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ASX/Media Release

MACQUARIE GROUP ANNOUNCES $A1,415 MILLION HALF-YEAR PROFIT

Key Points

- 1H24 net profit of $A1,415 million, down 39% on 1H23 and down 51% on 2H23
- International income represented 65% of total income[1] in 1H24
- Assets under management of $A892.0 billion[2] at 30 September 2023, up 2% from 31 March 2023 and up 7% from 30 September 2022
- Financial position comfortably exceeds regulatory minimum requirements
  - Group capital surplus of $A10.5 billion[3]
  - Bank CET1 Level 2 ratio 13.2% (Harmonised: 18.0%[4]); Leverage ratio 5.0% (Harmonised: 5.6%[4]); LCR 199%[5]; NSFR 114%[5]
- Annualised return on equity 8.7%, compared with 16.9% in FY23
- Interim ordinary dividend of $A2.55 per share (40% franked), representing a payout ratio of 70%
- To provide additional flexibility to manage the Group's strong capital position, the MGL Board has approved an on-market share buyback of up to $A2 billion, subject to a number of factors including the Group's surplus capital position, market conditions and opportunities to deploy capital by the businesses

SYDNEY, 3 November 2023 – Macquarie Group (ASX: MQG; ADR: MQBKY) today announced a net profit after tax attributable to ordinary shareholders of $A1,415 million for the half year ended 30 September 2023 (1H24), down 39 per cent on the half year ended 30 September 2022 (1H23) and down 51 per cent on the half year ended 31 March 2023 (2H23).

Macquarie Group Managing Director and Chief Executive Officer, Shemara Wikramanayake, said, "Macquarie's underlying client franchises were resilient in less certain market conditions. Our annuity-style businesses saw growth in loan books, deposits and assets under management, but the first-half result was substantially down compared to a strong period of realisations in the prior corresponding period, with an expectation that green energy realisations will be predominately in the second half. Our markets-facing businesses delivered solid performances despite lower market

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

[2] Macquarie Asset Management (MAM) Private Markets Assets under Management (AUM) includes equity yet to deploy and equity committed to assets but not yet deployed. Prior periods have been restated to reflect the change.

[3] The Group capital surplus is the amount of capital above Australian Prudential Regulation Authority (APRA) regulatory requirements. Bank Group regulatory requirements are calculated in accordance with Prudential Standard APS 110 Capital Adequacy (APS 110), at 10.5% of RWA (Mar 23: 10.25%). 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 Sep 23 is 0.71% (Mar 23: 0.61%), this is rounded to 0.75% (Mar 23: 0.5%) for presentation purposes. The individual CCyB varies by jurisdiction and the Bank Group CCyB is calculated as a weighted average based on exposures in different jurisdictions at period end. The surplus reported includes provisions for internal capital buffers and differences between Level 1 and Level 2 requirements, including the $A500 million operational capital overlay imposed by APRA from 1 April 2021.

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

[5] Average LCR for September 2023 quarter is based on an average of daily observations. APRA imposed a 15% add-on to the Net Cash Outflow component of the LCR calculation, and a 1% decrease to the Available Stable Funding component of the NSFR calculation, effective from 1 April 2021. The LCR net cash outflow add-on increased to 25% from 1 May 2022.

activity and volatility levels, with growth in the CGM client base and Macquarie Capital's private credit book partially offsetting lower equity realisations."

Annuity-style activities, which are undertaken by Macquarie Asset Management (MAM), Banking and Financial Services (BFS) and certain businesses in Commodities and Global Markets (CGM), generated a combined net profit contribution[6] of $A1,296 million, down 43 per cent on 1H23 and down 30 per cent on 2H23. A positive result in BFS was more than offset by the timing of asset realisations in green investments in MAM during the period.

Markets-facing activities, undertaken by Macquarie Capital and most businesses in CGM, delivered a combined net profit contribution of $A1,562 million, down 32 per cent on 1H23 and down 60 per cent on 2H23. The prior corresponding period featured a strong performance from commodities in CGM together with material asset realisations in Macquarie Capital.

Net operating income of $A7,910 million was down eight per cent on 1H23 and down 25 per cent on 2H23, while operating expenses of $A5,919 million increased six per cent on 1H23 and decreased nine per cent on 2H23. International income accounted for 65 per cent of Macquarie's total income.

The income tax expense of $A587 million was down from $A735 million in 1H23 and down from $A1,089 million in 2H23. The effective tax rate was 29.3 per cent[7], up from 24.2 per cent in 1H23 and up from 27.5 per cent in 2H23. The higher effective tax rate was mainly driven by the geographic composition and nature of earnings.

At 30 September 2023, the Group employed 21,270 people[8], which was up four per cent on 31 March 2023. In addition, approximately 237,000 people were employed across managed fund assets and investments[9].

Assets under management at 30 September 2023 were $A892.0 billion[2], up two per cent from $A878.6 billion at 31 March 2023. The increase was largely due to investments made by MAM Private Markets-managed funds and favourable foreign exchange movements, partially offset by a reduction of co-investment management rights in MAM Private Markets.

Operating Group performance

MAM delivered a net profit contribution of $A407 million, down 71 per cent from $A1,402 million in 1H23. The decrease reflected the previously foreshadowed timing of asset realisations in green investments, and an increase in operating expenses. Base and performance fees were broadly in line with the prior corresponding period.

BFS delivered a net profit contribution of $A638 million, up 10 per cent from $A580 million in 1H23. The result was driven by growth in the loan portfolio and BFS deposits[10] and improved average margins. This was partially offset by higher credit impairment charges and higher costs due to increased headcount and technology investment to support business growth and regulatory requirements, as well as inflationary pressure.

CGM delivered a net profit contribution of $A1,383 million, down 31 per cent from $A1,996 million in 1H23. The result mainly reflected a decreased contribution from Commodities risk management. This was primarily from Resources and EMEA Gas, Power and Emissions as volatility and price movements stabilised across commodity markets following record highs in the prior corresponding period. Operating expenses also increased.

Macquarie Capital delivered a net profit contribution of $A430 million, down 28 per cent from $A595 million in 1H23. Fee and commission income was broadly in line with 1H23. Investment-related income was lower due to the non-recurrence of material asset realisations, partially offset by higher net interest income and gains on a small number of investments. Operating expenses were also higher in 1H24.

Capital management and funding position

Macquarie's financial position exceeds the Australian Prudential Regulation Authority's (APRA) Basel III regulatory requirements, with a Group capital surplus of $A10.5 billion[3] at 30 September 2023, down from $A12.6 billion at 31 March 2023.

The Bank Group APRA Basel III Level 2 Common Equity Tier 1 capital ratio was 13.2 per cent (Harmonised: 18.0 per cent[4]) at 30 September 2023, down from 13.7 per cent (Harmonised: 18.4 per cent[4]) at 31 March 2023. The Bank

[6] Where referenced in this document, net profit contribution is management accounting profit before unallocated corporate costs, profit share and income tax.
[7] Calculation of the effective tax rate is after adjusting for the impact of non-controlling interests.
[8] Includes staff employed in certain operationally segregated subsidiaries.
[9] Includes people employed through Private Markets-managed fund assets and investments where Macquarie Capital holds significant influence.
[10] Deposits in BFS include home loan offset accounts and exclude corporate/wholesale deposits.

Group's APRA Leverage Ratio was 5.0 per cent (Harmonised: 5.6 per cent[4]), the Liquidity Coverage Ratio (LCR) was 199 per cent[5] and the Net Stable Funding Ratio (NSFR) was 114 per cent[5] at 30 September 2023.

Total customer deposits[11] increased to $A135.8 billion at 30 September 2023, up from $A134.5 billion at 31 March 2023. Term funding[12] of $A8.3 billion was raised during 1H24.

1H24 interim ordinary dividend

The Macquarie Group Limited Board today announced a 1H24 interim ordinary dividend of $A2.55 per share (40 per cent franked), down on the 1H23 interim ordinary dividend of $A3.00 per share (40 per cent franked) and down on the 2H23 final ordinary dividend of $A4.50 per share (40 per cent franked). This represents a payout ratio of 70 per cent. Macquarie's dividend policy remains a 50 to 70 per cent annual payout ratio.

The record date for the interim ordinary dividend is 14 November 2023 and the payment date is 19 December 2023. Shares are to be acquired on-market to satisfy the Dividend Reinvestment Plan (DRP) for the 1H24 interim ordinary dividend[13].

On-market share buyback

Macquarie has a strong capital position, with a Group capital surplus of $A10.5 billion at 30 September 2023. To provide additional flexibility to manage the Group's capital position, the MGL Board has approved an on-market share buyback of up to $A2 billion. The timing and actual number of shares purchased under the buyback will be subject to a number of factors including the Group's surplus capital position, market conditions and opportunities to deploy capital by the businesses.

Board update

Effective 1 February 2024, subject to completion of necessary approvals, Wayne Byres will be appointed as a non-executive director of Macquarie Bank Limited (MBL). Following the retirement of Michael Coleman, expected by mid-2024, Mr Byres will be one of three bank-only non-executive directors (BONDs) alongside Ian Saines and David Whiteing and will contribute to strengthening the voice of MBL within the Group.

Mr Byres brings significant experience in domestic and international bank regulation and governance as a former Chair of APRA and Secretary General of the Basel Committee on Banking Supervision. He also served as APRA's representative on the Reserve Bank of Australia's Payments System Board. More recently, Mr Byres has been working in an advisory capacity with the International Monetary Fund.

Outlook

Macquarie continues to maintain a cautious stance, with a conservative approach to capital, funding and liquidity that positions it well to respond to the current environment.

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

- Market conditions including global economic conditions, inflation and interest rates, significant volatility events, and the impact of geopolitical events
- Completion of period-end reviews and the completion of transactions
- The geographic composition of income and the impact of foreign exchange
- Potential tax or regulatory changes and tax uncertainties

Ms Wikramanayake said: "Macquarie remains well-positioned to deliver superior performance in the medium term with its diverse business mix across annuity-style and markets-facing businesses; deep expertise across diverse sectors in major markets with structural growth tailwinds; patient adjacent growth across new products and new markets; ongoing technology and regulatory spend to support the Group; a strong and conservative balance sheet; and a proven risk management framework and culture."

[11] Total customer deposits as per the funded balance sheet ($A135.8 billion) differs from total deposits as per the statutory balance sheet ($A136.0 billion). The funded balance sheet reclassifies certain balances to other funded balance sheet categories.

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

[13] Determined in accordance with the DRP rules as the average of the daily volume weighted average price over the five business days from 21 November 2023 to 27 November 2023. Shares will be issued if purchasing becomes impractical or inadvisable.

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