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MACQUARIE

ASX/Media Release

MACQUARIE GROUP 2021 OPERATIONAL BRIEFING

Key points

- **Trading conditions improved across the Group in the December 2020 quarter (3Q21)**
- **Annuity-style businesses' (Macquarie Asset Management (MAM) and Banking and Financial Services (BFS)) combined 3Q21 net profit contribution[1] up on the December 2019 quarter (3Q20)**
    - **Net profit contribution for the nine months to 31 December 2020 (FY21 YTD) broadly in line with the nine months to 31 December 2019 (FY20 YTD) mainly due to: base fees and performance fees in MAM being broadly in line; partially offset by BFS margin pressure, increased credit impairment charges, and higher costs to support clients as a result of COVID-19, albeit with continued volume growth**
- **Markets-facing businesses' (Commodities and Global Markets (CGM) and Macquarie Capital) combined 3Q21 net profit contribution significantly up on 3Q20**
    - **FY21 YTD net profit contribution broadly in line with FY20 YTD primarily due to: stronger activity across the majority of businesses in CGM, inclusive of income recognition timing associated with transportation and storage agreements; partially offset by lower fee revenue and principal income in Macquarie Capital, albeit with a reduction in expenses**
- **Group financial position comfortably exceeds regulatory requirements[2]**
    - **Group capital surplus of $A8.1 billion**
    - **Bank CET1 ratio 12.1% (Harmonised: 15.5%), Leverage ratio 5.2% (Harmonised: 6.0%), LCR 172%, NSFR 112%**
- **While the impact of future market conditions makes forecasting extremely difficult, we expect the Group's result for FY21 to be slightly down on FY20[3]**

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[1] Net profit contribution is management accounting profit before unallocated corporate costs, profit share and income tax.
[2] Where referenced in this document, Group capital is calculated at 8.5 per cent Risk Weighted Assets (RWA) including capital conservation buffer (CCB), per APRA ADI Prudential Standard 110. Based on materiality, the 8.5 per cent 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. The APRA Basel III Group capital surplus is $A8.0 billion calculated at 8.5 per cent RWA, per the internal minimum Tier 1 ratio of the Bank Group. 'Harmonised' Basel III estimates are calculated in accordance with the BCBS Basel III framework. CET1 refers to the Common Equity Tier 1 ratio. LCR refers to the Liquidity Coverage Ratio. Where referenced in this document, average LCR for the December 2020 quarter is based on an average of daily observations. NSFR refers to the Net Stable Funding Ratio.
[3] Pursuant to ASX Guidance Note 8, as revised on 9 Dec 20, Macquarie states that the anticipated FY21 result to which the above guidance relates, is expected to differ materially from the current range of current analysts' consensus.

SYDNEY, 9 February 2021 – Macquarie Group Limited (Macquarie) (ASX: MQG; ADR: MQBKY) today provided an update on business activity in the third quarter of the financial year ending 31 March 2021 (3Q21).

During a presentation at Macquarie's annual Operational Briefing in Sydney today, Macquarie Group Managing Director and Chief Executive Officer, Shemara Wikramanayake, said: "Trading conditions across the Group improved in the quarter ended 31 December 2020."

Annuity-style businesses' combined 3Q21 net profit contribution was up on 3Q20. For FY21 YTD, this contribution was broadly in line with FY20 YTD mainly due to: base and performance fees in MAM being broadly in line; partially offset by BFS margin pressure, increased credit impairment charges, and higher costs to support clients as a result of COVID-19, albeit with continued volume growth.

Markets-facing businesses' combined 3Q21 net profit contribution, which included the partial sale of Macquarie's interest in Nuix, was significantly up on 3Q20. For FY21 YTD, net profit contribution was broadly in line with FY20 YTD. This was primarily due to: stronger activity across the majority of businesses in CGM, including from the timing of income recognition associated with transportation and storage agreements; partially offset by lower fee revenue and principal income in Macquarie Capital, albeit with a reduction in expenses.

Macquarie Group's financial position comfortably exceeds APRA's Basel III regulatory requirements[2], with a Group capital surplus of $A8.1 billion at 31 December 2020, down from $A9.4 billion at 30 September 2020. The Bank Group's APRA Basel III Common Equity Tier 1 capital ratio was 12.1 per cent (Harmonised: 15.5 per cent) at 31 December 2020, down from 13.5 per cent at 30 September 2020. The Bank Group's APRA leverage ratio was 5.2 per cent (Harmonised: 6.0 per cent), average LCR was 172 per cent and NSFR was 112 per cent at 31 December 2020.

Third quarter business highlights

Ms Wikramanayake provided an overview of recent business activity undertaken during 3Q21:

- **MAM** had assets under management (AUM) of $A550.9 billion at 31 December 2020, down one per cent on 30 September 2020. During the third quarter, Macquarie Infrastructure and Real Assets (MIRA) equity under management decreased two per cent to $A137.1 billion. MIRA raised $A6.6 billion in new equity, invested equity of $A3.4 billion and divested $A6.6 billion of assets. At 31 December 2020, MIRA had $A25.7 billion of equity to deploy. In the quarter, Macquarie Investment Management (MIM) AUM rose three per cent to $A360.6 billion. MIM entered into an agreement to acquire Waddell & Reed Financial, Inc. On closing, MAM will retain Waddell & Reed's asset management business and sell its wealth management platform to LPL Financial (LPL), resulting in an increase of ~$US68 billion in AUM.
- **BFS** had total deposits[4] of $A76.3 billion at 31 December 2020, up three per cent on 30 September 2020. The Home Loan portfolio of $A62.6 billion increased nine per cent on 30 September 2020, while funds on platform[5] of $A97.3 billion also increased nine per cent on 30 September 2020. During 3Q20, the business banking loan portfolio of $A9.4 billion increased five per cent, while the Vehicle finance portfolio[6] decreased three per cent to $A12.0 billion. At 31 December 2020, 1.3 per cent of BFS clients were accessing assistance, down from 2.6 per cent at 31 October 2020.
- **CGM** saw strong client hedging and trading activity across the commodities platform driven by market dislocations and increased volatility, particularly from the oil, gas, and precious metals markets businesses. CGM also saw continued client activity in foreign exchange, credit and interest rates. There was increased client activity in Equity Derivatives and Trading, particularly in Asia and Europe, and consistent performance from the asset finance portfolio, principally from the UK energy markets business.

[4] Deposits in BFS exclude corporate/wholesale deposits.
[5] Funds on platform includes Macquarie Wrap and Vision.
[6] Includes general plant and equipment.

- **Macquarie Capital** completed 100 transactions globally in 3Q21 valued at $A58.4 billion[7]. Fee revenue was down across advisory and DCM, marginally offset by ECM. Notable transactions included: the partial realisation of Macquarie's interest in Nuix through an ASX IPO, valuing the business at $A1.8 billion; and the acquisition of a majority interest in the 206km Briceño-Tunja-Sogamoso operating toll road, one of Colombia's most critical road infrastructure assets, serving ~17 million users per year, and Macquarie Capital's first acquisition in South America. To date, Principal Finance has committed more than $A3.4 billion in FY21 through focused investing in credit markets and providing bespoke financing solutions to sponsor portfolio companies and corporate clients across a range of industry sectors.

Board and Management Update

Macquarie Group and Macquarie Bank Boards

After more than six years on the Macquarie Group Limited (MGL) and Macquarie Bank Limited (MBL) Boards, Gordon Cairns will step down on 7 May 2021. In November 2020, Mr Cairns agreed to extend his tenure to accommodate evolution of the Boards, which occurred with the appointment of Rebecca McGrath and Mike Roche in January 2021.

Macquarie Bank Limited

After 22 years with Macquarie, Mary Reemst has decided to retire from her role as Managing Director and Chief Executive Officer of MBL, from the MBL Board, and from the MGL and MBL Executive Committees, effective 1 July 2021. Ms Reemst, who has been on the Executive Committees for seven years, also serves as the Chair of the Macquarie Group Foundation.

From 1 July 2021, and subject to regulatory approvals, Stuart Green will become Managing Director and Chief Executive Officer of MBL and join the MBL Board and MGL and MBL Executive Committees. Mr Green has been with Macquarie for 20 years, serving as Group Treasurer since August 2013.

Macquarie Asset Management

After 16 years with Macquarie, Martin Stanley has decided to step down as Group Head of MAM and from the Executive Committee, effective 1 April 2021. Mr Stanley, who has been on the Executive Committee for two years, will become Chairman of MAM and remain on the regional infrastructure fund investment committees and as Chairman of the Board of Directors of the NYSE-listed Macquarie Infrastructure Corporation (NYSE: MIC).

Ben Way will become Group Head of MAM and join the Executive Committee. Mr Way, who has been with Macquarie for 14 years and is a member of Macquarie's Management Committee, currently leads the Global Alternatives division in MAM and is also Macquarie Group's Asia CEO. Mr Way will continue to be based in Hong Kong.

Outlook

While 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, making short-term forecasting extremely difficult, we currently anticipate the FY21 result to be slightly down on FY20.

The Group's short-term outlook remains subject to a range of factors including:

- The duration and severity of the COVID-19 pandemic

[7] Dealogic and IJGlobal for Macquarie Group completed M&A, investments, ECM and DCM transactions converted as at 31 December 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
- Completion of period-end reviews including asset impairment and expected credit loss allowances
- The completion rate of transactions
- Geographic composition of income
- The impact of foreign exchange
- Potential tax or regulatory changes and tax uncertainties
- Market conditions and the impact of geopolitical events

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This document has been authorised for release by Dennis Leong, Company Secretary

Cautionary Statement Regarding Forward-Looking Statements

This release may contain, in addition to historical information, statements that constitute "*forward-looking statements*" within the meaning of Section 21E of the United States Securities Exchange Act of 1934, as amended. Examples of these forward-looking statements include, but are not limited to: (i) statements regarding our future results of operations and financial condition; (ii) statements of plans, objectives or goals, including those related to our products or services; and (iii) statements of assumptions underlying those statements. Words such as "*may*", "*will*", "*expect*", "*intend*", "*plan*", "*estimate*", "*anticipate*", "*believe*", "*continue*", "*probability*", "*risk*", and other similar words are intended to identify forward-looking statements but are not the exclusive means of identifying those statements. Such forward-looking statements are subject to known and unknown risks, uncertainties and other factors that could cause our actual results, performance or achievements to differ materially from any future results, performance or achievements expressed or implied by such forward-looking statements, including the risks described under "Risk Factors" in our Disclosure Report (U.S. Version) for the half year ended September 30, 2020. Many of these risks and uncertainties relate to factors that are beyond our ability to control or estimate precisely, such as future market conditions, changes in regulatory environment and the behavior of other market participants. We cannot give any assurance that such forward-looking statements will prove to have been correct. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date of this release. We are under no obligation, and disclaim any obligation, to update or alter our forward-looking statements, whether as a result of new information, future events or otherwise.