

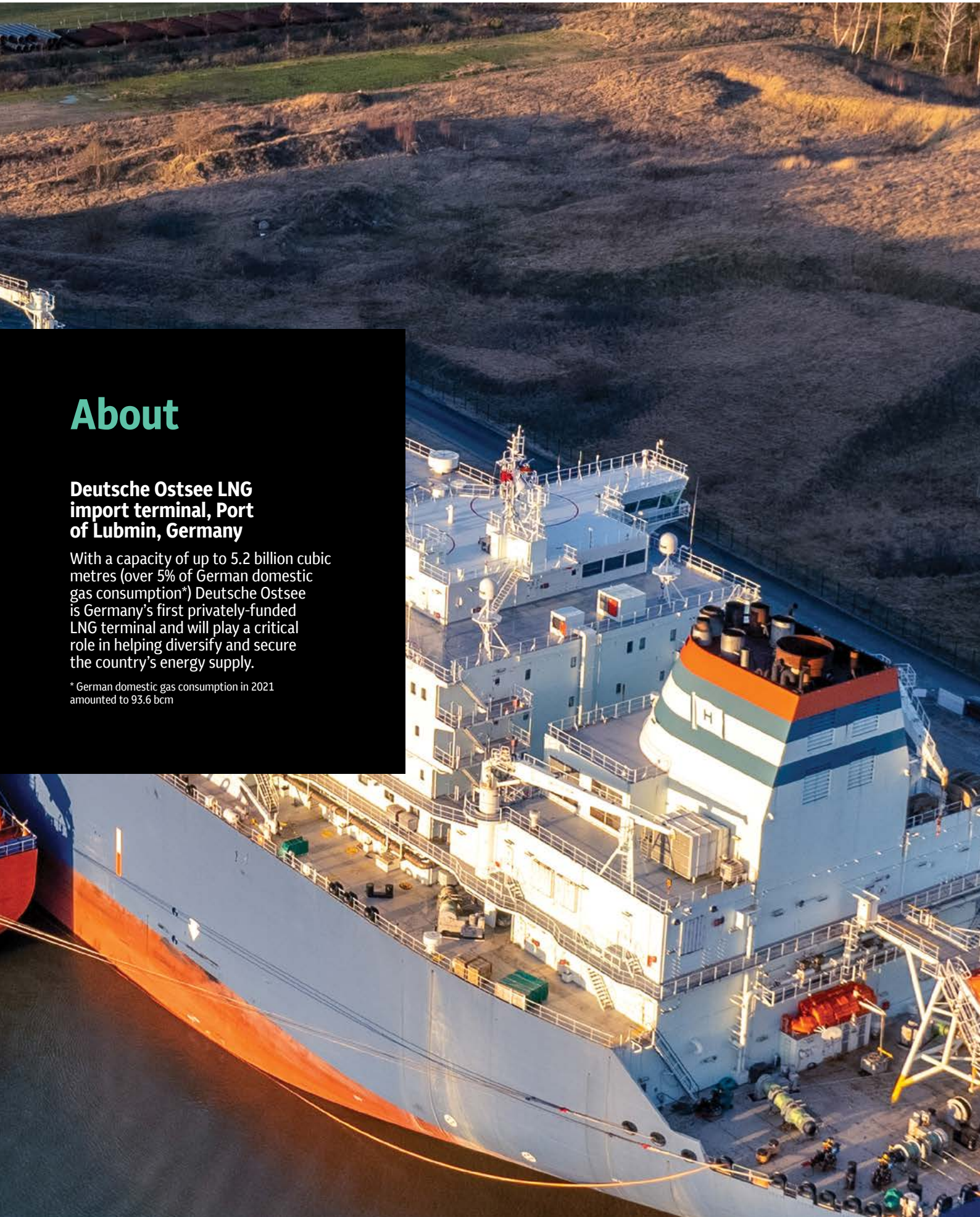


About

Deutsche Ostsee LNG import terminal, Port of Lubmin, Germany

With a capacity of up to 5.2 billion cubic metres (over 5% of German domestic gas consumption*) Deutsche Ostsee is Germany's first privately-funded LNG terminal and will play a critical role in helping diversify and secure the country's energy supply.

* German domestic gas consumption in 2021 amounted to 93.6 bcm



Macquarie (MGL and its subsidiaries, the Consolidated Entity) is a global financial group with offices in 34 markets.

Macquarie now employs over 20,500⁽¹⁾ people globally across 34 markets.

EMEA ~14%



Americas ~16%



Asia ~21%



ANZ ~49%



(1) This figure includes staff employed in certain operationally segregated subsidiaries (OSS). Unless otherwise stated, further references to staff data and policies do not include those in OSS.

About Macquarie

Macquarie Group Limited (MGL, the Company) is listed in Australia and is regulated by the Australian Prudential Regulation Authority (APRA), the Australian banking regulator, as a Non-Operating Holding Company (NOHC) of Macquarie Bank Limited (MBL), an authorised deposit-taking institution (ADI). Macquarie's activities are also subject to supervision by various other regulatory agencies around the world.

Founded in 1969, Macquarie now employs over 20,500⁽¹⁾ people globally, has total assets of \$A387.9 billion and total equity of \$A34.1 billion as at 31 March 2023.

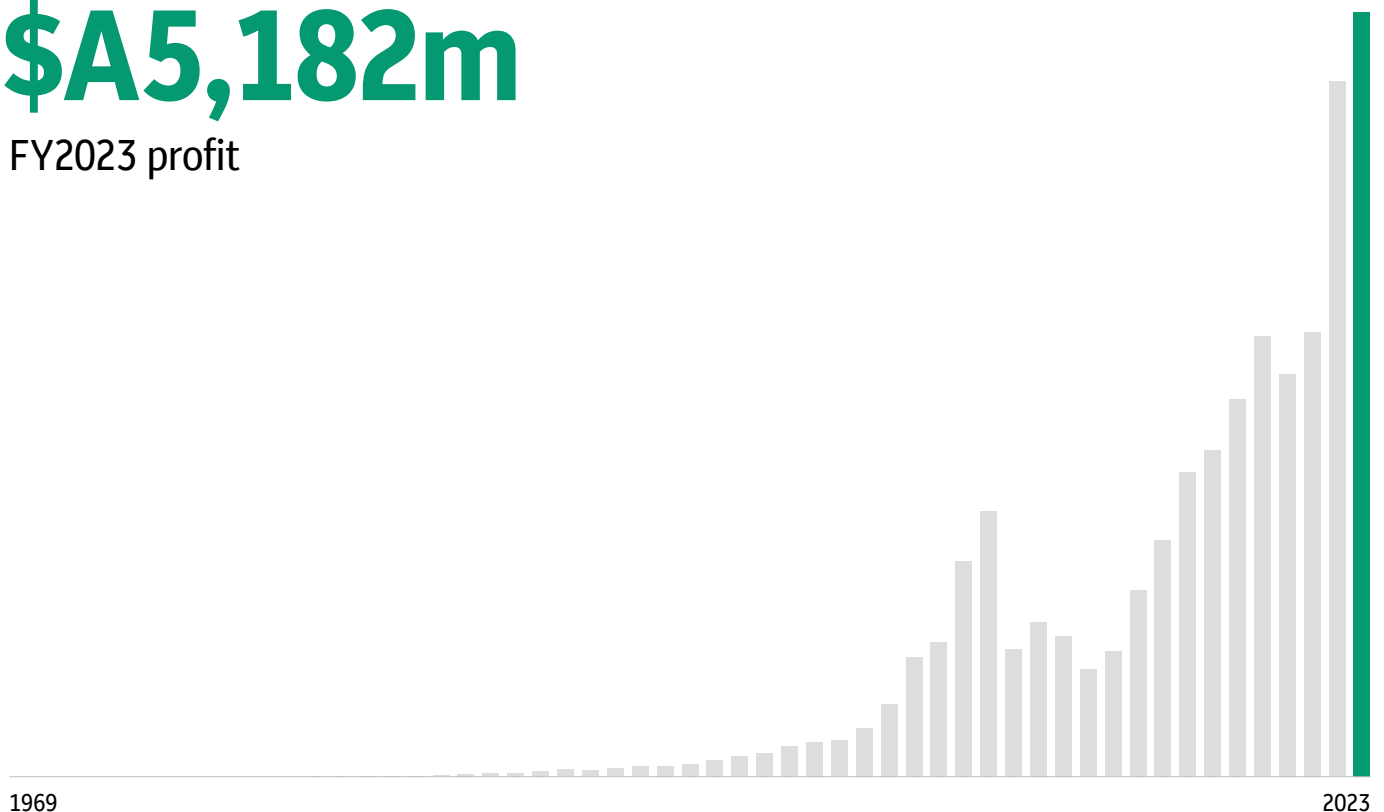
Macquarie's breadth of expertise covers asset management, retail and business banking, wealth management, leasing and asset financing, market access, commodity trading, renewables development, specialist advice, access to capital and principal investment. The diversity of our operations, combined with a strong capital position and robust risk management framework, has contributed to Macquarie's 54-year record of unbroken profitability.

Macquarie works with government, institutional, corporate and retail clients and counterparties around the world, providing a diversified range of products and services. We have established leading market positions as a global specialist in a wide range of sectors, including renewables, infrastructure, resources, commodities and energy.

Alignment of interests is a longstanding feature of Macquarie's client-focused business, demonstrated by our willingness to both invest alongside clients and closely align the interests of our shareholders and staff.

\$A5,182m

FY2023 profit





Despite rapidly rising interest rates and episodes of financial instability in world markets, Macquarie has again delivered a record profit, thanks to the diversity of our businesses and strength of our risk management and controls.”

Letter from the Chair

Macquarie delivered a very successful outcome in FY2023, with a record profit of \$A5,182 million, up from a record the previous year, despite external conditions becoming more challenging. The diversity of our businesses and strength of our risk management and controls, developed by management over many years, was clearly on display – even as some business lines faced difficult trading conditions, others were able to expand profitably by servicing a growing client base. The commodities business, in particular, was able to help clients adjust to the largest shock to global energy prices since the oil price increases of the 1970s.

Macquarie earned a return on shareholders’ equity of 16.9% and has achieved an average rate of return of 16.5% over the past five years, with less variability in earnings than most peer organisations. Macquarie ended the reporting year with very strong levels of capital and liquidity. Shemara’s letter gives a more detailed account of performance during the year.

That this was achieved in an environment of rapidly rising interest rates and episodes of financial instability in world markets is a credit to the management and staff of Macquarie. The operating outcomes have been achieved, moreover, while making continued progress on a large volume of projects aimed at further strengthening risk management, improving customer experience and security, and responding to regulatory requirements. The Board joins me in commending the senior leadership and the entire staff for their achievements over the past year.

For the first time since the onset of the pandemic, all of Macquarie’s offices are now open and fully operational. The hybrid working model, which was emerging prior to the pandemic, gives employees flexibility as they fulfil their responsibilities. Collaboration has been always central to the success of Macquarie however, and being able to meet in person is key both to fostering innovation and to preserving the company’s culture.

The period ahead promises to be challenging, as persistently high inflation, alongside the still unfolding financial effects of rising interest rates, leaves policy-makers facing very difficult choices. Prospects for economies and financial markets, unavoidably, remain clouded. With its strong balance sheet and disciplined risk management, Macquarie is well placed to respond to the risks – and the opportunities – that may present themselves.

Environmental, social and governance

The long-term global response to climate change will require enormous sums of investment, over an extended period, to re-tool economies for a zero carbon future. Even with that investment, some fossil fuels will be required over a transitional period, to preserve energy security.

The scale of this undertaking has few precedents, while the technology and policy environments are changing rapidly. Macquarie is exceptionally well-positioned to play a constructive role, as it has sought to do for nearly two decades. Macquarie released its first Net Zero and Climate Risk Report in December 2022. There will be a further instalment later this year, and all of these plans will need continual re-assessment and revision in light of new information, new technologies and policy developments. Just as important as our own plans, though, will be our efforts to help customers and clients achieve their climate goals.

The ESG section of this Annual Report provides further details on how Macquarie is supporting climate solutions, creating new social opportunities, and contributing to the formation of global policy through the varied roles Macquarie executives and the CEO undertake on supranational panels and commissions.

Board changes

I pay tribute to my predecessor Peter Warne's many contributions as Director and Chair of the Macquarie Group Limited (MGL) and Macquarie Bank Limited (MBL) Boards over his 15-year tenure. With his remarkable grasp of the company's businesses, he steadfastly guided the organisation through a time of record growth and unprecedented challenges, including most recently the COVID-19 pandemic.

Effective 1 June 2023, subject to necessary approvals, Susan Lloyd-Hurwitz will join the MGL Board. Subject to election by MGL shareholders at the 2023 MGL AGM, it is proposed that Ms Lloyd-Hurwitz also be appointed to the MBL Board, effective 28 July 2023. Ms Lloyd-Hurwitz brings significant global investment and real estate sector expertise to the Boards, with over 30 years of global experience in the sector and most recently having served as Chief Executive Officer and Managing Director of Mirvac for more than a decade.

Nicola Wakefield Evans has confirmed that she will seek re-election as an independent director to the MGL Board at the 2023 AGM. Ms Wakefield Evans is Macquarie's longest-serving current director and will provide continuity through her remaining tenure, which is expected to conclude in 2024.

Ensuring that the Board is an effective shareholder steward for a business as diverse as Macquarie requires balancing experience and longevity with fresh perspectives, underpinned by diversity of expertise. I can say with absolute confidence that shareholders are well served by the Board, which is hard-working and diligent in fulfilling its responsibilities.

The past year has seen the appointment of bank-only non-executive directors (BONDS) to the Board of MBL, under changes to the governance structure in consultation with APRA to provide appropriate safeguards for the Bank's interests as an authorised deposit-taking institution. Ian Saines joined the MBL Board in June 2022, and Michael Coleman, on his retirement from the MGL Board last July, agreed to serve a two-year term as a BOND. A third BOND appointment is expected to be made in due course.

Dividends

The Board resolved to pay a final ordinary dividend of \$A4.50 per share (40% franked). This means that the total dividend paid to shareholders from 2023 earnings is \$A7.50, from \$A6.22 per share in 2022. This outcome, amounting to 56% of profits after tax, is consistent with the Board's longstanding dividend policy. It provides an attractive cash return to shareholders, while keeping the company financially strong and well placed to pursue further profitable deployment of shareholders' funds, when opportunity arises.

I thank my colleagues on the Board for their dedication to the Board and the company.

Most important of all, the Board and I thank you, the owners of Macquarie, for your ongoing support.



Glenn Stevens
Independent Director and Chair

Sydney
5 May 2023



Our teams around the world, guided by Macquarie's purpose and backed by our proven risk culture and strong capital and funding position, continued to adapt to uncertain times and the ongoing needs of our clients and communities."

Letter from the Managing Director and CEO

Against a less certain market and economic backdrop, the diversity of Macquarie's activities and the expertise of our teams ensured we maintained strong performance in FY2023. Our teams around the world, guided by Macquarie's purpose and backed by our proven risk culture and strong capital and funding position, continued to adapt to uncertain times and the ongoing needs of our clients and communities.

The Americas region contributed the largest share of our income and accounts for the greatest proportion of assets under management. Towards the end of the financial year, we hosted investors and analysts in Philadelphia, New York and Houston for our first investor tour, during which we sought to provide a deeper understanding of our businesses in the Americas region and the significant opportunities we see in the world's largest capital market, in which we are well-positioned for further growth.

For the year ended 31 March 2023, Macquarie delivered a record profit of \$A5,182million, up 10% on the prior year, with all four of our Operating Groups delivering solid net profit contributions.

Banking and Financial Services (BFS) delivered a net profit contribution of \$A1,201 million, up 20 % from \$A1,001 million in FY2022. BFS benefitted from growth in the loan portfolio and BFS deposits, together with improved margins. This was partially offset by higher credit impairment charges due to deterioration in the

macroeconomic outlook and increased technology investment, additional headcount to support business growth, and compliance and regulatory initiatives.

Commodities and Global Markets (CGM) delivered an exceptionally strong net profit contribution of \$A6,007 million, up 54% from \$A3,911 million in FY2022. The result reflected an increased contribution across Commodities, primarily from inventory management and trading and risk management activities. Inventory management and trading increased substantially, driven by trading gains from regional supply and demand imbalances, primarily in North American Gas and Power markets. Risk management revenue increased across the platform, particularly in Gas and Power, Global Oil and Resources, driven by increased client hedging and trading activity as a result of elevated volatility and price movements in commodity markets. CGM saw increased contribution from Financial Markets with continued strong performance across major products and markets, particularly in foreign exchange, interest rate and credit products income driven by increased client hedging and financing activity. Asset Finance's contribution decreased due to the gain in the prior year from the partial sale of the UK Meters portfolio of assets.

Macquarie Asset Management (MAM) delivered a net profit contribution of \$A2,342 million, down 23 % from \$A3,029 million in FY2022. The decrease was driven by significant income from the disposition of assets in Macquarie Infrastructure Corporation (MIC) in the prior year, and lower gains on asset realisations in the green energy sector, partially offset by higher performance fees.

Macquarie Capital delivered a net profit contribution of \$A801 million, down 47% from \$A1,521 million in FY2022. Mergers and acquisitions fee income was down on a strong prior year and the capital markets fee income was lower due to weaker market activity. Additionally, Macquarie Capital saw slightly lower investment-related income driven by negative asset revaluations and fewer material asset realisations, partially offset by an increase in net interest income from the private credit portfolio.

All of these results were delivered by addressing important areas of unmet need in our communities to create value that is shared between our clients, community stakeholders, our employees and our shareholders. This report provides examples of key areas of activity in FY2023.

Our longstanding commitment to driving practical climate solutions

Despite meaningful energy supply and energy security challenges over the past 12 months, decarbonisation remains a key priority for governments and businesses globally. The global energy transition withstood its greatest test to date in the face of a global energy crisis. Consistent with our longstanding view, there is general recognition that a managed glidepath is essential to delivering an orderly transition, while ongoing investment in clean energy capacity represents the best long-term solution to the energy trilemma of supply, affordability, and emissions.

At Macquarie, we have been driving practical climate solutions for more than two decades, with climate-related activities firmly embedded across our businesses. We believe that maximising our investment in green energy technology is the most meaningful climate action we can take, and we continue to play a key role in rapidly scaling proven green energy technologies such as wind and solar.

Further, we have stepped up our work in emerging areas of opportunity such as hydrogen, carbon capture, utilisation and storage, and energy storage, as well as addressing emissions beyond energy in agriculture, transportation, real estate, waste and industry. This is alongside our activity to support clients and portfolio companies in achieving their own decarbonisation ambitions, including those in traditionally hard to abate sectors, where finding meaningful solutions can be more complex.

Diversity, Equity and Inclusion

As a services business and a global organisation, the diversity of our people and teams around the world is one of our greatest strengths. During FY2023, we continued our focus on achieving equitable outcomes by removing barriers to progression and valuing differences, enabling all colleagues to be included and to reach their full potential at Macquarie.

Racial equity continues to be a focus, and we made progress in each region, including launching our inaugural Reconciliation Action Plan in Australia, which is a public and formal commitment to reconciliation with First Nations people, and working with organisations in the US to grow the talent pipeline of Black and Latinx students. We know that change is incremental and requires commitment from all of us to drive meaningful outcomes. Our work to advance diversity, equity and inclusion across our organisation and across the many aspects of diversity is ongoing and enduring.

A focus on social impact and shared value

Our people and the Macquarie Group Foundation (the Foundation) together contributed over \$A52 million in funding and thousands of hours of time to community organisations globally in FY2023. A total of over \$A570 million has now been contributed to philanthropic causes by our people and the Foundation since it was established in 1985.

Driving social impact across our business and through our philanthropic efforts, during the year the Foundation continued to invest for social impact, making investments in organisations that look to catalyse ongoing access to funding and drive economic empowerment to communities.

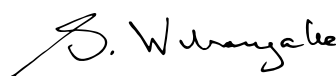
As part of its shared value strategy, which aligns social impact and commercial value, the Foundation launched the Macquarie Social Impact Award in memory of our former Managing Director and Executive Chairman, David Clarke AO (1942 – 2011). The award will recognise a Macquarie team driving significant social impact through a business-led shared value project, with the winner to be announced later in May 2023.

External outlook

We believe global growth is likely to be subdued over the course of the coming year, as the full impact of tighter monetary policy and financial conditions flows through. With this in mind, 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.

We have provided an outline of the factors impacting the short-term outlook for each of our businesses in FY2024. Overall, Macquarie remains well-positioned to deliver superior performance in the medium term, due to its diverse business mix across annuity-style and markets-facing businesses; deep expertise across diverse sectors in major markets with structural growth tailwinds; patient adjacent growth across new products and new markets; ongoing technology and regulatory spend to support the Group; a strong and conservative balance sheet; and a proven risk management framework and culture. These factors all enable us to empower people to innovate and invest for a better future.

On behalf of Macquarie's management team, I would like to thank our people around the world for their dedication in delivering this result in uncertain times, and to thank our clients and shareholders for their ongoing support.



Shemara Wikramanayake
Managing Director and Chief Executive Officer

Sydney
5 May 2023





Empowering people to innovate and invest for a better future

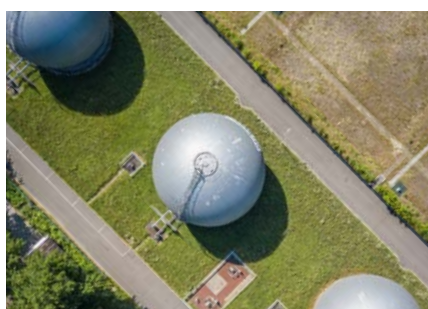
At Macquarie, we believe that by empowering people – our colleagues, clients, communities, shareholders and partners – we will achieve our shared potential.

By investing in assets, deploying our capital and resources, and applying our deep expertise to develop solutions to global challenges, we are helping to build a better future. In every corner of the world, we are working with communities and governments to develop infrastructure and support energy security and transition, transportation and digitalisation projects that drive positive social impact.

Through our role as the world's largest infrastructure manager,⁽²⁾ we are investing in the long-term resilience and capabilities of businesses that deliver essential services, creating better connected, more sustainable communities.

We are expanding regional digital connectivity by building and upgrading communications infrastructure, enabling businesses to capitalise on the rapidly evolving digital economy; helping meet growing demand for housing, education and healthcare by financing new construction projects; and supporting communities as they transition to net zero by investing in climate mitigation and adaptation solutions.

(2) The ranking was awarded to MAM in July 2022 and is the opinion of IPE Real Assets. The ranking is based on Assets Under Management (AUM) at 31 Dec 2021. There can be no assurance that other providers or surveys would reach the same conclusions.



Climate solutions

Over the past year, Macquarie has increased the extent and breadth of our investment in both established and new climate technologies. We have investments in around 14GW of clean energy currently operating, while the planned capacity of new investments we have under development has increased more than three-fold in the past year, to 95GW.⁽³⁾

Most of this development pipeline is in wind and solar and is led by newly created companies owned by Macquarie. For example, we extended our reach into the US through the acquisition of Treaty Oak, a utility-scale solar plus storage developer, while global offshore wind platform Corio Generation has over 30GW capacity at various stages of development across Europe, Asia-Pacific and the Americas.

In fast moving nascent technologies, we have launched a suite of new platforms. For example, Eku Energy is a global battery storage business developing 4GWh of projects in markets including Australia, the UK, Japan and Taiwan. Fleete is a new global electric vehicle (EV) infrastructure platform, supporting operators of buses, trucks and vans to accelerate their transition to EVs. And VORN Bioenergy is a European biomethane platform supplying biomethane and power to energy and industrial companies. Our green hydrogen development platform, HyCC, has made progress, and we are also supporting the roll out of hydrogen trucks in California. Our investment in Storegga Geotechnologies continues to advance an ambitious carbon capture, usage and storage project in the UK.

We are pushing into new markets with the acquisition of Forliance, a leading nature-based carbon developer that focuses on projects utilising natural assets such as forests, wetlands, grasslands and agricultural lands to generate high-quality carbon credits.

As the leading Global Renewables Infrastructure Financial Adviser and Global Infrastructure Financial Adviser, we continue to help clients around the world navigate decarbonisation and the energy transition.⁽⁴⁾



Energy security

As the world responds to the European energy crisis, countries are strengthening their energy security. Macquarie is supporting these efforts in a number of ways. The key medium-term solution will be increased reliance on clean energy, and over the past year we have stepped up our engagement in the development of new green energy capacity, storage and related infrastructure (see the Climate Solutions section of this feature for more detail).

In addition, we partnered with our portfolio company, Wavecrest, to help deliver Germany's first privately-financed liquefied natural gas (LNG) terminal, which is set to play a critical role in achieving Germany's ambition to increase its imports of natural gas and diversify its natural gas supplies. The project involved the development of a floating storage and regasification unit, small scale LNG shuttle vessels and related infrastructure on an accelerated timeline.

We also play an important role in energy markets around the world, working with power generators and upstream producers, refineries and processing plants, large industrial energy users, as well as suppliers and distributors. We offer capital and financing, risk management, market access, physical execution and logistics solutions to help clients navigate diverse markets, including carbon, gas, LNG, power, crude oil and fuels, and biomass.

Our support for established energy companies, as well as new entrants has remained consistent, and increasingly we are adding capabilities to our traditional risk management services that allow clients to better navigate working capital and liquidity, as well as credit constraints.

Through a period of market disruption and geopolitical uncertainty, we have also played an active role in helping clients manage energy price volatility, with the goal of maintaining energy supply to households and economies.



Net zero

Macquarie is committed to aligning its business operations and financing activities with the objective of reaching the global goal of net zero by 2050, in line with the Paris Agreement. We will do this by targeting net zero for our own business operations across Scope 1 and 2 emissions by 2025 and aligning our financing activities with the global goal of net zero emissions by 2050. Macquarie Asset Management is working to manage its real assets portfolio in line with global net zero emissions by 2040.

This year, Macquarie published its first Net Zero and Climate Risk Report which summarised our climate strategy, set out how we are implementing that strategy and published new metrics and targets on financed emissions. These targets include running off our limited remaining lending and equity exposure to coal companies by the end of 2024 (noting this target does not include any emissions associated with potential projects that will significantly reduce greenhouse gas (GHG) emissions in line with science-based scenarios or are for the purpose of diversifying away from the coal sector in line with a credible transition plan). We are targeting a reduction in the Scope 1, 2 and 3 physical emissions intensity of our oil and gas portfolio by 10-15% from FY2020 levels by 2030; and, in motor vehicles we are targeting Scope 1 and 2 physical emissions intensity reductions of 34% from FY2020 levels by 2030.⁽⁵⁾

We are supporting businesses and infrastructure companies where Macquarie-managed funds exercise control or significant influence to help them set business plans that align with net zero emissions by 2040. Alongside this action, we are supporting clients and portfolio companies to help them achieve their own energy transition. One such example is a new joint venture with Hydro Rein to develop 586MW of renewable energy projects in Brazil that will provide the power for a number of Hydro's operations in the country.

Given the scale of the needed transition, we recognise that much of the world will depend on oil/gas for years to come. We will continue to support clients in these sectors to help them decarbonise and reduce the emissions intensity of their activities.

(3) As at March 2023. On our balance sheet or under Macquarie management. Excludes lending and private credit funds. GW of green energy assets reflects 100% of the generating capacity of each asset, not the proportion owned/managed by Macquarie. Refer to the Basis of Preparation for ESG Reporting for the definition of 'green energy assets'.

(4) Macquarie Capital is the No. 1 renewable financial adviser globally based on information by inspratia for the 2022 calendar year by deal value. There can be no assurance that other providers would reach the same conclusions.

(5) These targets refer to on-balance sheet lending and equity investment activities, excluding on-balance sheet securities held for client facilitation and market-making purposes (as opposed to held for investment). Lending refers to loan assets held at amortised cost and excludes certain items such as leasing, asset finance, trading assets and short-term financing (e.g. inventory finance). For motor vehicles, we have also included novated leases, given availability of both methodology and data.



Social infrastructure

Demand for capital, innovative financing solutions and support for new technologies continues to increase across multiple areas of social infrastructure - including transport and mobility, housing, education and healthcare.

To help meet growing demand for affordable, community-based accommodation in Australia, we supported the launch of a new build-to-rent housing investment platform. We are tailoring long-term finance for non-profit housebuilders and providers in the UK to deliver affordable, social, and shared-ownership housing. In Ireland, we are creating high-quality learning environments by leading a consortium to finance, design, build and maintain six new higher education buildings for over 5,000 students across multiple campuses.

A joint venture consortium co-led by Macquarie will finance, build and maintain six interstate bridges across the US state of Pennsylvania. The project includes commitments to subcontract the majority of the work to local firms, using minority and disadvantaged businesses, and establishing extensive workforce development programs. As well as connecting communities and generating local economic activity, the program creates sustainable career paths for participants and helps train a workforce to support future infrastructure projects in the area.

We have also continued to build the capability of our people and systems to protect customers from data breaches and fraudulent activity, while also maintaining exceptional support to customers during periods of hardship.

“ In every corner of the world, we are working with communities and governments to develop infrastructure, energy security and transition, transportation and digitalisation projects that drive positive social impact.”



Digital inclusion

By investing in digital infrastructure and new software and technologies, we continue to support the growth in digital infrastructure, technologies and software that act as a catalyst for social inclusion, providing access to learning, employment and opportunities emerging from the digital economy.

Macquarie Capital's investment in employee management platform BetterPlace, for example, will help deliver a positive social impact for workers in Southeast Asia by increasing access to enhanced earnings potential, greater payroll transparency and access to social security benefits.

Our investment in shared digital infrastructure provider PhilTower has allowed it to respond to the growing infrastructure and connectivity needs of the Philippines by expanding mobile network access, ensuring that businesses and individuals can access the latest technologies that are a key economic driver for the country.

In the UK, our investment in KCOM helped accelerate the rollout of fibre networks to provide ultra-fast broadband to poorly connected communities across the North of England. In Poland, we have invested in telecommunications infrastructure owner INEA, supporting the development of its network infrastructure and connectivity expansion in rural areas.

By combining advice and capital, we are supporting expanded access to education around the world, including the deployment of primary and secondary education curriculum software solutions into more than 13,800 school districts in the US, helping combat learning loss resulting from the COVID-19 pandemic.



Giving back to the community

For almost 40 years, the Macquarie Group Foundation (the Foundation) has underpinned our social impact activity, supporting our people to give back to the communities in which they live and work by contributing time, expertise and financial support to the causes and areas of need that they feel passionate about.

The Foundation recognises that many people around the world face barriers to employment and supports community organisations working to break down these barriers and build effective pathways to employment. In FY2023 the Foundation provided White Box Enterprises with a philanthropic grant and a social impact investment in support of the Payment By Outcomes trial, a three-year trial which aims to support up to 170 people living with a disability who will be supported into employment with one of 15 jobs-focused social enterprises participating in the trial.

As well as supporting community organisations, the Foundation supports our four Operating Groups to increase investment in projects that solve social problems through their core business activities. Combining social impact and commercial returns to deliver this shared value is consistent with Macquarie's purpose of empowering people to innovate and invest for a better future.

In the UK, our first-of-its-kind Green Jobs program, created in partnership with the Green Investment Group (GIG) and Generation UK, equips people with the skills needed for sustainability-focused roles. Supported with catalytic funding provided by the Foundation, it provides those facing barriers to employment with profession-specific training, increasing social mobility and developing the scarce skillsets needed to deliver the energy transition.

Our non-profit and philanthropic banking service empowers Australian non-profit organisations to invest in a way that is aligned to their mission, positively impacts an area of unmet social need, and delivers the commercial returns needed for their long-term sustainability.

Financial highlights

FY2023 net profit

\$A5,182m

↑ 10% on prior year

FY2023 net operating income

\$A19,122m

↑ 10% on prior year

FY2023 operating expenses

\$A12,130m

↑ 12% on prior year

FY2023 earnings per share

\$A13.54

↑ 6% on prior year

FY2023 return on equity

16.9%

↓ from 18.7% in the prior year

FY2023 dividends per share

\$A7.50

(40% franked)
↑ 21% on prior year

FY2023 effective tax rate

26.0%

↑ from 25.2%
in prior year

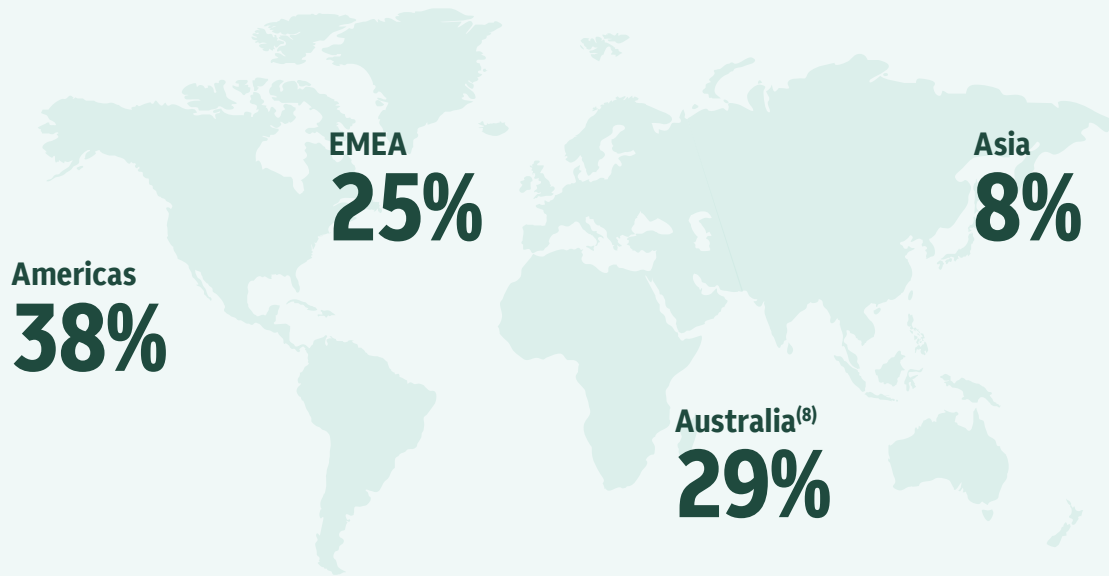
Assets under management

\$A870.8b

↑ from \$A793.0b⁽⁶⁾
as at 31 March 2022

(6) MAM Private Markets AUM includes equity yet to deploy. This is a change from prior periods, when equity yet to deploy was excluded, and has been implemented to bring MAM in line with peers. Prior periods have been restated to reflect the change.

FY2023 international income⁽⁷⁾



FY2023 net profit contribution⁽⁹⁾ by activity

Annuity-style activities

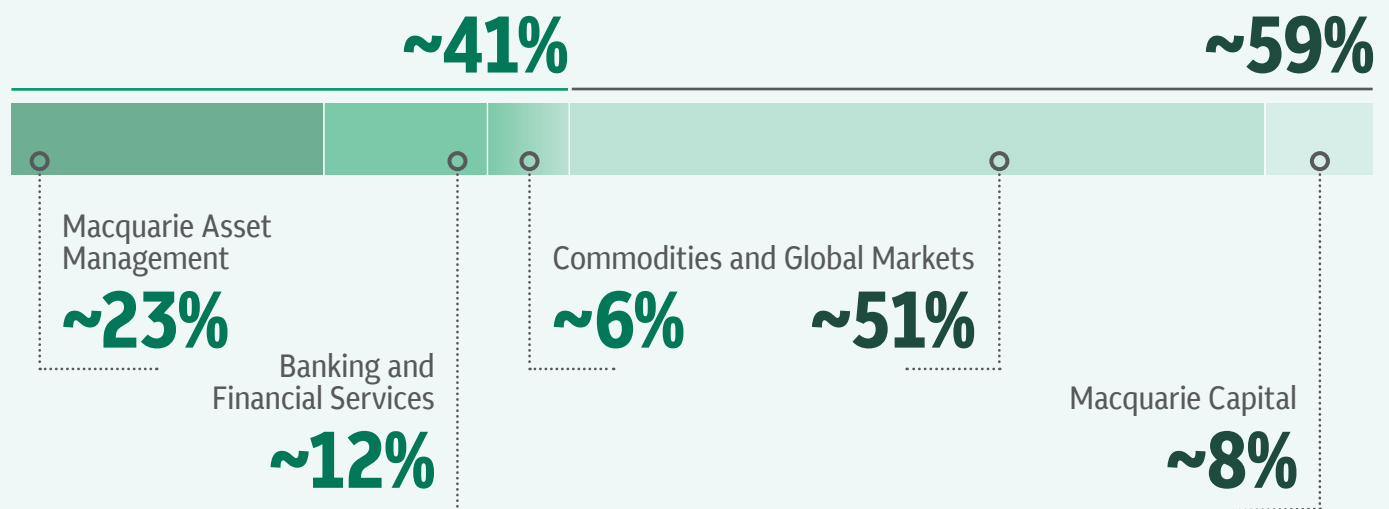
\$4,143m

↓ 17% on prior year

Markets-facing activities

\$6,208m

↑ 38% on prior year



(7) International income is net operating income excluding earnings on capital and other corporate items.

(8) Includes New Zealand.

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

Operating and financial review

Our businesses

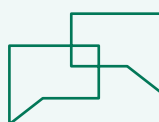
Macquarie is a diversified financial group providing clients with asset management and finance, banking, advisory, and risk and capital solutions across debt, equity and commodities.



**Asset
management**



Banking



Advisory



**Capital
solutions**



Further information is also available at
[macquarie.com/company](https://www.macquarie.com/company)

For more details on the operational performance of the Operating Groups, see slides 14 to 17 of the presentation to investors and analysts available at [macquarie.com/fy23-investor-presentation](https://www.macquarie.com/fy23-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

Effective 1 April 2022, the Green Investment Group (GIG) transferred from Macquarie Capital and is operating as part of MAM, bringing together Macquarie's specialist capabilities to provide clients with greater access to green investment opportunities.

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, legal and risk management requirements.

Risk Management Group (RMG)

An independent and centralised function responsible for independent and 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 Group (LGG)

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)

Responsible for capital, funding, liquidity, tax and strategic analysis and advice to support the growth of the Macquarie business. It ensures Macquarie meets its financial, regulatory and tax reporting compliance obligations, as well as maintaining relationships with a range of significant external stakeholders.

Corporate Operations Group (COG)

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

Operating and financial review

Our businesses continued

Annuity-style businesses

Macquarie Asset Management

\$A2,342m

↓ 23% on prior year

MAM has the aim of investing to deliver positive impact for everyone.

MAM provides investment solutions to clients across a range of capabilities in Private Markets and Public Investments, including infrastructure, green investments, agriculture and natural assets, real estate, private credit, asset finance, secondaries, equities, fixed income and multi-asset solutions.

FY2023 Highlights

MAM AUM increased 10% to \$A870.8 billion as at 31 March 2023, due to investments made by Private Markets-managed funds and foreign exchange movements, partially offset by market movements in Public Investments.

During the year, MAM raised a record of \$A38.2 billion in new equity from clients for a diverse range of Private Markets strategies. MAM invested \$A27.2 billion of equity, across 56 new investments, including: 20 real assets, 19 real estate, and 17 private credit investments.

MAM continued to scale and expand its Public Investment's capabilities, successfully completing the integration of Waddell & Reed Financial, Central Park Group and AMP Capital's public investments business.

Medium-term

MAM is well-positioned to respond to current market conditions and grow AUM through its diversified product offering, track record and experienced investment teams.

Banking and Financial Services

\$A1,201m

↑ 20% on 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, car loans, transaction and savings accounts and credit cards.
- **Business Banking:** provides a full range of deposit, lending and payment solutions, as well as tailored services to business clients, across a range of key industry segments.
- **Wealth Management:** provides clients with a wide range of wrap platform and cash management services, investment and superannuation products, financial advice and private banking.

FY2023 Highlights

For the year ended 31 March 2023, the loan portfolio increased 16% to \$A127.7 billion and BFS deposits increased 32% to \$A129.4 billion. Funds on platform increased 4% to \$A123.1 billion as continued strong net flows of \$A5.7 billion were partially offset by market movements.

The home loan portfolio increased 21% to \$A108.1 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 \$A13.0 billion driven by an increase in client acquisition across core segments and a continued build into emerging segments.

During the year, BFS expanded the Macquarie Wrap managed accounts offering with funds under administration of \$A10.5 billion, up from \$A7.9 billion at 31 March 2022.

Medium-term

BFS remains 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

\$A6,007m

↑ 54% on prior year

CGM is a global business offering capital and financing, risk management, market access, physical execution and logistics solutions to its diverse client base across:

- **Commodities:** provides risk management, lending and financing, and physical execution and logistics to clients with exposure to commodity markets.
- **Financial Markets:** provides risk management, financing and capital solutions, and market access to corporate and institutional clients with exposure to fixed income and equities.
- **Asset Finance:** global provider of specialist finance and asset management solutions across a variety of industries and asset classes.

FY2023 Highlights

CGM generated an exceptionally strong net profit contribution, up 54% on the prior corresponding period. The result reflected an increased contribution across Commodities, primarily from inventory management and trading and risk management activities. Inventory management and trading increased substantially, driven by trading gains from regional supply and demand imbalances, primarily in North American Gas and Power markets. Risk management revenue increased across the platform, particularly in Gas and Power, Global Oil and Resources, driven by increased client hedging and trading activity as a result of elevated volatility and price movements in commodity markets. CGM saw increased contribution from Financial Markets with continued strong performance across major products and markets, particularly in foreign exchange, interest rate and credit products income driven by increased client hedging and financing activity. Asset Finance's contribution decreased due to the gain in the prior year from the partial sale of the UK Meters portfolio of assets.

CGM continues to be recognised across the industries it operates in, with a number of awards earned during the period including House of the year for Oil and Products, Derivatives and Natural Gas/LNG at the Energy Risk Awards 2022 and House of Year for Oil and Products, Derivatives, Emissions and Commodity Trade Finance at the Energy Risk Asia Awards 2022. CGM is ranked as No.1 Futures Broker on the ASX.

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; supporting the client franchise as markets evolve, particularly as it relates to the energy transition and growing the client base across all regions.

Macquarie Capital

\$A801m

↓ 47% 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, with a focus on transport, digital and social infrastructure.

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

FY2023 Highlights

Macquarie Capital maintained No.1 in ANZ for Mergers and Acquisitions (M&A) in 2022.

As the global No.1 renewable financial adviser, Macquarie Capital advised Fiera Infrastructure and Palisade Infrastructure on their joint acquisition of Amp US Primary Holding Inc., a US-based distributed renewable energy and battery storage business.

Macquarie Capital delivered combined solutions for clients, providing multi-product capabilities in areas of deep expertise. Acting as equity sponsor and financial advisor on a €250 million public private partnership, Macquarie Capital supported the construction of six higher education buildings across multiple campuses in Ireland, delivering for over 5,000 student places.

As at 31 March 2023, over \$A18.0 billion committed private credit portfolio, with more than \$A7.0 billion deployed in the period through focused investment in credit markets and bespoke financing solutions. Macquarie Capital completed more than 60 credit transactions in the period across a diverse range of industries, including to support the recapitalisation of and growth investment in Orro, an Australian-based enhanced connectivity provider.

Macquarie Capital also invested in Australian-based start-up, Sapia.ai to support the global expansion of its inclusive and efficient recruitment technology platform.

Medium-term

Macquarie Capital continues to support clients globally across themes including tech-enabled innovation, energy transition and sustainability. It pursues opportunities for balance sheet investment alongside clients and infrastructure project development. It continues to tailor the business offering to current opportunities and market conditions including providing flexible capital solutions across sectors and regions. Macquarie Capital is well-positioned to respond to changes in market conditions.



For more details on the financial performance of the Operating Groups, see section 3.0 Segment analysis of the Management Discussion and Analysis available at [macquarie.com/results](https://www.macquarie.com/results)

Operating and financial review

Our strategy

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](https://www.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 has a liability-driven approach to balance sheet management, where funding is raised prior to assets being taken on to the balance sheet.

We continue to pursue the strategy of diversifying funding sources by growing Macquarie's deposit base and accessing wholesale funding across a variety of products and markets.

Business mix

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

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, commodities and energy.

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.

Macquarie's approach to risk management adopts the 'three lines of defence' model, which sets risk ownership responsibilities functionally independent from oversight and assurance:

- primary responsibility for risk management lies with the business. The risk owner is the first line of defence. All staff throughout Macquarie are expected to manage risks in accordance with the risk management framework
- RMG forms the second line of defence and provides independent and objective review and challenge, oversight, monitoring and reporting in relation to Macquarie's material risks
- Internal Audit, as the third line, provides independent and objective risk-based assurance on the compliance with, and effectiveness of, Macquarie's financial and risk management framework.



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 30 are:

Market conditions

The general condition of markets, driven by macroeconomic, climate 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 Australian 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.

Technology

Macquarie recognises that with the use of systems, technology, and platforms to support its business activities, it is exposed to risk of loss resulting from failure, inadequacy or misuse of technology and technology resources.

In addition, there are specific material risks that relate to the nature of Macquarie's operations. Material risks are those that could have a material impact, financial or non-financial, on Macquarie. These include aggregate, asset, conduct, country, credit, environmental and social, 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](https://www.macquarie.com/risk-management)

Operating and financial review

Review of group performance and financial position

Group performance

Overview

Profit attributable to ordinary equity holders of \$A5,182 million for the year ended 31 March 2023 increased 10% from \$A4,706 million in the prior year.

	FULL YEAR TO		
	31 Mar 23 \$Am	31 Mar 22 \$Am	Movement %
Net operating income	19,122	17,324	10
Operating expenses	(12,130)	(10,785)	12
Income tax expense	(1,824)	(1,586)	15
Loss/(profit) attributable to non-controlling interests	14	(247)	*
Profit attributable to ordinary equity holders	5,182	4,706	10

* Indicates that the result was a gain in one period and a loss in another, or vice versa.



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/fy23-md](https://www.macquarie.com/fy23-md)

Operating and financial review

Review of group performance and financial position continued

FY2023 net profit contribution by Operating Group

Summary of the Operating Groups' performance for the year ended 31 March 2023.

Annuity-style businesses

Macquarie Asset Management (MAM)⁽¹⁰⁾

\$A2,342m

↓ 23% on prior year due to

- significant income⁽¹¹⁾ from the disposition of assets in MIC⁽¹²⁾ in the prior year
- decreased net income on equity, debt and other investments driven by lower gains on asset realisations in the green energy sector.

Partially offset by:

- higher performance fees from Private Markets-managed funds
- lower credit and other impairment charges primarily driven by impairment of underperforming equity investments in the green energy sector in the prior year.

Non-Banking Activities

Markets-facing businesses

Macquarie Capital⁽¹⁰⁾

\$A801m

↓ 47% on prior year due to

- lower fee and commission income driven by lower mergers and acquisitions fee income on a strong prior year, lower capital markets fee income and lower brokerage income due to weaker market activity
- lower net income on equity, debt and other investments driven by negative revaluations on equity investments reflecting market movements and fewer material asset realisations compared to the prior year
- higher mark-to-market losses on certain debt underwriting positions related to a deterioration in macroeconomic conditions experienced in the first half
- higher operating expenses predominantly driven by higher employment costs, increased compliance and regulatory spend and higher expenditure on technology platform and infrastructure.

Partially offset by:

- higher net interest income from the private credit portfolio benefitting from \$A5.1 billion of growth in average drawn loan assets
- lower non-controlling interests due to the non-recurrence of gains attributable on disposal.

Banking and Financial Services (BFS)

\$A1,201m

↑ 20% on prior year due to

- higher net interest and trading income mainly driven by growth in the loan portfolio and BFS deposits, and improved margins from the rising interest rate environment.

Partially offset by:

- higher credit impairment charges driven by deterioration in the macroeconomic outlook compared to the prior year and release of COVID-19 overlays in the prior year
- higher expenses driven by increased technology investment, additional headcount to support business growth, and compliance and regulatory initiatives.

Banking Activities

Commodities and Global Markets (CGM)⁽¹³⁾

\$A6,007m

↑ 54% on prior year due to

- inventory management and trading income increased substantially driven by trading gains from regional supply and demand imbalances primarily in North American Gas and Power markets
- increased risk management revenue reflecting strong contributions across the platform, particularly from Gas and Power, Global Oil and Resources due to increased client hedging and trading activity as a result of elevated volatility and price movements in commodity markets
- increased foreign exchange, interest rate and credit products income driven by increased client hedging and financing activity.

Partially offset by:

- lower net income on equity, debt and other investments due to the gain on the partial sale of the UK Meters portfolio of assets in the prior year
- higher operating expenses driven by higher expenditure on technology platform and infrastructure, increased compliance and regulatory spend and higher employment costs.



For more details on the financial performance of the Operating Groups, see section 3.0 Segment analysis of the Management Discussion and Analysis available at [macquarie.com/results](https://www.macquarie.com/results)

(10) The Green Investment Group was transferred from Macquarie Capital to MAM effective 1 April 2022. Comparatives have been reclassified to reflect this reorganisation.

(11) Income includes disposition fee, equity accounted income and impairment reversal.

(12) On 22 September 2021, MIC completed a corporate reorganisation, becoming a subsidiary of the newly formed Macquarie Infrastructure Holdings, LLC which continued to trade under the New York Stock Exchange symbol of 'MIC' until it was delisted on 21 July 2022.

(13) Certain assets of the Credit Markets business, certain activities of the Commodity Markets and Finance business, and some other less financially significant activities are undertaken as part of the Non-Banking Activities.

Operating and financial review

For the financial year ended 31 March 2023 continued

Net operating income

Net operating income of \$A19,122 million for the year ended 31 March 2023 increased 10% from \$A17,324 million in the prior year. The increase was primarily driven by higher Net interest and trading income, partially offset by a decrease in Net other operating income.

Net interest and trading income

FULL YEAR TO		↑ 53% on prior year
31 Mar 23	31 Mar 22	
\$Am	\$Am	
10,523	6,856	

This result was largely driven by:

- increased inventory management and trading income driven by trading gains from regional supply and demand imbalances primarily in North American Gas and Power markets in CGM
- increased risk management revenue reflecting strong contributions across the platform, particularly from Gas and Power, Global Oil and Resources in CGM
- growth in the average loan portfolio and deposit volumes, and improved margins from the rising interest rate environment in BFS.

Fee and commission income

FULL YEAR TO		↓ 5% on prior year
31 Mar 23	31 Mar 22	
\$Am	\$Am	
6,558	6,887	

This result was largely driven by:

- lower mergers and acquisitions fee income on a strong prior year and lower capital markets fee income due to weaker market activity in Macquarie Capital
- significant disposition fee income relating to MIC in the prior year in MAM
- lower base fees in Public Investments driven by negative market movements and outflows in equity funds, partially offset by acquisitions in the prior year and foreign exchange movements in MAM.

Partially offset by:

- higher performance fees in MAM
- higher base fees in Private Markets due to fund raising and investments made by Private Markets-managed funds and mandates in MAM
- higher fee income from the Futures business in CGM.

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

FULL YEAR TO		↓ significantly on prior year
31 Mar 23	31 Mar 22	
\$Am	\$Am	
(113)	240	

This result was largely driven by:

- significant equity accounted income from MIC and higher revaluation gains on underlying assets in the prior year in MAM
- changes in the composition and performance of Macquarie Capital's investment portfolio.

Credit and other impairment charges

FULL YEAR TO		↓ 11% on prior year
31 Mar 23	31 Mar 22	
\$Am	\$Am	
(454)	(509)	

This result was largely driven by:

- lower other impairment charges recognised on a small number of underperforming equity investments in the current year in MAM and Macquarie Capital.

Partially offset by:

- higher net credit impairment charges due to deterioration in the macroeconomic outlook
- release of COVID-19 overlays in the prior year
- an impairment reversal related to MAM's investment in MIC in the prior year.

Net other operating income

FULL YEAR TO		↓ 32% on prior year
31 Mar 23	31 Mar 22	
\$Am	\$Am	
2,608	3,850	

This result was largely driven by:

- lower gains on asset realisations in the green energy sector in MAM
- non-recurrence of a gain on the partial sale of the UK Meters portfolio of assets in the prior year in CGM
- negative revaluation on equity investments and fewer material asset realisations in the current year in Macquarie Capital.

Operating and financial review

Review of group performance and financial position continued

Operating expenses

Total operating expenses of \$A12,130 million for the year ended 31 March 2023 increased 12% from \$A10,785 million in the prior year with increases across most expense categories.

Employment expenses

FULL YEAR TO		↑ 15% on prior year
31 Mar 23	31 Mar 22	
\$Am	\$Am	
7,703	6,725	

This result was largely driven by:

- higher salary and related expenses from higher average headcount and wage inflation
- higher profit share and share-based payments expense mainly as a result of the performance of the Consolidated Entity.

Partially offset by:

- one-off acquisition expenses incurred in the prior year, in MAM.

Non-salary technology expenses

FULL YEAR TO		↑ 18% on prior year
31 Mar 23	31 Mar 22	
\$Am	\$Am	
1,092	926	

This result was largely driven by:

- increased investment in technology initiatives, with focus on data and digitalisation to support business growth and compliance.

Brokerage, commission and fee expenses

FULL YEAR TO		in line with prior year
31 Mar 23	31 Mar 22	
\$Am	\$Am	
1,028	1,029	

- Brokerage, commission and fee expenses were broadly in line with the prior year.

Other operating expenses

FULL YEAR TO		↑ 10% on prior year
31 Mar 23	31 Mar 22	
\$Am	\$Am	
2,307	2,105	

This result was largely driven by:

- higher travel and entertainment expenses across the Consolidated Entity following the easing of COVID-19 restrictions
- higher amortisation of intangible assets following the Waddell & Reed Financial (Waddell & Reed) acquisition in MAM.

Income tax expense

Income tax expense of \$A1,824 million for the year ended 31 March 2023 increased 15% from \$A1,586 million in the prior year. The effective tax rate for the year ended 31 March 2023 was 26.0%, up from 25.2% in the prior year.

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

Operating and financial review

For the financial year ended 31 March 2023 continued

Statement of Financial Position

The Consolidated Entity's Statement of Financial Position was impacted by changes resulting from a combination of business activities, Group Treasury management initiatives, macroeconomic factors and the elevated levels of volatility, demand and price movements in commodity markets.

Total assets	
AS AT	
31 Mar 23 \$Am	31 Mar 22 \$Am
387,872	399,176

↓ **3%**
on 31 Mar 22

Total assets of \$A387.9 billion as at 31 March 2023 decreased 3% from \$A399.2 billion as at 31 March 2022.

The principal drivers for the decrease were as follows:

- derivative assets of \$A36.1 billion as at 31 March 2023 decreased 57% from \$A84.9 billion as at 31 March 2022, driven by movements in gas and power commodity prices due to market volatility. After taking into account related financial instruments, cash and other collateral, the residual derivative asset was \$A9.7 billion (31 March 2022: \$A14.5 billion). The majority of the residual derivative exposure is short-term in nature and managed within the Consolidated Entity's market and credit risk frameworks, with a substantial portion of the exposure with investment grade counterparties
- cash and bank balances of \$A45.7 billion as at 31 March 2023 decreased 13% from \$A52.8 billion as at 31 March 2022, driven by a reduction in the overnight deposit held with the Reserve Bank of Australia (RBA) as part of Treasury's liquidity portfolio.

These decreases were partially offset by:

- loan assets of \$A158.6 billion as at 31 March 2023 increased 18% from \$A134.7 billion as at 31 March 2022, driven by volume growth in BFS home loan portfolio and Macquarie Capital's private credit portfolio
- financial investments of \$A21.9 billion as at 31 March 2023 increased 80% from \$A12.1 billion as at 31 March 2022, driven by growth in the portfolio of high quality liquid assets held in Treasury's liquidity portfolio
- trading assets of \$A16.9 billion as at 31 March 2023 increased 24% from \$A13.6 billion as at 31 March 2022, driven by an increase in holdings of listed equity and government securities in CGM
- cash collateralised lending and reverse repurchase agreements of \$A54.3 billion as at 31 March 2023 increased 6% from \$A51.2 billion as at 31 March 2022, driven by stock borrowing activities in CGM.

Total liabilities	
AS AT	
31 Mar 23 \$Am	31 Mar 22 \$Am
353,766	370,370

↓ **4%**
on 31 Mar 22

Total liabilities of \$A353.8 billion as at 31 March 2023 decreased 4% from \$A370.4 billion as at 31 March 2022.

The principal drivers for the decrease were as follows:

- derivative liabilities of \$A32.8 billion as at 31 March 2023 decreased 61% from \$A84.5 billion as at 31 March 2022 commensurate with the movement in derivative assets. After taking into account related financial instruments, cash and other collateral, the residual derivative liability was \$A7.1 billion (31 March 2022: \$A15.2 billion)
- issued debt securities of \$A90.5 billion as at 31 March 2023 decreased 9% from \$A99.5 billion as at 31 March 2022, driven by net maturity of issued debt securities, partially offset by foreign exchange movements.

These decreases were partially offset by:

- deposits of \$A134.7 billion as at 31 March 2023 increased 33% from \$A101.7 billion as at 31 March 2022, driven by volume growth in retail and business banking deposits in BFS
- borrowings of \$A18.9 billion as at 31 March 2023 increased 36% from \$A13.9 billion as at 31 March 2022, driven by additional funding requirements and foreign exchange movements
- loan capital of \$A12.9 billion as at 31 March 2023 increased 36% from \$A9.5 billion as at 31 March 2022, driven by the issuance of Tier 1 and Tier 2 loan capital and foreign exchange movements.

Total equity	
AS AT	
31 Mar 23 \$Am	31 Mar 22 \$Am
34,106	28,806

↑ **18%**
on 31 Mar 22

Total equity of \$A34.1 billion as at 31 March 2023 increased 18% from \$A28.8 billion as at 31 March 2022.

The increase in the Consolidated Entity's equity is on account of \$A5.2 billion earnings generated during the current period, \$A1.3 billion increase in foreign currency translation largely driven by appreciation of the United States dollar to the Australian dollar and \$A0.7 billion increase in non-controlling interest, offset by \$A2.5 billion dividend payment.

Operating and financial review

Review of group performance and financial position continued

Funding

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

Macquarie has a funding base that is stable with short-term wholesale funding covered by cash, liquids and other short-term assets. As at 31 March 2023, 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 (excluding equity and securitisations) was 4.9 years excluding the Term Funding Facility (TFF) and 4.4 years inclusive of TFF as at 31 March 2023.

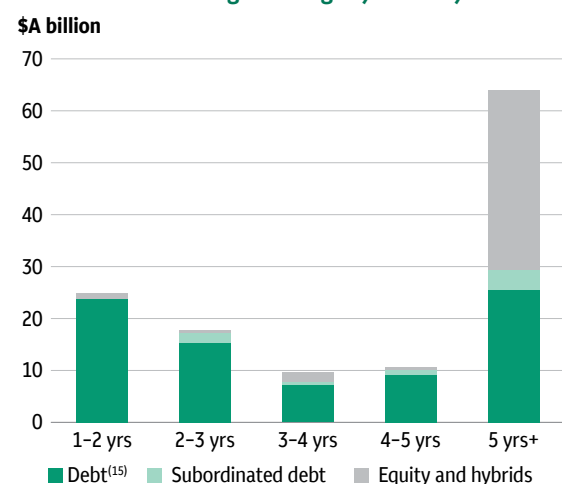
4.9

years

Weighted average maturity⁽¹⁴⁾

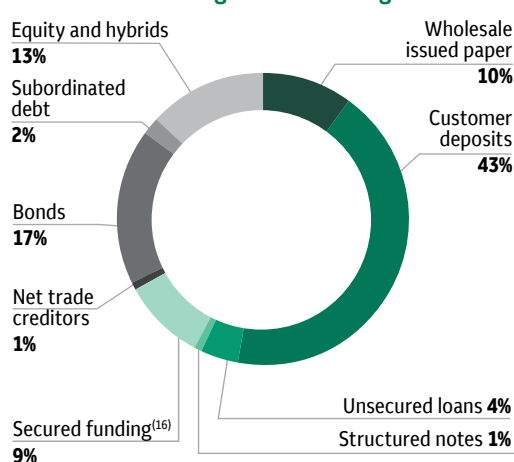
Term funding profile

Detail of drawn funding maturing beyond one year



Diversity of funding source

Detail of drawn funding sources maturing across all tenors



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 2022, Macquarie has continued to raise term wholesale funding across various products and currencies.

Details of term funding raised between 1 April 2022 and 31 March 2023:

		Bank Group \$Ab	Non-Bank Group \$Ab	Total \$Ab
Issued paper	– Senior and subordinated	4.7	7.8	12.5
Secured funding	– Term securitisation, covered bond and other secured finance	5.6	3.3	8.9
Loan facilities	– Unsecured loan facilities	1.1	–	1.1
Hybrids	– Hybrid instruments	–	0.8	0.8
Total⁽¹⁷⁾		11.4	11.9	23.3

Macquarie has continued to develop its major funding markets and products during the year ended 31 March 2023.

(14) Excluding TFF. Including TFF, the weighted average term to maturity of term funding maturing beyond one year was 4.4 years as at 31 March 2023.

(15) Includes RBA Term Funding Facility (TFF) of \$A9.5 billion.

(16) Includes RBA Term Funding Facility (TFF) of \$A9.5 billion.

(17) Issuances cover a range of tenors, currencies and product types and are Australian dollar equivalent based on FX rates at the time of issuance.

Includes refinancing of loan facilities.

Operating and financial review

For the financial year ended 31 March 2023 continued

\$A12.6b

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 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.

Under APRA's new "Unquestionably Strong" bank capital framework which came into effect from 1 January 2023, the minimum requirement for the Tier 1 capital ratio is 10.25% inclusive of the capital conservation buffer (CCB) of 3.75% and a countercyclical buffer (CCyB)⁽¹⁸⁾ of 0.50% calculated in accordance with Prudential Standard APS 110 Capital Adequacy. The APRA minimum Common Equity Tier 1 capital ratio requirement is 8.75% inclusive of the CCB and CCyB.⁽¹⁸⁾ APRA also requires ADIs to maintain a minimum leverage ratio of 3.5% effective 1 January 2023. In addition, APRA may impose ADI-specific minimum ratios which may be higher than these levels.

Macquarie is well capitalised, with the following capital adequacy ratios as at 31 March 2023:

Bank Group Level 2 Basel III ratios	APRA Basel III	Harmonised Basel III ⁽¹⁹⁾
Common Equity Tier 1 Capital Ratio	13.7%	18.4%
Tier 1 Capital Ratio	15.6%	20.6%
Leverage Ratio	5.2%	5.9%



Outlook

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

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

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



For further information relating to the capital adequacy of Macquarie, refer to section 6 Capital of the Management Discussion and Analysis at [macquarie.com/results](https://www.macquarie.com/results).

(18) The CCyB of the Bank Group as at 31 March 2023 is 0.61%, which is rounded to 0.5% for presentation purposes. The individual CCyB varies by jurisdiction and the Bank Group CCyB is calculated as a weighted average based on exposures in different jurisdictions at that time.

(19) 'Harmonised' Basel III estimates are calculated in accordance with the BCBS Basel III framework, noting that MBL is not regulated by the BCBS therefore the ratios are indicative only.

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