1 May 2025

**Macquarie Group Limited**
**Financial Services | Diversified**
**Global financial services provider with specialized expertise**
**Current Price: $200.00 | Target: $222.00**

## FY2025 Half-Year Analysis

# Diversified Business Model Delivers Resilience Amid Market Transition

## KEY HIGHLIGHTS

- Half-year profit increased 14% to $1,612 million, driven by strong asset management performance
- Macquarie Asset Management (MAM) profit surged 68% to $684 million on improved performance fees
- Annuity-style businesses grew 26% YoY, offsetting 10% decline in markets-facing activities
- Banking and Financial Services continued steady growth with loan portfolio expanding 11%
- Private credit portfolio reached $22.5 billion with $5 billion deployed in 1H25
- Strong capital position with CET1 ratio at 12.8% and $9.8 billion capital surplus
- Successful transition of green investments to fiduciary model showing positive momentum
- Extended $2 billion share buyback program for an additional 12 months

## TABLE OF CONTENTS



## GLOSSARY OF KEY TERMS

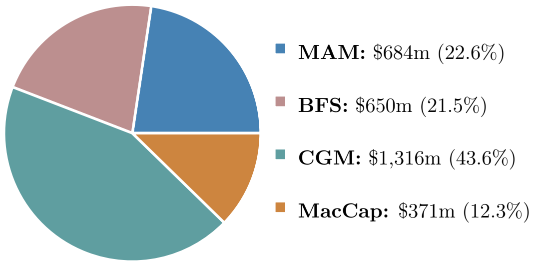
| | |
|---|---|
| **AUM** | Assets Under Management: total market value of assets managed on behalf of clients |
| **NIM** | Net Interest Margin: difference between interest earned and paid as percentage of interest-earning assets |
| **CET1** | Common Equity Tier 1: core measure of a bank's financial strength from a regulatory perspective |
| **MAM** | Macquarie Asset Management: division managing infrastructure, real estate, agriculture investments |
| **BFS** | Banking and Financial Services: provides retail banking and wealth management services |
| **CGM** | Commodities and Global Markets: provides risk, capital and market access solutions |
| **LCR** | Liquidity Coverage Ratio: measure of a bank's liquid assets relative to potential outflows |
| **NSFR** | Net Stable Funding Ratio: measure of stable funding sources relative to required funding |

# 1 Executive Summary

Macquarie Group delivered strong half-year results with profit rising 14% to $1,612 million, demonstrating resilience through its diversified business model. This performance was primarily driven by Macquarie Asset Management (MAM), which saw profit surge 68% to $684 million due to increased performance fees and improved investment returns. The company's strategic shift toward higher-margin, capital-light activities continues to gain momentum, with annuity-style businesses growing 26% year-on-year to $1,614 million, successfully offsetting a 10% decline in markets-facing activities to $1,407 million.

The results highlight Macquarie's successful navigation of a transitional period in global financial markets. Banking and Financial Services (BFS) continued steady growth with profit up 2% to $650 million, supported by strong volume expansion in key portfolios despite margin pressure. Markets-facing businesses normalized from exceptional prior-year conditions, with Commodities and Global Markets (CGM) profit declining 5% to $1,316 million amid subdued market volatility, while Macquarie Capital's profit decreased 14% to $371 million.

## 1.1 Segment Profit Contribution (1H25, $m)




Macquarie maintained its strong financial position with total assets growing to $414.3 billion and AUM reaching $916.8 billion. The Group capital surplus stands at $9.8 billion with a CET1 ratio of 12.8%, supporting both continued business growth and shareholder returns. The Board declared an interim dividend of $2.60 per share and extended the $2 billion share buyback program for another 12 months.

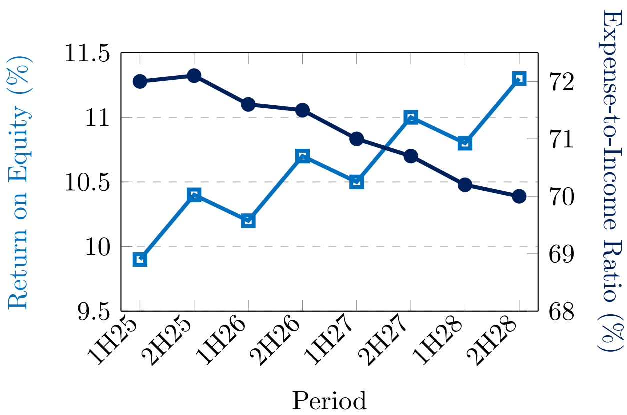
Our analysis indicates Macquarie is modestly undervalued at the current price of $200.00, with 11% upside to our base case valuation of $222.00, supported by the company's strategic positioning in growth sectors, operational improvements, and conservative capital management.

# 2 Outlook

Macquarie Group faces a mixed operating environment characterized by moderating but still elevated inflation, high but stabilizing interest rates, and divergent regional growth patterns. Management projects global GDP growth of 3.0% in 2025, with interest rates expected to decline gradually beginning in early 2025. This transitional interest rate environment creates both challenges and opportunities across Macquarie's diverse business segments.

We project revenue growth to accelerate gradually from 4.0% to 5.8% over the next five years, driven primarily by asset management and private credit expansion. Macquarie Asset Management is expected to deliver 9-10% annual growth as its green investment transition completes and infrastructure fundraising momentum continues. Banking and Financial Services should achieve steady 5-6% growth as volume expansion offsets margin pressure. Markets-facing businesses are projected to stabilize and deliver more modest 3-4% growth as trading conditions normalize from exceptional prior periods.

## 2.1 ROE & Expense-to-Income Ratio Projection




Operational efficiency improvements are expected to drive gradual enhancement in profitability metrics, with the expense-to-income ratio improving from 72.0% to 68.5% over the forecast period, achieved through digital transformation initiatives. Return on equity is projected to improve from 9.9% to 11.8% by FY29, approaching but not reaching historical highs of 16-18%, reflecting both improved operational performance and disciplined capital management.

Capital allocation will focus on businesses with structural tailwinds (i.e. MAM), while the growing private credit portfolio will continue expanding at a more measured pace. Management's conservative approach to capital and liquidity positions Macquarie well to navigate potential market disruptions while maintaining flexibility for opportunistic investments.

## 3 Valuations

Our valuation of Macquarie Group employs multiple methodologies with primary focus on Discounted Cash Flow (DCF) analysis, complemented by Sum-of-the-Parts (SOTP) and market-based approaches. We derive a base case valuation of $222.00 per share, representing 11% upside to the current price of $200.00. This reflects Macquarie's unique positioning as a diversified financial institution.

| Methodology | Implied Price Per Share |
|---|---|
| DCF - Base Case | $222.00 |
| DCF - Bull Case | $270.00 |
| DCF - Bear Case | $175.00 |
| 52-Week Trading Range | $174.80 - $233.50 |
| Consensus Price Target Range | $192.00 - $240.00 |
| EV/EBITDA Multiple - NTM | $212.00 |
| P/E Multiple - NTM | $186.00 |
| PEG Ratio (P/E to Growth) | $205.00 |
| Sum-of-the-Parts (SOTP) | $225.00 |
| **Implied Valuation Range** | **$190.00 - $230.00** |
| **Current Share Price** | **$200.00** |
| **Up/Downside to Base Case** | **+11%** |

Our DCF valuation employs a weighted average cost of capital (WACC) of 6.7%, comprising a cost of equity of 12.0% and after-tax cost of debt of 3.8%. The cost of equity incorporates a risk-free rate of 4.1%, equity risk premium of 5.5%, levered beta of 1.25, size premium of 0.3%, and company-specific risk premium of 0.7% reflecting execution risks in green investment transition and technology transformation. We apply a terminal growth rate of 2.8%, representing a slight premium to long-term GDP growth given Macquarie's unique growth profile.

The SOTP valuation of $225.00 applies segment-appropriate multiples to each business unit (MAM: 12x, BFS: 10x, CGM: 8.5x, Macquarie Capital: 9x), providing strong validation for our DCF approach. Traditional multiple-based methodologies yield more conservative valuations (P/E: $186.00, EV/EBITDA: $212.00), reflecting the market's tendency to value Macquarie more as a traditional financial institution (i.e. bank).

The valuation debate centers on whether Macquarie should trade more like a traditional bank (lower multiple) or asset manager (higher multiple). Our analysis suggests the market underappreciates Macquarie's transition toward higher-growth, fee-based businesses, particularly in infrastructure, energy transition, and private credit. Current trading at 23.5x FY25E P/E represents a significant premium to Australian banks (12.8x) but a discount to pure asset managers (16.2x), positioning that we see as reasonable but with room for further re-rating as the business mix continues to evolve.

### 3.1 Sensitivity Analysis

Our scenario analysis demonstrates meaningful valuation sensitivity to key strategic and macroeconomic factors. The bull case valuation of $270.00 (+35% from current) assumes accelerated revenue growth (6.5% CAGR vs. 4.8% base case), faster margin improvement (expense-to-income ratio reaching 67.0%), significantly stronger MAM performance (12% annual growth), and more favorable market conditions for markets-facing businesses. This scenario would be supported by successful execution of the MAM transformation and digital initiatives yielding greater efficiency benefits than projected in our base case.

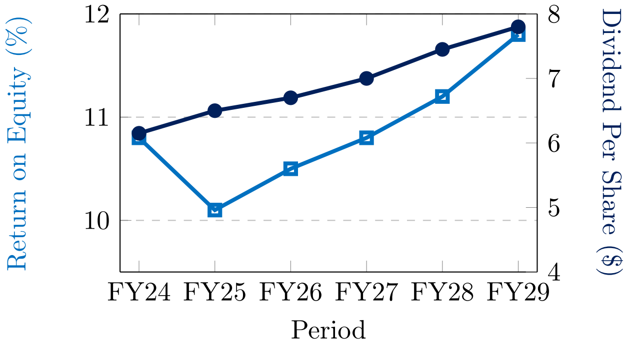
| Factor | Change | Impact |
|---|---|---|
| MAM Growth Rate | ±2% | ±$17.50 |
| Expense-to-Income Ratio | ±200bps | ±$15.30 |
| WACC | ±50bps | ±$23.80 |
| Terminal Growth Rate | ±50bps | ±$18.70 |
| Market Volatility (CGM Impact) | ±15% | ±$12.20 |

Conversely, the bear case of $175.00 (-12.5% from current) assumes sluggish growth (3.0% CAGR), failure to improve efficiency (expense-to-income ratio remaining at 72.0%), and more challenging conditions across all segments, particularly prolonged subdued markets volatility affecting CGM and execution challenges in MAM's green investment transition. This scenario would result in ROE deterioration to 8.5% from the current 9.9%.

Sensitivity analysis reveals that MAM's performance is the most critical variable, with a 2% change in its growth rate impacting overall valuation by approximately 8%. The realization of digital transformation benefits is the second most impactful factor, with the expense-to-income trajectory driving significant valuation differences. WACC sensitivity is substantial, with a ±50bps change creating a ±$23.80 impact, highlighting the importance of the current low interest rate environment to valuation.

Probability-weighting these scenarios (30% bull, 50% base, 20% bear) yields an expected value of $227.00, suggesting Macquarie's risk-reward profile skews positively. The relatively lower probability assigned to the bear case reflects the company's proven ability to adapt across market cycles and its conservative capital position providing downside protection.

### 3.2 ROE & Dividend Projection




Return on equity (ROE) is projected to improve gradually from 10.8% in FY24 to 11.8% by FY29, following a brief dip to 10.1% in FY25 reflecting the full normalization of markets-facing businesses from exceptional FY23 conditions. This improvement will be driven by three key factors: operational efficiencies from digital transformation initiatives, increasing contribution from higher-margin asset management activities, and disciplined capital management optimizing returns while maintaining regulatory compliance.

While the projected ROE remains below pre-pandemic levels of 14-16%, it represents a realistic trajectory given structural changes in the financial services industry, including increased capital requirements and normalized trading conditions. Macquarie's specialized positioning in growth sectors like infrastructure, energy transition, and private credit provides a path to outperformance compared to traditional banks, which are increasingly challenged to exceed their cost of capital.

Dividends are projected to grow from $6.15 per share in FY24 to $7.80 in FY29, representing a 4.9% CAGR and reflecting Macquarie's balanced approach to capital management. The dividend payout ratio is expected to expand gradually from 61.5% to 70.0

---

# 4 About the Company

## 4.1 Company Overview

Macquarie Group Limited is a global diversified financial services group operating for 55 consecutive profitable years. Headquartered in Sydney, Australia, Macquarie provides asset management, banking, advisory services, and risk and capital solutions across debt, equity, and commodities markets. The company has established a significant international presence with 65% of income derived from international operations spanning the Americas (34%), Europe, Middle East and Africa (23%), and Asia (9%), with the remaining 35% from Australia and New Zealand.

Macquarie's business is structured around four distinct operating segments: Macquarie Asset Management (MAM), which manages $916.8 billion in assets across infrastructure, real assets, and alternatives; Banking and Financial Services (BFS), providing retail banking and wealth management services primarily to the Australian market; Commodities and Global Markets (CGM), offering capital, risk management, and market access solutions across commodities and financial markets; and Macquarie Capital, providing advisory, capital raising, and principal investing services with a growing private credit portfolio exceeding $22.5 billion.

## 4.2 Profitability Model

Macquarie operates through a dual business approach of "annuity-style" and "markets-facing" activities, creating a balanced earnings profile across economic cycles. Annuity-style businesses (MAM and BFS) deliver more stable, recurring revenues through management fees, net interest income, and platform fees. Markets-facing businesses (CGM and Macquarie Capital) generate more variable income through trading, advisory services, and investment realizations. This deliberate diversification has proven effective, with annuity-style businesses growing 26% year-on-year in 1H25 to offset a 10% decline in markets-facing activities.

Revenue is generated through multiple streams: net interest income from lending activities ($1.7 billion in 1H25, +2.2%); fee and commission income from asset management and advisory services ($3.3 billion, +9.2%); trading income ($2.5 billion, -5.8%); and investment income from asset realizations. Each segment contributes distinctively to profitability: MAM delivers high-margin fee income with 35% operating margins; BFS provides stable retail banking returns with 41% margins; CGM generates specialized trading and risk management returns with 45% margins; and Macquarie Capital combines advisory fees with investment returns at 32% margins.

The company's disciplined risk management approach and conservative balance sheet management have been hallmarks of its business model, enabling resilience across economic cycles while providing flexibility to capitalize on market opportunities.

### 4.3 Tailwinds

**Asset Management Growth**: Macquarie Asset Management is experiencing strong momentum, with profit contribution up 68% year-on-year to $684 million in 1H25. This growth is driven by increasing demand for infrastructure and energy transition investments, higher performance fees (+70.8% to $403 million), and improved investment returns. The successful transition of green investments from balance sheet to fiduciary model is enhancing margins while maintaining Macquarie's market leadership. With $916.8 billion in AUM and specialized expertise in high-demand sectors, MAM is well-positioned to deliver 9-10% annual growth as institutional investors continue allocating capital to alternative assets.

**Private Credit Expansion**: Macquarie Capital's private credit portfolio has grown to over $22.5 billion, with $5 billion deployed in 1H25 alone. This growth capitalizes on the structural shift from traditional bank lending to private capital markets, creating a significant opportunity as institutional investors seek yield in a challenging interest rate environment. The private credit business combines attractive returns with more stable income characteristics than traditional advisory services, benefiting from Macquarie's established relationships and credit expertise. This expansion represents a multi-year growth runway aligned with broader market trends and diversifies revenue beyond cyclical advisory activities.

**Digital Transformation**: Banking and Financial Services is realizing tangible benefits from technology investments, with operating expenses decreasing year-on-year despite strong volume growth in loan portfolio (+11.1%) and deposits (+10.9%). These efficiency improvements are driving operational leverage, with the expense-to-income ratio projected to improve from 72.0% to 68.5% over the forecast period. Digital capabilities are enhancing customer acquisition and service efficiency while reducing traditional banking costs. This transformation positions BFS to compete effectively against both traditional banks and fintech disruptors while improving profitability despite margin pressure.

**Business Diversification**: Macquarie's balanced business mix creates resilience across market cycles, as demonstrated by 1H25 results where annuity-style businesses grew 26% year-on-year to offset a 10% decline in markets-facing activities. This diversification provides natural hedging against sector-specific disruptions and economic cycles, with international operations (65% of income) adding geographic diversification benefits. The combination of stable annuity-style income with opportunistic markets-facing activities creates a unique risk-return profile that has supported 55 consecutive years of profitability across varying market conditions.

### 4.4 Headwinds

**Market Volatility Normalization**: CGM faces structural adjustment as volatility normalizes from FY23 peak levels, with profit declining 5% year-on-year. Risk management income decreased primarily in Global Gas, Power and Emissions due to reduced client hedging amid subdued volatility. This normalization establishes a "new normal" baseline for markets-facing contribution. While CGM maintains specialized expertise across physical and financial markets, the extraordinary conditions driving record FY23 results are unlikely to recur, limiting growth potential for this significant profit contributor.

**Banking Margin Pressure**: Despite strong volume growth in BFS portfolios, profit increased only 2% to $650 million, revealing persistent margin pressure from competition and changing portfolio mix. This compression reflects structural market changes and shifting customer preferences in a higher rate environment. Digital transformation initiatives are mitigating this pressure through efficiencies, but continued compression requires ongoing improvements to maintain profitability. BFS faces challenges from both traditional competitors and fintechs, with potential further margin erosion as rates decline.

**Execution Risk**: Strategic transformation initiatives carry significant complexity, particularly MAM's green investment transition and BFS's digital transformation. Recent results show progress, but these multi-year programs demand sustained focus and investment. The green investment shift created earnings volatility in FY24 before contributing to MAM's strong 1H25 performance, illustrating business model transition risks. Technology programs similarly carry integration risks and potential operational disruption, requiring careful change management to realize projected benefits.

**Regulatory Evolution**: Macquarie navigates an evolving regulatory landscape affecting capital requirements and compliance standards. Pillar Two global minimum tax implementation could impact international operations, though management expects minimal material impact. Banking operations must address both Australian and international requirements, with APRA maintaining conservative standards. While Macquarie's strong capital position (CET1 ratio of 12.8%) buffers against regulatory changes, increasing requirements could constrain growth and returns, particularly in capital-intensive activities.

### 4.5 Competitive Landscape

| Competitor | Competitive Positioning |
|---|---|
| **Commonwealth** | Dominant Australian retail banking franchise; superior digital banking platform; strong deposit base; higher ROE (14.1%); limited international diversification; less alternative asset exposure; views Macquarie as specialist competitor rather than full-service rival |
| **BlackRock** | Largest global asset manager ($10T+ AUM); dominant ETF platform; advanced technology (Aladdin); scale advantages; lower infrastructure expertise; smaller private markets platform; limited banking capabilities; views Macquarie as specialist competitor in infrastructure and real assets |
| **Goldman Sachs** | Premier global investment banking brand; stronger capital markets capabilities; leading advisory franchise; higher trading revenues; less developed asset management infrastructure platform; smaller lending book; less presence in Asia-Pacific; views Macquarie as regional competitor |
| **Brookfield** | Larger infrastructure platform ($900B+ AUM); broader real asset portfolio; similar operational approach; less diversified business model; more limited banking capabilities; higher leverage; direct competitor in infrastructure investing; similar investment philosophy |

The competitive landscape for Macquarie represents a complex matrix of specialized rivals across different business segments rather than direct head-to-head competition with any single institution. In Australian banking operations, Macquarie faces intense competition from the "Big Four" banks, particularly Commonwealth Bank, which maintains dominant market share and superior retail banking profitability. While Macquarie has successfully grown its mortgage portfolio 12% year-on-year to $129.9 billion, it remains significantly smaller than the major Australian banks and must compete through digital innovation and specialized offerings rather than scale advantages.

In asset management, Macquarie competes with global giants like BlackRock that offer greater scale and broader distribution, but has established a differentiated position through its infrastructure and energy transition expertise. With $371.7 billion in Private Markets AUM, Macquarie has created a powerful network effect with proprietary deal flow, operational improvement capabilities, and institutional investor relationships. This specialization creates higher barriers to entry than traditional asset management, though competitors like Brookfield have established similar infrastructure platforms at larger scale.

In markets-facing activities, Macquarie maintains unique positioning through physical asset ownership and integration across commodities value chains. While many global investment banks have scaled back commodity trading due to regulatory constraints, CGM has maintained its comprehensive platform spanning physical execution, financing, and risk management. This differentiated approach has helped maintain commodities income 6% above FY22 levels despite normalized market conditions, outperforming pure financial commodity traders who lack physical capabilities.

Macquarie's evolution reflects broader industry trends toward specialization and expertise-based differentiation as traditional financial intermediation becomes increasingly commoditized. While universal banks struggle with returns below their cost of capital across multiple business lines, Macquarie's segment-specific focus enables superior returns in selected niches. This positioning between traditional banking, investment banking, and specialized asset management creates a unique competitive profile with relatively few direct competitors across its full business spectrum.

## 5 Latest Results & Updates

Macquarie Group delivered strong half-year results with profit increasing 14% to $1,612 million compared to the prior corresponding period. This improvement was primarily driven by Macquarie Asset Management, which saw a significant 68% increase in net profit contribution to $684 million due to higher performance fees and stronger investment returns. The annuity-style businesses collectively increased their contribution by 26% to $1,614 million, successfully offsetting a 10% decline in markets-facing activities, which generated $1,407 million.

| Key Metrics | 1H25 | 1H24 | Chg% |
|---|---|---|---|
| Net operating income ($m) | 8,216 | 7,910 | +4.0% |
| Net interest income ($m) | 1,669 | 1,633 | +2.2% |
| Fee and commission income ($m) | 3,300 | 3,023 | +9.2% |
| Net trading income ($m) | 2,460 | 2,612 | -5.8% |
| Operating expenses ($m) | 5,919 | 5,919 | 0.0% |
| Operating profit before tax ($m) | 2,297 | 1,991 | +15.4% |
| Profit after income tax ($m) | 1,611 | 1,404 | +14.7% |
| Basic earnings per share (cents) | 424.6 | 369.2 | +15.0% |
| Dividend per share ($) | 2.60 | 2.55 | +2.0% |
| Annuity-style contribution ($m) | 1,614 | 1,285 | +25.6% |
| Markets-facing contribution ($m) | 1,407 | 1,565 | -10.1% |
| Return on equity (annualized) | 9.9% | 8.5% | +1.4pp |
| Expense-to-income ratio | 72.0% | 74.8% | -2.8pp |

Net operating income increased by 4% to $8,216 million, with fee and commission income growing strongly (+9.2%) while trading income declined (-5.8%) amid normalized market conditions. Operating expenses remained flat at $5,919 million, resulting in an improved expense-to-income ratio of 72.0% compared to 74.8% in the prior corresponding period.

The Group maintained its strong financial position with total assets growing to $414.3 billion, though the Group capital surplus decreased slightly to $9.8 billion from $10.7 billion in March 2024. The Common Equity Tier 1 capital ratio stood at 12.8%, well above regulatory requirements despite a modest decrease from 13.6% at year-end. The Board declared an interim dividend of $2.60 per share, representing a payout ratio of 61%, and extended the $2 billion share buyback program for another 12 months.

International operations remained strong, with 65% of income generated outside Australia, providing diversification benefits in challenging market conditions. Management maintains a cautiously optimistic outlook while acknowledging persistent market challenges, particularly subdued volatility in commodity markets affecting CGM's performance.

### 5.1 Performance by Segment

Macquarie Asset Management (MAM) delivered exceptional performance with net profit contribution surging 68% year-on-year to $684 million. This improvement was primarily driven by increased performance fees from Private Markets-managed funds (+70.8% to $403 million), higher net income on equity, debt and other investments driven by green asset realizations, and increased share of profits from associates and joint ventures. Assets under management decreased slightly by 2% to $916.8 billion from March 2024, affected by unfavorable foreign exchange movements and outflows in equity strategies, partially offset by favorable market movements. MAM continues to focus on transitioning its green investments to a fiduciary model, with this evolution showing positive momentum after initial volatility in FY24.

| MAM | 1H25 | 1H24 | Chg% |
|---|---|---|---|
| Net profit contribution ($m) | 684 | 407 | +68.0% |
| Assets under management ($b) | 916.8 | 892.6 | +2.7% |
| Base fees ($m) | 1,448 | 1,417 | +2.2% |
| Performance fees ($m) | 403 | 236 | +70.8% |
| Equity raised during period ($b) | 7.2 | - | - |
| **BFS** | **1H25** | **1H24** | **Chg%** |
| Net profit contribution ($m) | 650 | 638 | +2.0% |
| Loan portfolio ($b) | 150.4 | 135.4 | +11.1% |
| Home loan portfolio ($b) | 129.9 | 116.0 | +12.0% |
| Business banking loans ($b) | 16.6 | 15.0 | +10.7% |
| BFS deposits ($b) | 153.1 | 138.1 | +10.9% |
| Funds on platform ($b) | 152.4 | 131.3 | +16.1% |
| **CGM** | **1H25** | **1H24** | **Chg%** |
| Net profit contribution ($m) | 1,316 | 1,383 | -5.0% |
| Risk management income | Decreased | - | - |
| Inventory management & trading | Increased | Weak | - |
| Financial Markets contribution | Increased | - | - |
| Asset Finance contribution | Down | - | - |
| **Macquarie Capital** | **1H25** | **1H24** | **Chg%** |
| Net profit contribution ($m) | 371 | 430 | -14.0% |
| Private credit portfolio ($b) | 22.5+ | - | - |
| Period deployment ($b) | 5.0 | - | - |
| Fee and commission income ($m) | 671 | 628 | +6.8% |

Banking and Financial Services (BFS) showed modest profit growth of 2% to $650 million, with strong volume growth across key portfolios offset by margin pressure. The home loan book expanded 12% year-on-year to $129.9 billion, while business banking loans grew 10.7% to $16.6 billion. BFS deposits increased 10.9% to $153.1 billion, and funds on platform grew 16.1% to $152.4 billion. Operating expenses decreased, reflecting lower average headcount driven by digitalization and operational improvements, while credit quality remained sound.

Commodities and Global Markets (CGM) saw profit contribution decline 5% to $1,316 million as market volatility normalized from exceptional prior periods. Decreased risk management income in Global Gas, Power and Emissions due to subdued market volatility was partially offset by higher inventory management and trading income. Financial Markets contribution improved due to strong client hedging activity in structured foreign exchange products, while Asset Finance contribution slightly decreased due to reduced end-of-lease income.

Macquarie Capital's profit contribution decreased 14% to $371 million, primarily due to higher origination credit provisions, lower credit impairment reversals, and higher funding costs. These were partially offset by higher net gains on investments, increased net interest income on the growing private credit portfolio, and higher fee and commission income. The committed private credit portfolio continued its strong growth to over $22.5 billion, with approximately $5 billion deployed during the half.

### 5.2 Balance Sheet & Financial Position

| **Balance Sheet ($m)** | **Sep 2024** | **Mar 2024** | **Chg%** |
|---|---|---|---|
| Total assets | 414,315 | 403,404 | +2.7% |
| Loan assets | 187,064 | 176,371 | +6.1% |
| Deposits | 158,472 | 148,416 | +6.8% |
| Cash and bank balances | 19,109 | 31,855 | -40.0% |
| Total liabilities | 381,481 | 369,408 | +3.3% |
| Net assets | 32,834 | 33,996 | -3.4% |
| Shareholders' equity | 32,299 | 33,481 | -3.5% |
| CET1 capital ratio (APRA) | 12.8% | 13.6% | -0.8pp |
| Leverage ratio (APRA) | 5.0% | 5.2% | -0.2pp |
| Net tangible assets per share | $75.62 | $76.32 | -0.9% |
| Group capital surplus | $9.8b | $10.7b | -8.4% |
| **Cash Flow ($m)** | **1H25** | **1H24** | **Chg%** |
| Net cash from operating activities | (1,539) | (832) | +84.9% |
| Net cash from investing activities | (872) | (1,841) | -52.6% |
| Net cash from financing activities | (308) | (2,624) | -88.3% |
| Net decrease in cash equivalents | (2,719) | (5,297) | -48.7% |
| Cash and cash equivalents (end) | 54,672 | 69,017 | -20.8% |
| Term funding raised during period | $23.6b | $15.2b | +55.3% |

Macquarie maintained a strong balance sheet position, with total assets increasing 2.7% from March 2024 to $414.3 billion. Loan assets grew 6.1% to $187.1 billion, primarily driven by growth in home loans and the private credit portfolio. Deposits increased 6.8% to $158.5 billion, providing stable funding for balance sheet expansion. Cash and bank balances decreased 40.0% to $19.1 billion, partly reflecting loan growth and share buyback activity.

The Group's capital position remains solid with a Common Equity Tier 1 (CET1) ratio of 12.8%, though this represents a decrease from 13.6% at March 2024. The Group capital surplus stood at $9.8 billion, down from $10.7 billion, but still well above regulatory requirements. The leverage ratio decreased slightly to 5.0% from 5.2%, while remaining comfortably above the regulatory minimum of 3.5%. Net tangible assets per share declined marginally to $75.62 from $76.32 at March 2024.

Liquidity metrics remained strong with the Liquidity Coverage Ratio at 194% (up from 191%) and Net Stable Funding Ratio at 110% (down from 115%), both significantly exceeding regulatory requirements. Term funding raised during the period was $23.6 billion, demonstrating strong access to global funding markets despite challenging conditions.

Operating cash flow was negative at $1,539 million, primarily due to increased loan assets and trading assets, representing typical growth-related cash utilization. Investing cash outflows were $872 million, 52.6% lower than the prior corresponding period. Financing activities showed a modest outflow of $308 million, a significant reduction from $2,624 million in 1H24, reflecting balanced funding activity compared to the prior period. The overall net decrease in cash and cash equivalents was $2,719 million, an improvement from the $5,297 million decrease in 1H24.

### 5.3 Strategic Priorities & Progress

| **Priority** | **Status and Significance** |
|---|---|
| **Green Investment Transition** | **Strong:** MAM profit up 68% YoY; transition to fiduciary model showing positive momentum after initial volatility. Critical for unlocking value in sustainable investment space. |
| **Private Credit Expansion** | **Strong:** Portfolio grown to $22.5B+; $5B deployed in 1H25; increasing contribution to Macquarie Capital. Key growth engine in structural shift to private markets. |
| **Digital Transformation** | **Progressing:** BFS operating expenses down YoY despite volume growth; expense-to-income ratio improved 2.8pp to 72.0%. Essential for operational efficiency and competitive differentiation. |
| **Business Diversification** | **Strong:** Annuity-style businesses growing 26% YoY to offset 10% markets-facing decline. Fundamental strategy providing resilience across market cycles. |
| **Capital Optimization** | **Strong:** CET1 12.8%; $9.8B capital surplus; $2B buyback extension. Balanced approach to regulatory compliance, growth funding, and shareholder returns. |
| **International Expansion** | **Stable:** 65% income from international operations; leading positions in key markets. Geographic diversification reducing concentration risk. |

Macquarie is executing multiple strategic initiatives that collectively support its evolution toward higher-value, specialized financial services activities. The green investment transition in Macquarie Asset Management is showing significant progress, with the shift from balance sheet investments to a fiduciary model contributing to MAM's 68% profit growth after initial volatility in FY24. This transition unlocks value by generating higher-multiple fee income from third-party capital while maintaining Macquarie's leadership in energy transition investment.

Private credit expansion continues at a rapid pace, with the portfolio growing to over $22.5 billion and $5 billion deployed in 1H25 alone. This growth capitalizes on the structural shift from traditional bank lending to private capital markets, creating a significant growth engine for Macquarie Capital. The strategy leverages Macquarie's credit expertise and relationships to generate attractive returns in a yield-constrained environment, while diversifying revenue beyond cyclical advisory activities.

Digital transformation, particularly in Banking and Financial Services, is yielding tangible operational improvements with expenses decreasing year-on-year despite strong volume growth across loan portfolios and deposits. These efficiency gains have contributed to the improved expense-to-income ratio of 72.0%, down from 74.8% in the prior corresponding period. Technology investments are enhancing customer acquisition and service efficiency while reducing traditional banking costs.

## 6 Financial Forecasts

| MACQUARIE GROUP FIVE-YEAR FINANCIAL FORECAST | | | | | | |
|---|---|---|---|---|---|---|
| **Key Metrics ($m)** | **FY25E** | **FY26E** | **FY27E** | **FY28E** | **FY29E** | **FY30E** |
| **Income Statement** | | | | | | |
| Net Operating Income | 17,166 | 17,780 | 18,580 | 19,620 | 20,731 | 21,910 |
| Growth (%) | +2.0 | +3.6 | +4.5 | +5.6 | +5.7 | +5.7 |
| Operating Expenses | 12,369 | 12,681 | 13,153 | 13,734 | 14,373 | 15,005 |
| Growth (%) | +2.6 | +2.5 | +3.7 | +4.4 | +4.7 | +4.4 |
| Expense/Income Ratio (%) | 72.1 | 71.3 | 70.8 | 70.0 | 69.3 | 68.5 |
| Profit before Tax | 4,797 | 5,099 | 5,427 | 5,886 | 6,358 | 6,905 |
| Growth (%) | +0.6 | +6.3 | +6.4 | +8.5 | +8.0 | +8.6 |
| Income Tax Expense | 1,425 | 1,499 | 1,580 | 1,695 | 1,818 | 1,960 |
| Effective Tax Rate (%) | 29.7 | 29.4 | 29.1 | 28.8 | 28.6 | 28.4 |
| Net Profit | 3,372 | 3,600 | 3,847 | 4,191 | 4,540 | 4,945 |
| Growth (%) | -4.3 | +6.8 | +6.9 | +8.9 | +8.3 | +8.9 |
| EPS (¢) | 887.1 | 954.3 | 1,026.2 | 1,125.7 | 1,226.2 | 1,344.4 |
| Growth (%) | -3.2 | +7.6 | +7.5 | +9.7 | +8.9 | +9.6 |
| **Segment Profit Contribution** | | | | | | |
| Macquarie Asset Management | 1,424 | 1,560 | 1,710 | 1,870 | 2,040 | 2,230 |
| Growth (%) | +17.9 | +9.5 | +9.6 | +9.4 | +9.1 | +9.3 |
| Banking and Financial Services | 1,320 | 1,385 | 1,460 | 1,545 | 1,645 | 1,750 |
| Growth (%) | +6.4 | +4.9 | +5.4 | +5.8 | +6.5 | +6.4 |
| Commodities and Global Markets | 3,126 | 3,180 | 3,290 | 3,420 | 3,550 | 3,685 |
| Growth (%) | -2.7 | +1.7 | +3.5 | +4.0 | +3.8 | +3.8 |
| Macquarie Capital | 1,181 | 1,245 | 1,320 | 1,410 | 1,500 | 1,595 |
| Growth (%) | +12.4 | +5.4 | +6.0 | +6.8 | +6.4 | +6.3 |
| Corporate Center (net) | (3,679) | (3,770) | (3,933) | (4,054) | (4,195) | (4,315) |
| **Balance Sheet & Metrics** | | | | | | |
| Total Assets ($b) | 425.6 | 450.4 | 477.8 | 507.0 | 537.9 | 570.5 |
| Growth (%) | +5.5 | +5.8 | +6.1 | +6.1 | +6.1 | +6.1 |
| Loan Assets ($b) | 193.5 | 209.3 | 226.3 | 244.8 | 264.8 | 286.4 |
| Growth (%) | +9.7 | +8.2 | +8.1 | +8.2 | +8.2 | +8.2 |
| Assets Under Management ($b) | 928.4 | 960.3 | 999.1 | 1,039.5 | 1,081.5 | 1,125.2 |
| Growth (%) | -1.1 | +3.4 | +4.0 | +4.0 | +4.0 | +4.0 |
| Net Assets ($b) | 33.3 | 34.4 | 36.0 | 37.8 | 39.9 | 42.3 |
| CET1 Ratio (%) | 12.6 | 12.5 | 12.4 | 12.3 | 12.2 | 12.1 |
| **Return Metrics & Shareholder Returns** | | | | | | |
| Return on Equity (%) | 10.1 | 10.5 | 10.8 | 11.2 | 11.5 | 11.8 |
| Dividend Per Share ($) | 6.50 | 6.70 | 7.00 | 7.45 | 7.80 | 8.30 |
| Growth (%) | +5.7 | +3.1 | +4.5 | +6.4 | +4.7 | +6.4 |
| Payout Ratio (%) | 61.5 | 63.0 | 65.0 | 67.0 | 69.0 | 70.0 |
| Dividend Yield (%)* | 3.3 | 3.4 | 3.5 | 3.7 | 3.9 | 4.2 |

*Based on share price of $200.00 as of reporting date

### 6.1 Forecast Assumptions & Inflection Points

Our financial forecasts reflect Macquarie's business evolution through a transitional period in global financial markets, with gradual improvement driven by strategic initiatives and operational enhancements. We identify several key inflection points and assumptions that shape the five-year outlook:

1. **Asset Management Growth**

   Macquarie Asset Management is projected to deliver 9-10% annual growth, driven by increasing institutional demand for infrastructure and energy transition investments. The segment's 68% profit growth in 1H25 demonstrates strong momentum following the successful transition of green investments to a fiduciary model. We forecast continued strength in performance fees, though at more moderate levels than the exceptional 70.8% growth seen in 1H25. MAM's specialized expertise in infrastructure creates defensible competitive advantages, while private markets fundraising momentum supports steady AUM growth of 3-4% annually. The segment's high-margin fee income drives disproportionate contribution to profit growth, with operating margins expanding from 35% to 37% over the forecast period.

2. **Banking Digitalization Benefits**

   Banking and Financial Services is projected to achieve 5-6% annual growth through continued volume expansion partially offset by margin pressure. The segment's 11.1% loan portfolio growth in 1H25 demonstrates strong customer acquisition momentum, particularly in home loans (+12.0%) and business banking (+10.7%). Digital transformation initiatives are expected to yield increasing operational efficiencies, with the expense-to-income ratio improving from 72.0% to 68.5% by FY30. These efficiency gains will be critical to offset ongoing margin compression from competition and changing portfolio mix. We project BFS operating margins to expand modestly from 41% to 43% over the forecast period, with accelerating profit growth in the later years as efficiency benefits compound.

3. **Markets-Facing Normalization**

   Commodities and Global Markets faces a structural adjustment as volatility normalizes from the exceptional levels seen in FY23. The segment's 5% profit decline in 1H25 reflects this "new normal" baseline, with risk management income particularly affected by subdued market conditions. We project modest 3-4% annual growth from this reset level, rather than expecting a return to FY23's extraordinary performance. CGM's specialized expertise in commodities and integrated capabilities across physical and financial markets provide competitive advantages, but trading conditions are expected to remain challenging. Financial Markets and Asset Finance provide diversification within CGM, with the former showing growth potential from client hedging and structured products.

4. **Private Credit Expansion**

   Macquarie Capital's private credit portfolio has grown to over $22.5 billion, with $5 billion deployed in 1H25 alone. This expansion represents a multi-year growth opportunity as institutional investors seek yield in a challenging rate environment and traditional banks reduce corporate lending exposure. We project continued strong growth in this portfolio, though with deployment pace moderating to a more sustainable level. The private credit business combines attractive returns with more stable income characteristics than traditional advisory services, which face cyclical challenges. We forecast Macquarie Capital to deliver 5-6% annual profit growth, accelerating as the private credit portfolio seasoning increases net interest income contribution.

5. **Expense Management**

   The expense-to-income ratio is projected to improve gradually from 72.1% in FY25 to 68.5% by FY30, driven by digital transformation benefits, operating leverage, and disciplined cost management. This improvement represents a crucial driver of profitability enhancement, with each 100bps of ratio improvement adding approximately $170-200 million to annual profit. Technology investments will remain significant at $1.0-1.2 billion annually, though with a shifting focus from build to run phases as digital platforms mature. Headcount is expected to remain relatively stable while supporting business growth, reflecting productivity improvements across operations.

6. **Capital Management**

   Macquarie's strong capital position (CET1 ratio of 12.8% in 1H25) provides flexibility for both business growth and shareholder returns. We project a modest decline in CET1 ratio to 12.1% by FY30 as excess capital is deployed for growth opportunities and returned to shareholders, while remaining well above regulatory requirements. The dividend payout ratio is expected to expand gradually from 61.5% to 70.0

7. **Return Profile Evolution**

   Return on equity is projected to improve from 10.1% in FY25 to 11.8% by FY30, reflecting both enhanced operational performance and disciplined capital management. This represents a gradual recovery toward historical levels, though remaining below pre-pandemic peaks of 14-16% due to structural changes in the financial services industry. The improvement is driven by three key factors: operational efficiencies from digital transformation initiatives, increasing contribution from higher-margin asset management activities, and optimized capital deployment. While modest by historical standards, this ROE trajectory significantly exceeds most traditional banking competitors.

**Key Macroeconomic Assumptions:**

- Global GDP Growth: 3.0% in 2025, gradually normalizing toward long-term trend of 2.5-3.0%
- Interest Rates: Beginning to decline in early 2025, with RBA cutting 25bps in Q1 2025 and Fed cutting 125bps through 2025
- Inflation: Moderating but remaining above central bank targets through 2025, gradually approaching targets by 2026-27
- Market Volatility: Continuing to normalize from exceptional FY23 levels, with potential for periodic spikes
- Infrastructure Investment: Sustained growth in institutional allocation, particularly in energy transition
- Housing Market: Australian house prices rising cumulatively 10% over 2024-25, supporting mortgage growth

**END OF REPORT**