MACQUARIE

Management Discussion and Analysis

Macquarie Group
Year ended 31 March 2023

Macquarie Group Limited
ACN 122 169 279

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 2023, 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 2023 and is current as at 5 May 2023.

Cover image

The UK's gas networks keep homes warm and power industry. They help meet the country's energy security needs and will play an important role in helping to achieve the UK's longer-term net zero goals by carrying low-carbon fuels across the country.

During the period, Macquarie Asset Management invested in the UK's national gas transmission network. The long-term commitment will see National Gas invest to further develop the transmission system, while supporting its transition towards low-carbon fuels with the creation of a nationwide hydrogen transmission backbone.

The investment complements Macquarie's work at Cadent since 2017, where it is supporting homes and businesses served by the UK's largest gas distribution network operator, which is also working to utilise greener gases like hydrogen.

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 2022.

References to the first half are to the six months ended 30 September 2022.

References to the second half are to the six months ended 31 March 2023.

In the financial tables throughout this document '*' 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 2023, which was subject to independent audit by PricewaterhouseCoopers.

PricewaterhouseCoopers' independent auditor's report to the members of Macquarie Group Limited dated 5 May 2023 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.

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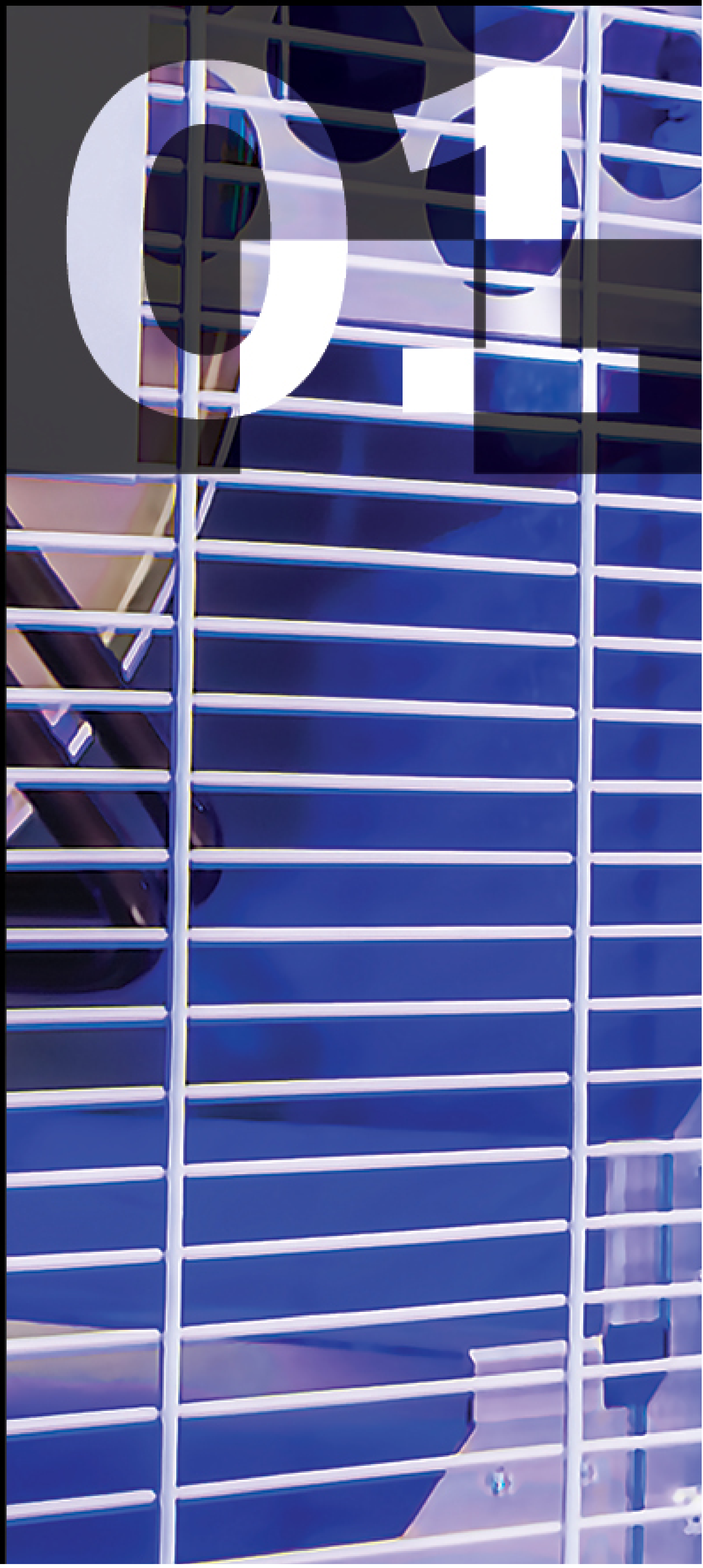
Ten Year History


01

Result Overview

Aligned Data Centers, United States

With Macquarie Asset Management's longstanding financial relationships, Aligned Data Centers completed the sector's first ever US sustainability-linked financing in 2020. The facility underpins Aligned's ability to scale sustainably and meet accelerating client demand, while progressing its goal of zero-carbon hosting by 2040.

1.1 Executive Summary

Macquarie (MGL and its subsidiaries, the Consolidated Entity) is a global financial group with offices in 34 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 20,500[1] people globally, has total assets of $A387.9 billion and total equity of $A34.1 billion as at 31 March 2023.

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 54-year record of unbroken profitability.

Macquarie works with government, institutional, corporate 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 and energy.

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.

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

FY23 net profit[1]

$A5,182m

↑ 10% on prior year

FY23 return on equity

16.9%

↓ from 18.7% in the prior year

FY23 net operating income

$A19,122m

↑ 10% on prior year

FY23 operating expenses

$A12,130m

↑ 12% on prior year

FY23 net profit contribution[2] by activity

Annuity-style activities

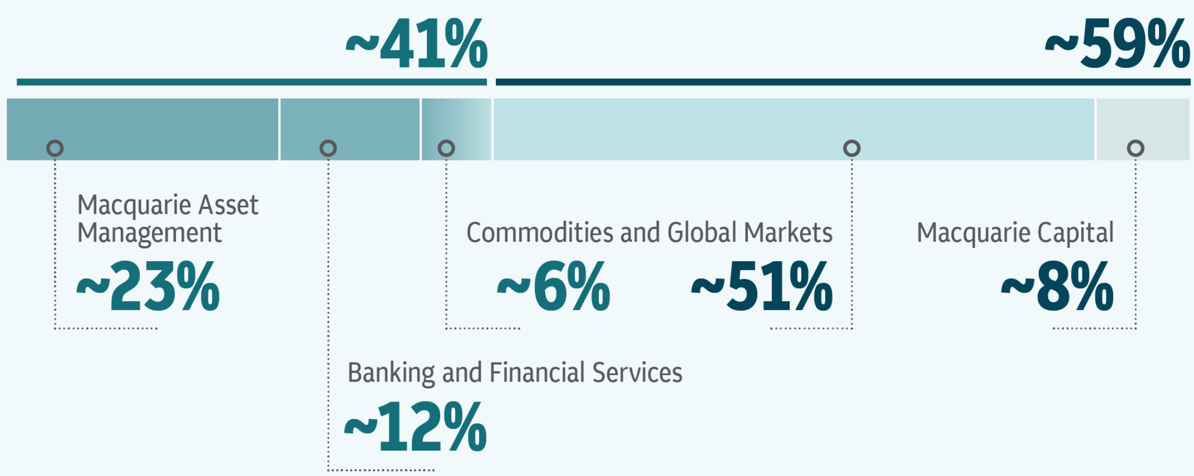
$A4,143m

↓ 17% on prior year

Markets-facing activities

$A6,208m

↑ 38% on prior year



[1] Net profit is profit after tax attributable to ordinary equity holders of Macquarie Group Limited.
[2] Net profit contribution is management accounting profit before unallocated corporate costs, profit share and income tax.

1.1 Executive Summary

Continued

FY23 net profit contribution by Operating Group

Summary of the Operating Groups' performance for the year ended 31 March 2023.

Non-Banking Group

Annuity-style businesses

Macquarie Asset Management (MAM)[1]

$A2,342m

↓ 23% on prior year due to

- significant income[2] from the disposition of assets in Macquarie Infrastructure Corporation (MIC)[3] in the prior year
- decreased net income on equity, debt and other investments driven by lower gains on asset realisations in the green energy sector.

Partially offset by:

- higher performance fees from Private Markets-managed funds
- lower credit and other impairment charges primarily driven by impairment of underperforming equity investments in the green energy sector in the prior year.

Markets-facing businesses

Macquarie Capital[1]

$A801m

↓ 47% on prior year due to

- lower fee and commission income driven by lower mergers and acquisitions fee income on a strong prior year, lower capital markets fee income and lower brokerage income due to weaker market activity
- lower net income on equity, debt and other investments driven by negative revaluations on equity investments reflecting market movements and fewer material asset realisations compared to the prior year
- higher mark-to-market losses on certain debt underwriting positions related to a deterioration in macroeconomic conditions experienced in the first half
- higher operating expenses predominantly driven by higher employment costs, increased compliance and regulatory spend and higher expenditure on technology platform and infrastructure.

Partially offset by:

- higher net interest income from the private credit portfolio benefitting from $A5.1 billion of growth in average drawn loan assets
- lower non-controlling interests due to the non-recurrence of gains attributable on disposal.

Banking Group

Banking and Financial Services (BFS)

$A1,201m

↑ 20% on prior year due to

- higher net interest and trading income mainly driven by growth in the loan portfolio and BFS deposits, and improved margins from the rising interest rate environment.

Partially offset by:

- higher credit impairment charges driven by deterioration in the macroeconomic outlook compared to the prior year and release of COVID-19 overlays in the prior year
- higher expenses driven by increased technology investment, additional headcount to support business growth, and compliance and regulatory initiatives.

Commodities and Global Markets (CGM)[4]

$A6,007m

↑ 54% on prior year due to

- inventory management and trading income increased substantially driven by trading gains from regional supply and demand imbalances primarily in North American Gas and Power markets
- increased risk management revenue reflecting strong contributions across the platform, particularly from Gas and Power, Global Oil and Resources due to increased client hedging and trading activity as a result of elevated volatility and price movements in commodity markets
- increased foreign exchange, interest rate and credit products income driven by increased client hedging and financing activity.

Partially offset by:

- lower net income on equity, debt and other investments due to the gain on the partial sale of the UK Meters portfolio of assets in the prior year
- higher operating expenses driven by higher expenditure on technology platform and infrastructure, increased compliance and regulatory spend and higher employment costs.

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[1] The Green Investment Group was transferred from Macquarie Capital to MAM effective 1 April 2022. Comparatives have been reclassified to reflect this reorganisation.

[2] Income includes disposition fee, equity accounted income and impairment reversal.

[3] On 22 September 2021, 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.

[4] 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

$A5,182m

↑ 10% on prior year

	HALF YEAR TO			FULL YEAR TO		
	Mar 23	Sep 22	*Movement*	**Mar 23**	Mar 22	*Movement*
	$Am	$Am	%	**$Am**	$Am	%
Financial performance summary						
Net interest income	**1,557**	1,471	*6*	**3,028**	2,860	*6*
Fee and commission income	**3,526**	3,032	*16*	**6,558**	6,887	*(5)*
Net trading income	**4,756**	2,739	*74*	**7,495**	3,996	*88*
Share of net (losses)/profits from associates and joint ventures	**(52)**	(61)	*(15)*	**(113)**	240	*
Net credit impairment charges	**(213)**	(175)	*22*	**(388)**	(250)	*55*
Net other impairment reversals/(charges)	**45**	(111)	*	**(66)**	(259)	*(75)*
Net other operating income	**862**	1,746	*(51)*	**2,608**	3,850	*(32)*
Net operating income	**10,481**	8,641	*21*	**19,122**	17,324	*10*
Employment expenses	**(4,090)**	(3,613)	*13*	**(7,703)**	(6,725)	*15*
Brokerage, commission and fee expenses	**(511)**	(517)	*(1)*	**(1,028)**	(1,029)	*(<1)*
Non-salary technology expenses	**(547)**	(545)	*<1*	**(1,092)**	(926)	*18*
Other operating expenses	**(1,369)**	(938)	*46*	**(2,307)**	(2,105)	*10*
Total operating expenses	**(6,517)**	(5,613)	*16*	**(12,130)**	(10,785)	*12*
Operating profit before income tax	**3,964**	3,028	*31*	**6,992**	6,539	*7*
Income tax expense	**(1,089)**	(735)	*48*	**(1,824)**	(1,586)	*15*
Profit after income tax	**2,875**	2,293	*25*	**5,168**	4,953	*4*
Loss/(profit) attributable to non-controlling interests	**2**	12	*(83)*	**14**	(247)	*
Profit attributable to ordinary equity holders of Macquarie Group Limited	**2,877**	2,305	*25*	**5,182**	4,706	*10*
Key metrics						
Expense to income ratio (%)	**62.2**	65.0		**63.4**	62.3	
Compensation ratio (%)	**36.7**	39.7		**38.1**	36.7	
Effective tax rate (%)	**27.5**	24.2		**26.0**	25.2	
Basic earnings per share (cents per share)	**746.0**	603.3		**1,353.7**	1,271.7	
Diluted earnings per share (cents per share)	**725.5**	585.1		**1,316.3**	1,230.6	
Dividend per ordinary share (cents per share)	**450.0**	300.0		**750.0**	622.0	
Ordinary dividend payout ratio (%)	**60**	50		**56**	50	
Annualised return on equity (%)	**18.1**	15.6		**16.9**	18.7	

1.1 Executive Summary

Continued

Net operating income

Net operating income of $A19,122 million for the year ended 31 March 2023 increased 10% from $A17,324 million in the prior year. The increase was primarily driven by higher Net interest and trading income, partially offset by a decrease in Net other operating income.

Net interest and trading income

FULL YEAR TO	
31 Mar 23	31 Mar 22
$Am	$Am
10,523	6,856

↑**53%** on prior year

- Increased inventory management and trading income driven by trading gains from regional supply and demand imbalances primarily in North American Gas and Power markets in CGM.
- Increased risk management revenue reflecting strong contributions across the platform, particularly from Gas and Power, Global Oil and Resources in CGM.
- Growth in the average loan portfolio and deposit volumes, and improved margins from the rising interest rate environment in BFS.

Fee and commission income

FULL YEAR TO	
31 Mar 23	31 Mar 22
$Am	$Am
6,558	6,887

↓**5%** on prior year

- Lower mergers and acquisitions fee income on a strong prior year and lower capital markets fee income due to weaker market activity in Macquarie Capital.
- Significant disposition fee income relating to MIC in the prior year in MAM.
- Lower base fees in Public Investments driven by negative market movements and outflows in equity funds, partially offset by acquisitions in the prior year and foreign exchange movements in MAM.

Partially offset by:

- higher performance fees in MAM
- higher base fees in Private Markets due to fund raising and investments made by Private Markets-managed funds and mandates in MAM
- higher fee income from the Futures business in CGM.

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

FULL YEAR TO	
31 Mar 23	31 Mar 22
$Am	$Am
(113)	240

↓**significantly** on prior year

- Significant equity accounted income from MIC and higher revaluation gains on underlying assets in the prior year in MAM.
- Changes in the composition and performance of Macquarie Capital's investment portfolio.

Credit and other impairment charges

FULL YEAR TO	
31 Mar 23	31 Mar 22
$Am	$Am
(454)	(509)

↓**11%** on prior year

- Lower other impairment charges recognised on a small number of underperforming assets and equity investments in the current year in MAM and Macquarie Capital.

Partially offset by:

- higher net credit impairment charges due to deterioration in the macroeconomic outlook
- release of COVID-19 overlays in the prior year
- an impairment reversal related to MAM's investment in MIC in the prior year.

Net other operating income

FULL YEAR TO	
31 Mar 23	31 Mar 22
$Am	$Am
2,608	3,850

↓**32%** on prior year

- Lower gains on asset realisations in the green energy sector in MAM.
- Non-recurrence of a gain on the partial sale of the UK Meters portfolio of assets in the prior year in CGM.
- Negative revaluations on equity investments and fewer material asset realisations in the current year in Macquarie Capital.

Operating expenses

Total operating expenses of $A12,130 million for the year ended 31 March 2023 increased 12% from $A10,785 million in the prior year with increases across most expense categories.

Employment expenses

FULL YEAR TO	
31 Mar 23	31 Mar 22
$Am	$Am
7,703	6,725

↑15% on prior year

- Higher salary and related expenses from higher average headcount and wage inflation.
- Higher profit share and share-based payments expense mainly as a result of the performance of the Consolidated Entity.

Partially offset by:
- one-off acquisition expenses incurred in the prior year, in MAM.

Brokerage, commission and fee expenses

FULL YEAR TO	
31 Mar 23	31 Mar 22
$Am	$Am
1,028	1,029

in line with prior year

- Brokerage, commission and fee expenses were broadly in line with the prior year.

Non-salary technology expenses

FULL YEAR TO	
31 Mar 23	31 Mar 22
$Am	$Am
1,092	926

↑18% on prior year

- Increased investment in technology initiatives, with focus on data and digitalisation to support business growth and compliance.

Other operating expenses

FULL YEAR TO	
31 Mar 23	31 Mar 22
$Am	$Am
2,307	2,105

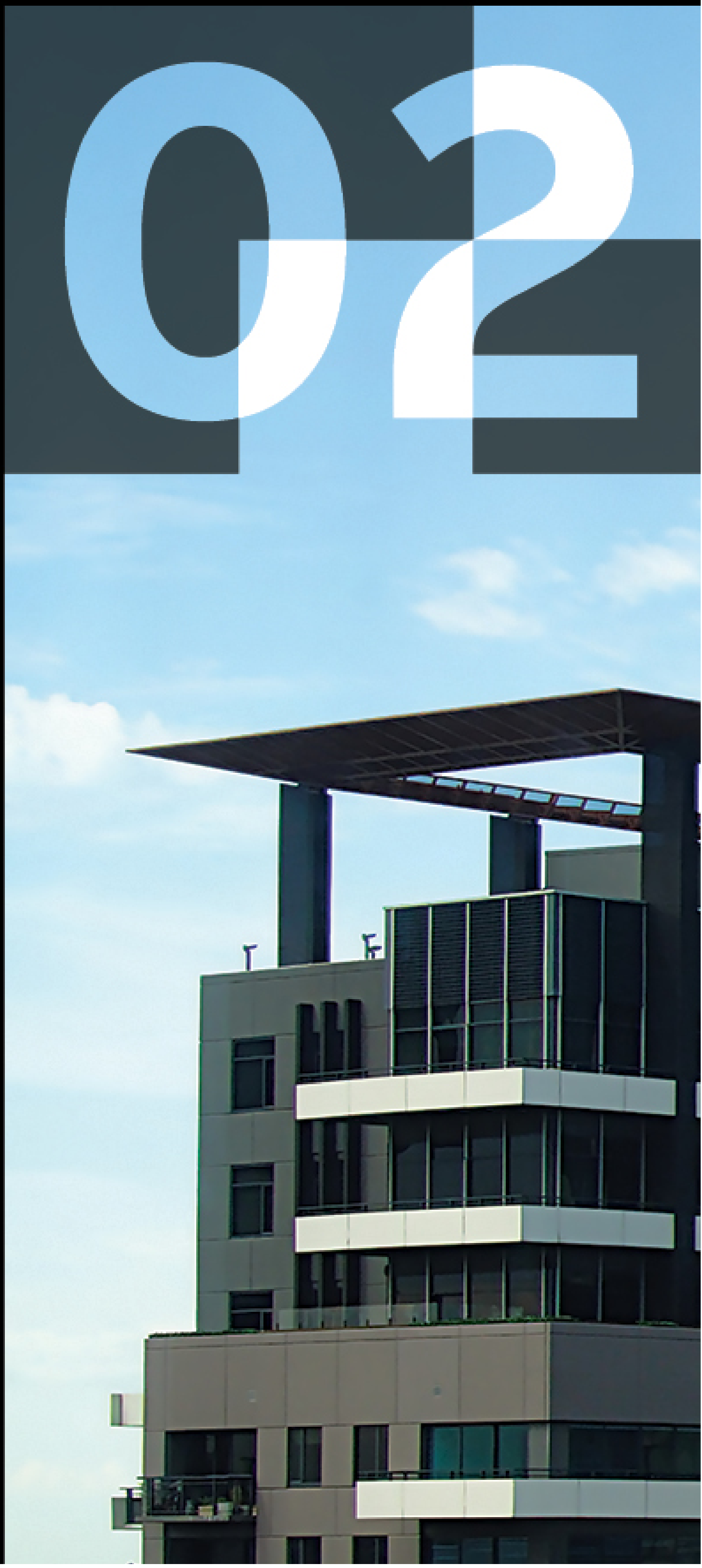
↑10% on prior year

- Higher travel and entertainment expenses across the Consolidated Entity following the easing of COVID-19 restrictions.
- Higher amortisation of intangible assets following the Waddell & Reed Financial (Waddell & Reed) acquisition in MAM.

Income tax expense

Income tax expense of $A1,824 million for the year ended 31 March 2023 increased 15% from $A1,586 million in the prior year. The effective tax rate for the year ended 31 March 2023 was 26.0%, up from 25.2% 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.


02

Financial performance analysis

Seamless digital experience

Macquarie Bank has a strong focus on digital innovation, which allows us to enhance how our customers manage their money.

2.1 Net Interest and Trading Income

	HALF YEAR TO			FULL YEAR TO		
	Mar 23	Sep 22	*Movement*	**Mar 23**	Mar 22	*Movement*
	$Am	$Am	*%*	**$Am**	$Am	*%*
Net interest income	**1,557**	1,471	*6*	**3,028**	2,860	*6*
Net trading income	**4,756**	2,739	*74*	**7,495**	3,996	*88*
Net interest and trading income	**6,313**	4,210	*50*	**10,523**	6,856	*53*

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 hedge accounting relationships, in which case the carrying value of the hedged items are adjusted for changes in fair value attributable to the hedged risks to reduce volatility in the income statement. If designated in cash flow hedge accounting relationships, the effective portion of the derivatives' fair value gains or losses are 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 items affect the income statement for the hedged risks. 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 swaps are 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 23	Sep 22	*Movement*	**Mar 23**	Mar 22	*Movement*
	$Am	$Am	*%*	**$Am**	$Am	*%*
MAM	**(253)**	(143)	*77*	**(396)**	(328)	*21*
BFS	**1,306**	1,214	*8*	**2,520**	1,972	*28*
CGM						
Commodities						
Risk management	**1,555**	1,496	*4*	**3,051**	2,033	*50*
Lending and financing	**153**	184	*(17)*	**337**	212	*59*
Inventory management and trading	**2,446**	209	*	**2,655**	1,079	*146*
Foreign exchange, interest rates and credit	**381**	644	*(41)*	**1,025**	888	*15*
Equities	**193**	178	*8*	**371**	394	*(6)*
Asset Finance	**59**	63	*(6)*	**122**	126	*(3)*
Macquarie Capital	**256**	154	*66*	**410**	414	*(1)*
Corporate	**217**	211	*3*	**428**	66	*
Net interest and trading income	**6,313**	4,210	*50*	**10,523**	6,856	*53*

Net interest and trading income of $A10,523 million for the year ended 31 March 2023 increased 53% from $A6,856 million in the prior year.

MAM

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

Net interest and trading expense of $A396 million for the year ended 31 March 2023 increased 21% from $A328 million in the prior year, primarily driven by higher funding costs due to an increase in interest rates and investments, partially offset by changes in the fair value of economic hedges.

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 $A2,520 million for the year ended 31 March 2023 increased 28% from $A1,972 million in the prior year, primarily due to 22% growth in the average loan portfolio, which was supported by 31% growth in average BFS deposit volumes. It also reflects improved margins from the rising interest rate environment, partially offset by ongoing lending competition and changes in the portfolio mix.

As at 31 March 2023 the loan and deposit portfolios included:

- home loan volumes of $A108.1 billion, up 21% from $A89.5 billion as at 31 March 2022
- business banking loan volumes of $A13.0 billion, up 13% from $A11.5 billion as at 31 March 2022
- car loan volumes of $A6.1 billion, down 31% from $A8.8 billion as at 31 March 2022, and
- BFS deposits of $A129.4 billion, up 32% from $A98.0 billion as at 31 March 2022.

CGM

Net interest and trading income of $A7,561 million for the year ended 31 March 2023 increased 60% from $A4,732 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 $A3,051 million for the year ended 31 March 2023 increased 50% from $A2,033 million in the prior year with contributions across the platform. Increased contributions were generated by Gas and Power, Global Oil and Resources due to increased client hedging and trading activity as a result of elevated volatility and price movements in commodity markets.

(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 $A337 million for the year ended 31 March 2023 increased 59% from $A212 million in the prior year due to increased activity and margins across energy 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 and transportation contracts, 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 $A2,655 million for the year ended 31 March 2023 increased significantly from $A1,079 million in the prior year. The current year increased substantially from the prior year driven by trading gains from regional supply and demand imbalances primarily in North American Gas and Power markets, especially in the second half. The first half trading gains were largely offset by the unfavourable impact of timing of income recognition primarily on Gas and Power storage and transport contracts, which partially reversed in the second half.

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 speciality lending.

Net interest and trading income from foreign exchange, interest rates and credit related activities of $A1,025 million for the year ended 31 March 2023 increased 15% from $A888 million in the prior year, with increased client hedging activity in structured foreign exchange, interest rate and credit products in addition to increased financing activity.

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 provision of risk management and trading activities.

Equities net interest and trading income of $A371 million for the year ended 31 March 2023 decreased 6% from $A394 million in the prior year due to reduced contributions from trading related 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 $A122 million for the year ended 31 March 2023 was broadly in line with the prior year.

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 $A410 million for the year ended 31 March 2023 was broadly in line with the prior year. Net interest income from the private credit portfolio was up 37% on the prior year, and benefitted from $A5.1 billion of growth in average drawn loan assets. This was largely offset by higher mark-to-market losses on certain debt underwriting positions related to deterioration in macroeconomic conditions experienced in the first half.

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 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.

Net interest and trading income of $A428 million for the year ended 31 March 2023 was significantly up from $A66 million in the prior year.

The increase from the prior year included the impact of earnings on capital reflecting higher central bank rates and higher average volumes and accounting volatility from the changes in the fair values of economic hedges, partially offset by a higher expense associated with managing the Group's liquidity and funding which included an increased centrally held funding surplus.

2.2 Fee and Commission Income

	HALF YEAR TO			FULL YEAR TO		
	Mar 23	Sep 22	*Movement*	**Mar 23**	Mar 22	*Movement*
	$Am	$Am	*%*	**$Am**	$Am	*%*
Base fees	**1,415**	1,389	*2*	**2,804**	2,796	*<1*
Other asset management fees	**264**	205	*29*	**469**	458	*2*
Base fees and other asset management fees	**1,679**	1,594	*5*	**3,273**	3,254	*1*
Performance fees	**455**	237	*92*	**692**	395	*75*
Mergers and acquisitions, advisory and underwriting fees	**553**	438	*26*	**991**	1,373	*(28)*
Brokerage and other trading-related fee income	**322**	393	*(18)*	**715**	801	*(11)*
Other fee and commission income	**517**	370	*40*	**887**	1,064	*(17)*
Total fee and commission income	**3,526**	3,032	*16*	**6,558**	6,887	*(5)*

Total fee and commission income of $A6,558 million for the year ended 31 March 2023 decreased 5% from $A6,887 million in the prior year. The decrease was primarily driven by a significant disposition fee relating to MIC in the prior year, partially offset by higher performance fees, in MAM, and lower fee income in Macquarie Capital in the current year.

Base fees, Other asset management fees and Performance fees

	HALF YEAR TO			FULL YEAR TO		
	Mar 23	Sep 22	*Movement*	**Mar 23**	Mar 22	*Movement*
	$Am	$Am	*%*	**$Am**	$Am	*%*
Base fees						
MAM						
Public Investments	**742**	787	*(6)*	**1,529**	1,683	*(9)*
Private Markets	**662**	591	*12*	**1,253**	1,088	*15*
Total MAM	**1,404**	1,378	*2*	**2,782**	2,771	*<1*
Other Operating Groups	**11**	11	*–*	**22**	25	*(12)*
Total base fee income	**1,415**	1,389	*2*	**2,804**	2,796	*<1*
Total other asset management fees	**264**	205	*29*	**469**	458	*2*
Performance fees						
MAM						
Public Investments	**1**	–	*	**1**	5	*(80)*
Private Markets	**454**	237	*92*	**691**	389	*78*
Total MAM	**455**	237	*92*	**692**	394	*76*
Other Operating Groups	**–**	–	*–*	**–**	1	*(100)*
Total performance fee income	**455**	237	*92*	**692**	395	*75*

2.2 Fee and Commission Income

Continued

Base fees

Base fees of $A2,804 million for the year ended 31 March 2023 were broadly in line with the prior year.

Base fees are typically generated from funds management activities and are mainly attributable to MAM. MAM's base fees of $A2,782 million for the year ended 31 March 2023 were broadly in line with the prior year with offsetting impacts across MAM. Base fees in Private Markets were higher due to fund raising and investments made by Private Markets-managed funds and mandates and foreign exchange movements, partially offset by asset realisations in Private Markets-managed funds. This was offset by lower base fees in Public Investments primarily due to negative market movements and outflows in Public Investments equity funds, partially offset by Public Investments acquisitions in the prior year and foreign exchange movements.

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 $A469 million for the year ended 31 March 2023 increased 2% from $A458 million in the prior year.

Performance fees

Performance fees are typically generated from Macquarie-managed funds and assets that have outperformed pre-defined benchmarks.

Performance fees of $A692 million for the year ended 31 March 2023 increased 75% from $A395 million in the prior year.

Performance fees for the year ended 31 March 2023 included performance fees from a range of funds including MIP III, MEIF4, MKOF3, other Private Markets-managed funds, managed accounts and co-investors. The prior year included performance fees from MIP III, MEIF4 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 $A991 million for the year ended 31 March 2023 decreased 28% from $A1,373 million in the prior year.

The movement was driven by lower mergers and acquisitions fee income on a strong prior year and lower capital markets fee income due to weaker market activity 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 $A715 million for the year ended 31 March 2023 decreased 11% from $A801 million in the prior year due to weaker market activity in Macquarie Capital, particularly in Asia.

Other fee and commission income

Other fee and commission income includes fees mainly from MAM, CGM and BFS. MAM includes fees related to the MIC disposition, transfer agent oversight services, capital raisings and income from True Index products. CGM includes structured, index and retail products. BFS' products and services include BFS Wrap and Vision platforms, home loans, car loans, credit cards, business loans and deposits.

Other fee and commission income of $A887 million for the year ended 31 March 2023 decreased 17% from $A1,064 million in the prior year. The decrease was primarily due to a significant disposition fee from MIC in the prior year.

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

	HALF YEAR TO			FULL YEAR TO		
	Mar 23	Sep 22	*Movement*	**Mar 23**	Mar 22	*Movement*
	$Am	$Am	*%*	**$Am**	$Am	*%*
Share of net (losses)/profits from associates and joint ventures	**(52)**	(61)	*(15)*	**(113)**	240	*

Share of net losses from associates and joint ventures of $A113 million for the year ended 31 March 2023, compared to a share of net profits from associates and joint ventures of $A240 million in the prior year. The movement was primarily driven by significant equity accounted income from MIC and higher revaluation gains on underlying assets in the prior year, in MAM. In addition, there were changes in the composition and performance of the investment portfolio in Macquarie Capital.

2.4 Credit and Other Impairment Charges

	HALF YEAR TO			FULL YEAR TO		
	Mar 23	Sep 22	*Movement*	**Mar 23**	Mar 22	*Movement*
	$Am	$Am	*%*	**$Am**	$Am	*%*
Credit impairment (charges)/reversals						
Loan assets	**(233)**	(110)	*112*	**(343)**	(103)	*233*
Held for sale and other assets	**(17)**	(8)	*113*	**(25)**	(83)	*(70)*
Loans to associates and joint ventures	**–**	5	*(100)*	**5**	(39)	*
Off balance sheet exposures	**(35)**	(37)	*(5)*	**(72)**	1	*
Margin money and settlement assets	**53**	(11)	*	**42**	(26)	*
Financial investments	**17**	(17)	*	**–**	(2)	*(100)*
Gross credit impairment charges	**(215)**	(178)	*21*	**(393)**	(252)	*56*
Recovery of amounts previously written off	**2**	3	*(33)*	**5**	2	*150*
Net credit impairment charges	**(213)**	(175)	*22*	**(388)**	(250)	*55*
Other impairment charges						
Interests in associates and joint ventures	**64**	(111)	*	**(47)**	(180)	*(74)*
Intangible and other non-financial assets	**(19)**	–	*	**(19)**	(79)	*(76)*
Net other impairment (charges)/reversals	**45**	(111)	*	**(66)**	(259)	*(75)*
Total credit and other impairment charges	**(168)**	(286)	*(41)*	**(454)**	(509)	*(11)*

	HALF YEAR TO			FULL YEAR TO		
	Mar 23	Sep 22	*Movement*	**Mar 23**	Mar 22	*Movement*
	$Am	$Am	*%*	**$Am**	$Am	*%*
MAM	**(11)**	(3)	*267*	**(14)**	(99)	*(86)*
BFS	**(25)**	(9)	*178*	**(34)**	22	*
CGM	**(22)**	(35)	*(37)*	**(57)**	(65)	*(12)*
Macquarie Capital	**(99)**	(195)	*(49)*	**(294)**	(362)	*(19)*
Corporate	**(11)**	(44)	*(75)*	**(55)**	(5)	*
Total credit and other impairment charges	**(168)**	(286)	*(41)*	**(454)**	(509)	*(11)*

Total credit and other impairment charges of $A454 million for the year ended 31 March 2023 decreased 11% from $A509 million in the prior year.

Net credit impairment charges of $A388 million increased 55% from $A250 million in the prior year, largely due to deterioration in the macroeconomic outlook, and the release of COVID-19 overlays in the prior year. In addition, there were higher central overlay provisions for expected credit losses in Corporate, in the current year.

Net other impairment charges of $A66 million decreased 75% from $A259 million in the prior year, mainly driven by lower impairment charges recognised on a small number of underperforming assets and equity investments in the current year in MAM and Macquarie Capital, partially offset by a reversal related to MAM's investment in MIC in the prior year.

MAM

Net credit and other impairment charges of $A14 million for the year ended 31 March 2023 decreased 86% from $A99 million in the prior year.

The prior year included the impairment of underperforming equity investments in the green energy sector and a reversal of the impairment previously recognised on MAM's investment in MIC.

BFS

Net credit and other impairment charges of $A34 million for the year ended 31 March 2023, compared to a reversal of $A22 million in the prior year largely due to deterioration in the macroeconomic outlook and release of COVID-19 overlays in the prior year.

CGM

Net credit and other impairment charges of $A57 million for the year ended 31 March 2023 decreased 12% from $A65 million in the prior year due to reduced specific provisions in the current year. The prior year included a partial release of COVID-19 overlays.

Macquarie Capital

Net credit and other impairment charges of $A294 million for the year ended 31 March 2023 decreased 19% from $A362 million in the prior year.

The decrease was primarily from lower impairment charges recognised on a small number of underperforming equity investments, partially offset by higher credit provisions in the current year.

Corporate

Net credit and other impairment charges of $A55 million for the year ended 31 March 2023 were significantly up from $A5 million in the prior year driven by higher central overlay provisions for expected credit losses.

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.

2.5 Net Other Operating Income

	HALF YEAR TO			FULL YEAR TO		
	Mar 23	Sep 22	*Movement*	**Mar 23**	Mar 22	*Movement*
	$Am	$Am	*%*	**$Am**	$Am	*%*
Investment income						
Net gain on disposal of subsidiaries and businesses	**32**	375	*(91)*	**407**	2,789	*(85)*
Net gain/(loss) on financial investments	**55**	(139)	*	**(84)**	248	*
Net gain on interests in associates and joint ventures	**523**	1,283	*(59)*	**1,806**	190	*
Net (loss)/gain on non-financial assets	**(22)**	30	*	**8**	64	*(88)*
Net investment income	**588**	1,549	*(62)*	**2,137**	3,291	*(35)*
Rental income	**463**	397	*17*	**860**	754	*14*
Depreciation	**(209)**	(186)	*12*	**(395)**	(352)	*12*
Net operating lease income	**254**	211	*20*	**465**	402	*16*
Businesses and subsidiaries held for investment purposes[1]						
Net operating revenue[2]	**250**	171	*46*	**421**	447	*(6)*
Expenses[3]	**(322)**	(286)	*13*	**(608)**	(473)	*29*
Net loss from businesses and subsidiaries held for investment purposes	**(72)**	(115)	*(37)*	**(187)**	(26)	*
Other income	**92**	101	*(9)*	**193**	183	*5*
Total net other operating income	**862**	1,746	*(51)*	**2,608**	3,850	*(32)*

Total net other operating income of $A2,608 million for the year ended 31 March 2023 decreased 32% from $A3,850 million in the prior year. The decrease was mainly driven by lower investment income, from lower asset realisations in the green energy sector in MAM as well as the gain on the partial sale of the UK Meters portfolio of assets in CGM in the prior year.

Investment income

Investment income of $A2,137 million for the year ended 31 March 2023 decreased 35% from $A3,291 million in the prior year. The prior year included higher revenue from asset realisations in the green energy sector, in MAM as well as the gain on the partial sale of the UK Meters portfolio of assets in CGM. The current year included revaluation gains on debt investments in MAM and negative revaluations on equity investments, in Macquarie Capital. In addition there were fewer material asset realisations in Macquarie Capital, particularly in Europe and ANZ, in the current year.

Net operating lease income

Net operating lease income of $A465 million for the year ended 31 March 2023 increased 16% from $A402 million in the prior year. The increase was primarily driven by contributions from the resources sector in CGM.

The total operating lease portfolio[4] was $A4.4 billion as at 31 March 2023, up 22% from $A3.6 billion as at 31 March 2022.

Businesses and subsidiaries held for investment purposes

Net loss from businesses and subsidiaries held for investment purposes of $A187 million for the year ended 31 March 2023 was significantly up from a loss of $A26 million in the prior year. The movement primarily reflected increased expenditure in investments in green energy portfolio companies operating on a standalone basis in MAM.

Other income

Other income of $A193 million for the year ended 31 March 2023 was broadly in line with the prior year.

[1] Businesses and subsidiaries held for investment purposes are consolidated entities that are held with the ultimate intention to sell as part of Macquarie's investment activities.
[2] Includes revenue of $A628 million (2022: $A1,176 million) before deduction of $A207 million (2022: $A729 million) related to cost of goods sold and other direct costs.
[3] Includes employment expenses, depreciation and amortisation expenses and other operating expenses.
[4] Per the Statutory Balance Sheet

2.6 Operating Expenses

	HALF YEAR TO			FULL YEAR TO		
	Mar 23 $Am	Sep 22 $Am	*Movement %*	**Mar 23 $Am**	Mar 22 $Am	*Movement %*
Employment expenses						
Salary and related costs including commissions, superannuation and performance-related profit share	**(3,418)**	(3,038)	*13*	**(6,456)**	(5,627)	*15*
Share-based payments	**(396)**	(366)	*8*	**(762)**	(659)	*16*
Provision for long service leave and annual leave	**(30)**	(30)	*–*	**(60)**	(78)	*(23)*
Total compensation expenses	**(3,844)**	(3,434)	*12*	**(7,278)**	(6,364)	*14*
Other employment expenses including on-costs, staff procurement and staff training	**(246)**	(179)	*37*	**(425)**	(361)	*18*
Total employment expenses	**(4,090)**	(3,613)	*13*	**(7,703)**	(6,725)	*15*
Brokerage, commission and fee expenses	**(511)**	(517)	*(1)*	**(1,028)**	(1,029)	*(<1)*
Non-salary technology expenses	**(547)**	(545)	*<1*	**(1,092)**	(926)	*18*
Other operating expenses						
Occupancy expenses	**(190)**	(182)	*4*	**(372)**	(357)	*4*
Professional fees	**(304)**	(233)	*30*	**(537)**	(576)	*(7)*
Indirect and other taxes	**(95)**	(60)	*58*	**(155)**	(170)	*(9)*
Advertising and promotional expenses	**(101)**	(95)	*6*	**(196)**	(178)	*10*
Amortisation of intangible assets	**(109)**	(72)	*51*	**(181)**	(134)	*35*
Travel and entertainment expenses	**(88)**	(83)	*6*	**(171)**	(43)	*298*
Fees for audit and other services	**(55)**	(28)	*96*	**(83)**	(64)	*30*
Other	**(427)**	(185)	*131*	**(612)**	(583)	*5*
Total other operating expenses	**(1,369)**	(938)	*46*	**(2,307)**	(2,105)	*10*
Total operating expenses	**(6,517)**	(5,613)	*16*	**(12,130)**	(10,785)	*12*

Total operating expenses of $A12,130 million for the year ended 31 March 2023 increased 12% from $A10,785 million in the prior year. The increase was mainly due to higher employment expenses driven by higher average headcount, higher profit share expense and share-based payments and wage inflation as well as increased non-salary technology expenses, higher travel and entertainment expenses and unfavourable foreign exchange movements. This was partially offset by one-off acquisition expenses in MAM incurred in the prior year.

Key drivers of the movement included:

- Total employment expenses of $A7,703 million for the year ended 31 March 2023 increased 15% from $A6,725 million in the prior year driven by higher salary and related expenses due to higher average headcount and wage inflation, higher profit share and share-based payments expense as a result of the performance of the Consolidated Entity, and unfavourable foreign exchange movements. This was partially offset by one-off acquisition expenses in MAM incurred in the prior year. The higher average headcount was mainly in the Central Service Groups driven by investment in additional technology capability, which included infrastructure and cybersecurity, as well as increased compliance and regulatory initiatives, to support MGL's Operating Groups.
- Non-salary technology expenses of $A1,092 million for the year ended 31 March 2023 increased 18% from $A926 million in the prior year primarily driven by increased investment in technology initiatives, with focus on data and digitalisation to support business growth and compliance.
- Total other operating expenses of $A2,307 million for the year ended 31 March 2023 increased 10% from $A2,105 million in the prior year mainly driven by higher travel and entertainment expenses across the Consolidated Entity following the easing of COVID-19 restrictions and higher amortisation of intangibles following the Waddell & Reed acquisition.

2.7 Headcount

	AS AT			MOVEMENT	
	Mar 23	Sep 22	Mar 22	*Sep 22*	*Mar 22*
	$Am	$Am	$Am	*%*	*%*
Headcount by Operating Group[1]					
MAM	**2,509**	2,607	2,674	*(4)*	*(6)*
BFS	**3,820**	3,512	3,359	*9*	*14*
CGM	**2,378**	2,272	2,179	*5*	*9*
Macquarie Capital	**1,630**	1,625	1,568	*<1*	*4*
Total headcount – Operating Groups	**10,337**	10,016	9,780	*3*	*6*
Total headcount – Corporate	**10,172**	9,250	8,353	*10*	*22*
Total headcount	**20,509**	19,266	18,133	*6*	*13*
Headcount by region					
Australia[2]	**10,125**	9,092	8,332	*11*	*22*
International:					
Americas	**3,204**	3,283	3,205	*(2)*	*(<1)*
Asia	**4,264**	4,141	3,972	*3*	*7*
Europe, Middle East and Africa	**2,916**	2,750	2,624	*6*	*11*
Total headcount – International	**10,384**	10,174	9,801	*2*	*6*
Total headcount	**20,509**	19,266	18,133	*6*	*13*
International headcount ratio (%)	**51**	53	54		

Total headcount increased 13% to 20,509 as at 31 March 2023 from 18,133 as at 31 March 2022, mainly driven by investment in additional technology capability, increased compliance and regulatory initiatives and business growth.

[1] Headcount numbers in this document included certain staff employed in operationally segregated subsidiaries (OSS).
[2] Includes New Zealand.

2.8 Income Tax Expense

	FULL YEAR TO	
	Mar 23	Mar 22
	$Am	$Am
Operating profit before income tax	**6,992**	6,539
Prima facie tax @ 30%	**2,098**	1,962
Income tax permanent differences	**(274)**	(376)
Income tax expense	**1,824**	1,586
Effective tax rate[1]	**26.0 %**	25.2 %

Income tax expense of $A1,824 million for the year ended 31 March 2023 increased 15% from $A1,586 million in the prior year. The effective tax rate for the year ended 31 March 2023 was 26.0%, up from 25.2% 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 increased operating profit before income tax by $A14 million for the year ended 31 March 2023 (31 March 2022: reduced operating profit before income tax by $A247 million).

Q3

Segment Analysis

Supporting clients like SK hynix in the dynamic Semiconductor industry

For over two decades, Macquarie Semiconductor and Technology has leveraged our deep expertise in advanced technology and finance to provide innovative capital and asset solutions to some of the world's leading semiconductor companies.

Source: SK hynix newsroom

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).

During the current year, and as previously announced, the Green Investment Group was transferred from Macquarie Capital and is operating as part of MAM, bringing together Macquarie's specialist capabilities to provide clients with expanded green investments and energy transition capabilities.

Comparatives have been reclassified to reflect this reorganisation.

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** which 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, secondaries, equities, fixed income and multi-asset solutions
- **BFS** which provides a diverse range of personal banking, wealth management, and business banking products and services to retail clients, advisers, brokers and business clients
- **CGM** which 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** which 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.

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 expense within the Corporate segment include earnings from investments, changes in central overlays to impairments or valuation of assets, provisions for legacy matters, unallocated head office costs and costs of Central Service Groups, the Consolidated Entity's performance-related profit share and share-based payments expense and income tax expense.

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 the majority of 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, 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 (MEREP) are recognised in the Corporate segment and 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
Full year ended 31 March 2023		
Net interest and trading (expense)/income	(396)	2,520
Fee and commission income/(expense)	4,108	505
Share of net (losses)/profits from associates and joint ventures	(1)	(7)
Other operating income and charges		
Net credit and other impairment charges	(14)	(34)
Net other operating income and charges	1,162	(13)
Internal management revenue/(charge)	92	(10)
Net operating income	4,951	2,961
Total operating expenses	(2,595)	(1,760)
Operating profit/(loss) before income tax	2,356	1,201
Income tax expense	–	–
(Profit)/loss attributable to non-controlling interests	(14)	–
Net profit/(loss) contribution	**2,342**	**1,201**
Full year ended 31 March 2022		
Net interest and trading (expense)/income	(328)	1,972
Fee and commission income/(expense)	4,088	457
Share of net profits/(losses) from associates and joint ventures	256	(2)
Other operating income and charges		
Net credit and other impairment (charges)/reversals	(99)	22
Net other operating income	1,722	11
Internal management revenue/(charge)	18	1
Net operating income	5,657	2,461
Total operating expenses	(2,631)	(1,460)
Operating profit/(loss) before income tax	3,026	1,001
Income tax expense	–	–
Loss/(Profit) attributable to non-controlling interests	3	–
Net profit/(loss) contribution	**3,029**	**1,001**

CGM $Am	Macquarie Capital $Am	Corporate $Am	**Total $Am**
7,561	410	428	**10,523**
617	1,356	(28)	**6,558**
32	(137)	–	**(113)**
(57)	(294)	(55)	**(454)**
535	903	21	**2,608**
29	(11)	(100)	**-**
8,717	2,227	266	**19,122**
(2,710)	(1,456)	(3,609)	**(12,130)**
6,007	771	(3,343)	**6,992**
–	–	(1,824)	**(1,824)**
–	30	(2)	**14**
6,007	**801**	**(5,169)**	**5,182**
4,732	414	66	**6,856**
507	1,868	(33)	**6,887**
40	(55)	1	**240**
(65)	(362)	(5)	**(509)**
960	1,146	11	**3,850**
5	29	(53)	**-**
6,179	3,040	(13)	**17,324**
(2,268)	(1,270)	(3,156)	**(10,785)**
3,911	1,770	(3,169)	**6,539**
–	–	(1,586)	**(1,586)**
–	(249)	(1)	**(247)**
3,911	**1,521**	**(4,756)**	**4,706**

3.2 MAM

	HALF YEAR TO			FULL YEAR TO		
	Mar 23 $Am	Sep 22 $Am	*Movement %*	**Mar 23 $Am**	Mar 22 $Am	*Movement %*
Net interest and trading expense	**(253)**	(143)	*77*	**(396)**	(328)	*21*
Fee and commission income						
Base fees	**1,404**	1,378	*2*	**2,782**	2,771	*<1*
Performance fees	**455**	237	*92*	**692**	394	*76*
Other fee and commission income	**367**	267	*37*	**634**	923	*(31)*
Total fee and commission income	**2,226**	1,882	*18*	**4,108**	4,088	*<1*
Share of net profits/(losses) from associates and joint ventures	**32**	(33)	*	**(1)**	256	*
Other operating income and charges						
Net income on equity, debt and other investments	**271**	877	*(69)*	**1,148**	1,560	*(26)*
Net credit and other impairment charges	**(11)**	(3)	*267*	**(14)**	(99)	*(86)*
Other income/(expenses)	**52**	(38)	*	**14**	162	*(91)*
Total other operating income and charges	**312**	836	*(63)*	**1,148**	1,623	*(29)*
Internal management revenue	**29**	63	*(54)*	**92**	18	*
Net operating income	**2,346**	2,605	*(10)*	**4,951**	5,657	*(12)*
Operating expenses						
Employment expenses	**(457)**	(381)	*20*	**(838)**	(828)	*1*
Brokerage, commission and fee expenses	**(206)**	(193)	*7*	**(399)**	(432)	*(8)*
Other operating expenses	**(735)**	(623)	*18*	**(1,358)**	(1,371)	*(1)*
Total operating expenses	**(1,398)**	(1,197)	*17*	**(2,595)**	(2,631)	*(1)*
Non-controlling interests[1]	**(8)**	(6)	*33*	**(14)**	3	*
Net profit contribution	**940**	1,402	*(33)*	**2,342**	3,029	*(23)*
Non-GAAP metrics						
Assets under management ($Ab)[2]	**870.8**	825.6	*5*	**870.8**	793.0	*10*
Equity under management ($Ab)	**205.8**	188.5	*9*	**205.8**	158.3	*30*
Headcount	**2,509**	2,607	*(4)*	**2,509**	2,674	*(6)*

Net profit contribution of $A2,342 million for the year ended 31 March 2023, down 23% from the prior year due to:

- significant income[3] from the disposition of assets in MIC in the prior year
- decreased net income on equity, debt and other investments driven by lower gains on asset realisations in the green energy sector.

Partially offset by:

- higher performance fees from Private Markets-managed funds
- lower credit and other impairment charges primarily driven by impairment of underperforming equity investments in the green energy sector in the prior year.

[1] Non-controlling interests adjust 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.

[2] Private Markets Assets under Management (AUM) includes equity yet to deploy. This is a change from prior periods, when equity 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] Income includes disposition fee, equity accounted income and impairment reversal.

Net interest and trading expense

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

Net interest and trading expense of $A396 million for the year ended 31 March 2023 increased 21% from $A328 million in the prior year, primarily driven by higher funding costs due to an increase in interest rates and investments, partially offset by changes in the fair value of economic hedges.

Base fees

Base fee income of $A2,782 million for the year ended 31 March 2023 was broadly in line with the prior year with offsetting impacts across MAM. Base fees in Private Markets were higher due to fund raising and investments made by Private Markets-managed funds and mandates and foreign exchange movements, partially offset by asset realisations in Private Markets-managed funds. This was offset by lower base fees in Public Investments primarily due to negative market movements and outflows in Public Investments equity funds, partially offset by Public Investments acquisitions in the prior year and foreign exchange movements.

Performance fees

Performance fees are typically generated from Macquarie-managed funds and assets that have outperformed pre-defined benchmarks. Performance fees of $A692 million for the year ended 31 March 2023 increased 76% from $A394 million in the prior year.

The year ended 31 March 2023 included performance fees from a range of funds including MIP III, MEIF4, MKOF3, other Private Markets-managed funds, managed accounts and co-investors. The prior year included performance fees from MIP III, MEIF4 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 and marketing services, transfer agent oversight services, capital raising, commission income and income from True Index products.

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

Other fee and commission income of $A634 million for the year ended 31 March 2023 decreased 31% from $A923 million in the prior year, primarily due to a significant disposition fee relating to MIC in the prior year.

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

Share of net losses from associates and joint ventures of $A1 million for the year ended 31 March 2023 was significantly down from a profit of $A256 million in the prior year. This was primarily due to significant equity accounted income from MIC and higher revaluation gains on underlying assets in the prior year.

Net income on equity, debt and other investments

Net income on equity, debt and other investments of $A1,148 million for the year ended 31 March 2023 decreased 26% from $A1,560 million in the prior year, primarily driven by lower gains on asset realisations in the green energy sector partially offset by revaluation gains on debt investments.

Net credit and other impairment charges

Net credit and other impairment charges of $A14 million for the year ended 31 March 2023 decreased 86% from $A99 million in the prior year.

The prior year included the impairment of underperforming equity investments in the green energy sector and a reversal of the impairment previously recognised on MAM's investment in MIC.

Other income/(expenses)

Other income of $A14 million for the year ended 31 March 2023 decreased 91% from $A162 million in the prior year. The movement primarily reflected increased expenditure in investments in green energy portfolio companies operating on a standalone basis.

Operating expenses

Total operating expenses of $A2,595 million for the year ended 31 March 2023 were broadly in line with the prior year. The decrease was primarily driven by higher one-off acquisition and integration expenses in the prior year mainly related to the acquisition of Waddell & Reed. This was largely offset by higher employment costs, investment in technology and foreign exchange movements in the current year.

3.3 BFS

	HALF YEAR TO			FULL YEAR TO		
	Mar 23	Sep 22	*Movement*	**Mar 23**	Mar 22	*Movement*
	$Am	$Am	*%*	**$Am**	$Am	*%*
Net interest and trading income	**1,306**	1,214	*8*	**2,520**	1,972	*28*
Fee and commission income						
Wealth management fee income	**190**	151	*26*	**341**	304	*12*
Banking and lending fee income	**82**	82	*–*	**164**	153	*7*
Total fee and commission income	**272**	233	*17*	**505**	457	*11*
Share of net losses from associates and joint ventures	**(5)**	(2)	*150*	**(7)**	(2)	*250*
Other operating income and charges						
Net credit and other impairment (charges)/reversals	**(25)**	(9)	*178*	**(34)**	22	*
Other income/(expenses)	**1**	(14)	*	**(13)**	11	*
Total other operating income and charges	**(24)**	(23)	*4*	**(47)**	33	*
Internal management (charge)/revenue	**(11)**	1	*	**(10)**	1	*
Net operating income	**1,538**	1,423	*8*	**2,961**	2,461	*20*
Operating expenses						
Employment expenses	**(268)**	(262)	*2*	**(530)**	(446)	*19*
Brokerage, commission and fee expenses	**(66)**	(59)	*12*	**(125)**	(106)	*18*
Technology expenses[1]	**(287)**	(275)	*4*	**(562)**	(464)	*21*
Other operating expenses	**(296)**	(247)	*20*	**(543)**	(444)	*22*
Total operating expenses	**(917)**	(843)	*9*	**(1,760)**	(1,460)	*21*
Net profit contribution	**621**	580	*7*	**1,201**	1,001	*20*
Non-GAAP metrics						
Funds on platform ($Ab)[2]	**123.1**	111.4	*11*	**123.1**	118.6	*4*
Loan portfolio ($Ab)[3]	**127.7**	121.0	*6*	**127.7**	110.2	*16*
BFS deposits ($Ab)[4]	**129.4**	116.7	*11*	**129.4**	98.0	*32*
Headcount	**3,820**	3,512	*9*	**3,820**	3,359	*14*

Net profit contribution of $A1,201 million for the year ended 31 March 2023, increased 20% from the prior year due to:

- higher net interest and trading income mainly driven by growth in the loan portfolio and BFS deposits, and improved margins from the rising interest rate environment.

Partially offset by:

- higher credit impairment charges driven by deterioration in the macroeconomic outlook compared to the prior year and release of COVID-19 overlays in the prior year
- higher expenses driven by increased technology investment, additional headcount to support business growth, and compliance and regulatory initiatives.

[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 $A2,520 million for the year ended 31 March 2023 increased 28% from $A1,972 million in the prior year, primarily due to 22% growth in the average loan portfolio, which was supported by 31% growth in average BFS deposit volumes. It also reflects improved margins from the rising interest rate environment, partially offset by ongoing lending competition and changes in the portfolio mix.

As at 31 March 2023 the loan and deposit portfolios included:

- home loan volumes of $A108.1 billion, up 21% from $A89.5 billion as at 31 March 2022
- business banking loan volumes of $A13.0 billion, up 13% from $A11.5 billion as at 31 March 2022
- car loan volumes of $A6.1 billion, down 31% from $A8.8 billion as at 31 March 2022, and
- BFS deposits of $A129.4 billion, up 32% from $A98.0 billion as at 31 March 2022.

Wealth management fee income

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

Funds on platform closed at $A123.1 billion at 31 March 2023, an increase of 4% from $A118.6 billion at 31 March 2022 with client net flows partially offset by adverse market movements.

Wealth management fee income of $A341 million for the year ended 31 March 2023 increased 12% from $A304 million in the prior year due to higher administration fees, including a reclassification of platform related fee income previously reported as net interest income and higher average funds on platform. These were partially offset by lower brokerage income due to lower trading activity.

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 $A164 million for the year ended 31 March 2023 increased 7% from $A153 million in the prior year, driven by higher lending and transaction volumes, partially offset by lower fee income in car loans driven by book run-off.

Net credit and other impairment (charges)/reversals

Net credit and other impairment charges of $A34 million for the year ended 31 March 2023, compared to a reversal of $A22 million in the prior year largely due to deterioration in the macroeconomic outlook and release of COVID-19 overlays in the prior year.

Other income/(expenses)

Other expenses of $A13 million for the year ended 31 March 2023 decreased from an income of $A11 million in the prior year, mainly driven by the revaluation of an equity investment.

Operating expenses

Total operating expenses of $A1,760 million for the year ended 31 March 2023 increased 21% from $A1,460 million in the prior year.

Employment expenses of $A530 million for the year ended 31 March 2023 increased 19% from $A446 million in the prior year, largely due to higher average headcount to support business growth and compliance and regulatory initiatives, and wage inflation.

Brokerage, commission and fee expenses of $A125 million for the year ended 31 March 2023 increased 18% from $A106 million in the prior year, largely due to increased transaction volumes.

Technology expenses of $A562 million for the year ended 31 March 2023 increased 21% from $A464 million in the prior year driven by investment in digitisation and other technology initiatives and to support business growth.

Other operating expenses of $A543 million for the year ended 31 March 2023 increased 22% from $A444 million in the prior year to support business growth, compliance and regulatory initiatives.

3.4 CGM

	HALF YEAR TO			FULL YEAR TO		
	Mar 23 $Am	Sep 22 $Am	*Movement %*	**Mar 23 $Am**	Mar 22 $Am	*Movement %*
Net interest and trading income						
Commodities						
Risk management	**1,555**	1,496	4	**3,051**	2,033	50
Lending and financing	**153**	184	(17)	**337**	212	59
Inventory management and trading	**2,446**	209	*	**2,655**	1,079	146
Total commodities	**4,154**	1,889	120	**6,043**	3,324	82
Foreign exchange, interest rates and credit	**381**	644	(41)	**1,025**	888	15
Equities	**193**	178	8	**371**	394	(6)
Asset Finance	**59**	63	(6)	**122**	126	(3)
Net interest and trading income	**4,787**	2,774	73	**7,561**	4,732	60
Fee and commission income						
Brokerage and other trading-related income	**127**	125	2	**252**	239	5
Other fee and commission income	**194**	171	13	**365**	268	36
Total fee and commission income	**321**	296	8	**617**	507	22
Share of net profits from associates and joint ventures	**16**	16	–	**32**	40	(20)
Other operating income and charges						
Net income/(loss) on equity, debt and other investments	**74**	(25)	*	**49**	520	(91)
Net credit and other impairment charges	**(22)**	(35)	(37)	**(57)**	(65)	(12)
Net operating lease income	**203**	174	17	**377**	335	13
Other income	**52**	57	(9)	**109**	105	4
Total other operating income and charges	**307**	171	80	**478**	895	(47)
Internal management revenue/(charge)	**30**	(1)	*	**29**	5	*
Net operating income	**5,461**	3,256	68	**8,717**	6,179	41
Operating expenses						
Employment expenses	**(388)**	(336)	15	**(724)**	(591)	23
Brokerage, commission and fee expenses	**(204)**	(211)	(3)	**(415)**	(389)	7
Other operating expenses	**(858)**	(713)	20	**(1,571)**	(1,288)	22
Total operating expenses	**(1,450)**	(1,260)	15	**(2,710)**	(2,268)	19
Net profit contribution	**4,011**	1,996	101	**6,007**	3,911	54
Non-GAAP metrics						
Headcount	**2,378**	2,272	5	**2,378**	2,179	9

Net profit contribution of $A6,007 million for the year ended 31 March 2023, up 54% on the prior year due to:
- inventory management and trading income increased substantially driven by trading gains from regional supply and demand imbalances primarily in North American Gas and Power markets
- increased risk management revenue reflecting strong contributions across the platform, particularly from Gas and Power, Global Oil and Resources due to increased client hedging and trading activity as a result of elevated volatility and price movements in commodity markets
- increased foreign exchange, interest rate and credit products income driven by increased client hedging and financing activity.

Partially offset by:
- lower net income on equity, debt and other investments due to the gain on the partial sale of the UK Meters portfolio of assets in the prior year
- higher operating expenses driven by higher expenditure on technology platform and infrastructure, increased compliance and regulatory spend and higher employment costs.

Net interest and trading income

Net interest and trading income of $A7,561 million for the year ended 31 March 2023 increased 60% from $A4,732 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 $A3,051 million for the year ended 31 March 2023 increased 50% from $A2,033 million in the prior year, with contributions across the platform. Increased contributions were generated by Gas and Power, Global Oil and Resources due to increased client hedging and trading activity as a result of elevated volatility and price movements in commodity markets.

(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 $A337 million for the year ended 31 March 2023 increased 59% from $A212 million in the prior year due to increased activity and margins across energy 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 and transportation contracts, 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 $A2,655 million for the year ended 31 March 2023 significantly up from $A1,079 million in the prior year. The current year increased substantially from the prior year driven by trading gains from regional supply and demand imbalances primarily in North American Gas and Power markets, especially in the second half. The first half trading gains were largely offset by the unfavourable impact of timing of income recognition primarily on Gas and Power storage and transport contracts, which partially reversed in the second half.

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 speciality lending.

Net interest and trading income from foreign exchange, interest rates and credit related activities of $A1,025 million for the year ended 31 March 2023 increased 15% from $A888 million in the prior year, with increased client hedging activity in structured foreign exchange, interest rate and credit products in addition to increased financing activity.

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 provision of risk management and trading activities.

Equities net interest and trading income of $A371 million for the year ended 31 March 2023 decreased 6% from $A394 million in the prior year due to reduced contributions from trading related 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 $A122 million for the year ended 31 March 2023 was broadly in line with the prior year.

Fee and commission income

Fee and commission income of $A617 million for the year ended 31 March 2023 increased 22% from $A507 million in the prior year.

The increase was primarily related to higher fee income in Futures.

Net income/(loss) on equity, debt and other investments

Net gain on equity and debt investments of $A49 million for the year ended 31 March 2023 decreased significantly from income of $A520 million in the prior year which included the gain on the partial sale of the UK Meters portfolio of assets.

Net credit and other impairment charges

Net credit and other impairment charges of $A57 million for the year ended 31 March 2023 decreased 12% from $A65 million in the prior year due to reduced specific provisions in the current year. The prior year included a partial release of COVID-19 overlays.

Net operating lease income

Net operating lease income of $A377 million for the year ended 31 March 2023 increased 13% from $A335 million in the prior year.

The increase was primarily driven by contributions from the resources sector.

Operating expenses

Total operating expenses of $A2,710 million for the year ended 31 March 2023 increased 19% from $A2,268 million in the prior year.

Employment expenses of $A724 million for the year ended 31 March 2023 increased 23% from $A591 million in the prior year due to increased headcount.

Brokerage, commission and fee expenses include fees paid in relation to trading-related activities. Brokerage, commission and fee expenses of $A415 million for the year ended 31 March 2023 increased 7% from $A389 million in the prior year, driven by increased trading and hedging activities.

Other operating expenses of $A1,571 million for the year ended 31 March 2023 increased 22% from $A1,288 million in the prior year, mainly reflecting higher expenditure on technology platform and infrastructure, increased compliance and regulatory spend and higher employment costs.

3.5 Macquarie Capital

	HALF YEAR TO			FULL YEAR TO		
	Mar 23 $Am	Sep 22 $Am	*Movement %*	**Mar 23 $Am**	Mar 22 $Am	*Movement %*
Net interest and trading income	**256**	154	*66*	**410**	414	*(1)*
Fee and commission income	**692**	664	*4*	**1,356**	1,868	*(27)*
Share of net losses from associates and joint ventures	**(95)**	(42)	*126*	**(137)**	(55)	*149*
Other operating income and charges						
Net income on equity, debt and other investments	**184**	693	*(73)*	**877**	1,143	*(23)*
Net credit and other impairment charges	**(99)**	(195)	*(49)*	**(294)**	(362)	*(19)*
Other income	**25**	1	*	**26**	3	*
Total other operating income and charges	**110**	499	*(78)*	**609**	784	*(22)*
Internal management (charge)/revenue	**(23)**	12	*	**(11)**	29	*
Net operating income	**940**	1,287	*(27)*	**2,227**	3,040	*(27)*
Operating expenses						
Employment expenses	**(298)**	(286)	*4*	**(584)**	(517)	*13*
Brokerage, commission and fee expenses	**(34)**	(53)	*(36)*	**(87)**	(101)	*(14)*
Other operating expenses	**(413)**	(372)	*11*	**(785)**	(652)	*20*
Total operating expenses	**(745)**	(711)	*5*	**(1,456)**	(1,270)	*15*
Non-controlling interests[1]	**11**	19	*(42)*	**30**	(249)	*
Net profit contribution	**206**	595	*(65)*	**801**	1,521	*(47)*
Non-GAAP metrics						
Headcount	**1,630**	1,625	*<1*	**1,630**	1,568	*4*

Net profit contribution of $A801 million for the year ended 31 March 2023, down 47% from the prior year due to:
- lower fee and commission income driven by lower mergers and acquisitions fee income on a strong prior year, lower capital markets fee income and lower brokerage income due to weaker market activity
- lower net income on equity, debt and other investments driven by negative revaluations on equity investments reflecting market movements and fewer material asset realisations compared to the prior year
- higher mark-to-market losses on certain debt underwriting positions related to a deterioration in macroeconomic conditions experienced in the first half
- higher operating expenses predominantly driven by higher employment costs, increased compliance and regulatory spend and higher expenditure on technology platform and infrastructure.

Partially offset by:
- higher net interest income from the private credit portfolio benefitting from $A5.1 billion of growth in average drawn loan assets
- lower non-controlling interests due to the non-recurrence of gains attributable on disposal.

[1] Non-controlling interests adjust 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.

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 $A410 million for the year ended 31 March 2023 was broadly in line with the prior year. Net interest income from the private credit portfolio was up 37% on the prior year, and benefitted from $A5.1 billion of growth in average drawn loan assets. This was largely offset by higher mark-to-market losses on certain debt underwriting positions related to deterioration in macroeconomic conditions experienced in the first half.

Fee and commission income

Fee and commission income of $A1,356 million for the year ended 31 March 2023 decreased 27% from $A1,868 million in the prior year driven by lower mergers and acquisitions fee income, capital markets fee income and brokerage income.

Mergers and acquisitions fee income was down 24% on a strong prior year, across all regions. Mergers and acquisitions fee income improved in the second half compared to the first half, benefitting from a few significant transactions, primarily in the Infrastructure and Consumer, Gaming and Leisure sectors.

Capital markets fee income was down 56% on the prior year due to weaker market activity, primarily in the Education Services, Gaming, Software, Transport Infrastructure, Real Estate, Healthcare Services, Critical Minerals and Media sectors.

Brokerage income was down 11% on prior year due to weaker market activity, particularly in Asia.

Share of net losses from associates and joint ventures

Share of net losses from associates and joint ventures of $A137 million for the year ended 31 March 2023 compared to losses of $A55 million in the prior year.

The movement reflected changes 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 $A877 million for the year ended 31 March 2023 decreased 23% from $A1,143 million in the prior year.

The decrease in income was due to negative revaluations on equity investments reflecting market movements, particularly in the technology sector. The decrease was also driven by fewer material asset realisations compared to the prior year, particularly in Europe and ANZ.

The current year included revenue from material asset realisations in the Americas and Europe, particularly in the real estate and digital infrastructure sectors. The prior year included revenue from material asset realisations across all major regions, particularly in the technology and business services sectors.

Net credit and other impairment charges

Net credit and other impairment charges of $A294 million for the year ended 31 March 2023 decreased 19% from $A362 million in the prior year.

The decrease was primarily from lower impairment charges recognised on a small number of underperforming equity investments, partially offset by higher credit provisions in the current year.

Operating expenses

Total operating expenses of $A1,456 million for the year ended 31 March 2023 increased 15% from $A1,270 million in the prior year.

The increase was predominantly driven by higher employment costs, increased compliance and regulatory spend and higher expenditure on technology platform and infrastructure.

Non-controlling interests

Non-controlling interests adjust 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.

Loss attributable to non-controlling interests of $A30 million for the year ended 31 March 2023 moved significantly due to the non-recurrence of gains attributable on disposal, paid in the prior year.

3.6 Corporate

	HALF YEAR TO			FULL YEAR TO		
	Mar 23	Sep 22	*Movement*	**Mar 23**	Mar 22	*Movement*
	$Am	$Am	*%*	**$Am**	$Am	*%*
Net interest and trading income	**217**	211	*3*	**428**	66	*
Fee and commission income/(expense)	**15**	(43)	*	**(28)**	(33)	*(15)*
Share of net profits from associates and joint ventures	**–**	–	–	**–**	1	*(100)*
Other operating income and charges						
Net income/(loss) on equity and debt investments	**2**	(3)	*	**(1)**	13	*
Net credit and other impairment charges	**(11)**	(44)	*(75)*	**(55)**	(5)	*
Other income and charges	**(2)**	24	*	**22**	(2)	*
Total other operating income and charges	**(11)**	(23)	*(52)*	**(34)**	6	*
Internal management charge	**(25)**	(75)	*(67)*	**(100)**	(53)	*89*
Net operating income and charges	**196**	70	*180*	**266**	(13)	*
Operating expenses						
Employment expenses	**(2,678)**	(2,348)	*14*	**(5,026)**	(4,343)	*16*
Other operating expenses	**671**	746	*(10)*	**1,417**	1,187	*19*
Total operating expenses	**(2,007)**	(1,602)	*25*	**(3,609)**	(3,156)	*14*
Income tax expense	**(1,089)**	(735)	*48*	**(1,824)**	(1,586)	*15*
Non-controlling interests[1]	**(1)**	(1)	–	**(2)**	(1)	*100*
Net loss contribution	**(2,901)**	(2,268)	*28*	**(5,169)**	(4,756)	*9*
Non-GAAP metrics						
Headcount	**10,172**	9,250	*10*	**10,172**	8,353	*22*

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 adjust 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.

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 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.

Net interest and trading income of $A428 million for the year ended 31 March 2023 was significantly up from $A66 million in the prior year.

The increase from the prior year included the impact of earnings on capital reflecting higher central bank rates and higher average volumes and accounting volatility from the changes in the fair values of economic hedges, partially offset by a higher expense associated with managing the Group's liquidity and funding which included an increased centrally held funding surplus.

Net credit and other impairment charges

Net credit and other impairment charges of $A55 million for the year ended 31 March 2023 was significantly up from $A5 million in the prior year driven by higher central overlay provisions for expected credit losses.

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 $A5,026 million for the year ended 31 March 2023 increased 16% from $A4,343 million in the prior year. The current year includes an increase in employment expenses in the Central Service Groups driven by an investment in additional technology capability, which includes infrastructure and cybersecurity, as well as increased compliance and regulatory initiatives, to support MGL's Operating Groups. In addition, there was an increase in profit share and share-based payments expense mainly as a result of the improved performance of the Consolidated Entity.

Other operating expenses

Other operating expenses in the Corporate segment include 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 $A1,417 million for the year ended 31 March 2023 increased 19% from $A1,187 million in the prior year reflecting the recovery of a higher Central Service Groups' cost base driven by higher average headcount.

3.7 International Income

International income[1] by region

	HALF YEAR TO			FULL YEAR TO		
	Mar 23	Sep 22	*Movement*	**Mar 23**	Mar 22	*Movement*
	$Am	$Am	*%*	**$Am**	$Am	*%*
Americas	**3,833**	3,286	*17*	**7,119**	8,246	*(14)*
Asia	**674**	834	*(19)*	**1,508**	1,137	*33*
Europe, Middle East and Africa	**2,729**	2,022	*35*	**4,751**	3,511	*35*
Total international income	**7,236**	6,142	*18*	**13,378**	12,894	*4*
Australia[2]	**3,024**	2,354	*28*	**5,378**	4,390	*23*
Total income (excluding earnings on capital and other corporate items)	**10,260**	8,496	*21*	**18,756**	17,284	*9*
Earnings on capital and other corporate items	**221**	145	*52*	**366**	40	*
Net operating income (as reported)	**10,481**	8,641	*21*	**19,122**	17,324	*10*
International income (excluding earnings on capital and other corporate items) ratio (%)	**71**	72		**71**	75	

International income by Operating Group and region

	FULL YEAR TO MAR 23						
	Americas	Asia	Europe, Middle East and Africa	**Total International**	Australia[2]	**Total Income**	**Total International**
	$Am	$Am	$Am	**$Am**	$Am	**$Am**	**%**
MAM	2,356	438	1,583	**4,377**	482	**4,859**	**90**
BFS	–	–	–	**–**	2,971	**2,971**	**–**
CGM	3,838	811	2,670	**7,319**	1,369	**8,688**	**84**
Macquarie Capital	925	259	498	**1,682**	556	**2,238**	**75**
Total	**7,119**	**1,508**	**4,751**	**13,378**	**5,378**	**18,756**	**71**

Total international income of $A13,378 million for the year ended 31 March 2023 increased 4% from $A12,894 million in the prior year. Total international income represented 71% of total income (excluding earnings on capital and other corporate items), down from 75% in the prior year.

Income from the Americas of $A7,119 million for the year ended 31 March 2023 decreased 14% from $A8,246 million in the prior year. The decrease was mainly driven by lower gains on asset realisations in the green energy sector in the current year and significant income from the disposition of assets in MIC in the prior year, in MAM. In addition, Macquarie Capital included negative revaluations on equity investments, higher mark-to-market losses on certain debt underwriting positions as well as lower capital markets and mergers and acquisitions fee income, partially offset by higher revenue from asset realisations. This was partially offset by trading gains from supply and demand imbalances, primarily in North American Gas and Power, especially in the second half, less the unfavourable impact of timing of income recognition on Gas and Power storage and transport contracts, in CGM.

In Asia, income of $A1,508 million for the year ended 31 March 2023 increased 33% from $A1,137 million in the prior year. The increase was primarily driven by a revaluation gain on debt investments and higher asset realisations in the green energy sector in the current year, while the prior year included an impairment of underperforming equity investments in the green energy sector, in MAM.

Income from Europe, Middle East and Africa of $A4,751 million for the year ended 31 March 2023 increased 35% from $A3,511 million in the prior year. The increase was mainly driven by higher gains on asset realisations in the green energy sector and higher performance fees in MAM as well as continued strong performance from Commodities, partially offset by the gain on the partial sale of the UK Meters portfolio of assets in CGM in the prior year and lower asset realisations in Macquarie Capital.

In Australia, income of $A5,378 million for the year ended 31 March 2023 increased 23% from $A4,390 million in the prior year. The increase was mainly driven by growth in the loan portfolio and deposits, and improved margins from the rising interest rate environment in BFS, as well as continued strong performance from Commodities and reduced specific provisions in CGM. In addition, MAM increased due to the impairment of underperforming equity investments in the green energy sector in the prior year, while Macquarie Capital included lower impairment charges in the current year. This was partially offset by lower asset realisations as well as lower capital markets and mergers and acquisitions fee income in Macquarie Capital.

[1] International income reflects net operating income excluding internal management revenue/(charge).
[2] Includes New Zealand.

04

Balance Sheet

HyCC, EMEA

In partnership with Nobian, Macquarie's Green Investment Group (GIG) launched HyCC, a European green hydrogen company that is helping to decarbonise industry, heavy transport, aviation and steel production.

4.1 Statement of Financial Position

	AS AT		MOVEMENT
	Mar 23	Mar 22	*Mar 22*
	$Am	$Am	*%*
Assets			
Cash and bank balances	**45,656**	52,754	*(13)*
Cash collateralised lending and reverse repurchase agreements	**54,323**	51,197	*6*
Trading assets	**16,881**	13,578	*24*
Margin money and settlement assets	**25,256**	25,108	*1*
Derivative assets	**36,114**	84,891	*(57)*
Financial investments	**21,874**	12,127	*80*
Held for sale assets	**921**	1,297	*(29)*
Other assets	**10,438**	8,632	*21*
Loan assets	**158,572**	134,744	*18*
Interests in associates and joint ventures	**5,574**	4,373	*27*
Property, plant and equipment and right-of-use assets	**6,639**	5,143	*29*
Intangible assets	**3,827**	3,780	*1*
Deferred tax assets	**1,797**	1552	*16*
Total assets	**387,872**	399,176	*(3)*
Liabilities			
Cash collateralised borrowing and repurchase agreements	**18,737**	16,947	*11*
Trading liabilities	**4,810**	5,290	*(9)*
Margin money and settlement liabilities	**27,482**	27,158	*1*
Derivative liabilities	**32,790**	84,464	*(61)*
Deposits	**134,714**	101,667	*33*
Held for sale liabilities	**173**	525	*(67)*
Other liabilities	**12,512**	11,167	*12*
Borrowings	**18,912**	13,896	*36*
Issued debt securities	**90,549**	99,527	*(9)*
Deferred tax liabilities	**196**	216	*(9)*
Total liabilities excluding loan capital	**340,875**	360,857	*(6)*
Loan capital	**12,891**	9,513	*36*
Total liabilities	**353,766**	370,370	*(4)*
Net assets	**34,106**	28,806	*18*
Equity			
Contributed equity	**12,407**	12,298	*1*
Reserves	**3,302**	1,523	*117*
Retained earnings	**17,446**	14,740	*18*
Total capital and reserves attributable to ordinary equity holders of Macquarie Group Limited	**33,155**	28,561	*16*
Non-controlling interests	**951**	245	*288*
Total equity	**34,106**	28,806	*18*

Statement of financial position

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

Assets

Total assets of $A387.9 billion as at 31 March 2023 decreased 3% from $A399.2 billion as at 31 March 2022.

The principal drivers for the decrease were as follows:

- derivative assets of $A36.1 billion as at 31 March 2023 decreased 57% from $A84.9 billion as at 31 March 2022 driven by movements in gas and power commodity prices due to market volatility. After taking into account related financial instruments, cash and other collateral, the residual derivative asset was $A9.7 billion (31 March 2022: $A14.5 billion). The majority of the residual derivative exposure is short-term in nature and managed within the Consolidated Entity's market and credit risk frameworks, with a substantial portion of the exposure with investment grade counterparties
- cash and bank balances of $A45.7 billion as at 31 March 2023 decreased 13% from $A52.8 billion as at 31 March 2022, driven by a reduction in the overnight deposit held with the Reserve Bank of Australia (RBA) as part of Treasury's liquidity portfolio.

These decreases were partially offset by:

- loan assets of $A158.6 billion as at 31 March 2023 increased 18% from $A134.7 billion as at 31 March 2022 driven by volume growth in the BFS home loan portfolio and Macquarie Capital's private credit portfolio
- financial investments of $A21.9 billion as at 31 March 2023 increased 80% from $A12.1 billion as at 31 March 2022, driven by growth in the portfolio of high quality liquid assets held in Treasury's liquidity portfolio
- trading assets of $A16.9 billion as at 31 March 2023 increased 24% from $A13.6 billion as at 31 March 2022 driven by an increase in holdings of listed equity and government securities in CGM
- cash collateralised lending and reverse repurchase agreements of $A54.3 billion as at 31 March 2023 increased 6% from $A51.2 billion as at 31 March 2022 driven by stock borrowing activities in CGM.

Liabilities

Total liabilities of $A353.8 billion as at 31 March 2023 decreased 4% from $A370.4 billion as at 31 March 2022.

The principal drivers for the decrease were as follows:

- derivative liabilities of $A32.8 billion as at 31 March 2023 decreased 61% from $A84.5 billion as at 31 March 2022 commensurate with the movement in derivative assets. After taking into account related financial instruments, cash and other collateral, the residual derivative liability was $A7.1 billion (31 March 2022: $A15.2 billion)
- issued debt securities of $A90.5 billion as at 31 March 2023 decreased 9% from $A99.5 billion as at 31 March 2022 driven by net maturity of issued debt securities, partially offset by foreign exchange movements.

These decreases were partially offset by:

- deposits of $A134.7 billion as at 31 March 2023 increased 33% from $A101.7 billion as at 31 March 2022 driven by volume growth in retail and business banking deposits in BFS
- borrowings of $A18.9 billion as at 31 March 2023 increased 36% from $A13.9 billion as at 31 March 2022, driven by additional funding requirements and foreign exchange movements
- loan capital of $A12.9 billion as at 31 March 2023 increased 36% from $A9.5 billion as at 31 March 2022 driven by the issuance of Tier 1 and Tier 2 loan capital and foreign exchange movements.

Equity

Total equity of $A34.1 billion as at 31 March 2023 increased 18% from $A28.8 billion as at 31 March 2022.

The increase in the Consolidated Entity's equity is on account of $A5.2 billion earnings generated during the current period, $A1.3 billion increase in foreign currency translation largely driven by appreciation of the United States Dollar to the Australian Dollar and $A0.7 billion increase in non-controlling interest, offset by $A2.5 billion dividend payment.

4.2 Loan Assets

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

	AS AT		MOVEMENT
	Mar 23	Mar 22	*Mar 22*
	$Ab	$Ab	*%*
Loan assets per the statement of financial position	**158.6**	134.7	*18*
Operating lease assets[1]	**4.3**	3.6	*19*
Other reclassifications[2]	**0.6**	0.3	*100*
Total loan assets including operating lease assets per the funded balance sheet[3]	**163.5**	138.6	*18*

Loan assets[3] including operating lease assets by Operating Group per the funded balance sheet are shown in further detail below:

		AS AT		MOVEMENT
		Mar 23	Mar 22	*Mar 22*
	Notes	**$Ab**	$Ab	*%*
BFS				
Home loans	1	**109.0**	89.9	*21*
Business banking	2	**12.9**	11.4	*13*
Car loans	3	**6.0**	8.7	*(31)*
Other	4	**0.4**	0.4	*–*
Total BFS		**128.3**	110.4	*16*
CGM				
Loans and finance lease assets		**3.4**	3.3	*3*
Operating lease assets		**2.2**	1.9	*16*
Asset finance	5	**5.6**	5.2	*8*
Loan assets		**3.3**	2.7	*22*
Operating lease assets		**1.0**	0.7	*43*
Resources and commodities	6	**4.3**	3.4	*26*
Foreign exchange, interest rate and credit	7	**7.0**	6.5	*8*
Other	8	**0.1**	0.3	*(67)*
Total CGM		**17.0**	15.4	*10*
MAM				
Operating lease assets	9	**1.1**	0.9	*22*
Total MAM		**1.1**	0.9	*22*
Macquarie Capital				
Corporate and other lending	10	**17.1**	11.9	*44*
Total Macquarie Capital		**17.1**	11.9	*44*
Total		**163.5**	138.6	*18*

[1] 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.
[2] Reclassification between loan assets and other funded balance sheet categories.
[3] 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. BFS Other

Includes credit cards.

5. Asset finance

Predominantly secured by underlying financed assets.

6. 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.

7. 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.

8. CGM Other

Equity collateralised loans.

9. Operating lease assets

Secured by underlying financed assets including transportation assets.

10. 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 include:

- 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 reconciliation

	AS AT		*MOVEMENT*
	Mar 23	Mar 22	Mar 22
	\$Ab	\$Ab	%
Equity investments			
Statement of financial position			
Equity investments at fair value	**2.2**	1.5	*47*
Interests in associates and joint ventures	**5.9**	4.9	*20*
Total equity investments per statement of financial position	**8.1**	6.4	*27*
Adjustment for funded balance sheet			
Non-controlling interests[1]	**(0.7)**	(0.1)	*
Total funded equity investments[2]	**7.4**	6.3	*17*
Adjustment for equity investment analysis			
Subsidiaries and certain other assets held for investment purposes[3]	**2.2**	1.9	*16*
Associates' reserves[4]	**-**	0.1	*(100)*
Total adjusted equity investments[5]	**9.6**	8.3	*16*

[1] 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.
[2] Reported in the Funded Balance Sheet as 'Co-investment in Macquarie-managed funds and other equity investments'.
[3] 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.
[4] Associates' reserves (gross of tax) that will be released to income upon realisation of the investment.
[5] The adjusted value represents the total net exposure to Macquarie.

Equity investments by category

	AS AT		*MOVEMENT*
	Mar 23	Mar 22	*Mar 22*
	$Ab	$Ab	*%*
Macquarie-managed funds			
Listed (Private Markets) managed funds	**0.2**	0.2	–
Unlisted (Private Markets) managed funds	**1.6**	1.3	*23*
Other Macquarie-managed funds	**0.5**	0.3	*67*
Total Macquarie-managed funds	**2.3**	1.8	*28*
Other investments			
Investments acquired to seed new Private Markets-managed products and mandates[1]	**1.1**	0.4	*175*
Transport, industrial and infrastructure	**1.7**	1.3	*31*
Telecommunications, information technology, media and entertainment	**1.3**	1.2	*8*
Green energy	**1.4**	1.6	*(13)*
Conventional energy, resources and commodities	**0.5**	0.5	–
Real estate investment, property and funds management	**0.8**	1.1	*(27)*
Finance, wealth management and exchanges	**0.5**	0.4	*25*
Total other investments	**7.3**	6.5	*12*
Total equity investments	**9.6**	8.3	*16*

[1] Includes investments acquired to seed new initiatives in the green energy sector, real estate and secondaries.


05

Funding and Liquidity

Viridis Ag, Australia

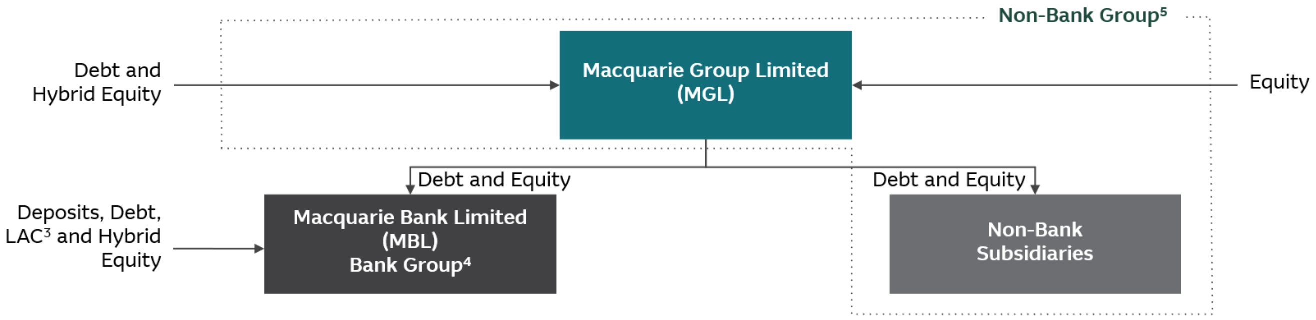
Viridis Ag, Macquarie Asset Management's Australian row cropping operating company, played a leading role in the development of FarmPrint, a digital tool allowing farmers to calculate their environmental footprint.

5.1 Liquidity Risk Governance and Management Framework

Governance and oversight

MGL and MBL are Macquarie's two primary external funding vehicles which have separate and distinct funding, capital and liquidity management arrangements. MGL provides funding predominantly to the Non-Bank Group[1] and limited funding to some MBL subsidiaries. MBL provides funding to the Bank Group[2].

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 obligations as they fall due under a range of market conditions.

Liquidity management is performed centrally by Group Treasury, with oversight from the MGL and MBL Asset and Liability Committees (ALCO), the MGL and MBL Boards and the Risk Management Group (RMG). Macquarie's liquidity policies are approved by the MGL and MBL Boards after endorsement by the respective ALCO and liquidity reporting is provided to the Boards on a regular basis. The MGL and MBL ALCO members include the MGL Chief Executive Officer, MBL Chief Executive Officer, Chief Financial Officer, Chief Risk Officer, Chief Operating Officer, Group General Counsel, Co-Heads of Group Treasury and relevant 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 their 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] The Non-Bank Group comprises Macquarie Capital, MAM and certain assets of the Credit Markets business, certain activities of the Commodity Markets and Finance business and some other less financially significant activities of CGM.
[2] The Bank Group comprises BFS and CGM (excluding certain assets of the Credit Markets business, certain activities of the Commodity Markets and Finance business and some other less financially significant activities which are undertaken from within the Non-Bank Group).
[3] Subordinated debt to meet APRA's Loss Absorbing Capacity (LAC) requirements.
[4] MBL is the primary external funding vehicle for the Bank Group. Macquarie International Finance Limited (MIFL) and Macquarie Bank Europe (MBE) also operate as external funding vehicles for certain subsidiaries within the Bank Group.
[5] MGL is the primary external funding vehicle for the Non-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 for MGL and a liquidity contingency plan for MBL are maintained, which provides an action plan in the event of a liquidity 'crisis'
- A funding strategy for MGL and a funding strategy for MBL are prepared annually and are 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 policies and regulatory requirements.

Liquidity contingency plan

Group Treasury maintains a liquidity contingency plan for MGL and a liquidity contingency plan for MBL, which outline how a liquidity crisis would be managed for the Group and Bank, respectively. The plans define 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 plans detail:

- factors that may constitute a crisis
- the officers responsible for enacting each 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 for the Group or Bank
- contact lists to facilitate prompt communication with all key internal and external stakeholders.

The MBL plan also incorporates a retail run operational plan 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 plans are subject to regular review by both Group Treasury and RMG. They are submitted annually to the MGL and MBL ALCO and respective 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 plans contain either a supplement or a reference to a separate document providing the specific information required for those branches or subsidiaries.

Funding strategy

Macquarie prepares a funding strategy for MGL and a funding strategy for 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 MGL and MBL 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 liquidity 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) and other Reserve Bank of Australia (RBA) repo eligible securities. 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 $A85.4 billion cash and liquid assets as at 31 March 2023 (31 March 2022: $A93.8 billion), of which $A70.0 billion was held by Macquarie Bank (31 March 2022: $A78.6 billion)[1].

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] As at March 2022, cash and liquid assets included self-securitisation of repo eligible Australian assets originated by Macquarie and held as contingent collateral for RBA facilities (such as the Committed Liquidity Facility (CLF)). These assets are not included as at March 2023 since MBL's CLF has reduced to zero in December 2022, consistent with the industry-wide phase out of the CLF.

Credit ratings[1]

	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-1	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 a regulated ADI. 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 MGL and MBL ALCOs and the Boards.

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, the eligible stock of high-quality liquid assets (HQLA) includes notes and coins, balances held with central banks, Australian dollar Commonwealth Government and semi-government securities, as well as certain HQLA-qualifying foreign currency securities.

Macquarie Bank's three month average LCR to 31 March 2023 was 214% (average based on daily observations)[2]. 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 2023 was 124%[3]. 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] 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 onwards.
[3] 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.

The table below reconciles the reported assets of Macquarie to the net funded assets as at 31 March 2023. 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.

		AS AT	
	Notes	**Mar 23 $Ab**	Mar 22 $Ab
Total assets per Macquarie's statement of financial position		**387.9**	399.2
Accounting deductions:			
Derivative revaluation	1	**(32.8)**	(84.5)
Segregated funds	2	**(8.7)**	(7.4)
Outstanding trade settlement balances	3	**(6.4)**	(5.8)
Working capital assets	4	**(13.9)**	(13.4)
Non-controlling interests	5	**(1.0)**	(0.2)
Self-funded assets:			
Self-funded trading assets	6	**(14.8)**	(20.7)
Non-recourse and security backed funding	7	**(1.3)**	(1.3)
Net funded assets		**309.0**	265.9

Explanatory notes concerning net funded assets

1. Derivative revaluation

Offsetting derivative positions do not generally require funding and therefore gross revaluations are netted in the funded balance sheet. Derivative positions that result in a funding requirement are included as part of net 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

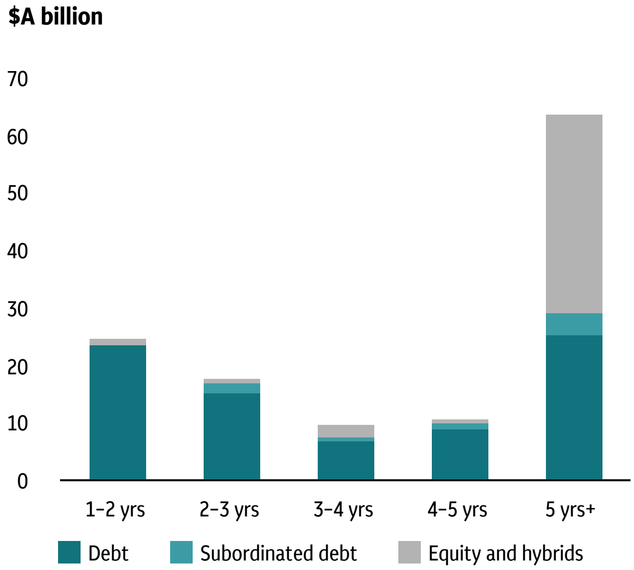
Funded balance sheet

	Notes	AS AT Mar 23 $Ab	Mar 22 $Ab
Funding sources			
Wholesale issued paper:	1		
Certificates of deposit		**0.7**	0.7
Commercial paper		**29.1**	35.1
Net trade creditors	2	**2.7**	2.4
Structured notes	3	**1.5**	1.3
Secured funding	4	**28.3**	27.5
Bonds	5	**52.8**	48.8
Unsecured loans	6	**13.3**	10.5
Customer deposits	7	**134.5**	101.5
Subordinated debt	8	**7.2**	4.6
Equity and hybrids	9	**38.9**	33.5
Total		**309.0**	265.9
Funded assets			
Cash and liquid assets	10	**85.4**	93.8
Net trading assets	11	**42.9**	27.1
Other loan assets including operating lease assets less than one year	12	**14.7**	13.2
Home loans	13	**109.0**	83.0
Other loan assets including operating lease assets greater than one year	12	**39.8**	35.5
Debt investments	14	**4.7**	2.5
Co-investment in Macquarie-managed funds and other equity investments	15	**7.4**	6.3
Property, plant and equipment and intangibles		**5.1**	4.5
Total		**309.0**	265.9

See section 5.7 for Notes 1-15.

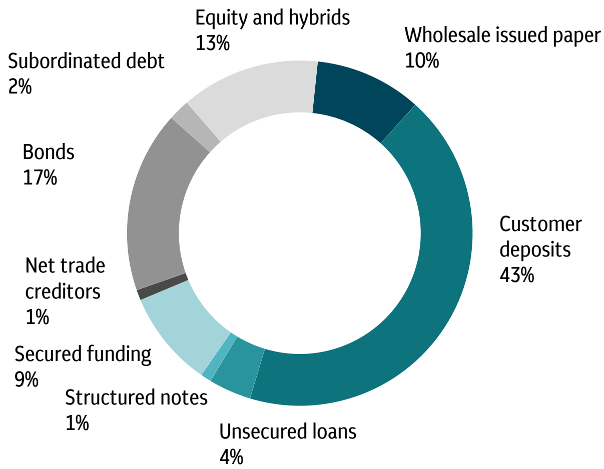
Term funding profile

Detail of drawn funding maturing beyond one year



Diversity of funding sources

Detail of drawn funding sources maturing across all tenors



	AS AT MAR 23					
	1–2 yrs $Ab	2–3 yrs $Ab	3–4 yrs $Ab	4–5 yrs $Ab	5 yrs+ $Ab	**Total $Ab**
Structured notes[1]	0.1	0.5	0.1	0.1	0.6	**1.4**
Secured funding[1,2]	13.6	2.6	1.8	1.9	1.5	**21.4**
Bonds	9.6	6.1	5.2	4.6	21.1	**46.6**
Unsecured loans	0.5	6.1	–	2.5	2.3	**11.4**
Total term debt	**23.8**	**15.3**	**7.1**	**9.1**	**25.5**	**80.8**
Subordinated debt[3]	–	1.9	0.7	0.9	3.7	**7.2**
Equity and hybrids[3]	1.0	0.6	1.9	0.7	34.7	**38.9**
Total term funding sources drawn	**24.8**	**17.8**	**9.7**	**10.7**	**63.9**	**126.9**
Undrawn	0.4	1.9	–	–	–	**2.3**
Total term funding sources drawn and undrawn	**25.2**	**19.7**	**9.7**	**10.7**	**63.9**	**129.2**

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 2023, 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 equity and securitisations) was 4.9 years excluding TFF and 4.4 years inclusive of TFF as at 31 March 2023.

As at 31 March 2023, customer deposits represented $A134.5 billion, or 43% of Macquarie's total funding, short-term (maturing in less than 12 months) wholesale issued paper represented $A29.8 billion, or 10% of total funding, and other debt funding maturing within 12 months and net trade creditors represented $A17.8 billion, or 6% of total funding.

1 Structured notes and securitisations are profiled using a behavioural maturity profile.
2 Includes RBA Term Funding Facility (TFF) of $A9.5 billion.
3 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 2022, Macquarie has continued to raise term wholesale funding across various products and currencies.

Details of term funding raised between 1 April 2022 and 31 March 2023:

		Bank Group $Ab	Non-Bank Group $Ab	**Total $Ab**
Issued paper	– Senior and subordinated	4.7	7.8	**12.5**
Secured funding	– Term securitisation, covered bond and other secured finance	5.6	3.3	**8.9**
Loan facilities	– Unsecured loan facilities	1.1	–	**1.1**
Hybrids	– Hybrid instruments	–	0.8	**0.8**
Total		**11.4**	**11.9**	**23.3**

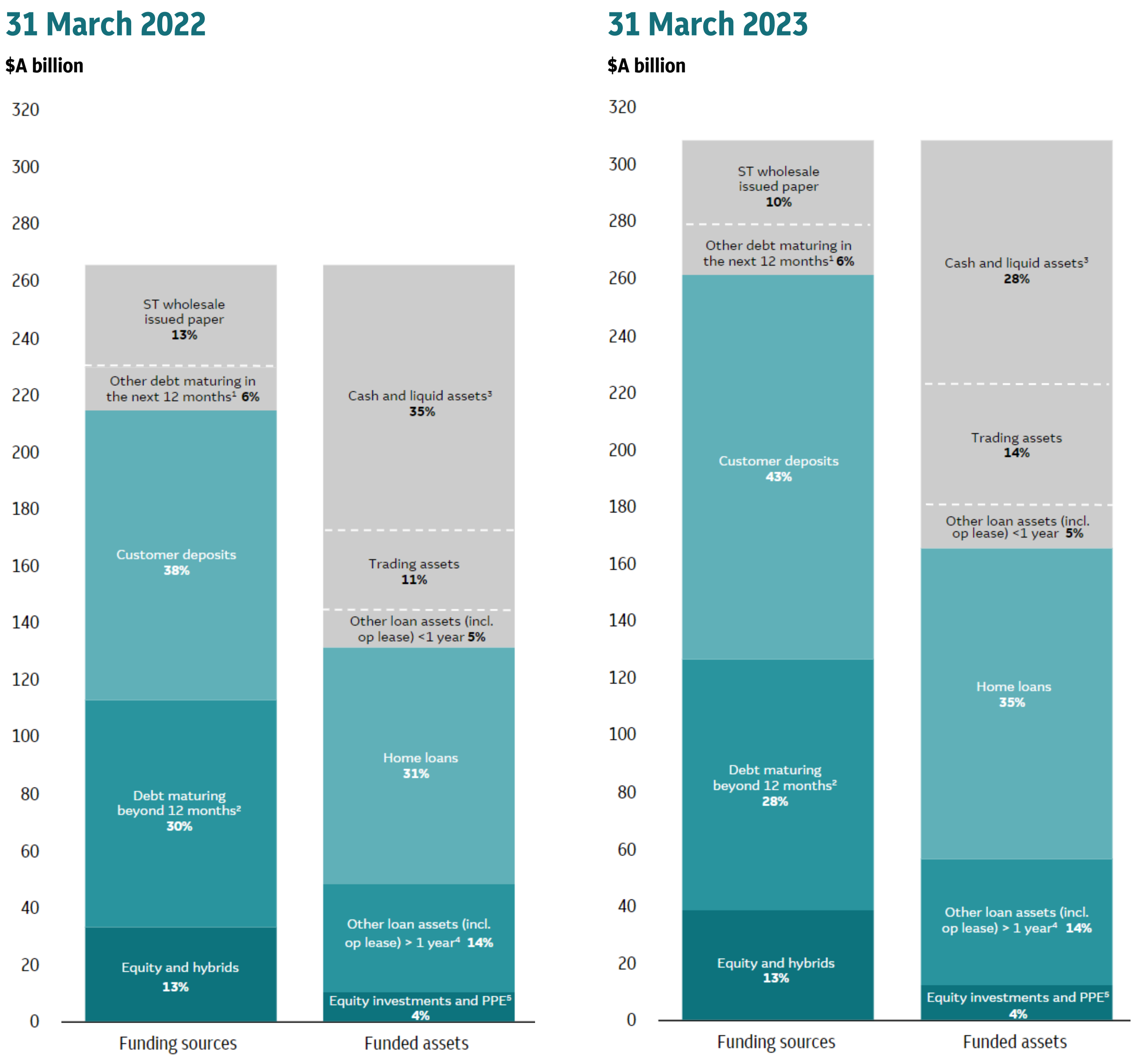
Macquarie has continued to develop its major funding markets and products during the year ended 31 March 2023.

From 1 April 2022 to 31 March 2023, Macquarie raised $A23.3 billion[1] of term funding including:

- $A12.5 billion of term wholesale issued paper comprising of $A10.2 billion of senior unsecured debt and $A2.3 billion of subordinated unsecured debt
- $A5.5 billion of securitisation issuance
- $A2.5 billion refinance of secured trade finance facilities
- $A1.1 billion of unsecured loan facilities
- $A0.9 billion of covered bond issuance; and a
- $A0.8 billion of MCN6 Hybrid instrument issuance.

[1] 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.



[1] Other debt maturing in the next 12 months includes Secured funding (including RBA TFF), Bonds, Structured notes, Unsecured loans and Net trade creditors.
[2] Debt maturing beyond 12 months includes Subordinated debt, Structured notes, Secured funding (including RBA TFF), Bonds and Unsecured loans not maturing within next 12 months.
[3] As at Mar 22, Cash and liquid assets included self-securitisation of repo eligible Australian assets originated by Macquarie and held as contingent collateral for RBA facilities (such as the CLF). These assets are not included as at March 2023 since MBL's CLF has reduced to zero in December 2022, consistent with the industry-wide phase out of the CLF.
[4] Other loan assets (incl. op lease) > 1 year includes Debt investments.
[5] 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

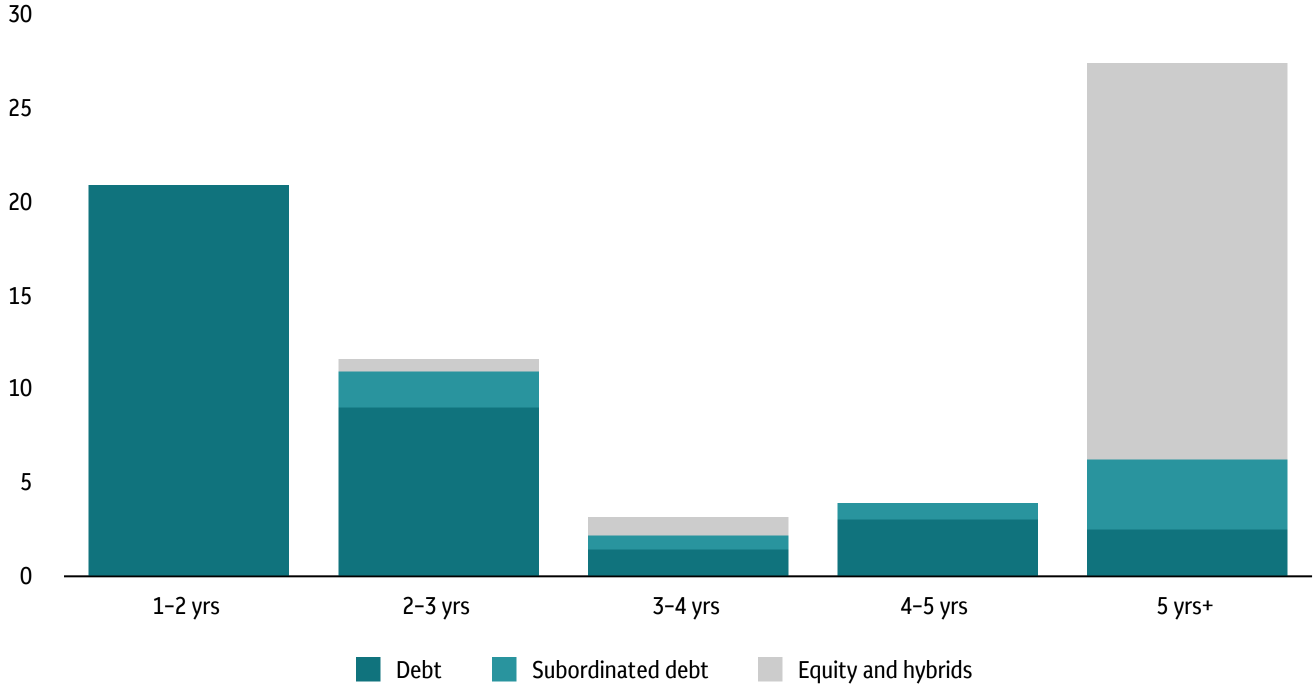
	Notes	AS AT Mar 23 $Ab	Mar 22 $Ab
Funding sources			
Wholesale issued paper:	1		
Certificates of deposit		**0.7**	0.7
Commercial paper		**29.1**	35.1
Net trade creditors	2	**2.7**	1.4
Structured notes	3	**0.5**	0.4
Secured funding	4	**25.9**	26.6
Bonds	5	**18.9**	21.5
Unsecured loans	6	**6.1**	4.0
Customer deposits	7	**134.5**	101.5
Subordinated debt	8	**7.2**	4.6
Equity and hybrids	9	**22.7**	20.3
Total		**248.3**	216.1
Funded assets			
Cash and liquid assets	10	**70.0**	78.6
Net trading assets	11	**39.1**	24.3
Other loan assets including operating lease assets less than one year	12	**13.5**	12.2
Home loans	13	**109.0**	83.0
Other loan assets including operating lease assets greater than one year	12	**22.5**	23.5
Debt investments	14	**2.4**	1.4
Non-Bank Group balances with the Bank Group		**(10.0)**	(8.3)
Co-investment in Macquarie-managed funds and other equity investments	15	**0.7**	0.6
Property, plant and equipment and intangibles		**1.1**	0.8
Total		**248.3**	216.1

See section 5.7 for Notes 1–15.

Term funding profile

Detail of drawn funding maturing beyond one year

$A billion



	AS AT MAR 23					
	1–2 yrs $Ab	2–3 yrs $Ab	3–4 yrs $Ab	4–5 yrs $Ab	5 yrs+ $Ab	**Total $Ab**
Structured notes[1]	0.1	–	–	0.1	0.2	**0.4**
Secured funding[1,2]	13.3	1.7	1.0	1.9	1.5	**19.4**
Bonds	7.4	4.0	0.5	0.3	0.9	**13.1**
Unsecured loans	0.1	3.4	–	0.8	–	**4.3**
Total term debt	**20.9**	**9.1**	**1.5**	**3.1**	**2.6**	**37.2**
Subordinated debt[3]	–	1.9	0.7	0.9	3.7	**7.2**
Equity and hybrids[3]	–	0.6	1.0	–	21.1	**22.7**
Total term funding sources drawn	**20.9**	**11.6**	**3.2**	**4.0**	**27.4**	**67.1**
Undrawn	0.2	–	–	–	–	**0.2**
Total term funding sources drawn and undrawn	**21.1**	**11.6**	**3.2**	**4.0**	**27.4**	**67.3**

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 equity and securitisations) was 3.6 years excluding TFF and 3.1 years inclusive of TFF as at 31 March 2023.

As at 31 March 2023, customer deposits represented $A134.5 billion, or 54% of the Bank Group's total funding, short-term (maturing in less than 12 months) wholesale issued paper represented $A29.8 billion, or 12% of total funding, and other debt funding maturing within 12 months and net trade creditors represented $A16.9 billion, or 7% of total funding.

[1] Structured notes and securitisations are profiled using a behavioural maturity profile.
[2] Includes RBA TFF of $A9.5 billion.
[3] 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[1]:

- $US25 billion Regulation S Debt Instrument Programme, including Euro Commercial Paper, Euro Certificates of Deposit and Euro Medium-Term Notes. The Debt Instrument Programme had $US8.0 billion of debt securities outstanding as at 31 March 2023
- $US25 billion Commercial Paper Program under which $US14.3 billion of debt securities were outstanding as at 31 March 2023
- $US20 billion US Rule 144A/Regulation S Medium-Term Note Program, including senior and subordinated notes, under which $US8.5 billion of debt securities were outstanding as at 31 March 2023
- $A11.4 billion of external securitisation outstanding, comprising of $A9.5 billion PUMA RMBS and $A1.9 billion SMART ABS as at 31 March 2023
- $US10 billion European Commercial Paper Programme including Euro Commercial Paper and Euro Certificates of Deposit, under which $US2.1 billion of debt securities were outstanding as at 31 March 2023
- $A10 billion Covered Bond Programme under which $A1.0 billion of debt securities were outstanding as at 31 March 2023
- $US5 billion Structured Note Programme under which $US0.3 billion of structured notes were outstanding as at 31 March 2023
- $A4.5 billion[2] of Unsecured Loan Facilities which was fully drawn as at 31 March 2023
- $US1.2 billion Secured Trade Finance Facility[3] of which $US1.1 billion was drawn as at 31 March 2023
- $A2.4 billion of other subordinated unsecured debt outstanding as at 31 March 2023; and
- $A11.3 billion[4] of RBA Term Funding Facility outstanding as at 31 March 2023.

Macquarie Bank accesses the Australian capital markets through the issuance of Negotiable Certificates of Deposit. As at 31 March 2023, Macquarie Bank had $A0.7 billion of these securities outstanding.

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

[1] Funding outstanding excludes capitalised costs.
[2] Includes issuance out of Macquarie International Finance Limited (MIFL). Values are Australian dollar equivalents as at 31 March 2023.
[3] $US1.2 billion Secured Trade Finance Facility can be drawn by either MBL, MIFL or MGL and is currently drawn out of MBL and MIFL.
[4] Total of $A11.26 billion of RBA TFF outstanding as at 31 March 2023, comprising $A1.72 billion of Initial Allowance, and $A9.53 billion of Additional and Supplementary Allowances.

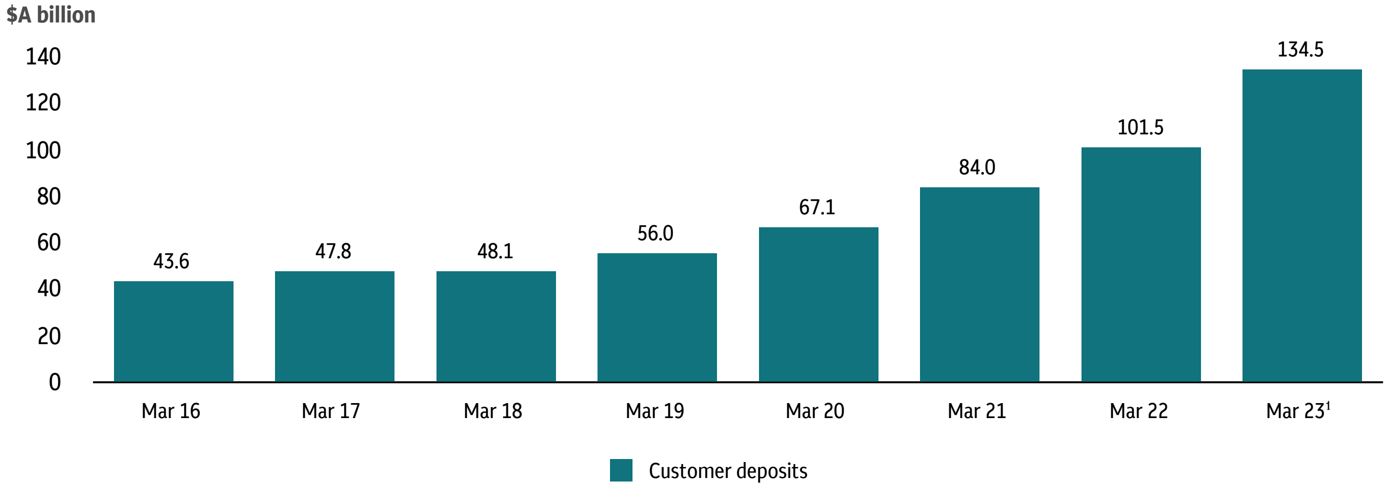
Deposit strategy

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 Bank'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.

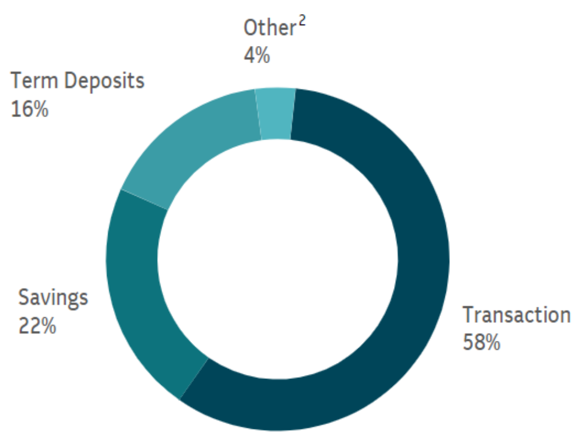
The chart below illustrates the customer deposit growth since 31 March 2016.

Deposit trend

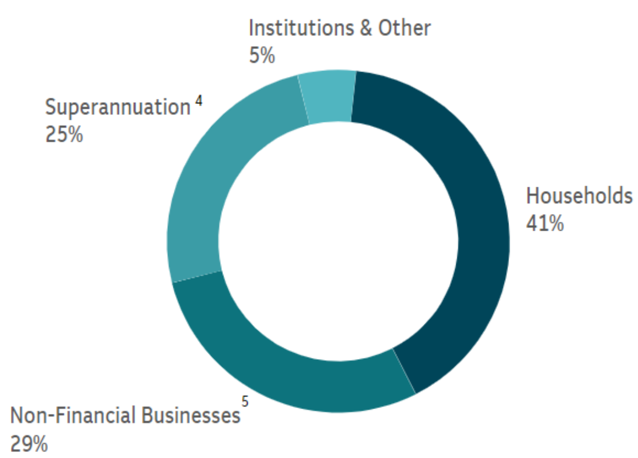


Composition of customer deposits

By Type[1]



By Counterparty[3]



[1] Total customer deposits include BFS deposits of $A129.4 billion and $A5.1 billion of corporate/wholesale deposits as at 31 March 2023.
[2] Includes corporate/wholesale deposits.
[3] As at 31 March 2023 for Total Residents Deposits on Australian books per APRA Monthly Authorised Deposit Taking Institution Statistics (MADIS).
[4] Predominantly Self-Managed Super Funds.
[5] Predominantly Private Enterprises and Trusts.

5.6 Funding Profile for the Non-Bank Group

Funded balance sheet

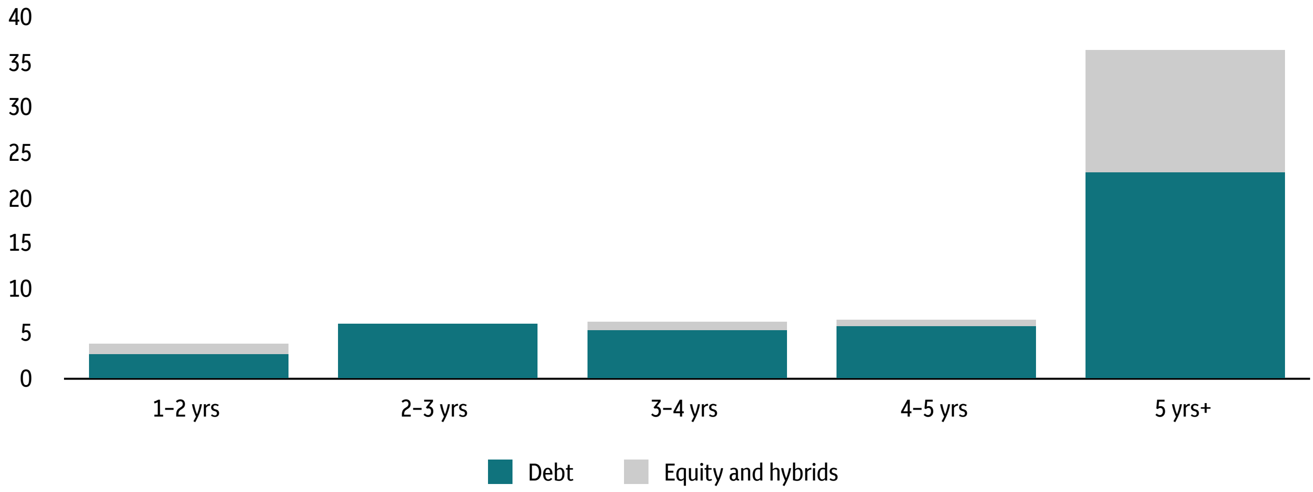
		AS AT	
		Mar 23	Mar 22
	Notes	**$Ab**	$Ab
Funding sources			
Net trade creditors	2	**–**	1.0
Structured notes	3	**1.0**	0.9
Secured funding	4	**2.4**	0.9
Bonds	5	**33.9**	27.3
Unsecured loans	6	**7.2**	6.5
Equity and hybrids	9	**16.2**	13.2
Total		**60.7**	49.8
Funded assets			
Cash and liquid assets	10	**15.4**	15.2
Non-Bank Group balances with the Bank Group		**10.0**	8.3
Net trading assets	11	**3.8**	2.8
Other loan assets including operating lease assets less than one year	12	**1.2**	1.0
Other loan assets including operating lease assets greater than one year	12	**17.3**	12.0
Debt investments	14	**2.3**	1.1
Co-investment in Macquarie-managed funds and other equity investments	15	**6.7**	5.7
Property, plant and equipment and intangibles		**4.0**	3.7
Total		**60.7**	49.8

See Section 5.7 for Notes 2–15.

Term funding profile

Detail of drawn funding maturing beyond one year

$A billion



	AS AT MAR 23					
	1–2 yrs $Ab	2–3 yrs $Ab	3–4 yrs $Ab	4–5 yrs $Ab	5 yrs+ $Ab	**Total $Ab**
Structured notes[1]	–	0.5	0.1	–	0.4	**1.0**
Secured funding[1]	0.3	0.9	0.8	–	–	**2.0**
Bonds	2.2	2.1	4.7	4.3	20.2	**33.5**
Unsecured loans	0.4	2.7	–	1.7	2.3	**7.1**
Total term debt	**2.9**	**6.2**	**5.6**	**6.0**	**22.9**	**43.6**
Equity and hybrids[2]	1.0	–	0.9	0.7	13.6	**16.2**
Total term funding sources drawn	**3.9**	**6.2**	**6.5**	**6.7**	**36.5**	**59.8**
Undrawn	0.2	1.9	–	–	–	**2.1**
Total term funding sources drawn and undrawn	**4.1**	**8.1**	**6.5**	**6.7**	**36.5**	**61.9**

The weighted average term to maturity of term funding maturing beyond one year (excluding equity and securitisations) was 5.7 years as at 31 March 2023.

As at 31 March 2023, other debt funding maturing within 12 months and net trade creditors represented $A0.9 billion, or 1% of total funding.

The key tools used for raising debt funding, which primarily fund MGL and the Non-Bank Group, are as follows[3]:

- $US20 billion US Rule 144A/Regulation S Medium-Term Note Program, under which $US12.7 billion of debt securities were outstanding as at 31 March 2023
- $US20 billion Regulation S Debt Instrument Programme under which $US8.1 billion debt securities outstanding as at 31 March 2023
- $A8.8 billion[4] of Unsecured Loan Facilities of which $A7.0 billion[4] was drawn as at 31 March 2023
- $US5 billion Structured Note Programme under which $US0.7 billion of structured notes were outstanding as at 31 March 2023
- $US1.4 billion of external securitisation outstanding as at 31 March 2023
- $US1.9 billion of Muni-gas Prepayment funding outstanding as at 31 March 2023; and
- $US0.5 billion Secured Trade Finance Facility which was $US0.3 billion drawn as at 31 March 2023.

[1] Structured notes and securitisations 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 2023.

5.7 Explanatory Notes Concerning Funding Sources and Funded Assets

1. Wholesale issued paper

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. Unsecured loans

Unsecured loans provided by financial institutions and other counterparties.

7. Customer deposits

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

8. Subordinated debt

Long-term subordinated debt.

9. Equity and hybrids

Equity balances are comprised of issued capital, retained earnings and reserves. Hybrid instruments as at 31 March 2023 include MACS, BCN 2 and 3 and MCN 3, 4, 5 and 6.

10. 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) and other RBA repo eligible securities.

11. 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.

12. 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.

13. Home loans

Secured by residential property.

14. Debt investments

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

15. 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.

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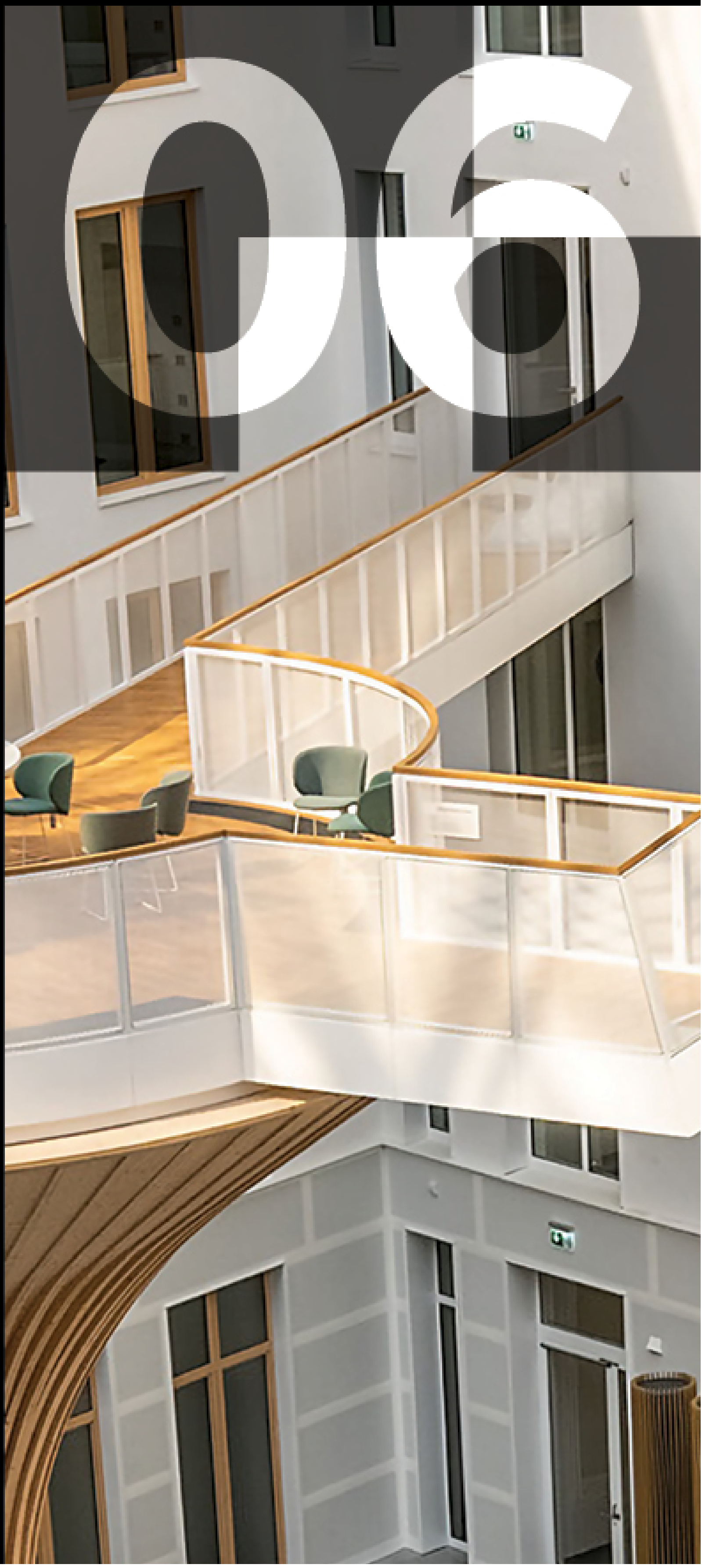
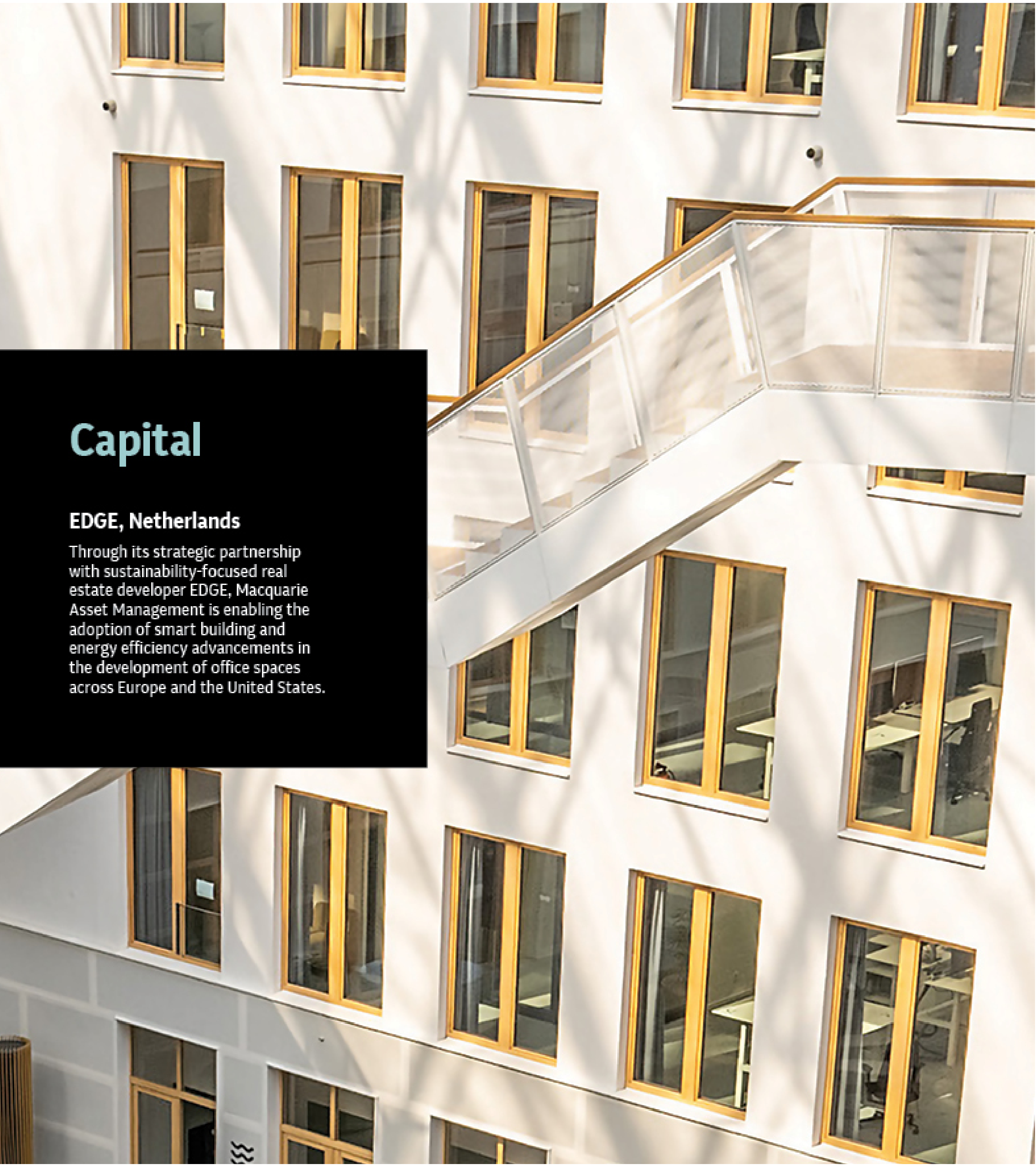
06





Capital

EDGE, Netherlands

Through its strategic partnership with sustainability-focused real estate developer EDGE, Macquarie Asset Management is enabling the adoption of smart building and energy efficiency advancements in the development of office spaces across Europe and the United States.

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 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 2023 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), Macquarie Group Capital Notes 5 (MCN5) and Macquarie Group Capital Notes 6 (MCN6).

Capital disclosures in this section reflect Macquarie's regulatory requirements under APRA's Basel III rules. These are in accordance with the ADI Prudential Standards that were released as part of APRA's new "Unquestionably Strong" (UQS) bank capital framework which came into effect from 1 January 2023.

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.

Macquarie Basel III regulatory capital surplus calculation

The disclosures as at 31 March 2023 have been prepared in accordance with APRA's new UQS bank capital framework which came into effect from 1 January 2023. The comparative disclosures as at 30 September 2022 have not been restated to account for these regulatory changes.

	AS AT MAR 23	AS AT SEP 22
	APRA Basel III	APRA Basel III
	$Am	$Am
Macquarie eligible capital:		
Bank Group Gross Tier 1 capital	**22,771**	23,121
Non-Bank Group eligible capital	**16,303**	14,099
Eligible capital	**39,074**	37,220
Macquarie capital requirement:		
Bank Group capital requirement		
Risk-Weighted Assets (RWA)[1]	**124,230**	135,417
Capital required to cover RWA[2]	**12,734**	11,510
Tier 1 deductions	**3,293**	3,245
Total Bank Group capital requirement	**16,027**	14,755
Total Non-Bank Group capital requirement	**10,400**	10,278
Total Macquarie capital requirement	**26,427**	25,033
Macquarie regulatory capital surplus	**12,647**	12,187

[1] In calculating the Bank Group's contribution to Macquarie's capital requirement, RWA internal to Macquarie are eliminated (Mar 23: $A746 million; Sep 22: $A947 million).
[2] The Bank Group regulatory requirements are calculated in accordance with Prudential Standard APS 110 - Capital Adequacy (Mar 23: 10.25% of RWA; Sep 22: 8.5% of RWA). This includes the industry minimum Tier 1 requirement of 6.0%, capital conservation buffer (CCB) of 3.75% and a countercyclical capital buffer (CCyB). The CCyB of the Bank Group at Mar 23 is 0.61%, this is rounded to 0.5% for presentation purpose. The individual CCyB varies by jurisdiction and the Bank Group CCyB is calculated as a weighted average based on exposures in different jurisdictions at that time.

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 internal model approach for market risk and 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. Operational risk is subject to the Standardised Measurement Approach (SMA) under APRA's new UQS bank capital framework which came into effect from 1 January 2023.

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

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, less prescribed regulatory adjustments. MBL periodically pays dividends to MGL. As required, MGL may inject capital into MBL to support projected business growth.

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 2023 consists of MACS, BCN2 and BCN3.

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).

[1] APRA Basel III relates to the ADI Prudential Standards released as part of APRA's new UQS bank capital framework which came into effect from 1 January 2023.
[2] Harmonised Basel III estimates are calculated in accordance with the updated BCBS Basel III framework, noting that MBL is not regulated by the BCBS and so impacts shown are indicative only.

Bank Group Basel III Tier 1 Capital

The disclosures as at 31 March 2023 have been prepared in accordance with APRA's new UQS bank capital framework which came into effect from 1 January 2023. The comparative disclosures as at 30 September 2022 have not been restated to account for these regulatory changes.

	AS AT MAR 23	
	APRA Basel III $Am	Harmonised Basel III $Am
Common Equity Tier 1 capital		
Paid-up ordinary share capital	10,161	10,161
Retained earnings	9,135	9,122
Reserves	1,057	1,057
Gross Common Equity Tier 1 capital	20,353	20,340
Regulatory adjustments to Common Equity Tier 1 capital:		
Goodwill	39	39
Deferred tax assets	1,044	55
Net other fair value adjustments	150	150
Intangible component of investments in subsidiaries and other entities	39	39
Loan and lease origination fees and commissions paid to mortgage originators and brokers	656	–
Shortfall in provisions for credit losses	218	–
Equity exposures	998	–
Capitalised software	12	12
Other Common Equity Tier 1 capital deductions	137	60
Total Common Equity Tier 1 capital deductions	3,293	355
Net Common Equity Tier 1 capital	17,060	19,985
Additional Tier 1 Capital		
Additional Tier 1 capital instruments	2,418	2,418
Gross Additional Tier 1 capital	2,418	2,418
Deduction from Additional Tier 1 capital	–	–
Net Additional Tier 1 capital	2,418	2,418
Total Net Tier 1 capital	19,478	22,403

6.2 Bank Group Capital

Continued

	AS AT SEP 22	
	APRA Basel III $Am	Harmonised Basel III $Am
Common Equity Tier 1 capital		
Paid-up ordinary share capital	10,140	10,140
Retained earnings	9,198	9,198
Reserves	1,315	1,315
Gross Common Equity Tier 1 capital	20,653	20,653
Regulatory adjustments to Common Equity Tier 1 capital:		
Goodwill	41	41
Deferred tax assets	912	45
Net other fair value adjustments	257	257
Intangible component of investments in subsidiaries and other entities	38	38
Loan and lease origination fees and commissions paid to mortgage originators and brokers	630	–
Shortfall in provisions for credit losses	231	162
Equity exposures	975	–
Capitalised software	17	17
Other Common Equity Tier 1 capital deductions	144	75
Total Common Equity Tier 1 capital deductions	3,245	635
Net Common Equity Tier 1 capital	17,408	20,018
Additional Tier 1 Capital		
Additional Tier 1 capital instruments	2,468	2,468
Gross Additional Tier 1 capital	2,468	2,468
Deduction from Additional Tier 1 capital	–	–
Net Additional Tier 1 capital	2,468	2,468
Total Net Tier 1 capital	19,876	22,486

Bank Group Basel III Risk-Weighted Assets (RWA)

The disclosures as at 31 March 2023 have been prepared in accordance with APRA's new UQS bank capital framework which came into effect from 1 January 2023. The comparative disclosures as at 30 September 2022 have not been restated to account for these regulatory changes.

	AS AT MAR 23	
	APRA Basel III $Am	Harmonised Basel III $Am
Credit risk		
Subject to IRB approach:		
Corporate[1]	29,686	22,343
SME Corporate	5,227	3,955
Corporate - IPRE[2]	2,455	1,424
Sovereign	450	3,228
Financial Institution	11,289	8,530
Residential mortgage	21,066	10,913
Other retail	2,048	1,862
Retail SME	1,682	1,529
Total RWA subject to IRB approach	73,903	53,784
Specialised lending exposures subject to slotting criteria[3]	6,973	6,973
Subject to Standardised approach:		
Corporate	1,778	1,778
Residential mortgage	801	801
Other Retail	867	867
Total RWA subject to Standardised approach	3,446	3,446
Credit risk RWA for securitisation exposures	636	830
Credit Valuation Adjustment RWA	8,975	8,975
Exposures to Central Counterparties RWA	476	476
RWA for Other Assets (excluding intercompany exposures)	3,076	6,264
Total Credit risk RWA	97,485	80,748
Equity risk exposures RWA	–	2,495
Market risk RWA	9,743	9,743
Operational risk RWA	15,828	15,559
Interest rate risk in banking book RWA	1,920	–
Total Bank Group RWA	124,976	108,545
Capital ratios		
Bank Group Level 2 Common Equity Tier 1 capital ratio (%)	13.7	18.4
Bank Group Level 2 Tier 1 capital ratio (%)	15.6	20.6

[1] Includes Large Corporates
[2] Income-producing real estate
[3] Specialised lending exposures subject to supervisory slotting criteria are measured using APRA determined risk weightings.

6.2 Bank Group Capital

Continued

	AS AT SEP 22	
	APRA Basel III $Am	Harmonised Basel III $Am
Credit risk		
Subject to IRB approach:		
Corporate	42,018	42,018
SME Corporate	4,474	4,474
Sovereign	3,572	3,572
Banks	2,060	2,060
Residential mortgage	28,477	13,036
Other retail	2,344	2,344
Retail SME	1,980	1,977
Total RWA subject to IRB approach	84,925	69,481
Specialised lending exposures subject to slotting criteria	9,658	9,658
Subject to Standardised approach:		
Corporate	41	41
Residential mortgage	532	532
Other Retail	1,052	1,052
Total RWA subject to Standardised approach	1,625	1,625
Credit risk RWA for securitisation exposures	602	602
Credit Valuation Adjustment RWA	13,213	13,213
Exposures to Central Counterparties RWA	576	576
RWA for Other Assets	2,918	5,785
Total Credit risk RWA	113,517	100,940
Equity risk exposures RWA	–	3,354
Market risk RWA	10,773	10,773
Operational risk RWA	10,495	10,495
Interest rate risk in banking book RWA	1,579	–
Total Bank Group RWA	136,364	125,562
Capital ratios		
Bank Group Level 2 Common Equity Tier 1 capital ratio (%)	12.8	15.9
Bank Group Level 2 Tier 1 capital ratio (%)	14.6	17.9

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[1]	BASEL III[2]	ECAM
Credit	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
Equity	Harmonised Basel III: 250% 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[3]	Extension of Basel III credit model to cover equity exposures. Capital requirement between 34% and 84% of face value; average 54%
Market	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
Operational	Standardised 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] Basel III requirements shown. APRA has implemented the Basel III framework (APRA Basel III), and in some areas has introduced stricter requirements.
[3] 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 23		
	Assets $Ab	Capital requirement $Am	Equivalent risk weight
Funded assets			
Cash and liquid assets	15.4	262	21 %
Loan assets[1]	18.5	1,842	124 %
Debt investments	2.3	164	89 %
Co-investments in Macquarie-managed funds and other equity investments	6.1	3,414	700 %
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	4.0	1,925	601 %
Non-Bank Group balance with the Bank Group	10.0		
Net trading assets	3.8		
Total funded assets	**60.7**	**7,607**	
Accounting deductions			
Derivative revaluation	0.3		
Segregated funds	0.3		
Outstanding trade settlement balances	4.4		
Working capital assets	10.5		
Non-controlling interests	1.0		
Self-funded assets			
Self-funded trading assets	(2.4)		
Assets funded non-recourse	1.3		
Total self-funded and non-recourse assets	**15.4**		
Total Non-Bank Group assets	**76.1**		
Equity commitments		1,419	
Off balance sheet exposures, operational, market and other risks and diversification offset[2]		1,374	
Non-Bank Group capital requirement		**10,400**	

[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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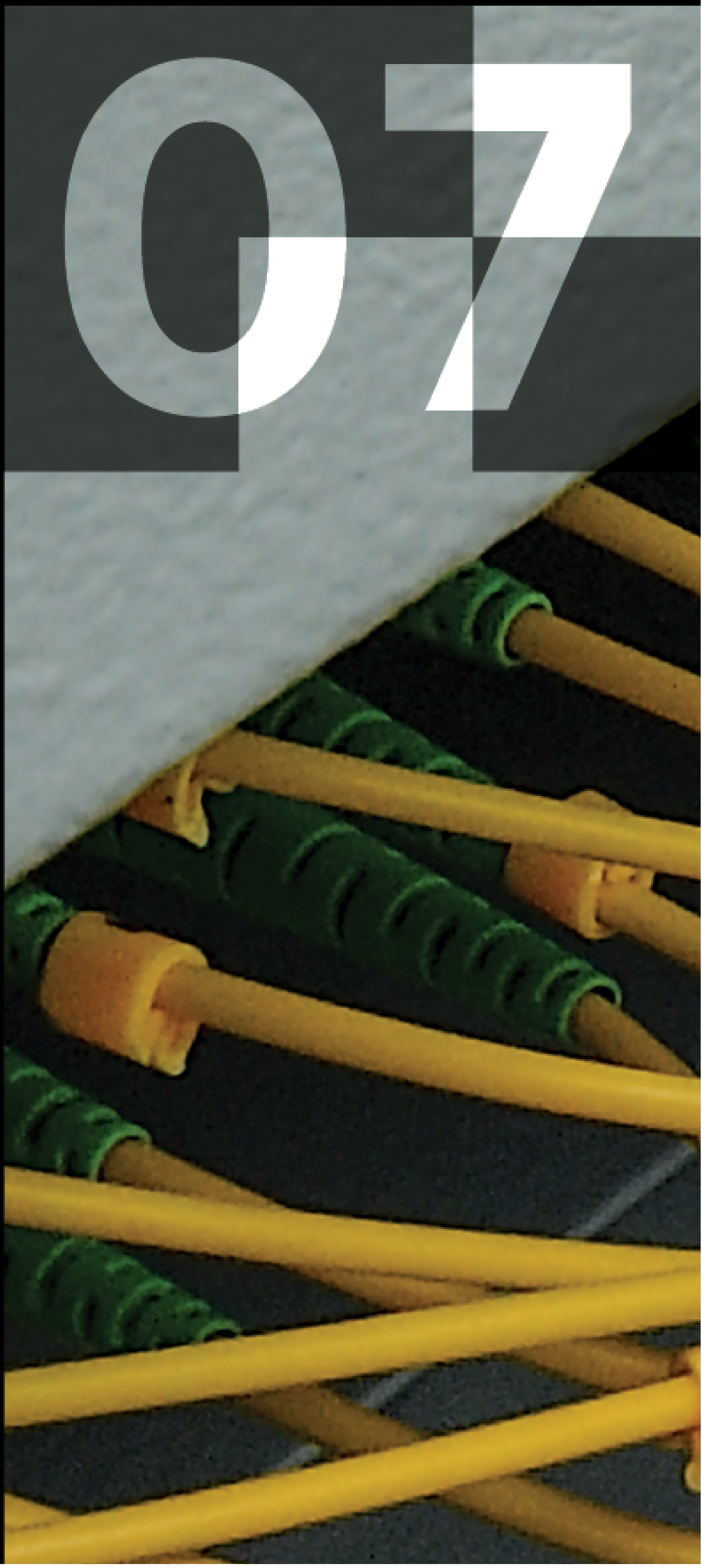

Funds Management

Open Fiber, Italy

Through its investment in Open Fiber, Italy's largest fibre-to-the-home network, Macquarie Asset Management is supporting the roll-out of first-class, open-access network infrastructure, enabling access to reliable, ultrafast broadband for homes and businesses.

7.1 Assets Under Management

	AS AT			MOVEMENT	
	Mar 23	Sep 22	Mar 22	*Sep 22*	*Mar 22*
	$Ab	$Ab	$Ab	*%*	*%*
Assets under Management by type					
Public Investments					
Fixed Income	**291.3**	280.3	263.7	*4*	*10*
Equities	**219.5**	215.7	245.3	*2*	*(11)*
Alternatives and Multi-asset	**23.7**	24.7	26.1	*(4)*	*(9)*
Total Public Investments	**534.5**	520.7	535.1	*3*	*(<1)*
Private Markets					
Infrastructure Equity	**272.4**	250.3	208.1	*9*	*31*
Infrastructure Debt	**26.8**	21.8	20.6	*23*	*30*
Real Estate	**30.3**	26.2	23.1	*16*	*31*
Agriculture	**4.3**	3.8	3.6	*13*	*19*
Transport Finance	**2.5**	2.9	2.5	*(14)*	–
Total Private Markets	**336.3**	305.0	257.9	*10*	*30*
Total MAM	**870.8**	825.7	793.0	*5*	*10*
Total Assets under Management	**870.8**	825.7	793.0	*5*	*10*
Assets under Management by region					
Americas	**369.9**	370.3	375.6	*(<1)*	*(2)*
Europe, Middle East and Africa	**196.3**	174.1	148.6	*13*	*32*
Australia	**257.4**	236.7	225.0	*9*	*14*
Asia	**47.2**	44.6	43.8	*6*	*8*
Total Assets under Management	**870.8**	825.7	793.0	*5*	*10*

Private Markets 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. Private Markets AUM includes equity yet to deploy. 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.

AUM of $A870.8 billion as at 31 March 2023 increased 10% from $A793.0 billion as at 31 March 2022. The increase in AUM during the year was primarily due to investments made by Private Markets-managed funds, favourable impacts from foreign exchange, inflows in Fixed Income funds in Public Investments, net valuation changes and increased equity yet to deploy in Private Markets. This was partially offset by market movements, outflows in equity funds in Public Investments, a reduction in contractual insurance assets and asset realisations made by Private Markets-managed funds (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.[1]

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[2,3]			MOVEMENT	
	Mar 23 $Ab	Sep 22 $Ab	Mar 22 $Ab	*Sep 22 %*	*Mar 22 %*
Equity under Management by type					
Listed equity	**7.6**	6.6	7.8	*15*	*(3)*
Unlisted equity	**198.2**	181.9	150.5	*9*	*32*
Total EUM	**205.8**	188.5	158.3	*9*	*30*
Equity under Management by region[4]					
Australia	**15.2**	15.1	12.3	*1*	*24*
Europe, Middle East and Africa	**119.7**	105.3	86.1	*14*	*39*
Americas	**38.7**	36.1	29.7	*7*	*30*
Asia	**32.2**	32.0	30.2	*1*	*7*
Total EUM	**205.8**	188.5	158.3	*9*	*30*

EUM of $A205.8 billion as at 31 March 2023 increased 30% from $A158.3 billion as at 31 March 2022. The increase was primarily due to capital raised for unlisted funds and co-investments and foreign exchange movements. These were partially offset by equity returned by unlisted funds and co-investments due to the divestment of underlying assets.

[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

VIRTUS, United Kingdom

Data centres are critical to the digital economy. They are also large consumers of energy, so the sector and its clients have a heightened focus on sustainability. VIRTUS, the UK's leading data centre platform, will benefit from Macquarie Asset Management's green energy expertise as it expands into Europe.

8.1 Glossary

Defined term	Definition
A	
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: • provide a permanent and unrestricted commitment of funds • are freely available to absorb losses • rank behind the claims of depositors and other more senior creditors in the event of winding up of the issuer; and • provide for fully discretionary capital distributions.
Additional Tier 1 Deductions	An amount deducted in determining Additional Tier 1 Capital, as defined in Prudential Standard APS 111 Capital Adequacy: Measurement of Capital.
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 includes equity yet to deploy in Private Markets and 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 Private Markets, 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	
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 Capital Adequacy: Internal Ratings-based Approach to Credit Risk.
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).

Defined term	Definition
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.
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.
C	
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 Group and Central Executive.
CGM	Commodities and Global Markets.
CLF	Reserve Bank of Australia Committed Liquidity Facility.
Common Equity Tier 1 Capital	A capital measure defined by APRA, comprising the highest quality components of capital that fully satisfy all the following essential characteristics: • provide a permanent and unrestricted commitment of funds • are freely available to absorb losses • do not impose any unavoidable servicing charge against earnings; and • rank behind the claims of depositors and other creditors in the event of winding up. Common Equity Tier 1 Capital comprises paid up capital, Retained earnings, and certain reserves.
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 Capital Adequacy: Measurement of Capital.
Compensation ratio	The ratio of Compensation expense to Net operating income.
Consolidated Entity	Macquarie Group Limited and its subsidiaries.
D	
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.
E	
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: Earnings Per Share.
ECAM	Economic Capital Adequacy Model.
ECL	Expected Credit Losses as defined and measured in terms of AASB 9: Financial Instruments.
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.

8.1 Glossary

Continued

Defined term	Definition
F	
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.
FY22	The year ended 31 March 2022.
FY23	The year ended 31 March 2023.
H	
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.
I	
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.
L	
LGD	Loss given default is defined as the economic loss which arises upon default of the obligor.
M	
Macquarie, the Consolidated Entity	Macquarie Group Limited and its subsidiaries.
Macquarie Bank	MBL and its subsidiaries.
MACS	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. 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).
MAM	Macquarie Asset Management.
MAMHPL	Macquarie Asset Management Holdings Pty Ltd.
MBL	Macquarie Bank Limited ABN 46 008 583 542.
MCN3	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. 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).

Defined term	Definition
MCN4	On 27 March 2019, MGL issued 9.05 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. 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).
MCN5	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. 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).
MCN6	On 15 July 2022, MGL issued 7.5 million Macquarie Group Capital Notes 6 (MCN6) at a face value of $A100 each. MCN6 are subordinated, non-cumulative, unsecured notes that pay discretionary, non-cumulative, quarterly floating rate cash distributions and may be redeemed at face value on 12 September 2029, 12 March 2030 or 12 September 2030 (subject to certain conditions being satisfied) or earlier in specified circumstances. MCN6 can be converted into a variable number of MGL ordinary shares (subject to certain conditions being satisfied) on these redemption dates; mandatorily exchanged on 12 September 2032; 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).
MEREP	Macquarie Group Employee Retained Equity Plan.
MFHPL	Macquarie Financial Holdings Pty Limited.
MGL, the Company	Macquarie Group Limited ABN 94 122 169 279.
N	
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.
O	
Operating Groups	The Operating Groups consist of MAM, BFS, CGM and Macquarie Capital.
OTC	Over-the-counter.
P	
Private Markets	MAM Private Markets.
Public Investments	MAM Public Investments.
R	
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 total capital and reserves attributable to ordinary equity holders over the relevant period, less the average balances of FVOCI, share of associates 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.

8.1 Glossary

Continued

Defined term	Definition
S	
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.
T	
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.
U	
UK	The United Kingdom.
US	The United States of America.

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09

Ten Year History

United Terminal Korea, South Korea

United Terminal Korea (UTK) has grown to become one of South Korea's largest oil and petrochemical storage operators. Supported by Macquarie Asset Management's operational expertise, UTK is improving efficiency for customers and enhancing safety through increased automation and training.

9.1 Ten Year History

	YEAR ENDED 31 MARCH									
	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Income statement ($Am)										
Net operating income	**19,122**	17,324	12,774	12,325	12,754	10,920	10,364	10,158	9,262	8,132
Total operating expenses	**(12,130)**	(10,785)	(8,867)	(8,871)	(8,887)	(7,456)	(7,260)	(7,143)	(6,740)	(6,026)
Operating profit before income tax	**6,992**	6,539	3,907	3,454	3,867	3,464	3,104	3,015	2,522	2,106
Income tax expense	**(1,824)**	(1,586)	(899)	(728)	(879)	(883)	(868)	(927)	(899)	(827)
Profit after income tax	**5,168**	4,953	3,008	2,726	2,988	2,581	2,236	2,088	1,623	1,279
Loss/(profit) attributable to non-controlling interests[1]	**14**	(247)	7	5	(6)	(24)	(19)	(25)	(19)	(14)
Profit attributable to ordinary equity holders of Macquarie Group Limited	**5,182**	4,706	3,015	2,731	2,982	2,557	2,217	2,063	1,604	1,265
Statement of financial position ($Am)										
Total assets	**387,872**	399,176	245,653	255,802	197,757	191,325	182,877	196,755	187,976	153,904
Total liabilities	**353,766**	370,370	223,302	234,018	179,393	173,145	165,607	181,091	173,580	141,990
Net assets	**34,106**	28,806	22,351	21,784	18,364	18,180	17,270	15,664	14,396	11,914
Total loan assets	**158,572**	134,744	105,026	94,117	77,811	73,509	69,288	72,393	67,663	49,965
Shareholders' equity[2]	**33,155**	28,561	22,048	21,063	17,761	16,357	15,563	15,116	13,909	11,418
Impaired loan assets (net of provisions)[3]	**1,689**	1,325	1,544	1,528	1,674	351	547	418	594	365
Share information										
Dividends per share (cents per share)										
Interim	**300**	272	135	250	215	205	190	160	130	100
Final	**450**	350	335	180	360	320	280	240	200	160
Special[4]	**-**	-	-	-	-	-	-	-	-	116
Total	**750**	622	470	430	575	525	470	400	330	376
Basic earnings per share (cents per share)	**1,353.7**	1,271.7	842.9	791.0	883.3	758.2	657.6	619.2	502.3	383.6
Share price at reporting date ($A)	**175.66**	203.27	152.83	85.75	129.42	102.90	90.20	66.09	76.67	57.93
Ordinary shares (million shares)	**386.5**	383.6	361.8	354.4	340.4	340.4	340.4	340.3	333.5	321.1
Market capitalisation at reporting date (fully paid ordinary shares) ($Am)	**67,889**	77,984	55,297	30,388	44,052	35,024	30,700	22,491	25,569	18,601
Net tangible assets per ordinary share ($A)	**75.89**	64.59	53.91	50.21	46.21	45.12	42.74	41.23	38.19	31.71
Ratios										
Return on average ordinary shareholders' funds (%)	**16.9**	18.7	14.3	14.5	18.0	16.8	15.2	14.7	14.0	11.1
Ordinary dividend payout ratio (%)[5]	**55.9**	50.2	56.4	55.8	65.6	69.8	72.0	65.7	67.6	66.8
Expense/income ratio (%)	**63.4**	62.3	69.4	72.0	69.7	68.3	70.1	70.3	72.8	74.1
Net loan loss as % of loan assets (excluding securitisation SPVs)	**0.2**	0.1	0.4	0.8	0.4	0.3	0.5	1.0	0.7	0.4
Assets under Management ($Ab)[6]	**870.8**	793.0	593.4	624.0	576.8	511.5	491.9	487.2	495.9	435.3
Staff numbers	**20,509**	18,133	16,459	15,849	15,602	14,810	13,925	14,660	14,373	14,180

[1] For financial years ended 31 March 2014–2020, includes Macquarie Income Securities distributions and Macquarie Income Preferred Securities distributions.
[2] Represents capital and reserves attributable to ordinary equity holders of Macquarie Group Limited.
[3] Represents net exposure in credit impaired loan assets as per Australian Accounting Standards since 31 March 2019. For financial years ended 31 March 2014–2018, represents net exposure in impaired loan assets disclosed as per Australian regulatory authority requirements.
[4] 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.
[5] The ordinary dividend payout ratio for the year ended 31 March 2023 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.
[6] Private Markets Assets under Management (AUM) includes equity yet to deploy. This is a change from prior periods, when equity to deploy was excluded, and has been implemented to bring MAM in line with peers. Prior periods have been restated to reflect the change.

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