

ASX/Media Release

MACQUARIE GROUP 2022 ANNUAL GENERAL MEETING AND FIRST QUARTER 2023 UPDATE

Key points

- Favourable trading conditions with 1Q23 operating group contribution up on the prior corresponding period (pcp) (1Q22), although trading conditions did soften during the quarter
- Financial position comfortably exceeds regulatory minimum requirements
 - Group capital surplus of \$A10.1 billion at 30 June 2022¹
 - Bank CET1 Level 2 ratio 12.3% (Harmonised: 15.6%)²; Leverage ratio 5.1% (Harmonised: 5.7%); LCR 203%³; NSFR 114%³

MELBOURNE, 28 July 2022 – Macquarie Group (ASX: MQG; ADR: MQBKY) today provided an update on the first quarter of its 2023 financial year (1Q23) ahead of its 2022 Annual General Meeting. Speaking before today's meeting, Macquarie Group Managing Director and Chief Executive Officer, Shemara Wikramanayake, said that favourable trading conditions saw Macquarie's operating groups deliver net profit contribution that was up on the first quarter of the 2022 financial year (1Q22), although trading conditions did soften during the quarter.

Macquarie's annuity-style businesses (Macquarie Asset Management (MAM) and Banking and Financial Services (BFS)) combined 1Q23 net profit contribution was significantly up on 1Q22, primarily due to income from Green Investment Group (GIG) asset realisations in MAM partially offset by the Macquarie Infrastructure Corporation disposition fee in 1Q22. The contribution from BFS was broadly in line with 1Q22.

Macquarie's markets-facing businesses (Commodities and Global Markets (CGM) and Macquarie Capital) combined 1Q23 net profit contribution was slightly up on 1Q22, primarily due to strong results across the Commodities platform in CGM including the impact of timing of income recognition on gas transport and storage contracts and higher investment-related income in Macquarie Capital, partially offset by the sale of the CGM UK commercial and industrial smart meters portfolio in 1Q22.

Macquarie Group's financial position continues to comfortably exceed the Australian Prudential Regulation Authority's (APRA) Basel III regulatory requirements, with a Group capital surplus of \$A10.1 billion at 30 June 2022, down from \$A10.7 billion at 31 March 2022. The Bank Group APRA Basel III Common Equity Tier 1 capital ratio was 12.3 per cent (Harmonised: 15.6 per cent) at 30 June 2022, up from 11.5 per cent at 31 March 2022. The Bank Group's APRA

¹ Group capital surplus is calculated at 8.5 per cent Risk Weighted Assets (RWA) including the capital conservation buffer (CCB), per APRA ADI Prudential Standard 110. The Group capital surplus calculation is above regulatory minimums and includes provision for internal capital buffers, forthcoming regulatory changes, as well as differences between Level 2 and Level 1 capital requirements, including the \$A500 million Level 1 operational capital overlay imposed by APRA from 1 April 2021. Based on materiality, the 8.5 per cent used to calculate the Group capital surplus does not include the countercyclical capital buffer (CCyB) of ~1bps. The individual CCyB varies by jurisdiction and the Bank Group's CCyB is calculated as a weighted average based on exposures in different jurisdictions. The APRA Basel III Group capital surplus is calculated at 8.5 per cent RWA, per the internal minimum Tier 1 ratio of the Bank Group.

² CET1 refers to the Common Equity Tier 1 ratio. '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.

³ LCR refers to the Liquidity Coverage Ratio. Average LCR for the 1Q23 quarter is based on an average of daily observations and excludes CLF allocation (223% including CLF allocation). NSFR refers to the Net Stable Funding Ratio and excludes CLF allocation (116% including CLF allocation). APRA imposed a 15% add-on to the Net Cash Outflow component of the LCR calculation, and a 1% decrease to the Available Stable Funding component of the NSFR calculation, effective from 1 April 2021. The LCR Net Cash Outflow add-on increased to 25% from 1 May 22.

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leverage ratio was 5.1 per cent (Harmonised: 5.7 per cent), LCR was 203 per cent and NSFR was 114 per cent at 30 June 2022.

On 21 June 2022, the acquisition of Macquarie ordinary shares pursuant to the Macquarie Group Employee Retained Equity Plan was completed. A total of \$A923 million⁴ of shares were purchased at a weighted average purchase price of \$A168.81 per share. On 4 July 2022, 2,736,737 ordinary shares were issued and allocated at \$A177.11 per share⁵ under the Dividend Reinvestment Plan (DRP) reflecting a total issuance of \$A485 million.

Macquarie has seen strong capital deployment over an extended period, with \$A3.4 billion growth in capital requirements across all four operating groups since 30 September 2021. Operating groups are continuing to seek opportunities to deploy additional capital, provided the projected risk-adjusted returns are attractive for shareholders.

First quarter business highlights

Ms Wikramanayake noted the following 1Q23 highlights for each Operating Group:

- **MAM** had \$A773.9 billion in assets under management at 30 June 2022, broadly in line with 31 March 2022. For MAM Public Investments, assets under management of \$A517.8 billion were broadly in line with 31 March 2022, predominantly driven by unfavourable market movements offset by favourable foreign exchange impacts. MAM Private Markets had \$A175.5 billion in equity under management, up 11 per cent on 31 March 2022, predominantly driven by strong fundraising activity and foreign exchange impacts. During the quarter, \$A12.1 billion in new equity was raised in Private Markets, \$A5.9 billion of equity was invested and \$A1.7 billion was divested, resulting in \$A28.8 billion of equity to deploy at 30 June 2022. Effective 1 April 2022, GIG transferred from Macquarie Capital and is operating as part of MAM. In the quarter, a number of GIG assets held on balance sheet were realised.
- **BFS** total deposits⁶ of \$A106.4 billion at 30 June 2022 were up nine per cent on 31 March 2022. The home loan portfolio of \$A96.9 billion was up eight per cent on 31 March 2022; funds on platform⁷ of \$A109.3 billion were down eight per cent as strong net flows were offset by market movements; the business banking loan portfolio of \$A11.9 billion was up three per cent; and the car loans portfolio of \$A7.9 billion was down 10 per cent on 31 March 2022.
- **CGM** continued to support clients during a period of elevated volatility and commodity prices which contributed to strong results across the Commodities platform, driven by trading and client hedging opportunities. Financial Markets also benefited from continued strong client activity across its businesses including foreign exchange, fixed income and credit products. Consistent balance sheet deployment across Asset Finance contributed to annuity revenues from the Technology, Media and Telecoms, Energy and Shipping Finance sectors.
- **Macquarie Capital's** fee and commission income was up on 1Q22 driven by mergers and acquisitions and debt capital markets activities, partially offset by lower equity capital markets activity. Increased investment-related income compared to 1Q22 was primarily due to asset realisations and an increase in the credit portfolio. During the quarter, Principal Finance deployed over \$A2.5 billion through focused investment in credit markets and bespoke financing solutions, with a total portfolio of over \$A17 billion⁸, including a credit portfolio of over \$A15 billion, at 30 June 2022.

Outlook

We continue to maintain a cautious stance, with a conservative approach to capital, funding and liquidity that positions us well to respond to the current environment.

The range of factors that may influence our short-term outlook include:

- Market conditions including: significant volatility events, global inflation and interest rates, and the impact of geopolitical events

⁴ Comprising \$A338 million off market and \$A585 million on market purchases.

⁵ Determined in accordance with the DRP rules as the average of the daily volume weighted average price over the five business days from 23 May 22 to 27 May 22.

⁶ BFS deposits include home loan offset accounts and exclude corporate/wholesale deposits.

⁷ Funds on platform includes Macquarie Wrap and Vision.

⁸ Committed portfolio.

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- Completion of period-end reviews and the completion rate of transactions
- The geographic composition of income and the impact of foreign exchange
- Potential tax or regulatory changes and tax uncertainties

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

Highlights from the address of Chairman, Glenn Stevens

In providing an overview of the year ended 31 March 2022 (FY22), Macquarie Group Chairman, Glenn Stevens, noted that the Group's record FY22 performance reflects strong results across the organisation as Macquarie's operating businesses and support groups again delivered on their commitment to supporting our clients, partners and communities.

Mr Stevens said: "The Group delivered a record profit of \$A4.7 billion, up 56 per cent on FY21, which itself had been a record year. Macquarie also reported strong growth in key financial performance metrics including operating income and earnings and dividends per share."

Mr Stevens also took the opportunity to reiterate the considerable investment made by the Board and management in risk culture and conduct. Macquarie's strong performance over 53 years is characterised by empowering teams to harness their capabilities to serve clients, investors and communities. Mr Stevens noted this opportunity is balanced with strong accountability for owning and managing risk, where primary responsibility for risk resides at the individual and business unit level with oversight provided by our Risk Management Group supported by the risk management framework.

Mr Stevens also noted APRA's Prudential Remuneration Standard (CPS 511) will come into effect for Macquarie on 1 January 2023. The Board undertook a review of the remuneration framework to address CPS 511 over the past year, considering the perspectives of shareholders and regulators, global peer group comparisons and the increased global competition for talent in Macquarie's areas of activity.

An overview of Macquarie's approach to environmental, social and governance (ESG) matters was provided by Mr Stevens. Macquarie continues to be active across the ESG spectrum through direct investment, including across a range of emissions reduction solutions and social infrastructure; engaging in forums to help inform policies that support better ESG outcomes; supporting reporting standards to promote better measurement of impact; and putting in place policies and practices that foster sound ESG outcomes in the Group's investments, workplaces, capabilities and staff.

In 2021, Macquarie committed to align its financing activities with the global goal of net zero by 2050. Over the last year, Macquarie teams have been working on a detailed assessment to inform our first Macquarie Net Zero Plan, which will be published this year. Macquarie's commitment is initially focused on fossil fuels and motor vehicles, the highest-emitting sectors, and understanding the emissions associated with these sectors to determine 2030 goals that set Macquarie on the right path to its 2050 commitment. Macquarie is also focused on reaching net zero emissions for its own operations by 2025 and managing its asset management portfolio in line with global net zero emissions by 2040, taking a "hold and fix" approach to higher emitting assets and working over time to support their transition.

Macquarie recognises that the diversity of its people is one of its greatest strengths. Mr Stevens noted that an inclusive, equitable workplace where people feel respected for their uniqueness, valued for their contribution and empowered to reach their full potential enables Macquarie to deliver more innovative and sustainable solutions.

Mr Stevens commented on the activities of Macquarie staff and the Macquarie Group Foundation across communities. In FY22, the Foundation and Macquarie staff contributed \$A44 million in funding and thousands of hours of time to communities around the world. The Foundation achieved a significant milestone in FY22 with more than \$A500 million contributed by Macquarie staff and the Foundation since its inception in 1985. A further one-off \$A20 million additional allocation was made in FY22 to expand the Foundation's Social Impact Investing program and to help address employment, education and economic empowerment needs. Mr Stevens said: "The Macquarie Group Foundation plays a vital role in how Macquarie lives out its purpose, building on our strong staff-led approach to giving. Focusing on the communities where our people live and work enables a better understanding of local needs, leveraging our staff time, expertise, and networks for greater impact."

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As previously noted to shareholders, Macquarie has been working with APRA to strengthen the voice of Macquarie Bank within the Group. Macquarie has made good progress on a comprehensive plan. Mr Stevens noted this plan includes detailed programs of work across governance, remuneration, risk culture, regulatory reporting, prudential risk management, and a simplified group structure. As part of the governance workstream, three bank-only non-executive directors (BONDS) are being added to the MBL Board. This is similar to structures in some other markets where a banking entity sits within a broader group structure. In May 2022, Macquarie welcomed Ian Saines as the first BOND and also announced Michael Coleman's intention to retire at this Annual General Meeting, after 10 years on the Group Board. Mr Stevens was pleased to advise shareholders that Mr Coleman has agreed to remain on the Macquarie Bank Board for a further two-year term, becoming Macquarie's second BOND. Macquarie expects to announce a third appointment in due course.

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