



## **ASX/Media Release**

### **MACQUARIE RESPONDS TO APRA ANNOUNCEMENT**

**SYDNEY, 24 July 2019** – Macquarie Group Limited (“Macquarie” or “MGL”; ASX: MQG; ADR: MQBKY) notes today’s APRA announcement, which relates to intra-group funding provided to Macquarie Bank Limited (“MBL”).

MGL raises long-term funding and places surplus funds with MBL, in the form of intra-group loans. Over the past year, these loans have represented around 10-15% of MBL’s total funding and have been included in the calculation of MBL’s Liquidity Coverage Ratio (LCR) according to their contractual tenor. They are documented under a master loan agreement, in place since 2007, which included a material adverse change (“MAC”) clause.

APRA has recently clarified that the existence of a material adverse change (“MAC”) clause in the master loan agreement between MGL and MBL means that repayment of intra-group funding could be accelerated and thereby fall short of the LCR horizon of 30 days.

Macquarie has removed the MAC clause to restore the contractual tenor of the loans and ensure there will be no impact on MBL’s LCR calculation going forward. Macquarie will restate its historical LCR dating back to 1 July 2017 to reflect APRA’s interpretation of the MAC clause. The historical restatements have no impact on the overall financial or capital position of the consolidated Group.

It is likely that MBL’s recalculated LCRs will show a historical non-compliance with APRA LCR requirements. Had MGL and MBL been aware of APRA’s interpretation of the MAC clause, they would have removed the clause earlier to ensure the funding counted toward MBL’s LCR.

On a *pro forma* basis following the removal of the MAC clause, and thereby reflecting current arrangements, MBL’s average LCR for the June 2019 quarter stood at 166% and for all prior quarters would have been as reported at the time.

Macquarie notes APRA’s comment that MBL is financially sound and maintains a strong liquidity and funding position. Macquarie will take this opportunity to work with APRA on intra-group arrangements between MGL and MBL and address any remaining concerns.

### **Contacts**

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