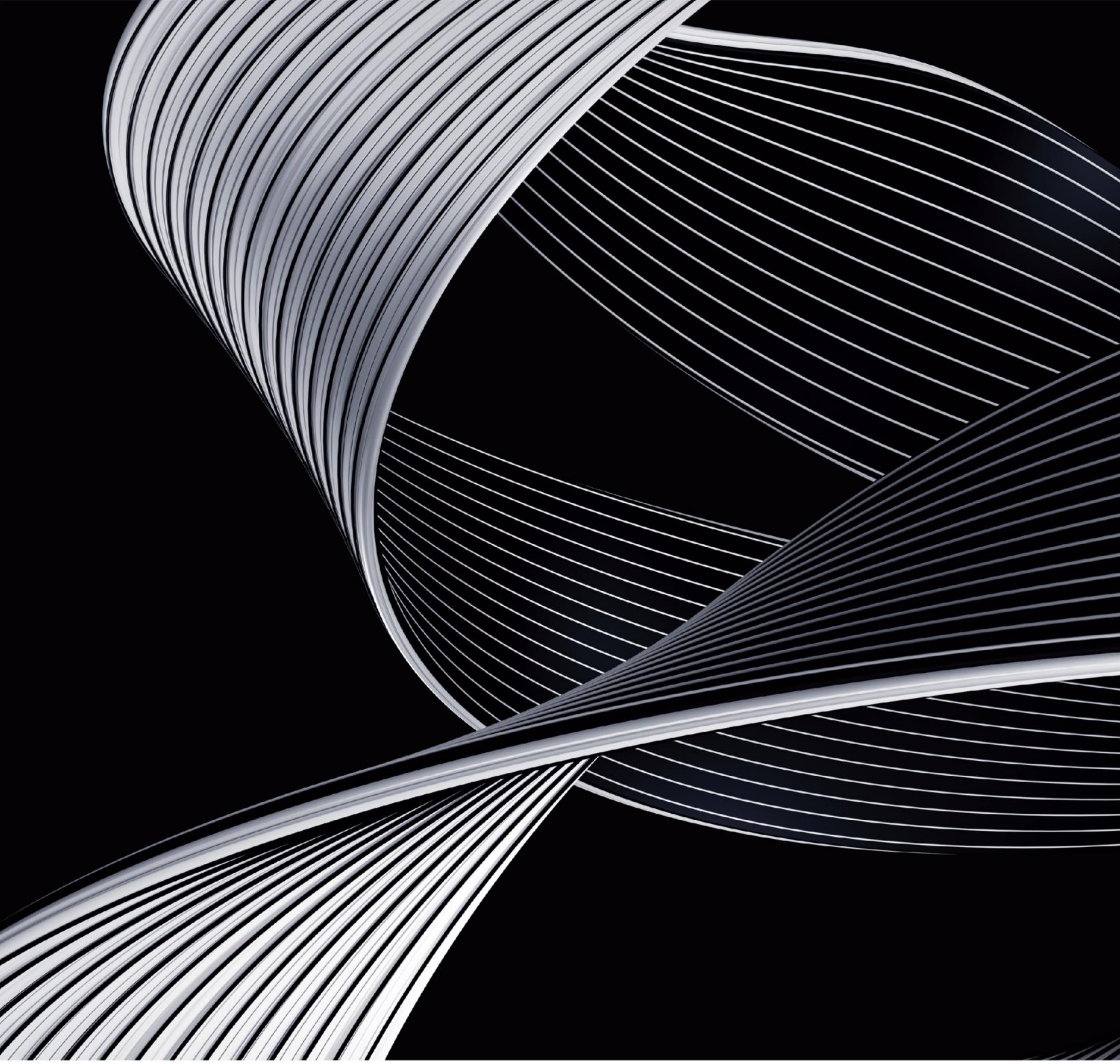

MBL Basel III Pillar 3 Capital Disclosures

June 2022

Macquarie Bank Limited
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MACQUARIE BANK

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MACQUARIE BANK

ASX Release

MACQUARIE BANK RELEASES JUNE PILLAR 3 DISCLOSURE DOCUMENT

18 August 2022 – The Macquarie Bank Limited June 2022 Pillar 3 disclosure document was released today. These disclosures have been prepared in accordance with the Australian Prudential Regulation Authority (APRA) requirements of Prudential Standard APS 330: Public Disclosure.

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Introduction

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

APRA has implemented the Basel III framework, and in some areas has introduced stricter requirements (APRA super equivalence). This report details MBL's disclosures as required by APRA Prudential Standard APS 330: Public Disclosure (APS330) as at 30 June 2022 together with the 31 March 2022 comparatives where appropriate.

Detailed in this report are the major components of 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. This report also presents information on the leverage and liquidity ratios. Macquarie's risk management policies, risk management framework and the measures adopted to monitor and report within the framework are disclosed in the half year and full year Pillar 3 report.

Ratios for Common Equity Tier 1, Total Tier 1, Total capital, Leverage and Liquidity are set out below.

APS 330 Table 3(f)

Capital, Liquidity and Leverage Ratios – Level 2 regulatory group	As at 30 June 2022	As at 31 March 2022
Common Equity Tier 1 capital ratio	**12.3%**	11.5%
Tier 1 capital ratio	**14.0%**	13.2%
Total capital ratio	**18.2%**	16.8%
Leverage ratio	**5.1%**	5.0%
Liquidity coverage ratio[1,2]	**221%**	195%

APRA requires Authorised Deposit taking Institutions (ADIs) to have a minimum ratio of Tier 1 capital to risk weighted assets (RWA) of 8.5%, including the 2.5% capital conservation buffer, with at least 7.0% in the form of Common Equity Tier 1 capital. In addition, APRA may impose ADI specific minimum capital ratios which may be higher than these levels.

At 30 June 2022, the Macquarie Level 2 regulatory group capital and liquidity ratios are above the regulatory minimum required by APRA, and the Board imposed internal minimum requirement. The countercyclical capital buffer requirement for Macquarie Level 2 regulatory group is less than 1 basis point.

[1] The Liquidity Coverage Ratio for the 3 months to 30 June 2022 is calculated from 61 daily LCR observations (31 March 2022 is calculated from 62 daily LCR observations).

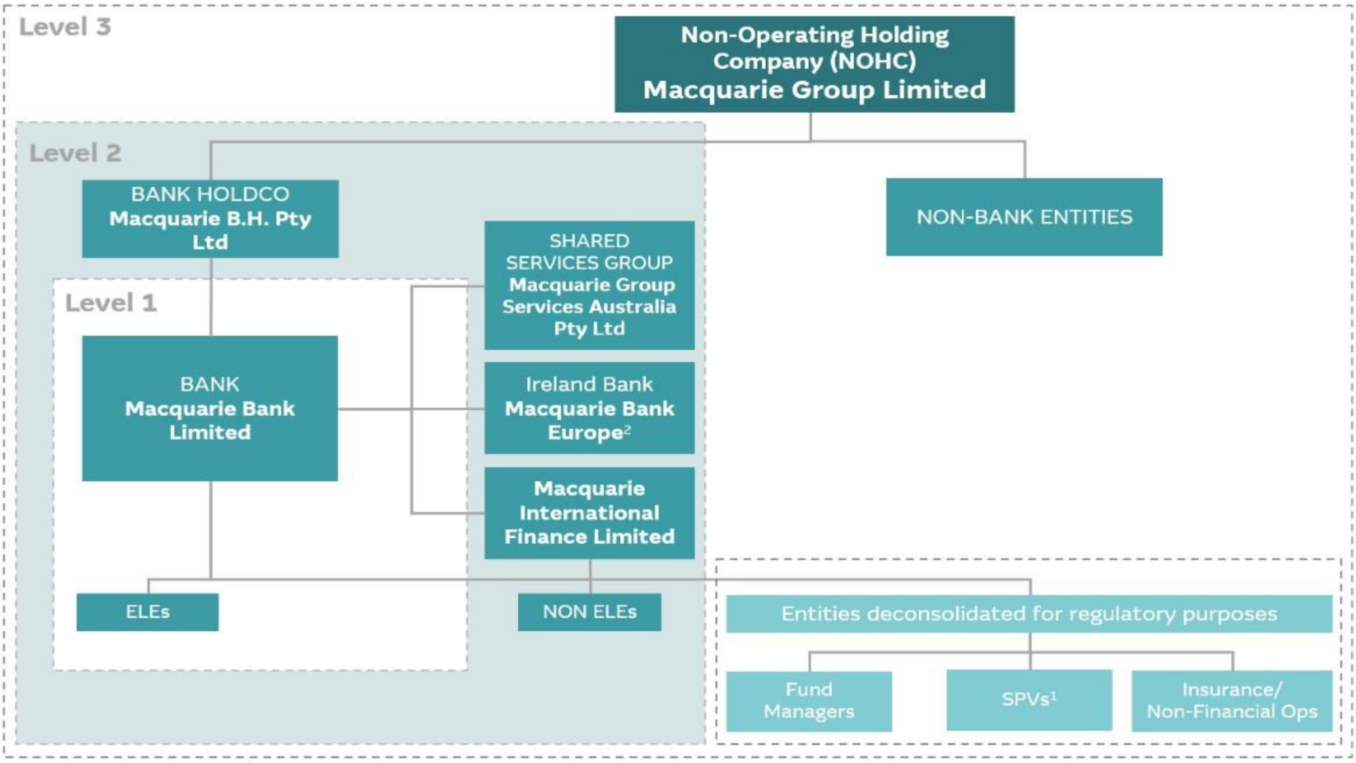
[2] APRA imposed a 15% add-on to the Net Cash Outflow (NCO) component of the LCR calculation, effective from 1 April 2021. This 15% NCO add-on is included in the 3 months average LCR to 31 March 2022. In response to a further liquidity reporting incident identified in January 2022 which had the impact of understating total NCOs, APRA has re-calibrated the LCR NCO add-on to 25%, effective from 1 May 2022 onwards. Accordingly, the 3 months average LCR to 30 June 2022 includes a 15% NCO add-on up to 30 April 2022 and a 25% NCO add-on from 1 May 2022. This reporting incident was resolved for the LCR for both the 3 months to 30 June 2022 and 31 March 2022.

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

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

References to Macquarie in this report refer to the Level 2 regulatory group which consists of MBL, its subsidiaries and its immediate parent (Macquarie B.H. Pty Ltd) but excludes certain subsidiaries of MBL which are required to be deconsolidated for APRA reporting purposes. Unless otherwise stated, all disclosures in this report represent the Level 2 regulatory group prepared on an APRA Basel III basis.

1.2 Report Conventions

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

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

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

Where necessary, comparative information has been restated to conform with changes in the current year, unless otherwise stated.

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

2. Risk Weighted Assets (RWA)

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

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

APS 330 Table 3(a) to (e)

	As at 30 June 2022 $m	As at 31 March 2022 $m
Credit risk		
Subject to IRB approach		
Corporate	**41,649**	39,861
SME Corporate	**4,445**	4,529
Sovereign	**3,204**	3,542
Bank	**1,791**	1,659
Residential Mortgages	**28,086**	26,802
Other Retail	**2,572**	2,856
Retail SME	**2,195**	2,474
Total RWA subject to IRB approach	**83,942**	81,723
Specialised lending exposures subject to slotting criteria[1]	**9,072**	8,983
Subject to Standardised approach		
Corporate	**41**	52
Residential Mortgages	**552**	581
Other Retail	**1,048**	1,026
Total RWA subject to Standardised approach	**1,641**	1,659
Credit risk RWA for securitisation exposures	**651**	718
Credit Valuation Adjustment RWA	**12,764**	12,294
Exposures to Central Counterparties RWA	**434**	525
RWA for Other Assets	**2,585**	2,585
Total Credit risk RWA	**111,089**	108,487
Market risk RWA	**11,366**	10,230
Operational risk RWA	**10,423**	10,335
Interest rate risk in the banking book RWA	**1,666**	1,588
Total RWA	**134,544**	130,640

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

3. Credit Risk Measurement

3.1 Macquarie's Credit Risk Exposures

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

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

The exposures below exclude the impact of:

- Credit risk mitigation
- Securitisation exposures
- CVA
- Central counterparty exposures
- Trading book on balance sheet exposures; and
- Equity exposures.

APS 330 Table 4(a)

Portfolio Type	**As at 30 June 2022 $m**	As at 31 March 2022 $m
Corporate[1]	**84,998**	78,899
SME Corporate[2]	**8,183**	8,218
Sovereign	**43,468**	51,350
Bank	**9,636**	8,691
Residential Mortgages	**114,729**	108,288
Other Retail	**6,325**	6,957
Retail SME	**3,278**	3,641
Other Assets[3]	**7,496**	5,728
Total Gross Credit Exposure	**278,113**	271,772

[1] Corporate includes specialised lending exposure of $ 6,347million as at 30 June 2022 (31 March 2022: $6,383 million).
[2] SME Corporate includes specialised lending exposure of $3,111 million as at 30 June 2022 (31 March 2022: $3,015 million).
[3] The major components of Other Assets are unsettled trades, related party exposures, and fixed assets.

APS 330 Table 4(a) (continued)

	As at 30 June 2022				
		Off balance sheet			
	On balance Sheet $m	Non-market related $m	Market related $m	Total $m	Average exposures[1] $m
Subject to IRB approach					
Corporate	21,564	11,044	46,002	78,610	75,537
SME Corporate	4,082	990	0	5,072	5,138
Sovereign	36,438	6,719	311	43,468	47,409
Bank	3,071	2,613	3,952	9,636	9,164
Residential Mortgages	99,620	14,217	0	113,837	110,592
Other Retail	4,754	0	0	4,754	4,994
Retail SME	3,270	8	0	3,278	3,460
Total IRB approach	172,799	35,591	50,265	258,655	256,292
Specialised Lending	5,051	1,045	3,362	9,458	9,428
Subject to Standardised approach					
Corporate	0	41	0	41	47
Residential Mortgages	892	0	0	892	917
Other Retail	1,571	0	0	1,571	1,648
Total Standardised approach	2,463	41	0	2,504	2,611
Other Assets	6,021	731	744	7,496	6,612
Total Gross Credit Exposures	186,334	37,408	54,371	278,113	274,943

[1] Average exposures have been calculated on 30 June 2022 and 31 March 2022 spot positions.

APS 330 Table 4(a) (continued)

	As at 31 March 2022				
		Off balance sheet			
	On balance Sheet $m	Non-market related $m	Market related $m	Total $m	Average exposures[1] $m
Subject to IRB approach					
Corporate	19,860	10,474	42,130	72,464	69,248
SME Corporate	4,087	1,116	–	5,203	5,172
Sovereign	44,638	6,526	186	51,350	49,742
Bank	1,686	3,149	3,856	8,691	8,319
Residential Mortgages	91,988	15,359	–	107,347	103,617
Other Retail	5,233	–	–	5,233	5,461
Retail SME	3,634	7	–	3,641	3,860
Total IRB approach	171,126	36,631	46,172	253,929	245,418
Specialised Lending	5,013	1,125	3,260	9,398	9,105
Subject to Standardised approach					
Corporate	–	52	–	52	52
Residential Mortgages	941	–	–	941	964
Other Retail	1,724	–	–	1,724	1,703
Total Standardised approach	2,665	52	–	2,717	2,719
Other Assets	4,040	848	840	5,728	5,949
Total Gross Credit Exposures	182,844	38,656	50,272	271,772	263,190

[1] Average exposures have been calculated on 31 March 2022 and 31 December 2021 spot positions.

4. Provisioning

4.1 Provisions by Counterparty Type

The table below details impaired facilities, past due and specific provisions.

APS 330 Table 4(b)[1]

	As at 30 June 2022			As at 31 March 2022		
	Impaired Facilities $m	**Past Due >90 days $m**	**Specific Provisions $m**	Impaired Facilities $m	Past Due >90 days $m	Specific Provisions $m
Subject to IRB approach						
Corporate	**207**	**74**	**(196)**	268	36	(192)
SME Corporate	**95**	**27**	**(38)**	107	33	(44)
Residential Mortgages	**222**	**241**	**(11)**	227	255	(12)
Other Retail	**119**	**4**	**(29)**	128	4	(31)
Retail SME	**86**	**4**	**(21)**	99	4	(23)
Total IRB approach	**729**	**350**	**(295)**	829	332	(302)
Subject to Standardised approach						
Residential Mortgages	**–**	**–**	**–**	–	–	–
Other Retail	**17**	**3**	**(23)**	20	3	(24)
Total Standardised approach	**17**	**3**	**(23)**	20	3	(24)
Other Assets	**–**	**–**	**–**	–	–	–
Total	**746**	**353**	**(318)**	849	335	(326)
Additional regulatory specific provisions			**(189)**			(193)

[1] FAQs published by APRA on 10 Mar 22 clarified that ADIs should continue to make disclosures based on the current APS 330, using the terms as defined in Prudential Standard APS 220 Credit Quality (revoked APS 220).

APS 330 Table 4(b)[1] (continued)

	For the 3 months to 30 June 2022		For the 3 months to 31 March 2022	
	Charges for Specific provisions $m	**Write-offs[2] $m**	Charges for Specific provisions $m	Write-offs[2] $m
Subject to IRB approach				
Corporate	**(10)**	**-**	(17)	–
SME Corporate	**-**	**-**	(1)	–
Residential Mortgages	**(1)**	**-**	(1)	–
Other Retail	**-**	**-**	–	–
Retail SME	**-**	**-**	–	–
Total IRB approach	**(11)**	**-**	(19)	–
Subject to Standardised approach				
Other Retail	**(1)**	**-**	–	–
Total Standardised approach	**(1)**	**-**	–	–
Total	**(12)**	**-**	(19)	–

4.2 General Reserve for Credit Losses

APS 330 Table 4(c)[1]

	As at 30 June 2022 $m	As at 31 March 2022 $m
General reserve for credit losses before tax	**287**	298
Tax effect	**(72)**	(72)
General reserve for credit losses	**215**	226

[1] FAQs published by APRA on 10 Mar 22 clarified that ADIs should continue to make disclosures based on the current APS 330, using the terms as defined in Prudential Standard APS 220 Credit Quality (revoked APS 220).
[2] 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.

5. Securitisation

5.1 Securitisation Activity

Over the 3 months to 30 June 2022, Macquarie has undertaken the following securitisation activity. Macquarie may or may not retain an exposure to securitisation SPVs to which Macquarie has sold assets.

APS 330 Table 5(a)

	For the 3 months to 30 June 2022		
	Value of loans sold or originated into securitisation		Recognised gain or loss on sale
Exposure Type	**ADI originated $m**	**ADI as sponsor $m**	**$m**
Banking Book			
Residential Mortgages[1]	**6,470**	-	-
Credit cards and other personal loans	-	-	-
Auto and equipment finance[1]	**3,378**	-	-
Other	-	-	-
Total Banking Book	**9,848**	-	-
Trading Book			
Residential Mortgages	–	–	–
Credit cards and other personal loans	–	–	–
Auto and equipment finance	–	–	–
Total Trading Book	–	–	–

	For the 3 months to 31 March 2022		
	Value of loans sold or originated into securitisation		Recognised gain or loss on sale
Exposure Type	ADI originated $m	ADI as sponsor $m	$m
Banking Book			
Residential Mortgages[1]	8,407	–	–
Credit cards and other personal loans	–	–	–
Auto and equipment finance[1]	–	–	–
Other	–	–	–
Total Banking Book	8,407	–	–
Trading Book			
Residential Mortgages	–	–	–
Credit cards and other personal loans	–	–	–
Auto and equipment finance	–	–	–
Total Trading Book	–	–	–

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

5.2 Exposures Arising from Securitisation Activity by Asset Type

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

APS 330 Table 5(b)

	As at 30 June 2022		
	Total outstanding exposures[1]		
Exposure Type	**On balance sheet $m**	**Off balance sheet $m**	**Total exposures $m**
Banking Book			
Residential Mortgages	**63,381**	**32**	**63,413**
Credit cards and other personal loans	**63**	**54**	**117**
Auto and equipment finance	**4,855**	**83**	**4,938**
Other	**293**	**-**	**293**
Total Banking Book	**68,592**	**169**	**68,761**
Trading Book			
Residential Mortgages	**-**	**-**	**-**
Credit cards and other personal loans	**-**	**-**	**-**
Auto and equipment finance	**-**	**-**	**-**
Other	**-**	**-**	**-**
Total Trading Book	**-**	**-**	**-**

	As at 31 March 2022		
	Total outstanding exposures[1]		
Exposure Type	On balance sheet $m	Off balance sheet $m	Total exposures $m
Banking Book			
Residential Mortgages	62,649	5	62,654
Credit cards and other personal loans	59	50	109
Auto and equipment finance	1,703	80	1,783
Other	287	72	359
Total Banking Book	64,698	207	64,905
Trading Book			
Residential Mortgages	-	-	-
Credit cards and other personal loans	-	-	-
Auto and equipment finance	-	-	-
Other	-	-	-
Total Trading Book	-	-	-

[1] Included in the above are assets of $65,451 million in securitisation entities where Macquarie continues to hold capital behind the underlying pool of securitised assets in Level 2 regulatory group (31 March 2022: $61,777 million).

6. Leverage Ratio Disclosures

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

The Basel Committee on Banking Supervision (BCBS), in December 2017, confirmed the leverage ratio minimum regulatory requirement of 3%, effective from 1 January 2018. APRA released the final 'Prudential Standard APS 110 Capital Adequacy' on 30 November 2021 which has a minimum requirement for the leverage ratio of 3.5% effective 1 January 2023.

At 30 June 2022, Macquarie's leverage ratio was 5.1%, an increase of 0.1% from 31 March 2022. This increase was primarily driven by higher Tier 1 capital supply attributable to recapitalisation and earnings during the period, partially offset by higher total leverage exposures resulting from a) growth in the home loan portfolio b) market movements in commodity derivatives and c) increased holding of high-quality liquid assets (HQLA).

Capital and total exposures	**30 June 2022 $m**	31 March 2022 $m	31 December 2021 $m	30 September 2021 $m
Tier 1 Capital	**18,896**	17,272	16,946	15,921
Total Leverage exposures	**372,868**	348,235	331,362	303,204
Macquarie Level 2 regulatory group Leverage ratio	**5.1%**	5.0%	5.1%	5.3%

7. Liquidity Coverage Ratio Disclosure

Liquidity Coverage Ratio disclosure template

APS 330 Table 20

		For the 3 months to 30 June 2022		For the 3 months to 31 March 2022	
	Liquidity Coverage Ratio disclosure template	Total unweighted value (average) $m	Total weighted value (average) $m	Total unweighted value (average) $m	Total weighted value (average) $m
	Liquid assets, of which:				
1	High quality liquid assets (HQLA)		**61,710**		51,765
2	Alternative liquid assets (ALA)		**5,566**		7,275
3	Reserve Bank of New Zealand (RBNZ) securities		**-**		-
	Cash outflows				
4	Retail deposits and deposits from small business customers, of which:	**66,984**	**6,622**	62,472	6,367
5	Stable deposits	**20,810**	**1,040**	18,564	928
6	Less stable deposits	**46,174**	**5,582**	43,908	5,439
7	Unsecured wholesale funding, of which:	**39,192**	**19,046**	37,500	18,482
8	Operational deposits (all counterparties) and deposits in networks for cooperative banks	**18,315**	**3,568**	17,219	3,322
9	Non-operational deposits (all counterparties)	**16,070**	**10,671**	15,105	9,984
10	Unsecured debt	**4,807**	**4,807**	5,176	5,176
11	Secured wholesale funding		**2,062**		4,457
12	Additional requirements, of which:	**42,205**	**23,218**	38,300	19,743
13	Outflows related to derivatives exposures and other collateral requirements	**21,909**	**21,156**	19,030	17,824
14	Outflows related to loss of funding on debt products	**309**	**309**	274	274
15	Credit and liquidity facilities	**19,987**	**1,753**	18,996	1,645
16	Other contractual funding obligations	**13,879**	**13,846**	13,764	13,737
17	Other contingent funding obligations	**10,097**	**574**	10,567	604
18	**Total cash outflows**		**65,368**		63,390
	Cash Inflows				
19	Secured lending (e.g., reverse repos)	**37,018**	**12,658**	31,781	10,760
20	Inflows from fully performing exposures	**4,335**	**3,740**	4,145	3,585
21	Other cash inflows	**24,080**	**24,080**	22,751	22,751
22	**Total cash inflows**	**65,433**	**40,478**	58,677	37,096
23	**Total liquid assets**		**67,276**		59,040
24	**Total net cash outflows[1]**		**30,380**		30,238
25	**Liquidity Coverage Ratio (%)[2]**		**221%**		195%

[1] APRA imposed a 15% add-on to the Net Cash Outflow (NCO) component of the LCR calculation, effective from 1 April 2021. In response to a further liquidity reporting incident identified in January 2022 which had the impact of understating total NCOs, APRA re-calibrated the LCR NCO add-on to 25%, effective from 1 May 2022 onwards. This reporting incident was resolved for the LCR for both the 3 months to 30 June 2022 and 31 March 2022. For the 3 months to 30 June 2022 an average NCO overlay of $5,487 million is included in the disclosed balance of $30,380 million (3 months to 31 March 2022 overlay of $3,944 million is included in the disclosed balance of $30,238 million).

[2] The LCR for the 3 months to 30 June 2022 is calculated from 61 daily LCR observations (3 months to 31 March 2022 was calculated from 62 daily LCR observations).

The Liquidity Coverage Ratio (LCR)

The LCR requires unencumbered liquid assets be held to cover expected net cash outflows (NCOs) under a regulatory-defined stress scenario lasting 30 calendar days. Macquarie's 3 months average LCR to 30 June 2022 was 221% (based on 61 daily observations). This represents an increase of 26% from the 3 months LCR to 31 March 2022, as a result of an increase in liquid assets partially offset by an increase in NCOs. As required by APRA, the 3 months average LCR to 30 June 2022 includes a 15% NCO add-on up to 30 April 2022 and a 25% NCO add-on from 1 May 2022.

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

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

Macquarie actively considers the impact of business decisions on the LCR, as well as internal liquidity metrics that form part of the broader liquidity risk management framework. Macquarie's LCR fluctuates on a daily basis as a result of normal business activities and, accordingly, ongoing fluctuations in the reported LCR are expected and are not necessarily indicative of a changing risk appetite. Some examples of factors that can influence the LCR include wholesale funding activities (such as upcoming maturities and 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.

Liquid Assets

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

APRA wrote to all LCR ADIs on 10 September 2021 advising that no ADI should rely on the CLF to meet their minimum 100% LCR requirements from the beginning of 2022 and that ADIs should reduce their usage of the CLF to zero by the end of 2022, subject to financial market conditions. Macquarie's CLF allocation, which reduced from $7,275 million to $4,850 million on 1 May 2022 in line with APRA's phase down timeline, is reflected in the disclosure template under 'Alternative Liquid Assets (ALA)'. MBL is managing the CLF removal in accordance with APRA's requirement.

Net Cash Outflows (NCOs)

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

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

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

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

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

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

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

- **Segregated client funds placed with Macquarie**: Macquarie acts as a clearing agent for clients on various futures exchanges. Clients place margin with Macquarie and Macquarie places this margin either directly with the exchange, holds it in other segregated external asset accounts or retains a portion on deposit with Macquarie. Some of the balances are recorded on a gross basis on Macquarie's balance sheet and APRA require these to be profiled as gross inflows and outflows in the LCR.
- **Security and broker settlement balances**: these represent securities that have been purchased or sold by Macquarie that have not yet settled and broker balances where stock has been bought or sold on behalf of clients, but payment has not been made to / received from the client. APRA require these balances to be reflected on a gross basis in the LCR as 100% weighted inflows and outflows. The net effect of these balances on Macquarie's average LCR is minimal.

Appendix 1 Glossary of Terms

ADI	Authorised Deposit-taking Institution.
Additional Tier 1 Capital	A capital measure defined by APRA comprising high quality components of capital that satisfy the following essential characteristics: • provide a permanent and unrestricted commitment of funds; • are freely available to absorb losses; • rank behind the claims of depositors and other more senior creditors in the event of winding up of the issuer; and • provide for fully discretionary capital distributions.
Additional Tier 1 Capital deductions	An amount deducted in determining Additional Tier 1 Capital, as defined in Prudential Standard APS 111 Capital Adequacy: Measurement of Capital.
AMA	Advanced Measurement Approach (for determining operational risk).
APRA	Australian Prudential Regulation Authority.
ADI Prudential Standards (APS)	APRA's ADI Prudential Standards. For more information refer to APRA website.
Bank Group	MBL and its subsidiaries.
Central counterparty	A clearing house or exchange that interposes itself between counterparties to contracts traded in one or more financial markets, becoming the buyer to every seller and the seller to every buyer, and therefore ensuring the future performance or open contracts.
Common Equity Tier 1 capital (CET1)	A capital measure defined by APRA comprising the highest quality components of capital that fully satisfy all the following essential characteristics: • provide a permanent and unrestricted commitment of funds; • are freely available to absorb losses; • do not impose any unavoidable servicing charge against earnings; and • rank behind the claims of depositors and other creditors in the event of winding up. Common equity tier 1 capital comprises Paid Up Capital, Retained Earnings, and certain reserves.
Common Equity Tier 1 Capital deductions	An amount deducted in determining Common Equity Tier 1 Capital, as defined in Prudential Standard APS 111 Capital Adequacy: Measurement of Capital.
Common Equity Tier 1 Capital Ratio	Common Equity Tier 1 Capital net of Common Equity Tier 1 deductions expressed as a percentage of RWA.
CVA	Credit Valuation Adjustment. The risk of mark-to-market losses on the expected counterparty risk to OTC derivatives.
Deconsolidated entities	Entities involved in conducting insurance, funds management and non-financial operations including special purpose vehicles (SPV) for which Macquarie has satisfied APS 120 Attachment A operational requirements for regulatory capital relief.
EAD	Exposure at Default – the gross exposure under a facility (the amount that is legally owed to the ADI) upon default of an obligor.
EL	Expected Loss, which is a function of EAD, Probability of Default and Loss given Default.
ELE	Extended Licensed Entity is an entity that is treated as part of the ADI ('Level 1') for the purpose of measuring the ADI's capital adequacy and exposures to related entities. The criterion for qualification as an ELE is detailed in the APRA Prudential Standards.
FIRB	Foundation Internal Ratings Based Approach (for determining credit risk).
HQLA	High Quality Liquid Assets
Impaired assets	An asset for which the ultimate collectability of principal and interest is compromised.
LCR	Liquidity Coverage Ratio
Level 1 Regulatory Group	MBL and certain subsidiaries which meet the APRA definition of Extended Licensed Entities.
Level 2 Regulatory Group	MBL, its parent Macquarie B.H. Pty Ltd and MBL's subsidiaries but excluding deconsolidated entities for APRA reporting purposes.
Level 3 Regulatory Group	MGL and its subsidiaries but excluding entities required to be deconsolidated for regulatory reporting purposes.
Macquarie	Level 2 regulatory group

Macquarie Group	MGL and its subsidiaries.
MBL	Macquarie Bank Limited ABN 46 008 583 542
MBL Consolidated Group	MBL and its subsidiaries.
NCO	Net Cash Outflows
NSFR	Net Stable Funding Ratio
Risk-weighted assets (RWA)	A risk-based measure of an entity's exposures, which is used in assessing its overall capital adequacy.
SME	Small – Medium Enterprises
SPV's	Special purpose vehicles or securitisation vehicles.
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.

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