

# MBL Basel III Pillar 3 Capital Disclosures

**September 2024**

Macquarie Bank Limited  
ACN 008 583 542

**Macquarie Bank Limited**  
ABN 46 008 583 542

1 Elizabeth Street  
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 SEPTEMBER PILLAR 3 DISCLOSURE DOCUMENT**

25 November 2024 – The Macquarie Bank Limited September 2024 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.

#### **Contacts:**

Sam Dobson, Macquarie Group Investor Relations +612 8232 9986  
Lisa Jamieson, Macquarie Group Media Relations +612 8232 6016

---

# Contents

|   |    |
|---|----|
| Introduction.....   | 2  |
| 1. Overview.....  | 3  |
| 2. Risk Governance and Risk Management Framework .....  | 6  |
| 3. Capital Structure.....   | 9  |
| 4. Capital Adequacy .....   | 11 |
| 5. Credit Risk Measurement.....   | 15 |
| 6. Calculation of Credit Risk Exposures .....   | 25 |
| 7. Provisioning .....   | 30 |
| 8. Credit Risk Mitigation .....   | 34 |
| 9. Securitisation.....  | 38 |
| 10. Credit Valuation Adjustment.....  | 49 |
| 11. Exposure to Central Counterparties.....   | 50 |
| 12. Market Risk.....  | 51 |
| 13. Equity Risk.....  | 56 |
| 14. Operational Risk.....   | 58 |
| 15. Leverage Ratio Disclosures.....   | 60 |
| 16. Liquidity Coverage Ratio Disclosure.....  | 63 |
| 17. Net Stable Funding Ratio Disclosures .....  | 66 |
| Appendix 1 Regulatory Capital Reconciliation .....  | 71 |
| Appendix 2 List of Entities Deconsolidated from the Level 2 Regulatory Group for APRA Reporting Purposes..... | 79 |
| Appendix 3 List of APRA Quantitative Tables.....  | 80 |
| Appendix 4 Glossary of Terms .....  | 81 |
| Disclaimer.....   | 85 |

# 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 September 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 also describes Macquarie's Risk Management Framework (RMF) and the supporting frameworks, policies and the measures adopted to monitor and report on the RMF. Detailed in this report are the key components of Macquarie's capital structure, the key risk exposures and the associated capital requirements. The key risk exposures are 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. Each of these risks are individually discussed in later sections of this report where the individual risk components, measurement techniques and management practices are detailed. This report also presents information on the leverage and liquidity ratios.

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

APS 330 Table 6 (g)

| <b>Capital, Liquidity and Leverage Ratios – Level 2 regulatory group</b> | <b>As at<br/>30 September 2024</b> | <b>As at<br/>31 March 2024</b> |
|--|------------------------------------|--------------------------------|
| Common Equity Tier 1 capital ratio                                       | <b>12.8%</b>                       | 13.6%                          |
| Tier 1 capital ratio   | <b>14.5%</b>                       | 15.5%                          |
| Total capital ratio  | <b>21.0%</b>                       | 21.9%                          |
| Leverage ratio   | <b>5.0%</b>                        | 5.2%                           |
| Liquidity coverage ratio <sup>1,2</sup>                                  | <b>194%</b>                        | 191%                           |
| Net stable funding ratio <sup>3</sup>                                    | <b>110%</b>                        | 115%                           |

| <b>Capital Ratios – Level 1 regulatory group<sup>4</sup></b> |              |       |
|--|--------------|-------|
| Common Equity Tier 1 capital ratio                           | <b>12.1%</b> | 12.4% |
| Tier 1 capital ratio   | <b>13.8%</b> | 14.4% |
| Total capital ratio  | <b>20.6%</b> | 21.0% |

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%<sup>5</sup>. 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 September 2024, the Macquarie Level 1 and Level 2 regulatory group capital and liquidity ratios are above the regulatory minimum required by APRA, and the Board imposed internal minimum requirement.

<sup>1</sup> The Liquidity Coverage Ratio for the 3 months to 30 September 2024 is calculated from 65 daily LCR observations (31 March 2024 is calculated from 62 daily LCR observations).

<sup>2</sup> APRA imposed a 25% add-on to the Net Cash Outflow component of the LCR calculation, effective from 1 May 2022. Accordingly, the 3 month average LCR to 30 September 2024 and the 3 month average LCR to 31 March 2024 includes a 25% NCO add-on.

<sup>3</sup> APRA imposed a 1% decrease to the Available Stable Funding component of the NSFR calculation, effective from 1 April 2021.

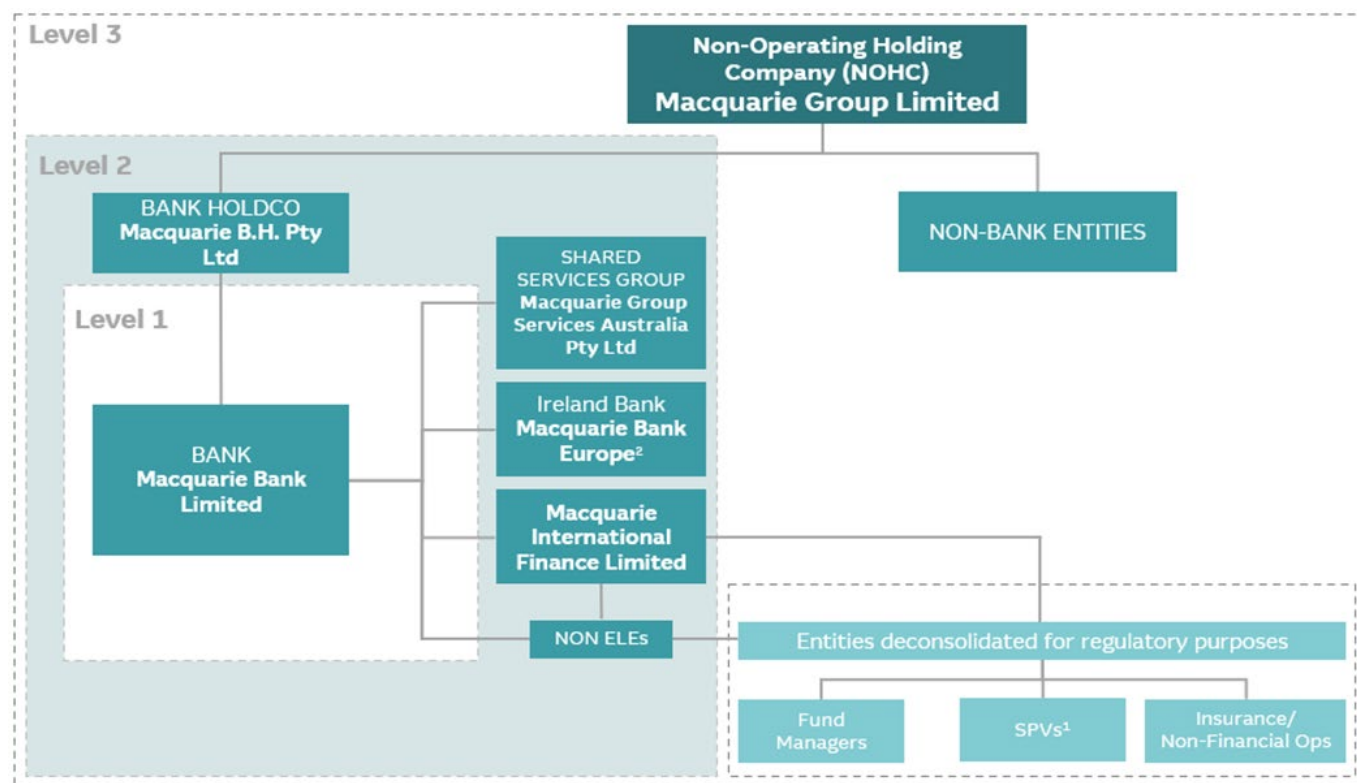
<sup>4</sup> APRA imposed a Level 1 operational capital overlay of \$A500m on MBL, effective from 1 April 2021.

<sup>5</sup> The CCyB of the Level 2 regulatory group as at 30 September 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. Refer to Appendix 1 for further details on CCyB.

# 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 APS 110. MBL represents the Level 1 regulatory group. The Level 2 regulatory group 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. Equity investments into these entities by the Level 2 group are required to be deducted from Common Equity Tier 1 (CET1) capital under APRA Prudential Standard APS 111 Capital Adequacy: Measurement of Capital (APS 111). The subsidiaries which are deconsolidated for regulatory purposes include mortgage and leasing special purpose vehicles (SPVs) for which Macquarie has satisfied APS 120 Attachment A operational requirements for regulatory capital relief and entities conducting insurance, funds management and non-financial operations. These deconsolidated entities result in the Macquarie Level 2 group for regulatory purposes differing from MBL and its subsidiaries, the Consolidated Entity for accounting purposes. Therefore, the disclosures made in this report are for a different group of entities to those made in the financial report of MBL and its subsidiaries, the Consolidated Entity. A list of entities deconsolidated for Level 2 reporting purposes is included in Appendix 2.

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.

MBL is part of the larger Macquarie Group Limited Consolidated Group (MGL Group), which includes Macquarie Group Limited (MGL) and its subsidiaries (referred to as 'Level 3'). APS 330 does not require disclosures relating to the Level 3 Group, however, some limited Level 3 disclosures are made in this report (refer Section 4.0).

Comments on policies in this report generally reflect policies adopted across the MGL Group, unless it is stated that the policies are specific to any one part of the group.



---

## 1.2 Frequency

The qualitative disclosures in this report are required to be updated on an annual basis and more frequently if significant changes to policies are made. This report has been updated as at 30 September 2024 and policies disclosed within are effective at this time. The capital adequacy and summarised credit risk exposure quantitative disclosures are published on a quarterly basis. All other quantitative disclosures are published semi-annually in conjunction with Macquarie's half year (30 September) and annual (31 March) reporting cycles.

## 1.3 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.

## 1.4 Overview of the Basel III Regulatory Capital Framework

Basel III is designed to raise the resilience of the banking sector by strengthening the regulatory capital framework. The framework seeks to increase the sensitivity to risk in the capital calculations and to ensure that this is aligned with an ADI's internal processes for assessing risk. Consequently, there are a number of different approaches to risk calculation that allows use of internal models to calculate regulatory capital. A bank may be accredited to use the advanced approaches when it can demonstrate the integrity and sophistication of its risk management framework. It must also ensure that its internal estimates of risk are fully integrated into corporate governance functions as well as internal calculations of capital. Further to this, the most advanced approaches are available if a bank has sufficient depth and history of default data to enable it to generate its own Loss Given Default (LGD) and Probability of Default (PD) estimates based on its own loss experience.

The requirements of Basel III are contained within three broad sections or 'Pillars'.

### 1.4.1 Pillar 1

The first section of the Basel III framework covers the rules by which Risk Weighted Assets (RWA) and capital adequacy must be calculated.

Macquarie has been approved by APRA to apply the FIRB approach for credit risk capital calculation. This approach utilises the PD and internal rating assigned to the obligor. The exposure is weighted using this internal PD and a LGD value set by APRA. APRA-assigned Credit Conversion Factors are applied to off balance sheet exposures based on the nature of the exposure. Market risk and interest rate risk in the banking book is calculated using the Internal Model Approach. Operational risk is calculated using the Standardised Measurement Approach.

### 1.4.2 Pillar 2

Pillar 2 (the Supervisory Review Process) of the Basel III framework requires ADIs to make their own assessments of capital adequacy in light of their risk profile and to have a strategy in place for maintaining their capital levels. Macquarie's Internal Capital Adequacy Assessment Process (ICAAP) addresses its requirements under Pillar 2.

The ICAAP is part of Macquarie's overall risk management framework; its key features include:

- Comprehensive risk assessment process
- Internal assessment of capital adequacy using Macquarie's economic capital model (refer Section 4.1)
- Risk appetite setting (refer Section 2.5)
- Capital management plans designed to ensure the appropriate level and mix of capital given Macquarie's risk profile; and
- Regular reporting of capital adequacy and monitoring of risk profile against risk appetite.

Macquarie's ICAAP is subject to Board and Senior Management oversight and internal control review.

---

### 1.4.3 Pillar 3

These disclosures have been formulated in response to the requirements of Pillar 3 of the Basel III Framework. APRA has laid down the minimum standards for market disclosure in its APS 330.

This report includes a breakdown of both on and off-balance sheet exposures, RWA and Liquidity measures. The report consists of sections covering:

- Risk Governance and Risk Management Framework
- Capital Structure
- Capital Adequacy
- Credit Risk Measurement
- Calculation of Credit Risk Exposures
- Provisioning
- Credit Risk Mitigation
- Securitisation
- Credit Valuation Adjustment
- Exposures to Central Counterparties
- Market Risk
- Equity Risk
- Operational Risk
- Leverage Ratio
- Liquidity Coverage Ratio
- Net Stable Funding Ratio

---

## 2. Risk Governance and Risk Management Framework

### 2.1 Risk Governance at Macquarie

#### 2.1.1 Role of the Board

The role of the MBL Board is to promote the long-term interests of MBL, taking into account obligations it must discharge as an authorised deposit-taking institution.

The MBL Board is responsible for MBL's Risk Management Framework (RMF) and the oversight of its operation by management. The MBL Board approves the MBL Risk Appetite Statement (RAS), and together with the MGL Board, approves Macquarie's Risk Management Strategy (RMS).

#### 2.1.2 Role of Management

The Group Heads of the Operating and Central Service Groups are responsible for the implementation of the risk management framework in their Groups. They are required semi-annually to attest that key risks have been identified and are adequately controlled in their Groups. These management representations support the sign-off of the half-year and the full-year financial statements.

#### 2.1.3 Three lines of defence

Macquarie's approach to risk management adopts the 'three lines of defence' model which sets risk ownership responsibilities functionally independent from oversight and assurance:

- primary responsibility for day-to-day risk management lies with the business. The risk owner is the first line of defence. All staff throughout Macquarie are expected to manage risks in accordance with the risk management framework
- the Risk Management Group (RMG) forms the second line of defence and provides independent and objective review and challenge, oversight, monitoring and reporting in relation to Macquarie's material risks
- Internal Audit, as the third line, provides independent and objective risk-based assurance on the compliance with, and effectiveness of, Macquarie's financial and risk management framework.

### 2.2 Macquarie's Risk Management Framework

Macquarie's RMF is the totality of systems, structures, policies, processes and people within Macquarie that identify, measure, evaluate, monitor, report and control or mitigate all internal and external sources of material risk. Macquarie maintains a single risk management framework that is applied appropriately throughout Macquarie Group, including the Banking Group. In determining those risks that are material to Macquarie, we assess the potential for a risk to affect our earnings resilience and financial strength across market cycles; our ability to meet regulatory obligations; our stakeholders; and our reputation.

Macquarie's material risks include asset, conduct, country, credit, environmental and social, equity, financial crime, legal, liquidity, market, operational, regulatory and compliance, strategic, tax, technology and cyber, and work health and safety risks.

#### 2.2.1 Risk management principles

Macquarie's approach to risk management is based on stable and robust core risk management principles. These are:

- **Ownership of risk at the business level:** Group Heads are responsible for ownership of material risks that arise in, or because of, their business operations, including identification, measurement, evaluation, monitoring, control and mitigation of these risks. Before making decisions, clear analysis of the risks is sought to ensure those decisions are consistent with the risk appetite and strategy of Macquarie.
- **Understanding worst-case outcomes:** Macquarie's risk management approach is based on examining the consequences of worst-case outcomes and determining whether these are acceptable and within Macquarie's risk appetite. This approach is adopted for all material risk types and is often achieved by stress testing. Macquarie



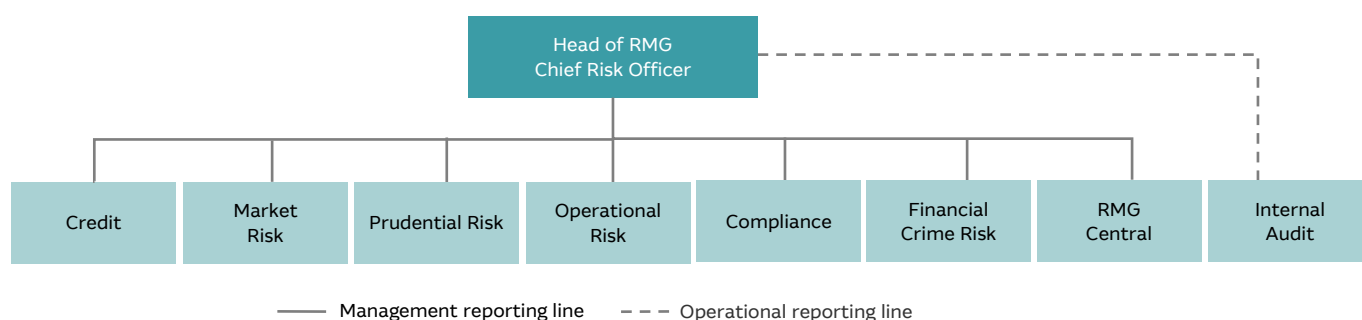
operates a number of sophisticated quantitative risk management processes, but the foundation of the approach is the informed consideration of both quantitative and qualitative inputs by experienced professionals.

- **Requirement for an independent sign off by RMG:** Macquarie places significant importance on having a strong, independent risk management function to review, challenge and sign-off all material risk acceptance decisions. It is essential that RMG has the capability to do this effectively. RMG has invested in recruiting skilled professionals from a range of industries, including those with trading or advisory and capital markets experience. For all material proposals, RMG's opinion must be sought at an early stage in the decision-making process. The approval document submitted to Senior Management must include independent input from RMG on risk and return.

## 2.3 Risk Management Group Structure

RMG, which forms the second line of defence, is an independent and centralised function responsible for independent and objective review and challenge, oversight, monitoring and reporting in relation to Macquarie's material risks. RMG designs and oversees the implementation of the risk management framework.

RMG is structured into specialist functional divisions (depicted below) and employs an integrated approach to risk analysis and management across risk classes. RMG's assessment and monitoring of risks involves a collaborative effort across the divisions to ensure a detailed analysis takes place both at the individual and aggregate risk level.



## 2.4 Internal Audit

The Internal Audit Division (IAD), as the third line, provides independent and objective risk-based assurance to the MGL and MBL Board Audit Committee (BAC), other relevant Boards or Board Committees and Senior Management on the compliance with, and effectiveness of, Macquarie's financial and risk management framework, including its governance, systems, structures, policies, processes and people for managing material risks. The IAD assesses whether material risks have been properly identified by management and reported to the Board or relevant Board Committees, and whether key internal controls have been properly designed and are operating effectively and sustainably to mitigate those material risks.

The MGL BAC has primary power of direction over the IAD and is accountable for reviewing the effectiveness of the IAD. The Head of Internal Audit reports functionally to the MGL and MBL BACs and is primarily accountable to them. The Head of Internal Audit has unrestricted access to the MGL and MBL BACs (and their Chairs) and meets privately with the MGL and MBL BAC members at least annually. The MGL and MBL BACs monitor and review the performance, objectives, rating, remuneration and degree of independence of the Head of Internal Audit. The MGL and MBL BACs also approve any appointment and removal of the Head of Internal Audit. The Head of Internal Audit reports operationally to the CRO for day-to-day management. For audit matters relating to RMG, the role of the CRO is substituted by the MGL CEO.

---

## 2.5 Risk Appetite Setting

Risk appetite is set by the MBL Board as the degree and type of risk that MBL is prepared to accept in pursuit of its strategy, giving consideration to the interests of its stakeholders. The MBL RAS defines the overarching risk-taking settings of MBL through risk appetite and risk tolerances. The MBL RAS states that risks must generate proportionate returns. A risk and return analysis is required for all significant new deals, products and businesses.

### **Stress testing**

Stress testing is a key component of Macquarie's risk management framework and is integrated with Macquarie's strategy review and financial forecasting. Stress testing, including scenario analysis and sensitivity analysis, is a key tool that informs the calibration of Macquarie's risk tolerances; provides insights into the Annual Strategy Review and Business Planning process; and tests and informs whether Macquarie's strategy remains, and is forecast to remain, in line with its risk appetite.

### **Policies**

Policies are key tools for ensuring that risks taken are consistent with Macquarie's risk appetite. They are designed to set out the principles that govern decision-making across Macquarie.

### **New product and business approval process**

All new businesses, new products, major organisational projects, and significant changes to existing businesses, products, processes or systems which will expose Macquarie to new or significantly varied risks must be assessed against the applicable risk appetite and tolerance.

## 3. Capital Structure

### 3.1 Total Available Capital

The Macquarie Level 2 regulatory group capital supply is detailed in the table below.

|  | As at<br>30 September 2024<br>\$m | As at<br>31 March 2024<br>\$m |
|--|-----------------------------------|-------------------------------|
| <b>Common Equity Tier 1 capital</b>                            |                                   |                               |
| Paid-up ordinary share capital                                 | 10,209                            | 10,182                        |
| Retained earnings  | 9,916                             | 9,934                         |
| Reserves   | 847                               | 1,237                         |
| Gross Common Equity Tier 1 capital                             | 20,972                            | 21,353                        |
| <b>Regulatory adjustments to Common Equity Tier 1 capital:</b> |                                   |                               |
| Goodwill   | 38                                | 40                            |
| Other intangible assets  | 51                                | 47                            |
| Deferred tax assets  | 941                               | 1,032                         |
| Net other fair value adjustments                               | 94                                | 105                           |
| Capitalised expenses   | 811                               | 783                           |
| Shortfall in provisions for credit losses                      | 327                               | 487                           |
| Equity exposures   | 1,032                             | 1,080                         |
| Other Common Equity Tier 1 capital deductions                  | 68                                | 71                            |
| Total Common Equity Tier 1 capital deductions                  | 3,362                             | 3,645                         |
| <b>Net Common Equity Tier 1 capital</b>                        | <b>17,610</b>                     | <b>17,708</b>                 |
| <b>Additional Tier 1 capital</b>                               |                                   |                               |
| Additional Tier 1 capital instruments                          | 2,381                             | 2,446                         |
| Gross Additional Tier 1 capital                                | 2,381                             | 2,446                         |
| Deductions from Additional Tier 1 capital                      | -                                 | -                             |
| Net Additional Tier 1 capital                                  | 2,381                             | 2,446                         |
| <b>Total Net Tier 1 capital</b>                                | <b>19,991</b>                     | <b>20,154</b>                 |
| <b>Tier 2 capital</b>  |                                   |                               |
| Tier 2 capital instruments and other                           | 9,052                             | 8,286                         |
| <b>Total capital base</b>                                      | <b>29,043</b>                     | <b>28,440</b>                 |

### 3.2 Common Equity Tier 1 Capital

Macquarie's Common Equity Tier 1 capital under Basel III consists of ordinary share capital, retained earnings and certain reserves.

### 3.3 Additional Tier 1 Capital

Macquarie's Tier 1 capital consists of Common Equity Tier 1 capital and Additional Tier 1 capital (hybrids).

Macquarie's Additional Tier 1 capital consists of Macquarie Additional Capital Securities (MACS), Bank Capital Notes 2 (BCN2) and Bank Capital Notes 3 (BCN3).

MACS were issued by MBL, acting through its London Branch in March 2017. MACS are subordinated, unsecured notes that pay discretionary, non-cumulative, semi-annual fixed rate cash distributions. Subject to certain conditions the MACS may be redeemed on 8 March 2027, or every 5th anniversary thereafter. MACS can be exchanged for a variable number of fully paid MGL ordinary shares on an acquisition event (where a person acquires control of MBL or MGL); where MBL's Common Equity Tier 1 capital ratio falls below 5.125%; or where APRA determines MBL would be non-viable without an exchange or a public sector injection of capital (or equivalent support).

---

BCN2 were issued by MBL in June 2020 and are quoted on the Australian Securities Exchange. The BCN2 pay discretionary, quarterly floating rate cash distributions equal to three-month BBSW plus 4.70% per annum margin, adjusted for franking credits. These instruments are non-cumulative and unsecured and may be redeemed at face value on 21 December 2025, 21 June 2026 or 21 December 2026 (subject to certain conditions being satisfied) or earlier in specified circumstances. The BCN2 can be converted into a variable number of MGL ordinary shares (subject to certain conditions being satisfied) on these redemption dates; mandatorily exchanged on 21 December 2028; exchanged earlier upon an acquisition event (with the acquirer gaining control of MGL or MBL); where MBL's Common Equity Tier 1 capital ratio falls below 5.125%; or where APRA determines MBL would be non-viable without an exchange or a public sector injection of capital (or equivalent support).

BCN3 were issued by MBL in August 2021 and are quoted on the Australian Securities Exchange. The BCN3 pay discretionary, quarterly floating rate cash distributions equal to three-month BBSW plus 2.90% per annum margin, adjusted for franking credits. These instruments are non-cumulative and unsecured and may be redeemed at face value on 7 September 2028, 7 March 2029, or 7 September 2029 (subject to certain conditions being satisfied) or earlier in specified circumstances. The BCN3 can be converted into a variable number of MGL ordinary shares (subject to certain conditions being satisfied) on these redemption dates; mandatorily exchanged on 8 September 2031; exchanged earlier upon an acquisition event (with the acquirer gaining control of MGL or MBL); where MBL's Common Equity Tier 1 capital ratio falls below 5.125%; or where APRA determines MBL would be non-viable without an exchange or a public sector injection of capital (or equivalent support).

### 3.4 Tier 2 Capital

Macquarie's Tier 2 capital consists of a portion of certain credit loss reserves plus subordinated debt instruments.

MBL has issued cumulative convertible subordinated debt amounting to \$US750 million in June 2015, \$A750 million in May 2020, \$US750 million in June 2020, \$US1,000 million in March 2021, \$A750 million in June 2021, \$A850 million in June 2022, \$US1,000 million in January 2023, \$A1,250 million in March 2024 and \$A1,250 million in August 2024 which are Basel III compliant. This is reported at the value of liability at the period end date adjusted for any amortisation required under APS 111.

### 3.5 Restrictions on Capital

The Macquarie group maintains an internal capitalisation framework to ensure a prudent approach to managing subsidiary capitalisation and ratings. Various restrictions or costs exist on the transfer of capital within the Macquarie accounting consolidated group. For example:

- Regulated and licensed entities such as Australian Financial Services Licensed (AFSL) entities are required to maintain minimum capital levels to comply with their regulatory requirements. Macquarie seeks to maintain a sufficient level of capital within these entities to ensure compliance with these regulations
- Where retained earnings are transferred from related entities, tax costs may be payable on repatriation which may reduce the actual amount of available capital
- As an ADI, Macquarie is subject to the prudential limits imposed by APRA Prudential Standard APS 222 Associations with Related Entities
- The Financial Management Group (FMG) and RMG also manage and monitor internal limits on exposures to related entities which, combined with APRA's prudential limits, seeks to minimise contagion risk.

## 4. Capital Adequacy

### 4.1 Capital Management

#### 4.1.1 Capital management strategy

Macquarie's capital management strategy is to maximise shareholder value through optimising the mix, level and use of capital resources, whilst also providing the flexibility to take advantage of opportunities as they may arise.

The capital management objectives are to maintain sufficient capital resources to:

- Support Macquarie's business and operational requirements
- Safeguard interests of depositors and Macquarie's ability to continue as a going concern
- Exceed regulatory requirements; and
- Support Macquarie's credit rating.

Macquarie's capital management strategy uses both internal and external measures of capital. Internally, Macquarie has developed an Economic Capital Adequacy Model (ECAM) that is used to quantify MGL Group's and MBL Group's aggregate level of risk, including for specific risk types such as equity, credit, market and operational risk. Externally, Macquarie is subject to minimum capital requirements imposed by APRA on a Level 1, Level 2 and Level 3 basis.

The two measures of capital are used to support business decision making including:

- Capital adequacy assessment
- Risk appetite setting; and
- Risk adjusted performance measurement.

#### 4.1.2 Capital adequacy assessment

Capital adequacy is assessed on a regulatory and economic basis<sup>1</sup> for both MGL Group (Level 3) and the Level 1 and 2 regulatory groups. The assessment is conducted in accordance with the ICAAP framework (refer Section 1.4.2), with results reported to the MGL Board, MBL Board and senior management on a regular basis, together with projections of capital adequacy under a range of scenarios.

Capital requirements are assessed as follows:

| Entity                               | Regulatory (Basel III)   | Economic (ECAM)   |
|--------------------------------------|--|---|
| Level 1 regulatory group             | Capital to cover RWA and regulatory deductions, according to APRA's ADI prudential standards         | n/a <sup>1</sup>  |
| Level 2 regulatory group             | Capital to cover RWA and regulatory deductions, according to APRA's ADI prudential standards         | Internal model, covering exposures of the MBL Group     |
| Level 3 regulatory group (MGL Group) | Level 2 regulatory group capital requirement plus economic capital requirement of the Non-Bank Group | Internal model, covering all exposures of the MGL Group |

The Non-Bank Group's capital requirement is calculated using Macquarie's ECAM. The ECAM is based on similar principles and models as the Basel III regulatory capital framework for banks, as shown in the table below with both calculating capital at a one year, 99.9% confidence level. The table below shows a comparison of Basel III and ECAM methodologies for key risk types.

<sup>1</sup> Economic capital adequacy is assessed for MGL Group and MBL Group only.

| <b>Risk<sup>1</sup></b> | <b>Basel III<sup>2</sup></b>   | <b>ECAM</b>  |
|-------------------------|--|--|
| Credit                  | Capital requirement generally determined by Basel III IRB formula, with some parameters specified by the regulator (e.g. loss given default estimates for wholesale counterparties)                            | Capital requirement generally determined by Basel III IRB formula, but with internal estimates of key parameters   |
| Equity                  | Harmonised Basel III: 250% or 400% risk weight, depending on the type of investment. Deduction from Common Equity Tier 1 above a threshold<br>APRA Basel III: 100% Common Equity Tier 1 deduction <sup>3</sup> | Capital requirement generally determined by an extension of Basel III credit model to cover equity exposures. Capital requirement between 34% and 84% of face value; average 54% |
| Market                  | M <sup>4</sup> times 10-day 99% Value at Risk (VaR) plus M <sup>4</sup> times 10-day 99% Stressed Value at Risk (SVaR), plus a specific risk charge  | Scenario based approach  |
| Operational             | Standardised Measurement Approach  | Scenario-based internal measurement approach   |

The MGL Group and the Level 1 and 2 regulatory groups are well capitalised. Surplus capital is available to support growth, provide strategic flexibility, accommodate regulatory change and capital volatility. Macquarie actively manages the sensitivity of its capital position to foreign currency movements in order to reduce volatility.

<sup>1</sup> The ECAM also covers non-traded interest rate risk and the risk on assets held as part of business operations, including fixed assets, goodwill, intangible assets and capitalised expenses.

<sup>2</sup> Basel III requirements shown, with Market Risk per the revised BCBS Basel II Market Risk Framework. APRA has implemented the Basel III framework (APRA Basel III), and in some areas has introduced stricter requirements (APRA super equivalence).

<sup>3</sup> Includes all Banking Book equity investments, plus net long Trading Book holdings in financial institutions.

<sup>4</sup> M is the Market Risk capital multiplier, which is 3 plus any additions specified.



## 4.2 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 6 (b) to (f)

|   | As at<br>30 September 2024<br>\$m | As at<br>31 March 2024<br>\$m |
|---|-----------------------------------|-------------------------------|
| <b>Credit risk</b>  |                                   |                               |
| Subject to IRB approach   |                                   |                               |
| Corporate <sup>1</sup>  | 31,775                            | 29,478                        |
| SME Corporate <sup>2</sup>  | 9,194                             | 8,733                         |
| Sovereign   | 1,077                             | 343                           |
| Financial Institution <sup>3</sup>  | 11,357                            | 10,601                        |
| Residential Mortgages <sup>4,5</sup>  | 28,861                            | 23,206                        |
| Other Retail  | 1,093                             | 1,452                         |
| Retail SME  | 1,005                             | 1,245                         |
| <b>Total RWA subject to IRB approach</b>                                      | <b>84,362</b>                     | <b>75,058</b>                 |
| <b>Specialised lending exposures subject to slotting criteria<sup>6</sup></b> | <b>5,370</b>                      | <b>7,447</b>                  |
| Subject to Standardised approach  |                                   |                               |
| Corporate   | 1,838                             | 1,996                         |
| Residential Mortgages   | 584                               | 663                           |
| Other Retail  | 798                               | 824                           |
| <b>Total RWA subject to Standardised approach</b>                             | <b>3,220</b>                      | <b>3,483</b>                  |
| Credit risk RWA for securitisation exposures                                  | 806                               | 765                           |
| Credit Valuation Adjustment RWA   | 9,505                             | 6,578                         |
| Exposures to Central Counterparties RWA                                       | 530                               | 526                           |
| RWA for Other Assets <sup>7</sup>   | 4,370                             | 4,393                         |
| <b>Total Credit risk RWA</b>  | <b>108,163</b>                    | <b>98,250</b>                 |
| <b>Market risk RWA<sup>8</sup></b>  | <b>8,619</b>                      | <b>10,529</b>                 |
| <b>Operational risk RWA</b>   | <b>17,512</b>                     | <b>17,512</b>                 |
| <b>Interest rate risk in the banking book RWA</b>                             | <b>3,773</b>                      | <b>3,748</b>                  |
| <b>Total RWA</b>  | <b>138,067</b>                    | <b>130,039</b>                |

<sup>1</sup> 'Corporate' asset class includes Large Corporates.

<sup>2</sup> Includes a \$0.8bn RWA overlay for SME Corporate portfolio.

<sup>3</sup> 'Financial Institution' asset class includes banks and other corporate financial institutions.

<sup>4</sup> Residential mortgages RWA as at 30 September 2024 includes a \$0.8bn LGD overlay imposed by APRA for purposes of calibrating MBL's IRB residential mortgages model (31 March 2024: \$2.3bn).

<sup>5</sup> Includes a PD model overlay of \$0.8bn RWA.

<sup>6</sup> Specialised lending exposures subject to supervisory slotting criteria are measured using APRA determined risk weightings.

<sup>7</sup> The major components of Other Assets are unsettled trades, fixed assets and residual value of operating leases.

<sup>8</sup> Includes the Risks-Not-In-VaR (RNIV) overlay imposed by APRA, effective from 1 January 2024.

APS 330 Table 6 (h) & (i)

APS 110 introduced a capital floor which places a limit on the internal modelling of RWA, setting total IRB RWA to a minimum of 72.5% of the RWA calculated under the standardised approach. The table below presents MBL's capital floor at 30 September 2024. There was no capital floor adjustment required.

|   | As at<br>30 September 2024<br>\$m | As at<br>31 March 2024<br>\$m |
|---|-----------------------------------|-------------------------------|
| <b>RWA under the standardised approach</b>                          |                                   |                               |
| Credit Risk RWA   | 151,869                           | 143,926                       |
| <i>of which residential mortgages subject to IRB approach</i>       | 52,428                            | 48,148                        |
| Market Risk RWA   | 8,619                             | 10,529                        |
| Operational Risk RWA  | 17,512                            | 17,512                        |
| Interest rate risk in the banking book RWA                          | -                                 | -                             |
| <b>Total</b>  | <b>178,000</b>                    | <b>171,967</b>                |
| <b>RWA prior to application of capital floor</b>                    |                                   |                               |
| Credit Risk RWA   | 108,163                           | 98,250                        |
| <i>of which residential mortgages subject to IRB approach</i>       | 28,861                            | 23,206                        |
| Market Risk RWA   | 8,619                             | 10,529                        |
| Operational Risk RWA  | 17,512                            | 17,512                        |
| Interest rate risk in the banking book RWA                          | 3,773                             | 3,748                         |
| <b>Total</b>  | <b>138,067</b>                    | <b>130,039</b>                |
| <b>Capital floor (72.5% of RWA under the standardised approach)</b> | <b>129,050</b>                    | <b>124,676</b>                |
| <b>Capital floor adjustment</b>                                     | <b>N/A</b>                        | <b>N/A</b>                    |

---

# 5. Credit Risk Measurement

## 5.1 Credit Risk Overview

Credit risk is defined as the risk that a counterparty will fail to complete its contractual obligations when they fall due (default risk) or changes in the creditworthiness of the obligor (migration risk). The consequent loss is either the amount of the loan or financial obligation not paid back, the change in the value of a non-traded debt instrument, or the loss incurred in replicating a trading contract with a new counterparty.

RMG Credit maintains a comprehensive and robust framework for the identification, analysis and monitoring of credit risks arising in each business. Key aspects of this framework are detailed below.

## 5.2 Credit Risk Management

Macquarie's philosophy on credit risk management reflects the principle of separating prudential control from operational management. The responsibility for approval of initial credit limits is delegated to specific individuals.

Credit risk approvals reflect two principles:

- A requirement for dual sign off; and
- A requirement that, above specified limits, all credit exposures must be approved outside the business line proposing to undertake them.

### 5.2.1 Approval of Exposures

The MGL and MBL Boards are responsible for establishing the framework for approving credit exposures. The MGL and MBL Boards delegate discretions to approve credit exposure to designated individuals within the Group whose capacity to prudently exercise authority has been assessed.

Operating Groups are assigned modest levels of credit discretions. Credit exposures above these levels are assessed independently by RMG and approved by experienced RMG staff, MBL CEO, MGL CEO, MBL Board and MGL Board as required.

Macquarie enforces a strict 'no limit, no dealing' rule. All proposed transactions are analysed and approved by designated individuals before they can proceed.

All wholesale credit exposures are assessed at least once a year, or more frequently if required. Retail credit exposures are monitored on a portfolio basis.

### 5.2.2 Assessment of Macquarie Ratings

All corporate, sovereign and bank counterparties (wholesale) customer limits and exposures are allocated a Macquarie Group rating (MQ rating) which broadly correspond with Standard and Poor's (S&P) and Moody's Investor Services credit ratings. Each MQ rating has been assigned a PD derived from Standard and Poor's long-term average one year default rates for similarly rated obligors. A LGD percentage is additionally assigned to each limit and exposure, reflecting the economic loss estimated to result if default occurs, taking into account the security supporting the credit exposure.

Ratings provided by External Credit Assessment Institutions (ECAI) are considered throughout the rating process but are supplementary to the internal rating process.

The table on next page outlines the internal MQ Ratings relative to ECAI ratings.

MQ ratings are used to:

- Assess the default risk of credit exposures for management reporting, credit approval of limits, risk attribution and regulatory purposes
- Assist in credit decisions by providing guidelines and tools that promote a more consistent analytical approach
- Assist in the process of sharing credit knowledge (including knowledge of specialised and unique companies, industries and products); and
- Provide a basis for disclosing and reporting to investors and the market.

Each MQ rating band is associated with an estimate of the PD by the counterparty on its financial obligations and provides a consistent measure across the Level 2 regulatory group. Applicable at either the borrower or transaction level, a rating must be justified and set as part of the credit approval and review process.

The ratings process combines a quantitative analysis by way of scoring industry specific risk factors and a qualitative assessment based on expert judgement.

#### Rating System

| Macquarie | S&P  | Moody's |
|-----------|------|---------|
| MQ1       | AAA  | Aaa     |
| MQ2       | AA+  | Aa1     |
|           | AA   | Aa2     |
|           | AA-  | Aa3     |
| MQ3       | A+   | A1      |
| MQ4       | A    | A2      |
| MQ5       | A-   | A3      |
| MQ6       | BBB+ | Baa1    |
| MQ7       | BBB  | Baa2    |
| MQ8       | BBB- | Baa3    |
| MQ9       | BB+  | Ba1     |
| MQ10      | BB   | Ba2     |
| MQ11      | BB-  | Ba3     |
| MQ12      | B+   | B1      |
| MQ13      | B    | B2      |
| MQ14      | B-   | B3      |
| MQ15      | CCC+ | Caa1    |
|           | CCC  | Caa2    |
|           | CCC- | Caa3    |
| MQ16      | CC   | Ca      |
|           | C    | C       |
| MQ99      | D    | D       |

For wholesale counterparties, Macquarie utilises a number of industry templates and a sovereign template to assess the appropriate MQ ratings. These industry templates are designed to ensure that Macquarie ratings take into account the different risk factors that affect different industries. Analysts are required to input a range of quantitative and qualitative factors and then consider the MQ rating output. At the same time as considering the appropriate MQ rating, analysts are also required to consider the appropriate LGD. For economic capital purposes, LGDs are stressed estimates, taking into account the security, jurisdiction, seniority and quality of the balance sheet. For regulatory capital, MBL uses the APRA supervisory estimates for LGDs.

For retail counterparties, PDs and LGDs are assigned to retail pools. Retail exposures are allocated to pools, such that each pool has homogenous risk. PDs and LGDs are calculated using the following methods:

- **PDs:** calculate the long run average default rate from the internal and external default data available for each pool. When internal data is not available in sufficient quantity, external data is used but only in the case where it is relevant to the pool.
- **LGDs:** consider a downturn scenario and the loss that would be incurred for this scenario on defaulted loans in each pool.

Macquarie applies a standard definition of default in accordance with Prudential Standard APS 220 Credit Risk Management. An obligor is considered defaulted when it is either (i) 90 days past due; or (ii) unlikely to pay. 'Unlikely to pay' is defined in Macquarie policies based on APRA standards.

All templates and models are validated annually by RMG Model Risk Management with oversight from the Credit Models Review Committee. Validation includes the following activities:

- Validation of wholesale MQ ratings templates
- Wholesale ratings migration analysis
- Validation of wholesale PD, LGD and Exposure at Default (EAD) estimates

- Validation of retail PD, LGD and EAD estimates; and
- Validation of any new or changes to existing credit risk models.

Macquarie has developed system functionality to support the allocation of internal ratings. This application ensures that all supporting factors and weightings are stored together with the system generated rating. Approvers have access to all of these details through the credit approval process. Details are also maintained of any rating override which must be accompanied by specific commentary from the credit analyst, and which is subject to regular review.

Macquarie considers that ratings are an integral part of determining the creditworthiness of the obligor. However, Macquarie does not believe that model and template output should replace thorough and thoughtful analysis. In addition to the system details, credit analysts must also provide specific justification of the internal rating as part of their overall credit analysis of each counterparty. Credit approvers consider and approve the internal rating for the counterparty in relation to the size and tenor of their proposed credit limits.

All proposals for significant deals, products and businesses must contain an analysis of risk adjusted returns, based on the ECAM which for credit exposures is a function of the assessed credit rating (together with other factors such as maturity and estimates of LGD). In assessing these proposals, the Executive Committee and Board consider these returns together with other relevant factors. They therefore form an important element in ensuring the visibility and impact of the MQ rating to the overall risk acceptance decision.

Risk adjusted performance metrics for each business unit are prepared on a regular basis and distributed to senior management and the Board as well as to business units. These performance metrics are based on Regulatory Capital and Economic Capital usage and are a factor when allocations of performance-based remuneration are determined for each business.

### 5.2.3 Measuring and Monitoring Exposures

Credit exposures are calculated differently according to the nature of the obligation. Materially all loan assets are reported at amortised cost, whereas derivative contracts are reported at fair value according to both internal and external regulatory measures of Counterparty Credit Exposure. Exposures are assessed in the context of the replacement cost of the contract should the counterparty default prior to the maturity of the trade. For regulatory purposes, EAD is calculated according to the Standardised Approach to Counterparty Credit Risk (SA CCR) outlined in APRA ADI Prudential Standards 180 (APS 180) and comprises of replacement cost (RC) and potential future exposure (PFE). The RC is a function of derivative revaluation, collateralisation and the terms of any variation margin agreement in place with a counterparty. The PFE is a function of the outstanding notional of derivative contracts with a counterparty, the nature of these contracts, the level of collateralisation and whether these contracts are subject to variation margining. The sum of the RC and the PFE is subject to a regulatory prescribed scaling factor, the alpha multiplier, which equals 1.4.

The internal measure of counterparty credit exposure is calculated as a function of market movements. A range of exposure profiles are calculated using models based simulated scenarios through the life of the portfolio, the resultant exposure is then ranked to reflect different confidence levels. At a minimum, counterparty credit limits are set for all businesses against a consistent low probability (high confidence) profile. The effect of this limit framework is to ensure that there is a low probability of exposures exceeding the original approved limit. The models and parameters used to determine future asset prices and consequent portfolio exposures are reviewed and approved by RMG quarterly, significant changes in volatility or market conditions result in more frequent reviews.

High confidence level exposure measures are supplemented by regular and ad hoc exposure sensitivity analysis to evaluate the effect of extreme stress on the portfolio.

Exposure relating to derivatives are calculated on a net basis where appropriate legal netting arrangements are in effect. The details of what products can be netted for each counterparty are recorded in legal documentation systems. These systems are tightly integrated into the exposure calculation functionality and serve to ensure that netting is only performed when the legal basis for this has been formally assessed and confirmed.

Where trading gives rise to settlement risk, this risk is normally assessed at full face value of the settlement amount. However, Macquarie utilises a number of market standard clearing mechanisms to ensure that the bulk of settlements are effected on a secured basis or through exchanges where a Delivery vs payment (DVP) settlement process is ensured.

Contingent exposures arising from the issuance of guarantees, letters of credit and performance bonds are also reported daily.

---

On and off-balance sheet exposures are considered together for approval, monitoring and reporting purposes. Credit exposures of all types are calculated and reported daily.

Each business is responsible for calculating their credit exposures to ensure that they stay within credit limits. In addition, these exposures are supplied to RMG Credit on a daily basis for centralised limit monitoring. Any excesses identified are investigated and escalated as appropriate to both business line and RMG management. All wholesale limits and ratings are reviewed at least once a year, or more frequently if necessary, to ensure any deterioration is identified and reflected in an adjustment to limits and/or their MQ rating. Furthermore, other indicators of deterioration in credit quality are regularly monitored, such as share price and credit default swap spread movements, covenant breaches and external credit ratings downgrades. Where appropriate, these are reported to senior management and where recoverability is in doubt, appropriate provisions are held.

A review of the Credit, Equity and Asset Portfolio analysing exposure concentrations by counterparty, region, industry and credit quality is carried out quarterly and reported to the Board semi-annually. Policies are in place to manage and limit large exposures to single counterparties and sectoral concentrations.

#### 5.2.4 Credit Assurance

Credit Assurance (CA) is a centralised function within RMG which independently verifies the effectiveness of Macquarie's credit risk management. The role of the CA is to provide an independent assurance of analysis and process to support credit quality and the effectiveness of credit controls.

Key responsibilities are:

- Assuring the quality of wholesale credit approvals through sample testing
- Reporting on the effectiveness (design and performance) of RMG Credit's critical controls including sample testing to ensure compliance with key Credit policies and the effectiveness of critical controls; and
- Overseeing Business (Retail) CA functions in Banking and Financial Services (BFS) and Commodities and Global Markets (CGM).

RMG CA reports to the RMG COO to ensure independence. In addition to regular reporting to senior management and the Chief Risk Officer, CA is required to report at least annually to the Board. In the interim, matters that require Board attention are reported via the Chief Risk Officer.

### 5.3 Macquarie's Credit Risk Exposures

Credit exposures are disclosed in the following pages based on:

- Geographic distribution
- Maturity profile
- Measurement approach
- Risk weight banding; and
- Risk grade.

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 (discussed in Section 8)
- Securitisation exposures (discussed in Section 9)
- CVA (discussed in Section 10)
- Central counterparty exposures (discussed in Section 11)



- Trading book on balance sheet exposures (discussed in Section 12); and
- Equity exposures (discussed in Section 13).

APS 330 Table 7(b)

| Portfolio Type                      | As at<br>30 September 2024<br>\$m | As at<br>31 March 2024<br>\$m |
|-------------------------------------|-----------------------------------|-------------------------------|
| Corporate <sup>1</sup>              | 56,491                            | 57,047                        |
| SME Corporate <sup>2</sup>          | 10,913                            | 11,091                        |
| Sovereign                           | 13,761                            | 28,383                        |
| Financial Institution               | 29,045                            | 28,011                        |
| Residential Mortgages               | 151,129                           | 139,097                       |
| Other Retail                        | 3,370                             | 4,113                         |
| Retail SME                          | 1,523                             | 1,890                         |
| Other Assets <sup>3</sup>           | 7,190                             | 7,322                         |
| <b>Total Gross Credit Exposures</b> | <b>273,422</b>                    | <b>276,954</b>                |

|   | As at<br>30 September 2024 |   |                          | Total<br>\$m   | Average<br>exposures <sup>4</sup><br>\$m |
|---|----------------------------|---|--------------------------|----------------|--|
|   | On balance<br>Sheet<br>\$m | Off balance sheet<br>Non-market<br>related<br>\$m | Market<br>related<br>\$m |                |  |
| <b>Subject to IRB approach</b>                              |                            |   |                          |                |  |
| Corporate   | 20,865                     | 3,510   | 24,063                   | 48,438         | 47,512                                   |
| SME Corporate   | 8,923                      | 1,786   | 50                       | 10,759         | 10,837                                   |
| Sovereign   | 12,835                     | 733   | 193                      | 13,761         | 21,072                                   |
| Financial Institution                                       | 5,875                      | 10,430  | 12,740                   | 29,045         | 28,528                                   |
| Residential Mortgages                                       | 133,003                    | 17,480  | -                        | 150,483        | 144,427                                  |
| Other Retail  | 2,199                      | -   | -                        | 2,199          | 2,513                                    |
| Retail SME  | 1,512                      | 11  | -                        | 1,523          | 1,707                                    |
| <b>Total IRB approach</b>                                   | <b>185,212</b>             | <b>33,950</b>                                     | <b>37,046</b>            | <b>256,208</b> | <b>256,595</b>                           |
| <b>Specialised Lending subject to<br/>slotting criteria</b> | <b>2,716</b>               | <b>678</b>  | <b>1,958</b>             | <b>5,352</b>   | <b>6,470</b>                             |
| <b>Subject to Standardised<br/>approach</b>                 |                            |   |                          |                |  |
| Corporate   | 1,305                      | 399   | 1,151                    | 2,855          | 2,953                                    |
| Residential Mortgages                                       | 594                        | 52  | -                        | 646            | 687                                      |
| Other Retail  | 870                        | 301   | -                        | 1,171          | 1,229                                    |
| <b>Total Standardised approach</b>                          | <b>2,769</b>               | <b>752</b>  | <b>1,151</b>             | <b>4,672</b>   | <b>4,868</b>                             |
| <b>Other Assets</b>   | <b>7,158</b>               | <b>32</b>   | <b>-</b>                 | <b>7,190</b>   | <b>7,256</b>                             |
| <b>Total Gross Credit Exposures</b>                         | <b>197,855</b>             | <b>35,412</b>                                     | <b>40,155</b>            | <b>273,422</b> | <b>275,188</b>                           |

<sup>1</sup> Corporate includes specialised lending exposure of \$5,198 million as at 30 September 2024 (31 March 2024: \$7,411 million).

<sup>2</sup> SME Corporate includes specialised lending exposure of \$154 million as at 30 September 2024 (31 March 2024: \$176 million).

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

<sup>4</sup> Average exposures have been calculated on 30 September 2024 and 31 March 2024 spot positions.

APS 330 Table 7(b) (continued)

|   | As at<br>31 March 2024     |   |                          | Total<br>\$m   | Average<br>exposures <sup>1</sup><br>\$m |
|---|----------------------------|---|--------------------------|----------------|--|
|   | On balance<br>Sheet<br>\$m | Off balance sheet<br>Non-market<br>related<br>\$m | Market<br>related<br>\$m |                |  |
| <b>Subject to IRB approach</b>                              |                            |   |                          |                |  |
| Corporate   | 20,495                     | 3,562   | 22,528                   | 46,585         | 47,142                                   |
| SME Corporate   | 9,166                      | 1,698   | 51                       | 10,915         | 10,790                                   |
| Sovereign   | 23,235                     | 4,938   | 210                      | 28,383         | 28,641                                   |
| Financial Institution                                       | 7,478                      | 8,606   | 11,927                   | 28,011         | 27,387                                   |
| Residential Mortgages                                       | 122,505                    | 15,865  | -                        | 138,370        | 135,814                                  |
| Other Retail  | 2,827                      | -   | -                        | 2,827          | 3,020                                    |
| Retail SME  | 1,879                      | 11  | -                        | 1,890          | 2,006                                    |
| <b>Total IRB approach</b>                                   | <b>187,585</b>             | <b>34,680</b>                                     | <b>34,716</b>            | <b>256,981</b> | <b>254,798</b>                           |
| <b>Specialised Lending subject to<br/>slotting criteria</b> | <b>2,985</b>               | <b>870</b>  | <b>3,732</b>             | <b>7,587</b>   | <b>6,997</b>                             |
| <b>Subject to Standardised approach</b>                     |                            |   |                          |                |  |
| Corporate   | 1,528                      | 663   | 860                      | 3,051          | 3,282                                    |
| Residential Mortgages                                       | 671                        | 56  | -                        | 727            | 765                                      |
| Other Retail  | 972                        | 314   | -                        | 1,286          | 1,342                                    |
| <b>Total Standardised approach</b>                          | <b>3,171</b>               | <b>1,033</b>                                      | <b>860</b>               | <b>5,064</b>   | <b>5,389</b>                             |
| <b>Other Assets</b>   | <b>7,279</b>               | <b>43</b>   | <b>-</b>                 | <b>7,322</b>   | <b>6,470</b>                             |
| <b>Total Gross Credit Exposures</b>                         | <b>201,020</b>             | <b>36,626</b>                                     | <b>39,308</b>            | <b>276,954</b> | <b>273,653</b>                           |

<sup>1</sup> Average exposures have been calculated on 31 March 2024 and 30 September 2023 spot positions.

## 5.4 Credit Risk by Geographic Distribution

The credit risk exposures below have been based on a geographical split by domicile of the counterparty.

APS 330 Table 7(c)

| Portfolio Type                      | As at<br>30 September 2024 |                  |                          |                 |                |
|-------------------------------------|----------------------------|------------------|--------------------------|-----------------|----------------|
|                                     | Asia Pacific<br>\$m        | Australia<br>\$m | EMEA <sup>1</sup><br>\$m | Americas<br>\$m | Total<br>\$m   |
| Corporate                           | 3,295                      | 13,073           | 20,153                   | 19,970          | 56,491         |
| SME Corporate                       | 13                         | 10,830           | 4                        | 66              | 10,913         |
| Sovereign                           | 663                        | 8,810            | 3,080                    | 1,208           | 13,761         |
| Financial Institution               | 2,664                      | 3,239            | 10,261                   | 12,881          | 29,045         |
| Residential Mortgages               | 406                        | 150,344          | 220                      | 159             | 151,129        |
| Other Retail                        | 96                         | 3,094            | -                        | 180             | 3,370          |
| Retail SME                          | -                          | 1,523            | -                        | -               | 1,523          |
| Other Assets                        | 719                        | 3,706            | 1,403                    | 1,362           | 7,190          |
| <b>Total Gross Credit Exposures</b> | <b>7,856</b>               | <b>194,619</b>   | <b>35,121</b>            | <b>35,826</b>   | <b>273,422</b> |

| Portfolio Type                      | As at<br>31 March 2024 |                  |                          |                 |                |
|-------------------------------------|------------------------|------------------|--------------------------|-----------------|----------------|
|                                     | Asia Pacific<br>\$m    | Australia<br>\$m | EMEA <sup>1</sup><br>\$m | Americas<br>\$m | Total<br>\$m   |
| Corporate                           | 4,002                  | 13,032           | 18,477                   | 21,536          | 57,047         |
| SME Corporate                       | 15                     | 10,990           | 7                        | 79              | 11,091         |
| Sovereign                           | 1,032                  | 23,576           | 3,590                    | 185             | 28,383         |
| Financial Institution               | 2,661                  | 3,730            | 10,527                   | 11,093          | 28,011         |
| Residential Mortgages               | 388                    | 138,320          | 228                      | 161             | 139,097        |
| Other Retail                        | 119                    | 3,780            | 3                        | 211             | 4,113          |
| Retail SME                          | -                      | 1,890            | -                        | -               | 1,890          |
| Other Assets                        | 1,068                  | 2,667            | 1,890                    | 1,697           | 7,322          |
| <b>Total Gross Credit Exposures</b> | <b>9,285</b>           | <b>197,985</b>   | <b>34,722</b>            | <b>34,962</b>   | <b>276,954</b> |

<sup>1</sup> EMEA represents Europe, United Kingdom, Middle East and Africa.

## 5.5 Credit Risk Distribution by Counterparty Type

The credit risk exposures below have been classified based on counterparty split of the exposure.

APS 330 Table 7(d)

| Portfolio Type                      | As at<br>30 September 2024      |                   |                  |                |                |
|-------------------------------------|---------------------------------|-------------------|------------------|----------------|----------------|
|                                     | Financial<br>Institution<br>\$m | Government<br>\$m | Corporate<br>\$m | Retail<br>\$m  | Total<br>\$m   |
| Corporate                           | 10,315                          | 297               | 45,601           | 278            | 56,491         |
| SME Corporate                       | 827                             | -                 | 9,065            | 1,021          | 10,913         |
| Sovereign                           | 12,230                          | 1,531             | -                | -              | 13,761         |
| Financial Institution               | 27,167                          | 961               | 917              | -              | 29,045         |
| Residential Mortgages               | 352                             | -                 | 5,268            | 145,509        | 151,129        |
| Other Retail                        | 8                               | -                 | 214              | 3,148          | 3,370          |
| Retail SME                          | 51                              | -                 | 1,098            | 374            | 1,523          |
| Other Assets                        | 2,276                           | 530               | 4,384            | -              | 7,190          |
| <b>Total Gross Credit Exposures</b> | <b>53,226</b>                   | <b>3,319</b>      | <b>66,547</b>    | <b>150,330</b> | <b>273,422</b> |

| Portfolio Type                      | As at<br>31 March 2024          |                   |                  |                |                |
|-------------------------------------|---------------------------------|-------------------|------------------|----------------|----------------|
|                                     | Financial<br>Institution<br>\$m | Government<br>\$m | Corporate<br>\$m | Retail<br>\$m  | Total<br>\$m   |
| Corporate                           | 10,126                          | 546               | 46,132           | 243            | 57,047         |
| SME Corporate                       | 772                             | -                 | 9,267            | 1,052          | 11,091         |
| Sovereign                           | 27,877                          | 506               | -                | -              | 28,383         |
| Financial Institution               | 26,529                          | 689               | 793              | -              | 28,011         |
| Residential Mortgages               | 429                             | -                 | 4,850            | 133,818        | 139,097        |
| Other Retail                        | 16                              | -                 | 254              | 3,843          | 4,113          |
| Retail SME                          | 57                              | -                 | 1,376            | 457            | 1,890          |
| Other Assets                        | 2,469                           | 484               | 4,369            | -              | 7,322          |
| <b>Total Gross Credit Exposures</b> | <b>68,275</b>                   | <b>2,225</b>      | <b>67,041</b>    | <b>139,413</b> | <b>276,954</b> |

## 5.6 Credit Risk by Maturity Profile

The credit risk exposures below have been based on residual contractual maturity of the exposure.

APS 330 Table 7(e)

| Portfolio Type                      | As at<br>30 September 2024 |                    |                  | Total<br>\$m   |
|-------------------------------------|----------------------------|--------------------|------------------|----------------|
|                                     | ≤1 year<br>\$m             | 1 ≤ 5 years<br>\$m | > 5 years<br>\$m |                |
| Corporate                           | 27,692                     | 24,116             | 4,683            | 56,491         |
| SME Corporate                       | 2,542                      | 7,470              | 901              | 10,913         |
| Sovereign                           | 9,729                      | 2,160              | 1,872            | 13,761         |
| Financial Institution               | 23,937                     | 3,955              | 1,153            | 29,045         |
| Residential Mortgages               | 69                         | 384                | 150,676          | 151,129        |
| Other Retail                        | 749                        | 2,202              | 419              | 3,370          |
| Retail SME                          | 245                        | 1,261              | 17               | 1,523          |
| Other Assets                        | 4,102                      | 325                | 2,763            | 7,190          |
| <b>Total Gross Credit Exposures</b> | <b>69,065</b>              | <b>41,873</b>      | <b>162,484</b>   | <b>273,422</b> |

| Portfolio Type                      | As at<br>31 March 2024 |                    |                  | Total<br>\$m   |
|-------------------------------------|------------------------|--------------------|------------------|----------------|
|                                     | ≤1 year<br>\$m         | 1 ≤ 5 years<br>\$m | > 5 years<br>\$m |                |
| Corporate                           | 28,340                 | 24,604             | 4,103            | 57,047         |
| SME Corporate                       | 2,483                  | 7,666              | 942              | 11,091         |
| Sovereign                           | 24,154                 | 2,103              | 2,126            | 28,383         |
| Financial Institution               | 23,916                 | 2,882              | 1,213            | 28,011         |
| Residential Mortgages               | 81                     | 415                | 138,601          | 139,097        |
| Other Retail                        | 905                    | 2,730              | 478              | 4,113          |
| Retail SME                          | 264                    | 1,611              | 15               | 1,890          |
| Other Assets                        | 4,306                  | 393                | 2,623            | 7,322          |
| <b>Total Gross Credit Exposures</b> | <b>84,449</b>          | <b>42,404</b>      | <b>150,101</b>   | <b>276,954</b> |

Macquarie is approved by APRA to use the Basel III Foundation Internal Ratings Based (FIRB) Approach for credit risk for its wholesale portfolios. Approval for the FIRB approach enables Macquarie to rely on its own internal estimates for some of the necessary credit risk components in determining the capital requirement for a given credit exposure. Internal estimates are used for PD and Maturity, while for wholesale exposures APRA provided estimates must be used for LGD and Exposure at Default (EAD).

A number of retail businesses have been accredited to use the Internal Ratings Based (IRB) Approach, whereby retail exposures are assigned to pools based on both borrower and transaction risk and where the PD and LGD estimates are derived from Macquarie's loss history for exposures in that pool.

Macquarie has a number of portfolios which do not have a statistically significant loss history and therefore do not qualify for the IRB approach to credit risk. Accordingly, the Standardised approach is applied to these portfolios and they are assessed periodically to determine if a change to the IRB approach can be substantiated.

Other portfolios will remain Standardised either because they are in run off or have been approved by APRA as such. The obligors in these portfolios are not rated by any of the recognised ECAI (S&P & Moody's) as they are primarily composed of individual borrowers or small businesses. Consequently, these exposures are risk weighted at 100%.

A summary of the applicable IRB or Standardised treatment to the Macquarie credit portfolios is set out in the table below.

| Exposure Type   | Approach     | Treatment  |
|---|--------------|--|
| Primarily all credit exposures to Corporate (including SME Corporate), Financial Institution and Sovereign counterparties | IRB          | MQ rating is mapped to the S&P ratings scale<br>S&P historical default data is used to estimate a PD for each rating grade   |
| Income Producing Real Estate (IPRE)   | IRB          | MQ rating is mapped to the S&P ratings scale<br>S&P historical default data is used to estimate a PD for each rating grade   |
| All exposures subject to Supervisory Slotting Treatment   | IRB          | Exposure is slotted based on a combination of its MQ rating and LGD, with APRA determined supervisory risk weights assigned to each exposure                                     |
| Macquarie originated auto and equipment lease exposures in Australia <sup>1</sup>   | IRB          | Through-the-cycle pool PDs and downturn LGDs   |
| Macquarie originated and purchased Residential Mortgages in Australia   | IRB          | Through-the-cycle pool PDs and downturn LGDs<br>An APRA approved LGD model has been applied to the portfolio, taking into account the regulatory requirement of a 10% LGD floor. |
| Other Residential Mortgages   | Standardised | Risk Weighted per APS 112 Capital Adequacy: Standardised Approach to Credit Risk   |
| Other auto and equipment lease exposures in Australia   | Standardised | Risk Weighted per APS 112 Capital Adequacy: Standardised Approach to Credit Risk   |
| Credit card exposures in Australia  | Standardised | 75% risk-weighted  |
| Personal loan exposures in Australia  | Standardised | 75% risk-weighted  |
| Margin loan exposures in Australia  | Standardised | A 20% risk-weight prescribed in APS 112 Capital Adequacy: Standardised Approach to Credit Risk   |
| Related party exposures   | Standardised | Risk Weighted per APS 112 Capital Adequacy: Standardised Approach to Credit Risk   |

<sup>1</sup> Excludes loans to self managed superannuation funds secured by residential property and reverse mortgages, which are considered as other residential mortgages under standardised approach.



## 6. Calculation of Credit Risk Exposures

### 6.1 Credit Risk Exposures by Measurement Approach

The table below sets out the gross exposures by Basel III portfolio class as required by APRA under APS 330.

APS 330 Table 7(i)

| Portfolio Type                          | As at<br>30 September 2024<br>\$m | As at<br>31 March 2024<br>\$m |
|---|-----------------------------------|-------------------------------|
| <b>Subject to IRB approach</b>          |                                   |                               |
| Corporate <sup>1</sup>                  | 53,636                            | 53,996                        |
| SME Corporate <sup>2</sup>              | 10,913                            | 11,091                        |
| Sovereign                               | 13,761                            | 28,383                        |
| Financial Institution                   | 29,045                            | 28,011                        |
| Residential Mortgages                   | 150,483                           | 138,370                       |
| Other Retail                            | 2,199                             | 2,827                         |
| Retail SME                              | 1,523                             | 1,890                         |
| <b>Total IRB approach</b>               | <b>261,560</b>                    | <b>264,568</b>                |
| <b>Subject to Standardised approach</b> |                                   |                               |
| Corporate                               | 2,855                             | 3,051                         |
| Residential Mortgages                   | 646                               | 727                           |
| Other Retail                            | 1,171                             | 1,286                         |
| <b>Total Standardised approach</b>      | <b>4,672</b>                      | <b>5,064</b>                  |
| <b>Other Assets</b>                     | <b>7,190</b>                      | <b>7,322</b>                  |
| <b>Total Gross Credit Exposures</b>     | <b>273,422</b>                    | <b>276,954</b>                |

<sup>1</sup> Corporate includes specialised lending exposure of \$5,198 million as at 30 September 2024 (31 March 2024: \$7,411 million).

<sup>2</sup> SME Corporate includes specialised lending exposure of \$154 million as at 30 September 2024 (31 March 2024: \$176 million).

## 6.2 Credit Risk Exposures by Risk Weight

The tables below detail total credit exposures by risk weight bandings for the standardised portfolio and risk weightings for specialised lending exposures.

The disclosure of Standardised exposures below shows gross credit exposures before and after the impact of risk mitigation by collateral and guarantees.

APS 330 Table 8(b) Standardised Approach Exposures

| Risk Weight   | As at<br>30 September 2024               |   | As at<br>31 March 2024                   |   |
|---------------|--|---|--|---|
|               | Total Gross<br>Credit<br>Exposure<br>\$m | Exposure after<br>mitigation by<br>eligible collateral<br>& guarantees<br>\$m | Total Gross<br>Credit<br>Exposure<br>\$m | Exposure after<br>mitigation by<br>eligible collateral<br>& guarantees<br>\$m |
| 0%            | -  | -   | -  | -   |
| > 0% ≤ 20%    | 8  | 8   | 3  | 3   |
| > 20% ≤ 50%   | 1,652                                    | 1,413   | 1,619                                    | 1,521   |
| > 50% ≤ 75%   | 942                                      | 942   | 999                                      | 999   |
| > 75% ≤ 100%  | 2,044                                    | 1,778   | 2,414                                    | 1,914   |
| > 100% ≤ 150% | 26                                       | 26  | 29                                       | 29  |
| > 150%        | -  | -   | -  | -   |
| <b>Total</b>  | <b>4,672</b>                             | <b>4,167</b>  | <b>5,064</b>                             | <b>4,466</b>  |

### 6.2.1 IRB Approach Exposures

Specialised lending exposures subject to supervisory slotting

| Risk Weight  | Gross Credit Exposure             |                               |
|--------------|-----------------------------------|-------------------------------|
|              | As at<br>30 September 2024<br>\$m | As at<br>31 March 2024<br>\$m |
| 70%          | 195                               | 65                            |
| 90%          | 2,216                             | 3,341                         |
| 115%         | 2,811                             | 3,730                         |
| 250%         | 2                                 | 42                            |
| Default      | 31                                | 250                           |
| <b>Total</b> | <b>5,255</b>                      | <b>7,428</b>                  |

### 6.3 Credit Risk Exposures by Risk Grade

This section sets out the gross credit exposures split by PD for Non-Retail portfolios and Expected Loss (EL) for Retail portfolios.

The tables below provide a breakdown of gross credit exposures into each PD band for the Non-Retail portfolios under the Basel III FIRB classes of Corporate, SME Corporate, Sovereign and Financial Institution as shown in Section 6.1.

APS 330 Table 9(d)

| As at<br>30 September 2024<br>PD Grade  |               |                  |                 |               |               |              |               |            |                                   |
|---|---------------|------------------|-----------------|---------------|---------------|--------------|---------------|------------|-----------------------------------|
|   | 0<br>≤ 0.05%  | 0.05%<br>≤ 0.15% | 0.15%<br>≤ 0.4% | 0.4%<br>≤ 1%  | 1%<br>≤ 5%    | 5%<br>≤ 15%  | 15%<br>≤ 100% | Default    | Total Gross<br>Credit<br>Exposure |
| Non-Retail                              | \$m           | \$m              | \$m             | \$m           | \$m           | \$m          | \$m           | \$m        | \$m                               |
| Corporate                               | 1,068         | 8,363            | 16,559          | 11,051        | 11,685        | 4,243        | 241           | 426        | 53,636                            |
| SME Corporate                           | -             | 15               | 450             | 3,894         | 4,814         | 1,460        | 85            | 195        | 10,913                            |
| Sovereign                               | 12,587        | 120              | 40              | 1,010         | -             | 4            | -             | -          | 13,761                            |
| Financial Institution                   | 7,679         | 10,082           | 7,501           | 2,535         | 1,063         | 124          | 47            | 14         | 29,045                            |
| <b>Total Gross Credit<br/>Exposures</b> | <b>21,334</b> | <b>18,580</b>    | <b>24,550</b>   | <b>18,490</b> | <b>17,562</b> | <b>5,831</b> | <b>373</b>    | <b>635</b> | <b>107,355</b>                    |

| As at<br>31 March 2024<br>PD Grade      |               |                  |                 |               |               |              |               |              |                                   |
|---|---------------|------------------|-----------------|---------------|---------------|--------------|---------------|--------------|-----------------------------------|
|   | 0<br>≤ 0.05%  | 0.05%<br>≤ 0.15% | 0.15%<br>≤ 0.4% | 0.4%<br>≤ 1%  | 1%<br>≤ 5%    | 5%<br>≤ 15%  | 15%<br>≤ 100% | Default      | Total Gross<br>Credit<br>Exposure |
| Non-Retail                              | \$m           | \$m              | \$m             | \$m           | \$m           | \$m          | \$m           | \$m          | \$m                               |
| Corporate                               | 945           | 8,710            | 16,635          | 9,725         | 11,024        | 5,572        | 526           | 859          | 53,996                            |
| SME Corporate                           | -             | 15               | 469             | 3,803         | 5,061         | 1,385        | 102           | 256          | 11,091                            |
| Sovereign                               | 28,177        | 165              | 13              | 14            | -             | 14           | -             | -            | 28,383                            |
| Financial Institution                   | 9,007         | 10,411           | 5,369           | 2,108         | 911           | 113          | 55            | 37           | 28,011                            |
| <b>Total Gross Credit<br/>Exposures</b> | <b>38,129</b> | <b>19,301</b>    | <b>22,486</b>   | <b>15,650</b> | <b>16,996</b> | <b>7,084</b> | <b>683</b>    | <b>1,152</b> | <b>121,481</b>                    |

Included within Total Gross Credit Exposures in the previous page are exposures for undrawn commitments. These undrawn commitment exposures are set out in the following tables.

APS 330 Table 9(d)

| As at<br>30 September 2024<br>PD Grade |               |                   |                  |               |              |             |                |           |                                   |
|--|---------------|-------------------|------------------|---------------|--------------|-------------|----------------|-----------|-----------------------------------|
|  | 0<br><= 0.05% | 0.05%<br><= 0.15% | 0.15%<br><= 0.4% | 0.4%<br><= 1% | 1%<br><= 5%  | 5%<br><=15% | 15%<br><= 100% | Default   | Total Gross<br>Credit<br>Exposure |
| Undrawn Commitments                    | \$m           | \$m               | \$m              | \$m           | \$m          | \$m         | \$m            | \$m       | \$m                               |
| Corporate                              | 32            | 294               | 290              | 836           | 711          | 242         | 3              | 10        | 2,418                             |
| SME Corporate                          | -             | 11                | 91               | 605           | 687          | 142         | 1              | 9         | 1,546                             |
| Sovereign                              | 15            | -                 | -                | 12            | -            | -           | -              | -         | 27                                |
| Financial Institution                  | -             | 78                | 4                | 7             | 44           | -           | -              | -         | 133                               |
| <b>Total Undrawn<br/>Commitments</b>   | <b>47</b>     | <b>383</b>        | <b>385</b>       | <b>1,460</b>  | <b>1,442</b> | <b>384</b>  | <b>4</b>       | <b>19</b> | <b>4,124</b>                      |

| As at<br>31 March 2024<br>PD Grade   |               |                   |                  |               |              |             |                |           |                                   |
|--------------------------------------|---------------|-------------------|------------------|---------------|--------------|-------------|----------------|-----------|-----------------------------------|
|                                      | 0<br><= 0.05% | 0.05%<br><= 0.15% | 0.15%<br><= 0.4% | 0.4%<br><= 1% | 1%<br><= 5%  | 5%<br><=15% | 15%<br><= 100% | Default   | Total Gross<br>Credit<br>Exposure |
| Undrawn Commitments                  | \$m           | \$m               | \$m              | \$m           | \$m          | \$m         | \$m            | \$m       | \$m                               |
| Corporate                            | 33            | 495               | 548              | 689           | 831          | 262         | 92             | 22        | 2,972                             |
| SME Corporate                        | -             | 11                | 114              | 530           | 749          | 119         | 4              | 14        | 1,541                             |
| Sovereign                            | 15            | -                 | -                | 12            | -            | -           | -              | -         | 27                                |
| Financial Institution                | -             | 96                | -                | 13            | 187          | 1           | -              | -         | 297                               |
| <b>Total Undrawn<br/>Commitments</b> | <b>48</b>     | <b>602</b>        | <b>662</b>       | <b>1,244</b>  | <b>1,767</b> | <b>382</b>  | <b>96</b>      | <b>36</b> | <b>4,837</b>                      |

The tables below provide a breakdown of gross credit exposures into each EL category for the Retail portfolios under the Basel III classes of Residential Mortgages, Other Retail and Retail SME as shown in Section 6.1.

APS 330 Table 9(d)

|                                     | As at<br>30 September 2024<br>Expected Loss Categories |               |              |            |              | Total Gross<br>Credit<br>Exposure<br>\$m |
|-------------------------------------|--|---------------|--------------|------------|--------------|--|
|                                     | 0  | 0.1%          | 0.3%         | 3%         | 10%          |  |
|                                     | <= 0.1%  | <= 0.3%       | <= 3%        | <= 10%     | <= 100%      |  |
| Retail                              | \$m  | \$m           | \$m          | \$m        | \$m          | \$m                                      |
| Residential Mortgages               | 106,110  | 40,236        | 2,750        | 266        | 1,121        | 150,483                                  |
| Other Retail                        | -  | 1,157         | 827          | 158        | 57           | 2,199                                    |
| Retail SME                          | 14   | 85            | 1,313        | 59         | 52           | 1,523                                    |
| <b>Total Gross Credit Exposures</b> | <b>106,124</b>   | <b>41,478</b> | <b>4,890</b> | <b>483</b> | <b>1,230</b> | <b>154,205</b>                           |

|                                     | As at<br>31 March 2024<br>Expected Loss Categories |               |              |            |              | Total Gross<br>Credit<br>Exposure<br>\$m |
|-------------------------------------|--|---------------|--------------|------------|--------------|--|
|                                     | 0  | 0.1%          | 0.3%         | 3%         | 10%          |  |
|                                     | <= 0.1%  | <= 0.3%       | <= 3%        | <= 10%     | <= 100%      |  |
| Retail                              | \$m  | \$m           | \$m          | \$m        | \$m          | \$m                                      |
| Residential Mortgages               | 117,879  | 18,731        | 626          | 251        | 883          | 138,370                                  |
| Other Retail                        | -  | 1,469         | 1,073        | 208        | 77           | 2,827                                    |
| Retail SME                          | 30   | 91            | 1,625        | 86         | 58           | 1,890                                    |
| <b>Total Gross Credit Exposures</b> | <b>117,909</b>                                     | <b>20,291</b> | <b>3,324</b> | <b>545</b> | <b>1,018</b> | <b>143,087</b>                           |

Included within Total Gross Credit Exposures in the tables above are exposures for undrawn commitments. These undrawn commitment exposures are set out in the following tables.

APS 330 Table 9(d)

|                                  | As at<br>30 September 2024<br>Expected Loss Categories |              |           |          |           | Total<br>\$m  |
|----------------------------------|--|--------------|-----------|----------|-----------|---------------|
|                                  | 0  | 0.1%         | 0.3%      | 3%       | 10%       |               |
|                                  | <= 0.1%  | <= 0.3%      | <= 3%     | <= 10%   | <= 100%   |               |
| Undrawn Commitments              | \$m  | \$m          | \$m       | \$m      | \$m       | \$m           |
| Residential Mortgages            | 11,826   | 5,586        | 48        | 5        | 15        | 17,480        |
| Retail SME                       | 7  | 1            | 3         | -        | -         | 11            |
| <b>Total Undrawn Commitments</b> | <b>11,833</b>  | <b>5,587</b> | <b>51</b> | <b>5</b> | <b>15</b> | <b>17,491</b> |

|                                  | As at<br>31 March 2024<br>Expected Loss Categories |              |           |           |           | Total<br>\$m  |
|----------------------------------|--|--------------|-----------|-----------|-----------|---------------|
|                                  | 0  | 0.1%         | 0.3%      | 3%        | 10%       |               |
|                                  | <= 0.1%  | <= 0.3%      | <= 3%     | <= 10%    | <= 100%   |               |
| Undrawn Commitments              | \$m  | \$m          | \$m       | \$m       | \$m       | \$m           |
| Residential Mortgages            | 13,198   | 2,591        | 45        | 13        | 18        | 15,865        |
| Retail SME                       | 11   | -            | -         | -         | -         | 11            |
| <b>Total Undrawn Commitments</b> | <b>13,209</b>                                      | <b>2,591</b> | <b>45</b> | <b>13</b> | <b>18</b> | <b>15,876</b> |

---

# 7. Provisioning

## 7.1 Non-Performing Facilities

Facilities are classified as non-performing when there is doubt regarding the collectability of some or all of the contractual payments due from a counterparty. The contractual payments include principal outstanding, interest and other related charges. In addition, facilities that are more than 90 calendar days past contractual due date are by default classified as non-performing.

Exposures will be assessed for specific provisions where there is objective evidence of impairment. Objective evidence of impairment may include market, economic or legal factors impacting upon the ability of a counterparty to meet their repayment obligations. The assessment process consists of a comparison of the carrying value of the exposure and the present value of its estimated future cash flows (recoverable amount).

The estimation of expected future cash flows takes into consideration:

- External valuations of the asset (taking into account the value of any security held)
- Costs of recovery; and
- The timeframe for realisation of recovery and/or sale of security.

The estimated future cash flows are discounted at the effective interest rate to determine the recoverable amount of the financial asset.

For the purposes of this report, past dues represent the full amount outstanding, not just the amount that is past due.

## 7.2 Specific Provisions and General Provisions

### 7.2.1 Specific Provisions

Facilities that are assessed as non-performing are subject to a recoverability test. Specific provisions are calculated as per the APRA Prudential Standard APS 220 Credit Risk Management (APS 220) and are generally measured as the difference between the contractual and expected cash flows from the individual exposure, discounted using the effective interest rate for that exposure.

### 7.2.2 General Provisions

The General Provisions is required under APS 220 to cover credit losses prudently estimated but not certain to arise over the full life of all individual facilities making up the credit risk portfolio.

Provisions representing 12 months expected credit loss (ECL) on performing loans (referred to as stage I provisions under AASB 9), are allocated to General Provisions as they are held against future, presently unidentified losses. ECL provisions are determined based on the point in time probability of default (PD) over the next 12 months and the lifetime losses associated with such PD, adjusted for forward looking information.

### 7.2.3 Additional Regulatory Specific Provisions

Lifetime ECL provisions on underperforming loans (referred to as stage II provisions under AASB 9) deemed ineligible to be included in the General Provisions, are considered regulatory specific provisions. Lifetime ECL provisions are determined with reference to the financial asset's lifetime PD and the lifetime losses associated with that PD, adjusted for forward looking information.



## 7.3 Regulatory Expected Loss (REL)

REL represents the estimated future credit losses expected to be incurred in a portfolio. For non-defaulted exposures, REL is calculated as a function of the outstanding exposure, PD and LGD whereas REL for defaulted Corporate, Sovereign and Financial Institution exposures under the FIRB approach is determined as the product of LGD and EAD. LGDs are defined by APRA for Corporate, Financial Institution and Sovereign. Specialised lending exposures subject to supervisory slotting criteria are measured using APRA determined risk weightings. For defaulted retail exposures under the IRB approach, REL is based on the best estimate of loss. The excess of REL over eligible provisions is required by APRA to be deducted from Common Equity Tier 1 capital. Eligible provisions include credit related provisions, partial write offs, and discounts on defaulted assets excluding purchased defaulted assets. As at 30 September 2024, the total REL was \$923 million (31 March 2024: \$1,174 million), with the excess of REL over eligible provisions resulting in a Common Equity Tier 1 deduction of \$327 million (31 March 2024: \$487 million).

## 7.4 Provisions by Counterparty Type

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

APS 330 Table 7(f)

|  | As at<br>30 September 2024         |                              |                              |                               | As at<br>31 March 2024             |                              |                              |                               |
|--|------------------------------------|------------------------------|------------------------------|-------------------------------|------------------------------------|------------------------------|------------------------------|-------------------------------|
|  | Non-performing                     |                              |                              |                               | Non-performing                     |                              |                              |                               |
|  | Gross<br>Credit<br>Exposure<br>\$m | < 90 Days<br>Past Due<br>\$m | ≥ 90 Days<br>Past Due<br>\$m | Specific<br>Provisions<br>\$m | Gross<br>Credit<br>Exposure<br>\$m | < 90 Days<br>Past Due<br>\$m | ≥ 90 Days<br>Past Due<br>\$m | Specific<br>Provisions<br>\$m |
| <b>Subject to IRB approach</b>                   |                                    |                              |                              |                               |                                    |                              |                              |                               |
| Corporate  | 53,636                             | 203                          | 191                          | (165)                         | 53,996                             | 258                          | 244                          | (159)                         |
| SME Corporate                                    | 10,913                             | 99                           | 95                           | (30)                          | 11,091                             | 219                          | 108                          | (63)                          |
| Sovereign  | 13,761                             | -                            | -                            | -                             | 28,383                             | -                            | -                            | -                             |
| Financial Institutions                           | 29,045                             | -                            | 14                           | (14)                          | 28,011                             | -                            | 37                           | (37)                          |
| Residential Mortgages <sup>1</sup>               | 150,483                            | 673                          | 435                          | (20)                          | 138,370                            | 572                          | 384                          | (19)                          |
| Other Retail                                     | 2,199                              | 46                           | 12                           | (17)                          | 2,827                              | 58                           | 20                           | (24)                          |
| Retail SME                                       | 1,523                              | 35                           | 14                           | (13)                          | 1,890                              | 37                           | 20                           | (17)                          |
| <b>Total IRB approach</b>                        | <b>261,560</b>                     | <b>1,056</b>                 | <b>761</b>                   | <b>(259)</b>                  | <b>264,568</b>                     | <b>1,144</b>                 | <b>813</b>                   | <b>(319)</b>                  |
| <b>Subject to Standardised approach</b>          |                                    |                              |                              |                               |                                    |                              |                              |                               |
| Corporate  | 2,855                              | -                            | -                            | -                             | 3,051                              | -                            | -                            | -                             |
| Residential Mortgages                            | 646                                | -                            | -                            | -                             | 727                                | -                            | -                            | -                             |
| Other Retail                                     | 1,171                              | 11                           | 6                            | (6)                           | 1,286                              | 14                           | 7                            | (9)                           |
| <b>Total Standardised approach</b>               | <b>4,672</b>                       | <b>11</b>                    | <b>6</b>                     | <b>(6)</b>                    | <b>5,064</b>                       | <b>14</b>                    | <b>7</b>                     | <b>(9)</b>                    |
| <b>Other Assets</b>                              | <b>7,190</b>                       | <b>-</b>                     | <b>-</b>                     | <b>-</b>                      | <b>7,322</b>                       | <b>-</b>                     | <b>-</b>                     | <b>-</b>                      |
| <b>Total</b>                                     | <b>273,422</b>                     | <b>1,067</b>                 | <b>767</b>                   | <b>(265)</b>                  | <b>276,954</b>                     | <b>1,158</b>                 | <b>820</b>                   | <b>(328)</b>                  |
| <b>Additional regulatory specific provisions</b> |                                    |                              |                              | <b>(111)</b>                  |                                    |                              |                              | <b>(120)</b>                  |

<sup>1</sup> The non-performing exposure of Residential Mortgages that are less than 90 days past due as at 31 March 2024 has been restated.

APS 330 Table 9(e)

|   | For the 6 months to<br>30 September 2024     |                                | For the 6 months to<br>31 March 2024         |                                |
|---|--|--------------------------------|--|--------------------------------|
|   | Charges for<br>Specific<br>provisions<br>\$m | Write-offs <sup>1</sup><br>\$m | Charges for<br>Specific<br>provisions<br>\$m | Write-offs <sup>1</sup><br>\$m |
| <b>Subject to IRB approach</b>          |  |                                |  |                                |
| Corporate                               | (21)   | -                              | (57)   | -                              |
| SME Corporate                           | (3)  | -                              | (16)   | -                              |
| Residential Mortgages                   | -  | -                              | (3)  | -                              |
| Retail SME                              | (1)  | -                              | (5)  | -                              |
| <b>Total IRB approach</b>               | <b>(25)</b>                                  | <b>-</b>                       | <b>(81)</b>                                  | <b>-</b>                       |
| <b>Subject to Standardised approach</b> |  |                                |  |                                |
| Other Retail                            | -  | -                              | -  | -                              |
| <b>Total Standardised approach</b>      | <b>-</b>                                     | <b>-</b>                       | <b>-</b>                                     | <b>-</b>                       |
| <b>Total</b>                            | <b>(25)</b>                                  | <b>-</b>                       | <b>(81)</b>                                  | <b>-</b>                       |

## 7.5 Provisions by Geographic Region

The tables below split non-performing facilities and provisions by geographic region. Note that the geographic split has been based on the domicile of the counterparty.

APS 330 Table 7(g)

|  | As at<br>30 September 2024 |                       |                   |                   |
|--|----------------------------|-----------------------|-------------------|-------------------|
|  | Non-Performing             |                       | Specific          | General           |
| Geographic Region                                | < 90 Days Past<br>Due      | ≥ 90 Days Past<br>Due | Provisions<br>\$m | Provisions<br>\$m |
| Australia  | 972                        | 567                   | (173)             | (207)             |
| EMEA   | 33                         | 63                    | (58)              | (4)               |
| Americas   | 62                         | 135                   | (34)              | (34)              |
| Asia Pacific                                     | -                          | 2                     | -                 | (1)               |
| <b>Total</b>                                     | <b>1,067</b>               | <b>767</b>            | <b>(265)</b>      | <b>(246)</b>      |
| <b>Additional regulatory specific provisions</b> |                            |                       | <b>(111)</b>      |                   |

|  | As at<br>31 March 2024 |                       |                   |                   |
|--|------------------------|-----------------------|-------------------|-------------------|
|  | Non-Performing         |                       | Specific          | General           |
| Geographic Region                                | < 90 Days Past<br>Due  | ≥ 90 Days Past<br>Due | Provisions<br>\$m | Provisions<br>\$m |
| Australia <sup>2</sup>                           | 1,006                  | 547                   | (207)             | (205)             |
| EMEA   | 136                    | 119                   | (88)              | (8)               |
| Americas   | 16                     | 150                   | (33)              | (39)              |
| Asia Pacific                                     | -                      | 4                     | -                 | (1)               |
| <b>Total</b>                                     | <b>1,158</b>           | <b>820</b>            | <b>(328)</b>      | <b>(253)</b>      |
| <b>Additional regulatory specific provisions</b> |                        |                       | <b>(120)</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.

<sup>2</sup> The non-performing exposure of Australia that are less than 90 days past due as at 31 March 2024 has been restated.

## 7.6 General Provisions

APS 330 Table 7(j)

|                               | As at<br>30 September 2024<br>\$m | As at<br>31 March 2024<br>\$m |
|-------------------------------|-----------------------------------|-------------------------------|
| General provisions before tax | 246                               | 253                           |
| Tax effect                    | (68)                              | (72)                          |
| <b>General provisions</b>     | <b>178</b>                        | <b>181</b>                    |

## 7.7 Movement in Provisions

The table below shows the movement of provisions over the 6 months to 30 September 2024.

APS 330 Table 7(h)

|   | General<br>Provisions<br>\$m | Specific Provisions<br>and Additional<br>Specific provision<br>\$m | Total<br>\$m |
|---|------------------------------|--|--------------|
| <b>Provisions as at 31 March 2024</b>               | <b>253</b>                   | <b>448</b>   | <b>701</b>   |
| Charges (net of reversals) during the period        | (17)                         | 20   | 3            |
| Assets written off or sold, previously provided for | -                            | (74)   | (74)         |
| Net transfer from/(to) other provisions             | 12                           | (12)   | -            |
| Adjustments for foreign exchange fluctuations       | (2)                          | (6)  | (8)          |
| <b>Provisions as at 30 September 2024</b>           | <b>246</b>                   | <b>376</b>   | <b>622</b>   |

## 7.8 Analysis of Expected Credit Model Performance versus Actual Results

APS 330 Table 9(f)

The table below relates only to Macquarie's portfolios measured under the IRB approach and compares actual results of the current reporting period to the average estimate.

| Portfolio Type                         | PD             |             | Exposure at<br>default<br>Estimate to<br>Actual Ratio | LGD            |             |
|--|----------------|-------------|---|----------------|-------------|
|  | Estimated<br>% | Actual<br>% |   | Estimated<br>% | Actual<br>% |
| Corporate (including SME) <sup>1</sup> | 3.85%          | 2.41%       | N/A   | N/A            | N/A         |
| Sovereign <sup>1</sup>                 | 1.42%          | 0.00%       | N/A   | N/A            | N/A         |
| Financial Institution <sup>1</sup>     | 1.14%          | 0.14%       | N/A   | N/A            | N/A         |
| Residential Mortgages <sup>2</sup>     | 0.97%          | 0.86%       | 101%  | 16.83%         | 2.24%       |
| Other Retail <sup>2</sup>              | 2.14%          | 2.12%       | 112%  | 46.06%         | 19.41%      |

<sup>1</sup> Macquarie is accredited under the Foundation Internal Ratings Based Approach (FIRB). As the LGD and EAD assumptions under FIRB are set by APRA for these portfolio types, disclosure of actual against estimates does not facilitate meaningful assessment of the performance of internal rating processes for these portfolios. The PD average estimates reported for wholesale exposures (Corporate, SME Corporate, Sovereign, Financial Institution) are over the March 2024 to September 2024 period due to new asset classes under APRA's revised bank capital framework. Estimated PD for wholesale exposures includes unrated counterparties which are assigned the highest non-defaulted PD grade as per APRA's revised bank capital framework.

<sup>2</sup> Includes exposures disclosed as Retail SME. The PD average estimates reported for retail exposures (Residential Mortgages, Other Retail) are over the January 2008 to September 2024 period.

---

## 8. Credit Risk Mitigation

### 8.1 Netting and Collateral Management

Netting arises where a single legal obligation is created covering all transactions included in a netting agreement. The most common form of netting which Macquarie applies for these purposes is close out netting.

Netting is applied to a counterparty balance only when appropriate documentation governing transactions between the Macquarie entity and the counterparty has been entered into, Legal Risk Management has confirmed that it is legally effective to net with that counterparty, and APRA Prudential Standard APS 112 Capital Adequacy: Standardised Approach to Credit Risk (APS 112), has been complied with.

#### 8.1.1 Collateral Valuation and Management

RMG Credit limits are set, and the related exposures are calculated before taking any non-cash collateral into consideration other than for securities finance transactions where liquid financial instruments are an inherent part of the lending arrangement. Typically, collateral is required for all but short dated, vanilla trading activity.

A wide variety of collateral can be accepted depending on the counterparty and the nature of the exposure. Some of the most common forms are charges over:

- Cash or gold deposits
- Debt or equity securities
- Company assets; and
- Commercial or residential property.

Guarantees are frequently requested from banks, parent or associated companies. Relative ratings between the obligor and guarantor are monitored as part of the regulatory capital calculation process as mitigation will normally cease to be eligible if the rating of the guarantor falls below that of the underlying obligor. Collateral taken in the form of tradeable securities is revalued daily by the same application systems which are used to trade those particular products. Credit default swaps are not a common form of credit risk mitigation. Macquarie policies require that all security is taken in conjunction with a formal written agreement which gives Macquarie direct and unconditional rights over the collateral in the event of default by the obligor.

To mitigate credit risk Macquarie makes frequent use of margining arrangements. In these cases, counterparties post collateral daily in the form of cash or liquid securities to cover outstanding trading positions. Macquarie also engages in reciprocal margining agreements with counterparties under International Swaps and Derivatives Association (ISDA) or similar agreements where the Credit Support Annex can contain provisions whereby margining thresholds may vary in relation to the credit ratings of the respective parties. Macquarie is compliant with OTC Margin reforms in all legal jurisdictions with respect to thresholds, minimum transfer amounts and rounding for affected counterparties in those jurisdictions. Collateral and funding requirements due to credit ratings downgrade(s) are incorporated into Macquarie's liquidity stress scenarios, which consider liquidity obligations for a twelve-month period under both a systemic and combined name and systemic crisis scenario. These scenarios are embedded in the MGL and MBL Liquidity Policies, alongside Macquarie's liquidity risk appetite. The increase in collateral and funding requirements as a result of credit rating downgrade(s) is included as an outflow in these scenarios, explicitly ensuring that Macquarie has sufficient funding coverage in these events.

All details regarding security together with netting/margining rules are recorded in collateral management systems which support the operational control framework.

Specific policy and protocols govern the acceptance of real estate as collateral.

---

Prior to acceptance, all real estate collateral will undergo a valuation assessment in line with approved policy requirements and, in the case of independent valuations, must also undergo a formal review process by which it is assessed for quality, adherence to policy and standing instructions. The escalation of this review and acceptance process depends on:

- The type of property being valued
- The dollar value of the property being valued; and
- The proposed loan to value ratio (LVR).

The value of all real estate collateral is assessed regularly and is re-valued where appropriate, be it on an asset specific basis or a market assessment across a pool of assets, such as residential mortgages. The interval between revaluation is contingent on the type of property, dollar value of the property being valued, LVR, the market conditions that have prevailed since the valuation was conducted and counterparty performance. All prior claims on the property collateral are recorded and taken into consideration when calculating the available security value.

### **8.1.2 Wrong Way Risk**

Specific wrong way risk occurs when exposure to the counterparty exhibits strong positive correlation with the counterparty's probability of default. RMG Credit runs a monthly monitoring process to ensure that all instances of specific wrong way risk are identified and appropriately escalated. General wrong way risk occurs when the probabilities of counterparty defaults are positively correlated with counterparty exposure which results from market risk factor movements. Macquarie considers these correlations as part of the credit assessment process and has daily reports which identify asset sensitivities across a range of dimensions including industry/peer group, counterparty and rating grade.

## **8.2 Exposures Mitigated by Eligible Collateral**

Eligible financial collateral is defined in APS 112 as cash, certificates of deposit, bank bills, certain rated debt issues and listed equities. Other items that are eligible for recognition as collateral include mortgages over commercial or residential real estate (subject to the satisfaction of certain requirements listed in APS 113).

As noted, Macquarie takes a wide range of collateral of which only a portion is eligible under APS 112 and APS 113. All collateral is recorded in appropriate systems with clear definition by type and eligibility status. Ineligible collateral under APRA standards is excluded from the capital calculation process.

Some types of collateral which are eligible by definition may be determined to be ineligible or adjusted with an appropriate haircut at the time of calculation due to mismatches of maturity or currency between the collateral and the underlying exposures.

For capital adequacy purposes, eligible cash collateral is considered in calculating the capital requirement. For non-cash collateral, a regulatory haircut is applied to both the gross credit exposure and the value of the collateral, and these adjusted amounts are used as the basis of calculating the capital requirement.

The tables on the following page show gross credit exposures by Basel III portfolio and the amount of risk exposure which is mitigated by APRA defined eligible collateral, guarantees or credit derivatives.

APS 330 Table 10(b) &amp; (c)

| Measurement Approach                    | As at<br>30 September 2024                         |   |                                     |   |
|---|--|---|-------------------------------------|---|
|   | Total Gross<br>Credit Exposure <sup>1</sup><br>\$m | Eligible<br>Financial Collateral<br>\$m | Other Eligible<br>Collateral<br>\$m | Exposures Covered<br>by Guarantees<br>\$m |
| <b>Subject to IRB approach</b>          |  |   |                                     |   |
| Corporate                               | 53,636   | 1,160                                   | 2,620                               | 6,595                                     |
| SME Corporate                           | 10,913   | 160                                     | 5,889                               | 1   |
| Sovereign                               | 13,761   | -                                       | 12                                  | -   |
| Financial Institution                   | 29,045   | 495                                     | 2                                   | 532                                       |
| Residential Mortgages                   | 150,483  | -                                       | -                                   | -   |
| Other Retail                            | 2,199  | -                                       | -                                   | -   |
| Retail SME                              | 1,523  | -                                       | -                                   | -   |
| <b>Total IRB approach</b>               | <b>261,560</b>                                     | <b>1,815</b>                            | <b>8,523</b>                        | <b>7,128</b>                              |
| <b>Subject to Standardised approach</b> |  |   |                                     |   |
| Corporate                               | 2,855  | 359                                     | -                                   | 17  |
| Residential Mortgages                   | 646  | -                                       | -                                   | -   |
| Other Retail                            | 1,171  | -                                       | -                                   | 129                                       |
| <b>Total Standardised approach</b>      | <b>4,672</b>                                       | <b>359</b>                              | <b>-</b>                            | <b>146</b>                                |
| <b>Other assets</b>                     | <b>7,190</b>                                       | <b>-</b>                                | <b>-</b>                            | <b>-</b>                                  |
| <b>Total</b>                            | <b>273,422</b>                                     | <b>2,174</b>                            | <b>8,523</b>                        | <b>7,274</b>                              |

| Measurement Approach                    | As at<br>31 March 2024                             |   |                                     |   |
|---|--|---|-------------------------------------|---|
|   | Total Gross<br>Credit Exposure <sup>1</sup><br>\$m | Eligible<br>Financial Collateral<br>\$m | Other Eligible<br>Collateral<br>\$m | Exposures Covered<br>by Guarantees<br>\$m |
| <b>Subject to IRB approach</b>          |  |   |                                     |   |
| Corporate                               | 53,996   | 1,107                                   | 2,074                               | 7,600                                     |
| SME Corporate                           | 11,091   | 187                                     | 6,111                               | -   |
| Sovereign                               | 28,383   | -                                       | 12                                  | -   |
| Financial Institution                   | 28,011   | 412                                     | -                                   | 239                                       |
| Residential Mortgages                   | 138,370  | -                                       | -                                   | -   |
| Other Retail                            | 2,827  | -                                       | -                                   | -   |
| Retail SME                              | 1,890  | -                                       | -                                   | -   |
| <b>Total IRB approach</b>               | <b>264,568</b>                                     | <b>1,706</b>                            | <b>8,197</b>                        | <b>7,839</b>                              |
| <b>Subject to Standardised approach</b> |  |   |                                     |   |
| Corporate                               | 3,051  | 379                                     | -                                   | 18  |
| Residential Mortgages                   | 727  | -                                       | -                                   | -   |
| Other Retail                            | 1,286  | -                                       | -                                   | 200                                       |
| <b>Total Standardised approach</b>      | <b>5,064</b>                                       | <b>379</b>                              | <b>-</b>                            | <b>218</b>                                |
| <b>Other Assets</b>                     | <b>7,322</b>                                       | <b>-</b>                                | <b>-</b>                            | <b>-</b>                                  |
| <b>Total</b>                            | <b>276,954</b>                                     | <b>2,085</b>                            | <b>8,197</b>                        | <b>8,057</b>                              |

<sup>1</sup> Per APS 180, the impact of eligible collateral for market related contracts is embedded in the calculation of total gross credit exposures and is not separately reported as eligible financial collateral.

### 8.3 Counterparty Credit risk

Counterparty Credit Risk (CCR) is the risk that the counterparty to a transaction could default before the final settlement of the transaction's cash flows. An economic loss would occur if the transactions or portfolio of transactions with the counterparty has a positive economic value for any Group entity at the time of default. Unlike exposure to credit risk through a loan, where the exposure to credit risk is unilateral and only the lending bank faces the risk of loss, CCR creates a bilateral risk of loss whereby the market value for many different types of transactions can be positive or negative to either counterparty. The market value is uncertain and can vary over time with the movement of underlying market factors.

Regulatory capital is allocated to CCR exposures using the SA CCR calculation, which reflects expected exposure to the counterparty and its risk rating. Economic capital also reflects correlations and diversification impacts across risk types.

As at 30 September 2024, a unilateral one notch and two notch downgrade in the MBL's rating would have resulted in a further \$18 million and \$48 million (credit rating downgrade postings are cumulative) of collateral being posted to other counterparties respectively. Collateral stress tests are also conducted on the MBL's counterparties so that it can monitor for likely collateral stresses in the event of a counterparty downgrade.

APS 330 Table 11(b)

|   | As at<br>30 September 2024<br>\$m | As at<br>31 March 2024<br>\$m |
|---|-----------------------------------|-------------------------------|
| <b>Exposure at default for counterparty exposures</b> |                                   |                               |
| Replacement cost excluding collateral                 | 16,965                            | 19,951                        |
| Replacement cost with eligible collateral (A)         | 10,796                            | 10,486                        |
| Potential future exposure (PFE) (B)                   | 17,951                            | 17,688                        |
| <b>Exposure at default [(A+B) * 1.4]</b>              | <b>40,246</b>                     | <b>39,444</b>                 |
| Comprising:   |                                   |                               |
| Interest rate   | 1,809                             | 1,528                         |
| Credit  | 81                                | 78                            |
| Equity  | 3,241                             | 3,553                         |
| Foreign exchange                                      | 11,427                            | 8,551                         |
| Commodity   | 23,688                            | 25,734                        |
| <b>Exposure at default</b>                            | <b>40,246</b>                     | <b>39,444</b>                 |

APS 330 Table 11(c)

|                                       | As at<br>30 September 2024 |                        | As at<br>31 March 2024   |                        |
|---------------------------------------|----------------------------|------------------------|--------------------------|------------------------|
| Notional amount of credit derivatives | Protection<br>Bought \$m   | Protection<br>Sold \$m | Protection<br>Bought \$m | Protection<br>Sold \$m |
| Own credit portfolio                  | 2,225                      | 1,852                  | 2,146                    | 940                    |
| Client intermediation activities      | -                          | -                      | -                        | -                      |
| <b>Total</b>                          | <b>2,225</b>               | <b>1,852</b>           | <b>2,146</b>             | <b>940</b>             |
| Credit default swaps (CDS)            | 2,165                      | 1,852                  | 2,100                    | 940                    |
| Total return swaps                    | 60                         | 0                      | 46                       | 0                      |
| <b>Total</b>                          | <b>2,225</b>               | <b>1,852</b>           | <b>2,146</b>             | <b>940</b>             |

---

# 9. Securitisation

## 9.1 Overview

A securitisation is defined as “a financing structure where the cash flow from a pool is used to make payments on obligations to at least two tranches or classes of creditors (typically holders of debt securities), with each tranche or class entitled to receive payments from the pool before or after another class of creditors, thereby reflecting different levels of credit risk.”

Macquarie engages in a range of activities in the securitisation market, including playing the following roles:

- Originator, Arranger, Manager and Servicer on Macquarie mortgage and auto and equipment finance securitisation programs
- Lead Manager on Macquarie originated and third-party securitisations
- Swap Counterparty to Macquarie originated and third-party securitisations
- Warehouse facility provider to several third-party originators
- Liquidity facility provider to several third-party originators and provider of redraw facilities to all Macquarie Mortgage SPVs; and
- Investor in third party securitisation transactions.

Macquarie has also established contingent liquidity securitisation SPVs that issue and hold Residential Mortgage-Backed Securities (RMBS) eligible for repurchase with the RBA.

Macquarie may, as sponsor, use the following types of special purpose vehicles to securitise third party exposures:

- Trusts, and
- Special purpose companies

issuing RMBS or asset backed securities (ABS).

Following are the affiliated entities which the MGL group manages or advises, and which can invest either in the securitisation exposures that Macquarie has securitised or in SPVs for whom Macquarie is a sponsor (i.e. manager, adviser, dealer or liquidity and/or credit enhancement provider):

- Macquarie Australian Diversified Income Fund
- Macquarie Core Australian Fixed Interest Fund
- Macquarie Corporate Bond Fund
- Macquarie Debt Market Opportunity Fund
- Macquarie Dynamic Bond Fund
- Macquarie Enhanced Australian Fixed Interest Fund
- Macquarie Fund Solutions-Macquarie Global Income Opportunities Fund
- Macquarie Global Income Opportunities Fund
- Macquarie Income Opportunities Fund
- Macquarie Managed Income Fund
- Macquarie Real Return Opportunities Fund
- Macquarie TAL General Account fund
- Macquarie True Index Cash Fund
- Macquarie True Index Global Bond Fund
- Macquarie True Index Sovereign Bond Fund
- Macquarie Wholesale Australian Fixed Interest Fund



---

Any investments by these entities (if any) in securitisation exposures that Macquarie has securitised or sponsored does not form a majority of their investment portfolios and their investment represents a small percentage of the relevant securitisation issue.

### 9.1.1 Securitisation Risk Management

RMG is responsible for overseeing the management of the risk arising from all securitisation exposures. RMG approves all securitisation transactions and exposures arising from securitisation activity.

RMG Prudential Risk reviews transactions where Macquarie acts as originator, manager or sponsor to ensure compliance with APS 120 and other regulations. RMG Credit sets limits on securitisation exposures and reviews transactions to identify all risks involved. RMG Market Risk reviews market exposures associated with securitisations, such as swaps, and other exposures held in the trading book. Macquarie's primary risk mitigant is the limit framework and approval process governing exposures to securitisations.

In addition to credit risk, securitised assets can be subject to liquidity risk, interest rate risk, and in some instances FX risk. The nature and scale of these risks varies from transaction to transaction. All securitised assets are subject to a degree of operational risk associated with documentation and the collection of cashflows.

Securitisation exposures are measured daily and monitored by RMG. RMG completes an annual review of all securitisation exposures and limits. Regulatory capital is calculated on all securitisation exposures using the available approaches in APS 116 and APS 120.

Macquarie applies the following approaches to the calculation of regulatory capital for securitisation exposures under APS 120:

- The External Ratings Based approach (ERBA); or
- The Supervisory Formula Approach (SFA).

If one of the above approaches does not apply to an exposure, then the exposure will be deducted from Common Equity Tier 1 Capital (CET1).

S&P and Moody's Ratings have all been used to rate Macquarie securitisations.

Mitigation of credit risk on securitisation exposures is performed in accordance with Macquarie's overall credit risk mitigation policy. Details of the policy can be found in Section 8.0 of this disclosure.

### 9.1.2 Accounting for Securitisation

Securitisation transactions undertaken by Macquarie are accounted for in accordance with Australian Accounting Standards. As noted, securitised positions are managed in a number of SPVs.

Where these SPVs are deconsolidated for regulatory purposes under APS 120, they still need to be assessed under Australian Accounting Standards to determine whether these SPVs should be considered part of the accounting consolidated group.

Control exists when the parent is exposed, or has rights, to variable returns from its involvement with an entity and has the ability to affect those returns through its power over that entity. In Macquarie's case, it has been determined that under Australian Accounting Standards, Macquarie consolidates Macquarie mortgage SPVs and auto and equipment finance SPVs. The assets and liabilities in these SPVs detailed in the tables within this section are consolidated into the Macquarie accounting consolidated group on the basis Macquarie controls those SPVs.

Banking book securitised assets consolidated by Macquarie are held on the balance sheet at amortised cost. Securitised exposures in the trading book are held at fair value through profit or loss. There has been no material change to the methods of valuation from the prior period.

If there are circumstances where Macquarie is required to provide financial support for securitised assets, a relevant liability is recognised on the Bank's balance sheet. Where a liability does not currently exist but could arise in the future as a result of uncertain events not wholly within Macquarie's control, a contingent liability is disclosed unless the possibility of an outflow of resources is remote. A contingent liability is not recognised on the Bank's balance sheet as an actual liability.

Further information on accounting policies as they relate to securitisation exposures, including key assumptions and inputs to valuation processes and Macquarie's policies on accounting consolidation, can be found in the Macquarie Bank Limited financial report.

## 9.2 Securitisation Exposures

### 9.2.1 Originating ADI Securitisation Exposures

The table below sets out the assets originated or sponsored by Macquarie where the exposures have subsequently been securitised.

Macquarie has not undertaken any synthetic securitisation in the banking and trading book.

APS 330 Table 12(g) and (o)

| Exposure Type                         | As at<br>30 September 2024                |                                    |              |
|---------------------------------------|---|------------------------------------|--------------|
|                                       | Total outstanding exposures securitised   |                                    |              |
|                                       | ADI originated assets <sup>1</sup><br>\$m | ADI as sponsor <sup>2</sup><br>\$m | Other<br>\$m |
| <b>Banking Book</b>                   |   |                                    |              |
| Residential Mortgages                 | 63,319                                    | 37                                 | -            |
| Credit cards and other personal loans | -   | -                                  | -            |
| Auto and equipment finance            | 2,563                                     | -                                  | -            |
| <b>Total Banking Book</b>             | <b>65,882</b>                             | <b>37</b>                          | <b>-</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>     |
| <b>Total</b>                          | <b>65,882</b>                             | <b>37</b>                          | <b>-</b>     |

| Exposure Type                         | As at<br>31 March 2024                    |                                    |              |
|---------------------------------------|---|------------------------------------|--------------|
|                                       | Total outstanding exposures securitised   |                                    |              |
|                                       | ADI originated assets <sup>1</sup><br>\$m | ADI as sponsor <sup>2</sup><br>\$m | Other<br>\$m |
| <b>Banking Book</b>                   |   |                                    |              |
| Residential Mortgages                 | 64,327                                    | 42                                 | -            |
| Credit cards and other personal loans | -   | -                                  | -            |
| Auto and equipment finance            | 3,283                                     | -                                  | -            |
| <b>Total Banking Book</b>             | <b>67,610</b>                             | <b>42</b>                          | <b>-</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>     |
| <b>Total</b>                          | <b>67,610</b>                             | <b>42</b>                          | <b>-</b>     |

<sup>1</sup> Included in the above are assets of \$65,882 million in securitisation entities where Macquarie continues to hold capital behind the underlying pool of securitised assets in the Level 2 regulatory group (31 March 2024: \$67,610 million).

<sup>2</sup> Included in the above are exposures held in third party warehouse funding facilities.

## 9.2.2 Performance of Assets Securitised

The assets below have been originated and securitised by Macquarie. The table below identifies the total exposures along with the exposures of non-performing assets.

APS 330 Table 12(h)

| As at<br>30 September 2024              |   |                                    |   |
|---|---|------------------------------------|---|
| Total outstanding exposures securitised |   |                                    |   |
| Exposure Type                           | Total outstanding exposures <sup>1</sup><br>\$m | Non-performing <sup>2</sup><br>\$m | ADI recognised loss from exposures securitised<br>\$m |
| Residential Mortgages                   | 63,319  | 248                                | -   |
| Credit cards and other personal loans   | -   | -                                  | -   |
| Auto and equipment finance              | 2,563   | 54                                 | -   |
| <b>Total</b>                            | <b>65,882</b>                                   | <b>302</b>                         | <b>-</b>  |

| As at<br>31 March 2024                  |   |                                    |   |
|---|---|------------------------------------|---|
| Total outstanding exposures securitised |   |                                    |   |
| Exposure Type                           | Total outstanding exposures <sup>1</sup><br>\$m | Non performing <sup>2</sup><br>\$m | ADI recognised loss from exposures securitised<br>\$m |
| Residential Mortgages                   | 64,327  | 295                                | -   |
| Credit cards and other personal loans   | -   | -                                  | -   |
| Auto and equipment finance              | 3,283   | 65                                 | -   |
| <b>Total</b>                            | <b>67,610</b>                                   | <b>360</b>                         | <b>-</b>  |

<sup>1</sup> Included in the above are assets of \$65,882 million in securitisation entities where Macquarie continues to hold capital behind the underlying pool of securitised assets in the Level 2 regulatory group (31 March 2024: \$67,610 million).

<sup>2</sup> Included in the above are non-performing facilities of \$302 million in securitisation entities where Macquarie continues to hold capital behind the underlying pool of securitised assets in the Level 2 regulatory Group (31 March 2024: \$360 million).

### 9.2.3 Summary of Outstanding Exposures Intended to be Securitised

APS 330 Table 12(i) and (p)

Macquarie may securitise assets depending on a variety of factors, including market conditions and business requirements. The table below sets out identified assets as at the reporting date which are intended to be put into securitisation deals.

| Exposure Type                           | As at<br>30 September 2024<br>\$m | As at<br>31 March 2024<br>\$m |
|---|-----------------------------------|-------------------------------|
| <b>Banking Book</b>                     |                                   |                               |
| Residential Mortgages <sup>1</sup>      | 4,098                             | 4,147                         |
| Credit cards and other personal loans   | -                                 | -                             |
| Auto and equipment finance <sup>1</sup> | -                                 | 61                            |
| <b>Total Banking Book</b>               | <b>4,098</b>                      | <b>4,208</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>                      |

<sup>1</sup> This exposure is intended for funding only securitisation.

### 9.2.4 Securitisation Activity

Over the 6 months to 30 September 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 12(j) and (q)

|   | For the 6 months to<br>30 September 2024                 |                       |                                       |
|---|--|-----------------------|---------------------------------------|
|   | Value of loans sold or originated<br>into securitisation |                       | Recognised<br>gain or loss<br>on sale |
| Exposure Type                           | ADI originated<br>\$m                                    | ADI as sponsor<br>\$m | \$m                                   |
| <b>Banking Book</b>                     |  |                       |                                       |
| Residential Mortgages <sup>1</sup>      | 9,574  | -                     | -                                     |
| Credit cards and other personal loans   | -  | -                     | -                                     |
| Auto and equipment finance <sup>1</sup> | 207  | -                     | -                                     |
| Other                                   | -  | -                     | -                                     |
| <b>Total Banking Book</b>               | <b>9,781</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>                              |

| Exposure Type                           | For the 6 months to<br>31 March 2024                     |                       | Recognised<br>gain or loss<br>on sale<br>\$m |
|---|--|-----------------------|--|
|   | Value of loans sold or originated<br>into securitisation |                       |  |
|   | ADI originated<br>\$m                                    | ADI as sponsor<br>\$m |  |
| <b>Banking Book</b>                     |  |                       |  |
| Residential Mortgages <sup>1</sup>      | 13,539   | -                     | -  |
| Credit cards and other personal loans   | -  | -                     | -  |
| Auto and equipment finance <sup>1</sup> | 482  | -                     | -  |
| Other                                   | -  | -                     | -  |
| <b>Total Banking Book</b>               | 14,021   | -                     | -  |
| <b>Trading Book</b>                     |  |                       |  |
| Residential Mortgages                   | -  | -                     | -  |
| Credit cards and other personal loans   | -  | -                     | -  |
| Auto and equipment finance              | -  | -                     | -  |
| <b>Total Trading Book</b>               | -  | -                     | -  |

<sup>1</sup> 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.

## Originating ADI Securitisation Exposures

APS 330 Table 12(r) – Trading Book

| Exposure Type                         | As at<br>30 September 2024              |           |              |           |
|---------------------------------------|---|-----------|--------------|-----------|
|                                       | Total outstanding exposures securitised |           |              |           |
|                                       | Standard Approach                       |           | IMA Approach |           |
|                                       | Traditional                             | Synthetic | Traditional  | Synthetic |
|                                       | \$m                                     | \$m       | \$m          | \$m       |
| Residential Mortgages                 | -                                       | -         | -            | -         |
| Credit cards and other personal loans | -                                       | -         | -            | -         |
| Auto and equipment finance            | -                                       | -         | -            | -         |
| Other                                 | -                                       | -         | -            | -         |
| <b>Total</b>                          | -                                       | -         | -            | -         |

| Exposure Type                         | As at<br>31 March 2024                  |           |              |           |
|---------------------------------------|---|-----------|--------------|-----------|
|                                       | Total outstanding exposures securitised |           |              |           |
|                                       | Standard Approach                       |           | IMA Approach |           |
|                                       | Traditional                             | Synthetic | Traditional  | Synthetic |
|                                       | \$m                                     | \$m       | \$m          | \$m       |
| Residential Mortgages                 | -                                       | -         | -            | -         |
| Credit cards and other personal loans | -                                       | -         | -            | -         |
| Auto and equipment finance            | -                                       | -         | -            | -         |
| Other                                 | -                                       | -         | -            | -         |
| <b>Total</b>                          | -                                       | -         | -            | -         |

## 9.2.5 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 12(k) and (s)

| Exposure Type                         | As at<br>30 September 2024               |                      |                  |
|---------------------------------------|--|----------------------|------------------|
|                                       | Total outstanding exposures <sup>1</sup> |                      |                  |
|                                       | On                                       | Off                  | Total            |
|                                       | balance sheet<br>\$m                     | balance sheet<br>\$m | exposures<br>\$m |
| <b>Banking Book</b>                   |  |                      |                  |
| Residential Mortgages                 | 65,036                                   | 329                  | 65,365           |
| Credit cards and other personal loans | 51                                       | -                    | 51               |
| Auto and equipment finance            | 3,474                                    | -                    | 3,474            |
| Other                                 | 915                                      | -                    | 915              |
| <b>Total Banking Book</b>             | <b>69,476</b>                            | <b>329</b>           | <b>69,805</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>         |

| Exposure Type                         | As at<br>31 March 2024                   |                      |                  |
|---------------------------------------|--|----------------------|------------------|
|                                       | Total outstanding exposures <sup>1</sup> |                      |                  |
|                                       | On                                       | Off                  | Total            |
|                                       | balance sheet<br>\$m                     | balance sheet<br>\$m | exposures<br>\$m |
| <b>Banking Book</b>                   |  |                      |                  |
| 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              |
| <b>Total Banking Book</b>             | <b>71,052</b>                            | <b>60</b>            | <b>71,112</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 \$65,882 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).

## 9.2.6 Exposure by Risk Weight Band

### Banking Book

APS 330 Table 12(l)

|                  | As at<br>30 September 2024               |                         | As at<br>31 March 2024   |                         |
|------------------|--|-------------------------|--------------------------|-------------------------|
|                  | Securitisation exposures subject to ERBA |                         |                          |                         |
|                  | Gross Credit<br>Exposure                 | Risk Weighted<br>Assets | Gross Credit<br>Exposure | Risk Weighted<br>Assets |
| Risk weight band | \$m                                      | \$m                     | \$m                      | \$m                     |
| =<20%            | 1,346                                    | 267                     | 979                      | 194                     |
| >20%-50%         | 46                                       | 21                      | 38                       | 18                      |
| >50%-100%        | 65                                       | 42                      | 90                       | 52                      |
| >100%-140%       | -  | -                       | -                        | -                       |
| Total            | 1,457                                    | 330                     | 1,107                    | 264                     |

|                  | As at<br>30 September 2024              |                         | As at<br>31 March 2024   |                         |
|------------------|---|-------------------------|--------------------------|-------------------------|
|                  | Securitisation exposures subject to SFA |                         |                          |                         |
|                  | Gross Credit<br>Exposure                | Risk Weighted<br>Assets | Gross Credit<br>Exposure | Risk Weighted<br>Assets |
| Risk weight band | \$m                                     | \$m                     | \$m                      | \$m                     |
| =<20%            | 1,442                                   | 216                     | 1,668                    | 255                     |
| >20%-50%         | 997                                     | 260                     | 630                      | 173                     |
| >50%-100%        | -                                       | -                       | 75                       | 73                      |
| >100%-150%       | -                                       | -                       | -                        | -                       |
| >150%-650%       | -                                       | -                       | -                        | -                       |
| >650%-<1250%     | -                                       | -                       | -                        | -                       |
| Total            | 2,439                                   | 476                     | 2,373                    | 501                     |

|                  | As at<br>30 September 2024                          |                         | As at<br>31 March 2024   |                         |
|------------------|---|-------------------------|--------------------------|-------------------------|
|                  | Securitisation exposures subject to risk weight cap |                         |                          |                         |
|                  | Gross Credit<br>Exposure                            | Risk Weighted<br>Assets | Gross Credit<br>Exposure | Risk Weighted<br>Assets |
| Risk weight band | \$m   | \$m                     | \$m                      | \$m                     |
| =<20%            | -   | -                       | -                        | -                       |
| >20%-50%         | -   | -                       | -                        | -                       |
| >50%-100%        | -   | -                       | -                        | -                       |
| >100%-150%       | -   | -                       | -                        | -                       |
| >150%-650%       | -   | -                       | -                        | -                       |
| >650%-<1250%     | -   | -                       | -                        | -                       |
| Total            | -   | -                       | -                        | -                       |

|                                       | As at<br>30 September 2024 | As at<br>31 March 2024 |
|---------------------------------------|----------------------------|------------------------|
|                                       | CET1 Deduction             |                        |
| Exposure Type                         | \$m                        | \$m                    |
| Residential Mortgages                 | -                          | -                      |
| Credit cards and other personal loans | -                          | -                      |
| Auto and equipment finance            | -                          | -                      |
| Other                                 | 27                         | 23                     |
| <b>Total</b>                          | <b>27</b>                  | <b>23</b>              |



## Trading Book

APS 330 Table 12(t) & (u)

|                  | As at<br>30 September 2024                           |                         | As at<br>31 March 2024   |                         |
|------------------|--|-------------------------|--------------------------|-------------------------|
|                  | Securitisation exposure subject to Standard Approach |                         |                          |                         |
|                  | Gross Credit<br>Exposure                             | Risk Weighted<br>Assets | Gross Credit<br>Exposure | Risk Weighted<br>Assets |
| Risk weight band | \$m  | \$m                     | \$m                      | \$m                     |
| =< 20%           | -  | -                       | -                        | -                       |
| >20%-50%         | -  | -                       | -                        | -                       |
| >50%-100%        | -  | -                       | -                        | -                       |
| >100%-140%       | -  | -                       | -                        | -                       |
| Total            | -  | -                       | -                        | -                       |

|                  | As at<br>30 September 2024                      |                         | As at<br>31 March 2024   |                         |
|------------------|---|-------------------------|--------------------------|-------------------------|
|                  | Securitisation exposure subject to IMA Approach |                         |                          |                         |
|                  | Gross Credit<br>Exposure                        | Risk Weighted<br>Assets | Gross Credit<br>Exposure | Risk Weighted<br>Assets |
| Risk weight band | \$m   | \$m                     | \$m                      | \$m                     |
| =< 20%           | -   | -                       | -                        | -                       |
| >20%-50%         | -   | -                       | -                        | -                       |
| >50%-100%        | -   | -                       | -                        | -                       |
| >100%-150%       | -   | -                       | -                        | -                       |
| >150%-650%       | -   | -                       | -                        | -                       |
| >650%-<1250%     | -   | -                       | -                        | -                       |
| Total            | -   | -                       | -                        | -                       |

|                                       | As at<br>30 September 2024 | As at<br>31 March 2024 |
|---------------------------------------|----------------------------|------------------------|
|                                       | CET1 Deduction             |                        |
| Exposure Type                         | \$m                        | \$m                    |
| Residential Mortgages                 | -                          | -                      |
| Credit cards and other personal loans | -                          | -                      |
| Auto and equipment finance            | -                          | -                      |
| Other                                 | -                          | -                      |
| <b>Total</b>                          | -                          | -                      |

## 9.2.7 Resecuritisation Exposure

APS 330 Table 12(n) and (w)

| Exposure Type                            | As at                              | As at         |
|--|------------------------------------|---------------|
|  | 30 September 2024                  | 31 March 2024 |
|  | Gross Credit Exposure <sup>1</sup> |               |
|  | \$m                                | \$m           |
| <b>Banking book</b>                      |                                    |               |
| Exposures with Credit Risk Mitigation    | -                                  | -             |
| Exposures without Credit Risk Mitigation | -                                  | -             |
| Exposure to Guarantors by ratings:       | -                                  | -             |
| <b>Total banking book</b>                | -                                  | -             |
| <b>Trading book</b>                      |                                    |               |
| Exposures with Credit Risk Mitigation    | -                                  | -             |
| Exposures without Credit Risk Mitigation | -                                  | -             |
| Exposures to Guarantors by ratings:      | -                                  | -             |
| <b>Total trading book</b>                | -                                  | -             |

<sup>1</sup> Exposures deducted from CET1 capital.

---

# 10.Credit Valuation Adjustment

Under Basel III and in accordance with APS 180 Capital Adequacy: Counterparty Credit Risk, ADI's are subject to a capital charge for potential mark to market losses on OTC derivatives (i.e. credit valuation adjustments) associated with a deterioration in the credit worthiness of a counterparty. APS 180 also allows an ADI to include eligible CVA hedges in the calculation of the CVA risk capital charge.

The CVA RWA is shown in the table below.

|               | As at<br>30 September 2024<br>\$m | As at<br>31 March 2024<br>\$m |
|---------------|-----------------------------------|-------------------------------|
| CVA capital   |                                   |                               |
| Total CVA RWA | 9,505                             | 6,578                         |

# 11.Exposure to Central Counterparties

Under Basel III and in accordance with APS 180 Capital Adequacy: Counterparty Credit Risk, ADI's are required to hold capital against exposures arising from trades cleared by central counterparties. This includes outstanding trade exposures, collateral placed with the clearing house (excluding collateral placed in bankruptcy remote manner), and default fund contributions.

The RWA on exposures arising from cleared trades as at 30 September 2024 is \$530 million (31 March 2024: \$526 million). Details of the components of these exposures are shown in the tables below.

|  | As at<br>30 September 2024 |  |            |
|--|----------------------------|--|------------|
|  | Trade<br>Exposure<br>\$m   | Prefunded<br>Default Fund<br>Contribution<br>\$m | RWA<br>\$m |
| <b>Central counterparty trade exposure</b>       |                            |  |            |
| Exposures to qualifying central counterparty     | 10,070                     | 710  | 530        |
| Exposures to non-qualifying central counterparty | -                          | -  | -          |
| <b>Total central counterparty exposures</b>      | <b>10,070</b>              | <b>710</b>                                       | <b>530</b> |

|  | As at<br>31 March 2024   |  |            |
|--|--------------------------|--|------------|
|  | Trade<br>Exposure<br>\$m | Prefunded<br>Default Fund<br>Contribution<br>\$m | RWA<br>\$m |
| <b>Central counterparty trade exposure</b>       |                          |  |            |
| Exposures to qualifying central counterparty     | 10,075                   | 671  | 526        |
| Exposures to non-qualifying central counterparty | -                        | -  | -          |
| <b>Total central counterparty exposures</b>      | <b>10,075</b>            | <b>671</b>                                       | <b>526</b> |

---

# 12. Market Risk

## 12.1 Market Risk

Market risk is the risk of adverse changes in the value of Macquarie's trading positions as a result of changes in market conditions. Macquarie is exposed to the following risks:

- **Price:** The risk of loss due to changes in price of a risk factor (interest rates, foreign exchange, commodities etc.)
- **Volatility:** The risk of loss due to changes in the volatility of a risk factor
- **Basis:** The risk of imperfect correlation between offsetting investments in a hedging strategy
- **Correlation:** The risk that the actual correlation between two assets or variables is different from the assumed correlation
- **Illiquid market:** The risk of inability to sell assets or close out positions in thinly traded markets at close to the last market prices
- **Concentration:** The risk of over concentration of trading exposures in certain markets and products
- **Valuation adjustments (XVA):** The risk of valuation adjustments to derivative positions; specifically, Credit Valuation Adjustment (CVA), Debit Valuation Adjustment (DVA) and Funding Valuation Adjustment (FVA).

Macquarie has long favoured transparent scenario analysis over complex statistical modelling as the cornerstone of risk measurement.

### 12.1.1 Market Risk Structure and Governance

RMG Market Risk is the second line risk function that assesses, monitors and reports on market risk. The operating groups own market risk arising from their activities, with independent monitoring and oversight by RMG Market Risk.

The RMG Market Risk function oversees Traded Market Risk (including VaR) and Non-Traded Market Risk (including IRRBB). The Market Risk Limits Policy outlines the framework and processes for managing market risk at Macquarie, including the setting and approval of market risk limits and the monitoring and reporting of market risk exposures.

Traded Market Risk is governed by the Market Risk Committee (MRC), which meets on a quarterly basis. The MRC was established by Macquarie's Executive Committee to oversee the Value at Risk (VaR) model, the Trading Book Policy Statement and to review key information concerning the effectiveness of the Market Risk function. Its composition includes certain members of the Executive Committee, with the CRO as Chairman.

Interest Rate Risk in the Banking Book (IRRBB) is governed by the Asset and Liability Committee (ALCO). The ALCO oversees the IRRBB management framework, the Non-Traded Market Risk Policy and approves changes to aggregate IRRBB limits. It meets at least five times throughout the year and is comprised of the members of the Executive Committee, with the CFO as Chairman.

## 12.2 Aggregate Measures of Market Risk

Macquarie's appetite for market risk is set by the Board as part of the Risk Appetite Statement and cascaded down through aggregate and division level limits.

### 12.2.1 Traded market risk

Aggregate traded market risk is constrained by two risk measures, Value at Risk (VaR) and the Macro Economic Linkages (MEL) stress scenarios. RMG Market Risk monitor traded market risk limits daily, with MEL monitored on T+1 basis and VaR on a T+2 basis.

The VaR model predicts the maximum likely loss in Macquarie's trading portfolio due to adverse movements in global markets over holding periods of one and ten days. The MEL scenario uses the contingent loss approach to capture simultaneous, worst case movements across all major markets. Whereas MEL focuses on extreme price movements, VaR is calculated at the 99% level of confidence and does not account for losses that could occur beyond this. Stress testing therefore remains the predominant focus of RMG as it is considered to be the most effective mechanism to reduce Macquarie's exposure to unexpected market events.

---

### 12.2.2 Interest rate risk in the banking book (IRRBB)

Aggregate IRRBB is constrained by two measures, Economic Value Sensitivity (EVS) and Earnings at Risk (EaR). The EVS metric measures the change in net present value of the banking book as a result of changes in interest rates. The EaR model constrains the impact on reported income for a change in interest rates, including the Net Interest Income for accrual portfolios.

### 12.3 Traded Market Risk

All trading activities contain calculated elements of risk taking. Macquarie is prepared to accept such risks provided they are within agreed limits, independently and correctly identified, calculated and monitored by RMG and reported to senior management on a regular basis. Market Risk source exposures directly from the front office risk management system.

RMG monitors positions within Macquarie according to a limit structure that sets limits for all exposures in all markets. Limits are applied at a granular level to individual trading desks, through increasing levels of aggregation to Divisions and Operating Groups, and ultimately, Macquarie. This approach removes the need for future correlations or scenarios to be precisely predicted as all risks are stressed to the extreme and accounted for within the risk profile agreed for each business and Macquarie in aggregate.

Limits are approved by senior management with appropriate authority for the size and nature of the risk and Macquarie adheres to a strict 'no limit, no dealing' policy. If a product or position has not been authorised and given a limit structure by RMG, then it cannot be traded. Material breaches of the approved limit structure are communicated monthly to the Macquarie and Macquarie Bank Boards.

RMG sets three complementary limit structures:

- **Contingent loss limits:** Worst case scenarios that shock prices and volatilities by more than has occurred historically. Multiple scenarios are set for each market to capture the non-linearity and complexity of exposures arising from derivatives. A wide range of assumptions about the correlations between markets is applied
- **Position limits:** Volume, maturity and open position limits are set on a large number of market instruments and securities in order to constrain concentration risk and to avoid the accumulation of risky, illiquid positions
- **Value at Risk (VaR) limits:** Statistical measure based on a 10-day holding period and a 99% confidence level, as stipulated by the APRA capital adequacy standard. The model is validated daily by back testing a one-day VaR against hypothetical and actual daily trading profit or loss.

The risk of loss from incorrect or inappropriate pricing and hedging models is mitigated by the requirement for all new pricing models to be independently tested by the specialists within the Model Risk Management team in RMG.

#### 12.3.1 Value at Risk Model

VaR provides a statistically based summary of overall market risk in the Group. The VaR model uses a Monte Carlo simulation to generate normally distributed price and volatility paths for approximately 10,400 benchmarks, using volatilities and correlations based on three years of historical data. Emphasis is placed on more recent market movements to more accurately reflect current conditions. Each benchmark represents an asset at a specific maturity, for example, one year crude oil futures or spot gold. The benchmarks provide a high level of granularity in assessing risk, covering a range of points on yield curves and forward price curves, and distinguishing between similar but distinct assets; for example, crude oil as opposed to heating oil, or gas traded at different locations. Exposures to individual equities within a national market are captured by specific risk modelling incorporated directly into the VaR model.

The integrity of the VaR model is tested against daily hypothetical and actual trading outcomes (profit and loss) and reported to APRA quarterly.

### 12.3.2 Macro-Economic Linkage Model

MEL scenarios are large, simultaneous, 'worst case' movements in global markets. The MEL scenarios consider very large movements in a number of markets at once, based on Macquarie's understanding of the economic linkages between markets. The MEL scenarios reflect a market 'shock' or 'gap' as opposed to a sustained deterioration.

### 12.3.3 Market Risk Capital Requirement

APRA has approved the use of Macquarie's internal model to calculate regulatory capital for market risk under APS 116.

The internal model calculation is based upon:

- Value at Risk using a 10-day time horizon at a 99% confidence level
- Stressed Value at Risk using a 10-day time horizon at a 99% confidence level
- Regulatory capital for debt security specific risk is calculated using the APRA standard method (see Section 12.3.6).

The sum of the VaR and debt security specific risk components is scaled by 12.5 in accordance with APRA policy to arrive at the traded market risk RWA, which was \$8,619 million as at 30 September 2024 (31 March 2024: \$10,529 million).

There was one hypothetical and zero actual trading losses that exceeded the 1 day 99% VaR calculated for the 6 months ended 30 September 2024. The observed number of back testing exceptions indicates continued acceptable operation of the VaR model.

### 12.3.4 Value at Risk Figures (10 day 99%)

APS 330 Table 14(f)

|                       | For the 6 months to<br>30 September 2024 |                     |                     |                        | For the 6 months to<br>31 March 2024   |                     |                     |                        |
|-----------------------|--|---------------------|---------------------|------------------------|--|---------------------|---------------------|------------------------|
|                       | VaR over the current reporting period    |                     |                     |                        | VaR over the previous reporting period |                     |                     |                        |
|                       | Mean<br>value<br>\$m                     | Max<br>value<br>\$m | Min<br>value<br>\$m | VaR<br>(30-Sep)<br>\$m | Mean<br>value<br>\$m                   | Max<br>value<br>\$m | Min<br>value<br>\$m | VaR<br>(31-Mar)<br>\$m |
| Commodities           | 56                                       | 83                  | 35                  | 52                     | 58                                     | 98                  | 37                  | 46                     |
| Equities <sup>1</sup> | 13                                       | 19                  | 6                   | 14                     | 11                                     | 17                  | 6                   | 17                     |
| Foreign Exchange      | 10                                       | 18                  | 6                   | 14                     | 8                                      | 13                  | 5                   | 7                      |
| Interest Rates        | 11                                       | 17                  | 7                   | 14                     | 13                                     | 17                  | 8                   | 10                     |
| <b>Aggregate</b>      | <b>59</b>                                | <b>87</b>           | <b>33</b>           | <b>54</b>              | <b>62</b>                              | <b>98</b>           | <b>42</b>           | <b>51</b>              |

### 12.3.5 Stressed Value at Risk Figures (10 day 99%)

APS 330 Table 14(f)

|                       | For the 6 months to<br>30 September 2024 |                     |                     |                        | For the 6 months to<br>31 March 2024   |                     |                     |                        |
|-----------------------|--|---------------------|---------------------|------------------------|--|---------------------|---------------------|------------------------|
|                       | VaR over the current reporting period    |                     |                     |                        | VaR over the previous reporting period |                     |                     |                        |
|                       | Mean<br>value<br>\$m                     | Max<br>value<br>\$m | Min<br>value<br>\$m | VaR<br>(30-Sep)<br>\$m | Mean<br>value<br>\$m                   | Max<br>value<br>\$m | Min<br>value<br>\$m | VaR<br>(31-Mar)<br>\$m |
| Commodities           | 120                                      | 147                 | 86                  | 105                    | 117                                    | 142                 | 90                  | 125                    |
| Equities <sup>1</sup> | 29                                       | 42                  | 12                  | 30                     | 21                                     | 32                  | 14                  | 28                     |
| Foreign Exchange      | 28                                       | 49                  | 14                  | 29                     | 33                                     | 43                  | 23                  | 35                     |
| Interest Rates        | 44                                       | 66                  | 31                  | 61                     | 41                                     | 57                  | 22                  | 45                     |
| <b>Aggregate</b>      | <b>125</b>                               | <b>160</b>          | <b>86</b>           | <b>115</b>             | <b>117</b>                             | <b>157</b>          | <b>85</b>           | <b>132</b>             |

<sup>1</sup> Equities figures incorporate the Equity specific risk amount.

### 12.3.6 Debt Security Specific Risk Figures

Regulatory capital for Macquarie's debt security specific risk (including securitisations held in the trading book) is calculated using the APRA standard method.

APS 330 Table 13(b)

|                    | As at<br>30 September 2024<br>\$m | As at<br>31 March 2024<br>\$m |
|--------------------|-----------------------------------|-------------------------------|
| Debt specific risk | 81                                | 139                           |

The specific risks referred to above arise from movements in credit curves in the Macquarie trading book.

### 12.4 Interest Rate Risk in the Banking Book (IRRBB)

Interest rate exposures, where possible, are transferred into the trading books of Commodities and Global Markets and Group Treasury and managed under traded market risk limits. The residual risks in the banking book are not material but are nevertheless monitored and constrained by RMG and reported to senior management monthly. Macquarie measures and monitors interest rate risk on both an economic value and earnings basis. IRRBB is measured on a monthly basis using an APRA approved repricing gap model with monthly bucketing of exposures.

The total IRRBB capital is calculated for each currency in accordance with APS 117 Capital Adequacy: Interest Rate Risk in the Banking Book (Advanced ADIs). Macquarie's internal model sums the change in economic value or earnings arising from the following risk categories:

- Repricing and yield curve (parallel and non-parallel moves)
- Basis (imperfect correlation between indices of the same tenor)
- Optionality (breakdowns in assumptions used for hedging); and
- Embedded gains and losses (difference between the fair value and book value arising from past interest rate movements).

A standardised calculation for credit spread risk in the banking book is also included in MBL's total IRRBB capital.

Macquarie includes expectations of client behaviour where appropriate, including prepayments on loans & leases, and pull-through assumptions on fixed rate commitments. This is supported by stresses to these assumptions within the 'Optionality' risk calculation. Any change to these assumptions requires approval by the Risk Management Group.

#### 12.4.1 IRRBB Risk Weighted Assets (RWAs)

|           | As at<br>30 September 2024<br>\$m | As at<br>31 March 2024<br>\$m |
|-----------|-----------------------------------|-------------------------------|
| IRRBB RWA | 3,773                             | 3,748                         |



## 12.4.2 IRRBB Economic Value Sensitivity by Currency

APS 330 Table 17(b)

|   | As at<br>30 September 2024 | As at<br>31 March 2024 |
|---|----------------------------|------------------------|
|   | Change in economic value   |                        |
| Stress testing: interest rate shock applied | \$m                        | \$m                    |
| <b>AUD</b>                                  |                            |                        |
| 200 basis point parallel increase           | (45.8)                     | (57.9)                 |
| 200 basis point parallel decrease           | 46.0                       | 59.5                   |
| <b>CAD</b>                                  |                            |                        |
| 200 basis point parallel increase           | (0.1)                      | -                      |
| 200 basis point parallel decrease           | 0.1                        | -                      |
| <b>EUR</b>                                  |                            |                        |
| 200 basis point parallel increase           | (5.6)                      | (5.5)                  |
| 200 basis point parallel decrease           | 5.7                        | 5.3                    |
| <b>GBP</b>                                  |                            |                        |
| 200 basis point parallel increase           | 2.9                        | 1.1                    |
| 200 basis point parallel decrease           | (3.2)                      | (1.3)                  |
| <b>USD</b>                                  |                            |                        |
| 200 basis point parallel increase           | (0.7)                      | (8.1)                  |
| 200 basis point parallel decrease           | 6.4                        | 8.5                    |

Note that the brackets in the above table indicate a loss in economic value due to movements in interest rates.

## 12.4.3 IRRBB Regulatory Capital Requirement

|  | As at<br>30 September 2024 | As at<br>31 March 2024 |
|--|----------------------------|------------------------|
|  | \$m                        | \$m                    |
| IRRBB regulatory capital requirement – AUD | 302                        | 300                    |

---

# 13. Equity Risk

Equity risk is the risk of loss arising from banking book equity type exposures. These exposures include:

- Holdings in specialised funds managed by Macquarie
- Property equity, including property trusts and direct property equity investments; and
- Other equity investments.

All of the above equity risk positions are subject to an aggregate Equity Risk Limit (ERL). The ERL is set by the Board as part of the Risk Appetite Statement, and is set with reference to Macquarie's Aggregate Risk Tolerances and Material Risk Type Tolerances. When the Board sets the limit, it also considers the level of earnings, capital and market conditions. RMG reviews the limit periodically and reports the results of the review to the MGL/MBL Risk Committee and the Board.

## 13.1 Accounting for Equity Holdings in the Banking Book

Equity investment positions have varying accounting treatments depending on the nature of the exposure. These include:

- Equity accounting for ownership interests in associates and Joint Ventures
- Investment fair valued through profit or loss. Macquarie has not elected to designate any equity positions as fair value through OCI.

In addition to equity investment positions in the Banking Book, Macquarie also has equity investments in trading portfolios at fair value through profit or loss, which are included in the Market Risk calculation.

### 13.1.1 Investments in Associates and Joint Ventures

Equity accounting is applied to investments in which Macquarie has significant influence or joint control (joint ventures). These equity investments are described as Investments in Associates and Joint Ventures within this document. Equity accounting is applied such that Macquarie's share of its investee's post acquisition profit or losses are recorded in Macquarie's Consolidated Income Statement, and the share of its post-acquisition movements in other comprehensive income in Macquarie's Consolidated Statement of Comprehensive Income. Dividends or distributions from associates or joint ventures reduce the carrying amount of the investment to the extent that they are returns of capital. Where there is an indicator of impairment, the carrying amount of the investment is tested for impairment by comparing its recoverable amount with its carrying value. Impairment losses are recognised in the Consolidated Income Statement as part of other impairment charges/reversals. A reversal of a previously recognised impairment loss is recognised only to the extent that the investment's carrying value does not exceed the carrying amount that would have been determined (including consideration of any equity accounted losses), if no impairment loss had been recognised.

### 13.1.2 Fair value Investments through profit or loss

Fair value reflects the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Quoted prices or rates are used to determine fair value where an active market exists. If the market for a financial instrument is not active, fair values are estimated using present value or other valuation techniques, using inputs based on market conditions prevailing at the measurement date.

Gains and losses arising from subsequent changes in fair value of equity investments are recognised in the Consolidated Income Statement as investment income within net other operating income.

## 13.2 Equity Investments

The table below details the carrying value of equity investments held by Macquarie, in comparison to the applicable fair value of these equities. The categorisation of listed and unlisted investments is required for APRA regulatory reporting purposes – these include the equity investments under each of the accounting classifications outlined above. Valuations have been based on the requirements of accounting standards.

APS 330 Table 16(b) and (c)

|   | As at<br>30 September 2024 |                                | As at<br>31 March 2024 |                                |
|---|----------------------------|--------------------------------|------------------------|--------------------------------|
|   | Carrying value<br>\$m      | Fair value <sup>2</sup><br>\$m | Carrying value<br>\$m  | Fair value <sup>2</sup><br>\$m |
| <b>Equity investments<sup>1</sup></b>       |                            |                                |                        |                                |
| Value of listed (publicly traded) equities  | 65                         | 65                             | 71                     | 71                             |
| Value of unlisted (privately held) equities | 742                        | 742                            | 787                    | 787                            |
| <b>Total</b>                                | <b>807</b>                 | <b>807</b>                     | <b>858</b>             | <b>858</b>                     |

## 13.3 Capital Requirements Arising from Equity Risks

Equity investments are deducted from Common Equity Tier 1 capital under APRA's version of the Basel III rules.

APS 330 Table 16(f)

|                                 | As at<br>30 September 2024<br>\$m | As at<br>31 March 2024<br>\$m |
|---------------------------------|-----------------------------------|-------------------------------|
| <b>Deduction amount</b>         |                                   |                               |
| Equity investments <sup>3</sup> | 758                               | 790                           |

## 13.4 Gains and Losses on Equity Investments

APS 330 Table 16(d) and (e)

|  | As at<br>30 September 2024<br>\$m | As at<br>31 March 2024<br>\$m |
|--|-----------------------------------|-------------------------------|
| <b>Gains / (losses) on equity investments</b>      |                                   |                               |
| Cumulative realised gains/(losses) <sup>4</sup>    | 5                                 | 37                            |
| Total unrealised gains/(losses)                    | (19)                              | (13)                          |
| Total unrealised gains/(losses) included in Tier 1 | (19)                              | (13)                          |

<sup>1</sup> At MBL and its subsidiaries, the Consolidated Entity.

<sup>2</sup> Includes Investments in Associates which are equity accounted and not fair valued and undrawn commitments (off balance sheet) which are deemed in the nature of equity for Regulatory Capital purposes.

<sup>3</sup> At Level 2 regulatory group.

<sup>4</sup> Gains are defined as proceeds on sale less costs net of provisions.

---

# 14. Operational Risk

Operational risk is inherent in Macquarie's business. Macquarie defines operational risk as the risk of loss resulting from inadequate or failed internal processes, controls or systems or from external events. It also includes the failure or inadequate management of other risk types.

## 14.1 Macquarie's Operational Risk Management Framework

### 14.1.1 Operational Risk Objectives

Macquarie's Operational Risk Management Framework (ORMF) is designed to identify, assess and manage operational risks across the organisation. The key objectives of the framework are:

- Risk identification, analysis and acceptance
- Developing control frameworks to support the management of material risks
- Execution and monitoring of risk management practices
- Reporting and escalation of risk information on a routine and exception basis.

### 14.1.2 Operational Risk Management Process

Operating Groups and Central Service Groups implement the ORMF in a manner that is tailored to their specific operational risk profile. However, a group-wide risk and control management framework exists to ensure consistency and alignment to minimum standards, including the following mandatory elements:

- A robust change management process to ensure operational risks in new activities or products are identified, addressed, and managed prior to implementation
- A risk and control self-assessment process to identify material risks that arise through the delivery of business activities and assess how these risks are managed across both Operating Groups and Central Service Groups
- Recording operational risk incidents in a centralised reporting system. Incidents are analysed to identify trends and establish lessons learnt on the effectiveness of controls
- Allocation of operational risk capital to Macquarie businesses as a tool to further encourage positive behaviour in Macquarie's day to day management of operational risk
- Macquarie wide policies that require a consistent approach and minimum standards on specific operational risk matters
- Embedded Business Operational Risk Managers (BORMs) in Operating Groups who act as delegates of the Operating Group Head. These representatives are required to assess whether operational risks are addressed appropriately and that the ORMF is executed within their area.

### 14.1.3 Structure and Organisation of the Operational Risk Function

Most Macquarie operational risk staff operate at the business level. The Business Operational Risk Managers (BORMs) are responsible for embedding operational risk management practices within their business to support the identification and management of risks across their business group. They report directly to the relevant business and have a dotted reporting line to the Head of RMG Operational Risk.

RMG Operational Risk is a division of RMG and is managed separately from other risk disciplines within RMG. RMG Operational Risk is responsible for defining the ORMF and the group-wide minimum standards in relation to operational risk and control management.

RMG regularly reports on the operational risk profile and the effectiveness of the Framework to the Board Risk Committee (BRiC) and to senior management.

---

## 14.2 Operational Risk Capital Calculation

Macquarie holds operational risk capital to absorb potential losses arising from operational risk exposures.

Macquarie utilises the Standardised Measurement Approach to assess operational risk capital on an annual basis, as required by APS 115 Capital Adequacy: Standardised Measurement Approach to Operational Risk.

### 14.2.1 Operational Risk – RWA

|                      | As at<br>30 September 2024<br>\$m | As at<br>31 March 2024<br>\$m |
|----------------------|-----------------------------------|-------------------------------|
| Operational Risk RWA | 17,512                            | 17,512                        |

# 15. 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 5.0% at 30 September 2024, a decrease of 0.2% compared to 30 Jun 2024. This was primarily due to higher total exposures mainly driven by securities financing transactions and growth in mortgages portfolio during the quarter.

|   | 30 September 2024 | 30 June 2024 | 31 March 2024 | 31 December 2023 |
|---|-------------------|--------------|---------------|------------------|
| Capital and total exposures                       | \$m               | \$m          | \$m           | \$m              |
| Tier 1 Capital                                    | 19,991            | 19,654       | 20,154        | 19,526           |
| Total exposures                                   | 399,648           | 375,429      | 385,318       | 390,366          |
| Macquarie Level 2 regulatory group Leverage ratio | 5.0%              | 5.2%         | 5.2%          | 5.0%             |

## 15.1 Leverage Ratio Disclosure Template

APS 330 Table 18

|  |   | As at<br>30 September 2024<br>\$m |
|--|---|-----------------------------------|
| <b>Item</b>                              |   |                                   |
| <b>On-balance sheet exposures</b>        |   |                                   |
| 1  | On-balance sheet items (excluding derivatives and securities financing transactions (SFTs), but including collateral)                     | 260,561                           |
| 2  | (Asset amounts deducted in determining Tier 1 capital)  | (2,823)                           |
| 3  | <b>Total on-balance sheet exposures (excluding derivatives and SFTs) (sum of rows 1 and 2)</b>  | <b>257,738</b>                    |
| <b>Derivative exposures</b>              |   |                                   |
| 4  | Replacement cost associated with all derivatives transactions (i.e., net of eligible cash variation margin)                               | 30,004                            |
| 5  | Add-on amounts for potential future credit exposure (PFCE) associated with all derivatives transactions                                   | 33,894                            |
| 6  | Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the Australian Accounting Standards | -                                 |
| 7  | (Deductions of receivables assets for cash variation margin provided in derivatives transactions)   | (10,398)                          |
| 8  | (Exempted central counterparty (CCP) leg of client-cleared trade exposures)   | (4,521)                           |
| 9  | Adjusted effective notional amount of written credit derivatives  | 1,634                             |
| 10                                       | (Adjusted effective notional offsets and add-on deductions for written credit derivatives)  | (1,578)                           |
| 11                                       | <b>Total derivative exposures (sum of rows 4 to 10)</b>   | <b>49,035</b>                     |
| <b>SFT exposures</b>                     |   |                                   |
| 12                                       | Gross SFT assets (with no recognition of netting), after adjusting for sales accounting transactions                                      | 67,044                            |
| 13                                       | (Netted amounts of cash payables and cash receivables of gross SFT assets)  | (742)                             |
| 14                                       | CCR exposure for SFT assets   | 2,080                             |
| 15                                       | Agent transaction exposures   | -                                 |
| 16                                       | <b>Total SFT exposures (sum of rows 12 to 15)</b>   | <b>68,382</b>                     |
| <b>Other off-balance sheet exposures</b> |   |                                   |
| 17                                       | Off-balance sheet exposure at gross notional amount   | 27,179                            |
| 18                                       | (Adjustments for conversion to credit equivalent amounts)   | (2,686)                           |
| 19                                       | <b>Other off-balance sheet exposures (sum of rows 17 and 18)</b>  | <b>24,493</b>                     |
| <b>Capital and total exposures</b>       |   |                                   |
| 20                                       | Tier 1 Capital  | 19,991                            |
| 21                                       | <b>Total exposures (sum of rows 3, 11, 16 and 19)</b>   | <b>399,648</b>                    |
| <b>Leverage ratio</b>                    |   |                                   |
| 22                                       | <b>Leverage ratio</b>   | <b>5.0%</b>                       |

## 15.2 Summary Comparison of Accounting Assets versus Leverage Ratio Exposure Measure

|      |  | As at<br>30 September 2024<br>\$m |
|------|--|-----------------------------------|
| Item |  |                                   |
| 1    | Total consolidated assets as per published financial report  | 345,321                           |
| 2    | Adjustment for investments in banking, financial, insurance or commercial entities that are consolidated for accounting purposes but outside the scope of regulatory consolidation | 159                               |
| 3    | Adjustment for assets held on the balance sheet in a fiduciary capacity pursuant to the Australian Accounting Standards but excluded from the leverage ratio exposure measure      | -                                 |
| 4    | Adjustments for derivative financial instruments   | 23,089                            |
| 5    | Adjustment for SFTs (i.e., repos and similar secured lending)  | 5,727                             |
| 6    | Adjustment for off-balance sheet exposures (i.e., conversion to credit equivalent amounts of off-balance sheet exposures)  | 24,493                            |
| 7    | Other adjustments  | 859                               |
| 8    | <b>Leverage ratio exposure</b>   | <b>399,648</b>                    |



# 16. Liquidity Coverage Ratio Disclosure

## 16.1 Liquidity Coverage Ratio disclosure template

APS 330 Table 20

|  | For the 3 months to<br>30 September 2024         |  | For the 3 months to<br>30 June 2024              |  |
|--|--|--|--|--|
|  | Total<br>unweighted<br>value<br>(average)<br>\$m | Total<br>weighted<br>value<br>(average)<br>\$m | Total<br>unweighted<br>value<br>(average)<br>\$m | Total<br>weighted<br>value<br>(average)<br>\$m |
| <b>Liquidity Coverage Ratio disclosure template</b>  |  |  |  |  |
| <b>Liquid assets, of which:</b>  |  |  |  |  |
| 1 High quality liquid assets (HQLA)  |  | 45,665   |  | 44,017   |
| 2 Alternative liquid assets (ALA)  |  | -  |  | -  |
| 3 Reserve Bank of New Zealand (RBNZ) securities  |  | -  |  | -  |
| <b>Cash outflows</b>   |  |  |  |  |
| 4 Retail deposits and deposits from small business customers, of which:                    | 105,863  | 10,384   | 101,309  | 9,982  |
| 5 Stable deposits  | 36,635   | 1,832  | 34,501   | 1,725  |
| 6 Less stable deposits   | 69,228   | 8,552  | 66,808   | 8,257  |
| 7 Unsecured wholesale funding, of which:   | 43,618   | 23,223   | 37,896   | 18,351   |
| 8 Operational deposits (all counterparties) and deposits in networks for cooperative banks | 16,969   | 3,068  | 16,201   | 2,888  |
| 9 Non-operational deposits (all counterparties)  | 20,607   | 14,113   | 19,028   | 12,796   |
| 10 Unsecured debt  | 6,042  | 6,042  | 2,667  | 2,667  |
| 11 Secured wholesale funding   |  | 693  |  | 3,668  |
| 12 Additional requirements, of which:  | 41,894   | 18,542   | 40,797   | 18,416   |
| 13 Outflows related to derivatives exposures and other collateral requirements             | 19,204   | 16,549   | 18,819   | 16,405   |
| 14 Outflows related to loss of funding on debt products                                    | 250  | 250  | 214  | 214  |
| 15 Credit and liquidity facilities   | 22,440   | 1,743  | 21,764   | 1,797  |
| 16 Other contractual funding obligations   | 15,077   | 15,065   | 16,489   | 16,468   |
| 17 Other contingent funding obligations  | 9,163  | 479  | 10,273   | 534  |
| 18 <b>Total cash outflows</b>  |  | 68,386   |  | 67,419   |
| <b>Cash Inflows</b>  |  |  |  |  |
| 19 Secured lending (e.g., reverse repos)   | 55,833   | 27,396   | 43,663   | 25,313   |
| 20 Inflows from fully performing exposures   | 3,226  | 2,340  | 3,156  | 2,255  |
| 21 Other cash inflows  | 19,842   | 19,842   | 21,457   | 21,457   |
| 22 <b>Total cash inflows</b>   | 78,901   | 49,578   | 68,276   | 49,025   |
| 23 <b>Total liquid assets</b>  |  | 45,665   |  | 44,017   |
| 24 <b>Total net cash outflows<sup>1</sup></b>  |  | 23,511   |  | 22,992   |
| 25 <b>Liquidity Coverage Ratio (%)<sup>2</sup></b>   |  | 194%   |  | 191%   |

<sup>1</sup> APRA imposed a 25% add-on to the Net Cash Outflow (NCO) component of the LCR calculation, effective from 1 May 2022. For the 3 months to 30 September 2024 an average NCO overlay of \$4,702 million is included in the disclosed balance of \$23,511 million (3 months to 30 June 2024 overlay of \$4,598 million is included in the disclosed balance of \$22,992 million).

<sup>2</sup> The LCR for the 3 months to 30 September 2024 is calculated from 65 daily LCR observations (3 months to 30 June 2024 was calculated from 62 daily LCR observations).

---

## 16.2 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 September 2024 was 194%. This represents an increase of 3% from the 3 month average LCR to 30 June 2024, which was 191%.

The higher average LCR was driven by higher LCR liquid assets relative to the June quarter, partly offset by higher NCOs.

The growth in average liquid asset balances was driven by deposit growth and increased issuance of both unsecured short-term and long-term debt, which was partly used to meet funding requirements arising from business activity, debt maturities and TFF funding replacement over the quarter.

The growth in average NCOs over the quarter was driven by:

- higher average cash outflows related to retail / SME and wholesale deposits following deposit growth over the September 2024 quarter; and
- higher average cash outflows; driven by increased levels of unsecured debt maturing within 30 days over the September 2024 quarter relative to the prior quarter.

These movements were partially offset by:

- higher average cash inflows; driven by increased short-term secured lending transactions against non-HQLA collateral maturing within 30 days.

## 16.3 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.

---

## 16.4 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.

# 17. Net Stable Funding Ratio Disclosures

## 17.1 Net Stable Funding Ratio disclosure template

APS 330 Table 21

| As at 30 September 2024  |                                       |           |                     |         |                |
|--|---------------------------------------|-----------|---------------------|---------|----------------|
| Net Stable Funding Ratio disclosure template   | Unweighted value by residual maturity |           |                     |         | Weighted value |
|  | No maturity                           | <6 months | >=6 months to < 1yr | >= 1yr  |                |
| Available Stable Funding (ASF) Item  | \$m                                   | \$m       | \$m                 | \$m     | \$m            |
| 1 <b>Capital</b>   | 20,971                                | -         | -                   | 11,434  | 32,404         |
| 2 Regulatory Capital   | 20,971                                | -         | -                   | 11,434  | 32,404         |
| 3 Other capital instruments  | -                                     | -         | -                   | -       | -              |
| 4 <b>Retail deposits and deposits from small business customers</b>  | 105,760                               | 12,061    | -                   | -       | 107,938        |
| 5 Stable deposits  | 37,386                                | 2,579     | -                   | -       | 37,967         |
| 6 Less stable deposits   | 68,374                                | 9,482     | -                   | -       | 69,971         |
| 7 <b>Wholesale funding</b>   | 31,951                                | 59,190    | 14,046              | 28,874  | 52,240         |
| 8 Operational deposits   | 16,646                                | -         | -                   | -       | 8,324          |
| 9 Other wholesale funding  | 15,305                                | 59,190    | 14,046              | 28,874  | 43,916         |
| 10 <b>Liabilities with matching interdependent assets</b>  | -                                     | -         | -                   | -       | -              |
| 11 <b>Other Liabilities</b>  | 5,081                                 | 18,840    | 177                 | 908     | (939)          |
| 12 NSFR derivative liabilities   | -                                     | 6,693     | -                   | -       | -              |
| 13 All other liabilities and equity not included in the above categories <sup>1</sup>  | 5,081                                 | 12,147    | 177                 | 908     | (939)          |
| 14 <b>Total ASF</b>  | 163,763                               | 90,091    | 14,223              | 41,216  | 191,643        |
| <b>Required Stable Funding (RSF) Item</b>  |                                       |           |                     |         |                |
| 15(a) <b>Total NSFR (HQLA)</b>   | 6,035                                 | 6,704     | 322                 | 17,599  | 6,042          |
| 15(b) <b>ALA</b>   | -                                     | -         | -                   | -       | -              |
| 15(c) <b>RBNZ securities</b>   | -                                     | -         | -                   | -       | -              |
| 16 <b>Deposits held at other financial institutions for operational purposes</b>   | 1,887                                 | -         | -                   | -       | 943            |
| 17 <b>Performing loans and securities</b>  | 31,692                                | 50,445    | 9,268               | 155,042 | 134,672        |
| 18 Performing loans to financial institutions secured by Level 1 HQLA  | 4,906                                 | 15,785    | -                   | -       | 2,069          |
| 19 Performing loans to financial institutions secured by non-Level 1 HQLA and unsecured performing loans to financial institutions   | 19,320                                | 22,649    | 437                 | 584     | 7,099          |
| 20 Performing loans to non- financial corporate clients, loans to retail and small business customers, and loans to sovereigns, central banks and public sector entities (PSEs), of which: | 2,847                                 | 4,245     | 403                 | 31,164  | 23,613         |
| 21 With a risk weight of less than or equal to 35% under APS 112   | -                                     | 118       | 159                 | 2,102   | 1,512          |

<sup>1</sup> APRA has imposed a 1% decrease to the Available Stable Funding component of the NSFR calculation, effective from 1 April 2021. An overlay of \$1,936 million, equal to a 1% decrease to the ASF component, is included in the disclosed 'No maturity' balance of \$5,081 million.

|  |  | As at 30 September 2024               |            |          |         |          |
|--|--|---------------------------------------|------------|----------|---------|----------|
|  |  | Unweighted value by residual maturity |            |          |         |          |
|  |  |                                       | >=6 months |          |         | Weighted |
|  |  | No maturity                           | <6 months  | to < 1yr | >= 1yr  | value    |
| Net Stable Funding Ratio disclosure template |  | \$m                                   | \$m        | \$m      | \$m     | \$m      |
| 22   | Performing residential mortgages   | -                                     | 5,884      | 6,472    | 121,241 | 94,619   |
| 23   | With a risk weight equal to 35%  | -                                     | 1,628      | 1,494    | 119,950 | 83,395   |
| 24   | Securities that are not in default and do not qualify as HQLA, including exchange- traded equities                           | 4,619                                 | 1,882      | 1,956    | 2,053   | 7,272    |
| 25   | Assets with matching interdependent liabilities  | -                                     | -          | -        | -       | -        |
| 26   | Other assets:  | 9,352                                 | 5,967      | 49       | 36,432  | 31,719   |
| 27   | Physical traded commodities, including gold  | 5,292                                 | -          | -        | -       | 4,498    |
| 28   | Assets posted as initial margin for derivative contracts and contributions to default funds of central counterparties (CCPs) | -                                     | -          | -        | 11,949  | 9,541    |
| 29   | NSFR derivative assets   | -                                     | -          | -        | 9,748   | 3,055    |
| 30   | NSFR derivative liabilities before deduction of variation margin   | -                                     | -          | -        | 11,010  | 2,202    |
| 31   | All other assets not included in the above categories  | 4,060                                 | 5,967      | 49       | 3,725   | 12,423   |
| 32   | Off-balance sheet items  | -                                     | -          | -        | 24,807  | 1,133    |
| 33   | Total RSF  | 48,966                                | 63,116     | 9,639    | 233,880 | 174,509  |
| 34   | Net Stable Funding Ratio (%)   |                                       |            |          |         | 110%     |

## 17.2 Net Stable Funding Ratio disclosure template

APS 330 Table 21

| As at 30 Jun 2024  |                    |                  |                               |               |                          |
|--|--------------------|------------------|-------------------------------|---------------|--------------------------|
| Unweighted value by residual maturity  |                    |                  |                               |               |                          |
| Net Stable Funding Ratio disclosure template   | No maturity<br>\$m | <6 months<br>\$m | >=6 months<br>to < 1yr<br>\$m | >= 1yr<br>\$m | Weighted<br>value<br>\$m |
| <b>Available Stable Funding (ASF) Item</b>   |                    |                  |                               |               |                          |
| 1 <b>Capital</b>   | 20,711             | -                | -                             | 10,375        | 31,086                   |
| 2 Regulatory Capital   | 20,711             | -                | -                             | 10,375        | 31,086                   |
| 3 Other capital instruments  | -                  | -                | -                             | -             | -                        |
| 4 <b>Retail deposits and deposits from small business customers</b>  | 98,866             | 12,406           | -                             | -             | 101,891                  |
| 5 Stable deposits  | 34,348             | 2,539            | -                             | -             | 35,043                   |
| 6 Less stable deposits   | 64,518             | 9,867            | -                             | -             | 66,848                   |
| 7 <b>Wholesale funding</b>   | 30,644             | 54,930           | 18,657                        | 26,898        | 52,084                   |
| 8 Operational deposits   | 16,211             | -                | -                             | -             | 8,105                    |
| 9 Other wholesale funding  | 14,433             | 54,930           | 18,657                        | 26,898        | 43,979                   |
| 10 <b>Liabilities with matching interdependent assets</b>  | -                  | -                | -                             | -             | -                        |
| 11 <b>Other Liabilities</b>  | 4,724              | 18,885           | 62                            | 1,059         | -771                     |
| 12 NSFR derivative liabilities   | -                  | 8,146            | -                             | -             | -                        |
| 13 All other liabilities and equity not included in the above categories <sup>1</sup>  | 4,724              | 10,739           | 62                            | 1,059         | -771                     |
| 14 <b>Total ASF</b>  | 154,945            | 86,221           | 18,719                        | 38,332        | 184,290                  |
| <b>Required Stable Funding (RSF) Item</b>  |                    |                  |                               |               |                          |
| 15(a) <b>Total NSFR (HQLA)</b>   | 8,405              | 6,307            | 422                           | 13,657        | 4,904                    |
| 15(b) <b>ALA</b>   | -                  | -                | -                             | -             | -                        |
| 15(c) <b>RBNZ securities</b>   | -                  | -                | -                             | -             | -                        |
| 16 <b>Deposits held at other financial institutions for operational purposes</b>   | 1,335              | -                | -                             | -             | 668                      |
| 17 <b>Performing loans and securities</b>  | 33,886             | 49,570           | 8,469                         | 149,820       | 132,368                  |
| 18 Performing loans to financial institutions secured by Level 1 HQLA  | 5,643              | 12,377           | -                             | -             | 1,802                    |
| 19 Performing loans to financial institutions secured by non-Level 1 HQLA and unsecured performing loans to financial institutions   | 19,478             | 24,723           | 683                           | 672           | 7,645                    |
| 20 Performing loans to non- financial corporate clients, loans to retail and small business customers, and loans to sovereigns, central banks and public sector entities (PSEs), of which: | 2,865              | 4,107            | 625                           | 31,731        | 23,976                   |
| 21 With a risk weight of less than or equal to 35% under APS 112   | -                  | 86               | 136                           | 2,117         | 1,494                    |
| 22 Performing residential mortgages  | -                  | 6,509            | 5,176                         | 115,956       | 91,168                   |
| 23 With a risk weight equal to 35%   | -                  | 1,545            | 1,437                         | 114,697       | 80,096                   |
| 24 Securities that are not in default and do not qualify as HQLA, including exchange- traded equities  | 5,900              | 1,854            | 1,985                         | 1,461         | 7,777                    |
| 25 <b>Assets with matching interdependent liabilities</b>  | -                  | -                | -                             | -             | -                        |

<sup>1</sup> APRA imposed a 1% decrease to the Available Stable Funding component of the NSFR calculation, effective from 1 April 2021. An overlay of \$1,862 million, equal to a 1% decrease to the ASF component, is included in the disclosed 'No maturity' balance of \$4,724 million.

|  |  | As at 30 Jun 2024                     |            |          |         |          |
|--|--|---------------------------------------|------------|----------|---------|----------|
|  |  | Unweighted value by residual maturity |            |          |         |          |
|  |  |                                       | >=6 months |          |         | Weighted |
|  |  | No maturity                           | <6 months  | to < 1yr | >= 1yr  | value    |
| Net Stable Funding Ratio disclosure template |  | \$m                                   | \$m        | \$m      | \$m     | \$m      |
| 26   | Other assets   | 9,048                                 | 4,848      | 48       | 35,550  | 28,017   |
| 27   | Physical traded commodities  | 4,650                                 | -          | -        | -       | 3,888    |
| 28   | Assets posted as initial margin for derivative contracts and contributions to default funds of central counterparties (CCPs) | -                                     | -          | -        | 10,220  | 8,337    |
| 29   | NSFR derivative assets   | -                                     | -          | -        | 8,440   | 294      |
| 30   | NSFR derivative liabilities before deduction of variation margin   | -                                     | -          | -        | 13,450  | 2,690    |
| 31   | All other assets not included in the above categories  | 4,398                                 | 4,848      | 48       | 3,440   | 12,808   |
| 32   | Off-balance sheet items  | -                                     | -          | -        | 24,373  | 1,114    |
| 33   | Total RSF  | 52,674                                | 60,725     | 8,939    | 223,400 | 167,071  |
| 34   | Net Stable Funding Ratio (%)   |                                       |            |          |         | 110%     |

---

## 17.3 The Net Stable Funding Ratio (NSFR)

The NSFR is a twelve-month structural funding metric, requiring that “available stable funding” (ASF) be sufficient to cover “required stable funding” (RSF), where ‘stable’ funding has an actual or assumed maturity of greater than twelve months.

The NSFR seeks to encourage ADIs to fund their activities with more stable sources of funding on an ongoing basis, and thereby promote greater balance sheet resilience. It also aims to reduce an ADI’s reliance on less stable sources of funding. These requirements are in line with Macquarie’s Board approved Liquidity Policy and Risk Tolerance.

Macquarie sets internal management and Board approved minimum limits for the NSFR above the regulatory minimum level and monitors its aggregate NSFR position against these limits on a daily basis.

Whilst the NSFR and LCR are regulatory minima, Macquarie also models a number of additional internal liquidity scenarios covering both market wide and Macquarie name specific crises. Macquarie actively considers the impact of business decisions on the NSFR and LCR, as well as other internal liquidity metrics that form part of its broader liquidity risk management framework.

Macquarie’s NSFR fluctuates as a result of normal business activities and, accordingly, ongoing fluctuations in the reported NSFR are expected and are not necessarily indicative of a changing risk appetite. Some examples of factors that can influence the NSFR include wholesale funding activities (such as prefunding expected future asset growth), growth in home loans and customer deposits, equity and hybrids issuance, the degree of activity in Macquarie’s capital markets facing businesses, and a variety of other external market considerations.

### NSFR September 2024 Quarter End Result:

Macquarie’s NSFR as at 30 September 2024 was 110%, representing no change from the 30 June 2024 NSFR. Over the September 2024 quarter, an increase of RSF was met by an increase in ASF.

The increase in ASF was driven by growth in retail and SME deposits throughout the quarter. Retained earnings and MBL’s Tier 2 issuance further supported ASF growth. This was partly offset by reduced term funding from external securitisations which decreased ASF.

RSF increased over the quarter, with notable impacts arising from:

- continued growth in mortgages;
- derivative positions in MBL’s capital markets facing business which required higher RSF than the prior quarter end; and
- an increase RSF associated with cash and liquid holdings.

### NSFR June 2024 Quarter End Result:

The June NSFR result of 110% was down 5% from the 31 March 2024 quarter end. The NSFR decreased over the June 2024 quarter due to an increase in RSF and a decrease in ASF.

The increase in RSF was primarily driven by:

- the maturity of the Term Funding Facility (TFF) resulting in a higher RSF factor being assigned to the mortgage assets collateralising the TFF; and
- growth in the overall mortgage portfolio over the quarter.

The decrease in ASF was primarily driven by a decrease in > 1 year wholesale funding over the June 2024 quarter.

## 17.4 Calculation of the Net Stable Funding Ratio

Under the regulatory rules, Available Stable Funding factors are applied to Macquarie’s capital and liabilities; while Required Stable Funding factors are applied to assets and off-balance sheet exposures. This calculation is shown in table 21 on pages 67 to 70 and is based on spot balances.



# Appendix 1 Regulatory Capital Reconciliation

## Common Disclosures Template

The capital disclosures detailed in the template below represents Basel III common disclosure requirements. These tables should be read in conjunction with Section 1.2 Regulatory Balance sheet and Section 1.3 Reconciliation between common disclosures template and the Regulatory Balance Sheet.

|   | As at<br>30 September<br>2024<br>\$m | Table<br>Reference |
|---|--------------------------------------|--------------------|
| <b>Common Equity Tier 1 capital: instruments and reserves</b>   |                                      |                    |
| 1 Directly issued qualifying ordinary shares (and equivalent for mutually-owned entities) capital   | 10,209                               | Table f            |
| 2 Retained earnings   | 9,733                                |                    |
| 3 Accumulated other comprehensive income (and other reserves)   | 847                                  |                    |
| 4 Directly issued capital subject to phase out from CET1 (only applicable to mutually-owned companies)  | -                                    |                    |
| 5 Ordinary share capital issued by subsidiaries and held by third parties (amount allowed in group CET1)  | -                                    |                    |
| 6 <b>Common Equity Tier 1 capital before regulatory adjustments</b>   | <b>20,789</b>                        |                    |
| <b>Common Equity Tier 1 capital: regulatory adjustments</b>   |                                      |                    |
| 7 Prudential valuation adjustments  | 2                                    |                    |
| 8 Goodwill (net of related tax liability)   | 38                                   | Table b            |
| 9 Other intangibles other than mortgage servicing rights (net of related tax liability)   | 51                                   | Table b            |
| 10 Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)  | 66                                   | Table a            |
| 11 Cash-flow hedge reserve  | 75                                   |                    |
| 12 Shortfall of provisions to expected losses   | 128                                  |                    |
| 13 Securitisation gain on sale (as set out in paragraph 562 of Basel II framework)  | -                                    |                    |
| 14 Gains and losses due to changes in own credit risk on fair valued liabilities  | 19                                   |                    |
| 15 Defined benefit superannuation fund net assets   | -                                    |                    |
| 16 Investments in own shares (if not already netted off paid-in capital on reported balance sheet)  | -                                    |                    |
| 17 Reciprocal cross-holdings in common equity   | -                                    |                    |
| 18 Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the ADI does not own more than 10% of the issued share capital (amount above 10% threshold) | -                                    | Table c            |
| 19 Significant investments in the ordinary shares of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions (amount above 10% threshold)   | -                                    | Table c            |
| 20 Mortgage service rights (amount above 10% threshold)   | -                                    |                    |
| 21 Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability)  | -                                    | Table a            |
| 22 Amount exceeding the 15% threshold   | -                                    |                    |
| 23 of which: significant investments in the ordinary shares of financial entities   | -                                    | Table c            |
| 24 of which: mortgage servicing rights  | -                                    |                    |
| 25 of which: deferred tax assets arising from temporary differences   | -                                    | Table a            |
| Other regulatory adjustments not reported in rows 7 to 25   | 39                                   |                    |

|  |  | As at<br>30 September<br>2024<br>\$m | Table<br>Reference |
|--|--|--------------------------------------|--------------------|
| <b>Common Equity Tier 1 Capital (Harmonised)<sup>1</sup></b> |  | <b>20,371</b>                        |                    |
| <b>APRA Specific Regulatory Adjustments</b>                  |  |                                      |                    |
| 26   | National specific regulatory adjustments (sum of rows 26a, 26b, 26c, 26d, 26e, 26f, 26g, 26h, 26i and 26j)   | 2,761                                |                    |
| 26a  | of which: treasury shares  | -                                    |                    |
| 26b  | of which: offset to dividends declared under a dividend reinvestment plan (DRP), to the extent that the dividends are used to purchase new ordinary shares issued by the ADI   | -                                    |                    |
| 26c  | of which: deferred fee income  | (183)                                |                    |
| 26d  | of which: equity investments in financial institutions not reported in rows 18, 19 and 23  | 476                                  | Table c            |
| 26e  | of which: deferred tax assets not reported in rows 10, 21 and 25   | 875                                  | Table a            |
| 26f  | of which: capitalised expenses   | 811                                  |                    |
| 26g  | of which: investments in commercial (non-financial) entities that are deducted under APRA prudential requirements  | 556                                  | Table c            |
| 26h  | of which: covered bonds in excess of asset cover in pools  | -                                    |                    |
| 26i  | of which: undercapitalisation of a non-consolidated subsidiary   | -                                    |                    |
| 26j  | of which: other national specific regulatory adjustments not reported in rows 26a to 26i   | 226                                  |                    |
| 27   | Regulatory adjustments applied to Common Equity Tier 1 due to insufficient Additional Tier 1 and Tier 2 to cover deductions  | -                                    |                    |
| 28   | <b>Total regulatory adjustments to Common Equity Tier 1</b>  | <b>3,179</b>                         |                    |
| 29   | <b>Common Equity Tier 1 Capital (APRA)</b>   | <b>17,610</b>                        |                    |
| <b>Additional Tier 1 Capital: instruments</b>                |  |                                      |                    |
| 30   | Directly issued qualifying Additional Tier 1 instruments   | 2,381                                |                    |
| 31   | of which: classified as equity under applicable accounting standards   | -                                    |                    |
| 32   | of which: classified as liabilities under applicable accounting standards  | 2,381                                |                    |
| 33   | Directly issued capital instruments subject to phase out from Additional Tier 1  | -                                    |                    |
| 34   | Additional Tier 1 instruments (and CET1 instruments not included in row 5) issued by subsidiaries and held by third parties (amount allowed in group ATI)  | -                                    |                    |
| 35   | of which: instruments issued by subsidiaries subject to phase out  | -                                    |                    |
| 36   | <b>Additional Tier 1 Capital before regulatory adjustments</b>   | <b>2,381</b>                         | Table d            |
| <b>Additional Tier 1 Capital: Regulatory adjustments</b>     |  |                                      |                    |
| 37   | Investments in own Additional Tier 1 instruments   | -                                    |                    |
| 38   | Reciprocal cross-holdings in Additional Tier 1 instruments   | -                                    |                    |
| 39   | Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the ADI does not own more than 10% of the issued share capital (amount above 10% threshold) | -                                    |                    |
| 40   | Significant investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions)   | -                                    |                    |
| 41   | National specific regulatory adjustments (sum of rows 41a, 41b and 41c)  | -                                    |                    |
| 41a  | of which: holdings of capital instruments in group members by other group members on behalf of third parties   | -                                    |                    |
| 41b  | of which: investments in the capital of financial institutions that are outside the scope of regulatory consolidations not reported in rows 39 and 40  | -                                    |                    |

<sup>1</sup> 'Harmonised' Basel III estimates are calculated in accordance with the BCBS Basel III framework, noting that MBL is not regulated by the BCBS and so impacts shown are indicative only.

|  |   | As at<br>30 September<br>2024<br>\$m | Table<br>Reference |
|--|---|--------------------------------------|--------------------|
| 41c  | of which: other national specific regulatory adjustments not reported in rows 41a and 41b   | -                                    |                    |
| 42   | Regulatory adjustments applied to Additional Tier 1 due to insufficient Tier 2 to cover deductions  | -                                    |                    |
| 43   | <b>Total regulatory adjustments to Additional Tier 1 capital</b>  | -                                    |                    |
| 44   | <b>Additional Tier 1 capital (AT1)</b>  | 2,381                                |                    |
| 45   | <b>Tier 1 Capital (T1=CET1+AT1)</b>   | 19,991                               |                    |
| <b>Tier 2 Capital: instruments and provisions</b>    |   |                                      |                    |
| 46   | Directly issued qualifying Tier 2 instruments   | 9,046                                | Table e            |
| 47   | Directly issued capital instruments subject to phase out from Tier 2  | -                                    |                    |
| 48   | Tier 2 instruments (and CET1 and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third parties (amount allowed in group T2)  | -                                    |                    |
| 49   | of which: instruments issued by subsidiaries subject to phase out   | -                                    |                    |
| 50   | Provisions  | 6                                    |                    |
| 51   | <b>Tier 2 Capital before regulatory adjustments</b>   | 9,052                                |                    |
| <b>Tier 2 Capital: regulatory adjustments</b>        |   |                                      |                    |
| 52   | Investments in own Tier 2 instruments   | -                                    |                    |
| 53   | Reciprocal cross-holdings in Tier 2 instruments   | -                                    |                    |
| 54   | Investments in the Tier 2 capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the ADI does not own more than 10% of the issued share capital (amount above 10% threshold) | -                                    |                    |
| 55   | Significant investments in the Tier 2 capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions  | -                                    |                    |
| 56   | National specific regulatory adjustments (sum of rows 56a, 56b and 56c)   | -                                    |                    |
| 56a  | of which: holdings of capital instruments in group members by other group members on behalf of third parties  | -                                    |                    |
| 56b  | of which: investments in the capital of financial institutions that are outside the scope of regulatory consolidation not reported in rows 54 and 55  | -                                    |                    |
| 56c  | of which: other national specific regulatory adjustments not reported in rows 56a and 56b   | -                                    |                    |
| 57   | <b>Total regulatory adjustments to Tier 2 capital</b>   | -                                    |                    |
| 58   | <b>Tier 2 capital (T2)</b>  | 9,052                                |                    |
| 59   | <b>Total capital (TC=T1+T2)</b>   | 29,043                               |                    |
| 60   | <b>Total risk-weighted assets based on APRA standards</b>   | 138,067                              |                    |
| <b>Capital ratios and buffers</b>                    |   |                                      |                    |
| 61   | <b>Common Equity Tier 1 (as a percentage of risk-weighted assets)</b>   | 12.8%                                |                    |
| 62   | <b>Tier 1 (as a percentage of risk-weighted assets)</b>   | 14.5%                                |                    |
| 63   | <b>Total capital (as a percentage of risk-weighted assets)</b>  | 21.0%                                |                    |
| 64   | <b>Buffer requirement (minimum CET1 requirement of 4.5% plus capital conservation buffer of 3.75% plus any countercyclical buffer requirements expressed as a percentage of risk-weighted assets)</b>   | 9.0%                                 |                    |
| 65   | of which: capital conservation buffer requirement   | 3.75%                                |                    |
| 66   | of which: ADI-specific countercyclical buffer requirements  | 0.76%                                | Table h            |
| 67   | of which: G-SIB buffer requirement (not applicable)   | N/A                                  |                    |
| 68   | <b>Common Equity Tier 1 available to meet buffers (as a percentage of risk-weighted assets)<sup>1</sup></b>   | 12.8%                                |                    |
| <b>National minima (if different from Basel III)</b> |   |                                      |                    |

<sup>1</sup> This represents CET1 ratio of the ADI, less any common equity used to meet the ADI's Tier 1 and Total Capital requirements.

|  |  | As at<br>30 September<br>2024<br>\$m | Table<br>Reference |
|--|--|--------------------------------------|--------------------|
| 69   | National Common Equity Tier 1 minimum ratio (if different from Basel III minimum)  | N/A                                  |                    |
| 70   | National Tier 1 minimum ratio (if different from Basel III minimum)  | N/A                                  |                    |
| 71   | National total capital minimum ratio (if different from Basel III minimum)   | N/A                                  |                    |
| <b>Amount below thresholds for deductions (not risk-weighted)</b>  |  |                                      |                    |
| 72   | Non-significant investments in the capital of other financial entities   | 111                                  | Table c            |
| 73   | Significant investments in the ordinary shares of financial entities   | 365                                  | Table c            |
| 74   | Mortgage servicing rights (net of related tax liability)   | N/A                                  |                    |
| 75   | Deferred tax assets arising from temporary differences (net of related tax liability)  | 875                                  | Table a            |
| <b>Applicable caps on the inclusion of provisions in Tier 2</b>  |  |                                      |                    |
| 76   | Provisions eligible for inclusion in Tier 2 in respect of exposures subject to standardised approach (prior to application of cap)           | 6                                    |                    |
| 77   | Cap on inclusion of provisions in Tier 2 under standardised approach   | 204                                  |                    |
| 78   | Provisions eligible for inclusion in Tier 2 in respect of exposures subject to internal ratings-based approach (prior to application of cap) | -                                    |                    |
| 79   | Cap for inclusion of provisions in Tier 2 under internal ratings-based approach  | 546                                  |                    |
| <b>Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2018 and 1 Jan 2022)</b> |  |                                      |                    |
| 80   | Current cap on CET1 instruments subject to phase out arrangements  | -                                    |                    |
| 81   | Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)  | -                                    |                    |
| 82   | Current cap on AT1 instruments subject to phase out arrangements   | -                                    |                    |
| 83   | Amount excluded from AT1 instruments due to cap (excess over cap after redemptions and maturities)   | -                                    |                    |
| 84   | Current cap on T2 instruments subject to phase out arrangements  | -                                    |                    |
| 85   | Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)  | -                                    |                    |

## Regulatory Balance Sheet as at 30 September 2024

|  | Macquarie<br>Bank Group<br>Consolidated <sup>1</sup><br>\$m | Adjustment <sup>2</sup><br>\$m | Level 2<br>Regulatory<br>Balance Sheet<br>\$m | Template/<br>Reconciliation<br>Table<br>Reference |
|--|---|--------------------------------|---|---|
| <b>Assets</b>  |   |                                |   |   |
| Cash and bank balances   | 15,861  | (71)                           | 15,790  |   |
| Cash collateralised lending and<br>reverse repurchase agreements   | 61,932  | (1)                            | 61,931  |   |
| Trading assets   | 28,348  | (9)                            | 28,339  |   |
| Margin money and settlement assets   | 16,028  | -                              | 16,028  |   |
| Derivative assets  | 23,479  | (218)                          | 23,261  |   |
| Financial Investments  | 15,003  | (2)                            | 15,001  |   |
| Other assets <sup>3</sup>  | 6,762   | (564)                          | 6,198   | Table b   |
| Loan assets  | 166,196   | 183                            | 166,379                                       |   |
| Due from other Macquarie Group entities  | 4,745   | 728                            | 5,473   |   |
| Property, plant and equipment and<br>right-of-use assets   | 5,986   | (79)                           | 5,907   |   |
| Investment in regulatory non-consolidated<br>subsidiaries <sup>2</sup>                                     | -   | 202                            | 202   | Table c   |
| Deferred tax assets  | 981   | (10)                           | 971   | Table a   |
| <b>Total Assets</b>  | <b>345,321</b>  | <b>159</b>                     | <b>345,480</b>                                |   |
| <b>Liabilities</b>   |   |                                |   |   |
| Deposits   | 158,395   | -                              | 158,395                                       |   |
| Cash collateral borrowing and<br>repurchase agreements   | 3,146   | -                              | 3,146   |   |
| Trading liabilities  | 5,013   | -                              | 5,013   |   |
| Margin money and settlement liabilities  | 22,497  | (1)                            | 22,496  |   |
| Derivative liabilities   | 22,089  | (4)                            | 22,085  |   |
| Other liabilities  | 8,667   | (590)                          | 8,077   |   |
| Due to other Macquarie Group entities  | 9,501   | 1,103                          | 10,604  |   |
| Issued debt securities and other borrowings  | 82,922  | (273)                          | 82,649  |   |
| Deferred tax liabilities   | 14  | 41                             | 55  |   |
| <b>Total Liabilities excluding loan capital</b>  | <b>312,244</b>  | <b>276</b>                     | <b>312,520</b>                                |   |
| Loan capital   | 11,988  | -                              | 11,988  | Table d   |
| <b>Total liabilities</b>   | <b>324,233</b>  | <b>276</b>                     | <b>324,508</b>                                |   |
| <b>Net assets</b>  | <b>21,089</b>   | <b>(117)</b>                   | <b>20,972</b>                                 |   |
| <b>Equity</b>  |   |                                |   |   |
| Contributed equity   | 10,210  | (1)                            | 10,209  | Table f   |
| Reserves   | 852   | (5)                            | 847   | Row 3   |
| Retained earnings  | 10,027  | (111)                          | 9,916   | Row 2 and 26(c)                                   |
| <b>Total capital and reserves attributable to the<br/>ordinary equity holder of Macquarie Bank Limited</b> | <b>21,089</b>   | <b>(117)</b>                   | <b>20,972</b>                                 |   |
| Non-controlling Interests  | -   | -                              | -   | Table g   |
| <b>Total equity</b>  | <b>21,089</b>   | <b>(117)</b>                   | <b>20,972</b>                                 |   |

<sup>1</sup> As per Macquarie Bank Limited financial report as at 30 September 2024.

<sup>2</sup> Reflects the deconsolidation of certain subsidiaries for APRA reporting purposes. The subsidiaries which are deconsolidated for regulatory purposes include entities conducting insurance, funds management and non-financial operations. Assets and Liabilities of mortgage and leasing special purpose vehicles (SPV) where Macquarie has satisfied APS 120 Attachment A operational requirements for regulatory capital relief are not included in the Level 2 regulatory group.

<sup>3</sup> The intangible component of investments in non-consolidated subsidiaries is included in other assets.

## Reconciliation between Common Disclosures Template and Level 2 Regulatory Balance Sheet

|   | 30 September<br>2024<br>\$m | Template<br>Reference |
|---|-----------------------------|-----------------------|
| <b>Table a</b>  |                             |                       |
| <b>Deferred Tax Assets</b>  |                             |                       |
| Total Deferred Tax Assets per Level 2 Regulatory Balance Sheet  | 971                         |                       |
| Less: Total Deferred Tax Liabilities per Level 2 Regulatory Balance Sheet   | (55)                        |                       |
| Net Deferred Tax Assets   | 916                         |                       |
| Adjustments required in accordance with APRA prudential standards   | 25                          |                       |
| Net Deferred Tax Assets   | 941                         |                       |
| Less: Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability) | (66)                        | Row 10                |
| Less: Deferred tax assets (temporary differences) – Amounts below prescribed threshold  | (875)                       | Row 26e, 75           |
| <b>Total per Common Disclosure Template – Deferred Tax Asset – amount exceed 10%/15% threshold</b>  | -                           | Row 21 / 25           |

|   | 30 September<br>2024<br>\$m | Template<br>Reference |
|---|-----------------------------|-----------------------|
| <b>Table b</b>  |                             |                       |
| <b>Intangible Assets</b>  |                             |                       |
| Total Intangible Assets reported in Other assets per Level 2 Regulatory Balance Sheet | 89                          |                       |
| Less: other intangible assets   | (51)                        | Row 9                 |
| <b>Total per Common Disclosure Template – Goodwill</b>                                | 38                          | Row 8                 |

|   | 30 September<br>2024<br>\$m | Template<br>Reference |
|---|-----------------------------|-----------------------|
| <b>Table c</b>  |                             |                       |
| <b>Equity Investments<sup>1</sup></b>                             |                             |                       |
| Significant investment in financial entities <sup>2</sup>         | 365                         | Row 73                |
| Non-significant investment in financial entities                  | 111                         | Row 72                |
| Total Investments in financial institutions                       | 476                         | Row 26d               |
| Investment in commercial entities <sup>2</sup>                    | 556                         | Row 26g               |
| Total Equity Investments before applying prescribed threshold     | 1,032                       |                       |
| Less: amounts risk weighted under Harmonised Basel III guidelines | (1,032)                     |                       |
| <b>Total per Common Disclosure Template – Equity Investments</b>  | -                           | Row 18, 19, 23        |

<sup>1</sup> Equity Investments are classified in the Level 2 Regulatory Balance Sheet across Financial Investments, Investment in regulatory non-consolidated subsidiaries and Other assets. In addition, the Level 2 regulatory group has undrawn commitments (off balance sheet) which are deemed in the nature of equity for Regulatory Capital purposes.

<sup>2</sup> Included in significant investment in financial entities is \$168 million of equity investments in regulatory non-consolidated subsidiaries. Included in investment in commercial entities is \$34 million of equity investments in regulatory non-consolidated subsidiaries.

|   | 30 September<br>2024<br>\$m | Template<br>Reference  |
|---|-----------------------------|------------------------|
| <b>Table d</b>  |                             |                        |
| <b>Additional Tier 1 Capital</b>  |                             |                        |
| Total Loan Capital per Level 2 Regulatory Balance Sheet                         | 11,988                      |                        |
| Less: Accrued interest  | (7)                         |                        |
| Add: Capitalised expenses deducted in Common Equity Tier 1 Capital <sup>1</sup> | 10                          | Included in<br>Row 26f |
| Less: Fair value hedge adjustments <sup>2</sup>                                 | 29                          |                        |
| Less: Tier 2 capital instruments reported in Table e                            | (9,639)                     | Table e                |
| <b>Additional Tier 1 Capital (MACS, BCN2 and BCN3)</b>                          | <b>2,381</b>                |                        |
| Less: Basel III transitional amortisation                                       | -                           |                        |
| <b>Total per Common Disclosure Template - Additional Tier 1 Capital</b>         | <b>2,381</b>                | Row 36                 |

|   |              |        |
|---|--------------|--------|
| <b>Additional Tier 1 Capital Instruments</b>                            |              |        |
| Macquarie Additional Capital Securities                                 | 1,085        |        |
| Macquarie Bank Capital Notes 2  | 641          |        |
| Macquarie Bank Capital Notes 3  | 655          |        |
| <b>Total per Common Disclosure Template - Additional Tier 1 Capital</b> | <b>2,381</b> | Row 36 |

|  | 30 September<br>2024<br>\$m | Template<br>Reference  |
|--|-----------------------------|------------------------|
| <b>Table e</b>   |                             |                        |
| <b>Total Tier 2 Capital per Balance Sheet</b>                      |                             |                        |
| Total Tier 2 Capital per Balance Sheet                             | 9,639                       | Table d                |
| Less: Accrued Interest   | (85)                        |                        |
| Add: Capitalised expenses deducted in Common Equity Tier 1 Capital | 24                          | Included in<br>Row 26f |
| Less: Fair value hedge adjustments <sup>2</sup>                    | 336                         |                        |
| Less: Amortisation as per APS 111 (per Para 21 of Attachment G)    | (868)                       |                        |
| <b>Total per Common Disclosure Template - Tier 2 Capital</b>       | <b>9,046</b>                | Row 46                 |

|  |              |        |
|--|--------------|--------|
| <b>Tier 2 Capital Instruments</b>  |              |        |
| 2 Subordinated Debts - USD750m each - fully qualified Tier 2 instrument  | 1,302        |        |
| 2 Subordinated Debts - AUD750m each - fully qualified Tier 2 instrument  | 1,500        |        |
| Subordinated Debt - AUD850m - fully qualified Tier 2 instrument          | 850          |        |
| 2 Subordinated Debts - USD1.0bn each - fully qualified Tier 2 instrument | 2,894        |        |
| 2 Subordinated Debts - AUD650m each - fully qualified Tier 2 instrument  | 1,300        |        |
| 2 Subordinated Debts - AUD600m each - fully qualified Tier 2 instrument  | 1,200        |        |
| <b>Total per Common Disclosure Template - Tier 2 Capital</b>             | <b>9,046</b> | Row 46 |

Details on the main features of Capital instruments included in the Level 2 regulatory group's Regulatory Capital, (Ordinary Share Capital, Additional Tier 1 Capital and Tier 2 capital) as required by APS 330 Attachment B can be found at: [macquarie.com/investors](https://macquarie.com/investors)

<sup>1</sup> Unamortised issue cost relating to capital instruments are netted against each instrument on the Level 2 Regulatory Balance Sheet. For regulatory capital purposes, the unamortised costs are deducted at CET1 as part of capitalised expenses in row 26f of the Common Disclosures Template.

<sup>2</sup> For regulatory capital purposes, APRA requires these instruments to be included as if they were unhedged.

|  | 30 September<br>2024<br>\$m | Template<br>Reference  |
|--|-----------------------------|------------------------|
| <b>Table f</b>   |                             |                        |
| <b>Contributed Equity</b>  |                             |                        |
| Total Contributed Equity as per Level 2 Regulatory Balance Sheet   | 10,209                      |                        |
| Add: Capitalised expenses deducted in Common Equity Tier 1 Capital | -                           | Included in<br>Row 26f |
| <b>Total per Common Disclosure Template - Contributed Equity</b>   | <b>10,209</b>               | <b>Row 1</b>           |

|   | 30 September<br>2024<br>\$m | Template<br>Reference |
|---|-----------------------------|-----------------------|
| <b>Table g</b>  |                             |                       |
| <b>Non-Controlling Interests</b>  |                             |                       |
| Total Non-Controlling Interests as per Level 2 Regulatory Balance Sheet | -                           |                       |
| Less: other non-controlling interests not included in capital           | -                           |                       |
| <b>Total per Common Disclosure Template - Non-Controlling Interests</b> | <b>-</b>                    | <b>Row 5</b>          |

### Countercyclical Capital Buffer

The Countercyclical Capital Buffer (CCyB) is an extension of the capital conservation buffer which must be held in the form of CET1 capital, ranging from 0 to 3.5%. The CCyB is designed to ensure that ADIs build up capital buffers when excess aggregate credit growth is judged to be associated with a build-up of system wide risk. The CCyB is calculated as the weighted average of the jurisdictional buffers set by the relevant national authority where an ADI has private sector credit exposures, excluding exposures to Banks and Sovereigns.

| <b>Table h</b> | <b>RWA<br/>\$m</b> | <b>Jurisdictional<br/>buffer</b> | <b>Countercyclical<br/>buffer requirement<sup>1</sup></b> | <b>Template<br/>Reference</b> |
|----------------|--------------------|----------------------------------|---|-------------------------------|
| Australia      | 55,268             | 1.000%                           | 0.5288%   |                               |
| United Kingdom | 7,678              | 2.000%                           | 0.1469%   |                               |
| Luxembourg     | 1,364              | 0.500%                           | 0.0065%   |                               |
| Germany        | 1,075              | 0.750%                           | 0.0077%   |                               |
| Netherlands    | 893                | 2.000%                           | 0.0171%   |                               |
| France         | 859                | 1.000%                           | 0.0082%   |                               |
| Norway         | 771                | 2.500%                           | 0.0185%   |                               |
| Korea          | 438                | 1.000%                           | 0.0042%   |                               |
| Ireland        | 401                | 1.500%                           | 0.0058%   |                               |
| Cyprus         | 252                | 1.000%                           | 0.0024%   |                               |
| Hong Kong      | 249                | 1.000%                           | 0.0024%   |                               |
| Denmark        | 180                | 2.500%                           | 0.0043%   |                               |
| Sweden         | 129                | 2.000%                           | 0.0025%   |                               |
| Hungary        | 117                | 0.500%                           | 0.0006%   |                               |
| Slovakia       | 110                | 1.500%                           | 0.0016%   |                               |
| Iceland        | 72                 | 2.500%                           | 0.0017%   |                               |
| Belgium        | 68                 | 0.500%                           | 0.0003%   |                               |
| Chile          | 59                 | 0.500%                           | 0.0003%   |                               |
| Czech Republic | 34                 | 1.250%                           | 0.0004%   |                               |
| Slovenia       | 25                 | 0.500%                           | 0.0001%   |                               |
| Estonia        | 20                 | 1.500%                           | 0.0003%   |                               |
| Croatia        | 12                 | 1.500%                           | 0.0002%   |                               |
| Romania        | 9                  | 1.000%                           | 0.0001%   |                               |
| Lithuania      | 7                  | 1.000%                           | 0.0001%   |                               |
| Bulgaria       | 1                  | 2.000%                           | 0.0000%   |                               |
| Others         | 34,434             | 0.000%                           | 0.0000%   |                               |
| <b>Total</b>   | <b>104,525</b>     |                                  | <b>0.7608%</b>  | <b>Row 66</b>                 |

<sup>1</sup> Calculated as each country's share of total private sector credit exposures multiplied by the CCyB applicable to each country.



# Appendix 2 List of Entities Deconsolidated from the Level 2 Regulatory Group for APRA Reporting Purposes

| 30 September 2024   | Total Assets <sup>1,2,3,4</sup> | Total Liabilities <sup>1,2,3,4</sup> |
|---|---------------------------------|--------------------------------------|
| <b>Funds Management</b>                                   |                                 |                                      |
| Bond Street Custodians Limited                            | 24                              | -                                    |
| Macquarie Fonds GmbH                                      | -                               | -                                    |
| Macquarie Fonds management GmbH                           | 1                               | 1                                    |
| Macquarie Investment Management Ltd                       | 206                             | 6                                    |
| Macquarie Investment Services Limited                     | 20                              | -                                    |
| Macquarie Life Pty Limited                                | -                               | -                                    |
| Macquarie Prism Pty Limited                               | 2                               | -                                    |
| Macquarie Treuermögen GmbH                                | -                               | -                                    |
| <b>Non-Financial Operations</b>                           |                                 |                                      |
| Avenal Power Center, LLC                                  | 19                              | 13                                   |
| Capital Meters Limited                                    | 16                              | 9                                    |
| Comercializadora Energia de la Reforma S. de R.L. de C.V. | 24                              | 6                                    |
| Corona Energy Limited                                     | 38                              | -                                    |
| Corona Energy Retail 1 Limited                            | 332                             | 278                                  |
| Corona Energy Retail 2 Limited                            | 69                              | 35                                   |
| Corona Energy Retail 3 Limited                            | 7                               | -                                    |
| Corona Energy Retail 4 Limited                            | 555                             | 499                                  |
| Corona Gas Management Limited                             | 31                              | 8                                    |
| Macquarie Corona Energy Holdings Limited                  | 22                              | 3                                    |
| Macquarie Energy Services Pty Limited                     | 6                               | -                                    |
| Macquarie Equipment Finance Services Limited              | 5                               | 1                                    |
| Macquarie Equipment Trading (Shanghai) Co., Ltd           | -                               | -                                    |
| Macquarie Semiconductor and Technology Inc.               | 8                               | 7                                    |
| PropertyIQ Pty Limited                                    | 9                               | -                                    |
| Sustainable Feedstocks Group Limited                      | 10                              | 1                                    |
| Sustainable Feedstocks Group Guangdong Limited            | 18                              | 16                                   |
| Circularix, LLC   | 81                              | 65                                   |
| <b>Insurance</b>  |                                 |                                      |
| Macquarie (Bermuda) Limited                               | 37                              | 35                                   |

<sup>1</sup> These balances, along with any Australian GAAP adjustment where required, are included in Macquarie Bank Group's audited Australian GAAP financial report for the period ended 30 September 2024. The financial report under local GAAP of certain entities may be subjected to separate audits from the Macquarie Bank Group audit and these audits may not be complete as at the date of this report.

<sup>2</sup> The total assets and liabilities should not be aggregated as certain entities are holding companies for other entities in the table shown above.

<sup>3</sup> Numbers are rounded to the nearest \$A million.

<sup>4</sup> The assets and liabilities for deconsolidated subsidiaries includes receivables from and payables to related entities.

# Appendix 3 List of APRA Quantitative Tables

| APS 330 Table       | Title  | Section No   |
|---------------------|--|--------------|
| <b>Attachment A</b> | Common Disclosures Template  | Appendix 1   |
| <b>Attachment D</b> |  |              |
| 6 (b) to (f)        | Risk Weighted Assets (RWA)   | 4.2          |
| 6 (g)               | Capital Ratios   | Introduction |
| 6 (h) to (i)        | Capital Floor  | 4.2          |
| 7 (b)               | Macquarie's Credit Risk Exposures  | 5.3          |
| 7 (c)               | Credit Risk by Geographic Distribution   | 5.4          |
| 7 (d)               | Credit Risk Distribution by Counterparty Type                                  | 5.5          |
| 7 (e)               | Credit Risk by Maturity Profile  | 5.6          |
| 7 (f)               | Provisions by Counterparty Type  | 5.3 & 7.4    |
| 7 (g)               | Provisions by Geographic Region  | 7.5          |
| 7 (h)               | Movement in Provisions   | 7.7          |
| 7 (i)               | Credit Risk Exposures by Measurement Approach                                  | 5.3 & 6.1    |
| 7 (j)               | General Provisions   | 7.6          |
| 8 (b)               | Credit Risk Exposures by Risk Weight   | 6.2          |
| 9 (d)               | Credit Risk Exposures by Risk Grade  | 6.3          |
| 9 (e)               | Provisions by Counterparty Type  | 7.4          |
| 9 (f)               | Analysis of Expected Credit Model Performance versus Actual Results            | 7.8          |
| 10 (b) & (c)        | Exposures Mitigated by Eligible Collateral                                     | 8.2          |
| 11 (b)              | Credit Equivalent Amounts for Counterparty Exposures                           | 8.3          |
| 11 (c)              | Notional Amount of Credit Derivatives  | 8.3          |
| 12 (g) & (o)        | Originating ADI Securitisation Exposures                                       | 9.2.1        |
| 12 (h)              | Performance of Assets Securitised  | 9.2.2        |
| 12 (i) & (p)        | Summary of Outstanding Exposures Intended to be Securitised                    | 9.2.3        |
| 12 (j), (q) & (r)   | Securitisation Activity  | 9.2.4        |
| 12 (k) & (s)        | Exposure by Type of Asset  | 9.2.5        |
| 12 (l)              | Exposure by Risk Weight Band – Banking Book                                    | 9.2.6        |
| 12 (t)              | Exposure by Risk Weight Band – Trading Book                                    | 9.2.6        |
| 12 (u)              | RWA by Risk Weight Band – Trading Book   | 9.2.6        |
| 12 (n) & (w)        | Resecuritisation Exposure  | 9.2.7        |
| 13 (b)              | Debt Security Specific Risk Figures  | 12.3.6       |
| 14 (f)              | Value at Risk Figures  | 12.3.4       |
| 14 (f)              | Stressed Value at Risk Figures   | 12.3.5       |
| 16 (b) & (c)        | Equity Investments   | 13.2         |
| 16 (d) & (e)        | Gains and Losses on Equity Investments   | 13.4         |
| 16 (f)              | Capital Requirements Arising from Equity Risks                                 | 13.3         |
| 17 (b)              | Interest Rate Risk in the Banking Book   | 12.4.2       |
| <b>Attachment E</b> |  |              |
| 18                  | Leverage Ratio Disclosure Template   | 15.1         |
| 19                  | Summary Comparison of Accounting Assets versus Leverage Ratio Exposure Measure | 15.2         |
| <b>Attachment F</b> |  |              |
| 20                  | Liquidity Coverage Ratio Disclosure Template                                   | 16.0         |
| 21                  | Net Stable Funding Ratio Disclosure Template                                   | 17.0         |

# Appendix 4 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"> <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>  |
| 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.  |
| Associates                           | <p>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.</p>   |
| ASF                                  | Available Stable Funding.   |
| Banking Group                        | MBL and its subsidiaries.   |
| Basel III IRB Formula                | A formula to calculate RWA, as defined in Prudential Standard APS 113 - Capital Adequacy: Internal Ratings-based Approach to Credit risk.   |
| BAC                                  | Board Audit Committee.  |
| BCBS                                 | Basel Committee on Banking Supervision.   |
| BCN 2                                | <p>BCN2 were issued by MBL in June 2020 and are quoted on the Australian Securities Exchange. The BCN2 pay discretionary, quarterly floating rate cash distributions equal to three-month BBSW plus 4.70% per annum margin, adjusted for franking credits. These instruments are non-cumulative and unsecured and may be redeemed at face value on 21 December 2025, 21 June 2026 or 21 December 2026 (subject to certain conditions being satisfied) or earlier in specified circumstances. The BCN2 can be converted into a variable number of MGL ordinary shares (subject to certain conditions being satisfied) on these redemption dates; mandatorily exchanged on 21 December 2028; exchanged earlier upon an acquisition event (with the acquirer gaining control of MGL or MBL); where MBL's Common Equity Tier 1 capital ratio falls below 5.125%; or where APRA determines MBL would be non-viable without an exchange or a public sector injection of capital (or equivalent support).</p>    |
| BCN 3                                | <p>BCN3 were issued by MBL in August 2021 and are quoted on the Australian Securities Exchange. The BCN3 pay discretionary, quarterly floating rate cash distributions equal to three-month BBSW plus 2.90% per annum margin, adjusted for franking credits. These instruments are non-cumulative and unsecured and may be redeemed at face value on 7 September 2028, 7 March 2029, or 7 September 2029 (subject to certain conditions being satisfied) or earlier in specified circumstances. The BCN3 can be converted into a variable number of MGL ordinary shares (subject to certain conditions being satisfied) on these redemption dates; mandatorily exchanged on 8 September 2031; exchanged earlier upon an acquisition event (with the acquirer gaining control of MGL or MBL); where MBL's Common Equity Tier 1 capital ratio falls below 5.125%; or where APRA determines MBL would be non-viable without an exchange or a public sector injection of capital (or equivalent support).</p> |
| BFS                                  | Banking and Financial Services Group.   |

|   |  |
|---|--|
| The Board, Macquarie Bank Board         | The Board of Voting Directors of Macquarie Bank Limited.   |
| BRC                                     | Board Remuneration Committee.  |
| BRiC                                    | Board Risk Committee.  |
| CA                                      | Credit Assurance.  |
| CAF                                     | Corporate and Asset Finance Group.   |
| CAGR                                    | Compound Annual Growth Rate.   |
| CEO                                     | Managing Director and Chief Executive Officer.   |
| CGM                                     | Commodities and Global Markets Group.  |
| CFO                                     | Chief Financial Officer.   |
| Contingent liabilities                  | 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.   |
| CCE                                     | Current Credit Exposure. The sum of the positive mark-to-market value (or replacement cost) of market-related contracts entered into by the ADI.   |
| CCR                                     | Counterparty Credit Risk.  |
| CEA                                     | Credit Equivalent Amount. The on-balance sheet equivalent value of an off balance sheet transaction.   |
| 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.  |
| CLF                                     | Committed Liquidity Facility.  |
| Common Equity Tier 1 capital (CET1)     | 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> <li>• Common equity tier 1 capital comprises Paid Up Capital, Retained Earnings, and certain reserves.</li> </ul>   |
| 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.  |
| CRO                                     | Chief Risk Officer.  |
| 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.   |
| Directors' Profit Share (DPS)           | The DPS plan comprises exposure to a notional portfolio of Macquarie-managed funds. Retained amounts for Executive Directors are notionally invested over the retention period. This investment is described as 'notional' because Executive Directors do not directly hold securities in relation to this investment. However, the value of the retained amounts will vary as if these amounts were directly invested in actual securities, giving the Executive Directors an effective economic exposure to the performance of the securities. If the notional investment results in a notional loss, this loss will be offset against any future notional income until the loss is completely offset. |
| DSR                                     | Debt Specific Risk.  |
| DSU                                     | Deferred Share Unit issued under the MEREP.  |
| DVP                                     | Delivery versus Payment.   |

|  |   |
|--|---|
| EAD  | Exposure at Default – the gross exposure under a facility (the amount that is legally owed to the ADI) upon default of an obligor.  |
| ECAI   | External Credit Assessment Institution.   |
| ECAM   | Economic Capital Adequacy Model.  |
| 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.   |
| EMEA   | Europe, Middle East & Africa.   |
| ERL  | Equity Risk Limit – Board imposed limit by which equity risk positions are managed.   |
| ERBA   | External Rating Based Approach.   |
| Executive Key Management Personnel (Executive KMP) | Members of Executive Committee of MBL.  |
| Executive Voting Director                          | An Executive Board Member.  |
| FIRB   | Foundation Internal Ratings Based Approach (for determining credit risk).   |
| FMG  | Financial Management Group.   |
| GAAP   | Generally Accepted Accounting Principles.   |
| GRCC   | Group Risk and Compliance Committee.  |
| HQLA   | High Quality Liquid Assets.   |
| ICAAP  | Internal Capital Adequacy Assessment Process.   |
| IRRBB  | Interest Rate Risk in the Banking Book.   |
| Impaired assets                                    | An asset for which the ultimate collectability of principal and interest is compromised.  |
| ISDA   | International Swaps and Derivatives Association.  |
| 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.  |
| LGD  | Loss given default is defined as the economic loss which arises upon default of the obligor.  |
| LVR  | Loan to Value Ratio.  |
| Macquarie  | Level 2 regulatory group.   |
| Macquarie Group                                    | MGL and its subsidiaries.   |
| Malus  | The discretion of the Board (from 2012) to reduce or eliminate unvested profit share amounts where it determines that an employee's action or inaction has caused the Macquarie Group significant reputational harm, caused a significant or unexpected financial loss or caused the Macquarie Group to make a material financial restatement.  |
| MACS   | On 8 March 2017, MBL, acting through its London Branch, issued \$US750 million of Macquarie Additional Capital Securities (MACS). MACS are subordinated, unsecured notes that pay discretionary, non-cumulative, semi-annual fixed rate cash distributions. Subject to certain conditions the MACS may be redeemed on 8 March 2027, or each fifth anniversary thereafter. MACS can be exchanged for a variable number of fully paid MGL ordinary shares on an acquisition event (with the acquirer gaining control of MGL or MBL), where MBL's common equity Tier 1 capital ratio falls below 5.125%, or where APRA determines MBL would be non-viable without an exchange or a public sector injection of capital (or equivalent support). |
| MAM  | Macquarie Asset Management Group.   |
| MBL  | Macquarie Bank Limited ABN 46 008 583 542.  |
| MBL Consolidated Group                             | MBL and its subsidiaries.   |
| MEREP  | Macquarie Group Employee Retained Equity Plan.  |
| MFHPL  | Macquarie Financial Holdings Pty Limited.   |
| MGL  | Macquarie Group Limited ABN 94 122 169 279.   |

|                                 |  |
|---------------------------------|--|
| NCO                             | Net Cash Outflows.   |
| Non-Bank Group                  | MGL, MFHPL and its subsidiaries.   |
| NPAT                            | Net Profit after Tax.  |
| NSFR                            | Net Stable Funding Ratio.  |
| Operating Group                 | The Operating Groups consist of MAM, CAF, CGM, BFS and Macquarie Capital.  |
| ORMF                            | Operational Risk Management Framework.   |
| PCE, PFCE                       | Potential Credit Exposure (PCE) / Potential Future Credit Exposure (PFCE). The potential exposures arising on a transaction calculated as the notional principal amount multiplied by a credit conversion factor specified by APRA.  |
| PD                              | Probability of Default. The likelihood of an obligor not satisfying its financial obligations.   |
| Post-2009 DPS                   | Retained directors' profit share which is deferred to future periods and held as a notional investment in Macquarie managed-fund equity.   |
| PSU                             | Performance Share Unit issued under the MEREP.   |
| Reserve Bank of Australia (RBA) | Central bank of Australia with responsibility over monetary policy.  |
| Risk-weighted assets (RWA)      | A risk-based measure of an entity's exposures, which is used in assessing its overall capital adequacy.  |
| RAS                             | Risk Appetite Statement.   |
| RMG                             | Risk Management Group.   |
| ROE                             | Return on Ordinary Equity.   |
| RSF                             | Required Stable Funding.   |
| RSU                             | Restricted Share Unit issued under the MEREP.  |
| RMBS                            | Residential Mortgage-Backed Securities.  |
| Senior Executive                | Macquarie Group's combined Division Director and Executive Director population.  |
| Senior Management               | Members of Macquarie Group's Executive Committee and Executive Directors who have significant management or risk responsibility in the organisation.   |
| SFA                             | Supervisory Formula Approach.  |
| SFT                             | Securities Financing Transactions (SFT). SFTs are transactions such as repurchase agreements, reverse repurchase agreements and security lending and borrowing, where the value of the transactions depends on market valuations and the transactions are often subject to margin agreements.  |
| SME                             | Small - Medium Enterprises.  |
| SPV's                           | Special purpose vehicles or securitisation vehicles.   |
| SMA                             | Standardised Measurement Approach (for determining operational risk).  |
| Subordinated debt               | Debt issued by Macquarie for which agreements between Macquarie and the lenders provide, in the event of liquidation, that the entitlement of such lenders to repayment of the principal sum and interest thereon is and shall at all times be and remain subordinated to the rights of all other present and future creditors of Macquarie. Subordinated debt is classified as liabilities in the Macquarie financial report and may be included in Tier 2 Capital. |
| 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.  |
| TSR                             | Total Shareholder Return.  |
| VaR                             | Value-at-Risk.   |

---

# 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 September 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).