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ASX/Media Release

MACQUARIE GROUP ANNOUNCES $A5,182 MILLION FULL-YEAR PROFIT

Key Points

- FY23 net profit of $A5,182 million, up 10% on FY22; 2H23 net profit of $A2,877 million, up 25% on 1H23, up 8% on 2H22
- International income 71% of total income[1] in FY23
- Assets under management[2] of $A870.8 billion at 31 March 2023, up 10% from 31 March 2022 and up 5% from 30 September 2022
- Financial position comfortably exceeds regulatory minimum requirements
  - Group capital surplus of $A12.6 billion[3]
  - Bank CET1 Level 2 ratio 13.7% (Harmonised: 18.4%[4]); Leverage ratio 5.2% (Harmonised: 5.9%[4]); LCR 214%[5]; NSFR 124%[5]
- Return on equity 16.9%, compared with 18.7% in FY22
- Final ordinary dividend of $A4.50 per share (40% franked), FY23 ordinary dividend of $A7.50 per share (40% franked), representing a 2H23 payout ratio of 60% and FY23 payout ratio of 56%

SYDNEY, 5 May 2023 – Macquarie Group (ASX: MQG; ADR: MQBKY) today announced a net profit after tax attributable to ordinary shareholders of $A5,182 million for the year ended 31 March 2023 (FY23), up 10 per cent on the year ended 31 March 2022 (FY22). Profit for the half year ended 31 March 2023 (2H23) was $A2,877 million, up 25 per cent on the half year ended 30 September 2022 (1H23) and up 8 per cent on the half year ended 31 March 2022 (2H22).

Macquarie Group Managing Director and Chief Executive Officer, Shemara Wikramanayake, said: "Against a less certain market and economic backdrop, the diversity of Macquarie's activities and the expertise of our teams ensured we maintained strong performance during the year."

Annuity-style activities, which are undertaken by Macquarie Asset Management (MAM), Banking and Financial Services (BFS) and certain businesses in Commodities and Global Markets (CGM), generated a combined net profit contribution[6] of $A4,143 million, down 17 per cent on FY22.

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

2 Assets under Management includes equity yet to deploy from Macquarie Asset Management (MAM) Private Markets. This is a change from prior periods, when equity yet to deploy was excluded, and has been implemented to bring MAM in line with peers. Prior periods have been restated to reflect the change.

3 The Group capital surplus is the amount of capital above APRA regulatory requirements. Bank Group regulatory requirements are calculated in accordance with the industry Prudential Standard APS 110 Capital Adequacy (calculated at 10.25% of RWA, previously 8.5%). This includes the industry minimum Tier 1 requirement of 6.0%, capital conservation buffer (CCB) of 3.75% and a countercyclical buffer (CCyB). The CCyB of the Bank Group at 31 March 2023 is 0.61%, which is rounded to 0.5% for presentation purposes. The individual CCyB varies by jurisdiction and the Bank Group's CCyB is calculated as a weighted average based on exposures in different jurisdictions at that time. The surplus reported includes provisions for internal capital buffers and differences between Level 1 and Level 2 requirements including the $A500 million operational capital overlay imposed by APRA.

4 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 Macquarie Bank Limited (MBL) is not regulated by the BCBS and so impacts shown are indicative only.

5 Average LCR for March 2023 quarter is based on an average of daily observations. 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.

6 Where referenced in this document, net profit contribution is management accounting profit before unallocated corporate costs, profit share and income tax. All numbers in this announcement have been reclassified to reflect the transfer of the Green Investment Group from Macquarie Capital to MAM effective 1 April 2022.

Markets-facing activities, undertaken by Macquarie Capital and most businesses in CGM, delivered a combined net profit contribution of $A6,208 million, up 38 per cent on FY22. This result was primarily driven by strong performance from CGM's businesses.

Net operating income of $A19,122 million was up 10 per cent on FY22, while operating expenses of $A12,130 million increased 12 per cent on FY22. International income accounted for 71 per cent of Macquarie's total income.

The income tax expense of $A1,824 million was up from $A1,586 million on FY22 and the effective tax rate was 26.0 per cent[7], up from 25.2 per cent in FY22. The higher effective tax rate was mainly driven by the geographic composition and nature of earnings.

At 31 March 2023, the Group employed 20,509 people[8], of which 51 per cent were based outside Australia. In addition, approximately 246,000 people were employed across managed fund assets and investments[9].

Assets under management[2] at 31 March 2023 were $A870.8 billion, up 10 per cent from $A793.0 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 $A2,342 million, down 23 per cent from $A3,029 million in FY22. The decrease was due to significant income in the prior year from the disposition of assets in Macquarie Infrastructure Corporation[10]. Earnings were also impacted by lower gains on asset realisations in the green energy sector, but partially offset by higher performance fees. During the year, MAM raised a record of $A38.2 billion in new equity from clients for a diverse range of Private Markets strategies.

BFS delivered a net profit contribution of $A1,201 million, up 20 per cent from $A1,001 million in FY22. BFS benefitted from growth in the loan portfolio and BFS deposits, together with improved margins. This was partially offset by higher credit impairment charges due to deterioration in the macroeconomic outlook, and increased technology investment, additional headcount to support business growth, and compliance and regulatory initiatives.

CGM delivered an exceptionally strong net profit contribution of $A6,007 million, up 54 per cent from $A3,911 million in FY22. The result reflected an increased contribution across Commodities, primarily from inventory management and trading and risk management activities. Inventory management and trading increased substantially, driven by trading income from regional supply and demand imbalances primarily in North American Gas and Power markets. Risk management revenue also increased across the platform. This occurred particularly in Gas and Power, Global Oil and Resources, which was driven by increased client hedging and trading activity as a result of elevated volatility and price movements in commodity markets. CGM saw increased contribution from Financial Markets with continued strong performance across major products and markets, particularly in foreign exchange, interest rate and credit products, where income was driven by increased client hedging and financing activity. Asset Finance's contribution decreased, largely due to the gain in the prior year from the partial sale of the UK Meters portfolio of assets.

Macquarie Capital delivered a net profit contribution of $A801 million, down 47 per cent from $A1,521 million in FY22. Mergers and acquisitions fee income was down on a strong prior year and capital markets fee income was lower due to weaker market activity. Additionally, Macquarie Capital saw slightly lower investment-related income driven by negative asset revaluations and fewer material asset realisations, partially offset by an increase in net interest income from the private credit portfolio.

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 $A12.6 billion[3] at 31 March 2023, up from $A10.7 billion at 31 March 2022. This includes the impact of APRA's new "Unquestionably Strong" bank capital framework which came into effect from 1 January 2023 with the first reporting date of 31 March 2023.

The Bank Group APRA Basel III Level 2 Common Equity Tier 1 capital ratio was 13.7 per cent (Harmonised: 18.4 per cent[4]) at 31 March 2023, up from 11.5 per cent (Harmonised: 14.6 per cent[4]) at 31 March 2022. The Bank Group's

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7 Calculation of the effective tax rate is after adjusting for the impact of non-controlling interests.
8 Includes staff employed in certain operationally segregated subsidiaries.
9 Includes people employed through MAM Private Markets-managed fund assets and investments where Macquarie Capital holds significant influence.
10 On 22 September 2021, Macquarie Infrastructure Corporation 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. MIC income includes disposition fee, equity accounted income and impairment reversal.

APRA Leverage Ratio was 5.2 per cent (Harmonised: 5.9 per cent[4]), the Liquidity Coverage Ratio (LCR) was 214 per cent[5] and the Net Stable Funding Ratio (NSFR) was 124 per cent[5] at 31 March 2023.

Total customer deposits[11] increased to $A134.5 billion at 31 March 2023, up from $A101.5 billion at 31 March 2022. Term funding[12] of $A23.3 billion was raised during FY23.

Board Update

Effective 1 June 2023, subject to necessary approvals, Susan Lloyd-Hurwitz will join the Macquarie Group Ltd (MGL) Board. Subject to election by MGL shareholders at the 2023 MGL AGM, it is proposed that Ms Lloyd-Hurwitz will also be appointed to the Macquarie Bank Limited (MBL) Board, effective 28 July 2023. Ms Lloyd-Hurwitz brings significant global investment and real estate sector expertise to the Boards, with over 30 years of global experience in the sector and most recently having served as Chief Executive Officer and Managing Director of Mirvac for more than a decade.

Nicola Wakefield Evans has confirmed that she will seek re-election as an independent director to the MGL Board at the 2023 AGM. Ms Wakefield Evans is Macquarie's longest-serving current director and will provide continuity through her remaining tenure, which is expected to conclude in 2024.

Macquarie Group Chair, Glenn Stevens, commented: "Ensuring that the Board is an effective shareholder steward for a business as diverse as Macquarie requires balancing experience and longevity with fresh perspectives, underpinned by diversity of expertise. I can say with absolute confidence that shareholders are well served by the Board, which is hard-working and diligent in fulfilling its responsibilities."

FY23 final ordinary dividend

The Macquarie Group Limited Board today announced a FY23 final ordinary dividend of $A4.50 per share (40 per cent franked), up on the FY22 final ordinary dividend of $A3.50 per share (40 per cent franked). This represents a FY23 ordinary dividend of $A7.50 per share (40 per cent franked), 2H23 payout ratio of 60 per cent and FY23 payout ratio of 56 per cent. Macquarie's dividend policy remains a 50 to 70 per cent annual payout ratio.

The record date for the final ordinary dividend is 16 May 2023 and the payment date is 4 July 2023. Shares are to be acquired on-market to satisfy the Dividend Reinvestment Plan (DRP) for the FY23 final ordinary dividend[13].

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 due to its diverse business mix across annuity-style and markets-facing businesses; deep expertise across diverse sectors in major markets with structural growth tailwinds; patient adjacent growth across new products and new markets; ongoing technology and regulatory spend to support the Group; a strong and conservative balance sheet; and a proven risk management framework and culture."

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11 Total customer deposits as per the funded balance sheet ($A134.5 billion) differs from total deposits as per the statutory balance sheet ($A134.7 billion). The funded balance sheet reclassifies certain balances to other funded balance sheet categories.

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

13 The DRP price will be determined in accordance with the DRP Rules as the arithmetic average of the daily volume-weighted average price of all Macquarie Group shares sold through a Normal Trade on the ASX automated trading system over the five trading days from 22 May 2023 to 26 May 2023. Shares will be issued if purchasing becomes impractical or inadvisable.

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