



# Macquarie Bank Limited Covered Bond Programme

This presentation contains summary information based upon the current Macquarie Bank Limited Covered Bond Base Prospectus. Please read the Disclaimer on Page 2.



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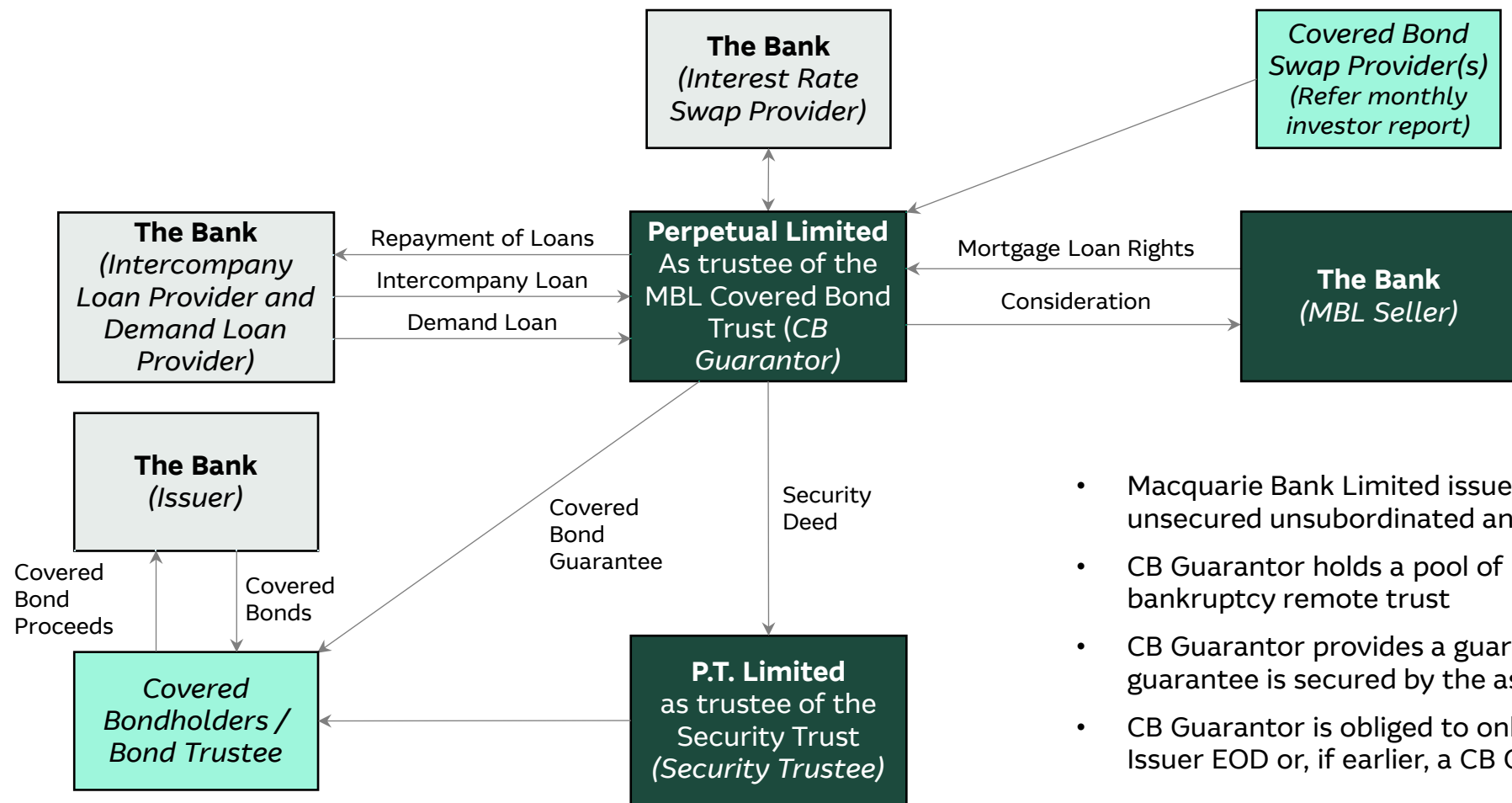
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# Macquarie Covered Bond Programme Overview

Issuer	Macquarie Bank Limited
Issuer Rating (S&P / Moody's / Fitch)	A+ / Aa2 / A+
Programme Size	\$A10 billion
Structural Type	Soft Bullet Covered Bonds
Expected Rating (Moody's / Fitch)	Aaa / AAA
Covered Bond Guarantor	Perpetual Limited as trustee of the MBL Covered Bond Trust
Covered Bond Guarantee	Guarantees payments of interest and principal following Issuer/CBG Event of Default (EOD), secured by the cover pool
Cover Pool	<p>Australian first ranking residential mortgages, Substitution Assets and Authorised Investments</p> <ul style="list-style-type: none"> <li>• 100% - full documentation, regionally diversified</li> <li>• Cover pool metrics broadly in line with recent market originations</li> <li>• Cover Pool does not include any substitution assets or authorised investments (BAU basis)</li> </ul>
Cover Pool Monitor	PricewaterhouseCoopers
Over-collateralisation (OC)	<p>Asset Percentage: Refer to Monthly Investor Report for contractual asset percentage, programme maximum of 90% (OC: 11.1%)</p> <p>Monthly Asset Coverage Test (ACT)</p> <p>Legislative minimum OC requirement of 103%</p>
Governing Law	<p>Asset and security documentation – NSW, Australia</p> <p>Regulation S Programme Agreement – English</p> <p>Bond documentation for European issuance – English</p>
HQLA / Repo Eligibility	EUR denominated bonds expected to be High Quality Liquid Assets level 2A, not ECB repo-eligible
Listing	London Stock Exchange

Source: Macquarie Bank Limited Covered Bond Base Prospectus.

# Programme Structure



- Macquarie Bank Limited issues the covered bonds as direct, unsecured unsubordinated and unconditional obligations
- CB Guarantor holds a pool of mortgage loans (cover pool) in a bankruptcy remote trust
- CB Guarantor provides a guarantee to Covered Bondholders. This guarantee is secured by the assets held in the cover pool
- CB Guarantor is obliged to only pay Guaranteed Amounts after an Issuer EOD or, if earlier, a CB Guarantor EOD.

Source: Macquarie Bank Limited Covered Bond Base Prospectus.

# Structural Enhancements

MBL's Covered Bond programme structural enhancements are similar to those of all Australian covered bond programmes

<b>Asset Coverage Test</b>	The Asset Coverage Test (ACT) is performed monthly by the Trust Manager to ensure the Adjusted Aggregate Mortgage Loan Amount is at least equal to the \$A equivalent of all outstanding covered bonds.
<b>Amortisation Test</b>	The Amortisation Test (AMT) is performed monthly by the Trust Manager following the service of a Notice to Pay to ensure that the Amortisation Test Aggregate Mortgage Loan Amount is at least equal to the \$A equivalent of all outstanding covered bonds.
<b>House Price Indexation</b>	Under the ACT & AMT, the nominal value of assets in the collateral pool will be adjusted to reflect changes in house prices using CoreLogic's Hedonic Home Value Index.
<b>Reserve Fund</b>	A Reserve Fund to prefund three months covered bond interest and fees due & payable if MBL's short-term credit rating is below P-1 (Moody's) or F1 (Fitch). At MBL's current ratings it is not required to pre-fund this Reserve Ledger.
<b>Interest Rate Swap</b>	The Interest Rate Swap will convert mortgage loan receipts (and other asset cash flows) to a floating rate of interest based on the Bank Bill Swap Rate. MBL is the initial Interest Rate Swap provider.
<b>Covered Bond Swap(s)</b>	The Covered Bond Swap will, where necessary, convert receipts from the Interest Rate Swap into the required foreign currency and interest rate cash flows to match payments on the covered bonds. Third-party banks are expected to provide the Covered Bond Swap.
<b>Pre-maturity Reserve</b>	To prefund hard bullet maturities. MBL does not expect to issue hard bullet maturity CBs.

Source: Macquarie Bank Limited Covered Bond Base Prospectus.

# Structural Enhancements – Ratings Triggers

	Fitch	Moody's
<b>Covered Bond Rating</b>	Covered Bond may lose its AAA rating if Macquarie Bank's rating <sup>1</sup> falls below BBB+	Covered Bond may lose its Aaa rating if Macquarie Bank's counterparty rating falls below A3(cr)
<b>Swap Provider (Interest Rate Swap or Covered Bond Swap)</b>	<p><b>Rating falls below F1/A-</b> Swap must be cash collateralised (one-way CSA) within 14 calendar days of a ratings trigger event</p> <p><b>Rating falls below F3/BBB-</b> Swap provider must take additional measures (may include to replace itself, obtain guarantee on swap) pending collateral posting</p>	<p><b>Counterparty rating falls below P1/A2</b> Swap must be cash collateralised (one-way CSA) within 30 calendar days of a ratings trigger event</p> <p><b>Counterparty rating falls below P2/A3</b> Swap provider must take additional measures (may include to replace itself, obtain guarantee on swap)</p>
<b>Covered Bond Guarantor Bank (GIC) Account</b>	<p><b>Rating falls below F1 and A-</b> Covered Bond Guarantor must transfer the trust bank account from MBL to a third party within 30 days</p>	<p><b>Counterparty rating falls below P1</b> Covered Bond Guarantor must transfer the trust bank account from MBL to a third party</p>
<b>Servicer</b>	<p><b>Rating falls below F1 and A-</b> Macquarie will be required to transfer all collections to the GIC Account within 2 local business days</p> <p><b>Rating falls below BBB-</b> Use reasonable endeavours to put in place a standby servicing arrangement Required to notify borrowers to direct repayments directly to the CBG</p>	<p><b>Counterparty rating falls below P1</b> Macquarie will be required to transfer all collections to the GIC Account within 2 local business days</p> <p><b>Rating falls below Baa3</b> Use reasonable endeavours to put in place a standby servicing arrangement Required to notify borrowers to direct repayments directly to the CBG</p>

Source: Rating Agencies and Macquarie Bank Limited Covered Bond Base Prospectus 1. With all else equal, BBB+ as an entity rating is the minimum rating to get 'AAA' on the covered bonds, with a total uplift of 7 notches.

# Australian Covered Bond regulatory framework

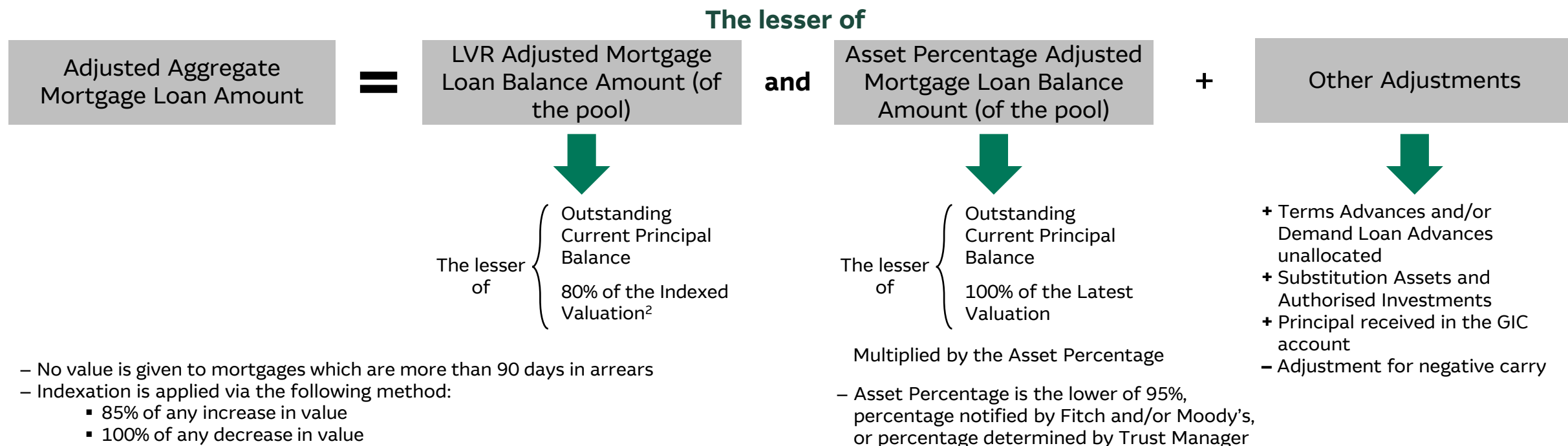
<b>Timing</b>	<ul style="list-style-type: none"><li>• Banking Act<sup>1</sup> amended 13 October 2011 to enable Australian banks to issue covered bonds</li><li>• Covered bond issuance previously prohibited by the Banking Act and Regulator.</li></ul>
<b>Oversight</b>	<ul style="list-style-type: none"><li>• The Australian Prudential Regulation Authority (APRA) has prudential supervision responsibilities for covered bond issuers</li><li>• Prudential Standard APS121 Covered Bonds outlines certain other prudential requirements.</li></ul>
<b>Structure</b>	<ul style="list-style-type: none"><li>• Covered bond issuer is the ADI (i.e. an APRA regulated bank)</li><li>• Legal certainty for the segregation of the cover pool in bankruptcy of the issuing bank (achieved via sale of the covered pool assets to a bankruptcy-remote special purpose vehicle)</li><li>• Minimum standards for eligibility, overcollateralisation and independent cover pool monitoring.</li></ul>
<b>Priority</b>	<ul style="list-style-type: none"><li>• In the event of default, the bondholders have recourse against the issuer and the collateral</li><li>• Bondholders have priority over other investors against a cover pool of financial assets</li><li>• APRA has no direction making powers over assets held by the SPV secured for the benefit of covered bondholders and service providers.</li></ul>
<b>Cover Pool</b>	<ul style="list-style-type: none"><li>• Eligible cover assets include cash equivalents, bank bills and certificate of deposits with maturity less than 100 days (limited to 15%), Australian government or semi-government bonds, <b>residential</b> or commercial <b>mortgage loans</b> (separate programs expected for each loan class), and derivatives</li><li>• Minimum level of overcollateralisation of 3% (programs also to include an asset coverage test)</li><li>• Value for this overcollateralisation only provided up to 80% LVR for residential loans and 60% for commercial loans.</li></ul>
<b>Issuance Limits</b>	<ul style="list-style-type: none"><li>• Covered bond issuance not permitted if cover pool assets exceeds 8% of ADI's Australian assets.</li></ul>

1. Banking Amendment (Covered Bonds) Act 2011 incorporates Division 3A in Part II of the Australian Banking Act 1959 (Cth).

# Asset Coverage Test (ACT)

The Trust Manager must ensure the ACT is satisfied on each monthly Determination Date. The Cover Pool Monitor reviews the ACT calculations every six months<sup>1</sup>

Asset Coverage Test is satisfied where the Adjusted Aggregate Mortgage Loan Amount is greater than or equal to \$Ae Covered Bonds



Note: This is a summary of the Asset Coverage Test. Please see the Macquarie Bank Limited Covered Bond Base Prospectus for a complete description. 1. The review may occur more frequently in certain circumstances. 2. CoreLogic's Hedonic Home Value Index is used for the indexed valuation.



# Failure to satisfy the Asset Coverage Test

The table below summarises the consequences of an Asset Coverage Test failure

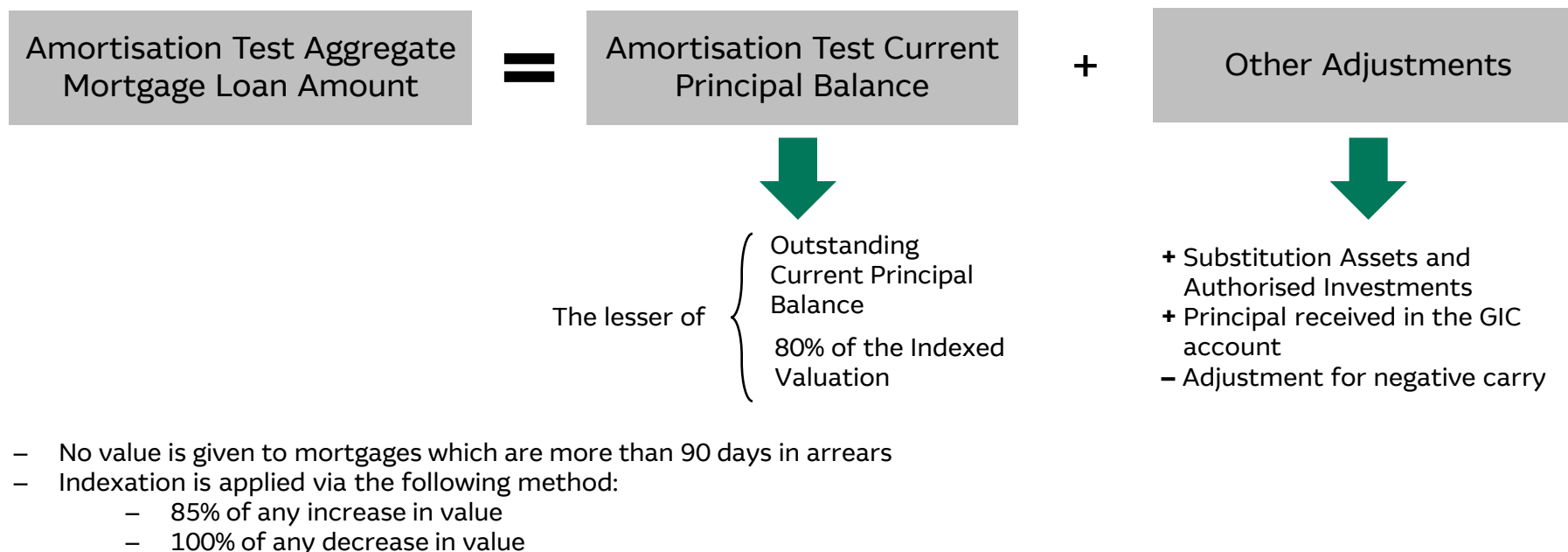
	First Determination Date (Month 0)	Second Determination Date (Month 1)	Third Determination Date (Month 2)
Event	ACT not satisfied	ACT still not satisfied	Issuer EOD (ACT still not satisfied and ACT Breach Notice not revoked by Bond Trustee)
Notification by Trust Manager	Must immediately notify amongst others the CBG, the Issuer, the Security Trustee and Bond Trustee of the event		
Actions	<ul style="list-style-type: none"> <li>Trust Manager takes action to satisfy the ACT by the next Determination Date</li> </ul>	<ul style="list-style-type: none"> <li>Bond Trustee must serve an ACT Breach Notice on the CBG</li> <li>Payments under Demand and Intercompany loans stop</li> <li>No further covered bonds can be issued</li> <li>Cover pool assets may be sold to satisfy ACT</li> </ul>	<ul style="list-style-type: none"> <li>Bond Trustee entitled (and may also be required) to serve an Issuer Acceleration Notice (all CBs immediately due and payable by Issuer)</li> <li>Notice to Pay served on CBG                             <ul style="list-style-type: none"> <li>Guarantee priority of payments applies (CBG pays interest and principal on CBs when due)</li> <li>Substitution assets liquidated</li> <li>Cover pool assets may be sold if required</li> </ul> </li> <li>Amortisation Test activates (ACT deactivates)</li> </ul>

Note: This is a summary. Please see the Macquarie Bank Limited Covered Bond Base Prospectus for a complete description.

# Amortisation Test

The Amortisation Test is intended to ensure that the assets held by the CBG do not fall below a certain threshold sufficient to meet the obligations under the Covered Bond Guarantee. If not satisfied, this effectively triggers a CBG EOD and the post enforcement waterfall

Amortisation Test is satisfied when the Amortisation Test Aggregate Mortgage Loan Amount is greater than or equal to \$Ae Covered Bonds



Note: This is a summary of the Amortisation Test. Please see the Macquarie Bank Limited Covered Bond Base Prospectus for a complete description.