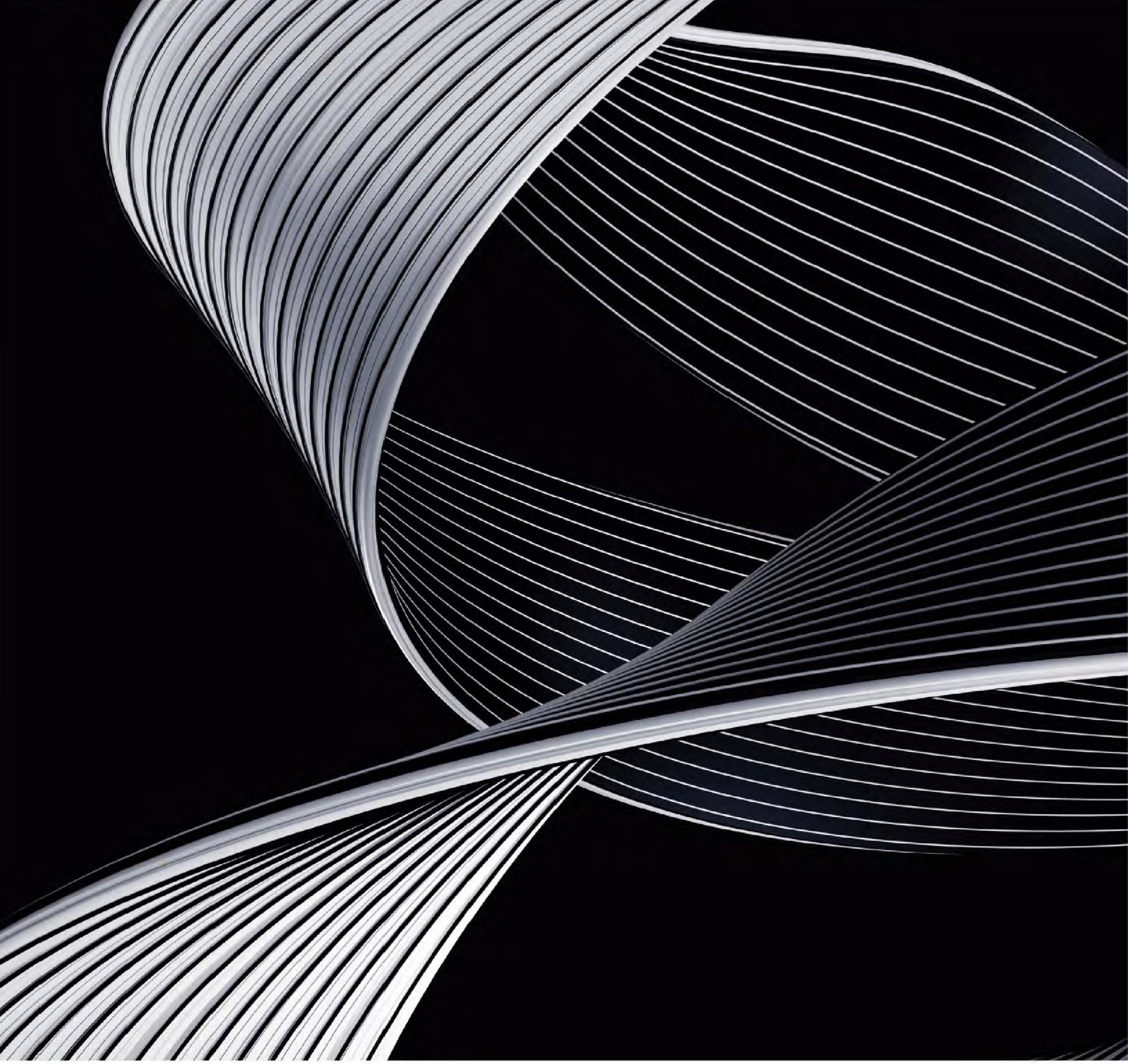

Consolidated Annual Report

Macquarie Financial Limited (ACN: 124 071 398) and its controlled entities

Year ended 31 March 2025

MACQUARIE

The Company's registered office is:

Level 1, 1 Elizabeth Street

Sydney NSW 2000

Australia

Contents

The financial report was authorised to issue by the Board of Directors on 11 June 2025.

The Board of Directors has the power to amend and reissue the financial report.

Directors' Report

for the financial year ended 31 March 2025

In accordance with a resolution of the Directors of Macquarie Financial Limited (the Company or MFL) (formerly Macquarie Financial Holdings Pty Limited), the Directors submit herewith the financial report of the Company and its controlled entities (the Consolidated Entity) for the year ended 31 March 2025.

The Company has changed its name from Macquarie Financial Holdings Pty Limited to Macquarie Financial Limited with effect from 3 October 2024.

Directors

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

Director	Appointed on	Resigned on
S Dyson	25 March 2015	
D Saad	29 January 2019	
J Fowler	9 September 2022	
L Mann	12 November 2024	24 February 2025
M McKeown	12 November 2024	

Principal activities

The principal activity of the Company is to act as the holding company within the Macquarie Non-Bank Group[1] for Macquarie Capital and the Macquarie Transportation business of Macquarie Asset Management (MAM) and certain businesses of Commodities and Global Markets (CGM), primarily Commodity Markets and Finance (CMF) and Equities, Derivatives and Trading (EDT).

Result

The consolidated profit after income tax attributable to the ordinary equity holder for the financial year ended 31 March 2025 was $3,371 million (2024: $740 million). This result represents profit from continuing operations of $188 million (2024: $432 million) and profit from discontinued operations of $3,183 million (2024: $308 million).

Dividends

No dividends were paid or resolved to be paid by the Company during the current and previous financial year.

State of affairs

Effective 4 April 2024, the Consolidated Entity completed the sale of the real assets and real estate components of its MAM Private Markets business in the Americas to a 100% owned subsidiary of Macquarie Asset Management Holdings Pty Limited (MAMH), which is a common controlled entity of Macquarie Group Limited (MGL). The Company utilised the sale proceeds to return the ordinary share capital of $3,986 million to MGL.

Other than the above, there were no significant changes in the state of affairs of the Consolidated Entity that occurred during the financial year under review which have not been otherwise disclosed in this report.

Review of continuing operations

The profit attributable to the ordinary equity holder from continuing operations of the Consolidated Entity for the year ended 31 March 2025 was $188 million (2024: $432 million).

Net operating income from continuing operations for the year ended 31 March 2025 was $3,581 million, an increase of 9% from $3,569 million in the previous financial year, primarily due to a increased fee and commission income partially offset by an increase in credit and other impairment charges.

Total operating expenses from continuing operations for the year ended 31 March 2025 was $3,410 million, an increase of 14% from $2,985 million in the previous financial year, primarily due to an increase in employment and related expenses.

Events subsequent to balance sheet date

At the date of this report, the Directors are not aware of any matter or circumstances, other than those disclosed in financial report, that have significantly affected or may significantly affect the operations of the Consolidated Entity, the results of those operations or the state of affairs of the Consolidated Entity in the financial years subsequent to 31 March 2025.

Likely developments, business strategies and prospects

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

[1] Macquarie Group refers to Macquarie Group Limited (MGL) as the ultimate parent entity and its subsidiaries. Further, Macquarie Group comprises of the Bank Group (Macquarie Bank Limited (MBL) and its subsidiaries), and the Non-Bank Group (Macquarie Asset Management Holdings Pty Limited (MAMH) and MFL along with its subsidiaries).

Directors' Report

continued

Directors' indemnification

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

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

The indemnity does not apply to the extent that:

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

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

Under the Deed Poll, MGL, inter alia, agrees to:

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

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

Environmental regulations

The Consolidated Entity has policies and procedures in place that are designed to ensure that, where operations are subject to any particular and significant environmental regulation under a law of the Commonwealth or of a State or Territory, those obligations are identified and appropriately addressed.

The Directors have determined that there has not been any material breach of those obligations during the financial year.

Auditor's independence declaration

A copy of the Auditor's Independence Declaration, as required under section 307C of the *Corporations Act 2001* (Cth), is set out on page 6 of this report.

Rounding of amounts

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

S. Dyson
Director

Sydney
11 June 2025

Auditor's Independence Declaration

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

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

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

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

V. Papageorgiou

Voula Papageorgiou
Partner
PricewaterhouseCoopers

Sydney
11 June 2025

PricewaterhouseCoopers, ABN 52 780 433 757
One International Towers Sydney, Watermans Quay, BARANGAROO, GPO BOX 2650, SYDNEY NSW 2001
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Consolidated income statement

For the financial year ended 31 March 2025

	Notes	2025[1] $m	2024[1] $m
Interest income	2	**4,038**	4,166
Interest expense	2	**(3,390)**	(3,407)
Net interest income		**648**	759
Net trading income	2	**488**	295
Net interest and trading income		**1,136**	1,054
Fee and commission income	2	**1,852**	1,592
Investment income	2	**1,159**	994
Share of net losses from associates and joint ventures	2	**(62)**	(196)
Net credit impairment (charges)/reversals	2	**(155)**	81
Net other impairment (charges)/reversals	2	**(56)**	231
Net other operating loss	2	**(293)**	(187)
Net operating income		**3,581**	3,569
Employment expenses	2	**(1,354)**	(1,392)
Service cost recoveries	2	**(999)**	(946)
Brokerage, commission and fee expenses	2	**(191)**	(158)
Non-salary technology expenses	2	**(133)**	(133)
Other operating expenses	2	**(424)**	(356)
Total operating expenses		**(3,101)**	(2,985)
Operating profit from continuing operations before income tax		**480**	584
Income tax expense	3	**(293)**	(120)
Profit from continuing operations after income tax		**187**	464
Profit from discontinued operations after income tax	34	**3,183**	308
Profit from continuing and discontinued operations after income tax		**3,370**	772
(Loss)/profit attributable to non-controlling interests		**1**	(32)
Profit attributable to the ordinary equity holder of Macquarie Financial Limited		**3,371**	740
From continuing operations		**188**	432
From discontinued operations	34	**3,183**	308

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

[1] Income and expenses related to the discontinued operations have been presented as part of 'Profit from discontinued operations after income tax'. Refer to Note 34 *Assets, liabilities and disposal groups classified as held for sale and discontinued operations.*

Consolidated statement of comprehensive income

For the financial year ended 31 March 2025

	Notes	2025 $m	2024 $m
Profit from continuing and discontinued operations after income tax		**3,370**	772
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	20	**6**	25
Changes in expected credit losses (ECL) allowance	20	**(12)**	(23)
Cash flow hedge reserves:			
Revaluation movement	20	**(9)**	(4)
Transferred to income statement on realisation	20	**(20)**	(29)
Cost of hedging reserves:			
Revaluation movement	20	**(9)**	(21)
Share of other comprehensive income from associates and joint ventures	20	**(7)**	(9)
Foreign exchange movement on translation and hedge accounting of foreign operations		**411**	219
Movements in items that will not be subsequently reclassified to the income statement			
Others		**3**	(4)
Total other comprehensive income/(loss)		**363**	154
Other comprehensive income/(loss) from continuing operations		**363**	154
Total comprehensive income/(loss)		**3,733**	926
Total comprehensive (loss)/income attributable to non-controlling interests		**(12)**	(39)
Total comprehensive income/(loss) attributable to the ordinary equity holders of Macquarie Financial Limited		**3,721**	887
From continuing operations		**538**	579
From discontinued operations	34	**3,183**	308

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

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

Consolidated statement of financial position

As at 31 March 2025

	Notes	2025 $m	2024 $m
Assets			
Cash and bank balances		**3,312**	2,974
Reverse repurchase agreements		**6,414**	8,841
Trading assets	4	**5,307**	1,296
Settlement assets and margin money	5	**6,536**	7,486
Financial investments	6	**2,466**	3,518
Held for sale assets	34	**3,329**	2,753
Other assets	7	**6,047**	3,612
Loan assets	8	**24,172**	19,389
Due from other Macquarie Group entities	22	**13,462**	18,708
Interests in associates and joint ventures	10	**4,314**	3,548
Property, plant and equipment and right-of-use assets	11	**921**	2,267
Intangible assets	12	**1,331**	1,527
Deferred tax assets	13	**621**	697
Total assets		**78,233**	76,616
Liabilities			
Cash collateralised borrowing and repurchase agreements		**241**	–
Settlement, margin money and trading liabilities	14	**5,332**	6,247
Held for sale liabilities	34	**1,305**	845
Other liabilities	15	**2,963**	2,561
Due to other Macquarie Group entities	22	**47,732**	46,217
Issued debt securities and other borrowings	16	**7,754**	7,121
Deferred tax liabilities	13	**70**	103
Total liabilities excluding loan capital		**65,397**	63,094
Loan capital	18	**2,389**	2,641
Total liabilities		**67,786**	65,735
Net assets		**10,447**	10,881
Equity			
Contributed equity	19	**4,541**	5,044
Reserves	20	**969**	622
Retained earnings	20	**4,530**	4,979
Total capital and reserves attributable to the ordinary equity holder of Macquarie Financial Limited		**10,040**	10,645
Non-controlling interests	20	**407**	236
Total equity		**10,447**	10,881

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

Consolidated statement of changes in equity

For the financial year ended 31 March 2025

	Notes	Contributed Equity $m	Reserves $m	Retained earnings $m	Total $m	Non-controlling interests $m	Total equity $m
Balance as at 1 Apr 2023		5,029	471	4,244	9,744	176	9,920
Profit from continuing and discontinued operations after income tax		–	–	740	740	32	772
Other comprehensive income, net of tax		–	151	(4)	147	7	154
Total comprehensive income		–	151	736	887	39	926
Movement in non-controlling interest		–	–	(1)	(1)	21	20
Other equity movements:							
Contribution from Macquarie Group Limited (MGL) in relation to share-based payments	19	15	–	–	15	–	15
		15	–	(1)	14	21	35
Balance as at 31 Mar 2024		5,044	622	4,979	10,645	236	10,881
Profit from continuing and discontinued operations after income tax		**–**	**–**	**3,371**	**3,371**	**(1)**	**3,370**
Other comprehensive income, net of tax		**–**	**347**	**3**	**350**	**13**	**363**
Total comprehensive income		**–**	**347**	**3,374**	**3,721**	**12**	**3,733**
Transactions with equity holders in their capacity as ordinary equity holder:							
Return of capital to MGL	19	**(4,736)**	**–**	**–**	**(4,736)**	**–**	**(4,736)**
Issuance of shares to MGL	19	**1,104**	**–**	**–**	**1,104**	**–**	**1,104**
Change attributable to group restructure	20	**–**	**–**	**(673)**	**(673)**	**–**	**(673)**
Movement in non-controlling interest		**–**	**–**	**(20)**	**(20)**	**159**	**139**
Other equity movements:							
Restructure reserve transferred to retained earnings	19, 20	**3,130**	**–**	**(3,130)**	**–**	**–**	**–**
Contribution from Macquarie Group Limited (MGL) in relation to share-based payments	19	**(1)**	**–**	**–**	**(1)**	**–**	**(1)**
		(503)	**–**	**(3,823)**	**(4,326)**	**159**	**(4,167)**
Balance as at 31 Mar 2025		**4,541**	**969**	**4,530**	**10,040**	**407**	**10,447**

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

Consolidated statement of cash flows

For the financial year ended 31 March 2025

	Notes	2025 $m	2024[1] $m
Cash flows (utilised in)/ generated from operating activities			
Interest income and expense:			
Received		**3,961**	4,045
Paid		**(3,387)**	(3,407)
Fees, commissions and other income and charges:			
Received		**2,944**	1,859
Paid		**(193)**	(170)
Operating lease income received		**87**	198
Dividends and distributions received		**77**	150
Operating expenses paid:			
Employment expenses		**(1,411)**	(1,766)
Other operating expenses including brokerage, commission and fee expenses		**(1,705)**	(1,819)
Income tax paid		**(286)**	(614)
Changes in operating assets:			
Loan assets and receivables		**1,896**	(2,461)
Assets under operating lease		**(18)**	(269)
Other assets (net of liabilities)		**(61)**	(136)
Liquid asset holdings		**710**	1,078
Trading and related assets, and collateralised lending balances (net of liabilities)		**(2,920)**	(868)
Changes in operating liabilities:			
Issued debt securities, borrowings and other funding		**624**	626
Net cash flows (utilised in)/ generated from operating activities	21	**318**	(3,554)
Cash flows generated from/(utilised in) investing activities			
Net payments for financial investments		**339**	(133)
Associates, joint ventures, subsidiaries and businesses:			
Proceeds from distribution or disposal, net of cash deconsolidated		**4,877**	583
Payments for additional contribution or acquisitions, net of cash acquired		**(3,292)**	(2,125)
Property, plant and equipment and right-of-use assets, investment property and intangible assets:			
Payments for acquisitions		**(496)**	(618)
Proceeds from disposals		**110**	–
Net cash flows (utilised in)/generated from investing activities		**1,538**	(2,293)
Cash flows generated from/(utilised in) financing activities			
Loan capital:			
Issuance	21	**750**	–
Redemption	21	**(1,000)**	–
Proceeds from the issue of ordinary shares		**1,104**	–
Return of capital		**(4,736)**	–
(Payments to)/receipts from non-controlling interests		**139**	54
Net cash flows generated from/(utilised in) financing activities		**(3,743)**	54
Net (decrease)/increase in cash and cash equivalents		**(1,887)**	(5,793)
Cash and cash equivalents at the beginning of the financial year		**13,765**	18,777
Effect of exchange rate movements on cash and cash equivalents		**189**	781
Cash and cash equivalents at the end of the financial year	21	**12,067**	13,765

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

[1] Comparative information has been re-presented to conform to changes in the current financial year. Refer to Note 21 *Notes to the statements of cash flows.*

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).

MFL is a for-profit Company for the purposes of preparing this Financial Report. MFL prepares consolidated financial statements and has provided separate Parent information under Note 36 *Company financial information*.

The principal accounting policies adopted in the preparation of this Financial Report are set out below and in Note 38 *Material accounting policies*. These policies have been consistently applied to all the financial years presented and are applicable to both the Consolidated Entity (MFL and its subsidiaries) as well as to the Company (MFL), 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 Consolidated Entity's accounting policies. The notes to the financial statements set out areas involving a higher degree of judgement or complexity, or areas where assumptions are significant to the consolidated Financial Report such as:

- determining the appropriate business model for a group of financial assets which includes determining the level at which the business model condition is applied and whether past or expected sales activity is consistent with a held to collect business model (Note 38(vi))
- assessing whether the cash flows generated by a financial asset constitute solely payments of principal and interest (SPPI) may require the application of judgement, particularly for certain subordinated or non-recourse positions, and in the determination of whether compensation for early termination of a contract is reasonable (Note 38(vi))
- choice of inputs, estimates and assumptions used in the measurement of Expected Credit Loss, including the determination of significant increase in credit risk (SICR), forecasts of economic conditions and the weightings assigned thereto (Note 38(xix) and Note 9)
- timing and amount of impairment of interests in associates and joint ventures and investment in subsidiaries, including the reversal thereof Note 38(xix).
- timing and amount of impairment of goodwill and other identifiable intangible assets and, where applicable, the reversal thereof (Note 38(xix) and Note 12)
- determining fair value of assets and liabilities where market-observable inputs are not available including the determination of non-recurring fair values and accounting for day 1 profits or losses for financial instruments (Note 38(ix) and Note 30)
- 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 38(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 38(i))
- recoverability of tax receivables, deferred tax assets and measurement of current and deferred tax liabilities can require significant judgement, particularly where the recoverability of such tax balances relies on the estimation of future taxable profits and management's determination of the likelihood that uncertain tax positions will be accepted by the relevant taxation authority (Note 38(v), Note 3 and Note 13)
- recognition and measurement of certain revenue streams including performance fees from Macquarie-managed funds and other capital market investments and transactions (Note 38(iv))

Note 1

Basis of preparation continued

(iii) Critical accounting estimates and significant judgements continued

- recognition and measurement of provisions related to actual and potential claims, and the determination of contingent liabilities (Note 38(xv) and Note 25)
- application of hedge accounting principles, including the assessment that a forecast transaction is highly probable (Note 38(ix) and Note 27)
- 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 the derecognition of assets and liabilities following the disposal of an investment, including the measurement of the associated gain or loss (Note 38(i))
- the determination of whether an asset or group of assets is held for sale and/or constitutes a discontinued operation of the Consolidated Entity (Note 34 and Note 38 (xxvii))

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

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

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

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

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

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

The Consolidated Entity's Pillar Two Model Rules Project

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

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

Impacts on financial reporting

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

(b) Other amendments made to existing standards

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

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

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

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

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

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

Note 1

Basis of preparation continued

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

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

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

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

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

(c) Other amendments made to existing standards

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

Notes to the financial statements

For the financial year ended 31 March 2025 continued

Note 2

Operating profit from continuing operations before income tax

	2025[1] $m	2024[1] $m
Interest income		
Effective interest rate method - Amortised cost	**3,399**	3,389
Effective interest rate method - FVOCI	**403**	632
Other - FVTPL	**236**	145
Total interest income	**4,038**	4,166
Interest expense		
Effective interest rate method - Amortised cost	**(3,390)**	(3,407)
Total interest expense	**(3,390)**	(3,407)
Net trading income[2]		
Equities	**373**	50
Commodities[3]	**70**	232
Interest rate, foreign exchange and credit products	**45**	13
Net trading income	**488**	295
Fee and commission income		
Mergers and acquisitions, advisory and underwriting fees	**913**	735
Brokerage and other trading-related fees	**506**	456
Base and other asset management fees:		
Base fees	**185**	177
Performance fees	**29**	22
Other fee and commission income	**219**	202
Total fee and commission income	**1,852**	1,592
Investment Income		
Net gain/(loss) from:		
Interests in associates and joint ventures	**473**	233
Interest in subsidiaries and businesses	**414**	200
Financial investments and other assets	**254**	513
Non-financial assets	**18**	48
Total investment income	**1,159**	994
Share of net losses from associates and joint ventures	**(62)**	(196)

[1] Income and expenses related to the discontinued operations have been presented as part of 'Profit from discontinued operations after income tax'. Refer to Note 34 *Assets, liabilities and disposal groups classified as held for sale and discontinued operations.*
[2] Includes gains/losses for Trading Assets, Derivatives, Other Financial Assets and Financial Liabilities held at fair value including any ineffectiveness recorded on hedging transactions.
[3] Includes $235 million (2024: $219 million) of transportation, storage and certain other trading-related costs and $43 million (2024: $16 million) depreciation on right-of-use (ROU) assets held for trading-related businesses.

Note 2

Operating profit from continuing operations before income tax continued

	2025[1] $m	2024[1] $m
Credit and other impairment reversals/(charges)		
Credit impairment reversals/(charges)		
Loan assets	**(213)**	79
Loans to associates and joint ventures	**29**	26
Margin money and settlement assets	**(1)**	4
Financial investments and other assets[2]	**(11)**	(18)
Off-balance sheet exposures	**41**	(10)
Net credit impairment (charges)/reversals	**(155)**	81
Other impairment reversals/(charges)		
Interests in associates and joint ventures	**15**	244
Intangible and other non-financial assets	**(71)**	(13)
Net other impairment (charges)/reversals	**(56)**	231
Total credit and other impairment (charges)/reversals	**(211)**	312
Net other operating loss		
Net operating lease income		
Rental income	**176**	167
Depreciation	**(37)**	(46)
Net operating lease income	**139**	121
Subsidiaries and businesses held for investment purposes:[3]		
Net operating revenue[4]	**786**	685
Expenses[5]	**(1,354)**	(1,018)
Net loss from subsidiaries and businesses held for investment purposes	**(568)**	(333)
Net other income	**136**	25
Total net other operating loss	**(293)**	(187)
Net operating income	**3,581**	3,569

1 Income and expenses related to the discontinued operations have been presented as part of 'Profit from discontinued operations after income tax'. Refer to Note 34 *Assets, liabilities and disposal groups classified as held for sale and discontinued operations.*
2 Includes the ECL charges on amounts due from other Macquarie group entities.
3 Subsidiaries and businesses held for investment purposes are consolidated entities that are held with the ultimate intention to sell as part of Macquarie's investment activities.
4 Includes revenue of $1,156 million (2024: $1,001 million) before deduction of $370 million (2024: $316 million) related to cost of goods sold and other direct costs.
5 Includes employment expenses, depreciation, amortisation, impairment expenses, finance cost and other operating expenses.

Notes to the financial statements

For the financial year ended 31 March 2025 continued

Note 2

Operating profit from continuing operations before income tax continued

	2025[1] $m	2024[1] $m
Employment expenses		
Salary and related costs including commissions, superannuation and performance-related profit share	**(1,020)**	(1,088)
Share-based payments	**(248)**	(223)
Provision for long service leave and annual leave	**(8)**	(8)
Total compensation expenses	**(1,276)**	(1,319)
Other employment expenses including on-costs, staff procurement and staff training	**(78)**	(73)
Total employment expenses	**(1,354)**	(1,392)
Service cost recoveries	**(999)**	(946)
Brokerage, commission and fee expenses		
Brokerage and other trading-related fee expenses	**(114)**	(94)
Other fee and commission expenses	**(77)**	(64)
Total brokerage, commission and fee expenses	**(191)**	(158)
Non-salary technology expenses		
Information services	**(98)**	(95)
Depreciation on own use assets: equipment	**(3)**	(3)
Service provider and other non-salary technology expenses	**(32)**	(35)
Total non-salary technology expenses	**(133)**	(133)
Other operating expenses		
Occupancy expenses		
Lease expenses	**(33)**	(33)
Depreciation on own use assets: furniture, fittings and leasehold improvements (Note 11)	**(11)**	(15)
Other occupancy expenses	**(85)**	(27)
Total occupancy expenses	**(129)**	(75)
Other expenses		
Professional fees	**(153)**	(104)
Indirect and other taxes	**(35)**	(31)
Fees for audit and other services	**(15)**	(12)
Travel and entertainment expenses	**(56)**	(55)
Other	**(36)**	(79)
Total other expenses	**(295)**	(281)
Total other operating expenses	**(424)**	(356)
Total operating expenses	**(3,101)**	(2,985)
Operating profit from continuing operations before income tax	**480**	584

[1] Income and expenses related to the discontinued operations have been presented as part of 'Profit from discontinued operations after income tax'. Refer to Note 34 *Assets, liabilities and disposal groups classified as held for sale and discontinued operations.*

Note 3

Income tax expense

	2025 $m	2024 $m
(i) Income tax (expense)/benefit		
Current tax (expense)	**(215)**	(207)
Deferred tax (expense)	**(78)**	(9)
Total income tax (expense)	**(293)**	(216)
Income tax expense is attributable to:		
Profit from continuing operations	**(293)**	(120)
Profit from discontinuing operations	**—**	(96)
(ii) Reconciliation of income tax expense to prima facie income tax expense		
Prima facie income tax expense on operating profit at 30% (2024: 30%)	**(1,099)**	(296)
Tax effect of amounts which are non-assessable/(non-deductible) in calculating taxable income:		
Rate differential on offshore income	**(97)**	118
Other items	**(35)**	(38)
Gain on sale of discontinued operations	**938**	–
Total income tax (expense)/benefit	**(293)**	(216)
(iii) Tax benefit/(expense) relating to OCI		
Share of other comprehensive benefit of associates and joint ventures	**(3)**	—
Cash flow hedges and cost of hedging	**9**	18
FVOCI reserve	**—**	1
Foreign currency translation reserve	**—**	2
Total tax benefit relating to items of other comprehensive income	**6**	21
(iv) Deferred tax benefit/(expense) represents movements in deferred tax assets and liabilities		
Tax losses	**(9)**	103
Other assets and liabilities	**(18)**	(44)
Intangible assets	**(5)**	(3)
Loan assets and derivatives	**(32)**	41
Property, plant and equipment	**(25)**	22
Operating and finance leases	**36**	16
Financial investments and interests in associates and joint ventures	**(25)**	(144)
Deferred tax (expense)	**(78)**	(9)

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

Notes to the financial statements

For the financial year ended 31 March 2025 continued

Note 4

Trading assets

	2025 $m	2024 $m
Equity securities	**5,022**	440
Commodities inventory	**285**	563
Debt securities	**–**	293
Total trading assets	**5,307**	1,296

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

Note 5

Settlement assets and margin money

	2025 $m	2024 $m
Security settlement assets	**4,760**	4,348
Commodity settlement assets	**1,397**	2,705
Margin money	**379**	433
Total settlement assets and margin money	**6,536**	7,486

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

Note 6

Financial investments

	2025 $m	2024 $m
Equity securities:		
Listed	**246**	306
Unlisted	**1,308**	1,646
Debt securities:		
Liquid asset holdings	**282**	987
Bonds, money market and other securities	**630**	579
Total financial investments	**2,466**	3,518

Of the above amounts, $1,010 million (2024: $1,254 million) is expected to be recovered more than 12 months after the balance date by the Consolidated Entity.

Note 7
Other assets

	2025	2024
	$m	$m
Other financial assets		
Trade debtors and other receivables	**3,282**	684
Fee and commission receivables	**691**	519
Derivative assets	**331**	301
Others	**145**	72
Total other financial assets	**4,449**	1,576
Other non-financial assets		
Investment properties	**653**	605
Income tax receivables	**524**	383
Prepayments	**208**	86
Contract assets	**184**	207
Inventories	**-**	599
Indirect taxes and other receivables	**29**	156
Total other non-financial assets	**1,598**	2,036
Total other assets	**6,047**	3,612

Of the above amounts, $1,079 million (2024: $957 million) is expected to be recovered more than 12 months after the balance date by the Consolidated Entity.

Note 8
Loan assets

	2025			2024		
	Gross carrying value	ECL allowance[1]	Net carrying value	Gross carrying value	ECL allowance[1]	Net carrying value
	$m	$m	$m	$m	$m	$m
Corporate, commercial and other lending	**24,568**	**(762)**	**23,806**	19,684	(663)	19,021
Home loans	**366**	**-**	**366**	368	-	368
Total loan assets[2]	**24,934**	**(762)**	**24,172**	20,052	(663)	19,389

Of the above amounts, $22,526 million (2024: $17,618 million) is expected to be recovered more than 12 months after the balance date by the Consolidated Entity.

[1] The ECL allowance carried against loan assets measured at FVOCI is not presented in the table as the allowance is Included in reserves. Refer to Note 9 *Expected credit losses*.
[2] Includes loan assets carried at fair value, capitalised costs and unearned income which are not subject to ECL.

Note 9

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 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).

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 wholesale exposures is generally performed at a facility level. 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 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.

Wholesale exposures

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

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

For the wholesale portfolio the AASB 9 'low credit risk' exemption is not applied by the Consolidated Entity.

Definition of default

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

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

Note 9

Expected credit losses continued

Forward-looking information (FLI)

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

The Consolidated Entity applies its professional judgement in determining whether there are any inherent risks in the models' predictive outcomes. The overlays primarily reflect management's assessment of the current economic and credit environment relative to the FLI credit cycle model. These overlays account for the risk that underlying credit risk events have occurred, but observable modelled inputs are yet to reflect those events, as well as risks that are specific to regions, counterparties or industries which are difficult to account for within the modelled outcomes. Over time the credit models are recalibrated to enhance the predictive capability. At the reporting date this overlay was approximately $72 million (31 March 2024: $29 million). These judgements are reviewed by FPE and RMG at each reporting date.

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

The scenarios have been developed using a combination of publicly available data, internal forecasts and third-party information to form the initial baseline. Internal specialists within the Consolidated Entity are consulted to assist in refining and challenging the baseline and the 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, emerging trade tensions, 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.

Note 9

Expected credit losses 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 ~$750 million[1]	Probable	**Global:** The baseline scenario assumes that global GDP growth (weighted by market exchange rates) slows from 2.9% over 2024 to 1.7% over 2025 (Q4-over-Q4) as higher trade barriers weigh, with a modest growth in 2026 to 2.4%. **Australia:** GDP growth is assumed to remain below trend at 1.3% over 2025, recovering to 2.2% in 2026. The unemployment rate is forecast to rise modestly, reaching 4.4% by the end of 2025. The Reserve Bank of Australia (RBA) is expected to further reduce the cash rate by 50 basis points over the remaining period to 3.6% by the end of 2025. House prices are expected to continue their upward trend, rising by a total of 6.4% over the course of 2025 and 2026. **United States:** GDP growth is assumed to moderate to 0.7% over 2025 from 2.5% in the prior year, and stay below trend in 2026 at 1.9%. The unemployment rate is expected to rise to 4.7% in the last quarter of 2025. The Federal Reserve is expected to hold rates flat in 2025 as inflation moves higher on the back of higher tariffs. **Europe:** The baseline scenario projects year-end GDP growth will slow to 0.5% in 2025 down from 1.2% in 2024, with a modest rebound to 1.6% in 2026. Unemployment is expected to peak at 6.8% before the end of 2025.
Downside A 100% weighting to this scenario would result in a total expected credit loss provision on balance sheet at the reporting date of ~$1,050 million[1]	Possible	**Global:** The downside scenario projects annual GDP growth that is approximately 1 percentage point lower than the baseline until mid-2026. **Australia:** The scenario forecasts year-end GDP growth to slow to 0.3% in 2025 before improving to 1.3% in 2026. Unemployment is projected to rise from 4.1% to a peak of 5.4% by the first half of 2026. The RBA cash rate is forecast to rise by 50 basis points in the first half of 2025 followed by 175 basis points of cuts starting in the fourth quarter of 2025 and into 2026. House prices are projected to fall 17% by end-2026. **United States:** The scenario projects a contraction of 0.2% year-on-year in GDP in 2025 on a year-end basis, increasing modestly to 0.9% growth in 2026. The US Federal Reserve is expected to respond to rising consumer prices by increasing interest rates 100 basis points in 2025; a 250-basis points easing cycle is expected in 2026 as authorities respond to weakening economic activity. The unemployment rate is projected to peak at 6.0% in mid-2026. **Europe:** The scenario projects that Q4-over-Q4 GDP growth will fall to -0.8% in 2025 and then grow by 0.9% in 2026. The unemployment rate is expected to peak at 7.8% in mid-2026.

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

Note 9

Expected credit losses continued

Scenario	Weighting	Expectation
Severe Downside A 100% weighting to this scenario would result in a total expected credit loss provision on balance sheet at the reporting date of ~$1,450 million[1]	Unlikely	**Global:** The scenario projects a sharp slowdown in annual GDP growth, around 3 to 3.5 percentage points lower than the baseline by end-2025 and into the first half of 2026. **Australia**: The scenario projects that GDP will contract for four quarters year-on-year starting in the third quarter of 2025. Growth is expected to turn positive after end-2026. The unemployment rate is projected to reach 6.8% in the second half of 2026. The RBA cash rate is expected to rise by 100 basis points in 2025 in response to inflation, before an anticipated easing cycle of 325 basis points starting in the fourth quarter of 2025. House prices are projected to fall by a total of 26% in the two years to end-2026. **United States**: The scenario projects that GDP will contract for four consecutive quarters through 2025 and 2026. The US Federal Reserve is projected to initially hike rates by 125 basis points in response to high inflation before sharply cutting rates in response to economic weakness. The unemployment rate is expected to peak at 8.0% in mid-2026. **Europe**: The scenario projects GDP to contract by 2.1% in the year to December 2025 and a further contraction of 0.7% in 2026. Unemployment is anticipated to peak at 9.0% by mid-2026.
Upside A 100% weighting to this scenario would result in a total expected credit loss provision on balance sheet at the reporting date of ~$550 million[1]	Possible	**Global:** The upside scenario projects annual GDP growth that is approximately 1 percentage point higher than the baseline until mid-2026. **Australia**: The scenario forecasts annual GDP growth of 2.1% in 2025 followed by 2.9% in 2026 on a Q4-over-Q4 basis. The RBA is expected to cut the cash rate by a further 75 basis points in 2025 to 3.35% and hold rates steady throughout 2026. Unemployment is anticipated to stabilise at around 4.0%. House prices are projected to rise a cumulative 9.7% across 2025 and 2026. **United States**: The scenario projects year-end annual GDP growth of 1.3% in 2025 and 2.4% in 2026. The US Federal Reserve is expected to make gradual cuts, totalling 75 basis points, over the course of 2025-26. The unemployment rate is projected to gradually decline to 3.7% by end-2026 from 4.0% in mid-2025. **Europe:** Annual GDP growth is forecast to remain flat at 1.2% in the year to end-2025 and accelerate to 2.1% in 2026. Unemployment is expected to stabilise at roughly 6.1% over the course of 2025-26.

Note 9

Expected credit losses continued

The table below presents the gross exposure and related ECL allowance for assets measured at amortised cost or FVOCI, contract assets and undrawn credit commitments subject to the impairment requirements of AASB 9 *Financial Instruments*.

	GROSS EXPOSURE FOR FINANCIAL ASSETS CARRIED AT				ECL ALLOWANCE ON FINANCIAL ASSETS CARRIED AT			
	Amortised cost $m	FVOCI $m	Other $m	Gross exposure $m	Amortised cost $m	FVOCI $m	Other $m	Total ECL allowance $m
								2025
Cash and bank balances	**3,312**	**–**	**–**	**3,312**	**–**	**–**	**–**	**–**
Reverse repurchase agreements	**–**	**6,414**	**–**	**6,414**	**–**	**–**	**–**	**–**
Settlement and margin money assets	**6,540**	**–**	**–**	**6,540**	**4**	**–**	**–**	**4**
Financial investments	**–**	**282**	**–**	**282**	**–**	**–**	**–**	**–**
Held for sale assets	**464**	**–**	**–**	**464**	**–**	**–**	**–**	**–**
Other assets[1]	**3,987**	**–**	**184**	**4,171**	**79**	**–**	**–**	**79**
Loan assets	**22,985**	**685**	**–**	**23,670**	**762**	**88**	**–**	**850**
Due from other Macquarie Group entities	**12,261**	**21**	**–**	**12,282**	**2**	**–**	**–**	**2**
Loans to associates and joint ventures	**562**	**–**	**–**	**562**	**5**	**–**	**–**	**5**
Undrawn credit commitments	**–**	**–**	**7,911**	**7,911**	**–**	**–**	**44**	**44**
Total	**50,111**	**7,402**	**8,095**	**65,608**	**852**	**88**	**44**	**984**
								2024
Cash and bank balances	2,974	–	–	2,974	–	–	–	–
Reverse repurchase agreements	–	8,841	–	8,841	–	–	–	–
Settlement and margin money assets	7,489	–	–	7,489	3	–	–	3
Financial investments	–	987	–	987	–	–	–	–
Held for sale assets	160	–	–	160	–	–	–	–
Other assets[1]	1,182	–	207	1,389	21	–	–	21
Loan assets	18,647	625	–	19,272	663	100	–	763
Due from other Macquarie Group entities	17,485	10	–	17,495	5	–	–	5
Loans to associates and joint ventures	512	–	–	512	34	–	–	34
Undrawn credit commitments	–	–	13,993	13,993	–	–	79	79
Total	48,449	10,463	14,200	73,112	726	100	79	905

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 28.1 *Credit risk*.

[1] Other exposures included in other assets represent fee-related contract assets.

Note 9

Expected credit losses continued

The table below provides a reconciliation from the opening to the closing balance of the ECL allowances:

	Cash and bank balances	Cash collateralised lending and repurchase agreements	Settlement and margin money assets	Financial investments	Held for sale and other assets	Loan assets	Due from other Macquarie Group Entities	Loans to associates and joint ventures	Undrawn credit commitments	Total
	$m	$m	$m	$m	$m	$m	$m	$m	$m	$m
Balance as at 1 Apr 2023	2	1	7	1	21	819	8	60	67	986
Credit impairment charges/(reversals) (Note 2)	(2)	–	(4)	(1)	26	(79)	(5)	(26)	10	(81)
Amount written off, previously provided for	–	–	–	–	(2)	(1)	–	–	–	(3)
Reclassifications, foreign exchange and other movements	–	(1)	–	–	(24)	24	2	–	2	3
Balance as at 31 Mar 2024	–	–	3	–	21	763	5	34	79	905
Credit impairment charges/(reversals) (Note 2)	**–**	**–**	**1**	**–**	**14**	**213**	**(3)**	**(29)**	**(41)**	**155**
Amount written off, previously provided for	**–**	**–**	**–**	**–**	**(19)**	**(126)**	**–**	**–**	**–**	**(145)**
Reclassifications, foreign exchange and other movements	**–**	**–**	**–**	**–**	**63**	**–**	**–**	**–**	**6**	**69**
Balance as at 31 Mar 2025	**–**	**–**	**4**	**–**	**79**	**850**	**2**	**5**	**44**	**984**

ECL on loan assets

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

		LIFETIME ECL		
	Stage I 12 month ECL	Stage II Not credit impaired	Stage III Credit impaired	Total ECL Allowance $m
	$m	$m	$m	$m
Balance as at 1 Apr 2023	324	257	238	819
Transfer during the period	139	(101)	(38)	–
Credit impairment charges/(reversals) (Note 2)	(219)	74	66	(79)
Amount written off, previously provided for	–	–	(1)	(1)
Reclassifications, foreign exchange and other movements	7	6	11	24
Balance as at 31 Mar 2024	251	236	276	763
Transfer during the period	**24**	**–**	**(24)**	**–**
Credit impairment charges/(reversals) (Note 2)	**98**	**35**	**80**	**213**
Amount written off, previously provided for	**–**	**–**	**(126)**	**(126)**
Reclassifications, foreign exchange and other movements	**15**	**10**	**(25)**	**–**
Balance as at 31 Mar 2025	**388**	**281**	**181**	**850**

Notes to the financial statements

For the financial year ended 31 March 2025 continued

Note 10

Interests in associates and joint ventures

	2025 $m	2024 $m
Equity investments with no provisions for impairment	**3,105**	2,348
Equity investments with provisions for impairment		
Gross carrying value[1]	**324**	215
Less: provision for impairment	**(108)**	(143)
Equity investments with provisions for impairment	**216**	72
Total equity investments in associates and joint ventures[2]	**3,321**	2,420
Loans to associates and joint ventures	**998**	1,162
Less: credit impairment charges	**(5)**	(34)
Total loans to associates and joint ventures	**993**	1,128
Total interests in associates and joint ventures[3,4]	**4,314**	3,548

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

Principal associate

The Consolidated Entity's principal associate at the balance date is:

Associates	Carrying value 2025 $m	Carrying value 2024 $m	Ownership interest	Nature of activities	Financial reporting date
Macquarie AirFinance Limited	**1,408**	1,070	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.

1 Represents the carrying value after equity-accounted gains and losses, if any.
2 Includes investments in Macquarie-managed funds of $37 million (2024: $82 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 $2,330 million (2024: $1,605 million) relating to interests in associates and $1,984 million (2024: $1,943 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 11

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

	2025			2024		
	Cost	**Accumulated depreciation and impairment**	**Carrying Value**	Cost	Accumulated depreciation and impairment	Carrying Value
	$m	**$m**	**$m**	$m	$m	$m
Assets for own use						
Infrastructure assets	**680**	**(114)**	**566**	568	(18)	550
Furniture, fittings and leasehold improvements	**139**	**(119)**	**20**	140	(113)	27
Others	**79**	**(44)**	**35**	128	(66)	62
Total assets for own use	**898**	**(277)**	**621**	836	(197)	639
Assets under operating lease						
Aviation	**-**	**-**	**-**	1,605	(259)	1,346
Others	**152**	**(16)**	**136**	143	(11)	132
Total assets under operating lease	**152**	**(16)**	**136**	1,748	(270)	1,478
Right-of-use assets						
Office premises	**159**	**(74)**	**85**	271	(172)	99
Others	**120**	**(41)**	**79**	69	(18)	51
Total right-of-use assets	**279**	**(115)**	**164**	340	(190)	150
Total property, plant and equipment and right of-use assets[1]	**1,329**	**(408)**	**921**	2,924	(657)	2,267

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

	2025	2024
Assets under operating lease	**$m**	$m
Within one year	**19**	179
Between one to two years	**18**	161
Between two to three years	**19**	139
Between three to four years	**19**	118
Between four to five years	**20**	92
Later than five years	**158**	255
Total future minimum lease payments receivable	**253**	944

[1] Includes carrying value of $117 million (2024: $1,441 million) related to the Consolidated Entity's integrated consolidated businesses and $804 million (2024: $826 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 2025 continued

Note 11

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:

	Infrastructure assets	Furniture, fittings and leasehold improvements	Others	Total
	$m	$m	$m	$m
Assets for own use				
Balance as at1 Apr 2023	482	70	72	624
Acquisitions and additions	503	11	97	611
Disposals	(48)	(34)	(82)	(164)
Depreciation expense[1]	(10)	(20)	(14)	(44)
Impairments	(10)	–	(1)	(11)
Reclassifications and other adjustments	(384)	–	(12)	(396)
Foreign exchange movements	17	–	2	19
Balance as at 31 Mar 2024[2]	550	27	62	639
Acquisitions and additions	**396**	**10**	**13**	**419**
Disposals	**(49)**	**(4)**	**(38)**	**(91)**
Depreciation expense[1]	**(25)**	**(14)**	**(10)**	**(49)**
Impairments	**(59)**	**–**	**–**	**(59)**
Reclassifications and other adjustments[3]	**(284)**	**–**	**7**	**(277)**
Foreign exchange movements	**37**	**1**	**1**	**39**
Balance as at 31 Mar 2025[2]	**566**	**20**	**35**	**621**

	Aviation	Others	Total
	$m	$m	$m
Assets under operating lease			
Balance as at1 Apr 2023	1,057	180	1,237
Acquisitions and additions	324	4	328
Disposals	(9)	(43)	(52)
Depreciation expense	(40)	(11)	(51)
Impairments	(3)	–	(3)
Reclassifications and other adjustments	(13)	–	(13)
Foreign exchange movements	30	2	32
Balance as at 31 Mar 2024	1,346	132	1,478
Acquisitions and additions	**51**	**2**	**53**
Disposals	**(1,401)**	**–**	**(1,401)**
Depreciation expense	**(37)**	**(4)**	**(41)**
Impairments	**(5)**	**–**	**(5)**
Reclassifications and other adjustments	**–**	**–**	**–**
Foreign exchange movements	**46**	**6**	**52**
Balance as at 31 Mar 2025	**–**	**136**	**136**

[1] Includes depreciation expense of $25 million (2024: $10 million) on infrastructure assets, $3 million (2024: $5 million) on furniture, fittings and leasehold improvements and $7 million (2024: $11 million) on Others relating to subsidiaries that are held for investment purposes and presented under other operating income and charges in Note 2 *Operating profit from continuing operations before income tax*.

[2] Includes $288 million (2024: $373 million) capital work in progress.

[3] Includes assets reclassified as held for sale in the current year.

Note 11

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

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

	Office premises $m	Other $m	Total $m
Right-of-use assets			
Balance as at t1 Apr 2023	139	42	181
Acquisitions and additions	35	68	103
Disposals	(34)	(40)	(74)
Depreciation expense[1]	(42)	(20)	(62)
Foreign exchange movements	–	2	2
Reclassification and other adjustments	1	(1)	–
Balance as at 31 Mar 2024	99	51	150
Acquisitions and additions	**32**	**104**	**136**
Disposals	**(9)**	**–**	**(9)**
Depreciation expense[1]	**(36)**	**(46)**	**(82)**
Foreign exchange movements	**3**	**4**	**7**
Reclassification and other adjustments	**(4)**	**(34)**	**(38)**
Balance as at 31 Mar 2025	**85**	**79**	**164**

[1] Includes depreciation expense of $9 million (2024: $9 million) on office premises relating to subsidiaries that are held for investment purposes and presented under other operating income and charges in Note 2 *Operating profit from continuing operations before income tax*.

Note 12
Intangible assets

	2025			2024		
	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	**923**	**(65)**	**858**	926	–	926
Intangible assets with finite useful lives						
Management rights and licenses	**20**	**(13)**	**7**	60	(33)	27
Customer and servicing contracts	**293**	**(53)**	**240**	386	(61)	325
Software and other intangibles	**288**	**(62)**	**226**	294	(45)	249
Total intangible assets[1]	**1,524**	**(193)**	**1,331**	1,666	(139)	1,527

The above amounts are expected to be recovered after 12 months after 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 10.0%–13.0%).

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			
	Goodwill	**Management rights and licenses**	**Customer and servicing contracts**	**Software and other Intangibles**	**Total**
Balance as at 1 Apr 2023	564	27	242	132	965
Acquisitions[2]	559	–	95	391	1,045
Amortisation	–	(8)	(24)	(20)	(52)
Disposals and reclassifications	(239)	–	–	(268)	(507)
Foreign exchange movements and other adjustments	42	8	12	14	76
Balance as at 31 Mar 2024	926	27	325	249	1,527
Acquisitions[2]	**537**	**–**	**124**	**175**	**836**
Amortisation	**–**	**–**	**(21)**	**(25)**	**(46)**
Impairments	**(63)**	**–**	**–**	**(5)**	**(68)**
Disposals and reclassifications	**(583)**	**(19)**	**(205)**	**(180)**	**(987)**
Foreign exchange movements and other adjustments	**41**	**(1)**	**17**	**12**	**69**
Balance as at 31 Mar 2025	**858**	**7**	**240**	**226**	**1,331**

1 Includes $21 million (2024: $100 million) related to the Consolidated Entity's core business operations and $1,312 million (2024: $1,427 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. Refer to Note 35 *Acquisitions and disposals of businesses and subsidiaries.*

Note 13

Deferred tax assets/(liabilities)

The balance comprises temporary differences attributable to:

	2025 $m	2024 $m
Other assets and liabilities	**545**	522
Financial investments and interests in associates and joint ventures	**350**	434
Tax losses	**287**	347
Loan assets and derivatives	**84**	104
Intangibles	**9**	16
Property, plant and equipment	**33**	61
Operating and finance leases	**34**	9
Set-off of deferred tax liabilities	**(721)**	(796)
Net deferred tax assets	**621**	697
Financial investments and interests in associates and joint ventures	**(393)**	(439)
Operating and finance leases	**(121)**	(155)
Other assets and liabilities	**(170)**	(126)
Intangible assets	**(37)**	(100)
Loan assets and derivatives	**(49)**	(46)
Property, plant and equipment	**(21)**	(33)
Set-off of deferred tax assets	**721**	796
Net deferred tax liabilities	**(70)**	(103)

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

Potential tax assets of approximately $309 million (2024: $332 million) attributable to tax losses carried forward by subsidiaries and other timing differences have not been brought to account in the Consolidated Entity as the Directors do not believe that the realisation of the tax assets is probable. Included in this amount are gross losses of $82 million (2024: $95 million) that will expire within two years, $117 million (2024: $125 million) that will expire in 2–5 years, $116 million (2024: $78 million) that will expire in 5–10 years and $171 million (2024: $238 million) that will expire in 10–20 years. $651 million (2024: $512 million) do not expire and can be carried forward indefinitely.

Notes to the financial statements

For the financial year ended 31 March 2025 continued

Note 14

Settlement, margin money and trading liabilities

	2025 $m	2024 $m
Security settlement liabilities	**4,627**	4,335
Commodity settlement liabilities	**598**	1,800
Margin money	**9**	5
Total settlement liabilities and margin money	**5,234**	6,140
Equity securities	**98**	107
Total trading liabilities	**98**	107
Total settlement, margin money and trading liabilities	**5,332**	6,247

Note 15

Other liabilities

	2025 $m	2024 $m
Other financial liabilities		
Trade and other payables	**515**	424
Derivative liabilities	**174**	297
Commodity-related payables	**173**	170
Lease liabilities	**173**	152
Others	**–**	76
Total other financial liabilities	**1,035**	1,119
Other non-financial liabilities		
Employment-related liabilities	**865**	701
Provisions[1]	**401**	117
Income tax provision[2]	**313**	263
Accrued charges and other payables	**152**	130
Income received in advance	**89**	105
Others	**108**	126
Total other non-financial liabilities	**1,928**	1,442
Total other liabilities	**2,963**	2,561

[1] In the ordinary course of its business, the Consolidated Entity may be subject to actual and potential civil claims and regulatory enforcement actions. The civil claims and regulatory enforcement actions may result in outcomes such as settlements, 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 and range of likely outcomes, the matters did not have and are not currently expected to have a material impact on the Consolidated Entity. The Consolidated Entity considers the risk of there being a material adverse effect in respect of claims and actions that have not been provided for to be remote.
The current year includes $302m in provisions in Macquarie Corona Energy Holdings Limited and its subsidiaries which was acquired during the year under a common control transaction, refer to Note 22 *Related party information* for further details.

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

Note 16

Issued debt securities and other borrowings

	2025 $m	2024 $m
Bonds	**2,941**	2,838
Borrowings	**4,813**	4,283
Total issued debt securities and other borrowings	**7,754**	7,121

Reconciliation of issued debt securities and other borrowings by major currency

(*In Australian dollar equivalent*)

United States dollar	**5,496**	5,254
Pound sterling	**1,045**	1,151
Other	**1,213**	716
Total issued debt securities and other borrowings	**7,754**	7,121

Note 17

Capital management

Capital management strategy

The Consolidated Entity's capital management strategy is to determine and maintain appropriate capital levels to support the Consolidated Entity's businesses.

The Consolidated Entity's capital management objectives are to maintain sufficient capital resources to:

- support the Consolidated Entity's business and operational requirements;
- safeguard the Consolidated Entity's ability to continue as a going concern; and
- support the Consolidated Entity's credit ratings.

The Consolidated Entity's capital management strategy uses internal measures of capital. The Consolidated Entity applies an internal Economic Capital Adequacy Model (ECAM) that is used to quantify the Consolidated Entity's aggregate level of risk, including for specific risk types such as equity, credit, market and operational risk. The Consolidated Entity's ECAM is used to inform the capital management strategy and support business decision-making including:

- capital adequacy assessment; and
- risk-adjusted performance measurement.

The Consolidated Entity maintains capital as calculated using the Consolidated Entity's ECAM. The Consolidated Entity's eligible capital consists of contributed equity, retained earnings, certain reserves and hybrid instruments.

The Consolidated Entity satisfied the internally imposed capital requirement during the financial year.

Note 18

Loan capital

Subordinated debt

Subordinated debt comprises of agreements between the Consolidated Entity and its lenders. In the event of liquidation, the entitlement of such lenders to repayment of the principal sum and interest thereon remains, and shall 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 issued by the Consolidated Entity:

Contract feature	Internal Capital Notes	Internal Capital Notes	Internal Capital Notes	Internal Capital Notes
Code	ICN Series 2	ICN Series 3	ICN Series 4	ICN Series 5
Issuer	Macquarie Financial Limited	Macquarie Financial Limited	Macquarie Financial Limited	Macquarie Financial Limited
Par value	$100	$100	$100	$100
Currency	AUD	AUD	AUD	AUD
Principal amount	$406 million	$725 million	$500 million	$750 million
Accounting measurement basis	Financial liability at amortised cost	Financial liability at amortised cost	Financial liability at amortised cost	Financial liability at amortised cost
Issue date	31 March 2021	31 March 2021	12 July 2022	16 September 2024
Interest rate	30-day BBSW plus a fixed margin of 4.15% per annum, paid monthly	30-day BBSW plus a fixed margin of 2.90% per annum, paid monthly	30-day BBSW plus a fixed margin of 3.70% per annum, paid monthly	30-day BBSW plus a fixed margin of 2.65% per annum, paid monthly
Interest payment frequency	Monthly	Monthly	Monthly	Monthly
Interest Payment	Discretionary, non-cumulative	Discretionary, non-cumulative	Discretionary, non-cumulative	Discretionary, non-cumulative
Outstanding notes at reporting date	4.06 million	7.25 million	5 million	7.5 million
Maturity	Perpetual unless redeemed, or exchanged in accordance with the terms of the instrument.	Perpetual unless redeemed, or exchanged in accordance with the terms of the instrument.	Perpetual unless redeemed, or exchanged in accordance with the terms of the instrument.	Perpetual unless redeemed, or exchanged in accordance with the terms of the instrument.

The table below discloses the carrying value of loan capital as at 31 March:

	2025 $m	2024 $m
Instruments with conditional repayment obligations:		
ICN Series 1	**-**	1,000
ICN Series 2	**406**	406
ICN Series 3	**725**	725
ICN Series 4	**500**	500
ICN Series 5	**750**	-
Accrued interest payable as per terms of instruments:		
Less than 12 months	**8**	10
Total loan capital	**2,389**	2,641

Note 19

Contributed equity

	2025 Number of shares	2024 Number of shares	2025 $m	2024 $m
Ordinary share capital			**7,736**	11,368
Restructure reserve			**(3,675)**	(6,805)
Additional paid in capital			**480**	481
Total contributed equity			**4,541**	5,044

(i) Ordinary share capital[1]

	2025 Number of shares	2024 Number of shares	2025 $m	2024 $m
Balance at the beginning of the financial year	**29,811,494,297**	29,811,494,297	**11,368**	11,368
Return of capital to MGL on 6 August 2024[2]	**(10,454,384,102)**	-	**(3,986)**	-
Return of capital to MGL on 30 September 2024	**(1,966,937,809)**	-	**(750)**	-
Issue of shares to MGL on 28 February 2025 at $1 per share	**604,177,311**	-	**604**	-
Issue of shares to MGL on 31 March 2025 at $1 per share	**500,000,000**	-	**500**	-
Balance at the end of the financial year	**18,494,349,697**	29,811,494,297	**7,736**	11,368

(ii) Restructure reserve[3]

	2025 $m	2024 $m
Balance at the beginning of the financial year	**(6,805)**	(6,805)
Transferred to retained earnings	**3,130**	-
Balance at the end of the financial year	**(3,675)**	(6,805)

(iii) Additional paid in capital

	2025 $m	2024 $m
Balance at the beginning of the financial year	**481**	466
(Return of)/additional paid in capital for Macquarie Group Employee Retained Equity Plan (MEREP)[4]	**(1)**	15
Balance at the end of the financial year	**480**	481

[1] Ordinary shares have no par value.

[2] During the year, the Consolidated Entity returned capital of $3,986 million to MGL following the disposal of certain MAM businesses. Refer to Note 34 *Assets, liabilities and disposal groups classified as held for sale and discontinued operations* for further information.

[3] Relates to the difference between the acquisition price and the book value of the net assets acquired under common control transactions. During the current year, a portion of the restructure reserve that was recognised under contributed equity was transferred to retained earnings following the sale of certain MAM businesses to which the restructure reserve was related. Refer to Note 34 Assets, liabilities and disposal groups classified as held for sale and discontinued operations

[4] Macquarie Group Employee Retained Equity Plan (MEREP) awards are primarily settled in shares of MGL. Where MEREP awards are issued by MGL to employees of the Consolidated Entity and MGL is not subsequently reimbursed by the Consolidated Entity, the Consolidated Entity recognises the grant date fair value of the award net of tax as a capital contribution from MGL. If issued awards expire, the reversal of the original contribution is recognised as a return of capital. For further information regarding the terms and conditions of MEREP refer to Note 24 *Employee equity participation*.

Note 20

Reserves, retained earnings and non-controlling interests

	2025 $m	2024 $m
(i) Reserves		
Foreign currency translation reserve		
Balance at the beginning of the financial year	**574**	362
Foreign exchange movement on translation and hedge accounting of foreign operations, net of tax	**398**	212
Balance at the end of the financial year	**972**	574
FVOCI reserve and other reserve		
Balance at the beginning of the financial year	**23**	21
Revaluation movement, net of tax	**6**	25
Changes in ECL allowance, net of tax	**(12)**	(23)
Balance at the end of the financial year	**17**	23
Cash flow hedge reserve		
Balance at the beginning of the financial year	**34**	67
Revaluation movement, net of tax	**(9)**	(4)
Transferred to income statement on realisation, net of tax	**(20)**	(29)
Balance at the end of the financial year	**5**	34
Cost of hedging reserves		
Balance at the beginning of the financial year	**(15)**	6
Revaluation movement, net of tax	**(9)**	(21)
Balance at the end of the financial year	**(24)**	(15)
Share of reserves in associates and joint ventures		
Balance at the beginning of the financial year	**6**	15
Share of other comprehensive income of associates and joint ventures, net of tax	**(7)**	(9)
Balance at the end of the financial year	**(1)**	6
Total reserves at the end of the financial year	**969**	622
(ii) Retained earnings		
Balance at the beginning of the financial year	**4,979**	4,244
Profit attributable to the ordinary equity holders of Macquarie Financial Limited	**3,371**	740
Movement due to change in non-controlling ownership interest	**(20)**	(1)
Change attributable to group structure[1]	**(673)**	-
Transferred from contributed equity[2]	**(3,130)**	-
Remeasurement of defined benefit plans	**3**	(4)
Balance at the end of the financial year	**4,530**	4,979
(iii) Non-controlling interests		
Share capital	**777**	481
Reserves	**(155)**	(58)
Retained Earnings	**(215)**	(187)
Total non-controlling interests	**407**	236

1 Represents adjustment to retained earnings for the difference between purchase price and book value of the net assets relating to transactions under common control during March 2025. Refer to Note 22 Related party information.

2 During the current year, a portion of the restructure reserve that was recognised against contributed equity was transferred to retained earnings following the restructure of the business to which the restructure reserve was related. Refer to Note 34 Assets, liabilities and disposal groups classified as held for sale and discontinued operations.

Note 21

Notes to the statement of cash flows

(i) Reconciliation of cash and cash equivalents

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

	2025 $m	2024 $m
Due from other Macquarie Group entities[1]	**2,224**	1,889
Cash and bank balances[2,3]	**2,736**	2,536
Reverse repurchase agreements	**6,414**	8,841
Financial investments[1]	**393**	339
Held for sale assets	**300**	160
Cash and cash equivalents at the end of the financial year	**12,067**	13,765

(ii) Reconciliation of profit after income tax to net cash flows generated from/(utilised in) operating activities

	2025 $m	2024 $m
Profit after income tax	**3,370**	772
Adjustments to profit after income tax:		
Depreciation and amortisation	**193**	116
Credit and other impairment (reversal)/charges	**213**	(351)
Investment income and gain on sale of operating lease assets and other non-financial assets	**(3,681)**	(1,412)
Share-based payments expense	**248**	254
Share of net profits of associates and joint ventures	**62**	177
Changes in assets and liabilities:		
Issued debt securities	**(28)**	626
Trading and related assets, liquid investments and collateralised lending balances (net of liabilities)	**(2,741)**	(1,013)
Carrying values of associates due to dividends received	**77**	79
Interest, fee and commission receivable and payable	**330**	(232)
Liquid asset holdings	**710**	1,078
Tax balances	**24**	(392)
Assets under operating lease	**(18)**	(269)
Other assets and liabilities	**(61)**	(133)
Debtors, prepayments, accrued charges and creditors	**(286)**	(430)
Loan assets and balances with other Macquarie Group entities	**1,906**	(2,424)
Net cash flows (utilised in)/generated from operating activities	**318**	(3,554)

(iii) Reconciliation of loan capital

	2025 $m	2024 $m
Balance at the beginning of the financial year	**2,641**	2,640
Cash flows:		
Issuance	**750**	–
Redemption	**(1,000)**	–
Non-cash changes:		
Accrued interest and other movements	**(2)**	1
Balance at the end of the financial year	**2,389**	2,641

1 The Consolidated Entity's policy is that financial investments and amounts due from other Macquarie Group entities qualify as cash and cash equivalents if it has a residual maturity of less than three months from the date of acquisition. During the current year it has been determined that certain financial investments and amounts due from other Macquarie Group entities that have a maturity of greater than three months was also included in cash and cash equivalents. Comparative information has been represented to conform to changes in the current year. For the year ended 31 March 2024, financial investments classified as cash and cash equivalents at the beginning and at the end of the year decreased by $784 million and $38 million respectively, and cash flows from the operating activities under liquid asset holdings increased by $746 million. Similarly, for 31 March 2024, amounts due from other Macquarie Group classified as cash and cash equivalents at the beginning and at the end of the year decreased by $1,564 million and $1,552 million, respectively, and cash flows from the operating activities under loan assets and receivables increased by $12 million.

2 Amounts excluded from cash and cash equivalents but presented in the Statement of financial position as Cash and bank balances primarily relates to $nil million (2024: $6 million) of funds received from clients which are segregated from the Consolidated Entity's own funds and other balances of $576 million (2024: $431 million), not readily available to meet the Consolidated Entity's short-term cash commitments.

3 Include $1,663 million (2024: $747 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 22

Related party information

Transactions between the Consolidated Entity and the parent entity and with other Macquarie Group entities under common control principally arise from the provision and repayment of funding arrangements which are repayable on demand or may be extended on a term basis and where appropriate may be either subordinated or collateralised, provision of management and administration services, provision of guarantees, restructure of businesses, capital and distributions and trading activities including derivative transactions for managing and hedging market risks, that are governed by standard market practices and arrangements under ISDA Master Agreement, Global Master Repurchase Agreement (GMRA) and other brokerage agreements.

The Master Loan Agreement (MLA) governs the funding and netting arrangements between various subsidiaries and other Macquarie Group entities which are under the common control of MGL and which have acceded to the MLA.

The Tripartite Outsourcing Major Services Agreement (TOMSA) governs the provision of intra-group services between subsidiaries and other Macquarie Group entities other than certain excluded entities.

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

The Consolidated Entity's Australian tax liabilities are determined according to tax consolidation legislation. MGL as the ultimate parent entity of the Macquarie Group is the head entity of the Australian tax consolidated group. The terms and conditions of this agreement are set out in Note 38(v) *Taxation*.

Parent entity

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

Other Macquarie Group entities

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

Transaction under common control

On 12 April 2024, the Company executed a restructure and transition framework agreement with Macquarie Bank Limited (MBL), a 100% owned subsidiary of MGL, to transfer the Equity Derivatives and Trading (EDT) business within the Commodities and Global Markets Operating Group. The transfer of assets or liabilities is undertaken at fair market value as at the transfer date. Under the terms, it has been agreed to transfer economic risk, reward and decision-making for each component of the EDT business at the corresponding transfer date. On 14 May 2025, MFL and MBL executed an amending agreement in relation to the restructure and transition framework agreement to temporarily suspend such transfer of the EDT business for the period commencing on 1 February 2025 and ending on 31 October 2025.

On 28 February 2025, the Consolidated Entity via subsidiary Macquarie UK Holdings No. 2 Limited acquired equity interest in Macquarie Corona Energy Holdings Limited and its subsidiaries from the Bank Group for a total cash consideration of $818 million. The acquisition was accounted for as purchase of a business under the common control of MGL, and therefore, the net assets were recognised at the original carrying value of $206 million in Macquarie Corona Energy Holdings Limited and its subsidiaries at the date of acquisition with the excess of consideration paid being recognised as an adjustment to the equity as shown in Note 20 *Reserves, retained earnings and non-controlling interests*.

During the prior year, the Consolidated Entity disposed of its equity interest in Macquarie Equipment Finance Ltd to Macquarie Infrastructure and Real Assets (Sales) Canada Ltd a subsidiary of Macquarie Asset Management Holdings Pty Ltd (MAMH) Group, for a total consideration of $124 million resulting in derecognition of net assets of $130 million and non-controlling interest of $6 million.

Note 22

Related party information continued

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

	2025		2024	
	Parent	Other Macquarie Group entities	Parent	Other Macquarie Group entities
	$'000	$'000	$'000	$'000
Net interest income	(2,449,793)	371,988	(2,335,507)	651,930
Net fee and commission income	(14,870)	481,427	(17,095)	248,851
Other charges	-	(30,480)	–	(25,830)
Other operating expenses	-	(1,004,052)	–	(981,158)

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

On Balance Sheet:				
Due from other Macquarie Group entities	4,520,521	8,941,536	4,875,842	13,832,016
Due to other Macquarie Group entities	(41,211,671)	(6,520,767)	(39,717,217)	(6,499,554)
Loan capital	(2,389,100)	-	(2,640,958)	–
Off-Balance Sheet:				
Undrawn credit facilities	-	(7,959)	–	–
Asset development and purchase commitments	-	-	(67,089)	–
Guarantees and debt commitments provided[1]	-	(2,972,958)	–	(8,263,898)
Guarantees received[2]	6,194,622	34,598	6,622,029	57,490

1 Includes guarantees of $2,969,933 thousand (2024: $6,920,470 thousand) provided by the Consolidated Entity to MBL for its exposure with certain Non-ELE Bank group entities and certain counterparties. The Consolidated Entity has placed cash collateral of a similar amount with MBL as per the terms of the guarantee arrangement, which is included in the due from other Macquarie Group entities balance above.

2 Includes guarantee provided by MGL to counterparties with respect to their exposure to the Consolidated entity.

Note 22

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 35 *Acquisitions and disposals of businesses and subsidiaries.*

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

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

	2025 $'000	2024 $'000
Interest income	**111,197**	76,122
Fees and commission income[1]	**259,777**	841,668
Other income/(charges)	**128**	(4)

Dividends and distributions of $68,442 thousand (2024: $81,610 thousand) received from associates and joint ventures were recorded as a reduction from the carrying amount of the investment.

The following represents the balances and off-balance sheet arrangements with associates and joint ventures that 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 10 *Interests in associates and joint ventures*):

On Balance Sheet		
Amounts receivable[2]	**472,749**	899,555
Amounts payable	**-**	(49,492)
Off-balance Sheet:		
Undrawn credit facilities, debt and equity commitment	**(537,786)**	(652,187)
Standby letter of credit	**(24,071)**	(53,452)
Guarantees	**(5,170)**	(10,667)

1 Includes $29,234 thousand (2024: $372,232 thousand) of performance fees.
2 Includes $186,233 thousand (2024: $772,367 thousand) of fee-related contract assets from Macquarie-managed funds.

Note 23

Key management personnel disclosure

Key management personnel (KMP)

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

Directors

S.J. Dyson

D.N. Saad

J.A. Fowler

L.H. Mann (appointed on 12 November 2024, resigned on 24 February 2025)

M.P. McKeown (appointed on 12 November 2024)

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

Executives[1]

S.R. Wikramanayake	Macquarie Group CEO
G.N. Bruce	GGC, Head of LGG
A. Cassidy	CRO, Head of RMG
A.H. Harvey	CFO, Head of FPE
M.J. Silverton	Head of Macquarie Capital
N. Sorbara	COO, Head of COG
B.I. Way	Head of MAM
S.L. Wright	Head of CGM (appointed to be a member of the Executive Committee effective 1 April 2024)

Former Executives

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

The following table details the aggregate remuneration for Key Management Personnel (KMP) in MFL:

	2025 $	2024 $
Key Management Personnel Remuneration		
Amounts paid to Key Management Personnel in relation to their role as KMP of the Company and its subsidiaries	**37,216,794**	33,132,611

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

[1] Except where indicated otherwise, all of the Executives as well as the CEO were members of the Executive Committee as at 11 June 2025.

Note 24

Employee equity participation

MEREP

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

Award types under the MEREP

Restricted Share Units (RSUs)

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

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

	NUMBER OF RSU AWARDS	
	2025	2024
RSUs on issue at the beginning of the financial year	**3,781,997**	4,155,117
Granted during the financial year	**841,012**	934,914
Forfeited during the financial year	**(107,300)**	(102,011)
Vested RSUs withdrawn or sold from the MEREP during the financial year	**(1,229,185)**	(1,132,085)
Net transfers from/ (to) other Macquarie Group entities[1]	**107,849**	(73,938)
RSUs on issue at the end of the financial year	**3,394,373**	3,781,997
RSUs vested and not withdrawn from the MEREP at the end of the financial year	**2,540**	140

The weighted average fair value of the RSU awards granted during the financial year was $197.81 (2024: $180.05).

Deferred Share Units (DSUs)

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

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

DSUs will only be offered to MRTs, US employees identified under APRA Prudential Standard CPS 511 Remuneration (CPS 511), or 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	
	2025	2024
DSUs on issue at the beginning of the financial year	**1,878,482**	2,149,206
Granted during the financial year	**318,278**	439,285
Forfeited during the financial year	**(46,500)**	(72,483)
Exercised during the financial year	**(665,775)**	(640,784)
Net transfers(to)/ from other Macquarie Group entities[1]	**(89,869)**	3,258
DSUs on issue at the end of the financial year	**1,394,616**	1,878,482
DSUs exercisable at the end of the financial year	**342,005**	436,944

The weighted average fair value of the DSU awards granted during the financial year was $189.88 (2024: $173.53).

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

Note 24

Employee equity participation continued

Award types under the MEREP continued

Performance Share Units (PSUs)

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

	NUMBER OF PSU AWARDS	
	2025	2024
PSUs on issue at the beginning of the financial year	**128,800**	149,235
Granted during the financial year	**13,346**	15,774
Exercised during the financial year	**(18,856)**	(35,243)
Expired during the year	**(40,698)**	**(966)**
Net transfers from other Macquarie Group entities[1]	**44,774**	—
PSUs on issue at the end of the financial year	**127,366**	128,800
PSUs exercisable at the end of the financial year	**7,231**	—

The weighted average fair value of the PSU awards granted during the financial year was $182.04 (2024: $151.70).

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

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

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

Note 24

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 2016 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 2016 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 2019	Executive Committee members (including 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)	100% in the 4th year following the year of grant[3]
PSU Awards granted in relation to years 2020 to 2023	CEO	100% in the 4th year following the year of grant[3]
PSU Awards granted in relation to 2024 and following years	CEO	100% in the 5th year following the year of grant[3]
New Hire Awards	All Director-level staff	1/3rd in the 2nd, 3rd and 4th year following the year of grant[4]

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

For Retained Profit Share awards representing FY2024 retention, the allocation price was the weighted average price of the shares acquired for the 2024 purchase period, which was 13 May 2024 to 19 June 2024. That price was calculated to be $191.54 (2023 retention: $179.17).

[1] Vesting will occur during an eligible staff trading window. If an employee has been on leave without pay (excluding leave to which the Employee may be eligible under local laws) for twelve months or more, the Vesting Period may be extended accordingly.
[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.
[4] Vesting will occur during an eligible staff trading window.

Note 24

Employee equity participation continued

Performance Share Units (PSUs)

PSUs will only be released or become exercisable subject to pre-vest assessment[1] and upon the achievement of performance hurdles related to MGL's performance. Only members of the MGL 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.[2]

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)

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.

[1] Pre-vest assessment applicable for awards to be granted in relation to FY2024 and following years.
[2] For unvested PSU awards made prior to FY2023, 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.

Note 24

Employee equity participation continued

Assumptions used to determine fair value of MEREP awards

RSUs and DSUs are measured at their grant dates based on their fair value[1] 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 FY2024 performance. The accounting fair value of each of these grants is estimated using the MGL's share price on the date of grant and for each PSU also incorporates a discounted cash flow method using the following key assumptions:

- interest rate to maturity: 3.87% per annum (3.89% for grants to CEO)
- expected vesting dates of PSUs: 1 July 2028 (1 July 2029 for CEO)
- dividend yield: 3.69% per annum

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

For PSU, the estimate also incorporates an interest rate to maturity of 3.91% per annum (3.98% for grants to CEO), expected vesting date of 1 July 2029 (1 July 2030 for CEO), and a dividend yield of 3.62% 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.

For the financial year ended 31 March 2025, compensation expense relating to the MEREP totalled $247,481 thousand (2024: $259,366 thousand).

Employee Share Plan

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

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

The latest offer under the ESP was made during November 2024. A total of 66 (2024: 54) staff participated in this offer.

On 6 December 2024, the participants were each allocated 4 (2024: 6) fully paid ordinary shares based on the offer amount of $1,000 and the average market share price of $233.37 (2024: $166.34), resulting in a total of 264 (2024: 324) 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 2025, compensation expense relating to the ESP totalled $61 thousand (2024: $54 thousand).

Other plans

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

[1] For employees categorised as Material Risk Takers who are required to comply with the European Banking Authority Guidelines on the CRD IV 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 25

Contingent liabilities and commitments

	2025 $m	2024 $m
Undrawn credit commitments		
Undrawn credit facilities and debt commitment[1,2]	**6,588**	8,037
Letter of credit and guarantees	**3,062**	7,979
Total undrawn credit commitments	**9,650**	16,016
Other contingencies and commitments:		
Equity investment commitments	**743**	943
Asset development and purchase commitments	**14**	111
Performance related contingencies	**56**	—
Total other contingencies and commitments	**813**	1,054
Total contingent liabilities and commitments	**10,463**	17,070

Note 26

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 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	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. The Consolidated Entity also establishes SEs on behalf of customers to securitise their loans or receivables and may manage these securitisation vehicles or provide liquidity or other support. The Consolidated Entity may also provide redraw facilities or loan commitments to securitisation vehicles. The Consolidated Entity invests in debt and equity notes of SEs are part of its liquid asset portfolio management. The Consolidated Entity's total exposure (primarily in nature of financial investments) as at reporting date is $250 million (2024: $493 million).
Asset-backed financing	Asset-backed vehicles are used to provide tailored lending for the purchase or lease of assets transferred by the Consolidated Entity or its clients. The assets are normally pledged as collateral to the lenders. The Consolidated Entity exposure is secured over property assets. The total exposure (primarily in nature of loan assets) as at reporting date is $558 million (2024: nil).
Structured financing and other arrangements	Includes structured entities established to raise financing and fulfil obligations for prepaid commodity delivery contracts. The Consolidated Entity has no material exposure to such unconsolidated SEs as at reporting date.

1 Undrawn credit facilities include fully or partially undrawn commitments against which clients can borrow money under defined terms and conditions.
2 Includes $652 million (2024: $1,101 million) in undrawn facilities wherein loan positions have been sub-participated to a third party and will be transferred after drawdown.

Note 27

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.

Hedge ineffectiveness

In the case of a fair value hedge, hedge ineffectiveness is the extent to which the changes in the fair value of the hedging instrument differ to that of the hedged item 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 27

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 20(i) *Reserves*. Changes in this reserve are reported in the Consolidated Entity's statement of comprehensive income.

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
						2025
Derivative assets						
Cross currency swaps	Foreign exchange	**–**	**–**	**362**	**–**	**362**
Interest rate swaps and options	Interest rate	**–**	**1**	**901**	**538**	**1,440**
Foreign exchange forwards and swaps	Foreign exchange	**1**	**–**	**–**	**–**	**1**
Derivative liabilities						
Cross currency swaps	Foreign exchange	**–**	**–**	**1,324**	**639**	**1,963**
Interest rate swaps and options	Interest rate	**–**	**–**	**213**	**105**	**318**
Commodity derivatives	Commodity price	**–**	**–**	**–**	**530**	**530**
Foreign exchange forwards and swaps	Foreign exchange	**1**	**1**	**–**	**–**	**2**
						2024
Derivative assets						
Cross currency swaps	Foreign exchange	–	–	–	340	340
Interest rate swaps and options	Interest rate	–	300	632	407	1,339
Derivative liabilities						
Cross currency swaps	Foreign exchange	–	–	749	1,114	1,863
Interest rate swaps and options	Interest rate	–	–	100	47	147
Commodity derivatives	Commodity price	–	–	–	163	163

		CARRYING AMOUNT			
		2025		2024	
		Asset	**Liability**	Asset	Liability
Instrument type	Risk category	**$m**	**$m**	$m	$m
Cross currency swaps[1]	Foreign exchange	**58**	**69**	40	161
Interest rate swaps and options[1]	Interest rate	**56**	**6**	69	4
Commodity derivatives	Commodity price	**–**	**19**	–	7

[1] The carrying amounts of hedging instrument derivative assets and liabilities designated in cashflow hedge relationships include amounts of $79 million and $69 million (2024: $76 million and $161 million) which are disclosed in the Consolidated Entity's statement of financial position as 'Due from other Macquarie Group entities' and 'Due to other Macquarie Group entities' respectively.

Notes to the financial statements

For the financial year ended 31 March 2025 continued

Note 27

Hedge accounting continued

Hedge ineffectiveness

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

		GAIN/(LOSS) ON HEDGING INSTRUMENT		GAIN/(LOSS) ON HEDGED ITEM		HEDGE INEFFECTIVENESS GAIN/(LOSS)	
		2025	2024	2025	2024	2025	2024
Hedging instruments	Risk category	$m	$m	$m	$m	$m	$m
Cross currency swaps	Foreign exchange	**(12)**	(54)	**12**	54	**–**	–
Interest rate swaps and options	Interest rate	**(16)**	(17)	**17**	18	**1**	1
Commodity derivatives	Commodity price	**(12)**	–	**12**	–	**–**	–
Total		**(40)**	(71)	**41**	72	**1**	1

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	2025	2024
Cross currency swaps	AUD/CHF	**0.66**	0.66
	AUD/JPY	**92.93-94.21**	92.93-94.21
	AUD/NOK	**6.31**	6.31
Interest rate swaps and options	AUD	**0.95%-3.55%**	0.50%-3.55%
	GBP	**0.71%-4.33%**	4.15%-5.19%
	USD	**1.48%-4.66%**	1.53%-4.66%
	EUR	**1.13%-2.56%**	–

Note 27

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 denominated Issued debt securities and other balance sheet items. Refer to Note 28 *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 currency denominated Issued debt securities and other balance sheet items are recognized, together with the related foreign currency translation reserve, in the Consolidated Entity's other comprehensive income and is subsequently reclassified to the income statement or re-attributed within equity as defined in Note 38(iii) *Foreign currency translation: Subsidiaries and other equities*. Hedge ineffectiveness, if any is recognised in the income statement. Given that the Consolidated Entity's NIFO frequently changes, the hedge designations are reviewed on a monthly basis or more frequently where required.

		CARRYING AMOUNT			
		ASSET		LIABILITY	
		2025	2024	2025	2024
Hedging instrument	Risk category	$m	$m	$m	$m
Foreign exchange contracts and other foreign currency denominated balance sheet items[1]	Foreign exchange	**220**	39	**10**	25
Issued debt securities and other borrowings	Foreign exchange	**-**	–	**8,427**	9,775

		NOTIONAL AMOUNT			
		ASSET		LIABILITY	
		2025	2024	2025	2024
Hedging instrument	Risk category	$m	$m	$m	$m
Foreign exchange contracts and other foreign currency denominated balance sheet items[2]	Foreign exchange	**1,605**	1,785	**534**	554
Issued debt securities and other borrowings	Foreign exchange	**-**	–	**8,713**	9,775

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 $10,851 million (2024: $12,114 million) represents the notional of Foreign currency denominated Issued debt securities, Foreign exchange contracts and other foreign currency denominated balance sheet items. The notional of the underlying hedged component of the Consolidated Entity's net investment in foreign operations is $8,896 million (2024: $9,857 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. Hedge ineffectiveness recognised in the income statement by the Consolidated Entity in the current year is $2 million (2024: $2 million).

[1] The carrying amount of hedging instruments are materially internal in nature and are included in Due to or Due from other related body corporate entities and Cash and bank balances.
[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 27

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 movement is recognised as ineffectiveness in net trading income in the income statement. Executed rates for fair value hedges have not been shown as these would represent the market reference rates at the time of designation.

Hedging instruments

		MATURITY ANALYSIS PER NOTIONAL AMOUNT				
Instrument type	Risk category	Less than 3 months $m	3 to 12 months $m	1 to 5 years $m	Over 5 years $m	Total $m
						2025
Derivative assets						
Interest rate swaps and options	Interest rate	**(8)**	**691**	**1,903**	**1,620**	**4,206**
Derivative liabilities						
Cross currency swaps	Interest rate	**–**	**–**	**259**	**107**	**366**
Interest rate swaps and options	Interest rate	**(3)**	**2,026**	**13,099**	**9,845**	**24,967**
						2024
Derivative assets						
Interest rate swaps and options	Interest rate	(5)	(17)	362	2,775	3,115
Derivative liabilities						
Cross currency swaps	Interest rate	–	–	243	101	344
Interest rate swaps and options	Interest rate	–	1,304	14,515	10,989	26,808

		CARRYING AMOUNT[1]			
		2025		2024	
Instrument type	Risk category	**Asset $m**	**Liability $m**	Asset $m	Liability $m
Cross currency swaps	Interest rate	**–**	**18**	–	14
Interest rate swaps and options	Interest rate	**93**	**1,595**	70	2,205

[1] The carrying amount of derivative assets and liabilities designated in fair value hedge relationships comprises only amounts which are disclosed in the Consolidated Entity's statement of financial position as 'Due from other Macquarie Group entities' and 'Due to other Macquarie Group entities' respectively.

Note 27

Hedge accounting continued

Hedged item

As the hedged item is adjusted only for the hedged risk, the hedged item's carrying value disclosed in the following table will not be equivalent to its fair value as disclosed in other notes to these financial statements. The accumulated amount of the fair value hedge adjustments remaining in the statement of financial position for hedged items that have ceased to be adjusted for hedging gains and losses is $113 million loss (2024: $89 million loss) for the Consolidated Entity and have been included in the fair value hedge adjustment in the table below. These amounts will be amortised to the income statement on an effective interest rate basis.

	2025			2024		
	Gross amount	**Fair value hedge adjustment**	**Carrying amount[1]**	Gross amount	Fair value hedge adjustment	Carrying amount[1]
	$m	**$m**	**$m**	$m	$m	$m
Assets						
Loan assets	**896**	**3**	**899**	–	–	–
Due to related body corporate entities	**-**	**-**	**-**	273	(14)	259
Liabilities						
Due to related body corporate entities	**28,779**	**(1,683)**	**27,096**	29,965	(2,341)	27,624

Hedge ineffectiveness

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

		GAIN/(LOSS) ON HEDGING INSTRUMENT		**GAIN/(LOSS) ON HEDGED ITEM**		**HEDGE INEFFECTIVENESS GAIN/(LOSS)**	
		2025	2024	**2025**	2024	**2025**	2024
Hedging instruments	Risk category	**$m**	$m	**$m**	$m	**$m**	$m
Cross currency swaps	Interest rate	**(4)**	(5)	**4**	5	**-**	–
Interest rate swaps and options	Interest rate	**613**	26	**(600)**	(16)	**13**	10
Total		**609**	21	**(596)**	(11)	**13**	10

[1] The carrying amounts in the table above exclude accrued interest and include fair value hedge adjustments.

Note 28

Financial risk management

Risk Management and Risk Management Group (RMG)

Risk is an integral part of the Consolidated Entity's businesses. The material risks faced by the Consolidated Entity include aggregate, asset, conduct, credit, environmental and social, 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 Macquarie Group Limited's Annual Report.

Note 28.1 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 is undertaken under authority delegated by the MGL 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 9 *Expected credit losses* for details regarding the manner in which the Consolidated Entity has adopted and applied AASB 9's expected credit loss impairment requirements.

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

Wholesale rating

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

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

Retail rating

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

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

Due from other Macquarie Group entities

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

Portfolio and country risk

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

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 credit insurance.

Note 28

Financial risk management continued

Note 28.1 Credit risk continued

Credit quality of financial assets

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

	Stage I[2] $m	Stage II[2] $m	Stage III[2] $m	Total $m
				2025
Investment grade				
Cash and bank balances	3,073	–	–	3,073
Cash collateralised lending and reverse repurchase agreements	2,704	–	–	2,704
Settlement, margin money and trading assets	4,729	–	–	4,729
Financial investments	282	–	–	282
Held for sale assets	253	–	–	253
Other assets	2,996	–	–	2,996
Loan assets	237	5	–	242
Due from other Macquarie group entities	12,277	–	–	12,277
Undrawn credit commitments	3,170	–	–	3,170
Total investment grade	**29,721**	**5**	**–**	**29,726**
Non-investment grade				
Cash and bank balances	239	–	–	239
Cash collateralised lending and reverse repurchase agreements	3,710	–	–	3,710
Settlement, margin money and trading assets	1,758	53	–	1,811
Held for sale assets	211	–	–	211
Other assets	1,081	70	–	1,151
Loan assets	20,775	2,017	–	22,792
Loans to associates and joint ventures	562	–	–	562
Due from other Macquarie group entities	5	–	–	5
Undrawn credit commitments	4,339	335	–	4,674
Total non-investment grade	**32,680**	**2,475**	**–**	**35,155**
Default				
Other assets	–	–	24	24
Loan assets	–	–	636	636
Undrawn credit commitments	–	–	67	67
Total default	**–**	**–**	**727**	**727**
Total gross credit risk by ECL stage	**62,401**	**2,480**	**727**	**65,608**

Loan assets under investment grade ($242 million) and non-investment grade ($22,797 million) includes $17 million past due up to 30 days and $21 million past due between 31 and 90 days.

[1] The gross exposure of financial assets measured at amortised cost represents the carrying value before the ECL allowance, for financial assets measured at FVOCI represents carrying value before fair value adjustments and ECL allowance. Accordingly, these exposures will not be equal to the amount as presented in the Statements of financial position.
[2] For the definition of Stage I, II, and III, refer to Note 9 *Expected credit losses*. Whilst exposure may have migrated to Stage II it should not be inferred that exposures classified as Stage II are of lower credit quality than those classified as Stage I.

Notes to the financial statements

For the financial year ended 31 March 2025 continued

Note 28

Financial risk management continued

Note 28.1 Credit risk continued

Credit quality of financial assets

The table below discloses, by credit rating grades and ECL impairment stage, the gross carrying amount[1] of assets measured at amortised cost or FVOCI, contract assets and undrawn credit commitments 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
				2024
Investment grade				
Cash and bank balances	2,624	–	–	2,624
Cash collateralised lending and reverse repurchase agreements	5,093	–	–	5,093
Settlement, margin money and trading assets	4,259	–	–	4,259
Financial investments	987	–	–	987
Held for sale assets	28	–	–	28
Other assets	573	–	–	573
Loan assets	237	–	–	237
Due from other Macquarie group entities	17,468	–	–	17,468
Undrawn credit commitments	8,533	–	–	8,533
Total investment grade	39,802	–	–	39,802
Non-investment grade				
Cash and bank balances	350	–	–	350
Cash collateralised lending and reverse repurchase agreements	3,748	–	–	3,748
Margin money and settlement assets	3,229	–	–	3,229
Held for sale assets	132	–	–	132
Other assets	785	25	–	810
Loan assets	16,188	1,618	–	17,806
Loans to associates and joint ventures	447	65	–	512
Due from other Macquarie group entities	27	–	–	27
Undrawn credit commitments	5,078	343	–	5,421
Total non-investment grade	29,984	2,051	–	32,035
Default				
Settlement, margin money and trading assets	–	–	1	1
Other assets	–	–	6	6
Loan assets	–	–	1,229	1,229
Undrawn credit commitments	–	–	39	39
Total default	–	–	1,275	1,275
Total gross credit risk by ECL stage	69,786	2,051	1,275	73,112

Loan assets under investment grade ($237 million) and non-investment grade ($17,806 million) includes $63 million past due up to 30 days and $50 million past due between 31 and 90 days.

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

2 For the definition of Stage I, II, and III, refer to Note 9 *Expected credit losses*. Whilst exposure may have migrated to Stage II it should not be inferred that exposures classified as Stage II are of lower credit quality than those classified as Stage I.

Note 28

Financial risk management continued

Note 28.1 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, contract assets and undrawn credit commitments. The geographical location is determined by the country of risk to which the Consolidated Entity is most exposed when assessing the counterparty to meet its obligations as they fall due, however, where the exposures are subject to multiple countries of risk, geographical allocation has been determined based on counterparty's country of domicile. The counterparty type is based on the Standard Economic Sector Classifications of Australia (SESCA) used by the Australian Bureau of Statistics. Government represents Australian and foreign governments, including government departments and agencies. Financial institutions represent central banks and central borrowing authorities, Australian and foreign banks, registered financial corporations, insurance corporations, funds, financial intermediaries, and auxiliaries. Retail and others represent public and private trading enterprises and retail banking customers.

	GROSS EXPOSURE FOR FINANCIAL ASSETS SUBJECT TO IMPAIRMENT REQUIREMENT OF AASB9				GROSS EXPOSURE FOR FINANCIAL ASSETS NOT SUBJECT TO IMPAIRMENT REQUIREMENT OF AASB9			
	Governments $m	Financial institutions $m	Retail and other $m	Total $m	Governments $m	Financial institutions $m	Retail and other $m	Total $m
								2025
Australia								
Cash and bank balances	–	179	–	179	–	–	–	–
Cash collateralised lending and reverse repurchase agreements	–	565	–	565	–	–	–	–
Settlement, margin money and trading assets	–	224	97	321	–	–	–	–
Held for sale assets	–	–	–	–	–	–	–	–
Other assets	–	220	1	221	–	–	43	43
Financial investments	–	282	–	282	–	–	–	–
Loan assets	–	201	1,243	1,444	–	–	45	45
Loans to associates and joint ventures	–	–	–	–	–	–	2	2
Due from other Macquarie group entities	–	8,059	4	8,063	–	744	16	760
Undrawn credit commitments	–	–	392	392	–	–	–	–
Total Australia	–	9,730	1,737	11,467	–	744	106	850
Asia								
Cash and bank balances	–	1,026	–	1,026	–	–	–	–
Cash collateralised lending and reverse repurchase agreements	–	1	–	1	–	–	–	–
Settlement, margin money and trading assets	16	2,623	73	2,712	–	–	–	–
Other assets	–	10	440	450	–	17	85	102
Financial investments	–	–	–	–	–	–	27	27
Due from other Macquarie group entities	–	22	7	29	–	–	–	–
Total Asia	16	3,682	520	4,218	–	17	112	129

Notes to the financial statements

For the financial year ended 31 March 2025 continued

Note 28

Financial risk management continued

Note 28.1 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 $m	Financial institutions $m	Retail and other $m	Total $m	Governments $m	Financial institutions $m	Retail and other $m	Total $m
								2025
Europe, Middle East and Africa								
Cash and bank balances	–	1,508	–	1,508	–	–	–	–
Cash collateralised lending and reverse repurchase agreements	–	1,040	–	1,040	–	–	–	–
Settlement, margin money and trading assets	32	350	44	426	–	–	–	–
Held for sale assets	–	21	237	258	–	–	5	5
Other assets	90	68	2,837	2,995	–	19	166	185
Financial investments	–	–	–	–	–	10	–	10
Loan assets	–	427	10,946	11,373	–	63	914	977
Loans to associates and joint ventures	–	499	63	562	–	–	366	366
Due from other Macquarie group entities	–	3,615	184	3,799	–	58	–	58
Undrawn credit commitments	–	2,715	1,234	3,949	–	1	429	430
Total Europe, Middle East and Africa	122	10,243	15,545	25,910	–	151	1,880	2,031
Americas								
Cash and bank balances	–	599	–	599	–	–	–	–
Cash collateralised lending and reverse repurchase agreements	–	4,808	–	4,808	–	–	–	–
Settlement, margin money and trading assets	185	1,773	1,123	3,081	–	–	–	–
Held for sale assets	–	–	206	206	–	–	–	–
Other assets	–	219	286	505	–	10	167	177
Financial investments	–	–	–	–	–	383	207	590
Loan assets	–	554	10,299	10,853	–	–	318	318
Loans to associates and joint ventures	–	–	–	–	–	–	69	69
Due from other Macquarie group entities	–	388	3	391	–	1	–	1
Undrawn credit commitments	–	281	3,289	3,570	–	–	1,308	1,308
Total Americas	185	8,622	15,206	24,013	–	394	2,069	2,463
Total gross credit risk[1]	323	32,277	33,008	65,608	–	1,306	4,167	5,473

[1] The gross exposure for financial assets measured at amortised cost represents the carrying value 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 28

Financial risk management continued

Note 28.1 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, contract assets and undrawn credit commitments. The geographical location is determined by the country of risk to which the Consolidated Entity is most exposed when assessing the counterparty to meet its obligations as they fall due, however, where the exposures are subject to multiple countries of risk, geographical allocation has been determined based on counterparty's country of domicile. The counterparty type is based on the Standard Economic Sector Classifications of Australia (SESCA) used by the Australian Bureau of Statistics. Government represents Australian and foreign governments, including government departments and agencies. Financial institutions represent central banks and central borrowing authorities, Australian and foreign banks, registered financial corporations, insurance corporations, funds, financial intermediaries, and auxiliaries. Retail and others represent public and private trading enterprises and retail banking customers.

	GROSS EXPOSURE FOR FINANCIAL ASSETS SUBJECT TO IMPAIRMENT REQUIREMENT OF AASB9				GROSS EXPOSURE FOR FINANCIAL ASSETS NOT SUBJECT TO IMPAIRMENT REQUIREMENT OF AASB9			
	Governments $m	Financial institutions $m	Retail and other $m	Total $m	Governments $m	Financial institutions $m	Retail and other $m	Total $m
								2024
Australia								
Cash and bank balances	–	148	–	148	–	–	–	–
Cash collateralised lending and reverse repurchase agreements	–	2,974	–	2,974	–	–	–	–
Settlement, margin money, and trading assets	–	318	136	454	–	1	3	4
Held for sale assets	–	–	1	1	–	–	3	3
Other assets	–	161	45	206	–	2	41	43
Financial investments	–	901	–	901	–	1	–	1
Loan assets	–	294	2,504	2,798	–	–	44	44
Loans to associates and joint ventures	–	–	–	–	–	–	9	9
Due from other Macquarie group entities	–	8,628	156	8,784	–	898	–	898
Undrawn credit commitments	–	7,276	398	7,674	–	–	3	3
Total Australia	–	20,700	3,240	23,940	–	902	103	1,005
Asia								
Cash and bank balances	–	770	–	770	–	–	–	–
Settlement, margin money, and trading assets	52	1,716	238	2,006	–	–	2	2
Held for sale assets	–	129	–	129	–	–	296	296
Other assets	–	22	35	57	–	7	2	9
Financial investments	–	76	–	76	–	–	–	–
Loans to associates and joint ventures	–	–	–	–	–	–	194	194
Due from other Macquarie group entities	–	22	6	28	–	–	–	–
Undrawn credit commitments	–	1	–	1	–	–	137	137
Total Asia	52	2,736	279	3,067	–	7	631	638

Notes to the financial statements

For the financial year ended 31 March 2025 continued

Note 28

Financial risk management continued

Note 28.1 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 $m	Financial institutions $m	Retail and other $m	Total $m	Governments $m	Financial institutions $m	Retail and other $m	Total $m
								2024
Europe, Middle East and Africa								
Cash and bank balances	–	1,543	–	1,543	–	–	–	–
Cash collateralised lending and reverse repurchase agreements	–	2,357	–	2,357	–	–	–	–
Settlement, margin money, and trading assets	2	748	345	1,095	–	–	–	–
Held for sale assets	–	–	8	8	–	136	16	152
Other assets	1	284	434	719	–	13	64	77
Financial investments	10	–	–	10	–	339	2	341
Loan assets	–	721	6,156	6,877	–	46	531	577
Loans to associates and joint ventures	–	–	512	512	–	69	337	406
Due from other Macquarie group entities	–	6,692	155	6,847	–	5	–	5
Undrawn credit commitments	–	552	2,074	2,626	–	1	206	207
Total Europe, Middle East and Africa	13	12,897	9,684	22,594	–	609	1,156	1,765
Americas								
Cash and bank balances	–	513	–	513	–	–	–	–
Cash collateralised lending and reverse repurchase agreements	–	3,510	–	3,510	–	–	–	–
Settlement, margin money, and trading assets	284	2,150	1,500	3,934	–	35	251	286
Held for sale assets	–	17	5	22	–	70	–	70
Other assets	–	231	176	407	–	36	230	266
Financial investments	–	–	–	–	–	–	237	237
Loan assets	–	719	8,878	9,597	–	43	197	240
Loans to associates and joint ventures	–	–	–	–	–	–	50	50
Due from other Macquarie group entities	–	1,746	90	1,836	–	6	–	6
Undrawn credit commitments	–	323	3,369	3,692	–	–	1,676	1,676
Total Americas	284	9,209	14,018	23,511	–	190	2,641	2,831
Total gross credit risk[1]	349	45,542	27,221	73,112	–	1,708	4,531	6,239

[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.

Note 28

Financial risk management continued

Note 28.1 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 Note 29 *Measurement categories of financial instruments*). For off balance sheet instruments, the maximum exposure to credit risk is a function of the contractual notional amount.

Collateral and credit enhancements held

Reverse repurchase agreements

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

- reverse repurchase agreements (collateralised financing arrangements), for which the fair value of the securities received as collateral is generally in excess of the principal amount.
- securities received as collateral in return for the transfer of other securities

The non-cash collateral received is not recognised by the Consolidated Entity in the Statement 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 borrowed in return for cash and reverse repurchase arrangements, the fair value of non-cash collateral received is $6,688 million (2024: $9,036 million). For securities borrowed in return of other securities, the fair value of securities received is $628 million. Refer to Note 32 *Pledged assets and transfer of financial assets* for securities which have been repledged.

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

Loan assets

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 $23,806 million (2024: $19,021 million), the credit exposure after considering the estimated value of collateral and credit enhancements is $6,219 million (2024: $4,702 million).

Home Loans

Home loan balance of $366 million (2024: $368 million) is fully collateralised with a loan to collateral value ratio of less than 100%.

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 $4,760 million (2024: $4,348 million) and $1,397 million (2024: $2,705 million) respectively presented under Note 5 *Settlement assets and margin money*, 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 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 $9,650 million (2024: $16,016 million) are secured through collateral and credit enhancements. The remaining credit exposure after considering the estimated value of collateral is $3,435 million (2024: $10,214 million).

Additional collateral

Apart from collateral 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 collaterals, in the event of default realised collateral values may be lower than the value of collateral as at the reporting date.

Repossessed Collateral

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

Note 28

Financial risk management continued

Note 28.2 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 Asset and Liability Committee (ALCO), the MGL Board and RMG. Macquarie Group's liquidity policy is approved by the MGL Board after endorsement by the ALCO and liquidity reporting is provided to the MGL Board on a regular basis. The MGL ALCO members include the MGL CEO, MBL CEO, CFO, CRO, COO, Group General Council, Head of Group Treasury and relevant Operating Group Heads.
RMG provides independent oversight of liquidity risk management, including ownership of liquidity policies and key limits and approval of material liquidity scenario assumptions.

Contractual undiscounted cash flows

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

Note 28

Financial risk management continued

Note 28.2 Liquidity risk continued

	Statement of financial position $m	0 to 3 months $m	3 to 12 months $m	1 to 5 years $m	Over 5 years $m	Total $m
						2025
Cash collateralised borrowing and repurchase agreements	**241**	**241**	**–**	**–**	**–**	**241**
Settlement, margin money and trading liabilities[1]	**5,332**	**5,332**	**–**	**–**	**–**	**5,332**
Held for sale liabilities	**1,138**	**–**	**1,138**	**–**	**–**	**1,138**
Other liabilities						
Derivative liabilities (trading)[1]	**174**	**174**	**–**	**–**	**–**	**174**
Derivative liabilities (Hedge Accounting Relationships)[2]						
Contractual amounts payable		**1**	**1**	**–**	**–**	**2**
Contractual amounts receivable		**(1)**	**(1)**	**–**	**–**	**(2)**
Others	**861**	**475**	**87**	**282**	**75**	**919**
Due to other Macquarie Group entities	**47,645**	**6,642**	**3,891**	**23,907**	**23,499**	**57,939**
Issued debt securities and other borrowings	**7,754**	**1,077**	**368**	**3,156**	**5,904**	**10,505**
Loan capital[3]	**2,389**	**43**	**130**	**2,058**	**843**	**3,074**
Total liabilities[4]	**65,534**	**13,984**	**5,614**	**29,403**	**30,321**	**79,322**
Total contingent liabilities and commitments[5]		**10,310**	**13**	**132**	**8**	**10,463**
Total contractual undiscounted cashflows		**24,294**	**5,627**	**29,535**	**30,329**	**89,785**
						2024
Settlement, margin money and trading liabilities[1]	6,247	6,247	–	–	–	6,247
Held for sale liabilities	332	–	332	–	–	332
Other liabilities						
Derivative liabilities (trading)[1]	285	285	–	–	–	285
Derivative liabilities (Hedge Accounting Relationships)[2]	12					
Contractual amounts payable		2	1	8	1	12
Others	822	373	102	360	48	883
Due to other Macquarie Group entities	46,130	10,303	951	5,042	39,534	55,830
Issued debt securities and other borrowings	7,121	875	357	2,841	5,365	9,438
Loan capital[3]	2,641	52	1,136	1,473	520	3,181
Total liabilities[4]	63,590	18,137	2,879	9,724	45,468	76,208
Total contingent liabilities and commitments[5]		17,051	15	4	–	17,070
Total contractual undiscounted cashflows		35,188	2,894	9,728	45,468	93,278

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

2 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.

3 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 18 *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.

4 The Consolidated Entity has not had any defaults of principal, interest or other breaches with respect to its funding sources during the financial years reported.

5 Includes undrawn credit commitments in 0 to 3 months maturity band to reflect their earliest possible maturity. Comparative information has been restated to conform to presentation in the current year. 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 28

Financial risk management continued

Note 28.3 Market risk

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

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

Traded market risk

Market risk is the risk of adverse changes in the value of Consolidated Entity's trading positions as a result of changes in market conditions. MFL 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 (XVA):** 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. MGL 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 MGL according to a limit structure which sets limits for all exposures in all markets. Limits are for both individual trading desks and divisions as well as in aggregate.

RMG sets three complementary limit structures at an MGL level:

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

Note 28

Financial risk management continued

Note 28.3 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.

	2025			2024		
	Average $m	Maximum $m	Minimum $m	Average $m	Maximum $m	Minimum $m
Equities	**5.92**	**10.96**	**0.91**	1.48	2.46	0.98
Interest rates	**0.82**	**1.06**	**0.55**	1.05	1.28	0.78
Foreign exchange	**2.21**	**4.74**	**0.16**	0.79	1.82	0.26
Commodities and commodity contracts	**8.04**	**18.31**	**3.60**	10.73	22.23	4.52
Aggregate	**10.65**	**20.67**	**5.42**	10.81	21.76	4.89

Value-at-Risk

The Consolidated Entity's VaR model uses a Monte Carlo simulation where price and volatility risk factors are derived from multiple normal distributions, based on three years of historical data. The following factors can limit the effectiveness of VaR in predicting future price moves:

- the use of historical data means that the current model parameters may not reflect future market conditions especially when entering a period of heightened volatility. The model utilises exponential weighting to place emphasis on the most recent market movements to more accurately reflect current conditions
- VaR is calculated at the 99% level of confidence and does not account for losses that could occur beyond this point.

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 FPE.

Accounting considerations arising from hedging activities

The use of derivative and other financial instruments to hedge non-traded positions potentially gives rise to income statement volatility due to difference in accounting treatments. The Consolidated Entity manages volatility through hedge accounting and use of naturally offsetting positions in the income statement as set out in Note 38(ix) *Derivative instruments and hedging activities* and Note 27 *Hedge accounting*.

Note 28

Financial risk management continued

Note 28.3 Market risk continued

Interest rate risk in the banking book (IRRBB)

MGL measures and monitors interest rate risk on both an economic value and earnings basis, which are modelled as the worse-case contingent loss from a set of six severe interest rate shocks, including both parallel and non-parallel shocks. Aggregate IRRBB exposures for MGL 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 MGL's *Non-traded Market Risk Policy* is to reduce earnings volatility to interest rate movements. 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 MGL Board-approved limits, and subject to independent oversight by RMG.

Foreign currency 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 economic 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 economic 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.

	2025		2024	
	Movement in exchange rates	**Sensitivity of other comprehensive income after tax**	Movement in exchange rates	Sensitivity of other comprehensive income after tax
Currency	**%**	**$m**	%	$m
United States dollar	+10	**(561)**	+10	(550)
Pound sterling	+10	**(146)**	+10	(123)
Euro	+10	**(152)**	+10	(145)
Total		**(859)**		(818)
United States dollar	-10	**561**	-10	550
Pound sterling	-10	**146**	-10	123
Euro	-10	**152**	-10	145
Total		**859**		818

Note 28

Financial risk management continued

Note 28.3 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.

	2025		2024	
	Movement in equity price	**Sensitivity of profit after tax**	Movement in equity price	Sensitivity of profit after tax
	%	**%**	%	%
Listed	10	**19**	10	23
Unlisted	10	**98**	10	124
Increase in equity prices	10	**117**	10	147
Listed	(10)	**(19)**	(10)	(23)
Unlisted	(10)	**(98)**	(10)	(124)
Decrease in equity prices	(10)	**(117)**	(10)	(147)

Notes to the financial statements

For the financial year ended 31 March 2025 continued

Note 29

Measurement categories of financial instruments

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

The methods and significant assumptions that have been applied in determining the fair values of assets and liabilities are disclosed in Note 30 *Fair value of assets and liabilities*.

	FINANCIAL INSTRUMENTS CARRIED AT						Statements of financial position total	FAIR VALUE OF ITEMS CARRIED AT	
	FAIR VALUE								
	HFT	DFVTPL	FVTPL	FVOCI	Amortised Cost	Non-financial instruments		Fair Value	Amortised Cost
	$m	$m	$m	$m	$m	$m	$m	$m	$m
Assets									**2025**
Cash and bank balances	–	–	–	–	3,312	–	3,312	–	3,312
Reverse repurchase agreements	–	–	–	6,414	–	–	6,414	6,414	–
Trading assets[1]	5,022	–	–	–	–	285	5,307	5,307	–
Settlement assets and margin money	–	–	–	–	6,536	–	6,536	–	6,536
Financial investments:									
Equity	–	–	1,554	–	–	–	1,554	1,554	–
Debt[2]	–	–	630	282	–	–	912	912	–
Held for sale assets	8	–	54	–	464	2,803	3,329	62	464
Other assets[3]	331	–	176	–	3,942	1,598	6,047	1,166	3,942
Loan assets	–	–	1,327	618	22,227	–	24,172	1,945	22,748
Due from other Macquarie Group entities[4]	819	–	–	21	12,259	363	13,462	841	12,259
Interests in associates and joint ventures:									
Equity interests	–	–	35	–	–	3,286	3,321	35	–
Loans to associates and joint ventures	–	–	436	–	557	–	993	436	557
Property, plant and equipment and right-of-use assets	–	–	–	–	–	921	921	–	–
Intangible assets	–	–	–	–	–	1,331	1,331	–	–
Deferred tax assets	–	–	–	–	–	621	621	–	–
Total assets	**6,180**	**–**	**4,212**	**7,335**	**49,297**	**11,208**	**78,233**	**18,672**	**49,818**
Liabilities									
Cash collateralised borrowing and repurchase agreements	–	–	–	–	241	–	241	–	241
Settlement, margin money and trading liabilities	98	–	–	–	5,234	–	5,332	98	5,234
Held for sale liabilities	20	–	–	–	1,118	168	1,305	20	1,118
Other liabilities[5]	174	–	175	–	686	1,928	2,963	349	515
Due to other Macquarie Group entities	2,535	–	–	–	45,110	87	47,732	2,535	45,110
Issued debt securities and other borrowings	–	–	–	–	7,754	–	7,754	–	7,709
Deferred tax liabilities	–	–	–	–	–	70	70	–	–
Loan capital	–	–	–	–	2,389	–	2,389	–	2,389
Total liabilities	**2,827**	**–**	**175**	**–**	**62,532**	**2,253**	**67,786**	**3,002**	**62,316**

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

Note 29

Measurement categories of financial instruments continued

	FINANCIAL INSTRUMENTS CARRIED AT						Statements of financial position total	FAIR VALUE OF ITEMS CARRIED AT	
	FAIR VALUE				Amortised Cost	Non-financial instruments			
	HFT	DFVTPL	FVTPL	FVOCI				Fair Value	Amortised Cost
	$m	$m	$m	$m	$m	$m	$m	$m	$m
Assets									2024
Cash and bank balances	–	–	–	–	2,974	–	2,974	–	2,974
Reverse repurchase agreements	–	–	–	8,841	–	–	8,841	8,841	–
Settlement, margin money and trading assets	733	–	–	–	7,486	563	8,782	1,296	7,486
Financial investments:									
Equity	–	–	1,952	–	–	–	1,952	1,952	–
Debt[1]	–	–	579	987	–	–	1,566	1,566	–
Held for sale assets	–	–	324	–	160	2,269	2,753	324	160
Other assets[2]	301	–	94	–	1,181	2,036	3,612	1,000	1,181
Interests in associates and joint ventures:									
Equity interests	–	–	–	–	–	2,412	2,412	–	–
Loans to associates and joint ventures	–	–	658	–	478	–	1,136	658	478
Loan assets	–	–	861	559	17,969	–	19,389	1,420	18,671
Due from other Macquarie Group entities[3]	907	–	2	10	17,481	308	18,708	919	17,481
Property, plant and equipment and right-of-use assets	–	–	–	–	–	2,267	2,267	–	–
Intangible assets	–	–	–	–	–	1,527	1,527	–	–
Deferred tax assets	–	–	–	–	–	697	697	–	–
Total assets	1,941	–	4,470	10,397	47,729	12,079	76,616	17,976	48,431
Liabilities									
Cash collateralised borrowing and repurchase agreements	–	–	–	–	–	–	–	–	–
Settlement, margin money and trading liabilities[1]	107	–	–	–	6,140	–	6,247	107	6,140
Held for sale liabilities	–	–	–	–	332	513	845	–	332
Other liabilities[4]	297	170	48	–	604	1,442	2,561	515	452
Due to other Macquarie Group entities	3,358	–	–	–	42,772	87	46,217	3,358	42,772
Issued debt securities and other borrowings	–	–	–	–	7,121	–	7,121	–	7,349
Deferred tax liabilities	–	–	–	–	–	103	103	–	–
Loan capital	–	–	–	–	2,641	–	2,641	–	2,641
Total liabilities	3,762	170	48	–	59,610	2,145	65,735	3,980	59,686

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

Note 30

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 and reverse repurchase agreements	The fair value of cash and bank balances and reverse repurchase agreements approximates their carrying amounts as these are highly liquid and short-term in nature.
Loan assets	The fair values of fixed rate loan assets is determined with reference to changes in interest rates and credit spreads. The fair values or variable rate loan assets approximates 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 and 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, subject to any adjustments for changes in credit spreads.

Note 30

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 Statement of financial position:

Asset or liability	Valuation techniques, inputs and other significant assumptions
Trading assets, Trading liabilities and Derivatives	Trading assets including commodities, trading liabilities, derivative financial instruments 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 market are not available, then fair values are estimated on the basis of other recognised valuation techniques.
Reverse repurchase agreements	Reverse repurchase agreements, being collateralised financing arrangements, are measured at fair value with reference current market rates and giving consideration 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	Fair values of loans are measured by reference to quoted prices, where available. If quoted prices are not available in active markets, the fair values are estimated with reference to current market rates.
Investment properties	Investment properties is measured at fair value based on the discounted future cash flows 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 portfolio basis for those exposures. For financial liabilities carried at fair value, in order to measure the Consolidated Entity's own credit risk, an adjustment is incorporated into the valuations.

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

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

Note 30

Fair value of assets and liabilities continued

Assets and liabilities measured at amortised cost

The fair values calculated for financial instruments which are carried in the Statement of financial position at amortised cost are for disclosure purpose 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 categorised on the basis that unobservable inputs are significant to the position.

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

	Level 1 $m	Level 2 $m	Level 3 $m	Total $m
				2025
Assets				
Loan assets	**–**	**–**	**22,748**	**22,748**
Total assets	**–**	**–**	**22,748**	**22,748**
Liabilities				
Issued debt securities and other borrowings	**–**	**3,798**	**3,911**	**7,709**
Loan capital	**–**	**2,389**	**–**	**2,389**
Total liabilities	**–**	**6,187**	**3,911**	**10,098**
				2024
Assets				
Loan assets	–	2	18,669	18,671
Total assets	–	2	18,669	18,671
Liabilities				
Issued debt securities and other borrowings	–	3,398	3,951	7,349
Loan capital	–	2,641	–	2,641
Total liabilities	–	6,039	3,951	9,990

Note 30

Fair value of assets and liabilities continued

Assets and liabilities measured at fair value

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

	Level 1 $m	Level 2 $m	Level 3 $m	Total $m
				2025
Assets				
Reverse repurchase agreements	**–**	**6,414**	**–**	**6,414**
Trading assets	**4,939**	**361**	**7**	**5,307**
Financial investments[1]	**246**	**675**	**1,545**	**2,466**
Held for sale assets	**–**	**8**	**61**	**69**
Other assets	**6**	**412**	**742**	**1,160**
Loan assets	**–**	**7**	**1,939**	**1,946**
Due from other Macquarie Group entities	**–**	**841**	**–**	**841**
Interests in associates and joint ventures	**–**	**–**	**471**	**471**
Total assets	**5,191**	**8,718**	**4,765**	**18,674**
Liabilities				
Trading liabilities	**54**	**44**	**–**	**98**
Held for sale and other liabilities	**–**	**329**	**41**	**370**
Due to other Macquarie Group entities	**–**	**2,535**	**–**	**2,535**
Total liabilities	**54**	**2,908**	**41**	**3,003**
				2024
Assets				
Reverse repurchase agreements	–	8,841	–	8,841
Trading assets	376	920	–	1,296
Financial investments	315	1,325	1,878	3,518
Held for sale assets	–	80	244	324
Other assets	–	320	680	1,000
Loan assets	–	–	1,420	1,420
Due from other Macquarie Group entities	–	919	–	919
Interests in associates and joint ventures	–	–	658	658
Total assets	691	12,405	4,880	17,976
Liabilities				
Trading liabilities	48	59	–	107
Other liabilities	–	440	75	515
Due to other Macquarie Group entities	–	3,358	–	3,358
Total liabilities	48	3,857	75	3,980

[1] Includes $659 million (2024: $605 million) of investment properties measured at fair value.

Note 30

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 assets[1] $m	Other assets[1] $m	Loan assets $m	Loans to associates and joint ventures $m	Other liabilities (excluding derivatives) $m	Total $m
Balance as at 1 Apr 2023	46	1,079	79	643	1,238	529	–	3,614
Purchases, originations, issuances and other additions	–	454	49	(9)	577	512	(48)	1,535
Sales, settlements and repayments	(15)	(87)	(137)	(1)	(476)	(34)	–	(750)
Reclassification	–	(9)	202	–	–	(193)	–	–
Transfers into Level 3[2]	–	3	–	22	4	70	–	99
Transfers out of Level 3[2]	(32)	(35)	(7)	(28)	–	(107)	–	(209)
Fair value movements recognised in the income statement:								
Net trading income/(loss)[3]	1	26	3	17	32	9	–	88
Other income/(loss)	–	447	55	19	50	(112)	–	459
Fair value movements recognised in OCI	–	–	–	(10)	(5)	(16)	–	(31)
Balance as at 31 March 2024	–	1,878	244	653	1,420	658	(48)	4,805
Fair value movements for the financial year included in the income statement for assets and liabilities held at the end of the year	–	469	(6)	35	56	(98)	–	456
Balance as at 1 Apr 2024	**–**	**1,878**	**244**	**653**	**1,420**	**658**	**(48)**	**4,805**
Purchases, originations, issuances and other additions	**7**	**105**	**104**	**10**	**1,285**	**239**	**(4)**	**1,746**
Sales, settlements and repayments	**–**	**(401)**	**(315)**	**(6)**	**(890)**	**(223)**	**46**	**(1,789)**
Reclassification	**–**	**32**	**(5)**	**18**	**(5)**	**(40)**	**–**	**–**
Transfers into Level 3[2]	**–**	**7**	**–**	**–**	**136**	**(3)**	**–**	**140**
Transfers out of Level 3[2]	**–**	**(309)**	**(22)**	**(14)**	**(74)**	**(76)**	**–**	**(495)**
Fair value movements recognised in the income statement:								
Net trading income/(loss)[3]	**–**	**55**	**45**	**72**	**85**	**15**	**–**	**272**
Other income/(loss)	**–**	**178**	**(10)**	**5**	**(4)**	**(99)**	**–**	**70**
Fair value movements recognised in OCI	**–**	**–**	**–**	**(11)**	**(14)**	**–**	**–**	**(25)**
Balance as at 31 March 2025	**7**	**1,545**	**41**	**727**	**1,939**	**471**	**(6)**	**4,724**
Fair value movements for the financial year included in the income statement for assets and liabilities held at the end of the year	**–**	**202**	**32**	**45**	**52**	**(119)**	**1**	**213**

[1] Held for sale and other assets include derivative financial instruments in the table above which are represented on a net basis. On a gross basis, derivative assets are $78 million (2024: $51 million) and derivative liabilities are $35 million (2024: $27 million).
[2] Assets and liabilities transferred in or out of Level 3 are presented as if those assets or liabilities were transferred at the beginning of the financial year.
[3] The Consolidated Entity employs various hedging techniques in order to manage market risks including foreign exchange risks in Level 3 positions. The gains and losses relating to such hedging techniques, 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 30

Fair value of assets and liabilities continued

Significant transfers between levels of the fair value hierarchy

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

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

Unrecognised gain 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 Consolidated Entity has $9 million (2024: nil) of deferred day 1 gain during the current financial year.

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 the fair value. The range of values represent the highest and lowest input used in the valuation techniques. The range does not reflect the level of uncertainty regarding a particular input, but rather the different underlying characteristics of the relevant assets and liabilities.

					RANGE OF INPUTS	
	Fair value of assets $m	Fair value of liabilities $m	Valuation technique(s)	Significant unobservable inputs	Minimum value	Maximum value
						2025
Interest rate, commodity and other products	**2,735**	**18**	Discounted cash flows	Discount rates - Credit spread	**4.3%**	**12.0%**
			Comparable transactions	Price in %	**97.5**	**100.0**
Equity and equity linked products	**2,030**	**23**	Net asset value (NAV)	Fund's NAV[1]	**–**	**–**
			Pricing Model	Earnings multiple	**6.5**	**10.0x**
Total	**4,765**	**41**				
						2024
Interest rate, commodity and other products	3,138	71	Discounted cash flows	Discount rates - Credit spread	5.7%	10.0%
			Comparable transactions	Price in %	40.0	94.9
Equity and equity linked products	1,742	4	Net asset value (NAV)	Fund's NAV[1]	–	–
			Pricing Model	Earnings multiple	7.0x	16.7x
Total	4,880	75				

[1] The range of inputs to NAV is not disclosed as the diverse nature of the underlying investments results in a wide range of inputs.

Note 30

Fair value of assets and liabilities continued

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

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 primarily 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.

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 assets and liabilities whose fair values are determined in, 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 and 2 is not included in the table below.

	FAVOURABLE CHANGES		UNFAVOURABLE CHANGES	
	Profit or loss $m	OCI $m	Profit or loss $m	OCI $m
Product type				**2025**
Equity and equity-linked products	**232**	**–**	**(180)**	**–**
Interest rate, commodity and other products	**48**	**24**	**(71)**	**(27)**
Total	**280**	**24**	**(251)**	**(27)**
Product type				2024
Equity and equity-linked products	177	–	(120)	–
Interest rate, commodity and other products	104	18	(101)	(23)
Total	281	18	(221)	(23)

Note 31

Offsetting financial assets and financial liabilities

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

The Consolidated Entity 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 28.1 *Credit risk* for information on credit risk management.

	EFFECT OF OFFSETTING ON THE STATEMENT OF FINANCIAL POSITION			RELATED AMOUNTS SUBJECT TO ENFORCEABLE NETTING ARRANGEMENTS			
	Gross amount[1]	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	Other collateral for exposures not subject to enforceable netting arrangements	Net exposure
	$m	$m	$m	$m	$m	$m	$m
							2025
Reverse repurchase agreements	**6,414**	**–**	**6,414**	**–**	**(6,412)**	**–**	**2**
Settlement assets[2]	**7,780**	**(1,623)**	**6,157**	**(1,643)**	**–**	**–**	**4,514**
Other assets[2]	**344**	**(13)**	**331**	**(57)**	**(2)**	**–**	**272**
Due from other Macquarie Group entities[3]	**11,854**	**(1,367)**	**10,487**	**(3,729)**	**(393)**	**–**	**6,365**
Total assets	**26,392**	**(3,003)**	**23,389**	**(5,429)**	**(6,807)**	**–**	**11,153**
Cash collateralised borrowing and repurchase agreements	**(241)**	**–**	**(241)**	**–**	**240**	**–**	**(1)**
Settlement liabilities[2]	**(6,848)**	**1,623**	**(5,225)**	**1,652**	**–**	**–**	**(3,573)**
Other liabilities[2]	**(187)**	**13**	**(174)**	**48**	**30**	**6**	**(90)**
Due to other Macquarie Group entities[3]	**(48,809)**	**1,367**	**(47,442)**	**3,729**	**3,688**	**–**	**(40,025)**
Total liabilities	**(56,085)**	**3,003**	**(53,082)**	**5,429**	**3,958**	**6**	**(43,689)**
							2024
Reverse repurchase agreements	8,841	–	8,841	–	(8,833)	–	8
Settlement assets[2]	10,703	(3,650)	7,053	(1,972)	–	–	5,081
Other assets[2]	306	(5)	301	(160)	(3)	–	138
Due from other Macquarie Group entities[3]	23,361	(7,900)	15,461	(1,984)	(605)	–	12,872
Total assets	43,211	(11,555)	31,656	(4,116)	(9,441)	–	18,099
Settlement liabilities[2]	(9,785)	3,650	(6,135)	1,960	–	–	(4,175)
Other liabilities[2]	(302)	5	(297)	170	9	8	(110)
Due to other Macquarie Group entities[3]	(53,553)	7,900	(45,653)	1,984	2,880	–	(40,789)
Total liabilities	(63,640)	11,555	(52,085)	4,114	2,889	8	(45,074)

1 Gross amounts for assets include $445 million (2024: $1,450 million) of settlement assets, $156 million (2024: $56 million) of other assets and $3,291 million (2024: $7,290 million) of Due from other Macquarie Group entities not subject to enforceable netting arrangements. Gross amounts for liabilities include $373 million (2024: $707 million) of settlements liabilities, $89 million (2024: $90 million) of other liabilities and $469 million (2024: $846 million) of Due to other Macquarie Group entities not subject to enforceable netting arrangements.

2 Settlement assets and liabilities excludes margin money assets, margin money and trading liabilities presented under Note 5 *Settlement assets and margin money* and Note 14 *Settlement, margin money and trading liabilities*. Other assets and liabilities includes derivative assets and liabilities presented under Note 7 *Other assets* and Note 15 *Other liabilities* respectively.

3 Excludes margin money and non-financial assets of $2,975 million (2024: $3,247 million) and liabilities of $290 million (2024: $564 million) presented under Due from other Macquarie Group entities and Due to other Macquarie Group entities respectively on the Statement of financial position.

Note 32

Pledged assets and transfer of financial assets

Pledged assets

Assets pledged as security for liabilities include the following:

- securities included under trading assets and off-balance sheet collateral securities pledged for stock lending arrangements and trading liabilities. These transactions are governed by standard industry agreements
- loan assets held by the Consolidated SEs provided as collateral against borrowings
- due from other Macquarie Group entities balances provided as collateral against guarantees
- other financial and non-financial assets provided as collateral for borrowings.
- cash and non-cash collateral placed as part of entering into derivative agreements. These transactions are governed by standard industry agreements. The table below excludes cash margin placed and recognised on the balance sheet. Refer Note 5 *Settlement assets and margin money* for further details.

The table below represents assets pledged as security for liabilities.

	2025 $m	2024 $m
On Balance Sheet items:		
Cash and bank balances[1]	**760**	534
Settlement assets	**306**	501
Trading assets	**2,776**	45
Financial investments	**-**	919
Loan assets	**4,463**	4,035
Due from other Macquarie Group entities[2]	**2,971**	6,358
Property, plant and equipment[1]	**1,551**	989
Intangible assets[1]	**2,004**	1,193
Other assets[1]	**1,633**	620
Total On Balance Sheet assets pledged for liabilities	**16,464**	15,194
Off-Balance Sheet assets		
Securities	**222**	170
Total On and Off-Balance Sheet assets pledge for liabilities	**16,686**	15,364

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 Statement of financial position to other entities. Depending on the criteria disclosed in Note 38(vi) *Financial instruments*, the Consolidated Entity may be unable to derecognise the transferred asset, be able to derecognise the transferred assets in full or continue to recognise the asset to the extent of its continuing involvement.

Transferred financial assets that are derecognised

When financial assets are derecognised, some continuing involvement may be retained in the assets in the form of liquidity support, financial guarantees, certain derivatives or retention of part of securitisation interests. For the financial years ended 31 March 2025 and 31 March 2024, there were no transfers of financial assets where the Consolidated Entity has had continuing involvement.

[1] Certain balances available for immediate sale have been presented as held for sale on Statement of financial position.
[2] Represents cash collateral provided by the Consolidated Entity to guarantee MBL's exposure with certain Non-Bank group entities.

Note 32

Pledged assets and transfer of financial assets continued

Transferred financial assets that are not derecognised

The Consolidated Entity did not derecognise financial assets to the extent of continuing involvement during the years ended 31 March 2025 and 31 March 2024. The following transactions typically result in the transferred assets continuing to be recognised in full.

Asset backed funding structures

Financial assets principally corporate loans are packaged and funding is raised from lenders. Structured Entities (SEs) used to achieve this purpose are consolidated when the rights to the residual income of the SEs, after all payments to investors and costs of the program have been met, is retained.

If the Consolidated Entity sells financial assets to consolidated SEs, then the transfer is from the Consolidated Entity (which includes the consolidated SEs) to lenders. The transfer is in the form of the Consolidated Entity assuming an obligation to pass cash flows from the underlying assets to lenders.

Repurchase and securities lending agreements

Securities 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.

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

			For those liabilities that only have recourse to the transferred assets		
	Carrying amount of transferred assets	Carrying amount of associated liabilities	Fair value of transferred assets	Fair value of associated liabilities	Net fair value
	$m	$m	$m	$m	$m
					2025
Financial assets not derecognised due to repurchase and securities lending agreements:					
Trading assets[1]	**2,713**	**(1,833)**	**-**	**-**	**-**
Financial assets not derecognised due to securitisations as part of asset backed funding structures:					
Loan assets	**4,461**	**(2,206)**	**4,500**	**(2,161)**	**2,339**
Total financial assets not derecognised	**7,174**	**(4,039)**	**4,500**	**(2,161)**	**2,339**
					2024
Financial assets not derecognised due to securitisations as part of asset backed funding structures:					
Loan assets	4,038	(2,196)	4,163	(2,576)	1,587
Total financial assets not derecognised	4,038	(2,196)	4,163	(2,576)	1,587

[1] Includes assets transferred under repurchase agreement liabilities or in return for the loan of other securities where there is no associated liability on the Consolidated Entity's Statements of financial position.

Note 33

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.

	2025 $'000	2024 $'000
Audit of the Group and controlled entities:		
PwC - Australia	**5,987**	4,875
Network firms of PwC Australia	**8,096**	6,662
Total audit services	**14,083**	11,537
Audit-related services:[1]		
PwC – Australia	**15**	–
Network firms of PwC Australia	**623**	549
Total audit-related services	**638**	549
Total audit and audit-related services	**14,721**	12,086
Taxation Services:		
PwC – Australia	**–**	41
Network firms of PwC Australia	**84**	508
Total taxation services	**84**	549
Other services:		
Network firms of PwC Australia	**92**	18
Total other services	**92**	18
Total other non-audit services	**176**	567
Total remuneration paid to PwC for audit, audit-related and other non-audit services	**14,897**	12,653

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] 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.

Note 34

Assets, liabilities and disposal groups classified as held for sale and discontinued operations

(i) Description of significant transactions

1. Restructure of certain Macquarie Asset Management businesses

Based on the MGL Board's decision during 2018 to restructure the Non-Bank Group and separate certain Macquarie Asset Management (MAM) businesses from the remainder of the Non-Bank Group (the restructure), the Consolidated Entity classified certain MAM businesses as held for sale in the Statement of Financial Position and its operations were presented as discontinued operations in the Income Statement.

During the financial year, the Consolidated Entity completed the restructure of the real assets and real estate components of its MAM Private Markets business in the Americas. The restructure resulted in the Consolidated Entity derecognising relevant assets and liabilities disposed of and recognising a gain of $3,183 million. The Company utilised the sale proceeds to return the ordinary share capital of $3,986 million to MGL.

As at 31 March 2025, there are no remaining assets and liabilities held for sale in regards to the restructure.

2. Other

In addition to the above-mentioned significant transaction, other assets and liabilities that have been classified as held for sale include investments in associates and joint ventures and the assets and liabilities of other disposal groups which individually, or as a disposal group, do not meet the criteria for classification as discontinued operations under Australian Accounting Standards.

(ii) Assets and liabilities classified as held for sale

	2025 $m	2024 $m
Assets classified as held for sale		
Cash and bank balances	**301**	160
Financial investments	**–**	96
Other assets	**265**	753
Property, plant and equipment	**885**	414
Interests in associates and joint ventures	**925**	1,239
Intangible assets	**914**	3
Deferred tax assets	**39**	88
Total assets classified as held for sale	**3,329**	2,753
Liabilities classified as held for sale		
Other liabilities	**304**	337
Issued debt securities and other borrowings	**914**	342
Deferred tax liabilities	**87**	166
Total liabilities classified as held for sale	**1,305**	845

Notes to the financial statements

For the financial year ended 31 March 2025 continued

Note 34

Assets, liabilities and disposal groups classified as held for sale and discontinued operations continued

(iii) Income Statement

The financial results of the MAM Americas Private Markets business comprising of the Consolidated Entity's discontinued operations are presented below:

	2025 $m	2024 $m
Fee and commission income	**309**	777
Investment income	**3,183**	52
Net trading income/(expense)	**–**	10
Other operating income/(charges)	**–**	–
Net operating income	**3,492**	839
Operating expenses	**(309)**	(435)
Operating profit from discontinued operations before income tax	**3,183**	404
Income tax expense	**–**	(96)
Profit attributable to the ordinary equity holder of Macquarie Financial Limited	**3,183**	308

(iv) Cash flow information

The cash flow information comprising of the Consolidated Entity's discontinued operations of certain of the MAM businesses are presented below:

	2025 $m	2024 $m
Net cash flows		
Net cash flows generated from/(utilised in) operating activities	**(3,929)**	57
Net cash flows (utilised in)/generated from investing activities	**3,929**	(57)
Net decrease in cash and cash equivalents from discontinued operations	**–**	–
Cash and cash equivalents at the beginning of the financial year	**–**	–
Cash and cash equivalents at the end of the financial year	**–**	–

Note 35

Acquisitions and disposals of businesses and subsidiaries

Acquisitions of businesses and subsidiaries

The Consolidated Entity's acquisitions include businesses and subsidiaries acquired or consolidated as part of core business operations as well as businesses and subsidiaries held for investment and resale 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 2025, businesses and subsidiaries acquired or consolidated for a total transaction value of $1,409 million resulting in recognition of net assets of $654 million, non-controlling interests of $93 million and goodwill of $848 million in the Statement of Financial Position. The purchase price allocations for the business combinations are provisional as at 31 March 2025.

During the year ended 31 March 2024, businesses and subsidiaries acquired or consolidated for a total transaction value of $761 million resulting in recognition of net assets of $216 million, non-controlling interests of $14 million and goodwill of $559 million in the Statement of Financial Position.

Disposal of subsidiaries and businesses

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

Core business operations

Disposal of MAM businesses relating to the group restructure is disclosed under Note 34 *Assets, liabilities and disposal groups classified as held for sale and discontinued operations.*

Other than the above, during the year ended 31 March 2025, core businesses were disposed of for a total transaction value of $1,650 million.

This loss of control resulted in the deconsolidation of net assets of $1,398 million and recognition of investment income (gain on interests in business and subsidiaries) of $252 million in the income statement.

During the year ended 31 March 2024, there were no material businesses or subsidiaries held for core business operations that were disposed of or deconsolidated.

Held for investment purposes

During the year ended 31 March 2025, businesses and subsidiaries disposed of or deconsolidated for a total transaction value of $351 million.

Loss of control resulted in deconsolidation of net assets of $196 million and non-controlling interest of $31 million, resulting in the recognition of investment income (gain on interests in subsidiaries and business) of $124 million in the Income Statement.

During the year ended 31 March 2024, businesses and subsidiaries disposed of or deconsolidated for a total transaction value of $710 million.

Loss of control resulted in deconsolidation of net assets of $533 million and non-controlling interest of $25 million, resulting in the recognition of investment income (gain on interests in subsidiaries and business) of $202 million in the Income Statement.

Notes to the financial statements

For the financial year ended 31 March 2025 continued

Note 36

Company financial information

Summary financial information for the Company is as follows:

	2025 $m	2024 $m
Statement of financial position		
Assets		
Current assets	**17,740**	18,257
Non-current assets[1,2]	**42,720**	45,661
Total assets	**60,460**	63,918
Liabilities		
Current liabilities	**10,753**	11,139
Non-current liabilities[3]	**40,866**	40,565
Total liabilities	**51,619**	51,704
Net assets	**8,841**	12,214
Equity		
Contributed equity	**7,736**	11,368
Reserves	**(16)**	3
Retained earnings[2]	**1,121**	843
Total equity	**8,841**	12,214
Statement of comprehensive income		
Profit/(loss) after income tax for the financial year	**338**	(109)
Total comprehensive profit/(loss) for the financial year	**338**	(109)
Off balance sheet exposures		
Letters of credit, indemnities and guarantees[4,5,6]	**8,864**	12,694
Undrawn credit facilities and debt commitments	**1,849**	1,122
Performance related contingencies	**13**	–
Asset development commitments	**–**	67

1 Non-current assets primarily comprise of investments in and long term funding to non-bank subsidiaries and related body corporates. Macquarie Corporate Holdings Pty Limited (MCHPL) incorporated in Australia, is a notable direct subsidiary of the Company through which it funds majority of its operating subsidiaries in Australia and overseas.

2 In accordance with its accounting policies, the Company reviewed its investment in subsidiaries for the indicators of impairment and where applicable, reversal of impairment. Where its investments had indicators, the investments' 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 (valuations). The valuations have been calculated using the subsidiaries' maintainable earnings, growth rates and relevant earnings' multiples.

3 Non-current liabilities primarily comprise of long-term borrowings from MGL.

4 Guarantees issued by the Company are predominantly relating to its subsidiaries for trading and settlement obligations.

5 Includes guarantees of $2,970 million (2024: $6,340 million) provided by the Company in favour of MBL for certain exposures with Non-Extended Licensed Macquarie Group entities and certain other counterparties. The Company has placed cash collateral of a similar amount with MBL as per the terms of the guarantee arrangement.

6 Includes guarantees and letters of credit provided by the Company over performance obligations and investment commitments of subsidiaries.

Note 37

Events after the reporting date

There were no material events subsequent to 31 March 2025 and up until the authorisation of the financial statements for issue, that have not been disclosed elsewhere in the financial statements.

Note 38

Material accounting policies

(i) Principles of consolidation

Subsidiaries

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

- Power to direct the relevant activities of the entity
- Exposure, or rights, to variable returns from its involvement with the entity, and
- The ability to utilise power to affect the entity's returns

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

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

Structured entities

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

Refer to Note 26 *Structured entities* for further information related to both consolidated and unconsolidated SE's.

Consolidation

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

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

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

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

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

Note 38

Material accounting policies continued

(i) Principles of consolidation continued

Interests in associates and joint ventures

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

The Consolidated Entity determines the dates of obtaining or losing significant influence or joint control of another entity based on an assessment of all pertinent facts and circumstances that affect the ability to significantly influence the financial and operating policies or jointly control the relevant activities of that entity. Facts and circumstances that have the most impact include the contractual arrangements agreed with the counterparty, the manner in which those arrangements are expected to operate in practice, and whether regulatory approval is required (including the nature of such approval). Equity accounting is discontinued from the date when the investment ceases to be an associate or joint venture, which is when significant influence or joint control is lost.

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

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

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

Where necessary, accounting policies of associates and joint ventures have been changed to ensure consistency with those adopted by the Consolidated Entity.

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

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

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

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 of net other operating income and charges.

Similarly, when selling ownership interests of a subsidiary, where the underlying constitutes a business (such that control is lost), or an investment in an associate or joint venture (such that it becomes a financial asset), retained ownership interests are revalued to their fair value and any gain or loss is recognised in investment income as part of net other operating income and 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.

Note 38

Material accounting policies continued

(i) Principles of consolidation continued

Changes in ownership interests **continued**

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

(ii) Business combinations

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

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

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

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

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

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

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

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

Combinations between entities or businesses under common control

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

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

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

(iii) Foreign currency translation

Functional and presentation currency

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

Note 38

Material accounting policies continued

(iii) Foreign currency translation continued

Transactions and balances

At initial recognition, a foreign currency transaction is translated into the Company'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 27 *Hedge accounting* and Note 38(ix) *Derivative instruments and hedging activities*).

Subsidiaries and other entities

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

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

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

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

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

(iv) Revenue and expense recognition

Net interest income

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

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

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

Interest income on financial assets that are subsequently classified as credit-impaired (Stage III), is recognised by applying the EIR to the amortised cost carrying value (being the gross carrying value after deducting the ECL). Interest income and expense on financial assets and liabilities that are classified as FVTPL is accounted for on a contractual rate basis and included in other interest income.

Note 38

Material accounting policies continued

(iv) Revenue and expense recognition continued

Fee and commission income

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

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 of the assets in relation to the related performance fee hurdle rate
- nature of remaining underlying fund or managed account's assets and potential downside valuation risks on each

and for performance fees determined on an asset realisation basis:

- the proportion of assets realised and returns on those assets
- 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 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 is recognised when the performance obligation is satisfied, which is when it has been established that the customer has received the benefit of the product or service.

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

Net operating lease income

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

Net other operating income and charges

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

Investment income includes gains and losses arising from subsequent changes in the fair values of equity and debt investment securities that are classified as FVTPL and dividends or distributions on these securities which represent the return on such investments.

Gains or losses on the change of control, joint control and/or significant influence and reclassifications to/from held for sale also forms part of investment income. Refer to Note 38(i) *Principles of consolidation* for details on the timing of recognition of such gains or losses.

Dividends

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

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

Note 38

Material accounting policies continued

(iv) Revenue and expense recognition continued

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 net other operating income and charges when the recognition criteria are met.

Expenses

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

(v) Taxation

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

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

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

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

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

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

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

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

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

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

Tax consolidation

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

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

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

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

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

Note 38

Material accounting policies continued

(v) Taxation continued

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

Goods and services tax (GST)

Where an amount of GST (or other value added tax) is not recoverable from global tax authorities, it is either capitalised to the statement of financial position as part of the cost of the related asset or is recognised as part of other operating expenses.

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

(vi) Financial instruments

Recognition of financial instruments

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

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

The best evidence of a financial instruments' fair value at initial recognition is its transaction price, unless its fair value is evidenced by comparison with other observable current market transactions in the same instrument or based on a valuation technique for which variables include only inputs from observable markets (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 statement of financial position when:

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

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

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

In transactions where the Consolidated Entity neither retains nor transfers substantially all the risks and rewards of ownership of a financial asset, the asset is derecognised if control over the asset is lost. Any interest in the transferred and derecognised financial asset that is created or retained by the Consolidated Entity is recognised as a separate asset or liability.

In transfers where control over the asset is retained, the Consolidated Entity continues to recognise the asset to the extent of its continuing involvement as determined by the extent to which it is exposed to changes in the value of the transferred asset.

Financial liabilities

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

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

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

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

Note 38

Material accounting policies continued

(vi) Financial instruments continued

Financial guarantee contracts issued

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

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

Modification of financial instruments

A financial instrument is modified when its original contractual cash flows are renegotiated or modified.

A financial asset that is renegotiated or modified is derecognised if the rights to receive cash flows from the existing agreement have expired, either through replacement by a new agreement on substantially different terms or the existing terms are substantially modified. To determine whether the existing terms are substantially modified, both qualitative and quantitative factors may be considered. Qualitative factors would, for example, include a consideration of whether and to what extent the modification is driven by financial difficulties of the borrower or a commercial renegotiation to market rates, or whether the terms are modified such that the instrument no longer meets the SPPI requirements.

A financial liability that is renegotiated is derecognised if the existing agreement is cancelled and a new agreement is made on substantially different terms or if the existing terms are modified such that the modified financial liability is a substantially different financial instrument. The assessment on whether the terms are substantially different involves a quantitative analysis, with qualitative factors considered in certain circumstances. Where the modification results in derecognition of the original financial instrument, the new financial instrument is recorded initially at its fair value and the resulting difference is recognised in the income statement in accordance with the nature of the financial instrument as described in the derecognition of financial instruments policy.

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

Classification and subsequent measurement

Financial assets

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

Business model assessment

The Consolidated Entity uses judgement in determining the business model at the level that reflects how groups of financial assets are managed together to achieve a particular business objective.In determining the business model, all relevant evidence that is available at the date of the assessment is used including:

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

Solely payment of principal and interest (SPPI)

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

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

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

Note 38

Material accounting policies continued

(vi) Financial instruments continued

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 net other operating income and charges for all other debt financial assets.

Fair value through profit or loss

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

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

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

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

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

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

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

Financial liabilities

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

- such a designation eliminates or significantly reduces an accounting mismatch that would otherwise have arisen
- a group of financial liabilities, or financial assets and financial liabilities, is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, or
- the liability contains embedded derivatives which must otherwise be separated and carried at fair value.

All derivative financial liabilities are classified as HFT, except those that are designated as hedging instruments in qualifying hedge relationships and are classified as FVTPL. Refer to Note 38(ix) *Derivative instruments and hedging activities* for the detailed hedge accounting policy.

Changes in the fair value of financial liabilities that are not classified as HFT, with the exception of changes relating to the Consolidated Entity's own credit risk, are recognised in net trading income, or other income and charges as part of net other operating income and charges, depending on the nature of the underlying transaction. Changes in fair value relating to changes in the Consolidated Entity's own credit risk are presented separately in OCI and are not subsequently reclassified to profit or loss.

Where applicable, the interest component of these financial liabilities is recognised as interest and similar expense.

Offsetting of financial instruments

Financial assets and financial liabilities are offset, and the net amount reported in the consolidated statement of financial position, when there is a current legally enforceable right to offset the amounts and there is an intention to settle on a net basis or realise the financial asset and settle the financial liability simultaneously.

Note 38

Material accounting policies continued

(vii) Reverse repurchase agreements

As part of its liquidity management activities, the Consolidated Entity enters into reverse repurchase transactions, where the Consolidated Entity purchases an underlying under an agreement to resell.

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 at FVOCI as they are held in a business model to both collect contractual cash flows and with the intention to sell.

Similar transactions with related body corporates are reported as part of 'Due to/from other Macquarie Group entities and subsidiaries'. Refer Note 38(xvii).

(viii) Trading assets and liabilities

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

The Consolidated Entity uses trade date accounting when recording regular way purchases and sales of financial assets and liabilities that are classified as HFT. At the date a purchase transaction is entered into (trade date), the Consolidated Entity recognises the resulting financial asset or liability and any subsequent unrealised gain or loss arising from revaluing that contract to fair value as part of net trading income, except for interest income on HFT debt financial assets which is recognised in interest income. Refer to Note 38(vi) *Financial instruments*.

Trading assets (long positions) comprise financial instruments such as debt and equity securities, 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.

When the Consolidated Entity becomes party to a sale contract, and the derecognition criteria are met (refer to Note 38(vi) *Financial instruments*), it derecognises the trading asset or liability and recognises a trade receivable or trade payable from trade date until settlement date.

(ix) Derivative instruments and hedging activities

Derivative instruments entered into by the Consolidated Entity include 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 statement of financial position as an asset where they have a positive fair value at the reporting date or as a liability where they have a negative fair value at the reporting date.

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

Fair values are obtained from quoted prices in active markets where available, or valuation techniques including discounted cash flow models and option pricing models, as appropriate. The accounting for derivatives is subject to the application of the day 1 profit or loss policy as described in Note 38(vi) *Financial instruments*.

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

Hedge accounting

As part of its ongoing business, the Consolidated Entity is exposed to several financial risks, principally that of 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 38

Material accounting policies continued

(ix) 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 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 risk	• Interest rate risk	• Interest rate risk • Foreign exchange risk • Commodity price risk.	• Foreign exchange risk
Material hedged item	• Fixed interest rate financial liabilities	• 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.	• Net investment in foreign operations
Material hedging instruments	• Interest rate swaps • Cross currency swaps	• Interest rate swaps and options • Cross currency swaps • Commodity derivatives	• Foreign exchange contracts • Foreign currency denominated issued debt.
Designation and documentation	At inception of the hedge relationship, documentation is required of the risk management objective and strategy for the hedge, the hedging instrument, hedged item, hedged risk and how the hedge relationship will meet the hedge effectiveness requirements.		
Hedge effectiveness method	All hedge relationships are assessed for prospective hedge effectiveness both at the inception of the hedge, at each reporting period and following any significant change in circumstances affecting the hedge, by demonstrating that: • an economic relationship exists between the hedged item and the hedging instrument • credit risk does not dominate the changes in value of either the hedged item or the hedging instrument • the hedge ratio is reflective of the Consolidated Entity's risk management approach. The hedge effectiveness assessment is performed by a combination of qualitative and, where applicable, quantitative assessments. Changes in the hedge ratio, or rebalancing, may be required to adjust the designated quantities of either the hedged item or the hedging instrument.		
Accounting treatment for the hedging instrument	Fair value through the income statement, aligned to the presentation of the hedged item.	Fair value through the cash flow hedge reserve as part of OCI, and then recognised in the income statement at the time at which the hedged item affects the income statement for the hedged risk.	Foreign exchange gains and losses are recognised in the Net Investment Hedge Reserve (NIHR), a separate component of FCTR in OCI.
Accounting treatment for the hedged item	Adjustments to the carrying value are recognised in the income statement for changes in fair value attributable to the hedged risk.	Accounted for on an amortised cost basis 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.
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.	

Note 38

Material accounting policies continued

(ix) Derivative instruments and hedging activities continued

	Fair value hedge	Cash flow hedge	Net investment hedge
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.	The gain or loss remains in the cash flow hedge reserve to the extent that the hedged cash flows are still expected to take place and subsequently recognised in the income statement at the time at which the hedged item affects the income statement for the hedged risk. Where the hedged cash flows are no longer expected to take place, the gain or loss in the cash flow hedge reserve is recognised immediately in the income statement.	The exchange gains or losses recognised in the NIHR within FCTR are reclassified to the income statement or reattributed within equity as follows: • if the hedge is discontinued due to a disposal of the hedged foreign operation, then the accumulated NIHR is reclassified from OCI to investment income within net other operating income and charges • if there is a partial disposal of a foreign operation that is an associate or joint arrangement, without loss of significant influence or joint control, then a proportionate share of the accumulated NIHR is reclassified to investment income • if there is a partial disposal of a foreign operation that is a subsidiary, without loss of control, then a proportionate share of the accumulated NIHR is reattributed within equity to non-controlling interests.
Other accounting policies	None	The foreign currency basis spread of the hedging instrument, being the liquidity charge for exchanging different currencies, is excluded from the hedge designation. This spread is deferred in the cost of hedging reserve and released to the income statement at the time at which the hedged exposure affects the income statement.	

Note 38

Material accounting policies continued

(x) Margin money and settlement assets and liabilities

Margin money and settlement assets and liabilities includes trade settlement balances, margin monies and balances with clearing houses. Margin monies primarily represent deposits placed with clearing houses in relation to futures trading and other derivatives transactions. The balance includes both initial and variation margin which varies based on trading activities. The balance also includes client margin calls which are funded by the Consolidated Entity. Settlement balances represent outstanding trade timing balances as at the reporting date due to the timing difference between trade and settlement date. Balances are carried at amortised cost except for certain margin money and certain settlement balances which are carried at FVTPL.

(xi) Financial investments

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

Debt investment securities in this category comprise of liquid asset holdings, bonds, money markets and other debt securities.

Financial investments are initially recognised on trade date at fair value (adjusted for directly attributable transaction costs for debt investments subsequently measured at amortised cost or FVOCI) and subsequently measured in accordance with Note 38(vi) *Financial instruments*.

(xii) Loan assets

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

Loan assets are initially recognised on settlement date at fair value (adjusted for directly attributable transaction costs for loan assets subsequently measured at amortised cost or FVOCI) and subsequently measured in accordance with Note 38(vi) *Financial instruments*.

Certain finance lease receivables are also presented as part of asset financing within loan assets. For the detailed policy on financial instruments, including treatment of derecognition, refer to Note 38(vi) *Financial instruments*.

(xiii) Property, plant & 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 any 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
Furniture, fittings and leasehold improvements[1]	10 to 20%
Infrastructure assets[2]	2.5 to 5%
Others	6.67 to 33%
Aviation	4%
Other operating lease assets	2.5%

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.

[1] Where lease terms are less than five years, leasehold improvements are depreciated over the remaining lease term.
[2] Includes infrastructure assets, for which depreciation is calculated on a unit of production basis.

Note 38

Material accounting policies continued

(xiv) Goodwill and other identifiable Intangible assets

Goodwill

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

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.

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

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

Development expenditure

Development expenditure is recognised as an asset from the date the Consolidated Entity can 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.

(xv) 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.

The Consolidated Entity, as permitted by AASB 15, has applied the practical expedient that allows for costs incurred to obtain a contract to be expensed as incurred where the amortisation period for any asset recognised would be less than 12 months. The Consolidated Entity also applies the practical expedient not to adjust consideration for the effects of a significant financing component, where the period between transferring a good or service and when the customer pays for that good or service is expected to be one year or less.

Contract liabilities relate to prepayments received from customers where the Consolidated Entity is yet to satisfy its performance obligation.

Non-current assets and liabilities of disposal groups classified as held for sale

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

Note 38

Material accounting policies continued

(xv) Other assets and liabilities continued

These non-current 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 and 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 they 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 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 the consolidated statement of financial position only when drawn upon, and may expire without being called. Credit related commitments are subject to expected credit loss requirements disclosed in Note 9 *Expected credit losses*.

Contingent liabilities and commitments are disclosed in Note 25 *Contingent liabilities and commitments*.

Employee benefit provisions

Employee benefit provisions are recognised by the Consolidated Entity as and when the service has been rendered after deducting amounts already paid.

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

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

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

Dividends

Where a dividend is declared by the Company's Board of Directors, the provision for the dividend is recognised in the consolidated statement of financial position as a liability, with a corresponding reduction in retained earnings, on the declaration date. Where the Company's Board of Directors determine or resolve to pay a dividend, the liability and the corresponding reduction in retained earnings is recognised on the payment date.

Note 38

Material accounting policies continued

(xvi) Issued debt securities and other borrowings

Issued debt securities and other borrowings include debt securities issued by the Consolidated Entity, loans and other payables to banks and financial and non-financial institutions.

These balances are:

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

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

Transactions between the Consolidated Entity and other Macquarie Group entities under common control of MGL and between the Company and its subsidiaries, principally arise from the provision of lending arrangements and other financial services, the provision of management and administration services, facilities and accommodation and the provision of financial guarantees. Refer to Note 38(iv) *Revenue and expense recognition* and Note 38(vi) *Financial instruments*.

(xviii) Loan capital

Loan capital includes non-cumulative, unsecured debt issued by the Consolidated Entity to MGL, the ultimate parent entity, and that is mandatorily convertible into a variable number of the Company's ordinary shares, if not redeemed before the mandatory exchange date. Refer to Note 18 *Loan capital*.

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. 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.

(xix) Impairment

Expected credit losses

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

ECL is measured as the product of probability of default (PD), the loss given default (LGD) and the exposure at default (EAD). The calculation of ECL requires judgement and the choice of inputs, estimates and assumptions. Refer to Note 9 *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 9 *Expected credit losses*.

Use of alternative criteria could result in significant changes to the timing and amount of ECL to be recognised. Lifetime ECL is generally determined based upon the contractual maturity adjusted, where appropriate, for prepayments, extension, call and similar options, of the financial asset. For revolving facilities, the Consolidated Entity exercises judgement based on the behavioural, rather than contractual characteristics of the facility type. Stage II may include financial assets where the credit risk has improved and has been reclassified from Stage III.

(iii) Stage III – Credit-impaired

Financial assets are classified as Stage III where they are determined to be credit impaired, which generally matches the APRA definition of default. This includes exposures that are at least 90 days past due and where the obligor is unlikely to pay without recourse against available collateral.

The ECL for credit impaired financial assets is generally measured as the difference between the contractual and expected cash flows from the individual exposure, discounted using the EIR for that exposure.

Presentation of ECL allowances

The ECL allowances are presented in the consolidated statement 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, as well as property, plant and equipment and ROU assets, an assessment is made at each reporting date to determine whether there is any indication of impairment.

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

For the purposes of assessing impairment, non-financial assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Intangible assets (other than goodwill) for which an impairment loss has been recognised are reviewed for possible reversal of the impairment at each reporting date. A reversal is recognised only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised for the asset in prior years.

(xx) Performance based remuneration

Employee equity participation

The ultimate parent company, MGL, operates share-based compensation plans, which include awards (including those delivered through the Macquarie Group Employee Retained Equity Plan (MEREP)) granted to employees under share acquisition plans. Information relating to these schemes is set out in Note 24 *Employee equity participation*.

Note 38

Material accounting policies continued

(xx) Performance based remuneration continued

The Consolidated Entity accounts for its share-based payments as follows:

Equity settled awards: The awards are measured at their grant date fair value and based on the number of equity instruments expected to vest. Expenses are recognised as part of employment expenses with reference to the vesting period of those awards. To the extent that the Consolidated Entity does not compensate the ultimate parent for MEREP awards offered to its employees, a corresponding credit is recognised in contributed equity. To the extent the amount is paid in advance by the Consolidated Entity, a receivable due from the ultimate parent is recognised. The receivable is systematically reduced with reference to the vesting period of those awards, via an adjustment to contributed equity.

To the extent the amount is paid after the fact by the Consolidated Entity, a payable due to the ultimate parent is recognised by the Consolidated Entity on a cumulative basis over the vesting period. The amount recognised as a payable each period is equivalent to the amount expensed during the period relating to the awards, less any amounts already paid to the ultimate parent by the Consolidated Entity, MEREP receivable and payable amounts are recognised and disclosed in Note 22 *Related party information*.

Performance hurdles attached to Performance Share Units (PSUs) under the MEREP are not taken into account when determining the fair value of the PSUs at the grant date. Instead, these vesting conditions are taken into account by adjusting the number of equity instruments expected to vest.

Cash settled awards: The awards are measured at their grant date fair value and based on the number of instruments expected to vest. Expenses are recognised as part of employment expenses with reference to the 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 award liability due to movements in the share price a reporting date are recognised in the ultimate parent entity.

Profit share remuneration

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

(xxi) Leases

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

(i) Accounting where the Consolidated Entity is the lessee

The Consolidated Entity leases office premises, commodity storage facilities, technology and other equipment for which contracts are typically entered into for fixed periods of 12 months to 15 years and may include extension options. Leases are recognised as an ROU asset (as explained in Note 38(xiii) *Property, plant & 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.

Presentation

The Consolidated Entity presents ROU assets in Property, plant and equipment and right-of-use assets (refer to Note 11) and lease liabilities in Other liabilities (refer to Note 15) in the consolidated statement of financial position.

(ii) Accounting where the Consolidated Entity is a lessor

Leases where the lessee has substantially all the risks and rewards incidental to ownership of the leased assets are classified as finance leases. All other leases are classified as operating leases.

Finance lease

Where finance leases are granted to third parties, the present value of the minimum lease payments plus an estimate of the value of any unguaranteed residual value is recognised as a receivable and included in loan assets.

Interest income is recognised over the term of the lease using the EIR method, which reflects a constant rate of return. Finance lease income is presented within interest and similar income in the consolidated income statement.

Note 38

Material accounting policies continued

Operating lease

Where the Consolidated Entity is the lessor under an operating lease, the underlying asset is carried at cost and depreciated over its useful life in accordance with the rates specified in Note 38(xiii) *Property, plant & 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.

(xxii) Contributed equity

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

(xxiii) Fiduciary assets and Client money

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

(xxiv) Cash and bank balances

Cash and bank balances includes currency on hand, demand deposits and short-term balances with banks. These balances are subsequently measured at amortised cost.

(xxv) Cash and cash equivalents

Cash and cash equivalents comprise of cash and bank 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 thus restricted from use.

(xxvi) Investment property

Investment properties are initially recognised at cost and subsequently measured 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 net other operating income and charges.

(xxvii) Discontinued operations

A discontinued operation is a component of the entity's business that represents a separate major line of business or area of operation that has been disposed of or is classified as held for sale. The classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. When an operation is classified as a discontinued operation, the comparative income statement is re-presented as if the operation had been discontinued from the start of the comparative period. The results of the discontinued operation are presented separately on the face of the consolidated income statement. Transactions between continuing operations and the discontinued operation are presented on a gross basis.

The assets and liabilities of the discontinued operations are derecognised on the date of disposal and a realised gain or loss is presented separately in the consolidated income statement.

Cash flows generated from the discontinued operation are separately presented in the consolidated statement of cash flows.

(xxviii) Comparatives

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

(xxix) Rounding of amounts

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

Consolidated entity disclosure statement

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

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

Directors' declaration

In the Directors' opinion:

(a) the financial statements and notes set out on pages 7 to 104 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 Consolidated Entity's financial position as at 31 March 2025 and its performance, for the financial year ended on that date, and

(b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable

(c) the Consolidated entity disclosure statement set out on page 105 is true and correct.

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

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

S. Dyson
Director

Sydney
11 June 2025

Independent auditor's report

To the members of Macquarie Financial Limited

Report on the audit of the financial report

Our opinion

In our opinion:

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

a) giving a true and fair view of the Consolidated Entity's financial position as at 31 March 2025 and of its financial performance for the year then ended

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

What we have audited

The Consolidated Entity financial report comprises:

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

Basis for opinion

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

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

Independence

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

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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 2025, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon through our opinion on the financial report.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the financial report

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

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

Auditor's responsibilities for the audit of the financial report

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

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: https://auasb.gov.au/media/apzlwn0y/ar3_2024.pdf. This description forms part of our auditor's report.

PricewaterhouseCoopers

PricewaterhouseCoopers

V. Papageorgiou

Voula Papageorgiou
Partner

Sydney
11 June 2025

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