

MBL Basel III Pillar 3 Capital Disclosures

March 2024

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ASX Release

MACQUARIE BANK RELEASES MARCH PILLAR 3 DISCLOSURE DOCUMENT

28 May 2024 - The Macquarie Bank Limited March 2024 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 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 31 March 2024 together with the 31 March 2023 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)

Capital, Liquidity and Leverage Ratios – Level 2 regulatory group	As at 31 March 2024	As at 31 March 2023
Common Equity Tier 1 capital ratio	13.6%	13.7%
Tier 1 capital ratio	15.5%	15.6%
Total capital ratio	21.9%	21.3%
Leverage ratio	5.2%	5.2%
Liquidity coverage ratio ^{1,2}	191%	214%
Net stable funding ratio ³	115%	124%
Capital Ratios – Level 1 regulatory group⁴		
Common Equity Tier 1 capital ratio	12.4%	12.6%
Tier 1 capital ratio	14.4%	14.6%
Total capital ratio	21.0%	20.5%

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%⁵. 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 31 March 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.

¹ The Liquidity Coverage Ratio for the 3 months to 31 March 2024 is calculated from 62 daily LCR observations (31 March 2023 is calculated from 63 daily LCR observations).

² APRA imposed a 15% add-on to the Net Cash Outflow component of the LCR calculation, effective from 1 April 2021. This add-on increased to 25% from 1 May 2022. Accordingly, the 3 month average LCR to 31 March 2024 and the 3 month average LCR to 31 March 2023 includes a 25% NCO add-on.

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

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

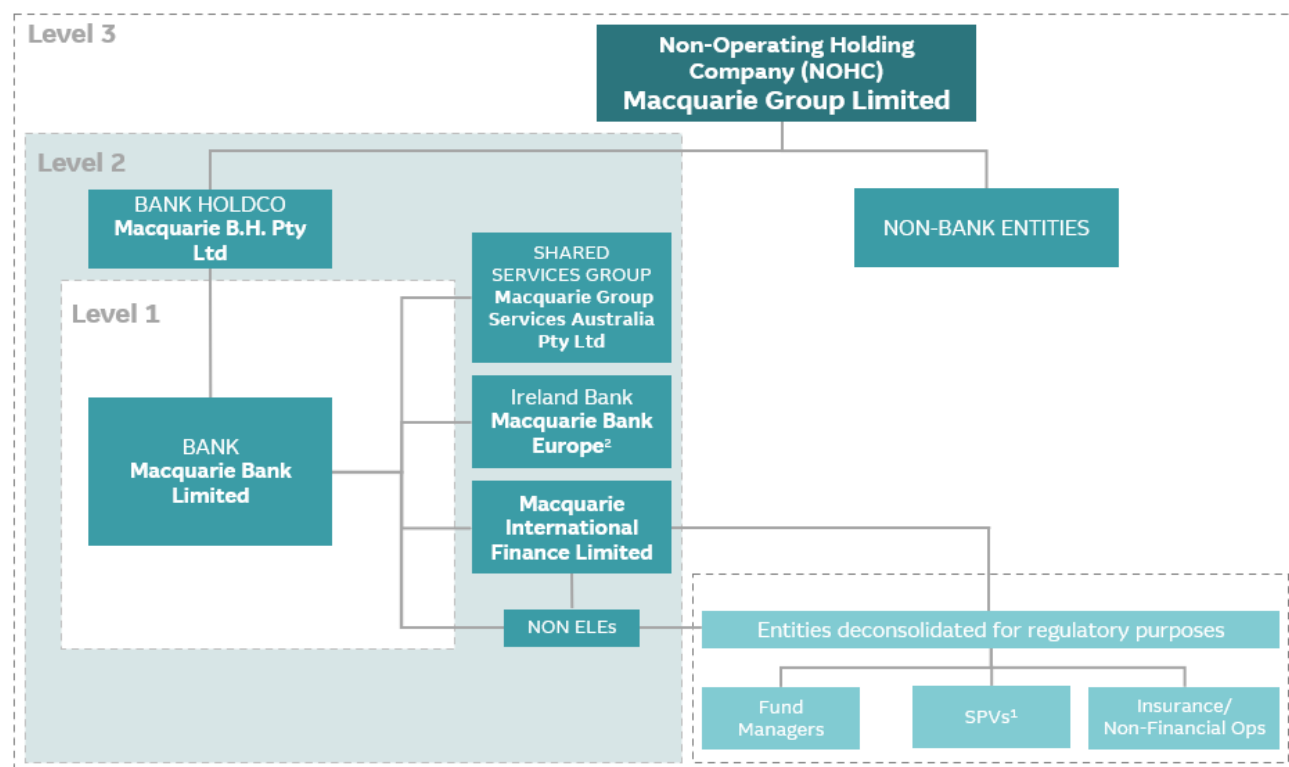
⁵ The CCyB of the Level 2 regulatory group as at 31 March 2024 is 0.71%, which is rounded to 0.75% for presentation purposes. The individual CCyB varies by jurisdiction and the CCyB of the Level 2 regulatory group is calculated as a weighted average based on exposures in different jurisdictions at period 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.

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 31 March 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 allow 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 the obligations it must discharge as an authorised deposit-taking institution.

The MGL and MBL Boards are ultimately responsible for the Risk Management Framework (RMF) and the oversight of its operation by Management. Each Board approves the Risk Management Strategy. The MBL Board approves the MBL Risk Appetite Statement.

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 the Operating and Central Service Groups. 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:

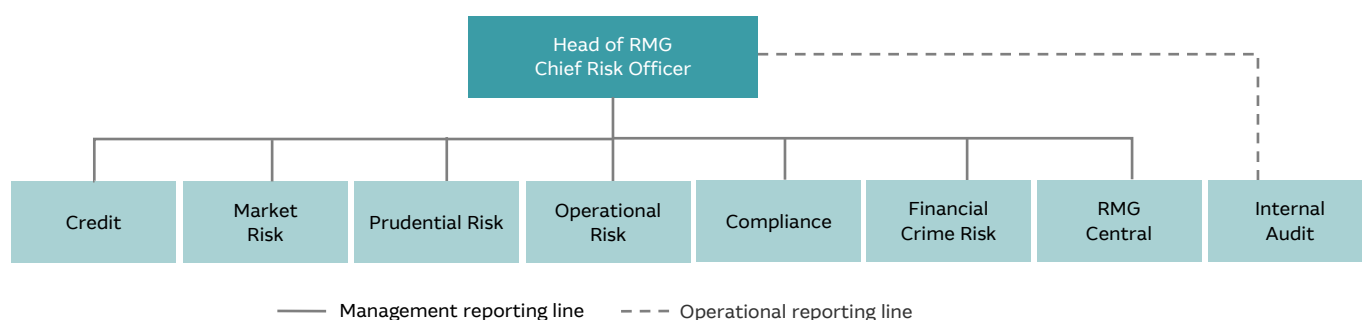
- **Ownership of risk at the business level:** Group Heads are responsible for ownership of material risks that arise in, or because of, their business operations, including identification, measurement, evaluation, monitoring, control and mitigation of these risks. Before making decisions, clear analysis 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 Board Audit Committee (BAC), Board, other relevant 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 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 BAC and is primarily accountable to it. The Head of Internal Audit has unrestricted access to the BAC (and its Chair) and meets privately with the BAC members at least annually. The BAC monitors and reviews the performance, objectives, rating, remuneration and degree of independence of the Head of Internal Audit. The BAC also approves 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 CEO.

2.5 Risk Appetite

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 Risk Appetite Statement (RAS) defines the overarching risk-taking settings of MBL through risk appetite and risk tolerances. The RAS states transactions must generate returns proportionate to the risks. Accordingly, 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 31 March 2024 \$m	As at 31 March 2023 \$m
Common Equity Tier 1 capital		
Paid-up ordinary share capital	10,182	10,161
Retained earnings	9,934	9,135
Reserves	1,237	1,057
Gross Common Equity Tier 1 capital	21,353	20,353
Regulatory adjustments to Common Equity Tier 1 capital:		
Goodwill	40	39
Deferred tax assets	1,032	1,044
Net other fair value adjustments	105	150
Intangible component of investments in subsidiaries and other entities	40	39
Capitalised expenses	783	717
Shortfall in provisions for credit losses	487	218
Equity exposures	1,080	998
Capitalised Software	8	12
Other Common Equity Tier 1 capital deductions	70	76
Total Common Equity Tier 1 capital deductions	3,645	3,293
Net Common Equity Tier 1 capital	17,708	17,060
Additional Tier 1 capital		
Additional Tier 1 capital instruments	2,446	2,418
Gross Additional Tier 1 capital	2,446	2,418
Deductions from Additional Tier 1 capital	-	-
Net Additional Tier 1 capital	2,446	2,418
Total Net Tier 1 capital	20,154	19,478
Tier 2 capital		
Tier 2 capital instruments and other	8,286	7,154
Total capital base	28,440	26,632

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 fifth 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 and \$A1,250 million in March 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 basis¹ 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 ¹
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.

¹ Economic capital adequacy is assessed for MGL Group and MBL Group only.

Risk¹	Basel III²	ECAM
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 APRA Basel III: 100% Common Equity Tier 1 deduction ³	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 55%
Market	M ⁴ times 10-day 99% Value at Risk (VaR) plus M ⁴ times 10-day 99% Stressed Value at Risk (SVaR), plus a specific risk charge	Scenario based approach
Operational	Standardised Measurement Approach	Advanced 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.

¹ 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.

² 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).

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

⁴ 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 31 March 2024 \$m	As at 31 March 2023 \$m
Credit risk		
Subject to IRB approach		
Corporate ¹	29,478	29,994
SME Corporate	8,733	7,374
Sovereign	343	450
Financial Institution ²	10,601	11,289
Residential Mortgages ³	23,206	21,066
Other Retail	1,452	2,048
Retail SME	1,245	1,682
Total RWA subject to IRB approach	75,058	73,903
Specialised lending exposures subject to slotting criteria⁴	7,447	6,973
Subject to Standardised approach		
Corporate	1,996	1,778
Residential Mortgages	663	801
Other Retail	824	867
Total RWA subject to Standardised approach	3,483	3,446
Credit risk RWA for securitisation exposures	765	636
Credit Valuation Adjustment RWA	6,578	8,975
Exposures to Central Counterparties RWA	526	476
RWA for Other Assets⁵	4,393	3,076
Total Credit risk RWA	98,250	97,485
Market risk RWA⁶	10,529	9,743
Operational risk RWA	17,512	15,828
Interest rate risk in the banking book RWA	3,748	1,920
Total RWA	130,039	124,976

¹ 'Corporate' asset class includes Large Corporates.

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

³ Residential mortgages RWA as at 31 March 2024 includes a \$2.3bn overlay as advised by APRA for purposes of calibrating MBL's IRB residential mortgages model.

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

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

⁶ Increase in Market Risk RWA is primarily driven by APRA required Risks-Not-In-VaR (RNIV) overlay, 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 31 March 2024. There was no capital floor adjustment required.

	As at 31 March 2024 \$m	As at 31 March 2023 \$m
RWA under the standardised approach		
Credit Risk RWA	143,926	139,513
<i>of which residential mortgages subject to IRB approach</i>	48,148	44,004
Market Risk RWA	10,529	9,743
Operational Risk RWA	17,512	15,828
Interest rate risk in the banking book RWA	-	-
Total	171,967	165,084
RWA prior to application of capital floor		
Credit Risk RWA	98,250	97,485
<i>of which residential mortgages subject to IRB approach</i>	23,206	21,066
Market Risk RWA	10,529	9,743
Operational Risk RWA	17,512	15,828
Interest rate risk in the banking book RWA	3,748	1,920
Total	130,039	124,976
Capital floor (72.5% of RWA under the standardised approach)	124,676	119,686
Capital floor adjustment	N/A	N/A

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 Head of Operational Risk and Governance 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	As at
	31 March 2024	31 March 2023
	\$m	\$m
Corporate ¹	57,047	56,902
SME Corporate ²	11,091	9,665
Sovereign	28,383	44,157
Financial Institution	28,011	26,025
Residential Mortgages	139,097	126,632
Other Retail	4,113	5,250
Retail SME	1,890	2,492
Other Assets ³	7,322	5,364
Total Gross Credit Exposures	276,954	276,487

	As at			Total	Average exposures ⁴
	31 March 2024				
	On balance Sheet	Off balance sheet			
	\$m	Non-market related	Market related	\$m	\$m
		\$m	\$m		
Subject to IRB approach					
Corporate	20,495	3,562	22,528	46,585	46,781
SME Corporate	9,166	1,698	51	10,915	10,253
Sovereign	23,235	4,938	210	28,383	36,270
Financial Institution	7,478	8,606	11,927	28,011	27,018
Residential Mortgages	122,505	15,865	-	138,370	132,060
Other Retail	2,827	-	-	2,827	3,260
Retail SME	1,879	11	-	1,890	2,191
Total IRB approach	187,585	34,680	34,716	256,981	257,832
Specialised Lending subject to slotting criteria	2,985	870	3,732	7,587	7,243
Subject to Standardised approach					
Corporate	1,528	663	860	3,051	3,077
Residential Mortgages	671	56	-	727	805
Other Retail	972	314	-	1,286	1,422
Total Standardised approach	3,171	1,033	860	5,064	5,304
Other Assets	7,279	43	-	7,322	6,343
Total Gross Credit Exposures	201,020	36,626	39,308	276,954	276,721

¹ Corporate includes specialised lending exposure of \$7,411 million as at 31 March 2024 (31 March 2023: \$6,823 million).

² SME Corporate includes specialised lending exposure of \$176 million as at 31 March 2024 (31 March 2023: \$75 million).

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

⁴ Average exposures have been calculated on 31 March 2024 and 31 March 2023 spot positions.

APS 330 Table 7(b) (continued)

	As at 31 March 2023			Total \$m	Average exposures ¹ \$m
	On balance Sheet \$m	Off balance sheet			
		Non-market related \$m	Market related \$m		
Subject to IRB approach					
Corporate	18,919	3,230	24,827	46,976	
SME Corporate	7,824	1,723	43	9,590	
Sovereign	40,030	4,037	90	44,157	
Financial Institution	5,170	10,879	9,976	26,025	
Residential Mortgages	111,106	14,643	-	125,749	
Other Retail	3,693	-	-	3,693	
Retail SME	2,477	15	-	2,492	
Total IRB approach	189,219	34,527	34,936	258,682	256,306
Specialised Lending subject to slotting criteria	2,256	1,142	3,500	6,898	8,148
Subject to Standardised approach					
Corporate	1,656	538	909	3,103	
Residential Mortgages	832	51	-	883	
Other Retail	1,203	354	-	1,557	
Total Standardised approach	3,691	943	909	5,543	4,130
Other Assets	5,337	27	-	5,364	5,546
Total Gross Credit Exposures	200,503	36,639	39,345	276,487	274,130

¹ Average exposures have been calculated on 31 March 2023 and 31 March 2022 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 31 March 2024				
	Asia Pacific \$m	Australia \$m	EMEA ¹ \$m	Americas \$m	Total \$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
Total Gross Credit Exposure	9,285	197,985	34,722	34,962	276,954

Portfolio Type	As at 31 March 2023				
	Asia Pacific \$m	Australia \$m	EMEA ¹ \$m	Americas \$m	Total \$m
Corporate	3,834	11,617	21,204	20,247	56,902
SME Corporate	32	9,538	-	95	9,665
Sovereign	99	37,883	6,082	93	44,157
Financial Institution	1,973	3,659	9,657	10,736	26,025
Residential Mortgages	413	125,859	219	141	126,632
Other Retail	97	4,896	2	255	5,250
Retail SME	-	2,492	-	-	2,492
Other Assets	703	2,361	1,571	729	5,364
Total Gross Credit Exposure	7,151	198,305	38,735	32,296	276,487

¹ 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 31 March 2024				Total \$m
	Financial Institution \$m	Government \$m	Corporate \$m	Retail \$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
Total Gross Credit Exposure	68,275	2,225	67,041	139,413	276,954

Portfolio Type	As at 31 March 2023				Total \$m
	Financial Institution \$m	Government \$m	Corporate \$m	Retail \$m	
Corporate	8,797	366	47,610	129	56,902
SME Corporate	704	-	7,847	1,114	9,665
Sovereign	42,063	2,092	2	-	44,157
Financial Institution	24,066	786	1,173	-	26,025
Residential Mortgages	614	-	4,262	121,756	126,632
Other Retail	49	-	273	4,928	5,250
Retail SME	37	-	1,799	656	2,492
Other Assets	1,722	658	2,984	-	5,364
Total Gross Credit Exposure	78,052	3,902	65,950	128,583	276,487

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 31 March 2024			Total \$m
	≤1 year \$m	1 ≤ 5 years \$m	> 5 years \$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
Total Gross Credit Exposures	84,449	42,404	150,101	276,954

Portfolio Type	As at 31 March 2023			Total \$m
	≤1 year \$m	1 ≤ 5 years \$m	> 5 years \$m	
Corporate	32,074	21,549	3,279	56,902
SME Corporate	2,625	6,040	1,000	9,665
Sovereign	34,570	7,200	2,387	44,157
Financial Institution	21,157	3,655	1,213	26,025
Residential Mortgages	97	539	125,996	126,632
Other Retail	734	3,868	648	5,250
Retail SME	317	2,157	18	2,492
Other Assets	3,672	279	1,413	5,364
Total Gross Credit Exposures	95,246	45,287	135,954	276,487

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 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 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 ¹	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 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

¹ 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 31 March 2024 \$m	As at 31 March 2023 \$m
Subject to IRB approach		
Corporate ¹	53,996	53,799
SME Corporate ²	11,091	9,665
Sovereign	28,383	44,157
Financial Institution	28,011	26,025
Residential Mortgages	138,370	125,749
Other Retail	2,827	3,693
Retail SME	1,890	2,492
Total IRB approach	264,568	265,580
Subject to Standardised approach		
Corporate	3,051	3,103
Residential Mortgages	727	883
Other Retail	1,286	1,557
Total Standardised approach	5,064	5,543
Other Assets	7,322	5,364
Total Gross Credit Exposures	276,954	276,487

¹ Corporate includes specialised lending exposure of \$7,411 million as at 31 March 2024 (31 March 2023: \$6,823 million).

² SME Corporate includes specialised lending exposure of \$176 million as at 31 March 2024 (31 March 2023: \$75 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 31 March 2024		As at 31 March 2023	
	Total Gross Credit Exposure \$m	Exposure after mitigation by eligible collateral & guarantees \$m	Total Gross Credit Exposure \$m	Exposure after mitigation by eligible collateral & guarantees \$m
0%	-	-	-	-
> 0% ≤ 20%	3	3	-	-
> 20% ≤ 50%	1,619	1,521	1,459	1,157
> 50% ≤ 75%	999	999	1,080	1,080
> 75% ≤ 100%	2,414	1,914	2,985	2,052
> 100% ≤ 150%	29	29	19	19
> 150%	-	-	-	-
Total	5,064	4,466	5,543	4,308

6.2.1 IRB Approach Exposures

Specialised lending exposures subject to supervisory slotting

Risk Weight	Gross Credit Exposure	
	As at 31 March 2024 \$m	As at 31 March 2023 \$m
70%	65	191
90%	3,341	3,176
115%	3,730	3,445
250%	42	20
Default	250	1
Total	7,428	6,833

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 31 March 2024 PD Grade								Total Gross Credit Exposure \$m
	0 <= 0.05% \$m	0.05% <= 0.15% \$m	0.15% <= 0.4% \$m	0.4% <= 1% \$m	1% <= 5% \$m	5% <=15% \$m	15% <= 100% \$m	Default \$m	
Non-Retail									
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
Total Gross Credit Exposures	38,129	19,301	22,486	15,650	16,996	7,084	683	1,152	121,481

	As at 31 March 2023 PD Grade								Total Gross Credit Exposure \$m
	0 <= 0.05% \$m	0.05% <= 0.15% \$m	0.15% <= 0.4% \$m	0.4% <= 1% \$m	1% <= 5% \$m	5% <=15% \$m	15% <= 100% \$m	Default \$m	
Non-Retail									
Corporate	1,664	7,664	16,703	12,001	11,073	3,794	303	598	53,799
SME Corporate	-	12	370	3,312	4,398	1,287	48	238	9,665
Sovereign	44,042	70	18	1	12	5	9	-	44,157
Financial Institution	8,573	7,654	5,914	2,696	1,001	128	22	37	26,025
Total Gross Credit Exposures	54,279	15,400	23,005	18,010	16,484	5,214	382	873	133,646

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)

Undrawn Commitments	As at 31 March 2024 PD Grade								Total Gross Credit Exposure \$m
	0 <= 0.05%	0.05% <= 0.15%	0.15% <= 0.4%	0.4% <= 1%	1% <= 5%	5% <=15%	15% <= 100%	Default	
	\$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
Total Undrawn Commitments	48	602	662	1,244	1,767	382	96	36	4,837

Undrawn Commitments	As at 31 March 2023 PD Grade								Total Gross Credit Exposure \$m
	0 <= 0.05%	0.05% <= 0.15%	0.15% <= 0.4%	0.4% <= 1%	1% <= 5%	5% <=15%	15% <= 100%	Default	
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	
Corporate	34	202	439	695	1,220	336	4	-	2,930
SME Corporate	-	12	80	643	593	131	1	9	1,469
Sovereign	11	-	-	-	12	-	-	-	23
Financial Institution	-	48	10	20	7	1	5	-	91
Total Undrawn Commitments	45	262	529	1,358	1,832	468	10	9	4,513

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 31 March 2024					Total Gross Credit Exposure \$m
	Expected Loss Categories					
	0 <= 0.1% \$m	0.1% <= 0.3% \$m	0.3% <= 3% \$m	3% <= 10% \$m	10% <= 100% \$m	
Retail						
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
Total Gross Credit Exposures	117,909	20,291	3,324	545	1,018	143,087

	As at 31 March 2023					Total Gross Credit Exposure \$m
	Expected Loss Categories					
	0 <= 0.1% \$m	0.1% <= 0.3% \$m	0.3% <= 3% \$m	3% <= 10% \$m	10% <= 100% \$m	
Retail						
Residential Mortgages	109,371	14,779	729	301	569	125,749
Other Retail	-	1,843	1,438	301	111	3,693
Retail SME	33	107	2,115	164	73	2,492
Total Gross Credit Exposures	109,404	16,729	4,282	766	753	131,934

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

	As at 31 March 2023					Total \$m
	Expected Loss Categories					
	0 <= 0.1% \$m	0.1% <= 0.3% \$m	0.3% <= 3% \$m	3% <= 10% \$m	10% <= 100% \$m	
Undrawn Commitments						
Residential Mortgages	14,337	250	37	10	9	14,643
Retail SME	14	-	1	-	-	15
Total Undrawn Commitments	14,351	250	38	10	9	14,658

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 31 March 2024, the total REL was \$1,174 million (31 March 2023: \$939 million), with the excess of REL over eligible provisions resulting in a Common Equity Tier 1 deduction of \$487 million (31 March 2023: \$218 million).

7.4 Provisions by Counterparty Type

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

APS 330 Table 7(f)

	As at 31 March 2024				As at 31 March 2023			
	Non-performing				Non-performing			
	Gross Credit Exposure \$m	< 90 Days Past Due \$m	≥ 90 Days Past Due \$m	Specific Provisions \$m	Gross Credit Exposure \$m	< 90 Days Past Due \$m	≥ 90 Days Past Due \$m	Specific Provisions \$m
Subject to IRB approach								
Corporate	53,996	258	244	(159)	53,799	130	141	(93)
SME Corporate	11,091	219	108	(63)	9,665	110	127	(33)
Sovereign	28,383	-	-	-	44,157	-	-	-
Financial Institutions	28,011	-	37	(37)	26,025	-	37	(36)
Residential Mortgages	138,370	486	384	(19)	125,749	279	282	(15)
Other Retail	2,827	58	20	(24)	3,693	92	20	(30)
Retail SME	1,890	37	20	(17)	2,492	52	22	(19)
Total IRB approach	264,568	1,058	813	(319)	265,580	663	629	(226)
Subject to Standardised approach								
Corporate	3,051	-	-	-	3,103	-	-	-
Residential Mortgages	727	-	-	-	883	-	-	-
Other Retail	1,286	14	7	(9)	1,557	18	9	(24)
Total Standardised approach	5,064	14	7	(9)	5,543	18	9	(24)
Other Assets	7,322	-	-	-	5,364	-	-	-
Total	276,954	1,072	820	(328)	276,487	681	638	(250)
Additional regulatory specific provisions				(120)				(173)

APS 330 Table 9(e)

	For the 12 months to 31 March 2024		For the 12 months to 31 March 2023	
	Charges for Specific provisions \$m	Write-offs ¹ \$m	Charges for Specific provisions \$m	Write-offs ¹ \$m
Subject to IRB approach				
Corporate	(126)	-	(71)	-
SME Corporate	(26)	-	(6)	-
Residential Mortgages	(7)	-	(4)	-
Retail SME	(6)	-	(1)	-
Total IRB approach	(165)	-	(82)	-
Subject to Standardised approach				
Other Retail	(1)	-	(4)	-
Total Standardised approach	(1)	-	(4)	-
Total	(166)	-	(86)	-

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)

Geographic Region	As at 31 March 2024			
	Non-Performing		Specific Provisions \$m	General Provisions \$m
	< 90 Days Past Due	≥ 90 Days Past Due		
Australia	920	547	(207)	(205)
EMEA	136	119	(88)	(8)
Americas	16	150	(33)	(39)
Asia Pacific	-	4	-	(1)
Total	1,072	820	(328)	(253)
Additional regulatory specific provisions			(120)	

Geographic Region	As at 31 March 2023			
	Non-Performing		Specific Provisions \$m	General Provisions \$m
	< 90 Days Past Due	≥ 90 Days Past Due		
Australia	609	461	(134)	(337)
EMEA	16	144	(83)	(12)
Americas	56	6	(33)	(33)
Asia Pacific	-	27	-	(1)
Total	681	638	(250)	(383)
Additional regulatory specific provisions			(173)	

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

7.6 General Provisions

APS 330 Table 7(j)

	As at 31 March 2024	As at 31 March 2023
	\$m	\$m
General provisions before tax	253	383
Tax effect	(72)	(100)
General provisions	181	283

7.7 Movement in Provisions

The table below shows the movement of provisions over the 12 months to 31 March 2024.

APS 330 Table 7(h)

	General Provisions \$m	Specific Provisions and Additional Regulatory Specific Provision \$m	Total \$m
Provisions as at 31 March 2023	383	423	806
Charges (net of reversals) during the period	(157)	27	(130)
Assets written off or sold, previously provided for	-	22	22
Net transfer (to)/from other provisions	26	(26)	-
Adjustments for foreign exchange fluctuations	1	2	3
Provisions as at 31 March 2024	253	448	701

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 default Estimate to Actual Ratio	LGD	
	Estimated %	Actual %		Estimated %	Actual %
Corporate (including SME) ¹	3.56%	2.69%	N/A	N/A	N/A
Sovereign ¹	1.35%	0.00%	N/A	N/A	N/A
Financial Institution ¹	1.15%	0.19%	N/A	N/A	N/A
Residential Mortgages ²	1.01%	0.87%	101%	18.19%	2.52%
Other Retail ²	2.11%	2.10%	112%	46.26%	19.75%

¹ 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 2023 to March 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.

² Includes exposures disclosed as Retail SME. The PD average estimates reported for retail exposures (Residential Mortgages, Other Retail) are over the January 2008 to March 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) & (c)

Measurement Approach	As at 31 March 2024			
	Total Gross Credit Exposure ¹ \$m	Eligible Financial Collateral \$m	Other Eligible Collateral \$m	Exposures Covered by Guarantees \$m
Subject to IRB approach				
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	-	-	-
Total IRB approach	264,568	1,706	8,197	7,839
Subject to Standardised approach				
Corporate	3,051	379	-	18
Residential Mortgages	727	-	-	-
Other Retail	1,286	-	-	200
Total Standardised approach	5,064	379	-	218
Other assets	7,322	-	-	-
Total	276,954	2,085	8,197	8,057

Measurement Approach	As at 31 March 2023			
	Total Gross Credit Exposure ¹ \$m	Eligible Financial Collateral \$m	Other Eligible Collateral \$m	Exposures Covered by Guarantees \$m
Subject to IRB approach				
Corporate	53,799	573	917	7,726
SME Corporate	9,665	180	4,880	-
Sovereign	44,157	-	-	3
Financial Institution	26,025	472	1	95
Residential Mortgages	125,749	-	-	-
Other Retail	3,693	-	-	-
Retail SME	2,492	-	-	-
Total IRB approach	265,580	1,225	5,798	7,824
Subject to Standardised approach				
Corporate	3,103	811	-	13
Residential Mortgages	883	3	-	-
Other Retail	1,557	-	-	408
Total Standardised approach	5,543	814	-	421
Other Assets	5,364	-	-	-
Total	276,487	2,039	5,798	8,245

¹ 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 31 March 2024, a unilateral one notch and two notch downgrade in the MBL's rating would have resulted in a further \$69 million and \$59 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 31 March 2024	As at 31 March 2023
	\$m	\$m
Exposure at default for counterparty exposures		
Replacement cost excluding collateral	19,951	25,386
Replacement cost with eligible collateral (A)	10,486	12,024
Potential future exposure (PFE) (B)	17,688	16,234
Exposure at default [(A+B) * 1.4]	39,444	39,560
Comprising:		
Interest rate	1,528	1,453
Credit	78	111
Equity	3,553	2,161
Foreign exchange	8,551	8,028
Commodity	25,734	27,807
Exposure at default	39,444	39,560

APS 330 Table 11(c)

	As at 31 March 2024		As at 31 March 2023	
	Protection Bought \$m	Protection Sold \$m	Protection Bought \$m	Protection Sold \$m
Notional amount of credit derivatives				
Own credit portfolio	2,146	940	3,056	1,978
Client intermediation activities	-	-	-	-
Total	2,146	940	3,056	1,978
Credit default swaps (CDS)	2,100	940	3,056	1,978
Total return swaps	46	0	-	-
Total	2,146	940	3,056	1,978

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 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 31 March 2024		
	Total outstanding exposures securitised		
	ADI originated assets ¹ \$m	ADI as sponsor ² \$m	Other \$m
Banking Book			
Residential Mortgages	64,327	42	-
Credit cards and other personal loans	-	-	-
Auto and equipment finance	3,283	-	-
Total Banking Book	67,610	42	-
Trading Book			
Residential Mortgages	-	-	-
Credit cards and other personal loans	-	-	-
Auto and equipment finance	-	-	-
Other	-	-	-
Total Trading Book	-	-	-
Total	67,610	42	-

Exposure Type	As at 31 March 2023		
	Total outstanding exposures securitised		
	ADI originated assets ¹ \$m	ADI as sponsor ² \$m	Other \$m
Banking Book			
Residential Mortgages	63,456	51	-
Credit cards and other personal loans	-	-	-
Auto and equipment finance	2,733	-	-
Total Banking Book	66,189	51	-
Trading Book			
Residential Mortgages	-	-	-
Credit cards and other personal loans	-	-	-
Auto and equipment finance	-	-	-
Other	-	-	-
Total Trading Book	-	-	-
Total	66,189	51	-

¹ Included in the above are assets of \$67,610 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 2023: \$66,189 million).

² 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)

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

Exposure Type	As at 31 March 2023		
	Total outstanding exposures securitised		
	Total outstanding exposures ¹ \$m	Non performing ² \$m	ADI recognised loss from exposures securitised \$m
Residential Mortgages	63,456	306	-
Credit cards and other personal loans	-	-	-
Auto and equipment finance	2,733	27	-
Total	66,189	333	-

¹ Included in the above are assets of \$67,610 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 2023: \$66,189 million).

² Included in the above are non-performing facilities of \$360 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 2023: \$333 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 31 March 2024 \$m	As at 31 March 2023 \$m
Banking Book		
Residential Mortgages ¹	4,147	1,100
Credit cards and other personal loans	-	-
Auto and equipment finance ¹	61	-
Total Banking Book	4,208	1,100
Trading Book		
Residential Mortgages	-	-
Credit cards and other personal loans	-	-
Auto and equipment finance	-	-
Total Trading Book	-	-

¹ This exposure is intended for funding only securitisation.

9.2.4 Securitisation Activity

Over the 12 months to 31 March 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)

Exposure Type	For the 12 months to 31 March 2024		Recognised gain or loss on sale \$m
	Value of loans sold or originated into securitisation		
	ADI originated \$m	ADI as sponsor \$m	
Banking Book			
Residential Mortgages ¹	22,477	-	-
Credit cards and other personal loans	-	-	-
Auto and equipment finance ¹	2,229	-	-
Other	-	-	-
Total Banking Book	24,706	-	-
Trading Book			
Residential Mortgages	-	-	-
Credit cards and other personal loans	-	-	-
Auto and equipment finance	-	-	-
Total Trading Book	-	-	-

Exposure Type	For the 12 months to 31 March 2023		Recognised gain or loss on sale \$m
	Value of loans sold or originated into securitisation		
	ADI originated \$m	ADI as sponsor \$m	
Banking Book			
Residential Mortgages ¹	20,664	-	-
Credit cards and other personal loans	-	-	-
Auto and equipment finance ¹	3,378	-	-
Other	-	-	-
Total Banking Book	24,042	-	-
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.

Originating ADI Securitisation Exposures

APS 330 Table 12(r) - Trading Book

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

Exposure Type	As at 31 March 2023			
	Total outstanding exposures securitised			
	Standard Approach		IMA Approach	
	Traditional \$m	Synthetic \$m	Traditional \$m	Synthetic \$m
Residential Mortgages	-	-	-	-
Credit cards and other personal loans	-	-	-	-
Auto and equipment finance	-	-	-	-
Other	-	-	-	-
Total	-	-	-	-

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

Exposure Type	As at 31 March 2023		
	Total outstanding exposures ¹		
	On balance sheet \$m	Off balance sheet \$m	Total exposures \$m
Banking Book			
Residential Mortgages	65,358	-	65,358
Credit cards and other personal loans	211	-	211
Auto and equipment finance	3,510	24	3,534
Other	360	-	360
Total Banking Book	69,439	24	69,463
Trading Book			
Residential Mortgages	-	-	-
Credit cards and other personal loans	-	-	-
Auto and equipment finance	-	-	-
Other	-	-	-
Total Trading Book	-	-	-

¹ Included in the above are assets of \$67,610 million in securitisation entities where Macquarie continues to hold capital behind the underlying pool of securitised assets in Level 2 regulatory group (31 March 2023: \$66,189 million).

9.2.6 Exposure by Risk Weight Band

Banking Book

APS 330 Table 12(l)

Risk weight band	As at 31 March 2024		As at 31 March 2023	
	Securitisation exposures subject to ERBA			
	Gross Credit Exposure \$m	Risk Weighted Assets \$m	Gross Credit Exposure \$m	Risk Weighted Assets \$m
=<20%	979	194	1,289	255
>20%-50%	38	18	7	3
>50%-100%	90	52	97	59
>100%-140%	-	-	-	-
Total	1,107	264	1,393	317

Risk weight band	As at 31 March 2024		As at 31 March 2023	
	Securitisation exposures subject to SFA			
	Gross Credit Exposure \$m	Risk Weighted Assets \$m	Gross Credit Exposure \$m	Risk Weighted Assets \$m
=<20%	1,668	255	1,519	228
>20%-50%	630	173	345	91
>50%-100%	75	73	-	-
>100%-150%	-	-	-	-
>150%-650%	-	-	-	-
>650%-<1250%	-	-	-	-
Total	2,373	501	1,864	319

Risk weight band	As at 31 March 2024		As at 31 March 2023	
	Securitisation exposures subject to risk weight cap			
	Gross Credit Exposure \$m	Risk Weighted Assets \$m	Gross Credit Exposure \$m	Risk Weighted Assets \$m
=<20%	-	-	-	-
>20%-50%	-	-	-	-
>50%-100%	-	-	-	-
>100%-150%	-	-	-	-
>150%-650%	-	-	-	-
>650%-<1250%	-	-	-	-
Total	-	-	-	-

Exposure Type	As at 31 March 2024		As at 31 March 2023	
	CET1 Deduction			
	\$m		\$m	
Residential Mortgages	-	-	-	-
Credit cards and other personal loans	-	-	-	-
Auto and equipment finance	-	-	-	-
Other	23	17	23	17
Total	23	17	23	17

Trading Book

APS 330 Table 12(t) & (u)

Risk weight band	As at 31 March 2024		As at 31 March 2023	
	Securitisation exposure subject to Standard Approach			
	Gross Credit Exposure \$m	Risk Weighted Assets \$m	Gross Credit Exposure \$m	Risk Weighted Assets \$m
=< 20%	-	-	-	-
>20%-50%	-	-	-	-
>50%-100%	-	-	-	-
>100%-140%	-	-	-	-
Total	-	-	-	-

Risk weight band	As at 31 March 2024		As at 31 March 2023	
	Securitisation exposure subject to IMA Approach			
	Gross Credit Exposure \$m	Risk Weighted Assets \$m	Gross Credit Exposure \$m	Risk Weighted Assets \$m
=< 20%	-	-	-	-
>20%-50%	-	-	-	-
>50%-100%	-	-	-	-
>100%-150%	-	-	-	-
>150%-650%	-	-	-	-
>650%-<1250%	-	-	-	-
Total	-	-	-	-

Exposure Type	As at 31 March 2024		As at 31 March 2023	
	CET1 Deduction			
	\$m		\$m	
Residential Mortgages	-	-	-	-
Credit cards and other personal loans	-	-	-	-
Auto and equipment finance	-	-	-	-
Other	-	-	-	-
Total	-	-	-	-

9.2.7 Resecuritisation Exposure

APS 330 Table 12(n) and (w)

Exposure Type	As at	As at
	31 March 2024	31 March 2023
	Gross Credit Exposure ¹	
	\$m	\$m
Banking book		
Exposures with Credit Risk Mitigation	-	-
Exposures without Credit Risk Mitigation	-	-
Exposure to Guarantors by ratings:	-	-
Total banking book	-	-
Trading book		
Exposures with Credit Risk Mitigation	-	-
Exposures without Credit Risk Mitigation	-	-
Exposures to Guarantors by ratings:	-	-
Total trading book	-	-

¹ 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 31 March 2024 \$m	As at 31 March 2023 \$m
CVA capital		
Total CVA RWA	6,578	8,975

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 31 March 2024 is \$526 million (31 March 2023: \$476 million). Details of the components of these exposures are shown in the tables below.

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

	As at 31 March 2023		
	Trade Exposure	Prefunded Default Fund Contribution	RWA
	\$m	\$m	\$m
Central counterparty trade exposure			
Exposures to qualifying central counterparty	14,176	659	476
Exposures to non-qualifying central counterparty	-	-	-
Total central counterparty exposures	14,176	659	476

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). 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 \$10,529 million as at 31 March 2024 (31 March 2023: \$9,743 million).

There was one hypothetical and zero actual trading losses that exceeded the 1 day 99% VaR calculated for the 12 months ended 31 March 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 12 months to 31 March 2024				For the 12 months to 31 March 2023			
	VaR over the current reporting period				VaR over the previous reporting period			
	Mean value \$m	Max value \$m	Min value \$m	VaR (31-Mar) \$m	Mean value \$m	Max value \$m	Min value \$m	VaR (31-Mar) \$m
Commodities	72	128	37	46	132	358	76	87
Equities ¹	11	17	6	17	6	16	2	7
Foreign Exchange	8	19	2	7	10	25	1	15
Interest Rates	15	25	8	10	21	36	7	7
Aggregate	73	130	42	51	130	349	78	84

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

APS 330 Table 14(f)

	For the 12 months to 31 March 2024				For the 12 months to 31 March 2023			
	VaR over the current reporting period				VaR over the previous reporting period			
	Mean value \$m	Max value \$m	Min value \$m	VaR (31-Mar) \$m	Mean value \$m	Max value \$m	Min value \$m	VaR (31-Mar) \$m
Commodities	112	142	90	125	151	331	107	113
Equities ¹	21	36	11	28	12	26	3	16
Foreign Exchange	28	48	10	35	21	53	7	35
Interest Rates	41	58	22	45	36	56	15	26
Aggregate	111	157	81	132	135	309	94	105

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 31 March 2024 \$m	As at 31 March 2023 \$m
Debt specific risk	139	55

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

¹ Equities figures incorporate the Equity specific risk amount.

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 31 March 2024 \$m	As at 31 March 2023 \$m
IRRBB RWA	3,748	1,920

12.4.2 IRRBB Economic Value Sensitivity by Currency

APS 330 Table 17(b)

	As at 31 March 2024 \$m	As at 31 March 2023 \$m
Stress testing: interest rate shock applied	Change in economic value	
	\$m	\$m
AUD		
200 basis point parallel increase	(57.9)	13.8
200 basis point parallel decrease	59.5	(16.6)
CAD		
200 basis point parallel increase	-	-
200 basis point parallel decrease	-	-
EUR		
200 basis point parallel increase	(5.5)	(5.3)
200 basis point parallel decrease	5.3	4.9
GBP		
200 basis point parallel increase	1.1	1.8
200 basis point parallel decrease	(1.3)	(1.9)
USD		
200 basis point parallel increase	(8.1)	(4.9)
200 basis point parallel decrease	8.5	4.8

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 31 March 2024 \$m	As at 31 March 2023 \$m
IRRBB regulatory capital requirement - AUD	300	154

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 31 March 2024		As at 31 March 2023	
	Carrying value \$m	Fair value ² \$m	Carrying value \$m	Fair value ¹ \$m
Equity investments¹				
Value of listed (publicly traded) equities	71	71	65	65
Value of unlisted (privately held) equities	787	787	718	718
Total	858	858	783	783

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 31 March 2024	As at 31 March 2023
Deduction amount	\$m	\$m
Equity investments ³	790	742

13.4 Gains and Losses on Equity Investments

APS 330 Table 6(d) and (e)

	As at 31 March 2024	As at 31 March 2023
Gains / (losses) on equity investments	\$m	\$m
Cumulative realised gains/(losses) ⁴	37	38
Total unrealised gains/(losses)	(13)	(29)
Total unrealised gains/(losses) included in Tier 1	(13)	(29)

¹ At MBL and its subsidiaries, the Consolidated Entity.

² 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.

³ At Level 2 regulatory group.

⁴ 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 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 31 March 2024 \$m	As at 31 March 2023 \$m
Operational Risk RWA	17,512	15,828

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 5.2% at 31 March 2024, an increase of 0.2% compared to 31 December 2023. This was driven by an increase in Tier 1 capital attributed to profit, partially offset by dividend payment during the quarter, and a reduction in exposures mainly relating to securities financing transactions.

	31 March 2024	31 December 2023	30 September 2023	30 June 2023
	\$m	\$m	\$m	\$m
Capital and total exposures				
Tier 1 Capital	20,154	19,526	19,175	19,161
Total exposures	385,318	390,366	382,147	367,418
Macquarie Level 2 regulatory group Leverage ratio	5.2%	5.0%	5.0%	5.2%

15.1 Leverage Ratio Disclosure Template

APS 330 Table 18

Item	As at 31 March 2024 \$m
On-balance sheet exposures	
1 On-balance sheet items (excluding derivatives and securities financing transactions (SFTs), but including collateral)	266,072
2 (Asset amounts deducted in determining Tier 1 capital)	(2,931)
3 Total on-balance sheet exposures (excluding derivatives and SFTs) (sum of rows 1 and 2)	263,141
Derivative exposures	
4 Replacement cost associated with all derivatives transactions (i.e., net of eligible cash variation margin)	25,637
5 Add-on amounts for potential future credit exposure (PFCE) associated with all derivatives transactions	33,680
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)	(10,756)
8 (Exempted central counterparty (CCP) leg of client-cleared trade exposures)	(4,143)
9 Adjusted effective notional amount of written credit derivatives	750
10 (Adjusted effective notional offsets and add-on deductions for written credit derivatives)	(662)
11 Total derivative exposures (sum of rows 4 to 10)	44,506
SFT exposures	
12 Gross SFT assets (with no recognition of netting), after adjusting for sales accounting transactions	49,839
13 (Netted amounts of cash payables and cash receivables of gross SFT assets)	(307)
14 CCR exposure for SFT assets	4,460
15 Agent transaction exposures	-
16 Total SFT exposures (sum of rows 12 to 15)	53,992
Other off-balance sheet exposures	
17 Off-balance sheet exposure at gross notional amount	26,572
18 (Adjustments for conversion to credit equivalent amounts)	(2,893)
19 Other off-balance sheet exposures (sum of rows 17 and 18)	23,679
Capital and total exposures	
20 Tier 1 Capital	20,154
21 Total exposures (sum of rows 3, 11, 16 and 19)	385,318
Leverage ratio	
22 Leverage ratio	5.2%

15.2 Summary Comparison of Accounting Assets versus Leverage Ratio Exposure Measure

Item	As at 31 March 2024 \$m
1 Total consolidated assets as per published financial report	340,163
2 Adjustment for investments in banking, financial, insurance or commercial entities that are consolidated for accounting purposes but outside the scope of regulatory consolidation	(124)
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	17,165
5 Adjustment for SFTs (i.e., repos and similar secured lending)	4,417
6 Adjustment for off-balance sheet exposures (i.e., conversion to credit equivalent amounts of off-balance sheet exposures)	23,679
7 Other adjustments	18
8 Leverage ratio exposure	385,318

16. Liquidity Coverage Ratio Disclosure

16.1.1 Liquidity Coverage Ratio disclosure template

APS 330 Table 20

	For the 3 months to 31 March 2024		For the 3 months to 31 December 2023	
	Total unweighted value (average) \$m	Total weighted value (average) \$m	Total unweighted value (average) \$m	Total weighted value (average) \$m
Liquidity Coverage Ratio disclosure template				
Liquid assets, of which:				
1 High quality liquid assets (HQLA)		50,116		48,430
2 Alternative liquid assets (ALA)		-		-
3 Reserve Bank of New Zealand (RBNZ) securities		-		-
Cash outflows				
4 Retail deposits and deposits from small business customers, of which:	95,855	9,404	90,817	8,917
5 Stable deposits	32,472	1,624	30,015	1,501
6 Less stable deposits	63,383	7,780	60,802	7,416
7 Unsecured wholesale funding, of which:	39,013	20,309	38,249	19,476
8 Operational deposits (all counterparties) and deposits in networks for cooperative banks	15,406	2,695	15,650	2,768
9 Non-operational deposits (all counterparties)	18,116	12,123	17,857	11,966
10 Unsecured debt	5,491	5,491	4,742	4,742
11 Secured wholesale funding		719		1,073
12 Additional requirements, of which:	41,705	19,999	41,176	19,922
13 Outflows related to derivatives exposures and other collateral requirements	19,757	17,753	19,119	17,618
14 Outflows related to loss of funding on debt products	290	290	287	287
15 Credit and liquidity facilities	21,658	1,956	21,770	2,017
16 Other contractual funding obligations	16,047	16,034	14,917	14,895
17 Other contingent funding obligations	10,479	547	11,585	635
18 Total cash outflows		67,012		64,918
Cash Inflows				
19 Secured lending (e.g., reverse repos)	41,012	22,112	40,834	23,660
20 Inflows from fully performing exposures	3,047	2,071	2,990	2,060
21 Other cash inflows	21,835	21,835	21,333	21,333
22 Total cash inflows	65,894	46,018	65,157	47,053
23 Total liquid assets		50,116		48,430
24 Total net cash outflows¹		26,246		22,332
25 Liquidity Coverage Ratio (%)²		191%		217%

¹ APRA imposed a 15% add-on to the Net Cash Outflow (NCO) component of the LCR calculation, effective from 1 April 2021. This add-on increased to 25% from 1 May 2022. For the 3 months to 31 March 2024 an average NCO overlay of \$5,249 million is included in the disclosed balance of \$26,246 million (3 months to 31 December 2023 overlay of \$4,466 million is included in the disclosed balance of \$22,332 million).

² The LCR for the 3 months to 31 March 2024 is calculated from 62 daily LCR observations (3 months to 31 December 2023 was calculated from 62 daily LCR observations).

16.1.2 The Liquidity Coverage Ratio (LCR)

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

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

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

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

LCR Quarter Average Result:

Macquarie's 3 month average LCR to 31 March 2024 was 191% (based on 62 daily observations). This represents a decrease of 26% from the 3 month LCR to 31 December 2023, which was 217%.

The change in the quarterly average LCR was a result of an increase in average HQLA, offset by a larger increase in average NCOs over the March 2024 quarter compared to the December 2023 quarter.

Average HQLA in the March 2024 quarter was higher than the December 2023 average, with growth in central bank balances partly due to strong deposit growth over the quarter.

Average NCOs increased due to:

- growth in average retail/SME deposit NCOs following strong deposit growth over the March 2024 quarter;
- higher wholesale funding outflows due the concentration of debt maturities returning to a more typical volume than what was observed at calendar year end of 2023; and
- lower volumes of short dated secured lending activities against non-HQLA securities.

16.1.3 Liquid Assets

In addition to notes and coins and 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.

16.1.4 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

17.1.1 Net Stable Funding Ratio disclosure template

APS 330 Table 21

As at 31 March 2024					
Net Stable Funding Ratio disclosure template	Unweighted value by residual maturity				Weighted value \$m
	No maturity \$m	<6 months \$m	>=6 months		
			to < 1yr \$m	>= 1yr \$m	
Available Stable Funding (ASF) Item					
1 Capital	21,353	-	-	10,733	32,086
2 Regulatory Capital	21,353	-	-	10,733	32,086
3 Other capital instruments	-	-	-	-	-
4 Retail deposits and deposits from small business customers	92,908	17,035	-	-	100,582
5 Stable deposits	33,058	2,634	-	-	33,908
6 Less stable deposits	59,850	14,401	-	-	66,674
7 Wholesale funding	29,830	55,357	15,744	30,544	54,460
8 Operational deposits	15,656	-	-	-	7,828
9 Other wholesale funding	14,174	55,357	15,744	30,544	46,632
10 Liabilities with matching interdependent assets	-	-	-	-	-
11 Other Liabilities	4,396	22,865	189	1,214	-576
12 NSFR derivative liabilities	-	11,165	-	-	-
13 All other liabilities and equity not included in the above categories ¹	4,396	11,700	189	1,214	-576
14 Total ASF	148,487	95,257	15,933	42,491	186,552
Required Stable Funding (RSF) Item					
15(a) Total NSFR (HQLA)	15,677	9,268	114	14,885	5,411
15(b) ALA	-	-	-	9,533	953
15(c) RBNZ securities	-	-	-	-	-
16 Deposits held at other financial institutions for operational purposes	2,092	-	-	-	1,046
17 Performing loans and securities	33,384	44,961	6,936	135,301	124,468
18 Performing loans to financial institutions secured by Level 1 HQLA	6,124	8,514	52	-	1,495
19 Performing loans to financial institutions secured by non-Level 1 HQLA and unsecured performing loans to financial institutions	16,333	19,035	88	626	5,975
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:	2,827	3,985	1,036	32,050	24,259
21 With a risk weight of less than or equal to 35% under APS 112	-	119	125	2,032	1,451
22 Performing residential mortgages	-	6,675	4,916	102,052	82,738

¹ APRA has imposed a 1% decrease to the Available Stable Funding component of the NSFR calculation, effective from 1 April 2021. An overlay of \$1,884 million, equal to a 1% decrease to the ASF component, is included in the disclosed 'No maturity' balance of \$4,396 million.

As at 31 March 2024

		Unweighted value by residual maturity				Weighted value \$m
		No maturity \$m	<6 months \$m	>=6 months to < 1yr \$m	>= 1yr \$m	
Net Stable Funding Ratio disclosure template						
23	With a risk weight equal to 35%	-	1,472	1,383	101,246	71,975
24	Securities that are not in default and do not qualify as HQLA, including exchange-traded equities	8,100	6,752	844	573	10,001
25	Assets with matching interdependent liabilities	-	-	-	-	-
26	Other assets:	9,799	5,254	119	40,501	28,560
27	Physical traded commodities, including gold	4,942	-	-	-	4,201
28	Assets posted as initial margin for derivative contracts and contributions to default funds of central counterparties (CCPs)	-	-	-	9,751	8,288
29	NSFR derivative assets	-	-	-	10,621	-
30	NSFR derivative liabilities before deduction of variation margin	-	-	-	16,492	3,298
31	All other assets not included in the above categories	4,857	5,254	119	3,637	12,773
32	Off-balance sheet items	-	-	-	24,125	1,106
33	Total RSF	60,952	59,483	7,169	224,345	161,544
34	Net Stable Funding Ratio (%)					115%

17.1.2 Net Stable Funding Ratio disclosure template

APS 330 Table 21

		As at 31 Dec 2023				
		Unweighted value by residual maturity				
			>=6 months			
		No maturity	<6 months	to < 1yr	>= 1yr	Weighted
		\$m	\$m	\$m	\$m	value
Net Stable Funding Ratio disclosure template						\$m
Available Stable Funding (ASF) Item						
1	Capital	20,453	-	-	9,228	29,680
2	Regulatory Capital	20,453	-	-	9,228	29,680
3	Other capital instruments	-	-	-	-	-
4	Retail deposits and deposits from small business customers	87,289	16,953	-	-	95,504
5	Stable deposits	31,171	2,545	-	-	32,031
6	Less stable deposits	56,118	14,408	-	-	63,473
7	Wholesale funding	27,238	58,113	13,149	36,744	57,810
8	Operational deposits	14,998	-	-	-	7,499
9	Other wholesale funding	12,240	58,113	13,149	36,744	50,311
10	Liabilities with matching interdependent assets	-	-	-	-	-
11	Other Liabilities	7,309	20,956	117	1,044	-738
12	NSFR derivative liabilities	-	10,102	-	-	-
13	All other liabilities and equity not included in the above categories ¹	7,309	10,854	117	1,044	-738
14	Total ASF	142,289	96,022	13,266	47,016	182,256
Required Stable Funding (RSF) Item						
15(a)	Total NSFR (HQLA)	17,550	11,133	13	11,249	3,874
15(b)	ALA	-	-	-	9,532	953
15(c)	RBNZ securities	-	-	-	-	-
16	Deposits held at other financial institutions for operational purposes	2,076	-	-	-	1,038
17	Performing loans and securities	28,778	44,064	7,424	136,936	124,668
18	Performing loans to financial institutions secured by Level 1 HQLA	4,635	6,741	-	-	1,137
19	Performing loans to financial institutions secured by non-Level 1 HQLA and unsecured performing loans to financial institutions	16,259	21,482	201	1,058	6,819
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:	740	4,770	761	33,121	24,112
21	With a risk weight of less than or equal to 35% under APS 112	-	125	60	1,873	1,320
22	Performing residential mortgages	-	5,699	4,513	102,034	82,821
23	With a risk weight equal to 35%	-	1,449	1,331	100,013	71,296
24	Securities that are not in default and do not qualify as HQLA, including exchange-traded equities	7,144	5,372	1,949	723	9,779
25	Assets with matching interdependent liabilities	-	-	-	-	-

¹ APRA has imposed a 1% decrease to the Available Stable Funding component of the NSFR calculation, effective from 1 April 2021. An overlay of \$1,841 million, equal to a 1% decrease to the ASF component, is included in the disclosed 'No maturity' balance of \$7,309 million.

		As at 31 Dec 2023				
		Unweighted value by residual maturity				
			>=6 months			Weighted
Net Stable Funding Ratio disclosure template		No maturity	<6 months	to < 1yr	>= 1yr	value
		\$m	\$m	\$m	\$m	\$m
26	Other assets	8,381	4,684	339	41,838	29,500
27	Physical traded commodities	5,315	-	-	-	4,518
28	Assets posted as initial margin for derivative contracts and contributions to default funds of central counterparties (CCPs)	-	-	-	10,315	8,768
29	NSFR derivative assets	-	-	-	11,664	1,562
30	NSFR derivative liabilities before deduction of variation margin	-	-	-	15,401	3,080
31	All other assets not included in the above categories	3,066	4,684	339	4,458	11,572
32	Off-balance sheet items	-	-	-	23,205	1,070
33	Total RSF	56,785	59,881	7,776	222,760	161,103
34	Net Stable Funding Ratio (%)					113%

17.1.3 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 March 2024 Quarter End Result:

Macquarie’s NSFR as at 31 March 2024 was 115%, up 2% from the 31 December 2023 NSFR of 113%. The December 2023 result was down 1% from the September 2023 quarter end.

The NSFR increased over the March 2024 quarter primarily due to an increase in ASF.

The increase in ASF was driven by strong 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 ASF from wholesale funding due to the scroll of term funding.

RSF movements over the quarter were largely neutral, with notable impacts arising from:

- derivative positions in MBL’s capital markets facing business which required lower RSF than the prior quarter end; and
- continued growth in mortgages increasing the RSF requirement.

NSFR December 2023 Quarter End Result:

The NSFR decreased over the December 2023 quarter as a result of an increase in RSF only partially offset by an increase in ASF.

The higher RSF position was primarily due to intra-quarter growth in residential mortgages and in capital market facing business assets - mainly holdings of trading assets.

The increase in ASF was driven by growth in deposits and wholesale funding. Wholesale funding ASF increased due to unsecured and secured wholesale funding issuance, although most of the ASF benefit from the issuance was offset by the final tranches of the Term Funding Facility scrolling within 6 months of maturity, resulting in a loss of the remaining ASF those tranches were generating.

17.1.4 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 70 to 73 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 31 March 2024 \$m	Table Reference
Common Equity Tier 1 capital: instruments and reserves		
1	10,182	Table f
2	9,735	
3	1,237	
4	-	
5	-	
6	21,154	
Common Equity Tier 1 capital: regulatory adjustments		
7	2	
8	40	Table b
9	55	Table b
10	57	Table a
11	80	
12	251	
13	-	
14	25	
15	-	
16	-	
17	-	
18	-	
19	-	Table c
20	-	Table c
21	-	Table a
22	-	
23	-	Table c
24	-	
25	-	Table a
	39	

	As at 31 March 2024 \$m	Table Reference
Common Equity Tier 1 Capital (Harmonised)¹	20,605	
APRA Specific Regulatory Adjustments		
26 National specific regulatory adjustments (sum of rows 26a, 26b, 26c, 26d, 26e, 26f, 26g, 26h, 26i and 26j)	2,897	
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	199	
26d of which: equity investments in financial institutions not reported in rows 18, 19 and 23	502	Table c
26e of which: deferred tax assets not reported in rows 10, 21 and 25	975	Table a
26f of which: capitalised expenses	782	
26g of which: investments in commercial (non-financial) entities that are deducted under APRA prudential requirements	578	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	259	
27 Regulatory adjustments applied to Common Equity Tier 1 due to insufficient Additional Tier 1 and Tier 2 to cover deductions	-	
28 Total regulatory adjustments to Common Equity Tier 1	3,446	
29 Common Equity Tier 1 Capital (APRA)	17,708	
Additional Tier 1 Capital: instruments		
30 Directly issued qualifying Additional Tier 1 instruments	2,446	
31 of which: classified as equity under applicable accounting standards	-	
32 of which: classified as liabilities under applicable accounting standards	2,446	
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 Additional Tier 1 Capital before regulatory adjustments	2,446	Table d
Additional Tier 1 Capital: Regulatory adjustments		
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	-	
41c of which: other national specific regulatory adjustments not reported in rows 41a and 41b	-	

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

		As at 31 March 2024 \$m	Table Reference
42	Regulatory adjustments applied to Additional Tier 1 due to insufficient Tier 2 to cover deductions	-	
43	Total regulatory adjustments to Additional Tier 1 capital	-	
44	Additional Tier 1 capital (AT1)	2,446	
45	Tier 1 Capital (T1=CET1+AT1)	20,154	
Tier 2 Capital: instruments and provisions			
46	Directly issued qualifying Tier 2 instruments	8,278	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	8	
51	Tier 2 Capital before regulatory adjustments	8,286	
Tier 2 Capital: regulatory adjustments			
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	Total regulatory adjustments to Tier 2 capital	-	
58	Tier 2 capital (T2)	8,286	
59	Total capital (TC=T1+T2)	28,440	
60	Total risk-weighted assets based on APRA standards	130,039	
Capital ratios and buffers			
61	Common Equity Tier 1 (as a percentage of risk-weighted assets)	13.6%	
62	Tier 1 (as a percentage of risk-weighted assets)	15.5%	
63	Total capital (as a percentage of risk-weighted assets)	21.9%	
64	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)	8.96%	
65	of which: capital conservation buffer requirement	3.75%	
66	of which: ADI-specific countercyclical buffer requirements	0.71%	Table h
67	of which: G-SIB buffer requirement (not applicable)	N/A	
68	Common Equity Tier 1 available to meet buffers (as a percentage of risk-weighted assets)¹	13.6%	
National minima (if different from Basel III)			
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	

¹ 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 31 March 2024 \$m	Table Reference
71	National total capital minimum ratio (if different from Basel III minimum)	N/A	
Amount below thresholds for deductions (not risk-weighted)			
72	Non-significant investments in the capital of other financial entities	118	Table c
73	Significant investments in the ordinary shares of financial entities	384	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)	975	Table a
Applicable caps on the inclusion of provisions in Tier 2			
76	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to standardised approach (prior to application of cap)	8	
77	Cap on inclusion of provisions in Tier 2 under standardised approach	170	
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	503	
Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2018 and 1 Jan 2022)			
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 31 March 2024

	Macquarie Bank Group Consolidated ¹ \$m	Adjustment ² \$m	Level 2 Regulatory Balance Sheet \$m	Template/ Reconciliation Table Reference
Assets				
Cash and bank balances	28,055	(99)	27,956	
Cash collateralised lending and reverse repurchase agreements	49,575	-	49,575	
Trading assets	26,628	-	26,628	
Margin money and settlement assets	16,627	(7)	16,620	
Derivative assets	23,766	(487)	23,279	
Financial Investments	18,974	-	18,974	
Held for sale and other assets ³	8,107	(889)	7,218	Table b
Loan assets	156,736	140	156,876	
Due from related body corporate entities	4,784	1,081	5,865	
Property, plant and equipment and right-of-use assets	5,835	(24)	5,811	
Investment in regulatory non-consolidated subsidiaries ¹	-	205	205	Table c
Deferred tax assets	1,076	(44)	1,032	Table a
Total Assets	340,163	(124)	340,039	
Liabilities				
Cash collateral borrowing and repurchase agreements	12,599	(1)	12,598	
Trading liabilities	4,937	-	4,937	
Margin money and settlement liabilities	22,269	-	22,269	
Derivative liabilities	25,283	(2)	25,281	
Deposits	148,340	-	148,340	
Other liabilities	10,280	(726)	9,554	
Due to related body corporate entities	12,288	972	13,260	
Issued debt securities and other borrowings	71,939	(348)	71,591	
Deferred tax liabilities	22	9	31	
Total Liabilities excluding loan capital	307,957	(96)	307,861	
Loan capital	10,825	-	10,825	Table d
Total liabilities	318,782	(96)	318,686	
Net assets	21,381	(28)	21,353	
Equity				
Contributed equity	10,184	(2)	10,182	Table f
Reserves	1,238	(1)	1,237	Row 3
Retained earnings	9,959	(25)	9,934	Row 2 and 26(c)
Total capital and reserves attributable to the ordinary equity holder of Macquarie Bank Limited	21,381	(28)	21,353	
Non-controlling Interests	-	-	-	Table g
Total equity	21,381	(28)	21,353	

¹ As per Macquarie Bank Limited financial report as at 31 March 2024.

² 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.

³ The intangible component of investments in non-consolidated subsidiaries is included in held for sale and other assets.

Reconciliation between Common Disclosures Template and Level 2 Regulatory Balance Sheet

Table a	31 March 2024	Template
	\$m	Reference
Deferred Tax Assets		
Total Deferred Tax Assets per Level 2 Regulatory Balance Sheet	1,032	
Less: Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	(57)	Row 10
Less: Deferred tax assets (temporary differences) – Amounts below prescribed threshold	(975)	Row 26e, 75
Total per Common Disclosure Template – Deferred Tax Asset – amount exceed 10%/15% threshold	-	Row 21 / 25

Table b	31 March 2024	Template
	\$m	Reference
Intangible Assets		
Total Intangible Assets reported in Held for sale and other assets per Level 2 Regulatory Balance Sheet	95	
Less: capitalised software and other intangibles	(15)	Row 9
Less: intangible component of deconsolidated subsidiaries	(40)	Row 9
Total per Common Disclosure Template – Goodwill	40	Row 8

Table c	31 March 2024	Template
	\$m	Reference
Equity Investments		
Significant investment in financial entities ^{1,2}	384	Row 73
Non-significant investment in financial entities ¹	118	Row 72
Total Investments in financial institutions	502	Row 26d
Investment in commercial entities ^{1,1}	578	Row 26g
Total Equity Investments before applying prescribed threshold	1,080	
Less: amounts risk weighted under Harmonised Basel III guidelines	(1,080)	
Total per Common Disclosure Template – Equity Investments	-	Row 18, 19, 23

¹ Equity Investments are classified in the Level 2 Regulatory Balance Sheet across Financial Investments, Investment in regulatory non-consolidated subsidiaries and Held for sale 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.

² 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 \$37 million of equity investments in regulatory non-consolidated subsidiaries.

	31 March 2024 \$m	Template Reference
Table d		
Additional Tier 1 Capital		
Total Loan Capital per Level 2 Regulatory Balance Sheet	10,825	
Less: Accrued interest	(9)	
Add: Capitalised expenses deducted in Common Equity Tier 1 Capital ¹	12	Included in Row 26f
Less: Fair value hedge adjustments ²	66	
Less: Tier 2 capital instruments reported in Table e	(8,448)	Table e
Additional Tier 1 Capital (MACS, BCN2 and BCN3)	2,446	
Less: Basel III transitional amortisation	-	
Total per Common Disclosure Template - Additional Tier 1 Capital	2,446	Row 36

Additional Tier 1 Capital Instruments		
Macquarie Additional Capital Securities	1,150	
Macquarie Bank Capital Notes 2	641	
Macquarie Bank Capital Notes 3	655	
Total per Common Disclosure Template - Additional Tier 1 Capital	2,446	Row 36

	31 March 2024 \$m	Template Reference
Table e		
Total Tier 2 Capital per Balance Sheet		
Total Tier 2 Capital per Balance Sheet	8,448	Table d
Less: Accrued Interest	(80)	
Add: Capitalised expenses deducted in Common Equity Tier 1 Capital ¹	24	Included in Row 26f
Less: Fair value hedge adjustments ¹	576	
Less: Amortisation as per APS 111 (per Para 2 of Attachment H)	(690)	
Total per Common Disclosure Template - Tier 2 Capital	8,278	Row 46

Tier 2 Capital Instruments		
2 Subordinated Debts - USD750m each - fully qualified Tier 2 instrument	1,610	
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	3,068	
Subordinated Debt - AUD650m - fully qualified Tier 2 instrument	650	
Subordinated Debt - AUD600m - fully qualified Tier 2 instrument	600	
Total per Common Disclosure Template - Tier 2 Capital	8,278	Row 46

	31 March 2024 \$m	Template Reference
Table f		
Contributed Equity		
Total Contributed Equity as per Level 2 Regulatory Balance Sheet	10,182	
Add: Capitalised expenses deducted in Common Equity Tier 1 Capital	-	Included in Row 26f
Total per Common Disclosure Template - Contributed Equity	10,182	Row 1

¹ 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.

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

Table g	31 March 2024	Template
	\$m	Reference
Non-Controlling Interests		
Total Non-Controlling Interests as per Level 2 Regulatory Balance Sheet	-	
Less: other non-controlling interests not included in capital	-	
Total per Common Disclosure Template - Non-Controlling Interests	-	Row 5

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.

Table h	RWA	Jurisdictional	Countercyclical	Template
	\$m	buffer	buffer requirement¹	Reference
Australia	49,394	1.000%	0.5177%	
United Kingdom	6,788	2.000%	0.1423%	
Luxembourg	1,324	0.500%	0.0069%	
Germany	926	0.750%	0.0073%	
France	805	1.000%	0.0084%	
Netherlands	584	1.000%	0.0061%	
Ireland	477	1.000%	0.0050%	
Hong Kong	301	1.000%	0.0032%	
Cyprus	204	0.500%	0.0011%	
Denmark	176	2.500%	0.0046%	
Norway	91	2.500%	0.0024%	
Sweden	66	2.500%	0.0017%	
Slovakia	53	1.500%	0.0008%	
Slovenia	26	0.500%	0.0001%	
Chile	17	0.500%	0.0001%	
Croatia	13	1.000%	0.0001%	
Iceland	12	2.500%	0.0003%	
Romania	6	1.000%	0.0001%	
Lithuania	5	1.000%	0.0001%	
Czech Republic	2	2.000%	0.0000%	
Estonia	1	1.500%	0.0000%	
Others	34,148	0.000%	0.0000%	
Total	95,419		0.7083%	Row 66

¹ 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

31 March 2024	Total Assets ^{1,2,3,4}	Total Liabilities ^{1,1,1,1}
Funds Management		
Bond Street Custodians Limited	24	1
Macquarie Fonds GmbH	-	-
Macquarie Fondsmanagement GmbH	1	-
Macquarie Investment Management Ltd	214	33
Macquarie Investment Services Limited	19	-
Macquarie Life Limited	-	-
Macquarie Management GmbH	-	-
Macquarie Prism Pty Limited	2	1
Macquarie Securities Management Pty Limited	-	-
Macquarie Treuermögen GmbH	-	-
Non-Financial Operations		
Avenal Power Center, LLC	14	13
Capital Meters Limited	15	8
Comercializadora Energia de la Reforma S. de R.L. de C.V.	27	7
Corona Energy Limited	36	-
Corona Energy Retail 1 Limited	404	355
Corona Energy Retail 2 Limited	107	71
Corona Energy Retail 3 Limited	7	-
Corona Energy Retail 4 Limited	803	766
Corona Gas Management Limited	12	3
Digital Asset Lease Co, LLC	4	-
Ion Energy Pte. Limited	-	-
Liberty Green Renewables Indiana, LLC	3	1
Macquarie Corona Energy Holdings Limited	23	4
Macquarie Energy Services Pty Limited	6	-
Macquarie Equipment Finance Services Limited	5	1
Macquarie Equipment Trading (Shanghai) Co., Ltd	-	-
Macquarie Semiconductor and Technology Inc.	29	29
PropertyIQ Pty Limited	9	-
Resource Marine Pte. Limited	9	-
Sustainable Feedstocks Group Limited	10	1
Sustainable Feedstocks Group Guangdong Limited	12	10
Insurance		
Macquarie (Bermuda) Limited	35	33

¹ 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 31 March 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.

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

³ Numbers are rounded to the nearest \$A million.

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

Appendix 3 Annual Remuneration Disclosures

Introduction

This document has been prepared in accordance with the Australian Prudential Regulatory Authority (APRA) Prudential Standard APS 330 Public Disclosure (APS 330) for Authorised Deposit-taking Institutions (ADIs). The remuneration disclosures presented herein for the financial years ended 31 March 2024 and 31 March 2023 of Macquarie Bank Limited (MBL or Macquarie Bank) are separate to the requirements of the *Corporations Act 2001* (Cth) and may not be comparable to other information disclosed by MBL.

Macquarie Bank is a subsidiary of the Macquarie Group. The MBL Board (the Board) is comprised of Non-Executive Directors (NEDs) common to both the Board and the Macquarie Group Limited (MGL) Board (the Boards) and Bank-only Non-Executive Directors (BONDS). Whilst the Macquarie Group remuneration framework applies to all staff including those within Macquarie Bank, the MBL Board oversees the remuneration policies applicable to MBL staff and approves remuneration outcomes relating to the senior executives of Macquarie Bank. To support the MBL Board on these processes, the MBL Board Remuneration Committee (BRC or Committee) was established effective 1 June 2022 and has two BONDS among its members. Throughout this disclosure document, for consistency, references are made to the Macquarie Group's remuneration arrangements which apply to all staff including Macquarie Bank staff.

The qualitative remuneration disclosures (sections 1 to 4) outline the remuneration framework consistent with the Macquarie Group's Remuneration Policy. Macquarie Group's Remuneration Policy applies to all employees globally. The quantitative information (section 5) relates to senior managers and material risk takers of MBL for the financial years ended 31 March 2024 and 31 March 2023. The BRC assisted the Board in identifying the following groups of employees as senior managers and material risk takers as defined in paragraph 23 of APS 330 for the financial years ended 31 March 2024 and 31 March 2023:

Roles	Number of individuals	
	2024	2023
Senior managers ¹	8	8
Material risk takers ²	32	31

1. Remuneration Governance

The Board oversees MBL's remuneration framework and its effective application. The MBL BRC, established in 2022, works closely with the MGL BRC to assist the Board with its oversight of remuneration policies and practices applying to staff of Macquarie Bank.

The BRC currently comprises three independent NEDs and two BONDS:

Board Remuneration Committee members

Jillian Broadbent	Chair
Michael Coleman ³	Member
Susan Lloyd-Hurwitz ⁴	Member
Mike Roche	Member
Ian Saines	Member

¹ Includes the MBL Executive Committee. These individuals will be referred to as either senior managers, Executive Committee members or Executive KMP throughout this document.

² Includes Executive Directors whose activities have a material impact on the entity's risk profile, performance and long-term soundness. These individuals will be referred to as material risk takers (MRTs) throughout this document.

³ Mr Coleman became a member of the BRC on 27 September 2023.

⁴ Ms Lloyd-Hurwitz became a member of the BRC on 28 July 2023.

The BRC members have the required experience and expertise in human resources, remuneration and risk to enable them to achieve effective governance of the remuneration framework. The BRC has a regular meeting cycle and met seven times during FY2024. Strict processes are in place to ensure conflicts of interest are appropriately managed.

The BRC pays close attention to the design and operation of remuneration practices for all Macquarie Bank staff, not just for the most senior executives. The responsibilities of the BRC are outlined in its Charter, which is reviewed and approved annually by the Board.

Some of the responsibilities include:

- overseeing the process for the annual review by the Board of the CEO's and other Executive KMPs' performance
- recommending to the Board the remuneration outcomes for all Executive KMP, other roles specified under CPS 511 and other senior executives of Macquarie Bank
- assessing the effectiveness of the *Remuneration Policy* to ensure compliance with legal and regulatory requirements, as well as its alignment with Macquarie Bank's strategy to promote its sustainable performance in a manner that supports its long-term soundness
- recommending the *Remuneration Policy* to the Board for approval.

The MGL and MBL BRCs (BRCs) have retained Pay Governance as their independent remuneration consultant, for the use of the Boards to obtain advice on the appropriateness of Macquarie Group's remuneration framework.

The only service that Pay Governance provides to Macquarie Group is executive compensation consulting to the BRCs. Pay Governance has not made any remuneration recommendations, as defined by the *Corporations Act 2001* (Cth) (the Act). The BRC is responsible for making decisions within the terms of its Charter. Pay Governance's terms of engagement set out their independence from members of Macquarie Group's management. This year, Pay Governance:

- provided information on global remuneration, regulatory trends and current proxy advisors' issues
- considered alignment with MGL shareholder interests
- compared individual remuneration for Executive KMP where relevant comparator company information was available
- considered Macquarie Group's overall remuneration approach compared to comparator company organisations.

NED fees are set acknowledging the level required to appropriately remunerate highly qualified NEDs who have the relevant skills and experience to govern as a member of the Board.

The NED remuneration framework seeks to remunerate high calibre directors by:

- setting an overall fee that reflects the scale and complexity of the Bank Group (being MBL and its subsidiaries) including additional risk management and regulatory responsibilities and the global financial nature of the Bank Group's activities
- setting MBL Board and Board Committee fees to reflect the time commitment to meet the responsibilities involved in the annual scheduled calendar, taking into account market rates for relevant organisations and market trends
- paying separate fees for additional responsibilities that may arise on an ad hoc basis
- delivering these fees in a form that is not contingent on the Bank Group's performance.

An internal review of NED fees was completed during the year and the Board determined, following this review, that MBL Board and Board Committee fees would remain unchanged.

The Boards resolved during FY2023, that the NEDs of MGL who are also members of the MBL Board (Common NEDs) will receive their Board and Board Committee fees for services provided to MGL and MBL from MGL. The fees paid to Common NEDs in respect of their services to MBL are paid as an aggregate fee by MGL. The annual Board and Committee fees paid to BONDs are received from MBL and include a Board member base fee of \$A245,000, Board Committee fees of \$A37,000 and a Board Conflicts Committee Chair fee of \$A80,000.

2. Remuneration Design and Structure






Macquarie Group’s purpose statement, ‘Empowering people to innovate and invest for a better future,’ articulates why Macquarie exists and what we do. It supports the *What We Stand For* principles of Opportunity, Accountability and Integrity, which express how we do business. Macquarie Bank’s longstanding and consistent approach to remuneration continues to support this purpose and aligns with the *What We Stand For* principles.

Macquarie Bank’s remuneration framework has been a key driver of our sustained success as an international organisation. Staff are motivated to grow businesses over the medium to long-term, taking accountability for all decisions and their accompanying risk management, customer, economic and reputational outcomes.






This framework has been fundamental in ensuring we can continue to attract, motivate and retain exceptional and entrepreneurial people with deep industry expertise across the 19 markets in which we operate. These people come from organisations that broadly operate in the same markets and compete for the same people as Macquarie in various industry sectors (including global investment banks, commodity houses and other banks, as well as industries that are not specific to banking or financial services, for example, technology, accounting and engineering) across many jurisdictions.

This broad approach has been in place since Macquarie Bank’s inception and is reviewed regularly to ensure the framework continues to meet our remuneration objectives and aligns with our remuneration principles and the expectations of our stakeholders.

The table below shows the link between our purpose, What We Stand For principles and our remuneration objectives and principles.

Our purpose: Empowering people to innovate and invest for a better future		
 Opportunity	 Accountability	 Integrity
 Remuneration objectives	 Remuneration principles	
<p>Macquarie Bank’s remuneration framework is designed to:</p> <ul style="list-style-type: none"> attract, motivate and retain exceptional people with deep industry expertise deliver strong company performance over the short and long-term whilst prudently managing risk promote effective management of financial and non-financial risks, and Macquarie Bank’s long-term soundness align the interests of staff and MBL’s stakeholders to deliver sustained results for our customers, clients and community promote innovation and the building of sustainable businesses drive behaviours that reflect the best interests of Macquarie Bank, its culture, and the principles of What We Stand For and support the prevention and mitigation of conduct risk foster a diverse, equitable and inclusive work environment. 	<p>These objectives are achieved by:</p> <ul style="list-style-type: none"> emphasising performance-based remuneration determining an individual’s variable remuneration based on a range of financial and non-financial factors having the ability to adjust performance-based remuneration to reflect risk outcomes, where appropriate retaining a significant proportion of performance-based remuneration to enable risk outcomes to be considered over a longer period delivering retained profit share in MGL equity to ensure the interests of staff and MBL’s stakeholders are aligned over the long-term remunerating high-performing staff appropriately, relative to global peers providing consistent arrangements over time to give staff the confidence to pursue multi-year initiatives. 	

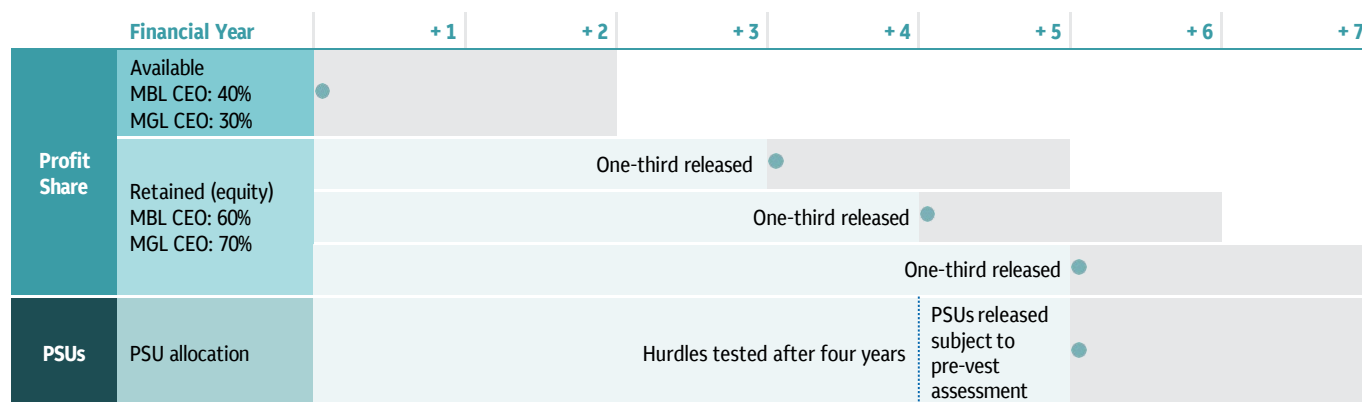
The remuneration framework operates as an integrated whole. An individual's remuneration comprises fixed remuneration, profit share and, for Executive Committee members (our Executive KMP), Performance Share Units (PSUs). The table below and diagram opposite summarise the framework for FY2024.

FY2024 remuneration framework		
Fixed remuneration		
<ul style="list-style-type: none"> primarily comprises base salary, as well as superannuation contributions and standard country-specific benefits in line with local market practice for Executive KMP, is set at a comparatively low level, relative to the industry, and is a low proportion of total remuneration but sufficient to avoid inappropriate risk-taking is reviewed annually and reflects technical and functional expertise, role scope, market practice and regulatory requirements for risk and financial control staff, is generally a higher proportion of total remuneration than for revenue-generating staff. 		
Performance-based remuneration		
Criteria	Profit Share	Performance Share Units
 Eligibility	<ul style="list-style-type: none"> all permanent employees 	<ul style="list-style-type: none"> Executive Committee members
 Determination	<ul style="list-style-type: none"> allocations reflect an individual's performance, which is assessed against a range of financial and non-financial factors including: <ul style="list-style-type: none"> financial/business results risk management and compliance business leadership including outcomes for customers and the community people leadership and professional conduct 	<ul style="list-style-type: none"> individual allocations reflect their role as members of the Executive Committee and their contribution to driving the collective performance of MBL and Macquarie Group allocations are based on the face value of shares on the grant date allocations are subject to Board discretion
 Structure	<ul style="list-style-type: none"> significant proportion is retained (up to 60% for the MBL CEO, 70% for the MGL CEO and 50% for other Executive KMP) long deferral periods (three to five years for the MBL CEO, MGL CEO and other Executive KMP) retained profit share is delivered in a combination of MGL equity and Macquarie-managed fund equity 	<ul style="list-style-type: none"> PSUs are structured as Deferred Share Units (DSUs)¹ with no exercise price PSUs vest after five years for the MBL CEO and MGL CEO and four years for other Executive KMP, subject to the achievement of two performance hurdles (no retesting of hurdles) and, new from FY2024, a pre-vest assessment PSU holders have no right to dividend equivalent payments
 Malus	<ul style="list-style-type: none"> malus applies to all awards clawback applies to all Executive KMP and certain employees identified under CPS 511 or UK and European remuneration regulations 	<ul style="list-style-type: none"> malus and clawback apply to all awards
 Forfeiture	<ul style="list-style-type: none"> retained profit share is subject to forfeiture upon leaving Macquarie Group except in certain circumstances 	<ul style="list-style-type: none"> unvested PSUs are subject to forfeiture upon leaving Macquarie Group except in certain circumstances

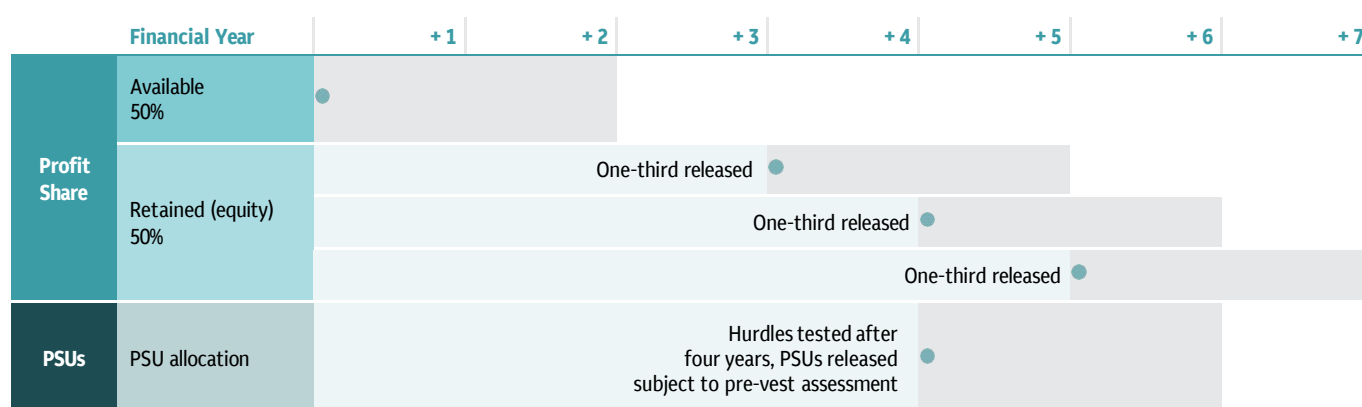
¹ A DSU is a Deferred Share Unit and is an award type under the Macquarie Group Employee Retained Equity Plan (MEREPE). For further details, refer to Note 29 to the financial statements in the Financial Report.

The diagram below illustrates the long time horizons over which performance-based remuneration for Executive KMP is determined, delivered and subject to risk adjustments.

For the MBL CEO and MGL CEO



For other Executive KMP



Key

● Payment or vesting (shortly after the end of the relevant year)

Period subject to malus

Period subject to clawback

2.1 Risk and Financial Control Personnel

The Boards and management seek to ensure that remuneration for risk and financial control personnel, including the Chief Financial Officer (CFO) and the Chief Risk Officer (CRO), is structured so that it does not compromise the independence of these personnel in carrying out their functions and is determined in a way that maintains Macquarie's robust risk management framework.

The proportion of fixed compensation for risk and financial control staff is generally higher than for other staff, with profit share allocations being less variable than those awarded to staff performing front office functions. The CRO and CFO are each responsible for reviewing the remuneration of all staff across Macquarie whose primary role is risk and financial control and for alerting the BRC to any pay discrepancies. The CRO and CFO each provide written confirmation to the BRC each year that remuneration for such staff has been determined in such a way that preserves the independence of the function and maintains Macquarie's robust risk management framework.

3. Culture, accountability and remuneration

Risk culture

Our purpose of 'Empowering people to innovate and invest for a better future' and *What We Stand For* principles of Opportunity, Accountability and Integrity remain pivotal to our culture. Our purpose and principles effectively guide our staff in balancing risk and reward and making decisions that realise opportunity for the benefit of our clients, shareholders, partners and the communities in which we operate. Staff are continually made aware that these principles must form the basis of all behaviours and actions. These behavioural expectations are outlined in the Board approved *Code of Conduct*, which is actively promoted by management and cascaded through the organisation through multiple mechanisms. We invest significant time and effort in communicating, reinforcing and measuring our culture through communications from senior management, policy reminders, training, and learning and development activities. The Board is able to assess Macquarie Bank's culture in a number of ways including through staff survey results, human capital reporting, strategy presentations, risk culture reports, consequence management reports as well as through personal observation of management, and staff behaviour and actions.

Prudent risk management is a fundamental part of everyone's role. Staff understand they are rewarded not just for their contribution to financial results, but also for **how** those results are achieved. This includes an assessment of an individual's approach to managing risk, and their alignment to the *What We Stand For* principles. Staff are aware of the consequences for non-compliance with the risk management framework and the *Code of Conduct*. Staff training and communications emphasise the link between risk, conduct, policy breaches and consequence management outcomes, including, where appropriate, adjustments to performance-based remuneration.

Alignment of remuneration with risk outcomes

The Board considers that the effective alignment of remuneration with prudent risk-taking is fundamental to Macquarie Bank's remuneration approach. To ensure there is appropriate focus on MBL, MBL-specific risk considerations are embedded throughout the remuneration process including through the determination of individual profit share allocations, business group and company-wide profit share pools as well as through the way in which remuneration is structured and delivered.

The Board is aware of the increasing focus of regulators and shareholders on ensuring risk-related matters that come to light subsequent to remuneration being awarded are appropriately factored into remuneration decisions. Macquarie Bank's retention and vesting arrangements provide a mechanism for the Board to consider risk outcomes over a longer period. Furthermore, where an investigation has commenced into a risk or conduct-related matter that may result in forfeiture, malus or clawback, Macquarie Bank may further defer the payment, vesting and/or release of profit share to allow for the investigation to be completed. The following mechanisms exist to risk adjust remuneration outcomes:

In-year adjustments	Applies to all staff
<ul style="list-style-type: none"> for profit share, determined as part of assessing an individual's performance each year, which includes consideration of compliance with the risk management framework and with the behavioural expectations outlines in the <i>Code of Conduct</i> for PSUs, determined as part of the assessment of Executive Committee members' roles and their contribution to driving the collective performance of MBL and the Macquarie Group in addition, outcomes from the consequence management process (such as a formal warning) or the independent reporting from the CRO, Head of Internal Audit, and Group General Counsel (GGC) are also considered for both profit share and PSUs. 	

Forfeiture	Applies to all staff
<ul style="list-style-type: none"> where an individual's employment is terminated due to a compliance or conduct concern (or they resign), unvested remuneration is forfeited, as per our standard policy. 	

Malus	Applies to all staff
<p>Malus provisions provide the Board with the ability to reduce or eliminate in full unvested remuneration (including retained profit share and for Executive Committee members, unvested PSUs) where it is determined:</p> <ul style="list-style-type: none"> there was a significant error in or a significant misstatement of criteria on which the remuneration determination was based, or the employee has at any time: <ul style="list-style-type: none"> engaged in misconduct leading to significant adverse outcomes acted dishonestly (including, but not limited to, misappropriating funds or deliberately concealing a transaction) significantly failed in or breached their compliance, accountability or fitness and propriety requirements, or acted or failed to act in a way that contributed to, and/or by virtue of their role or seniority is accountable for: <ul style="list-style-type: none"> a breach of a significant legal or significant regulatory requirement relevant to Macquarie Bank MGL or MBL making a material financial restatement MGL, MBL or any Group within Macquarie Group incurring significant reputational harm¹ MGL, MBL or any Group within Macquarie Group incurring a significant unexpected financial loss, impairment charge, cost or provision a significant failure of financial or non-financial risk management, or a significant adverse outcome for customers, beneficiaries or other stakeholders. 	

Clawback	Applies to certain senior employees
<p>Clawback provisions provide the Board with the ability to recover in exceptional circumstances (in part or whole) variable remuneration that has already been paid or vested for up to two years from the point of payment or vesting, if it is determined that:</p> <ul style="list-style-type: none"> there was a significant error in or a significant misstatement of criteria on which the remuneration determination was based the employee has at any time engaged in misconduct leading to significant adverse outcomes the employee has at any time significantly failed in or breached their compliance, accountability or fitness and propriety requirements, or the employee has at any time acted or failed to act in a way that contributed to: <ul style="list-style-type: none"> a significant failure of financial or non-financial risk management, or a significant adverse outcome for customers, beneficiaries or other stakeholders. 	

Additional provisions may apply to staff in certain jurisdictions to ensure compliance with local regulations. This includes UK and European staff who are subject to additional malus and clawback provisions under local regulatory requirements.

The BRC considers whether, and the extent to which, to apply malus, taking into account local employment laws, the nature and circumstances of the event and any other redress that has been or may be applied.

¹ A "Group within Macquarie" is a reference to any Operating Group or Central Service Group within MGL or MBL.

Risk adjustment processes

There are robust processes in place to ensure that all risk, reputation, and conduct-related matters are specifically considered when determining remuneration outcomes. These processes may result in a downward adjustment to group and/or individual profit share allocations where appropriate. A wide range of risks that could have a financial or non-financial impact on Macquarie Bank are considered, including any detriment to customers or impact on prudential standing.

To assist the Board and BRC when determining remuneration outcomes, independent control functions provide input as follows:

Independent control function input when determining remuneration outcomes		
Risk Management Group	Internal Audit	Legal
The CRO provides the BRC with an independent report detailing significant risk matters (financial and non-financial), including those relating to incidents, issues, and regulatory and litigation matters.	The Head of Internal Audit provides the BRC with an independent report detailing notable internal audit issues and any trends at company-wide or business group level.	The GGC provides a further source of independent input and, in conjunction with HR, considers whether there are any incidents (including any breach of the BEAR or FAR obligations) that should be reviewed that might lead to a malus or clawback determination.

Human Resources

The Global Head of HR discusses the reports from RMG and Internal Audit with the Group Heads to ensure any matters listed in the reports are appropriately reflected in remuneration outcomes for relevant staff and provides a report to the joint committee meeting of the BRC, Board Risk Committee (BRiC), Board Audit Committee (BAC) and Board Governance and Compliance Committee (BGCC) on how this has been achieved.

The Global Head of HR also annually reports to the BRC on the outcomes from the consequence management process and confirms that these matters have been considered in determining remuneration and promotion outcomes where appropriate.

Consequence management process

Incidents, breaches of policy and misconduct issues are regularly reported to senior management. There are a number of processes in place to ensure consistency (across business groups and staff levels) in the application of consequences and the determination of remuneration outcomes, including the review and challenge by senior management of consequence management outcomes at year end.

Where an investigation has commenced into a risk or conduct-related matter, vesting, payment and/or release of profit share (including available and/or retained amounts) to an employee may be deferred to allow for the investigation to be completed.

Consequence management outcomes

Macquarie's Consequence Management Guideline applies wherever a breach of internal policy or regulatory requirement is identified, including where there has been a breach of FAR (or prior to 15 March 2024, BEAR) accountability obligations. Consequences may include further training, removal of delegated authorities or permissions, adjustments to performance-based remuneration, impact on promotion, formal warnings or termination.

Where an employee has received a formal warning, their performance-based remuneration will likely be impacted and in some cases, reduced to zero. Promotion decisions may also be impacted. Impacts may also be applied where a formal warning has not been issued. In each case, judgement is exercised as to the appropriate consequence(s) based on all the relevant circumstances.

In FY2024, for Macquarie Bank, there were 103 (FY2023: 101) matters involving conduct or policy breaches that resulted in formal consequences. These included 69 (FY2023: 56) *Code of Conduct* or appropriate workplace behaviour related matters and 34 (FY2023: 45) other policy matters including risk management and technology breaches. Of the 103:

- for 38 matters, termination of employment was the outcome (FY2023: 43)
- for 65 matters, a formal warning was issued (FY2023: 58). Additional consequences were applied as appropriate including additional training, adjustments to profit share and/or impact to promotion (19 individuals who received a formal warning subsequently left Macquarie Bank before year-end outcomes applied and 45 individuals had their profit share reduced by an average of 41%).

The 103 matters were considered isolated incidents and there was no evidence of broader systemic conduct issues.

4. Annual process to determine profit share outcomes

Profit share allocations are determined through a principles-based approach, which considers individual, business group and company-wide performance. At all levels, profit share determinations take into account risk management, compliance and conduct.

Individual profit share allocations reflect an employee's performance against their objectives, which are formally assessed annually. At the beginning of the performance cycle, employees set performance objectives based on four factors (three non-financial and one financial), as relevant to their role. At the end of the year, permanent employees are required to have a formal Year in Review conversation with their manager. The Year in Review comprises two core components:

- **What** was achieved over the past 12 months, measured against their objectives under the four factors
- **How** the objectives were achieved, measured against Macquarie's cultural/behavioural standards.

The below table outlines the areas considered under each factor when assessing performance and determining remuneration outcomes.

	Areas considered
Financial / business results	<ul style="list-style-type: none"> • for revenue-generating staff, based on individual contribution to profitability (including consideration of capital and risk-adjusted returns) • for risk and financial control staff, primarily based on delivery of or contribution to high-quality risk and control functions, services and outcomes • for other Central Service group staff, delivery of or contribution to high quality services to support the businesses • for all staff, the management of costs and investment in people and technology to ensure the ongoing robustness of the risk management framework.
Risk management and compliance	<ul style="list-style-type: none"> • demonstrating and applying a strong understanding of relevant regulatory obligations • the identification, escalation, ownership and successful management of MBL-specific financial and non-financial risks including compliance with Banking licence requirements and obligations, prudential standards, the Banking Executive Accountability Regime (BEAR) and the Financial Accountability Regime (FAR) • motivating a culture of disciplined risk management, and regulatory, policy and business compliance • the management of MBL's funding and capital management strategy and the MBL liquidity and stress testing frameworks • fostering an environment where staff feel comfortable to admit mistakes and raise issues or concerns
Business leadership	<ul style="list-style-type: none"> • focuses on sustainable business growth and innovation by prioritising long term and scalable solutions over tactical fixes • delivering appropriate solutions and services to our customers and the communities in which we operate • maintaining and leveraging relationships with external and internal stakeholders (includes regulators, customers, clients, communities and suppliers) • seeking out and valuing collaboration and diverse perspectives (internally and externally), including collaborating with others to solve issues and challenges across Operating and Central Service Groups.
People leadership and professional conduct	<ul style="list-style-type: none"> • upholding Macquarie's <i>What We Stand For</i> values and complying with all operational requirements, regulatory obligations, relevant laws, policies and procedures, including the <i>Code of Conduct</i> • promoting institutional knowledge-sharing talent development and succession planning • fostering a diverse, equitable and inclusive work environment, including alignment with Macquarie's Diversity, Equity and Inclusion (DEI) strategy • for all people managers, performance against a people management objective aligned to our purpose and culture.

Three of these four factors are non-financial, with considerations given in varying proportions to reflect an individual's role and responsibilities. Individual profit share allocations also consider relativities in the market in which each business competes for talent.

When determining individual allocations, consideration is given to any matters raised in the independent reports provided to the BRC by the CRO and the Head of Internal Audit, or raised through the consequence management process, which may result in downward adjustments to profit share allocations for relevant individuals. Significant judgement is applied in determining remuneration outcomes to ensure all factors that may potentially impact the quantum of profit share allocations are considered.

Profit share pools

The initial business group profit share pools are determined through a combination of a top-down and bottom-up approach. The company-wide profit share pool is an aggregate of the assessments conducted at both the business group and individual level. The profit share pools reflect consideration of the factors below:

Operating / Central Service Group Level			
<p>Financial performance</p> <p>For Operating Groups:</p> <ul style="list-style-type: none"> • contribution to company-wide profits • returns on economic and regulatory capital • funding requirements and usage. <p>For Central Service Groups based on the quality and integrity of control functions and support services and not primarily determined with reference to profitability.</p>	<p>Risk management</p> <ul style="list-style-type: none"> • risk profile of the business (e.g. capital usage) • extent and nature of financial and non-financial risks including any significant reputational, cultural or compliance matters • regulatory environment and regulatory risk considerations. 	<p>Business specific considerations</p> <ul style="list-style-type: none"> • innovation, new business development (including acquisitions) and maturity of the business • reliance on intellectual versus financial capital • customer, client and community outcomes • impact of one-time gains/losses. 	<p>Market position and trends</p> <ul style="list-style-type: none"> • overall remuneration levels in the market in which each business operates • staff retention considerations.
Macquarie Group / Macquarie Bank level			
<p>Additional considerations at a Macquarie Group and Macquarie Bank level include:</p> <ul style="list-style-type: none"> • profitability, including the balance of profit distribution between employees and shareholders • capital metrics (including prudential ratios) and liquidity considerations • impact of the profit share pool on Macquarie Bank's capital position and ability to strengthen its capital base, as confirmed by the Chief Financial Officer (CFO) • reasonableness of the resultant estimated compensation expense to income ratio and how it compares to that of external comparators • regulatory considerations, including any company-wide risk and conduct matters • factors that impact the macro environment in which Macquarie Bank operates, including those that may affect its ability to attract and retain high-performing staff • CRO and Head of Internal Audit confirmation as to whether there have been any matters of systemic concern during the year. 			

The Board retains discretion to amend the profit share pool as determined in accordance with the above process to ensure all relevant factors, including risk and conduct matters, have been appropriately taken into consideration.

4.1 Retained profit share: retention and vesting

A percentage of each individual's annual profit share allocation is retained (retained profit share) above certain thresholds. While they are employed, an individual's retained profit share vests and is released over a period that reflects the scope and nature of their role and responsibilities.¹ These arrangements ensure that Macquarie Bank continues to retain high-performing staff, provide significant long-term alignment to shareholders and customers, as well as enable risk outcomes to be considered over a longer period.

Retention and vesting arrangements are determined by the BRC according to prevailing market conditions, remuneration trends, and regulatory requirements (including CPS 511, the BEAR and the FAR). For each year's allocation, once the vesting period has been determined it remains fixed for that allocation.

As previously announced, there have been changes to the retention rates and vesting periods for certain senior employees (including the MBL CEO, MGL CEO, Executive KMP and other roles specified under CPS 511) for profit share allocations made in respect of FY2024 onwards.

The table below summarises the standard retention and vesting arrangements applicable for FY2024. These vesting periods do not include the performance year but begin following the date remuneration is awarded.

Standard profit share retention and vesting arrangements for FY2024

Role	Profit share retention (%)	Vesting and release of profit share
MBL CEO	60	One-third in each of years 3-5
MGL CEO	70	
Executive Committee members	50	
Other Executive Directors ^{2,3}	40	One-third in each of years 2-4
Staff other than Executive Directors ^{3,4}	25-40	

The Board's discretion to change remuneration arrangements, as noted above, includes changes to profit share retention levels provided that at least 30% of profit share is retained for all Executive Directors.

Investment of retained profit share

An individual's retained profit share is invested in a combination of MGL ordinary shares under the Macquarie Group Employee Retained Equity Plan (MEREP) and Macquarie-managed fund equity notionally invested under the Directors' Profit Share (DPS) Plan.⁵ The allocation reflects the nature of their role and responsibilities as set out in the table below:

Standard investment of retained profit share for FY2024

Role	Retained profit share investment	
	MEREP (MGL ordinary shares) %	DPS Plan (Macquarie-managed fund equity) %
MBL and MGL CEO	90	10
Executive Committee members	80-90	10-20
Other Executive Directors ⁶	80-100	0-20
Staff other than Executive Directors	100	0

¹ Profit share that is not retained (available profit share) is delivered in cash except for certain staff subject to requirements under UK or European remuneration regulations, where 50% of available profit share is delivered in Macquarie equity and is subject to either a 6-month or 12-month hold period, as applicable.

² Other Executive Directors include staff other than the CEOs and Executive KMP who are specified under CPS 511 as Senior Managers or Material Risk Takers.

³ For certain staff subject to UK or European remuneration regulations, up to 60% may be retained. Retained profit share invested in Macquarie equity may be subject to a further 6-month or 12-month hold post the vesting period.

⁴ Above certain monetary thresholds

⁵ Both the MEREP and DPS Plan are fundamental tools in Macquarie Bank's retention, alignment and risk management strategies, encompassing both long-term retention arrangements and equity holding requirements. The MEREP has a flexible plan structure that offers different types of equity grants depending on the jurisdiction in which the participating employees are based. In most cases, the equity grants are in the form of units comprising a beneficial interest in MGL ordinary shares held in a trust for the staff member (Restricted Share Units or RSUs). For further details on the MEREP, refer to Note 29 *Employee equity participation* to the financial statements in the Financial Report. The DPS Plan comprises exposure to a notional portfolio of Macquarie-managed funds. Retained amounts 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.

⁶ For certain Executive Directors subject to the European remuneration regulations, retained profit share is invested 60% in Macquarie equity and 40% in the DPS Plan.

In addition to the arrangements set out in the tables above, different arrangements may apply in certain circumstances:

- retention rates and vesting and release schedules may vary for certain groups of staff who have become employees as a result of an acquisition, or for staff in certain jurisdictions, for example in the UK or European Union (EU), to ensure compliance with local regulatory requirements.
- in limited circumstances, and only with the approval of the BRC, retained profit share may be allocated under arrangements other than the MEREP or DPS Plan. For example, this may include investment in funds or products of a specific business group where there is a need to directly align the interests of staff with those of their clients.

4.2 Forfeiture - malus and clawback

The Board has the ability to reduce or eliminate unvested retained profit share in certain circumstances (malus). In FY2024, the population subject to malus was expanded to include all staff (previously malus applied to senior employees). For certain employees identified under CPS 511 or UK and European remuneration regulations, the Board also has the ability to recover (in whole or in part) vested profit share in certain circumstances (clawback).

4.3 Vesting and release of retained profit share upon departure from the Macquarie Group

The standard policy is that staff who cease employment with the Macquarie Group will forfeit their unvested retained profit share. The Board may exercise discretion for the vesting and release of a departing employee's retained profit share after their employment has ended including, for example, retirement from the Macquarie Group, redundancy, death, serious incapacitation, disability, or serious ill-health. Where such discretion is exercised, the release of any profit share may be subject to malus and/or clawback, as applicable, and the Board may impose such other conditions as it considers appropriate. For Executive Directors, the Board's discretion for the vesting and release of retained profit share under these circumstances is subject to the conditions of release as set out below.

Discretion may be exercised in certain other limited exceptional circumstances on the grounds of business efficacy, in relation to strategic business objectives, including in connection with the divestment or internalisation of Macquarie Bank businesses, or when an employee resigns to fulfil a public service role in a governmental organisation or agency. This year there were no executives for whom such discretion was exercised.

4.3.1 Conditions of early release to departing Executive Directors - Post Employment Events

Where discretion has been exercised for the vesting and release of retained profit share to a departing Executive Director, the Board may reduce or eliminate their retained profit share if it is determined that, at any time during their employment or the relevant release periods after their employment, a Malus Event has occurred or they have:

- a. taken staff to a competitor of Macquarie Group or been instrumental in causing staff to go to a competitor, or
- b. joined a competitor of Macquarie Group or otherwise participated in a business that competes with Macquarie Group.

Each of the above is a Post Employment Event.

For retained profit share awarded in respect of FY2023 and subsequent years, where the release relates to relevant circumstances other than death or serious disability, the release will occur over the period from 12 months to 24 months after the Executive Director leaves, in accordance with the table below.^{1,2}

For profit share allocations made to Executive KMP and other Executive Directors specified in CPS 511 (including those in risk and financial control functions) in respect of FY2024 onwards, the release of unvested retained profit share will be kept in line with its original vesting schedule (where it relates to relevant circumstances other than death or serious disability). This may result in final vesting being up to five years from the end of employment. There is no change in the timeframe for application of the Post Employment Events set out below.

	First Period	Second Period
Time post-departure	12 months	12 months to 24 months
Unvested retained profit share released	From all but the last 24 months of employment	From the last 24 months of employment
Subject to malus	No Malus Event during employment or the First Period	No Malus Event during employment, the First Period or the Second Period
Subject to Post Employment Events	No Post Employment Event during employment or during the period expiring 6 months following the end of employment, and No Post Employment Event (a) during the period from 6 months to 12 months following the end of employment	No Post Employment Event during employment or during the period expiring 6 months following the end of employment, and No Post Employment Event (a) during the period from 6 months to 12 months following the end of employment
Where the release is by reason of retirement from the Macquarie Group	As above and in addition, the release is subject to no Post Employment Event (b) during the First Period	As above and in addition, the release is subject to no Post Employment Event (b) during the First or Second period

In addition to the above, for Accountable Persons under the FAR (Accountable Persons), the exercise of discretion for any release of retained profit share following the end of employment will be subject to minimum deferral periods.

Where an Executive Director has a tax liability on termination of employment in respect of any unvested retained profit share, the Board has discretion to release unvested retained profit share up to an amount equal to the Executive Director's tax liability at an earlier time than noted above subject to any legal or regulatory requirements.

4.4 Performance Share Units (PSUs)

Allocation and structure

Executive Committee members are the only staff eligible to receive PSUs, which are determined with reference to Macquarie Group's and Macquarie Bank's performance as a whole. As such they provide an additional incentive to Executive Committee members to drive company-wide performance over the long-term and beyond their Operating and Central Service Group responsibilities. PSU awards are a meaningful incentive but are generally not the major element of an Executive Committee member's total remuneration.

¹ In the case of death or serious incapacitation, the Board will typically accelerate the vesting of retained profit share and immediately release it.

² Awards in respect of FY2022 and earlier will remain subject to their original conditions of release to a departing Executive Director, as previously disclosed.

As previously announced, for awards in respect of FY2024 onwards the vesting period for PSUs granted to the MBL CEO and the MGL CEO has been extended by a year, to five years. In addition, prior to the vesting of PSUs, the Board will conduct a pre-vest assessment of the Executive Committee's collective performance over the vesting period. The table below summarises the approach to PSU allocations in respect of FY2024.

1. Pre-grant period (*Financial Year (FY)*)

- Individual PSU allocations are based on performance over the financial year prior to grant (taking into consideration both financial and non-financial factors). Considerations include their role as members of the Executive Committee and their contribution to driving the collective performance of Macquarie Bank, including their collaboration across businesses, progress on company-wide programs and maintaining Macquarie Bank's risk culture
- The face value of PSUs awarded to each Executive Committee member is approved by the Board as part of the annual remuneration review process. Shareholder approval is also sought at MGL's Annual General Meeting (AGM) to allocate PSU awards to the MGL CEO, who is an Executive Voting Director of MGL
- PSUs are granted in August each year, after MGL's AGM, in respect of the previous financial year. The number of PSUs allocated is calculated by dividing the face value of the award by the price of MGL ordinary shares on or around the date of grant
- PSUs are structured as DSUs with no exercise price. Holders have no right to dividend equivalent payments.

2. Performance period (*FY+1 to FY+4*)

- PSUs will only become exercisable to the extent that two equally weighted ROE and EPS performance hurdles are achieved over a four-year performance period. Details of, and the rationale for, the ROE and EPS hurdles are set out below
- The ROE and EPS performance hurdles attached to PSUs are tested at the end of the performance period and the results are reported to the BRC(s).

3. Additional vesting period (*FY+5*)

- For the MBL CEO and MGL CEO, an additional one-year period applies before PSUs may vest following the end of the four-year performance period
- For other Executive KMP, PSUs may vest on 1 July following the end of the four-year performance period.

4. Pre-vest assessment (*At end of vesting period*)

- Prior to vesting of PSU awards, the Board will conduct a holistic assessment of the Executive Committee's collective contribution to driving the performance of Macquarie Bank over the vesting period, based on the extent to which the Executive Committee has:
 - promoted behaviour that is consistent with and reflects Macquarie Bank's risk culture, *Code of Conduct* and the principles of *What We Stand For*
 - overseen the effectiveness of Macquarie's risk management framework, regulatory compliance, policies and practices in managing key financial and non-financial risks, and
 - overseen funding, liquidity and capital management to ensure Macquarie Bank's financial soundness.
- Where the Board forms a negative overall assessment of the relevant Executive Committee's collective performance, it will consider whether an adjustment is appropriate, taking into account any mitigating and aggravating factors
- To assist the Board with their determination of an adjustment to the PSU vesting outcome, and to ensure that the determination encompasses all relevant considerations, the BRC will receive regular reporting over the vesting period.

4.4.1 Performance Hurdles for PSUs

Performance hurdles

PSUs will only become exercisable to the extent that the following performance hurdles are achieved:

	EPS CAGR hurdle	ROE hurdle
Application	50% of PSU award	50% of PSU award
Performance measure	Compound annual growth rate (CAGR) in EPS over the four-year performance period	Relative average annual ROE over the four-year performance period compared to a reference group of international financial institutions The reference group comprises Bank of America Corporation, Barclays PLC, Citigroup Inc., Deutsche Bank AG, Goldman Sachs Group Inc., JP Morgan Chase & Co., Lazard Ltd, Morgan Stanley and UBS AG ¹
Hurdle	Sliding scale applies: <ul style="list-style-type: none"> • 50% becoming exercisable at EPS CAGR of 7.5% • 100% at EPS CAGR of 12% For example, if EPS CAGR was 9.75%, 75% of the relevant awards would become exercisable	Sliding scale applies: <ul style="list-style-type: none"> • 50% becoming exercisable above the 50th percentile • 100% at the 75th percentile For example, if ROE achievement was at the 60th percentile, 70% of the relevant awards would become exercisable

Rationale for hurdles

The PSU hurdles are periodically reviewed by the BRC to ensure they continue to align the interests of staff and shareholders and provide a challenging but meaningful incentive to Executive Committee members. The BRC's review includes consideration of the most relevant performance metrics to be used as hurdles as well as the levels at which the hurdles are achieved. The international reference group used for the ROE hurdle is also reviewed to determine whether our comparators remain suitable for Macquarie Group's diversified business interests and global footprint. The BRC also considers historical and forecast market data, the views of corporate governance groups, shareholders and regulators, as well as market practice.

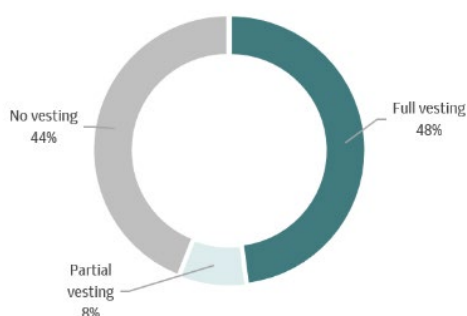
In the FY2024 annual review, both the absolute EPS and relative ROE hurdles were considered to still be appropriate for the following reasons:

- EPS and ROE growth drive long-term shareholder value and are appropriate as the Executive Committee can affect outcomes on both measures. In contrast, Total Shareholder Return (TSR) is influenced by many external factors over which executives have limited control
- EPS and ROE can be substantiated using information that is disclosed in MGL's annual reports
- a sliding scale diversifies the risk of not achieving the hurdles and provides rewards proportionate to performance for shareholders and is preferable to an all-or-nothing test, which some have argued could promote excessive risk-taking
- the hurdles are designed to reward sustained strong performance and are relatively well-insulated from short-term fluctuations
- the EPS targets are confirmed as rigorous when market performance is considered, with the EPS threshold hurdle exceeding the performance of most of the ASX20, the global reference group and relevant indices over time
- for the EPS element to fully vest, MGL needs to achieve at least 12% CAGR over the vesting period. Supporting the rigour of the hurdle, cumulative EPS growth of 57% over four years is required to achieve full vesting
- the ROE vesting thresholds and sliding scale are in line with the domestic market and are particularly challenging when compared to international practice.

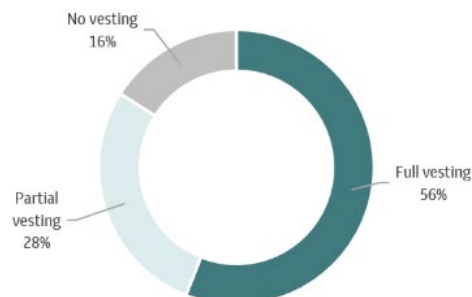
¹ For unvested PSU awards made prior to FY2023, the reference group included Bank of America Corporation, Barclays PLC, Credit Suisse, Deutsche Bank AG, Goldman Sachs Group Inc., JP Morgan Chase & Co., Lazard Ltd, Morgan Stanley and UBS AG.

The charts below display MGL's historical EPS and ROE PSU outcomes, highlighting that since their introduction in 2009, only 48% of the EPS tranches and 56% of the ROE tranches have resulted in full vesting.

Historical EPS tranche outcomes



Historical ROE tranche outcomes



Use of an international reference group

The BRC has given careful consideration to the appropriate reference group to use for the relative ROE measure, recognising that Macquarie Group's combination of business activities, size and global footprint means that there are few direct comparators. The BRC's view is that simplistic comparator groups based on a company's country of listing, broad industry categorisation and/or market capitalisation do not accurately reflect the businesses and competitive markets for talent in which we operate.

When assessing and determining the appropriate reference group, the BRC considers the overall size of the reference group, the degree of internationalisation (including the degree to which they compete for shareholder capital, clients and talent in each market), each comparator's overlap with Macquarie Group's revenue mix and the resulting business mix when considered in aggregate. Taking into account these factors, the BRC has selected an international reference group that recognises the extent of Macquarie Group's diversification and internationalisation.

The BRC is mindful that some of Macquarie Group's businesses compete with other types of financial institutions, including asset managers, retail banks, hedge funds and commodity trading houses. However, given differences in business mix, regulatory environment, or the unavailability of public financial information, it does not consider these institutions appropriate for inclusion in the PSU reference group.

The BRC considers the international reference group to be appropriate on the basis that:

- total international income represented approximately 66% of Macquarie Group's total income, with approximately 51% of Macquarie Group's staff located outside Australia.
- the international reference group is currently most representative of Macquarie Group's business operations and talent pool. These firms broadly operate in the same markets and in similar business segments, and compete for the same people as Macquarie Group
- the international reference group members share broadly comparable risk, compliance and regulatory profiles
- Macquarie Group has no comparable Australian-listed peers.

While the BRC considers it important not to intervene reactively to remove under-performers or over-performers in order to provide relative stability and transparency across market cycles, it reviews and adapts the reference group as companies, markets and other situations evolve.

Risk adjustment, malus and clawback

The Board may determine that a downward adjustment to PSU allocations prior to grant may be appropriate, including a collective adjustment where there has been an adverse outcome for MBL, MGL or their stakeholders. Risk considerations also form part of the pre-vest assessment, as set out above.

In addition, Macquarie Group's malus and (from FY2024) clawback provisions, apply to all PSUs granted.

Departure from Macquarie Group or change in control

The standard policy is that unvested PSUs will be forfeited upon termination of employment. In the case of retirement from Macquarie Group, redundancy, death, serious incapacitation, disability, serious ill-health or other limited exceptional circumstances, the Board or the BRC has the ability to accelerate the vesting of PSUs (to the extent permitted by law or regulation, for example in the case of death or serious incapacitation) or to take other action, for example to permit the PSUs to continue to vest in accordance with the original award schedule and remain subject to the same performance hurdles.

Should a change of control occur the Board or the BRC has discretion to determine how unvested PSUs should be treated, having regard to factors such as the length of time elapsed in the performance and vesting periods, the level of performance to date, the circumstances of the change in control and any relevant legal or regulatory requirements.

4.5 Other features of Macquarie Group's remuneration framework

This section describes other key features of the remuneration framework and of the employment contracts for Executive Committee members:

Role-based allowances	<ul style="list-style-type: none">Role-based allowances are a component of fixed remuneration that may be awarded to certain employees, including those identified as Material Risk Takers (MRTs) under UK or European regulatory requirements. These allowances are determined based on the role and organisational responsibility of the individuals.
Minimum shareholding requirement	<ul style="list-style-type: none">Executive Directors are required to hold a relevant interest in MGL ordinary shares that have a value equal to 5% of an Executive Director's aggregate profit share allocations for each of the past five years (10 years for Executive Committee members), which can be satisfied by the profit share retention requirements.For Executive Committee members with a minimum of 10 years of service at the Executive Director level, compliance with this policy equates to a minimum shareholding requirement of between 70% to 620% of fixed remuneration based on share values unadjusted for market price changes.
Promotion and New Hire Awards	<ul style="list-style-type: none">Staff who are promoted to or hired at Associate Director, Division Director or Executive Director level receive an allocation of MEREP awards set with reference to an Australian dollar value. Currently these awards range from \$A25,000 to \$A175,000 depending on the Director level.
Hedging	<ul style="list-style-type: none">Macquarie Group prohibits staff from hedging shares held to meet the minimum shareholding requirement and unvested equity held in the MEREP.

Employment contracts

The following table summarises key features of the employment contracts for Executive Committee members including the MBL CEO:

Length of contract	Permanent open-ended.
Remuneration review period	1 April to 31 March annually.
Profit share participation	Executive Committee members are eligible to be considered for a profit share allocation that ensures that a large part of their remuneration is 'at risk'.
PSU participation	Executive Committee members are eligible to receive PSUs.
Termination of employment	Requires no more than three months' notice by Macquarie Bank or the Executive Committee member (post-employment restrictions apply).
Post-employment restrictions	Restrictions include non-solicitation provisions applicable for six months, and paid non-competition provisions applicable, at Macquarie Bank's election, for up to three months post-termination.

5. Quantitative Disclosures for Senior Managers and Material Risk Takers

The following tables have been prepared in accordance with APS 330 for the financial years ended 31 March 2024 and 31 March 2023. These tables are prepared on a different basis than those required by Australian Accounting Standards and the Corporations Act, as disclosed in Macquarie Bank's Annual Report.

5.1 Total Value of Remuneration Awards for Senior Managers and Material Risk Takers¹

The following table sets out the total value of remuneration awarded to senior managers and material risk takers in respect of their performance for the financial years ended 31 March 2024 and 31 March 2023. 7 senior managers (FY2023: 8) and 32 material risk takers (FY2023: 31) received a variable remuneration award in respect of services to MBL in FY2024.

\$A'000	Senior managers				Material risk takers			
	Non-Deferred		Deferred		Non-Deferred		Deferred	
	2024	2023	2024	2023	2024	2023	2024	2023
Fixed remuneration²								
Cash-based	6,562	4,336	-	-	16,408	15,631	-	-
Shares and share-linked instruments	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Variable remuneration³								
Cash-based	16,450	29,086	-	-	48,956	38,806	-	-
Shares and share-linked instruments ⁴	-	-	35,786	80,613	409	404	33,532	39,554
Other	-	-	-	-	-	-	-	-

¹ Remuneration awarded in respect of FY2024 and FY2023 performance reflects remuneration relating to services to MBL for the portion of the relevant periods that each individual was a senior manager or material risk taker of MBL.

² Fixed remuneration comprises current year salary, including superannuation and other cash allowances.

³ Variable remuneration awarded in respect of performance for FY2024 and FY2023 includes the total value of non-deferred and deferred components related to the FY2024 and FY2023 awards. The non-deferred (cash-based) components will be granted and paid in the following financial year and the payment of deferred components are deferred to a future period.

⁴ Includes the value of retained profit share invested in MGL ordinary shares under the MEREP, retained profit share notionally invested in Macquarie managed-fund equity under the DPS Plan, and for senior managers, PSUs.

5.2 Deferred Remuneration for Senior Managers and Material Risk Takers – Total Value Outstanding, Vested and Any Downward Adjustments

The following table sets out the total value of deferred remuneration outstanding at 31 March 2024 and 31 March 2023 respectively, remuneration granted in previous years that vested during the current financial year and any realised reductions due to ex post explicit and implicit adjustments. All outstanding deferred remuneration is exposed to ex post explicit and implicit adjustments.

\$A'000	Senior managers		Material risk takers	
	2024	2023	2024	2023
Outstanding deferred remuneration¹				
Cash-based	-	-	-	-
Shares and share-linked instruments ²	192,300	251,992	173,433	165,304
Deferred remuneration vested during the financial year ³	45,239	45,677	32,007	28,371
Deferred remuneration adjustments during the financial year				
Reductions due to ex post explicit adjustments ⁴	(195)	-	-	-
Reductions due to ex post implicit adjustments	-	-	-	-

As set out below, no guaranteed variable remuneration or sign-on awards were granted to senior managers during FY2024 (FY2023: 1 employee was awarded a minimum guaranteed profit share and PSU award). Two material risk takers were awarded guaranteed variable remuneration and sign-on awards during FY2024 (FY2023: Nil). No termination payments were made to a senior manager or material risk taker during FY2024 (FY2023: Nil).

\$A'000	Senior managers				Material risk takers			
	No. of individuals		Total amount		No. of individuals		Total amount	
	2024	2023	2024	2023	2024	2023	2024	2023
Sign-on awards ⁵	-	-	-	-	2	-	673	-
Guaranteed variable Remuneration ⁵	-	1	-	3,033	2	-	574	-
Termination payments ⁶	-	-	-	-	-	-	-	-

¹ Value as at 31 March 2024 and 31 March 2023 of unvested deferred remuneration.

² Includes the value as at 31 March 2024 (for FY2024) and 31 March 2023 (for FY2023) of retained profit share invested in MGL ordinary shares under the MEREPA, retained profit share notionally invested in Macquarie managed-fund equity under the DPS Plan, and for senior managers, PSUs. The value of PSUs is determined based on the price of Macquarie ordinary shares consistent with Macquarie's PSU allocation methodology. The value of retained profit share invested in the MEREPA and PSUs for FY2024 has been calculated based on the 31 March 2024 share price of \$A199.70. For FY2023, the value of retained profit share invested in the MEREPA was calculated based on the 31 March 2023 share price of \$A175.66.

³ Value as at the date of vesting of deferred remuneration that vested during the financial years ended 31 March 2024 and 31 March 2023 for senior managers and material risk takers. The value has been calculated based on the share price on the date of vesting which for FY2024 was in the range of \$A161.66 to \$A180.47 (FY2023: \$A164.00 to \$A182.00).

⁴ Explicit adjustments include any realised reductions relating to forfeitures, lapses as a result of failure to meet performance hurdles, and adjustments made to deferred remuneration under the Malus and Post Employment Event provisions. Macquarie's reporting of adjustments for PSUs is determined based on the price of Macquarie ordinary shares at the date of grant.

⁵ These amounts reflect sign-on and minimum conditional profit share awards granted during FY2024 and FY2023 excluding buy-outs with respect to annual incentives forgone from their previous employers on appointment to Macquarie. Relevant amounts relating to the minimum conditional profit share awards for FY2024 and FY2023 and sign-on awards are also included in the tables under 5.1 and 5.2, respectively.

⁶ This amount reflects payments made during FY2024 associated with termination of employment with Macquarie Group in accordance with Macquarie Group policies, Executive Director remuneration arrangements, individual employment agreements, and/or local legal requirements. Payments associated with termination will typically include unused long-service and annual leave entitlements, and redundancy amounts, where applicable, but will exclude the release (in accordance with Macquarie Group's remuneration arrangements) of deferred remuneration awarded in prior years which is included in deferred remuneration vested during the relevant financial year in table 5.2. There are no ex-gratia termination payments. Individuals may also retain deferred remuneration held in the MEREPA, the DPS Plan or as PSUs (senior managers only), which may be released in future years subject to the relevant restriction periods, DPS release provisions and performance hurdles per Macquarie Group policies, Executive Director remuneration arrangements and/or individual employment agreements.

Appendix 4 List of APRA Quantitative Tables

APS 330 Table	Title	Section No
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Attachment D		
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6 (g)	Capital Ratios	Introduction
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7 (c)	Credit Risk by Geographic Distribution	5.4
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19	Summary Comparison of Accounting Assets versus Leverage Ratio Exposure Measure	15.2
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Attachment G		
22	Remuneration	Appendix 3

Appendix 5 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: <ul style="list-style-type: none"> • Provide a permanent and unrestricted commitment of funds • Are freely available to absorb losses • Rank behind the claims of depositors and other more senior creditors in the event of winding up of the issuer; and • Provide for fully discretionary capital distributions.
Additional Tier 1 Capital deductions	An amount deducted in determining Additional Tier 1 Capital, as defined in Prudential Standard APS 111 Capital Adequacy: Measurement of Capital.
ALA	Alternative Liquid Assets
APRA	Australian Prudential Regulation Authority.
ADI Prudential Standards (APS)	APRA's ADI Prudential Standards. For more information refer to APRA website.
Associates	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.
ASF	Available Stable Funding
Bank 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	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).
BCN 3	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); or where APRA determines MBL would be non-viable without an exchange or a public sector injection of capital (or equivalent support)
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"> • 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.
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)
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 in accordance with Prudential Standard APS 115 Capital Adequacy: Standardised Measurement Approach to 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

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Unless otherwise specified all information is at 31 March 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).