**Macquarie Group Limited**
ABN 94 122 169 279

50 Martin Place
Sydney NSW 2000
GPO Box 4294
Sydney NSW 1164
AUSTRALIA

Telephone (61 2) 8232 3333
Facsimile (61 2) 8232 7780
Internet http://www.macquarie.com

MACQUARIE

## ASX/Media Release

# MACQUARIE GROUP ANNOUNCES $A2,982 MILLION FULL YEAR PROFIT

### Key points

- **FY19 net profit of $A2,982 million, up 17% on FY18**
- **2H19 net profit of $A1,672 million, up 28% on 1H19 and up 28% on 2H18**
- **Assets under management of $A551.3 billion at 31 Mar 19, up 11% from 31 Mar 18**
- **Financial position comfortably exceeds regulatory minimum requirements**[1]
  - **Group capital surplus of $A6.1 billion**[2]
  - **Bank CET1 ratio 11.4% (Harmonised: 14.3%); Leverage ratio 5.3% (Harmonised: 6.0%); LCR 154%; NSFR 113%**
- **Annualised return on equity (ROE) 18.0%, up from 16.8% in FY18**
- **FY19 earnings per share (EPS) $A8.83, up 17% on FY18**
- **Final dividend per ordinary share of $A3.60, full year dividend per ordinary share of $A5.75, up from $A5.25 per share in FY18 (all 45% franked)**

**SYDNEY, 3 May 2019 –** Macquarie Group (ASX: MQG; ADR: MQBKY) today announced a net profit after tax attributable to ordinary shareholders of $A2,982 million for the full year ended 31 March 2019 (FY19), up 17 per cent on the full year ended 31 March 2018 (FY18). Profit for the half-year ended 31 March 2019 (2H19) was $A1,672 million, up 28 per cent on the half-year ended 30 September 2018 (1H19) and up 28 per cent on the half-year ended 31 March 2018 (2H18).

Macquarie Group Managing Director and Chief Executive Officer Shemara Wikramanayake said: "FY19 demonstrated the continued benefits of our diverse business mix. Our annuity-style businesses had a solid, steady year while our markets-facing businesses delivered strong performance in favourable market conditions."

Macquarie's annuity-style businesses (Macquarie Asset Management (MAM), Corporate and Asset Finance (CAF) and Banking and Financial Services (BFS)), represented approximately 53 per cent of the Group's FY19 performance[3] and generated a combined net profit contribution of $A3,287 million, down four per cent on FY18.

1 Where referenced in this document, Group capital surplus is calculated at 8.5 per cent Risk Weighted Assets (RWA) including capital conservation buffer (CCB), per APRA ADI Prudential Standard 110. 'Harmonised' Basel III estimates are calculated in accordance with the BCBS Basel III framework. CET1 refers to the Common Equity Tier 1 ratio. LCR refers to the Liquidity Coverage Ratio. Where referenced in this document, average LCR for the March 2019 quarter is based on an average of daily observations. NSFR refers to the Net Stable Funding Ratio.
2 Based on materiality, the 8.5% used to calculate the Group capital surplus does not include the countercyclical capital buffer (CCyB) of ~10bps. The individual CCyB varies by jurisdiction and the Bank Group's CCyB is calculated as a weighted average based on exposures in different jurisdictions.
3 Where referenced in this document, Group's performance is based on FY19 net profit contribution from Operating Groups.

Macquarie's markets-facing businesses (Commodities and Global Markets (CGM) and Macquarie Capital) represented approximately 47 per cent of the Group's FY19 performance[4] and generated a combined net profit contribution of $A2,858 million, up 76 per cent on FY18.

In addition to business diversity, geographic diversity once again produced strong results. International income represented approximately 66 per cent of total income[5] or $A8,317 million in FY19, up 17 per cent on FY18. The strength of Macquarie's Australian franchise continued with an increase of 20 per cent on FY18 to $A4,235 million in FY19 which represented a 34 per cent contribution to total income[5].

Net operating income of $A12,754 million in FY19 was up 17 per cent on FY18, while operating expenses of $A8,887 million were up 19 per cent on FY18. Staff numbers were 15,715[6] at 31 March 2019, up from 14,810 at 31 March 2018.

Macquarie's assets under management (AUM) increased 11 per cent from $A496.7 billion at 31 March 2018 to $A551.3 billion at 31 March 2019. This was largely due to investments made by Macquarie Infrastructure and Real Assets (MIRA) managed funds, foreign exchange impacts, contributions from businesses acquired during the period, and market movements, partially offset by asset realisations by MIRA-managed funds and net flows in Macquarie Investment Management (MIM).

**Operating Group performance**

- **Macquarie Asset Management** delivered a net profit contribution of $A1,503 million for FY19, down four per cent from $A1,558 million in FY18. Base fees of $A1,738 million increased from $A1,568 million in the prior year, primarily driven by growth in AUM. Performance fees of $A765 million increased from $A595 million in the prior year, mainly from MIRA-managed funds, managed accounts and co-investors. Offsetting these increases was a decrease in investment-related and other income to $A427 million from $A580 million in FY18, largely due to gains on the reclassification of certain investments in the prior year. Operating expenses were also higher and were mainly driven by acquisitions, foreign exchange movements and investment in MIM's operating platform.
- **Corporate and Asset Finance** delivered a net profit contribution of $A1,028 million for FY19, down 10 per cent from $A1,140 million in FY18. The decrease was driven by the impact of reduced provisions and impairments in the prior year and one-off investment-related income in Asset Finance in the prior year. CAF's asset and loan portfolios of $A21.3 billion at 31 March 2019 were in line with the prior year.
- **Banking and Financial Services** delivered a net profit contribution of $A756 million for FY19, up three per cent from $A737 million in FY18. The improved result reflected growth in Australian mortgage, business banking loan, deposit and funds on platform average volumes. This was partially offset by lower wealth management fee income associated with realigning the wealth advice business to focus on the high net worth segment, increased costs associated with technology to support business growth and the full-year impact of the Australian Government Major Bank Levy relative to FY18.
- **Commodities and Global Markets** delivered a net profit contribution of $A1,505 million for FY19, up 65 per cent from $A910 million in FY18, reflecting strong results across the commodities platform which were driven by client hedging activity and significant opportunities in North American Gas and Power due to supply-demand imbalances across regional US centres. There was also an increased contribution from client structured foreign exchange deals across all regions. Partially offsetting these factors were higher operating expenses reflecting increased client activity, the impact of acquisitions completed in the prior year and increased investment in technology platforms. Challenging conditions impacted equity trading activities, particularly in specific Asian retail markets.
- **Macquarie Capital** delivered a net profit contribution of $A1,353 million for FY19, up 89 per cent from $A716 million in FY18. The result was driven by higher investment-related income due to asset realisations and increased fee and commission income, partially offset by higher net credit and other

4 Where referenced in this document, Group's performance is based on FY19 net profit contribution from Operating Groups.
5 International income is net operating income excluding earnings on capital and other corporate items.
6 Includes staff employed in certain operationally segregated subsidiaries (OSS).

impairment charges and increased expenditure on green energy and other projects in the development phase. During FY19, Macquarie advised on 417 transactions valued at $A478 billion[7] and completed a number of balance sheet transactions including the realisation of Macquarie's 21.8 per cent interest in Quadrant Energy through the sale of 100 per cent of the business for $US2.2 billion.

## Funding, balance sheet position and capital management

Macquarie Group Chief Financial Officer Alex Harvey said: "Macquarie remains well funded with a solid and conservative balance sheet and we continue to pursue our strategy of diversifying funding sources by growing the deposit base and accessing a variety of funding markets".

Total customer deposits[8] increased 16 per cent to $A56.0 billion at 31 March 2019 from $A48.1 billion at 31 March 2018. During FY19, $A13.3 billion of new term funding[9] was raised, covering a range of tenors, currencies and product types.

Macquarie's capital position continues to comfortably exceed APRA's Basel III regulatory minimum requirements, with a Group capital surplus of $A6.1 billion at 31 March 2019, up from $A4.2 billion at 31 March 2018.

The Bank Group APRA Basel III Common Equity Tier 1 (CET1) capital ratio was 11.4 per cent (Harmonised: 14.3 per cent) at 31 March 2019, up from 11.0 per cent (Harmonised: 13.5 per cent) at 31 March 2018. The Bank Group's APRA leverage ratio was 5.3 per cent (Harmonised: 6.0 per cent), Liquidity Coverage Ratio was 154 per cent and Net Stable Funding Ratio was 113 per cent at 31 March 2019.

Macquarie also announced today a 2H19 final ordinary dividend of $A3.60 per share, up on the 1H19 interim ordinary dividend of $A2.15 per share and up on the 2H18 final ordinary dividend of $A3.20 per share (all 45 per cent franked). The total ordinary dividend payment for the year of $A5.75 per share is up from $A5.25 in the prior year. This represents an annual ordinary dividend payout ratio of 66 per cent for FY19. The record date for the final ordinary dividend is 14 May 2019 and the payment date is 3 July 2019.

## Management update

Effective 31 May 2019, Tim Bishop will step down as Group Head of Macquarie Capital and from the Executive Committee. He will become Chairman of Macquarie Capital to assist with transition. Mr Bishop has been with Macquarie for 20 years, on the Executive Committee for nine years and Head of Macquarie Capital for seven years.

Effective 1 June 2019, Daniel Wong, currently Global Co-Head of the Infrastructure and Energy Group based in London, and Michael Silverton, currently Head of the Americas, Europe and Asia Group based in New York, will become Group Co-Heads of Macquarie Capital and join the Executive Committee. Both have been with Macquarie for 20 years, the majority of which has been spent building the Macquarie Capital business in international markets.

## Outlook

Looking to the year ahead, base fees in MAM are expected to be broadly in line with FY19, benefiting from the deployment of capital and full-year effect of platform acquisitions, offset by divestments and the internalisation of Atlas Arteria. Performance fees and investment-related income (net of impairments) are also expected to be broadly in line.

In CAF, the Asset Finance portfolio is expected to remain broadly in line with FY19. The Principal Finance result is expected to be down due to reduced loan volumes and timing of realisations.

In BFS, higher deposit, loan portfolio and platform volumes are expected with competitive dynamics to drive margin pressure.

---

7 Source: Dealogic and IJGlobal for Macquarie Group completed M&A, balance sheet investments, ECM and DCM transactions converted as at the relevant report date. Deal values reflect the full transaction value and not an attributed value.
8 Total customer deposits as per the funded balance sheet ($A56.0b) differs from total deposits as per the statutory balance sheet ($A56.2b). The funded balance sheet reclassifies certain balances to other funded balance sheet categories.
9 Issuances are AUD equivalent based on FX rates at the time of issuance and represent full facility size.

In CGM, a strong customer base is expected to drive consistent flow across Commodities, Fixed Income, Foreign Exchange and Futures. Equities is expected to remain challenging while a reduced impact from impairments is expected. The CGM business benefited from strong market conditions in FY19, which are unlikely to continue in FY20.

In MacCap, market conditions are assumed to be broadly consistent with FY19. With capital usage broadly constant in FY19, a solid pipeline of investment realisations is expected in FY20. Investment-related income in FY20 is however expected to be down given material transactions in FY19.

Across the Group, the compensation ratio is expected to be consistent with historical levels and based on the present mix of income, the FY20 effective tax rate is expected to be broadly in line with FY19.

Overall, the Group's result for FY20 is currently expected to be slightly down on FY19. The short-term outlook remains subject to:

- the completion rate of transactions
- market conditions
- the impact of foreign exchange
- potential regulatory changes and tax uncertainties
- geographic composition of income.

Ms Wikramanayake said: "Macquarie remains well positioned to deliver superior performance in the medium term due to our deep expertise in major markets, strength in diversity and ability to adapt the portfolio mix to changing market conditions, the ongoing benefits of continued cost initiatives, a strong and conservative balance sheet and a proven risk management framework and culture.

"Macquarie's 50th anniversary provides an opportunity to reflect on the Group's long-term success, which has always been based on the expertise and integrity of our people, working in-market to identify untapped opportunities and be accountable for delivering positive outcomes for our clients and the local community."

**Contacts**


| | | |
|---|---|---|
| Sam Dobson | Macquarie Group Investor Relations | +61 2 8232 9986 |
| Mayling Fitzsimmons | Macquarie Group Investor Relations | +61 2 8232 0601 |
| Lisa Jamieson | Macquarie Group Media Relations | +61 2 8232 6016 |
| Navleen Prasad | Macquarie Group Media Relations | +61 2 8232 6472 |