



ASX/Media Release

PROPOSED MACQUARIE BANK CAPITAL RETURN

Sydney, 2 November 2018 - Macquarie Bank Limited (MBL) has agreed to sell its Corporate and Asset Finance Group's (CAF's) Principal Finance and Transportation Finance businesses to the Non-Bank Group of its parent, Macquarie Group Limited (MGL), as announced today as part of MGL's result announcement for the half year ended 30 September 2018.

MBL has entered into two restructure deeds with Non-Bank Group members of the Macquarie Group whereby it has agreed to transfer the economic risk and benefit and decision making in relation to these CAF businesses from the Bank Group to the Non-Bank Group on the effective date, which is currently proposed to be 10 December 2018. The post-tax profit of these CAF businesses included in the consolidated MBL results for the half year ended 30 September 2018 was approximately A\$150 million, of the total A\$735 million attributable to the ordinary shareholder.

CAF Principal Finance provides flexible primary financing solutions and engages in secondary market investing across the capital structure. CAF Transportation Finance involves the financing of aircraft, rotorcraft and rail assets. These businesses are reported as part of the CAF operating segment and will be transferred for consideration reflecting fair value, currently estimated at approximately A\$7.4billion¹.

As a consequence of the transfer, MBL will deconsolidate the net assets of these CAF businesses resulting in an increase in equity of approximately \$0.3 billion which, subject to satisfaction of all applicable legal requirements, MBL expects to pay as a dividend to MGL². Additionally, it is proposed to return up to \$2.04 billion in capital from MBL to MGL², which will be surplus to MBL's requirements, subject to shareholder approval. The balance of the consideration received will be predominately used to reduce the borrowings of MBL.

The Australian Prudential Regulation Authority (APRA) has given approval for the capital return. A meeting of MBL shareholders (which includes holders of Macquarie Income Securities) will be held at 10.30 am on 10 December 2018³ at Macquarie's Sydney head office to request shareholder approval for the capital return. The formal notice for this meeting is expected to be despatched to shareholders and lodged with ASX by the end of next week.

¹ Estimated valuation position in Australian dollars. The valuation will be updated to reflect the business position and exchange rates at the time of transfer. Accordingly, the dividend will be adjusted to reflect the value at the effective date, expected to be 10 December 2018.

² Via the intermediate holding company, Macquarie B.H. Pty Ltd.

³ Indicative meeting date subject to change.

As a result of this internal restructure (including the capital return), MBL expects its regulatory CET1 ratio to increase by approximately 0.7%, from 10.4% reported at 30 September 2018 to 11.1% on a pro-forma basis⁴. The internal restructure (including the capital return) is not expected to affect MBL's credit ratings.

The proposed capital return is not expected to have a material impact on MBL's ability to fund new investments in its core business, or to fund new investments consistent with its current strategy. Neither the transfers, nor the proposed capital return will result in any adjustment to the terms of MBL's hybrid securities, nor are they expected to materially affect MBL's ability to pay distributions under the terms of those instruments.

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⁴ Estimated Level 2 capital impact based on the current business position. The ultimate impact will reflect changes to the business position and exchange rates at the effective date, expected to be 10 December 2018.