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
23,000,000 European Style Cash Settled Put Warrants
relating to the ordinary Class A shares of JD.com, Inc.
issued by

Macquarie Bank Limited

(ABN 46 008 583 542)

(Incorporated under the laws of Australia)

Issue Price: SGD 0.204 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 2021 (the "**Base Listing Document**") for the purpose of giving information with regard to the Issuer and the Warrants. Information relating to JD.com, Inc. (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, Chapter 19 of Singapore and therefore is subject to the supervision of the Monetary Authority of Singapore.

31 May 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 01 June 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 Put 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 2021 (the "**Base Listing Document**").*

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

Warrants:	23,000,000 European Style Cash Settled Put Warrants relating to the ordinary Class A shares ("**Shares**") of the Company
Company:	JD.com, Inc. (Reuters Instrument Code: 9618.HK)
Conversion Ratio (number of Shares per Warrant):	0.022222 (i.e. every 45 Warrants initially relate to 1 Share)
Underlying Price[1] and Source:	HKD 197.000 (out of the money) (Reuters/Bloomberg)
Exercise Price:	HKD 150.000
Gearing[1]:	3.8x
Premium[1]:	50.4%
Volatility[1]:	Implied: 160% Historical: 64%
Launch Date:	26 May 2022
Closing Date:	31 May 2022
Dealing Commencement Date:	01 June 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 25 November 2022
Expiry Date:	02 December 2022
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 Exercise Price LESS (ii) 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 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:

1. Condition 1(a)(i) is deleted and replaced with the following:

   "(i) a master instrument by way of deed poll (the "**Master Instrument**") dated 03 February 2022, made by Macquarie Bank Limited (the "**Issuer**"); and"

2. 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.

3. All references to "Instrument" appearing therein are deleted and substituted with the word "Master Instrument".

The Conditions set out in the section headed "Terms and Conditions of the European Style Cash Settled Put 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 PUT 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) an instrument by way of deed poll (the "**Instrument**") dated the Closing Date, 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 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 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 Exercise Price for the time being LESS (ii) 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) 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 Instrument which is not materially prejudicial to the interests of the Warrantholders or (ii) any modification of the provisions of the Warrants or the 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 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 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, Chapter 53B of Singapore

Unless otherwise provided in the Global Warrant, the Instrument and the Warrant Agent Agreement, a person who is not a party to any contracts made pursuant to the Global Warrant, the Instrument and the Warrant Agent Agreement has no rights under the Contracts (Rights of Third Parties) Act, Chapter 53B 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:	JD.com, Inc.
The Warrants:	European Style Cash Settled Put Warrants relating to the Shares
Number:	23,000,000 Warrants
Form:	The Warrants will be issued subject to, and with the benefit of, an instrument by way of deed poll dated 03 February 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):	0.022222 (i.e. every 45 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 Exercise Price LESS (ii) 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 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 01 June 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 is equal to or higher than 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 financial condition have been and may, in the future, be negatively affected by global credit and other market conditions.

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, constrained access to funding and the decline in equity and capital market activity have adversely affected and may again affect transaction flow in a range of industry sectors.

In conducting our businesses and maintaining and supporting our global operations, we are subject to risks of possible nationalization and/or confiscation of assets, expropriation, price controls, capital controls, redenomination risk, exchange controls, protectionist trade policies, economic sanctions and other restrictive governmental actions, unfavourable political and diplomatic developments and changes in legislation. These risks are particularly elevated in emerging markets.

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) and bank branches in the United Kingdom, the Dubai International Finance Centre, Singapore and Hong Kong. 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 Australia, the Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry (the "**Royal Commission**") was established in December 2017 and concluded on 1 February 2019. The Royal Commission inquired into the causes of and responses to misconduct by financial services entities and conduct following below community standards and expectations and held rounds of public hearings on a wide range of matters, including consumer and SME lending, financial advice, superannuation, insurance, culture, governance, remuneration, and the remits of regulators. The Royal Commission's final report was published on 4 February 2019 and contains 76 recommendations. No findings were made by the Royal Commission in relation to the Macquarie Group or the Issuer. The Royal Commission's recommendations are likely to result in a range of significant legislative, regulatory and industry practice changes. Such changes may adversely impact the Issuer's business, operations, compliance costs, financial performance and prospects. The Federal Government anticipates that it will introduce all necessary legislation to implement the recommendations of the Royal Commission by mid calendar year 2021. We are closely monitoring the governmental, regulatory and industry responses to these recommendations and will participate in public and industry consultations as appropriate.

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. 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 financial crisis and the subsequent 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, investigations and litigation. Investigations, inquiries, penalties and fines sought by regulatory authorities have increased substantially over the last several years, and regulators have become aggressive 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 and we expected it to increase during periods of economic growth.

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 falling prices 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 decreased 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. Changes to such benchmarks can result in market disruption and volatility impacting the value of securities, financial returns and potentially impact our ability to effectively hedge market risk.

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) MBL Group relies on services provided by Macquarie Group

Macquarie Group provides shared services to MBL Group. These shared services include, but are not limited to, risk management, financial and treasury services, information technology, human resources, other group-wide services and business shared services. Other than shared service arrangements and compliance with legal obligations, entities of Macquarie Group that are not part of the MBL Group are not obligated to support the businesses of MBL Group. Any failure by Macquarie Group to continue to provide shared services or an increase in the cost of such services will have an adverse impact on our results or operations;

(ak) 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. While we believe that we have in place controls and procedures that are designed to ensure that transactions involving third parties comply with applicable tax laws and regulations, 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;

(al) we may incur financial loss, adverse regulatory consequences or reputational damage due to inadequate or failed internal or external operational systems and risk management 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. 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 exposed to the risk of loss resulting from human error, the failure of 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.

In addition, there have been a number of highly publicized cases around the world involving actual or alleged fraud or other misconduct by employees in the financial services industry in recent years, and we run the risk that employee, contractor and external service provider misconduct could occur. 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.

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;

(am) 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.

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;

(an) we could suffer losses 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 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 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 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;

(ao) 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 and transition risks such as changes to laws and regulations, technology development and disruptions and consumer preferences. A failure to respond to the potential and expected impacts of climate change 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 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.

(ap) 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;

(aq) 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 violations, 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;

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

The COVID-19 pandemic has caused, and will likely continue to cause, severe impacts on global, regional and national economies and disruption to international trade and business activity. While financial markets have rebounded from the significant declines that occurred earlier in the pandemic and global economic conditions showed signs of improvement during the second half of calendar year 2020, many of the circumstances that arose or became more pronounced after the onset of the COVID-19 pandemic persisted through the year, including (i) muted levels of business activity across many sectors of the economy, relatively weak consumer confidence and high unemployment rates; (ii) elevated levels of market volatility; (iii) yields on government bonds near zero; (v) heightened credit risk with regard to industries that have been most severely impacted by the pandemic; and (vii) higher cyber security, information security and operational risks as a result of work-from-home arrangements. 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 reacted to the economic crisis caused by the pandemic by implementing stimulus and liquidity programs and cutting interest rates, however it is unclear whether these actions or any future actions taken by governments and central banks will be successful in mitigating the economic disruption. Additionally, any such fiscal and monetary actions are subject to withdrawal by the relevant governments or central banks or may lapse without renewal. 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.

In March 2020, we implemented a range of support measures to provide short term financial assistance to certain customers facing difficulties as a consequence of COVID-19. The removal of these support measures may increase customer defaults and the credit risks faced by the MBL Group. This may in turn adversely impact the MBL Group's business, results of operations, financial condition and prospects.

The impact of COVID-19 has and 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. Additionally, despite the business continuity and crisis management policies currently in place, travel restrictions or potential impacts on personnel and operations may disrupt our business and increase operational risk losses. The expected duration and magnitude of the COVID-19 pandemic and its potential impacts on the economy and our personnel and operations are unclear. 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.

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

The expected discontinuation of LIBOR or any other interest rate benchmarks (collectively, the "**IBORs**") and the adoption of "risk-free" rates ("**RFR**") 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 customer 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 RFR products and for the transition of legacy contracts to RFRs, which transition will, in turn, depend, to a certain extent, on the availability of RFR 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 RFRs 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 customers and the market to adapt IT systems, operational processes and controls to accommodate one or more RFRs 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.

(at) Risks relating to the weighted voting rights structure.

The Company is controlled through weighted voting rights. Holders of Class A ordinary shares are entitled to one vote per share in respect of matters requiring the votes of shareholders, while holders of Class B ordinary shares are entitled to twenty votes per share, subject to certain exceptions. Certain individuals who own Class B ordinary shares may have the ability to determine the outcome of most matters. If the Company takes actions that the other shareholders do not view as beneficial, the market price of the underlying shares and hence the Warrants could be affected.

(au) 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

(av) 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.

JD.com, Inc. (the "**Company**") is an online direct sales company in China. The Company offers a wide selection of products through its website and mobile applications. JD.com sells appliances, computers, digital products, communication products, garments, books, and household items to consumers and vendors.

The information set out in Appendix I of this document relates to the unaudited financial results of the Company and its subsidiaries the three months ended 31 March 2022 and has been extracted and reproduced from an announcement by the Company dated 17 May 2022. Further information relating to the Company may be located on the Company's web-site at http://ir.jd.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 2022 Financial Report for the financial year ended 31 March 2022 is set out in Appendix II of this document and has been extracted from the Macquarie Bank 2022 Annual Report. References to page numbers in Appendix II are to page numbers of the Macquarie Bank 2022 Annual Report. Copies of the Macquarie Bank 2022 Annual 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, Chapter 289 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 119 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 31 March 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 annual reports for the financial years ended 31 March 2021 and 31 March 2022 of the issuer;

   (c) the Master Instrument;

   (d) the Warrant Agent Agreement; and

   (e) the Base Listing Document.

APPENDIX I

REPRODUCTION OF THE UNAUDITED FINANCIAL RESULTS FOR THE THREE MONTHS ENDED 31 MARCH 2022 OF JD.COM, INC. AND ITS SUBSIDIARIES

The information set out below is a reproduction of the unaudited financial results of the Company and its subsidiaries for the three months ended 31 March 2022 and have been extracted and reproduced from an announcement by the Company dated 17 May 2022.

Under our weighted voting rights structure, our share capital comprises Class A ordinary shares and Class B ordinary shares. Each Class A ordinary share entitles the holder to exercise one vote, and each Class B ordinary share entitles the holder to exercise 20 votes, respectively, on any resolution tabled at our general meetings, except as may otherwise be required by law or provided for in our Memorandum and Articles of Association. Shareholders and prospective investors should be aware of the potential risks of investing in a company with a weighted voting rights structure. Our American depositary shares, each representing two of our Class A ordinary shares, are listed on the Nasdaq Global Select Market in the United States under the symbol JD.

JD.com, Inc.
京東集團股份有限公司
(A company controlled through weighted voting rights and incorporated in the Cayman Islands with limited liability)
(Stock Code: 9618)

ANNOUNCEMENT OF THE FIRST QUARTER 2022 RESULTS

We hereby announce our unaudited results for the three months ended March 31, 2022 ("**First Quarter 2022 Results**"). The announcement for the First Quarter 2022 Results are available for viewing on the websites of the Hong Kong Stock Exchange at www.hkexnews.hk and our website at http://ir.jd.com.

By Order of the Board of Directors
JD.com, Inc.
Mr. Richard Qiangdong Liu
Chairman of the Board of Directors

Beijing, China, May 17, 2022

As at the date of this announcement, our board of directors comprises Mr. Richard Qiangdong LIU as the chairman, Mr. Lei XU as the executive director, Mr. Ming HUANG, Mr. Louis T. HSIEH, Mr. Dingbo XU and Ms. Caroline SCHEUFELE as the independent directors.

JD.COM ANNOUNCES FIRST QUARTER 2022 RESULTS

Beijing, China — May 17, 2022 — JD.com, Inc. (NASDAQ: JD and HKEX: 9618), a leading supply chain-based technology and service provider, today announced its unaudited financial results for the quarter ended March 31, 2022.

First Quarter 2022 Highlights

- **Net revenues** for the first quarter of 2022 were RMB239.7 billion (US$[1]37.8 billion), an increase of 18.0% from the first quarter of 2021. Net service revenues for the first quarter of 2022 were RMB35.2 billion (US$5.6 billion), an increase of 26.3% from the first quarter of 2021.

- **Income from operations** for the first quarter of 2022 was RMB2.4 billion (US$0.4 billion), compared to RMB1.7 billion for the same period last year. **Non-GAAP[2] income from operations** increased by 32.8% to RMB4.7 billion (US$0.7 billion) for the first quarter of 2022 from RMB3.5 billion for the first quarter of 2021. Operating margin of JD Retail before unallocated items for the first quarter of 2022 was 3.6%, compared to 4.0% for the first quarter of 2021.

- **Net loss attributable to ordinary shareholders** for the first quarter of 2022 was RMB3.0 billion (US$0.5 billion), compared to a net income of RMB3.6 billion for the same period last year. **Non-GAAP net income attributable to ordinary shareholders** for the first quarter of 2022 was RMB4.0 billion (US$0.6 billion), as compared to RMB4.0 billion for the same period last year.

- **Diluted net loss per ADS** for the first quarter of 2022 was RMB1.92 (US$0.30), compared to a diluted net income per ADS of RMB2.25 for the first quarter of 2021. **Non-GAAP diluted net income per ADS** for the first quarter of 2022 was RMB2.53 (US$0.40), compared to RMB2.47 for the same period last year.

- **Operating cash flow** for the twelve months ended March 31, 2022 was RMB46.3 billion (US$7.3 billion), compared to RMB36.6 billion for the twelve months ended March 31, 2021. **Free cash flow**, which excludes the impact from JD Baitiao receivables included in the operating cash flow, for the twelve months ended March 31, 2022 was RMB27.2 billion (US$4.3 billion), compared to RMB28.2 billion for the twelve months ended March 31, 2021.

- **Annual active customer accounts[3]** increased by 16.2% to 580.5 million in the twelve months ended March 31, 2022 from 499.8 million in the twelve months ended March 31, 2021.

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1 The U.S. dollar (US$) amounts disclosed in this announcement, except for those transaction amounts that were actually settled in U.S. dollars, are presented solely for the convenience of the readers. The conversion of Renminbi (RMB) into US$ in this announcement is based on the exchange rate set forth in the H.10 statistical release of the Board of Governors of the Federal Reserve System as of March 31, 2022, which was RMB6.3393 to US$1.00. The percentages stated in this announcement are calculated based on the RMB amounts.

2 See the sections entitled “Non-GAAP Measures” and “Unaudited Reconciliation of GAAP and Non-GAAP Results” for more information about the non-GAAP measures referred to in this announcement.

3 Annual active customer accounts are customer accounts that made at least one purchase during the twelve months ended on the respective dates, whether through online retail or online marketplace.

"JD.com's robust supply chain capabilities and technology-driven operating efficiency underpinned our solid performance during the quarter as we continued to deliver healthy growth amidst a challenging external environment," said Lei Xu, CEO of JD.com. "More importantly, we are actively leveraging our core competences to support local communities and enterprises in regions affected by the latest Omicron outbreak. All of our employees are committed to fulfilling our social responsibilities and are encouraged by the deepening trust placed in us by customers and business partners. We will continue to demonstrate our resolve, resiliency and commitment to contribute to society."

"We are encouraged to see user engagement metrics continue to improve, demonstrating our strengthened brand image and expanded consumer mindshare," said Sandy Xu, Chief Financial Officer of JD.com. "We have been implementing disciplined financial control policies while sparing no effort to support our consumers and business partners in this challenging time. Looking ahead, we will continue to execute our business strategies and focus on delivering sustainable high-quality growth in the years ahead."

Business Highlights

Environment, Social and Governance

- In support of the combat against the COVID-19 in Shanghai, JD.com has transported over 80,000 tons of essential daily items in more than a month, including medicine and maternal products, and has dispatched over 4,000 couriers to support local supply operations. Additionally, over 100 JD autonomous vehicles have been deployed to Shanghai to facilitate last-mile deliveries of customer orders and protective equipment to mobile cabin hospitals, communities under lockdown, delivery stations and more.

- In February, Global Compact Network China, the China network of UN Global Compact, named JD.com as one of the "best practice in realizing the Sustainable Development Goals (SDG) 2021" among Chinese companies and recognized the company for its contribution in the "carbon peak and carbon neutrality" category. Additionally, JD.com's Asia No.1 Logistics Industrial Park in Xi'an was recently certified carbon neutral by China Beijing Environment Exchange and Centre Testing International Group.

JD Retail

- In the first quarter, JD.com established partnerships with a series of high-end brands, including Kering group's high-end jewelry brand Qeelin, French luxury brand Lanvin, German luxury fashion ecommerce platform Mytheresa, as well as high-end accessories and lifestyle brand MCM, American premium lifestyle brand Tory Burch, and French premium cookware brand Le Creuset. Meanwhile, JD.com welcomed multiple beauty brands onto the platform, such as Shu Uemura and YSL under L'Oreal group, as well as men's skincare brand LAB SERIES and the Re-Nutriv collection under Estee Lauder group. In addition, a set of apparel brands including Abercrombie & Fitch, Champion and Ochirly also opened stores on JD.com during the quarter.

- In March, JD.com and Midea, a world leading manufacturer of home appliances, signed a strategic cooperation agreement to provide corporate customers with more diversified commercial products and high-quality commercial engineering services. JD.com and Midea will collaborate in areas including corporate customer development, scenario-based marketing and support for customers' digital procurement transformation.

JD Health

- In January, JD Health jointly built an internet hospital with Hebei's Cangzhou Central Hospital, becoming the tenth officially approved internet hospital in Hebei Province. Both parties will jointly promote the digital innovation and the integration of online and offline medical services, providing users with a full-range of services from pre-consultation to aftercares throughout the whole process of treatment to recovery.

- In March, JD Health launched an online distribution channel for COVID-19 antigen self-test kits with partnered manufacturers approved by China's National Medical Products Administration, and devoted to supporting China's pandemic prevention and control measures.

JD Logistics

- In March, JD Logistics launched two intercontinental charter cargo flights from Hong Kong to Sao Paulo, Brazil and from Zhengzhou, Henan province to Cologne, Germany. Leveraging its expanding overseas warehouse and transportation network, JD Logistics aims to provide overseas and cross-border integrated supply chain logistics services to a wider range of global brands and customers.

- During the Spring Festival in 2022, JD Logistics was invited to become the logistics partner of Douyin E-commerce, providing the latter's merchants and customers with non-stop logistics services for the holiday promotions. As the first company in China's logistics industry initiating delivery services during the Spring Festival, JD Logistics provides all year round non-stop pick-up and delivery services in over 200 cities in China.

- As of March 31, 2022, JD Logistics operated approximately 1,400 warehouses. Including space managed through the Open Warehouse Platform, JD Logistics's warehouse network had an aggregate gross floor area of over 25 million square meters.

JD Industry

- In the first quarter, JD Industry witnessed a number of industrial brands joining, such as industrial lubricants manufacturer Castrol, valves and fittings manufacturer FITOK, and wires and cables producer Goldcup Electric. It also reached cooperation with large-scale enterprise customers in China including China Communications Construction Company, South Cement Company, and many others. Through the partnerships, JD Industry continues to facilitate the digital transformation of the industrial supply chain, helping merchants and customers to build up industry standard product database, develop digital sales system, and improve digitalization of procurement and on-site material management.

Operational Metrics Update

- As of March 31, 2022, JD.com had approximately 390,000 employees, excluding part-time and interns.

First Quarter 2022 Financial Results

Net Revenues. For the first quarter of 2022, JD.com reported net revenues of RMB239.7 billion (US$37.8 billion), representing a 18.0% increase from the same period of 2021. Net product revenues increased by 16.6%, while net service revenues increased by 26.3% for the first quarter of 2022, as compared to the same period of 2021.

Cost of Revenues. Cost of revenues increased by 18.5% to RMB206.2 billion (US$32.5 billion) for the first quarter of 2022 from RMB174.1 billion for the first quarter of 2021.

Fulfillment Expenses. Fulfillment expenses, which primarily include procurement, warehousing, delivery, customer service and payment processing expenses, increased by 12.2% to RMB15.5 billion (US$2.4 billion) for the first quarter of 2022 from RMB13.8 billion for the first quarter of 2021. Fulfillment expenses as a percentage of net revenues was 6.5% for the first quarter of 2022, compared to 6.8% for the same period last year.

Marketing Expenses. Marketing expenses increased by 24.4% to RMB8.7 billion (US$1.4 billion) for the first quarter of 2022 from RMB7.0 billion for the first quarter of 2021.

Research and Development Expenses. Research and development expenses was RMB4.4 billion (US$0.7 billion) for the first quarter of 2022, as compared to RMB4.5 billion for the first quarter of 2021.

General and Administrative Expenses. General and administrative expenses increased by 11.2% to RMB2.5 billion (US$0.4 billion) for the first quarter of 2022 from RMB2.2 billion for the first quarter of 2021.

Income from Operations and Non-GAAP Income from Operations. Income from operations for the first quarter of 2022 was RMB2.4 billion (US$0.4 billion), compared to RMB1.7 billion for the same period last year. Non-GAAP income from operations increased by 32.8% to RMB4.7 billion (US$0.7 billion) for the first quarter of 2022, compared to RMB3.5 billion for the first quarter of 2021. Operating margin of JD Retail before unallocated items for the first quarter of 2022 was 3.6%, compared to 4.0% for the first quarter of 2021.

Non-GAAP EBITDA. Non-GAAP EBITDA increased by 22.8% to RMB6.1 billion (US$1.0 billion) for the first quarter of 2022, compared to RMB4.9 billion for the first quarter of 2021.

Share of Results of Equity Investees. Share of results of equity investees was a loss of RMB1.1 billion (US$0.2 billion) for the first quarter of 2022, as compared to an income of RMB0.7 billion for the first quarter of 2021. The loss for the first quarter of 2022 was primarily due to share of losses from certain equity investees.

Others, net. Other non-operating loss was RMB3.9 billion (US$0.6 billion) for the first quarter of 2022, as compared to other non-operating income of RMB2.0 billion for the first quarter of 2021. The decrease was primarily due to a loss of RMB3.6 billion recognized resulting from the change of Dada Nexus Limited ("**Dada**")'s share price prior to the closing of the acquisition and the fair value change of investment securities, which resulted from the fluctuation in the market prices of equity investments in publicly-traded companies.

Net Income/(Loss) Attributable to Ordinary Shareholders and Non-GAAP Net Income Attributable to Ordinary Shareholders. Net loss attributable to ordinary shareholders for the first quarter of 2022 was RMB3.0 billion (US$0.5 billion), compared to a net income of RMB3.6 billion for the same period last year. Non-GAAP net income attributable to ordinary shareholders for the first quarter of 2022 was RMB4.0 billion (US$0.6 billion), as compared to RMB4.0 billion for the same period last year.

Diluted EPS and Non-GAAP Diluted EPS. Diluted net loss per ADS for the first quarter of 2022 was RMB1.92 (US$0.30), compared to a diluted net income per ADS of RMB2.25 for the first quarter of 2021. Non-GAAP diluted net income per ADS for the first quarter of 2022 was RMB2.53 (US$0.40), compared to RMB2.47 for the first quarter of 2021.

Cash Flow and Working Capital

As of March 31, 2022, the company's cash and cash equivalents, restricted cash and short-term investments totaled RMB186.1 billion (US$29.4 billion), compared to RMB191.3 billion as of December 31, 2021. For the first quarter of 2022, free cash flow of the company was as follows:

	For the three months ended		
	March 31, 2021	**March 31, 2022**	**March 31, 2022**
	RMB	***RMB***	***US$***
		(In millions)	
Net cash used in operating activities	(7,509)	**(3,485)**	**(549)**
Add/(Less): Impact from JD Baitiao receivables included in the operating cash flow	1,225	**(1,734)**	**(273)**
Less: Capital expenditures, net of related sales proceeds			
Capital expenditures for development properties	(1,623)	**(2,676)**	**(421)**
Other capital expenditures*	(1,836)	**(902)**	**(143)**
Free cash flow	(9,743)	**(8,797)**	**(1,386)**

* Including capital expenditures related to the company's headquarters in Beijing and all other CAPEX.

Net cash provided by investing activities was RMB4.6 billion (US$0.7 billion) for the first quarter of 2022, consisting primarily of decrease in short-term investments, partially offset by the net cash paid for the acquisition of China Logistics Property Holdings Co., Ltd ("**CNLP**") and Dada, cash paid for capital expenditures and cash paid for equity investments.

Net cash provided by financing activities was RMB12.7 billion (US$2.0 billion) for the first quarter of 2022, consisting primarily of proceeds from short-term debts and proceeds from JD Property's non-redeemable series B preferred share financing, partially offset by the repayment of short-term debts.

From January 1, 2022 to the date of this announcement, the company has repurchased approximately 5.0 million of its ADSs for approximately RMB1.8 billion (US$0.3 billion) under its share repurchase program.

For the twelve months ended March 31, 2022, free cash flow of the company was as follows:

	For the twelve months ended		
	March 31, 2021	**March 31, 2022**	**March 31, 2022**
	RMB	***RMB***	***US$***
		(In millions)	
Net cash provided by operating activities	36,578	**46,325**	**7,297**
Add/(Less): Impact from JD Baitiao receivables included in the operating cash flow	697	**(467)**	**(74)**
Less: Capital expenditures, net of related sales proceeds			
Capital expenditures for development properties	(3,725)	**(14,563)**	**(2,294)**
Other capital expenditures	(5,396)	**(4,122)**	**(649)**
Free cash flow	28,154	**27,173**	**4,280**

Supplemental Information

The company consolidated Dada since February 28, 2022 and reported the results of Dada as a new standalone segment. The company also consolidated CNLP through JD Property since March 1, 2022 and reported the results of CNLP in the New businesses segment. As a result, the company now reports four segments, JD Retail, JD Logistics, Dada and New businesses. JD Retail mainly consists of online retail, online marketplace and marketing services in China. JD Logistics includes both internal and external logistics businesses. Dada is a local on-demand delivery and retail platform in China. New businesses mainly include JD Property, Jingxi, overseas businesses and technology initiatives.

The table below sets forth the segment operating results:

	For the three months ended		
	March 31, 2021	**March 31, 2022**	**March 31, 2022**
	RMB	***RMB***	***US$***
		(In millions)	
Net revenues:			
JD Retail	185,796	**217,524**	**34,314**
JD Logistics	22,411	**27,351**	**4,315**
Dada	—	**688**	**109**
New businesses	5,154	**5,756**	**908**
Inter-segment*	(10,321)	**(11,664)**	**(1,841)**
Total segment net revenues	203,040	**239,655**	**37,805**
Unallocated items**	136	**—**	**—**
Total consolidated net revenues	203,176	**239,655**	**37,805**
Operating income/(loss):			
JD Retail	7,340	**7,891**	**1,245**
JD Logistics	(1,474)	**(661)**	**(104)**
Dada	—	**(191)**	**(30)**
New businesses	(2,281)	**(2,386)**	**(377)**
Including: gain on sale of development properties	*83*	**—**	**—**
Total segment operating income	3,585	**4,653**	**734**
Unallocated items**	(1,925)	**(2,244)**	**(354)**
Total consolidated operating income	1,660	**2,409**	**380**

* The inter-segment eliminations mainly consist of revenues from supply chain solutions and logistics services provided by JD Logistics to JD Retail, on-demand delivery and retail services provided by Dada to JD Retail and JD Logistics, and property leasing services provided by JD Property to JD Logistics.

** Unallocated items include share-based compensation, amortization of intangible assets resulting from assets and business acquisitions, effects of business cooperation arrangements, and impairment of goodwill and intangible assets, which are not allocated to segments.

The table below sets forth the revenue information:

	For the three months ended		
	March 31, 2021	**March 31, 2022**	**March 31, 2022**
	RMB	***RMB***	***US$***
		(In millions)	
Electronics and home appliances revenues	104,006	**118,368**	**18,672**
General merchandise revenues	71,276	**86,048**	**13,574**
Net product revenues	175,282	**204,416**	**32,246**
Marketplace and marketing revenues	14,120	**17,676**	**2,788**
Logistics and other service revenues	13,774	**17,563**	**2,771**
Net service revenues	27,894	**35,239**	**5,559**
Total net revenues	203,176	**239,655**	**37,805**

Conference Call

JD.com's management will hold a conference call at 8:00 am, Eastern Time on May 17, 2022, (8:00 pm, Beijing/Hong Kong Time on May 17, 2022) to discuss financial results for the first quarter of 2022.

Please register in advance of the conference using the link provided below and dial in 10 minutes prior to the call, using participant dial-in numbers, Direct Event passcode and unique registrant ID which would be provided upon registering. You will be automatically linked to the live call after completion of this process, unless required to provide the conference ID below due to regional restrictions.

PRE-REGISTER LINK: http://apac.directeventreg.com/registration/event/3068802

CONFERENCE ID: 3068802

A telephone replay will be available from 11:00 am, Eastern Time on May 17, 2022 through 9:59 am, Eastern Time on May 24, 2022. The dial-in details are as follows:

US Toll Free: +1-855-452-5696 or +1-646-254-3697
International: +61-2-8199-0299
Passcode: 3068802

Additionally, a live and archived webcast of the conference call will also be available on the company's investor relations website at http://ir.jd.com.

About JD.com

JD.com is a leading supply chain-based technology and service provider. The company's cutting-edge retail infrastructure seeks to enable consumers to buy whatever they want, whenever and wherever they want it. The company has opened its technology and infrastructure to partners, brands and other sectors, as part of its Retail as a Service offering to help drive productivity and innovation across a range of industries.

Non-GAAP Measures

In evaluating the business, the company considers and uses non-GAAP measures, such as non-GAAP income/(loss) from operations, non-GAAP operating margin, non-GAAP net income/(loss) attributable to ordinary shareholders, non-GAAP net margin, free cash flow, non-GAAP EBITDA, non-GAAP EBITDA margin, non-GAAP net income/(loss) per share and non-GAAP net income/(loss) per ADS, as supplemental measures to review and assess operating performance. The presentation of these non-GAAP financial measures is not intended to be considered in isolation or as a substitute for the financial information prepared and presented in accordance with accounting principles generally accepted in the United States of America ("**U.S. GAAP**"). The company defines non-GAAP income/(loss) from operations as income/(loss) from operations excluding share-based compensation, amortization of intangible assets resulting from assets and business acquisitions, effects of business cooperation arrangements, gain on sale of development properties and impairment of goodwill and intangible assets. The company defines non-GAAP net income/(loss) attributable to ordinary shareholders as net income/(loss) attributable to ordinary shareholders excluding share-based compensation, amortization of intangible assets resulting from assets and business acquisitions, effects of business cooperation arrangements and non-compete agreements, gain/(loss) on disposals/deemed disposals of investments and others, reconciling items on the share of equity method investments, loss/(gain) from fair value change of long-term investments, impairment of goodwill, intangible assets and investments, gain and foreign exchange impact in relation to sale of development properties and tax effects on non-GAAP adjustments. The company defines free cash flow as operating cash flow adjusting the impact from JD Baitiao receivables included in the operating cash flow and capital expenditures, net of the proceeds from sale of development properties. Capital expenditures include purchase of property, equipment and software, cash paid for construction in progress, purchase of intangible assets and land use rights. The company defines non-GAAP EBITDA as non-GAAP income/(loss) from operations plus depreciation and amortization excluding amortization of intangible assets resulting from assets and business acquisitions. Non-GAAP basic net income/(loss) per share is calculated by dividing non-GAAP net income/(loss) attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the periods. Non-GAAP diluted net income/(loss) per share is calculated by dividing non-GAAP net income/(loss) attributable to ordinary shareholders by the weighted average number of ordinary shares and dilutive potential ordinary shares outstanding during the periods, including the dilutive effect of share-based awards as determined under the treasury stock method. Non-GAAP net income/(loss) per ADS is equal to non-GAAP net income/(loss) per share multiplied by two.

The company presents these non-GAAP financial measures because they are used by management to evaluate operating performance and formulate business plans. Non-GAAP income/(loss) from operations, non-GAAP net income/(loss) attributable to ordinary shareholders and non-GAAP EBITDA reflect the company's ongoing business operations in a manner that allows more meaningful period-to-period comparisons. Free cash flow enables management to assess liquidity and cash flow while taking into account the impact from JD Baitiao receivables included in the operating cash flow and the demands that the expansion of fulfillment infrastructure and technology platform has placed on financial resources. The company believes that the use of the non-GAAP financial measures facilitates investors to understand and evaluate the company's current operating performance and future prospects in the same manner as management does, if they so choose. The company also believes that the non-GAAP financial measures provide useful information to both management and investors by excluding certain expenses, gain/loss and other items that are not expected to result in future cash payments or that are non-recurring in nature or may not be indicative of the company's core operating results and business outlook.

The non-GAAP financial measures have limitations as analytical tools. The company's non-GAAP financial measures do not reflect all items of income and expense that affect the company's operations or not represent the residual cash flow available for discretionary expenditures. Further, these non-GAAP measures may differ from the non-GAAP information used by other companies, including peer companies, and therefore their comparability may be limited. The company compensates for these limitations by reconciling the non-GAAP financial measures to the nearest U.S. GAAP performance measure, all of which should be considered when evaluating performance. The company encourages you to review the company's financial information in its entirety and not rely on a single financial measure.

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Safe Harbor Statement

This announcement contains forward-looking statements. These statements are made under the "safe harbor" provisions of the U.S. Private Securities Litigation Reform Act of 1995. These forward-looking statements can be identified by terminology such as "will," "expects," "anticipates," "future," "intends," "plans," "believes," "estimates," "confident" and similar statements. Among other things, the business outlook and quotations from management in this announcement, as well as JD.com's strategic and operational plans, contain forward-looking statements. JD.com may also make written or oral forward-looking statements in its periodic reports to the U.S. Securities and Exchange Commission (the "**SEC**"), in announcements made on the website of The Stock Exchange of Hong Kong Limited (the "**Hong Kong Stock Exchange**"), in its annual report to shareholders, in press releases and other written materials and in oral statements made by its officers, directors or employees to third parties. Statements that are not historical facts, including statements about JD.com's beliefs and expectations, are forward-looking statements. Forward-looking statements involve inherent risks and uncertainties. A number of factors could cause actual results to differ materially from those contained in any forward-looking statement, including but not limited to the following: JD.com's growth strategies; its future business development, results of operations and financial condition; its ability to attract and retain new customers and to increase revenues generated from repeat customers; its expectations regarding demand for and market acceptance of its products and services; trends and competition in China's e-commerce market; changes in its revenues and certain cost or expense items; the expected growth of the Chinese e-commerce market; laws, regulations and governmental policies relating to the industries in which JD.com or its business partners operate; potential changes in laws, regulations and governmental policies or changes in the interpretation and implementation of laws, regulations and governmental policies that could adversely affect the industries in which JD.com or its business partners operate, including, among others, initiatives to enhance supervision of companies listed on an overseas exchange and tighten scrutiny over data privacy and data security; risks associated with JD.com's acquisitions, investments and alliances, including fluctuation in the market value of JD.com's investment portfolio; impact of the COVID-19 pandemic; natural disasters and geopolitical events; change in tax rates and financial risks; intensity of competition; and general market and economic conditions in China and globally. Further information regarding these and other risks is included in JD.com's filings with the SEC and the announcements on the website of the Hong Kong Stock Exchange. All information provided herein is as of the date of this announcement, and JD.com undertakes no obligation to update any forward-looking statement, except as required under applicable law.

JD.com, Inc.
Unaudited Interim Condensed Consolidated Balance Sheets
(In millions, except otherwise noted)

	As of		
	December 31, 2021	**March 31, 2022**	**March 31, 2022**
	RMB	***RMB***	***US$***
ASSETS			
Current assets			
Cash and cash equivalents	70,767	**84,463**	**13,324**
Restricted cash	5,926	**5,543**	**874**
Short-term investments	114,564	**96,096**	**15,159**
Accounts receivable, net (including JD Baitiao of RMB2.5 billion and RMB1.3 billion as of December 31, 2021 and March 31, 2022, respectively)[1]	11,900	**12,729**	**2,008**
Advance to suppliers	3,959	**4,422**	**698**
Inventories, net	75,601	**68,790**	**10,851**
Prepayments and other current assets	11,455	**13,400**	**2,114**
Amount due from related parties	5,500	**3,786**	**597**
Total current assets	299,672	**289,229**	**45,625**
Non-current assets			
Property, equipment and software, net	32,944	**42,255**	**6,666**
Construction in progress	5,817	**7,551**	**1,191**
Intangible assets, net	5,837	**7,807**	**1,231**
Land use rights, net	14,328	**27,392**	**4,321**
Operating lease right-of-use assets	19,987	**20,028**	**3,159**
Goodwill	12,433	**18,560**	**2,928**
Investment in equity investees	63,222	**56,902**	**8,976**
Investment securities	19,088	**15,013**	**2,368**
Deferred tax assets	1,111	**1,196**	**189**
Other non-current assets	21,804	**25,983**	**4,099**
Amount due from related parties	264	**269**	**42**
Total non-current assets	196,835	**222,956**	**35,170**
Total assets	496,507	**512,185**	**80,795**

JD.com, Inc.
Unaudited Interim Condensed Consolidated Balance Sheets
(In millions, except otherwise noted)

	As of		
	December 31, 2021	**March 31, 2022**	**March 31, 2022**
	RMB	***RMB***	***US$***
LIABILITIES			
Current liabilities			
Short-term debts	4,368	**17,151**	**2,706**
Accounts payable	140,484	**125,253**	**19,758**
Advance from customers	29,106	**30,599**	**4,827**
Deferred revenues	3,458	**4,956**	**782**
Taxes payable	2,568	**1,326**	**209**
Amount due to related parties	519	**199**	**31**
Accrued expenses and other current liabilities	34,468	**32,836**	**5,179**
Operating lease liabilities	6,665	**6,686**	**1,055**
Total current liabilities	221,636	**219,006**	**34,547**
Non-current liabilities			
Deferred revenues	1,297	**1,188**	**187**
Unsecured senior notes	9,386	**9,311**	**1,469**
Deferred tax liabilities	1,897	**5,104**	**805**
Long-term borrowings	—	**6,298**	**993**
Operating lease liabilities	13,721	**13,707**	**2,162**
Other non-current liabilities	1,786	**1,736**	**275**
Total non-current liabilities	28,087	**37,344**	**5,891**
Total liabilities	249,723	**256,350**	**40,438**

(1) JD Technology performs credit risk assessment services for JD Baitiao business and absorbs the credit risk of the underlying Baitiao receivables. Facilitated by JD Technology, the company periodically securitizes Baitiao receivables through the transfer of those assets to securitization plans and derecognizes the related Baitiao receivables through sales type arrangements.

JD.com, Inc.
Unaudited Interim Condensed Consolidated Balance Sheets
(In millions, except otherwise noted)

	As of		
	December 31, 2021	**March 31, 2022**	**March 31, 2022**
	RMB	***RMB***	***US$***
MEZZANINE EQUITY			
Convertible redeemable non-controlling interests	1,212	**1,216**	**192**
SHAREHOLDERS' EQUITY			
Total JD.com, Inc. shareholders' equity (US$0.00002 par value, 100,000 shares authorized, 3,159 shares issued and 3,115 shares outstanding as of March 31, 2022)	208,911	**206,490**	**32,573**
Non-controlling interests	36,661	**48,129**	**7,592**
Total shareholders' equity	245,572	**254,619**	**40,165**
Total liabilities, mezzanine equity and shareholders' equity	496,507	**512,185**	**80,795**

JD.com, Inc.
Unaudited Interim Condensed Consolidated Statements of Operations
(In millions, except per share data)

	For the three months ended		
	March 31, 2021	**March 31, 2022**	**March 31, 2022**
	RMB	***RMB***	***US$***
Net revenues			
Net product revenues	175,282	**204,416**	**32,246**
Net service revenues	27,894	**35,239**	**5,559**
Total net revenues	203,176	**239,655**	**37,805**
Cost of revenues	(174,054)	**(206,209)**	**(32,529)**
Fulfillment	(13,803)	**(15,486)**	**(2,443)**
Marketing	(6,999)	**(8,705)**	**(1,373)**
Research and development	(4,530)	**(4,384)**	**(692)**
General and administrative	(2,213)	**(2,462)**	**(388)**
Gain on sale of development properties	83	**—**	**—**
Income from operations[(2)(3)]	1,660	**2,409**	**380**
Other income/(expenses)			
Share of results of equity investees	682	**(1,081)**	**(170)**
Interest expense	(258)	**(345)**	**(55)**
Others, net[(4)]	2,038	**(3,898)**	**(615)**
Income/(Loss) before tax	4,122	**(2,915)**	**(460)**
Income tax expenses	(480)	**(603)**	**(95)**
Net income/(loss)	3,642	**(3,518)**	**(555)**
Net income/(loss) attributable to non-controlling interests shareholders	22	**(532)**	**(84)**
Net income attributable to mezzanine equity classified as non-controlling interests shareholders	3	**5**	**1**
Net income/(loss) attributable to ordinary shareholders	3,617	**(2,991)**	**(472)**
Net income/(loss) per share:			
Basic	1.16	**(0.96)**	**(0.15)**
Diluted	1.13	**(0.96)**	**(0.15)**
Net income/(loss) per ADS:			
Basic	2.33	**(1.92)**	**(0.30)**
Diluted	2.25	**(1.92)**	**(0.30)**

JD.com, Inc.
Unaudited Interim Condensed Consolidated Statements of Operations
(In millions, except per share data)

	For the three months ended		
	March 31, 2021	**March 31, 2022**	**March 31, 2022**
	RMB	***RMB***	***US$***

(2) Includes share-based compensation expenses as follows:

Cost of revenues	(22)	**(32)**	**(5)**
Fulfillment	(171)	**(227)**	**(36)**
Marketing	(120)	**(149)**	**(24)**
Research and development	(426)	**(415)**	**(65)**
General and administrative	(959)	**(1,028)**	**(162)**

(3) Includes amortization of business cooperation arrangement and intangible assets resulting from assets and business acquisitions as follows:

Fulfillment	(52)	**(73)**	**(12)**
Marketing	(209)	**(217)**	**(34)**
Research and development	(25)	**(38)**	**(6)**
General and administrative	(77)	**(64)**	**(10)**

(4) Others are other non-operating income/(loss), primarily consist of gains/(losses) from fair value change of long-term investments, gains/(losses) from business and investment disposals, impairment of investments, government incentives, interest income and foreign exchange gains/(losses).

JD.com, Inc.
Unaudited Non-GAAP Net Income Per Share and Per ADS
(In millions, except per share data)

	For the three months ended		
	March 31, 2021	**March 31, 2022**	**March 31, 2022**
	RMB	***RMB***	***US$***
Non-GAAP net income attributable to ordinary shareholders	3,968	**4,032**	**636**
Weighted average number of shares:			
Basic	3,107	**3,116**	**3,116**
Diluted	3,208	**3,116**	**3,116**
Diluted (Non-GAAP)	3,208	**3,188**	**3,188**
Non-GAAP net income per share:			
Basic	1.28	**1.29**	**0.20**
Diluted	1.23	**1.26**	**0.20**
Non-GAAP net income per ADS:			
Basic	2.55	**2.59**	**0.41**
Diluted	2.47	**2.53**	**0.40**

JD.com, Inc.
Unaudited Interim Condensed Consolidated Statements of Cash Flows and Free Cash Flow
(In millions)

	For the three months ended		
	March 31, 2021	**March 31, 2022**	**March 31, 2022**
	RMB	***RMB***	***US$***
Net cash used in operating activities	(7,509)	**(3,485)**	**(549)**
Net cash (used in)/provided by investing activities	(7,631)	**4,562**	**719**
Net cash (used in)/provided by financing activities	(592)	**12,695**	**2,000**
Effect of exchange rate changes on cash, cash equivalents and restricted cash	596	**(459)**	**(73)**
Net (decrease)/increase in cash, cash equivalents and restricted cash	(15,136)	**13,313**	**2,097**
Cash, cash equivalents and restricted cash at beginning of period(5)	90,635	**76,693**	**12,081**
Cash, cash equivalents and restricted cash at end of period(5)	75,499	**90,006**	**14,178**
Net cash used in operating activities	(7,509)	**(3,485)**	**(549)**
Add/(Less): Impact from JD Baitiao receivables included in the operating cash flow	1,225	**(1,734)**	**(273)**
Less: Capital expenditures, net of related sales proceeds			
Capital expenditures for development properties	(1,623)	**(2,676)**	**(421)**
Other capital expenditures	(1,836)	**(902)**	**(143)**
Free cash flow	(9,743)	**(8,797)**	**(1,386)**

(5) Including cash, cash equivalents and restricted cash classified as assets held for sale of RMB115.9 million, RMB119.8 million, nil and nil as of December 31, 2020, March 31, 2021, December 31, 2021 and March 31, 2022, respectively.

JD.com, Inc.
Supplemental Financial Information and Business Metrics

	Q1 2021	Q2 2021	Q3 2021	Q4 2021	Q1 2022
Free cash flow (in RMB billions) — trailing twelve months ("**TTM**")	28.2	31.9	28.5	26.2	**27.2**
Inventory turnover days(6) — TTM	31.2	31.0	30.1	30.3	**30.2**
Accounts payable turnover days(7) — TTM	44.2	45.8	45.5	45.3	**45.0**
Accounts receivable turnover days(8) — TTM	2.6	2.7	2.8	2.9	**3.2**
Annual active customer accounts (in millions)	499.8	531.9	552.2	569.7	**580.5**

(6) TTM inventory turnover days are the quotient of average inventory over the immediately preceding five quarters, up to and including the last quarter of the period, to cost of revenues of retail business for the last twelve months, and then multiplied by 360 days.

(7) TTM accounts payable turnover days are the quotient of average accounts payable for retail business over the immediately preceding five quarters, up to and including the last quarter of the period, to cost of revenues of retail business for the last twelve months, and then multiplied by 360 days.

(8) TTM accounts receivable turnover days are the quotient of average accounts receivable over the immediately preceding five quarters, up to and including the last quarter of the period, to total net revenues for the last twelve months and then multiplied by 360 days. Presented are the accounts receivable turnover days excluding the impact from JD Baitiao.

JD.com, Inc.
Unaudited Reconciliation of GAAP and Non-GAAP Results
(In millions, except percentage data)

	For the three months ended		
	March 31, 2021	**March 31, 2022**	**March 31, 2022**
	RMB	***RMB***	***US$***
Income from operations	1,660	**2,409**	**380**
Add: Share-based compensation	1,698	**1,851**	**292**
Add: Amortization of intangible assets resulting from assets and business acquisitions	231	**258**	**41**
(Reversal of)/Add: Effects of business cooperation arrangements	(4)	**134**	**21**
Reversal of: Gain on sale of development properties	(83)	**—**	**—**
Non-GAAP income from operations	3,502	**4,652**	**734**
Add: Depreciation and other amortization	1,438	**1,414**	**223**
Non-GAAP EBITDA	4,940	**6,066**	**957**
Total net revenues	203,176	**239,655**	**37,805**
Non-GAAP operating margin	1.7%	**1.9%**	**1.9%**
Non-GAAP EBITDA margin	2.4%	**2.5%**	**2.5%**

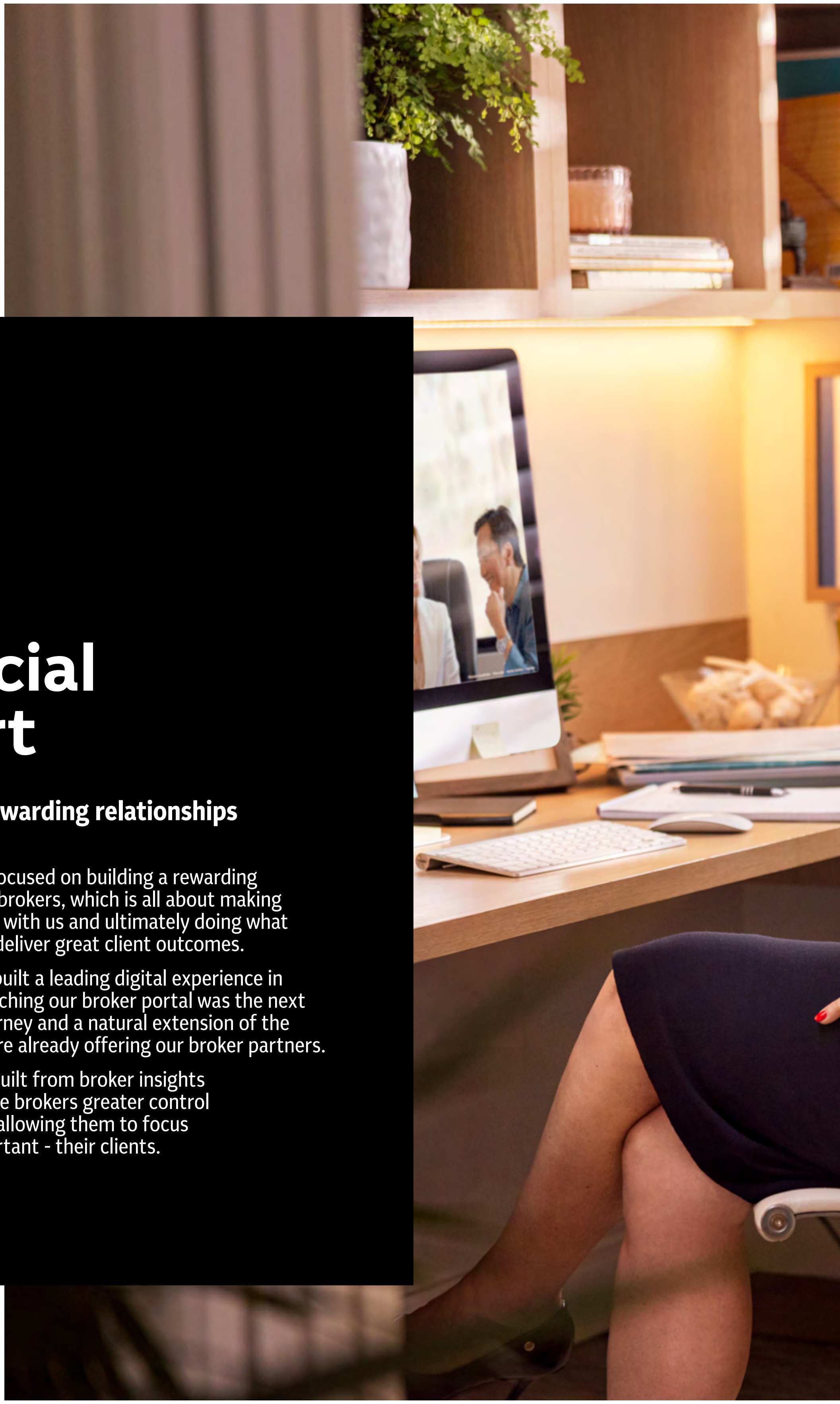
JD.com, Inc.
Unaudited Reconciliation of GAAP and Non-GAAP Results
(In millions, except percentage data)

	For the three months ended		
	March 31, 2021	**March 31, 2022**	**March 31, 2022**
	RMB	***RMB***	***US$***
Net income/(loss) attributable to ordinary shareholders	3,617	**(2,991)**	**(472)**
Add: Share-based compensation	1,698	**1,593**	**251**
Add: Amortization of intangible assets resulting from assets and business acquisitions	231	**198**	**31**
(Reversal of)/Add: Reconciling items on the share of equity method investments(9)	(647)	**389**	**61**
Add: Impairment of goodwill, intangible assets, and investments	41	**—**	**—**
(Reversal of)/Add: (Gain)/Loss from fair value change of long-term investments	(823)	**1,234**	**195**
Reversal of: Gain on sale of development properties	(83)	**—**	**—**
Add: Net (gain)/loss on disposals/deemed disposals of investments and others	—	**3,549**	**560**
(Reversal of)/Add: Effects of business cooperation arrangements and non-compete agreements	(22)	**123**	**19**
Reversal of: Tax effects on non-GAAP adjustments	(44)	**(63)**	**(9)**
Non-GAAP net income attributable to ordinary shareholders	3,968	**4,032**	**636**
Total net revenues	203,176	**239,655**	**37,805**
Non-GAAP net margin	2.0%	**1.7%**	**1.7%**

(9) To exclude the GAAP to non-GAAP reconciling items on the share of equity method investments, and share of amortization of intangibles not on their books.

APPENDIX II

REPRODUCTION OF THE MACQUARIE BANK LIMITED 2022 FINANCIAL REPORT FOR THE FINANCIAL YEAR ENDED 31 MARCH 2022



03

Financial Report

Building more rewarding relationships with brokers

At Macquarie, we're focused on building a rewarding relationship with our brokers, which is all about making it easy to do business with us and ultimately doing what we can to help them deliver great client outcomes.

We're proud to have built a leading digital experience in recent years and launching our broker portal was the next step in our digital journey and a natural extension of the first-class service we're already offering our broker partners.

Our portal has been built from broker insights and is designed to give brokers greater control and more time back, allowing them to focus on what's most important - their clients.

Contents

The Financial Report was authorised for issue by the Board of Directors on 6 May 2022.
The Board of Directors has the power to amend and reissue the Financial Report.

Income statements

For the financial year ended 31 March 2022

		CONSOLIDATED		COMPANY	
	Notes	**2022 $m**	2021 $m	**2022 $m**	2021 $m
Interest and similar income					
Effective interest rate method	2	**3,210**	3,101	**2,869**	2,489
Other	2	**264**	261	**272**	222
Interest and similar expense	2	**(1,021)**	(1,273)	**(1,122)**	(1,310)
Net interest income		**2,453**	2,089	**2,019**	1,401
Net trading income	2	**4,214**	3,315	**2,068**	2,020
Fee and commission income	2	**1,954**	1,326	**724**	1,282
Net operating lease income	2	**339**	395	**153**	130
Net credit impairment charges	2	**(16)**	(287)	**(223)**	(132)
Net other impairment (charges)/reversals	2	**(11)**	(46)	**11**	44
Net other operating income	2	**621**	203	**4,666**	1,473
Net operating income		**9,554**	6,995	**9,418**	6,218
Employment expenses	2	**(3,696)**	(2,103)	**(1,205)**	(1,008)
Brokerage, commission and fee expenses	2	**(505)**	(525)	**(433)**	(662)
Non-salary technology expenses	2	**(716)**	(327)	**(152)**	(138)
Other operating expenses	2	**(970)**	(1,742)	**(2,038)**	(1,821)
Total operating expenses		**(5,887)**	(4,697)	**(3,828)**	(3,629)
Operating profit before income tax		**3,667**	2,298	**5,590**	2,589
Income tax expense	4	**(950)**	(622)	**(487)**	(166)
Profit after income tax		**2,717**	1,676	**5,103**	2,423
Profit attributable to the ordinary equity holder of Macquarie Bank Limited		**2,717**	1,676	**5,103**	2,423

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

Statements of comprehensive income

For the financial year ended 31 March 2022

	Notes	CONSOLIDATED 2022 $m	CONSOLIDATED 2021 $m	COMPANY 2022 $m	COMPANY 2021 $m
Profit after income tax		**2,717**	1,676	**5,103**	2,423
Other comprehensive income/(loss):[1]					
Movements in items that may be subsequently reclassified to the income statement:					
Fair value through other comprehensive income (FVOCI) reserve:					
Revaluation movement	25	**(28)**	71	**(16)**	46
Changes in allowance for expected credit losses	25	**(3)**	(3)	**1**	1
Cash flow hedges:					
Net movement recognised in other comprehensive income (OCI)	25	**69**	7	**69**	(20)
Transferred to income statement	25	**44**	39	**(27)**	27
Share of other comprehensive income of associates and joint ventures	25	**3**	1	**–**	–
Foreign exchange movement on translation and hedge accounting of foreign operations	25	**41**	(800)	**(181)**	(6)
Movements in item that will not be subsequently reclassified to the income statement:					
Fair value changes attributable to own credit risk on debt designated at fair value through profit or loss (DFVTPL)	25	**12**	(79)	**12**	(79)
Total other comprehensive income/(loss)		**138**	(764)	**(142)**	(31)
Total comprehensive income attributable to the ordinary equity holder of Macquarie Bank Limited		**2,855**	912	**4,961**	2,392

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

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

Statements of financial position

As at 31 March 2022

	Notes	CONSOLIDATED 2022 $m	CONSOLIDATED 2021 $m	COMPANY 2022 $m	COMPANY 2021 $m
Assets					
Cash and bank balances		**48,972**	15,966	**43,594**	14,012
Cash collateralised lending and reverse repurchase agreements		**42,548**	34,555	**38,205**	31,034
Trading assets	6	**11,719**	21,212	**10,131**	19,128
Margin money and settlement assets	7	**19,410**	8,302	**16,115**	6,417
Derivative assets	8	**84,616**	20,552	**74,444**	19,328
Financial investments	9	**6,511**	7,999	**6,477**	7,916
Held for sale and other assets	10	**4,990**	3,493	**2,941**	1,717
Loan assets	11	**123,004**	98,992	**121,179**	83,676
Due from subsidiaries	27	**-**	-	**23,856**	21,500
Due from related body corporate entities	27	**3,425**	2,154	**2,954**	1,645
Property, plant and equipment and right-of-use assets	13	**3,536**	2,797	**2,801**	672
Investments in subsidiaries	14	**-**	-	**6,287**	6,618
Deferred tax assets	15	**897**	826	**402**	493
Total assets		**349,628**	216,848	**349,386**	214,156
Liabilities					
Cash collateralised borrowing and repurchase agreements		**16,947**	4,542	**16,947**	4,542
Trading liabilities	16	**5,206**	6,134	**5,210**	6,137
Margin money and settlement liabilities	17	**21,577**	16,251	**15,593**	13,632
Derivative liabilities	18	**84,191**	17,475	**71,521**	15,732
Deposits	19	**101,614**	84,140	**101,417**	83,994
Other liabilities	20	**5,744**	4,350	**3,022**	2,054
Borrowings		**5,713**	2,473	**2,787**	1,967
Due to subsidiaries	27	**-**	-	**38,772**	16,532
Due to related body corporate entities	27	**11,637**	15,901	**10,203**	15,684
Issued debt securities	21	**72,107**	44,668	**58,722**	34,764
Deferred tax liabilities	15	**28**	36	**29**	-
Total liabilities excluding loan capital		**324,764**	195,970	**324,223**	195,038
Loan capital	23	**6,896**	6,804	**6,896**	6,804
Total liabilities		**331,660**	202,774	**331,119**	201,842
Net assets		**17,968**	14,074	**18,267**	12,314
Equity					
Contributed equity	24	**9,562**	8,523	**9,416**	8,400
Reserves	25	**432**	306	**(164)**	(10)
Retained earnings	25	**7,974**	5,245	**9,015**	3,924
Total capital and reserves attributable to the ordinary equity holder of Macquarie Bank Limited		**17,968**	14,074	**18,267**	12,314
Total equity		**17,968**	14,074	**18,267**	12,314

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

Statements of changes in equity

For the financial year ended 31 March 2022

	Notes	Contributed equity $m	Reserves $m	Retained earnings $m	Total $m	Non-controlling interests $m	Total equity $m
							CONSOLIDATED
Balance as at 1 Apr 2020		8,899	991	4,336	14,226	1	14,227
Profit after income tax		–	–	1,676	1,676	–	1,676
Other comprehensive loss, net of tax		–	(685)	(79)	(764)	–	(764)
Total comprehensive (loss)/income		–	(685)	1,597	912	–	912
Transactions with equity holders in their capacity as ordinary equity holder:							
Redemption of Macquarie Income Securities (MIS)	24	(400)	–	–	(400)	–	(400)
Dividends paid	5	–	–	(500)	(500)	–	(500)
Change attributable to group restructure	25	–	–	(189)	(189)	–	(189)
Non-controlling interests:							
Movement in non-controlling ownership interests		–	–	1	1	(1)	–
Other equity movements:							
Contribution from ultimate parent entity[(1)] in relation to share-based payments	24	24	–	–	24	–	24
		(376)	–	(688)	(1,064)	(1)	(1,065)
Balance as at 31 Mar 2021		8,523	306	5,245	14,074	–	14,074
Profit after income tax		**–**	**–**	**2,717**	**2,717**	**–**	**2,717**
Other comprehensive income, net of tax		**–**	**126**	**12**	**138**	**–**	**138**
Total comprehensive income		**–**	**126**	**2,729**	**2,855**	**–**	**2,855**
Transactions with equity holders in their capacity as ordinary equity holder:							
Contribution of ordinary equity	24	**1,000**	**–**	**–**	**1,000**	**–**	**1,000**
Other equity movements:							
Contribution from ultimate parent entity[(1)] in relation to share-based payments	24	**39**	**–**	**–**	**39**	**–**	**39**
		1,039	**–**	**–**	**1,039**	**–**	**1,039**
Balance as at 31 Mar 2022		**9,562**	**432**	**7,974**	**17,968**	**–**	**17,968**

(1) Macquarie Group Limited.

	Notes	Contributed equity $m	Reserves $m	Retained earnings $m	Total equity $m
					COMPANY
Balance as at 1 Apr 2020		8,789	(58)	2,080	10,811
Profit after income tax		–	–	2,423	2,423
Other comprehensive income/(loss), net of tax		–	48	(79)	(31)
Total comprehensive income		–	48	2,344	2,392
Transactions with equity holders in their capacity as ordinary equity holder:					
Redemption of MIS	24	(400)	–	–	(400)
Dividends paid	5	–	–	(500)	(500)
Other equity movements:					
Contribution from ultimate parent entity[1] in relation to share-based payments	24	11	–		11
		(389)	–	(500)	(889)
Balance as at 31 Mar 2021		8,400	(10)	3,924	12,314
Profit after income tax		**–**	**–**	**5,103**	**5,103**
Other comprehensive (loss)/income, net of tax		**–**	**(154)**	**12**	**(142)**
Total comprehensive (loss)/income		**–**	**(154)**	**5,115**	**4,961**
Transactions with equity holders in their capacity as ordinary equity holder:					
Contribution of ordinary equity	24	**1,000**	**–**	**–**	**1,000**
Change attributable to group restructure	25	**–**	**–**	**(24)**	**(24)**
Other equity movements:					
Contribution from ultimate parent entity[1] in relation to share-based payments	24	**16**	**–**	**–**	**16**
		1,016	**–**	**(24)**	**992**
Balance as at 31 Mar 2022		**9,416**	**(164)**	**9,015**	**18,267**

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

(1) Macquarie Group Limited.

Statements of cash flows

For the financial year ended 31 March 2022

		CONSOLIDATED		COMPANY	
	Notes	**2022 $m**	2021 $m	**2022 $m**	2021 $m
Cash flows generated from operating activities					
Interest income and expense:					
Received		**3,466**	3,370	**3,109**	2,691
Paid		**(1,031)**	(1,397)	**(1,152)**	(1,430)
Fees, commissions and other income and charges:					
Received		**1,934**	1,455	**635**	1,325
Paid		**(471)**	(522)	**(399)**	(650)
Operating lease income received		**841**	933	**422**	398
Dividends and distributions received		**13**	5	**3,259**	1,369
Operating expenses paid:					
Employment expenses		**(3,303)**	(1,751)	**(1,058)**	(932)
Other operating expenses including brokerage, commission and fee expenses		**(1,078)**	(2,005)	**(1,969)**	(1,924)
Income tax paid		**(395)**	(212)	**(57)**	(45)
Changes in operating assets:					
Loan assets, receivables and balances with related parties		**(29,716)**	(13,629)	**(24,463)**	(17,475)
Other assets		**(1,568)**	(594)	**(1,190)**	307
Assets under operating lease		**(1,115)**	(407)	**(2,059)**	71
Trading, trading-related and collateralised lending balances (net of liabilities)		**14,089**	(3,709)	**4,582**	(6,249)
Changes in operating liabilities:					
Issued debt securities		**27,369**	2,321	**24,182**	6,425
Deposits		**17,472**	17,205	**17,415**	17,118
Borrowings and other funding		**13,330**	1,966	**10,823**	2,094
Other liabilities		**(298)**	18	**(10)**	(25)
Net cash flows generated from operating activities	26	**39,539**	3,047	**32,070**	3,068
Cash flows generated from/(utilised in) investing activities					
Net proceeds from financial investments		**2,688**	204	**2,606**	153
Associates, joint ventures, subsidiaries and businesses:					
Proceeds from the distribution or disposal, net of cash deconsolidated		**534**	13	**5,241**	415
Payments for additional contribution or acquisitions, net of cash acquired		**(51)**	(324)	**(3,625)**	(1,637)
Property, plant and equipment and intangible assets:					
Payments for acquisitions		**(164)**	(153)	**(131)**	(133)
Proceeds from disposals		**–**	20	**–**	–
Net cash flows generated from/(utilised in) investing activities		**3,007**	(240)	**4,091**	(1,202)
Cash flows generated from financing activities					
Loan capital:					
Issuance		**1,405**	3,694	**1,405**	3,694
Redemption		**(1,101)**	(740)	**(1,101)**	(740)
Dividends and distributions paid		**–**	(503)	**–**	(500)
Issuance of ordinary shares		**1,000**	–	**1,000**	–
Non-Controlling interests:					
Redemption of Macquarie Income Securities		**–**	(400)	**–**	(400)
Payment to non-controlling interests		**–**	(1)	**–**	–
Net cash flows generated from financing activities		**1,304**	2,050	**1,304**	2,054
Net increase in cash and cash equivalents		**43,850**	4,857	**37,465**	3,920
Cash and cash equivalents at the beginning of the financial year	26	**29,318**	27,290	**27,649**	26,192
Effect of exchange rate movement on cash and cash equivalents		**(807)**	(2,829)	**(436)**	(2,463)
Cash and cash equivalents at the end of the financial year	26	**72,361**	29,318	**64,678**	27,649

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

Notes to the financial statements

For the financial year ended 31 March 2022

Note 1
Basis of preparation

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

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

(i) Compliance with IFRS as issued by the IASB

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

(ii) Basis of measurement

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

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

(iii) Critical accounting estimates and significant judgements

The preparation of this Financial Report in compliance with Australian Accounting Standards requires the use of certain critical accounting estimates. It also requires management to exercise judgement in the process of applying the accounting policies. The notes to the financial statements set out areas involving a higher degree of judgement or complexity, or areas where assumptions are significant to the consolidated Financial Report such as:

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

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

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

Note 1
Basis of preparation continued

(iv) Coronavirus (COVID-19) impact

The Novel Coronavirus has had significant impacts on global economies and equity, debt and commodity markets, led to several changes in the economy and resulted in several support actions by financial markets, governments and regulators. The impact of COVID-19 continues to evolve and, where applicable, 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 these financial statements is consistent with the processes disclosed and applied in its 31 March 2021 and 30 September 2021 financial statements. Those processes identified that expected credit losses (Note 12) required continued judgement as a result of the impact of COVID-19.

As there is a higher than usual degree of uncertainty associated with these assumptions and estimates, actual outcomes may differ to those forecasted which may impact the accounting estimates included in these financial statements. Other than adjusting events that provide evidence of conditions that existed at the end of the reporting period, the impact of events that arise after the reporting period will be accounted for in future reporting periods.

The Consolidated Entity drew down an additional $9.5 billion from the Reserve Bank of Australia (RBA) under the Term Funding Facility (TFF) during the reporting period. As at 31 March 2022, the Consolidated Entity had drawn $11.3 billion under the TFF which is in the form of repurchase agreements, is collateralised with issued loan notes in the Consolidated Entity's home loans' securitisation vehicles. The objective of the TFF is to reduce interest rates for borrowers and support businesses during this period through lending.

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

The amendments made to existing standards that were mandatorily effective or have been early adopted for the annual reporting period beginning on 1 April 2021 did not result in a material impact on this Financial Report. There were no new Australian accounting standards that were mandatorily effective or have been early adopted for the Financial Report.

(vi) Other developments

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

IBOR interest rate benchmarks, that are used in a wide variety of financial instruments such as derivatives and lending arrangements, are undergoing reforms. Examples of IBOR include 'LIBOR' (the London Inter-bank Offered Rate), 'EURIBOR' (the Euro Inter-bank Offered Rate), 'CDOR' (the Canadian dollar offered rate) and 'BBSW' (the Australian Bank Bill Swap Rate). The nature of the reforms varies across different jurisdictions. For example, in Australia the existing IBOR benchmark (BBSW) has undergone reform and is expected to continue for the foreseeable future alongside the nominated ARR for AUD which is 'AONIA' (AUD Overnight Index Average). In Canada, the Canadian Alternate Reference Rate Working Group (CARR) has recommended to Refinitiv Benchmark Services UK Limited (Refinitiv), the administrator of CDOR, to cease publication of all of CDOR's remaining tenors after 30 June 2024. Refinitiv is yet to make a decision on the future of CDOR but expects to make an announcement in Q2 2022.

After 31 December 2021, 24 of 35 LIBOR currency-tenor pairings were discontinued, 6 LIBOR switched to a modified calculation methodology (known as 'synthetic' LIBORs) and 5 USD LIBOR tenors are expected to cease publication after 30 June 2023. Aside from the ongoing exceptional use of USD LIBOR, the use of LIBOR in new contracts ceased by the end of 2021.

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

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

Note 1
Basis of preparation continued

(vi) Other developments continued

Impacts on financial reporting

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

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

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

The amendments, which were mandatorily effective for annual reporting periods beginning on or after 1 January 2021, also require additional quantitative and qualitative disclosures. The Consolidated Entity early adopted these amendments for the year ended 31 March 2021.

Note 2
Operating profit before income tax

	CONSOLIDATED		COMPANY	
	2022 $m	2021 $m	**2022 $m**	2021 $m
Net interest income				
Interest and similar income:				
Effective interest rate method[1]	**3,210**	3,101	**2,869**	2,489
Other	**264**	261	**272**	222
Interest and similar expense[2]	**(1,021)**	(1,273)	**(1,122)**	(1,310)
Net interest income	**2,453**	2,089	**2,019**	1,401
Net trading income[3]				
Commodities trading[4]	**3,233**	2,439	**1,307**	1,036
Credit, interest rate, foreign exchange and other products	**645**	535	**656**	747
Equities trading	**336**	341	**105**	237
Net trading income	**4,214**	3,315	**2,068**	2,020
Fee and commission income				
Service fee from related parties[5]	**1,006**	365	**132**	292
Brokerage and other trading-related fees	**275**	360	**171**	259
Portfolio administration fees	**247**	216	**69**	55
Lending fees	**133**	129	**117**	163
Other fee and commission income	**293**	256	**235**	513
Total fee and commission income	**1,954**	1,326	**724**	1,282
Net operating lease income				
Rental income	**656**	846	**262**	321
Depreciation and other operating lease-related charges (Note 13)	**(317)**	(451)	**(109)**	(191)
Net operating lease income	**339**	395	**153**	130

(1) Includes interest income of $3,157 million (2021: $3,032 million) in the Consolidated Entity and $2,815 million (2021: $2,420 million) in the Company on financial assets measured at amortised cost and $53 million (2021: $69 million) in the Consolidated Entity and $54 million (2021: $69 million) in the Company 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 $963 million (2021: $1,242 million) in the Consolidated Entity and $1,072 million (2021: $1,284 million) in the Company.
(3) Includes fair value movements on trading assets and liabilities, ineffective portion of designated hedge relationships, fair value changes on derivatives used to economically hedge the Consolidated Entity's interest rate risk and foreign currency gains and losses on foreign currency-denominated monetary assets and liabilities. Refer to Note 41(x) *Derivative instruments and hedging activities*.
(4) Includes $409 million (2021: $485 million) in the Consolidated Entity and $79 million (2021: $126 million) in the Company for transportation, storage and certain other trading related costs and $10 million (2021: $11 million) in the Consolidated Entity for depreciation on right-of-use (ROU) assets held for trading-related business.
(5) Consolidated Entity includes fee and service income earned from the Non-Bank Group by the service entities acquired from MGL during the previous financial year. For details, refer to Note 39 *Acquisition and disposals of subsidiaries and businesses*.

Note 2
Operating profit before income tax continued

	CONSOLIDATED 2022 $m	CONSOLIDATED 2021 $m	COMPANY 2022 $m	COMPANY 2021 $m
Credit and other impairment (charges)/reversals				
Credit impairment (charges)/reversals				
Loan assets	**77**	(196)	**(147)**	(110)
Margin money and settlement assets	**(28)**	(29)	**(39)**	1
Financial investments, other assets, off balance sheet exposures	**(67)**	(64)	**(46)**	(23)
Gross credit impairment charges	**(18)**	(289)	**(232)**	(132)
Recovery of amounts previously written off	**2**	2	**9**	–
Net credit impairment charges	**(16)**	(287)	**(223)**	(132)
Other impairment (charges)/reversals				
Interests in associates and joint ventures	**13**	(24)	**–**	(2)
Intangible and other non-financial assets	**(24)**	(22)	**(10)**	(14)
Investments in subsidiaries	**–**	–	**21**	60
Net other impairment (charges)/reversals	**(11)**	(46)	**11**	44
Total credit and other impairment charges	**(27)**	(333)	**(212)**	(88)
Net other operating income				
Investment income				
Net gain from:				
Disposal of businesses and subsidiaries[1]	**460**	8	**1,403**	9
Financial investments and other assets	**61**	117	**64**	78
Dividends from subsidiaries[1]	**–**	–	**3,259**	1,369
Total investment income	**521**	125	**4,726**	1,456
Share of net profits from associates and joint ventures	**39**	41	**–**	–
Other income/(charges)	**61**	37	**(60)**	17
Total net other operating income	**621**	203	**4,666**	1,473
Net operating income	**9,554**	6,995	**9,418**	6,218

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

Note 2
Operating profit before income tax continued

	CONSOLIDATED		COMPANY	
	2022 $m	2021 $m	**2022 $m**	2021 $m
Employment expenses				
Salary and related costs including commissions, superannuation and performance-related profit share	**(3,315)**	(1,875)	**(1,065)**	(893)
Share-based payments	**(324)**	(206)	**(121)**	(97)
Provision for long service leave and annual leave	**(57)**	(22)	**(19)**	(18)
Total employment expenses	**(3,696)**	(2,103)	**(1,205)**	(1,008)
Brokerage, commission and fee expenses				
Brokerage and other trading-related fee expenses	**(397)**	(457)	**(275)**	(338)
Other fee and commission expenses	**(108)**	(68)	**(158)**	(324)
Total brokerage, commission and fee expenses	**(505)**	(525)	**(433)**	(662)
Non-salary technology expenses				
Information services	**(107)**	(92)	**(48)**	(58)
Depreciation on own use assets: equipment (Note 13)	**(18)**	(10)	**(3)**	(4)
Service provider and other non-salary technology expenses	**(591)**	(225)	**(101)**	(76)
Total non-salary technology expenses	**(716)**	(327)	**(152)**	(138)
Other operating expenses				
Occupancy expenses				
Lease and other occupancy expenses	**(163)**	(134)	**(74)**	(88)
Depreciation on own use assets: buildings, furniture, fittings and leasehold improvements (Note 13)	**(38)**	(16)	**(2)**	(3)
Total occupancy expenses	**(201)**	(150)	**(76)**	(91)
Other expenses				
Service cost recoveries by related parties	**–**	(1,108)	**(1,506)**	(1,404)
Professional fees	**(223)**	(178)	**(111)**	(111)
Indirect and other taxes	**(115)**	(86)	**(85)**	(69)
Audit fees	**(29)**	(28)	**(17)**	(18)
Amortisation of intangible assets	**(23)**	(22)	**(20)**	(19)
Advertising and promotional expenses	**(45)**	(26)	**(42)**	(22)
Other	**(334)**	(144)	**(181)**	(87)
Total other expenses	**(769)**	(1,592)	**(1,962)**	(1,730)
Total other operating expenses	**(970)**	(1,742)	**(2,038)**	(1,821)
Total operating expenses	**(5,887)**	(4,697)	**(3,828)**	(3,629)
Operating profit before income tax	**3,667**	2,298	**5,590**	2,589

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

The Corporate segment, which is not considered an Operating Group, comprises head office and Central Service Groups, including Group Treasury. As applicable, the Corporate segment holds certain legacy and strategic investments, assets and businesses that are not allocated to any of the Operating Groups. Consequent to a group internal restructuring, 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 expense 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, income tax expense and certain distributions attributable to certain non-controlling interests.

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

Internal funding arrangements

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

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

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

Note 3
Segment reporting continued

(i) Operating segments continued

Central Service Groups

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

Please refer to Note 39 *Acquisition and disposals of subsidiaries and businesses* for additional information.

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 benefit is recognised in the Corporate segment and 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/charges 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[1] $m	Total $m
				CONSOLIDATED 2022
Net interest and trading income	**1,972**	**4,633**	**62**	**6,667**
Fee and commission income	**457**	**486**	**1,011**	**1,954**
Net operating lease income	**–**	**336**	**3**	**339**
Net other operating income:				
Credit and other impairment reversals/(charges)	**22**	**(66)**	**17**	**(27)**
Other operating income and charges	**9**	**606**	**6**	**621**
Internal management revenue/(charges)	**1**	**26**	**(27)**	**–**
Net operating income	**2,461**	**6,021**	**1,072**	**9,554**
Total operating expenses	**(1,460)**	**(2,089)**	**(2,338)**	**(5,887)**
Operating profit/(loss) before income tax	**1,001**	**3,932**	**(1,266)**	**3,667**
Income tax expense	**–**	**–**	**(950)**	**(950)**
Net profit/(loss) contribution	**1,001**	**3,932**	**(2,216)**	**2,717**
Reportable segment assets	**111,106**	**171,741**	**66,781**	**349,628**
				CONSOLIDATED 2021
Net interest and trading income	1,746	3,576	82	5,404
Fee and commission income	416	447	463	1,326
Net operating lease income	–	384	11	395
Net other operating income:				
Net credit and other impairment (charges)/reversals	(115)	(240)	22	(333)
Other operating income and charges	27	140	36	203
Internal management revenue/(charges)	1	(3)	2	–
Net operating income	2,075	4,304	616	6,995
Total operating expenses	(1,306)	(1,880)	(1,511)	(4,697)
Operating profit/(loss) before income tax	769	2,424	(895)	2,298
Income tax expense	–	–	(622)	(622)
Net profit/(loss) contribution	769	2,424	(1,517)	1,676
Reportable segment assets	90,227	94,668	31,953	216,848

(1) The Corporate segment in the current and previous year includes certain balances relating to the Cash Equities business – primarily margin money and settlements assets amounting to $518 million (2021: $335 million). Following the transfer of the business from the CGM segment to the Macquarie Capital segment in the Non-Bank Group during the prior year, certain balances have remained on the Consolidated Entity's balance sheet for an interim transition period.

Note 3
Segment reporting continued

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

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

	Banking and Financial Services $m	Commodities and Global Markets $m	Corporate $m	Total $m
Fee and commission income				**CONSOLIDATED 2022**
Service fee from related body corporates entities[1]	**–**	**–**	**1,006**	**1,006**
Brokerage and other trading-related fee income	**45**	**230**	**–**	**275**
Portfolio administration fees	**245**	**2**	**–**	**247**
Lending and structured financing	**121**	**12**	**–**	**133**
Other fee and commission income	**46**	**242**	**5**	**293**
Total fee and commission income	**457**	**486**	**1,011**	**1,954**
Fee and commission income				CONSOLIDATED 2021
Service fee from related body corporates entities[1]	–	–	365	365
Brokerage and other trading-related fee income	47	201	112	360
Portfolio administration fees	212	4	–	216
Lending fees	118	11	–	129
Other fee and commission income/(expense)	39	231	(14)	256
Total fee and commission income	416	447	463	1,326

(1) Represents fee and service income earned by the service entities from the Non-Bank Group. The service entities were acquired from MGL during the previous financial year. For details, refer to Note 39 *Acquisition and disposals of subsidiaries and businesses.*

Note 3
Segment reporting continued

(iii) Products and services

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

- **financial markets:** Broker services and trading in fixed income, equities, foreign exchange and commodities
- **lending and structured financing:** Home loans, corporate loans, structured financing, banking activities, asset financing and leasing
- **corporate support services:** Business support services including staff, technology, occupancy and other ancillary services provided for day-to-day operations to MGL's subsidiaries
- **wealth management:** Distribution and management of wealth management products.

	CONSOLIDATED	
	2022 $m	2021 $m
Revenue from external customers		
Financial markets	**5,671**	4,874
Lending and structured financing	**4,338**	4,008
Corporate support services	**1,006**	365
Wealth management	**324**	304
Total revenue from external customers[1]	**11,339**	9,551

(iv) Geographical areas

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

	CONSOLIDATED 2022		CONSOLIDATED 2021	
	Revenue from external customers $m	Non-current assets[2] $m	Revenue from external customers $m	Non-current assets[2] $m
Australia	**4,901**	**1,122**	4,684	1,092
Americas[3]	**2,900**	**329**	2,448	252
Europe, Middle East and Africa[4]	**2,703**	**2,358**	1,684	1,593
Asia Pacific	**835**	**218**	735	287
Total	**11,339**	**4,027**	9,551	3,224

(v) Major customers

The Consolidated Entity does not rely on any major customers.

(1) Revenue from external customers includes operating income in the nature of fee and commission income, interest and similar income, net trading income, operating lease income, share of net profits/(losses) of associates and joint ventures, and gain on disposal of businesses, subsidiaries, associates and other financial/non-financial assets.
(2) Non-Current assets consist of intangible assets, interests in associates and joint ventures, property, plant and equipment and right-of-use assets and investment properties.
(3) Includes external revenue generated in the United States of $2,804 million (2021: $2,276 million).
(4) Includes external revenue generated in the United Kingdom of $2,442 million (2021: $1,606 million).

Note 4
Income tax expense

	CONSOLIDATED		COMPANY	
	2022 $m	2021 $m	**2022 $m**	2021 $m
(i) Income tax (expense)/benefit				
Current tax expense	**(982)**	(755)	**(329)**	(172)
Deferred tax benefit/(expense)	**32**	133	**(158)**	6
Total income tax (expense)/benefit	**(950)**	(622)	**(487)**	(166)
(ii) Reconciliation of income tax expense to *prima facie* tax expense				
Prima facie income tax expense on operating profit @30% (2021: 30%)	**(1,100)**	(689)	**(1,677)**	(777)
Tax effect of amounts which are non-assessable/(non-deductible) in calculating taxable income:				
Rate differential on offshore income	**156**	68	**(162)**	197
Intra-group dividends	**–**	–	**978**	411
Gain on internal restructures	**–**	–	**415**	–
Impairment reversal on subsidiaries	**–**	–	**6**	18
Other items	**(6)**	(1)	**(47)**	(15)
Total income tax expense	**(950)**	(622)	**(487)**	(166)
(iii) Tax benefit/(expense) relating to OCI				
FVOCI reserve	**12**	(14)	**17**	(13)
Own credit risk	**(5)**	34	**(5)**	34
Cash flow hedges and cost of hedging	**(11)**	(4)	**7**	12
Foreign currency translation reserve	**1**	–	**–**	–
Total tax (expense)/benefit relating to OCI	**(3)**	16	**19**	33
(iv) Deferred tax benefit/(expense) represents movements in deferred tax assets and liabilities				
Property, plant and equipment	**3**	6	**(3)**	(3)
Intangible assets	**15**	17	**7**	14
Financial investments and interests in associates and joint ventures	**6**	(29)	**11**	(14)
Tax losses	**11**	(42)	**10**	(29)
Operating and finance leases	**1**	48	**(109)**	(21)
Loan assets and derivatives	**(5)**	6	**(103)**	1
Other assets and liabilities	**1**	127	**29**	58
Total deferred tax benefit/(expense) represents movement in deferred tax assets and liabilities	**32**	133	**(158)**	6

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

Note 5
Dividends

	CONSOLIDATED 2022 $m	CONSOLIDATED 2021 $m	COMPANY 2022 $m	COMPANY 2021 $m
Dividend paid	–	500	–	500
Total dividends paid (Note 25)	–	500	–	500

Note 6
Trading assets

	CONSOLIDATED 2022 $m	CONSOLIDATED 2021 $m	COMPANY 2022 $m	COMPANY 2021 $m
Listed equity securities	**4,733**	6,657	**4,679**	6,593
Commodity contracts	**3,261**	3,345	**2,971**	3,037
Commodities	**3,119**	6,691	**1,876**	4,980
Debt securities:				
Commonwealth and foreign government securities	**453**	4,385	**453**	4,385
Corporate loans and securities	**152**	133	**151**	132
Other debt securities	**1**	1	**1**	1
Total trading assets	**11,719**	21,212	**10,131**	19,128

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

Note 7
Margin money and settlement assets

	CONSOLIDATED 2022 $m	CONSOLIDATED 2021 $m	COMPANY 2022 $m	COMPANY 2021 $m
Margin money	**13,649**	4,552	**11,922**	4,027
Commodity settlements	**4,294**	1,922	**2,926**	933
Security settlements	**1,467**	1,828	**1,267**	1,457
Total margin money and settlement assets	**19,410**	8,302	**16,115**	6,417

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

Note 8
Derivative assets

	CONSOLIDATED		COMPANY	
	2022 $m	2021 $m	**2022 $m**	2021 $m
Held for trading	**84,171**	19,972	**74,028**	18,755
Designated in hedge relationships	**445**	580	**416**	573
Total derivative assets	**84,616**	20,552	**74,444**	19,328

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

The Consolidated Entity's approach to financial risk management, as set out in Note 33 *Financial risk management*, remained unchanged during the year. This includes entering into margining and collateralisation arrangements and enforceable master netting arrangements (MNA) with counterparties, particularly in respect of derivatives and maintaining the risk within agreed risk limits as described in Note 33.3 *Market Risk*. The MNAs allow for net settlement with counterparties in the event of default or other pre-determined events, such that their potential effects on the Consolidated Entity's financial position in that circumstance is to settle these contracts as one arrangement. Refer Note 36 *Offsetting financial assets and financial liabilities* for net exposure of derivative trades after offsetting positions and collateral margin money received from counterparties.

Note 9
Financial investments

Equity securities:				
Listed	**111**	53	**108**	50
Unlisted	**144**	153	**113**	97
Debt securities:				
Bonds and Negotiable Certificate of Deposits (NCDs)	**6,216**	7,638	**6,216**	7,638
Other	**40**	155	**40**	131
Total financial investments	**6,511**	7,999	**6,477**	7,916

Of the above amounts, $1,587 million (2021: $2,023 million) is expected to be recovered within 12 months of the balance date by the Consolidated Entity and the Company.

Note 10
Held for sale and other assets

	CONSOLIDATED		COMPANY	
	2022 $m	2021 $m	**2022 $m**	2021 $m
Held for sale assets				
Assets held for sale	**3**	74	**–**	–
Other financial assets				
Commodity-related receivables	**2,508**	1,661	**1,647**	1,091
Trade debtors and other receivables[1]	**1,300**	644	**910**	308
Other	**23**	12	**2**	–
Total other financial assets	**3,831**	2,317	**2,559**	1,399
Other non-financial assets				
Interests in associates and joint ventures	**379**	281	**128**	40
Income tax receivables	**180**	277	**78**	165
Intangible assets	**101**	146	**23**	55
Prepayments	**287**	297	**63**	58
Indirect taxes and other receivables	**209**	101	**90**	–
Total other non-financial assets	**1,156**	1,102	**382**	318
Total held for sale and other assets	**4,990**	3,493	**2,941**	1,717

Of the above other financial and non-financial asset amounts, $3,337 million (2021: $2,755 million) is expected to be recovered within 12 months of the balance date by the Consolidated Entity and $1,700 million (2020: $1,388 million) by the Company.

(1) Includes $194 million (2021: $117 million) of fee and commission receivables.

Note 11
Loan assets

	2022 Gross $m	2022 ECL allowance[1] $m	2022 Net $m	2021 Gross $m	2021 ECL allowance[1] $m	2021 Net $m
						CONSOLIDATED
Home loans	**94,922**	**(76)**	**94,846**	71,588	(67)	71,521
Corporate, commercial and other lending	**18,590**	**(290)**	**18,300**	14,596	(366)	14,230
Asset financing	**10,082**	**(224)**	**9,858**	13,584	(343)	13,241
Total loan assets	**123,594**	**(590)**	**123,004**	99,768	(776)	98,992
						COMPANY
Home loans	**94,853**	**(75)**	**94,778**	69,124	(65)	69,059
Corporate, commercial and other lending	**18,214**	**(264)**	**17,950**	10,569	(289)	10,280
Asset financing	**8,591**	**(140)**	**8,451**	4,370	(33)	4,337
Total loan assets	**121,658**	**(479)**	**121,179**	84,063	(387)	83,676

Of the above amounts, $33,026 million (2021: $26,937 million) is expected to be recovered within 12 months of the balance date by the Consolidated Entity and $32,203 million (2021: $21,381 million) by the Company.

Finance lease receivables

Finance lease receivables are included within loan assets. The Consolidated Entity provides finance leases to a broad range of clients to support financing needs in acquiring movable assets such as motor vehicles, small plant and equipment, electronic and IT equipment. The following table represents the maturity profile of the contractual undiscounted cashflows of the Consolidated Entity and the Company:

	2022 Gross investment in finance lease receivables $m	2022 Unearned income $m	2022 Present value of minimum lease payments receivable $m	2021 Gross investment in finance lease receivables $m	2021 Unearned income $m	2021 Present value of minimum lease payments receivable $m
						CONSOLIDATED
Within one year	**1,015**	**(66)**	**949**	1,458	(117)	1,341
Between one to two years	**752**	**(47)**	**705**	1,095	(84)	1,011
Between two to three years	**484**	**(31)**	**453**	725	(55)	670
Between three to four years	**273**	**(18)**	**255**	388	(30)	358
Between four to five years	**146**	**(8)**	**138**	128	(9)	119
Later than five years	**39**	**(1)**	**38**	43	(1)	42
Total	**2,709**	**(171)**	**2,538**	3,837	(296)	3,541
						COMPANY
Within one year	**685**	**(49)**	**636**	140	(10)	130
Between one to two years	**553**	**(38)**	**515**	133	(10)	123
Between two to three years	**402**	**(27)**	**375**	108	(8)	100
Between three to four years	**250**	**(17)**	**233**	75	(5)	70
Between four to five years	**122**	**(8)**	**114**	78	(5)	73
Later than five years	**16**	**(1)**	**15**	7	–	7
Total	**2,028**	**(140)**	**1,888**	541	(38)	503

(1) The ECL allowance carried against loan assets measured at FVOCI is not presented in the table as the allowance is included in reserves. Refer to Note 12 *Expected credit losses*.

Note 12
Expected credit losses

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

Model inputs

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

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

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

The key model inputs used in measuring the ECL include:

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

Significant increase in credit risk (SICR)

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

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

Retail exposures

Exposures are assigned a behavioural score which considers the exposures' lifetime PD on initial recognition. This behavioural score is periodically assessed and updated to reflect changes in the underlying exposures' credit behaviour.

SICR movement thresholds between origination and reporting date of behavioural score movements have been established that, where exceeded, result in the exposure being categorised as stage II.

Wholesale exposures

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

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

For both retail and wholesale portfolios:

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

Definition of default

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

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

Note 12
Expected credit losses continued

Forward-looking information (FLI)

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

The Consolidated Entity applies its professional judgement in determining whether there are any inherent risks in the models' predictive outcomes. The overlays primarily reflect management's assessment of the current economic and credit environment relative to the FLI credit cycle model. These overlays account for the risk that underlying credit risk events have occurred, but observable modelled inputs are yet to reflect those events, as well as risks that are specific to regions, counterparties or industries which are difficult to account for within the modelled outcomes. Over time the credit models are recalibrated to enhance the predictive capability. At the reporting date this overlay was approximately $275 million (2021: $350 million). These judgements are reviewed by FMG and RMG at each reporting date.

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

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

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

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

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

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

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

These scenarios impact the modelled ECL provisioning levels through determination of probabilities of default and level 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 in the event of a default, and the collateral utilised is generally estimated through property price and share price index outlooks.

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

Note 12
Expected credit losses continued

Forward-looking information (FLI) continued

Scenario	Weighting	Expectation
Baseline A 100% weighting to this scenario would result in a total expected credit loss provision on balance sheet at the reporting date of ~$800 million(1)	Probable	**Global:** The baseline scenario assumes 2022 global GDP growth of around 3.3% year-on-year, bringing the world economy to within around 1% of the pre-pandemic trend, albeit with expectations of much variation between countries and some gradual slowing of growth over the year. Interest rates are expected to rise steadily in most advanced economies through 2022 and into 2023 in response to high inflationary pressures. **Australia:** Lockdowns in 2021 temporarily delayed, but did not derail, the economy's recovery. Unemployment is expected to fall below 4%. Faster economic growth recovery would be constrained by projected elevated inflation and expected cash rate increases by the Reserve Bank of Australia (RBA). House prices and equity markets are expected to reverse some of their gains from the past 12-18 months due to expected monetary tightening in the second half of the calendar year. House prices are projected to decline by approximately 10% over 2022 and 2023. **United States:** GDP growth is expected to slow from 5.7% year-on-year in 2021 to 3.5% year-on-year in 2022, still above historical trends. The Federal Reserve (Fed) is projected to increase interest rates by 125 Bps over 2022, leading to slower growth in equity markets and house prices. **Europe:** Eurozone output reached its pre-pandemic level at the end of 2021 and annual GDP growth of 3% year-on-year is projected for 2022. Europe's overall unemployment rate is projected to continue to decline marginally towards long-run levels. Despite the uncertainty introduced by the Russia-Ukraine conflict, the European Central Bank (ECB) is expected to reduce monetary policy stimulus.
Downside A 100% weighting to this scenario would result in a of total expected credit loss provision on balance sheet at the reporting date of ~$900 million(1)	Possible	**Global:** The downside scenario projects growth in global GDP that is approximately 1% lower than the baseline scenario baseline through to 2025. **Australia:** The scenario projects the early 2022 post lockdown economic recovery to lose momentum and show only marginally positive growth through the rest of 2022 and into 2023. Unemployment is projected to increase slightly but remain below 5% throughout the scenario horizon. Reduced inflationary pressures are expected to lead to a pause in rate hikes. Housing and equity prices are projected to remain broadly flat through the period. **United States:** The scenario projects growth falling to around 1-1.5% year-on-year by the end of 2022. Consequently, it would be expected that the Fed delays tightening mid-way through the projected baseline increases. Unemployment is projected to fall below 4% in early 2022, and rebound to 5%. The combination of initial rate hikes and a subsequent slowing of the economy is expected to result in equity market losses in 2022 and limited gains over the following three years. **Europe:** The scenario projects GDP growth to slow to around 1.5% year-on-year in 2022 and fall below 0.5% year-on-year in 2023. This is expected to result in unemployment levels of around 8%. Equity prices are projected to fall by around 7% by end of 2022 and remain close to those levels throughout the forecast period to 2025.

(1) This number provides 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, nor changes to individually assessed stage 3 provisions. Changes in credit ratings or these individually assessed provisions may have a material impact on these ECL provisions.

Note 12
Expected credit losses continued

Forward-looking information (FLI) continued

Scenario	Weighting	Expectation
Severe Downside A 100% weighting to this scenario would result in a of total expected credit loss provision on balance sheet at the reporting date of ~$1,150 million(1)	Unlikely	**Global:** The scenario projects a slowdown followed by a recession throughout 2022 and most of 2023. The recovery is projected to pick up in 2024 and beyond, however this recovery would remain significantly below the baseline scenario expectations. **Australia:** The scenario projects GDP to slow during 2022 and then turn sharply negative during 2023. The unemployment rate is projected to rise to 6.5% in 2023, and house prices are expected to fall by 20% by the end of 2023 despite expansionary monetary policy. **United States:** The scenario projects the current economic recovery slows and growth is expected to turn negative for five straight quarters from 2022 into 2023. The unemployment rate is projected to reach 8.5% in mid-2023, and equity markets to decline by approximately 18% by mid 2023. **Europe:** The scenario projects a recession that spans most of 2022 and 2023 with output expected to end significantly below its pre-pandemic level. The unemployment rate is expected to peak near 9% at end 2023 and equity markets are projected to suffer sizeable losses.
Upside A 100% weighting to this scenario would result in the recognition of 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 2025. **Australia:** The scenario projects continued growth of 2.5–3% annually and the unemployment rate to fall to 3.2% in late 2022 and early 2023. Aggressive tightening is expected from the RBA which; is projected to result in a 10% decline in house prices by the end of 2023. **United States:** The scenario projects GDP to sustain strong growth in 2022 and 2023. The unemployment rate is projected to fall below 3% for a brief period in early 2023. Equity markets are projected to perform well on the back of robust growth. Interest rates are projected to rise by 250 Bps over the span of two years. **Europe:** The scenario projects GDP to surpass 3% year-on-year growth in 2022 and into 2023, though inflation is expected to remain above 4% year-on-year through much of this period. The unemployment rate is projected to fall to 6% and remain around this level through to 2025.

(1) This number provides 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, nor changes to individually assessed stage 3 provisions. Changes in credit ratings or these individually assessed provisions may have a material impact on these ECL provisions.

Note 12
Expected credit losses continued

The table below presents the gross exposure and related ECL allowance for assets measured at amortised cost or FVOCI and off-balance sheet exposures subject to the impairment requirements of AASB 9 *Financial Instruments.*[1]

	GROSS EXPOSURE FOR FINANCIAL ASSETS CARRIED AT[1]				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
								CONSOLIDATED 2022
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[2]	**–**	**–**	**6,630**	**6,630**	**–**	**–**	**17**	**17**
Total	**206,248**	**33,485**	**6,630**	**246,363**	**829**	**1**	**17**	**847**
								CONSOLIDATED 2021
Cash and bank balances	15,966	–	–	15,966	–	–	–	–
Cash collateralised lending and reverse repurchase agreements	9,284	17,362	–	26,646	–	–	–	–
Margin money and settlement assets	8,024	–	–	8,024	54	–	–	54
Financial investments	18	7,624	–	7,642	–	6	–	6
Held for sale and other assets	1,160	–	–	1,160	111	–	–	111
Loan assets	99,575	–	–	99,575	776	–	–	776
Due from related body corporate entities	1,508	–	–	1,508	1	–	–	1
Off balance sheet exposures[2]	–	–	6,338	6,338	–	–	24	24
Total	135,535	24,986	6,338	166,859	942	6	24	972

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

(1) The gross exposure of financial assets measured at amortised cost represents the amortised cost before the ECL allowance and the gross exposure of financial assets measured at FVOCI represents carrying value before fair value adjustments and ECL allowance. Accordingly, these exposure values will not equal the amount presented in the Statements of financial position.
(2) Off balance sheet exposures includes gross exposure for undrawn credit commitments, letters of credit and financial guarantees (not measured at FVTPL). The gross exposure represents the notional values of these contracts.

Note 12
Expected credit losses continued

	GROSS EXPOSURE FOR FINANCIAL ASSETS CARRIED AT(1)				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
								COMPANY 2022
Cash and bank balances	**43,594**	**–**	**–**	**43,594**	**–**	**–**	**–**	**–**
Cash collateralised lending and reverse repurchase agreements	**10,447**	**23,588**	**–**	**34,035**	**–**	**–**	**–**	**–**
Margin money and settlement assets	**16,173**	**–**	**–**	**16,173**	**64**	**–**	**–**	**64**
Financial investments	**4**	**6,262**	**–**	**6,266**	**–**	**–**	**–**	**–**
Held for sale and other assets	**1,825**	**–**	**–**	**1,825**	**113**	**–**	**–**	**113**
Loan assets	**118,268**	**3,304**	**–**	**121,572**	**479**	**48**	**–**	**527**
Due from related body corporate entities	**1,122**	**–**	**–**	**1,122**	**–**	**–**	**–**	**–**
Due from subsidiaries	**11,521**	**140**	**–**	**11,661**	**15**	**–**	**–**	**15**
Off balance sheet exposure(2)	**–**	**–**	**13,882**	**13,882**	**–**	**–**	**17**	**17**
Total	**202,954**	**33,294**	**13,882**	**250,130**	**671**	**48**	**17**	**736**
								COMPANY 2021
Cash and bank balances	14,012	–	–	14,012	–	–	–	–
Cash collateralised lending and reverse repurchase agreements	6,588	16,896	–	23,484	–	–	–	–
Margin money and settlement assets	6,438	–	–	6,438	25	–	–	25
Financial investments	–	7,623	–	7,623	–	1	–	1
Held for sale and other assets	612	–	–	612	77	–	–	77
Loan assets	81,195	2,692	–	83,887	387	46	–	433
Due from related body corporate entities	1,181	–	–	1,181	–	–	–	–
Due from subsidiaries	17,975	–	–	17,975	15	–	–	15
Off balance sheet exposure(2)	–	–	5,831	5,831	–	–	14	14
Total	128,001	27,211	5,831	161,043	504	47	14	565

(1) The gross exposure of financial assets measured at amortised cost represents the amortised cost before the ECL allowance and the gross exposure of financial assets measured at FVOCI represents carrying value before fair value adjustments and ECL allowance. Accordingly, these exposure values will not equal to amount presented in the Statement of financial position.
(2) Off balance sheet exposures includes gross exposure for undrawn credit commitments, letters of credit and financial guarantees (not measured at FVTPL). The gross exposure represents the notional values of these contracts.

Note 12
Expected credit losses continued

The table below provides a reconciliation between 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
							CONSOLIDATED
Balance as at 1 Apr 2020	66	10	77	688	1	10	852
Credit impairment charge/(reversal) (Note 2)	29	(3)	52	196	–	15	289
Amount written off, previously provided for	(33)	–	(7)	(75)	–	–	(115)
Reclassifications, foreign exchange, and other movements	(8)	(1)	(11)	(33)	–	(1)	(54)
Balance as at 31 Mar 2021	54	6	111	776	1	24	972
Credit impairment charge/(reversal) (Note 2)	**28**	**–**	**74**	**(77)**	**–**	**(7)**	**18**
Amount written off, previously provided for	**–**	**–**	**(26)**	**(74)**	**–**	**–**	**(100)**
Reclassifications, foreign exchange, and other movements	**(1)**	**(5)**	**(1)**	**(35)**	**(1)**	**–**	**(43)**
Balance as at 31 Mar 2022	**81**	**1**	**158**	**590**	**–**	**17**	**847**

The decrease of $125 million in ECL allowance for the Consolidated Entity reflects net impact of amounts written off partially offset by the net additional impairment charges for the current financial year.

	Margin money and settlement assets $m	Financial investments $m	Held for sale and other assets $m	Loan assets $m	Due from subsidiaries $m	Off balance sheet exposures $m	Total $m
							COMPANY
Balance as at 1 Apr 2020	28	10	53	407	22	9	529
Credit impairment charge/(reversal) (Note 2)	(1)	(9)	33	110	(7)	6	132
Amount written off, previously provided for	–	–	(3)	(29)	–	–	(32)
Reclassifications, foreign exchange, and other movements	(2)	–	(6)	(55)	–	(1)	(64)
Balance as at 31 Mar 2021	25	1	77	433	15	14	565
Credit impairment charge/(reversal) (Note 2)	**39**	**–**	**44**	**147**	**–**	**2**	**232**
Amount written off, previously provided for	**–**	**–**	**(6)**	**(43)**	**–**	**–**	**(49)**
Reclassifications, foreign exchange, and other movements	**–**	**(1)**	**(2)**	**(10)**	**–**	**1**	**(12)**
Balance as at 31 Mar 2022	**64**	**–**	**113**	**527**	**15**	**17**	**736**

The increase $171 million in ECL allowance for the Company reflects the net impact of impairment charges partially offset by amounts written off.

Note 12
Expected credit losses continued

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

		LIFETIME ECL		
	Stage I 12 month ECL $m	Stage II Not credit impaired $m	Stage III Credit impaired $m	Total $m
				CONSOLIDATED
Balance as at 1 Apr 2020	173	288	227	688
Transfers during the year	30	(25)	(5)	–
Credit impairment charge/(reversal) (Note 2)	123	(57)	130	196
Amount written off, previously provided for	–	–	(75)	(75)
Reclassifications, foreign exchange, and other movements	(11)	(4)	(18)	(33)
Balance as at 31 Mar 2021	315	202	259	776
Transfers during the year	**33**	**(3)**	**(30)**	**–**
Credit impairment charge/(reversal) (Note 2)	**(107)**	**(11)**	**41**	**(77)**
Amount written off, previously provided for	**–**	**–**	**(74)**	**(74)**
Reclassifications, foreign exchange, and other movements	**(27)**	**(1)**	**(7)**	**(35)**
Balance as at 31 Mar 2022	**214**	**187**	**189**	**590**
				COMPANY
Balance as at 1 Apr 2020	114	169	124	407
Transfers during the year	25	(21)	(4)	–
Credit impairment charge/(reversal) (Note 2)	31	(2)	81	110
Amount written off, previously provided for	–	–	(29)	(29)
Reclassifications, foreign exchange, and other movements	(13)	(14)	(28)	(55)
Balance as at 31 Mar 2021	157	132	144	433
Transfers during the year	**40**	**(27)**	**(13)**	**–**
Credit impairment charge/(reversal) (Note 2)	**(1)**	**61**	**87**	**147**
Amount written off, previously provided for	**–**	**–**	**(43)**	**(43)**
Reclassifications, foreign exchange, and other movements	**(3)**	**2**	**(9)**	**(10)**
Balance as at 31 Mar 2022	**193**	**168**	**166**	**527**

Note 13
Property, plant and equipment and right-of-use assets

	2022			2021		
	Cost $m	Accumulated depreciation and impairment $m	Carrying value $m	Cost $m	Accumulated depreciation and impairment $m	Carrying value $m
						CONSOLIDATED
Assets for own use						
Land and buildings	**626**	**(36)**	**590**	491	(31)	460
Furniture, fittings and leasehold improvements	**478**	**(416)**	**62**	511	(417)	94
Equipment and other	**93**	**(61)**	**32**	87	(58)	29
Total assets for own use	**1,197**	**(513)**	**684**	1,089	(506)	583
Assets under operating lease						
Meters	**2,268**	**(904)**	**1,364**	2,184	(813)	1,371
Telecommunications	**1,439**	**(630)**	**809**	733	(602)	131
Other	**535**	**(121)**	**414**	423	(81)	342
Total assets under operating lease	**4,242**	**(1,655)**	**2,587**	3,340	(1,496)	1,844
Right-of-use assets						
Office premises	**538**	**(284)**	**254**	550	(201)	349
Commodity storage	**38**	**(31)**	**7**	34	(21)	13
Other	**14**	**(10)**	**4**	20	(12)	8
Total assets under right-of-use	**590**	**(325)**	**265**	604	(234)	370
Total property, plant and equipment and right-of-use assets	**6,029**	**(2,493)**	**3,536**	5,033	(2,236)	2,797

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

						COMPANY
Assets for own use						
Land and buildings	**386**	**–**	**386**	250	–	250
Furniture, fittings and leasehold improvements	**13**	**(11)**	**2**	22	(10)	12
Equipment and other	**11**	**(7)**	**4**	8	(4)	4
Total assets for own use	**410**	**(18)**	**392**	280	(14)	266
Assets under operating lease						
Meters	**2,015**	**(687)**	**1,328**	–	–	–
Telecommunications	**1,439**	**(630)**	**809**	727	(595)	132
Other	**391**	**(119)**	**272**	385	(111)	274
Total assets under operating lease	**3,845**	**(1,436)**	**2,409**	1,112	(706)	406
Total property, plant and equipment	**4,255**	**(1,454)**	**2,801**	1,392	(720)	672

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

Note 13
Property, plant and equipment and right-of-use assets continued

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

	Land and buildings $m	Furniture, fittings and leasehold improvements $m	Equipment and other $m	Total $m
Assets for own use				CONSOLIDATED
Balance as at 1 Apr 2020	136	13	8	157
Acquisitions and additions	116	99	35	250
Disposals	–	(2)	–	(2)
Depreciation expense (Note 2)	(2)	(14)	(10)	(26)
Reclassification and other adjustments	210	5	(1)	214
Foreign exchange movements	–	(7)	(3)	(10)
Balance as at 31 Mar 2021	460	94	29	583
Acquisitions and additions	**127**	**9**	**23**	**159**
Disposals	**–**	**–**	**–**	**–**
Depreciation expense (Note 2)	**(5)**	**(33)**	**(18)**	**(56)**
Reclassification and other adjustments	**8**	**(8)**	**(2)**	**(2)**
Foreign exchange movements	**–**	**–**	**–**	**–**
Balance as at 31 Mar 2022[1]	**590**	**62**	**32**	**684**

	Meters $m	Telecommunication $m	Other $m	Total $m
Assets under operating lease				CONSOLIDATED
Balance as at 1 Apr 2020	1,544	424	436	2,404
Acquisitions and additions	304	–	228	532
Disposals	–	(93)	(18)	(111)
Depreciation expense (Note 2)	(216)	(182)	(53)	(451)
Impairments	–	(14)	–	(14)
Reclassification and other adjustments	(98)	(3)	(220)	(321)
Foreign exchange movements	(163)	(1)	(31)	(195)
Balance as at 31 Mar 2021	1,371	131	342	1,844
Acquisitions and additions	**270**	**684**	**183**	**1,137**
Disposals	**–**	**(1)**	**(15)**	**(16)**
Depreciation expense (Note 2)	**(191)**	**(35)**	**(91)**	**(317)**
Impairments	**–**	**–**	**–**	**–**
Reclassification and other adjustments[2]	**(40)**	**54**	**(4)**	**10**
Foreign exchange movements	**(46)**	**(24)**	**(1)**	**(71)**
Balance as at 31 Mar 2022	**1,364**	**809**	**414**	**2,587**

(1) Includes $377 million (2021: $250 million) capital work in progress related to building construction for Martin place Metro project.
(2) Includes $54 million (2021: $Nil) fair value hedge adjustment. Refer to Note 32 *Hedge accounting*.

Note 13
Property, plant and equipment and right-of-use assets continued

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

	Land and buildings $m	Furniture, fittings and leasehold improvements $m	Equipment $m	Total $m
Assets for own use				COMPANY
Balance as at 1 Apr 2020	133	7	5	145
Acquisitions and additions	117	7	4	128
Disposals	–	–	(1)	(1)
Depreciation expense (Note 2)	–	(2)	(4)	(6)
Balance as at 31 Mar 2021	250	12	4	266
Acquisitions and additions	**127**	**1**	**3**	**131**
Disposals	**–**	**–**	**–**	**–**
Reclassification and other adjustments	**9**	**(9)**	**–**	**–**
Depreciation expense (Note 2)	**–**	**(2)**	**(3)**	**(5)**
Balance as at 31 Mar 2022[1]	**386**	**2**	**4**	**392**

	Meters $m	Telecommunication $m	Other $m	Total $m
Assets under operating lease				COMPANY
Balance as at 1 Apr 2020	–	413	261	674
Acquisitions and additions	–	–	29	29
Disposals	–	(88)	(1)	(89)
Depreciation expense (Note 2)	–	(176)	(15)	(191)
Impairments	–	(14)	–	(14)
Reclassifications and other adjustments	–	(3)	–	(3)
Balance as at 31 Mar 2021	–	132	274	406
Acquisitions and additions	**1,490**	**683**	**13**	**2,186**
Disposals	**–**	**–**	**(2)**	**(2)**
Reclassifications and other adjustments[2]	**(16)**	**54**	**–**	**38**
Foreign exchange movements	**(85)**	**(25)**	**–**	**(110)**
Depreciation expense (Note 2)	**(61)**	**(35)**	**(13)**	**(109)**
Balance as at 31 Mar 2022	**1,328**	**809**	**272**	**2,409**

(1) Includes $377 million (2021: $250 million) capital work in progress related to building construction for Martin place Metro project.
(2) Includes: $54 million (2021: $Nil) fair value hedge adjustment. Refer to Note 32 *Hedge accounting*.

Note 13
Property, plant and equipment and right-of-use assets continued

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

	Office premises $m	Commodity storage $m	Other $m	Total $m
Right-of-use assets				CONSOLIDATED
Balance as at 1 Apr 2020	20	17	–	37
Acquisitions and additions(1)	399	10	11	420
Disposals	(20)	–	–	(20)
Depreciation expense(2)	(37)	(11)	(3)	(51)
Impairments	(7)	–	–	(7)
Foreign exchange movements and other adjustments	(6)	(3)	–	(9)
Balance as at 31 Mar 2021	349	13	8	370
Acquisitions and additions	**17**	**4**	**3**	**24**
Disposals	**(11)**	**–**	**–**	**(11)**
Depreciation expense(2)	**(94)**	**(10)**	**(7)**	**(111)**
Impairments	**(4)**	**–**	**–**	**(4)**
Foreign exchange movements and other adjustments	**(3)**	**–**	**–**	**(3)**
Balance as at 31 Mar 2022	**254**	**7**	**4**	**265**

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

	CONSOLIDATED		COMPANY	
	2022 $m	2021 $m	**2022 $m**	2021 $m
Assets under operating lease				
Within one year	**199**	176	**111**	113
Between one to two years	**179**	153	**105**	109
Between two to three years	**112**	127	**90**	103
Between three to four years	**24**	75	**23**	89
Between four to five years	**11**	5	**18**	38
Later than five years	**7**	–	**1**	–
Total future minimum lease payments receivable	**532**	536	**348**	452

(1) Includes ROU assets acquired by the Consolidated Entity as part of the acquisition of service entities from MGL during the previous financial year. For details, refer to Note 39 *Acquisitions and disposals of subsidiaries and businesses*.
(2) Includes depreciation expense of $94 million (2021: $37 million) on property leases presented under other operating expenses and $10 million (2021: $11 million) on assets held for trading-related business presented under net trading income and $7 million (2021: $3 million) on technology leases presented under non-salary technology expenses in Note 2 *Operating profit before income tax*.

Note 14
Investment in subsidiaries

	COMPANY	
	2022 $m	2021 $m
Investment at cost with no provisions for impairment	**6,172**	5,802
Investment at cost with provisions for impairment	**424**	1,261
Less: provisions for impairment[1]	**(309)**	(445)
Investment with provisions for impairment[1]	**115**	816
Total investment in subsidiaries	**6,287**	6,618

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

The following are the Company's notable subsidiaries:

Australia

- Macquarie Group Services Australia Pty Limited
- Macquarie International Finance Limited
- Macquarie Offshore Services Pty Limited
- Macquarie Equities Limited
- Macquarie Investment Management Limited

Americas

- Macquarie Energy LLC (United States)
- Macquarie America Holdings Inc. (United States)
- Macquarie Global Services (USA) LLC (United States)
- Macquarie Futures USA LLC (United States)

Asia Pacific

- Macquarie Global Services Private Limited (India)

Europe, Middle East and Africa

- Macquarie Bank Europe Designated Activity Company (Ireland)
- Macquarie Investments 1 Limited (United Kingdom)

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

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

All notable subsidiaries have a 31 March reporting date.

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

Note 15
Deferred tax assets/(liabilities)

The balance comprises temporary differences attributable to:

	CONSOLIDATED		COMPANY	
	2022 $m	2021 $m	**2022 $m**	2021 $m
Other assets and liabilities	**789**	747	**416**	368
Tax losses	**50**	39	**13**	3
Property, plant and equipment	**70**	67	**7**	10
Intangible assets	**130**	115	**93**	86
Financial investments and interests in associates and joint ventures	**14**	11	**20**	9
Loan assets and derivatives	**24**	43	**–**	71
Operating and finance lease assets	**4**	1	**–**	–
Set-off of deferred tax liabilities	**(184)**	(197)	**(147)**	(54)
Net deferred tax assets	**897**	826	**402**	493
Operating and finance lease assets	**(178)**	(176)	**(129)**	(20)
Loan and derivative assets	**(7)**	(17)	**(46)**	(33)
Other assets and liabilities	**(18)**	(29)	**–**	–
Financial investments and interests in associates and joint ventures	**(3)**	(5)	**(1)**	(1)
Property, plant and equipment	**(1)**	(1)	**–**	–
Intangible assets	**(5)**	(5)	**–**	–
Set-off of deferred tax assets	**184**	197	**147**	54
Net deferred tax liabilities	**(28)**	(36)	**(29)**	–

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

Potential tax assets of approximately $96 million (2021: $98 million) attributable to tax losses carried forward by subsidiaries and other timing differences have not been brought to account in the Consolidated Entity as the Directors do not believe that the realisation of the tax assets is probable. Included in this amount are $Nil gross losses (2021: $Nil) that will expire within two years; $1 million (2021: $Nil) that will expire in 2–5 years; $97 million (2021: $4 million) that will expire in 5–10 years and $61 million (2021: $68 million) that will expire in 10–20 years. $401 million (2021: $393 million) of gross losses do not expire and can be carried forward indefinitely.

Note 16
Trading liabilities

	CONSOLIDATED 2022 $m	CONSOLIDATED 2021 $m	COMPANY 2022 $m	COMPANY 2021 $m
Listed equity securities	**5,173**	6,134	**5,178**	6,137
Debt securities	**33**	–	**32**	–
Total trading liabilities	**5,206**	6,134	**5,210**	6,137

Note 17
Margin money and settlement liabilities

	CONSOLIDATED		COMPANY	
	2022 $m	2021 $m	**2022 $m**	2021 $m
Margin money	**16,244**	12,336	**11,651**	10,620
Commodity settlements	**4,370**	1,986	**3,063**	1,163
Security settlements	**963**	1,929	**879**	1,849
Total margin money and settlement liabilities	**21,577**	16,251	**15,593**	13,632

Note 18
Derivative liabilities

Held for trading	**83,584**	16,801	**70,988**	15,333
Designated in hedge relationships	**607**	674	**533**	399
Total derivative liabilities	**84,191**	17,475	**71,521**	15,732

The Consolidated Entity's approach to financial risk management, as set out in Note 33 *Financial risk management*, remained unchanged during the year. This includes entering into margining and collateralisation arrangements and enforceable master netting arrangements (MNA) with counterparties, particularly in respect of derivatives and maintaining the risk within agreed risk limits as described in Note 33.3 *Market Risk*. The MNAs allow for net settlement with counterparties in the event of default or other pre-determined events, such that their potential effects on the Consolidated Entity's financial position in that circumstance is to settle these contracts as one arrangement. Refer Note 36 *Offsetting of financial assets and financial liabilities* for net exposure of derivative trades after offsetting positions and collateral margin money received from counterparties.

Note 19
Deposits

Interest bearing deposits:				
Call	**76,171**	63,951	**76,130**	63,924
Term	**8,534**	9,247	**8,393**	9,136
Non-interest-bearing deposits – repayable on demand	**16,909**	10,942	**16,894**	10,934
Total deposits	**101,614**	84,140	**101,417**	83,994

Note 20
Other liabilities

	CONSOLIDATED		COMPANY	
	2022 $m	2021 $m	**2022 $m**	2021 $m
Other financial liabilities				
Commodity-related payables	**1,208**	604	**801**	492
Creditors	**609**	573	**409**	328
Lease liabilities	**357**	479	**1**	1
Unitholder liabilities	**10**	12	**–**	–
Total other financial liabilities	**2,184**	1,668	**1,211**	821
Other non-financial liabilities				
Accrued charges, employment-related liabilities, and provisions[1]	**2,667**	2,038	**1,334**	945
Income tax payable	**460**	396	**131**	102
Indirect taxes and other payables	**433**	248	**346**	186
Total other non-financial liabilities	**3,560**	2,682	**1,811**	1,233
Total other liabilities	**5,744**	4,350	**3,022**	2,054

Note 21
Issued debt securities

Bonds, negotiable certificate of deposits and commercial paper[2]	**70,522**	42,555	**57,137**	32,562
Structured notes[3]	**1,585**	2,113	**1,585**	2,202
Total issued debt securities[4],[5]	**72,107**	44,668	**58,722**	34,764

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

Reconciliation of issued debt securities by major currency				
(In Australian dollar equivalent)				
United States dollar	**40,422**	22,146	**40,419**	22,232
Australian dollar	**22,144**	17,168	**8,762**	7,175
Euro	**4,689**	3,195	**4,689**	3,197
Pound sterling	**3,317**	580	**3,317**	580
Swiss franc	**1,060**	1,031	**1,060**	1,031
Norwegian krone	**148**	157	**148**	157
Japanese yen	**138**	168	**138**	168
Chinese renminbi	**69**	68	**69**	68
Hong Kong dollar	**48**	48	**48**	49
New Zealand dollars	**72**	–	**72**	–
Korean won	**–**	107	**–**	107
Total issued debt securities	**72,107**	44,668	**58,722**	34,764

(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 year in each of these matters did not have, and is not currently expected to have, a material impact on the Consolidated Entity and the Company.
(2) Includes $13,380 million (2021: $9,994 million) payable to note holders and debt holders for which loan assets are held by consolidated Structured Entities (SEs) and are available as security. Refer Note 37 *Pledge assets and transfer of financial assets.*
(3) Includes debt instruments on which the interest is linked to commodities, equities, currencies, interest rates, other assets or credit risk of a counterparty.
(4) The amount that would be contractually required to be paid at maturity to the holders of issued debt securities which are measured at DFVTPL for the Consolidated Entity and the company is $1,706 million (2021: $2,136 million). This amount is based on the final notional amount rather than the fair value. Refer to Note 34 *Measurement categories of financial instruments* for the carrying value of issued debt securities measured at DFVTPL.
(5) Includes a cumulative fair value gain of $4 million (2021: $10 million loss) due to changes in own credit risk on DFVTPL debt securities recognised in OCI.

Note 22
Capital management strategy

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

The Consolidated Entity's capital management objectives are to:

- continue to support the Consolidated Entity's credit rating
- ensure sufficient capital resources to support the Consolidated Entity's business and operational requirements
- maintain sufficient capital to exceed externally imposed capital requirements
- safeguard the Consolidated Entity's ability to continue as a going concern.

The Consolidated Entity's capital management strategy uses both internal and external measures of capital. Internally, the Consolidated Entity has developed an Economic Capital Adequacy Model that is used to quantify the Company's aggregate level of risk. The economic capital framework complements the management of specific risk types such as equity, credit, market and operational risk by providing an aggregate view of the Company's risk profile. The economic capital model is used to support business decision-making and has three main applications:

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

The Consolidated Entity is subject to minimum capital requirements externally imposed by Australian Prudential Regulation Authority (APRA), following the guidelines developed by the Basel Committee on Banking Supervision. APRA requires the Consolidated Entity to have an Internal Capital Adequacy Assessment Process that is Board approved and which meets a range of minimum requirements. The Consolidated Entity reports to APRA under Basel III capital requirements and is accredited under the Foundation Internal Ratings Based Approach for credit risk, the Advanced Measurement Approach for operational risk, the internal model approach for market risk and the internal model approach for interest rate risk in the banking book. Regulatory capital requirements are measured for the Company and certain subsidiaries which meet the definition of Extended Licensed Entities (Level 1 reporting), and for the Bank Group (Level 2 reporting). Level 2 consists of the Company, its subsidiaries and its immediate parent less certain subsidiaries of the Company which are deconsolidated for APRA reporting purposes. These include home loans and leasing Structured Entities (SEs) and entities conducting insurance, funds management and non-financial operations.

Under Basel III rules, APRA requires Authorised Deposit-taking Institutions (ADIs) to have a minimum ratio of Tier 1 capital to risk-weighted assets of 8.5% including 2.5% of capital conservation buffer plus an ADI specific countercyclical capital buffer, with at least 7.0% in the form of Common Equity Tier 1 capital. In addition, APRA may impose ADI-specific minimum capital ratios which may be higher than these levels.

The Consolidated Entity's Common Equity Tier 1 capital consists of share capital, retained earnings, and certain reserves, net of deductions. Additional Tier 1 capital consists of hybrid instruments. The hybrid instruments on issue during the current and previous years included Macquarie Additional Capital Securities (issued 8 March 2017), Macquarie Bank Capital Notes 2 (issued 2 June 2020), Macquarie Bank Capital Notes 3 (issued 27 August 2021) and Macquarie Income Securities (repaid on 15 April 2020). Information on details of capital instruments is available in the Regulatory Disclosures section of the Macquarie public website. Deductions from Common Equity Tier 1 capital include intangibles, certain capitalised expenses and deferred tax assets. In addition, APRA's Basel III rules require that equity investments and investments in subsidiaries that are insurance entities, fund management entities, SEs and non-financial entities are fully deducted from Common Equity Tier 1 capital. The Consolidated Entity's Tier 2 capital includes term subordinated debt, certain reserves and applicable deductions.

The Consolidated Entity and the Company have complied with all internal and external capital management requirements throughout the financial year.

Note 23
Loan capital

Subordinated debt

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

The Consolidated Entity and the Company has also issued subordinated debt denominated in United States dollars and Australian dollars which are eligible Tier 2 capital under APRA's capital standards (including transitional Basel III rules).

The table below highlights key capital instruments with conditional payment obligations (including Tier 1 loan capital) issued by the Consolidated Entity and the Company:

Contract feature	Macquarie Additional Capital Securities	Macquarie Bank Capital Notes 2	Macquarie Bank Capital Notes 3
Code	MACS	BCN2	BCN3
Issuer	Macquarie Bank Limited	Macquarie Bank Limited	Macquarie Bank Limited
Par value	n/a	$100	$100
Currency	USD	AUD	AUD
Carrying value at reporting date	$USD 750 million/($A998 million)	$641 million	$655 million
Accounting measurement basis	Financial liability at amortised cost	Financial liability at amortised cost	Financial liability at amortised cost
Issue date	8 March 2017	2 June 2020	27 August 2021
Interest rate	6.125% per annum	90-day BBSW plus a fixed margin of 4.70% per annum, adjusted for franking credits	90-day BBSW plus a fixed margin of 2.90% per annum, adjusted for franking credits
Interest payment frequency	Semi-annually in arrears	Quarterly in arrears	Quarterly in arrears
Interest payment	Discretionary, non-cumulative	Discretionary, non-cumulative	Discretionary, non-cumulative
Dividend stopper	MBL only	MBL only	MBL only
Outstanding notes at reporting date	—[1]	6.41 million	6.55 million
Maturity	Perpetual, redeemable subject to APRA's written approval, and at the discretion of MBL in limited circumstances	Perpetual unless redeemed, resold, converted, exchanged or written-off in accordance with the terms of the instrument	Perpetual unless redeemed, resold, converted, exchanged or written-off in accordance with the terms of the instrument
Convertible into ordinary shares	Yes	Yes	Yes
Convertible into issuer shares	MGL	MGL	MGL
Mandatory conversion date	n/a	21 December 2028	8 September 2031
Maximum number of shares on conversion	56,947,286	30,532,190	20,316,704
Optional exchange dates	n/a	• 21 December 2025 • 21 June 2026 • 21 December 2026 or, • earlier in specified circumstances at the discretion of MBL subject to APRA approval	• 7 September 2028 • 7 March 2029 • 7 September 2029 or, • earlier in specified circumstances at the discretion of MBL subject to APRA approval
Other exchange events	• acquisition date (where a party acquires control of MBL or MGL) • where APRA determines MBL would be non-viable without an exchange or a public sector injection of capital (or equivalent support) • where MBL's common equity Tier 1 Capital ratio falls below 5.125%	• acquisition date (where a party acquires control of MBL or MGL) • where APRA determines MBL would be non-viable without an exchange or conversion or write-off, of other Relevant Tier-1 securities is necessary or a public sector injection of capital (or equivalent support) • where MBL's common equity Tier 1 Capital ratio falls below 5.125%	• acquisition date (where a party acquires control of MBL or MGL) • where APRA determines MBL would be non-viable without an exchange or conversion or write-off, of other Relevant Tier-1 securities is necessary or a public sector injection of capital (or equivalent support) • where MBL's common equity Tier 1 Capital ratio falls below 5.125%
Capital Treatment	Additional Tier 1 capital	Additional Tier 1 capital	Additional Tier 1 capital

(1) The MACS are held by a custodian on behalf of the security holders.

Note 23
Loan capital continued

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

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

	CONSOLIDATED		COMPANY	
	2022 $m	2021 $m	**2022 $m**	2021 $m
Subordinated debt with fixed repayment obligations (Tier 2 loan capital), by contractual maturity dates:				
7 April 2021	**–**	1,085	**–**	1,085
10 June 2025	**993**	1,048	**993**	1,048
28 May 2030	**750**	750	**750**	750
3 June 2030	**874**	903	**874**	903
17 June 2031	**750**	–	**750**	–
3 March 2036	**1,231**	1,280	**1,231**	1,280
Instruments with conditional repayment obligations (Tier 1 loan capital):				
MACS	**998**	1,055	**998**	1,055
BCN2	**641**	641	**641**	641
BCN3	**655**	–	**655**	–
Accrued Interest payable as per terms of instruments:				
Less than 12 months	**39**	71	**39**	71
	6,931	6,833	**6,931**	6,833
Less: directly attributable issue costs	**(35)**	(29)	**(35)**	(29)
Total loan capital	**6,896**	6,804	**6,896**	6,804
Reconciliation of loan capital by major currency:				
(In Australian dollar equivalent):				
United States dollar	**4,131**	5,439	**4,131**	5,439
Australian dollar	**2,800**	1,394	**2,800**	1,394
	6,931	6,833	**6,931**	6,833
Less: directly attributable issue costs	**(35)**	(29)	**(35)**	(29)
Total loan capital	**6,896**	6,804	**6,896**	6,804

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

Note 24
Contributed equity

	CONSOLIDATED		COMPANY	
	2022 $m	2021 $m	**2022 $m**	2021 $m
Ordinary share capital	**9,279**	8,279	**9,279**	8,279
Other equity	**283**	244	**137**	121
Total contributed equity	**9,562**	8,523	**9,416**	8,400

	CONSOLIDATED AND COMPANY			
	2022 Number of shares	2021 Number of shares	**2022 $m**	2021 $m
(i) Ordinary share capital[1]				
Opening balance of fully paid ordinary shares	**634,361,966**	634,361,966	**8,279**	8,288
Issue of shares to parent entity:	**40,455,205**	–	**1,000**	–
on 30 September 2021 at $24.10 per share				
on 30 December 2021 at $25.37 per share				
Other	**–**	–	**–**	(9)
Closing balance of fully paid ordinary shares	**674,817,171**	634,361,966	**9,279**	8,279

(ii) Other equity

	CONSOLIDATED		COMPANY	
	2022 $m	2021 $m	**2022 $m**	2021 $m
Equity contribution from ultimate parent entity				
Balance at the beginning of the financial year	**244**	220	**121**	110
Additional paid up capital	**39**	24	**16**	11
Balance at the end of the financial year	**283**	244	**137**	121

MEREP awards are primarily settled in MGL ordinary shares. Where MEREP awards are issued by MGL to employees of the Consolidated Entity, and MGL is not subsequently reimbursed by the Consolidated Entity, the Consolidated Entity recognises the grant date fair value of the award net of tax as a capital contribution from MGL. If the issued awards expire, the reversal of the original contribution is recognised as a return of capital. For further information regarding the terms and conditions of MEREP, refer to Note 29 *Employee equity participation*.

(1) Ordinary shares have no par value.

Note 25
Reserves, retained earnings and non-controlling interests

	CONSOLIDATED		COMPANY	
	2022 $m	2021 $m	**2022 $m**	2021 $m
(i) Reserves				
Foreign currency translation reserve				
Balance at the beginning of the financial year	**397**	1,197	**(21)**	(15)
Foreign exchange movement on translation and hedge accounting of foreign operations, net of tax[1]	**41**	(800)	**(181)**	(6)
Balance at the end of the financial year	**438**	397	**(202)**	(21)
FVOCI reserve				
Balance at the beginning of the financial year	**35**	(33)	**59**	12
Revaluation movement during the financial year, net of tax	**(28)**	71	**(16)**	46
Changes in ECL allowance, net of tax	**(3)**	(3)	**1**	1
Balance at the end of the financial year	**4**	35	**44**	59
Cash flow hedge reserve				
Balance at the beginning of the financial year	**(113)**	(157)	**(40)**	(45)
Net movement recognised in OCI during the financial year, net of tax	**77**	7	**77**	(20)
Transferred to income statement on realisation, net of tax	**44**	37	**(27)**	25
Balance at the end of the financial year	**8**	(113)	**10**	(40)
Other reserves				
Balance at the beginning of the financial year	**(13)**	(16)	**(8)**	(10)
Movement during the year, net of tax	**(5)**	3	**(8)**	2
Balance at the end of the financial year	**(18)**	(13)	**(16)**	(8)
Total reserves at the end of the financial year	**432**	306	**(164)**	(10)
(ii) Retained earnings				
Balance at the beginning of the financial year	**5,245**	4,336	**3,924**	2,080
Change attributable to group restructure[2]	**-**	(189)	**(24)**	-
Profit attributable to the ordinary equity holder of MBL	**2,717**	1,676	**5,103**	2,423
Dividends paid on ordinary share capital (Note 5)	**-**	(500)	**-**	(500)
Gain on change in non-controlling ownership interest	**-**	1	**-**	-
Fair value changes attributable to own credit risk on debt classified at DFVTPL, net of tax	**12**	(79)	**12**	(79)
Balance at the end of the financial year	**7,974**	5,245	**9,015**	3,924

(1) The current year movement represents the revaluation of the Consolidated Entity's unhedged investments in foreign operations primarily driven by the depreciation of the Australian dollar against the foreign currencies. The Company includes $176 million foreign currency translation reserve on certain unhedged foreign operation exposures acquired by the Company as part of common control business combination transaction. For details, refer to Note 27 *Related party information*.

(2) Represents adjustment to retained earnings for the difference between purchase price and book value of the net assets acquired under common control business combination transactions during current and during the previous financial year. Refer to Note 27 *Related party information* and Note 39 *Acquisitions and disposals of subsidiaries and businesses* for current and previous financial year respectively.

Note 26
Notes to the statements of cash flows

(i) Reconciliation of cash and cash equivalents

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

	CONSOLIDATED		COMPANY	
	2022 $m	2021 $m	**2022 $m**	2021 $m
Cash and bank balances[(1),(2)]	**45,604**	13,590	**41,424**	12,387
Cash collateralised lending and reverse repurchase agreements	**25,391**	15,480	**21,888**	15,014
Financial investments	**1,366**	248	**1,366**	248
Cash and cash equivalents at the end of the financial year	**72,361**	29,318	**64,678**	27,649
(ii) Reconciliation of profit after income tax to net cash flows generated from operating activities				
Profit after income tax	**2,717**	1,676	**5,103**	2,423
Adjustments to profit after income tax:				
Depreciation and amortisation	**507**	551	**134**	226
Expected credit losses and other impairment charges	**28**	333	**212**	88
Investment income and gain on sale of operating lease assets and other non-financial assets	**(529)**	(133)	**(1,415)**	(87)
Share of net (profits)/losses of associates and joint ventures	**(39)**	(41)	**–**	–
Changes in assets and liabilities:				
Issued debt securities	**27,369**	2,321	**24,182**	6,425
Trading, trading-related and collateralised lending balances (net of liabilities)[(3)]	**9,810**	(6,999)	**2,516**	(6,172)
Deposits	**17,472**	17,205	**17,415**	17,118
Borrowings and other funding	**13,330**	1,966	**10,823**	(36)
Debtors, prepayments, accrued charges and creditors	**1,060**	413	**500**	163
Tax balances	**555**	410	**430**	121
Carrying value of associates due to dividends received	**10**	2	**–**	–
Interest, fees and commissions receivable and payable	**(54)**	(45)	**(108)**	(79)
Assets under operating lease	**(1,115)**	(407)	**(2,059)**	71
Other assets and liabilities	**(1,866)**	(576)	**(1,200)**	282
Loan assets and balances with related body corporate entities	**(29,716)**	(13,629)	**(24,463)**	(17,475)
Net cash flows generated from operating activities	**39,539**	3,047	**32,070**	3,068
(iii) Reconciliation of loan capital:				
Balance at the beginning of the financial year	**6,804**	4,997	**6,804**	4,997
Cash flows:[(4),(5)]				
Issuance	**1,405**	3,694	**1,405**	3,694
Redemption	**(1,101)**	(740)	**(1,101)**	(740)
Non-cash changes:				
Foreign currency translation and other movements	**(212)**	(1,147)	**(212)**	(1,147)
Balance at the end of the financial year	**6,896**	6,804	**6,896**	6,804

(1) Includes $375 million (2021: $946 million) (for the Company: $144 million, 2021: 505 million) of balances held by consolidated SEs that are restricted from use by the Consolidated Entity, balances required to be maintained with central banks and other regulatory authorities and balances held in countries where remittance of cash outside the country is subject to certain restrictions.
(2) Amounts excluded from cash and cash equivalents but presented in the Statement of financial position as cash and bank balances primarily relates to $3,248 million (2021: $2,294 million) (for the Company: $2,083 million, 2021: $1,548 million) of funds received from clients which are segregated from the Consolidated Entity's own funds and other balances of $120 million (2021: $82 million) for the Company: $87 million, 2021: $77 million) that are not readily available to meet the short-term cash commitments.
(3) Includes unrealised foreign exchange movements relating to derivatives which largely offsets the unrealised foreign exchange movements on financial assets and liabilities.
(4) During the year ended 31 March 2022, the Consolidated Entity and the Company issued BCN3 for $655 million and during the year ended 31 March 2021, issued BCN2 for $641 million. These are perpetual securities which are eligible for conversion into a variable number of Consolidated Entity's ordinary shares on the scheduled mandatory exchange date, provided the exchange conditions are satisfied, unless redeemed, resold or written off earlier. Refer to Note 23 *Loan capital* for details.
(5) During the year ended 31 March 2022, the Consolidated Entity and the Company raised $750 million (2021: $3,053 million) through the issue of tier 2 loan capital redeemed $1,101 million (2021: $740 million) of tier 2 loan capital under fixed repayment obligations.

Note 27
Related party information

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

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

Ultimate and immediate parent entities

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

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

Transaction under common control

During the previous year, the Consolidated Entity acquired Macquarie's service entities from the ultimate parent entity and the Non-Bank Group. These entities provide services to other entities and recover their costs on either a time and effort allocation basis or a fee service basis. For details, refer to Note 39 *Acquisitions and disposals of subsidiaries and businesses.*

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

	CONSOLIDATED		COMPANY	
	2022 $'000	2021 $'000	**2022 $'000**	2021 $'000
Interest income	**503**	434	**495**	398
Interest expense	**(366)**	(720)	**(1)**	(525)
Fee and commission income	**3,753**	2,019	**561**	878
Dividend paid	**–**	500,000	**–**	500,000

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

	CONSOLIDATED		COMPANY	
	2022 $'000	2021 $'000	**2022 $'000**	2021 $'000
On Balance Sheet:				
Due from related body corporate entities[1]	**440,295**	501,455	**247,566**	312,944
Due to related body corporate entities[2]	**(271,279)**	(293,653)	**(202,241)**	(270,841)
Off Balance Sheet:				
Letter of credit	**(18,321)**	(18,416)	**(18,321)**	(18,416)
Guarantees received[3]	**363,580**	676,234	**–**	–

(1) Due from related body corporates primarily represents the amounts receivable by the Consolidated Entity and the Company, in respect of amounts paid in advance for MEREP awards offered to its employees' net of share-based payment expense (refer to Note 41(xxiii) *Performance based remuneration*), loans and receivables as per the terms of the funding arrangements under the MLA and trading-related balances including derivatives designated in hedge accounting relationships.
(2) Due to related body corporates primarily represents the amount payable by the Consolidated Entity and the Company as per the terms of funding arrangements under the MLA, trading-related balances including derivative designated in hedge accounting relationships and payables under other bespoke loans agreements.
(3) Represents Guarantees provided by MGL to counterparties with respect to their exposures to certain subsidiaries.

Note 27
Related party information continued

Subsidiaries

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

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

Transaction under common control

During the current financial year, the Bank Group undertook a reorganisation to meet the requirements of the revised prudential standard APS 222 Associations with Related entities. The reorganisation involved transfer of certain existing assets, legal entities and business activities within the Bank Group.

As a result of the reorganisation, the company acquired net assets of $9,178 million from its subsidiaries primarily in the nature of loan and trading assets and also acquired certain subsidiaries at a fair value of $2,916 million. Further the company also disposed of its equity interest in certain subsidiaries with a carrying value of $1,798 million (net of impairment) for a total consideration of $3,255 million resulting in a gain on disposal of $1,404 million and reversal of impairment of $53 million. The total consideration paid and received by the Company was settled in cash.

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

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

	COMPANY	
	2022 $'000	2021 $'000
Interest income	**257,358**	364,157
Interest expense	**(317,330)**	(266,532)
Fee and commission income	**171,699**	714,819
Rental income	**19,163**	6,388
Investment income		
Dividend (Note 2)	**3,259,408**	1,368,778
Gain on disposal of businesses and subsidiaries	**1,404,384**	3,468
Other (charges)/income	**(24,366)**	2,697
Brokerage, commission and trading-related expenses	**(79,000)**	(273,000)
Other operating expenses[1]	**(1,449,362)**	(545,243)

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

On Balance Sheet:		
Due from subsidiaries[2],[3]	**23,856,615**	21,499,672
Due to subsidiaries[2]	**(38,772,557)**	(16,532,680)
Off Balance Sheet:		
Guarantees provided[3],[4]	**(7,386,785)**	(1,085,573)
Performance related contingencies	**(520)**	(101,154)
Letter of credit	**(17,177)**	(43,658)
Guarantees received from subsidiaries[5]	**2,664,914**	–

(1) Includes costs recovered from the Company by service entities.
(2) Due from and due to subsidiaries primarily represents loans, receivables and payables presented net as per the terms of the funding arrangements under MLA, payables under bespoke funding agreements, reverse repurchase and repurchase agreements and trading-related balances including derivative designated in hedge accounting relationship.
(3) Include $4,143,521 thousand (2021: Nil) of guarantees to a subsidiary, Macquarie Bank Europe Limited (MBEL), related to its exposures from certain external counterparties. These guarantees have a maximum value of $17,015,209 thousand (2021: Nil) with the amount disclosed in the table above being the component of that guarantee value equivalent to the fair value of the underlying risk position at the reporting date. In support of these guarantees, the Company has deposited a cash collateral of $3,363,128 thousand included in the Due from subsidiaries balance above.
(4) Includes guarantees to counterparties with respect to their exposures from certain subsidiaries. These guarantees have a notional value of $12,752,961 thousand (2021: $11,825,913 thousand) with the amount disclosed in the table above being the component of that guarantee value equivalent to the fair value of the underlying risk position at the reporting date. Guarantee exposures reported in table above are also included under Off balance sheet exposures in Note 12 *Expected credit losses* and Note 33.1 *Credit risk*.
(5) The Company's exposures with certain Non-ELE subsidiaries included in amounts due from subsidiaries are guaranteed by a subsidiary, MIFL, for which it has placed cash collateral of $2,664,011 thousand with the Company as per the terms of the guarantee arrangement, which is included in the due to subsidiaries balance above.

Note 27
Related party information continued

Other related body corporate entities

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

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

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

	CONSOLIDATED		COMPANY	
	2022 $'000	2021 $'000	**2022 $'000**	2021 $'000
Interest income	**6,568**	7,447	**6,280**	5,499
Interest expense	**(15,689)**	(47,421)	**(14,057)**	(44,801)
Fee and commission income/(expense)(1)	**919,682**	318,852	**(126,313)**	(131,468)
Rental income	**–**	12,775	**–**	12,775
Other (expense)/income	**(383)**	21	**(1,966)**	887
Brokerage and commission expense	**(28,323)**	(18)	**(16,000)**	(18)
Other operating (expense)/income(2)	**(36,000)**	(691,523)	**(4,067)**	(809,197)

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

	CONSOLIDATED 2022 $'000	CONSOLIDATED 2021 $'000	COMPANY 2022 $'000	COMPANY 2021 $'000
On Balance Sheet:				
Due from other related body corporate entities(3)	**2,984,219**	1,651,613	**2,706,604**	1,332,316
Due to other related body corporate entities(3)	**(11,365,118)**	(15,606,943)	**(10,001,599)**	(15,412,352)
Off Balance Sheet:				
Guarantees provided	**(1,328)**	(5,185)	**(1,328)**	(5,185)
Undrawn Credit facilities and securities underwriting	**(20,000)**	(21,000)	**(20,000)**	(21,000)
Letter of credit	**(138,213)**	(197,811)	**(138,213)**	(197,811)
Performance related contingencies(4)	**(512,469)**	(591,019)	**(512,469)**	(591,019)
Guarantees received(5)	**5,939,276**	3,079,304	**5,805,743**	2,885,704

(1) Includes service fees earned by the service entities from the Non-Bank Group. The previous financial year includes the service fees earned after the date of acquisition of service entities from MGL.
(2) Previous financial year includes the recovery of costs by service entities acquired from MGL till the date of acquisition.
(3) Due from and due to related body corporates primarily represents loans, receivables and payables as per the terms of the funding arrangements under MLA, payables under bespoke funding agreements and trading-related balances including derivative designated in hedge accounting relationship.
(4) Represents performance related contingent liability in favour of MGL on behalf of MFHPL for which the Company has received securities as collateral from a related group entity, Macquarie GT Holdings Pty Limited (MGTH). In previous year, collateral was received from MFHPL.
(5) The Company's exposures with certain Non-ELE subsidiaries included in amounts due from subsidiaries are guaranteed by MFHPL, for which MFHPL has placed cash collateral of $4,952,916 thousand (2021: $3,474,537 thousand) with the Company as per the terms of the guarantee arrangement, which is included in the due to other related body corporate entities balance above. In addition to this, the Company's and Consolidated Entity's exposures with certain Non-ELE Non-Bank group entities included in amounts due from related body corporate entities and off balance sheet exposure are guaranteed by MGTH, for which it has placed non-cash collateral of $852,257 thousand with the Company as per the terms of the guarantee arrangement.

Note 27
Related party information continued

Associates and joint ventures

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

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

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

	CONSOLIDATED		COMPANY	
	2022 $'000	2021 $'000	**2022 $'000**	2021 $'000
Interest income	**12,028**	706	**12,028**	706
Fee and commission income/(expense)	**10,327**	617	**9,391**	(921)
Other income	**1,619**	46,151	**1,619**	46,151
Brokerage, commission and trading-related expenses	**(1)**	–	**(1)**	–

Dividends and distributions of $10,697 thousand (2021: $3,255 thousand) were received from the Consolidated Entity's associates and joint ventures. Under the equity method of accounting, these amounts are not included as income but are recorded as a reduction from the carrying amount of the investment.

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

	CONSOLIDATED		COMPANY	
	2022 $'000	2021 $'000	**2022 $'000**	2021 $'000
On Balance Sheet:				
Amounts receivable	**379,861**	29,039	**375,200**	27,886
Amounts payable	**(11,516)**	(11,373)	**(5,566)**	(11,373)
Off Balance Sheet:				
Guarantee provided	**(37,392)**	–	**(37,392)**	–
Undrawn commitments	**(45,613)**	–	**(45,613)**	–

Note 28
Key management personnel disclosure

Key management personnel (KMP)

The following persons were Directors of the Company during the financial years ended 31 March 2022 and 31 March 2021, unless indicated otherwise:

Executive Voting Directors

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

Non-Executive Directors

P.H. Warne[(1)]	Chairman
J.R. Broadbent AC	
P.M. Coffey	
M.J. Coleman	
M.A. Hinchliffe	(appointed effective 1 March 2022)
R.J. McGrath	(appointed effective 20 January 2021)
M. Roche	(appointed effective 20 January 2021)
G.R Stevens AC[(2)]	
N.M. Wakefield Evans	

Former Non-Executive Director

G.R. Banks AO	(retired effective 30 July 2020)
G.M. Cairns	(retired effective 7 May 2021)
D.J. Grady AO	(retired effective 24 February 2022)
M.J. Hawker AM	(retired effective 30 September 2020)

In addition to the Executive Voting Directors listed above, the following persons also had authority and responsibility for planning, directing and controlling the activities of MBL during the financial years ended 31 March 2022 and 31 March 2021, unless otherwise indicated.

Current Executives[(3)]

G. Bruce	Incoming Head of LGG (appointed to be a member of the Executive Committee effective from 2 March 2022)
A. Cassidy	CRO, Head of RMG (appointed to be a member of the Executive Committee effective from 1 January 2022)
A.H. Harvey	CFO, Head of FMG
N. O'Kane	Head of CGM
N. Sorbara	COO, Head of COG
G.C. Ward	Head of BFS

Former Executives

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

The remuneration arrangements for all of the persons listed above are described on pages 35 to 63 of the Remuneration Report, contained in the Directors' Report.

(1) Mr Warne will retire as a Director and Chairman of the MGL and MBL Boards on 9 May 2022.
(2) Mr Stevens will become Chairman of the MGL and MBL Boards effective 10 May 2022.
(3) Except where indicated otherwise, all of the Executives, as well as the CEO were members of the Executive Committee as at 6 May 2022.

Note 28
Key management personnel disclosure continued

Key management personnel remuneration

The following table details the aggregate remuneration for KMP:

	SHORT-TERM EMPLOYEE BENEFITS				LONG-TERM EMPLOYEE BENEFITS	SHARE-BASED PAYMENTS		
	Salary and fees (including superannuation) $	Performance related remuneration[1] $	Other benefits $	Total short-term employee benefits $	Restricted profit share including earnings on restricted profit share[2] $	Equity awards[3] $	PSUs[4] $	Total remuneration $
Executive remuneration								
2022	**3,944,849**	**24,118,688**	**-**	**28,063,537**	**6,502,880**	**33,188,284**	**9,969,681**	**77,724,382**
2021	3,723,231	19,683,727	–	23,406,958	3,447,232	29,609,864	3,299,411	59,763,465
Non-Executive remuneration								
2022	**1,822,877**	**-**	**9,000**	**1,831,877**	**-**	**-**	**-**	**1,831,877**
2021	909,032	–	2,000	911,032	–	–	–	911,032

Loans to KMP and their related parties

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

Total for key management personnel and their related parties[5]	Opening balance at 1 April $'000	Additions during the year[6] $'000	Interest charged $'000	Repayments during the year[7] $'000	Write-downs $'000	Closing balance at 31 March[8] $'000
2022	**11,729**	**11,196**	**140**	**(5,855)**	**-**	**17,210**
2021	11,469	681	135	(556)	–	11,729

(1) The cash portion of each KMP's profit share allocation for the reporting period when they were a KMP.
(2) The amount of the retained profit share held via the DPS plan including earnings on notional investments from retained profit share in prior financial years.
(3) The current year amortisation for retained profit share calculated as described in 41(xxiii) *Performance based remuneration*.
(4) The current year amortisation for PSUs calculated as described in Note 41(xxiii) *Performance based remuneration*. The current year expense is reduced for previously recognised remuneration expense where performance hurdles have not been met, have been partially met or are not expected to be met.
(5) All loans provided by Macquarie to KMP are made in the ordinary course of business on an arm's length basis and are entered into under normal terms and conditions consistent with other customers and employees. There have been no write-downs or allowances for doubtful debts.
(6) Or loan held as at date of appointment as new KMP.
(7) Or loan held as at date ceased to be a KMP.
(8) Number of persons included in the aggregate as at 31 March 2022: 6 (31 March 2021: 5).

Note 29
Employee equity participation

MEREP

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

Award types under the MEREP

Restricted Share Units (RSUs)

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

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

	NUMBER OF RSU AWARDS	
	2022	2021
RSUs on issue at the beginning of the financial year	**6,241,630**	3,521,083
Granted during the financial year	**1,786,608**	1,263,771
Forfeited during the financial year	**(79,965)**	(67,286)
Vested RSUs withdrawn or sold from the MEREP during the financial year	**(1,700,796)**	(981,056)
Net transfers (to)/from related body corporate entities[1]	**(20,216)**	2,505,118
RSUs on issue at the end of the financial year	**6,227,261**	6,241,630
RSUs vested and not withdrawn from the MEREP at the end of the financial year	**550**	–

The weighted average fair value of the RSU awards granted during the financial year was $152.21 (2021: $124.40).

Deferred Share Units (DSUs)

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

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

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

	NUMBER OF DSU AWARDS	
	2022	2021
DSUs on issue at the beginning of the financial year	**1,122,300**	812,489
Granted during the financial year	**309,897**	276,303
Forfeited during the financial year	**(8,576)**	(4,288)
Exercised during the financial year	**(241,711)**	(121,363)
Net transfers from related body corporate entities[1]	**29,808**	159,159
DSUs on issue at the end of the financial year	**1,211,718**	1,122,300
DSUs exercisable at the end of the financial year	**451,390**	416,301

The weighted average fair value of the DSU awards granted during the financial year was $144.10 (2021: $117.16).

(1) Net transfers from related body corporate entities during the year includes transfers relating to the transfer of employees from Macquarie's service entities to the Consolidated Entity.

Note 29
Employee equity participation continued

Award types under the MEREP continued

Performance Share Units (PSUs)

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

	NUMBER OF PSU AWARDS	
	2022	2021
PSUs on issue at the beginning of the financial year	**654,839**	291,357
Granted during the financial year	**91,253**	39,217
Forfeited during the financial year	**–**	–
Exercised during the financial year	**(108,745)**	(59,857)
Expired during the Year	**(123,029)**	(59,858)
Net transfers from related body corporate entities[(1)]	**–**	443,980
PSUs on issue at the end of the financial year	**514,318**	654,839
PSUs exercisable at the end of the financial year	**14,278**	–

The weighted average fair value of the PSU awards granted during the financial year was $134.04 (2021: $105.09).

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

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

(1) Net transfers from related body corporate entities during the year includes transfers relating to the transfer of employees from Macquarie's service entities to the Consolidated Entity.

Note 29
Employee equity participation continued

Award types under the MEREP continued

Vesting periods are as follows:

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

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

For Retained Profit Share awards representing 2021 retention, the allocation price was the weighted average price of the shares issued for the 2021 issue period, which was 24 May 2021 to 4 June 2021. That price was calculated to be $151.73 (2020 retention: $112.15).

Performance Share Units (PSUs)

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

The hurdles are outlined below.

Performance hurdle 1

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

Performance hurdle 2

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

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

Note 29
Employee equity participation continued

Award types under the MEREP continued

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

Assumptions used to determine fair value of MEREP awards

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

RSUs, DSUs and PSUs relating to the MEREP plan for Executive Committee members have been granted in the current financial year in respect of the 2021 performance. The accounting fair value of each of these grants is estimated using the MGL's share price on the date of grant and for each PSU also incorporates a discounted cash flow method using the following key assumptions:

- interest rate to maturity: 0.5291% per annum
- expected vesting dates of PSUs: 1 July 2025
- dividend yield: 3.73% per annum.

While RSUs DSUs, and PSUs (for Executive Committee members) for FY2022 will be granted during FY2023, the Company begins recognising an expense for these awards (based on an initial estimate) from 1 April 2021 related to these future grants. The expense is estimated using the estimated MEREP retention for FY2022 and applying the amortisation profile to the retained amount.

For PSUs, the estimate also incorporates an interest rate to maturity of 2.91% per annum, expected vesting date of PSUs of 1 July 2026, and a dividend yield of 3.63% per annum. In the following financial year, the Consolidated Entity will adjust the accumulated expense recognised for the final determination of fair value for each RSU, DSU and PSU when granted and will use this validation for recognising the expense over the remaining vesting period.

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

For the financial year ended 31 March 2022, compensation expense relating to the MEREP totalled $322,413 thousand (2021: $204,594 thousand).

Employee Share Plan

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

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

The latest offer under the ESP was made during November 2021. A total of 1,746 (2021: 1,790) staff participated in this offer. On 2 December 2021, the participants were each allocated 4 (2021: 7) fully paid ordinary shares based on the offer amount of $1,000 and the average market share price of $202.00 (2021: $139.70), resulting in a total of 6,984 (2021: 12,530) shares being allocated. The shares were allocated to staff for no cash consideration. The aggregate value of the shares allocated was deducted from staff profit share and commissions.

For the financial year ended 31 March 2022, compensation expense relating to the ESP totalled $1,411 thousand (2021: $1,750 thousand).

Other plans

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

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

Note 30
Contingent liabilities and commitments

	CONSOLIDATED		COMPANY	
	2022 $m	2021 $m	**2022 $m**	2021 $m
Contingent liabilities:				
Letters of credit	**1,464**	1,197	**1,481**	1,206
Performance-related contingencies	**971**	888	**972**	989
Indemnities	**383**	164	**383**	164
Guarantees	**62**	195	**7,449**	1,280
Total contingent liabilities[(1)]	**2,880**	2,444	**10,285**	3,639
Commitments:				
Undrawn credit facilities and securities commitments[(2)]	**5,810**	5,519	**5,647**	5,047
Other asset developments and purchase commitments	**1,086**	1,100	**1,080**	1,081
Total commitments	**6,896**	6,619	**6,727**	6,128
Total contingent liabilities and commitments	**9,776**	9,063	**17,012**	9,767

The Consolidated Entity and the Company operate in a number of regulated markets and are 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 and the Company 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 31
Structured entities

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

The Consolidated Entity engages with SEs for securitisation, asset backed financing and structured financing in order to diversify its sources of funding for asset origination and capital efficiency purposes. The Consolidated Entity's involvement with SEs is primarily of the following nature:

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

Note 31
Structured entities continued

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

	CONSOLIDATED 2022				CONSOLIDATED 2021			
	Securitisations $m	**Asset-backed financing $m**	**Structured Financing and others arrangements $m**	**Total $m**	Securitisations $m	Asset-backed financing $m	Structured Financing and others arrangements $m	Total $m
Carrying value of assets								
Loan assets	**1,832**	**1,788**	**3,617**	**7,237**	689	2034	1,136	3,859
Financial investments	**1,496**	**4**	**–**	**1,500**	2,088	18	–	2,106
Margin money and settlement assets	**593**	**–**	**–**	**593**	9	–	–	9
Derivative assets	**299**	**–**	**–**	**299**	414	–	–	414
Trading assets	**64**	**–**	**–**	**64**	113	–	–	113
Total carrying value of assets[1]	**4,284**	**1,792**	**3,617**	**9,693**	3,313	2,052	1,136	6,501
Maximum exposure to loss[2]								
Carrying value of assets	**4,284**	**1,792**	**3,617**	**9,693**	3,313	2,052	1,136	6,501
Undrawn commitments	**30**	**50**	**154**	**234**	180	–	144	324
Total maximum exposure to loss	**4,314**	**1,842**	**3,771**	**9,927**	3,493	2,052	1,280	6,825

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

The Assets under Management (AUM) of $1.7 billion (2021: $1.5 billion) represents the indicative size of these funds.

In respect of the Consolidated Entity's loan assets' exposure in securitisation, asset backed financing entities and structured financing, the total size of the unconsolidated SEs is $54,951 million (2021: $34,241 million). Size represents either the total assets of the SE (measured either at amortised cost excluding impairments or fair values if readily available); outstanding notional of issued notes or the principal amount of liabilities if there is nominal equity. Size is based on the latest available information with the Consolidated Entity.

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

(1) Includes non-investment grade interests of $721 million (2021: $80 million) in securitisation activities, $1,232 million (2021: $1,195 million) in asset-backed financing activities and $450 million (2021: $50 million) in Structured Financing and other arrangements.
(2) Maximum exposure to loss is the carrying value of debt, equity and derivatives held and the undrawn amount for commitments.

Note 32
Hedge accounting

Hedging strategy

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

Hedging instruments

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

Hedging ineffectiveness

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

IBOR reform

During the period, the Consolidated Entity completed the transition of all remaining hedging relationships subject to mandatory IBOR reform, and certain non-mandatory transition of hedge accounting relationships to alternate reference rates (ARRs) as described in Note 1 *Basis of preparation* and Note 33 *Financial risk management*. The Consolidated Entity has made use of the relief provided by AASB 2020-8 *Amendments to Australian Accounting Standards – Interest Rate Benchmark Reform* (Phase 2 relief) to amend the formal designation of these hedging relationships.

As all hedge relationships subject to mandatory IBOR reform have been transitioned, no uncertainty remains, and the Consolidated Entity is no longer utilising the relief provided under AASB 2019-3 *Amendments to Australian Accounting Standards – Interest Rate Benchmark Reform* (Phase 1 relief). Accordingly, the disclosure required under Phase 1 is no longer required.

Note 32
Hedge accounting continued

Cash flow hedges

The cash flow hedge reserve, representing the effective portion of the movements in the hedging instrument, is disclosed in Note 25(i) *Reserves*. Changes in this reserve are reported in the Consolidated Entity's Statements of comprehensive income. The cumulative gains and losses remaining in the cash flow hedge reserve for hedging relationships that have ceased, but for which the hedged cash flows are still expected to occur are $1 million loss (2021: $3 million loss) for the Consolidated Entity and $1 million loss (2021: $2 million loss) for the Company. These amounts will be reclassified to the income statement as and when the hedged item affects the income statement.

Hedging instruments

		MATURITY ANALYSIS PER NOTIONAL				
Instrument type	Risk category	Less than 3 months $m	3 to 12 months $m	1 to 5 years $m	Over 5 years $m	Total $m
Derivative assets						CONSOLIDATED 2022
Cross currency swaps	Foreign exchange	**(14)**	**308**	**1,043**	**574**	**1,911**
Interest rate swaps	Interest rate	**296**	**345**	**898**	**218**	**1,757**
Derivative liabilities						
Cross currency swaps	Foreign exchange	**–**	**–**	**152**	**444**	**596**
Interest rate swaps	Interest rate	**609**	**(30)**	**515**	**445**	**1,539**
Derivative assets						CONSOLIDATED 2021
Cross currency swaps	Foreign exchange	(20)	(48)	477	1,079	1,488
Interest rate swaps	Interest rate	–	–	1,043	–	1,043
Derivative liabilities						
Cross currency swaps	Foreign exchange	–	1,038	884	–	1,922
Interest rate swaps	Interest rate	(44)	522	1,222	756	2,456

		CONSOLIDATED CARRYING AMOUNT			
		2022		2021	
Instrument type	Risk category	Asset $m	Liability $m	Asset $m	Liability $m
Cross currency swaps	Foreign exchange	**190**	**28**	105	82
Interest rate swaps	Interest rate	**21**	**30**	1	101

Notes to the financial statements

For the financial year ended 31 March 2022 continued

Note 32
Hedge accounting continued

		MATURITY ANALYSIS PER NOTIONAL				
Instrument type	Risk category	Less than 3 months $m	3 to 12 months $m	1 to 5 years $m	Over 5 years $m	Total $m
Derivative assets						**COMPANY 2022**
Cross currency swaps	Foreign exchange	**(14)**	**308**	**1,043**	**574**	**1,911**
Interest rate swaps	Interest rate	**296**	**345**	**898**	**218**	**1,757**
Derivative liabilities						
Cross currency swaps	Foreign exchange	**–**	**–**	**152**	**444**	**596**
Interest rate swaps	Interest rate	**609**	**(30)**	**463**	**445**	**1,487**
Derivative assets						COMPANY 2021
Cross currency swaps	Foreign exchange	(20)	(48)	477	1,079	1,488
Interest rate swaps	Interest rate	(22)	(54)	1,216	557	1,697
Derivative liabilities						
Cross currency swaps	Foreign exchange	–	1,038	884	–	1,922
Interest rate swaps	Interest rate	(44)	397	1,166	756	2,275

		COMPANY CARRYING AMOUNT			
		2022		2021	
Instrument type	Risk category	**Asset $m**	**Liability $m**	Asset $m	Liability $m
Cross currency swaps	Foreign exchange	**190**	**28**	105	82
Interest rate swaps	Interest rate	**21**	**27**	84	89

Note 32
Hedge accounting continued

Hedge ineffectiveness

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

		CONSOLIDATED					
		GAIN/(LOSS) ON HEDGING INSTRUMENT		(LOSS)/GAIN ON HEDGED ITEM		HEDGE INEFFECTIVENESS GAIN/(LOSS)	
Hedging instruments	Risk category	**2022 $m**	2021 $m	**2022 $m**	2021 $m	**2022 $m**	2021 $m
Cross currency swaps	Foreign exchange	**16**	(27)	**(16)**	28	**-**	1
Interest rate swaps	Interest rate	**116**	72	**(114)**	(72)	**2**	-
Total		**132**	45	**(130)**	(44)	**2**	1

		COMPANY					
		GAIN/(LOSS) ON HEDGING INSTRUMENT		(LOSS)/GAIN ON HEDGED ITEM		HEDGE INEFFECTIVENESS (LOSS)/GAIN	
Hedging instruments	Risk category	**2022 $m**	2021 $m	**2022 $m**	2021 $m	**2022 $m**	2021 $m
Cross currency swaps	Foreign exchange	**16**	(29)	**(16)**	28	**-**	(1)
Interest rate swaps	Interest rate	**95**	17	**(95)**	(19)	**-**	(2)
Total		**111**	(12)	**(111)**	9	**-**	(3)

Hedge accounting executed rates

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

		CONSOLIDATED		COMPANY	
Hedging instruments	Currency pair	**2022 $m**	2021 $m	**2022 $m**	2021 $m
Cross currency swaps	AUD/EUR	**0.68**	0.62–0.68	**0.68**	0.62–0.68
	USD/GBP	**0.66**	0.66	**0.66**	0.66
	AUD/CHF	**0.72**	0.72	**0.72**	0.72
	USD/CHF	**0.93**	0.93	**0.93**	0.93
	GBP/CHF	**1.46**	1.46	**1.46**	1.46
Interest rate swaps	AUD	**0.06% - 5.58%**	0.06–4.96%	**0.06% - 5.58%**	0.06–0.40%
	GBP	**0.97% - 2.13%**	1.54–2.13%	**0.97% - 2.13%**	1.54–2.17%

Note 32
Hedge accounting continued

Net investment in foreign operation hedges

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

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

		CONSOLIDATED CARRYING AMOUNT			
		ASSET		LIABILITY	
Hedging instrument	Risk category	2022 $m	2021 $m	2022 $m	2021 $m
Foreign exchange contracts	Foreign exchange	80	29	38	148
Foreign currency denominated borrowings(1)	Foreign exchange	–	–	8,616	6,528

		CONSOLIDATED NOTIONAL AMOUNT			
		ASSET		LIABILITY	
Hedging instrument	Risk category	2022 $m	2021 $m	2022 $m	2021 $m
Foreign exchange contracts(2)	Foreign exchange	1,779	1,102	1,333	2,879
Foreign currency denominated borrowings	Foreign exchange	–	–	9,188	7,054

		COMPANY CARRYING AMOUNT			
		ASSET		LIABILITY	
Hedging instrument	Risk category	2022 $m	2021 $m	2022 $m	2021 $m
Foreign exchange contracts	Foreign exchange	54	19	13	95
Foreign currency denominated borrowings(1)	Foreign exchange	–	–	2,642	3,242

		COMPANY NOTIONAL AMOUNT			
		ASSET		LIABILITY	
Hedging instrument	Risk category	2022 $m	2021 $m	2022 $m	2021 $m
Foreign exchange contracts(2)	Foreign exchange	1,058	726	769	2,057
Foreign currency denominated borrowings	Foreign exchange	–	–	3,291	3,907

In order to hedge the currency exposure of certain net investment in foreign operations, the Consolidated Entity jointly designates both forward exchange derivative contracts (from the currency of the underlying foreign operation to USD) and foreign denominated debt issued (from USD to AUD). As a result, the notional value of hedging instruments presented by the Consolidated Entity of $12,300 million (2021: $11,035 million) and Company of $5,118 million (2021: $6,690 million) represents the notional of both the derivative hedging instrument and the debt issued and hence exceeds the $9,205 million (2021: $7,264 million) and $3,284 million (2021: $3,980 million) notional of the underlying hedged component of the Consolidated Entity's and Company's respective net investment in foreign operations.

Hedge ineffectiveness is the extent to which the absolute change in either the fair value of the derivative or the carrying amount of foreign currency denominated borrowings attributable to the change in exchange rates exceeds that of the hedged item. There was no ineffectiveness recognised in the income statement by the Consolidated Entity or the Company in the current year (2021: $Nil).

(1) The carrying amount of Foreign currency denominated borrowings includes amounts of $369 million and $Nil (2021: $310 million and $169 million) for the Consolidated Entity and the Company which are disclosed in the respective Statements of financial position as 'Due to other related body corporate entities'.
(2) Where the fair value of the derivative is positive/(negative), the notional of the derivative has been similarly included in the table as an asset/(liability).

Note 32
Hedge accounting continued

Fair value hedges

The fair value attributable to the hedged risk is recognised as a fair value adjustment to the hedged item on the balance sheet. In an effective fair value hedge relationship, movements in this fair value adjustment are largely offset by movements in the fair value of the hedging instrument. Any residual is recognised as ineffectiveness in net trading income in the income statement. Executed rates for fair value hedges of interest rate risk and commodity price risk have not been shown as these would represent the market reference rates at the time of designation.

Hedging instruments

		MATURITY ANALYSIS PER NOTIONAL AMOUNT				
Instrument type	Risk category	Less than 3 months $m	3 to 12 months $m	1 to 5 years $m	Over 5 years $m	Total $m
Derivative assets						**CONSOLIDATED 2022**
Cross currency swaps	Interest rate	**–**	**326**	**–**	**–**	**326**
Interest rate swaps	Interest rate	**226**	**2,953**	**5,055**	**153**	**8,387**
Foreign exchange forwards and swaps	Foreign exchange	**–**	**–**	**856**	**–**	**856**
Derivative liabilities						
Cross currency swaps	Interest rate	**–**	**–**	**586**	**74**	**660**
Interest rate swaps	Interest rate	**1,389**	**3,237**	**7,092**	**2,757**	**14,475**
Commodity forwards and futures	Commodity price	**–**	**–**	**856**	**–**	**856**
Derivative assets						CONSOLIDATED 2021
Cross currency swaps	Interest rate	–	–	884	435	1,319
Interest rate swaps	Interest rate	1,085	783	8,385	987	11,240
Commodity forwards and futures	Commodity price	1	2	–	–	3
Derivative liabilities						
Interest rate swaps	Interest rate	938	3,622	5,395	2,512	12,467

		CONSOLIDATED CARRYING AMOUNT			
		2022		2021	
Instrument type	Risk category	**Asset $m**	**Liability $m**	Asset $m	Liability $m
Cross currency swaps	Interest rate	**4**	**7**	56	–
Interest rate swaps	Interest rate	**146**	**421**	388	343
Commodity forwards and futures	Commodity price	**–**	**83**	–	–
Foreign exchange forwards and swaps	Foreign exchange	**4**	**–**	–	–

Note 32
Hedge accounting continued

Instrument type	Risk category	Less than 3 months $m	3 to 12 months $m	1 to 5 years $m	Over 5 years $m	Total $m
		MATURITY ANALYSIS PER NOTIONAL				
Derivative assets						**COMPANY 2022**
Cross currency swaps	Interest rate	**–**	**326**	**–**	**–**	**326**
Interest rate swaps	Interest rate	**147**	**2,908**	**4,234**	**153**	**7,442**
Foreign exchange forwards and swaps	Foreign exchange	**–**	**–**	**856**	**–**	**856**
Derivative liabilities						
Cross currency swaps	Interest rate	**–**	**–**	**586**	**74**	**660**
Interest rate swaps	Interest rate	**–**	**1,335**	**6,762**	**2,757**	**10,854**
Commodity forwards and futures	Commodity price	**–**	**–**	**856**	**–**	**856**
Derivative assets						COMPANY 2021
Cross currency swaps	Interest rate	–	–	884	435	1,319
Interest rate swaps	Interest rate	1,085	783	7,464	1,017	10,349
Derivative liabilities						
Interest rate swaps	Interest rate	125	230	974	2,512	3,841

The Company designates certain equity investments in foreign currency denominated subsidiaries as hedged items in fair value hedges of foreign exchange risk. The notional of these hedges amounts to $2,207 million (2021: $1,002 million). These balances change periodically, which result in periodic rebalancing of the hedge designations.

		COMPANY CARRYING AMOUNT			
		2022		2021	
Instrument type	Risk category	**Asset $m**	**Liability $m**	Asset $m	Liability $m
Cross currency swaps	Interest rate	**4**	**7**	56	–
Interest rate swaps(1)	Interest rate	**143**	**375**	392	144
Commodity forwards and futures	Commodity price	**–**	**83**	–	–
Foreign exchange forwards and swaps	Foreign exchange	**4**	**–**	–	–
Foreign currency denominated borrowings	Foreign exchange	**–**	**2,207**	–	610

Hedged item

As the hedged item is adjusted only for the hedged risk, the hedged item's carrying value disclosed in the table will not be equivalent to its fair value as disclosed in other notes to these financial statements. The accumulated amount of the fair value hedge adjustments remaining in the Statements of financial positions for hedged items that have ceased to be adjusted for hedging gains and losses is $7 million gain (2021: $8 million gain) for the Consolidated Entity and $55 million gain for the Company (2021: $16 million gain) and have been included in the fair value hedge adjustment in the table that follows. These amounts will be amortised to the income statement on an effective interest rate basis.

(1) The carrying amounts of hedging instrument derivative assets and liabilities include amounts of $Nil and $Nil (2021: $83 million and $11 million) which are disclosed in the Company's Statement of financial position as 'Due from other related body corporate entities' and 'Due to other related body corporate entities' respectively.

Note 32
Hedge accounting continued

	CONSOLIDATED 2022		CONSOLIDATED 2021	
	Carrying amount[1] $m	**Fair value hedge adjustment $m**	Carrying amount[1] $m	Fair value hedge adjustment $m
Assets				
Financial investments[2]	**310**	**–**	313	–
Loan assets[2]	**8,962**	**(103)**	10,166	90
Property, plant and equipment	**712**	**54**	–	–
Liabilities				
Issued debt securities	**9,799**	**142**	8,748	(246)
Loan capital	**4,097**	**243**	5,372	(10)

	COMPANY 2022		COMPANY 2021	
	Carrying amount[1] $m	**Fair value hedge adjustment $m**	Carrying amount[1] $m	Fair value hedge adjustment $m
Assets				
Financial investments[2]	**310**	**–**	313	–
Loan assets	**4,470**	**(90)**	1,229	–
Property, plant and equipment	**712**	**54**		
Investments in subsidiaries	**2,207**	**(118)**	961	(34)
Liabilities				
Issued debt securities	**9,899**	**146**	8,855	(246)
Loan capital	**4,097**	**243**	5,372	(10)

Hedge ineffectiveness

In the case of a fair value hedge, hedge ineffectiveness is the extent to which the changes in the fair value of the hedging instrument differ to that of the hedged item.

		CONSOLIDATED					
		(LOSS)/GAIN ON HEDGING INSTRUMENT		**GAIN/(LOSS) ON HEDGED ITEM**		**HEDGE INEFFECTIVENESS GAIN/(LOSS)**	
Hedging instrument	Risk category	**2022 $m**	2021 $m	**2022 $m**	2021 $m	**2022 $m**	2021 $m
Cross currency swaps	Interest rate	**(20)**	(49)	**20**	48	**–**	(1)
Interest rate swaps and options	Interest rate	**(337)**	(323)	**396**	381	**59**	58
Commodity forwards and futures	Commodity price	**(48)**	(7)	**48**	(2)	**–**	(9)
Foreign exchange forwards and swaps	Foreign exchange	**(5)**	–	**5**	–	**–**	–
Total		**(410)**	(379)	**469**	427	**59**	48

		COMPANY					
		(LOSS)/GAIN ON HEDGING INSTRUMENT		**GAIN/(LOSS) ON HEDGED ITEM**		**HEDGE INEFFECTIVENESS GAIN/(LOSS)**	
Hedging instrument	Risk category	**2022 $m**	2021 $m	**2022 $m**	2021 $m	**2022 $m**	2021 $m
Cross currency swaps	Interest rate	**(20)**	(46)	**20**	46	**–**	–
Interest rate swaps	Interest rate	**(469)**	(458)	**472**	467	**3**	9
Commodity forwards and futures	Commodity price	**(48)**	–	**48**	–	**–**	–
Foreign exchange forwards and swaps	Foreign exchange	**(5)**	–	**5**	–	**–**	–
Foreign currency denominated borrowings	Foreign exchange	**85**	66	**(85)**	(66)	**–**	–
Total		**(457)**	(438)	**460**	447	**3**	9

(1) The carrying amounts in the table exclude accrued interest and includes fair value hedge adjustments.
(2) The carrying amount includes debt instruments classified at FVOCI. Where this applies the fair value hedge adjustment for interest rate risk is recognised in the income statement together with changes in the fair value of the hedging instrument.

Note 33
Financial risk management

Risk Management and Risk Management Group (RMG)

Risk is an integral part of the Consolidated Entity's businesses. The material risks faced by the Consolidated Entity include aggregate, asset, conduct, credit, environmental and social (including climate change), equity, financial crime, legal, liquidity, market, operational (including cyber and information security), regulatory and compliance, reputational, strategic, tax, and work health and safety risks.

The primary responsibility for risk management lies with the business. An important part of the role of all staff throughout the Consolidated Entity is to ensure they manage risks appropriately.

RMG is independent of other areas of the Consolidated Entity. RMG approval is required for all material risk acceptance decisions. RMG reviews and assesses risks and sets limits. Where appropriate, these limits are approved by the Executive Committee and the Board. The Head of RMG, as the Consolidated Entity's CRO, is a member of the Executive Committee of MGL and MBL and reports directly to the CEO with a secondary reporting line to the Board Risk Committee. Further details on the Risk Management Framework in the Consolidated Entity can be found in the Risk Management Report of this Annual Report.

Note 33.1 Credit risk

Credit risk is the risk that a counterparty will fail to complete its contractual obligations when they fall due. The consequential loss is the amount of the financial obligation not paid back, or the loss incurred in replicating a trading contract with a new counterparty.

Credit risk assessment and approval

Exercise of credit authority within the Consolidated Entity is undertaken under authority delegated by the MGL and MBL Boards directly. Credit risk assessments include comprehensive review of the creditworthiness of the counterparty and related entities, key risk and mitigants, and that the downside risk is properly understood and acceptable.

After this analysis is undertaken, limits are set for an acceptable level of potential exposure. All wholesale limits and ratings are reviewed at least once a year or more frequently if required. Retail credit exposures are monitored by the business units and overseen by RMG Credit on a portfolio basis.

All credit exposures are monitored regularly against limits. For limit monitoring, credit exposures for loan assets are reported at amortised cost. Derivative exposures are measured using high confidence potential future underlying asset prices.

To mitigate credit risk, where appropriate, the Consolidated Entity makes use of margining and other forms of collateral or credit enhancement techniques (including guarantees, letters of credit and the purchase of credit default swaps).

Ratings and reviews

Refer to Note 12 *Expected credit losses* for details regarding the manner in which the Consolidated Entity has adopted and applied AASB 9's expected credit loss impairment requirements.

For the purpose of presenting the credit risk associated with assets on the Consolidated Entity's Statements of financial position in accordance with the requirements of AASB 9, the following methodology has been adopted:

Wholesale rating

Macquarie wholesale ratings broadly correspond to Standard & Poor's credit ratings as follows:

Credit Profile	Internal Rating	Standard & Poor's Equivalent
Investment grade	MQ1 to MQ8	AAA to BBB–
Non-investment grade	MQ9 to MQ16	BB+ to C
Default	MQ99	Default

Retail rating

Retail pools are mapped to the credit quality grades based on their PDs.

Mapping retail portfolios to the credit grades has been done for comparability of the overall portfolio presentation and does not reflect the way that the retail portfolio is segmented for management purposes. Management reviews a range of information, including past due status for the portfolio, to assess the credit quality of these assets.

Due from subsidiaries/due from related body corporate entities

Balances with subsidiaries and related body corporate entities are mapped to the rating grades assigned internally to these counterparties for the pricing of internal funding arrangements on an arm's length basis.

Portfolio and country risk

A review of the credit portfolio analysing credit concentrations by counterparty, geography, risk type, industry and credit quality is carried out quarterly and reported to the Board semi-annually. Policies are in place to regulate large exposures to single counterparties or groups of counterparties.

The Consolidated Entity has a country risk management framework which covers the assessment of country risk and the approval of country risk limits. Where appropriate the country risk is mitigated by political risk insurance.

Note 33
Financial risk management continued

Note 33.1 Credit risk continued

Credit quality of financial assets

The table below discloses[1], by credit rating grade and ECL impairment stage, the gross carrying amount[2] of assets measured at amortised cost or FVOCI and off balance sheet exposures of the Consolidated Entity subject to the impairment requirements of AASB 9 *Financial Instruments.* The credit quality is based on the counterparty's credit rating using the Consolidated Entity's credit rating system and excludes the benefit of collateral and credit enhancements.

	Stage I[3] $m	Stage II[3] $m	Stage III[3] $m	Total $m
Investment grade				CONSOLIDATED 2022
Cash and bank balances	48,912	–	–	48,912
Cash collateralised lending and reverse repurchase agreements	34,845	–	–	34,845
Margin money and settlement assets	16,543	–	–	16,543
Financial investments	6,076	–	–	6,076
Held for sale and other assets	1,244	–	–	1,244
Loan assets	61,941	1,855	–	63,796
Due from related body corporate entities	1,399	–	–	1,399
Off balance sheet exposures	2,682	1	–	2,683
Total investment grade	173,642	1,856	–	175,498
Non-investment grade				
Cash and bank balances	60	–	–	60
Cash collateralised lending and reverse repurchase agreements	3,533	–	–	3,533
Margin money and settlement assets	2,381	5	–	2,386
Financial investments	190	–	–	190
Held for sale and other assets	911	9	–	920
Loan assets	47,374	11,260	–	58,634
Off balance sheet exposures	3,920	20	–	3,940
Total non-investment grade	58,369	11,294	–	69,663
Default				
Margin money and settlement assets	–	–	38	38
Held for sale and other assets	–	–	152	152
Loan assets	–	–	1,005	1,005
Off balance sheet exposures	–	–	7	7
Total default	–	–	1,202	1,202
Total gross credit risk	232,011	13,150	1,202	246,363
Total gross credit risk by ECL stage				
Cash and bank balances	48,972	–	–	48,972
Cash collateralised lending and reverse repurchase agreements	38,378	–	–	38,378
Margin money and settlement assets	18,924	5	38	18,967
Financial investments	6,266	–	–	6,266
Held for sale and other assets	2,155	9	152	2,316
Loan assets	109,315	13,115	1,005	123,435
Due from related body corporate entities	1,399	–	–	1,399
Off balance sheet exposures	6,602	21	7	6,630
Total gross credit risk by ECL stage	232,011	13,150	1,202	246,363

(1) For prior period comparatives of credit quality of financial assets, refer pages 136 to 138.
(2) The gross exposure of financial assets measured at amortised cost represents the amortised cost before the ECL allowance and the gross expos exposure values will not equal the amount presented in the Statements of financial position.
(3) For definitions of stage I, II and III, refer to Note 12 *Expected credit losses*. Whilst exposures may have migrated to stage II it should not be inferred that such exposures are of a lower credit quality.

Notes to the financial statements

For the financial year ended 31 March 2022 continued

Note 33
Financial risk management continued

Note 33.1 Credit risk continued

The table below discloses, by credit rating grade and ECL impairment stage, the gross carrying amount[1] of assets measured at amortised cost or FVOCI and off balance sheet exposures of the Company subject to the impairment requirements of AASB 9 *Financial Instruments*. The credit quality is based on the counterparty's credit rating using the Company's credit rating system and excludes the benefit of collateral and credit enhancements.

	Stage I[2] $m	Stage II[2] $m	Stage III[2] $m	Total $m
Investment grade				**COMPANY 2022**
Cash and bank balances	**43,594**	**–**	**–**	**43,594**
Cash collateralised lending and reverse repurchase agreements	**31,597**	**–**	**–**	**31,597**
Margin money and settlement assets	**14,153**	**–**	**–**	**14,153**
Financial investments	**6,076**	**–**	**–**	**6,076**
Held for sale and other assets	**954**	**–**	**–**	**954**
Loan assets	**61,396**	**1,853**	**–**	**63,249**
Due from related body corporate entities	**1,122**	**–**	**–**	**1,122**
Due from subsidiaries	**11,627**	**–**	**–**	**11,627**
Off balance sheet exposures[3]	**10,071**	**1**	**–**	**10,072**
Total investment grade	**180,590**	**1,854**	**–**	**182,444**
Non-investment grade				
Cash collateralised lending and reverse repurchase agreements	**2,438**	**–**	**–**	**2,438**
Margin money and settlement assets	**1,983**	**2**	**–**	**1,985**
Financial investments	**190**	**–**	**–**	**190**
Held for sale and other assets	**748**	**7**	**–**	**755**
Loan assets	**46,381**	**11,012**	**–**	**57,393**
Due from subsidiaries	**34**	**–**	**–**	**34**
Off balance sheet exposures[3]	**3,783**	**20**	**–**	**3,803**
Total non-investment grade	**55,557**	**11,041**	**–**	**66,598**
Default				
Margin money and settlement assets	**–**	**–**	**35**	**35**
Held for sale and other assets	**–**	**–**	**116**	**116**
Loan assets	**–**	**–**	**930**	**930**
Off balance sheet exposures[3]	**–**	**–**	**7**	**7**
Total default	**–**	**–**	**1,088**	**1,088**
Total gross credit risk	**236,147**	**12,895**	**1,088**	**250,130**
Cash and bank balances	**43,594**	**–**	**–**	**43,594**
Cash collateralised lending and reverse repurchase agreements	**34,035**	**–**	**–**	**34,035**
Margin money and settlement assets	**16,136**	**2**	**35**	**16,173**
Financial investments	**6,266**	**–**	**–**	**6,266**
Held for sale and other assets	**1,702**	**7**	**116**	**1,825**
Loan assets	**107,777**	**12,865**	**930**	**121,572**
Due from related body corporate entities	**1,122**	**–**	**–**	**1,122**
Due from subsidiaries	**11,661**	**–**	**–**	**11,661**
Off balance sheet exposures[3]	**13,854**	**21**	**7**	**13,882**
Total gross credit risk by ECL stage	**236,147**	**12,895**	**1,088**	**250,130**

(1) The gross exposure of financial assets measured at amortised cost represents the amortised cost before the ECL allowance and the gross exposure of financial assets measured at FVOCI represents carrying value before fair value adjustments and ECL allowance. Accordingly, these exposure values will not equal to amount presented in the Statements of financial position.
(2) For definitions of stage I, II and III, refer to Note 12 *Expected credit losses*. Whilst exposures may have migrated to stage II it should not be inferred that such exposures are of a lower credit quality.
(3) The Company includes guarantees to counterparties with respect to their exposures to certain subsidiaries. These guarantees have a maximum value of $12,753 million (2021: $11,826 million) with the amount disclosed in the table above being the component of that guarantee value equivalent to the fair value of the underlying risk position at the reporting date.

Note 33
Financial risk management continued

Note 33.1 Credit risk continued

Further analysis of credit risk for loan assets, being the Consolidated Entity's most material credit exposure category, is presented below:

	Investment grade $m	Non-investment grade $m	Total other than default $m	OF WHICH PAST DUE: Up to 30 days $m	31 to <90 days $m	Total past due but not default $m	Default $m	Total $m
								CONSOLIDATED 2022
Home loans[1]	**53,007**	**41,373**	**94,380**	**462**	**80**	**542**	**534**	**94,914**
Asset financing	**2,780**	**7,116**	**9,896**	**236**	**3**	**239**	**291**	**10,187**
Corporate, commercial and other lending	**8,009**	**10,145**	**18,154**	**29**	**2**	**31**	**180**	**18,334**
Total[2]	**63,796**	**58,634**	**122,430**	**727**	**85**	**812**	**1,005**	**123,435**
								COMPANY 2022
Home loans[1]	**52,986**	**41,347**	**94,333**	**448**	**77**	**525**	**530**	**94,863**
Asset financing	**2,276**	**6,201**	**8,477**	**193**	**2**	**195**	**227**	**8,704**
Corporate, commercial and other lending	**7,987**	**9,845**	**17,832**	**29**	**1**	**30**	**173**	**18,005**
Total[2]	**63,249**	**57,393**	**120,642**	**670**	**80**	**750**	**930**	**121,572**

(1) Includes $9,350 million home loans for which insurance has been obtained from investment grade Lenders Mortgage Insurance (LMI) counterparties and another $32,016 million home loans where the Consolidated Entity has bought risk protection from a panel of investment grade companies via an excess of loss structure. Refer to Note 33.1 *Credit risk* section Collateral and credit enhancements for further details.
(2) The credit quality is based on the counterparties' credit rating as determined by the Consolidated Entity's credit rating system and excludes the benefit of collateral and credit enhancements.

Note 33
Financial risk management continued

Note 33.1 Credit risk continued

Credit quality of financial assets

The table below discloses, by credit rating grades and ECL impairment stage, the gross carrying amount[1] of assets measured at amortised cost or FVOCI and off balance sheet exposures of the Consolidated Entity subject to the impairment requirements of AASB 9 *Financial Instruments*. The credit quality is based on the counterparty's credit rating using the Consolidated Entity's credit rating system and excludes the benefit of collateral and credit enhancements.

	Stage I[2] $m	Stage II[2] $m	Stage III[2] $m	Total $m
				CONSOLIDATED 2021
Investment grade				
Cash and bank balances	15,872	–	–	15,872
Cash collateralised lending and reverse repurchase agreements	21,362	–	–	21,362
Margin money and settlement assets	6,713	–	–	6,713
Financial investments	7,571	–	–	7,571
Held for sale and other assets	594	–	–	594
Loan assets	46,689	1,257	–	47,946
Due from related body corporate entities	1,508	–	–	1,508
Off balance sheet exposures	3,014	–	–	3,014
Total investment grade	**103,323**	**1,257**	**–**	**104,580**
Non-investment grade				
Cash and bank balances	94	–	–	94
Cash collateralised lending and reverse repurchase agreements	5,284	–	–	5,284
Margin money and settlement assets	1,010	5	–	1,015
Financial investments	71	–	–	71
Held for sale and other assets	444	14	–	458
Loan assets	40,408	9,888	–	50,296
Off balance sheet exposures	3,078	76	–	3,154
Total non-investment grade	**50,389**	**9,983**	**–**	**60,372**
Default				
Margin money and settlement assets	–	–	296	296
Held for sale and other assets	–	–	108	108
Loan assets	–	–	1,333	1,333
Off balance sheet exposures	–	–	170	170
Total default	–	–	1,907	1,907
Total gross credit risk	**153,712**	**11,240**	**1,907**	**166,859**
Total gross credit risk by ECL stage				
Cash and bank balances	15,966	–	–	15,966
Cash collateralised lending and reverse repurchase agreements	26,646	–	–	26,646
Margin money and settlement assets	7,723	5	296	8,024
Financial investments	7,642	–	–	7,642
Held for sale and other assets	1,038	14	108	1,160
Loan assets	87,097	11,145	1,333	99,575
Due from related body corporate entities	1,508	–	–	1,508
Off balance sheet exposures	6,092	76	170	6,338
Total gross credit risk by ECL stage	**153,712**	**11,240**	**1,907**	**166,859**

(1) For the purposes of this disclosure gross carrying amount of financial assets measured at amortised cost represents the amortised cost before ECL allowance and gross carrying amount of financial assets measured at FVOCI represents carrying value before fair value adjustments and ECL allowance.
(2) For definitions of stage I, II and III, refer to Note 12 *Expected credit losses*. Whilst exposures may have migrated to stage II it should not be inferred that such exposures are of a lower credit quality.

Note 33
Financial risk management continued

Note 33.1 Credit risk continued

The table below discloses, by credit rating grades, the gross carrying amount[1] of financial assets and the exposure to credit risk on loan commitments and financial guarantee contracts of the Company. The credit quality is based on the rating grades assigned internally to these counterparties for the pricing of internal funding arrangements on an arm's length basis.

	Stage I[2] $m	Stage II[2] $m	Stage III[2] $m	Total $m
Investment grade				COMPANY 2021
Cash and bank balances	14,000	–	–	14,000
Cash collateralised lending and reverse repurchase agreements	19,378	–	–	19,378
Margin money and settlement assets	5,569	–	–	5,569
Financial investments	7,570	–	–	7,570
Other assets	313	–	–	313
Loan assets	40,739	1,186	–	41,925
Due from related body corporate entities	1,181	–	–	1,181
Due from subsidiaries	17,965	–	–	17,965
Off balance sheet exposures[3]	2,559	–	–	2,559
Total investment grade	**109,274**	**1,186**	**–**	**110,460**
Non-investment grade				
Cash and bank balances	12	–	–	12
Cash collateralised lending and reverse repurchase agreements	4,106	–	–	4,106
Margin money and settlement assets	574	1	–	575
Financial investments	53	–	–	53
Other assets	200	5	–	205
Loan assets	32,406	8,594	–	41,000
Due from subsidiaries	10	–	–	10
Off balance sheet exposures[3]	3,049	68	–	3,117
Total non-investment grade	**40,410**	**8,668**	**–**	**49,078**
Default				
Margin money and settlement assets	–	–	294	294
Other assets	–	–	94	94
Loan assets	–	–	962	962
Off balance sheet exposures[3]	–	–	155	155
Total default	–	–	1,505	1,505
Total gross credit risk	**149,684**	**9,854**	**1,505**	**161,043**
Total gross credit risk by ECL stage				
Cash and bank balances	14,012	–	–	14,012
Cash collateralised lending and reverse repurchase agreements	23,484	–	–	23,484
Margin money and settlement assets	6,143	1	294	6,438
Financial investments	7,623	–	–	7,623
Other assets	513	5	94	612
Loan assets	73,145	9,780	962	83,887
Due from related body corporate entities	1,181	–	–	1,181
Due from subsidiaries	17,975	–	–	17,975
Off balance sheet exposures[3]	5,608	68	155	5,831
Total gross credit risk by ECL stage	**149,684**	**9,854**	**1,505**	**161,043**

(1) The gross exposure of financial assets measured at amortised cost represents the amortised cost before the ECL allowance and the gross exposure of financial assets measured at FVOCI represents carrying value before fair value adjustments and ECL allowance. Accordingly, these exposure values will not equal to amount presented in the Statements of financial position.
(2) For definitions of stage I, II and III, refer to Note 12 *Expected credit losses*. Whilst exposures may have migrated to stage II it should not be inferred that such exposures are of a lower credit quality.
(3) The Company includes guarantees to counterparties with respect to their exposures to certain subsidiaries. These guarantees have a maximum value of $12,753 million (31 March 2021: $11,826 million) with the amount disclosed in the table above being the component of that guarantee value equivalent to the fair value of the underlying risk position at the reporting date.

Note 33
Financial risk management continued

Note 33.1 Credit risk continued

Further analysis of credit risk for loan assets being the Consolidated Entity's most material credit exposure is presented below:

	Investment grade – strong $m	Non-investment grade $m	Total other than default $m	OF WHICH PAST DUE Up to 30 days $m	OF WHICH PAST DUE 31 to <90 days $m	OF WHICH PAST DUE Total past due but not default $m	Default $m	Total $m
								CONSOLIDATED 2021
Home loans[1]	38,188	32,827	71,015	420	134	554	572	71,587
Asset financing	3,669	9,521	13,190	301	60	361	394	13,584
Corporate, commercial and other lending	6,087	7,948	14,035	55	109	164	367	14,402
Total[2]	47,944	50,296	98,240	776	303	1,079	1,333	99,573
								COMPANY 2021
Home loans[1]	37,023	31,549	68,572	399	125	524	552	69,124
Asset financing	1,164	3,117	4,281	68	11	79	89	4,370
Corporate, commercial and other lending	3,738	6,334	10,072	55	109	164	321	10,393
Total[2]	41,925	41,000	82,925	522	245	767	962	83,887

(1) Includes $12,190 million home loans for which insurance has been obtained from investment grade Lenders Mortgage Insurance (LMI) counterparties and another $39,909 million home loans where the Consolidated Entity has bought risk protection from a global panel of investment grade reinsurers via an excess of loss and quota share structure. Refer to Note 33.1 *Credit risk*: Collateral and credit enhancements held for further details.
(2) The credit quality is based on the counterparties' credit rating as determined by the Consolidated Entity's credit rating system and excludes the benefit of collateral and credit enhancements.

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Note 33
Financial risk management continued

Note 33.1 Credit risk continued

Credit risk concentration

The table below details the concentration of credit risk[1] by significant geographical location and counterparty type of the Consolidated Entity's assets measured at amortised cost or FVOCI and off balance sheet exposures subject to the impairment requirements of AASB 9 *Financial Instruments*. The geographical location is determined by the country of risk. Counterparty type is based on APRA classification.

	Governments $m	Financial Institutions $m	Other $m	Total $m
				CONSOLIDATED 2022
Australia				
Cash and bank balances	–	40,370	–	40,370
Cash collateralised lending and reverse repurchase agreements	–	4,378	–	4,378
Held for sale and other assets	7	87	972	1,066
Margin money and settlement assets	20	1,062	906	1,988
Financial investments	–	4,704	241	4,945
Loan assets[2]	35	3,339	111,904	115,278
Due from related body corporate entities[3]	–	697	2	699
Off balance sheet exposures	28	467	3,761	4,256
Total Australia	**90**	**55,104**	**117,786**	**172,980**
Asia Pacific				
Cash and bank balances	–	527	–	527
Cash collateralised lending and reverse repurchase agreements	–	2,896	–	2,896
Held for sale and other assets	–	5	144	149
Margin money and settlement assets	–	259	508	767
Financial investments	–	229	–	229
Loan assets	–	90	281	371
Due from related body corporate entities[3]	–	229	11	240
Off balance sheet exposures	–	1	2	3
Total Asia Pacific	**–**	**4,236**	**946**	**5,182**
Europe, Middle East and Africa				
Cash and bank balances	–	4,591	–	4,591
Cash collateralised lending and reverse repurchase agreements	–	22,271	–	22,271
Held for sale and other assets	10	14	884	908
Margin money and settlement assets	18	1,876	10,497	12,391
Financial investments	–	871	–	871
Loan assets	–	921	1,537	2,458
Due from related body corporate entities[3]	–	171	10	181
Off balance sheet exposures	–	12	352	364
Total Europe, Middle East and Africa	**28**	**30,727**	**13,280**	**44,035**
Americas				
Cash and bank balances	–	3,484	–	3,484
Cash collateralised lending and reverse repurchase agreements	–	8,833	–	8,833
Held for sale and other assets	–	15	178	193
Margin money and settlement assets	44	928	2,849	3,821
Financial investments	–	221	–	221
Loan assets	11	3,650	1,667	5,328
Due from related body corporate entities[3]	–	277	2	279
Off balance sheet exposures	17	340	1,650	2,007
Total Americas	**72**	**17,748**	**6,346**	**24,166**
Total gross credit risk[4]	**190**	**107,815**	**138,358**	**246,363**

(1) For prior period comparatives of credit risk concentration, refer pages 144 to 147.
(2) Loan assets in the Australia region includes home loans of $94,300 million, Asset financing of $9,337 million and Corporate, commercial and other lending of $11,641 million.
(3) Due from related body corporates have been presented as Financial institutions and Other based on APRA's Standard Institutional Sector Classifications of Australia (SISCA) classification.
(4) The gross exposure of financial assets measured at amortised cost represents the amortised cost before the ECL allowance and the gross exposure of financial assets measured at FVOCI represents carrying value before fair value adjustments and ECL allowance. Accordingly, these exposure values will not equal the amount presented in the Statement of financial position.

Note 33
Financial risk management continued

Note 33.1 Credit risk continued

Credit risk concentration

The table below details the concentration of credit risk by significant geographical location and counterparty type of the Company's assets measured at amortised cost or FVOCI and off balance sheet exposures subject to the impairment requirements of AASB 9 *Financial Instruments*. The geographical location is determined by the country of risk. Counterparty type is based on APRA classification.

	Governments $m	Financial Institutions $m	Other $m	Total $m
				COMPANY 2022
Australia				
Cash and bank balances	–	40,194	–	40,194
Cash collateralised lending and reverse repurchase agreements	–	4,026	–	4,026
Other assets	–	57	954	1,011
Margin money and settlement assets	20	1,039	842	1,901
Financial investments	–	4,704	241	4,945
Loan assets(1)	–	3,291	110,784	114,075
Due from related body corporate entities(2)	–	576	–	576
Due from subsidiaries(2)	–	4,273	–	4,273
Off balance sheet exposures	28	468	3,436	3,932
Total Australia	48	58,628	116,257	174,933
Asia Pacific				
Cash and bank balances	–	237	–	237
Cash collateralised lending and reverse repurchase agreements	–	2,896	–	2,896
Other assets	–	5	141	146
Margin money and settlement assets	–	244	489	733
Financial investments	–	229	–	229
Loan assets	–	90	187	277
Due from related body corporate entities(2)	–	135	4	139
Due from subsidiaries(2)	–	97	36	133
Total Asia Pacific	–	3,933	857	4,790
Europe, Middle East and Africa				
Cash and bank balances	–	1,104	–	1,104
Cash collateralised lending and reverse repurchase agreements	–	19,557	–	19,557
Other assets	10	2	549	561
Margin money and settlement assets	18	1,810	9,037	10,865
Financial investments	–	871	–	871
Loan assets	–	919	1,270	2,189
Due from related body corporate entities(2)	–	160	2	162
Due from subsidiaries(2)	–	4,484	425	4,909
Off balance sheet exposures	–	4,466	1,197	5,663
Total Europe, Middle East and Africa	28	33,373	12,480	45,881
Americas				
Cash and bank balances	–	2,059	–	2,059
Cash collateralised lending and reverse repurchase agreements	–	7,556	–	7,556
Other assets	–	15	92	107
Margin money and settlement assets	–	829	1,845	2,674
Financial investments	–	221	–	221
Loan assets	6	3,650	1,375	5,031
Due from related body corporate entities(2)	–	245	–	245
Due from subsidiaries(2)	–	2,312	34	2,346
Off balance sheet exposures	21	2,704	1,562	4,287
Total Americas	27	19,591	4,908	24,526
Total gross credit risk(3)	103	115,525	134,502	250,130

(1) Loan assets in the Australia region includes home loans of $94,232 million, Asset financing of $8,321 million and Corporate, commercial and other lending of $11,522 million.
(2) Due from related body corporates and subsidiaries have been presented as Financial institutions and Other based on APRA's Standard Institutional Sector Classifications of Australia (SISCA) classification.
(3) The gross exposure of financial assets measured at amortised cost represents the amortised cost before the ECL allowance and the gross exposure of financial assets measured at FVOCI represents carrying value before fair value adjustments and ECL allowance. Accordingly, these exposure values will not equal the amount presented in the Statements of financial position.

Note 33
Financial risk management continued

Note 33.1 Credit risk continued

Credit risk concentration

The table below details the concentration by significant geographical locations and counterparty type of the Consolidated Entity's financial assets which are not subject to impairment requirements of AASB 9 *Financial Instruments* since they are measured at fair value through profit and loss. Financial assets that are subject to risks other than credit risk, such as equity investments, commodities, bank notes and coins are excluded from the table below.

	Governments $m	Financial Institutions $m	Other $m	Total $m
				CONSOLIDATED 2022
Australia				
Trading assets	2	390	871	1,263
Derivative assets	5	1,834	1,856	3,695
Margin money and settlement assets	–	–	1	1
Held for sale and other assets	–	–	56	56
Loan assets	–	91	61	152
Due from related body corporate entities[1]	–	1,721	–	1,721
Total Australia	7	4,036	2,845	6,888
Asia Pacific				
Cash collateralised lending and reverse repurchase agreements	–	1	–	1
Trading assets	124	299	3,923	4,346
Derivative assets	86	5,209	2,988	8,283
Financial investments	–	9	5	14
Margin money and settlement assets	–	–	5	5
Held for sale and other assets	–	–	300	300
Due from related body corporate entities[1]	–	2	–	2
Total Asia Pacific	210	5,520	7,221	12,951
Europe, Middle East and Africa				
Cash collateralised lending and reverse repurchase agreements	–	2,805	–	2,805
Trading assets	11	102	2,210	2,323
Derivative assets	–	12,138	41,959	54,097
Held for sale and other assets	–	–	382	382
Loan assets	–	32	22	54
Due from related body corporate entities[1]	–	–	7	7
Total Europe, Middle East and Africa	11	15,077	44,580	59,668
Americas				
Cash collateralised lending and reverse repurchase agreements	–	1,364	–	1,364
Trading assets	299	–	370	669
Derivative assets	24	12,499	6,018	18,541
Margin money and settlement assets	–	121	397	518
Held for sale and other assets	–	–	938	938
Loan assets	–	–	56	56
Due from related body corporate entities[1]	–	11	–	11
Total Americas	323	13,995	7,779	22,097
Total gross credit risk	551	38,628	62,425	101,604

(1) Due from related body corporates have been presented as Financial institutions and Other based on APRA's Standard Institutional Sector Classifications of Australia (SISCA) classification.

Note 33
Financial risk management continued

Note 33.1 Credit risk continued

Credit risk concentration

The table below details the concentration by significant geographical locations and counterparty type of the Company's financial assets which are not subject to impairment requirements of AASB 9 *Financial Instruments* since they are measured at fair value through profit and loss. Financial assets that are subject to risks other than credit risk, such as equity investments, commodities, bank notes and coins are excluded from the table below.

	Governments $m	Financial Institutions $m	Other $m	Total $m
				COMPANY 2022
Australia				
Trading assets	2	369	871	1,242
Derivative assets	5	1,786	1,856	3,647
Margin money and settlement assets	–	–	1	1
Other assets	–	–	16	16
Loan assets	–	96	11	107
Due from subsidiaries(1)	–	377	2	379
Due from related body corporate entities(1)	–	1,721	–	1,721
Total Australia	7	4,349	2,757	7,113
Asia Pacific				
Cash collateralised lending and reverse repurchase agreements	–	1	–	1
Trading assets	124	288	3,879	4,291
Derivative assets	86	5,199	2,976	8,261
Financial investments	–	9	5	14
Margin money and settlement assets	–	–	4	4
Other assets	–	–	300	300
Due from subsidiaries(1)	–	84	–	84
Due from related body corporate entities(1)	–	2	–	2
Total Asia Pacific	210	5,583	7,164	12,957
Europe, Middle East and Africa				
Cash collateralised lending and reverse repurchase agreements	–	2,805	–	2,805
Trading assets	11	101	2,211	2,323
Derivative assets	–	12,015	34,187	46,202
Other assets	–	–	366	366
Loan assets	–	32	22	54
Due from subsidiaries(1)	–	7,966	232	8,198
Due from related body corporate entities(1)	–	–	7	7
Total Europe, Middle East and Africa	11	22,919	37,025	59,955
Americas				
Cash collateralised lending and reverse repurchase agreements	–	1,364	–	1,364
Trading assets	299	–	100	399
Derivative assets	4	12,301	4,029	16,334
Other assets	–	–	168	168
Loan assets	–	–	52	52
Due from subsidiaries(1)	–	3,544	–	3,544
Due from related body corporate entities(1)	–	5	–	5
Total Americas	303	17,214	4,349	21,866
Total gross credit risk	531	50,065	51,295	101,891

(1) Due from related body corporates and subsidiaries have been presented as Financial institutions and Other based on APRA's Standard Institutional Sector Classifications of Australia (SISCA) classification.

Note 33
Financial risk management continued

Note 33.1 Credit risk continued

Credit risk concentration

The table below details the concentration of credit risk by significant geographical location and counterparty type of the Consolidated Entity's assets measured at amortised cost or FVOCI and off balance sheet exposures subject to the impairment requirements of AASB 9 *Financial Instruments*. The geographical location is determined by the country of risk. Counterparty type is based on APRA classification.

	Governments $m	Financial Institutions $m	Other $m	Total $m
				CONSOLIDATED 2021
Australia				
Cash and bank balances	–	11,538	–	11,538
Cash collateralised lending and reverse repurchase agreements	–	2,372	–	2,372
Held for sale and other assets	5	93	218	316
Margin money and settlement assets	12	608	788	1,408
Financial investments	16	5,114	583	5,713
Loan assets(1)	42	2,708	90,450	93,200
Due from related body corporate entities(2)	–	859	7	866
Off balance sheet exposures	11	549	4,328	4,888
Total Australia	**86**	**23,841**	**96,374**	**120,301**
Asia Pacific				
Cash and bank balances	–	889	–	889
Cash collateralised lending and reverse repurchase agreements	–	1,771	–	1,771
Held for sale and other assets	–	–	148	148
Margin money and settlement assets	12	372	158	542
Financial investments	–	571	–	571
Loan assets(1)	–	–	295	295
Due from related body corporate entities(2)	–	159	4	163
Off balance sheet exposures	–	5	5	10
Total Asia Pacific	**12**	**3,767**	**610**	**4,389**
Europe, Middle East and Africa				
Cash and bank balances	–	879	–	879
Cash collateralised lending and reverse repurchase agreements	–	13,733	–	13,733
Held for sale and other assets	88	11	239	338
Margin money and settlement assets	12	957	2,483	3,452
Financial investments	–	892	–	892
Loan assets(1)	4	578	1,779	2,361
Due from related body corporate entities(2)	–	143	17	160
Off balance sheet exposures	1	84	159	244
Total Europe, Middle East and Africa	**105**	**17,277**	**4,677**	**22,059**
Americas				
Cash and bank balances	–	2,660	–	2,660
Cash collateralised lending and reverse repurchase agreements	–	8,770	–	8,770
Held for sale and other assets	5	10	343	358
Margin money and settlement assets	21	1,127	1,474	2,622
Financial investments	–	448	18	466
Loan assets(1)	10	2,437	1,272	3,719
Due from related body corporate entities(2)	–	319	–	319
Off balance sheet exposures	3	175	1,018	1,196
Total Americas	**39**	**15,946**	**4,125**	**20,110**
Total gross credit risk(3)	**242**	**60,831**	**105,786**	**166,859**

(1) Loan assets in the Australia region includes home loans of $71,590 million, Asset financing of $12,472 million and Corporate, commercial and other lending of $9,138 million.
(2) Due from related body corporates have been presented as Financial institutions and Other based on APRA's Standard Institutional Sector Classifications of Australia (SISCA) classification.
(3) The gross exposure of financial assets measured at amortised cost represents the amortised cost before the ECL allowance and the gross exposure of financial assets measured at FVOCI represents carrying value before fair value adjustments and ECL allowance. Accordingly, these exposure values will not equal the amount presented in the Statements of financial position.

Note 33
Financial risk management continued

Note 33.1 Credit risk continued

Credit risk concentration

The table below details the concentration of credit risk by significant geographical location and counterparty type of the Company's assets measured at amortised cost or FVOCI and off balance sheet exposures subject to the impairment requirements of AASB 9 *Financial Instruments*. The geographical location is determined by the country of risk. Counterparty type is based on APRA classification.

	Governments $m	Financial Institutions $m	Other $m	Total $m
				COMPANY 2021
Australia				
Cash and bank balances	–	11,118	–	11,118
Cash collateralised lending and reverse repurchase agreement	–	1,895	–	1,895
Other assets	–	78	198	276
Margin money and settlement assets	12	586	689	1,287
Financial investments	16	5,115	583	5,714
Loan assets[1]	–	2,593	78,570	81,163
Due from related body corporate entities[2]	–	701	4	705
Due from subsidiaries[2]	–	12,829	27	12,856
Off balance sheet exposures	11	546	4,057	4,614
Total Australia	**39**	**35,461**	**84,128**	**119,628**
Asia Pacific				
Cash and bank balances	–	587	–	587
Cash collateralised lending and reverse repurchase agreement	–	1,771	–	1,771
Other assets	–	–	146	146
Margin money and settlement assets	12	306	147	465
Financial investments	–	571	–	571
Loan assets[1]	–	–	136	136
Due from related body corporate entities[2]	–	80	3	83
Due from subsidiaries[2]	–	299	117	416
Off balance sheet exposures	–	–	5	5
Total Asia Pacific	**12**	**3,614**	**554**	**4,180**
Europe, Middle East and Africa				
Cash and bank balances	–	703	–	703
Cash collateralised lending and reverse repurchase agreement	–	12,923	–	12,923
Other assets	–	10	53	63
Margin money and settlement assets	12	943	2,256	3,211
Financial investments	–	892	–	892
Loan assets[1]	–	460	995	1,455
Due from related body corporate entities[2]	–	130	1	131
Due from subsidiaries[2]	–	950	3,007	3,957
Off balance sheet exposures	1	83	149	233
Total Europe, Middle East and Africa	**13**	**17,094**	**6,461**	**23,568**
Americas				
Cash and bank balances	–	1,604	–	1,604
Cash collateralised lending and reverse repurchase agreement	–	6,895	–	6,895
Other assets	5	10	112	127
Margin money and settlement assets	–	984	491	1,475
Financial investments	–	446	–	446
Loan assets[1]	9	198	926	1,133
Due from related body corporate entities[2]	–	262	–	262
Due from subsidiaries[2]	–	739	7	746
Off balance sheet exposures	3	91	885	979
Total Americas	**17**	**11,229**	**2,421**	**13,667**
Total gross credit risk[3]	**81**	**67,398**	**93,564**	**161,043**

(1) Loan assets in the Australia region includes home loans of $69,125 million, Asset financing of $4,327 million and Corporate, commercial and other lending of $7,711 million.
(2) Due from related body corporates and subsidiaries have been presented as Financial institutions and Other based on APRA's Standard Institutional Sector Classifications of Australia (SISCA) classification.
(3) The gross exposure of financial assets measured at amortised cost represents the amortised cost before the ECL allowance and the gross exposure of financial assets measured at FVOCI represents carrying value before fair value adjustments and ECL allowance. Accordingly, these exposure values will not equal the amount presented in the Statements of financial position.

Notes to the financial statements

For the financial year ended 31 March 2022 continued

Note 33
Financial risk management continued

Note 33.1 Credit risk continued

Credit risk concentration

The table below details the concentration by significant geographical locations and counterparty type of the Consolidated Entity's financial assets which are not subject to the impairment requirements of AASB 9 *Financial Instruments*. Financial assets that are subject to risks other than credit risk, such as equity investments, commodities, bank notes and coins are excluded from the below table.

	Governments $m	Financial Institutions $m	Other $m	Total $m
				CONSOLIDATED 2021
Australia				
Trading assets	3,842	1,239	5	5,086
Derivative assets	10	1,553	1,470	3,033
Held for sale and other assets	–	–	9	9
Loan assets	–	60	67	127
Due from related body corporate entities[1]	–	336	–	336
Total Australia	**3,852**	**3,188**	**1,551**	**8,591**
Asia Pacific				
Cash collateralised lending and reverse repurchase agreements	–	264	–	264
Trading assets	125	18	936	1,079
Derivative assets	41	582	692	1,315
Financial investment	–	105	–	105
Money margin and settlement assets	–	–	6	6
Held for sale and other assets	–	–	335	335
Due from related body corporate entities[1]	–	4	–	4
Total Asia Pacific	**166**	**973**	**1,969**	**3,108**
Europe, Middle East and Africa				
Cash collateralised lending and reverse repurchase agreements	–	2,203	–	2,203
Trading assets	–	15	957	972
Derivative assets	18	4,505	5,355	9,878
Financial investment	–	–	5	5
Held for sale and other assets	–	–	390	390
Loan assets	38	–	28	66
Due from related body corporate entities[1]	–	6	36	42
Total Europe, Middle East and Africa	**56**	**6,729**	**6,771**	**13,556**
Americas				
Cash collateralised lending and reverse repurchase agreements	–	5,438	4	5,442
Trading assets	402	1	324	727
Derivative assets	16	4,058	2,252	6,326
Money margin and settlement assets	–	–	326	326
Held for sale and other assets	–	–	532	532
Due from related body corporate entities[1]	–	2	–	2
Total Americas	**418**	**9,499**	**3,438**	**13,355**
Total gross credit risk	**4,492**	**20,389**	**13,729**	**38,610**

(1) Due from related body corporates have been presented as Financial institutions and Other based on APRA's Standard Institutional Sector Classifications of Australia (SISCA) classification.

Note 33
Financial risk management continued

Note 33.1 Credit risk continued

Credit risk concentration

The table below details the concentration by significant geographical locations and counterparty type of the Company's financial assets which are not subject to the impairment requirements of AASB 9 *Financial Instruments*. Financial assets that are subject to risks other than credit risk, such as equity investments, commodities, bank notes and coins are excluded from the below table.

	Governments $m	Financial Institutions $m	Other $m	Total $m
				COMPANY 2021
Australia				
Trading assets	3,841	1,239	5	5,085
Derivative assets	10	1,529	1,470	3,009
Other assets	–	–	9	9
Loan assets	–	6	69	75
Due from subsidiaries[1]	–	1,219	6	1,225
Due from related body corporate entities[1]	–	332	–	332
Total Australia	**3,851**	**4,325**	**1,559**	**9,735**
Asia Pacific				
Cash collateralised lending and reverse repurchase agreements	–	264	–	264
Trading assets	125	18	936	1,079
Derivative assets	41	563	690	1,294
Financial investments	–	104	–	104
Margin money and settlement assets	–	–	4	4
Other assets	–	–	335	335
Due from subsidiaries[1]	–	154	–	154
Due from related body corporate entities[1]	–	4	–	4
Total Asia Pacific	**166**	**1,107**	**1,965**	**3,238**
Europe, Middle East and Africa				
Cash collateralised lending and reverse repurchase agreements	–	2,203	–	2,203
Trading assets	–	15	957	972
Derivative assets	18	4,468	4,672	9,158
Other assets	–	–	388	388
Loan assets	38	–	25	63
Due from subsidiaries[1]	–	808	165	973
Due from related body corporate entities[1]	–	6	37	43
Total Europe, Middle East and Africa	**56**	**7,500**	**6,244**	**13,800**
Americas				
Cash collateralised lending and reverse repurchase agreements	–	5,079	4	5,083
Trading assets	402	1	16	419
Derivative assets	–	4,031	1,836	5,867
Other assets	–	–	132	132
Loan assets	–	32	–	32
Due from subsidiaries[1]	–	1,150	–	1,150
Due from related body corporate entities[1]	–	2	–	2
Total Americas	**402**	**10,295**	**1,988**	**12,685**
Total gross credit risk	**4,475**	**23,227**	**11,756**	**39,458**

(1) Due from related body corporates and subsidiaries have been presented as Financial institutions and Other based on APRA's Standard Institutional Sector Classifications of Australia (SISCA) classification.

Note 33
Financial risk management continued

Note 33.1 Credit risk continued

Maximum exposure to credit risk

For on-balance sheet instruments, the maximum exposure to credit risk is the carrying amount reported on the balance sheet (refer to Note 34 *Measurement categories of financial instruments*). For off balance sheet instruments, the maximum exposure to credit risk is a function of the contractual notional amount except for certain usage-based guarantees in which case the maximum exposure is determined with respect to the fair value of the underline exposure and is disclosed in Note 12 *Expected credit losses*.

Collateral and credit enhancements held

Cash collateralised lending and reverse repurchase agreements

The Consolidated Entity enters into stock and commodity borrowing and reverse repurchase transactions with counterparties which require lodgement of collateral. These arrangements includes:

- securities and commodities borrowed in return for cash, for which the fair value of the securities and commodities borrowed is equal to or less than the cash deposited with the counterparty
- reverse repurchase agreements (collateralised financing arrangements) for which the fair value of the securities and commodities received as collateral generally in excess of the principal amount
- securities received as collateral in return for the transfer of other securities
- securities borrowed on an unsecured basis in return for a fee.

The non-cash collateral received is not recognised by the Consolidated Entity in the Statements of financial position, as the risks and rewards of ownership remain with the counterparty. The Consolidated Entity is permitted to sell or repledge the securities and commodities received. In the absence of default by the counterparty, the Consolidated Entity has an obligation to return the non-cash collateral received to the counterparty.

For securities and commodities borrowed in return for cash and reverse repurchase arrangements, the fair value of non-cash collateral received by the Consolidated Entity is $43,233 million (2021: $35,045 million) and the Company is $41,380 million (2021: $31,131 million) of which the fair value of non cash collateral re-pledged is $7,673 million (2021: $8,796 million), and the Company is $10,014 million (2021: 8,707 million).

For securities borrowed in return for other securities, the fair value of the securities received by the Consolidated Entity is $8,877 million (2021: $10,255 million) and by the Company is $8,868 million (2021: $10,255 million).

For securities borrowed on an unsecured basis, the fair value of the securities received by the Consolidated Entity is $6,199 million (2021: $3,904 million) and the Company is $3,855 million (2021: $3,904 million) of which the fair value of securities repledged by the Consolidated Entity is $6,051 million (2021: $3,444 million) and by the Company is $3,710 million (2021: $3,444 million).

The fair value attributed to non-cash collateral held is judgemental and measured with reference to quoted prices in active markets where available (for example listed securities). If quoted prices in active markets are not available, the fair value are estimated using pricing models or other recognised valuation techniques that maximise the use of quoted prices and observable market inputs.

Note 33
Financial risk management continued

Note 33.1 Credit risk continued

Loan assets

Home loans

Macquarie purchases risk protection for its Home Loans portfolio. Prior to 2017 this was in the form of Lenders Mortgage Insurance from a well rated Australian LMI provider. Since then Macquarie has diversified its risk protection coverage to a global panel of reinsurers with diverse lines of business coverage and ratings ranging from AA to A- from external rating agencies. The length of risk protection cover is up to 10 years from the year of origination with the type of cover including excess of loss and quota share.

The following table provides information on the loan to collateral value ratio as determined using loan carrying values and the most recent valuation of the home loan collateral.

	AUSTRALIA		AUSTRALIA	
	2022 $m	2021 $m	**2022 $m**	2021 $m
	CONSOLIDATED		COMPANY	
<= 25%	**2,966**	2,162	**2,961**	2,018
>25% to 50%	**19,009**	13,288	**18,990**	12,708
>50% to 70%	**39,889**	29,528	**39,857**	28,660
>70% to 80%	**29,232**	22,187	**29,221**	21,478
>80% to 90%	**3,171**	3,653	**3,170**	3,492
>90% to 100%	**547**	674	**547**	674
Partly collateralised	**32**	29	**32**	29
Total home loans	**94,846**	71,521	**94,778**	69,059

Note 33
Financial risk management continued

Note 33.1 Credit risk continued

Asset financing

The Consolidated Entity leases assets and provides asset-related financing, to corporate and retail clients. Titles to the underlying assets are held by the Consolidated Entity as collateral. Of the asset finance portfolio of $9,858 million (2021: $13,241 million), the credit exposure after considering the depreciated value of collateral is $4,217 million (2021: $5,810 million). For the Company, of the asset finance portfolio of $8,451 million (2021: $4,337 million), the credit exposure after considering the depreciated value of collateral is $3,552 million (2021: $1,712 million).

Corporate, commercial and other lending

Collateral held against corporate, commercial and other lending consists of secured positions over assets of the counterparty, often in the form of corporate assets. For the Consolidated Entity, of the term lending of $18,300 million (2021: $14,230 million), the credit exposure after considering the estimated value of collateral and credit enhancements is $2,116 million (2021: $1,945 million). For the Company, of the term lending of $17,950 million (2021: $10,280 million), the credit exposure after the estimated value of collateral and credit enhancements is $1,952 million (2021: $1,649 million).

Derivative instruments

Derivatives may be traded on an exchange (exchange traded) or they may be privately negotiated contracts, which are referred to as Over the Counter (OTC) derivatives. The Consolidated Entity's and Company's OTC derivatives are cleared and settled either through central clearing counterparties (OTC-cleared), or bilateral contracts between two counterparties.

The Consolidated Entity's approach to financial risk management includes entering into margining and collateralisation arrangements and enforceable master netting arrangements (MNA) with counterparties. The MNAs allow for net settlement with counterparties in the event of default or other pre-determined events, such that their potential effects on the Consolidated Entity's financial position in that circumstance is to settle these contracts as one arrangement.

Refer Note 36 *Offsetting of financial assets and financial liabilities* for impact of master netting arrangements and margins and other financial collateral held against the positions as at balance date.

Financial investments

Debt securities held by the Consolidated Entity carrying a credit risk are primarily in nature of bonds, NCD, floating rate notes (FRN), commercial paper and other debt securities for liquidity management purposes and other securities for short-term gains.

The Consolidated Entity utilises Credit Default Swaps, guarantees and other forms of credit enhancements or collateral in order to minimise the exposure to this credit risk.

Settlement assets

Security and commodity settlements of $1,467 million (2021: $1,828 million) and $4,294 million (2021: $1,922 million) in the Consolidated Entity and $1,267 million (2021: $1,457 million) and $2,926 million (2021: $933 million) in the Company, presented under Margin money and settlement assets represent amounts owed by the exchange (or a client) for equities (or bought on behalf of a client), other commodities and securities sold.

These assets are collateralised with the underlying equity securities, commodities or cash held by the Consolidated Entity and the Company until the date of settlement. The period between trade and settlement date varies as per regional regulatory and business norms.

Other financial assets

Commodity related receivables under other financial assets are normally collateralised with underlying commodity held by the Consolidated Entity until the date of settlement.

Due from subsidiaries and guarantees provided

The Company's balances with its subsidiaries and guarantees provided are based on standard terms and are fully or partially collateralised. The Company's exposures with certain Non-ELE subsidiaries included in amounts due from subsidiaries are secured through cash collateralised guarantees of $4,953 million (2021: $3,474 million) provided by MFHPL and $2,664 million (2021: $Nil) provided by MIFL. Refer Note 27 *Related party information* and Note 36 *Offsetting of financial assets and financial liabilities* for details.

Due from related body corporate entities and guarantees provided

The Consolidated Entity's and Company's exposures with its related body corporate entities and guarantees provided are based on standard terms and are fully or partially collateralised. Refer Note 27 *Related party information* and Note 36 *Offsetting of financial assets and financial liabilities* for details.

Credit commitments

Undrawn facilities and lending commitments of $4,098 million (2021: $3,183 million) in the Consolidated Entity and $4,052 million (2021: $3,110 million) in the Company are secured through collateral and credit enhancement out of the total undrawn facilities and lending commitments of $5,810 million (2021: $5,519 million) in the Consolidated Entity and $5,647 million (2021: $5,047 million) in the Company.

Additional collateral

Apart from the collateral detail disclosed above, the Consolidated Entity and the Company also holds other types of collateral, such as unsupported guarantees.

While such mitigants have value as a credit risk mitigant often providing rights in insolvency, their assignable values are uncertain and therefore are assigned no value for disclosure purposes.

Repossessed collateral

In the event of a customer default, the Consolidated Entity may either take possession of the underlying collateral held as security and/or exercise its right to dispose of the customer's asset. At the reporting date the Consolidated Entity did not have any material amounts of such collateral recognised in its Statements of financial position.

Note 33
Financial risk management continued

Note 33.2 Liquidity risk

Governance and oversight

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

Liquidity management is performed centrally by Group Treasury, with oversight from the Asset and Liability Committee (ALCO) and RMG. Macquarie Bank's liquidity policy is approved by the MBL Board after endorsement by the ALCO and liquidity reporting is provided to the Board on a regular basis. The ALCO includes the MGL CEO, MBL CEO, CFO, CRO, Co-Heads of Group Treasury and Operating Group Heads.

RMG provides independent oversight of liquidity risk management, including ownership of liquidity policies and key limits and approval of material liquidity scenario assumptions.

Liquidity policy and risk appetite

The MBL Liquidity Policy is designed so that the Bank Group maintains sufficient liquidity to meet its obligations as they fall due.

The *MBL Liquidity Policy* outlines the standalone framework for the Bank Group and its principles are consistent with the *MGL Liquidity Policy*.

Macquarie Bank's liquidity risk appetite is intended to ensure that Macquarie Bank is able to meet all of its liquidity obligations during a period of liquidity stress: a twelve month period with constrained access to funding markets and with only a limited reduction in Macquarie Bank's franchise businesses. MBL is an authorised deposit-taking institution and is funded mainly with capital, long-term liabilities and deposits.

Liquidity contingency plan

Group Treasury maintains a *Liquidity Contingency Plan*, which outlines how a liquidity crisis would be managed. The plan defines roles and responsibilities and actions to be taken in a liquidity event, including identifying key information requirements and appropriate communication plans with both internal and external parties.

Specifically, the plan details:
- factors that may constitute a crisis
- the officers responsible for enacting the plan
- a committee of senior executives responsible for managing a crisis
- the information required to effectively manage a crisis
- a communications strategy
- a high level checklist of possible actions to conserve or raise additional liquidity
- contact lists to facilitate prompt communication with all key internal and external stakeholders.

In addition, Macquarie Bank monitors a range of early warning indicators on a daily basis that might assist in identifying emerging risks in Macquarie Bank's liquidity position. These indicators are reviewed by Senior Management and are used to inform any decisions regarding invoking the plan.

The *Liquidity Contingency Plan* is subject to regular review by both Group Treasury and RMG. It is submitted annually to the ALCO and the MGL and MBL Boards for approval.

Macquarie Bank is a global financial institution, with branches and subsidiaries in a variety of countries. Regulations in certain countries may require some branches or subsidiaries to have specific local contingency plans. Where that is the case, the *Liquidity Contingency Plan* contains either a supplement or reference to a separate document providing the specific information required for those branches or subsidiaries.

Funding strategy

Macquarie Bank prepares a *Funding Strategy* on an annual basis and monitors progress against the strategy throughout the year.

The *Funding Strategy* aims to maintain Macquarie Bank's diversity of funding sources, ensure ongoing compliance with all liquidity requirements and facilitate forecast asset growth.

The *Funding Strategy* is reviewed by the ALCO and approved by the MBL Board.

Scenario analysis

Scenario analysis is central to Macquarie Bank's liquidity risk management framework. In addition to regulatory defined scenarios, Group Treasury models additional liquidity scenarios covering both market-wide and Macquarie Bank name-specific crises.

These scenarios use a range of assumptions, which Macquarie Bank intends to be conservative, regarding the level of access to capital markets, deposit outflows, contingent funding requirements and asset sales.

As an example, one internal scenario projects the expected cash and liquid asset position during a combined market-wide and Macquarie Bank name-specific crisis over a twelve month time frame. This scenario assumes no access to wholesale funding markets, a significant loss of customer deposits and contingent funding outflows resulting from undrawn commitments, market moves impacting derivatives and other margined positions combined with a multiple notch credit rating downgrade. Macquarie Bank's cash and liquid asset portfolio must exceed the minimum requirement as calculated in this scenario at all times.

Liquid asset holdings

Group Treasury centrally maintains a portfolio of highly liquid unencumbered assets which are intended to ensure adequate liquidity is available under a range of market conditions. The minimum level of cash and liquid assets is calculated with reference to internal scenario analysis and regulatory requirements.

Note 33
Financial risk management continued

Note 33.2 Liquidity risk continued

The cash and liquid asset portfolio contains only unencumbered assets that can be relied on to maintain their liquidity in a crisis scenario. Specifically, cash and liquid assets held to meet minimum internal and regulatory requirements must be cash balances (including central bank reserves and overnight lending to financial institutions), qualifying High Quality Liquid Assets, other external Reserve Bank of Australia (RBA) repo eligible securities or Australian assets internally securitised by Macquarie and held as contingent collateral in the RBA's facilities such as the Committed Liquidity Facility – so called 'Alternative Liquid Assets'. Composition constraints are also applied to ensure appropriate diversity and quality of the assets in the portfolio. The cash and liquid asset portfolio is held in a range of currencies consistent with the distribution of liquidity needs by currency, allowing for an acceptable level of currency mismatches.

Funds transfer pricing

An internal funds transfer pricing framework is in place that has been designed to produce appropriate incentives for business decision-making by reflecting the funding costs arising from business actions and the separate funding tasks and liquidity requirements of the Bank Group. Under this framework, each business is allocated the full cost of the funding required to support its products and business lines, recognising the actual and contingent funding-related exposures their activities create. Businesses that raise funding are compensated at a level that is appropriate for the liquidity benefit provided by the funding.

Contractual undiscounted cash flows

The following tables summarise the maturity profile of the Consolidated Entity's financial liabilities as at 31 March based on a contractual undiscounted repayment basis and hence would vary from the carrying value as reported in the Statements of financial position at the balance date. Repayments subject to notice are treated as if notice were given immediately. This does not reflect the behaviour of the expected cash flows as indicated by the Consolidated Entity's deposit retention history since the Consolidated Entity expects that many customers will not request repayment on the earliest date the Consolidated Entity could be required to pay.

Note 33
Financial risk management continued

Note 33.2 Liquidity risk continued

	Statements of financial position carrying value $m	On demand $m	0 to 3 months $m	3 to 12 months $m	1 to 5 years $m	More than 5 years $m	Total $m
							CONSOLIDATED 2022
Cash collateralised borrowing and repurchase agreements[1]	16,947	55	5,479	142	11,297	–	16,973
Trading liabilities[2]	5,206	–	5,206	–	–	–	5,206
Margin money and settlement liabilities	21,577	16,172	4,873	532	–	–	21,577
Derivative liabilities (trading)[2]	83,584	–	83,584	–	–	–	83,584
Derivative liabilities (hedge accounting relationships)[3]	607						
Contractual amount payable		–	482	194	1,459	683	2,818
Contractual amount receivable		–	(460)	(167)	(970)	(541)	(2,138)
Deposits	101,614	93,077	5,210	3,089	305	15	101,696
Other liabilities[4]	2,184	113	1,396	377	295	23	2,204
Borrowings	5,713	446	1,624	72	3,686	24	5,852
Issued debt securities[5]	72,107	–	18,771	25,066	16,352	16,048	76,237
Due to other related body corporate entities	11,548	3,608	2,766	207	4,976	–	11,557
Loan capital[6]	6,896	–	64	218	2,031	6,395	8,708
Total	**327,983**	**113,471**	**128,995**	**29,730**	**39,431**	**22,647**	**334,274**
Contingent liabilities		–	2,880	–	–	–	2,880
Commitments		376	1,322	693	2,939	1,566	6,896
Total undiscounted contingent liabilities and commitments[7]		**376**	**4,202**	**693**	**2,939**	**1,566**	**9,776**

(1) Includes the Term Funding Facility (TFF) provided by the RBA.
(2) Derivative liabilities (trading) and trading liabilities are included in the '0 to 3 months' at their fair value. Liquidity risk on these items is not managed on the basis of contractual maturity, as they are frequently settled in the short-term at fair value.
(3) Where multiple derivatives are combined in order to form a single hedge instrument designated in a hedge accounting relationship, each derivative is considered independently for the purposes of assessing liquidity risk and for the disclosure requirements.
(4) Excludes non-contractual accruals and provisions.
(5) Includes $13,380 million payables to SE note holders disclosed on a contractual maturity basis. The expected maturity of the notes is dependent on the repayment of the underlying loans included in the loan assets.
(6) Includes securities with conditional repayment obligations. The cash outflow on the principal component on these securities is disclosed using the earliest optional exchange dates and the cash outflow of the interest component is disclosed using coupon dates instead of the contractual maturity. For contractual maturity of these securities, refer to Note 23 *Loan capital*, further these instruments may be converted into ordinary shares on the occurrence of an other exchange event, and this may impact their maturity profile.
(7) Cash flows on contingent liabilities and commitments are dependent on the occurrence of various future events and conditions and may or may not result in an outflow of resources. These are reported in the '0 to 3 months' unless they are payable on demand or the contractual terms specify a longer dated cash flow.

Note 33
Financial risk management continued

Note 33.2 Liquidity risk continued

	Statements of financial position carrying value $m	On demand $m	0 to 3 months $m	3 to 12 months $m	1 to 5 years $m	More than 5 years $m	Total $m
							CONSOLIDATED 2021
Cash collateralised borrowing and repurchase agreements[1]	4,542	487	2,183	147	1,747	–	4,564
Trading liabilities[2]	6,134	–	6,134	–	–	–	6,134
Margin money and settlement liabilities	16,251	12,998	2,657	596	–	–	16,251
Derivative liabilities (trading)[2]	16,801	–	16,801	–	–	–	16,801
Derivative liabilities (hedge accounting relationships)[3]	674						
Contractual amount payable		–	760	2,301	1,699	192	4,952
Contractual amount receivable		–	(711)	(2,060)	(1,456)	(29)	(4,256)
Deposits	84,140	74,901	6,064	2,995	188	7	84,155
Other liabilities[4]	1,668	139	779	409	359	46	1,732
Borrowings	2,473	410	883	383	819	–	2,495
Issued debt securities[5]	44,668	121	9,265	9,606	17,569	11,104	47,665
Due to other related body corporate entities	15,878	3,608	8,665	667	2,938	1	15,879
Loan capital[6]	6,804	–	1,176	179	3,260	3,711	8,326
Total	200,033	92,664	54,656	15,223	27,123	15,032	204,698
Contingent liabilities		–	2,444	–	–	–	2,444
Commitments		–	2,172	577	2,747	1,123	6,619
Total undiscounted contingent liabilities and commitments[7]		–	4,616	577	2,747	1,123	9,063

(1) Includes the TFF provided by the RBA.
(2) Derivative liabilities (trading) and trading liabilities are included in the '0 to 3 months' at their fair value. Liquidity risk on these items is not managed on the basis of contractual maturity, as they are frequently settled in the short-term at fair value.
(3) Where multiple derivatives are combined in order to form a single hedge instrument designated in a hedge accounting relationship, each derivative is considered independently for the purposes of assessing liquidity risk and for the disclosure requirements.
(4) Excludes non-contractual accruals and provisions.
(5) Includes $9,994 million payables to SE holders disclosed on a contractual maturity basis. The expected maturity of the notes is dependent on the repayment of the underlying loans included in the loan assets.
(6) Includes securities with conditional repayment obligations. The cash outflow on the principal component on these securities is disclosed using the earliest optional exchange dates and the cash outflow of the interest component is disclosed using coupon dates instead of the contractual maturity. For contractual maturity of these securities, refer to Note 23 *Loan capital*, further these instruments may be converted into ordinary shares on the occurrence of an other exchange event, and this may impact their maturity profile.
(7) Cash flows on contingent liabilities and commitments are dependent on the occurrence of various future events and conditions and may or may not result in an outflow of resources. These are reported in the '0 to 3 months' unless they are payable on demand or the contractual terms specify a longer dated cash flow.

Note 33
Financial risk management continued

Note 33.2 Liquidity risk continued

	Statements of financial position carrying value $m	On demand $m	0 to 3 months $m	3 to 12 months $m	1 to 5 years $m	More than 5 years $m	Total $m
							COMPANY 2022
Cash collateralised borrowing and repurchase agreements[1]	**16,947**	**55**	**5,479**	**142**	**11,297**	**–**	**16,973**
Trading liabilities[2]	**5,210**	**–**	**5,210**	**–**	**–**	**–**	**5,210**
Margin money and settlement liabilities	**15,593**	**11,575**	**3,637**	**381**	**–**	**–**	**15,593**
Derivative liabilities (trading)[2]	**70,988**	**–**	**70,988**	**–**	**–**	**–**	**70,988**
Derivative liabilities (hedge accounting relationships)[3]	**533**						
Contractual amount payable		**–**	**372**	**163**	**1,292**	**676**	**2,503**
Contractual amount receivable		**–**	**(363)**	**(146)**	**(852)**	**(535)**	**(1,896)**
Deposits	**101,417**	**93,034**	**5,109**	**3,086**	**255**	**–**	**101,484**
Other liabilities[4]	**1,211**	**91**	**982**	**87**	**52**	**–**	**1,212**
Borrowings	**2,787**	**446**	**1,605**	**8**	**743**	**–**	**2,802**
Issued debt securities	**58,722**	**–**	**18,622**	**24,656**	**15,490**	**1,212**	**59,980**
Due to subsidiaries	**38,766**	**9,939**	**16,655**	**8**	**48**	**12,118**	**38,768**
Due to other related body corporate entities	**10,203**	**3,610**	**1,621**	**6**	**4,976**	**–**	**10,213**
Loan capital[5]	**6,896**	**–**	**64**	**218**	**2,031**	**6,395**	**8,708**
Total	**329,273**	**118,750**	**129,981**	**28,609**	**35,332**	**19,866**	**332,538**
Contingent liabilities		**–**	**10,285**	**–**	**–**	**–**	**10,285**
Commitments		**350**	**1,296**	**605**	**2,925**	**1,551**	**6,727**
Total undiscounted contingent liabilities and commitments[6]		**350**	**11,581**	**605**	**2,925**	**1,551**	**17,012**

(1) Includes the TFF provided by the RBA.
(2) Derivative liabilities (trading) and trading liabilities are included in the '0 to 3 months' at their fair value. Liquidity risk on these items is not managed on the basis of contractual maturity, as they are frequently settled in the short-term at fair value.
(3) Where multiple derivatives are combined in order to form a single hedge instrument designated in a hedge accounting relationship, each derivative is considered independently for the purposes of assessing liquidity risk and for disclosure requirements.
(4) Excludes non-contractual accruals and provisions.
(5) Includes securities with conditional repayment obligations. The cash outflow on the principal component on these securities is disclosed using the earliest optional exchange dates and the cash outflow of the interest component is disclosed using coupon dates instead of the contractual maturity. For contractual maturity of these securities, refer to Note 23 *Loan capital*, further these instruments may be converted into ordinary shares on the occurrence of an other exchange event, and this may impact their maturity profile.
(6) Cash flows on contingent liabilities and commitments are dependent on the occurrence of various future events and conditions and may or may not result in an outflow of resources. These are reported in the '0 to 3 months' unless they are payable on demand or the contractual terms specify a longer dated cash flow.

Note 33
Financial risk management continued

Note 33.2 Liquidity risk continued

	Statements of financial position carrying value $m	On demand $m	0 to 3 months $m	3 to 12 months $m	1 to 5 years $m	More than 5 years $m	Total $m
							COMPANY 2021
Cash collateralised borrowing and reverse repurchase agreements[1]	4,542	487	2,183	147	1,747	–	4,564
Trading liabilities[2]	6,137	–	6,137	–	–	–	6,137
Margin money and settlement liabilities	13,632	10,626	2,534	472	–	–	13,632
Derivative liabilities (trading)[2]	15,333	–	15,333	–	–	–	15,333
Derivative liabilities (hedge accounting relationships)[3]	399						
Contractual amount payable		–	650	1,839	1,341	190	4,020
Contractual amount receivable		–	(630)	(1,733)	(1,208)	(27)	(3,598)
Deposits	83,994	74,874	5,953	2,995	176	7	84,005
Other liabilities[4]	821	60	565	195	40	–	860
Borrowings	1,967	410	815	308	447	–	1,980
Issued debt securities	34,764	121	9,061	8,970	16,093	1,206	35,451
Due to subsidiaries	16,524	2,978	7,264	–	314	5,970	16,526
Due to other related body corporate entities	15,678	3,657	8,417	667	2,938	–	15,679
Loan capital[5]	6,804	–	1,176	179	3,260	3,711	8,326
Total	200,595	93,213	59,458	14,039	25,148	11,057	202,915
Contingent liabilities		–	3,639	–	–	–	3,639
Commitments		–	1951	503	2,551	1,123	6,128
Total undiscounted contingent liabilities and commitments[6]		–	5,590	503	2,551	1,123	9,767

(1) Includes the TFF provided by the RBA.
(2) Derivative liabilities (trading) and trading liabilities are included in the '0 to 3 months' at their fair value. Liquidity risk on these items is not managed on the basis of contractual maturity, as they are frequently settled in the short-term at fair value.
(3) Where multiple derivatives are combined in order to form a single hedge instrument designated in a hedge accounting relationship, each derivative is considered independently for the purposes of assessing liquidity risk and for disclosure requirements.
(4) Excludes non-contractual accruals and provisions.
(5) Includes securities with conditional repayment obligations. The cash outflow on the principal component on these securities is disclosed using the earliest optional exchange dates and the cash outflow of the interest component is disclosed using coupon dates instead of the contractual maturity. For contractual maturity of these securities, refer to Note 23 *Loan capital*, further these instruments may be converted into ordinary shares on the occurrence of an other exchange event, and this may impact their maturity profile.
(6) Cash flows on contingent liabilities and commitments are dependent on the occurrence of various future events and conditions and may or may not result in an outflow of resources. These are reported in the '0 to 3 months' unless they are payable on demand or the contractual terms specify a longer dated cash flow.

Note 33
Financial risk management continued

Note 33.3 Market risk

Traded market risk

Market risk is the risk of adverse changes in the value of the Consolidated Entity's trading positions as a result of changes in market conditions. The Consolidated Entity is exposed to the following risks:

- **price:** The risk of loss due to changes in price of a risk factor (interest rates, foreign exchange, commodities etc.)
- **volatility:** The risk of loss due to changes in the volatility of a risk factor
- **basis:** Risk of imperfect correlation between offsetting investments in a hedging strategy
- **correlation:** Risk that the actual correlation between two assets or variables is different from the assumed correlation
- **illiquid market:** Risk of inability to sell assets or close out positions in thinly-traded markets at close to the last market prices
- **concentration:** Risk of over concentration of trading exposures in certain markets and products
- **valuation adjustments:** Risk of actual valuation adjustments to derivative positions; specifically Credit Valuation Adjustment, Debit Valuation Adjustment and Funding Valuation Adjustment (FVA).

It is recognised that all trading activities contain calculated elements of risk taking. The Consolidated Entity is prepared to accept such risks provided they are within agreed limits, independently and correctly identified, calculated and monitored by RMG, and reported to Senior Management on a regular basis.

RMG monitors positions within the Consolidated Entity according to a limit structure which sets limits for all exposures in all markets. Limits are for both individual trading desks and divisions as well as in aggregate.

RMG sets three complementary limit structures:

- **contingent loss limits:** Worst case scenarios that shock prices and volatilities by more than that which has occurred historically. Multiple scenarios are set for each market to capture the non-linearity and complexity of exposures arising from derivatives. A wide range of assumptions about the correlations between markets is applied
- **position limits:** Volume, maturity and open position limits are set on a large number of market instruments and securities in order to constrain concentration risk and to avoid the accumulation of risky, illiquid positions
- **Value-at-Risk (VaR) limits:** A statistical measure based on a 10-day holding period and a 99% confidence level, as stipulated by the APRA capital adequacy standard. The model is validated daily by back testing a one-day VaR against hypothetical and actual daily trading profit or loss.

Note 33
Financial risk management continued

Note 33.3 Market risk continued

Value-at-Risk figures (1 day, 99% confidence level)

The table below shows the average, maximum and minimum VaR over the financial year for the major markets in which the Consolidated Entity and Company operates. The VaR shown in the table is based on a one-day holding period, being the mark-to-market loss that could be incurred over that period. The aggregated VaR is on a correlated basis.

	2022			2021		
	Average $m	Maximum $m	Minimum $m	Average $m	Maximum $m	Minimum $m
						CONSOLIDATED
Equities	**3.28**	**5.44**	**1.52**	3.93	5.93	2.34
Interest rates	**2.93**	**5.96**	**1.71**	3.58	5.44	2.46
Foreign exchange and bullion	**1.73**	**3.39**	**0.83**	2.21	3.88	1.26
Commodities(1)	**29.90**	**52.27**	**14.97**	16.09	40.96	11.33
Aggregate	**30.19**	**53.23**	**14.61**	17.62	42.05	12.77

	2022			2021		
	Average $m	Maximum $m	Minimum $m	Average $m	Maximum $m	Minimum $m
						COMPANY
Equities	**3.28**	**5.42**	**1.55**	3.78	5.75	2.05
Interest rates	**2.69**	**5.35**	**1.61**	3.55	5.39	2.45
Foreign exchange and bullion	**3.65**	**8.48**	**1.09**	4.93	11.67	1.87
Commodities(1)	**20.85**	**37.08**	**10.41**	12.12	18.37	8.25
Aggregate	**21.92**	**37.12**	**10.85**	14.54	22.46	10.45

(1) Includes commodity contracts.

Note 33
Financial risk management continued

Note 33.3 Market risk continued

Value-at-Risk

The VaR model uses a Monte Carlo simulation to generate normally distributed price and volatility paths, based on three years of historical data. The following factors can limit the effectiveness of VaR in predicting future price moves:

- the use of historical data means that the current model parameters may not reflect future market conditions, especially when entering a period of heightened volatility. The model utilises exponential weighting to place emphasis on the most recent market movements to more accurately reflect current conditions
- VaR focuses on unexceptional price moves so that it does not account for losses that could occur beyond the 99% level of confidence.

For capital adequacy purposes, debt-specific risk is measured using APRA's standard method, whilst all other exposures are captured by the VaR model. This combined approach has been approved by APRA and is subject to periodic review.

Non-traded market risk

The Consolidated Entity and the Company have exposure to non-traded market risks arising from transactions entered into during its normal course of business and as a result of its investments in foreign operations. These risks include:

- **interest rate:** Changes in the level, shape and volatility of yield curves, and/or client behaviour given these changes
- **foreign exchange:** Changes in the spot exchange rates.

The Consolidated Entity has limited appetite for non-traded market risks. Where commercially feasible, these risks are transferred into the trading books of CGM and Group Treasury and governed within the traded market risk framework described above.

Responsibility for managing exposures rests with individual businesses, with additional central monitoring from FMG for foreign exchange risks. Any residual non-traded market risks are subject to independent limits approved by RMG and reported regularly to Senior Management.

Where foreign exchange exposures arise as a result of investments in foreign operations, a key objective of the Consolidated Entity's and Company's *Non-traded market risk policy* is to reduce the sensitivity of regulatory capital ratios to foreign currency movements. This is achieved by leaving specific investments in core foreign operations exposed to foreign currency translation movements and captured in the foreign currency translation reserve, a component of regulatory capital. This aligns the currency of capital supply with capital requirements.

As a result of this policy, the Consolidated Entity is therefore partially exposed to currency risk in relation to the translation of its net investment in foreign operations to Australian dollars. Apart from this there is no material non-trading foreign exchange risk.

Accounting considerations arising from hedging activities

The use of derivative and other financial instruments to hedge non-traded positions potentially gives rise to income statement volatility due to difference in accounting treatments. The Consolidated Entity manages this through hedge accounting as set out in Note 41(x) *Derivative instruments and hedging activities* and Note 32 *Hedge accounting.*

Interest rate risk – Interest Rate Benchmark Reform (IBOR)

During 2018, the Consolidated Entity initiated a group-wide project, sponsored by its Chief Financial Officer (CFO), to manage the impacts of IBOR reform, including overseeing the transition from LIBOR to ARRs. A group-wide steering committee was established with its key responsibility being the governance of the project and comprised of senior executives from the Consolidated Entity's Operating Groups, Financial Management Group (FMG), Risk Management Group (RMG), Corporate Operations Group (COG) and Legal and Governance.

In addition to the project's progress outlined in Consolidated Entity's annual and interim financial statements for previous periods, the project achieved several important milestones for the period ended 31 March 2022 including that the Consolidated Entity:

- has successfully transitioned all contracts referencing LIBORs that ceased publication on 31 December 2021
- is transacting across a broad range of ARR currencies and products, supported by changes to key systems and processes
- ceased using USD LIBOR in new contracts after 31 December 2021 aside from exceptional use cases
- transitioned its internal USD LIBOR, EURIBOR and CDOR funding to Secured overnight financing rate (SOFR), Euro Short-Term Rate (ESTR) and Canadian Overnight Repo Rate Average (CORRA) respectively, and re-hedged external funding exposures to the relevant currency ARR, given sufficient liquidity in the relevant markets
- has transitioned all hedge accounting relationships impacted by IBOR cessation except for a small number of USD LIBOR positions which will mature prior to cessation.

Given progress in recent years, including the recent achievements outlined above, there has been a significant reduction in the remaining LIBOR transition effort and risks. The key remaining task is to work with clients and counterparties to transition legacy USD LIBOR contracts, or ensure these contracts contain robust fallbacks, to ARRs before USD LIBOR publication ceases on 30 June 2023. Whilst the transition of legacy USD LIBOR contracts exposes the Consolidated Entity to risks, including those outlined below, from 1 April 2022, the Consolidated Entity's IBOR transition governance model was decentralised, under which central oversight reduced and parameters were established for the operating groups to deliver appropriate outcomes for the remainder of the LIBOR transition effort and risks.

Note 33
Financial risk management continued

Note 33.3 Market risk continued

Macquarie has identified the following four inherent risks arising from transition of legacy USD LIBOR contracts:

- **financial risk**: This includes (i) value transfers during transition to ARRs, or triggering of fallback terms and default interest payment terms, (ii) basis risk from products and currencies moving at different times, (iii) change in accounting treatment impacts including hedge accounting, capital, tax and reported earnings, and (iv) loss in revenue/market share from not being ready to participate in ARR markets
- **conduct risk**: This includes (i) real or perceived benefit of information asymmetry between financial institutions and clients during transition, (ii) real or perceived unfair treatment of clients during transition, and (iii) market participants attempt to influence ARRs during transition or misconduct in markets where there is insufficient liquidity
- **legal risk**: This includes (i) client disputes over amendment terms, (ii) litigation from clients and counterparties (including potential class actions) due to inappropriate/unenforceable contractual terms or losses from transition
- **operational risk**: This includes (i) infrastructure and processes that result in errors upon transition, and (ii) reduced model accuracy due to lack of historical data.

Whilst IBOR reforms, including the transition from LIBOR to ARRs, are important changes for the Consolidated Entity, they have not resulted in changes to the Consolidated Entity's risk management strategy and these risks are managed within the existing risk management framework.

Exposure yet to be transitioned to ARRs: Notional value information relating to the Consolidated Entity's and the Company's financial instruments which are yet to transition to ARRs as at the reporting date includes:

- **derivatives** exposure in USD LIBOR (Consolidated Entity: $80,006 million; Company: $80,006 million) and other currencies (Consolidated Entity: $279 million; Company: $279 million). The exposure at 31 March 2021 was in USD LIBOR (Consolidated Entity: $73,472 million; Company: $73,874 million), GBP LIBOR (Consolidated Entity: $27,142 million; Company: $28,343 million), JPY LIBOR (Consolidated Entity: $1,042 million; Company: $1,042 million) and other currencies (Consolidated Entity: $188 million; Company: $188 million)
- **non-derivative financial assets** exposure in USD LIBOR (Consolidated Entity: $2,913 million; Company: $2,913 million) and other currencies (Consolidated Entity: $21 million; Company: $21 million). The exposure at 31 March 2021 was in USD LIBOR (Consolidated Entity: $2,421 million; Company: $251 million) and other currencies (Consolidated Entity: $26 million; Company: $26 million)
- **non-derivative financial liabilities** exposure in USD LIBOR (Consolidated Entity: $553 million; Company: $486 million). The exposure at 31 March 2021 was in USD LIBOR (Consolidated Entity: $573 million; Company: $573 million).

The scope of the above-mentioned exposures has been determined as follows:

- the benchmark will be replaced, and the replacement date is known. Only exposures with contractual maturities extending beyond the replacement date have been included
- the gross notional values of both on-balance sheet and off-balance sheet exposures have been included
- for contracts that reference more than one benchmark, such as a cross currency swap, the exposure includes both benchmarks to reflect the absolute exposure to different reference rates
- exposures to benchmarks which are not subject to mandatory replacement such as BBSW (Australia), EURIBOR (Euro) and certain tenors of CDOR (Canada), will be considered in scope when the Consolidated Entity makes a determination that the client and counterparty exposures in such benchmarks are required to be transitioned to ARR as a consequence of IBOR reform. This determination is primarily impacted by market demand and the level of liquidity in respective benchmarks and products
- derivative contracts of $8,479 million designated in hedge accounting relationships have synthetically transitioned from USD LIBOR to SOFR and have been excluded.

Note 33
Financial risk management continued

Note 33.3 Market risk continued

Foreign currency risk

The Consolidated Entity and the Company are active in various currencies globally. The net investment in foreign operations generates capital requirements in foreign currencies and results in sensitivity of the capital ratio to movements in the Australian dollar rate against various foreign currencies. The Consolidated Entity and the Company hedge this exposure by leaving specific investments in foreign operations exposed to foreign currency translation movements, which aligns the currency of capital supply with capital requirements. Refer to Note 41(x) *Derivative instruments and hedging activities* and Note 32 *Hedge accounting* for details regarding the application of hedge accounting to the Consolidated Entity and the Company's net investment in foreign operations.

The sensitivity of the Consolidated Entity's net investment in foreign operation to the most material currencies after considering related hedges is presented in the table below. The sensitivity of the Company's net investment in foreign operations is not material after considering related hedges.

	2022		2021	
	Movement in exchange rates %	**Sensitivity of other comprehensive income after tax $m**	Movement in exchange rates %	Sensitivity of other comprehensive income after tax $m
				CONSOLIDATED
United States dollar	**+10**	**(405)**	+10	(276)
Pound sterling	**+10**	**(46)**	+10	(48)
Canadian dollar	**+10**	**(10)**	+10	(13)
Total		**(461)**		(337)
United States dollar	**-10**	**495**	-10	338
Pound sterling	**-10**	**56**	-10	58
Canadian dollar	**-10**	**13**	-10	16
Total		**564**		412
				COMPANY
United States dollar	**+10**	**(405)**	+10	–
Total		**(405)**		–
United States dollar	**-10**	**495**	-10	–
Total		**495**		–

Equity price risk

The Consolidated Entity and the Company is not exposed to significant equity risk on their non-trading investment portfolios.

Note 34
Measurement categories of financial instruments

The following table contains information relating to the measurement categories (i.e. Held for trading (HFT), FVTPL, DFVTPL, FVOCI or Amortised cost) of assets and liabilities of the Consolidated Entity. The descriptions of measurement categories are included in Note 41(vii) *Financial instruments*.

The methods and significant assumptions that have been applied in determining the fair values of assets and liabilities are disclosed in Note 35 *Fair value of assets and liabilities*.

	FINANCIAL INSTRUMENTS CARRIED AT							FAIR VALUE OF ITEMS CARRIED AT	
	FAIR VALUE								
	HFT $m	DFVTPL $m	FVTPL $m	FVOCI $m	Amortised cost $m	Non-financial instruments $m	Statements of financial position total $m	Fair value $m	Amortised cost $m
Assets									**CONSOLIDATED 2022**
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[2]	84,171	–	445	–	–	–	84,616	84,616	–
Financial investments:									
Equity	–	–	255	–	–	–	255	255	–
Debt	–	–	14	6,238	4	–	6,256	6,252	4
Held for sale and other assets[1]	–	1,655	21	–	2,158	1,155	4,989	1,676	2,158
Loan assets[3]	–	78	184	–	122,742	–	123,004	262	122,980
Due from related body corporate entities[4]	1,741	–	–	–	1,399	285	3,425	1,741	1,399
Property, plant and equipment and right-of-use[3]	–	–	–	–	–	3,536	3,536	–	–
Deferred tax assets	–	–	–	–	–	897	897	–	–
Total assets	**94,513**	**1,733**	**5,613**	**33,461**	**205,316**	**8,991**	**349,627**	**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[2]	83,584	–	607	–	–	–	84,191	84,191	–
Deposits	–	–	–	–	101,614	–	101,614	–	101,629
Other liabilities[5]	–	1,128	–	–	1,056	3,559	5,743	1,128	699
Borrowings	–	–	–	–	5,713	–	5,713	–	5,724
Due to related body corporate entities[4]	513	–	–	–	11,035	89	11,637	513	11,035
Issued debt securities[3]	–	1,585	–	–	70,522	–	72,107	1,585	70,494
Deferred tax liabilities	–	–	–	–	–	28	28	–	–
Loan capital[3]	–	–	–	–	6,896	–	6,896	–	7,027
Total liabilities	**89,303**	**2,954**	**607**	**–**	**235,119**	**3,676**	**331,659**	**92,864**	**234,891**

(1) Non-financial assets under 'Trading assets' represent commodities carried at fair value less costs to sell. Non-financial assets under 'Held for sale and other assets' primarily represents prepayments and tax receivables.
(2) Derivatives designated in effective hedge accounting relationships are presented as FVTPL. Further detail regarding the carrying amount of hedging instruments is included in Note 32 *Hedge accounting*.
(3) Items measured at amortised cost or cost includes, where applicable, fair value hedge accounting adjustments for the designated hedged risk.
(4) 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 liabilities.
(5) Non-financial liabilities primarily represent accrued charges, employee-related provisions and tax payables. The fair value of other liabilities carried at amortised cost excludes lease liabilities.

Note 34
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	Statements of financial position total $m	Fair value $m	Amortised cost $m
Assets									CONSOLIDATED 2021
Cash and bank balances	–	–	–	–	15,966	–	15,966	–	15,966
Cash collateralised lending and reverse repurchase agreements	–	–	7,909	17,362	9,284	–	34,555	25,271	9,284
Trading assets(1)	14,521	–	–	–	–	6,691	21,212	21,212	–
Margin money and settlement assets	–	–	332	–	7,970	–	8,302	332	7,970
Derivative assets(2)	19,973	–	579	–	–	–	20,552	20,552	–
Financial investments:									
Equity	–	–	206	–	–	–	206	206	–
Debt	–	–	110	7,665	18	–	7,793	7,775	18
Held for sale other assets(1)	–	1,266	12	–	1,049	1,166	3,493	1,278	1,049
Loan assets(3)	–	64	129	–	98,799	–	98,992	193	99,177
Due from other related body corporate entities(4)	384	–	–	–	1,507	263	2,154	384	1,507
Property, plant and equipment and right-of-use assets	–	–	–	–	–	2,797	2,797	–	–
Deferred tax assets	–	–	–	–	–	826	826	–	–
Total assets	34,878	1,330	9,277	25,027	134,593	11,743	216,848	77,203	134,971
Liabilities									
Cash collateralised borrowing and repurchase agreements	–	345	–	–	4,197	–	4,542	345	4,197
Trading liabilities	6,134	–	–	–	–	–	6,134	6,134	–
Margin money and settlement liabilities	–	–	–	–	16,251	–	16,251	–	16,251
Derivative liabilities(2)	16,801	–	674	–	–	–	17,475	17,475	–
Deposits	–	–	–	–	84,140	–	84,140	–	84,157
Other liabilities(5)	–	605	–	–	1,063	2,682	4,350	605	584
Due to related body corporate entities(5)	902	–	–	–	14,976	23	15,901	902	14,976
Borrowings	–	–	–	–	2,473	–	2,473	–	2,484
Issued debt securities(3)	–	2,113	–	–	42,555	–	44,668	2,113	42,893
Deferred tax liabilities	–	–	–	–	–	36	36	–	–
Loan capital(3)	–	–	–	–	6,804	–	6,804	–	7,072
Total liabilities	23,837	3,063	674	–	172,459	2,741	202,774	27,574	172,614

(1) Non-financial assets under 'Trading assets' represent commodities carried at fair value less costs to sell. Non-financial assets under 'Held for sale and other assets' primarily represents prepayments and tax receivables.
(2) Derivatives designated in effective hedge accounting relationships are presented as FVTPL. Further detail regarding the carrying amount of hedging instruments is included in Note 32 *Hedge accounting*.
(3) Items measured at amortised cost or cost includes, where applicable, fair value hedge accounting adjustments for the designated hedged risk.
(4) 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 liabilities.
(5) Non-financial liabilities primarily represent accrued charges, employee related provisions and tax payables. The fair value of other liabilities carried at amortised cost excludes lease liabilities.

Note 34
Measurement categories of financial instruments continued

The following table contains information relating to the measurement categories of assets and liabilities of the Company. The descriptions of measurement categories are included in Note 41(vii) *Financial instruments*.

The methods and significant assumptions that have been applied in determining the fair values of assets and liabilities are disclosed in Note 35 *Fair value of assets and liabilities.*

	FINANCIAL INSTRUMENTS CARRIED AT							FAIR VALUE OF ITEMS CARRIED AT	
	FAIR VALUE								
	HFT $m	DFVTPL $m	FVTPL $m	FVOCI $m	Amortised cost $m	Non-financial instruments $m	Statements of financial position total $m	Fair value $m	Amortised cost $m
Assets									**COMPANY 2022**
Cash and bank balances	–	–	–	–	43,594	–	43,594	–	43,594
Cash collateralised lending and reverse repurchase agreements	–	–	4,170	23,588	10,447	–	38,205	27,758	10,447
Trading assets[1]	8,255	–	–	–	–	1,876	10,131	10,131	–
Margin money and settlement assets	–	–	5	–	16,110	–	16,115	5	16,110
Derivative assets[2]	74,028	–	416	–	–	–	74,444	74,444	–
Financial investments:									
Equity	–	–	221	–	–	–	221	221	–
Debt	–	–	14	6,238	4	–	6,256	6,252	4
Held for sale and other assets[1]	–	850	–	–	1,709	379	2,938	850	1,709
Loan assets[3],[4]	–	78	135	3,266	117,700	–	121,179	3,479	117,658
Due from related body corporate entities[5]	1,735	–	–	–	1,122	97	2,954	1,735	1,122
Due from subsidiaries[5]	11,973	–	232	140	11,506	5	23,856	12,345	11,506
Property, plant and equipment and right-of-use assets[3]	–	–	–	–	–	2,801	2,801	–	–
Investments in subsidiaries	–	–	–	–	–	6,287	6,287	–	–
Deferred tax assets	–	–	–	–	–	402	402	–	–
Total assets	**95,991**	**928**	**5,193**	**33,232**	**202,192**	**11,847**	**349,383**	**137,220**	**202,150**
Liabilities									
Cash collateralised borrowing and repurchase agreements	–	241	–	–	16,706	–	16,947	241	16,706
Trading liabilities	5,210	–	–	–	–	–	5,210	5,210	–
Margin money and settlement liabilities	–	–	–	–	15,593	–	15,593	–	15,593
Derivative liabilities[2]	70,988	–	533	–	–	–	71,521	71,521	–
Deposits	–	–	–	–	101,417	–	101,417	–	101,433
Other liabilities[6]	–	711	–	–	500	1,811	3,022	711	500
Borrowings	–	–	–	–	2,787	–	2,787	–	2,792
Due to related body corporate entities[7]	512	–	–	–	9,691	–	10,203	512	9,691
Due to subsidiaries[7]	13,870	–	40	–	24,856	6	38,772	13,910	24,856
Issued debt securities[3]	–	1,585	–	–	57,137	–	58,722	1,585	57,160
Deferred tax liabilities	–	–	–	–	–	29	29	–	–
Loan capital[3]	–	–	–	–	6,896	–	6,896	–	7,027
Total liabilities	**90,580**	**2,537**	**573**	**–**	**235,583**	**1,846**	**331,119**	**93,690**	**235,758**

(1) Non-financial assets under 'Trading assets' primarily represent commodities carried at fair value less costs to sell. Non-financial assets under 'Held for sale and other assets' primarily represents prepayments and tax receivables.
(2) Derivatives designated in effective hedge accounting relationships are presented as FVTPL. Further detail regarding the carrying amount of hedging instruments is included in Note 32 *Hedge accounting*.
(3) Items measured at amortised cost or cost includes, where applicable, fair value hedge accounting adjustments for designated hedged risk.
(4) Loan assets measured at FVOCI represents certain loan portfolio assessed to be managed under a held to collect and sell business model in the Company. In the Consolidated Entity, the portfolio is managed under a held to collect business model and hence measured at amortised cost.
(5) Due from related body corporate entities includes derivatives and trading positions classified as HFT and all other receivables from related body corporate entities are carried at amortised cost.
(6) Non-financial liabilities primarily represent accrued charges, employee related provisions and tax payables.
(7) Due to related body corporate entities and subsidiaries includes derivatives and trading positions classified as HFT and continuing involvement in certain securitised SEs at FVTPL. All other payables to related body corporate entities are carried at amortised cost.

Note 34
Measurement categories of financial instruments continued

	FINANCIAL INSTRUMENTS CARRIED AT FAIR VALUE							FAIR VALUE OF ITEMS CARRIED AT	
	HFT $m	DFVTPL $m	FVTPL $m	FVOCI $m	Amortised cost $m	Non-financial instruments $m	Statements of financial position total $m	Fair value $m	Amortised cost $m
Assets									COMPANY 2021
Cash and bank balances	–	–	–	–	14,012	–	14,012	–	14,012
Cash collateralised lending and reverse repurchase agreements	–	–	7,550	16,896	6,588	–	31,034	24,446	6,588
Trading assets[1]	14,148	–	–	–	–	4,980	19,128	19,128	–
Margin money and settlement assets	–	–	4	–	6,413	–	6,417	4	6,413
Derivative assets[2]	18,755	–	573	–	–	–	19,328	19,328	–
Financial investments:									
Equity	–	–	147	–	–	–	147	147	–
Debt	–	–	104	7,665	–	–	7,769	7,769	–
Held for sale and other assets[1]	–	864	–	–	535	318	1,717	864	535
Loan assets[3],[4]	–	64	106	2,698	80,808	–	83,676	2,868	80,926
Due from other related body corporate entities[5]	381	–	–	–	1,181	83	1,645	381	1,181
Due from subsidiaries[5]	2,478	–	1,024	–	17,960	38	21,500	3,502	17,960
Property, plant and equipment and right-of-use assets	–	–	–	–	–	672	672	–	–
Investments in subsidiaries	–	–	–	–	–	6,618	6,618	–	–
Deferred tax assets	–	–	–	–	–	493	493	–	–
Total assets	35,762	928	9,508	27,259	127,497	13,202	214,156	78,437	127,615
Liabilities									
Cash collateralised borrowing and repurchase agreements	–	345	–	–	4,197	–	4,542	345	4,197
Trading liabilities	6,137	–	–	–	–	–	6,137	6,137	–
Margin money and settlement liabilities	–	–	–	–	13,632	–	13,632	–	13,632
Derivative liabilities[1]	15,333	–	399	–	–	–	15,732	15,732	–
Deposits	–	–	–	–	83,994	–	83,994	–	84,011
Other liabilities[6]	–	482	–	–	339	1,233	2,054	482	339
Borrowings	–	–	–	–	1,967	–	1,967	–	1,978
Due to other related body corporate entities[7]	899	–	–	–	14,779	6	15,684	899	14,779
Due to subsidiaries[7]	2,830	–	204	–	13,490	8	16,532	3,034	13,490
Issued debt securities[3]	–	2,202	–	–	32,562	–	34,764	2,202	32,836
Deferred tax liabilities	–	–	–	–	–	–	–	–	–
Loan capital[3]	–	–	–	–	6,804	–	6,804	–	7,072
Total liabilities	25,199	3,029	603	–	171,764	1,247	201,842	28,831	172,334

(1) Non-financial assets under 'Trading assets' primarily represent commodities carried at fair value less costs to sell. Non-financial assets under 'Held for sale and other assets' primarily represents prepayments and tax receivables.
(2) Derivatives designated in effective hedge accounting relationships are presented as FVTPL. Further detail regarding the carrying amount of hedging instruments is included in Note 32 *Hedge accounting*.
(3) Items measured at amortised cost or cost includes, where applicable, fair value hedge accounting adjustments for the designated hedged risk.
(4) Loan assets measured at FVOCI represents certain loan portfolio assessed to be managed under a held to collect and sell business model in the Company. In the Consolidated Entity, the portfolio is managed under a held to collect business model and hence measured at amortised cost.
(5) Due from related body corporate entities includes derivatives and trading positions classified as HFT and all other receivables from related body corporate entities are carried at amortised cost.
(6) Non-financial liabilities primarily represent accrued charges, employee related provisions and tax payables.
(7) Due to related body corporate entities and subsidiaries includes derivatives and trading positions classified as HFT and continuing involvement in certain securitised SEs at FVTPL. All other payables to related body corporate entities are carried at amortised cost.

Note 35
Fair value of assets and liabilities

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

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

The values derived from applying these techniques are affected by the choice of valuation model used and the underlying assumptions made regarding inputs such as the timing and amounts of future cash flows, discount rates, credit risk, volatility and correlation.

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 Statements of financial position at amortised cost (as disclosed in Note 34 *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 repurchased 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

Note 35
Fair value of assets and liabilities continued

- 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
- 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 35
Fair value of assets and liabilities continued

Assets and Liabilities measured at amortised cost

The following table summarises the fair value of financial assets and financial liabilities measured at amortised cost except where the carrying value is approximately equal to the fair value, including the level within the fair value hierarchy:

	Level 1 $m	Level 2 $m	Level 3 $m	Total $m
				CONSOLIDATED 2022
Assets				
Loan assets	**–**	**5,492**	**117,488**	**122,980**
Total assets	**–**	**5,492**	**117,488**	**122,980**
Liabilities				
Deposits	**81,198**	**20,432**	**–**	**101,630**
Borrowings	**446**	**5,175**	**103**	**5,724**
Issued debt securities	**–**	**57,931**	**12,563**	**70,494**
Loan capital	**1,351**	**5,676**	**–**	**7,027**
Total liabilities	**82,995**	**89,214**	**12,666**	**184,875**
				CONSOLIDATED 2021
Assets				
Loan assets	–	4,310	94,867	99,177
Total assets	–	4,310	94,867	99,177
Liabilities				
Deposits	68,600	15,557	–	84,157
Borrowings	405	1,929	150	2,484
Issued debt securities	–	33,945	8,948	42,893
Loan capital	696	6,376	–	7,072
Total liabilities	69,701	57,807	9,098	136,606

Note 35
Fair value of assets and liabilities continued

Assets and Liabilities measured at amortised cost continued

The following table summarises the fair value of financial assets and financial liabilities measured at amortised cost except where the carrying value is approximately equal to the fair value, including the level within the fair value hierarchy:

	Level 1 $m	Level 2 $m	Level 3 $m	Total $m
				COMPANY 2022
Assets				
Loan assets	**–**	**5,198**	**112,460**	**117,658**
Total assets	**–**	**5,198**	**112,460**	**117,658**
Liabilities				
Deposits	**81,016**	**20,417**	**–**	**101,433**
Borrowings	**446**	**2,346**	**–**	**2,792**
Issued debt securities	**–**	**57,160**	**–**	**57,160**
Loan capital	**1,351**	**5,676**	**–**	**7,027**
Total liabilities	**82,813**	**85,599**	**–**	**168,412**
				COMPANY 2021
Assets				
Loan assets	–	3,163	77,763	80,926
Total assets	–	3,163	77,763	80,926
Liabilities				
Deposits	68,462	15,549	–	84,011
Borrowings	406	1,572	–	1,978
Issued debt securities	–	32,836	–	32,836
Loan capital	696	6,376	–	7,072
Total liabilities	69,564	56,333	–	125,897

Note 35
Fair value of assets and liabilities continued

Assets and liabilities measured at fair value on a recurring basis

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 on a recurring basis:

	Level 1 $m	Level 2 $m	Level 3 $m	Total $m
				CONSOLIDATED 2022
Assets				
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]	**–**	**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**
Other liabilities	**–**	**1,128**	**–**	**1,128**
Due to related body corporate entities[1]	**–**	**513**	**–**	**513**
Issued debt securities	**–**	**1,585**	**–**	**1,585**
Total liabilities	**5,044**	**86,516**	**1,304**	**92,864**
				CONSOLIDATED 2021
Assets				
Cash collateralised lending and reverse repurchase agreements	–	25,271	–	25,271
Trading assets	10,188	10,604	420	21,212
Margin money and settlement assets	–	332	–	332
Derivative assets	232	20,059	261	20,552
Financial investments	507	6,822	652	7,981
Held for sale and other assets	–	1,253	25	1,278
Loan assets	–	138	55	193
Due from related body corporate entities[1]	–	384	–	384
Total assets	10,927	64,863	1,413	77,203
Liabilities				
Cash collateralised borrowing and repurchase agreements	–	345	–	345
Trading liabilities	6,024	110	–	6,134
Derivative liabilities	224	16,973	278	17,475
Held for sale and other liabilities	–	605	–	605
Due to related body corporate entities[1]	–	902	–	902
Issued debt securities	–	2,113	–	2,113
Total liabilities	6,248	21,048	278	27,574

(1) Includes balances with related body corporates. For details, refer Note 34 *Measurement categories of financial instruments*.

Note 35
Fair value of assets and liabilities continued

Assets and liabilities measured at fair value on a recurring basis continued

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

	Level 1 $m	Level 2 $m	Level 3 $m	Total $m
				COMPANY 2022
Assets				
Cash collateralised lending and reverse repurchase agreements	**–**	**27,758**	**–**	**27,758**
Trading assets	**4,303**	**5,672**	**156**	**10,131**
Margin money and settlement assets	**–**	**5**	**–**	**5**
Derivative assets	**1**	**74,189**	**254**	**74,444**
Financial investments	**1,409**	**4,179**	**885**	**6,473**
Held for sale and other assets	**–**	**848**	**2**	**850**
Loan assets	**–**	**210**	**3,269**	**3,479**
Due from related body corporate entities[1]	**–**	**1,735**	**–**	**1,735**
Due from subsidiaries[1]	**–**	**11,738**	**607**	**12,345**
Total assets	**5,713**	**126,334**	**5,173**	**137,220**
Liabilities				
Cash collateralised borrowing and repurchase agreements	**–**	**241**	**–**	**241**
Trading liabilities	**5,037**	**173**	**–**	**5,210**
Derivative liabilities	**11**	**71,080**	**430**	**71,521**
Other liabilities	**–**	**711**	**–**	**711**
Due to related body corporate entities[1]	**–**	**512**	**–**	**512**
Due to subsidiaries[1]	**–**	**13,453**	**457**	**13,910**
Issued debt securities	**–**	**1,585**	**–**	**1,585**
Total liabilities	**5,048**	**87,755**	**887**	**93,690**
				COMPANY 2021
Assets				
Cash collateralised lending and reverse repurchase agreements	–	24,446	–	24,446
Trading assets	10,161	8,794	173	19,128
Margin money and settlement assets	–	4	–	4
Derivative assets	232	18,944	152	19,328
Financial investments	503	6,820	593	7,916
Held for sale and other assets	–	846	18	864
Loan assets	–	113	2,755	2,868
Due from related body corporate entities[1]	–	381	–	381
Due from subsidiaries[1]	–	2,935	567	3,502
Total assets	10,896	63,283	4,258	78,437
Liabilities				
Cash collateralised borrowing and repurchase agreements	–	345	–	345
Trading liabilities	6,027	110	–	6,137
Derivative liabilities	224	15,365	143	15,732
Other liabilities	–	482	–	482
Due to related body corporate entities[1]	–	899	–	899
Due to subsidiaries[1]	–	2,691	343	3,034
Issued debt securities	–	2,202	–	2,202
Total liabilities	6,251	22,094	486	28,831

(1) Includes balances with related body corporates. For details, refer Note 34 *Measurement categories of financial instruments.*

Note 35
Fair value of assets and liabilities continued

Reconciliation of balances in Level 3 of the fair value hierarchy

The following table summarises the movements in Level 3 of the fair value hierarchy for financial instruments, including commodities, measured at fair value by the Consolidated Entity.

	Trading assets $m	Financial investments $m	Held for sale and other assets $m	Loan assets $m	Derivative financial instruments (net fair value)[1] $m	Total $m
						CONSOLIDATED 2021
Balance as at 1 Apr 20	310	527	-	64	458	1,359
Purchases, originations, issuances and other additions	454	281	22	95	186	1,038
Sales, settlements and repayments	(105)	(60)	-	-	(279)	(444)
Transfers into Level 3[2]	116	-	-	-	5	121
Transfers out of Level 3[2]	(164)	(127)	-	(28)	(24)	(343)
Fair value movements recognised in the income statement:						
Net trading loss[3]	(191)	(52)	-	(5)	(363)	(611)
Other income/(loss)	-	46	3	(71)	-	(22)
Fair value movements recognised in OCI[3]	-	37	-	-	-	37
Balance as at 31 Mar 21	420	652	25	55	(17)	1,135
Fair value movements for the financial year included in the income statements for assets and liabilities held at the end of the financial year[3]	29	(1)	2	(60)	(271)	(301)
						CONSOLIDATED 2022
Balance as at 1 Apr 21	**420**	**652**	**25**	**55**	**(17)**	**1,135**
Purchases, originations, issuances and other additions	**103**	**172**	**60**	**3**	**23**	**361**
Sales, settlements and repayments	**(43)**	**(43)**	**(21)**	**(55)**	**27**	**(135)**
Transfers into Level 3[2]	**55**	**349**	**-**	**-**	**(31)**	**373**
Transfer out of Level 3[2]	**(223)**	**(218)**	**(3)**	**-**	**(14)**	**(458)**
Fair value movements recognised in the income statement:						
Net trading income/(loss)[3]	**209**	**(8)**	**-**	**-**	**(741)**	**(540)**
Other income/(loss)	**-**	**8**	**(1)**	**-**	**-**	**7**
Fair value movements recognised in OCI[3]	**-**	**3**	**-**	**-**	**-**	**3**
Balance as at 31 Mar 22	**521**	**915**	**60**	**3**	**(753)**	**746**
Fair value movements for the financial year included in the income statements for assets and liabilities held at the end of the financial year[3]	**225**	**(5)**	**(1)**	**-**	**(698)**	**(479)**

(1) The derivative financial instruments in the table above are presented on a net basis. On a gross basis derivative assets are $551 million (2021: $261 million) and derivative liabilities are $1,301 million (2021: $278 million).
(2) Assets and liabilities transferred into or out of Level 3 are presented as if those assets or liabilities had been transferred at the beginning of the financial year.
(3) The Consolidated Entity employs various hedging techniques in order to manage market risks including foreign exchange risks in Level 3 positions. The gains and losses relating to such hedging techniques, that may include the purchase or sale of financial instruments measured at fair value that are classified as Level 1 or 2 positions or foreign currency denominated financial instruments that are measured at amortised cost, are not presented in the table above.

Note 35
Fair value of assets and liabilities continued

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

	Trading assets $m	Financial investments $m	Loan assets $m	Due from/to Subsidiaries[(1)] $m	Held for sale and other assets $m	Derivative financial instruments (net replacement values)[(2)] $m	Total $m
							COMPANY 2021
Balance as at 1 Apr 20	233	481	49,260	405	–	204	50,583
Purchases and other additions	454	269	3,195	224	18	186	4,346
Sales and settlements	(105)	(51)	(404)	(585)	–	(258)	(1,403)
Transfers into Level 3[(3)]	23	–	–	209	–	5	237
Transfer out of Level 3[(3),(4)]	(164)	(127)	(49,234)	–	–	(17)	(49,542)
Fair value movements recognised in income statement:							
Net trading loss[(5)]	(268)	(40)	(6)	–	–	(111)	(425)
Other income/(loss)	–	24	(61)	(30)	1	–	(66)
Fair value movements recognised in OCI[(5)]	–	37	5	–	–	–	42
Balance as at 31 Mar 21	173	593	2,755	223	19	9	3,772
Fair value movements for the financial year included in the income statements for assets and liabilities held at the end of the financial year[(5)]	(268)	(3)	(54)	(30)	1	(110)	(464)
							COMPANY 2022
Balance as at 1 Apr 21	**173**	**593**	**2,755**	**223**	**19**	**9**	**3,772**
Purchases and other additions	**51**	**167**	**1,936**	**573**	**2**	**(18)**	**2,711**
Sales and settlements	**(37)**	**(10)**	**(1,372)**	**(643)**	**(15)**	**13**	**(2,064)**
Transfers into Level 3[(3)]	**37**	**349**	**–**	**(12)**	**–**	**(49)**	**325**
Transfer out of Level 3[(3)]	**(78)**	**(218)**	**–**	**4**	**–**	**(12)**	**(304)**
Fair value movements recognised in income statement:							
Net trading income/(loss)[(5)]	**10**	**(8)**	**–**	**–**	**–**	**(119)**	**(117)**
Other income/(loss)	**–**	**9**	**–**	**5**	**(4)**	**–**	**10**
Fair value movements recognised in OCI[(5)]	**–**	**3**	**(50)**	**–**	**–**	**–**	**(47)**
Balance as at 31 Mar 22	**156**	**885**	**3,269**	**150**	**2**	**(176)**	**4,286**
Fair value movements for the financial year included in the income statements for assets and liabilities held at the end of the financial year[(5)]	**28**	**(7)**	**–**	**5**	**–**	**(121)**	**(95)**

(1) The balance due from/to subsidiaries in the table above is presented on a net basis. On a gross basis, due from subsidiaries are $607 million (2021: $567 million) and due to subsidiaries are $457 million (2021: $343 million).
(2) The derivative financial instruments in the table above are presented on a net basis. On a gross basis, derivative assets are $254 million (2021: $152 million) and derivative liabilities are $430 million (2021: $143 million).
(3) Assets and liabilities transferred into or out of Level 3 are presented as if those assets or liabilities had been transferred at the beginning of the financial year.
(4) Following a review of the Company's business model, loan assets have been classified as at the reporting date as held to collect and measured at amortised cost (previously classified as held to collect and sell and measured at FVOCI.
(5) The Company employs various hedging techniques in order to manage market risks including foreign exchange risks in Level 3 positions. The gains and losses relating to such hedging techniques, that may include the purchase or sale of financial instruments measured at fair value that are classified as Level 1 or 2 positions or foreign currency denominated financial instruments that are measured at amortised cost, are not presented in the table above.

Note 35
Fair value of assets and liabilities continued

Significant transfers between levels of the fair value hierarchy

During the financial year the Consolidated Entity and the Company did not have significant transfers between Level 1 and Level 2.

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

Unrecognised gains or losses

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

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

	CONSOLIDATED		COMPANY	
	2022 $m	2021 $m	**2022 $m**	2021 $m
Balance at the beginning of the financial year	**75**	168	**65**	154
Deferred gains on new transactions and other adjustments	**40**	5	**27**	(8)
Foreign exchange movements	**1**	(23)	**1**	(20)
Recognised in net trading income during the year[1]	**(63)**	(75)	**(51)**	(61)
Balance at the end of the financial year	**53**	75	**42**	65

Sensitivity analysis of valuations using unobservable inputs

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

	FAVOURABLE CHANGES		UNFAVOURABLE CHANGES	
	Profit or loss $m	Equity $m	Profit or loss $m	Equity $m
				CONSOLIDATED 2022
Product type				
Commodities	**134**	**–**	**(137)**	**–**
Interest rate and other products	**12**	**–**	**(12)**	**–**
Equity and equity-linked products	**8**	**–**	**(24)**	**–**
Total	**154**	**–**	**(173)**	**–**
				CONSOLIDATED 2021
Product type				
Commodities	112	–	(73)	–
Interest rate and other products	11	–	(11)	–
Equity and equity-linked products	4	–	(14)	–
Total	127	–	(98)	–

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

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

Note 35
Fair value of assets and liabilities continued

	FAVOURABLE CHANGES		UNFAVOURABLE CHANGES	
	Profit or loss $m	Equity $m	Profit or loss $m	Equity $m
				COMPANY 2022
Product type				
Commodities	**55**	**-**	**(50)**	**-**
Equity and equity-linked products	**6**	**-**	**(22)**	**-**
Interest rate and other products	**7**	**-**	**(8)**	**-**
Total	**68**	**-**	**(80)**	**-**
				COMPANY 2021
Product type				
Commodities	22	-	(23)	-
Equity and equity-linked products	2	-	(12)	-
Interest rate and other products	6	-	(6)	-
Total	30	-	(41)	-

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

Note 35
Fair value of assets and liabilities continued

Significant unobservable inputs

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

	Assets $m	Liabilities $m	Valuation technique(s)	Significant unobservable inputs	RANGE OF INPUTS Minimum value	RANGE OF INPUTS Maximum value
						CONSOLIDATED 2022
Commodities	**1,073**	**1,304**	Pricing model	Commodity margin curves	**(270.0)**	**1,665.0**
			Pricing model	Correlation	**(40.0%)**	**100.1%**
			Pricing model	Volatility and related variables	**(12.6%)**	**90.9%**
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%**
Equity and equity-linked products	**101**	**-**	Market comparability	Price in %[1]		
Total	**2,050**	**1,304**				
						CONSOLIDATED 2021
Commodities	596	278	Pricing model	Commodity margin curves	(121.4)	1,458
			Pricing model	Correlation	(43.0%)	100.0%
			Pricing model	Volatility and related variables	8.3%	290.5%
Interest rate and other products	656	-	Pricing model	Correlation	0.0%	100.0%
			Pricing model	Bond yield	(2.3%)	2.9%
Equity and equity-linked products	161	-	Market comparability	Price in %[1]		
Total	1,413	278				

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

Note 35
Fair value of assets and liabilities continued

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 into 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 unlisted equity securities

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 36
Offsetting of financial assets and financial liabilities

The Consolidated Entity and the Company present financial assets and financial liabilities on a net basis in the Statements of financial position when they meet the criteria described in Note 41(vii) *Financial instruments: Offsetting of financial instruments*. The following tables provide information on the impact of offsetting of financial instruments in the Statements of financial position, as well as amounts subject to enforceable netting arrangements that do not meet all the criteria for offsetting and therefore are presented gross in the Statements of financial position. Enforceable netting arrangements may allow for net settlement of specified contracts with a counterparty only in the event of default or other pre-determined events, such that their potential effects on the Consolidated Entity's and the Company's financial position in that circumstance is to settle these contracts as one arrangement. The Consolidated Entity 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, refer to Note 33.1 *Credit risk* for information on credit risk management.

	AMOUNT SUBJECT TO ENFORCEABLE NETTING ARRANGEMENTS							
	SUBJECT TO OFFSETTING IN THE STATEMENTS OF FINANCIAL POSITION			RELATED AMOUNT NOT OFFSET[(1)]				
	Gross amount $m	Amount offset $m	Net amount presented $m	Other recognised financial instruments[(2)] $m	Cash and other financial collateral[(3)] $m	Net amount $m	Amount not subject to enforceable netting arrangements $m	Statements of financial position total $m
								CONSOLIDATED 2022
Cash collateralised lending and reverse repurchase agreements[(4)]	38,946	(1,346)	37,600	(28)	(37,409)	163	4,948	42,548
Settlement assets[(4),(5)]	11,159	(7,231)	3,928	(43)	–	3,885	1,833	5,761
Derivative assets	102,507	(19,730)	82,777	(59,333)	(9,500)	13,944	1,839	84,616
Due from related body corporate entities[(6),(7)]	2,373	(486)	1,887	(490)	(1,306)	91	1,045	2,932
Total assets	**154,985**	**(28,793)**	**126,192**	**(59,894)**	**(48,215)**	**18,083**	**9,665**	**135,857**
Cash collateralised borrowing and repurchase agreements	(18,293)	1,346	(16,947)	28	13,754	(3,165)	–	(16,947)
Settlement liabilities[(5)]	(11,114)	7,231	(3,883)	43	–	(3,840)	(1,450)	(5,333)
Derivative liabilities	(99,644)	19,730	(79,914)	59,333	8,973	(11,608)	(4,277)	(84,191)
Due to related body corporate entities[(6),(7)]	(9,599)	486	(9,113)	490	61	(8,562)	(1,087)	(10,200)
Total liabilities	**(138,650)**	**28,793**	**(109,857)**	**59,894**	**22,788**	**(27,175)**	**(6,814)**	**(116,671)**

(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) Includes offsetting exposures the Consolidated Entity has with counterparties under master netting arrangements with a right to set off only in the event of default, or the offset criteria are otherwise not satisfied.
(3) Includes cash and non-cash collateral received or pledged in relation to the gross amount of assets and liabilities which are subject to enforceable netting arrangements.
(4) The Consolidated Entity holds sufficient collateral for the amounts not subject to enforceable netting arrangements. Refer Note 33.1 *Credit risk* for collateral and credit enhancements held.
(5) Excludes margin money assets of $13,649 million and liabilities of $16,244 million presented under Note 7 *Margin money and settlement assets* and Note 17 *Margin money and settlement liabilities* respectively on the Statements of financial position.
(6) Amount not subject to enforceable netting arrangements includes balances with related body corporate entities which have not acceded to the MLA or other balances not governed by netting provisions of any Master Netting Arrangement.
(7) Excludes margin money and non-financial assets of $493 million and liabilities of $1,437 million presented under due from related body corporate entities and due to related body corporate entities respectively on the Statements of financial position.

Note 36
Offsetting of financial assets and financial liabilities continued

	AMOUNT SUBJECT TO ENFORCEABLE NETTING ARRANGEMENTS							
	SUBJECT TO OFFSETTING IN THE STATEMENT OF FINANCIAL POSITION			RELATED AMOUNT NOT OFFSET[(1)]				
	Gross amount $m	Amount offset $m	Net amount presented $m	Other recognised financial instruments[(2)] $m	Cash and other financial collateral[(3)] $m	Net amount $m	Amount not subject to enforceable netting arrangements $m	Statements of financial position total $m
								CONSOLIDATED 2021
Cash collateralised lending and reverse repurchase agreements[(4)]	31,714	(583)	31,131	(26)	(30,804)	301	3,424	34,555
Settlement assets[(4),(5)]	5,370	(3,611)	1,759	(21)	–	1,738	1,991	3,750
Derivative assets	26,393	(6,421)	19,972	(11,038)	(4,407)	4,527	580	20,552
Due from related body corporate entities[(6),(7)]	1,497	(950)	547	(359)	(36)	152	590	1,137
Total assets	64,974	(11,565)	53,409	(11,444)	(35,247)	6,718	6,585	59,994
Cash collateralised borrowing and repurchase agreements	(4,669)	583	(4,086)	26	3,533	(527)	(456)	(4,542)
Settlement liabilities[(5)]	(5,358)	3,611	(1,747)	21	–	(1,726)	(2,168)	(3,915)
Derivative liabilities	(22,689)	6,421	(16,268)	11,038	2,759	(2,471)	(1,207)	(17,475)
Due to related body corporate entities[(6),(7)]	(15,965)	950	(15,015)	359	1,227	(13,429)	(743)	(15,758)
Total liabilities	(48,681)	11,565	(37,116)	11,444	7,519	(18,153)	(4,574)	(41,690)

(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) Includes offsetting exposures the Consolidated Entity has with counterparties under master netting arrangement with a right to set off only in the event of default, or the offset criteria are otherwise not satisfied.
(3) Includes cash and non-cash collateral received or pledged in relation to the gross amount of assets and liabilities which are subject to enforceable netting arrangements.
(4) The Consolidated Entity holds sufficient collateral for the amounts not subject to enforceable netting arrangements. Refer Note 33.1 *Credit risk* for collateral and credit enhancements held.
(5) Excludes margin money assets of $4,552 million and liabilities of $12,336 million presented under Note 7 *Margin money and settlement assets* and Note 17 *Margin money and settlement liabilities* respectively on the Statements of financial position.
(6) Amount not subject to enforceable netting arrangements includes balances with related body corporate entities which have not acceded to the MLA or other balances not governed by netting provisions of any Master Netting Arrangement.
(7) Excludes margin money and non-financial assets of $1,017 million and liabilities of $143 million presented under due from related body corporate entities and due to related body corporate entities respectively on the Statements of financial position.

Note 36
Offsetting of financial assets and financial liabilities continued

	AMOUNT SUBJECT TO ENFORCEABLE NETTING ARRANGEMENTS							
	SUBJECT TO OFFSETTING IN THE STATEMENT OF FINANCIAL POSITION			RELATED AMOUNT NOT OFFSET[1]				
	Gross amount $m	Amount offset $m	Net amount presented $m	Other recognised financial instruments[2] $m	Cash and other financial collateral[3] $m	Net amount $m	Amount not subject to enforceable netting arrangements $m	Statements of financial position total $m
								COMPANY 2022
Cash collateralised lending and reverse repurchase agreements[4]	34,868	(1,346)	33,522	(27)	(33,331)	164	4,683	38,205
Settlement assets[4],[5]	9,083	(6,173)	2,910	–	–	2,910	1,283	4,193
Derivative assets	93,209	(19,662)	73,547	(55,150)	(8,503)	9,894	897	74,444
Due from subsidiaries[6],[7]	21,746	(2,307)	19,439	(11,854)	(7,176)	409	1,636	21,075
Due from related body corporate entities[8]	2,271	(466)	1,805	(490)	(1,248)	67	850	2,655
Total assets	**161,177**	**(29,954)**	**131,223**	**(67,521)**	**(50,258)**	**13,444**	**9,349**	**140,572**
Cash collateralised borrowing and repurchase agreements	(18,292)	1,346	(16,946)	27	13,754	(3,165)	(1)	(16,947)
Settlement liabilities[5]	(9,055)	6,173	(2,882)	–	–	(2,882)	(1,060)	(3,942)
Derivative liabilities	(90,063)	19,662	(70,401)	55,150	7,437	(7,814)	(1,120)	(71,521)
Due to subsidiaries[6],[7]	(23,039)	2,307	(20,732)	11,854	3,063	(5,815)	(13,669)	(34,401)
Due to related body corporate entities[8]	(8,415)	466	(7,949)	490	1,976	(5,483)	(942)	(8,891)
Total liabilities	**(148,864)**	**29,954**	**(118,910)**	**67,521**	**26,230**	**(25,159)**	**(16,792)**	**(135,702)**

(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) Includes offsetting exposures the Consolidated Entity has with counterparties under master netting arrangement with a right to set off only in the event of default, or the offset criteria are otherwise not satisfied.
(3) Includes cash and non-cash collateral received or pledged in relation to the gross amount of assets and liabilities which are subject to enforceable netting arrangements.
(4) The Consolidated Entity holds sufficient collateral for the amounts not subject to enforceable netting arrangements. Refer Note 33.1 *Credit risk* for collateral and credit enhancements held.
(5) Excludes margin money assets of $11,922 million and liabilities of $11,651 million presented under Note 7 *Margin money and settlement assets* and Note 17 *Margin money and settlement liabilities* respectively on the Statements of financial position.
(6) Amount not subject to enforceable netting arrangements includes balances with subsidiaries and related body corporate entities which have not acceded to the MLA or other balances not governed by netting provisions of any Master Netting Arrangement.
(7) Excludes margin money and non-financial assets of $2,781 million and liabilities of $4,371 million presented under due from subsidiaries and due to subsidiaries respectively on the Statements of financial position.
(8) Excludes margin money and non-financial assets of $299 million and liabilities of $1,312 million presented under due from related body corporate entities and due to related body corporate entities respectively on the Statements of financial position.

Note 36
Offsetting of financial assets and financial liabilities continued

	AMOUNT SUBJECT TO ENFORCEABLE NETTING ARRANGEMENTS							
	SUBJECT TO OFFSETTING IN THE STATEMENT OF FINANCIAL POSITION			RELATED AMOUNT NOT OFFSET[1]				
	Gross amount $m	Amount offset $m	Net amount presented $m	Other recognised financial instruments[2] $m	Cash and other financial collateral[3] $m	Net amount $m	Amount not subject to enforceable netting arrangements $m	Statements of financial position total $m
								COMPANY 2021
Cash collateralised lending and reverse repurchase agreements[4]	31,247	(583)	30,664	(26)	(30,338)	300	370	31,034
Settlement assets[4],[5]	3,931	(3,003)	928	–	–	928	1,462	2,390
Derivative assets	25,403	(6,412)	18,991	(10,565)	(4,294)	4,132	337	19,328
Due from subsidiaries[6],[7]	24,231	(6,070)	18,161	(2,968)	(3,600)	11,593	1,985	20,146
Due from related body corporate entities[6],[8]	1,378	(948)	430	(356)	(36)	38	385	815
Total assets	86,190	(17,016)	69,174	(13,915)	(38,268)	16,991	4,539	73,713
Cash collateralised borrowing and repurchase agreements	(4,669)	583	(4,086)	26	3,533	(527)	(456)	(4,542)
Settlement liabilities[5]	(4,130)	3,003	(1,127)	–	–	(1,127)	(1,885)	(3,012)
Derivative liabilities	(21,343)	6,412	(14,931)	10,565	2,565	(1,801)	(801)	(15,732)
Due to subsidiaries[6],[7]	(13,517)	6,070	(7,447)	2,968	2,163	(2,316)	(7,472)	(14,919)
Due to related body corporate entities[6],[8]	(15,934)	948	(14,986)	356	4,702	(9,928)	(611)	(15,597)
Total liabilities	(59,593)	17,016	(42,577)	13,915	12,963	(15,699)	(11,225)	(53,802)

(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) Includes offsetting exposures the Consolidated Entity has with counterparties under master netting arrangement with a right to set off only in the event of default, or the offset criteria are otherwise not satisfied.
(3) Includes cash and non-cash collateral received or pledged in relation to the gross amount of assets and liabilities which are subject to enforceable netting arrangements.
(4) The Consolidated Entity holds sufficient collateral for the amounts not subject to enforceable netting arrangements. Refer Note 33.1 *Credit risk* for collateral and credit enhancements held.
(5) Excludes margin money assets of $4,027 million and liabilities of $10,620 million presented under Note 7 *Margin money and settlement assets* and Note 17 *Margin money and settlement liabilities* respectively on the Statements of financial position.
(6) Amount not subject to enforceable netting arrangements includes balances with subsidiaries and related body corporate entities which have not acceded to the MLA or other balances not governed by netting provisions of any Master Netting Arrangement.
(7) Excludes margin money and non-financial assets of $1,354 million and liabilities of $1,613 million presented under due from subsidiaries and due to subsidiaries respectively on the Statements of financial position.
(8) Excludes margin money and non-financial assets of $830 million and liabilities of $87 million presented under due from related body corporate entities and due to related body corporate entities respectively on the Statements of financial position.

Note 37
Pledged assets and transfers of financial assets

Pledged assets

Items pledged as security for liabilities include the following:

- securities and commodities included under trading assets and off-balance sheet collateral securities pledged for repurchase transactions, stock lending arrangements and trading liabilities. These transactions are governed by standard industry agreements
- loan assets held by the Consolidated SEs provided as collateral against issued debt or repurchase transactions
- other types of financial and non-financial assets disclosed in the following table provided as collateral for borrowings and issued debt securities.

The table below represents items that have been pledged as security for liabilities:

	CONSOLIDATED		COMPANY	
	2022 $m	2021 $m	**2022 $m**	2021 $m
On Balance Sheet items:				
Trading assets[1]	**2,899**	5,336	**2,890**	5,118
Financial investments	**231**	202	**231**	202
Loan assets[2]	**29,845**	14,045	**28,820**	11,737
Property, plant and equipment	**86**	109	**–**	–
Due from subsidiaries[3]	**–**	–	**3,363**	–
Other assets	**236**	44	**–**	27
Total On Balance Sheet assets pledged for liabilities	**33,297**	19,736	**35,304**	17,084
Off Balance Sheet items:				
Securities and commodities[4],[5]	**13,805**	12,898	**14,067**	14,543
Total On and Off Balance Sheet assets pledged for liabilities	**47,102**	32,634	**49,371**	31,627

(1) Includes assets transferred under repurchase agreement liabilities or in return for the loan of other securities where there is no associated liability on the Consolidated Entity's Statements of financial position. For trading assets pledged by the Consolidated Entity and Company, the transferee has the right to sell or re-pledge the entire value of securities received.
(2) Includes $15,013 million (2021: $11,344 million) held by Consolidated SEs, which are available as security to note holders and debt providers. Additionally, includes $14,819 million (2021: $2,605 million) held by consolidated SEs wherein internally held bonds have been pledged against repurchase agreement liabilities.
(3) Includes cash collateral for guarantees provided to counterparties with respect to their exposures from certain subsidiaries.
(4) Off balance sheet securities and commodities held by the Consolidated Entity include $43,233 million (2021: $35,045 million) of securities and commodities borrowed in return for cash and reverse repurchase arrangements and $6,199 million (2021: $3,904 million) of securities borrowed on an unsecured basis. Of these, the Consolidated Entity re-pledged $13,805 million (2021: $12,898 million) as collateral for repurchase agreement liabilities, as margin for trading purposes or as transfers in return for the loan of other securities. Refer Note 33.1 *Credit risk* for further details.
(5) Off balance sheet securities and commodities held by the Company include $41,380 million (2021: $31,131 million) of securities and commodities borrowed in return for cash and reverse repurchase arrangements from external clients and subsidiaries and $3,855 million (2021: $3,904 million) of securities borrowed on an unsecured basis. Of these, the Company re-pledged $14,067 million (2021: $14,543 million) as collateral for repurchase agreement liabilities, as margin for trading purposes or as transfers in return for the loan of other securities. Refer Note 33.1 *Credit risk* for further details.

Note 37
Pledged assets and transfers of financial assets continued

Transfers of financial assets

The Consolidated Entity may enter into transactions in the normal course of business that transfer risks and rewards of financial assets recognised in the Consolidated Entity Statements of financial position to other entities. Depending on the criteria discussed in Note 41(xii) *Financial instruments* may be unable to derecognise the transferred asset, be able to derecognise the transferred assets in full or continue to recognise the asset to the extent of its continuing involvement.

Transferred financial assets that are derecognised

When financial assets are derecognised, some continuing involvement may be retained in the assets in the form of liquidity support, financial guarantees, certain derivatives or retention of part of the securitisation interest through interest rate or basis swaps. The Company has interests in certain SEs (into which the Company has previously transferred securitised mortgage assets) through debt notes amounting to $12 million (2021: $82 million) which is equal to the Company's maximum exposure to loss.

The Consolidated Entity has not retained any other material continuing involvement in transferred financial assets.

As at 31 March 2021, the Company had continuing involvement in certain securitised mortgage assets transferred to SEs through interest rate basis swaps that effectively transferred the mortgage interest income back to the Company. The continuing involvement assets amounted to $229 million, with a corresponding liability of $164 million. The maximum exposure to loss of the continuing involvement was $65 million. In the current financial year, the Company has acquired residual income units of the SEs and has recognised the transferred assets on its balance sheet prospectively. Accordingly, the continuing involvement assets and liabilities as at 31 March 2021 have been derecognised during current financial year.

Transferred financial assets that are not derecognised

The Consolidated Entity did not derecognise any financial assets to the extent of continuing involvement in the years ended 31 March 2022 and 31 March 2021. The following transactions typically result in the transferred assets continuing to be recognised in full.

Repurchase and securities lending agreements

Securities and commodities sold under an agreement to repurchase and securities subject to lending agreements continue to be recognised in the Statements of financial position and an associated liability is recognised for the consideration received.

Where securities are transferred in return for the loan of other securities or on an unsecured basis in return for a fee, the transferred asset continues to be recognised in full. There is no associated liability as the securities received is not recognised on the balance sheet. The Consolidated entity is unable to use, sell or pledge the transferred assets for the duration of the transaction and remains exposed to interest rate risk and credit risk on these assets.

In certain arrangements, the transferee cannot otherwise sell or pledge the transferred securities, however, the assets may be substituted if the required collateral is maintained.

Financial investment – Total return swap

Financial assets sold, while concurrently entering into a total return swap with the counterparty, continue to be recognised along with an associated liability for the consideration received. The Consolidated Entity does not have legal rights to these assets but has full economic exposure to them. The transferred assets cannot otherwise be pledged or sold by the transferee.

Interests in securitisations

Financial assets (principally home loans and finance lease receivables) are packaged and securities issued to investors. Securitisation vehicles used to achieve this purpose are consolidated when the rights to the residual income of the vehicles, after all payments to investors and costs of the program have been met, is retained. When the Company is entitled to any residual income of a securitisation vehicle, the Company continues to recognise the financial assets. The transferred assets cannot otherwise be pledged or sold.

Other financial transfers

Includes loans and leases sold or lent to an external funder but the Consolidated Entity still has full economic exposure to them. In such instances, the Consolidated Entity has a right to receive cash from the lessee and an obligations to pay those cash flows to the external funder.

Note 37
Pledged assets and transfers of financial assets continued

			FOR THOSE LIABILITIES THAT ONLY HAVE RECOURSE TO THE TRANSFERRED ASSETS		
	Carrying amount of transferred assets $m	Carrying amount of associated liabilities $m	Fair value of transferred assets $m	Fair value of associated liabilities $m	Net fair value $m
					CONSOLIDATED 2022
Financial assets not derecognised due to repurchase and securities lending agreements:					
Trading assets[1]	**1,198**	**(245)**	**–**	**–**	**–**
Financial assets not derecognised due to total return/asset swaps:					
Financial investments	**231**	**(212)**	**–**	**–**	**–**
Other financial assets not derecognised:					
Trading assets[2]	**270**		**–**	**–**	**–**
Loan assets	**13**	**(13)**	**13**	**(13)**	**–**
Total financial assets not derecognised	**1,712**	**(470)**	**13**	**(13)**	**–**
					CONSOLIDATED 2021
Financial assets not derecognised due to repurchase and securities lending agreements:					
Trading assets[1]	3,175	(1,434)	–	–	–
Financial assets not derecognised due to total return/asset swaps:					
Financial investments	202	(182)	–	–	–
Other financial assets not derecognised:					
Trading assets[2]	988	–	–	–	–
Loan assets	96	(96)	95	(96)	(1)
Total financial assets not derecognised	4,461	(1,712)	95	(96)	(1)

(1) Includes assets transferred under repurchase agreement liabilities or in return for the loan of other securities where there is no associated liability on the Consolidated Entity's Statements of financial position.
(2) Includes bonds placed as initial margin for trading activities. Previous comparative period also includes gold transferred as margin for future positions.

Note 37
Pledged assets and transfers of financial assets continued

	Carrying amount of transferred assets $m	Carrying amount of associated liabilities $m	FOR THOSE LIABILITIES THAT ONLY HAVE RECOURSE TO THE TRANSFERRED ASSETS Fair value of transferred assets $m	Fair value of associated liabilities $m	Net fair value $m
					COMPANY 2022
Financial assets not derecognised due to repurchase and securities lending agreements:					
Trading assets[1]	**1,191**	**(245)**	**–**	**–**	**–**
Due from subsidiaries[2]	**14,819**	**(12,121)**	**–**	**–**	**–**
Financial assets not derecognised due to total return/asset swaps:					
Financial investments	**231**	**(212)**	**–**	**–**	**–**
Financial assets not derecognised due to securitisation:					
Loan assets[3]	**13,894**	**(13,894)**	**13,894**	**(13,848)**	**46**
Other financial assets not derecognised:					
Trading assets[4]	**270**	**–**	**–**	**–**	**–**
Total financial assets not derecognised	**30,405**	**(26,472)**	**13,894**	**(13,848)**	**46**
					COMPANY 2021
Financial assets not derecognised due to repurchase and securities lending agreements:					
Trading assets[1]	3,175	(1,434)	–	–	–
Due from subsidiaries[2]	2,605	(2,130)	–	–	–
Financial assets not derecognised due to total return/asset swaps:					
Financial investments	202	(182)	–	–	–
Financial assets not derecognised due to securitisation:					
Loan asset[3]	6,630	(6,630)	6,639	(6,678)	(40)
Other financial assets not derecognised:					
Trading assets[4]	988	–	–	–	–
Total financial assets not derecognised	13,600	(10,376)	6,639	(6,678)	(40)

(1) Includes assets transferred under repurchase agreement liabilities or in return for the loan of other securities where there is no associated liability on the Consolidated Entity's Statements of financial position.
(2) Represents the fair value of the SEs securitised bonds pledged against repurchase agreement liabilities.
(3) Excludes $45,151 million (March 2021: $37,693 million) of securitised assets where the Company holds all of the instruments issued by the SEs.
(4) Includes bonds placed as initial margin for trading activities. Previous comparative period also includes gold transferred as margin for future positions.

Note 38
Audit and other services provided by PricewaterhouseCoopers

During the financial year, PricewaterhouseCoopers (PwC) and its network firms, the auditor of the Consolidated Entity and the Company, earned the following remuneration:

	CONSOLIDATED		COMPANY	
	2022 $'000	2021[1] $'000	**2022 $'000**	2021[1] $'000
PwC – Australia				
Audit of the Group and controlled entities[2]	**11,358**	11,535	**9,810**	9,159
Total audit services	**11,358**	11,535	**9,810**	9,159
Other statutory assurance services[3]	**1,259**	2,037	**609**	1,611
Other assurance services[4]	**5,346**	2,998	**327**	731
Advisory services	**–**	5	**–**	3
Taxation	**307**	243	**164**	4
Total non-audit services	**6,912**	5,283	**1,100**	2,349
Total remuneration paid to PwC Australia	**18,270**	16,818	**10,910**	11,508
Network firms of PwC Australia				
Audit of the controlled entities[2]	**6,910**	8,822	**5,099**	5,108
Total audit services	**6,910**	8,822	**5,099**	5,108
Other statutory assurance services[3]	**129**	356	**30**	36
Other assurance services[4]	**576**	231	**164**	91
Advisory services	**17**	–	**–**	–
Taxation	**784**	1,025	**226**	109
Total non-audit services	**1,506**	1,612	**420**	236
Total remuneration paid to network firms of PwC Australia	**8,416**	10,434	**5,519**	5,344
Total audit services remuneration paid to PwC	**18,268**	20,357	**14,909**	14,267
Total non-audit services remuneration paid to PwC	**8,418**	6,895	**1,520**	2,585
Total remuneration paid to PwC	**26,686**	27,252	**16,429**	16,852

Use of PwC's services for engagements other than audit and assurance is restricted in accordance with the Consolidated Entity's *Auditor Independence Policy*. It is the Consolidated Entity's policy to seek competitive tenders for all major advisory projects and all non-audit services provided by PwC have been approved in accordance with its *Auditor Independence Policy*.

(1) Comparative information has been restated to conform to the presentation in the current year.
(2) Prior period includes:
- Consolidated Entity: additional fees of $867 thousand (2020: $2,105 thousand) for PwC Australia and $1,242 thousand (2020: $525 thousand) for network firms of PwC Australia that related to the year ended 31 March 2021 but were incurred during the 2022 financial year.
- Company: additional fees of $740 thousand (2020: $1,574 thousand) for PwC Australia and $130 thousand (2020: $361 thousand) for network firms of PwC Australia that related to the year ended 31 March 2021 but were incurred during the 2022 financial year.

(3) Other statutory assurance services include audit of Australian Financial Services license requirements and other due diligence activities including comfort letters on debt issuance programmes, generally performed by the auditor of the Consolidated Entity.
(4) Other assurance services consist of engagements in relation to an audit that are not the direct audit or review of financial reports. These services include engagements required under prudential standards, accounting advice, certifications, due diligence and reviews of controls and other agreed upon procedures.

Note 39
Acquisitions and disposals of subsidiaries and businesses

Acquisitions of subsidiaries and businesses

Other than those disclosed in Note 27 *Related party information*, the Consolidated Entity did not acquire any other subsidiaries or businesses during the current financial year.

During previous financial year, the MGL and MBL Boards approved the transfer of Macquarie's service entities from the Non-Bank Group to the Consolidated Entity. The transfer was achieved through execution of sale and purchase agreements whereby the Consolidated Entity acquired a 100% interest in Macquarie Group Services Australia Pty Ltd. (MGSA), which was accounted for by the Company as an investment in a subsidiary at cost, and its subsidiaries from MGL and a 100% interest in Macquarie Global Services Private Limited from Macquarie Global Finance Services (Mauritius) Limited (an indirect subsidiary of MGL).

The acquisition of the service entities, together with the acquisition of Bond Street Custodians Limited from the Non-Bank Group, were accounted for by the Consolidated Entity as a business combination under common control by recognising the net assets acquired at the original carrying values at the MGL consolidated group level at the date of acquisition with the excess of the consideration paid being recognised as a restructure reserve within retained earnings. Aggregate details of net assets acquired or consolidated during the current and previous year due to the above mentioned acquisition are as follows:

	2021 $m
Carrying value of net assets acquired	
Cash and bank balances	318
Loan assets and other assets[1]	534
Property, plant and equipment and right-of-use assets	590
Deferred tax assets	231
Other liabilities[2]	(1,209)
Deferred tax liabilities	(38)
Total carrying value of net assets recognised	426
Consideration	
Cash consideration	615
Total consideration	615
Difference between consideration and net assets recognised within equity	189
Net cash flow	
Payments for the acquisition of subsidiaries and businesses	615
Less: Cash and cash equivalents acquired	(318)
Net cash outflow	297

Disposal of subsidiaries and businesses

During the current financial year, the Consolidated Entity realised a gain of $455 million on the sale of less than 5% of the UK Meters portfolio of assets comprising the industrial and commercial portfolio of $79 million for a total consideration of $534 million.

During the previous financial year, the Consolidated Entity realised a gain of $15 million (net of direct costs relating to disposal) on disposal of Vestone Capital Limited, which was achieved by contributing the net assets of the business of $436 million primarily in the nature of loan assets into a newly formed joint venture along with a third-party investor, in which the Consolidated Entity holds a 50% interest.

Note 40
Events after the reporting date

There were no material events subsequent to 31 March 2022 and up until the authorisation of the financial statements for issue, that have not been disclosed elsewhere in the financial statements.

(1) Primarily includes employee stock option related prepayments.
(2) Primarily includes operating lease liabilities and employee related provisions.

Note 41
Significant accounting policies

(i) Principles of consolidation

Subsidiaries

The consolidated Financial Report reflects the financial performance and financial position of the Consolidated Entity. Subsidiaries are all those entities (including structured entities) which the Consolidated Entity controls. The Consolidated Entity controls an entity where it has:

- power to direct the relevant activities
- exposure, or rights, to variable returns, and the ability to utilise power to affect the entity's returns.

The determination of control is based on current facts and circumstances and is continuously assessed. The Consolidated Entity has power over an entity when it has existing substantive rights that provide it with the current ability to direct the entity's relevant activities, being those activities that significantly affect the entity's returns. The Consolidated Entity also considers the entity's purpose and design. If the Consolidated Entity determines that it has power over an entity, the Consolidated Entity then evaluates its exposure, or rights, to variable returns by considering the magnitude and variability associated with its economic interests.

All variable returns are considered in making that assessment including, but not limited to, returns from debt or equity investments, guarantees, liquidity arrangements, variable fees and certain derivative contracts. In certain instances, the Consolidated Entity has determined that it controls entities that it has less than half of the voting rights on the basis of its ability to direct the relevant activities of those entities.

Structured entities

Structured Entities (SEs) are those entities that have been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity, such as when voting rights relate to administrative tasks only and the relevant activities of the SE are directed by means of contractual arrangements. When assessing whether the Consolidated Entity controls (and therefore consolidates) a SE, judgement is required as to whether the Consolidated Entity has power over the relevant activities as well as exposure, or rights, to variable returns of the SE.

Where the Consolidated Entity has power over the SE's relevant activities, has assessed that its exposure to variable returns (through the residual risk associated with its involvement in SEs) is sufficient, and is able to affect its returns, the underlying assets, liabilities, revenues and expenses of these SEs are reported in the consolidated financial statements. Refer to Note 31 *Structured entities* for further information related to both consolidated and unconsolidated structured entities.

Consolidation

The effects of all transactions between subsidiaries in the Consolidated Entity are eliminated in full. Unrealised losses are eliminated in the same manner as unrealised gains but only to the extent that there is no evidence of impairment.

Non-controlling interests (NCI) in the results and equity of subsidiaries are shown separately in the consolidated income statement, consolidated statement of comprehensive income and consolidated Statements of financial position and are determined on the basis of the Consolidated Entity's present ownership interest in the entity.

Where control of an entity was obtained during the financial year, its results are included in the consolidated income statement from the date on which control was obtained. Where control of an entity ceased during the financial year, its results are included for that part of the financial year during which control existed.

The Consolidated Entity determines the dates of obtaining control (i.e. acquisition date) and losing control (i.e. disposal date) of another entity based on an assessment of all pertinent facts and circumstances that affect the ability to direct the relevant activities and the extent of the Consolidated Entity's exposure to the entity's variable returns. Facts and circumstances that have the most impact include the contractual arrangements agreed with the counterparty, the manner in which those arrangements are expected to operate in practice and whether regulatory approval is required (including the nature of such approval). The acquisition or disposal date does not necessarily occur when the transaction is closed or finalised under law.

Subsidiaries held by the Company are carried in its financial statements at cost less accumulated impairments, adjusted for changes in fair value attributable to the spot foreign exchange risk where such subsidiaries are designated in qualifying fair value hedge relationships.

Interests in associates and joint ventures

Associates and joint ventures are entities over which the Consolidated Entity has significant influence or joint control. Existing ownership interests (including in-substance ownership interests) in associates and joint ventures are accounted for under the equity method. In-substance ownership interests are interests that are substantially similar to an investee's ordinary shares. Equity accounting of the ownership interests is applied from the date that the Consolidated Entity has significant influence or joint control and ceases when the Consolidated Entity no longer has significant influence or joint control.

The Consolidated Entity determines the dates of obtaining or losing significant influence or joint control of another entity based on an assessment of all pertinent facts and circumstances that affect the ability to significantly influence the financial and operating policies or jointly control the relevant activities of that entity. Facts and circumstances that have the most impact include the contractual arrangements agreed with the counterparty, the manner in which those arrangements are expected to operate in practice, and whether regulatory approval is required (including the nature of such approval). The acquisition or disposal date does not necessarily occur when the transaction is closed or finalised under law.

Note 41
Significant accounting policies continued

(i) Principles of consolidation continued

The equity method of accounting is applied in the consolidated Financial Report and requires the recognition of the Consolidated Entity's share of its associates' and joint ventures' post-acquisition profits or loss (including impairments of the associates' or joint ventures' assets) in the consolidated income statement, and the share of the post-acquisition movements in other comprehensive income in the consolidated statement of comprehensive income. Transactions reported directly in equity (besides those reflected in other comprehensive income) are accounted for by the Consolidated Entity in accordance with the substance of the transaction and whether the transaction is dilutive to the Consolidated Entity's ownership interest. Where the transaction is dilutive, the impact is recorded as part of the Consolidated Entity's share of profits or losses of associates and joint ventures.

Equity accounting of losses is restricted to the Consolidated Entity's interests in its associate or joint venture, unless the Consolidated Entity has an obligation or has made payment on behalf of the entity.

Long-term interests in an associate or joint venture, to which the equity method is not applied but in-substance form part of the net investment in the associate or joint venture, are accounted for in accordance with the Consolidated Entity's financial instruments' accounting policies, which includes accounting for expected credit losses, where applicable. Subsequently, the loss allocation and impairment requirements in AASB 128 *Investments in Associates and Joint Ventures* are applied to long-term interests.

At the end of each reporting period, management reviews the Consolidated Entity's investments in associates and joint ventures for indicators of impairment. Where there is an indicator of impairment, the carrying amount of the investment is tested for impairment by comparing its recoverable amount with its carrying value. Impairment losses are recognised in other impairment charges/reversals. A reversal of a previously recognised impairment loss is recognised only to the extent that the investment's carrying value does not exceed the carrying amount that would have been determined (including consideration of any equity accounted losses), if no impairment loss had been recognised.

Interests in associates and joint ventures are classified as held for sale when the Consolidated Entity determines that the interest will be recovered principally through a sale transaction rather than through continuing use. Equity accounting is suspended when the interest is classified as held for sale.

On disposal of an investment in an associate or a joint venture, the difference between the sales consideration, any retained interest and the carrying value is recognised as a gain or loss in investment income as part of other operating income and charges together with any gains and losses in OCI that related to the associate or joint venture.

Investments (including in-substance existing ownership interests) in associates and joint ventures held by the Company are carried in its financial statements at cost less accumulated impairment.

Changes in ownership interests

When acquiring additional interests:

- of a financial asset (such that it becomes an associate, joint venture or subsidiary)
- in an investment in an associate or joint venture (such that it becomes a subsidiary), where the underlying entity constitutes a business,

previously held interests are revalued to their fair value and any gain or loss is recognised in investment income as part other operating income and charges.

Similarly, when selling ownership interests of a subsidiary (such that control is lost), or an investment in an associate or joint venture (such that it becomes a financial asset), retained ownership interests are revalued to their fair value and any gain or loss is recognised in investment income as part of other operating income and charges. Retained ownership interests are not revalued where the sale represents a contribution to an associate or joint venture.

Increases and decreases in the Consolidated Entity's interest in a subsidiary (that do not result in the loss of control) are accounted for directly within equity. Increases in the Consolidated Entity's ownership interest in an associate or joint venture are accounted for as an increase in the carrying value of the interest in associate or joint venture. The difference between the reduction in the Consolidated Entity's interest in an associate or joint venture that remains an associate or joint venture and the fair value of consideration received is accounted for as a gain or loss within investment income as part of other operating income and charges. A proportionate amount of associated OCI is reclassified to profit or loss, or reclassified within equity, as would otherwise be required on disposal of the underlying position.

(ii) Business combinations

Distinguishing between whether assets or a business is acquired involves judgement. The Consolidated Entity identifies a business where an acquired integrated set of activities and assets includes an economic resource (input) and a substantive process that together significantly contribute to the ability to provide goods or services to customers, generate investment income or other income from ordinary activities (outputs).

On a transaction-by-transaction basis, the Consolidated Entity may use a practical expedient to determine that an acquired set of activities is not a business. Under this assessment, the transaction is accounted for as an asset acquisition if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets.

Business combinations are accounted for using the acquisition method. The consideration exchanged is measured as the aggregate of the acquisition-date fair values of assets transferred, equity instruments issued, and liabilities incurred. Transaction costs of a business combination are recognised directly in the consolidated income statement as part of other operating expenses.

Note 41
Significant accounting policies continued

(ii) Business combinations continued

Identifiable assets acquired, and liabilities and contingent liabilities assumed in a business combination are measured at fair value on the acquisition date. The Consolidated Entity elects, on a transaction-by-transaction basis, to initially measure NCI either at fair value or at the NCI's proportionate share of the fair values of the identifiable assets and liabilities.

Goodwill is measured as the excess of the consideration exchanged, recognised NCI, and the fair value of previously held equity interests over the fair value of the identifiable net assets of the business acquired and is recognised as part of intangible assets in the Statements of financial position. Goodwill is subsequently measured at cost less accumulated impairment.

If the consideration is less than the Consolidated Entity's share of the fair value of the identifiable net assets of the business acquired, the difference is recognised in investment income as part of other operating income and charges, but only after a reassessment of the identification and measurement of the net assets acquired.

Contingent consideration that is dependent on any subsequent event is measured at fair value with changes in its fair value recognised in investment income as part of other operating income and charges.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present values as at the acquisition date. The discount rate used is the Consolidated Entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

Combinations between entities or businesses under common control

Common control transactions, which are business combinations involving entities or businesses that are ultimately controlled by the same parent entity, are accounted for at book value.

Where the Consolidated Entity acquires, as part of a common control transaction, assets that meet the definition of a business, the assets and liabilities acquired are recorded using the book values included in the consolidated financial statements of the entity having the highest level within the common control group and, where applicable, are presented gross of any accumulated amortisation, depreciation and impairment. The Consolidated Entity accounts for the difference between the consideration paid and the book value of the assets and liabilities acquired as a restructure reserve in equity, generally in retained earnings.

In the Consolidated Entity's financial statements, to the extent the common control transaction occurred between entities ultimately controlled by Macquarie Bank Limited, the selling entity's gains and losses relating to a common control transaction are eliminated against the amount recorded in the acquirer's equity relating to the common control transaction.

(iii) Foreign currency translation

Functional and presentation currency

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

Transactions and balances

At initial recognition, a foreign currency transaction is translated into the entity's functional currency using the spot exchange rate between the functional currency and the foreign currency at the date of the transaction.

At the end of each reporting period:

- foreign currency monetary assets and liabilities are translated using the closing exchange rate
- non-monetary items (including equity) measured in terms of historical cost in a foreign currency remain translated using the spot exchange rate at the date of the transaction
- non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date that the fair value was measured.

Foreign exchange gains and losses arising from the settlement or translation of monetary items, or non-monetary items measured at fair value are recognised in net trading income, with one exception. Where such monetary items are designated as hedging instruments in qualifying cash flow hedge or net investment hedge relationships, the foreign exchange gains and losses may be deferred in OCI to the extent the hedge is effective (refer to Note 32 *Hedge accounting* and Note 41(x) *Derivative instruments and hedging activities*).

Subsidiaries and other entities

The results and financial position of all entities that have a functional currency other than Australian dollars are translated into Australian dollars as follows:

- assets and liabilities for each Statements of financial position presented are translated at the closing exchange rate at the date of that Statements of financial position. Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and are translated at the closing exchange rate
- income and expenses for each income statement are translated at actual or average exchange rates at the dates of the transactions
- all resulting exchange differences are recognised in OCI within a separate component of reserves, being the foreign currency translation reserve (FCTR).

Foreign currency gains and losses on intragroup loans are recognised in the income statement except where the loan is in-substance part of the Consolidated Entity's net investment in the foreign operation, in which case the foreign currency gains and losses are recognised in the Consolidated Entity's FCTR.

Note 41
Significant accounting policies continued

(iii) Foreign currency translation continued

The exchange gains or losses recognised in FCTR are reclassified to the income statement or reattributed within equity as follows:

- if there is a disposal of a foreign operation, then the accumulated FCTR is reclassified from OCI to investment income within other operating income and charges
- if there is a partial disposal of a foreign operation that is an associate or joint arrangement, without loss of significant influence or joint control, then a proportionate share of the accumulated FCTR is reclassified to investment income
- if there is a partial disposal of a foreign operation that is a subsidiary, without loss of control, then a proportionate share of the accumulated FCTR is reattributed within equity to non-controlling interests.

(iv) Revenue and expense recognition

Net interest income

Interest income and interest expense (with the exception of borrowing costs that are capitalised on a qualifying asset which is not measured at fair value) are recognised using the effective interest rate (EIR) method for financial assets and financial liabilities carried at amortised cost, and debt financial assets classified as at fair value through OCI. The EIR method calculates the amortised cost of a financial instrument at a rate that discounts estimated future cash receipts or payments through the expected life of the financial instrument to the net carrying amount of the financial asset or liability. The calculation of the EIR does not include ECL. Fees and transaction costs that are integral to the lending arrangement are recognised in interest income or interest expense, as applicable, over the expected life (or, when appropriate, a shorter period) of the instrument in accordance with the EIR method.

When the estimates of payments or receipts of a financial instrument are subsequently revised, the carrying amount is adjusted to reflect the actual or revised cash flows with the remeasurement recognised as part of interest income (financial assets) or interest expense (financial liabilities).

Interest income on financial assets that are not credit-impaired is determined by applying the financial asset's EIR to the financial asset's gross carrying amount. Interest income on financial assets that are subsequently classified as credit-impaired (stage III), is recognised by applying the EIR to the amortised cost carrying value (being the gross carrying value after deducting the impairment loss).

Interest income and expense on financial assets and liabilities that are classified as FVTPL is accounted for on a contractual rate basis.

Fee and commission income

Revenue earned by the Consolidated Entity from its contracts with customers primarily consists of the following categories of fee and commission income:

Brokerage and other trading-related fee income

The Consolidated Entity enters into contracts with customers to act as an agent to buy and sell securities. The brokerage and commission income related to this service is recognised on trade date and is presented net of any rebates.

Service fee from related body corporates

Service fees for the provision of resources or other ancillary services to other Group entities, when the Company or its subsidiaries performs a service for other entities within the Macquarie Group as per the group shared services agreements, are recognised as and when those services are performed.

Other fee and commission income

Other fee and commission income includes fees earned on a range of banking products and services platforms, wealth services, credit cards, structuring fees, portfolio administration, lending services, stock borrow and lending activities and income on structured products which is recognised when the performance obligation is satisfied.

The revenue recognition policies above are applied to internal fee sharing arrangements between the entities within the Macquarie Group. Management fees and other cost recoveries are recognised as and when the Company performs a service to other entities within the Macquarie Group as per the agreed cost or profit sharing arrangements.

Net operating lease income

Operating lease income is recognised on a straight-line basis over the lease term and is presented net of the related depreciation expense.

Other operating income and charges

Other operating income and charges includes investment income, and other income.

Investment income includes gains and losses arising from subsequent changes in the fair values of equity and debt investment securities that are classified as FVTPL and dividends or distributions on these securities which represent the return on such investments. Impairment losses/reversal of impairment losses on these financial assets are not reported separately.

Gains or losses on the change of control, joint control and/or significant influence and reclassifications to/from held for sale also forms part of investment income. Refer to Note 41(i) *Principles of consolidation* for details on the timing of recognition of such gains or losses.

Note 41
Significant accounting policies continued

(iv) Revenue and expense recognition continued

Dividends

Dividends or distributions are recognised when the right to receive a dividend or distribution is established, it is probable the economic benefits associated with the dividend will flow to the Company and/or Consolidated Entity and the dividend can be measured reliably.

Dividends or distributions from HFT assets are recognised in net trading income, as investment income as part of other operating income and charges for other financial assets measured at FVTPL or FVOCI, or as a reduction to the carrying amount of the investment in associates and joint ventures in the Consolidated Entity's Statements of financial position. Where associates and joint ventures are classified as held for sale, dividends or distributions are recognised within other income as part of other operating income and charges.

Judgement is applied in determining whether distributions from subsidiaries, associates and joint ventures are to be recognised as dividend income or as a return of capital. Distributions that represent a return of capital are accounted for by the Company as a reduction to the cost of its investment and are otherwise recognised by the Company within investment income as part of other operating income and charges when the recognition criteria are met.

Expenses

Expenses are recognised in the income statement as and when the provision of services is received.

(v) Segment reporting

Operating segments are identified on the basis of internal reports to Senior Management about components of the Consolidated Entity that are regularly reviewed by Senior Management who have been identified as the chief operating decision makers, in order to allocate resources to the segment and to assess its performance. Information reported to Senior Management for the purposes of resource allocation and assessment of performance is specifically focused on core products and services offered, comprising three reportable segments as disclosed in Note 3 *Segment reporting*.

Information about products and services is based on the financial information used to produce the Consolidated Entity's financial statements. Information about geographical segments is based on the jurisdiction of the respective entities.

(vi) Taxation

The balance sheet approach to tax effect accounting has been adopted whereby the income tax expense for the financial year is the tax payable on the current year's taxable income adjusted for changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and unused tax losses.

Deferred tax assets are recognised when temporary differences arise between the tax bases of assets and liabilities and their respective carrying amounts which give rise to a future tax benefit, or when a benefit arises due to unused tax losses. In both cases, deferred tax assets are recognised only to the extent that it is probable that future taxable amounts will be available against which to utilise those temporary differences or tax losses.

Deferred tax liabilities are recognised when such temporary differences give rise to taxable amounts that are payable in future periods. Deferred tax assets and liabilities are recognised at the tax rates expected to apply when the assets are recovered, or the liabilities are settled under enacted or substantively enacted tax law.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority.

Current tax assets and liabilities are offset when there is a legally enforceable right to offset and an intention to either settle on a net basis or realise the asset and settle the liability simultaneously.

Current and deferred taxes attributable to amounts recognised in OCI are also recognised in OCI.

The Consolidated Entity exercises judgement in determining whether deferred tax assets, particularly in relation to tax losses, are probable of recovery.

Factors considered include the ability to offset tax losses within the tax consolidated group in Australia or groups of entities in overseas jurisdictions, the nature of the tax loss, the length of time that tax losses are eligible for carry forward to offset against future taxable profits and whether future taxable profits are expected to be sufficient to allow recovery of deferred tax assets.

The Consolidated Entity undertakes transactions in the ordinary course of business where the income tax treatment requires the exercise of judgement. The Consolidated Entity estimates the amount expected to be paid to/(recovered from) tax authorities based on its understanding and interpretation of the law. Uncertain tax positions are presented as current or deferred tax assets or liabilities with reference to the nature of the underlying uncertainty.

Tax consolidation

The Consolidated Entity's Australian tax liabilities are determined according to tax consolidation legislation.

All eligible Australian resident wholly owned subsidiaries of Macquarie Group Limited (MGL, the Company's ultimate parent entity) comprise a tax consolidated group (TCG) with MGL as the head entity. As a consequence, the Company and the relevant subsidiaries are not liable to make income tax payments and do not recognise any current tax balances or any deferred tax assets arising from unused tax losses or credits.

Note 41
Significant accounting policies continued

(vi) Taxation continued

The TCG recognises its current and deferred taxes using the 'group allocation approach' detailed in AASB UIG Interpretation 1052 *Tax Consolidation Accounting* (AASB Interpretation 1052). Under the terms and conditions of a tax funding agreement, MGL charges each subsidiary for all current tax liabilities incurred in respect of their activities and reimburses each subsidiary for any tax assets arising from unused tax losses. The tax funding agreement also allows for the transfer of tax balances between TCG entities as required. Where the recognition of a deferred tax balance in the transferee is precluded under AASB 112 *Income taxes*, the funding paid or received is accounted for in equity.

MGL's group allocation approach is based on a 'standalone taxpayer' approach as defined in AASB Interpretation 1052 which requires each subsidiary member to record income taxes as though they each continued to be a taxable entity in their own right. Modifications, such as the removal of the standalone tax effect of intra-group dividend income, are then made to this approach wherever it does not appropriately reflect the tax outcome to the TCG.

Should MGL be in default of its tax payment obligations, or a default is probable, the current tax balances of its subsidiaries will be determined in accordance with the terms and conditions of a tax sharing agreement between the MGL and entities in the tax consolidated group.

Goods and Services tax (GST)

Where GST (or other value added tax) is not recoverable from global tax authorities, it is either capitalised to the Statements of financial position as part of the cost of the related asset or is recognised as part of other operating expenses. Where GST (or other value added tax) is recoverable from or payable to global tax authorities, the amount is recorded as a separate asset or liability in the Statements of financial position.

(vii) Financial instruments

Recognition of financial instruments

Financial instruments are recognised when the Consolidated Entity becomes a party to the contractual provisions of the instrument.

A financial instrument is initially recognised at fair value and is adjusted (in the case of instruments not classified at FVTPL) for transaction costs that are incremental and directly attributable to the acquisition or issuance of the financial instrument, and fees that are an integral part of the effective interest rate. Transaction costs and fees paid or received relating to financial instruments carried at FVTPL are recorded in the income statement.

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

Financial instruments arising in multiple transactions are accounted for as a single arrangement if this best reflects the substance of the arrangement. Factors considered in this assessment include whether the financial instruments:

- are entered into at the same time and in contemplation of one another
- have the same counterparty
- relate to the same risk
- there is no apparent economic need or substantive business purpose for structuring the transactions separately that could not also have been accomplished in a single transaction, or
- whether each of the financial instruments has its own terms and conditions and may be transferred or settled separately.

Derecognition of financial instruments

Financial assets

Financial assets are derecognised from the Statements of financial position when:

- the rights to cash flows have expired, or
- the Consolidated Entity has transferred the financial asset such that it has transferred substantially all the risks and rewards of ownership of the financial asset.

A financial asset is transferred if, and only if, the Consolidated Entity i) transfers the contractual rights to receive the cash flows of the financial asset, or ii) retains the contractual rights to receive the cash flows of the financial asset, but assumes a contractual obligation to pay the cash flows to one or more recipients in an arrangement where the Consolidated Entity is:

- not obligated to pay amounts to the eventual recipients unless it collects equivalent amounts from the original asset
- prohibited from selling or pledging the original asset other than as security to the eventual recipients, and
- obligated to remit any cash flows it collects on behalf of the eventual recipients without material delay.

In transactions where the Consolidated Entity neither retains nor transfers substantially all the risks and rewards of ownership of a financial asset, the asset is derecognised if control over the asset is lost. Any interest in the transferred and derecognised financial asset that is created or retained by the Consolidated Entity is recognised as a separate asset or liability. In transfers where control over the asset is retained, the Consolidated Entity continues to recognise the asset to the extent of its continuing involvement as determined by the extent to which it is exposed to changes in the value of the transferred asset.

Financial liabilities

Financial liabilities are derecognised from the Statements of financial position when the Consolidated Entity's obligation has been discharged, cancelled or has expired.

Note 41
Significant accounting policies continued

(vii) Financial instruments continued

Gains and losses on the derecognition of debt financial assets and liabilities

Gains and losses arising from the derecognition of debt financial assets or financial liabilities are recognised in:

- net trading income in respect of trading-related balances that are subsequently measured at amortised cost
- investment income within other operating income and charges in respect of financial investments and loans to associates, and
- other income and charges as part of other operating income and charges for all other financial assets and financial liabilities.

Financial guarantee contracts issued

Financial guarantee contracts are recognised as a financial liability at the time the guarantee is issued. The liability is initially measured at fair value and subsequently at the higher of:

- the amount determined in accordance with the expected credit loss model under AASB 9, or
- the amount initially recognised less, where appropriate, the cumulative amount of income recognised in accordance with the principles of AASB 15 *Revenue from Contracts with Customers*.

Modification of financial instruments

A financial instrument is modified when its original contractual cash flows are renegotiated or modified. A financial asset that is renegotiated is derecognised if the rights to receive cash flows from the existing agreement have expired, either through replacement by a new agreement or the existing terms are modified to that effect. A financial liability that is renegotiated is derecognised if the existing agreement is cancelled and a new agreement is made on substantially different terms or if the existing terms are modified such that the renegotiated financial instrument is a substantially different financial instrument. Where the modification results in derecognition of the original financial instrument, the new financial instrument is recorded initially at its fair value and the resulting difference is recognised in the income statement in accordance with the nature of the financial instrument as described in the derecognition of financial instruments policy.

For financial instruments measured at amortised cost, and for debt financial assets measured at FVOCI, when the modification does not result in derecognition, a gain or loss is recognised in the income statement in accordance with the nature of the financial instrument as described in the derecognition of financial instruments policy. The gain or loss is measured as the adjustment of the gross carrying amount to reflect the renegotiated or modified contractual cash flows, discounted at the instrument's original EIR.

Classification and subsequent measurement

Financial assets

Financial assets are classified based on the business model within which the asset is held and on the basis of the financial asset's contractual cash flow characteristics.

Business model assessment

The Consolidated Entity uses judgement in determining the business model at the level that reflects how groups of financial assets are managed and its intention with respect to its financial assets. In determining the business model, all relevant evidence that is available at the date of the assessment is used including:

- how the performance of the financial assets held within that business model is evaluated and reported to the Consolidated Entity's Senior Management personnel and senior executives
- the risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way in which those risks are managed, and
- how managers of the business are compensated (for example, whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected).

Solely payment of principal and interest (SPPI)

The contractual cash flows of a financial asset are assessed to determine whether these represent SPPI on the principal amount outstanding consistent with a basic lending arrangement. This includes an assessment of whether the cash flows primarily reflect consideration for the time value of money and credit risk of the principal outstanding. Interest may also include consideration for other basic lending risks and costs.

Amortised cost

A financial asset is subsequently measured at amortised cost using the EIR method where:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows,
- the contractual terms of the financial asset give rise on specified dates to cash flows that meet the SPPI requirements, and
- the financial asset has not been classified as DFVTPL.

Interest income is determined in accordance with the EIR method and recognised as part of interest and similar income.

Fair value through other comprehensive income

A financial asset is subsequently measured at FVOCI if the following conditions are met:

- the financial asset is held within a business model whose objective is to both collect contractual cash flows and to sell the financial asset
- the contractual terms of the financial asset give rise on specified dates to cash flows that meet the SPPI requirements
- the financial asset has not been classified as DFVTPL.

Note 41
Significant accounting policies continued

(vii) Financial instruments continued

Subsequent changes in fair value are recognised in OCI, with the exception of interest (which is recognised as part of interest income), ECL (which is recognised in credit and other impairment charges/reversal) and foreign exchange gains and losses (which are recognised in net trading income) and is net of any related hedge accounting adjustments. When debt financial assets classified as at FVOCI are derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from OCI to investment income in respect of debt financial investments and loans to associates, or to other income and charges as part of other operating income and charges for all other financial assets.

Fair value through profit or loss

Financial assets that do not meet the criteria to be measured at amortised cost or FVOCI are subsequently measured at FVTPL. For the purposes of the Consolidated Entity's financial statements, the FVTPL classification consists of the following:

- financial assets that are held for active trading (held for trading (HFT)). This classification includes all derivative financial assets, except those that are designated as hedging instruments in qualifying hedge relationships and are classified as FVTPL
- financial assets in a business model whose objective is achieved by managing the financial assets on a fair value basis in order to realise gains and losses as opposed to a business model in which the objective is to collect contractual cash flows (FVTPL)
- financial assets that fail the SPPI test (FVTPL), and
- financial assets that have been designated to be measured at fair value through profit or loss to eliminate or significantly reduce an accounting mismatch (DFVTPL).

Equity financial assets that are not held for active trading are measured at FVTPL. Subsequent changes in fair value are recognised as investment income within other operating income and charges.

Subsequent changes in the fair value of debt financial assets measured at FVTPL are presented as follows:

- changes in the fair value of financial assets that are classified as HFT and financial assets managed on a fair value basis are recognised in net trading income
- changes in the fair value of debt financial investments and loans to associates and joint ventures that fail SPPI are recognised in investment income as part of other operating income and charges
- changes in the fair value of all other FVTPL and DFVTPL financial assets are recognised as part of other income and charges within other operating income and charges.

Where applicable, the interest component of these financial assets is recognised as interest and similar income.

Reclassification of financial instruments

The Consolidated Entity reclassifies debt financial assets when and only when its business model for managing those assets changes. Financial assets that are reclassified are subsequently measured based on the financial asset's new measurement category.

The Consolidated Entity does not reclassify financial liabilities after initial recognition.

Financial liabilities

Financial liabilities are subsequently measured at amortised cost, unless they are either HFT, or have been designated to be measured at FVTPL (DFVTPL). A financial liability may be DFVTPL if:

- such a designation eliminates or significantly reduces an accounting mismatch that would otherwise have arisen
- a group of financial liabilities, or financial assets and financial liabilities, is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, or
- the liability contains embedded derivatives which must otherwise be separated and carried at fair value.

All derivative financial liabilities are classified as HFT, except those that are designated as hedging instruments in qualifying hedge relationships and are classified as FVTPL. Refer to Note 41(x) *Derivative instruments and hedging activities* for the detailed hedge accounting policy.

Changes in the fair value of financial liabilities that are not classified as HFT, with the exception of changes in fair value relating to changes in the Consolidated Entity's own credit risk that are presented separately in OCI and are not subsequently reclassified to profit or loss, are recognised in other income and charges as part of other operating income and charges.

Where applicable, the interest component of these financial liabilities is recognised as interest and similar expense.

Offsetting of financial instruments

Financial assets and financial liabilities are offset, and the net amount reported in the Statements of financial position, when there is a current legally enforceable right to offset the amounts and either there is an intention to settle on a net basis or realise the financial asset and settle the financial liability simultaneously.

(viii) Cash collateral on securities borrowed and lent and repurchase and reverse repurchase agreements

As part of its trading and financing activities, the Consolidated Entity borrows and lends securities, commodities and other assets ('underlying') on a collateralised basis. The underlying that is subject to the arrangement is not derecognised from the Statements of financial position of the relevant parties, as the risks and rewards of ownership remain with the initial holder.

Note 41
Significant accounting policies continued

(viii) Cash collateral on securities borrowed and lent and repurchase and reverse repurchase agreements continued

These transactions include:

- reverse repurchase transactions, where the Consolidated Entity purchases an underlying under an agreement to resell
- repurchase transactions, where the Consolidated Entity sells an underlying under an agreement to repurchase.

The Consolidated Entity continually reviews the fair values of the underlying on which the above transactions are based and where appropriate, requests or provides additional collateral to support the transactions, in accordance with the terms of the respective agreements.

Reverse repurchase agreements are measured as follows by the Consolidated Entity:

- agreements that are collateralised with commodities are measured at amortised cost when they are held in a business model to collect contractual cash flows and AASB 9's SPPI criteria are met
- agreements that are held within the Consolidated Entity's cash and liquid assets portfolio are measured at FVOCI as they are held in a business model to both collect contractual cash flows and with the intention to sell
- all other reverse repurchase agreements are measured at FVTPL to reflect the Consolidated Entity's business model to realise fair value gains and losses as opposed to a business model in which the objective is to collect contractual cash flows.

Also refer to Note 34 *Measurement categories of financial instruments*.

Repurchase agreements are subsequently measured at amortised cost, except where they are DFVTPL to eliminate an accounting mismatch created by managing the agreements together with the associated reverse repurchase agreements that are measured at FVTPL.

(ix) Trading assets and liabilities

The Consolidated Entity uses trade date accounting when recording regular way purchases and sales of financial assets and liabilities that are classified as HFT. At the date a purchase transaction is entered into (trade date), the Consolidated Entity recognises the resulting financial asset or liability and any subsequent unrealised gain or loss arising from revaluing that contract to fair value as part of net trading income, except for interest income on HFT debt financial assets which is recognised in interest income. Refer to Note 41(vii) *Financial instruments*.

Trading assets (long positions) comprise financial instruments such as debt and equity securities, bank bills, treasury notes, and loans, commodity contracts and commodities purchased with the intent of being actively traded either individually or as part of a portfolio.

Trading liabilities comprise obligations to deliver assets (short positions) across the same trading categories and which the Consolidated Entity intends to actively trade.

Commodity inventory is recognised when the Consolidated Entity controls the commodity, the determination of which includes consideration of price risk, and is measured at fair value less costs to sell in accordance with the broker-trader exemption, on the basis that such assets are acquired with the purpose of selling in the near future and generating a profit from fluctuations in price or broker-traders' margin.

When the Consolidated Entity becomes party to a sale contract, and the derecognition criteria are met (refer to Note 41(vii) *Financial instruments*), it derecognises the trading asset or liability and recognises a trade receivable or trade payable from trade date until settlement date.

(x) Derivative instruments and hedging activities

Derivative instruments entered into by the Consolidated Entity include futures, forwards and forward rate agreements, swaps and options in the interest rate, foreign exchange, commodity, credit and equity markets. These derivative instruments are principally used by the Consolidated Entity for the purposes of risk management of existing financial assets and liabilities and forecast transactions and are also entered into for client trading purposes.

Derivatives are recognised in the Statements of financial position as an asset where they have a positive fair value at the reporting date or as a liability where they have a negative fair value at the reporting date.

Derivatives that may have both positive or negative values must meet both the asset and liability derecognition tests before being derecognised from the Statements of financial position.

Fair values are obtained from quoted prices in active markets where available, or valuation techniques including discounted cash flow models and option pricing models, as appropriate. The accounting for derivatives is subject to the application of the day 1 profit or loss policy as described in Note 41(vii) *Financial instruments*.

The Consolidated Entity applies trade date accounting to the recognition and derecognition of derivative financial instruments.

Hedge accounting

As part of its ongoing business, the Consolidated Entity is exposed to several financial risks, principally that of interest rate, foreign exchange rate and commodity price risk (collectively referred to as the hedged risk or exposure). The Consolidated Entity has limited appetite for such risks and has policies and practices in place to ensure that these risks are effectively managed. The Consolidated Entity mitigates these risks through the use of derivative financial instruments, and, in the case of foreign currency risk, foreign-denominated debt issued (collectively referred to as hedging instruments). The Consolidated Entity applies hedge accounting to manage accounting mismatches arising from the difference in measurement bases or location of the gains and losses recognised between the exposure that is being hedged and the hedging instrument. Refer to details provided in the table on the following page.

Note 41
Significant accounting policies continued

(x) Derivative instruments and hedging activities continued

	Fair value hedge	Cash flow hedge	Net investment hedge
Nature of hedge	The hedge of the fair value risk of a financial or non-financial asset or liability.	The hedge of the change in cash flows of a financial asset or liability.	The hedge of changes in the Consolidated Entity's foreign denominated net assets for changes in foreign currency rates.
Nature of material hedged risks	• Interest rate risk • Commodity price risk • Foreign exchange risk.[(1)]	• Interest rate risk • Foreign exchange risk.	• Foreign exchange risk.
Material hedged items	• Fixed interest rate financial assets and liabilities • Amount due to/from related body corporates[(1)] • Commodity transportation contracts • Property, Plant and Equipment • Equity investments in foreign currency denominated subsidiaries.	• Floating interest rate financial liabilities • Foreign currency denominated interest bearing financial liabilities • Amount due to/from related body corporates.[(1)]	• Net investment in foreign operations.
Material hedging instruments	• Interest rate swaps • Cross currency swaps • Commodity forwards and futures • Foreign exchange forwards and swaps • Foreign currency denominated borrowings.	• Interest rate swaps • Cross currency swaps.	• Foreign exchange contracts • Foreign currency denominated issued debt.
Designation and documentation	At inception of the hedge relationship, documentation is required of the risk management objective and strategy for the hedge, the hedging instrument, hedged item, hedged risk and how the hedge relationship will meet the hedge effectiveness requirements.		
Hedge effectiveness method	All hedge relationships are assessed for prospective hedge effectiveness both at the inception of the hedge, at each reporting period and following any significant change in circumstances affecting the hedge, by demonstrating that: • an economic relationship exists between the hedged item and the hedging instrument • credit risk does not dominate the changes in value of either the hedged item or the hedging instrument • the hedge ratio is reflective of the Consolidated Entity's risk management approach. The hedge effectiveness assessment is performed by a combination of qualitative and, where applicable, quantitative assessments. Changes in the hedge ratio, or rebalancing, may be required to adjust the designated quantities of either the hedged item or the hedging instrument.		
Accounting treatment for the hedging instrument	Fair value through the income statement, aligned to the presentation of the hedged item.	Fair value through the cash flow hedge reserve as part of OCI, and then recognised in the income statement at the time at which the hedged item affects the income statement for the hedged risk.	Foreign exchange gains and losses are recognised in the Net Investment Hedge Reserve (NIHR), a separate component of FCTR in OCI.
Accounting treatment for the hedged item	Adjustments to the carrying value are recognised in the income statement for changes in fair value attributable to the hedged risk.	Accounted for on an amortised cost basis.	Foreign exchange gains and losses are recognised in the Consolidated Entity's foreign currency translation reserve as part of OCI.

(1) The Company (but not the Consolidated Entity) designates selected hedge accounting relationships that only meet the qualifying criteria for hedge accounting in the Company financial statements.

Note 41
Significant accounting policies continued

(x) Derivative instruments and hedging activities continued

<table>
<tr><th></th><th>Fair value hedge</th><th>Cash flow hedge</th><th>Net investment hedge</th></tr>
<tr><td>Accounting treatment for hedge ineffectiveness</td><td>Recognised as part of net trading income in the income statement to the extent that changes in fair value of the hedged item attributable to the hedged risk are not offset by changes in fair value of the hedging instrument.</td><td colspan="2">Recognised as part of net trading income in the income statement to the extent to which changes in the fair value of the hedging instrument exceed, in absolute terms, the change in the fair value of the hedged item.</td></tr>
<tr><td>Accounting treatment if the hedge relationship is discontinued</td><td>Where the hedged item still exists and is a financial instrument carried at amortised cost, adjustments to the hedged item are amortised to the income statement on an EIR basis. For non-financial items, the adjustment continues as part of the carrying value of the asset up until it is recovered through use or sale, or the item becomes impaired.</td><td>The gain or loss remains in the cash flow hedge reserve to the extent that the hedged cash flows are still expected to take place and subsequently recognised in the income statement at the time at which the hedged item affects the income statement for the hedged risk.

Where the hedged cash flows are no longer expected to take place, the gain or loss in the cash flow hedge reserve is recognised immediately in the income statement.</td><td>The exchange gains or losses recognised in the NIHR within FCTR are reclassified to the income statement or reattributed within equity as follows:
• if the hedge is discontinued due to a disposal of the hedged foreign operation, then the accumulated NIHR is reclassified from OCI to investment income within other operating income and charges
• if there is a partial disposal of a foreign operation that is an associate or joint arrangement, without loss of significant influence or joint control, then a proportionate share of the accumulated NIHR is reclassified to investment income
• if there is a partial disposal of a foreign operation that is a subsidiary, without loss of control, then a proportionate share of the accumulated NIHR is reattributed within equity to non-controlling interests.</td></tr>
<tr><td>Other accounting policies</td><td colspan="3">Certain components of the hedging instrument such as the forward element of a forward contract, the time value of an option and the foreign currency basis spread (being the liquidity charge for exchanging different currencies), may be excluded from the hedge designation. These elements are deferred in the cost of hedging reserve and released to the income statement either at the time at which the hedged exposure affects the income statement, or on a systematic basis over the life of the hedge.</td></tr>
</table>

Note 41
Significant accounting policies continued

(xi) Margin money and settlement assets and liabilities

Margin money and settlement assets and liabilities includes trade settlement balances, margin monies and balances with clearing houses. Margin monies primarily represent deposits placed with clearing houses in relation to futures trading and other derivatives transactions. The balance includes both initial and variance margin which varies based on trading activities. The balance also includes client margin calls which are funded by the Consolidated Entity. Settlement balances represent outstanding trade timing balances as at the reporting date due to the timing difference between trade and settlement date. Balances are carried at amortised cost except for certain margin money balances that are held in money market funds and certain settlement balances which are carried at FVTPL.

(xii) Financial investments

Investment securities in this category include investments in equity or debt securities which are not actively traded by the Consolidated Entity.

Debt investment securities in this category comprise bonds, negotiable certificates of deposits (NCD), floating rate notes (FRN), commercial paper and other debt securities.

Financial investments are initially recognised on trade date at fair value (adjusted for directly attributable transaction costs for debt investments subsequently measured at amortised cost or FVOCI) and subsequently measured in accordance with Note 41(vii) *Financial instruments*.

(xiii) Loan Assets

This category includes loans that are not held for trading purposes and typically includes the Consolidated Entity's lending activities to its customers.

Loan assets are initially recognised on settlement date at fair value (adjusted for directly attributable transaction costs for loan assets subsequently measured at amortised cost or FVOCI) and subsequently measured in accordance with Note 41(vii) *Financial instruments*.

Certain finance lease receivables are also presented as part of asset financing within loan assets. For the detailed policy on financial instruments, including treatment of derecognition, refer to Note 41(vii) *Financial instruments*.

(xiv) Property, plant and equipment and right-of-use assets

Property, plant and equipment are stated at historical cost (which includes, where applicable, directly attributable borrowing costs and expenditure directly attributable to the acquisition of the asset) less, accumulated depreciation and, where applicable, accumulated impairment losses.

Right-of-use (ROU) assets are initially measured at cost and comprise of the amount that corresponds to the amount recognised for the lease liability on initial recognition together with any lease payments made at or before the commencement date (less any lease incentives received), initial direct costs and restoration-related costs. Subsequently, it is stated at historical cost less accumulated depreciation and, where applicable, impairment losses, and adjusted for remeasurement of lease liabilities.

Property, plant and equipment and right-of-use assets includes assets leased out under operating leases.

Depreciation is the process to allocate the difference between cost and residual values over the estimated useful life. Where the residual value exceeds the carrying value, no depreciation is charged. Depreciation is calculated on the following bases:

- unit of production method for certain infrastructure assets
- straight-line basis for all other assets.

A ROU asset is depreciated on a straight-line basis over the shorter of the asset's useful life and the lease term.

Annual depreciation rates are summarised below:

Property, plant and equipment	Depreciation rates
Buildings	2 to 3.3%
Furniture, fittings and leasehold improvements[(1)]	10 to 20%
Equipment	33 to 50%
Infrastructure assets[(2)]	1 to 33%
Meters	5 to 15%
Telecommunications	24.5 to 41.4%
Other operating lease assets	2 to 25%

Useful lives, residual values and depreciation methods are reviewed annually and reassessed in the light of commercial and technological developments. Gains and losses on disposal are determined by comparing the proceeds with the asset's carrying amount and are recognised in other income as part of other operating income and charges.

The depreciation charge is recognised as part of:

- net operating lease income for assets given on operating lease
- occupancy expenses for corporate buildings
- non-salary technology expenses for technology assets
- other operating expenses for all other assets.

The Consolidated Entity does not recognise a ROU asset for short-term or low value leases, instead the expense is recognised over the lease term as appropriate as part of operating expenses.

(1) Where remaining lease terms are less than five years, leasehold improvements are depreciated over the remaining lease term.
(2) Includes infrastructure assets, for which depreciation is calculated on a unit of production basis.

Note 41
Significant accounting policies continued

(xv) Goodwill and other identifiable intangible assets

Goodwill

Goodwill is measured as the excess of consideration, recognised NCI, and the fair value of previously held equity interests over the fair value of the identifiable net assets of the business acquired. Goodwill arising from business combinations is included in intangible assets in the Statements of financial position.

Other acquired identifiable intangible assets

At the time at which the Consolidated Entity determines that it has acquired a business, the Consolidated Entity identifies intangible assets that are required to be initially recognised at fair value. An intangible asset is considered to have an indefinite useful life where it is expected to contribute to the Consolidated Entity's net cash inflows indefinitely.

The following intangible assets are typically identified and recognised by the Consolidated Entity:

- licences and trading rights: generally carried at cost less accumulated impairment loss. Where no contractual or legal limitation exists, these assets are not amortised because they are considered to have an indefinite useful life
- customer and servicing contracts acquired with a finite useful life: carried at cost less accumulated amortisation and accumulated impairment loss. Amortisation is calculated over the period for which the customer relationship is expected to exist
- customer and servicing contracts with an indefinite useful life: carried at cost less accumulated impairment loss.

Certain other intangible assets held for trading, including emission certificates, are measured at fair value less costs to sell in accordance with the broker-trader exemption (on the basis that such assets are acquired with the purpose of selling in the near future and generating a profit from fluctuations in price or broker traders' margin).

Amortisation of intangible assets held by trading related business is recorded in net trading income and for others is recognised in other operating expenses. Impairments (reversal of impairments) of intangible assets are recognised in other impairment charges/reversal.

Software

Certain internal and external costs directly incurred in acquiring and developing certain computer software programmes are capitalised and amortised over the estimated useful life, usually a period of three to seven years on a straight-line basis. The capitalised software asset is subject to impairment testing on an annual basis.

Costs incurred on the maintenance of software is expensed as incurred and recognised in other operating expenses.

(xvi) Deposits

Deposits include customer deposits, business banking and home loan related deposits, deposits from financial institutions and other balances such as client monies. These deposits are initially recognised at fair value less directly attributable transaction costs and are subsequently measured at amortised cost.

(xvii) Other assets and liabilities

Contract assets, contract liabilities and capitalised expenses

Where the Consolidated Entity provides services to clients and the consideration is unconditional, a receivable is recognised. Where the consideration is conditional on something other than the passage of time, a contract asset is recognised. Both receivables and contract assets are assessed for impairment in accordance with AASB 9.

The Consolidated Entity, as permitted by AASB 15, has applied the practical expedient that allows for costs incurred to obtain a contract to be expensed as incurred where the amortisation period for any asset recognised would be less than 12 months. The Consolidated Entity also applies the practical expedient not to adjust consideration for the effects of a significant financing component, where the period between transferring a good or service and when the customer pays for that good or service is expected to be one year or less.

Contract liabilities relate to prepayments received from customers where the Consolidated Entity is yet to satisfy its performance obligation.

Non-current assets and liabilities of disposal groups classified as held for sale

This category includes assets and disposal groups (groups of assets to be disposed in a single transaction and directly attributable liabilities) for which the carrying amount will be recovered principally through a sale or distribution transaction rather than continuing use. This includes assets and liabilities of businesses and subsidiaries, associates and joint ventures, other assets and liabilities, and subsidiaries that are acquired exclusively with a view to sell or distribute.

These assets and disposal groups are classified as held for sale when they are available for immediate sale in their present condition and the sale or distribution is highly probable, including that the sale or distribution is expected to occur within 12 months. Where there is a planned partial disposal of a subsidiary resulting in loss of control, but the Consolidated Entity retains an interest in the disposed subsidiary, the entire carrying value of the subsidiary's assets and liabilities is classified as held for sale.

Non-current assets and liabilities of disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Equity accounting, depreciation and amortisation is suspended when the held for sale criteria are met.

Note 41
Significant accounting policies continued

(xvii) Other assets and liabilities continued

An impairment loss is recognised for any initial or subsequent write down of the asset to fair value less costs to sell and is recognised in other impairment charges/reversal. A gain is recognised for any subsequent increase in fair value less costs to sell, limited to the cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of sale is recognised at the date of sale.

Financial assets and liabilities that are classified as held for sale are measured in accordance with the Consolidated Entity's financial instruments' policies.

Provisions and contingent liabilities

Provisions are recognised when it is probable that an outflow of economic benefits will be required to settle a present legal or constructive obligation that has arisen as a result of past events and for which a reliable estimate can be made.

Contingent liabilities, which generally include letters of credit, indemnities, performance-related contingents and guarantees (other than financial guarantees) are not recognised in the financial statements but are disclosed in the notes to the financial statements unless they are considered remote.

Employee benefit provisions

Employee benefit provisions are recognised by the Consolidated Entity as and when the service has been rendered after deducting amounts already paid. Liabilities for unpaid salaries, salary-related costs and provisions for annual leave are recorded in the Statements of financial position at the salary rates which are expected to be paid when the liability is settled. Provisions for long service leave and other long-term benefits are recognised at the present value of expected future payments to be made.

In determining this amount, consideration is given to expected future salary levels and employee service histories. Expected future payments are discounted to their net present value using discount rates on high quality corporate bonds, except where there is no deep market, in which case rates on Government securities are used. Such discount rates have terms that match as closely as possible the expected future cash flows.

Provisions for unpaid employee benefits are derecognised when the benefit is settled or is transferred to another entity and the Company and Consolidated Entity are legally released from the obligation and do not retain a constructive obligation.

Dividends

Where a dividend is declared by the Company's Board of Directors, the provision for the dividend is recognised in the Statements of financial position as a liability, with a corresponding reduction in retained earnings, on the declaration date. Where the Company's Board of Directors determine or resolve to pay a dividend, the liability and the corresponding reduction in retained earnings is recognised on the payment date.

(xviii) Borrowings

Borrowings includes loans and other payables due to banks and financial institutions. These balances are subsequently measured at amortised cost.

(xix) Due to/from related body corporate entities and subsidiaries

Transactions between the Consolidated Entity and other related body corporate entities under common control of MGL and between the Company and its subsidiaries, principally arise from the provision of banking and other financial services, lending arrangements and acceptance of funds on deposit, the provision of management and administration services, facilities and accommodation and the provision of financial guarantees, and are accounted for in accordance with Note 41(iv) *Revenue and expense recognition* and Note 41(vii) *Financial instruments*.

Financial assets and financial liabilities are presented net where the offsetting requirements are met (Note 41(vii) *Financial instruments)*, such that the net amount is reported in the Statements of financial position.

(xx) Debt issued

Debt issued includes debt securities issued by the Consolidated Entity. These balances are subsequently measured at either amortised cost or are DFVTPL and measured at fair value in accordance with the Consolidated Entity's accounting policy for financial instruments, refer to Note 41(vii) *Financial instruments*.

(xxi) Loan Capital

Loan capital represents issued debt with terms and conditions that qualify for inclusion as capital under Australian Prudential Regulatory Authority (APRA) Standards.

Capital instruments are first assessed to determine whether the Consolidated Entity is required to deliver cash or another financial asset on the occurrence of a contingent event that is considered genuine and beyond the control of both the issuer and the holder (such as Common Equity Tier 1 Trigger Events or Non-Viability Trigger Events). Where such a contingent event exists, then the Consolidated Entity does not have the unconditional right to avoid delivering cash or another financial asset and the capital instrument is classified as a financial liability. The financial liability is initially measured at fair value plus directly attributable transaction costs and is subsequently measured at amortised cost.

For compound instruments that have both equity and liability features, the liability component is initially measured at fair value plus directly attributable transaction costs (and is thereafter measured at amortised cost using the EIR method), with the residual being accounted for within the Consolidated Entity's equity.

Note 41
Significant accounting policies continued

(xxii) Impairment

Expected credit losses

The ECL requirements apply to financial assets measured at amortised cost or FVOCI, lease receivables, amounts receivable from contracts with customers, loan commitments, certain letters of credit and financial guarantee contracts issued that are not DFVTPL. The Consolidated Entity applies a three-stage approach to measuring the ECL based on changes in the financial asset's underlying credit risk and includes forward looking information (FLI).

The calculation of ECL requires judgement and the choice of inputs, estimates and assumptions. Refer to Note 12 *Expected credit losses* for further information. Outcomes within the next financial period that are different from management's assumptions and estimates could result in changes to the timing and amount of ECL to be recognised.

The ECL is determined with reference to the following stages:

(i) Stage I – 12 month ECL

At initial recognition, and for financial assets for which there has not been a significant increase in credit risk (SICR) since initial recognition, ECL is determined based on the probability of default (PD) over the next 12 months and the lifetime losses associated with such PD, adjusted for FLI. Stage I also includes financial assets where the credit risk has improved and has been reclassified from stage II.

(ii) Stage II – Not credit-impaired

When there has been a SICR since initial recognition, the ECL is determined with reference to the financial asset's lifetime PD and the lifetime losses associated with that PD, adjusted for FLI. The Consolidated Entity exercises judgement in determining whether there has been a SICR since initial recognition based on qualitative, quantitative, and reasonable and supportable information that includes FLI. Detail on the Consolidated Entity's process to determine whether there has been a SICR is provided in Note 12 *Expected credit losses*.

Use of alternative criteria could result in significant changes to the timing and amount of ECL to be recognised. Lifetime ECL is generally determined based upon the contractual maturity adjusted, where appropriate, for prepayments, extension, call and similar options, of the financial asset. For revolving facilities, the Consolidated Entity exercises judgement based on the behavioural, rather than contractual characteristics of the facility type. Stage II may include financial assets where the credit risk has improved and has been reclassified from stage III.

(iii) Stage III – Credit-impaired

Financial assets are classified as stage III where they are determined to be credit impaired, which generally matches the APRA definition of default. This includes exposures that are at least 90 days past due and where the obligor is unlikely to pay without recourse against available collateral.

The ECL for credit impaired financial assets is generally measured as the difference between the contractual and expected cash flows from the individual exposure, discounted using the EIR for that exposure. For credit-impaired exposures that are modelled collectively for portfolios of exposures, ECL is measured as the product of the lifetime PD, the loss given default (LGD) and the exposure at default (EAD), adjusted for FLI.

Presentation of ECL allowances

The ECL allowances are presented in the Statements of financial position as follows:

- loan assets, loans to related body corporate entities and subsidiaries, associates and joint ventures measured at amortised cost – as a deduction to the gross carrying amount
- loan assets, loans to associates and joint ventures, and debt financial investments measured at FVOCI – as a reduction in the FVOCI reserve within equity. The carrying amount of the asset is not adjusted as it is measured at fair value
- lease receivables, contract receivables and other assets measured at amortised cost – as a deduction to the gross carrying amount
- undrawn credit commitments and financial guarantees (not measured at FVTPL) – as a provision included in other liabilities.

When the Consolidated Entity concludes that there is no reasonable expectation of recovering cash flows from the financial asset, and all possible collateral has been realised, the financial asset is written off, either partially or in full, against the related provision. Recoveries of loans previously written off are recorded based on the cash received.

Impairment of interests in associates and joint ventures

The Consolidated Entity performs an assessment at each reporting date to determine whether there is any objective evidence that its interests in associates and joint ventures are impaired. The main indicators of impairment are significant changes in the market, economic or legal environment and a significant or prolonged decline in fair value below cost.

In making this judgement, the Consolidated Entity evaluates, among other factors, the normal volatility in share price and the period of time for which fair value has been below cost. If there is an indication that an investment in an associate or joint venture may be impaired, then the entire carrying amount of the investment in the associate or joint venture is tested for impairment by comparing the recoverable amount, being the higher of fair value less costs to sell and value-in-use, with its carrying amount.

Note 41
Significant accounting policies continued

(xxii) Impairment continued

Impairment losses recognised in the income statement for investments in associates and joint ventures are subsequently reversed through the income statement if there has been a change in the estimates used to determine the recoverable amount since the impairment loss was recognised. The impairment losses (reversal of impairments) on investments in associates and joint ventures are recognised in the income statement as part of other impairment charges/reversal.

Fair value less costs to sell is estimated using market-based approaches using revenues, earnings and assets under management and multiples based on companies deemed comparable as well as other publicly available information relevant to the business.

Value-in-use is calculated using pre-tax cashflow projections of operating revenue and expenses. Forecasts are extrapolated using a growth rate and discounted using a pre-tax discount rate incorporating market risk determinants, adjusted for specific risks related to the cash generating units, if any, and the environment in which it operates.

Impairment of investments in subsidiaries

Investments in subsidiaries in the Company's financial statements are reviewed annually for indicators of impairment or more frequently if events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment is recognised in other impairment charges/reversal for the amount by which the investment's carrying amount exceeds its recoverable amount, being the higher of fair value less costs to sell and value-in-use. At each reporting date, investments in subsidiaries that have been impaired are reviewed for possible reversal of impairment. The amount of any reversal of impairment recognised must not cause the investment's carrying value to exceed its original cost.

Impairment of goodwill and other intangible assets; property, plant and equipment and right-of-use assets

Intangible assets with indefinite lives (goodwill and certain intangible assets) are not subject to amortisation but are tested annually for impairment, or more frequently if events or changes in circumstances indicate that the carrying amount may not be recoverable.

For intangible assets that have a finite useful life and property, plant and equipment and ROU assets, an assessment is made at each reporting date for indications of impairment.

Impairment losses are recognised in other impairment charges as part of other operating income and charges for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and value-in-use.

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Intangible assets (other than goodwill) for which an impairment loss has been recognised are reviewed for possible reversal of the impairment at each reporting date. A reversal is recognised only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

In relation to businesses acquired and held for disposal, the individual business is treated as a cash generating unit. Assets associated with strategic business acquisitions are allocated to each of the operating segments (refer to Note 3 *Segment reporting*) and assessed for impairment.

(xxiii) Performance based remuneration

Share-based payments

The ultimate parent company, MGL operates share-based compensation plans, which include awards (including those delivered through the Macquarie Group Employee Retained Equity Plan (MEREP)) granted to employees under share acquisition plans. Information relating to these schemes is set out in Note 29 *Employee equity participation*.

The Consolidated Entity accounts for its share-based payments as follows:

Equity settled awards: The awards are measured at their grant date fair value and based on the number of equity instruments expected to vest. Expenses are recognised as part of employment expenses with reference to the vesting period of those awards. To the extent that the Consolidated Entity or Company does not compensate the ultimate parent for MEREP awards offered to its employees, a corresponding credit is recognised in contributed equity. To the extent the amount is paid in advance, a receivable due from the ultimate parent is recognised. The receivable is amortised to the income statement as share-based payment expense over the vesting period. MEREP receivable amounts are recognised and disclosed in Note 27 *Related party information*.

Performance hurdles attached to Performance Share Units (PSUs) under the MEREP are not taken into account when determining the fair value of the PSUs at the grant date. Instead, these vesting conditions are taken into account by adjusting the number of equity instruments expected to vest.

Cash settled awards: The award liability is measured with reference to the number of awards and the fair value of those awards at each reporting date. Expenses are recognised as part of employment expenses with reference to the vesting period of those awards. Changes in the value of the liability are recognised in employment expenses.

Profit share remuneration

The Consolidated Entity recognises a liability and an expense for profit share remuneration to be paid in cash with reference to the performance period to which the profit share relates.

Note 41
Significant accounting policies continued

(xxiv) Leases

At the inception of a contract, the Consolidated Entity assesses whether a contract is, or contains, a lease. At inception, or on reassessment of a contract that contains a lease component, the Consolidated Entity allocates the consideration in the contract to each lease component unless an election is made to account for the lease and non-lease components as a single lease component.

Accounting where the Consolidated Entity is the lessee

The Consolidated Entity leases corporate buildings, commodity storage facilities, technology and other equipment for which contracts are typically entered into for fixed periods of 12 months to 15 years and may include extension options. Leases are recognised as an ROU asset (as explained in Note 41(xiv) *Property, plant and equipment and right-of-use assets*) and a corresponding liability at the commencement date, being the date the leased asset is available for use by the Consolidated Entity.

Lease liability

Lease liabilities are initially measured at the present value of the future lease payments at the commencement date, discounted using the interest rate implicit in the lease (or if that rate cannot be readily determined, the lessee's incremental borrowing rate). Lease payments are allocated between principal and interest expense. Interest expense is, unless capitalised on a qualifying asset which is not measured at fair value, recognised as part of interest and similar expense over the lease period on the remaining lease liability balance for each period. Any variable lease payments not included in the measurement of the lease liability are also recognised as net operating lease income in the period in which the event or condition that triggers those payments occurs.

Lease liabilities are remeasured when there is a change in future lease payments arising from a change in lease term, an assessment of an option to purchase the underlying asset, an index or rate, or a change in the estimated amount payable under a residual value guarantee.

When the lease liability is remeasured, a corresponding adjustment is made to the carrying value of the ROU asset, or, as net operating lease income, where the carrying value of the ROU asset has been reduced to zero.

Presentation

The Consolidated Entity presents ROU assets in Property, plant and equipment and right-of-use assets (refer to Note 13) and lease liabilities in Other liabilities (refer to Note 20) in the Statements of financial position.

Accounting where the Consolidated Entity is a lessor

Leases where the lessee has substantially all the risks and rewards incidental to ownership of the leased assets are classified as finance leases. All other leases are classified as operating leases.

Finance lease

Where finance leases are granted to third parties, the present value of the minimum lease payments plus an estimate of the value of any unguaranteed residual value is recognised as a receivable and included in loan assets.

The difference between the gross receivable and the present value of the receivable is unearned interest income. Lease receipts are discounted using the interest rate implicit in the lease. Interest income is recognised over the term of the lease using the EIR method, which reflects a constant rate of return. Finance lease income is presented within interest and similar income in the income statement.

Operating lease

Where the Consolidated Entity is the lessor under an operating lease, the underlying asset is carried at cost and depreciated over its useful life in accordance with the rates specified in Note 41(xiv) *Property, plant and equipment and right-of-use assets*. Operating lease income is recognised on a straight-line basis over the period of the lease unless another systematic basis is more appropriate. Assets leased out under operating leases are included in property, plant and equipment and right-of-use assets.

When the Consolidated Entity is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately. The lease classification of the sublease is determined with reference to the ROU asset arising from the head lease.

(xxv) Contributed equity

Ordinary shares and other similar instruments are classified as equity. Incremental costs directly attributable to the issue of new shares are recorded in equity as a deduction, net of tax, from the issue proceeds.

(xxvi) Fiduciary assets and client money

The Consolidated Entity engages in trust, fund or other fiduciary activities as well as certain brokerage and other trading-related activities that result in the holding or placing of assets on behalf of third parties. Where such assets are controlled, and future economic benefits are expected to be realised by the Consolidated Entity, such assets and the income thereon are reflected in the Statements of financial position and income statement respectively. Where this is not the case, these assets and the income thereon are excluded from the Consolidated Entity's financial statements as they are not the assets of the Consolidated Entity. Fee income earned by the Consolidated Entity relating to its responsibilities from fiduciary and brokerage and other trading-related activities is included as part of fee and commission income.

(xxvii) Cash and bank balances

Cash and bank balances includes currency on hand, demand deposits and short-term balances with Central and other banks including unallocated precious metal balances. These balances are subsequently measured at amortised cost, except unallocated precious metals which are held at FVTPL.

Note 41
Significant accounting policies continued

(xxviii) Cash and cash equivalents

Cash and cash equivalents comprise of cash and bank balances (except unallocated precious metal balances) as well as certain liquid financial investments and non-trading reverse repurchase agreements that have a contractual maturity of three months or less from the date of acquisition and which are readily convertible to known amounts of cash, are subject to an insignificant risk of changes in value, and are available to meet the Consolidated Entity's short-term cash commitments. Cash and cash equivalents exclude margin money balances, trading assets and certain client-related balances which are segregated from the Consolidated Entity's own funds and are thus restricted from use.

(xxix) Comparatives

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

(xxx) Rounding of amounts

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

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

(i) AASB 17 *Insurance Contracts*

AASB 17 *Insurance Contracts,* amends the accounting for insurance contracts and will replace AASB 4 *Insurance Contracts*, AASB 1023 *General Insurance Contracts* and AASB 1038 *Life Insurance Contracts*. The standard is mandatorily effective for the Consolidated Entity's annual reporting period beginning on 1 April 2023. The standard is not expected to have a material impact on the Consolidated Entity's financial statements.

(ii) Other amendments made to existing standards

Other amendments to existing standards that are not mandatorily effective for the annual reporting period beginning on 1 April 2021 and have not been early adopted, are not likely to result in a material impact on the Consolidated Entity's financial statements.

Directors' declaration

Macquarie Bank Limited

In the Directors' opinion:

(a) the financial statements and notes set out on pages 64 to 205 are in accordance with the *Corporations Act 2001* (Cth), including:

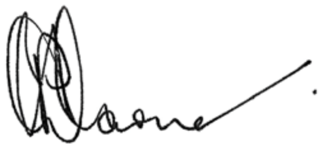
  (i) complying with Australian accounting standards, and

  (ii) giving a true and fair view of the Company's and the Consolidated Entity's financial positions as at 31 March 2022 and their performance for the financial year ended on that date, and

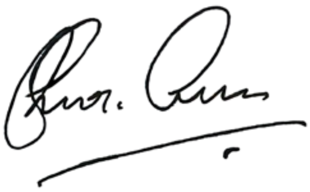
(b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Note 1(i) includes a statement that the Financial Report complies with International Financial Reporting Standards.

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



Peter Warne
Independent Director and Chairman



Stuart Green
Managing Director and Chief Executive Officer

Sydney
6 May 2022

Independent auditor's report

To the member of Macquarie Bank Limited

Report on the audit of the financial report

Our opinion

In our opinion:

The accompanying financial report of Macquarie Bank Limited (the Company) and its controlled entities (together the Consolidated Entity) is in accordance with the *Corporations Act 2001* (Cth), including:

(a) giving a true and fair view of the Company's and Consolidated Entity's financial positions as at 31 March 2022 and of their financial performance for the year then ended

(a) complying with Australian Accounting Standards and the *Corporations Regulations 2001* (Cth).

What we have audited

The Consolidated Entity and Company financial report comprises:

- the Consolidated and Company statements of financial position as at 31 March 2022
- the Consolidated and Company statements of comprehensive income for the year then ended
- the Consolidated and Company statements of changes in equity for the year then ended
- the Consolidated and Company statements of cash flows for the year then ended
- the Consolidated and Company income statements for the year then ended
- the notes to the financial statements, which include significant accounting policies and other explanatory information
- the directors' declaration.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial report* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

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

Our audit approach for the Consolidated Entity

An audit is designed to provide reasonable assurance about whether the financial report is free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial report as a whole, taking into account the geographic and management structure of the Consolidated Entity, its accounting processes and controls and the industry in which it operates.

The Consolidated Entity is structured into two operating groups and a corporate segment. It undertakes operational activities that are important to the financial reporting process in multiple locations overseas, including sites in Gurugram in India, Jacksonville in the United States and Manila in the Philippines.

Consolidated Entity materiality

- For the purpose of our audit we used overall Consolidated Entity materiality of $183 million, which represents approximately 5% of the Consolidated Entity's profit before tax.
- We applied this threshold, together with qualitative considerations, to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements on the financial report as a whole.
- We chose Consolidated Entity profit before tax because, in our view, it is the benchmark against which the performance of the Consolidated Entity is most commonly measured.
- We utilised a threshold of approximately 5% based on our professional judgement, noting it is within the range of commonly acceptable thresholds.

Consolidated Entity audit scope

Our audit focused on where the Consolidated Entity made subjective judgements; for example, significant accounting estimates involving assumptions and inherently uncertain future events. To identify these subjective judgements, we considered the inherent risks facing the Consolidated Entity, including those arising from its respective business operations, and how the Consolidated Entity manages these risks. We also considered a number of other factors including the design and implementation of the Consolidated Entity's control environment relevant to the audit, the appropriateness of the use of the going concern basis of accounting in the preparation of the financial report and the risk of management override of controls.

We aligned our audit to the Consolidated Entity's structure by instructing a component audit team for each of the two operating groups and the corporate segment. These component audit teams, in consultation with the group audit team, established an audit strategy tailored for each operating group and the corporate segment.

Given the extent of the overseas operations of the Consolidated Entity, the component audit teams instructed a number of other member firms of the PwC global network to perform audit procedures. The group audit team determined the level of supervision and direction it needed to have over the audit work performed by the component audit teams, including over the component audit teams' review and supervision of the overseas audit teams they, in turn, instructed.

The work performed by the component audit teams and the overseas audit teams, together with additional audit procedures performed by the group audit team such as procedures over the Consolidated Entity's consolidation and the financial report disclosures, provided us with the information we needed for our opinion on the Consolidated Entity's financial report as a whole.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report for the current period. The key audit matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. Further, any commentary on the outcomes of a particular audit procedure is made in that context. The key audit matters identified below relate to the audit of both the Consolidated Entity and the Company, and references to the Consolidated Entity also apply to the Company. We communicated the key audit matters to the Board Audit Committee.

Key audit matter	How our audit addressed the key audit matter
Provision for expected credit losses on loan assets (Refer to Note 12)	
Under the credit impairment model required by AASB 9: Financial Instruments (AASB 9), losses are recognised on an Expected Credit Loss (ECL) basis. ECLs are required to incorporate forward-looking information, reflecting the Consolidated Entity's view of potential future economic scenarios. The global economic outlook remains uncertain given the current situation in Europe and the resulting market volatility, as well as the continued impact of COVID 19 on certain industries. As a result, significant judgement was required to be exercised by the Consolidated Entity in calculating the ECL. Specifically, this includes judgements around the determination and use of forward-looking information, including developing macroeconomic scenarios and their associated weightings and the use of post model adjustments in the calculation of the ECL. In order to meet the ECL requirements of AASB 9, the Consolidated Entity has developed models that involve judgement including determining assumptions such as defining a significant increase in credit risk (SICR). The ECL models of the Consolidated Entity rely on numerous data elements and certain post model adjustments are applied based on the Consolidated Entity's judgement. Given the extent of judgement involved, we consider this to be a key audit matter.	Our procedures included assessing the design and testing the operating effectiveness of certain controls supporting the Consolidated Entity's estimate of the ECL including controls relating to: • review, challenge and approval of certain forward-looking macroeconomic assumptions and scenario weightings • monitoring the effectiveness of models used to support ECL estimates, and the validation and implementation of revised models • assessment of the credit quality of counterparties • accuracy of certain critical data elements used in key ECL models, and • review and challenge forums to assess the ECL output and post model adjustments. In addition to controls testing, we performed substantive procedures including: • together with PwC credit modelling experts, assessing the appropriateness of conclusions reached by the Consolidated Entity from model monitoring performed on key models. This included assessing key model components such as SICR and reperformance of certain tests performed as part of the model monitoring • together with PwC credit modelling experts, testing the appropriateness of a selection of changes to key models • together with PwC credit modelling experts, assessing whether the list of critical data elements identified by the Consolidated Entity was appropriate for key models • together with PwC economics experts, assessing the appropriateness of macroeconomic scenarios and certain forward-looking economic data developed by the Consolidated Entity • testing the completeness and accuracy of certain critical data elements used in key ECL models • assessing a selection of post model adjustments identified by the Consolidated Entity, including obtaining an understanding of the methodology used for overlay derivation and testing the underlying datasets used for the calculations • considering the impacts on the ECL of events occurring subsequent to balance date. For credit impaired (stage III) loan provisions, we examined a sample of individual loan exposures to consider the appropriateness of provisions adopted. We assessed the reasonableness of the Consolidated Entity's disclosures in the financial report against the requirements of Australian Accounting Standards.

<table>
<tr><th>Key audit matter</th><th>How our audit addressed the key audit matter</th></tr>
<tr><td colspan="2">Valuation of financial assets and liabilities held at fair value with significant unobservable inputs (Level 3 financial instruments) (Refer to Note 35)</td></tr>
<tr><td>The Consolidated Entity exercises judgement in valuing certain financial assets and liabilities at fair value where there are significant unobservable inputs for the valuation of these assets and liabilities. These assets and liabilities are known as Level 3 financial instruments.

For the Consolidated Entity, these Level 3 financial instruments predominantly consist of trading assets, financial investments, loan assets and derivative financial instruments. Judgement is required in determining the appropriate models and inputs to estimate the fair value of these financial instruments.

Given the extent of judgement involved in valuing these Level 3 financial instruments, we considered this to be a key audit matter.</td><td>Our procedures included assessing the design and testing the operating effectiveness of certain controls relating to the valuation of Level 3 financial instruments, including controls over:
• approval and validation of the models adopted
• accuracy of inputs to models
• the price verification process performed by the Consolidated Entity using prices and model inputs sourced from third parties,
• calculation and approval of key valuation adjustments, and
• governance, review and challenge forums.

Together with PwC valuation experts, we assessed the valuation of a sample of derivative financial instruments and trading assets, including level 3 instruments. We considered a sample of collateral disputes, gains and losses on disposals and other events to help assess the appropriateness of the valuations. We also evaluated the methodology and underlying assumptions used to determine valuation adjustments. We tested a sample of valuation adjustments as at the period-end.

For a sample of financial investments and loan assets, we assessed the appropriateness of the valuation methodologies applied, as well as the appropriateness of the inputs used.

We performed tests of the allocation of financial instruments to the appropriate level within the fair value hierarchy.

We assessed the reasonableness of the Consolidated Entity's disclosures in the financial report against the requirements of Australian Accounting Standards.</td></tr>
<tr><td colspan="2">IT systems and controls over financial reporting</td></tr>
<tr><td>The Consolidated Entity's operations and financial reporting systems are heavily dependent on IT systems, including automated accounting procedures and IT dependent manual controls. The Consolidated Entity's controls over IT systems include:
• the framework of governance over IT systems
• controls over program development and changes
• controls over access to programs, data and IT operations, and
• governance over generic and privileged user accounts.

We considered this a key audit matter given the:
• financial reporting processes of the Consolidated Entity are heavily reliant on IT systems,
• underlying IT controls over business processes are significant to the financial reporting process, and
• data migration activities which occurred during the year impacted the key IT processes, systems and controls relevant to the financial reporting process.</td><td>Our procedures included evaluating the design and testing the operating effectiveness of certain controls over the continued integrity of the IT systems that are relevant to financial reporting.

We also carried out tests, on a sample basis, of system functionality that was key to our audit testing in order to assess the accuracy of certain system calculations, the generation of certain reports and the operation of certain system enforced access controls.

We considered the key risks of the system implementation and data migration activities applicable to the financial reporting process and tested a sample of relevant controls, as well as testing the completeness and accuracy of the data migration.

Where we identified design and operating effectiveness matters relating to IT systems or application controls relevant to our audit, we performed alternative audit procedures. We also considered mitigating controls in order to respond to the impact on our overall audit approach.</td></tr>
<tr><td colspan="2">Valuation of tax payable and tax receivable relating to tax uncertainties (Refer to Note 20 and Note 10)</td></tr>
<tr><td>The Consolidated Entity is subject to taxation in a number of jurisdictions. The assessment of the amounts expected to be paid to and received from tax authorities is considered initially by the Consolidated Entity in each local territory and then reviewed centrally, with consideration given to particular tax positions in certain jurisdictions. In some cases, the treatment of tax positions requires judgement to estimate the ultimate amounts of tax that will be paid and received.

Given the extent of judgement involved, we consider this to be a key audit matter.</td><td>Our procedures included evaluating the analysis conducted by the Consolidated Entity which sets out the basis for judgements made in respect of the ultimate amounts expected to be paid to and received from tax authorities.

Assisted by PwC tax experts in the relevant jurisdictions, we read a risk focused selection of correspondence with tax authorities and external advice obtained by the Consolidated Entity and used our understanding of the business to assess the completeness and quantum of the provision for tax and tax receivable. We considered the likelihood of additional tax exposures occurring based on our knowledge of tax legislation, applicable precedent and industry developments, noting the level of judgement involved.

We assessed the reasonableness of the Consolidated Entity's disclosures in the financial report against the requirements of Australian Accounting Standards.</td></tr>
</table>

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report for the year ended 31 March 2022, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the financial report

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

In preparing the financial report, the directors are responsible for assessing the ability of the Company and the Consolidated Entity to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or the Consolidated Entity or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: **https://www.auasb.gov.au/admin/file/content102/c3/ar1_2020.pdf**. This description forms part of our auditor's report.

Report on the remuneration report

Our opinion on the remuneration report

We have audited the remuneration report included in pages 35 to 63 of the Directors' Report for the year ended 31 March 2022.

In our opinion, the remuneration report of Macquarie Bank Limited for the year ended 31 March 2022 complies with section 300A of the *Corporations Act 2001* (Cth).

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the *Corporations Act 2001* (Cth). Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

PricewaterhouseCoopers

PricewaterhouseCoopers

K. Stubbins

Kristin Stubbins
Partner

Sydney
6 May 2022

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