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ASX/Media Release

MACQUARIE GROUP 2020 ANNUAL GENERAL MEETING AND FIRST QUARTER 2021 FINANCIAL YEAR UPDATE

Key points

- **Operating Groups impacted by mixed trading conditions**
- **1Q21 Operating Group net profit contribution[1] slightly down on 1Q20**
- **Financial position comfortably exceeds regulatory minimum requirements[2]**
    - **Group capital surplus of $A8.1 billion at 30 June 2020**
    - **Bank CET1 ratio 13.2% (Harmonised: 16.3%); Leverage Ratio 6.0% (Harmonised: 6.6%); LCR 189%; NSFR 118%**
- **Macquarie is currently unable to provide meaningful earnings guidance for the year ahead**

SYDNEY, 30 July 2020 – Macquarie Group (ASX: MQG; ADR: MQBKY) today provided an update on the first quarter of its 2021 financial year (1Q21) ahead of its 2020 Annual General Meeting, held virtually. Macquarie Group Managing Director and Chief Executive Officer, Shemara Wikramanayake, said Macquarie's Operating Groups were impacted by mixed trading conditions, with their contribution in 1Q21 slightly down on the first quarter of the 2020 financial year (1Q20).

Speaking ahead of Macquarie's 2020 Annual General Meeting, Ms Wikramanayake said, "Macquarie's annuity-style businesses were up on 1Q20 with Macquarie Asset Management (MAM) up primarily due to the sale of its rail operating lease business, partially offset by lower income in Banking and Financial Services (BFS) which included higher provisions. Macquarie's markets-facing businesses were down on 1Q20 primarily due to significantly lower investment-related income in Macquarie Capital (MacCap), partially offset by stronger contributions from certain divisions in Commodities and Global Markets (CGM)."

Macquarie Group's financial position comfortably exceeds the Australian Prudential Regulation Authority's (APRA) Basel III regulatory requirements, with a Group capital surplus of $A8.1 billion at 30 June 2020, up from $A7.1 billion at 31 March 2020. The Bank Group APRA Basel III Common Equity Tier 1 capital ratio was 13.2 per cent (Harmonised: 16.3 per cent) at 30 June 2020, up from 12.2 per cent at 31 March 2020. The Bank Group's APRA leverage ratio was 6.0 per cent (Harmonised: 6.6 per cent), LCR was 189 per cent and NSFR was 118 per cent at 30 June 2020.

As previous disclosed, Macquarie issued a total of 5,024,608 Macquarie ordinary shares pursuant to the Macquarie Group Employee Retained Equity Plan (MEREP) in June 2020. The shares were issued and allocated at $A112.15[3] per share.

[1] Net profit contribution is management accounting profit before unallocated corporate costs, profit share, income tax.
[2] Where referenced in this document, Group capital is calculated at 8.5% Risk Weighted Assets (RWA) including the capital conservation buffer (CCB), per APRA ADI Prudential Standard 110. Based on materiality, the 8.5% used to calculate the Group capital surplus does not include the countercyclical capital 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. 'Harmonised' Basel III framework estimates are calculated in accordance with the BCBS Basel III framework. CET1 refers to Common Equity Tier 1 ratio. LCR refers to the Liquidity Coverage Ratio. Where referenced in this document, average LCR for the June 2020 quarter is based on an average of daily observations. NSFR refers to the Net Stable Funding Ratio.
[3] The price at which the shares to satisfy the MEREP requirements were issued was determined in accordance with the DRP Rules, being 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 of the 10 business days from 25 May 2020 to 5 June 2020 inclusive, without a discount of 1.5%.

First quarter business highlights

In commenting on the Group's start to the 2021 financial year (FY21), Ms Wikramanayake noted the following highlights:

- **Macquarie Asset Management (MAM)** had $A568.0 billion in assets under management at 30 June 2020, down five per cent on 31 March 2020, predominately driven by foreign exchange movements, partially offset by market appreciation in Macquarie Investment Management (MIM) assets. Macquarie Infrastructure and Real Asset's (MIRA) equity under management[4] of $A140.2 billion at 30 June 2020 was down six per cent from $A149.3 billion at 31 March 2020. During the quarter, $A5.6 billion in new equity was raised and $A5.4 billion was invested with $A25.3 billion of equity to deploy at 30 June 2020. Macquarie Investment Management's (MIM) assets under management of $A362.4 billion at 30 June 2020 was down five per cent on 31 March 2020. The quarter included the sale in April 2020 of the European rail operating lease business to French rail operator Akiem, and continued strong MIM performance with three-year basis benchmarks outperformance increasing from 69 per cent to 81 per cent[5].

- **Banking and Financial Services' (BFS)** total deposits[6] of $A69.0 billion at 30 June 2020 were up eight per cent on 31 March 2020. The home loan portfolio of $A54.3 billion at 30 June 2020 was up four per cent on 31 March 2020; funds on platform[7] of $A86.6 billion at 30 June 2020 were up nine per cent on 31 March 2020; the business banking loan portfolio of $A9.2 billion at 30 June 2020 was up two per cent on 31 March 2020; and the Australian vehicle finance portfolio of $A13.0 billion was down five per cent on 31 March 2020. The quarter also included continued provisioning, with 13 per cent of BFS clients accessing assistance at 30 June 2020[8].

- **Commodities and Global Markets (CGM)** benefited from increased activity as clients sought to rebalance their portfolios to manage risk in a volatile environment. Notwithstanding the strong start, trading conditions were more subdued towards the end of the quarter. There was a strong contribution from client hedging and trading opportunities across the commodities platform and continued client activity in foreign exchange across all regions.

- **Macquarie Capital's** fee revenue was down on 1Q20 due to lower fee revenue from Mergers & Acquisitions and Debt Capital Markets, largely offset by increased Equity Capital Markets (ECM) activity and strong performance of the Equities platform[9]. Investment-related income was down significantly, predominantly due to lower revenue from asset realisations. Macquarie was ranked No. 1 in ANZ for ECM, supporting clients in raising more than $A11.1 billion of equity[10]. The Green Investment Group (GIG) finalised development activities for its first onshore wind project in Norway, the 47 MW Tysvaer Wind Farm, and reached financial close on a portfolio of three onshore wind farms in the Nordics totalling 170 MW capacity. GIG has now supported over 1 GW of onshore wind capacity in the Nordics with Power Purchase Agreements.

Outlook

Market conditions are likely to remain challenging, especially given the significant and unprecedented uncertainty caused by the worldwide impact of COVID-19 and the uncertain speed of the global economic recovery. The extent to which these conditions will impact overall FY21 profitability is uncertain, making short-term forecasting extremely difficult. Accordingly, Macquarie is currently unable to provide meaningful earnings guidance on the Group's result for FY21.

The range of factors that will influence the short-term outlook include:

- The duration and severity of the COVID-19 pandemic

[4] MIRA's total EUM includes market capitalisation at measurement date for listed funds, the sum of original committed capital less capital subsequently returned for unlisted funds and mandates as well as invested capital for managed businesses.
[5] As at 30 Jun 20, gross of fees.
[6] BFS deposits exclude corporate/wholesale deposits.
[7] Funds on platform includes Macquarie Wrap and Vision.
[8] BFS, by % of loan balance as at 30 June 2020.
[9] Cash Equities transferred from Commodities and Global Markets to Macquarie Capital on 1 June 2020.
[10] Dealogic Macquarie Group completed ASX raisings, 1 April 2020 to 30 June 2020. Deal values reflect the full transaction value and not an attributed value.

- The uncertain speed of the global economic recovery
- Global levels of government support for economies
- The completion rate of transactions and period-end reviews
- Geographic composition of income
- The impact of foreign exchange
- Potential regulatory changes and tax uncertainties
- Market conditions and the impact of geopolitical events

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

Ms Wikramanayake said, “Macquarie remains well positioned to deliver superior performance in the medium term due to its deep expertise in major markets; strength in business and geographic diversity and ability to adapt its portfolio mix to changing market conditions; ongoing programs to identify cost saving initiatives and efficiency; strong and conservative balance sheet; and proven risk management framework and culture.”

Highlights from the address of Chairman, Peter Warne

In providing an overview of FY20, Macquarie Group Chairman, Peter Warne, acknowledged the COVID-19 pandemic, first and foremost a global public health crisis with profound economic consequences for many countries and communities.

Mr Warne spoke about Macquarie addressing the immediate needs of clients, communities, portfolio businesses and staff in addition to its ongoing commitment to stakeholders, including shareholders.

“More than 98 per cent of Macquarie staff have been working remotely and were well equipped to do so given flexible working was already well-embedded in our work practices. The Group is now in a gradual, phased and voluntary return to office in certain locations where it is safe to do so, and with the appropriate social distancing and hygiene measures in place.”

“As clients respond to the pandemic, Macquarie has been there to support them. For example, a range of financial assistance measures have been available to personal banking, leasing and business banking clients. Financial hardship assistance has been enhanced to help vulnerable customers. And as clients have navigated market disruption arising from COVID-19, Macquarie has been there to provide expertise, advice and financing solutions.”

Mr Warne reiterated the importance of risk culture and conduct, with the Board’s key oversight role to ensure that Macquarie’s culture is aligned with risk appetite, and acknowledged that while COVID-19 has resulted in different ways of working, Macquarie’s risk approach and focus has remained constant throughout this period, with increased levels of senior management communications to staff to remind them of ongoing expectations and responsibilities.

The Board and Management also recognises the importance of sound environmental, social and corporate governance practices as part of Macquarie’s responsibility to clients, shareholders, communities and the environment in which it operates. Mr Warne noted, “As the Board and Management reviewed business activities over FY20, we noted the ever-increasing number of transactions, investments, financings and developments in both developed and developing countries that are contributing to lower emissions. These activities cover reduced emissions across energy, agriculture, transportation and real estate.”

Macquarie is in part characterised by the diversity of its business mix and geography and these attributes have contributed to the Group’s growth and profitability for more than 50 years. Mr Warne noted the types of initiatives undertaken include working with schools and universities to promote financial services as a fulfilling career path for women, ensuring diversity of recruitment in intern and graduate programs, embedding flexible work practices which have been embraced by a range of demographics within our staff population, and employee network groups.

Mr Warne commented on the activities of Macquarie staff and the Macquarie Group Foundation across the various communities in which it operates. “FY20 and the first few months of the current financial year have been busier than usual for the Macquarie Group Foundation. At the beginning of FY21, the

Foundation was allocated an additional $A20 million to support non-profits working to combat COVID-19 and provide relief to affected communities. To date, $A9.3 million has been directed to a range of institutions to provide direct relief through bolstering food security, providing access to health services and medical supplies, and providing vital information to support refugee communities, migrant domestic workers, low-income families and a range of other vulnerable groups affected by COVID-19 around the world, and to provide public health and clinical research."

Mr Warne also commented on the rearticulation of Macquarie's purpose statement noting, "In FY20, and with the CEO's sponsorship, Macquarie teams consulted extensively with colleagues and external stakeholders, and analysed the outcomes achieved for clients and communities. This work was distilled into a clear purpose statement that resonates with staff today. 'Empowering people to innovate and invest for a better future' encapsulates what Macquarie sets out to do every day."

Finally, Mr Warne acknowledged the service of Gary Banks AO who is retiring at the conclusion of the AGM. Mr Warne said, "Gary has been a board member since 2013 and has fulfilled his responsibilities diligently, with valuable insight and with great enthusiasm for the organisation. Gary is a collaborative colleague and, on a personal note, I have valued his thorough and thoughtful approach."

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