“In an increasingly complex global environment, Macquarie’s operating businesses continue their focus on growing activities that have the potential of earning a higher risk-adjusted return on shareholders’ capital over the longer term.”

Letter from the Chair

Macquarie Group earned a profit of $A3,715 million in FY2025, up 5% on the previous year’s result. Reflecting more subdued conditions in global energy and certain commodity markets, profits in Commodities and Global Markets were down, while they were up in Macquarie Asset Management due to improved asset realisations. Macquarie Capital’s result was broadly in line with the prior year, while profits increased in Banking and Financial Services, helped by further growth in key portfolios. Shemara’s letter gives more details of performance during the year.

The company earned a return on shareholders’ funds of 11.2%, higher than the previous year, though lower than what Macquarie has typically achieved over the past decade. Management remains focused on costs and efficiency improvements, and this has seen a 7% reduction in the company’s headcount since its peak in late 2023. The focus on remediation of regulatory issues, and associated strengthening of the company's risk culture also continues.

Macquarie’s operating businesses continue to focus on growing activities with the potential of earning a higher risk-adjusted return on shareholders’ capital over the longer term. Disciplined capital allocation is key, and Macquarie is willing not only to give priority to the most promising opportunities, but also to divest businesses that are no longer central to our strategy and/or whose prospects could be improved under alternative ownership. The past year has seen a few such transactions.

The FY2025 result was achieved against an increasingly complex global backdrop. The world economy has continued to expand, with the United States in particular recording faster growth than other advanced economies over recent years. Development of technology continues at speed, inflation has generally declined, and short-term interest rates have fallen, presenting opportunities.

At the same time, some important risks remain. Price stability is not assured, and tariffs, where implemented, will likely add new pressure to prices and economic growth. A year of consequential election outcomes, rising geopolitical tensions and ongoing military conflicts, together with high energy costs and other factors, have led to considerable shifts in public policy priorities, the global security situation and international relations. Not only are several jurisdictions recalibrating their decarbonisation plans, but freedom of trade in goods and services is under the most intense pressure for decades. Many established cross-border production structures are being challenged.

As a result, uncertainty about near-term economic prospects has increased considerably, and this is now being reflected in financial markets.

Longer term, measures to reorient supply chains for geostrategic reasons will add to costs. A build-up of defence capabilities will also have implications not only for public finances but for the allocation of productive resources, across many countries.

Risk management

Macquarie continues to adapt to this changing environment and is positioned to respond to emerging opportunities. As we do so, understanding and managing the associated risks, and ensuring that shareholders are properly compensated for bearing them, remains critical. Management continues to refine and strengthen the risk management framework, seeking to ensure that Macquarie's risk appetite is considered and well understood.

A core responsibility of the Board and Management is ensuring the highest standards of professional conduct across the organisation. We actively review and enhance our risk culture and risk management framework in response to changes in our business operations, outcomes of our oversight activities and the expectations of regulators and communities.

Where shortcomings are identified, the Board insists on accountability and seeks to incentivise future improvement. This was the approach adopted in response to the licence conditions imposed on Macquarie Bank by ASIC recently.

Board of Directors

There have been no changes to the Macquarie Group Board since my last letter to you. I am grateful that Jillian Broadbent, Philip Coffey and Michelle Hinchliffe have agreed to stand for re-election at the forthcoming Annual General Meeting. Each has the Board's unqualified support.

Capital and Dividends

The company ended FY2025 in a strong position, with the Bank Group posting a common equity tier 1 capital ratio of 12.8% on an APRA basis, and 17.6% on an internationally comparable Basel III basis. At the Macquarie Group level, the organisation had a comfortable surplus of capital above minimum requirements.

The Board resolved to pay a final dividend of $A3.90 per share, making for a total dividend of $A6.50 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.

The on-market buy-back for Macquarie Group shares continues, with over $A1 billion returned to shareholders under this program. On 1 November 2024, the Board approved an extension of the program for a further 12 months, preserving flexibility to return capital to shareholders where we do not see clear opportunities to deploy that capital in a way that generates an appropriate return.

It remains for me to thank my colleagues on the Board, and the staff and Management of Macquarie, for their continuing efforts under demanding conditions.

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

I look forward to seeing you at the Annual General Meeting in July.

Glenn Stevens AC
Independent Director and Chair

Sydney
9 May 2025