



ASX/Media Release

MACQUARIE GROUP ANNOUNCES \$A3,015 MILLION FULL-YEAR PROFIT

Key Points

- FY21 net profit of \$A3,015 million, up 10% on FY20; 2H21 net profit of \$A2,030 million, up 106% on 1H21, up 59% on 2H20
- International income 68% of total income¹ in FY21
- Assets under management of \$A563.5 billion at 31 March 2021, down 6% from 31 March 2020
- Financial position comfortably exceeds regulatory minimum requirements
 - Group capital surplus of \$A8.8 billion^{2,3}
 - Bank CET1 Level 2 ratio 12.6% (Harmonised: 16.2%); Leverage ratio 5.5% (Harmonised: 6.3%); LCR 174%⁴; NSFR 115%⁴
- Annualised return on equity (ROE) 14.3%, compared with 14.5% in FY20
- Final ordinary dividend of \$A3.35 per share (40% franked), FY21 ordinary dividend of \$A4.70 per share (40% franked), representing a 2H21 payout ratio of 60% and FY21 payout ratio of 56%

SYDNEY, 7 May 2021 – Macquarie Group (ASX: MQG; ADR: MQBKY) today announced a net profit after tax attributable to ordinary shareholders of \$A3,015 million for the year ended 31 March 2021 (FY21), up 10 per cent on the year ended 31 March 2020 (FY20). Profit for the half year ended 31 March 2021 (2H21) was \$A2,030 million, up 106 per cent on the half year ended 30 September 2020 (1H21) and up 59 per cent on the half year ended 31 March 2020 (2H20).

Macquarie Group Managing Director and Chief Executive Officer, Shemara Wikramanayake, said: “Macquarie’s businesses continued to perform well despite challenging market conditions, reflecting the diversity of our activities and ongoing focus on prudent risk management. Macquarie’s performance reflects our involvement in areas of deep structural need in the global economy and the commitment of our staff to work with clients to address opportunities and challenges in our communities.”

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 of \$A3,314 million, down four per cent on FY20.

Markets-facing activities, which are undertaken by Macquarie Capital and most businesses in CGM, delivered a combined net profit contribution of \$A2,783 million, up 39 per cent on FY20.

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

² The capital surplus shown is above regulatory minimums including the capital conservation buffer (CCB), per APRA ADI Prudential Standard 110, calculated at 8.5% RWA on a Level 2 basis for Macquarie Bank Limited (MBL). This surplus also includes provision for internal capital buffers, forthcoming regulatory changes, as well as differences between Level 2 and Level 1 capital requirements, such as the \$A500 million operational capital overlay announced on 1 April 2021, which will be applied to Level 1 only. The \$A500 million operational capital overlay will temporarily reduce investment capacity.

³ Based on materiality, the 8.5% used to calculate the Group capital surplus does not include the countercyclical buffer (CCyB) of ~1bps. The individual CCyB varies by jurisdiction and the Bank Group’s CCyB is calculated as a weighted average based on exposures in different jurisdictions.

⁴ Pro-forma LCR of 151% and NSFR of 114%. As announced on 1 April 2021, APRA has 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.

Macquarie Group Limited

Net operating income of \$A12,774 million was up four per cent on FY20, while operating expenses of \$A8,867 million were in line with FY20. International income accounted for 68 per cent of Macquarie's total income.

The income tax expense of \$A899 million was up 23 per cent on FY20 and the effective tax rate was 23 per cent, up from 21 per cent in FY20. The higher effective tax rate was mainly driven by the geographic composition and nature of earnings.

At 31 March 2021, the Group employed 16,459 people, which was up four per cent on 31 March 2020. In addition, approximately 170,000 people were employed at assets managed by Macquarie.

Assets under management at 31 March 2021 were \$A563.5 billion, down six per cent from \$A598.9 billion at 31 March 2020, largely due to foreign exchange impacts and a reduction in contractual insurance assets in Macquarie Investment Management (MIM), partially offset by MIM market movements and investment by funds managed by Macquarie Infrastructure and Real Assets (MIRA).

Macquarie also announced its commitment to reaching net zero operational emissions by 2025 and aligning its financing activity with the global goal of net zero emissions by 2050. As part of this commitment, Macquarie will measure and set interim and long-term science-based emissions targets for its financing activities, prioritising efforts on clients and partners in high emission sectors and the role that Macquarie will play in accelerating their pathways to net zero. More detail on these commitments, and our longstanding involvement in climate mitigation and adaptation, can be found here macquarie.com/climate

Operating Group performance

MAM delivered a net profit contribution of \$A2,074 million, down five per cent from a record result of \$A2,177 million in FY20. The result reflected lower Macquarie AirFinance income, lower performance fees and lower other fee and commission income, partially offset by the gain on sale of Macquarie European Rail and a net reversal of impairments.

BFS delivered a net profit contribution of \$A771 million, in line with FY20. The result reflected growth in deposits, the loan portfolio and funds on platform, and decreased credit impairment charges, partially offset by margin compression on deposits and a decrease in the vehicle finance portfolio.

CGM delivered a net profit contribution of \$A2,601 million, up 50 per cent from \$A1,738 million in FY20. The result was driven by increased revenues throughout the year across the Commodities platform with strong risk management results across Resources, North American Gas and Power, EMEA Gas and Power and Agriculture. Inventory Management and Trading was up across multiple sectors with improved results in Oil, North American Gas and Power and Precious metals. In addition, there were higher revenues and activity in Foreign exchange, interest rates and credit as well as Equity Derivatives and Trading. Among CGM's annuity-style activities, there was a decrease in revenue from commodities lending and financing due to reduced volumes in specific sectors and an increase in provisions, partially offset by increased revenues from Specialised and Asset Finance.

Macquarie Capital delivered a net profit contribution of \$A651 million, down 15 per cent from \$A763 million in FY20. The result reflected lower fee and commission income due to lower M&A and DCM activity, partially offset by significantly higher ECM income in ANZ. Investment-related income was down due to fewer material asset realisations, partially offset by improved performance of investments in the portfolio. The result also reflects lower impairment and other credit charges and lower operating expenses.

Capital management and funding position

Macquarie's financial position exceeds the Australian Prudential Regulation Authority's (APRA's) Basel III regulatory requirements, with a Group capital surplus of \$A8.8 billion^{5,6} at 31 March 2021, up from \$A7.1 billion at 31 March 2020.

The Bank Group APRA Basel III Level 2 Common Equity Tier 1 capital ratio was 12.6 per cent (Harmonised: 16.2 per cent) at 31 March 2021, up from 12.2 per cent (Harmonised: 14.9 per cent) at 31 March 2020. The Bank Group's APRA

⁵ The capital surplus shown is above regulatory minimums including the capital conservation buffer (CCB), per APRA ADI Prudential Standard 110, calculated at 8.5% RWA on a Level 2 basis for Macquarie Bank Limited (MBL). This surplus also includes provision for internal capital buffers, forthcoming regulatory changes, as well as differences between Level 2 and Level 1 capital requirements, such as the \$A500 million operational capital overlay announced on 1 April 2021, which will be applied to Level 1 only. The \$A500 million operational capital overlay will temporarily reduce investment capacity.

⁶ Based on materiality, the 8.5% used to calculate the Group capital surplus does not include the countercyclical buffer (CCyB) of ~1bps. The individual CCyB varies by jurisdiction and the Bank Group's CCyB is calculated as a weighted average based on exposures in different jurisdictions.

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Leverage Ratio was 5.5 per cent (Harmonised: 6.3 per cent), the Liquidity Coverage Ratio (LCR) was 174 per cent⁷ and the Net Stable Funding Ratio (NSFR) was 115 per cent⁷ at 31 March 2021.

Macquarie Group Chief Financial Officer Alex Harvey said: "Macquarie maintains a strong capital position and a well-funded balance sheet with term liabilities exceeding term assets. We continue to pursue our strategy of diversifying funding sources by growing the deposit base and accessing a variety of funding markets. We are well-positioned to operate through all market cycles and invest in growth."

Total customer deposits⁸ increased to \$A84.0 billion at 31 March 2021, up from \$A67.1 billion at 31 March 2020. A further \$A21.6 billion of new term funding⁹ was raised, covering a range of tenors, currencies and product types.

FY21 final ordinary dividend

The Macquarie Group Limited Board today announced a FY21 final ordinary dividend of \$A3.35 per share (40 per cent franked), up on the FY20 final ordinary dividend of \$A1.80 per share (40 per cent franked). This represents a FY21 ordinary dividend of \$A4.70 per share (40 per cent franked), 2H21 payout ratio of 60 per cent and FY21 payout ratio of 56 per cent. Macquarie's dividend policy remains at a 60 to 80 per cent annual payout ratio.

The record date for the final ordinary dividend is 18 May 2021 and the payment date is 2 July 2021. Shares will be issued to satisfy the Dividend Reinvestment Plan (DRP) for the FY21 final ordinary dividend at a discount to the prevailing market price¹⁰ of 1.5 per cent.

The Board has resolved to issue shares to satisfy the FY21 MEREP requirements of approximately \$A619 million¹¹.

Regulatory update¹²

APRA is in the process of implementing changes to a number of regulatory standards. Based on current information available, it remains Macquarie's expectation that it will have sufficient capital to accommodate likely additional regulatory Tier 1 capital requirements as a result of the proposed changes, noting that the final impact is uncertain given a number of these changes are subject to consultation and finalisation.

On 1 April 2021, APRA announced actions required regarding MBL's risk management practices and ability to calculate and report key prudential ratios¹³. APRA increased MBL's operational capital requirement and made adjustments to requirements for certain liquidity prudential ratios, effective from 1 April 2021. The actions relate to specific intra-group funding arrangements as well as breaches of APRA's reporting standards on liquidity between 2018 and 2020. APRA noted that the breaches are historical and do not impact the current overall soundness of Macquarie Group's capital and liquidity positions. While specific historical matters leading to these actions have been addressed, Macquarie acknowledges that continued work is required on its risk governance and operating platform and has programs in place to strengthen capital and liquidity reporting and its risk management framework. Macquarie will work closely with APRA on these programs through a period of intensified supervision.

Board update

At the request of the Macquarie Group Limited and Macquarie Bank Limited's Boards, Peter Warne intends to stand for re-election as Chair at the 2021 AGM for one additional year given his oversight of the ongoing process of Board renewal and as a period of global uncertainty continues to abate into 2022.

Gordon Cairns, who had previously advised of his intention to retire from the Macquarie Boards, steps down on 7 May 2021.

⁷ Pro-forma LCR of 151% and NSFR of 114%. As announced on 1 April 2021, APRA has 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.

⁸ Total customer deposits as per the funded balance sheet (\$A84.0 billion) differs from total deposits as per the statutory balance sheet (\$A84.2 billion). The funded balance sheet reclassifies certain balances to other funded balance sheet categories.

⁹ Issuances cover a range of tenors, currencies and product types and are AUD equivalent based on FX rates at the time of issuance and include undrawn facilities (does not include undrawn accessible TFF Allowances).

¹⁰ Determined in accordance with the DRP rules as the average of the daily volume weighted average price over the ten business days from 24 May 2021 to 4 June 2021.

¹¹ The shares may be purchased on-market, where issuing the shares is not practical or advisable.

¹² The APRA Capital Framework applies to the Bank Group only.

¹³ 'APRA takes action against Macquarie Bank over multiple breaches of prudential and reporting standards'; 1 April 2021.

Management update

Following Ben Way's appointment as Group Head of MAM, Verena Lim, Senior Managing Director in MAM in Singapore will succeed Mr Way as Macquarie's Asia CEO, effective 1 July 2021. Ms Lim will join Macquarie's Management Committee, as will Leigh Harrison, the London-based global head of MAM's infrastructure and real assets business.

Following the successful integration of the Principal Finance business into Macquarie Capital, Florian Herold has decided to step down from the Executive Committee, effective 7 May 2021. The decision coincides with Mr Herold returning to London, where he continues to lead the global Principal Finance team and is focused on consolidating the recent momentum in its investing activity.

Macquarie Capital will continue to be represented on the Executive Committee by co-heads Michael Silverton and Daniel Wong. Mr Wong has decided to relocate from London to Asia in the second half of 2021, where he will continue in his global role and be closer to the growing Infrastructure and Energy Group team and investing activity in the region.

Following Mary Reemst's decision to retire as Managing Director and Chief Executive Officer of MBL, she has agreed to continue in her role as Chair of the Macquarie Group Foundation for the remainder of 2021, working on transition alongside Macquarie's Chief Financial Officer, Alex Harvey, who will succeed her in 2022.

Outlook

We continue to maintain a cautious stance, with a conservative approach to capital, funding and liquidity that positions us well to respond to the current environment.

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

- The duration of COVID-19, speed of the global economic recovery and extent of government support for economies
- Market conditions including significant volatility events and the impact of geopolitical events
- Potential tax or regulatory changes and tax uncertainties
- Completion of period-end reviews and the completion rate of transactions
- The geographic composition of income and the impact of foreign exchange

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

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