



ASX/Media Release

MACQUARIE RESPONDS TO APRA ANNOUNCEMENT

Sydney, 1 April 2021 – Macquarie Group Limited (ASX: MQG; ADR: MQBKY; Macquarie or MGL) notes the Australian Prudential Regulation Authority's (APRA) announcement today in relation to actions required regarding Macquarie Bank Limited's (MBL) risk management practices and ability to calculate and report key prudential ratios. The actions relate to specific intra-group funding arrangements as well as breaches of APRA's reporting standards on liquidity between 2018 and 2020.

Macquarie notes APRA's comment that the breaches are historical and do not impact on the current overall soundness of Macquarie Group's capital or liquidity positions.

APRA requires MBL to hold an additional operational capital overlay of \$A500 million, effective 1 April 2021, implemented through an increase in Level 1 risk-weighted assets (RWAs). MBL's Level 1 common equity tier 1 (CET1) ratio stood at 12.7 per cent at 30 September 2020. The increase in Level 1 RWAs is expected to reduce this on a pro forma basis by approximately 81 basis points. There is no impact on the Level 2 capital position.

APRA also requires a 15 per cent add on to the net cash outflow component of MBL's Liquidity Coverage Ratio (LCR) calculation and a 1 per cent adjustment to the total available stable funding of its Net Stable Funding Ratio (NSFR) calculation.

Macquarie has a number of programs in place to strengthen capital and liquidity reporting and its risk management framework. These ongoing programs will further assist in addressing issues and improvements going forward.

Macquarie Group Managing Director and Chief Executive Officer Shemara Wikramanayake said: "We note the actions announced by APRA and share their disappointment. We recognise that while specific historical matters leading to these actions have been addressed, we have continued work to strengthen our operating platform and risk governance. We will work with APRA through a period of intensified supervision to advance this work as quickly as possible."

Macquarie will also work with APRA to determine any necessary restatements of selected historical regulatory returns.

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