

MBL Basel III Pillar 3 Capital Disclosures

June 2024

Macquarie Bank Limited
ACN 008 583 542

Macquarie Bank Limited
ABN 46 008 583 542

No.1 Martin Place
Sydney NSW 2000
GPO Box 4294
Sydney NSW 1164

Telephone
Facsimile
Telex 122246
Internet <http://www.macquarie.com.au>
DX 10287 SSE
SWIFT MACQAU2S

(61 2) 8232 3333 Money Market 8232 3600 Facsimile 8232 4227
(61 2) 8232 7780 Foreign Exchange 8232 3666 Facsimile 8232 3019
Metals and Mining 8232 3444 Facsimile 8232 3590
Futures 9231 1028 Telex 72263
Debt Markets 8232 3815 Facsimile 8232 4414



**MACQUARIE
BANK**

ASX Release

MACQUARIE BANK RELEASES JUNE PILLAR 3 DISCLOSURE DOCUMENT

23 August 2024 – The Macquarie Bank Limited June 2024 Pillar 3 disclosure document was released today on the Macquarie website 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.

Contacts:

Sam Dobson, Macquarie Group Investor Relations
Lisa Jamieson, Macquarie Group Media Relations

+612 8232 9986
+612 8232 6016

Contents

Introduction.....2

1. Overview.....3

2. Risk Weighted Assets (RWA).....4

3. Credit Risk Measurement.....5

4. Provisioning.....8

5. Securitisation.....10

6. Leverage Ratio Disclosures.....12

7. Liquidity Coverage Ratio Disclosure.....13

Appendix 1 Glossary of Terms16

Disclaimer.....18

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 and 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. Operational risk is subject to the Standardised Measurement Approach (SMA).

APRA has implemented the Basel Committee's Basel III framework, and in some areas has introduced stricter requirements (APRA super equivalence). This report details MBL's disclosures as required by APRA Prudential Standard APS 330 Public Disclosure (APS 330) as at 30 June 2024 together with the 31 March 2024 comparatives where appropriate. References to Macquarie in this report refer to the Level 2 regulatory group which includes MBL, further details are provided in Section 1.1 Scope of Application.

This report outlines the key components of Macquarie's capital structure, key risk exposures and associated capital requirements. Key risk exposures include credit risk (including securitisation exposures, credit valuation adjustment, and exposures to central counterparties), market risk, operational risk and interest rate risk in the banking book.

This report also contains the reporting requirements for the leverage and liquidity coverage ratios. Macquarie's Risk Management Framework (RMF) along with the supporting frameworks and policies, and the monitoring, reporting of the RMF are described in the half year and full year Pillar 3 reports.

Ratios for Capital, Leverage and Liquidity are set out below.

APS 330 Table 3(f)

Capital, Liquidity and Leverage Ratios – Level 2 regulatory group	As at 30 June 2024	As at 31 March 2024
Common Equity Tier 1 capital ratio	12.8%	13.6%
Tier 1 capital ratio	14.6%	15.5%
Total capital ratio	20.5%	21.9%
Leverage ratio	5.2%	5.2%
Liquidity coverage ratio ^{1,2}	191%	191%

The minimum Common Equity Tier 1 (CET1) ratio in accordance with Prudential Standard APS 110 Capital Adequacy (APS 110) is 9%. This includes the industry minimum CET1 requirement of 4.5%, capital conservation buffer (CCB) of 3.75% and a countercyclical capital buffer (CCyB) of 0.75%³. The corresponding ratios for Tier 1 and Total capital are 10.5% and 12.5% respectively. APRA also requires ADIs to maintain a minimum leverage ratio of 3.5%. In addition, APRA may impose ADI-specific minimum ratios which may be higher than these levels. At 30 June 2024, 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.

¹ The Liquidity Coverage Ratio for the 3 months to 30 June 2024 is calculated from 62 daily LCR observations (31 March 2024 is calculated from 62 daily LCR observations).

² APRA imposed a 15% add-on to the Net Cash Outflow component of the LCR calculation, effective from 1 April 2021. This add-on increased to 25% from 1 May 2022. Accordingly, the 3 month average LCR to 30 June 2024 and the 3 month average LCR to 31 March 2024 includes a 25% NCO add-on.

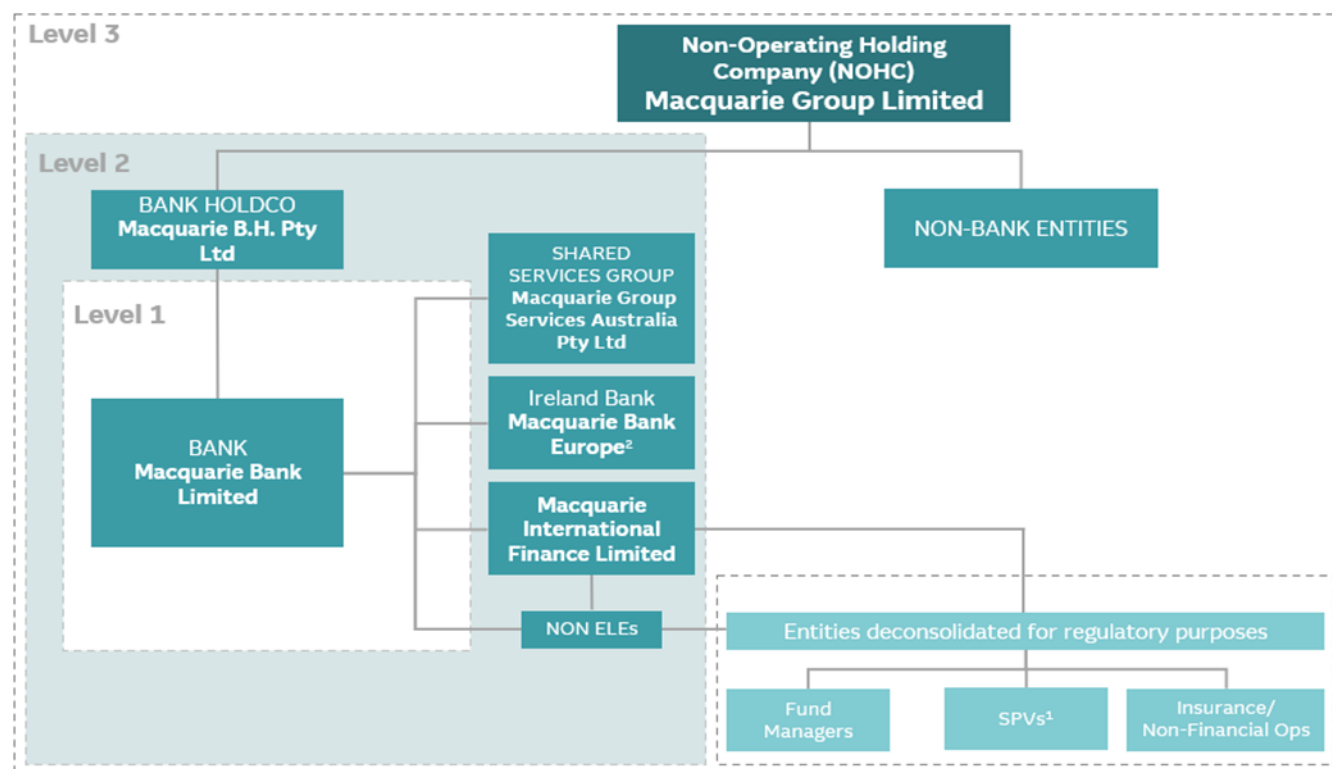
³ The CCyB of the Level 2 regulatory group as at 30 June 2024 is 0.76%, which is rounded to 0.75% for presentation purposes. The individual CCyB varies by jurisdiction and the CCyB of the Level 2 regulatory group is calculated as a weighted average based on exposures in different jurisdictions at period end.

1. 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.

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.

² Disclosure of Macquarie Bank Europe's Pillar 3 document is available on Macquarie's website <https://www.macquarie.com/au/en/investors/regulatory-disclosures.html>

Reporting levels are in accordance with APRA definitions contained in APRA Prudential Standard APS 110: Capital Adequacy.

References to Macquarie in this report refer to the Level 2 regulatory group which consists of MBL, its subsidiaries and its immediate parent (Macquarie B.H. Pty Ltd) but excludes certain subsidiaries of MBL which are required to be deconsolidated for APRA reporting purposes. 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 revised 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.

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 the current year, unless otherwise stated. Averages have been prepared in this report for certain disclosures as required by APS 330.

The Appendices include a Glossary of Terms used throughout this document.

2. Risk Weighted Assets (RWA)

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) to (e)

	As at 30 June 2024 \$m	As at 31 March 2024 \$m
Credit risk		
Subject to IRB approach		
Corporate ¹	29,858	29,478
SME Corporate	9,297	8,733
Sovereign	1,159	343
Financial Institution ²	10,466	10,601
Residential Mortgages ³	26,749	23,206
Other Retail	1,295	1,452
Retail SME	1,146	1,245
Total RWA subject to IRB approach	79,970	75,058
Specialised lending exposures subject to slotting criteria⁴	6,592	7,447
Subject to Standardised approach		
Corporate	1,787	1,996
Residential Mortgages	640	663
Other Retail	817	824
Total RWA subject to Standardised approach	3,244	3,483
Credit risk RWA for securitisation exposures	841	765
Credit Valuation Adjustment RWA	6,201	6,578
Exposures to Central Counterparties RWA	539	526
RWA for Other Assets⁵	4,494	4,393
Total Credit risk RWA	101,881	98,250
Market risk RWA⁶	11,091	10,529
Operational risk RWA	17,512	17,512
Interest rate risk in the banking book RWA	4,370	3,748
Total RWA	134,854	130,039

¹ 'Corporate' asset class includes Large Corporates.

² 'Financial Institution' asset class includes banks and other corporate financial institutions.

³ Residential mortgages RWA as at 30 June 2024 includes a \$0.8bn overlay as advised by APRA for the purpose of calibrating MBL's IRB residential mortgages model (31 March 2024: \$2.3bn).

⁴ Specialised lending exposures subject to supervisory slotting criteria are measured using APRA determined risk weightings.

⁵ The major components of Other Assets are unsettled trades, fixed assets and residual value of operating leases.

⁶ Includes the Risks-Not-In-VaR (RNIV) overlay imposed by APRA, effective from 1 January 2024.

3. Credit Risk Measurement

3.1 Macquarie's Credit Risk Exposures

Disclosures in this section have been prepared on a gross credit exposure basis. Gross credit risk exposure relates to the potential loss that Macquarie would incur as a result of a default by an obligor. The gross credit risk exposures are calculated as the exposure at default on drawn and 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 a 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 and 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.

APS 330 Table 4(a)

Portfolio Type	As at 30 June 2024	As at 31 March 2024
	\$m	\$m
Corporate ¹	54,340	57,047
SME Corporate ²	11,241	11,091
Sovereign	17,327	28,383
Financial Institution	28,096	28,011
Residential Mortgages	144,193	139,097
Other Retail	3,800	4,113
Retail SME	1,745	1,890
Other Assets ³	7,104	7,322
Total Gross Credit Exposure	267,846	276,954

¹ Corporate includes specialised lending exposure of \$6,433 million as at 30 June 2024 (31 March 2024: \$7,411 million).

² SME Corporate includes specialised lending exposure of \$169 million as at 30 June 2024 (31 March 2024: \$176 million).

³ The major components of Other Assets are unsettled trades, fixed assets and residual value of operating leases.

APS 330 Table 4(a) (continued)

	As at 30 June 2024			Total \$m	Average exposures ¹ \$m
	On balance Sheet \$m	Off balance sheet Non-market related \$m	Market related \$m		
Subject to IRB approach					
Corporate	20,348	3,653	21,069	45,070	45,828
SME Corporate	9,292	1,732	48	11,072	10,994
Sovereign	16,188	926	213	17,327	22,855
Financial Institution	6,520	10,117	11,459	28,096	28,054
Residential Mortgages	126,992	16,498	-	143,490	140,930
Other Retail	2,554	-	-	2,554	2,691
Retail SME	1,731	14	-	1,745	1,818
Total IRB approach	183,625	32,940	32,789	249,354	253,168
Specialised Lending subject to slotting criteria	2,907	816	2,879	6,602	7,095
Subject to Standardised approach					
Corporate	1,203	563	1,071	2,837	2,944
Residential Mortgages	649	54	-	703	715
Other Retail	941	305	-	1,246	1,266
Total Standardised approach	2,793	922	1,071	4,786	4,925
Other Assets	7,064	40	-	7,104	7,213
Total Gross Credit Exposures	196,389	34,718	36,739	267,846	272,400

¹ Average exposures have been calculated on 30 June 2024 and 31 March 2024 spot positions.

APS 330 Table 4(a) (continued)

	As at 31 March 2024				
	Off balance sheet				
	On balance Sheet \$m	Non-market related \$m	Market related \$m	Total \$m	Average exposures ¹ \$m
Subject to IRB approach					
Corporate	20,495	3,562	22,528	46,585	47,183
SME Corporate	9,166	1,698	51	10,915	10,854
Sovereign	23,235	4,938	210	28,383	29,768
Financial Institution	7,478	8,606	11,927	28,011	28,078
Residential Mortgages	122,505	15,865	-	138,370	137,448
Other Retail	2,827	-	-	2,827	2,901
Retail SME	1,879	11	-	1,890	1,915
Total IRB approach	187,585	34,680	34,716	256,981	258,145
Specialised Lending subject to slotting criteria	2,985	870	3,732	7,587	7,001
Subject to Standardised approach					
Corporate	1,528	663	860	3,051	3,067
Residential Mortgages	671	56	-	727	743
Other Retail	972	314	-	1,286	1,284
Total Standardised approach	3,171	1,033	860	5,064	5,093
Other Assets	7,279	43	-	7,322	6,734
Total Gross Credit Exposures	201,020	36,626	39,308	276,954	276,973

¹ Average exposures have been calculated on 31 March 2024 and 31 December 2023 spot positions.

4. Provisioning

4.1 Provisions by Counterparty Type

The table below details non-performing facilities and specific provisions.

APS 330 Table 4(b)

	As at 30 June 2024				For the 3 months to 30 June 2024	
	Gross Credit Exposure \$m	Non- Performing		Specific Provisions \$m	Charges for Specific Provisions \$m	Write- offs ¹ \$m
		< 90 Days Past Due \$m	≥ 90 Days Past Due \$m			
Subject to IRB approach						
Corporate ²	51,503	272	330	(192)	(3)	-
SME Corporate ²	11,241	132	91	(35)	-	-
Sovereign	17,327	-	-	-	-	-
Financial Institution	28,096	-	36	(36)	-	-
Residential Mortgages	143,490	522	456	(18)	-	-
Other Retail	2,554	52	18	(23)	-	-
Retail SME	1,745	36	21	(16)	(1)	-
Total IRB approach	255,956	1,014	952	(320)	(4)	-
Subject to Standardised approach						
Corporate	2,837	-	-	-	-	-
Residential Mortgages	703	-	-	-	-	-
Other Retail	1,246	13	8	(7)	-	-
Total Standardised approach	4,786	13	8	(7)	-	-
Other Assets	7,104	-	-	-	-	-
Total	267,846	1,027	960	(327)	(4)	-
Additional regulatory specific provisions				(114)		

¹ 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.

² IRB Corporate and SME Corporate include specialised lending.

APS 330 Table 4(b) (continued)

	As at 31 March 2024				For the 3 months to 31 March 2024	
	Gross Credit Exposure \$m	Non- Performing < 90 Days Past Due \$m	≥ 90 Days Past Due \$m	Specific Provisions \$m	Charges for Specific Provisions \$m	Write- offs ¹ \$m
Subject to IRB approach						
Corporate ²	53,996	258	244	(159)	(42)	-
SME Corporate ²	11,091	219	108	(63)	(8)	-
Sovereign	28,383	-	-	-	-	-
Financial Institution	28,011	-	37	(37)	-	-
Residential Mortgages	138,370	486	384	(19)	(1)	-
Other Retail	2,827	58	20	(24)	-	-
Retail SME	1,890	37	20	(17)	(4)	-
Total IRB approach	264,568	1,058	813	(319)	(55)	-
Subject to Standardised approach						
Corporate	3,051	-	-	-	-	-
Residential Mortgages	727	-	-	-	-	-
Other Retail	1,286	14	7	(9)	-	-
Total Standardised approach	5,064	14	7	(9)	-	-
Other Assets	7,322	-	-	-	-	-
Total	276,954	1,072	820	(328)	(55)	-
Additional regulatory specific provisions				(120)		

4.2 General Provisions

APS 330 Table 4(c)

	As at 30 June 2024 \$m	As at 31 March 2024 \$m
General provisions before tax	244	253
Tax effect	(69)	(72)
General provisions	175	181

¹ 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.

² IRB Corporate and SME Corporate include specialised lending.

5. Securitisation

5.1 Securitisation Activity

Over the 3 months to 30 June 2024, 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)

	For the 3 months to 30 June 2024		
	Value of loans sold or originated into securitisation		Recognised gain or loss on sale
Exposure Type	ADI originated \$m	ADI as sponsor \$m	\$m
Banking Book			
Residential Mortgages ¹	6,279	-	-
Credit cards and other personal loans	-	-	-
Auto and equipment finance ¹	207	-	-
Other	-	-	-
Total Banking Book	6,486	-	-
Trading Book			
Residential Mortgages	-	-	-
Credit cards and other personal loans	-	-	-
Auto and equipment finance	-	-	-
Total Trading Book	-	-	-

Exposure Type	For the 3 months to 31 March 2024		Recognised gain or loss on sale \$m
	Value of loans sold or originated into securitisation		
	ADI originated \$m	ADI as sponsor \$m	
Banking Book			
Residential Mortgages ¹	3,098	-	-
Credit cards and other personal loans	-	-	-
Auto and equipment finance ¹	201	-	-
Other	-	-	-
Total Banking Book	3,299	-	-
Trading Book			
Residential Mortgages	-	-	-
Credit cards and other personal loans	-	-	-
Auto and equipment finance	-	-	-
Total Trading Book	-	-	-

¹ Exposures that have been transferred between different structures may also have been originated within the same period which would result in those exposures being included twice.

5.2 Exposures Arising from Securitisation Activity by Asset Type

This table sets out the on and off-balance sheet securitisation exposures originated or purchased, broken down by asset type.

APS 330 Table 5(b)

Exposure Type	As at 30 June 2024		
	Total outstanding exposures ¹		
	On balance sheet \$m	Off balance sheet \$m	Total exposures \$m
Banking Book			
Residential Mortgages	66,595	61	66,656
Credit cards and other personal loans	76	-	76
Auto and equipment finance	3,855	-	3,855
Other	804	12	816
Total Banking Book	71,330	73	71,403
Trading Book			
Residential Mortgages	-	-	-
Credit cards and other personal loans	-	-	-
Auto and equipment finance	-	-	-
Other	-	-	-
Total Trading Book	-	-	-

Exposure Type	As at 31 March 2024		
	Total outstanding exposures ¹		
	On balance sheet \$m	Off balance sheet \$m	Total exposures \$m
Banking Book			
Residential Mortgages	66,126	27	66,153
Credit cards and other personal loans	105	-	105
Auto and equipment finance	4,280	-	4,280
Other	541	33	574
Total Banking Book	71,052	60	71,112
Trading Book			
Residential Mortgages	-	-	-
Credit cards and other personal loans	-	-	-
Auto and equipment finance	-	-	-
Other	-	-	-
Total Trading Book	-	-	-

¹ Included in the above are assets of \$67,634 million in securitisation entities where Macquarie continues to hold capital behind the underlying pool of securitised assets in Level 2 regulatory group (31 March 2024: \$67,610 million).

6. 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.

Prudential Standard APS 110 Capital Adequacy requires a minimum leverage ratio of 3.5% effective 1 January 2023. Macquarie's leverage ratio was 5.2% at 30 June 2024. There was a reduction in total exposures largely driven by a decrease in liquidity holdings, partially offset by lower Tier 1 capital, resulting in a neutral impact to the leverage ratio quarter on quarter.

	30 June 2024	31 March 2024	31 December 2023	30 September 2023
Capital and total exposures	\$m	\$m	\$m	\$m
Tier 1 Capital	19,654	20,154	19,526	19,175
Total exposures	375,429	385,318	390,366	382,147
Macquarie Level 2 regulatory group Leverage ratio	5.2%	5.2%	5.0%	5.0%

7. Liquidity Coverage Ratio Disclosure

7.1.1 Liquidity Coverage Ratio disclosure template

APS 330 Table 20

	For the 3 months to 30 June 2024		For the 3 months to 31 March 2024	
	Total unweighted value (average) \$m	Total weighted value (average) \$m	Total unweighted value (average) \$m	Total weighted value (average) \$m
Liquidity Coverage Ratio disclosure template				
Liquid assets, of which:				
1 High quality liquid assets (HQLA)		44,017		50,116
2 Alternative liquid assets (ALA)		-		-
3 Reserve Bank of New Zealand (RBNZ) securities		-		-
Cash outflows				
4 Retail deposits and deposits from small business customers, of which:	101,309	9,982	95,855	9,404
5 Stable deposits	34,501	1,725	32,472	1,624
6 Less stable deposits	66,808	8,257	63,383	7,780
7 Unsecured wholesale funding, of which:	37,896	18,351	39,013	20,309
8 Operational deposits (all counterparties) and deposits in networks for cooperative banks	16,201	2,888	15,406	2,695
9 Non-operational deposits (all counterparties)	19,028	12,796	18,116	12,123
10 Unsecured debt	2,667	2,667	5,491	5,491
11 Secured wholesale funding		3,668		719
12 Additional requirements, of which:	40,797	18,416	41,705	19,999
13 Outflows related to derivatives exposures and other collateral requirements	18,819	16,405	19,757	17,753
14 Outflows related to loss of funding on debt products	214	214	290	290
15 Credit and liquidity facilities	21,764	1,797	21,658	1,956
16 Other contractual funding obligations	16,489	16,468	16,047	16,034
17 Other contingent funding obligations	10,273	534	10,479	547
18 Total cash outflows		67,419		67,012
Cash Inflows				
19 Secured lending (e.g., reverse repos)	43,663	25,313	41,012	22,112
20 Inflows from fully performing exposures	3,156	2,255	3,047	2,071
21 Other cash inflows	21,457	21,457	21,835	21,835
22 Total cash inflows	68,276	49,025	65,894	46,018
23 Total liquid assets		44,017		50,116
24 Total net cash outflows¹		22,992		26,246
25 Liquidity Coverage Ratio (%)²		191%		191%

¹ APRA imposed a 15% add-on to the Net Cash Outflow (NCO) component of the LCR calculation, effective from 1 April 2021. This add-on increased to 25% from 1 May 2022.

For the 3 months to 30 June 2024 an average NCO overlay of \$4,598 million is included in the disclosed balance of \$22,992 million (3 months to 31 March 2024 overlay of \$5,249 million is included in the disclosed balance of \$26,246 million).

² The LCR for the 3 months to 30 June 2024 is calculated from 62 daily LCR observations (3 months to 31 March 2024 was calculated from 62 daily LCR observations).

7.1.2 The Liquidity Coverage Ratio (LCR)

The LCR requires unencumbered liquid assets be held to cover expected net cash outflows (NCOs) under a combined 'idiosyncratic' and market-wide stress scenario lasting 30 calendar days.

Liquidity management is performed centrally by Group Treasury, with oversight from the MGL and MBL Asset and Liability Committees (ALCO), the MGL and MBL Boards 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. In addition to Australian dollars, Macquarie monitors major currency mismatches in USD, EUR and GBP. 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 prefunding 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.

LCR Quarter Average Result:

Macquarie's 3 month average LCR to 30 June 2024 was 191%. This represents no change from the 3 month LCR to 31 March 2024, which was 191%.

Despite there being no quarter-on-quarter change in the ratio, both average HQLA and average NCOs decreased over the June 2024 quarter compared to the March 2024 quarter.

Average HQLA decreased in the June 2024 quarter largely due to HQLA being deployed into various business activities, including additional short-term secured lending transactions.

Average NCOs decreased over the quarter due to:

- higher average cash inflows; driven by increased short-term secured lending transactions against non-HQLA collateral and larger volumes of outright non-HQLA securities maturing within 30 days; and
- lower average cash outflows; driven by reduced levels of unsecured debt maturing within 30 days over the June 2024 quarter relative to the prior quarter.

These movements were partially offset by:

- higher average cash outflows related to retail/SME and wholesale deposits following deposit growth over the June 2024 quarter; and
- higher cash outflows related to the maturity of the remaining Term Funding Facility (TFF) tranches scrolling within 30 days of maturity in the June 2024 quarter.

Liquid Assets

In addition to balances held with central banks, Macquarie's LCR liquid assets include Australian Dollar Commonwealth Government and semi-Government securities as well as certain HQLA-qualifying foreign currency securities.

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. In addition to derivative inflows noted above, key balances in these categories include:

- **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.

Appendix 1 Glossary of Terms

ADI	Authorised Deposit-taking Institution.
Additional Tier 1 Capital	<p>A capital measure defined by APRA comprising high quality components of capital that satisfy the following essential characteristics:</p> <ul style="list-style-type: none"> • Provide a permanent and unrestricted commitment of funds • Are freely available to absorb losses • Rank behind the claims of depositors and other more senior creditors in the event of winding up of the issuer; and • Provide for fully discretionary capital distributions.
Additional Tier 1 Capital deductions	An amount deducted in determining Additional Tier 1 Capital, as defined in Prudential Standard APS 111 Capital Adequacy: Measurement of Capital.
ALA	Alternative Liquid Assets.
APRA	Australian Prudential Regulation Authority.
ADI Prudential Standards (APS)	APRA's ADI Prudential Standards. For more information refer to APRA website.
Bank Group	MBL and its subsidiaries.
Central counterparty	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 or open contracts.
Common Equity Tier 1 capital (CET1)	<p>A capital measure defined by APRA comprising the highest quality components of capital that fully satisfy all the following essential characteristics:</p> <ul style="list-style-type: none"> • Provide a permanent and unrestricted commitment of funds • Are freely available to absorb losses • Do not impose any unavoidable servicing charge against earnings; and • Rank behind the claims of depositors and other creditors in the event of winding up. • Common equity tier 1 capital comprises Paid Up Capital, Retained Earnings, and certain reserves.
Common Equity Tier 1 Capital deductions	An amount deducted in determining Common Equity Tier 1 Capital, as defined in Prudential Standard APS 111 Capital Adequacy: Measurement of Capital.
Common Equity Tier 1 Capital Ratio	Common Equity Tier 1 Capital net of Common Equity Tier 1 deductions expressed as a percentage of RWA.
CVA	Credit Valuation Adjustment. The risk of mark-to-market losses on the expected counterparty risk to OTC derivatives.
Deconsolidated entities	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.
EAD	Exposure at Default – the gross exposure under a facility (the amount that is legally owed to the ADI) upon default of an obligor.
EL	Expected Loss, which is a function of EAD, Probability of Default and Loss given Default.
ELE	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.
FIRB	Foundation Internal Ratings Based Approach (for determining credit risk)
HQLA	High Quality Liquid Assets
Impaired assets	An asset for which the ultimate collectability of principal and interest is compromised.
LCR	Liquidity Coverage Ratio
Level 1 Regulatory Group	MBL and certain subsidiaries which meet the APRA definition of Extended Licensed Entities.
Level 2 Regulatory Group	MBL, its parent Macquarie B.H. Pty Ltd and MBL's subsidiaries but excluding deconsolidated entities for APRA reporting purposes.

Level 3 Regulatory Group	MGL and its subsidiaries but excluding entities required to be deconsolidated for regulatory reporting purposes.
Macquarie	Level 2 regulatory group
Macquarie Group	MGL and its subsidiaries
MBL	Macquarie Bank Limited ABN 46 008 583 542
MBL Consolidated Group	MBL and its subsidiaries
NCO	Net Cash Outflows
NSFR	Net Stable Funding Ratio
Risk-weighted assets (RWA)	A risk-based measure of an entity's exposures, which is used in assessing its overall capital adequacy.
SME	Small - Medium Enterprises
SPV's	Special purpose vehicles or securitisation vehicles.
SMA	Standardised Measurement Approach (for determining operational risk in accordance with Prudential Standard APS 115 Capital Adequacy: Standardised Measurement Approach to Operational Risk).
Tier 1 Capital	Tier 1 capital comprises of (i) Common Equity Tier 1 Capital; and (ii) Additional Tier 1 Capital
Tier 1 Capital Deductions	Tier 1 capital deductions comprises of (i) Common Equity Tier 1 Capital deductions; and (ii) Additional Tier 1 Capital deductions.
Tier 1 Capital Ratio	Tier 1 Capital net of Tier 1 Capital Deductions expressed as a percentage of RWA.
Tier 2 Capital	A capital measure defined by APRA, comprising other components of capital which contribute to the strength of the entity.
Tier 2 Capital Deductions	An amount deducted in Tier 2 Capital, as defined in Prudential Standard APS 111 Capital Adequacy: Measurement of Capital.
Total Capital	Tier 1 Capital plus Tier 2 Capital less Total Capital Deductions.
Total Capital Ratio	Total Capital expressed as a percentage of RWA.

Disclaimer

The material in this document has been prepared by Macquarie Bank Limited ABN 46 008 583 542 (MBL) purely for the purpose of explaining the basis on which MBL has prepared and disclosed certain capital requirements and information about the management of risks relating to those requirements and for no other purpose. Information in this document should not be considered as advice or a recommendation to investors or potential investors in relation to holding, purchasing or selling securities or other financial products or instruments and does not take into account your particular investment objectives, financial situation or needs. Before acting on any information you should consider the appropriateness of information having regard to the matters, any relevant offer document and in particular, you should seek independent financial advice. No representation or warranty is made as to the accuracy, completeness or reliability of the information. All securities and financial product or instrument transactions involve risks, which include (among others) the risk of adverse or unanticipated market, financial or political developments and, in international transactions, currency risk.

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 30 June 2024.

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 super equivalence).