

TRANSCRIPTION

Company	Macquarie Group
Title:	2026 Full Year Results Presentation
Date:	8 May 2026
Time:	10:00am, AEDT

[START OF TRANSCRIPT]

Sam Dobson: Well, good morning everyone and welcome to Macquarie's 2026 full year results. Before we start today, I would like to recognise the Traditional Custodians of this land, the Gadigal of the Eora Nation, and pay our respects to Elders past, present, and emerging. As is customary, we'll hear from our CEO, Shemara Wikramanayake, and our new CFO, Frank Kwok, this morning. And then we'll have an opportunity for questions both in the room and online. And we've got, I should say, our group heads in the front row. So with that, I'll hand over to Shemara.

Shemara Wikramanayake: Thanks, Sam and good morning and welcome everyone from me. And as Sam said, we have our group heads from all around the world with us today to help answer questions. We've also got some of our non-executive directors in the front row here. So our chairman, Glenn, Michelle, the Chair of our Audit Committee, and William our newest Director, global investment banker, who is here from the UK. So thank you, William.

So as usual, let me just begin by touching on the footprint of businesses we have. As you know, we've got four operating groups that not only really in areas that are very structurally well positioned for growth, but very diversified contributions across them. And they're supported by our four central service groups that help us balance entrepreneurialism with risk management and great operating platform.

Now, turning to the results for this FY26, you'll have seen we announced a result of \$A4.847b, which was up 30% on the prior year. The return on equity at 14% was up 25% on just over 11% in the prior year. And that was made up by increased contributions from all four of our operating groups. And I'll touch on briefly the contributions there and Frank will take you through that in much more detail.

But before going into that, I also just wanted to reflect on the global diversification of our income. You can see here Australia is still contributing close to a third of our income, but almost 70% coming from global markets in the Americas, Europe, Middle East, and Africa and Asia. And that number, that percentage will probably continue to grow even though we're growing in Australia because those are much larger markets.

So turning then to the results by group and first of all, Macquarie Asset Management, Ben Way is here in the front row. Thanks, Ben, for coming down and can answer further questions you may have, but the result was up 27% at just over \$A2.6b. As you know, during this year, we divested our public investments businesses in North America and Europe, Middle East, and Africa. And that basically has freed up much more capital for the private markets business where we're actively growing that business. And during the year, the private markets equity under management at \$A218b was down 1%. That was mostly due to foreign exchange movements because we were actually able to raise over \$A20b of equity in the period. We also had a very active investing period, investing over \$A25b and that leaves us with just over \$A21b of dry powder to keep investing in the private markets. In the public investments, the remaining business we have is just over \$A300b of assets under management. That was up 10%, driven principally by net flows and market movements. So we're very pleased to see how that business continues to contribute.

So that's Macquarie Asset Management. Banking and Financial Services, Greg Ward just here in the front row, delivered another record profit of \$A1.61b, up 17% on the prior year, strong growth across the platform there, particularly home loans, which are just over \$A180b, so up 28% and that's supported by strong growth as you will have all seen in our deposits, which is at over \$A215b now and up 25%. We also had growth in the Business Banking book, which is up about 8% and the funds on platform as well, up a percent. And you can see there growing client numbers, 2.3 million at the moment. Then Commodities and Global Markets, Simon Wright here in the front row as well. \$A4.221b, our largest contributor, again this year up 49%, and that of course benefited from the realisation of the OnStream meters portfolio in the Asset Finance business, but the Asset Finance business more broadly growing its franchise and its income streams really well. The book was up 25% at \$A7.6b.

Also on the far right of that page, the financial markets business, a strong contribution there as well with continued contribution from Futures, but increased contribution from our Fixed Income and Equity Derivatives. And then the Commodities business in the middle. We had increased volatility in some areas there and so we were able to service clients a lot more with our risk management and hedging offerings across Global Gas and Power and Global Oil, and we had inventory management and trading increased earnings in North American Gas and Power, particularly in Global Oil.

And then Macquarie Capital, the result there is up 43%. Michael Silverton out here from the US. Thanks. At \$A1.491b increased contribution across all the business lines there. So in the fees that we get from Advisory and Capital Market solutions benefiting from increased transaction activity and increased delivery for customers by the Macquarie Capital team. Also our Private Credit book, which grew again by 5% up over \$A27b now, and that was \$A11b more deployed in this financial year. And then we've been talking for a while about the Equity investments, how we're growing that and how it takes some time for the book to season. We're seeing the realisation start to come through now in our equity investments as well.

So all four groups, very strong contribution up materially on the prior year, but the franchise is growing, which is what's important. And as I said, supported by our four central service groups. So we've got Andrew Cassidy, who helps heads the Risk Management Group here, Evie Bruce, our Head of Legal and Governance, Nicole Sorbara, our Head of Corporate Operations and Frank Kwok our CFO, really driving that result and Stuart Green, the CEO of Macquarie Bank Limited, sitting here in the front row as well.

So then turning to the balance sheet and capital positions, you can see our funded balance sheet continues to remain very strong and resilient and prudent with our term funding exceeding our term liabilities. Deposits are now over \$A220b, as I mentioned, that's being actively grown. And we also managed to issue about \$30b of term funding in the period. In terms of capital, our capital surplus is up from \$A7.6b at the end of the first half to now \$A9.3b, principally driven by the earnings in this second half, which was a strong half for earnings offset by the first half dividend, and then of course the capital absorbed in the businesses. And looking into that in a bit more detail, you can see here starting at the beginning of last financial year that net capital absorption is up about \$A1b, but that's because we had \$A1.7b of FX movements in the foreign currency translation reserve offsetting a \$A2.7b of investment. So quite a bit of investment over this last year indeed over the last 18 months, we've put \$A4.2b of capital to work in the business, and that's in areas like in BFS where we continue to grow our loan portfolios across the business. Also in CGM where we're absorbing capital in the credit and the market risk capital areas. Macquarie Asset Management freed up capital from the divestment of the public investments business in North America and Europe, but is continuing to invest in co-investment in funds and seed assets. And then Macquarie Capital, we're growing predominantly now our Private Credit books.

And our regulatory ratios in terms of capital sit comfortably above the APRA Basel III minimums. And so the last thing I was going to touch on is our dividend before handing back to Frank, over to Frank. The board has declared a second half dividend of \$A4.20, which represents a payout ratio of 50%. Together with the first half dividend, that's a \$A7 dividend for the year and a payout ratio of 55% and it's up on the \$A6.50 dividend that we paid last financial year. So that I'll hand over to Frank and then I'll come back to talk briefly about the factors affecting outlook.

Frank Kwok:

Thanks, Shemara and good morning everyone and welcome from me as well. Now I'm going to take you through the financial results in a little bit more detail and we'll start with the consolidated income statement. As Shemara outlined, the group delivered a net profit after tax of \$A4.847b, up 30% on FY25, representing a strong year with all four operating groups delivering high contributions. This does equate to a 14% return on equity.

Group net operating income increased 13% to \$A19.5b. You can see the drivers of this on the slide. Net interest and trading income, which remains our largest revenue component, is up 14% to \$A10.2b, reflecting the continued growth in the BFS loan portfolio, CGM's financing and lending activities, and Macquarie Capital's Private Credit portfolio, stronger income

from risk management driven by higher client hedging activity across Global Gas and Power, Global Oil, FX, and interest rates, and an increased inventory management and trading income, especially in the last quarter in CGM.

Fees and commissions income is up 6% to \$A7.2b, reflecting a solid period of market activity with higher Advisory and Brokerage income in Macquarie Capital and we also had significantly higher performance fees in Macquarie Asset Management. Investment income significantly up also to \$A2.8b driven by the sale of the OnStream meters business in the UK, realisations and gains in Macquarie Capital's Equity book, primarily in the infrastructure and technology sectors in the second half and the sale of a public investments asset management business in Europe and the Americas.

These increases were partially offset by higher credit and other impairment charges, and lower other income. We've taken a credit impairment charge for the year of \$A478m and you'll see that \$A461m of this charge has been taken in the second half. This increase reflects the greater uncertainty in the macroeconomic environment through our modelled provisions and growth in our loan book.

Our actual credit performance continues to be very resilient, but given the current environment, we think this charge is appropriate. Other impairments have increased to \$A230m. Other income has decreased significantly, which predominantly reflects losses within the Green Investments portfolio, which was transferred to corporate during the first half of the year.

Now turning to costs, operating expenses increased 5% on the prior year to \$A12.7b, which is below the rate of our revenue growth. This was primarily a function of higher profit share due to the operating performance of the group. We are seeing the impact of cost management discipline, while we continue to proactively invest in our technology platforms and remediation programs. Our income tax expense is \$A1.9b for the year, resulting in an effective tax rate of 27.6%. This rate is influenced by the composition and geographical makeup of our operating income, and I note there was a greater contribution from Europe and the Americas in the fourth quarter.

So now turning to the operating groups and starting with MAM. MAM delivered a net profit contribution of \$A2.6b up 27%. As you can see on the slide, the key driver to this increase is substantially higher performance fees, up \$A544m to \$A1.38b. These fees were across a range of funds, including MIP IV and MAIF2 in addition to the co-investment fees related to the Aligned Data sale, which was announced in October. Base fees, excluding our divested public investments business, have increased \$A30m. This has been driven by fundraisings and investments in private markets together with positive net flows in the Australian public investments business. Investment income has increased \$A93m driven by the net gain on sale of the divested public investment business, but this was partially offset by the gain last year from Rotorcraft. You will also see in the charts, the lower contribution from the divested business, given the sale to Nomura, which closed on the 1st of December.

AUM closed at \$A722b for the year and as you can see, Private Markets AUM increased \$A27b, driven by \$A42b of investments, \$A35b of positive valuation increases, which has been offset by FX due to the appreciation of the Australian dollar and divestments. Public Investments AUM now reflecting our Australian based business increased \$A28b driven by positive net flows and market appreciation.

Now turning to BFS, which has continued its growth trajectory, net profit contribution increased to \$A1.6b up 17%. Personal Banking profit increased by \$A269m. The home loan book grew at 3.9 times system over the last 12 months with a 24% increase in average volumes. Similarly, there's been a growth in deposits with average volumes up 25% on the prior year. Business Banking was broadly stable this year with growth in average lending and deposit volumes, offset by margin compression. Wealth Management benefited from the growth in average funds on platform.

Operating expenses are slightly higher, reflecting our continued investment in technology. This investment is critical to the ongoing success of our digital banking platform, allowing us to support the business growth in a scalable way. We continue to see strong volume growth across all core products in BFS. We have home loan balances now at \$A181b, representing 7% of market share, and our deposits increased to \$A21b, now representing 6.5% market share. And as you can see, Business Banking loans also increased and now at \$18b.

Now turning to CGM. CGM delivered a strong result, benefiting from increased contributions across all three business lines. Commodities income increased by over \$A600m to \$A3.6b. This increase was driven by higher client-led risk management activity given market volatility, especially in Global Gas and Power and Global Oil, and increased lending and financing activity across energy and resources. These results were supported by higher inventory management and trading income, primarily due to the elevated volatility in the fourth quarter, driven initially by a brief period in the US winter and subsequently by the broader conflict in the Middle East.

This was partially offset by the timing of income recognition on gas storage and transport contracts. Financial Markets continued its growth with its income up by \$A132m, reflecting increased contributions from our financing origination and also growth in client hedging activities, especially across FX and interest rates. Asset Finance delivered strong growth with increased volumes in shipping and technology sectors and with a part year contribution from the Scottish Power meters business, which we closed in September and formed part of the sale with OnStream in March.

Investment income is up significantly by over a \$A1b, which was driven by that gain on sale of OnStream, but also a number of smaller investments in our Asset Finance business in the technology and energy sectors. Credit and other impairment charges in CGM increased by \$A245m, reflecting the increase in wholesale model provisions and overlays, reflecting the

heightened uncertainty in their macroeconomic environment and the risk associated with the ongoing conflict in the Middle East.

There are also specific impairments across a small number of counterparties. Operating expenses increased by 13% over the year, driven by significant transaction-related costs and increased investments in the CGM platform, especially in technology and remediation programs to support the businesses and their future growth.

CGM continues to demonstrate a resilient and diversified global client base, with underlying client growth across both Commodities and Financial Markets. These businesses are truly client led and our teams have been focused on expanding our product offering to new clients, while strengthening our existing client relationships. As we noted previously, we're continuing to see strong repeat client business, with approximately 75% of client revenue generated from existing relationships. As you can see on the chart on the left, this client growth is broadly mirrored in the continued growth of our operating income.

This growth in client activity is the main driver of the increasing regulatory capital requirements for CGM. This is reflected on the graph on the left where you can see that credit risk capital is driving the growth in capital usage. As we've seen this year, CGM has benefited from volatility, with greater client activity and trading opportunities. Clearly, the other side of that is increased capital usage. I'd note that our market risk exposure remains in line with historic levels. On the right chart, you can see the daily profit and loss. For FY26, which is the very dark green line, you continue to see a narrow distribution of daily outcomes with a few more days in the positive tail. This partially reflects the volatility and power and gas in the US in January and more recently, the volatility as a result of the conflict in the Middle East. The chart really highlights our track record of profitability across the year reflecting the client-driven nature of our business, which is consistent with the fact that we take relatively little market risk, and it also shows the optionality we have when there is that volatility.

And now finally turning to Macquarie Capital. Macquarie Capital delivered a net profit contribution of \$A1.49b up 43%, reflecting strong performance across Advisory, Brokerage, Private Credit, and investment activities. Key components of those results were fees and commission income, which increased by \$A149m, driven by strong M&A advisory fees, especially in the Americas and ANZ, and the strong Brokerage performance, especially in Asia, where we saw revenues increasing by 15%.

Net income from the private credit portfolio increased \$A114m driven by growth in the book with average drawn balances increasing by \$A2.5b over the year, partially offset by higher ECL. Investment-related income increased \$A133m, driven by realisations and gains primarily across the infrastructure and technology investments in the second half, which was partially offset by a small number of underperforming assets. Operating costs were lower in Macquarie Capital, reflecting lower employment expenses. Capital usage in Macquarie Capital has declined modestly over

the period to \$A6.2b, driven primarily by decreases in the equity book following a number of realisations.

Our capital allocated to the Private Credit book has increased marginally. The Private Credit book remains highly diversified with approximately 190 positions across industry sectors characterised by strong operating cash flows and defensive or structurally attractive risk profiles. The portfolio continues to perform well and there has been no visible impact on the portfolio quality from AI disruption, or the uncertainty in the macroeconomic environment. As you can see on the pie chart, approximately a quarter of our exposure is in software. As we outlined in the Operational Briefing back in February, there are a few points to highlight. We tend to lend against operating cashflow, typically in the range of four to eight times and not ARR. We're focused on vertical software companies, ones which are designed for a single or narrow set of related industries due to regulatory or operational needs and as a result, that software is more embedded in the customer's business. And typically, we service sectors where we have deep expertise such as government services and education and healthcare.

So now turning to the broader platform, you can see on this slide, our regulatory and compliance and technology spend. We continue to invest significantly in regulatory compliance with approximately \$A1.3b spend this year, slightly up from last year in response to evolving expectations. Technology investment remains a key strategic focus across the group, with spend up 5%. Technology now represents almost 20% of the group's total expense base, reflecting its importance in supporting our scalable growth, strengthening our risk management and controls and enhancing client service and operating efficiency. In terms of the balance sheet, as Shemara noted, we remain well-funded and well-matched. We continue to have a solid and conservative balance sheet, which is liability led. This year saw a strong period of fundraising with \$A30b raised across a range of products taking advantage of liquid funding markets. This really allows our balance sheet for that continued growth.

We continue to diversify the funding profile in terms of product, currency, and investor base. We tend to fund the group quite long, and it's demonstrated in the weighted average life of our term funding, which is at 4.1 years. The growth in our deposit base continues to be very strong, allowing us to grow our businesses, especially BFS. Deposits grew 25% in the 12 months from March '25 to \$A222b. Deposits are a key high quality funding source for the bank and now represent 50% of our funded balance sheet. Our loan portfolio is at \$A253b, which is up 23%. The main drivers of this are the growth in the bank with BFS home loans up 28% to over \$A180b and in CGM, as we've grown our book across sectors, as we deploy capital and service client needs where financing is secured by underlying assets.

Equity investments were at \$A13b at March '26 down \$A400m. We continue to support the growth of Macquarie Asset Management through co-investments in our private managed funds and in seed assets as we continue to raise new vintages and new strategies. You can see the slight

decrease in Macquarie Capital, which reflects the realisations in the second half. We've also reduced our green exposure in corporate by almost a half to \$A700m. This reduction reflects two things, the sale of Vibrant Energy and Indian solar platform that was announced in January this year and also impairments of \$A379m over the year reflecting our assessment of the carrying value of the portfolio given current market conditions. The vast majority of this portfolio is now in solar, and importantly we have significantly reduced the ongoing expenditure in the portfolio, reducing it by nearly a half over the year. We'd expect this to continue given the smaller scale of that portfolio.

In terms of the regulatory update, there continues to be a lot of activity from a prudential viewpoint, especially here in Australia. As noted previously, APRA has released prudential standards to phase out hybrid instruments as eligible capital, including for NOHCs, which will be effective next year with a five-year transition period. We're continuing to invest and are making good progress in the remediation plan that we've spoken about previously through uplifting our governance, culture, structure, and systems. You'll note that we had the partial removal of an overlay in our LCR and the removal of the add-on to our NSFR, which was effective on the 5th of February. I also note the relevant conclusions of two matters with ASIC in March this year, and we continue to work through remediation associated with the additional conditions imposed on MBL's AFSL licence. Our capital position remains strong with our CET1 ratio at 12.8%, which allows us to continue to support the growth we've seen in BFS and CGM. Our liquidity position is also strong and we're comfortable maintaining LCR well above regulatory minimums.

And now finally turning to capital management. Over the last year, as Shemara pointed out earlier, our businesses have continued to find opportunities to generate good returns and we have supported this by allocating additional capital of \$A2.7b. With the current uncertainty in the macroeconomic environment, it's important that we continue to have the balance sheet to withstand this uncertainty, but also to support our businesses to pursue opportunities that the current environment may provide as we've seen in the last quarter. As Shemara outlined, the board has resolved to issue shares for the DRP with a discount of 1.5%. The board has also resolved to conclude the on-market buyback noting that we have not bought a share in the buyback for over 18 months and over that period, we've seen good opportunities and deployed in excess of \$A4b of capital across our businesses. In relation to the MEREPs of approximately \$A740m, the board's resolved that we purchase those shares to satisfy that requirement. On that note, I'll pass it back to Shemara.

Shemara Wikramanayake: Great. Thanks, Frank. So I'll take you through our outlook and as usual, start with the factors that affect our short-term outlook by each group. So first of all, Macquarie Asset Management following the divestment of the public investments in North America and Europe, we expect the base fees to be broadly in line excluding that one fact matter, and we expect our net other operating income to be up on the previous year and that's including the divestment of Macquarie Air Finance, which we'll complete in this financial year.

Banking and Financial Services, we expect ongoing growth in our loans, our funds on platform and our deposits to drive results, and we will continue to be investing in our operating platform in technology to drive better customer experience, and those results of course will be impacted by market dynamics in terms of margin pressure.

For Macquarie Capital, subject to market conditions, we're expecting broadly in line income from both transaction activity and investment related income.

And for Commodities and Global Markets, again subject to market conditions, we're expecting our net operating income to be broadly in line excluding of course, the realisation of the OnStream meters that we had in FY26.

At the corporate level, our compensation ratio and our effective tax rate, we expect to be broadly in line with historical levels. And as usual, I have to note that this short-term outlook is of course, subject to a range of factors, market conditions, completion of period end reviews and completion of transactions, the geographic composition of our income and the impacts of foreign exchange and potential tax legal regulatory uncertainties. And because of that we continue, as Frank has also said, to hold our ongoing cautious stance in relation to funding, capital, liquidity, et cetera, that position us to respond as environments may change.

Medium term, we of course remain confident that we can deliver good returns for the risks that we take, given the diversified range of businesses that we stepped through and strong support platform we have, including our risk management, our operating platform and our funding. And the last thing I'd touch on before handing over to Sam to take questions is in terms of the returns of our businesses, you can see there, as usual, we group them into Macquarie Asset Management and Banking and Financial Services that are typically more annuity style businesses, but have over the last 20 years delivered returns on equity of 21% and did the same in this last financial year, and then Commodities and Global Markets and Macquarie Capital together have delivered 17% over the last 20 years on average this year delivered 19%. And after taking into account our surplus capital of \$A9.3b, that results in a return of 14% across the group, which is consistent with the 20-year average. So with that, I'll hand back to Sam, and Frank and I'd be happy to answer questions.

Sam Dobson:

Thank you. Thanks, Shemara. Thanks, Frank. So we'll start with questions in the room and then we will go to the lines. I'll start with Ed.

Ed Henning (CLSA):

Thanks for taking my questions. A couple to start with, you talked in both CGM and MacCap about market conditions. Can you say what are you considering the market conditions at the moment in your outlook, are you considering in line with FY26 where you talked about the uncertainty going forward, assuming a little bit of slowdown in growth in both those in the outlooks of those divisions?

Shemara Wikramanayake: Yeah so you know as I said in the factors that affect short-term outlook, the market conditions are hard to call and can impact results. CGM obviously benefited from the situation in the energy markets, which has helped them and Simon can comment on how we're tracking through April, but we won't know how that will play out. It's changing very fast as you know.

In terms of Macquarie Capital, the result there is driven principally by their Private Credit book. It's sitting now at \$A27b and we've said that that earns 4% to 4.5%. It's driving a huge part of Macquarie Capital's earnings. Then the Equity book, as we've said, is now starting to season so we can see realisations coming subject to the markets being open obviously and we said that would be second half weighted.

In terms of the activity from fee income, you know a large part of it is driven by Private Credit and the Equity realisations of fee income. I think Michael Silvertown was talking with me this morning saying that we are seeing slightly more subdued activity, but we think that should be a shorter-term thing. I don't know if, I might let Simon first just comment on market conditions for April and your view as we go through the year and then Michael Silvertown on Macquarie Capital.

Simon Wright: Thanks, Shemara. Thanks, Ed. So as we know, market conditions for us the last quarter were particularly buoyant driven by that Middle East conflict. So the outlook continues to be uncertain. So when we think about our business mix, as we know, we are driven by a large part of client led business annuity style income and also then there's that market risk optionality in the platform. So as we go into this year, the outlook, one of the things we are cautious about based on experience is that the volatility is welcome, but prolonged volatility does tend to lead to more subdued client appetite. The clients get cautious about what the future looks like. So what we do know is a lot of this volatility now is being led by announcements day-to-day, good for volatility, difficult for future prediction for clients. So right now, we have got some tailwinds coming into this year, which is good. But as I said, we're cautious about what client activity, which makes up the majority of our business will be like for the rest of the year. So we've been optimistic but cautious.

Shemara Wikramanayake: And then Michael.

Michael Silvertown: And I'd just add that our mandate levels are actually very robust and at pretty much an all time high, but we're being cautious about conversion of those mandates into actual transactions. And then on the software front, whilst we feel very comfortable with our equity and credit positions, there has been lower velocity in transaction activity on the software side. So we're forecasting that that may impact the first half.

Ed Henning (CLSA): And sorry, just to clarify, when you say broadly in line for both those divisions, that assumes those outlooks that we've just talked about.

Shemara Wikramanayake: Yes, that's right. So broadly in line with the FY26 delivery, taking that into account. And I would say these things we're talking about, if I can use the expression, they're icing on the cake in the earnings of these two groups. The vast majority of CGM is client facing, repeat income and the volatility contributes to that extra inventory management and trading and maybe a little bit the client activity. Similarly, in Macquarie Capital, the vast majority is coming from Private Credit and these Equity realisations and the activity in clients in the transaction side is impacting just that extra.

Sam Dobson: So we'll go to John. So if you want to... Thanks, Ed.

John Mott (Barrenjoey): Thank you. John Mott from Barrenjoey. And continue on that same theme. We've been talking a while when we're over in Europe a year and a bit ago, it was all the discussion was the realisation is really going to mature. 2027's going to be the golden year. It was, this is the year when everything should come good. Now, we don't know what's going to happen around the world, but when you look at it, you're looking at a good year for performance fees, asset realisations coming through in MacCap, capital deployment. It really seems like, touch wood, as long as market conditions remain okay it should be a pretty buoyant environment for the next year, at least from revenue perspective. And just going through, do you then expect to be able to look at other opportunities? One of the great things for Macquarie is never waste a crisis, we saw that in the GFC, we've seen it many, many times. Is there inorganic opportunities you can use given you've got a lot of dry powder across the business?

Shemara Wikramanayake: Yeah. Well, basically the way our inorganic opportunities are driven is each of the operating groups has areas strategically that they're looking at. And certainly in Macquarie Capital, we're constantly investing in equity positions, in digital infrastructure, energy transition and social infrastructure, but things like the meters opportunity CGM drives because our Asset Finance teams see the opportunity. So I think I'd confirm your point that we have good capital and funding to support our teams if they see opportunity, but it's really driven by each of them spotting the opportunity. As you'd expect, they're constantly looking for things. We're not seeing, I have to say, huge dislocation in pricing at the moment. For example, the meter transaction we did was a competitive process. We bought these. We were able to add a lot of value by combining it with our existing portfolio and then delivering it to a slightly different group of investors, but that was alpha that the team was able to particularly add. It wasn't because we were able to buy particularly well. And, you know, correct me if I'm wrong, team, but we're not seeing huge dislocation in pricing at the moment.

Michael Silvertown: I mean, on the software side, it's mainly been in the public markets where we've seen a significant dislocation, but it's been also in large caps where probably wouldn't be a target market for us.

Sam Dobson: Maybe we'll just pass over to Matt. Yep. Thanks.

Matt Dunger (Bank of America): Thank you very much, Matt Dunger from Bank of America. I was wondering if I could ask about Macquarie Capital. You had an expectation for an uptick in realisations. Slide 29, it looks like only about \$A0.5b or less was released from capital from the equity positions. Can you talk about how many of those converted that you had planned to sell and the potential outlook for more asset sales going forward?

Shemara Wikramanayake: Yeah. Well, basically, I'll let Michael comment further if you want, but I'd say first that we're basically in line with what we expected. So we've put a few more billion to work if you recall over the last few years and we were very clear with the market that that would take some time to season, and that it would be a drag on ROE in the short term while we did that. I think we've hit our stride now in terms of realisation. So we'll keep turning the book, realising as we invest. And I think we've reached the point where the book has matured to a point where we'll have realisations. We weren't rushing things for the sake of a financial year. We're very focused on exiting these assets when we can get the best return for the risk and the ones we were looking to exit, you saw on Frank's slide that we had digital infrastructure, realisations, principally some in energy infrastructure, but those ones were ready to exit. So we have a book now that's operating at a level where we should have realisations. Michael?

Michael Silverton: Yeah, I'd just say we were pleased with the realisation activity in the second half and it was in line with what we were expecting, and I think that shows up in the numbers. We realised Prime Data Centers in that period, very strong return and that was the bulk of the return in that last period.

Shemara Wikramanayake: And we're guiding that second half of next year is when we see the next. It'll be a little bit lumpy, but each particular investment, they're lumpy investments in this book of a couple of billion.

Matt Dunger (Bank of America): Great. And just to follow up, if could just ask about the Private Credit portfolio and your willingness to continue to deploy capital there, hasn't grown as quickly as what it had been previously. Michael's previously talked about the spreads on that portfolio needing to be at higher levels potentially before we see more growth. Are you able to comment where we're at now?

Shemara Wikramanayake: Oh no, the spreads are holding up. They're 4% to 4.5%. The credit performance is holding up. It's a really high-quality book in terms of both the credit and the return, and the ability of our teams to spot opportunities. It's a \$A27b book now in a market of \$A1.8t, and they have deep expertise in the sectors and regions they invest in. What has been constraining our growth is the concentration factor. I think we've been very clear to the market that we were reaching a level of concentration where we now are looking to bring third party capital in. What has happened as Greg has been able to grow the BFS book and Simon's team have been growing in Financial Markets is that the other books have grown as well and we keep that diversification very tightly managed. So that's allowed us to provide a few more billions to the Private Credit team this year, but they'll tell you that we haven't been... The purse strings have been tight because

of concentration and that's what's been holding their growth back with our balance sheet. We are really looking to bring third party capital alongside now through separate managed accounts and through fiduciary. Michael looks like he wants to add something there.

- Michael Silverton: Well, I'd just say it was a strong origination year, \$A11b. About \$A7b of it was new origination, \$A4b refis and add-ons to businesses that we're already invested in. But on the software side, there haven't been as many transactions occurring. We've been a bit more prudent. We've seen the most opportunity in Europe over the period and one of the benefits of the strategies we run is that we can allocate the capital where we see the opportunity and we've seen it in Europe, and also in some real estate sort of pref-like opportunities as well. There's been good opportunity there.
- Shemara Wikramanayake: It was also quite a big realisation year. So net we were able to deploy more because they were freeing up capital themselves, but ultimately the net gain growth is driven by concentration appetite.
- Sam Dobson: Go to Andrew, if you wouldn't mind just... Thanks.
- Andrew Triggs (JP Morgan): Thank you. Andrew Triggs from JP Morgan. Maybe a follow-up for Michael. Just what you're seeing in terms of financial sponsor conditions still seems to be quite slow there. A lot of dislocation still within the alternative asset management universe. And then also just the prospect of sort of recovery in that market near the IAC business seems to have done a lot of the heavy lifting. I guess if you consider the infrastructure assets you have, that equity investment line did fall in that business. So just interested to refilling the pipeline, have valuations risen in that market recently?
- Michael Silverton: Sure. Yeah. In the M&A market, a lot of the growth's been driven by large cap mega cap activity. The volumes actually in the M&A market are down, which is a function of sponsor activity. The capital markets are open, but one of the benefits that sponsors have is that they can decide when to launch processes. They've got time to do that. And with the advent of more options they have around continuation funds, nav lending and the like, it's allowed them to provide returns to their LPs in other ways if it's not optimal to sell.
- So the sponsor activity has started to pick up, but it's in probably outside of those software sectors initially and the bulk of sponsor activity has been around software and services. And in terms of realisation activity, we're excited about some of the AI opportunities within our equity book, but they're not yet at the point of monetising them. And so, we're seeing growth there that we'll continue to pursue, but it didn't show up so much in the result in this half.
- Shemara Wikramanayake: And typically, we're holding these equity positions three to five years. So the timing of investment and realisation may change depending on what the external market is like. So if there's dislocation, we'll probably be investing a bit more. If there's a buoyant market, we'll be realising a bit

more. But typically after three to five years, you'll see the book at a level of churning, which is where we're getting to now.

Andrew Triggs (JP Morgan):

And Shemara, I'm just replacing that infrastructure energy capital equity investment portfolio, which has probably been more flies under the radar, but does earn good returns over a long period of time.

Shemara Wikramanayake:

Yeah. The infrastructure and energy definitely, did you want to comment on that?

Michael Silverton:

Yeah. And we still have some digital infrastructure exposures in there. We have Onivia in Spain. We have a few data centre investments in Benelux and in India, so they may come through in the coming periods.

Sam Dobson:

We'll go to Brian if we can maybe just pass the microphone across. Great. Thank you.

Brian Johnson (MST Marquee):

Brian Johnson, MST. Shemara, congratulations on a cracking result.

Shemara Wikramanayake:

Thanks. The team here are the ones that's driving it all.

Brian Johnson (MST Marquee):

Shemara, when we have a look, if we go back to the Europe trip, whether it was deliberate or not, I think everyone left the room with the impression that there was a real chance within MAM of a private credit acquisition. If we have a look at the MacCap slide today, I noticed that it's gone from private credit to principal finance back to private credit. I'd just like to understand, you're raising capital effectively today. The market was worried about private credit acquisition on that trip.

Private credit subsequently, not in your book because your book is structurally different, but could you just run us through what is the risk or the benefit of a private credit acquisition in MAM and what would be the criteria that you would look at? Because I think the big takeaway from today, a lot of kind of like organic investment opportunities within Macquarie to grow, but I suppose the risk either positive or negative is that we actually see something beyond that. So private credit, the criteria, or is this just about organic growth opportunities?

Shemara Wikramanayake:

Right. And I'll let Ben comment, but as Ben has said, strategically two areas he's really looking to grow. One is in terms of the channels where we've had largely an institutional business and there's excellent work being done growing into the insurance channel and the wealth channel and the other is in terms of asset classes where we're very, very big in infrastructure. We've grown into other real assets like real estate and private credit is a key area that we're looking to go to. Particularly in those two other channels, insurance it's a big part of where insurers allocate and in wealth as well, there's a lot of interest.

Peter Glaser is sitting behind Ben there, but we basically have across that credit area, we do have our global fixed income in terms of the public credit and then we're looking at leverage credit in terms of the private markets. We also have very big infrastructure debt and we're growing into other channels alongside there. And then we have the Macquarie financing business MIF for insurers and we are growing something called InEvo Re. We are looking principally to grow organically, but definitely looking to grow inorganically if we can find good return for risk. And Ben has actually done some of that. So I might hand over to Ben too.

Ben Way:

Well, good morning everyone. And thank you for that question, Brian. I think first and foremost, our criteria is, will this be good for shareholders and is it complimentary to what we're doing and is it something that we can't do organically? So the vast majority of growth we're seeing in the business today is about disciplined allocation of capital to teams that have a real conviction around a specific thematic, whether it be wealth, whether it be infrastructure adjacency, infrastructure secondaries, whether it be in credit and we allow those teams to build those businesses because we actually get the best returns for shareholders, but we also do it at the lowest risk, particularly in terms of execution and culture. So our criteria really is, is this beneficial to shareholders? Is it something that we can't do?

But in particular, is this a business that we're potentially buying that is both complementary to what we're doing but also has great investment performance? And you might have seen during the year we bought Spire, a CLO business in the UK. We've launched organically a CLO business in the US and we actually just in the last week have put our third CLO into the market there. Spire is the largest independent CLO business in Europe and the UK, and has consistently top quartile performance and that's over 15 CLOs. The reason we bought that business is it makes sense from a shareholder returns point of view, but also it really gives us scale in an area that would take us much longer to grow, but it's complementary to what we're doing elsewhere and gives us a better offering for clients generally in both America and the US.

Shemara Wikramanayake:

And it's a house we got very comfortable because CLOs are less penetrated in Europe. In the US, that's become much more an established asset class and Spire is really well positioned in terms of their track record, et cetera, together with our distribution capability hopefully to.

Brian Johnson (MST Marquee):

Shemara, if I could just push my luck though. If we have a look at the public markets business that you've divested, that was also a great acquisition when you made it, and it was all about adding value to the Private Markets business. But the reality was, the difference between the revenue and the cost wasn't particularly high. So I suppose what I'm really asking the real question is, when you're looking at acquisitions, inorganic acquisition opportunities within MAM, having turned it back into very much the public markets business, which has got the much higher ROE, would we actually see you make acquisitions that actually dilute the high ROE that we see in MAM?

Shemara Wikramanayake: Yeah. Just on that Public Investments business, we were very clear that we divested it to free up capital because MAM is intensely using capital now and organically growing the business. And the Public Investments, even though it was a great business, it was holding capital that, we were able to realise a lot of capital from the exit of that. When you say the costs reading up the revenues, it was making meaningful base fee profit for AMNI, as you called it, asset management net income, which we have exited and despite that, MAM's managed to grow its earnings this year in the private markets.

So we were making good investments and acquisitions there. We divested it to support MAM. The capital MAM has absorbed has been largely in its organic growth of its business, but we also spent some capital on an acquisition. So to us strategically, it makes great sense that we had to sadly make a call that we're going to try and be a diversified asset manager or to pursue the opportunity we see in Private Markets, do we double down? And that was thinking, Ben, anything you'd like to add?

Ben Way: No, nothing to add.

Brian Johnson (MST Marquee): Thank you.

Sam Dobson: We'll go to Richard. Thanks.

Richard Wiles (Morgan Stanley): Good morning, Richard Wiles from Morgan Stanley. Shemara, it's been a pretty extraordinary year in terms of global developments in energy and commodities, technology and private credit. Does it make you more positive on your long-term opportunities or is it too early to tell what the structural changes might be in these markets?

Shemara Wikramanayake: Yeah. And Richard, I know you've been following us for a long while, but there's always stuff like this happening. You know, if you go back through my decades here, the 1987 crashes, the tech booms that we had, the dot com boom, the GFC, the pandemic, which was something we'd never experienced. So there's always something happening. We've had energy shocks multiple times. We've had tech developments over the period. For us basically, change is challenge, but it's also opportunity. So we're just looking for the change at the time and how our businesses can respond to it and each of them think through that based on their expertise. So with what's playing out in technology, we don't know who the exact tech winners will be, but we are not a software player or a tech player. What we are is an infrastructure player and we know that the demand for compute it's going to accelerate heavily and that means infrastructure demand is going to step up a lot, whether it's data centers, whether it's energy, whether it's cooling, whether it's all the critical minerals that are needed for this in chips and compute power.

So MacCap can play in that. MAM can play in that, CGM can play in that. There'll be aspects that BFS can play in as well and they each will determine as we see a change happen, where does our business have the

opportunity to deliver solutions. So I think with whether it's energy or tech at the moment are probably the two big things, take off the back of it a little bit in private credit, but that seems to be a liquidity issue because private credit had gone into the retail channels a lot and so some extra credit issue coming from that. But both of them, yes, the changes are challenging, but they also are opportunities. I could let each of our group heads speak. Even Nicole, who's running our corporate operations, the tech is creating opportunity for us. BFS is seeing a lot of it. I don't know actually, Greg, did you want to comment briefly on technology and what BFS is continuing to today where the frontier is and what you're up to?

Greg Ward: Yeah, you're quite right. I think the technology landscape's changed a lot over time. You think of cloud and mobile and what that's done in terms of the opportunity that's presented to BFS, which we didn't have before and now we're in this world of AI and so forth and what that will do in terms of I think efficiency and customer experience. It's very, very exciting. So we're looking forward to these changes.

Shemara Wikramanayake: Yeah. I mean on the one hand, BFS is on the forefront of what's happening with opportunity. I don't know, Nicole, if you want to comment briefly on the other hand, things like Mythos and how we're really prioritising the risk management as well.

Nicole Sorbara: Yeah, sure. As Greg said, there's a lot of opportunity that comes with AI, but as we've seen with the recent announcements and with Mythos, there's also a lot of risk as well. So it's about balancing that. So we need to be far more automated. We need to be a very secure organisation. We need to have controls in-built in everything we do. We've got multiple layers of defence. It's about enhanced protection, enhanced scanning, but huge opportunity. And we're seeing some of that come through now through the P&L in terms of productivity savings as well.

Sam Dobson: If there aren't any other questions in the room, we'll come back if there are. We'll go to the line. So before we do, for those joining online, if you haven't already joined the live audio queue, please do so now by pressing request to speak at the top of the broadcast. And if you're asking a question via phone, please use the dial-in number and access pin provided followed by hash. So if we can go to the lines please.

Operator: Thank you. Our first question today comes from Brendan Sproules from Goldman Sachs. Brendan, please go ahead after the beat.

Brendan Sproules (Goldman Sachs): Hi, good morning. It's Brendan Sproules from Goldman Sachs. I just have a question on the private equity portfolio and how the environment for the market changed in the first quarter. I think at the Operational Briefing that you gave in February, you said that portfolio was worth \$A29b odd. It's now down to \$A25b. Obviously that is also impacted by currency. And then in the MD&A you show that your overall net interest income in Macquarie Capital's gone down, you talked about higher funding costs. Can you maybe talk about the growth in the portfolio in that fourth quarter and then

particularly around the net interest margins that you're getting on this portfolio and how they've changed in the fourth quarter relative to the previous nine months?

Frank Kwok:

Yeah. Brendan, it's Frank here. I think you're just putting at the spot amount of private credit that we have on the balance sheet at any particular point in time. And obviously what's important is what we have drawn over the period. So over the period, we've actually had additional drawn balances in our Private Credit book in Macquarie Capital up \$A2.5b. In terms of the net interest income, that continues to be, as Shemara said before, between the 4-450 basis points, nothing has changed there. As we talked about before when Michael was talking, we've deployed circa \$A11b all over the year and some are due to refinancings as well. So there continues to be good volume across that platform.

We have seen a bit more of a bias to Europe where we're seeing better opportunity from a risk return basis, but nothing has really changed in terms of that portfolio. As we discussed before, from a Group perspective, obviously we need to focus on diversification and making sure that we've got the right allocations in the right buckets. And as Shemara said, one of the factors that we take into account for that book and any other book that we have is what limits should we have in terms of the amount that we have on the balance sheet. That number's obviously grown over time as our balance sheet has increased, but we're very comfortable with the position we have today. And as I said, the returns are still at that 4-450. Ultimately, if the team can't find the returns at that 4-450, they just won't write. I mean, it's as simple as that.

Shemara Wikramanayake:

And also, Brendan, I'd just briefly add that Frank had a slides showing we have about \$A6b of capital in Macquarie Capital in terms of the balance sheet. About half of that relates to the private credit book, which is about \$A27b as Frank said, so \$A3b. So that leaves about \$A3b and bit in equity. That equity is also spread over four different areas, Michael, isn't it? So we've got the Venture Capital Tech business, we've got the Growth Technologies, we've got the Infrastructure and Energy Capital, and then the Private Credit team also invest in more mature assets.

Our required returns vary with the risk involved in each of those equity strategies, but the reason we have the capital there is our teams have proven they can deliver alpha in each of those areas. And so we have hurdles that we set for them and they look to beat those and if they're continuing to beat them, we deploy further capital. If not, we'll pivot. But I think we're comfortable all for delivering at the moment on equity as well as the private credit.

Brendan Sproules
(Goldman Sachs):

Thank you. I have a second question on performance fees in Macquarie Asset Management. Obviously a huge step-up this year, including performance fee from MIP IV, which is obviously only sort of six or seven years into its life. If you maybe talk about in '27, which particular funds are likely to contribute to performance fees and I guess, the outlook over the next couple of years.

Frank Kwok: Yeah. As you noted, performance fees over the year were strong, mainly from MAIF2, MIP IV, and the co-investment fees from the Aligned Data Center transaction. As you pointed out, performance fees are usually generated at the tail end of a fund. MAIF2, we've had a number of years of performance fees and that continues to exit investments and MIP IV is now beginning that stage with Aligned Data Centers obviously being a major divestment there. And typically, we only book performance fees when there's a highly improbable that we will reverse them. So it's a conservative position, which we think makes a lot of sense.

And so our expectations are is that we continue to exit those assets in those funds, performance fees will be generated. But in addition to those funds, we also generated performance fees from MCOF V, a Korean private equity fund, co-investment vehicle that we had over the half. So we've obviously got a very diversified platform. They're the major ones, but the other thing I'd probably note is that we have a number of open-ended funds in Macquarie Asset Management, which generates continuous performance fees, obviously subject to performance, but we're seeing that flow through as our open-ended funds are a growing proportion of the equity that we have across MAM.

Shemara Wikramanayake: And Ben, the only other thing I'd mention is we generally have good visibility when we're forecasting performance fees because we have a test of highly improbable risk of reversal across the whole fund. So we set a quite high bar.

Ben Way: We do set a high bar and I think what we've seen over the last 12 months is very strong appetite for the sorts of portfolio companies that we own where our clients and our counterparties are really looking through events and looking through the markets and looking at the underlying fundamentals of those businesses which are generally in sectors that have very strong thematic tailwinds. And so, we are being prudent about our asset sales, but when we are bringing portfolio companies to the market, it is the strongest appetite we've seen for those companies in some time and that continues to be the case today. So we feel good about the quality of the portfolio. We have in excess of 190 portfolio companies today, but also the ongoing appetite for those, both from other financial sponsors, but also from strategics. And I think Align has been a very good example of that over the sort of last six to 12 months.

Brendan Sproules
(Goldman Sachs): Perfect. Thank you.

Operator: Our next question comes from Andrew Lyons from Jefferies. Andrew, please go ahead after the beep.

Andrew Lyons (Jefferies): Thanks and good morning. Just a question that's a bit of a continuation on the response to Richard's earlier question on BFS and particularly the cost performance. Costs were down in the second half and up only 4% over the year well inside revenue growth. I also note the disclosures around Group regulatory and tech expenses are showing signs of finding a bit of a peak.

Just to this end, can you talk to how you think about the fixed cost leverage in the BFS division, and over time how should the CTI of the BFS division trend, how low do you think it can ultimately go?

Shemara Wikramanayake: We'll throw it straight to Greg.

Greg Ward: Yeah, thanks very much for the question. Yeah, we are expecting some good cost leverage. You saw the cost-to-income ratio go down during the period, I think from 54 down to 51 overall cost to income. We expect that to continue to trend lower as we get more scale. There were some one-off expenses in this year that had a bit of an impact. But for that, we would have been close to a flat cost performance on that rising volume growth in deposits and home loans. So there would have been quite a good gain there in terms of leverage and we should see, as I say, very limited headcount growth going forward and hopefully good business growth.

Andrew Lyons (Jefferies): Thank you.

Operator: There are no further online questions at this time.

Sam Dobson: Great. We'll come back to the room. So Brian, do you want to... If we can get a mic to the front, thanks.

Brian Johnson (MST Marquee): Shemara I've been following Macquarie for a long time. From memory, I think you and I started pretty well at the same time.

Shemara Wikramanayake: Right.

Brian Johnson (MST Marquee): Well, Macquarie's very good at picking very, very long-term thematic. We can already see the energy transition at least in the US perhaps fading away, but I'd just be interested globally, what is the really big forward thematic that's going to outlive you and outlive me that Macquarie's investing in today? What is the next big thing that you've identified that you're investing in now?

Shemara Wikramanayake: Yeah, look, generally we tend to be very nimble and move on things as they develop. But I know Ben sitting here and I know in our Infrastructure business, so for all of them, we'll have thematic like Ben, we talk about demographics and population growth and the huge demand that's going to have growth for a lot of our services. We talk about technology and digitisation and what's going to happen there. We talk also about energy transition, what do you call it, decarbonisation in terms of... But basically, the world needs, as the population grows, we need a lot more energy. We not only need to deal with the climate issues, but we need to deal with the transition and firming solutions and that not only impacts your business but also Simon's business. What was your fourth D, Ben?

Ben Way: Deglobalisation.

Shemara Wikramanayake: Deglobalisation.

Ben Way: As a client person, I have a succinct framework, which is the four Ds and Shemara has talked about that. Almost everything we do is somewhat related to not just in MAM, but right across Macquarie, the demographics issue of increased savings or people need different housing options, both newer renters or people moving into the senior world if you think about that. We're obviously being very active in digitalisation and you're right, Brian. A lot of people have talked about playing in the digital infrastructure sector in the last two or three years. We've been doing that as a group going back 25 years, but in things like data centers going back almost a decade and that's certainly where we're able to drive and generate real alpha by spotting that early. If you think about decarbonisation, I think today you could probably think about that as energy solutions.

Never before have we seen a demand from communities more around the world for energy solutions, particularly as that intersects with things like the opportunity to take advantage of AI and the compute power needed, but the energy to sustain that. And the last one would be deglobalisation and that's really about national resiliency and national sovereignty. And it's an interesting to think about. We used to have sectoral funds or single country funds, and then we moved to regional and global funds and now there's clearly a real demand, whether it's country setting up their own resiliency funds or expanding the mandates of their sovereign wealth funds to focus much more on home. I think that's not something, to be honest, we were talking about I think as an industry, as vibrantly as we are today as we were two years ago. And so the opportunities, whether it be around supply chain security, whether it be around data security, whether it be about countries focusing much more on their defence security and the things needed, that will be a huge thematic for all our groups going forward for the coming decades.

Shemara Wikramanayake: And you're so right. That deglobalisation is a newer one in terms of supply chains and global alliances changing. But ultimately, though I have to say as Ben was speaking, I was thinking about his businesses and we really respond locally based off our expertise and the sort of things MAM will be investing in South Korea and we've gone into some very new areas there driven by the South Korean team seeing opportunity for this defensive sort of investment here in Australia, the things that we've gone into in terms of registries, et cetera, early on going into data centers is driven by what the team is seeing as the needs in the local community. And I guess our businesses have a scale enough where we can just focus locally and deliver based off our expertise because at a macro level there's so much needed in your themes and others. Anything, Frank, you want to add on?

Frank Kwok: Nothing to add there.

Sam Dobson: All right, there's no further questions. Thank you for your interest today. Thank you for your support and we look forward to catching up with you over the next couple of weeks. Thank you very much.