Macquarie Group Limited

ABN 94 122 169 279

50 Martin Place
Sydney NSW 2000
GPO Box 4294
Sydney NSW 1164
AUSTRALIA

Telephone (61 2) 8232 3333
Facsimile (61 2) 8232 3019

MACQUARIE

ASX/Media Release

MACQUARIE BANK PILLAR 3 RESTATEMENT MARCH 2018 to JUNE 2021

SYDNEY, 22 October 2021 – As indicated by the Australian Prudential Regulation Authority's (APRA) 1 April 2021 announcement in relation to Macquarie Group's (ASX: MQG; ADR: MQBKY) (**Macquarie**) intragroup funding arrangements, Macquarie Bank Limited (**MBL**) is required to restate certain historical regulatory returns. This includes MBL's Level 1 capital ratios (Common Equity Tier 1, Tier 1 and Total capital) from 31 March 2018, as well as MBL's liquidity ratios from 30 September 2019, which are set out in a restatement of MBL's Basel III Pillar 3 disclosures, published today.

MBL's Level 1 capital ratios from 31 March 2018 to 30 September 2019 have been restated for historical errors in the application of prudential standards applicable to the intragroup funding arrangements, which were addressed prior to March 2020. MBL's Level 1 Common Equity Tier 1 (**L1 CET1**) ratio from March 2020 is unaffected by these errors.

The correct treatment of these intragroup funding arrangements caused certain wholly owned MBL subsidiaries to become ineligible to form part of MBL's extended licensed entity (**ELE**), or Level 1 Group. Whilst MBL Level 2 capital remained unchanged, up to approximately $A5 billion of capital and retained earnings of these subsidiaries consequently ceased to contribute to MBL's Level 1 capital, and the restated historical MBL L1 CET1 ratio fell to within a range of 4.8% - 7.1% from March 2018 to September 2019. In addition, the correction caused an increase in MBL's related party exposures at Level 1, resulting in a breach of related party limits.

As part of ongoing internal reviews of Macquarie's intragroup arrangements, two further reporting errors relating to specific, unrelated intragroup arrangements were identified. Neither impacts MBL's Level 2 capital ratios. Addressing these errors reduced MBL's reported Level 1 capital ratios by up to 40 basis points between March 2020 and March 2021, and by less than 10 basis points prior to March 2020. This has also been reflected in the Pillar 3 disclosures published today. MBL's related party exposures at Level 1 remain within limits from March 2020.

As the errors applied to arrangements within the MBL Group, there is no impact from the restatement on the equivalent historical MBL Level 2 capital ratios. The Macquarie Group capital surplus is also unaffected by the restatement and is as previously reported. The restatement has no effect on MBL's Additional Tier 1 capital instruments.

The restatement of MBL's Liquidity Coverage Ratio (**LCR**) primarily relates to the correction of items identified by Macquarie during an internal review of liquidity assumptions and calculations which concluded this year, as well as other operational errors. The impact of the restatement is approximately 10 percentage points for most periods.

Macquarie notes APRA's comment on 1 April 2021 that these breaches are historical and do not impact the current overall soundness of Macquarie Group's capital or liquidity positions. MBL's Level 2 CET1 ratio was 12.6 per cent and Macquarie Group's capital surplus was $A8.8 billion at 31 March 2021.

Macquarie has ongoing programs which focus on strengthening MBL's processes and controls, including those around intragroup funding arrangements and internal exposures; capital and liquidity reporting; risk management frameworks; and accountabilities and governance. A number of these programs also form part of a remediation plan as required by APRA, which has been established to define and deliver programs of work that strengthen MBL's governance, risk culture, structure, and incentives to ensure full and ongoing compliance with prudential standards.

This document has been authorised for release by Alex Harvey, Chief Financial Officer

Cautionary Statement Regarding Forward-Looking Statements

This release may contain, in addition to historical information, statements that constitute "*forward-looking statements*" within the meaning of Section 21E of the United States Securities Exchange Act of 1934, as amended. Examples of these forward-looking statements include, but are not limited to: (i) statements regarding our future results of operations and financial condition; (ii) statements of plans, objectives or goals, including those related to our products or services; and (iii) statements of assumptions underlying those statements. Words such as "*may*", "*will*", "*expect*", "*intend*", "*plan*", "*estimate*", "*anticipate*", "*believe*", "*continue*", "*probability*", "*risk*", and other similar words are intended to identify forward-looking statements but are not the exclusive means of identifying those statements. Such forward-looking statements are subject to known and unknown risks, uncertainties and other factors that could cause our actual results, performance or achievements to differ materially from any future results, performance or achievements expressed or implied by such forward-looking statements, including the risks described under "Risk Factors" in our Disclosure Report (U.S. Version) for the fiscal year ended March 31, 2021. Many of these risks and uncertainties relate to factors that are beyond our ability to control or estimate precisely, such as future market conditions, changes in regulatory environment and the behavior of other market participants. We cannot give any assurance that such forward-looking statements will prove to have been correct. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date of this release. We are under no obligation, and disclaim any obligation, to update or alter our forward-looking statements, whether as a result of new information, future events or otherwise.