



MACQUARIE

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# Macquarie Group Limited

2020 Annual  
General Meeting

30 July 2020



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This presentation may contain forward looking statements – that is, statements related to future, not past, events or other matters – including, without limitation, statements regarding our intent, belief or current expectations with respect to Macquarie's businesses and operations, market conditions, results of operation and financial condition, capital adequacy, provisions for impairments and risk management practices. Readers are cautioned not to place undue reliance on these forward looking statements. Macquarie does not undertake any obligation to publicly release the result of any revisions to these forward looking statements or to otherwise update any forward looking statements, whether as a result of new information, future events or otherwise, after the date of this presentation. Actual results may vary in a materially positive or negative manner. Forward looking statements and hypothetical examples are subject to uncertainty and contingencies outside Macquarie's control. Past performance is not a reliable indication of future performance.

Unless otherwise specified all information is for the year ended 31 March 2020.

Certain financial information in this presentation is prepared on a different basis to the Financial Report within the Macquarie Group Financial Report ("the Financial Report") for the year ended 31 March 2020, which is prepared in accordance with Australian Accounting Standards. Where financial information presented within this presentation does not comply with Australian Accounting Standards, a reconciliation to the statutory information is provided.

This presentation provides further detail in relation to key elements of Macquarie's financial performance and financial position. It also provides an analysis of the funding profile of Macquarie because maintaining the structural integrity of Macquarie's balance sheet requires active management of both asset and liability portfolios. Active management of the funded balance sheet enables the Group to strengthen its liquidity and funding position.

Any additional financial information in this presentation which is not included in the Financial Report was not subject to independent audit or review by PricewaterhouseCoopers. Numbers are subject to rounding and may not fully reconcile.



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# Agenda



Chair's Update



Overview of FY20



1Q21 Update



FY21 Outlook



Formal Business



Glossary



# 01

## Chair's Update

Peter Warne



## Introduction

While Macquarie has felt the effects of this pandemic, the group remains well placed because of its diversity of business mix, geography, strong capitalisation and well funded balance sheet, and a conservative approach to risk management

While we are focused on addressing immediate needs, we are equally committed to our ongoing responsibilities to all stakeholders:



Protecting the health and welfare of our people



Helping Australian consumers and small businesses deal with sudden change



Supporting the move to remote working and learning



Bolstering resilience in essential community services



Addressing community need through philanthropy



Facilitating access to global capital



# Macquarie's response to COVID-19

## Employees



- Gradual, voluntary return to office commenced in certain locations where safe to do so and in limited numbers to allow for social distancing
- Globally consistent and coordinated move to working remotely, supported by ongoing commitment to flexible working
- Over 98%<sup>1</sup> of staff worked remotely with no notable interruption to client service
- Existing systems have been resilient to large-scale remote working, reflecting long-term investment in technology
- Candidate engagement, selection, onboarding and training of new hires (including graduates and interns) has continued without interruption through virtual communications
- Flexible leave options available to staff to ensure remote working can be balanced with family and carer responsibilities
- Enhanced wellbeing, communications and training programs to support staff

Staff working remotely

**>98%**

## Clients



- Personal Banking and vehicle lease clients have access to a comprehensive support package, which includes payment pause options without penalty or impact to credit score
- Business Banking clients able to defer loan repayments for all loans up to \$A10m
- Commenced a holistic communication approach, including a 3 month check-in, with clients over the term of their payment pause to provide support at this time
- Enhanced approaches to support vulnerable customers
- CGM's Specialised and Asset Finance (SAF) division provided access to lending relief for 30k+ SME clients to support business cash flows
  - Continued support to all clients from March to June, with asset funding of \$A440m+
- Macquarie Capital supporting clients in raising more than \$A11.1b of equity<sup>3</sup>
- Providing expertise, advice and capital solutions to assist clients and partners in navigating COVID-19 and related market disruption

Clients accessing assistance<sup>2</sup>

**~13%**



# Macquarie's response to COVID-19

## Portfolio Companies



- Working with MIRA and Macquarie Capital portfolio companies to ensure robustness of business continuity planning, financial resilience & employee wellbeing, including projects under construction
- Maximising remote working while maintaining essential community services and connecting best practice across assets, industries and regions
- Capacity upgrades to MIRA-managed digital infrastructure assets have left them able to handle significant activity increases resulting from widespread remote working
- Examples of portfolio company initiatives: AGS Airport's carparks repurposed as COVID-19 testing centres in the UK; Spain's healthcare workers receiving Personal Protective Equipment from CLH and free parking from Empark; Penn Foster training nurses in COVID-19 testing, and Dovel Technologies using analytics to review antiviral clinical trials

Daily users of essential services

**~100m**

## Community



- \$A20m allocation to Macquarie Group Foundation to help combat COVID-19 and provide relief for its impacts
- To date, the Foundation has allocated \$A7.3m to 24 non-profits focused on direct relief efforts providing critical food, medical support, humanitarian relief kits and information to a range of vulnerable groups affected by COVID-19 around the world; and a further \$A2m has been directed to public health and clinical research
- The Foundation continues to match staff giving and fundraising to maintain support for the non-profit community. Additionally, a \$A1m fund was created to assist staff-supported non-profits impacted by COVID-19
- BFS engaging and hiring workers furloughed by other employers to meet increased short-term customer service demand
- CGM, SAF sourcing computer equipment for North American educators
- Macquarie portfolio companies: Achieve3000 offering 2m low income students in the US free access to its education platform; INEA providing free internet to teachers in Poland

COVID-19 donation

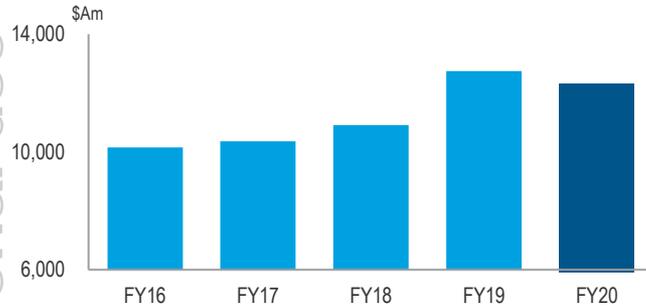
**\$A20m**



# Financial performance

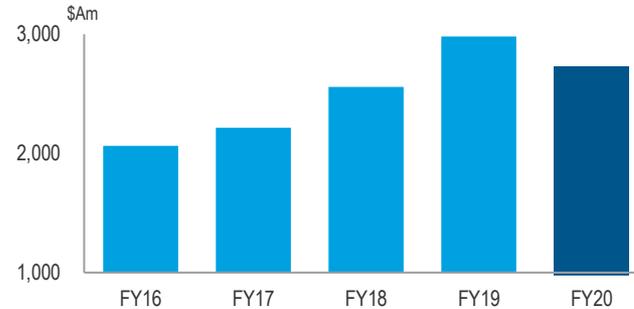
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## Operating income



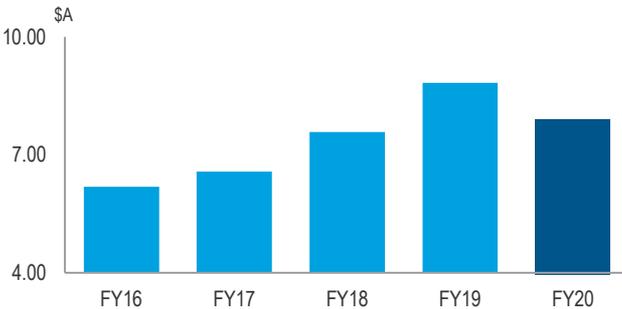
FY20  
**\$A12,325m**  
 ▼ 3%  
 ON FY19

## Profit



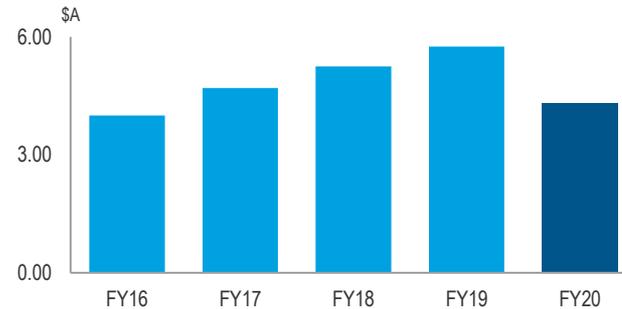
FY20  
**\$A2,731m**  
 ▼ 8%  
 ON FY19

## EPS



FY20  
**\$A7.91**  
 ▼ 10%  
 ON FY19

## DPS



FY20  
**\$A4.30**  
 ▼ 25%  
 ON FY19



# FY20 funded balance sheet initiatives

Despite the challenges presented in the final months of our 2020 financial year, our diversity of business mix and geography, strong capitalisation and well-funded balance sheet, and a conservative approach to risk management has allowed us to be resilient.

- **\$A1.7b of equity capital raised in 1H20** through \$A1.0b institutional placement and \$A0.7b share purchase plan
- **\$A26.0b<sup>1</sup> of term funding raised during FY20 with \$A7.7b with weighted average life 4.9 years<sup>2</sup> in Q4 FY20 including:**

JANUARY

**\$A2.6b**

- \$US1.25b 5yr MBL USD Public
- €0.5b 7yr MGL EUR Public

FEBRUARY

**\$A4.4b**

- \$A1.8b 5yr MBL AUD Public
- \$A0.9b PUMA RMBS
- \$A1.0b SMART ABS
- €0.4b 2yr MBL EUR Public

MARCH

**\$A0.7b**

- \$US0.3b 5yr MGL Samurai Loan Facility
- \$Ae0.2b Islamic Finance / Structured Note

## Increased proportion of term funding and deposits

- Growth in term liabilities<sup>3</sup> as a proportion of balance sheet – 47% at Mar 20 (compared to 45% at Mar 19)
- Customer deposits<sup>4</sup> continue to grow – up 20% in FY20, representing 42% of sources at Mar 20 (compared to 40% at Mar 19)
- Short term wholesale issued paper and other short-term debt at 11% of sources at Mar 20 (compared to 15% at Mar 19)

**Strong liquidity** with Cash, liquids and self-securitised assets comprising 39% of Assets

- Bank Group LCR at 173% and NSFR at 118% at Mar 20

1. Issuances cover a range of tenors, currencies, product types and are AUD equivalent based on FX rates at the time of issuance and include undrawn facilities. 2. Excludes securitisations. 3. Includes equity. 4. Total customer deposits as per the funded balance sheet (\$A67.1b) differs from total deposits as per the statutory balance sheet (\$A67.3b). The funded balance sheet reclassifies certain balances to other funded balance sheet categories.



# FY20 dividend

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2H20 ORDINARY DIVIDEND

**\$A1.80**

*(40% franked)*

FROM

**\$A3.60**

*(45% franked)*

IN 2H19

FY20 ORDINARY DIVIDEND

**\$A4.30**

*(40% franked)*

FROM

**\$A5.75**

*(45% franked)*

IN FY19

2H20 RECORD DATE

**19 May 20**

2H20 PAYMENT DATE

**3 Jul 20**

DRP shares for  
the 2H20 dividend  
were issued<sup>1</sup>

FY20 ANNUAL PAYOUT RATIO

**56%**

Dividend policy  
remains 60-80%  
annual payout  
ratio<sup>2</sup>

1. At \$A110.47 per share. The DRP pricing period was from 25 May 20 to 5 Jun 20. 2. Subject to any prevailing guidance from APRA.



## Risk culture and conduct

- Macquarie's long-established risk culture and our management of conduct risk is well embedded across all parts of the organisation. Key aspects include:
  - Primary responsibility resides at the individual and business unit level
  - Strong independent oversight by the Risk Management Group
  - Independent and objective risk-based assurance by Internal Audit
- Macquarie's long track record of unbroken profitability is supported by our risk culture which is underpinned by our principles of Opportunity, Accountability and Integrity
- The Board is provided with detailed metrics to support its key oversight role in ensuring that the Macquarie culture is aligned with our risk appetite
- Macquarie's remuneration framework and consequence management process is designed to promote accountability, encourage and reward appropriate behaviours and discourage inappropriate behaviours
  - In FY20, there were 164 matters involving conduct/policy breaches which resulted in formal consequences. Of these, 32 matters resulted in termination of employment and 132 resulted in a formal warning. In 19 of the 132 matters where a formal warning was issued, the individual subsequently left Macquarie. These matters were considered to be isolated issues with no evidence of broader systemic conduct issues
- Senior leader communications have increased through the COVID-19 period, regularly and clearly reminding staff of ongoing expectations which continue to apply despite the different ways in which we are working



# Risk culture and conduct in practice

Operating and Support Groups, Risk Management Group (RMG), Integrity Office and Human Resources work together to maintain our strong risk culture and conduct

## Recent risk culture and conduct specific initiatives

Continued roll out of the Executive Director Leadership Program to our Senior Leaders; content includes emphasis on the importance of creating inclusive working environments and their positive impact on risk culture

Introduced a new Standard and enhanced our monitoring to support the identification and evaluation of instances where conduct is the root cause of incidents

Global training program rolled out delivering face to face training to over 3,200 supervisors across 20+ offices to strengthen their capability in understanding the role they play in managing conduct risk and providing effective supervision

Expanding the risk culture review capability to include country-wide reviews and thematic advisory projects e.g. WHS, cultural due diligence in acquisitions, and a Macquarie COVID-19 risk culture survey

## The Integrity Office

- Established in 1998 as an internally independent function to allow staff to speak up safely about misconduct, illegal or unethical behaviour or breaches of the *Code of Conduct*
- Reports directly to CEO and meets regularly with the Chairman
- Runs the Whistleblower Program and conducts or coordinates investigations into concerns that are raised. The global Whistleblower Policy is reviewed annually. Significant legislative changes in Australia were incorporated and the policy was published externally for the first time
- Integrity Office appointments were made across a number of regions to enhance the reach of the office
- Continued to work closely with Behavioural Risk, Compliance and Human Resources on initiatives relating to conduct and culture
- Mandatory training was provided online to all staff globally on the Code of Conduct and the Whistleblower policy. Additional training was provided to senior staff re identifying and dealing with whistleblower matters
- The Integrity Office delivered face to face presentations to 5,517 staff across 22 offices on related matters such as the avenues, support and protections available to those who speak up, psychological safety and What We Stand For. A new speak up program was developed for Executive Assistants and an Ethical Leadership Program was created for nominated people managers

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# Environmental, Social and Governance (ESG)

Macquarie's ESG commitment reflects our responsibility to clients, shareholders, communities, our people and the environment in which we operate

## Environment



- Investing in sustainability solutions and supporting the global energy transition
- Actively managing environmental risks including climate change risks
- Engaging in climate leadership initiatives such as GCA and CFLI<sup>1</sup>
- Supporting TCFD, UN PRI and other external ESG standards<sup>2</sup>
- Promoting sustainable workplaces
- Commitment to the RE100 initiative

## Social



- Investing in social infrastructure
- Actively managing social risks including human rights and modern slavery risk
- Providing a diverse, inclusive workplace
- Seeking to operate harm-free environments through the maintenance of high WHS standards and performance across all our activities
- Engaging Macquarie and its staff in the wider community

## Governance



- Strong corporate governance
- Ethical conduct by staff
- Customer advocacy
- Whistleblowing framework
- Anti bribery and anti corruption
- Anti money laundering
- Managing conflicts of interest
- Cyber security and data privacy
- Dealing with 3rd parties and suppliers
- Reporting transparently



# FY20 Key ESG Milestones



## Environmental and social risk management

**391**

transactions assessed under our Environmental and Social Risk (ESR) Policy in FY20



## Environmental and social financing

**\$A9.0b**

invested or arranged in renewable energy and energy efficiency projects in FY20

**12,800 MW**

of renewable energy assets in operation or under management<sup>1</sup>

**\$A20.4b**

renewable energy assets under management



## Climate change

**13.6%**

of total funded equity investments exposed to renewable energy<sup>2</sup>

**1.3%**

of total funded loan assets are exposed to conventional energy<sup>3</sup>



## Sustainability in direct operations

**100%**

renewable electricity by 2025

FY20 emissions per capita reduced by

**45%**

from FY10 baseline (18% reduction from FY19)



## Customer and client experience

**Partnerships Gold Award 2019** for Financial Advisor of the Year

**Moza Experts Choice Awards 2020** for Excellent banking app, Internet banking and Exceptional everyday account

**Canstar Outstanding Value Transaction Account** (2018 and 2019)



## People and workplace

**3,000**

classroom events and

**350,000**

online courses and knowledge tests delivered to our staff in FY20

Women represent

**41%**

of Macquarie's workforce and

**36%**

of Board Directors at 31 Mar 2020



## Business conduct and ethics

Tailored training, workshops and leadership-led sessions provided to over

**8,700**

staff<sup>4</sup>

Code of Conduct  
Appropriate Workplace Behaviour  
Privacy  
Financial Crime  
Business Resilience  
Risk in a Remote Working Environment  
Anti-Bribery and Corruption



## Macquarie Group Foundation

**\$A51m**

donated by Macquarie staff and the Foundation in FY20 (\$A410m since inception in 1985<sup>5</sup>)

**1,600**

non-profit organisations supported in FY20

**46,000**

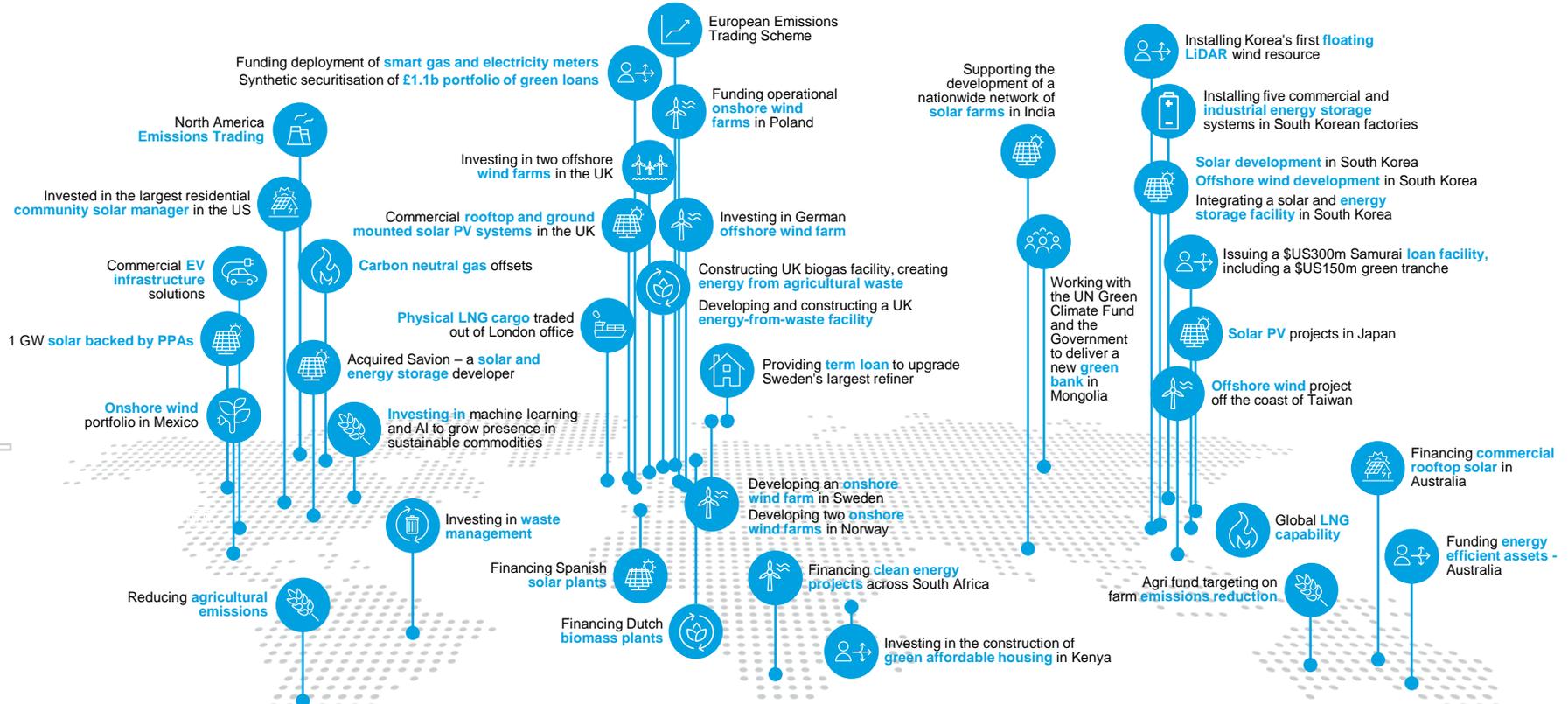
hours volunteered in FY20

More information is also available at [macquarie.com/ESG](http://macquarie.com/ESG). 1. MW of renewable energy assets in operation or under management reflect 100% generating capacity of each asset, not the proportion owned/managed by Macquarie. 2. Equity investments are reported on a funded balance sheet basis and therefore exclude equity hedge positions and non-controlling interests. Macquarie's carrying value of its interest in East Anglia ONE Limited is \$A2.8b, which has been partially funded with asset-specific borrowings of \$A2.3b at 31 Mar 20. Total funded equity investments amount to \$A7.4b as at 31 Mar 20 (\$A5.9b at 31 Mar 19). 3. Total funded loan assets include loan assets held at amortised cost adjusted to exclude certain items such as assets that are funded by third parties with no recourse to Macquarie. In addition, loan assets at amortised cost per the statutory balance sheet are adjusted to include fundable assets not classified as loans on a statutory basis (e.g. assets subject to operating leases). Total funded loan assets amount to \$A86.5b as at 31 Mar 20 (\$A82.3b as at 31 Mar 19). 4. Content includes conduct and conduct risk, psychological safety (aimed at staff and supervisors) and ethical decision-making. Macquarie also requires staff to undertake mandatory online Code of Conduct training. 5. Contribution comprises Macquarie Group Foundation matching support for staff donations and fundraising; Foundation donations to commemorate staff attaining 10-year and 25-year anniversaries at Macquarie; Foundation grants to non-profit organisations to recognise 12 months of board service by a Macquarie employee; and Macquarie and Foundation grants to community organisations (including Year 1 donations for the 50th Anniversary Award).



# Progress on driving solutions on all sources of emissions

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# Diversity & Inclusion

The diversity of our people is one of our greatest strengths. An inclusive workplace enables us to embrace diversity to deliver more innovative and sustainable solutions for our clients, shareholders, communities and our people

## 68 nationalities

Representation of staff at Macquarie

## 72+ languages

Spoken by Macquarie staff

## 50/50

Gender representation on Intern and Graduate programs

## 36% female representation

on Board of Directors

## 27% female representation

on Executive Committee

## 95%

Macquarie's global return-to-work rate for staff who have taken parental leave

## Diversity & Inclusion awards and partnerships



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# Macquarie in the community

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“

As a company is a member of the society in which it operates, it follows that one of its important duties is to work in a multitude of ways for the betterment of society. In the long run this is consistent with a company's duty to its shareholders.”

**David Clarke**  
Macquarie Group Chairman 1984–2011

## Macquarie Group Foundation

**\$A51m**

record contribution in FY20

**46,000+**

hours volunteered

**1,600+**

non-profits supported

More than  
**\$A410m**  
contributed since **1985**

## COVID-19 donation fund

for organisations providing relief efforts

## Macquarie Group Collection

Supporting emerging artists **since 1986**

## Macquarie Sports

Sporting opportunities for children in regional and remote communities since 1999

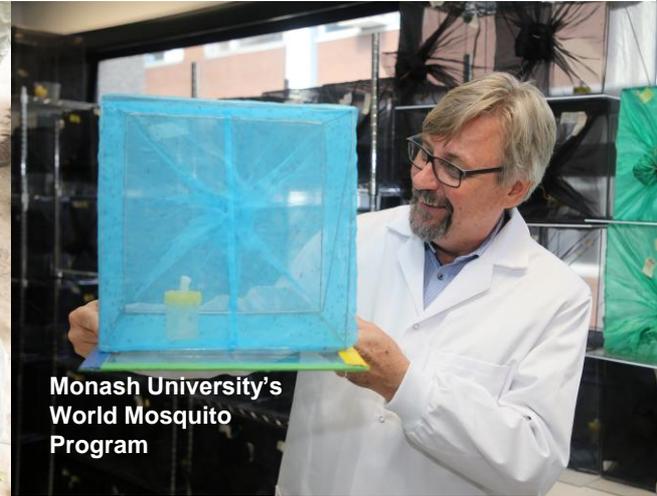
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50 **MACQUARIE**  
ANNIVERSARY  
AWARD

WINNERS



Last Mile Health



Monash University's  
World Mosquito  
Program



Murdoch Children's  
Research Institute  
World Scabies Program



Social Finance



The Ocean Cleanup



# Supporting COVID-19 relief efforts

\$A20m allocated to the Foundation to support non-profits working to combat COVID-19 and provide relief to affected communities

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To date, the Foundation has allocated \$A7.3m to non-profits focused on **direct relief** efforts providing critical food, medical support, humanitarian relief kits and information to a range of vulnerable groups affected by COVID-19 around the world. \$A2m has also been directed to **research**:

- **\$A1m to the Burnet Institute** for its large-scale study on isolation/quarantine and physical distancing, to assist in restoring economic and recreational activity
- **\$A1m to the Doherty Institute** for its international Australasian COVID-19 Trial (ASCOT), which aims to identify the best treatments for COVID-19 that will reduce mortality or the need for mechanical ventilation in hospitalised, but not yet critically ill patients



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## Macquarie's purpose statement

At Macquarie, our purpose represents **what** we do and **why** we exist. Our purpose is:

**Empowering people  
to innovate and invest  
for a better future**

What we do – and the way we do it – matters.

Three long-held principles guide **how** we do business:

**Opportunity | Accountability | Integrity**



# 02

## Overview of FY20

Shemara Wikramanayake

Managing Director and Chief  
Executive Officer



# 51 years of unbroken profitability

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Historical figures converted at FY20 average FX rate for comparative purposes. Macquarie TSR calculations assume continuous listing, and is indexed to 100 on 29 Jul 96, being when MBL shares were first quoted on ASX. The All Ordinaries Accumulation Index (All Ords Index) comprises the 500 largest ASX listed companies by market capitalisation. The TSR chart is displayed on a base-10 logarithmic scale, which displays relative percentage movements over an extended historical timeframe as similar in size, without visually skewing the performance in more recent years. 1. FY70 – FY72 were profitable years. 2. At 31 Mar 20. 3. Ranking refers to TSR against the respective index constituents that have been continuously listed since Macquarie's inclusion. Source: Bloomberg. Data to 31 Mar 20.



# FY20 result: \$A2,731m down 8% on FY19

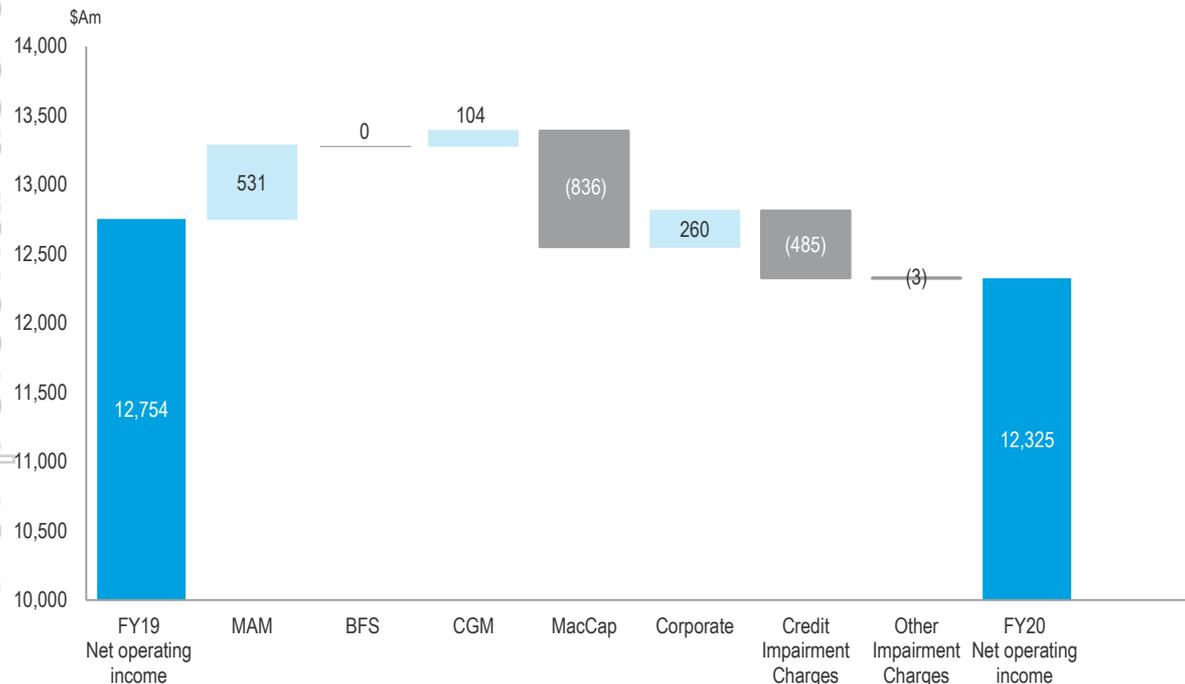
	2H20 \$Am	1H20 \$Am	2H20 v 1H20	FY20 \$Am	FY19 \$Am	FY20 v FY19
Net operating income (excl. Credit and Other impairment charges)	6,906	6,459	↑ 7%	13,365	13,306	⊖ -
Net credit impairment charges	(661)	(144)	↑ 359%	(805)	(320)	↑ 152%
Other impairment (charges)/reversals	(240)	5	↑ *	(235)	(232)	↑ 1%
Total operating expenses	(4,391)	(4,480)	↓ 2%	(8,871)	(8,887)	⊖ -
<b>Operating profit before income tax</b>	<b>1,614</b>	<b>1,840</b>	↓ 12%	<b>3,454</b>	<b>3,867</b>	↓ 11%
Income tax expense	(352)	(376)	↓ 6%	(728)	(879)	↓ 17%
<i>Effective tax rate<sup>1</sup> (%)</i>	<i>21.6</i>	<i>20.5</i>		<i>21.0</i>	<i>22.8</i>	
Loss/(profit) attributable to non-controlling interests	12	(7)		5	(6)	
<b>Profit attributable to MGL shareholders</b>	<b>1,274</b>	<b>1,457</b>	↓ 13%	<b>2,731</b>	<b>2,982</b>	↓ 8%
<b>Annualised return on equity (%)</b>	<b>12.7</b>	<b>16.4</b>	↓ 23%	<b>14.5</b>	<b>18.0</b>	↓ 19%
<b>Basic earnings per share</b>	<b>\$A3.62</b>	<b>\$A4.30</b>	↓ 16%	<b>\$A7.91</b>	<b>\$A8.83</b>	↓ 10%
<b>Dividend per ordinary share</b>	<b>\$A1.80</b>	<b>\$A2.50</b>	↓ 28%	<b>\$A4.30</b>	<b>\$A5.75</b>	↓ 25%

1. Calculation of the effective tax rate is after adjusting for the impact of non-controlling interests.



# Net operating income movement

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## KEY DRIVERS

- **MAM:** Increased base fees, performance fees, investment-related & other income, partially offset by lower net operating lease income
- **BFS:** Growth in average volumes for BFS deposits, loan portfolio, and funds on platform offset by margin compression on deposits and the impact of realigning the wealth advice business to focus on the high net worth segment
- **CGM:** Strong global client contribution across all products and sectors and higher revenue from Specialised and Asset Finance and Commodities' lending and financing activities, partially offset by a reduction in inventory management and trading revenues
- **Macquarie Capital:** DCM fee revenue down, partially offset by higher M&A fee revenue. Investment-related income down on strong asset realisations in FY19
- **Corporate:** Includes accounting volatility from changes in fair value on economic hedges and higher funding usage by Operating Groups driving increased interest income
- **Credit impairment charges:** Increased significantly primarily due to a deterioration in current and expected macroeconomic conditions as a result of COVID-19



# FY20 net profit contribution from Operating Groups

## \$A5,448m down 11% on FY19

### ANNUITY-STYLE ACTIVITIES

**\$A3,439m**

**▲ 13%**  
ON FY19

Non-Banking Group

#### Macquarie Asset Management (MAM)

▲ on FY19

Increased base fees, performance fees, investment-related & other income, partially offset by lower net operating lease income, higher operating expenses and higher credit and other impairment charges

Banking Group

#### Banking and Financial Services (BFS)

▲ on FY19

Growth in average volumes for BFS deposits, loan portfolio, funds on platform and the impact of realigning the wealth advice business to focus on the high net worth segment, offset by margin compression on deposits and higher credit provisions

#### Commodities and Global Markets<sup>1</sup> (CGM)

▲ on FY19

Higher revenue from Specialised and Asset Finance and Commodities' lending and financing activities

### MARKETS-FACING ACTIVITIES

**\$A2,009m**

**▼ 35%**  
ON FY19

Non-Banking Group

#### Macquarie Capital (MacCap)

▼ on FY19

DCM fee revenue down, partially offset by higher M&A fee revenue. Investment-related income down given strong asset realisations in FY19. Higher operating expenses, funding costs and increased credit and other impairment charges

Banking Group

#### Commodities and Global Markets<sup>1</sup> (CGM)

▼ on FY19

Reduction in inventory management and trading revenues and an increase in credit provisions mostly offset by strong global client contributions across all products and sectors demonstrating benefits of portfolio diversity

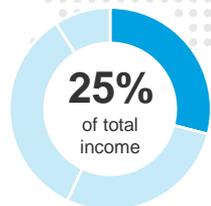
1. Note certain assets of the Credit Markets business, certain activities of the Cash Equities business and the Commodity Markets and Finance business, and some other less financially significant activities are undertaken from within the Non-Banking Group.



# Diversification by region

International income 67% of total income<sup>1</sup>  
 Total staff<sup>2</sup> 15,849, International staff 58% of total

## Americas

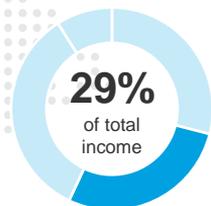


**2,756** TOTAL INCOME<sup>1</sup>  
**\$A3,018m**  
 Assets under management<sup>5</sup>  
**\$A293.0b**

Employing 27,000+ people<sup>4</sup>

CANADA	USA	
Calgary	Austin	Nashville
Montreal	Boise	New York
Toronto	Boston	Orlando
Vancouver	Chicago	Philadelphia
	Dallas	San Diego
LATIN AMERICA	Houston	San Francisco
Mexico City	Jacksonville	San Jose
Sao Paulo	Los Angeles	Seattle
Santiago	Minneapolis	Walnut Creek

## EMEA

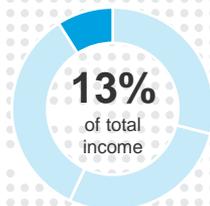


**2,409** TOTAL INCOME<sup>1</sup>  
**\$A3,470m**  
 Assets under management<sup>5</sup>  
**\$A122.2b**

Employing 57,000+ people<sup>4</sup>

EUROPE	MIDDLE-EAST	SOUTH AFRICA
Amsterdam	Dubai	Johannesburg
Braintree		
Coventry		
Dublin		
Dusseldorf		
Edinburgh		
Frankfurt		
Geneva		
Limerick		
London		
Luxembourg		
Madrid		
Munich		
Paris		
Reading		
Solihull		
Vienna		
Watford		
Zurich		

## Asia

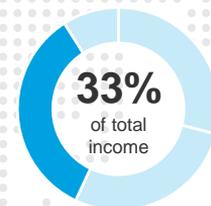


**4,014** TOTAL INCOME<sup>1</sup>  
**\$A1,573m**  
 Assets under management<sup>5</sup>  
**\$A67.3b**

Employing 50,000+ people<sup>4</sup>

ASIA	
Bangkok	Manila
Beijing	Mumbai
Gurugram	Seoul
Hong Kong	Shanghai
Hsin-Chu	Singapore
Jakarta	Taipei
Kuala Lumpur	Tokyo

## Australia<sup>3</sup>



**6,670** TOTAL INCOME<sup>1</sup>  
**\$A3,892m**  
 Assets under management<sup>5</sup>  
**\$A116.4b**

Employing 7,000+ people<sup>4</sup>

AUSTRALIA	NEW ZEALAND
Adelaide	Auckland
Brisbane	
Canberra	
Gold Coast	
Manly	
Melbourne	
Newcastle	
Parramatta	
Perth	
Sydney	

1. Net operating income excluding earnings on capital and other corporate items. 2. Includes staff employed in certain operationally segregated subsidiaries throughout the presentation. 3. Includes New Zealand. 4. Includes people employed through MIRA-managed fund assets and investments where Macquarie Capital holds a significant influence. 5. AUM at 31 Mar 20 has been restated to reflect an immaterial misstatement in total MAM AUM reported on 8 May 20.

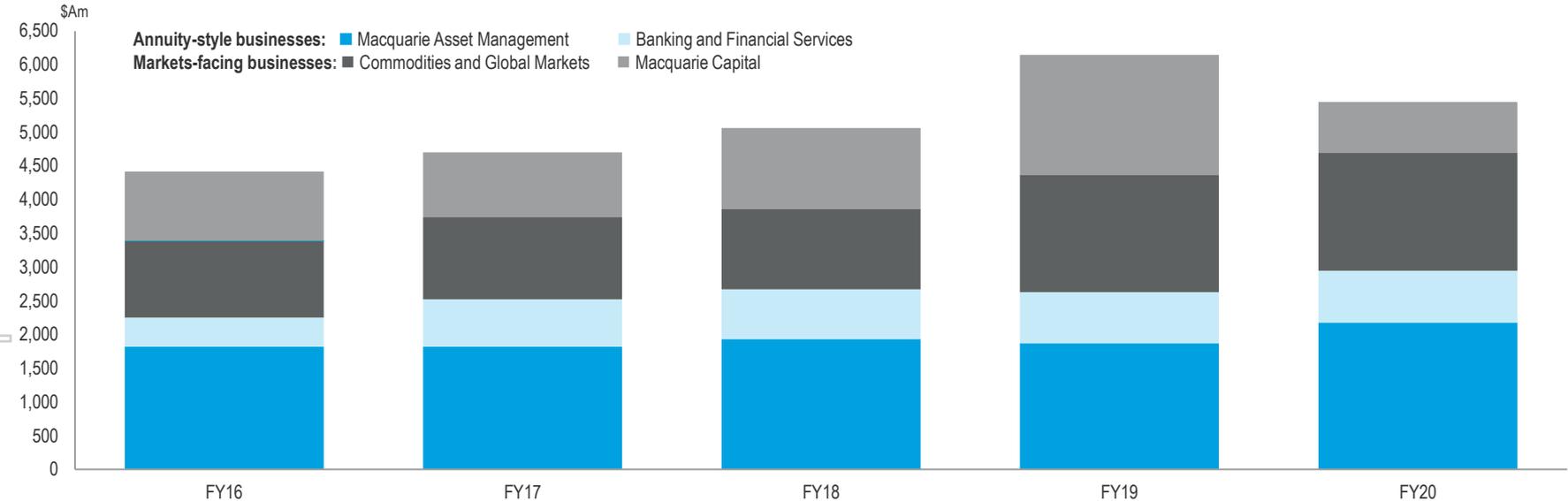
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# Business mix

Annuity-style activities represent approximately 63% of the Group's performance<sup>1</sup>

Net Profit Contribution<sup>2</sup>



Comparative figures have been restated to conform to changes in current year financial presentation and group restructures, where necessary. 1. Based on FY20 net profit contribution from Operating Groups, annuity-style businesses represent 54% of the Group's performance. 2. Net profit contribution is management accounting profit before unallocated corporate costs, profit share and income tax.

# Macquarie Asset Management

Actively manages funds for investors across multiple asset classes

FY20 Net profit contribution  
**\$A2,177m**

**▲16%**  
on FY19



**1,890+**  
people



**22**  
markets



**150+**  
infrastructure  
and real assets<sup>1</sup>

Net profit  
contribution



**\$A597.7b**  
assets under management<sup>2</sup>

## FY20 awards



#1 Infrastructure Investment  
Manager globally<sup>3</sup>



World's largest  
infrastructure manager  
(No.1 Position)<sup>4</sup>



European Ports Deal of  
the Year (Gdansk Port) &  
European Utility Deal of  
the Year (Elenia)<sup>5</sup>



Investment Manager of the  
Year 2020<sup>6</sup>



Best Investment  
Manager 2020<sup>7</sup>

## MIRA

**\$A149.3b** ▲ 17% on FY19  
Equity under management

**\$A21.3b**  
Invested across 62 new  
investments

Sale of Macquarie AirFinance to  
a joint venture and entered into  
an agreement to provide ongoing  
management support services<sup>8</sup>

**\$A20.1b** **\$A25.1b**  
Equity raised Equity to deploy

**\$A16.7b**  
Equity proceeds from asset  
divestments

## MIM

**\$A382.6b** ▲ 6% on FY19  
Assets under management

**69%**  
of assets under management  
outperforming respective  
benchmarks on a three-year  
basis<sup>9</sup>

Completed the Foresters assets  
acquisition, adding ~\$US11b in  
First Investors Funds and  
~\$US1b in assets transitioned  
to the recently launched  
Delaware Funds by Macquarie  
Premier Advisor Platform

Note: References relate to the full year ended 31 Mar 20. Net profit contribution is management accounting profit before unallocated corporate costs, profit share and income tax. Pie chart is based on FY20 net profit contribution from operating groups.

1. Excludes real estate assets. 2. AUM at 31 Mar 20 has been restated to reflect an immaterial misstatement in total MAM AUM reported on 8 May 20.

3. IPE Real Assets (Jul/Aug 20). 4. Infrastructure Investor 50 2019 (Nov 19). 5. IJ Global Awards Jul 20. 6. Winner of the 2020 Investment Manager of the Year in Australia at the Financial Standard Investment Leadership Awards. 7. Money magazine's Best of the Best 2020 Awards in Australia. 8. Macquarie held a 50% interest at 31 Mar 20. 9. As at 31 Mar 20, gross of fees.

# Banking and Financial Services

Macquarie's **retail banking and financial services business**

FY20 Net profit contribution  
**\$A770m**

**▲2%**  
on FY19

  
**2,660**  
people

  
Personal  
Banking

  
Business  
Banking

  
Wealth  
Management

  
Leasing

Net profit  
contribution

**~14%**

More than  
**1.6m**  
Australian clients

## FY20 awards



**\$A52.1b** ▲ 35% on Mar 19  
Home loan portfolio

**\$A63.9b** ▲ 20% on Mar 19  
Total BFS deposits<sup>2</sup>

**\$A9.0b** ▲ 10% on Mar 19  
Business banking loan portfolio

**\$A32.7b** ▲ 20% on Mar 19  
CMA deposits

**\$A79.1b** ▼ 8% on Mar 19  
Funds on platform<sup>1</sup>

**\$A13.7b** ▼ 10% on Mar 19  
Australian vehicle  
finance portfolio<sup>3</sup>

Rebuilt our tech stack and are the first to offer lending and retail deposits on one core banking system

30+ years bringing innovation and competition to Australian consumers

Note: References relate to the full year ended 31 Mar 20. Net profit contribution is management accounting profit before unallocated corporate costs, profit share and income tax. Pie chart is based on FY20 net profit contribution from operating groups.

1. Funds on platform includes Macquarie Wrap and Vision. 2. BFS deposits exclude corporate/wholesale deposits. 3. Includes general plant & equipment.

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# Commodities and Global Markets

**Provides clients** with access to markets, financing, financial hedging, research and market analysis and physical execution

FY20 Net profit contribution

**\$A1,746m**

**Flat**

on FY19



**2,630+**  
people



**24**  
markets



**200+**  
products

Net profit contribution



**No. 2**

Physical gas marketer in North America<sup>1</sup>

## FY20 awards

**2020**

Oil and products  
House of the Year<sup>2</sup>

**2020**

Environmental Products,  
Bank of the Year<sup>2</sup>

**2020**

Derivatives  
House of the Year<sup>2</sup>

**NO. 1**

2019 Fund Financier of the  
Year (Americas)<sup>3</sup>

**SGX**

Top 5 Commodities  
and Top 3 Electricity  
General Clearing Member<sup>4</sup>

**Strong contribution from client activity across all divisions reflecting the strength of the platform and benefits of portfolio diversity; offset by reduced inventory management and trading against a strong prior year as well as an increase in credit provisions**

## Commodity Markets

Strong results across the commodities platform from increased client hedging activity particularly in Global Oil, EMEA Gas and Power, Agriculture, Metals and Mining; partially offset by reduced inventory management and trading

## Financial Markets

Increased revenue contribution across all regions driven by expansion of expertise in new markets as well as favourable equity markets and associated client activity

## Specialised and Asset Finance

Stable portfolio of \$A8.5b with strong growth in lease income from Technology, Media and Telecoms

## Futures

Client activity up, with increased commission in ANZ and the Americas partially offset by impairments on a small number of counterparties

Note: References relate to the full year ended 31 Mar 20, and do not account for the transfer of Cash Equities from Commodities and Global Markets to Macquarie Capital on 1 Jun 20. Net profit contribution is management accounting profit before unallocated corporate costs, profit share and income tax. Pie chart is based on FY20 net profit contribution from operating groups.

1. Platts Q4 CY19. 2. 2020 Energy Risk Awards. 3. Private Debt Investor Awards. 4. SGX General Clearing Member rankings.

# Macquarie Capital

Advises and invests alongside clients and partners **to realise opportunity**; develops and invests in infrastructure and energy projects

FY20 Net profit contribution

**\$A755m**

**▼57%**  
on FY19



**1,540+**  
people



**19**  
markets



**\$A4.2b**  
Capital invested

Net profit  
contribution



**\$A319b**

completed deals in FY20<sup>1</sup>

## FY20 awards

### Renewable Energy Deal of the year

Formosa 1 Offshore Wind Farm<sup>2</sup>



### Advisory Excellence Award

Sydney Metro Martin Place Integrated Station Development<sup>3</sup>

### NO. 1

Global Infrastructure Financial Advisor<sup>4</sup>

### NO. 1

Global Renewables Financial Advisor<sup>4</sup>



Asia-Pacific Transport Deal of the year  
Cross River Rail<sup>5</sup>

## Advisory and Capital Solutions

Maintained a leading market position in ANZ M&A<sup>6</sup>, with established niches in other regions and businesses

### Notable deals included:

- Advisor to the supervisory board of thyssenkrupp AG on the €17.2b (~\$A29b) sale of its Elevator Technology business to a consortium led by Advent, Cinven and RAG
- Sole Financial Advisor to DuluxGroup on its acquisition by Nippon Paint Holdings Co for an enterprise value of \$A4.2b

## Infrastructure and Energy Group

Continued focus on green energy with over 250 projects under development or construction, with a development pipeline of >25GW at 31 Mar 20

### Notable deals included:

- Macquarie helped deliver Taiwan's first commercial scale offshore windfarm, Formosa 1. Macquarie is a developer and equity investor in Formosa 2 which is currently under construction. Together these projects will generate 504MW of clean electricity

Note: References relate to the full year ended 31 Mar 20, and do not account for the transfer of Cash Equities from Commodities and Global Markets to Macquarie Capital on 1 Jun 20. Net profit contribution is management accounting profit before unallocated corporate costs, profit share and income tax. Pie chart is based on FY20 net profit contribution from operating groups. 1. Dealogic and IJGlobal for Macquarie Group completed M&A, investments, ECM and DCM transactions converted as at the relevant report date. Deal values reflect the full transaction value and not an attributed value. 2. The Asset Triple A Infrastructure Awards 2019. 3. Infrastructure Partnerships Australia (IPA) 2019 National Infrastructure Awards. 4. Inspiratia (CY19 by deal count and transaction volume). 5. PFI Awards 2019. 6. Dealogic (CY19 announced and completed by deal count).



As at 31 Mar 20

Operating Group	APRA Basel III Capital <sup>1</sup> @ 8.5% (\$Ab)	Approx. FY20 Return on Ordinary Equity <sup>2</sup>	Approx. 14-year Average Return on Ordinary Equity <sup>3</sup>
<b>Annuity-style businesses</b>	<b>7.1</b>		
Macquarie Asset Management	2.8		
Banking and Financial Services	4.3	24%	22%
<b>Markets-facing businesses</b>	<b>10.0</b>		
Commodities and Global Markets	5.9		
Macquarie Capital	4.2	14%	16%
<b>Corporate</b>	<b>0.6</b>		
Total regulatory capital requirement @ 8.5%	17.7		
Group surplus	7.1		
<b>Total APRA Basel III capital supply</b>	<b>24.8<sup>4</sup></b>	<b>14.5%</b>	<b>14%</b>

Note: Differences in totals due to rounding. 1. Operating Group capital allocations are based on 31 Dec 20 allocations adjusted for material movements over the Mar 20 quarter. 2. NPAT used in the calculation of approx. FY20 ROE is based on Operating Groups' annualised net profit contribution adjusted for indicative allocations of profit share, tax and other corporate expenses. Accounting equity is attributed to businesses based on regulatory capital requirements which are based on the quarterly average capital usage from FY07 to FY20, inclusive. 3. 14-year average covers FY07 to FY20, inclusive, and has not been adjusted for the impact of business restructures or changes in internal P&L and capital attribution. 4. Comprising of \$A21.0b of ordinary equity and \$A3.7b of hybrids.

# Approximate business Basel III Capital and ROE

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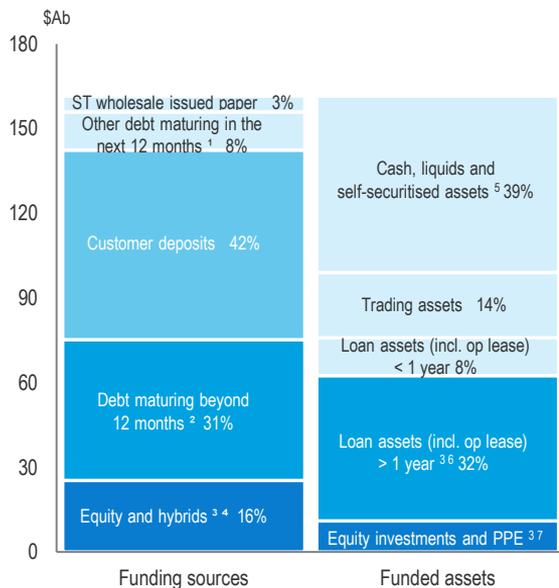


# Business backed by strong funding and capital

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## MGL funded balance sheet

31 Mar 20



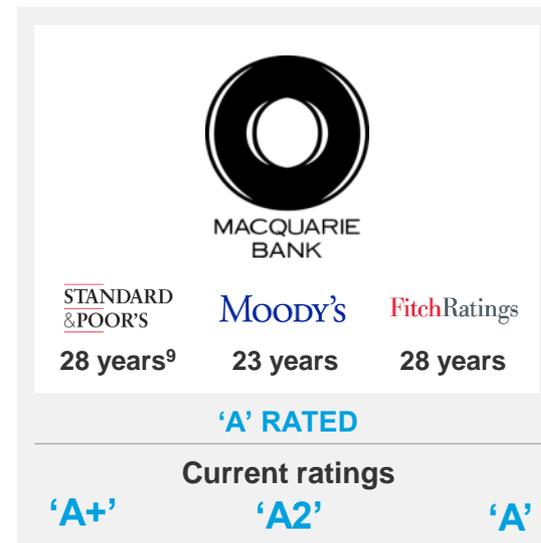
## APRA Basel III capital position<sup>8</sup>

31 Mar 20



## Credit ratings

31 Mar 20



The funded balance sheet is a representation of Macquarie's net funding requirements, and therefore differs from the statutory balance sheet by excluding certain items such as non-recourse self-funded assets and certain accounting gross-ups. 1. 'Other debt maturing in the next 12 months' includes Structured notes, Secured funding, Bonds, Other loans, Subordinated debt and Net trade creditors. 2. 'Debt maturing beyond 12 months' includes Subordinated debt. 3. Non-controlling interests are netted down in 'Equity and hybrids' and 'Equity investments and PPE' and 'Loan assets (incl. op lease) > 1 year'. 4. Hybrid instruments include Macquarie Additional Capital Securities, Macquarie Capital Notes 2, 3 & 4, Macquarie Bank Capital Notes (BCN) (BCN were redeemed in Mar 20) and Macquarie Income Securities (MIS) (MIS were redeemed in Apr 20). 5. 'Cash, liquids and self-securitised assets' includes self-securitisation of repo eligible Australian assets originated by Macquarie, a portion of which Macquarie can utilise as collateral in the Reserve Bank of Australia's Committed Liquidity Facility. 6. 'Loan Assets (incl. op lease) > 1 year' includes Debt investment securities. 7. 'Equity investments and PPE' includes Macquarie's co-investments in Macquarie-managed funds and equity investments. 8. Calculated at 8.5% 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 ~3bps. The individual CCyB varies by jurisdiction and the Bank Group's CCyB is calculated as a weighted average based on exposures in different jurisdictions. 9. MBL upgraded to A+ on 11 Dec 19.

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## 1Q21 Update

Shemara Wikramanayake

Managing Director and Chief  
Executive Officer



# 1Q21

## Overview

Mixed trading conditions with 1Q21 operating group contribution slightly down on the prior corresponding period (pcp) (1Q20)

- Macquarie's annuity-style businesses' (MAM and BFS) combined 1Q21 net profit contribution<sup>1</sup> up on pcp primarily due to the sale of the rail operating lease business in MAM, partially offset by lower income in BFS which included higher provisions
- Macquarie's markets-facing businesses' (CGM and Macquarie Capital) combined 1Q21 net profit contribution<sup>1</sup> down on pcp primarily due to significantly lower investment-related income in Macquarie Capital, partially offset by stronger contributions from certain divisions in CGM

1. Net profit contribution is management accounting profit before unallocated corporate costs, profit share and income tax.



## Macquarie Asset Management

~40%

FY20 contribution<sup>1</sup>

- AUM of \$A568.0b at Jun 20, down 5% on Mar 20 predominantly driven by FX movements, partially offset by MIM market appreciation
  - MIM \$A362.4b in AUM, down 5% on Mar 20, predominantly driven by FX movements and a reduction in contractual insurance assets partially offset by market appreciation
  - MIRA: \$A140.2b in EUM<sup>2</sup>, down 6% on Mar 20 predominantly driven by FX movements;
  - MIRA: \$A5.6b in new equity raised in 1Q21; \$A5.4b of equity invested;
  - MIRA: \$A25.3b of equity to deploy at Jun 20
- Sale of the rail operating lease business to Akiem, a French rail operator in Europe in Apr 20
- Macquarie AirFinance investment (50% owned by MQG) - actively working with airlines to provide temporary relief to reflect their near-term revenue challenges, due to ongoing stress in the airline industry
- Continued strong MIM performance with three-year basis benchmarks outperformance increasing from 69% to 81%<sup>3</sup>

## Banking and Financial Services

~14%

FY20 contribution<sup>1</sup>

- Total BFS deposits<sup>4</sup> of \$A69.0b at Jun 20, up 8% on Mar 20
- Home loan portfolio of \$A54.3b at Jun 20, up 4% on Mar 20
- Funds on platform<sup>5</sup> of \$A86.6b at Jun 20, up 9% on Mar 20
- Business banking loan portfolio of \$A9.2b at Jun 20, up 2% on Mar 20
- Australian vehicle finance portfolio of \$A13.0b at Jun 20, down 5% on Mar 20
- Continued provisioning, with 13% of BFS clients accessing assistance at 30 Jun 20<sup>6</sup>
- Personal Banking and vehicle lease clients have been able to access a comprehensive support package throughout 1Q21, including payment pause options
- Business Banking clients have been able to defer loan repayments for all loans up to \$A10m

1. Based on FY20 net profit contribution from operating groups as reported on 8 May 20. Net profit contribution is management accounting profit before unallocated corporate costs, profit share and income tax. 2. 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. 3. As at 30 Jun 20, gross of fees. 4. BFS deposits exclude corporate/wholesale deposits. 5. Funds on platform includes Macquarie Wrap and Vision. 6. BFS, by % of loan balance as at 30 Jun 20.

# 1Q21

## Overview

### Annuity-style businesses



## Commodities and Global Markets

~32%

FY20 contribution<sup>1</sup>

- Increased activity as clients sought to rebalance their portfolios to manage risk in a volatile environment. Notwithstanding the strong start, trading conditions more subdued towards the end of the quarter
- Strong contribution from client hedging and trading opportunities across the commodities platform
- Continued client activity in foreign exchange across all regions
- Renewed Commodity Markets and Finance borrowing base facility
- Continued funding education technology infrastructure in Australia and healthcare assets, including robotics, in UK
- Product and client sector diversity continues to be an area of strength
- Maintained ranking as No. 2 physical gas marketer in North America<sup>2</sup>

## Macquarie Capital

~14%

FY20 contribution<sup>1</sup>

- 95 transactions valued at \$A77.7b completed globally<sup>3</sup>, transaction volume up on pcp, with transaction value down on pcp
- Fee revenue down on pcp due to lower fee revenue from M&A and DCM, largely offset by increased ECM activity and strong performance of Equities platform<sup>4</sup>
- Investment-related income down significantly predominantly due to lower revenue from asset realisations
- No 1 in ANZ for ECM<sup>5</sup>, supporting clients in raising more than \$A11.1b of equity<sup>6</sup>. Since 1 Apr, the ASX has been the most active exchange in the world<sup>7</sup>, with more than \$A23.4b equity raised<sup>8</sup>
- Exclusive financial adviser to TPG Telecom Limited on the \$A21.3b merger of equals with Vodafone Hutchison Australia, and the demerger of Tuas Limited, TPG's Singapore mobile business
- ACS Principal Finance committed over \$A500m in 1Q21 through focused investing in credit markets and bespoke financing solutions
- Green Investment Group 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
- World's Best Investment Bank in Infrastructure for the 3rd consecutive year<sup>9</sup>
- ESG data initiative of the year: GIG and BNEF's Carbon Score<sup>10</sup>

1. Based on FY20 net profit contribution from operating groups. Net profit contribution is management accounting profit before unallocated corporate costs, profit share and income tax. 2. Platts Q1 CY20. 3. Dealogic and IJGlobal for Macquarie Group completed M&A, investments, ECM and DCM transactions converted as at the relevant report date. Deal values reflect the full transaction value and not an attributed value. 4. Cash Equities transferred from Commodities and Global Markets to Macquarie Capital on 1 Jun 20. 5. 1 Apr to 30 Jun 20 (Dealogic, by value). 6. Dealogic Macquarie Group completed ASX raisings, 1 Apr 20 to 30 Jun 20. Deal values reflect the full transaction value and not an attributed value. 7. Dealogic all exchange raisings completed, 1 Apr 20 to 30 Jun 20. 8. Dealogic completed ASX raisings, 1 Apr 20 to 30 Jun 20. 9. Global Finance 2020, 2019 and 2018. 10. Environmental Finance Sustainable Investment Awards 2020.

# 1Q21

## Overview

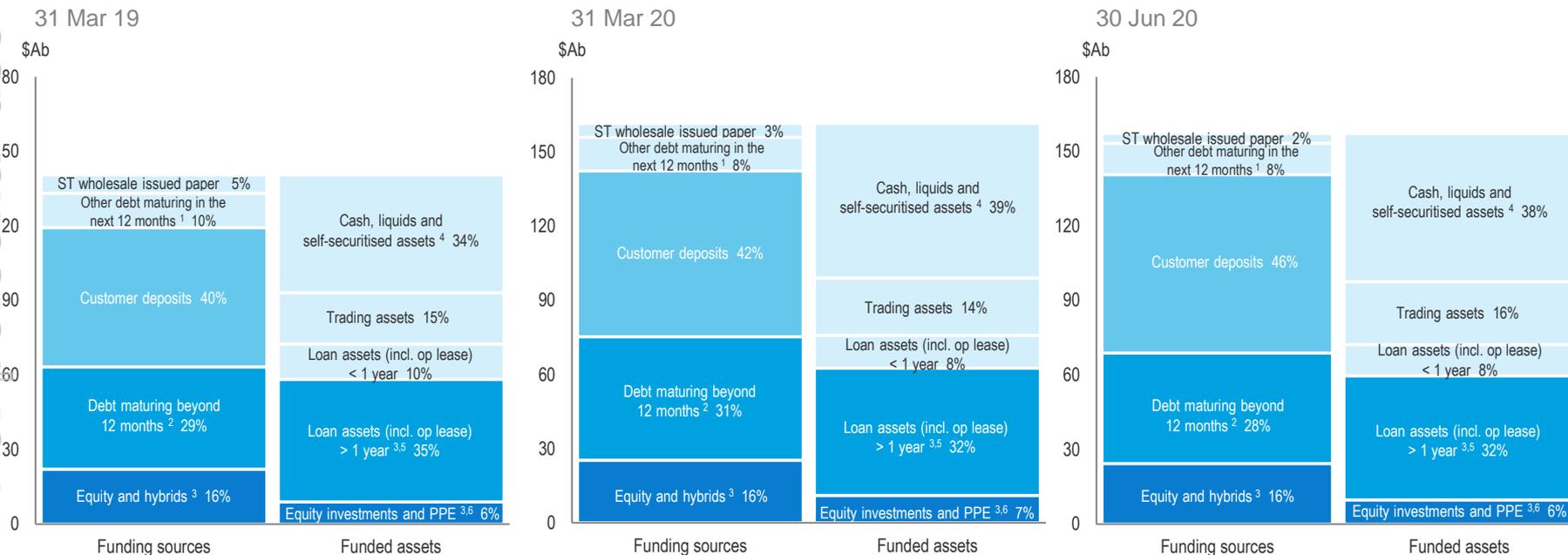
### Markets-facing businesses





# Funded balance sheet remains strong

## Term liabilities exceed term assets



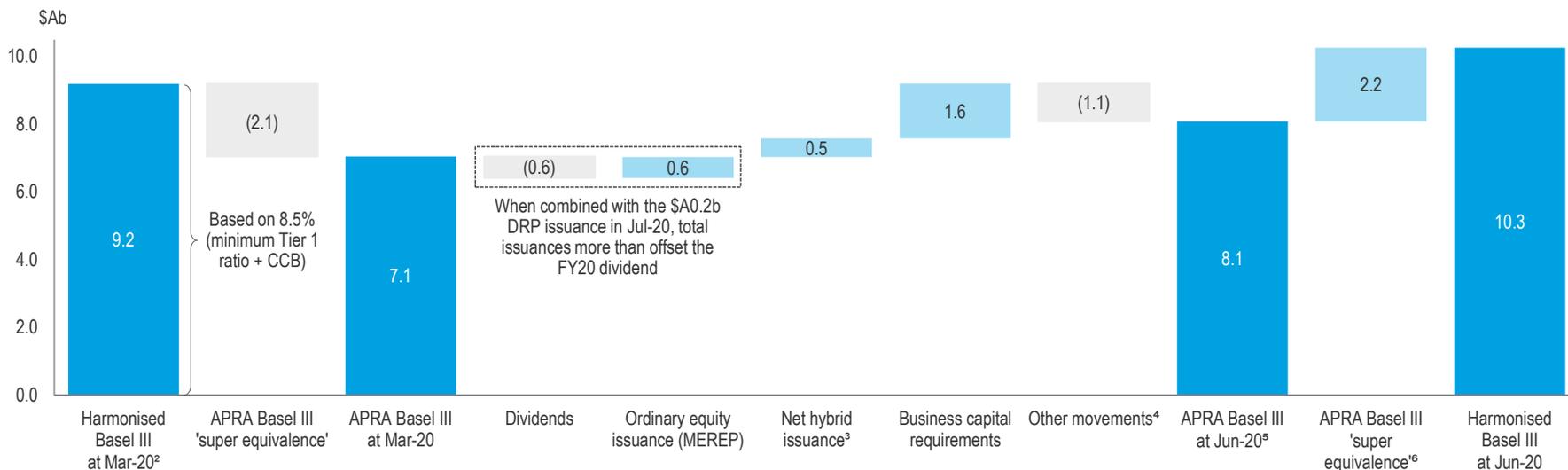
These charts represent Macquarie's funded balance sheets at the respective dates noted above. 1. 'Other debt maturing in the next 12 months' includes Structured notes, Secured funding, Bonds, Other loans, Subordinated debt and Net trade creditors. 2. 'Debt maturing beyond 12 months' includes Subordinated debt. 3. Non-controlling interests are netted down in 'Equity and hybrids' and 'Equity investments and PPE' and 'Loan assets (incl. op lease) > 1 year'. 4. 'Cash, liquids and self-securitized assets' includes self-securitisation of repo eligible Australian assets originated by Macquarie, a portion of which Macquarie can utilise as collateral in the Reserve Bank of Australia's Committed Liquidity Facility. 5. 'Loan Assets (incl. op lease) > 1 year' includes Debt investment securities. 6. 'Equity investments and PPE' includes Macquarie's co-investments in Macquarie-managed funds and equity investments.



# Basel III capital position

- APRA Basel III Group capital at Jun 20 of \$A24.2b; Group capital surplus of \$A8.1b<sup>1</sup>
- APRA Basel III CET1 ratio: 13.2%; Harmonised Basel III CET1 ratio: 16.3%
- Other movements include a reduction in the Foreign Currency Translation reserve, which substantially offsets the FX component of the movement in business capital requirements

## Group regulatory surplus: Basel III (Jun 20)

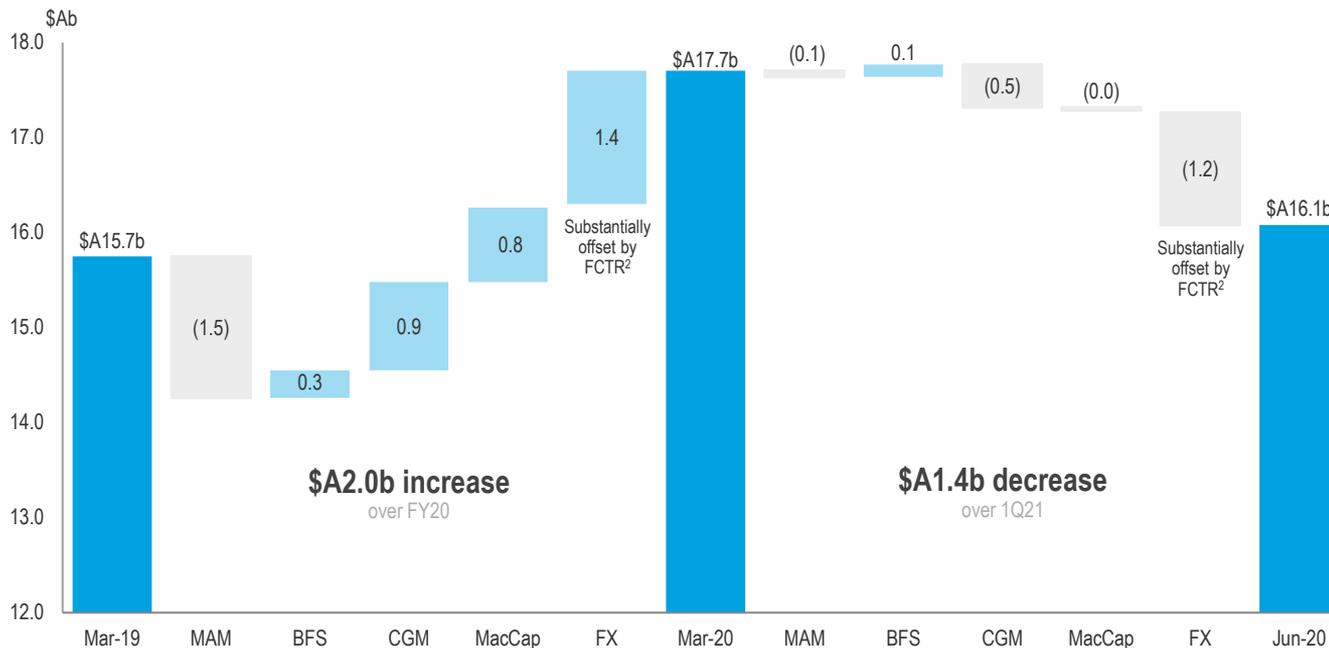


1. Calculated at 8.5% RWA including the capital conservation buffer (CCB), per APRA ADI Prudential Standard 110. Based on materiality, the 8.5% used to calculate the Group capital surplus does not include the countercyclical capital buffer (CCyB) of -1bps. The individual CCyB varies by jurisdiction and the Bank Group's CCyB is calculated as a weighted average based on exposures in different jurisdictions. 2. Basel III applies only to the Bank Group and not the Non-Bank Group. 'Harmonised' Basel III estimates are calculated in accordance with the BCBS Basel III framework. 3. Bank Capital Notes 2 issuance net of Macquarie Income Securities redemption. 4. Includes current quarter P&L, movements in foreign currency translation and share-based payment reserves and other movements. 5. Pro forma APRA Basel III surplus of \$A8.3b, including shares issued on 3 Jul 20 to satisfy the dividend reinvestment plan. 6. APRA Basel III 'super-equivalence' includes the impact of changes in capital requirements in areas where APRA differs from the BCBS Basel III framework. Differences include the treatment of mortgages \$A1.0b; capitalised expenses \$A0.4b; equity investments \$A0.3b; investment into deconsolidated subsidiaries \$A0.1b; DTAs and other impacts \$A0.4b.



# Business capital requirements<sup>1</sup>

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## 1Q21 key drivers

### MAM

- Mainly sell-down of European rail business

### BFS

- Growth in home loan book and business banking downgrades<sup>3</sup>, partially offset by run-off in vehicles portfolio

### CGM

- Reduced derivative and loan exposures, partially offset by downgrades<sup>3</sup>

### Macquarie Capital

- Asset realisations and successful syndication of DCM underwriting positions, largely offset by downgrades<sup>3</sup>

1. Regulatory capital requirements are calculated at 8.5% RWA. 2. The foreign currency translation reserve (FCTR) forms part of capital supply and substantially offsets FX movements in capital requirements. 3. Counterparties downgraded per Macquarie's internal ratings framework.



# Capital management update

## Dividend Reinvestment Plan (DRP)

- The Board determined that a 1.5% discount would apply to shares allocated under the DRP for the 2H20 dividend
- On 3 Jul 20, ordinary shares were issued and allocated at \$A110.47 per share<sup>1</sup> to shareholders participating in the DRP. Shareholders participating in the DRP held approx. 33.9% of Macquarie's ordinary shares

## Macquarie Group Employee Retained Equity Plan (MEREP)

- On 9 Jun 20, a total of 5,024,608 Macquarie ordinary shares were issued pursuant to the Macquarie Group Employee Retained Equity Plan (MEREP). The shares were issued and allocated at \$A112.15<sup>1</sup> per share

## Additional Tier 1 Capital

- MBL repaid \$A400m of Macquarie Income Securities (MIS) on 15 Apr 20
  - MIS were issued in 1999 and receive transitional treatment under APRA's prudential standards that results in reducing capital recognition. The repayment reduced Tier 1 capital by \$A93m
- On 2 Jun 20, MBL issued 6,410,270 Macquarie Bank Capital Notes 2 (BCN2) at an issue price of \$A100 each, raising \$A641m
- The BCN2 offer included the Securityholder Offer which received applications exceeding \$A420m. This strong demand necessitated the scaling of the applications to approximately 33% which is in line with the average scaling applied to applications received under the Broker Firm Offer. The total allocation for the Securityholder Offer was \$A141m

## Loss Absorbing Capital - Tier 2 Capital

- On 28 May 20, Macquarie Bank Limited issued \$A750m of 10 year subordinated notes with a 5-year non-call period
- On 3 Jun 20, Macquarie Bank Limited issued \$US750m of 10 year subordinated notes

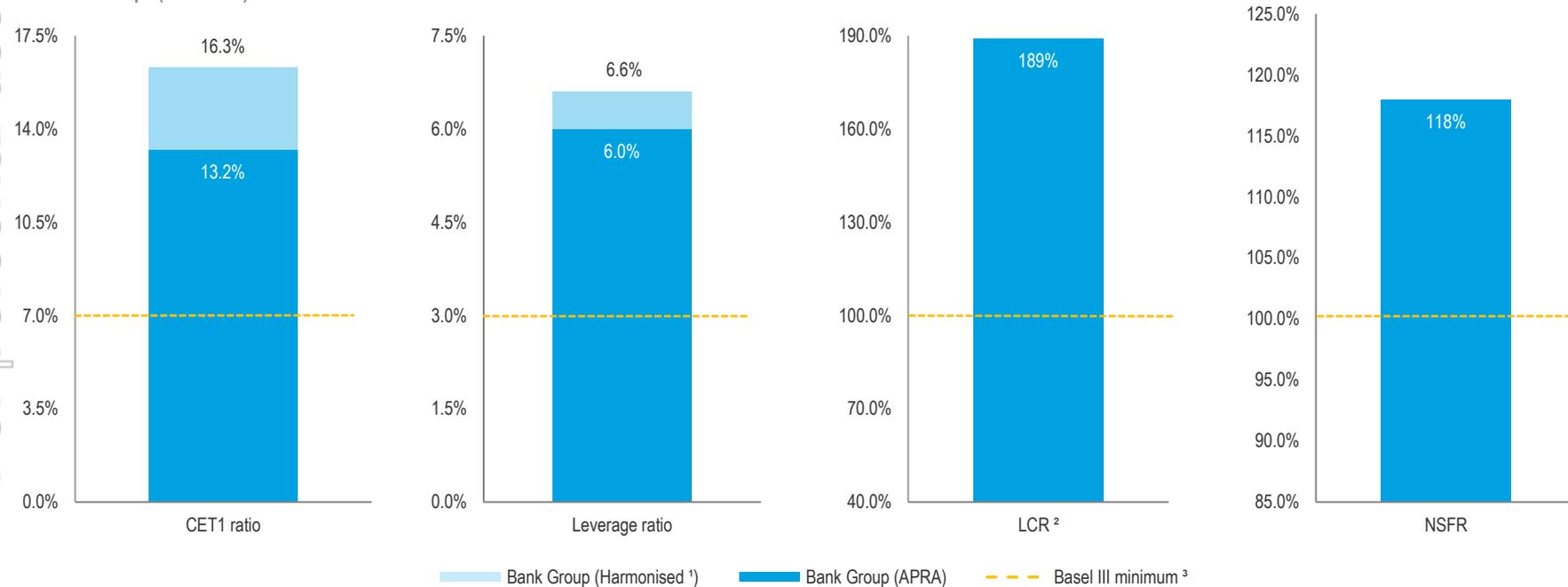
1. The DRP price was determined in accordance with the DRP Rules, being the arithmetic average of the daily volume-weighted average price of all Macquarie Group shares sold through a normal trade on the ASX automated trading system of the 10 business days from 25 May 20 to 5 Jun 20 inclusive, less a discount of 1.5%. The price at which the shares to satisfy the MEREP requirements were issued was calculated in the same manner and over the same pricing period as the DRP shares, excluding the 1.5% discount.



# Strong regulatory ratios

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Bank Group (Jun 20)



1. 'Harmonised' Basel III estimates are calculated in accordance with the BCBS Basel III. 2. Average LCR for Jun 20 quarter is based on an average of daily observations. 3. Includes the capital conservation buffer in the minimum CET1 ratio requirement. APRA has released a draft update to 'Prudential Standard APS 110 Capital Adequacy' proposing a minimum requirement for the leverage ratio of 3.5% effective Jan 23.



# Regulatory update

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## Australia

- On 30 Mar 20, APRA announced the deferral of its scheduled implementation of the Basel III reforms in Australia by one year to allow ADIs to focus on maintaining operations and providing credit to the Australian economy<sup>1</sup>
- The status of the relevant regulatory changes is shown in the table below, noting that APRA announced (on 23 Mar 20) that it does not plan to recommence consultation on any non-essential matters to finalise revisions to the prudential framework before 30 Sep 20<sup>2</sup>

Regulatory Change	Status	Original compliance date	Revised compliance date
APS 110 (Leverage ratio)	Draft standard released 21 Nov 19	2022	2023
APS 111 (Capital treatment of subsidiaries)	Draft standard released 15 Oct 19	2021	No update
APS 112 (Standardised credit risk)	Draft standard released 12 Jun 19	2022	2023
APS 113 (IRB credit risk)	Draft mortgages standard released 12 Jun 19	2022	2023
APS 115 (Operational risk)	Standard finalised 11 Dec 19	2021	2023
APS 116 (FRTB)	Waiting for draft standard to be released	2023	2024
APS 117 (IRRBB)	Draft standard released 4 Sep 19	2022	2023
APS 222 (Associations with related entities) <sup>3</sup>	Standard finalised 20 Aug 19	2021	2022
Transparency, comparability and flexibility	Waiting for draft standard to be released	2022	2023

- On 8 Jul 20, APRA extended the temporary capital treatment for bank loan repayment deferrals from six months to ten months, or until 31 Mar 21, whichever comes first. Under the temporary capital treatment, repayment deferral periods are not treated as periods of arrears for capital adequacy purposes<sup>4</sup>
- On 29 Jul 20, APRA updated its guidance provided in April 2020 on capital management. The updated guidance indicated that for the remainder of 2020, banks should seek to retain at least half of their earnings when making decisions on capital distributions (and utilise initiatives to at least partially offset the impact of capital distributions where possible), conduct regular stress testing to inform decision-making and demonstrate ongoing lending capacity; and make use of capital buffers to absorb the impacts of stress, and continue to lend to support households and businesses<sup>5</sup>
- As previously noted, APRA is in discussions with Macquarie on resolution planning and intragroup funding. These discussions are progressing and Macquarie will continue working on these initiatives in consultation with APRA
- Based on the current information available, it is Macquarie's expectation that it will have sufficient capital to accommodate likely additional regulatory Tier 1 capital requirements as a result of the above changes, noting that some of them are at an early stage of review and hence the final impact is uncertain

## Germany

- Macquarie continues to respond to requests for information about its historical activities as part of the ongoing, industry-wide investigation in Germany relating to dividend trading
- In total, the German authorities have designated as suspects approximately 100 current and former Macquarie staff, most of whom are no longer at Macquarie
- The total amount at issue is not material and MGL has provided for the matter

<sup>1</sup> 'APRA announces deferral of capital reform implementation'; 30 Mar 20. <sup>2</sup> 'APRA adapts 2020 agenda to prioritise COVID-19 response'; 23 Mar 20. <sup>3</sup> 'APRA announces new commencement dates for prudential and reporting standards'; 16 Apr 20. <sup>4</sup> 'APRA updates regulatory approach to loans subject to repayment deferral'; 8 Jul 20. <sup>5</sup> 'APRA updates guidance on capital management for banks and insurers'; 29 Jul 20.

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# FY21 Outlook

Shemara Wikramanayake

Managing Director and Chief Executive Officer



# Factors impacting short-term outlook

## Annuity-style businesses

Non-Banking Group

### Macquarie Asset Management (MAM)

- Base fees expected to be broadly in line
- Net Other Operating Income<sup>1</sup> expected to be significantly down, due to expected delays in timing of asset sales
- Increased support for some airline clients of Macquarie AirFinance

Banking Group

### Banking and Financial Services (BFS)

- Higher deposit and loan portfolio volumes
- Platform volumes subject to market movements
- Competitive dynamics to drive margin pressure
- Ongoing provisioning given a continued focus on supporting clients through COVID-19

## Markets-facing businesses

Non-Banking Group

### Macquarie Capital (MacCap)

- Transaction activity continues, with challenging markets expected to reduce the number of successful transactions and increase the time to completion. Strong ECM activity in Australia through 1Q21 not expected to continue
- Investment-related income expected to be significantly down on FY20 driven by lower asset realisations considering market conditions, but positioned to benefit from market recovery

Banking Group

### Commodities and Global Markets<sup>2</sup> (CGM)

- Strong client activity not expected to continue in 2Q21, albeit volatility may continue to create opportunities
- Consistent contribution from Specialised and Asset Finance linked to stable balance sheet and annuity flows
- Product and client sector diversity expected to provide some support through uncertain economic conditions in 1H21

## Corporate

- Compensation ratio expected to be within the range of historical levels
- The FY21 effective tax rate is expected to be within the range of recent outcomes

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# Short-term outlook

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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 adversely impact our overall FY21 profitability is uncertain, making short-term forecasting extremely difficult. Accordingly we are currently unable to provide meaningful earnings guidance for the year ahead

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

- The duration and severity of the COVID-19 pandemic
- 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

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



# Medium-term outlook

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Macquarie remains well-positioned to deliver superior performance in the medium term

Deep expertise in major markets

Build on our strength in business and geographic diversity and continue to adapt our portfolio mix to changing market conditions

- Annuity-style income is primarily provided by two Operating Groups' businesses which are delivering superior returns following years of investment and acquisitions
  - Macquarie Asset Management and Banking and Financial Services
- Two markets-facing businesses well positioned to benefit from improvements in market conditions with strong platforms and franchise positions
  - Commodities and Global Markets and Macquarie Capital

Ongoing program to identify cost saving initiatives and efficiency

Strong and conservative balance sheet

- Well-matched funding profile with minimal reliance on short-term wholesale funding
- Surplus funding and capital available to support growth

Proven risk management framework and culture



# Medium term

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## Annuity-style businesses

Non-Banking Group

### Macquarie Asset Management (MAM)

- Leading specialist global asset manager, well-positioned to respond to current market conditions. Strongly placed to grow assets under management through its diversified product offering, track record and experienced local investment teams

Banking Group

### Banking and Financial Services (BFS)

- Growth opportunities through intermediary and direct retail client distribution, platforms and client service
- Opportunities to increase financial services engagement with existing business banking clients and extend into adjacent segments
- Modernising technology to improve client experience and support growth

## Markets-facing businesses

Non-Banking Group

### Macquarie Capital (MacCap)

- Positioned to benefit from recovery in M&A and capital markets activity
- Continues to tailor the business offering to current opportunities and market conditions including providing flexible capital solutions across sectors and regions
- Opportunities for project development and balance sheet investment by the group and in support of partners and clients subject to market conditions

Banking Group

### Commodities and Global Markets<sup>1</sup> (CGM)

- Opportunities to grow commodities business, both organically and through acquisition
- Development of institutional and corporate coverage for specialised credit, rates and foreign exchange products
- Tailored financing solutions globally across a variety of industries and asset classes
- Continued investment in asset finance portfolio
- Growing client base across all regions

1. Note certain assets of the Credit Markets business and certain activities of the Commodity Markets and Finance business and some other less financially significant activities are undertaken from within the Non-Banking Group.

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## Formal Business

Peter Warne



MACQUARIE

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# Macquarie Group Limited

2020 Annual  
General Meeting

30 July 2020



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# 06

Glossary



# Glossary

<b>\$A / AUD</b>	Australian Dollar
<b>\$US / USD</b>	United States Dollar
<b>£ / GBP</b>	Pound Sterling
<b>€</b>	Euro
<b>1H20</b>	Half-Year ended 30 September 2019
<b>1Q21</b>	First Quarter ended 30 June 2020
<b>2H19</b>	Half-Year ended 31 March 2019
<b>2H20</b>	Half-Year ended 31 March 2020
<b>ABN</b>	Australian Business Number
<b>ADI</b>	Authorised Deposit-Taking Institution
<b>AGS</b>	Aberdeen Glasgow Southampton
<b>ALX</b>	Atlas Arteria
<b>AML</b>	Anti-Money Laundering
<b>ANZ</b>	Australia and New Zealand
<b>Approx.</b>	Approximately
<b>APRA</b>	Australian Prudential Regulation Authority
<b>ASX</b>	Australian Stock Exchange
<b>AUM</b>	Assets under Management
<b>BCBS</b>	Basel Committee on Banking Supervision
<b>BFS</b>	Banking and Financial Services
<b>CAF</b>	Corporate and Asset Finance
<b>Capex</b>	Capital Expenditure
<b>CCB</b>	Capital Conservation Buffer

<b>CET1</b>	Common Equity Tier 1
<b>CFM</b>	Commodities and Financial Markets
<b>CGM</b>	Commodities and Global Markets
<b>CLF</b>	Committed Liquidity Facility
<b>CMA</b>	Cash Management Account
<b>CRM</b>	Customer Relationship Management
<b>CY19</b>	Calendar Year ending 31 December 2019
<b>DCM</b>	Debt Capital Markets
<b>DPS</b>	Dividends Per Share
<b>DRP</b>	Dividend Reinvestment Plan
<b>DTA</b>	Deferred Tax Asset
<b>ECAM</b>	Economic Capital Adequacy Model
<b>ECM</b>	Equity Capital Markets
<b>EMEA</b>	Europe, the Middle East and Africa
<b>EPS</b>	Earnings Per Share
<b>EUM</b>	Equity Under Management
<b>FX</b>	Foreign Exchange
<b>FY16</b>	Full Year ended 31 March 2016
<b>FY17</b>	Full Year ended 31 March 2017
<b>FY18</b>	Full Year ended 31 March 2018
<b>FY19</b>	Full Year ended 31 March 2019
<b>FY20</b>	Full Year ended 31 March 2020
<b>FY21</b>	Full Year ended 31 March 2021

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# Glossary

<b>GIFII</b>	Macquarie Global Infrastructure Fund 2
<b>GIG</b>	Green Investment Group
<b>GLL</b>	GLL Real Estate Partners
<b>IPO</b>	Initial Public Offering
<b>IRB</b>	Internal Ratings-Based
<b>IFRS</b>	International Financial Reporting Standards
<b>IT</b>	Information Technology
<b>KMGF</b>	Korea Macquarie Growth Fund
<b>LBO</b>	Leveraged Buyout
<b>LCR</b>	Liquidity Coverage Ratio
<b>LNG</b>	Liquefied Natural Gas
<b>M&amp;A</b>	Mergers and Acquisitions
<b>MacCap</b>	Macquarie Capital
<b>MAM</b>	Macquarie Asset Management
<b>MBL</b>	Macquarie Bank Limited
<b>MD&amp;A</b>	Management Discussion & Analysis
<b>MEIF</b>	Macquarie European Infrastructure Fund 1
<b>MEIF3</b>	Macquarie European Infrastructure Fund 3
<b>MEREP</b>	Macquarie Group Employee Retained Equity Plan
<b>MGL / MQG</b>	Macquarie Group Limited
<b>MIC</b>	Macquarie Infrastructure Corporation
<b>MIDIS</b>	Macquarie Infrastructure Debt Investment Solutions
<b>MiFID</b>	Markets in Financial Instruments Directive
<b>MIM</b>	Macquarie Investment Management
<b>MIP</b>	Macquarie Infrastructure Partners Fund 1
<b>MIRA</b>	Macquarie Infrastructure and Real Assets

<b>MQA</b>	Macquarie Atlas Roads
<b>MREI</b>	Macquarie Real Estate Investments
<b>MSIS</b>	Macquarie Specialised Investment Solutions
<b>MW</b>	Mega Watt
<b>NGLs</b>	Natural gas liquids
<b>No.</b>	Number
<b>NPAT</b>	Net Profit After Tax
<b>NPC</b>	Net Profit Contribution
<b>NSFR</b>	Net Stable Funding Ratio
<b>OTC</b>	Over-The-Counter
<b>P&amp;L</b>	Profit and Loss Statement
<b>PPE</b>	Property, Plant and Equipment
<b>PPP</b>	Public Private Partnership
<b>RBA</b>	Reserve Bank of Australia
<b>RHS</b>	Right Hand Side
<b>ROE</b>	Return on Equity
<b>RWA</b>	Risk Weighted Assets
<b>SBI</b>	State Bank of India
<b>SME</b>	Small and Medium Enterprise
<b>SMSF</b>	Self Managed Super Fund
<b>SAF</b>	Specialised and Asset Finance
<b>UK</b>	United Kingdom
<b>US</b>	United States of America
<b>VaR</b>	Value at Risk
<b>WHS</b>	Work Health and Safety
<b>YoY</b>	Year on Year

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