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ASX/Media Release

MACQUARIE GROUP 2020 OPERATIONAL BRIEFING

Key points

- **Trading conditions were satisfactory across the Group in the December 2019 quarter (3Q20)**
- **Macquarie's annuity-style businesses' (Macquarie Asset Management (MAM) and Banking and Financial Services (BFS)) combined 3Q20 net profit contribution[1] up on 3Q19**
    - **Net profit contribution for the nine months to 31 December 2019 (FY20 YTD) up on FY19 YTD mainly due to: higher base and performance fees in MAM; and continued volume growth partially offset by margin pressure in BFS**
- **Macquarie's markets-facing businesses' (Commodities and Global Markets (CGM) and Macquarie Capital) combined 3Q20 net profit contribution significantly down on 3Q19**
    - **FY20 YTD net profit contribution down on FY19 YTD primarily due to: significantly lower investment-related income in Macquarie Capital compared to a strong prior corresponding period (pcp) that benefited from large asset realisations; partially offset by stronger activity across most of the businesses in CGM**
- **Group financial position comfortably exceeds regulatory requirements[2]**
    - **Group capital surplus of $A5.8 billion,**
    - **Bank CET1 ratio 11.4% (Harmonised: 14.2%), Leverage ratio 5.3% (Harmonised: 5.9%), LCR 158%; NSFR 109%**
- **While the impact of future market conditions makes forecasting difficult, we continue to expect the Group's result for FY20 to be slightly down on FY19**

SYDNEY, 11 February 2020 – Macquarie Group Limited (Macquarie) (ASX: MQG; ADR: MQBKY) today provided an update on business activity in the third quarter of the financial year ending 31 March 2020 (3Q20).

During a presentation at Macquarie's annual Operational Briefing in Sydney today, Macquarie Group Managing Director and Chief Executive Officer, Shemara Wikramanayake, said: "Trading conditions were satisfactory across the Group in the quarter ended 31 December 2019."

[1] Net profit contribution is management accounting profit before unallocated corporate costs, profit share and income tax.
[2] Where referenced in this document, Group capital is calculated at 8.5 per cent Risk Weighted Assets (RWA) including capital conservation buffer (CCB), per APRA ADI Prudential Standard 110. Based on materiality, the 8.5 per cent used to calculate the Group capital surplus does not include the countercyclical capital buffer (CCyB) of ~13bps. The individual CCyB varies by jurisdiction and the Bank Group's CCyB is calculated as a weighted average based on exposures in different jurisdictions. The APRA Basel III Group capital surplus is $A5.8 billion calculated at 8.5 per cent RWA, per the internal minimum Tier 1 ratio of the Bank Group. 'Harmonised' Basel III estimates are calculated in accordance with the BCBS Basel III framework. CET1 refers to the Common Equity Tier 1 ratio. LCR refers to the Liquidity Coverage Ratio. Where referenced in this document, average LCR for the December 2019 quarter is based on an average of daily observations. NSFR refers to the Net Stable Funding Ratio.

Macquarie's annuity-style businesses' combined 3Q20 net profit contribution was up on the pcp. For FY20 YTD, net profit contribution was up on the pcp, mainly due to higher base and performance fees in MAM and continued volume growth partially offset by margin pressure in BFS.

Macquarie's markets-facing businesses' combined 3Q20 net profit contribution was significantly down on the pcp. For FY20 YTD, net profit contribution was down on the pcp, primarily due to significantly lower investment-related income in Macquarie Capital compared with a strong pcp that benefited from large asset realisations partially offset by stronger activity across most of the businesses in CGM.

Macquarie Group's financial position comfortably exceeds APRA's Basel III regulatory requirements[2], with a Group capital surplus of $A5.8 billion at 31 December 2019, down from $A6.7 billion at 30 September 2019. The Bank Group's APRA Basel III Common Equity Tier 1 capital ratio was 11.4 per cent (Harmonised: 14.2 per cent) at 31 December 2019, in line with 11.4 per cent at 30 September 2019. The Bank Group's APRA leverage ratio was 5.3 per cent (Harmonised: 5.9 per cent), average LCR was 158 per cent and NSFR was 109 per cent at 31 December 2019.

Third quarter business highlights

Ms Wikramanayake provided an overview of recent business activity undertaken during 3Q20:

- **MAM** had assets under management (AUM) of $A587.5 billion at 31 December 2019, up five per cent on 30 September 2019. During the third quarter, Macquarie Infrastructure and Real Assets (MIRA) equity under management increased two percent to $A137.5 billion. MIRA raised $A5.5 billion in new equity, invested equity of $A7.2 billion and divested $A5.5 billion of assets. At 31 December 2019, MIRA had $A21.1 billion of equity to deploy. In December 2019, Macquarie entered into a sales agreement with Sunsuper to sell a 25 per cent stake of Macquarie AirFinance. Macquarie Investment Management (MIM) assets under management reached $A384.2 billion at 31 December 2019, up six per cent on September 2019. This increase was primarily driven by acquisition of the assets related to the mutual fund management business of Foresters Investment Management Company Inc. and market movements, partially offset by foreign exchange.
- **BFS** had total deposits[3] of $A57.7 billion at 31 December 2019, up three per cent on 30 September 2019. The Australian mortgage portfolio of $A48.6 billion increased 11 per cent on 30 September 2019, while funds on platform[4] of $A91.6 billion were flat on 30 September 2019. During 3Q20, the business banking loan portfolio of $A8.9 billion increased four per cent, while the Australian vehicle asset finance portfolio decreased three percent to $A14.2 billion.
- **CGM** saw a strong contribution from client hedging and trading opportunities across the commodities platform, particularly from the Global Oil, North American Gas & Power, EMEA Gas and Power, and Metals and Agriculture businesses. Strong customer activity continued in foreign exchange across all regions and ongoing strength in ANZ and US Futures. There was consistent performance from the asset finance portfolio, primarily from the Technology Media and Telecoms leasing business and continued strong performance from the UK energy meters business.
- **Macquarie Capital** completed 109 transactions globally in 3Q20 valued at $A76.4 billion[5], up on the September 2019 quarter and down on a strong pcp. Fee revenue was up on the pcp across advisory, DCM and ECM. Notable transactions included: sole financial advisor to Alaska National Insurance Company, a leading specialty insurer, on its sale to CopperPoint Insurance Companies; and sole financial advisor and lead equity sponsor for the Europe Transport Deal of the Year[6], the £1 billion Silvertown Tunnel PPP project. Investment-related income was significantly down on a particularly strong pcp that benefited from

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[3] Deposits in BFS exclude corporate/wholesale deposits.
[4] Funds on platform includes Macquarie Wrap and Vision.
[5] Dealogic and IJGlobal for Macquarie Group completed M&A, investments, ECM and DCM transactions converted as at 31 December 2019. Deal values reflect the full transaction value and not an attributed value.
[6] Project Finance International Awards 2019.

large asset realisations including Quadrant, PEXA and Energetics. Among notable investment-related transactions, Formosa 2, a ~$US2 billion offshore wind project, reached financial close.

Outlook

While the impact of future market conditions makes forecasting difficult, we continue to expect the Group's result for FY20 to be slightly down on FY19.

The Group's short-term outlook remains subject to a range of factors including:

- the completion rate of transactions and period-end reviews;
- market conditions and the impact of geopolitical events;
- the impact of foreign exchange;
- potential regulatory changes and tax uncertainties; and
- geographic composition of income.

Ms Wikramanayake said: "Macquarie remains well positioned to deliver superior performance in the medium term due to: our deep expertise in major markets, building on our strength in business and geographic diversity and ability to adapt our portfolio mix to changing market conditions; the ongoing program to identify cost saving initiatives and efficiency; a strong and conservative balance sheet and a proven risk management framework and culture."

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This document has been authorised for release by Dennis Leong, Company Secretary