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ASX/Media Release

MACQUARIE GROUP ANNOUNCES $A4,706 MILLION FULL-YEAR PROFIT

Key Points

- FY22 net profit of $A4,706 million, up 56% on FY21; 2H22 net profit of $A2,663 million, up 30% on 1H22, up 31% on 2H21
- International income 75% of total income[1] in FY22
- Assets under management of $A774.8 billion at 31 March 2022, up 37% from 31 March 2021
- Financial position comfortably exceeds regulatory minimum requirements
  - Group capital surplus of $A10.7 billion[2]
  - Bank CET1 Level 2 ratio 11.5% (Harmonised: 14.6%[3]); Leverage ratio 5.0% (Harmonised: 5.6%[3]); LCR 175%[4]; NSFR 121%[4]
- Return on equity 18.7%, compared with 14.3% in FY21
- Final ordinary dividend of $A3.50 per share (40% franked), FY22 ordinary dividend of $A6.22 per share (40% franked), representing a 2H22 payout ratio of 50% and FY22 payout ratio of 50%

SYDNEY, 6 May 2022 – Macquarie Group (ASX: MQG; ADR: MQBKY) today announced a net profit after tax attributable to ordinary shareholders of $A4,706 million for the year ended 31 March 2022 (FY22), up 56 per cent on the year ended 31 March 2021 (FY21). Profit for the half year ended 31 March 2022 (2H22) was $A2,663 million, up 30 per cent on the half year ended 30 September 2021 (1H22) and up 31 per cent on the half year ended 31 March 2021 (2H21).

Macquarie Group Managing Director and Chief Executive Officer, Shemara Wikramanayake, said: "While many of the regions and markets in which Macquarie operates saw heightened levels of volatility this year, our longstanding

1 Where referenced in this document, total income is net operating income excluding earnings on capital and other corporate items.
2 The capital surplus shown is above regulatory minimums including the capital conservation buffer (CCB), per APRA ADI Prudential Standard 110, calculated at 8.5% RWA on a Level 2 basis for Macquarie Bank Limited (MBL). This surplus also includes provision for internal capital buffers, forthcoming regulatory changes, as well as differences between Level 2 and Level 1 capital requirements, such as the $A500 million operational capital overlay imposed by APRA which has been applied to Level 1 only and effective from 1 April 2021. Based on materiality, the 8.5% used to calculate the Group capital surplus does not include the countercyclical buffer (CCyB) of ~1bps. The individual CCyB varies by jurisdiction and the Bank Group's CCyB is calculated as a weighted average based on exposures in different jurisdictions.
3 Basel III applies only to the Bank Group and not the Non-Bank Group. 'Harmonised' Basel III estimates are calculated in accordance with the BCBS Basel III framework, noting that MBL is not regulated by the BCBS and so impacts shown are indicative only.
4 Average LCR for March 2022 quarter is based on an average of daily observations and excludes CLF allocation (195% including CLF allocation). NSFR as at 31 March 2022 excludes CLF allocation (125% including CLF allocation). APRA imposed a 15% add-on to the Net Cash Outflow component of the LCR calculation, and a 1% decrease to the Available Stable Funding component of the NSFR calculation, effective from 1 April 2021. The LCR net cash outflow add-on increased to 25% from 1 May 2022.

strategy to address key areas of unmet need in the community is unchanged. Over time, this has seen us build deep and differentiated franchises in each of our areas of activity, all of which delivered sound outcomes and strong performance in FY22."

Annuity-style activities, which are undertaken by Macquarie Asset Management (MAM), Banking and Financial Services (BFS) and certain businesses in Commodities and Global Markets (CGM), generated a combined net profit contribution of $A4,132 million, up 25 per cent on FY21.

Markets-facing activities, which are undertaken by Macquarie Capital and most businesses in CGM, delivered a combined net profit contribution of $A5,330 million, up 92 per cent on FY21.

Net operating income of $A17,324 million was up 36 per cent on FY21, while operating expenses of $A10,785 million increased 22 per cent on FY21. International income accounted for 75 per cent of Macquarie's total income.

The income tax expense of $A1,586 million was up 76 per cent on FY21 and the effective tax rate was 25.2 per cent[5], up from 23.0 per cent in FY21. The higher effective tax rate was mainly driven by the geographic composition and nature of earnings.

At 31 March 2022, the Group employed 18,133 people[6], which was up 10 per cent on 31 March 2021. In addition, approximately 225,000 people were employed across managed fund assets and investments[7].

Assets under management at 31 March 2022 were $A774.8 billion, up 37 per cent from $A563.5 billion at 31 March 2021, largely due to the acquisitions of Waddell & Reed Financial, AMP Capital's public investments business and Central Park Group as well as investments by Private Markets-managed funds and net inflows in Public Investments.

Operating Group performance

MAM delivered a net profit contribution[8] of $A2,150 million, up four per cent from $A2,074 million in FY21. Excluding the impact of acquisitions, the result reflected income related to the disposition of Macquarie Infrastructure Corporation[9] assets as well as growth in base fees. This was partially offset by a gain on the sale of Macquarie European Rail in the prior year and lower performance fees.

BFS delivered a net profit contribution of $A1,001 million, up 30 per cent from $A771 million in FY21. The result reflected strong growth in the loan portfolio, funds on platform and total BFS deposits[10] together with releases in net credit impairments. This was partially offset by increased technology investment and higher average headcount to support business growth and regulatory requirements.

CGM delivered a net profit contribution of $A3,911 million, up 50 per cent from $A2,601 million in FY21. The result was driven by increased revenue across Commodities with strong risk management revenue driven by increased client hedging activity and trading activity as a result of elevated volatility and commodity price movements, partially offset by the impact of fair value adjustments across the derivatives portfolio. The contribution from Commodities inventory management and trading was also up while Financial Markets continued to deliver strong performance. The contribution from Asset Finance also increased and was largely related to the partial sale of the UK Meters portfolio and increased activity across its other sectors.

Macquarie Capital delivered a net profit contribution of $A2,400 million, up 269 per cent from $A651 million in FY21. The result reflected significantly higher fee and commission income due to mergers and acquisitions and debt capital markets activities. This was partially offset by lower equity capital markets fee income and brokerage income. Investment-related income was up substantially due to material asset realisations in the green energy, technology and business services sectors and an increase in the private credit portfolio.

5 Calculation of the effective tax rate is after adjusting for the impact of non-controlling interests.
6 Includes staff employed in certain operationally segregated subsidiaries.
7 Includes people employed through Private Markets-managed fund assets and investments where Macquarie Capital holds significant influence.
8 Where referenced in this document, net profit contribution is management accounting profit before unallocated corporate costs, profit share and income tax.
9 On 22 September 2021, Macquarie Infrastructure Corporation completed a corporate reorganisation, becoming a subsidiary of the newly formed Macquarie Infrastructure Holdings, LLC which continues to trade under the New York Stock Exchange symbol of 'MIC'.
10 Deposits in BFS include home loan offset accounts and exclude corporate/wholesale deposits.

Capital management and funding position

Macquarie's financial position exceeds the Australian Prudential Regulation Authority's (APRA's) Basel III regulatory requirements, with a Group capital surplus of $A10.7 billion[2] at 31 March 2022, up from $A8.8 billion at 31 March 2021.

The Bank Group APRA Basel III Level 2 Common Equity Tier 1 capital ratio was 11.5 per cent (Harmonised: 14.6 per cent[3]) at 31 March 2022, up from 12.6 per cent (Harmonised: 16.2 per cent[3]) at 31 March 2021. The Bank Group's APRA Leverage Ratio was 5.0 per cent (Harmonised: 5.6 per cent[3]), the Liquidity Coverage Ratio (LCR) was 175 per cent[4] and the Net Stable Funding Ratio (NSFR) was 121 per cent[4] at 31 March 2022.

Total customer deposits[11] increased to $A101.5 billion at 31 March 2022, up from $A84.0 billion at 31 March 2021. Term funding[12] of $A48.3 billion was raised during FY22 which included $A9.5 billion drawn from the Reserve Bank of Australia Term Funding Facility. In addition, $A2.8 billion of equity capital was raised through a $A1.5 billion institutional placement and a $A1.3 billion share purchase plan.

FY22 final ordinary dividend

The Macquarie Group Limited Board today announced a FY22 final ordinary dividend of $A3.50 per share (40 per cent franked), up on the FY21 final ordinary dividend of $A3.35 per share (40 per cent franked). This represents a FY22 ordinary dividend of $A6.22 per share (40 per cent franked), 2H22 payout ratio of 50 per cent and FY22 payout ratio of 50 per cent. Macquarie's dividend policy remains a 50 to 70 per cent annual payout ratio.

The record date for the final ordinary dividend is 17 May 2022 and the payment date is 4 July 2022. Shares will be issued to satisfy the Dividend Reinvestment Plan (DRP) for the FY22 final ordinary dividend at a discount to the prevailing market price[13] of 1.5 per cent.

The Board has resolved to purchase shares[14] to satisfy the FY22 MEREP requirements of approximately $A870m. The buying period for MEREP will commence on 16 May 2022 and is expected to be completed by 30 June 2022[15].

Board update

As previously noted, Peter Warne will step down as Chair of the Macquarie Group Limited (MGL) and Macquarie Bank Limited (MBL) Boards on 9 May 2022 and will be replaced by Glenn Stevens. Michael Coleman has announced his intention to retire as a Voting Director of MGL and MBL after 10 years on the Boards. Mr Coleman's retirement will be effective at the conclusion of the 2022 AGM. As previously noted, Michelle Hinchliffe joined the Macquarie Boards effective 1 March 2022 and will replace Mr Coleman as Chair of the Board Audit Committee.

Macquarie has been working with APRA to strengthen the voice of MBL within the Group, making good progress on a comprehensive remediation plan in recent months, including detailed programs of work across governance, remuneration, risk culture, regulatory reporting, prudential risk management, and a simplified group structure. The changes proposed under the plan, on which Macquarie will continue to deliver through financial year 2023 and beyond, will have a positive impact on MBL through improved systems, frameworks, processes, and further strengthen its risk culture. As part of the governance workstream, three bank-only non-executive directors (BONDs) are proposed to be added to the MBL Board. Consistent with similar structures in other markets where a banking entity sits within a broader group structure, this change introduces additional safeguards to better protect the interests of MBL within the Group. After these appointments, the MBL Board will comprise the MGL non-executive directors, Shemara

11 Total customer deposits as per the funded balance sheet ($A101.5 billion) differs from total deposits as per the statutory balance sheet ($A101.7 billion). The funded balance sheet reclassifies certain balances to other funded balance sheet categories.
12 Issuances cover a range of tenors, currencies and product types and are AUD equivalent based on FX rates at the time of issuance. Includes refinancing of loan facilities.
13 Determined in accordance with the DRP rules as the average of the daily volume weighted average price over the five business days from 23 May 2022 to 27 May 2022.
14 The shares may be purchased on-market and off-market. Shares will be issued if purchasing becomes impractical or inadvisable.
15 Actual buying may be completed sooner or later. On-market buying for the MEREP will be suspended during the DRP pricing period (23 May 2022 to 27 May 2022).

Wikramanayake, Stuart Green and the three BONDs with all MBL Board committees benefiting from BONDs representation.

We are pleased to announce Ian Saines as the first MBL BOND, subject to completion of necessary approvals. Mr Saines is an experienced leader in commercial and investment banking and asset management, having held senior roles at Commonwealth Bank of Australia, Challenger, Zurich Financial Services and Bankers Trust Australia. He began his career at the Reserve Bank of Australia and has a strong background in financial markets and highly regulated environments combined with audit, risk and investment committee experience. We expect to announce further BONDs appointments in due course.

Regulatory update[16]

APRA has finalised or is in the process of implementing changes to a number of prudential standards[17]. Of note, APRA's Prudential Standard Remuneration ("CPS 511") will come into effect for Macquarie on 1 January 2023[18]. Work is underway to implement changes required to Macquarie's remuneration framework and we maintain regular dialogue with APRA on this topic. The Board undertook a review of the various components of remuneration to address certain aspects of CPS 511 (including the deferral arrangements for senior executives), as well as the evolving expectations of our stakeholders. As part of this review, the Board considered diverse perspectives, including those of shareholders and regulators, as well as global peer group benchmarking and increased global competition for talent in many of Macquarie's areas of activity. These changes will be implemented in a phased approach from FY22. Full details are disclosed in the Remuneration Report.

Outlook

We continue to maintain a cautious stance, with a conservative approach to capital, funding and liquidity that positions us well to respond to the current environment. The range of factors that may influence our short-term outlook include:

- Market conditions including significant volatility events, global inflation and interest rates, and the impact of geopolitical events
- Potential tax or regulatory changes and tax uncertainties
- Completion of period-end reviews and the completion rate of transactions
- The geographic composition of income and the impact of foreign exchange

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

16 The APRA Capital Framework applies to the Bank Group only.
17 These changes include APS 110, APS 111, APS 112, APS 113, APS 115, APS 116, APS 117, APS 180, APS 220, APS 222. A 12-month period of transition to 1 January 2023 in relation to APS 222 was granted by APRA on 25 November 2021.
18 'APRA releases final remuneration standard'; 27 August 2021.

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