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 14 to 17 of the presentation to investors and analysts available at **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.

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**

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 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**

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-mda**

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

Non-Banking Activities

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.

Banking Activities

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.

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.

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

(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.

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	
31 Mar 23 $Am	31 Mar 22 $Am
10,523	6,856

↑ **53%** on prior year

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	
31 Mar 23 $Am	31 Mar 22 $Am
6,558	6,887

↓ **5%** on prior year

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	
31 Mar 23 $Am	31 Mar 22 $Am
(113)	240

↓ **significantly** on prior year

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	
31 Mar 23 $Am	31 Mar 22 $Am
(454)	(509)

↓ **11%** on prior year

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	
31 Mar 23 $Am	31 Mar 22 $Am
2,608	3,850

↓ **32%** on prior year

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	
31 Mar 23 $Am	31 Mar 22 $Am
7,703	6,725

↑ **15%** on prior year

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.

Brokerage, commission and fee expenses

FULL YEAR TO	
31 Mar 23 $Am	31 Mar 22 $Am
1,028	1,029

in line with prior year

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

Non-salary technology expenses

FULL YEAR TO	
31 Mar 23 $Am	31 Mar 22 $Am
1,092	926

↑ **18%** on prior year

This result was largely driven by:

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

Other operating expenses

FULL YEAR TO	
31 Mar 23 $Am	31 Mar 22 $Am
2,307	2,105

↑ **10%** on prior year

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.

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.

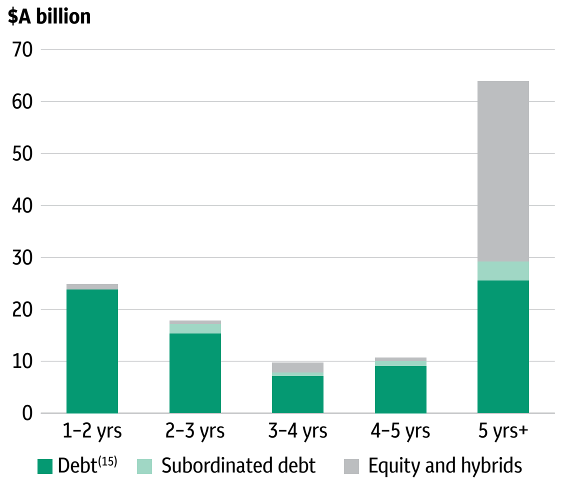
The weighted average term to maturity of term funding maturing beyond one year (excluding equity and securitisations) was 4.9 years excluding the Term Funding Facility (TFF) and 4.4 years inclusive of TFF as at 31 March 2023.

4.9 years

Weighted average maturity[14]

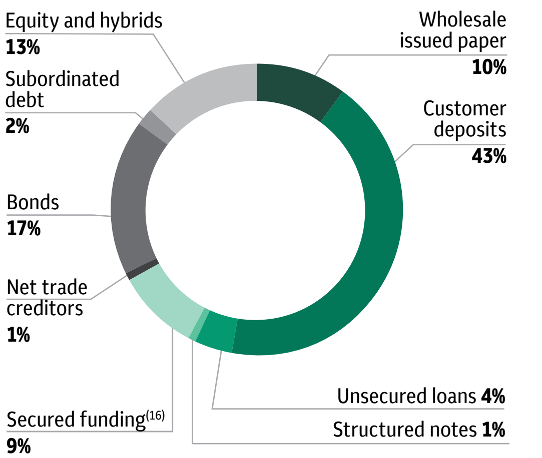
Term funding profile

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.

$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**.

(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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