MACQUARIE BANK

MANAGEMENT DISCUSSION AND ANALYSIS

Macquarie Bank

Year ended 31 March 2019

50TH ANNIVERSARY

NOTICE TO READERS

The purpose of this report is to provide information supplementary to the Macquarie Bank Limited Disclosure Report (U.S. Version) for the year ended 31 March 2019 and the Financial Report within the Macquarie Bank Limited Annual Report (the Financial Report) for the year ended 31 March 2019, including further detail in relation to key elements of Macquarie Bank Limited and its subsidiaries' (Macquarie Bank, 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

Date of this report

This report has been prepared for the year ended 31 March 2019 and is current as at 3 May 2019.

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 2018.

References to the first half are to the six months ended 30 September 2018.

References to the second half are to the six months ended 31 March 2019.

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 2019, which was subject to independent audit by PricewaterhouseCoopers.

PricewaterhouseCoopers' independent auditor's report to the members of Macquarie Bank Limited dated 3 May 2019 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.

Contents

01 Result overview

Cheonan-Nonsan Expressway, South Korea

Macquarie's MKIF fund is the majority owner of the Cheonan-Nonsan Expressway, an 81.0km, dual two-lane toll expressway that connects the northwestern and southwestern provinces of South Korea. It has two major tunnels, 44 bridges and seven interchanges. Macquarie is the largest foreign asset manager in South Korea with 36 assets across the infrastructure, renewables and waste management sectors.

1.1 Executive summary

FY2019 Net profit(1)
$A1,066m
↑4% on prior year

FY2019 Net operating income(1)
$A5,911m
↑18% on prior year

FY2019 Operating expenses(1)
$A4,432m
↑23% on prior year

FY2019 Net profit contribution(2) by Operating Group

Annuity-style businesses

Corporate and Asset Finance (CAF) and Banking and Financial Services (BFS) generated a combined net profit contribution from continuing operations for the year ended 31 March 2019 of $A1,002 million, down 4% on the prior year.

Key drivers included:

Corporate and Asset Finance

$A249m
↓20% on prior year

– Non-recurrence of one-off investment-related income
– Recognition of certain legacy lending transaction-related expenses.

Partially offset by:

– Improved income from the Energy, Resources and Technology portfolios.

Banking and Financial Services

$A753m
↑3% on prior year

– Growth in Australian mortgage, business banking loan, deposit and funds on platform average volumes.

Partially offset by:

– Lower wealth management fee income associated with realigning the wealth advice business to focus on the high net worth segment
– Increased costs associated with investment in technology to support business growth
– Full year impact of the Australian Government Major Bank Levy relative to the prior year.

Markets-facing businesses

Commodities and Global Markets (CGM) delivered a net profit contribution for the year ended 31 March 2019 of $A1,456 million, up 68% on the prior year.

Key drivers included:

Commodities and Global Markets

$A1,456m
↑68% on prior year

– Strong results across the commodities platform driven by client hedging activity
– Significant opportunities in North American Gas and Power due to supply-demand imbalances across regional US centres
– Increased contribution from client structured foreign exchange deals across all regions.

Partially offset by:

– Increased operating expenses reflecting increased client activity, changes to operating structure, and an increased investment in technology platforms
– Challenging conditions impacting equity trading activities, particularly in specific Asian retail markets
– Higher impairment charges due to write-downs recognised on underperforming financing facilities and a small number of specific commodity equity positions.

DISCONTINUED OPERATIONS

Profit from discontinued operations after income tax was $A956 million for the year ended 31 March 2019. This represents the gain on disposal and operating profit from the CAF Principal Finance and Transportation Finance businesses. The economic risks and rewards from these businesses were transferred at fair value on 10 December 2018 to Macquarie Financial Holdings Pty Limited (MFHPL).

OPERATING GROUPS UPDATE

In the second half, certain businesses were reorganised between Operating Groups to better align businesses with a shared focus on particular customer segments and geographies:

– Macquarie Bank's Australian vehicle finance business moved from CAF into BFS
– MAM's MSIS business moved into CAF

Comparatives have been restated to reflect this reorganisation between Operating Groups. The financial information disclosed relates to the Consolidated Entity's continuing operations.

(1) From continuing operations only.
(2) Net profit contribution is management accounting profit before unallocated corporate costs, profit share and income tax.

1.1 Executive summary

Continued

Profit attributable to the ordinary equity holder

$A2,022m

29% on prior year

	HALF-YEAR TO			FULL-YEAR TO		
	Mar 19 $Am	Sep 18 $Am	*Movement %*	Mar 19 $Am	Mar 18 $Am	*Movement %*
Financial performance summary						
Net interest income	**892**	1,086	*(18)*	**1,978**	1,844	*7*
Fee and commission income	**658**	573	*15*	**1,231**	889	*38*
Net trading income	**1,378**	1,148	*20*	**2,526**	1,929	*31*
Net operating lease income	**157**	132	*19*	**289**	243	*19*
Share of net profits of associates and joint ventures	**19**	9	*111*	**28**	25	*12*
Credit and Other impairment charges	**(194)**	(53)	*266*	**(247)**	(112)	*121*
Other operating income and charges	**136**	(30)	*	**106**	184	*(42)*
Net operating income	**3,046**	2,865	*6*	**5,911**	5,002	*18*
Employment expenses	**(796)**	(652)	*22*	**(1,448)**	(1,278)	*13*
Brokerage, commission and trading-related expenses	**(386)**	(391)	*(1)*	**(777)**	(616)	*26*
Occupancy expenses	**(67)**	(50)	*34*	**(117)**	(106)	*10*
Non-salary technology expenses	**(86)**	(81)	*6*	**(167)**	(128)	*30*
Other operating expenses	**(1,109)**	(814)	*36*	**(1,923)**	(1,483)	*30*
Total operating expenses	**(2,444)**	(1,988)	*23*	**(4,432)**	(3,611)	*23*
Operating profit from continuing operations before income tax	**602**	877	*(31)*	**1,479**	1,391	*6*
Income tax expense from continuing operations	**(135)**	(259)	*(48)*	**(394)**	(353)	*12*
Profit from continuing operations after income tax	**467**	618	*(24)*	**1,085**	1,038	*5*
Profit from discontinued operations after income tax	**828**	128	*	**956**	545	*75*
Profit from continuing and discontinued operations after income tax	**1,295**	746	*74*	**2,041**	1,583	*29*
Profit attributable to non-controlling interests	**-**	(4)	*(100)*	**(4)**	(1)	*300*
Profit attributable to equity holder of Macquarie Bank Limited	**1,295**	742	*75*	**2,037**	1,582	*29*
Distribution paid or provided for on Macquarie Income Securities	**(8)**	(7)	*14*	**(15)**	(14)	*7*
Profit attributable to the ordinary equity holder of Macquarie Bank Limited	**1,287**	735	*75*	**2,022**	1,568	*29*
From continuing operations	**459**	607	*(24)*	**1,066**	1,023	*4*
From discontinued operations	**828**	128	*	**956**	545	*75*
Key metrics						
Expense to income ratio (%)	**80.2**	69.4		**75.0**	72.2	
Effective tax rate from continuing operations (%)	**22.4**	29.7		**26.7**	25.4	

Net operating income

Net operating income from continuing operations of $A5,911 million for the year ended 31 March 2019 increased 18% from $A5,002 million in the prior year. Increases from Net interest and trading income and Fee and commission income were partially offset by higher Credit and Other impairments and lower Other operating income and charges.

Net interest and trading income

FULL YEAR TO	
31 Mar 19 $Am	31 Mar 18 $Am
4,504	3,773

↑ **19%** on prior year

- Increased contributions across the commodities platform driven by client hedging activity and significant opportunities in North American Gas and Power due to supply-demand imbalances across regional US centres in CGM
- Growth in average Australian loan and lease portfolio and deposit volumes in BFS.

Partially offset by:

- Challenging conditions impacting equity trading activities in CGM, particularly in specific Asian retail markets.

Fee and commission income

FULL YEAR TO	
31 Mar 19 $Am	31 Mar 18 $Am
1,231	889

↑ **38%** on prior year

- Following the adoption of AASB 15, the presentation of $A250 million of fee expenses relating to stock borrowing activities and certain recoverable costs, previously presented net of associated revenues, have been reclassified to operating expenses
- Increase in risk premia fees earned on index products and increases in brokerage driven by client activity in CGM
- Growth in fees in relation to the Technology portfolio in CAF.

Net operating lease income

FULL YEAR TO	
31 Mar 19 $Am	31 Mar 18 $Am
289	243

↑ **19%** on prior year

- Improved income from the Energy and Technology portfolios and favourable foreign exchange movements in CAF.

Share of net profits of associates and joint ventures

FULL YEAR TO	
31 Mar 19 $Am	31 Mar 18 $Am
28	25

↑ **12%** on prior year

- Increased overall performance of underlying assets.

Credit and Other impairment charges

FULL YEAR TO	
31 Mar 19 $Am	31 Mar 18 $Am
(247)	(112)

↑ **significantly** on prior year

- Higher impairment charges due to write-downs recognised on underperforming financing facilities and certain commodity-related equity positions in CGM
- Partial reduction of central management overlay provisions in Corporate in the prior year to reflect changes in credit conditions.

Other operating income and charges

FULL YEAR TO	
31 Mar 19 $Am	31 Mar 18 $Am
106	184

↓ **42%** on prior year

- Lower income due to the sell down of infrastructure debt and the sale of the US commercial vehicles financing business in the prior year in CAF
- The prior year included the release of accruals related to certain legacy business activities in Corporate.

Partially offset by:

- Gain on sale of a number of investments in the commodities sector in CGM.

1.1 Executive summary

Continued

Operating expenses

Total operating expenses from continuing operations of $A4,432 million for the year ended 31 March 2019 increased 23% from $A3,611 million in the prior year. This was driven by higher expenses across all categories.

Employment expenses

FULL YEAR TO

31 Mar 19 $Am	31 Mar 18 $Am
1,448	1,278

↑13% on prior year

– Higher performance-related profit share, share-based payments expense and higher average headcount in the Bank Group.

Brokerage, commission and trading-related expenses

FULL YEAR TO

31 Mar 19 $Am	31 Mar 18 $Am
777	**616**

↑26% on prior year

– Following the adoption of AASB 15, the presentation of $A143 million of fee expenses relating to stock borrowing activities, previously presented net of associated revenues, have been reclassified to Brokerage, commission and trading-related expenses.

Non-salary technology expenses

FULL YEAR TO

31 Mar 19 $Am	31 Mar 18 $Am
167	128

↑30% on prior year

– Higher technology expenses mainly to support business growth.

Occupancy and Other operating expenses

FULL YEAR TO

31 Mar 19 $Am	31 Mar 18 $Am
2,040	1.589

↑28% on prior year

– Following the adoption of AASB 15, the presentation of $A107 million of recoverable costs, previously presented net of associated revenues, have been reclassified to Other operating expenses
– The recognition of certain legacy-related expenses
– Increased recoveries for support services received by the Bank Group due to higher business activity.

Income tax expense

Income tax expense from continuing operations for the year ended 31 March 2019 of $A394 million increased 12% from $A353 million in the prior year. The effective tax rate for the year ended 31 March 2019 was 26.7%, up from 25.4% in the prior year.

The increase was mainly due to the geographic composition and nature of earnings.

Note on adoption of new Australian Accounting Standards

The Consolidated Entity adopted the following standards from 1 April 2018:

– AASB 9 – Financial Instruments, which replaced AASB 139 Financial Instruments: Recognition and Measurement; and
– AASB 15 – Revenue from Contracts with Customers

The adoption of AASB 9 resulted in changes to accounting policies for the classification and measurement of financial assets and financial liabilities and the manner in which credit impairments are required to be determined as well as requirements with respect to hedge accounting. As permitted by the Australian Accounting Standards Board (AASB), the Consolidated Entity has not restated its comparative financial statements and has recorded a transition adjustment to the opening balance sheet, Retained earnings and Other comprehensive income at 1 April 2018 as a result of this adoption. The transition adjustment has reduced the Consolidated Entity's shareholders' equity by approximately $A140 million after tax and does not have a material impact on the Consolidated Entity's minimum regulatory capital requirements. The transition adjustment relates primarily to the implementation of the impairment requirements, which reduces opening retained earnings by $A141 million after tax.

The adoption of AASB 15 replaced all prior guidance on revenue recognition from contracts with customers. AASB 15 requires identification of discrete performance obligations and the recognition of revenue upon satisfaction of these performance obligations. As a result of the adoption of AASB 15, there was no significant change to the timing and/or amount of revenue recognised as at 31 March 2018 and therefore no opening adjustment to Retained earnings is required. However, the Consolidated Entity has changed the presentation of certain fee expenses and recoverable costs, previously presented net of associated revenue within Fee and commission income, to Brokerage, commission and trading-related expenses and Other operating expenses. This included fee expenses relating to stock borrowing activities of $A143 million and certain recoverable costs of $A107 million.

For further information relating to the adoption of these new accounting standards, refer to Note 1 – 'Summary of significant accounting policies' of the Financial Report for the year ended 31 March 2019.

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02

Financial performance analysis

Shelley Street, Sydney

Australian consumers have continually sought advancements in the delivery of banking and financial services. From introducing the first Cash Management Trust in 1980 to launching Australia's first open banking platform, Macquarie has a long history of introducing innovative products to the Australian market, improving competition and increasing efficiencies for customers.

Photo by Eric Sierins

2.1 Net interest and trading income

	HALF-YEAR TO			FULL-YEAR TO		
	Mar 19 $Am	Sep 18 $Am	*Movement %*	Mar 19 $Am	Mar 18 $Am	*Movement %*
Net interest income	**892**	1,086	*(18)*	**1,978**	1,844	*7*
Net trading income	**1,378**	1,148	*20*	**2,526**	1,929	*31*
Net interest and trading income	**2,270**	2,234	*2*	**4,504**	3,773	*19*

Net interest income and net trading income are recorded in accordance with Australian Accounting Standards, with net interest income brought to account using the effective interest method and net trading income predominately comprising gains and losses relating to trading activities.

For CGM, which predominately 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.

For businesses that predominately earn income from lending activities (CAF and BFS), derivatives that economically hedge interest rate risk are required to be measured at fair value. This volatility is recognised in net trading income unless hedge accounting is applied by the Consolidated Entity, where either the hedged item is revalued for the hedged risk to remove the volatility, or the fair value volatility on the derivative is deferred until the hedged transaction is recognised in the income statement. For segment reporting, derivatives are accounted for on an accrual basis in the results of CAF and BFS with changes in fair value recognised within Corporate, managed via the application of hedge accounting.

The presentation of net interest income and net trading income separately can distort the analysis of the underlying activities and drivers. For example, CAF's 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 swap is 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 19 $Am	Sep 18 $Am	*Movement %*	Mar 19 $Am	Mar 18 $Am	*Movement %*
CAF	**44**	97	*(55)*	**141**	208	*(32)*
BFS	**845**	834	*1*	**1,679**	1,584	*6*
CGM						
Commodities	**1,046**	780	*34*	**1,826**	1,073	*70*
Foreign exchange, interest rates and credit	**272**	275	*(1)*	**547**	503	*9*
Equities	**45**	119	*(62)*	**164**	298	*(45)*
Corporate	**18**	129	*(86)*	**147**	107	*37*
Net interest and trading income	**2,270**	2,234	*2*	**4,504**	3,773	*19*

2.1 Net interest and trading income

Continued

Net interest and trading income of $A4,504 million for the year ended 31 March 2019 increased 19% from $A3,773 million in the prior year.

CAF

Net interest and trading income in CAF predominately relates to net income from the loan and finance lease portfolios (including ship finance, equipment financing and private funding) and the funding costs associated with the operating lease portfolios (including mining and energy assets).

Net interest and trading income of $A141 million for the year ended 31 March 2019 decreased 32% from $A208 million in the prior year. The decrease was largely a result of the sale of the US commercial vehicles financing business in the prior year and increased funding costs driven by growth in the Technology and Energy operating lease portfolios.

The loan and finance lease portfolio was $A5.4 billion at 31 March 2019, a decrease of 4% from $A5.6 billion at 31 March 2018.

BFS

Net interest and trading income in BFS relates to interest income earned from the loan portfolio that primarily comprises residential mortgages in Australia, loans to Australian businesses, vehicle leases, insurance premium funding and credit cards. BFS also generates income from deposits by way of a deposit premium received from Group Treasury, which uses the deposits as a source of funding for the Consolidated Entity.

Net interest and trading income of $A1,679 million for the year ended 31 March 2019 increased 6% from $A1,584 million in the prior year due to a 7% growth in the average BFS deposit balance and a 9% growth in average Australian loan and lease portfolio volumes. This was partially offset by an additional $A10 million allocation of the Australian Government Major Bank Levy incurred for 12 months versus nine months in the prior year (effective 1 July 2017).

At 31 March 2019 the Australian loan, leasing and deposit portfolios included:

- BFS deposits of $A53.4 billion, up 17% from $A45.7 billion at 31 March 2018;
- Australian mortgage volumes of $A38.5 billion, up 18% from $A32.7 billion at 31 March 2018;
- Australian vehicle finance volumes of $A15.2 billion, down 5% from $A16.0 billion at 31 March 2018; and
- business banking loan volumes of $A8.2 billion, up 12% from $A7.3 billion at 31 March 2018.

CGM

Commodities

Net interest and trading income from commodity related activities is generated from the provision of hedging and risk management services and loans and working capital finance to clients across a range of commodity sectors including base and precious metals, energy and agriculture. Risk management products income is mainly driven by client volumes, which are influenced by the level of price volatility in the markets in which those clients operate. CGM enters into financial and physical contracts including exchange traded, over-the-counter (OTC) derivatives, storage contracts and transportation agreements 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 contracts and transportation agreements, which are managed on a fair value basis for financial and risk management purposes, are required to be accounted for on an accruals basis for statutory reporting purposes, which may result in some variability in the timing of reported income.

Net interest and trading income from commodities of A$1,826 million for the year ended 31 March 2019 increased 70% from $A1,073 million in the prior year. The current year included strong results across the commodities platform due to increased client hedging activity in energy markets including North American Gas and Power, Global Oil, and EMEA Gas and Power in comparison with the prior year as a result of volatility and commodity price movements in addition to an increase in Lending and Financing income due to an increased contribution from commodity lending activities in the Americas and ANZ.

During the year, significant opportunities arose for North American Gas and Power driven by supply-demand imbalances across regional US centres, partially offset by the timing of income recognition, which reduced revenue relating to transport and storage agreements.

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 trading and hedging 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 specialty lending.

Net interest and trading income from foreign exchange, interest rates and credit related activities of $A547 million for the year ended 31 March 2019 increased 9% from $A503 million in the prior year. Increased income in the current year was driven by growth in client contributions from foreign exchange structured products across all regions.

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 conduct of risk management and trading activities.

Equities net interest and trading income of $A164 million for the year ended 31 March 2019 decreased 45% from $A298 million in the prior year reflecting challenging conditions, particularly in Asia due to reduced demand for retail products in specific markets.

Corporate

Net interest and trading income in the Corporate segment includes the net result of managing Macquarie Bank's liquidity and funding requirements, earnings on capital, funding costs associated with non-core investments held centrally and accounting volatility arising from movements in underlying rates relating to economically hedged positions where hedge accounting in terms of AASB 9 is unable to be achieved.

Net interest and trading income of $A147 million for the year ended 31 March 2019 increased 37% from $A107 million in the prior year primarily due to higher earnings on capital driven by higher average USD and AUD interest rates.

2.2 Fee and commission income

	HALF-YEAR TO			FULL-YEAR TO		
	Mar 19 $Am	Sep 18 $Am	*Movement %*	Mar 19 $Am	Mar 18 $Am	*Movement %*
Brokerage and commissions	**198**	206	*(4)*	**404**	369	*9*
Other fee and commission income	**460**	367	*25*	**827**	520	*59*
Total fee and commission income	**658**	573	*15*	**1,231**	889	*38*

Total fee and commission income of $A1,231 million for the year ended 31 March 2019 increased 38% from $A889 million in the prior year.

Brokerage and commissions

Brokerage and commissions income of $A404 million for the year ended 31 March 2019 increased 9% from $A369 million in the prior year.

The increase was driven by client activity in the Asia-Pacific Cash Equities business and in the Americas Futures business in CGM.

Other fee and commission income

Other fee and commission income includes fees earned on a range of BFS' products and services including the Wrap and Vision platforms, deposits, provision of wealth services in Australia, mortgages, vehicle finance, credit cards and business loans, while CGM includes lending services and income on structured products.

Other fee and commission income of $A827 million for the year ended 31 March 2019 increased 59% from $A520 million in the prior year, primarily in CGM and Corporate. Following the adoption of AASB 15, the presentation of $A250 million of fee expenses relating to stock borrowing activities and certain recoverable costs, previously presented net of associated revenues, have been reclassified to operating expenses. In addition, there was an increase in risk premia fees earned on index products in CGM and growth in fees in relation to the Technology portfolio in CAF.

2.3 Net operating lease income

	HALF-YEAR TO			FULL-YEAR TO		
	Mar 19 $Am	Sep 18 $Am	*Movement %*	Mar 19 $Am	Mar 18 $Am	*Movement %*
Rental income	**604**	515	*17*	**1,119**	722	*55*
Depreciation on operating lease assets	**(447)**	(383)	*17*	**(830)**	(479)	*73*
Net operating lease income	**157**	132	*19*	**289**	243	*19*

Net operating lease income, which is predominately earned by CAF, totalled $A289 million for the year ended 31 March 2019, up 19% from $A243 million in the prior year driven by improved income from the Energy and Technology portfolios and favourable foreign exchange movements.

CAF's operating lease portfolio was $A2.4 billion at 31 March 2019, an increase of 20% from $A2.0 billion at 31 March 2018 driven by growth in the Energy and Technology portfolios and favourable foreign exchange movements, partially offset by depreciation.

2.4 Share of net profits of associates and joint ventures

	HALF-YEAR TO			FULL-YEAR TO		
	Mar 19 $Am	Sep 18 $Am	*Movement %*	Mar 19 $Am	Mar 18 $Am	*Movement %*
Share of net profits of associates and joint ventures	**19**	9	*111*	**28**	25	*12*

Share of net profits of associates and joint ventures was $A28 million for the year ended 31 March 2019 increased 12% from $A25 million in the prior year due to increased overall performance of underlying assets.

2.5 Other operating income and charges

	HALF-YEAR TO			FULL-YEAR TO		
	Mar 19	Sep 18	*Movement*	**Mar 19**	Mar 18	*Movement*
	$Am	$Am	*%*	**$Am**	$Am	*%*
Credit impairment (charges)/reversal[1]						
Loan assets	**(73)**	(64)	*14*	**(137)**	(137)	-
Other assets	**(11)**	1	*	**(10)**	(7)	*43*
Undrawn commitments and financial guarantees	**-**	2	*(100)*	**2**	-	*
Recovery of exposures previously written off	**4**	10	*(60)*	**14**	70	*(80)*
Total credit impairment (charges)/reversal	**(80)**	(51)	*57*	**(131)**	(74)	*77*
Other impairment charges						
Equity investment securities available for sale	**-**	-	-	**-**	(16)	*(100)*
Interests in associates and joint ventures	**(102)**	-	*	**(102)**	(8)	*
Intangible assets and other non-financial assets	**(12)**	(2)	*	**(14)**	(14)	-
Total other impairment charges	**(114)**	(2)	*	**(116)**	(38)	*205*
Total credit and other impairment (charges)/reversal	**(194)**	(53)	*266*	**(247)**	(112)	*121*
Investment income						
Net gain on equity investments	**23**	25	*(8)*	**48**	35	*37*
Net gain on debt investments	**6**	1	*	**7**	48	*(85)*
Net gain on interests in associates and joint ventures	**62**	-	*	**62**	3	*
Net gain on sale of businesses and subsidiaries held for sale	**-**	-	-	**-**	38	*(100)*
Net gain on change of control, joint control and/or significant influence	**7**	3	*133*	**10**	3	*233*
Total investment income	**98**	29	*238*	**127**	127	-
Other income/(charges)	**38**	(59)	*	**(21)**	57	*
Total other operating income and charges	**136**	(30)	*	**106**	184	*(42)*

(1) The change in expected credit losses relating to financial assets under AASB 9 is recorded under Credit impairment charges. Individual and collective provisions for the prior year remain in accordance with AASB 139 and have not been restated.

Total credit and other impairment charges of $A247 million for the year ended 31 March 2019 increased significantly from $A112 million in the prior year.

Credit impairment (charges)/reversal

Credit impairment charges of $A131 million for the year ended 31 March 2019 increased 77% from $A74 million in the prior year, which included a partial reduction of central management overlay provisions in Corporate to reflect changes in credit conditions.

Other impairment charges

Other impairment charges of $A116 million for the year ended 31 March 2019 increased significantly from $A38 million in the prior year due to write-downs recognised on underperforming financing facilities and certain commodity-related equity positions in CGM.

Total other operating income and charges of $A106 million for the year ended 31 March 2019, decreased 42% from $A184 million in the prior year.

Investment income

Investment income of $A127 million for the year ended 31 March 2019 was in line with the prior year. The gain on sale of a number of investments in the commodities sector in CGM was offset by lower income due to the sell down of infrastructure debt and the sale of the US commercial vehicles financing business in the prior year in CAF.

Other income/(charges)

Other charges of $A21 million for the year ended 31 March 2019 compared to an income of $A57 million in the prior year, which included the release of accruals related to certain legacy-related business activities in Corporate.

2.6 Operating expenses

	HALF-YEAR TO			FULL-YEAR TO		
	Mar 19	Sep 18	*Movement*	Mar 19	Mar 18	*Movement*
	$Am	$Am	*%*	$Am	$Am	*%*
Employment expenses						
Salary and related costs including commissions, superannuation and performance-related profit share	**(722)**	(583)	*24*	**(1,305)**	(1,162)	*12*
Share-based payments	**(78)**	(66)	*18*	**(144)**	(112)	*29*
Provision for long service leave and annual leave	**4**	(3)	***	**1**	(4)	***
Total employment expenses	**(796)**	(652)	*22*	**(1,448)**	(1,278)	*13*
Brokerage, commission and trading-related expenses	**(386)**	(391)	*(1)*	**(777)**	(616)	*26*
Occupancy expenses	**(67)**	(50)	*34*	**(117)**	(106)	*10*
Non-Salary technology expenses	**(86)**	(81)	*6*	**(167)**	(128)	*30*
Other operating expenses						
Professional fees	**(75)**	(59)	*27*	**(134)**	(136)	*(1)*
Travel and entertainment expenses	**(24)**	(23)	*4*	**(47)**	(44)	*7*
Advertising and communication expenses	**(15)**	(16)	*(6)*	**(31)**	(33)	*(6)*
Amortisation of intangibles assets	**(9)**	(10)	*(10)*	**(19)**	(21)	*(10)*
Auditor's remuneration	**(15)**	(9)	*67*	**(24)**	(22)	*9*
Other expenses	**(971)**	(697)	*39*	**(1,668)**	(1,227)	*36*
Total other operating expenses	**(1,109)**	(814)	*36*	**(1,923)**	(1,483)	*30*
Total operating expenses	**(2,444)**	(1,988)	*23*	**(4,432)**	(3,611)	*23*

Total operating expenses from continuing operations of $A4,432 million for the year ended 31 March 2019 increased 23% from $A3,611 million in the prior year. This was driven by higher expenses across all categories.

Key drivers of the movement included:

- Total employment expenses of $A1,448 million for the year ended 31 March 2019 increased 13% from $A1,278 million in the prior year mainly due to higher performance-related profit share, share-based payments expense and higher average headcount in the Bank Group
- Brokerage, commission and trading-related expenses of $A777 million for the year ended 31 March 2019 increased 26% from $A616 million in the prior year primarily due to the reclassification of $A143 million of fee expenses relating to stock borrowing activities, previously presented net of associated revenues within Fee and commission income in CGM, following the adoption of AASB 15
- Non-Salary technology expenses of $A167 million for the year ended 31 March 2019 increased 30% from $A128 million in the prior year mainly to support business growth
- Total other operating expenses of $A1,923 million for the year ended 31 March 2019 increased 30% from $A1,483 million in the prior year primarily due to reclassification of $A107 million of recoverable costs, previously presented net of associated revenues within Fee and commission income in Corporate following the adoption of AASB 15, the recognition of certain legacy-related expenses and increased recoveries for support services received by the Bank Group due to higher business activity.

2.7 Headcount

	AS AT			MOVEMENT	
	Mar 19	Sep 18	Mar 18	Sep 18 %	Mar 18 %
Headcount by Operating Group[1]					
CAF	**583**	566	553	*3*	*5*
BFS	**2,768**	2,949	3,098	*(6)*	*(11)*
CGM	**1,124**	1,132	1,138	*(1)*	*(1)*
Total headcount – Operating Groups	**4,475**	4,647	4,789	*(4)*	*(7)*
Total headcount — Discontinued Operations[2]	**49**	267	291	*(82)*	*(83)*
Total headcount – Corporate	**13**	23	25	*(43)*	*(48)*
Total headcount	**4,537**	4,937	5,105	*(8)*	*(11)*
Headcount by region					
Australia[3]	**3,103**	3,348	3,505	*(7)*	*(11)*
International:					
Americas	**494**	540	551	*(9)*	*(10)*
Asia	**242**	306	304	*(21)*	*(20)*
Europe, Middle East and Africa	**698**	743	745	*(6)*	*(6)*
Total headcount – International	**1,434**	1,589	1,600	*(10)*	*(10)*
Total headcount	**4,537**	4,937	5,105	*(8)*	*(11)*
International headcount ratio (%)	**32**	32	31		

(1) Headcount numbers in this document includes certain staff employed in operationally segregated subsidiaries (OSS).
(2) Headcount relating to the Macquarie Investment Management (MIM) business within Macquarie Asset Management (MAM) sold to MFHPL and its subsidiaries on 15 April 2015 and Principal Finance and Transportation Finance businesses within CAF sold to MFHPL and its subsidiaries on 10 December 2018. The MIM employees, who were in the Asia region, were transferred to MFHPL in December 2018, and the Principal Finance employees, who are in the Americas and Asia regions, are yet to be transferred to MFHPL, however their employment related costs were reflected in MFHPL and its subsidiaries since the respective business sales.
(3) Includes New Zealand.

Total headcount decreased 11% to 4,537 at 31 March 2019 from 5,105 at 31 March 2018 mainly due to the transfer of CAF Principal Finance and Transportation Finance businesses to MFHPL and a reduction in BFS mainly due to a restructure in the Wealth Management business.

2.8 Income tax expense

	FULL-YEAR TO	
	Mar 19 $Am	Mar 18 $Am
Operating profit from continuing operations before income tax	1,479	1,391
Prima facie tax @ 30%	444	417
Income tax permanent differences	(50)	(64)
Income tax expense from continuing operations	394	353
Effective tax rate from continuing operations(1)	26.7%	25.4%

(1) The effective tax rate is calculated on Operating profit from continuing operations before income tax and after non-controlling interests. Non-controlling interests reduced operating profit before income tax by $A4 million for the year ended 31 March 2019 (31 March 2018: $A1 million).

Income tax expense from continuing operations for the year ended 31 March 2019 of $A394 million increased 12% from $A353 million in the prior year. The effective tax rate for the year ended 31 March 2019 was 26.7%, up from 25.4% in the prior year.

The increase was mainly due to the geographic composition and nature of earnings.

03

Segment Analysis

Rhyl Flats Offshore Wind Park, UK

Located off the coast of North Wales, Rhyl Flats is a 90 MW offshore wind farm that generates enough electricity to power an average of 70,000 homes each year. Macquarie has been active in wind power for over a decade, managing, advising and investing in projects from development to operation across four continents. As a world leading financial investor in offshore wind, we've invested in projects from the North Sea to the East China Sea.

3.1 Basis of preparation

Operating segments

AASB 8 - *Operating Segments* requires the 'management approach' to disclose 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 three Operating Groups and a Corporate segment. As a result of the re-organisations, as noted below, MAM is no longer an Operating Group in the Consolidated Entity.

These segments have been set up based on the different core products and services offered. Segment information has been prepared in accordance with the basis of preparation described below.

The Operating Groups comprise:

– **CAF's** Asset Finance business delivers a range of tailored finance solutions globally across a variety of industries and asset classes
– **BFS** provides a diverse range of personal banking, wealth management, business banking and vehicle finance products and services to retail clients, advisers, brokers and business clients
– **CGM** provides integrated, end-to-end offering across global markets including equities, fixed income, foreign exchange and commodities.

In the second half, certain businesses were reorganised between Operating Groups to better align businesses with a shared focus on particular customer segments and geographies:

– Macquarie Bank's Australian vehicle finance business moved from CAF into BFS
– MAM's MSIS business moved into CAF

Comparatives have been restated to reflect this reorganisation between Operating Groups.

Effective 10 December 2018, CAF's Principal Finance and Transportation Finance businesses have been transferred from the Bank Group to the Non-Bank Group to simplify the overall structure of MGL and better reflect the latest activities of the individual businesses. The financial information disclosed relates to the Consolidated Entity's continuing operations.

The **Corporate** segment, which is not considered an Operating Group, comprises head office and central service groups, including Group Treasury, and certain investments that are neither core for strategic reasons nor aligned to an Operating Group.

Items of income and expense within the Corporate segment include the net result of managing Macquarie Bank's liquidity and funding requirements, earnings on capital and the residual accounting volatility relating to economically hedged positions for which hedge accounting has been achieved as well as accounting volatility for other economically hedge positions for which hedge accounting is not able to be achieved. Other items of income and expenses include earnings from investments, central overlay on credit and other impairments or valuation of assets, unallocated head office costs and costs of central service groups, the Consolidated Entity's performance-related profit share and share-based payments expense, income tax expense and certain distributions attributable to non-controlling interests and holders of Macquarie Income Securities (MIS).

Below is a selection of key policies applied in determining operating segment results.

Internal funding arrangements

Group Treasury has the responsibility for managing funding for the Consolidated Entity, and Operating Groups obtain their funding from Group Treasury. The interest rates charged by Group Treasury are determined by the currency and term of the funding. Break costs are charged to Operating Groups for the early repayment of term funding.

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

Deposits are a funding source for the Consolidated Entity. BFS receives a deposit premium from Group Treasury on deposits they generate. This deposit premium is included within net interest and trading income for segment reporting purposes.

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. There is a requirement for accounting symmetry in such transactions.

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

Accounting for derivatives that economically hedge interest rate risk

For businesses that predominately earn income from lending activities (CAF and BFS), derivatives that economically hedge interest rate risk are required to be measured at fair value. This volatility is recognised in net trading income unless hedge accounting is applied by the Consolidated Entity, where either the hedged item is revalued for the hedged risk to remove the volatility, or the fair value volatility on the derivative is deferred until the hedged transaction is recognised in the income statement. For segment reporting, derivatives are accounted for on an accrual basis in the results of CAF and BFS with changes in fair value recognised within Corporate, managed via the application of hedge accounting.

Central service groups

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 Corporate Operations Group (COG), Financial Management Group (FMG), Risk Management Group (RMG), Legal and Governance 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 (MEREP) is recognised in the Corporate segment and not allocated to Operating Groups.

Income tax

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

	CAF $Am	BFS $Am	Annuity-Style Businesses $Am
Full-year ended 31 March 2019			
Net interest and trading income	141	1,679	**1,820**
Fee and commission income	105	473	**578**
Net operating lease income	286	-	**286**
Share of net profits/(losses) of associates and joint ventures	-	8	**8**
Credit and Other impairments charges	(13)	(82)	**(95)**
Other operating income and charges	64	19	**83**
Internal management revenue/(charge)	4	2	**6**
Net operating income	587	2,099	**2,686**
Total operating expenses	(335)	(1,346)	**(1,681)**
Operating profit/(loss) before income tax	252	753	**1,005**
Income tax expense	–	–	**–**
Profit/(loss) after Income Tax	252	753	**1,005**
Profit attributable to non-controlling interests	(3)	–	**(3)**
Profit/(loss) attributable to equity holder	249	753	**1,002**
Distributions paid or provided for on MIS	–	–	**–**
Net profit/(loss) contribution from continuing operations	**249**	**753**	**1,002**
Full-year ended 31 March 2018			
Net interest and trading income	208	1,584	**1,792**
Fee and commission income/(expense)	79	489	**568**
Net operating lease income	238	–	**238**
Share of net profits/(losses) of associates and joint ventures	1	3	**4**
Credit and Other impairments (charges)/reversal	(8)	(75)	**(83)**
Other operating income and charges	125	14	**139**
Internal management revenue/(charge)	5	3	**8**
Net operating income	648	2,018	**2,666**
Total operating expenses	(333)	(1,285)	**(1,618)**
Operating profit/(loss) before income tax	315	733	**1,048**
Income tax expense	–	–	**–**
Profit/(loss) after Income Tax	315	733	**1,048**
(Profit)/loss attributable to non-controlling interests	(4)	–	**(4)**
Profit/(loss) attributable to equity holder	311	733	**1,044**
Distributions paid or provided for on MIS	**–**	**–**	**–**
Net profit/(loss) contribution from continuing operations	**311**	**733**	**1,044**

CGM $Am	Markets-Facing Business $Am	Corporate $Am	Total $Am
2,537	**2,537**	147	**4,504**
641	**641**	12	**1,231**
–	**–**	3	**289**
21	**21**	(1)	**28**
(142)	**(142)**	(10)	**(247)**
64	**64**	(41)	**106**
10	**10**	(16)	**–**
3,131	**3,131**	94	**5,911**
(1,675)	**(1,675)**	(1,076)	**(4,432)**
1,456	**1,456**	(982)	**1,479**
–	**–**	(394)	**(394)**
1,456	**1,456**	(1,376)	**1,085**
–	**–**	(1)	**(4)**
1,456	**1,456**	(1,377)	**1,081**
–	**–**	(15)	**(15)**
1456	**1456**	**(1,392)**	**1,066**
1,874	**1,874**	107	**3,773**
390	**390**	(69)	**889**
–	**–**	5	**243**
22	**22**	(1)	**25**
(90)	**(90)**	61	**(112)**
45	**45**	–	**184**
4	**4**	(12)	**–**
2,245	**2,245**	91	**5,002**
(1,379)	**(1,379)**	(614)	**(3,611)**
866	**866**	(523)	**1,391**
–	**–**	(353)	**(353)**
866	**866**	(876)	**1,038**
–	**–**	3	**(1)**
866	**866**	(873)	**1,037**
–	**–**	(14)	**(14)**
866	**866**	**(887)**	**1,023**

3.2 CAF

	HALF-YEAR TO			FULL-YEAR TO		
	Mar 19 $Am	Sep 18 $Am	*Movement %*	Mar 19 $Am	Mar 18 $Am	*Movement %*
Net interest and trading income	**44**	97	*(55)*	**141**	208	*(32)*
Fee and commission income	**71**	34	*109*	**105**	79	*33*
Net operating lease income	**154**	132	*17*	**286**	238	*20*
Share of net profits of associates and joint ventures	**–**	–	–	**–**	1	*(100)*
Other operating income and charges						
Gain on disposal of operating lease assets	**6**	12	*(50)*	**18**	3	*
Net income on equity and debt investments	**3**	7	*(57)*	**10**	83	*(88)*
Credit and Other impairment charges[(1),(2)]	**(12)**	(1)	*	**(13)**	(8)	*63*
Other income	**14**	22	*(36)*	**36**	39	*(8)*
Total other operating income and charges	**11**	40	*(73)*	**51**	117	*(56)*
Internal management revenue	**–**	4	*(100)*	**4**	5	*(20)*
Net operating income	**280**	307	*(9)*	**587**	648	*(9)*
Operating expenses						
Employment expenses	**(61)**	(57)	*7*	**(118)**	(118)	–
Brokerage, commission and trading-related expenses	**(57)**	(2)	*	**(59)**	(55)	*7*
Other operating expenses	**(79)**	(79)	–	**(158)**	(160)	*(1)*
Total operating expenses	**(197)**	(138)	*43*	**(335)**	(333)	*1*
Non-controlling interests[(3)]	**-**	(3)	*(100)*	**(3)**	(4)	*(25)*
Net profit contribution	**83**	166	*(50)*	**249**	311	*(20)*
Non-GAAP metrics						
Loan and finance lease portfolio[(4)] ($Ab)	**5.4**	5.5	*(2)*	**5.4**	5.6	*(4)*
Operating lease portfolio[(4)] ($Ab)	**2.4**	2.2	*9*	**2.4**	2.0	*20*
Headcount[(4)]	**583**	566	*3*	**583**	553	*5*

(1) The change in expected credit losses relating to financial assets under AASB 9 is recorded under Credit impairment charges. Individual and collective provisions for the prior year remain in accordance with AASB 139 and have not been restated.
(2) Other impairment charges includes the impairment on interests in associates and joint ventures, intangible assets and other non-financial assets in the current year. The prior year also included the impairments on equity investment securities that were classified under AASB 139 as available for sale.
(3) "Non-controlling interests" adjusts 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 holder.
(4) The loan and finance lease portfolio, operating lease portfolio and headcount at September 2018 and March 2018 have been restated to reflect the transfer of Principal Finance and Transportation Finance businesses to MFHPL.

Net profit contribution of $A249 million for the year ended 31 March 2019, down 20% on the prior year:
- Non-recurrence of one-off investment-related income[(5)]
- Recognition of certain legacy lending transaction-related expenses

Partially offset by:
- Improved income from the Energy, Resources and Technology portfolios

(5) Investment-related income refers to Net income on equity and debt investments and Share of net profits of associates and joint ventures.

Net interest and trading income

Net interest and trading income in CAF predominately relates to net income from the loan and finance lease portfolios (including ship finance, equipment financing and private funding) and the funding costs associated with the operating lease portfolios (including mining and energy assets).

Net interest and trading income of $A141 million for the year ended 31 March 2019 decreased 32% from $A208 million in the prior year. The decrease was largely a result of the sale of the US commercial vehicles financing business in the prior year and increased funding costs driven by growth in the Technology and Energy operating lease portfolios.

The loan and finance lease portfolio was $A5.4 billion at 31 March 2019, a decrease of 4% from $A5.6 billion at 31 March 2018.

Fee and commission income

Fee and commission income of $A105 million for the year ended 31 March 2019 increased 33% from $A79 million in the prior year largely driven by growth in the Technology portfolio.

Net operating lease income

Net operating lease income of $A286 million for the year ended 31 March 2019 increased 20% from $A238 million in the prior year driven by increased income from the Energy and Technology portfolios.

The operating lease portfolio was $A2.4 billion at 31 March 2019, an increase of 20% from $A2.0 billion at 31 March 2018 driven by growth in the Energy and Technology portfolios and favourable foreign exchange movements, partially offset by depreciation.

Gain on disposal of operating lease assets

The gain on disposal of operating lease assets of $A18 million for the year ended 31 March 2019 predominately related to gains recognised on the sale of mining equipment.

Net income on equity and debt investments

Net income on equity and debt investments of $A83 million in the prior year primarily related to the sale of the US commercial vehicles financing business and income from the sell down of infrastructure debt.

Credit and Other impairment charges

Credit and Other impairment charges of $A13 million for the year ended 31 March 2019 increased 63% from $A8 million primarily due to the improved credit performance of underlying portfolios in the prior year.

Operating expenses

Total operating expenses of $A335 million for the year ended 31 March 2019 increased 1% from the $A333 million in the prior year primarily driven by growth in the Technology portfolio offset by the sale of the US commercial vehicles financing business in the prior year.

3.3 BFS

	HALF-YEAR TO			FULL-YEAR TO		
	Mar 19 $Am	Sep 18 $Am	Movement %	Mar 19 $Am	Mar 18 $Am	Movement %
Net interest and trading income	**845**	834	*1*	**1,679**	1,584	*6*
Fee and commission income						
Wealth management fee income	**146**	166	*(12)*	**312**	333	*(6)*
Banking and leasing fee income	**85**	76	*12*	**161**	156	*3*
Total fee and commission income	**231**	242	*(5)*	**473**	489	*(3)*
Share of net profits/(losses) of associates and joint ventures	**9**	(1)	*	**8**	3	*167*
Other operating income and charges						
Credit impairment charges[1]	**(39)**	(28)	*39*	**(67)**	(67)	–
Other impairment charges[2]	**(15)**	–	*	**(15)**	(8)	*88*
Other income	**19**	–	*	**19**	14	*36*
Total other operating income and charges	**(35)**	(28)	*25*	**(63)**	(61)	*3*
Internal management revenue	**–**	2	*(100)*	**2**	3	*(33)*
Net operating income	**1,050**	1,049	*<1*	**2,099**	2,018	*4*
Operating expenses						
Employment expenses	**(203)**	(218)	*(7)*	**(421)**	(422)	*(<1)*
Brokerage, commission and trading-related expenses	**(108)**	(108)	–	**(216)**	(214)	*1*
Technology expenses[3]	**(181)**	(181)	–	**(362)**	(324)	*12*
Other operating expenses	**(181)**	(166)	*9*	**(347)**	(325)	*7*
Total operating expenses	**(673)**	(673)	–	**(1,346)**	(1,285)	*5*
Net profit contribution	**377**	376	*<1*	**753**	733	*3*
Non-GAAP metrics						
Funds on platform[4] ($Ab)	**86.0**	88.1	*(2)*	**86.0**	82.5	*4*
Australian loan and lease portfolio[5] ($Ab)	**62.5**	60.0	*4*	**62.5**	56.6	*10*
BFS deposits[6] ($Ab)	**53.4**	49.4	*8*	**53.4**	45.7	*17*
Headcount	**2,768**	2,949	*(6)*	**2,768**	3,098	*(11)*

(1) The change in expected credit losses relating to financial assets under AASB 9 is recorded under Credit impairment charges. Individual and collective provisions for the prior year remain in accordance with AASB 139 and have not been restated.
(2) Other impairment charges includes the impairment on interests in associates and joint ventures, intangible assets and other non-financial assets in the current year. The prior year also included the impairments on equity investment securities that were classified under AASB 139 as available for sale.
(3) Technology expenses include technology staff expenses, depreciation of technology assets, amortisation of capitalised software and maintenance costs.
(4) Funds on platform includes Macquarie Wrap and Vision.
(5) The Australian loan and lease portfolio comprises residential mortgages, loans to Australian businesses, vehicle finance, insurance premium funding and credit cards.
(6) BFS deposits excludes corporate/wholesale deposits.

Net profit contribution of $A753 million for the year ended 31 March 2019, up 3% from the prior year:
– Growth in Australian mortgage, business banking loan, deposit and funds on platform average volumes

Partially offset by:
– Lower wealth management fee income associated with realigning the wealth advice business to focus on the high net worth segment
– Increased costs associated with investment in technology to support business growth
– Full year impact of the Australian Government Major Bank Levy relative to the prior year

Net interest and trading income

Net interest and trading income in BFS relates to interest income earned from the loan portfolio that primarily comprises residential mortgages in Australia, loans to Australian businesses, vehicle leases, insurance premium funding and credit cards. BFS also generates income from deposits by way of a deposit premium received from Group Treasury, which uses the deposits as a source of funding for the Consolidated Entity.

Net interest and trading income of $A1,679 million for the year ended 31 March 2019 increased 6% from $A1,584 million in the prior year due to a 7% growth in the average BFS deposit balance and a 9% growth in average Australian loan and lease portfolio volumes. This was partially offset by an additional $A10 million allocation of the Australian Government Major Bank Levy incurred for 12 months versus nine months in the prior year (effective 1 July 2017).

At 31 March 2019 the Australian loan, leasing and deposit portfolios included:

– BFS deposits of $A53.4 billion, up 17% from $A45.7 billion at 31 March 2018;
– Australian mortgage volumes of $A38.5 billion, up 18% from $A32.7 billion at 31 March 2018;
– Australian vehicle finance volumes of $A15.2 billion, down 5% from $A16.0 billion at 31 March 2018; and
– business banking loan volumes of $A8.2 billion, up 12% from $A7.3 billion at 31 March 2018.

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, deposits and the provision of wealth services in Australia.

Funds on platform closed at $A86.0 billion at 31 March 2019, an increase of 4% from $A82.5 billion at 31 March 2018 largely due to net positive client inflows and market movements.

Wealth management fee income of $A312 million for the year ended 31 March 2019 decreased 6% from $A333 million in the prior year due to lower brokerage income as the wealth advice business focused on the high net worth segment.

Banking and leasing fee income

Banking and leasing fee income relates to fees earned on a range of BFS' products including mortgages, vehicle finance, credit cards, business loans and deposits.

Banking and leasing fee income of $A161 million for the year ended 31 March 2019 increased 3% from $A156 million in the prior year largely due to increased lending and payment transaction volumes.

Credit impairment charges

Credit impairment charges of $A67 million for the year ended 31 March 2019 were in line with the prior year.

Other impairment charges

Other impairment charges of $A15 million for the year ended 31 March 2019 increased 88% from $A8 million in the prior year due to higher impairments taken on equity investments.

Other income

Other income of $A19 million for the year ended 31 March 2019 increased 36% from $A14 million in the prior year and includes equity investment dividends and revaluations.

Operating expenses

Total operating expenses of $A1,346 million for the year ended 31 March 2019 increased 5% from $A1,285 million in the prior year.

Employment expenses of $A421 million for the year ended 31 March 2019 were broadly in line with the prior year driven by lower sales commissions, partially offset by 2% higher average headcount.

Brokerage, commission and trading-related expenses of $A216 million for the year ended 31 March 2019 increased 1% from $A214 million in the prior year largely due to an increase in payment transaction and insurance premium funding volumes.

Technology expenses of $A362 million for the year ended 31 March 2019 increased 12% from $A324 million in the prior year due to higher development activity.

Other operating expenses of $A347 million for the year ended 31 March 2019 increased 7% from $A325 million in the prior year driven by higher professional fees and increased risk and regulatory costs.

3.4 CGM

	HALF-YEAR TO			FULL-YEAR TO		
	Mar 19 $Am	Sep 18 $Am	*Movement %*	Mar 19 $Am	Mar 18 $Am	*Movement %*
Net interest and trading income						
Commodities	**1,046**	780	*34*	**1,826**	1,073	*70*
Foreign exchange, interest rates and credit	**272**	275	*(1)*	**547**	503	*9*
Equities	**45**	119	*(62)*	**164**	298	*(45)*
Net interest and trading income	**1,363**	1,174	*16*	**2,537**	1,874	*35*
Fee and commission income						
Brokerage and commissions	**169**	169	–	**338**	288	*17*
Other fee and commission income	**167**	136	*23*	**303**	102	*197*
Total fee and commission income	**336**	305	*10*	**641**	390	*64*
Share of net profits of associates and joint ventures	**11**	10	*10*	**21**	22	*(5)*
Other operating income and charges						
Net income on equity and debt investments	**66**	(4)	*	**62**	38	*63*
Credit and Other impairment charges(1),(2)	**(123)**	(19)	*	**(142)**	(90)	*58*
Other income	**(3)**	5	*	**2**	7	*(71)*
Total other operating income and charges	**(60)**	(18)	*233*	**(78)**	(45)	*73*
Internal management revenue	**8**	2	*300*	**10**	4	*150*
Net operating income	**1,658**	1,473	*13*	**3,131**	2,245	*39*
Operating expenses						
Employment expenses	**(182)**	(152)	*20*	**(334)**	(295)	*13*
Brokerage, commission and trading-related expenses	**(221)**	(281)	*(21)*	**(502)**	(347)	*45*
Other operating expenses	**(449)**	(390)	*15*	**(839)**	(737)	*14*
Total operating expenses	**(852)**	(823)	*4*	**(1,675)**	(1,379)	*21*
Net profit contribution	**806**	650	*24*	**1,456**	866	*68*
Non-GAAP metrics						
Headcount	**1,124**	1,132	*(1)*	**1,124**	1,138	*(1)*

(1) The change in expected credit losses relating to financial assets under AASB 9 is recorded under Credit impairment charges. Individual and collective provisions for the prior year remain in accordance with AASB 139 and have not been restated.

(2) Other impairment charges includes the impairment on interests in associates and joint ventures, intangible assets and other non-financial assets in the current year. The prior year also included the impairments on equity investment securities that were classified under AASB 139 as available for sale.

Net profit contribution of $A1,456 million for the year ended 31 March 2019, up 68% from the prior year:
- Strong results across the commodities platform driven by client hedging activity
- Significant opportunities in North American Gas and Power due to supply-demand imbalances across regional US centres
- Increased contribution from client structured foreign exchange deals across all regions

Partially offset by:
- Increased operating expenses reflecting increased client activity, changes to operating structure and an increased investment in technology platforms
- Challenging conditions impacting equity trading activities, particularly in specific Asian retail markets
- Higher credit and other impairment charges due to write-downs recognised on underperforming financing facilities and a small number of specific commodity equity positions.

Commodities net interest and trading income

Net interest and trading income from commodity related activities is generated from the provision of hedging and risk management services and loans and working capital finance to clients across a range of commodity sectors including base and precious metals, energy and agriculture. Risk management products income is mainly driven by client volumes, which are influenced by the level of price volatility in the markets in which those clients operate. CGM enters into financial and physical contracts including exchange traded, OTC derivatives, storage contracts and transportation agreements 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 contracts and transportation agreements, which are managed on a fair value basis for financial and risk management purposes, are required to be accounted for on an accruals basis for statutory reporting purposes, which may result in some variability in the timing of reported income.

Net interest and trading income from commodities of A$1,826 million for the year ended 31 March 2019 increased 70% from $A1,073 million in the prior year. The current year included strong results across the commodities platform due to increased client hedging activity in energy markets including North American Gas and Power, Global Oil, and EMEA Gas and Power in comparison with the prior year as a result of volatility and commodity price movements in addition to an increase in Lending and Financing income due to an increased contribution from commodity lending activities in the Americas and ANZ.

During the year, significant opportunities arose for North American Gas and Power driven by supply-demand imbalances across regional US centres, partially offset by the timing of income recognition, which reduced revenue relating to transport and storage agreements.

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 trading and hedging 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 specialty lending.

Net interest and trading income from foreign exchange, interest rates and credit related activities of $A547 million for the year ended 31 March 2019 increased 9% from $A503 million in the prior year. Increased income in the current year was driven by growth in client contributions from foreign exchange structured products across all regions.

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 conduct of risk management and trading activities.

Equities net interest and trading income of $A164 million for the year ended 31 March 2019 decreased 45% from $A298 million in the prior year reflecting challenging conditions, particularly in Asia due to reduced demand for retail products in specific markets.

Fee and commission income

Fee and commission income of $A641 million for the year ended 31 March 2019 increased 64% from $A390 million in the prior year.

The increase includes a $A143 million reclassification relating to stock borrowing expenses following the adoption of AASB 15, which were previously presented net of associated revenues. These stock borrowing expenses have been reclassified to Brokerage, commission and trading-related expenses within operating expenses.

In addition, there was an increase in risk premia fees earned on index products and increases in brokerage driven by client activity in the Asia-Pacific Cash Equities business and in the Americas Futures business.

Net income on equity and debt investments

Net income on equity and debt investments of $A62 million for the year ended 31 March 2019 increased 63% from $A38 million in the prior year. The current year reflects the gain on sale of a number of investments in the energy and commodities sectors.

Credit and Other impairment charges

Credit and Other impairment charges of $A142 million for the year ended 31 March 2019 increased 58% from $A90 million in the prior year, due to increased write-downs on underperforming financing facilities and impairment charges related to a small number of specific commodity equity positions.

Operating expenses

Total operating expenses of $A1,675 million for the year ended 31 March 2019 increased 21% from $A1,379 million in the prior year.

Employment expenses of $A334 million for the year ended 31 March 2019 increased 13% from $A295 million in the prior year mainly due to higher average headcount.

Brokerage, commission and trading-related expenses include fees paid in relation to trading-related activities. Brokerage, commission and trading-related expenses of $A502 million for the year ended 31 March 2019 increased 45% from $A347 million in the prior year mainly due to changes in accounting classification following the adoption of AASB 15 which has resulted in $A143 million stock borrowing expenses being reclassified from Fee and commission income. An additional increase was driven by higher client activity.

Other operating expenses of $A839 million for the year ended 31 March 2019 increased 14% from $A737 million in the prior year, reflecting the impact of business growth and an increased investment in technology platforms.

3.5 Corporate

	HALF-YEAR TO			FULL-YEAR TO		
	Mar 19 $Am	Sep 18 $Am	*Movement %*	Mar 19 $Am	Mar 18 $Am	*Movement %*
Net interest and trading income	**18**	129	*(86)*	**147**	107	*37*
Fee and commission income/(expense)	**20**	(8)	*	**12**	(69)	*
Net operating lease income	**3**	-	*	**3**	5	*(40)*
Share of net losses of associates and joint ventures	**(1)**	-	*	**(1)**	(1)	-
Other operating income and charges						
Net income on equity and debt investments	**5**	-	*	**5**	2	*150*
Credit and Other impairment (charges)/reversal[(1),(2)]	**(5)**	(5)	-	**(10)**	61	*
Other income and charges	**26**	(72)	*	**(46)**	(2)	*
Total other operating income and charges	**26**	(77)	*	**(51)**	61	*
Internal management charge	**(8)**	(8)	-	**(16)**	(12)	*33*
Net operating income and charges	**58**	36	*61*	**94**	91	*3*
Operating expenses						
Employment expenses	**(350)**	(225)	*56*	**(575)**	(443)	*30*
Brokerage, commission and trading-related expenses	**-**	-	-	**-**	-	-
Other operating expenses	**(372)**	(129)	*188*	**(501)**	(171)	*193*
Total operating expenses	**(722)**	(354)	*104*	**(1,076)**	(614)	*75*
Income tax expense	**(135)**	(259)	*(48)*	**(394)**	(353)	*12*
Macquarie Income Securities	**(8)**	(7)	*14*	**(15)**	(14)	*7*
Non-controlling interests[(3)]	**-**	(1)	*(100)*	**(1)**	3	*
Net loss contribution	**(807)**	(585)	*38*	**(1,392)**	(887)	*57*
Non-GAAP metrics						
Headcount	**13**	23	*(43)*	**13**	25	*(48)*

(1) The change in expected credit losses relating to financial assets under AASB 9 is recorded under Credit impairment charges. Individual and collective provisions for the prior year remain in accordance with AASB 139 and have not been restated.

(2) Other impairment charges includes the impairment on interests in associates and joint ventures, intangible assets and other non-financial assets in the current year. The prior year also included the impairments on investment securities (equity) that were classified under AASB 139 as available for sale.

(3) "Non-controlling interests" adjusts 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 holder.

The Corporate segment comprises head office and central service groups, including Group Treasury, and certain investments that are neither core for strategic reasons nor aligned to an Operating Group. The Corporate segment also includes costs that are not allocated to the Operating Groups, including performance-related profit share and share-based payments expense, income tax expense and the net result of managing Macquarie Bank's liquidity and funding requirements.

Net interest and trading income

Net interest and trading income in the Corporate segment includes the net result of managing Macquarie Bank's liquidity and funding requirements, earnings on capital, funding costs associated with non-core investments held centrally and accounting volatility arising from movements in underlying rates relating to economically hedged positions where hedge accounting in terms of AASB 9 is unable to be achieved.

Net interest and trading income of $A147 million for the year ended 31 March 2019 increased 37% from $A107 million in the prior year primarily due to higher earnings on capital driven by higher average USD and AUD interest rates.

Fee and commission income/(expense)

Fee and commission income in the Corporate segment primarily comprises internal transactions between Corporate and other segments within the Bank Group and transactions between the Bank and Non-Bank Groups.

Fee and commission income of $A12 million for the year ended 31 March 2019 compared to an expense of $A69 million in the prior year. Included in the current is the impact of the adoption of AASB 15 whereby certain recoverable costs, previously presented net of associated revenues, have been reclassified to Other operating expenses.

Credit and Other impairment (charges)/reversal

Credit and Other impairment charges of $A10 million for the year ended 31 March 2019 compared to impairment reversal of $A61 million in the prior year, which was driven by a partial reduction of central management overlay provisions to reflect changes in credit conditions. Impairments in the current year, which have been recognised under AASB 9, are required to reflect a forward-looking view of the macroeconomic environment.

Other income and charges

Other charges of $A46 million for the year ended 31 March 2019 increased from $A2 million in the prior year. This was primarily due to Treasury's funding management activities, which included a structural change in funding between the Bank and Non-Bank Groups. The prior year also included the release of accruals for certain legacy-related business activities.

Employment expenses

Employment expenses relate to the Consolidated Entity's central service groups including COG, FMG, RMG, Legal and Governance, and Central Executive, as well as expenses associated with the Consolidated Entity's profit share and retention plans.

Employment expenses of $A575 million for the year ended 31 March 2019 increased 30% from $A443 million in the prior year. This was primarily due to higher performance-related profit share and share-based payments expenses driven by the overall improved performance of the Operating Groups.

Other operating expenses

Other operating expenses in the Corporate segment includes non-employment related operating costs of central service groups, and certain transactions between the Bank and Non-Bank Groups.

Other operating expenses of $A501 million for the year ended 31 March 2019 increased significantly from $A171 million in the prior year. This increase primarily reflects the recognition of certain legacy-related expenses in the current year and, following the adoption of AASB 15, the reclassification of certain recoverable costs that were previously presented net of associated Fee and commission income.

04

Balance sheet

Macquarie's holey dollar

The symbol of Macquarie, the holey dollar was Australia's first official currency and earliest example of financial innovation. More than two hundred years since its creation by Governor Lachlan Macquarie, the holey dollar remains a relevant symbol of financial innovation and, within the Macquarie business, inspires our best efforts to deliver new ideas and products for our clients.

4.1 Statement of financial position

	AS AT			MOVEMENT	
	Mar 19[1] $Am	Sep 18[1] $Am	Mar 18 $Am	Sep 18 %	Mar 18 %
Assets					
Cash and bank balances	**7,693**	7,361	7,852	*5*	*(2)*
Cash collateral on securities borrowed and reverse repurchase agreements	**29,148**	27,580	28,777	*6*	*1*
Trading assets	**17,502**	19,514	14,894	*(10)*	*18*
Margin money and settlement assets	**14,496**	14,424	13,723	*<1*	*6*
Derivative assets	**14,090**	17,901	12,695	*(21)*	*11*
Financial investments	**5,470**	5,160	5,733	*6*	*(5)*
Other assets	**2,105**	4,062	3,714	*(48)*	*(43)*
Loan assets	**73,821**	75,365	72,289	*(2)*	*2*
Due from related body corporate entities	**1,522**	1,414	1,383	*8*	*10*
Property, plant and equipment	**2,738**	10,917	11,074	*(75)*	*(75)*
Interests in associates and joint ventures	**219**	752	727	*(71)*	*(70)*
Intangible assets	**177**	198	214	*(11)*	*(17)*
Deferred tax assets	**441**	231	143	*91*	*208*
Total assets	**169,422**	184,879	173,218	*(8)*	*(2)*
Liabilities					
Cash collateral on securities lent and repurchase agreements	**4,216**	6,668	5,380	*(37)*	*(22)*
Trading liabilities	**7,757**	7,019	7,938	*11*	*(2)*
Margin money and settlement liabilities	**17,901**	19,695	16,575	*(9)*	*8*
Derivative liabilities	**12,523**	18,046	11,788	*(31)*	*6*
Deposits	**56,120**	52,576	48,371	*7*	*16*
Other liabilities	**3,043**	4,004	4,481	*(24)*	*(32)*
Bank borrowings	**1,560**	7,020	5,223	*(78)*	*(70)*
Due to related body corporate entities	**16,791**	15,243	13,993	*10*	*20*
Debt issued	**33,587**	36,703	41,524	*(8)*	*(19)*
Deferred tax liabilities	**134**	492	586	*(73)*	*(77)*
Total liabilities excluding loan capital	**153,632**	167,466	155,859	*(8)*	*(1)*
Loan capital	**4,550**	4,366	4,256	*4*	*7*
Total liabilities	**158,182**	171,832	160,115	*(8)*	*(1)*
Net assets	**11,240**	13,047	13,103	*(14)*	*(14)*
Equity					
Contributed equity	**7,898**	9,937	9,928	*(21)*	*(20)*
Reserves	**516**	757	477	*(32)*	*8*
Retained earnings	**2,824**	2,345	2,686	*20*	*5*
Total capital and reserves attributable to ordinary equity holder of Macquarie Bank Limited	**11,238**	13,039	13,091	*(14)*	*(14)*
Non-controlling interests	**2**	8	12	*(75)*	*(83)*
Total equity	**11,240**	13,047	13,103	*(14)*	*(14)*

(1) March 2019 and September 2018 financial results and financial position reflect the adoption of AASB 9. As permitted by AASB 9, the Consolidated Entity has not restated previously reported financial years, however prior financial year has been reclassified to conform to current year presentation. For further information relating to the adoption of AASB 9, refer to Note 1 - *Summary of significant accounting policies* of the Macquarie Bank Financial Report.

4.1 Statement of financial position

Continued

The Consolidated Entity's statement of financial position has mainly been impacted by the sale of CAF's Principal Finance and Transportation businesses to the Non-Bank Group, changes in business activities and Treasury management initiatives during the year ended 31 March 2019.

Assets

Total assets of $A169.4 billion as at 31 March 2019 decreased 2% from $A173.2 billion as at 31 March 2018 mainly due to a decrease in Property, plant and equipment, Other assets and Interests in associates and joint ventures.

- Property, plant and equipment of $A2.7 billion as at 31 March 2019 decreased 75% from $A11.1 billion as at 31 March 2018 mainly due to the sale of assets of CAF's Transportation business to the Non-Bank Group, as well as the sale of Energetics in CAF's Principal Finance business
- Other assets of $A2.1 billion as at 31 March 2019 decreased 43% from $A3.7 billion as at 31 March 2018 primarily due to the sale of assets of CAF's Principal Finance and Transportation businesses to the Non-Bank Group and the redemption of Macquarie Life funds in BFS
- Interests in associates and joint ventures of $A0.2 billion as at 31 March 2019 decreased 70% from $A0.7 billion as at 31 March 2018 mainly due to the sale of assets related to CAF's Principal Finance business to the Non-Bank Group.

These decreases were partially offset by an increase in Trading assets, Loan assets, Derivative Assets and Margin money and settlement assets.

- Trading assets of $A17.5 billion as at 31 March 2019 increased 18% from $A14.9 billion as at 31 March 2018 mainly due to an increase in long equity positions, partially offset by the sale of government bonds in CGM
- Loan assets of $A73.8 billion as at 31 March 2019 increased 2% from $A72.3 billion as at 31 March 2018 mainly due to net new loans written in BFS. This was partially offset by the sale of assets of CAF's Principal Finance and Transportation businesses to the Non-Bank Group
- Derivative assets of $A14.1 billion as at 31 March 2019 increased 11% from $A12.7 billion as at 31 March 2018 mainly due to mark to market movements and an increase in client trade volumes in energy products in CGM
- Margin money and settlement assets of $A14.5 billion as at 31 March 2019 increased 6% from $A13.7 billion as at 31 March 2018 mainly due to an increase in settlement balances with financial institutions in CGM.

Liabilities

Total liabilities of $A158.2 billion as at 31 March 2019 decreased 1% from $A160.1 billion as at 31 March 2018 mainly driven by a decrease in Debt issued, Bank borrowings, Other liabilities and Cash collateral on securities lent and repurchase agreements.

- Debt issued of $A33.6 billion as at 31 March 2019 decreased 19% from $A41.5 billion as at 31 March 2018, mainly driven by Treasury's funding and liquidity management activities (including repayment of long term and short term debt), as well as repayments in BFS' securitisations
- Bank borrowings of $A1.6 billion as at 31 March 2019 decreased 70% from $A5.2 billion as at 31 March 2018 mainly due to sale of CAF's Principal Finance and Transportation businesses to the Non-Bank Group
- Other liabilities of $A3.0 billion as at 31 March 2019 decreased 32% from $A4.5 billion as at 31 March 2018 primarily due to the sale of CAF's Principal Finance and Transportation businesses to the Non-Bank Group
- Cash collateral on securities lent and repurchase agreements of $A4.2 billion as at 31 March 2019 decreased 22% from $A5.4 billion as at 31 March 2018 mainly due to a reduction in stock lending trades in CGM .

This was partially offset by an increase in Deposits, Due to related body corporate entities, Margin money and settlement liabilities and Derivative liabilities.

- Deposits of $A56.1 billion as at 31 March 2019 increased 16% from $A48.4 billion as at 31 March 2018 mainly due to an increase in business and retail deposits
- Due to related body corporate entities of $A16.8 billion as at 31 March 2019 increased 20% from $A14.0 billion as at 31 March 2018 mainly due to new Non-Bank debt issuances placed by MGL and other entities with MBL
- Margin money and settlement liabilities of $A17.9 billion as at 31 March 2019 increased 8% from $A16.6 billion as at 31 March 2018 mainly due to an increase in outstanding commodity trade settlements in CGM
- Derivative liabilities of $A12.5 billion as at 31 March 2019 increased 6% from $A11.8 billion as at 31 March 2018 mainly due to mark to market movements and an increase in client trade volumes in energy products in CGM.

Equity

Total equity decreased 14% to $A11.2 billion as at 31 March 2019 from $A13.1 billion as at 31 March 2018.

The decrease is primarily due to the return of $A2.0 billion of capital to the parent entity Macquarie B.H. Pty Ltd, as part of the sale of CAF's Principal Finance and Transportation businesses to the Non-Bank Group. This was partially offset by Retained earnings generated for the year ended 31 March 2019 (net of dividend paid).

4.2 Loan assets

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

	AS AT			MOVEMENT	
	Mar 19	Sep 18	Mar 18	*Sep 18*	*Mar 18*
	$Ab	$Ab	$Ab	*%*	*%*
Loan assets per the statement of financial position	**73.8**	75.4	72.3	*(2)*	*2*
Operating lease assets	**2.3**	10.6	10.2	*(78)*	*(77)*
Other reclassifications[1]	**0.5**	0.5	0.8	-	*(38)*
Less: loans held by consolidated SPEs which are available as security to noteholders and debt providers[2]	**(7.2)**	(7.5)	(9.0)	*(4)*	*(20)*
Total loan assets including operating lease assets per the funded balance sheet[3]	**69.4**	79.0	74.3	*(12)*	*(7)*

(1) Reclassification between loan assets and other funded balance sheet categories.
(2) Excludes notes held by Macquarie Bank in consolidated Special Purpose Entities (SPE).
(3) Total loan assets including operating lease assets per the funded balance sheet includes self-securitised assets.

4.2 Loan assets

Continued

Loan assets[1] including operating lease assets by Operating Group per the funded balance sheet are shown in further detail below:

		AS AT			MOVEMENT	
		Mar 19	Sep 18	Mar 18	*Sep 18*	*Mar 18*
	Notes	**$Ab**	$Ab	$Ab	*%*	*%*
CAF						
Asset Finance:	1	**7.8**	7.3	7.2	*7*	*8*
Finance lease assets and loans		**5.5**	5.1	5.2	*8*	*6*
Operating lease assets		**2.3**	2.2	2.0	*5*	*15*
Principal Finance[2]:		**-**	12.8	13.5	*(100)*	*(100)*
Loans	2	**-**	4.4	5.3	*(100)*	*(100)*
Operating lease assets	3	**-**	8.4	8.2	*(100)*	*(100)*
Total CAF		**7.8**	20.1	20.7	*(61)*	*(62)*
BFS						
Retail mortgages	4	**35.6**	32.7	28.7	*9*	*24*
Vehicle finance	5	**11.5**	12.0	11.6	*(4)*	*(1)*
Business banking	6	**8.7**	8.4	7.9	*4*	*10*
Total BFS		**55.8**	53.1	48.2	*5*	*16*
CGM						
Resources and commodities	7	**3.3**	3.3	3.1	-	*6*
Other	8	**2.5**	2.5	2.3	-	*9*
Total CGM		**5.8**	5.8	5.4	-	*7*
Total		**69.4**	79.0	74.3	*(12)*	*(7)*

(1) Total loan assets including operating lease assets per the funded balance sheet includes self-securitised assets.
(2) Effective 10 December 2018, CAF's Principal Finance and Transportation Finance businesses have been transferred from the Bank Group to the Non-Bank Group.

Explanatory notes concerning asset security of funded loan asset portfolio

1. Asset Finance

Predominantly secured by underlying financed assets.

2. Principal Finance Loans

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

3. Principal Finance Operating lease assets

Secured by underlying financed assets including transportation assets.

4. Retail mortgages

Secured by Australian residential property.

5. Vehicle finance

Secured by Australian motor vehicles.

6. Business banking

Secured relationship managed loan portfolio secured largely by working capital, business cash flows and real property.

7. Resources and commodities

Diversified loan portfolio primarily to the resources sector that are secured by the underlying assets.

8. CGM Other

Predominantly relates to recourse loans to financial institutions, as well as financing for real estate and other sectors.

4.3 Equity investments

Equity investments are reported in the following categories in the statement of financial position:

- Financial investments; and
- Interests in associates and joint ventures.

Equity investments reconciliation

	AS AT			MOVEMENT	
	Mar 19	Sep 18	Mar 18	*Sep 18*	*Mar 18*
	$Ab	$Ab	$Ab	*%*	*%*
Equity investments					
Statement of financial position					
Equity investments at fair value[1]	**0.3**	0.3	0.4	-	*(25)*
Interests in associates and joint ventures	**0.2**	0.7	0.7	*(71)*	*(71)*
Total equity investments per statement of financial position	**0.5**	1.0	1.1	*(50)*	*(55)*
Adjustment for funded balance sheet					
Equity hedge positions[2]	**(0.1)**	(0.2)	(0.3)	*(50)*	*(67)*
Total funded equity investments	**0.4**	0.8	0.8	*(50)*	*(50)*

(1) Effective 1 April 2018, following the adoption AASB 9, the Consolidated Entity has elected to measure all equity instruments at FVTPL, which were earlier measured at FVOCI. Equity investments at fair value includes equity investments available for sale in the prior year.

(2) These relate to assets held for the purposes of economically hedging Macquarie Bank's fair valued liabilities to external parties arising from various equity linked instruments except investment in associates. Consequently, these have been excluded from the analysis of equity investment exposures.

05 Funding and liquidity

Paraway Pastoral, Australia

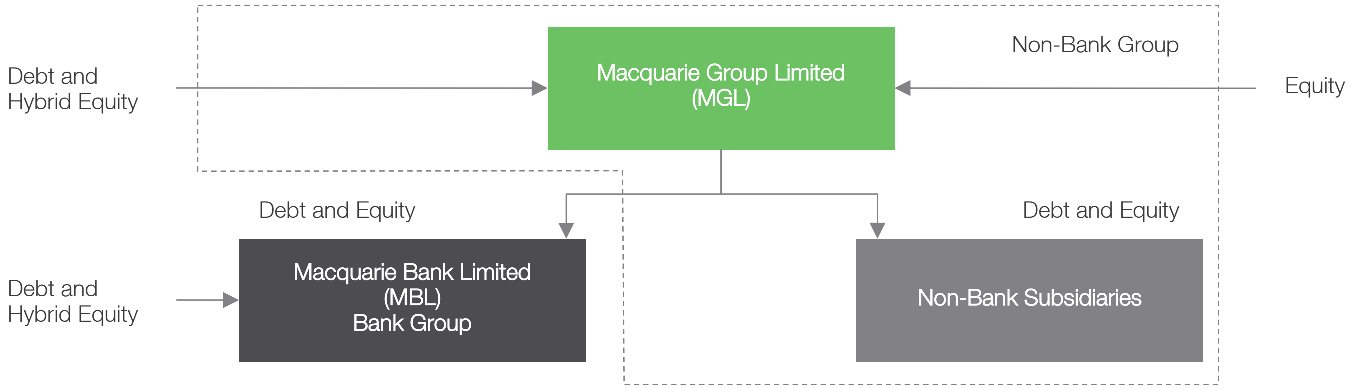
Paraway Pastoral Company (Paraway) is part of a MIRA-managed agricultural portfolio, which has been owning and operating large-scale sheep and cattle enterprises across Australia since 2007. As one of Australia's largest pastoral land owners and operators, Paraway currently owns 4.4 million hectares with the capacity to run over 200,000 cattle and 240,000 sheep.

5.1 Liquidity risk governance and management framework

Governance and oversight

Macquarie Group's two primary external funding vehicles are Macquarie Group Limited (MGL) and Macquarie Bank Limited (MBL). MGL provides funding principally to the Non-Bank Group and limited funding to some MBL subsidiaries. MBL provides funding to the Bank Group.

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



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

Liquidity management is performed centrally by Group Treasury, with oversight from the Asset and Liability Committee (ALCO) and the Risk Management Group (RMG). Macquarie Group's liquidity policy is approved by the MGL and MBL Boards after endorsement by the ALCO and liquidity reporting is provided to the Boards on a regular basis. The ALCO includes the MGL Chief Executive Officer, MBL Chief Executive Officer, Chief Financial Officer, Chief Risk Officer, Group Treasurer, Head of Balance Sheet Management and 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 policy is designed so that each of Macquarie Group, the Bank Group and the Non-Bank Group maintains sufficient liquidity to meet its obligations as they fall due. In some cases, certain entities within Macquarie Group may also be required to have a standalone liquidity policy. In these cases, the principles applied within the entity-specific liquidity policies are consistent with those applied in the broader MGL and MBL policy.

Macquarie Group establishes a liquidity risk appetite for both MGL and MBL, which is defined within the liquidity policy. The risk appetite 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 Group's strategic objectives.

Macquarie Group's liquidity risk appetite is intended to ensure that Macquarie Group 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 Group's franchise businesses.

MBL is an Authorised Deposit-taking Institution (ADI) and is funded mainly with capital, long-term liabilities and deposits.

Liquidity risk tolerance and principles

Macquarie Group'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; and
- funding and liquidity exposures between entities within Macquarie Group are subject to constraints where required.

Liquidity management principles

- Macquarie Group 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 regional liquidity framework is maintained that outlines Macquarie Group'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 is maintained that provides an action plan in the event of a liquidity 'crisis'
- a funding strategy is prepared annually and 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; and
- the MGL and MBL Boards and Senior Management receive regular reporting on Macquarie Group's liquidity position, including compliance with liquidity policy and regulatory requirements.

Liquidity contingency plan

Group Treasury maintains a liquidity contingency plan, which outlines how a liquidity crisis would be managed. The plan defines 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 plan details factors that may constitute a crisis, the officer responsible for enacting the contingency management, 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 and contact lists to facilitate prompt communication with all key internal and external stakeholders. The plan also incorporates a retail run management plan (RRMP) that outlines the Bank's processes and operational plans for managing a significant increase in customer withdrawals during a potential deposit 'run' on Macquarie Group.

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

The liquidity contingency plan is subject to regular review by both Group Treasury and RMG. It is submitted to the ALCO and MGL and MBL Boards for approval.

Macquarie Group 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 plan contains a supplement providing the specific information required for those branches or subsidiaries.

Funding strategy

Macquarie Group prepares a funding strategy on an annual basis and monitors progress against the strategy throughout the year. The funding strategy aims to maintain Macquarie Group's diversity of current and projected funding sources, ensure ongoing compliance with all liquidity policy requirements and facilitate forecast asset growth. The funding strategy is reviewed by the ALCO and approved by the respective Boards.

5.2 Management of liquidity risk

Scenario analysis

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

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

The scenarios separately consider the requirements of the Bank Group, the Non-Bank Group and Macquarie Group. A range of assumptions Macquarie Group intends to be conservative are used 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 Group name-specific crisis over a twelve month time frame. This scenario assumes no access to new funding sources, 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 Group'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 in Macquarie Group which are intended to ensure adequate liquidity is available in all funding environments, including worst case wholesale and retail market conditions. The minimum level of cash and liquid assets is calculated with reference to internal scenario projections 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 held in cash, qualifying High Quality Liquid Assets (HQLA) or be an asset type that is eligible as collateral in the Reserve Bank of Australia's (RBA) Committed Liquidity Facility (CLF) – so called 'Alternative Liquid Assets' (ALA). 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 to ensure Macquarie Group's liquidity requirements are broadly matched by currency. Certain other business units also hold cash and liquid assets as part of their operations. The Bank Group had $A24.3 billion cash and liquid assets as at 31 March 2019 (31 March 2018: $A23.6 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 true funding costs arising from business actions. Under this framework, each business is allocated the full cost of the funding required to support its products and business lines, recognising the actual and contingent funding-related exposures their activities create for Macquarie Group as a whole. Businesses that raise funding are compensated at a level that is appropriate for the liquidity benefit provided by the funding.

Credit ratings[1] at 31 March are detailed below.

	MACQUARIE BANK LIMITED		
	Short term rating	Long-term rating	Outlook
Moody's Investors Service	P-1	A2	Stable
Standard and Poor's[2]	A-1	A	Developing
Fitch Ratings	F-1	A	Stable

(1) 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.

(2) Standard and Poor's does not place outlook statements on short-term ratings.

Regulatory developments

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 as of 1 January 2018, the Net Stable Funding Ratio (NSFR). The LCR and NSFR apply specifically to Macquarie Bank as the regulated ADI in Macquarie Group. Separate quantitative requirements are imposed internally by the ALCO and the Board.

Liquidity coverage ratio

The LCR requires sufficient levels of unencumbered HQLA to be held to meet expected net cash outflows under a combined 'idiosyncratic' and market-wide stress scenario lasting 30 calendar days. In Australia, HQLA includes cash, balances held with the RBA, Commonwealth Government and semi-government securities, as well as any CLF allocation. The LCR determines Macquarie Bank's regulatory minimum required level of liquid assets.

Macquarie Bank's 3-month average LCR to 31 March 2019 was 154% (average based on daily observations). For a detailed breakdown of Macquarie Bank's LCR, please refer to Macquarie Bank's regulatory disclosures (available on Macquarie Group's website).

Net stable funding ratio

NSFR is a 12-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. The NSFR became a regulatory requirement on 1 January 2018. Macquarie Bank's NSFR at 31 March 2019 was 113%. For a detailed breakdown of Macquarie Bank's NSFR, please refer to Macquarie Bank's regulatory disclosures (available on Macquarie Group's website).

5.3 Funded balance sheet

The Bank Group's statement of financial position is prepared based on Australian Accounting Standards and includes certain accounting gross-ups and non-recourse self-funded assets that do not represent a funding requirement to the Bank Group.

The table below reconciles the reported assets of the Bank Group to the net funded assets as at 31 March 2019.

		AS AT	
	Notes	Mar 19 $Ab	Mar 18 $Ab
Total assets per the Bank Group's statement of financial position		**169.4**	173.2
Accounting deductions:			
Self-funded trading assets	1	**(15.6)**	(16.6)
Derivative revaluation accounting gross-ups	2	**(12.4)**	(11.7)
Segregated funds	3	**(10.0)**	(9.8)
Outstanding trade settlement balances	4	**(3.1)**	(2.9)
Short-term working capital assets	5	**(3.7)**	(4.5)
Intercompany gross-ups	6	**(16.8)**	(14.0)
Non-recourse funded assets:			
Securitised assets and other non-recourse funding	7	**(7.2)**	(9.0)
Net funded assets		**100.6**	104.7

Explanatory notes concerning net funded assets

1. Self-funded trading assets

The Bank Group 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. Also as part of its trading activities, the Bank Group pays and receives margin collateral on its outstanding derivative positions. These trading related asset and liability positions are presented gross on the statement of financial position but are viewed as being self-funded to the extent that they offset one another and, therefore, are netted as part of this adjustment.

2. Derivative revaluation accounting gross-ups

The Bank Group's derivative activities are mostly client driven with client positions hedged by offsetting positions with a variety of counterparties. The derivatives are largely matched and this adjustment reflects that the matched positions do not require funding.

3. Segregated funds

These represent the assets and liabilities that are recognised where the Bank Group provides products such as investment-linked policy contracts or where the Bank Group holds segregated client monies. The policy (contract) liability and client monies will be matched by assets held to the same amount and hence do not require funding.

4. Outstanding trade settlement balances

At any particular time the Bank Group 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 the Bank Group is owed on other trades (receivables).

5. Short-term working capital assets

As with the outstanding trade settlement balances above, the Bank Group 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.

6. Intercompany gross-ups

These represent balances related to the net payable position between the Bank Group and Non-Bank Group arising out of intragroup transactions, loans and deposits. The majority of this is the Non-Bank Group deposit with MBL shown in the Bank Group funded balance sheet.

7. Securitised assets and other non-recourse funding

These represent assets that are funded by third parties with no recourse to the Bank Group including lending assets (mortgages and leasing) sold down into external securitisation entities.

5.4 Funding profile

Funded balance sheet

	Notes	AS AT Mar 19 $Ab	Mar 18 $Ab
Funding sources			
Wholesale issued paper:	1		
Certificates of deposit		**1.0**	0.6
Commercial paper		**6.3**	8.4
Net trade creditors	2	**1.1**	1.1
Structured notes	3	**2.2**	2.1
Secured funding	4	**1.4**	4.4
Bonds	5	**16.1**	20.7
Other loans	6	**0.7**	1.1
Syndicated loan facilities	7	**–**	0.8
Customer deposits	8	**56.0**	48.1
Subordinated debt	9	**3.0**	2.8
Equity and hybrids	10	**12.8**	14.6
Total		**100.6**	104.7
Funded assets			
Cash and liquid assets	11	**24.3**	23.6
Self-securitisation	12	**21.1**	15.5
Net trading assets	13	**19.6**	17.1
Loan assets including operating lease assets less than one year	14	**13.0**	14.1
Loan assets including operating lease assets greater than one year	14	**35.3**	44.7
Debt investment securities	15	**1.1**	1.3
Non-Bank Group deposit with MBL		**(14.8)**	(12.9)
Co-investment in Macquarie-managed funds and other equity investments	16	**0.4**	0.8
Property, plant and equipment and intangibles		**0.6**	0.5
Total		**100.6**	104.7

See section 5.5 for notes 1–16.

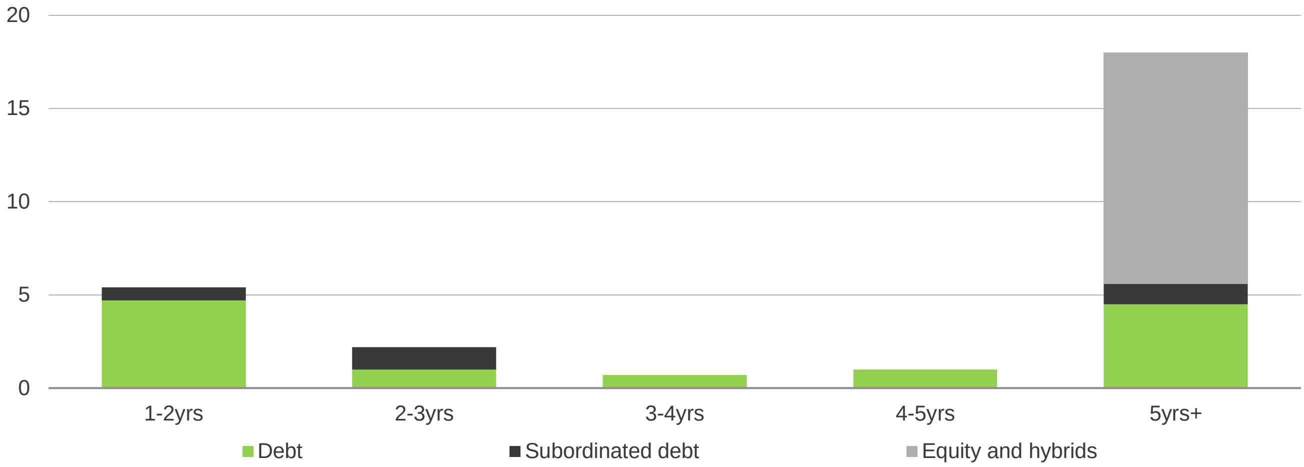
5.4 Funding profile

Continued

Term funding profile

Detail of drawn funding maturing beyond one year

$A billion



	AS AT MAR 19					
	1–2yrs $Ab	2–3yrs $Ab	3–4yrs $Ab	4–5yrs $Ab	5yrs+ $Ab	Total $Ab
Structured notes[1]	–	–	0.1	0.1	1.8	**2.0**
Secured funding	0.8	–	–	0.2	–	**1.0**
Bonds	3.6	1.0	0.6	0.7	2.7	**8.6**
Other loans	0.3	–	–	–	–	**0.3**
Total debt	**4.7**	**1.0**	**0.7**	**1.0**	**4.5**	**11.9**
Subordinated debt[2]	0.7	1.2	–	–	1.1	**3.0**
Equity and hybrids[2]	–	–	–	–	12.4	**12.4**
Total funding sources drawn	**5.4**	**2.2**	**0.7**	**1.0**	**18.0**	**27.3**
Undrawn	–	–	–	–	–	**–**
Total funding sources drawn and undrawn	**5.4**	**2.2**	**0.7**	**1.0**	**18.0**	**27.3**

(1) Structured notes are profiled using a behavioural maturity profile.
(2) Included in this balance are securities with conditional repayment obligations. These securities are disclosed using the earlier repricing dates instead of contractual maturity.

Macquarie Bank has diversity of funding by both source and maturity. The weighted average term to maturity of term funding maturing beyond one year (excluding equity which is a permanent source of funding, and securitisations) was 4.5 years as at 31 March 2019[3].

As at 31 March 2019, customer deposits represented $A56.0 billion, or 56% of the Bank Group's total funding, short-term (maturing in less than 12 months) wholesale issued paper represented $A7.3 billion, or 7% of total funding, and other debt funding maturing within 12 months and net trade creditors represented $A10.0 billion, or 10% of total funding.

(3) Macquarie Income Securities of $A0.4 billion are excluded as they do not have a maturity date.

Term funding initiatives

The Bank Group 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 2018, the Bank Group has continued to raise term wholesale funding across various products and currencies.

Details of term funding raised between 1 April 2018 and 31 March 2019:

		Bank Group $Ab
Secured funding	– Term securitisation and other secured finance	1.2
Issued paper	– Senior and subordinated	0.5
Total		1.7

From 1 April 2018 to 31 March 2019, the Bank Group raised $A1.7 billion of term funding including:

– $A1.2 billion of Securitisations including $A1.0 billion of SMART auto ABS issuance and $A0.2 billion of PUMA RMBS refinance; and

– $A0.5 billion of term wholesale issued paper.

5.4 Funding profile

Continued

The key tools used for raising debt funding for MBL, which primarily funds the Bank Group are as follows:

- $US25 billion Regulation S Debt Instrument Program, including Euro Commercial Paper, Euro Certificate of Deposit, Euro Medium-Term Notes, senior and subordinated fixed/floating rate notes, and Transferable Deposits. The Debt Instrument Program had $US6.7 billion debt securities outstanding at 31 March 2019
- $US15 billion Commercial Paper Program under which $US4.2 billion of debt securities were outstanding at 31 March 2019
- $US20 billion US Rule 144A/Regulation S Medium Term Note Program under which $US7.3 billion of issuances were outstanding at 31 March 2019
- $US5 billion Structured Note Program under which $US1.6 billion of funding from structured notes was outstanding at 31 March 2019; and
- $A5 billion Covered Bond Programme under which $A0.8 billion of debt securities were outstanding at 31 March 2019.

Macquarie Bank accesses the Australian capital markets through the issuance of Negotiable Certificates of Deposit. At 31 March 2019, Macquarie Bank had $A1.0 billion of these securities outstanding.

As at 31 March 2019, Macquarie Bank had internally securitised $A21.1 billion of its own Australian assets (predominantly mortgages and motor vehicles).

Macquarie Bank, as an ADI, has access to liquidity from the RBA daily market operations.

Deposit strategy

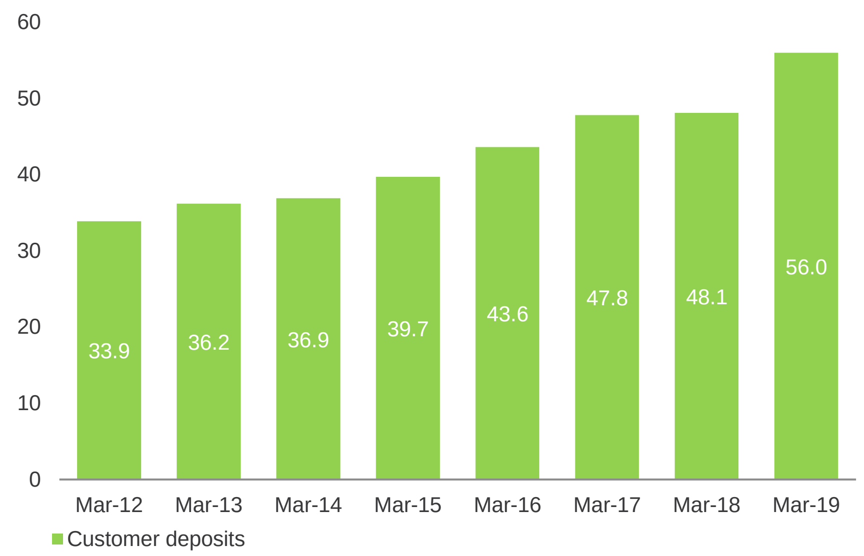
MBL continues to pursue a deposit strategy that is consistent with the core liquidity management tolerance of achieving diversity and stability of funding sources. The strategy is focused on growing the BFS deposit base, which represents a stable and reliable source of funding and reduces Macquarie Group's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

In particular, MBL is focused on the quality and composition of the deposit base, targeting transactional and relationship based deposits. The majority of MBL's deposits continue to be covered by the Financial Claims Scheme. The value cap on the deposits is set at $A250,000 per account holder.

The chart below illustrates the customer deposit growth since 31 March 2012.

Deposit trend

$A billion



5.5 Explanatory notes concerning funding sources and funded assets

1. Wholesale issued paper

Unsecured short-term wholesale funding comprised of both Certificates of Deposit and Commercial Paper.

2. Net trade creditors

Short-term working capital balances (debtors and creditors) are created through the Bank Group'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

Certain funding arrangements secured against an asset (or pool of assets).

5. Bonds

Unsecured long-term wholesale funding.

6. Other loans

Unsecured loans provided by financial institutions and other counterparties.

7. Syndicated loan facilities

Loan facilities provided by a syndicate of wholesale lenders.

8. Customer deposits

Unsecured funding from retail, corporate and wholesale depositors. The Australian Government Financial Claims Scheme covers eligible deposits in Macquarie Bank.

9. Subordinated debt

Long term subordinated debt.

10. Equity and hybrids

Equity balances are comprised of issued capital, retained earnings and reserves. Hybrid instruments includes MIS, MACS and BCN.

11. Cash and liquid assets

Cash and liquid assets generally consist of amounts due from banks and liquid debt investment securities available for sale. Liquid assets are almost entirely repo eligible with central banks or are very short dated.

12. Self-securitisation

This represents Australian assets which have been internally securitised and is a form of collateral on the RBA's list of eligible securities for repurchase agreements.

13. Net trading assets

The net trading asset balance consists of financial markets and equity trading assets including the net derivative position and any margin or collateral balances. It also includes trading assets which are hedging structured notes issued.

14. Loan assets including operating lease assets

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

See section 4.2 for further information.

15. Debt investment securities

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

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

These equity securities include co-investments in Macquarie-managed funds.

06

Capital

Macquarie Bank

The 'I Bank with Macquarie' campaign uses real Macquarie customers like Shani to illustrate how we are making banking more seamless and intuitive. From young families to business owners and established professionals, we proudly showcase real customer stories in our public campaigns.

6.1 Overview

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

Macquarie Group's capital adequacy framework requires it to maintain minimum regulatory capital requirements calculated as the sum of:

– The Bank Group's minimum Tier 1 capital requirement, based on a percentage of risk-weighted assets plus Tier 1 deductions using prevailing APRA ADI Prudential Standards; and
– The Non-Bank Group's capital requirement, calculated using Macquarie Group's ECAM. Transactions internal to Macquarie Group are eliminated.

Eligible regulatory capital of Macquarie Group consists of ordinary share capital, retained earnings and certain reserves plus eligible hybrid instruments. Eligible hybrid instruments as at 31 March 2019 include the Macquarie Income Securities (MIS), Macquarie Bank Capital Notes (BCN), Macquarie Additional Capital Securities (MACS), Macquarie Group Capital Notes 2 (MCN2), Macquarie Group Capital Notes 3 (MCN3) and Macquarie Group Capital Notes 4 (MCN4).

Effective 10 December 2018, CAF's Principal Finance and Transportation Finance businesses have been transferred from the Bank Group to the Non-Bank Group. The March 2019 results include the impact of this transaction.

Capital disclosures in this section include Harmonised Basel III[1] and APRA Basel III[2]. The former is relevant for comparison with banks regulated by regulators other than APRA, whereas the latter reflects Macquarie Group's regulatory requirements under APRA Basel III rules.

Pillar 3

The APRA ADI Prudential Standard APS 330 Capital Adequacy: Public Disclosure of Prudential Information (Pillar 3) details the market disclosure requirements for Australian domiciled banks. APS 330 requires qualitative and quantitative disclosure of risk management practices and capital adequacy. Pillar 3 documents are available on Macquarie Group's website.

(1) Harmonised Basel III relates to the Basel III guidelines defined by the Basel Committee on Banking Supervision, documented in the following: 'Basel III: a global regulatory framework for more resilient banks and banking systems', published December 2010 (revised June 2011) by the Bank for International Settlements (BIS).
(2) APRA Basel III relates to the ADI Prudential Standards released by APRA for the period effective from 1 January 2013.

6.1 Overview

Continued

The Bank Group is accredited by APRA under the Basel Foundation Internal Ratings Based approach (FIRB) for credit risk, the Advanced Measurement Approach (AMA) for operational risk, the internal model approach for market risk and the internal model approach for 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.

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.

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 2019 consists of MIS, BCN and MACS. MBL periodically pays dividends to MGL and is recapitalised by MGL as required to support projected business growth.

MIS are a perpetual instrument with no ordinary equity conversion rights. MIS were listed for trading on the Australian Stock Exchange (now known as the Australian Securities Exchange) in 1999. MIS distributions are paid quarterly at a floating rate of BBSW plus 1.7% per annum and payment is subject to certain conditions including profitability of the Bank. MIS are included in Additional Tier 1 capital under Basel III transitional rules.

BCN were issued by MBL in October 2014 and are quoted on the Australian Securities Exchange. The BCN pay discretionary, semi-annual floating rate cash distributions equal to six month BBSW plus 3.30% per annum margin, adjusted for franking credits. These instruments are non-cumulative and unsecured and may be redeemed at face value on 24 March 2020, 24 September 2020 and 24 March 2021 (subject to certain conditions being satisfied) or earlier in specified circumstances. The BCN can be converted into a variable number of MGL ordinary shares (subject to certain conditions being satisfied) on these redemption dates; mandatorily exchanged on 24 March 2023; exchanged earlier upon an acquisition event (with the acquirer gaining control of MGL or MBL); or where APRA determines MBL would be non-viable without an exchange or a public sector injection of capital (or equivalent support).

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 5th 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).

6.2 Bank Group capital

Bank Group Basel III Tier 1 Capital

	AS AT MAR 19		AS AT SEP 18		MOVEMENT	
	Harmonised Basel III	APRA Basel III	Harmonised Basel III	APRA Basel III	*Harmonised Basel III*	*APRA Basel III*
	$Am	$Am	$Am	$Am	*%*	*%*
Common Equity Tier 1 capital						
Paid-up ordinary share capital	**7,507**	**7,507**	9,545	9,545	*(21)*	*(21)*
Retained earnings	**2,852**	**2,852**	2,341	2,341	*22*	*22*
Reserves	**515**	**515**	758	758	*(32)*	*(32)*
Gross Common Equity Tier 1 capital	**10,874**	**10,874**	12,644	12,644	*(14)*	*(14)*
Regulatory adjustments to Common Equity Tier 1 capital:						
Goodwill	**42**	**42**	41	41	*2*	*2*
Deferred tax assets	**85**	**420**	74	198	*15*	*112*
Net other fair value adjustments	**(61)**	**(61)**	32	32	*	*
Intangible component of investments in subsidiaries and other entities	**50**	**50**	59	59	*(15)*	*(15)*
Loan and lease origination fees and commissions paid to mortgage originators and brokers	**–**	**411**	–	429	–	*(4)*
Shortfall in provisions for credit losses	**237**	**269**	346	376	*(32)*	*(28)*
Equity exposures	**–**	**678**	–	1,279	–	*(47)*
Other Common Equity Tier 1 capital deductions	**185**	**226**	127	251	*46*	*(10)*
Total Common Equity Tier 1 capital deductions	**538**	**2,035**	679	2,665	*(21)*	*(24)*
Net Common Equity Tier 1 capital	**10,336**	**8,839**	11,965	9,979	*(14)*	*(11)*
Additional Tier 1 Capital						
Additional Tier 1 capital instruments	**1,626**	**1,626**	1,654	1,654	*(2)*	*(2)*
Gross Additional Tier 1 capital	**1,626**	**1,626**	1,654	1,654	*(2)*	*(2)*
Deduction from Additional Tier 1 capital	**–**	**–**	–	–	–	–
Net Additional Tier 1 capital	**1,626**	**1,626**	1,654	1,654	*(2)*	*(2)*
Total Net Tier 1 capital	**11,962**	**10,465**	13,619	11,633	*(12)*	*(10)*

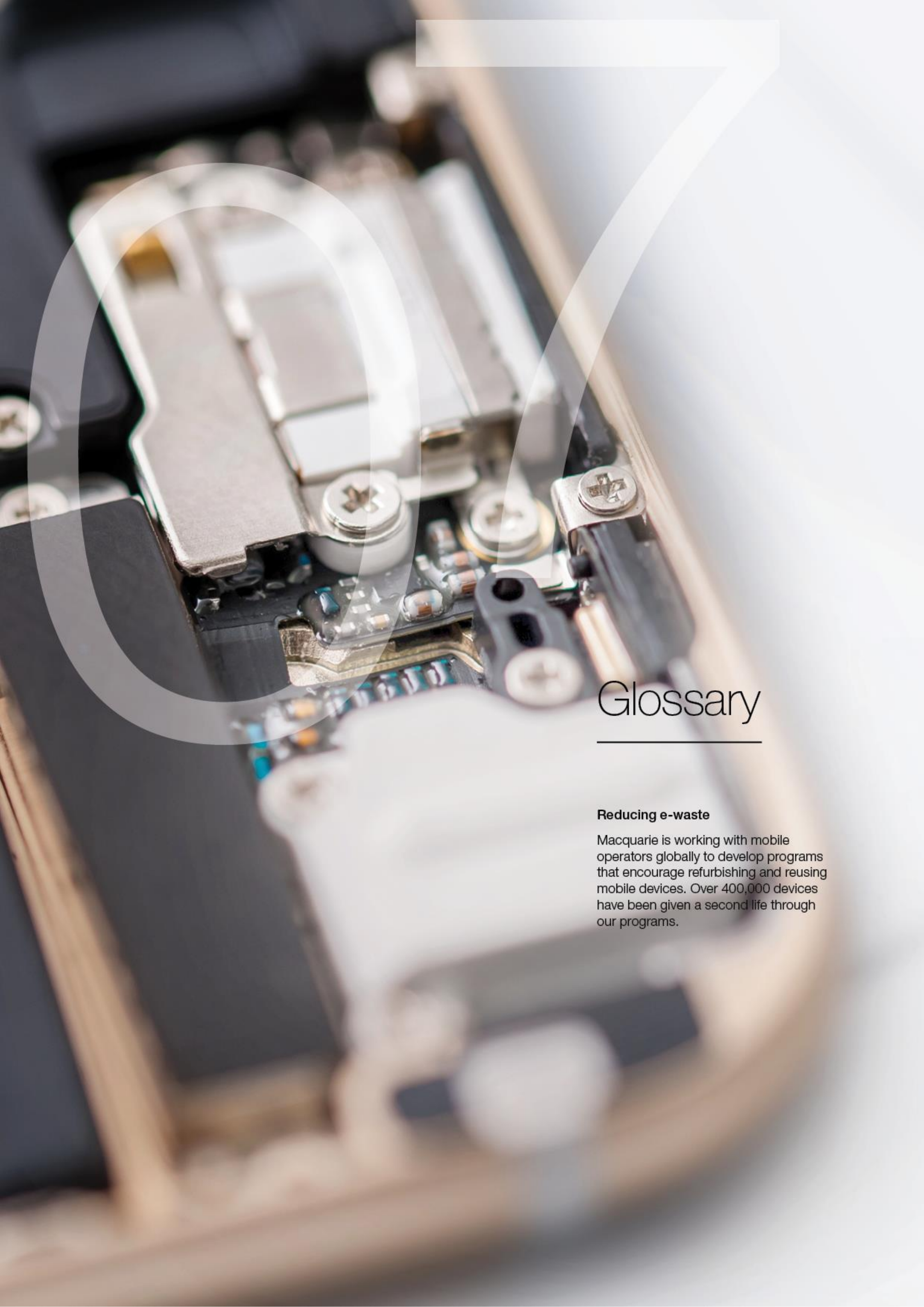
6.2 Bank Group Capital

Continued

Bank Group Basel III Risk-Weighted Assets (RWA)

	AS AT MAR 19		AS AT SEP 18		*MOVEMENT*	
	Harmonised Basel III	**APRA Basel III**	Harmonised Basel III	APRA Basel III	***Harmonised Basel III***	***APRA Basel III***
	$Am	**$Am**	$Am	$Am	*%*	*%*
Credit risk						
Subject to IRB approach:						
Corporate[1]	**19,860**	**19,860**	26,457	26,457	*(25)*	*(25)*
SME Corporate	**3,573**	**3,573**	3,315	3,315	*8*	*8*
Sovereign	**211**	**211**	186	186	*13*	*13*
Bank[1]	**1,424**	**1,424**	1,394	1,394	*2*	*2*
Residential mortgage	**5,918**	**13,890**	5,648	13,160	*5*	*6*
Other retail	**4,375**	**4,375**	4,307	4,307	*2*	*2*
Retail SME	**3,688**	**3,695**	3,487	3,497	*6*	*6*
Total RWA subject to IRB approach	**39,049**	**47,028**	44,794	52,316	*(13)*	*(10)*
Specialised lending exposures subject to slotting criteria[2]	**3,847**	**3,847**	5,827	5,827	*(34)*	*(34)*
Subject to Standardised approach:						
Corporate	**333**	**333**	747	747	*(55)*	*(55)*
Residential mortgage	**762**	**762**	1,598	1,598	*(52)*	*(52)*
Other Retail	**2,673**	**2,673**	3,131	3,131	*(15)*	*(15)*
Total RWA subject to Standardised approach	**3,768**	**3,768**	5,476	5,476	*(31)*	*(31)*
Credit risk RWA for securitisation exposures	**875**	**875**	755	755	*16*	*16*
Credit Valuation Adjustment RWA	**3,093**	**3,093**	4,002	4,002	*(23)*	*(23)*
Exposures to Central Counterparties RWA	**1,011**	**1,644**	1,014	1,541	*(<1)*	*7*
RWA for Other Assets	**3,019**	**1,769**	9,593	8,852	*(69)*	*(80)*
Total Credit risk RWA	**54,662**	**62,024**	71,461	78,769	*(24)*	*(21)*
Equity risk exposures RWA	**2,191**	**–**	4,605	–	*(52)*	–
Market risk RWA	**5,382**	**5,382**	5,886	5,886	*(9)*	*(9)*
Operational risk RWA	**10,111**	**10,111**	10,157	10,157	*(<1)*	*(<1)*
Interest rate risk in banking book RWA	**–**	**–**	–	1,188	–	*(100)*
Total Bank Group RWA	**72,346**	**77,517**	92,109	96,000	*(21)*	*(19)*
Capital ratios						
Bank Group Common Equity Tier 1 capital ratio (%)	**14.3**	**11.4**	13.0	10.4		
Bank Group Tier 1 capital ratio (%)	**16.5**	**13.5**	14.8	12.1		

(1) Certain counterparties previously classified as Bank have been reclassified as Corporate, resulting in restatement of Sep 18.
(2) Specialised lending exposures subject to supervisory slotting criteria are measured using APRA determined risk weightings.



07

Glossary

Reducing e-waste

Macquarie is working with mobile operators globally to develop programs that encourage refurbishing and reusing mobile devices. Over 400,000 devices have been given a second life through our programs.

7.1 Glossary

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: – provide a permanent and unrestricted commitment of funds; – are freely available to absorb losses; – rank behind the claims of depositors and other more senior creditors in the event of winding up of the issuer; and – provide for fully discretionary capital distributions.
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.
AMA	Advanced Measurement Approach (for determining operational risk).
ANZ	Australia and New Zealand.
APRA	Australian Prudential Regulation Authority.
Associates	Associates are entities over which Macquarie Bank 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 Bank'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.
Bank Group	MBL and its subsidiaries.
Bank Group Capital	Level 2 regulatory group capital.
Banking Group	The Banking Group comprises BFS and some activities of CAF and 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*.
BCN	On 8 October 2014, MBL issued 4.3 million Macquarie Bank Capital Notes (BCN) at face value of $A100 each. BCN are subordinated, unsecured notes that pay discretionary, non-cumulative, semi-annual floating rate cash distributions and may be redeemed at face value on 24 March 2020, 24 September 2020 or 24 March 2021 (subject to certain conditions being satisfied) or earlier in specified circumstances. BCN can be converted into a variable number of MGL ordinary shares (subject to certain conditions being satisfied) on these redemption dates; mandatorily exchanged on 24 March 2023; 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).
BBSW	Bank Bill Swap Rate.
BFS	Banking and Financial Services.
BFS deposits	BFS deposits are those placed with Banking and Financial Services and include products such as the Cash Management Account, Term Deposits and Relationship Banking deposits. Counterparties primarily consist of individuals, self-managed super funds and small-medium enterprises.
BIS	Bank for International Settlements.
CAF	Corporate and Asset Finance.
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 and Central Executive.
CGM	Commodities and Global Markets.
CLF	Committed Liquidity Facility.
CMA	Cash Management Account.
Collective allowance for credit losses	The provision relating to losses inherent in a portfolio of loan assets or debt investment securities available for sale that have not yet been specifically identified.
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: – provide a permanent and unrestricted commitment of funds; – are freely available to absorb losses; – do not impose any unavoidable servicing charge against earnings; and – rank behind the claims of depositors and other creditors in the event of winding up. 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*.
Consolidated Entity	Macquarie Bank Limited and its subsidiaries.
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.
Earnings on capital and certain corporate income items	Net operating income includes the income generated by Macquarie Bank's Operating Groups, income from the investment of Macquarie Bank's capital, and certain items of operating income not attributed to Macquarie Bank's Operating Groups. Earnings on capital and certain corporate income items is net operating income less the net operating income generated by Macquarie Bank's Operating Groups.
ECAM	Economic Capital Adequacy Model.
Effective tax rate	The income tax expense from continuing operations as a percentage of the profit from continuing operations 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.
Expense/Income ratio	Total operating expenses expressed as a percentage of Net operating income.
Financial Report	The Financial Report within the Macquarie Bank Limited Annual Report.
FIRB	Foundation Internal Ratings Based Approach (for determining credit risk).
FY2018	The year ended 31 March 2018.
FY2019	The year ended 31 March 2019.
FVOCI	Fair value through other comprehensive income.
FVTPL	Fair value through profit or loss.
Headcount	Headcount represents Macquarie Bank's active permanent and variable workforce, and includes Macquarie Banks employees (permanent and casual) and its contingent workers (contractors, agency workers and secondees). Macquarie Bank's non-executive directors are not included.
HQLA	High-quality liquid assets.

7.1 Glossary
Continued

LGD	Loss given default is defined as the economic loss which arises upon default of the obligor.
Macquarie Bank, the Consolidated Entity	Macquarie Bank Limited and its subsidiaries.
Macquarie Group	MGL and its subsidiaries.
Macquarie Income Securities (MIS)	Macquarie Income Securities (MIS) are perpetual, subordinated instruments that have no conversion rights to ordinary shares. Discretionary distributions are paid quarterly. They are treated as equity in the statement of financial position. There are four million $A100 face value MIS on issue.
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 5th 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).
MAM	Macquarie Asset Management.
MBL, the Company	Macquarie Bank Limited ABN 46 008 583 542.
MCN	On 7 June 2013, MGL issued six million Macquarie Group Capital Notes (MCN) at a face value of $A100 each. MCN were subordinated, non-cumulative, unsecured notes that paid discretionary, non-cumulative, semi-annual floating rate cash distributions. MCN were redeemed on 7 June 2018.
MCN2	On 18 December 2015, MGL issued 5.3 million Macquarie Group Capital Notes 2 (MCN2) at a face value of $A100 each. MCN2 are subordinated, non-cumulative, unsecured notes that pay discretionary, non-cumulative, semi-annual floating rate cash distributions and may be redeemed at face value on 17 March 2021, 17 September 2021 or 17 March 2022 (subject to certain conditions being satisfied) or earlier in specified circumstances. MCN2 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 March 2024; 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).
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).
MCN4	On 27 March 2019, MGL issued 9.1 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 nonviable 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	Macquarie Group Limited ABN 94 122 169 279.
MSIS	Macquarie Specialised Investment Solutions.
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 Macquarie Income Securities 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.
Non-Banking Group	The Non-Banking Group comprises Macquarie Capital, MAM, and some business activities of CAF and CGM that use certain offshore regulated entities of the Non-Banking Group.
Non-GAAP metrics	Non-GAAP metrics include financial measures, ratios and other information that are neither required nor defined under Australian Accounting Standards.
Operating Groups	The Operating Groups consist of CAF, BFS and CGM.
RBA	Reserve Bank of Australia.
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.
SPEs	Special purpose entities.
Subordinated debt	Debt issued by Macquarie Bank for which agreements between Macquarie Bank 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 Bank. Subordinated debt is classified as liabilities in the Macquarie Bank's financial statements and may be included in Tier 2 Capital.
Tier 1 Capital	Tier 1 Capital comprises of (i) Common Equity Tier 1 Capital; and (ii) Additional Tier 1 Capital.
Tier 1 Capital Deductions	Tier 1 Capital Deductions comprises of (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 Bank and conversely, any out-performance is retained by Macquarie Bank.
UK	The United Kingdom.
US	The United States of America.

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