

# Pillar 3 disclosures

Macquarie Bank  
December 2020



# Introduction

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## **ASX Release**

### **MACQUARIE BANK RELEASES DECEMBER PILLAR 3 DISCLOSURE DOCUMENT**

24 Feb 2021 - The Macquarie Bank Limited December 2020 Pillar 3 disclosure document was released today on the Macquarie website [www.macquarie.com](http://www.macquarie.com). These disclosures have been prepared in accordance with the Australian Prudential Regulation Authority (APRA) requirements of Prudential Standard APS 330: Public Disclosure.

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# Introduction

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# Introduction

Macquarie Bank Limited (MBL) is an Authorised Deposit-taking Institution (ADI) regulated by the Australian Prudential Regulation Authority (APRA). MBL is accredited under the Foundation Internal Ratings Based Approach (FIRB) for credit risk, the Advanced Measurement Approach (AMA) for operational risk, the Internal Model Approach (IMA) for market risk and interest rate risk in the banking book. These advanced approaches place a higher reliance on a bank's internal capital measures and therefore require a more sophisticated level of risk management and risk measurement practices.

APRA has implemented the Basel III framework, and in some areas has gone further by introducing stricter requirements (APRA superequivalence). This report details MBL's disclosures as required by APRA Prudential Standard APS 330: Public Disclosure as at 31 December 2020 together with the 30 September 2020 comparatives where appropriate. The most recent full Pillar 3 disclosure document as at 30 September 2020 is also available on the Macquarie website at [www.macquarie.com](http://www.macquarie.com).

This report provides an update to certain disclosures as required by APS 330 as at 31 December 2020 and consists of sections covering:

- Capital Adequacy;
- Credit Risk Measurement;
- Provisioning;
- Securitisation;
- Leverage Ratio Disclosures; and
- Liquidity Coverage Ratio Disclosures.

## Capital, Liquidity and Leverage Ratios

### APS 330 Table 3(f)

	As at 31 December 2020	As at 30 September 2020
<b>Capital, Liquidity and Leverage Ratios - Level 2 regulatory group <sup>(1)</sup></b>		
Common Equity Tier 1 capital ratio <sup>(1)</sup>	12.1%	13.5%
Tier 1 capital ratio <sup>(1)</sup>	13.9%	15.4%
Total capital ratio <sup>(1)</sup>	17.0%	18.9%
Leverage ratio	5.2%	5.9%
Liquidity coverage ratio <sup>(2)</sup>	171.6%	175.6%

<sup>(1)</sup> The Macquarie Level 2 regulatory group capital and liquidity ratios are above the regulatory minimum required by APRA, and the Board imposed internal minimum requirement.

<sup>(2)</sup> The Liquidity Coverage Ratio for the 3 months to 31 December 2020 is calculated from 63 daily LCR observations (30 September 2020 is calculated from 65 daily LCR observations).

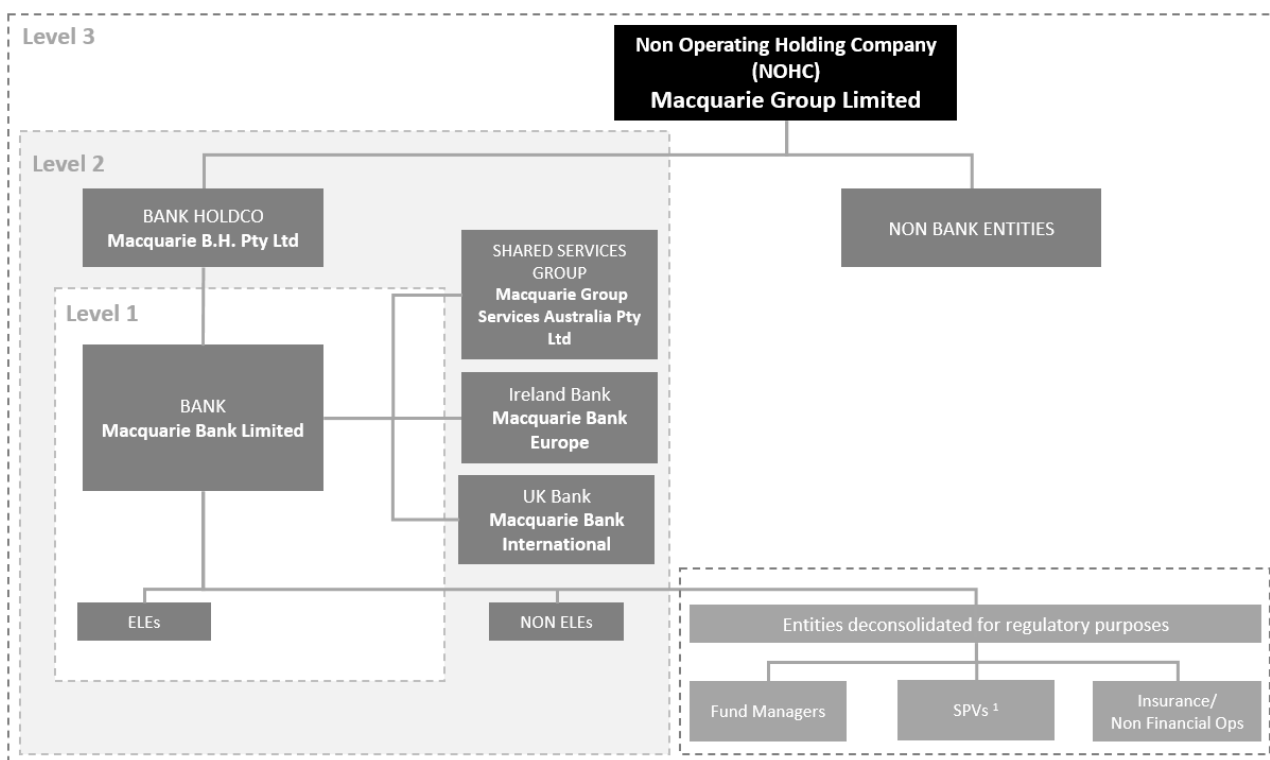
# 1.0 Overview

## 1.1 Scope of Application

MBL, as an approved ADI, is required to comply with the disclosure requirements of APS 330 on a Level 2 basis, as described below.

### 1.1.1 Macquarie Regulatory Group

The regulatory consolidated group is different to the accounting consolidated group and identifies three different levels of consolidation as illustrated below:



1. These are securitisation vehicles that achieve Regulatory Capital Relief per APS 120.

Reporting levels are in accordance with APRA definitions contained in APRA Prudential Standard APS 110: Capital Adequacy. References in this report to Macquarie refer to the Level 2 regulatory group as described above. Unless otherwise stated, all disclosures in this report represent the Level 2 regulatory group prepared on an APRA Basel III basis.

## 1.2 Report Conventions

The disclosures in this report are not required to be audited by an external auditor. However, the disclosures have been prepared on a basis consistent with information submitted to APRA. Under the APRA Prudential Standard APS 310: Audit and Related Matters the information submitted to APRA is required to be either audited or reviewed by an external auditor at Macquarie's year end, being 31 March.

Averages have been prepared in this report for certain disclosures as required by APS 330.

All numbers in this report are in Australian Dollars and have been rounded to the nearest million, unless otherwise stated.

Where necessary, comparative information has been restated to conform with changes in presentation in the current period.

## 2.0 Capital Adequacy

RWA are a risk based measure of exposures used in assessing overall capital usage of the Level 2 regulatory group. When applied against eligible regulatory capital the overall capital adequacy ratio is determined. RWA are calculated in accordance with APRA Prudential Standards.

The table below sets out the RWA exposures for the Macquarie Level 2 regulatory group.

**APS 330 Table 3(a-e)**

	As at 31 December 2020	As at 30 September 2020
<b>Credit risk</b>		
Subject to IRB approach		
Corporate	25,469	23,603
SME Corporate	4,730	4,383
Sovereign	885	491
Bank	1,494	1,349
Residential Mortgages	20,442	19,030
Other Retail	3,514	3,725
Retail SME	2,983	3,143
<b>Total RWA subject to IRB approach</b>	<b>59,517</b>	<b>55,724</b>
<b>Specialised lending exposures subject to slotting criteria<sup>(1)</sup></b>	<b>6,411</b>	<b>6,114</b>
Subject to Standardised approach		
Corporate	95	225
Residential Mortgages	698	705
Other Retail	1,439	1,463
<b>Total RWA subject to Standardised approach</b>	<b>2,232</b>	<b>2,393</b>
<b>Credit risk RWA for securitisation exposures</b>	<b>790</b>	<b>705</b>
<b>Credit Valuation Adjustment RWA</b>	<b>4,499</b>	<b>6,033</b>
<b>Exposures to Central Counterparties RWA</b>	<b>701</b>	<b>752</b>
<b>RWA for Other Assets</b>	<b>3,389</b>	<b>2,245</b>
<b>Total Credit risk RWA</b>	<b>77,539</b>	<b>73,966</b>
<b>Market risk RWA</b>	<b>4,620</b>	<b>4,280</b>
<b>Operational risk RWA</b>	<b>10,517</b>	<b>10,521</b>
<b>Interest rate risk in the banking book RWA</b>	<b>–</b>	<b>–</b>
<b>Total RWA</b>	<b>92,676</b>	<b>88,767</b>

<sup>(1)</sup> Specialised lending exposures subject to supervisory slotting criteria are measured using APRA determined risk weightings.



## 3.0 Credit Risk Measurement

### 3.1 Macquarie's Credit Risk Exposures

Disclosures in this section have been prepared on a gross credit risk exposure basis. Gross credit risk exposure reflects the potential loss that Macquarie could incur as a result of a default by an obligor. The gross credit risk exposures are calculated as the amount outstanding on drawn facilities and the exposure at default on undrawn facilities along with derivatives and repurchase agreements. The exposure at default is calculated in a manner consistent with APRA Prudential Standards.

Exposures have been based on the Level 2 regulatory group as defined in Section 1.1. The gross credit risk exposures in this section will differ from the disclosures in the MBL and its subsidiaries, the Consolidated Entity financial report as gross credit risk exposures include off balance sheet exposures but exclude the exposures of subsidiaries which have been deconsolidated for APRA reporting purposes.

The exposures below exclude the impact of:

- credit risk mitigation;
- securitisation exposures;
- CVA;
- central counterparty exposures;
- trading book on balance sheet exposures; and
- equity exposures.

The following tables set out the total gross credit risk exposures per the above description for the Level 2 regulatory group, classified by Basel III portfolio type and credit exposure type.

**APS 330 Table 4(a)**

Portfolio Type	As at 31 December 2020	As at 30 September 2020	Average Exposures for the 3 months <sup>(6)</sup> \$m
Corporate <sup>(1)(2)</sup>	48,173	44,530	46,351
SME Corporate <sup>(1)(3)</sup>	6,939	6,275	6,607
Sovereign	11,206	5,255	8,230
Bank	7,591	6,755	7,173
Residential Mortgages	77,245	71,054	74,150
Other Retail	8,404	8,685	8,545
Retail SME	4,594	4,707	4,651
Other Assets <sup>(4)</sup>	5,874	7,106	6,490
<b>Total Gross Credit Exposure</b>	<b>170,026</b>	<b>154,367</b>	<b>162,197</b>

<sup>(1)</sup> The EAD figures have been reclassified for the Business Banking portfolio, with balances now reflected in the SME Corporate line (moved from the Corporate line). Comparatives as at 30 September 2020 have been restated.

<sup>(2)</sup> Corporate includes specialised lending exposure of \$4,631 million as at 31 December 2020 (30 September 2020: \$4,660 million).

<sup>(3)</sup> SME Corporate includes specialised lending exposure of \$1,949 million as at 31 December 2020 (30 September 2020: \$1,722 million).

<sup>(4)</sup> The major components of Other Assets are related party exposures, unsettled trades and fixed assets.

<sup>(6)</sup> Average exposures have been calculated using 30 September 2020 and 31 December 2020 quarter end spot positions.

## 3.0 Credit Risk Measurement

### continued

APS 330 Table 4(a) (continued)

Portfolio Type	As at 31 December 2020	As at 30 September 2020	Average Exposures for the 3 months <sup>(5)</sup> \$m
Subject to IRB approach			
Corporate <sup>(1)(2)</sup>	48,078	44,305	46,191
SME Corporate <sup>(1)(3)</sup>	6,939	6,275	6,607
Sovereign	11,206	5,255	8,230
Bank	7,591	6,755	7,173
Residential Mortgages	76,103	69,885	72,994
Other Retail	6,908	7,154	7,031
Retail SME	4,594	4,707	4,651
<b>Total IRB approach</b>	<b>161,419</b>	<b>144,336</b>	<b>152,877</b>
Subject to Standardised approach			
Corporate	95	225	160
Residential Mortgages	1,142	1,169	1,156
Other Retail	1,496	1,531	1,514
<b>Total Standardised approach</b>	<b>2,733</b>	<b>2,925</b>	<b>2,830</b>
<b>Other Assets<sup>(4)</sup></b>	<b>5,874</b>	<b>7,106</b>	<b>6,490</b>
<b>Total Gross Credit Exposure</b>	<b>170,026</b>	<b>154,367</b>	<b>162,197</b>

<sup>(1)</sup> The EAD figures have been reclassified for the Business Banking portfolio, with balances now reflected in the SME Corporate line (moved from the Corporate line). Comparatives as at 30 September 2020 have been restated.

<sup>(2)</sup> Corporate includes specialised lending exposure of \$4,631 million as at 31 December 2020 (30 September 2020: \$4,660 million).

<sup>(3)</sup> SME Corporate includes specialised lending exposure of \$1,949 million as at 31 December 2020 (30 September 2020: \$1,722 million).

<sup>(4)</sup> The major components of Other Assets are related party exposures, unsettled trades and fixed assets.

<sup>(5)</sup> Average exposures have been calculated using 30 September 2020 and 31 December 2020 quarter end spot positions.

APS 330 Table 4(a) (continued)

	As at 31 December 2020				
	Off Balance sheet				
	On Balance Sheet \$m	Non-market related \$m	Market related \$m	Total \$m	Average Exposures for the 3 months <sup>(1)</sup> \$m
<b>Subject to IRB approach</b>					
Corporate	14,775	10,128	18,544	43,447	41,547
SME Corporate	3,897	1,093	–	4,990	4,772
Sovereign	7,681	3,334	191	11,206	8,231
Bank	2,866	1,515	3,210	7,591	7,173
Residential Mortgages	64,250	11,853	–	76,103	72,994
Other Retail	6,908	–	–	6,908	7,031
Retail SME	4,582	12	–	4,594	4,651
<b>Total IRB approach</b>	<b>104,959</b>	<b>27,935</b>	<b>21,945</b>	<b>154,839</b>	<b>146,398</b>
<b>Specialised Lending</b>	<b>3,606</b>	<b>1,022</b>	<b>1,952</b>	<b>6,580</b>	<b>6,481</b>
<b>Subject to Standardised approach</b>					
Corporate	–	95	–	95	160
Residential Mortgages	1,142	–	–	1,142	1,156
Other Retail	1,496	–	–	1,496	1,514
<b>Total Standardised approach</b>	<b>2,638</b>	<b>95</b>	<b>–</b>	<b>2,733</b>	<b>2,829</b>
<b>Other Assets</b>	<b>4,263</b>	<b>1,025</b>	<b>586</b>	<b>5,874</b>	<b>6,490</b>
<b>Total Gross Credit Exposures</b>	<b>115,466</b>	<b>30,077</b>	<b>24,483</b>	<b>170,026</b>	<b>162,197</b>

<sup>(1)</sup> Average exposures have been calculated using 30 September 2020 and 31 December 2020 quarter end spot positions.

## 3.0 Credit Risk Measurement

### continued

APS 330 Table 4(a) (continued)

	As at 30 September 2020				
	Off Balance sheet				
	On Balance Sheet \$m	Non-market related \$m	Market related \$m	Total \$m	Average Exposures for the 3 months \$m <sup>(1)</sup>
<b>Subject to IRB approach</b>					
Corporate	13,638	8,718	17,290	39,646	40,736
SME Corporate	3,692	861	–	4,553	4,480
Sovereign	2,416	2,648	191	5,255	5,124
Bank	2,479	1,594	2,682	6,755	6,739
Residential Mortgages	58,883	11,002	–	69,885	67,499
Other Retail	7,154	–	–	7,154	7,331
Retail SME	4,690	17	–	4,707	4,760
<b>Total IRB approach</b>	<b>92,952</b>	<b>24,840</b>	<b>20,163</b>	<b>137,955</b>	<b>136,669</b>
<b>Specialised Lending</b>					
	3,444	630	2,307	6,381	6,369
<b>Subject to Standardised approach</b>					
Corporate	–	225	–	225	224
Residential Mortgages	1,169	–	–	1,169	1181
Other Retail	1,531	–	–	1,531	1624
<b>Total Standardised approach</b>	<b>2,700</b>	<b>225</b>	<b>–</b>	<b>2,925</b>	<b>3,029</b>
<b>Other Assets</b>					
	5,209	999	898	7,106	6,704
<b>Total Gross Credit Exposures</b>					
	104,305	26,694	23,368	154,367	152,771

<sup>(1)</sup> Average exposures have been calculated using 30 June 2020 and 30 September 2020 quarter end spot positions.

## 4.0 Provisioning

The table below details Macquarie's impaired facilities, past due facilities and specific provisions, presented in accordance with the definitions contained in Prudential Standard APS 220: Credit Quality.

**APS 330 Table 4(b)**

	As at 31 December 2020			As at 30 September 2020		
	Impaired Facilities \$m	Past Due >90 days \$m	Specific Provisions \$m	Impaired Facilities \$m	Past Due >90 days \$m	Specific Provisions \$m
<b>Subject to IRB approach</b>						
Corporate <sup>(1)(2)</sup>	407	9	(135)	472	18	(137)
SME Corporate <sup>(1)(2)</sup>	162	66	(44)	215	35	(50)
Residential Mortgages <sup>(1)</sup>	313	224	(1)	345	251	(8)
Other Retail	113	–	(32)	133	–	(38)
Retail SME <sup>(1)</sup>	98	2	(27)	132	2	(35)
<b>Total IRB approach</b>	<b>1,093</b>	<b>301</b>	<b>(239)</b>	<b>1,297</b>	<b>306</b>	<b>(268)</b>
<b>Subject to Standardised approach</b>						
Residential Mortgages	–	–	–	–	–	–
Other Retail <sup>(1)</sup>	34	1	(20)	51	1	(24)
<b>Total Standardised approach</b>	<b>34</b>	<b>1</b>	<b>(20)</b>	<b>51</b>	<b>1</b>	<b>(24)</b>
<b>Other Assets</b>	<b>1</b>	<b>–</b>	<b>(1)</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>Total</b>	<b>1,128</b>	<b>302</b>	<b>(260)</b>	<b>1,348</b>	<b>307</b>	<b>(292)</b>
<b>Additional regulatory specific provisions<sup>(3)</sup></b>			<b>(417)</b>			<b>(383)</b>

<sup>(1)</sup> The (impaired facilities, past due and specific provisions) figures have been reclassified for a portion of the Business Banking portfolio, with balances now reflected in the Residential Mortgages, Retail SME and Other Retail lines (moved from the SME Corporate and Corporate lines). Comparatives as at 30 September 2020 have been restated.

<sup>(2)</sup> The (impaired facilities, past due and specific provisions) figures have been reclassified for a portion of the Business Banking portfolio, with balances now reflected in the SME Corporate line (moved from the Corporate line). Comparatives as at 30 September 2020 have been restated.

<sup>(3)</sup> Includes stage 2 provisions deemed ineligible for General Reserve for credit losses (GRCL). Combined with \$66 million (30 September 2020: \$50 million) of stage 3 provisions (which are not specific provisions on impaired facilities) primarily related to IRB Corporate and Other Retail.

## 4.0 Provisioning

### continued

APS 330 Table 4(b) (continued)

	For the 3 months to 31 December 2020		For the 3 months to 30 September 2020	
	Charges for Specific provisions \$m	Write-offs <sup>(1)</sup> \$m	Charges for Specific provisions \$m	Write-offs <sup>(1)</sup> \$m
<b>Subject to IRB approach</b>				
Corporate	(6)	–	(26)	–
SME Corporate	(3)	–	(10)	–
Residential Mortgages	–	–	–	–
Other Retail	–	–	(4)	–
Retail SME	(5)	–	(13)	–
<b>Total IRB approach</b>	<b>(14)</b>	<b>–</b>	<b>(53)</b>	<b>–</b>
<b>Subject to Standardised approach</b>				
Other Retail	(2)	–	(7)	–
<b>Total Standardised approach</b>	<b>(2)</b>	<b>–</b>	<b>(7)</b>	<b>–</b>
<b>Total</b>	<b>(16)</b>	<b>–</b>	<b>(60)</b>	<b>–</b>

<sup>(1)</sup> Under AASB 9, there are no longer direct write-offs to Income Statement. A financial asset is written-off when there is no reasonable expectation of recovering it. At the time of writing-off a financial asset it is adjusted against the Expected Credit Loss (ECL) provision created over the life of the asset and not directly written-off to Income Statement.

APS 330 Table 4(c)

	As at 31 December 2020	As at 30 September 2020
General reserve for credit losses before tax	282	282
Tax effect	(73)	(72)
<b>General reserve for credit losses (GRCL)</b>	<b>209</b>	<b>210</b>

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In accordance with APS 220 Attachment E, Macquarie has applied the regulatory capital approach specified to those loans where the COVID-19 repayment deferral was granted. Nature and terms of the financial assistance offered to customers by Macquarie under the COVID-19 support package can be seen here:

[macquarie.com/au/en/about/news/2020/comprehensive-support-package-for-australians-dealing-with-coronavirus-covid-19-impacts.html](https://www.macquarie.com/au/en/about/news/2020/comprehensive-support-package-for-australians-dealing-with-coronavirus-covid-19-impacts.html)

**Loans subject to COVID-19 payment pause as at 31 December 2020**

<b>COVID-19 Payment Pause</b>	<b>Loans Count</b>	<b>Exposure \$m</b>
Personal Banking (Home Loans and Credit Cards)	<b>1,677</b>	<b>861</b>
Vehicle and Asset Finance (inc. Wholesale)	<b>9,639</b>	<b>399</b>
Business Banking	<b>75</b>	<b>41</b>

**Loans subject to COVID-19 payment pause as at 30 September 2020**

<b>COVID-19 Payment Pause</b>	<b>Loans Count</b>	<b>Exposure \$m</b>
Personal Banking (Home Loans and Credit Cards)	6,601	3,096
Vehicle and Asset Finance (inc. Wholesale)	30,569	1,050
Business Banking	931	484

## 5.0 Securitisation

### 5.1 Securitisation Activity

Over the 3 months to 31 December 2020, Macquarie has undertaken the following securitisation activity. Macquarie may or may not retain an exposure to securitisation SPVs to which Macquarie has sold assets.

#### APS 330 Table 5(a)

Exposure type	For the 3 months to 31 December 2020		Recognised gain or loss on sale \$m
	Value of loans sold or originated into securitisation		
	ADI originated \$m	ADI as sponsor \$m	
<b>Banking Book</b>			
Residential Mortgages	6,333	–	–
Credit cards and other personal loans	–	–	–
Auto and equipment finance	610	–	–
Other	–	–	–
<b>Total Banking Book</b>	6,943	–	–
<b>Trading Book</b>			
Residential Mortgages	–	–	–
Credit cards and other personal loans	–	–	–
Auto and equipment finance	–	–	–
<b>Total Trading Book</b>	–	–	–

	For the 3 months to 30 September 2020			
	Value of loans sold or originated into securitisation			Recognised gain or loss on sale
Exposure type	ADI originated \$m	ADI as sponsor \$m		\$m
<b>Banking Book</b>				
Residential Mortgages	5,214	–		–
Credit cards and other personal loans	–	–		–
Auto and equipment finance <sup>(1)</sup>	544	–		–
Other	–	–		–
<b>Total Banking Book</b>	<b>5,758</b>	<b>–</b>		<b>–</b>
<b>Trading Book</b>				
Residential Mortgages	–	–		–
Credit cards and other personal loans	–	–		–
Auto and equipment finance	–	–		–
<b>Total Trading Book</b>	<b>–</b>	<b>–</b>		<b>–</b>

<sup>(1)</sup> Exposures included in Auto and equipment finance that have been transferred from warehouse structures to term structures, may also have been originated to the warehouse within the same period. This would result in those exposures being included twice.



## 5.0 Securitisation

### continued

#### 5.2 Exposure Arising from Securitisation Activity by Asset Type

The table below sets out the on and off balance sheet securitisation exposures retained or purchased, broken down by exposure type.

APS 330 Table 5(b)

Exposure type	As at 31 December 2020		
	Total outstanding exposures securitised <sup>(1)</sup>		
	On balance sheet \$m	Off balance sheet \$m	Total exposures \$m
<b>Banking Book</b>			
Residential Mortgages	44,115	1	44,116
Credit cards and other personal loans <sup>(2)</sup>	234	–	234
Auto and equipment finance	3,363	217	3,580
Other	247	136	383
<b>Total Banking Book</b>	<b>47,959</b>	<b>354</b>	<b>48,313</b>
<b>Trading Book</b>			
Residential Mortgages	–	–	–
Credit cards and other personal loans	–	–	–
Auto and equipment finance	–	–	–
Other	–	–	–
<b>Total Trading Book</b>	<b>–</b>	<b>–</b>	<b>–</b>

<sup>(1)</sup> Included in the above are assets of \$45,358 million in securitisation entities where Macquarie continues to hold capital behind the underlying pool of securitised assets in Level 2 regulatory group.

<sup>(2)</sup> Relates to invested securitisation positions.

Exposure type	As at 30 September 2020		
	Total outstanding exposures securitised <sup>(1)</sup>		
	On balance sheet \$m	Off balance sheet \$m	Total exposures \$m
<b>Banking Book</b>			
Residential Mortgages	39,603	3	39,606
Credit cards and other personal loans <sup>(2)</sup>	378	–	378
Auto and equipment finance	3,435	5	3,440
Other	290	146	436
<b>Total Banking Book</b>	<b>43,706</b>	<b>154</b>	<b>43,860</b>
<b>Trading Book</b>			
Residential Mortgages	–	–	–
Credit cards and other personal loans	–	–	–
Auto and equipment finance	–	–	–
Other	–	–	–
<b>Total Trading Book</b>	<b>–</b>	<b>–</b>	<b>–</b>

<sup>(1)</sup> Included in the above are assets of \$40,867 million in securitisation entities where Macquarie continues to hold capital behind the underlying pool of securitised assets in Level 2 regulatory group.

<sup>(2)</sup> Relates to invested securitisation positions.

## 6.0 Leverage Ratio Disclosures

The leverage ratio is a non-risk based ratio that is intended to restrict the build-up of excessive leverage in the banking system and acts as a supplementary measure to create a back-stop for the risk-based capital requirements.

The Basel Committee on Banking Supervision (BCBS), in December 2017, confirmed that the leverage ratio will have a minimum regulatory requirement of 3%, effective from 1 January 2018. In November 2019, APRA released a draft standard on the leverage ratio which included a minimum leverage ratio requirement of 3.5% for IRB banks. These changes are proposed to apply from 1 January 2023.

Macquarie Level 2 regulatory group's December 2020 APRA leverage ratio has decreased by (0.7)% from the September 2020 APRA leverage ratio of 5.9%. This is primarily driven by the increase in on-balance sheet exposures and decrease in capital during the period.

### Summary leverage ratio

	31 December 2020 \$m	30 September 2020 \$m	30 June 2020 \$m	31 March 2020 \$m
<b>Capital and total exposures</b>				
Tier 1 Capital	12,855	13,699	13,522	12,968
Total exposures	245,166	233,135	225,591	228,058
<b>Leverage ratio</b>				
Macquarie Level 2 regulatory group Leverage ratio	5.2%	5.9%	6.0%	5.7%

## 7.0 Liquidity Coverage Ratio Disclosures

### Liquidity Coverage Ratio disclosure template

#### APS 330 Table 20

Liquidity Coverage Ratio disclosure template	For the 3 months to 31 December 2020		For the 3 months to 30 September 2020	
	Total unweighted value (average) \$m	Total weighted value (average) \$m	Total unweighted value (average) \$m	Total weighted value (average) \$m
<b>Liquid assets, of which:</b>				
1 High quality liquid assets (HQLA)	*	24,700	*	24,532
2 Alternative liquid assets (ALA)	*	9,341	*	9,426
3 Reserve Bank of New Zealand (RBNZ) securities	*	–	*	–
<b>Cash outflows</b>				
4 Retail deposits and deposits from small business customers, of which:	54,565	5,477	52,347	5,220
5 Stable deposits	18,856	943	17,770	889
6 Less stable deposits	35,709	4,534	34,577	4,331
7 Unsecured wholesale funding, of which:	24,502	14,796	23,900	15,208
8 Operational deposits (all counterparties) and deposits in networks for cooperative banks	6,708	1,669	6,283	1,566
9 Non-operational deposits (all counterparties)	16,234	11,567	15,625	11,650
10 Unsecured debt	1,560	1,560	1,992	1,992
11 Secured wholesale funding	*	935	*	1,126
12 Additional requirements, of which:	23,083	9,124	20,495	8,404
13 Outflows related to derivatives exposures and other collateral requirements	7,640	7,640	7,162	7,162
14 Outflows related to loss of funding on debt products	212	212	183	183
15 Credit and liquidity facilities	15,231	1,272	13,150	1,059
16 Other contractual funding obligations	13,163	13,135	12,480	12,461
17 Other contingent funding obligations	9,292	514	8,736	487
18 <b>Total cash outflows</b>	*	43,981	*	42,906
<b>Cash Inflows</b>				
19 Secured lending (e.g. reverse repos)	28,334	5,648	28,891	5,652
20 Inflows from fully performing exposures	3,358	2,890	3,319	2,830
21 Other cash inflows	15,609	15,609	15,089	15,089
22 <b>Total cash inflows</b>	47,301	24,147	47,299	23,571
23 <b>Total liquid assets</b>	*	34,041	*	33,958
24 <b>Total net cash outflows</b>	*	19,834	*	19,335
25 <b>Liquidity Coverage Ratio (%)<sup>(1)</sup></b>	*	171.6%	*	175.6%

\* Undisclosed

<sup>(1)</sup> The LCR for the 3 months to 31 December 2020 is calculated from 63 daily LCR observations (3 months to 30 September 2020 was calculated from 65 daily LCR observations).

## 7.0 Liquidity Coverage Ratio Disclosures

### continued

#### The Liquidity Coverage Ratio (LCR)

The LCR requires unencumbered liquid assets be held to cover expected net cash outflows (NCOs) under a regulatory-defined stress scenario lasting 30 calendar days. Macquarie's 3 month average LCR to 31 December 2020 was 171.6% (based on 63 daily observations). This was a decrease of 4.0% from the average for the 3 months to 30 September 2020, as a result of an increase in NCOs partially offset by an increase in liquid assets.

Liquidity management is performed centrally by Group Treasury, with oversight from the Asset and Liability Committee (ALCO) and the Risk Management Group (RMG). Furthermore, the Board-approved Liquidity Policy and Risk Tolerance is designed to ensure Macquarie maintains sufficient liquidity to meet its obligations as they fall due.

Macquarie sets internal management and Board-approved minimum limits for the LCR above the regulatory minimum level and monitors its aggregate LCR position against these limits on a daily basis. Macquarie also monitors the LCR position on a standalone basis for major currencies in which it operates, with the high quality liquid assets (HQLA) portfolio being denominated and held in both Australian Dollars and a range of other currencies. This ensures that liquid assets are maintained consistent with the distribution of liquidity needs by currency, allowing for an acceptable level of currency mismatches.

Macquarie actively considers the impact of business decisions on the LCR, as well as internal liquidity metrics that form part of the broader liquidity risk management framework. Macquarie's LCR fluctuates on a daily basis as a result of normal business activities and, accordingly, ongoing fluctuations in the reported LCR are expected and are not necessarily indicative of a changing risk appetite. Some examples of factors that can influence the LCR include wholesale funding activities (such as upcoming maturities and pre-funding expected future asset growth), the degree of activity in Macquarie's capital markets facing businesses, the composition and nature of liquid asset holdings, and a variety of other external market considerations that could impact day-to-day collateral requirements.

#### Liquid Assets

In addition to cash and central bank deposits, Macquarie's liquid assets portfolio includes Australian Dollar Commonwealth Government and semi-Government securities, foreign currency HQLA securities and Macquarie's allocations under the Committed Liquidity Facility (CLF) and the Term Funding Facility (TFF).

Macquarie's CLF allocation for calendar year 2020 of \$8,500 million, and the average undrawn balance of Macquarie's TFF allowances over the December quarter, are reflected in the disclosure template under 'Alternative Liquid Assets (ALA)'. Note the disclosed balance of \$9,341 million does not include the required 'open-repo' of internal self-securitised RMBS with the RBA (which increases cash balances in the Exchange Settlement Account (ESA) with the RBA and is considered an ongoing 'utilisation' of the CLF).

As at 31 December 2020, Macquarie has an undrawn TFF Supplementary Allowance of \$1,271 million. Macquarie also has access to the TFF Additional Allowance, the volume of which will be determined by business lending growth to April

2021. Macquarie has not included the TFF Additional Allowance in its LCR for the December quarter.

#### Net Cash Outflows (NCOs)

NCOs in the LCR include contractual and assumed cash outflows, offset by certain allowable contractual cash inflows. Some of the key drivers of Macquarie's NCOs include:

**Retail and SME deposits:** assumed regulatory outflow relating to deposits from retail and SME customers that are at-call or potentially callable within 30 days.

**Unsecured wholesale funding:** includes remaining deposits which are not received from retail or SME customers along with unsecured debt balances contractually maturing within 30 days.

**Secured wholesale funding and lending:** represent inflows and outflows from secured lending and borrowing activities contractually maturing within 30 days, such as repurchase and reverse repurchase agreements.

**Outflows relating to derivative exposures and other collateral requirements:** includes gross contractual cash outflows relating to contractually maturing derivative contracts (with gross inflows on maturing derivative contracts profiled in 'other cash inflows'). Further, contingent liquidity outflows such as potential collateral requirements from market movements, a 3-notch credit ratings downgrade and withdrawal of excess collateral placed with Macquarie are also included in this category.

**Inflows from fully performing exposures:** In Macquarie's LCR, a large component of this balance relates to excess liquidity placed on an overnight or very short-term basis with third parties (internally considered part of the cash and liquid asset portfolio).

**Other contractual funding obligations and other cash inflows:** includes other gross flows not profiled elsewhere in the LCR. The volumes in these categories are large relative to Macquarie's total cash outflows and inflows, however they include the following balances in particular:

**Segregated client funds placed with Macquarie:** Macquarie acts as a clearing agent for clients on various futures exchanges. Clients place margin with Macquarie and Macquarie places this margin either directly with the exchange, holds it in other segregated external asset accounts or retains a portion on deposit with Macquarie. Some of the balances are recorded on a gross basis on Macquarie's balance sheet and APRA require these to be profiled as gross inflows and outflows in the LCR.

**Security and broker settlement balances:** these represent securities that have been purchased or sold by Macquarie that have not yet settled and broker balances where stock has been bought or sold on behalf of clients but payment has not been made to / received from the client. APRA require these balances to be reflected on a gross basis in the LCR as 100% weighted inflows and outflows. The net effect of these balances on Macquarie's average LCR is minimal.

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# Disclaimer

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- This document may contain forward looking statements that is, statements related to future, not past, events or other matters – including, without limitation, statements regarding our intent, belief or current expectations with respect to MBL's businesses and operations, market conditions, results of operation and financial condition, capital adequacy, provisions for impairments and risk management practices. Readers are cautioned not to place undue reliance on these forward looking statements. Macquarie does not undertake any obligation to publicly release the result of any revisions to these forward looking statements or to otherwise update any forward looking statements, whether as a result of new information, future events or otherwise, after the date of this document. Actual results may vary in a materially positive or negative manner. Forward looking statements and hypothetical examples are subject to uncertainty and contingencies outside MBL's control. Past performance is not a reliable indication of future performance.  
Unless otherwise specified all information is at 31 December 2020.
- Although Pillar 3 disclosures are intended to provide transparent disclosures on a common basis the information contained in this document may not be directly comparable with other banks. This may be due to a number of factors such as:
  - The mix of business exposures between banks
  - Pillar 2 capital requirements are excluded from this disclosure but play a major role in determining both the total capital requirements of the bank and any surplus capital available.
  - Difference in implementation of Basel III framework i.e. APRA has introduced stricter requirements (APRA superequivalence).

## Appendix 1 Glossary of Terms

<b>ADI</b>	Authorised Deposit-taking Institution.
<b>Additional Tier 1 Capital</b>	A capital measure defined by APRA comprising high quality components of capital that satisfy the following essential characteristics: <ul style="list-style-type: none"> <li>– provide a permanent and unrestricted commitment of funds;</li> <li>– are freely available to absorb losses;</li> <li>– rank behind the claims of depositors and other more senior creditors in the event of winding up of the issuer; and</li> <li>– provide for fully discretionary capital distributions.</li> </ul>
<b>Additional Tier 1 deductions</b>	An amount deducted in determining Additional Tier 1 Capital, as defined in Prudential Standard APS 111 Capital Adequacy: Measurement of Capital.
<b>AMA</b>	Advanced Measurement Approach (for determining operational risk).
<b>APRA</b>	Australian Prudential Regulation Authority.
<b>ADI Prudential Standards (APS)</b>	APRA's ADI Prudential Standards. For more information refer to APRA website.
<b>Associates</b>	Associates are entities over which Macquarie has significant influence, but not control. Investments in associates may be further classified as Held for Sale ('HFS') associates. HFS associates are those that have a high probability of being sold within 12 months to external parties. Associates that are not held for sale are carried at cost and equity-accounted. Macquarie's share of the investment's post-acquisition profits and losses is recognised in the income statement and its share of post-acquisition movements in reserves is recognised within equity.
<b>Bank Group</b>	MBL and its subsidiaries.
<b>CET1</b>	Common Equity Tier 1 capital
<b>Contingent liabilities</b>	Defined in AASB 137 Provisions, Contingent Liabilities and Contingent Assets as a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity; or a present obligation that arises from past events but is not recognised because it is not probable to occur or the amount cannot be reliably measured.
<b>Central counterparty</b>	A clearing house or exchange that interposes itself between counterparties to contracts traded in one or more financial markets, becoming the buyer to every seller and the seller to every buyer, and therefore ensuring the future performance of open contracts.
<b>Common Equity Tier 1 capital</b>	A capital measure defined by APRA comprising the highest quality components of capital that fully satisfy all the following essential characteristics: <ul style="list-style-type: none"> <li>– provide a permanent and unrestricted commitment of funds,</li> <li>– are freely available to absorb losses,</li> <li>– do not impose any unavoidable servicing charge against earnings; and</li> <li>– rank behind the claims of depositors and other creditors in the event of winding up.</li> </ul> Common equity tier 1 capital comprises Paid Up Capital, Retained Earnings, and certain reserves.
<b>Common Equity Tier 1 Capital Ratio</b>	Common Equity Tier 1 Capital net of Common Equity Tier 1 deductions expressed as a percentage of RWA.
<b>Common Equity Tier 1 deductions</b>	An amount deducted in determining Common Equity Tier 1 Capital, as defined in Prudential Standard APS 111 Capital Adequacy: Measurement of Capital.
<b>CVA</b>	Credit Valuation Adjustment. The risk of mark-to-market losses on the expected counterparty risk to OTC derivatives.
<b>Deconsolidated entities</b>	Entities involved in conducting insurance, funds management and non-financial operations including special purpose vehicles (SPV) for which Macquarie has satisfied APS 120 Attachment A operational requirements for regulatory capital relief.
<b>EAD</b>	Exposure at Default – the gross exposure under a facility (the amount that is legally owed to the ADI) upon default of an obligor.
<b>EL</b>	Expected Loss, which is a function of EAD, PD and LGD.
<b>ELE</b>	Extended Licensed Entity is an entity that is treated as part of the ADI ('Level 1') for the purpose of measuring the ADI's capital adequacy and exposures to related entities. The criterion for qualification as an ELE is detailed in the APRA Prudential Standards.

## Appendix 1 Glossary of Terms

### continued

<b>FIRB</b>	Foundation Internal Ratings Based Approach (for determining credit risk)
<b>HQLA</b>	High Quality Liquid Assets
<b>Impaired assets</b>	An asset for which the ultimate collectability of principal and interest is compromised.
<b>LCR</b>	Liquidity Coverage Ratio
<b>Level 2 Regulatory Group</b>	MBL, its parent Macquarie B.H. Pty Ltd and MBL's subsidiaries but excluding deconsolidated entities for APRA reporting purposes.
<b>Level 3 Regulatory Group</b>	MGL and its subsidiaries but excluding entities required to be deconsolidated for regulatory reporting purposes.
<b>Macquarie</b>	Level 2 regulatory group
<b>Macquarie Group</b>	MGL and its subsidiaries
<b>MBL</b>	Macquarie Bank Limited ABN 46 008 583 542
<b>MBL Consolidated Group</b>	MBL and its subsidiaries
<b>NCO</b>	Net Cash Outflows
<b>NSFR</b>	Net Stable Funding Ratio
<b>Risk-weighted assets (RWA)</b>	A risk-based measure of an entity's exposures, which is used in assessing its overall capital adequacy.
<b>SME</b>	Small – Medium Enterprises
<b>SPV's</b>	Special purpose vehicles or securitisation vehicles.
<b>Tier 1 Capital</b>	Tier 1 capital comprises of (i) Common Equity Tier 1 Capital; and (ii) Additional Tier 1 Capital
<b>Tier 1 Capital Deductions</b>	Tier 1 capital deductions comprises of (i) Common Equity Tier 1 Capital deductions; and (ii) Additional Tier 1 Capital deductions.
<b>Tier 1 Capital Ratio</b>	Tier 1 Capital net of Tier 1 Capital Deductions expressed as a percentage of RWA.
<b>Tier 2 Capital</b>	A capital measure defined by APRA, comprising other components of capital which contribute to the strength of the entity.
<b>Tier 2 Capital Deductions</b>	An amount deducted in Tier 2 Capital, as defined in Prudential Standard APS 111 Capital Adequacy: Measurement of Capital.
<b>Total Capital</b>	Tier 1 Capital plus Tier 2 Capital less Total Capital Deductions.
<b>Total Capital Ratio</b>	Total Capital expressed as a percentage of RWA.

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