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Letter from the **Managing Director and CEO**

Despite the many unexpected challenges of the last year, Macquarie staff remained focused on delivering for our clients, partners, shareholders, and the communities in which we operate. The team adapted to the changed operating environment, with most working remotely for a period and some now returned to spending time in our offices, without interruption to their activities or to client service.

Macquarie's businesses continued to perform well despite challenging market conditions, reflecting the diversity of our activities and ongoing focus on prudent risk management. For the year ended 31 March 2021, Macquarie delivered a record profit of \$A3,015 million, up 10% on the prior year.

Macquarie's performance reflects our involvement in areas of deep structural need in the global economy and the commitment of our staff to work with clients to address opportunities and challenges in our communities. The following pages of this report include examples of projects aligned to our purpose of empowering people to innovate and invest for a better future.

Our annuity-style activities, Macquarie Asset Management (MAM), Banking and Financial Services (BFS) and parts of Commodities and Global Markets (CGM), had a steady year, with a combined net profit contribution of \$A3,314 million, down 4% on the prior year. Annuity-style activities represented 54% of net profit contribution from operating groups.

Lower performance fees and Macquarie AirFinance income in MAM were partially offset by gains on the sale of Macquarie European Rail and the reversal of impairments. In BFS, growth in deposits, the loan portfolio and funds on platform as well as decreased credit impairment charges were partially

offset by margin compression on deposits and a decrease in the vehicle finance portfolio. CGM's annuity-style activities reflected higher revenue from the Specialised and Asset Finance division but lower revenues and an increase in provisions in Commodities Lending and Financing.

Our markets-facing activities in Macquarie Capital and the remainder of CGM made a net profit contribution of \$A2,783 million, up 39% on the prior year. Markets-facing activities represented 46% of net profit contribution from operating groups.

Lower fee and commission income in Macquarie Capital was partially offset by significantly higher equity capital markets activity in ANZ. Lower investment-related income due to fewer material asset realisations was partially offset by improved performance of the assets in the portfolio. The markets-facing activities within CGM generated increased revenues across the commodities platform with strong results in resources, gas and power, agriculture, and precious metals, as well as foreign exchange, interest rates and credit and equity derivatives and trading.

While our Australian franchise maintained its strong position and benefited from the relatively rapid recovery of the Australian economy, Macquarie's offshore businesses continued to perform well, with international income accounting for 68% of total income for the year ended 31 March 2021. Total international income was \$A8,468 million, an increase of 5% from \$A8,061 million in the prior year.

Macquarie is highly disciplined in maintaining sufficient surplus capital to meet regulatory requirements and support business growth opportunities. Macquarie's APRA Basel III capital was \$A26.3 billion at 31 March 2021 and the surplus above regulatory minimum requirements was \$A8.8 billion.

In light of actions recently announced by APRA regarding MBL's risk management practices and ability to calculate and report key prudential ratios, we acknowledge that continued work is required on our risk governance and operating platform and we have programs in place to strengthen capital and liquidity reporting and the risk management framework. We will work closely with APRA on these programs through a period of intensified supervision. APRA noted that the breaches are historical and do not impact the current overall soundness of Macquarie Group's capital and liquidity positions.

Management update

During FY2021, Macquarie announced a small number of senior management changes. After 16 years with Macquarie, Martin Stanley stepped down as Group Head of MAM and from the Executive Committee, effective 1 April 2021. From that date, Macquarie's Asia CEO Ben Way, who has been with Macquarie for 14 years, became Group Head of MAM and joined the Executive Committee.

From 1 July 2021, Mr Way, who will remain in Hong Kong, will be succeeded as Asia CEO by Verena Lim, Senior Managing Director in MAM in Singapore. Ms Lim will join Macquarie's Management Committee, as will Leigh Harrison, the London-based global head of MAM's infrastructure and real assets business.

After 22 years with Macquarie, Mary Reemst decided to retire from her role as Managing Director and Chief Executive Officer of MBL, from the MBL Board, and from the MGL

and MBL Executive Committees, effective 1 July 2021. From that date, and subject to regulatory approvals, Mary's successor will be Stuart Green, who has been with Macquarie for 20 years in a range of roles including Head of Investor Relations and most recently Group Treasurer. Mary Reemst will continue in her role as Chair of the Macquarie Group Foundation for the remainder of 2021, working on transition alongside Macquarie's CFO, Alex Harvey, who will succeed her in 2022.

Following the successful integration of the Principal Finance business into Macquarie Capital, Florian Herold has decided to step down from the Executive Committee, effective 7 May 2021. The decision coincides with Mr Herold returning to London, where he continues to lead the global Principal Finance team and is focused on consolidating the recent momentum in its investing activity. Macquarie Capital will continue to be represented on the Executive Committee by co-heads Michael Silverton and Daniel Wong.

In the community

FY2021 was another significant year for the Macquarie Group Foundation. In response to the COVID-19 crisis, Macquarie Group allocated an additional \$A20 million to the Foundation to contribute to organisations working to combat the pandemic and provide relief from its impacts, conduct research and stimulate economic recovery. To date, the Foundation has allocated \$A17.7 million to 36 organisations. In early FY2022, \$A1 million was committed to support COVID-19 relief in India.

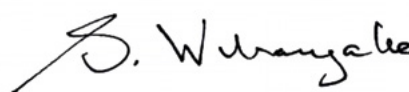
During the year, the Foundation continued to work with the five winners of Macquarie's 50th Anniversary Award, all of which progressed their health, environmental and social inclusion projects despite the challenges of COVID-19.

Inclusive of the COVID-19 allocation, funding to 50th Anniversary Award recipients, grant-making, and matching donations and fundraising efforts of our staff, together the Foundation and staff contributed \$A64 million to more than 2,400 community organisations around the world, representing a record year. Since inception, total contributions stand at over \$A475 million.

Outlook

We have provided the market with an outline of the factors impacting the short-term outlook for FY2022 for each of our operating groups. We maintain a cautious stance, with a conservative approach to capital, funding and liquidity that positions us well to respond to the current environment.

On behalf of Senior Management, we would like to thank Macquarie's staff for their efforts, and our clients and shareholders for their ongoing support.



Shemara Wikramanayake

Managing Director and Chief Executive Officer

Sydney
7 May 2021