

Foreword

I am pleased to present the Reserve Bank of Australia's 2024/25 annual report, which documents how we have served the Australian people during the year. It has been an honour to lead our people over this time, and I am proud of what we have achieved together.

The past year has seen the largest changes to the governance and decision-making structures of the Reserve Bank since 1998. Following the passage in November 2024 of amendments to the *Reserve Bank Act 1959*, we have established two new boards to replace the Reserve Bank Board (after 65 years in existence). The new Governance Board oversees the operations of the RBA and the functioning of its business services. The Monetary Policy Board sets the RBA's monetary and financial stability policies. And the Payments System Board remains responsible for payments policy. We are already seeing the benefits that this new board structure brings, and I am confident it will support our mission of promoting the economic prosperity and welfare of the Australian people, now and into the future.

Our work in 2024/25 has also been shaped by a number of other developments that have affected the environment in which we operate.

The global economy has had to adjust to considerable, and often unpredictable, changes in global trade policies. There has been a further rise in geopolitical risk. And domestically, productivity growth has remained disappointingly slow.

In payments, consumers' preferences for how they transact have continued to evolve, facilitated by rapid technological change.

More broadly, technological advances continue to offer both opportunities and challenges. These include the potential of generative artificial intelligence, which is beginning to help us find more effective ways of working, the risks posed by the increasing sophistication of cyber-attacks and the need to modernise our core technology infrastructure.

Against this backdrop, we have continued to advance our ambitious transformation agenda. This agenda covers the way we set monetary and financial stability policies, how we operate our payments settlement service, the culture we strive for, and how we manage governance and risk. In 2024/25, this has seen us:

- embed the new processes that support the provision of advice to the Monetary Policy Board and formalise its role in contributing to financial stability, agree a new memorandum of understanding with the Australian Prudential Regulation Authority and continue our transition to a new framework for implementing monetary policy
- significantly progress the design of a new operating model for the Reserve Bank Information and Transfer System (RITS) and create a new set of IT controls to mitigate the risk of unplanned outages



Michele Bullock, Governor

- enhance our governance processes to be consistent with the higher standards demanded by the new governance structure, while also creating clearer and more streamlined decision-making
- embed our new 'open and dynamic' culture by establishing regular events, workshops and training, adapting our core people development and accountability processes to reinforce desired behaviours, and by our executives providing a consistent and clear focus on the importance of an open and dynamic culture
- clarify accountability for risk management through a 'three lines of accountability' framework, supported by a strengthened role for the Risk and Compliance Department in our organisational decision-making and comprehensive new enterprise-wide risk standards.

Alongside this transformation agenda, we have maintained a sharp focus on meeting our core objectives. I am pleased to report that we were able to meet all the targets set for 2024/25.

Inflation remained within the 2–3 per cent target range, after a prolonged period where it was too high. I am very pleased that this was achieved while keeping the economy close to full employment. The progress in bringing inflation down enabled the Monetary Policy Board to lower the cash rate twice during the year (and again in August 2025).

The financial system remained stable and provided effective support to the economy. The RBA worked closely with other agencies of the Council of Financial Regulators to ensure the financial system is well prepared for a range of adverse scenarios.

In payments, RITS achieved its operational availability targets in 2024/25, while processing 13 per cent more transactions (by value) than in the prior year. We achieved this while refreshing elements of RITS to support a broader array of functionality, including those associated with the ISO 20022 messaging format.

The work overseen by the Payments System Board is discussed in more depth in its separate annual report. Of particular note, the Board worked with relevant staff and the Australian Securities and Investments Commission to establish expectations for a significant uplift in governance and risk management at ASX, commensurate with its criticality to the Australian financial system. We also began to build our capacity to serve as the resolution authority for financial market infrastructure, if ever that is needed, following the legislative expansion of our powers in this area. Separately, we made considerable progress on a review of arrangements for merchant card payment costs and surcharging, contributed to industry discussions about the future of account-to-account payments and progressed work on the future of money.

Our banking operations made almost 350 million payments on behalf of Australian government agencies and processed a further 60 million collections. We did this at the same time as we enhanced our banking service offering, migrated the technology underpinning it to the cloud and deployed new functionality to support Confirmation of Payee services via the New Payments Platform.

And we progressed work to ensure that cash remains a viable option for those who want to use it. This included working closely with regulatory agencies and key participants in the cash distribution industry to place the industry on a surer long-term footing. We also selected a theme for the new \$5 banknote that honours the enduring connection of First Nations peoples to Country.

Turning to our financial performance, the RBA recorded an \$11.0 billion accounting profit in 2024/25, as lower bond yields and a depreciation of the Australian dollar contributed to large unrealised valuation gains. Underlying earnings remained negative, as most of our domestic assets continued to earn at lower interest rates than the rate we pay on Exchange Settlement balances, but we expect this to reverse over coming years. Taken together with valuation gains on our gold holdings, our equity position improved by \$15.0 billion during the year. That is very welcome, though we continue to operate with negative equity (of \$5.3 billion at June 2025). This does not affect our operations or ability to perform our policy functions, but the Governance Board considers it important that the RBA's capital should be restored over time. The Treasurer has indicated continued support for this approach, noting that a decision about retention of earnings is made each year.

The ambition we have set for ourselves in transforming the RBA, without sacrificing our operating performance, has required significant effort by our staff. The Governance Board and I are very grateful for the way in which the staff have responded to this challenge and achieved outstanding results. We have a dedicated and highly professional team, committed to serving the Australian people and to making the RBA fit for the future. The Board joins me in thanking them wholeheartedly for their services to Australia over the past year.



Michele Bullock

Governor and Chair of the Governance Board

10 September 2025

