

ASX/Media Release

MACQUARIE GROUP ANNOUNCES \$A2,305 MILLION HALF-YEAR PROFIT

Key Points

- 1H23 net profit of \$A2,305 million, up 13% on 1H22 and down 13% on 2H22
- International income 72% of total income¹ in 1H23
- Assets under management of \$A795.6 billion at 30 September 2022, up 3% from 31 March 2022 and up 8% from 30 September 2021
- Financial position comfortably exceeds regulatory minimum requirements
 - Group capital surplus of \$A12.2 billion²
 - Bank CET1 Level 2 ratio 12.8% (Harmonised: 15.9%³); Leverage ratio 4.7% (Harmonised: 5.3%³); LCR 172%⁴; NSFR 116%⁴
- Annualised return on equity 15.6%, compared with 18.7% in FY22
- Interim ordinary dividend of \$A3.00 per share (40% franked), representing a payout ratio of 50%

SYDNEY, 28 October 2022 – Macquarie Group (ASX: MQG; ADR: MQBKY) today announced a net profit after tax attributable to ordinary shareholders of \$A2,305 million for the half year ended 30 September 2022 (1H23), up 13 per cent on the half year ended 30 September 2021 (1H22) and down 13 per cent on the half year ended 31 March 2022 (2H22).

Macquarie Group Managing Director and Chief Executive Officer, Shemara Wikramanayake, said: “Macquarie’s businesses continued to perform well against a backdrop of more challenging market conditions, reflecting the diversity of our activities and ongoing focus on prudent risk management. We continue to adapt to meet our clients’ needs.”

Annuity-style activities, which are undertaken by Macquarie Asset Management (MAM), Banking and Financial Services (BFS) and certain businesses in Commodities and Global Markets (CGM), generated a combined net profit contribution⁵ of \$A2,281 million, in line with 1H22 and down 15 per cent on 2H22. Positive performances recorded in MAM and BFS were offset primarily by the partial sale of the UK Meters portfolio in CGM in the prior corresponding period.

¹ Where referenced in this document, total income is net operating income excluding earnings on capital and other corporate items.

² The capital surplus shown is above regulatory minimums including the capital conservation buffer (CCB), per APRA ADI Prudential Standard 110, calculated at 8.5% RWA on a Level 2 basis for Macquarie Bank Limited (MBL). This surplus also includes provision for internal capital buffers, forthcoming regulatory changes, as well as differences between Level 2 and Level 1 capital requirements, including the \$A500 million Level 1 operational capital overlay imposed by the Australian Prudential Regulation Authority (APRA) from 1 April 2021. Based on materiality, the 8.5% used to calculate the Group capital surplus does not include the countercyclical buffer (CCyB) of ~1bps. The individual CCyB varies by jurisdiction and the Bank Group's CCyB is calculated as a weighted average based on exposures in different jurisdictions.

³ Basel III applies only to the Bank Group and not the Non-Bank Group. ‘Harmonised’ Basel III estimates are calculated in accordance with The Basel Committee on Banking Supervision (BCBS) Basel III framework, noting that MBL is not regulated by the BCBS and so impacts shown are indicative only.

⁴ Average LCR for September 2022 quarter is based on an average of daily observations and excludes CLF allocation (183% including CLF allocation). NSFR as at 30 September 2022 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 2022.

⁵ Where referenced in this document, net profit contribution is management accounting profit before unallocated corporate costs, profit share and income tax.

Macquarie Group Limited

Markets-facing activities, undertaken by Macquarie Capital and most businesses in CGM, delivered a combined net profit contribution of \$A2,292 million, up 35 per cent on 1H22 and down 18 per cent on 2H22. The strong result was primarily driven by positive performances from CGM's businesses.

Net operating income of \$A8,641 million was up 11 per cent on 1H22 and down nine per cent on 2H22, while operating expenses of \$A5,613 million increased 11 per cent on 1H22 and decreased two per cent on 2H22. International income accounted for 72 per cent of Macquarie's total income.

The income tax expense of \$A735 million was up from \$A603 million in 1H22 and down from \$A983 million in 2H22. The effective tax rate was 24.2 per cent⁶, up from 22.8 per cent in 1H22 and down from 27.0 per cent in 2H22. The higher effective tax rate was mainly driven by the geographic composition and nature of earnings.

At 30 September 2022, the Group employed 19,266 people⁷, which was up six per cent on 31 March 2022. In addition, approximately 238,000 people were employed across managed fund assets and investments⁸.

Assets under management at 30 September 2022 were \$A795.6 billion, up 3 per cent from \$A774.8 billion at 31 March 2022. The increase was primarily due to investments made by MAM Private Markets-managed funds and foreign exchange movements, partially offset by market movements in MAM Public Investments.

Operating Group performance

MAM delivered a net profit contribution of \$A1,402 million, up 28 per cent from \$A1,097 million in 1H22⁹. The increase was driven by investment-related income, primarily due to the timing of asset realisations in the green energy sector. This was partially offset by significant income¹⁰ from the disposition of assets in Macquarie Infrastructure Corporation¹¹ reflected in the prior corresponding period.

BFS delivered a net profit contribution of \$A580 million, up 20 per cent from \$A482 million in 1H22. The result reflected growth in the loan portfolio and total BFS deposits¹², improved margins and lower credit impairment charges. This was partially offset by increased technology investment and higher average headcount to support business growth and regulatory requirements.

CGM delivered a net profit contribution of \$A1,996 million, up 15 per cent from \$A1,729 million in 1H22. The result reflected a strong risk management contribution across the platform, particularly from the Gas and Power, Resources and Global Oil businesses, due to increased client hedging activity. Inventory management and trading income also increased. Financial Markets' improved contribution across major products and markets was due to increased client hedging and financing activity. The decrease in the contribution from Asset Finance was largely related to the partial sale of the UK Meters portfolio in the prior corresponding period.

Macquarie Capital delivered a net profit contribution of \$A595 million, down 12 per cent from \$A676 million in 1H22⁹. Fee and commission income was down on a strong prior corresponding period reflecting weakening market conditions, with operating expenses also higher than the prior corresponding period. This was partially offset by a net increase in investment-related income, primarily driven by material asset realisations in the Americas and Europe, particularly in the real estate and digital infrastructure sectors.

Capital management and funding position

Macquarie's financial position exceeds the Australian Prudential Regulation Authority's (APRA) Basel III regulatory requirements, with a Group capital surplus of \$A12.2 billion² at 30 September 2022, up from \$A10.7 billion at 31 March 2022.

The Bank Group APRA Basel III Level 2 Common Equity Tier 1 capital ratio was 12.8 per cent (Harmonised: 15.9 per cent³) at 30 September 2022, up from 11.5 per cent (Harmonised: 14.6 per cent³) at 31 March 2022. The Bank Group's APRA Leverage Ratio was 4.7 per cent (Harmonised: 5.3 per cent³), the Liquidity Coverage Ratio (LCR) was 172 per cent⁴ and the Net Stable Funding Ratio (NSFR) was 116 per cent⁴ at 30 September 2022.

⁶ Calculation of the effective tax rate is after adjusting for the impact of non-controlling interests.

⁷ Includes staff employed in certain operationally segregated subsidiaries.

⁸ Includes people employed through Private Markets-managed fund assets and investments where Macquarie Capital holds significant influence.

⁹ All numbers in this announcement have been reclassified to reflect the transfer of the Green Investment Group from Macquarie Capital to Macquarie Asset Management effective 1 April 2022.

¹⁰ Income includes disposition fee, equity accounted income and impairment reversal.

¹¹ On 22 September 2021, Macquarie Infrastructure Corporation (MIC) completed a corporate reorganisation, becoming a subsidiary of the newly formed Macquarie Infrastructure Holdings, LLC which continued to trade under the New York Stock Exchange symbol of 'MIC' until it was delisted on 21 July 2022.

¹² Deposits in BFS include home loan offset accounts and exclude corporate/wholesale deposits.

Total customer deposits¹³ increased to \$A122.0 billion at 30 September 2022, up from \$A101.5 billion at 31 March 2022. Term funding¹⁴ of \$A15.4 billion was raised during 1H23.

1H23 interim ordinary dividend

The Macquarie Group Limited Board today announced a 1H23 interim ordinary dividend of \$A3.00 per share (40 per cent franked), up on the 1H22 interim ordinary dividend of \$A2.72 per share (40 per cent franked) and down on the 2H22 final ordinary dividend of \$A3.50 per share (40 per cent franked). This represents a payout ratio of 50 per cent. Macquarie's dividend policy remains a 50 to 70 per cent annual payout ratio.

The record date for the interim ordinary dividend is 8 November 2022 and the payment date is 13 December 2022. Shares are to be acquired on-market to satisfy the Dividend Reinvestment Plan (DRP) for the 1H23 interim ordinary dividend¹⁵.

Management update

Dennis Leong has indicated his intention to retire after 41 years of service with Macquarie and will step down as Company Secretary and be replaced by Simone Kovacic effective 1 December 2022. Mr Leong has been Company Secretary since 1993, ahead of Macquarie Bank's Initial Public Offering in 1996.

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 global economic conditions, inflation and interest rates, significant volatility events, and the impact of geopolitical events
- 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

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

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¹³ Total customer deposits as per the funded balance sheet (\$A122.0 billion) differs from total deposits as per the statutory balance sheet (\$A122.2 billion). The funded balance sheet reclassifies certain balances to other funded balance sheet categories.

¹⁴ Issuances cover a range of tenors, currencies and product types and are AUD equivalent based on FX rates at the time of issuance. Includes refinancing of loan facilities.

¹⁵ Determined in accordance with the DRP rules as the average of the daily volume weighted average price over the five business days from 14 November 2022 to 18 November 2022. Shares will be issued if purchasing becomes impractical or inadvisable.