribution in specie of JD.com Shares) were granted to five independent non-executive directors of the Company (nine months ended 30 September 2021: 40,500 awarded shares were granted to four independent non-executive directors of the Company).

13 Accounts payable

Accounts payable and their ageing analysis, based on invoice date, are as follows:

	Unaudited	Audited
	30 September	31 December
	2022	2021
	RMB'Million	RMB'Million
0 ~ 30 days	**96,110**	102,396
31 ~ 60 days	**973**	2,999
61 ~ 90 days	**379**	1,329
Over 90 days	**2,327**	2,746
	99,789	109,470

14 Borrowings

	Unaudited 30 September 2022 RMB'Million	Audited 31 December 2021 RMB'Million
Included in non-current liabilities:		
Non-current portion of long-term USD bank borrowings, unsecured (a)	**148,443**	136,874
Non-current portion of long-term RMB bank borrowings, unsecured (a)	**22,514**	–
Non-current portion of long-term JPY bank borrowings, unsecured (a)	**33**	47
Non-current portion of long-term JPY bank borrowings, secured (a)	**3**	4
Non-current portion of long-term EUR bank borrowings, unsecured (a)	**8**	–
Non-current portion of long-term EUR bank borrowings, secured (a)	**8**	11
	171,009	136,936
Included in current liabilities:		
RMB bank borrowings, unsecured (b)	**6,274**	13,340
RMB bank borrowings, secured (b)	**200**	200
USD bank borrowings, secured (b)	**2**	–
Current portion of long-term USD bank borrowings, unsecured (a)	**3,195**	4,061
Current portion of long-term JPY bank borrowings, unsecured (a)	**15**	16
Current portion of long-term JPY bank borrowings, secured (a)	**1**	1
Current portion of long-term EUR bank borrowings, unsecured (a)	**4**	1,083
Current portion of long-term EUR bank borrowings, secured (a)	**3**	2
Current portion of long-term RMB bank borrowings, unsecured (a)	**–**	300
	9,694	19,003
	180,703	155,939

Note:

(a) The aggregate principal amounts of long-term bank borrowings and applicable interest rates are as follows:

	Unaudited 30 September 2022		Audited 31 December 2021	
	Amount (Million)	**Interest rate (per annum)**	Amount (Million)	Interest rate (per annum)
USD bank borrowings	**USD21,298**	**LIBOR +0.80% ~ 0.95%**	USD22,045	LIBOR + 0.80% ~ 1.27%
USD bank borrowings	**USD60**	**1.41%**	USD60	1.41%
RMB bank borrowings	**RMB22,514**	**2.80% ~ 4.80%**	RMB300	5.70%
JPY bank borrowings	**JPY1,002**	**0.00% ~ 1.86%**	JPY1,234	0.00% ~ 2.50%
JPY bank borrowings	**JPY40**	**TIBOR + 1.70%**	–	–
EUR bank borrowings	**EUR3**	**1.00% ~ 2.54%**	EUR152	0.52% ~ 1.00%

The zero interest rate of JPY borrowings was due to the special interest exemption for COVID-19 by Tokyo Metropolitan Government.

(b) The aggregate principal amounts of short-term bank borrowings and applicable interest rates are as follows:

	Unaudited 30 September 2022		Audited 31 December 2021	
	Amount (Million)	**Interest rate (per annum)**	Amount (Million)	Interest rate (per annum)
RMB bank borrowings	**RMB6,502**	**1.55% ~ 4.40%**	RMB13,540	2.45% ~ 5.10%
USD bank borrowings	**–**	**SOFR + 3.19%**	–	–

15 Notes payable

	Unaudited 30 September 2022 RMB'Million	Audited 31 December 2021 RMB'Million
Included in non-current liabilities:		
Non-current portion of long-term USD notes payable	**151,535**	145,590
Included in current liabilities:		
Current portion of long-term USD notes payable	**10,646**	–
	162,181	145,590

Note:

The aggregate principal amounts of notes payable and applicable interest rates are as follows:

	Unaudited		Audited	
	30 September 2022		31 December 2021	
	Amount (Million)	**Interest rate (per annum)**	Amount (Million)	Interest rate (per annum)
USD notes payable	**USD1,250**	**LIBOR + 0.605% ~ 0.910%**	USD1,250	LIBOR + 0.605% ~ 0.910%
USD notes payable	**USD21,700**	**1.375% ~ 4.700%**	USD21,700	1.375% ~ 4.700%

16 Business combination

Privatisation of Sumo Group PLC ("Sumo")

On 17 January 2022, the Group completed the privatisation of Sumo, a then-existing listed investee classified as FVOCI (LSE: SUMO; with equity interests held of approximately 9%) of the Group, at a cash consideration of approximately GBP847 million (equivalent to approximately RMB7,289 million) for all of the remaining interest ("Privatisation"). As a result of the Privatisation, Sumo became a wholly-owned subsidiary of the Company upon the closing of the transaction and ceased to be a publicly traded company.

Goodwill of approximately RMB6.7 billion was recognised as a result of the transaction. It was mainly attributable to the operating synergies and economies of scale expected to be derived from combining the operations. None of the goodwill was expected to be deductible for income tax purpose.

The Group's revenue for the nine months ended 30 September 2022 would be increased by not more than 5% and results for the nine months ended 30 September 2022 would not be materially different should the transaction had occurred on 1 January 2022.

The related transaction costs of the transaction were not material to the Group's consolidated financial information.

17 Subsequent events

Following the declaration of the Distribution in Specie of the Meituan Shares and the resignation of the Group's board representative in Meituan on 16 November 2022, Meituan will no longer be accounted for as an associate. The Group's investment in Meituan will be designated as FVOCI, with a step down gain to be recognised during the three-month period ending 31 December 2022.

OTHER INFORMATION

Purchase, Sale or Redemption of the Company's Listed Securities

During the three months ended 30 September 2022, the Company repurchased 42,840,000 shares on the Stock Exchange for an aggregate consideration of approximately HKD13.3 billion before expenses. The repurchased shares were subsequently cancelled. The repurchase was effected by the Board for the enhancement of shareholder value in the long term. Details of the shares repurchased are as follows:

Month of purchase in the three months ended 30 September 2022	No. of shares purchased	Purchase consideration per share		Aggregate consideration paid
		Highest price paid HKD	Lowest price paid HKD	HKD
July	7,870,000	356.00	332.40	2,708,481,780
August	9,950,000	334.00	307.80	3,163,872,380
September	25,020,000	332.20	263.80	7,391,913,354
Total	42,840,000			13,264,267,514

Save as disclosed above and in the "Financial Information" section, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the three months ended 30 September 2022.

Employee and Remuneration Policies

As at 30 September 2022, the Group had 108,836 employees (30 September 2021: 107,348). The number of employees employed by the Group varies from time to time depending on needs and employees are remunerated based on industry practice.

The remuneration policy and package of the Group's employees are periodically reviewed. Apart from pension funds and in-house training programmes, discretionary bonuses, share awards and share options may be awarded to employees according to the assessment of individual performance.

The total remuneration cost incurred by the Group for the three months ended 30 September 2022 was RMB27,390 million (for the three months ended 30 September 2021: RMB25,963 million).

Audit Committee

The Audit Committee, together with the Auditor, has reviewed the Group's unaudited Interim Financial Information for the three and nine months ended 30 September 2022. The Audit Committee has also reviewed the accounting principles and practices adopted by the Group and discussed auditing, risk management, internal control and financial reporting matters.

Compliance with the Corporate Governance Code

Save as disclosed in the 2022 interim report and the corporate governance report in the 2021 annual report of the Company, none of the directors of the Company is aware of any information which would reasonably indicate that the Company has not complied with the code provisions as set out in the CG Code during the period from 1 July 2022 to 30 September 2022.

As to the deviation from code provisions B.2.2 (regarding the retirement and re-election of directors) and C.2.1 (regarding the segregation of the roles of chairman and chief executive) of the CG Code, the Board will continue to review the current structure from time to time and shall make necessary changes when appropriate and inform the shareholders accordingly.

APPRECIATION

On behalf of the Board, I would like to thank wholeheartedly our staff and management team for their continued professionalism, perseverance and dedication to the Group, which forms the cornerstone of the Group's sustainable development, amid all recent challenges. I would also like to express our gratitude to all our shareholders and stakeholders for their continuous support and trust.

With our belief in "Value for Users, Tech for Good", we are committed to creating user value and integrating corporate social responsibilities into our products and services. We will continue to adhere to our strategy of fostering sustainable innovations for social value and promoting common prosperity initiatives, while nurturing the field of consumer Internet and embracing the industrial Internet.

By Order of the Board
Ma Huateng
Chairman

Hong Kong, 16 November 2022

As at the date of this announcement, the directors of the Company are:

Executive Directors:
Ma Huateng and Lau Chi Ping Martin;

Non-Executive Directors:
Jacobus Petrus (Koos) Bekker and Charles St Leger Searle; and

Independent Non-Executive Directors:
Li Dong Sheng, Ian Charles Stone, Yang Siu Shun, Ke Yang and Zhang Xiulan.

This announcement contains forward-looking statements relating to the business outlook, estimates of financial performance, forecast business plans and growth strategies of the Group. These forward-looking statements are based on information currently available to the Group and are stated herein on the basis of the outlook at the time of this announcement. They are based on certain expectations, assumptions and premises, some of which are subjective or beyond our control. These forward-looking statements may prove to be incorrect and may not be realised in the future. Underlying these forward-looking statements are a lot of risks and uncertainties. In light of the risks and uncertainties, the inclusion of forward-looking statements in this announcement should not be regarded as representations by the Board or the Company that the plans and objectives will be achieved, and investors should not place undue reliance on such statements.

DEFINITION

In this announcement, unless the context otherwise requires, the following expressions shall have the following meanings:

Term	Definition
"2013 Share Award Scheme"	the share award scheme adopted by the Company on 13 November 2013, as amended from time to time
"2019 Share Award Scheme"	the share award scheme adopted by the Company on 25 November 2019, as amended from time to time
"2022 AGM"	the annual general meeting of the Company held on 18 May 2022
"ARPU"	average revenue per user
"Audit Committee"	the audit committee of the Company
"Auditor"	PricewaterhouseCoopers, the auditor of the Company
"Board"	the board of directors of the Company
"CG Code"	the corporate governance code as set out in Appendix 14 to the Listing Rules
"Company"	Tencent Holdings Limited, a limited liability company organised and existing under the laws of the Cayman Islands and the shares of which are listed on the Stock Exchange
"DAU"	daily active user accounts
"Distribution in Specie"	the distribution of a special interim dividend by the Company in the form of a distribution in specie of the Meituan Shares held by the Group to the qualifying shareholders in proportion to their respective shareholdings in the Company on the basis of an entitlement to 1 Class B ordinary share of Meituan for every 10 shares of the Company held by each qualifying shareholder as at the record date

"Domestic Games"	for the purpose of preparing financial and operating information, Domestic Games refers to our games business in the PRC, excluding the Hong Kong Special Administrative Region, the Macao Special Administrative Region and Taiwan, China
"EBITDA"	earnings before interest, tax, depreciation and amortisation
"EPS"	earnings per share
"EUR"	the lawful currency of European Union
"Ex-dividend Date"	20 January 2022, being the date of commencement of dealing in the shares of the Company on an ex-entitlement basis following the declaration of interim dividend by way of distribution in specie as announced by the Company on 23 December 2021
"FinTech"	financial technology
"FMCG"	fast-moving consumer goods
"FPS"	first-person shooter
"FVOCI"	financial assets at fair value through other comprehensive income
"FVPL"	financial assets at fair value through profit or loss
"GBP"	the lawful currency of the United Kingdom of Great Britain and Northern Ireland
"Group"	the Company and its subsidiaries
"HKD"	the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region, the PRC
"IAS"	International Accounting Standards
"IFRS"	International Financial Reporting Standards

"Interim Financial Information"	the condensed consolidated interim financial information, comprising the consolidated statement of financial position as at 30 September 2022, the consolidated income statement and the consolidated statement of comprehensive income for the three months and nine months then ended, the consolidated statement of changes in equity and the consolidated statement of cash flows for the nine months then ended, and notes, comprising significant accounting policies and other explanatory information
"International Games"	for the purpose of preparing financial and operating information, International Games refers to our games business other than our Domestic Games business
"IPO"	initial public offering
"JD.com"	JD.com, Inc., a company controlled through weighted voting rights and incorporated in the Cayman Islands with limited liability, whose American depositary shares are listed on NASDAQ and whose Class A ordinary shares are listed on the Stock Exchange
"JD.com Shares"	the approximately 457 million Class A ordinary shares in the share capital of JD.com with a par value of USD0.00002 each, held by the Group conferring a holder of a Class A ordinary share to one vote per share on any resolution tabled at JD.com's general meeting and which were distributed on 25 March 2022
"JPY"	the lawful currency of Japan
"LIBOR"	London InterBank Offered Rate
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"MAU"	monthly active user accounts
"Meituan"	Meituan, a company controlled through weighted voting rights and incorporated in the Cayman Islands with limited liability, whose Class B ordinary shares are listed on the Stock Exchange (stock code: 3690)

"Meituan Shares"	the approximately 958 million Class B ordinary shares in the share capital of Meituan with a par value of USD0.00001 each, held by the Group which are to be distributed pursuant to the Distribution in Specie
"Miniclip"	Miniclip Group SA, a limited liability company incorporated in Switzerland
"Minor(s)"	players who are aged under 18
"MMORPG"	massive multiplayer online role playing game
"NASDAQ"	NASDAQ Global Select Market
"PC"	personal computer
"Post-IPO Option Scheme I"	the Post-IPO Share Option Scheme adopted by the Company on 24 March 2004
"Post-IPO Option Scheme II"	the Post-IPO Share Option Scheme adopted by the Company on 16 May 2007
"Post-IPO Option Scheme III"	the Post-IPO Share Option Scheme adopted by the Company on 13 May 2009
"Post-IPO Option Scheme IV"	the Post-IPO Share Option Scheme adopted by the Company on 17 May 2017
"PRC" or "China"	the People's Republic of China
"PRC CIT"	PRC corporate income tax as defined in the "Corporate Income Tax Law of the People's Republic of China"
"Pre-IPO Option Scheme"	the Pre-IPO Share Option Scheme adopted by the Company on 27 July 2001
"PUBG"	PlayerUnknown's Battlegrounds
"R&D"	research and development
"Riot Games"	Riot Games, Inc., a company established in the US

"RMB"	the lawful currency of the PRC
"RPG"	role playing game
"SaaS"	Software-as-a-Service
"Share Award Schemes"	the share award scheme adopted by the Company on 13 December 2007, the 2013 Share Award Scheme and the 2019 Share Award Scheme, as amended from time to time
"SOFR"	Secured Overnight Financing Rate
"SSV & CPP"	Sustainable Social Value and Common Prosperity Programme
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Supercell"	Supercell Oy, a private company incorporated in Finland
"TIBOR"	Tokyo InterBank Offered Rate
"United States" or "US"	the United States of America
"USD"	the lawful currency of the United States
"VAS"	value-added services

APPENDIX II

REPRODUCTION OF THE MACQUARIE BANK LIMITED IMTERIM DIRECTORS' REPORT AND FINANCIAL REPORT FOR THE HALF-YEAR ENDED 30 SEPTEMBER 2022



MACQUARIE BANK

Interim Financial Report 2023

Macquarie Bank
Half year ended
30 September 2022

Macquarie Bank Limited
ACN 008 583 542

Macquarie Bank 2023 Interim Financial Report

This Interim Financial Report has been prepared in accordance with Australian Accounting Standards and the *Corporations Act 2001* (Cth) and does not include all the notes of the type normally included in an annual financial report. Macquarie Bank Limited's (MBL) most recent annual financial report is available at **www.maquarie.com** as part of Macquarie Bank's 2022 Annual Report. MBL has also released information to the Australian Securities Exchange operated by ASX Limited (ASX) in compliance with the continuous disclosure requirements of the ASX Listing Rules. Announcements made by MBL under such rules are available on ASX's internet site **www.asx.com.au** (MBL's ASX code is 'MBL').

The material in this report has been prepared by MBL ABN 46 008 583 542 and is current at the date of this report. It is general background information about Macquarie Bank's (MBL and its subsidiaries, the Consolidated Entity) activities, is provided in summary form in terms of the requirements of AASB 134 *Interim Financial Reporting* and does not purport to be complete. It is not intended to be relied upon as advice to investors or potential investors and does not take into account the investment objectives, financial situation or needs of any particular investor. These should be considered with professional advice when deciding if an investment is appropriate.

The Interim Financial Report was authorised for issue by MBL's Voting Directors (Directors) on 28 October 2022. The Board of Directors has the power to amend and reissue the Financial Report.

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

Cover image

We remain committed to supporting and educating our customers through changing economic conditions. We regularly share relevant and practical content to help our customers make informed financial decisions and understand how to adapt their household finances amid a tougher financial environment.



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01

Directors' Report



Directors' Report

For the half year ended 30 September 2022

The Directors of MBL submit their report with the financial report of the Consolidated Entity for the half year ended 30 September 2022.

Directors

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

Independent Directors

G.R. Stevens AC, Chairman

J.R. Broadbent AC

P.M. Coffey

M.J. Coleman

M.A. Hinchliffe

R.J. McGrath

M. Roche

I.M. Saines

N.M. Wakefield Evans

Executive Voting Directors

S.D. Green, Managing Director and Chief Executive Officer

S.R. Wikramanayake

Other than Mr I.M. Saines, the Directors listed above each held office as a Director of MBL throughout the period and until the date of this report.

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

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

Result

The financial report for the half year ended 30 September 2022 and the results herein are prepared in accordance with AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001* (Cth).

The consolidated profit attributable to the ordinary equity holder of Macquarie Bank, in accordance with Australian Accounting Standards, for the period was $A1,275 million (half year to 31 March 2022: $A1,474 million; half year to 30 September 2021: $A1,243 million).

Operating and financial review

For the half year ended 30 September 2022

Review of performance and financial position

Overview

Macquarie Bank's consolidated profit attributable to the ordinary equity holder of $A1,275 million for the half year ended 30 September 2022 increased 3% from $A1,243 million in the prior corresponding period[1] and decreased 14% from $A1,474 million in the prior period.[2]

	HALF YEAR TO			MOVEMENT	
	30 Sep 22 $Am	31 Mar 22 $Am	30 Sep 21 $Am	*31 Mar 22 %*	*30 Sep 21 %*
Net operating income	**5,050**	5,142	4,412	*(2)*	*14*
Total operating expenses	**(3,295)**	(3,104)	(2,783)	*6*	*18*
Income tax expense	**(480)**	(564)	(386)	*(15)*	*24*
Profit attributable to ordinary equity holder of Macquarie Bank Limited	**1,275**	1,474	1,243	*(14)*	*3*

(1) Prior corresponding period (pcp) refers to the six months ended 30 September 2021.
(2) Prior period refers to the six months ended 31 March 2022.

Net profit contribution[1] by Operating Group

Banking and Financial Services (BFS)

$A580m

↑ 20% on pcp due to

- higher net interest and trading income mainly driven by growth in the loan portfolio and total BFS deposits, and improved margins from the rising interest rate environment
- decreased credit impairment charges driven by provision releases in car loans due to run-off in the portfolio, partially offset by growth in the remaining loan portfolio and some deterioration in the macroeconomic outlook compared to the prior corresponding period.

Partially offset by:

- higher expenses driven by increased technology investment and headcount to support business growth and regulatory requirements.

Commodities and Global Markets (CGM)

$A1,894m

↑ 7% on pcp due to

- increased risk management revenue reflecting strong results across the platform, particularly from Gas and Power, Resources and Global Oil due to increased client hedging activity as a result of elevated levels of volatility and price movements in commodity markets
- increased foreign exchange, interest rate and credit products income driven by increased client hedging and financing activity
- increased lending and financing income due to increased volumes in the energy sectors.

Partially offset by:

- lower net income on equity, debt and other investments due to a gain on the partial sale of the UK Meters portfolio of assets in the prior corresponding period
- higher operating expenses driven by higher employment, technology platform and infrastructure expenses
- inventory management and trading income driven by trading gains from supply and demand imbalances recorded primarily in North American Gas and Power, which were more than offset by the unfavourable impact of timing of income recognition on Gas and Power storage and transport contracts.

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

Net operating income

Net operating income of $A5,050 million for the half year ended 30 September 2022 increased 14% from $A4,412 million in the prior corresponding period mainly driven by higher Net interest and trading income and Fee and commission income, partially offset by lower Net other operating income.

Net interest and trading income

HALF YEAR TO		
30 Sep 22 $Am	31 Mar 22 $Am	30 Sep 21 $Am
3,797	3,750	2,917

↑ 30% on pcp

- Higher risk management revenue reflecting strong results across the platform, particularly in Gas and Power, Resources and Global Oil in CGM
- Higher foreign exchange, interest rates and credit income from increased client hedging and financing activity in CGM
- Growth in the loan portfolio and total BFS deposits, and improved margins from the rising interest rate environment in BFS.

Partially offset by:

- inventory management and trading gains from supply and demand imbalances recorded primarily in North American Gas and Power, which were more than offset by the unfavourable impact of timing of income recognition primarily on Gas and Power storage and transport contracts in CGM.

Fee and commission income

HALF YEAR TO		
30 Sep 22 $Am	31 Mar 22 $Am	30 Sep 21 $Am
1,118	1,058	896

↑ 25% on pcp

- Increased fees received from the Non-Bank for services provided by the Central Service Groups reflecting a higher underlying Central Service Groups cost base
- Higher income due to increased brokerage activity and the timing of fees on specific deals in CGM
- Increased income mainly driven by higher lending and transaction volumes in BFS.

Credit and other impairment charges

HALF YEAR TO		
30 Sep 22 $Am	31 Mar 22 $Am	30 Sep 21 $Am
(67)	56	(83)

↓ 19% on pcp

- Reduced specific provisions in CGM
- Credit impairment releases in car loans due to book run-off in BFS.

Partially offset by:

- growth in the BFS home loan and business lending portfolios
- some deterioration in the macroeconomic outlook.

Net other operating income

HALF YEAR TO		
30 Sep 22 $Am	31 Mar 22 $Am	30 Sep 21 $Am
202	278	682

↓ 70% on pcp

- Gain on the partial sale of the UK Meters portfolio of assets in the prior corresponding period in CGM.

Operating expenses

Total operating expenses of $A3,295 million for the half year ended 30 September 2022 increased 18% from $A2,783 million in the prior corresponding period mainly driven by higher Employment expenses and higher Non-salary technology expenses.

Employment expenses

HALF YEAR TO		
30 Sep 22 $Am	31 Mar 22 $Am	30 Sep 21 $Am
2,164	1,900	1,796

↑ 20% on pcp

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

Brokerage, commission and fee expenses

HALF YEAR TO		
30 Sep 22 $Am	31 Mar 22 $Am	30 Sep 21 $Am
261	254	251

↑ 4% on pcp

- Higher expenses mainly driven by increased trading and brokerage activities in CGM.

Non-salary technology expenses

HALF YEAR TO		
30 Sep 22 $Am	31 Mar 22 $Am	30 Sep 21 $Am
440	396	320

↑ 38% on pcp

- Increased investment in technology initiatives, with focus on data and digitalisation to support business activity.

Other operating expenses

HALF YEAR TO		
30 Sep 22 $Am	31 Mar 22 $Am	30 Sep 21 $Am
430	554	416

↑ 3% on pcp

- Higher travel and entertainment expenses across the Consolidated Entity following the easing of COVID-19 restrictions.

Partially offset by:

- lower transaction-related charges.

Income tax expense

Income tax expense of $A480 million for the half year ended 30 September 2022 increased 24% from $A386 million in the prior corresponding period. The effective tax rate for the half year ended 30 September 2022 was 27.4%, up from 23.7% in the prior corresponding period and down from 27.7% in the prior period.

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

Statement of financial position

The Consolidated Entity's statement of financial position was impacted during the half year ended 30 September 2022 by changes resulting from a combination of business activities, Group Treasury management initiatives, macroeconomic factors and the elevated levels of volatility, demand and price movements in commodity markets.

Total assets

AS AT	
30 Sep 22 $Am	31 Mar 22 $Am
433,061	349,628

↑ 24% on 31 Mar 22

The principal drivers for the increase in the Consolidated Entity's total assets were as follows:

- derivative assets of $A111.5 billion as at 30 September 2022 increased 32% from $A84.6 billion as at 31 March 2022, driven by elevated levels of volatility and price movements in commodity markets, rising interest rate environment, client trade volumes, foreign exchange and mark-to-market movements. After taking into account related financial instruments, cash and other collateral, the residual derivative asset is $A18.6 billion (31 March 2022: $A14.4 billion). Majority of the residual derivative exposure is short term in nature and managed within Macquarie's market and credit risk frameworks, with a substantial portion of the exposure with investment grade counterparties
- cash collateralised lending and reverse repurchase agreements of $A65.6 billion as at 30 September 2022 increased 54% from $A42.5 billion as at 31 March 2022, driven by increase in reverse repurchase agreements in CGM to meet collateral requirements on stock equity borrowings, increase of liquid assets portfolio in Group Treasury and impact of the appreciation of the United States Dollar to Australian Dollar
- financial investments of $A18.3 billion as at 30 September 2022 increased significantly from $A6.5 billion as at 31 March 2022, driven by acquisition of liquid investments
- loan assets of $A134.1 billion as at 30 September 2022 increased 9% from $A123.0 billion as at 31 March 2022, primarily due to growth in the BFS home loan and business banking portfolios, partially offset by net repayments in the BFS car loan portfolio
- margin money and settlement assets of $A25.0 billion as at 30 September 2022 increased 29% from $A19.4 billion as at 31 March 2022, driven by higher trade volumes in CGM.

Total liabilities

AS AT	
30 Sep 22 $Am	31 Mar 22 $Am
412,355	331,660

↑ 24% on 31 Mar 22

The principal drivers for the increase in the Consolidated Entity's total liabilities were as follows:

- derivative liabilities of $A111.3 billion as at 30 September 2022 increased 32% from $A84.2 billion as at 31 March 2022, commensurate with the movement in derivative assets
- deposits of $A122.1 billion as at 30 September 2022 increased 20% from $A101.6 billion as at 31 March 2022, driven by the increase in retail and business banking deposits in BFS
- margin money and settlement liabilities of $A36.0 billion as at 30 September 2022 increased 67% from $A21.6 billion as at 31 March 2022, primarily due to higher trade volumes resulting in an increase in margin placed by financial institutions and broker settlement balances with CGM
- issued debt securities of $A78.3 billion as at 30 September 2022 increased 9% from $A72.1 billion as at 31 March 2022, driven by significant foreign exchange impact on account of appreciation of the United States Dollar to Australian Dollar, net issuance of long-term debt by Group Treasury and additional net issuance of bondholder notes by securitisation vehicles in BFS, offset by net maturity of short-term debt
- loan capital of $A8.1 billion as at 30 September 2022 increased 17% from $A6.9 billion as at 31 March 2022, due to net issuance of capital instruments during the period.

Total equity

AS AT	
30 Sep 22 $Am	31 Mar 22 $Am
20,706	17,968

↑ 15% on 31 Mar 22

The increase in the Consolidated Entity's equity is on account of $A1.3 billion earnings generated during the current period, $A0.6 billion of new issuance and $A0.8 billion increase in foreign currency translation.

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

Funding

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

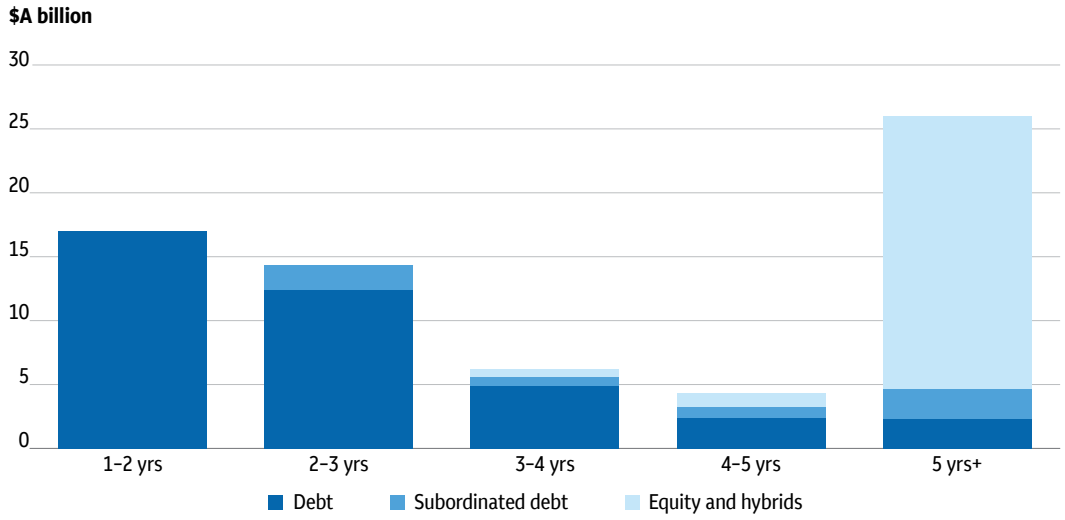
Macquarie Bank has diversity of funding across a range of tenors, currencies and products. The weighted average term to maturity of term funding beyond one year (excluding equity and securitisations) was 3.6 years excluding Term Funding Facility (TFF) and 3.2 years inclusive of TFF as at 30 September 2022.

3.6 years

Weighted average maturity

Term funding profile

Detail of drawn funding maturing beyond one year



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

Details of term funding raised between 1 April 2022 and 30 September 2022:

		Total $Ab
Issued paper	– Senior and subordinated	**3.0**
Secured funding	– Term securitisation, covered bond and other secured finance	**5.5**
Total[1]		**8.5**

Macquarie Bank has continued to develop its major funding markets and products during the half year ended 30 September 2022.

(1) Issuances cover a range of tenors, currencies and product types and are Australian dollar equivalent based on FX rates at the time of issuance. Includes refinancing of loan facilities.

Capital

Under Basel III rules, Australian Prudential Regulation Authority (APRA) requires authorised deposit-taking institutions (ADIs) to have a minimum ratio of Tier 1 capital to risk-weighted assets of 8.5% including the 2.5% capital conservation buffer, with at least 7.0% in the form of Common Equity Tier 1 capital, per APRA ADI Prudential Standard 110.[1]

In addition, APRA may impose ADI-specific minimum capital ratios which may be higher than these levels. The minimum BCBS Basel III leverage ratio requirement of 3% was effective from 1 January 2018.[2]

Macquarie Bank is well capitalised, with the following capital adequacy ratios as at 30 September 2022.

Bank Group Level 2 Basell III ratios as at 30 September 2022	Harmonised Basel III[3]	APRA Basel III
Common Equity Tier 1 Capital Ratio	**15.9%**	**12.8%**
Tier 1 Capital Ratio	**17.9%**	**14.6%**
Leverage Ratio	**5.3%**	**4.7%**

For further information relating to the capital adequacy of Macquarie Bank, refer to section 6 *Capital* of the Management Discussion and Analysis available at **macq.co/1H23MDA**.

(1) Based on materiality, the countercyclical capital buffer (CCyB) of ~1bps has not been included.
(2) APRA released the final 'Prudential Standard APS 110 Capital Adequacy' on 29 November 2021 which has a minimum requirement for the leverage ratio of 3.5% effective 1 January 2023.
(3) 'Harmonised' Basel III estimates are calculated in accordance with the BCBS Basel III framework, noting that MBL is not regulated by the BCBS and so impacts shown are indicative only.

Our purpose

Empowering people to innovate and invest for a better future.

What we stand for



Opportunity



Accountability



Integrity

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

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



The *Code of Conduct* is available at **macquarie.com/what-we-stand-for**

Our business strategy

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

Risk management approach

Adopting a conservative approach to risk management underpinned by a sound risk culture. Macquarie Bank's robust risk management framework and risk culture are embedded across all Bank Group entities.

Strong balance sheet

Maintaining a strong and conservative balance sheet.

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

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

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

Business mix

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

Diversification

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

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

Proven expertise

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

Adjacencies

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

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

Pursuit of growth opportunities

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

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

Events after the reporting date

There were no material events subsequent to 30 September 2022 and up until the authorisation of the financial statements for issue, requiring a disclosure in the interim financial report, other than those that have been disclosed elsewhere in the financial statements.

Interim dividend

No dividends were paid during the current period.

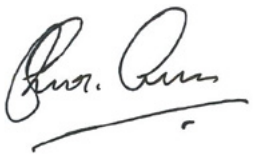
Rounding of amounts

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

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



Glenn Stevens AC
Independent Director and Chairman



Stuart Green
Managing Director and Chief Executive Officer

Sydney
28 October 2022

Auditor's independence declaration

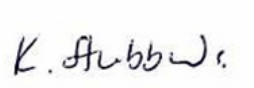
For the half year ended 30 September 2022

As lead auditor for the review of Macquarie Bank Limited for the half year ended 30 September 2022, I declare that to the best of my knowledge and belief, there have been:

(a) no contraventions of the auditor independence requirements of the *Corporations Act 2001 (Cth)* in relation to the review; and

(b) no contraventions of any applicable code of professional conduct in relation to the review.

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



Kristin Stubbins
Partner
PricewaterhouseCoopers

Sydney
28 October 2022

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02

Financial Report



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The Financial Report was authorised for issue by the Board of Directors on 28 October 2022.

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

Consolidated income statement

For the half year ended 30 September 2022

	Notes	**Half year to 30 Sep 22 $m**	Half year to 31 Mar 22 $m	Half year to 30 Sep 21 $m
Interest and similar income:				
Effective interest rate method	2	**2,623**	1,615	1,595
Other	2	**295**	146	118
Interest and similar expense	2	**(1,653)**	(523)	(498)
Net interest income		**1,265**	1,238	1,215
Net trading income	2	**2,532**	2,512	1,702
Fee and commission income	2	**1,118**	1,058	896
Net credit impairment (charges)/reversals	2	**(68)**	78	(94)
Net other impairment reversals/(charges)	2	**1**	(22)	11
Net other operating income	2	**202**	278	682
Net operating income		**5,050**	5,142	4,412
Employment expenses	2	**(2,164)**	(1,900)	(1,796)
Brokerage, commission and fee expenses	2	**(261)**	(254)	(251)
Non-salary technology expenses	2	**(440)**	(396)	(320)
Other operating expenses	2	**(430)**	(554)	(416)
Total operating expenses		**(3,295)**	(3,104)	(2,783)
Operating profit before income tax		**1,755**	2,038	1,629
Income tax expense	4	**(480)**	(564)	(386)
Profit after income tax		**1,275**	1,474	1,243
Profit attributable to the ordinary equity holder of Macquarie Bank Limited		**1,275**	1,474	1,243

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 2022

	Notes	**Half year to 30 Sep 22 $m**	Half year to 31 Mar 22 $m	Half year to 30 Sep 21 $m
Profit after income tax		**1,275**	1,474	1,243
Other comprehensive income/(loss)[1]				
Movements in items that may be subsequently reclassified to the income statement:				
Fair value through other comprehensive (FVOCI) reserve:				
Revaluation movement	17	**(28)**	(28)	–
Changes in expected credit losses allowance	17	**7**	–	(3)
Cash flow hedge reserve and cost of hedging reserve:				
Net movement recognised in other comprehensive income (OCI)	17	**80**	71	(2)
Transferred to income statement on realisation	17	**32**	19	25
Other reserves:				
Transferred to income statement on realisation	17	**3**	3	–
Foreign exchange movements on translation and hedge accounting of foreign operations		**789**	(146)	187
Movements in items that will not be subsequently reclassified to the income statement:				
Fair value changes attributable to own credit risk on debt designated as fair value through profit or loss (DFVTPL)	17	**1**	15	(3)
Total other comprehensive income/(loss)		**884**	(66)	204
Total comprehensive income attributable to the ordinary equity holder of Macquarie Bank Limited		**2,159**	1,408	1,447

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 2022

	Notes	**As at 30 Sep 22 $m**	As at 31 Mar 22 $m	As at 30 Sep 21 $m
Assets				
Cash and bank balances		**49,803**	48,972	28,769
Cash collateralised lending and reverse repurchase agreements		**65,628**	42,548	32,805
Trading assets	5	**12,392**	11,719	20,964
Margin money and settlement assets	6	**25,009**	19,410	16,092
Derivative assets	7	**111,509**	84,616	77,124
Financial investments		**18,297**	6,511	8,853
Held for sale and other assets	8	**6,089**	4,990	5,315
Loan assets	9	**134,059**	123,004	109,501
Due from related body corporate entities		**5,759**	3,425	3,017
Property, plant and equipment and right-of-use assets		**3,580**	3,536	2,899
Deferred tax assets		**936**	897	788
Total assets		**433,061**	349,628	306,127
Liabilities				
Cash collateralised borrowing and repurchase agreements		**22,410**	16,947	13,809
Trading liabilities	11	**6,378**	5,206	5,431
Margin money and settlement liabilities	12	**36,033**	21,577	20,610
Derivative liabilities	13	**111,260**	84,191	77,801
Deposits		**122,136**	101,614	91,683
Held for sale and other liabilities	14	**6,249**	5,744	4,106
Borrowings		**6,305**	5,713	2,214
Due to related body corporate entities		**15,178**	11,637	9,634
Issued debt securities	15	**78,289**	72,107	57,406
Deferred tax liabilities		**23**	28	49
Total liabilities excluding loan capital		**404,261**	324,764	282,743
Loan capital		**8,094**	6,896	7,345
Total liabilities		**412,355**	331,660	290,088
Net assets		**20,706**	17,968	16,039
Equity				
Contributed equity	16	**10,141**	9,562	9,041
Reserves	17	**1,315**	432	513
Retained earnings	17	**9,250**	7,974	6,485
Total capital and reserves attributable to the ordinary equity holder of Macquarie Bank Limited		**20,706**	17,968	16,039
Total equity		**20,706**	17,968	16,039

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 2022

	Notes	Contributed equity $m	Reserves $m	Retained earnings $m	Total equity $m
Balance as at 1 Apr 2021		8,523	306	5,245	14,074
Profit after income tax		–	–	1,243	1,243
Other comprehensive income/(loss), net of tax		–	207	(3)	204
Total comprehensive income		–	207	1,240	1,447
Contribution of ordinary equity by the equity holder	16	500	–	–	500
Other equity movements	16	18	–	–	18
		518	–	–	518
Balance as at 30 Sep 2021		9,041	513	6,485	16,039
Profit after income tax		–	–	1,474	1,474
Other comprehensive (loss)/income, net of tax		–	(81)	15	(66)
Total comprehensive (loss)/income		–	(81)	1,489	1,408
Contribution of ordinary equity by the equity holder	16	500	–	–	500
Other equity movements	16	21	–	–	21
		521	–	–	521
Balance as at 31 Mar 2022		**9,562**	**432**	**7,974**	**17,968**
Profit after income tax		**–**	**–**	**1,275**	**1,275**
Other comprehensive income, net of tax		**–**	**883**	**1**	**884**
Total comprehensive income		**–**	**883**	**1,276**	**2,159**
Contribution of ordinary equity by the equity holder	16	**600**	**–**	**–**	**600**
Other equity movements	16	**(21)**	**–**	**–**	**(21)**
		579	**–**	**–**	**579**
Balance as at 30 Sep 2022		**10,141**	**1,315**	**9,250**	**20,706**

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 2022

	Half year to 30 Sep 22 $m	Half year to 31 Mar 22 $m	Half year to 30 Sep 21 $m
Cash flows generated from/(utilised in) operating activities			
Interest income and expense:			
Received	**2,806**	1,740	1,726
Paid	**(1,325)**	(513)	(518)
Fees, commission, other income and charges:			
Received	**1,185**	1,065	882
Paid	**(274)**	(215)	(256)
Operating lease income received	**341**	547	294
Operating expenses paid:			
Employment expenses	**(2,618)**	(1,337)	(1,966)
Other operating expenses including brokerage, commission and fee expenses	**(895)**	(327)	(751)
Income tax paid	**(370)**	(162)	(233)
Changes in operating assets:			
Loan assets, receivables and balances with related parties	**(9,213)**	(11,557)	(18,159)
Other assets	**208**	(1,015)	(553)
Assets under operating lease	**(166)**	(879)	(236)
Trading and related assets, liquid investments and collateralised lending balances (net of liabilities)	**(1,919)**	13,222	867
Changes in operating liabilities:			
Issued debt securities	**(629)**	16,316	11,053
Deposits	**20,111**	10,001	7,471
Other liabilities	**(41)**	(328)	30
Borrowings and other funding	**(798)**	4,428	8,902
Net cash flows generated from operating activities	**6,403**	30,986	8,553
Cash flows (utilised in)/generated from investing activities			
Net (payments for)/proceeds from financial investments	**(3,784)**	2,638	50
Associates, joint ventures, subsidiaries, and businesses:			
Proceeds from the distribution or disposal, net of cash deconsolidated	**4**	–	536
Payments for additional capital contribution or acquisitions, net of cash acquired	**(30)**	(41)	(12)
Property, plant and equipment and intangible assets:			
Proceeds from disposals	**2**	–	–
Payments for acquisitions	**(138)**	(106)	(58)
Net cash flows (utilised in)/generated from investing activities	**(3,946)**	2,491	516
Cash flows generated/(utilised in) from financing activities			
Proceeds from issue of ordinary shares	**600**	500	500
Loan Capital:			
Issuance	**850**	–	1,405
Redemption	**–**	(17)	(1,084)
Net cash flows generated from financing activities	**1,450**	483	821
Net increase in cash and cash equivalents	**3,907**	33,960	9,890
Cash and cash equivalents at the beginning of the period	**72,361**	39,950	29,318
Effect of exchange rate movements on cash and cash equivalents	**4,100**	(1,549)	742
Cash and cash equivalents at the end of the period	**80,368**	72,361	39,950

Notes to the consolidated financial statements

For the half year ended 30 September 2022

Note 1
Basis of preparation

This general purpose interim financial report for the half year reporting period ended 30 September 2022 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 2022 (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 2022 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 2022.

(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 2022.

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including reasonable expectations of future events. During the period, an increased level of estimation uncertainty was involved in the preparation of the Interim Report arising from emerging risks such as geopolitical tensions, the energy security crisis and changing economic environment and market conditions.

Management believes that the estimates used in preparing the interim financial report are reasonable. It is however reasonably possible that future outcomes that are different from the Consolidated Entity's assumptions and estimates at 30 September 2022, other than adjusting events that provide evidence of conditions that existed at the end of the reporting period, could require an adjustment to the carrying amounts of the reported assets and liabilities in future reporting periods.

(ii) Coronavirus (COVID-19)

The impact of COVID-19 has been incorporated into the determination of the Consolidated Entity's results of operations and measurement of its assets and liabilities at the reporting date.

The Consolidated Entity's processes to determine the impact of COVID-19 for this interim financial report are consistent with the processes disclosed and applied in the Consolidated Entity's annual financial report for the year ended 31 March 2022. Those processes identified that *Expected credit losses* (Note 10) required continued judgement as a result of the impact of COVID-19.

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

The amendments made to existing standards that were mandatorily effective or have been early adopted for the annual reporting period beginning on 1 April 2022 did not result in a material impact on this interim financial report.

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

(iv) Other developments

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

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 and CHF London Inter-bank Offered Rate ('LIBOR'), and the 1-week and 2-month tenors for USD LIBOR ceased publication on 31 December 2021. The Consolidated Entity's IBOR reform project oversaw the transition of such exposures and ceased the use of LIBOR in new products in accordance with industry and regulatory guidance.

Note 1
Basis of preparation continued

(iv) Other developments continued

The remaining USD LIBOR tenors and IBOR for other minor currencies, other than Canadian Dollar Offered Rate will cease publication on 30 June 2023. CDOR will cease publication on 28 June 2024. Similar to the transition of LIBORs ceasing in 2021, the transition approach will vary by product and nature of the counterparty. The Consolidated Entity will utilise active conversion of exposures or the inclusion of fallback provisions where necessary to support the transition of bilateral products. For products cleared through Central Clearing Counterparties ('CCPs'), the transition will align to the CCP requirements and market-wide approach to reform. The Consolidated Entity has actively begun to engage with clients to support them through the transition from USD LIBOR to SOFR. USD LIBOR transition activity is expected to increase during the second half of FY23, broadly in line with markets as the cessation date approaches. New products must not reference USD LIBOR, other than a few exceptional cases that are permitted regulatory exceptions.

Whilst IBOR reforms are important changes for the Consolidated Entity, the risks associated with the transition are managed within the Consolidated Entity's existing risk management framework. The Consolidated Entity's exposure to IBOR transition risk has not changed materially during the period to 30 September 2022.

(v) Comparatives

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

Note 2
Operating profit before income tax

	Half year to 30 Sep 22 $m	Half year to 31 Mar 22 $m	Half year to 30 Sep 21 $m
Net interest income			
Interest and similar income			
Effective interest rate method[1]	**2,623**	1,615	1,595
Other	**295**	146	118
Interest and similar expense[2]	**(1,653)**	(523)	(498)
Net interest income	**1,265**	1,238	1,215
Net trading income			
Commodities trading[3]	**1,863**	2,017	1,216
Credit, interest rate, foreign exchange and other products	**493**	353	292
Equities trading	**176**	142	194
Net trading income	**2,532**	2,512	1,702
Fee and commission income			
Service fee from related parties	**598**	546	460
Brokerage and other trading-related fees	**141**	143	132
Portfolio administration fees	**125**	129	118
Lending fees	**74**	68	65
Other fee and commission income	**180**	172	121
Total fee and commission income	**1,118**	1,058	896

(1) Includes interest income of $2,468 million (half year to 31 March 2022: $1,591 million; half year to 30 September 2021: $1,566 million) on financial assets measured at amortised cost and $155 million (half year to 31 March 2022: $24 million; half year to 30 September 2021: $29 million) on financial assets measured at FVOCI.
(2) Includes interest expense on financial liabilities measured at amortised cost calculated using the effective interest rate method of $1,606 million (half year to 31 March 2022: $492 million; half year to 30 September 2021: $471 million).
(3) Includes $190 million (half year to 31 March 2022: $219 million; half year to 30 September 2021: $190 million) of transportation, storage and certain other trading-related costs.

Note 2
Operating profit before income tax continued

	Half year to 30 Sep 22 $m	Half year to 31 Mar 22 $m	Half year to 30 Sep 21 $m
Credit and other impairment (charges)/reversals			
Credit impairment (charges)/reversals			
Loan assets	**(37)**	118	(41)
Margin money and settlement assets	**(6)**	(17)	(11)
Financial investments, other assets, off balance sheet exposures	**(26)**	(25)	(42)
Gross credit impairment (charges)/reversals	**(69)**	76	(94)
Recovery of amounts previously written off	**1**	2	–
Net credit impairment (charges)/reversals	**(68)**	78	(94)
Other impairment (charges)/reversals			
Intangible and other non-financial assets	**1**	(22)	11
Net other impairment reversals/(charges)	**1**	(22)	11
Total credit and other impairment (charges)/reversals	**(67)**	56	(83)
Net other operating income			
Investment (loss)/income			
Net (loss)/gain from:			
Disposal of businesses and subsidiaries	**–**	5	455
Financial investments and other assets	**(32)**	37	24
Total investment (loss)/income	**(32)**	42	479
Net operating lease income			
Rental income	**337**	346	310
Depreciation	**(162)**	(161)	(156)
Net operating lease income	**175**	185	154
Share of net profits from associates and joint ventures	**14**	24	15
Other income	**45**	27	34
Total net other operating income	**202**	278	682
Net operating income	**5,050**	5,142	4,412

Note 2
Operating profit before income tax continued

	Half year to 30 Sep 22 $m	Half year to 31 Mar 22 $m	Half year to 30 Sep 21 $m
Employment expenses			
Salary and related costs including commissions, superannuation and performance-related profit share	**(1,935)**	(1,713)	(1,602)
Share-based payments	**(208)**	(168)	(156)
Provision for long service leave and annual leave	**(21)**	(19)	(38)
Total employment expenses	**(2,164)**	(1,900)	(1,796)
Brokerage, commission and fee expenses			
Brokerage and other trading-related fee expenses	**(207)**	(195)	(202)
Other fee and commission expenses	**(54)**	(59)	(49)
Total brokerage, commission and fee expenses	**(261)**	(254)	(251)
Non-salary technology expenses			
Information services	**(62)**	(55)	(52)
Depreciation on own use assets: equipment	**(9)**	(9)	(9)
Service provider and other non-salary technology expenses	**(369)**	(332)	(259)
Total non-salary technology expenses	**(440)**	(396)	(320)
Other operating expenses			
Occupancy expenses			
Lease and other occupancy expenses	**(89)**	(82)	(81)
Depreciation on own use assets: buildings, furniture, fittings and leasehold improvements	**(17)**	(20)	(18)
Total occupancy expenses	**(106)**	(102)	(99)
Other expenses			
Professional fees	**(107)**	(133)	(90)
Travel and entertainment expenses	**(37)**	(10)	(6)
Indirect and other taxes	**(35)**	(55)	(60)
Advertising and promotional expenses	**(27)**	(25)	(20)
Audit fees	**(15)**	(15)	(14)
Amortisation of intangible assets	**(6)**	(11)	(12)
Other	**(97)**	(203)	(115)
Total other expenses	**(324)**	(452)	(317)
Total other operating expenses	**(430)**	(554)	(416)
Total operating expenses	**(3,295)**	(3,104)	(2,783)
Operating profit before income tax	**1,755**	2,038	1,629

Note 3
Segment reporting

(i) Operating Segments

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

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

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

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

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

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

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

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

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

Internal funding arrangements

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

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

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

Transactions between Operating Segments

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

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

Accounting for derivatives that hedge interest rate risk

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

Note 3
Segment reporting continued

(i) Operating Segments continued

Central Service Groups

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

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

In November 2020, MGL's service entities were transferred from the Non-Bank Group to the Consolidated Entity following approval from both the MGL and MBL Boards.

The transfer was achieved through execution of sale and purchase agreements whereby the Consolidated Entity acquired a 100% interest in Macquarie Group Services Australia (MGSA) and its subsidiaries from MGL and a 100% interest in Macquarie Global Services Private Limited (MGSPL) from Macquarie Global Finance Services (Mauritius) Limited (an indirect subsidiary of MGL).

The service entities largely employ staff in Central Service Groups, together with some back and middle office staff from MGL's Operating Groups. The transfer resulted in an increase of approximately 7,500 permanent headcount for the Consolidated Entity. Where staff provide services to the Non-Bank Group, the Consolidated Entity earns fees for these services, which are charged on arms-length basis.

Performance-related profit share and share-based payments expense

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

Income tax

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

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

Presentation of segment income statements

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

Reportable segment assets

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

Note 3
Segment reporting continued

(i) Operating Segments continued

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

	Banking and Financial Services $m	Commodities and Global Markets $m	Corporate $m	Total $m
				HALF YEAR TO 30 SEP 22
Net interest and trading income/(expense)	**1,214**	**2,601**	**(18)**	**3,797**
Fee and commission income	**233**	**287**	**598**	**1,118**
Net other operating income:				
Net credit and other impairment charges	**(9)**	**(34)**	**(24)**	**(67)**
Other operating income and charges	**(16)**	**197**	**21**	**202**
Internal management revenue/(charges)	**1**	**(1)**	**–**	**–**
Net operating income	**1,423**	**3,050**	**577**	**5,050**
Total operating expenses	**(843)**	**(1,156)**	**(1,296)**	**(3,295)**
Operating profit/(loss) before income tax	**580**	**1,894**	**(719)**	**1,755**
Income tax expense	**–**	**–**	**(480)**	**(480)**
Net profit/(loss) contribution	**580**	**1,894**	**(1,199)**	**1,275**
Reportable segment assets	**122,243**	**235,737**	**75,081**	**433,061**
				HALF YEAR TO 31 MAR 22
Net interest and trading income/(expense)	998	2,765	(13)	3,750
Fee and commission income	237	270	551	1,058
Net other operating income:				
Net credit and other impairment reversals/(charges)	53	(6)	9	56
Other operating income and charges	9	280	(11)	278
Internal management revenue/(charges)	1	(8)	7	–
Net operating income	1,298	3,301	543	5,142
Total operating expenses	(779)	(1,141)	(1,184)	(3,104)
Operating profit/(loss) before income tax	519	2,160	(641)	2,038
Income tax expense	–	–	(564)	(564)
Net profit/(loss) contribution	519	2,160	(1,205)	1,474
Reportable segment assets	111,106	171,741	66,781	349,628

Note 3
Segment reporting continued

(i) Operating Segments continued

	Banking and Financial Services $m	Commodities and Global Markets $m	Corporate $m	Total $m
				HALF YEAR TO 30 SEP 21
Net interest and trading income	974	1,868	75	2,917
Fee and commission income	220	216	460	896
Net other operating income:				
Net credit and other impairment (charges)/reversals	(31)	(60)	8	(83)
Other operating income and charges	–	662	20	682
Internal management revenue/(charges)	–	34	(34)	–
Net operating income	1,163	2,720	529	4,412
Total operating expenses	(681)	(948)	(1,154)	(2,783)
Operating profit/(loss) before income tax	482	1,772	(625)	1,629
Income tax expense	–	–	(386)	(386)
Net profit/(loss) contribution	482	1,772	(1,011)	1,243
Reportable segment assets	100,067	162,829	43,231	306,127

Note 3
Segment reporting continued

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

The following is an analysis of the Consolidated Entity's fee and commission income/(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 22
Service fee from related parties	–	–	598	598
Brokerage and other trading-related fees	20	121	–	141
Portfolio administration fees	124	1	–	125
Lending fees	69	5	–	74
Other fee and commission income	20	160	–	180
Total fee and commission income	233	287	598	1,118
Fee and commission income				HALF YEAR TO 31 MAR 22
Service fee from related parties	–	–	546	546
Brokerage and other trading-related fees	21	122	–	143
Portfolio administration fees	128	1	–	129
Lending fees	61	7	–	68
Other fee and commission income	27	140	5	172
Total fee and commission income	237	270	551	1,058
Fee and commission income				HALF YEAR TO 30 SEP 21
Service fee from related parties	–	–	460	460
Brokerage and other trading-related fees	24	108	–	132
Portfolio administration fees	117	1	–	118
Lending fees	60	5	–	65
Other fee and commission income	19	102	–	121
Total fee and commission income	220	216	460	896

Note 4
Income tax expense

	Half year to 30 Sep 22 $m	Half year to 31 Mar 22 $m	Half year to 30 Sep 21 $m
(i) Reconciliation of income tax expense to *prima facie* income tax expense			
Prima facie income tax expense on operating profit @30% (31 March 2022: 30%; 30 September 2021: 30%)	**(526)**	(611)	(489)
Tax effect of amounts which are non-assessable/(non-deductible) in calculating taxable income:			
Rate differential on offshore income	**62**	46	110
Other items	**(16)**	1	(7)
Total income tax expense	**(480)**	(564)	(386)
(ii) Tax benefit/(expense) relating to OCI			
FVOCI reserve	**10**	12	–
Own credit risk	**–**	(7)	2
Cash flow hedges and cost of hedging	**(5)**	(8)	(3)
Foreign currency translation reserve	**–**	1	–
Share of other comprehensive income of associates and joint ventures	**(1)**	–	–
Total tax benefit/(expense) relating to OCI	**4**	(2)	(1)

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

Note 5
Trading assets

	As at 30 Sep 22 $m	As at 31 Mar 22 $m	As at 30 Sep 21 $m
Listed equity securities	**5,429**	4,733	7,090
Commodity contracts	**3,398**	3,261	4,104
Commodities	**2,718**	3,119	6,982
Debt securities	**847**	606	2,788
Total trading assets	**12,392**	11,719	20,964

Note 6
Margin money and settlement assets

Margin money	**19,379**	14,088	10,152
Commodity settlements	**3,723**	4,294	2,680
Security settlements	**1,907**	1,028	3,260
Total margin money and settlement assets	**25,009**	19,410	16,092

Note 7
Derivative assets

	As at 30 Sep 22 $m	As at 31 Mar 22 $m	As at 30 Sep 21 $m
Held for trading	**110,043**	84,171	76,488
Designated in hedge relationships	**1,466**	445	636
Total derivative assets	**111,509**	84,616	77,124

Note 8
Held for sale and other assets

Held for sale assets			
Assets held for sale	**89**	3	665
Other financial assets			
Commodity-related receivables	**3,398**	2,508	2,556
Trade debtors and other receivables	**1,104**	1,125	683
Fee and commission receivables	**150**	175	165
Other	**18**	23	13
Total other financial assets	**4,670**	3,831	3,417
Other non-financial assets			
Interests in associates and joint ventures	**364**	379	308
Prepayments	**329**	287	334
Income tax receivables	**259**	180	347
Indirect tax receivables	**217**	155	62
Intangible assets	**103**	101	143
Other	**58**	54	39
Total other non-financial assets	**1,330**	1,156	1,233
Total held for sale and other assets	**6,089**	4,990	5,315

Note 9
Loan assets

	AS AT 30 SEP 22			AS AT 31 MAR 22			AS AT 30 SEP 21		
	Gross $m	**ECL allowance $m**	**Net $m**	Gross $m	ECL allowance $m	Net $m	Gross $m	ECL allowance $m	Net $m
Home loans[1]	**107,109**	**(111)**	**106,998**	94,922	(76)	94,846	81,365	(73)	81,292
Corporate, commercial, and other lending	**19,441**	**(314)**	**19,127**	18,590	(290)	18,300	16,911	(334)	16,577
Asset financing[1]	**8,119**	**(185)**	**7,934**	10,082	(224)	9,858	11,976	(344)	11,632
Total loan assets	**134,669**	**(610)**	**134,059**	123,594	(590)	123,004	110,252	(751)	109,501

(1) Includes $18,832 million (31 March 2022: $15,013 million; 30 September 2021: $13,580 million) loans that are held by consolidated Structured Entities (SEs), and which are available as security to note holders and debt providers. Refer to Note 15 *Issued debt securities*.

Note 10
Expected credit losses

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

Model Inputs

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

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

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

The key model components used in measuring the ECL include:

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

Significant increase in credit risk (SICR)

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

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

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 10
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. Overtime the credit models are recalibrated to enhance the predictive capability. At the reporting date this overlay was approximately $300 million (31 March 2022: $275 million, 31 September 2021: $400 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 alternate scenarios. For the current reporting period, the Consolidated Entity has generated three alternate scenarios in addition to the baseline scenario, to which the alternate scenarios are anchored on a relative basis.

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

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

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

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

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

These scenarios impact the modelled ECL provisioning levels through determination of PDs 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 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 10
Expected credit losses continued

Forward-looking information continued

Scenario	Weighting	Expectation
Baseline A 100% weighting to this scenario would result in an estimated total expected credit loss provision on balance sheet at the reporting date of ~$800 million[1]	Probable	**Global:** The baseline scenario assumes a slowing economy due to expected impacts from inflation, monetary tightening, and a slowdown in China. Uncertainty remains significant regarding the trajectory of commodity prices and the pace of global interest rate hikes two key sources of uncertainty. Unemployment rates, currently at recent lows in many countries, are expected to rise as growth slows and many advanced economies enter recessions. **Australia:** Growth in 2022 continues as the economy recovers from the impacts of pandemic-related disruptions, however the pace of this growth will fall significantly over the coming year. A recession is not forecast, but annual growth in 2023 is forecast to be just 1.2%. Tightening from the Reserve Bank of Australia (RBA) is forecast to push the cash rate to 3.35% and result in a fall in house prices of approximately 16.5%. Weak growth is forecast to result in unemployment rising steadily to 4.5% by mid-2025, but remain below pre-pandemic levels. **United States:** A recession is forecast in the baseline scenario, with four consecutive quarters of contraction from mid 2023 as the US Federal Reserve rates increases impacts all aspects of the economy. Interest rate increases are expected to stop when the Federal funds rate reaches 3.75 to 4.0% in the first quarter of 2023. GDP is forecast to contract by 1.5% year-on-year, with unemployment rising to 6% in 2024. **Europe:** Having only just returned output to pre-pandemic levels, Europe has been negatively impacted by the conflict between Russia and Ukraine. Energy prices have surged, and supply concerns have increased as winter approaches. In this scenario price pressures are forecast to weigh on consumer and business activity, and Europe is expected to enter a recession during 2022. The recovery is forecast to be slow, with tighter monetary conditions from the European Central Bank (ECB) necessitated by high inflation, and with weak growth outlooks in much of the rest of the world.
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 ~$900 million[1]	Possible	**Global:** The downside scenario forecasts growth in global GDP that is approximately 1 % lower than the baseline scenario through to 2026. **Australia:** The scenario projects that Australia is unable to avoid a recession, with GDP contracting 0.75% during 2023 as a result of slowing global growth and the impact of restrictive monetary policy from the RBA. House prices are forecast to fall 14% but are supported by a reversal in RBA policy as the economy slows. **United States:** The scenario projects a longer and more significant contraction in GDP, falling by 2.2% to the end of 2023, despite Federal Reserve rate cuts beginning in early 2023 as signs emerge of faltering growth. The unemployment rate is forecast to continues to rise, peaking at over 7% in 2024. **Europe:** The scenario projects GDP to fall by slightly more than 2% in 2023, with a prolonged recovery through to 2026. Price pressures are forecast to continue to restrict household and business activity, and unemployment is forecast to exceed 9% in 2024.
More Severe Downside A 100% weighting to this scenario would result in an estimated total expected credit loss provision on balance sheet at the reporting date of ~$1,150 million[1]	Unlikely	**Global:** The scenario projects negative global growth for most of 2023 as a result of persistent inflation, tighter global monetary conditions, and a slowdown in China. Commodity prices remain elevated for the first half of 2023 before global economic weakness leads to significant falls, pushing oil prices below $US50/barrel. Equity markets also falter as the depth of the slowdown becomes clear. **Australia:** The scenario projects GDP to fall by 2.5% in 2023 and recover only slowly at 1% year-on-year in 2024. In spite of RBA loosening as a recession occurs, the economy continues to struggle and house prices stabilise in 2024 after declining 25%. **United States:** The scenario projects a severe downturn starting in late 2022 with output falling by 3.5% to during 2023. The Federal Reserve is forecast to cut rates sharply, but this fails to sufficiently stimulate the economy and unemployment in this scenario rises to 8.4% in early 2024. **Europe:** The scenario projects the Eurozone economy to contract 3.7% to by the end of 2023 as the energy price strain and a global slowdown have a significant impact on Europe. Unemployment is forecast to reach 10% across Europe in late 2024, while equity and housing markets are impacted by material downturns.
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 ~$750 million[1]	Unlikely	**Global:** The upside scenario projects growth in global GDP that is approximately 1% higher than the baseline scenario throughout the forecast period to 2026. **Australia:** The scenario projects growth to continue but slow to around 1.5% year-on-year. RBA rate hikes are forecast to slow the economy sufficiently to ease inflationary pressures but without a sharp increase in unemployment, which slowly rises to 4.3%. **United States:** The scenario projects growth slows sharply in mid 2023 to approximately 0.1% quarterly growth, but a recession is avoided. The Federal Reserve broadly achieves its 'soft landing' goal and is not required to rapidly cut rates to stimulate growth. Equity prices take a decline in the short-term hit due to higher rates but recover as a recession is avoided. **Europe:** The scenario projects recession is narrowly avoided, but growth falls to less than 0.5% year-on-year. Price pressures are forecast to ease as monetary policy is tightened and global commodity prices decline, with unemployment forecast to rise to 7.5%.

(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 10
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 22
Cash and bank balances	**49,803**	**–**	**–**	**49,803**	**–**	**–**	**–**	**–**
Cash collateralised lending and reverse repurchase agreements	**22,688**	**34,318**	**–**	**57,006**	**–**	**–**	**–**	**–**
Margin money and settlement assets	**24,829**	**–**	**–**	**24,829**	**90**	**–**	**–**	**90**
Financial investments	**750**	**14,506**	**–**	**15,256**	**–**	**11**	**–**	**11**
Held for sale and other assets	**2,209**	**–**	**–**	**2,209**	**114**	**–**	**–**	**114**
Loan assets	**134,471**	**–**	**–**	**134,471**	**610**	**–**	**–**	**610**
Due from related body corporate entities	**649**	**–**	**–**	**649**	**–**	**–**	**–**	**–**
Off balance sheet exposures	**–**	**–**	**7,231**	**7,231**	**–**	**–**	**35**	**35**
Total	**235,399**	**48,824**	**7,231**	**291,454**	**814**	**11**	**35**	**860**
								AS AT 31 MAR 22
Cash and bank balances	48,972	–	–	48,972	–	–	–	–
Cash collateralised lending and reverse repurchase agreements	11,155	27,223	–	38,378	–	–	–	–
Margin money and settlement assets	18,967	–	–	18,967	81	–	–	81
Financial investments	4	6,262	–	6,266	–	1	–	1
Held for sale and other assets	2,316	–	–	2,316	158	–	–	158
Loan assets	123,435	–	–	123,435	590	–	–	590
Due from related body corporate entities	1,399	–	–	1,399	–	–	–	–
Off balance sheet exposures	–	–	6,630	6,630	–	–	17	17
Total	206,248	33,485	6,630	246,363	829	1	17	847

Note 10
Expected credit losses continued

	GROSS EXPOSURE FOR FINANCIAL ASSETS CARRIED AT				ECL ALLOWANCE ON FINANCIAL ASSETS CARRIED AT			
	Amortised cost $m	FVOCI $m	Other $m	Gross exposure $m	Amortised cost $m	FVOCI $m	Other $m	Total ECL allowances $m
								AS AT 30 SEP 21
Cash and bank balances	28,769	–	–	28,769	–	–	–	–
Cash collateralised lending and reverse repurchase agreements	12,259	14,846	–	27,105	–	–	–	–
Margin money and settlement assets	15,569	–	–	15,569	65	–	–	65
Financial investments	10	8,566	–	8,576	–	4	–	4
Held for sale and other assets	2,282	–	–	2,282	167	–	–	167
Loan assets	110,096	–	–	110,096	750	–	–	750
Due from related body corporate entities	2,066	–	–	2,066	1	–	–	1
Off balance sheet exposures	–	–	6,813	6,813	–	–	24	24
Total	171,051	23,412	6,813	201,276	983	4	24	1,011

Note 10
Expected credit losses continued

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

	Margin money and settlement assets $m	Financial investments $m	Held for sale and other assets $m	Loan assets $m	Due from related body corporate entities $m	Off balance sheet exposures $m	Total $m
Balance as at 1 Apr 2021	54	6	111	776	1	24	972
Credit impairment charges/ (reversals) (Note 2)	11	3	40	41	–	(1)	94
Amounts written off, previously provided for	–	–	(4)	(51)	–	–	(55)
Reclassifications, foreign exchange and other movements	–	(5)	20	(16)	–	1	–
Balance as at 30 Sep 2021	65	4	167	750	1	24	1,011
Credit impairment charges/ (reversals) (Note 2)	17	(3)	34	(118)	–	(6)	(76)
Amounts written off, previously provided for	–	–	(22)	(23)	–	–	(45)
Reclassifications, foreign exchange and other movements	(1)	–	(21)	(19)	(1)	(1)	(43)
Balance as at 31 Mar 2022	81	1	158	590	–	17	847
Credit impairment charges (Note 2)	**6**	**10**	**–**	**37**	**–**	**16**	**69**
Amounts written off, previously provided for	**–**	**–**	**(61)**	**(20)**	**–**	**–**	**(81)**
Reclassifications, foreign exchange and other movements	**3**	**–**	**17**	**3**	**–**	**2**	**25**
Balance as at 30 Sep 2022	**90**	**11**	**114**	**610**	**–**	**35**	**860**

Note 10
Expected credit losses continued

ECL on loan assets

The table below represents the 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
	$m	$m	$m	$m
Balance as at 1 Apr 2021	315	202	259	776
Transfers during the period	18	1	(19)	–
Credit impairment charges/(reversals) (Note 2)	20	(29)	50	41
Amounts written off, previously provided for	–	–	(51)	(51)
Reclassifications, foreign exchange and other movements	(8)	(2)	(6)	(16)
Balance as at 30 Sep 2021	345	172	233	750
Transfers during the period	15	(4)	(11)	–
Credit impairment reversals (Note 2)	(127)	18	(9)	(118)
Amounts written off, previously provided for	–	–	(23)	(23)
Reclassifications, foreign exchange and other movements	(19)	1	(1)	(19)
Balance as at 31 Mar 2022	214	187	189	590
Transfers during the period	**18**	**(15)**	**(3)**	**–**
Credit impairment charges/(reversals) (Note 2)	**36**	**(7)**	**8**	**37**
Amounts written off, previously provided for	**–**	**–**	**(20)**	**(20)**
Reclassifications, foreign exchange and other movements	**3**	**–**	**–**	**3**
Balance as at 30 Sep 2022	**271**	**165**	**174**	**610**

Note 11
Trading liabilities

	As at 30 Sep 22 $m	As at 31 Mar 22 $m	As at 30 Sep 21 $m
Listed equity securities	**6,207**	5,173	5,402
Commodities	**136**	–	–
Debt securities	**35**	33	29
Total trading liabilities	**6,378**	5,206	5,431

Note 12
Margin money and settlement liabilities

	As at 30 Sep 22 $m	As at 31 Mar 22 $m	As at 30 Sep 21 $m
Margin money	**29,991**	16,244	15,572
Commodity settlements	**3,771**	4,370	2,473
Security settlements	**2,271**	963	2,565
Total margin money and settlement liabilities	**36,033**	21,577	20,610

Note 13
Derivative liabilities

Held for trading	**109,973**	83,584	77,392
Designated in hedge relationships	**1,287**	607	409
Total derivative liabilities	**111,260**	84,191	77,801

Note 14
Held for sale and other liabilities

Held for sale liabilities			
Liabilities held for sale	**9**	–	–
Other financial liabilities			
Commodity-related payables	**1,955**	1,208	544
Creditors	**582**	609	523
Lease liabilities	**349**	357	428
Unitholder liabilities	**–**	10	11
Total other financial liabilities	**2,886**	2,184	1,506
Other non-financial liabilities			
Accrued charges and provisions[1]	**1,452**	1,202	1,015
Employment-related liabilities	**1,063**	1,465	932
Indirect taxes payable	**53**	64	90
Income tax payable	**419**	460	375
Other	**367**	369	188
Total other non-financial liabilities	**3,354**	3,560	2,600
Total held for sale and other liabilities	**6,249**	5,744	4,106

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

Note 15
Issued debt securities

	As at 30 Sep 22 $m	As at 31 Mar 22 $m	As at 30 Sep 21 $m
Bonds, negotiable certificate of deposits and commercial paper[1]	**77,029**	70,522	55,587
Structured notes	**1,260**	1,585	1,819
Total issued debt securities[2],[3]	**78,289**	72,107	57,406

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

Reconciliation of issued debt securities by major currency *(In Australian dollar equivalent)*			
United States dollar	**47,832**	40,422	32,790
Australian dollar	**23,152**	22,144	19,374
Euro	**3,045**	4,689	2,238
Pound sterling	**2,546**	3,317	1,444
Swiss franc	**1,160**	1,060	1,100
Other	**554**	475	460
Total issued debt securities	**78,289**	72,107	57,406

(1) Includes $14,208 million (31 March 2022: $13,380 million; 30 September 2021: $12,170 million) payable to note holders and debt holders for which loan assets are held by consolidated SEs and are available as security. Refer to Note 9 *Loan assets.*

(2) 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 $1,465 million (31 March 2022: $1,706 million, 30 September 2021: $1,996 million). This amount is based on the final notional amount rather than the fair value. Refer to Note 19 *Measurement categories of financial instruments* for the carrying value of issued debt securities measured at DFVTPL.

(3) Includes a cumulative fair value loss of $5 million (31 March 2022: $6 million loss, 30 September 2021: $27 million loss) due to changes in own credit risk on DFVTPL debt securities recognised in OCI. The fair value movement is recognised in OCI.

Note 16
Contributed equity

	As at 30 Sep 22 $m	As at 31 Mar 22 $m	As at 30 Sep 21 $m
Ordinary share capital	**9,879**	9,279	8,779
Other equity	**262**	283	262
Total contributed equity	**10,141**	9,562	9,041

	Half year to 30 Sep 22 $m	Half year to 31 Mar 22 $m	Half year to 30 Sep 21 $m
(i) Ordinary share capital[1][2]			
Opening balance of 674,817,171 (1 October 2021: 655,108,854; 1 April 2021: 634,361,966) fully paid ordinary shares	**9,279**	8,779	8,279
Issue of 21,786,493 shares on 30 June 2022 at $27.54 per share	**600**	–	–
Issue of 19,708,317 shares on 30 December 2021 at $25.37 per share	**–**	500	–
Issue of 20,746,888 shares on 30 September 2021 at $24.10 per share	**–**	–	500
Closing balance of 696,603,664 (31 March 2022: 674,817,171; 30 September 2021: 655,108,854) fully paid ordinary shares	**9,879**	9,279	8,779
(ii) Other equity[3]			
Equity contribution from ultimate parent entity			
Balance at the beginning of the period	**283**	262	244
Change attributable to deferred tax on share-based payment expense	**(21)**	21	18
Balance at the end of the period	**262**	283	262

(1) Ordinary shares have no par value.
(2) All of the shares are held by parent entity, Macquarie B.H. Pty Limited.
(3) 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 17
Reserves and retained earnings

	Half year to 30 Sep 22 $m	Half year to 31 Mar 22 $m	Half year to 30 Sep 21 $m
(i) Reserves			
Foreign currency translation reserve			
Balance at the beginning of the period	**438**	584	397
Foreign exchange movement on translation and hedge accounting of foreign operations, net of tax	**789**	(146)	187
Balance at the end of the period	**1,227**	438	584
FVOCI reserve			
Balance at the beginning of the period	**4**	32	35
Revaluation movement for the period, net of tax	**(28)**	(28)	–
Changes in ECL allowance, net of tax	**7**	–	(3)
Balance at the end of the period	**(17)**	4	32
Cash flow hedge reserve			
Balance at the beginning of the period	**8**	(90)	(113)
Net movement recognised in OCI during the financial year, net of tax	**124**	79	(2)
Transferred to income statement on realisation, net of tax	**25**	19	25
Balance at the end of the period	**157**	8	(90)
Cost of hedging and other reserves			
Balance at the beginning of the period	**(18)**	(13)	(13)
Net movement recognised in OCI during the period, net of tax	**(44)**	(8)	–
Transferred to income statement on realisation, net of tax	**10**	3	–
Balance at the end of the period	**(52)**	(18)	(13)
Total reserves at the end of the period	**1,315**	432	513
(ii) Retained earnings			
Balance at the beginning of the period	**7,974**	6,485	5,245
Profit attributable to the ordinary equity holder of MBL	**1,275**	1,474	1,243
Fair value changes attributable to own credit risk on debt classified at DFVTPL, net of tax	**1**	15	(3)
Balance at the end of the period	**9,250**	7,974	6,485

Note 18
Contingent liabilities and commitments

	As at 30 Sep 22 $m	As at 31 Mar 22 $m	As at 30 Sep 21 $m
Contingent liabilities:			
Letters of credit	**1,828**	1,464	1,385
Performance-related contingencies	**871**	971	841
Indemnities	**251**	383	183
Guarantees	**81**	62	76
Total contingent liabilities[1]	**3,031**	2,880	2,485
Commitments:			
Undrawn credit facilities and securities commitments[2]	**6,489**	5,810	6,013
Other asset developments and purchase commitments	**1,052**	1,086	1,111
Total commitments	**7,541**	6,896	7,124
Total contingent liabilities and commitments	**10,572**	9,776	9,609

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

(1) It is not practicable to ascertain the timing of any outflow and the possibility of any reimbursement related to these contingent liabilities.
(2) Undrawn credit facilities are irrevocably extended to clients. These amounts include fully or partially undrawn commitments that are legally binding and cannot be unconditionally cancelled by the Consolidated Entity. Securities commitments represent firm commitments to underwrite debt and equity securities issuances and private equity commitments.

Note 19
Measurement categories of financial instruments

The following table contains information relating to the measurement categories (i.e. Held for Trading (HFT), FVTPL, DFVTPL, FVOCI or Amortised cost) of assets and liabilities of the Consolidated Entity. The description of measurement categories are included in Note 41(vii) *Financial Instruments* in the Consolidated Entity's March 2022 Annual Financial Statements.

The methods and significant assumptions that have been applied in determining the fair values of assets and liabilities are disclosed in Note 20 *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 22
Cash and bank balances	–	–	–	–	49,803	–	49,803	–	49,803
Cash collateralised lending and reverse repurchase agreements	–	–	8,622	34,318	22,688	–	65,628	42,940	22,688
Trading assets[1]	9,674	–	–	–	–	2,718	12,392	12,392	–
Margin money and settlement assets	–	–	270	–	24,739	–	25,009	270	24,739
Derivative assets	110,043	–	1,466	–	–	–	111,509	111,509	–
Financial investments									
Equity	–	–	197	–	–	–	197	197	–
Debt[2]	–	–	2,937	14,413	750	–	18,100	17,350	750
Held for sale and other assets	–	2,557	29	–	2,095	1,408	6,089	2,586	2,095
Loan assets[2]	–	74	329	–	133,656	–	134,059	403	133,043
Due from related body corporate entities[3]	4,540	–	–	–	649	570	5,759	4,540	649
Property, plant and equipment and right-of-use assets[2]	–	–	–	–	–	3,580	3,580	–	–
Deferred tax assets	–	–	–	–	–	936	936	–	–
Total assets	124,257	2,631	13,850	48,731	234,380	9,212	433,061	192,187	233,767
Liabilities									
Cash collateralised borrowing and repurchase agreements	–	256	–	–	22,154	–	22,410	256	22,154
Trading liabilities	6,378	–	–	–	–	–	6,378	6,378	–
Margin money and settlement liabilities	–	–	–	–	36,033	–	36,033	–	36,033
Derivative liabilities	109,973	–	1,287	–	–	–	111,260	111,260	–
Deposits	–	–	–	–	122,136	–	122,136	–	122,367
Held for sale and other liabilities[4]	–	1,905	–	–	981	3,363	6,249	1,905	632
Borrowings	–	–	–	–	6,305	–	6,305	–	6,323
Due to related body corporate entities[3]	658	–	–	–	14,381	139	15,178	658	14,381
Issued debt securities[2]	–	1,260	–	–	77,029	–	78,289	1,260	76,782
Deferred tax liabilities	–	–	–	–	–	23	23	–	–
Loan capital[2]	–	–	–	–	8,094	–	8,094	–	7,992
Total liabilities	117,009	3,421	1,287	–	287,113	3,525	412,355	121,717	286,664

(1) Non-financial assets under 'Trading assets' represent commodities carried at fair value less costs to sell.
(2) Items measured at amortised cost or cost includes, where applicable, fair value hedge accounting adjustments for the designated hedged risk.
(3) Due from related body corporate entities and due to related body corporate entities includes derivatives and trading positions classified as HFT. All other receivables or intercompany payables are carried at amortised cost except for non-financial assets and liabilities.
(4) The fair value of other liabilities carried at amortised cost excludes lease liabilities.

Note 19
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 22
Cash and bank balances	–	–	–	–	48,972	–	48,972	–	48,972
Cash collateralised lending and reverse repurchase agreements	–	–	4,170	27,223	11,155	–	42,548	31,393	11,155
Trading assets[1]	8,601	–	–	–	–	3,118	11,719	11,719	–
Margin money and settlement assets	–	–	524	–	18,886	–	19,410	524	18,886
Derivative assets	84,171	–	445	–	–	–	84,616	84,616	–
Financial investments									
Equity	–	–	255	–	–	–	255	255	–
Debt[2]	–	–	14	6,238	4	–	6,256	6,252	4
Held for sale and other assets	–	1,656	21	–	2,158	1,155	4,990	1,676	2,158
Loan assets[2]	–	78	184	–	122,742	–	123,004	262	122,980
Due from related body corporate entities[3]	1,741	–	–	–	1,399	285	3,425	1,741	1,399
Property, plant and equipment and right-of-use assets[2]	–	–	–	–	–	3,536	3,536	–	–
Deferred tax assets	–	–	–	–	–	897	897	–	–
Total assets	94,513	1,734	5,613	33,461	205,316	8,991	349,628	138,438	205,554
Liabilities									
Cash collateralised borrowing and repurchase agreements	–	241	–	–	16,706	–	16,947	241	16,706
Trading liabilities	5,206	–	–	–	–	–	5,206	5,206	–
Margin money and settlement liabilities	–	–	–	–	21,577	–	21,577	–	21,577
Derivative liabilities	83,584	–	607	–	–	–	84,191	84,191	–
Deposits	–	–	–	–	101,614	–	101,614	–	101,630
Other liabilities[4]	–	1,128	–	–	1,056	3,560	5,744	1,128	699
Borrowings	–	–	–	–	5,713	–	5,713	–	5,724
Due to related body corporate entities[3]	513	–	–	–	11,035	89	11,637	513	11,035
Issued debt securities[2]	–	1,585	–	–	70,522	–	72,107	1,585	70,494
Deferred tax liabilities	–	–	–	–	–	28	28	–	–
Loan capital[2]	–	–	–	–	6,896	–	6,896	–	7,027
Total liabilities	89,303	2,954	607	–	235,119	3,677	331,660	92,864	234,892

(1) Non-financial assets under 'Trading assets' represent commodities carried at fair value less costs to sell.
(2) Items measured at amortised cost or cost includes, where applicable, fair value hedge accounting adjustments for the designated hedged risk.
(3) Due from related body corporate entities and due to related body corporate entities includes derivatives and trading positions classified as HFT. All other receivables or intercompany payables are carried at amortised cost except for non-financial assets and liabilities.
(4) The fair value of other liabilities carried at amortised cost excludes lease liabilities.

Note 19
Measurement categories of financial instruments continued

	FINANCIAL INSTRUMENTS CARRIED AT							FAIR VALUE OF ITEMS CARRIED AT	
	FAIR VALUE								
	HFT $m	DFVTPL $m	FVTPL $m	FVOCI $m	Amortised cost $m	Non-financial instruments $m	Statement of financial position total $m	Fair value $m	Amortised cost $m
Assets									AS AT 30 SEP 21
Cash and bank balances	–	–	–	–	28,769	–	28,769	–	28,769
Cash collateralised lending and reverse repurchase agreements	–	–	5,700	14,846	12,259	–	32,805	20,546	12,259
Trading assets[1]	13,982	–	–	–	–	6,982	20,964	20,964	–
Margin money and settlement assets	–	–	588	–	15,504	–	16,092	588	15,504
Derivative assets	76,488	–	636	–	–	–	77,124	77,124	–
Financial investments									
Equity	–	–	228	–	–	–	228	228	–
Debt[2]	–	–	10	8,605	10	–	8,625	8,615	10
Held for sale and other assets	–	1,956	13	–	2,115	1,231	5,315	1,969	2,115
Loan assets[2]	–	34	119	–	109,348	–	109,501	153	109,825
Due from related body corporate entities[3]	510	–	3	–	2,064	440	3,017	513	2,064
Property, plant and equipment and right-of-use assets	–	–	–	–	–	2,899	2,899	–	–
Deferred tax assets	–	–	–	–	–	788	788	–	–
Total assets	90,980	1,990	7,297	23,451	170,069	12,340	306,127	130,700	170,546
Liabilities									
Cash collateralised borrowing and repurchase agreements	–	420	–	–	13,389	–	13,809	420	13,389
Trading liabilities	5,431	–	–	–	–	–	5,431	5,431	–
Margin money and settlement liabilities	–	–	–	–	20,610	–	20,610	–	20,610
Derivative liabilities	77,392	–	409	–	–	–	77,801	77,801	–
Deposits	–	214	–	–	91,469	–	91,683	214	91,480
Other liabilities[4]	–	539	–	–	967	2,600	4,106	539	539
Borrowings	–	–	–	–	2,214	–	2,214	–	2,222
Due to related body corporate entities[3]	827	–	–	–	8,708	99	9,634	827	8,708
Issued debt securities[2]	–	1,819	–	–	55,587	–	57,406	1,819	55,927
Deferred tax liabilities	–	–	–	–	–	49	49	–	–
Loan capital[2]	–	–	–	–	7,345	–	7,345	–	7,667
Total liabilities	83,650	2,992	409	–	200,289	2,748	290,088	87,051	200,542

(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 related body corporate entities and due to related body corporate entities includes derivatives and trading positions classified as HFT. All other receivables or intercompany payables are carried at amortised cost except for non-financial assets and liabilities.
(4) The fair value of other liabilities carried at amortised cost excludes lease liabilities.

Note 20
Fair values of assets and liabilities

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

Quoted prices or rates are used to determine fair value where an active market exists. If the market for a financial and non-financial instrument are 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 fair values calculated for financial instruments which are carried in the statement of financial position at amortised cost (as disclosed in Note 19 *Measurement categories of financial instruments*) are for disclosure purposes only. The following methods and assumptions applied to derive these fair values can require significant judgement by management and therefore may not necessarily be comparable to other financial institutions nor may it be the price at which the asset is sold for, or a liability transferred in a market-based transaction:

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

The following methods and significant assumptions have been applied in determining the fair values of items including balances with subsidiaries and other related body corporate entities measured at fair value:

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

Note 20
Fair values of assets and liabilities continued

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

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

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

Note 20
Fair values 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 22
Cash collateralised lending and reverse repurchase agreements	**–**	**42,940**	**–**	**42,940**
Trading assets	**5,222**	**6,611**	**559**	**12,392**
Margin money and settlement assets	**–**	**270**	**–**	**270**
Derivative assets	**20**	**110,583**	**906**	**111,509**
Financial investments	**7,174**	**9,702**	**671**	**17,547**
Held for sale and other assets	**–**	**2,508**	**78**	**2,586**
Loan assets	**–**	**391**	**12**	**403**
Due from related body corporate entities	**–**	**4,540**	**–**	**4,540**
Total assets	**12,416**	**177,545**	**2,226**	**192,187**
Liabilities				
Cash collateralised borrowing and repurchase agreements	**–**	**256**	**–**	**256**
Trading liabilities	**6,087**	**291**	**–**	**6,378**
Derivative liabilities	**11**	**110,093**	**1,156**	**111,260**
Held for sale and other liabilities	**–**	**1,905**	**–**	**1,905**
Due to related body corporate entities	**–**	**658**	**–**	**658**
Issued debt securities	**–**	**1,260**	**–**	**1,260**
Total liabilities	**6,098**	**114,463**	**1,156**	**121,717**
Assets				AS AT 31 MAR 22
Cash collateralised lending and reverse repurchase agreements	–	31,393	–	31,393
Trading assets	4,309	6,889	521	11,719
Margin money and settlement assets	–	524	–	524
Derivative assets	1	84,064	551	84,616
Financial investments	1,412	4,180	915	6,507
Held for sale and other assets	–	1,616	60	1,676
Loan assets	–	259	3	262
Due from related body corporate entities	–	1,741	–	1,741
Total assets	5,722	130,666	2,050	138,438
Liabilities				
Cash collateralised borrowing and repurchase agreements	–	241	–	241
Trading liabilities	5,034	172	–	5,206
Derivative liabilities	10	82,877	1,304	84,191
Held for sale and other liabilities	–	1,128	–	1,128
Due to related body corporate entities	–	513	–	513
Issued debt securities	–	1,585	–	1,585
Total liabilities	5,044	86,516	1,304	92,864

Note 20
Fair values of assets and liabilities continued

	Level 1 $m	Level 2 $m	Level 3 $m	Total $m
Assets				AS AT 30 SEP 21
Cash collateralised lending and reverse repurchase agreements	–	20,546	–	20,546
Trading assets	8,716	11,710	538	20,964
Margin money and settlement assets	–	588	–	588
Derivative assets	31	76,749	344	77,124
Financial investments	541	7,569	733	8,843
Held for sale and other assets	–	1,931	38	1,969
Loan assets	–	98	55	153
Due from related body corporate entities	–	513	–	513
Total assets	9,288	119,704	1,708	130,700
Liabilities				
Cash collateralised borrowing and repurchase agreements	–	420	–	420
Trading liabilities	5,265	166	–	5,431
Derivative liabilities	44	76,971	786	77,801
Deposits	–	214	–	214
Held for sale and other liabilities	–	539	–	539
Due to related body corporate entities	–	827	–	827
Issued debt securities	–	1,819	–	1,819
Total liabilities	5,309	80,956	786	87,051

Note 20
Fair values of assets and liabilities continued

Reconciliation of balances in Level 3 of the fair value hierarchy

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

	Trading assets $m	Financial investments $m	Held for sale and other assets $m	Loan assets $m	Derivative financial instruments (net fair value) $m	Total $m
Balance as at 1 Apr 2021	420	652	25	55	(17)	1,135
Purchases, originations, issuances and other additions	83	39	31	–	11	164
Sales, settlements and repayments	(13)	(33)	(19)	–	4	(61)
Transfers into Level 3[1]	14	166	–	–	(6)	174
Transfers out of Level 3[1]	(83)	(56)	–	–	17	(122)
Fair value movements recognised in the income statement:						
Net trading income/(loss)[2]	117	14	–	–	(451)	(320)
Other income	–	–	1	–	–	1
Fair value movements recognised in OCI[2]	–	(49)	–	–	–	(49)
Balance as at 30 Sep 2021	538	733	38	55	(442)	922
Fair value movements for the period included in the income statement for assets and liabilities held at the end of the period[2]	134	5	2	–	(421)	(280)
Balance as at 1 Oct 2021	538	733	38	55	(442)	922
Purchases, originations, issuances and other additions	20	133	29	3	12	197
Sales, settlements and repayments	(30)	(10)	(2)	(55)	23	(74)
Transfers into Level 3[1]	41	183	–	–	(25)	199
Transfers out of Level 3[1]	(140)	(162)	(3)	–	(31)	(336)
Fair value movements recognised in the income statement:						
Net trading income/(loss)[2]	92	(22)	–	–	(290)	(220)
Other income/(loss)	–	8	(2)	–	–	6
Fair value movements recognised in OCI[2]	–	52	–	–	–	52
Balance as at 31 Mar 2022	521	915	60	3	(753)	746
Fair value movements for the period included in the income statement for assets and liabilities held at the end of the period[2]	91	(10)	(3)	–	(277)	(199)
Balance as at 1 Apr 2022	**521**	**915**	**60**	**3**	**(753)**	**746**
Purchases, originations, issuances and other additions	**88**	**133**	**48**	**9**	**151**	**429**
Sales, settlements and repayments	**(73)**	**(22)**	**(15)**	**–**	**182**	**72**
Transfers into Level 3[1]	**59**	**32**	**5**	**–**	**14**	**110**
Transfers out of Level 3[1]	**(76)**	**(340)**	**(3)**	**–**	**45**	**(374)**
Fair value movements recognised in the income statement						
Net trading income/(loss)[2]	**40**	**27**	**2**	**–**	**111**	**180**
Other loss	**–**	**(33)**	**(19)**	**–**	**–**	**(52)**
Fair value movements recognised in OCI[2]	**–**	**(41)**	**–**	**–**	**–**	**(41)**
Balance as at 30 Sep 2022	**559**	**671**	**78**	**12**	**(250)**	**1,070**
Fair value movements for the period included in the income statement for assets and liabilities held at the end of the period[2]	**49**	**7**	**(6)**	**–**	**54**	**104**

(1) 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.
(2) 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 20
Fair values of assets and liabilities continued

Significant transfers between levels of the fair value hierarchy

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

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

	Half year to 30 Sep 22 $m	Half year to 31 Mar 22 $m	Half year to 30 Sep 21 $m
Balance at the beginning of the period	**53**	62	75
Deferred gains on new transactions and other adjustments	**86**	11	29
Foreign exchange movements	**24**	–	1
Recognised in net trading income during the period	**(22)**	(20)	(43)
Balance at the end of the period	**141**	53	62

Note 20
Fair values 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 $m	Profit or loss $m
Product type		**AS AT 30 SEP 22**
Commodities	**147**	**(128)**
Equity and equity-linked products	**3**	**(25)**
Interest rate and other products	**16**	**(20)**
Total	**166**	**(173)**
Product type		AS AT 31 MAR 22
Commodities	134	(137)
Interest rate and other products	12	(12)
Equity and equity-linked products	8	(24)
Total	154	(173)
Product type		AS AT 30 SEP 21
Commodities	141	(131)
Equity and equity-linked products	3	(23)
Interest rate and other products	9	(9)
Total	153	(163)

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 20
Fair values of assets and liabilities continued

Significant unobservable inputs

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

					RANGE OF INPUTS	
	Assets $m	Liabilities $m	Valuation technique(s)	Significant unobservable inputs	Minimum value	Maximum value
						AS AT 30 SEP 22
Equity and equity-linked products	**531**	**–**	**Market comparability**	**Price in %[1]**		
Commodities	**1,474**	**1,152**	**Pricing model**	**Commodity margin curves**	**(245.5)**	**1,255.0**
			Pricing model	**Correlations**	**(25.0%)**	**1.0%**
			Pricing model	**Volatility and related variables**	**(20.0%)**	**300.0%**
Interest rate and other products	**221**	**4**	**Discounted cash flows**	**Discount rates**	**1.0%**	**10.0%**
			Pricing model	**Bond yields**	**1.5%**	**4.5%**
			Market comparability	**Price in %[1]**		
Total	**2,226**	**1,156**				
						AS AT 31 MAR 22
Equity and equity-linked products	101	–	Market comparability	Price in %[1]		
Commodities	1,073	1,304	Pricing model	Commodity margin curves	(270.0)	1,665.0
			Pricing model	Correlations	(40.0%)	100.1%
			Pricing model	Volatility and related variables	(12.6%)	90.9%
Interest rate and other products	876	–	Discounted cash flows	Discount rates	1.0%	10.0%
			Pricing model	Bond yield	2.7%	3.5%
			Comparable transactions	Price in %	0.0%	100.0%
Total	2,050	1,304				
						AS AT 30 SEP 21
Equity and equity-linked products	223	–	Market comparability	Price in %[1]		
Commodities	732	781	Pricing model	Commodity margin curves	(175.4)	1,691.0
			Pricing model	Correlations	(46.0%)	100.0%
			Pricing model	Volatility and related variables	(3.5%)	19.5%
Interest rate and other products	753	5	Market comparability	Price in %[1]		
			Pricing model	Correlations	0.0%	100.0%
			Pricing model	Bond yields	(2.2%)	4.8%
Total	1,708	786				

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

Note 20
Fair values of assets and liabilities continued

Correlation

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

Volatility

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

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

Inputs for equity and equity-linked products

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

Inputs for interest rate products (discount rate)

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

Note 21
Offsetting financial assets and financial liabilities

The Consolidated Entity presents financial assets and financial liabilities on a net basis in the Statement of financial position when they meet the criteria described in Note 41(vii) *Financial instruments* in 31 March 2022 Annual Financial Statement. The following tables provide information on the impact of offsetting of financial instruments in the Statement of financial position, as well as amounts that do no meet all the criteria for offsetting and therefore presented gross in the statement of financial position. Enforceable netting arrangements may allow for net settlement of specified contracts with a counterparty only in the event of default or other pre-determined events, such that their potential effects on the Consolidated Entity's financial position in that circumstance is to settle these contracts as one arrangement.

The Consolidated Entity uses a variety of credit risk mitigation strategies in addition to netting and collateral arrangements, therefore amounts presented in this note are not intended to represent the credit risk exposure of the entity.

	EFFECT OF OFFSETTING ON THE STATEMENT OF FINANCIAL POSITION			RELATED AMOUNTS SUBJECT TO ENFORCEABLE NETTING ARRANGEMENTS[1]			
	Gross amount[2],[3] $m	Amounts offset on Statement of financial position $m	Net amounts reported on the Statement of financial position $m	Other recognised financial instruments $m	Cash and other financial collateral $m	Other collateral for exposures not subject to enforceable netting arrangements[1] $m	Net exposure $m
							AS AT 30 SEP 22
Cash collateralised lending and reverse repurchase agreements	**66,373**	**(745)**	**65,628**	**(344)**	**(57,537)**	**(7,412)**	**335**
Settlement assets[4]	**11,455**	**(5,825)**	**5,630**	**(1,113)**	**(695)**	**-**	**3,822**
Derivative assets	**128,750**	**(17,241)**	**111,509**	**(77,883)**	**(15,038)**	**-**	**18,588**
Due from related body corporate entities[5]	**5,766**	**(718)**	**5,048**	**(673)**	**(3,990)**	**-**	**385**
Total assets	**212,344**	**24,529**	**187,815**	**(80,013)**	**(77,260)**	**(7,412)**	**23,130**
Cash collateralised borrowings and repurchase agreements	**(23,155)**	**745**	**(22,410)**	**344**	**14,890**	**282**	**(6,894)**
Settlement liabilities[4]	**(11,867)**	**5,825**	**(6,042)**	**3,126**	**778**	**-**	**(2,138)**
Derivative liabilities	**(128,501)**	**17,241**	**(111,260)**	**75,870**	**12,308**	**-**	**(23,082)**
Due to related body corporate entities[5]	**(11,555)**	**718**	**(10,837)**	**673**	**169**	**-**	**(9,995)**
Total liabilities	**(175,078)**	**24,529**	**(150,549)**	**80,013**	**28,145**	**282**	**(42,109)**
							AS AT 31 MAR 22
Cash collateralised lending and reverse repurchase agreements	43,894	(1,346)	42,548	(28)	(37,409)	(4,948)	163
Settlement assets[4]	12,500	(7,178)	5,322	(1,184)	(623)	-	3515
Derivative assets	104,346	(19,730)	84,616	(62,513)	(7,747)	-	14,356
Due from related body corporate entities[5]	3,418	(486)	2,932	(490)	(1,306)	-	1,136
Total assets	164,158	(28,740)	135,418	(64,215)	(47,085)	(4,948)	19,170
Cash collateralised borrowings and repurchase agreements	(18,293)	1,346	(16,947)	28	13,754	-	(3,165)
Settlement liabilities[4]	(12,511)	7,178	(5,333)	3,419	240	-	(1,674)
Derivative liabilities	(103,921)	19,730	(84,191)	60,278	8,866	-	(15,047)
Due to related body corporate entities[5]	(10,686)	486	(10,200)	490	61	-	(9,649)
Total liabilities	(145,411)	28,740	(116,671)	64,215	22,921	-	(29,535)

(1) Related amounts not offset have been limited to the net amount presented in the Statements of financial position so as not to include the effect of over-collateralisation.
(2) Gross assets includes balances not subject to enforceable netting arrangements, $7,412 million (31 March 2022: $4,948 million) of cash collateralised lending and reverse repurchase agreements, $1,491 million (31 March 2022: $1,255 million) of settlements assets, $1,832 million (31 March 2022: $1,839 million) of derivative assets and $305 million (31 March 2022: $1,045 million) of due from related body corporate entities. Gross liabilities includes balances not subject to enforceable netting arrangements, $282 million (31 March 2022: nil) of cash collateralised borrowing and repurchase agreements, $1,263 million (31 March 2022: $968 million) of settlements liabilities and $5,822 million (31 March 2022: $4,262 million) of derivative liabilities and $236 million (31 March 2022: $1,087 million) of due to related body corporate entities.
(3) Amounts not subject to enforceable offsetting arrangement are where either there are no master netting agreements or enforceability of agreement is uncertain under bankruptcy laws in some countries or industries.
(4) Excludes margin money assets of $19,379 million (31 March 2022: $14,088 million) and liabilities of $29,991 million (31 March 2022: $16,244 million) presented under Note 6 *Margin money and settlement assets* and Note 12 *Margin money and settlement liabilities* respectively on the Statements of financial position.
(5) Excludes margin money and non-financial assets of $711 million (31 March 2022: $493 million) and liabilities of $4,341 million (31 March 2022: $1,437 million) presented under due from related body corporate entities and due to related body corporate entities respectively on the Statements of financial position.

Note 21
Offsetting financial assets and financial liabilities continued

	EFFECT OF OFFSETTING ON THE STATEMENT OF FINANCIAL POSITION			RELATED AMOUNTS SUBJECT TO ENFORCEABLE NETTING ARRANGEMENTS[1]			
	Gross amount[2],[3] $m	Amounts offset on Statement of financial position $m	Net amounts reported on the Statement of financial position $m	Other recognised financial instruments $m	Cash and other financial collateral $m	Other collateral for exposures not subject to enforceable netting arrangements[1] $m	Net exposure $m
							AS AT 30 SEP 21
Cash collateralised lending and reverse repurchase agreements	33,056	(251)	32,805	(115)	(20,638)	(11,832)	220
Settlement assets[4]	9,924	(3,984)	5,940	(1,365)	(1,285)	–	3,290
Derivative assets	90,455	(13,331)	77,124	(58,108)	(7,618)	–	11,398
Due from related body corporate entities[5]	2,793	(784)	2,009	(507)	(75)	–	1,427
Total assets	136,228	(18,350)	117,878	(60,095)	(29,616)	(11,832)	16,335
Cash collateralised borrowings and repurchase agreements	(14,060)	251	(13,809)	115	13,106	21	(567)
Settlement liabilities[4]	(9,022)	3,984	(5,038)	2,835	1,617	–	(586)
Derivative liabilities	(91,132)	13,331	(77,801)	56,638	7,765	–	(13,398)
Due to related body corporate entities[5]	(10,196)	784	(9,412)	507	479	–	(8,426)
Total liabilities	(124,410)	18,350	(106,060)	(60,095)	22,967	21	(22,977)

Note 22
Events after the reporting date

There were no material events subsequent to 30 September 2022 and up until the authorisation of the financial statements for issue, requiring a disclosure in the interim financial report, other than those that have been disclosed elsewhere in the financial statements.

(1) Related amounts not offset have been limited to the net amount presented in the Statements of financial position so as not to include the effect of over-collateralisation.
(2) Gross assets includes balances not subject to enforceable netting arrangements, $11,832 million of cash collateralised lending and reverse repurchase agreements, $2,713 million of settlements assets, $1,833 million of derivative assets and $1,236 million of due from related body corporate entities. Gross liabilities includes balances not subject to enforceable netting arrangements, $20 million of cash collateralised borrowing and repurchase agreements, $968 million of settlements liabilities and $3,395 million of derivative liabilities and $1,032 million of due to related body corporate entities.
(3) Amounts not subject to enforceable offsetting arrangement are where either there are no master netting agreements or enforceability of agreement is uncertain under bankruptcy laws in some countries or industries.
(4) Excludes margin money assets of $10,152 million and liabilities of $15,572 million presented under Note 6 *Margin money and settlement assets* and Note 12 *Margin money and settlement* liabilities respectively on the Statements of financial position.
(5) Excludes margin money and non-financial assets of $1,008 million and liabilities of $222 million presented under due from related body corporate entities and due to related body corporate entities respectively on the Statements of financial position.

Directors' declaration

For the half year ended 30 September 2022

In the Directors' opinion:

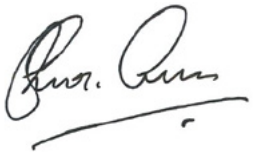
(a) the financial statements and notes set out on pages 17 to 61 are in accordance with the *Corporations Act 2001 (Cth)* including:
   (i) complying with the Australian Accounting Standards, and
   (ii) giving a true and fair view of the Consolidated Entity's financial position as at 30 September 2022 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 Chairman



Stuart Green
Managing Director and Chief Executive Officer

Sydney
28 October 2022

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 2022, the consolidated statement of comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flows and consolidated income statement for the half year ended on that date, significant accounting policies and explanatory notes and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the accompanying half year financial report of Macquarie 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 2022 and of its performance for the half year ended on that date
- complying with Accounting Standard AASB 134 Interim Financial Reporting and the *Corporations Regulations 2001 (Cth)*.

Basis for conclusion

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

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

Responsibilities of the directors for the half year financial report

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

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

Our responsibility is to express a conclusion on the half year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half year financial report is not in accordance with the *Corporations Act 2001 (Cth)* including giving a true and fair view of the Consolidated Entity's financial position as at 30 September 2022 and of its performance for the half year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting and the Corporations Regulations 2001 (Cth).*

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

PricewaterhouseCoopers

PricewaterhouseCoopers

K. Stubbins

Kristin Stubbins
Partner

Sydney
28 October 2022

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