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

Asset management

Banking

Advisory

Capital solutions

Further information is also available at
macquarie.com/company

For more details on the operational performance of the Operating Groups, see slides 14 to 17 of the presentation to investors and analysts available at
macquarie.com/fy22-investor-presentation

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

Operating Groups update

Effective 1 April 2022, the Green Investment Group (GIG) has transferred from Macquarie Capital and is operating as part of MAM, bringing together Macquarie's specialist capabilities to provide clients with greater access to green investment opportunities.

Central Service Groups

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

Risk Management Group (RMG)

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

Legal and Governance Group (LGG)

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

Financial Management Group (FMG)

Responsible for capital, funding, liquidity, tax and provides strategic analysis and advice in relation to financial performance to support the growth of the Macquarie business. It ensures Macquarie continues to meet its financial, regulatory and tax reporting compliance obligations, as well as maintain significant relationships with a range of external stakeholders on behalf of the Group.

Corporate Operations Group (COG)

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

Annuity-style businesses

Macquarie Asset Management

$A2,150m

↑ 4% on prior year

MAM is a leading specialist global asset manager, investing to deliver positive impact for everyone.

MAM provides investment solutions to clients across a range of capabilities in Private Markets and Public Investments, including infrastructure, green investments, agriculture and natural assets, real estate, private credit, asset finance, equities, fixed income and multi-asset solutions.

FY2022 Highlights

MAM's AUM increased 38% to $A773.1 billion as at 31 March 2022, due to acquisitions and positive net flows within Public Investments, and strong investment activity within Private Markets.

During the period, MAM raised a record $A27.0 billion in new equity from clients for a diverse range of Private Markets strategies, including its new global infrastructure and real estate funds, and the final close of its sixth Americas infrastructure fund.

MAM continued to scale and expand its Public Investment's capabilities, successfully completing the acquisitions of Waddell & Reed Financial, AMP Capital's public investments business and Central Park Group.

Medium-term

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

MAM is committed to achieving net zero emissions across its investment portfolio by 2040. The integration of the Green Investment Group provides strong momentum as the low carbon transition accelerates.

Banking and Financial Services

$A1,001m

↑ 30% on prior year

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

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

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, as well as tailored services to business clients, ranging from sole practitioners to corporate professional firms.

FY2022 Highlights

For the full-year ended 31 March 2022, the loan portfolio increased 24% to $A110.2 billion, total BFS deposits increased 21% to $A98.0 billion, and funds on platform increased 17% to $A118.6 billion.

The home loan portfolio increased 34% to $A89.5 billion driven by strong demand in lower loan-to-value ratio and owner-occupier lending tiers, while the Business Banking loan portfolio increased 13% to $A11.5 billion driven by an increase in client acquisition across core segments and a continued build into emerging segments. During the year, BFS expanded the Macquarie Wrap managed accounts offering with funds under administration of $A7.9 billion, up from $A5.4 billion in March 2021.

Medium-term

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

Markets-facing businesses

Commodities and Global Markets

$A3,911m

↑ 50% on prior year

CGM is a global business offering capital and financing, risk management, market access, physical execution and logistics solutions to its diverse client base across:

Commodities: provides risk management, lending and financing, and physical execution and logistics to clients with exposure to commodity markets.

Financial Markets: provides risk management, financing and capital solutions, and market access to corporate and institutional clients with exposure to fixed income and equities.

Asset Finance: global provider of specialist finance and asset management solutions.

FY2022 Highlights

CGM's net profit contribution was strong across the platform, up 50% on the prior year. The result was reflective of increased revenue across Commodities with strong risk management income from Gas and Power, Resources, Agriculture and Global Oil due to increased client hedging activity and trading activity as a result of elevated levels of volatility and commodity price movements. Commodities inventory management and trading income also increased with strong trading gains from supply and demand imbalances in Gas and Power partially offset by unfavourable timing of income recognition on Gas storage and transport contracts. Financial Markets continued to record strong performance across major products and markets. The result also benefited from an increased contribution from Asset Finance, largely related to the partial sale of the UK Meters portfolio in May 2021 and increased activity across its other sectors.

CGM continues to be recognised across the industries it operates in, with a number of awards earned during the period including Oil and Products House of the Year, Natural Gas/LNG House of the Year and Derivatives House of the Year in the 2022 Energy Risk Awards and Base Metals, Commodity Research, Derivatives and Oil and Products House of the Year in the 2021 Energy Risk Asia Awards. CGM is ranked by Platts as No.4 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 globally across a variety of industries and asset classes; continued investment in the asset finance portfolio; supporting the client franchise as markets evolve, particularly as it relates to the energy transition and growing the client base across all regions.

Macquarie Capital

$A2,400m

↑ significantly from $A651m in prior year

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

It also has global capability in development and investment in infrastructure and energy projects and companies, with a focus on transport, digital and social infrastructure.

Macquarie Capital's Equities brokerage business provides clients with access to equity research, sales, execution capabilities and corporate access.

FY2022 Highlights

Macquarie Capital maintained its No. 1 global ranking for infrastructure financial adviser as well as No.1 in ANZ for M&A.

Macquarie Capital acted as financial adviser to Sydney Aviation Alliance on its ~$A32 billion acquisition of Sydney Airport and as exclusive financial adviser to Scientific Games Corporation on its $US6.05 billion sale of its Lottery Business to Brookfield Business Partners.

As at 31 March 2022, the Principal Finance committed portfolio was over $A15 billion including $A13 billion credit portfolio, with record deployment during the financial year through focused investment in credit markets and bespoke financing solutions. Macquarie Capital provided more than 30 unitranche financings to clients, including to support Onex's acquisition of TES Global, a well-established international provider of comprehensive software solutions for the education sector.

A Macquarie-led consortium, Bridging Pennsylvania Partners, has been selected by the Pennsylvania Department of Transport as Preferred Bidder for the $US2 billion Pathways Major Bridge P3 Initiative involving the design, build, financing, and maintenance of nine bridges in Pennsylvania, USA.

Medium-term

Macquarie Capital continues to pursue opportunities for balance sheet investment alongside clients and project development in the infrastructure space. It continues to tailor the business offering to current opportunities and market conditions including providing flexible capital solutions across sectors and regions. Macquarie Capital is positioned to respond to market facing transaction activity.

Our purpose

Empowering people to innovate and invest for a better future.

What we stand for

Opportunity

Accountability

Integrity

The way we fulfil our purpose is defined by these three long-held principles that determine how we conduct business and guide what we do every day. Our purpose and principles and what we expect of our staff are set out in our *Code of Conduct*.

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

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

Our business strategy

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

Risk management approach

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

Strong balance sheet

Maintaining a strong and conservative balance sheet.

This is consistent with Macquarie's longstanding policy of holding a level of capital that supports its business and managing its capital base ahead of ordinary business requirements.

Macquarie has a liability driven approach to balance sheet management, where funding is raised prior to assets being taken on to the balance sheet.

We continue to pursue the strategy of diversifying funding sources by growing our deposit base and accessing wholesale funding across a variety of products and markets.

Business mix

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

Diversification

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

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

Proven expertise

Utilising proven deep expertise has allowed Macquarie to establish leading market positions as a global specialist in sectors including renewables, infrastructure, resources 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, supporting sustainable evolutionary growth.

Pursuit of growth opportunities

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

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

Risk management

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

Risk culture

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

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

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

Risk management framework

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

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

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

During the year, Macquarie detected unauthorised trading activity by one individual in CGM and reported the issue promptly to all relevant regulators. While there have been no systemic issues identified and the impact is not material to CGM or MGL from a P&L perspective, there are learnings from the situation in relation to processes and enhancements to the control framework have been implemented. There were no client impacts from this issue.

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

Macroeconomic and other factors

The key macroeconomic risks to Macquarie's short and medium term financial outlook noted on page 28 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.

The value of the Australian dollar

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

Potential regulatory changes

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

Funding and liquidity

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

In addition, there are specific material risks that relate to the nature of Macquarie's operations. Material risks are those that could have a material impact, financial or non-financial on Macquarie. These include aggregate, asset, conduct, 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**

Group performance

Overview

Profit attributable to ordinary equity holders of $A4,706 million for the year ended 31 March 2022 increased 56% from $A3,015 million in the prior year.

	FULL YEAR TO		
	31 Mar 22 $Am	31 Mar 21 $Am	*Movement %*
Net operating income	**17,324**	12,774	*36*
Operating expenses	**(10,785)**	(8,867)	*22*
Income tax expense	**(1,586)**	(899)	*76*
(Profit)/loss attributable to non-controlling interests	**(247)**	7	*
Profit attributable to ordinary equity holders	**4,706**	3,015	*56*

FY2022 net profit contribution by Operating Group[1]

Summary of the Operating Groups' performance for the year ended 31 March 2022.

Non-Banking Group

Annuity-style businesses

Macquarie Asset Management (MAM)

$A2,150m

↑ 4% on prior year

- Increased base fees primarily driven by the acquisition of Waddell & Reed Financial (Waddell & Reed), investments made by Private Markets-managed funds and mandates and Public Investments market movements.
- Increased other fee and commission income largely due to a disposition fee from Macquarie Infrastructure Corporation[2] (MIC).
- Increased share of net profits from associates and joint ventures, primarily driven by equity accounted income from MIC and lower equity accounted losses in Macquarie AirFinance.

Partially offset by:

- increased operating expenses driven by Waddell & Reed one-off acquisition and ongoing costs
- decreased net income on equity, debt and other investments driven by the non-recurrence of gains on sale of Macquarie European Rail and other investments as well as lower gains on revaluation of property investments
- decreased performance fees following a strong prior year.

Markets-facing businesses

Macquarie Capital

$A2,400m

↑ significantly from $A651m in prior year

- Substantially higher net income on equity, debt and other investments driven by material asset realisations in the green energy, technology and business services sectors and included realisations across all regions.
- Higher fee and commission income due to higher mergers and acquisitions fee income and debt capital markets fee income, partially offset by lower equity capital markets fee income and brokerage income.
- Higher net interest and trading income resulting from growth in the private credit portfolio.

Partially offset by:

- higher credit and other impairment charges primarily due to a small number of underperforming equity investments and growth of the private credit portfolio
- higher non-controlling interests predominantly driven by the share of gains on disposal attributable to non-controlling interests.

Banking Group

Banking and Financial Services (BFS)

$A1,001m

↑ 30% on prior year

- Higher net interest and trading income mainly driven by volume growth in the loan portfolio and BFS deposits.
- Decreased credit and other impairment charges driven by the partial release of COVID-19 overlays. Credit provisioning levels remain prudent with the combined downside macroeconomic scenarios having a higher weighting than the upside scenario.

Partially offset by:

- higher employment, technology and other operating expenses, including increased headcount, to support business growth and to meet regulatory requirements.

Commodities and Global Markets (CGM)[3]

$A3,911m

↑ 50% on prior year

- Increased risk management income with gains across the platform, particularly in Gas and Power, Resources, Agriculture, and Global Oil driven by increased client hedging activity and trading activity due to elevated levels of volatility and price movements in commodity markets, partially offset by the impact of fair value adjustments across the derivatives portfolio.
- Net income on equity, debt and other investments up significantly driven by the gain on the partial sale of the UK Meters portfolio of assets, comprising the industrial and commercial portfolio.
- Decreased credit and other impairment charges driven by the partial release of COVID-19 overlays. Credit provisioning levels remain prudent with the combined downside macroeconomic scenarios having a higher weighting than the upside scenario.

Partially offset by:

- increased other operating expenses driven by higher expenditure on technology platform and infrastructure and increasing compliance and regulatory management spend.

For more details on the financial performance of the Operating Groups, see section 3.0 Segment Analysis of the Management Discussion and Analysis available at **macquarie.com/results**

(1) Net profit contribution is management accounting profit before unallocated corporate costs, profit share and income tax.
(2) On 22 September 2021, Macquarie Infrastructure Corporation completed a corporate reorganisation, becoming a subsidiary of the newly formed Macquarie Infrastructure Holdings, LLC which continues to trade under the New York Stock Exchange symbol of 'MIC'.
(3) Certain assets of the Credit Markets business, certain activities of the Commodity Markets and Finance business, and some other less financially significant activities are undertaken from within the Non-Banking Group.

Net operating income

Net operating income of $A17,324 million for the year ended 31 March 2022 increased 36% from $A12,774 million in the prior year. The increase was primarily driven by higher Fee and commission income, Net other operating income and Net interest and trading income.

Net interest and trading income

FULL YEAR TO	
31 Mar 22 $Am	31 Mar 21 $Am
6,856	5,677

↑ **21%** on prior year

- Higher commodities income mainly driven by increased risk management income with gains across the platform, particularly from Gas and Power, Resources, Agriculture, and Global Oil in CGM.
- Growth in the private credit portfolio in Macquarie Capital.
- Growth in the average loan portfolio as well as average deposit volumes in BFS.

Partially offset by:

- lower income in Corporate due to accounting volatility from changes in the fair value of economic hedges
- the impact of fair value adjustments across the derivatives portfolio in CGM.

Fee and commission income

FULL YEAR TO	
31 Mar 22 $Am	31 Mar 21 $Am
6,887	5,176

↑ **33%** on prior year

- MAM included higher base fee income primarily driven by the acquisition of Waddell & Reed and a disposition fee from MIC.
- Higher mergers and acquisitions fee income and debt capital markets fee income in Macquarie Capital.

Partially offset by:

- lower performance fees in MAM following a strong prior year
- lower equity capital market fee income and brokerage income in Macquarie Capital.

Net operating lease income

FULL YEAR TO	
31 Mar 22 $Am	31 Mar 21 $Am
402	466

↓ **14%** on prior year

- Reduction in secondary income in Technology, Media and Telecoms as well as the partial sale of the UK Meters portfolio of assets, partially offset by an increase in income from other areas of the Macquarie Energy, Resources & Sustainability portfolio, in CGM.

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

FULL YEAR TO	
31 Mar 22 $Am	31 Mar 21 $Am
240	(3)

↑ **significantly** on prior year

- Increased equity accounted income from MIC and lower equity accounted losses in Macquarie AirFinance in MAM.

Credit and other impairment charges

FULL YEAR TO	
31 Mar 22 $Am	31 Mar 21 $Am
(509)	(524)

↓ **3%** on prior year

- Partial release of COVID-19 overlays in BFS and CGM. Credit provisioning levels remain prudent with the combined downside macroeconomic scenarios having a higher weighting than the upside scenario.

Partially offset by:

- a small number of underperforming equity investments in Macquarie Capital.

Net other operating income

FULL YEAR TO	
31 Mar 22 $Am	31 Mar 21 $Am
3,448	1,982

↑ **74%** on prior year

- Substantially higher revenue from material asset realisations in the green energy, technology and business services sectors and included realisations across all regions in Macquarie Capital.
- Gain on the partial sale of the UK Meters portfolio of assets in CGM.

Partially offset by:

- the non-recurrence of the gain on sale of Macquarie European Rail in the prior year in MAM.

Operating expenses

Total operating expenses of $A10,785 million for the year ended 31 March 2022 increased 22% from $A8,867 million in the prior year with increases across all expense categories.

Employment expenses

FULL YEAR TO	
31 Mar 22 $Am	31 Mar 21 $Am
6,725	5,517

↑ **22%** on prior year

- Higher performance-related profit share expense and share-based payments mainly as a result of the performance of the Consolidated Entity.
- Higher expenses from the Waddell & Reed acquisition in MAM.
- Higher expenses from wage inflation and higher average headcount.

Brokerage, commission and fee expenses

FULL YEAR TO	
31 Mar 22 $Am	31 Mar 21 $Am
1,029	879

↑ **17%** on prior year

- Higher expenses from the Waddell & Reed acquisition in MAM.

Partially offset by:

- the cessation of grandfathered commission payments to third party advisors in line with legislation in BFS.

Non-salary technology expenses

FULL YEAR TO	
31 Mar 22 $Am	31 Mar 21 $Am
926	781

↑ **19%** on prior year

- Higher investment in technology to support business activity and business growth.
- Higher expenses from the Waddell & Reed acquisition in MAM.

Other operating expenses

FULL YEAR TO	
31 Mar 22 $Am	31 Mar 21 $Am
2,105	1,690

↑ **25%** on prior year

- Higher expenses from the Waddell & Reed acquisition in MAM.

Income tax expense

Income tax expense of $A1,586 million for the year ended 31 March 2022 increased 76% from $A899 million in the prior year, primarily reflecting higher operating profit before income tax. The effective tax rate for the year ended 31 March 2022 was 25.2%, up from 23.0% in the prior year.

The higher effective tax rate compared to the prior year was mainly driven by the geographic composition and nature of earnings.

Statement of Financial Position

The Consolidated Entity's statement of financial position was impacted during the year ended 31 March 2022 by changes resulting from a combination of business activities, Group Treasury management initiatives, macroeconomic factors and the elevated levels of volatility and price movements in commodity markets.

Total assets

AS AT	
31 Mar 22 $Am	31 Mar 21 $Am
399,176	245,653

↑ **62%** on 31 Mar 21

The principal drivers for the increase in the Consolidated Entity's total assets were as follows:

- derivative assets of $A84.9 billion as at 31 March 2022 increased significantly from $A20.6 billion as at 31 March 2021 primarily due to an increase in CGM's Energy market business driven by client trade volumes and mark-to-market movements. Exposures in UK and EMEA Gas increased significantly during the year due to elevated levels of volatility and price movements. After taking into account related financial instruments, cash and other collateral, the residual derivative asset was $A16.0 billion (31 March 2021: $A5.2 billion). Residual derivative exposure is short term in nature and managed within our market and credit risk frameworks, with a substantial portion of the exposure with investment grade counterparties
- cash and bank balances of $A52.8 billion as at 31 March 2022 increased significantly from $A18.4 billion as at 31 March 2021 primarily due to an increase in high quality liquid assets held as overnight deposit with the Reserve Bank of Australia (RBA)
- loan assets of $A134.7 billion as at 31 March 2022 increased by 28% from $A105.0 billion as at 31 March 2021 primarily due to growth in BFS home loan and business banking portfolios and an increase in Macquarie Capital's principal loan portfolio, partially offset by a reduction in the BFS car loan portfolio
- cash collateralised lending and reverse repurchase agreements of $A51.2 billion as at 31 March 2022 increased by 40% from $A36.7 billion as at 31 March 2021 primarily due to an increase in Group Treasury holdings of liquid assets through reverse repurchase agreements and client financing requirements in CGM
- margin money and settlement assets of $A25.1 billion as at 31 March 2022 increased by 74% from $A14.4 billion as at 31 March 2021 primarily due to higher trade volumes resulting in an increase in margin placed with financial institutions and trade settlement balances by CGM.

These increases were partially offset by:

- trading assets of $A13.6 billion as at 31 March 2022 decreased by 37% from $A21.7 billion as at 31 March 2021 primarily due to a decrease in government bonds and metal inventories in CGM.

Total liabilities

AS AT	
31 Mar 22 $Am	31 Mar 21 $Am
370,370	223,302

↑ **66%** on 31 Mar 21

The principal drivers for the increase in the Consolidated Entity's total liabilities were as follows:

- derivative liabilities of $A84.5 billion as at 31 March 2022 increased significantly from $A17.6 billion as at 31 March 2021 primarily due to an increase in CGM's Energy market business driven by client trade volumes and mark-to-market movements. Exposures in UK and EMEA Gas increased significantly during the year due to elevated levels of volatility and price movements on short positions. After taking into account related financial instruments, cash and other collateral, the residual derivative liability was $A16.1 billion (31 March 2021: $A3.8 billion)
- issued debt securities of $A99.5 billion as at 31 March 2022 increased by 63% from $A61.0 billion as at 31 March 2021 primarily due to the net issuance of short and long-term debt by Group Treasury and additional net issuance of bondholder notes by securitisation vehicles in BFS
- deposits of $A101.7 billion as at 31 March 2022 increased by 21% from $A84.2 billion as at 31 March 2021 primarily due to an increase in retail and business banking deposits in BFS
- cash collateralised borrowing and repurchase agreements of $A16.9 billion as at 31 March 2022 increased significantly from $A4.5 billion as at 31 March 2021 primarily due to an additional draw down of the RBA Term Funding Facility by Group Treasury
- margin money and settlement liabilities of $A27.2 billion as at 31 March 2022 increased by 23% from $A22.1 billion as at 31 March 2021 primarily due to higher trade volumes resulting in an increase in margin placed by financial institutions and broker settlement balances with CGM.

Total equity

AS AT	
31 Mar 22 $Am	31 Mar 21 $Am
28,806	22,351

↑ **29%** on 31 Mar 21

The increase in the Consolidated Entity's equity was predominantly attributable to earnings of $A4.7 billion generated during the year and the issuance of Contributed equity of $A3.9 billion, including $A2.8 billion raised through the Institutional Placement and Share Purchase Plan.

This increase was partially offset by dividend payments of $A2.2 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.

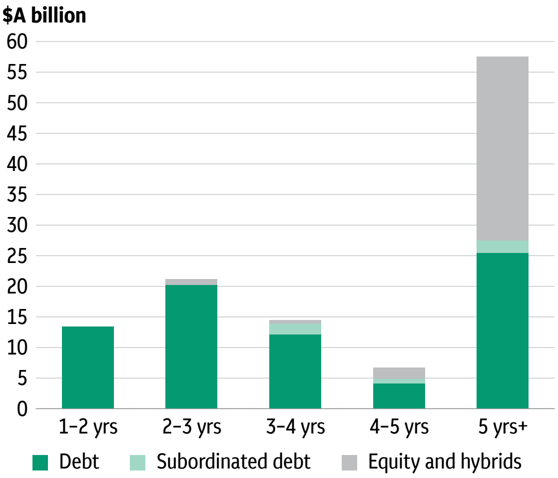
Macquarie has a funding base that is stable with short-term wholesale funding covered by cash, liquids and other short-term assets. As at 31 March 2022, Macquarie's term assets were covered by term funding maturing beyond one year, stable deposits, hybrids and equity.

The weighted average term to maturity of term funding maturing beyond one year (excluding Term Funding Facility (TFF), equity and securitisations) was 5.1 years and the weighted average term to maturity of term funding maturing beyond one year including TFF (excluding equity and securitisations) was 4.7 years as at 31 March 2022.

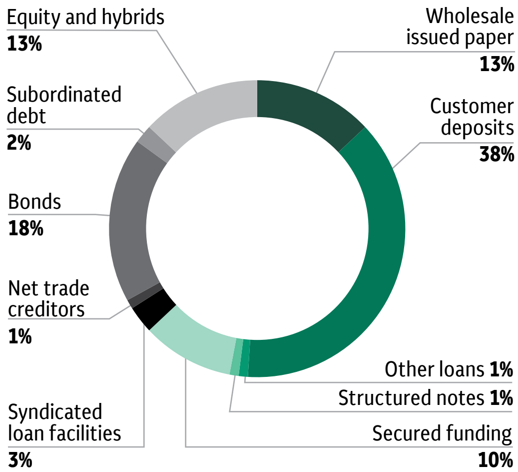
5.1 years
Weighted average maturity

Term funding profile

Detail of drawn funding maturing beyond one year



Diversity of funding source



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 2021, Macquarie has continued to raise term wholesale funding across various products and currencies.

Details of term funding raised between 1 April 2021 and 31 March 2022:

		Bank Group $Ab	Non-Bank Group $Ab	**Total $Ab**
Issued paper	– Senior and subordinated	7.8	13.9	**21.7**
Secured funding	– Term securitisation and other secured finance	9.0	0.8	**9.8**
	– RBA Term Funding Facility(1)	9.5	–	**9.5**
Loan facilities	– Syndicated unsecured loan facilities	3.0	3.6	**6.6**
Hybrids	– Hybrid instruments	0.7	–	**0.7**
Total(2)		**30.0**	**18.3**	**48.3**

In addition to the $A48.3 billion of term funding raised, $A2.8 billion of equity capital was raised through $A1.5 billion institutional placement and $A1.3 billion share purchase plan.

Macquarie has continued to develop its major funding markets and products during the year ended 31 March 2022.

(1) $A9.5 billion of Supplementary and Additional Allowance drawn in June 2021. $A1.7 billion of Initial Allowance was drawn in September 2020.
(2) Issuances cover a range of tenors, currencies and product types and are Australian dollar equivalent based on FX rates at the time of issuance. Includes refinancing of loan facilities.

$A10.7b
Group capital surplus

Capital

As an Australian Prudential Regulation Authority (APRA) authorised and regulated Non-Operating Holding Company (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 authorised deposit-taking institution (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 $A33.6 billion at 31 March 2022, with a Group surplus of $A10.7 billion ($A14.1 billion on a Harmonised[1] Basel III basis).

Under Basel III rules, APRA requires authorised deposit-taking institutions (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 BCBS Basel III leverage ratio requirement of 3% was effective from 1 January 2018.[3]

As at 31 March 2022, the Bank Group had the following capital adequacy ratios:

Bank Group Level 2 Basel III ratios as at 31 March 2022	Harmonised Basel III	APRA Basel III
Common Equity Tier 1 Capital Ratio	14.6%	11.5%
Tier 1 Capital Ratio	16.5%	13.2%
Leverage Ratio	5.6%	5.0%

For further information relating to the capital adequacy of Macquarie, refer to section 6.0 Capital of the Management Discussion and Analysis at **macquarie.com/fy22-mda**.

Outlook

We continue to maintain a cautious stance, with a conservative approach to capital, funding and liquidity that positions us well to respond to the current environment.

The range of factors that may influence our short-term outlook include:

- Market conditions including: significant volatility events, global inflation and interest rates, and the impact of geopolitical events
- potential tax or regulatory changes and tax uncertainties
- completion of period-end reviews and the completion rate of transactions
- the geographic composition of income and the impact of foreign exchange.

(1) 'Harmonised' Basel III estimates are calculated in accordance with the BCBS Basel III framework, noting that MBL is not regulated by the BCBS and so impacts shown are indicative only.
(2) Based on materiality, the countercyclical capital buffer (CCyB) of ~1bps has not been included.
(3) APRA released the final 'Prudential Standard APS 110 Capital Adequacy' on 29 November 2021 which has a minimum requirement for the leverage ratio of 3.5% effective 1 January 2023.