



# Management Discussion and Analysis

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**Macquarie Group**  
Year ended 31 March 2022

## Notice to readers

The purpose of this report is to provide information supplementary to the Macquarie Group Limited Financial Report (the Financial Report) for the year ended 31 March 2022, including further detail in relation to key elements of Macquarie Group Limited and its subsidiaries' (Macquarie, the Consolidated Entity) financial performance and financial position. The report also outlines the funding and capital profile of the Consolidated Entity.

Certain financial information in this report is prepared on a different basis to that contained in the Financial Report, which is prepared in accordance with Australian Accounting Standards. Where financial information presented within this report does not comply with Australian Accounting Standards, a reconciliation to the statutory information is provided.

## Date of this report

This report has been prepared for the year ended 31 March 2022 and is current as at 6 May 2022.

## Cover image

With more than 15 years' experience in physical and financial energy markets, we have built a deep franchise of client relationships globally. During a period of exceptional volatility, we have continued to service our customers reliably and consistently to enable them to continue their business operations seamlessly.



## Explanatory notes

### Comparative information and conventions

Where necessary, comparative figures have been restated to conform to changes in current year financial presentation and group structures.

References to the prior year are to the 12 months ended 31 March 2021.

References to the first half are to the six months ended 30 September 2021.

References to the second half are to the six months ended 31 March 2022.

In the financial tables throughout this document <sup>\*\*\*</sup> indicates that the absolute percentage change in the balance was greater than 300% or indicates the result was a gain in one period but a loss in another, or vice versa.

### Independent Auditor's Report

This document should be read in conjunction with the Financial Report for the year ended 31 March 2022, which was subject to independent audit by PricewaterhouseCoopers.

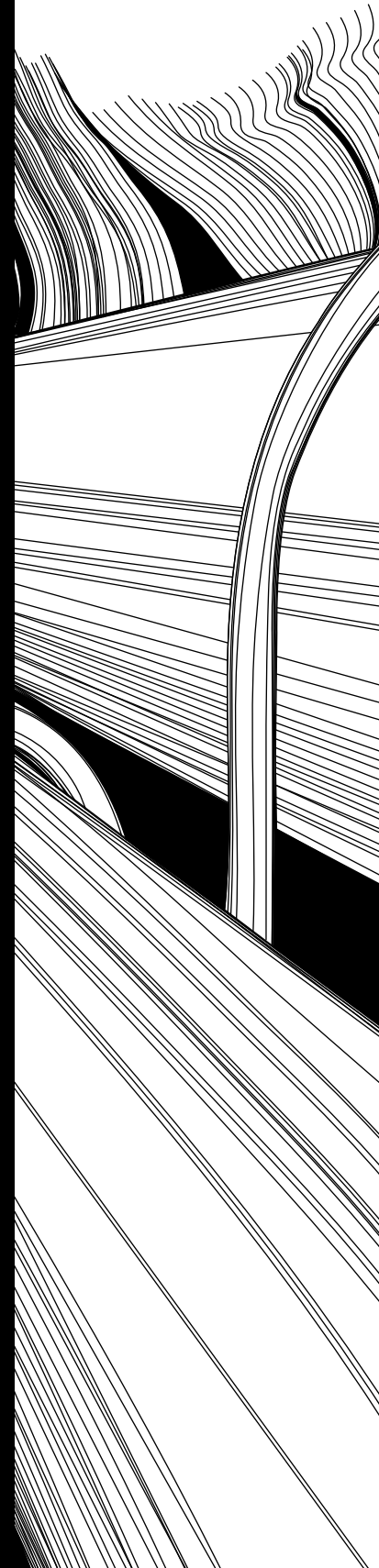
PricewaterhouseCoopers' independent auditor's report to the members of Macquarie Group Limited dated 6 May 2022 was unqualified.

Any additional financial information in this document which is not included in the Financial Report was not subject to independent audit by PricewaterhouseCoopers.

### Disclaimer

The material in this document has been prepared by Macquarie Group Limited ABN 94 122 169 279 (MGL, the Company) and is general background information about Macquarie Group Limited and its subsidiaries' (Macquarie) activities current as at the date of this document. This information is given in summary form and does not purport to be complete. The material in this document may include information derived from publicly available sources that have not been independently verified. Information in this document should not be considered as advice or a recommendation to investors or potential investors in relation to holding, purchasing or selling securities or other financial products or instruments and does not take into account your particular investment objectives, financial situation or needs. Before acting on any information you should consider the appropriateness of the information having regard to these matters, any relevant offer document and in particular, you should seek independent financial advice. No representation or warranty is made as to the accuracy, completeness or reliability of the information. All securities and financial product or instrument transactions involve risks, which include (among others) the risk of adverse or unanticipated market, financial or political developments and, in international transactions, currency risk.

This document may contain forward looking statements – that is, statements related to future, not past, events or other matters – including, without limitation, statements regarding our intent, belief or current expectations with respect to Macquarie's businesses and operations, market conditions, results of operation and financial condition, capital adequacy, provisions for impairments and risk management practices. Readers are cautioned not to place undue reliance on these forward looking statements. Macquarie does not undertake any obligation to publicly release the result of any revisions to these forward looking statements or to otherwise update any forward looking statements, whether as a result of new information, future events or otherwise, after the date of this document. Actual results may vary in a materially positive or negative manner. Forward looking statements and hypothetical examples are subject to uncertainty and contingencies outside Macquarie's control. Past performance is not a reliable indication of future performance.



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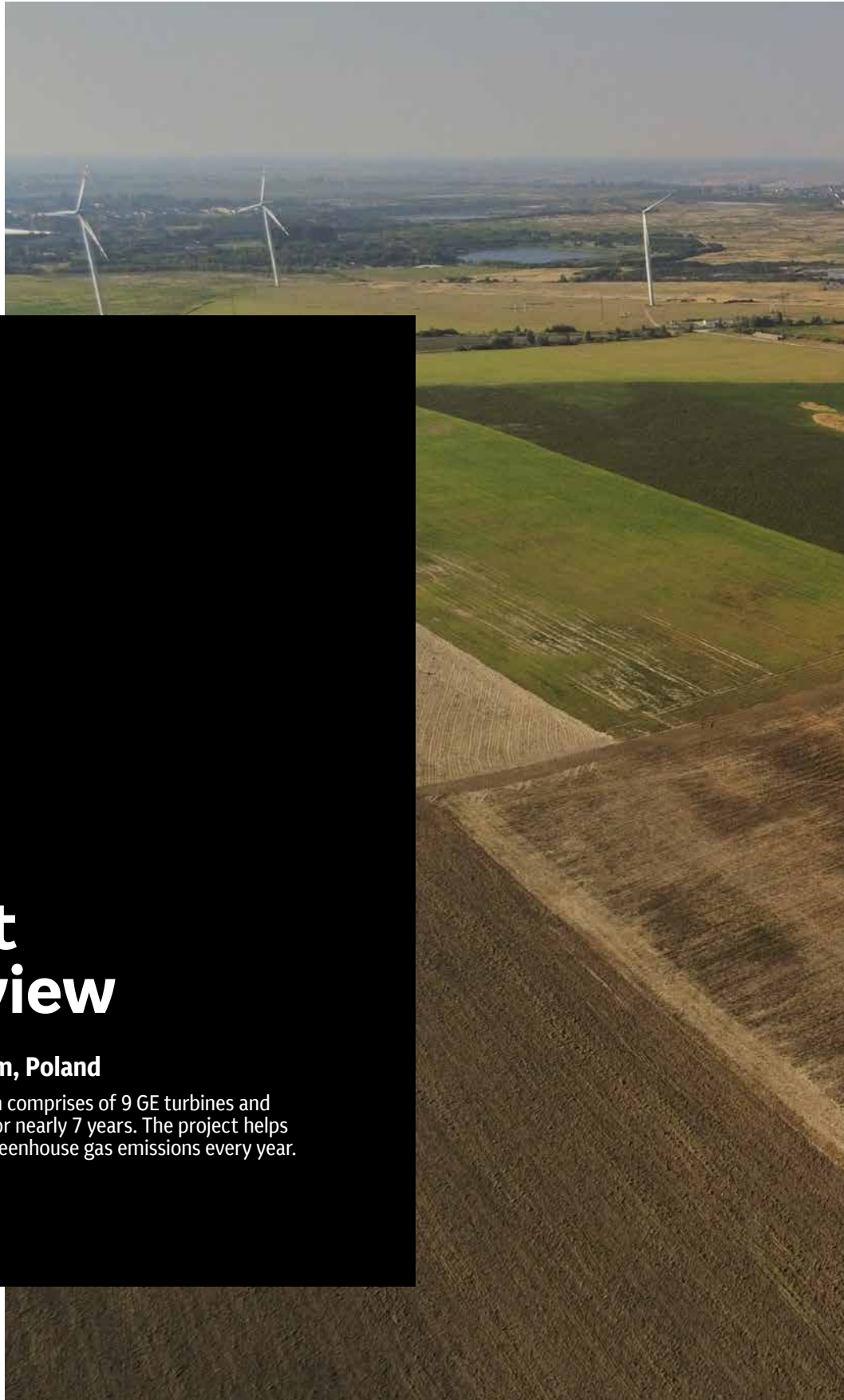
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01

## Result Overview

### **Jozwin wind farm, Poland**

The Jozwin wind farm comprises of 9 GE turbines and has been operating for nearly 7 years. The project helps avoid 42kt CO<sub>2</sub>e in greenhouse gas emissions every year.





## 1.1 Executive Summary

Macquarie (MGL and its subsidiaries, the Consolidated Entity) is a global financial group with offices in 33 markets.

Macquarie Group Limited (MGL, the Company) is listed in Australia and is regulated by the Australian Prudential Regulation Authority (APRA), the Australian banking regulator, as a Non-Operating Holding Company (NOHC) of Macquarie Bank Limited (MBL), an authorised deposit-taking institution (ADI). Macquarie's activities are also subject to supervision by various other regulatory agencies around the world.

Founded in 1969, Macquarie now employs over 18,000 people globally, has total assets of \$A399.2 billion and total equity of \$A28.8 billion as at 31 March 2022.

Macquarie's breadth of expertise covers asset management, retail and business banking, wealth management, leasing and asset financing, market access, commodity trading, renewables development, specialist advice, access to capital and principal

investment. The diversity of our operations, combined with a strong capital position and robust risk management framework, has contributed to Macquarie's 53-year record of unbroken profitability.

Macquarie works with institutional, corporate, government and retail clients and counterparties around the world, providing a diversified range of products and services. We have established leading market positions as a global specialist in a wide range of sectors, including renewables, infrastructure, resources and commodities, energy, financial institutions and real estate.

Alignment of interests is a longstanding feature of Macquarie's client-focused business, demonstrated by our willingness to both invest alongside clients and closely align the interests of our shareholders and staff.

Macquarie now employs over 18,000<sup>(1)</sup> people globally across 33 markets

**EMEA ~14%**



**Americas ~18%**



**Asia ~22%**

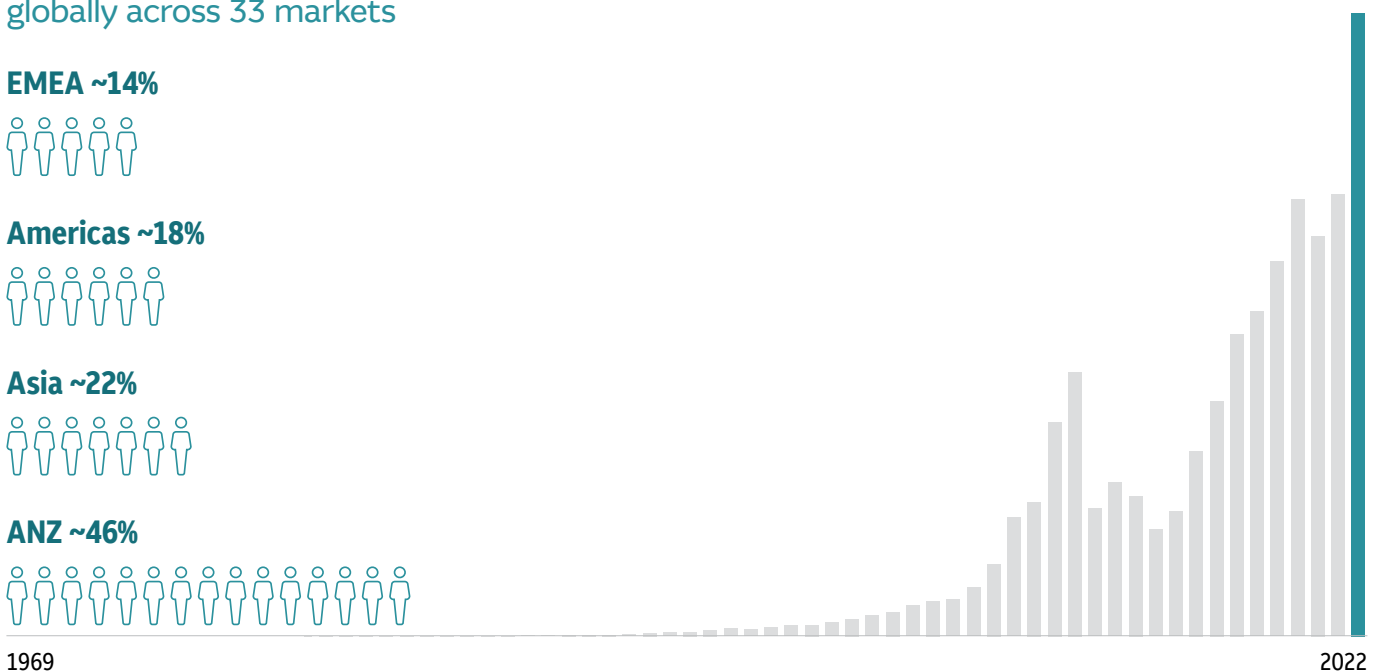


**ANZ ~46%**



**\$A4,706m**

FY2022 profit



1969

2022

(1) This figure includes staff employed in certain operationally segregated subsidiaries (OSS).



**FY2022 net profit**

**\$A4,706m**

↑ 56% on prior year

**FY2022 return on equity**

**18.7%**

↑ from 14.3% in prior year

**FY2022 net operating income**

**\$A17,324m**

↑ 36% on prior year

**FY2022 operating expenses**

**\$A10,785m**

↑ 22% on prior year

**FY2022 net profit contribution<sup>(1)</sup> by activity**

**Annuity-style activities**

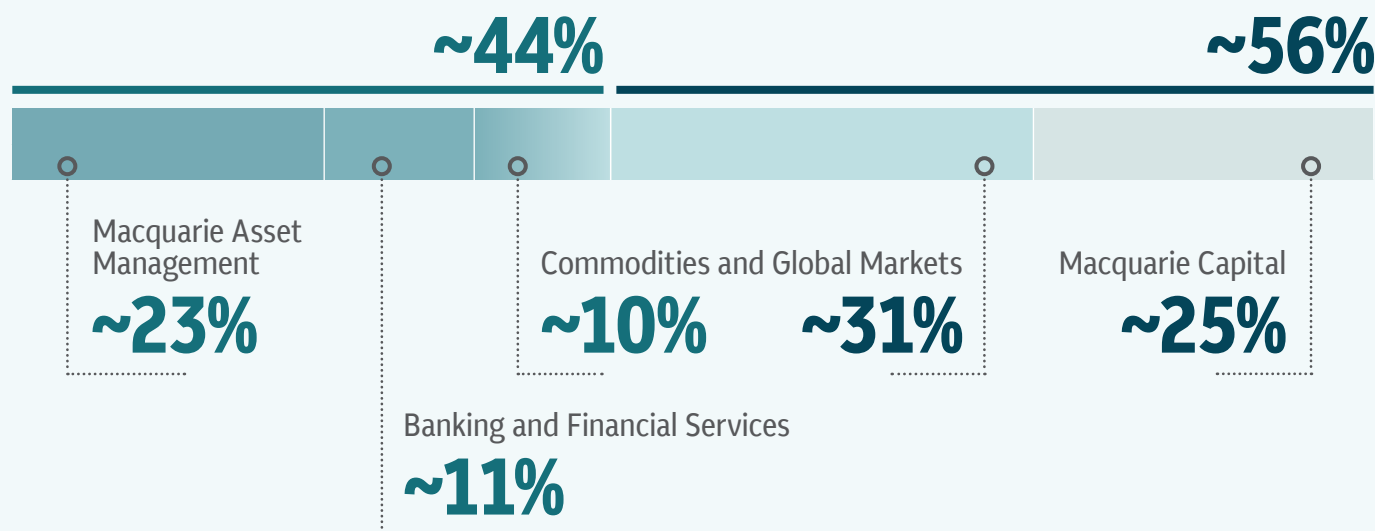
**\$A4,132m**

↑ 25% on prior year

**Markets-facing activities**

**\$A5,330m**

↑ 92% on prior year



(1) Net profit contribution is management accounting profit before unallocated corporate costs, profit share and income tax.

# 1.1 Executive Summary

Continued

## FY2022 net profit contribution by Operating Group

Summary of the Operating Groups' performance for the year ended 31 March 2022.

### Annuity-style businesses

#### Macquarie Asset Management (MAM) **\$A2,150m**

↑ 4% on prior year

- Increased base fees primarily driven by the acquisition of Waddell & Reed Financial (Waddell & Reed), investments made by Private Markets-managed funds and mandates and Public Investments market movements.
- Increased other fee and commission income largely due to a disposition fee from Macquarie Infrastructure Corporation<sup>(1)</sup> (MIC).
- Increased share of net profits from associates and joint ventures, primarily driven by equity accounted income from MIC and lower equity accounted losses in Macquarie AirFinance.

Partially offset by:

- increased operating expenses driven by Waddell & Reed one-off acquisition and ongoing costs
- decreased net income on equity, debt and other investments driven by the non-recurrence of gains on sale of Macquarie European Rail and other investments as well as lower gains on revaluation of property investments
- decreased performance fees following a strong prior year.

Non-Banking Group

### Markets-facing businesses

#### Macquarie Capital **\$A2,400m**

↑ significantly from \$A651m in prior year

- Substantially higher net income on equity, debt and other investments driven by material asset realisations in the green energy, technology and business services sectors and included realisations across all regions.
- Higher fee and commission income due to higher mergers and acquisitions fee income and debt capital markets fee income, partially offset by lower equity capital markets fee income and brokerage income.
- Higher net interest and trading income resulting from growth in the private credit portfolio.

Partially offset by:

- higher credit and other impairment charges primarily due to a small number of underperforming equity investments and growth of the private credit portfolio
- higher non-controlling interests predominantly driven by the share of gains on disposal attributable to non-controlling interests.

#### Banking and Financial Services (BFS) **\$A1,001m**

↑ 30% on prior year

- Higher net interest and trading income mainly driven by volume growth in the loan portfolio and BFS deposits.
- Decreased credit and other impairment charges driven by the partial release of COVID-19 overlays. Credit provisioning levels remain prudent with the combined downside macroeconomic scenarios having a higher weighting than the upside scenario.

Partially offset by:

- higher employment, technology and other operating expenses, including increased headcount, to support business growth and to meet regulatory requirements.

Banking Group

#### Commodities and Global Markets (CGM)<sup>(2)</sup> **\$A3,911m**

↑ 50% on prior year

- Increased risk management income with gains across the platform, particularly in Gas and Power, Resources, Agriculture, and Global Oil driven by increased client hedging activity and trading activity due to elevated levels of volatility and price movements in commodity markets, partially offset by the impact of fair value adjustments across the derivatives portfolio.
- Net income on equity, debt and other investments up significantly driven by the gain on the partial sale of the UK Meters portfolio of assets, comprising the industrial and commercial portfolio.
- Decreased credit and other impairment charges driven by the partial release of COVID-19 overlays. Credit provisioning levels remain prudent with the combined downside macroeconomic scenarios having a higher weighting than the upside scenario.

Partially offset by:

- increased other operating expenses driven by higher expenditure on technology platform and infrastructure and increasing compliance and regulatory management spend.

(1) 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'.

(2) Certain assets of the Credit Markets business, certain activities of the Commodity Markets and Finance business, and some other less financially significant activities are undertaken from within the Non-Banking Group.

## Profit attributable to the ordinary equity holders

# \$A4,706m

↑ 56% on prior year

	HALF YEAR TO			FULL YEAR TO		
	Mar 22 \$Am	Sep 21 \$Am	Movement %	Mar 22 \$Am	Mar 21 \$Am	Movement %
<b>Financial performance summary</b>						
Net interest income	1,487	1,373	8	2,860	2,195	30
Fee and commission income	3,435	3,452	(<1)	6,887	5,176	33
Net trading income	2,337	1,659	41	3,996	3,482	15
Net operating lease income	216	186	16	402	466	(14)
Share of net (losses)/profits from associates and joint ventures	(2)	242	*	240	(3)	*
Net credit impairment charges	(74)	(176)	(58)	(250)	(434)	(42)
Net other impairment charges	(205)	(54)	280	(259)	(90)	188
Net other operating income	2,326	1,122	107	3,448	1,982	74
<b>Net operating income</b>	<b>9,520</b>	<b>7,804</b>	<b>22</b>	<b>17,324</b>	<b>12,774</b>	<b>36</b>
Employment expenses	(3,561)	(3,164)	13	(6,725)	(5,517)	22
Brokerage, commission and fee expenses	(531)	(498)	7	(1,029)	(879)	17
Non-salary technology expenses	(509)	(417)	22	(926)	(781)	19
Other operating expenses	(1,115)	(990)	13	(2,105)	(1,690)	25
<b>Total operating expenses</b>	<b>(5,716)</b>	<b>(5,069)</b>	<b>13</b>	<b>(10,785)</b>	<b>(8,867)</b>	<b>22</b>
Operating profit before income tax	3,804	2,735	39	6,539	3,907	67
Income tax expense	(983)	(603)	63	(1,586)	(899)	76
Profit after income tax	2,821	2,132	32	4,953	3,008	65
(Profit)/loss attributable to non-controlling interests	(158)	(89)	78	(247)	7	*
<b>Profit attributable to ordinary equity holders of Macquarie Group Limited</b>	<b>2,663</b>	<b>2,043</b>	<b>30</b>	<b>4,706</b>	<b>3,015</b>	<b>56</b>
<b>Key metrics</b>						
Expense to income ratio (%)	60.0	65.0		62.3	69.4	
Compensation ratio (%)	35.3	38.5		36.7	40.6	
Effective tax rate (%)	27.0	22.8		25.2	23.0	
Basic earnings per share (cents per share)	706.4	562.5		1,271.7	842.9	
Diluted earnings per share (cents per share)	680.7	545.4		1,230.6	824.6	
Dividend per ordinary share (cents per share)	350.0	272.0		622.0	470.0	
Ordinary dividend payout ratio (%)	50	50		50	56	
Annualised return on equity (%)	19.6	17.8		18.7	14.3	

# 1.1 Executive Summary

Continued

## Net operating income

Net operating income of \$A17,324 million for the year ended 31 March 2022 increased 36% from \$A12,774 million in the prior year. The increase was primarily driven by higher Fee and commission income, Net other operating income and Net interest and trading income.

### Net interest and trading income

FULL YEAR TO		↑ <b>21%</b> on prior year
31 Mar 22	31 Mar 21	
\$Am	\$Am	
<b>6,856</b>	5,677	

- Higher commodities income mainly driven by increased risk management income with gains across the platform, particularly from Gas and Power, Resources, Agriculture, and Global Oil in CGM.
- Growth in the private credit portfolio in Macquarie Capital.
- Growth in the average loan portfolio as well as average deposit volumes in BFS.

Partially offset by:

- lower income in Corporate due to accounting volatility from changes in the fair value of economic hedges
- the impact of fair value adjustments across the derivatives portfolio in CGM.

### Fee and commission income

FULL YEAR TO		↑ <b>33%</b> on prior year
31 Mar 22	31 Mar 21	
\$Am	\$Am	
<b>6,887</b>	5,176	

- MAM included higher base fee income primarily driven by the acquisition of Waddell & Reed and a disposition fee from MIC.
- Higher mergers and acquisitions fee income and debt capital markets fee income in Macquarie Capital.

Partially offset by:

- lower performance fees in MAM following a strong prior year
- lower equity capital market fee income and brokerage income in Macquarie Capital.

### Net operating lease income

FULL YEAR TO		↓ <b>14%</b> on prior year
31 Mar 22	31 Mar 21	
\$Am	\$Am	
<b>402</b>	466	

- Reduction in secondary income in Technology, Media and Telecoms as well as the partial sale of the UK Meters portfolio of assets, partially offset by an increase in income from other areas of the Macquarie Energy, Resources & Sustainability portfolio, in CGM.

### Share of net profits/(losses) from associates and joint ventures

FULL YEAR TO		↑ <b>significantly</b> on prior year
31 Mar 22	31 Mar 21	
\$Am	\$Am	
<b>240</b>	(3)	

- Increased equity accounted income from MIC and lower equity accounted losses in Macquarie AirFinance in MAM.

### Credit and other impairment charges

FULL YEAR TO		↓ <b>3%</b> on prior year
31 Mar 22	31 Mar 21	
\$Am	\$Am	
<b>(509)</b>	(524)	

- Partial release of COVID-19 overlays in BFS and CGM. Credit provisioning levels remain prudent with the combined downside macroeconomic scenarios having a higher weighting than the upside scenario.

Partially offset by:

- a small number of underperforming equity investments in Macquarie Capital.

### Net other operating income

FULL YEAR TO		↑ <b>74%</b> on prior year
31 Mar 22	31 Mar 21	
\$Am	\$Am	
<b>3,448</b>	1,982	

- Substantially higher revenue from material asset realisations in the green energy, technology and business services sectors and included realisations across all regions in Macquarie Capital.
- Gain on the partial sale of the UK Meters portfolio of assets in CGM.

Partially offset by:

- the non-recurrence of the gain on sale of Macquarie European Rail in the prior year in MAM.

## Operating expenses

Total operating expenses of \$A10,785 million for the year ended 31 March 2022 increased 22% from \$A8,867 million in the prior year with increases across all expense categories.

### Employment expenses

#### FULL YEAR TO

31 Mar 22 \$Am	31 Mar 21 \$Am
6,725	5,517

↑ **22%**  
on prior year

- Higher performance-related profit share expense and share-based payments mainly as a result of the performance of the Consolidated Entity.
- Higher expenses from the Waddell & Reed acquisition in MAM.
- Higher expenses from wage inflation and higher average headcount.

### Brokerage, commission and fee expenses

#### FULL YEAR TO

31 Mar 22 \$Am	31 Mar 21 \$Am
1,029	879

↑ **17%**  
on prior year

- Higher expenses from the Waddell & Reed acquisition in MAM.
- Partially offset by:
- the cessation of grandfathered commission payments to third party advisors in line with legislation in BFS.

### Non-salary technology expenses

#### FULL YEAR TO

31 Mar 22 \$Am	31 Mar 21 \$Am
926	781

↑ **19%**  
on prior year

- Higher investment in technology to support business activity and business growth.
- Higher expenses from the Waddell & Reed acquisition in MAM.

### Other operating expenses

#### FULL YEAR TO

31 Mar 22 \$Am	31 Mar 21 \$Am
2,105	1,690

↑ **25%**  
on prior year

- Higher expenses from the Waddell & Reed acquisition in MAM.

## Income tax expense

Income tax expense of \$A1,586 million for the year ended 31 March 2022 increased 76% from \$A899 million in the prior year, primarily reflecting higher operating profit before income tax. The effective tax rate for the year ended 31 March 2022 was 25.2%, up from 23.0% in the prior year.

The higher effective tax rate compared to the prior year was mainly driven by the geographic composition and nature of earnings.

## Operating Group Update

Effective 1 April 2022, the Green Investment Group (GIG) has transferred from Macquarie Capital and is operating as part of MAM, bringing together Macquarie's specialist capabilities to provide clients with greater access to green investment opportunities.



# 02

## Financial Performance Analysis

### Supporting the transition of US trucking to zero emission

CGM's Specialised and Asset Finance division is part of a consortium that was awarded grant funding by the California Air Resources Board and the California Energy Commission's Clean Transportation Program to deliver 30 XCIENT Class 8 hydrogen fuel cell electric trucks (FCETs) and the associated refuelling infrastructure in California.





The Zero-Emission Drayage Truck and Infrastructure Pilot Project is part of California Climate Investments, a statewide initiative that puts billions of Cap-and-Trade dollars to work reducing greenhouse gas emissions, strengthening the economy and improving public health and the environment — particularly in disadvantaged communities. Learn more at [caclimateinvestments.ca.gov](http://caclimateinvestments.ca.gov).



## 2.1 Net Interest and Trading Income

	HALF YEAR TO			FULL YEAR TO		
	Mar 22 \$Am	Sep 21 \$Am	Movement %	Mar 22 \$Am	Mar 21 \$Am	Movement %
Net interest income	1,487	1,373	8	2,860	2,195	30
Net trading income	2,337	1,659	41	3,996	3,482	15
<b>Net interest and trading income</b>	<b>3,824</b>	3,032	26	<b>6,856</b>	5,677	21

Net interest income and net trading income are recorded in accordance with Australian Accounting Standards, with net interest income brought to account using the effective interest method and net trading income predominantly comprising gains and losses relating to trading activities.

For CGM, which predominantly earns income from trading-related activities, the relative contribution of net interest income and net trading income from those activities can vary from period to period depending on the underlying trading strategies undertaken by the Consolidated Entity and its clients.

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

The presentation of net interest income and net trading income separately can distort the analysis of the underlying activities and drivers. For example, within Asset Finance (a business within CGM), interest rate swaps are entered into to hedge the interest rate risk associated with loan assets. The interest income and associated funding costs are recognised in net interest income, however, the related swap is recognised in net trading income. Accordingly, net interest income and net trading income are presented and discussed below in aggregate for each Operating Group, which management believes presents a more consistent overview of business performance and allows for a better analysis of the underlying activities and drivers.

	HALF YEAR TO			FULL YEAR TO		
	Mar 22 \$Am	Sep 21 \$Am	Movement %	Mar 22 \$Am	Mar 21 \$Am	Movement %
MAM	(106)	(135)	(21)	(241)	(249)	(3)
BFS	998	974	2	1,972	1,746	13
CGM						
Commodities						
Risk management	1,084	949	14	2,033	1,461	39
Lending and financing	96	116	(17)	212	234	(9)
Inventory management and trading	890	189	*	1,079	976	11
Foreign exchange, interest rates and credit	512	376	36	888	748	19
Equities	211	183	15	394	339	16
Asset Finance	61	65	(6)	126	98	29
Macquarie Capital	212	115	84	327	69	*
Corporate	(134)	200	*	66	255	(74)
<b>Net interest and trading income</b>	<b>3,824</b>	3,032	26	<b>6,856</b>	5,677	21

Net interest and trading income of \$A6,856 million for the year ended 31 March 2022 increased 21% from \$A5,677 million in the prior year.

## MAM

Net interest and trading expense includes funding costs related to investments, receivables and operating leases.

Net interest and trading expense of \$A241 million for the year ended 31 March 2022 decreased 3% from \$A249 million in the prior year, primarily driven by lower funding costs due to a decrease in investments and lower interest rates, partially offset by the acquisition of Waddell & Reed.

## BFS

Net interest and trading income in BFS relates to interest income earned from the loan portfolio that primarily comprises home loans, loans to businesses, car loans and credit cards. BFS also generates income from deposits, which are used as a source of funding for the Bank Group.

Net interest and trading income of \$A1,972 million for the year ended 31 March 2022 increased 13% from \$A1,746 million in the prior year mainly due to a 23% growth in the average loan portfolio and 19% growth in the average BFS deposit volumes.

As at 31 March 2022 the loan and deposit portfolios included:

- home loan volumes of \$A89.5 billion, up 34% from \$A67.0 billion as at 31 March 2021
- business banking loan volumes of \$A11.5 billion, up 13% from \$A10.2 billion as at 31 March 2021
- car loan volumes of \$A8.8 billion, down 23% from \$A11.5 billion as at 31 March 2021, and
- BFS deposits of \$A98.0 billion, up 21% from \$A80.7 billion as at 31 March 2021.

## CGM

Net interest and trading income of \$A4,732 million for the year ended 31 March 2022 increased 23% from \$A3,856 million in the prior year:

### Commodities

#### (i) Risk management

Income from risk management is driven by managing clients' exposure to commodity price volatility which is supported by our strong internal risk management framework.

Risk management income of \$A2,033 million for the year ended 31 March 2022 increased 39% from \$A1,461 million in the prior year with contributions across the platform. Increased contributions were recorded by Gas and Power, Resources, Agriculture, and Global Oil due to increased client hedging activity and gains associated with management of those exposures as a result of elevated levels of volatility and price movements in commodity markets, partially offset by the impact of fair value adjustments across the derivatives portfolio.

#### (ii) Lending and financing

Lending and financing activities include interest income from the provision of loans and working capital finance to clients across a range of commodity sectors including metals, energy and agriculture. Commodities lending and financing activities are primarily secured against underlying assets and typically have associated hedging to protect against downside risk.

Lending and financing income of \$A212 million for the year ended 31 March 2022 decreased 9% from \$A234 million in the prior year with reduced contributions in specific sectors.

#### (iii) Inventory management and trading

CGM enters into financial and physical contracts including exchange traded derivatives, over-the-counter (OTC) derivatives, storage contracts and transportation agreements as part of its commodities platform. These arrangements enable CGM to facilitate client transactions and provide CGM with trading opportunities where there is an imbalance between the supply and demand for commodities. Revenue is dependent on a number of factors including the volume of transactions, the level of risk assumed and the volatility of price movements across commodity markets and products.

Storage contracts and transportation agreements, which are managed on a fair value basis for financial and risk management purposes, are required to be accounted for on an accruals basis for statutory reporting purposes, which may result in some variability in the timing of reported income.

Inventory management and trading income of \$A1,079 million for the year ended 31 March 2022 increased 11% from \$A976 million in the prior year. The current year included strong trading gains from supply and demand imbalances in North American Gas and Power, partially offset by the unfavourable impact of timing of income recognition on Gas storage and transport contracts.

### Foreign exchange, interest rates and credit

Net interest and trading income from foreign exchange, interest rates and credit related activities are generated from the provision of trading and hedging services to a range of corporate and institutional clients globally, in addition to making secondary markets in corporate debt securities, syndicated bank loans and middle market loans and providing specialty lending.

Net interest and trading income from foreign exchange, interest rates and credit related activities of \$A888 million for the year ended 31 March 2022 increased 19% from \$A748 million in the prior year due to increased client activity in global structured foreign exchange products and growth in securitisation and credit products.

## 2.1 Net Interest and Trading Income

Continued

### Equities

Equities net interest and trading income is generated from the issue of derivative products in key locations, the provision of equity finance solutions to institutional clients and the conduct of risk management and trading activities.

Equities net interest and trading income of \$A394 million for the year ended 31 March 2022 increased 16% from \$A339 million in the prior year due to an improved performance in equity finance. In addition, there was a continued strong contribution from trading activities.

### Asset Finance

Net interest and trading income in Asset Finance predominantly relates to net income from the loan and finance lease portfolios (including shipping finance, equipment and technology financing) and the funding costs associated with the operating lease portfolios (including energy, telecommunication and mining assets).

Asset Finance net interest and trading income of \$A126 million for the year ended 31 March 2022 increased 29% from \$A98 million in the prior year due to net proceeds from end of lease asset sales and increased earnings from the structured lending and shipping finance portfolios.

### Macquarie Capital

Net interest and trading income includes the interest income earned from debt investments and the funding costs associated with both the debt and equity investment portfolios.

Net interest and trading income of \$A327 million for the year ended 31 March 2022 increased significantly from \$A69 million in the prior year. The increase was primarily due to higher net interest income driven by the growth in the private credit portfolio, which more than doubled throughout the current year.

### Corporate

Net interest and trading income in the Corporate segment includes the net result of managing Macquarie's liquidity and funding requirements, earnings on capital, funding costs associated with investments held centrally and accounting volatility arising from movements in underlying rates relating to economically hedged positions where hedge accounting is unable to be achieved.

Net interest and trading income of \$A66 million for the year ended 31 March 2022 decreased 74% from \$A255 million in the prior year mainly due to accounting volatility from the changes in the fair value of economic hedges.



## 2.2 Fee and Commission Income

	HALF YEAR TO			FULL YEAR TO		
	Mar 22 \$Am	Sep 21 \$Am	Movement %	Mar 22 \$Am	Mar 21 \$Am	Movement %
Base fees	1,422	1,374	3	2,796	2,011	39
Other asset management fees	240	218	10	458	294	56
<b>Base fees and other asset management fees</b>	<b>1,662</b>	<b>1,592</b>	<b>4</b>	<b>3,254</b>	<b>2,305</b>	<b>41</b>
Performance fees	218	177	23	395	660	(40)
Mergers and acquisitions, advisory and underwriting fees	755	618	22	1,373	858	60
Brokerage and other trading-related fee income	420	381	10	801	816	(2)
Other fee and commission income	380	684	(44)	1,064	537	98
<b>Total fee and commission income</b>	<b>3,435</b>	<b>3,452</b>	<b>(&lt;1)</b>	<b>6,887</b>	<b>5,176</b>	<b>33</b>

Total fee and commission income of \$A6,887 million for the year ended 31 March 2022 increased 33% from \$A5,176 million in the prior year. The increase was primarily driven by increases in base fees and other fee and commission income in MAM as well as mergers and acquisitions fee income in Macquarie Capital, partially offset by lower performance fees in MAM.

### Base fees, Other asset management fees and Performance fees

	HALF YEAR TO			FULL YEAR TO		
	Mar 22 \$Am	Sep 21 \$Am	Movement %	Mar 22 \$Am	Mar 21 \$Am	Movement %
<b>Base fees</b>						
<b>MAM</b>						
Public Investments (PI)	850	833	2	1,683	1,028	64
Private Markets (PM)	559	529	6	1,088	957	14
Total MAM	1,409	1,362	3	2,771	1,985	40
<b>Other Operating Groups</b>	<b>13</b>	<b>12</b>	<b>8</b>	<b>25</b>	<b>26</b>	<b>(4)</b>
<b>Total base fee income</b>	<b>1,422</b>	<b>1,374</b>	<b>3</b>	<b>2,796</b>	<b>2,011</b>	<b>39</b>
<b>Total other asset management fees</b>	<b>240</b>	<b>218</b>	<b>10</b>	<b>458</b>	<b>294</b>	<b>56</b>
<b>Performance fees</b>						
<b>MAM</b>						
Public Investments (PI)	4	1	300	5	13	(62)
Private Markets (PM)	213	176	21	389	640	(39)
Total MAM	217	177	23	394	653	(40)
<b>Other Operating Groups</b>	<b>1</b>	<b>-</b>	<b>*</b>	<b>1</b>	<b>7</b>	<b>(86)</b>
<b>Total performance fee income</b>	<b>218</b>	<b>177</b>	<b>23</b>	<b>395</b>	<b>660</b>	<b>(40)</b>

## 2.2 Fee and Commission Income

Continued

### Base fees

Base fees of \$A2,796 million for the year ended 31 March 2022 increased 39% from \$A2,011 million in the prior year.

Base fees, which are typically generated from funds management activities, are mainly attributable to MAM. MAM's base fees of \$A2,771 million for the year ended 31 March 2022 increased 40% from \$A1,985 million in the prior year, primarily driven by the acquisition of Waddell & Reed, investments made by Private Markets-managed funds and mandates and Public Investments market movements. This was partially offset by foreign exchange movements and asset realisations in Private Markets-managed funds.

Refer to section 7 for further details of MAM's Assets under Management (AUM) and Equity under Management (EUM).

### Other asset management fees

Other asset management fees includes fees earned on the BFS Wrap platform, as well as distribution and marketing service fees in MAM.

Other asset management fees of \$A458 million for the year ended 31 March 2022 increased 56% from \$A294 million in the prior year. The increase was driven by distribution services fees following the acquisition of Waddell & Reed.

### Performance fees

Performance fees of \$A395 million for the year ended 31 March 2022 decreased 40% from \$A660 million in the prior year.

Performance fees, which are typically generated from Macquarie-managed funds and assets that have outperformed pre-defined benchmarks, consisted of performance fees from a range of funds including Macquarie Infrastructure Partners (MIP) III, Macquarie European Infrastructure Fund (MEIF) 4 and other Private Markets-managed funds, managed accounts and co-investors. The prior year included performance fees from MIP II, MIP III, MEIF4, Macquarie Super Core Infrastructure Fund (MSCIF) and other Private Markets-managed funds, managed accounts and co-investors.

### Mergers and acquisitions, advisory and underwriting fees

Mergers and acquisitions, advisory and underwriting fees of \$A1,373 million for the year ended 31 March 2022 increased 60% from \$A858 million in the prior year and were mainly attributable to Macquarie Capital.

The increase was primarily due to higher mergers and acquisitions fee income across all major regions and debt capital markets fee income, partially offset by lower equity capital markets fee income in Macquarie Capital.

### Brokerage and other trading-related fee income

Brokerage and other trading-related fee income primarily includes brokerage income from the Equity Derivatives and Trading and Futures businesses in CGM, the Equities business in Macquarie Capital and brokerage income from the provision of wealth services in BFS.

Brokerage and other trading-related fee income of \$A801 million for the year ended 31 March 2022 was broadly in line with \$A816 million in the prior year.

### Other fee and commission income

Other fee and commission income includes fees earned on a range of BFS' products and services including BFS Wrap and Vision platforms, home loans, car loans, credit cards, business loans and deposits. MAM includes fees related to MIC disposition, distribution services and transactions, transfer agent oversight services, capital raisings, brokerage and commission income and income from True Index products, while CGM includes structured, index and retail products.

Other fee and commission income of \$A1,064 million for the year ended 31 March 2022 increased 98% from \$A537 million in the prior year, primarily in MAM, due to a disposition fee from MIC.

## 2.3 Net Operating Lease Income

	HALF YEAR TO			FULL YEAR TO		
	Mar 22 \$Am	Sep 21 \$Am	Movement %	Mar 22 \$Am	Mar 21 \$Am	Movement %
Rental income	395	359	10	754	949	(21)
Depreciation and other operating lease-related charges	(179)	(173)	3	(352)	(483)	(27)
<b>Net operating lease income</b>	<b>216</b>	<b>186</b>	<b>16</b>	<b>402</b>	<b>466</b>	<b>(14)</b>

Net operating lease income of \$A402 million for the year ended 31 March 2022, decreased 14% from \$A466 million in the prior year, primarily due to a reduction in secondary income in Technology, Media and Telecoms as well as the partial sale of the UK Meters portfolio of assets, comprising the industrial and commercial portfolio, partially offset by an increase in income from other areas of the Macquarie Energy, Resources & Sustainability portfolio in CGM.

The total operating lease portfolio was \$A3.6 billion as at 31 March 2022, an increase of 29% from \$A2.8 billion as at 31 March 2021, driven by newly originated operating leases in the commodities business. The operating lease assets related to the partial sale of CGM's UK Meters portfolio of assets in the current year were recognised as Held for sale as at 31 March 2021.

## 2.4 Share of Net (Losses)/Profits from Associates and Joint Ventures

	HALF YEAR TO			FULL YEAR TO		
	Mar 22 \$Am	Sep 21 \$Am	Movement %	Mar 22 \$Am	Mar 21 \$Am	Movement %
<b>Share of net (losses)/profits from associates and joint ventures</b>	<b>(2)</b>	<b>242</b>	<b>*</b>	<b>240</b>	<b>(3)</b>	<b>*</b>

Share of net profits from associates and joint ventures was \$A240 million for the year ended 31 March 2022 compared to losses of \$A3 million in the prior year. The movement was primarily driven by equity accounted income from MIC and lower equity accounted losses from Macquarie AirFinance in MAM in the current year, partially offset by an increase in equity accounted losses in Macquarie Capital due to a change in the composition and performance of the investment portfolio.

## 2.5 Credit and Other Impairment Charges

	HALF YEAR TO			FULL YEAR TO		
	Mar 22 \$Am	Sep 21 \$Am	Movement %	Mar 22 \$Am	Mar 21 \$Am	Movement %
<b>Credit impairment (charges)/reversals</b>						
Loan assets	(39)	(64)	(39)	(103)	(323)	(68)
Held for sale and other assets	(31)	(52)	(40)	(83)	(50)	66
Loans to associates and joint ventures	(6)	(33)	(82)	(39)	(17)	129
Margin money and settlement assets	(15)	(11)	36	(26)	(42)	(38)
Financial investments	2	(4)	*	(2)	5	*
Off balance sheet exposures	13	(12)	*	1	(9)	*
Gross credit impairment charges	(76)	(176)	(57)	(252)	(436)	(42)
Recovery of amounts previously written off	2	-	*	2	2	-
<b>Net credit impairment charges</b>	<b>(74)</b>	<b>(176)</b>	<b>(58)</b>	<b>(250)</b>	<b>(434)</b>	<b>(42)</b>
<b>Other impairment (charges)/reversals</b>						
Interests in associates and joint ventures	(175)	(5)	*	(180)	65	*
Intangible and other non-financial assets	(30)	(49)	(39)	(79)	(155)	(49)
<b>Net other impairment charges</b>	<b>(205)</b>	<b>(54)</b>	<b>280</b>	<b>(259)</b>	<b>(90)</b>	<b>188</b>
<b>Total credit and other impairment charges</b>	<b>(279)</b>	<b>(230)</b>	<b>21</b>	<b>(509)</b>	<b>(524)</b>	<b>(3)</b>

	HALF YEAR TO			FULL YEAR TO		
	Mar 22 \$Am	Sep 21 \$Am	Movement %	Mar 22 \$Am	Mar 21 \$Am	Movement %
MAM	(4)	116	*	112	85	32
BFS	53	(31)	*	22	(115)	*
CGM	(7)	(58)	(88)	(65)	(237)	(73)
Macquarie Capital	(364)	(209)	74	(573)	(229)	150
Corporate	43	(48)	*	(5)	(28)	(82)
<b>Total credit and other impairment charges</b>	<b>(279)</b>	<b>(230)</b>	<b>21</b>	<b>(509)</b>	<b>(524)</b>	<b>(3)</b>

Total credit and other impairment charges of \$A509 million for the year ended 31 March 2022 decreased 3% from \$A524 million in the prior year. This included \$A250 million of net credit impairment charges, which decreased 42% from \$A434 million in the prior year, driven by the partial release of COVID-19 overlays. Credit provisioning levels remain prudent with the combined downside macroeconomic scenarios having a higher weighting than the upside scenario.

Net credit impairment charges include losses arising from defaulted positions and expected credit losses calculated on a forward-looking basis using modelled outcomes as well as overlays reflecting management judgement for modelling, regional and industry specific risks.

Net other impairment charges include impairments on a small number of underperforming equity investments in Macquarie Capital, partially offset by the reversal of an impairment previously recognised on MAM's investment in MIC.

## MAM

Credit and other impairment reversals of \$A112 million for the year ended 31 March 2022, increased 32% from \$A85 million in the prior year.

The current and prior year included reversals of the impairment previously recognised on MAM's investment in MIC.

## BFS

Credit and other impairment reversals of \$A22 million for the year ended 31 March 2022, compared to a charge of \$A115 million in the prior year driven by the partial release of COVID-19 overlays and sale of the Macquarie dealer portfolio to Allied Credit, partially offset by growth in the remaining loan portfolio. Credit provisioning levels remain prudent with the combined downside macroeconomic scenarios having a higher weighting than the upside scenario.

## CGM

Credit and other impairment charges of \$A65 million for the year ended 31 March 2022, decreased 73% from \$A237 million in the prior year driven by the partial release of COVID-19 overlays. Credit provisioning levels remain prudent with the combined downside macroeconomic scenarios having a higher weighting than the upside scenario.

## Macquarie Capital

Credit and other impairment charges of \$A573 million for the year ended 31 March 2022, compared to charges of \$A229 million in the prior year, primarily due to a small number of underperforming equity investments and growth of the private credit portfolio.

## Corporate

Credit and other impairment charges of \$A5 million for the year ended 31 March 2022, decreased 82% from \$A28 million in the prior year which included the impairment of intangibles partially offset by the partial release of credit provisions.

For further information on the Consolidated Entity's determination of its expected credit losses, please refer to Note 13 *Expected credit losses* in the Financial Report.



## 2.6 Net Other Operating Income

	HALF YEAR TO			FULL YEAR TO		
	Mar 22 \$Am	Sep 21 \$Am	Movement %	Mar 22 \$Am	Mar 21 \$Am	Movement %
<b>Investment income</b>						
Net gain on disposal of businesses and subsidiaries <sup>(1)</sup>	1,995	794	151	2,789	239	*
Net gain on financial investments	126	122	3	248	220	13
Net gain on interests in associates and joint ventures	146	44	232	190	1,063	(82)
Net gain on non-financial assets	30	34	(12)	64	492	(87)
Net gain on change of control, joint control and/or significant influence	-	-	-	-	9	(100)
<b>Total investment income</b>	<b>2,297</b>	<b>994</b>	<b>131</b>	<b>3,291</b>	<b>2,023</b>	<b>63</b>
<b>Subsidiaries held for investment purposes<sup>(2)</sup></b>						
Net Operating Revenue <sup>(3)</sup>	160	287	(44)	447	354	26
Expenses <sup>(4)</sup>	(208)	(265)	(22)	(473)	(504)	(6)
<b>Net (loss)/profit from subsidiaries held for investment purposes</b>	<b>(48)</b>	<b>22</b>	<b>*</b>	<b>(26)</b>	<b>(150)</b>	<b>(83)</b>
<b>Other income</b>	<b>77</b>	<b>106</b>	<b>(27)</b>	<b>183</b>	<b>109</b>	<b>68</b>
<b>Total net other operating income</b>	<b>2,326</b>	<b>1,122</b>	<b>107</b>	<b>3,448</b>	<b>1,982</b>	<b>74</b>

Total net other operating income of \$A3,448 million for the year ended 31 March 2022 increased 74% from \$A1,982 million in the prior year. This increase was mainly driven by material asset realisations in Macquarie Capital and the gain on the partial sale of the UK Meters portfolio of assets, comprising the industrial and commercial portfolio in CGM, while the prior year included the sale of Macquarie European Rail in MAM.

### Investment income

Investment income of \$A3,291 million for the year ended 31 March 2022 increased 63% from \$A2,023 million in the prior year. The increase was primarily driven by substantially higher revenue from material asset realisations in the green energy, technology and business services sectors in Macquarie Capital and the gain on the partial sale of the UK Meters portfolio of assets in CGM. This was partially offset by the non-recurrence of gains on sale of Macquarie European Rail and other investments as well as lower gains on revaluation of property investments in MAM.

### Subsidiaries held for investment purposes

Net loss from subsidiaries held for investment purposes of \$A26 million for the year ended 31 March 2022 decreased 83% from a loss of \$A150 million in the prior year. The movement primarily reflected gains on sale of green energy projects and a change in the composition of the portfolio in Macquarie Capital.

### Other income

Other income of \$A183 million for the year ended 31 March 2022 increased 68% from \$A109 million in the prior year. The increase included transition services revenue following the sale of Waddell & Reed's wealth management platform to LPL Financial Holdings Inc.

(1) Includes \$A274 million (2021: nil) attributable to non-controlling interests.

(2) Subsidiaries held for investment purposes are consolidated entities that are held with the ultimate intention to sell as part of Macquarie's investment activities.

(3) Includes revenue of \$A1,176 million (2021: \$A968 million) after deduction of \$A729 million (2021: \$A614 million) related to cost of goods sold.

(4) Includes employment expenses, depreciation, amortisation expenses and other operating expenses.

## 2.7 Operating Expenses

	HALF YEAR TO			FULL YEAR TO		
	Mar 22 \$Am	Sep 21 \$Am	Movement %	Mar 22 \$Am	Mar 21 \$Am	Movement %
Employment expenses						
Salary and related costs including commissions, superannuation and performance-related profit share	(2,999)	(2,628)	14	(5,627)	(4,522)	24
Share-based payments	(340)	(319)	7	(659)	(582)	13
Provision for long service leave and annual leave	(24)	(54)	(56)	(78)	(86)	(9)
Total compensation expenses	(3,363)	(3,001)	12	(6,364)	(5,190)	23
Other employment expenses including on-costs, staff procurement and staff training	(198)	(163)	21	(361)	(327)	10
<b>Total employment expenses</b>	<b>(3,561)</b>	<b>(3,164)</b>	<b>13</b>	<b>(6,725)</b>	<b>(5,517)</b>	<b>22</b>
Brokerage, commission and fee expenses	(531)	(498)	7	(1,029)	(879)	17
Non-salary technology expenses	(509)	(417)	22	(926)	(781)	19
Other operating expenses						
Occupancy expenses	(175)	(182)	(4)	(357)	(382)	(7)
Professional fees	(335)	(241)	39	(576)	(495)	16
Indirect and other taxes	(85)	(85)	-	(170)	(154)	10
Advertising and promotional expenses	(82)	(96)	(15)	(178)	(100)	78
Amortisation of intangibles assets	(64)	(70)	(9)	(134)	(63)	113
Audit fees	(38)	(26)	46	(64)	(55)	16
Other	(336)	(290)	16	(626)	(441)	42
<b>Total other operating expenses</b>	<b>(1,115)</b>	<b>(990)</b>	<b>13</b>	<b>(2,105)</b>	<b>(1,690)</b>	<b>25</b>
<b>Total operating expenses</b>	<b>(5,716)</b>	<b>(5,069)</b>	<b>13</b>	<b>(10,785)</b>	<b>(8,867)</b>	<b>22</b>

Total operating expenses of \$A10,785 million for the year ended 31 March 2022 increased 22% from \$A8,867 million in the prior year. The increase in operating expenses was mainly as a result of the one-off acquisition and ongoing costs related to Waddell & Reed, which had a material impact across all operating expense categories. In addition, the current year included higher employment expenses driven mainly by higher performance-related profit share expense and share-based payments as a result of the performance of the Consolidated Entity, wage inflation and higher average headcount.

## 2.8 Headcount

	AS AT			MOVEMENT	
	Mar 22	Sep 21	Mar 21	Sep 21 %	Mar 21 %
<b>Headcount by Operating Group<sup>(1)</sup></b>					
MAM	2,399	2,354	1,921	2	25
BFS	3,359	3,152	2,986	7	12
CGM	2,179	2,120	2,133	3	2
Macquarie Capital	1,843	1,831	1,821	1	1
Total headcount – Operating Groups	9,780	9,457	8,861	3	10
Total headcount – Corporate	8,353	7,752	7,598	8	10
<b>Total headcount</b>	<b>18,133</b>	17,209	16,459	5	10
<b>Headcount by region</b>					
Australia <sup>(2)</sup>	8,332	7,652	7,283	9	14
International:					
Americas	3,205	3,161	2,681	1	20
Asia	3,972	3,939	4,063	1	(2)
Europe, Middle East and Africa	2,624	2,457	2,432	7	8
Total headcount – International	9,801	9,557	9,176	3	7
<b>Total headcount</b>	<b>18,133</b>	17,209	16,459	5	10
International headcount ratio (%)	54	56	56		

Total headcount increased 10% to 18,133 as at 31 March 2022 from 16,459 as at 31 March 2021, mainly due to the acquisition of Waddell & Reed in MAM, increased headcount in the Central Service Groups to support MGL's Operating Groups as well as increased headcount in BFS to support business growth and regulatory requirements.

(1) Headcount numbers in this document includes staff employed in certain operationally segregated subsidiaries (OSS).

(2) Includes New Zealand.

## 2.9 Income Tax Expense

	FULL YEAR TO	
	Mar 22 \$Am	Mar 21 \$Am
Operating profit before income tax	6,539	3,907
<i>Prima facie</i> tax @ 30%	1,962	1,172
Income tax permanent differences	(376)	(273)
Income tax expense	1,586	899
<b>Effective tax rate<sup>(1)</sup></b>	<b>25.2%</b>	23.0%

Income tax expense of \$A1,586 million for the year ended 31 March 2022 increased 76% from \$A899 million in the prior year, primarily reflecting the higher operating profit before income tax. The effective tax rate for the year ended 31 March 2022 was 25.2%, up from 23.0% in the prior year.

The higher effective tax rate compared to the prior year was mainly driven by the geographic composition and nature of earnings.

(1) The effective tax rate is calculated on Operating profit before income tax and after non-controlling interests. Non-controlling interests reduced operating profit before income tax by \$A247 million for the full year ended 31 March 2022 (31 March 2021: increased operating profit before income tax by \$A7 million).

A man with grey hair, wearing a dark quilted vest with the 'VOCUS' logo, is focused on a laptop in a server room. The background shows server racks and network equipment.

03

## Segment Analysis

### Vocus, Australia

Vocus owns and operates Australia's second largest inter-capital city fibre network. A Macquarie-led consortium acquired the business in June 2021 and is supporting investment to expand its network and capacity to support the communications needs of cities and rural areas.





## 3.1 Basis of Preparation

### Operating Segments

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

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

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

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

- **MAM** provides investment solutions to clients across a range of capabilities in Private Markets and Public Investments, including infrastructure, green investments, agriculture and natural assets, real estate, private credit, asset finance, equities, fixed income and multi-asset solutions
- **BFS** provides a diverse range of personal banking, wealth management, and business banking products and services to retail clients, advisers, brokers and business clients
- **CGM** is a global business offering capital and financing, risk management, market access, physical execution and logistics solutions to its diverse client base across Commodities, Financial Markets and Asset Finance
- **Macquarie Capital** has global capability in advisory and capital raising services, investing alongside partners and clients across the capital structure, providing clients with specialist expertise, advice and flexible capital solutions across a range of sectors. It also has global capability in development and investment in infrastructure and energy projects and companies, with a focus on transport, digital and social infrastructure. Macquarie Capital's Equities brokerage business provides clients with access to equity research, sales, execution capabilities and corporate access.

Effective 1 April 2022, the Green Investment Group (GIG) has transferred from Macquarie Capital and is operating as part of MAM, bringing together Macquarie's specialist capabilities to provide clients with greater access to green investment opportunities.

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

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

Other items of income and expenses within the Corporate segment include earnings from investments, changes in central overlays to impairments or valuation of assets, unallocated head office costs and costs of Central Service Groups, the Consolidated Entity's performance-related profit share and share-based payments expense, income tax expense and certain distributions attributable to certain non-controlling interests.

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

### Internal funding arrangements

Group Treasury has the responsibility for managing funding for the Consolidated Entity, and Operating Groups obtain their funding from Group Treasury. The interest rates charged by Group Treasury are determined by the currency and term of the funding. Break costs may be charged to Operating Groups for the early repayment of term funding.

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

Deposits are a funding source for the Bank Group. The value of deposits that the Bank Group generates is recognised within Net interest and trading income for segment reporting purposes.

### Transactions between Operating Segments

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

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

## Accounting for derivatives that economically hedge interest rate risk

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

## Central Service Groups

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

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

## Performance-related profit share and share-based payments expense

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

## Income tax

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

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

## Presentation of segment income statements

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

## 3.1 Basis of Preparation

Continued

	MAM \$Am	BFS \$Am
<b>Full year ended 31 March 2022</b>		
Net interest and trading (expense)/income	(241)	1,972
Fee and commission income/(expense)	4,063	457
Net operating lease income	63	-
Share of net profits/(losses) from associates and joint ventures	268	(2)
Other operating income and charges		
Credit and other impairment reversals/(charges)	112	22
Other operating income and charges	182	11
Internal management revenue/(charge)	37	1
Net operating income/(charges)	4,484	2,461
Total operating expenses	(2,329)	(1,460)
Operating profit/(loss) before income tax	2,155	1,001
Income tax expense	-	-
(Profit)/loss attributable to non-controlling interests	(5)	-
<b>Net profit/(loss) contribution</b>	<b>2,150</b>	<b>1,001</b>
<b>Full year ended 31 March 2021</b>		
Net interest and trading (expense)/income	(249)	1,746
Fee and commission income/(expense)	2,921	419
Net operating lease income	79	-
Share of net (losses)/profits from associates and joint ventures	(12)	(3)
Other operating income and charges		
Credit and other impairment reversals/(charges)	85	(115)
Other operating income and charges	699	30
Internal management revenue/(charge)	31	1
Net operating income	3,554	2,078
Total operating expenses	(1,474)	(1,307)
Operating profit/(loss) before income tax	2,080	771
Income tax expense	-	-
(Profit)/Loss attributable to non-controlling interests	(6)	-
<b>Net profit/(loss) contribution</b>	<b>2,074</b>	<b>771</b>

	CGM \$Am	Macquarie Capital \$Am	Corporate \$Am	Total \$Am
	4,732	327	66	<b>6,856</b>
	507	1,893	(33)	<b>6,887</b>
	335	-	4	<b>402</b>
	40	(67)	1	<b>240</b>
	(65)	(573)	(5)	<b>(509)</b>
	625	2,623	7	<b>3,448</b>
	5	10	(53)	<b>-</b>
	6,179	4,213	(13)	<b>17,324</b>
	(2,268)	(1,572)	(3,156)	<b>(10,785)</b>
	3,911	2,641	(3,169)	<b>6,539</b>
	-	-	(1,586)	<b>(1,586)</b>
	-	(241)	(1)	<b>(247)</b>
	<b>3,911</b>	<b>2,400</b>	<b>(4,756)</b>	<b>4,706</b>
	3,856	69	255	<b>5,677</b>
	485	1,387	(36)	<b>5,176</b>
	383	-	4	<b>466</b>
	43	(35)	4	<b>(3)</b>
	(237)	(229)	(28)	<b>(524)</b>
	153	1,025	75	<b>1,982</b>
	(5)	31	(58)	<b>-</b>
	4,678	2,248	216	<b>12,774</b>
	(2,077)	(1,614)	(2,395)	<b>(8,867)</b>
	2,601	634	(2,179)	<b>3,907</b>
	-	-	(899)	<b>(899)</b>
	-	17	(4)	<b>7</b>
	<b>2,601</b>	<b>651</b>	<b>(3,082)</b>	<b>3,015</b>



## 3.2 MAM

	HALF YEAR TO			FULL YEAR TO		
	Mar 22 \$Am	Sep 21 \$Am	Movement %	Mar 22 \$Am	Mar 21 \$Am	Movement %
<b>Net interest and trading expense</b>	<b>(106)</b>	(135)	(21)	<b>(241)</b>	(249)	(3)
<b>Fee and commission income</b>						
Base fees	<b>1,409</b>	1,362	3	<b>2,771</b>	1,985	40
Performance fees	<b>217</b>	177	23	<b>394</b>	653	(40)
Other fee and commission income	<b>294</b>	604	(51)	<b>898</b>	283	217
Total fee and commission income	<b>1,920</b>	2,143	(10)	<b>4,063</b>	2,921	39
<b>Net operating lease income</b>	<b>31</b>	32	(3)	<b>63</b>	79	(20)
<b>Share of net profits/(losses) from associates and joint ventures</b>	<b>83</b>	185	(55)	<b>268</b>	(12)	*
<b>Other operating income and charges</b>						
Net income on equity, debt and other investments	<b>18</b>	58	(69)	<b>76</b>	644	(88)
Net credit and other impairment (charges)/reversals	<b>(4)</b>	116	*	<b>112</b>	85	32
Other income	<b>49</b>	57	(14)	<b>106</b>	55	93
Total other operating income and charges	<b>63</b>	231	(73)	<b>294</b>	784	(63)
<b>Internal management revenue</b>	<b>37</b>	-	*	<b>37</b>	31	19
<b>Net operating income</b>	<b>2,028</b>	2,456	(17)	<b>4,484</b>	3,554	26
<b>Operating expenses</b>						
Employment expenses	<b>(363)</b>	(356)	2	<b>(719)</b>	(487)	48
Brokerage, commission and fee expenses	<b>(224)</b>	(207)	8	<b>(431)</b>	(249)	73
Other operating expenses	<b>(590)</b>	(589)	<1	<b>(1,179)</b>	(738)	60
<b>Total operating expenses</b>	<b>(1,177)</b>	(1,152)	2	<b>(2,329)</b>	(1,474)	58
<b>Non-controlling interests<sup>(1)</sup></b>	<b>(6)</b>	1	*	<b>(5)</b>	(6)	(17)
<b>Net profit contribution</b>	<b>845</b>	1,305	(35)	<b>2,150</b>	2,074	4
<b>Non-GAAP metrics</b>						
Assets under management (\$Ab)	<b>773.1</b>	735.5	5	<b>773.1</b>	562.2	38
Equity under management (\$Ab)	<b>158.3</b>	158.8	(<1)	<b>158.3</b>	142.0	11
Headcount	<b>2,399</b>	2,354	2	<b>2,399</b>	1,921	25

Net profit contribution of \$A2,150 million for the year ended 31 March 2022, up 4% from the prior year due to:

- increased base fees primarily driven by the acquisition of Waddell & Reed, investments made by Private Markets-managed funds and mandates and Public Investments market movements
- increased other fee and commission income largely due to a disposition fee from MIC
- increased share of net profits from associates and joint ventures, primarily driven by equity accounted income from MIC and lower equity accounted losses in Macquarie AirFinance.

Partially offset by:

- increased operating expenses driven by Waddell & Reed one-off acquisition and ongoing costs
- decreased net income on equity, debt and other investments driven by the non-recurrence of gains on sale of Macquarie European Rail and other investments as well as lower gains on revaluation of property investments
- decreased performance fees following a strong prior year.

(1) 'Non-controlling interests' adjusts reported consolidated profit or loss for the share that is attributable to non-controlling interests, such that the net profit contribution represents the net profit attributable to ordinary equity holders.



## Net interest and trading expense

Net interest and trading expense includes funding costs related to investments, receivables and operating leases.

Net interest and trading expense of \$A241 million for the year ended 31 March 2022 decreased 3% from \$A249 million in the prior year, primarily driven by lower funding costs due to a decrease in investments and lower interest rates, partially offset by the acquisition of Waddell & Reed.

## Base fees

Base fee income of \$A2,771 million for the year ended 31 March 2022 increased 40% from \$A1,985 million in the prior year, primarily driven by the acquisition of Waddell & Reed, investments made by Private Markets-managed funds and mandates and Public Investments market movements. This was partially offset by foreign exchange movements and asset realisations in Private Markets-managed funds.

## Performance fees

Performance fees, which are typically generated from Macquarie-managed funds and assets that have outperformed pre-defined benchmarks, of \$A394 million for the year ended 31 March 2022 decreased 40% from \$A653 million in the prior year.

The year ended 31 March 2022 included performance fees from a range of funds including MIP III, MEIF4 and other Private Markets-managed funds, managed accounts and co-investors. The prior year included performance fees from MIP II, MIP III, MEIF4, MSCIF and other Private Markets-managed funds, managed accounts and co-investors.

## Other fee and commission income

Other fee and commission income includes fees related to MIC disposition, distribution services and transactions, transfer agent oversight services, capital raisings, brokerage and commission income and income from True Index products.

Distribution service fees and brokerage and commission income are offset by associated expenses that, for accounting purposes, are recognised in Operating expenses.

Other fee and commission income of \$A898 million for the year ended 31 March 2022 was significantly up from \$A283 million in the prior year, largely due to a disposition fee from MIC. The increase was also driven by distribution services and transfer agent oversight service fees following the acquisition of Waddell & Reed.

## Net operating lease income

Net operating lease income of \$A63 million for the year ended 31 March 2022 decreased 20% from \$A79 million in the prior year, primarily driven by the sale of the Macquarie European Rail in the prior year and foreign exchange movements.

## Share of net profits/(losses) from associates and joint ventures

Share of net profits from associates and joint ventures of \$A268 million for the year ended 31 March 2022 compared to losses of \$A12 million in the prior year, primarily driven by equity accounted income from MIC and lower equity accounted losses in Macquarie AirFinance.

## Net income on equity, debt and other investments

Net income on equity, debt and other investments of \$A76 million for the year ended 31 March 2022 decreased 88% from \$A644 million in the prior year, primarily driven by the non-recurrence of gains on sale of Macquarie European Rail and other investments as well as lower gains on revaluation of property investments.

## Net credit and other impairment reversals/(charges)

Credit and other impairment reversals of \$A112 million for the year ended 31 March 2022 increased 32% from \$A85 million in the prior year.

The current and prior year included reversals of the impairment previously recognised on MAM's investment in MIC.

## Other income

Other income of \$A106 million for the year ended 31 March 2022 increased 93% from \$A55 million in the prior year, primarily driven by transition services revenue following the sale of Waddell & Reed's wealth management platform to LPL Financial Holdings Inc.

## Operating expenses

Total operating expenses of \$A2,329 million for the year ended 31 March 2022 increased 58% from \$A1,474 million in the prior year. The increase was primarily driven by one-off acquisition and ongoing costs related to Waddell & Reed.

### 3.3 BFS

	HALF YEAR TO			FULL YEAR TO		
	Mar 22 \$Am	Sep 21 \$Am	Movement %	Mar 22 \$Am	Mar 21 \$Am	Movement %
<b>Net interest and trading income</b>	<b>998</b>	974	2	<b>1,972</b>	1,746	13
<b>Fee and commission income</b>						
Wealth management fee income	157	147	7	304	274	11
Banking and lending fee income	80	73	10	153	145	6
Total fee and commission income	237	220	8	457	419	9
<b>Share of net losses from associates and joint ventures</b>	<b>(1)</b>	(1)	-	<b>(2)</b>	(3)	(33)
<b>Other operating income and charges</b>						
Net credit and other impairment reversals/(charges)	53	(31)	*	22	(115)	*
Other income	10	1	*	11	30	(63)
Total other operating income and charges	63	(30)	*	33	(85)	*
<b>Internal management revenue</b>	<b>1</b>	-	*	<b>1</b>	1	-
<b>Net operating income</b>	<b>1,298</b>	1,163	12	<b>2,461</b>	2,078	18
<b>Operating expenses</b>						
Employment expenses	(227)	(219)	4	(446)	(390)	14
Brokerage, commission and fee expenses	(53)	(53)	-	(106)	(142)	(25)
Technology expenses <sup>(1)</sup>	(250)	(214)	17	(464)	(394)	18
Other operating expenses	(249)	(195)	28	(444)	(381)	17
<b>Total operating expenses</b>	<b>(779)</b>	(681)	14	<b>(1,460)</b>	(1,307)	12
<b>Net profit contribution</b>	<b>519</b>	482	8	<b>1,001</b>	771	30
<b>Non-GAAP metrics</b>						
Funds on platform <sup>(2)</sup> (\$Ab)	118.6	116.4	2	118.6	101.4	17
Loan portfolio <sup>(3)</sup> (\$Ab)	110.2	98.7	12	110.2	89.1	24
BFS deposits <sup>(4)</sup> (\$Ab)	98.0	88.2	11	98.0	80.7	21
Headcount	3,359	3,152	7	3,359	2,986	12

Net profit contribution of \$A1,001 million for the year ended 31 March 2022, up 30% from the prior year due to:

- higher net interest and trading income mainly driven by volume growth in the loan portfolio and BFS deposits
- decreased credit and other impairment charges driven by the partial release of COVID-19 overlays. Credit provisioning levels remain prudent with the combined downside macroeconomic scenarios having a higher weighting than the upside scenario.

Partially offset by:

- higher employment, technology and other operating expenses, including increased headcount, to support business growth and to meet regulatory requirements.

(1) Technology expenses include technology staff expenses, depreciation of technology assets, amortisation of capitalised software and maintenance costs.

(2) Funds on platform includes Macquarie Wrap and Vision.

(3) The loan portfolio comprises home loans, loans to businesses, car loans and credit cards.

(4) BFS deposits include home loan offset accounts and exclude corporate/wholesale deposits.

## Net interest and trading income

Net interest and trading income in BFS relates to interest income earned from the loan portfolio that primarily comprises home loans, loans to businesses, car loans and credit cards. BFS also generates income from deposits, which are used as a source of funding for the Bank Group.

Net interest and trading income of \$A1,972 million for the year ended 31 March 2022 increased 13% from \$A1,746 million in the prior year mainly due to a 23% growth in the average loan portfolio and 19% growth in the average BFS deposit volumes.

As at 31 March 2022 the loan and deposit portfolios included:

- home loan volumes of \$A89.5 billion, up 34% from \$A67.0 billion as at 31 March 2021
- business banking loan volumes of \$A11.5 billion, up 13% from \$A10.2 billion as at 31 March 2021
- car loans volumes of \$A8.8 billion, down 23% from \$A11.5 billion as at 31 March 2021, and
- BFS deposits of \$A98.0 billion up 21% from \$A80.7 billion as at 31 March 2021.

## Wealth management fee income

Wealth management fee income relates to fees earned on a range of BFS' products and services including platforms and the provision of wealth services.

Funds on platform closed at \$A118.6 billion at 31 March 2022, an increase of 17% from \$A101.4 billion at 31 March 2021 due to strong client net inflows and market movements.

Wealth management fee income of \$A304 million for the year ended 31 March 2022 increased 11% from \$A274 million in the prior year driven by higher administration fees due to higher funds on platform, and higher advisor fees.

## Banking and lending fee income

Banking and lending fee income relates to fees earned on a range of BFS' products including home loans, car loans, credit cards, business loans and deposits.

Banking and lending fee income of \$A153 million for the year ended 31 March 2022 increased 6% from \$A145 million in the prior year driven by higher lending and transaction volumes.

## Net credit and other impairment reversals/(charges)

Credit and other impairment reversals of \$A22 million for the year ended 31 March 2022, compared to a charge of \$A115 million in the prior year driven by the partial release of COVID-19 overlays and sale of the Macquarie dealer portfolio to Allied Credit, partially offset by growth in the remaining loan portfolio. Credit provisioning levels remain prudent with the combined downside macroeconomic scenarios having a higher weighting than the upside scenario.

## Other income

Other income of \$A11 million for the year ended 31 March 2022 decreased 63% from \$A30 million in the prior year, which included the revaluation of an equity investment.

## Operating expenses

Total operating expenses of \$A1,460 million for the year ended 31 March 2022 increased 12% from \$A1,307 million in the prior year.

Employment expenses of \$A446 million for the year ended 31 March 2022 increased 14% from \$A390 million in the prior year, largely due to higher average headcount to support business growth and regulatory requirements.

Brokerage, commission and fee expenses of \$A106 million for the year ended 31 March 2022 decreased 25% from \$A142 million in the prior year largely due to the cessation of grandfathered commission payments to third party advisors in line with legislation. A corresponding benefit, passed on to customers since its cessation, is reflected in Net interest and trading income.

Technology expenses of \$A464 million for the year ended 31 March 2022 increased 18% from \$A394 million in the prior year driven by investment in digitisation to support business growth.

Other operating expenses of \$A444 million for the year ended 31 March 2022 increased 17% from \$A381 million in the prior year driven by increased marketing costs, as well as project spend to support regulatory requirements.

## 3.4 CGM

	HALF YEAR TO			FULL YEAR TO		
	Mar 22 \$Am	Sep 21 \$Am	Movement %	Mar 22 \$Am	Mar 21 \$Am	Movement %
<b>Net interest and trading income</b>						
Commodities						
Risk management	1,084	949	14	2,033	1,461	39
Lending and financing	96	116	(17)	212	234	(9)
Inventory management and trading	890	189	*	1,079	976	11
Total commodities	2,070	1,254	65	3,324	2,671	24
Foreign exchange, interest rates and credit	512	376	36	888	748	19
Equities	211	183	15	394	339	16
Asset Finance	61	65	(6)	126	98	29
Net interest and trading income	2,854	1,878	52	4,732	3,856	23
<b>Fee and commission income</b>						
Brokerage and other trading-related income	127	112	13	239	209	14
Other fee and commission income	152	116	31	268	276	(3)
Total fee and commission income	279	228	22	507	485	5
<b>Net operating lease income</b>	<b>183</b>	<b>152</b>	<b>20</b>	<b>335</b>	<b>383</b>	<b>(13)</b>
<b>Share of net profits from associates and joint ventures</b>	<b>25</b>	<b>15</b>	<b>67</b>	<b>40</b>	<b>43</b>	<b>(7)</b>
<b>Other operating income and charges</b>						
Net income on equity, debt and other investments	47	473	(90)	520	81	*
Net credit and other impairment charges	(7)	(58)	(88)	(65)	(237)	(73)
Other income	58	47	23	105	72	46
Total other operating income and charges	98	462	(79)	560	(84)	*
<b>Internal management (charges)/revenue</b>	<b>(29)</b>	<b>34</b>	<b>*</b>	<b>5</b>	<b>(5)</b>	<b>*</b>
<b>Net operating income</b>	<b>3,410</b>	<b>2,769</b>	<b>23</b>	<b>6,179</b>	<b>4,678</b>	<b>32</b>
<b>Operating expenses</b>						
Employment expenses	(305)	(286)	7	(591)	(582)	2
Brokerage, commission and fee expenses	(194)	(195)	(1)	(389)	(388)	<1
Other operating expenses	(729)	(559)	30	(1,288)	(1,107)	16
<b>Total operating expenses</b>	<b>(1,228)</b>	<b>(1,040)</b>	<b>18</b>	<b>(2,268)</b>	<b>(2,077)</b>	<b>9</b>
<b>Net profit contribution</b>	<b>2,182</b>	<b>1,729</b>	<b>26</b>	<b>3,911</b>	<b>2,601</b>	<b>50</b>
<b>Non-GAAP metrics</b>						
Headcount	2,179	2,120	3	2,179	2,133	2

Net profit contribution of \$A3,911 million for the year ended 31 March 2022, up 50% from the prior year:

- increased risk management income with gains across the platform, particularly in Gas and Power, Resources, Agriculture, and Global Oil driven by increased client hedging activity and trading activity due to elevated levels of volatility and price movements in commodity markets partially offset by the impact of fair value adjustments across the derivatives portfolio
- net income on equity, debt and other investments up significantly driven by the gain on the partial sale of the UK Meters portfolio of assets, comprising the industrial and commercial portfolio
- decreased credit and other impairment charges driven by the partial release of COVID-19 overlays. Credit provisioning levels remain prudent with the combined downside macroeconomic scenarios having a higher weighting than the upside scenario.

Partially offset by:

- increased other operating expenses driven by higher expenditure on technology platform and infrastructure and increasing compliance and regulatory management spend.

## Net interest and trading income

Net interest and trading income of \$A4,732 million for the year ended 31 March 2022 increased 23% from \$A3,856 million in the prior year.

## Commodities net interest and trading income

### (i) Risk management

Income from risk management is driven by managing clients' exposure to commodity price volatility which is supported by our strong internal risk management framework.

Risk management income of \$A2,033 million for the year ended 31 March 2022 increased 39% from \$A1,461 million in the prior year with contributions across the platform. Increased contributions were recorded by Gas and Power, Resources, Agriculture, and Global Oil due to increased client hedging activity and gains associated with management of those exposures as a result of elevated levels of volatility and price movements in commodity markets, partially offset by the impact of fair value adjustments across the derivatives portfolio.

### (ii) Lending and financing

Lending and financing activities include interest income from the provision of loans and working capital finance to clients across a range of commodity sectors including metals, energy and agriculture. Commodities lending and financing activities are primarily secured against underlying assets and typically have associated hedging to protect against downside risk.

Lending and financing income of \$A212 million for the year ended 31 March 2022 decreased 9% from \$A234 million in the prior year with reduced contributions in specific sectors.

### (iii) Inventory management and trading

CGM enters into financial and physical contracts including exchange traded derivatives, OTC derivatives, storage contracts and transportation agreements as part of its commodities platform. These arrangements enable CGM to facilitate client transactions and provide CGM with trading opportunities where there is an imbalance between the supply and demand for commodities. Revenue is dependent on a number of factors including the volume of transactions, the level of risk assumed and the volatility of price movements across commodity markets and products.

Storage contracts and transportation agreements, which are managed on a fair value basis for financial and risk management purposes, are required to be accounted for on an accruals basis for statutory reporting purposes, which may result in some variability in the timing of reported income.

Inventory management and trading income of \$A1,079 million for the year ended 31 March 2022 increased 11% from \$A976 million in the prior year. The current year included strong trading gains from supply and demand imbalances in North American Gas and Power, partially offset by the unfavourable impact of timing of income recognition on Gas storage and transport contracts.

## Foreign exchange, interest rates and credit net interest and trading income

Net interest and trading income from foreign exchange, interest rates and credit related activities are generated from the provision of trading and hedging services to a range of corporate and institutional clients globally, in addition to making secondary markets in corporate debt securities, syndicated bank loans and middle market loans and providing specialty lending.

Net interest and trading income from foreign exchange, interest rates and credit related activities of \$A888 million for the year ended 31 March 2022 increased 19% from \$A748 million in the prior year due to increased client activity in global structured foreign exchange products and growth in securitisation and credit products.

## Equities net interest and trading income

Equities net interest and trading income is generated from the issue of derivative products in key locations, the provision of equity finance solutions to institutional clients and the conduct of risk management and trading activities.

Equities net interest and trading income of \$A394 million for the year ended 31 March 2022 increased 16% from \$A339 million in the prior year due to an improved performance in equity finance. In addition, there was a continued strong contribution from trading activities.

## Asset Finance net interest and trading income

Net interest and trading income in Asset Finance predominantly relates to net income from the loan and finance lease portfolios (including shipping finance, equipment and technology financing) and the funding costs associated with the operating lease portfolios (including energy, telecommunication and mining assets).

Asset Finance net interest and trading income of \$A126 million for the year ended 31 March 2022 increased 29% from \$A98 million in the prior year due to net proceeds from end of lease asset sales and increased earnings from the structured lending and shipping finance portfolios.

## 3.4 CGM

Continued

### Fee and commission income

Fee and commission income of \$A507 million for the year ended 31 March 2022 increased 5% from \$A485 million in the prior year.

The increase primarily related to an increase in Futures client activity driven by volatility across commodity markets.

### Net operating lease income

Net operating lease income of \$A335 million for the year ended 31 March 2022 decreased 13% from \$A383 million in the prior year. The decrease was primarily driven by a reduction in secondary income in Technology, Media and Telecoms and the partial sale of the UK Meters portfolio of assets, partially offset by an increase in income from other areas of the Macquarie Energy, Resources & Sustainability portfolio.

### Net income on equity, debt and other investments

Net income on equity and debt investments of \$A520 million for the year ended 31 March 2022 increased significantly from \$A81 million in the prior year. The current year primarily reflected the gain on the partial sale of the UK Meters portfolio of assets, comprising the industrial and commercial portfolio.

### Net credit and other impairment charges

Credit and other impairment charges of \$A65 million for the year ended 31 March 2022 decreased 73% from \$A237 million in the prior year, driven by the partial release of COVID-19 overlays. Credit provisioning levels remain prudent with the combined downside macroeconomic scenarios having a higher weighting than the upside scenario.

### Operating expenses

Total operating expenses of \$A2,268 million for the year ended 31 March 2022 increased 9% from \$A2,077 million in the prior year.

Employment expenses of \$A591 million for the year ended 31 March 2022 was broadly in line with \$A582 million in the prior year.

Brokerage, commission and fee expenses include fees paid in relation to trading-related activities. Brokerage, commission and fee expenses of \$A389 million for the year ended 31 March 2022 were broadly in line with \$A388 million in the prior year.

Other operating expenses of \$A1,288 million for the year ended 31 March 2022 increased 16% from \$A1,107 million in the prior year, driven by higher expenditure on technology platform and infrastructure and increasing compliance and regulatory management spend.

## 3.5 Macquarie Capital

	HALF YEAR TO			FULL YEAR TO		
	Mar 22 \$Am	Sep 21 \$Am	Movement %	Mar 22 \$Am	Mar 21 \$Am	Movement %
<b>Net interest and trading income</b>	<b>212</b>	115	84	<b>327</b>	69	*
<b>Fee and commission income</b>	<b>1,022</b>	871	17	<b>1,893</b>	1,387	36
<b>Share of net (losses)/profits from associates and joint ventures</b>	<b>(110)</b>	43	*	<b>(67)</b>	(35)	91
<b>Other operating income and charges</b>						
Net income on equity, debt and other investments	<b>2,205</b>	422	*	<b>2,627</b>	1,139	131
Net credit and other impairment charges	<b>(364)</b>	(209)	74	<b>(573)</b>	(229)	150
Other (expenses)/income	<b>(33)</b>	29	*	<b>(4)</b>	(114)	(96)
Total other operating income and charges	<b>1,808</b>	242	*	<b>2,050</b>	796	158
<b>Internal management (charges)/revenue</b>	<b>(7)</b>	17	*	<b>10</b>	31	(68)
<b>Net operating income</b>	<b>2,925</b>	1,288	127	<b>4,213</b>	2,248	87
<b>Operating expenses</b>						
Employment expenses	<b>(322)</b>	(304)	6	<b>(626)</b>	(664)	(6)
Brokerage, commission and fee expenses	<b>(59)</b>	(43)	37	<b>(102)</b>	(98)	4
Other operating expenses	<b>(461)</b>	(383)	20	<b>(844)</b>	(852)	(1)
<b>Total operating expenses</b>	<b>(842)</b>	(730)	15	<b>(1,572)</b>	(1,614)	(3)
<b>Non-controlling interests<sup>(1)</sup></b>	<b>(151)</b>	(90)	68	<b>(241)</b>	17	*
<b>Net profit contribution<sup>(2)</sup></b>	<b>1,932</b>	468	*	<b>2,400</b>	651	269
<b>Non-GAAP metrics</b>						
Headcount	<b>1,843</b>	1,831	1	<b>1,843</b>	1,821	1

Net profit contribution of \$A2,400 million for the year ended 31 March 2022, increased significantly from the prior year due to:

- substantially higher net income on equity, debt and other investments driven by material asset realisations in the green energy, technology and business services sectors and included realisations across all regions
- higher fee and commission income due to higher mergers and acquisitions fee income and debt capital markets fee income, partially offset by lower equity capital markets fee income and brokerage income
- higher net interest and trading income resulting from growth in the private credit portfolio.

Partially offset by:

- higher credit and other impairment charges primarily due to a small number of underperforming equity investments and growth of the private credit portfolio
- higher non-controlling interests predominantly driven by the share of gains on disposal attributable to non-controlling interests.

(1) 'Non-controlling interests' adjusts reported consolidated profit or loss for the share that is attributable to non-controlling interests, such that the net profit or loss contribution represents the net profit or loss attributable to ordinary equity holders.

(2) The current year includes approximately \$A850 million of net profit contribution from GIG.



## 3.5 Macquarie Capital

Continued

### Net interest and trading income

Net interest and trading income includes the interest income earned from debt investments and the funding costs associated with both the debt and equity investment portfolios.

Net interest and trading income of \$A327 million for the year ended 31 March 2022 increased significantly from \$A69 million in the prior year. The increase was primarily due to higher net interest income driven by the growth in the private credit portfolio, which more than doubled throughout the current year.

### Fee and commission income

Fee and commission income of \$A1,893 million for the year ended 31 March 2022 increased 36% from \$A1,387 million in the prior year.

The increase in fee and commission income was primarily due to higher mergers and acquisitions fee income and debt capital markets fee income. This was partially offset by equity capital markets fee income and brokerage income, which were down on a strong prior year.

Mergers and acquisitions fee income for the year ended 31 March 2022 increased across all major regions due to improved market conditions, and was up 90% compared to the prior year.

Debt capital markets fee income for the year ended 31 March 2022 was significantly up compared to the prior year. This was driven by increased activity in the US leveraged loans market.

Fee and commission income in the year ended 31 March 2022 was the highest on record, driven by record levels of mergers and acquisitions fee income in ANZ and the Americas. Fee income in the current year was significantly up across the Education Services, Gaming, Healthcare Services, Critical Minerals, FinTech and Aerospace & Defence sectors.

### Share of net (losses)/profits from associates and joint ventures

Share of net losses from associates and joint ventures of \$A67 million for the year ended 31 March 2022 compared to losses of \$A35 million in the prior year.

The movement reflected a change in the composition and performance of the investment portfolio.

### Net income on equity, debt and other investments

Net income on equity, debt and other investments of \$A2,627 million for the year ended 31 March 2022 increased substantially from \$A1,139 million in the prior year.

The increase in income was primarily driven by material asset realisations in the green energy, technology and business services sectors and included realisations across all regions.

### Net credit and other impairment charges

Credit and other impairment charges of \$A573 million for the year ended 31 March 2022 compared to charges of \$A229 million in the prior year.

The increase in credit and other impairment charges was primarily due to a small number of underperforming equity investments and growth of the private credit portfolio.

### Other (expenses)/income

Other expenses of \$A4 million for the year ended 31 March 2022 compared to an expense of \$A114 million in the prior year.

The movement primarily reflected gains on sale of green energy projects and a change in the composition of the portfolio.

### Operating expenses

Total operating expenses of \$A1,572 million for the year ended 31 March 2022 decreased 3% from \$A1,614 million in the prior year. This decrease was predominantly driven by lower employment costs.

### Non-controlling interests

Profit attributable to non-controlling interests of \$A241 million for the year ended 31 March 2022 compared to a loss of \$A17 million in the prior year. The current year balance was driven by the share of gains on disposal attributable to non-controlling interests.

## 3.6 Corporate

	HALF YEAR TO			FULL YEAR TO		
	Mar 22 \$Am	Sep 21 \$Am	Movement %	Mar 22 \$Am	Mar 21 \$Am	Movement %
<b>Net interest and trading (expense)/income</b>	<b>(134)</b>	200	*	<b>66</b>	255	(74)
<b>Fee and commission expense</b>	<b>(23)</b>	(10)	130	<b>(33)</b>	(36)	(8)
<b>Net operating lease income</b>	<b>2</b>	2	-	<b>4</b>	4	-
<b>Share of net profits from associates and joint ventures</b>	<b>1</b>	-	*	<b>1</b>	4	(75)
<b>Other operating income and charges</b>						
Net income on equity and debt investments	<b>(19)</b>	32	*	<b>13</b>	50	(74)
Net credit and other impairment reversals/(charges)	<b>43</b>	(48)	*	<b>(5)</b>	(28)	(82)
Other income and charges	<b>(9)</b>	3	*	<b>(6)</b>	25	*
Total other operating income and charges	<b>15</b>	(13)	*	<b>2</b>	47	(96)
<b>Internal management charge</b>	<b>(2)</b>	(51)	(96)	<b>(53)</b>	(58)	(9)
<b>Net operating income and charges</b>	<b>(141)</b>	128	*	<b>(13)</b>	216	*
<b>Operating expenses</b>						
Employment expenses	<b>(2,344)</b>	(1,999)	17	<b>(4,343)</b>	(3,394)	28
Other operating expenses	<b>654</b>	533	23	<b>1,187</b>	999	19
<b>Total operating expenses</b>	<b>(1,690)</b>	(1,466)	15	<b>(3,156)</b>	(2,395)	32
Income tax expense	<b>(983)</b>	(603)	63	<b>(1,586)</b>	(899)	76
Non-controlling interests <sup>(1)</sup>	<b>(1)</b>	-	*	<b>(1)</b>	(4)	(75)
<b>Net loss contribution</b>	<b>(2,815)</b>	(1,941)	45	<b>(4,756)</b>	(3,082)	54
<b>Non-GAAP metrics</b>						
Headcount	<b>8,353</b>	7,752	8	<b>8,353</b>	7,598	10

The Corporate segment comprises head office and Central Service Groups, including Group Treasury, and certain investments that are not aligned to an Operating Group. The Corporate segment also includes costs that are not allocated to the Operating Groups, including performance-related profit share and share-based payments expense, income tax expense and the net result of managing Macquarie's liquidity and funding requirements.

(1) 'Non-controlling interests' adjusts reported consolidated profit or loss for the share that is attributable to non-controlling interests, such that the net loss contribution represents the net loss attributable to ordinary equity holders.

## 3.6 Corporate

Continued

### Net interest and trading income

Net interest and trading income in the Corporate segment includes the net result of managing Macquarie's liquidity and funding requirements, earnings on capital, funding costs associated with investments held centrally and accounting volatility arising from movements in underlying rates relating to economically hedged positions where hedge accounting is unable to be achieved.

Net interest and trading income of \$A66 million for the year ended 31 March 2022 decreased 74% from \$A255 million in the prior year mainly due to accounting volatility from the changes in the fair value of economic hedges.

### Net credit and other impairment charges

Credit and other impairment charges of \$A5 million for the year ended 31 March 2022 decreased 82% from \$A28 million in the prior year, which included the impairment of intangibles partially offset by the partial release of credit provisions.

### Employment expenses

Employment expenses relate to the Consolidated Entity's Central Service Groups including COG, FMG, RMG, LGG, and Central Executive, as well as expenses associated with the Consolidated Entity's profit share and retention plans.

Employment expenses of \$A4,343 million for the year ended 31 March 2022 increased 28% from \$A3,394 million in the prior year. The current year includes an increase in performance-related profit share expense mainly as a result of the performance of the Consolidated Entity and an increase in Central Service Groups average headcount to support business growth.

### Other operating expenses

Other operating expenses in the Corporate segment includes non-employment related operating costs of Central Service Groups, offset by the recovery of Central Service Groups' costs (including employment-related costs) from the Operating Groups.

The net recovery from the Operating Groups of \$A1,187 million for the year ended 31 March 2022 increased 19% from \$A999 million in the prior year driven by increased recovery of higher Central Service Groups' cost base.

## 3.7 International Income

### International income<sup>(1)</sup> by region

	HALF YEAR TO			FULL YEAR TO		
	Mar 22 \$Am	Sep 21 \$Am	Movement %	Mar 22 \$Am	Mar 21 \$Am	Movement %
Americas	5,250	2,996	75	8,246	4,187	97
Asia	568	569	(<1)	1,137	1,418	(20)
Europe, Middle East and Africa	1,549	1,962	(21)	3,511	2,863	23
<b>Total international income</b>	<b>7,367</b>	<b>5,527</b>	<b>33</b>	<b>12,894</b>	<b>8,468</b>	<b>52</b>
Australia <sup>(2)</sup>	2,292	2,098	9	4,390	4,032	9
Total income (excluding earnings on capital and other corporate items)	9,659	7,625	27	17,284	12,500	38
Earnings on capital and other corporate items	(139)	179	*	40	274	(85)
<b>Net operating income (as reported)</b>	<b>9,520</b>	<b>7,804</b>	<b>22</b>	<b>17,324</b>	<b>12,774</b>	<b>36</b>
International income (excluding earnings on capital and other corporate items) ratio (%)	76	72		75	68	

### International income by Operating Group and region

	FULL YEAR TO MAR 22						
	Americas \$Am	Asia \$Am	Europe, Middle East and Africa \$Am	Total International \$Am	Australia <sup>(2)</sup> \$Am	Total Income \$Am	Total International %
MAM	3,054	243	740	4,037	410	4,447	91
BFS	-	-	-	-	2,460	2,460	-
CGM	2,368	771	2,149	5,288	886	6,174	86
Macquarie Capital	2,824	123	622	3,569	634	4,203	85
<b>Total</b>	<b>8,246</b>	<b>1,137</b>	<b>3,511</b>	<b>12,894</b>	<b>4,390</b>	<b>17,284</b>	<b>75</b>

Total international income was \$A12,894 million for the year ended 31 March 2022, an increase of 52% from \$A8,468 million in the prior year. Total international income represented 75% of total income (excluding earnings on capital and other corporate items), up from 68% in the prior year.

Income from the Americas of \$A8,246 million for the year ended 31 March 2022 increased 97% from \$A4,187 million in the prior year. The increase was mainly driven by Macquarie Capital with substantially higher income from material asset realisations in the green energy and technology sectors, higher fee revenue and higher net income on the private credit portfolio. MAM included higher base and other fees following the acquisition of Waddell & Reed, a disposition fee and higher equity accounted income from MIC, partially offset by lower performance fees. CGM included strong inventory management and trading gains from supply and demand imbalances in North American Gas and Power, increased client activity in global structured foreign exchange products and growth in loan portfolios. This was partially offset by the unfavourable impact of timing of income recognition on Gas storage and transport contracts in CGM.

In Asia, income of \$A1,137 million for the year ended 31 March 2022 decreased 20% from \$A1,418 million in the prior year. The decrease was primarily driven by higher impairment of an underperforming equity investment and lower brokerage income in Macquarie Capital.

Income from Europe, Middle East and Africa of \$A3,511 million for the year ended 31 March 2022 increased 23% from \$A2,863 million in the prior year. The increase was primarily driven by higher CGM risk management income, with contributions across the platform, particularly in Gas and Power, Agriculture and Global Oil, partially offset by the impact of fair value adjustments across the derivatives portfolio. CGM also included the gain on the partial sale of the UK Meters portfolio of assets, comprising the industrial and commercial portfolio. MAM included lower equity accounted losses from Macquarie AirFinance. This was partially offset by the non-recurrence of the gain on sale of Macquarie European Rail in MAM in the prior year.

In Australia, income of \$A4,390 million for the year ended 31 March 2022 increased 9% from \$A4,032 million in the prior year, mainly due to BFS volume growth and higher Macquarie Capital mergers and acquisitions fee income, partially offset by lower investment-related income<sup>(3)</sup> in Macquarie Capital.

(1) International income reflects net operating income excluding internal management revenue/(charge).

(2) Includes New Zealand.

(3) Includes gains and losses from sale and revaluation of equity, debt and other investments, net interest and trading income (which represents the interest earned from debt investments and the funding costs associated with Macquarie Capital's balance sheet positions), share of net losses from associates and joint ventures, credit and other impairments and other income/(expenses), and excludes net income on the private credit portfolio.



04

## Balance Sheet

### **Cero Generation, Italy**

Cero Generation (Cero), a specialist solar energy company working across Europe to support the transition to a net-zero future.

Its current 8 GW portfolio contains over 150 projects located in the UK, Italy, Spain, Poland, France and the Netherlands.





## 4.1 Statement of Financial Position

	AS AT		MOVEMENT
	Mar 22 \$Am	Mar 21 \$Am	Mar 21 %
<b>Assets</b>			
Cash and bank balances	52,754	18,425	186
Cash collateralised lending and reverse repurchase agreements	51,197	36,681	40
Trading assets	13,578	21,746	(38)
Margin money and settlement assets	25,108	14,397	74
Derivative assets	84,891	20,642	*
Financial investments	12,127	9,566	27
Held for sale assets	1,297	279	*
Other assets	8,632	6,006	44
Loan assets	134,744	105,026	28
Interests in associates and joint ventures	4,373	4,194	4
Property, plant and equipment and right-of-use assets	5,143	4,676	10
Intangible assets	3,780	2,543	49
Deferred tax assets	1,552	1,472	5
<b>Total assets</b>	<b>399,176</b>	<b>245,653</b>	<b>62</b>
<b>Liabilities</b>			
Cash collateralised borrowing and repurchase agreements	16,947	4,542	273
Trading liabilities	5,290	6,205	(15)
Margin money and settlement liabilities	27,158	22,124	23
Derivative liabilities	84,464	17,579	*
Deposits	101,667	84,199	21
Held for sale liabilities	525	18	*
Other liabilities	11,167	8,211	36
Borrowings	13,896	9,817	42
Issued debt securities	99,527	60,980	63
Deferred tax liabilities	216	204	6
<b>Total liabilities excluding loan capital</b>	<b>360,857</b>	<b>213,879</b>	<b>69</b>
<b>Loan capital</b>	<b>9,513</b>	<b>9,423</b>	<b>1</b>
<b>Total liabilities</b>	<b>370,370</b>	<b>223,302</b>	<b>66</b>
<b>Net assets</b>	<b>28,806</b>	<b>22,351</b>	<b>29</b>
<b>Equity</b>			
Contributed equity	12,298	8,531	44
Reserves	1,523	1,286	18
Retained earnings	14,740	12,231	21
<b>Total capital and reserves attributable to ordinary equity holders of Macquarie Group Limited</b>	<b>28,561</b>	<b>22,048</b>	<b>30</b>
Non-controlling interests	245	303	(19)
<b>Total equity</b>	<b>28,806</b>	<b>22,351</b>	<b>29</b>



## Statement of Financial Position

The Consolidated Entity's statement of financial position was impacted during the year ended 31 March 2022 by changes resulting from a combination of business activities, Group Treasury management initiatives, macroeconomic factors and the elevated levels of volatility and price movements in commodity markets.

### Assets

Total assets of \$A399.2 billion as at 31 March 2022 increased 62% from \$A245.7 billion as at 31 March 2021. The principal drivers for the increase were as follows:

- derivative assets of \$A84.9 billion as at 31 March 2022 increased significantly from \$A20.6 billion as at 31 March 2021 primarily due to an increase in CGM's Energy market business driven by client trade volumes and mark-to-market movements. Exposures in UK and EMEA Gas increased significantly during the year due to elevated levels of volatility and price movements. After taking into account related financial instruments, cash and other collateral, the residual derivative asset was \$A16.0 billion (31 March 2021: \$A5.2 billion). Residual derivative exposure is short term in nature and managed within our market and credit risk frameworks, with a substantial portion of the exposure with investment grade counterparties
- cash and bank balances of \$A52.8 billion as at 31 March 2022 increased significantly from \$A18.4 billion as at 31 March 2021 primarily due to an increase in high quality liquid assets held as overnight deposit with the Reserve Bank of Australia (RBA)
- loan assets of \$A134.7 billion as at 31 March 2022 increased by 28% from \$A105.0 billion as at 31 March 2021 primarily due to growth in BFS home loan and business banking portfolios and an increase in Macquarie Capital's principal loan portfolio, partially offset by a reduction in the BFS car loan portfolio
- cash collateralised lending and reverse repurchase agreements of \$A51.2 billion as at 31 March 2022 increased by 40% from \$A36.7 billion as at 31 March 2021 primarily due to an increase in Group Treasury holdings of liquid assets through reverse repurchase agreements and client financing requirements in CGM
- margin money and settlement assets of \$A25.1 billion as at 31 March 2022 increased by 74% from \$A14.4 billion as at 31 March 2021 primarily due to higher trade volumes resulting in an increase in margin placed with financial institutions and trade settlement balances by CGM.

These increases were partially offset by:

- trading assets of \$A13.6 billion as at 31 March 2022 decreased by 38% from \$A21.7 billion as at 31 March 2021 primarily due to a decrease in government bonds and metal inventories in CGM.

### Liabilities

Total liabilities of \$A370.4 billion as at 31 March 2022 increased 66% from \$A223.3 billion as at 31 March 2021. The principal drivers for the increase were as follows:

- derivative liabilities of \$A84.5 billion as at 31 March 2022 increased significantly from \$A17.6 billion as at 31 March 2021 primarily due to an increase in CGM's Energy market business driven by client trade volumes and mark-to-market movements. Exposures in UK and EMEA Gas increased significantly during the year due to elevated levels of volatility and price movements on short positions. After taking into account related financial instruments, cash and other collateral, the residual derivative liability was \$A16.1 billion (31 March 2021: \$A3.8 billion)
- issued debt securities of \$A99.5 billion as at 31 March 2022 increased by 63% from \$A61.0 billion as at 31 March 2021 primarily due to the net issuance of short and long-term debt by Group Treasury and additional net issuance of bondholder notes by securitisation vehicles in BFS
- deposits of \$A101.7 billion as at 31 March 2022 increased by 21% from \$A84.2 billion as at 31 March 2021 primarily due to an increase in retail and business banking deposits in BFS
- cash collateralised borrowing and repurchase agreements of \$A16.9 billion as at 31 March 2022 increased significantly from \$A4.5 billion as at 31 March 2021 primarily due to an additional draw down of the RBA Term Funding Facility by Group Treasury
- margin money and settlement liabilities of \$A27.2 billion as at 31 March 2022 increased by 23% from \$A22.1 billion as at 31 March 2021 primarily due to higher trade volumes resulting in an increase in margin placed by financial institutions and broker settlement balances with CGM.

### Equity

Total equity of \$A28.8 billion as at 31 March 2022 increased 29% from \$A22.4 billion as at 31 March 2021.

The increase in the Consolidated Entity's equity was predominantly attributable to earnings of \$A4.7 billion generated during the year and the issuance of Contributed equity of \$A3.9 billion, including \$A2.8 billion raised through the Institutional Placement and Share Purchase Plan.

This increase was partially offset by dividend payments of \$A2.2 billion.

## 4.2 Loan Assets

Reconciliation between the statement of financial position and the funded balance sheet:

	AS AT		MOVEMENT
	Mar 22 <sup>(1)</sup> \$Ab	Mar 21 <sup>(1)</sup> \$Ab	Mar 21 %
<b>Loan assets per the statement of financial position</b>	<b>134.7</b>	105.0	28
Operating lease assets <sup>(2)</sup>	3.6	2.6	38
Other reclassifications <sup>(3)</sup>	0.3	0.2	50
Less: loans available as security to debt providers	-	(0.4)	(100)
<b>Total loan assets including operating lease assets per the funded balance sheet<sup>(4)</sup></b>	<b>138.6</b>	107.4	29

Loan assets<sup>(4)</sup> including operating lease assets by Operating Group per the funded balance sheet are shown in further detail below:

	Notes	AS AT		MOVEMENT
		Mar 22 <sup>(1)</sup> \$Ab	Mar 21 <sup>(1)</sup> \$Ab	Mar 21 %
<b>BFS</b>				
Home loans	1	89.9	66.9	34
Business banking	2	11.8	10.5	12
Car loans	3	8.7	11.3	(23)
<b>Total BFS</b>		<b>110.4</b>	88.7	24
<b>CGM</b>				
Loans and finance lease assets		3.3	3.9	(15)
Operating lease assets		1.9	1.8	6
Asset finance	4	5.2	5.7	(9)
Loan assets		2.7	2.1	29
Operating lease assets		0.7	-	*
Resources and commodities	5	3.4	2.1	62
Foreign exchange, interest rate and credit	6	6.5	4.1	59
Other	7	0.3	-	*
<b>Total CGM</b>		<b>15.4</b>	11.9	29
<b>MAM</b>				
Operating lease assets	8	0.9	0.8	13
<b>Total MAM</b>		<b>0.9</b>	0.8	13
<b>Macquarie Capital</b>				
Corporate and other lending	9	11.9	6.0	98
<b>Total Macquarie Capital</b>		<b>11.9</b>	6.0	98
<b>Total</b>		<b>138.6</b>	107.4	29

(1) There has been a change in presentation of certain items on the funded balance sheet in the current year. Comparatives have been restated to reflect this change. Refer to Section 5.3 for more details.

(2) Operating lease assets may differ to the statutory balance sheet as some are funded by third party debt with no recourse to Macquarie beyond the borrowing entity and are netted down for funded balance sheet presentation. Refer to Section 5.3 for more details.

(3) Reclassification between loan assets and other funded balance sheet categories.

(4) Total loan assets including operating lease assets per the funded balance sheet includes self-securitised assets.

## Explanatory notes concerning asset security of funded loan asset portfolio

### 1. Home loans

Secured by residential property.

### 2. Business banking

Loan portfolio secured largely by working capital, business cash flows and real property.

### 3. Car loans

Secured by motor vehicles.

### 4. Asset finance

Predominantly secured by underlying financed assets.

### 5. Resources and commodities

Diversified loan portfolio primarily to the resources sector that are secured by the underlying assets with associated price hedging to mitigate risk.

### 6. Foreign exchange, interest rate and credit

Diversified lending predominantly consisting of loans which are secured by other loan collateral, assets including rights and receivables and warehoused security from mortgages and auto loans.

### 7. CGM Other

Equity collateralised loans.

### 8. Operating lease assets

Secured by underlying financed assets including transportation assets.

### 9. Corporate and other lending

Diversified corporate and real estate lending portfolio, predominantly consisting of loans which are senior, secured, covenanted and with a hold to maturity horizon.

## 4.3 Equity Investments

Equity investments includes:

- Interests in associates, joint ventures and other assets classified as held for sale;
- Subsidiaries and certain other assets held for investment purposes; and
- Financial investments excluding trading equities.

The classification is driven by a combination of the level of influence Macquarie has over the investment and Macquarie's business intention with respect to the holding of the investment.

For the purpose of analysis, equity investments have been re-grouped into the following categories:

- Investments in Macquarie-managed funds; and
- Other investments.

Equity investments have been revised to include subsidiaries and certain other assets held for investment purposes.

### Equity investments reconciliation

	AS AT		MOVEMENT
	Mar 22 \$Ab	Mar 21 \$Ab	Mar 21 %
<b>Equity investments</b>			
<b>Statement of financial position</b>			
Equity investments at fair value	1.5	1.4	7
Interests in associates and joint ventures <sup>(1)</sup>	4.9	4.3	14
<b>Total equity investments per statement of financial position</b>	<b>6.4</b>	5.7	12
<b>Adjustment for funded balance sheet</b>			
Non-controlling interests <sup>(2)</sup>	(0.1)	-	*
<b>Total funded equity investments<sup>(3)</sup></b>	<b>6.3</b>	5.7	11
<b>Adjustments for equity investments analysis</b>			
Subsidiaries and certain other assets held for investment purposes <sup>(4)</sup>	1.9	1.8	6
Associates' reserves <sup>(5)</sup>	0.1	0.2	(50)
<b>Total adjusted equity investments<sup>(6)</sup></b>	<b>8.3</b>	7.7	8

(1) Includes Total interests in associates and joint ventures as per Note 14 of the Financial Report, and interests in associates classified as held for sale.

(2) These represent the portion of ownership in equity investments not attributable to Macquarie. As this is not a position that Macquarie is required to fund, it is netted against the consolidated assets and liabilities in preparing the funded balance sheet.

(3) Reported in the Funded Balance Sheet as 'Co-investment in Macquarie-managed funds and other equity investments'.

(4) Subsidiaries and certain other assets held for investment purposes are consolidated entities that are held for the ultimate intention to sell as part of Macquarie's investment activities.

(5) Associates' reserves (gross of tax) that will be released to income upon realisation of the investment.

(6) The adjusted value represents the total net exposure to Macquarie.

## Equity investments by category

	AS AT		MOVEMENT
	Mar 22 \$Ab	Mar 21 \$Ab	Mar 21 %
<b>Macquarie-managed funds</b>			
Listed (Private Markets) managed funds	0.2	0.7	(71)
Unlisted (Private Markets) managed funds	1.3	0.8	63
Other Macquarie-managed funds	0.3	0.3	-
<b>Total Macquarie-managed funds</b>	<b>1.8</b>	<b>1.8</b>	<b>-</b>
<b>Other investments</b>			
Investments acquired to seed new Private Markets-managed products and mandates	0.3	-	*
Transport, industrial and infrastructure	1.4	1.4	-
Telecommunications, information technology, media and entertainment	1.2	1.2	-
Green energy	1.6	1.3	23
Conventional energy, resources and commodities	0.5	0.4	25
Real estate investment, property and funds management	1.1	1.0	10
Finance, wealth management and exchanges	0.4	0.6	(33)
<b>Total other investments</b>	<b>6.5</b>	<b>5.9</b>	<b>10</b>
<b>Total equity investments</b>	<b>8.3</b>	<b>7.7</b>	<b>8</b>



# 05

## Funding and Liquidity

### Helping more Australians transition to electric

At Macquarie, we're committed to helping Australians transition to an electric car easily. Since launching our Home of Electric Vehicles campaign in July 2021, we have developed a range of tools and insights to help guide our customers through the process.

With information ranging from comparisons of electric vehicles in the market to answering the top questions and concerns, we want to empower our customers to make the right choice for their lifestyle.



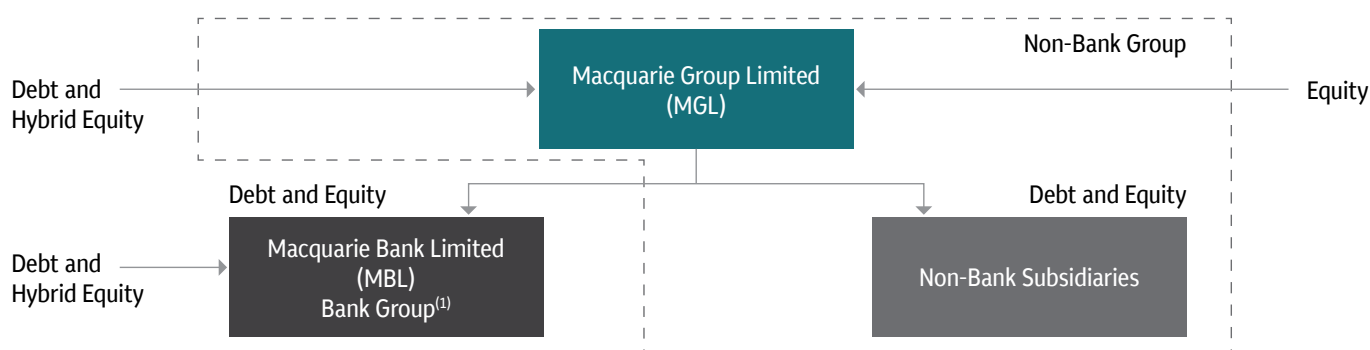


## 5.1 Liquidity Risk Governance and Management Framework

### Governance and oversight

Macquarie's two primary external funding vehicles are Macquarie Group Limited (MGL) and Macquarie Bank Limited (MBL). MGL provides funding predominantly to the Non-Bank Group and limited funding to some MBL subsidiaries. MBL provides funding to the Bank Group.

The high level funding structure of the Group is shown below:



Macquarie's liquidity risk management framework is designed to ensure that it is able to meet its funding requirements as they fall due under a range of market conditions.

Liquidity management is performed centrally by Group Treasury, with oversight from the Asset and Liability Committee (ALCO) and the Risk Management Group (RMG). Macquarie's liquidity policies are approved by the MGL and MBL Boards after endorsement by the ALCO and liquidity reporting is provided to the Boards on a regular basis. The ALCO includes the MGL Chief Executive Officer, MBL Chief Executive Officer, Chief Financial Officer, Chief Risk Officer, Co-Heads of Group Treasury and Operating Group Heads.

RMG provides independent oversight of liquidity risk management, including ownership of liquidity policies and key limits and approval of material liquidity scenario assumptions.

### Liquidity policy and risk appetite

The MGL and MBL liquidity policies are designed so that each of Macquarie, the Bank Group and the Non-Bank Group maintains sufficient liquidity to meet its obligations as they fall due. The MBL liquidity policy outlines the standalone framework for the Bank Group and its principles are consistent with the MGL liquidity policy. In some cases, other entities within Macquarie may also be required to have a standalone liquidity policy. In these cases, the principles applied within the entity-specific liquidity policies are also consistent with those applied in the broader MGL liquidity policy.

Macquarie establishes a liquidity risk appetite, which is approved by the MGL and MBL Boards, and represents an articulation of the nature and level of liquidity risk that is acceptable in the context of achieving Macquarie's strategic objectives. Macquarie's liquidity risk appetite is intended to ensure that Macquarie is able to meet all of its liquidity obligations during a period of liquidity stress: a twelve month period with constrained access to funding markets for MBL, no access to funding markets for MGL and with only a limited reduction in Macquarie's franchise businesses.

Reflecting the longer-term nature of the Non-Bank Group asset profile, MGL is funded predominantly with a mixture of capital and long-term wholesale funding. MBL is an authorised deposit-taking institution (ADI) and is funded mainly with capital, long-term liabilities and deposits.

(1) MBL is the primary external funding vehicle for the Bank Group. Macquarie International Finance Limited (MIFL) also operates as an external funding vehicle for certain subsidiaries within the Bank Group.

## Liquidity risk tolerance and principles

Macquarie's liquidity risk appetite is supported by a number of risk tolerances and principles applied to managing liquidity risk in both MGL and MBL.

### Risk tolerances

- Term assets must be funded by term liabilities and short term assets must exceed short term wholesale liabilities
- Cash and liquid assets must be sufficient to cover the expected outflow under a twelve month stress scenario and meet minimum regulatory requirements
- Cash and liquid assets held to cover stress scenarios and regulatory minimums must be high quality unencumbered liquid assets and cash
- Diversity and stability of funding sources is a key priority
- Balance sheet currency mismatches are managed within set tolerances
- Funding and liquidity exposures between entities within Macquarie are subject to constraints where required.

### Liquidity management principles

- Macquarie has a centralised approach to liquidity management
- Liquidity risk is managed through stress scenario analysis and setting limits on the composition and maturity of assets and liabilities
- A global liquidity framework is maintained that outlines Macquarie's approach to managing funding and liquidity requirements in offshore subsidiaries and branches
- The liquidity position is managed to ensure all obligations can be met as required on an intraday basis
- A liquidity contingency plan is maintained that provides an action plan in the event of a liquidity 'crisis'
- A funding strategy is prepared annually and monitored on a regular basis
- Internal pricing allocates liquidity costs, benefits and risks to areas responsible for generating them
- Strong relationships are maintained to assist with managing confidence and liquidity
- The MGL Board, MBL Board and Senior Management receive regular reporting on Macquarie's liquidity position, including compliance with liquidity policy and regulatory requirements.

## Liquidity contingency plan

Group Treasury maintains a liquidity contingency plan, which outlines how a liquidity crisis would be managed. The plan defines roles and responsibilities and actions to be taken in a liquidity event, including identifying key information requirements and appropriate communication plans with both internal and external parties.

Specifically, the plan details factors that may constitute a crisis, the officers responsible for enacting the plan, a committee of senior executives responsible for managing a crisis, the information required to effectively manage a crisis, a communications strategy, a high level checklist of possible actions to conserve or raise additional liquidity and contact lists to facilitate prompt communication with all key internal and external stakeholders. The plan also incorporates a retail run operational plan (RROP) that outlines the bank's processes and operational plans for managing a significant increase in customer withdrawals during a potential deposit 'run' on Macquarie.

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

The liquidity contingency plan is subject to regular review by both Group Treasury and RMG. It is submitted annually to the ALCO and the MGL and MBL Boards for approval.

Macquarie is a global financial institution, with branches and subsidiaries in a variety of countries. Regulations in certain countries may require some branches or subsidiaries to have specific local contingency plans. Where that is the case, the liquidity contingency plan contains either a supplement or a reference to a separate document providing the specific information required for those branches or subsidiaries.

## Funding strategy

Macquarie prepares funding strategies for MGL and MBL on an annual basis and monitors progress against the strategies throughout the year. The funding strategies aim to maintain diversity of funding sources for MGL and MBL, ensure ongoing compliance with all liquidity requirements and facilitate forecast asset growth. The funding strategies are reviewed by the ALCO and approved by the respective Boards.

## 5.2 Management of Liquidity Risk

### Scenario analysis

Scenario analysis is central to Macquarie's liquidity risk management framework. In addition to regulatory defined scenarios, Group Treasury models additional liquidity scenarios covering both market-wide and Macquarie name-specific crises. Scenario analysis performs a range of functions within the liquidity risk management framework, including being a basis for:

- monitoring compliance with internal liquidity risk appetite statements by ensuring all repayment obligations can be met in the corresponding scenarios
- determining a minimum level of cash and liquid assets
- determining an appropriate minimum tenor of funding for Macquarie's assets; and
- determining the overall capacity for future asset growth.

The scenarios separately consider the requirements of the Bank Group and the Non-Bank Group. These scenarios use a range of assumptions, which Macquarie intends to be conservative, regarding the level of access to capital markets, deposit outflows, contingent funding requirements and asset sales.

As an example, one internal scenario projects the expected cash and liquid asset position during a combined market-wide and Macquarie name-specific crisis over a twelve month time frame. This scenario assumes no access to wholesale funding markets, a significant loss of customer deposits and contingent funding outflows resulting from undrawn commitments, market moves impacting derivatives and other margined positions combined with a multiple notch credit rating downgrade. Macquarie's cash and liquid asset portfolio must exceed the minimum requirement as calculated in this scenario at all times.

### Liquid asset holdings

Group Treasury centrally maintains a portfolio of highly liquid unencumbered assets which are intended to ensure adequate liquidity is available under a range of market conditions. The minimum level of cash and liquid assets is calculated with reference to internal scenario analysis and regulatory requirements.

The cash and liquid asset portfolio contains only unencumbered assets that can be relied on to maintain their liquidity in a crisis scenario. Specifically, cash and liquid assets held to meet minimum internal and regulatory requirements must be cash balances (including central bank reserves and overnight lending to financial institutions), qualifying High Quality Liquid Assets (HQLA), other external Reserve Bank of Australia (RBA) repo eligible securities or Australian assets internally securitised by Macquarie and held as contingent collateral in the RBA's facilities such as the Committed Liquidity Facility (CLF) – so called 'Alternative Liquid Assets' (ALA). Composition constraints are also applied to ensure appropriate diversity and quality of the assets in the portfolio.

The cash and liquid asset portfolio is held in a range of currencies consistent with the distribution of liquidity needs by currency, allowing for an acceptable level of currency mismatches. Certain other Operating Segments also hold cash and liquid assets as part of their operations. Macquarie had \$A93.8 billion cash and liquid assets as at 31 March 2022 (31 March 2021: \$A55.6 billion), of which \$A78.6 billion was held by Macquarie Bank (31 March 2021: \$A51.0 billion)<sup>(1)</sup>.

### Funds transfer pricing

An internal funds transfer pricing framework is in place that has been designed to produce appropriate incentives for business decision-making by reflecting the funding costs arising from business actions and the separate funding tasks and liquidity requirements of the Bank and Non-Bank Groups. Under this framework, each business is allocated the full cost of the funding required to support its products and business lines, recognising the actual and contingent funding-related exposures their activities create. Businesses that raise funding are compensated at a level that is appropriate for the liquidity benefit provided by the funding.

(1) There has been a change in presentation of certain items on the funded balance sheet in the current year. Comparatives have been restated to reflect this change. Refer to Section 5.3 for more details.

## Credit ratings<sup>(1)</sup> as at 31 March 2022

	MACQUARIE BANK LIMITED		MACQUARIE GROUP LIMITED	
	Short-term rating	Long-term rating	Short-term rating	Long-term rating
Moody's Investors Service	P-1	A2/Positive	P-2	A3/Positive
Standard and Poor's	A-1	A+/Stable	A-2	BBB+/Stable
Fitch Ratings	F-1	A/Stable	F-2	A-/Stable

## Regulatory liquidity metrics

The Australian Prudential Regulation Authority's (APRA) liquidity standard (APS 210) details the local implementation of the Basel III liquidity framework for Australian banks. In addition to a range of qualitative requirements, the standard incorporates the Liquidity Coverage Ratio (LCR) and the Net Stable Funding Ratio (NSFR). The LCR and NSFR apply specifically to Macquarie Bank as the regulated ADI in Macquarie. As an APRA authorised and regulated Non-Operating Holding Company, MGL is required to manage liquidity in compliance with APS 210's qualitative requirements. Separate quantitative requirements are imposed internally by the ALCO and the Board.

### Liquidity coverage ratio

The LCR requires unencumbered liquid assets be held to cover expected net cash outflows under a combined 'idiosyncratic' and market-wide stress scenario lasting 30 calendar days. Under APS 210, liquid assets include cash, balances held with central banks, Australian dollar Commonwealth Government and semi-government securities, any CLF allocation as well as foreign currency HQLA securities.

As previously foreshadowed, APRA wrote to all LCR ADIs on 10 September 2021 advising that no ADI should rely on the CLF to meet their minimum 100% LCR requirements from the beginning of 2022 and that ADIs should reduce their usage of the CLF to zero by the end of 2022, subject to financial market conditions. MBL is managing the CLF removal in accordance with APRA's requirement.

Macquarie Bank's three month average LCR to 31 March 2022 excluding any CLF allocation was 175% (average based on daily observations)<sup>(2)</sup>. For a detailed breakdown of Macquarie Bank's LCR, please refer to Macquarie's regulatory disclosures (available on Macquarie's website).

### Net stable funding ratio

The NSFR is a twelve month structural funding metric, requiring that available stable funding be sufficient to cover required stable funding, where stable funding has an actual or assumed maturity of greater than twelve months. Macquarie Bank's NSFR as at 31 March 2022 excluding any CLF allocation was 121%<sup>(3)</sup>. For a detailed breakdown of Macquarie Bank's NSFR, please refer to Macquarie's regulatory disclosures (available on Macquarie's website).

(1) A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by an assigning rating agency and any rating should be evaluated independently of any other information.

(2) LCR average for March 2022 quarter excludes CLF allocation which reduced from \$A9.7 billion to \$A7.3 billion on 1 January 2022 in line with APRA's quarterly phase down timeline (195% including CLF allocation). APRA imposed a 15% add-on to the net cash outflow component of Macquarie Bank's LCR calculation, effective from 1 April 2021. This add-on increased to 25% from 1 May 2022.

(3) NSFR as at 31 March 2022 excludes CLF allocation (125% including CLF allocation). APRA imposed a 1% decrease to the available stable funding component of Macquarie Bank's NSFR calculation, effective from 1 April 2021.

## 5.3 Funded Balance Sheet

Macquarie's statement of financial position is prepared based on Australian Accounting Standards. The funded balance sheet is a simple representation of Macquarie's funding requirements once accounting related gross-ups and self-funded assets have been netted down from the statement of financial position. The funded balance sheet is not a liquidity risk management tool, as it does not consider the granular liquidity profiling of all on and off-balance sheet components considered in both Macquarie's internal liquidity framework and the regulatory liquidity metrics.

Given the substantial growth in Macquarie's home loan portfolio in recent years, the funded balance sheet has been revised to present home loans as its own loan asset category. As a result, external securitisations of home loans (and other relevant assets) which are a source of funding for such assets are no longer netted down on the funded balance sheet. In addition, Australian home loans and other qualifying assets originated by Macquarie that meet the RBA repurchase agreement eligibility criteria are included under Cash and liquid assets if they are held as contingent collateral for RBA facilities (such as the CLF). The remaining portion of self-securitised assets are now presented in the relevant Home loan and Other loan asset categories.

The table below reconciles the reported assets of Macquarie to the net funded assets as at 31 March 2022. The following pages split this between the Bank Group and the Non-Bank Group to assist in the analysis of each of the separate funding profiles of the respective entities.

	Notes	AS AT	
		Mar 22 <sup>(1)</sup> \$Ab	Mar 21 <sup>(1)</sup> \$Ab
Total assets per Macquarie's statement of financial position		<b>399.2</b>	245.7
Accounting deductions:			
Derivative revaluation accounting gross-ups	1	<b>(84.5)</b>	(17.4)
Segregated funds	2	<b>(7.4)</b>	(7.7)
Outstanding trade settlement balances	3	<b>(5.8)</b>	(7.5)
Working capital assets	4	<b>(13.4)</b>	(9.1)
Non-controlling interests	5	<b>(0.2)</b>	(0.3)
Self-funded assets:			
Self-funded trading assets	6	<b>(20.7)</b>	(15.9)
Non-recourse and security backed funding	7	<b>(1.3)</b>	(1.4)
<b>Net funded assets</b>		<b>265.9</b>	186.4

(1) There has been a change in presentation of certain items on the funded balance sheet in the current year. Comparatives have been restated to reflect this change.



## Explanatory notes concerning net funded assets

### 1. Derivative revaluation accounting gross-ups

Macquarie's derivative activities are mostly client driven with client positions hedged by offsetting positions with a variety of counterparties. The derivatives are largely matched and this adjustment reflects that the matched positions do not require funding. The associated margins paid and received are included as part of self-funded trading assets.

### 2. Segregated funds

These represent the assets and liabilities that are recognised where Macquarie holds segregated client monies. The client monies will be matched by assets held to the same amount. Any excess client funds placed with Macquarie are netted down against cash and liquid assets.

### 3. Outstanding trade settlement balances

At any particular time Macquarie will have outstanding trades to be settled as part of its brokering business and trading activities. These amounts (payables) can be offset in terms of funding by amounts that Macquarie is owed on other trades (receivables).

### 4. Working capital assets

As with the outstanding trade settlement balances above, Macquarie through its day-to-day operations generates working capital assets (e.g. receivables and prepayments) and working capital liabilities (e.g. creditors and accruals) that produce a 'net balance' that either requires or provides funding.

### 5. Non-controlling interests

These include the portion of equity ownership in subsidiaries not attributable to Macquarie. As this is not a position that Macquarie is required to fund, it is netted against the consolidated assets and liabilities in preparing the funded balance sheet.

### 6. Self-funded trading assets

Macquarie enters into stock borrowing and lending as well as repurchase agreements and reverse repurchase agreements in the normal course of trading activity that it conducts with its clients and counterparties, as well as for liquidity management purposes. Also as part of its trading activities, Macquarie pays and receives margin collateral on its outstanding derivative positions. These trading and liquidity management related asset and liability positions are viewed as being self-funded to the extent that they offset one another and, therefore, are netted as part of this adjustment.

### 7. Non-recourse and security backed funding

These include assets funded by third party debt with no recourse to Macquarie beyond the borrowing entity.



## 5.4 Funding Profile for Macquarie

### Funded balance sheet

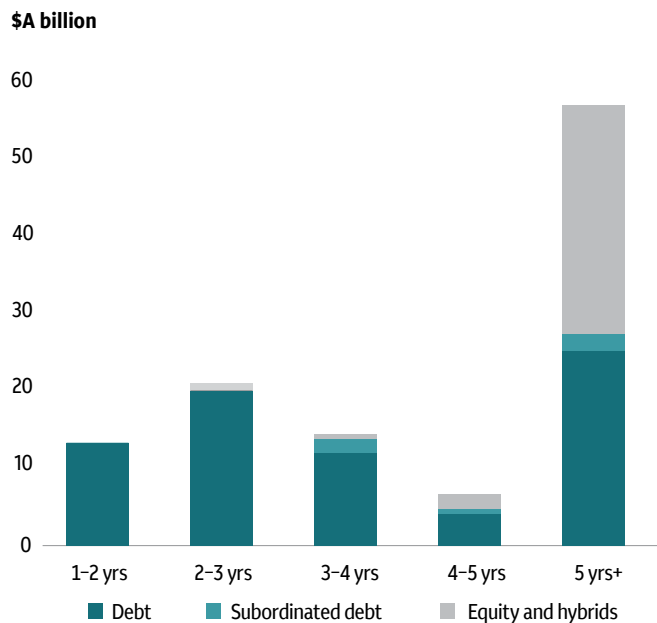
	Notes	AS AT	
		Mar 22 <sup>(1)</sup> \$Ab	Mar 21 <sup>(1)</sup> \$Ab
<b>Funding sources</b>			
Wholesale issued paper:	1		
Certificates of deposit		0.7	0.4
Commercial paper		35.1	12.9
Net trade creditors	2	2.4	1.4
Structured notes	3	1.3	1.1
Secured funding	4	27.5	13.8
Bonds	5	48.8	34.3
Other loans	6	1.4	1.2
Syndicated loan facilities	7	9.1	5.8
Customer deposits	8	101.5	84.0
Subordinated debt	9	4.6	5.1
Equity and hybrids	10	33.5	26.4
<b>Total</b>		<b>265.9</b>	<b>186.4</b>
<b>Funded assets</b>			
Cash and liquid assets	11	93.8	55.6
Net trading assets	12	27.1	25.6
Other loan assets including operating lease assets less than one year	13	13.2	11.4
Home loans	14	83.0	54.2
Other loan assets including operating lease assets greater than one year	13	35.5	29.1
Debt investments	15	2.5	1.9
Co-investment in Macquarie-managed funds and other equity investments	16	6.3	5.7
Property, plant and equipment and intangibles		4.5	2.9
<b>Total</b>		<b>265.9</b>	<b>186.4</b>

See Section 5.7 for Notes 1-16.

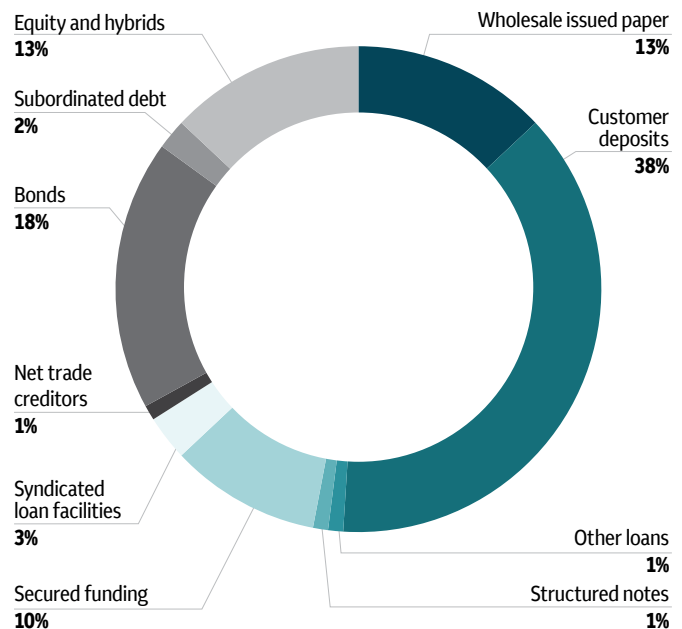
(1) There has been a change in presentation of certain items on the funded balance sheet in the current year. Comparatives have been restated to reflect this change. Refer to Section 5.3 for more details.

## Term funding profile

### Detail of drawn funding maturing beyond one year



### Diversity of funding sources



#### AS AT MAR 22<sup>(1)</sup>

	1-2 yrs \$Ab	2-3 yrs \$Ab	3-4 yrs \$Ab	4-5 yrs \$Ab	5 yrs+ \$Ab	Total \$Ab
Structured notes <sup>(2)</sup>	0.1	0.4	-	0.2	0.6	1.3
Secured funding <sup>(2),(3)</sup>	5.8	11.7	1.3	0.9	2.4	22.1
Bonds	7.5	7.6	5.7	3.0	18.7	42.5
Other loans	-	0.1	-	-	0.1	0.2
Syndicated loan facilities	-	0.4	5.1	-	3.6	9.1
<b>Total debt</b>	<b>13.4</b>	<b>20.2</b>	<b>12.1</b>	<b>4.1</b>	<b>25.4</b>	<b>75.2</b>
Subordinated debt <sup>(4)</sup>	-	-	1.8	0.7	2.1	4.6
Equity and hybrids <sup>(4)</sup>	-	1.0	0.6	1.9	30.0	33.5
<b>Total funding sources drawn</b>	<b>13.4</b>	<b>21.2</b>	<b>14.5</b>	<b>6.7</b>	<b>57.5</b>	<b>113.3</b>
Undrawn	0.6	-	1.7	-	-	2.3
<b>Total funding sources drawn and undrawn</b>	<b>14.0</b>	<b>21.2</b>	<b>16.2</b>	<b>6.7</b>	<b>57.5</b>	<b>115.6</b>

Macquarie has a funding base that is stable with short-term wholesale funding covered by cash, liquids and other short-term assets.

As at 31 March 2022, Macquarie's term assets were covered by term funding maturing beyond one year, stable deposits, hybrids and equity.

The weighted average term to maturity of term funding maturing beyond one year (excluding TFF, equity and securitisations) was 5.1 years and the weighted average term to maturity of term funding maturing beyond one year including TFF (excluding equity and securitisations) was 4.7 years as at 31 March 2022.

As at 31 March 2022, customer deposits represented \$A101.5 billion, or 38% of Macquarie's total funding, short-term (maturing in less than 12 months) wholesale issued paper represented \$A35.8 billion, or 13% of total funding, and other debt funding maturing within 12 months and net trade creditors represented \$A15.3 billion, or 6% of total funding.

(1) There has been a change in presentation of certain items on the funded balance sheet in the current year. Refer to Section 5.3 for more details.

(2) Structured notes and securitisations are profiled using a behavioural maturity profile.

(3) Includes RBA Term Funding Facility (TFF) of \$A11.3 billion.

(4) Included in this balance are securities with conditional repayment obligations. These securities are disclosed using the earlier repricing dates instead of contractual maturity.

## 5.4 Funding Profile for Macquarie

Continued

### Term funding initiatives

Macquarie has a liability driven approach to balance sheet management, where funding is raised prior to assets being taken on to the balance sheet. Since 1 April 2021, Macquarie has continued to raise term wholesale funding across various products and currencies.

Details of term funding raised between 1 April 2021 and 31 March 2022:

		Bank Group \$Ab	Non-Bank Group \$Ab	Total \$Ab
Issued paper	- Senior and subordinated	7.8	13.9	21.7
Secured funding	- Term securitisation and other secured finance	9.0	0.8	9.8
	- RBA Term Funding Facility <sup>(1)</sup>	9.5	-	9.5
Loan facilities	- Syndicated unsecured loan facilities	3.0	3.6	6.6
Hybrids	- Hybrid instruments	0.7	-	0.7
<b>Total</b>		<b>30.0</b>	<b>18.3</b>	<b>48.3</b>

Macquarie has continued to develop its major funding markets and products during the year ended 31 March 2022.

From 1 April 2021 to 31 March 2022, Macquarie raised \$A48.3 billion<sup>(2)</sup> of term funding including:

- \$A21.7 billion of term wholesale issued paper comprising of \$A20.9 billion of senior unsecured debt and \$A0.8 billion of subordinated unsecured debt
- \$A9.5 billion draw down of the RBA Term Funding Facility<sup>(1)</sup>
- \$A6.8 billion of PUMA RMBS securitisation issuance
- \$A6.6 billion of syndicated unsecured loan facilities
- \$A3.0 billion refinance of secured trade finance facilities; and
- \$A0.7 billion of BCN3 Hybrid instrument issuance.

In addition to the \$A48.3 billion of term funding raised, \$A2.8 billion of equity capital was raised through \$A1.5 billion institutional placement and \$A1.3 billion share purchase plan.

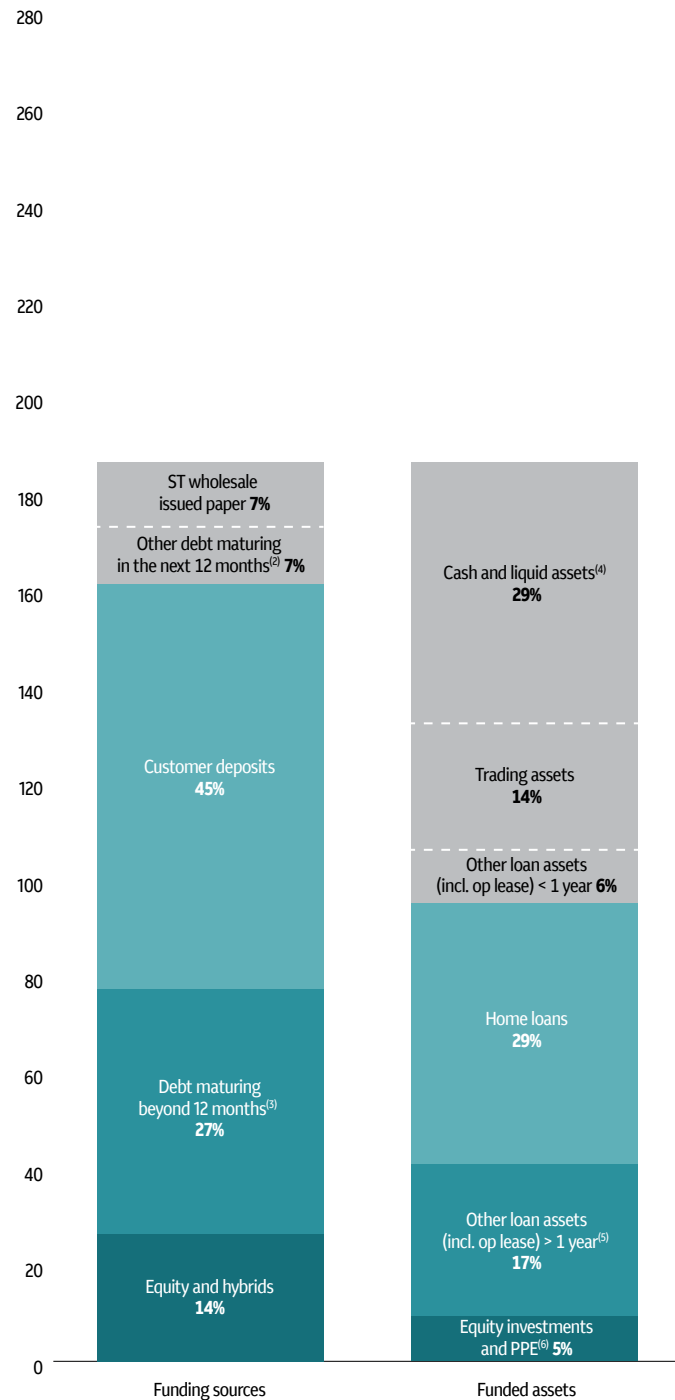
(1) \$A9.5 billion of Supplementary and Additional Allowance drawn in June 2021. \$A1.7 billion of Initial Allowance was drawn in September 2020.

(2) Issuances cover a range of tenors, currencies and product types and are Australian dollar equivalent based on FX rates at the time of issuance. Includes refinancing of loan facilities.

The change in composition of the funded balance sheet is illustrated in the chart below.

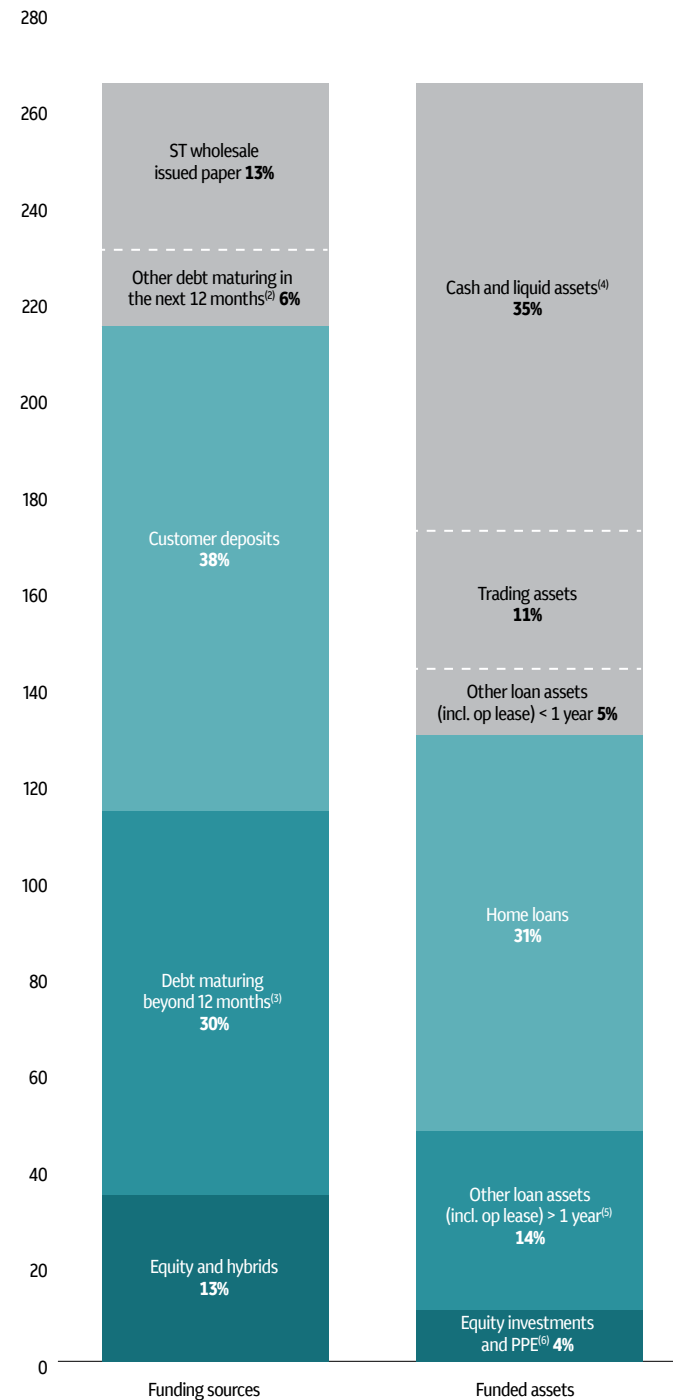
### 31 March 2021<sup>(1)</sup>

\$A billion



### 31 March 2022<sup>(1)</sup>

\$A billion



(1) There has been a change in presentation of certain items on the funded balance sheet in the current year. Comparatives have been restated to reflect this change. Refer to Section 5.3 for more details.

(2) Other debt maturing in the next 12 months includes Secured funding, Bonds, Other loans, Subordinated debt and Net trade creditors.

(3) Debt maturing beyond 12 months includes Subordinated debt, Structured notes, Secured funding (including RBA TFF), Bonds, Syndicated loan facilities and Other loans not maturing within next 12 months.

(4) Cash and liquid assets includes self-securitisation of repo eligible Australian assets originated by Macquarie and held as contingent collateral for RBA facilities (such as the CLF).

(5) Other loan assets (incl. op lease) > 1 year includes Debt investments.

(6) Equity investments and PPE includes Macquarie's co-investments in Macquarie-managed funds and other equity investments.

## 5.5 Funding Profile for the Bank Group

### Funded balance sheet

	Notes	AS AT	
		Mar 22 <sup>(1)</sup> \$Ab	Mar 21 <sup>(1)</sup> \$Ab
<b>Funding sources</b>			
Wholesale issued paper:	1		
Certificates of deposit		0.7	0.4
Commercial paper		35.1	12.9
Net trade creditors	2	1.4	1.3
Structured notes	3	0.4	0.5
Secured funding	4	26.6	13.4
Bonds	5	21.5	19.0
Other loans	6	1.2	1.0
Syndicated loan facilities	7	2.8	-
Customer deposits	8	101.5	84.0
Subordinated debt	9	4.6	5.1
Equity and hybrids	10	20.3	15.8
<b>Total</b>		<b>216.1</b>	<b>153.4</b>
<b>Funded assets</b>			
Cash and liquid assets	11	78.6	51.0
Net trading assets	12	24.3	24.4
Other loan assets including operating lease assets less than one year	13	12.2	10.9
Home loans	14	83.0	54.2
Other loan assets including operating lease assets greater than one year	13	23.5	22.7
Debt investments	15	1.4	1.3
Non-Bank Group deposit with MBL		(8.3)	(12.4)
Co-investment in Macquarie-managed funds and other equity investments	16	0.6	0.5
Property, plant and equipment and intangibles		0.8	0.8
<b>Total</b>		<b>216.1</b>	<b>153.4</b>

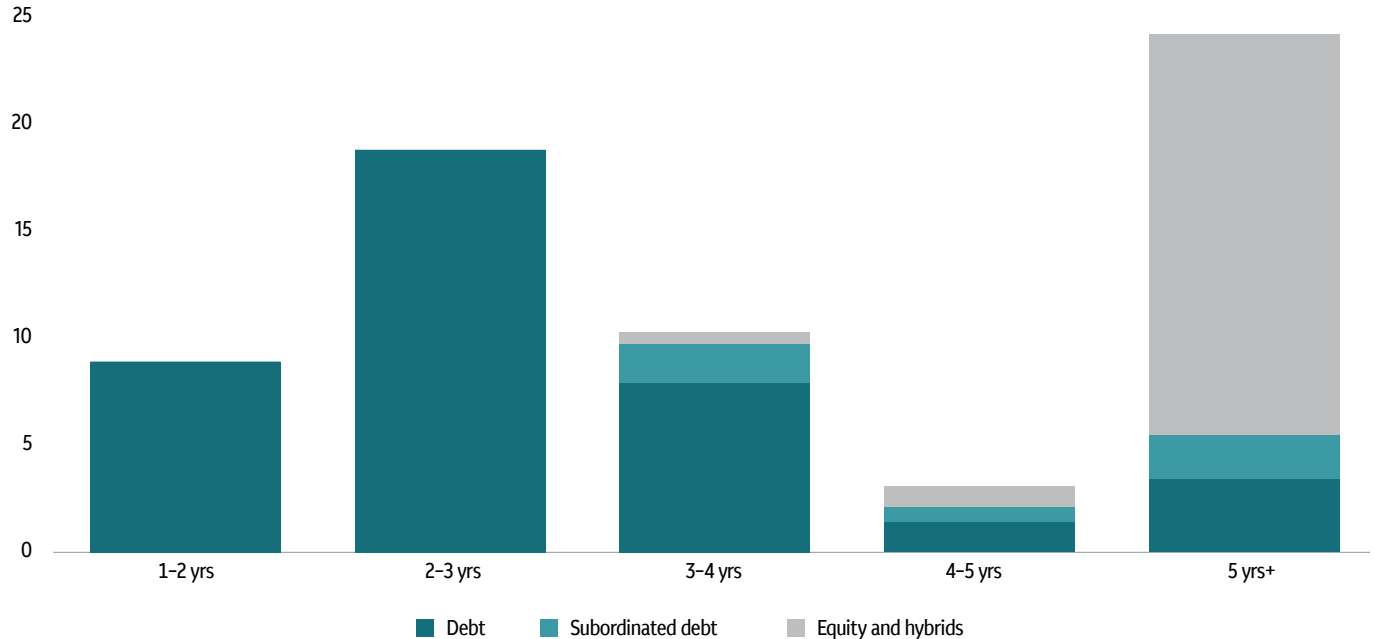
See Section 5.7 for Notes 1–16.

(1) There has been a change in presentation of certain items on the funded balance sheet in the current year. Comparatives have been restated to reflect this change. Refer to section 5.3 for more details.

## Term funding profile

### Detail of drawn funding maturing beyond one year

\$A billion



	AS AT MAR 22 <sup>(1)</sup>					Total
	1-2 yrs \$Ab	2-3 yrs \$Ab	3-4 yrs \$Ab	4-5 yrs \$Ab	5 yrs+ \$Ab	\$Ab
Structured notes <sup>(2)</sup>	0.1	-	-	0.1	0.2	0.4
Secured funding <sup>(2),(3)</sup>	5.4	11.7	1.3	0.9	2.4	21.7
Bonds	3.4	7.0	3.8	0.4	0.8	15.4
Other loans	-	0.1	-	-	-	0.1
Syndicated loan facilities	-	-	2.8	-	-	2.8
<b>Total debt</b>	<b>8.9</b>	<b>18.8</b>	<b>7.9</b>	<b>1.4</b>	<b>3.4</b>	<b>40.4</b>
Subordinated debt <sup>(4)</sup>	-	-	1.8	0.7	2.1	4.6
Equity and hybrids <sup>(4)</sup>	-	-	0.6	1.0	18.7	20.3
<b>Total funding sources drawn</b>	<b>8.9</b>	<b>18.8</b>	<b>10.3</b>	<b>3.1</b>	<b>24.2</b>	<b>65.3</b>
Undrawn	0.6	-	-	-	-	0.6
<b>Total funding sources drawn and undrawn</b>	<b>9.5</b>	<b>18.8</b>	<b>10.3</b>	<b>3.1</b>	<b>24.2</b>	<b>65.9</b>

Macquarie Bank has diversity of funding across a range of tenors, currencies and products. The weighted average term to maturity of term funding maturing beyond one year (excluding TFF, equity and securitisations) was 3.8 years and the weighted average term to maturity of term funding maturing beyond one year including TFF (excluding equity and securitisations) was 3.3 years as at 31 March 2022.

As at 31 March 2022, customer deposits represented \$A101.5 billion, or 47% of the Bank Group's total funding, short-term (maturing in less than 12 months) wholesale issued paper represented \$A35.8 billion, or 17% of total funding, and other debt funding maturing within 12 months and net trade creditors represented \$A13.5 billion, or 6% of total funding.

(1) There has been a change in presentation of certain items on the funded balance sheet in the current year. Refer to Section 5.3 for more details.

(2) Structured notes and securitisations are profiled using a behavioural maturity profile.

(3) Includes RBA TFF of \$A11.3 billion.

(4) Included in this balance are securities with conditional repayment obligations. These securities are disclosed using the earlier repricing dates instead of contractual maturity.

## 5.5 Funding Profile for the Bank Group

Continued

The key tools used for raising debt funding, which primarily fund MBL and the Bank Group, are as follows<sup>(1)</sup>:

- \$US25 billion Regulation S Debt Instrument Program, including Euro Commercial Paper, Euro Certificate of Deposit, Euro Medium-Term Notes, senior notes, and Transferable Deposits. The Debt Instrument Program had \$US14.0 billion debt securities outstanding as at 31 March 2022
- \$US25 billion Commercial Paper Program under which \$US21.2 billion of debt securities were outstanding as at 31 March 2022
- \$US20 billion US Rule 144A/Regulation S Medium-Term Note Program, including senior and subordinated notes, under which \$US9.8 billion of debt securities were outstanding as at 31 March 2022
- \$A13.4 billion of external securitisation outstanding, comprising of \$A12.5 billion PUMA RMBS and \$A0.9 billion SMART ABS as at 31 March 2022
- \$US5 billion Structured Note Program under which \$US0.3 billion of structured notes were outstanding as at 31 March 2022
- \$A5 billion Covered Bond Programme under which no debt securities were outstanding as at 31 March 2022
- \$A2.8 billion<sup>(2)</sup> of Syndicated Loan Facilities which was fully drawn as at 31 March 2022
- \$US1.7 billion Secured Trade Finance Facility<sup>(3)</sup> of which \$US1.3 billion was drawn as at 31 March 2022
- \$A1.5 billion of other subordinated unsecured debt outstanding as at 31 March 2022; and
- \$A11.3 billion<sup>(4)</sup> of RBA Term Funding Facility outstanding as at 31 March 2022.

Macquarie Bank accesses the Australian capital markets through the issuance of Negotiable Certificates of Deposit. As at 31 March 2022, Macquarie Bank had \$A0.7 billion of these securities outstanding.

Macquarie Bank, as an ADI, has access to liquidity from the RBA daily market operations.

### Deposit strategy

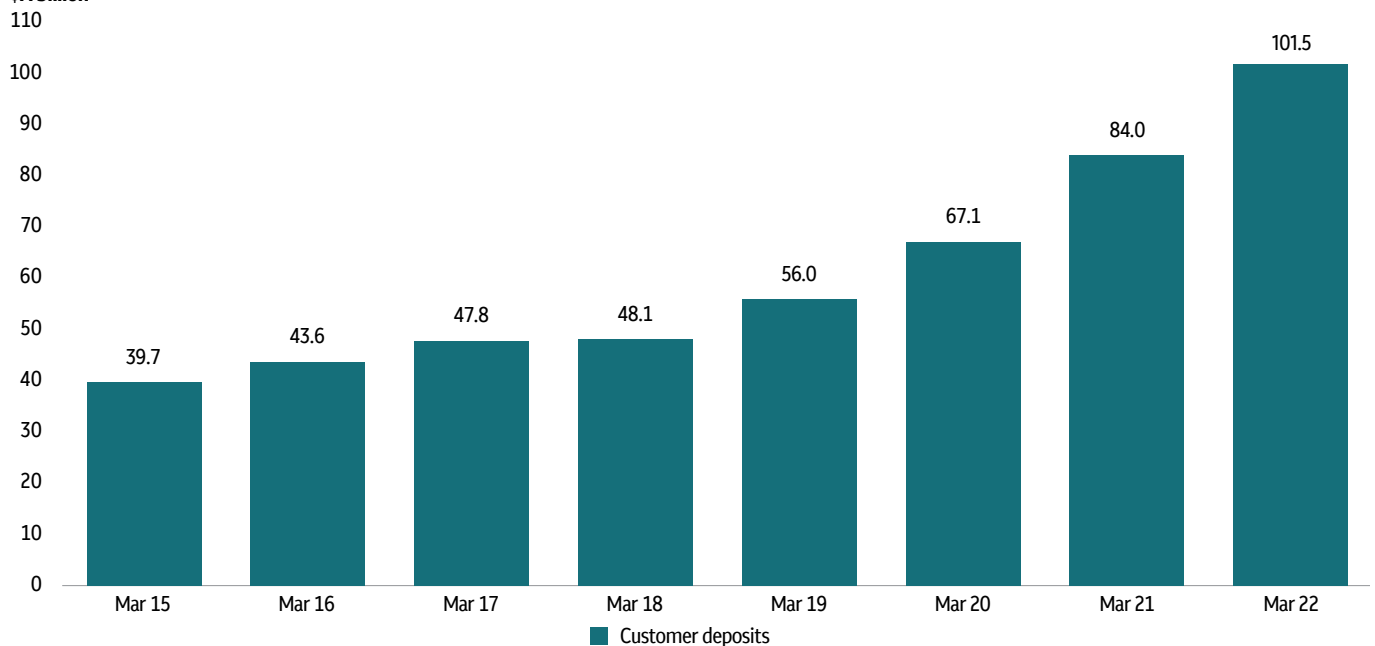
MBL continues to pursue a deposit strategy that is consistent with the core liquidity management strategy of achieving diversity and stability of funding sources. The strategy is focused on growing the BFS deposit base, which represents a stable and reliable source of funding and reduces Macquarie's reliance on wholesale funding markets.

In particular, MBL is focused on the quality and diversification of the deposit base, targeting transactional and relationship-based deposits. MBL is covered by the Financial Claims Scheme (FCS), an Australian Government scheme that provides protection to depositors up to a limit of \$A250,000 per account holder per ADI.

The chart below illustrates the customer deposit growth since 31 March 2015.

### Deposit trend

\$A billion



(1) Funding outstanding excludes capitalised costs.

(2) Issued out of Macquarie International Finance Limited (MIFL). Values are Australian dollar equivalents as at 31 March 2022.

(3) \$US1.7 billion Secured Trade Finance Facility can be at either the MBL or MGL level but is currently drawn out of MBL.

(4) Total of \$A11.26 billion of RBA TFF outstanding as at 31 March 2022, comprising of \$A1.72 billion of Initial Allowance, and \$A9.53 billion of Additional and Supplementary Allowances.



## 5.6 Funding Profile for the Non-Bank Group

### Funded balance sheet

	Notes	AS AT	
		Mar 22 \$Ab	Mar 21 \$Ab
<b>Funding sources</b>			
Net trade creditors	2	1.0	0.1
Structured notes	3	0.9	0.6
Secured funding	4	0.9	0.4
Bonds	5	27.3	15.3
Other loans	6	0.2	0.2
Syndicated loan facilities	7	6.3	5.8
Equity and hybrids	10	13.2	10.6
<b>Total</b>		<b>49.8</b>	<b>33.0</b>
<b>Funded assets</b>			
Cash and liquid assets	11	15.2	4.6
Non-Bank Group deposit with MBL		8.3	12.4
Net trading assets	12	2.8	1.2
Other loan assets including operating lease assets less than one year	13	1.0	0.5
Other loan assets including operating lease assets greater than one year	13	12.0	6.4
Debt investments	15	1.1	0.6
Co-investment in Macquarie-managed funds and other equity investments	16	5.7	5.2
Property, plant and equipment and intangibles		3.7	2.1
<b>Total</b>		<b>49.8</b>	<b>33.0</b>

See Section 5.7 for Notes 2-16.

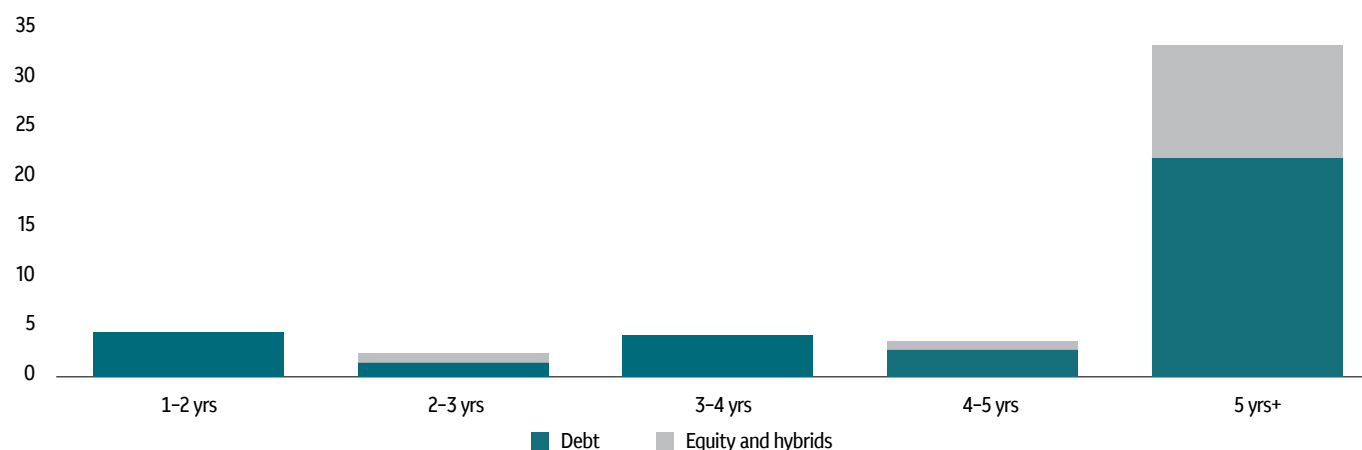
## 5.6 Funding Profile for the Non-Bank Group

Continued

### Term funding profile

#### Detail of drawn funding maturing beyond one year

\$A billion



	AS AT MAR 22					Total
	1-2 yrs \$Ab	2-3 yrs \$Ab	3-4 yrs \$Ab	4-5 yrs \$Ab	5 yrs+ \$Ab	\$Ab
Structured notes <sup>(1)</sup>	-	0.4	-	0.1	0.4	0.9
Secured funding	0.4	-	-	-	-	0.4
Bonds	4.1	0.6	1.9	2.6	17.9	27.1
Other loans	-	-	-	-	0.1	0.1
Syndicated loan facilities	-	0.4	2.3	-	3.6	6.3
<b>Total debt</b>	<b>4.5</b>	<b>1.4</b>	<b>4.2</b>	<b>2.7</b>	<b>22.0</b>	<b>34.8</b>
Equity and hybrids <sup>(2)</sup>	-	1.0	-	0.9	11.3	13.2
<b>Total funding sources drawn</b>	<b>4.5</b>	<b>2.4</b>	<b>4.2</b>	<b>3.6</b>	<b>33.3</b>	<b>48.0</b>
Undrawn	-	-	1.7	-	-	1.7
<b>Total funding sources drawn and undrawn</b>	<b>4.5</b>	<b>2.4</b>	<b>5.9</b>	<b>3.6</b>	<b>33.3</b>	<b>49.7</b>

The weighted average term to maturity of term funding maturing beyond one year (excluding equity) was 6.1 years as at 31 March 2022.

As at 31 March 2022, other debt funding maturing within 12 months and net trade creditors represented \$A1.8 billion, or 4% of total funding.

The key tools used for raising debt funding, which primarily fund MGL and the Non-Bank Group, are as follows<sup>(3)</sup>:

- \$US20 billion US Rule 144A/Regulation S Medium-Term Note Program, under which \$US13.0 billion of debt securities were outstanding as at 31 March 2022
- \$US10 billion Regulation S Debt Instrument Program, incorporating Euro Commercial Paper, Euro Medium-Term Notes and senior fixed/floating rate notes. The Debt Instrument Program had \$US5.5 billion debt securities outstanding as at 31 March 2022
- \$A8.0 billion<sup>(4)</sup> of Syndicated Loan Facilities of which \$A6.3 billion<sup>(4)</sup> was drawn as at 31 March 2022
- \$US5 billion Structured Note Program under which \$US0.7 billion of structured notes were outstanding as at 31 March 2022
- \$US2.0 billion of Muni-gas Prepayment funding outstanding as at 31 March 2022; and
- \$US0.6 billion Secured Trade Finance Facility which was fully drawn as at 31 March 2022.

(1) Structured notes are profiled using a behavioural maturity profile.

(2) Included in this balance are securities with conditional repayment obligations. These securities are disclosed using the earlier repricing dates instead of contractual maturity.

(3) Funding outstanding excludes capitalised costs.

(4) Values are Australian dollar equivalents as at 31 March 2022.

## 5.7 Explanatory Notes Concerning Funding Sources and Funded Assets

### 1. Wholesale issued paper

Unsecured short-term wholesale funding comprised of both Certificates of Deposit and Commercial Paper.

### 2. Net trade creditors

Short-term working capital balances (debtors and creditors) are created through Macquarie's day-to-day operations. A net funding use (or source) will result due to timing differences in cash flows.

### 3. Structured notes

Includes debt instruments on which the return is linked to a number of variables including interest rates, currencies, equities and credit. They are generally issued as part of structured transactions with clients and are hedged with positions in underlying assets or derivative instruments.

### 4. Secured funding

Certain funding arrangements secured against an asset (or pool of assets).

### 5. Bonds

Unsecured long-term wholesale funding.

### 6. Other loans

Unsecured loans provided by financial institutions and other counterparties.

### 7. Syndicated loan facilities

Loan facilities provided by a syndicate of wholesale lenders.

### 8. Customer deposits

Unsecured funding from BFS, corporate and wholesale depositors. The Australian Government Financial Claims Scheme covers eligible deposits in Macquarie Bank.

### 9. Subordinated debt

Long-term subordinated debt.

### 10. Equity and hybrids

Equity balances are comprised of issued capital, retained earnings and reserves. Hybrid instruments as at 31 March 2022 include MACS, BCN 2 and 3 and MCN 3, 4 and 5.

### 11. Cash and liquid assets

Cash and liquid assets are held as cash balances (including central bank reserves and overnight lending to financial institutions), qualifying High Quality Liquid Assets (HQLA), other external RBA repo eligible securities or Australian assets internally securitised by Macquarie and held as contingent collateral in RBA facilities such as the Committed Liquidity Facility (CLF) – so called 'Alternative Liquid Assets' (ALA).

### 12. Net trading assets

The net trading asset balance consists of financial markets, commodities and equity trading assets including the net derivative position, any trading-related receivables or payables and margin or collateral balances.

### 13. Other loan assets including operating lease assets

This represents loans provided to retail and wholesale borrowers, as well as assets held under operating leases. Excludes home loans.

See section 4.2 for further information.

### 14. Home loans

Secured by residential property.

### 15. Debt investments

These can include various categories of debt securities including asset backed securities, bonds, commercial mortgage backed securities and residential mortgage backed securities.

### 16. Co-investment in Macquarie-managed funds and other equity investments

These include equity investments at fair value, interests in associates and joint ventures and other equity investments.

# 06 Capital

## **Hazelwood Battery Energy Storage System, Australia**

Providing 150 MW/150 MWh of flexible energy, the Hazelwood Battery Energy Storage System has the capacity to store the equivalent of an hour of energy generation from the rooftop solar systems of 30,000 homes and will play a critical role in increasing renewable energy capacity in Victoria, while delivering further grid stability for the state.







## 6.1 Overview

As an Australian Prudential Regulation Authority (APRA) authorised and regulated Non-Operating Holding Company, MGL is required to hold adequate regulatory capital to cover the risks for Macquarie, including the Non-Bank Group. MGL and APRA have agreed a capital adequacy framework for Macquarie, based on APRA's capital standards for ADIs and Macquarie's Board-approved Economic Capital Adequacy Model (ECAM).

Macquarie's capital adequacy framework requires it to maintain minimum regulatory capital requirements calculated as the sum of:

- The Bank Group's minimum Tier 1 capital requirement, based on a percentage of risk-weighted assets plus Tier 1 deductions using prevailing APRA ADI Prudential Standards; and
- The Non-Bank Group's capital requirement, calculated using Macquarie's ECAM.

Transactions internal to Macquarie are eliminated.

Eligible regulatory capital of Macquarie consists of ordinary share capital, retained earnings and certain reserves plus eligible hybrid instruments. Eligible hybrid instruments as at 31 March 2022 include the Macquarie Additional Capital Securities (MACS), Macquarie Bank Capital Notes 2 (BCN2), Macquarie Bank Capital Notes 3 (BCN3), Macquarie Group Capital Notes 3 (MCN3), Macquarie Group Capital Notes 4 (MCN4) and Macquarie Group Capital Notes 5 (MCN5).

Capital disclosures in this section include Harmonised Basel III<sup>(1)</sup> and APRA Basel III<sup>(2)</sup>. The former is relevant for comparison with banks regulated by regulators other than APRA, whereas the latter reflects Macquarie's regulatory requirements under APRA Basel III rules.

### Pillar 3

The APRA ADI Prudential Standard APS 330 Capital Adequacy: Public Disclosure (Pillar 3) details the market disclosure requirements for Australian domiciled banks. APS 330 requires qualitative and quantitative disclosure of risk management practices and capital adequacy. Pillar 3 documents are available on Macquarie's website.

(1) '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.

(2) APRA Basel III relates to the ADI Prudential Standards released by APRA for the period effective from 1 January 2013.

## Macquarie Basel III regulatory capital surplus calculation

	AS AT MAR 22		AS AT SEP 21		MOVEMENT	
	Harmonised Basel III \$Am	APRA Basel III \$Am	Harmonised Basel III \$Am	APRA Basel III \$Am	Harmonised Basel III %	APRA Basel III %
Macquarie eligible capital:						
Bank Group Gross Tier 1 capital	20,255	20,255	18,401	18,401	10	10
Non-Bank Group eligible capital	13,315	13,315	10,704	10,704	24	24
<b>Eligible capital</b>	<b>33,570</b>	<b>33,570</b>	29,105	29,105	15	15
Macquarie capital requirement:						
<b>Bank Group capital requirement</b>						
Risk-Weighted Assets (RWA) <sup>(1)</sup>	118,289	129,833	106,030	115,009	12	13
Capital required to cover RWA at 8.5% <sup>(2)</sup>	10,055	11,036	9,013	9,776	12	13
Tier 1 deductions	563	2,983	258	2,480	118	20
<b>Total Bank Group capital requirement</b>	<b>10,618</b>	<b>14,019</b>	9,271	12,256	15	14
<b>Total Non-Bank Group capital requirement</b>	<b>8,885</b>	<b>8,885</b>	8,435	8,435	5	5
<b>Total Macquarie capital requirement (at 8.5%<sup>(2),(3)</sup> of the Bank Group RWA)</b>	<b>19,503</b>	<b>22,904</b>	17,706	20,691	10	11
<b>Macquarie regulatory capital surplus (at 8.5%<sup>(2),(3)</sup> of Bank Group RWA)</b>	<b>14,067</b>	<b>10,666</b>	11,399	8,414	23	27

(1) In calculating the Bank Group's contribution to Macquarie's capital requirement, RWA internal to Macquarie are eliminated (31 March 2022: \$A807 million; 30 September 2021: \$A874 million).

(2) Calculated at 8.5% of the Bank Group's RWA. The 8.5% represents the Basel III minimum Tier 1 ratio of 6% plus 2.5% of capital conservation buffer (CCB).

(3) Based on materiality, the countercyclical capital buffer (CCyB) of ~1bps has not been included. The individual CCyB varies by jurisdiction and the Bank Group's CCyB is calculated as a weighted average based on exposures in different jurisdictions.



## 6.2 Bank Group Capital

The Bank Group is accredited by APRA under the Basel Foundation Internal Ratings Based approach (FIRB) for credit risk, the Advanced Measurement Approach (AMA) for operational risk, the internal model approach for market risk and the internal model approach for interest rate risk in the banking book (IRRBB).

These advanced approaches place a higher reliance on a bank's internal capital measures and therefore require a more sophisticated level of risk management and risk measurement practices.

### Common Equity Tier 1 Capital

The Bank Group's Common Equity Tier 1 capital under Basel III consists of ordinary share capital, retained earnings and certain reserves.

### Tier 1 Capital

Tier 1 capital consists of Common Equity Tier 1 capital and Additional Tier 1 capital (hybrids). Additional Tier 1 capital as at 31 March 2022 consists of MACS, BCN2 and BCN3. MBL periodically pays dividends to MGL and is recapitalised by MGL as required to support projected business growth.

MACS were issued by MBL, acting through its London Branch in March 2017. MACS are subordinated, unsecured notes that pay discretionary, non-cumulative, semi-annual fixed rate cash distributions. Subject to certain conditions the MACS may be redeemed on 8 March 2027, or every fifth anniversary thereafter. MACS can be exchanged for a variable number of fully paid MGL ordinary shares on an acquisition event (where a person acquires control of MBL or MGL), where MBL's common equity Tier 1 capital ratio falls below 5.125%, or where APRA determines MBL would be non-viable without an exchange or a public sector injection of capital (or equivalent support).

BCN2 were issued by MBL in June 2020 and are quoted on the Australian Securities Exchange. The BCN2 pay discretionary, quarterly floating rate cash distributions equal to three month BBSW plus 4.70% per annum margin, adjusted for franking credits. These instruments are non-cumulative and unsecured and may be redeemed at face value on 21 December 2025, 21 June 2026 or 21 December 2026 (subject to certain conditions being satisfied) or earlier in specified circumstances. The BCN2 can be converted into a variable number of MGL ordinary shares (subject to certain conditions being satisfied) on these redemption dates; mandatorily exchanged on 21 December 2028; exchanged earlier upon an acquisition event (with the acquirer gaining control of MGL or MBL); or where APRA determines MBL would be non-viable without an exchange or a public sector injection of capital (or equivalent support)

BCN3 were issued by MBL in August 2021 and are quoted on the Australian Securities Exchange. The BCN3 pay discretionary, quarterly floating rate cash distributions equal to three-month BBSW plus 2.90% per annum margin, adjusted for franking credits. These instruments are non-cumulative and unsecured and may be redeemed at face value on 7 September 2028, 7 March 2029, or 7 September 2029 (subject to certain conditions being satisfied) or earlier in specified circumstances. The BCN3 can be converted into a variable number of MGL ordinary shares (subject to certain conditions being satisfied) on these redemption dates; mandatorily exchanged on 8 September 2031; exchanged earlier upon an acquisition event (with the acquirer gaining control of MGL or MBL); or where APRA determines MBL would be non-viable without an exchange or a public sector injection of capital (or equivalent support).

## Bank Group Basel III Tier 1 Capital

	AS AT MAR 22		AS AT SEP 21		MOVEMENT	
	Harmonised Basel III \$Am	APRA Basel III \$Am	Harmonised Basel III \$Am	APRA Basel III \$Am	Harmonised Basel III %	APRA Basel III %
<b>Common Equity Tier 1 capital</b>						
Paid-up ordinary share capital	9,562	9,562	9,040	9,040	6	6
Retained earnings	7,962	7,962	6,513	6,513	22	22
Reserves	434	434	515	515	(16)	(16)
<b>Gross Common Equity Tier 1 capital</b>	<b>17,958</b>	<b>17,958</b>	16,068	16,068	12	12
<b>Regulatory adjustments to Common Equity Tier 1 capital:</b>						
Goodwill	36	36	41	41	(12)	(12)
Deferred tax assets	34	853	31	748	10	14
Net other fair value adjustments	47	47	(84)	(84)	*	*
Intangible component of investments in subsidiaries and other entities	37	37	34	34	9	9
Loan and lease origination fees and commissions paid to mortgage originators and brokers	-	582	-	534	-	9
Shortfall in provisions for credit losses	294	302	89	141	230	114
Equity exposures	-	952	-	859	-	11
Capitalised software	22	22	51	51	(57)	(57)
Other Common Equity Tier 1 capital deductions	93	152	96	156	(3)	(3)
Total Common Equity Tier 1 capital deductions	563	2,983	258	2,480	118	20
<b>Net Common Equity Tier 1 capital</b>	<b>17,395</b>	<b>14,975</b>	15,810	13,588	10	10
<b>Additional Tier 1 Capital</b>						
Additional Tier 1 capital instruments	2,297	2,297	2,333	2,333	(2)	(2)
<b>Gross Additional Tier 1 capital</b>	<b>2,297</b>	<b>2,297</b>	2,333	2,333	(2)	(2)
Deduction from Additional Tier 1 capital	-	-	-	-		
<b>Net Additional Tier 1 capital</b>	<b>2,297</b>	<b>2,297</b>	2,333	2,333	(2)	(2)
<b>Total Net Tier 1 capital</b>	<b>19,692</b>	<b>17,272</b>	18,143	15,921	9	8

## 6.2 Bank Group Capital

Continued

### Bank Group Basel III Risk-Weighted Assets (RWA)

	AS AT MAR 22		AS AT SEP 21		MOVEMENT	
	Harmonised Basel III \$Am	APRA Basel III \$Am	Harmonised Basel III \$Am	APRA Basel III \$Am	Harmonised Basel III %	APRA Basel III %
<b>Credit risk</b>						
Subject to IRB approach:						
Corporate	39,861	39,861	35,880	35,880	11	11
SME Corporate	4,529	4,529	4,506	4,506	1	1
Sovereign	3,542	3,542	2,517	2,517	41	41
Bank	1,659	1,659	1,762	1,762	(6)	(6)
Residential mortgage	10,891	26,802	9,635	23,436	13	14
Other retail	2,856	2,856	3,168	3,168	(10)	(10)
Retail SME	2,472	2,474	2,829	2,832	(13)	(13)
<b>Total RWA subject to IRB approach</b>	<b>65,810</b>	<b>81,723</b>	<b>60,297</b>	<b>74,101</b>	<b>9</b>	<b>10</b>
<b>Specialised lending exposures subject to slotting criteria<sup>(1)</sup></b>						
	8,983	8,983	8,628	8,628	4	4
Subject to Standardised approach:						
Corporate	52	52	86	86	(40)	(40)
Residential mortgage	581	581	638	638	(9)	(9)
Other Retail	1,026	1,026	1,200	1,200	(15)	(15)
<b>Total RWA subject to Standardised approach</b>	<b>1,659</b>	<b>1,659</b>	<b>1,924</b>	<b>1,924</b>	<b>(14)</b>	<b>(14)</b>
<b>Credit risk RWA for securitisation exposures</b>	<b>718</b>	<b>718</b>	<b>877</b>	<b>877</b>	<b>(18)</b>	<b>(18)</b>
<b>Credit Valuation Adjustment RWA</b>	<b>12,294</b>	<b>12,294</b>	<b>7,778</b>	<b>7,778</b>	<b>58</b>	<b>58</b>
<b>Exposures to Central Counterparties RWA</b>	<b>525</b>	<b>525</b>	<b>522</b>	<b>522</b>	<b>1</b>	<b>1</b>
<b>RWA for Other Assets</b>	<b>5,273</b>	<b>2,585</b>	<b>5,013</b>	<b>2,626</b>	<b>5</b>	<b>(2)</b>
<b>Total Credit risk RWA</b>	<b>95,262</b>	<b>108,487</b>	<b>85,039</b>	<b>96,456</b>	<b>12</b>	<b>12</b>
<b>Equity risk exposures RWA</b>	<b>3,269</b>	<b>-</b>	<b>2,892</b>	<b>-</b>	<b>13</b>	<b>-</b>
<b>Market risk RWA</b>	<b>10,230</b>	<b>10,230</b>	<b>8,607</b>	<b>8,607</b>	<b>19</b>	<b>19</b>
<b>Operational risk RWA</b>	<b>10,335</b>	<b>10,335</b>	<b>10,366</b>	<b>10,366</b>	<b>-</b>	<b>-</b>
<b>Interest rate risk in banking book RWA</b>	<b>-</b>	<b>1,588</b>	<b>-</b>	<b>454</b>	<b>-</b>	<b>250</b>
<b>Total Bank Group RWA</b>	<b>119,096</b>	<b>130,640</b>	<b>106,904</b>	<b>115,883</b>	<b>11</b>	<b>13</b>
<b>Capital ratios</b>						
Bank Group Level 2 Common Equity Tier 1 capital ratio (%)	14.6	11.5	14.8	11.7		
Bank Group Level 2 Tier 1 capital ratio (%)	16.5	13.2	17.0	13.7		

(1) Specialised lending exposures subject to supervisory slotting criteria are measured using APRA determined risk weightings.

## 6.3 Non-Bank Group Capital

The Non-Bank Group's capital is calculated using Macquarie's ECAM. The ECAM is based on similar principles and models as the Basel III regulatory capital framework for banks, with both calculating capital at a one year 99.9% confidence level. The key features are:

RISK <sup>(1)</sup>	BASEL III	ECAM
<b>Credit</b>	Capital requirement generally determined by Basel III IRB formula, with some parameters specified by the regulator (e.g. loss given default)	Capital requirement generally determined by Basel III IRB formula, but with internal estimates of key parameters
<b>Equity</b>	Harmonised Basel III: 250%, 300% or 400% risk weight, depending on the type of investment. Deduction from Common Equity Tier 1 above a threshold  APRA Basel III: 100% Common Equity Tier 1 deduction <sup>(2)</sup>	Extension of Basel III credit model to cover equity exposures. Capital requirement between 34% and 85% of face value; average 52%
<b>Market</b>	3 times 10 day 99% Value at Risk (VaR) plus 3 times 10 day 99% Stressed VaR plus a specific risk charge	Scenario-based approach
<b>Operational</b>	Advanced Measurement Approach	Advanced Measurement Approach

(1) The ECAM also covers non-traded interest rate risk, and the risk on assets held as part of business operations, including fixed assets, goodwill, intangible assets and capitalised expenses.

(2) Includes all Banking Book equity investments, plus net long Trading Book holdings in financial institutions.

## 6.3 Non-Bank Group Capital

Continued

### Non-Bank Group capital requirement

The capital requirement of the Non-Bank Group is set out in the table below.

	AS AT MAR 22		
	Assets \$Ab	Capital requirement \$Am	Equivalent risk weight
<b>Funded assets</b>			
Cash and liquid assets	15.2	217	18%
Loan assets <sup>(1)</sup>	13.0	1,352	130%
Debt investments	1.1	136	154%
Co-investments in Macquarie-managed funds and other equity investments	5.1	2,402	589%
Co-investments in Macquarie-managed funds and other equity investments (relating to investments that hedge DPS plan liabilities)	0.6		
Property, plant and equipment and intangibles	3.7	1,843	623%
Non-Bank Group deposit with MBL	8.3		
Net trading assets	2.8		
<b>Total funded assets</b>	<b>49.8</b>	<b>5,950</b>	
<b>Accounting deductions</b>			
Derivative revaluation accounting gross-ups	0.3		
Segregated funds	0.6		
Outstanding trade settlement balances	4.9		
Working capital assets	8.3		
Non-controlling interests	0.2		
<b>Self-funded assets</b>			
Self-funded trading assets	(0.8)		
Assets funded non-recourse	1.3		
<b>Total self-funded and non-recourse assets</b>	<b>14.8</b>		
<b>Total Non-Bank Group assets</b>	<b>64.6</b>		
Equity commitments		1,474	
Off balance sheet exposures, operational, market and other risks and diversification offset <sup>(2)</sup>		1,461	
<b>Non-Bank Group capital requirement</b>		<b>8,885</b>	

(1) Includes operating lease assets.

(2) Capital associated with net trading assets (including market risk capital) and net trade debtors has been included here.

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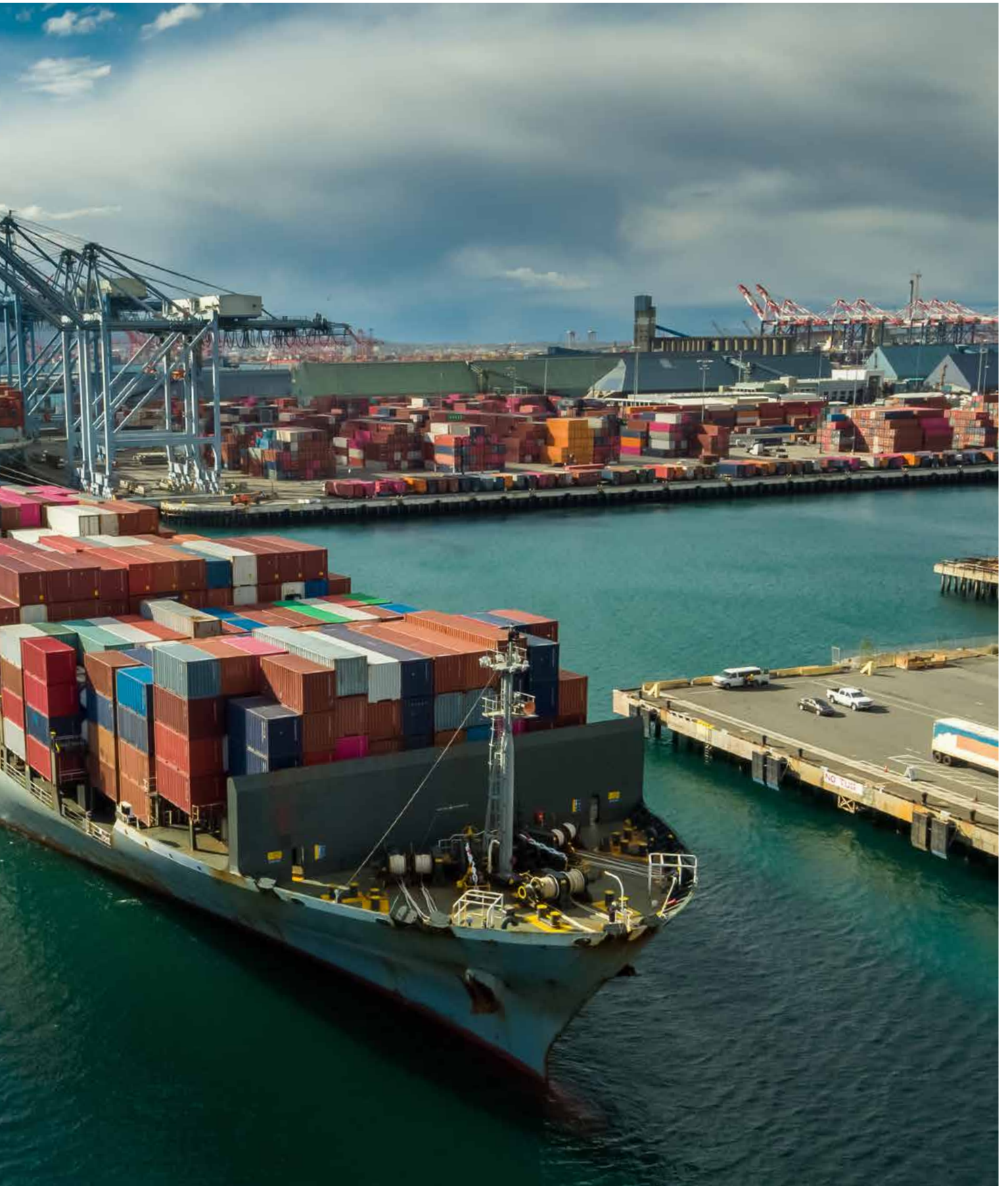


07

## Funds Management

### Long Beach Container Terminal, United States

Macquarie manages investments in infrastructure integral to the US economy. Long Beach Container Terminal is part of the combined port complex of Los Angeles and Long Beach, the largest cargo gateway in North America.



## 7.1 Assets Under Management

	AS AT			MOVEMENT	
	Mar 22 \$Ab	Sep 21 \$Ab	Mar 21 \$Ab	Sep 21 %	Mar 21 %
<b>Assets under Management by type</b>					
Public Investments (PI)					
Fixed income	263.7	246.6	197.5	7	34
Equities	245.3	243.9	159.9	1	53
Alternatives and Multi-asset	26.1	24.1	9.7	8	169
Total Public Investments (PI)	535.1	514.6	367.1	4	46
Private Markets (PM)					
Infrastructure Equity	196.7	183.6	157.8	7	25
Infrastructure Debt	15.3	13.9	12.8	10	20
Real Estate	20.1	17.2	18.8	17	7
Agriculture	3.6	3.7	3.3	(3)	9
Transport Finance	2.3	2.5	2.4	(8)	(4)
Total Private Markets (PM)	238.0	220.9	195.1	8	22
Total MAM	773.1	735.5	562.2	5	38
BFS	1.7	1.5	1.3	13	31
<b>Total Assets under Management</b>	<b>774.8</b>	<b>737.0</b>	<b>563.5</b>	<b>5</b>	<b>37</b>
<b>Assets under Management by region</b>					
Americas	371.0	403.5	279.1	(8)	33
Europe, Middle East and Africa	137.7	129.3	115.1	6	20
Australia	226.1	167.6	133.8	35	69
Asia	40.0	36.6	35.5	9	13
<b>Total Assets under Management</b>	<b>774.8</b>	<b>737.0</b>	<b>563.5</b>	<b>5</b>	<b>37</b>

Assets under Management (AUM) is calculated as the proportional ownership interest in the underlying assets of funds and mandated assets that Macquarie actively manages or advises for the purpose of wealth creation, adjusted to exclude cross-holdings in funds and to reflect Macquarie's proportional ownership interest of the fund manager. AUM excludes uninvested equity in Private Markets.

AUM of \$A774.8 billion as at 31 March 2022 increased 37% from \$A563.5 billion as at 31 March 2021. The increase in AUM during the year was largely due to the acquisition of Waddell & Reed, AMP Capital's public investments business and Central Park Group, investments made by Private Markets-managed funds, net valuation changes in Private Markets and net inflows in Public Investments. This was partially offset by asset realisations made by Private Markets-managed funds and Public Investments divestments (see section 7.2 *Equity Under Management* for further details).



## 7.2 Equity Under Management

The Private Markets division of MAM tracks its funds under management using an Equity under Management (EUM) measure as base management fee income is typically aligned with EUM.

Type of equity investment	Basis of EUM calculation
Listed equity	Market capitalisation at the measurement date plus underwritten or committed future capital raisings for listed funds.
Unlisted equity	Committed capital from investors at the measurement date less called capital subsequently returned to investors for unlisted funds; Invested capital at measurement date for managed businesses <sup>(1)</sup> .

If a fund is managed through a joint venture with another party, the EUM amount is weighted based on Macquarie's proportionate economic interest in the joint venture management entity.

### Equity under Management by type and region

	AS AT <sup>(2),(3)</sup>			MOVEMENT	
	Mar 22 \$Ab	Sep 21 \$Ab	Mar 21 \$Ab	Sep 21 %	Mar 21 %
<b>Equity under Management by type</b>					
Listed equity	7.8	12.3	10.0	(37)	(22)
Unlisted equity	150.5	146.5	132.0	3	14
<b>Total EUM</b>	<b>158.3</b>	158.8	142.0	(-1)	11
<b>Equity under Management by region<sup>(4)</sup></b>					
Australia	12.3	12.6	12.3	(2)	-
Europe, Middle East and Africa	86.1	84.6	78.0	2	10
Americas	29.7	32.0	26.6	(7)	12
Asia	30.2	29.6	25.1	2	20
<b>Total EUM</b>	<b>158.3</b>	158.8	142.0	(-1)	11

EUM of \$A158.3 billion as at 31 March 2022 increased 11% from \$A142.0 billion as at 31 March 2021. The increase was primarily due to capital raised for listed funds, unlisted funds and co-investments. These were partially offset by equity returned by unlisted funds and co-investments due to divestment of underlying assets, share price movements for listed funds and foreign exchange movements.

(1) Managed businesses includes third party equity invested in Private Markets-managed businesses where management arrangements exist with Macquarie.

(2) Excludes equity invested by Macquarie directly into businesses managed by Private Markets.

(3) Where a fund's EUM is denominated in a foreign currency, amounts are translated to Australian Dollars at the exchange rate prevailing at the measurement date.

(4) By location of fund management team.



# 08 Glossary

## **Prime Data Centers Sacramento Campus, United States**

Macquarie Capital has invested in Prime Data Centers, a global wholesale and hyperscale data center developer. This photo shows the interior of their Sacramento Building One facility pre-tenant occupancy.





## 8.1 Glossary

Defined term	Definition
<b>A</b>	
AASB	Australian Accounting Standards Board.
ABS	Asset Backed Securities.
ADI	Authorised Deposit-taking Institution.
Additional Tier 1 Capital	A capital measure defined by APRA comprising high quality components of capital that satisfy the following essential characteristics: <ul style="list-style-type: none"> <li>• provide a permanent and unrestricted commitment of funds;</li> <li>• are freely available to absorb losses;</li> <li>• rank behind the claims of depositors and other more senior creditors in the event of winding up of the issuer; and</li> <li>• provide for fully discretionary capital distributions.</li> </ul>
Additional Tier 1 Deductions	An amount deducted in determining Additional Tier 1 Capital, as defined in Prudential Standard APS 111 <i>Capital Adequacy: Measurement of Capital</i> .
ALCO	The Asset and Liability Committee.
AMA	Advanced Measurement Approach (for determining operational risk).
ANZ	Australia and New Zealand.
APRA	Australian Prudential Regulation Authority.
Asset Finance	Asset Finance is a global provider of specialist finance and asset management solutions across: Technology, Media and Telecoms; Energy, Renewables and Sustainability; Fund Finance; Resources; Structured Lending; and Shipping and Export Credit Agencies.
Assets under Management (AUM)	AUM is calculated as the proportional ownership interest in the underlying assets of funds and mandated assets that Macquarie actively manages or advises for the purpose of wealth creation, adjusted to exclude cross-holdings in funds and reflect Macquarie's proportional ownership interest of the fund manager. AUM excludes uninvested equity in Public Investments.
Assets under Management by region	AUM by region is defined by the location of the underlying assets for funds managed by Public Investments, and the location of the investor for all other funds.
Associates	Associates are entities over which Macquarie has significant influence, but not control. Investments in associates may be further classified as Held for Sale ('HFS') associates. HFS associates are those that have a high probability of being sold within 12 months to external parties. Associates that are not held for sale are carried at cost and equity-accounted. Macquarie's share of the investment's post-acquisition profits and losses is recognised in the income statement and its share of post-acquisition movements in reserves is recognised within equity.
<b>B</b>	
Bank Group	MBL and its subsidiaries.
Bank Group Capital	Level 2 regulatory group capital.
Banking Group	The Banking Group comprises BFS and most business activities of CGM.
Basel III IRB Formula	A formula to calculate RWA, as defined in Prudential Standard APS 113 <i>Capital Adequacy: Internal Ratings-based Approach to Credit Risk</i> .
BCBS	Basel Committee on Banking Supervision.
BCN2	On 2 June 2020, MBL issued 6.4 million Macquarie Bank Capital Notes 2 (BCN2) at a face value of \$A100 each. BCN2 are unsecured, subordinated notes that pay discretionary, quarterly floating rate cash distributions and may be redeemed at face value on 21 December 2025, 21 June 2026 or 21 December 2026 (subject to certain conditions being satisfied) or earlier in specified circumstances.  BCN2 can be converted into a variable number of MGL ordinary shares (subject to certain conditions) on these redemption dates; mandatorily exchanged on 21 December 2028; exchanged earlier upon an acquisition event (with the acquirer gaining control of MBL or MGL); where MBL's Common Equity Tier 1 capital ratio falls below 5.125%; or where APRA determines MBL would be non-viable without an exchange or a public sector injection of capital (or equivalent support).
BCN3	On 27 August 2021, MBL issued 6.5 million Macquarie Bank Capital Notes 3 (BCN3) at a face value of \$A100 each. BCN3 are unsecured, subordinated notes that pay discretionary, quarterly floating rate cash distributions and may be redeemed at face value on 7 September 2028, 7 March 2029 or 7 September 2029 (subject to certain conditions being satisfied) or earlier in specified circumstances.  BCN3 can be converted into a variable number of MGL ordinary shares (subject to certain conditions) on these redemption dates; mandatorily exchanged on 8 September 2031; exchanged earlier upon an acquisition event (with the acquirer gaining control of MBL or MGL); where MBL's Common Equity Tier 1 capital ratio falls below 5.125%; or where APRA determines MBL would be non-viable without an exchange or a public sector injection of capital (or equivalent support).
BBSW	Bank Bill Swap Rate.

Defined term	Definition
BFS	Banking and Financial Services.
BFS deposits	BFS deposits are deposits by counterparties including individuals, self-managed super funds, and small-medium businesses. Deposit products include Cash Management Account, Term Deposits, Regulated Trust Accounts, and Transaction Accounts.
<b>C</b>	
CCB	Capital Conservation Buffer.
Central Service Groups	The Central Service Groups consist of the Corporate Operations Group, Financial Management Group, Risk Management Group, Legal and Governance and Central Executive.
CGM	Commodities and Global Markets.
CLF	Reserve Bank of Australia Committed Liquidity Facility.
Common Equity Tier 1 Capital	<p>A capital measure defined by APRA, comprising the highest quality components of capital that fully satisfy all the following essential characteristics:</p> <ul style="list-style-type: none"> <li>• provide a permanent and unrestricted commitment of funds;</li> <li>• are freely available to absorb losses;</li> <li>• do not impose any unavoidable servicing charge against earnings; and</li> <li>• rank behind the claims of depositors and other creditors in the event of winding up.</li> </ul> <p>Common Equity Tier 1 Capital comprises paid up capital, Retained earnings, and certain reserves.</p>
Common Equity Tier 1 Capital Ratio	Common Equity Tier 1 Capital net of Common Equity Tier 1 deductions expressed as a percentage of RWA.
Common Equity Tier 1 Deductions	An amount deducted in determining Common Equity Tier 1 Capital, as defined in Prudential Standard APS 111 <i>Capital Adequacy: Measurement of Capital</i> .
Compensation ratio	The ratio of Compensation expense to Net operating income.
Consolidated Entity	Macquarie Group Limited and its subsidiaries.
<b>D</b>	
Directors' Profit Share (DPS)	The DPS plan comprises exposure to a notional portfolio of Macquarie-managed funds. Retained amounts for Executive Directors are notionally invested over the retention period. This investment is described as 'notional' because Executive Directors do not directly hold securities in relation to this investment. However, the value of the retained amounts will vary as if these amounts were directly invested in actual securities, giving the Executive Directors an effective economic exposure to the performance of the securities. If the notional investment results in a notional loss, this loss will be offset against any future notional income until the loss is completely offset.
<b>E</b>	
Earnings on capital and other corporate income items	Net operating income includes the income generated by Macquarie's Operating Groups, income from the investment of Macquarie's capital, and certain items of operating income not attributed to Macquarie's Operating Groups. Earnings on capital and other corporate income items is net operating income less the net operating income generated by Macquarie's Operating Groups.
Earnings per share	A performance measure that measures earnings attributable to each ordinary share, defined in AASB 133 <i>Earnings Per Share</i> .
ECAM	Economic Capital Adequacy Model.
ECL	Expected Credit Losses as defined and measured in terms of AASB 9: <i>Financial Instruments</i> .
Effective tax rate	The income tax expense as a percentage of the profit before income tax, both adjusted for amounts attributable to non-controlling interests. The effective tax rate differs from the Australian company tax rate due to permanent differences arising from the income tax treatment of certain income and expenses as well as tax rate differentials on some of the income earned offshore.
Equity under Management (EUM)	Refer to definition in section 7.2.
Expense/Income ratio	Total operating expenses expressed as a percentage of Net operating income.
<b>F</b>	
Financial Report	Macquarie Group Limited Annual Financial Report.
FIRB	Foundation Internal Ratings Based Approach (for determining credit risk).
FVOCI	Fair value through other comprehensive income.
FVTPL	Fair value through profit or loss.
FY2021	The year ended 31 March 2021.
FY2022	The year ended 31 March 2022.

## 8.1 Glossary

Continued

Defined term	Definition
<b>H</b>	
Headcount	Headcount represents Macquarie's active permanent and variable workforce, and includes Macquarie employees (permanent and casual) and its contingent workers (contractors, agency workers and secondees). Macquarie's non-executive directors are not included.
HQLA	High-quality liquid assets.
<b>I</b>	
International income	Operating income is classified as 'international' with reference to the geographic location from which the operating income is reported from a management perspective. This may not be the same geographic location where the operating income is recognised for reporting purposes. For example, operating income generated by work performed for clients based overseas but recognised in Australia for reporting purposes could be classified as 'international' income. Income earned in the Corporate segment is excluded from the analysis of international income.
<b>L</b>	
LGD	Loss given default is defined as the economic loss which arises upon default of the obligor.
<b>M</b>	
Macquarie, the Consolidated Entity	Macquarie Group Limited and its subsidiaries.
Macquarie Bank	MBL and its subsidiaries.
MACS	<p>On 8 March 2017, MBL, acting through its London Branch, issued \$US750 million of Macquarie Additional Capital Securities (MACS). MACS are subordinated, unsecured notes that pay discretionary, non-cumulative, semi-annual fixed rate cash distributions.</p> <p>Subject to certain conditions the MACS may be redeemed on 8 March 2027, or every fifth anniversary thereafter. MACS can be exchanged for a variable number of MGL ordinary shares on an acquisition event (where a person acquires control of MBL or MGL), where MBL's Common Equity Tier 1 capital ratio falls below 5.125%, or where APRA determines MBL would be non-viable without an exchange or a public sector injection of capital (or equivalent support).</p>
MAM	Macquarie Asset Management.
MAMHPL	Macquarie Asset Management Holdings Pty Ltd.
MBL	Macquarie Bank Limited ABN 46 008 583 542.
MCN3	<p>On 7 June 2018, MGL issued 10 million Macquarie Group Capital Notes 3 (MCN3) at a face value of \$A100 each. MCN3 are subordinated, non-cumulative, unsecured notes that pay discretionary, non-cumulative, quarterly floating rate cash distributions and may be redeemed at face value on 16 December 2024, 16 June 2025 or 15 December 2025 (subject to certain conditions being satisfied) or earlier in specified circumstances.</p> <p>MCN3 can be converted into a variable number of MGL ordinary shares (subject to certain conditions being satisfied) on these redemption dates; mandatorily exchanged on 15 December 2027; exchanged earlier upon an acquisition event (with the acquirer gaining control of MGL); or where APRA determines MGL would be non-viable without an exchange or a public sector injection of capital (or equivalent support).</p>
MCN4	<p>On 27 March 2019, MGL issued 9.1 million Macquarie Group Capital Notes 4 (MCN4) at a face value of \$A100 each. MCN4 are subordinated, non-cumulative, unsecured notes that pay discretionary, non-cumulative, quarterly floating rate cash distributions and may be redeemed at face value on 10 September 2026, 10 March 2027 or 10 September 2027 (subject to certain conditions being satisfied) or earlier in specified circumstances.</p> <p>MCN4 can be converted into a variable number of MGL ordinary shares (subject to certain conditions being satisfied) on these redemption dates; mandatorily exchanged on 10 September 2029; exchanged earlier upon an acquisition event (with the acquirer gaining control of MGL); or where APRA determines MGL would be non-viable without an exchange or a public sector injection of capital (or equivalent support).</p>
MCN5	<p>On 17 March 2021, MGL issued 7.25 million Macquarie Group Capital Notes 5 (MCN5) at a face value of \$A100 each. MCN5 are subordinated, non-cumulative, unsecured notes that pay discretionary, non-cumulative, quarterly floating rate cash distributions and may be redeemed at face value on 18 September 2027, 18 March 2028 or 18 September 2028 (subject to certain conditions being satisfied) or earlier in specified circumstances.</p> <p>MCN5 can be converted into a variable number of MGL ordinary shares (subject to certain conditions being satisfied) on these redemption dates; mandatorily exchanged on 18 September 2030; exchanged earlier upon an acquisition event (with the acquirer gaining control of MGL); or where APRA determines MGL would be non-viable without an exchange or a public sector injection of capital (or equivalent support).</p>
MEREP	Macquarie Group Employee Retained Equity Plan.
MFHPL	Macquarie Financial Holdings Pty Limited.
MGL, the Company	Macquarie Group Limited ABN 94 122 169 279.

Defined term	Definition
<b>N</b>	
Net loan losses	The impact on the income statement of loan amounts provided for or written-off during the period, net of the recovery of any such amounts which were previously written-off or provided for in the income statement.
Net tangible assets per ordinary share	(Total equity less Non-controlling interest less the Future Income Tax Benefit plus the Deferred Tax Liability less Intangible assets) divided by the number of ordinary shares on issue at the end of the period.
Net trading income	Income that comprises gains and losses related to trading assets and liabilities and includes all realised and unrealised fair value changes and foreign exchange differences.
Non-Bank Group	MGL, MFHPL and its subsidiaries, and MAMHPL and its subsidiaries.
Non-Banking Group	The Non-Banking Group comprises Macquarie Capital, MAM and some business activities of CGM.
Non-GAAP metrics	Non-GAAP metrics include financial measures, ratios and other information that are neither required nor defined under Australian Accounting Standards.
<b>O</b>	
Operating Groups	The Operating Groups consist of MAM, BFS, CGM and Macquarie Capital.
<b>P</b>	
Private Markets	MAM Private Markets.
Public Investments	MAM Public Investments.
<b>R</b>	
RBA	Reserve Bank of Australia.
Return on equity	The profit after income tax attributable to Macquarie's ordinary shareholders expressed as an annualised percentage of the average ordinary equity over the relevant period, less the average balances of FVOCI, share of associate and cash flow hedging reserves.
Risk-weighted assets (RWA)	A risk-based measure of an entity's exposures, which is used in assessing its overall capital adequacy.
RMBS	Residential Mortgage-Backed Securities.
<b>S</b>	
Senior Management	Members of Macquarie's Executive Committee and Executive Directors who have a significant management or risk responsibility in the organisation.
SPEs	Special purpose entities.
Subordinated debt	Debt issued by Macquarie for which agreements between Macquarie and the lenders provide, in the event of liquidation, that the entitlement of such lenders to repayment of the principal sum and interest thereon is and shall at all times be and remain subordinated to the rights of all other present and future creditors of Macquarie. Subordinated debt is classified as liabilities in the Macquarie financial statements and may be included in Tier 2 Capital.
SYD distribution	In-specie distribution of Sydney Airport stapled securities to Macquarie ordinary shareholders in January 2014.
<b>T</b>	
TFF	Reserve Bank of Australia Term Funding Facility.
Tier 1 Capital	Tier 1 Capital comprises of (i) Common Equity Tier 1 Capital; and (ii) Additional Tier 1 Capital.
Tier 1 Capital Deductions	Tier 1 Capital Deductions comprises of (i) Common Equity Tier 1 Capital Deductions; and (ii) Additional Tier 1 Capital Deductions.
Tier 1 Capital Ratio	Tier 1 Capital net of Tier 1 Capital Deductions expressed as a percentage of RWA.
True Index products	True Index products deliver clients pre-tax index returns (before buy/sell spreads on transactions). Any under-performance is compensated by Macquarie and conversely, any out-performance is retained by Macquarie.
<b>U</b>	
UK	The United Kingdom.
US	The United States of America.

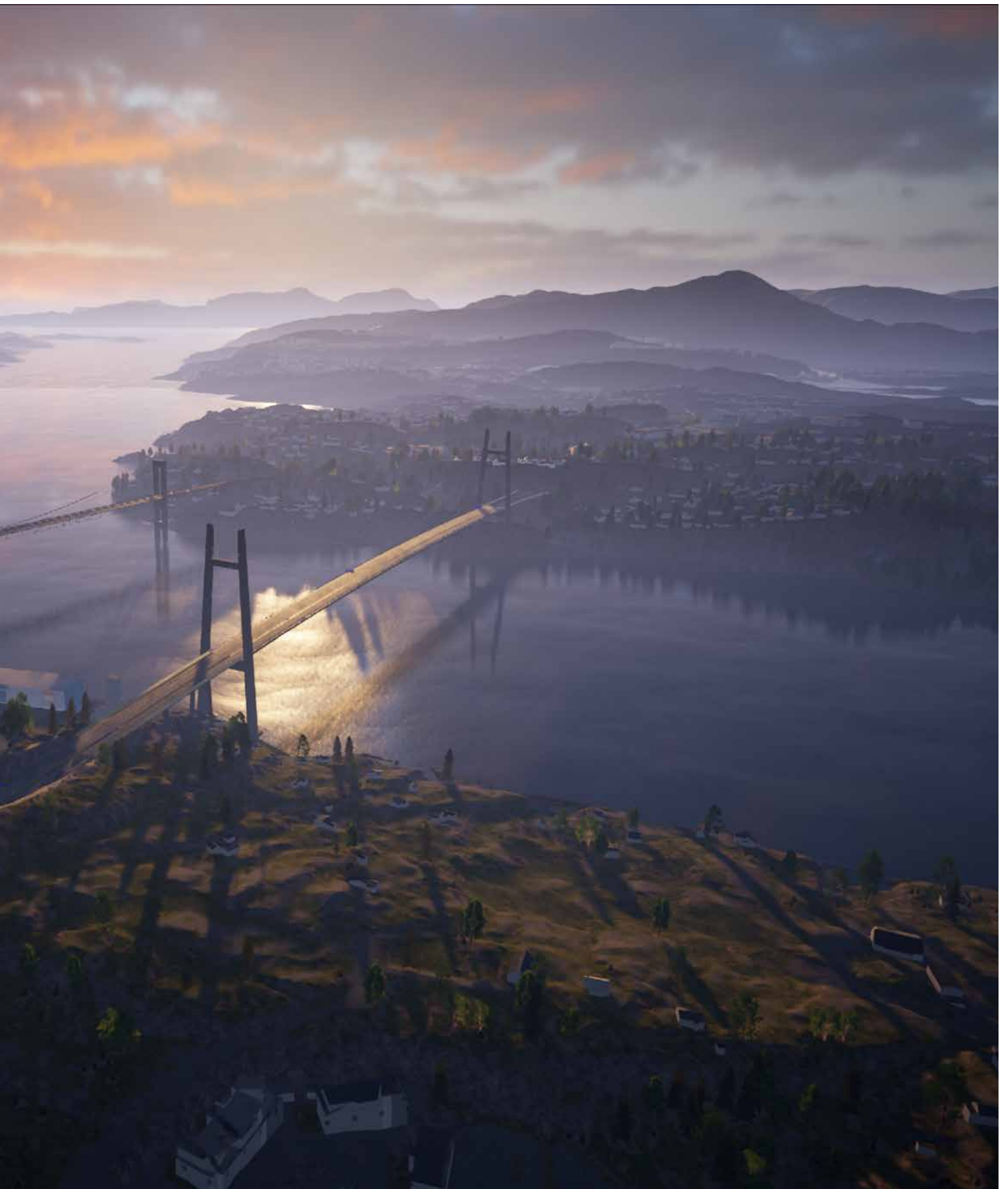


09

## Ten Year History

### Sotra Link, Norway

Macquarie Capital is the lead sponsor and equity investor in Sotra Link, an extensive new state-of-the-art bridge and tunnel system in Norway that focuses on traffic safety, public transport, and sustainability.





## 9.1 Ten Year History

	YEAR ENDED 31 MARCH									
	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
<b>Income statement (\$Am)</b>										
Net operating income	<b>17,324</b>	12,774	12,325	12,754	10,920	10,364	10,158	9,262	8,132	6,657
Total operating expenses	<b>(10,785)</b>	(8,867)	(8,871)	(8,887)	(7,456)	(7,260)	(7,143)	(6,740)	(6,026)	(5,252)
Operating profit before income tax	<b>6,539</b>	3,907	3,454	3,867	3,464	3,104	3,015	2,522	2,106	1,405
Income tax expense	<b>(1,586)</b>	(899)	(728)	(879)	(883)	(868)	(927)	(899)	(827)	(533)
Profit after income tax	<b>4,953</b>	3,008	2,726	2,988	2,581	2,236	2,088	1,623	1,279	872
(Profit)/loss attributable to non-controlling interests	<b>(247)</b>	7	5	(6)	(24)	(19)	(25)	(19)	(14)	(21)
Profit attributable to ordinary equity holders of Macquarie Group Limited	<b>4,706</b>	3,015	2,731	2,982	2,557	2,217	2,063	1,604	1,265	851
<b>Statement of financial position (\$Am)</b>										
Total assets	<b>399,176</b>	245,653	255,802	197,757	191,325	182,877	196,755	187,976	153,904	144,748
Total liabilities	<b>370,370</b>	223,302	234,018	179,393	173,145	165,607	181,091	173,580	141,990	132,793
Net assets	<b>28,806</b>	22,351	21,784	18,364	18,180	17,270	15,664	14,396	11,914	11,955
Total loan assets	<b>134,744</b>	105,026	94,117	77,811	73,509	69,288	72,393	67,663	49,965	47,449
Shareholders' equity <sup>(1)</sup>	<b>28,561</b>	22,048	21,063	17,761	16,357	15,563	15,116	13,909	11,418	11,403
Impaired loan assets (net of provisions) <sup>(2)</sup>	<b>1,325</b>	1,544	1,528	1,674	351	547	418	594	365	368
<b>Share information</b>										
Dividends per share (cents per share)										
Interim	<b>272</b>	135	250	215	205	190	160	130	100	75
Final	<b>350</b>	335	180	360	320	280	240	200	160	125
Special <sup>(3)</sup>	-	-	-	-	-	-	-	-	116	-
Total	<b>622</b>	470	430	575	525	470	400	330	376	200
Basic earnings per share (cents per share)	<b>1,271.7</b>	842.9	791.0	883.3	758.2	657.6	619.2	502.3	383.6	251.2
Share price at reporting date (\$A)	<b>203.27</b>	152.83	85.75	129.42	102.90	90.20	66.09	76.67	57.93	37.15
Ordinary shares (million shares)	<b>383.6</b>	361.8	354.4	340.4	340.4	340.4	340.3	333.5	321.1	339.5
Market capitalisation at reporting date (fully paid ordinary shares) (\$Am)	<b>77,984</b>	55,297	30,388	44,052	35,024	30,700	22,491	25,569	18,601	12,613
Net tangible assets per ordinary share (\$A)	<b>64.59</b>	53.91	50.21	46.21	45.12	42.74	41.23	38.19	31.71	29.94
<b>Ratios</b>										
Return on average ordinary shareholders' funds (%)	<b>18.7</b>	14.3	14.5	18.0	16.8	15.2	14.7	14.0	11.1	7.8
Ordinary dividend payout ratio (%) <sup>(4)</sup>	<b>50.2</b>	56.4	55.8	65.6	69.8	72.0	65.7	67.6	66.8	79.0
Expense/income ratio (%)	<b>62.3</b>	69.4	72.0	69.7	68.3	70.1	70.3	72.8	74.1	78.9
Net loan loss as % of loan assets (excluding securitisation SPVs)	<b>0.1</b>	0.4	0.8	0.4	0.3	0.5	1.0	0.7	0.4	0.4
<b>Assets under management (\$Ab)</b>	<b>774.8</b>	563.5	598.9	551.3	496.7	481.7	478.6	486.3	426.9	347.4
<b>Staff numbers</b>	<b>18,133</b>	16,459	15,849	15,602	14,810	13,925	14,660	14,373	14,180	13,905

(1) Represents capital, reserves and retained earnings attributable to ordinary equity holders of Macquarie Group Limited.

(2) Represents net exposure in credit impaired loan assets as per Australian Accounting Standards since 31 March 2019. For financial years ended 31 March 2013–2018, represents net exposure in impaired loan assets disclosed as per Australian regulatory authority requirements.

(3) The special dividend for the year ended 31 March 2014 represented the special dividend component of the in-specie distribution of Sydney Airport stapled securities in January 2014. The total distribution including return of capital was 373 cents per share.

(4) The ordinary dividend payout ratio for the year ended 31 March 2022 is calculated based on the estimated number of eligible shares on the record date multiplied by the dividend per share, divided by the profit attributable to MGL shareholders.



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