MACQUARIE BANK

MBL Basel III Pillar 3 Disclosures

March 2025

Macquarie Bank Limited
ACN 008 583 542

Macquarie Bank Limited
ABN 46 008 583 542

1 Elizabeth Street
Sydney NSW 2000
GPO Box 4294
Sydney NSW 1164

Telephone
Facsimile
Telex 122246
DX 10287 SSE
SWIFT MACQAU2S

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

MACQUARIE BANK

ASX Release

MACQUARIE BANK RELEASES MARCH 2025 PILLAR 3 DISCLOSURE DOCUMENT

9 May 2025 – The Macquarie Bank Limited March 2025 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.

Attestation

Macquarie Bank Limited (MBL), as an Authorised Deposit-taking Institution, presents the Pillar 3 report in compliance with the requirements under APRA Prudential Standard APS 330 Public Disclosure.

MBL's prudential disclosures are prepared in accordance with the Prudential Disclosure Policy, which meets the requirements of APS 330 and has been approved by the MBL Board.

We, as the Accountable Persons of MBL, confirm that MBL's prudential disclosures, as set out in the MBL Pillar 3 report for the reporting period ended 31 March 2025, have been prepared in accordance with MBL's Prudential Disclosure Policy.

This report was approved on 9 May 2025.

Alex Harvey
Chief Financial Officer

Andrew Cassidy
Chief Risk Officer

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1. Introduction

Macquarie Bank Limited (MBL) is an Authorised Deposit-taking Institution (ADI) regulated by the Australian Prudential Regulation Authority (APRA). MBL presents in this report, regulatory information mandated by the revised APRA Prudential Standard APS 330 Public Disclosure (APS 330) which came into effect on 1 January 2025.

The revised APS 330 integrates the Pillar 3 disclosure requirements from the Basel III Framework, with some national specific modifications. The disclosures consist of key prudential metrics and information relating to MBL's risk management approach, regulatory capital, credit risk, counterparty credit risk, securitisation, market risk, operational risk, interest rate risk in the banking book (IRRBB), countercyclical capital buffer requirement, leverage ratio and liquidity.

MBL's Pillar 3 disclosures are prepared on a Level 2 basis, in accordance with the applicable reporting requirements and the Board-approved Prudential Disclosure Policy. Unless otherwise indicated, references to MBL in this report refer to the Level 2 regulatory group which includes MBL (the ADI). Further details on the regulatory structure are provided in Section 1.3 Scope of Application.

1.1 Overview of the Basel III Framework

The Basel Committee on Banking Supervision (BCBS) Basel III framework is designed to strengthen the regulation, supervision, and risk management within the banking sector. The key objectives are to enhance bank resilience, improve risk management, increase transparency and enhance regulatory standards. The APRA Capital framework adopted the Basel III framework, with stricter requirements implemented in specific areas relating to the calculation and measurement of capital (APRA super equivalence).

The Basel III framework is divided into three broad sections known as 'Pillars', outlined as follows:

Pillar 1

Pillar 1 of the Basel III framework covers the rules by which the capital requirements (risk-weighted assets or RWA) and capital adequacy are determined. 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 the 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.

APRA has approved the use of the Foundation Internal Ratings-Based Approach (F-IRB) for wholesale exposures and the Advanced Internal Ratings-Based Approach (A-IRB) for retail exposures in the calculation of MBL's credit risk capital requirements. These approaches utilise the internal PD and internal rating assigned to the obligor. The internal LGD or APRA-assigned LGD is applied to the respective approaches accordingly. APRA-assigned Credit Conversion Factors (CCF) are applied to off-balance sheet exposures based on the nature of the exposure.

Market risk and IRRBB are calculated using the Internal Model Approach (IMA). Operational risk is calculated using the Standardised Measurement Approach (SMA).

The use of the internal approaches place a higher reliance on the internal capital measures and therefore require a sophisticated level of risk management and risk measurement practices. Further details on Macquarie's risk management are provided in Section 2 Overview of Risk Management.

Pillar 2

Pillar 2 (the Supervisory Review Process) of the Basel III framework requires ADIs to make their own assessments of capital adequacy considering their risk profile and to have a strategy in place for maintaining their capital levels. Macquarie's Internal Capital Adequacy Assessment Process (ICAAP) addresses the requirements of 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 adequacy model (refer to Section 3.1 Capital management)
- Risk appetite setting (refer to Section 2.2 Macquarie's Risk Management Framework)
- 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.

Pillar 3

Pillar 3 of the Basel III framework lays out the public disclosure requirements seeking to provide clear, comprehensive, meaningful, consistent and comparable information across market participants. In alignment with these principles, APRA has incorporated the BCBS's disclosure requirements into the revised APS 330, effective from 1 January 2025.

This report has been produced in compliance with the revised APS 330, containing disclosures that address the following requirements:

- DIS20: Overview of risk management, key prudential metrics and RWA
- DIS21: Comparison of modelled and standardised RWA
- DIS25: Composition of capital
- DIS30: Links between financial statements and regulatory exposures
- DIS31: Asset encumbrance
- DIS40: Credit risk
- DIS42: Counterparty credit risk
- DIS43: Securitisation
- Market risk (APS 330)
- DIS51: Credit valuation adjustment risk
- DIS60: Operational risk
- DIS70: Interest rate risk in the banking book
- DIS75: Countercyclical capital buffer
- DIS80: Leverage ratio
- DIS85: Liquidity

Disclosures relating to Remuneration and Global Systemically Important Bank (G-SIB) Indicators are published separately and are not included in this report.

1.2 Pillar 3 Disclosure and Governance

MBL is committed to following a robust internal controls framework to ensure that market disclosures are complete, accurate, and comply with applicable standards and regulations. As set out in APS 330, MBL has implemented a Prudential Disclosure Policy which was approved by the MBL Board as the internal governance for the disclosures in this report. The key elements of the Prudential Disclosure Policy include:

Content of disclosures

MBL is required to assess the disclosure requirements. The level of detail and extent of the required disclosures must align with MBL's prudential obligations. Disclosures should be supported by relevant underlying data and information for the relevant period and reflect the key principles from APS 330.

Key controls for the disclosures

MBL has controls in place to ensure the appropriateness and accuracy of the Pillar 3 information. These controls are aligned with the verification process applied to MBL's preparation of financial reports. The Pillar 3 document also contains disclosures reported to APRA, which are reconciled with regulatory submissions to ensure consistency and are subject to the same internal controls as other regulatory reporting.

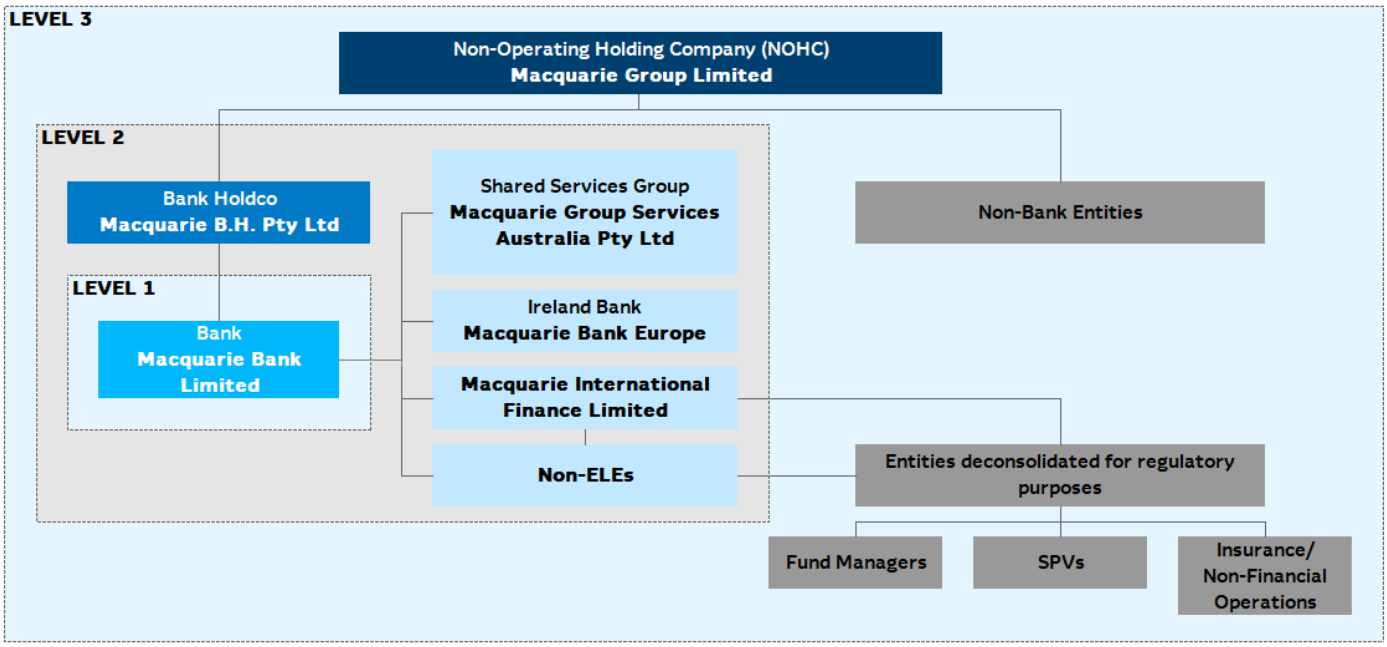
Review and approval process

The policy outlines the roles and responsibilities for the preparation and review, as well as the approval mechanism, of the Pillar 3 document. The governance in place allows for thorough review and Senior Management oversight prior to publication.

As an external publication, this document has been subject to internal verification and approval in line with the Prudential Disclosure Policy to ensure compliance with the regulatory requirements outlined in APS 330. The disclosures in this report are not required to be audited by an external auditor; however, they have been prepared on a basis consistent with information submitted to APRA.

1.3 Scope of Application

APS 330 requires MBL, as a subsidiary of an authorised non-operating holding company (NOHC), to disclose Pillar 3 information for the Level 2 regulatory consolidated group. The regulatory consolidated group differs from the accounting consolidated group and identifies three different levels of consolidation. The overall regulatory reporting structure of Macquarie Group is illustrated below, and the reporting levels are in accordance with APRA definitions contained in APS 001 Definitions (APS 001).



The Level 2 regulatory group primarily consists of MBL (the ADI), its immediate parent (Macquarie B.H. Pty Ltd), and its subsidiaries. The group excludes specific subsidiaries which are required to be deconsolidated according to APRA reporting requirements. These subsidiaries include:

- Special purpose vehicles (SPVs) for which MBL has satisfied operational requirements per APS 120 Securitisation Attachment A for regulatory capital relief; and
- Entities conducting insurance, funds management and non-financial operations.

Equity investments into these deconsolidated subsidiaries by the Level 2 group are deducted from Common Equity Tier 1 (CET1) capital under APS 111 Capital Adequacy: Measurement of Capital (APS 111). Consequently, the Level 2 regulatory group excludes a subset of entities which are in scope for the accounting consolidation of MBL and its subsidiaries. These entities are listed in Section 15.1 Entities deconsolidated from the Level 2 Regulatory Group for APRA reporting purposes.

MBL (the ADI), also equivalent to the Level 1 regulatory group, is part of the larger consolidated group of Macquarie Group Limited (MGL) and its subsidiaries, collectively referred to as the Macquarie Group, the Level 3 regulatory group, or Macquarie. APS 330 does not require disclosures relating to the Level 3 group, however, some limited Level 3 disclosures are made in this report. Comments on policies in this report generally reflect policies adopted across Macquarie, unless it is stated that the policies are specific to any one part of the Group.

References to MBL in this report refer to the Level 2 regulatory group as described above. Unless otherwise stated, all disclosures in this report represent the Level 2 regulatory group prepared on an APRA Basel III basis.

1.4 Basis of Preparation

This Pillar 3 document has been prepared in accordance with reporting requirements from APS 330 and BCBS Disclosure Requirements. The March 2025 report is the first disclosure following adoption of these standards. The report comprises both quantitative and qualitative information for the period ended 31 March 2025, together with comparatives where available and relevant for comparability purposes.

MBL's Pillar 3 disclosures are governed by the Prudential Disclosure Policy, which is approved by the MBL Board.

The Pillar 3 disclosures issued at MBL's financial half-year (30 September) and full-year (31 March) provide comprehensive information on regulatory capital and risk exposures, and are published concurrently with MBL's interim and annual financial reports. The reports for the remaining quarters (30 June and 31 December) disclose a subset of this information.

Calculation of MBL's capital requirements follows the methods accredited by APRA. All amounts reported are in Australian Dollars and have been rounded to the nearest million, unless otherwise stated.

1.5 Key Metrics

APRA's capital framework reforms (effective 2023) prescribe the capital adequacy requirements for IRB ADIs as follows:

- Minimum CET1 ratio of 9%, comprising the industry minimum CET1 requirement of 4.5%, a capital conservation buffer (CCB) of 3.75% and a countercyclical capital buffer (CCyB) of 0.75%[1].
- Minimum Tier 1 and Total capital ratios of 10.5% and 15.5% respectively, inclusive of CCB and CCyB.
- Minimum leverage ratio of 3.5%.

The minimum requirement for liquidity coverage ratio (LCR) and net stable funding ratio (NSFR) is 100% per APS 210 Liquidity.

APRA may impose ADI-specific minimum ratios which may be higher than these requirements. At 31 March 2025, the MBL Level 2 regulatory group's key prudential metrics including the capital ratios, leverage ratio and liquidity ratios are above the APRA imposed regulatory minimum requirements, and the Board imposed internal minimum requirements.

Specific to the MBL Level 1 regulatory group, APRA has imposed an operational capital overlay of $500 million effective from 1 April 2021. This action pertains to historical issues relating to intra-group funding arrangements. Macquarie has been working with APRA on a remediation plan that strengthens MBL's governance, culture, structure and remuneration to ensure full and ongoing compliance with prudential standards and management of MBL-specific risks. The changes under the plan, on which we will continue to deliver through 2025 and beyond, will have a positive impact on MBL through improved systems, frameworks, processes, and further strengthen its risk culture.

At 31 March 2025, MBL's CET1 ratio was 12.8%, up 0.2% from 12.6% in the previous quarter. This was largely driven by net earnings over the quarter, which contributed $0.9 billion to CET1 capital. This movement was partially offset by a $4.2 billion increase in RWA, driven by higher credit risk RWA primarily attributed to:

- Growth in home loans and business banking in BFS; and
- Portfolio growth and derivatives in CGM

Further details on the overall movement in RWA are provide in Table 2: OV1 - Overview of total risk exposure amounts.

The leverage ratio was 5.1% at 31 March 2025, an increase of 0.1% from 31 December 2024. This was driven by higher Tier 1 capital, partially offset by higher exposures, mainly on account of growth in home loans.

The 3 month average liquidity coverage ratio (LCR) to 31 March 2025 was 175%, representing a 21% decrease from the previous quarter. The lower average LCR was driven by an increase in net cash outflows which was partly offset by an increase in high-quality liquid assets over the same period.

The net stable funding ratio (NSFR) as at 31 March 2025 was 113%, which is unchanged from 31 December 2024, driven by offsetting increases in both required stable funding and available stable funding.

Updates on MBL's business activities and developments are provided in the MBL Annual Report.

[1] The CCyB of the Level 2 regulatory group at 31 March 2025 is 0.74%, 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 Section 13 Countercyclical Capital Buffers for further details on CCyB.

Table 1: KM1 - Key metrics

		a	b	c	d	e
		Mar 2025	Dec 2024	Sep 2024	Jun 2024	Mar 2024
		$m	$m	$m	$m	$m
	Available capital (amounts)					
1	Common Equity Tier 1 (CET1)	19,250	18,496	17,610	17,233	17,708
2	Tier 1	21,746	21,004	19,991	19,654	20,154
3	Total capital	31,242	30,550	29,043	27,609	28,440
	Risk-weighted assets (amounts)					
4	Total risk-weighted assets (RWA)	150,958	146,778	138,067	134,854	130,039
4a	Total risk-weighted assets (pre-floor)	150,958	146,778	138,067	134,854	130,039
	Risk-based capital ratios as a percentage of RWA					
5	CET1 ratio (%)	12.8 %	12.6 %	12.8 %	12.8 %	13.6 %
5b	CET1 ratio (%) (pre-floor ratio)	12.8 %	12.6 %	12.8 %	12.8 %	13.6 %
6	Tier 1 ratio (%)	14.4 %	14.3 %	14.5 %	14.6 %	15.5 %
6b	Tier 1 ratio (%) (pre-floor ratio)	14.4 %	14.3 %	14.5 %	14.6 %	15.5 %
7	Total capital ratio (%)	20.7 %	20.8 %	21.0 %	20.5 %	21.9 %
7b	Total capital ratio (%) (pre-floor ratio)	20.7 %	20.8 %	21.0 %	20.5 %	21.9 %
	Additional CET1 buffer requirements as a percentage of RWA					
8	Capital conservation buffer requirement (2.5% from 2019) (%)	3.75 %	3.75 %	3.75 %	3.75 %	3.75 %
9	Countercyclical buffer requirement (%)	0.74 %	0.76 %	0.76 %	0.76 %	0.71 %
10	Bank G-SIB and/or D-SIB additional requirements (%)	NA	NA	NA	NA	NA
11	Total of bank CET1 specific buffer requirements (%)[1] (row 8 + row 9 + row 10)	4.5 %	4.5 %	4.5 %	4.5 %	4.5 %
12	CET1 available after meeting the bank's minimum capital requirements (%)[2]	8.3 %	8.1 %	8.3 %	8.3 %	9.1 %
	Basel III Leverage ratio					
13	Total Basel III leverage ratio exposure measure	425,094	418,311	399,648	375,429	385,318
14	Basel III leverage ratio (%) (including the impact of any applicable temporary exemption of central bank reserves)	5.1 %	5.0 %	5.0 %	5.2 %	5.2 %
14a	Fully loaded ECL accounting model Basel III leverage ratio (including the impact of any applicable temporary exemption of central bank reserves) (%)	NA	NA	NA	NA	NA
14b	Basel III leverage ratio (%) (excluding the impact of any applicable temporary exemption of central bank reserves)	5.1 %	5.0 %	5.0 %	5.2 %	5.2 %
14c	Basel III leverage ratio (%) (including the impact of any applicable temporary exemption of central bank reserves) incorporating mean values for SFT assets	5.1 %	5.0 %	5.0 %	5.2 %	5.2 %
14d	Basel III leverage ratio (%) (excluding the impact of any applicable temporary exemption of central bank reserves) incorporating mean values for SFT assets	5.1 %	5.0 %	5.0 %	5.2 %	5.2 %
	Liquidity Coverage Ratio (LCR)					
15	Total high-quality liquid assets (HQLA)	49,462	44,531	45,665	44,017	50,116
16	Total net cash outflow	28,333	22,734	23,511	22,992	26,246
17	LCR ratio(%)[3]	175 %	196 %	194 %	191 %	191 %
	Net Stable Funding Ratio (NSFR)					
18	Total available stable funding	214,065	206,824	191,643	184,290	186,552
19	Total required stable funding	188,731	183,384	174,509	167,071	161,544
20	NSFR ratio[4]	113 %	113 %	110 %	110 %	115 %

[1] Total of 3.75% capital conservation buffer and 0.74% countercyclical buffer, rounded to 4.5% for presentation purposes.
[2] Calculated as the difference between MBL's CET1 ratio and the minimum CET1 requirement of 4.5% per APS 110.
[3] APRA imposed a 25% add-on to the Net Cash Outflow (NCO) component of the LCR calculation, effective from 1 May 2022. Accordingly, the 3 month average LCR for each period includes a 25% NCO add-on.
[4] APRA imposed a 1% decrease to the Available Stable Funding component of the NSFR calculation, effective from 1 April 2021.

1.6 Risk-Weighted Assets

Table OV1 below presents an overview of MBL's RWAs and minimum capital requirements by risk categories and calculation approaches. The minimum capital requirement is calculated as 8% of RWA. Further details regarding the relevant reporting items are provided in the respective tables or sections within this report.

Total RWA increased by $4.2 billion during the March 2025 quarter and the primary drivers were as follows:

- Credit risk increased by $1.1 billion as a result of growth across the wholesale and retail portfolios,
- Increase in RWA for CCR of $0.8 billion and CVA of $0.9 billion driven by higher trading volumes, foreign exchange rate fluctuations, and commodity price movements in CGM; and
- Higher operational risk RWA corresponding to the movement in P&L.

Table 2: OV1 - Overview of total risk exposure amounts

		a	b		c	
		RWA $m			Minimum capital requirements $m	Table/Section Reference
		Mar 2025	Dec 2024	Sep 2024	Mar 2025	
1	Credit risk (excluding counterparty credit risk)[1]	76,623	75,572	70,490	6,130	CR4 /CR6/CR10
2	Of which: standardised approach (SA)	5,532	5,903	5,574	443	CR4
3	Of which: foundation internal ratings-based (F-IRB) approach[2]	33,240	33,512	30,510	2,659	CR6
4	Of which: supervisory slotting approach	4,836	4,505	3,447	387	CR10
5	Of which: advanced internal ratings-based (A-IRB) approach	33,015	31,652	30,959	2,641	CR6
6	Counterparty credit risk (CCR)	31,017	30,230	27,362	2,481	CCR1/CCR8
7	Of which: standardised approach for counterparty credit risk	26,862	25,107	23,599	2,149	CCR1/CCR8
9	Of which: other CCR	4,155	5,123	3,763	332	CCR1
10	Credit valuation adjustment (CVA)	10,995	10,090	9,505	880	7.2 Credit Valuation Adjustment
15	Settlement risk	1	1	-	-	
16	Securitisation exposures in banking book	916	846	806	74	SEC4
18	Of which: securitisation external ratings - (SEC-ERBA), including internal assessment approach (IAA) based approach	372	355	330	30	SEC4
19	Of which: securitisation standardised approach (SEC-SA)	544	491	476	44	SEC4
20	Market risk[3]	8,526	8,039	8,619	683	9.4.6 Market Risk
21	Of which: standardised approach (SA)	1,319	461	1,007	106	9.4.6 Market Risk
22	Of which: internal model approach (IMA)	7,207	7,578	7,612	577	9.4.6 Market Risk
20a	Interest rate risk in the banking book (IRRBB)[4,5]	4,154	4,488	3,773	332	IRRBB1
24	Operational risk	18,726	17,512	17,512	1,498	OR3
25	Amounts below the thresholds for deduction (subject to 250% risk weight)	-	-	-	-	
26	Output floor applied	72.5 %	72.5 %	72.5 %		
27	Floor adjustment (before application of transitional cap)	-	-	-		
28	Floor adjustment (after application of transitional cap)	-	-	-		
29	**Total (1 + 6 + 10 + 15 + 16 + 20 + 20a + 24 + 25 + 28)**	**150,958**	**146,778**	**138,067**	**12,078**	

[1] Includes $1.8 billion overlays related to PD model in Residential Mortgages, SME Corporate and Retail portfolios.
[2] Includes residual value of operating leases.
[3] Market risk RWA includes the Risks-Not-In-VaR (RNIV) overlay imposed by APRA, effective from 1 January 2024.
[4] In line with national specific modification.
[5] APRA has approved MBL's historical simulation internal model subject to a $100 million capital overlay add-on, which is included in the IRRBB RWAs.

2. Overview of Risk Management

2.1 Risk Governance

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.
- 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.
- The Internal Audit Division, 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.

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 MBL Board is responsible for MBL's risk management framework and the oversight of its operation by Management. The MBL Board approves the MBL Risk Appetite Statement (RAS), and together with the MGL Board, approves Macquarie's Risk Management Strategy (RMS). The MBL Board also determines delegations to Management and approves applicable risk limits and policies for the Banking Group.

Board Committees

The MBL Board is assisted in its oversight role by its Board Committees, including:

- The Board Audit Committee (BAC) which assists with the oversight of the quality and integrity of the accounting, auditing and financial reporting of the Banking Group.
- The Board Governance and Compliance Committee (BGCC) which assists with monitoring corporate governance, regulatory, legal, compliance and financial crime risk matters for the Banking Group.
- The Board Risk Committee (BRiC) which assists by providing oversight of MBL's risk management framework and advising the MBL Board on MBL's risk appetite, risk culture and the RMS.
- The Board Remuneration Committee (BRC) which assists by overseeing the design, operation and monitoring of Macquarie's remuneration framework.
- The MBL Board Conflicts Committee (BCC) which assists by considering and making recommendations regarding matters or decisions where the interests of MBL or any member of the Banking Group potentially or actually conflict with those of MGL or any MGL subsidiary other than members of the Banking Group and those matters or decisions are material to the Banking Group.

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 full-year financial statements.

Management Committees

At the Management level, a number of committees support the management and governance of MBL. These management committees assist in the exercise of the delegated authority of the MBL CEO. Key MBL management committees include:

- The Executive Committee, which operates as an advisory committee for a variety of tactical and strategic initiatives related to the Banking Group, including those that involve a major change in the Banking Group's risks.
- The Executive Risk Committee, which monitors the operation and effectiveness of key internal frameworks, policies and practices for managing financial and non-financial risks, and review governance practices across the Banking Group.
- The Asset and Liability Committee, which is responsible for the oversight of funding management, liquidity management, capital management, Interest Rate Risk in the Banking Book (IRRBB) and credit ratings for the Banking Group.
- The MBL Conflicts Forum, which assists the MBL CEO by considering and making recommendations to the MBL CEO where appropriate regarding any matters or decisions where the interests of MBL or a member of the Banking Group potentially or actually conflict with those of MGL or a member of the Non-Banking Group. The forum also assists the MBL CEO and the MBL Boards Conflicts Committee by identifying and providing information to the Committee regarding any conflicts that are material to the Banking Group.

2.2 Macquarie's Risk Management Framework

Macquarie's risk management framework 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.

Material and emerging risks

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 approach to managing these risks include risk specific frameworks, policies and standards.

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

Emerging risks are new risks or material changes in existing risks such as heightened uncertainty and/or ambiguity. They include, but are not limited to, macro-economic risks, driven by uncertainty and volatility in financial markets, global credit and other economic and geopolitical challenges; adverse financial and non-financial impacts related to climate change; advances in technology including Artificial Intelligence; and operational risks such as cyber-attacks, information security breaches or technology disruption events within our own systems or those of third-party suppliers.

Emerging risks are identified, assessed and considered across our risk management framework, including:

- the annual review of each Group's strategy and business plan
- the Risk and Control Self-Assessment process which summarises each Group's risk profile, known and emerging themes, key changes and their impact on the risk profile
- other elements such as new product and business approval processes, issue and incident management, regulatory change forums and consideration of the external environment.

Where new or evolving risks are identified, the impacted areas of the risk management framework are assessed and adjusted where required to ensure the risks are managed effectively. These include updates to Macquarie's RMS, and the MBL RAS (and MGL RAS).

Risk management principles

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

- All staff have a role in managing risk: All staff throughout Macquarie are expected to manage risks in accordance with the risk management framework and foster an appropriate and effective risk culture.
- 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.

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 RAS defines the overarching risk-taking settings of MBL through risk appetite and risk tolerances. The MBL 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.

As part of Macquarie's Annual Strategy Review and Business Planning process, RMG undertakes an independent review of Macquarie's strategy and considers how risks identified could individually or in aggregate impact Macquarie's risk profile and risk appetite. Macquarie's strategy and the outcome of RMG's review together inform the annual review of the MBL RAS (and MGL RAS), including the risk appetite and tolerance settings.

Stress testing

Enterprise-Wide Stress Testing (EWST), Scenario Analysis & Sensitivity Analysis are integral components of Macquarie's risk management framework, and is integrated with Macquarie's strategy review and financial forecasting. Stress testing 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.

EWST is intended to capture the impacts of a stress event or scenario across all risk-types and businesses within MGL or MBL and is undertaken in accordance with Macquarie's EWST Policy and EWST Standard. It is a way in which risks are identified and understood at Macquarie, and is a key tool for assessing emerging risks, capital adequacy under stress events, capital target setting, deal approval, limit setting, portfolio monitoring, and defining aggregate risk appetite and tolerances.

Macquarie's EWST framework seeks to establish methodologies covering all of MBL and MGL's material risks, to ensure stress test impacts are considered across all material areas of Macquarie's portfolio.

The ICAAP Stress Test is a core use of EWST across Macquarie to ensure that MGL and MBL continue to operate with sufficient capital throughout severe but plausible downturn scenarios. It is underpinned by scenarios that are reviewed and approved annually by the MGL and MBL Boards and are designed using clearly defined criteria ensuring the scenarios are appropriately severe, appropriate for Macquarie's entire risk profile, and incorporate non-financial risks.

Macquarie conducts the ICAAP Stress Test at least annually, and as part of its Risk Appetite Stress Testing capabilities, it is refreshed and forecasted at more regular intervals to reflect the latest portfolio and strategies. Other ad-hoc stress testing and scenario analysis may also be undertaken to inform risk appetite and limit setting.

The results of the ICAAP Stress Test are considered in reviewing the ongoing appropriateness of Macquarie's capital targets and associated triggers, as approved by the MGL and MBL Boards annually as part of the MGL and MBL funding and capital management strategy.

Additional uses of EWST across MGL and MBL include Regulatory Stress Testing, Recovery and Exit Planning Scenario Analysis, Resolution Planning Scenario Analysis, Reverse Stress Testing, Climate Risk Scenario Analysis, Intra-Group Exposure Stress Testing and other strategic stress testing exercises.

Further stress testing and scenario analysis is undertaken across MGL and MBL to understand and assess risks on a more granular level across individual risks or business portfolios. Examples include stress testing undertaken to support liquidity risk, market risk and non-financial risk management, which are undertaken in accordance with the relevant individual risk management policies and frameworks.

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

All new products, new businesses, 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.

Risk culture

Risk culture is foundational to risk management, supporting our ability to operate within risk appetite. Maintaining an appropriate and effective risk culture continues to be integral to Macquarie's risk management framework. The MBL Board, assisted by the MBL BRiC, is responsible for forming a view of risk culture within MBL and the extent to which it supports the ability of MBL to operate consistently within its risk appetite. Through its oversight, the MBL Board can also identify any necessary or desirable changes and focus areas required to strengthen risk culture at MBL.

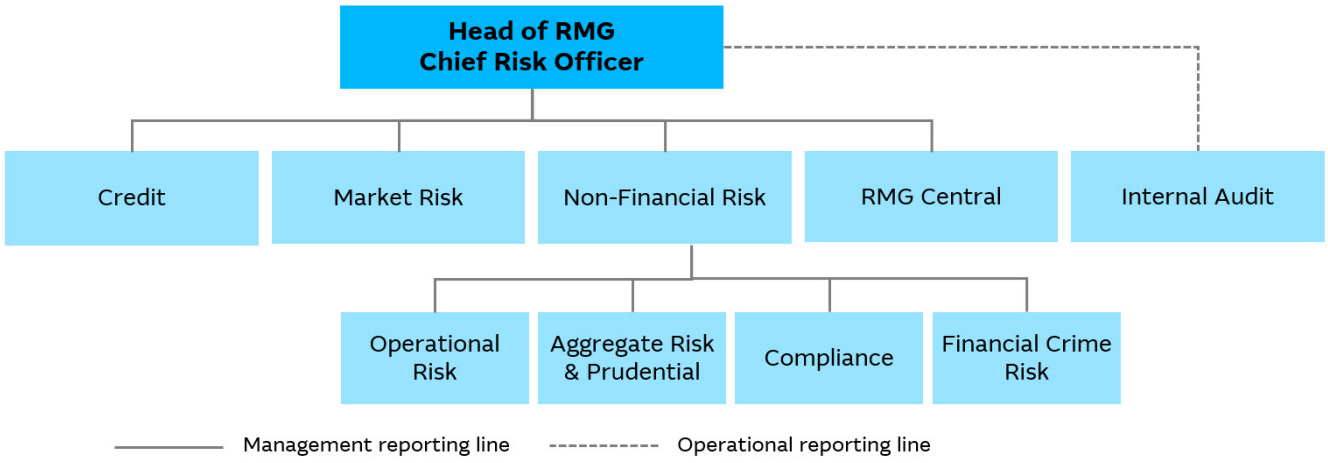
Macquarie's approach to maintaining an appropriate and effective risk culture is based on an integrated and iterative cycle of:

- Setting behavioural expectations, including through the Code of Conduct.
- Promoting risk culture by embedding the behavioural expectations into day-to-day practices. This is enabled through structural mechanisms, including performance-based remuneration and consequence management.
- Monitoring through qualitative and quantitative indicators, targeted assessments and reviews, and enabling the identification of focus areas.
- Reflecting to support the identification of necessary or desirable changes and focus areas.

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.

The Head of RMG, as Macquarie's CRO, reports directly to the MGL CEO with a secondary reporting line to the MGL and MBL BRiC. 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.



RMG Divisions

Credit manages and oversees the counterparty credit, equity and asset risks taken by Macquarie, including Environmental and Social Risks. This is delivered through the credit risk management framework that articulates the approach to assessment, approval, monitoring and reporting of these risks.

Market Risk assesses, monitors and reports on the risk of change in the value of Macquarie's positions as a result of changes in market conditions. This encompasses both traded and non-traded market risk. Market Risk also oversees Macquarie's implementation of the liquidity risk framework.

Operational Risk establishes, enables and provides oversight of the framework and capabilities supporting the identification, assessment, management, reporting and escalation of risks arising from our people, processes and systems, as well as those introduced by external parties, capabilities and events, including but not limited to Work Health and Safety risks, some of which may be beyond our reasonable control.

Aggregate Risk & Prudential supports the financial resilience, stability and risk culture of Macquarie through oversight of aggregate risks and prudential obligations.

Compliance maintains a comprehensive Compliance framework and provides independent oversight to enable our businesses to discharge their regulatory and compliance obligations. Compliance also maintains the Conduct risk framework and supports Macquarie-wide risk surveillance.

Financial Crime Risk maintains, oversees and advises on the financial crime risk frameworks to manage the money laundering, terrorism financing, sanctions and bribery and corruption risks across Macquarie's customers, clients, staff and the communities we serve.

RMG Central supports the operation of RMG by providing centralised services for change and data, assurance, people engagement and operations. Also develops and maintains foundational elements of Macquarie's risk management framework and delivers group-wide risk training and cross-group initiatives.

Internal Audit

The Internal Audit Division (IAD), as the third line of defence, provides independent and objective risk-based assurance to the MGL and MBL BACs, MGL and MBL Boards, 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 MGL BAC has primary power of direction over the IAD and is accountable for reviewing the effectiveness of the IAD. The Head of Internal Audit reports functionally to the MGL and MBL BACs and is primarily accountable to them. The Head of Internal Audit has unrestricted access to, and regularly meets privately with, the MGL and MBL BACs (and their Chairs). The MGL and MBL BAC monitors and reviews the performance, objectives, rating, remuneration and degree of independence of the Head of Internal Audit. The MGL and MBL BAC also approve any appointment and removal of the Head of Internal Audit. The Head of Internal Audit reports operationally to the CRO for day-to-day management. For audit matters relating to RMG, the role of the CRO is substituted by the MGL CEO.

2.4 Reporting

Macquarie's risk management framework incorporates active management, monitoring and reporting of all material risks. Macquarie's governance structure ensures that Senior Management and the MGL and MBL Boards have a comprehensive view of all material risks through regular reporting of Macquarie's risk position and profile to management committees, the MGL and MBL Boards and their respective Board Committees. Macquarie-wide management information systems provide capability for effective monitoring and reporting of risk information.

3. Capital Adequacy

3.1 Capital management

3.1.1 Capital management strategy

Macquarie's capital management strategy is to determine and maintain appropriate capital levels to support Macquarie's businesses. This includes generating appropriate returns on capital and managing capital in a manner consistent with the expectations of external stakeholders, including regulators, investors and rating agencies.

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 capital requirements; and
- Support Macquarie's credit ratings.

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 the MGL Group's and the MBL Group's aggregate level of risk, including for specific risk types such as credit, equity, 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 internal and external measures of capital are used to inform the capital management strategy and support business decision making including:

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

3.1.2 Capital adequacy assessment

Capital adequacy is primarily assessed on a regulatory basis for the regulatory reporting groups (Level 1, Level 2 and Level 3), as well as on an economic basis for the MBL Group and MGL Group. The assessment is conducted in accordance with the ICAAP framework (refer Section 1.1 Overview of the Basel III Framework), with results reported to the MBL Board, MGL Board and Senior Management, together with projections of capital adequacy under a range of scenarios.

Capital requirements are assessed as follows:

Entity	Regulatory basis (Basel III)	Economic basis (ECAM)
Level 1 regulatory group	Capital to cover RWA and regulatory deductions, according to APRA's ADI Prudential Standards	n/a
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 internal ECAM 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.

Risk[1]	Basel III[2]	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 54%
Market	M[4] times 10-day 99% Value at Risk (VaR) plus M times 10-day 99% Stressed Value at Risk (SVaR), plus a specific risk charge	Scenario-based approach
Operational	Standardised Measurement Approach	Scenario-based internal measurement approach

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

[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.

3.2 Regulatory capital instruments

MBL's regulatory capital comprises Common Equity Tier 1 capital, Additional Tier 1 capital and Tier 2 capital, recognised in accordance with APS 111.

Common Equity Tier 1 Capital

The Bank Group's Common Equity Tier 1 capital under Basel III consists of ordinary share capital, retained earnings and certain reserves, less prescribed regulatory adjustments. MBL periodically pays dividends to MGL. As required, MGL may inject capital into MBL to support projected business growth.

Tier 1 Capital

Tier 1 capital consists of Common Equity Tier 1 capital and Additional Tier 1 capital (hybrids). Additional Tier 1 capital as at 31 March 2025 consists of MACS, BCN2 and 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).

Tier 2 Capital

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

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

3.3 Composition of Regulatory Capital

Table CC1 below discloses the composition of MBL's regulatory capital, capital ratios, and buffer requirements, presented with relevant references to the regulatory balance sheet. This table should be read in conjunction with Table 4: CC2 - Reconciliation of regulatory capital to balance sheet.

Table 3: CC1 - Composition of regulatory capital

		a	b	
		Amounts Mar 2025 $m	Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation	Amounts Sep 2024 $m
	Common Equity Tier 1 capital: instruments and reserves			
1	Directly issued qualifying common share (and equivalent for non-joint stock companies) capital plus related stock surplus	10,192		10,209
2	Retained earnings	11,047		9,733
3	Accumulated other comprehensive income (and other reserves)	1,612		847
6	**Common Equity Tier 1 capital before regulatory adjustments**	**22,851**		20,789
	Common Equity Tier 1 capital: regulatory adjustments			
7	Prudent valuation adjustments	1		2
8	Goodwill (net of related tax liability)	42		38
9	Other intangibles other than mortgage servicing rights (MSR) (net of related tax liability)	28		57
10	Deferred tax assets (DTA) that rely on future profitability, excluding those arising from temporary differences (net of related tax liability)	51	Table a	66
11	Cash flow hedge reserve	105		75
12	Shortfall of provisions to expected losses	236		128
14	Gains and losses due to changes in own credit risk on fair valued liabilities	32		19
26	National specific regulatory adjustments	**3,106**		2,761
26a	of which: deferred fee income	(202)		(183)
26b	of which: equity investments in financial institutions	443		476
26c	of which: deferred tax assets (temporary differences)	1,020	Table a	875
26d	of which: capitalised expenses	851		811
26e	of which: investments in commercial (non-financial) entities that are deducted under APRA prudential requirements	750		556
26f	of which: other national specific regulatory adjustments not reported in rows 26a to 26e	244		226
	Other regulatory adjustments not reported above	-		33
28	Total regulatory adjustments to Common Equity Tier 1 capital	**3,601**		3,179
29	**Common Equity Tier 1 capital (CET1)**	**19,250**		17,610
	Additional Tier 1 capital: instruments			
30	Directly issued qualifying additional Tier 1 instruments plus related stock surplus	2,496	Table b	2,381
32	Of which: classified as liabilities under applicable accounting standards	2,496	Table b	2,381
36	Additional Tier 1 capital before regulatory adjustments	2,496	Table b	2,381
44	Additional Tier 1 capital (AT1)	2,496	Table b	2,381
45	Tier 1 capital (T1 = CET1 + AT1)	21,746		19,991
	Tier 2 capital: instruments and provisions			
46	Directly issued qualifying Tier 2 instruments plus related stock surplus	9,490	Table c	9,046
50	Provisions	6		6
51	Tier 2 capital before regulatory adjustments	9,496		9,052
58	Tier 2 capital	9,496		9,052
59	**Total regulatory capital (= Tier 1 + Tier2)**	**31,242**		29,043
60	**Total risk-weighted assets**	**150,958**		138,067
	Capital adequacy ratios and buffers			
61	Common Equity Tier 1 capital (as a percentage of risk-weighted assets)	12.8 %		12.8 %
62	Tier 1 capital (as a percentage of risk-weighted assets)	14.4 %		14.5 %
63	Total capital (as a percentage of risk-weighted assets)	20.7 %		21.0 %

		a	b	
		Amounts Mar 2025 $m	Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation	Amounts Sep 2024 $m
64	Institution-specific buffer requirement (capital conservation buffer plus countercyclical buffer requirements plus higher loss absorbency requirement, expressed as a percentage of risk-weighted assets)[1]	4.5 %		4.5 %
65	Of which: capital conservation buffer requirement	3.75 %		3.75 %
66	Of which: bank-specific countercyclical buffer requirement	0.74 %		0.76 %
67	Of which: higher loss absorbency requirement	N/A		N/A
68	Common Equity Tier 1 capital (as a percentage of risk-weighted assets) available after meeting the bank's minimum capital requirements[2]	8.3 %		8.3 %
	Applicable caps on the inclusion of provisions in Tier 2 capital			
76	Provisions eligible for inclusion in Tier 2 capital in respect of exposures subject to standardised approach (prior to application of cap)	6		6
77	Cap on inclusion of provisions in Tier 2 capital under standardised approach	224		204
78	Provisions eligible for inclusion in Tier 2 capital in respect of exposures subject to internal ratings-based approach (prior to application of cap)	-		-
79	Cap for inclusion of provisions in Tier 2 capital under internal ratings-based approach	604		546

[1] Total of 3.75% capital conservation buffer and 0.74% countercyclical buffer, rounded to 4.5% for presentation purposes.
[2] Calculated as the difference between MBL's CET1 ratio and the minimum CET1 requirement of 4.5% per APS 110.

3.4 Reconciliation of Regulatory Capital to Balance Sheet in the Audited Financial Statements

Information presented in table CC2 consists of the accounting consolidated balance sheet of MBL and its subsidiaries (column a), the regulatory balance sheet of the Level 2 group (column b), together with relevant reconciliations to regulatory capital information disclosed in Table 3: CC1 - Composition of regulatory capital.

Details on the balance sheet movements are provided in MBL Annual Report.

Table 4: CC2 - Reconciliation of regulatory capital to balance sheet

	a	b	c
	Balance sheet as in published financial statements	Under regulatory scope of consolidation	Reference
	Mar 2025 $m	Mar 2025 $m	
Assets			
Cash and bank balances	22,269	22,218	
Cash collateralised lending and reverse repurchase agreements	60,165	60,164	
Trading assets	29,729	29,719	CC1 Row 26f
Margin money and settlement assets	20,072	20,071	
Derivative assets	23,936	23,936	
Financial Investments	17,057	17,054	
Other assets	7,226	7,031	CC1 Row 8, 9, 26
Loan assets	181,386	181,387	CC1 Row 26d
Due from other Macquarie Group entities	6,297	6,619	
Property, plant and equipment and right-of-use assets	5,989	5,913	
Investments in regulatory non-consolidated subsidiaries	-	209	
Deferred tax assets	1,095	1,086	
Total Assets	**375,221**	**375,407**	
Liabilities			
Deposits	177,671	177,671	
Cash collateralised borrowing and repurchase agreements	4,692	4,692	
Trading liabilities	5,753	5,752	
Margin money and settlement liabilities	23,610	23,610	
Derivative liabilities	23,184	23,184	
Other liabilities	9,894	9,855	
Due to other Macquarie Group entities	9,065	9,390	
Issued Debt securities and borrowings	85,804	85,797	
Deferred tax liabilities	21	19	
Total Liabilities excluding loan capital	**339,694**	**339,970**	
Loan Capital	12,540	12,540	Table b / Table c
Total liabilities	**352,234**	**352,510**	
Net assets	**22,987**	**22,897**	
Equity			
Contributed equity	10,192	10,192	
Reserves	1,616	1,613	
Retained earnings	11,179	11,092	
Total capital and reserves attributable to the ordinary equity holder of Macquarie Bank Limited	22,987	22,897	
Total equity	**22,987**	**22,897**	

The tables below provide reconciliations between the regulatory balance sheet (disclosed in Table 4: CC2 - Reconciliation of regulatory capital to balance sheet) and the regulatory capital information (disclosed in Table 3: CC1 - Composition of regulatory capital).

Table a - DTA	Mar 2025 $m	CC1 Row reference
Deferred Tax Assets per Regulatory Balance Sheet	1,086	
Less: Deferred Tax Liabilities per Regulatory Balance Sheet	(19)	
Net Deferred Tax Assets	1,067	
Adjustments required in accordance with APRA prudential standards	4	
Adjusted Net Deferred Tax Assets	1,071	
of which: Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	51	Row 10
of which: Deferred tax assets (temporary differences) - Amounts below prescribed threshold	1,020	Row 26c
Total Deferred Tax Assets - Per CC1 disclosure	1,071	

Table b - Additional Tier 1 Capital	Mar 2025 $m	CC1 Row reference
Loan Capital per Regulatory Balance Sheet	12,540	
Less: Tier 2 capital instruments reported in Table c	(10,078)	
Less: Accrued interest	(8)	
Add: Capitalised expenses deducted in Common Equity Tier 1 Capital[1]	8	Row 26d
Less: Fair value hedge adjustments[2]	34	
Total Additional Tier 1 Capital - Per CC1 disclosure	2,496	Row 30/32/36/44
Additional Tier 1 Capital Instruments		
Macquarie Bank Capital Notes 2	641	
Macquarie Bank Capital Notes 3	655	
Macquarie Additional Capital Securities	1,200	
Total Additional Tier 1 Capital - Per CC1 disclosure	2,496	Row 30/32/36/44

Table c - Total Tier 2 Capital	Mar 2025 $m	CC1 Row reference
Tier 2 Capital per Regulatory Balance Sheet	10,078	Table b
Less: Accrued Interest	(89)	
Add: Capitalised expenses deducted in Common Equity Tier 1 Capital[1]	24	
Less: Fair value hedge adjustments[2]	439	
Less: Basel III non-transitional amortisation	(962)	
Total Tier 2 Capital - Per CC1 disclosure	9,490	Row 46
Tier 2 Capital instruments[3]		
USD 750m subordinated debt issued in June 2015	240	
AUD 750m subordinated debt issued in May 2020	750	
USD 750m subordinated debt issued in June 2020	1,200	
USD 1b subordinated debt issued in March 2021	1,600	
AUD 750m subordinated debt issued in June 2021	750	
AUD 850m subordinated debt issued in June 2022	850	
USD 1b subordinated debt issued in January 2023	1,600	
AUD 650m & AUD 600m subordinated debt issued in March 2024	1,250	
AUD 900m & AUD 350m subordinated debt issued in August 2024	1,250	
Total Tier 2 Capital - Per CC1 disclosure	9,490	Row 46

[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 26d of the Table 3: CC1 - Composition of regulatory capital.
[2] For regulatory capital purposes, APRA requires these instruments to be included as unhedged.
[3] Values are post transitional amortisation.

4. Credit Risk

4.1 Introduction

4.1.1 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.

The MGL and MBL Boards are responsible for establishing the framework for approving credit exposures. Macquarie's Framework is built upon the key pillars of Risk Appetite, Risk Identification, Governance and Systems/Infrastructure.

The Risk Appetite Statement (RAS) is the overarching Macquarie-wide document which outlines the Board approved credit, equity, and asset risk appetite, and Macquarie's tolerance for credit, equity and asset risk is constrained by the limits set out in the MGL and MBL RAS. This serves to ensure that Macquarie is not exposed to excessive concentration of risk through the build-up of exposure to single counterparties, correlated exposures across counterparties, or material wholesale credit exposures over long tenors.

Monitoring and oversight of risk exposures against a tolerance for credit risk are supported by a thorough suite of RAS Metrics. These metrics are further supplemented by Management Metrics across the Businesses, which cascade the RAS Metrics to the Businesses, or constrain specific risks within those Businesses.

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.

Line 1 (Business Units in our Operating Groups), and Line 2 (RMG Credit) both play an important role in accepting and monitoring credit risk. Ultimately, Line 1 owns the credit risk, while RMG Credit independently approves, assesses and monitors changes to the credit risk profile.

Line 3 (Internal Audit), provides independent and objective risk-based assurance on the compliance with, and effectiveness of, Macquarie's financial and risk management framework.

4.1.2 Credit Risk Function

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 of new counterparties; and
- A requirement that, above specified limits, all credit exposures must be approved outside the business unit proposing to undertake them.

RMG Credit manages the Credit, Equity and Asset risk portfolios within the wider risk Framework, reporting relevant information to management, Boards and Board Committees, where required.

Coverage of Credit Risk is also undertaken regionally, with RMG Credit teams located in ANZ, the Americas (New York and Houston), EMEA (London, Dublin and Paris), and Asia (Singapore, Hong Kong, Tokyo and Gurugram). These teams work closely with the Macquarie businesses in their region.

In addition, each region has an RMG Credit Regional Head who reports into the Head of Credit. This expertise and local knowledge is vital due to varying regional market conventions, risk drivers and outlooks across each region. To ensure consistency across all regions, the overarching Credit Risk Management Framework applies to ensure appropriate risk/return decisions are taken across the group.

RMG Credit Central is responsible for the management of all non-business facing functions within RMG Credit. This includes responsibility for systems, reporting and setting up control frameworks, risk modelling, data management, prudential oversight & compliance with APRA credit-related Prudential Standards and country risk. These teams support all businesses facing RMG Credit functions to manage the day-to-day operations of the division.

RMG Credit Assurance (CA) is a centralised function within RMG which independently verifies the effectiveness of Macquarie's credit risk management. The role of CA is to provide an independent assurance of analysis and process to support credit quality and the effectiveness of credit controls. It also reports annually on the effectiveness of the Credit Risk Management Framework, RMG Credit's performance and compliance with Groupwide Policies and Procedures including the Internal Ratings Policy. Reporting is provided to the Board Risk Committee (BRiC).

4.2 Credit Risk Management

RMG's overarching Credit Risk Management Framework outlines the businesses in which Macquarie operates and the relevant credit risk components inherent in these.

RMG Credit review and challenge businesses' strategies and proposed risk taking, and also help inform risk appetite which in turn shapes each businesses' strategies. RMG Credit maintains a comprehensive and robust framework for the identification, analysis and monitoring of credit risks arising in each business.

Counterparty, portfolio, country and industry limits are set in response to Macquarie's overall business strategy and business needs, consistent with this risk appetite and the overarching risk appetite framework, to ensure a diversified credit portfolio and an appropriate risk adjusted return.

Credit Workstation (CRWS) and CREST (Credit Systems) are global credit assessment platforms which are used to record critical data and analysis relevant to credit limit setting (including credit quality assessment and expected recovery).

Some of the Credit Systems capabilities include the entry and approval of initial and ongoing counterparty credit risk reviews, assessment of default risk and loss severity through the use of MQ rating and LGD scorecards and limit approval (including approval conditions).

Key credit data authored and approved within Credit Systems are integral to many processes across Macquarie including capital calculations, reporting and Front Office Pre-Deal Checkers. A high level overview of the various system interfaces required for these processes are outlined below.

Credit data that is authored in CRWS includes MQ rating, LGD, limits, related entity groupings and treatment flags (e.g. specialised lending, securitisation, subordinated, etc). CRWS is considered the "source" of this information and various controls, validations and restrictions have been built into the system to ensure accurate entry of this critical data.

CREST is the primary global system used by RMG Credit to manage and monitor all wholesale credit exposures excluding BFS business banking wholesale exposures. CREST capabilities include excess management, counterparty limit and exposure reporting.

RMG Credit, as owners of both the limit framework and exposure methodology, maintain relevant credit policies and set limits and management flags (e.g. escalation criteria for tail and stressed exposures). RMG Credit further monitor exposures against those limits and flags. 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 potential 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.

When approving limits, RMG Credit assess the strength of the client, ensure the risks are well understood, form a view on the risk/reward balance relating to risk acceptance decisions, calculate worst case losses, and ensure that if a default does occur, the extent of loss is known.

Once limits are approved, RMG Credit monitor the performance of counterparties on an ongoing basis to ensure any deterioration is identified and reflected in an adjustment to limits, internal client (MQ) rating, LGDs and other attributes. All wholesale counterparties are reviewed at least annually. If a client's performance deteriorates, the position is actively managed to reduce potential loss to Macquarie.

For Retail & SME businesses, the Board approved aggregate exposure limits for homogenous portfolios are cascaded to prescriptive limits at the product level. Most approvals for retail products (home loans, asset finance, credit cards) are undertaken by the business (Line 1) in accordance with the Line 2 approved credit policy and override framework.

For Wholesale (non-retail), business transactions are proposed by the businesses, within the parameters of Macquarie's business strategy and subject to individual approval by credit discretion holders. Credit, equity or asset limits are required to accept any amount of wholesale credit, equity or asset risks under a strict principle of 'no limits, no dealing'.

Ongoing monitoring processes undertaken by Credit include daily limit monitoring, problem loan management (via CreditWatch), and breach reporting/escalation. The Head of Troubled Assets sits within RMG Credit and provides independent Line 2 oversight over Troubled Assets.

RMG Credit are further involved in new product approvals and undertake portfolio stress testing.

Policy Governance

Macquarie-wide policies set out the principles that govern decision-making across Macquarie. Where required, additional guidance is captured within RMG Credit policies, procedures, guidelines, and templates.

Approval of RMG Credit policies is dependent on the type of Policy and the materiality of the changes being made. Policy Owners are responsible for reviewing and approving all policies with additional approvals required if changes are deemed material. Relevant Policy Owner(s) and the Head of Credit Central are responsible for determining materiality.

Exposures measurement

Exposures are calculated differently according to the nature of the obligation. Exposures will generally be measured using one of the following methods:

- Loans and equity investments – equity investments are measured at balance sheet carrying value. Loan exposures are measured at their full nominal value (unless bought at a discount in which case they are measured at their accreted value) and limits must be set accordingly – any impairments are separately recorded.
- Irrevocable contingent liabilities and settlement risk - at full nominal value.
- Market related contracts - a potential future exposure (PFE) profile is measured over future dates to the maturity of each individual contract. PFE is measured assuming a credit event (counterparty default or non-payment) occurs and assumes zero recovery value. Since future market prices are uncertain, PFE is a contingent amount and hence measured at a specified confidence level. At Macquarie, that level is 97.5% meaning on average there will be 2.5% of outcomes which are outside the modelled result. PFE limits are calibrated to this confidence level. Tail exposure beyond this confidence level is monitored by the Derivatives Review Forum which either confirms the exposure is within risk appetite or recommends mitigating action as appropriate.
- Asset Risk - exposure generally comes in two forms: lease residual value and asset trading exposure. Residual value (RV) is the remaining book value of the asset at the end of the lease. Macquarie takes asset risk whenever it writes a lease with an unguaranteed RV component and sets asset risk limits to cover these positions. Asset trading exposure is the risk associated with holding an asset that was purchased with the intention of selling it for a profit. Asset trading exposure is measured as the cost of the asset, i.e. its book value.

For regulatory purposes, Counterparty Credit exposure, i.e. EAD, is calculated according to the Standardised Approach to Counterparty Credit Risk (SA-CCR) outlined in APRA's ADI Prudential Standard 180 (APS 180), and comprises of replacement cost (RC) and potential future exposure (PFE). The internal measure of counterparty credit exposure is calculated as a function of market movements.

Exposures Stress testing

Macquarie evaluates a counterparty's mark-to-market exposures under a potential stress using a historical approach for stress testing. Under this approach scenarios are designed to consider the worst realistic 2 day move in the prices of the underlying market risk factors. These stresses are applied at the asset class level and the size of stress vary by asset class. This is done only for the purpose of internal risk management and utilises internal models.

Additionally, Macquarie employs large exposure stresses which are designed to stress the prices of material underlying risk factors up to historical maximum and down to the historical minimum prices observed. This is designed to identify the counterparties where exposures are high enough to cause material changes to capital requirements if the markets were under stress.

These stresses are complemented by exposure stresses applied as part of EWST exercises as described in Section 2.2 Macquarie's Risk Management Framework.

Exposures reporting

MBL maintains strong reporting capabilities at both a central/aggregated level as well as within the Operating Groups. Portfolio trends and metrics are reported through the Credit, Equity and Asset Risk Portfolio Report, which is presented quarterly to the Executive Risk Committee and semi-annually to Board Risk Committee.

MBL has portfolio monitoring dashboards that are designed to provide transparency and oversight on credit exposures, concentrations and credit quality. The Aggregate Risk Portfolio Dashboard provides a range of functionality and a common platform for portfolio monitoring across a range of users within RMG, FPE and the Business.

The main features of our credit risk reporting are outlined on the following page.

Main features of credit risk reporting:

Risk Reports & Other Reporting Content	Description
RMG Report	• Supports the MBL and MGL Boards' oversight of Macquarie's Risk Management Framework and Risk Appetite Statement, • Key developments include significant approvals, issues & incidents, and regulatory developments pertinent to Risk are presented and reviewed; and • Items relating to problem loans/troubled assets are included as warranted.
Financial Risk Report	Board report which provides an overview of RMG Credit risk activity and exposures for MBL and MGL.
CEARPR (Credit, Equity and Asset Risk Portfolio Report)	Provides reporting and analysis of the credit, equity and asset portfolios. This includes large exposures, industry and geographic concentrations, credit, equity, and asset exposures by business, exposure type and credit quality.
Credit Quality	Monitoring for potential deterioration in the portfolio through downgrades or originations. This includes a number of RAS metrics: Expected loss; Aggregate MQ14-MQ16 exposures; Non-Performing (MQ99)
CreditWatch	Outlines material developments related to CreditWatch (deteriorated and defaulted) counterparties and portfolios, as well as documents the strategy and course of action for material counterparties presented to the forum. It also reports trends and themes amongst new counterparties placed on CreditWatch.
Country Risk Report	• Provides an overview of country risk exposures broken down by exposure type as well as an analysis of key country and portfolio developments, • Further provides an overview of portfolio changes and other regional analysis; and • Key portfolio metrics, trends and characteristics are captured and reported through the CEARPR, which is presented quarterly to the Board Risk Committee.
RAS Limit Summary Report	As per the Risk Appetite Statement limits, metrics are reported, monitored and measured at the MBL level.

4.3 Internal ratings-based (IRB) models

The Internal Ratings Policy contains the framework for MBL's Internal Ratings Based (IRB) system which includes the methods, processes, controls, data collection and technology that support the assessment of credit risk, the assignment of internal credit risk ratings and the quantification of associated default, exposure and loss estimates in line with the requirements of Prudential Standards.

4.3.1 IRB Models & Model Risk Management (MRM)

Macquarie's framework for managing model risk is centred around establishing clear governance, controls and roles and responsibilities throughout a model lifecycle to ensure model risk is effectively managed and mitigated.

Risk Management Group (RMG) MRM is an independent function within the Aggregate Risk & Prudential division and own's Macquarie's Group wide MRM Policy and framework. In accordance with the framework, RMG MRM are responsible for governance, oversight, validation and approval of models.

The MRM Policy is the overarching policy applicable to all models across the Group and establishes clear definitions of what constitutes a model and model risk. The Policy and associated Standard outlines minimum requirements to manage and reduce inadequacies or error in the development, implementation, use and oversight of models.

All IRB models undergo initial and ongoing validation and approval by RMG MRM, with oversight from the Credit Models Review Committee.

Additional relevant policies and processes relating to IRB model risk management include:

- The COG Technology Framework, which governs the use of technology and model integration
- Data Management Policy, which governs data quality measurement and storage; and
- The Incidents and Issues Policy which outlines the Macquarie wide issues management process and is applicable to IRB models.

Effective management of models occurs across the three lines of defence, involving separate and independent functions within RMG. This structure ensures the independence of the function in charge of the audit and validation of the models from the function responsible for ownership and development of the models.

- Line 1: RMG Credit & BFS as model owners have ultimate accountability to ensure compliance with the MRM Policy and Standard.
- Line 2: RMG Aggregate Risk & Prudential provide oversight and assurance to ensure model risk is being managed effectively, this includes for example RMG MRM performing initial and ongoing validation of IRB models and oversight of all IRB models by the Credit Models Review Committee.
- Line 3: Internal Audit review the design and effectiveness of the risk management framework for internal rating systems and risk estimates in calculating and reporting credit risk capital in line with the APS 112 and APS 113 requirements.

Segregation of duties throughout the model implementation process, per Macquarie's Change Enablement Standard, ensures that risks associated with model implementation are mitigated. For example, as part of release into production business processes,

models must be tested and have change approval independent from the code developer.

The Board and Senior Management of Macquarie receive regular and detailed reporting relating to credit risk models, including but not limited to:

- RMG Central Credit Assurance: Reports annually on the effectiveness of the Credit Risk Management Framework, Credit's performance, and compliance with Groupwide Policies and Procedures, including the Internal Ratings Policy.
- RMG Internal Audit: Credit Risk Capital Management and Reporting is conducted annually on the design and effectiveness of the risk management framework for internal rating systems and risk estimates in calculating and reporting credit risk capital, in line with the requirements of APS 113 as it pertains to RMG Credit. The results of the audit are reported to the Board Audit Committee.
- RMG MRM: Reports to the Board Risk Committee (BRiC) annually on the performance of IRB models and the continued appropriateness of the IRB model governance framework.
- RMG Credit: Reports semi-annually as part of the Credit, Equity and Asset Risk Portfolio Report, which includes risk profiling of MBL's credit portfolio and trends in rating behaviours. RMG Credit also reports quarterly on credit quality Risk Appetite Statement (RAS) metrics, of which internal ratings are a key component. Reporting is provided to the BRiC.

4.3.2 Assessment of Macquarie Internal 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 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 counterparties. 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.

Macquarie has a 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 counterparty. 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.

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.

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. Ratings provided by External Credit Assessment Institutions (ECAI) are considered throughout the rating process but are supplementary to the internal rating process. The ratings process combines a quantitative analysis by way of scoring industry specific risk factors and a qualitative assessment based on expert judgement.

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 internal MQ Ratings relative to ECAI ratings are outlined below:

Macquarie	S&P	Moody's
MQ1	AAA	Aaa
MQ2	AA+ / AA / AA-	Aa1 / Aa2 / 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+ / CCC / CCC-	Caa1 / Caa2 / Caa3
MQ16	CC / C	Ca / C
MQ99	D	D

4.3.3 Main characteristics of IRB models

The key internally developed models used to quantify our regulatory RWA requirement for IRB portfolios are as follows:

Wholesale model

Macquarie PD Masterscale – provides Through-the-Cycle probability of defaults to be used for corresponding internal rating grades for F-IRB portfolios.

Wholesale IRB probability of default is calibrated using external agency data (S&P) to supplement Macquarie's own internal experience in order to improve the reliability of modelled probability of default. In order to ensure that the external agency data is appropriate an annual review of its appropriateness is carried out. The PD estimates for MQ1-MQ3 sit below regulatory floors, thus the regulatory floor of 0.05% is used for these rating grades.

Internal Credit Rating Templates – a series of industry and entity type templates, calibrated using expert judgement and requiring APRA approval before use. There are multiple templates reflecting differences in underlying risk drivers on the probability of default across the wholesale portfolio. The product of these templates is an internal risk grade (MQ1-MQ16, with MQ99 being in default) which can be mapped to the Macquarie PD Masterscale to derive a through the cycle probability of default. The observed default rate for all Macquarie's low default portfolios sit in line with, or below, the estimated PDs for all recent historical periods,.

Note that while Macquarie has internally developed LGD templates with respect to the wholesale portfolio, these are not used in the determination of regulatory RWA as the Wholesale portfolio is accredited as a F-IRB portfolio.

There is often a time lapse between when a default event occurs and the closure of an exposure, whenever an exposure is closed. For wholesale exposures, a loss tracking template is completed and approved by the appropriate personnel in RMG and FPE. This template details all recoveries, exposure moves, etc that occurs post default event and helps inform the observed LGD which is used to validate regulatory assigned LGD values.

Retail models

APRA has approved internal PD & LGD models to be used for Retail Mortgages and the Retail Car Loans portfolios.

For these portfolios, 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: calibrate based on historic default experience for each pool and subject to a margin of conservatism where appropriate. 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.

4.3.4 Application of IRB models on Macquarie book

Macquarie is approved by APRA to use the Basel III Foundation Internal Ratings-Based (F-IRB) Approach for credit risk for its wholesale portfolios. Approval for the F-IRB 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, APRA provided estimates are used for LGD and Exposure at Default (EAD).

A number of retail businesses have been accredited to use the 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 and Moody's) as they are primarily composed of individual borrowers or small businesses.

The wholesale portfolios are composed of 98% F-IRB exposures and 2% standardised exposures, while the retail portfolios are composed of 99% A-IRB exposures and 1% standardised exposures.

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	F-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)	F-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. IPRE loss rates are monitored by the business units to validate that: • losses stemming from outstanding lower risk IPRE exposures are less than 0.3% in each of the past 3 years; and • overall losses stemming from IPRE lending are less than 0.5% of outstanding IPRE exposures in each of the past 3 years
All exposures subject to Supervisory Slotting Approach	Supervisory Slotting	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	IRB	Through-the-cycle pool PDs and downturn LGDs
Macquarie originated and purchased Residential Mortgages in Australia[1]	IRB	Through-the-cycle pool PDs and 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	20% risk-weighted
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.

4.4 Quantitative information on capital requirements under the Internal ratings-based (IRB) approach

The following tables present the capital requirements for credit risk exposures subject to the IRB risk-weight approach. The disclosure includes an overview of on- and off-balance sheet exposures by portfolios and asset classes, presented together with the key parameters used to calculate EAD and RWA.

To better reflect the quality and performance of the active portfolio, non-performing assets are not included in the weighted average calculations of PD, LGD, Maturity and RWA density.

Original on-balance sheet gross exposure and Off-balance sheet exposures pre CCF are pre CRM.

Table 5: CR6 - IRB - Credit risk exposures by portfolio and probability of default (PD) range

31 March 2025
Wholesale Portfolio

	a	b	c	d	e	f	g	h	i	j	k	l
PD Scale	Original on-balance sheet gross exposure $m	Off-balance sheet exposures pre CCF $m	Average CCF %	EAD post CRM and post-CCF $m	Average PD %	Number of obligors	Average LGD %	Average maturity years	RWA $m	RWA density %	EL $m	Provisions $m
Corporate												
0.00 to <0.15	4,486	396	45.2 %	4,543	0.1 %	359	48.6 %	3.3	1,766	38.9 %	2	
0.15 to <0.25	2,256	249	97.2 %	2,790	0.2 %	98	46.9 %	2.2	1,227	44.0 %	2	
0.25 to <0.50	6,435	1,370	65.0 %	7,138	0.4 %	701	43.4 %	2.1	4,041	56.6 %	11	
0.50 to <0.75	-	-	-	-	-	-	-	-	-	-	-	
0.75 to <2.50	5,727	3,359	63.0 %	6,838	1.2 %	453	44.7 %	2.1	6,879	100.6 %	37	
2.50 to <10.00	2,777	1,158	62.2 %	2,921	3.5 %	361	43.9 %	2.1	4,020	137.7 %	45	
10.00 to <100.00	748	245	57.7 %	571	19.1 %	317	44.8 %	2.1	1,292	226.2 %	48	
100.00 (Non-Performing)	195	14	78.6 %	198	100.0 %	30	45.6 %	1.2	-	-	90	
Sub-total	**22,624**	**6,791**	**63.3 %**	**24,999**	**1.3 %**	**2,319**	**45.2 %**	**2.3**	**19,225**	**77.5 %**	**235**	**148**
SME Corporate												
0.00 to <0.15	4	11	100.0 %	15	0.1 %	3	28.6 %	1.8	2	14.0 %	-	
0.15 to <0.25	-	-	100.0 %	-	0.2 %	1	50.0 %	5.0	-	70.8 %	-	
0.25 to <0.50	272	121	100.0 %	393	0.5 %	384	41.2 %	3.3	255	64.9 %	1	
0.50 to <0.75	-	-	-	-	-	-	-	-	-	-	-	
0.75 to <2.50	2,082	682	97.6 %	2,747	1.3 %	1,925	41.5 %	2.8	2,326	84.7 %	14	
2.50 to <10.00	1,950	415	100.0 %	2,364	3.8 %	2,581	41.5 %	3.0	2,647	112.0 %	37	
10.00 to <100.00	199	55	81.5 %	244	15.5 %	618	42.9 %	2.5	432	177.0 %	16	
RWA overlays	-	-	-	-	-	-	-	-	788	-	-	
100.00 (Non-Performing)	114	5	100.0 %	119	100.0 %	74	41.5 %	1.9	-	-	49	
Sub-total	**4,621**	**1,289**	**98.0 %**	**5,882**	**2.9 %**	**5,586**	**41.5 %**	**2.9**	**6,450**	**111.9 %**	**117**	**71**
Specialised lending - IPRE[1]												
0.00 to <0.15	319	-	-	319	0.1 %	2	20.0 %	1.6	50	15.7 %	-	
0.15 to <0.25	126	-	-	126	0.2 %	1	50.0 %	2.6	98	77.3 %	-	
0.25 to <0.50	1,225	66	100.0 %	1,291	0.5 %	77	20.4 %	2.7	551	42.7 %	1	
0.50 to <0.75	-	-	-	-	-	-	-	-	-	-	-	
0.75 to <2.50	2,185	215	100.0 %	2,400	1.1 %	375	21.0 %	2.1	1,351	56.3 %	6	
2.50 to <10.00	859	114	100.0 %	973	3.6 %	324	22.3 %	2.1	861	88.4 %	8	
10.00 to <100.00	105	2	100.0 %	107	30.7 %	15	21.5 %	1.3	153	142.2 %	7	
100.00 (Non-Performing)	135	1	100.0 %	137	100.0 %	20	22.0 %	1.9	-	-	30	
Sub-total	**4,954**	**398**	**100.0 %**	**5,353**	**1.9 %**	**814**	**21.7 %**	**2.2**	**3,064**	**58.7 %**	**52**	**20**

[1] IPRE (Income Producing real estate) specialised lending exposure is reported in this template, while other Specialised lending exposure (subject to slotting approach) are reported under CR10.

	a	b	c	d	e	f	g	h	i	j	k	l
PD Scale	Original on-balance sheet gross exposure $m	Off-balance sheet exposures pre CCF $m	Average CCF %	EAD post CRM and post-CCF $m	Average PD %	Number of obligors	Average LGD %	Average maturity years	RWA $m	RWA density %	EL $m	Provisions $m
Financial Institution												
0.00 to <0.15	4,660	148	41.2 %	6,720	0.1 %	291	50.0 %	1.4	1,732	25.8 %	2	
0.15 to <0.25	493	-	- %	525	0.2 %	36	50.0 %	1.0	237	45.3 %	-	
0.25 to <0.50	637	20	43.6 %	699	0.4 %	99	50.5 %	1.3	522	74.8 %	1	
0.50 to <0.75	-	-	-	-	-	-	-	-	-	-	-	
0.75 to <2.50	161	488	100.0 %	649	1.4 %	46	12.6 %	4.5	253	39.0 %	1	
2.50 to <10.00	10	13	100.0 %	24	4.8 %	40	22.5 %	4.3	24	102.3 %	-	
10.00 to <100.00	23	45	100.0 %	68	20.5 %	47	17.3 %	3.8	63	93.1 %	2	
100.00 (Non-Performing)	17	-	-	17	100.0 %	4	50.0 %	1.0	-	-	9	
Sub-total	**6,001**	**714**	**86.2 %**	**8,702**	**0.4 %**	**563**	**46.9 %**	**1.7**	**2,831**	**32.6 %**	**15**	**25**
Sovereign												
0.00 to <0.15	18,993	37	40.0 %	19,092	-	28	5.5 %	1.7	229	1.2 %	-	
0.15 to <0.25	1	-	-	1	0.2 %	1	50.0 %	1.0	-	34.5 %	-	
0.25 to <0.50	-	-	-	-	0.3 %	1	50.0 %	1.0	-	47.0 %	-	
0.50 to <0.75	-	-	-	-	-	-	-	-	-	-	-	
0.75 to <2.50	33	40	40.0 %	49	0.9 %	2	48.4 %	2.0	46	93.9 %	-	
2.50 to <10.00	-	-	-	-	-	-	-	-	-	-	-	
10.00 to <100.00	1	-	-	1	11.0 %	2	50.0 %	1.0	1	219.7 %	-	
100.00 (Non-Performing)	-	-	-	-	-	-	-	-	-	-	-	
Sub-total	**19,028**	**77**	**40.0 %**	**19,143**	**-**	**34**	**5.6 %**	**1.7**	**276**	**1.4 %**	**-**	**-**
Residual Value of Operating Lease	**1,392**	**2**	**100.0 %**	**1,394**	**-**	**-**	**-**	**-**	**1,394**	**100.0 %**	**-**	**-**
Total (all portfolios)	**58,620**	**9,271**	**71.3 %**	**65,473**	**1.0 %**	**9,316**	**31.2 %**	**2.1**	**33,240**	**51.1 %**	**419**	**264**

Retail Portfolio

	a	b	c	d	e	f	g	h	i	j	k	l
PD Scale	Original on-balance sheet gross exposure $m	Off-balance sheet exposures pre CCF $m	Average CCF %	EAD post CRM and post-CCF $m	Average PD %	Number of obligors	Average LGD %	Average maturity years	RWA $m	RWA density %	EL $m	Provisions $m
Residential Mortgage												
0.00 to <0.15	56,977	10,136	100.0 %	67,113	0.1 %	106,314	11.6 %		4,049	6.0 %	9	
0.15 to <0.25	24,440	1,472	100.0 %	25,912	0.2 %	37,400	13.2 %		2,308	8.9 %	7	
0.25 to <0.50	-	-	-	-	-	-	-		-	-	-	
0.50 to <0.75	-	-	-	-	-	-	-		-	-	-	
0.75 to <2.50	60,724	6,033	100.0 %	66,757	1.1 %	114,955	13.5 %		20,730	31.1 %	100	
2.50 to <10.00	616	110	100.0 %	726	2.5 %	1,636	14.6 %		431	59.3 %	3	
10.00 to <100.00	631	7	100.0 %	638	22.7 %	1,096	13.4 %		826	129.5 %	19	
RWA overlays	-	-	-	-	-	-	-		770	-	-	
100.00 (Non-Performing)	1,215	13	100.0 %	1,228	100.0 %	2,005	14.8 %		2,120	172.6 %	29	
Sub-total	**144,603**	**17,771**	**100.0 %**	**162,374**	**0.6 %**	**263,406**	**12.7 %**		**31,233**	**18.1 %**	**167**	**135**
SME Retail												
0.00 to <0.15	-	-	-	-	-	-	-		-	-	-	
0.15 to <0.25	4	6	100.0 %	10	0.2 %	18	12.5 %		1	5.5 %	-	
0.25 to <0.50	-	-	-	-	-	-	-		-	-	-	
0.50 to <0.75	-	-	-	-	-	-	-		-	-	-	
0.75 to <2.50	589	-	100.0 %	589	1.5 %	22,663	40.5 %		303	51.6 %	4	
2.50 to <10.00	478	3	100.0 %	481	4.7 %	11,474	44.2 %		343	71.2 %	10	
10.00 to <100.00	-	-	100.0 %	-	22.7 %	3	14.1 %		-	89.3 %	-	
RWA overlays	-	-	-	-	-	-	-		135	-	-	
100.00 (Non-Performing)	35	-	100.0 %	35	100.0 %	1,218	36.0 %		80	228.7 %	8	
Sub-total	**1,106**	**9**	**100.0 %**	**1,115**	**2.9 %**	**35,376**	**41.9 %**		**862**	**72.4 %**	**22**	**37**
Other Retail												
0.00 to <0.15	-	-	-	-	-	-	-		-	-	-	
0.15 to <0.25	-	-	-	-	-	-	-		-	-	-	
0.25 to <0.50	324	-	-	324	0.4 %	18,072	32.1 %		72	22.3 %	-	
0.50 to <0.75	480	-	-	480	0.5 %	12,897	27.3 %		104	21.6 %	1	
0.75 to <2.50	492	-	-	492	1.3 %	21,184	40.1 %		243	49.3 %	3	
2.50 to <10.00	292	-	-	292	5.1 %	16,264	52.4 %		249	85.2 %	8	
10.00 to <100.00	-	-	-	-	-	-	-		-	-	-	
RWA overlays	-	-	-	-	-	-	-		114	-	-	
100.00 (Non-Performing)	44	-	-	44	100.0 %	2,729	46.2 %		138	311.1 %	12	
Sub-total	**1,632**	**-**	**-**	**1,632**	**1.6 %**	**71,146**	**36.9 %**		**920**	**49.2 %**	**24**	**78**
Total (all portfolios)	**147,341**	**17,780**	**100.0 %**	**165,121**	**0.7 %**	**369,928**	**13.1 %**		**33,015**	**18.7 %**	**213**	**250**

30 September 2024
Wholesale Portfolio

	a	b	c	d	e	f	g	h	i	j	k	l
PD Scale	Original on-balance sheet gross exposure $m	Off-balance sheet exposures pre CCF $m	Average CCF %	EAD post CRM and post-CCF $m	Average PD %	Number of obligors	Average LGD %	Average maturity years	RWA $m	RWA density %	EL $m	Provisions $m
Corporate												
0.00 to <0.15	3,960	558	66.0 %	4,084	0.1 %	403	48.5 %	3.0	1,430	35.0 %	2	
0.15 to <0.25	1,911	33	83.5 %	2,201	0.2 %	111	46.9 %	2.0	923	41.9 %	2	
0.25 to <0.50	6,738	940	67.3 %	7,080	0.4 %	707	44.5 %	1.9	3,915	55.3 %	11	
0.50 to <0.75	-	-	-	-	-	-	-	-	-	-	-	
0.75 to <2.50	4,727	2,311	60.6 %	5,455	1.2 %	345	43.9 %	2.2	5,525	101.3 %	29	
2.50 to <10.00	2,064	718	66.6 %	2,290	4.0 %	266	44.1 %	1.9	3,220	140.6 %	40	
10.00 to <100.00	410	246	27.4 %	286	21.9 %	326	45.8 %	2.1	676	236.4 %	29	
100.00 (Non-Performing)	314	85	81.4 %	346	100.0 %	32	45.2 %	1.9	-	-	156	
Sub-total	**20,124**	**4,891**	**62.2 %**	**21,742**	**1.2 %**	**2,190**	**45.3 %**	**2.2**	**15,689**	**73.3 %**	**269**	**212**
SME Corporate												
0.00 to <0.15	4	11	100.0 %	15	0.1 %	3	27.8 %	2.2	2	14.9 %	-	
0.15 to <0.25	-	-	-	-	-	-	-	-	-	-	-	
0.25 to <0.50	457	176	100.0 %	632	0.4 %	395	39.2 %	2.7	337	53.3 %	1	
0.50 to <0.75	-	-	-	-	-	-	-	-	-	-	-	
0.75 to <2.50	1,917	624	99.7 %	2,538	1.3 %	1,933	41.3 %	2.9	2,148	84.6 %	13	
2.50 to <10.00	2,217	504	99.9 %	2,720	3.8 %	2,817	40.9 %	2.8	2,947	108.4 %	42	
10.00 to <100.00	164	9	95.5 %	172	19.7 %	693	42.3 %	2.0	296	172.1 %	14	
RWA overlays	-	-	-	-	-	-	-	-	788	-	-	
100.00 (Non-Performing)	138	10	100.0 %	148	100.0 %	100	43.4 %	1.7	-	-	64	
Sub-total	**4,897**	**1,334**	**99.8 %**	**6,225**	**2.8 %**	**5,941**	**40.9 %**	**2.8**	**6,518**	**107.3 %**	**134**	**80**
Specialised lending - IPRE[1]												
0.00 to <0.15	236	49	100.0 %	284	0.1 %	2	31.5 %	1.7	71	25.0 %	-	
0.15 to <0.25	126	-	-	126	0.2 %	1	50.0 %	3.1	108	85.6 %	-	
0.25 to <0.50	1,125	231	100.0 %	1,356	0.5 %	79	24.7 %	2.9	749	55.2 %	2	
0.50 to <0.75	-	-	-	-	-	-	-	-	-	-	-	
0.75 to <2.50	2,279	187	100.0 %	2,466	1.1 %	395	20.7 %	2.1	1,346	54.6 %	6	
2.50 to <10.00	890	47	100.0 %	936	3.6 %	315	21.3 %	2.0	754	80.5 %	7	
10.00 to <100.00	67	-	100.0 %	67	12.1 %	11	20.9 %	1.7	76	114.0 %	2	
100.00 (Non-Performing)	47	-	100.0 %	47	100.0 %	19	21.7 %	1.5	-	-	10	
Sub-total	**4,770**	**514**	**100.0 %**	**5,282**	**1.4 %**	**822**	**23.2 %**	**2.3**	**3,104**	**59.3 %**	**27**	**14**
Financial Institution												
0.00 to <0.15	4,410	200	40.9 %	6,105	0.1 %	297	50.0 %	1.4	1,587	26.0 %	2	
0.15 to <0.25	561	-	-	582	0.2 %	30	50.0 %	1.1	265	45.6 %	1	
0.25 to <0.50	428	30	42.7 %	461	0.3 %	106	49.9 %	1.1	301	65.4 %	1	
0.50 to <0.75	-	-	-	-	-	-	-	-	-	-	-	
0.75 to <2.50	418	543	87.9 %	896	1.3 %	59	26.3 %	3.3	637	71.1 %	3	
2.50 to <10.00	20	12	100.0 %	32	4.9 %	38	29.2 %	4.1	44	135.7 %	-	
10.00 to <100.00	23	38	100.0 %	61	20.3 %	48	19.1 %	3.8	64	104.8 %	2	
100.00 (Non-Performing)	14	-	100.0 %	14	100.0 %	4	49.9 %	1.0	-	-	7	
Sub-total	**5,874**	**823**	**75.6 %**	**8,151**	**0.4 %**	**582**	**47.1 %**	**1.6**	**2,898**	**35.6 %**	**16**	**22**

[1] IPRE (Income Producing real estate) specialised lending exposure is reported in this template, while other Specialised lending exposure (subject to slotting approach) are reported under CR10.

	a	b	c	d	e	f	g	h	i	j	k	l
PD Scale	Original on-balance sheet gross exposure $m	Off-balance sheet exposures pre CCF $m	Average CCF %	EAD post CRM and post-CCF $m	Average PD %	Number of obligors	Average LGD %	Average maturity years	RWA $m	RWA density %	EL $m	Provisions $m
Sovereign												
0.00 to <0.15	11,802	37	40.0 %	11,817	- %	24	5.1 %	2.0	156	1.3 %	-	
0.15 to <0.25	1	-	- %	1	0.2 %	2	50.0 %	1.0	-	34.5 %	-	
0.25 to <0.50	32	-	- %	32	0.3 %	2	50.0 %	4.9	31	96.4 %	-	
0.50 to <0.75	-	-	-	-	-	-	-	-	-	-	-	
0.75 to <2.50	998	29	40.0 %	1,010	0.9 %	2	49.9 %	1.0	844	83.4 %	4	
2.50 to <10.00	-	-	-	-	-	-	-	-	-	-	-	
10.00 to <100.00	1	-	- %	1	11.0 %	3	50.0 %	1.0	1	219.7 %	-	
100.00 (Non-Performing)	-	-	-	-	-	-	-	-	-	-	-	
Sub-total	**12,834**	**66**	**40.0 %**	**12,861**	**0.1 %**	**33**	**8.8 %**	**2.0**	**1,032**	**8.0 %**	**4**	**2**
Residual Value of Operating Lease	**1,266**	**2**	**100.0 %**	**1,268**	**- %**	**-**	**- %**	**-**	**1,268**	**100.0 %**	**-**	**-**
Total (all portfolios)	**49,765**	**7,630**	**72.6 %**	**55,529**	**1.0 %**	**9,568**	**34.2 %**	**2.1**	**30,510**	**55.5 %**	**450**	**330**

Retail Portfolio

	a	b	c	d	e	f	g	h	i	j	k	l
PD Scale	Original on-balance sheet gross exposure $m	Off-balance sheet exposures pre CCF $m	Average CCF %	EAD post CRM and post-CCF $m	Average PD %	Number of obligors	Average LGD %	Average maturity years	RWA $m	RWA density %	EL $m	Provisions $m
Residential Mortgage												
0.00 to <0.15	53,007	9,801	100.0 %	62,808	0.1 %	99,463	11.5 %		3,760	6.0 %	8	
0.15 to <0.25	22,947	1,602	100.0 %	24,549	0.2 %	35,310	13.0 %		2,148	8.8 %	6	
0.25 to <0.50	-	-	-	-	-	-	-		-	-	-	
0.50 to <0.75	-	-	-	-	-	-	-		-	-	-	
0.75 to <2.50	54,761	5,932	100.0 %	60,693	1.1 %	106,026	13.2 %		18,315	30.2 %	89	
2.50 to <10.00	632	121	100.0 %	753	2.5 %	1,763	13.9 %		422	56.0 %	3	
10.00 to <100.00	550	8	100.0 %	558	22.7 %	996	13.2 %		712	127.6 %	17	
RWA overlays	-	-	-	-	-	-	-		1,570	-	-	
100.00 (Non-Performing)	1,105	15	100.0 %	1,121	100.0 %	1,861	14.1 %		1,935	172.6 %	17	
Sub-total	**133,002**	**17,479**	**-**	**150,482**	**0.6 %**	**245,419**	**12.4 %**		**28,862**	**18.0 %**	**140**	**126**
SME Retail												
0.00 to <0.15	-	-	-	-	-	-	-		-	-	-	
0.15 to <0.25	7	7	100.0 %	14	0.2 %	22	15.5 %		1	6.8 %	-	
0.25 to <0.50	13	-	-	13	0.4 %	15	30.6 %		3	21.2 %	-	
0.50 to <0.75	2	-	-	2	0.5 %	2	25.2 %		-	20.0 %	-	
0.75 to <2.50	794	-	100.0 %	794	1.5 %	27,470	41.0 %		412	52.0 %	5	
2.50 to <10.00	643	4	100.0 %	647	4.7 %	14,919	44.4 %		466	71.9 %	14	
10.00 to <100.00	-	-	100.0 %	-	22.7 %	2	10.0 %		-	63.2 %	-	
100.00 (Non-Performing)	52	-	100.0 %	52	100.0 %	1,730	35.8 %		123	237.9 %	11	
Sub-total	**1,511**	**11**	**-**	**1,522**	**2.9 %**	**44,160**	**42.2 %**		**1,005**	**59.9 %**	**30**	**36**
Other Retail												
0.00 to <0.15	-	-	-	-	-	-	-		-	-	-	
0.15 to <0.25	-	-	-	-	-	-	-		-	-	-	
0.25 to <0.50	452	-	-	452	0.4 %	23,706	32.4 %		102	22.5 %	1	
0.50 to <0.75	626	-	-	626	0.5 %	16,967	27.6 %		137	21.8 %	1	
0.75 to <2.50	663	-	-	663	1.3 %	27,807	40.6 %		332	50.0 %	3	
2.50 to <10.00	400	-	-	400	5.2 %	21,614	52.8 %		343	85.9 %	11	
10.00 to <100.00	-	-	-	-	-	-	-		-	-	-	
100.00 (Non-Performing)	57	-	-	57	100.0 %	3,535	47.2 %		179	312.0 %	15	
Sub-total	**2,198**	**-**	**-**	**2,198**	**1.6 %**	**93,629**	**37.3 %**		**1,093**	**42.7 %**	**31**	**68**
Total (all portfolios)	**136,711**	**17,490**	**100.0 %**	**154,202**	**0.7 %**	**383,208**	**13.1 %**		**30,960**	**18.8 %**	**201**	**230**

Table CR8 below presents the key factors contributing to the movements in IRB RWA between the current and prior reporting period.

Table 6: CR8 - RWA flow statements of credit risk exposures under IRB

		a
		3 months to 31 Mar 25 $m
1	**RWA as at end of previous reporting period**	**69,669**
2	Asset size	1,497
3	Asset quality	(161)
4	Model updates	-
5	Methodology and policy	-
6	Acquisitions and disposals	-
7	Foreign exchange movements	86
8	Other	-
9	**RWA as at end of reporting period**	**71,091**

Table CR9 below provides an overview of the backtesting data, comparing the PD used in IRB capital calculations with the actual default rates to validate the reliability of PD calculations. The data is computed for the 12-month period from 1 October 2023 to 30 September 2024, for the wholesale and retail portfolios across respective asset classes and PD ranges.

Table 7: CR9 - IRB - Backtesting of probability of default (PD) per portfolio

Wholesale Portfolio

a	b		c	d	e		f	g	h
PD Range %	External rating equivalent[1] S&P	Moody's	Weighted average PD %	Arithmetic average PD by obligors %	Number of obligors at[2] Sep 2023	Sep 2024	Defaulted obligors[2] in the 12 months to Sep 2024	of which: new defaulted obligors[2] in the year Sep 2024	Average historical annual default rate %[3]
Corporate[4]									
0.00 to <0.15	AAA to BBB+	Aaa to Baa1	0.1 %	0.1 %	144	366	-	-	- %
0.15 to <0.25	BBB	Baa2	0.2 %	0.2 %	79	97	-	-	- %
0.25 to <0.50	BBB-, BB+	Baa3, Ba1	0.4 %	0.4 %	620	1,138	4	4	0.3 %
0.50 to <0.75									
0.75 to <2.50	BB, BB-	Ba2, Ba3	1.2 %	1.2 %	2,242	2,599	23	24	1.1 %
2.50 to <10.00	B+, B	B1, B2	3.9 %	4.3 %	2,886	3,287	84	85	2.1 %
10.00 to <100.00	B- to CC/C	B3 to Ca/C	19.2 %	15.1 %	232	288	43	46	2.4 %
Financial Institution									
0.00 to <0.15	AAA to BBB+	Aaa to Baa1	0.1 %	0.1 %	254	260			- %
0.15 to <0.25	BBB	Baa2	0.2 %	0.2 %	27	29			- %
0.25 to <0.50	BBB-, BB+	Baa3, Ba1	0.4 %	0.4 %	91	94			- %
0.50 to <0.75									
0.75 to <2.50	BB, BB-	Ba2, Ba3	1.4 %	1.1 %	44	50			- %
2.50 to <10.00	B+, B	B1, B2	3.0 %	4.3 %	14	33	1	2	0.2 %
10.00 to <100.00	B- to CC/C	B3 to Ca/C	17.3 %	12.0 %	29	25			- %
Sovereign									
0.00 to <0.15	AAA to BBB+	Aaa to Baa1	- %	- %	23	24			0.1 %
0.15 to <0.25	BBB	Baa2				2			
0.25 to <0.50	BBB-, BB+	Baa3, Ba1	0.3 %	0.3 %	1				- %
0.50 to <0.75									
0.75 to <2.50	BB, BB-	Ba2, Ba3	0.9 %	0.9 %	1	1			- %
2.50 to <10.00	B+, B	B1, B2			2				
10.00 to <100.00	B- to CC/C	B3 to Ca/C	10.5 %	10.5 %		1			- %

[1] Wholesale exposures are assigned an internal credit rating based on the information available at origination. These internal ratings are broadly aligned with the external credit ratings from Standard & Poor's and Moody's.
[2] Multiple defaults, technical defaults, and exits have been excluded from the number of obligors, in line with the methodology specified in Prudential Practice Guide APG 113.
[3] The average historical annual default rate covers a period of 5 years. The annual default rate has been calculated as the number of defaults during the 12-month period, arising from accounts which existed and were performing at the start of the period, divided by the number of non-defaulted exposures at the start of the period.
[4] This includes Corporate, SME Corporate and Specialised lending - IPRE asset classes.

Retail Portfolio

a	b		c	d	e		f	g	h
PD Range %	External rating equivalent[1] S&P	Moody's	Weighted average PD %	Arithmetic average PD by obligors %	Number of obligors at[2] Sep 2023	Sep 2024	Defaulted obligors[2] in the 12 months to Sep 2024	of which: new defaulted obligors[2] in the year Sep 2024	Average historical annual default rate %[3]
Residential Mortgages									
0.00 to <0.15			0.1 %	0.1 %	88,474	99,455	116	3	0.1 %
0.15 to <0.25			0.2 %	0.2 %	30,896	35,250	143	5	0.3 %
0.25 to <0.50									
0.50 to <0.75									
0.75 to <2.50			1.1 %	1.1 %	86,012	96,106	1,226	40	0.9 %
2.50 to <10.00			2.5 %	2.5 %	2,093	1,750	51	-	2.0 %
10.00 to <100.00			22.7 %	22.7 %	795	676	152	-	16.3 %
Retail - Other									
0.00 to <0.15									
0.15 to <0.25									
0.25 to <0.50			0.4 %	0.4 %	33,824	21,904	220	2	0.6 %
0.50 to <0.75			0.5 %	0.5 %	26,331	16,968	144	2	0.4 %
0.75 to <2.50			1.3 %	1.3 %	40,733	26,303	653	4	1.4 %
2.50 to <10.00			5.3 %	5.6 %	32,811	20,710	1,558	16	4.2 %
10.00 to <100.00									
Retail SME									
0.00 to <0.15									
0.15 to <0.25									
0.25 to <0.50									
0.50 to <0.75									
0.75 to <2.50			1.5 %	1.4 %	32,661	27,454	831	37	1.7 %
2.50 to <10.00			4.9 %	4.9 %	20,537	14,905	1,633	23	5.3 %
10.00 to <100.00									

[1] Equivalent external ratings are unavailable for retail exposures.
[2] Multiple defaults, technical defaults, and exits have been excluded from the number of obligors, in line with the methodology specified in Prudential Practice Guide APG 113.
[3] The average historical annual default rate covers a period of 5 years. The annual default rate has been calculated as the number of defaults during the 12-month period, arising from accounts which existed and were performing at the start of the period, divided by the number of non-defaulted exposures at the start of the period.

Table CR10 below presents information on the specialised lending exposures under the supervisory slotting approach by regulatory categories.

Table 8: CR10 - IRB (specialised lending under the slotting approach)

31 March 2025

Specialised lending exposures subject to supervisory slotting[1]									
Regulatory categories	On-balance sheet amount $m	Off-sheet balance amount $m	RW %	Exposure amount $m				RWA $m	Expected losses $m
				PF	OF	CF	Total		
Strong	8	2	70 %	10	-	-	10	7	-
Good	772	305	90 %	749	332	-	1,081	973	9
Satisfactory	2,451	840	115 %	1,374	1,899	-	3,273	3,763	92
Weak	-	70	250 %	31	6	-	37	93	3
Default	46	21	-	96	-	-	96	-	48
Total	**3,277**	**1,238**		**2,260**	**2,237**	**-**	**4,497**	**4,836**	**152**

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Specialised lending exposures subject to supervisory slotting[1]									
Regulatory categories	On-balance sheet amount $m	Off-sheet balance amount $m	RW %	Exposure amount $m				RWA $m	Expected losses $m
				PF	OF	CF	Total		
Strong	28	24	70 %	52	-	-	52	36	-
Good	922	343	90 %	869	353	-	1,222	1,100	10
Satisfactory	1,702	311	115 %	861	1,114	29	2,004	2,306	56
Weak	2	-	250 %	2	-	-	2	5	-
Default	25	-	-	31	-	-	31	-	15
Total	**2,679**	**678**		**1,815**	**1,467**	**29**	**3,311**	**3,447**	**81**

[1] Income-producing real estate (IPRE) exposures are excluded from this disclosure as they are not subject to the supervisory slotting treatment.

4.5 Use of external credit ratings under the standardised approach for credit risk

For Credit Risk exposures that are calculated under the Standardised Approach for which External Credit Assessment Institutions (ECAI) ratings are potentially eligible to be used, MBL uses ratings by Standard & Poor's Ratings Services (S&P), Moody's Ratings (Moody's) and Fitch, Inc. (Fitch).

Both short-term and long-term external ratings of these ECAIs have been consistently used by MBL in standardised calculations. These ratings have been applied on both an issuer (applies to counterparty) and issue-specific (applies to a financial instrument) basis.

ECAI ratings are used primarily for Sovereign Exposures, Domestic Public Sector Entities, Bank Exposures and Corporate Exposures (including Corporate SME). The use of short- and long-term ratings varies by asset class, MBL's process for assigning ratings is as follows:

Exposure Type	Process
Sovereign and Domestic Public Sector Entities	Ratings are assigned depending on the duration of the exposure: • Short-term: less than or equal to 12 months • Long-term: greater than 12 months
Bank Exposures	• Short-term: less than or equal to 3 months for non-issue-specific exposure • Long-term: greater than 3 months for all issue-specific exposure. • Short-term ratings are disregarded for all long-term exposures. • Short-term issuer/counterparty ratings are disregarded for short-term exposures. • Long-term issue-specific ratings are disregarded for all exposures. • If a short-term issue-specific exposure has both short-term issue-specific ratings and long-term issuer ratings, the most punitive rating between the two is applied.
Corporate Exposures (Including Corporate SME)	• Short-term ratings are disregarded for all long-term exposures. • Long-term issue-specific ratings are disregarded for all short-term exposures. • For short-term issue-specific exposures with both short-term issue-specific ratings and long-term issuer ratings, the short-term issue-specific is given preference over the long-term issuer ratings. • For long-term exposures (other than Corporate SME) without long-term issuer ratings but with short-term issue-specific ratings for the same issuer, the short-term issue-specific ratings are used.

4.6 Quantitative information on capital requirements under the standardised approach

Table CR4 presents the capital requirements for credit risk exposures subject to the standardised risk-weight approach. The disclosure provides an overview of on- and off-balance sheet exposures by asset classes, reported both before and after the application of CCF and CRM.

Table 9: CR4 - Standardised approach - Credit risk exposure and credit risk mitigation effects

31 March 2025

		a	b	c	d	e	f
		Exposures before CCF and CRM		Exposures post-CCF and post-CRM		RWA and RWA density	
	Asset classes	On-balance sheet amount $m	Off-balance sheet amount $m	On-balance sheet amount $m	Off-balance sheet amount $m	RWA $m	RWA density %
1	Sovereigns and their central banks	-	-	-	-	-	-
4	Banks	-	-	-	-	-	-
5	Covered bonds	-	-	-	-	-	-
6	Corporates	1,402	188	1,337	87	1,197	84.1 %
7	Subordinated debt, equity and other capital	6	11	6	2	20	250.0 %
8	Retail	808	719	685	288	751	77.2 %
9	Property Exposures	537	57	537	57	530	89.2 %
	Of which: Residential Property	535	57	535	57	526	88.9 %
	Of which: Commercial Property	-	-	-	-	-	-
	Of which: land acquisition, development and construction	2	1	2	1	4	133.3 %
10	Non-performing exposures	11	-	11	-	16	145.5 %
11	Other assets[1]	2,993	56	2,993	32	3,018	99.8 %
12	**Total**	**5,757**	**1,031**	**5,569**	**466**	**5,532**	**91.7 %**

[1] The major components of Other Assets are fixed assets.

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		a	b	c	d	e	f
		Exposures before CCF and CRM		Exposures post-CCF and post-CRM		RWA and RWA density	
	Asset classes	On-balance sheet amount $m	Off-balance sheet amount $m	On-balance sheet amount $m	Off-balance sheet amount $m	RWA $m	RWA density %
1	Sovereigns and their central banks	-	-	-	-	-	-
4	Banks	-	-	-	-	-	-
5	Covered bonds	-	-	-	-	-	-
6	Corporates	1,295	476	940	375	1,075	81.8 %
7	Subordinated debt, equity and other capital	6	11	6	2	20	250.0 %
8	Retail	862	753	729	301	794	77.1 %
9	Property Exposures	588	52	588	52	575	89.8 %
	Of which: Residential Property	586	50	586	50	570	89.6 %
	Of which: Commercial Property	-	-	-	-	-	-
	Of which: land acquisition, development and construction	2	2	2	2	5	125.0 %
10	Non-performing exposures	24	-	24	-	33	137.5 %
11	Other assets[1]	3,055	49	3,054	27	3,077	99.9 %
12	**Total**	**5,830**	**1,341**	**5,341**	**757**	**5,574**	**90.9 %**

[1] The major components of Other Assets are fixed assets.

The following tables present the credit risk exposures under the standardised approach, categorised by asset classes and risk weight percentages. The total credit exposure amounts reflect the application of CCF and CRM and are presented to the nearest million dollars.

Table 10: CR5 - Standardised approach - Exposures by asset classes and risk weights

31 March 2025

	0%	20%	50%	100%	150%	Total credit exposure amount
1 Sovereigns and their central banks	-	-	-	-	-	-

	20%	30%	40%	50%	75%	100%	150%	Total credit exposure amount
4 Banks	-	-	-	-	-	-	-	-

	10%	15%	20%	25%	35%	50%	100%	Total credit exposure amount
5 Covered bonds	-	-	-	-	-	-	-	-

	20%	50%	65%	75%	80%	85%	100%	130%	150%	Total credit exposure amount
6 Corporates	-	454	-	-	-	-	970	-	-	1,424

	100%	150%	250%	400%	Total credit exposure amount
7 Subordinated debt, equity and other capital	-	-	8	-	8

	45%	75%	100%	Total credit exposure amount
8 Retail	-	885	88	973

	0%	20%	25%	30%	35%	40%	45%	50%	60%	65%	70%	75%	85%	90%	100%	105%	110%	150%	Total credit exposure amount
9 Property Exposures	-	7	5	3	-	10	3	95	-	-	-	-	-	-	468	-	-	3	594
Of which: Residential Property	-	7	5	3	-	10	3	95	-	-	-	-	-	-	468	-	-	-	591
Of which: Commercial Property	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Of which: land acquisition, development and construction	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	3	3

	50%	100%	150%	Total credit exposure amount
10 Non-performing exposures	-	2	9	11

	0%	20%	100%	1250%	Total credit exposure amount
11 Other assets[1]	-	8	3,017	-	3,025

[1] The major components of Other Assets are fixed assets.

Exposure amounts and CCFs applied to off-balance sheet exposures, categorised based on risk bucket of converted exposures

		a	b	c	d
	Risk weight	On-balance sheet exposure $m	Off-balance sheet exposure (pre-CCF) $m	Weighted average CCF* %	Exposure (post-CCF and post-CRM) $m
1	Less than 40%	15	8	100.0 %	23
2	40-70%	596	28	100.0 %	562
3	75%	597	719	40.0 %	885
4	85%	-	-	-	-
5	90-100%	4,531	264	61.2 %	4,545
6	105-130%	-	-	-	-
7	150%	12	1	100.0 %	12
8	250%	6	11	20.0 %	8
9	400%	-	-	-	-
10	1250%	-	-	-	-
11	**Total exposures**	**5,757**	**1,031**	**47.4 %**	**6,035**

* Weighting is based on off-balance sheet exposure (pre-CCF).

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	0%	20%	50%	100%	150%	Total credit exposure amount
1 Sovereigns and their central banks	-	-	-	-	-	-

	20%	30%	40%	50%	75%	100%	150%	Total credit exposure amount
4 Banks	-	-	-	-	-	-	-	-

	10%	15%	20%	25%	35%	50%	100%	Total credit exposure amount
5 Covered bonds	-	-	-	-	-	-	-	-

	20%	50%	65%	75%	80%	85%	100%	130%	150%	Total credit exposure amount
6 Corporates	-	480	-	-	-	-	835	-	-	1,315

	100%	150%	250%	400%	Total credit exposure amount
7 Subordinated debt, equity and other capital	-	-	8	0	8

	45%	75%	100%	Total credit exposure amount
8 Retail	-	942	88	1,030

	0%	20%	25%	30%	35%	40%	45%	50%	60%	65%	70%	75%	85%	90%	100%	105%	110%	150%	Total credit exposure amount
9 Property Exposures	-	8	4	3	-	-	10	99	-	-	-	-	-	-	512	-	-	4	640
Of which: Residential Property	-	8	4	3	-	-	10	99	-	-	-	-	-	-	512	-	-	-	636
Of which: Commercial Property	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Of which: land acquisition, development and construction	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	4	4

	50%	100%	150%	Total credit exposure amount
10 Non-performing exposures	-	5	19	24

	0%	20%	100%	1250%	Total credit exposure amount
11 Other assets[1]	-	6	3,075	0	3,081

[1] The major components of Other Assets are fixed assets.

Exposure amounts and CCFs applied to off-balance sheet exposures, categorised based on risk bucket of converted exposures

		a	b	c	d
	Risk weight	On-balance sheet exposure $m	Off-balance sheet exposure (pre-CCF) $m	Weighted average CCF* %	Exposure (post-CCF and post-CRM) $m
1	Less than 40%	15	6	100.0 %	20
2	40-70%	802	28	100.0 %	589
3	75%	641	753	40.0 %	943
4	85%	-	-	-	-
5	90-100%	4,345	541	81.3 %	4,516
6	105-130%	-	-	-	-
7	150%	21	2	100.0 %	22
8	250%	6	11	20.0 %	8
9	400%	-	-	-	-
10	1250%	-	-	-	-
11	**Total exposures**	**5,830**	**1,341**	**58.1 %**	**6,098**

* Weighting is based on off-balance sheet exposure (pre-CCF).

4.7 Comparison of modelled and standardised RWA

Table CMS1 below presents a comparison between the RWA reported as the current requirements versus the equivalent RWA calculated using the full standardised approach for the respective risk categories.

The difference between IRB credit risk RWA and standardised RWA is primarily due to the Retail Residential Mortgages portfolio benefiting from modelled LGD and PD under IRB which considers a broader range of factors compared to the standardised approach.

Table 11: CMS1 - Comparison of modelled and standardised RWA at risk level

31 March 2025

		a	b	c	d
		RWA $m			
		RWA for modelled approaches that banks have supervisory approval to use	RWA for portfolios where standardised approaches are used	Total Actual RWA (a + b) (ie RWA which banks report as current requirements)	RWA calculated using full standardised approach (ie used in the base of the output floor)
1	Credit risk (excluding counterparty credit risk)	71,091	5,532	76,623	107,260
2	Counterparty credit risk	29,653	1,364	31,017	45,352
3	Credit valuation adjustment		10,995	10,995	10,995
4	Securitisation exposures in the banking book	-	916	916	916
5	Market risk	7,207	1,319	8,526	8,526
5a	Interest rate risk in the banking book (IRRBB)[1]	4,154	-	4,154	-
6	Operational risk		18,726	18,726	18,726
7	Residual RWA		1	1	1
8	**Total**	**112,105**	**38,853**	**150,958**	**191,776**

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		a	b	c	d
		RWA $m			
		RWA for modelled approaches that banks have supervisory approval to use	RWA for portfolios where standardised approaches are used	Total Actual RWA (a + b) (ie RWA which banks report as current requirements)	RWA calculated using full standardised approach (ie used in the base of the output floor)
1	Credit risk (excluding counterparty credit risk)	64,916	5,574	70,490	99,472
2	Counterparty credit risk	26,084	1,278	27,362	42,086
3	Credit valuation adjustment		9,505	9,505	9,505
4	Securitisation exposures in the banking book	-	806	806	806
5	Market risk	7,612	1,007	8,619	8,619
5a	Interest rate risk in the banking book (IRRBB)[1]	3,773	-	3,773	-
6	Operational risk		17,512	17,512	17,512
7	Residual RWA		-	-	-
8	**Total**	**102,385**	**35,682**	**138,067**	**178,000**

[1] In line with national specific modification.

Table CMS2 below provides an overview comparison of the credit risk RWA calculated using the internally modelled approach versus the equivalent RWA calculated using the full standardised approach for the respective asset classes.

Table 12: CMS2 - Comparison of modelled and standardised RWA for credit risk at asset class level

31 March 2025

		a	b	c	d
		RWA $m			
		RWA for modelled approaches that banks have supervisory approval to use	RWA for column (a) if re-computed using the standardised approach	Total Actual RWA (ie RWA which banks report as current requirements)	RWA calculated using full standardised approach (ie RWA used in the base of the output floor)
1	Corporate	19,225	23,378	20,422	24,574
2	SME Corporate	6,450	4,527	6,451	4,527
3	Specialised lending - IPRE	3,064	3,874	3,063	3,874
4	Specialised Lending - Subject to Supervisory Slotting Approach	4,836	4,713	4,836	4,713
5	Sovereign	276	243	276	243
6	Financial Institution	2,831	4,739	2,832	4,739
7	Residential Mortgages	31,233	56,432	31,774	56,973
8	SME Retail	862	826	1,061	1,025
9	Other Retail	920	1,602	1,477	2,159
10	Other Assets[1]	1,394	1,396	4,431	4,433
11	**Total**	**71,091**	**101,730**	**76,623**	**107,260**

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		a	b	c	d
		RWA $m			
		RWA for modelled approaches that banks have supervisory approval to use	RWA for column (a) if re-computed using the standardised approach	Total Actual RWA (ie RWA which banks report as current requirements)	RWA calculated using full standardised approach (ie RWA used in the base of the output floor)
1	Corporate	15,689	19,756	16,780	20,848
2	SME Corporate	6,518	4,788	6,518	4,788
3	Specialised lending - IPRE	3,104	3,666	3,104	3,666
4	Specialised Lending - Subject to Supervisory Slotting Approach	3,447	3,494	3,447	3,494
5	Sovereign	1,032	1,056	1,032	1,056
6	Financial Institution	2,898	4,153	2,898	4,153
7	Residential Mortgages	28,862	52,428	29,445	53,013
8	SME Retail	1,005	1,128	1,224	1,347
9	Other Retail	1,093	2,157	1,672	2,736
10	Other Assets[1]	1,268	1,269	4,370	4,371
11	**Total**	**64,916**	**93,895**	**70,490**	**99,472**

[1] The major components of Other Assets are fixed assets and residual value of operating leases.

5. Credit Risk Mitigation

5.1 Credit Risk Mitigation Management

Macquarie employs a variety of Credit Risk Mitigation (CRM) techniques, which may be deployed either at the request of the business, or the request of RMG Credit. Techniques relevant to Macquarie's business includes:

- Margining,
- Financial Collateral,
- Physical Collateral,
- Credit Derivatives,
- Netting (on and off-balance sheet),
- Guarantees / Letters of Credit,
- Insurance; and
- Risk distribution, i.e. sell downs, risk participations, etc.

CRM may be considered at the inception of a trade, or during the life of a trade. Macquarie's eligible CRM techniques are outlined in the RMG Credit Internal Ratings Policy.

The effectiveness of CRM is heavily dependent on the structure and enforceability of the underlying legal documents in the relevant jurisdiction. It is mandatory under the Internal Ratings Policy that Legal Risk Management (LRM) have opined on the effectiveness of the CRM technique and that the CRM technique satisfies certain minimum conditions.

The large exposure framework requires Macquarie to de-risk and/or escalate positions if spot exposure exceeds certain thresholds. CRM is employed as a strategic tool to manage exposures within these thresholds.

Several key aspects of our approach to the use of CRM, including policies and processes, are detailed below.

Netting

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.

Macquarie Bank maintains a Group RMG Credit Netting Policy which sets out the requirements by which entities in the Macquarie Group establish, control and monitor their determinations on close-out netting and other CRM techniques in relation to netting agreements such as derivatives.

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.

The Netting Agreement Committee is established and its purpose is to form, or oversee the forming of, an institutional Macquarie interpretation of whether any netting agreement, collateral item and/or guarantee is enforceable, for the purposes of meeting requirements under regulatory capital regulation.

Covenant Monitoring Processes

Line 1 Business teams have primary responsibility for monitoring covenants using appropriate systems for the underlying product. Businesses are responsible for:

- Setting up accurate covenant monitoring for counterparty,
- Ensuring reporting is received from counterparties to complete monitoring on required periodic basis,
- Timely completion of covenant monitoring reports,
- Escalating any breaches; and
- Provide a rationale for the breach, action taken (waiver, cures, grace periods) and satisfactory resolution of the breach. Breaches and discrepancies identified by the Business shall be escalated to RMG Credit.

Collateral Valuation and Management

Macquarie takes a wide range of collateral of which only a portion is eligible under APS 112 and APS 113 to mitigate regulatory exposure. 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 eligible 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.

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.

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 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.

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

Margining

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 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.

The Macquarie Margining Policy sets out the principles, roles and responsibilities to ensure that the margining process is accurate and meets regulatory requirements where applicable, particularly so as to act as an eligible risk mitigant. Macquarie's credit risk criteria for margining for both Regulatory Margin and non-Regulatory Margin derivatives counterparties are outlined, involving requirements to post or collect initial margin and variation margin amounts. Macquarie's trading systems calculate margin call amounts, minimum transfer amounts and margin free limits as specified under executed legal agreements.

Non-replies to margin calls are monitored daily in the dedicated margining system by the Market Operations Division (MOD) and escalated to the relevant CGM business. MOD escalates missed margin calls to RMG Credit daily, with cascading escalations in accordance with the Macquarie Margining Policy.

Credit derivatives

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.

5.2 Wrong Way Risk

Macquarie's approach to managing Wrong Way Risk is governed by the Wrong Way Risk Policy which is owned by RMG Credit. This policy outlines the principles that govern Macquarie's approach to Wrong Way Risk exposures to ensure Macquarie's compliance with APRA Prudential Standards.

Specific Wrong Way Risk occurs when, due to the nature of Macquarie's transactions with a particular counterparty, the size of Macquarie's exposure to the counterparty is positively correlated with the probability of default of that counterparty. Macquarie has limited appetite for Specific Wrong Way Risk, with all instances requiring Line 1 identification and escalation to RMG Credit for approval prior to transacting and/or accepting the impacted collateral. Failure to obtain pre-approval constitutes a breach of the policy. Daily reporting throughout the life of each transaction occurs to ensure the risk remains within RMG Credit's appetite and to identify where relationships between risk factors may have materially changed.

General Wrong Way Risk is the risk that the probability of a counterparty's default is correlated with general market risk factors, such that there may be adverse economic factors influencing many counterparties at once, rather than being specific to a single counterparty. In contrast to Specific Wrong Way Risk, General Wrong Way Risk is not required to be identified and approved prior to trading. The identification and escalation of General Wrong Way Risk within the portfolio of exposures is the responsibility of RMG Credit and delivered through undertaking periodic stress testing and scenario analysis.

5.3 Quantitative information on credit risk mitigations

Table CR3 below provides an overview of the credit risk exposures, along with the eligible CRM. The CRM mechanisms include collateral, guarantees, and credit derivatives, which are subject to the eligibility criteria specified in APS 112 and APS 113.

Table 13: CR3 - Credit risk mitigation techniques – overview

31 March 2025

		a	b	c	d	e
		Exposures unsecured: carrying amount $m[1]	Exposures to be secured $m[2]	Exposures secured by collateral $m[3]	Exposures secured by financial guarantees $m	Exposures secured by credit derivatives $m
1	Loans[4]	45,024	157,346	154,567	2,779	-
2	Debt securities	6,387	-	-	-	-
3	**Total**	**51,411**	**157,346**	**154,567**	**2,779**	**-**
4	Of which Non-Performing	279	1,370	1,366	4	-

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		a	b	c	d	e
		Exposures unsecured: carrying amount $m[1]	Exposures to be secured $m[2]	Exposures secured by collateral $m[3]	Exposures secured by financial guarantees $m	Exposures secured by credit derivatives $m
1	Loans[4]	37,832	144,474	141,990	2,484	-
2	Debt securities	6,558	-	-	-	-
3	**Total**	**44,390**	**144,474**	**141,990**	**2,484**	**-**
4	Of which Non-Performing	323	1,212	1,200	12	-

[1] Includes fully unsecured exposures and the unsecured portion of partially-secured exposures.
[2] Exposures secured by eligible collateral for the purposes of reducing capital requirements under APS 112 and APS 113.
[3] All residential mortgages are included in exposure secured by collateral.
[4] For the purpose of this disclosure, Loans also include cash and bank balances and other receivables.

6. Credit Quality

6.1 Credit quality of assets

Non-Performing

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 are automatically classified as being in default where the counterparty is more than 90 calendar days past contractual due date and/or Macquarie considers that the counterparty is unlikely to pay its obligations to Macquarie in full.

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

When an exposure is deemed to have been incorrectly flagged as non-performing (technical default), it will have its non-performing classification amended only once it is confirmed that it is a technical default, prior to that, while it is still under investigation, it will be classified as non-performing.

Restructured

A restructure is considered to have occurred when all three of the following conditions have been met:

- The counterparty is experiencing financial difficulty or hardship in meeting their financial commitments to Macquarie; and
- Macquarie grants a concession or revision to facilitate the counterparty's ability to meet their commitments; and
- The terms of the concession are such that Macquarie would not otherwise consider or provide under normal market conditions.

For the avoidance of doubt, restructured counterparties must be classified as having defaulted (non-performing) and a Stage III provision may be required. Stage III provisions can only be applicable to counterparties that are non-performing.

Underperforming Assets

Underperforming assets are closely monitored with clear management visibility and oversight, more specifically through the CreditWatch Forum. The business continues to own the risk with independent oversight from both RMG Credit and the Troubled Assets team.

The CreditWatch Forum assesses the appropriateness of specific provisioning levels and provides management oversight. The Troubled Assets team are responsible for CreditWatch management (including agenda setting), ensuring adequate provisions, ownership of the Troubled Assets and Provisioning Policy and are responsible for maintaining independent oversight and guidance surrounding underperforming assets.

The Troubled Assets team role is to independently challenge and closely monitor the management of underperforming assets; with a high level of focus on more complex, large names and ageing of the CreditWatch book.

The CreditWatch Forum assesses the appropriateness of specific provisioning levels and provides management oversight.

Macquarie's key policies relating to Credit Quality include:

- Troubled Assets and Provisioning Policy - Details the roles, responsibilities, and guidance in identifying, managing and reporting defaulted assets and the required provisioning processes applied across all in-scope assets. It further outlines the determination criteria for sufficient levels of collateral coverage therein. The policy is in accordance with the Accounting Standards' use of a three-stage model for impairment, based on the change in credit quality since origination.
- Financial Assets Write-Off Policy - Provides guidance for when an entity can write off financial assets (either a portion or the whole) in the event the financial asset has become unrecoverable.

6.2 Provisioning

General Provisions

General Provisions are required 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.

The provisions represent 12 months expected credit loss (ECL) on performing loans which have not seen a significant increase in credit risk since origination (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.

Specific Provisions

Specific provisions are calculated as per the APRA Prudential Standard 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.

Further, any financial asset that is deemed to be in default must be individually assessed for a specific provision, unless RMG Credit and FPE Group Finance have approved the use of ECL provisioning models for that asset.

Additional Regulatory Specific Provisions

Lifetime ECL provisions on underperforming and non-performing loans (referred to as Stage II and Stage III respectively 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.

6.3 Regulatory expected loss

Regulatory Expected Loss (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, through the cycle PD and downturn LGD whereas REL for defaulted Corporate, Sovereign and Financial Institution exposures under the F-IRB approach is determined as the product of downturn LGD and EAD. Downturn LGDs are defined by APRA for Corporate, Financial Institution and Sovereign exposures. 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.

As at 31 March 2025, the total REL was $1,040 million (30 September 2024: $923 million), with the excess of REL over eligible provisions resulting in a Common Equity Tier 1 deduction of $439 million (30 September 2024: $327 million).

6.4 Quantitative information on credit quality

Table CR1 below presents a breakdown of the performing and non-performing exposures, along with the related provisions for credit losses. The reported exposures consist of on-balance sheet financial assets and off-balance sheet exposures that are subject to the credit risk framework.

Table 14: CR1 - Credit quality of assets

31 March 2025

		a	b	c	d	e	f	g
		Gross carrying values of $m		Allowances / impairments $m	Of which ECL accounting provisions for credit losses on SA exposures $m		Of which ECL accounting provisions for credit losses on IRB exposures $m	Net Values $m (a+b-c)
		Non-performing exposures	Performing exposures		Allocated in regulatory category of Specific	Allocated in regulatory category of General		
1	Loans[1]	1,854	201,093	577	16	5	556	202,370
2	Debt Securities	-	6,393	6	-	-	6	6,387
3	Off-balance sheet exposures	54	26,644	43	-	1	42	26,655
4	**Total**	**1,908**	**234,130**	**626**	**16**	**6**	**604**	**235,412**

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		a	b	c	d	e	f	g
		Gross carrying values of $m		Allowances / impairments $m	Of which ECL accounting provisions for credit losses on SA exposures $m		Of which ECL accounting provisions for credit losses on IRB exposures $m	Net Values $m (a+b-c)
		Non-performing exposures	Performing exposures		Allocated in regulatory category of Specific	Allocated in regulatory category of General		
1	Loans[1]	1,781	181,105	580	15	6	559	182,306
2	Debt Securities	-	6,558	-	-	-	-	6,558
3	Off-balance sheet exposures	110	24,361	38	-	1	37	24,433
4	**Total**	**1,891**	**212,024**	**618**	**15**	**7**	**596**	**213,297**

[1] For the purpose of this disclosure, Loans also include cash and bank balances and other receivables.

Table CR2 below presents the key factors contributing to the movements in non-performing exposures between the current and prior reporting periods.

Table 15: CR2 - Changes in stock of non-performing loans, debt securities and off-balance sheet exposures

		6 months to 31 Mar 25 $m
1	Non-performing loans, debt securities and off balance sheet exposures at end of the previous reporting period	**1,891**
2	Exposures recognised as non-performing during the current reporting period	904
3	Returned to performing status	254
4	Amounts written off[1]	92
5	Other changes[2]	(541)
6	Non-performing loans, debt securities and off balance sheet exposures at end of the reporting period (1+2-3-4+5)	**1,908**

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

The following tables present the credit risk exposures and the related accounting provisions by geographical areas, industry and residual maturity, together with the ageing analysis as at 31 March 2025.

Table 16: CRB - Additional disclosure related to the credit quality of assets

	Total Carrying Value (of loans, debt and off-bal) $m	of which performing $m	of which non-performing $m[1]	Specific Provisions Stage 3 $m
By Geography[2]				
Australia[3]	204,975	203,347	1,628	105
Americas	15,905	15,774	131	45
EMEA	12,950	12,807	143	56
Asia	2,208	2,202	6	-
Total	**236,038**	**234,130**	**1,908**	**206**
By Industry				
Retail Lending	166,960	165,631	1,329	71
Financial And Insurance Services	22,770	22,744	26	18
Rental, Hiring And Real Estate Services	10,756	10,546	210	12
Public Administration And Safety	5,000	5,000	-	-
Professional, Scientific And Technical Services	1,953	1,931	22	2
Mining	5,106	5,028	78	3
Electricity, Gas, Water And Waste Services	4,272	4,237	35	26
Information Media And Telecommunications	5,148	5,148	-	-
Health Care And Social Assistance	1,389	1,344	45	15
Transport, Postal And Warehousing	3,906	3,905	1	1
Manufacturing	2,116	2,038	78	42
Other Construction	168	168	-	-
Wholesale Trade	3,016	2,944	72	12
Arts And Recreation Services	2,000	1,993	7	3
Other Services	61	61	-	-
Residential Building Construction	33	33	-	-
Retail Trade	106	106	-	-
Administrative And Support Services	342	340	2	-
Agriculture, Forestry And Fishing	645	642	3	1
Accommodation And Food Services	83	83	-	-
Education And Training	88	88	-	-
Non-residential Building Construction	120	120	-	-
Total	**236,038**	**234,130**	**1,908**	**206**

By Maturity	
<= 1 year	34,525
1 <= 5 years	31,480
> 5 years	170,033
Total	**236,038**

	Performing Exposures $m			Non-Performing Exposures $m		
	Total	Not past due or Past due < 30 days	Past due >= 30 days < 90 days	Total	Unlikely to pay or past due >= 90 days and < 180 days	Past due >= 180 days
Loans	201,093	200,467	625	1,854	1,515	339
Debt Securities	6,393	6,393	-	-	-	-
Off-balance sheet exposures	26,644			54		
Total	**234,130**	**206,860**	**625**	**1,908**	**1,515**	**339**

[1] This includes $1,010m of restructured exposures.
[2] The geographical breakdown is based on the domicile of the responsible counterparties.
[3] Include New Zealand.

7. 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.

Macquarie applies the standardised approach for measuring counterparty credit risk exposures (SA-CCR) to OTC derivative transactions, exchange-traded derivative transactions and long settlement transactions. This approach is used for both margined and unmargined derivative transactions; and for all bilateral and centrally-cleared derivative transactions.

Regulatory capital is allocated to CCR exposures using the SA-CCR calculation, which reflects expected exposure to the counterparty and its risk rating. Potential Future Exposure (PFE) measures CCR on a schedule of future dates. PFE is measured assuming a credit event occurs (counterparty default or non-payment) and zero recovery value.

However, since future market prices are uncertain, PFE is a contingent amount and hence measured at a specified confidence level. At Macquarie, that level is 97.5% meaning on average there will be 2.5% of outcomes which are worse than the modelled result.

PFE is the exposure used to determine if an excess is present, where PFE's are greater than the limit an excess will be flagged, with this excess then feeding into the excess management process.

Collateral stress tests are also conducted on MBL's counterparties so that it can monitor for likely collateral stresses in the event of a counterparty downgrade.

A downgrade in Macquarie Bank Limited's credit rating(s) can have an impact on collateral posting requirements. This includes agreements with margin free limits that are tiered based on credit rating, and unmargined agreements that could become margined if Macquarie's financial condition changes. As at 31 March 2025, a unilateral one notch downgrade in MBL's credit ratings could result in a collateral posting of $16 million, while a two notch downgrade could result in an additional $80 million being posted. Collateral stress tests are also conducted on MBL's counterparties so that it can monitor for likely collateral stresses in the event of a counterparty downgrade.

CRM is applied for CCR exposures in line with the detail provided in Section 5 Credit Risk Mitigation.

7.1 Quantitative information on counterparty credit risk

Table CCR1 below presents the capital requirements for CCR exposures, along with the main parameters used to determine the exposures and the corresponding RWA.

Table 17: CCR1 - Analysis of CCR exposures by approach

31 March 2025

		a	b	c	d	e	f
		Replacement cost $m	Potential future exposure $m	Effective EPE $m	Alpha used for computing regulatory EAD	EAD post-CRM $m	RWA $m
1	SA-CCR (for derivatives)	10,083	20,610		1.4	42,872	26,094
4	Comprehensive Approach for credit risk mitigation (for SFTs)					11,602	4,155
6	**Total**						**30,249**

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		a	b	c	d	e	f
		Replacement cost $m	Potential future exposure $m	Effective EPE $m	Alpha used for computing regulatory EAD	EAD post-CRM $m	RWA $m
1	SA-CCR (for derivatives)	10,796	17,951		1.4	40,155	23,068
4	Comprehensive Approach for credit risk mitigation (for SFTs)					10,926	3,763
6	**Total**						**26,831**

Table CCR3 below presents the CCR exposures subject to the standardised risk-weight approach.

Table 18: CCR3 - Standardised approach – CCR exposures by regulatory portfolio and risk weights

31 March 2025

	a	b	c	d	e	f	g	h	i
Risk weight→ / Regulatory portfolio↓	0% $m	10% $m	20% $m	50% $m	75% $m	100% $m	150% $m	Others $m	Total credit exposure $m
Sovereigns	-	-	-	-	-	-	-	-	-
Non-central government public sector entities	-	-	-	-	-	-	-	-	-
Multilateral development banks	-	-	-	-	-	-	-	-	-
Banks	-	-	-	-	-	-	-	-	-
Securities firms	-	-	-	-	-	-	-	-	-
Corporates	-	-	-	692	-	249	-	-	941
Regulatory retail portfolios	-	-	-	-	-	-	-	-	-
Other assets	-	-	-	-	-	-	-	-	-
Total	**-**	**-**	**-**	**692**	**-**	**249**	**-**	**-**	**941**

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	a	b	c	d	e	f	g	h	i
Risk weight→ / Regulatory portfolio↓	0% $m	10% $m	20% $m	50% $m	75% $m	100% $m	150% $m	Others $m	Total credit exposure $m
Sovereigns	-	-	-	-	-	-	-	-	-
Non-central government public sector entities	-	-	-	-	-	-	-	-	-
Multilateral development banks	-	-	-	-	-	-	-	-	-
Banks	-	-	-	-	-	-	-	-	-
Securities firms	-	-	-	-	-	-	-	-	-
Corporates	-	-	-	815	-	339	-	-	1,154
Regulatory retail portfolios	-	-	-	-	-	-	-	-	-
Other assets	-	-	-	-	-	-	-	-	-
Total	**-**	**-**	**-**	**815**	**-**	**339**	**-**	**-**	**1,154**

Table CCR4 below presents the capital requirements for CCR exposures subject to the IRB risk-weight approach. The disclosure includes an overview of the CCR exposures by asset classes, along with the key parameters used to calculate EAD and RWA.

Table 19: CCR4 - IRB – CCR exposures by portfolio and probability-of-default (PD) scale

31 March 2025

	a	b	c	d	e	f	g
PD scale	EAD post-CRM $m	Average PD %	Number of obligors	Average LGD %	Average maturity years	RWA $m	RWA density %
Corporate							
0.00 to <0.15	4,406	0.1 %	291	50.0 %	1.2	1,001	22.7 %
0.15 to <0.25	4,167	0.2 %	242	50.0 %	1.4	1,602	38.4 %
0.25 to <0.50	7,770	0.4 %	740	50.0 %	1.2	4,312	55.5 %
0.50 to <0.75	-	-	-	-	-	-	-
0.75 to <2.50	4,456	1.3 %	536	49.9 %	1.2	4,420	99.2 %
2.50 to <10.00	2,875	3.7 %	308	49.6 %	1.3	4,195	145.9 %
10.00 to <100.00	988	11.7 %	368	50.4 %	1.3	2,266	229.3 %
100.00 (Non-Performing)	20	100.0 %	6	50.0 %	1.0	-	— %
Sub-total	**24,682**	**1.3 %**	**2,491**	**50.0 %**	**1.2**	**17,796**	**72.2 %**
SME Corporate							
0.00 to <0.15	-	-	-	-	-	-	-
0.15 to <0.25	-	-	-	-	-	-	-
0.25 to <0.50	2	0.5 %	1	50.0 %	0.6	1	57.4 %
0.50 to <0.75	-	-	-	-	-	-	-
0.75 to <2.50	24	1.5 %	3	50.0 %	1.0	21	88.6 %
2.50 to <10.00	9	2.8 %	2	50.0 %	1.0	10	114.6 %
10.00 to <100.00	2	10.5 %	7	50.0 %	1.0	3	170.5 %
100.00 (Non-Performing)	-	-	-	-	-	-	-
Sub-total	**37**	**2.1 %**	**13**	**50.0 %**	**1.0**	**35**	**96.0 %**
Specialised lending - IPRE							
0.00 to <0.15	-	-	-	-	-	-	-
0.15 to <0.25	-	-	-	-	-	-	-
0.25 to <0.50	3	0.5 %	3	50.0 %	2.0	4	115.3 %
0.50 to <0.75	-	-	-	-	-	-	-
0.75 to <2.50	2	0.9 %	3	50.0 %	1.0	3	125.2 %
2.50 to <10.00	-	-	-	-	-	-	-
10.00 to <100.00	-	-	-	-	-	-	-
100.00 (Non-Performing)	-	100.0 %	1	50.0 %	1.0	-	— %
Sub-total	**5**	**0.6 %**	**7**	**50.0 %**	**1.6**	**7**	**119.2 %**
Financial institution							
0.00 to <0.15	16,119	0.1 %	1,206	50.0 %	0.7	2,968	18.4 %
0.15 to <0.25	2,142	0.2 %	135	50.0 %	1.0	974	45.5 %
0.25 to <0.50	5,713	0.4 %	515	50.0 %	0.9	3,836	67.2 %
0.50 to <0.75	-	-	-	-	-	-	-
0.75 to <2.50	528	1.1 %	168	50.0 %	1.0	606	114.9 %
2.50 to <10.00	151	3.4 %	53	50.0 %	1.3	255	168.7 %
10.00 to <100.00	67	11.3 %	92	50.0 %	1.3	176	262.5 %
100.00 (Non-Performing)	-	-	-	-	-	-	-
Sub-total	**24,720**	**0.2 %**	**2,169**	**50.0 %**	**0.8**	**8,815**	**35.7 %**
Sovereign							
0.00 to <0.15	1,299	— %	26	14.4 %	0.5	51	4.0 %
0.15 to <0.25	1	0.2 %	1	50.0 %	1.0	-	34.5 %
0.25 to <0.50	-	0.3 %	1	50.0 %	1.0	-	47.0 %
0.50 to <0.75	-	-	-	-	-	-	-
0.75 to <2.50	-	-	-	-	-	-	-

	a	b	c	d	e	f	g
PD scale	EAD post-CRM $m	Average PD %	Number of obligors	Average LGD %	Average maturity years	RWA $m	RWA density %
2.50 to <10.00	-	-	-	-	-	-	-
10.00 to <100.00	1	10.5 %	1	50.0 %	1.0	1	218.8 %
100.00 (Non-Performing)	-	-	-	-	-	-	-
Sub-total	**1,301**	**— %**	**29**	**14.5 %**	**-**	**52**	**4.1 %**
Total (sum of portfolios)	**50,745**	**0.7 %**	**4,709**	**49.1 %**	**1.0**	**26,705**	**52.7 %**

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	a	b	c	d	e	f	g
PD scale	EAD post-CRM $m	Average PD %	Number of obligors	Average LGD %	Average maturity years	RWA $m	RWA density %
Corporate							
0.00 to <0.15	4,345	0.1 %	290	50.0 %	1.1	956	22.0 %
0.15 to <0.25	3,992	0.2 %	243	50.0 %	1.3	1,492	37.4 %
0.25 to <0.50	7,940	0.4 %	700	49.7 %	1.2	4,385	55.2 %
0.50 to <0.75	-	-	-	-	-	-	-
0.75 to <2.50	4,354	1.2 %	556	49.8 %	1.1	4,192	96.3 %
2.50 to <10.00	1,984	3.6 %	285	49.8 %	1.1	2,832	142.7 %
10.00 to <100.00	764	11.7 %	322	50.0 %	1.3	1,746	228.6 %
100.00 (Non-Performing)	12	100.0 %	8	50.0 %	1.0	-	-
Sub-total	**23,391**	**1.1 %**	**2,404**	**49.8 %**	**1.1**	**15,603**	**66.7 %**
SME Corporate							
0.00 to <0.15	-	-	-	-	-	-	-
0.15 to <0.25	-	-	-	-	-	-	-
0.25 to <0.50	-	-	-	-	-	-	-
0.50 to <0.75	-	-	-	-	-	-	-
0.75 to <2.50	37	1.5 %	3	50.0 %	1.0	33	89.0 %
2.50 to <10.00	13	2.9 %	3	50.0 %	1.0	14	108.6 %
10.00 to <100.00	-	25.1 %	5	50.0 %	1.0	-	204.9 %
100.00 (Non-Performing)	-	-	-	-	-	-	-
Sub-total	**50**	**1.9 %**	**11**	**50.0 %**	**1.0**	**47**	**94.3 %**
Specialised lending - IPRE							
0.00 to <0.15	-	-	-	-	-	-	-
0.15 to <0.25	-	-	-	-	-	-	-
0.25 to <0.50	2	0.5 %	4	50.0 %	1.0	2	98.4 %
0.50 to <0.75	-	-	-	-	-	-	-
0.75 to <2.50	3	0.9 %	6	50.0 %	1.0	4	131.2 %
2.50 to <10.00	-	-	-	-	-	-	-
10.00 to <100.00	-	-	-	-	-	-	-
100.00 (Non-Performing)	-	-	-	-	-	-	-
Sub-total	**5**	**0.8 %**	**10**	**50.0 %**	**1.0**	**6**	**118.7 %**
Financial institution							
0.00 to <0.15	14,617	0.1 %	1,326	50.0 %	1.0	2,553	17.5 %
0.15 to <0.25	3,124	0.2 %	136	50.0 %	1.0	1,429	45.7 %
0.25 to <0.50	4,805	0.4 %	498	50.0 %	1.0	3,218	67.0 %
0.50 to <0.75	-	-	-	-	-	-	-
0.75 to <2.50	809	1.0 %	171	50.0 %	1.0	858	106.1 %
2.50 to <10.00	141	3.2 %	51	50.0 %	1.0	237	167.8 %
10.00 to <100.00	63	11.7 %	84	50.0 %	1.0	165	262.6 %
100.00 (Non-Performing)	-	-	-	-	-	-	-
Sub-total	**23,559**	**0.2 %**	**2,266**	**50.0 %**	**1.0**	**8,460**	**35.9 %**
Sovereign							
0.00 to <0.15	968	— %	31	12.5 %	1.0	35	3.6 %
0.15 to <0.25	4	0.2 %	3	50.0 %	1.0	1	35.5 %
0.25 to <0.50	2	0.3 %	2	50.0 %	1.0	1	47.0 %
0.50 to <0.75	-	-	-	-	-	-	-
0.75 to <2.50	-	-	-	-	-	-	-
2.50 to <10.00	-	-	-	-	-	-	-
10.00 to <100.00	4	10.5 %	4	50.0 %	1.0	9	218.8 %
100.00 (Non-Performing)	-	-	-	-	-	-	-
Sub-total	**978**	**0.1 %**	**40**	**12.8 %**	**1.0**	**46**	**4.7 %**
Total (sum of portfolios)	**47,983**	**0.6 %**	**4,731**	**49.2 %**	**1.0**	**24,162**	**50.4 %**

Table CCR5 below provides a breakdown of all types of collateral posted or received to support or reduce the CCR exposures relating to derivative transactions and SFTs.

Table 20: CCR5 - Composition of collateral for CCR

31 March 2025

	a	b	c	d	e	f
	Collateral used in derivative transactions				Collateral used in SFTs	
	Fair value of collateral received $m		Fair value of posted collateral $m		Fair value of collateral received $m	Fair value of posted collateral $m
	Segregated	Unsegregated	Segregated	Unsegregated		
Cash	18,478	17,735	94	21,055	6,941	61,821
Debt	2,872	616	2,303	931	58,731	15,352
Equity	263	-	854	-	31,094	20,533
Other[1]	-	-	896	-	-	69
Total	**21,613**	**18,351**	**4,147**	**21,986**	**96,766**	**97,775**

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	a	b	c	d	e	f
	Collateral used in derivative transactions				Collateral used in SFTs	
	Fair value of collateral received $m		Fair value of posted collateral $m		Fair value of collateral received $m	Fair value of posted collateral $m
	Segregated	Unsegregated	Segregated	Unsegregated		
Cash	18,128	18,297	68	19,789	4,667	62,625
Debt	3,723	337	3,884	1,611	61,677	13,506
Equity	507	84	1,786	-	29,661	20,735
Other[1]	-	-	726	-	-	-
Total	**22,358**	**18,718**	**6,464**	**21,400**	**96,005**	**96,866**

[1] Other includes gold and securitisation tranche.

Table CCR6 below presents an overview of MBL's exposures to credit derivative transactions.

Table 21: CCR6 - Credit derivatives exposures

	a	b	a	b
	Mar 2025		Sep 2024	
	Protection bought $m	Protection sold $m	Protection bought $m	Protection sold $m
Notionals				
Single-name credit default swaps	754	577	1,239	926
Index credit default swaps	100	92	926	926
Total return swaps	-	-	60	-
Credit options	-	-	-	-
Other credit derivatives	-	73	-	176
Total notionals	**854**	**742**	**2,225**	**2,028**
Fair values	**-**	**-**	**-**	**-**
Negative fair value (liability)	(11)	(5)	(85)	(6)
Positive fair value (asset)	39	14	39	87

Table CCR8 below presents a comprehensive view of MBL's exposures to central counterparties and the associated capital requirements.

Table 22: CCR8 - Exposures to central counterparties

		a	b	a	b
		Mar 2025		Sep 2024	
		EAD (post-CRM) $m	RWA $m	EAD (post-CRM) $m	RWA $m
1	Exposures to QCCPs (total)		768		531
2	Exposures for trades at QCCPs (excluding initial margin and default fund contributions); of which	10,161	224	10,070	232
3	(i) OTC derivatives	2,701	75	2,915	88
4	(ii) Exchange-traded derivatives	7,460	149	7,155	144
5	(iii) Securities financing transactions	-	-	-	-
6	(iv) Netting sets where cross-product netting has been approved	-	-	-	-
7	Segregated initial margin	1,850		2,210	
8	Non-segregated initial margin[1]	3,829	-	5,009	-
9	Pre-funded default fund contributions	1,076	544	710	299
10	Unfunded default fund contributions	-	-	-	-
11	Exposures to non-QCCPs (total)		-		-
12	Exposures for trades at non-QCCPs (excluding initial margin and default fund contributions); of which	-	-	-	-
13	(i) OTC derivatives	-	-	-	-
14	(ii) Exchange-traded derivatives	-	-	-	-
15	(iii) Securities financing transactions	-	-	-	-
16	(iv) Netting sets where cross-product netting has been approved	-	-	-	-
17	Segregated initial margin	-		-	
18	Non-segregated initial margin	-	-	-	-
19	Pre-funded default fund contributions	-	-	-	-
20	Unfunded default fund contributions	-	-	-	-

[1] Non-segregated initial margin exposures already embedded in trade exposure. Reported as Fair value of collateral with no equivalent RWA.

7.2 Credit Valuation Adjustment

Credit Valuation Adjustment (CVA) reduces the value of Macquarie's derivative assets and accounts for the possibility of counterparty default. The size of the adjustment is the difference between the value with and without the risk of counterparty default. Macquarie's CVA risk is monitored and governed by Macquarie's CGM XVA Committee. CVA risk may be hedged with CDS instruments.

Under Basel III and APS 180 Capital Adequacy: Counterparty Credit Risk, ADIs are subject to a CVA capital charge for potential mark-to-market losses on OTC derivatives associated with a deterioration in the creditworthiness of a counterparty. APS 180 also allows ADIs to include eligible CVA hedges in the calculation of the CVA risk capital charge.

The CVA RWA is shown in the table below.

Table 23: Total CVA risk capital charge

	a	b
	Mar 2025	Sep 2024
	$m	$m
CVA RWA	10,995	9,505
Capital Requirement	880	760

8. Securitisation Risk

8.1 Overview

Securitisation is a financing structure with at least two tranches in which the cash flows from a pool of assets are used to make payments to investors, each with different levels of subordination and commensurate credit risk. The performance and/or risk of an investor's securitisation exposure depends upon the performance of the underlying pool of assets. Additionally, credit risk must be transferred from the assets' originator/s to the securitisation note holders, which may also include the originator/s. Securitisation for the purposes of this qualitative disclosure include:

- Traditional: the pool of assets is sold to a special purpose vehicle (SPV),
- Synthetic: credit risk of a pool of assets is transferred via credit derivatives or guarantees, rather than the pool of assets in an SPV.

8.1.1 Securitisation activities

Macquarie participates in various activities in the securitisation market. The key role is as Originator, Manager and/or Servicer on Macquarie securitisation programs for the purpose of raising wholesale funding through the issuance of notes to external investors for funding, capital and liquidity management purposes. These issuances often take the form of Residential Mortgage-Backed Securities (RMBS), backed by Macquarie originated home loans via the PUMA program. The outstanding senior tranches are rated either "AAA" by S&P and/or "AAA" by Fitch. At present, Macquarie is the sole investor in the subordinated tranches of its RMBS issuances to absorb loss in the event of defaults up to a certain threshold.

Additionally, Macquarie is an investor of securitisation notes as part of a diversified liquid asset portfolio. Eligible securitisation notes in this portfolio may be used to secure contingent liquidity via repurchase agreements with the Reserve Bank of Australia (RBA). Macquarie is also involved as a Lead Manager, Liquidity/Redraw Facility Provider, trader and/or Swap Counterparty to both Macquarie originated and third-party securitisations. Macquarie may also invest or trade in securities issued by securitisation vehicles subject to appropriate limits.

Securitisation transactions involving Macquarie originated assets do not have re-securitisation exposures. Furthermore, Macquarie does not have investments in re-securitisation, defined as those where at least one of the underlying assets in the pool is itself a securitisation exposure.

8.1.2 Valuation and accounting policies

Macquarie uses the Australian Accounting Standard AASB 9 (Financial Instruments) and the regulatory framework under APS 120 when:

- recognising and valuing securitised assets,
- consolidation of SPVs, and
- applying the treatment for continuing involvement and financial support in securitisation transactions.

Recognition of Financial Assets

The classification and measurement of Macquarie's investment in securitisation notes is in accordance with AASB 9. This requires securitised assets to be measured at Fair Value through Other Comprehensive Income (FVOCI) given the business model objective of both collecting contractual cash flows and selling these financial assets.

Any impairment of the asset will be recognised in accordance with AASB 9 (para 5.5) whereby loss allowances for expected credit loss is calculated and reported as part of other comprehensive income with no impact to the financial asset carrying value. The financial asset will be derecognised upon sale or maturity whereby the contractual rights to the cashflows of the asset expire or are transferred in accordance with AASB 9 (para 3.2).

Furthermore, exposures in the banking book are recorded on the balance sheet at amortised cost. Exposures related to securitisation in the trading book are valued at fair value through profit or loss.

SPV Consolidation

Securitisation transactions undertaken by Macquarie are managed through several SPVs. Deconsolidation of SPVs for regulatory purposes under APS 120 must still be assessed under the Australian Accounting Standards to determine their position in the accounting consolidated group. Inclusion in the accounting consolidated group is based on Macquarie's rights in the entity's relevant activities and the exposure to variable returns due to its involvement. To align with Australian Accounting Standards, Macquarie consolidates mortgage SPVs on the basis that Macquarie controls those SPVs and their underlying returns.

Where Macquarie moves securitised assets to a SPV and continues to manage those assets as a servicer, all supporting actions are conducted at arm's length, reflecting market conditions and adhering to APRA's prudential regulations. This process is subject to explicit authorisation from the Risk Management Group.

Financial Support and Liability Recognition

In instances where Macquarie is obligated to provide financial support for securitised assets, such as the redraw facility provider for Macquarie mortgage SPVs, an appropriate liability is recognised on the Bank's balance sheet to the extent of contractual obligations. Furthermore, potential liabilities arising from uncertain future events, not entirely within Macquarie's control, are treated as contingent liabilities. These are disclosed unless the likelihood of resource outflow is deemed remote, adhering to the principle that a contingent liability is not recognised as an actual liability on the Bank's balance sheet. There were no material transfers of assets for the financial year ended 31 March 2025 involving continuing involvement.

Valuation of Securitised Assets

The valuation process of any retained interests in securitisation exposures primarily focuses on quotations from third parties and calibrated valuations from market standard models. Key inputs include spreads to discount rates, default and recovery rates that may be observable or unobservable. Assets are valued according to the normal methods appropriate to the asset class and subject to independent internal review.

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 MBL financial report.

8.1.3 Regulatory capital methodology

Macquarie holds securitisation exposures primarily for funding, capital and liquidity management purposes. Macquarie applies the following approaches to the calculation of regulatory capital for securitisation exposures in the banking book under requirements in APS 111 and APS 120:

- The External Ratings Based approach (ERBA). Risk-weights are aligned to external ratings provided by External Credit Assessment Institutions (ECAIs) based on a tranche's seniority and maturity. Macquarie receives ratings from S&P Global Ratings, Moody's Ratings, Fitch Ratings and/or Morningstar DBRS in various capacities.
- The Supervisory Formula Approach (SFA). The risk-weights for unrated transactions are determined based on structural characteristics of the transaction and performance of the underlying pool assets.

Should neither the ERBA nor the SFA be applicable, the banking book exposures will be directly deducted from the bank's Common Equity Tier 1 Capital (CET1) in accordance with APS 111. This measure safeguards against the overestimation of the bank's capital adequacy by addressing the risk associated with unquantified securitisations. Furthermore, Macquarie does not use the Internal Assessment Approach (IAA) as it is not recognised by the Australian Prudential Regulation Authority (APRA).

Trading book exposures are subject to market risk capital requirements. Calculation of market risk capital adheres to methodologies governed under APS 116 and APS 120.

8.1.4 List of SPVs where MBL acts as originating ADI

- PUMA Series 2024-2 Trust
- PUMA Series 2023-1 Trust
- PUMA Series 2024-1 Trust
- PUMA Series 2022-1 Trust
- PUMA Series 2021-2 Trust
- PUMA Series R Trust
- PUMA Series 2019-1
- PUMA Series 2021-1P Trust
- PUMA Series 2017-1
- PUMA Series W Trust
- SMART ABS SERIES W3 Trust
- SMART ABS SERIES W2 TRUST
- SMART ABS Series 2022-1P Trust

8.1.5 Risk Management

Macquarie's risk management strategies and frameworks manage risks arising from securitisation activities including liquidity, market, operational, and credit risk.

The Group performs initial and annual credit assessments on all securitisation exposures to comply with internal policies and regulatory standards. Securitisation related credit approvals must be obtained from delegated officers across risk management, treasury, finance and business functions. These exposures are subject to limits managed and regularly reviewed by Macquarie's Risk Management Group. Limits on portfolio size, underlying asset class, geographical distribution and VaR of debt securities within the banking book portfolios are monitored daily.

Macquarie tracks all securitisation exposures in its finance and risk management systems to meet capital and risk limits. Data on securitisation pools are obtained from both internal and external sources to maintain compliance with APS 120 and internal policies. Moreover, the Group actively monitors externally rated exposures for any rating changes. These practices are scrutinised through internal audits, external audits, and reviews by external parties.

8.2 Securitisation Exposures

Table SEC1 below presents an overview of the securitisation exposures held in the banking book, where MBL acts as either the originating ADI or investor. MBL has not undertaken any synthetic securitisation in the banking book.

Table 24: SEC1 - Securitisation exposures in the banking book

31 March 2025

	a	c	d	e	g	h	i	k	l
	Bank acts as originator $m			Bank acts as sponsor $m			Bank acts as investor $m		
	Traditional	Synthetic	Sub-total	Traditional	Synthetic	Sub-total	Traditional	Synthetic	Sub-total
Total	**65,533**	**-**	**65,533**	**-**	**-**	**-**	**4,207**	**-**	**4,207**
Residential Mortgages	63,630	-	63,630	-	-	-	2,401	-	2,401
Credit cards and other personal loans	-	-	-	-	-	-	20	-	20
Auto and equipment finance[1]	1,903	-	1,903	-	-	-	758	-	758
Other	-	-	-	-	-	-	1,028	-	1,028
Re-securitisation	-	-	-	-	-	-	-	-	-

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	a	c	d	e	g	h	i	k	l
	Bank acts as originator $m			Bank acts as sponsor $m			Bank acts as investor $m		
	Traditional	Synthetic	Sub-total	Traditional	Synthetic	Sub-total	Traditional	Synthetic	Sub-total
Total	**65,882**	**-**	**65,882**	**37**	**-**	**37**	**3,923**	**-**	**3,923**
Residential Mortgages	63,319	-	63,319	37	-	37	2,046	-	2,046
Credit cards and other personal loans	-	-	-	-	-	-	51	-	51
Auto and equipment finance[1]	2,563	-	2,563	-	-	-	911	-	911
Other	-	-	-	-	-	-	915	-	915
Re-securitisation	-	-	-	-	-	-	-	-	-

[1] Underlying exposures relate to mixed asset pools.

Table SEC4 below provides detailed information on the securitisation exposures held in the banking book, where MBL acts as the investor, along with the corresponding capital requirements.

Table 25: SEC4 - Securitisation exposures in the banking book and associated capital requirements – bank acting as investor

31 March 2025

		a	b	c	d	e	f	g	h	i	j	k	l	m	n	o	p	q
		Exposure values (by risk weight bands) $m					Exposure values (by regulatory approach) $m				RWA (by regulatory approach) $m[1]				Capital charge after cap $m			
		≤20%	>20% to 50%	>50% to 100%	>100% to <1250%	1250%	SEC-IRBA	SEC-ERBA and SEC-IAA	SEC-SA	1250%	SEC-IRBA	SEC-ERBA and SEC-IAA	SEC-SA	1250%[2]	SEC-IRBA	SEC-ERBA and SEC-IAA	SEC-SA	1250%
1	Total exposures	**3,327**	**722**	**111**	**17**	**30**	**-**	**1,570**	**2,607**	**30**	**-**	**372**	**544**	**381**	**-**	**30**	**44**	**30**
2	Traditional securitisation	3,327	722	111	17	30	-	1,570	2,607	30	-	372	544	381	-	30	44	30
3	Of which securitisation	3,327	722	111	17	30	-	1,570	2,607	30	-	372	544	381	-	30	44	30
4	Of which retail underlying[3]	3,327	722	111	17	30	-	1,570	2,607	30	-	372	544	381	-	30	44	30
6	Of which wholesale	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
8	Of which re-securitisation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
9	Synthetic securitisation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
10	Of which securitisation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
11	Of which retail underlying	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12	Of which wholesale	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
13	Of which re-securitisation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

[1] RWA is before the application of risk-weight cap equal to the average risk weight that would apply to the underlying exposures in the pool under APS 112.
[2] For presentation, deductions from CET1 are treated as 1250% risk weight.
[3] Underlying exposures relate to mixed asset pools.

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		a	b	c	d	e	f	g	h	i	j	k	l	m	n	o	p	q
		Exposure values (by risk weight bands) $m					Exposure values (by regulatory approach) $m				RWA (by regulatory approach) $m[1]				Capital charge after cap $m			
		≤20%	>20% to 50%	>50% to 100%	>100% to <1250%	1250%	SEC-IRBA	SEC-ERBA and SEC-IAA	SEC-SA	1250%	SEC-IRBA	SEC-ERBA and SEC-IAA	SEC-SA	1250%[2]	SEC-IRBA	SEC-ERBA and SEC-IAA	SEC-SA	1250%
1	**Total exposures**	**2,788**	**1,043**	**65**	**-**	**27**	**-**	**1,457**	**2,439**	**27**	**-**	**330**	**476**	**337**	**-**	**26**	**38**	**27**
2	Traditional securitisation	2,788	1,043	65	-	27	-	1,457	2,439	27	-	330	476	337	-	26	38	27
3	Of which securitisation	2,788	1,043	65	-	27	-	1,457	2,439	27	-	330	476	337	-	26	38	27
4	Of which retail underlying[3]	2,788	1,043	65	-	27	-	1,457	2,439	27	-	330	476	337	-	26	38	27
6	Of which wholesale	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
8	Of which re-securitisation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
9	Synthetic securitisation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
10	Of which securitisation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
11	Of which retail underlying	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12	Of which wholesale	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
13	Of which re-securitisation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

[1] RWA is before the application of risk-weight cap equal to the average risk weight that would apply to the underlying exposures in the pool under APS 112.
[2] For presentation, deductions from CET1 are treated as 1250% risk weight.
[3] Underlying exposures relate to mixed asset pools.

9. Market Risk

9.1 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.

9.2 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 and the Head of Group Treasury, with the CRO as Chair.

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 Chair.

9.3 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. Aggregate risk exposures are reported to the board monthly.

9.3.1 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 quantifies the maximum loss at a 99% confidence level 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 exceed 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.

9.3.2 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.

9.4 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 MGL and MBL 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 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.

9.4.1 Value at Risk Model

VaR provides a statistically based summary of overall market risk in the Bank. The VaR model uses a Monte Carlo simulation to generate:

- log-normally / normally distributed prices for approximately 11,000 benchmarks, using volatilities and correlations based on three years of historical price data; and
- implied volatilities based on a GARCH framework.

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.

9.4.2 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.

9.4.3 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 9.4.5 Debt Security Specific Risk Figures).

The sum of the VaR and debt security specific risk components is scaled by 12.5 in accordance with APRA policy to arrive at the traded market risk RWA, which was $8,526 million as at 31 March 2025 (30 September 2024: $8,619 million).

There were zero hypothetical and zero actual trading losses that exceeded the 1 day 99% VaR calculated for the 12 months ended 31 March 2025. The observed number of back testing exceptions indicates continued acceptable operation of the VaR model.

Market risk requirements are set out in the tables below.

9.4.4 MBL exposures using the internal models approach (IMA) for trading portfolios

Table 26: Market Risk – MBL VaR exposures arising from the internal models approach (IMA) for trading portfolios (APS 330 (A-31) Table 2(f)

Value at Risk Figures (10 day 99%)

	For the 6 months to Mar 2025				For the 6 months to Sep 2024			
	VaR over the current reporting period			Var	VaR over the previous reporting period			Var
	Mean value $m	Max value $m	Min value $m	Mar 2025 $m	Mean value $m	Max value $m	Min value $m	Sep 2024 $m
Commodities	53	85	37	59	56	83	35	52
Equities	15	24	10	17	13	19	6	14
Foreign Exchange	11	18	5	10	10	18	6	14
Interest Rates	11	18	8	10	11	17	7	14
Aggregate	56	84	43	65	59	87	33	54

Table 27: Market Risk – MBL SVaR exposures arising from the internal models approach (IMA) for trading portfolios (APS 330 (A-31) Table 2(f)

Stressed Value at Risk Figures (10 day 99%)

	For the 6 months to Mar 2025				For the 6 months to Sep 2024			
	VaR over the current reporting period			Var	VaR over the previous reporting period			Var
	Mean value $m	Max value $m	Min value $m	Mar 2025 $m	Mean value $m	Max value $m	Min value $m	Sep 2024 $m
Commodities	99	124	70	108	120	147	86	105
Equities	36	47	22	35	29	42	12	30
Foreign Exchange	24	50	5	20	28	49	14	29
Interest Rates	46	70	31	34	44	66	31	61
Aggregate	101	136	66	112	125	160	86	115

9.4.5 Debt Security Specific Risk Figures

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

Table 28: Market Risk – MBL exposure arising from the standard method (APS 330 (A-31) Table 1(b))

	Mar 2025 $m	Sep 2024 $m
Commodities	-	-
Equities	-	-
Foreign Exchange	-	-
Interest Rates	106	81

The specific risks referred to above arise from credit exposures, such as bonds in the Macquarie trading book.

9.4.6 Market Risk RWA

Table 29: Market risk RWA calculation methods

	Mar 2025 $m	Sep 2024 $m
Standard Method[1]	1,319	1,007
Internal Model Approach	7,207	7,612
Total market risk RWA	**8,526**	**8,619**

[1] This is equivalent to the debt security specific risk capital requirements multiplied by 12.5 in accordance with APS 110.

10. Interest Rate Risk in the Banking Book (IRRBB)

10.1 IRRBB risk management objective and policies

IRRBB is the risk of adverse changes in the value of Macquarie's non-trading positions as a result of changes in market conditions, or where clients exercise embedded options. This includes exposure to interest rates and credit spreads across the following risk categories:

- Repricing gap – exposure due to differences in timing of interest rate repricing between assets, liabilities and associated hedging
- Optionality – breakdown in assumed client behaviour used for interest rate hedging
- Basis - exposure due to differences in reference interest rates for variable rate instruments
- Embedded value – difference between the carrying value and fair value of banking book items due to historic changes in interest rates
- Credit spread – exposure due to changes in market pricing for a given level of credit risk. Note this does not include idiosyncratic risk to a particular counterparty which is covered under Credit Risk frameworks.

Exposure to foreign exchange rates is captured in traded market risk frameworks in line with APS 116 requirements.

10.1.1 Hedging and accounting

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.

This includes use of both derivatives and matched funding lines. Accounting for all instruments is governed by AASB requirements, and any resulting income statement volatility is managed by the FPE Hedge Accounting team. This management includes use of offsetting positions, fair value hedge accounting, and cashflow hedge accounting.

10.1.2 Independent oversight and capital

Residual risks in the banking book are not material but are nevertheless independently monitored and constrained by RMG and reported to senior management. Macquarie measures interest rate risk on both an economic value and earnings basis.

The independent oversight by RMG includes both aggregate limits set by the MBL Board and portfolio level limit frameworks for all non-trading divisions. Internal limit monitoring is based on a stress testing framework that includes a range of severe uniform and non-uniform shocks to external risk factors.

Pillar 1 capital is held behind economic value risks, including embedded value and forward looking shocks. These forward shocks are measured using a historic simulation VaR model in line with APS 117, with key settings being:

- Assessed across a 1 year holding period to a 99th percentile confidence
- Based on 8 years of risk factor history
- Credit Spread risks are assessed for market related portfolios only.

Capital requirements also include embedded value, and are calculated monthly and reported to APRA quarterly.

10.1.3 Modelling assumptions

Where embedded optionality exists within banking book portfolios this is reflected through behavioural modelling assumptions, including both base case expectations within repricing risk and stressing these assumptions within Optionality Risk.

Assumptions around client behaviours are based on historic regression analysis of actual behaviours. Observed variability in these behaviours informs the stresses applied to the assumptions in optionality risk calculations.

Assumptions are largely consistent across internal and regulatory calculations. A duration assumption is applied to a small subset of the non-maturity deposit portfolio in MBL's internal stress testing shocks. These deposits are contractually non-interest bearing, operationally entangled and have been shown to persist indefinitely across rate cycles. Given this, the assumed duration is based on internal management planning horizons. Internal limit frameworks also include additional optionality shocks beyond those prescribed in APS 117 which are based on assessment of MBL's specific portfolio.

10.1.4 Key treatments

- Commercial margins are not included in embedded value for the banking book, nor in sensitivity calculations. This is consistent with the use of risk-free curves for discounting in IRRBB calculations and aligns with the requirements of APS 117.
- Diversification is recognised across both risk types and currencies in the capital calculations. This is a natural outcome of the historic simulation model. For internal monitoring of exposures against aggregate limits a conservative 'sum of negatives' approach is used, supported by an annual review of correlations.

Average repricing maturity assigned to non-maturity deposits (NMDs).	0 years (0 yr WAL)
Longest repricing maturity assigned to NMDs.	0 years (0 yr WAL)

Table 30: IRRBB1 - Quantitative information on IRRBB

In reporting currency	ΔEVE		ΔNII	
Period	Mar 2025 $	Mar 2024 $	Mar 2025 $	Mar 2024 $
Parallel up	(51)	(72)	217	195
Parallel down	55	74	(180)	(202)
Steepner	(20)	11		
Flattner	19	(12)		
Short rate up	(11)	(29)		
Short rate down	11	29		
Maximum	(51)	(72)	(180)	(202)
Period		Mar 2025 $		Mar 2024 $
Tier 1 capital		332		300

	Mar 2025 $m	Sep 2024 $m
IRRBB RWA	4,154	3,773

Guidance on IRRBB quantitative disclosure calcuations:

- Exposures for both EVE and NII are calculated using a risk free rate, and excluding commercial margins.
- Exposures are shown to internal scenarios, which include parallel up and down 200bps.
- A simple sum across all currencies is used to aggregate exposures for this disclosure.

11. Operational Risk

11.1 Macquarie's Operational Risk Management Framework

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.

11.1.1 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
- Mitigation of operational risks through use of controls

11.1.2 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, to mitigate and manage operational risks, 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
- Measurement of operational risk for capital and stress testing purposes, including the 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
- Requirements to report and escalate risk information to the Board and decision makers on a routine and exception basis.
- 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.

11.1.3 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.

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.

The table below presents MBL's actual historical operational risk losses over the last 10 years, with losses presented in each financial year based on the date of loss recovery.

Table 31: OR1 - Historical losses

		a	b	c	d	e	f	g	h	i	j	k
		FY2025	FY2024	FY2023	FY2022	FY2021	FY2020	FY2019	FY2018	FY2017	FY2016	Ten-year average
Using $30,000 threshold												
1	Total amount of operational losses net of recoveries (no exclusions)	101	199	201	247	69	50	46	40	83	61	110
2	Total number of operational risk losses	104	126	123	99	86	109	112	91	95	107	105
3	Total amount of excluded operational risk losses	-	-	-	-	-	-	-	-	-	-	-
4	Total number of exclusions	-	-	-	-	-	-	-	-	-	-	-
5	Total amount of operational losses net of recoveries and net of excluded losses	101	199	201	247	69	50	46	40	83	61	110
Using $150,000 threshold												
6	Total amount of operational losses net of recoveries (no exclusions)	97	194	197	244	66	46	41	37	79	56	106
7	Total number of operational risk losses	43	53	57	55	36	45	39	40	30	45	44
8	Total amount of excluded operational risk losses	-	-	-	-	-	-	-	-	-	-	-
9	Total number of exclusions	-	-	-	-	-	-	-	-	-	-	-
10	Total amount of operational losses net of recoveries and net of excluded losses	97	194	197	244	66	46	41	37	79	56	106
Details of operational risk capital calculation												
11	Are losses used to calculate the ILM (yes/no)?	No										
12	If "no" in row 11, is the exclusion of internal loss data due to non-compliance with the minimum loss data standards (yes/no)?	No										
13	Loss event threshold: $30,000 or $150,000 for the operational risk capital calculation if applicable	No										

11.2 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, using audited financial data, as required by APS 115 Capital Adequacy: Standardised Measurement Approach to Operational Risk.

Table 32: OR2 - Business indicator and subcomponents

		a	b	c
	BI and its subcomponents	FY2025	FY2024	FY2023
1	Interest, lease and dividend component	3,346		
1a	Interest and lease income	16,032	14,466	8,998
1b	Interest and lease expense	12,535	11,055	6,115
1c	Interest earning assets	300,320	269,413	260,633
1d	Dividend income	78	51	117
2	Services component	1,214		
2a	Fee and commission income	826	865	872
2b	Fee and commission expense	586	552	506
2c	Other operating income	806	109	165
2d	Other operating expense	110	80	81
3	Financial component	5,728		
3a	Net P&L on the trading book	4,958	5,030	6,851
3b	Net P&L on the banking book	75	18	251
4	BI	10,287		
5	Business indicator component (BIC)	1,498		

Table 33: OR3 - Minimum required operational risk capital

		a	
		Mar 2025 $m	Mar 2024 $m
1	Business indicator component (BIC)	1,498	1,401
2	Internal loss multiplier (ILM)	1	1
3	**Minimum required operational risk capital (ORC)**	**1,498**	**1,401**
	Other regulatory capital charges	-	-
4	**Operational risk RWA**	**18,726**	**17,512**

12. Leverage Ratio

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 specifies the minimum leverage ratio requirement as 3.5%, calculated by dividing Tier 1 capital by the total leverage exposures. Table LR1 below provides a reconciliation of the consolidated accounting assets of MBL and its subsidiaries with the total leverage exposures.

Table 34: LR1 - Summary comparison of accounting assets vs leverage ratio exposure measure

		a	
		Mar 2025 $m	Sep 2024 $m
1	Total consolidated assets as per published financial statements	375,221	345,321
2	Adjustment for investments in banking, financial, insurance or commercial entities that are consolidated for accounting purposes but outside the scope of regulatory consolidation	186	159
3	Adjustment for securitised exposures that meet the operational requirements for the recognition of risk transference	-	-
4	Adjustments for temporary exemption of central bank reserves (if applicable)	-	-
5	Adjustment for fiduciary assets recognised on the balance sheet pursuant to the operative accounting framework but excluded from the leverage ratio exposure measure	-	-
6	Adjustments for regular-way purchases and sales of financial assets subject to trade date accounting	(203)	347
7	Adjustments for eligible cash pooling transactions	-	-
8	Adjustments for derivative financial instruments	19,192	23,089
9	Adjustment for securities financing transactions (ie repurchase agreements and similar secured lending)	7,323	5,727
10	Adjustment for off-balance sheet items (ie conversion to credit equivalent amounts of off-balance sheet exposures)	26,240	24,493
11	Adjustments for prudent valuation adjustments and specific and general provisions which have reduced Tier 1 capital	-	-
12	Other adjustments	(2,865)	512
13	**Leverage ratio exposure measure**	**425,094**	**399,648**

Table LR2 provides a detailed breakdown of the components of the leverage ratio exposures, and the actual leverage ratio.

Table 35: LR2 - Leverage ratio common disclosure template

		a	
		Mar 2025 $m	Sep 2024 $m
On-balance sheet exposures			
1	On-balance sheet exposures (excluding derivatives and securities financing transactions (SFTs), but including collateral)	284,643	260,561
2	Gross-up for derivatives collateral provided where deducted from balance sheet assets pursuant to the operative accounting framework	-	-
3	(Deductions of receivable assets for cash variation margin provided in derivatives transactions)	(12,176)	(10,398)
4	(Adjustment for securities received under securities financing transactions that are recognised as an asset)	-	-
5	(Specific and general provisions associated with on-balance sheet exposures that are deducted from Tier 1 capital)	-	-
6	(Asset amounts deducted in determining Tier 1 capital and regulatory adjustments)	(2,893)	(2,823)
7	Total on-balance sheet exposures (excluding derivatives and SFTs) (sum of rows 1 to 6)	269,574	247,340
Derivative exposures			
8	Replacement cost associated with all derivatives transactions (where applicable net of eligible cash variation margin, with bilateral netting and/or the specific treatment for client cleared derivatives)	27,072	30,004
9	Add-on amounts for potential future exposure associated with all derivatives transactions	37,004	33,894
10	(Exempted central counterparty (CCP) leg of client-cleared trade exposures)	(4,186)	(4,521)
11	Adjusted effective notional amount of written credit derivatives	448	1,634
12	(Adjusted effective notional offsets and add-on deductions for written credit derivatives)	(385)	(1,578)
13	Total derivative exposures (sum of rows 8 to 12)	59,953	59,433
Securities financing transaction exposures			
14	Gross SFT assets (with no recognition of netting), after adjustment for sale accounting transactions	68,075	67,044
15	(Netted amounts of cash payables and cash receivables of gross SFT assets)	(889)	(742)
16	Counterparty credit risk exposure for SFT assets	2,141	2,080
17	Agent transaction exposures	-	-
18	Total securities financing transaction exposures (sum of rows 14 to 17)	69,327	68,382
Other off-balance sheet exposures			
19	Off-balance sheet exposure at gross notional amount	29,489	27,179
20	(Adjustments for conversion to credit equivalent amounts)	(3,208)	(2,656)
21	(Specific and general provisions associated with off-balance sheet exposures deducted in determining Tier 1 capital)	(42)	(30)
22	Off-balance sheet items (sum of rows 19 to 21)	26,240	24,493
Capital and total exposures			
23	Tier 1 capital	21,746	19,991
24	Total exposures (sum of rows 7, 13, 18 and 22)	425,094	399,648
Leverage ratio			
25	Leverage ratio (including the impact of any applicable temporary exemption of central bank reserves)	5.1 %	5.0 %
25a	Leverage ratio (excluding the impact of any applicable temporary exemption of central bank reserves)	5.1 %	5.0 %
26	National minimum leverage ratio requirement	3.5 %	3.5 %
27	Applicable leverage buffers	-	-
Disclosure of mean values			
28	Mean value of gross SFT assets, after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables	67,186	66,302
29	Quarter-end value of gross SFT assets, after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables	62,005	62,656
30	Total exposures (including the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)	425,094	399,648
30a	Total exposures (excluding the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)	425,094	399,648
31	Basel III leverage ratio (including the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)	5.1 %	5.0 %
31a	Basel III leverage ratio (excluding the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)	5.1 %	5.0 %

13. Countercyclical Capital Buffers

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.

The table below discloses the geographical distribution of credit exposures relevant to the calculation of the CCyB as per APRA regulation. Exposures to central governments, central banks, regional governments, local authorities, public sector entities, multilateral development banks, international organisations and institutions are excluded and therefore differ from the total exposures presented in the credit and counterparty credit risk sections.

Table 36: CCyB1 - Geographical distribution of credit exposures used in the calculation of the bank-specific countercyclical capital buffer requirement

31 March 2025

	a	b	c	d	e
		Exposure values and/or risk-weighted assets (RWA) used in the computation of the countercyclical capital buffer			
Geographical breakdown	Countercyclical capital buffer rate %	Exposure values $m	RWA $m	Bank-specific countercyclical capital buffer rate %	Countercyclical capital buffer amount $m
Australia	1.00 %	199,756	60,165		
United Kingdom	2.00 %	19,192	7,636		
Germany	0.75 %	2,351	1,240		
Luxembourg	0.50 %	1,641	1,173		
Norway	2.50 %	1,004	977		
Denmark	2.50 %	683	871		
France	1.00 %	866	723		
Netherlands	2.00 %	800	635		
Ireland	1.50 %	1,159	507		
Hong Kong	0.50 %	407	462		
Republic of Korea	1.00 %	623	432		
South Africa	1.00 %	186	184		
Iceland	2.50 %	79	174		
Cyprus	1.00 %	131	135		
Slovakia	1.50 %	131	120		
Others (with jurisdictional buffer)	(blend of jurisdictional buffers)	557	370		
Sum		**229,566**	**75,804**		
Others (with no jurisdictional buffer)	-	53,077	40,694		
Total		**282,643**	**116,498**	**0.74 %**	**1,118**

30 September 2024

	a	b	c	d	e
	Countercyclical capital buffer rate	Exposure values and/or risk-weighted assets (RWA) used in the computation of the countercyclical capital buffer		Bank-specific countercyclical capital buffer rate	Countercyclical capital buffer amount
Geographical breakdown	%	Exposure values $m	RWA $m	%	$m
Australia	1.00 %	186,047	55,268		
United Kingdom	2.00 %	20,076	7,678		
Luxembourg	0.50 %	1,765	1,364		
Germany	0.75 %	2,170	1,075		
Netherlands	2.00 %	986	893		
France	1.00 %	1,042	859		
Norway	2.50 %	616	771		
Republic of Korea	1.00 %	723	438		
Ireland	1.50 %	915	401		
Cyprus	1.00 %	283	252		
Hong Kong	1.00 %	305	249		
Denmark	2.50 %	277	180		
Sweden	2.00 %	99	129		
Hungary	0.50 %	116	117		
Slovakia	1.50 %	123	110		
Others (with jurisdictional buffer)	(blend of jurisdictional buffers)	416	306		
Sum		**215,961**	**70,091**		
Others (with no jurisdictional buffer)	-	46,377	34,434		
Total		**262,338**	**104,525**	**0.76 %**	**1,050**

14. Liquidity Risk

14.1 Liquidity risk management

Governance and oversight

Macquarie Bank's liquidity risk management framework is designed to ensure that it is able to meet its obligations as they fall due under a range of market conditions.

Liquidity management is performed centrally by Group Treasury, with oversight from the MBL Asset and Liability Committee (ALCO), the MBL Board and RMG. Macquarie Bank's liquidity policy is approved by the MBL Board after endorsement by the ALCO and liquidity reporting is provided to the Board on a regular basis. The MBL ALCO members include the MGL CEO, MBL CEO, CFO, CRO, COO, Group General Counsel, Head of Group Treasury and relevant Operating Group Heads.

RMG provides independent oversight of liquidity risk management, including ownership of liquidity policies and key limits and approval of material liquidity scenario assumptions.

Liquidity policy and risk appetite

The MBL Liquidity Policy is designed so that the Bank Group maintains sufficient liquidity to meet its obligations as they fall due. In some cases, certain entities within the Bank Group may also be required to have a standalone liquidity policy. In these cases, the principles applied within the entity-specific liquidity policies are consistent with those applied in the broader MBL Liquidity Policy.

Macquarie Bank establishes a liquidity risk appetite, which is approved by the MBL Board, and represents an articulation of the nature and level of liquidity risk that is acceptable in the context of achieving Macquarie Bank's strategic objectives. Macquarie Bank's liquidity risk appetite is intended to ensure that Macquarie Bank is able to meet all of its liquidity obligations during a period of liquidity stress: a twelve month period with constrained access to funding markets while preserving the capabilities of Macquarie Bank's franchise businesses. MBL is an authorised deposit-taking institution and is funded mainly with deposits, long-term liabilities and capital.

Liquidity risk tolerance and principles

Macquarie Bank's liquidity risk appetite is supported by a number of risk tolerances and principles applied to mitigating and managing liquidity risk.

Risk tolerances

- Term assets must be funded by term liabilities and short-term assets must exceed short-term wholesale liabilities
- Cash and liquid assets must be sufficient to cover the expected outflows under a twelve month stress scenario and meet minimum regulatory requirements
- Cash and liquid assets held to cover stress scenarios and regulatory minimums must be high-quality unencumbered liquid assets and cash
- Diversity and stability of funding sources is a key priority
- Balance sheet currency mismatches are managed within set tolerances
- Funding and liquidity exposures between entities within Macquarie Bank are monitored and constrained where required.

Liquidity management strategy

- Macquarie Bank has a centralised approach to liquidity management.
- Funding and liquidity risk is managed through stress scenario analysis and setting limits on the composition and maturity of assets and liabilities, including funding concentration limits.
- A global liquidity framework is maintained that outlines Macquarie Bank's approach to managing funding and liquidity requirements in offshore subsidiaries and branches.
- The liquidity position is managed to ensure all obligations can be met as required on an intraday basis.
- A liquidity contingency plan for MBL is maintained, which provides an action plan in the event of a liquidity 'crisis'.
- A funding strategy for MBL is prepared annually and monitored on a regular basis.
- Internal pricing allocates liquidity costs, benefits and risks to areas responsible for generating them.
- Strong relationships are maintained to assist with managing confidence and liquidity.
- The MGL Board, MBL Board and Senior Management receive regular reporting on Macquarie Bank's liquidity position, including compliance with the liquidity policy and regulatory requirements.

Liquidity contingency plan

Group Treasury maintains a liquidity contingency plan for MBL, which outlines how a liquidity crisis would be managed. The plan defines roles and responsibilities and actions to be taken in a liquidity event, including identifying key information requirements and appropriate communication plans with both internal and external parties.

Specifically, the plan details:

- factors that may constitute a crisis;

- the officers responsible for invoking the plan;
- a committee of senior executives responsible for managing a crisis;
- the information required to effectively manage a crisis;
- a communications strategy;
- a high level checklist of possible actions to conserve or raise additional liquidity; and
- contact lists to facilitate prompt communication with all key internal and external stakeholders.

The plan also incorporates a retail run operational plan that outlines the Bank's processes and operational plans for managing a significant increase in customer withdrawals during a potential deposit 'run' on Macquarie Bank.

In addition, Macquarie Bank monitors a range of early warning indicators on a daily basis that might assist in identifying emerging risks in Macquarie Bank's liquidity position. These indicators are reviewed by Senior Management and are used to inform any decisions regarding invoking the plan.

The liquidity contingency plan is subject to regular review by both Group Treasury and RMG. It is submitted annually to the MBL ALCO and MBL Board for approval. Macquarie Bank is a global financial institution, with branches and subsidiaries in a variety of countries. Regulations in certain countries may require some branches or subsidiaries to have specific local contingency plans. Where that is the case, the liquidity contingency plan contains either a supplement or reference to a separate document providing the specific information required for those branches or subsidiaries.

Funding strategy

Macquarie Bank prepares a centralised funding strategy for MBL on an annual basis and monitors progress against the strategy throughout the year. The Funding Strategy aims to:

- maintain Macquarie Bank's diversity of funding sources across a range of tenors, currencies and products; and
- ensure ongoing compliance with all liquidity requirements and facilitate forecast asset growth.

The funding strategy is reviewed by the MBL ALCO and approved by the MBL Board.

Scenario analysis

Scenario analysis is central to Macquarie Bank's liquidity risk management framework. In addition to regulatory defined scenarios, Group Treasury models additional liquidity scenarios covering both market-wide and Macquarie Bank name-specific crises. Scenario analysis performs a range of functions within the liquidity risk management framework, including being a basis for:

- monitoring compliance with internal liquidity risk appetite statements by ensuring all liquidity obligations can be met in the corresponding scenarios;
- determining a minimum level of cash and liquid assets;
- determining an appropriate minimum tenor of funding for Macquarie Bank's assets; and
- determining the overall capacity for future asset growth.

The scenarios use a range of assumptions, which Macquarie Bank intends to be conservative, regarding the level of access to capital markets, deposit outflows, contingent funding requirements and asset sales.

As an example, one internal scenario projects the expected cash and liquid asset position during a combined market-wide and Macquarie Bank name-specific crisis over a twelve month time frame. This scenario assumes no access to wholesale funding markets, a significant loss of deposits and contingent funding outflows resulting from undrawn commitments, market moves impacting derivatives and other margined positions combined with a multiple notch credit rating downgrade. Macquarie Bank's cash and liquid asset portfolio must exceed the minimum requirement as calculated in this scenario at all times.

14.2 Liquidity Coverage Ratio Disclosures

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.

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 2025 was 175% (based on 62 daily observations). This represents a 21% decrease from the 3 month average LCR to 31 December 2024, which was 196%.

The lower average LCR was driven by an increase in NCOs relative to the December 2024 quarter which was partly offset by an increase in HQLA over the same period.

The increase in average HQLA over the quarter was driven by funding raised, including growth in deposits.

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

- higher average cash outflows related to retail / SME and wholesale deposits due to deposit growth over the March 2025 quarter;
- higher average volumes of unsecured debt securities maturing within 30 days; and
- lower average volumes of short dated secured lending activities against non-HQLA securities.

Liquid Assets

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

Net Cash Outflows (NCOs)

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

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

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

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

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

Inflows from fully performing exposures: In Macquarie's LCR, a large component of this balance relates to excess liquidity placed on an overnight or very short-term basis with third parties.

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.

Table 37: LIQ1 - Liquidity coverage ratio

		a	b	a	b
		For the 3 months to 31 Mar 25		For the 3 months to 31 Dec 24	
		Total unweighted value (average) $m	Total weighted value (average) $m	Total unweighted value (average) $m	Total weighted value (average) $m
High-quality liquid assets					
1	Total HQLA		49,462		44,531
Cash outflows					
2	Retail deposits and deposits from small business customers, of which:	122,914	11,968	114,337	11,172
3	Stable deposits	43,691	2,185	40,779	2,039
4	Less stable deposits	79,223	9,783	73,558	9,133
5	Unsecured wholesale funding, of which:	45,715	25,079	42,592	22,383
6	Operational deposits (all counterparties) and deposits in networks of cooperative banks	15,379	2,429	15,594	2,488
7	Non-operational deposits (all counterparties)	22,341	14,655	21,605	14,503
8	Unsecured debt	7,995	7,995	5,393	5,393
9	Secured wholesale funding		692		647
10	Additional requirements, of which:	45,894	22,390	45,497	20,758
11	Outflows related to derivative exposures and other collateral requirements	22,945	20,181	22,327	18,615
12	Outflows related to loss of funding on debt products	275	275	274	274
13	Credit and liquidity facilities	22,674	1,934	22,896	1,869
14	Other contractual funding obligations	13,527	13,524	14,460	14,433
15	Other contingent funding obligations	7,222	382	8,998	473
16	TOTAL CASH OUTFLOWS		74,035		69,865
Cash inflows					
17	Secured lending (eg reverse repos)	53,407	27,444	52,220	28,629
18	Inflows from fully performing exposures	3,097	2,300	3,021	2,238
19	Other cash inflows	21,625	21,625	20,811	20,811
20	TOTAL CASH INFLOWS	78,129	51,369	76,053	51,679
			Total adjusted value		Total adjusted value
21	Total HQLA		49,462		44,531
22	Total net cash outflows[1]		28,333		22,734
23	Liquidity Coverage Ratio (%)[2]		175 %		196 %

[1] APRA imposed a 25% add-on to the Net Cash Outflow (NCO) component of the LCR calculation, effective from 1 May 2022. For the 3 months to 31 March 2025 an average NCO overlay of $5,667 million is included in the disclosed balance of $28,333 million (3 months to 31 December 2024 overlay of $4,547 million is included in the disclosed balance of $22,734 million).

[2] The LCR for the 3 months to 31 March 2025 is calculated from 62 daily LCR observations (3 months to 31 December 2024 is calculated from 63 daily LCR observations).

14.3 Net Stable Funding Ratio Disclosures

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.

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 2025 Quarter End Result:

Macquarie's NSFR as at 31 March 2025 was 113%, which is unchanged from 31 December 2024, driven by offsetting increases in both RSF and ASF.

Despite no change in the overall NSFR over the March 2025 quarter from December 2024, both RSF and ASF increased.

The increase in ASF was driven by strong growth in retail and SME deposits throughout the quarter. MBL's Covered Bond issuance and other term wholesale funding issuance further supported ASF growth.

The increase in RSF was driven by home loan growth over the quarter as well as growth in certain trading assets - mainly holdings of physical commodities.

NSFR December 2024 Quarter End Result:

The December 2024 NSFR result of 113% was up 3% from the September 2024 quarter end NSFR of 110%.

The NSFR increased over the December 2024 quarter because of an increase in ASF only partially offset by an increase in RSF.

The increase in ASF was driven by strong deposit growth, increased capital and growth in unsecured and secured wholesale funding issuances.

The higher RSF position was primarily driven by growth in mortgages, loans to wholesale counterparties and holdings of commodities.

14.3.1 Calculation of the Net Stable Funding Ratio

Under the regulatory rules, ASF factors are applied to Macquarie's capital and liabilities; while RSF factors are applied to assets and off-balance sheet exposures. This calculation is shown in Table 38: LIQ2 - Net stable funding ratio and is based on spot balances.

Table 38: LIQ2 - Net stable funding ratio

31 March 2025

		a	b	c	d	e
		Unweighted value by residual maturity				
(In currency amount)		No Maturity $m	< 6 months $m	6 months to < 1 year $m	≥ 1 year $m	Weighted value $m
Available stable funding (ASF) item						
1	Capital:	23,053	-	-	10,362	33,415
2	Regulatory capital	23,053	-	-	10,362	33,415
3	Other capital instruments	-	-	-	-	-
4	Retail deposits and deposits from small business customers:	125,168	10,940	-	-	124,772
5	Stable deposits	44,924	2,278	-	-	44,842
6	Less stable deposits	80,244	8,662	-	-	79,930
7	Wholesale funding:	33,728	56,542	25,199	26,550	56,930
8	Operational deposits	15,752	-	-	-	7,876
9	Other wholesale funding	17,976	56,542	25,199	26,550	49,054
10	Liabilities with matching interdependent assets	-	-	-	-	-
11	Other liabilities:	5,539	18,817	125	1,048	(1,052)
12	NSFR derivative liabilities	-	6,293	-	-	-
13	All other liabilities and equity not included in the above categories[1]	5,539	12,524	125	1,048	(1,052)
14	Total ASF	187,488	86,299	25,324	37,960	214,065
Required stable funding (RSF) item						
15(a)	Total NSFR (HQLA)	13,067	7,779	380	14,458	4,157
15(b)	ALA	-	-	-	-	-
15(c)	RBNZ securities	-	-	-	-	-
16	Deposits held at other financial institutions for operational purposes	2,222	-	-	-	1,111
17	Performing loans and securities	32,874	55,232	8,394	169,784	147,290
18	Performing loans to financial institutions secured by Level 1 HQLA	5,857	13,648	402	-	2,152
19	Performing loans to financial institutions secured by non-Level 1 HQLA and unsecured performing loans to financial institutions	18,309	26,639	517	901	7,903
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:	2,707	6,005	385	34,693	26,518
21	With a risk weight of less than or equal to 35% under APS 112	-	59	120	2,121	1,474
22	Performing residential mortgages, of which:	-	7,072	6,298	131,777	102,674
23	With a risk weight equal to 35% under APS 112	-	1,779	1,708	129,963	90,502
24	Securities that are not in default and do not qualify as HQLA, including exchange-traded equities	6,001	1,868	792	2,413	8,043
25	Assets with matching interdependent liabilities	-	-	-	-	-
26	Other assets:	14,218	6,166	74	34,621	34,966
27	Physical traded commodities, including gold	10,192	-	-	-	8,663
28	Assets posted as initial margin for derivative contracts and contributions to default funds of central counterparties (CCPs)	-	-	-	9,681	7,467
29	NSFR derivative assets	-	-	-	9,527	3,235
30	NSFR derivative liabilities before deduction of variation margin posted	-	-	-	11,458	2,292
31	All other assets not included in the above categories	4,026	6,166	74	3,955	13,309
32	Off-balance sheet items	-	-	-	26,511	1,207
33	Total RSF	62,381	69,177	8,848	245,374	188,731
34	Net Stable Funding Ratio (%)					113 %

[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 $2.162 million, equal to a 1% decrease to the ASF component, is included in the disclosed 'No maturity' balance of $5,539 million.

31 December 2024

		a	b	c	d	e
		Unweighted value by residual maturity				
(In currency amount)		No Maturity $m	< 6 months $m	6 months to < 1 year $m	≥ 1 year $m	Weighted value $m
Available stable funding (ASF) item						
1	Capital:	22,176	-	-	12,054	34,229
2	Regulatory capital	22,176	-	-	12,054	34,229
3	Other capital instruments	-	-	-	-	-
4	Retail deposits and deposits from small business customers:	116,840	11,915	-	-	117,955
5	Stable deposits	42,197	2,390	-	-	42,358
6	Less stable deposits	74,643	9,525	-	-	75,597
7	Wholesale funding:	32,541	69,412	22,504	25,891	55,581
8	Operational deposits	15,279	-	-	-	7,639
9	Other wholesale funding	17,262	69,412	22,504	25,891	47,942
10	Liabilities with matching interdependent assets	-	-	-	-	-
11	Other liabilities:	6,158	18,286	247	1,024	(941)
12	NSFR derivative liabilities	-	8,914	-	-	-
13	All other liabilities and equity not included in the above categories[1]	6,158	9,372	247	1,024	(941)
14	Total ASF	177,715	99,613	22,751	38,969	206,824
Required stable funding (RSF) item						
15(a)	Total NSFR (HQLA)	10,838	7,304	189	16,017	5,135
15(b)	ALA	-	-	-	-	-
15(c)	RBNZ securities	-	-	-	-	-
16	Deposits held at other financial institutions for operational purposes	2,177	-	-	-	1,089
17	Performing loans and securities	27,499	70,356	8,394	163,383	142,999
18	Performing loans to financial institutions secured by Level 1 HQLA	5,013	20,605	-	-	2,562
19	Performing loans to financial institutions secured by non-Level 1 HQLA and unsecured performing loans to financial institutions	14,814	36,466	3	470	8,165
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:	2,760	5,433	583	33,739	25,875
21	With a risk weight of less than or equal to 35% under APS 112	-	76	102	2,256	1,562
22	Performing residential mortgages, of which:	-	5,839	6,785	127,217	99,197
23	With a risk weight equal to 35% under APS 112	-	1,692	1,571	125,531	87,346
24	Securities that are not in default and do not qualify as HQLA, including exchange-traded equities	4,912	2,013	1,023	1,957	7,200
25	Assets with matching interdependent liabilities	-	-	-	-	-
26	Other assets:	11,759	5,384	-	40,465	32,995
27	Physical traded commodities, including gold	7,813	-	-	-	6,642
28	Assets posted as initial margin for derivative contracts and contributions to default funds of central counterparties (CCPs)	-	-	-	11,433	8,879
29	NSFR derivative assets	-	-	-	10,808	1,894
30	NSFR derivative liabilities before deduction of variation margin posted	-	-	-	14,390	2,878
31	All other assets not included in the above categories	3,946	5,384	-	3,834	12,702
32	Off-balance sheet items	-	-	-	25,498	1,166
33	Total RSF	52,273	83,044	8,583	245,363	183,384
34	Net Stable Funding Ratio (%)					113 %

[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 $2,089 million, equal to a 1% decrease to the ASF component, is included in the disclosed 'No maturity' balance of $6,158 million.

14.4 Asset Encumbrance

Encumbered assets are subject to limitations or restrictions that prevent their liquidation, sale, transfer, or assignment due to legal, regulatory, contractual, or other constraints.

As at 31 March 2025 and 30 September 2024, the encumbrance of assets is primarily driven by secured financing activities, including issuances of securitisations, as well as placement of margins. Macquarie funds a portion of assets and other securities via repurchase agreements and other similar borrowing and pledges a portion of customer loans and advances as collateral in securitisation, covered bond and other similar structures.

The Encumbered Assets marginally decreased at 31 March 2025 compared to 30 September 2024 as a result of normal business activities.

The tables in this section identify components of MBL's encumbered and unencumbered assets and the assets in use or remaining available to secure transactions in central bank facilities.

Table 39: ENC - Asset encumbrance

31 March 2025

	a	b	c	d
Assets	Encumbered assets $m	Central bank facilities $m	Unencumbered assets $m	Total $m
Cash and bank balances	3,446	-	18,772	22,218
Cash collateralised lending and reverse repurchase agreements	5,997	-	54,167	60,164
Trading assets	8,575	-	21,144	29,719
Margin money and settlement assets	10,259	-	9,812	20,071
Derivative assets	-	-	23,936	23,936
Financial Investments	348	-	16,706	17,054
Other assets	319	-	6,712	7,031
Loan assets	14,550	-	166,837	181,387
Due from other Macquarie Group entities	818	-	5,801	6,619
Property, plant and equipment and right-of-use assets	33	-	5,880	5,913
Investment in regulatory non-consolidated subsidiaries	-	-	209	209
Deferred tax assets	-	-	1,086	1,086
Total	**44,345**	**-**	**331,062**	**375,407**

30 September 2024

	a	b	c	d
Assets	Encumbered assets $m	Central bank facilities $m	Unencumbered assets $m	Total $m
Cash and bank balances	3,952	-	11,838	15,790
Cash collateralised lending and reverse repurchase agreements	7,200	-	54,731	61,931
Trading assets	10,719	-	17,620	28,339
Margin money and settlement assets	8,155	-	7,873	16,028
Derivative assets	-	-	23,261	23,261
Financial Investments	596	-	14,405	15,001
Other assets	494	-	5,704	6,198
Loan assets	13,995	-	152,384	166,379
Due from other Macquarie Group entities	177	-	5,296	5,473
Property, plant and equipment and right-of-use assets	62	-	5,845	5,907
Investment in regulatory non-consolidated subsidiaries	-	-	202	202
Deferred tax assets	-	-	971	971
Total	**45,350**	**-**	**300,130**	**345,480**

15. Linkages to Financial Statements

15.1 Entities deconsolidated from the Level 2 Regulatory Group for APRA reporting purposes

The regulatory consolidated group excludes a subset of legal entities that are included in the accounting scope of consolidation, as outlined in section 1.3 Scope of Application. The entities which are deconsolidated for regulatory purposes are listed below.

Non-Financial Operations

- Avenal Power Center, LLC
- Capital Meters Limited
- Circularix, LLC
- Comercializadora Energia de la Reforma S. de R.L. de C.V.
- Macquarie Energy Services Pty Limited
- Macquarie Equipment Finance Services Limited
- Macquarie Equipment Trading (Shanghai) Co., Ltd
- Macquarie Semiconductor and Technology Inc.
- PropertyIQ Pty Limited
- Sustainable Feedstocks Group Limited
- Sustainable Feedstocks Group Guangdong Limited
- CX Hatfield, LLC
- CX Ocala, LLC
- CX Team, LLC
- Circularix Management Company, LLC

Insurance

- Macquarie (Bermuda) Limited

Macquarie (Bermuda) Limited is an insurance subsidiary of MBL the ADI, and is deconsolidated for regulatory purposes. Equity invested in Macquarie (Bermuda) Limited is deducted from CET1 capital, in line with the APS 111 requirement. Additionally, MBL does not recognise surplus capital in the insurance subsidiary when calculating capital adequacy.

Funds Management

- Barcelona Funding Trust
- Bond Street Custodians Limited
- Macquarie Investment Management Ltd
- Macquarie Investment Services Limited
- Macquarie Life Pty Limited
- Macquarie Prism Pty Limited

15.2 Explanations of differences between accounting and regulatory exposure amount

Table LI1 below provides an overview of the balance sheet under accounting and regulatory consolidation scopes, and mapping of reported amounts to the corresponding regulatory risk categories. The difference between accounting and regulatory consolidation scopes is explained in section 1.3 Scope of Application and section 15.1 Entities deconsolidated from the Level 2 Regulatory Group for APRA reporting purposes.

A balance sheet value or transaction may be subject to multiple risk types. For instance, a derivative transaction could be exposed to both Counterparty Credit Risk and Market Risk.

Information on MBL's valuation methodologies for financial instruments is provided in Note 34 Measurement categories of financial instruments, of the MBL Annual Report.

Table 40: LI1 - Differences between accounting and regulatory scopes of consolidation and mapping of financial statement categories with regulatory risk categories

31 March 2025

	a	b	c	d	e	f	g
			Carrying values of items:				
	Carrying values as reported in published financial statements $m	Carrying values under scope of regulatory consolidation $m	Subject to credit risk framework $m	Subject to counterparty credit risk framework $m	Subject to the securitisation framework $m	Subject to market risk framework $m	Not subject to capital requirements or subject to deduction from capital $m
Assets							
Cash and bank balances	22,269	22,218	15,894	-	-	2,802	3,522
Cash collateralised lending and reverse repurchase agreements	60,165	60,164	151	59,904	-	20,198	-
Trading assets	29,729	29,719	116	-	-	29,575	28
Margin money and settlement assets	20,072	20,071	440	17,919	-	1,984	1,712
Derivative assets	23,936	23,936	-	23,796	-	23,936	34
Financial Investments	17,057	17,054	6,261	-	3,213	7,380	200
Other assets	7,226	7,031	5,189	505	2	3,915	1,120
Loan assets	181,386	181,387	179,440	482	858	-	608
Due from other Macquarie Group entities	6,297	6,619	1,685	4,558	-	4,558	376
Property, plant and equipment and right-of-use assets	5,989	5,913	5,913	-	-	-	-
Investments in regulatory non-consolidated subsidiaries	-	209	-	-	-	-	209
Deferred tax assets	1,095	1,086	-	-	-	-	1,086
Total Assets	**375,221**	**375,407**	**215,089**	**107,164**	**4,073**	**94,348**	**8,895**
Liabilities							
Deposits	177,671	177,671	-	-	-	-	177,671
Cash collateralised borrowing and repurchase agreements	4,692	4,692	-	4,667	-	3,837	-
Trading liabilities	5,753	5,752	-	-	-	5,752	-
Margin money and settlement liabilities	23,610	23,610	-	21,398	-	6,114	1,525
Derivative liabilities	23,184	23,184	-	23,151	-	23,184	33
Other liabilities	9,894	9,855	-	354	-	3,219	6,282
Due to other Macquarie Group entities	9,065	9,390	5,455	3,751	-	3,751	184
Issued Debt securities and borrowings	85,804	85,797	-	-	-	747	85,050
Deferred tax liabilities	21	19	-	-	-	-	19
Loan Capital	12,540	12,540	-	-	-	-	12,540
Total liabilities	**352,234**	**352,510**	**5,455**	**53,321**	**-**	**46,604**	**283,304**

The LI2 table below presents the main differences between the accounting carrying amounts under the scope of regulatory consolidation and the exposure amounts considered for regulatory purposes. The regulatory exposures include the following additional components:

- Off-balance sheet amounts and credit conversion factors (CCFs): Off-balance sheet exposures consist of items such as undrawn commitments and contingent liabilities. APRA-assigned CCFs are applied to these exposures based on their nature to determine the regulatory exposure amount.
- Netting rules: The rules for netting financial assets with financial liabilities differ between accounting and regulatory treatments. APRA imposed a more stringent approach to netting in regulatory reporting, resulting to an increment exposure values in regulatory calculations.
- Valuation differences: The regulatory valuation of derivatives differ from accounting valuation and this adjustment primarily reflects the inclusion of potential future exposure and the 1.4 alpha multiplier.
- SFT Collateral mitigation and adjustments: This adjustment relates to the application of collateral to SFT exposures after the assessment of regulatory haircuts.
- CRM techniques: These consist of eligible collateral recognised to mitigate regulatory exposures and reduce capital requirements in accordance with criteria from APS 112 and APS 113.

Table 41: LI2 - Main sources of differences between regulatory exposure amounts and carrying values in financial statements

31 March 2025

		a=b+c+d	b	c	d	e
			Items subject to:			
		Total $m	Credit risk framework $m	Securitisation framework $m	Counterparty credit risk framework $m	Market risk framework $m
1	**Asset carrying value amount under scope of regulatory consolidation (as per Template LI1)**	**326,326**	**215,089**	**4,073**	**107,164**	**94,348**
2	Liabilities carrying value amount under regulatory scope of consolidation (as per Template LI1)	58,776	5,455	-	53,321	46,604
3	Total net amount under regulatory scope of consolidation (Row 1 – Row 2)	267,550	209,634	4,073	53,843	47,744
4	Off-balance sheet amounts	29,430	29,322	108	-	
5	Differences due to credit conversion factors	(3,208)	(3,208)	-	-	
6	Differences in valuations	56,934	-	-	56,934	
7	Differences due to different netting rules, other than those already included in row 2	5,392	5,392	-	-	
8	SFT Collateral mitigation and adjustments	(43,217)	-	-	(43,217)	
9	Differences due to the use of credit risk mitigation techniques (CRMs)	(46)	(41)	(5)	-	
10	Other differences	29	29	-	-	
11	**Exposure amounts considered for regulatory purposes**	**312,864**	**241,128**	**4,176**	**67,560**	

16. Glossary of Terms

ADI	Authorised Deposit-taking Institution.
Additional Tier 1 Capital	A capital measure defined by APRA comprising high quality components of capital that satisfy the following essential characteristics: • Provide a permanent and unrestricted commitment of funds • Are freely available to absorb losses • Rank behind the claims of depositors and other more senior creditors in the event of winding up of the issuer; and • Provide for fully discretionary capital distributions.
Additional Tier 1 Capital deductions	An amount deducted in determining Additional Tier 1 Capital, as defined in Prudential Standard APS 111 Capital Adequacy: Measurement of Capital.
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.
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.
BBSW	Bank Bill Swap Rate.
BCBS	Basel Committee on Banking Supervision.
BCN2	Bank Capital Notes 2.
BCN3	Bank Capital Notes 3.
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.
CCR	Counterparty Credit Risk.
CEA	Credit Equivalent Amount. The on-balance sheet equivalent value of an off balance sheet transaction.
CEO	Managing Director and Chief Executive Officer.
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.
Central Service Group	The Central Service Groups consist of Risk Managment Group (RMG), Legal and Governance Group (LGG), Financial Managment, People and Engagement (FPE) and Corporate Operations Group (COG).
CF	Commodities finance. CF refers to short-term lending to finance reserves, inventories, or receivables of exchange-traded commodities, where the loan will be repaid from the proceeds of the sale of the commodity and the borrower has no independent capacity to repay the loan.
CFO	Chief Financial Officer.
CGM	Commodities and Global Markets Group.
Common Equity Tier 1 capital (CET1)	A capital measure defined by APRA comprising the highest quality components of capital that fully satisfy all the following essential characteristics: • Provide a permanent and unrestricted commitment of funds • Are freely available to absorb losses • Do not impose any unavoidable servicing charge against earnings; and • Rank behind the claims of depositors and other creditors in the event of winding up. • Common equity tier 1 capital comprises Paid Up Capital, Retained Earnings, and certain reserves.
Common Equity Tier 1 Capital deductions	An amount deducted in determining Common Equity Tier 1 Capital, as defined in Prudential Standard APS 111 Capital Adequacy: Measurement of Capital.
Common Equity Tier 1 Capital Ratio	Common Equity Tier 1 Capital net of Common Equity Tier 1 deductions expressed as a percentage of RWA.
CRO	Chief Risk Officer.
CVA	Credit Valuation Adjustment. The risk of mark-to-market losses on the expected counterparty risk to OTC derivatives.
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, the Middle East & Africa.
ERBA	External Rating Based Approach.
EVE	Economic Value of Equity.
F-IRB	Foundation Internal Ratings Based Approach (for determining credit risk).
FPE	Financial Management, People and Engagement.
GARCH	Generalised AutoRegressive Conditional Heteroskedasticity.
HQLA	High-Quality Liquid Assets.
IAA	Internal Assessment Approach.
ICAAP	Internal Capital Adequacy Assessment Process.
IRBA	Internal Rating Based Approach.
IRRBB	Interest Rate Risk in the Banking Book.
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 Group / Macquarie	MGL and its subsidiaries.
MACS	Macquarie Additional Capital Securities.
MBL	Macquarie Bank Limited ABN 46 008 583 542.
MBL Consolidated Group	MBL and its subsidiaries.
MGL	Macquarie Group Limited ABN 94 122 169 279.
NCO	Net Cash Outflows.
NII	Net Interest Income.
Non-Bank Group	MGL, MFHPL and its subsidiaries.
NPAT	Net Profit after Tax.
NSFR	Net Stable Funding Ratio.
OF	Object finance. OF refers to the method of funding the acquisition of equipment where the repayment of the loan is dependent on the cash flows generated by the specific assets that have been financed and pledged or assigned to the lender.
Operating Group	The Operating Groups consist of Banking and Financial Services Group (BFS), Comodities and Global Markets Group (CGM), Macquarie Capital and Maquarie Asset Managment Group (MAM).
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.
PF	Project finance. PF refers to the method of funding in which the lender looks primarily to the revenues generated by a single project, both as the source of repayment and as security for the loan.
P&L	Profit and loss.
QCCP	Qualifying central counterparty.
RAS	Risk Appetite Statement.
Reserve Bank of Australia (RBA)	Central bank of Australia with responsibility over monetary policy.
RMBS	Residential Mortgage-Backed Securities.
RMG	Risk Management Group.
ROE	Return on Ordinary Equity.
RSF	Required Stable Funding.
RWA	Risk-weighted asset. RWA is a risk-based measure of an entity's exposures, which is used in assessing its overall capital adequacy.
SA	Standardised Approach.
Senior Management	Members of Macquarie Group's Executive Committee and Executive Directors who have significant management or risk responsibility in the organisation.

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	Special purpose vehicles or securitisation vehicles.
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.
VaR	Value-at-Risk.
WAL	Weighted Average Life.

17. Disclaimer

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Unless otherwise specified all information is at 31 March 2025.

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- 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).