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Letter from the Chair

Macquarie Group delivered a profit of \$A3,522 million in FY2024, a decline from the exceptional results of the previous two years. The volatility in global energy markets that had previously increased customer demand for services and presented trading opportunities gave way to much quieter conditions, and hence lower earnings for the Commodities and Global Markets business. For much of the year, less active financial markets also constrained other areas of the Company's business, particularly in Macquarie Asset Management. As long-term investments in growth paid off, Banking and Financial Services and Macquarie Capital both generated higher profits than last year. Shemara's letter gives a more detailed account of performance during the year.

The company earned a return on shareholders' funds for the year of 10.8%, a bit below the level Macquarie typically seeks to achieve. Over the past five years, Macquarie has earned around 15% for shareholders on average.

Increases in headcount and in the broader cost base have been difficult to avoid in recent years given the extent of business growth, the volume of project work and particularly the increase in regulatory requirements. As some of these projects now deliver planned productivity benefits, management has heightened its focus on costs and is working to ensure value for shareholders.

The global economy appears to have stabilised after the disturbances of the immediate post-COVID period, and inflation has declined. Low inflation is not yet assured, however, and the prospects for interest rates are unclear.

Macquarie remains well placed to respond to opportunities - and to manage the associated risks - thanks to the diversity of our businesses, enduring client franchises, a strong balance sheet and our disciplined approach to risk management.

Environmental Social and Governance

Macquarie issued its second Net Zero and Climate Risk Report in late 2023. We continue to manage on balance sheet lending and equity exposures in line with our Net Zero Banking Alliance commitments. In addition, and probably more significantly, we continued to support the development of clean energy infrastructure, with 110 GW of clean energy capacity in development, construction, or operation at the end of FY2024.⁽²⁾

With global emissions still increasing, despite the rapid increase in renewable capacity, the global and local conversation about climate change has become more nuanced, and more challenging, as the full magnitude of the decarbonisation challenge becomes apparent. Recent experience highlights that fossil fuels, particularly natural gas, will be required for quite some time to come, even as the trend to renewables continues.

While financial institutions have an important role to play in marshalling financial resources for the transitions their clients are seeking to make, the carbon intensity of financial portfolios can only decline by as much, and as fast, as the underlying physical capital stock of economies is able to decarbonise. That will be determined mainly by non-financial factors – technological advancements, government policies, the supply of skilled labour and of other necessary capacity.

Within its field of influence and capability, and with around 20 years' experience in advancing climate solutions, Macquarie is well-positioned to continue playing a constructive role as a financier, adviser, investor and fiduciary. We expect this to be to the benefit of shareholders.

New workplaces

Technological change is challenging conventional notions of the way work is done. Yet the physical workplace is still important as a place to come together, to collaborate, innovate and to advance professional development.

Macquarie has continued to invest in our physical workplaces around the world. This year sees the opening of our new global headquarters in Sydney, part of an ambitious project that integrates a major interchange for the city's new Metro transport system with two state-of-the-art office buildings and a regenerated public space. The project is one of Macquarie's largest balance sheet infrastructure undertakings to date and is a prime example of how we connect capital with community need.

Board Changes

Nicola Wakefield Evans retired from the Board in February 2024, having served for ten years. Nicola made an important contribution to Macquarie both in her career as a professional lawyer and as a Director, including for over seven years as Chair of the Board Governance and Compliance Committee, a responsibility that has now been taken on by Rebecca McGrath.

During the year, Susan Lloyd-Hurwitz joined the MGL and MBL Boards as an independent director. Susan brings with her significant expertise in the global investment and real estate sectors and is already making a valued contribution.

The process of appointing Bank-only Non-Executive Directors (BONDs) to the MBL Board was completed with the appointment of David Whiteing in September 2023 and Wayne Byres in February 2024. Both bring highly valued skills and experience to the MBL board.

As previously advised, Michael Coleman will retire from the MBL Board after a two-year term as a BOND, expected by mid-2024. Michael has been associated with Macquarie as a Director for 12 years including nine years as Chair of the Audit Committee. We thank him for his exemplary service.

Capital and Dividends

The company finished the year in a strong position, with the Bank Group posting a common equity tier 1 capital ratio of over 13% on an APRA basis, and with surplus capital at the MGL level. The Board declared a final dividend of \$A3.85 per share, making for a total dividend of \$A6.40 per share for the full year. This was in keeping with the Board's longstanding policy of paying between 50 and 70 per cent of earnings in dividends.

In November 2023, the Board also approved an on-market buy-back for Macquarie Group shares of up to \$A2 billion. As at 31 March 2024, \$A644 million had been purchased under this program. This decision returns more of the exceptional returns of FY2022 and FY2023 to shareholders.

It remains for me to thank my colleagues on the Board, and the staff and management of Macquarie, for their efforts in a challenging year. This is a high-performing team that remains focused on delivering the best possible results for shareholders.

Finally, your Directors thank you, the owners of Macquarie, for your ongoing support.



Glenn Stevens AC
Independent Director and Chair

Sydney
3 May 2024

(2) As at 31 March 2024 on our balance sheet or under Macquarie management. Excludes lending and private credit funds. GW of green energy assets reflect 100% generating capacity of each asset, not the proportion owned or managed by Macquarie.