Macquarie is a diversified financial group providing clients with asset management and finance, banking, advisory and risk and capital solutions across debt, equity and commodities.

Asset management

Banking

Advisory

Capital solutions

Further information is also available at **macquarie.com/company**

For more details on the operational performance of the Operating Groups, see slides 15 to 18 of the presentation to investors and analysts available at **macquarie.com/fy21-investor-presentation**

For internal reporting and risk management purposes, Macquarie is divided into four Operating Groups, which are supported by four Central Service Groups. The Operating Groups are split between annuity-style businesses and markets-facing businesses.

Operating Groups update

Cash Equities was transferred from Commodities and Global Markets to Macquarie Capital on 1 June 2020. Comparatives have been reclassified to reflect this reorganisation.

Central Service Groups

The Central Service Groups provide a range of functions supporting Macquarie's Operating Groups, ensuring they have the appropriate workplace support and systems to operate effectively and the necessary resources to meet their regulatory, compliance, financial reporting, legal and risk management requirements.

Risk Management Group (RMG)

An independent and centralised function responsible for objective review and challenge, oversight, monitoring and reporting in relation to Macquarie's material risks. RMG designs and oversees the implementation of the risk management framework. The Head of Internal Audit reports functionally to the Board Audit Committee and operationally to the Head of RMG for day-to-day management.

Legal and Governance (LGL)

Provides a full range of legal and corporate governance services, including strategic legal and governance advice and risk assessment on corporate transactions, treasury and funding, insurance, regulatory enquiries and litigation.

Financial Management Group (FMG)

Provides financial, tax, treasury, corporate affairs and advisory services to all areas of Macquarie.

Corporate Operations Group (COG)

Provides specialist support services through technology, operations, human resources, workplace, strategy, operational risk management, data and transformation, resilience, global security and the Macquarie Group Foundation.

Annuity-style businesses

Macquarie Asset Management

$A2,074m

↓ 5% on prior year

MAM is a leading specialist global asset manager, offering a diverse range of products through two business divisions:

Macquarie Infrastructure and Real Assets (MIRA): a leader in alternative asset management worldwide, specialising in infrastructure and renewables, agriculture, real estate, transportation finance and private credit via public and private funds, co-investments, partnerships and separately managed accounts.

Macquarie Investment Management (MIM): offering securities investment management capabilities across a number of asset classes including equities, fixed income and multi-asset solutions.

FY2021 highlights

MAM AUM decreased 6% to $A562.2 billion as at 31 March 2021, due to impacts from foreign exchange and a reduction in contractual insurance assets. This was partially offset by MIM market movements and investments by MIRA-managed funds.

During the period, MIRA raised $A21.8 billion in new equity, for a diverse range of funds, products and solutions across the platform. In April 2020, MIRA closed the sale of the Macquarie European Rail business.

MIM entered into an agreement to acquire Waddell & Reed Financial, Inc., and also made strategic divestitures of MIM Korea and its minority stake in Jackson Square Partners.

Medium-term

MAM is a leading specialist global asset manager, well-positioned to respond to current market conditions and grow assets under management through its diversified product offering, track record and experienced investment teams.

Banking and Financial Services

$A771m

– in line with prior year

BFS serves the Australian market, and is organised into the following three business divisions:

Personal Banking: provides a diverse range of retail banking products to clients with home loans, credit cards, transaction and savings accounts and vehicle finance.

Wealth Management: provides clients with a wide range of wrap platform and cash management services, investment and superannuation products, financial advice, private banking and stockbroking.

Business Banking: provides a full range of deposit, lending and payment solutions, vehicle finance as well as tailored services to business clients, ranging from sole practitioners to corporate professional firms.

FY2021 highlights

For the full-year ended 31 March 2021, total BFS deposits increased 26% to $A80.7 billion, the loan and lease portfolio increased 18% to $A89.1 billion and funds on platform increased 28% to $A101.4 billion.

The home loan portfolio increased 29% to $A67.0 billion driven by strong demand in lower loan-to-value ratio and owner-occupier lending tiers, while the Business Banking loan portfolio increased 13% to $A10.2 billion and Business Banking deposit volumes increased 23%. During the year, BFS expanded the Macquarie Wrap managed accounts offering with funds under administration of $A5.4 billion, up from $A3.0 billion in March 2020. BFS continued the implementation of a cloud-based portfolio management platform as part of the wealth platform transformation.

Medium-term

BFS focused on 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; and modernising technology to improve client experience and support growth.

Markets-facing businesses

Commodities and Global Markets

$A2,601m

↑ 50% on prior year

CGM provides clients with an integrated, end-to-end offering across global markets including equities, fixed income, foreign exchange, commodities and technology, media and telecoms.

The platform covers over 30 market segments with more than 200 products and has evolved over more than four decades to provide clients with access to markets, financing, financial hedging, physical execution, and research and market analysis.

CGM comprises seven divisions: Commodity Markets and Finance, Credit Markets, Equity Derivatives and Trading, Fixed Income and Currencies, Futures, Specialised and Asset Finance and Central (CGM-wide services).

FY2021 highlights

CGM's net profit contribution was strong across the platform, up 50% on the prior year. The result was reflective of increased contribution from Resources, North American Gas and Power, EMEA Gas and Power and Agriculture due to client hedging activity driven by increased volatility and commodity price movements. The FY2021 result saw increased opportunities in inventory management and trading, primarily driven by market dislocations and increased volatility in North American Gas and Power, Oil and Precious Metals in addition to gains associated with the timing of income recognition on Oil and Gas storage contracts and transport agreements. The result also reflected improved client and trading activity in foreign exchange, interest rate and credit products; as well as increased net operating lease income driven by higher secondary income from the asset financing portfolio. The result was partially offset by reduced fee and commission income due to decreased demand for commodity risk premia products and a reduction in client brokerage activity.

CGM continues to be recognised across the industries it operates in, with a number of awards earned during the period including Environmental Products Bank of the Year, Oil and Products House of the Year and Derivatives House of the Year in the 2020 Energy Risk Awards. CGM also maintained its ranking by Platts as No. 2 physical gas marketer in North America.

Medium-term

CGM remains focused on: opportunities to grow the commodities business, both organically and through acquisition; the development of institutional and corporate coverage for specialised credit, rates and foreign exchange products; providing tailored financing solutions globally across a variety of industries and asset classes; continued investment in the asset finance portfolio and growing the client base across all regions.

Macquarie Capital

$A651m

↓ 15% on prior year

Macquarie Capital has global capability in advisory and capital raising services, investing alongside partners and clients across the capital structure, providing clients with specialist expertise, advice and flexible capital solutions across a range of sectors.

It also has global capability in development and investment in infrastructure and energy projects and companies and, in relation to renewable energy projects, the supply of green energy solutions to corporate clients.

Macquarie Capital's Equities brokerage business provides clients with access to equity research, sales, execution capabilities and corporate access.

FY2021 highlights

Macquarie Capital was ranked No.1 Global Renewables Financial Adviser in 2020 and No.1 in ANZ for both M&A and IPOs for the past decade.

Macquarie Capital acted as exclusive financial adviser to Strata Fund Solutions on its sale to Alter Domus and Joint Bookrunner on the acquisition financing. Principal Finance co-invested with FTV Capital in Strata and subsequently realised its position in a successful sale process.

Macquarie Capital continued to focus on green energy with over 250 projects under development or construction as at 31 March 2021. Green Investment Group launched a new solar energy company, Cero Generation, to take forward an 8 GW portfolio of over 150 projects across Europe as an OSS. In Australia, Macquarie Capital acted as the sole financial adviser to Snowy Hydro Limited on the over $A5 billion Snowy 2.0 expansion and associated raising of $A3.5 billion of corporate senior debt facilities.

Medium-term

Macquarie Capital is positioned to benefit from further recovery in transaction activity. It continues to tailor the business offering to current opportunities and market conditions including providing flexible capital solutions across sectors and regions. It also continues to pursue opportunities for project development and balance sheet investment by the group and in support of partners and clients subject to market conditions.

Our purpose

Empowering people to innovate and invest for a better future.

What we stand for

Opportunity

Accountability

Integrity

The way we fulfil our purpose is defined by these three long-held principles that determine how we conduct business and guide what we do every day. Our purpose and principles and what we expect of our staff are set out in our *Code of Conduct*.

The balance between opportunity and accountability, while operating with integrity within a strong risk management framework, is a feature of Macquarie's success and a key factor in our long record of unbroken profitability.

The *Code of Conduct* is available at
macquarie.com/what-we-stand-for

Our business strategy

Consistent with the principles of *What We Stand For,* Macquarie's business strategy is focused on the medium-term with the following key aspects:

Risk management approach

Adopting a conservative approach to risk management underpinned by a sound risk culture. Macquarie's robust risk management framework and risk culture are embedded across all Operating and Central Service Groups.

Strong balance sheet

Maintaining a strong and conservative balance sheet.

This is consistent with Macquarie's longstanding policy of holding a level of capital that supports its business and managing its capital base ahead of ordinary business requirements. Macquarie remains well funded, with diversified funding sources, including deposits.

We continue to pursue the strategy of diversifying funding sources by growing our deposit base and accessing different funding markets.

Business mix

Conducting a mix of annuity-style and markets-facing businesses that deliver solid returns in a range of market conditions.

Macquarie has progressively developed its annuity-style businesses, providing steady returns to the business and our shareholders, and stability to clients.

Diversification

Operating a diversified set of businesses across different locations and service offerings: asset management and finance, banking, advisory and risk and capital solutions across debt, equity and commodities.

Macquarie offers a range of services to government, institutional, corporate and retail clients. This diversity in services and clients mitigates concentration risk and provides resilience to Macquarie.

Proven expertise

Utilising proven deep expertise has allowed Macquarie to establish leading market positions as a global specialist in sectors including renewables, infrastructure, resources and commodities, energy, financial institutions and real estate.

Adjacencies

Expanding progressively by pursuing adjacencies through organic opportunities and selective acquisitions.

These include products and geographies adjacent to our established areas of expertise, supporting sustainable evolutionary growth.

Pursuit of growth opportunities

Targeting continued evolution and growth through innovation. We start with knowledge and skill, and we encourage ingenuity and entrepreneurial spirit coupled with accountability.

Ideas for new businesses are typically generated in the Operating Groups. Additionally, there are no specific businesses, markets or regions in which our strategy dictates that we operate. This means we retain operational flexibility and can adapt the portfolio mix to changing market conditions within the boundaries of the Risk Appetite Statement (RAS) approved by the Board.

Risk management

Macquarie recognises that a sound risk culture is a fundamental requirement of an effective risk management framework.

Risk culture

Macquarie's risk culture is well established, grounded in the long-held principles of *What We Stand For:* Opportunity, Accountability and Integrity.

Macquarie's approach to maintaining an appropriate risk culture is based on the following three components:

- **setting behavioural expectations:** Senior Management, with oversight from the Board, set behavioural expectations. The way we fulfil Macquarie's purpose is defined by our principles of *What We Stand For*: Opportunity, Accountability and Integrity. Staff are made aware that these principles must form the basis of all behaviours and actions. These behavioural expectations are specified in the Board approved *Code of Conduct*, which is actively promoted by Management and cascaded through the organisation
- **leading and executing:** Management implements behavioural expectations through leadership actions and communication, organisational governance, incentives and consequence management and organisational and individual capability
- **monitoring, measuring and reporting:** Macquarie monitors and measures its risk culture to gauge effectiveness while promoting continuous improvement.

Risk management framework

Macquarie's risk management framework is embedded across all operations. The framework is the totality of systems, structures, policies, processes and people within Macquarie that identify, measure, monitor, report and control or mitigate internal or external sources of material risk.

Macquarie's approach to risk management is based on stable and robust core risk management principles. These are:

- **ownership of risk at the business level**
- **understanding worst-case outcomes**
- **requirement for an independent sign-off by RMG.**

Refer to **Risk Management** in section 2 for details on Macquarie's risk management framework, risk culture and conduct risk management

Macroeconomic factors

The key macroeconomic risks to Macquarie's short and medium term financial outlook noted on page 32 are:

Market conditions

The general condition of markets, driven by both macroeconomic and geopolitical factors may have a bearing on Macquarie's businesses. Changing market conditions influence the volume and timing of client and principal transactions across businesses and the value of various equity, credit and market risk exposures held by Macquarie on its balance sheet.

The value of the Australian dollar

A significant proportion of Macquarie's net income is denominated in foreign currency. Therefore, net income will be lower in Australian dollar terms if the Australian dollar appreciates against other foreign currencies, and net income will be higher in Australia dollar terms if the Australian dollar depreciates against other foreign currencies.

Potential regulatory changes

Macquarie is affected by changes in regulation. Regulatory change continues to increase at both the global and Australian levels and has the potential to affect the regulatory capital and funding requirements and profitability of Macquarie's businesses.

Funding and liquidity

Macquarie uses deposits and debt markets, among other funding sources, to fund its assets. Macquarie is therefore exposed to the risk of an increase in the cost of funding, or of reduced access to funding sources.

In addition, there are specific material risks that relate to the nature of Macquarie's operations. These include aggregate, asset, conduct, credit, environmental and social (including climate change), equity, financial crime, legal, liquidity, market, operational (including cyber and information security), regulatory and compliance, reputational, strategic, tax, and work health and safety risks. These risks, including those mentioned above, are monitored, mitigated and managed under Macquarie's risk management framework.

Further details on the management of these risks are available at **macquarie.com/risk-management**

Group performance

Overview

Profit attributable to ordinary equity holders of $A3,015 million for the year ended 31 March 2021 increased 10% from $A2,731 million in the prior year.

	FULL YEAR TO		
	31 Mar 21 $Am	31 Mar 20 $Am	*Movement %*
Net operating income	**12,774**	12,325	4
Operating expenses	**(8,867)**	(8,871)	(<1)
Income tax expense	**(899)**	(728)	23
Loss attributable to non-controlling interests	**7**	5	40
Profit attributable to ordinary equity holders	**3,015**	2,731	10

For more details on the financial performance of the Operating Groups, see section 3 Segment Analysis of the Management Discussion and Analysis available at **macquarie.com/fy21-mda**

Annuity-style businesses

Non-Banking Group

Macquarie Asset Management (MAM)

$A2,074m

↓ 5% on prior year

- Decreased net operating lease income driven by the sale of the Macquarie AirFinance business to a joint venture in the prior year and the sale of Macquarie European Rail in the current year.
- Decreased share of net profits from associates and joint ventures predominantly due to an equity accounted loss from Macquarie AirFinance as well as lower net profits from the sale of underlying assets within equity accounted investments.
- Decreased performance fees following a strong prior year.
- Decreased other fee and commission income, largely due to lower income from private capital markets, True Index products and transaction fees.

Partially offset by:

- increased net income on equity and debt investments driven by the sale of Macquarie European Rail and decreased credit and other impairment charges, driven by a partial reversal of the impairment previously recognised on MIRA's investment in Macquarie Infrastructure Corporation (MIC).

Banking Group

Banking and Financial Services (BFS)

$A771m

– In line with prior year

- Higher net interest and trading income driven by volume growth in BFS deposits and the loan portfolio, partially offset by margin compression on deposits and lower vehicle finance portfolio volumes.
- Decreased credit impairment charges driven by improvement in current and expected macroeconomic conditions compared to the prior year as a result of COVID-19.

Offset by:

- higher employment expenses including increased headcount to support volume growth and clients impacted by COVID-19, as well as increased costs associated with investment in technology to support business growth and to meet regulatory requirements.

Markets-facing businesses

Macquarie Capital[1]

$A651m

↓ 15% on prior year

- Lower net income on equity, debt and other investments due to fewer material asset realisations compared to prior year.
- Lower fee and commission income due to lower mergers and acquisitions fee income and debt capital markets fee income partially offset by higher equity capital markets fee income.

Partially offset by:

- lower share of net losses from associates and joint ventures due to changes in the composition and improved performance of investments in the portfolio
- higher net interest and trading income due to lower funding costs, higher interest income resulting from the growth in the debt portfolio and lower mark-to-market losses compared to prior year
- lower operating expenses driven by the structural change in the prior year to refocus the Equities division on the Asia-Pacific region, active cost management throughout FY2021 across Macquarie Capital resulting in lower headcount and lower employment expenses, and lower travel and entertainment expenses due to COVID-19.

Commodities and Global Markets[2] (CGM)

$A2,601m

↑ 50% on prior year

- Strong results across the commodities risk management platform including increased contribution from Resources, North American Gas and Power, EMEA Gas and Power and Agriculture due to client hedging activity driven by increased volatility and commodity price movements.
- Increased opportunities in inventory management and trading primarily driven by market dislocations and increased volatility in North American Gas and Power, Oil and Precious Metals in addition to gains associated with the timing of income recognition on Oil and Gas storage contracts and transport agreements.
- Improved client and trading activity in foreign exchange, interest rate and credit products.
- Increased net operating lease income driven by higher secondary income from the asset financing portfolio.

Partially offset by:

- reduced fee and commission income due to decreased demand for commodity risk premia products and a reduction in client brokerage activity following a strong prior year.

(1) Certain activities of the Equities business are undertaken from within the Banking Group.
(2) The Non-Banking Group includes certain activities of CGM.

Net operating income

Net operating income of $A12,774 million for the year ended 31 March 2021 increased 4% from $A12,325 million in the prior year. Higher Net interest and trading income and lower Credit and other impairment charges were partially offset by lower Fee and commission income and Net operating lease income.

Net interest and trading income

FULL YEAR TO	
31 Mar 21 $Am	31 Mar 20 $Am
5,677	4,720

↑ 20% on prior year

- Increased opportunities in inventory management and trading driven by market dislocations and increased volatility, as well as timing of income recognition on Oil and Gas storage contracts and transport agreements in CGM.
- Growth in average deposits and loan portfolio volumes in BFS.
- Lower interest expense in MAM driven by the sale of the Macquarie AirFinance business to a joint venture in the prior year and a decrease in receivables.

Partially offset by:

- margin compression on deposits and lower vehicle finance portfolio volumes in BFS
- lower income in Corporate primarily due to greater accounting volatility from changes in the fair value of economic hedges in the prior year.

Fee and commission income

FULL YEAR TO	
31 Mar 21 $Am	31 Mar 20 $Am
5,176	5,837

↓ 11% on prior year

- Lower performance fees on a strong prior year in MAM.
- Lower mergers and acquisitions fee income in Macquarie Capital.
- Reduced demand for commodity risk premia products and reduced client brokerage activity in CGM.
- Base fees broadly in line in MAM.

Net operating lease income

FULL YEAR TO	
31 Mar 21 $Am	31 Mar 20 $Am
466	745

↓ 37% on prior year

- Lower income in MAM driven by the sale of the Macquarie AirFinance business to a joint venture in the prior year and the sale of Macquarie European Rail in the current year.

Partially offset by:

- higher secondary income from the asset financing portfolio in CGM.

Share of net (losses)/profits from associates and joint ventures

FULL YEAR TO	
31 Mar 21 $Am	31 Mar 20 $Am
(3)	95

↓ significantly on prior year

- Losses from Macquarie AirFinance, driven by the impact of COVID-19 on aircraft leasing income and related aircraft impairments in MAM.

Partially offset by:

- lower share of net losses in Macquarie Capital due to changes in the composition and improved performance of investments in the portfolio.

Credit and other impairment charges

FULL YEAR TO	
31 Mar 21 $Am	31 Mar 20 $Am
(524)	(1,040)

↓ 50% on prior year

- Lower credit and other impairment charges recognised across the Consolidated Entity compared to the prior year reflecting improvement in the current and expected macroeconomic conditions.

Other operating income and charges

FULL YEAR TO	
31 Mar 21 $Am	31 Mar 20 $Am
1,982	1,968

↑ 1% on prior year

- Gain on sale of Macquarie European Rail in MAM.

Partially offset by:

- fewer material asset realisations compared to the prior year and increased activity in relation to the development of green energy projects in Macquarie Capital.

Operating expenses

Total operating expenses of $A8,867 million for the year ended 31 March 2021 was broadly in line with $A8,871 million in the prior year with decreases across Brokerage, commission and trading-related fee expenses and Other operating expenses, largely offset by increases in Employment expenses and Non-salary technology expenses.

Employment expenses

FULL YEAR TO	
31 Mar 21 $Am	31 Mar 20 $Am
5,517	5,323

↑ 4% on prior year

- Increase in performance-related profit share expense mainly as a result of the improved performance of the Consolidated Entity.
- Higher leave provisions due to less holiday entitlements being taken by staff across the Consolidated Entity driven by COVID-19.
- Higher average headcount in Central Service Groups to support business growth, technology projects and ongoing regulatory compliance.

Partially offset by:

- favourable foreign exchange movements
- lower average headcount in Macquarie Capital including the structural change in the prior year to refocus Equities on the Asia-Pacific region.

Brokerage, commission and trading-related fee expenses

FULL YEAR TO	
31 Mar 21 $Am	31 Mar 20 $Am
879	964

↓ 9% on prior year

- Lower Wealth management expenses in BFS.
- Lower equities activity in EMEA and Asia in CGM.

Non-salary technology expenses

FULL YEAR TO	
31 Mar 21 $Am	31 Mar 20 $Am
781	749

↑ 4% on prior year

- Higher cloud consumption, software license and maintenance costs as well as IT application costs to support business activity.

Partially offset by:

- favourable foreign exchange movements.

Other operating expenses and Occupancy

FULL YEAR TO	
31 Mar 21 $Am	31 Mar 20 $Am
1,690	1,835

↓ 8% on prior year

- Reduced travel and entertainment expenses across the Consolidated Entity driven by COVID-19.
- Favourable foreign exchange movements.

Partially offset by:

- the recognition of certain transaction and other charges in Corporate.

Income tax expense

Income tax expense of $A899 million for the year ended 31 March 2021 increased 23% from $A728 million in the prior year. The effective tax rate for the year ended 31 March 2021 was 23.0%, up from 21.0% in the prior year.

The higher effective tax rate was mainly driven by the geographic composition and nature of earnings.

Financial position

Balance sheet

The Consolidated Entity's Statement of financial position was impacted during the year ended 31 March 2021 by changes resulting from business activities, Group Treasury management initiatives, developments with respect to COVID-19 and macroeconomic factors including the appreciation of the Australian dollar against major currencies.

Total assets

AS AT	
31 Mar 21 $Am	31 Mar 20 $Am
245,653	255,802

↓ 4% on 31 March 20

In addition to the appreciation of the Australian dollar against major currencies which contributed to the decrease in total assets, the principal drivers for the decrease in the Consolidated Entity's total assets were as follows:

- derivative assets of $A20.6 billion as at 31 March 2021 decreased 55% from $A45.6 billion as at 31 March 2020 primarily due to a decrease in client trade volumes and mark-to-market movements in energy markets, commodities, interest rate and foreign exchange products in CGM
- interests in associates and joint ventures of $A4.2 billion as at 31 March 2021 decreased 49% from $A8.3 billion as at 31 March 2020 primarily due to the disposal of certain associates during the year
- margin money and settlement assets of $A14.4 billion as at 31 March 2021 decreased 12% from $A16.4 billion as at 31 March 2020 primarily due to lower trade volumes resulting in a decrease in margin placed with financial institutions by CGM
- held for sale assets of $A0.3 billion as at 31 March 2021 decreased 81% from $A1.6 billion as at 31 March 2020 primarily due to the subsequent sale of certain assets during the current year
- cash collateral on securities borrowed and reverse repurchase agreements of $A36.7 billion as at 31 March 2021 decreased 3% from $A37.7 billion as at 31 March 2020 primarily due to a decrease in reverse repurchase agreements in CGM partially offset by an increase in Group Treasury reverse repurchase agreements following lower Operating Group funding requirements.

These decreases were partially offset by:

- loan assets of $A105.0 billion as at 31 March 2021 increased 12% from $A94.1 billion as at 31 March 2020 primarily due to growth in the home loan portfolio partially offset by a decrease in the vehicle finance portfolio in BFS and a decrease in the corporate and commercial lending portfolio in CGM
- cash and bank balances of $A18.4 billion as at 31 March 2021 increased 90% from $A9.7 billion as at 31 March 2020 primarily due to an increase in surplus cash placed on overnight deposit with the Reserve Bank of Australia (RBA)
- trading assets of $A21.7 billion as at 31 March 2021 increased 28% from $A16.9 billion as at 31 March 2020 primarily due to an increase in precious metal and oil inventories in CGM.

Total liabilities

AS AT	
31 Mar 21 $Am	31 Mar 20 $Am
223,302	234,018

↓ 5% on 31 March 20

In addition to the appreciation of the Australian dollar against major currencies which contributed to the decrease in total liabilities, the principal drivers for the decrease in the Consolidated Entity's total liabilities were as follows:

- derivative liabilities of $A17.6 billion as at 31 March 2021 decreased 54% from $A38.4 billion as at 31 March 2020 primarily due to a decrease in client trade volumes and mark-to-market movements in energy markets, commodities, interest rate and foreign exchange products in CGM
- borrowings of $A9.8 billion as at 31 March 2021 decreased 43% from $A17.1 billion as at 31 March 2020 primarily due to the net repayment of debt facilities and disposal of borrowings, together with related assets, to an associate
- debt issued of $A61.0 billion as at 31 March 2021 decreased 6% from $A64.6 billion as at 31 March 2020 primarily due to the repayment of bondholder notes issued by securitisation vehicles in BFS partially offset by the issuance of short-term debt in Group Treasury.

These decreases were partially offset by:

- deposits of $A84.2 billion as at 31 March 2021 increased 25% from $A67.3 billion as at 31 March 2020 primarily due to an increase in retail and business banking deposits in BFS
- cash collateral on securities lent and repurchase agreements of $A4.5 billion as at 31 March 2021 increased significantly from $A2.3 billion as at 31 March 2020 primarily due to the draw down of the Term Funding Facility from the RBA by Group Treasury and increased stock lending transactions in CGM
- loan capital of $A9.4 billion as at 31 March 2021 increased 27% from $A7.4 billion as at 31 March 2020 primarily due to the net issuance of capital instruments and subordinated debt during the year.

Total equity

AS AT	
31 Mar 21 $Am	31 Mar 20 $Am
22,351	21,784

↑ 3% on 31 March 20

The increase in the Consolidated Entity's equity was predominantly attributable to the increase in retained earnings, net of the amortisation of share-based payment arrangements during the year, of $A2.3 billion. This was partially offset by a decrease in the foreign currency translation and net investment hedge reserve of $A1.7 billion following the appreciation of the Australian dollar against major currencies, and redemption of the Macquarie Income Securities of $A0.4 billion.

Funding

Macquarie's liquidity risk management framework is designed to ensure that it is able to meet its funding requirements as they fall due under a range of market conditions.

Macquarie has a funding base that is stable with minimal reliance on short-term wholesale funding markets. As at 31 March 2021, Macquarie's term assets were covered by term funding maturing beyond one year, stable deposits, hybrids and equity.

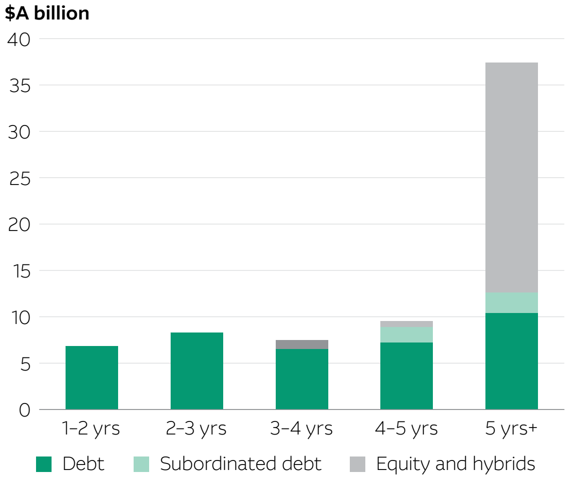
The weighted average term to maturity of term funding maturing beyond one year[(1)] was 4.8 years as at 31 March 2021.

4.8
years

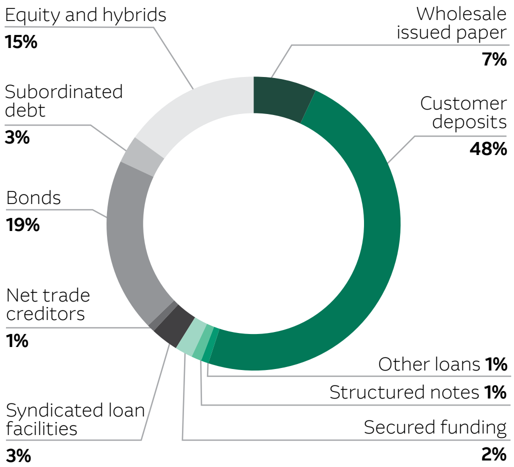
The weighted average term to maturity of term funding maturing beyond one year at 31 March 2021

Term funding profile

Detail of drawn funding maturing beyond one year



Diversity of funding sources



Macquarie has a liability driven approach to balance sheet management, where funding is raised prior to assets being taken on to the balance sheet. Since 1 April 2020, Macquarie has continued to raise term wholesale funding across various products and currencies.

Details of term funding raised between 1 April 2020 and 31 March 2021:

		Bank Group $Ab	Non-Bank Group $Ab	**Total $Ab**
Issued paper	– Senior and subordinated	6.2	5.1	**11.3**
Loan facilities	– MGL loan facilities	–	3.9	**3.9**
Secured funding	– Term securitisation and other secured finance	2.6	0.7	**3.3**
	– RBA Term Funding Facility[(2)]	1.7	–	**1.7**
Hybrids	– Hybrid instruments	0.7	0.7	**1.4**
Total[(3)]		**11.2**	**10.4**	**21.6**

Macquarie has continued to develop its major funding markets and products during the year ended 31 March 2021.

(1) Including drawn RBA Term Funding Facility (TFF), excluding equity which is a permanent source of funding, and securitisations.
(2) Initial Allowance drawn as at 31 March 2021. MBL has $A1.3 billion of undrawn TFF Supplementary Allowance and had access to $A4.6 billion of TFF Additional Allowance as at 31 March 2021.
(3) Issuances cover a range of tenors, currencies and product types and are Australian dollar equivalent based on FX rates at the time of issuance and include undrawn facilities (does not include undrawn accessible TFF Allowances).

$A8.8b
Group capital surplus

Capital

As an APRA authorised and regulated NOHC, Macquarie's capital adequacy framework requires it to maintain minimum regulatory capital requirements calculated as the sum of:

- the Bank Group's minimum Tier 1 capital requirement, based on a percentage of risk-weighted assets (RWAs) plus Tier 1 deductions using prevailing APRA ADI Prudential Standards; and
- the Non-Bank Group's capital requirement, calculated using Macquarie's Board-approved Economic Capital Adequacy Model (ECAM).

Transactions internal to Macquarie are eliminated.

Macquarie remains well capitalised with APRA Basel III Group capital of $A26.3 billion at 31 March 2021, with a Group surplus of $A8.8 billion ($A11.6 billion on a Harmonised[1] Basel III basis).

Under Basel III rules, APRA requires ADIs to have a minimum ratio of Tier 1 capital to RWAs of 8.5% including the 2.5% capital conservation buffer (CCB), with at least 7% in the form of Common Equity Tier 1 capital, per APRA ADI Prudential Standard 110.[2]

In addition, APRA may impose ADI specific minimum capital ratios which may be higher than these levels. The minimum Basel Committee on Banking Supervision (BCBS) Basel III leverage ratio requirement of 3% was effective from 1 January 2018.[3]

On 1 April 2021, APRA announced actions required regarding MBL's risk management practices and ability to calculate and report key prudential ratios. APRA increased MBL's operational risk capital requirement and made adjustments to requirements for certain liquidity prudential ratios, effective from 1 April 2021. The actions relate to specific intra-group funding arrangements as well as breaches of APRA's reporting standards on liquidity between 2018 and 2020. APRA noted that the breaches are historical and do not impact the current overall soundness of Macquarie Group's capital and liquidity positions.

While specific historical matters leading to these actions have been addressed, Macquarie acknowledges that continued work is required on its risk governance and operating platform and has programs in place to strengthen capital and liquidity reporting and its risk management framework. Macquarie will work closely with APRA on these programs through a period of intensified supervision.

As at 31 March 2021, the Bank Group had the following capital adequacy ratios:

Bank Group Level 2 Basel III ratios as at 31 March 2021	Harmonised Basel III	APRA Basel III
Common Equity Tier 1 Capital Ratio	16.2%	12.6%
Tier 1 Capital Ratio	18.1%	14.3%
Leverage Ratio	6.3%	5.5%

For further information relating to the capital adequacy of Macquarie, refer to section 6.0 Capital of the Management Discussion and Analysis at **macquarie.com/fy21-mda**

Outlook

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

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

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

(1) 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.
(2) Based on materiality, the countercyclical capital buffer (CCyB) of ~1bps has not been included. The individual CCyB varies by jurisdiction and the Bank Group's CCyB is calculated as a weighted average based on exposures in different jurisdictions.
(3) APRA has released draft prudential standards on its implementation of a minimum requirement for the leverage ratio of 3.5% expected to be effective from January 2023.