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

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

Annuity-style businesses

Macquarie Asset Management

$A2,177m

↑ 16% on prior year

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

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

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

FY2020 highlights

MAM assets under management (AUM) increased 10% to $A605.7 billion as at 31 March 2020, due to investments by MIRA-managed funds, an acquisition by MIM, and foreign exchange movements. This was partially offset by recent market movements and a reduction in contractual insurance assets in MIM and divestments by MIRA-managed funds.

MIRA raised $A20.1 billion in new equity, for a diverse range of funds, products and solutions across the platform. Notable fund closings include the Macquarie European Infrastructure Fund 6 reaching its hard cap of €6.0 billion. MIRA also sold Macquarie AirFinance to a joint venture and entered into an agreement to provide ongoing management support services. MIRA held a 50% interest at 31 March 2020.

MIM completed the acquisition of assets related to the mutual fund business of Foresters Investment Management Company, Inc. This added ~$US11 billion in First Investors Funds and approximately $US1 billion in assets transitioned to the recently launched Delaware Funds by Macquarie Premier Advisor Platform.

Medium-term

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

Banking and Financial Services

$A770m

↑ 2% on prior year

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

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

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

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

FY2020 highlights

For the full year ended 31 March 2020, total BFS deposits increased 20% to $A63.9 billion, the loan and lease portfolio increased 20% to $A75.3 billion and funds on platform decreased 8% to $A79.1 billion.

The home loan portfolio increased 35% to $A52.1 billion driven by strong demand in lower loan-to-value ratio and owner-occupier lending tiers, while the Business Banking loan portfolio increased 10% to $A9.0 billion driven by strong activity in emerging health, built environment and technology segments, and existing property and professional services segments. During the year, BFS expanded the Macquarie Wrap managed accounts offering with AUM of $A3.0 billion up from $A2.3 billion a year ago, and launched Macquarie Engage, a new low-cost investment solution for clients with less complex financial needs. Furthermore, BFS continued the implementation of a cloud-based investment and portfolio management platform as part of the ongoing wealth platform transformation.

Medium-term

BFS remains focused on growth opportunities through intermediary and direct retail client distribution, platforms and client service; opportunities to increase financial services engagement with existing business banking clients and extend into adjacent segments; and modernising technology to improve client experience and support growth.

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

For more details on the operational performance of the Operating Groups, see slides 17 to 20 of the presentation to investors and analysts available at **macq.co/FY20investorpresentation**

Operating Groups update

In the first half, all businesses of the Corporate and Asset Finance (CAF) Operating Group were aligned to other Operating Groups, where they have the greatest opportunities in terms of shared clients and complementary offerings.

- CAF Principal Finance joined Macquarie Capital to bring together all principal investing activity and enhance the ability to invest directly and alongside clients and partners.
- CAF Transportation Finance joined MAM, reflecting its evolution towards a fiduciary business following the sale of Macquarie AirFinance to a joint venture.
- CAF Asset Finance moved to CGM, reflecting a longstanding, shared focus on innovative financing solutions for corporates, some of which are already shared clients.
- Certain fiduciary businesses, such as the infrastructure debt business (MIDIS), also moved from CAF Asset Finance into MAM.

Comparatives have been reclassified to reflect the reorganisation between Operating Groups.

Markets-facing businesses

Commodities and Global Markets

$A1,746m

— in line with prior year

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

The platform covers more than 25 market segments with more than 200 products and has evolved over more than four decades to provide clients with access to markets, financing, financial hedging, research and market analysis and physical execution.

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

FY2020 highlights

CGM benefited from the diversity of its portfolio. A reduction in inventory management and trading revenues and an increase in credit and other impairment charges were offset by strong global client contributions across all products and sectors and higher revenue from Specialised and Asset Finance and Commodities' lending and financing activities.

The largest division, Commodity Markets and Finance (CMF), continued to record strong results across the commodities platform. During the period, CMF completed the acquisition of Société Générale's energy commodities portfolio, comprising over-the-counter financial energy transactions, European wholesale physical gas and power contracts and carbon emission allowances. This continues its growth in gas and power markets.

CGM was recognised for a number of awards including Natural Gas/LNG House of the Year and Electricity and Environmental Products House of the Year in the 2019 Energy Risk Awards. CGM also maintained its ranking by Platts as No.2 physical gas marketer in North America.

Medium-term

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

Macquarie Capital

$A755m

↓ 57% on prior year

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

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

FY2020 highlights

Macquarie Capital maintained the leading market position globally for infrastructure financial advisory and a leading market position in ANZ for mergers and acquisitions, with established niches in other regions. Notable deals included advising the supervisory board of thyssenkrupp AG on the €17.2 billion sale of its Elevator Technology business.

Macquarie Capital continued to focus on green energy with over 250 projects under development or construction as at 31 March 2020. An example of this, is Macquarie Capital's support of Taiwan's renewable energy transition which was recognised as the Renewable Energy Deal of the Year (by The Asset Triple A Infrastructure Awards 2019). Macquarie Capital delivered Taiwan's first commercial scale offshore wind farm, Formosa 1. Macquarie Capital is a developer and equity investor in a second Taiwanese offshore wind farm, Formosa 2 which reached financial close and is currently under construction. Together these projects will generate 504MW of clean electricity, enough to power ~508,000 households.

Medium-term

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

Central Service Groups

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

Risk Management Group (RMG)

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

Legal and Governance (LGL)

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

Financial Management Group (FMG)

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

Corporate Operations Group (COG)

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

What We Stand For

Opportunity

Accountability

Integrity

These long-held principles form the basis of Macquarie's expectations of our staff and adherence to them is required under the *Code of Conduct*.

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

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

Our business strategy

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

Risk management approach

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

Strong balance sheet

Maintaining a strong and conservative balance sheet.

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

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

Business mix

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

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

Diversification

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

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

Proven expertise

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

Adjacencies

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

These include products and geographies adjacent to our established areas of expertise. This results in sustainable evolutionary growth.

Pursuit of growth opportunities

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

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

Risk management

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

Risk culture

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

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

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

Risk management framework

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

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

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

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

Macroeconomic factors

The key macroeconomic risks to Macquarie's short and medium-term financial outlook noted on page 27 are:

Market conditions

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

During March 2020, COVID-19 was declared a global pandemic. COVID-19, and the resulting impact on economic activity, have since had a significant impact on world equity, debt and commodity markets. The deterioration of market conditions in March 2020, together with an expected deterioration in macroeconomic conditions resulted in higher credit and other impairment charges for FY2020.

COVID-19 is the key driver of the macroeconomic outlook for Macquarie at the reporting date.

The value of the Australian dollar

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

Potential regulatory changes

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

Funding and liquidity

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

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

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

Operating and Financial Review

Review of group performance and financial position

Group performance

Overview

Profit attributable to ordinary equity holders of $A2,731 million for the year ended 31 March 2020 decreased 8% from $A2,982 million in the prior year.

	FULL YEAR TO		
	31 Mar 20 $Am	31 Mar 19 $Am	*Movement %*
Net operating income	**12,325**	12,754	*(3)*
Operating expenses	**(8,871)**	(8,887)	*(<1)*
Income tax expense	**(728)**	(879)	*(17)*
Loss/(Profit) attributable to non-controlling interests	**5**	(6)	*
Profit attributable to ordinary equity holders	**2,731**	2,982	*(8)*

Annuity-style businesses

Non-Banking Group

Macquarie Asset Management

↑ 16% on prior year

- Increased Investment-related income includes gains on sale of investments, higher equity accounted income from the sale of a number of underlying assets and income from the Macquarie AirFinance joint venture during the year
- Increased base fees primarily driven by foreign exchange movements, fees earned on the Macquarie AirFinance joint venture, investments made by MIRA-managed funds and mandates as well as contributions from assets acquired during the year related to the mutual fund management business of Foresters Investment Management Company Inc. (Foresters).

Partially offset by:

- decreased net operating lease income driven by the sale of Macquarie AirFinance to a joint venture during the first half
- increased credit and other impairments recognised due to a deterioration in current and expected macroeconomic conditions as a result of COVID-19 including an impairment charge on Macquarie Infrastructure Corporation (MIC)
- higher operating expenses mainly driven by foreign exchange movements and the impact of new business acquired during the year (Foresters).

Banking Group

Banking and Financial Services

↑ 2% on prior year

- Growth in BFS deposits, loan portfolio and funds on platform average volumes
- Lower employment expenses due to a reduction in average headcount mainly due to the realignment of the wealth advice business to focus on the high net worth segment.

Partially offset by:

- increased specific provision in Business banking and Vehicle Finance, together with increased credit impairment charges on the performing portfolios related to a deterioration in current and expected macroeconomic conditions as a result of COVID-19
- margin compression on deposits
- 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 and to meet regulatory requirements.

Markets-facing businesses

Macquarie Capital

↓ 57% on prior year

- Lower net income on equity and debt investments following strong asset realisations in the prior year
- Lower net interest and trading income mainly due to higher funding costs for balance sheet positions reflecting increased activity
- Increased credit impairment charges primarily related to a small number of loan facilities in the debt portfolio and a deterioration in current and expected macroeconomic conditions as a result of COVID-19 impacting the performing loan portfolio
- Lower fee and commission income due to lower debt capital markets fee income and other fee income, partially offset by higher mergers and acquisitions fee income
- Higher operating expenses reflecting additional headcount and foreign exchange movements.

Commodities and Global Markets

— in line with prior year

- Strength of global client contribution across all products and sectors including:
  - strong results across the commodities platform from client hedging activity
  - increased contribution in structured foreign exchange and interest rate products across all regions
  - improved equities performance, primarily due to increased contribution from client activity in Asia.

Offset by:

- reduction in inventory management and trading income due to reduced opportunities in North American gas markets following a strong prior year that were partially offset by the timing of income recognition, which increased revenue relating to transport agreements. The first half benefited from opportunities across a range of energy sectors which were partially offset by more challenging markets in Fuel oil (related to changing regulations) and North American gas markets in the second half
- increased impairment charges on a small number of counterparties in Futures and FI&C, together with increased credit impairment charges on the performing loan and lease portfolio related to a small number of loan facilities in the debt portfolio and a deterioration in current and expected macroeconomic conditions as a result of COVID-19

For more details on the financial performance of the Operating Groups, see section 3 Segment Analysis of the Management Discussion and Analysis available at **macq.co/FY20MDA**

Net operating income

Net operating income of $A12,325 million for the year ended 31 March 2020 decreased 3% from $A12,754 million in the prior year. Higher Credit and other impairment charges and decreases across Other operating income and charges and Net operating lease income were partially offset by higher Share of net profits/(losses) of associates and joint ventures, Fee and commission income and Net interest and trading income.

Net interest and trading income

FULL YEAR TO	
31 Mar 20 $Am	31 Mar 19 $Am
4,720	4,551

↑ 4% on prior year

- Increased contributions from client hedging activity, structured foreign exchange, interest rate and credit products as well as equities in CGM
- Growth in BFS deposits and loan portfolio average volumes in BFS
- Reduced funding costs in MAM driven by the sale of Macquarie AirFinance to a joint venture
- Accounting volatility from the changes in the fair value on economic hedges in Corporate.

Partially offset by:

- reduced contributions from inventory management and trading following a strong prior year and the impact of fair value adjustments in CGM
- margin compression on deposits and the sale of an investment in Macquarie Pacific Funding (MPF) in BFS.

Fee and commission income

FULL YEAR TO	
31 Mar 20 $Am	31 Mar 19 $Am
5,837	5,526

↑ 6% on prior year

- Increased base fees in MAM primarily driven by foreign exchange movements, fees earned on the Macquarie AirFinance joint venture, investments made by MIRA-managed funds and mandates as well as contributions from assets acquired during the year related to the mutual fund management business of Foresters
- Higher mergers and acquisitions fee income in Macquarie Capital.

Partially offset by:

- lower fee income from debt capital markets and other fee income in Macquarie Capital.

Net operating lease income

FULL YEAR TO	
31 Mar 20 $Am	31 Mar 19 $Am
745	950

↓ 22% on prior year

- Lower income in MAM driven by the sale of Macquarie AirFinance to a joint venture during the first half.

Partially offset by:

- the acquisition of rotorcraft assets during the prior year in MAM
- higher secondary income from the Technology, Media and Telecoms (TMT) portfolio in CGM.

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

FULL YEAR TO	
31 Mar 20 $Am	31 Mar 19 $Am
95	(56)

↑ significantly on prior year

- Increase in the share of net profits from the sale of a number of underlying assets within equity accounted investments and income from the Macquarie AirFinance joint venture during the year in MAM
- A non-recurring gain on an investment in Corporate.

Partially offset by:

- losses in a small number of underlying assets within equity accounted investments in MAM.

Credit and other impairment charges

FULL YEAR TO	
31 Mar 20 $Am	31 Mar 19 $Am
(1,040)	(552)

↑ 88% on prior year

- Higher impairment charges recognised across the Consolidated Entity primarily driven by a deterioration in current and expected macroeconomic conditions as a result of COVID-19.

Other operating income and charges

FULL YEAR TO	
31 Mar 20 $Am	31 Mar 19 $Am
1,968	2,335

↓ 16% on prior year

- Decrease in investment income following strong asset realisations in the prior year in Macquarie Capital
- A change in the composition of Macquarie Capital's investment portfolio including increased development expenditure in relation to green energy projects.

Partially offset by:

- gains on sale of investments and a one-off payment from Atlas Arteria (ALX) for the termination of management rights related to APRR in MAM.

Operating expenses

Total operating expenses of $A8,871 million for the year ended 31 March 2020 were in line with $A8,887 million in the prior year with increases across Employment expenses and Non-salary technology expenses, largely offset by decreases in Brokerage, commission and trading-related expenses.

Employment expenses

FULL YEAR TO	
31 Mar 20 $Am	31 Mar 19 $Am
5,323	5,217

↑ 2% on prior year

- Unfavourable foreign exchange movements
- Higher average headcount in Central Service Groups to support business growth, technology projects and ongoing regulatory compliance
- Higher share-based payments expense mainly driven by the accelerated amortisation of prior years' equity awards to retiring Key Management Personnel.

Partially offset by:

- decrease in performance-related profit share expense as a result of lower Group performance and higher retention rates being applied.
- lower average headcount in BFS as the wealth advice business focused on the high net worth segment.

Brokerage, commission and trading-related expenses

FULL YEAR TO	
31 Mar 20 $Am	31 Mar 19 $Am
964	1,140

↓ 15% on prior year

- Reductions in CGM driven by the equities structural change to refocus on the Asia-Pacific region
- The sale of an investment in MPF in BFS.

Non-salary technology expenses

FULL YEAR TO	
31 Mar 20 $Am	31 Mar 19 $Am
749	684

↑ 10% on prior year

- Higher project spend and cloud consumption from an increase in business activity
- Unfavourable foreign exchange movements.

Other operating expenses and Occupancy

FULL YEAR TO	
31 Mar 20 $Am	31 Mar 19 $Am
1,835	1,846

— In line with prior year

- Lower occupancy costs reflect the transitional and classification consequences of adopting the new lease accounting standard AASB 16, with interest expense on the lease liability now recognised within net interest income.

Offset by:

- unfavourable foreign exchange movements.

Income tax expense

Income tax expense for the year ended 31 March 2020 was $A728 million, compared to $A879 million in the prior year. The effective tax rate for the year ended 31 March 2020 was 21.0%, down from 22.8% in the prior year.

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

Note on adoption of new Australian Accounting Standards

The FY2020 financial results reflect the adoption of AASB 16 *Leases* (AASB 16) on 1 April 2019. As permitted by AASB 16, the Consolidated Entity has not restated previously reported financial periods.

Refer to Note 1 *Summary of significant accounting policies* in the Financial Report for details regarding the Consolidated Entity's transition to AASB 16. No material transition adjustments arose following the adoption of AASB 16

Financial position

Balance sheet

The Consolidated Entity's statement of financial position has mainly been impacted by changes in business activities and Treasury management initiatives during the year ended 31 March 2020.

Total assets

FULL YEAR TO	
31 Mar 20 $Am	31 Mar 19 $Am
255,802	197,757

↑ 29% on prior year

- Derivative assets of $A45.6 billion as at 31 March 2020 increased 217% from $A14.4 billion as at 31 March 2019 following an increase in client trade volumes and mark to market movements in energy markets, interest rate and foreign exchange products in CGM largely driven by recent volatility in financial markets
- Loan assets of $A94.1 billion as at 31 March 2020 increased 21% from $A77.8 billion as at 31 March 2019 primarily due to growth in Home Loans and Business Banking Loans in BFS and US Debt Capital Markets' positions in Macquarie Capital
- Cash collateral on securities borrowed and reverse repurchase agreements of $A37.7 billion as at 31 March 2020 increased 26% from $A29.9 billion as at 31 March 2019 following increased client flows and positions to maintain the Group's HQLA requirements
- Interests in associates and joint ventures of $A8.3 billion as at 31 March 2020 increased 98% from $A4.2 billion as at 31 March 2019 primarily due to new investments and sale of the MAF business to a joint venture of which Macquarie held a 75% interest and at 31 March 2020 held a 50% interest
- Held for sale assets of $A1.6 billion as at 31 March 2020 decreased 82% from $A9.0 billion as at 31 March 2019 primarily due to the sale of the MAF business to a joint venture of which Macquarie held a 75% interest and at 31 March 2020 held a 50% interest.

Total liabilities

FULL YEAR TO	
31 Mar 20 $Am	31 Mar 19 $Am
234,018	179,393

↑ 30% on prior year

- Derivative liabilities of $A38.4 billion as at 31 March 2020 increased 202% from $A12.7 billion as at 31 March 2019 primarily due to an increase in client trade volumes and mark to market movements in energy markets, interest rate and foreign exchange products in CGM largely driven by recent volatility in financial markets
- Debt issued of $A64.6 billion as at 31 March 2020 increased 26% from $A51.4 billion as at 31 March 2019 primarily due to the issue of long-term debt by Group Treasury to manage the Group's funding and liquidity, securitisation issuances in BFS and foreign exchange movements following the depreciation of the Australian dollar against major currencies
- Deposits of $A67.3 billion as at 31 March 2020 increased 20% from $A56.2 billion as at 31 March 2019 primarily due to an increase in customer deposits in BFS
- Borrowings of $A17.1 billion as at 31 March 2020 increased 84% from $A9.3 billion as at 31 March 2019 primarily driven by new investments in Macquarie Capital, oil finance transactions in CGM and Treasury's liquidity management activities
- Margin money and settlement liabilities of $A22.8 billion as at 31 March 2020 increased 35% from $A16.9 billion as at 31 March 2019 primarily due to an increase in call margin placed by financial institutions and commodity trade settlement balances in CGM
- Held for sale liabilities of $A0.3 billion as at 31 March 2020 decreased 96% from $A6.8 billion as at 31 March 2019 primarily due to the sale of the MAF business to a newly formed joint venture of which Macquarie held a 75% interest and at 31 March 2020 held a 50% interest.

Total equity

FULL YEAR TO	
31 Mar 20 $Am	31 Mar 19 $Am
21,784	18,364

↑ 19% on prior year

- The increase in the Consolidated Entity's equity was attributable to the issuance of Contributed equity of $A1.7 billion through the Institutional Private Placement and Share Purchase Plan, earnings of $A2.7 billion generated during the year, partially offset by dividends of $A2.1 billion, and an increase in the foreign currency and net investment hedge reserve of $A1.2 billion.

Funding

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

Macquarie has a funding base that is stable with minimal reliance on short-term wholesale funding markets. At 31 March 2020, Macquarie's term assets were covered by term funding maturing beyond one year, stable deposits, hybrids and equity.

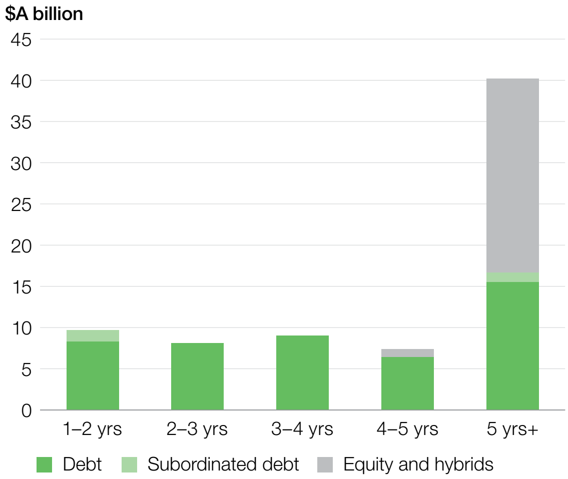
The weighted average term to maturity of term funding maturing beyond one year (excluding equity which is a permanent source of funding, and securitisations) was 4.8 years at 31 March 2020.

4.8 years

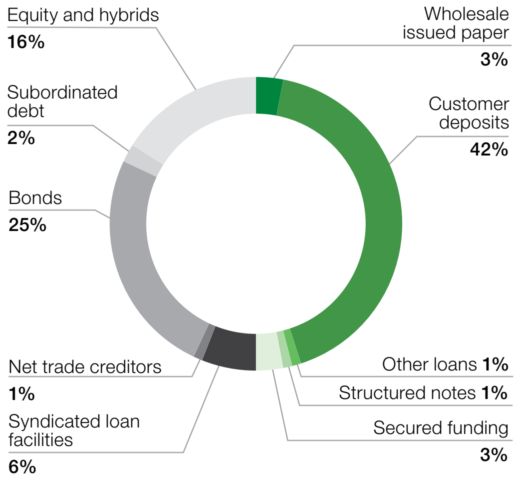
The weighted average term to maturity of term funding maturing beyond one year at 31 March 2020

Term funding profile

Detail of drawn funding maturing beyond one year



Diversity of funding sources



Macquarie has a liability driven approach to balance sheet management, where funding is raised prior to assets being taken on to the balance sheet. Since 1 April 2019, Macquarie has continued to raise term wholesale funding across various products and currencies.

Details of term funding raised between 1 April 2019 and 31 March 2020:

		Bank Group $Ab	Non-Bank Group $Ab	Total $Ab
Secured funding	Term securitisation and other secured finance	11.1	0.7	**11.8**
Issued paper	Senior unsecured	12.4	1.0	**13.4**
Loan facilities	MGL loan facilities	–	0.8	**0.8**
Total		23.5	2.5	**26.0**

In addition to the $A26.0 billion of term funding raised, $A1.7 billion of equity capital was raised through $A1.0 billion institutional placement and $A0.7 billion share purchase plan.

Macquarie has continued to develop its major funding markets and products during the year ended 31 March 2020.

$A7.1b
Group capital surplus

Capital

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

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

Macquarie remains well capitalised with APRA Basel III Group capital of $A24.8 billion at 31 March 2020, with a Group surplus of $A7.1 billion ($A9.2 billion on a Harmonised[1] Basel III basis).

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

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

As at 31 March 2020, the Bank Group had the following capital adequacy ratios:

Bank Group Basel III ratios as at 31 March 2020	Harmonised Basel III	APRA Basel III
Common Equity Tier 1 Capital Ratio	14.9%	12.2%
Tier 1 Capital Ratio	16.4%	13.6%
Leverage Ratio	6.3%	5.7%

For further information relating to the capital adequacy of Macquarie, refer to section 6 Capital of the Management Discussion and Analysis at **macq.co/FY20MDA**

Macquarie's capital management strategy is outlined in Note 23 *Capital management strategy* to the financial statements contained in the Financial Reporting section

Outlook

Market conditions are likely to remain challenging, especially given the significant uncertainty caused by the worldwide impact of COVID-19 and the uncertain speed of the global economic recovery.

The extent to which these conditions will impact our overall FY21 profitability is uncertain, making short-term forecasting extremely difficult. Accordingly we are currently unable to provide meaningful guidance for the year ahead

In addition to the impact of COVID-19 mentioned above, the range of other factors that will influence our short-term outlook are:

- the completion rate of transactions and period-end reviews
- market conditions and the impact of geopolitical events
- the impact of foreign exchange
- potential regulatory changes and tax uncertainties
- geographic composition of income.

We continue to maintain a cautious stance, with a conservative approach to capital, funding and liquidity that positions us well to capitalise on opportunities.

(1) Basel III applies only to the Bank Group and not the Non-Bank Group. 'Harmonised' Basel III estimates are calculated in accordance with the BCBS Basel III framework.
(2) Based on materiality, the countercyclical capital buffer (CCyB) of 3bps has not been included.
(3) APRA has released draft prudential standards on its implementation of a minimum requirement for the leverage ratio of 3.5% expected to be effective from January 2023.

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