



# 2024 Management Discussion and Analysis

Macquarie Group  
Year ended 31 March 2024



## **Notice to readers**

The purpose of this report is to provide information supplementary to the Macquarie Group Limited Financial Report (the Financial Report) for the year ended 31 March 2024, including further detail in relation to key elements of Macquarie Group Limited and its subsidiaries' (Macquarie, the Consolidated Entity) financial performance and financial position. The report also outlines the funding and capital profile of the Consolidated Entity.

Certain financial information in this report is prepared on a different basis to that contained in the Financial Report, which is prepared in accordance with Australian Accounting Standards. Where financial information presented within this report does not comply with Australian Accounting Standards, a reconciliation to the statutory information is provided.

## **Date of this report**

This report has been prepared for the year ended 31 March 2024 and is current as at 3 May 2024.

## Explanatory notes

### Comparative information and conventions

Where necessary, comparative figures have been restated to conform to changes in current year financial presentation and group structures.

References to the prior year are to the 12 months ended 31 March 2023.

References to the first half are to the six months ended 30 September 2023.

References to the second half are to the six months ended 31 March 2024.

In the financial tables throughout this document “\*” indicates that the absolute percentage change in the balance was greater than 300% or indicates the result was a gain in one period but a loss in another, or vice versa.

### Independent Auditor’s Report

This document should be read in conjunction with the Financial Report for the year ended 31 March 2024, which was subject to independent audit by PricewaterhouseCoopers.

PricewaterhouseCoopers’ independent auditor’s report to the members of Macquarie Group Limited dated 3 May 2024 was unqualified.

Any additional financial information in this document which is not included in the Financial Report was not subject to independent audit by PricewaterhouseCoopers.

## Disclaimer

The material in this document has been prepared by Macquarie Group Limited ABN 94 122 169 279 (“MGL”) and is general background information about Macquarie’s (“MGL and its subsidiaries”) activities current as at the date of this document. This information is given in summary form and does not purport to be complete. The material in this document may include information derived from publicly available sources that have not been independently verified. Information in this document should not be considered as advice or a recommendation to investors or potential investors in relation to holding, purchasing or selling securities or other financial products or instruments and does not take into account your particular investment objectives, financial situation or needs. Before acting on any information you should consider the appropriateness of the information having regard to these matters, any relevant offer document and in particular, you should seek independent financial advice. No representation or warranty is made as to the accuracy, completeness or reliability of the information. All securities and financial product or instrument transactions involve risks, which include (among others) the risk of adverse or unanticipated market, financial or political developments and, in international transactions, currency risk.

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

Other than Macquarie Bank Limited ABN 46 008 583 542 (“MBL”), any Macquarie group entity noted in this document is not an authorised deposit-taking institution for the purposes of the Banking Act 1959 (Cth). That entity’s obligations do not represent deposits or other liabilities of MBL and MBL does not guarantee or otherwise provide assurance in respect of the obligations of that entity. Any investments are subject to investment risk including possible delays in repayment and loss of income and principal invested.

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# 01

## Results Overview

### **Tokyo Garden Terrace Kioicho, Tokyo**

Located in the city's prominent Chiyoda ward - home to the Imperial Palace and the centre of government - Macquarie's newly designed Tokyo office provides our people with a modern, inclusive and sustainable workplace that respects the historical and cultural heritage of its location.





## 1.1 Executive Summary

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

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 20,600<sup>1</sup> people globally, has total assets of \$A403.4 billion and total equity of \$A34.0 billion as at 31 March 2024.

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 55-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 and 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.

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<sup>1</sup> This figure includes staff employed in certain operationally segregated subsidiaries (OSS).



FY2024 net profit<sup>1</sup>

**\$A3,522m**

↓ 32% on prior year

FY2024 return on equity

**10.8%**

↓ from 16.9% in the prior year

FY2024 net operating income

**\$A16,887m**

↓ 12% on prior year

FY2024 operating expenses

**\$A12,061m**

↓ 1% on prior year

FY2024 net profit contribution<sup>2</sup> by activity

Annuity-style activities

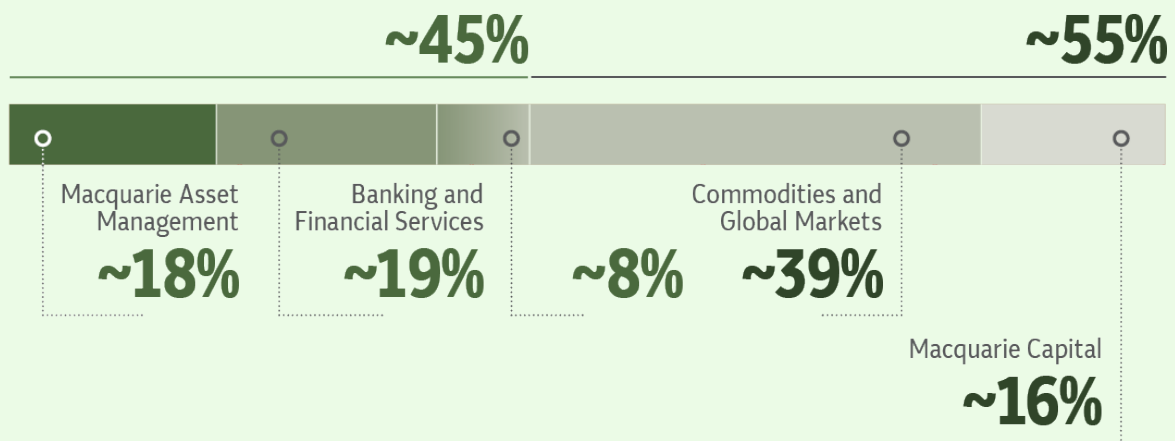
**\$A3,014m**

↓ 27% on prior year

Markets-facing activities

**\$A3,699m**

↓ 40% on prior year



<sup>1</sup> Net profit is profit after tax attributable to ordinary equity holders of Macquarie Group Limited.

<sup>2</sup> Net profit contribution is management accounting profit before unallocated corporate costs, profit share and income tax.

# 1.1 Executive Summary

Continued

## FY2024 net profit contribution by Operating Group

Summary of the Operating Groups' performance for the year ended 31 March 2024.

	Annuity-style businesses	Markets-facing businesses
Non-Banking Group	<p><b>Macquarie Asset Management (MAM)</b> <b>\$A1,208m</b></p> <p>↓ 48% on prior year due to</p> <ul style="list-style-type: none"> <li>decreased net income on equity, debt and other investments driven by lower asset realisations in green investments</li> <li>increased net expenditure on investments in green energy portfolio companies operating on a standalone basis</li> <li>increased net interest and trading expense primarily driven by higher funding costs due to an increase in central bank interest rates and investments.</li> </ul> <p>Partially offset by:</p> <ul style="list-style-type: none"> <li>reversal of an impairment previously recognised on a green equity investment.</li> </ul>	<p><b>Macquarie Capital</b> <b>\$A1,051m</b></p> <p>↑ 31% on prior year due to</p> <ul style="list-style-type: none"> <li>higher net interest and trading income primarily from the private credit portfolio, benefitting from \$A3.6 billion growth in average drawn loan assets with margins in line with the prior year and the non-recurrence of mark-to-market losses on certain debt underwriting positions</li> <li>lower credit provisions due to an improvement in the macroeconomic outlook and lower deployment of the private credit portfolio</li> <li>reversal of impairments on a small number of previously underperforming investments.</li> </ul> <p>Partially offset by:</p> <ul style="list-style-type: none"> <li>lower net gains on investments including the non-recurrence of material asset realisations</li> <li>lower fee and commission income driven by lower mergers and acquisitions fee income due to weaker market activity</li> <li>higher funding costs reflecting higher central bank interest rates and investment activity</li> <li>higher operating expenses driven by higher expenditure on technology platforms, increased compliance and regulatory spend and higher employment expenses.</li> </ul>
	<p><b>Banking and Financial Services (BFS)</b> <b>\$A1,241m</b></p> <p>↑ 3% on prior year due to</p> <ul style="list-style-type: none"> <li>higher net interest and trading income driven by growth in the loan portfolio and BFS deposits, and the full year benefit of the rising interest rate environment, partially offset by margin compression due to changes in portfolio mix, lending competition and higher funding costs</li> <li>higher fee and commission income driven by growth in average funds on platform, as well as higher lending and transaction volumes</li> <li>credit impairment reversals largely driven by an improvement in the macroeconomic outlook, partially offset by changes in composition of portfolio growth.</li> </ul> <p>Partially offset by:</p> <ul style="list-style-type: none"> <li>higher operating expenses driven by higher employment expenses and increased technology investment to support portfolio growth, compliance and regulatory requirements.</li> </ul>	<p><b>Commodities and Global Markets (CGM)<sup>1</sup></b> <b>\$A3,213m</b></p> <p>↓ 47% on prior year due to</p> <ul style="list-style-type: none"> <li>substantially lower inventory management and trading income driven by a reduction in trading activity, primarily in North American Gas and Power, partially offset by timing of income recognition on Gas and Power transport and storage contracts</li> <li>decreased risk management income primarily in EMEA Gas and Power, and Resources due to decreased client hedging as volatility and price movements stabilised across commodity markets following record highs in the prior year. The decrease was partially offset by an increased contribution from Agricultural markets</li> <li>higher operating expenses driven by higher expenditure on technology platform and infrastructure, compliance and regulatory spend and higher employment expenses.</li> </ul> <p>Partially offset by:</p> <ul style="list-style-type: none"> <li>increased foreign exchange, interest rate and credit products income driven by increased client hedging in foreign exchange and interest rate products and an increased contribution from the Futures business</li> <li>increased operating lease income driven by increased volumes in technology and energy sectors.</li> </ul>
Corporate	<p><b>Net expenses of \$A3,191m</b></p> <p>↓ 38% on prior year due to</p> <ul style="list-style-type: none"> <li>reduced operating expenses driven by lower performance-related profit share expense as a result of the performance of the Consolidated Entity and lower expenses on certain legacy and other transaction-related charges</li> <li>increased net interest and trading income, driven by increased earnings on capital reflecting higher central bank interest rates and higher average volumes, the impact of the Group's previously elevated centrally held liquidity and funding surpluses being deployed by the Operating Groups, and improved returns on Group Treasury's liquid asset portfolio</li> <li>reduced income tax expense as a result of the performance of the Consolidated Entity, partially offset by a higher effective tax rate mainly driven by the geographic composition and nature of earnings.</li> </ul>	

<sup>1</sup> Certain assets of the Financial Markets business, certain activities of the Commodity Markets and Finance business, and some other less financially significant activities are undertaken from within the Non-Banking Group.

## Profit attributable to the ordinary equity holders

# \$A3,522m

↓ 32% on prior year

	HALF YEAR TO			FULL YEAR TO		
	Mar 24	Sep 23	Movement	Mar 24	Mar 23	Movement
	\$Am	\$Am	%	\$Am	\$Am	%
<b>Financial performance summary</b>						
Net interest income	1,826	1,633	12	3,459	3,028	14
Net trading income	2,836	2,612	9	5,448	7,573	(28)
Fee and commission income	3,226	3,023	7	6,249	6,400	(2)
Share of net losses from associates and joint ventures	(44)	(5)	*	(49)	(113)	(57)
Net credit impairment reversals/(charges)	140	(6)	*	134	(388)	*
Net other impairment reversals/(charges)	112	123	(9)	235	(66)	*
Net other operating income	881	530	66	1,411	2,688	(48)
<b>Net operating income</b>	<b>8,977</b>	<b>7,910</b>	<b>13</b>	<b>16,887</b>	<b>19,122</b>	<b>(12)</b>
Employment expenses	(3,989)	(3,734)	7	(7,723)	(7,703)	<1
Brokerage, commission and fee expenses	(542)	(529)	2	(1,071)	(1,028)	4
Non-salary technology expenses	(569)	(594)	(4)	(1,163)	(1,092)	7
Other operating expenses	(1,042)	(1,062)	(2)	(2,104)	(2,307)	(9)
<b>Total operating expenses</b>	<b>(6,142)</b>	<b>(5,919)</b>	<b>4</b>	<b>(12,061)</b>	<b>(12,130)</b>	<b>(1)</b>
<b>Operating profit before income tax</b>	<b>2,835</b>	<b>1,991</b>	<b>42</b>	<b>4,826</b>	<b>6,992</b>	<b>(31)</b>
Income tax expense	(704)	(587)	20	(1,291)	(1,824)	(29)
<b>Profit after income tax</b>	<b>2,131</b>	<b>1,404</b>	<b>52</b>	<b>3,535</b>	<b>5,168</b>	<b>(32)</b>
(Profit)/loss attributable to non-controlling interests	(24)	11	*	(13)	14	*
<b>Profit attributable to ordinary equity holders of Macquarie Group Limited</b>	<b>2,107</b>	<b>1,415</b>	<b>49</b>	<b>3,522</b>	<b>5,182</b>	<b>(32)</b>
<b>Key metrics</b>						
Expense to income ratio (%)	68.4	74.8		71.4	63.4	
Compensation ratio (%)	42.0	44.3		43.1	38.1	
Effective tax rate (%)	25.0	29.3		26.8	26.0	
Basic earnings per share (cents per share)	547.4	369.2		916.6	1,353.7	
Diluted earnings per share (cents per share)	545.2	366.2		911.4	1,316.3	
Dividend per ordinary share (cents per share)	385.0	255.0		640.0	750.0	
Ordinary dividend payout ratio (%)	70	70		70	56	
Annualised return on equity (%)	12.9	8.7		10.8	16.9	

# 1.1 Executive Summary

Continued

## Net operating income

Net operating income of \$A16,887 million for the year ended 31 March 2024 decreased 12% from \$A19,122 million in the prior year. The decrease was primarily driven by lower net interest and trading income and lower net other operating income, partially offset by credit and other impairment reversals in the current year.

### Net interest and trading income

FULL YEAR TO		↓ <b>16%</b> on prior year
31 Mar 24	31 Mar 23	
\$Am	\$Am	
<b>8,907</b>	10,601	

This movement was largely driven by:

- substantially lower inventory management and trading income driven by a reduction in trading activity, primarily in North American Gas and Power, partially offset by timing of income recognition on Gas and Power transport and storage contracts, in CGM
- decreased risk management income, primarily in EMEA Gas and Power, and Resources due to decreased client hedging, in CGM.

Partially offset by:

- higher net interest and trading income from the private credit portfolio and the non-recurrence of mark-to-market losses on certain debt underwriting positions, in Macquarie Capital
- higher earnings on capital reflecting higher central bank interest rates
- growth in the loan portfolio and BFS deposits, and the full year benefit of the rising interest rate environment, partially offset by margin compression due to changes in portfolio mix, lending competition and higher funding costs.

### Share of net losses from associates and joint ventures

FULL YEAR TO		↓ <b>57%</b> on prior year
31 Mar 24	31 Mar 23	
\$Am	\$Am	
<b>(49)</b>	(113)	

This movement was largely driven by:

- changes in the performance of the investment portfolio, in MAM.

### Net other operating income

FULL YEAR TO		↓ <b>48%</b> on prior year
31 Mar 24	31 Mar 23	
\$Am	\$Am	
<b>1,411</b>	2,688	

This movement was primarily driven by:

- lower asset realisations in green investments in MAM
- non-recurrence of material asset realisations in Macquarie Capital
- increased net expenditure on investments in green energy portfolio companies operating on a standalone basis in MAM.

Partially offset by:

- gains on a number of investments in Macquarie Capital.

### Fee and commission income

FULL YEAR TO		↓ <b>2%</b> on prior year
31 Mar 24	31 Mar 23	
\$Am	\$Am	
<b>6,249</b>	6,400	

This movement was largely driven by:

- lower mergers and acquisitions fee income due to weaker market activity, in Macquarie Capital
- lower performance fees, in MAM
- lower base fees in Public Investments primarily driven by outflows in equity strategies, partially offset by favourable market and foreign exchange movements, in MAM.

Partially offset by:

- higher base fees in Private Markets which were driven by fundraising and investments made by Private Markets-managed funds and mandates, as well as favourable foreign exchange movements, in MAM.

### Credit and other impairment reversals/(charges)

FULL YEAR TO		↑ <b>significantly</b> on prior year
31 Mar 24	31 Mar 23	
\$Am	\$Am	
<b>369</b>	(454)	

This movement was largely driven by:

- release of credit provisions due to an improvement in the macroeconomic outlook
- reversal of impairments recognised on a small number of previously underperforming assets and equity investments in Macquarie Capital and MAM
- lower deployment of the private credit portfolio in Macquarie Capital.

Partially offset by:

- changes in composition of portfolio growth, in BFS.



## Operating expenses

Total operating expenses of \$A12,061 million for the year ended 31 March 2024 were broadly in line with \$A12,130 million in the prior year.

### Employment expenses

FULL YEAR TO		broadly in line with prior year
31 Mar 24	31 Mar 23	
\$Am	\$Am	
<b>7,723</b>	7,703	

This movement was largely driven by:

- higher salary and related expenses from higher average headcount and wage inflation
- unfavourable foreign exchange movements
- higher share-based payments expense mainly driven by the prior year's performance of the Consolidated Entity
- higher one-off staff costs.

Offset by:

- lower performance-related profit share expenses as a result of the performance of the Consolidated Entity.

### Non-salary technology expenses

FULL YEAR TO		↑7% on prior year
31 Mar 24	31 Mar 23	
\$Am	\$Am	
<b>1,163</b>	1,092	

This movement was largely driven by:

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

### Brokerage, commission and fee expenses

FULL YEAR TO		↑4% on prior year
31 Mar 24	31 Mar 23	
\$Am	\$Am	
<b>1,071</b>	1,028	

This movement was largely driven by:

- unfavourable foreign exchange movements
- increased trading and brokerage activities in CGM
- increased transaction volumes in BFS.

### Other operating expenses

FULL YEAR TO		↓9% on prior year
31 Mar 24	31 Mar 23	
\$Am	\$Am	
<b>2,104</b>	2,307	

This movement was largely driven by:

- lower expenses on certain legacy and other transaction-related charges
- lower professional fees.

## Income tax expense

Income tax expense of \$A1,291 million for the year ended 31 March 2024 decreased 29% from \$A1,824 million in the prior year. The effective tax rate for the year ended 31 March 2024 was 26.8%, up from 26.0% 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.

# 02

## Financial Performance Analysis

### **Via Gaetano Negri 4, Milan**

Opened in 2023 to bring together Macquarie's team of market specialists and deepen our commitment to Italy, our new Milan office provides colleagues and clients with space to work and connect in the historical heart of Italy's industrial and financial capital.





## 2.1 Net Interest and Trading Income

	HALF YEAR TO			FULL YEAR TO		
	Mar 24	Sep 23	Movement	Mar 24	Mar 23	Movement
	\$Am	\$Am	%	\$Am	\$Am	%
Net interest income	1,826	1,633	12	3,459	3,028	14
Net trading income	2,836	2,612	9	5,448	7,573	(28)
<b>Net interest and trading income</b>	<b>4,662</b>	<b>4,245</b>	<b>10</b>	<b>8,907</b>	<b>10,601</b>	<b>(16)</b>

Net interest income and net trading income are recorded in accordance with Australian Accounting Standards. Net interest income is brought to account using the effective interest method, while net trading income predominantly relates to gains and losses associated with trading activities.

For CGM, which predominantly earns income from trading-related activities, the relative contribution of net interest income and net trading income from those activities can vary from period to period depending on the underlying trading strategies undertaken by the Consolidated Entity and its clients.

With respect to businesses that predominantly earn income from lending activities, derivatives that hedge interest rate risk are measured at fair value through profit or loss (FVTPL). Changes in the fair value are presented in net trading income and give rise to income statement volatility unless designated in hedge accounting relationships. If designated in fair value hedge accounting relationships, the carrying value of the hedged items are adjusted for changes in the fair value attributable to the hedged risks to reduce volatility in the income statement. If designated in cash flow hedge accounting relationships, the effective portion of the derivatives' fair value gains or losses are deferred in the cash flow hedge reserve as part of Other Comprehensive Income (OCI), and subsequently recognised in the income statement at the time at which the hedged items affect the income statement for the hedged risks. For segment reporting, derivatives are accounted for on an accrual basis in the results of the Operating Groups to the extent that the Corporate segment manages the derivative volatility, either through the application of hedge accounting or where the derivative volatility may offset the volatility of other positions managed within the Corporate segment.

The presentation of net interest income and net trading income separately can distort the analysis of the underlying activities and drivers. For example, within Asset Finance (a business within CGM), interest rate swaps are entered into to hedge the interest rate risk associated with loan assets. The interest income and associated funding costs are recognised in net interest income, however, the related swaps are recognised in net trading income. Accordingly, net interest income and net trading income are presented and discussed below in aggregate for each Operating Group, which management believes presents a more consistent overview of business performance and allows for a better analysis of the underlying activities and drivers.

	HALF YEAR TO			FULL YEAR TO		
	Mar 24	Sep 23	Movement	Mar 24	Mar 23	Movement
	\$Am	\$Am	%	\$Am	\$Am	%
MAM	(292)	(265)	10	(557)	(396)	41
BFS	1,285	1,360	(6)	2,645	2,520	5
CGM						
Commodities						
Risk management	1,077	1,182	(9)	2,259	3,129	(28)
Lending and financing	153	198	(23)	351	337	4
Inventory management and trading	752	154	*	906	2,655	(66)
Foreign exchange, interest rates and credit	626	605	3	1,231	1,025	20
Equities	141	190	(26)	331	371	(11)
Asset Finance	44	34	29	78	122	(36)
Macquarie Capital	356	334	7	690	410	68
Corporate	520	453	15	973	428	127
<b>Net interest and trading income</b>	<b>4,662</b>	<b>4,245</b>	<b>10</b>	<b>8,907</b>	<b>10,601</b>	<b>(16)</b>



Net interest and trading income of \$A8,907 million for the year ended 31 March 2024 decreased 16% from \$A10,601 million in the prior year.

## MAM

Net interest and trading expense includes funding costs and hedging impacts related to investments, receivables and operating leases.

Net interest and trading expense of \$A557 million for the year ended 31 March 2024 increased 41% from \$A396 million in the prior year, primarily due to higher funding costs from an increase in central bank interest rates and investments.

## BFS

Net interest and trading income relates to interest income earned from the loan portfolio that primarily comprises home loans, loans to businesses, car loans and credit cards. BFS also generates income from deposits, which are used as a source of funding for the Bank Group.

Net interest and trading income of \$A2,645 million for the year ended 31 March 2024 increased 5% from \$A2,520 million in the prior year, primarily due to 11% growth in the average loan portfolio<sup>1</sup>, 14% growth in average BFS deposit volumes<sup>1</sup> and the full year benefit of the rising interest rate environment. This was partially offset by margin compression from changes in portfolio mix, ongoing lending competition and higher funding costs.

As at 31 March 2024 the loan and deposit portfolios included:

- home loan volumes<sup>2</sup> of \$A119.3 billion, up 10% from \$A108.1 billion as at 31 March 2023
- business banking loan volumes of \$A15.8 billion, up 22% from \$A13.0 billion as at 31 March 2023
- car loan volumes of \$A4.6 billion, down 25% from \$A6.1 billion as at 31 March 2023, and
- BFS deposits<sup>3</sup> of \$A142.7 billion, up 10% from \$A129.4 billion as at 31 March 2023.

## CGM

Net interest and trading income of \$A5,156 million for the year ended 31 March 2024 decreased 33% from \$A7,639 million in the prior year.

### Commodities

#### (i) Risk management

Income from risk management is driven by managing clients' exposure to commodity price volatility, which is supported by our strong internal risk management framework.

Risk management income of \$A2,259 million for the year ended 31 March 2024 decreased 28% from \$A3,129 million in the prior year with lower contributions from EMEA Gas and Power, and Resources due to lower client hedging as volatility and price movements stabilised across commodity markets following record highs in the prior year, partially offset by an increased contribution from Agricultural markets.

#### (ii) Lending and financing

Lending and financing activities include interest income from the provision of loans and working capital finance to clients across a range of commodity sectors including resources, energy and agriculture. Commodities lending and financing activities are primarily secured against underlying assets and typically have associated hedging to protect against downside risk.

Lending and financing income of \$A351 million for the year ended 31 March 2024 increased 4% from \$A337 million in the prior year due to increased volumes across energy and resources sectors.

#### (iii) Inventory management and trading

CGM enters into financial and physical contracts including exchange traded derivatives, OTC derivatives, storage and transport contracts as part of its commodities platform. These arrangements enable CGM to facilitate client transactions and provide CGM with trading opportunities where there is an imbalance between the supply and demand for commodities. Revenue is dependent on a number of factors including the volume of transactions, the level of risk assumed and the volatility of price movements across commodity markets and products.

Storage and transport contracts, which are managed on a fair value basis for financial and risk management purposes, are required to be accounted for on an accrual basis for statutory reporting purposes, which may result in some variability in the timing of reported income.

Inventory management and trading income of \$A906 million for the year ended 31 March 2024 decreased 66% from \$A2,655 million in the prior year. Substantially lower contributions were recorded in North American Gas and Power driven by a reduction in trading activity, partially offset by timing of income recognition on Gas and Power transport and storage contracts.

### Foreign exchange, interest rates and credit

Net interest and trading income from foreign exchange, interest rates and credit related activities are generated from the provision of hedging and trading services to a range of corporate and institutional clients globally, in addition to making secondary markets in corporate debt securities, syndicated bank loans and middle market loans and providing speciality lending.

Net interest and trading income from foreign exchange, interest rates and credit related activities of \$A1,231 million for the year ended 31 March 2024 increased 20% from \$A1,025 million in the prior year from increased client hedging in foreign exchange and interest rate products, as well as an increased contribution from the Futures business.

<sup>1</sup> Calculations based on average volumes net of offset accounts.

<sup>2</sup> Home loan volumes exclude offset accounts.

<sup>3</sup> BFS deposits include home loan offset accounts.

## 2.1 Net Interest and Trading Income

Continued

### Equities

Equities net interest and trading income is generated from the issue of derivative products in key locations, the provision of equity finance solutions to institutional clients and the provision of risk management and trading activities.

Equities net interest and trading income of \$A331 million for the year ended 31 March 2024 decreased 11% from \$A371 million in the prior year due to lower volatility in warrant markets.

### Macquarie Capital

Net interest and trading income includes the interest income earned from debt investments and the funding costs associated with both the debt and equity investment portfolios.

Net interest and trading income of \$A690 million for the year ended 31 March 2024 increased 68% from \$A410 million in the prior year.

The increase was primarily due to higher net interest income from the private credit portfolio, benefitting from a \$A3.6 billion<sup>1</sup> growth in average drawn loan assets with margins materially in line with the prior year. The increase was also driven by the non-recurrence of mark-to-market losses on certain debt underwriting positions. This was partially offset by an increase in funding costs reflecting higher central bank interest rates and investment activity.

### Corporate

Net interest and trading income in the Corporate segment includes the net result of managing Macquarie's liquidity and funding requirements, with the Operating Groups assumed to be fully debt funded for the purposes of the internal funding charges. The Corporate segment also includes earnings on capital, the funding benefit derived from the Group's capital base, funding costs associated with investments held centrally, and accounting volatility arising from movements in underlying interest rates relating to economically hedged positions where hedge accounting is not applied.

Net interest and trading income of \$A973 million for the year ended 31 March 2024 increased from \$A428 million in the prior year, and reflects the benefit derived from the Group's capital and liquidity management in the current interest rate environment.

The movement included increased earnings on capital reflecting higher central bank interest rates and higher average volumes, the impact of the Group's previously elevated centrally held liquidity and funding surpluses being deployed by the Operating Groups, and improved returns on Group Treasury's liquid asset portfolio.

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<sup>1</sup> Average volume calculation is based on balances converted at spot foreign exchange rates as at 31 March 2024.

## 2.2 Fee and Commission Income

	HALF YEAR TO			FULL YEAR TO		
	Mar 24	Sep 23	Movement	Mar 24	Mar 23	Movement
	\$Am	\$Am	%	\$Am	\$Am	%
Base fees	1,478	1,417	4	2,895	2,804	3
Portfolio administration fees	150	148	1	298	271	10
Other asset management fees	98	102	(4)	200	198	1
<b>Base, portfolio administration and other asset management fees</b>	<b>1,726</b>	<b>1,667</b>	<b>4</b>	<b>3,393</b>	<b>3,273</b>	<b>4</b>
Performance fees	396	236	68	632	692	(9)
Mergers and acquisitions, advisory and underwriting fees	335	408	(18)	743	991	(25)
Brokerage and other trading-related fees	414	377	10	791	715	11
Other fee and commission income	355	335	6	690	729	(5)
<b>Total fee and commission income</b>	<b>3,226</b>	<b>3,023</b>	<b>7</b>	<b>6,249</b>	<b>6,400</b>	<b>(2)</b>

Total fee and commission income of \$A6,249 million for the year ended 31 March 2024 decreased 2% from \$A6,400 million in the prior year. The decrease was primarily driven by lower mergers and acquisitions fee income in Macquarie Capital as well as lower capital raising, underwriting fees and performance fees in MAM, partially offset by higher base fees in MAM and higher brokerage and other trading-related fees in CGM and Macquarie Capital.

### Base fees, Other asset management fees and Performance fees

	HALF YEAR TO			FULL YEAR TO		
	Mar 24	Sep 23	Movement	Mar 24	Mar 23	Movement
	\$Am	\$Am	%	\$Am	\$Am	%
<b>Base fees</b>						
<b>MAM</b>						
Public Investments	733	741	(1)	1,474	1,529	(4)
Private Markets	734	666	10	1,400	1,253	12
<b>Total MAM</b>	<b>1,467</b>	<b>1,407</b>	<b>4</b>	<b>2,874</b>	<b>2,782</b>	<b>3</b>
<b>Other Operating Groups</b>	<b>11</b>	<b>10</b>	<b>10</b>	<b>21</b>	<b>22</b>	<b>(5)</b>
<b>Total base fee income</b>	<b>1,478</b>	<b>1,417</b>	<b>4</b>	<b>2,895</b>	<b>2,804</b>	<b>3</b>
<b>Total portfolio administration fees</b>	<b>150</b>	<b>148</b>	<b>1</b>	<b>298</b>	<b>271</b>	<b>10</b>
<b>Total other asset management fees</b>	<b>98</b>	<b>102</b>	<b>(4)</b>	<b>200</b>	<b>198</b>	<b>1</b>
<b>Performance fees</b>						
<b>MAM</b>						
Public Investments	-	-	-	-	1	(100)
Private Markets	395	236	67	631	691	(9)
<b>Total MAM</b>	<b>395</b>	<b>236</b>	<b>67</b>	<b>631</b>	<b>692</b>	<b>(9)</b>
<b>Other Operating Groups</b>	<b>1</b>	<b>-</b>	<b>*</b>	<b>1</b>	<b>-</b>	<b>*</b>
<b>Total performance fee income</b>	<b>396</b>	<b>236</b>	<b>68</b>	<b>632</b>	<b>692</b>	<b>(9)</b>

## 2.2 Fee and Commission Income

Continued

### Base fees

Base fees of \$A2,895 million for the year ended 31 March 2024 were broadly in line with the prior year.

Base fees are typically generated from funds management activities and are mainly attributable to MAM. MAM's base fees of \$A2,874 million for the year ended 31 March 2024 were broadly in line with the prior year with offsetting impacts across MAM. Base fees in Private Markets were higher due to fundraising and investments made by funds and mandates, as well as favourable foreign exchange movements, partially offset by asset realisations in funds. This was largely offset by lower base fees in Public Investments primarily due to outflows in equity strategies, partially offset by favourable market and foreign exchange movements.

Refer to section 7 for further details of MAM's Assets under Management (AUM) and Equity under Management (EUM).

### Portfolio administration fees

Portfolio administration fees include fees earned on the BFS Wrap platform.

Portfolio administration fees of \$A298 million for the year ended 31 March 2024 increased 10% from \$A271 million in the prior year, due to higher average funds on platform.

### Other asset management fees

Other asset management fees include distribution and marketing service fees in MAM.

Other asset management fees of \$A200 million for the year ended 31 March 2024 were broadly in line with the prior year.

### Performance fees

Performance fees are typically generated from Macquarie-managed funds and assets that have outperformed pre-defined benchmarks.

Performance fees of \$A632 million for the year ended 31 March 2024 decreased 9% from \$A692 million in the prior year.

Performance fees for the year ended 31 March 2024 included performance fees from a range of funds including Macquarie Infrastructure Partners (MIP) III, Macquarie European Infrastructure Fund (MEIF) 4, Macquarie Korea Opportunities Fund (MKOF) 3, MKOF4 and other Private Markets-managed funds, managed accounts and co-investors. The prior year included performance fees from MIP III, MEIF4, MKOF3 and other Private Markets-managed funds, managed accounts and co-investors.

### Mergers and acquisitions, advisory and underwriting fees

Mergers and acquisitions, advisory and underwriting fees of \$A743 million for the year ended 31 March 2024 decreased 25% from \$A991 million in the prior year.

The movement was primarily driven by lower mergers and acquisitions fee income in Macquarie Capital, due to weaker market activity primarily in ANZ and the Americas.

### Brokerage and other trading-related fee income

Brokerage and other trading-related fee income primarily includes brokerage income from the Equities business in Macquarie Capital, the Equity Derivatives and Trading and Futures businesses in CGM and brokerage income from the provision of wealth services in BFS.

Brokerage and other trading-related fee income of \$A791 million for the year ended 31 March 2024 increased 11% from \$A715 million in the prior year due to increased client activity in the Futures business in CGM as well as increased market activity in Macquarie Capital, particularly in Asia.

### Other fee and commission income

Other fee and commission income includes fees earned on a range of BFS' products and services including Wrap and Vision platforms, home loans, car loans, credit cards, business loans and BFS deposits. MAM includes fees related to transfer agent oversight services, capital raising and commission income, while CGM includes structured, index and retail products.

Other fee and commission income of \$A690 million for the year ended 31 March 2024 decreased 5% from \$A729 million in the prior year, primarily due to lower capital raising and transfer agent oversight fees in MAM, partially offset by higher fee income driven by higher lending and transaction volumes, in BFS.



## 2.3 Share of Net Profits/(Losses) from Associates and Joint Ventures

	HALF YEAR TO			FULL YEAR TO		
	Mar 24	Sep 23	Movement	Mar 24	Mar 23	Movement
	\$Am	\$Am	%	\$Am	\$Am	%
<b>Share of net losses from associates and joint ventures</b>	<b>(44)</b>	(5)	*	<b>(49)</b>	(113)	(57)

Share of net losses from associates and joint ventures of \$A49 million for the year ended 31 March 2024 decreased 57% from \$A113 million in the prior year. The movement was primarily driven by changes in the performance of the investment portfolio in MAM.

## 2.4 Credit and Other Impairment Reversals/(Charges)

	HALF YEAR TO			FULL YEAR TO		
	Mar 24 \$Am	Sep 23 \$Am	Movement %	Mar 24 \$Am	Mar 23 \$Am	Movement %
<b>Credit impairment reversals/(charges)</b>						
Loan assets	62	45	38	107	(343)	*
Financial investments and other assets	22	(49)	*	(27)	(25)	8
Loans to associates and joint ventures	20	7	186	27	5	*
Off balance sheet exposures	31	(20)	*	11	(72)	*
Margin money and settlement assets	5	11	(55)	16	42	(62)
<b>Gross credit impairment reversals/(charges)</b>	<b>140</b>	<b>(6)</b>	<b>*</b>	<b>134</b>	<b>(393)</b>	<b>*</b>
Recovery of amounts previously written off	-	-	-	-	5	(100)
<b>Net credit impairment reversals/(charges)</b>	<b>140</b>	<b>(6)</b>	<b>*</b>	<b>134</b>	<b>(388)</b>	<b>*</b>
<b>Other impairment reversals/(charges)</b>						
Interests in associates and joint ventures	137	126	9	263	(47)	*
Intangible and other non-financial assets	(25)	(3)	*	(28)	(19)	47
<b>Net other impairment reversals/(charges)</b>	<b>112</b>	<b>123</b>	<b>(9)</b>	<b>235</b>	<b>(66)</b>	<b>*</b>
<b>Total credit and other impairment reversals/(charges)</b>	<b>252</b>	<b>117</b>	<b>115</b>	<b>369</b>	<b>(454)</b>	<b>*</b>

	HALF YEAR TO			FULL YEAR TO		
	Mar 24 \$Am	Sep 23 \$Am	Movement %	Mar 24 \$Am	Mar 23 \$Am	Movement %
MAM	12	110	(89)	122	(14)	*
BFS	38	(23)	*	15	(34)	*
CGM	32	(21)	*	11	(57)	*
Macquarie Capital	131	33	297	164	(294)	*
Corporate	39	18	117	57	(55)	*
<b>Total credit and other impairment reversals/(charges)</b>	<b>252</b>	<b>117</b>	<b>115</b>	<b>369</b>	<b>(454)</b>	<b>*</b>

Total credit and other impairment reversals of \$A369 million for the year ended 31 March 2024 compared to charges of \$A454 million in the prior year.

Net credit impairment reversals of \$A134 million compared to charges of \$A388 million in the prior year, were largely due to an improvement in the macroeconomic outlook.

Net other impairment reversals of \$A235 million compared to charges of \$A66 million in the prior year, were mainly driven by the reversal of impairments recognised on a small number of previously underperforming assets and equity investments in Macquarie Capital and MAM.

## MAM

Net credit and other impairment reversals of \$A122 million for the year ended 31 March 2024 compared to charges of \$A14 million in the prior year.

The current year included the reversal of an impairment previously recognised on a green equity investment.

## BFS

Net credit and other impairment reversals of \$A15 million for the year ended 31 March 2024 compared to charges of \$A34 million in the prior year were largely driven by an improvement in the macroeconomic outlook, partially offset by changes in composition of portfolio growth.

## CGM

Net credit and other impairment reversals of \$A11 million for the year ended 31 March 2024 compared to charges of \$A57 million in the prior year were driven by an improvement in the macroeconomic outlook, partially offset by additional impairments on a small number of specific exposures in the commodities sector.

For further information on the Consolidated Entity's determination of its expected credit losses, please refer to Note 13 *Expected credit losses* in the Financial Report.

## Macquarie Capital

Net credit and other impairment reversals of \$A164 million for the year ended 31 March 2024 compared to charges of \$A294 million in the prior year.

The movement was driven by an improvement in the macroeconomic outlook, lower deployment of the private credit portfolio and the reversal of impairments on a small number of previously underperforming investments.

## Corporate

Net credit and other impairment reversals of \$A57 million for the year ended 31 March 2024 compared to charges of \$A55 million in the prior year were driven by a partial release of centrally held provisions for expected credit losses driven by an improvement in the macroeconomic outlook.

## 2.5 Net Other Operating Income

	HALF YEAR TO			FULL YEAR TO		
	Mar 24 \$Am	Sep 23 \$Am	Movement %	Mar 24 \$Am	Mar 23 \$Am	Movement %
<b>Investment income</b>						
Net gain on disposal of subsidiaries and businesses	258	45	*	303	407	(26)
Net gain/(loss) on financial investments	299	206	45	505	(53)	*
Net gain on interests in associates and joint ventures	189	95	99	284	1,806	(84)
Net (loss)/gain on non-financial assets	(2)	20	*	18	8	125
<b>Net investment income</b>	<b>744</b>	<b>366</b>	<b>103</b>	<b>1,110</b>	<b>2,168</b>	<b>(49)</b>
Rental income	526	497	6	1,023	860	19
Depreciation	(240)	(230)	4	(470)	(395)	19
<b>Net operating lease income</b>	<b>286</b>	<b>267</b>	<b>7</b>	<b>553</b>	<b>465</b>	<b>19</b>
<b>Businesses and subsidiaries held for investment purposes<sup>1</sup></b>						
Net operating revenue <sup>2</sup>	407	342	19	749	421	78
Expenses <sup>3</sup>	(605)	(526)	15	(1,131)	(608)	86
<b>Net loss from businesses and subsidiaries held for investment purposes</b>	<b>(198)</b>	<b>(184)</b>	<b>8</b>	<b>(382)</b>	<b>(187)</b>	<b>104</b>
<b>Other income</b>	<b>49</b>	<b>81</b>	<b>(40)</b>	<b>130</b>	<b>242</b>	<b>(46)</b>
<b>Total net other operating income</b>	<b>881</b>	<b>530</b>	<b>66</b>	<b>1,411</b>	<b>2,688</b>	<b>(48)</b>

Total net other operating income of \$A1,411 million for the year ended 31 March 2024 decreased 48% from \$A2,688 million in the prior year. The decrease was mainly driven by lower asset realisations in green investments and increased net expenditure on investments in green energy portfolio companies operating on a standalone basis, in MAM. The decrease was further driven by the non-recurrence of material asset realisations in the Americas and Europe, partially offset by gains on a number of investments in Macquarie Capital.

### Investment income

Investment income of \$A1,110 million for the year ended 31 March 2024 decreased 49% from \$A2,168 million in the prior year. The movement was primarily driven by lower asset realisations in green investments in MAM and the non-recurrence of material asset realisations in the Americas and Europe in Macquarie Capital. This was partially offset by gains on a number of investments particularly in the technology, digital infrastructure and energy transition sectors in Macquarie Capital.

### Net operating lease income

Net operating lease income of \$A553 million for the year ended 31 March 2024 increased 19% from \$A465 million in the prior year, primarily driven by increased volumes in technology and energy sectors, in CGM.

### Businesses and subsidiaries held for investment purposes

Net loss from businesses and subsidiaries held for investment purposes of \$A382 million for the year ended 31 March 2024 increased from \$A187 million in the prior year. The movement primarily reflected increased net expenditure on investments in green energy portfolio companies operating on a standalone basis, in MAM.

### Other income

Other income of \$A130 million for the year ended 31 March 2024 decreased 46% from \$A242 million in the prior year, mainly in Macquarie Capital and CGM.

<sup>1</sup> Businesses and subsidiaries held for investment purposes are consolidated entities that are held with the ultimate intention to sell as part of Macquarie's investment activities.

<sup>2</sup> Includes revenue of \$A1,064 million (2023: \$A628 million) before deduction of \$A315 million (2023: \$A207 million) related to cost of goods sold and other direct costs.

<sup>3</sup> Includes employment expenses, depreciation and amortisation expenses and other operating expenses.

## 2.6 Operating Expenses

	HALF YEAR TO			FULL YEAR TO		
	Mar 24	Sep 23	Movement	Mar 24	Mar 23	Movement
	\$Am	\$Am	%	\$Am	\$Am	%
Employment expenses						
Salary and related costs including commissions, superannuation and performance-related profit share	(3,330)	(3,064)	9	(6,394)	(6,456)	(1)
Share-based payments	(427)	(406)	5	(833)	(762)	9
Provision for long service leave and annual leave	(10)	(36)	(72)	(46)	(60)	(23)
<b>Total compensation expenses</b>	<b>(3,767)</b>	<b>(3,506)</b>	<b>7</b>	<b>(7,273)</b>	<b>(7,278)</b>	<b>(&lt;1)</b>
Other employment expenses including on-costs, staff procurement and staff training	(222)	(228)	(3)	(450)	(425)	6
<b>Total employment expenses</b>	<b>(3,989)</b>	<b>(3,734)</b>	<b>7</b>	<b>(7,723)</b>	<b>(7,703)</b>	<b>&lt;1</b>
Brokerage, commission and fee expenses	(542)	(529)	2	(1,071)	(1,028)	4
Non-salary technology expenses	(569)	(594)	(4)	(1,163)	(1,092)	7
Other operating expenses						
Occupancy expenses	(199)	(195)	2	(394)	(372)	6
Professional fees	(247)	(221)	12	(468)	(537)	(13)
Indirect and other taxes	(86)	(100)	(14)	(186)	(155)	20
Advertising and promotional expenses	(90)	(87)	3	(177)	(196)	(10)
Amortisation of intangible assets	(84)	(80)	5	(164)	(181)	(9)
Travel and entertainment expenses	(75)	(93)	(19)	(168)	(171)	(2)
Fees for audit and other services	(37)	(33)	12	(70)	(83)	(16)
Other	(224)	(253)	(11)	(477)	(612)	(22)
<b>Total other operating expenses</b>	<b>(1,042)</b>	<b>(1,062)</b>	<b>(2)</b>	<b>(2,104)</b>	<b>(2,307)</b>	<b>(9)</b>
<b>Total operating expenses</b>	<b>(6,142)</b>	<b>(5,919)</b>	<b>4</b>	<b>(12,061)</b>	<b>(12,130)</b>	<b>(1)</b>

Total operating expenses of \$A12,061 million for the year ended 31 March 2024 were broadly in line with the prior year. The current year included lower performance-related profit share expenses, reduced other expenses and lower professional fees. This was largely offset by unfavourable foreign exchange rate movements, higher salary and related expenses from average headcount growth, wage inflation and one-off staff costs, as well as higher share-based payments expense.

The movement was driven by:

- Total employment expenses of \$A7,723 million for the year ended 31 March 2024 were broadly in line with \$A7,703 million in the prior year, primarily driven by higher salary and related expenses due to average headcount growth, wage inflation, one-off staff costs and higher share-based payments expense, mainly driven by the prior year's performance of the Consolidated Entity as well as unfavourable foreign exchange movements. This was mainly offset by lower performance-related profit share expenses as a result of the performance of the Consolidated Entity.
- Brokerage, commission and fee expenses of \$A1,071 million for the year ended 31 March 2024 increased 4% from \$A1,028 million in the prior year, primarily due to increased trading and brokerage activities in CGM and higher transaction volumes in BFS.
- Non-salary technology expenses of \$A1,163 million for the year ended 31 March 2024 increased 7% from \$A1,092 million in the prior year, primarily due to an increased investment in technology initiatives, with a focus on data and digitalisation, to support business growth and compliance.
- Total other operating expenses of \$A2,104 million for the year ended 31 March 2024 decreased 9% from \$A2,307 million in the prior year, mainly due to lower expenses on certain legacy and other transaction-related charges, lower professional fees and amortisation of intangibles, primarily in MAM.



## 2.7 Headcount

	AS AT			MOVEMENT	
	Mar 24	Sep 23	Mar 23	Sep 23 %	Mar 23 %
<b>Headcount by Operating Group<sup>1</sup></b>					
MAM	2,473	2,548	2,509	(3)	(1)
BFS	3,690	4,016	3,820	(8)	(3)
CGM	2,523	2,469	2,378	2	6
Macquarie Capital	1,599	1,638	1,630	(2)	(2)
Total headcount – Operating Groups	10,285	10,671	10,337	(4)	(1)
Total headcount – Corporate	10,381	10,599	10,172	(2)	2
<b>Total headcount</b>	<b>20,666</b>	<b>21,270</b>	<b>20,509</b>	<b>(3)</b>	<b>1</b>
<b>Headcount by region</b>					
Australia <sup>2</sup>	10,206	10,532	10,125	(3)	1
International:					
Americas	3,190	3,320	3,204	(4)	(<1)
Asia	4,249	4,363	4,264	(3)	(<1)
Europe, Middle East and Africa	3,021	3,055	2,916	(1)	4
Total headcount – International	10,460	10,738	10,384	(3)	1
<b>Total headcount</b>	<b>20,666</b>	<b>21,270</b>	<b>20,509</b>	<b>(3)</b>	<b>1</b>
International headcount ratio (%)	51	50	51		

Total headcount of 20,666 as at 31 March 2024 increased from 20,509 as at 31 March 2023. The increase was driven by investment in additional technology capability as well as increased compliance and regulatory initiatives. This was largely offset by operational efficiency savings enabled through investment in technology and transformation initiatives.

<sup>1</sup> Headcount numbers in this document included certain staff employed in operationally segregated subsidiaries (OSS).

<sup>2</sup> Includes New Zealand.

## 2.8 Income Tax Expense

	FULL YEAR TO	
	Mar 24 \$Am	Mar 23 \$Am
Operating profit before income tax	4,826	6,992
<i>Prima facie tax @ 30%</i>	1,448	2,098
Income tax permanent differences	(157)	(274)
Income tax expense	1,291	1,824
<b>Effective tax rate<sup>1</sup></b>	<b>26.8%</b>	26.0%

Income tax expense of \$A1,291 million for the year ended 31 March 2024 decreased 29% from \$A1,824 million in the prior year. The effective tax rate for the year ended 31 March 2024 was 26.8%, up from 26.0% 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.

<sup>1</sup> The effective tax rate is calculated on Operating profit before income tax and after non-controlling interests. Non-controlling interests reduced operating profit before income tax by \$A13 million for the year ended 31 March 2024 (31 March 2023: increased operating profit before income tax by \$A14 million).

The background of the page is a photograph of a modern office interior. It features perforated metal panels in white and teal, with large green plants in the foreground. The lighting is bright and even.

# 03

## Segment Analysis

### **80 Collins, Melbourne**

Home to over 800 employees from across Macquarie, our Melbourne campus is located within two interconnected buildings in the city's financial district. The workplace has panoramic views over Melbourne's parklands and has been designed with a focus on hybrid-enabled space and technology to support the diverse needs of our business and clients.







## 3.1 Basis of Preparation

### Operating Segments

AASB 8 *Operating Segments* requires the 'management approach' to disclosing information about the Consolidated Entity's reportable segments. The financial information is reported on the same basis as used internally by Senior Management for evaluating Operating Segment performance and for deciding how to allocate resources to Operating Segments. Such information may be produced using different measures to that used in preparing the statutory income statement.

For internal reporting, performance measurement and risk management purposes, the Consolidated Entity is divided into Operating Groups and a Corporate segment (reportable segments).

The financial information disclosed relates to the Consolidated Entity's ordinary activities.

These segments have been set up based on the different core products and services offered. The Operating Groups comprise:

- **MAM** which provides investment solutions to clients across a range of capabilities including real assets, real estate, credit, equities & multi-asset and secondaries
- **BFS** which provides a diverse range of personal banking, wealth management and business banking products and services to retail clients, advisers, brokers and business clients
- **CGM** which is a global business offering capital and financing, risk management, market access, physical execution and logistics solutions to its diverse client base across Commodities, Financial Markets and Asset Finance
- **Macquarie Capital** which has global capability in advisory and capital raising services, providing clients with specialist expertise and flexible capital solutions across a range of sectors. It also has global capability in specialist investing across private credit, private equity, real estate, growth equity, venture capital, and in infrastructure and energy projects and companies. Macquarie Capital's Equities brokerage business provides clients with access to equity research, sales, execution capabilities and corporate access.

The Corporate segment, which is not considered an Operating Group, comprises head office and Central Service Groups, and holds certain legacy and strategic investments, assets and businesses that are not allocated to any of the Operating Groups.

Items of income and expense within the Corporate segment include the net result of managing Macquarie's liquidity and funding requirements, earnings on capital and the residual accounting volatility relating to economically hedged positions where hedge accounting is applied, as well as accounting volatility for other economically hedged positions where hedge accounting is not applicable.

Other items of income and expense within the Corporate segment include earnings from investments, changes in central overlays to credit and other impairments or valuation of assets, provisions for legacy matters, unallocated head office costs and costs of Central Service Groups. The Corporate segment also includes performance-related profit share and share-based payments expense and income tax expense.

Below is a selection of key policies applied in determining the Operating Segment results.

### Internal funding arrangements

Group Treasury has the responsibility for managing wholesale funding for the Consolidated Entity, and Operating Groups obtain their required funding from Group Treasury. The Operating Groups are assumed to be fully debt funded for the purposes of internal funding charges. The interest rates charged by Group Treasury are determined by the currency and term of the funding.

Generally, with the exception of deposit funding, Operating Groups may only source funding directly from external sources where the funding is secured by the Operating Group's assets. In such cases, Operating Groups bear the funding costs directly and Group Treasury may levy additional charges, where appropriate.

### Transactions between Operating Segments

Operating Segments that enter into arrangements with other Operating Segments must do so on commercial terms or as agreed by the Consolidated Entity's Chief Executive Officer or Chief Financial Officer.

Internal transactions are recognised in each of the relevant categories of income and expense and eliminated on consolidation as appropriate.

## Accounting for derivatives that economically hedge interest rate risk

With respect to businesses that predominantly earn income from lending activities, derivatives that hedge interest rate risk are measured at fair value through profit or loss (FVTPL). Changes in the fair value are presented in net trading income and give rise to income statement volatility unless designated in hedge accounting relationships. If designated in fair value hedge accounting relationships, the carrying value of the hedged items are adjusted for changes in the fair value attributable to the hedged risks to reduce volatility in the income statement. If designated in cash flow hedge accounting relationships, the effective portion of the derivatives' fair value gains or losses are deferred in the cash flow hedge reserve as part of Other Comprehensive Income (OCI), and subsequently recognised in the income statement at the time at which the hedged items affect the income statement for the hedged risks. For segment reporting, derivatives are accounted for on an accrual basis in the results of the Operating Groups to the extent that the Corporate segment manages the derivative volatility, either through the application of hedge accounting or where the derivative volatility may offset the volatility of other positions managed within the Corporate segment.

## Central Service Groups

The Central Service Groups provide a range of functions supporting MGL'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.

Central Service Groups recover their costs from Operating Groups generally on either a time and effort allocation basis or a fee for service basis. Central Service Groups include the Corporate Operations Group (COG), Financial Management Group (FMG), Risk Management Group (RMG), Legal and Governance Group (LGG) and Central Executive.

## Performance-related profit share and share-based payments expense

Performance-related profit share and share-based payments expense relating to the Macquarie Group Employee Retained Equity Plan (MEREPE) are recognised in the Corporate segment and are not allocated to Operating Groups.

## Income tax

The income tax expense and benefit is recognised in the Corporate segment and are not allocated to the Operating Groups. However, to recognise an Operating Group's contribution to permanent income tax differences, the internal management revenue/charge category is used.

This internal management revenue/charge category, which is primarily used for permanent income tax differences generated by the Operating Groups, is offset by an equal and opposite amount recognised in the Corporate segment such that they are eliminated on consolidation.

## Presentation of segment income statements

The income statements on the following pages for each of the reported segments are in some cases summarised by grouping non-material balances together. Where appropriate, all material or key balances have been reported separately to provide users with information relevant to the understanding of the Consolidated Entity's financial performance. The financial information disclosed relates to the Consolidated Entity's ordinary activities.

## 3.1 Basis of Preparation

Continued

	MAM	BFS
	\$Am	\$Am
<b>Full year ended 31 March 2024</b>		
Net interest and trading (expense)/income	(557)	2,645
Fee and commission income/(expense)	3,941	554
Share of net profits/(losses) from associates and joint ventures	54	-
Other operating income and charges		
Net credit and other impairment reversals	122	15
Net other operating income and charges	196	(6)
Internal management (charge)/revenue	(2)	1
Net operating income	3,754	3,209
Total operating expenses	(2,559)	(1,968)
Operating profit/(loss) before income tax	1,195	1,241
Income tax expense	-	-
Loss/(profit) attributable to non-controlling interests	13	-
<b>Net profit/(loss) contribution</b>	<b>1,208</b>	<b>1,241</b>
<b>Full year ended 31 March 2023</b>		
Net interest and trading (expense)/income	(396)	2,520
Fee and commission income/(expense)	4,029	504
Share of net (losses)/profits from associates and joint ventures	(1)	(7)
Other operating income and charges		
Net credit and other impairment charges	(14)	(34)
Net other operating income and charges	1,241	(13)
Internal management revenue/(charge)	92	(10)
Net operating income	4,951	2,960
Total operating expenses	(2,595)	(1,759)
Operating profit/(loss) before income tax	2,356	1,201
Income tax expense	-	-
(Profit)/loss attributable to non-controlling interests	(14)	-
<b>Net profit/(loss) contribution</b>	<b>2,342</b>	<b>1,201</b>

CGM \$Am	Macquarie Capital \$Am	Corporate \$Am	Total \$Am
5,156	690	973	<b>8,907</b>
586	1,201	(33)	<b>6,249</b>
42	(144)	(1)	<b>(49)</b>
11	164	57	<b>369</b>
508	680	33	<b>1,411</b>
19	21	(39)	<b>-</b>
6,322	2,612	990	<b>16,887</b>
(3,108)	(1,538)	(2,888)	<b>(12,061)</b>
3,214	1,074	(1,898)	<b>4,826</b>
-	-	(1,291)	<b>(1,291)</b>
(1)	(23)	(2)	<b>(13)</b>
<b>3,213</b>	<b>1,051</b>	<b>(3,191)</b>	<b>3,522</b>
7,639	410	428	<b>10,601</b>
539	1,356	(28)	<b>6,400</b>
32	(137)	-	<b>(113)</b>
(57)	(294)	(55)	<b>(454)</b>
535	903	22	<b>2,688</b>
29	(11)	(100)	<b>-</b>
8,717	2,227	267	<b>19,122</b>
(2,710)	(1,456)	(3,610)	<b>(12,130)</b>
6,007	771	(3,343)	<b>6,992</b>
-	-	(1,824)	<b>(1,824)</b>
-	30	(2)	<b>14</b>
<b>6,007</b>	<b>801</b>	<b>(5,169)</b>	<b>5,182</b>



## 3.2 MAM

	HALF YEAR TO			FULL YEAR TO		
	Mar 24 \$Am	Sep 23 \$Am	Movement %	Mar 24 \$Am	Mar 23 \$Am	Movement %
<b>Net interest and trading expense</b>	<b>(292)</b>	(265)	10	<b>(557)</b>	(396)	41
<b>Fee and commission income</b>						
Base fees	<b>1,467</b>	1,407	4	<b>2,874</b>	2,782	3
Performance fees	<b>395</b>	236	67	<b>631</b>	692	(9)
Other fee and commission income	<b>224</b>	212	6	<b>436</b>	555	(21)
<b>Total fee and commission income</b>	<b>2,086</b>	1,855	12	<b>3,941</b>	4,029	(2)
<b>Share of net profits/(losses) from associates and joint ventures</b>	<b>25</b>	29	(14)	<b>54</b>	(1)	*
<b>Other operating income and charges</b>						
Net income on equity, debt and other investments	<b>298</b>	49	*	<b>347</b>	1,179	(71)
Net credit and other impairment reversals/(charges)	<b>12</b>	110	(89)	<b>122</b>	(14)	*
Other (expenses)/income	<b>(66)</b>	(85)	(22)	<b>(151)</b>	62	*
<b>Total other operating income and charges</b>	<b>244</b>	74	230	<b>318</b>	1,227	(74)
<b>Internal management (charge)/revenue</b>	<b>(2)</b>	-	*	<b>(2)</b>	92	*
<b>Net operating income</b>	<b>2,061</b>	1,693	22	<b>3,754</b>	4,951	(24)
<b>Operating expenses</b>						
Employment expenses	<b>(420)</b>	(415)	1	<b>(835)</b>	(838)	(<1)
Brokerage, commission and fee expenses	<b>(191)</b>	(194)	(2)	<b>(385)</b>	(399)	(4)
Other operating expenses	<b>(648)</b>	(691)	(6)	<b>(1,339)</b>	(1,358)	(1)
<b>Total operating expenses</b>	<b>(1,259)</b>	(1,300)	(3)	<b>(2,559)</b>	(2,595)	(1)
<b>Non-controlling interests<sup>1</sup></b>	<b>(1)</b>	14	*	<b>13</b>	(14)	*
<b>Net profit contribution</b>	<b>801</b>	407	97	<b>1,208</b>	2,342	(48)
<b>Non-GAAP metrics</b>						
Assets under management (\$Ab)	<b>938.3</b>	892.0	5	<b>938.3</b>	878.6	7
Equity under management (\$Ab)	<b>222.3</b>	210.0	6	<b>222.3</b>	205.8	8
Headcount	<b>2,473</b>	2,548	(3)	<b>2,473</b>	2,509	(1)

Net profit contribution of \$A1,208 million for the year ended 31 March 2024 decreased 48% from the prior year due to:

- decreased net income on equity, debt and other investments driven by lower asset realisations in green investments
- increased net expenditure on investments in green energy portfolio companies operating on a standalone basis
- increased net interest and trading expense primarily driven by higher funding costs due to an increase in central bank interest rates and investments.

Partially offset by:

- reversal of an impairment previously recognised on a green equity investment.

<sup>1</sup> Non-controlling interests adjust reported consolidated profit or loss for the share that is attributable to non-controlling interests, such that the net profit contribution represents the net profit attributable to ordinary equity holders.

## Net interest and trading expense

Net interest and trading expense includes funding costs and hedging impacts related to investments, receivables and operating leases.

Net interest and trading expense of \$A557 million for the year ended 31 March 2024 increased 41% from \$A396 million in the prior year, primarily due to higher funding costs from an increase in central bank interest rates and investments.

### Base fees

Base fee income of \$A2,874 million for the year ended 31 March 2024 was broadly in line with the prior year with offsetting impacts across MAM. Base fees in Private Markets were higher due to fundraising and investments made by funds and mandates, as well as favourable foreign exchange movements, partially offset by asset realisations in funds. This was largely offset by lower base fees in Public Investments primarily due to outflows in equity strategies, partially offset by favourable market and foreign exchange movements.

### Performance fees

Performance fees are typically generated from Macquarie-managed funds and assets that have outperformed pre-defined benchmarks. Performance fees of \$A631 million for the year ended 31 March 2024 decreased 9% from \$A692 million in the prior year.

The year ended 31 March 2024 included performance fees from a range of funds including MIP III, MEIF4, MKOF3, MKOF4 and other Private Markets-managed funds, managed accounts and co-investors. The prior year included performance fees from MIP III, MEIF4, MKOF3 and other Private Markets-managed funds, managed accounts and co-investors.

### Other fee and commission income

Other fee and commission income includes fees related to distribution and marketing services, transfer agent oversight services, capital raising, underwriting and commission income.

Distribution and marketing service fees are offset by associated expenses that, for accounting purposes, are recognised in Operating expenses.

Other fee and commission income of \$A436 million for the year ended 31 March 2024 decreased 21% from \$A555 million in the prior year, primarily due to lower capital raising, underwriting and transfer agent oversight fees.

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

Share of net profits from associates and joint ventures of \$A54 million for the year ended 31 March 2024 compared to losses of \$A1 million in the prior year. The increase was primarily driven by changes in the performance of the investment portfolio.

## Net income on equity, debt and other investments

Net income on equity, debt and other investments of \$A347 million for the year ended 31 March 2024 decreased 71% from \$A1,179 million in the prior year, primarily due to lower asset realisations in green investments.

### Net credit and other impairment reversals/(charges)

Net credit and other impairment reversals of \$A122 million for the year ended 31 March 2024 compared to charges of \$A14 million in the prior year.

The current year included the reversal of an impairment previously recognised on a green equity investment.

### Other (expenses)/income

Other expenses of \$A151 million for the year ended 31 March 2024 compared to income of \$A62 million in the prior year. The movement primarily reflected increased net expenditure on investments in green energy portfolio companies operating on a standalone basis.

### Operating expenses

Total operating expenses of \$A2,559 million for the year ended 31 March 2024 were broadly in line with the prior year. There were broadly offsetting impacts between the non-recurrence of expenses related to one-off acquisition and integration costs incurred in the prior year, and unfavourable foreign exchange movements in the current year. The current year also included a one-off legacy matter.

## 3.3 BFS

	HALF YEAR TO			FULL YEAR TO		
	Mar 24 \$Am	Sep 23 \$Am	Movement %	Mar 24 \$Am	Mar 23 \$Am	Movement %
<b>Net interest and trading income</b>	<b>1,285</b>	1,360	(6)	<b>2,645</b>	2,520	5
<b>Fee and commission income</b>						
Wealth management fee income	<b>187</b>	184	2	<b>371</b>	340	9
Banking and lending fee income	<b>94</b>	89	6	<b>183</b>	164	12
<b>Total fee and commission income</b>	<b>281</b>	273	3	<b>554</b>	504	10
<b>Share of net profits/(losses) from associates and joint ventures</b>	<b>2</b>	(2)	*	<b>-</b>	(7)	(100)
<b>Other operating income and charges</b>						
Net credit and other impairment reversals/(charges)	<b>38</b>	(23)	*	<b>15</b>	(34)	*
Other (expenses)/income	<b>(6)</b>	-	*	<b>(6)</b>	(13)	(54)
<b>Total other operating income and charges</b>	<b>32</b>	(23)	*	<b>9</b>	(47)	*
<b>Internal management revenue/(charge)</b>	<b>-</b>	1	(100)	<b>1</b>	(10)	*
<b>Net operating income</b>	<b>1,600</b>	1,609	(1)	<b>3,209</b>	2,960	8
<b>Operating expenses</b>						
Employment expenses	<b>(314)</b>	(321)	(2)	<b>(635)</b>	(530)	20
Brokerage, commission and fee expenses	<b>(81)</b>	(65)	25	<b>(146)</b>	(125)	17
Technology expenses <sup>1</sup>	<b>(305)</b>	(326)	(6)	<b>(631)</b>	(562)	12
Other operating expenses	<b>(297)</b>	(259)	15	<b>(556)</b>	(542)	3
<b>Total operating expenses</b>	<b>(997)</b>	(971)	3	<b>(1,968)</b>	(1,759)	12
<b>Net profit contribution</b>	<b>603</b>	638	(5)	<b>1,241</b>	1,201	3
<b>Non-GAAP metrics</b>						
Funds on platform (\$Ab) <sup>2</sup>	<b>141.8</b>	125.1	13	<b>141.8</b>	123.1	15
Loan portfolio (\$Ab) <sup>3</sup>	<b>140.2</b>	134.4	4	<b>140.2</b>	127.7	10
BFS deposits (\$Ab) <sup>4</sup>	<b>142.7</b>	131.2	9	<b>142.7</b>	129.4	10
Headcount	<b>3,690</b>	4,016	(8)	<b>3,690</b>	3,820	(3)

Net profit contribution of \$A1,241 million for the year ended 31 March 2024 increased 3% from the prior year due to:

- higher net interest and trading income driven by growth in the loan portfolio and BFS deposits, and the full year benefit of the rising interest rate environment, partially offset by margin compression due to changes in portfolio mix, lending competition and higher funding costs
- higher fee and commission income driven by growth in average funds on platform, as well as higher lending and transaction volumes
- credit impairment reversals largely driven by an improvement in the macroeconomic outlook, partially offset by changes in composition of portfolio growth.

Partially offset by:

- higher operating expenses driven by higher employment expenses and increased technology investment to support portfolio growth, compliance and regulatory requirements.

<sup>1</sup> Technology expenses include technology staff expenses, depreciation of technology assets, amortisation of capitalised software and maintenance costs.

<sup>2</sup> Funds on platform includes Macquarie Wrap and Vision.

<sup>3</sup> The loan portfolio comprises home loans, loans to businesses, car loans and credit cards.

<sup>4</sup> BFS deposits include home loan offset accounts.

## Net interest and trading income

Net interest and trading income in BFS relates to interest income earned from the loan portfolio that primarily comprises home loans, loans to businesses, car loans and credit cards. BFS also generates income from deposits, which are used as a source of funding for the Bank Group.

Net interest and trading income of \$A2,645 million for the year ended 31 March 2024 increased 5% from \$A2,520 million in the prior year, primarily due to 11% growth in the average loan portfolio<sup>1</sup>, 14% growth in average BFS deposit volumes<sup>1</sup> and the full year benefit of the rising interest rate environment. This was partially offset by margin compression from changes in portfolio mix, ongoing lending competition and higher funding costs.

As at 31 March 2024 the loan and deposit portfolios included:

- home loan volumes<sup>2</sup> of \$A119.3 billion, up 10% from \$A108.1 billion as at 31 March 2023
- business banking loan volumes of \$A15.8 billion, up 22% from \$A13.0 billion as at 31 March 2023
- car loan volumes of \$A4.6 billion, down 25% from \$A6.1 billion as at 31 March 2023, and
- BFS deposits<sup>3</sup> of \$A142.7 billion, up 10% from \$A129.4 billion as at 31 March 2023.

## Wealth management fee income

Wealth management fee income relates to fees earned on a range of BFS' products and services, including the Wrap and Vision platforms and the provision of wealth services.

Funds on platform closed at \$A141.8 billion at 31 March 2024, an increase of 15% from \$A123.1 billion at 31 March 2023 driven by market movements and client net flows.

Wealth management fee income of \$A371 million for the year ended 31 March 2024 increased 9% from \$A340 million in the prior year, due to higher administration and adviser fees from higher average funds on platform.

## Banking and lending fee income

Banking and lending fee income relates to fees earned on a range of BFS' products including home loans, car loans, credit cards, business loans and BFS deposits.

Banking and lending fee income of \$A183 million for the year ended 31 March 2024 increased 12% from \$A164 million in the prior year, mainly driven by higher lending and transaction volumes.

## Net credit and other impairment reversals/(charges)

Net credit and other impairment reversals of \$A15 million for the year ended 31 March 2024 compared to charges of \$A34 million in the prior year were largely driven by an improvement in the macroeconomic outlook, partially offset by changes in composition of portfolio growth.

## Other (expenses)/income

Other expenses of \$A6 million for the year ended 31 March 2024 decreased 54% from \$A13 million in the prior year, mainly driven by a lower revaluation of an equity investment.

## Operating expenses

Total operating expenses of \$A1,968 million for the year ended 31 March 2024 increased 12% from \$A1,759 million in the prior year.

Employment expenses of \$A635 million for the year ended 31 March 2024 increased 20% from \$A530 million in the prior year, largely due to higher average headcount to support compliance and regulatory requirements and portfolio growth, wage inflation and one-off staff costs.

Brokerage, commission and fee expenses of \$A146 million for the year ended 31 March 2024 increased 17% from \$A125 million in the prior year, largely due to increased transaction volumes.

Technology expenses of \$A631 million for the year ended 31 March 2024 increased 12% from \$A562 million in the prior year driven by investment in digitalisation and other technology initiatives and to support portfolio growth.

<sup>1</sup> Calculations based on average volumes net of offset accounts.

<sup>2</sup> Home loan volumes exclude offset accounts.

<sup>3</sup> BFS deposits include home loan offset accounts.



## 3.4 CGM

	HALF YEAR TO			FULL YEAR TO		
	Mar 24 \$Am	Sep 23 \$Am	Movement %	Mar 24 \$Am	Mar 23 \$Am	Movement %
<b>Net interest and trading income</b>						
Commodities						
Risk management	1,077	1,182	(9)	2,259	3,129	(28)
Lending and financing	153	198	(23)	351	337	4
Inventory management and trading	752	154	*	906	2,655	(66)
Total commodities	1,982	1,534	29	3,516	6,121	(43)
Foreign exchange, interest rates and credit	626	605	3	1,231	1,025	20
Equities	141	190	(26)	331	371	(11)
Asset Finance	44	34	29	78	122	(36)
<b>Net interest and trading income</b>	<b>2,793</b>	<b>2,363</b>	<b>18</b>	<b>5,156</b>	<b>7,639</b>	<b>(33)</b>
<b>Fee and commission income</b>						
Brokerage and other trading-related fees	162	135	20	297	252	18
Other fee and commission income	141	148	(5)	289	287	1
<b>Total fee and commission income</b>	<b>303</b>	<b>283</b>	<b>7</b>	<b>586</b>	<b>539</b>	<b>9</b>
<b>Share of net profits from associates and joint ventures</b>	<b>26</b>	<b>16</b>	<b>63</b>	<b>42</b>	<b>32</b>	<b>31</b>
<b>Other operating income and charges</b>						
Net (loss)/income on equity, debt and other investments	(36)	38	*	2	49	(96)
Net credit and other impairment reversals/(charges)	32	(21)	*	11	(57)	*
<b>Net operating lease income</b>	<b>218</b>	<b>213</b>	<b>2</b>	<b>431</b>	<b>377</b>	<b>14</b>
Other income	37	38	(3)	75	109	(31)
<b>Total other operating income and charges</b>	<b>251</b>	<b>268</b>	<b>(6)</b>	<b>519</b>	<b>478</b>	<b>9</b>
<b>Internal management revenue/(charge)</b>	<b>20</b>	<b>(1)</b>	<b>*</b>	<b>19</b>	<b>29</b>	<b>(34)</b>
<b>Net operating income</b>	<b>3,393</b>	<b>2,929</b>	<b>16</b>	<b>6,322</b>	<b>8,717</b>	<b>(27)</b>
<b>Operating expenses</b>						
Employment expenses	(410)	(401)	2	(811)	(724)	12
Brokerage, commission and fee expenses	(229)	(222)	3	(451)	(415)	9
Other operating expenses	(924)	(922)	<1	(1,846)	(1,571)	18
<b>Total operating expenses</b>	<b>(1,563)</b>	<b>(1,545)</b>	<b>1</b>	<b>(3,108)</b>	<b>(2,710)</b>	<b>15</b>
<b>Non-controlling interests</b>	<b>-</b>	<b>(1)</b>	<b>(100)</b>	<b>(1)</b>	<b>-</b>	<b>*</b>
<b>Net profit contribution</b>	<b>1,830</b>	<b>1,383</b>	<b>32</b>	<b>3,213</b>	<b>6,007</b>	<b>(47)</b>
<b>Non-GAAP metrics</b>						
Headcount	2,523	2,469	2	2,523	2,378	6

Net profit contribution of \$A3,213 million for the year ended 31 March 2024 decreased 47% from the prior year due to:

- substantially lower inventory management and trading income driven by a reduction in trading activity, primarily in North American Gas and Power, partially offset by timing of income recognition on Gas and Power transport and storage contracts
- decreased risk management income primarily in EMEA Gas and Power, and Resources due to decreased client hedging as volatility and price movements stabilised across commodity markets following record highs in the prior year. The decrease was partially offset by an increased contribution from Agricultural markets
- higher operating expenses driven by higher expenditure on technology platform and infrastructure, compliance and regulatory spend and higher employment expenses.

Partially offset by:

- increased foreign exchange, interest rate and credit products income driven by increased client hedging in foreign exchange and interest rate products and an increased contribution from the Futures business
- increased operating lease income driven by increased volumes in technology and energy sectors.

## Net interest and trading income

Net interest and trading income of \$A5,156 million for the year ended 31 March 2024 decreased 33% from \$A7,639 million in the prior year.

## Commodities net interest and trading income

### (i) Risk management

Income from risk management is driven by managing clients' exposure to commodity price volatility, which is supported by our strong internal risk management framework.

Risk management income of \$A2,259 million for the year ended 31 March 2024 decreased 28% from \$A3,129 million in the prior year, with lower contributions from EMEA Gas and Power, and Resources due to lower client hedging as volatility and price movements stabilised across commodity markets following record highs in the prior year, partially offset by an increased contribution from Agricultural markets.

### (ii) Lending and financing

Lending and financing activities include interest income from the provision of loans and working capital finance to clients across a range of commodity sectors including resources, energy and agriculture. Commodities lending and financing activities are primarily secured against underlying assets and typically have associated hedging to protect against downside risk.

Lending and financing income of \$A351 million for the year ended 31 March 2024 increased 4% from \$A337 million in the prior year, due to increased volumes across energy and resources sectors.

### (iii) Inventory management and trading

CGM enters into financial and physical contracts including exchange traded derivatives, OTC derivatives, storage and transport contracts as part of its commodities platform. These arrangements enable CGM to facilitate client transactions and provide CGM with trading opportunities where there is an imbalance between the supply and demand for commodities. Revenue is dependent on a number of factors including the volume of transactions, the level of risk assumed and the volatility of price movements across commodity markets and products.

Storage and transport contracts, which are managed on a fair value basis for financial and risk management purposes, are required to be accounted for on an accrual basis for statutory reporting purposes, which may result in some variability in the timing of reported income.

Inventory management and trading income of \$A906 million for the year ended 31 March 2024 decreased 66% from \$A2,655 million in the prior year. Substantially lower contributions were recorded in North American Gas and Power driven by a reduction in trading activity, partially offset by timing of income recognition on Gas and Power transport and storage contracts.

## Foreign exchange, interest rates and credit net interest and trading income

Net interest and trading income from foreign exchange, interest rates and credit related activities are generated from the provision of hedging and trading services to a range of corporate and institutional clients globally, in addition to making secondary markets in corporate debt securities, syndicated bank loans and middle market loans and providing speciality lending.

Net interest and trading income from foreign exchange, interest rates and credit related activities of \$A1,231 million for the year ended 31 March 2024 increased 20% from \$A1,025 million in the prior year from increased client hedging in foreign exchange and interest rate products, as well as an increased contribution from the Futures business.

## Equities net interest and trading income

Equities net interest and trading income is generated from the issue of derivative products in key locations, the provision of equity finance solutions to institutional clients and the provision of risk management and trading activities.

Equities net interest and trading income of \$A331 million for the year ended 31 March 2024 decreased 11% from \$A371 million in the prior year, due to lower volatility in warrant markets.

## 3.4 CGM

Continued

### Fee and commission income

Fee and commission income of \$A586 million for the year ended 31 March 2024 increased 9% from \$A539 million in the prior year.

The increase was primarily driven by increased client activity in the Futures business.

### Net (loss)/income on equity, debt and other investments

Net income on equity, debt and other investments of \$A2 million for the year ended 31 March 2024 decreased 96% from \$A49 million in the prior year, due to unfavourable fair value movements on a small number of unlisted equity investments.

### Net credit and other impairment reversals/(charges)

Net credit and other impairment reversals of \$A11 million for the year ended 31 March 2024 compared to charges of \$A57 million in the prior year, were driven by an improvement in the macroeconomic outlook, partially offset by additional impairments on a small number of specific exposures in the commodities sector.

### Net operating lease income

Net operating lease income of \$A431 million for the year ended 31 March 2024 increased 14% from \$A377 million in the prior year.

The increase was primarily driven by increased volumes in technology and energy sectors.

### Operating expenses

Total operating expenses of \$A3,108 million for the year ended 31 March 2024 increased 15% from \$A2,710 million in the prior year.

Employment expenses of \$A811 million for the year ended 31 March 2024 increased 12% from \$A724 million in the prior year, due to increased average headcount and wage inflation.

Brokerage, commission and fee expenses include fees paid in relation to trading-related activities. Brokerage, commission and fee expenses of \$A451 million for the year ended 31 March 2024 increased 9% from \$A415 million in the prior year, due to increased trading and brokerage activities.

Other operating expenses of \$A1,846 million for the year ended 31 March 2024 increased 18% from \$A1,571 million in the prior year, mainly reflecting higher expenditure on technology platform and infrastructure, increased compliance and regulatory spend.

## 3.5 Macquarie Capital

	HALF YEAR TO			FULL YEAR TO		
	Mar 24	Sep 23	Movement	Mar 24	Mar 23	Movement
	\$Am	\$Am	%	\$Am	\$Am	%
<b>Net interest and trading income</b>	<b>356</b>	334	7	<b>690</b>	410	68
<b>Fee and commission income</b>	<b>573</b>	628	(9)	<b>1,201</b>	1,356	(11)
<b>Share of net losses from associates and joint ventures</b>	<b>(96)</b>	(48)	100	<b>(144)</b>	(137)	5
<b>Other operating income and charges</b>						
Net income on equity, debt and other investments	<b>430</b>	253	70	<b>683</b>	877	(22)
Net credit and other impairment reversals/(charges)	<b>131</b>	33	297	<b>164</b>	(294)	*
Other (expenses)/income	<b>(10)</b>	7	*	<b>(3)</b>	26	*
<b>Total other operating income and charges</b>	<b>551</b>	293	88	<b>844</b>	609	39
<b>Internal management revenue/(charge)</b>	<b>8</b>	13	(38)	<b>21</b>	(11)	*
<b>Net operating income</b>	<b>1,392</b>	1,220	14	<b>2,612</b>	2,227	17
<b>Operating expenses</b>						
Employment expenses	<b>(302)</b>	(320)	(6)	<b>(622)</b>	(584)	7
Brokerage, commission and fee expenses	<b>(40)</b>	(47)	(15)	<b>(87)</b>	(87)	-
Other operating expenses	<b>(408)</b>	(421)	(3)	<b>(829)</b>	(785)	6
<b>Total operating expenses</b>	<b>(750)</b>	(788)	(5)	<b>(1,538)</b>	(1,456)	6
<b>Non-controlling interests<sup>1</sup></b>	<b>(21)</b>	(2)	*	<b>(23)</b>	30	*
<b>Net profit contribution</b>	<b>621</b>	430	44	<b>1,051</b>	801	31
<b>Non-GAAP metrics</b>						
Headcount	<b>1,599</b>	1,638	(2)	<b>1,599</b>	1,630	(2)

Net profit contribution of \$A1,051 million for the year ended 31 March 2024, up 31% from the prior year due to:

- higher net interest and trading income primarily from the private credit portfolio, benefitting from \$A3.6 billion growth in average drawn loan assets with margins in line with the prior year and the non-recurrence of mark-to-market losses on certain debt underwriting positions
- lower credit provisions due to an improvement in the macroeconomic outlook and lower deployment of the private credit portfolio
- reversal of impairments on a small number of previously underperforming investments.

Partially offset by:

- lower net gains on investments including the non-recurrence of material asset realisations
- lower fee and commission income driven by lower mergers and acquisitions fee income due to weaker market activity
- higher funding costs reflecting higher central bank interest rates and investment activity
- higher operating expenses driven by higher expenditure on technology platforms, increased compliance and regulatory spend and higher employment expenses.

<sup>1</sup> Non-controlling interests adjust reported consolidated profit or loss for the share that is attributable to non-controlling interests, such that the net profit or loss contribution represents the net profit or loss attributable to ordinary equity holders.



## 3.5 Macquarie Capital

Continued

### Net interest and trading income

Net interest and trading income includes the interest income earned from debt investments and the funding costs associated with both the debt and equity investment portfolios.

Net interest and trading income of \$A690 million for the year ended 31 March 2024 increased 68% from \$A410 million in the prior year.

The increase was primarily due to higher net interest income from the private credit portfolio, benefitting from a \$A3.6 billion<sup>1</sup> growth in average drawn loan assets with margins materially in line with the prior year. The increase was also driven by the non-recurrence of mark-to-market losses on certain debt underwriting positions. This was partially offset by an increase in funding costs reflecting higher central bank interest rates and investment activity.

### Fee and commission income

Fee and commission income of \$A1,201 million for the year ended 31 March 2024 decreased 11% from \$A1,356 million in the prior year driven by lower mergers and acquisitions fee income.

Mergers and acquisitions fee income was down 24% on the prior year due to weaker market activity, particularly in ANZ and the Americas.

Capital markets fee income was broadly in line with the prior year.

Brokerage income was up 8% on the prior year due to increased market activity, particularly in Asia.

### Share of net losses from associates and joint ventures

Share of net losses from associates and joint ventures of \$A144 million for the year ended 31 March 2024 increased 5% from \$A137 million in the prior year.

The movement reflected changes in the composition and performance of the investment portfolio.

### Net income on equity, debt and other investments

Net income on equity, debt and other investments of \$A683 million for the year ended 31 March 2024 decreased 22% from \$A877 million in the prior year.

The decrease in income was primarily due to the non-recurrence of material asset realisations in the Americas and Europe. This was partially offset by gains on a small number of investments, particularly in technology, digital infrastructure and energy transition sectors.

### Net credit and other impairment reversals/(charges)

Net credit and other impairment reversals of \$A164 million for the year ended 31 March 2024 compared to charges of \$A294 million in the prior year.

The movement was driven by an improvement in the macroeconomic outlook, lower deployment of the private credit portfolio and the reversal of impairments on a small number of previously underperforming investments.

### Operating expenses

Total operating expenses of \$A1,538 million for the year ended 31 March 2024 increased 6% from \$A1,456 million in the prior year.

The increase was predominantly driven by higher expenditure on technology platforms, increased compliance and regulatory spend and higher employment expenses.

<sup>1</sup> Average volume calculation is based on balances converted at spot foreign exchange rates as at 31 March 2024.

## 3.6 Corporate

	HALF YEAR TO			FULL YEAR TO		
	Mar 24	Sep 23	Movement	Mar 24	Mar 23	Movement
	\$Am	\$Am	%	\$Am	\$Am	%
<b>Net interest and trading income</b>	<b>520</b>	453	15	<b>973</b>	428	127
<b>Fee and commission expense</b>	<b>(17)</b>	(16)	6	<b>(33)</b>	(28)	18
<b>Share of net losses from associates and joint ventures</b>	<b>(1)</b>	-	*	<b>(1)</b>	-	*
<b>Other operating income and charges</b>						
Net income/(loss) on equity and debt investments	<b>18</b>	6	200	<b>24</b>	(1)	*
Net credit and other impairment reversals/(charges)	<b>39</b>	18	117	<b>57</b>	(55)	*
Other income and charges	<b>(2)</b>	11	*	<b>9</b>	23	(61)
<b>Total other operating income and charges</b>	<b>55</b>	35	57	<b>90</b>	(33)	*
<b>Internal management charge</b>	<b>(26)</b>	(13)	100	<b>(39)</b>	(100)	(61)
<b>Net operating income and charges</b>	<b>531</b>	459	16	<b>990</b>	267	271
<b>Operating expenses</b>						
Employment expenses	<b>(2,544)</b>	(2,277)	12	<b>(4,821)</b>	(5,026)	(4)
Other operating expense recoveries/(expenses)	<b>971</b>	962	1	<b>1,933</b>	1,416	37
<b>Total operating expenses</b>	<b>(1,573)</b>	(1,315)	20	<b>(2,888)</b>	(3,610)	(20)
Income tax expense	<b>(704)</b>	(587)	20	<b>(1,291)</b>	(1,824)	(29)
<b>Non-controlling interests<sup>1</sup></b>	<b>(2)</b>	-	*	<b>(2)</b>	(2)	-
<b>Net loss contribution</b>	<b>(1,748)</b>	(1,443)	21	<b>(3,191)</b>	(5,169)	(38)
<b>Non-GAAP metrics</b>						
Headcount	<b>10,381</b>	10,599	(2)	<b>10,381</b>	10,172	2

Net expenses of \$A3,191 million for the year ended 31 March 2024 decreased 38% from the prior year due to:

- reduced operating expenses driven by lower performance-related profit share expense as a result of the performance of the Consolidated Entity and lower expenses on certain legacy and other transaction-related charges
- increased net interest and trading income, driven by increased earnings on capital reflecting higher central bank interest rates and higher average volumes, the impact of the Group's previously elevated centrally held liquidity and funding surpluses being deployed by the Operating Groups, and improved returns on Group Treasury's liquid asset portfolio
- reduced income tax expense as a result of the performance of the Consolidated Entity, partially offset by a higher effective tax rate mainly driven by the geographic composition and nature of earnings.

<sup>1</sup> Non-controlling interests adjust reported consolidated profit or loss for the share that is attributable to non-controlling interests, such that the net profit or loss contribution represents the net profit or loss attributable to ordinary equity holders.

## 3.6 Corporate

Continued

### Net interest and trading income

Net interest and trading income in the Corporate segment includes the net result of managing Macquarie's liquidity and funding requirements, with the Operating Groups assumed to be fully debt funded for the purposes of the internal funding charges. The Corporate segment also includes earnings on capital, the funding benefit derived from the Group's capital base, funding costs associated with investments held centrally, and accounting volatility arising from movements in underlying interest rates relating to economically hedged positions where hedge accounting is not applied.

Net interest and trading income of \$A973 million for the year ended 31 March 2024 increased from \$A428 million in the prior year, and reflects the benefit derived from the Group's capital and liquidity management in the current interest rate environment.

The movement included increased earnings on capital reflecting higher central bank interest rates and higher average volumes, the impact of the Group's previously elevated centrally held liquidity and funding surpluses being deployed by the Operating Groups, and improved returns on Group Treasury's liquid asset portfolio.

### Net credit and other impairment reversals/(charges)

Net credit and other impairment reversals of \$A57 million for the year ended 31 March 2024 compared to charges of \$A55 million in the prior year, were driven by a partial release of centrally held provisions for expected credit losses driven by an improvement in the macroeconomic outlook.

### Employment expenses

Employment expenses relate to the Consolidated Entity's Central Service Groups including COG, FMG, RMG, LGG, and Central Executive, as well as expenses associated with the Consolidated Entity's profit share and retention plans.

Employment expenses of \$A4,821 million for the year ended 31 March 2024 decreased 4% from \$A5,026 million in the prior year. The current year included a reduction in employment expenses driven by a decrease in performance-related profit share expense as a result of the performance of the Consolidated Entity. This was partially offset by an increase in employment costs in the Central Service Groups due to higher average headcount and wage inflation, as well as unfavourable foreign exchange rate movements. The higher average headcount was mainly driven by investment in additional technology capability as well as increased compliance and regulatory initiatives.

### Other operating expense recoveries

Other operating expense recoveries in the Corporate segment include the recovery of Central Service Groups' costs (including employment-related costs<sup>1</sup>) from the Operating Groups, partially offset by non-employment related operating costs of the Corporate segment.

Other operating expense recoveries of \$A1,933 million for the year ended 31 March 2024 increased 37% from \$A1,416 million in the prior year reflecting the recovery of a higher Central Service Group cost base and lower expenses on certain legacy and other transaction-related charges.

<sup>1</sup> Performance-related profit share and share-based payments expenses relating to the Macquarie Group Employee Retained Equity Plan (MEREPE) are not allocated to the Operating Groups.

## 3.7 International Income

### International income<sup>1</sup> by region

	HALF YEAR TO			FULL YEAR TO		
	Mar 24	Sep 23	Movement	Mar 24	Mar 23	Movement
	\$Am	\$Am	%	\$Am	\$Am	%
Americas	3,049	2,340	30	5,389	7,119	(24)
Asia	681	748	(9)	1,429	1,508	(5)
Europe, Middle East and Africa	1,882	1,732	9	3,614	4,751	(24)
<b>Total international income</b>	<b>5,612</b>	<b>4,820</b>	<b>16</b>	<b>10,432</b>	<b>13,378</b>	<b>(22)</b>
Australia <sup>2</sup>	2,808	2,618	7	5,426	5,378	1
Total income (excluding Corporate items)	8,420	7,438	13	15,858	18,756	(15)
Corporate items	557	472	18	1,029	366	181
<b>Net operating income (as reported)</b>	<b>8,977</b>	<b>7,910</b>	<b>13</b>	<b>16,887</b>	<b>19,122</b>	<b>(12)</b>
International income (excluding Corporate items) ratio (%)	67	65		66	71	

### International income by Operating Group and region

	FULL YEAR TO MAR 24						
	Americas	Asia	Europe, Middle East and Africa	Total International	Australia <sup>2</sup>	Total Income	Total International
	\$Am	\$Am	\$Am	\$Am	\$Am	\$Am	%
MAM	2,153	478	687	3,318	438	3,756	88
BFS	-	-	-	-	3,208	3,208	-
CGM	2,255	725	2,194	5,174	1,129	6,303	82
Macquarie Capital	981	226	733	1,940	651	2,591	75
<b>Total</b>	<b>5,389</b>	<b>1,429</b>	<b>3,614</b>	<b>10,432</b>	<b>5,426</b>	<b>15,858</b>	<b>66</b>

Total international income of \$A10,432 million for the year ended 31 March 2024 decreased 22% from \$A13,378 million in the prior year. Total international income represented 66% of total income (excluding Corporate items), down from 71% in the prior year.

Income from the Americas of \$A5,389 million for the year ended 31 March 2024 decreased 24% from \$A7,119 million in the prior year. The decrease was mainly driven by substantially lower contributions in North American Gas and Power, partially offset by the impact of timing of income recognition on North American Gas and Power transport and storage, in CGM.

In Asia, income of \$A1,429 million for the year ended 31 March 2024 decreased 5% from \$A1,508 million in the prior year. The decrease was mainly driven by lower contributions from Resources and Equity Derivatives and Trading, in CGM.

Income from Europe, Middle East and Africa of \$A3,614 million for the year ended 31 March 2024 decreased 24% from \$A4,751 million in the prior year. The decrease was mainly driven by lower asset realisations in green investments and increased net expenditure on investments in green energy portfolio companies operating on a standalone basis, in MAM. In addition, CGM included lower contributions from EMEA Gas and Power due to decreased client hedging. This was partially offset by higher net interest income from the private credit portfolio in Macquarie Capital.

In Australia, income of \$A5,426 million for the year ended 31 March 2024 was broadly in line with from \$A5,378 million in the prior year. The increase was mainly driven by growth in the average loan portfolio and average BFS deposits, as well as the full year benefit of the rising interest rate environment, in BFS. This was partially offset by margin compression due to changes in portfolio mix, lending competition and higher funding costs, in BFS. In addition, Macquarie Capital increased due to the reversal of impairments on a small number of previously underperforming investments, partially offset by lower mergers and acquisition fee income due to weaker market activity. CGM decreased due to lower contributions from Resources.

<sup>1</sup> International income reflects net operating income excluding internal management revenue/(charge).

<sup>2</sup> Includes New Zealand.

# 04

## Balance Sheet

### **One IFC, Hong Kong**

The 2021 award-winning redesign of Macquarie's Hong Kong office in One International Finance Centre, overlooking Victoria Harbour, provides support for hybrid working and enhances the connectivity of our people by using flexible multi-use spaces to foster stronger connections between teams.





## 4.1 Statement of Financial Position

	AS AT		MOVEMENT
	Mar 24 \$Am	Mar 23 \$Am	Mar 23 %
<b>Assets</b>			
Cash and bank balances	31,855	45,656	(30)
Cash collateralised lending and reverse repurchase agreements	58,416	54,323	8
Trading assets	27,924	16,881	65
Margin money and settlement assets	24,117	25,256	(5)
Derivative assets	24,067	36,114	(33)
Financial investments	24,378	21,874	11
Held for sale assets	2,204	921	139
Other assets	12,638	10,438	21
Loan assets	176,371	158,572	11
Interests in associates and joint ventures	6,969	5,574	25
Property, plant and equipment and right-of-use assets	8,134	6,639	23
Intangible assets	4,254	3,827	11
Deferred tax assets	2,077	1,797	16
<b>Total assets</b>	<b>403,404</b>	<b>387,872</b>	<b>4</b>
<b>Liabilities</b>			
Cash collateralised borrowing and repurchase agreements	12,599	18,737	(33)
Trading liabilities	5,044	4,810	5
Margin money and settlement liabilities	28,423	27,482	3
Derivative liabilities	25,585	32,790	(22)
Deposits	148,416	134,714	10
Held for sale liabilities	407	173	135
Other liabilities	14,472	12,512	16
Issued debt securities and other borrowings	119,878	109,461	10
Deferred tax liabilities	383	196	95
<b>Total liabilities excluding loan capital</b>	<b>355,207</b>	<b>340,875</b>	<b>4</b>
Loan capital	14,201	12,891	10
<b>Total liabilities</b>	<b>369,408</b>	<b>353,766</b>	<b>4</b>
<b>Net assets</b>	<b>33,996</b>	<b>34,106</b>	<b>(&lt;1)</b>
<b>Equity</b>			
Contributed equity	11,372	12,407	(8)
Reserves	3,891	3,302	18
Retained earnings	18,218	17,446	4
<b>Total capital and reserves attributable to ordinary equity holders of Macquarie Group Limited</b>	<b>33,481</b>	<b>33,155</b>	<b>1</b>
Non-controlling interests	515	951	(46)
<b>Total equity</b>	<b>33,996</b>	<b>34,106</b>	<b>(&lt;1)</b>

## Statement of financial position

The Consolidated Entity's Statement of financial position was driven by changes resulting from a combination of business activities, Group Treasury management initiatives and macroeconomic factors.

### Assets

Total assets of \$A403.4 billion as at 31 March 2024 increased 4% from \$A387.9 billion as at 31 March 2023.

The principal drivers for the increase were as follows:

- loan assets of \$A176.4 billion as at 31 March 2024 increased 11% from \$A158.6 billion as at 31 March 2023, driven by volume growth in the BFS home loans and business lending portfolios and Macquarie Capital's private credit portfolio
- trading assets of \$A27.9 billion as at 31 March 2024 increased 65% from \$A16.9 billion as at 31 March 2023, driven by an increase in holdings of listed equity securities in CGM
- cash collateralised lending and reverse repurchase agreements of \$A58.4 billion as at 31 March 2024 increased 8% from \$A54.3 billion as at 31 March 2023, driven by an increase in holdings of reverse repurchase agreements as part of Group Treasury's liquid asset portfolio management
- financial investments of \$A24.4 billion as at 31 March 2024 increased 11% from \$A21.9 billion as at 31 March 2023, driven by an increase in holdings of debt securities as part of Group Treasury's liquid asset portfolio management
- other assets of \$A12.6 billion as at 31 March 2024 increased 21% from \$A10.4 billion as at 31 March 2023, driven by higher commodity-related receivables from increased volumes in CGM.

These increases were partially offset by:

- cash and bank balances of \$A31.9 billion as at 31 March 2024 decreased 30% from \$A45.7 billion as at 31 March 2023, driven by a reduction in the overnight deposit held with the Reserve Bank of Australia (RBA) as part of Group Treasury's liquid asset portfolio management
- derivative assets of \$A24.1 billion as at 31 March 2024 decreased 33% from \$A36.1 billion as at 31 March 2023, driven by volatility and price movements having stabilised across commodity markets, as well as the maturity of prior year positions. After taking into account related financial instruments, cash and other financial collateral, the residual derivative asset exposure was \$A7.4 billion (31 March 2023: \$A9.7 billion). The majority of the residual derivative asset exposure was 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.

### Liabilities

Total liabilities of \$A369.4 billion as at 31 March 2024 increased 4% from \$A353.8 billion as at 31 March 2023.

The principal drivers for the increase were as follows:

- deposits of \$A148.4 billion as at 31 March 2024 increased 10% from \$A134.7 billion as at 31 March 2023, driven by volume growth in retail and business banking deposits in BFS
- issued debt securities and other borrowings of \$A119.9 billion as at 31 March 2024 increased 10% from \$A109.5 billion as at 31 March 2023, driven by the issuance of short-term commercial paper and long-term bonds by Group Treasury
- other liabilities of \$A14.5 billion as at 31 March 2024 increased 16% from \$A12.5 billion as at 31 March 2023, driven by higher commodity-related payables from increased volumes in CGM
- loan capital of \$A14.2 billion as at 31 March 2024 increased 10% from \$A12.9 billion as at 31 March 2023, driven by the issuance of Tier 2 loan capital.

These increases were partially offset by:

- derivative liabilities of \$A25.6 billion as at 31 March 2024 decreased 22% from \$A32.8 billion as at 31 March 2023 commensurate with the movement in derivative assets. After taking into account related financial instruments, cash and other collateral, the residual derivative liability was \$A6.8 billion (31 March 2023: \$A6.6 billion)
- cash collateralised borrowing and repurchase agreements of \$A12.6 billion as at 31 March 2024 decreased 33% from \$A18.7 billion as at 31 March 2023, driven by a reduction in trading activity in CGM and partial maturity of the RBA Term-Funding Facility.

### Equity

Total equity of \$A34.0 billion as at 31 March 2024 has remained broadly in line with \$A34.1 billion as at 31 March 2023.

The Consolidated Entity's equity was impacted by:

- \$A2.7 billion in dividend payments
- \$A0.6 billion of ordinary shares on-market buyback
- \$A0.4 billion decrease in non-controlling interests.

These decreases were partially offset by \$A3.5 billion of earnings generated during the current year and a \$A0.5 billion increase in foreign currency translation, largely driven by the depreciation of the Australian Dollar to the United States Dollar.

## 4.2 Loan Assets

Reconciliation between the statement of financial position and the funded balance sheet:

	AS AT		MOVEMENT	
	Mar 24 \$Ab	Mar 23 \$Ab	Mar 23 %	
<b>Loan assets per the statement of financial position</b>	<b>176.4</b>	158.6	11	
Operating lease assets <sup>1</sup>	4.6	4.3	7	
Other reclassifications <sup>2</sup>	0.5	0.6	(17)	
<b>Total loan assets including operating lease assets per the funded balance sheet<sup>3</sup></b>	<b>181.5</b>	163.5	11	

Loan assets<sup>3</sup> including operating lease assets by Operating Group per the funded balance sheet are shown in further detail below:

	Notes	AS AT		MOVEMENT	
		Mar 24 \$Ab	Mar 23 \$Ab	Mar 23 %	
<b>BFS</b>					
Home loans	1	120.4	109.0	10	
Business banking	2	15.7	12.9	22	
Car loans	3	4.5	6.0	(25)	
Other	4	0.4	0.4	-	
<b>Total BFS</b>		<b>141.0</b>	128.3	10	
<b>CGM</b>					
Loans and finance lease assets		3.4	3.4	-	
Operating lease assets		2.3	2.2	5	
Asset finance	5	5.7	5.6	2	
Loan assets		4.1	3.3	24	
Operating lease assets		0.9	1.0	(10)	
Resources and commodities	6	5.0	4.3	16	
Foreign exchange, interest rate and credit	7	8.4	7.0	20	
Other	8	0.1	0.1	-	
<b>Total CGM</b>		<b>19.2</b>	17.0	13	
<b>MAM</b>					
Operating lease assets	9	1.4	1.1	27	
Other	10	0.1	-	*	
<b>Total MAM</b>		<b>1.5</b>	1.1	36	
<b>Macquarie Capital</b>					
Corporate and other lending	11	19.8	17.1	16	
<b>Total Macquarie Capital</b>		<b>19.8</b>	17.1	16	
<b>Total</b>		<b>181.5</b>	163.5	11	

<sup>1</sup> Operating lease assets may differ to the statutory balance sheet as some are funded by third party debt with no recourse to Macquarie beyond the borrowing entity and are netted down for funded balance sheet presentation. Refer to Section 5.3 for more details.

<sup>2</sup> Reclassification between loan assets and other funded balance sheet categories.

<sup>3</sup> Total loan assets including operating lease assets per the funded balance sheet includes self-securitised assets.

## Explanatory notes concerning asset security of funded loan asset portfolio

### 1. Home loans

Loans secured by mortgages over residential property.

### 2. Business banking

Loan portfolio secured largely by working capital, business cash flows and real property.

### 3. Car loans

Secured by motor vehicles.

### 4. BFS Other

Includes credit cards.

### 5. Asset finance

Predominantly secured by underlying financed assets.

### 6. Resources and commodities

Diversified loan portfolio primarily to the resources sector that are secured by the underlying assets with associated price hedging to mitigate risk.

### 7. Foreign exchange, interest rate and credit

Diversified lending predominantly consisting of loans which are secured by other loan collateral, assets including rights and receivables and warehoused security from mortgages and auto loans.

### 8. CGM Other

Equity collateralised loans.

### 9. Operating lease assets

Secured by underlying financed assets including transportation assets.

### 10. MAM Other

Secured by underlying financed assets.

### 11. Corporate and other lending

Diversified corporate and real estate lending portfolio, predominantly consisting of loans which are senior, secured, covenanted and with a hold to maturity horizon.



## 4.3 Equity Investments

Equity investments include:

- interests in associates, joint ventures and other assets classified as held for sale;
- subsidiaries and certain other assets held for investment purposes; and
- financial investments excluding trading equities.

The classification is driven by a combination of the level of influence Macquarie has over the investment and Macquarie's business intention with respect to the holding of the investment.

For the purpose of analysis, equity investments have been re-grouped into the following categories:

- investments in Macquarie-managed funds; and
- other investments.

### Equity investments reconciliation

	AS AT		MOVEMENT
	Mar 24 \$Ab	Mar 23 \$Ab	Mar 23 %
<b>Equity investments</b>			
<b>Statement of financial position</b>			
Equity investments at fair value	2.2	2.2	-
Interests in associates and joint ventures <sup>1</sup>	8.5	5.9	44
<b>Total equity investments per statement of financial position</b>	<b>10.7</b>	8.1	32
<b>Adjustment for funded balance sheet</b>			
Non-controlling interests <sup>2</sup>	(0.1)	(0.7)	(86)
<b>Total funded equity investments<sup>3</sup></b>	<b>10.6</b>	7.4	43
<b>Adjustment for equity investment analysis</b>			
Subsidiaries and certain other assets held for investment purposes <sup>4</sup>	2.7	2.2	23
Associates' reserves <sup>5</sup>	(0.1)	-	*
<b>Total adjusted equity investments<sup>6</sup></b>	<b>13.2</b>	9.6	38

<sup>1</sup> Includes total interests in associates and joint ventures as per Note 14 of the Annual Report, and other assets classified as held for sale.

<sup>2</sup> These represent the portion of ownership in equity investments not attributable to Macquarie. As this is not a position that Macquarie is required to fund, it is netted against the consolidated assets and liabilities in preparing the funded balance sheet.

<sup>3</sup> Reported in the funded balance sheet as 'Co-investment in Macquarie-managed funds and other equity investments'.

<sup>4</sup> Subsidiaries and certain other assets held for investment purposes are consolidated entities that are held for the ultimate intention to sell as part of Macquarie's investment activities.

<sup>5</sup> Associates' reserves (gross of tax) that will be released to income upon realisation of the investment.

<sup>6</sup> The adjusted value represents the total net exposure to Macquarie.

## Equity investments by category

	AS AT		MOVEMENT
	Mar 24 \$Ab	Mar 23 \$Ab	Mar 23 %
<b>Macquarie-managed funds</b>			
Listed (Private Markets) managed funds	0.2	0.2	-
Unlisted (Private Markets) managed funds	1.8	1.6	13
Other Macquarie-managed funds	0.5	0.5	-
<b>Total Macquarie-managed funds</b>	<b>2.5</b>	<b>2.3</b>	<b>9</b>
<b>Other investments</b>			
Investments acquired to seed new Private Markets-managed products and mandates <sup>1</sup>	1.1	1.1	-
Transport, industrial and infrastructure	2.9	1.7	71
Telecommunications, information technology, media and entertainment	1.7	1.3	31
Green energy	2.4	1.4	71
Conventional energy, resources and commodities	0.8	0.5	60
Real estate investment, property and funds management	1.2	0.8	50
Finance, wealth management and exchanges	0.6	0.5	20
<b>Total other investments</b>	<b>10.7</b>	<b>7.3</b>	<b>47</b>
<b>Total equity investments</b>	<b>13.2</b>	<b>9.6</b>	<b>38</b>

<sup>1</sup> Includes investments acquired to seed new initiatives in the green energy sector and alternative adjacencies. Includes the portfolio of investments MAM had agreed for Macquarie Green Energy and Climate Opportunities (MGECO) Fund to acquire.

# 05

## Funding and Liquidity

### **DLF Cyber City, Gurugram**

Home to teams delivering critical services to Macquarie globally, our Gurugram office blends our organisational culture with that of India's financial and technology hub. It focuses on enhancing the workplace experience by combining areas for individual work and collaboration.





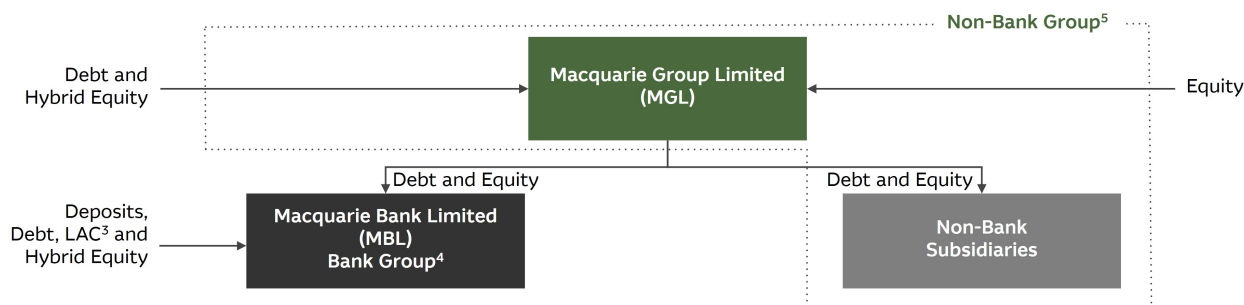


## 5.1 Liquidity Risk Governance and Management Framework

### Governance and oversight

MGL and MBL are Macquarie's two primary external funding vehicles which have separate and distinct funding, capital and liquidity management arrangements. MGL provides funding predominantly to the Non-Bank Group<sup>1</sup> and limited funding to some MBL subsidiaries. MBL provides funding to the Bank Group<sup>2</sup>.

The high level funding structure of the Group is shown below:



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.

Liquidity management is performed centrally by Group Treasury, with oversight from the MGL and MBL Asset and Liability Committees (ALCO), the MGL and MBL Boards and the Risk Management Group (RMG). Macquarie's liquidity policies are approved by the MGL and MBL Boards after endorsement by the respective ALCO and liquidity reporting is provided to the Boards on a regular basis. The MGL and MBL ALCO members include the MGL Chief Executive Officer, MBL Chief Executive Officer, Chief Financial Officer, Chief Risk Officer, Chief Operating Officer, Group General Counsel, Co-Heads of Group Treasury and relevant Operating Group Heads.

RMG provides independent oversight of liquidity risk management, including ownership of liquidity policies and key limits and approval of material liquidity scenario assumptions.

### Liquidity policy and risk appetite

The MGL and MBL liquidity policies are designed so that each of Macquarie, the Bank Group and the Non-Bank Group maintains sufficient liquidity to meet their obligations as they fall due. The MBL liquidity policy outlines the standalone framework for the Bank Group and its principles are consistent with the MGL liquidity policy. In some cases, other entities within Macquarie may also be required to have a standalone liquidity policy. In these cases, the principles applied within the entity-specific liquidity policies are also consistent with those applied in the broader MGL liquidity policy.

Macquarie establishes a liquidity risk appetite, which is approved by the MGL and MBL Boards, and represents an articulation of the nature and level of liquidity risk that is acceptable in the context of achieving Macquarie's strategic objectives. Macquarie's liquidity risk appetite is intended to ensure that Macquarie is able to meet all of its liquidity obligations during a period of liquidity stress: a twelve month period with constrained access to funding markets for MBL, no access to funding markets for MGL and with only a limited reduction in Macquarie's franchise businesses.

Reflecting the longer-term nature of the Non-Bank Group asset profile, MGL is funded predominantly with a mixture of capital and long-term wholesale funding. MBL is an authorised deposit-taking institution (ADI) and is funded mainly with deposits, long-term liabilities and capital.

<sup>1</sup> The Non-Bank Group comprises Macquarie Capital, MAM and certain assets of the Financial Markets business, certain activities of the Commodity Markets and Finance business and some other less financially significant activities of CGM.

<sup>2</sup> The Bank Group comprises BFS and CGM (excluding certain assets of the Financial Markets business, certain activities of the Commodity Markets and Finance business and some other less financially significant activities which are undertaken from within the Non-Bank Group).

<sup>3</sup> Subordinated debt to meet APRA's Loss Absorbing Capacity (LAC) requirements.

<sup>4</sup> MBL is the primary external funding vehicle for the Bank Group. Macquarie International Finance Limited (MIFL) and Macquarie Bank Europe (MBE) also operate as external funding vehicles for certain subsidiaries within the Bank Group.

<sup>5</sup> MGL is the primary external funding vehicle for the Non-Bank Group.

## Liquidity risk tolerance and principles

Macquarie's liquidity risk appetite is supported by a number of risk tolerances and principles applied to managing liquidity risk in both MGL and MBL.

### Risk tolerances

- Term assets must be funded by term liabilities and short term assets must exceed short term wholesale liabilities
- Cash and liquid assets must be sufficient to cover the expected outflow under a twelve month stress scenario and meet minimum regulatory requirements
- Cash and liquid assets held to cover stress scenarios and regulatory minimums must be high-quality unencumbered liquid assets and cash
- Diversity and stability of funding sources is a key priority
- Balance sheet currency mismatches are managed within set tolerances
- Funding and liquidity exposures between entities within Macquarie are monitored and constrained where required.

### Liquidity management principles

- Macquarie has a centralised approach to liquidity management
- Liquidity risk is managed through stress scenario analysis and setting limits on the composition and maturity of assets and liabilities
- A global liquidity framework is maintained that outlines Macquarie's approach to managing funding and liquidity requirements in offshore subsidiaries and branches
- The liquidity position is managed to ensure all obligations can be met as required on an intraday basis
- A liquidity contingency plan for MGL and a liquidity contingency plan for MBL is maintained, which provides an action plan in the event of a liquidity 'crisis'
- A funding strategy for MGL and a funding strategy for MBL is prepared annually and are monitored on a regular basis
- Internal pricing allocates liquidity costs, benefits and risks to areas responsible for generating them
- Strong relationships are maintained to assist with managing confidence and liquidity
- The MGL Board, MBL Board and Senior Management receive regular reporting on Macquarie's liquidity position, including compliance with liquidity policies and regulatory requirements.

## Liquidity contingency plan

Group Treasury maintains a liquidity contingency plan for MGL and a liquidity contingency plan for MBL, which outline how a liquidity crisis would be managed for the Group and Bank, respectively. The plans define roles and responsibilities and actions to be taken in a liquidity event, including identifying key information requirements and appropriate communication plans with both internal and external parties.

Specifically, the plans detail:

- factors that may constitute a crisis
- the officers responsible for invoking each plan
- a committee of senior executives responsible for managing a crisis
- the information required to effectively manage a crisis
- a communications strategy
- a high level checklist of possible actions to conserve or raise additional liquidity for the Group or Bank; and
- contact lists to facilitate prompt communication with all key internal and external stakeholders.

The MBL plan also incorporates a retail run operational plan that outlines the Bank's processes and operational plans for managing a significant increase in customer withdrawals during a potential deposit 'run' on Macquarie.

In addition, Macquarie monitors a range of early warning indicators on a daily basis that might assist in identifying emerging risks in Macquarie's liquidity position. These indicators are reviewed by Senior Management and are used to inform any decisions regarding invoking the plan.

The liquidity contingency plans are subject to regular review by both Group Treasury and RMG. They are submitted annually to the MGL and MBL ALCO and respective Boards for approval.

Macquarie is a global financial institution, with branches and subsidiaries in a variety of countries. Regulations in certain countries may require some branches or subsidiaries to have specific local contingency plans. Where that is the case, the liquidity contingency plans contain either a supplement or a reference to a separate document providing the specific information required for those branches or subsidiaries.

## Funding strategy

Macquarie prepares a funding strategy for MGL and a funding strategy for MBL on an annual basis and monitors progress against the strategies throughout the year. The funding strategies aim to maintain diversity of funding sources for MGL and MBL, ensure ongoing compliance with all liquidity requirements and facilitate forecast asset growth. The funding strategies are reviewed by the MGL and MBL ALCO and approved by the respective Boards.

## 5.2 Management of Liquidity Risk

### Scenario analysis

Scenario analysis is central to Macquarie's liquidity risk management framework. In addition to regulatory defined scenarios, Group Treasury models additional liquidity scenarios covering both market-wide and Macquarie name-specific crises. Scenario analysis performs a range of functions within the liquidity risk management framework, including being a basis for:

- monitoring compliance with internal liquidity risk appetite statements by ensuring all liquidity obligations can be met in the corresponding scenarios
- determining a minimum level of cash and liquid assets
- determining an appropriate minimum tenor of funding for Macquarie's assets; and
- determining the overall capacity for future asset growth.

The scenarios separately consider the requirements of the Bank Group and the Non-Bank Group. These scenarios use a range of assumptions, which Macquarie intends to be conservative, regarding the level of access to capital markets, deposit outflows, contingent funding requirements and asset sales.

As an example, one internal scenario projects the expected cash and liquid asset position during a combined market-wide and Macquarie name-specific crisis over a twelve month time frame. This scenario assumes no access to wholesale funding markets, a significant loss of customer deposits and contingent funding outflows resulting from undrawn commitments, market moves impacting derivatives and other margined positions combined with a multiple notch credit rating downgrade. Macquarie's cash and liquid asset portfolio must exceed the minimum requirement as calculated in this scenario at all times.

### Liquid asset holdings

Group Treasury centrally maintains a portfolio of highly liquid unencumbered assets which are intended to ensure adequate liquidity is available under a range of market conditions. The minimum level of cash and liquid assets is calculated with reference to internal scenario analysis and regulatory requirements.

The cash and liquid asset portfolio contains only unencumbered assets that can be relied on to maintain their liquidity in a crisis scenario. Specifically, cash and liquid assets held to meet minimum internal and regulatory requirements must be cash balances (including central bank reserves and overnight lending to financial institutions), qualifying High-Quality Liquid Assets (HQLA) and other Reserve Bank of Australia (RBA) repo eligible securities. Composition constraints are also applied to ensure appropriate diversity and quality of the assets in the portfolio.

The cash and liquid asset portfolio is held in a range of currencies consistent with the distribution of liquidity needs by currency, allowing for an acceptable level of currency mismatches. Certain other Operating Segments also hold cash and liquid assets as part of their operations. Macquarie had \$A76.8 billion cash and liquid assets as at 31 March 2024 (31 March 2023: \$A85.4 billion), of which \$A63.0 billion was held by Macquarie Bank (31 March 2023: \$A70.0 billion).

### Funds transfer pricing

An internal funds transfer pricing framework is in place that has been designed to produce appropriate incentives for business decision-making by reflecting the funding costs arising from business actions and the separate funding tasks and liquidity requirements of the Bank and Non-Bank Groups. Under this framework, each business is allocated the appropriate cost of the funding required to support its products and business lines, recognising the actual and contingent funding-related exposures their activities create. The Operating Groups are assumed to be fully debt funded for the purposes of internal funding charges.

## Credit ratings<sup>1</sup>

	MACQUARIE BANK LIMITED		MACQUARIE GROUP LIMITED	
	Short-term rating	Long-term rating	Short-term rating	Long-term rating
Moody's Ratings	P-1	Aa2/Stable	P-1	A1/Stable
Standard and Poor's	A-1	A+/Stable	A-2	BBB+/Stable
Fitch Ratings	F-1	A/Stable	F-1	A/Stable

## Regulatory liquidity metrics

The Australian Prudential Regulation Authority's (APRA) liquidity standard (APS 210) details the local implementation of the Basel III liquidity framework for Australian banks. In addition to a range of qualitative requirements, the standard incorporates the Liquidity Coverage Ratio (LCR) and the Net Stable Funding Ratio (NSFR). The LCR and NSFR apply specifically to Macquarie Bank as a regulated ADI. As an APRA authorised and regulated Non-Operating Holding Company, MGL is required to manage liquidity in compliance with APS 210's qualitative requirements. Separate quantitative requirements are imposed internally by the MGL and MBL ALCOs and the Boards.

### Liquidity Coverage Ratio

The LCR requires unencumbered liquid assets be held to cover expected net cash outflows under a combined 'idiosyncratic' and market-wide stress scenario lasting 30 calendar days. Under APS 210, the eligible stock of high-quality liquid assets (HQLA) includes notes and coins, balances held with central banks, Australian dollar Commonwealth Government and semi-government securities, as well as certain HQLA-qualifying foreign currency securities.

Macquarie Bank's three month average LCR to 31 March 2024 was 191% (average based on daily observations).<sup>2</sup> For a detailed breakdown of Macquarie Bank's LCR, please refer to Macquarie's regulatory disclosures.

### Net Stable Funding Ratio

The NSFR is a twelve month structural funding metric, requiring that available stable funding be sufficient to cover required stable funding, where stable funding has an actual or assumed maturity of greater than twelve months. Macquarie Bank's NSFR as at 31 March 2024 was 115%.<sup>3</sup> For a detailed breakdown of Macquarie Bank's NSFR, please refer to Macquarie's regulatory disclosures.

<sup>1</sup> A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by an assigning rating agency and any rating should be evaluated independently of any other information.

<sup>2</sup> APRA imposed a 15% add-on to the net cash outflow component of Macquarie Bank's LCR calculation, effective from 1 April 2021. This add-on increased to 25% from 1 May 2022 onward.

<sup>3</sup> APRA imposed a 1% decrease to the available stable funding component of Macquarie Bank's NSFR calculation, effective from 1 April 2021.



## 5.3 Funded Balance Sheet

Macquarie's statement of financial position is prepared based on Australian Accounting Standards. The funded balance sheet is a simple representation of Macquarie's funding requirements once accounting related gross-ups and self-funded assets have been netted down from the statement of financial position. The funded balance sheet is not a liquidity risk management tool, as it does not consider the granular liquidity profiling of all on and off-balance sheet components considered in both Macquarie's internal liquidity framework and the regulatory liquidity metrics.

The table below reconciles the reported assets of Macquarie to the net funded assets as at 31 March 2024. The following pages split this between the Bank Group and the Non-Bank Group to assist in the analysis of each of the separate funding profiles of the respective entities.

	Notes	AS AT	
		Mar 24 \$Ab	Mar 23 \$Ab
Total assets per Macquarie's statement of financial position		<b>403.4</b>	387.9
Accounting deductions:			
Derivative revaluation	1	<b>(25.6)</b>	(32.8)
Segregated funds	2	<b>(12.0)</b>	(8.7)
Outstanding trade settlement balances	3	<b>(6.3)</b>	(6.4)
Working capital assets	4	<b>(17.4)</b>	(13.9)
Non-controlling interests	5	<b>(0.5)</b>	(1.0)
Self-funded assets:			
Self-funded trading assets	6	<b>(10.2)</b>	(14.8)
Non-recourse and security backed funding	7	<b>(1.3)</b>	(1.3)
<b>Net funded assets</b>		<b>330.1</b>	309.0

## Explanatory notes concerning net funded assets

### 1. Derivative revaluation

Offsetting derivative positions do not generally require funding and therefore gross revaluations are netted in the funded balance sheet. Derivative positions that result in a funding requirement are included as part of net trading assets.

### 2. Segregated funds

These represent the assets and liabilities that are recognised where Macquarie holds segregated client monies. The client monies will be matched by assets held to the same amount. Any excess client funds placed with Macquarie are netted down against cash and liquid assets.

### 3. Outstanding trade settlement balances

At any particular time Macquarie will have outstanding trades to be settled as part of its brokering business and trading activities. These amounts (payables) can be offset in terms of funding by amounts that Macquarie is owed on other trades (receivables).

### 4. Working capital assets

As with the outstanding trade settlement balances above, Macquarie through its day-to-day operations generates working capital assets (e.g. receivables and prepayments) and working capital liabilities (e.g. creditors and accruals) that produce a 'net balance' that either requires or provides funding.

### 5. Non-controlling interests

These include the portion of equity ownership in subsidiaries not attributable to Macquarie. As this is not a position that Macquarie is required to fund, it is netted against the consolidated assets and liabilities in preparing the funded balance sheet.

### 6. Self-funded trading assets

Macquarie enters into stock borrowing and lending as well as repurchase agreements and reverse repurchase agreements in the normal course of trading activity that it conducts with its clients and counterparties, as well as for liquidity management purposes. Also as part of its trading activities, Macquarie pays and receives margin collateral on its outstanding derivative positions. These trading and liquidity management related asset and liability positions are viewed as being self-funded to the extent that they offset one another and, therefore, are netted as part of this adjustment.

### 7. Non-recourse and security backed funding

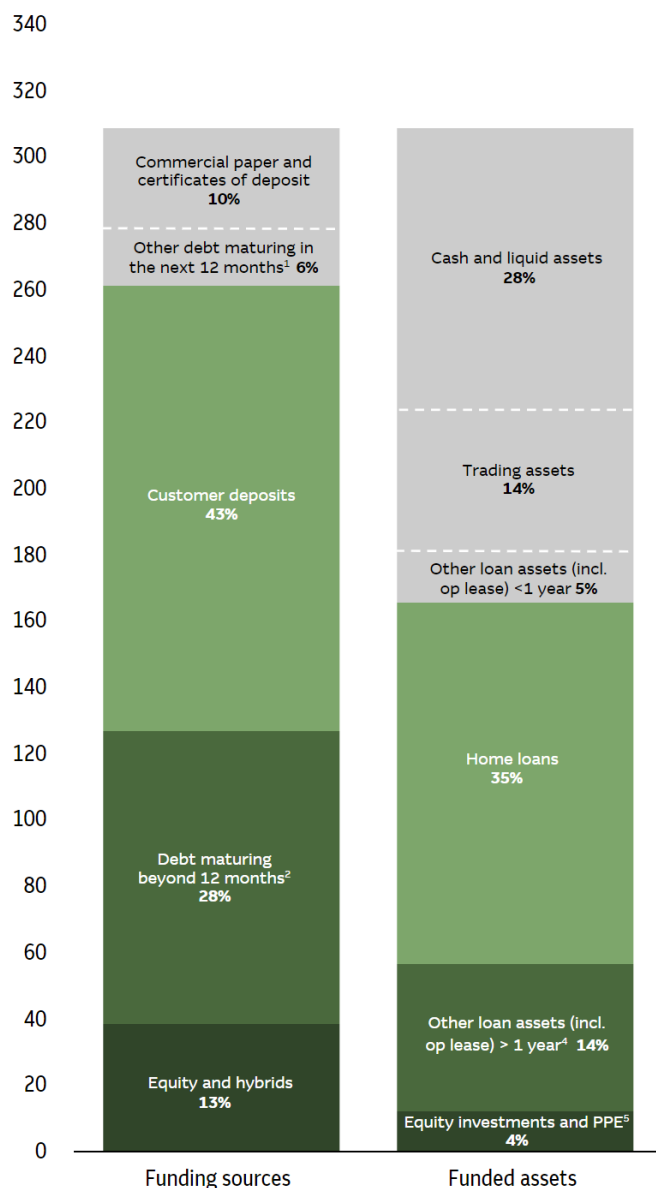
These include assets funded by third party debt with no recourse to Macquarie beyond the borrowing entity.

## 5.4 Funding Profile for Macquarie

The change in composition of the funded balance sheet is illustrated in the chart below.

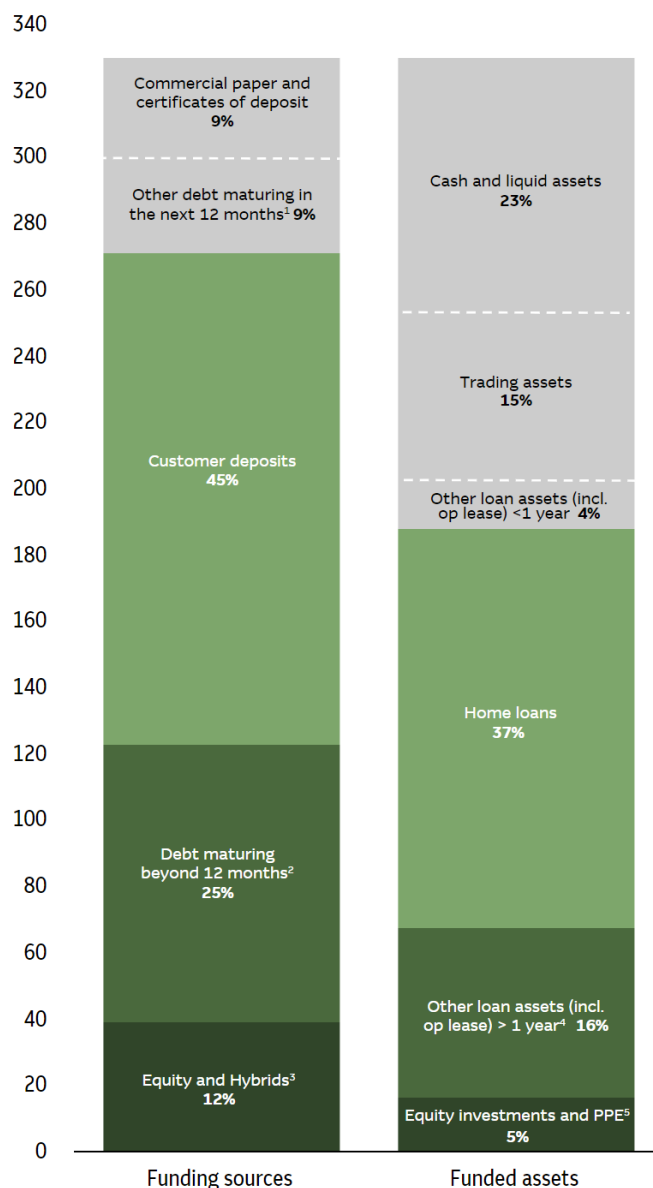
### 31 March 2023

\$A billion



### 31 March 2024

\$A billion



<sup>1</sup> Other debt maturing in the next 12 months includes Secured funding (including RBA TFF), Bonds, Structured notes, Unsecured loans and Net trade creditors.

<sup>2</sup> Debt maturing beyond 12 months includes Subordinated debt, Secured funding (including RBA TFF as at 31 March 2023), Bonds, Structured notes and Unsecured loans.

<sup>3</sup> Includes hybrids with first call date within 12 months representing \$A1.0 billion.

<sup>4</sup> Other loan assets (incl. op lease) > 1 year includes Debt investments.

<sup>5</sup> Equity investments and PPE includes Macquarie's co-investments in Macquarie-managed funds and other equity investments.

## Funded balance sheet

	Notes	AS AT	
		Mar 24 \$Ab	Mar 23 \$Ab
<b>Funding sources</b>			
Commercial paper and certificates of deposit	1	29.7	29.8
Net trade creditors	2	1.3	2.7
Structured notes	3	2.0	1.5
Secured funding	4		
Securitisation		13.5	13.2
Other secured funding		13.3	15.1
Bonds	5	59.0	52.8
Unsecured loans	6	15.4	13.3
Customer deposits	7	148.3	134.5
Subordinated debt	8	8.4	7.2
Equity and hybrids	9	39.2	38.9
<b>Total</b>		<b>330.1</b>	309.0
<b>Funded assets</b>			
Cash and liquid assets	10	76.8	85.4
Net trading assets	11	50.4	42.9
Other loan assets including operating lease assets less than one year	12	14.6	14.7
Home loans	13	120.4	109.0
Other loan assets including operating lease assets greater than one year	12	46.5	39.8
Debt investments	14	4.7	4.7
Co-investment in Macquarie-managed funds and other equity investments	15	10.6	7.4
Property, plant and equipment and intangibles		6.1	5.1
<b>Total</b>		<b>330.1</b>	309.0

See section 5.7 for Notes 1-15.



## 5.4 Funding Profile for Macquarie

Continued

### Term funding initiatives

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 2023, Macquarie has continued to raise term wholesale funding across various products and currencies.

Details of term funding raised between 1 April 2023 and 31 March 2024:

		Bank Group	Non-Bank Group	Total
		\$Ab	\$Ab	\$Ab
Issued paper	- Senior and subordinated	8.7	4.7	13.4
Secured funding	- Term securitisation and other secured finance	5.0	0.7	5.7
Loan facilities	- Unsecured loan facilities	1.5	0.5	2.0
<b>Total</b>		<b>15.2</b>	<b>5.9</b>	<b>21.1</b>

Macquarie has continued to develop its major funding markets and products during the year ended 31 March 2024.

From 1 April 2023 to 31 March 2024, Macquarie raised \$A21.1 billion<sup>1</sup> of term funding including:

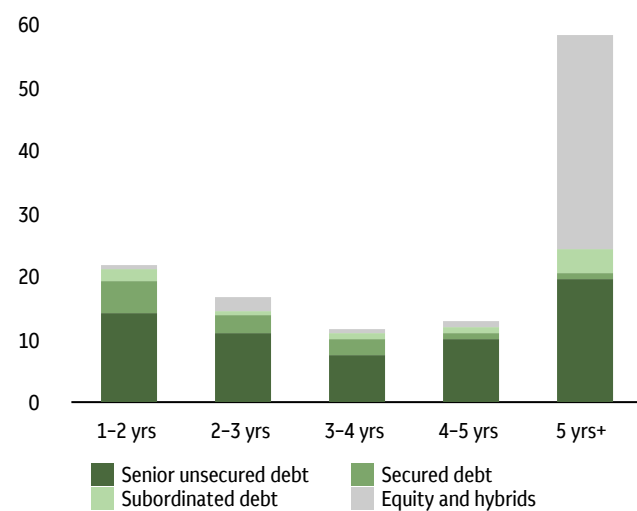
- \$A13.4 billion of term wholesale issued paper comprising of \$A12.1 billion of senior unsecured debt and \$A1.3 billion of subordinated unsecured debt
- \$A3.3 billion of securitisation issuance
- \$A2.4 billion refinance of secured trade finance facilities; and
- \$A2.0 billion of unsecured loan facilities.

<sup>1</sup> Issuances cover a range of tenors, currencies and product types and are Australian dollar equivalent based on foreign exchange rates at the time of issuance. Includes refinancing of loan facilities.

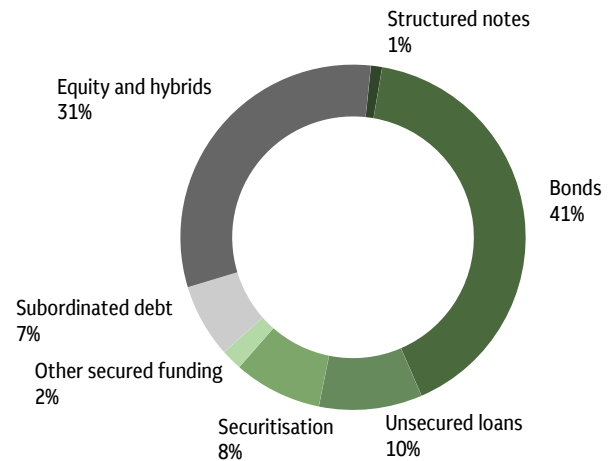
## Term funding profile

### Detail of drawn funding maturing beyond one year

\$A billion



### Diversity of funding sources



#### AS AT MAR 24

	1-2 yrs \$Ab	2-3 yrs \$Ab	3-4 yrs \$Ab	4-5 yrs \$Ab	5 yrs+ \$Ab	Total \$Ab
Structured notes <sup>1</sup>	0.5	0.2	0.3	0.3	0.6	1.9
Bonds	8.2	10.5	4.7	6.6	19.1	49.1
Unsecured loans	5.7	0.3	2.5	3.3	-	11.8
<b>Senior unsecured debt</b>	<b>14.4</b>	<b>11.0</b>	<b>7.5</b>	<b>10.2</b>	<b>19.7</b>	<b>62.8</b>
Securitisation <sup>1</sup>	3.7	2.9	1.7	0.8	1.0	10.1
Other secured funding	1.3	0.1	1.0	-	-	2.4
<b>Secured debt</b>	<b>5.0</b>	<b>3.0</b>	<b>2.7</b>	<b>0.8</b>	<b>1.0</b>	<b>12.5</b>
Subordinated debt <sup>2</sup>	2.0	0.7	0.9	1.2	3.6	8.4
Equity and hybrids <sup>2</sup>	0.6	2.0	0.7	0.7	34.2	38.2
<b>Total term funding sources drawn</b>	<b>22.0</b>	<b>16.7</b>	<b>11.8</b>	<b>12.9</b>	<b>58.5</b>	<b>121.9</b>
Undrawn <sup>3</sup>	2.7	0.8	0.2	0.1	0.1	3.9
<b>Total term funding sources drawn and undrawn</b>	<b>24.7</b>	<b>17.5</b>	<b>12.0</b>	<b>13.0</b>	<b>58.6</b>	<b>125.8</b>

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 2024, 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 4.5 years as at 31 March 2024.

As at 31 March 2024, in addition to term funding in table above, customer deposits represented \$A148.3 billion (45% of Macquarie's total funding). Short-term (maturing in less than 12 months) commercial paper and certificates of deposit represented \$A29.7 billion (9% of total funding), other debt funding maturing within 12 months and net trade creditors represented \$A29.2 billion (9% of total funding) and hybrids with first call date within 12 months represented \$A1.0 billion.

<sup>1</sup> Securitisation and structured notes are profiled using a behavioural maturity profile.

<sup>2</sup> Included in this balance are securities with conditional repayment obligations. These securities are disclosed using the earlier repricing dates instead of contractual maturity.

<sup>3</sup> Includes securitisations which are profiled using a behavioural maturity profile and subject to eligible collateral being available.

## 5.5 Funding Profile for the Bank Group

### Funded balance sheet

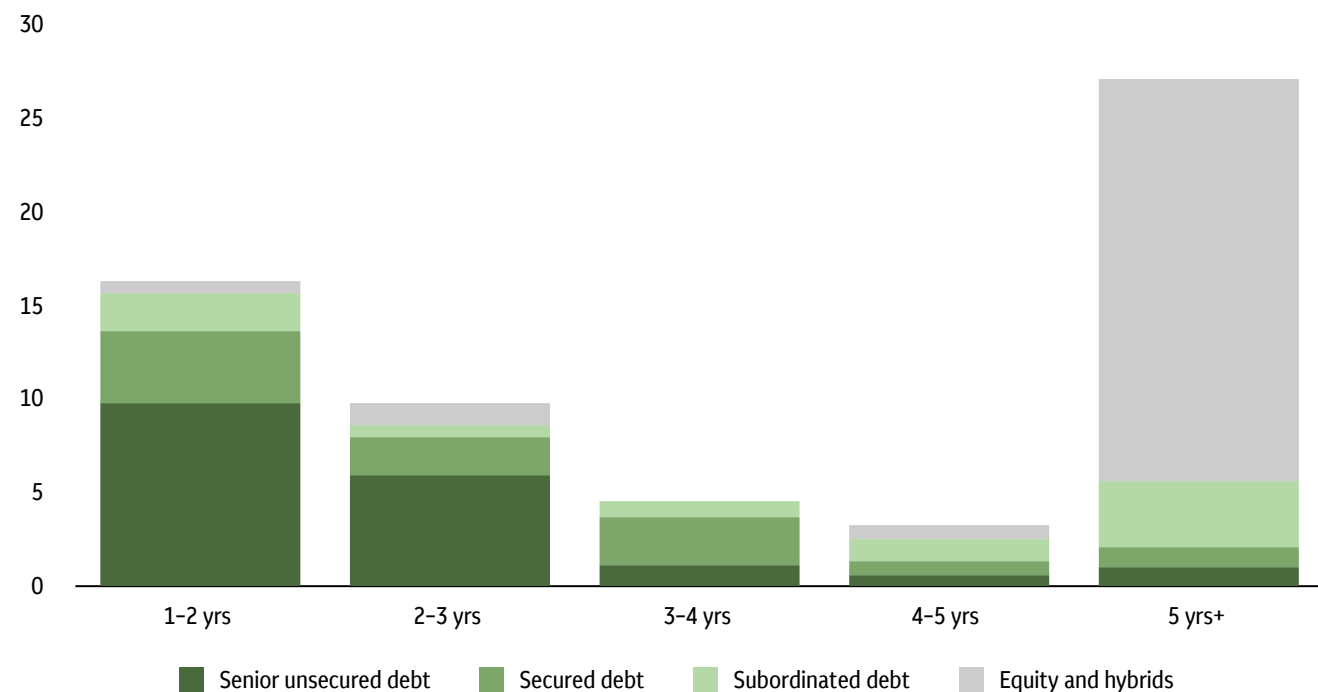
	Notes	AS AT	
		Mar 24 \$Ab	Mar 23 \$Ab
<b>Funding sources</b>			
Commercial paper and certificates of deposit	1	29.7	29.8
Net trade creditors	2	2.2	2.7
Structured notes	3	0.5	0.5
Secured funding	4		
Securitisation		11.6	11.4
Other secured funding		12.4	14.5
Bonds	5	20.9	18.9
Unsecured loans	6	8.6	6.1
Customer deposits	7	148.3	134.5
Subordinated debt	8	8.4	7.2
Equity and hybrids	9	23.8	22.7
<b>Total</b>		<b>266.4</b>	<b>248.3</b>
<b>Funded assets</b>			
Cash and liquid assets	10	63.0	70.0
Net trading assets	11	45.3	39.1
Other loan assets including operating lease assets less than one year	12	12.7	13.5
Home loans	13	120.4	109.0
Other loan assets including operating lease assets greater than one year	12	26.9	22.5
Debt investments	14	2.6	2.4
Non-Bank Group balances with the Bank Group		(7.3)	(10.0)
Co-investment in Macquarie-managed funds and other equity investments	15	0.7	0.7
Property, plant and equipment and intangibles		2.1	1.1
<b>Total</b>		<b>266.4</b>	<b>248.3</b>

See section 5.7 for Notes 1-15.

## Term funding profile

### Detail of drawn funding maturing beyond one year

\$A billion



#### AS AT MAR 24

	1-2 yrs \$Ab	2-3 yrs \$Ab	3-4 yrs \$Ab	4-5 yrs \$Ab	5 yrs+ \$Ab	Total \$Ab
Structured notes <sup>1</sup>	-	-	0.1	0.1	0.2	0.4
Bonds	6.0	5.7	0.3	-	0.9	12.9
Unsecured loans	3.8	0.3	0.8	0.5	-	5.4
<b>Senior unsecured debt</b>	<b>9.8</b>	<b>6.0</b>	<b>1.2</b>	<b>0.6</b>	<b>1.1</b>	<b>18.7</b>
Securitisation <sup>1</sup>	3.0	1.9	1.5	0.8	1.0	8.2
Other secured funding	0.9	0.1	1.0	-	-	2.0
<b>Secured debt</b>	<b>3.9</b>	<b>2.0</b>	<b>2.5</b>	<b>0.8</b>	<b>1.0</b>	<b>10.2</b>
Subordinated debt <sup>2</sup>	2.0	0.7	0.9	1.2	3.6	8.4
Equity and hybrids <sup>2</sup>	0.6	1.1	-	0.7	21.4	23.8
<b>Total term funding sources drawn</b>	<b>16.3</b>	<b>9.8</b>	<b>4.6</b>	<b>3.3</b>	<b>27.1</b>	<b>61.1</b>
Undrawn <sup>3</sup>	0.6	0.5	0.1	0.1	0.1	1.4
<b>Total term funding sources drawn and undrawn</b>	<b>16.9</b>	<b>10.3</b>	<b>4.7</b>	<b>3.4</b>	<b>27.2</b>	<b>62.5</b>

Macquarie Bank has diversity of funding across a range of tenors, currencies and products. The weighted average term to maturity of term funding maturing beyond one year (excluding equity and securitisations) was 3.1 years as at 31 March 2024.

As at 31 March 2024, in addition to term funding in table above, customer deposits represented \$A148.3 billion (56% of the Bank Group's total funding). Short-term (maturing in less than 12 months) commercial paper and certificates of deposit represented \$A29.7 billion (11% of total funding), and other debt funding maturing within 12 months and net trade creditors represented \$A27.3 billion (10% of total funding).

<sup>1</sup> Securitisation and structured notes are profiled using a behavioural maturity profile.

<sup>2</sup> Included in this balance are securities with conditional repayment obligations. These securities are disclosed using the earlier repricing dates instead of contractual maturity.

<sup>3</sup> Includes securitisations which are profiled using a behavioural maturity profile and subject to eligible collateral being available.

## 5.5 Funding Profile for the Bank Group

Continued

The key tools used for raising debt funding, which primarily fund MBL and the Bank Group, are as follows<sup>1</sup>:

- \$US25 billion Regulation S Debt Instrument Programme under which \$US7.4 billion of debt securities were outstanding as at 31 March 2024
- \$US25 billion MBL Commercial Paper Program under which \$US12.9 billion of debt securities were outstanding as at 31 March 2024
- \$US20 billion US Rule 144A/Regulation S Medium-Term Note Program, including senior and subordinated notes, under which \$US9.8 billion of debt securities were outstanding as at 31 March 2024
- \$A11.6 billion of external securitisation of which \$A9.3 billion PUMA RMBS and \$A2.3 billion SMART ABS was drawn as at 31 March 2024
- \$US10 billion European Commercial Paper Programme including Euro Commercial Paper and Euro Certificates of Deposit, under which \$US3.6 billion of debt securities were outstanding as at 31 March 2024
- \$A10 billion Covered Bond Programme under which \$A1 billion of debt securities were outstanding as at 31 March 2024
- \$A10 billion Regulation S Subordinated Notes Debt Programme under which \$A1.3 billion of debt securities were outstanding as at 31 March 2024
- \$US5 billion MIFL Commercial Paper Programme under which \$US1 billion of debt securities were outstanding as at 31 March 2024
- \$US5 billion Structured Note Programme under which \$US0.3 billion of structured notes were outstanding as at 31 March 2024
- \$A6 billion<sup>2</sup> of Unsecured Loan Facilities of which \$A5.7 billion was drawn as at 31 March 2024
- \$A2.4 billion of other subordinated unsecured debt outstanding as at 31 March 2024
- \$US1.1 billion<sup>3</sup> Secured Trade Finance Facility of which \$US0.9 billion<sup>3</sup> was drawn as at 31 March 2024; and
- \$A9.6 billion<sup>4</sup> of RBA Term Funding Facility outstanding as at 31 March 2024.

Macquarie Bank accesses the Australian capital markets through the issuance of Negotiable Certificates of Deposit. As at 31 March 2024, Macquarie Bank had \$A0.4 billion of these securities outstanding.

Macquarie Bank as a RITS<sup>5</sup> member is able to access the RBA daily market operations.

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<sup>1</sup> Funding outstanding excludes capitalised costs.

<sup>2</sup> Includes issuance out of MIFL and MBE. Values are Australian dollar equivalents as at 31 March 2024.

<sup>3</sup> Values are US dollar equivalents as at 31 March 2024.

<sup>4</sup> RBA TFF outstanding as at 31 March 2024, comprises Additional and Supplementary Allowances.

<sup>5</sup> Reserve Bank Information and Transfer System.



## Deposit strategy

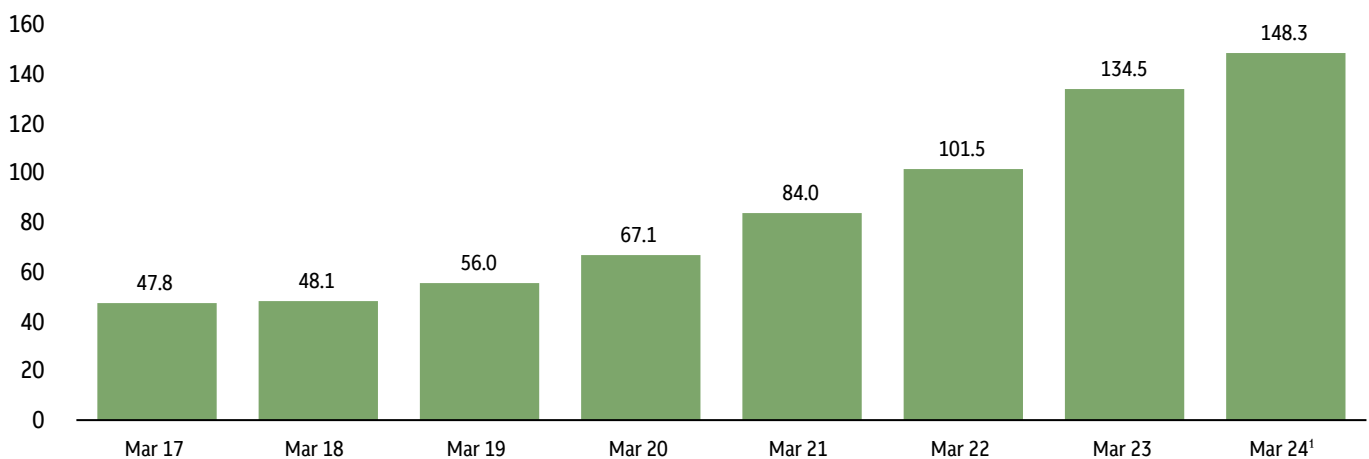
MBL continues to pursue a deposit strategy that is consistent with the core liquidity management strategy of achieving diversity and stability of funding sources. The strategy is focused on growing the BFS deposit base, which represents a stable and reliable source of funding and reduces Macquarie's reliance on wholesale funding markets.

In particular, MBL is focused on the quality and diversification of the deposit base, targeting transactional and relationship-based deposits. MBL is covered by the Financial Claims Scheme (FCS), an Australian Government scheme that provides protection to depositors up to a limit of \$A250,000 per account holder per ADI.

The chart below illustrates the customer deposit growth since 31 March 2017.

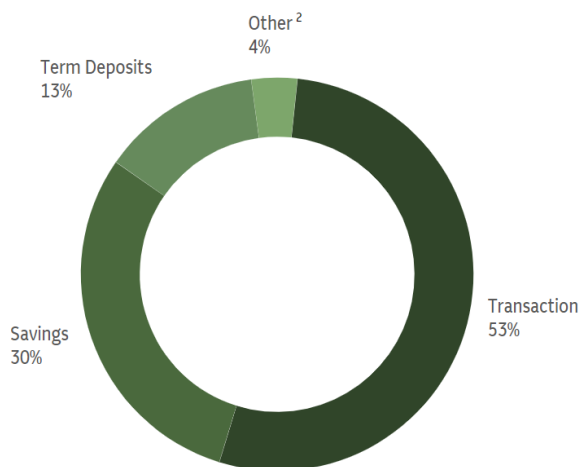
### Customers deposits

\$A billion

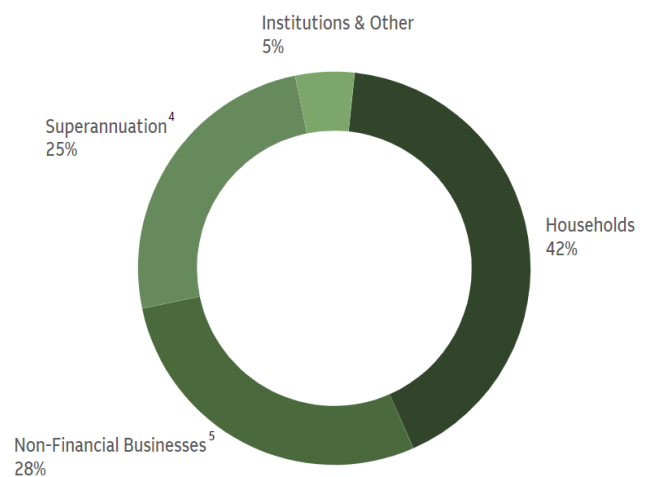


## Composition of customer deposits

By Type<sup>1</sup>



By Counterparty<sup>3</sup>



<sup>1</sup> Total customer deposits include BFS deposits of \$A142.7 billion and \$A5.6 billion of corporate/wholesale deposits, including those taken by MBE as at 31 March 2024.

<sup>2</sup> Includes corporate/wholesale deposits.

<sup>3</sup> As at 31 March 2024 for Total Residents Deposits on Australian books per APRA Monthly Authorised Deposit Taking Institution Statistics (MADIS).

<sup>4</sup> Predominantly Self-Managed Super Funds.

<sup>5</sup> Predominantly Private Enterprises and Trusts.

## 5.6 Funding Profile for the Non-Bank Group

### Funded balance sheet

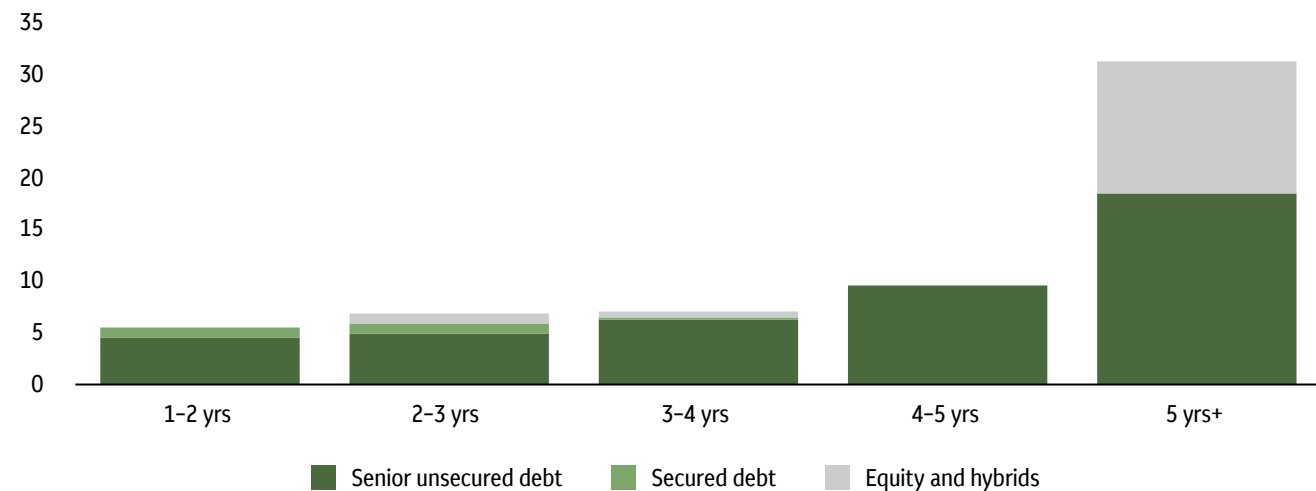
	Notes	AS AT	
		Mar 24 \$Ab	Mar 23 \$Ab
<b>Funding sources</b>			
Net trade (debtors)/creditors	2	(0.9)	-
Structured notes	3	1.5	1.0
Secured funding	4		
Securitisation		1.9	1.8
Other secured funding		0.9	0.6
Bonds	5	38.1	33.9
Unsecured loans	6	6.8	7.2
Equity and hybrids	9	15.4	16.2
<b>Total</b>		<b>63.7</b>	60.7
<b>Funded assets</b>			
Cash and liquid assets	10	13.8	15.4
Non-Bank Group balances with the Bank Group		7.3	10.0
Net trading assets	11	5.1	3.8
Other loan assets including operating lease assets less than one year	12	1.9	1.2
Other loan assets including operating lease assets greater than one year	12	19.6	17.3
Debt investments	14	2.1	2.3
Co-investment in Macquarie-managed funds and other equity investments	15	9.9	6.7
Property, plant and equipment and intangibles		4.0	4.0
<b>Total</b>		<b>63.7</b>	60.7

See Section 5.7 for Notes 2–15.

## Term funding profile

### Detail of drawn funding maturing beyond one year

\$A billion



AS AT MAR 24

	1-2 yrs \$Ab	2-3 yrs \$Ab	3-4 yrs \$Ab	4-5 yrs \$Ab	5 yrs+ \$Ab	Total \$Ab
Structured notes <sup>1</sup>	0.5	0.2	0.2	0.2	0.4	1.5
Bonds	2.2	4.8	4.4	6.6	18.2	36.2
Unsecured loans	1.9	-	1.7	2.8	-	6.4
<b>Senior unsecured debt</b>	<b>4.6</b>	<b>5.0</b>	<b>6.3</b>	<b>9.6</b>	<b>18.6</b>	<b>44.1</b>
Securitisation <sup>1</sup>	0.7	1.0	0.2	-	-	1.9
Other secured funding	0.4	-	-	-	-	0.4
<b>Secured debt</b>	<b>1.1</b>	<b>1.0</b>	<b>0.2</b>	<b>-</b>	<b>-</b>	<b>2.3</b>
Equity and hybrids <sup>2</sup>	-	0.9	0.7	-	12.8	14.4
<b>Total term funding sources drawn</b>	<b>5.7</b>	<b>6.9</b>	<b>7.2</b>	<b>9.6</b>	<b>31.4</b>	<b>60.8</b>
Undrawn <sup>3</sup>	2.1	0.3	0.1	-	-	2.5
<b>Total term funding sources drawn and undrawn</b>	<b>7.8</b>	<b>7.2</b>	<b>7.3</b>	<b>9.6</b>	<b>31.4</b>	<b>63.3</b>

The weighted average term to maturity of term funding maturing beyond one year (excluding equity and securitisations) was 5.4 years as at 31 March 2024. As at 31 March 2024, other debt funding maturing within 12 months and net trade creditors represented \$A1.9 billion (3% of total funding) and hybrids with first call date within 12 months represented \$A1.0 billion (2% of total funding).

The key tools used for raising debt funding, which primarily fund MGL and the Non-Bank Group, are as follows<sup>4</sup>:

- \$US20 billion US Rule 144A/Regulation S Medium-Term Note Program, under which \$US14.5 billion of debt securities were outstanding as at 31 March 2024
- \$US20 billion Regulation S Debt Instrument Programme under which \$US8.5 billion of debt securities were outstanding as at 31 March 2024
- \$A8.4 billion<sup>5</sup> of Unsecured Loan Facilities of which \$A6.4 billion<sup>5</sup> was drawn as at 31 March 2024
- \$US5 billion Structured Note Programme under which \$US1 billion of structured notes were outstanding as at 31 March 2024
- \$US1.8 billion of Muni-gas Prepayment funding outstanding as at 31 March 2024
- \$US1.7 billion of external securitisation of which \$US1.3 billion was drawn as at 31 March 2024; and
- \$US0.5 billion Secured Trade Finance Facility which was fully drawn as at 31 March 2024.

Macquarie Group as a RITS<sup>6</sup> member is able to access the RBA open market operations.

<sup>1</sup> Securitisation and structured notes are profiled using a behavioural maturity profile.

<sup>2</sup> Included in this balance are securities with conditional repayment obligations. These securities are disclosed using the earlier repricing dates instead of contractual maturity.

<sup>3</sup> Includes securitisations which are profiled using a behavioural maturity profile and subject to eligible collateral being available.

<sup>4</sup> Funding outstanding excludes capitalised costs.

<sup>5</sup> Values are Australian dollar equivalents as at 31 March 2024.

<sup>6</sup> Reserve Bank Information and Transfer System.

## 5.7 Explanatory Notes Concerning Funding Sources and Funded Assets

### 1. Commercial paper and certificates of deposit

Short-term wholesale funding.

### 2. Net trade creditors/debtors

Short-term working capital balances (debtors and creditors) are created through Macquarie's day-to-day operations. A net funding use (or source) will result due to timing differences in cash flows.

### 3. Structured notes

Includes debt instruments on which the return is linked to a number of variables including interest rates, currencies, equities and credit. They are generally issued as part of structured transactions with clients and are hedged with positions in underlying assets or derivative instruments.

### 4. Secured funding

Funding arrangements secured against an asset (or pool of assets) including securitisations.

### 5. Bonds

Unsecured long-term wholesale funding.

### 6. Unsecured loans

Loan facilities not secured by specific assets or collateral.

### 7. Customer deposits

BFS customer deposits and other corporate/wholesale deposits. The Australian Government Financial Claims Scheme covers eligible deposits in Macquarie Bank.

### 8. Subordinated debt

Long-term debt obligations.

### 9. Equity and hybrids

Equity balances are comprised of issued capital, retained earnings and reserves. Hybrid instruments as at 31 March 2024 include MACS, BCN 2 and 3 and MCN 3, 4, 5 and 6.

### 10. Cash and liquid assets

Cash and liquid assets are held as cash balances (including central bank reserves and overnight lending to financial institutions), qualifying High-Quality Liquid Assets (HQLA), and other RBA repo eligible securities.

### 11. Net trading assets

The net trading asset balance consists of financial markets, commodities and equity trading assets including the net derivative position, any trading-related receivables or payables and margin or collateral balances.

### 12. Other loan assets including operating lease assets

This represents loans provided to retail and wholesale borrowers, as well as assets held under operating leases. Excludes home loans.

See section 4.2 for further information.

### 13. Home loans

Loans secured by mortgages over residential property.

### 14. Debt investments

These can include various categories of debt securities including asset backed securities, bonds, commercial mortgage backed securities and residential mortgage backed securities.

### 15. Co-investment in Macquarie-managed funds and other equity investments

These include equity investments at fair value, interests in associates and joint ventures and other equity investments.

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# 06

## Capital

### **240 St Georges Terrace, Perth**

In 2019, Macquarie relocated to our new Perth office which provides teams with a connected workplace in a landmark commercial building in the city's CBD and supports our businesses as they deliver further growth in the Western Australia market.





## 6.1 Overview

As an APRA authorised and regulated Non-Operating Holding Company (NOHC), MGL is required to hold adequate regulatory capital to cover the risks for Macquarie, including the Non-Bank Group. MGL and APRA have agreed a capital adequacy framework based on APRA's capital standards for ADIs and Macquarie's Board-approved Economic Capital Adequacy Model (ECAM).

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 (RWA) plus Tier 1 deductions using prevailing APRA ADI Prudential Standards; and
- The Non-Bank Group's capital requirement, calculated using Macquarie's ECAM.

Transactions internal to Macquarie are eliminated.

Eligible regulatory capital of Macquarie consists of ordinary share capital, retained earnings and certain reserves plus eligible hybrid instruments. Eligible hybrid instruments as at 31 March 2024 include the Macquarie Additional Capital Securities (MACS), Macquarie Bank Capital Notes 2 (BCN2), Macquarie Bank Capital Notes 3 (BCN3), Macquarie Group Capital Notes 3 (MCN3), Macquarie Group Capital Notes 4 (MCN4), Macquarie Group Capital Notes 5 (MCN5) and Macquarie Group Capital Notes 6 (MCN6).

### Pillar 3

The APRA Prudential Standard APS 330 Public Disclosure (APS 330) details the market disclosure requirements for Australian domiciled banks. APS 330 requires qualitative and quantitative disclosure of risk management practices and capital adequacy.

## Macquarie Basel III regulatory capital surplus calculation

	AS AT MAR 24	AS AT SEP 23	MOVEMENT
	\$Am	\$Am	%
Macquarie eligible capital:			
Bank Group Gross Tier 1 capital	23,799	22,611	5
Non-Bank Group eligible capital	15,542	16,000	(3)
<b>Eligible capital</b>	<b>39,341</b>	<b>38,611</b>	<b>2</b>
Macquarie capital requirement:			
<b>Bank Group capital requirement</b>			
Risk-Weighted Assets (RWA) <sup>1</sup>	128,938	125,358	3
Capital required to cover RWA <sup>2</sup>	13,538	13,163	3
Tier 1 deductions	3,645	3,436	6
<b>Total Bank Group capital requirement</b>	<b>17,183</b>	<b>16,599</b>	<b>4</b>
<b>Total Non-Bank Group capital requirement</b>	<b>11,492</b>	<b>11,524</b>	<b>-</b>
Total Macquarie capital requirement	28,675	28,123	2
Macquarie regulatory capital surplus	10,666	10,488	2

<sup>1</sup> In calculating the Bank Group's contribution to Macquarie's capital requirement, RWA internal to Macquarie are eliminated (Mar 24: \$A1,101 million; Sep 23: \$A970 million).

<sup>2</sup> The Bank Group regulatory requirements are calculated in accordance with Prudential Standard APS 110 Capital Adequacy (APS 110), at 10.5% of RWA (Sep 23: 10.5%). This includes the industry minimum Tier 1 requirement of 6.0%, capital conservation buffer (CCB) of 3.75% and a countercyclical capital buffer (CCyB). The CCyB of the Bank Group at Mar 24 is 0.71% (Sep 23: 0.71%), this is rounded to 0.75% (Sep 23: 0.75%) 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 period end.

## 6.2 Bank Group Capital

The Bank Group is accredited by APRA under the Basel Foundation Internal Ratings Based approach (FIRB) for credit risk, and the Internal Model Approach for market risk and interest rate risk in the banking book (IRRBB). These advanced approaches place a higher reliance on a bank's internal capital measures and therefore require a more sophisticated level of risk management and risk measurement practices. Operational risk is subject to the Standardised Measurement Approach.

Capital disclosures in this section include APRA Basel III and Harmonised Basel III<sup>1</sup>. The former reflects Macquarie's regulatory requirements under APRA Basel III rules, whereas the latter is relevant for comparison with banks regulated by regulators other than APRA.

### Common Equity Tier 1 Capital

The Bank Group's Common Equity Tier 1 capital under Basel III consists of ordinary share capital, retained earnings and certain reserves, less prescribed regulatory adjustments. MBL periodically pays dividends to MGL. As required, MGL may inject capital into MBL to support projected business growth.

### Tier 1 Capital

Tier 1 capital consists of Common Equity Tier 1 capital and Additional Tier 1 capital (hybrids). Additional Tier 1 capital as at 31 March 2024 consists of MACS, BCN2 and BCN3.

MACS were issued by MBL, acting through its London Branch in March 2017. MACS are subordinated, unsecured notes that pay discretionary, non-cumulative, semi-annual fixed rate cash distributions. Subject to certain conditions the MACS may be redeemed on 8 March 2027, or every fifth anniversary thereafter. MACS can be exchanged for a variable number of fully paid MGL ordinary shares on an acquisition event (where a person acquires control of MBL or MGL), where MBL's Common Equity Tier 1 capital ratio falls below 5.125%, or where APRA determines MBL would be non-viable without an exchange or a public sector injection of capital (or equivalent support).

BCN2 were issued by MBL in June 2020 and are quoted on the Australian Securities Exchange. The BCN2 pay discretionary, quarterly floating rate cash distributions equal to three month BBSW plus 4.70% per annum margin, adjusted for franking credits. These instruments are non-cumulative and unsecured and may be redeemed at face value on 21 December 2025, 21 June 2026 or 21 December 2026 (subject to certain conditions being satisfied) or earlier in specified circumstances. The BCN2 can be converted into a variable number of MGL ordinary shares (subject to certain conditions being satisfied) on these redemption dates; mandatorily exchanged on 21 December 2028; exchanged earlier upon an acquisition event (with the acquirer gaining control of MGL or MBL); where MBL's Common Equity Tier 1 capital ratio falls below 5.125%, or where APRA determines MBL would be non-viable without an exchange or a public sector injection of capital (or equivalent support).

BCN3 were issued by MBL in August 2021 and are quoted on the Australian Securities Exchange. The BCN3 pay discretionary, quarterly floating rate cash distributions equal to three-month BBSW plus 2.90% per annum margin, adjusted for franking credits. These instruments are non-cumulative and unsecured and may be redeemed at face value on 7 September 2028, 7 March 2029, or 7 September 2029 (subject to certain conditions being satisfied) or earlier in specified circumstances. The BCN3 can be converted into a variable number of MGL ordinary shares (subject to certain conditions being satisfied) on these redemption dates; mandatorily exchanged on 8 September 2031; exchanged earlier upon an acquisition event (with the acquirer gaining control of MGL or MBL); where MBL's Common Equity Tier 1 capital ratio falls below 5.125%, or where APRA determines MBL would be non-viable without an exchange or a public sector injection of capital (or equivalent support).

<sup>1</sup> Harmonised Basel III estimates are calculated in accordance with the updated BCBS Basel III framework, noting that MBL is not regulated by the BCBS and so impacts shown are indicative only.



## Bank Group Basel III Tier 1 Capital

	AS AT MAR 24		AS AT SEP 23		MOVEMENT	
	APRA Basel III	Harmonised Basel III	APRA Basel III	Harmonised Basel III	APRA Basel III	Harmonised Basel III
	\$Am	\$Am	\$Am	\$Am	%	%
<b>Common Equity Tier 1 capital</b>						
Paid-up ordinary share capital	10,182	10,182	10,148	10,148	<1	<1
Retained earnings	9,934	9,735	8,698	8,500	14	15
Reserves	1,237	1,237	1,302	1,302	(5)	(5)
<b>Gross Common Equity Tier 1 capital</b>	<b>21,353</b>	<b>21,154</b>	20,148	19,950	6	6
<b>Regulatory adjustments to Common Equity Tier 1 capital:</b>						
Goodwill	40	40	41	41	(2)	(2)
Deferred tax assets	1,032	57	963	79	7	(28)
Net other fair value adjustments	105	105	169	169	(38)	(38)
Intangible component of investments in subsidiaries and other entities	40	40	40	40	1	-
Capitalised expenses	783	-	752	-	4	-
Shortfall in provisions for credit losses	487	251	246	13	98	*
Equity exposures	1,080	-	1,044	-	3	-
Capitalised software	8	8	9	9	(13)	(11)
Other Common Equity Tier 1 capital deductions	70	48	172	158	(59)	(70)
Total Common Equity Tier 1 capital deductions	3,645	549	3,436	509	6	8
<b>Net Common Equity Tier 1 capital</b>	<b>17,708</b>	<b>20,605</b>	16,712	19,441	6	6
<b>Additional Tier 1 Capital</b>						
Additional Tier 1 capital instruments	2,446	2,446	2,463	2,463	(1)	(1)
<b>Gross Additional Tier 1 capital</b>	<b>2,446</b>	<b>2,446</b>	2,463	2,463	(1)	(1)
Deduction from Additional Tier 1 capital	-	-	-	-	-	-
<b>Net Additional Tier 1 capital</b>	<b>2,446</b>	<b>2,446</b>	2,463	2,463	(1)	(1)
<b>Total Net Tier 1 capital</b>	<b>20,154</b>	<b>23,051</b>	19,175	21,904	5	5

## 6.2 Bank Group Capital

Continued

### Bank Group Basel III Risk-Weighted Assets (RWA)

	AS AT MAR 24		AS AT SEP 23		MOVEMENT	
	APRA Basel III	Harmonised Basel III	APRA Basel III	Harmonised Basel III	APRA Basel III	Harmonised Basel III
	\$Am	\$Am	\$Am	\$Am	%	%
<b>Credit risk</b>						
Subject to IRB approach:						
Corporate <sup>1</sup>	29,478	21,580	29,291	21,347	1	1
SME Corporate	8,733	6,137	8,445	5,916	3	4
Sovereign	343	2,229	317	2,248	8	(1)
Financial Institution	10,601	8,848	10,232	8,794	4	1
Residential mortgage <sup>2</sup>	23,206	12,035	22,256	11,466	4	5
Other retail	1,452	1,320	1,704	1,549	(15)	(15)
Retail SME	1,245	1,132	1,390	1,264	(10)	(10)
<b>Total RWA subject to IRB approach</b>	<b>75,058</b>	<b>53,281</b>	<b>73,635</b>	<b>52,584</b>	<b>2</b>	<b>1</b>
<b>Specialised lending exposures subject to slotting criteria<sup>3</sup></b>	<b>7,447</b>	<b>7,447</b>	<b>6,591</b>	<b>6,591</b>	<b>13</b>	<b>13</b>
Subject to Standardised approach:						
Corporate	1,996	2,934	2,234	3,090	(11)	(5)
Residential mortgage	663	663	729	729	(9)	(9)
Other Retail	824	824	848	848	(3)	(3)
<b>Total RWA subject to Standardised approach</b>	<b>3,483</b>	<b>4,421</b>	<b>3,811</b>	<b>4,667</b>	<b>(9)</b>	<b>(5)</b>
<b>Credit risk RWA for securitisation exposures</b>	<b>765</b>	<b>1,053</b>	<b>685</b>	<b>889</b>	<b>12</b>	<b>18</b>
<b>Credit Valuation Adjustment RWA</b>	<b>6,578</b>	<b>6,578</b>	<b>8,679</b>	<b>8,679</b>	<b>(24)</b>	<b>(24)</b>
<b>Exposures to Central Counterparties RWA</b>	<b>526</b>	<b>526</b>	<b>594</b>	<b>594</b>	<b>(11)</b>	<b>(11)</b>
<b>RWA for Other Assets<sup>4</sup></b>	<b>4,393</b>	<b>7,612</b>	<b>3,788</b>	<b>6,747</b>	<b>16</b>	<b>13</b>
<b>Total Credit risk RWA</b>	<b>98,250</b>	<b>80,918</b>	<b>97,783</b>	<b>80,751</b>	<b>&lt;1</b>	<b>-</b>
<b>Equity risk exposures RWA</b>	<b>-</b>	<b>2,700</b>	<b>-</b>	<b>2,609</b>	<b>-</b>	<b>3</b>
<b>Market risk RWA</b>	<b>10,529</b>	<b>10,529</b>	<b>9,011</b>	<b>9,011</b>	<b>17</b>	<b>17</b>
<b>Operational risk RWA</b>	<b>17,512</b>	<b>16,256</b>	<b>15,828</b>	<b>15,559</b>	<b>11</b>	<b>4</b>
<b>Interest rate risk in banking book RWA</b>	<b>3,748</b>	<b>-</b>	<b>3,706</b>	<b>-</b>	<b>1</b>	<b>-</b>
<b>Total Bank Group RWA</b>	<b>130,039</b>	<b>110,403</b>	<b>126,328</b>	<b>107,930</b>	<b>3</b>	<b>2</b>
<b>Capital ratios</b>						
Bank Group Level 2 Common Equity Tier 1 capital ratio (%)	13.6	18.7	13.2	18.0		
Bank Group Level 2 Tier 1 capital ratio (%)	15.5	20.9	15.2	20.3		

<sup>1</sup> Corporate asset class Includes Large Corporates.

<sup>2</sup> Residential mortgage RWA at Mar 24 include a \$A2.3 billion overlay as advised by APRA for the purpose of calibrating MBL's IRB residential mortgages model.

<sup>3</sup> Specialised lending exposures subject to supervisory slotting criteria are measured using APRA determined risk weightings.

<sup>4</sup> The major components of Other Assets are unsettled trades, fixed assets and residual value of operating leases.

## 6.3 Non-Bank Group Capital

The Non-Bank Group's capital requirement is calculated using Macquarie's ECAM. The ECAM is based on similar principles and models as the Basel III regulatory capital framework for banks, with both calculating capital at a one year 99.9% confidence level. The table below shows a comparison of Basel III and ECAM methodologies for key risk types.

RISK <sup>1</sup>	BASEL III <sup>2</sup>	ECAM
<b>Credit</b>	Capital requirement generally determined by Basel III IRB formula, with some parameters specified by the regulator (e.g. loss given default estimates for wholesale counterparties)	Capital requirement generally determined by Basel III IRB formula, but with internal estimates of key parameters
<b>Equity</b>	Harmonised Basel III: 250% or 400% risk weight, depending on the type of investment. Deduction from Common Equity Tier 1 above a threshold APRA Basel III: 100% Common Equity Tier 1 deduction <sup>3</sup>	Extension of Basel III credit model to cover equity exposures. Capital requirement between 34% and 84% of face value; average 55%
<b>Market</b>	M <sup>4</sup> times 10-day 99% Value at Risk (VaR) plus M <sup>4</sup> times 10-day 99% Stressed Value at Risk (SVaR), plus a specific risk charge	Scenario-based approach
<b>Operational</b>	Standardised Measurement Approach	Advanced Measurement Approach

<sup>1</sup> The ECAM also covers non-traded interest rate risk and the risk on assets held as part of business operations, including fixed assets, goodwill, intangible assets and capitalised expenses.

<sup>2</sup> Basel III requirements shown, with Market Risk per the revised BCBS Basel II Market Risk Framework. APRA has implemented the Basel III framework (APRA Basel III), and in some areas has introduced stricter requirements (APRA super equivalent).

<sup>3</sup> Includes all Banking Book equity investments, plus net long Trading Book holdings in financial institutions.

<sup>4</sup> M is the Market Risk capital multiplier, which is 3 plus any additions specified.

## 6.3 Non-Bank Group Capital

Continued

### Non-Bank Group capital requirement

The capital requirement of the Non-Bank Group is set out in the table below.

	AS AT MAR 24		
	Assets \$Ab	Capital requirement \$Am	Equivalent risk weight
<b>Funded assets</b>			
Cash and liquid assets	13.8	247	22 %
Loan assets <sup>1</sup>	21.5	2,014	117 %
Debt investments	2.1	162	97 %
Co-investments in Macquarie-managed funds and other equity investments	9.2	4,493	610 %
Co-investments in Macquarie-managed funds and other equity investments (relating to investments that hedge DPS plan liabilities)	0.7		
Property, plant and equipment and intangibles	4.0	1,826	571 %
Non-Bank Group balance with the Bank Group	7.3		
Net trading assets	5.1		
<b>Total funded assets</b>	<b>63.7</b>	<b>8,742</b>	
<b>Accounting deductions</b>			
Derivative revaluation	0.3		
Segregated funds	0.2		
Outstanding trade settlement balances	4.4		
Working capital assets	12.2		
Non-controlling interests	0.5		
<b>Self-funded assets</b>			
Self-funded trading assets	(2.3)		
Non-recourse and security backed funding	1.3		
<b>Total self-funded and non-recourse assets</b>	<b>16.6</b>		
<b>Total Non-Bank Group assets</b>	<b>80.3</b>		
Equity commitments		1,076	
Off balance sheet exposures, operational, market and other risks and diversification offset <sup>2</sup>		1,674	
<b>Non-Bank Group capital requirement</b>		<b>11,492</b>	

<sup>1</sup> Includes operating lease assets.

<sup>2</sup> Capital associated with net trading assets (including market risk capital) and net trade debtors has been included here.

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A modern office interior featuring a staircase with a dark metal railing and glass balustrade. In the foreground, there is a lounge area with a light-colored sofa, a dark wooden armchair, and a small black side table. Large windows in the background offer a view of a cityscape. The overall design is clean and professional.

# 07

## Funds Management

### **Centropolis, Seoul**

Opened in 2020 to commemorate Macquarie's 20th anniversary in South Korea, our new workplace in Seoul brought together our teams and businesses in one location for the first time. Filled with natural light and featuring a wide range of tailored working spaces, it supports wellbeing, sustainability and enhanced collaboration.





## 7.1 Assets Under Management

	AS AT		MOVEMENT		
	Mar 24 \$Ab	Sep 23 \$Ab	Mar 23 \$Ab	Sep 23 %	Mar 23 %
<b>Assets under Management by type</b>					
Public Investments					
Fixed Income	307.5	309.4	291.3	(1)	6
Equities	234.0	213.6	219.5	10	7
Alternatives and Multi-asset	25.9	23.9	23.7	8	9
Total Public Investments	567.4	546.9	534.5	4	6
Private Markets					
Infrastructure Equity	299.1	275.6	277.6	9	8
Infrastructure Debt	32.4	28.7	26.8	13	21
Real Estate	31.5	33.2	32.5	(5)	(3)
Agriculture	4.7	4.4	4.3	7	9
Transport Finance	3.2	3.2	2.9	-	10
Total Private Markets	370.9	345.1	344.1	7	8
Total MAM	938.3	892.0	878.6	5	7
<b>Total Assets under Management</b>	<b>938.3</b>	<b>892.0</b>	<b>878.6</b>	<b>5</b>	<b>7</b>
<b>Assets under Management by region</b>					
Americas	395.9	382.8	374.7	3	6
Europe, Middle East and Africa	202.4	186.2	198.0	9	2
Australia	289.2	273.5	257.8	6	12
Asia	50.8	49.5	48.1	3	6
<b>Total Assets under Management</b>	<b>938.3</b>	<b>892.0</b>	<b>878.6</b>	<b>5</b>	<b>7</b>

Private Markets Assets under Management (AUM) is calculated as the proportional ownership interest in the underlying assets of funds and mandated assets that Macquarie actively manages or advises for the purpose of wealth creation, adjusted to exclude cross-holdings in funds and reflect Macquarie's proportional ownership interest of the fund manager. Private Markets AUM includes equity yet to deploy and equity committed to assets but not yet deployed.

AUM of \$A938.3 billion as at 31 March 2024 increased 7% from \$A878.6 billion as at 31 March 2023 due to favourable market movements, investments made by Private Markets-managed funds and favourable foreign exchange movements, partially offset by assets no longer managed as a result of reduction of co-investment management rights.

Public Investments' AUM as at 31 March 2024 increased 6% from \$A534.5 billion as at 31 March 2023 primarily driven by favourable market and foreign exchange movements, inflows in fixed income strategies, partially offset by outflows in equity strategies.

Private Markets' AUM as at 31 March 2024 increased 8% from \$A344.1 billion as at 31 March 2023 primarily due to investments, net valuation changes and favourable foreign exchange movements, partially offset by assets no longer managed as a result of a reduction of co-investment management rights. (see section 7.2 Equity under Management for further details)

## 7.2 Equity Under Management

The Private Markets division of MAM tracks its funds under management using an Equity under Management (EUM) measure as base management fee income is typically aligned with EUM.

Type of equity investment	Basis of EUM calculation
Listed equity	<ul style="list-style-type: none"> <li>Market capitalisation at the measurement date plus underwritten or committed future capital raisings for listed funds.</li> </ul>
Unlisted equity	<ul style="list-style-type: none"> <li>Committed capital from investors at the measurement date less called capital subsequently returned to investors for unlisted funds.</li> <li>Invested capital at measurement date for managed businesses.<sup>1</sup></li> </ul>

If a fund is managed through a joint venture with another party, the EUM amount is weighted based on Macquarie's proportionate economic interest in the joint venture management entity.

### Equity under Management by type and region

	AS AT <sup>2,3</sup>		MOVEMENT		
	Mar 24 \$Ab	Sep 23 \$Ab	Mar 23 \$Ab	Sep 23 %	Mar 23 %
<b>Equity under Management by type</b>					
Listed equity	8.7	8.1	7.6	7	14
Unlisted equity	213.6	201.9	198.2	6	8
<b>Total EUM</b>	<b>222.3</b>	210.0	205.8	6	8
<b>Equity under Management by region<sup>4</sup></b>					
Australia	14.7	14.3	15.2	3	(3)
Europe, Middle East and Africa	128.7	119.4	119.7	8	8
Americas	46.1	43.5	38.7	6	19
Asia	32.8	32.8	32.2	-	2
<b>Total EUM</b>	<b>222.3</b>	210.0	205.8	6	8

EUM of \$A222.3 billion as at 31 March 2024 increased 8% from \$A205.8 billion as at 31 March 2023. The increase was primarily due to capital raised for unlisted funds and co-investments and favourable foreign exchange movements. These were partially offset by assets no longer managed as a result of a reduction of co-investment management rights and equity returned by unlisted funds due to the divestment of underlying assets.

<sup>1</sup> Managed businesses includes third-party equity invested in Private Markets-managed businesses where management arrangements exist with Macquarie.

<sup>2</sup> Excludes equity invested by Macquarie directly into businesses managed by Private Markets and cross-holding in funds.

<sup>3</sup> Where a fund's EUM is denominated in a foreign currency, amounts are translated to Australian dollars at the exchange rate prevailing at the measurement date.

<sup>4</sup> By location of fund management team.



# 08

## Glossary

### **Marina One West, Singapore**

Located in the heart of Singapore's Marina Bay financial district, Macquarie's office in the iconic Marina One development brings our growing Singapore team together in one location in a dynamic, efficient and connected environment.





## 8.1 Glossary

Defined term	Definition
<b>A</b>	
AASB	Australian Accounting Standards Board.
ABS	Asset Backed Securities.
ADI	Authorised Deposit-taking Institution.
Additional Tier 1 Capital	A capital measure defined by APRA comprising high quality components of capital that satisfy the following essential characteristics: <ul style="list-style-type: none"> <li>• provide a permanent and unrestricted commitment of funds</li> <li>• are freely available to absorb losses</li> <li>• rank behind the claims of depositors and other more senior creditors in the event of winding up of the issuer; and</li> <li>• provide for fully discretionary capital distributions.</li> </ul>
Additional Tier 1 Deductions	An amount deducted in determining Additional Tier 1 Capital, as defined in Prudential Standard APS 111 Capital Adequacy: Measurement of Capital.
ALCO	The Asset and Liability Committee.
ANZ	Australia and New Zealand.
APRA	Australian Prudential Regulation Authority.
Asset Finance	Asset Finance is a global provider of specialist finance and asset management solutions across: Technology, Media and Telecoms; Energy, Renewables and Sustainability; Fund Finance; Resources; Structured Lending; and Shipping and Export Credit Agencies.
Assets under Management (AUM)	AUM is calculated as the proportional ownership interest in the underlying assets of funds and mandated assets that Macquarie actively manages or advises for the purpose of wealth creation, adjusted to exclude cross-holdings in funds and reflect Macquarie's proportional ownership interest of the fund manager. Private Markets AUM includes equity yet to deploy and equity committed to assets but not yet deployed.
Assets under Management by region	AUM by region is defined by the location of the underlying assets for funds managed by Private Markets, and the location of the investor for all other funds.
Associates	Associates are entities over which Macquarie has significant influence, but not control. Investments in associates may be further classified as Held for Sale ('HFS') associates. HFS associates are those that have a high probability of being sold within 12 months to external parties. Associates that are not held for sale are carried at cost and equity-accounted. Macquarie's share of the investment's post-acquisition profits and losses is recognised in the income statement and its share of post-acquisition movements in reserves is recognised within equity.
<b>B</b>	
Bank Group	MBL and its subsidiaries.
Bank Group Capital	Level 2 regulatory group capital.
Banking Group	The Banking Group comprises BFS and most business activities of CGM.
Basel III IRB Formula	A formula to calculate RWA, as defined in Prudential Standard APS 113 Capital Adequacy: Internal Ratings-based Approach to Credit Risk.
BCBS	Basel Committee on Banking Supervision.
BCN2	On 2 June 2020, MBL issued 6.4 million Macquarie Bank Capital Notes 2 (BCN2) at a face value of \$A100 each. BCN2 are unsecured, subordinated notes that pay discretionary, quarterly floating rate cash distributions and may be redeemed at face value on 21 December 2025, 21 June 2026 or 21 December 2026 (subject to certain conditions being satisfied) or earlier in specified circumstances. BCN2 can be converted into a variable number of MGL ordinary shares (subject to certain conditions) on these redemption dates; mandatorily exchanged on 21 December 2028; exchanged earlier upon an acquisition event (with the acquirer gaining control of MBL or MGL); where MBL's Common Equity Tier 1 capital ratio falls below 5.125%; or where APRA determines MBL would be non-viable without an exchange or a public sector injection of capital (or equivalent support).

Defined term	Definition
BCN3	On 27 August 2021, MBL issued 6.5 million Macquarie Bank Capital Notes 3 (BCN3) at a face value of \$A100 each. BCN3 are unsecured, subordinated notes that pay discretionary, quarterly floating rate cash distributions and may be redeemed at face value on 7 September 2028, 7 March 2029 or 7 September 2029 (subject to certain conditions being satisfied) or earlier in specified circumstances. BCN3 can be converted into a variable number of MGL ordinary shares (subject to certain conditions) on these redemption dates; mandatorily exchanged on 8 September 2031; exchanged earlier upon an acquisition event (with the acquirer gaining control of MBL or MGL); where MBL's Common Equity Tier 1 capital ratio falls below 5.125%; or where APRA determines MBL would be non-viable without an exchange or a public sector injection of capital (or equivalent support).
BBSW	Bank Bill Swap Rate.
BFS	Banking and Financial Services.
BFS deposits	BFS deposits are deposits by counterparties including individuals, self-managed super funds, and small-medium businesses. Deposit products include Cash Management Account, Term Deposits, Regulated Trust Accounts, and Transaction Accounts.
<b>C</b>	
CCB	Capital Conservation Buffer.
Central Service Groups	The Central Service Groups consist of the Corporate Operations Group, Financial Management Group, Risk Management Group, Legal and Governance Group and Central Executive.
CGM	Commodities and Global Markets.
Common Equity Tier 1 Capital	A capital measure defined by APRA, comprising the highest quality components of capital that fully satisfy all the following essential characteristics: <ul style="list-style-type: none"> <li>• provide a permanent and unrestricted commitment of funds</li> <li>• are freely available to absorb losses</li> <li>• do not impose any unavoidable servicing charge against earnings; and</li> <li>• rank behind the claims of depositors and other creditors in the event of winding up.</li> </ul> Common Equity Tier 1 Capital comprises paid up capital, retained earnings, and certain reserves.
Common Equity Tier 1 Capital Ratio	Common Equity Tier 1 Capital net of Common Equity Tier 1 deductions expressed as a percentage of RWA.
Common Equity Tier 1 Deductions	An amount deducted in determining Common Equity Tier 1 Capital, as defined in Prudential Standard APS 111 Capital Adequacy: Measurement of Capital.
Compensation ratio	The ratio of Compensation expense to Net operating income.
Consolidated Entity	Macquarie Group Limited and its subsidiaries.
<b>D</b>	
Directors' Profit Share (DPS)	The DPS plan comprises exposure to a notional portfolio of Macquarie-managed funds. Retained amounts for Executive Directors are notionally invested over the retention period. This investment is described as 'notional' because Executive Directors do not directly hold securities in relation to this investment. However, the value of the retained amounts will vary as if these amounts were directly invested in actual securities, giving the Executive Directors an effective economic exposure to the performance of the securities. If the notional investment results in a notional loss, this loss will be offset against any future notional income until the loss is completely offset.
<b>E</b>	
Earnings per share	A performance measure that measures earnings attributable to each ordinary share, defined in AASB 133: Earnings Per Share.
ECAM	Economic Capital Adequacy Model.
ECL	Expected Credit Losses as defined and measured in terms of AASB 9: Financial Instruments.
Effective tax rate	The income tax expense as a percentage of the profit before income tax, both adjusted for amounts attributable to non-controlling interests. The effective tax rate differs from the Australian company tax rate due to permanent differences arising from the income tax treatment of certain income and expenses as well as tax rate differentials on some of the income earned offshore.
Equity under Management (EUM)	Refer to definition in section 7.2.
Expense/Income ratio	Total operating expenses expressed as a percentage of Net operating income.

## 8.1 Glossary

Continued

Defined term	Definition
<b>F</b>	
Financial Report	Macquarie Group Limited Annual Financial Report.
FIRB	Foundation Internal Ratings Based Approach (for determining credit risk).
FVOCI	Fair value through other comprehensive income.
FVTPL	Fair value through profit or loss.
FY2023	The year ended 31 March 2023.
FY2024	The year ended 31 March 2024.
<b>H</b>	
Headcount	Headcount represents Macquarie's active permanent and variable workforce, and includes Macquarie employees (permanent and casual) and its contingent workers (contractors, agency workers and secondees). Macquarie's non-executive directors are not included.
HQLA	High-quality liquid assets.
<b>I</b>	
International income	Operating income is classified as 'international' with reference to the geographic location from which the operating income is reported from a management perspective. This may not be the same geographic location where the operating income is recognised for reporting purposes. For example, operating income generated by work performed for clients based overseas but recognised in Australia for reporting purposes could be classified as 'international' income. Income earned in the Corporate segment is excluded from the analysis of international income.
<b>L</b>	
LGD	Loss given default is defined as the economic loss which arises upon default of the obligor.
<b>M</b>	
Macquarie, the Consolidated Entity	Macquarie Group Limited and its subsidiaries.
Macquarie Bank	MBL and its subsidiaries.
MACS	On 8 March 2017, MBL, acting through its London Branch, issued \$US750 million of Macquarie Additional Capital Securities (MACS). MACS are subordinated, unsecured notes that pay discretionary, non-cumulative, semi-annual fixed rate cash distributions. Subject to certain conditions the MACS may be redeemed on 8 March 2027, or every fifth anniversary thereafter. MACS can be exchanged for a variable number of MGL ordinary shares on an acquisition event (where a person acquires control of MBL or MGL), where MBL's Common Equity Tier 1 capital ratio falls below 5.125%, or where APRA determines MBL would be non-viable without an exchange or a public sector injection of capital (or equivalent support).
MAM	Macquarie Asset Management.
MAMHPL	Macquarie Asset Management Holdings Pty Ltd.
MBL	Macquarie Bank Limited ABN 46 008 583 542.
MCN3	On 7 June 2018, MGL issued 10 million Macquarie Group Capital Notes 3 (MCN3) at a face value of \$A100 each. MCN3 are subordinated, non-cumulative, unsecured notes that pay discretionary, non-cumulative, quarterly floating rate cash distributions and may be redeemed at face value on 16 December 2024, 16 June 2025 or 15 December 2025 (subject to certain conditions being satisfied) or earlier in specified circumstances. MCN3 can be converted into a variable number of MGL ordinary shares (subject to certain conditions being satisfied) on these redemption dates; mandatorily exchanged on 15 December 2027; exchanged earlier upon an acquisition event (with the acquirer gaining control of MGL); or where APRA determines MGL would be non-viable without an exchange or a public sector injection of capital (or equivalent support).

Defined term	Definition
MCN4	On 27 March 2019, MGL issued 9.05 million Macquarie Group Capital Notes 4 (MCN4) at a face value of \$A100 each. MCN4 are subordinated, non-cumulative, unsecured notes that pay discretionary, non-cumulative, quarterly floating rate cash distributions and may be redeemed at face value on 10 September 2026, 10 March 2027 or 10 September 2027 (subject to certain conditions being satisfied) or earlier in specified circumstances. MCN4 can be converted into a variable number of MGL ordinary shares (subject to certain conditions being satisfied) on these redemption dates; mandatorily exchanged on 10 September 2029; exchanged earlier upon an acquisition event (with the acquirer gaining control of MGL); or where APRA determines MGL would be non-viable without an exchange or a public sector injection of capital (or equivalent support).
MCN5	On 17 March 2021, MGL issued 7.25 million Macquarie Group Capital Notes 5 (MCN5) at a face value of \$A100 each. MCN5 are subordinated, non-cumulative, unsecured notes that pay discretionary, non-cumulative, quarterly floating rate cash distributions and may be redeemed at face value on 18 September 2027, 18 March 2028 or 18 September 2028 (subject to certain conditions being satisfied) or earlier in specified circumstances. MCN5 can be converted into a variable number of MGL ordinary shares (subject to certain conditions being satisfied) on these redemption dates; mandatorily exchanged on 18 September 2030; exchanged earlier upon an acquisition event (with the acquirer gaining control of MGL); or where APRA determines MGL would be non-viable without an exchange or a public sector injection of capital (or equivalent support).
MCN6	On 15 July 2022, MGL issued 7.5 million Macquarie Group Capital Notes 6 (MCN6) at a face value of \$A100 each. MCN6 are subordinated, non-cumulative, unsecured notes that pay discretionary, non-cumulative, quarterly floating rate cash distributions and may be redeemed at face value on 12 September 2029, 12 March 2030 or 12 September 2030 (subject to certain conditions being satisfied) or earlier in specified circumstances. MCN6 can be converted into a variable number of MGL ordinary shares (subject to certain conditions being satisfied) on these redemption dates; mandatorily exchanged on 12 September 2032; exchanged earlier upon an acquisition event (with the acquirer gaining control of MGL); or where APRA determines MGL would be non-viable without an exchange or a public sector injection of capital (or equivalent support).
MEREP	Macquarie Group Employee Retained Equity Plan.
MFHPL	Macquarie Financial Holdings Pty Limited.
MGL, the Company	Macquarie Group Limited ABN 94 122 169 279.
<b>N</b>	
Net loan losses	The impact on the income statement of loan amounts provided for or written-off during the period, net of the recovery of any such amounts which were previously written-off or provided for in the income statement.
Net tangible assets per ordinary share	(Total equity less Non-controlling interest less the Future Income Tax Benefit plus the Deferred Tax Liability less Intangible assets) divided by the number of ordinary shares on issue at the end of the period.
Net trading income	Income that comprises gains and losses related to trading assets and liabilities and includes all realised and unrealised fair value changes and foreign exchange differences.
Non-Bank Group	MGL, MFHPL and its subsidiaries, and MAMHPL and its subsidiaries.
Non-Banking Group	The Non-Banking Group comprises Macquarie Capital, MAM and some business activities of CGM.
Non-GAAP metrics	Non-GAAP metrics include financial measures, ratios and other information that are neither required nor defined under Australian Accounting Standards.
<b>O</b>	
Operating Groups	The Operating Groups consist of MAM, BFS, CGM and Macquarie Capital.
OTC	Over-the-counter.
<b>P</b>	
Private Markets	MAM Private Markets.
Public Investments	MAM Public Investments.
<b>R</b>	
RBA	Reserve Bank of Australia.
Return on equity	The profit after income tax attributable to Macquarie's ordinary shareholders expressed as an annualised percentage of the average total capital and reserves attributable to ordinary equity holders over the relevant period, less the average balances of FVOCI, share of associates and cash flow hedging reserves.
Risk-weighted assets (RWA)	A risk-based measure of an entity's exposures, which is used in assessing its overall capital adequacy.
RMBS	Residential Mortgage-Backed Securities.



## 8.1 Glossary

Continued

Defined term	Definition
<b>S</b>	
Senior Management	Members of Macquarie's Executive Committee and Executive Directors who have a significant management or risk responsibility in the organisation.
Subordinated debt	Debt issued by Macquarie for which agreements between Macquarie and the lenders provide, in the event of liquidation, that the entitlement of such lenders to repayment of the principal sum and interest thereon is and shall at all times be and remain subordinated to the rights of all other present and future creditors of Macquarie. Subordinated debt is classified as liabilities in the Macquarie financial statements and may be included in Tier 2 Capital.
<b>T</b>	
TFF	Reserve Bank of Australia Term Funding Facility.
Tier 1 Capital	Tier 1 Capital comprises (i) Common Equity Tier 1 Capital; and (ii) Additional Tier 1 Capital.
Tier 1 Capital Deductions	Tier 1 Capital Deductions comprises (i) Common Equity Tier 1 Capital Deductions; and (ii) Additional Tier 1 Capital Deductions.
Tier 1 Capital Ratio	Tier 1 Capital net of Tier 1 Capital Deductions expressed as a percentage of RWA.
True Index products	True Index products deliver clients pre-tax index returns (before buy/sell spreads on transactions). Any under-performance is compensated by Macquarie and conversely, any out-performance is retained by Macquarie.
<b>U</b>	
UK	The United Kingdom.
US	The United States of America.

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