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ASX/Media Release

MACQUARIE GROUP 2023 ANNUAL GENERAL MEETING AND FIRST QUARTER 2024 UPDATE

Key Points

- Weaker trading conditions with 1Q24 Operating Group contribution substantially down on the prior corresponding period (pcp) (1Q23)
- Financial position comfortably exceeds regulatory minimum requirements
  - Group capital surplus of $A10.8 billion at 30 June 2023[1]
  - Bank CET1 Level 2 ratio 13.6% (Harmonised: 18.1%[2]); Leverage ratio 5.2% (Harmonised: 5.9%[2]); LCR 211%[3]; NSFR 115%[3]

SYDNEY, 27 July 2023 – Macquarie Group (ASX: MQG; ADR: MQBKY) today provided an update on the first quarter of its 2024 financial year (1Q24) ahead of its 2023 Annual General Meeting in Sydney. Speaking before today's meeting, Macquarie Group Managing Director and Chief Executive Officer, Shemara Wikramanayake, said that weaker trading conditions saw Macquarie's Operating Groups deliver 1Q24 net profit contribution that was substantially down on the first quarter of the 2023 financial year (1Q23).

Macquarie's annuity-style businesses (Macquarie Asset Management (MAM) and Banking and Financial Services (BFS)) combined 1Q24 net profit contribution was substantially down on 1Q23, primarily due to lower investment-related income from green energy investments in MAM. BFS' contribution was significantly up on the pcp driven by growth in the loan portfolio and BFS deposits together with improved margins.

Macquarie's markets-facing businesses (Commodities and Global Markets (CGM) and Macquarie Capital) combined 1Q24 net profit contribution was substantially down on 1Q23, due to strong results across the Commodities platform in CGM in the pcp. Macquarie Capital saw lower investment-related income on the pcp with fewer material asset realisations partially offset by an increase in income from the private credit portfolio, and fee and commission income down on the pcp.

Macquarie Group's financial position continues to comfortably exceed the Australian Prudential Regulation Authority (APRA) Basel III regulatory requirements, with a Group capital surplus of $A10.8 billion at 30 June 2023, down from $A12.6 billion at 31 March 2023, predominantly driven by payment of the 2H23 dividend and FY23 MEREP awards, partially offset by 1Q24 net profit after tax. The Bank Group APRA Basel III Common Equity Tier 1 capital ratio was 13.6 per cent (Harmonised: 18.1 per cent[2]) at 30 June 2023, down from 13.7 per cent at 31 March 2023. The Bank Group's

1 The Group capital surplus is the amount of capital above APRA regulatory requirements. Bank Group regulatory requirements are calculated in accordance with Prudential Standard APS 110 - Capital Adequacy, at 10.25% of RWA. This includes the industry minimum Tier 1 requirement of 6.0%, CCB of 3.75% and a CCyB. The CCyB of the Bank Group at Jun 23 is 0.63%, this is rounded to 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 $A500m operational capital overlay imposed by APRA.

2 'Harmonised' Basel III estimates are calculated in accordance with the updated BCBS Basel III framework, noting that Macquarie Bank Limited (MBL) is not regulated by the BCBS and so impacts shown are indicative only.

3 Average LCR for Jun 23 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 Apr 21. The LCR Net Cash Outflow add-on increased to 25% from 1 May 22.

APRA leverage ratio was 5.2 per cent (Harmonised: 5.9 per cent[2]), LCR was 211 per cent and NSFR was 115 per cent at 30 June 2023.

On 22 June 2023, the acquisition of Macquarie ordinary shares pursuant to the Macquarie Group Employee Retained Equity Plan was completed. A total of $A1,028 million[4] of shares were purchased at a weighted average purchase price of $A179.17 per share. On 4 July 2023, 1,319,291 ordinary shares were issued and allocated at $A176.37 per share[5] under the Dividend Reinvestment Plan (DRP).

Macquarie has seen strong capital deployment over an extended period, with $A1.5 billion growth in capital requirements across all four Operating Groups since 30 September 2022. Operating Groups are continuing to seek opportunities to deploy additional capital, provided the projected risk-adjusted returns are attractive for shareholders.

First quarter business highlights

Ms Wikramanayake noted the following 1Q24 highlights for each Operating Group:

- MAM had $A864.2 billion in assets under management at 30 June 2023, broadly in line with 31 March 2023. For MAM Public Investments, assets under management of $A537.4 billion were up slightly on 31 March 2023, primarily driven by market movements, partially offset by net flows. MAM Private Markets had $A204.0 billion in equity under management and $A326.8 billion in assets under management down three per cent on 31 March 2023, primarily driven by cessation of co-investors' management rights on a specific asset. During the quarter, $A2.1 billion in new equity was raised in Private Markets, $A4.8 billion of equity was invested and $A0.7 billion was divested, resulting in $A31.9 billion of equity to deploy at 30 June 2023.
- BFS total deposits[6] of $A128.7 billion at 30 June 2023 were down one per cent on 31 March 2023. The home loan portfolio of $A109.8 billion was up two per cent on 31 March 2023; funds on platform of $A127.8 billion were up four per cent; the business banking loan portfolio of $A14.1 billion was up eight per cent; and the car loans portfolio of $A5.6 billion was down eight per cent on 31 March 2023.
- CGM Commodities performance was significantly down on pcp, largely driven by reduced trading activity across Gas and Power. Underlying client hedging activity remained resilient with lower volatility and prices. Financial Markets benefitted from strong client activity particularly in foreign exchange, fixed income and futures. Consistent balance sheet deployment across Asset Finance contributed to annuity revenues from the Technology, Media and Telecoms, Energy and Shipping Finance sectors.
- Macquarie Capital fee revenue was down on pcp with investment-related income down on pcp, primarily driven by fewer material asset realisations, partially offset by an increase in credit portfolio net interest income. During the quarter, Principal Finance deployed over $A1.2 billion through focused investment in credit markets and bespoke financing solutions, with a Private Credit portfolio of over $A19 billion[7] as at 30 June 2023.

Board Update

Effective 27 September 2023, subject to completion of necessary approvals, David Whiteing will be appointed as a non-executive director of Macquarie Bank Limited (MBL). Alongside Ian Saines and Michael Coleman, Mr Whiteing will be one of three bank-only non-executive directors (BONDs) and will contribute to strengthening the voice of MBL within the Group.

Mr Whiteing brings over thirty years of experience leading business and technology strategies across multiple sectors through periods of significant change. He has worked globally, including four years as Global Chief Operating Officer (COO) for Standard Chartered based in Singapore, various senior consulting roles in London and five years as a Group Executive at Commonwealth Bank of Australia.

Audit Partner Rotation

Voula Papageorgiou of PricewaterhouseCoopers (PwC) will replace Kristin Stubbins as Macquarie's lead auditor for the financial year ended 31 March 2024 (FY24) consistent with the lead auditor rotation requirements of Macquarie's *Audit and Assurance Independence Policy* and the *Corporations Act 2001* (Cth). Ms Stubbins has been Macquarie's lead auditor since the financial year ended 31 March 2020.

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4 Comprising $A446 million off market and $A582 million on market purchases.
5 The DRP price was determined in accordance with the DRP Rules and is the arithmetic average of the daily volume-weighted average price of all Macquarie Group shares sold through a Normal Trade on the ASX automated trading system over the five trading days from 22 May 23 to 26 May 23.
6 BFS deposits include home loan offset accounts and exclude corporate/wholesale deposits.
7 Committed portfolio as at Jun 23.

Outlook

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

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

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

Macquarie remains well-positioned to deliver superior performance in the medium term due to its diverse business mix across annuity-style and markets-facing businesses. This is due to our 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.

Highlights from the address of Chair, Glenn Stevens

In providing an overview of the year ended 31 March 2023 (FY23), Macquarie Group Chair, Glenn Stevens, noted that the Group's record FY23 performance reflected the growing franchise and exceptional market conditions delivering strong results across the organisation as Macquarie's Operating Groups and Central Service Groups again delivered on their commitment to support clients, partners and communities.

Mr Stevens said "The Group delivered a record profit of $A5.2 billion, for a return on shareholders' equity of 16.9 per cent. This was an exceptional outcome, achieved by a high-performing management team who deliver for shareholders by delivering for clients. Macquarie's diversification was again evident – even as some business lines faced difficult trading conditions, others were able to expand profitably by servicing a growing client base. The commodities business, in particular, was able to help clients adjust to the largest shock to global energy prices since the 1970s." Mr Stevens also took the opportunity to reiterate that "while last year's record result was partly generated by unusual circumstances, the long-term trend in earnings reflects management's efforts over many years in building valuable franchises."

An overview of Macquarie's approach to environmental, social and governance (ESG) matters was provided by Mr Stevens. Macquarie released its first Group level Net Zero Plan in December 2022. This was the result of an extensive program of work across the businesses, to inform judgements on the targets Macquarie should set. Mr Stevens noted: "In this first wave report, we set targets for some aspects of our own portfolio. A second wave addressing further sectors is due later this year."

FY24 will include the full implementation of the revised remuneration structure to comply with APRA's Prudential Standard CPS 511 Remuneration (CPS 511). Mr Stevens noted the remuneration process, overseen by the Remuneration Committee of the Board, "preserves the key features of Macquarie's longstanding model which are: relatively low fixed pay, performance pay based on financial and non-financial contribution mainly delivered in equity, with long deferral periods and detailed accountability. That maintains the high degree of alignment of management and shareholder interests which has been such a key feature of Macquarie's arrangements and to its success overall."

Macquarie recognises that the diversity of its people is one of its greatest strengths. Mr Stevens noted that the Board has resumed its program of visits to Macquarie's international operations and have "repeatedly been impressed by the diversity and quality of the people working in your businesses around the world. We are convinced that a workplace environment that welcomes diversity is a productive one and we see it in action on the ground everywhere we go." Diversity comes together around Macquarie's longstanding principles of opportunity, accountability and integrity, supported by a strong risk management process. Mr Stevens noted that the Board monitors indicators of risk culture and behaviour, a number of which are reported in the Annual Report.

Mr Stevens commented on the activities of Macquarie staff and the Macquarie Group Foundation across communities. In FY23, the Foundation and Macquarie staff contributed $A52 million in funding and thousands of hours of time to communities around the world with over $A570 million being contributed to philanthropic causes by Macquarie employees and the Foundation since its establishment in 1985.

As previously noted to shareholders, Macquarie announced Susan Lloyd-Hurwitz was appointed as an independent director as of 1 June 2023. Mr Stevens noted Ms Lloyd-Hurwitz was a highly-regarded CEO with over thirty years of global investment and real estate sector expertise and is also a Macquarie alumnus, having started various Macquarie funds in Asia Pacific from 2003. Nicola Wakefield Evans, Macquarie's longest-serving current director, is seeking renomination to extend her term into 2024.

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