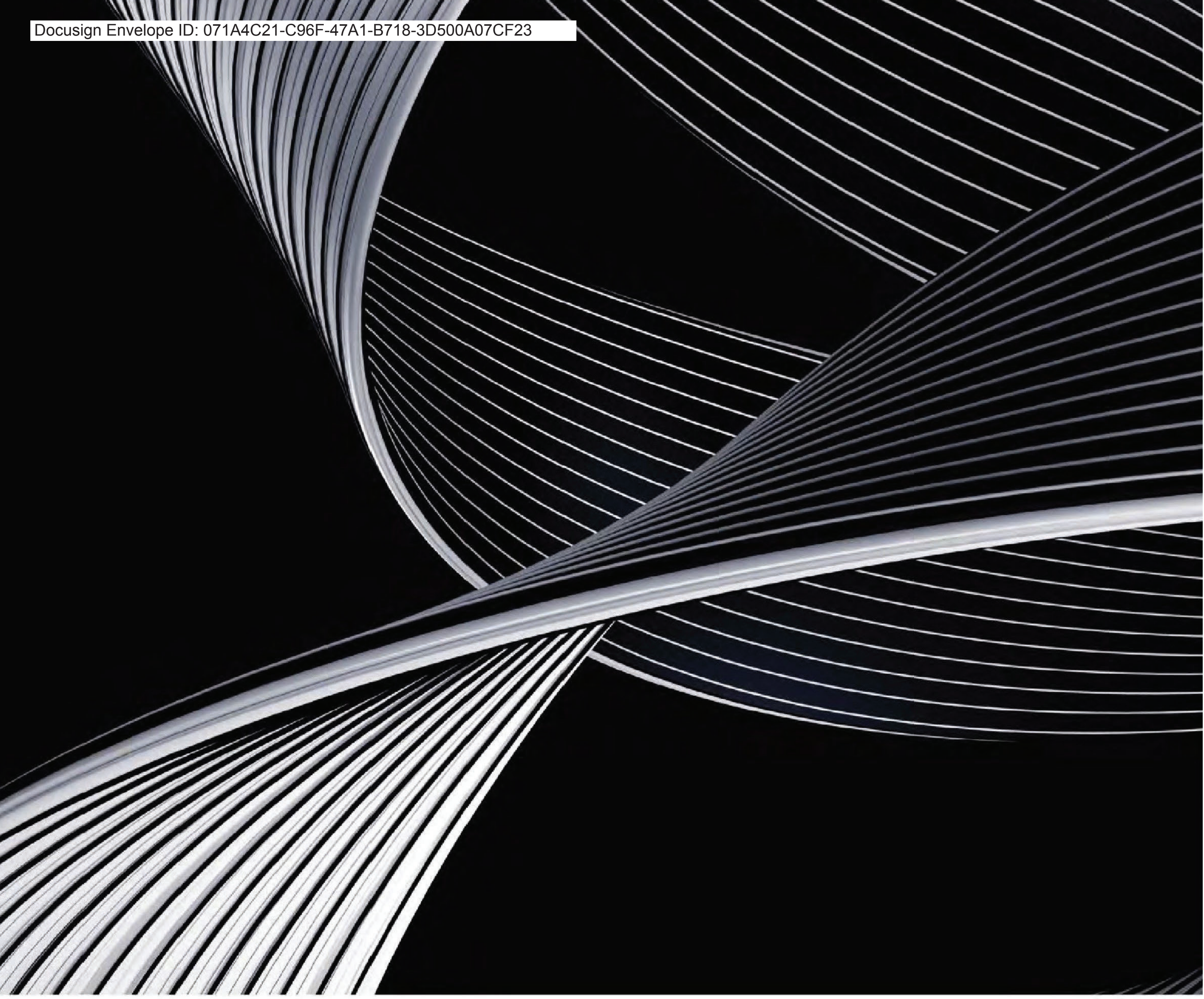

Consolidated Annual Report

Macquarie International Finance Limited (ACN: 092 985 263) and its Subsidiaries

Year ended 31 March 2025

MACQUARIE

The Company's registered office is:

Level 1, 1 Elizabeth Street,

Sydney, NSW 2000

Australia

Contents

The Financial Report was authorised for issue by the Board of Directors on 29 July 2025.

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

Directors' Report

For the financial year ended 31 March 2025

In accordance with a resolution of the Directors of Macquarie International Finance Limited (the Company or MIFL), the Directors submit herewith the financial report of the Company and its subsidiaries (the Consolidated Entity) for the year ended 31 March 2025.

Directors

The following persons were the Directors of the Company at any time during or since the end of the financial year to the date of this report:

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

Principal activities

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

Result

The Financial Report for the current and previous financial year, and the results herein, have been prepared in accordance with the Australian Accounting Standards.
The consolidated profit after income tax attributable to the ordinary equity holder for the financial year ended 31 March 2025 was $1,166 million (2024: $601 million).

Dividends and distributions

Dividends of $550 million (2024: $460 million) were paid by the Company during the current financial year.
No other dividends or distributions were declared or paid during the financial year.

State of affairs

On 28 February 2025, the Consolidated Entity sold its equity interest in Macquarie Corona Energy Holdings Limited and its subsidiaries to Macquarie UK Holdings No. 2 Limited in the Non-Bank Group for a total cash consideration of $818 million resulting in a gain on disposal of $610 million.

Other subsidiaries and businesses disposed of or deconsolidated for a total consideration of $17 million resulting in a gain on disposal of $4 million.

In June 2024, December 2024 and February 2025, the Company returned $130 million, $230 million and $300 million respectively of its ordinary share capital effected by cancelling 130 million shares, 230 million shares and 300 million shares respectively held by the Company's shareholder, Macquarie Bank Limited.

During September 2024, subsidiaries and businesses were acquired or consolidated for a total consideration of $21 million resulting in recognition of net assets of $17 million, non-controlling interest of $3 million and goodwill of $7 million in the Statement of financial position.

In August 2024, the Company's registered office and principal place of business was changed from 'Level 6, 50 Martin Place, Sydney NSW 2000, Australia' to 'Level 1, 1 Elizabeth Street, Sydney NSW 2000, Australia'.

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

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

Directors' Report

For the financial year ended 31 March 2025

Review of operations

The profit attributable to the ordinary equity holder of the Consolidated Entity for the year ended 31 March 2025 was $1,166 million (2024: $601 million).
Net operating income for the year ended 31 March 2025 was $3,443 million (2024: $2,936 million), which primarily represents net trading income and fee and commission income.
Total operating expenses for the year ended 31 March 2025 were $2,053 million (2024: $2,156 million), which primarily comprise of fee and commission expenses, employment expenses and other expenses.

Events subsequent to balance sheet date

MIFL is expected to enter into Share Sale and Purchase Agreements with Macquarie Global Finance Pty Limited (a Macquarie Group controlled entity in the Bank Group) for the transfer of title and ownership of shares in certain subsidiaries and businesses (collectively referred to as the "proposed group") for consideration of approximately A$2,500m. Subject to fulfilment of agreed conditions and any further changes in the net assets of the proposed group, the transaction is not expected to result in a material gain or loss for the Consolidated Entity. Following this, MIFL will be transferred to the Non-Bank Group under its newly proposed parent entity, Macquarie Group Limited. The proposed transactions are conditional upon obtaining relevant approvals at the time of this report.

There were no other material events subsequent to 31 March 2025 and up until the authorisation of the financial statement for issue, requiring a disclosure in the financial report, other than those that have been disclosed elsewhere in the financial statement.

Likely developments, business strategies and prospects

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

Directors' indemnification

Under the Company's Constitution, the Company indemnifies all the past and present Directors of the Company (including at this time the Directors named in this report) against certain liabilities, and costs incurred by them in their respective capacities. The Indemnity covers the following liabilities and legal costs (subject to the exclusions described as follows):

- every liability incurred by that person in their respective capacity
- all legal costs incurred in defending or resisting (or otherwise in connection with) proceedings in which the person becomes involved because of, their respective capacity
- legal costs incurred by the person in good faith obtaining advice on issues relevant to the performance and discharge of their duties as an officer of the Company and its wholly-owned subsidiaries, if any, that have been approved in accordance with the Company's policy.

The indemnity does not apply to the extent that:

- the Company is forbidden by law to indemnify the person against the liability or legal costs; or
- an indemnity by the Company of the person against the liability or legal costs would, if given, be made void by law.

In addition, the ultimate parent entity Macquarie Group Limited ("MGL") made an Indemnity and Insurance Deed Poll on 12 September 2007 (Deed Poll). The benefit of the undertakings made by MGL under the Deed Poll have been given to each of the directors, secretaries, persons involved in the management and certain other persons, of MGL and its wholly-owned subsidiaries (which includes the Company) and other companies where the person is acting as such at the specific request of MGL and its wholly-owned subsidiaries.
Under the Deed Poll, MGL, inter alia, agrees to:

- indemnify the Director upon terms broadly consistent with the indemnity contained in MGL's Constitution (which are broadly consistent with the Company's constitution)
- takeout and maintain an insurance policy (or procure that an insurance policy is taken out and maintained) against liabilities incurred by the Director acting as an officer of MGL or its wholly owned subsidiaries. The insurance policy must be for an amount and on terms and conditions appropriate for a reasonably prudent company in MGL's position. Insurance must be maintained for seven years after the Director ceases to be a Director or until any proceedings commenced during that period have been finally resolved (including any appeal proceedings).

A Directors' and Officers' insurance policy, taken out by MGL, is in place that provides cover for each person in favour of whom such insurance is required to be taken out under the Deed Poll. Relevant individuals pay the premium attributable to the direct coverage under the policy and MGL and its wholly-owned subsidiaries pay the premium attributable to the reimbursement coverage under the policy. The Directors' and Officers' insurance policy prohibits disclosure of the premium payable under the policy and the nature of the liabilities insured.

Directors' Report

For the financial year ended 31 March 2025

Environmental regulations

The Consolidated Entity has policies and procedures in place that are designed to ensure that, where operations are subject to any particular and significant environmental regulation under a law of the Commonwealth or of a State or Territory, those obligations are identified and appropriately addressed.
The Directors have determined that there has not been any material breach of those obligations during the financial year.

Auditor's Independence Declaration

A copy of the Auditor's Independence Declaration, as required under section 307C of the Act, is set out on page 7 of this report.

Rounding of amounts

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

Company disclosures

All amounts relate to the Consolidated Entity unless otherwise stated.

Stuart Dyson
Director

DocuSigned by:
Stuart Dyson
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29 July 2025

Auditor's Independence Declaration

As lead auditor for the audit of Macquarie International Finance Limited for the year ended 31 March 2025, I declare that to the best of my knowledge and belief, there have been:

a. no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

b. no contraventions of any applicable code of professional conduct in relation to the audit.

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

Daniel Harb
Partner
PricewaterhouseCoopers

Sydney
29 July 2025

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T: +61 2 8266 0000, F: +61 2 8266 9999, www.pwc.com.au

Consolidated income statement

For the financial year ended 31 March 2025

	Notes	2025 $m	2024 $m
Net trading income	2	**1,671**	1,866
Fee and commission income	2	**1,136**	1,099
Net interest (expense)/income		**(125)**	(201)
Interest income	2	**530**	684
Interest expense	2	**(655)**	(885)
Net credit impairment charges	2	**(67)**	(20)
Net other impairment (charges)/reversals	2	**(21)**	9
Net other operating income	2	**849**	183
Net operating income		**3,443**	2,936
Employment expenses	2	**(635)**	(646)
Brokerage, commission and fee expenses	2	**(177)**	(176)
Non-salary technology expenses	2	**(68)**	(62)
Other operating expenses	2	**(1,173)**	(1,272)
Total operating expenses		**(2,053)**	(2,156)
Operating profit before income tax		**1,390**	780
Income tax expense	3	**(224)**	(179)
Profit after income tax		**1,166**	601
Profit attributable to the ordinary equity holder of Macquarie International Finance Limited		**1,166**	601

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

Consolidated statement of comprehensive income

For the financial year ended 31 March 2025

	Notes	2025 $m	2024 $m
Profit after income tax		**1,166**	601
Other comprehensive income/(loss)[1]			
Movements in items that may be subsequently reclassified to the income statement:			
Cash flow hedge reserve:			
Revaluation movement	21	**(3)**	9
Transferred to income statement on realisation	21	**3**	(6)
Foreign exchange movement on translation and hedge accounting of foreign operations	21	**-**	3
Share of other comprehensive income from associates and joint ventures and other reserves	21	**(1)**	10
Movements in items that will not be subsequently reclassified to the income statement:			
Fair value changes attributable to own credit risk on debt designated as fair value through profit or loss (DFVTPL)	21	**-**	(2)
Total other comprehensive income		**1,165**	615
Total comprehensive income attributable to the ordinary equity holder of Macquarie International Finance Limited		**1,165**	615

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

1 All items are net of tax, where applicable.

Consolidated statement of financial position

As at 31 March 2025

	Notes	2025 $m	2024 $m
Assets			
Cash and bank balances		**701**	1,538
Cash collateralised lending and reverse repurchase agreements		**256**	-
Trading assets	5	**1,025**	1,111
Margin money and settlement assets	6	**3,604**	2,450
Derivative assets	7	**1,591**	1,647
Held for sale and other assets	8	**2,248**	3,446
Due from other Macquarie Group entities	23	**4,491**	7,040
Loan assets	9	**892**	1,091
Interests in associates and joint ventures	11	**390**	343
Property, plant and equipment and right-of-use assets	12	**849**	761
Deferred tax assets	13	**241**	200
Total assets		**16,288**	19,627
Liabilities			
Cash collateralised borrowing and repurchase agreements		**1**	52
Margin money and settlement liabilities	14	**1,915**	1,552
Derivative liabilities	15	**1,464**	1,160
Other liabilities	16	**1,306**	2,079
Due to other Macquarie Group entities	23	**2,255**	4,715
Issued debt securities	17	**750**	1,557
Borrowings	18	**6,539**	6,413
Deferred tax liabilities	13	**16**	16
Total liabilities		**14,246**	17,544
Net assets		**2,042**	2,083
Equity			
Contributed equity	20	**1,558**	2,215
Reserves	21	**(822)**	(807)
Retained earnings	21	**1,298**	670
Total capital and reserves attributable to the ordinary equity holder of Macquarie International Finance Limited		**2,034**	2,078
Non-controlling interests	21	**8**	5
Total equity		**2,042**	2,083

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

Consolidated statement of changes in equity

For the financial year ended 31 March 2025

	Notes	Contributed equity $m	Reserves $m	Retained earnings $m	Total $m	Non-Controlling Interests $m	Total equity $m
Balance as at 1 Apr 2023		2,194	(843)	531	1,882	5	1,887
Profit after income tax		-	-	601	601	-	601
Other comprehensive income/(loss), net of tax		-	16	(2)	14	-	14
Total comprehensive income		-	16	599	615	-	615
Dividends paid	4	-	-	(460)	(460)	-	(460)
Restructure reserve attributable to group restructure	21 & 35	-	20	-	20	-	20
Movement in non-controlling interests		-	-	-	-	-	-
Other equity movements	20	21	-	-	21	-	21
Balance as at 31 Mar 2024		2,215	(807)	670	2,078	5	2,083
Profit after income tax		**-**	**-**	**1,166**	**1,166**	**-**	**1,166**
Other comprehensive loss, net of tax		**-**	**(1)**	**-**	**(1)**	**-**	**(1)**
Total comprehensive income		**-**	**(1)**	**1,166**	**1,165**	**-**	**1,165**
Reduction in share capital	20	**(660)**	**-**	**-**	**(660)**	**-**	**(660)**
Dividends paid	4	**-**	**-**	**(550)**	**(550)**	**-**	**(550)**
Restructure reserve attributable to group restructure	21 & 35	**-**	**(14)**	**12**	**(2)**	**-**	**(2)**
Movement in non-controlling interests		**-**	**-**	**-**	**-**	**3**	**3**
Other equity movements	20	**3**	**-**	**-**	**3**	**-**	**3**
Balance as at 31 Mar 2025		**1,558**	**(822)**	**1,298**	**2,034**	**8**	**2,042**

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

Consolidated statement of cash flows

For the financial year ended 31 March 2025

	Notes	2025 $m	2024[1] $m
Cash flows (utilised in)/generated from operating activities			
Interest income and expense:			
Received		**530**	667
Paid		**(675)**	(848)
Fees, commissions and other income and charges:			
Received		**1,176**	1,128
Paid		**(172)**	(180)
Operating lease income received		**295**	334
Dividends and distributions received		**19**	6
Operating expenses paid:			
Employment expenses		**(666)**	(922)
Other operating expenses including brokerage, commission and fee expenses		**(1,172)**	(1,281)
Income tax paid		**(345)**	(212)
Changes in operating assets:			
Loan assets and receivables from other Macquarie group entities		**(630)**	(2,834)
Movement in other assets		**(351)**	(492)
Assets under operating lease		**(207)**	(323)
Trading and related assets, liquid investments and collateralised lending balances (net of liabilities)		**1,993**	3,092
Changes in operating liabilities:			
Issued Debt Securities, Borrowings and other funding		**(623)**	2,182
Movement in other liabilities		**(44)**	11
Net cash flows (utilised in)/generated from operating activities	22	**(872)**	328
Cash flows generated from investing activities			
Net (payments for)/proceeds from financial investments		**(34)**	613
Associates, joint ventures and businesses:			
Proceeds from disposals		**797**	77
Payment for acquisitions		**(49)**	(25)
Dividends and distributions received		**-**	(6)
Property, plant and equipment and intangible assets:			
Payments for acquisitions		**(16)**	(3)
Proceeds from disposals		**3**	-
Net cash flows generated from investing activities		**701**	656
Cash flows utilised in financing activities			
Reduction of ordinary shares		**(660)**	-
Dividends and distributions paid		**(550)**	(460)
Net cash flows utilised in financing activities		**(1,210)**	(460)
Net (decrease)/ increase in cash and cash equivalents		**(1,381)**	524
Cash and cash equivalents at the beginning of the financial year	22	**3,231**	2,687
Effect of exchange rate movement on cash and cash equivalents		**13**	20
Cash and cash equivalents at the end of the financial year	22	**1,863**	3,231

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

(1) Comparative information has been re-presented to conform to changes in the current period. Refer to Note 22 *Notes to the statement of cash flows*

Notes to the financial statements

For the financial year ended 31 March 2025

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 International Finance Limited (MIFL) 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 38 *Material accounting policies*. These policies have been consistently applied to all the financial years presented and are applicable to both the Consolidated Entity (MIFL and its subsidiaries) as well as the Company (MIFL), 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.

(i) Basis of measurement

This Financial Report has been prepared on a going concern basis using 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.

(ii) 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 Consolidated Entity's 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 38(vi))
- 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 38(vi))
- 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 38(xix) and Note 10)
- timing and amount of impairment of interests in associates and joint ventures and investment in subsidiaries, including the reversal thereof (Note 38(i), Note 38(xix) and Note 11)
- determining fair value of assets and liabilities where market-observable inputs are not available including the determination of non-recurring fair values and accounting for day 1 profits or losses for financial instruments (Note 38(vi), Note 38(ix) and Note 31)
- 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 38(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 38(v), Note 3 and Note 13)
- recognition and measurement of provisions related to actual and potential claims and the determination of contingent liabilities (Note 38(xv) and Note 26)
- application of hedge accounting principles, including the assessment that a forecast transaction is highly probable (Note 38(ix) and Note28)
- determination of the functional currency of the Company (Note 38(iii))
- financial asset derecognition including determination of transfer of substantially all risks and rewards (Note 38(vi))
- determination whether a transaction contains a lease (Note 38(xxi))

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

Management believes that the estimates and judgements used in preparing this Financial Report are reasonable. Notwithstanding, it

Notes to the financial statements

For the financial year ended 31 March 2025

Note 1

Basis of preparation continued

is possible that outcomes differ from management's assumptions and estimates, which may result in an adjustment to the carrying amounts of the reported assets and liabilities in future reporting periods.

(iii) Functional currency and presentation currency

The functional currency of each entity (including branches) in the Consolidated Entity is the currency of the primary economic environment in which the entity operates. The financial statements of the Consolidated Entity are presented in Australian dollars ('AUD', the presentation currency), which is also the Company's functional currency. A foreign operation is an entity or a group of entities whose activities are based or conducted in a country or currency other than that of the Consolidated Entity.

(iv) New Australian Accounting Standards and amendments to Australian Accounting Standards and interpretations that are effective in the current financial year

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

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

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

The Consolidated Entity's Pillar Two Model Rules Project

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

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

Impacts on financial reporting

The Ultimate Parent Entity is subject to Pillar Two legislation in various jurisdictions. Applicable Pillar Two legislation is effective at the reporting date in Australia and a number of offshore jurisdictions in which the Ultimate Parent Entity operates.

Considering the impact of specific adjustments in the Pillar Two legislation, the group has recognised an amount of current income tax expense in Note 3 *Income tax expense*.

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

The entity is subject to effective BEPS Pillar Two legislation in Australia as of the reporting date.

Based on the assessment conducted to date, the entity's jurisdictional effective tax rate exceeds 15% and as a result, the entity is not expected to be in a top-up tax payable position and has no potential current tax exposure to Pillar Two top-up taxes.

(b) Other amendments made to existing standards

The amendments made to other existing standards that were mandatorily effective for the annual reporting period beginning on 1 April 2024 did not result in a material impact on this Financial Report.

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

(i) AASB 18 Presentation and Disclosure in Financial Statements

In June 2024, the Australian Accounting Standards Board (AASB) issued AASB 18 Presentation and Disclosure in Financial Statements (AASB 18). This new standard will be effective for the Consolidated Entity from 1 April 2027 and is applied retrospectively.

AASB 18 supersedes AASB 101 *Presentation of Financial Statements*. While it does not impact the recognition and measurement of items in the financial statements, it introduces new requirements for the presentation and disclosure of information in general purpose financial statements.

The Consolidated Entity is continuing to assess the presentation and disclosure impact of adopting AASB 18.

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

In August 2024, the AASB issued AASB 2024-2 to amend AASB 7 Financial Instruments: Disclosures (AASB 7) and AASB 9 *Financial Instruments* (AASB 9). AASB 2024-2 amends AASB 7 and AASB 9 in

Notes to the financial statements

For the financial year ended 31 March 2025

Note 1

Basis of preparation continued

response to feedback from the International Accounting Standard Board's 2022 Post-implementation Review of the classification and measurement requirements in AASB 9 and the related requirements in AASB 7.

The amendments are effective for the reporting periods beginning on or after 1 January 2026, with earlier application permitted. An entity is required to apply the amendments retrospectively. The Consolidated Entity is continuing to assess the full impact of the amendments to AASB 7 and AASB 9.

(iii) Other amendments made to existing standards

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

(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) have undergone reform. The nature of such reforms varies by benchmark and jurisdiction.

The Consolidated Entity's IBOR reform project which oversaw the transition of such exposures is complete as at 31 March 2025.

Notes to the financial statements

For the financial year ended 31 March 2025

Note 2
Operating profit before income tax

	2025 $m	2024 $m
Net trading income/(expense) [1]		
Commodities [2]	**1,637**	1,830
Credit, interest rate, foreign exchange and other products	**(68)**	(57)
Equities	**102**	93
Net trading income	**1,671**	1,866
Fee and commission income		
Service and trust management fees from other Macquarie Group entities (Note 23)	**645**	596
Portfolio administration fees	**256**	241
Brokerage and other trading-related fees	**90**	83
Other fee and commission income	**145**	179
Total fee and commission income	**1,136**	1,099
Interest income		
Effective interest rate method – Amortised Cost	**489**	642
Effective interest rate method - FVOCI	**10**	-
Other- FVTPL	**31**	42
Total interest income	**530**	684
Interest expense		
Effective interest rate method – Amortised Cost	**(649)**	(885)
Other - FVTPL	**(6)**	-
Total interest expense	**(655)**	(885)

(1) Includes gains/losses for Trading assets, Derivatives, Other financial assets and Other financial liabilities held at fair value including any ineffectiveness recorded on hedging transactions.
(2) Includes $558 million (2024: $611 million) of transportation, storage and certain other trading related costs and $1 million (2024: $9 million) for depreciation on right-of-use (ROU) assets held for trading-related business (commodity storage).

Notes to the financial statements

For the financial year ended 31 March 2025

Note 2

Operating profit before income tax continued

	2025 $m	2024 $m
Credit and other impairment (charges)/reversals		
Credit impairment (charges)/reversals		
Loan assets	**(48)**	(3)
Other assets	**(18)**	(17)
Margin money and settlement assets	**(2)**	4
Due from other Macquarie Group entities	**-**	1
Undrawn commitments	**1**	(5)
Gross credit impairment charges	**(67)**	(20)
Net credit impairment charges	**(67)**	(20)
Other impairment reversals /(charges)[1]		
Intangible and other non-financial assets	**(19)**	-
Interests in associates, joint ventures and businesses	**(2)**	9
Net other impairment (charges)/reversals	**(21)**	9
Total credit and other impairment (charges)/reversals	**(88)**	(11)
Net other operating income		
Investment income		
Net gain from interest in subsidiaries and businesses[2]	**614**	-
Net gain from interest in associates and joint ventures	**4**	7
Net gain/(loss) on financial investments and non-financial assets	**7**	(5)
Share of net (loss)/profits from associates and joint ventures	**20**	31
Net investment income	**645**	33
Operating lease income		
Rental income	**291**	281
Depreciation (Note 12)	**(167)**	(175)
Net operating lease income	**124**	106
Net other income	**80**	44
Total net other operating income	**849**	183
Net operating income	**3,443**	2,936

(1) Prior period comparatives have been re-presented to conform with the presentation in the current period.
(2) Includes transactions with other Macquarie Group entities, refer to Note 23 *Related party information*.

Notes to the financial statements

For the financial year ended 31 March 2025

Note 2

Operating profit before income tax continued

	2025 $m	2024 $m
Employment expenses		
Salary and related costs including commissions, superannuation and performance-related profit share[1]	**(446)**	(470)
Share-based payments	**(169)**	(163)
Provision for long service leave and annual leave	**(2)**	(2)
Total compensation expenses	**(617)**	(635)
Other employment expenses including on-costs, staff procurement and staff training[1]	**(18)**	(11)
Total employment expenses	**(635)**	(646)
Brokerage, commission and fee expenses		
Brokerage and other trading-related fee expenses	**(161)**	(158)
Other fee and commission expenses	**(16)**	(18)
Total brokerage, commission and fee expenses	**(177)**	(176)
Non-salary technology expenses		
Information services	**(33)**	(32)
Depreciation on own use assets: equipment	**(3)**	(1)
Service provider and other non-salary technology expenses	**(32)**	(29)
Total non-salary technology expenses	**(68)**	(62)
Other operating expenses		
Occupancy expenses		
Lease and other occupancy expenses[2]	**(40)**	(31)
Depreciation on own use assets: buildings, furniture, fittings and leasehold improvements	**(1)**	(2)
Total occupancy expenses	**(41)**	(33)
Other expenses		
Service cost recoveries by other Macquarie Group entities (Note 23)	**(972)**	(1,099)
Professional fees	**(62)**	(52)
Travel and entertainment expenses	**(17)**	(17)
Audit fees	**(12)**	(11)
Indirect and other taxes	**(6)**	(8)
Other[3]	**(63)**	(52)
Total other expenses	**(1,132)**	(1,239)
Total other operating expenses	**(1,173)**	(1,272)
Total operating expenses	**(2,053)**	(2,156)
Operating profit before income tax	**1,390**	780

(1) Prior period comparatives have been re-presented to conform to changes in the current period.
(2) Includes $3 million (2024: $3 million) for depreciation on right-of-use (ROU) assets (Office premises). Refer Note 12 *Property, plant and equipment and right-of-use asset.*
(3) Includes $4 million (2024: $3 million) for depreciation on right-of-use (ROU) assets (Hydrogen cells). Refer Note 12 *Property, plant and equipment and right-of-use asset.*

Notes to the financial statements

For the financial year ended 31 March 2025

Note 3

Income tax expense

	2025 $m	2024 $m
(i) Income tax (expense)/benefit		
Current tax expense	**(262)**	(148)
Deferred tax (expense)/benefit	**38**	(31)
Total income tax expense	**(224)**	(179)
(ii) Reconciliation of income tax expense to *prima facie* income tax expense		
Prima facie income tax expense on operating profit @30% (2024: 30%)	**(417)**	(234)
Tax effect of amounts which are non-assessable/(non-deductible) in calculating taxable income:		
Rate differential on offshore income	**189**	57
Other items	**4**	(2)
Total income tax expense	**(224)**	(179)
(iii) Tax benefit relating to OCI		
Own credit risk	**-**	1
Cash flow hedge reserve	**(1)**	(1)
Total tax benefit relating to OCI	**(1)**	-
(iv) Deferred tax benefit/(expense) represents movements in deferred tax assets and liabilities		
Property, plant and equipment	**4**	3
Intangible assets	**-**	2
Financial investments and interests in associates and joint ventures	**24**	(24)
Tax losses	**(5)**	10
Operating and finance leases	**(23)**	15
Loan assets and derivatives	**(1)**	4
Other assets and liabilities	**39**	(41)
Total deferred tax (expense)/benefit represents movement in deferred tax assets and liabilities	**38**	(31)

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

Notes to the financial statements

For the financial year ended 31 March 2025

Note 4
Dividends

	2025 $m	2024 $m
Dividends paid to parent entity (Macquarie Bank Limited)		
on 27 March 2025	**190**	-
on 30 September 2024	**160**	-
on 21 June 2024	**200**	-
on 26 March 2024	**-**	260
on 22 December 2023	**-**	200
Total dividends paid (Note 21)	**550**	460

Note 5
Trading assets

Commodity contracts	**636**	423
Commodity inventories	**354**	483
Equity securities	**2**	125
Debt securities	**33**	80
Total trading assets	**1,025**	1,111

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

Note 6
Margin money and settlement assets

Margin money	**2,594**	1,681
Commodity settlement assets	**1,009**	718
Security settlement assets	**1**	51
Total margin money and settlement assets	**3,604**	2,450

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

Notes to the financial statements

For the financial year ended 31 March 2025

Note 7
Derivative assets

	2025 $m	2024 $m
Held for trading	**1,591**	1,647
Total derivative assets (1)	**1,591**	1,647

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

Note 8
Held for sale and other assets

Held for sale assets		
Assets held for sale	**6**	-
Other financial assets		
Commodity-related receivables	**1,620**	1,684
Trade debtors and other receivables	**137**	892
Financial investments	**70**	339
Total other financial assets	**1,827**	2,915
Other non-financial assets		
Indirect tax receivables	**147**	91
Income tax receivables	**80**	165
Goodwill and other intangible assets	**61**	84
Prepayments	**41**	95
Other	**86**	96
Total other non-financial assets	**415**	531
Total other assets	**2,248**	3,446

Of the above amounts, $245 million (2024: $120 million) is expected to be recovered more than 12 months after the balance date by the Consolidated Entity.

(1) Refer Note 29 *Financial risk management* and Note 32 *Offsetting of financial assets and financial liabilities* for further details.

Notes to the financial statements

For the financial year ended 31 March 2025

Note 9
Loan assets

	2025			2024		
	Gross carrying value $m	ECL allowance $m	Net carrying value $m	Gross carrying value $m	ECL allowance $m	Net carrying value $m
Asset financing	702	(13)	689	858	(8)	850
Corporate, commercial and other lending [1]	241	(38)	203	246	(5)	241
Total loan assets [2]	**943**	**(51)**	**892**	1,104	(13)	1,091

Of the above amounts, $464 million (2024: $779 million) is expected to be recovered more than 12 months after the balance date by the Consolidated Entity.

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 small plant and equipment, electronic and IT equipment.

The following table represents the maturity profile of the contractual undiscounted cashflows of the Consolidated Entity.

	2025			2024		
	Gross investment in finance lease receivables $m	Unearned income $m	Present value of minimum lease payment receivables $m	Gross investment in finance lease receivables $m	Unearned income $m	Present value of minimum lease payment receivables $m
Within one year	289	(36)	253	245	(25)	220
Between one to two years	225	(12)	213	225	(23)	202
Between two to three years	60	(4)	56	178	(24)	154
Between three to four years	15	(1)	14	26	(3)	23
Between four to five years	4	-	4	15	(2)	13
Later than five years	-	-	-	1	-	1
Total	**593**	**(53)**	**540**	690	(77)	613

(1) Prior period comparatives have been re-presented to conform to changes in the current period.
(2) Includes loan assets carried at fair value, capitalised costs and unearned income which are not subject to ECL.

Notes to the financial statements

For the financial year ended 31 March 2025

Note 10

Expected credit losses

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

Model inputs

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

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

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

The key model inputs used in measuring the ECL include:

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

Significant increase in credit risk (SICR)

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

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

Retail exposures

Exposures are assigned a risk measure including behavioural score which considers relevant information on initial recognition to determine default probability. This risk measure is periodically assessed and updated to reflect changes in the underlying exposures' credit behaviour. The change in risk measure from initial origination to reporting date is compared with established thresholds which, where exceeded, result in the exposure being categorised as Stage II.

Wholesale exposures

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

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

Notes to the financial statements

For the financial year ended 31 March 2025

Note 10

Expected credit losses continued

financial difficulties; or the purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses.

Forward-looking information (FLI)

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

The Consolidated Entity applies its professional judgement in determining whether there are any inherent risks in the models' predictive outcomes. The overlays primarily reflect management's assessment of the current economic and credit environment relative to the FLI credit cycle model. These overlays account for the risk that underlying credit risk events have occurred, but observable modelled inputs are yet to reflect those events, as well as risks that are specific to regions, counterparties or industries which are difficult to account for within the modelled outcomes. Over time the credit models are recalibrated to enhance the predictive capability. At the reporting date, there was no overlay. These judgements are reviewed by FPE 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 to the baseline on a relative basis.

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

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

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

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

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

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

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

Notes to the financial statements

For the financial year ended 31 March 2025

Note 10

Expected credit losses continued

Forward-looking information (FLI) continued

Scenario	Weighting	Expectation
Baseline A 100% weighting to this scenario would result in an estimated total expected credit loss provision on balance sheet at the reporting date of ~$60 million[1]	Probable	**Global**: The baseline scenario assumes that global GDP growth (weighted by market exchange rates) slows from 2.9% over 2024 to 1.7% over 2025 (Q4-over-Q4) as higher trade barriers weigh, with a modest growth in 2026 to 2.4%. **Australia**: GDP growth is assumed to remain below trend at 1.3% over 2025, recovering to 2.2% in 2026. The unemployment rate is forecast to rise modestly, reaching 4.4% by the end of 2025. The Reserve Bank of Australia (RBA) is expected to further reduce the cash rate by 50 basis points over the remaining period to 3.6% by the end of 2025. House prices are expected to continue their upward trend, rising by a total of 6.4% over the course of 2025 and 2026. **United States**: GDP growth is assumed to moderate to 0.7% over 2025 from 2.5% in the prior year and stay below trend in 2026 at 1.9%. The unemployment rate is expected to rise to 4.7% in the last quarter of 2025. The Federal Reserve is expected to hold rates flat in 2025 as inflation moves higher on the back of higher tariffs. **Europe**: The baseline scenario projects year-end GDP growth will slow to 0.5% in 2025 down from 1.2% in 2024, with a modest rebound to 1.6% in 2026. Unemployment is expected to peak at 6.8% before the end of 2025.
Downside A 100% weighting to this scenario would result in an estimated total expected credit loss provision on balance sheet at the reporting date of ~$65 million[1]	Possible	**Global:** The downside scenario projects annual GDP growth that is approximately 1 percentage point lower than the baseline until mid-2026. **Australia:** The scenario forecasts year-end GDP growth to slow to 0.3% in 2025 before improving to 1.3% in 2026. Unemployment is projected to rise from 4.1% to a peak of 5.4% by the first half of 2026. The RBA cash rate is forecast to rise by 50 basis points in the first half of 2025 followed by 175 basis points of cuts starting in the fourth quarter of 2025 and into 2026. House prices are projected to fall 17% by end-2026. **United States:** The scenario projects a contraction of 0.2% year-on-year in GDP in 2025 on a year-end basis, increasing modestly to 0.9% growth in 2026. The US Federal Reserve is expected to respond to rising consumer prices by increasing interest rates 100 basis points in 2025; a 250-basis points easing cycle is expected in 2026 as authorities respond to weakening economic activity. The unemployment rate is projected to peak at 6.0% in mid-2026. **Europe:** The scenario projects that Q4-over-Q4 GDP growth will fall to -0.8% in 2025 and then grow by 0.9% in 2026. The unemployment rate is expected to peak at 7.8% in mid-2026.

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

Notes to the financial statements

For the financial year ended 31 March 2025

Note 10
Expected credit losses continued

Forward-looking information (FLI) continued

Scenario	Weighting	Expectation
Severe Downside A 100% weighting to this scenario would result in an estimated total expected credit loss provision on balance sheet at the reporting date of ~$80 million[1]	Unlikely	**Global:** The scenario projects a sharp slowdown in annual GDP growth, around 3 to 3.5 percentage points lower than the baseline by end-2025 and into the first half of 2026. **Australia:** The scenario projects that GDP will contract for four quarters year-on-year starting in the third quarter of 2025. Growth is expected to turn positive after end-2026. The unemployment rate is projected to reach 6.8% in the second half of 2026. The RBA cash rate is expected to rise by 100 basis points in 2025 in response to inflation, before an anticipated easing cycle of 325 basis points starting in the fourth quarter of 2025. House prices are projected to fall by a total of 26% in the two years to end-2026. **United States:** The scenario projects that GDP will contract for four consecutive quarters through 2025 and 2026. The US Federal Reserve is projected to initially hike rates by 125 basis points in response to high inflation before sharply cutting rates in response to economic weakness. The unemployment rate is expected to peak at 8.0% in mid-2026. **Europe:** The scenario projects GDP to contract by 2.1% in the year to December 2025 and a further contraction of 0.7% in 2026. Unemployment is anticipated to peak at 9.0% by mid-2026.
Upside A 100% weighting to this scenario would result in an estimated total expected credit loss provision on balance sheet at the reporting date of ~$55 million[1]	Possible	**Global**: The upside scenario projects annual growth in global GDP that is approximately 1 percentage point higher than the baseline until mid-2026. **Australia**: The scenario forecasts annual GDP growth of 2.1% in 2025 followed by 2.9% in 2026 on a Q4-over-Q4 basis. The RBA is expected to cut the cash rate by a further 75 basis points in 2025 to 3.35% and hold rates steady throughout 2026. Unemployment is anticipated to stabilise at around 4.0%. House prices are projected to rise a cumulative 9.7% across 2025 and 2026. **United States**: The scenario projects year-end annual GDP growth of 1.3% in 2025 and 2.4% in 2026. The US Federal Reserve is expected to make gradual cuts, totalling 75 basis points, over the course of 2025-26. The unemployment rate is projected to gradually decline to 3.7% by end-2026 from 4.0% in mid-2025. **Europe**: Annual GDP growth is forecast to remain flat at 1.2% in the year to end-2025 and accelerate to 2.1% in 2026. Unemployment is expected to stabilise at roughly 6.1% over the course of 2025-26.

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

Notes to the financial statements

For the financial year ended 31 March 2025

Note 10

Expected credit losses continued

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

	GROSS EXPOSURE FOR FINANCIAL ASSETS CARRIED AT			ECL ALLOWANCE ON FINANCIAL ASSETS CARRIED AT		
	Amortised cost $m	Other $m	Gross exposure $m	Amortised cost $m	Other $m	Total ECL allowance $m
						2025
Cash and bank balances	**701**	**-**	**701**	**-**	**-**	**-**
Margin money and settlement assets	**3,254**	**-**	**3,254**	**3**	**-**	**3**
Held for sale and other assets	**139**	**-**	**139**	**6**	**-**	**6**
Due from other Macquarie Group entities	**3,259**	**-**	**3,259**	**-**	**-**	**-**
Loan assets	**934**	**-**	**934**	**51**	**-**	**51**
Off balance sheet exposures	**-**	**189**	**189**	**-**	**4**	**4**
Total	**8,287**	**189**	**8,476**	**60**	**4**	**64**
						2024
Cash and bank balances	1,538	-	1,538	-	-	-
Margin money and settlement assets	2,176	-	2,176	1	-	1
Held for sale and other assets	1,260	-	1,260	62	-	62
Due from other Macquarie Group entities	5,079	-	5,079	3	-	3
Loan assets	1,068	-	1,068	13	-	13
Off balance sheet exposures	-	412	412	-	5	5
Total	11,121	412	11,533	79	5	84

Notes to the financial statements

For the financial year ended 31 March 2025

Note 10

Expected credit losses continued

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

	Cash and bank balances	Margin money and settlement assets	Held for sale and other assets	Due from other Macquarie Group entities	Loan assets	Off balance sheet exposures	Total
	$m	$m	$m	$m	$m	$m	$m
Balance as at 1 Apr 2023	1	5	41	2	15	2	66
Credit impairment charges/(reversals) (Note 2)	-	(4)	17	(1)	3	5	20
Transfer on group restructure	-	-	-	-	-	-	-
Amount written off, previously provided for	-	-	-	-	(6)	-	(6)
Reclassifications, foreign exchange, and other movements	(1)	-	4	2	1	(2)	4
Balance as at 31 Mar 2024	-	1	62	3	13	5	84
Credit impairment charges/(reversals) (Note 2)	**-**	**2**	**18**	**-**	**48**	**(1)**	**67**
Transfer on group restructure	**-**	**-**	**(64)**	**-**	**-**	**-**	**(64)**
Amount written off, previously provided for	**-**	**-**	**(6)**	**-**	**(8)**	**-**	**(14)**
Reclassifications, foreign exchange, and other movements	**-**	**-**	**(4)**	**(3)**	**(2)**	**-**	**(9)**
Balance as at 31 Mar 2025	**-**	**3**	**6**	**-**	**51**	**4**	**64**

Notes to the financial statements

For the financial year ended 31 March 2025

Note 11
Interests in associate and joint ventures

	2025 $m	2024 $m
Equity investment with no provisions for impairment	**386**	338
Equity investment with provisions for impairment		
Gross carrying value[1]	**9**	25
Less: provisions for impairment	**(9)**	(20)
Equity investment with provisions for impairment	**-**	5
Total equity investments in associates and joint ventures	**386**	343
Loans to associates and joint ventures	**4**	-
Less: credit impairment charges	**-**	-
Total loans to associates and joint ventures	**4**	-
Total interests in associates and joint ventures[2],[3]	**390**	343

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

(1) Represents the carrying value after equity-accounted gains and losses.
(2) Comprises $343 million (2024: $311 million) relating to interests in associates and $47 million (2024: $32 million) relating to interests in joint ventures.
(3) Financial statements of associates and joint ventures have various reporting dates which have been adjusted to align with the Consolidated Entity's reporting date.

Notes to the financial statements

For the financial year ended 31 March 2025

Note 12

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

	2025			2024		
	Cost	Accumulated depreciation and impairment	Carrying value	Cost	Accumulated depreciation and impairment	Carrying value
	$m	$m	$m	$m	$m	$m
Assets for own use						
Equipment	76	(10)	66	19	(16)	3
Furniture, fittings and leasehold improvements	11	(8)	3	13	(10)	3
Land and buildings	3	-	3	3	-	3
Total assets for own use	90	(18)	72	35	(26)	9
Assets under operating lease						
Semiconductors and IT equipment	575	(205)	370	568	(126)	442
Mining equipment	479	(118)	361	366	(108)	258
Meters	180	(169)	11	191	(175)	16
Total assets under operating lease	1,234	(492)	742	1,125	(409)	716
Right-of-use assets						
Hydrogen cells	26	(8)	18	25	(4)	21
Office premises	19	(9)	10	26	(12)	14
Commodity storage	10	(3)	7	2	(1)	1
Total assets under right-of-use	55	(20)	35	53	(17)	36
Total property, plant and equipment and right-of-use assets	1379	(530)	849	1,213	(452)	761

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

Notes to the financial statements

For the financial year ended 31 March 2025

Note 12

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 and right-of-use assets was as follows:

	Furniture, fittings and leasehold improvements	Land and buildings	Equipment	Total
	$m	$m	$m	$m
Assets for own use				
Balance as at 1 Apr 2023	3	3	2	8
Acquisitions and additions	2	-	2	4
Disposals and reclassifications	-	-	-	-
Depreciation expense (Note 2)	(2)	-	(1)	(3)
Foreign exchange movements	-	-	-	-
Balance as at 31 Mar 2024	**3**	**3**	**3**	**9**
Acquisitions and additions	**3**	**-**	**63**	**66**
Disposals and reclassification	**(2)**	**-**	**(1)**	**(3)**
Depreciation expense (Note 2)	**(1)**	**-**	**(3)**	**(4)**
Foreign exchange movements	**-**	**-**	**4**	**4**
Balance as at 31 Mar 2025	**3**	**3**	**66**	**72**

	Semiconductors and IT equipment	Mining equipment	Meters	Telecommunication and other	Total
	$m	$m	$m	$m	$m
Assets under operating lease					
Balance as at 1 Apr 2023	402	198	23	2	625
Acquisition and additions	210	135	-	-	345
Disposals and reclassifications	-	(20)	-	(2)	(22)
Depreciation expense (Note 2)	(115)	(54)	(6)	-	(175)
Reclassifications and other adjustments	(55)	(6)	(2)	-	(63)
Foreign exchange movements	-	5	1	-	6
Balance as at 31 Mar 2024	442	258	16	-	716
Acquisition and additions	**132**	**197**	**-**	**-**	**329**
Disposals	**(86)**	**(33)**	**-**	**-**	**(119)**
Depreciation expense (Note 2)	**(97)**	**(65)**	**(5)**	**-**	**(167)**
Reclassifications and other adjustments	**(7)**	**(13)**	**(1)**	**-**	**(21)**
Impairments	**(14)**	**-**	**-**	**-**	**(14)**
Foreign exchange movements	**-**	**17**	**1**	**-**	**18**
Balance as at 31 Mar 2025	**370**	**361**	**11**	**-**	**742**

Notes to the financial statements

For the financial year ended 31 March 2025

Note 12

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:

	Commodity storage $m	Office premises $m	Hydrogen cells	Total $m
Right-of-use assets				
Balance as at 1 Apr 2023	32	14	23	69
Acquisitions and additions	1	2	-	3
Disposals	(23)	-	-	(23)
Depreciation expense[1]	(9)	(3)	(3)	(15)
Foreign exchange movements	-	1	1	2
Balance as at 31 Mar 2024	1	14	21	36
Acquisitions and additions	**6**	**9**	**-**	**15**
Disposals	**-**	**(9)**	**-**	**(9)**
Depreciation expense[1]	**(1)**	**(3)**	**(4)**	**(8)**
Reclassification and other adjustments	**-**	**(1)**	**-**	**(1)**
Foreign exchange movements	**1**	**-**	**1**	**2**
Balance as at 31 Mar 2025	**7**	**10**	**18**	**35**

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

	2025 $m	2024 $m
Assets under operating lease		
Within one year	**196**	197
Between one to two years	**123**	133
Between two to three years	**111**	77
Between three to four years	**86**	62
Between four to five years	**32**	34
Later than five years	**1**	7
Total future minimum lease payments receivable	**549**	510

(1) Includes depreciation expense of $1 million (2024: $9 million) on assets held for trading-related business (commodity storage) presented under net trading income, $3 million (2024: $3 million) on office premises leases presented under other operating expenses and $4 million (2024: $3 million) on hydrogen cells presented under other operating expenses in Note 2 *Operating profit before income tax*.

Notes to the financial statements

For the financial year ended 31 March 2025

Note 13
Deferred tax assets/(liabilities)

The balance comprises temporary differences attributable to:

	2025 $m	2024 $m
Other assets and liabilities	**230**	198
Tax losses	**55**	60
Financial investments and interests in associates and joint ventures	**41**	55
Property, plant and equipment	**5**	1
Operating and finance leases	**4**	12
Loan assets and derivatives	**6**	7
Intangible assets	**14**	14
Set-off of deferred tax liabilities	**(114)**	(147)
Net deferred tax assets	**241**	200
Other assets and liabilities	**(22)**	(33)
Financial investments and interests in associates and joint ventures	**(31)**	(69)
Operating and finance leases	**(64)**	(49)
Loan assets and derivatives	**(5)**	(4)
Intangible assets	**(8)**	(8)
Set-off of deferred tax assets	**114**	147
Net deferred tax liabilities	**(16)**	(16)

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

Notes to the financial statements

For the financial year ended 31 March 2025

Note 14
Margin money and settlement liabilities

	2025 $m	2024 $m
Margin money	**985**	944
Commodity settlement liabilities	**929**	588
Security settlement liabilities	**1**	20
Total margin money and settlement liabilities	**1,915**	1,552

Note 15
Derivative liabilities

Held for trading [1]	**1,464**	1,160
Total derivative liabilities	**1,464**	1,160

Note 16
Other liabilities

Other financial liabilities		
Commodity-related payables	**573**	537
Trade creditors and other payables [2]	**176**	360
Lease liabilities	**32**	34
Total other financial liabilities	**781**	931
Other non-financial liabilities		
Employment-related liabilities	**270**	296
Provisions and accrued charges [3]	**133**	481
Indirect taxes payables	**52**	258
Income tax provision [4]	**52**	99
Other	**18**	14
Total other non-financial liabilities	**525**	1,148
Total other liabilities	**1,306**	2,079

(1) Refer Note 29 *Financial Risk management* and Note 32 *Offsetting of financial assets and financial liabilities* for further details.
(2) Prior period comparatives have been re-presented to conform to changes in the current period.
(3) In the ordinary course of its business, the Consolidated Entity may be subject to actual and potential civil claims and regulatory enforcement actions. During the current period, these include matters in the Commonwealth of Australia, the United States of America, the United Kingdom, and the Federal Republic of Germany. The civil claims may result in settlements or damages awards. The regulatory enforcement actions may result in outcomes such as penalties, fines, disgorgement of profits and non-monetary sanctions. This amount includes provisions for such outcomes based on management's best estimate. The amount and timing of the outcomes are uncertain and may differ from the provisions recognised. The Consolidated Entity consider the risk of there being a material adverse effect in respect of claims and actions that have not been provided for to be remote.
(4) Revenue authorities undertake risk reviews and audits as part of their normal activities. The Consolidated Entity has assessed these and other taxation claims and litigation, including seeking external advice where appropriate and considers that it holds appropriate provisions.

Notes to the financial statements

For the financial year ended 31 March 2025

Note 17
Issued debt securities

	2025 $m	2024 $m
Commercial paper	**750**	1,557
Total Issued debt securities	**750**	1,557

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

Note 18
Borrowings

	2025 $m	2024 $m
Unsecured syndicated loans	**5,435**	4,535
Secured revolving facility	**388**	654
Secured committed facility	**-**	340
Other borrowings [1], [2]	**716**	884
Total borrowings	**6,539**	6,413

The Consolidated Entity has not had any defaults of principal, interest, or other breaches with respect to its borrowings during the reported period. Of the above amounts, $1,114 million (2024: $1,035 million) is expected to be settled within 12 months of the balance date by the Consolidated Entity

Reconciliation of borrowings by major currency *(in Australian dollar equivalent)*	2025 $m	2024 $m
United States dollar	**6,112**	5,646
Japanese Yen	**390**	344
Pound Sterling	**4**	340
Euro	**25**	76
Other	**8**	7
Total borrowings	**6,539**	6,413

(1) Includes $385 million (2024: $335 million) that would be contractually required to be paid at maturity to the holders of structured loans classified under 'Other borrowings' which are measured at DFVTPL for the Consolidated Entity. This amount is based on the final notional amount rather than the fair value. Refer to Note 30 Measurement categories of financial instruments for the carrying value of borrowings measured at DFVTPL.
(2) Includes a cumulative fair value loss recognised in OCI of $3 million (2024: $3 million) due to changes in own credit risk on DFTVPL debt securities.

Notes to the financial statements

For the financial year ended 31 March 2025

Note 19
Capital management

Capital management strategy

The Consolidated Entity'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
- Support external investor and regulatory expectations
- Safeguard the Consolidated Entity's ability to continue as a going concern.

The Consolidated Entity's capital management strategy assesses specific risk types such as equity, credit, market and operational risk, referencing Macquarie's Economic Capital Adequacy Model (ECAM) where appropriate.

The Consolidated Entity's capital requirements are monitored on a quarterly basis to ensure its objectives are being met.

Capital is being defined as the Consolidated Entity's total equity.

Note 20
Contributed equity

	2025 $m	2024 $m
Ordinary share capital	**1,449**	2,109
Other equity	**109**	106
Total contributed equity	**1,558**	2,215

	2025 $m	2024 $m
(i) Ordinary share capital[1]		
Opening balance of 2,109,312,580 fully paid ordinary shares	**2,109**	2,109
Reduction of 130,000,000 fully paid ordinary shares on 21 June 2024	**(130)**	-
Reduction of 230,000,000 fully paid ordinary shares on 19 December 2024	**(230)**	-
Reduction of 300,000,000 fully paid ordinary shares on 28 February 2025	**(300)**	-
Closing balance of 1,449,312,580 (2024: 2,109,312,580) fully paid ordinary shares	**1,449**	2,109

(ii) Other equity

	2025 $m	2024 $m
Tax contribution for business acquired under group restructure[2]	**66**	66
Deferred tax on Employee Retained Equity Plan (MEREP)[3]	**43**	40
Balance at the end of the financial year	**109**	106

(1) Ordinary shares have no par value.
(2) Represents tax balances funded by MGL under the Tax Funding Deed in relation to the acquisition of Bank non-ELE businesses. Recognition of deferred tax balances on acquisition is precluded under AASB 112 *Income Taxes* and hence the funded amount is treated as an equity contribution.
(3) Macquarie Group Employee Retained Equity Plan (MEREP) awards are primarily settled in shares of MGL. MEREP awards are issued by MGL to employees of the Consolidated Entity and MGL has been subsequently reimbursed (except for Deferred tax component) by the Consolidated Entity.

Notes to the financial statements

For the financial year ended 31 March 2025

Note 21

Reserves, retained earnings and non-controlling interests

	2025 $m	2024 $m
(i) Reserves		
Foreign currency translation reserve		
Balance at the beginning of the financial year	**3**	-
Foreign exchange movement on translation and hedge accounting of foreign operations, net of tax[1]	**-**	3
Balance at the end of the financial year	**3**	3
Restructure reserve		
Balance at the beginning of the financial year	**(814)**	(834)
Transfer to retained earnings attributable to business disposed[2]	**(12)**	-
Restructure reserves attributable to group restructure[3]	**(2)**	20
Balance at the end of the financial year	**(828)**	(814)
Cash flow hedge reserve		
Balance at the beginning of the financial year	**(6)**	(9)
Revaluation movement, net of tax	**(3)**	9
Transferred to income statement on realisation, net of tax	**3**	(6)
Balance at the end of the financial year	**(6)**	(6)
Share of other comprehensive income from associates and joint ventures and other reserves		
Balance at the beginning of the financial year	**10**	-
Share of other comprehensive income from associates and joint ventures, net of tax	**(1)**	10
Balance at the end of the financial year	**9**	10
Total reserves at the end of the financial year	**(822)**	(807)
(ii) Retained earnings		
Balance at the beginning of the financial year	**670**	531
Profit attributable to the ordinary equity holder of MIFL	**1,166**	601
Dividends paid on ordinary share capital (Note 4)	**(550)**	(460)
Transfer from restructure reserve	**12**	-
Fair value changes to own credit risk on debt designated at fair value through profit and loss (DFVTPL)	**-**	(2)
Balance at the end of the financial year	**1,298**	670
(iii) Non-controlling interests[4]		
Share capital	**5**	5
Movement in non-controlling interests	**3**	-
Total non-controlling interests	**8**	5

(1) The current year movement represents the revaluation of the Consolidated Entity's unhedged investments in foreign operations primarily driven by the depreciation of the Australian dollar against the foreign currencies. Refer to Note 29.3 *Market risk* for the Consolidated Entity's foreign exchange risk management policy in relation to the alignment of capital supply to capital requirements.
(2) Represents restructure reserve transferred to retained earnings on disposal of subsidiaries amounting to $12 million (2024: $Nil).
(3) Represents difference between the acquisition price and the book value of the net assets of the Non-ELE Group subsidiaries acquired under common control transactions. For details refer Note 35 *Acquisitions and disposal of subsidiaries and businesses*.
(4) Other non-controlling interests represents equity in subsidiaries held by MBL and external party as a minority shareholder and therefore is not attributable, directly or indirectly, to the parent company. As such, it is ineligible to absorb losses arising elsewhere within the Consolidated Entity.

Notes to the financial statements

For the financial year ended 31 March 2025

Note 22

Notes to the statement 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:

	2025 $m	2024 $m
Cash and bank balances[1],[2]	**493**	902
Due from other Macquarie Group entities[3]	**1,370**	2,024
Financial Investments[4]	**-**	305
Cash and cash equivalents at the end of the financial year	**1,863**	3,231
(ii) Reconciliation of profit after income tax to net cash flows generated from operating activities		
Profit after income tax	**1,166**	601
Adjustments to profit after income tax:		
Depreciation and amortisation	**176**	189
Credit and other impairment charges	**88**	12
Investment and other income	**(647)**	3
Share of net profits of associates and joint ventures	**(20)**	(31)
Changes in assets and liabilities:		
Trading and related assets, liquid investments and collateralised lending balances (net of liabilities)	**320**	1,218
Carrying values of associates due to dividends received	**13**	6
Issued debt securities, borrowings and other funding	**(623)**	2,182
Debtors, prepayments, accrued charges and creditors	**34**	(176)
Tax balances	**(121)**	(33)
Interest, fee and commission receivable and payable	**(26)**	(5)
Assets under operating lease	**(207)**	(323)
Other assets and liabilities	**(395)**	(481)
Loan assets and balances with other Macquarie Group entities	**(630)**	(2,834)
Net cash flows generated from operating activities	**(872)**	328

(1) Includes $210 million (2024: $353 million) of balances, that are restricted from use by the Consolidated Entity and balances held in countries where remittance of cash outside the country is subject to certain restrictions.
(2) Amounts excluded from cash and cash equivalents but presented in the Statement of financial position as cash and bank balances primarily relates to $204 million (2024: $636 million) of funds received from clients which are segregated from the Consolidated Entity's own funds and other balances of $4 million (2024: $Nil) that are not readily available to meet the Consolidated Entity's short-term cash commitments.
(3) Balance represents cash and short-term deposits with MBL of $1,370 million (2024: $2,019 million) and other Macquarie Group entities of $Nil (2024: $5 million) and does not include cash placed as collateral of $928 million (2024: $798 million) with MBL with respect to the Consolidated Entity's guarantees to MBL for MBL's exposures to certain Non-ELE Group subsidiaries as these balances are not considered as an integral part of the Consolidated Entity's cash management and other balances of $68 million (2024: $4 million) that are not readily available to meet the Consolidated Entity's short-term cash commitments.
(4) Financial investments that qualify as cash and cash equivalent have been adjusted to include investments with a maturity less than three months at the date of acquisition. Comparative information has been re-presented to conform to changes in the current period.
For the year ended 31 March 2024, Cash and cash equivalent at the end of the period increased by $305 million, effect of exchange rate movement on cash and cash equivalents decreased by $4 million, cash flows from the investing activities under financial investments increased by $309 million and cash flows from the operating activities under trading and related assets decreased by $8 million.

Notes to the financial statements

For the financial year ended 31 March 2025

Note 23
Related party information

Transactions between the Consolidated Entity and the ultimate and immediate parent entities and with other Macquarie Group entities under common control principally arise from the provision and repayment of funding arrangements which are repayable on demand or may be extended on a term basis and where appropriate may be either subordinated or collateralised, 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, that are governed by standard market practices and arrangements under ISDA Master Agreement, Global Master Repurchase Agreement (GMRA) and other brokerage agreements.

The Master Loan Agreement (MLA) governs the funding and netting arrangements between various subsidiaries and other Macquarie Group 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 other Macquarie Group entities other than certain excluded entities.

The Consolidated Entity's offshore tax liabilities are determined in accordance with the rules of each jurisdiction. As part of this, other tax consolidation or loss sharing regimes may be available which allow the Consolidated Entity to engage in the sharing of corporate tax balances, including the sharing and utilisation of tax losses, across related Macquarie Group entities. These transactions are completed in the ordinary course of business in accordance with tax regulations in place in jurisdictions that allow for such tax attribute sharing. This may include that the Consolidated Entity is able to utilise losses made by other Macquarie Group Entities that would otherwise have not been brought to account by those entities in accordance with AASB 112 Income Taxes.

Ultimate and immediate parent entities

The Consolidated Entity's ultimate parent entity is MGL, and the immediate parent entity is MBL. Both MGL and MBL are incorporated in Australia. Both MGL and MBL produce consolidated financial statements that are available for public use. Balances outstanding with MGL and MBL are included in Due from other Macquarie Group entities or Due to other Macquarie Group entities, as appropriate, separately in the Statements of financial position of the Consolidated entity except when the parties have the legal right and intention to offset. The balance includes amounts receivable by the Consolidated Entity, in respect of amounts paid in advance for MEREP awards offered to its employees' net of share-based payment expense (refer to Note 38 (xx) *Performance based remuneration*).

Other Macquarie Group entities

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

Transactions under common control

On 28 February 2025, the Consolidated Entity sold of its equity interest in Macquarie Corona Energy Holdings Limited and its subsidiaries to Macquarie UK Holdings No. 2 Limited in the Non-Bank Group for a total cash consideration of $818 million resulting in a gain on disposal of $610 million.

During the year, certain other subsidiaries and businesses were sold to other Macquarie Group entities for a total consideration of $17 million resulting in a gain on disposal of $4 million.

Notable subsidiaries of the Consolidated Entity

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

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

All notable subsidiaries have a 31st March reporting date.

Notes to the financial statements

For the financial year ended 31 March 2025

Note 23

Related party information continued

The following transactions occurred with the ultimate parent, immediate parent and other Macquarie Group entities during the financial year:

	ULTIMATE PARENT AND IMMEDIATE PARENT ENTITIES		OTHER MACQUARIE GROUP ENTITIES	
	2025	2024	**2025**	2024
	$'000	$'000	**$'000**	$'000
Interest income	**188,890**	301,986	**42,004**	76,271
Interest expense	**(144,508)**	(262,643)	**(50,569)**	(182,444)
Net interest income/(expense)	**44,382**	39,343	**(8,565)**	(106,172)
Net Trading (loss)/income[1],[2]	**(214,311)**	(858,239)	**(82,808)**	108,458
Other income	**114**	-	**-**	496
Fee and commission income	**487,897**	420,470	**157,047**	175,748
Net gain from sale of interest in businesses	**-**	-	**613,705**	-
Other operating expenses	**(246,347)**	(367,282)	**(725,705)**	(732,083)
Dividends paid (Note 4)	**(550,000)**	(460,000)	**-**	-

(1) As part of the risk management strategy of the Bank Group, certain related body corporate entities, including MBL, will be specifically utilised to manage the Consolidated Entity's market risk based upon trading and exchange relationships. These related party transactions may result in material trading income/expense within the Consolidated Entity. Such transactions are typically traded under an ISDA agreement or similar type of arrangement which may contain provisions for the exchange of margin or collateral.

(2) Includes certain income/(expense) relating to trading assets and derivatives with the parent and other Macquarie Group entities offset with income/expense on similar financial instruments with the external counterparties, presented on a net basis in the net trading income in the Consolidated Entity's Income statement.

Notes to the financial statements

For the financial year ended 31 March 2025

Note 23

Related party information continued

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

	ULTIMATE PARENT AND IMMEDIATE PARENT ENTITIES		OTHER MACQUARIE GROUP ENTITIES	
	2025 $'000	2024 $'000	**2025 $'000**	2024 $'000
On Balance Sheet:				
Due from other Macquarie Group entities	**3,906,973**	5,833,860	**583,737**	1,206,140
Cash and bank balances(1),(2)	**2,357,016**	2,821,161	**8,548**	5,132
Cash collateralised lending and reverse repurchase agreements	**2,490**	82,313	**-**	-
Margin money and settlement assets	**251,462**	887,214	**120,262**	75,238
Derivative assets	**968,333**	1,568,806	**1,945**	14,281
Loan Asset	**-**	-	**220**	930,930
Held for sale and other Assets	**327,672**	474,366	**452,762**	180,559
Due to other Macquarie Group entities	**1,862,797**	3,455,717	**392,269**	1,259,283
Cash collateralised borrowing and repurchase agreements	**-**	1	**-**	-
Trading liabilities	**-**	40,877	**-**	-
Margin money and settlement liabilities	**448,496**	385,064	**255,593**	19,591
Derivative liabilities	**879,563**	1,893,535	**3,297**	5,773
Other liabilities	**532,577**	1,126,259	**133,379**	1,233,886
Borrowings(3)	**2,161**	9,981	**-**	33
Off Balance Sheet:				
Guarantees and Letter of Credit received(4),(5)	**148,163**	296,176	**2,352**	926

(1) Balance includes cash and short-term deposits with MBL $1,370,280 thousand (2024: $2,019,395 thousand) and other related body corporate entities $Nil (2024: $5,132 thousand). This balance is also disclosed in Note 22 *Notes to the statement of cash flows* under (i) Reconciliation of cash and cash equivalents as Due from other Macquarie Group entities.
(2) Includes cash collateral placed of $928,088 thousand (2024: $797,635 thousand) with MBL with respect to the Consolidated Entity's guarantees to MBL for MBL's exposures to certain members of the Consolidated Entity.
(3) The majority of the balance represents long-term borrowing from MBL of $2,161 thousand (2024: $9,981 thousand).
(4) Represents guarantees and LCs provided by MBL of $148,163 thousand (2024: $109,038 thousand) and guarantees by MGL of $Nil (2024: $187,138 thousand) to third parties as the immediate and ultimate parent respectively in relation to the performance and other obligations of the Consolidated Entity.
(5) Represents guarantees provided by MFL and its subsidiaries of $2,352 thousand (2024: $926 thousand) to third parties in relation to the performance and other obligations of the Consolidated Entity.

Notes to the financial statements

For the financial year ended 31 March 2025

Note 23

Related party information continued

Associates and joint ventures

The Consolidated Entity provides a range of services to its associates and joint ventures, including the provision of corporate advisory and management services, lending and borrowing activities.

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

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

	2025 $'000	2024 $'000
Net interest income	**4,677**	5,739
Fees and commission income	**653**	1,775
Net other operating income	**2,487**	3,477
Other operating income/(expense)	**(2,853)**	2

Dividends and distributions of $13,280 thousand (2024: $32,608 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 represents balances and off-balance sheet arrangements with associates and joint ventures that 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).

	2025 $'000	2024 $'000
On Balance Sheet:		
Amounts receivable	**4,813**	50,509
Amounts payable	**-**	(269)
Off Balance Sheet:		
Undrawn commitments	**-**	(13,466)

Notes to the financial statements

For the financial year ended 31 March 2025

Note 24
Key management personnel disclosure

Key management personnel (KMP)

The following persons were Directors of the Company during the financial years ended 31 March 2025 and 31 March 2024, unless indicated otherwise:

Directors

D. Saad	
R. Dixon	
S. Dyson	(Appointed 15 May 2023)
U. Bhut Wiswanatha	(Appointed 12 December 2023)

Former Directors

B.N. Milson	(Until 15 May 2023)

In addition to the Directors listed above, the following persons, who are members of MBL's Executive Committee also had authority and responsibility for planning, directing and controlling the activities of the Company and its subsidiaries during the financial years ended 31 March 2025 and 31 March 2024, unless otherwise indicated.

Current Executives

S.R. Wikramanayake	Macquarie Group CEO
S.D. Green	Macquarie Bank CEO
G.N. Bruce	GGC, Head of LGG
A. Cassidy	CRO, Head of RMG
A.H. Harvey	CFO, Head of FPE
N. Sorbara	COO, Head of COG
G.C. Ward	Deputy Managing Director and Head of BFS
S. L. Wright	Head of CGM (appointed as a member of the Executive Committee effective from 1 April 2024)

Former Executives

N. O'Kane(1)	Former Head of CGM (until 27 February 2024)

Key management personnel remuneration

The following table details the aggregate remuneration for KMP:

	2025 $	2024 $
Key Management Personnel Remuneration		
Amount paid to Key Management Personnel in relation to their role as KMP of the Consolidated Entity(2)	**17,981,947**	(7,189,816)

The KMP did not receive any other benefits or consideration in connection with the management of the Consolidated Entity. All other benefits that were received by the KMP were solely related to other services performed with respect to their employment by MGL and its subsidiaries. During the year, a related body corporate entity within the Macquarie Group paid the amounts disclosed above to the KMP for services rendered to the Consolidated Entity. The compensation was not charged to the Consolidated Entity.

(1) Mr O'Kane ceased to be a member of the Executive Committee on 27 February 2024. Simon Wright became Group Head of CGM on 28 February 2024 and joined the Executive Committee on 1 April 2024.

(2) The FY2024 aggregate remuneration for KMP in MIFL includes reversal of amounts relating to Mr. O'Kane who ceased to be a member of the Executive Committee on 27 February 2024 and subsequently resigned from Macquarie. In compliance with Macquarie's standard remuneration arrangements and as a result of his resignation, Mr O'Kane forfeited his unvested retained profit share and unvested PSUs. In accordance with accounting requirements this resulted in a net reversal of previously recognised remuneration expense of $3.9 million for forfeited retention notionally invested in Macquarie-managed fund equity and $12.8 million of amortisation for forfeited equity awards during FY2024.

Notes to the financial statements

For the financial year ended 31 March 2025

Note 25
Employee equity participation

MEREP

The Consolidated Entity participates in its ultimate parent company's, Macquarie Group Limited (MGL), share based compensation plans. For the Macquarie Group Employee Retained Equity Plan (MEREP), awards are granted by MGL to qualifying employees of the Consolidated Entity for delivery of MGL shares.

Award types under the MEREP

Restricted Share Units (RSUs)

A RSU is a beneficial interest in a 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	
	2025	2024
RSUs on issue at the beginning of the financial year	**3,118,719**	2,172,296
Granted during the financial year	**625,681**	1,527,770
Forfeited during the financial year	**(44,635)**	(96,745)
Vested RSUs withdrawn or sold from the MEREP during the financial year	**(602,390)**	(533,483)
Net transfers (to)/ from other Macquarie Group entities[1]	**(27,077)**	48,881
RSUs on issue at the end of the financial year	**3,070,298**	3,118,719
RSUs vested and not withdrawn from the MEREP at the end of the financial year	**-**	-

The weighted average fair value of the RSU awards granted during the financial year was $198.06 (2024: $180.44).

Deferred Share Units (DSUs)

A DSU represents the right to receive on exercise of the DSU either a 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 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 to MRTs, US awards to CPS511 employee, or in jurisdictions where legal or tax rules make the grant of RSUs impractical. DSUs have been granted with an expiry period of up to nine years.

(1) Net transfers (to)/ from other Macquarie Group entities during the year includes transfers relating to the transfer of employees within Macquarie Group entities.

Notes to the financial statements

For the financial year ended 31 March 2025

Note 25

Employee equity participation continued

	NUMBER OF DSU AWARDS	
	2025	2024
DSUs on issue at the beginning of the financial year	**444,689**	321,476
Granted during the financial year	**121,923**	195,124
Forfeited during the financial year	**(705)**	(17,777)
Exercised during the financial year	**(116,383)**	(57,605)
Net transfers (to)/from other Macquarie Group entities(1)	**(1,099)**	3,471
DSUs on issue at the end of the financial year	**448,425**	444,689
DSUs exercisable at the end of the financial year	**68,056**	99,749

The weighted average fair value of the DSU awards granted during the financial year was $196.61 (2024: $178.25).

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

- Executive Directors with retained Directors' Profit Share (DPS), 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)
- New Consolidated Entity staff who commence at Associate Director, Division Director or Executive Director level and are awarded a fixed Australian dollar value (New Hire Awards)
- In limited circumstances, Consolidated Entity staff may receive an equity grant instead of a remuneration or consideration payment in cash. Current examples include individuals who become employees of the Consolidated Entity 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).

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(2)
Retained DPS Awards granted in relation to years 2016 to 2023	Designated Executive Directors	1/5th in the 3rd, 4th, 5th, 6th and 7th year following the year of grant(3)
Retained DPS Awards granted in relation to years 2016 to 2023	All other Executive Directors	1/3rd in the 3rd, 4th and 5th year following the year of grant(3)
Retained DPS Awards granted in relation to 2024 and following years	All other Executive Directors	1/3rd in the 3rd, 4th and 5th year following the year of grant(3)
New Hire Awards	All Director-level staff	1/3rd in the 2nd, 3rd and 4th year following the year of grant(4)

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 certain jurisdictions may have a different vesting period due to local regulatory requirements.

For Retained Profit Share awards representing FY2024 retention, the allocation price was the weighted average price of the shares acquired for the 2024 purchase period, which was 13 May 2024 to 19 June 2024. That price was calculated to be $191.54 (2024 retention: $179.17).

(1) Net transfers (to)/from other Macquarie Group entities during the year includes transfers relating to the transfer of employees within Macquarie group entities.
(2) Vesting will occur during an eligible staff trading window. If an employee has been on leave without pay (excluding leave to which the Employee may be eligible under local laws) for twelve months or more, the Vesting Period may be extended accordingly.
(3) 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.
(4) Vesting will occur during an eligible staff trading window.

Notes to the financial statements

For the financial year ended 31 March 2025

Note 25

Employee equity participation continued

Assumptions used to determine fair value of MEREP awards

RSUs and DSUs are measured at their grant dates based on their fair value[1]. This amount is recognised as an expense over the respective vesting periods.

RSUs and DSUs have been granted in the current financial year in respect of the 2024 performance. The accounting fair value of each of these grants is estimated using MGL's share price on the date of grant.

While RSUs and DSUs for FY2025 will be granted during FY2026, the Company begins recognising an expense for these awards (based on an initial estimate) from 1 April 2024 related to these future grants. The expense is estimated using the estimated MEREP retention for FY2025 and applying the vesting profile to the retained amount.

In the following financial year, the Consolidated Entity will adjust the accumulated expense recognised for the final determination of fair value for each RSU and DSU when granted and will use this valuation for recognising the expense over the remaining vesting period. The Consolidated Entity annually reviews 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 2025, compensation expense relating to the MEREP totalled $168,615,395 (2024: $163,006,850).

(1) For employees categorised as Material Risk Takers who are required to comply with the European Banking Authority Guidelines on the CRD IV and CRD V 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.

Notes to the financial statements

For the financial year ended 31 March 2025

Note 26

Contingent liabilities and commitments

	2025 $m	2024 $m
Undrawn credit commitments:		
Undrawn credit facilities and debt commitments(1)	**110**	371
Letter of credit and guarantees(2)	**79**	41
Total credit commitments	**189**	412
Other contingencies and commitments:		
Asset development and purchase commitments	**26**	40
Performance-related contingencies	**11**	8
Total other contingencies and commitments	**37**	48
Total contingent liabilities and commitments(3)	**226**	460

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

(1) Undrawn credit facilities include fully or partially undrawn commitments against which the clients can borrow money under defined terms and conditions.
(2) Includes guarantees amounting to $31 million (2024: $30 million) against which the consolidated entity received a back-to-back financial guarantee for 50% of the total guarantee.
(3) It is not practicable to ascertain the timing of any outflow and the possibility of any reimbursement related to these contingent liabilities.

Notes to the financial statements

For the financial year ended 31 March 2025

Note 27

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 arrangements in order to diversify its sources of funding for asset origination and capital efficiency purposes. The Consolidated Entity also engages with SEs when providing fund administration and other fiduciary activities. The Consolidated Entity's involvement with SEs is primarily of the following nature.

Type	Detail
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. 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. The Consolidated Entity's total exposure (primarily in nature of financial investment and loan assets) as at reporting date is $61 million (2024: $149 million).
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. The Consolidated Entity's total exposure as at reporting date is $Nil (2024: $45 million).
Structured financing and others arrangements	Includes: • financing for prepaid commodity contracts. The Consolidated Entity has contractually guaranteed the performance obligation under these arrangements • financing through loans and reverse repurchase agreements for short-term term funding requirements of SEs which are sponsored by third parties. The Consolidated Entity's total exposure as at reporting date is $63 million (2024: $ Nil).

Notes to the financial statements

For the financial year ended 31 March 2025

Note 28
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, within pre-defined thresholds. This volatility is managed through designation of hedge accounting relationships and the use of naturally offsetting positions in the income statement.

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 hedges of net investment in foreign operations, the notional of foreign currency denominated borrowings and other balance sheet items, 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.

Hedging ineffectiveness

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 hedges of net investment in foreign operations, hedge ineffectiveness is the extent to which the change in the carrying amount of foreign currency denominated borrowings and other balance sheet items 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.

Cash flow hedges

The cash flow hedge reserve, representing the effective portion of the movements in the hedging instrument, is disclosed in Note 21(i) *Reserves.* Changes in this reserve are reported in the Consolidated Entity's Statement of comprehensive income.

Hedging instruments

		MATURITY ANALYSIS PER NOTIONAL				
		Less than 3 months	**3 to 12 months**	**1 to 5 years**	**Over 5 years**	**Total**
Instrument type	Risk category	**$m**	**$m**	**$m**	**$m**	**$m**
Borrowings						**2025**
Foreign currency denominated borrowings	Foreign exchange	**70**	**125**	**-**	**-**	**195**
Borrowings						2024
Foreign currency denominated borrowings	Foreign exchange	11	-	187	-	198

		CARRYING AMOUNT			
		2025		2024	
		Asset	**Liability**	Asset	Liability
Instrument type	Risk category	**$m**	**$m**	$m	$m
Foreign currency denominated borrowings	Foreign exchange	**-**	**42**	-	120

Notes to the financial statements

For the financial year ended 31 March 2025

Note 28

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.

		GAIN/(LOSS) ON HEDGING INSTRUMENT		(LOSS)/GAIN ON HEDGED ITEM		HEDGE INEFFECTIVENESS GAIN/(LOSS)	
		2025	2024	**2025**	2024	**2025**	2024
Hedging instruments	Risk category	**$m**	$m	**$m**	$m	**$m**	$m
Foreign currency denominated borrowings	Foreign exchange	**1**	2	**(1)**	(2)	**-**	–
Total		**1**	2	**(1)**	(2)	**-**	-

Hedge accounting executed rates

The following table shows the executed rates for the most significant hedging instruments designated in cash flow hedges, which represent the contractual rates when the hedging instruments were traded.

Hedging instruments	Currency pair	**2025**	2024
Foreign Currency denominated borrowings	USD/KRW	**1,238-1,317**	1,110-1,287

Notes to the financial statements

For the financial year ended 31 March 2025

Note 28

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 may be hedged by the Consolidated Entity using a combination of derivatives, foreign currency denominated Issued debt securities and other balance sheet items. Refer to Note 29.3 *Market risk: Non-traded 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 Issued debt securities and other balance sheet items are recognised, together with the related foreign currency translation reserve, in the Consolidated Entity's other comprehensive income and is subsequently reclassified to the income statement or re-attributed within equity as defined in Note 38(iii) *Foreign currency translation: Subsidiaries and other equities*. 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.

		CARRYING AMOUNT			
		ASSET		LIABILITY	
Hedging instrument	Risk category	**2025 $m**	2024 $m	**2025 $m**	2024 $m
Foreign exchange contracts and other foreign currency denominated balance sheet items[1]	Foreign exchange	**5**	3	**23**	78
Issued debt securities and other borrowings	Foreign exchange	**-**	–	**2,727**	1,759

		NOTIONAL AMOUNT			
		ASSET		LIABILITY	
Hedging instrument	Risk category	**2025 $m**	2024 $m	**2025 $m**	2024 $m
Foreign exchange contracts and other foreign currency denominated balance sheet items[2]	Foreign exchange	**292**	1,117	**969**	493
Issued debt securities and other borrowings	Foreign exchange	**-**	-	**2,727**	1,759

In order to hedge the currency exposure of certain net investments in foreign operations, the Consolidated Entity jointly designates hedging instruments from the currency of the underlying foreign operation to USD and then the hedging instruments from USD to AUD. As a result, the notional value of hedging instruments presented in the table above of $3,988 million (2024: $3,369 million) represents the notional of Foreign currency denominated Issued debt securities, Foreign exchange contracts and other foreign currency denominated balance sheet items. The notional of the underlying hedged component of the Consolidated Entity's net investment in foreign operations is $3,419 million (2024: $2,883 million).

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 in the current year (2024: $Nil).

(1) Foreign exchange contracts which are used for hedging net investment in foreign operations are included in Due to other Macquarie Group entities and Due from other Macquarie Group 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).

Notes to the financial statements

For the financial year ended 31 March 2025

Note 29
Financial risk management

Note 29.1 Credit risk

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 Macquarie Group 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.

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 10 *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 other Macquarie Group entities

Balances with other Macquarie Group 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.

MGL 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 may be mitigated or transferred by parent company guarantees, bank letters of credit, or political risk insurance.

Notes to the financial statements

For the financial year ended 31 March 2025

Note 29

Financial risk management continued

Note 29.1 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 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
Investment grade				**2025**
Cash and bank balances	608	-	-	608
Margin money and settlement assets	2,830	-	-	2,830
Held for sale and other assets	93	-	-	93
Due from other Macquarie Group entities	3,259	-	-	3,259
Loan assets	647	1	-	649
Off balance sheet exposures	53	-	-	53
Total investment grade	7,490	1	-	7,492
Non-investment grade				
Cash and bank balances	93	-	-	93
Margin money and settlement assets	417	7	-	424
Held for sale and other assets	40	-	-	40
Loan assets	200	47	-	247
Off balance sheet exposures	112	24	-	136
Total non-investment grade	862	78	-	940
Default				
Held for sale and other assets	-	-	6	6
Loan assets	-	-	39	38
Total default	-	-	45	44
Total gross credit risk	8,352	79	45	8,476
Gross credit risk by ECL stage				
Cash and bank balances	701	-	-	701
Margin money and settlement assets	3,247	7	-	3,254
Held for sale and other assets	133	-	6	139
Due from other Macquarie Group entities	3,259	-	-	3,259
Loan assets	847	48	39	934
Off balance sheet exposures	165	24	-	189
Total gross credit risk by ECL stage	8,352	79	45	8,476

(1) The gross exposure of financial assets measured at amortised cost represents the amortised cost before the ECL allowance. Accordingly, these exposures will not be equal to the amount presented in the Statement of financial position.
(2) For definitions of stage I, II and III, refer to Note 10 *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 2025

Note 29

Financial risk management continued

Note 29.1 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 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
Investment grade				2024
Cash and bank balances	1,361	-	-	1,361
Margin money and settlement assets	2,014	-	-	2,014
Held for sale and other assets	651	-	-	651
Due from other Macquarie Group entities	5,079	-	-	5,079
Loan assets	710	-	-	710
Off balance sheet exposures	15	-	-	15
Total investment grade	**9,830**	**-**	**-**	**9,830**
Non-investment grade				
Cash and bank balances	177	-	-	177
Margin money and settlement assets	162	-	-	162
Held for sale and other assets	568	1	-	569
Loan assets	278	31	-	309
Off balance sheet exposures	397	-	-	397
Total non-investment grade	**1,582**	**32**	**-**	**1,614**
Default				
Other financial assets	-	-	40	40
Loan assets	-	-	49	49
Total default	-	-	89	89
Total gross credit risk	**11,412**	**32**	**89**	**11,533**
Gross credit risk by ECL stage				
Cash and bank balances	1,538	-	-	1,538
Margin money and settlement assets	2,176	-	-	2,176
Held for sale and other assets	1,219	1	40	1,260
Due from other Macquarie Group entities	5,079	-	-	5,079
Loan assets	988	31	49	1,068
Off balance sheet exposures	412	-	-	412
Total gross credit risk by ECL stage	**11,412**	**32**	**89**	**11,533**

(1) The gross exposure of financial assets measured at amortised cost represents the amortised cost before the ECL allowance. Accordingly, these exposures will not be equal to the amount presented in the Statement of financial position.
(2) For definitions of stage I, II and III, refer to Note 10 *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 2025

Note 29
Financial risk management continued

Note 29.1 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 financial assets and undrawn credit commitments. The geographical location is determined by the country of risk to which the Consolidated Entity is most exposed when assessing the counterparty to meet its obligations as they fall due, however, where the exposures are subject to multiple countries of risk, geographical allocation has been determined based on counterparty's country of domicile. The counterparty type is based on the Standard Economic Sector Classifications of Australia (SESCA) used by the Australian Bureau of Statistics. Government represents Australian and foreign governments, including government departments and agencies. Financial institutions represent central banks and central borrowing authorities, Australian and foreign banks, registered financial corporations, insurance corporations, funds, financial intermediaries, and auxiliaries. Retail and others represent public and private trading enterprises and retail banking customers.

	GROSS EXPOSURE FOR FINANCIAL ASSETS SUBJECT TO IMPAIRMENT REQUIREMENT OF AASB9				GROSS EXPOSURE FOR FINANCIAL ASSETS NOT SUBJECT TO IMPAIRMENT REQUIREMENT OF AASB9			
	Governments	Financial Institutions	Other	Total	Governments	Financial Institutions	Other	Total
	$m	$m	$m	$m	$m	$m	$m	$m
								2025
Australia								
Cash and bank balances	-	-	-	-	-	-	-	-
Cash collateralised lending and reverse repurchase agreements	-	-	-	-	-	-	-	-
Trading assets	-	-	-	-	-	-	-	-
Derivative assets	-	-	-	-	-	258	-	258
Margin money and settlement assets	-	2	-	2	-	-	-	-
Held for sale and other assets	-	33	8	41	-	-	-	-
Due from other Macquarie Group entities	-	2,436	8	2,444	-	109	-	109
Off balance sheet exposures	-	3	4	7	-	-	-	-
Total Australia	-	2,474	20	2,494	-	367	-	367
Asia Pacific								
Cash and bank balances	-	216	8	224	-	-	-	-
Cash collateralised lending and reverse repurchase agreements	-	-	-	-	-	-	-	-
Trading assets	-	-	-	-	-	-	-	-
Derivative assets	-	-	-	-	-	1	38	39
Margin money and settlement assets	-	64	40	104	-	-	-	-
Held for sale and other assets	-	-	5	5	-	-	-	-
Due from other Macquarie Group entities	-	51	1	52	-	-	-	-
Loan assets	-	-	333	333	-	-	-	-
Off balance sheet exposures	-	-	9	9	-	-	-	-
Total Asia Pacific	-	331	396	727	-	1	38	39
Europe, Middle East and Africa								
Cash and bank balances	-	4	-	4	-	-	-	-
Cash collateralised lending and reverse repurchase agreements	-	-	-	-	-	-	-	-
Trading assets	-	-	-	-	-	-	298	298
Derivative assets	-	-	-	-	-	-	15	15
Margin money and settlement assets	-	548	13	561	-	-	-	-
Held for sale and other assets	-	-	46	46	-	-	766	766
Due from other Macquarie Group entities	-	303	44	347	-	215	-	215
Loan assets	-	4	81	85	-	-	11	11
Interests in associate and joint ventures	-	-	-	-	-	4	-	4
Off balance sheet exposures	-	33	44	77	-	-	-	-
Total Europe, Middle East and Africa	-	892	228	1,120	-	219	1,090	1,309

Notes to the financial statements

For the financial year ended 31 March 2025

Note 29

Financial risk management continued

Note 29.1 Credit risk continued

	GROSS EXPOSURE FOR FINANCIAL ASSETS SUBJECT TO IMPAIRMENT REQUIREMENT OF AASB9				GROSS EXPOSURE FOR FINANCIAL ASSETS NOT SUBJECT TO IMPAIRMENT REQUIREMENT OF AASB9			
	Governments	Financial Institutions	Other	Total	Governments	Financial Institutions	Other	Total
	$m	$m	$m	$m	$m	$m	$m	$m
								2025
Americas								
Cash and bank balances	-	473	-	473	-	-	-	-
Cash collateralised lending and reverse repurchase agreements	-	-	-	-	-	-	256	256
Trading assets	-	-	-	-	33	-	339	372
Derivative assets	-	-	-	-	143	422	714	1,279
Margin money and settlement assets	25	1,915	647	2,587	-	-	353	353
Held for sale and other assets	1	-	46	47	-	-	854	854
Due from other Macquarie Group entities	-	415	1	416	-	683	-	683
Loan assets	12	147	357	516	-	-	-	-
Off balance sheet exposures	-	14	82	96	-	-	-	-
Total Americas	38	2,964	1,133	4,135	176	1,105	2,516	3,797
Total gross credit risk (1)	38	6,661	1,777	8,476	176	1,692	3,644	5,512

(1) The gross exposure of financial assets measured at amortised cost represents the amortised cost before the ECL allowance. Accordingly, these exposure values will not equal the amount presented in the Statement of financial position.

Notes to the financial statements

For the financial year ended 31 March 2025

Note 29

Financial risk management continued

Credit risk concentration

Note 29.1 Credit risk continued

The table below details the concentration of credit risk by significant geographical location and counterparty type of the Consolidated Entity's financial assets and undrawn credit commitments. The geographical location is determined by the country of risk to which the Consolidated Entity is most exposed when assessing the counterparty to meet its obligations as they fall due, however, where the exposures are subject to multiple countries of risk, geographical allocation has been determined based on counterparty's country of domicile. The counterparty type is based on the Standard Economic Sector Classifications of Australia (SESCA) used by the Australian Bureau of Statistics. Government represents Australian and foreign governments, including government departments and agencies. Financial institutions represent central banks and central borrowing authorities, Australian and foreign banks, registered financial corporations, insurance corporations, funds, financial intermediaries, and auxiliaries. Retail and others represent public and private trading enterprises and retail banking customers.

	GROSS EXPOSURE FOR FINANCIAL ASSETS SUBJECT TO IMPAIRMENT REQUIREMENT OF AASB9				GROSS EXPOSURE FOR FINANCIAL ASSETS NOT SUBJECT TO IMPAIRMENT REQUIREMENT OF AASB9			
	Governments	Financial Institutions	Other	Total	Governments	Financial Institutions [1]	Other	Total
	$m	$m	$m	$m	$m	$m	$m	$m
								2024
Australia								
Cash and bank balances	-	-	-	-	-	-	-	-
Cash collateralised lending and reverse repurchase agreements	-	-	-	-	-	-	-	-
Margin money and settlement assets	-	5	6	11	-	-	-	-
Derivative assets	-	-	-	-	-	-	63	63
Held for sale and other assets	7	33	21	61	-	-	-	-
Due from other Macquarie Group entities	-	3,036	913	3,949	-	236	-	236
Off balance sheet exposures	-	7	4	11	-	-	-	-
Total Australia	7	3,081	944	4,032	-	236	63	299
Asia Pacific								
Cash and bank balances	-	292	-	292	-	-	-	-
Cash collateralised lending and reverse repurchase agreements	-	-	-	-	-	-	-	-
Trading assets	-	-	-	-	-	78	-	78
Margin money and settlement assets	-	45	26	71	-	-	-	-
Derivative assets	-	-	-	-	-	1	27	28
Held for sale and other assets	-	-	7	7	-	-	-	-
Due from other Macquarie Group entities	-	53	1	54	-	-	-	-
Loan assets	-	-	408	408	-	-	-	-
Off balance sheet exposures	-	4	-	4	-	-	-	-
Total Asia Pacific	-	394	442	836	-	79	27	106
Europe, Middle East and Africa								
Cash and bank balances	-	79	-	79	-	-	-	-
Cash collateralised lending and reverse repurchase agreements	-	-	-	-	-	-	-	-
Margin money and settlement assets	-	1,062	-	1,062	-	-	-	-
Derivative assets	-	-	-	-	-	-	488	488
Held for sale and other assets	84	1	764	849	-	-	1,128	1,128
Due from other Macquarie Group entities	-	930	48	978	-	493	-	493
Loan assets	-	4	84	88	-	-	-	-
Interests in associate and joint ventures	-	-	-	-	-	-	-	-
Off balance sheet exposures	-	-	98	98	-	-	-	-
Total Europe, Middle East and Africa	84	2,076	994	3,154	-	493	1,616	2,109

Notes to the financial statements

For the financial year ended 31 March 2025

Note 29
Financial risk management continued

Note 29.1 Credit risk continued

	GROSS EXPOSURE FOR FINANCIAL ASSETS SUBJECT TO IMPAIRMENT REQUIREMENT OF AASB9				GROSS EXPOSURE FOR FINANCIAL ASSETS NOT SUBJECT TO IMPAIRMENT REQUIREMENT OF AASB9			
	Governments	Financial Institutions	Other	Total	Governments	Financial Institutions	Other	Total
	$m	$m	$m	$m	$m	$m	$m	$m
								2024
Americas								
Cash and bank balances	-	1,167	-	1,167	-	-	-	-
Cash collateralised lending and reverse repurchase agreements	-	-	-	-	-	-	-	-
Trading assets	-	-	-	-	2	-	422	424
Margin money and settlement assets	26	605	401	1,032	-	-	275	275
Derivative assets	-	-	-	-	102	167	799	1,068
Held for sale and other assets	306	-	37	343	-	-	573	573
Due from other Macquarie Group entities	-	94	4	98	-	890	-	890
Loan assets	13	73	486	572	-	-	36	36
Off balance sheet exposures	-	4	295	299	-	-	-	-
Total Americas	345	1,943	1,223	3,511	104	1,057	2,105	3,266
Total gross credit risk (1)	436	7,494	3,603	11,533	104	1,865	3,811	5,780

(1) The gross exposure of financial assets measured at amortised cost represents the amortised cost before the ECL allowance. Accordingly, these exposure values will not equal the amount presented in the Statement of financial position.

Notes to the financial statements

For the financial year ended 31 March 2025

Note 29

Financial risk management continued

Note 29.1 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 30 *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 underlying exposure and is disclosed in Note 10 *Expected credit losses*.

Collateral and credit enhancements held

Cash collateralised lending and reverse repurchase agreements

The Consolidated Entity enters into securities and commodities 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 is 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 $299 million (2024: $58 million).

For securities borrowed in return for other securities, the fair value of the securities received by the Consolidated Entity is $3 million (2024: $Nil million).

For securities borrowed on an unsecured basis, the fair value of securities received and re-pledged by the Consolidated Entity is $3,915 million (2024: $4,498 million). Refer to Note 33 *Pledged assets and transfer of financial assets* for securities and commodity which have been repledged.

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. The fair value of these securities and commodities were determined when last assessed and are determined periodically.

Loan assets

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 $689 million (2024: $850 million), the net credit exposure after considering the depreciated value of collateral is $332 million (2024: $525 million).

The collateralised value is based on standard recovery rates for the underlying assets of corporate and retail clients.

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 $203 million (2024: $241 million), the credit exposure after considering the estimated value of collateral and credit enhancements is $14 million (2024: $46 million).

Notes to the financial statements

For the financial year ended 31 March 2025

Note 29

Financial risk management continued

Note 29.1 Credit risk continued

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 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.

The Consolidated Entity receives both cash and non-cash collateral in relation to margining arrangements. Refer Note 32 *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. Refer Note 33 *Pledged assets and transfers of financial assets* for non-cash collateral received and repledged as part of derivative margining arrangements.

Settlement assets

Security and commodity settlements of $1 million (2024: $51 million) and $1,009 million (2024: $718 million) respectively presented in *Note 6 Margin money and settlement assets* represent amounts owed by the exchange (or a client) for equities, commodities and other securities sold.

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

Held for sale and other assets

Commodity financing receivables under Held for sale and other assets are typically either collateralised with underlying commodity held by the Consolidated Entity until the date of settlement or short-term receivables with standard credit terms which would be backed by a bank guarantee where required to remain within credit limits.

Financial investments under other financial assets are typically debt securities held by the Consolidated Entity carrying a credit risk are primarily in the nature of securities for liquidity management purposes and other securities for short-term gains.

Credit commitments

Undrawn facilities and lending commitments of $189 million (2024: $412 million) are secured through collateral and credit enhancement. The remaining credit exposure after considering the estimated value of collateral is $84 million (2024: $56 million).

Additional collateral

Apart from the collateral detail disclosed above, the Consolidated Entity 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.

For all collateral, in the event of default realised collateral values may be lower than the value of collateral as at the reporting date.

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.

Notes to the financial statements

For the financial year ended 31 March 2025

Note 29
Financial risk management continued

Note 29.2 Liquidity risk

Governance and oversight

MIFL is fully integrated within the broader liquidity risk management framework of MBL.

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

Liquidity management is performed centrally by Group Treasury, with oversight from the MBL Asset and Liability Committee (ALCO), the MBL Board 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 MBL ALCO members include the MGL CEO, MBL CEO, CFO, CRO, COO, Group General Counsel, Head of Group Treasury and relevant 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 while preserving the capabilities of Macquarie Bank's franchise businesses.

MBL is an authorised deposit-taking institution and is funded mainly with deposits, long-term liabilities and capital.

Liquidity contingency plan

Group Treasury maintains a *Liquidity Contingency Plan* for MBL, 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 invoking 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; and
- 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 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 MBL ALCO and MBL Board 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.

Notes to the financial statements

For the financial year ended 31 March 2025

Note 29
Financial risk management continued

Note 29.2 Liquidity risk continued

Funding strategy

Macquarie Bank prepares a centralised *Funding Strategy* for MBL 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 across a range of tenors, currencies and products; and
- ensure ongoing compliance with all liquidity requirements and facilitate forecast asset growth.

The *Funding Strategy* is reviewed by the MBL 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 crisis.

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 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.

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 and other Reserve Bank of Australia (RBA) repo eligible securities. 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 appropriate cost of the funding required to support its products and business lines, recognising the actual and contingent funding-related exposures their activities create. The Operating Groups are assumed to be fully debt funded for the purposes of internal funding charges.

Notes to the financial statements

For the financial year ended 31 March 2025

Note 29

Financial risk management continued

Note 29.2 Liquidity risk continued

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.

	Statement of financial position carrying value	0 to 3 months	3 to 12 months	1 to 5 years	More than 5 years	Total
	$m	$m	$m	$m	$m	$m
						2025
Cash collateralised borrowing and repurchase agreements	1	1	-	-	-	1
Margin money and settlement liabilities	1,915	1,915	-	-	-	1,915
Derivative liabilities(1)	1,464	1,464	-	-	-	1,464
Other liabilities	780	674	50	52	12	788
Issued debt securities	750	682	81	-	-	763
Borrowings	6,539	486	934	4,449	2,009	7,878
Due to other Macquarie Group entities(2)	2,177	1,932	215	42	-	2,189
Total liabilities	**13,626**	**7,154**	**1,280**	**4,543**	**2,021**	**14,998**
Total contingent liabilities and commitments(3)	**-**	**203**	**21**	**2**	**-**	**226**
Total contractual undiscounted cashflows(4)	**13,626**	**7,357**	**1,301**	**4,545**	**2,021**	**15,224**

(1) Derivative liabilities are included in the '0 to 3 months' at their fair value. Liquidity risk on this items is not managed on the basis of contractual maturity, as they are frequently traded.
(2) Balances comprising of derivative liabilities and margin money and settlement liabilities to other Macquarie Group entities are included in the '0 to 3 months' at their fair value. Liquidity risk on this items is not managed on the basis of contractual maturity, as they are frequently traded. Prior period comparatives have been re-presented to conform with the presentation in the current period.
(3) The Consolidated Entity has not had any defaults of principal, interest or other breaches with respect to its funding sources during the financial years reported.
(4) Includes undrawn credit commitments and performance related contingencies in 0 to 3 months maturity band to reflect their earliest possible maturity. Comparative information has been restated to conform to presentation in the current period. 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.

Notes to the financial statements

For the financial year ended 31 March 2025

Note 29

Financial risk management continued

Note 29.2 Liquidity risk continued

	Statements of financial position carrying value	0 to 3 months	3 to 12 months	1 to 5 years	More than 5 years	Total
	$m	$m	$m	$m	$m	$m
						2024
Cash collateralised borrowing and repurchase agreements	52	52	-	-	-	52
Margin money and settlement liabilities	1,552	1,552	-	-	-	1,552
Derivative liabilities (1)	1,160	1,160	-	-	-	1,160
Other liabilities	931	769	112	45	12	938
Issued debt securities	1,557	1,181	423	1	-	1,605
Borrowings	6,413	634	705	5,716	-	7,055
Due to other Macquarie Group entities (2)	4,644	3,836	327	516	1	4,680
Total liabilities	16,309	9,184	1,567	6,278	13	17,042
Total contingent liabilities and commitments (3)	-	423	8	29	-	460
Total contractual undiscounted cash flows (4)	16,309	9,607	1,575	6,307	13	17,502

(1) Derivative liabilities are included in the '0 to 3 months' column at their fair value. Liquidity risk on these items are not managed on the basis of contractual maturity, as they are frequently settled in the short-term at fair value.
(2) Balances comprising of derivative liabilities and margin money and settlement liabilities to other Macquarie Group entities are included in the '0 to 3 months' at their fair value. Liquidity risk on this items is not managed on the basis of contractual maturity, as they are frequently traded. Prior period comparatives have been re-presented to conform with the presentation in the current period.
(3) The Consolidated Entity has not had any defaults of principal, interest or other breaches with respect to its funding sources during the financial years reported.
(4) Includes undrawn credit commitments and performance related contingencies in 0 to 3 months maturity band to reflect their earliest possible maturity. Comparative information has been restated to conform to presentation in the current period. 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.

Notes to the financial statements

For the financial year ended 31 March 2025

Note 29

Financial risk management continued

Note 29.3 Market risk

Macquarie's balance sheet includes a '**trading book**', which is defined in accordance with APRA's traded market risk prudential statement (APS116), and subject to the traded market risk framework. Any position not deemed to be trading book is considered to be '**banking book**', and covered by either the non-traded market risk or equity risk frameworks.

Market risk exposures in MIFL are measured as part of MBL processes, and constrained as part of the MBL limit frameworks.

Traded market risk

Market risk is the risk of adverse changes in the value of trading positions as a result of changes in market conditions. MIFL 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:** The risk of imperfect correlation between offsetting investments in a hedging strategy
- **correlation:** The risk that the actual correlation between two assets or variables is different from the assumed correlation
- **illiquid market:** The risk of inability to sell assets or close out positions in thinly-traded markets at close to the last market prices
- **concentration:** The risk of over concentration of trading exposures in certain markets and products
- **valuation adjustments:** The risk of actual valuation adjustments to derivative positions; specifically Credit Valuation Adjustment (CVA), Debit Valuation Adjustment (DVA) and Funding Valuation Adjustment (FVA).

It is recognised that all trading activities contain calculated elements of risk taking. MBL 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 MBL 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 at an MBL level:

- **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.

Notes to the financial statements

For the financial year ended 31 March 2025

Note 29
Financial risk management continued

Note 29.3 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 MIFL 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 includes the effects of correlation between risk factors.

	2025			2024		
	Average $m	Maximum $m	Minimum $m	Average $m	Maximum $m	Minimum $m
Interest rates	**2.49**	**8.00**	**0.82**	1.96	5.10	0.49
Foreign exchange and bullion	**13.87**	**21.27**	**7.57**	8.61	25.82	3.66
Commodities[1]	**14.73**	**29.20**	**9.24**	25.76	48.37	9.32
Aggregate	**20.89**	**34.06**	**15.86**	26.48	49.77	10.47

(1) Includes commodity contracts.

Notes to the financial statements

For the financial year ended 31 March 2025

Note 29
Financial risk management continued

Note 29.3 Market risk continued

Value-at-Risk

MBL's VaR model uses a Monte Carlo simulation where price and volatility risk factors are derived from multiple normal distributions, 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 is calculated at the 99% level of confidence and does not account for losses that could occur beyond this point.

Non-traded market risk

MIFL has 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.

MBL 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 independent monitoring performed by RMG and FPE.

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 volatility through hedge accounting and use of naturally offsetting position in the income statement as set out in Note 38(ix) *Derivative instruments and hedging activities* and Note 28 *Hedge accounting.*

Interest rate risk in the banking book (IRRBB)

Macquarie measures and monitors interest rate risk on both an economic value and earnings basis, which are modelled as the worst-case contingent loss from a set of six severe interest rate shocks, including both parallel and non-parallel shocks. Aggregate IRRBB exposures for MBL are constrained on both measures:

- **Economic Value Sensitivity (EVS)**: The EVS metric measures the change in the net present value of the interest-bearing portfolios in the banking book as a result of changes in interest rates
- **Earnings at Risk (EaR)**: The EaR model constrains the impact on reported net income over 12 months for a change in interest rates.

A central objective of Macquarie's Non-traded Market Risk Policy is to reduce earnings volatility to interest rate movements. A key component of this arises where shareholders equity invested in interest bearing assets are managed by holding a portfolio of 'receive fixed' interest rate swaps. The duration of this hedging program is governed as part of the capital management strategy, and subject to independent oversight by RMG.

Notes to the financial statements

For the financial year ended 31 March 2025

Note 29
Financial risk management continued

Note 29.3 Market risk continued

Foreign exchange risk

The Consolidated Entity is not exposed to any significant foreign exchange risk for their net investment in foreign operations.

Equity price risk

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

Notes to the financial statements

For the financial year ended 31 March 2025

Note 30
Measurement categories of financial instruments

The following table contains information relating to the measurement categories (i.e. Held for trading (HFT), FVTPL, DFVTPL or Amortised cost) of assets and liabilities of the Consolidated Entity. The descriptions of measurement categories are included in Note 38(vi) *Financial instruments*.

The methods and significant assumptions that have been applied in determining the fair values of assets and liabilities are disclosed in Note 31 *Fair value of assets and liabilities.*

	Financial Instruments carried at FAIR VALUE						FAIR VALUE OF ITEMS CARRIED AT	
	HFT	DFVTPL	FVTPL	Amortised cost	Non-financial instruments	Statement of financial position total	Fair value	Amortised cost
	$m	$m	$m	$m	$m	$m	$m	$m
Assets								**2025**
Cash and bank balances	-	-	-	701	-	701	-	701
Cash collateralised lending and reverse repurchase agreements	-	256	-	-	-	256	256	-
Trading assets(1)	671	-	-	-	354	1,025	1,025	-
Margin money and settlement assets	-	-	353	3,251	-	3,604	353	3,251
Derivative assets	1,591	-	-	-	-	1,591	1,591	-
Held for sale and other assets	-	-	1,689	137	422	2,248	1,689	137
Due from other Macquarie Group entities(2)	965	-	42	3,259	225	4,491	1,007	3,259
Loan assets	-	-	11	881	-	892	11	904
Interests in associates and joint ventures	-	-	4	-	386	390	4	-
Property, plant and equipment and right-of-use assets	-	-	-	-	849	849	-	-
Deferred tax assets	-	-	-	-	241	241	-	-
Total assets	**3,227**	**256**	**2,099**	**8,229**	**2,477**	**16,288**	**5,936**	**8,252**
Liabilities								
Cash collateralised borrowing and repurchase agreements	-	1	-	-	-	1	1	-
Margin money and settlement liabilities	-	-	-	1,915	-	1,915	-	1,915
Derivative liabilities	1,464	-	-	-	-	1,464	1,464	-
Other liabilities(3)	-	572	-	208	526	1,306	572	208
Due to other Macquarie Group entities(2)	860	290	23	1,004	78	2,255	1,173	1,004
Issued debt securities	-	-	-	750	-	750	-	750
Borrowings	-	385	-	6,154	-	6,539	385	6,177
Deferred tax liabilities	-	-	-	-	16	16	-	-
Total liabilities	**2,324**	**1,248**	**23**	**10,031**	**620**	**14,246**	**3,595**	**10,054**

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

Notes to the financial statements

For the financial year ended 31 March 2025

Note 30

Measurement categories of financial instruments continued

	Financial Instruments carried at							
	FAIR VALUE					Statement of financial position total	FAIR VALUE OF ITEMS CARRIED AT	
	HFT	DFVTPL	FVTPL	Amortised cost	Non-financial instruments		Fair value	Amortised cost
	$m	$m	$m	$m	$m	$m	$m	$m
Assets								2024
Cash and bank balances	-	-	-	1,538	-	1,538	-	1,538
Cash collateralised lending and reverse repurchase agreements	-	-	-	-	-	-	-	-
Trading assets(1)	627	-	-	-	484	1,111	1,111	-
Margin money and settlement assets	-	-	275	2,175	-	2,450	275	2,175
Derivative assets	1,647	-	-	-	-	1,647	1,647	-
Held for sale and other assets	-	-	1,717	1,198	531	3,446	1,717	1,198
Due from other Macquarie Group entities(2)	1,580	-	39	5,076	345	7,040	1,619	5,076
Loan assets	-	-	36	1,055	-	1,091	36	1,034
Interests in associates and joint ventures	-	-	-	-	343	343	-	-
Property, plant and equipment and right-of-use assets	-	-	-	-	761	761	-	-
Deferred tax assets	-	-	-	-	200	200	-	-
Total assets	3,854	-	2,067	11,042	2,664	19,627	6,405	11,021
Liabilities								
Cash collateralised borrowing and repurchase agreements	-	52	-	-	-	52	51	-
Margin money and settlement liabilities	-	-	-	1,552	-	1,552	-	1,552
Derivative liabilities	1,160	-	-	-	-	1,160	1,160	-
Other liabilities(3)	-	536	-	395	1,148	2,079	536	395
Due to other Macquarie Group entities(2)	1,940	566	1	2,136	72	4,715	2,507	2,136
Issued debt securities	-	-	-	1,557	-	1,557	-	1,557
Borrowings	-	335	-	6,078	-	6,413	335	6,086
Deferred tax liabilities	-	-	-	-	16	16	-	-
Total liabilities	3,100	1,489	1	11,718	1,236	17,544	4,589	11,726

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

Notes to the financial statements

For the financial year ended 31 March 2025

Note 31
Fair value of assets and liabilities

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

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

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

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

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

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

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

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

ASSET OR LIABILITY	VALUATION TECHNIQUES, INPUTS AND OTHER SIGNIFICANT ASSUMPTIONS
Cash and bank balances, Cash collateralised lending and reverse repurchase agreements, Cash collateralised borrowing and repurchase agreements	The fair value of cash and bank balance, cash collateralised lending and reverse repurchase agreements, cash collateralised borrowing and repurchase agreements approximates their carrying amounts as these are highly liquid and short-term in nature.
Loan assets	The fair value of fixed rate loan assets is determined with reference to changes in interest rates and credit spreads. The fair value of variable rate loan assets approximates their carrying amounts, subject to any adjustment for changes in the credit spreads.
Financial investments	The fair value of liquid assets and other instruments maturing within three months are approximate to their carrying amounts. The fair value of fixed rate debt investments is estimated by reference to current market rates offered on similar securities and the creditworthiness of the borrower. The fair value of variable rate investments approximate their carrying amounts, subject to any adjustment for changes in credit spreads.
Other borrowings and issued debt securities	The fair value of borrowings and issued debt securities is based on quoted prices in active markets where available. Where quoted prices are not available the fair value is based on discounted cash flows using rates appropriate to the term and incorporates changes in the Consolidated Entity's own credit spread.
Margin money, settlement assets and settlement liabilities other financial assets and financial liabilities	The fair value of margin money, settlement assets, settlement liabilities, other financial assets and financial liabilities approximate their carrying amounts.

Notes to the financial statements

For the financial year ended 31 March 2025

Note 31
Fair value of assets and liabilities continued

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

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

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

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

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

Notes to the financial statements

For the financial year ended 31 March 2025

Note 31

Fair value of assets and liabilities continued

Assets and Liabilities measured at amortised cost

The fair values calculated for financial instruments which are carried in the Statement of financial position at amortised cost are for disclosure purposes only. The 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. Where information on the significance of unobservable inputs to the fair value measurement is not readily available, financial assets and financial liabilities measured at amortised cost are presented on the basis that unobservable inputs are significant to the position.

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

	Level 1 $m	Level 2 $m	Level 3 $m	Total $m
				2025
Assets				
Loan assets	**-**	**137**	**767**	**904**
Total assets	**-**	**137**	**767**	**904**
Liabilities				
Borrowings	**-**	**5,853**	**324**	**6,177**
Total liabilities	**-**	**5,853**	**324**	**6,177**
				2024
Assets				
Loan assets	-	225	809	1,034
Total assets	-	225	809	1,034
Liabilities				
Borrowings	-	5,544	542	6,086
Total liabilities	-	5,544	542	6,086

Notes to the financial statements

For the financial year ended 31 March 2025

Note 31

Fair value of assets and liabilities continued

Assets and liabilities measured at fair value

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

	Level 1 $m	Level 2 $m	Level 3 $m	Total $m
				2025
Assets				
Cash collateralised lending and reverse repurchase agreements	**-**	**256**	**-**	**256**
Trading assets	**-**	**965**	**60**	**1,025**
Margin money and settlement assets	**-**	**353**	**-**	**353**
Derivative assets	**-**	**1,514**	**77**	**1,591**
Held for sale and other assets	**12**	**1,622**	**55**	**1,689**
Due from other Macquarie Group entities	**-**	**1,005**	**2**	**1,007**
Loan assets	**-**	**5**	**6**	**11**
Interests in associates and joint ventures	**-**	**-**	**4**	**4**
Total assets	**12**	**5,720**	**204**	**5,936**
Liabilities				
Cash collateralised borrowing and repurchase agreements	**-**	**1**	**-**	**1**
Derivative liabilities	**-**	**1,232**	**232**	**1,464**
Other liabilities	**-**	**572**	**-**	**572**
Due to other Macquarie Group entities	**-**	**1,161**	**12**	**1,173**
Borrowings	**-**	**385**	**-**	**385**
Total liabilities	**-**	**3,351**	**244**	**3,595**
				2024
Assets				
Trading assets	37	884	190	1,111
Margin money and settlement assets	-	275	-	275
Derivative assets	-	1,497	150	1,647
Held for sale and other assets	4	1,683	30	1,717
Due from other Macquarie Group entities	-	1,437	182	1,619
Loan assets	-	14	22	36
Total assets	41	5,790	574	6,405
Liabilities				
Cash collateralised borrowing and repurchase agreements	-	51	-	51
Derivative liabilities	-	711	449	1,160
Other liabilities	-	534	2	536
Due to other Macquarie Group entities	-	2,305	202	2,507
Borrowings	-	335	-	335
Total liabilities	-	3,936	653	4,589

Notes to the financial statements

For the financial year ended 31 March 2025

Note 31

Fair value of assets and liabilities continued

Reconciliation of balances in Level 3 of the fair value hierarchy

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

	Trading assets	Interests in associates and joint ventures	Held for sale and other assets	Loan Assets	Derivative financial instruments (net fair value)[1]	Due from/to other Macquarie Group entities (net values)[2]	Other liabilities	Total
	$m	$m	$m	$m	$m	$m	$m	$m
Balance as at 1 Apr 2023	468	-	43	3	(136)	-	(8)	370
Purchases, originations, issuances and other additions	355	-	27	25	(30)	-	(2)	375
Sales, settlements and repayments	(390)	-	(32)	(6)	(107)	-	8	(527)
Transfers into Level 3[3]	2	-	-	-	3	(20)	-	(15)
Transfer out of Level 3[3]	(80)	-	-	-	(41)		-	(121)
Fair value movements recognised in the income statement:								
Net trading income/(loss)[4]	(165)	-	9	-	12	-	-	(144)
Other income/(loss)	-	-	(17)	-	-	-	-	(17)
Balance as at 31 Mar 2024	190	-	30	22	(299)	(20)	(2)	(79)
Fair value movements for the financial year included in the income statements for assets and liabilities held at the end of the financial year[4]	(164)	-	(8)	-	11	-	-	(161)
Balance as at 1 Apr 2024	**190**	**-**	**30**	**22**	**(299)**	**(20)**	**(2)**	**(79)**
Purchases, originations, issuances and other additions	**72**	**4**	**-**	**11**	**9**	**-**	**-**	**96**
Sales, settlements and repayments	**(130)**	**-**	**(15)**	**(28)**	**207**	**-**	**2**	**36**
Transfers into Level 3[3]	**-**	**-**	**-**	**-**	**33**	**10**	**-**	**43**
Transfer out of Level 3[3]	**(72)**	**-**	**-**	**-**	**3**		**-**	**(69)**
Fair value movements recognised in the income statement:								
Net trading income/(loss)[4]	**-**	**-**	**4**	**1**	**(108)**	**-**	**-**	**(103)**
Other income/(loss)	**-**	**-**	**36**	**-**	**-**	**-**	**-**	**36**
Balance as at 31 Mar 2025	**60**	**4**	**55**	**6**	**(155)**	**(10)**	**-**	**(40)**
Fair value movements for the financial year included in the income statements for assets and liabilities held at the end of the financial year[4]	**-**	**-**	**40**	**1**	**(108)**	**-**	**-**	**(67)**

(1) The derivative financial instruments in the table above are represented on a net basis. On a gross basis, derivative assets are $77 million (2024: $150 million) and derivative liabilities are $232 million (2024: $449 million).
(2) The balance Due from/to other Macquarie Group entities in the table above is presented on a net basis. On a gross basis, Due from other Macquarie Group entities are $2 million (2024: $182 million) and Due to other Macquarie Group entities are $12 million (2024: $202 million).
(3) Assets and liabilities transferred in or out of Level 3 are presented as if the assets or liabilities had been transferred at the beginning of the financial year.
(4) 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, 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, that are not presented in the table above.

Notes to the financial statements

For the financial year ended 31 March 2025

Note 31

Fair value of assets and liabilities continued

Significant transfers between levels of the fair value hierarchy

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

Transfers into Level 3 were due to the lack of observable valuation inputs for certain investments and trading balances. Transfers out of Level 3 were principally due to valuation inputs becoming observable during the 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 (or when inputs from unobservable markets are insignificant). 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:

	2025 $m	2024 $m
Balance at the beginning of the financial year	(162)	(120)
Deferred losses on new transactions and other adjustments	(160)	(99)
Foreign exchange movements	(1)	3
Recognised in net trading income during the year[1]	59	54
Balance at the end of the financial year	**(264)**	**(162)**

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

Notes to the financial statements

For the financial year ended 31 March 2025

Note 31

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.

	Fair value of assets $m	Fair value of liabilities $m	Valuation technique(s)	Significant unobservable inputs	RANGE OF INPUTS Minimum value	RANGE OF INPUTS Maximum value
						2025
Commodities	**148**	**244**	Pricing model	Commodity margin curves	**(189)**	**2,552**
			Pricing model	Correlations	**20%**	**100%**
			Pricing model	Volatility and related variables	**5.9%**	**302.4%**
Interest rate and other products	**56**	**-**	Pricing model	Bond Price	**34.90**	**100**
				Bond Yield	**3.5%**	**3.7%**
Total	**204**	**244**				
						2024
Commodities	526	653	Pricing model	Commodity margin curves	(151)	594
			Pricing model	Correlations	75.5%	100%
			Pricing model	Volatility and related variables	0.3%	212.1%
Interest rate and other products	48	-	Pricing model	Bond Price	96.74	99.95
Total	574	653				

Notes to the financial statements

For the financial year ended 31 March 2025

Note 31

Fair value of assets and liabilities continued

Sensitivity analysis of valuations using unobservable inputs

The table below shows the sensitivity to reasonably possible alternative assumptions, for Level 3 assets and liabilities whose fair values are determined in whole or in part using unobservable inputs. The impact of 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	OCI $m	Profit or loss $m	OCI $m
				2025
Product type				
Commodities	**41**	**-**	**(36)**	**-**
Interest rate and other products	**-**	**-**	**-**	**-**
Equity and equity-linked products	**3**	**-**	**(3)**	**-**
Total	**44**	**-**	**(39)**	**-**
				2024
Product type				
Commodities	100	-	(83)	-
Interest rate and other products	1	-	(1)	-
Equity and equity-linked products	-	-	-	-
Total	101	-	(84)	-

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.

Notes to the financial statements

For the financial year ended 31 March 2025

Note 31

Fair value of assets and liabilities continued

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

Commodities

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

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

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

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

Equity and equity-linked products

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

Interest rate and other products

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

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

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

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

Notes to the financial statements

For the financial year ended 31 March 2025

Note 32
Offsetting of financial assets and financial liabilities

The Consolidated Entity present financial assets and financial liabilities on a net basis in the Statement of financial position when they meet the criteria described in Note 38(vi) *Financial instruments*. The following tables provide information on the impact of offsetting of financial instruments in the Statement 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 Statement of financial position. Enforceable netting arrangements may allow for net settlement of specified contracts with a counterparty only in the event of default or other pre-determined events, such that their potential effects on the Consolidated Entity's financial position in that circumstance is to settle these contracts as one arrangement. Amounts subject to enforceable netting arrangements have been limited to the net amount presented in the Statement of financial position so as not to include the impact of over-collateralisation and amounts not subject to enforceable netting arrangements are where there are no master netting arrangements or enforceability of an agreement is uncertain under bankruptcy laws in some countries or industries.

The Consolidated Entity use 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 29.1 *Credit risk* for information on credit risk management.

	EFFECT OF OFFSETING ON THE STATEMENT OF FINANCIAL POSITION			RELATED AMOUNTS SUBJECT TO ENFORCEABLE NETTING ARRANGEMENTS			
	Gross amount[2]	Amounts offset on Statement of financial position	Net amounts reported on the Statement of financial position	Other recognised financial instruments	Cash and other financial collateral	Other collateral for exposures not subject to enforceable netting arrangements[1]	Net exposure
	$m	$m	$m	$m	$m	$m	$m
							2025
Cash collateralised lending and reverse repurchase agreements	256	-	256	-	-	(256)	-
Settlement assets[3]	1,655	(645)	1,010	(134)	(2)	-	874
Derivative assets	1,998	(407)	1,591	(562)	(240)	(28)	761
Other Assets[4]	2,244	(624)	1,620	(90)	(31)	-	1,499
Due from other Macquarie Group entities[5]	4,149	(223)	3,926	(653)	(289)	-	2,984
Total assets	10,302	(1,899)	8,403	(1,439)	(562)	(284)	6,118
Cash collateralised borrowings and repurchase agreements	(1)	-	(1)	-	-	-	(1)
Settlement liabilities[3]	(1,575)	645	(930)	89	2	-	(839)
Derivative liabilities	(1,871)	407	(1,464)	607	196	1	(660)
Other Liabilities[4]	(1,197)	624	(573)	90	-	-	(483)
Due to other Macquarie Group entities[5]	(1,701)	224	(1,477)	653	157	-	(667)
Total liabilities	(6,345)	1,900	(4,445)	1,439	355	1	(2,650)

(1) Related amounts not offset have been limited to the net amount presented in the Statement of financial position so as not to include the effect of over-collateralisation.
(2) Gross amount for assets includes $256 million of Cash collateralised lending and reverse repurchase agreements, $297 million of settlements assets, $423 million of derivative assets, $1,396 million of commodity related receivables and $988 million of Due from other Macquarie Group entities. Gross amount for liabilities includes $364 million of settlements liabilities, $429 million of derivative liabilities, $482 million of Commodity related payables and $67 million of Due to other Macquarie Group entities not subject to enforceable netting arrangements.
(3) Excludes margin money assets presented under Note 6 *Margin money and settlement assets* and Note 14 *Margin money and settlement liabilities* respectively on the statement of financial position.
(4) Other assets and liabilities are comprised of commodity related receivables and payables, respectively.
(5) Excludes margin money and non-financial assets of $565 million and liabilities of $778 million presented under Due from other Macquarie Group entities and Due to other Macquarie Group entities respectively on the Statement of financial position.

Notes to the financial statements

For the financial year ended 31 March 2025

Note 32

Offsetting of financial assets and financial liabilities continued

	AMOUNTS OFFSET IN THE STATEMENT OF FINANCIAL POSITION			RELATED AMOUNTS SUBJECT TO ENFORCEABLE NETTING ARRANGEMENTS IN THE EVENT OF DEFAULT(1)			
	Gross amount(2)	Amounts offset on Statement of financial position	Net amounts reported on the Statement of financial position	Other recognised financial instruments	Cash and other financial collateral	Other collaterals for exposures not subject to enforceable netting arrangements(1)	Net exposure
	$m	$m	$m	$m	$m	$m	$m
							2024
Cash collateralised lending and reverse repurchase agreements	-	-	-	-	-	-	-
Settlement assets(3)	1,111	(342)	769	(11)	-	-	758
Derivative assets	1,929	(282)	1,647	(290)	(181)	(5)	1,171
Other assets(4)	2,008	(324)	1,684	(197)	(31)	(29)	1,427
Due from other Macquarie Group entities(5)	6,177	(393)	5,784	(1,312)	(1,184)	-	3,288
Total assets	11,225	(1,341)	9,884	(1,810)	(1,396)	(34)	6,644
Cash collateralised borrowings and repurchase agreements	(52)	-	(52)	-	-	51	(1)
Settlement liabilities(3)	(950)	342	(608)	6	-	-	(602)
Derivative liabilities	(1,442)	282	(1,160)	295	134	13	(718)
Other liabilities(4)	(861)	324	(537)	197	-	-	(340)
Due to other Macquarie Group entities(5)	(4,611)	393	(4,218)	1,312	602	-	(2,304)
Total liabilities	(7,916)	1,341	(6,575)	1,810	736	64	(3,965)

(1) Related amounts not offset have been limited to the net amount presented in the Statement of financial position so as not to include the effect of over-collateralisation.
(2) Gross amount for assets includes $252 million of settlements assets, $603 million of derivative assets, $1,384 million of commodity related receivables and $124 million of Due from other Macquarie Group entities. Gross amount for liabilities includes $51 million of cash collateralised borrowing and repurchase agreements , $284 million of settlements liabilities, $508 million of derivative liabilities, $68 million of Commodity related payables and $107 million of Due to other Macquarie Group entities not subject to enforceable netting arrangements. Amounts not subject to enforceable offsetting arrangement are where either there are no master netting agreements or enforceability of agreement is uncertain under bankruptcy laws in some countries or industries.
(3) Excludes margin money assets and liabilities presented under Note 6 *Margin money and settlement assets* and Note 14 *Margin money and settlement liabilities* respectively on the Statement of financial position.
(4) Other assets and liabilities are comprised of commodity related receivables and payables, respectively.
(5) Excludes margin money and non-financial assets of $1,256 million and liabilities of $497 million presented under Due from other Macquarie Group entities and Due to other Macquarie Group entities respectively on the Statement of financial position.

Notes to the financial statements

For the financial year ended 31 March 2025

Note 33
Pledged assets and transfers of financial assets

Pledged assets

Assets 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 and stock lending arrangements. These transactions are governed by standard industry agreements
- loan assets held by the Consolidated SEs provided as collateral against issued debt and other borrowings or repurchase transactions
- other types of financial and non-financial assets disclosed in the following table provided as collateral for borrowings.
- cash and non-cash collateral placed as part of entering into derivative agreements. These transactions are governed by standard industry agreements. The table below excludes cash margin placed and recognised on the balance sheet. Refer Note 6 *Margin money and settlement assets* for further details.

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

	2025 $m	2024 $m
On Balance Sheet items:		
Cash and bank balances	7	-
Trading assets	293	545
Settlement assets	-	93
Financial investments	-	305
Other assets	452	1,030
Loan assets	187	257
Property, plant and equipment	101	192
Total On Balance Sheet assets pledged for liabilities	**1,040**	2,422
Off Balance Sheet items:		
Securities and commodities[(1)]	3,915	4,498
Total On and Off Balance Sheet assets pledged for liabilities	**4,955**	6,920

(1) Represents fair value of securities and commodities repledged out of the total non-cash collaterals of $4,240 million (2024: $4,556 million) received by the Consolidated Entity. Total non-cash collateral received includes $3,085 million (2024: $3,359 million) as part of Cash collateralised lending and reverse repurchase agreements, and $1,155 million (2024: $1,196 million) as part of derivative margining arrangements. Refer to *Cash collateralised lending and reverse repurchase agreements and Derivative instruments* under Note 29.1 *Credit risk – Collateral and credit enhancements* held and Note 23 *Related party information* for further details.

Notes to the financial statements

For the financial year ended 31 March 2025

Note 33
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 38(vi) *Financial instruments,* the Consolidated Entity 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 Consolidated Entity has not retained any other material continuing involvement in transferred financial assets.

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 2025 and 31 March 2024. 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.

Other financial transfers not derecognised

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

Also, includes trading assets and financial investments that have been transferred as margin against future trades. The Consolidated Entity is unable to use, sell or pledge the transferred assets for the duration of open position and remains exposed to interest rate risk and credit risk on these assets.

Notes to the financial statements

For the financial year ended 31 March 2025

Note 33

Pledged assets and transfers of financial assets continued

The following table provide a summary of financial assets that have been transferred in such a way that part or all of the transferred financial assets do not qualify for derecognition, together with the associated liabilities.

			FOR THOSE LIABILITIES THAT ONLY HAVE RECOURSE TO THE TRANSFERRED ASSETS		
	Carrying amount of transferred assets	Carrying amount of associated liabilities	Fair value of transferred assets	Fair value of associated liabilities	Net fair value
	$m	$m	$m	$m	$m
					2025
Financial assets not derecognised due to repurchase and securities lending agreements:					
Trading assets [1]	**3**	**-**	**-**	**-**	**-**
Other financial assets not derecognised:					
Financial investments	**-**	**-**	**-**	**-**	**-**
Loan assets [2]	**187**	**(187)**	**187**	**(187)**	**-**
Total financial assets not derecognised	**190**	**(187)**	**187**	**(187)**	**-**
					2024
Financial assets not derecognised due to repurchase and securities lending agreements:					
Trading assets [1]	15	-	-	-	-
Other financial assets not derecognised:					
Financial investments	305	-	-	-	-
Loan assets [2]	257	(257)	257	(257)	-
Total financial assets not derecognised	577	(257)	257	(257)	-

(1) Includes $3 million (2024: $15 million) assets transferred under return for the loan of other securities where there is no associated liability on the Consolidated Entity's Statement of financial position. The transferee has the right to sell or re-pledge the entire value of securities received.
(2) Balance related to assets pledged against funding arrangements with third party $187 million (2024: $257 million).

Notes to the financial statements

For the financial year ended 31 March 2025

Note 34

Audit and other services provided by PricewaterhouseCoopers

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

	2025 $'000	2024 $'000
PwC – Australia		
Audit of the Group and controlled entities	**3,372**	3,145
Total audit services	**3,372**	3,145
Total remuneration paid to PwC Australia	**3,372**	3,145
Network firms of PwC Australia		
Audit of the controlled entities	**8,049**	8,150
Total audit services	**8,049**	8,150
Other assurance services (1)	**76**	36
Advisory services	**-**	54
Taxation	**65**	153
Total non-audit services	**141**	243
Total remuneration paid to network firms of PwC Australia	**8,190**	8,393
Total audit services remuneration paid to PwC	**11,421**	11,295
Total non-audit services remuneration paid to PwC	**141**	243
Total remuneration paid to PwC	**11,562**	11,538

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) 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.

Notes to the financial statements

For the financial year ended 31 March 2025

Note 35
Acquisitions and disposals of subsidiaries and businesses

Acquisitions of subsidiaries and businesses

The Consolidated Entity's acquisitions include subsidiaries and businesses acquired or consolidated as part of core business operations as well as subsidiaries and businesses held for investment and resale purposes.

Held for investment purposes

During the year ended 31 March 2025, subsidiaries and businesses were acquired or consolidated for a total consideration of $21 million resulting in recognition of net assets of $17 million, non-controlling interest of $3 million and goodwill of $7 million in the Statement of financial position. The purchase price allocations for the business combinations are provisional as at 31 March 2025.

During the year ended 31 March 2024, no subsidiaries and businesses were acquired or consolidated.

Core Business operations

During the year ended 31 March 2025, the restructure reserve was reduced by $2 million for an adjustment pertaining to acquisition of a subsidiary carried out in February 2023.

During the year ended 31 March 2024, no subsidiaries and businesses were acquired or consolidated. The restructure reserve had increased by $20 million for adjustments pertaining to acquisitions of subsidiaries carried out in prior period.

Disposal of subsidiaries and businesses

Held for investment purposes

During the current and prior period, there were no material business or subsidiaries disposed of which were held for investment purpose.

Core Business operations

On 28 February 2025, the Consolidated Entity sold of its equity interest in Macquarie Corona Energy Holdings Limited and its subsidiaries to Macquarie UK Holdings No. 2 Limited in the Non-Bank Group for a total cash consideration of $818 million resulting in a gain on disposal of $610 million.

Other subsidiaries and businesses disposed of or deconsolidated for a total consideration of $17 million resulting in a gain on disposal of $4 million.

During the year ended 31 March 2024, a subsidiary was deconsolidated for a total consideration of $2 million. No material gain or loss was recognised in the income statement.

Notes to the financial statements

For the financial year ended 31 March 2025

Note 36
Company Financial Information

The parent entity of the Consolidated Entity was Macquarie International Finance Limited ("the Company"). Summary of financial information for the Company is as follows:

	2025 $m	2024 $m
Statement of financial position		
Assets		
Current Assets[1]	**3,504**	4,714
Non-Current Assets[2],[3]	**6,041**	5,132
Total assets	**9,545**	9,846
Liabilities		
Current liabilities	**2,338**	2,564
Non-current liabilities	**5,021**	4,890
Total liabilities[4]	**7,359**	7,454
Equity		
Contributed equity	**1,516**	2,176
Accumulated profits	**670**	216
Total equity	**2,186**	2,392
Statement of Comprehensive Income		
Profit after Income tax for the financial year	**1,019**	444
Total comprehensive income for the financial year	**1,019**	444
Credit Commitments		
Credit commitments exist in respect of:		
Letter of Credit and Guarantees[1],[5]	**7,572**	8,289
Undrawn credit facilities and securities commitments	**129**	100
Total credit commitments[6]	**7,701**	8,389

(1) The Company provided $3,715 million (2024: $4,099 million) of guarantees to MBL for its exposures with certain other Macquarie Group entities. The Company has placed cash collateral of $932 million (2024: $798 million) and off-balance sheet non-cash collateral in the form of Japanese Government bond of $2,783 million (2024: $3,302 million) with MBL as per the terms of the guarantee arrangement. Refer Note 33 *Pledged assets and transfers of financial assets.*
(2) Non-current asset primarily comprises of investments in subsidiaries amounting to $3,690 million (2024: $3,431 million) and long-term loans to subsidiaries and other Macquarie Group entities. All investment in subsidiaries in hedge accounting relationships are designated as Fair value hedge at the Company level to hedge the Company's exposure to changes in the value of its net investment in a foreign operation that could occur as a result of changes in foreign exchange rates between a foreign investee's local currency and the Company's reporting currency.
(3) In accordance with its accounting policies, the Company reviewed its investments in subsidiaries for indicators of impairment. Where its investments had indicators of impairment, the investments' carrying value was compared to its recoverable value which was determined to be its VIU and fair value less costs to sell ("valuations").
(4) The Company borrowed $5,820 million (2024: $4,870 million) from a syndicate of third-party banks under a senior unsecured bank facility to fund its acquisition of the Non-ELE Group.
(5) The Company includes guarantees to counterparties with respect to their exposures to certain subsidiaries.
(6) It is not practicable to ascertain the timing of any outflow and the possibility of any reimbursement related to these contingent liabilities.

Notes to the financial statements

For the financial year ended 31 March 2025

Note 37
Events after the reporting date

MIFL is expected to enter into Share Sale and Purchase Agreements with Macquarie Global Finance Pty Limited (a Macquarie Group controlled entity in the Bank Group) for the transfer of title and ownership of shares in certain subsidiaries and businesses (collectively referred to as the "proposed group") for consideration of approximately A$2,500m. Subject to fulfilment of agreed conditions and any further changes in the net assets of the proposed group, the transaction is not expected to result in a material gain or loss for the Consolidated Entity. Following this, MIFL will be transferred to the Non-Bank Group under its newly proposed parent entity, Macquarie Group Limited. The proposed transactions are conditional upon obtaining relevant approvals at the time of this report.

There were no other material events subsequent to 31 March 2025 and up until the authorisation of the financial statement for issue, requiring a disclosure in the financial report, other than those that have been disclosed elsewhere in the financial statement.

Note 38
Material 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 of the entity
- exposure, or rights, to variable returns from its involvement with the entity, 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 may determine that it controls entities where 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. Refer to Note 27 *Structured entities* for further information related to both consolidated and unconsolidated SE's.

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, consolidated Statements of changes in equity 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.

Notes to the financial statements

For the financial year ended 31 March 2025

Note 38

Material accounting policies continued

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). Equity accounting is discontinued from the date when the investment ceases to be an associate or joint venture, which is when significant influence or joint control is lost.

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. The Consolidated Entity's share of post acquisition profits or losses of associates and joint ventures are included in net other operating income. Dividends received by the Consolidated Entity from associates and joint ventures are recognised as a reduction in the carrying amount of the investment. 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 to the Consolidated Entity's interest in the associate or joint venture, 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. Where necessary, accounting policies of associates and joint ventures have been changed to ensure consistency with those adopted by the Consolidated Entity.

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 and reversals 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 net other operating income and charges together with any gains and losses in OCI related to the associate or joint venture that are reclassified to the income statement.

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), or
- 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 net other operating income and charges.

Similarly, when selling ownership interests of a subsidiary, where the underlying constitutes a business (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 net other operating income and

Notes to the financial statements

For the financial year ended 31 March 2025

Note 38

Material accounting policies continued

charges. Retained ownership interests are not revalued where the sale represents a contribution to an associate or joint venture nor in certain circumstances where the partial sale of an investment in associate or joint venture, which continues to be equity accounted post the sale, is affected through a holding company subsidiary.

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 net 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.

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. 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 net 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 net 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 MIFL, 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. A foreign operation is an entity or a

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For the financial year ended 31 March 2025

Note 38

Material accounting policies continued

group of entities whose activities are based or conducted in a country or currency other than that of the Consolidated Entity.

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, and
- 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 being where such monetary items are designated as hedging instruments in qualifying cash flow hedge or net investment hedge relationships. In such circumstances, the foreign exchange gains and losses may be deferred in OCI to the extent the hedge is effective (refer to Note 28 *Hedge accounting* and Note 38(ix) *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.

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 net 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 gross carrying amount of the financial asset or liability. 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).

The calculation of the EIR does not include ECL, except for financial assets which on initial recognition are classified as purchased or originated credit impaired (POCI). Interest income on these assets is determined using a credit adjusted EIR by discounting the estimated future cash receipts, including credit losses expected at initial recognition, through the expected life of the financial instrument to the net carrying amount of the financial asset.

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 ECL). Interest income and expense on financial assets and liabilities that are classified as FVTPL is accounted for on a contractual rate basis and included in Other Interest Income.

Notes to the financial statements

For the financial year ended 31 March 2025

Note 38

Material accounting policies continued

(iv) Revenue and expense recognition continued

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 other Macquarie Group entities

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 which is when it has been established that the customer has received the benefit of the product or service.

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.

Net other operating income and charges

Net other operating income and charges includes investment income, and other income/charges.

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.

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 38(i) *Principles of consolidation* for details on the timing of recognition of such gains or losses.

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 net 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. Where associates and joint ventures are classified as held for sale, dividends or distributions are recognised within other income as part of net other operating income and charges.

In the Company's financial statement judgement may be applied in determining whether distributions from subsidiaries 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 net 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) 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 deferred tax liabilities that would otherwise arise following the enactment or substantive enactment of Pillar Two Model Rules legislation are not recognised in the financial statements in accordance with a mandatory exception to the Accounting

Notes to the financial statements

For the financial year ended 31 March 2025

Note 38

Material accounting policies continued

(v) Taxation continued

Standards, as disclosed in Note 1(v) *New* Australian *Accounting Standards and amendments to Australian Accounting Standards and interpretation that are effective in the current financial year*.

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.

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 MGL and entities in the TCG.

In offshore jurisdictions, Macquarie's approach to Tax Consolidation follows the legislation applicable in each jurisdiction. Where applicable, joint filing obligations are performed for tax consolidated groups, with the head entity responsible for settling obligations with Revenue Authorities. Subsidiaries that are part of offshore TCGs are however still liable for income tax and therefore recognise current and deferred tax balances.

Goods and Services tax (GST)

Where an amount of GST (or other value added tax) is not recoverable from global tax authorities, it is either capitalised to the Statement 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 net amount is recorded as a separate asset or liability in the Statements of financial position.

(vi) 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 instrument's 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 (or when inputs from unobservable markets are insignificant). Where such alternative

Notes to the financial statements

For the financial year ended 31 March 2025

Note 38

Material accounting policies continued

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.

(vi) Financial instruments continued

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 contractual rights to cash flows have expired, or
- the Consolidated Entity has transferred the financial asset and 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, generally considered to be within 3 months.

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.

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 settlement and receivable balances that are subsequently measured at amortised cost
- investment income within net other operating income and charges in respect of financial investments and loans to associates, and
- other income and charges as part of net other operating income and charges for all other debt 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, and the amount initially recognised less, when 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 or modified is derecognised if the rights to receive cash flows from the existing agreement have expired, either through replacement by a new agreement on substantially different terms or the existing terms are substantially modified. To determine whether the existing terms are substantially modified, both qualitative and quantitative factors may be considered. Qualitative factors would, for example, include a consideration of whether and to what extent the modification is driven by financial difficulties of the borrower or a commercial renegotiation to market rates, or whether the terms are modified such that the instrument no longer meets the SPPI requirements. 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 modified financial liability is a substantially different financial instrument. The assessment on whether the terms are substantially different involves a quantitative analysis, with qualitative

Notes to the financial statements

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Note 38

Material accounting policies continued

factors considered in certain circumstances. 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

(vi) Financial instruments continued

result in derecognition, the gross carrying amount of the financial instrument is recalculated and a modification gain or loss is recognised in the income statement. 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 the characteristics of the financial asset's contractual cash flows.

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 together to achieve a particular business objective. 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 business model and 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,
- 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), and
- frequency, value, timing of and reasons for sales of assets in the portfolio and expectations about future sales activity.

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 including a reasonable profit margin.

In assessing whether the contractual cash flows are SPPI, the Consolidated Entity considers the contractual terms of the instrument. This includes assessing whether the financial asset contains contractual terms that could change the timing or amount of contractual cash flows such that it would not meet the SPPI criteria. Such an assessment would consider, for example, the impact of any of the following features:

- contingent events that could change the amount and/or timing of cash flows;
- leverage features that could change the economic characteristics of principal and interest cash flows introducing volatility inconsistent with a basic lending arrangement;
- prepayment features, to determine whether the amount due on early repayment substantially represents unpaid amounts of principal and accrued interest which may include reasonable compensation for the early termination of the contract;
- terms that limit the Consolidated Entity's claim to cash flows from specified assets - for example, through non-recourse or limited recourse arrangements - in a way that is inconsistent with a basic lending arrangement.

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 assets
- 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.

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

Notes to the financial statements

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Note 38
Material accounting policies continued

(vi) Financial instruments continued

respect of debt financial investments and loans to associates, or to other income and charges as part of net other operating income and charges for all other debt 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 or held as part of a portfolio that is managed together with short-term profit or position taking (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 net 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 net 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 net other operating income and charges.

Where applicable, the interest component of these financial assets is recognised as interest and similar income.

Financial liabilities

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 38(ix) *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 relating to the Consolidated Entity's own credit risk are recognised in net trading income, or other income and charges as part of net other operating income and charges, depending on the nature of the underlying transaction. Changes in fair value relating to changes in the Consolidated Entity's own credit risk are presented separately in OCI and are not subsequently reclassified to profit or loss.

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 there is an intention to settle on a net basis or realise the financial asset and settle the financial liability simultaneously.

(vii) Cash collateral on securities borrowed and lent and repurchase and reverse repurchase agreements

As part of its trading, financing and liquidity management activities, the Consolidated Entity borrows and lends securities, commodities and other assets (the 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.

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 subsequently 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

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Note 38

Material accounting policies continued

- 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 30 *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.

(viii) Trading assets and liabilities

Trading assets and liabilities are those assets and liabilities that the Consolidated Entity acquires or incurs principally for the purpose of selling or repurchasing in the near term, or held as part of a portfolio that is managed together with short term profit or position taking.

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 38(vi) *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, commodity inventory is measured at fair value less costs to sell in accordance with the broker-trader exemption, on the basis that such assets are held with the purpose of selling in the near future and generating a profit from fluctuations in price or broker-traders' margin. Commodity contracts reflect agreements for the purchase and sale of commodities where, despite the Consolidated Entity having control over the commodity, the Consolidated Entity has no intention to exercise its control, and where the expected outcome is that the commodity will be sold back to the initial holder or sold on to the intended acquirer (in the case of intermediary trades). Such contracts are measured at FVTPL.

Emission certificates and similar contracts that are held for sale in the ordinary course of business are presented as commodities within trading assets and liabilities and are measured at fair value less costs to sell in accordance with the broker-trader exemption (on the basis that such assets are held 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 38(vi) *Financial instruments*), it derecognises the trading asset or liability and recognises a trade receivable or trade payable from trade date until settlement date.

(ix) Derivative instruments and hedging activities

Derivative instruments entered into by the Consolidated Entity include foreign exchange contracts in foreign exchange 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 Statement 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 Statement 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 38(vi) *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 foreign exchange rate risk (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.

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Note 38

Material accounting policies continued

(ix) Derivative instruments and hedging activities continued

	Cash flow hedge	Net investment hedge
Nature of hedge	The hedge of a highly probable forecast transaction.	The hedge of changes in the Consolidated Entity's foreign denominated net assets for changes in foreign currency rates.
Nature of material hedged risks	• Foreign exchange risk.	• Foreign exchange risk.
Material hedged items	• Highly probable forecast foreign currency payments and receipts.	• Net investment in foreign operations.
Material hedging instruments	• Foreign currency denominated borrowings.	• Foreign exchange contracts • Foreign currency denominated balance sheet items.
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 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	Accounted for on a historical cost basis.	Foreign exchange gains and losses are recognised in the Consolidated Entity's foreign currency translation reserve as part of OCI.

Notes to the financial statements

For the financial year ended 31 March 2025

Note 38

Material accounting policies continued

(ix) Derivative instruments and hedging activities continued

	Cash flow hedge	Net investment hedge
Accounting treatment for hedge ineffectiveness	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.	
Accounting treatment if the hedge relationship is discontinued	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.	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 net 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.
Other accounting policies	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.	

Notes to the financial statements

For the financial year ended 31 March 2025

Note 38

Material accounting policies continued

(x) 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 variation 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 and certain settlement balances which are carried at FVTPL.

(xi) 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 liquid asset holdings, bonds, money markets 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 38(vi) *Financial instruments.*

(xii) 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 38(vi) *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 38(vi) *Financial instruments*.

(xiii) 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 a straight-line basis.

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
Assets under operating lease	
• Semiconductor and IT Equipment	20%
• Mining equipment	18 to 20%
• Meters	5 to 15%
Furniture, fittings and leasehold improvements[1]	10 to 20%
Equipment	10 to 33%

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 furniture, fittings and leasehold improvements
- non-salary technology expenses for technology assets
- net trading income for depreciation relating to leased assets held by trading related businesses for the purpose of facilitating trading activities
- 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.

Notes to the financial statements

For the financial year ended 31 March 2025

Note 38

Material accounting policies continued

(xiv) 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.

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.

Emission certificates and similar contracts that are not held for sale in the ordinary course of business are classified as intangible assets and measured at cost less accumulated impairment.

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.

(xv) Other assets and liabilities

Contract liabilities and capitalised expenses

Where the Consolidated Entity provides services to clients and the consideration is unconditional, a receivable is recognised. Receivables are assessed for impairment in accordance with AASB 9. Commodity-related receivables are accounted for in accordance with Note 38(vi) *Financial Instruments.*

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 non-current assets and disposal groups (groups of assets and directly associated liabilities to be disposed in a single transaction) for which the carrying amount will be recovered principally through a sale or distribution transaction rather than continuing use. This line includes assets and liabilities of businesses and subsidiaries, investments in associates and joint ventures, other assets and liabilities, and subsidiaries that are acquired exclusively with a view to sell or distribute.

These non-currents assets and disposal groups are classified as held for sale when they are available for immediate sale in their present condition the sale or distribution is highly probable and, 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 disposal group is classified as held for sale.

Non-current assets and 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.

Notes to the financial statements

For the financial year ended 31 March 2025

Note 38

Material accounting policies continued

(xv) Financial & 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, contingent liabilities and commitments

A provision is a liability of uncertain timing or amount. 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 are either possible obligations whose existence will be confirmed only by uncertain future events not wholly within the control of the Consolidated Entity, or are present obligations where an outflow of economic resources is not probable or cannot be reliably measured. Contingent liabilities are not recognised on the balance sheet but are disclosed unless an outflow of economic resources is remote. Contingent liabilities generally include performance-related contingents and certain types of letters of credit and guarantees.

Credit related commitments are the Consolidated Entity's firm commitments to provide credit facilities under pre-specified terms and conditions. These generally include loan commitments, financial guarantee contracts and certain types of letters of credit. Such contracts are recognised in the Statement of financial position only when drawn upon, and may expire without being called. Credit related commitments are subject to expected credit loss requirements disclosed inNote 10 *Expected Credit Losses*. Contingent liabilities and commitments are disclosed in Note 26 *Contingent liabilities and commitments*.

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 Statement 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.

(xvi) Borrowings

Borrowings include loans and other payables to banks and financial and non-financial institutions. These balances are:

- initially recognised at fair value less directly attributable transaction costs and subsequently measured at amortised cost or
- when DFVTPL, initially recognised and subsequently measured at fair value in accordance with the Consolidated Entity's accounting policy for financial instruments, refer to Note 38(vi) *Financial instruments*.

(xvii) Due to/from other Macquarie Group entities and subsidiaries

Transactions between the Consolidated Entity and other Macquarie Group 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, acceptance of funds on deposit, the provision of management and administration services, facilities and accommodation and the provision of financial guarantees. The provision of intercompany services and transactions are accounted for in accordance with Note 38(iv) *Revenue and expense recognition* where they are transacted in a principal capacity. Financial assets, financial liabilities and financial guarantee contracts are accounted for in accordance with Note 38(vi) *Financial instruments*. Financial assets and financial liabilities are presented net where the offsetting requirements are met, such that the net amount is reported in the Statements of financial position.

Notes to the financial statements

For the financial year ended 31 March 2025

Note 38

Material accounting policies continued

(xviii) Issued debt securities

Issued debt securities includes debt securities issued by the Consolidated Entity. These balances are:

- initially recognised at fair value less directly attributable transaction costs and subsequently measured at amortised cost or
- when DFVTPL, initially recognised and subsequently measured at fair value in accordance with the Consolidated Entity's accounting policy for financial instruments, refer to Note 38(vi) *Financial instruments*.

(xix) Impairment

Expected credit losses

The ECL requirements apply to financial assets measured at amortised cost or FVOCI, lease receivables, receivables 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).

ECL is measured as the product of probability of default (PD), the loss given default (LGD) and the exposure at default (EAD). The calculation of ECL requires judgement and the choice of inputs, estimates and assumptions. Refer to Note 10 *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 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 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 *10 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.

Presentation of ECL allowances

The ECL allowances are presented in the Statements of financial position as follows:

- loan assets, loans to other Macquarie Group 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 issued (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 or joint ventures are impaired. The main indicators of impairment are significant changes with an adverse effect that have taken place in the technological market, economic or legal environment and a significant or prolonged decline in fair value below cost.

Notes to the financial statements

For the financial year ended 31 March 2025

Note 38
Material accounting policies continued

(xix) Impairment continued

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.

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 other non-financial assets including cash-generating unit

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 as well as 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, non-financial 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 for the asset in prior years.

(xx) Performance based remuneration

Employee Equity Participation

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 25 *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 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 by the consolidated entity, a receivable due from the ultimate parent is recognised. The receivable is systematically reduced with reference to the vesting period of those awards, via an adjustment to contributed equity. MEREP receivable amounts are recognised and disclosed in Note 23 *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 awards are measured at their grant date fair value and based on the number of instruments expected to vest. Expenses are recognised as part of employment expenses with reference to vesting period of those awards which are settled in cash.

Notes to the financial statements

For the financial year ended 31 March 2025

Note 38

Material accounting policies continued

(xx) Performance based remuneration continued

The award liability is measured with reference to the number of awards and the fair value of those awards at each reporting date. Changes in the award liability due to movements in the share price at reporting date are recognised in the ultimate parent entity.

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.

(xxi) 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.

(i) Accounting where the Consolidated Entity is the lessee

The Consolidated Entity leases office premises, 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 38(xiii) *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 borrowings 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 in the income statement 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, in the income statement, 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 12) and lease liabilities in *Other liabilities* (refer to Note 16) in the Statement of financial position.

(ii) 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.

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 38(xiii) *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.

(xxii) 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.

(xxiii) 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.

Notes to the financial statements

For the financial year ended 31 March 2025

Note 38

Material accounting policies continued

(xxiii) Fiduciary assets and client money continued

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.

(xxiv) 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.

(xxv) 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.

(xxvi) Comparatives

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

(xxvii) 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.

Consolidated entity disclosure statement

Macquarie International Financial Limited (the Company) is a public company registered under the Corporation Act 2001 (Cth). While the Company prepares consolidated financial statements on a voluntary basis, the preparation of such consolidated financial statements is not mandated under applicable accounting standards (AASB 10 Consolidated Financial Statements, paragraph 4) considering that the ultimate parent, MGL, an Australian resident company, produces consolidated financial statements available for public use that comply with International Financial Reporting Standards.

Accordingly, the consolidated entity disclosure statement requirements under section 295(3A)(a) of the Corporations Act 2001 (Cth) do not apply to the Company.

Directors' declaration

To the member of Macquarie International Finance Limited

In the Directors' opinion:

(a) the financial statements and notes set out on pages 8 to 106 are in accordance with the Corporations Act 2001 (Cth), including:

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

   (ii) giving a true and fair view of the Consolidated Entity's financial positions as at 31 March 2025 and its 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; and

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

(d) the Consolidated entity disclosure statement set out on page 107 is true and correct.

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

DocuSigned by:

Stuart Dyson

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Stuart Dyson
Director

29 July 2025

Independent auditor's report

To the members of Macquarie International Finance Limited

Report on the audit of the financial report

Our opinion

In our opinion:

The accompanying financial report of Macquarie International Finance 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 Consolidated Entity's financial position as at 31 March 2025 and of its financial performance for the year then ended

b. complying with Australian Accounting Standards and the *Corporations Regulations 2001 (Cth)*.

What we have audited

The Consolidated Entity financial report comprises:

- the consolidated statement of financial position as at 31 March 2025
- the consolidated statement of comprehensive income for the year then ended
- the consolidated statement of changes in equity for the year then ended
- the consolidated statement of cash flows for the year then ended
- the consolidated income statement for the year then ended
- the notes to the consolidated financial statements, including material accounting policy information and other explanatory information
- the consolidated entity disclosure statement as at 31 March 2025
- 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 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.

Other information

The directors are responsible for the other information. The other information comprises the information included in the consolidated annual report for the year ended 31 March 2025, 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 through our opinion on the financial report.

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 in accordance with Australian Accounting Standards and the *Corporations Act 2001 (Cth)*, including giving a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of the financial report that 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 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 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://auasb.gov.au/media/apzlwn0y/ar3_2024.pdf. This description forms part of our auditor's report.

PricewaterhouseCoopers

PricewaterhouseCoopers

Daniel Harb

Daniel Harb
Partner

Sydney
29 July 2025