

A modern office interior featuring a staircase with wooden steps and a perforated metal railing. The space is filled with various indoor plants, including tall grasses and leafy green plants. The ceiling has recessed lighting, and the overall design is clean and contemporary.

04

Financial Report

660 Fifth, New York

Thirty years after Macquarie's first office opened in New York, our new Americas headquarters at 660 Fifth Avenue, in the heart of Manhattan, will open in late 2024. This next-generation, interconnected workplace reflects a focus on innovation and our ongoing investment in the Americas, supporting our ability to deliver for clients and communities across the region.



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The Financial Report was authorised for issue by the Board of Directors on 3 May 2024.
The Board of Directors has the power to amend and reissue the Financial Report.

Income statements

For the financial year ended 31 March 2024

	Notes	CONSOLIDATED		COMPANY	
		2024 \$m	2023 \$m	2024 \$m	2023 \$m
Interest and similar income					
Effective interest rate method	2	15,751	9,751	1,650	1,217
Other	2	741	388	267	186
Interest and similar expense	2	(13,033)	(7,111)	(1,883)	(1,366)
Net interest income		3,459	3,028	34	37
Fee and commission income	2	6,249	6,400	7	13
Net trading income/(loss)	2	5,448	7,573	(305)	(223)
Share of net losses from associates and joint ventures	2	(49)	(113)	-	-
Net credit impairment reversals/(charges)	2	134	(388)	4	(15)
Net other impairment reversals/(charges)	2	235	(66)	-	-
Net other operating income	2	1,411	2,688	2,089	2,749
Net operating income		16,887	19,122	1,829	2,561
Employment expenses	2	(7,723)	(7,703)	(4)	(4)
Brokerage, commission and fee expenses	2	(1,071)	(1,028)	-	-
Non-salary technology expenses	2	(1,163)	(1,092)	-	-
Other operating expenses	2	(2,104)	(2,307)	(2)	(24)
Total operating expenses		(12,061)	(12,130)	(6)	(28)
Operating profit before income tax		4,826	6,992	1,823	2,533
Income tax (expense)/benefit	4	(1,291)	(1,824)	76	91
Profit after income tax		3,535	5,168	1,899	2,624
(Profit)/loss attributable to non-controlling interests		(13)	14	-	-
Profit attributable to the ordinary equity holders of Macquarie Group Limited		3,522	5,182	1,899	2,624
		Cents	Cents	Cents	Cents
Basic earnings per share	6	916.6	1,353.7	-	-
Diluted earnings per share	6	911.4	1,316.3	-	-

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

Statements of comprehensive income

For the financial year ended 31 March 2024

	Notes	CONSOLIDATED		COMPANY	
		2024 \$m	2023 \$m	2024 \$m	2023 \$m
Profit after income tax		3,535	5,168	1,899	2,624
Other comprehensive income/(loss): ¹					
Movements in items that may be subsequently reclassified to the income statement:					
Fair value through other comprehensive income (FVOCI) reserve:					
Revaluation movement	28	(8)	(15)	1	-
Changes in expected credit losses (ECL) allowance	28	(24)	29	-	-
Cash flow hedges reserves:					
Revaluation movement	28	(41)	14	(14)	(13)
Transferred to income statement on realisation	28	42	110	14	-
Cost of hedging reserves:					
Revaluation movement	28	(55)	(28)	-	-
Transferred to income statement on realisation	28	13	14	-	-
Share of other comprehensive income from associates and joint ventures	28	22	138	-	-
Foreign exchange movement on translation and hedge accounting of foreign operations		447	1,338	-	-
Movements in item that will not be subsequently reclassified to the income statement:					
Fair value changes attributable to own credit risk on debt designated at fair value through profit or loss (DFVTPL)	28	(44)	11	(35)	10
Others		(2)	12	-	-
Total other comprehensive income/(loss)		350	1,623	(34)	(3)
Total comprehensive income		3,885	6,791	1,865	2,621
Total comprehensive loss attributable to non-controlling interests		(20)	(4)	-	-
Total comprehensive income attributable to the ordinary equity holders of Macquarie Group Limited		3,865	6,787	1,865	2,621

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

¹ All items are net of tax, where applicable.

Statements of financial position

As at 31 March 2024

	Notes	CONSOLIDATED		COMPANY	
		2024 \$m	2023 \$m	2024 \$m	2023 \$m
Assets					
Cash and bank balances		31,855	45,656	-	-
Cash collateralised lending and reverse repurchase agreements		58,416	54,323	-	-
Trading assets	7	27,924	16,881	-	-
Margin money and settlement assets	8	24,117	25,256	-	-
Derivative assets	9	24,067	36,114	1	3
Financial investments	10	24,378	21,874	1,763	-
Held for sale assets		2,204	921	-	-
Other assets	11	12,638	10,438	22	30
Loan assets	12	176,371	158,572	-	-
Due from subsidiaries	30	-	-	49,712	48,817
Interests in associates and joint ventures	14	6,969	5,574	-	-
Property, plant and equipment and right-of-use assets	15	8,134	6,639	-	-
Intangible assets	16	4,254	3,827	-	-
Investments in subsidiaries	17	-	-	33,805	32,604
Deferred tax assets	18	2,077	1,797	41	3
Total assets		403,404	387,872	85,344	81,457
Liabilities					
Cash collateralised borrowing and repurchase agreements		12,599	18,737	-	-
Trading liabilities	19	5,044	4,810	-	-
Margin money and settlement liabilities	20	28,423	27,482	-	-
Derivative liabilities	21	25,585	32,790	5	5
Deposits	22	148,416	134,714	-	-
Held for sale liabilities		407	173	-	-
Other liabilities	23	14,472	12,512	169	241
Due to subsidiaries	30	-	-	7,257	5,686
Issued debt securities and other borrowings	24	119,878	109,461	43,135	39,055
Deferred tax liabilities	18	383	196	-	-
Total liabilities excluding loan capital		355,207	340,875	50,566	44,987
Loan capital	26	14,201	12,891	3,371	3,362
Total liabilities		369,408	353,766	53,937	48,349
Net assets		33,996	34,106	31,407	33,108
Equity					
Contributed equity	27	11,372	12,407	13,809	14,872
Reserves	28	3,891	3,302	1,744	1,559
Retained earnings	28	18,218	17,446	15,854	16,677
Total capital and reserves attributable to the ordinary equity holders of Macquarie Group Limited		33,481	33,155	31,407	33,108
Non-controlling interests	28	515	951	-	-
Total equity		33,996	34,106	31,407	33,108

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

Statements of changes in equity

For the financial year ended 31 March 2024

	Notes	Contributed equity \$m	Reserves \$m	Retained earnings \$m	Total \$m	Non-controlling interests \$m	Total equity \$m
CONSOLIDATED							
Balance as at 1 Apr 2022		12,298	1,523	14,740	28,561	245	28,806
Profit/(loss) after income tax		-	-	5,182	5,182	(14)	5,168
Other comprehensive income, net of tax		-	1,582	23	1,605	18	1,623
Total comprehensive income		-	1,582	5,205	6,787	4	6,791
Transactions with equity holders in their capacity as ordinary equity holders:							
Issue of shares	27	485	-	-	485	-	485
Dividends paid	5, 28	-	-	(2,495)	(2,495)	-	(2,495)
Purchase of shares by MEREP Trust	27	(923)	-	-	(923)	-	(923)
Movement in non-controlling interests		-	-	(4)	(4)	702	698
Other equity movements:							
MEREP share-based payment arrangements	27, 28	512	239	-	751	-	751
Deferred tax benefit/(expense) on MEREP share-based payment arrangements	27, 28	35	(42)	-	(7)	-	(7)
		109	197	(2,499)	(2,193)	702	(1,491)
Balance as at 31 Mar 2023		12,407	3,302	17,446	33,155	951	34,106
Profit after income tax		-	-	3,522	3,522	13	3,535
Other comprehensive income/(loss), net of tax		-	389	(46)	343	7	350
Total comprehensive income		-	389	3,476	3,865	20	3,885
Transactions with equity holders in their capacity as ordinary equity holders:							
Dividends paid	5, 28	-	-	(2,716)	(2,716)	-	(2,716)
Purchase of shares by MEREP Trust	27	(1,028)	-	-	(1,028)	-	(1,028)
On-market share buyback ¹	27	(644)	-	-	(644)	-	(644)
Movement in non-controlling interests		-	-	4	4	(456)	(452)
Other equity movements:							
MEREP share-based payment arrangements	27, 28	607	184	8	799	-	799
Deferred tax benefit on MEREP share-based payment arrangements	27, 28	30	16	-	46	-	46
		(1,035)	200	(2,704)	(3,539)	(456)	(3,995)
Balance as at 31 Mar 2024		11,372	3,891	18,218	33,481	515	33,996

¹ On 2 November 2023, the Macquarie Group Limited ("MGL") Board approved an on-market share buyback of up to \$2 billion of MGL shares. During the financial year, 3,514,221 ordinary shares were bought back at an average price of \$183.26 per share. The shares bought back were subsequently cancelled.

	Notes	Contributed equity \$m	Reserves \$m	Retained earnings \$m	Total equity \$m
COMPANY					
Balance as at 1 Apr 2022		14,781	1,332	16,521	32,634
Profit after income tax		-	-	2,624	2,624
Other comprehensive (loss)/ income, net of tax		-	(13)	10	(3)
Total comprehensive (loss)/income		-	(13)	2,634	2,621
Transactions with equity holders in their capacity as ordinary equity holders:					
Issue of shares	27	502	-	-	502
Dividends paid	5, 28	-	-	(2,478)	(2,478)
Purchase of shares by MEREP Trust	27	(923)	-	-	(923)
Other equity movements:					
MEREP share-based payment arrangements	27, 28	512	239	-	751
Deferred tax benefit on MEREP share-based payment arrangements	28	-	1	-	1
		91	240	(2,478)	(2,147)
Balance as at 31 Mar 2023		14,872	1,559	16,677	33,108
Profit after income tax		-	-	1,899	1,899
Other comprehensive income/(loss), net of tax		-	1	(35)	(34)
Total comprehensive (loss)/income		-	1	1,864	1,865
Transactions with equity holders in their capacity as ordinary equity holders:					
Dividends paid	5, 28	-	-	(2,695)	(2,695)
Purchase of shares by MEREP Trust	27	(1,028)	-	-	(1,028)
On-market share buyback, including transaction costs ²	27	(644)	-	-	(644)
Other equity movements:					
MEREP share-based payment arrangements	27, 28	607	184	8	799
Deferred tax benefit on MEREP share-based payment arrangements	28	2	-	-	2
		(1,063)	184	(2,687)	(3,566)
Balance as at 31 Mar 2024		13,809	1,744	15,854	31,407

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

² On 2 November 2023, the Macquarie Group Limited ("MGL") Board approved an on-market share buyback of up to \$2 billion of MGL shares. During the financial year, 3,514,221 ordinary shares were bought back at an average price of \$183.26 per share. The shares bought back were subsequently cancelled.

Statements of cash flows

For the financial year ended 31 March 2024

	Notes	CONSOLIDATED		COMPANY	
		2024 \$m	2023 \$m	2024 \$m	2023 \$m
Cash flows (utilised in)/generated from operating activities					
Interest income and expense:					
Received		16,217	9,807	1,910	1,403
Paid		(12,601)	(6,279)	(1,804)	(1,220)
Fees, commissions and other income and charges:					
Received		6,060	6,498	24	13
Paid		(1,099)	(1,091)	-	-
Operating lease income received		908	883	-	-
Dividends and distributions received		218	632	2,079	2,749
Operating expenses paid:					
Employment expenses		(7,549)	(6,532)	(4)	(4)
Other operating expenses including brokerage, commission and fee expenses		(3,022)	(3,267)	(3)	(6)
Income tax paid		(1,633)	(2,035)	(356)	(414)
Changes in operating assets:					
Loan assets and balances with subsidiaries		(17,031)	(21,856)	2,244	(3,517)
Trading and related assets, and collateralised lending balances (net of liabilities)		(5,431)	(5,939)	-	-
Assets under operating lease		(960)	(1,042)	-	-
Other assets (net of liabilities)		(78)	(32)	15	(7)
Liquid asset holdings		1,845	(2,021)	(1,271)	-
Changes in operating liabilities:					
Issued debt securities, borrowings and other funding		6,586	(12,138)	3,217	3,345
Deposits		13,480	33,032	-	(31)
Net cash flows (utilised in)/generated from operating activities	29	(4,090)	(11,380)	6,051	2,311
Cash flows (utilised in)/generated from investing activities					
Net payments for financial investments					
		(83)	(1,828)	-	-
Associates, joint ventures, subsidiaries and businesses:					
Proceeds from distribution or disposal, net of cash deconsolidated		958	4,105	-	1,000
Payments for additional contribution or acquisitions, net of cash acquired		(2,797)	(2,753)	(1,200)	(1,136)
Property, plant and equipment and right-of-use assets, investment property and intangible assets:					
Payments for acquisitions		(1,957)	(824)	-	-
Proceeds from disposals		-	70	-	-
Net cash flows utilised in investing activities		(3,879)	(1,230)	(1,200)	(136)
Cash flows (utilised in)/generated from financing activities					
Dividends and distributions paid					
		(2,662)	(2,010)	(2,695)	(1,991)
Payments for acquisition of treasury shares		(1,084)	(923)	(1,028)	(923)
Payments for on-market share buyback		(644)	-	(644)	-
Receipts from non-controlling interests		153	305	-	-
Proceeds from the issuance of loan capital		1,246	3,078	-	739
Net cash flows (utilised in)/generated from financing activities		(2,991)	450	(4,367)	(2,175)
Net (decrease)/increase in cash and cash equivalents		(10,960)	(12,160)	484	-
Cash and cash equivalents at the beginning of the financial year		77,214	84,323	-	-
Effect of exchange rate movements on cash and cash equivalents		513	5,051	-	-
Cash and cash equivalents at the end of the financial year	29	66,767	77,214	484	-

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

Notes to the financial statements

For the financial year ended 31 March 2024

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 Group Limited is a for-profit company for the purposes of preparing this Financial Report.

The principal accounting policies adopted in the preparation of this Financial Report are set out in Note 44 *Material accounting policies*. These policies have been consistently applied to all the financial years presented and are applicable to both the Consolidated Entity (Macquarie Group Limited and its subsidiaries) as well as the Company (Macquarie Group Limited), unless otherwise stated.

(i) Compliance with IFRS as issued by the IASB

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

(ii) Basis of measurement

This Financial Report has been prepared 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
- certain other non-financial assets and liabilities that are measured at fair value, such as investment property.

(iii) Critical accounting estimates and significant judgements

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

- determining the appropriate business model for a group of financial assets which includes determining the level at which the business model condition is applied and whether past or expected sales activity is consistent with a held to collect business model (Note 44(vii))

- assessing whether the cash flows generated by a financial asset constitute solely payments of principal and interest (SPPI) may require the application of judgement, particularly for certain subordinated or non-recourse positions, and in the determination of whether compensation for early termination of a contract is reasonable (Note 44(viii))
- 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 44(xxii) and Note 13)
- timing and amount of impairment of interests in associates and joint ventures and investment in subsidiaries, including the reversal thereof (Note 44(i), Note 44(xxii), Note 14 and Note 17)
- timing and amount of impairment of goodwill and other identifiable intangible assets and, where applicable, the reversal thereof (Note 44(xxii) and Note 16)
- 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 44(vii), Note 44(x) and Note 38)
- distinguishing between whether assets or a business is acquired under a business combination, particularly the determination of whether a substantive process exists that, together with an integrated set of activities and assets, significantly contributes to the ability to create an output (Note 44(ii))
- 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 44(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 44(vi), Note 4 and Note 18)
- recognition and measurement of certain revenue streams including performance fees from Macquarie-managed funds and other capital market investments and transactions (Note 44(iv))
- recognition and measurement of provisions related to actual and potential claims, and the determination of contingent liabilities (Note 44(iv), Note 44(xvii) and Note 33)
- application of hedge accounting principles, including the assessment that a forecast transaction is highly probable (Note 44(x) and Note 35)
- determination of the loss of control of a subsidiary, joint control over a joint arrangement or loss of significant influence over an associate including the timing of derecognition of assets and liabilities following the disposal of an investment and, the measurement of the associated gain or loss (Note 44(i)).

Notes to the financial statements

For the financial year ended 31 March 2024 continued

Note 1

Basis of preparation continued

(iii) Critical accounting estimates and significant judgements continued

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

Management believes that the estimates used in preparing this Financial Report are reasonable. Notwithstanding, it is possible that outcomes within the next financial year 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.

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

(a) AASB 17 Insurance Contracts (AASB 17)

AASB 17 amends the accounting for insurance contracts and replaces AASB 4 *Insurance Contracts*, AASB 1023 *General Insurance Contracts* and AASB 1038 *Life Insurance Contracts*.

The adoption of AASB 17, mandatorily effective for the current annual reporting period did not have a material impact on this Financial Report.

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

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

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

The Consolidated Entity's Pillar Two Project

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

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

Impacts on financial reporting

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

The Consolidated Entity will ultimately be subject to Pillar Two legislation in various jurisdictions. Applicable Pillar Two legislation was not effective at the reporting date and as a result the Consolidated Entity has no related current tax exposure as at 31 March 2024.

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

(c) 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 2023 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) IFRS 18 Presentation and Disclosure in Financial Statements

In April 2024, the International Accounting Standards Board issued *IFRS 18 Presentation and Disclosure in Financial Statements* (IFRS 18) which sets out requirements for the presentation and disclosure of information in general purpose financial statements. IFRS 18 is effective for annual reporting periods beginning on or after 1 January 2027. The transition provisions of IFRS 18 require retrospective application. The AASB is expected to issue the Australian equivalent of the standard in June 2024. The Consolidated Entity is continuing to assess the full impact of adopting IFRS 18.

(ii) Other amendments made to existing standards

Other amendments to existing standards that are not mandatorily effective for the annual reporting period beginning on 1 April 2023 and have not been early adopted, are not likely to result in a material impact to the Consolidated Entity's financial statements.

Note 1

Basis of preparation continued

(vi) Other developments

(a) ISSB sustainability reporting standards

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

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

In Australia, the proposed sustainability standards have been issued for exposure and comment while proposed legislation has been tabled in Parliament under the Treasury Laws Amendment (Financial Market Infrastructure and Other Measures) Bill 2024 (Cth). In the present form, these requirements would have the Consolidated Entity commence reporting for its financial year commencing on 1 April 2025. The Consolidated Entity acknowledges the growing importance of sustainability-related disclosures and continues to progress its established project to assess and prepare for future sustainability and climate-related reporting obligations.

(b) IBOR reform: Transition from interbank 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, or are undergoing, reform. The nature of such reforms varies by benchmark and jurisdiction.

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

The Consolidated Entity continues to have certain exposures referencing IBOR undergoing reform (including the Canadian Dollar Offer Rate (CDOR) and Mexican Interbank Equilibrium Interest Rate (TIIE)). Information regarding these exposures is disclosed in Note 36.3 *Market Risk*.

Notes to the financial statements

For the financial year ended 31 March 2024 continued

Note 2

Operating profit before income tax

	CONSOLIDATED		COMPANY	
	2024	2023	2024	2023
	\$m	\$m	\$m	\$m
Net interest income				
Interest and similar income: ¹				
Effective interest rate method - Amortised cost	12,961	8,349	1,598	1,217
Effective interest rate method - FVOCI	2,790	1,402	52	-
Other - FVTPL	741	388	267	186
Interest and similar expense:				
Effective interest rate method - Amortised cost	(12,988)	(7,075)	(1,880)	(1,366)
Other - FVTPL	(45)	(36)	(3)	-
Net interest income	3,459	3,028	34	37
Fee and commission income				
Base, portfolio administration and other asset management fees:				
Base fees	2,895	2,804	-	-
Portfolio administration fees	298	271	-	-
Other asset management fees	200	198	-	-
Mergers and acquisitions, advisory and underwriting fees	743	991	-	-
Brokerage and other trading-related fees	791	715	-	-
Performance fees	632	692	-	-
Other fee and commission income	690	729	7	13
Total fee and commission income	6,249	6,400	7	13
Net trading income²				
Commodities ³	4,099	6,443	-	-
Credit, interest rate and foreign exchange products	712	666	(305)	(227)
Equities	637	464	-	4
Net trading income/(loss)	5,448	7,573	(305)	(223)
Share of net losses from associates and joint ventures	(49)	(113)	-	-

¹ Prior year comparatives for interest income have been re-presented between Effective Interest rate and Other to conform with the presentation in the current year in alignment with the accounting policy.

² Includes gains/losses for Trading Assets, Derivatives and Other Financial Assets and Financial Liabilities held at fair value including any ineffectiveness recorded on hedging transactions.

³ Includes \$859 million (2023: \$684 million) of transportation, storage and certain other trading-related costs and \$25 million (2023: \$20 million) depreciation on right-of-use (ROU) assets held for trading-related business.

Note 2

Operating profit before income tax continued

	CONSOLIDATED		COMPANY	
	2024	2023	2024	2023
	\$m	\$m	\$m	\$m
Credit and other impairment reversals/(charges)				
Credit impairment (charges)/reversals				
Loan assets	107	(343)	-	-
Off balance sheet exposures	11	(72)	-	(4)
Financial investments and other assets ⁴	(27)	(25)	4	(11)
Margin money and settlement assets	16	42	-	-
Loans to associates and joint ventures	27	5	-	-
Gross credit impairment reversals/(charges)	134	(393)	4	(15)
Recovery of amounts previously written off	-	5	-	-
Net credit impairment reversals/(charges)	134	(388)	4	(15)
Other impairment reversals/(charges)				
Interests in associates and joint ventures	263	(47)	-	-
Intangible and other non-financial assets	(28)	(19)	-	-
Net other impairment reversals/(charges)	235	(66)	-	-
Net other operating income				
Investment income				
Net gain/(loss) from:				
Interests in associates and joint ventures	284	1,806	-	-
Interests in businesses and subsidiaries ⁵	303	407	-	-
Non-financial assets	18	8	-	-
Financial investments	505	(53)	-	-
Dividends from subsidiaries (Note 30)	-	-	2,079	2,749
Net investment income	1,110	2,168	2,079	2,749
Operating lease income				
Rental income	1,023	860	-	-
Depreciation	(470)	(395)	-	-
Net operating lease income	553	465	-	-
Subsidiaries and businesses held for investment purposes:⁶				
Net operating revenue ⁷	749	421	-	-
Expenses ⁸	(1,131)	(608)	-	-
Net loss from subsidiaries and businesses held for investment purposes	(382)	(187)	-	-
Other income	130	242	10	-
Total net other operating income	1,411	2,688	2,089	2,749
Net operating income	16,887	19,122	1,829	2,561

⁴ Balance under Company represents ECL reversals/(charges) on amounts Due from subsidiaries.

⁵ Includes any gain/(loss) recognised on deconsolidation of subsidiaries due to a loss of control. For certain investments where the Consolidated Entity exercises significant influence over its retained investment (including instances when the Consolidated Entity holds greater than 50% ownership interest), an investment in associate has been recognised.

⁶ Subsidiaries and business held for investment purposes are consolidated entities that are held with the ultimate intention to sell as part of Macquarie's investment activities.

⁷ Includes revenue of \$1,064 million (2023: \$628 million) before deduction of \$315 million (2023: \$207 million) related to cost of goods sold and other direct costs.

⁸ Includes employment expenses, depreciation, amortisation expenses and other operating expenses.

Notes to the financial statements

For the financial year ended 31 March 2024 continued

Note 2

Operating profit before income tax continued

	CONSOLIDATED		COMPANY	
	2024	2023	2024	2023
	\$m	\$m	\$m	\$m
Employment expenses				
Salary and related costs including commissions, superannuation and performance-related profit share	(6,394)	(6,456)	(4)	(4)
Share-based payments ⁹	(833)	(762)	-	-
Provision for long service leave and annual leave	(46)	(60)	-	-
Total compensation expenses	(7,273)	(7,278)	(4)	(4)
Other employment expenses including on-costs, staff procurement and staff training	(450)	(425)	-	-
Total employment expenses	(7,723)	(7,703)	(4)	(4)
Brokerage, commission and fee expenses				
Brokerage and other trading-related fee expenses	(770)	(740)	-	-
Other fee and commission expenses	(301)	(288)	-	-
Total brokerage, commission and fee expenses	(1,071)	(1,028)	-	-
Non-salary technology expenses				
Information services	(286)	(256)	-	-
Depreciation on own use assets: equipment (Note 15)	(28)	(25)	-	-
Service provider and other non-salary technology expenses	(849)	(811)	-	-
Total non-salary technology expenses	(1,163)	(1,092)	-	-
Other operating expenses				
Occupancy expenses				
Lease expenses	(173)	(151)	-	-
Depreciation on own use assets: buildings, furniture, fittings and leasehold improvements (Note 15)	(61)	(57)	-	-
Other occupancy expenses	(160)	(164)	-	-
Total occupancy expenses	(394)	(372)	-	-
Other expenses				
Professional fees	(468)	(537)	-	-
Advertising and promotional expenses	(177)	(196)	-	-
Travel and entertainment expenses	(168)	(171)	-	-
Amortisation of intangible assets	(164)	(181)	-	-
Indirect and other taxes	(186)	(155)	-	-
Fees for audit and other services	(70)	(83)	-	-
Other	(477)	(612)	(2)	(24)
Total other expenses	(1,710)	(1,935)	(2)	(24)
Total other operating expenses	(2,104)	(2,307)	(2)	(24)
Total operating expenses	(12,061)	(12,130)	(6)	(28)
Operating profit before income tax	4,826	6,992	1,823	2,533

⁹ Includes share-based payment related expenses of \$34 million (2023: \$11 million) for cash settled awards.

Note 3

Segment reporting

(i) Operating segments

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

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

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

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

- **MAM** which provides investment solutions to clients across a range of capabilities including real assets, real estate, credit, equities & multi-asset and secondaries
- **BFS** which provides a diverse range of personal banking, wealth management and business banking products and services to retail clients, advisers, brokers and business clients
- **CGM** which is a global business offering capital and financing, risk management, market access, physical execution and logistics solutions to its diverse client base across Commodities, Financial Markets and Asset Finance
- **Macquarie Capital** which has global capability in advisory and capital raising services, providing clients with specialist expertise and flexible capital solutions across a range of sectors. It also has global capability in specialist investing across private credit, private equity, real estate, growth equity, venture capital, and in infrastructure and energy projects and companies. Macquarie Capital's Equities brokerage business provides clients with access to equity research, sales, execution capabilities and corporate access.

The Corporate segment, which is not considered an Operating Group, comprises head office and Central Service Groups, and holds certain legacy and strategic investments, assets and businesses that are not allocated to any of the Operating Groups.

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

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

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

Internal funding arrangements

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

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

Transactions between Operating Segments

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

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

Notes to the financial statements

For the financial year ended 31 March 2024 continued

Note 3

Segment reporting continued

(i) Operating segments continued

Accounting for derivatives that economically hedge interest rate risk

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

Central Service Groups

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

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

Performance-related profit share and share-based payments expense

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

Income tax

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

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

Presentation of segment income statements

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

Reportable segment assets

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

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Notes to the financial statements

For the financial year ended 31 March 2024 continued

Note 3

Segment reporting continued

(i) Operating segments continued

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

	Macquarie Asset Management \$m	Banking and Financial Services \$m
Full year ended 31 March 2024		
Net interest and trading (expense)/income	(557)	2,645
Fee and commission income/(expense)	3,941	554
Share of net profits/(losses) from associates and joint ventures	54	-
Other operating income and charges		
Net credit and other impairment reversals	122	15
Net other operating income and charges	196	(6)
Internal management (charge)/revenue	(2)	1
Net operating income	3,754	3,209
Total operating expenses	(2,559)	(1,968)
Operating profit/(loss) before income tax	1,195	1,241
Income tax expense	-	-
Loss/(profit) attributable to non-controlling interests	13	-
Net profit/(loss) contribution	1,208	1,241
Reportable segment assets	15,523	141,975
Full year ended 31 March 2023		
Net interest and trading (expense)/income	(396)	2,520
Fee and commission income/(expense)	4,029	504
Share of net (losses)/profits from associates and joint ventures	(1)	(7)
Other operating income and charges		
Net credit and other impairment charges	(14)	(34)
Net other operating income and charges	1,241	(13)
Internal management revenue/(charge)	92	(10)
Net operating income	4,951	2,960
Total operating expenses	(2,595)	(1,759)
Operating profit/(loss) before income tax	2,356	1,201
Income tax expense	-	-
(Profit)/loss attributable to non-controlling interests	(14)	-
Net profit/(loss) contribution	2,342	1,201
Reportable segment assets	14,328	129,046

Commodities and Global Markets	Macquarie Capital	Corporate	Total
\$m	\$m	\$m	\$m
5,156	690	973	8,907
586	1,201	(33)	6,249
42	(144)	(1)	(49)
11	164	57	369
508	680	33	1,411
19	21	(39)	-
6,322	2,612	990	16,887
(3,108)	(1,538)	(2,888)	(12,061)
3,214	1,074	(1,898)	4,826
-	-	(1,291)	(1,291)
(1)	(23)	(2)	(13)
3,213	1,051	(3,191)	3,522
135,640	33,636	76,626	403,404
7,639	410	428	10,601
539	1,356	(28)	6,400
32	(137)	-	(113)
(57)	(294)	(55)	(454)
535	903	22	2,688
29	(11)	(100)	-
8,717	2,227	267	19,122
(2,710)	(1,456)	(3,610)	(12,130)
6,007	771	(3,343)	6,992
-	-	(1,824)	(1,824)
-	30	(2)	14
6,007	801	(5,169)	5,182
141,453	28,481	74,564	387,872

Notes to the financial statements

For the financial year ended 31 March 2024 continued

Note 3

Segment reporting continued

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

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

	Macquarie Asset Management	Banking and Financial Services	Commodities and Global Markets	Macquarie Capital	Corporate	Total
	\$m	\$m	\$m	\$m	\$m	\$m
CONSOLIDATED 2024						
Fee and commission income						
Base, portfolio administration and other asset management fees:						
Base fees	2,874	19	2	-	-	2,895
Portfolio administration fees	3	295	-	-	-	298
Other asset management fees	200	-	-	-	-	200
Mergers and acquisitions, advisory and underwriting fees	11	-	8	726	(2)	743
Brokerage and other trading-related fees	2	39	296	454	-	791
Performance fees	631	-	-	1	-	632
Other fee and commission income	220	201	280	20	(31)	690
Total fee and commission income	3,941	554	586	1,201	(33)	6,249

CONSOLIDATED 2023

Fee and commission income

Base, portfolio administration and other asset management fees:

Base fees	2,782	20	2	-	-	2,804
Portfolio administration fees	-	271	-	-	-	271
Other asset management fees	198	-	-	-	-	198
Mergers and acquisitions, advisory and underwriting fees	75	-	6	912	(2)	991
Brokerage and other trading-related fees	3	39	252	421	-	715
Performance fees	692	-	-	-	-	692
Other fee and commission income	279	174	279	23	(26)	729
Total fee and commission income	4,029	504	539	1,356	(28)	6,400

Note 3

Segment reporting continued

(iii) Products and services

The Consolidated Entity's Operating Segments reflect different core products and services offered by the Group. Refer to Note 3(i) *Operating segments* for net operating income contribution by various Operating Segments.

(iv) Geographical areas

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

	CONSOLIDATED 2024		CONSOLIDATED 2023	
	Income ¹	Non-current assets ²	Income ¹	Non-current assets ²
	\$m	\$m	\$m	\$m
Americas ³	5,969	5,383	7,612	4,447
Australia	5,353	4,036	5,066	2,329
Europe, Middle East and Africa ⁴	4,278	10,156	4,956	9,156
Asia Pacific	1,287	710	1,488	893
Total	16,887	20,285	19,122	16,825

(v) Major customers

The Consolidated Entity does not rely on any major customers.

¹ Income represents net operating income disclosed in the income statement, prior period comparatives have been re-presented to conform to changes in the current period.

² Non-current assets consists of intangible assets, interests in associates and joint ventures, property, plant and equipment and right-of-use assets and investment properties.

³ Includes income from the United States of \$5,647 million (2023: \$7,408 million).

⁴ Includes income from the United Kingdom of \$2,828 million (2023: \$3,917 million).

Notes to the financial statements

For the financial year ended 31 March 2024 continued

Note 4

Income tax expense

	CONSOLIDATED		COMPANY	
	2024	2023	2024	2023
	\$m	\$m	\$m	\$m
(i) Income tax (expense)/benefit				
Current tax (expense)/benefit	(1,318)	(2,110)	56	68
Deferred tax benefit/ (expense)	27	286	20	23
Total income tax (expense)/benefit	(1,291)	(1,824)	76	91
(ii) Reconciliation of income tax expense to prima facie tax expense				
Prima facie income tax expense on operating profit @30% (2023: 30%)	(1,448)	(2,098)	(547)	(760)
Tax effect of amounts which are (non-deductible)/non-assessable in calculating taxable income:				
Rate differential on offshore income	229	346	(8)	28
Intra-group dividends	-	-	624	825
Other items	(72)	(72)	7	(2)
Total income tax (expense)/ benefit	(1,291)	(1,824)	76	91
(iii) Tax benefit/(expense) relating to OCI				
FVOCI reserve	16	(8)	-	-
Own credit risk	19	(10)	15	(4)
Cash flow hedges and cost of hedging	17	(4)	-	6
Foreign currency translation reserve	3	-	-	-
Share of other comprehensive expense of associates and joint ventures	(14)	(33)	-	-
Total tax benefit/(expense) relating to items of other comprehensive income	41	(55)	15	2
(iv) Deferred tax benefit/(expense) represents movements in deferred tax assets and liabilities				
Property, plant and equipment	15	(16)	-	-
Intangible assets	85	67	-	-
Financial investments and interests in associates and joint ventures	(206)	(108)	-	15
Tax losses	147	147	-	-
Operating and finance leases	58	(22)	-	-
Loan assets and derivatives	19	42	(6)	(6)
Other assets and liabilities	(91)	176	26	14
Deferred tax benefit	27	286	20	23

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

Note 5

Dividends

	CONSOLIDATED		COMPANY	
	2024	2023	2024	2023
	\$m	\$m	\$m	\$m
(i) Dividends paid				
Ordinary share capital				
Final dividend paid (2023: \$4.50 (2022: \$3.50) per share)	1,734	1,339	1,721	1,331
Interim dividend paid (2024: \$2.55 (2023: \$3.00) per share)	982	1,156	974	1,147
Total dividends paid (Note 28)¹	2,716	2,495	2,695	2,478

The 2024 interim and 2023 final dividends paid during the year were franked at 40%, based on tax paid at 30% (2023 interim dividend and 2022 final dividends were franked at 40%, based on tax paid at 30%).

The Company's Dividend Reinvestment Plan (DRP) remains active. The DRP is optional and offers ordinary shareholders in Australia and New Zealand the opportunity to acquire fully paid ordinary shares without transaction costs. A shareholder can elect to participate in or terminate their involvement in the DRP at any time. Ordinary shares purchased on the market or issued by the Consolidated Entity under the DRP in the current and prior year were allocated as fully paid ordinary shares pursuant to the DRP, details of which are included in Note 27 *Contributed equity*.

(ii) Dividends not recognised at the end of the financial year

Since the end of the financial year, the Directors have resolved to pay a final dividend of \$3.85 per fully paid ordinary share, 40% franked based on tax paid at 30%. The aggregate amount of the proposed dividend expected to be paid on 2 July 2024 from retained profits, but not recognised as a liability at the end of the financial year is \$1,471 million. This amount has been estimated based on the number of shares and MEREP awards eligible to participate as at 31 March 2024.

	CONSOLIDATED		COMPANY	
	2024	2023	2024	2023
Cash dividend (distribution of current year profits) (\$ per share)	6.40	7.50	6.40	7.50
Franking credits available for the subsequent financial year at a corporate tax rate of 30% (2023: 30%) (\$m) ²	224	462	224	462

¹ The Consolidated Entity included an additional \$21 million (2023: \$17 million) of dividend equivalent amount paid to Deferred Share Unit (DSU) holders as described in Note 32 *Employee equity participation*.

² Amount represents balances for franking accounts adjusted for franking credits/debits that will arise from the payment/receipt of income tax payables/receivables as at the end of the financial year respectively.

Notes to the financial statements

For the financial year ended 31 March 2024 continued

Note 6

Earnings per share

Basic earnings per share is calculated by dividing the Consolidated Entity's profit attributable to ordinary equity holders (adjusted by profit attributable to participating unvested MEREP awards) by the weighted average number of ordinary shares outstanding during the financial year (adjusted for vested MEREP awards).

Diluted earnings per share is calculated by dividing the Consolidated Entity's profit attributable to ordinary equity holders (adjusted by profit attributable to all the dilutive potential ordinary shares) by the weighted average number of ordinary shares and potential ordinary shares that would be issued on the exchange of all the dilutive potential ordinary shares into ordinary shares.

	CONSOLIDATED	
	2024	2023
		CENTS
Basic earnings per share	916.6	1,353.7
Diluted earnings per share	911.4	1,316.3
	\$m	\$m
Reconciliation of earnings used in the calculation of basic and diluted earnings per share		
Profit after income tax	3,535	5,168
Loss/(profit) attributable to non-controlling interests	(13)	14
Profit attributable to the ordinary equity holders of MGL	3,522	5,182
Less: profit attributable to participating unvested MEREP awards	(137)	(167)
Earnings used in the calculation of basic earnings per share	3,385	5,015
Add back:		
Profit attributable to dilutive participating unvested MEREP awards	84	104
Interest on convertible subordinated debt ¹	-	233
Earnings used in the calculation of diluted earnings per share	3,469	5,352
		NUMBER OF SHARES
Reconciliation of weighted average number of equity shares used in the calculation of basic and diluted earnings per share		
Weighted average number of equity shares (net of treasury shares) adjusted for vested MEREP awards used in the calculation of basic earnings per share	369,315,116	370,473,587
Add: weighted average number of dilutive potential ordinary shares:		
Unvested MEREP awards	11,305,877	10,784,377
Convertible subordinated debt ¹	-	25,333,746
Weighted average number of equity shares (net of treasury shares) and potential equity shares used in the calculation of diluted earnings per share	380,620,993	406,591,710

¹ The Consolidated Entity has issued loan capital which may convert into ordinary shares in the future (refer to Note 26 *Loan capital* for further details). These loan capital instruments are potentially dilutive instruments, and diluted EPS is therefore calculated as if the instruments had been converted at the beginning of the year or, if later, the instruments' issue dates. For the year ended 31 March 2024, all loan capital instruments were antidilutive (31 March 2023: dilutive).

Note 7

Trading assets

	CONSOLIDATED		COMPANY	
	2024	2023	2024	2023
	\$m	\$m	\$m	\$m
Equity securities	19,271	7,830	-	-
Commodity contracts	2,980	3,612	-	-
Debt securities	3,147	3,033	-	-
Commodity inventories	2,526	2,406	-	-
Total trading assets	27,924	16,881	-	-

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

Note 8

Margin money and settlement assets

Margin money	13,148	14,397	-	-
Security settlement assets	6,875	6,476	-	-
Commodity settlement assets	4,094	4,383	-	-
Total margin money and settlement assets	24,117	25,256	-	-

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

Note 9

Derivative assets

Held for trading	23,064	34,906	1	3
Designated in hedge relationships	1,003	1,208	-	-
Total derivative assets	24,067	36,114	1	3

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

Notes to the financial statements

For the financial year ended 31 March 2024 continued

Note 10

Financial investments

	CONSOLIDATED		COMPANY	
	2024	2023	2024	2023
	\$m	\$m	\$m	\$m
Equity securities:				
Listed	171	135	-	-
Unlisted	2,047	2,035	-	-
Debt securities:				
Liquid asset holdings	18,729	16,421	1,763	-
Bonds, money market and other securities	3,431	3,283	-	-
Total financial investments	24,378	21,874	1,763	-

Of the above amounts, \$2,897 million (2023: \$4,417 million) is expected to be recovered more than 12 months after the balance date by the Consolidated Entity and \$nil (2023: \$nil) by the Company.

Note 11

Other assets

Other financial assets				
Commodity-related receivables	4,869	3,264	-	-
Trade debtors and other receivables	2,524	2,495	-	7
Fee and commission receivables	1,011	1,051	-	-
Total other financial assets	8,404	6,810	-	7
Other non-financial assets				
Contract assets	1,144	960	-	-
Investment properties	927	917	-	-
Income tax receivables	651	631	15	8
Inventories	564	228	-	-
Prepayments	502	420	-	-
Indirect tax receivables	198	271	7	15
Other	248	201	-	-
Total other non-financial assets	4,234	3,628	22	23
Total other assets	12,638	10,438	22	30

Of the above amounts, \$1,442 million (2023: \$2,901 million) is expected to be recovered more than 12 months after the balance date by the Consolidated Entity and \$nil (2023: \$1 million) by the Company.

Note 12

Loan assets

	CONSOLIDATED 2024			CONSOLIDATED 2023		
	Gross \$m	ECL allowance ¹ \$m	Net \$m	Gross \$m	ECL allowance ¹ \$m	Net \$m
Home loans ²	120,890	(106)	120,784	109,538	(121)	109,417
Corporate, commercial and other lending ²	48,647	(1,002)	47,645	40,871	(1,036)	39,835
Asset financing ^{2,3}	8,049	(107)	7,942	9,479	(159)	9,320
Total loan assets	177,586	(1,215)	176,371	159,888	(1,316)	158,572

Of the above amounts, \$148,368 million (2023: \$107,950 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 motor vehicles, small plant and equipment, electronic and IT equipment. The following table represents the maturity profile of the contractual undiscounted cash flows of the Consolidated Entity.

	CONSOLIDATED 2024			CONSOLIDATED 2023		
	Gross investment in finance lease receivables \$m	Unearned income \$m	Present value of minimum lease payments receivable \$m	Gross investment in finance lease receivables \$m	Unearned income \$m	Present value of minimum lease payments receivable \$m
Within one year	1,065	(97)	968	999	(84)	915
Between one to two years	712	(69)	643	656	(59)	597
Between two to three years	498	(54)	444	422	(39)	383
Between three to four years	193	(18)	175	237	(24)	213
Between four to five years	110	(11)	99	182	(11)	171
Later than five years	14	-	14	22	(1)	21
Total	2,592	(249)	2,343	2,518	(218)	2,300

¹ The ECL allowance carried against loan assets measured at FVOCI is not presented in the table as the allowance is included in reserves. Refer Note 13 *Expected credit losses*.

² Prior period comparative information has been re-presented, or additional information provided, to conform to changes in the current period

³ Includes \$4,534 million (2023: \$5,986 million) of car loan portfolio, for which in April 2024 it was announced new car lending will cease.

Notes to the financial statements

For the financial year ended 31 March 2024 continued

Note 13

Expected credit losses

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

Model inputs

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

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

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

The key model inputs used in measuring the ECL include:

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

Significant increase in credit risk (SICR)

The Consolidated Entity periodically assesses exposures to determine whether there has been a SICR, which may be evidenced by either qualitative or quantitative factors. Qualitative factors include, but are not limited to material change in internal credit rating or whether an exposure has been identified and placed on CreditWatch, an internal credit monitoring mechanism supervised by 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 behavioural score which considers the exposures' lifetime PD on initial recognition. This behavioural score is periodically assessed and updated to reflect changes in the underlying exposures' credit behaviour. SICR movement thresholds between origination and reporting date of behavioural score movements have been established that, where exceeded, result in the exposure being categorised as Stage II.

Wholesale exposures

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

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

For both retail and wholesale portfolios:

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

Definition of default

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

Note 13

Expected credit losses continued

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

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 this overlay was approximately \$175 million (2023: \$475 million). These judgements are reviewed by FMG and RMG at each reporting date.

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

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

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

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

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

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

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

These scenarios impact the modelled ECL provisioning levels through determination of 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 2024 continued

Note 13

Expected credit losses continued

Forward-looking information (FLI) continued

Scenario	Weighting	Expectation
Baseline A 100% weighting to this scenario would result in a total expected credit loss provision on balance sheet at the reporting date of ~\$1,600 million ¹	Probable	<p>Global: The baseline scenario forecasts a 2.6% year-on-year expansion in global GDP in 2024 as global recession fears recede. Interest rates cuts are expected in the second half of 2024, supporting an acceleration in real GDP growth to 3.1% year-on-year in 2025.</p> <p>Australia: GDP growth is anticipated to slow to 1.3% year-on-year in 2024 before picking up to 2.4% in 2025. Unemployment rates are forecast to increase moderately, peaking at 4.4% in the first quarter of 2025. The Reserve Bank of Australia (RBA) is expected to start lowering the cash rate in the second half of 2024, cutting by 125 basis points from current levels by end-2025. House prices are projected to continue their upward trend, rising by 9% by end of 2025, supported by a policy of monetary loosening.</p> <p>United States: Real GDP growth is projected to moderate to 2.1% by December 2024 and remain stable at 2.2% through to December 2025. The unemployment rate is expected to remain at 3.8% in 2025. The first policy rate cut from the Federal Reserve is expected in the second half of 2024.</p> <p>Europe: The scenario projects a modest growth of 0.9% until late 2024, followed by a 1.8% year-on-year expansion in 2025. Unemployment is forecast to increase throughout 2024 and peak at 7.0% through the first half of 2025.</p>
Downside A 100% weighting to this scenario would result in a total expected credit loss provision on balance sheet at the reporting date of ~\$1,950 million ¹	Possible	<p>Global: The downside scenario projects annual GDP growth that is approximately 1 percentage point lower than the baseline until mid 2025.</p> <p>Australia: The scenario forecasts GDP to grow by 0.4% by the first quarter of 2025 and rise to 2.8% by mid-2026. Unemployment will trend upwards peaking at 5.6% in first quarter of 2025. The RBA cash rate is forecast to rise by a further 25 basis points in the first half of 2024, followed by 250 basis points of cuts by mid-2026. House prices are projected to fall 15% by mid-2026.</p> <p>United States: The scenario projects GDP growth of 0.4% by the end of 2024 followed by a modest 1.1% growth in mid-2026. High inflation is expected to force the US Federal Reserve to increase interest rates by 50 basis points in 2024, before a cut in Q2 2025 as the economy slows. The unemployment rate is projected to peak at 5.2% in mid 2025.</p> <p>Europe: The scenario projects sequential real GDP contraction through to the first quarter of 2025, declining to 0.5% followed by growth of 1.8% in mid 2026. Unemployment rates are projected to peak at 8.7% in mid-2025.</p>

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

Note 13

Expected credit losses continued

Forward-looking information (FLI) continued

Scenario	Weighting	Expectation
<p>Severe Downside</p> <p>A 100% weighting to this scenario would result in a total expected credit loss provision on balance sheet at the reporting date of ~\$2,450 million²</p>	Unlikely	<p>Global: The scenario projects a sharp slowdown in annual GDP growth, around 3 to 3.5 percentage points lower than the baseline.</p> <p>Australia: The scenario projects four consecutive quarters of contraction in real GDP, followed by 1.8% growth in mid 2026. Unemployment rises sharply, peaking at 6.9% in mid-2025 and remaining elevated throughout the forecast period. The RBA cash rate is cut sharply, though house prices still fall 19% in the two years to mid-2026.</p> <p>United States: The scenario projects three consecutive quarters of contraction in real GDP followed by 0.8% growth in mid-2026. High inflation drives 100 basis points in rate increases in 2024, followed by significant cuts in 2025 as the US Federal Reserve attempts to stimulate the economy. Unemployment rises sharply to 7.2% in mid-2025 and falls slowly thereafter.</p> <p>Europe: The scenario projects GDP to decline by 2.3% in 2024, with quarterly growth not returning until mid-2026. Unemployment peaks at 9.9% in the second quarter of 2025.</p>
<p>Upside</p> <p>A 100% weighting to this scenario would result in a total expected credit loss provision on balance sheet at the reporting date of ~\$1,425 million²</p>	Possible	<p>Global: The upside scenario projects annual GDP growth that is approximately 1 percentage point higher than the baseline in 2024 and into 2025.</p> <p>Australia: The scenario forecasts GDP to grow by 1.7% year-on-year in 2024 and 3.2% in mid-2025. Interest rate cuts start in the second quarter of 2024. Unemployment rises only modestly and peaks at 4.3% in late 2024. House prices rise 14% to the end of 2025.</p> <p>United States: The scenario projects real GDP growth of 3.7% year-on-year in 2024 and 3.6% in mid-2025. The US Federal Reserve is able to cut interest rates by 50 basis points in 2024, holding the target rate at 4.75-5.00% until 2026. Unemployment drops to 3.2% in the first quarter of 2025.</p> <p>Europe: The scenario projects a return to growth in the third quarter of 2024. Annual growth in 2024 remains flat before recovering to 1.9% in mid-2025. Unemployment increases slowly, peaking at around 7.2% by mid-2026.</p>

² This number provides ECL provision information as at the reporting date assuming the scenarios outlined, but does not reflect changes in the credit rating of the counterparties that may occur if these scenarios were to occur. 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 2024 continued

Note 13

Expected credit losses continued

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

	GROSS EXPOSURE FOR FINANCIAL ASSETS CARRIED AT			Gross exposure \$m	ECL ALLOWANCE ON FINANCIAL ASSETS CARRIED AT			Total ECL allowance \$m
	Amortised cost \$m	FVOCI \$m	Other \$m		Amortised cost \$m	FVOCI \$m	Other \$m	
CONSOLIDATED 2024								
Cash and bank balances	31,856	-	-	31,856	1	-	-	1
Cash collateralised lending and reverse repurchase agreements	11,728	34,915	-	46,643	1	-	-	1
Margin money and settlement assets	23,885	-	-	23,885	43	-	-	43
Financial investments	1,920	19,508	-	21,428	-	1	-	1
Held for sale and other assets ³	4,270	255	1,144	5,669	141	-	-	141
Loan assets	174,953	625	-	175,578	1,215	100	-	1,315
Loans to associates and joint ventures	513	-	-	513	35	-	-	35
Off balance sheet exposures	-	-	31,308	31,308	-	-	125	125
Total	249,125	55,303	32,452	336,880	1,436	101	125	1,662
CONSOLIDATED 2023								
Cash and bank balances	45,659	-	-	45,659	3	-	-	3
Cash collateralised lending and reverse repurchase agreements	15,903	33,463	-	49,366	6	2	-	8
Margin money and settlement assets	24,738	-	-	24,738	58	-	-	58
Financial investments	1,721	17,269	-	18,990	-	4	-	4
Held for sale and other assets ³	4,613	4	960	5,577	120	-	-	120
Loan assets	158,295	643	-	158,938	1,316	128	-	1,444
Loans to associates and joint ventures	480	-	-	480	60	-	-	60
Off balance sheet exposures	-	-	28,510	28,510	-	-	134	134
Total	251,409	51,379	29,470	332,258	1,563	134	134	1,831

Loan assets continue to represent the Consolidated Entity's most significant component of credit exposures on which ECL allowances are carried. The credit quality of the Consolidated Entity's loan assets, is monitored through its credit policies, as set out in Note 36.1 *Credit risk*. The Company's ECL provision of \$47 million (2023: \$50 million) primarily relates to related party loans of \$45,928 million (2023: \$44,993 million) that are presented as Due from subsidiaries in the Statements of financial position and certain off balance sheet exposures of \$7,327 million (2023: \$5,239 million).

³ Other exposures included in other assets represent fee-related contract assets.

Note 13

Expected credit losses continued

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

	Cash and bank balances	Cash collateralised lending and repurchase agreements	Margin money and settlement assets	Financial investments	Held for sale and other assets	Loan assets	Loans to associates and joint ventures	Off balance sheet exposures	Total
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
Balance as at 1 Apr 2022	4	8	97	3	159	1,090	96	56	1,513
Credit impairment charges/(reversals) (Note 2)	(1)	-	(42)	1	25	343	(5)	72	393
Amount written off, previously provided for	-	-	-	-	(64)	(74)	-	-	(138)
Reclassifications, foreign exchange and other movements	-	-	3	-	-	85	(31)	6	63
Balance as at 31 Mar 2023	3	8	58	4	120	1,444	60	134	1,831
Credit impairment charges/(reversals) (Note 2)	(2)	(3)	(16)	(4)	36	(107)	(27)	(11)	(134)
Amount written off, previously provided for	-	-	-	-	(36)	(30)	-	-	(66)
Reclassifications, foreign exchange and other movements	-	(4)	1	1	21	8	2	2	31
Balance as at 31 Mar 2024	1	1	43	1	141	1,315	35	125	1,662

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

	LIFETIME ECL			Total
	Stage I 12 month ECL	Stage II Not credit impaired	Stage III Credit impaired	
	\$m	\$m	\$m	
Balance as at 1 Apr 2022	486	285	319	1,090
Transfers during the year	(5)	8	(3)	-
Credit impairment charges (Note 2)	93	145	105	343
Amount written off, previously provided for	-	-	(74)	(74)
Reclassifications, foreign exchange and other movements	51	(13)	47	85
Balance as at 31 Mar 2023	625	425	394	1,444
Transfers during the year	165	(119)	(46)	-
Credit impairment charges/(reversals) (Note 2)	(346)	43	196	(107)
Amount written off, previously provided for	-	-	(30)	(30)
Reclassifications, foreign exchange and other movements	4	6	(2)	8
Balance as at 31 Mar 2024	448	355	512	1,315

Notes to the financial statements

For the financial year ended 31 March 2024 continued

Note 14

Interests in associates and joint ventures

	CONSOLIDATED	
	2024	2023
	\$m	\$m
Equity investments with no provisions for impairment	5,653	3,877
Equity investments with provisions for impairment:		
Gross carrying value ¹	398	1,304
Less: provisions for impairment	(210)	(571)
Equity investments with provisions for impairment	188	733
Total equity investments in associates and joint ventures²	5,841	4,610
Loans to associates and joint ventures	1,163	1,024
Less: credit impairment charges	(35)	(60)
Total loans to associates and joint ventures	1,128	964
Total interests in associates and joint ventures^{3,4}	6,969	5,574

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

Principal associates

The Consolidated Entity's principal associates at the balance date are:

Associates	Carrying value 2024 \$m	Carrying value 2023 \$m	Ownership interest	Nature of activities	Financial reporting date
Macquarie AirFinance Limited	1,058	868	50%	Aircraft leasing	31 March

Macquarie AirFinance Limited

The Consolidated Entity holds 50% interest in Macquarie AirFinance Limited (MAF) under the MAM operating group and accounts for it as an equity-accounted associate due to having significant influence.

During the current year, MAF acquired a portfolio of aircraft and committed to acquire an additional portfolio of aircraft, funded through debt and equity. As at balance date, the Consolidated Entity has an undrawn equity commitment of \$230 million to MAF to fund the acquisition of the aircraft portfolio.

¹ Represents the carrying value after equity-accounted gains and losses, if any.

² Includes investments in Macquarie-managed funds of \$2,059 million (2023: \$1,597 million). In some instances, the Consolidated Entity holds less than 20% ownership interest in these investments, yet classifies its investments in these funds as equity-accounted associates on the basis of its ability to participate in the financial and operating policy decisions through its role as general partner or manager.

³ Comprises \$4,467 million (2023: \$3,596 million) relating to interests in associates and \$2,502 million (2023: \$1,978 million) relating to interests in joint ventures.

⁴ Financial statements of associates and joint ventures have been adjusted to align with the Consolidated Entity's reporting date, where the reporting date differs.

Note 15

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

	CONSOLIDATED 2024			CONSOLIDATED 2023		
	Cost	Accumulated depreciation and impairment	Carrying Value	Cost	Accumulated depreciation and impairment	Carrying Value
	\$m	\$m	\$m	\$m	\$m	\$m
Assets for own use						
Land and buildings	1,396	(49)	1,347	879	(44)	835
Furniture, fittings and leasehold improvements	1,141	(576)	565	843	(614)	229
Infrastructure assets and equipment	845	(190)	655	760	(182)	578
Total assets for own use	3,382	(815)	2,567	2,482	(840)	1,642
Assets under operating lease						
Meters	2,807	(1,260)	1,547	2,558	(1,082)	1,476
Aviation	1,604	(259)	1,345	1,274	(217)	1,057
Telecommunications	1,620	(699)	921	1,699	(666)	1,033
Equipment and others	1,189	(266)	923	1,073	(239)	834
Total assets under operating lease	7,220	(2,484)	4,736	6,604	(2,204)	4,400
Right-of-use assets						
Office premises	1,435	(693)	742	1,050	(554)	496
Others	124	(35)	89	176	(75)	101
Total right-of-use assets	1,559	(728)	831	1,226	(629)	597
Total property, plant and equipment and right-of-use assets¹	12,161	(4,027)	8,134	10,312	(3,673)	6,639

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

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

	CONSOLIDATED	
	2024	2023
	\$m	\$m
Assets under operating lease		
Within one year	480	438
Between one to two years	331	333
Between two to three years	251	170
Between three to four years	200	103
Between four to five years	129	82
Later than five years	262	243
Total future minimum lease payments receivable	1,653	1,369

¹ Includes carrying value of \$7,308 million (2023: \$5,943 million) related to the Consolidated Entity's integrated consolidated businesses and \$826 million (2023: \$696 million) related to the Consolidated Entity's subsidiaries held for investment purposes with the ultimate intention to sell as part of Macquarie's investment activities.

Notes to the financial statements

For the financial year ended 31 March 2024 continued

Note 15

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

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

	Land and buildings \$m	Furniture, fittings and leasehold improvements \$m	Infrastructure assets and equipment \$m	Total \$m
CONSOLIDATED				
Assets for own use				
Balance as at 1 Apr 2022	614	293	203	1,110
Acquisitions and additions	233	137	360	730
Disposals	-	(2)	(79)	(81)
Depreciation expense ²	(5)	(53)	(55)	(113)
Impairments	-	-	(1)	(1)
Reclassification and other adjustments	(9)	(156)	125	(40)
Foreign exchange movements	2	10	25	37
Balance as at 31 Mar 2023³	835	229	578	1,642
Acquisitions and additions	531	394	633	1,558
Disposals	(1)	(1)	(129)	(131)
Depreciation expense ²	(5)	(60)	(48)	(113)
Impairments	-	-	(15)	(15)
Reclassification and other adjustments ⁴	(13)	-	(384)	(397)
Foreign exchange movements	-	3	20	23
Balance as at 31 Mar 2024³	1,347	565	655	2,567

	Meters \$m	Aviation \$m	Telecommunications \$m	Equipment and others \$m	Total \$m
CONSOLIDATED					
Assets under operating lease					
Balance as at 1 Apr 2022	1,364	865	809	537	3,575
Acquisitions and additions	262	146	265	462	1,135
Disposals	-	(21)	-	(55)	(76)
Depreciation expense	(190)	(34)	(35)	(141)	(400)
Impairments	-	(4)	-	-	(4)
Reclassification and other adjustments ⁵	(33)	-	(51)	(10)	(94)
Foreign exchange movements	73	105	45	41	264
Balance as at 31 Mar 2023	1,476	1,057	1,033	834	4,400
Acquisitions and additions	254	323	33	392	1,002
Disposals	-	(9)	(2)	(63)	(74)
Depreciation expense	(213)	(40)	(34)	(187)	(474)
Impairments	-	(3)	-	-	(3)
Reclassification and other adjustments ⁵	(41)	(13)	(148)	(62)	(264)
Foreign exchange movements	71	30	39	9	149
Balance as at 31 Mar 2024	1,547	1,345	921	923	4,736

² Includes depreciation expense of \$20 million (2023: \$30 million) on infrastructure assets and equipment, and \$4 million (2023: \$1 million) on buildings, furniture, fittings and leasehold improvements relating to subsidiaries held for investment purposes and presented under other operating income and charges in Note 2 *Operating profit before income tax*.

³ Includes \$1,988 million (2023: \$1,011 million) for capital work in progress.

⁴ Includes assets reclassified as held for sale in the current year.

⁵ Includes \$70 million loss (2023: \$51 million) on fair value hedge adjustments. Refer to Note 35 *Hedge accounting*.

Note 15

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

The movement in the carrying value of the Consolidated Entity's Right-of-use assets was as follows.

	Office premises \$m	Others \$m	Total \$m
			CONSOLIDATED
Right-of-use assets			
Balance as at 1 Apr 2022	404	54	458
Acquisitions and additions	216	69	285
Disposals	(12)	(6)	(18)
Depreciation expense ⁶	(145)	(26)	(171)
Impairments	(3)	-	(3)
Reclassification and other adjustments	7	5	12
Foreign exchange movements	29	5	34
Balance as at 31 Mar 2023	496	101	597
Acquisitions and additions	429	87	516
Disposals	(32)	(64)	(96)
Depreciation expense ⁵	(173)	(36)	(209)
Reclassification and other adjustments	1	(1)	-
Foreign exchange movements	21	2	23
Balance as at 31 Mar 2024	742	89	831

⁶ Includes depreciation expense of \$165 million (2023: \$140 million) on office premise leases presented under other operating expenses, \$25 million (2023: \$20 million) on assets held for trading-related business presented under net trading income and \$5 million (2023: \$4 million) on technology leases presented under non-salary technology expenses in Note 2 *Operating profit before income tax*.

Notes to the financial statements

For the financial year ended 31 March 2024 continued

Note 16

Intangible assets

	CONSOLIDATED 2024			CONSOLIDATED 2023		
	Cost	Accumulated amortisation and impairment	Carrying value	Cost	Accumulated amortisation and impairment	Carrying value
	\$m	\$m	\$m	\$m	\$m	\$m
Intangible assets with indefinite useful lives						
Goodwill	2,408	(30)	2,378	2,037	(33)	2,004
Management rights	295	-	295	308	-	308
Intangible assets with finite useful lives						
Management rights and licenses	1,320	(518)	802	1,313	(393)	920
Customer and servicing contracts	848	(362)	486	729	(308)	421
Software and other intangibles	509	(216)	293	391	(217)	174
Total intangible assets¹	5,380	(1,126)	4,254	4,778	(951)	3,827

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

In accordance with the Consolidated Entity's accounting policies, assets with an indefinite useful life are tested on an annual basis for impairment, and additionally, along with assets with a finite useful life, whenever an indication of impairment exists. An impairment loss is recognised for the amount by which the carrying amount of an asset or cash generating unit (CGU) exceeds its recoverable amount, which is the higher of its fair value less costs of disposal or its value-in-use. Where required, the recoverable amount is determined either with reference to external valuations or estimated using discounted cash flow techniques. In this case, estimates specific to the asset or CGU are required to be determined, including forecast cash flows, long-term growth rates and discount rates (ranged from 10.5%–13.0%). There was no material impairment or reversal of existing impairment recognised during the year.

The movement in the carrying value of the Consolidated Entity's intangible assets is as follows.

	INTANGIBLE ASSETS WITH INDEFINITE USEFUL LIVES		INTANGIBLE ASSETS WITH FINITE USEFUL LIVES			Total \$m
	Goodwill	Management rights	Management rights and licenses	Customer and servicing contracts	Software and other intangibles	
	\$m	\$m	\$m	\$m	\$m	
Balance as at 1 Apr 2022	1,863	276	1,167	387	87	3,780
Acquisitions ²	161	-	2	21	146	330
Impairments	(12)	-	-	-	-	(12)
Amortisation ³	-	-	(153)	(44)	(31)	(228)
Disposals and reclassifications	(111)	(2)	(196)	(6)	(118)	(433)
Foreign exchange movements and other adjustments	103	34	100	63	90	390
Balance as at 31 March 2023	2,004	308	920	421	174	3,827
Acquisitions ²	559	-	2	95	391	1,047
Impairments	(8)	-	(2)	-	-	(10)
Amortisation ³	-	-	(134)	(46)	(25)	(205)
Disposals and reclassifications	(250)	(21)	-	-	(260)	(530)
Foreign exchange movements and other adjustments	73	7	16	16	13	125
Balance as at 31 March 2024	2,378	294	802	486	293	4,254

¹ Includes \$2,832 million (2023: \$2,959 million) related to the Consolidated Entity's core business operations and \$1,422 million (2023: \$868 million) related to the Consolidated Entity's subsidiaries held for investment purposes with the ultimate intention to sell as part of Macquarie's investment activities.

² Includes intangible assets acquired as part of business combinations and otherwise.

³ Includes amortisation of \$41 million (2023: \$47 million) related to the Consolidated Entity's subsidiaries held for investment purposes, presented under other operating income and charges and \$164 million (2023: \$181 million) under other operating expenses in Note 2 *Operating profit before income tax*.

Note 17

Investment in subsidiaries

	COMPANY	
	2024	2023
	\$m	\$m
Investment at cost with no provisions for impairment ¹	33,805	32,604
Total investment in subsidiaries	33,805	32,604

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

The following are the Company's notable subsidiaries:

BANK GROUP	NON-BANK GROUP	
Macquarie B.H. Pty Ltd (MBHPL)	Macquarie Financial Holdings Pty Limited (MFHPL)	Macquarie Asset Management Holdings Pty Limited (MAMH)
Australia		
<ul style="list-style-type: none"> Macquarie B.H. Pty Ltd Macquarie Bank Limited Macquarie Group Services Australia Pty Ltd Macquarie International Finance Limited Macquarie Offshore Services Pty Ltd Macquarie Equities Limited Macquarie Investment Management Ltd 	<ul style="list-style-type: none"> Macquarie Financial Holdings Pty Limited Macquarie Corporate Holdings Pty Limited Macquarie Securities (Australia) Limited Macquarie Capital (Australia) Limited 	<ul style="list-style-type: none"> Macquarie Asset Management Holdings Pty Limited Macquarie Investment Management Global Limited Macquarie Investment Management Australia Limited Macquarie Infrastructure Management (Asia) Pty Limited Macquarie Specialised Asset Management Ltd
Asia Pacific		
<ul style="list-style-type: none"> Macquarie Global Services Private Limited (India) Macquarie Group Services (Philippines), Inc. (Philippines) 	<ul style="list-style-type: none"> Macquarie Capital Limited (Hong Kong) 	<ul style="list-style-type: none"> Macquarie Korea Asset Management Co Ltd (South Korea)
Europe, Middle East and Africa		
<ul style="list-style-type: none"> Macquarie Bank Europe Designated Activity Company (Ireland) 	<ul style="list-style-type: none"> Macquarie Investment Management Europe Limited (United Kingdom) Macquarie Asset Management Europe S.à r.l. (Luxembourg) Macquarie Capital France Société Anonyme (Reporting date 31 December) (France) Macquarie Capital (Europe) Limited (United Kingdom) Infinity UK Borrower 1 Limited (United Kingdom) 	<ul style="list-style-type: none"> Macquarie Infrastructure and Real Assets Investments Limited (United Kingdom) Macquarie Infrastructure and Real Assets (Europe) Limited (United Kingdom)

¹ 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 investment's carrying value was compared to its recoverable value which was determined as the higher of value-in-use and fair value less cost to sell (valuation). The valuations, which are classified as Level 3 in the fair value hierarchy (as defined in Note 38 *Fair value of assets and liabilities*), have been calculated using a valuation technique with significant unobservable inputs including the subsidiary's maintainable earnings, growth rates and relevant earnings multiples. A range of valuations of the investments in the subsidiaries, under different scenarios, was used that demonstrated that the recoverable value was either equivalent to or exceeded the current carrying value.

Notes to the financial statements

For the financial year ended 31 March 2024 continued

Note 17

Investment in subsidiaries continued

BANK GROUP	NON-BANK GROUP	
Macquarie B.H. Pty Ltd (MBHPL)	Macquarie Financial Holdings Pty Limited (MFHPL)	Macquarie Asset Management Holdings Pty Limited (MAMH)
Americas		
<ul style="list-style-type: none">• Macquarie Energy LLC (United States)• Macquarie Global Services (USA) LLC (United States)• Macquarie Futures USA LLC (United States)	<ul style="list-style-type: none">• Macquarie Capital (USA) Inc. (United States)• Macquarie Holdings (U.S.A.) Inc. (United States)• Macquarie PF Inc. (United States)• Infinity US Borrower 1 LLC (United States)• Macquarie PF LLC (United States)• MIP III (ECI) GP LLC (United States)• Macquarie Capital Funding LLC (United States)	<ul style="list-style-type: none">• Delaware Management Company (United States)• Delaware Distributors, L.P. (United States)• Macquarie Management Holdings, Inc. (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. Additionally, these include the major employing entities, entities that are key providers of funding to other subsidiaries and other operating entities considered key for each Operating Group and region.

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

All notable subsidiaries have a 31 March reporting date, except for specific cases covered above.

Significant restrictions

During the year, the Company's subsidiaries did not experience any significant restrictions on paying dividends, accessing or using assets and settling liabilities of the Group. There are no foreseen restrictions envisaged with regard to planned dividends or payments. However, the ability of subsidiaries to pay dividends or advance monies to the Group depends on, among other things, their respective local regulatory capital and banking requirements, exchange controls, statutory reserves, and financial and operating performance.

Non-controlling interest

Details of non-controlling interest are covered in Note 28 *Reserves, retained earnings and non-controlling interests*.

Note 18

Deferred tax assets/(liabilities)

The balance comprises temporary differences attributable to:

	CONSOLIDATED		COMPANY	
	2024	2023	2024	2023
	\$m	\$m	\$m	\$m
Other assets and liabilities	1,743	1,800	43	3
Financial investments and interests in associates and joint ventures	461	475	-	-
Tax losses	506	358	-	-
Intangible assets	304	283	-	-
Property, plant and equipment	144	112	-	-
Loan assets and derivatives	176	268	4	-
Operating and finance leases	31	43	-	-
Set-off of deferred tax liabilities	(1,288)	(1,542)	(6)	-
Net deferred tax assets	2,077	1,797	41	3
Intangible assets	(391)	(419)	-	-
Operating and finance leases	(289)	(359)	-	-
Financial investments and interests in associates and joint ventures	(647)	(444)	-	-
Loan assets and derivatives	(112)	(274)	(6)	-
Other assets and liabilities	(181)	(205)	-	-
Property, plant and equipment	(51)	(37)	-	-
Set-off of deferred tax assets	1,288	1,542	6	-
Net deferred tax liabilities	(383)	(196)	-	-

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

Potential tax assets of approximately \$517 million (2023: \$533 million) attributable to tax losses carried forward by subsidiaries and other timing differences have not been brought to account in the Consolidated Entity as Management do not believe that the realisation of the tax assets is probable. Included in this amount are gross losses of \$142 million (2023: \$57 million) that will expire within two years, \$200 million (2023: \$207 million) that will expire in 2-5 years, \$231 million (2023: \$280 million) that will expire in 5-10 years and \$547 million (2023: \$543 million) that will expire in 10-20 years. \$1,276 million (2023: \$1,260 million) of gross tax losses do not expire and can be carried forward indefinitely.

Notes to the financial statements

For the financial year ended 31 March 2024 continued

Note 19

Trading liabilities

	CONSOLIDATED		COMPANY	
	2024	2023	2024	2023
	\$m	\$m	\$m	\$m
Equity securities	4,991	4,770	-	-
Debt securities	53	40	-	-
Total trading liabilities	5,044	4,810	-	-

Note 20

Margin money and settlement liabilities

Margin money	17,793	17,109	-	-
Security settlement liabilities	6,253	6,408	-	-
Commodity settlement liabilities	4,377	3,965	-	-
Total margin money and settlement liabilities	28,423	27,482	-	-

Note 21

Derivative liabilities

Held for trading	21,808	29,055	5	5
Designated in hedge relationships	3,777	3,735	-	-
Total derivative liabilities	25,585	32,790	5	5

Note 22

Deposits

Interest bearing deposits:				
Call	102,764	89,917	-	-
Term	21,893	23,367	-	-
Non-interest bearing deposits - repayable on demand	23,759	21,430	-	-
Total deposits	148,416	134,714	-	-

Note 23

Other liabilities

	CONSOLIDATED		COMPANY	
	2024	2023	2024	2023
	\$m	\$m	\$m	\$m
Other financial liabilities				
Commodity-related payables	3,848	1,371	-	-
Creditors	1,831	1,929	36	20
Lease liabilities	918	702	-	-
Total other financial liabilities	6,597	4,002	36	20
Other non-financial liabilities				
Employment-related liabilities	3,485	4,065	95	83
Provisions ¹	1,782	1,620	10	20
Accrued charges and other payables	867	841	3	2
Income tax provision ²	785	1,087	24	112
Income received in advance	504	600	-	-
Indirect taxes payables	260	138	1	4
Other	192	159	-	-
Total other non-financial liabilities	7,875	8,510	133	221
Total other liabilities	14,472	12,512	169	241

¹ In the ordinary course of its business, the Consolidated Entity and the Company may be subject to actual and potential civil claims and regulatory enforcement actions. During the current year, these include matters in the Commonwealth of Australia, the United States of America, the United Kingdom, and the Federal Republic of Germany. The civil claims may result in settlements or damages awards. The regulatory enforcement actions may result in outcomes such as penalties, fines, disgorgement of profits and non-monetary sanctions. This amount includes provisions for such outcomes. The amount and timing of the outcomes are uncertain and may differ from the provisions recognised. Based on existing information, the range of likely outcomes, the matters did not have and are not currently expected to have a material impact on the Consolidated Entity. The Consolidated Entity and the Company consider the risk of there being a material adverse effect in respect of claims and actions that have not been provided for to be remote.

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

Notes to the financial statements

For the financial year ended 31 March 2024 continued

Note 24

Issued debt securities and other borrowings

	CONSOLIDATED		COMPANY	
	2024	2023	2024	2023
	\$m	\$m	\$m	\$m
Bonds	57,233	50,972	35,242	31,050
Commercial paper	26,025	23,466	-	-
Securitised notes ¹	11,621	11,424	-	-
Structured notes ^{2,3}	2,550	2,413	1,470	1,063
Certificates of deposits	1,333	2,274	-	-
Total issued debt securities	98,762	90,549	36,712	32,113
Borrowings	21,116	18,912	6,423	6,942
Total issued debt securities and other borrowings	119,878	109,461	43,135	39,055

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

Reconciliation of issued debt securities and other borrowings by major currency

(In Australian dollar equivalent)

United States dollar	74,384	67,194	29,103	25,573
Australian dollar	19,660	20,523	253	252
Euro	13,179	8,635	5,803	5,225
Pound sterling	6,891	5,960	3,291	3,135
Japanese yen	2,286	2,429	1,971	2,181
Other	3,478	4,720	2,714	2,689
Total issued debt securities and other borrowings	119,878	109,461	43,135	39,055

¹ Represents payable to note holders and debt holders of instruments issued by consolidated Structured Entities (SEs) for which loan assets are available as security. Refer Note 40 *Pledged assets and transfers of financial assets* for the details of assets pledged for the liabilities of the Consolidated Entity.

² The amount that would be contractually required to be paid at maturity to the holders of issued debt securities measured at DFVTPL for the Consolidated Entity is \$3,868 million (2023: \$3,696 million) and for the Company is \$2,470 million (2023: \$2,037 million). This amount is based on the final notional amount rather than the fair value. Refer to Note 37 *Measurement categories of financial instruments* for the carrying value of issued debt securities measured at DFVTPL.

³ The Consolidated Entity includes a cumulative fair value gain recognised in OCI of \$14 million (2023: \$49 million) and the Company includes a cumulative fair value gain recognised in OCI of \$15 million (2023: \$34 million) due to changes in own credit risk on issued debt securities measured at DFVTPL.

Note 25

Capital management

Capital management strategy

The Consolidated Entity's and the Company's capital management strategy is to maximise shareholder value through optimising the mix, 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 maintain sufficient capital resources to:

- support the Consolidated Entity's business and operational requirements;
- safeguard interest of depositors' and the Consolidated Entity's ability to continue as a going concern;
- exceed regulatory capital requirements; and
- support the Consolidated Entity's credit ratings.

The Consolidated Entity's capital management strategy uses both internal and external measures of capital. Internally, the Consolidated Entity has developed an Economic Capital Adequacy Model (ECAM) that complements the management of specific risk types such as equity, credit, market and operational risk by providing an aggregate view of the Consolidated Entity's risk profile. Externally, the Consolidated Entity is subject to minimum capital requirements imposed by APRA.

Measures of capital used to support business decision-making include:

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

Regulatory capital framework

Regulatory capital requirements are imposed and measured at three levels of consolidation within the Consolidated Entity:

- **Level 1:** MBL and certain subsidiaries which meet the APRA definition of Extended Licensed Entities.
- **Level 2:** MBL, its subsidiaries and its immediate parent less certain subsidiaries of MBL which are deconsolidated for APRA reporting purposes. These include entities conducting insurance, funds management and non-financial operations.
- **Level 3:** The Level 2 group, other bank entities excluded from Level 2 plus the Non-Bank Group. In determining the capital requirements, transactions internal to the Consolidated Entity are eliminated.

MBL, a wholly owned subsidiary of the Company, is an APRA regulated ADI and is subject to the prevailing APRA ADI Prudential Standard requirements. MBL is accredited by APRA to apply the Basel III Foundation Internal Ratings Based Approach for credit risk and the Internal Model Approach for market risk and interest rate risk in the banking book.

The Company and Consolidated Entity, as an APRA authorised and regulated NOHC, is regulated on a Level 3 basis and is required to maintain minimum regulatory capital calculated as the sum of:

- MBL's minimum Tier 1 capital requirement, based on a percentage of risk-weighted assets (RWAs) plus Tier 1 deductions per the prevailing APRA ADI Prudential Standards.
- The Non-Bank Group capital requirement, per the Consolidated Entity's ECAM.

The Consolidated Entity's Level 3 eligible capital consists of ordinary equity, retained earnings, certain reserves and hybrid instruments. The overall Level 3 capital position is reported as an excess over the regulatory minimum capital adequacy requirement.

The Consolidated Entity has complied with minimum capital requirements at Level 1, Level 2 and Level 3 throughout the financial year.

Notes to the financial statements

For the financial year ended 31 March 2024 continued

Note 26

Loan capital

Subordinated debt

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

The table below highlights key capital instruments with conditional repayment obligations (Tier 1 loan capital) issued by the Consolidated Entity.

Contract feature	Macquarie Group Capital Notes 3	Macquarie Group Capital Notes 4	Macquarie Group Capital Notes 5
Code	MCN3	MCN4	MCN5
Issuer	Macquarie Group Limited	Macquarie Group Limited	Macquarie Group Limited
Par value	\$100	\$100	\$100
Currency	AUD	AUD	AUD
Carrying value at reporting date	\$1,000 million	\$905 million	\$725 million
Accounting measurement basis	Financial liability at amortised cost	Financial liability at amortised cost	Financial liability at amortised cost
Issue date	7 June 2018	27 March 2019	17 March 2021
Interest rate	90-day BBSW plus a fixed margin of 4.00% per annum, adjusted for franking credits	90-day BBSW plus a fixed margin of 4.15% per annum, adjusted for franking credits	90-day BBSW plus a fixed margin of 2.90% per annum, adjusted for franking credits
Interest payment frequency	Quarterly in arrears	Quarterly in arrears	Quarterly in arrears
Interest payment	Discretionary, non-cumulative	Discretionary, non-cumulative	Discretionary, non-cumulative
Dividend stopper	Yes	Yes	Yes
Outstanding notes at reporting date	10 million	9.05 million	7.25 million
Maturity	Perpetual unless redeemed, resold, converted, exchanged or written-off earlier in accordance with the terms of the instrument	Perpetual unless redeemed, resold, converted, exchanged or written-off earlier in accordance with the terms of the instrument	Perpetual unless redeemed, resold, converted, exchanged or written-off earlier in accordance with the terms of the instrument
Convertible into ordinary shares	Yes	Yes	Yes
Convertible into issuer shares	MGL	MGL	MGL
Mandatory conversion date	15 December 2027	10 September 2029	18 September 2030
Maximum number of shares on conversion	43,798,178	35,439,961	24,641,304
Optional exchange dates	<ul style="list-style-type: none"> 16 December 2024 16 June 2025 15 December 2025 earlier in specified circumstances at the discretion of MGL subject to APRA approval 	<ul style="list-style-type: none"> 10 September 2026 10 March 2027 10 September 2027 earlier in specified circumstances at the discretion of MGL subject to APRA approval 	<ul style="list-style-type: none"> 18 September 2027 18 March 2028 18 September 2028 earlier in specified circumstances at the discretion of MGL subject to APRA approval
Other exchange events	<ul style="list-style-type: none"> acquisition date (where a party acquires control of MGL) where APRA determines MGL would be non-viable without an exchange or a public sector injection of capital (or equivalent support) 	<ul style="list-style-type: none"> acquisition date (where a party acquires control of MGL) where APRA determines MGL would be non-viable without an exchange or a public sector injection of capital (or equivalent support) 	<ul style="list-style-type: none"> acquisition date (where a party acquires control of MGL) where APRA determines MGL would be non-viable without an exchange or a public sector injection of capital (or equivalent support)
EPS Dilution¹	Anti-Dilutive	Anti-Dilutive	Anti-Dilutive
Capital treatment	Eligible hybrid capital	Eligible hybrid capital	Eligible hybrid capital

¹ The Consolidated Entity has issued loan capital which may convert into ordinary shares in the future. These loan capital instruments are potentially dilutive instruments, and diluted EPS is therefore calculated as if the instruments had been converted at the beginning of the year or, if later, the instruments' issue dates. For the year ended 31 March 2024, all loan capital instruments were antidilutive (31 March 2023: dilutive).

Macquarie Group Capital Notes 6	Macquarie Additional Capital Securities	Macquarie Bank Capital Notes 2	Macquarie Bank Capital Notes 3
MCN6	MACS	BCN2	BCN3
Macquarie Group Limited	Macquarie Bank Limited	Macquarie Bank Limited	Macquarie Bank Limited
\$100	n/a	\$100	\$100
AUD	USD	AUD	AUD
\$750 million	\$US750 million/(\$A1,085 million)	\$641 million	\$655 million
Financial liability at amortised cost	Financial liability at amortised cost	Financial liability at amortised cost	Financial liability at amortised cost
15 July 2022	8 March 2017	2 June 2020	27 August 2021
90-day BBSW plus a fixed margin of 3.70% per annum, adjusted for franking credits	6.125% per annum	90-day BBSW plus a fixed margin of 4.70% per annum, adjusted for franking credits	90-day BBSW plus a fixed margin of 2.90% per annum, adjusted for franking credits
Quarterly in arrears	Semi-annually in arrears	Quarterly in arrears	Quarterly in arrears
Discretionary, non-cumulative	Discretionary, non-cumulative	Discretionary, non-cumulative	Discretionary, non-cumulative
Yes	MBL only	MBL only	MBL only
7.5 million	— ²	6.41 million	6.55 million
Perpetual unless redeemed, resold, converted, exchanged or written-off earlier in accordance with the terms of the instrument	Perpetual, redeemed subject to APRA's written approval, and at the discretion of MBL in limited circumstances	Perpetual unless redeemed, resold, converted, exchanged or written-off earlier in accordance with the terms of the instrument	Perpetual unless redeemed, resold, converted, exchanged or written-off earlier in accordance with the terms of the instrument
Yes	Yes	Yes	Yes
MGL	MGL	MGL	MGL
12 September 2032	n/a	21 December 2028	8 September 2031
22,525,190	56,947,286	30,532,190	20,316,704
<ul style="list-style-type: none"> 12 September 2029 12 March 2030 12 September 2030 earlier in specified circumstances at the discretion of MGL subject to APRA approval	No optional exchange dates	<ul style="list-style-type: none"> 21 December 2025 21 June 2026 21 December 2026 earlier in specified circumstances at the discretion of MBL subject to APRA approval	<ul style="list-style-type: none"> 7 September 2028 7 March 2029 7 September 2029 earlier in specified circumstances at the discretion of MBL subject to APRA approval
<ul style="list-style-type: none"> acquisition date (where a party acquires control of MGL) where APRA determines MGL would be non-viable without an exchange or a public sector injection of capital (or equivalent support) 	<ul style="list-style-type: none"> acquisition date (where a party acquires control of MBL or MGL) where APRA determines MBL would be non-viable without an exchange or a public sector injection of capital (or equivalent support) where MBL's common equity Tier 1 capital ratio falls below 5.125% 	<ul style="list-style-type: none"> acquisition date (where a party acquires control of MBL or MGL) where APRA determines MBL would be non-viable without an exchange or conversion or write off, of other Relevant Tier 1 securities is necessary or a public sector injection of capital (or equivalent support) where MBL's common equity Tier 1 Capital ratio falls below 5.125% 	<ul style="list-style-type: none"> acquisition date (where a party acquires control of MBL or MGL) where APRA determines MBL would be non-viable without an exchange or conversion or write off, of other Relevant Tier 1 securities is necessary or a public sector injection of capital (or equivalent support) where MBL's common equity Tier 1 Capital ratio falls below 5.125%
Anti-Dilutive	n/a	Anti-Dilutive	Anti-Dilutive
Eligible hybrid capital	Additional Tier 1 capital	Additional Tier 1 capital	Additional Tier 1 capital

² As at 31 March 2024, the \$US750 million of MACS were held by an authorised representative for the Depository Trust Company being the common depository for the MACS global security.

Notes to the financial statements

For the financial year ended 31 March 2024 continued

Note 26

Loan capital continued

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

The table below discloses the carrying value of Loan capital at the balance date. Where these instruments are designated in fair value hedge accounting relationships, the carrying value includes the fair value hedge adjustment (refer to Note 35 *Hedge accounting*). The contractual undiscounted cash flows are disclosed in Note 36.2 *Liquidity risk*.

	CONSOLIDATED		COMPANY	
	2024	2023	2024	2023
	\$m	\$m	\$m	\$m
Subordinated debt with fixed repayment obligations (Tier 2 loan capital) by contractual maturity dates:				
10 June 2025	1,112	1,075	-	-
28 May 2030	750	750	-	-
3 June 2030	935	921	-	-
17 June 2031	750	750	-	-
7 June 2032	843	849	-	-
18 January 2033	1,460	1,497	-	-
1 March 2034	1,256	-	-	-
3 March 2036	1,285	1,282	-	-
Instruments with conditional repayment obligations (Tier 1 loan capital):				
MCN3	1,000	1,000	1,000	1,000
MCN4	905	905	905	905
MCN5	725	725	725	725
MCN6	750	750	750	750
MACS	1,085	1,064	-	-
BCN2	641	641	-	-
BCN3	655	655	-	-
Accrued interest payable as per terms of instruments:				
Less than 12 months	101	89	12	11
	14,253	12,953	3,392	3,391
Less: directly attributable issuance costs	(52)	(62)	(21)	(29)
Total loan capital	14,201	12,891	3,371	3,362

Reconciliation of loan capital by major currency

(In Australian dollar equivalent)

Australian dollar	8,315	7,057	3,392	3,391
United States dollar	5,938	5,896	-	-
	14,253	12,953	3,392	3,391
Less: directly attributable issuance costs	(52)	(62)	(21)	(29)
Total loan capital	14,201	12,891	3,371	3,362

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

Note 27

Contributed equity

	Notes	CONSOLIDATED		COMPANY	
		2024 \$m	2023 \$m	2024 \$m	2023 \$m
Ordinary share capital		14,156	14,735	16,593	17,200
Treasury shares		(2,784)	(2,328)	(2,784)	(2,328)
Total contributed equity		11,372	12,407	13,809	14,872

	Notes	CONSOLIDATED		COMPANY	
		Number of shares	Total \$m	Number of shares	Total \$m
(i) Ordinary share capital¹					
Balance as at 1 Apr 2022		383,647,637	14,156	383,647,637	16,639
Issued fully paid shares pursuant to the DRP on 4 July 2022 @ 177.11 per share		2,736,737	485	2,736,737	485
Issued shares on retraction of exchangeable shares on 27 May 2022 and 1 June 2022		92,380	-	92,380	17
For employee MEREP awards:					
Transfer from share-based payments reserve on vesting of MEREP awards	28	-	512	-	512
Transfer of deferred tax benefit on MEREP from share-based payments reserve on vesting of MEREP awards	28	-	35	-	-
Transfer from treasury shares for MEREP awards exercised		-	(453)	-	(453)
Balance as at 31 Mar 2023		386,476,754	14,735	386,476,754	17,200
For employee MEREP awards:					
Transfer from share-based payments reserve on vesting of MEREP awards	28	-	607	-	607
Transfer of deferred tax benefit on MEREP from share-based payments reserve on vesting of MEREP awards	28	-	30	-	2
Transfer from treasury shares for MEREP awards exercised		-	(572)	-	(572)
On-market share buyback ²		(3,514,221)	(644)	(3,514,221)	(644)
Balance as at 31 Mar 2024		382,962,533	14,156	382,962,533	16,593

¹ Ordinary shares have no par value.

² On 2 November 2023, the Macquarie Group Limited ("MGL") Board approved an on-market share buyback of up to \$2 billion of MGL shares. During the financial year, 3,514,221 ordinary shares were bought back at an average price of \$183.26 per share. The shares bought back were subsequently cancelled.

Notes to the financial statements

For the financial year ended 31 March 2024 continued

Note 27

Contributed equity continued

	CONSOLIDATED		COMPANY	
	Number of shares	Total \$m	Number of shares	Total \$m
(ii) Treasury shares³				
Balance as at 1 Apr 2022	(15,234,983)	(1,858)	(15,234,983)	(1,858)
Acquisition of shares for employee MEREP awards	(5,470,493)	(923)	(5,470,493)	(923)
Transfer to ordinary share capital for MEREP awards exercised	3,981,423	453	3,981,423	453
Acquisition of shares for allocation under DRP scheme	(571,655)	(102)	-	-
Allocation of shares under DRP scheme	571,655	102	-	-
Acquisition of shares for allocation under ESP scheme	(10,975)	(2)	-	-
Allocation of shares under ESP scheme	10,975	2	-	-
Balance as at 31 Mar 2023	(16,724,053)	(2,328)	(16,724,053)	(2,328)
Acquisition of shares for employee MEREP awards	(5,737,537)	(1,028)	(5,737,537)	(1,028)
Transfer to ordinary share capital for MEREP awards exercised	4,548,969	572	4,548,969	572
Acquisition of shares for allocation under DRP scheme	(322,890)	(54)	-	-
Allocation of shares under DRP scheme	322,890	54	-	-
Acquisition of shares for allocation under ESP scheme	(14,346)	(2)	-	-
Allocation of shares under ESP scheme	14,346	2	-	-
Balance as at 31 Mar 2024	(17,912,621)	(2,784)	(17,912,621)	(2,784)

³ Under MEREP, a portion of staff retained profit share is held in MGL ordinary shares by the MEREP Trust and is presented as Treasury shares. The Consolidated Entity has resolved to purchase additional Treasury shares to satisfy MEREP requirements of approximately \$696 million, commencing on 13 May 2024. Ordinary shares will be issued if purchasing becomes impractical or inadvisable. For further information regarding terms and conditions of MEREP refer to Note 32 *Employee equity participation*.

Note 28

Reserves, retained earnings and non-controlling interests

	CONSOLIDATED		COMPANY	
	2024	2023	2024	2023
	\$m	\$m	\$m	\$m
(i) Reserves				
Foreign currency translation reserve				
Balance at the beginning of the financial year	1,632	312	-	-
Foreign exchange movement on translation and hedge accounting of foreign operations, net of tax	440	1,320	-	-
Balance at the end of the financial year	2,072	1,632	-	-
FVOCI and other reserves				
Balance at the beginning of the financial year	30	16	-	-
Revaluation movement, net of tax	(8)	(15)	1	-
Changes in ECL allowance, net of tax	(24)	29	-	-
Balance at the end of the financial year	(2)	30	1	-
Share-based payments reserve				
Balance at the beginning of the financial year	1,621	1,424	1,572	1,332
MEREP share-based payment arrangements ¹	799	751	799	751
Deferred tax on MEREP share-based payment arrangements	46	(7)	2	1
Transfer to ordinary share capital on vesting of MEREP awards	(607)	(512)	(607)	(512)
Transfer of deferred tax benefit to ordinary share capital on vesting of MEREP awards	(30)	(35)	(2)	-
Transfer to retained earnings for forfeited awards	(8)	-	(8)	-
Balance at the end of the financial year	1,821	1,621	1,756	1,572
Cash flow hedge reserve				
Balance at the beginning of the financial year	21	(103)	(13)	-
Revaluation movement, net of tax	(41)	14	(14)	(13)
Transferred to income statement on realisation, net of tax	42	110	14	-
Balance at the end of the financial year	22	21	(13)	(13)
Share of reserves in associates and joint ventures				
Balance at the beginning of the financial year	28	(110)	-	-
Share of other comprehensive income of associates and joint ventures, net of tax	22	138	-	-
Balance at the end of the financial year	50	28	-	-
Cost of hedging reserves				
Balance at the beginning of the financial year	(30)	(16)	-	-
Revaluation movement, net of tax	(55)	(28)	-	-
Transferred to income statement on realisation, net of tax	13	14	-	-
Balance at the end of the financial year	(72)	(30)	-	-
Total reserves at the end of the financial year	3,891	3,302	1,744	1,559

¹ Represents MEREP issued to employees of the Company's subsidiaries (Note 32 Employee equity participation).

Notes to the financial statements

For the financial year ended 31 March 2024 continued

Note 28

Reserves, retained earnings and non-controlling interests continued

	CONSOLIDATED		COMPANY	
	2024	2023	2024	2023
	\$m	\$m	\$m	\$m
(ii) Retained earnings				
Balance at the beginning of the financial year	17,446	14,740	16,677	16,521
Profit attributable to the ordinary equity holders of MGL	3,522	5,182	1,899	2,624
Dividends paid on ordinary share capital (Note 5)	(2,716)	(2,495)	(2,695)	(2,478)
Movement due to change in non-controlling ownership interest	4	(4)	-	-
Actuarial (loss)/gain on defined benefit plans	(2)	12	-	-
Fair value changes attributable to own credit risk on debt classified as DFVTPL, net of tax	(44)	11	(35)	10
Transfer from share-based payment reserve for forfeited MEREP awards	8	-	8	-
Balance at the end of the financial year	18,218	17,446	15,854	16,677
(iii) Non-controlling interests				
Share capital	748	1,161	-	-
Reserves	(56)	(51)	-	-
Accumulated losses	(177)	(159)	-	-
Total non-controlling interests	515	951	-	-

Note 29

Notes to the statements of cash flows

(i) Reconciliation of cash and cash equivalents

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

Cash and bank balances ^{1,2}	23,232	39,379	-	-
Cash collateralised lending and reverse repurchase agreements	33,291	31,149	-	-
Financial investments	10,084	6,651	484	-
Held for sale assets	160	35	-	-
Cash and cash equivalents at the end of the financial year	66,767	77,214	484	-

¹ Amounts excluded from cash and cash equivalents but presented in the Statements of financial position as Cash and bank balances primarily relates to \$8,021 million (2023: \$5,317 million) of funds received from clients which are segregated from the Consolidated Entity's own funds and other balances of \$602 million (2023: \$960 million), not readily available to meet the Consolidated Entity's short-term cash commitments.

² Includes \$2,004 million (2023: \$1,461 million) of balances held by consolidated SEs that are restricted from use by the Consolidated Entity, balances required to be maintained with central banks and other regulatory authorities and balances held in countries where remittance of cash outside the country is subject to certain restrictions.

Note 29

Notes to the statements of cash flows continued

	CONSOLIDATED		COMPANY	
	2024	2023	2024	2023
	\$m	\$m	\$m	\$m
(ii) Reconciliation of profit after income tax to net cash flows generated from/(utilised in) operating activities				
Profit after income tax	3,535	5,168	1,899	2,624
Adjustments to profit after income tax:				
Depreciation and amortisation	997	899	(4)	15
Credit and other impairment (reversal)/charges	(369)	459	-	-
Investment and other income	(1,022)	(2,102)	-	-
Share-based payments expense	799	751	-	-
Share of net profits of associates and joint ventures	49	113	-	-
Changes in assets and liabilities:				
Issued debt securities, borrowings and other funding	6,586	(12,138)	3,217	3,345
Deposits	13,480	33,032	-	(31)
Trading and related assets and collateralised lending balances (net of liabilities)	(10,903)	(13,463)	-	-
Liquid asset holdings	1,845	(2,021)	(1,271)	-
Debtors, prepayments, accrued charges and creditors	(880)	228	3	18
Carrying values of associates due to dividends received	185	569	-	-
Other assets and liabilities	(78)	(32)	15	(7)
Tax balances	(341)	(210)	(432)	(505)
Interest, fee and commission receivable and payable	18	265	75	141
Assets under operating lease	(960)	(1,042)	-	-
Loan assets and balances with subsidiaries	(17,031)	(21,856)	2,549	(3,289)
Net cash flows (utilised in)/generated from operating activities	(4,090)	(11,380)	6,051	2,311
(iii) Non-cash financing activities				
Non-cash transactions included \$nil (2023: \$485 million) relating to issue of shares to shareholders under the DRP and ESP for settlement of the dividend liability. Refer to Note 27 <i>Contributed equity</i> for further details.				
(iv) Reconciliation of loan capital				
Balance at the beginning of the financial year	12,891	9,513	3,362	2,612
Cash flows: ^{3,4}				
Issuance	1,246	3,078	-	739
Non-cash changes:				
Foreign currency translation and other movements	64	300	11	11
Balance at the end of the financial year	14,201	12,891	3,373	3,362

³ During the year ended 31 March 2023, the Consolidated Entity issued MCN6 for \$740 million. These are perpetual securities which are eligible for conversion into a variable number of Consolidated Entity's ordinary shares on the scheduled mandatory exchange date, provided the exchange conditions are satisfied, unless redeemed, resold or written off earlier. Refer to Note 26 *Loan capital* for details.

⁴ During the year ended 31 Mar 2024, the Consolidated Entity raised \$1,246 million (2023: \$2,338 million) net of cost of issuance through the issue of Tier 2 loan capital under fixed repayment obligations.

Notes to the financial statements

For the financial year ended 31 March 2024 continued

Note 30

Related party information

Transactions between the Company and its subsidiaries 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, the provision of guarantees, capital, distribution 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 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 other than certain excluded entities.

The Company, as the ultimate parent entity of the Consolidated Entity, is the head entity of the Australian tax consolidated group and has entered into a tax funding agreement with its eligible Australian resident subsidiaries. The terms and conditions of this agreement are set out in Note 44(vi) *Taxation*.

Subsidiaries

Amounts due from and due to subsidiaries are presented separately in the Statements of financial position of the Company except when the parties have the legal enforceable right and the intention to offset. Due from and due to subsidiaries balance primarily represents loans, receivables and payables presented net as per the terms of the funding arrangements under the MLA, amounts in respect of MEREP awards offered to its subsidiaries' employees, bespoke funding agreements and trading-related balances including derivatives designated in hedge accounting relationships.

A list of notable subsidiaries is set out in Note 17 *Investment in subsidiaries*.

The following represents transactions with subsidiaries during the financial year:

	COMPANY	
	2024	2023
	\$'000	\$'000
The following represents transaction balances with subsidiaries during the financial year:		
Interest income	1,864,059	1,403,250
Interest expense	(100,939)	(59,700)
Fee and commission income	7,762	12,587
Investment income:		
Dividend (Note 2)	2,079,000	2,749,000
Other charges ¹	(57,903)	(137,670)
Share based payments	798,464	750,659
The following represents outstanding balances and off balance sheet arrangements with subsidiaries as at the reporting date:		
On Balance Sheet		
Due from subsidiaries	49,711,648	48,817,719
Due to subsidiaries	(7,257,460)	(5,686,232)
Off Balance Sheet		
Guarantees provided ²	(7,327,080)	(5,239,240)

¹ Includes expense charged by a subsidiary for an asset development contract which the Company recovers from external parties.

² Includes guarantees to counterparties with respect to their exposures from certain trading subsidiaries having notional value of \$12,295,858 thousand (2023: \$10,070,095 thousand) with the amount disclosed in the table above being the component of that guarantee value equivalent to the fair value of the underlying risk position at the reporting date. Guarantee exposures reported in table above are also included under Off balance sheet exposures in Note 36.1 *Credit risk*.

Note 30

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, management services, lending and borrowing activities. Other transactions with associates and joint ventures may involve the sale of the Consolidated Entity's interest in subsidiaries, associates or joint ventures or financial investments as part of fund management activities, disclosed in Note 42 *Acquisitions and disposals of subsidiaries and businesses*.

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:

	CONSOLIDATED	
	2024	2023
	\$'000	\$'000
Interest income	87,174	92,810
Net fee and commission income ³	1,891,811	1,997,604
Other income	8,909	7,193

Dividends and distributions of \$217,905 thousand (2023: \$215,602 thousand) received from associates were recorded as a reduction from the carrying amount of the investment.

The following represents the outstanding balances and off balance sheet arrangements with associates and joint ventures were outstanding at the reporting date (these exclude amounts which in substance form part of the Consolidated Entity's net investment in associates and joint ventures, disclosed in Note 14 *Interests in associates and joint ventures*).

On Balance Sheet		
Amounts receivable ⁴	1,509,862	1,476,983
Amounts payable	(270,069)	(327,738)
Off Balance Sheet		
Undrawn commitments	(1,954,475)	(2,191,749)
Guarantees	(10,667)	(41,931)
Letters of credit	(53,452)	(49)

³ Includes \$622,307 thousand (2023: \$682,863 thousand) of performance fees.

⁴ Includes \$1,047,649 thousand (2023: \$903,328 thousand) of fee and commission receivable and fee-related contract assets from Macquarie-managed funds.

Notes to the financial statements

For the financial year ended 31 March 2024 continued

Note 31

Key management personnel disclosure

Key management personnel (KMP)

The following persons were Directors of the Company during the financial years ended 31 March 2024 and 31 March 2023, unless indicated otherwise.

Executive Voting Director

S.R. Wikramanayake CEO

Non-Executive Directors

G.R. Stevens AC Chair (became Chair on 10 May 2022)

J.R. Broadbent AC

P.M. Coffey

M.A. Hinchliffe

S.J. Lloyd-Hurwitz¹ (appointed to the MGL Board effective from 1 June 2023)

R.J. McGrath

M. Roche

Former Non-Executive Directors

M.J. Coleman² (ceased to be a member of the MGL Board on 28 July 2022)

N.M. Wakefield Evans AM³ (ceased to be a member of the MGL Board on 29 February 2024)

P.H. Warne⁴ (retired from his role as Chair on 9 May 2022)

In addition to the Executive Voting Director listed above, the following persons also had authority and responsibility for planning, directing and controlling the activities of MGL during the financial years ended 31 March 2024 and 31 March 2023, unless indicated otherwise.

Current Executives⁵

G.N. Bruce GGC, Head of LGG

A. Cassidy CRO, Head of RMG

S.D. Green Macquarie Bank CEO

A.H. Harvey CFO, Head of FMG

M.J. Silverton Head of Macquarie Capital

N. Sorbara COO, Head of COG

G.C. Ward Deputy Managing Director and Head of BFS

B.I. Way Head of MAM

Former Executive Director

N. O'Kane⁶ Former Head of CGM (ceased to be a member of the Executive Committee on 27 February 2024)

The remuneration arrangements for all of the persons listed above are described on pages 106 to 156 of the Remuneration Report, contained in the Directors' Report.

¹ Ms Lloyd-Hurwitz was appointed to the MGL Board effective 1 June 2023 and MBL Board effective 28 July 2023.

² Mr Coleman retired as a Non-Executive Director of the MGL Board effective 28 July 2022. Mr Coleman remains on the MBL Board as a MBL Bank-only Non-Executive Director (BOND).

³ Ms Wakefield Evans ceased to be a member of the MGL Board on 29 February 2024 and the MBL Board on 27 July 2023.

⁴ Mr Warne retired from his roles as Independent Voting Director and Chair of the MGL and MBL Boards on 9 May 2022.

⁵ Except where indicated otherwise, all of the Executives as well as the CEO were members of the Executive Committee as at 3 May 2024.

⁶ Mr O'Kane ceased to be a member of the Executive Committee on 27 February 2024. Mr Wright became Group Head of CGM on 28 February 2024 and joined the Executive Committee on 1 April 2024.

Note 31

Key management personnel disclosure continued

Key management personnel remuneration

The following table details the aggregate remuneration for KMP:

	SHORT-TERM EMPLOYEE BENEFITS			Total short-term employee benefits	LONG-TERM EMPLOYEE BENEFITS	SHARE-BASED PAYMENTS			Total remuneration ¹¹
	Salary and fees (including superannuation)	Performance-related remuneration ⁷	Other benefits		Restricted profit share including earnings on restricted profit share ⁸	Equity awards ⁹	PSUs ¹⁰		
	\$	\$	\$	\$	\$	\$	\$	\$	\$
Executive Remuneration									
2024 ¹²	12,002,855	34,975,000	-	46,977,855	3,581,099	10,814,659	5,818,148		67,191,761
2023	7,866,921	48,547,000	-	56,413,921	23,422,937	54,390,369	16,246,507		150,473,734
Non-Executive Remuneration									
2024	3,603,042	-	-	3,603,042	-	-	-		3,603,042
2023	3,538,478	-	12,600	3,551,078	-	-	-		3,551,078

Equity holdings of KMP and their related parties

The following table sets out details of MGL ordinary shares held during the financial year by KMP, including their related parties, on a Consolidated Entity basis.

	Number of shares held by current KMP as at 1 Apr	Number of shares held by new KMP at appointment date (after 1 Apr)	Shares received on withdrawal from MERE P	Other changes ¹³	Number of shares held by KMP at date of resignation/retirement (prior to 31 Mar)	Number of shares held as at 31 Mar
2024	1,155,751	-	359,979	(202,341)	(28,595)	1,284,794
2023	1,165,290	-	367,799	(328,829)	(48,509)	1,155,751

⁷ The cash portion of each KMP's profit share allocation for the reporting period when they were a KMP.

⁸ The amount of retained profit share held via the DPS plan including earnings on notional investments from retained profit share in prior financial years. This includes reversal of amounts previously accrued for retained DPS forfeited by Mr. O'Kane upon his resignation.

⁹ The current year amortisation for equity awards calculated as described in Note 44(xxiii) Performance based remuneration. This includes reversal of amounts previously accrued for RSU awards (net of dividends paid during the vesting period) forfeited by Mr. O'Kane upon his resignation.

¹⁰ The current year amortisation for PSUs calculated as described in Note 44(xxiii) Performance based remuneration. The current year expense is reduced for previously recognised remuneration expense where performance hurdles have not been met, have been partially met or are not expected to be met. This includes reversal of amounts previously accrued for PSU awards forfeited by Mr. O'Kane upon his resignation.

¹¹ For KMP residing in US, their remuneration is subject to US social security and Medicare taxes, payable by Macquarie. Tax amounts of \$237 thousand and \$322 thousand were paid during FY2023 and FY2024, respectively, and are not included in statutory remuneration.

¹² For further detail on the impact of changes to KMP composition and forfeitures during the period refer to pages 146 and 147 of the Director's Remuneration Report.

¹³ Includes on-market acquisitions and disposals.

Notes to the financial statements

For the financial year ended 31 March 2024 continued

Note 31

Key management personnel disclosure continued

MEREP RSU Awards of KMP and their related parties

The following table sets out details of the MEREP RSU awards held during the financial year for the KMP including their related parties, on a Consolidated Entity basis. Further details of the particulars of the grants can be found in Appendix 4 of the Remuneration Report, contained in the Directors' Report from pages 150 to 155. Further details in relation to the MEREP RSU awards are disclosed in Note 32 *Employee equity participation*.

	Number of RSU awards held by current KMP at 1 Apr	Number of RSU awards held by new KMP at appointment date (after 1 Apr)	RSU awards granted during the financial year ¹⁴	Vested RSU awards transferred to the KMP's shareholding during the financial year	Number of RSU awards held by KMP at the date of resignation/retirement (prior to 31 Mar) ¹⁵	Number of RSU awards held as at 31 Mar
2024	1,688,978	-	493,558	(304,039)	(615,729)	1,262,768
2023	1,554,210	-	391,213	(256,445)	-	1,688,978

MEREP PSU Awards of KMP and their related parties

The following table sets out details of MEREP PSU awards held during the financial year for the KMP including their related parties, on a Consolidated Entity basis. Further details of the particulars of the grants can be found in the Directors' Report on page 150 to 155. Further details in relation to the MEREP PSU awards are disclosed in Note 32 *Employee equity participation*.

	Number of PSU awards held by current KMPs at 1 Apr	Number of PSU awards held by new KMP at appointment date	PSU awards granted during the financial year ¹⁶	Vested PSU awards transferred to KMP shareholding during the financial year	PSU awards for which performance hurdles were not met	PSU awards cancelled on termination	Number of PSU awards held by KMP at date of resignation/retirement ¹⁷	Number of PSU awards held as at 31 Mar
2024	438,949	-	164,501	(55,940)	(2,331)	-	(68,617)	476,562
2023	393,763	-	155,422	(110,236)	-	-	-	438,949

¹⁴ RSUs are granted in the financial year following the year of the Company's performance to which the grant relates. RSUs disclosed as granted above for 2024 relate to the Consolidated Entity's performance in 2023.

¹⁵ Includes 615,729 RSU awards held by Mr O'Kane which were forfeited upon his resignation from Macquarie.

¹⁶ PSUs are granted in the financial year following the year of the Company's performance to which the grant relates. PSUs disclosed as granted above for 2024 relate to the Consolidated Entity's performance in 2023.

¹⁷ Includes 68,617 PSU awards held by Mr O'Kane which were forfeited upon his resignation from Macquarie.

Note 31

Key management personnel disclosure continued

Details of share-based payment grant dates whose vesting periods affected compensation for the financial years ended 31 March 2024 and 31 March 2023.

Financial year grant relates to	Type of grant	GRANT DATE	
		Managing Director	All other KMP
2015	Retained DPS	17 August 2015	6 July 2015
2016	Retained DPS	15 August 2016	17 June 2016
	PSUs	15 August 2016	15 August 2016
2017	Retained DPS	15 August 2017	22 June 2017
	PSUs	15 August 2017	15 August 2017
2018	Retained DPS	15 August 2018	21 June 2018
	PSUs	15 August 2018	15 August 2018
2019	Retained DPS	15 August 2019	24 June 2019
	PSUs	15 August 2019	15 August 2019
2020	Retained DPS	4 August 2020	9 June 2020
	PSUs	4 August 2020	4 August 2020
2021	Retained DPS	3 August 2021	9 June 2021
	PSUs	3 August 2021	3 August 2021
2022	Retained DPS	2 August 2022	21 June 2022
	PSUs	2 August 2022	2 August 2022
2023	Retained DPS	1 August 2023	21 June 2023
	PSUs	1 August 2023	1 August 2023

Loans to KMP and their related parties

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

Total for KMP and their related parties ¹⁸	Opening balance as at 1 Apr \$'000	Additions during the year \$'000 ¹⁹	Interest Charged \$'000	Repayments during the year \$'000 ²⁰	Write-downs \$'000	Closing balance as at 31 Mar \$'000 ²¹
2024	16,230	-	453	(5,755)	-	10,928
2023	17,402	61	344	(1,577)	-	16,230

¹⁸ All loans provided by Macquarie to KMP are made in the ordinary course of business on an arm's length basis and are entered into under normal terms and conditions consistent with other customers and employees. There have been no write-downs during the financial years reported.

¹⁹ Or loan held as at date of appointment of new KMP.

²⁰ Or loan held as at date ceased to be a KMP.

²¹ The aggregate balance included loans to 2 persons (31 March 2023: 5).

Notes to the financial statements

For the financial year ended 31 March 2024 continued

Note 32

Employee equity participation

MEREP

The Consolidated Entity continues to operate the MEREP in conjunction with other remuneration arrangements.

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	
	2024	2023
RSUs on issue at the beginning of the financial year	12,721,894	11,503,940
Granted during the financial year	4,635,847	4,731,329
Vested RSUs withdrawn or sold from the MEREP during the financial year	(3,440,514)	(3,252,760)
Forfeited during the financial year	(888,954)	(260,615)
RSUs on issue at the end of the financial year	13,028,273	12,721,894
RSUs vested and not withdrawn from the MEREP at the end of the financial year	53,291	1,262

The weighted average fair value of the RSU awards granted during the financial year was \$180.17 (2023: \$165.57).

Deferred Share Units (DSUs)

A DSU represents the right to receive on exercise of the DSU either a share held in the Trust or a newly issued share (as determined by the Company 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. The Company 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 the Company in accordance with the ASX Listing Rules, so that the holder of a DSU does not receive a benefit that holders of the Company's shares do not generally receive. These provisions are intended to provide the holders of DSUs, as far as possible, with the same benefits and risks as holders of RSUs. However, holders of DSUs will have no voting rights with respect to any underlying MGL ordinary shares.

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

	NUMBER OF DSU AWARDS	
	2024	2023
DSUs on issue at the beginning of the financial year	4,178,466	3,471,835
Granted during the financial year	1,391,808	1,379,684
Exercised during the financial year	(1,121,323)	(609,485)
Forfeited during the financial year	(113,925)	(63,568)
DSUs on issue at the end of the financial year	4,335,026	4,178,466
DSUs exercisable at the end of the financial year	1,290,695	1,373,742

The weighted average fair value of the DSU awards granted during the financial year was \$171.68 (2023: \$159.14).

Note 32

Employee equity participation continued

Award types under the MEREP continued

Performance Share Units (PSUs)

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

	NUMBER OF PSU AWARDS	
	2024	2023
PSUs on issue at the beginning of the financial year	604,043	682,751
Granted during the financial year	164,501	155,422
Exercised during the financial year	(112,361)	(234,130)
Expired during the year	(4,180)	-
Forfeited during the financial year	(68,617)	-
PSUs on issue at the end of the financial year	583,386	604,043
PSUs exercisable at the end of the financial year	-	12,069

The weighted average fair value of the PSU awards granted during the financial year was \$151.70 (2023: \$156.54).

Restricted Shares

A Restricted Share is an MGL ordinary share transferred from the MEREP Trust and held by a MEREP participant subject to restrictions on disposal, vesting and forfeiture rules. The participant is entitled to receive dividends on, and to exercise the voting rights of, the Restricted Shares. Restricted Shares are only offered in jurisdictions where legal or tax rules make RSU/DSU awards impractical.

	NUMBER OF RESTRICTED SHARE AWARDS	
	2024	2023
Restricted shares on issue at the beginning of the financial year	251,208	212,002
Transfer from MEREP Trust during the financial year	193,642	340,606
Released during the financial year	(204,242)	(301,400)
Restricted shares on issue at the end of the financial year	240,608	251,208

The weighted average fair value of the Restricted Shares granted during the financial year was \$nil (2023: \$nil).

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)
- Macquarie staff with retained commission (Commission Awards)
- new Macquarie staff who commence at Associate Director, Division Director or Executive Director level and are awarded a fixed Australian dollar value (New Hire Awards)
- members of the MGL and MBL Executive Committees who are eligible for PSUs (PSU awards)
- in limited circumstances, Macquarie 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).

Notes to the financial statements

For the financial year ended 31 March 2024 continued

Note 32

Employee equity participation continued

Award types under the MEREP continued

Vesting periods are as follows:

Award type	Level	Vesting
Retained Profit Share Awards and Promotion Awards	Below Executive Director	1/3rd in the 2nd, 3rd and 4th year following the year of grant ¹
Retained DPS Awards granted in relation to years 2013 to 2023	Executive Committee members and Designated Executive Directors	1/5th in the 3rd, 4th, 5th, 6th and 7th year following the year of grant ²
Retained DPS Awards granted in relation to years 2013 to 2023	All other Executive Directors	1/3rd in the 3rd, 4th and 5th year following the year of grant ²
Retained DPS Awards granted in relation to 2024 and following years	Executive Committee members and other Executive Directors	1/3rd in the 3rd, 4th and 5th year following the year of grant ²
PSU Awards granted in relation to years 2017 to 2019	Executive Committee members (including CEO and MBL CEO)	50% in the 3rd and 4th years following the year of grant ³
PSU Awards granted in relation to 2020 and following years	Executive Committee members (excluding CEO and MBL CEO)	100% in the 4th year following the year of grant ³
PSU Awards granted in relation to years 2020 to 2023	CEO and MBL CEO	100% in the 4th year following the year of grant ³
PSU Awards granted in relation to 2024 and following years	CEO and MBL CEO	100% in the 5th year following the year of grant ³
Commission Awards	Below Executive Director	1/3rd in the 2nd, 3rd and 4th year following the year of grant ¹
New Hire Awards	All Director-level staff	1/3rd in the 2nd, 3rd and 4th year following the year of grant ¹

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 2023 retention, the allocation price was the weighted average price of the shares acquired for the 2023 purchase period, which was 15 May 2023 to 21 June 2023. That price was calculated to be \$179.17 (2022 retention: \$168.81).

¹ Vesting will occur during an eligible staff trading window.

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

³ Subject to achieving certain performance hurdles.

Note 32

Employee equity participation continued

Performance Share Units (PSUs)

PSUs will only be released or become exercisable upon the achievement of certain pre-vest assessment⁴ and performance hurdles. Only members of the MGL and MBL Executive Committees are eligible to receive PSUs. For the PSUs allocated to Executive Committee Members, two performance hurdles have been determined and each will apply individually to 50% of the total number of PSUs awarded. Hurdles are periodically reviewed by the Board Remuneration Committee (BRC) to ensure they continue to align the interests of staff and shareholders and provide a challenging but meaningful incentive to Executive Committee members. The BRC considers historical and forecast market data, the views of corporate governance groups, shareholders and regulators as well as market practice. No change has been made to the hurdles for this financial year.

The hurdles are outlined below.

Performance hurdle 1

Hurdle	Reference group
50% of the PSUs based solely on the relative average annual return on ordinary equity (ROE) over the vesting period compared to a reference group of global financial institutions. A sliding scale applies with 50% becoming exercisable above the 50th percentile and 100% vesting at the 75th percentile.	The current reference group comprises Bank of America Corporation, Barclays PLC, Citigroup Inc., Deutsche Bank AG, Goldman Sachs Group Inc., JPMorgan Chase & Co., Lazard Limited, Morgan Stanley and UBS AG. ⁵

Performance hurdle 2

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

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

Pre-vest assessment (At end of vesting period)⁴

Prior to vesting of PSU awards, the Board will conduct a holistic assessment of the Executive Committee's collective contribution to driving the performance of Macquarie over the vesting period, based on the extent to which the Executive Committee has:

1. promoted behaviour that is consistent with and reflects Macquarie's risk culture and *Code of Conduct* and the principles of *What We Stand For*
2. overseen the effectiveness of Macquarie's risk management framework, policies and practices in managing key financial and non-financial risks
3. overseen funding, liquidity and capital management to ensure Macquarie's financial soundness.

Where the Board forms a negative overall assessment of the relevant Executive Committee's collective contribution, it may consider whether an adjustment is appropriate, taking into account any mitigating and aggravating factors.

To assist the Board with their determination of an adjustment to the PSU vesting outcome, and to ensure that the determination encompasses all relevant considerations, the BRC will receive reporting over the vesting period.

⁴ Pre-vest assessment applicable for awards to be granted in relation to 2024 and following years.

⁵ For unvested PSU awards made prior to 2023, the reference group included Bank of America Corporation, Barclays PLC, Credit Suisse, Deutsche Bank AG, Goldman Sachs Inc., JP Morgan Chase & Co., Lazard Ltd, Morgan Stanley and UBS AG.

Notes to the financial statements

For the financial year ended 31 March 2024 continued

Note 32

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 value⁶ and for each PSU, the awards expected to vest are measured on the basis of the assumptions below. This amount is recognised as an expense over the respective vesting periods.

RSUs, DSUs and PSUs relating to the MEREP plan for Executive Committee members have been granted in the current financial year in respect of the 2023 performance. The accounting fair value of each of these grants is estimated using the Company's share price on the date of grant and for each PSU also incorporates a discounted cash flow method using the following key assumptions:

- interest rate to maturity: 4.25% per annum
- expected vesting dates of PSUs: 1 July 2027
- dividend yield: 3.54% per annum.

While RSUs, DSUs and PSUs (for Executive Committee members) for FY2024 will be granted during FY2025, the Company begins recognising an expense for these awards (based on an initial estimate) from 1 April 2023 related to these future grants. The expense is estimated using the estimated MEREP retention for FY2024 and applying the amortisation profile to the retained amount.

For PSU, the estimate also incorporates an interest rate to maturity of 3.97% per annum (3.99% for grants to the CEO and the MBL CEO), expected vesting date of 1 July 2028 (1 July 2029 for the CEO and the MBL CEO), and a dividend yield of 3.76% per annum. In the following financial year, the Consolidated Entity will adjust the accumulated expense recognised for the final determination of fair value for each RSU, DSU and PSU when granted and will use this 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, with a corresponding adjustment to equity (for equity settled awards), or a corresponding adjustment to liabilities (for cash settled awards).

For the financial year ended 31 March 2024, compensation expense relating to the MEREP totalled \$831,043 thousand (2023: \$760,289 thousand).

For the equity settled awards, the estimated future withholding tax outflow is \$642,312 thousand (2023: \$534,218 thousand).

Employee Share Plan

The Consolidated Entity continues to operate the Macquarie Group Employee Share Plan (ESP) whereby each financial year eligible employees are offered up to \$1,000 worth of fully paid MGL ordinary shares for no cash consideration.

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

The latest offer under the ESP was made during November 2023. A total of 2,391 (2023: 2,195) staff participated in this offer.

On 1 December 2023, the participants were each allocated 6 (2023: 5) fully paid ordinary shares based on the offer amount of \$1,000 and the average market share price of \$166.34 (2023: \$178.23), resulting in a total of 14,346 (2023: 10,975) shares being allocated. The shares were allocated to staff for no cash consideration. The aggregate value of the shares allocated was deducted from staff profit share and commissions.

For the financial year ended 31 March 2024, compensation expense relating to the ESP totalled \$2,388 thousand (2023: \$1,968 thousand).

Other plans

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

Shares purchased on-market/issued for the purpose of an employee incentive scheme

During the financial year ended 31 March 2024, the Consolidated Entity purchased 3,180,994 (2023: 3,600,455) shares on-market and 2,556,543 (2023: 1,870,038) shares via off-market transfer from its employees during the Staff Trading window for MEREP. A further 14,346 (2023: 10,975) shares were purchased on-market for the ESP. The average price of all shares purchased during the financial year was \$179.14 (2023: \$168.83) and the average price of the purchases made on-market was \$182.84 (2023: \$162.70).

⁶ 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.

Note 33

Contingent liabilities and commitments

	CONSOLIDATED		COMPANY	
	2024	2023	2024	2023
	\$m	\$m	\$m	\$m
Credit risk related exposures				
Undrawn credit facilities and debt commitments ^{1,2}	30,880	26,703	-	-
Letters of credit and guarantees ³	2,453	2,057	7,327	5,239
Total credit risk related exposures	33,333	28,760	7,327	5,239
Other contingencies and commitments				
Equity investment commitments	2,090	2,531	-	-
Asset development and purchase commitments ⁴	706	2,358	249	1,225
Performance-related contingencies ³	260	469	-	-
Total other contingencies and commitments	3,056	5,358	249	1,225
Total contingent liabilities and commitments	36,389	34,118	7,576	6,464

¹ Undrawn credit facilities include fully or partially undrawn commitments against which clients can borrow money under defined terms and conditions. Balance includes revocable undrawn commitments for certain retail banking products of \$14,839 million (2023: \$13,723 million) which are considered to be exposed to credit risk.

² Includes \$1,101 million (2023: \$1,066 million) of revolving credit facilities wherein loan positions have been sub-participated to a third party and will be transferred if and when drawdown.

³ It is not practicable to ascertain the timing of any outflow and the possibility of any reimbursement related to these contingent liabilities. Certain contingent liabilities are collateralised and any cash collateral (any related liability to return the collateral) is recognised in the Statement of financial position.

⁴ Includes asset development commitments to third parties of \$249 million (2023: \$1,225 million) for which the Consolidated Entity and the Company have entered into sales agreement to divest off certain assets upon development completion.

Notes to the financial statements

For the financial year ended 31 March 2024 continued

Note 34

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 investment management and other fiduciary activities. The Consolidated Entity's involvement with SEs is primarily of the following nature.

Type	Details
Securitisations	<p>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.</p> <p>These vehicles are created for securitising assets, including mortgages, and finance leases.</p> <p>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.</p> <p>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.</p>
Asset-backed financing	<p>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.</p>
Structured financing and other arrangements	<p>Includes:</p> <ul style="list-style-type: none">• financing for prepaid commodity delivery 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.
Funds management and administration activities	<p>The Group conducts investment management and other fiduciary activities as responsible entity, trustee, custodian, advisor or manager of investment funds or trusts, including superannuation and approved deposit funds, wholesale and retail trusts. Certain funds meet the definition of a structured entity.</p> <p>The Consolidated Entity's interests in these funds includes holding units in funds, receiving fees for services, providing lending facilities and derivative.</p>

Note 34

Structured entities continued

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

	CONSOLIDATED 2024				CONSOLIDATED 2023			
	Securitisations	Asset-backed financing	Structured Financing and other arrangements	Total	Securitisations	Asset-backed financing	Structured Financing and other arrangements	Total
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
Maximum exposure to loss								
Carrying value of assets:								
Loan assets	1,319	1,895	5,011	8,225	1,145	1,895	3,869	6,909
Financial investments	3,582	-	-	3,582	2,904	-	-	2,904
Margin money and settlement assets	14	-	-	14	251	-	-	251
Derivative assets	121	-	-	121	229	-	-	229
Trading assets	249	-	-	249	132	4	-	136
Reverse repurchase agreements ¹	-	-	3,212	3,212	-	-	5,015	5,015
Total carrying value of assets²	5,285	1,895	8,223	15,403	4,661	1,899	8,884	15,444
Undrawn commitments ³	70	21	275	366	12	193	276	481
Total maximum exposure to loss	5,355	1,916	8,498	15,769	4,673	2,092	9,160	15,925

The Consolidated Entity's exposure to securitisation entities in the nature of financial investments, margin money, derivatives, trading assets and reverse repurchase agreements are acquired for the purpose of trading and liquidity management. These exposures are typically managed under credit and market risk limits described in Note 36.1 *Credit risk* and Note 36.3 *Market risk*. For these reasons, information on the size and structure for these SEs is not considered meaningful for understanding the related risks, and have not been presented in the table above.

In respect of the Consolidated Entity's loan assets exposure in securitisation, asset-backed financing entities and structured financing, the total size of the unconsolidated SEs is \$74,580 million (2023: \$44,114 million). Size is based on the latest available information representing either the total assets of the SE (measured either at amortised cost excluding impairments or fair values if readily available), outstanding notional of issued notes or the principal amount of liabilities if there is nominal equity.

For the above exposures, the Consolidated Entity does not sponsor or control these SEs, nor is it a significant user of the services of these SEs.

Additionally, as part of its funds management and administration activities the Consolidated Entity has interests in certain funds including investments, receivables, contract assets and undrawn commitments which represent the Consolidated Entity's maximum exposure to loss. In certain cases the Consolidated Entity invests alongside its own managed funds to demonstrate further alignment with investors. The carrying value of the Consolidated Entity's investments in funds is disclosed in Note 14 *Interests in associates and joint ventures*. Interests in the nature of receivables, contract assets and undrawn commitments are disclosed in Note 30 *Related party information* and Note 11 *Other assets*. The Assets Under Management (AUM) of \$938.3 billion (2023: \$878.6 billion) represent the indicative size of these funds and is measured as the proportional ownership interest in the underlying assets of funds and mandated assets that Macquarie actively manages or advises on. Private Markets AUM includes equity yet to deploy.

¹ Prior period comparative information has been re-presented, or additional information provided, to conform to changes in the current period

² Includes non-investment grade interests of \$829 million (2023: \$544 million) in securitisation activities, \$1,269 million (2023: \$1,267 million) in asset-backed financing activities and \$886 million (2023: \$474 million) in structured financing and other arrangements.

³ Excludes \$3,039 million (2023: \$3,074 million) of guarantees provided by the Company in respect of a subsidiary to fulfil its obligations for certain prepaid commodity contracts towards unconsolidated structured entities. On consolidation, these guarantees are accounted for as part of borrowings that represent the subsidiary obligations in terms of these commodity contracts.

Notes to the financial statements

For the financial year ended 31 March 2024 continued

Note 35

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. Where a cross currency swap has been dual designated in both a cash flow and a fair value hedge, the notional is shown more than once. Increases in notional profiles of hedging instruments are presented as negative figures, with decreases and maturities presented as positive figures.

Hedging ineffectiveness

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

Note 35

Hedge accounting continued

Cash flow hedges

The cash flow hedge reserve, representing the effective portion of the movements in the hedging instrument, is disclosed in Note 28(i) *Reserves*. Changes in this reserve are reported in the Consolidated Entity's statements of comprehensive income. The cumulative gains and losses remaining in the cash flow hedge reserve for hedging relationships that have ceased, but for which the hedged cash flows are still expected to occur is \$1 million gain (2023: \$2 million gain) for the Consolidated Entity and \$nil (2023: \$nil) for the Company. This amount will be transferred to the income statement when the hedged item affects profit and loss.

Hedging instruments

		MATURITY ANALYSIS PER NOTIONAL				
Instrument type	Risk category	Less than 3 months \$m	3 to 12 months \$m	1 to 5 years \$m	Over 5 years \$m	Total \$m
CONSOLIDATED 2024						
Derivative assets						
Cross currency swaps	Foreign exchange	31	91	1,371	1,245	2,738
Interest rate swaps and options	Interest rate	10	140	3,702	824	4,676
Derivative liabilities						
Cross currency swaps	Foreign exchange	-	141	749	1,187	2,077
Interest rate swaps and options	Interest rate	533	1,279	7,834	67	9,713
Commodity derivatives	Commodity price	-	-	-	163	163
Borrowings						
Foreign currency denominated borrowings	Foreign exchange	11	-	187	-	198
CONSOLIDATED 2023						
Derivative assets						
Cross currency swaps	Foreign exchange	(8)	832	1,828	2,811	5,463
Interest rate swaps and options	Interest rate	145	544	1,771	1,037	3,497
Derivative liabilities						
Cross currency swaps	Foreign exchange	-	-	143	143	286
Interest rate swaps and options	Interest rate	123	1,026	3,292	354	4,795
Commodity derivatives	Commodity price	8	20	142	114	284
Borrowings						
Foreign currency denominated borrowings	Foreign exchange	-	-	254	-	254
		CONSOLIDATED CARRYING AMOUNT				
		2024		2023		
Instrument type	Risk category	Asset \$m	Liability \$m	Asset \$m	Liability \$m	
Cross currency swaps	Foreign exchange	384	189	612	49	
Interest rate swaps and options	Interest rate	191	166	204	191	
Commodity derivatives	Commodity price	-	7	-	15	
Foreign currency denominated borrowings	Foreign exchange	-	120	-	188	

Notes to the financial statements

For the financial year ended 31 March 2024 continued

Note 35

Hedge accounting continued

		MATURITY ANALYSIS PER NOTIONAL					
Instrument type	Risk category	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total	
		\$m	\$m	\$m	\$m	\$m	
							COMPANY 2024
Derivative liabilities							
Interest rate swaps	Interest rate	54	161	519	-	734	
							COMPANY 2023
Derivative liabilities							
Interest rate swaps	Interest rate	52	157	716	-	925	
		COMPANY CARRYING AMOUNT					
Instrument type	Risk category	2024		2023			
		Asset \$m	Liability \$m	Asset \$m	Liability \$m		
Interest rate swaps ¹	Interest rate	-	19	-	19		

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		GAIN/(LOSS) ON HEDGED ITEM		HEDGE INEFFECTIVENESS GAIN/(LOSS)	
Hedging instruments	Risk category	2024	2023	2024	2023	2024	2023
		\$m	\$m	\$m	\$m	\$m	\$m
CONSOLIDATED							
Cross currency swaps	Foreign exchange	(53)	19	54	(16)	1	3
Foreign currency denominated borrowings	Foreign exchange	2	(9)	(2)	9	-	-
Interest rate swaps and options	Interest rate	24	44	(31)	(49)	(7)	(5)
Commodity derivatives	Commodity price	-	88	-	(88)	-	-
Total		(27)	142	21	(144)	(6)	(2)
COMPANY							
Interest rate swaps	Interest rate	-	(19)	-	19	-	-
Total		-	(19)	-	19	-	-

¹ The carrying amount of hedging instrument derivative liabilities is disclosed in the Company's Statement of financial position as 'Due to other Macquarie Group entities'.

Note 35

Hedge accounting continued

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/currency	CONSOLIDATED		COMPANY	
		2024	2023	2024	2023
Cross currency swaps	AUD/EUR	0.68	0.68	-	-
	USD/GBP	0.66	0.66	-	-
	AUD/CHF	0.66	0.66-0.72	-	-
	GBP/CHF	-	1.46	-	-
	AUD/NOK	5.88-6.31	5.88-6.31	-	-
	AUD/JPY	92.93-94.21	92.93-94.21	-	-
Interest rate swaps	GBP	0.97%-4.65%	0.97%-3.48%	-	-
	USD	0.46%-4.60%	0.99%-3.57%	2.90%	2.90%
	AUD	0.56%-5.96%	3.64%-4.07%	-	-

Notes to the financial statements

For the financial year ended 31 March 2024 continued

Note 35

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 borrowings and other balance sheet items. Refer to Note 36 *Financial risk management: 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 borrowings 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 44(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.

		CONSOLIDATED CARRYING AMOUNT			
		ASSET		LIABILITY	
		2024	2023	2024	2023
Hedging instrument	Risk category	\$m	\$m	\$m	\$m
Foreign exchange contracts and other foreign currency denominated balance sheet items ²	Foreign exchange	386	989	98	128
Foreign currency denominated borrowings	Foreign exchange	-	-	24,105	22,282

		CONSOLIDATED NOTIONAL			
		ASSET		LIABILITY	
		2024	2023	2024	2023
Hedging instrument	Risk category	\$m	\$m	\$m	\$m
Foreign exchange contracts and other foreign currency denominated balance sheet items	Foreign exchange	4,949	4,437	2,541	2,966
Foreign currency denominated borrowings	Foreign exchange	-	-	23,958	22,155

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 \$31,448 million (2023: \$29,558 million) represents the notional of Foreign currency denominated borrowings, 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 \$24,486 million (2023: \$23,001 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 (2023: \$nil).

² Where the fair value of the derivative is positive/(negative), the notional of the derivative has been similarly included in the table as an asset/(liability).

Note 35

Hedge accounting continued

Fair value hedges

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

Hedging instruments

		MATURITY ANALYSIS PER NOTIONAL				
Instrument type	Risk category	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
		\$m	\$m	\$m	\$m	\$m
CONSOLIDATED 2024						
Derivative assets						
Interest rate swaps	Interest rate	-	2,933	5,744	3,531	12,208
Basis swaps	Interest rate	-	-	993	-	993
Commodity derivatives	Commodity price	-	174	446	-	620
Foreign exchange forwards	Foreign exchange	21	41	361	-	423
Derivative liabilities						
Cross currency swaps	Interest rate	-	141	1,236	175	1,552
Interest rate swaps	Interest rate	564	8,466	20,843	16,083	45,956
Commodity derivatives	Commodity price	21	131	598	-	750
Foreign exchange forwards	Foreign exchange	-	273	675	-	948
CONSOLIDATED 2023						
Derivative assets						
Interest rate swaps	Interest rate	244	1,790	2,147	2,300	6,481
Commodity derivatives	Commodity price	-	35	688	-	723
Foreign exchange forwards	Foreign exchange	27	41	369	-	437
Derivative liabilities						
Cross currency swaps	Interest rate	-	491	143	330	964
Interest rate swaps	Interest rate	26	2,506	22,694	16,802	42,028
Commodity derivatives	Commodity price	27	42	605	-	674
Foreign exchange forwards	Foreign exchange	-	36	929	-	965
		CONSOLIDATED CARRYING AMOUNT				
		2024		2023		
Instrument type	Risk category	Asset	Liability	Asset	Liability	
		\$m	\$m	\$m	\$m	
Cross currency swaps	Interest rate	-	52	-	26	
Interest rate swaps	Interest rate	231	3,202	158	3,219	
Basis swaps	Interest rate	6	-	-	-	
Commodity derivatives	Commodity price	11	38	17	41	
Foreign exchange forwards	Foreign exchange	13	44	10	67	

Note 36

Financial risk management

Risk Management Group

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, 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 Macquarie 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 Macquarie's CRO, is a member of the Executive Committee of MGL and MBL and reports directly to the CEO with a secondary reporting line to the Board Risk Committee. Further details on the Risk Management Framework in the Consolidated Entity can be found in the Risk Management Report of this Annual Report.

Note 36.1 Credit risk

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

Credit risk assessment and approval

Exercise of credit authority within Macquarie is undertaken under authority delegated by the MGL and MBL Boards directly.

Credit risk assessment includes a 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 13 *Expected credit losses* for details regarding the manner in which the Consolidated Entity has adopted and applied AASB 9's expected credit loss impairment requirements.

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

Wholesale rating

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

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

Retail rating

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

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

Due from subsidiaries

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

Portfolio and country risk

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

The Consolidated Entity has a country risk management framework which covers the assessment of country risk and the approval of country risk limits. Where appropriate the country risk 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 2024 continued

Note 36

Financial risk management continued

Note 36.1 Credit risk continued

Credit quality of financial assets

The table below discloses, by credit rating grades and ECL impairment stage, the gross carrying amount¹ of assets measured at amortised cost or FVOCI and off balance sheet exposures of the Consolidated Entity subject to the impairment requirements of AASB 9 *Financial Instruments*. The credit quality is based on the counterparty's credit rating using the Consolidated Entity's credit rating system and excludes the benefit of collateral and credit enhancements.

	Stage I ²	Stage II ²	Stage III ²	Total
	\$m	\$m	\$m	\$m
CONSOLIDATED 2024				
Investment grade				
Cash and bank balances	31,343	-	-	31,343
Cash collateralised lending and reverse repurchase agreements	38,884	-	-	38,884
Margin money and settlement assets	18,858	-	-	18,858
Financial investments	21,387	-	-	21,387
Held for sale and other assets	3,323	-	-	3,323
Loan assets	66,710	1,913	-	68,623
Off balance sheet exposures	14,081	198	-	14,279
Total investment grade	194,586	2,111	-	196,697
Non-investment grade				
Cash and bank balances	513	-	-	513
Cash collateralised lending and reverse repurchase agreements	7,687	-	-	7,687
Margin money and settlement assets	4,989	-	-	4,989
Financial investments	41	-	-	41
Held for sale and other assets	2,082	169	-	2,251
Loan assets	85,287	18,906	-	104,193
Loans to associates and joint ventures	449	64	-	513
Off balance sheet exposures	16,420	475	-	16,895
Total non-investment grade	117,468	19,614	-	137,082
Default				
Cash collateralised lending and reverse repurchase agreements	-	-	72	72
Margin money and settlement assets	-	-	38	38
Held for sale and other assets	-	-	95	95
Loan assets	-	-	2,762	2,762
Off balance sheet exposures	-	-	134	134
Total default	-	-	3,101	3,101
Total gross credit risk by ECL stage	312,054	21,725	3,101	336,880

Loan assets under investment grade (\$68,623 million) and non-investment grade (\$104,193 million) includes \$1,816 million past due up to 30 days and \$449 million past due between 31 and 90 days.

¹ The gross exposure for financial assets measured at amortised cost represents the amortised cost before the ECL allowance, for financial assets measured at FVOCI represents carrying value before fair value adjustments and ECL allowance and for financial assets measured at FVTPL represents carrying value before fair value adjustments. Accordingly, these exposures will not be equal to the amount as presented in the Statements of financial position.

² For definitions of Stage I, II and III, refer to Note 13 *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. The ECL for the Stage III assets includes the benefit of collateral and other credit enhancements.

Note 36

Financial risk management continued

Note 36.1 Credit risk continued

Credit quality of financial assets

The table below discloses, by credit rating grades and ECL impairment stage, the gross carrying amount³ of assets measured at amortised cost or FVOCI and off balance sheet exposures of the Consolidated Entity subject to the impairment requirements of AASB 9 *Financial Instruments*. The credit quality is based on the counterparty's credit rating using the Consolidated Entity's credit rating system and excludes the benefit of collateral and credit enhancements.

	Stage I ⁴ \$m	Stage II ⁴ \$m	Stage III ⁴ \$m	Total \$m
CONSOLIDATED 2023				
Investment grade				
Cash and bank balances	45,402	-	-	45,402
Cash collateralised lending and reverse repurchase agreements	41,189	-	-	41,189
Margin money and settlement assets	20,705	-	-	20,705
Financial investments	18,941	-	-	18,941
Held for sale and other assets	4,030	-	-	4,030
Loan assets	60,538	1,655	-	62,193
Off balance sheet exposures	10,395	75	-	10,470
Total investment grade	201,200	1,730	-	202,930
Non-investment grade				
Cash and bank balances	257	-	-	257
Cash collateralised lending and reverse repurchase agreements	8,090	-	-	8,090
Margin money and settlement assets	3,991	1	-	3,992
Financial investments	49	-	-	49
Held for sale and other assets	1,474	10	-	1,484
Loan assets	76,450	18,270	-	94,720
Loans to associates and joint ventures	21	459	-	480
Off balance sheet exposures	17,394	492	-	17,886
Total non-investment grade	107,726	19,232	-	126,958
Default				
Cash collateralised lending and reverse repurchase agreements	-	-	87	87
Margin money and settlement assets	-	-	41	41
Held for sale and other assets	-	-	63	63
Loan assets	-	-	2,025	2,025
Off balance sheet exposures	-	-	154	154
Total default	-	-	2,370	2,370
Total gross credit risk by ECL stage	308,926	20,962	2,370	332,258

Loan assets under investment grade (\$62,193 million) and non-investment grade (\$94,720 million) includes \$1,124 million past due up to 30 days and \$342 million past due between 31 and 90 days.

³ The gross exposure of financial assets measured at amortised cost represents the amortised cost before the ECL allowance and the gross exposure of financial assets measured at FVOCI represents carrying value before fair value adjustments and ECL allowance. Accordingly, these exposure values will not equal the amount presented in the Statement of financial position.

⁴ For definitions of Stage I, II and III, refer to Note 13 *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. The ECL for the Stage III assets includes the benefit of collateral and other credit enhancements.

Notes to the financial statements

For the financial year ended 31 March 2024 continued

Note 36

Financial risk management continued

Note 36.1 Credit risk continued

The following table below discloses, by credit rating grades, the gross carrying amount of assets measured at amortised cost or FVOCI and off balance sheet exposures of the Company subject to the impairment requirements of AASB 9 *Financial Instruments*. The credit quality is based on the rating grades assigned internally to these counterparties for the pricing of internal funding arrangements on an arm's length basis.

	COMPANY 2024		COMPANY 2023	
	Stage I \$m	Total \$m	Stage I \$m	Total \$m
Investment grade				
Financial investments	1,763	1,763	-	-
Due from subsidiaries	45,928	45,928	44,993	44,993
Off balance sheet exposures ⁵	7,327	7,327	5,239	5,239
Total investment grade	55,018	55,018	50,232	50,232
Total gross credit risk by ECL stage	55,018	55,018	50,232	50,232

⁵ The Company includes guarantees to counterparties with respect to their exposures to certain subsidiaries. These guarantees have a maximum value of \$12,296 million (2023: \$10,071 million) with the amount disclosed in the table above being the component of that guarantee value equivalent to the fair value of the underlying risk position at the reporting date.

Note 36

Financial risk management continued

Note 36.1 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 off-balance sheet exposures. The geographical location is determined by the country of risk. Counterparty type is based on Standard Economic Sector Classifications of Australia (SESCA) used by the Australian Bureau of Statistics. Financial assets that are subject to risks other than credit risk, such as equity investments, commodities, bank notes and coins are excluded from the table below.

	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 ⁶	Other	Total	Governments	Financial institutions ⁶	Other	Total
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
CONSOLIDATED 2024								
Australia								
Cash and bank balances	-	19,129	-	19,129	-	-	-	-
Cash collateralised lending and reverse repurchase agreements	-	10,819	-	10,819	-	1,234	-	1,234
Trading assets	-	-	-	-	-	159	-	159
Margin money and settlement assets	72	2,668	8	2,748	-	-	-	-
Derivative assets	-	-	-	-	-	1,126	1,422	2,548
Financial investments	8,408	8,780	106	17,294	-	-	4	4
Held for sale and other assets	14	304	789	1,107	-	54	35	89
Loan assets ⁷	33	3,277	144,513	147,823	-	33	93	126
Loans to associates and joint ventures	-	-	1	1	-	-	9	9
Off balance sheet exposures	37	934	20,449	21,420	-	-	3	3
Total Australia	8,564	45,911	165,866	220,341	-	2,606	1,566	4,172
Asia Pacific								
Cash and bank balances	-	2,602	1	2,603	-	-	-	-
Cash collateralised lending and reverse repurchase agreements	-	5,044	-	5,044	-	2,233	-	2,233
Trading assets	-	-	-	-	-	307	150	457
Margin money and settlement assets	160	3,156	-	3,316	-	-	-	-
Derivative assets	-	-	-	-	35	1,010	529	1,574
Financial investments	113	451	-	564	-	88	5	93
Held for sale and other assets	2	55	86	143	-	-	912	912
Loan assets	-	-	585	585	-	-	-	-
Loans to associates and joint ventures	-	-	-	-	-	-	195	195
Off balance sheet exposures	-	96	265	361	-	-	138	138
Total Asia Pacific	275	11,404	937	12,616	35	3,638	1,929	5,602

⁶ Financial institutions represents banks, financial intermediaries and auxiliaries.

⁷ Loan assets in the Australia region includes home loans of \$119,734 million, asset financing of \$6,674 million and Corporate, commercial and other lending of \$21,416 million.

Notes to the financial statements

For the financial year ended 31 March 2024 continued

Note 36

Financial risk management continued

Note 36.1 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 ⁸	Other	Total	Governments	Financial institutions ⁸	Other	Total
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
CONSOLIDATED 2024								
Europe, Middle East and Africa								
Cash and bank balances	-	6,091	-	6,091	-	-	-	-
Cash collateralised lending and reverse repurchase agreements	-	19,053	-	19,053	-	2,945	-	2,945
Trading assets	-	-	-	-	-	44	1,765	1,809
Margin money and settlement assets	5	11,729	12	11,746	-	-	-	-
Derivative assets	-	-	-	-	-	4,589	6,608	11,198
Financial investments	10	583	-	593	-	355	-	355
Held for sale and other assets	86	751	1,917	2,754	-	-	1,489	1,489
Loan assets	-	2,085	8,695	10,780	-	46	734	780
Loans to associates and joint ventures	-	447	65	512	-	69	338	407
Off balance sheet exposures	-	504	2,432	2,936	-	2	206	208
Total Europe, Middle East and Africa	101	41,243	13,121	54,465	-	8,050	11,140	19,191
Americas								
Cash and bank balances	-	4,033	-	4,033	-	-	-	-
Cash collateralised lending and reverse repurchase agreements	-	11,727	-	11,727	-	5,361	-	5,361
Trading assets	-	-	-	-	2,168	39	1,495	3,702
Margin money and settlement assets	311	5,749	15	6,075	-	-	275	275
Derivative assets	-	-	-	-	114	6,331	2,302	8,747
Financial investments	305	2,672	-	2,977	-	71	262	333
Held for sale and other assets	3	956	706	1,665	24	-	1,444	1,468
Loan assets	133	4,778	11,479	16,390	-	157	248	405
Loans to associates and joint ventures	-	-	-	-	-	-	50	50
Off balance sheet exposures	31	745	5,815	6,591	-	-	1,676	1,676
Total Americas	783	30,660	18,015	49,458	2,306	11,959	7,752	22,017
Total gross credit risk⁹	9,723	129,218	197,939	336,880	2,341	26,253	22,387	50,982

⁸ Financial institutions represents banks, financial intermediaries and auxiliaries.

⁹ The gross exposure for financial assets measured at amortised cost represents the amortised cost before the ECL allowance, for financial assets measured at FVOCI represents carrying value before fair value adjustments and ECL allowance and for financial assets measured at FVTPL represents carrying value before fair value adjustments. Accordingly, these exposures will not be equal to the amount as presented in the Statements of financial position.

Note 36

Financial risk management continued

Note 36.1 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 off-balance sheet exposures. The geographical location is determined by the country of risk. Counterparty type is based on Standard Economic Sector Classifications of Australia (SESCA) as per the Australian Bureau of Statistics. Financial assets that are subject to risks other than credit risk, such as equity investments, commodities, bank notes and coins are excluded from the table below.

	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 ¹⁰	Other	Total	Governments	Financial institutions ¹⁰	Other	Total
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
CONSOLIDATED 2023								
Australia								
Cash and bank balances	-	33,049	2	33,051	-	-	-	-
Cash collateralised lending and reverse repurchase agreements	-	7,719	-	7,719	-	462	-	462
Trading assets	-	-	-	-	988	127	5	1,120
Margin money and settlement assets	329	3,151	743	4,223	-	-	-	-
Derivative assets	-	-	-	-	2	742	2,218	2,962
Financial investments	5,296	9,512	-	14,808	-	-	-	-
Held for sale and other assets	25	264	881	1,170	-	-	45	45
Loan assets ¹¹	36	2,992	131,842	134,870	-	50	91	141
Loans to associates and joint ventures	-	-	2	2	-	-	-	-
Off balance sheet exposures	28	313	20,273	20,614	-	-	-	-
Total Australia	5,714	57,000	153,743	216,457	990	1,381	2,359	4,730
Asia Pacific								
Cash and bank balances	-	2,081	1	2,082	-	-	-	-
Cash collateralised lending and reverse repurchase agreements	-	3,774	-	3,774	-	666	-	666
Trading assets	-	-	-	-	43	14	560	617
Margin money and settlement assets	133	3,190	188	3,511	-	-	2	2
Derivative assets	-	-	-	-	38	1,673	1,063	2,774
Financial investments	-	220	5	225	-	39	8	47
Held for sale and other assets	2	94	257	353	-	-	600	600
Loan assets	-	111	370	481	-	-	3	3
Loans to associates and joint ventures	-	-	-	-	-	-	161	161
Off balance sheet exposures	-	-	46	46	-	-	-	-
Total Asia Pacific	135	9,470	867	10,472	81	2,392	2,397	4,870

¹⁰ Financial institutions represents banks, financial intermediaries and auxiliaries.

¹¹ Loan assets in the Australia region includes home loans of \$114,020 million, asset financing of \$6,427 million and Corporate, commercial and other lending of \$14,423 million.

Notes to the financial statements

For the financial year ended 31 March 2024 continued

Note 36

Financial risk management continued

Note 36.1 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				CONSOLIDATED 2023
	Governments	Financial institutions ¹²	Other	Total	Governments	Financial institutions ¹²	Other	Total	
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	
Europe, Middle East and Africa									
Cash and bank balances	-	6,048	-	6,048	-	-	-	-	-
Cash collateralised lending and reverse repurchase agreements	-	20,743	-	20,743	-	1,441	-	1,441	
Trading assets	-	-	-	-	-	10	2,039	2,049	
Margin money and settlement assets	41	8,983	2,938	11,962	-	-	-	-	
Derivative assets	-	-	-	-	-	6,737	13,775	20,512	
Financial investments	2,315	318	-	2,633	-	57	-	57	
Held for sale and other assets	163	394	1,631	2,188	-	-	979	979	
Loan assets	-	1,269	8,319	9,588	-	46	505	551	
Loans to associates and joint ventures	-	406	72	478	-	137	173	310	
Off balance sheet exposures	30	62	2,340	2,432	-	-	-	-	
Total Europe, Middle East and Africa	2,549	38,223	15,300	56,072	-	8,428	17,471	25,899	
Americas									
Cash and bank balances	-	4,478	-	4,478	-	-	-	-	
Cash collateralised lending and reverse repurchase agreements	-	17,130	-	17,130	-	2,394	-	2,394	
Trading assets	-	-	-	-	1,044	11	1,803	2,858	
Margin money and settlement assets	37	3,584	1,421	5,042	1	114	459	574	
Derivative assets	-	-	-	-	46	7,472	2,904	10,422	
Financial investments	1,118	206	-	1,324	-	419	198	617	
Held for sale and other assets	3	1,457	406	1,866	-	4	836	840	
Loan assets	136	4,211	9,652	13,999	-	96	319	415	
Loans to associates and joint ventures	-	-	-	-	-	-	73	73	
Off balance sheet exposures	-	397	5,021	5,418	-	-	250	250	
Total Americas	1,294	31,463	16,500	49,257	1,091	10,510	6,842	18,443	
Total gross credit risk¹³	9,692	136,156	186,410	332,258	2,162	22,711	29,069	53,942	

¹² Financial institutions represents banks, financial intermediaries and auxiliaries.

¹³ The gross exposure for financial assets measured at amortised cost represents the amortised cost before the ECL allowance, for financial assets measured at FVOCI represents carrying value before fair value adjustments and ECL allowance and for financial assets measured at FVTPL represents carrying value before fair value adjustments. Accordingly, these exposures will not be equal to the amount as presented in the Statements of financial position.

Note 36

Financial risk management continued

Note 36.1 Credit risk continued

Credit risk concentration

The table below details the concentration of credit risk by significant geographical location and counterparty type of the Company's financial assets and off-balance sheet exposures. The geographical location is determined by the country of risk. Counterparty type is based on Standard Economic Sector Classifications of Australia (SESCA) as per the Australian Bureau of Statistics. Financial assets that are subject to risks other than credit risk, such as equity investments, commodities, bank notes and coins are excluded from the table below.

	GROSS EXPOSURE FOR FINANCIAL ASSETS SUBJECT TO IMPAIRMENT REQUIREMENT OF AASB9			GROSS EXPOSURE FOR FINANCIAL ASSETS NOT SUBJECT TO IMPAIRMENT REQUIREMENT OF AASB9		
	Financial institutions ¹⁴	Other	Total	Financial institutions ¹⁴	Other	Total
	\$m	\$m	\$m	\$m	\$m	\$m
COMPANY 2024						
Australia						
Financial investments	1,335	40	1,375	-	-	-
Due from subsidiaries	42,215	3,706	45,921	2,720	754	3,474
Off balance sheet exposures	151	232	383	-	-	-
Total Australia	43,701	3,978	47,679	2,720	754	3,474
Asia Pacific						
Financial investments	141	-	141	-	-	-
Due from subsidiaries	1	-	1	-	-	-
Off balance sheet exposures	-	358	358	-	-	-
Total Asia Pacific	142	358	500	-	-	-
Europe, Middle East and Africa						
Off balance sheet exposures	-	832	832	-	-	-
Total Europe, Middle East and Africa	-	832	832	-	-	-
Americas						
Due from subsidiaries	6	-	6	-	-	-
Off balance sheet exposures	187	5,567	5,754	-	-	-
Total Americas	193	5,567	5,760	-	-	-
Total gross credit risk	44,036	10,735	54,771	2,720	754	3,474
COMPANY 2023						
Australia						
Due from subsidiaries	41,233	3,758	44,991	2,787	763	3,550
Off balance sheet exposures	197	122	319	-	-	-
Total Australia	41,430	3,880	45,310	2,787	763	3,550
Asia Pacific						
Due from subsidiaries	1	1	2	-	-	-
Off balance sheet exposures	-	239	239	-	-	-
Total Asia Pacific	1	240	241	-	-	-
Europe, Middle East and Africa						
Off balance sheet exposures	-	205	205	-	-	-
Total Europe, Middle East and Africa	-	205	205	-	-	-
Americas						
Off balance sheet exposures	213	4,263	4,476	-	-	-
Total Americas	213	4,263	4,476	-	-	-
Total gross credit risk	41,644	8,588	50,232	2,787	763	3,550

¹⁴ Financial institutions represents banks, financial intermediaries and auxiliaries.

Notes to the financial statements

For the financial year ended 31 March 2024 continued

Note 36

Financial risk management continued

Note 36.1 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 37 *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 13 *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 include:

- 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; and
- 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 is \$60,082 million (2023: \$55,834 million). For securities borrowed in return for other securities, the fair value of the securities received is \$19,012 million (2023: \$11,807million). For securities borrowed on an unsecured basis, the fair value of the securities received is \$7,530 million (2023: \$7,899 million).

Out of the above, the fair value of securities repledged is \$22,320 million (2023: \$20,933 million).

The fair value attributed to non-cash collateral held is judgmental 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 have been determined periodically.

Note 36

Financial risk management continued

Note 36.1 Credit risk continued

Loan assets

Home loans

Macquarie purchases risk protection for its home loans portfolio consistent with the risk appetite. Macquarie has diversified its risk protection coverage to a global panel of reinsurers with diverse lines of business coverage and ratings ranging from AA+ to A- from external rating agencies. The length of risk protection cover is up to 10 years from the year of origination with the type of cover including excess of loss and quota share.

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

	2024			2023		
	Australia \$m	EMEA \$m	Total \$m	Australia \$m	EMEA \$m	Total \$m
						CONSOLIDATED
<=25%	4,171	5	4,176	3,623	5	3,628
>25% to 50%	25,719	30	25,749	23,146	34	23,180
>50% to 70%	48,572	96	48,668	45,395	130	45,525
>70% to 80%	38,834	73	38,907	33,775	78	33,853
>80% to 90%	2,950	24	2,974	2,819	18	2,837
>90% to 100%	280	7	287	375	2	377
Partly collateralised	20	3	23	14	3	17
Total home loans	120,546	238	120,784	109,147	270	109,417

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. Of the term lending of \$47,645 million (2023: \$39,835 million), the credit exposure after considering the estimated value of collateral and credit enhancements is \$7,123 million (2023: \$6,129 million).

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 \$7,942 million (2023: \$9,320 million), the credit exposure after considering the depreciated value of collateral is \$2,820 million (2023: \$3,661 million).

Derivative instruments

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

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

The Consolidated Entity receives both cash and non-cash collateral in relation to margining arrangements. Refer to Note 39 *Offsetting financial assets and financial liabilities* for impact of master netting arrangements, cash margins and other financial collateral held against the positions as at balance date.

Refer Note 40 *Pledged assets and transfers of financial assets* for non-cash collateral received and repledged as part of derivative margining arrangements.

Notes to the financial statements

For the financial year ended 31 March 2024 continued

Note 36

Financial risk management continued

Note 36.1 Credit risk continued

Financial investments

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

Settlement assets

Security and commodity settlements of \$6,875 million (2023: \$6,476 million) and \$4,094 million (2023: \$4,383 million) respectively presented in Note 8 *Margin money and settlement assets*, represent amounts owed by an exchange (or a client) for equities, commodities and other securities sold. These assets are secured with the underlying 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.

Other financial assets

Commodity related receivables under other financial assets are typically either collateralised with the 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.

Credit commitments

Undrawn facilities and lending securities commitments of \$33,333 million (2023: \$28,760 million) are secured through collateral and credit enhancement. The remaining credit exposure after considering the estimated value of collateral is \$9,931 million (2023: \$5,877 million).

Additional collateral

Apart from collateral details 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.

Reposessed collateral

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

Note 36.2 Liquidity risk

Governance and oversight

Macquarie'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 MGL and MBL Asset and Liability Committees (ALCO), the MGL and MBL Boards and RMG.

Macquarie's liquidity policies are approved by the MGL and MBL Boards after endorsement by the respective ALCO and liquidity reporting is provided to the Boards on a regular basis. The MGL and MBL ALCOs include the MGL CEO, MBL CEO, CFO, CRO, COO, Group General Counsel, Co-Heads 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 MGL and MBL liquidity policies are designed so that each of Macquarie, the Bank Group and the Non-Bank Group maintains sufficient liquidity to meet their 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's liquidity risk appetite is intended to ensure that Macquarie 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 for MBL, no access to funding markets for MGL and with only a limited reduction in Macquarie's franchise businesses.

Reflecting the longer-term nature of the Non-Bank Group asset profile, MGL is funded predominantly with a mixture of capital and long-term wholesale funding. 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 MGL and a *Liquidity Contingency Plan* for MBL, which outline how a liquidity crisis would be managed for the Group and Bank, respectively. The plans define 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.

Note 36

Financial risk management continued

Note 36.2 Liquidity risk continued

Specifically, the plans detail:

- factors that may constitute a crisis
- the officers responsible for invoking each 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 for the Group or Bank; and
- contact lists to facilitate prompt communication with all key internal and external stakeholders.

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

The *Liquidity Contingency Plans* are subject to regular review by both Group Treasury and RMG. They are submitted annually to the MGL and MBL ALCO and respective Boards for approval.

Macquarie 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 Plans* contain either a supplement or a reference to a separate document providing the specific information required for those branches or subsidiaries.

Funding strategy

Macquarie prepares a *Funding Strategy* for MGL and a *Funding Strategy* for MBL on an annual basis and monitors progress against the strategies throughout the year.

The *Funding Strategies* aim to maintain diversity of funding sources for MGL and MBL, ensure ongoing compliance with all liquidity requirements and facilitate forecast asset growth.

The *Funding Strategies* are reviewed by the MGL and MBL ALCO and approved by the respective Boards.

Scenario analysis

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

These scenarios use a range of assumptions, which Macquarie 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 name-specific crisis over a twelve month time frame. This scenario assumes no access to wholesale funding markets, a significant loss of customer deposits and contingent funding outflows resulting from undrawn commitments, market moves impacting derivatives and other margined positions combined with a multiple notch credit rating downgrade. Macquarie'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 and Non-Bank Groups. 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 2024 continued

Note 36

Financial risk management continued

Note 36.2 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 on 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	0 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
	\$m	\$m	\$m	\$m	\$m	\$m
CONSOLIDATED 2024						
Cash collateralised borrowing and repurchase agreements ¹	12,599	12,655	13	5	-	12,673
Trading liabilities ²	5,044	5,053	-	-	-	5,053
Margin money and settlement liabilities	28,423	28,461	-	-	-	28,461
Derivative liabilities (trading) ²	21,808	21,811	-	-	-	21,811
Derivative liabilities (Hedge Accounting Relationships) ³	3,777					
Contractual amounts payable		946	2,761	4,067	1,799	9,573
Contractual amounts receivable		(459)	(1,625)	(1,774)	(1,229)	(5,087)
Deposits	148,416	138,855	9,370	555	12	148,792
Held for sale and other liabilities	6,994	3,180	2,415	1,207	497	7,299
Issued debt securities and other borrowings ⁴	119,878	11,507	36,148	59,910	27,137	134,702
Loan capital ⁵	14,201	190	1,681	10,902	5,568	18,341
Total	361,140	222,199	50,763	74,872	33,784	381,618
Total undiscounted contingent liabilities and commitments⁶	-	16,483	1,047	4,070	14,789	36,389

¹ Includes \$9,556 million of RBA Term Funding Facility due to be repaid by June 2024.

² Derivative liabilities (trading) and trading liabilities are included in the '0 to 3 months' at their fair value. Liquidity risk on these items is not managed on the basis of contractual maturity, as they are frequently traded.

³ Where multiple derivatives are combined in order to form a single hedge instrument designated in a hedge accounting relationship, each derivative is considered independently for the purposes of assessing liquidity risk and for the disclosure's requirements.

⁴ Includes \$11,621 million payables to SE note holders which is disclosed on the basis of expected maturity of the notes which are dependent on the repayment maturity of the underlying loans that the SE holds.

⁵ Includes securities with conditional repayment obligations. The cash outflow on the principal component on these securities is disclosed using the earliest optional exchange dates and the cash outflow of the interest component is disclosed using coupon dates instead of the contractual maturity. For contractual maturity of these securities refer to Note 26 *Loan capital*, further these instruments may be converted into ordinary shares on the occurrence of an other exchange event, and this may impact their maturity profile.

⁶ Cash flows on contingent liabilities and commitments are dependent on the occurrence of various future events and conditions and may or may not result in an outflow of resources.

Note 36

Financial risk management continued

Note 36.2 Liquidity risk continued

	Statement of financial position	0 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
	\$m	\$m	\$m	\$m	\$m	\$m
CONSOLIDATED 2023						
Cash collateralised borrowing and repurchase agreements	18,737	7,345	1,759	9,657	-	18,761
Trading liabilities ⁷	4,810	4,810	-	-	-	4,810
Margin money and settlement liabilities	27,482	27,482	-	-	-	27,482
Derivative liabilities (trading) ⁷	29,055	29,055	-	-	-	29,055
Derivative liabilities (Hedge Accounting Relationships) ⁸	3,735					
Contractual amounts payable		543	1,202	3,877	870	6,492
Contractual amounts receivable		(169)	(252)	(1,756)	(266)	(2,443)
Deposits	134,714	123,760	10,672	731	11	135,174
Held for sale and other liabilities	4,422	2,647	706	1,000	221	4,574
Issued debt securities and other borrowings ⁹	109,461	19,722	22,995	51,349	32,831	126,897
Loan capital ¹⁰	12,891	210	645	9,377	7,146	17,378
Total	345,307	215,405	37,727	74,235	40,813	368,180
Total undiscounted contingent liabilities and commitments¹¹	-	27,097	1,951	2,303	2,767	34,118

⁷ Derivative liabilities (trading) and trading liabilities are included in the '0 to 3 months' at their fair value. Liquidity risk on these items is not managed on the basis of contractual maturity, as they are frequently traded.

⁸ Where multiple derivatives are combined in order to form a single hedge instrument designated in a hedge accounting relationship, each derivative is considered independently for the purposes of assessing liquidity risk and for the disclosure's requirements.

⁹ Includes \$11,424 million payables to SE note holders which is disclosed on the basis of expected maturity of the notes which are dependent on the repayment maturity of the underlying loans that the SE holds.

¹⁰ Includes securities with conditional repayment obligations. The cash outflow on the principal component on these securities is disclosed using the earliest optional exchange dates and the cash outflow of the interest component is disclosed using coupon dates instead of the contractual maturity. For contractual maturity of these securities refer to Note 26 *Loan capital*, further these instruments may be converted into ordinary shares on the occurrence of an other exchange event, and this may impact their maturity profile.

¹¹ 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 2024 continued

Note 36

Financial risk management continued

Note 36.2 Liquidity risk continued

	Statement of financial position	0 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
	\$m	\$m	\$m	\$m	\$m	\$m
COMPANY 2024						
Derivative liabilities (trading) ¹²	5	5	-	-	-	5
Other liabilities	36	36	-	-	-	36
Due to subsidiaries	6,112	5,056	131	588	337	6,112
Issued debt securities and other borrowings	43,135	451	2,587	28,891	19,335	51,264
Loan capital ¹³	3,371	60	1,160	2,055	776	4,051
Total	52,659	5,608	3,878	31,534	20,448	61,468
Total undiscounted contingent liabilities and commitments¹⁴	-	7,576	-	-	-	7,576
COMPANY 2023						
Derivative liabilities (trading) ¹¹	5	5	-	-	-	5
Other liabilities	20	20	-	-	-	20
Due to subsidiaries	4,698	4,698	-	-	-	4,698
Issued debt securities and other borrowings	39,055	420	1,146	22,758	22,756	47,080
Loan capital ¹³	3,362	55	160	2,257	1,726	4,198
Total	47,140	5,198	1,306	25,015	24,482	56,001
Total undiscounted contingent liabilities and commitments¹⁴	-	5,496	965	1	2	6,464

¹² Derivative liabilities (trading) and trading liabilities are included in the '0 to 3 months' at their fair value. Liquidity risk on these items is not managed on the basis of contractual maturity, as they are frequently traded.

¹³ Includes securities with conditional repayment obligations. The cash outflow on the principal component on these securities is disclosed using the earliest optional exchange dates and the cash outflow of the interest component is disclosed using coupon dates instead of the contractual maturity. For contractual maturity of these securities refer to Note 26 *Loan capital*, further these instruments may be converted into ordinary shares on the occurrence of an other exchange event, and this may impact their maturity profile.

¹⁴ 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.

Note 36

Financial risk management continued

Note 36.3 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.

Traded market risk

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

- **price:** The risk of loss due to changes in price of a risk factor (interest rates, foreign exchange, commodities etc.)
- **volatility:** The risk of loss due to changes in the volatility of a risk factor
- **basis:** 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. The Consolidated Entity is prepared to accept such risks provided they are within agreed limits, independently and correctly identified, calculated and monitored by RMG, and reported to Senior Management on a regular basis.

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

RMG sets three complementary limit structures:

- **contingent loss limits:** Worst-case scenarios that shock prices and volatilities by more than that which has occurred historically. Multiple scenarios are set for each market to capture the non-linearity and complexity of exposures arising from derivatives. A wide range of assumptions about the correlation 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 2024 continued

Note 36

Financial risk management continued

Note 36.3 Market risk continued

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

The table below shows the average, maximum and minimum VaR over the financial year for the major markets in which the Consolidated Entity 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.

	2024			2023		
	Average	Maximum	Minimum	Average	Maximum	Minimum
	\$m	\$m	\$m	\$m	\$m	\$m
Equities	5.74	8.04	3.59	4.15	7.75	1.91
Interest rates	5.21	8.00	3.56	6.57	11.24	2.98
Foreign exchange	3.37	8.05	1.41	3.71	9.07	0.89
Commodities and commodity contracts	32.02	50.26	17.18	54.71	118.42	33.99
Aggregate	33.26	53.17	20.36	55.51	115.88	34.48

Value-at-Risk

The 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.

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

Non-traded market risk

The Consolidated Entity 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.

The Consolidated Entity has limited appetite for non-traded market risks. Where commercially feasible, these risks are transferred into the trading books of CGM and Group Treasury and governed within the traded market risk framework described above. Responsibility for managing exposures rests with individual businesses, with independent monitoring performed by RMG and FMG.

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 positions in the income statement as set out in Note 44(x) *Derivative instruments and hedging activities* and Note 35 *Hedge accounting*.

Note 36

Financial risk management continued

Note 36.3 Market risk continued

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 the Consolidated Entity are constrained on both measures:

- **Economic Value Sensitivity (EVS):** the EVS metric measures the change in 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 the Consolidated Entity'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 constrained by Board-approved limits, and subject to independent oversight by RMG.

Foreign exchange risk

The Consolidated Entity is active in various currencies globally. A key objective of the Consolidated Entity's *Non-traded Market Risk Policy* is to reduce this sensitivity of regulatory capital ratios to foreign currency movements.

This is achieved by leaving specific investments in foreign operations exposed to foreign currency translation movements and captured in the foreign currency translation reserve, a component of regulatory capital, which aligns the foreign exchange sensitivity of capital supply with that of foreign currency capital requirements.

The table below presents the sensitivity of the Consolidated Entity's net investment in foreign operations to the most material currencies. As a result of the policy described above, these movements will not have a material impact on the capital ratios.

	2024		2023	
	Movement in exchange rates %	Sensitivity of other comprehensive income after tax \$m	Movement in exchange rates %	Sensitivity of other comprehensive income after tax \$m
				CONSOLIDATED
United States dollar	+10	(1,312)	+10	(1,254)
Pound sterling	+10	(220)	+10	(201)
Euro	+10	(145)	+10	(111)
Total		(1,677)		(1,566)
United States dollar	-10	1,312	-10	1,254
Pound sterling	-10	220	-10	201
Euro	-10	145	-10	111
Total		1,677		1,566

Notes to the financial statements

For the financial year ended 31 March 2024 continued

Note 36

Financial risk management continued

Note 36.3 Market risk continued

Interest rate risk – Interest Rate Benchmark Reform (IBOR)

During 2018, the Consolidated Entity initiated a group-wide project to manage the impacts of IBOR reform, including overseeing the transition from LIBOR to ARR.

The Consolidated Entity's reform project oversaw the successful transition of contracts referencing LIBORs that ceased publication on 30 June 2023 and 31 December 2021 in accordance with industry and regulatory guidance. This included the transition of the Consolidated Entity's exposures in GBP, JPY, EUR, CHF and USD LIBOR, as well as IBOR for other minor currencies.

The remaining transition focus is on the Canadian Dollar Offered Rate (CDOR) which will cease publication on 28 June 2024. The Consolidated Entity has actively begun to engage with clients to support them through the transition from CDOR to the Canadian Overnight Repo Rate Average (CORRA).

The Consolidated Entity also continues to have exposures to the 28-day term Mexican Interbank Equilibrium Interest Rate (TIIE). The transition risk for these contracts is low, given that the TIIE will be calculated synthetically from 1 January 2025 and amendments to existing contracts are not required.

Whilst the transition of contracts referencing CDOR and other minor IBORs continues to expose the Consolidated Entity to inherent risks, the remaining IBOR transition efforts and risk has significantly reduced. The operating groups manage remaining IBOR transition risks within the Consolidated Entity's existing risk management framework.

Exposure yet to be transitioned to ARRs: The notional value of the Consolidated Entity's financial instruments which are yet to transition to ARRs as at the reporting date includes:

- **derivatives:** gross exposure of \$19,342 million in MXN TIIE, \$3,942 million in CDOR and \$884 million in other currencies (2023: \$79,673 million in USD LIBOR, \$14,886 million in MXN TIIE, \$3,573 million in CDOR and \$618 million in other currencies)
- **non-derivative financial assets:** exposure of \$470 million in CDOR and \$103 million in other currencies (2023: \$5,231 million in USD LIBOR, \$704 million in CDOR and \$152 million in other currencies).
- **non-derivative financial liabilities:** \$nil exposure (2023: \$3,637 million in USD LIBOR).

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

- the benchmark will be replaced, and the replacement date is known. Only exposures with contractual maturities extending beyond the replacement date have been included
- the gross notional values for derivatives and both on-balance sheet and off-balance sheet exposures have been included
- for contracts that reference more than one benchmark, such as a cross currency swap, the exposure includes both benchmarks to reflect the absolute exposure to different reference rates
- derivative contracts of \$nil (2023: \$9,664 million) designated in hedge accounting relationships have synthetically transitioned and have been excluded, primarily relating to the USD LIBOR to SOFR transition.

Note 36

Financial risk management continued

Note 36.3 Market risk continued

Equity price risk

The below table indicates the income statement effect of the Consolidated Entity's equity exposures held as part of its non-trading investment portfolio, due to a reasonably possible change in equity prices, with all other variables held constant. Equity exposures exclude interest in associate and joint ventures.

	2024		2023	
	Movement in equity price	Sensitivity of profit after tax	Movement in equity price	Sensitivity of profit after tax
	%	\$m	%	\$m
	CONSOLIDATED			
Listed	+10	13	+10	10
Unlisted	+10	137	+10	144
Increase in equity prices	+10	150	+10	154
Listed	-10	(13)	-10	(10)
Unlisted	-10	(137)	-10	(144)
Decrease in equity prices	-10	(150)	-10	(154)

Notes to the financial statements

For the financial year ended 31 March 2024 continued

Note 37

Measurement categories of financial instruments

The following table contains information relating to the measurement categories (i.e. Held for trading (HFT), FVTPL, DFVTPL, FVOCI or Amortised cost) of assets and liabilities of the Consolidated Entity. The description of measurement categories are included in Note 44(vii) *Financial instruments*.

The methods and significant assumptions that have been applied in determining the fair values of assets and liabilities are disclosed in Note 38 *Fair value of assets and liabilities*.

	FINANCIAL INSTRUMENTS CARRIED AT						Statements of financial position total \$m	FAIR VALUE OF ITEMS CARRIED AT	
	FAIR VALUE				Amortised Cost \$m	Non-financial instruments \$m		Fair Value \$m	Amortised Cost \$m
	HFT \$m	DFVTPL \$m	FVTPL \$m	FVOCI \$m					
									CONSOLIDATED 2024
Assets									
Cash and bank balances	-	-	-	-	31,855	-	31,855	-	31,855
Cash collateralised lending and reverse repurchase agreements	-	-	11,774	34,915	11,727	-	58,416	46,689	11,727
Trading assets ¹	25,398	-	-	-	-	2,526	27,924	27,924	-
Margin money and settlement assets	-	-	275	-	23,842	-	24,117	275	23,842
Derivative assets	23,064	-	1,003	-	-	-	24,067	24,067	-
Financial investments:									
Equity	-	-	2,218	-	-	-	2,218	2,218	-
Debt ²	-	-	787	19,453	1,920	-	22,160	20,240	1,920
Held for sale assets	-	-	352	-	-	1,852	2,204	352	-
Other assets ³	-	-	3,976	255	4,173	4,234	12,638	5,157	4,173
Loan assets ²	-	-	1,310	559	174,502	-	176,371	1,869	175,019
interests in associates and joint ventures:									
Equity interests	-	-	9	-	-	5,833	5,842	9	-
Loans to associates and joint ventures ²	-	-	649	-	478	-	1,127	649	478
Property, plant and equipment and right-of-use assets ²	-	-	-	-	-	8,134	8,134	-	-
Intangible assets	-	-	-	-	-	4,254	4,254	-	-
Deferred tax assets	-	-	-	-	-	2,077	2,077	-	-
Total assets	48,462	-	22,353	55,182	248,497	28,910	403,404	129,449	249,014
Liabilities									
Cash collateralised borrowing and repurchase agreements	-	82	-	-	12,517	-	12,599	82	12,517
Trading liabilities	5,044	-	-	-	-	-	5,044	5,044	-
Margin money and settlement liabilities	-	-	-	-	28,423	-	28,423	-	28,423
Derivative liabilities	21,808	-	3,777	-	-	-	25,585	25,585	-
Deposits	-	-	-	-	148,416	-	148,416	-	148,375
Held for sale liabilities	-	-	-	-	397	10	407	-	397
Other liabilities ⁴	-	3,885	-	-	2,712	7,875	14,472	3,885	2,712
Issued debt securities and other borrowings ²	-	2,792	-	-	117,086	-	119,878	2,792	118,276
Deferred tax liabilities	-	-	-	-	-	383	383	-	-
Loan capital	-	-	-	-	14,201	-	14,201	-	14,688
Total liabilities	26,852	6,759	3,777	-	323,752	8,268	369,408	37,388	325,388

¹ Non-financial assets under 'Trading assets' represent commodities carried at fair value less costs to sell.

² Items measured at amortised cost or cost includes, where applicable, fair value hedge accounting adjustments for the designated hedged risks.

³ Non-financial assets under 'Other assets' include investment properties carried at fair value.

⁴ The fair value of other liabilities carried at amortised cost excludes lease liabilities.

Note 37

Measurement categories of financial instruments continued

	FINANCIAL INSTRUMENTS CARRIED AT					Non-financial instruments	Statements of financial position total	FAIR VALUE OF ITEMS CARRIED AT	
	FAIR VALUE				Amortised Cost			Fair Value	Amortised Cost
	HFT	DFVTPL	FVTPL	FVOCI					
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	
CONSOLIDATED 2023									
Assets									
Cash and bank balances	-	-	-	-	45,656	-	45,656	-	45,656
Cash collateralised lending and reverse repurchase agreements	-	-	4,963	33,463	15,897	-	54,323	38,426	15,897
Trading assets ⁵	14,475	-	-	-	-	2,406	16,881	16,881	-
Margin money and settlement assets	-	-	576	-	24,680	-	25,256	576	24,680
Derivative assets	34,906	-	1,208	-	-	-	36,114	36,114	-
Financial investments:									
Equity	-	-	2,170	-	-	-	2,170	2,170	-
Debt ⁶	-	-	721	17,262	1,721	-	19,704	17,983	1,721
Held for sale assets	-	-	59	-	82	780	921	59	82
Other assets ⁷	-	-	2,394	4	4,411	3,629	10,438	3,327	4,411
Loan assets	-	-	1,110	549	156,913	-	158,572	1,659	156,364
interests in associates and joint ventures:									
Equity interests	-	-	-	-	-	4,610	4,610	-	-
Loans to associates and joint ventures ⁶	-	-	544	-	420	-	964	544	420
Property, plant and equipment and right-of-use assets ⁶	-	-	-	-	-	6,639	6,639	-	-
Intangible assets	-	-	-	-	-	3,827	3,827	-	-
Deferred tax assets	-	-	-	-	-	1,797	1,797	-	-
Total assets	49,381	-	13,745	51,278	249,780	23,688	387,872	117,739	249,231
Liabilities									
Cash collateralised borrowing and repurchase agreements	-	277	-	-	18,460	-	18,737	277	18,460
Trading liabilities	4,810	-	-	-	-	-	4,810	4,810	-
Margin money and settlement liabilities	-	-	-	-	27,482	-	27,482	-	27,482
Derivative liabilities	29,055	-	3,735	-	-	-	32,790	32,790	-
Deposits	-	-	-	-	134,714	-	134,714	-	134,598
Held for sale liabilities	-	-	-	-	145	28	173	-	145
Other liabilities ⁸	-	1,330	-	-	2,947	8,235	12,512	1,330	2,245
Issued debt securities and other borrowings ⁶	-	2,583	-	-	106,878	-	109,461	2,583	106,496
Deferred tax liabilities	-	-	-	-	-	196	196	-	-
Loan capital	-	-	-	-	12,891	-	12,891	-	12,806
Total liabilities	33,865	4,190	3,735	-	303,517	8,459	353,766	41,790	302,232

⁵ Non-financial assets under 'Trading assets' represent commodities carried at fair value less costs to sell.

⁶ Items measured at amortised cost or cost includes, where applicable, fair value hedge accounting adjustments for the designated hedged risks.

⁷ Non-financial assets under 'Other assets' include investment properties carried at fair value.

⁸ The fair value of other liabilities carried at amortised cost excludes lease liabilities.

Notes to the financial statements

For the financial year ended 31 March 2024 continued

Note 37

Measurement categories of financial instruments continued

The following table contains information relating to the measurement categories of assets and liabilities of the Company. The description of measurement categories are included in Note 44(vii) *Financial instruments*.

The methods and significant assumptions that have been applied in determining the fair values of assets and liabilities are disclosed in Note 38 *Fair value of assets and liabilities*.

	FINANCIAL INSTRUMENTS CARRIED AT						Statements of financial position total	FAIR VALUE OF ITEMS CARRIED AT	
	FAIR VALUE				Amortised Cost	Non-financial instruments		Fair Value	Amortised Cost
	HFT	DFVTPL	FVTPL	FVOCI					
\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	
COMPANY 2024									
Assets									
Derivative assets	1	-	-	-	-	-	1	1	-
Financial investments:									
Debt	-	-	-	1,763	-	-	1,763	1,763	-
Other assets	-	-	-	-	-	22	22	-	-
Due from subsidiaries ⁹	82	-	3,394	-	45,891	345	49,712	3,476	43,514
Investments in subsidiaries	-	-	-	-	-	33,805	33,805	-	-
Deferred tax assets	-	-	-	-	-	41	41	-	-
Total assets	83	-	3,394	1,763	45,891	34,213	85,344	5,240	43,514
Liabilities									
Derivative liabilities	5	-	-	-	-	-	5	5	-
Other liabilities ¹⁰	-	-	-	-	36	133	169	-	36
Due to subsidiaries ¹¹	768	-	-	-	5,344	1,145	7,257	768	5,344
Issued debt securities and other borrowings	-	1,377	-	-	41,758	-	43,135	1,377	40,211
Loan capital	-	-	-	-	3,371	-	3,371	-	3,530
Total liabilities	773	1,377	-	-	50,509	1,278	53,937	2,150	49,121

⁹ Due from subsidiaries includes derivatives and trading positions classified as HFT and subordinated loan to subsidiaries classified as FVTPL. All other intercompany receivables are carried at amortised cost. Non-financial receivables primarily represent internal tax balances.

¹⁰ Non-financial liabilities primarily represents provisions for tax payable and MEREP related obligations.

¹¹ Due to subsidiaries includes derivatives and trading positions classified as held for trading; employee stock option related obligations and tax payables classified as non-financial liabilities. All other intercompany payables are carried at amortised cost.

Note 37

Measurement categories of financial instruments continued

	FINANCIAL INSTRUMENTS CARRIED AT					Non-financial instruments	Statements of financial position total	FAIR VALUE OF ITEMS CARRIED AT	
	FAIR VALUE				Amortised Cost			Fair Value	Amortised Cost
	HFT	DFVTPL	FVTPL	FVOCI					
\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	
COMPANY 2023									
Assets									
Derivative assets	3	-	-	-	-	-	3	3	-
Other assets	-	-	-	-	7	23	30	-	7
Due from subsidiaries ¹²	112	-	3,438	-	44,952	315	48,817	3,550	42,121
Investments in subsidiaries	-	-	-	-	-	32,604	32,604	-	-
Deferred tax assets	-	-	-	-	-	3	3	-	-
Total assets	115	-	3,438	-	44,959	32,945	81,457	3,553	42,128
Liabilities									
Derivative liabilities	5	-	-	-	-	-	5	5	-
Other liabilities ¹³	-	-	-	-	20	221	241	-	20
Due to subsidiaries ¹⁴	823	-	-	-	3,875	988	5,686	823	3,875
Issued debt securities and other borrowings	-	973	-	-	38,082	-	39,055	973	35,425
Loan capital	-	-	-	-	3,362	-	3,362	-	3,451
Total liabilities	828	973	-	-	45,339	1,209	48,349	1,801	42,771

¹² Due from subsidiaries includes derivatives and trading positions classified as HFT and subordinated loan to subsidiaries classified as FVTPL. All other intercompany receivables are carried at amortised cost. Non-financial receivables primarily represent internal tax balances.

¹³ Non-financial liabilities primarily represents provisions for tax payable and MEREP related obligations.

¹⁴ Due to subsidiaries includes derivatives and trading positions classified as held for trading; employee stock option related obligations and tax payables classified as non-financial liabilities. All other intercompany payables are carried at amortised cost.

Notes to the financial statements

For the financial year ended 31 March 2024 continued

Note 38

Fair value of assets and liabilities

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

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

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

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

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

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

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

The following methods and significant assumptions have been applied in determining the fair values of the following items carried at amortised cost in the 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 and Deposits	The fair value of fixed rate loan assets and term deposits is determined with reference to changes in interest rates and credit spreads. The fair value of variable rate loan assets and deposits approximates their carrying amounts, subject to any adjustment for changes in the credit spreads. The fair value of demand deposits with no fixed maturity approximates their carrying amount as they are short-term in nature or are payable on demand.
Financial investments	The fair 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.
Issued debt securities and other borrowings, and Loan capital	The fair value of issued debt securities, borrowings and loan capital is based on quoted prices in active markets, where available. Where quoted prices are not available the fair value is based on discounted cash flows using rates appropriate to the term and incorporates changes in the Consolidated Entity's own credit spread.
Margin money, settlement assets and 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.

Note 38

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.
Reverse repurchase and repurchase agreements	Reverse repurchase and repurchase agreements, being collateralised financing arrangements, are measured at fair value with reference to current market rates and giving considerations to the fair value of securities held or provided as the collateral.
Financial investments	Financial investments classified as FVTPL or FVOCI are measured at fair value by reference to quoted prices in active markets, where available (for example, listed securities). If quoted prices in active markets are not available, the fair values are estimated on the basis of other recognised valuation techniques that maximise the use of quoted prices and observable market inputs.
Loan assets and Issued debt securities and other borrowings	Fair values of loans and issued debt securities are measured by reference to quoted prices in active markets, where available. If quoted prices are not available in active markets, the fair values are estimated with reference to current market rates.
Investment property	Investment property is measured at fair value based on the discounted future cash flow approach or the capitalisation approach and is supported by recent market transactions, where available. The adopted discount rates and capitalisation rates are determined based on industry expertise.
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, the adjustment is calculated on a counterparty basis for those exposures. For financial liabilities carried at fair value, in order to measure the Consolidated Entity's own credit risk, an adjustment is incorporated into the valuations.

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

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

Notes to the financial statements

For the financial year ended 31 March 2024 continued

Note 38

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 Statements 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
CONSOLIDATED 2024				
Assets				
Loan assets	-	7,134	167,885	175,019
Total assets	-	7,134	168,363	175,019
Liabilities				
Deposits	107,085	21,675	19,616	148,376
Issued debt securities and other borrowings	-	106,752	11,525	118,277
Loan capital	5,979	8,709	-	14,688
Total liabilities	113,064	137,136	31,141	281,341
CONSOLIDATED 2023				
Assets				
Loan assets	-	5,847	150,459	156,306
Total assets	-	5,847	150,459	156,306
Liabilities				
Deposits	94,700	18,259	21,689	134,648
Issued debt securities and other borrowings	476	95,270	10,750	106,496
Loan capital	4,779	8,027	-	12,806
Total liabilities	99,955	121,556	32,439	253,950

The financial assets and liabilities measured at amortised cost in the Company as at 31 March 2024 and 31 March 2023 are predominantly categorised as Level 2 in the fair value hierarchy except for loan capital which is classified as Level 1.

Note 38

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
CONSOLIDATED 2024				
Assets				
Cash collateralised lending and reverse repurchase agreements	-	46,689	-	46,689
Trading assets	19,959	7,146	819	27,924
Margin money and settlement assets	-	275	-	275
Derivative assets	1	23,652	414	24,067
Financial investments	300	20,042	2,116	22,458
Held for sale and other assets ¹	-	4,269	1,240	5,509
Loan assets	-	427	1,442	1,869
Interests in associates and joint ventures	-	-	658	658
Total assets	20,260	102,500	6,689	129,449
Liabilities				
Cash collateralised borrowing and repurchase agreements	-	82	-	82
Trading liabilities	4,835	209	-	5,044
Derivative liabilities	-	25,002	583	25,585
Held for sale and other liabilities	-	3,785	100	3,885
Issued debt securities and other borrowings	-	2,792	-	2,792
Total liabilities	4,835	31,870	683	37,388
CONSOLIDATED 2023				
Assets				
Cash collateralised lending and reverse repurchase agreements	-	38,426	-	38,426
Trading assets	8,296	7,781	804	16,881
Margin money and settlement assets	-	576	-	576
Derivative assets	13	35,305	796	36,114
Financial investments	5,373	12,918	1,862	20,153
Held for sale and other assets ¹	-	2,313	1,073	3,386
Loan assets	-	418	1,241	1,659
Loans to associates and joint ventures	-	-	544	544
Total assets	13,682	97,737	6,320	117,739
Liabilities				
Cash collateralised borrowing and repurchase agreements	-	277	-	277
Trading liabilities	4,671	139	-	4,810
Derivative liabilities	8	31,998	784	32,790
Held for sale and other liabilities	-	1,330	-	1,330
Issued debt securities and other borrowings	-	2,583	-	2,583
Total liabilities	4,679	36,327	784	41,790

The Company does not hold financial instruments measured at fair value except for:

- \$1,763 million (2023: \$nil million) financial investments which are Level 2 financial instruments,
- \$3,394 million (2023: \$3,438 million) loan capital securities held in subsidiaries which are Level 3 financial instruments
- \$82 million (2023: \$112 million) derivative assets and \$768 million (2023: \$823 million) derivative liabilities with subsidiaries and
- \$1,377 million (2023: \$973 million) structured notes issued which are Level 2 financial instruments.

Fair value sensitivity of these intercompany balances to alternate assumptions and valuation inputs is not significant and hence not covered under the sensitivity analysis disclosures.

¹ Includes \$927 million (2023: \$917 million) of investment properties measured at fair value.

Notes to the financial statements

For the financial year ended 31 March 2024 continued

Note 38

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 on a recurring basis by the Consolidated Entity.

	Trading assets \$m	Financial investments \$m	Held for sale and other assets \$m	Loan assets \$m	Interests in associates and joint ventures \$m	Derivative financial instruments (net fair values) ² \$m	Held for sale and other liabilities	Total \$m
Balance as at 1 Apr 2022	535	2,047	1,016	566	359	(769)	-	3,754
Purchases, originations, issuances and other additions	272	1,130	204	1,127	298	329	-	3,360
Sales, settlements and repayments	(23)	(152)	(333)	(281)	(53)	219	-	(623)
Reclassification	-	-	86	-	(86)	-	-	-
Transfers into Level 3 ³	222	57	56	2	-	158	-	495
Transfers out of Level 3 ³	(180)	(1,295)	(5)	(65)	(85)	37	-	(1,593)
Fair value movements recognised in the income statement:								
Net trading income/(loss) ⁴	(22)	190	63	(62)	31	4	-	204
Other income/(loss)	-	(50)	(14)	(38)	(19)	12	-	(109)
Fair value movements recognised in OCI	-	(65)	-	(8)	99	22	-	48
Balance as at 31 Mar 2023	804	1,862	1,073	1,241	544	12	-	5,536
Fair value gain/(loss) for the financial year included in the income statement for assets and liabilities held at the end of the financial year ⁴	(16)	164	16	36	39	(22)	-	217
Balance as at 1 Apr 2023	804	1,862	1,073	1,241	544	12	-	5,536
Purchases, originations, issuances and other additions	712	500	259	675	512	42	(126)	2,574
Sales, settlements and repayments	(617)	(91)	(191)	(558)	(35)	(226)	21	(1,697)
Reclassification	-	(9)	201	-	(192)	-	-	-
Transfers into Level 3 ³	10	36	-	4	69	30	-	149
Transfers out of Level 3 ³	(182)	(653)	(169)	-	(106)	(64)	5	(1,169)
Fair value movements recognised in the income statement:								
Net trading income/(loss) ⁴	92	68	23	35	8	47	-	273
Other income/(loss)	-	368	44	50	(127)	-	-	335
Fair value movements recognised in OCI	-	35	-	(5)	(15)	(10)	-	5
Balance as at 31 Mar 2024	819	2,116	1,240	1,442	658	(169)	(100)	6,006
Fair value gain/(loss) for the financial year included in the income statement for assets and liabilities held at the end of the financial year ⁴	91	416	(1)	57	(95)	48	-	516

² The derivative financial instruments in the table above are presented on a net basis. On a gross basis, derivative assets are \$414 million (2023: \$796 million) and derivative liabilities are \$583 million (2023: \$784 million).

³ Assets and liabilities transferred in or out of Level 3 are presented as if the assets or liabilities were transferred at the beginning of the financial year.

⁴ The Consolidated Entity employs various hedging techniques in order to manage risks including foreign exchange risks in Level 3 positions. The gains and losses relating to such hedging techniques, may include the purchase or sale of financial instruments measured at fair value that are classified as Level 1 or 2 positions or foreign currency denominated financial instruments that are measured at amortised cost, that are not presented in the table above.

Note 38

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 interest 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 in which significant unobservable inputs are used.

	CONSOLIDATED	
	2024	2023
	\$m	\$m
Balance at the beginning of the financial year	272	76
Deferred gain on new transactions and other adjustments	190	231
Foreign exchange movements	(2)	23
Recognised in net trading income during the year	(172)	(58)
Balance at the end of the financial year	288	272

Notes to the financial statements

For the financial year ended 31 March 2024 continued

Note 38

Fair value of assets and liabilities continued

Significant unobservable inputs

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

	Fair value of assets \$m	Fair value of liabilities \$m	Valuation technique(s)	Significant unobservable inputs	RANGE OF INPUTS	
					Minimum value	Maximum value
CONSOLIDATED 2024						
Interest rate and other products	3,661	69	Discounted cash flows	Discount rate – Credit spreads	5.7%	10.0%
			Comparable transactions	Price in %	40.0	94.9
Commodities	1,203	608	Pricing model	Commodity margin curves	(230.9)	958.7
			Pricing model	Correlation	(50.0%)	100.0%
			Pricing model	Volatility and related variables	0.0%	212.1%
Equity and equity-linked products	1,825	6	Net Asset Value (NAV)	Fund's NAV ⁵		
			Pricing model	Earnings multiples	7.0x	16.7x
Total	6,689	683				
CONSOLIDATED 2023						
Interest rate and other products	3,268	16	Discounted cash flows	Discount rate – Credit spreads	5.5%	10.0%
			Comparable transactions	Price in %	24.1%	95.4%
Commodities	1,523	759	Pricing model	Commodity margin curves	(242.0)	2,243.0
			Pricing model	Correlation	(72.0%)	100.0%
			Pricing model	Volatility and related variables	6.0%	600.0%
Equity and equity-linked products	1,529	9	Net Asset Value (NAV)	Fund's NAV ⁵		
			Pricing model	Earnings multiples	3.0x	14.8x
Total	6,320	784				

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

Interest rate and other products

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

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

⁵ The range of inputs in NAV is not disclosed as the diverse nature of the underlying investments results in a wide range of inputs.

Note 38

Fair value of assets and liabilities continued

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 the commodity or delivery location and other economic conditions.

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

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

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

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.

Sensitivity analysis of valuations using unobservable inputs

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

	FAVOURABLE CHANGES		UNFAVOURABLE CHANGES	
	Profit or loss	OCI	Profit or loss	OCI
	\$m	\$m	\$m	\$m
	CONSOLIDATED 2024			
Product type				
Commodities	214	-	(181)	-
Interest rate and other products	153	18	(172)	(23)
Equity and equity-linked products	174	-	(121)	-
Total	541	18	(474)	(23)
	CONSOLIDATED 2023			
Product type				
Commodities	115	-	(104)	-
Interest rate and other products	122	11	(114)	-
Equity and equity-linked products	126	1	(93)	-
Total	363	12	(311)	-

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 2024 continued

Note 39

Offsetting financial assets and financial liabilities

The Consolidated Entity and the Company presents financial assets and financial liabilities on a net basis in the Statements of financial position when they meet the criteria described in Note 44(vii) *Financial instruments*. The following tables provide information on the impact of offsetting of financial instruments in the Statements of financial position, as well as amounts subject to enforceable netting arrangements that do not meet all the criteria for offsetting and therefore presented gross in the Statements of financial position. Enforceable netting arrangements may allow for net settlement of specified contracts with a counterparty only in the event of default or other pre-determined events, such that their potential effects on the Consolidated Entity's and the Company's financial position in that circumstance is to settle these contracts as one arrangement.

The Consolidated Entity uses a variety of credit risk mitigation strategies in addition to netting and collateral arrangements, therefore amounts presented in this note are not intended to represent the credit risk exposure of the entity. Refer to Note 36.1 *Credit risk* for information on credit risk management.

	EFFECT OF OFFSETTING ON THE STATEMENT OF FINANCIAL POSITION		RELATED AMOUNTS SUBJECT TO ENFORCEABLE NETTING ARRANGEMENTS ¹			Other collateral for exposures not subject to enforceable netting arrangements	Net exposure
	Gross amount ² \$m	Amounts offset on the Statements of financial position \$m	Net amounts reported on the Statements of financial position \$m	Other recognised financial instruments \$m	Cash and other financial collateral \$m		
CONSOLIDATED 2024							
Cash collateralised lending and reverse repurchase agreements	58,728	(312)	58,416	(16)	(54,405)	(3,947)	48
Settlement assets ³	17,157	(6,188)	10,969	(2,782)	-	-	8,187
Derivative assets	29,845	(5,778)	24,067	(12,593)	(4,059)	(60)	7,355
Other assets ⁴	5,329	(460)	4,869	(211)	(127)	(29)	4,502
Total Assets	111,059	(12,738)	98,321	(15,602)	(58,591)	(4,036)	20,092
Cash collateralised borrowing and repurchase agreements	(12,911)	312	(12,599)	16	10,357	59	(2,167)
Settlement liabilities ³	(16,818)	6,188	(10,630)	2,777	(3)	-	(7,856)
Derivative liabilities	(31,363)	5,778	(25,585)	12,598	6,076	70	(6,841)
Other liabilities ⁴	(4,308)	460	(3,848)	211	-	-	(3,637)
Total Liabilities	(65,400)	12,738	(52,662)	15,602	16,430	129	(20,501)
CONSOLIDATED 2023							
Cash collateralised lending and reverse repurchase agreements	54,632	(309)	54,323	(166)	(48,275)	(5,831)	51
Settlement assets ³	18,872	(8,013)	10,859	(3,685)	-	-	7,174
Derivative assets	45,304	(9,190)	36,114	(19,919)	(6,397)	(94)	9,704
Other assets ⁴	4,411	(1,147)	3,264	(106)	(42)	(50)	3,066
Total Assets	123,219	(18,659)	104,560	(23,876)	(54,714)	(5,975)	19,995
Cash collateralised borrowing and repurchase agreements	(19,046)	309	(18,737)	166	14,707	249	(3,615)
Settlement liabilities ³	(18,386)	8,013	(10,373)	3,843	-	-	(6,530)
Derivative liabilities	(41,980)	9,190	(32,790)	19,761	6,330	149	(6,550)
Other liabilities ⁴	(2,518)	1,147	(1,371)	106	-	-	(1,265)
Total Liabilities	(81,930)	18,659	(63,271)	23,876	21,037	398	(17,960)

¹ Related amounts not offset have been limited to the net amount presented in the Statements of financial position so as not to include the effect of over-collateralisation.

² Gross amounts for assets include \$3,947 million (2023: \$5,831 million) of cash collateralised lending and reverse repurchase agreements, \$2,201 million (2023: \$1,408 million) of settlement assets, \$907 million (2023: \$1,804 million) of derivative assets, and \$4,455 million (2023: \$3,054 million) of commodity related receivables not subject to enforceable netting arrangements. Gross amounts for liabilities include \$59 million (2023: \$249 million) of cash collateralised borrowing and repurchase agreements, \$2,027 million (2023: \$1,675 million) of settlements liabilities, \$1,165 million (2023: \$1,522 million) of derivative liabilities, and \$3,264 million (2023: \$1,001 million) of commodity related payables not subject to enforceable netting arrangements.

Amounts not subject to enforceable netting arrangements are where 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 8 *Margin money and settlement assets* and Note 20 *Margin money and settlement liabilities* respectively on the Statements of financial position.

⁴ Other assets and liabilities are comprised of commodity related receivables and payables, respectively.

Note 39

Offsetting financial assets and financial liabilities continued

	EFFECT OF OFFSETTING ON THE STATEMENT OF FINANCIAL POSITION			RELATED AMOUNTS SUBJECT TO ENFORCEABLE NETTING ARRANGEMENTS ⁵			Other collateral for exposures not subject to enforceable netting arrangements	Net exposure
	Gross amount	Amounts offset on the Statements of financial position	Net amounts reported on the Statements of financial position	Other recognised financial instruments	Cash and other financial collateral			
	\$m	\$m	\$m	\$m	\$m	\$m		
								COMPANY 2024
Due from subsidiaries ⁶	49,644	(925)	48,719	(2,717)	-	-	-	46,002
Due to subsidiaries ⁶	(7,038)	925	(6,113)	2,717	675	-	-	(2,721)
								COMPANY 2023
Due from subsidiaries ⁶	50,088	(2,247)	47,841	(2,335)	-	-	-	45,506
Due to subsidiaries ⁶	(6,945)	2,247	(4,698)	2,335	696	-	-	(1,667)

⁵ Related amounts not offset have been limited to the net amount presented in the Statements of financial position so as not to include the effect of over-collateralisation.

⁶ Excludes margin money and non-financial assets of \$993 million (2023: \$976 million) and liabilities of \$1,144 million (2023: \$988 million) presented under Due from subsidiaries and Due to subsidiaries respectively on the Statements of financial position.

Notes to the financial statements

For the financial year ended 31 March 2024 continued

Note 40

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, stock lending arrangements, trading liabilities and derivative margining. These transactions are governed by standard industry agreements
- loan assets held by the Consolidated SEs provided as collateral against issued debt securities and other borrowings or repurchase transactions
- other types of financial and non-financial assets provided as collateral for borrowings and issued debt securities.

The table below represents assets that have been pledged as security for liabilities.

	CONSOLIDATED	
	2024	2023
	\$m	\$m
On Balance Sheet assets		
Cash and bank balances ¹	556	657
Trading assets	9,102	3,728
Financial investments	305	947
Loan assets ²	31,507	33,950
Margin money and settlement assets	594	403
Property, plant and equipment ¹	1,181	781
Intangible assets	1,193	1,006
Other assets ¹	1,640	610
Total On Balance Sheet assets pledged for liabilities	46,078	42,082
Off Balance Sheet assets		
Securities and commodities ³	25,050	23,454
Total On and Off Balance Sheet assets pledged for liabilities	71,128	65,536

¹ Certain balances available for immediate sale have been presented as held for sale on Statement of Financial Position.

² Includes \$19,252 million (2023: \$19,862 million) held by Consolidated SEs, which are available as security to holders of notes issued by consolidated securitisation vehicles. Additionally, includes \$11,870 million (2023: \$13,972 million) held by Consolidated securitisation vehicles wherein internally held bonds have been pledged against repurchase agreement liabilities.

³ Represents fair value of securities and commodities repledged by the Consolidated Entity out of the non-cash collateral received of \$86,624 million (2023: \$75,540 million) as part of Cash collateralised lending and reverse repurchase agreements and of \$2,730 million (2023: \$2,521 million) as part of derivative margining arrangements. Refer Cash collateralised lending and reverse repurchase agreements and Derivative instruments under Note 36.1 *Credit risk – Collateral and credit enhancements held* for further details.

Note 40

Pledged assets and transfers of financial assets continued

Transfer 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's Statements of financial position to other entities. Depending on the criteria discussed in Note 44(vii) *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 securitisation interests. For the financial years ended 31 March 2024 and 31 March 2023, there were no material transfers of financial assets where the Consolidated Entity has had continuing involvement.

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 2024 and 31 March 2023. 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 are 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 where the Consolidated Entity retains 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 2024 continued

Note 40

Pledged assets and transfers of financial assets continued

The following tables 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.

	Carrying amount of transferred assets	Carrying amount of associated liabilities	FOR THOSE LIABILITIES THAT ONLY HAVE RECOURSE TO THE TRANSFERRED ASSETS		Net fair value
			Fair value of transferred assets	Fair value of associated liabilities	
	\$m	\$m	\$m	\$m	\$m
CONSOLIDATED 2024					
Financial assets not derecognised due to repurchase and securities lending agreements:					
Trading assets ⁴	7,407	(247)	-	-	-
Loan assets ⁵	11,870	(9,556)	-	-	-
Other financial assets not derecognised:					
Trading assets	831	-	-	-	-
Financial investments	305	-	-	-	-
Loan assets	369	(369)	369	(369)	-
Total financial assets not derecognised	20,782	(10,172)	369	(369)	-
CONSOLIDATED 2023					
Financial assets not derecognised due to repurchase and securities lending agreements:					
Trading assets ⁴	2,122	(459)	-	-	-
Financial investments	742	(740)	-	-	-
Loan assets ⁵	13,972	(11,280)	-	-	-
Financial assets not derecognised due to total return/asset swaps:					
Financial investments	205	(189)	-	-	-
Other financial assets not derecognised:					
Trading assets	308	-	-	-	-
Loan assets	116	(116)	116	(116)	-
Total financial assets not derecognised	17,465	(12,784)	116	(116)	-

There were no material transfers of financial assets for the Company during the financial years ended 31 March 2024 and 31 March 2023.

⁴ Includes \$7,140 million (2023: \$1,622 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.

⁵ Represents the fair value of the SEs securitised bonds internally held by the Company which are pledged against repurchase agreement liabilities.

Note 41

Audit and other services provided by PricewaterhouseCoopers

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

	CONSOLIDATED	
	2024 \$'000	2023 ¹ \$'000
Audit of the Group and controlled entities: ²		
PwC – Australia	29,088	30,007
Network firms of PwC Australia	25,215	23,719
Total audit services	54,303	53,726
Audit-related services: ³		
PwC – Australia	10,806	22,405
Network firms of PwC Australia	1,070	1,142
Total audit-related services	11,876	23,547
Total audit and audit-related services	66,179	77,273
Taxation services:		
PwC – Australia	210	584
Network firms of PwC Australia	966	1,372
Total taxation services	1,176	1,956
Other services:		
PwC – Australia	1,179	1,331
Network firms of PwC Australia	44	468
Total other services	1,223	1,799
Total other non-audit services	2,399	3,755
Total remuneration paid to PwC for audit, audit-related and other non-audit services⁴	68,578	81,028

Use of PwC's services for engagements other than audit is restricted in accordance with the Consolidated Entity's *Audit and Assurance Independence Policy*.

¹ Comparative information has been restated to conform to the presentation in the current year.

² Prior period includes additional fees of \$809 thousand (2022: \$1,955 thousand) for PwC Australia and \$966 thousand (2022: \$2,187 thousand) for network firms of PwC Australia that related to the year ended 31 March 2023 but were incurred during the 2024 financial year.

³ Audit related services consist of assurance and related services traditionally performed by the independent external auditor of the Consolidated Entity. While in addition to their statutory audit role, these services are consistent with the role of the external auditor and include statutory assurance and other assurance services such as engagements required under regulatory, prudential, legislative or financing programmes as well as reviews requested by regulators and other agreed upon procedures.

⁴ An additional amount of \$24,472 thousand in 2023 (2022: \$21,295 thousand) was paid or payable to PricewaterhouseCoopers as fees for audit services for Macquarie-managed funds that are not a part of the Consolidated Entity.

Notes to the financial statements

For the financial year ended 31 March 2024 continued

Note 42

Acquisitions and disposals of subsidiaries and businesses

Acquisitions of subsidiaries and businesses

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

Core business operations

During the current year and prior financial year, there were no material business or subsidiaries held for core business operations were acquired.

Held for investment purposes

During the year ended 31 March 2024, subsidiaries and businesses acquired or consolidated primarily includes Camin Cargo Control Holdings, Inc., Adept Technology Group, Fidus Information Security Limited, Treglown Topco Limited, Insight Analytics Solutions Holdings Limited, Net Technical Solutions Limited and Excel Telesonic India Private Limited for a total consideration of \$761 million.

On acquisition, net assets of \$216 million, non-controlling interests of \$14 million and goodwill of \$559 million were recognised in the Statement of Financial Position. The purchase price allocations for the business combinations are provisional as at 31 March 2024.

During the year ended 31 March 2023, subsidiaries and businesses acquired or consolidated primarily includes Macquarie Real Estate Partners SCSp, Treaty Oak Clean Energy, LLC, Cowal Agriculture Unit Trust, Victorium Consortium Trust and OGL Computer Support Holdings for a total consideration of \$674 million.

On acquisition, net assets of \$1,877 million, non-controlling interests of \$1,364 million and goodwill of \$161 million were recognised in the Statement of Financial Position.

Note 43

Events after the reporting date

There were no material events subsequent to 31 March 2024 and up until the authorisation of the financial statements for issue, that have not been disclosed elsewhere in the financial statements.

Disposals of subsidiaries and businesses

The Consolidated Entity's disposal include subsidiaries and businesses which form part of core business operations as well as subsidiaries and businesses held for investment and resell purposes.

Core business operations

During the current year and prior financial year, there were no material business or subsidiaries held for core business operations were disposed of or deconsolidated.

Held for investment purposes

During the year ended 31 March 2024, subsidiaries and businesses disposed of or deconsolidated primarily includes MPF Vision HoldCo LLC, MPF Vision Parent LLC & Camin Cargo Control Holdings, Inc., Fibreconnect Italian Holding S.P.A., FibreConnect S.P.A, MAM Alliance Partners Infrastructure Fund L.P., Blue Leaf Energy Asia Pte Ltd, Treaty Oak Clean Energy HoldCo, LLC, Aula Energy Assets Hold Trust, Cowal Agriculture Unit Trust, Altius Bidco GmbH, Telemachus Holdings limited, Gana Energy Co. Ltd, Excel Telesonic India Private Limited, Macquarie Real Estate Partners SCSp and Macquarie Sustainable Global Listed Infrastructure Fund for a total transaction value of \$1,833 million.

Loss of control resulted in deconsolidation of net assets of \$2,240 million and non-controlling interest of \$710 million, resulting in the recognition of investment income (gain on interests in business and subsidiaries) of \$303 million in the income statement.

During the year ended 31 March 2023, subsidiaries and businesses disposed of or deconsolidated primarily includes Collfield Investments sp. Z.o.o, Nordic Renewable Power (Holdings) AB, Nordic Renewable Power AB, Lake Wind AB, Tysvaer Vindpark AS, Buheii Vindkraft AS and Victorium Consortium Trust for a total transaction value of \$1,002 million.

Loss of control resulted in deconsolidation of net assets of \$1,692 million and non-controlling interest of \$1,071 million, resulting in the recognition of investment income (gain on interests in business and subsidiaries) of \$381 million in the income statement.

Note 44

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

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

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

Structured entities

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

Where the Consolidated Entity has power over the SE's relevant activities, has assessed that its exposure to variable returns (including through the residual risk associated with its involvement in SEs) is sufficient, and is able to affect its returns, the SE is consolidated. Refer to Note 34 *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 statements, consolidated Statements 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 statements 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 impairment.

Interests in associates and joint ventures

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

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

Notes to the financial statements

For the financial year ended 31 March 2024 continued

Note 44

Material accounting policies continued

(i) Principles of consolidation continued

The equity method of accounting is applied in the consolidated Financial Report and requires the recognition of the Consolidated Entity's share of its associates' and joint ventures' post acquisition profits or loss (including impairments of the associates' or joint ventures' assets) in the consolidated income statement, and the share of the post-acquisition movements in other comprehensive income in the consolidated statement of comprehensive income. 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, 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 other operating income and charges together with any gains and losses in OCI that is related to the associate or joint venture.

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 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 other operating income and 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 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.

Note 44

Material accounting policies continued

(ii) Business combinations continued

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 in the Statements of financial position. Goodwill is subsequently measured at cost less accumulated impairment.

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

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

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

(iii) Foreign currency translation

Functional and presentation currency

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

Transactions and balances

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

At the end of each reporting period:

- foreign currency monetary assets and liabilities are translated using the closing exchange rate
- non-monetary items (including equity) measured in terms of historical cost in a foreign currency remain translated using the spot exchange rate at the date of the transaction, 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 35 *Hedge accounting* and Note 44(x) *Derivative instruments and hedging activities*).

Subsidiaries and other entities

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

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

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

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

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

Notes to the financial statements

For the financial year ended 31 March 2024 continued

Note 44

Material accounting policies continued

(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 impairment loss). 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.

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:

Base and other asset management fees, and performance fees

The Consolidated Entity earns base and other asset management and performance fees for providing asset management services for listed and unlisted funds, managed accounts and co-investments arrangements. It has been determined that the provision of asset management services is typically a single performance obligation.

Base management fees are recognised over the life of the contract as the asset management services are provided. Any associated performance fees are deemed to be a variable component of the same asset management service and are recognised only when it is highly probable that the performance hurdles are met, and a significant reversal of cumulative fees recognised to date will not occur. Determining the amount and timing of performance fees to be recognised involves judgement, the use of estimates (including management estimates of underlying asset values) and consideration of a number of criteria relating to both the fund or managed account in which the asset(s) are held, as well as the underlying asset(s), such as:

- the extent to which performance fee liabilities have been accrued by the fund or managed account to date or consideration of the current valuation case of the assets in relation to the related performance fee hurdle rate
- the proportion of assets realised and returns on those assets
- nature of remaining underlying fund or managed account's assets and potential downside valuation risks on each
- time remaining until realisation of the assets and the fund's life or asset management services' timeline
- consideration of the ability to dispose of the asset, including any barriers to divest.

Mergers and acquisitions, advisory and underwriting fees

The Consolidated Entity earns revenue through its role as advisor on corporate transactions as well as through its role as manager and underwriter of equity and debt issuances. The revenue from these arrangements is recognised at a point in time, and when it has been established that the customer has received the benefit of the service such that the performance obligation is satisfied. For advisory services this is typically at the time of closing the transaction.

Where mandates contain rights to invoice upon reaching certain milestones, the Consolidated Entity assesses whether distinct services have been transferred at these milestones and accordingly recognises revenue. If not, the fee recognition will be deferred until such time as the performance obligation has been completed. Management of capital raisings and underwriting of debt or equity capital raisings are each considered distinct performance obligations that are typically satisfied on the allocation date of the underwritten securities.

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.

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, lending services, stock borrow and lending activities and income on structured products which is recognised when the performance obligation is satisfied.

Note 44

Material accounting policies continued

(iv) Revenue and expense recognition continued

Net operating lease income

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

Other operating income and charges

Other operating income and charges includes investment income, and other income/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 44(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 other operating income and charges for other financial assets measured at FVTPL or FVOCI, or as a reduction to the carrying amount of the investment in associates and joint ventures in the Consolidated Entity's Statements of financial position. Where associates and joint ventures are classified as held for sale, dividends or distributions are recognised within other income as part of other operating income and charges.

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

Expenses

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

(v) Segment reporting

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

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

(vi) Taxation

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

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

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

Deferred tax assets and deferred tax liabilities that would otherwise arise following the enactment or substantive enactment of Pillar Two legislation are not recognised in the financial statements in accordance with a mandatory exception to the Accounting Standards, as disclosed in Note 1(iv) *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.

Notes to the financial statements

For the financial year ended 31 March 2024 continued

Note 44

Material accounting policies continued

(vi) Taxation continued

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.

The Company, together with all eligible Australian resident wholly owned subsidiaries, comprise a tax consolidated group (TCG) with the Company as the head entity. As a consequence, 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*. Under the terms and conditions of a tax funding agreement, the Company 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.

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

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 Statements of financial position as part of the cost of the related asset or is recognised as part of other operating expenses.

Where GST (or other value added tax) is recoverable from or payable to global tax authorities, the net amount is recorded as a separate asset or liability in the Statements of financial position.

(vii) Financial instruments

Recognition of financial instruments

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

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

The best evidence of a financial 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 evidence exists, the Consolidated Entity recognises profit or loss immediately when the instrument is recognised (day 1 profit or loss). When significant unobservable inputs are used to determine fair value, the day 1 profit or loss is deferred and is recognised in net trading income over the life of the transaction or when the inputs become observable.

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

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

Derecognition of financial instruments

Financial assets

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

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

A financial asset is transferred if, and only if, the Consolidated Entity:

- (i) transfers the contractual rights to receive the cash flows of the financial asset, or
- (ii) retains the contractual rights to receive the cash flows of the financial asset, but assumes a contractual obligation to pay the cash flows to one or more recipients in an arrangement where the Consolidated Entity is:
 - not obligated to pay amounts to the eventual recipients unless it collects equivalent amounts from the original asset
 - prohibited from selling or pledging the original asset other than as security to the eventual recipients, and
 - obligated to remit any cash flows it collects on behalf of the eventual recipients without material delay, generally considered to be within 1 to 3 months.

Note 44

Material accounting policies continued

(vii) Financial instruments continued

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

Financial guarantee contracts issued

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

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

Modification of financial instruments

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

For financial instruments measured at amortised cost, and for debt financial assets measured at FVOCI, when the modification does not result in derecognition, 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 on the basis of the financial asset's contractual cash flow characteristics.

Business model assessment

The Consolidated Entity uses judgement in determining the business model at the level that reflects how groups of financial assets are managed 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.

Notes to the financial statements

For the financial year ended 31 March 2024 continued

Note 44

Material accounting policies continued

(vii) Financial instruments continued

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 respect of debt financial investments and loans to associates, or to other income and charges as part of other operating income and charges for all other financial assets.

Fair value through profit or loss

Financial assets that do not meet the criteria to be measured at amortised cost or FVOCI are subsequently measured at FVTPL.

For the purposes of the Consolidated Entity's financial statements, the FVTPL classification consists of the following:

- financial assets that are held for active trading (held for trading (HFT)). This classification includes all derivative financial assets, except those that are designated as hedging instruments in qualifying hedge relationships and are classified as FVTPL
- financial assets in a business model whose objective is achieved by managing the financial assets on a fair value basis in order to realise gains and losses as opposed to a business model in which the objective is to collect contractual cash flows (FVTPL)
- financial assets that fail the SPPI test (FVTPL), and
- financial assets that have been designated to be measured at fair value through profit or loss to eliminate or significantly reduce an accounting mismatch (DFVTPL).

Equity financial assets that are not held for active trading are measured at FVTPL. Subsequent changes in fair value are recognised as investment income within other operating income and charges.

Subsequent changes in the fair value of debt financial assets measured at FVTPL are presented as follows:

- changes in the fair value of financial assets that are classified as HFT and financial assets managed on a fair value basis are recognised in net trading income
- changes in the fair value of debt financial investments and loans to associates and joint ventures that fail SPPI are recognised in investment income as part of other operating income and charges
- changes in the fair value of all other FVTPL and DFVTPL financial assets are recognised as part of other income and charges within other operating income and charges.

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

Reclassification of financial instruments

The Consolidated Entity reclassifies debt financial assets when and only when its business model for managing those assets changes. Financial assets that are reclassified are subsequently measured based on the financial asset's new measurement category.

The Consolidated Entity does not reclassify financial liabilities after initial recognition.

Financial liabilities

Financial liabilities are subsequently measured at amortised cost, unless they are either HFT, or have been designated to be measured at FVTPL (DFVTPL). A financial liability may be DFVTPL if:

- such a designation eliminates or significantly reduces an accounting mismatch that would otherwise have arisen
- a group of financial liabilities, or financial assets and financial liabilities, is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, or

Note 44

Material accounting policies continued

(vii) Financial instruments continued

- the liability contains embedded derivatives which must otherwise be separated and carried at fair value.

All derivative financial liabilities are classified as HFT, except those that are designated as hedging instruments in qualifying hedge relationships and are classified as FVTPL. Refer to Note 44(x) *Derivative instruments and hedging activities* for the detailed hedge accounting policy.

Changes in the fair value of financial liabilities that are not classified as HFT, with the exception of changes relating to the Consolidated Entity's own credit risk, are recognised in net trading income, or other income and charges as part of 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 either there is an intention to settle on a net basis or realise the financial asset and settle the financial liability simultaneously.

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

As part of its trading, 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
- 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 37 *Measurement categories of financial instruments*.

Repurchase agreements are subsequently measured at amortised cost, except where they are DFVTPL to eliminate an accounting mismatch created by managing the agreements together with the associated reverse repurchase agreements that are measured at FVTPL.

(ix) Trading assets and liabilities

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 44(vii) *Financial instruments*.

Trading assets (long positions) comprise financial instruments such as debt and equity securities, bank bills, treasury notes, and loans, commodity contracts and commodities purchased with the intent of being actively traded either individually or as part of a portfolio.

Trading liabilities comprise obligations to deliver assets (short positions) across the same trading categories and which the Consolidated Entity intends to actively trade.

Commodity inventory is recognised when the Consolidated Entity controls the commodity, the determination of which includes consideration of price risk. 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.

Notes to the financial statements

For the financial year ended 31 March 2024 continued

Note 44

Material accounting policies continued

(ix) Trading assets and liabilities continued

When the Consolidated Entity becomes party to a sale contract, and the derecognition criteria are met (refer to Note 44(vii) *Financial instruments*), it derecognises the trading asset or liability and recognises a trade receivable or trade payable from trade date until settlement date.

(x) Derivative instruments and hedging activities

Derivative instruments entered into by the Consolidated Entity include futures, forwards and forward rate agreements, swaps and options in the interest rate, foreign exchange, commodity, credit and equity markets. These derivative instruments are principally used by the Consolidated Entity for the purposes of risk management of existing assets and liabilities and forecast transactions and are also entered into for client trading purposes.

Derivatives are recognised in the Statements of financial position as an asset where they have a positive fair value at the reporting date or as a liability where they have a negative fair value at the reporting date.

Derivatives that may have both positive or negative values must meet both the asset and liability derecognition tests before being derecognised from the Statements of financial position.

Fair values are obtained from quoted prices in active markets where available, or valuation techniques including discounted cash flow models and option pricing models, as appropriate. The accounting for derivatives is subject to the application of the day 1 profit or loss policy as described in Note 44(vii) *Financial instruments*.

The Consolidated Entity applies trade date accounting to the recognition and derecognition of derivative financial instruments.

Hedge accounting

As part of its ongoing business, the Consolidated Entity is exposed to several financial risks, principally that of interest rate, foreign exchange and commodity price risks (collectively referred to as the hedged risk or exposure). The Consolidated Entity has limited appetite for such risks and has policies and practices in place to ensure that these risks are effectively managed. The Consolidated Entity mitigates these risks through the use of derivative financial instruments, and, in the case of foreign exchange risk, foreign-denominated debt issued (collectively referred to as hedging instruments). The Consolidated Entity applies hedge accounting to manage accounting mismatches arising from the difference in measurement bases or location of the gains and losses recognised between the exposure that is being hedged and the hedging instrument. Refer to details provided in the table on the following page.

Note 44

Material accounting policies continued

(x) Derivative instruments and hedging activities continued

	Fair value hedge	Cash flow hedge	Net investment hedge
Nature of hedge	The hedge of the change in fair value of a recognised asset or liability.	The hedge of the change in cash flows of a financial asset or liability or 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	<ul style="list-style-type: none"> Interest rate risk Foreign exchange risk Commodity price risk. 	<ul style="list-style-type: none"> Interest rate risk¹ Foreign exchange risk Commodity price risk. 	<ul style="list-style-type: none"> Foreign exchange risk.
Material hedged items	<ul style="list-style-type: none"> Fixed interest rate financial assets and liabilities Property, plant and equipment. 	<ul style="list-style-type: none"> Floating interest rate financial assets or liabilities Highly probable forecast floating interest rate financial assets and liabilities Highly probable forecast foreign currency payments and receipts Highly probable forecast commodity sales Foreign currency denominated interest bearing financial liabilities. 	<ul style="list-style-type: none"> Net investment in foreign operations.
Material hedging instruments	<ul style="list-style-type: none"> Interest rate swaps Basis swaps Cross currency swaps Commodity derivatives Foreign exchange forwards. 	<ul style="list-style-type: none"> Interest rate swaps and options Cross currency swaps Foreign currency denominated borrowings Commodity derivatives. 	<ul style="list-style-type: none"> Foreign exchange contracts Foreign currency denominated issued debt.
Designation and documentation	At inception of the hedge relationship, documentation is required of the risk management objective and strategy for the hedge, the hedging instrument, hedged item, hedged risk and how the hedge relationship will meet the hedge effectiveness requirements.		
Hedge effectiveness method	<p>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:</p> <ul style="list-style-type: none"> 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. <p>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.</p>		
Accounting treatment for the hedging instrument	Fair value through the income statement, aligned to the presentation of the hedged item.	Fair value through the cash flow hedge reserve as part of OCI, and then recognised in the income statement at the time at which the hedged item affects the income statement for the hedged risk.	Foreign exchange gains and losses are recognised in the Net Investment Hedge Reserve (NIHR), a separate component of FCTR in OCI.
Accounting treatment for the hedged item	Adjustments to the carrying value are recognised in the income statement for changes in fair value attributable to the hedged risk.	Accounted for on an amortised cost basis, FVOCI, or under other accounting standards as appropriate (such as executory contracts for the sale of commodities).	Foreign exchange gains and losses are recognised in the Consolidated Entity's foreign currency translation reserve as part of OCI.

¹The Company designates selected hedge accounting relationships that only meet the qualifying criteria for hedge accounting in the Company financial statements (but not the Consolidated Entity).

Notes to the financial statements

For the financial year ended 31 March 2024 continued

Note 44

Material accounting policies continued

(x) Derivative instruments and hedging activities continued

	Fair value hedge	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 that changes in fair value of the hedged item attributable to the hedged risk are not offset by changes in fair value of the hedging instrument.	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	Where the hedged item still exists and is a financial instrument carried at amortised cost, adjustments to the hedged item are amortised to the income statement on an EIR basis. For non-financial items, the adjustment continues as part of the carrying value of the asset up until it is recovered through use or sale, or the item becomes impaired.	<p>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.</p> <p>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.</p>	<p>The exchange gains or losses recognised in the NIHR within FCTR are reclassified to the income statement or reattributed within equity as follows:</p> <ul style="list-style-type: none"> • if the hedge is discontinued due to a disposal of the hedged foreign operation, then the accumulated NIHR is reclassified from OCI to investment income within other operating income and charges • if there is a partial disposal of a foreign operation that is an associate or joint arrangement, without loss of significant influence or joint control, then a proportionate share of the accumulated NIHR is reclassified to investment income • if there is a partial disposal of a foreign operation that is a subsidiary, without loss of control, then a proportionate share of the accumulated NIHR is reattributed within equity to non-controlling interests.
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.		

Note 44

Material accounting policies continued

(xi) Margin money and settlement assets and liabilities

Margin money and settlement assets and liabilities includes trade settlement balances, margin monies and balances with clearing houses. Margin monies primarily represent deposits placed with clearing houses in relation to futures trading and other derivatives transactions. The balance includes both initial and 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.

(xii) Financial investments

Investment securities in this category include investments in equity or debt securities which are not actively traded by the Consolidated Entity.

Debt investment securities in this category comprise 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 44(vii) *Financial instruments*).

(xiii) Loan assets

This category includes loans that are not held for trading purposes and typically includes the Consolidated Entity's lending activities to its customers.

Loan assets are initially recognised on settlement date at fair value (adjusted for directly attributable transaction costs for loan assets subsequently measured at amortised cost or FVOCI) and subsequently measured in accordance with Note 44(vii) *Financial instruments*).

Certain finance lease receivables are also presented as part of asset financing within loan assets. For the detailed policy on financial instruments, including treatment of derecognition, refer to Note 44(vii) *Financial instruments*).

(xiv) Property, plant and equipment and right-of-use assets

Property, plant and equipment are stated at historical cost (which includes, where applicable, directly attributable borrowing costs and expenditure directly attributable to the acquisition of the asset) less, accumulated depreciation and, where applicable, accumulated impairment losses.

Right-of-use (ROU) assets are initially measured at cost and comprise of the amount that corresponds to the amount recognised for the lease liability on initial recognition together with any lease payments made at or before the commencement date (less any lease incentives received), initial direct costs and restoration-related costs. Subsequently, it is stated at historical cost less accumulated depreciation and, where applicable, impairment losses, and adjusted for remeasurement of lease liabilities.

Property, plant and equipment and right-of-use assets includes assets leased out under operating leases.

Depreciation is the process to allocate the difference between cost and residual values over the estimated useful life. Where the residual value exceeds the carrying value, no depreciation is charged. Depreciation is calculated on the following bases:

- unit of production method for certain infrastructure assets
- straight-line basis for all other assets.

A ROU asset is depreciated on a straight-line basis over the shorter of the asset's useful life and the lease term.

Annual depreciation rates are summarised below:

Property, plant and equipment	Depreciation rates
Buildings	2.5 to 3.3%
Furniture, fittings and leasehold improvements ²	10 to 20%
Infrastructure assets and equipment ³	2.5 to 33%
Aviation	4%
Meters	5 to 55%
Telecommunications	24 %
Equipment and other operating lease assets	2.5 to 30%

Useful lives, residual values and depreciation methods are reviewed annually and reassessed in the light of commercial and technological developments. Gains and losses on disposal are determined by comparing the proceeds with the asset's carrying amount and are recognised in other income as part of other operating income and charges.

The depreciation charge is recognised as part of:

- net operating lease income for assets given on operating lease
- occupancy expenses for corporate buildings, 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.

² Where remaining lease terms are less than five years, leasehold improvements are depreciated over the remaining lease term.

³ Includes infrastructure assets, for which depreciation is calculated on a unit of production basis.

Notes to the financial statements

For the financial year ended 31 March 2024 continued

Note 44

Material accounting policies continued

(xv) Goodwill and other identifiable intangible assets

Goodwill

Goodwill is measured as the excess of consideration, recognised NCI, and the fair value of previously held equity interests over the fair value of the identifiable net assets of the business acquired. Goodwill arising from business combinations is included in intangible assets.

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
- management rights: carried at cost less accumulated amortisation and accumulated impairment loss. Certain management right intangible assets, which have indefinite useful lives as the underlying income stream is related to the management of funds that have no defined end date and are expected to operate perpetually, are not amortised. For management rights that have a finite useful life, amortisation is calculated using the straight-line method to allocate the cost of management rights over the estimated useful life usually being a period not exceeding 20 years
- customer and servicing contracts acquired with a finite useful life: carried at cost less accumulated amortisation and accumulated impairment loss. Amortisation is calculated over the period for which the customer relationship is expected to exist
- customer and servicing contracts with an indefinite useful life: carried at cost less accumulated impairment loss.

Certain other intangible assets held for trading, including emission certificates, are measured at fair value less costs to sell in accordance with the broker-trader exemption (on the basis that such assets are held with the purpose of selling in the near future and generating a profit from fluctuations in price or broker traders' margin).

Amortisation of intangible assets held by trading related business is recorded in net trading income and for others is recognised in other operating expenses. Impairments (reversal of impairments) of intangible assets are recognised in other impairment charges/reversal.

Development expenditure

Development expenditure is recognised as an asset when the Consolidated Entity is able to demonstrate that the project is technically feasible, it is probable the asset will generate future economic benefits, the Consolidated Entity has the intention and ability to complete the development of the project or sell it, and the costs incurred can be reliably measured. All other costs are expensed in the period incurred.

Software

Certain internal and external costs directly incurred in acquiring and developing certain computer software programmes are capitalised and amortised over the estimated useful life, usually a period of three to seven years on a straight-line basis. The capitalised software asset is subject to impairment testing on an annual basis.

Costs incurred on the maintenance of software is expensed as incurred and recognised in other operating expenses.

(xvi) Deposits

Deposits include customer deposits, business banking and home loan related deposits, deposits from financial institutions and other balances such as client monies. These deposits are initially recognised at fair value less directly attributable transaction costs and are subsequently measured at amortised cost.

(xvii) Other assets and liabilities

Contract assets, contract liabilities and capitalised expenses

Where the Consolidated Entity provides services to clients and the consideration is unconditional, a receivable is recognised. Where the consideration is conditional on something other than the passage of time, such as performance fees, these are recorded as contract assets. Both receivables and contract assets are assessed for impairment in accordance with AASB 9. Commodity-related receivables are accounted for in accordance with Note (vii) *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.

Note 44

Material accounting policies continued

(xvii) Other assets and liabilities continued

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 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.

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 Statements of financial position only when drawn upon, and may expire without being called. Credit related commitments are subject to expected credit loss requirements disclosed in Note 13 *Expected Credit Loss*.

Contingent liabilities and commitments are disclosed in Note 33 *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. The Consolidated Entity accrues for costs arising under applicable staff carry plans based on the expected cash outflows.

Liabilities for unpaid salaries, salary-related costs and provisions for annual leave are recorded in the Statements of financial position at the salary rates which are expected to be paid when the liability is settled. Provisions for long service leave and other long-term benefits are recognised at the present value of expected future payments to be made.

In determining this amount, consideration is given to expected future salary levels and employee service histories. Expected future payments are discounted to their net present value using discount rates on high quality corporate bonds, except where there is no deep market, in which case rates on Government securities are used. Such discount rates have terms that match as closely as possible the expected future cash flows.

Provisions for unpaid employee benefits are derecognised when the benefit is settled or is transferred to another entity and the Company and Consolidated Entity are legally released from the obligation and do not retain a constructive obligation.

Dividends

Where a dividend is determined or resolved by the Company's Board of Directors, consideration is given to the record date when determining the date on which the provision for the dividend is recognised in the Statements of financial position as a liability, with a corresponding reduction in retained earnings.

Notes to the financial statements

For the financial year ended 31 March 2024 continued

Note 44

Material accounting policies continued

(xviii) 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.

(xix) Due to/from subsidiaries

Transactions between the Company and its subsidiaries principally arise from the provision of lending arrangements, acceptance of funds on deposit, intercompany services and transactions and the provision of financial guarantees. Intercompany services and transactions are accounted for in accordance with Note 44(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 44(vii) *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.

(xx) Debt issued

Debt issued 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 44(vii) *Financial instruments*.

(xxi) Loan capital

Loan capital represents issued debt with terms and conditions that qualify for inclusion as capital under Australian Prudential Regulation Authority (APRA) Standards.

Capital instruments are first assessed to determine whether the Consolidated Entity is required to deliver cash or another financial asset on the occurrence of a contingent event that is considered genuine and beyond the control of both the issuer and the holder (such as Common Equity Tier 1 Trigger Events or Non-Viability Trigger Events). Where such a contingent event exists, then the Consolidated Entity does not have the unconditional right to avoid delivering cash or another financial asset and the capital instrument is classified as a financial liability. The financial liability is initially measured at fair value plus directly attributable transaction costs and is subsequently measured at amortised cost.

For compound instruments that have both equity and liability features, the liability component is initially measured at fair value plus directly attributable transaction costs (and is thereafter measured at amortised cost using the EIR method), with the residual being accounted for within the Consolidated Entity's equity.

(xxii) Impairment

Expected credit losses

The ECL requirements apply to financial assets measured at amortised cost or FVOCI, lease receivables, amounts receivable from contracts with customers, loan commitments, certain letters of credit and financial guarantee contracts issued that are not DFVTPL. The Consolidated Entity applies a three-stage approach to measuring the ECL based on changes in the financial asset's underlying credit risk and includes forward looking information (FLI).

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 13 *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 13 *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.

Note 44

Material accounting policies continued

(xxii) Impairment continued

(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 related body corporate entities and subsidiaries, associates and joint ventures measured at amortised cost – as a deduction to the gross carrying amount
- loan assets, loans to associates and joint ventures, and debt financial investments measured at FVOCI – as a reduction in the FVOCI reserve within equity. The carrying amount of the asset is not adjusted as it is measured at fair value
- lease receivables, contract receivables and other assets measured at amortised cost – as a deduction to the gross carrying amount
- undrawn credit commitments and financial guarantees 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.

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 units

Intangible assets with indefinite lives (goodwill and certain intangible assets) are not subject to amortisation but are tested annually for impairment, or more frequently if events or changes in circumstances indicate that the carrying amount may not be recoverable.

For intangible assets that have a finite useful life and property, plant and equipment and ROU assets, an assessment is made at each reporting date for indications of impairment.

Impairment losses are recognised in other impairment charges as part of other operating income and charges for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and value-in-use.

Notes to the financial statements

For the financial year ended 31 March 2024 continued

Note 44

Material accounting policies continued

(xxii) Impairment continued

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.

(xxiii) Performance based remuneration

Employee equity participation

The Consolidated Entity operates share-based compensation plans, which include awards (including those delivered through the Macquarie Group Employee Retained Equity Plan (MEREPP)) granted to employees under share acquisition plans. Information relating to these schemes is set out in Note 32 *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 a corresponding increase in equity with reference to the vesting period of those awards. Performance hurdles attached to Performance Share Units (PSUs) under the MEREPP 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. For the Company, the accounting is dependent on whether the Company is compensated for its obligations under the MEREPP award. To the extent that employing subsidiaries compensate the Company for the MEREPP offered to their employees, a recharge liability due to subsidiaries is recognised by the Company at grant date representing the payment received in advance of the award being settled. This liability reduces over the vesting period with a corresponding increase in the share-based payments reserve. MEREPP liabilities are recognised and disclosed in Note 30 *Related party information*. To the extent that employing subsidiaries do not compensate the Company for the MEREPP offered to their employees, the Company reflects the provision of the equity settled award as a contribution to its subsidiary and as a result increases its investment in the subsidiary with a corresponding increase in the share-based payments reserve. On vesting, amounts recognised in the share-based payments reserve are transferred to contributed equity.

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. 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 fair value of the liability are recognised in employment expenses.

Profit share remuneration

The Consolidated Entity recognises a liability and an expense for profit share remuneration to be paid in cash with reference to the performance period to which the profit share relates.

(xxiv) Leases

At the inception of a contract, the Consolidated Entity assesses whether a contract is, or contains, a lease. At inception, or on reassessment of a contract that contains a lease component, the Consolidated Entity allocates the consideration in the contract to each lease component unless an election is made to account for the lease and non lease components as a single lease component.

(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 44(xiv) *Property, plant and equipment and right-of-use assets*) and a corresponding liability at the commencement date, being the date the leased asset is available for use by the Consolidated Entity.

Lease liability

Lease liabilities are initially measured at the present value of the future lease payments at the commencement date, discounted using the interest rate implicit in the lease (or if that rate cannot be readily determined, the lessee's incremental borrowing rate). Lease payments are allocated between principal and interest expense.

Interest expense is, unless capitalised on a qualifying asset which is not measured at fair value, recognised as part of interest and similar expense over the lease period on the remaining lease liability balance for each period. Any variable lease payments not included in the measurement of the lease liability are also recognised 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.

Note 44

Material accounting policies continued

(xxiv) Leases continued

Presentation

The Consolidated Entity presents ROU assets in Property, plant and equipment and right-of-use assets (refer to Note 15) and lease liabilities in Other liabilities (refer to Note 23) in the Statements 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 44(xiv) *Property, plant and equipment and right-of-use assets*. Operating lease income is recognised on a straight-line basis over the period of the lease unless another systematic basis is more appropriate. Assets leased out under operating leases are included in property, plant and equipment and right-of-use assets. Certain right-of-use assets are disclosed as investment property, as applicable.

When the Consolidated Entity is an intermediate lessor, it accounts for its interests in the head lease and the sub lease separately. The lease classification of the sublease is determined with reference to the ROU asset arising from the head lease.

(xxv) Contributed equity

Ordinary shares and other similar instruments are classified as equity. Incremental costs directly attributable to the issue of new shares are recorded in equity as a deduction, net of tax, from the issue proceeds.

If the Consolidated Entity reacquires its own equity instruments, those instruments (treasury shares) are recorded at cost and deducted from contributed equity. In cases where treasury shares are acquired and held by the Consolidated Entity, the consideration paid, including any directly attributable transactions costs net of tax, is deducted from contributed equity. Where the instruments are no longer held as treasury shares, any net consideration received is included in contributed equity, after deducting directly attributable transaction costs net of tax.

(xxvi) Fiduciary assets and client money

The Consolidated Entity engages in trust, fund or other fiduciary activities as well as certain brokerage and other trading-related activities that result in the holding or placing of assets on behalf of third parties. Where such assets are controlled, and future economic benefits are expected to be realised by the Consolidated Entity, such assets and the income thereon are reflected in the Statements of financial position and income statement respectively.

Where this is not the case, these assets and the income thereon are excluded from the Consolidated Entity's financial statements as they are not the assets of the Consolidated Entity. Fee income earned by the Consolidated Entity relating to its responsibilities from fiduciary and brokerage and other trading-related activities is included as part of fee and commission income.

(xxvii) Cash and bank balances

Cash and bank balances includes currency on hand, demand deposits and short-term balances with Central and other banks including unallocated precious metal balances. These balances are subsequently measured at amortised cost except unallocated precious metals which are held at FVTPL.

(xxviii) Cash and cash equivalents

Cash and cash equivalents comprise of cash and bank balances (except unallocated precious metal balances) as well as certain liquid financial investments and non trading reverse repurchase agreements that have a contractual maturity of three months or less from the date of acquisition and which are readily convertible to known amounts of cash, are subject to an insignificant risk of changes in value, and are available to meet the Consolidated Entity's short-term cash commitments. Cash and cash equivalents exclude margin money balances, trading assets and certain client-related balances which are segregated from the Consolidated Entity's own funds and are thus restricted from use.

(xxix) Investment property

Investment properties are initially recognised at cost and subsequently stated at fair value at each reporting date. Any change in fair value, in addition to any lease income generated, is recognised in other income as part of other operating income and charges.

(xxx) Comparatives

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

(xxxi) 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.

Directors' declaration

Macquarie Group Limited

In the Directors' opinion:

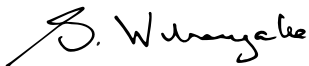
- (a) the financial statements and notes set out on pages 161 to 291 are in accordance with the *Corporations Act 2001* (Cth) including:
 - (i) complying with Australian Accounting Standards, and
 - (ii) giving a true and fair view of the Company's and the Consolidated Entity's financial positions as at 31 March 2024 and their performance for the financial year ended on that date, and
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Note 1(i) includes a statement that the Financial Report complies with International Financial Reporting Standards.

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



Glenn Stevens AC
Independent Director and Chair



Shemara Wikramanayake
Managing Director and Chief Executive Officer

Sydney
3 May 2024

Independent auditor's report

To the members of Macquarie Group Limited



Report on the audit of the financial report

Our opinion

In our opinion:

The accompanying financial report of Macquarie Group Limited (the Company) and its controlled entities (together the Consolidated Entity) is in accordance with the Corporations Act 2001 (Cth), including

- (a) giving a true and fair view of the Company's and Consolidated Entity's financial positions as at 31 March 2024 and of their 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 and Company financial report comprises:

- the Consolidated and Company statements of financial position as at 31 March 2024
- the Consolidated and Company statements of comprehensive income for the year then ended
- the Consolidated and Company statements of changes in equity for the year then ended
- the Consolidated and Company statements of cash flows for the year then ended
- the Consolidated and Company income statements for the year then ended
- the notes to the financial statements, including material accounting policy information and other explanatory information
- the directors' declaration.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial report* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

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

Our audit approach for the Consolidated Entity

An audit is designed to provide reasonable assurance about whether the financial report is free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial report as a whole, taking into account the geographic and management structure of the Consolidated Entity, its accounting processes and controls and the industry in which it operates.

The Consolidated Entity is structured into four Operating Groups and a Corporate segment, which includes Group Treasury. It undertakes operational activities that are important to the financial reporting process in multiple locations overseas, including sites in Gurugram in India, Jacksonville in the United States of America and Manila in the Philippines.

Independent auditor's report

To the members of Macquarie Group Limited continued



Consolidated Entity Audit scope

Our audit focused on where the Consolidated Entity made subjective judgements; for example, significant accounting estimates involving assumptions and inherently uncertain future events.

We aligned our audit to the Consolidated Entity's structure by instructing a component audit team for each of the four Operating Groups, Group Treasury and the remainder of the Corporate segment. These component audit teams, in consultation with the group audit team, established an audit strategy tailored for each Operating Group, Group Treasury and the Corporate segment.

Given the extent of the overseas operations of the Consolidated Entity, the component audit teams instructed a number of other member firms of the PwC global network to perform audit procedures. The group audit team determined the level of supervision and direction needed over the audit work performed by component audit teams, including the component audit teams' review and supervision of the overseas audit teams they, in turn, instructed.

The work performed by the component audit teams, together with additional audit procedures performed by the group audit team, such as procedures over the Consolidated Entity's consolidation and the financial report disclosures, provided us with the evidence we needed for our opinion on the Consolidated Entity's financial report as a whole.

Key audit matters

Amongst other relevant topics, we communicated the following key audit matters to the Board Audit Committee:

- Provision for expected credit losses on loan assets
- Valuation of complex or illiquid financial instruments carried at fair value through profit and loss which are based on significant unobservable inputs (level 3 financial instruments)
- Valuation of interests in associates and joint ventures
- IT systems and controls over financial reporting
- Estimation of tax payable relating to tax uncertainties
- Recognition of performance fees and fee income.

These are further described in the *Key audit matters* section of our report.



Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report for the current period. The key audit matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. Further, any commentary on the outcomes of a particular audit procedure is made in that context. The key audit matters identified below relate only to the audit of the Consolidated Entity, unless otherwise noted.

Key audit matter	How our audit addressed the key audit matter
<p>Provision for expected credit losses on loan assets (Refer to Note 13)</p> <p>Under the credit impairment model required by AASB 9: Financial Instruments (AASB 9), losses are recognised on an Expected Credit Loss (ECL) basis. ECLs are required to incorporate forward-looking information, reflecting the Consolidated Entity's view of potential future economic scenarios.</p> <p>The level of estimation uncertainty and judgement has remained high during the year ended 31 March 2024 as a result of uncertainties in the macroeconomic and geopolitical environment and persistently high levels of inflation in some territories, as well as developments in the economy more broadly.</p> <p>In order to meet the ECL requirements of AASB 9, the Consolidated Entity has developed models that involve judgement including determining assumptions such as defining a significant increase in credit risk (SICR). The ECL models of the Consolidated Entity rely on numerous data elements and certain post model overlays are applied based on the Consolidated Entity's judgement.</p> <p>Given the extent of judgement involved, we consider this to be a key audit matter.</p>	<p>Our procedures included assessing the design and testing the operating effectiveness of certain controls supporting the Consolidated Entity's estimate of the ECL including controls relating to:</p> <ul style="list-style-type: none"> • review, challenge and approval of certain forward-looking macroeconomic assumptions and scenario weightings, including specifically the consideration of impacts of rising inflation and interest rates • monitoring the effectiveness of models used to support ECL estimates, and the validation of new and revised models • assessing the credit quality of counterparties • accuracy of certain critical data elements used in key ECL models, and • review and challenge forums to assess the ECL output and post model overlays. <p>In addition to controls testing, we performed substantive procedures including:</p> <ul style="list-style-type: none"> • together with PwC credit modelling experts, assessing the appropriateness of relevant conclusions reached by the Consolidated Entity from monitoring performed on key models. This included assessing key model components such as SICR and reperforming certain tests carried out as part of the model monitoring • together with PwC credit modelling experts, testing the appropriateness of a selection of changes to key models • together with PwC credit modelling experts, assessing whether the list of critical data elements identified by the Consolidated Entity was appropriate for key models • together with PwC economics experts, assessing the appropriateness of relevant macroeconomic scenarios and certain forward-looking economic data developed by the Consolidated Entity • testing the completeness and accuracy of certain critical data elements used in key ECL models • assessing a selection of post model overlays identified by the Consolidated Entity, including developing an understanding of the methodology used for overlay derivation and testing the underlying datasets used for the calculations, and • considering the impacts on the ECL events occurring subsequent to balance date. <p>For credit impaired loan (stage III) provisions, we examined a sample of individual loan exposures to consider the appropriateness of provisions recognised.</p> <p>We assessed the reasonableness of the Consolidated Entity's disclosures in the financial report against the Australian Accounting Standards.</p>

Independent auditor's report

To the members of Macquarie Group Limited continued



Key audit matter

How our audit addressed the key audit matter

Valuation of complex or illiquid financial instruments carried at fair value through profit and loss which are based on significant unobservable inputs (level 3 financial instruments) (Refer to Note 38)

The Consolidated Entity exercises judgement in valuing certain financial assets and liabilities at fair value where there are significant unobservable inputs for the valuation of these assets and liabilities. These assets and liabilities are known as Level 3 financial instruments.

For the Consolidated Entity, these Level 3 financial instruments predominantly consist of derivative financial instruments, trading assets, financial investments and loan assets. Judgement is required in estimating the fair value of these financial instruments in determining appropriate models, assumptions and inputs.

Given the extent of judgement involved in valuing these Level 3 financial instruments, we considered this to be a key audit matter.

Our procedures included assessing the design and testing the operating effectiveness of certain controls relating to Level 3 financial instruments, including controls over:

- approval and validation of the models adopted
- accuracy of inputs to models
- the price verification process performed by the Consolidated Entity using prices and model inputs sourced from third parties
- calculation and approval of key valuation adjustments, and
- governance, review and challenge forums.

Together with PwC valuation experts, we tested the Consolidated Entity's estimate for a sample of level 3 derivative financial instruments and trading assets. We considered a sample of collateral disputes, gains and losses on disposals and other events to help assess the reasonableness of the valuations. We tested a sample of valuation adjustments at period end, including evaluating the methodology applied and underlying assumptions.

For a sample of level 3 financial investments and loan assets, together with PwC valuation experts, we assessed the appropriateness of the valuation methodologies applied, as well as the appropriateness of significant inputs used such as forecasts and comparable market information.

We assessed the reasonableness of the Consolidated Entity's disclosures in the financial report against the requirements of Australian Accounting Standards.

Valuation of interests in associates and joint ventures (Refer to Note 14)

In accordance with Australian Accounting Standards, interests in associates and joint ventures need to be assessed by the Consolidated Entity for indicators of impairment or reversal of impairment at the reporting date. If indicators of impairment or reversal of impairment exist, the recoverable amount for each asset needs to be estimated. These assessments involve significant judgements such as estimating future cash flows, discount rates applied to future cash flows and evaluating fair value less costs to sell.

Given the financial significance of the Consolidated Entity's recorded interests in associates and joint ventures, and the judgement and subjectivity involved in determining assumptions, we considered this to be a key audit matter.

We evaluated the Consolidated Entity's valuation methodologies used to estimate the recoverable amount of a sample of interests in associates and joint ventures and the process by which they were developed. Assisted where relevant by PwC Valuation experts, for a sample of interests in associates and joint ventures, our procedures included:

- evaluating the Consolidated Entity's assessment of whether there were any indicators of impairment or whether impairment losses recognised in prior periods should be reversed
- evaluating the appropriateness of the impairment assessment methodology and significant assumptions applied in calculating the recoverable amount, where indicators of impairment or reversal of impairment have been identified
- comparing previous cashflow forecasts to actual results, or comparing previous net asset values to underlying investment values, to assess the ability of the Consolidated Entity to forecast accurately
- assessing the appropriateness of discount rates used in valuations
- assessing certain underlying data used in determining the carrying value and recoverable amount, and
- testing the mathematical accuracy of the Consolidated Entity's discounted cashflow models which were used to determine the recoverable amount of the asset.

We assessed the reasonableness of the Consolidated Entity's disclosures in the financial report against the requirements of the Australian Accounting Standards.



Key audit matter

How our audit addressed the key audit matter

IT systems and controls over financial reporting (Consolidated Entity and Company)

The Consolidated Entity's and Company's operations and financial reporting processes are heavily dependent on IT systems for the processing and recording of a significant volume of transactions. A fundamental component of these IT systems and controls is ensuring that risks in relation to inappropriate user access management, unauthorised program changes and IT operating protocols are managed.

Due to this, we consider the operation of IT systems and controls over financial reporting to be a key audit matter.

For material financial statement balances we developed an understanding of the business processes, IT systems used to generate and support those balances and associated IT application controls and IT dependencies in manual controls. Our procedures included evaluating the design and, where relevant, testing the operating effectiveness of certain controls over the continued integrity of the IT systems that are relevant to financial reporting. This involved assessing, where relevant to the audit:

- change management: the processes and controls used to develop, test and authorise changes to the functionality and configurations within systems
- system development: the project disciplines which ensure that significant developments or implementations are appropriately tested before implementation and that data is migrated/converted and transferred completely and accurately
- security: the access controls designed to enforce segregation of duties, govern the use of generic and privileged accounts or ensure that data is only changed through authorised means, and
- IT operations: the controls over operations are used to ensure that any issues that arise are managed appropriately.

Within the scope of our audit where technology services are provided by a third party, we obtained assurance through independent testing or, where available, considered assurance reports from the third party's auditor on the design and operating effectiveness of relevant controls for the reporting period.

We also carried out tests, on a sample basis, of IT application controls and IT dependencies in manual controls that were key to our audit testing in order to assess the accuracy of certain system calculations, the generation of certain reports and the operation of certain system enforced access controls.

Where we identified design or operating effectiveness matters relating to IT systems or application controls relevant to our audit, we performed alternative or additional audit procedures, which included considering mitigating controls in order to respond to the impact on our overall audit approach.

Estimation of tax payable relating to tax uncertainties (Refer to Note 23)

The Consolidated Entity is subject to taxation in a number of jurisdictions. The assessment of the amounts expected to be paid to tax authorities is considered initially by the Consolidated Entity in each local territory, and then reviewed centrally, with consideration given to particular tax positions in certain jurisdictions.

In some cases, the treatment of tax positions requires judgement to estimate the ultimate amounts of tax that will be paid, which resulted in this being considered a key audit matter.

Our procedures included evaluating the analysis conducted by the Consolidated Entity which sets out the basis for judgements made in respect of the ultimate amounts expected to be paid to tax authorities.

Assisted by PwC tax experts, we read a risk focused selection of correspondence with tax authorities and external advice obtained by the Consolidated Entity and used our understanding of the business to assess the completeness and quantum of the provisions for tax. We considered the likelihood of additional tax exposures occurring based on our knowledge of tax legislation, applicable precedent and industry developments, noting the level of judgement involved.

We assessed the reasonableness of the Consolidated Entity's disclosures in the financial report against the requirements of the Australian Accounting Standards.

Recognition of performance fees and fee income (Refer to Note 2)

In some cases, judgement is required by the Consolidated Entity to estimate the timing and amount of fee income and performance fees recognised in accordance with the requirements of Australian Accounting Standards.

Given the extent of the judgement involved, we considered this to be a key audit matter.

Our audit procedures included evaluating the design of relevant controls relating to the recognition and measurement of fee income and performance fees.

In assessing the appropriateness of the recognition of fee income and performance fees, we tested the Consolidated Entity's estimate for a sample of fee income based on relevant information in supporting documents including contracts, fund constitutions and management agreements.

Specifically for performance fees, we also considered the nature of the underlying fund assets, the proportion of assets already realised, the returns on the assets realised to date and the potential for volatility in the valuation of the remaining unrealised assets.

We assessed the reasonableness of the Consolidated Entity's disclosures in the financial report against the requirements of the Australian Accounting Standards.

Independent auditor's report

To the members of Macquarie Group Limited continued



Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report for the year ended 31 March 2024, 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. We have issued a separate opinion on the remuneration 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 that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* (Cth) and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Company and the Consolidated Entity to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or the Consolidated Entity or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: https://www.auasb.gov.au/admin/file/content102/c3/ar1_2020.pdf. This description forms part of our auditor's report.

Report on the remuneration report

Our opinion on the remuneration report

We have audited the remuneration report included in the directors' report for the year ended 31 March 2024.

In our opinion, the remuneration report of Macquarie Group Limited for the year ended 31 March 2024 complies with section 300A of the *Corporations Act 2001* (Cth).

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the *Corporations Act 2001* (Cth). Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

PricewaterhouseCoopers

Voula Papageorgiou
Partner

Sydney
3 May 2024

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