

Macquarie Bank Limited
ABN 46 008 583 542

No.1 Martin Place
Sydney NSW 2000
GPO Box 4294
Sydney NSW 1164

Telephone (61 2) 8232 3333
Facsimile (61 2) 8232 7780
Telex 122246
Internet <http://www.macquarie.com.au>
DX 10287 SSE
SWIFT MACQUAU2S

Money Market 8232 3600 Facsimile 8232 4227
Foreign 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



ASX Release

MACQUARIE BANK RELEASES JUNE PILLAR 3 DISCLOSURE DOCUMENT

23 August 2013 - The Macquarie Bank Limited June 2013 Pillar 3 disclosure document was released today on the Macquarie website www.macquarie.com. These disclosures have been prepared in accordance with the Australian Prudential Regulation Authority (APRA) requirements of Prudential Standard APS 330 Capital Adequacy: Public Disclosure of Prudential Information.

Contacts:

| | |
|--|----------------|
| Stuart Green, Macquarie Group Investor Relations | +612 8232 8845 |
| Karen Khadi, Macquarie Group Investor Relations | +612 8232 3548 |

This page has been left blank intentionally.

MACQUARIE BANK
PILLAR 3 DISCLOSURES
JUNE 2013



MACQUARIE
BANK

Cover image: A stylised contemporary version of the Holey Dollar

In 1813 Governor Lachlan Macquarie overcame an acute currency shortage by purchasing Spanish silver dollars (then worth five shillings), punching the centres out and creating two new coins – the ‘Holey Dollar’ (valued at five shillings) and the ‘Dump’ (valued at one shilling and three pence).

This single move not only doubled the number of coins in circulation but increased their worth by 25 per cent and prevented the coins leaving the colony. Governor Macquarie’s creation of the Holey Dollar was an inspired solution to a difficult problem and for this reason it was chosen as the symbol for Macquarie.

1.0 Overview

Introduction

Macquarie Bank Limited (MBL) is an Authorised Deposit-taking Institution (ADI) regulated by the Australian Prudential Regulation Authority (APRA). MBL is accredited under the Foundation Internal Ratings Based Approach (FIRB) for credit risk, the Advanced Measurement Approach (AMA) for operational risk, the internal model approach for market risk and the internal model approach for interest rate risk in the banking book. These advanced approaches place a higher reliance on a bank's internal capital measures and therefore require a more sophisticated level of risk management and risk measurement practices.

On 1 January 2013, reforms to the Basel II capital adequacy framework came into effect (the Basel III framework). These reforms are designed to strengthen global capital rules with the goal of promoting a more resilient banking sector. The objective of the reforms is to improve the banking sector's ability to absorb shocks arising from financial stress, whatever the source, thus reducing the risk of spillover from the financial sector to the real economy.

The reforms include;

- Raising the quality, consistency and transparency of the capital base
- Introducing a capital requirement to cover Credit Valuation Adjustments (CVA)
- Introducing an Asset Value Correlation (AVC) loading on exposures to certain financial institutions
- Requiring capital to be held against exposures to central clearing houses
- Introducing a range of capital buffers, these will be phased in by 2016.

APRA has implemented the Basel III framework, and in some areas has gone further by introducing stricter requirements (APRA superequivalence). This report details MBL's disclosures as required by APS 330 Capital Adequacy: Public Disclosure of Prudential Information (APS330) as at 30 June 2013 together with the 31 March 2013 comparative disclosures. The most recent full Pillar 3 disclosure document as at 31 March 2013 is also available on the Macquarie website at www.macquarie.com

This report provides an update to certain disclosures as required by APS 330 as at 30 June 2013 and consists of sections covering:

- Capital Adequacy;
- Credit Risk Exposures;
- Provisioning; and
- Securitisation.

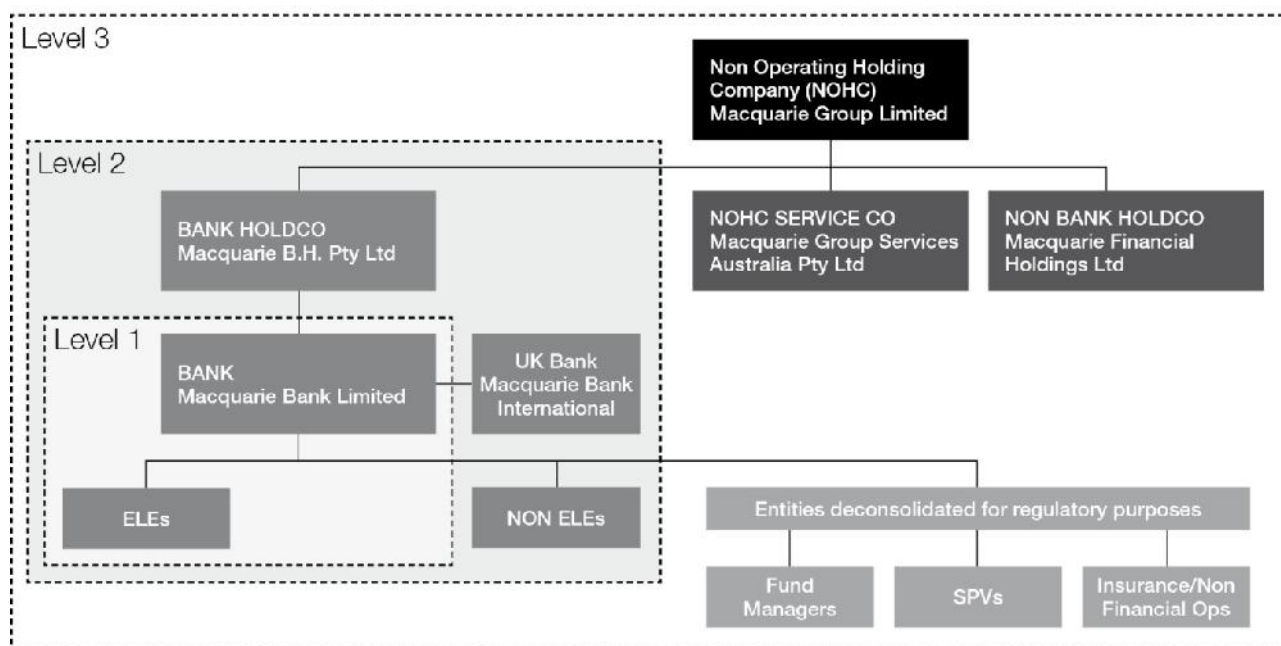
1.0 Overview

continued

1.1 Macquarie Regulatory Group

MBL is part of the larger Macquarie Group, which includes Macquarie Group Limited (MGL) and its subsidiaries (referred to as 'Level 3'). The MBL regulatory consolidated bank group (referred to as 'Level 2') is different to the MBL accounting consolidated group as Level 2 excludes certain subsidiaries which are deconsolidated for APRA reporting purposes. MBL and its Extended Licensed Entities (ELEs) are referred to as Level 1.

The diagram below illustrates the three different levels of consolidation:



Reporting levels are in accordance with APRA definitions contained in Prudential Standard APS 110 Capital Adequacy (APS 110).

References in this report to Macquarie or Bank Group refer to the Level 2 regulatory consolidated banking group as described above. Unless otherwise stated, all disclosures in this report represent the Level 2 regulatory consolidated banking group prepared on a Basel III basis.

1.2 Report Conventions

The disclosures in this report are not required to be audited by an external auditor. However, the disclosures have been prepared on a basis consistent with information submitted to APRA. Under Prudential Standard APS 310, the information submitted to APRA is required to be either audited or reviewed by an external auditor at Macquarie's year end, being 31 March.

Averages have been prepared in this report for certain disclosures as required by APS 330.

All numbers in this report are in Australian Dollars and have been rounded to the nearest million, unless otherwise stated.

Where necessary comparative information has been restated to conform with changes in presentation in the current period.

2.0 Capital Adequacy

2.1 Capital Ratios

APS 330 Table 3(f)

| | As At 30 June 2013 | As At 31 March 2013 |
|---|--------------------------|---------------------------|
| Level 2 Macquarie Bank Group Common Equity Tier 1 capital ratio | 9.8% | 9.7% |
| Level 2 Macquarie Bank Group Tier 1 capital ratio | 10.9% | 10.8% |
| Level 2 Macquarie Bank Group Total capital ratio | 13.4% | 13.5% |

The Macquarie Bank Group capital ratios are well above the regulatory minimum capital ratios required by APRA, and the Board imposed internal minimum capital requirement.

2.0 Capital Adequacy

continued

2.2 Risk Weighted Assets (RWA)

RWA are a risk based measure of exposures used in assessing overall capital usage of the Bank Group. When applied against eligible regulatory capital the overall capital adequacy ratio is determined. RWA are calculated in accordance with APRA Prudential Standards.

The table below sets out the RWA for the Macquarie Bank Group.

APS 330 Table 3(a-e)

| | As At 30 June 2013 \$m | As At 31 March 2013 \$m |
|---|---------------------------------|----------------------------------|
| Credit risk | | |
| Subject to IRB approach | | |
| Corporate | 16,113 | 15,546 |
| SME Corporate | 1,652 | 1,597 |
| Sovereign | 651 | 734 |
| Bank | 1,855 | 1,636 |
| Residential Mortgage ¹ | 2,088 | 2,179 |
| Other Retail | 4,871 | 4,613 |
| Total RWA subject to IRB approach | 27,230 | 26,305 |
| Specialised lending exposures subject to slotting criteria ² | 4,671 | 4,683 |
| Subject to Standardised approach | | |
| Corporate | 1,180 | 1,013 |
| Residential Mortgage ¹ | 1,719 | 482 |
| Other Retail | 1,116 | 1,272 |
| Total RWA subject to Standardised approach | 4,015 | 2,767 |
| Credit risk RWA for securitisation exposures | 1,003 | 945 |
| Credit Valuation Adjustment RWA | 2,613 | 2,730 |
| Exposures to Central Counterparties RWA | 1,409 | 1,087 |
| RWA for Other Assets | 6,543 | 5,617 |
| Total Credit risk RWA | 47,484 | 44,134 |
| Market risk RWA | 5,164 | 4,536 |
| Operational risk RWA | 8,345 | 8,125 |
| Interest rate risk in the banking book RWA | - | - |
| APRA Scaling factor (6%) applied to IRB exposures | 1,634 | 1,578 |
| Total RWA | 62,627 | 58,373 |

¹ During the period, a portfolio of US Mortgages which is in run-down was reclassified from IRB (average risk weight 60%) to Standardised treatment (risk weight 100%).

² Specialised lending exposures subject to supervisory criteria are measured using APRA determined risk weightings.

3.0 Credit Risk Exposures

3.1 Macquarie's Credit Risk Exposures

Disclosures in this section have been prepared on a gross credit risk exposure basis. Gross credit risk exposure relates to the potential loss that Macquarie would incur as a result of a default by an obligor. The gross credit risk exposures are calculated as the amount outstanding on drawn facilities and the exposure at default on undrawn facilities. The exposure at default is calculated in a manner consistent with APRA ADI Prudential Standards.

Exposures have been based on a regulatory Level 2 group as defined in Section 1.1. The gross credit risk exposures in this section will differ from the disclosures in the Macquarie Bank Limited consolidated financial statements as gross credit risk exposures include off balance sheet exposures but exclude the exposures of subsidiaries which have been deconsolidated for APRA reporting purposes.

The exposures below also exclude the impact of:

- netting and credit risk mitigation;
- securitisation exposures;
- CVA;
- central counterparty exposures;
- trading book exposures; and
- equity exposures.

The table below sets out the total gross credit risk exposures per the above description for the MBL Group, classified by Basel III portfolio type and credit exposure type.

APS 330 Table 4(a)

| Portfolio Type | As At 30 June 2013 \$m | As At 31 March 2013 \$m | Average Exposures for the 3 months \$m |
|-----------------------------|---------------------------------|----------------------------------|--|
| Corporate ¹ | 27,440 | 26,797 | 27,119 |
| SME Corporate ² | 2,485 | 2,330 | 2,408 |
| Sovereign | 4,354 | 5,083 | 4,719 |
| Bank | 10,350 | 9,177 | 9,764 |
| Residential Mortgages | 19,873 | 17,538 | 18,706 |
| Other Retail | 9,274 | 9,370 | 9,322 |
| Other Assets ³ | 11,037 | 10,244 | 10,641 |
| Total Gross Credit Exposure | 84,813 | 80,539 | 82,679 |

¹ "Corporate" includes Specialised Lending exposure of \$5,148 million as at 30 June 2013 (31 March 2013: \$5,088 million).

² "SME Corporate" includes Specialised Lending exposure of \$405 million as at 30 June 2013 (31 March 2013: \$390 million). The major components of "Other Assets" are operating lease residuals, other debtors and unsettled trades.

3.0 Credit Risk Exposures

continued

APS 330 Table 4(a) (continued)

| Portfolio Type | As At 30 June 2013 \$m | As At 31 March 2013 \$m | Average Exposures for the 3 months \$m |
|----------------------------------|---------------------------------|----------------------------------|--|
| Subject to IRB approach | | | |
| Corporate | 26,259 | 25,783 | 26,021 |
| SME Corporate | 2,485 | 2,330 | 2,408 |
| Sovereign | 4,354 | 5,083 | 4,719 |
| Bank | 10,350 | 9,177 | 9,764 |
| Residential Mortgage | 10,714 | 10,315 | 10,515 |
| Other Retail | 7,367 | 7,085 | 7,226 |
| Total IRB approach | 61,529 | 59,773 | 60,653 |
| Subject to Standardised approach | | | |
| Corporate | 1,181 | 1,014 | 1,098 |
| Residential Mortgage | 9,159 | 7,223 | 8,191 |
| Other Retail | 1,907 | 2,285 | 2,096 |
| Total Standardised approach | 12,247 | 10,522 | 11,385 |
| Other Assets | 11,037 | 10,244 | 10,641 |
| Total Gross Credit Exposure | 84,813 | 80,539 | 82,679 |

1

APS 330 Table 4(a) (continued)

| | As At 30 June 2013 | | | Total \$m | Average Exposures for the 3 months \$m |
|---|----------------------------|------------------------------|--------------------------|---------------|--|
| | On Balance Sheet \$m | Non-market related \$m | Market related \$m | | |
| Subject to IRB approach | | | | | |
| Corporate | 12,906 | 1,885 | 6,320 | 21,111 | 20,903 |
| SME Corporate | 1,870 | 210 | - | 2,080 | 2,011 |
| Sovereign | 4,006 | 174 | 174 | 4,354 | 4,719 |
| Bank | 4,855 | 443 | 5,052 | 10,350 | 9,764 |
| Residential Mortgages | 10,533 | 181 | - | 10,718 | 10,515 |
| Other Retail | 7,367 | - | - | 7,367 | 7,226 |
| Total IRB approach | 41,537 | 2,893 | 11,546 | 55,976 | 55,138 |
| Specialised Lending | 4,928 | 453 | 172 | 5,553 | 5,515 |
| Subject to Standardised approach | | | | | |
| Corporate | 426 | 755 | - | 1,181 | 1,098 |
| Residential Mortgages | 9,135 | 24 | - | 9,159 | 8,191 |
| Other Retail | 1,907 | - | - | 1,907 | 2,096 |
| Total Standardised approach | 11,468 | 779 | - | 12,247 | 11,385 |
| Other Assets | 11,037 | - | - | 11,037 | 10,641 |
| Total Gross Credit Exposures | 68,970 | 4,125 | 11,718 | 84,813 | 82,679 |

3.0 Credit Risk Exposures

continued

APS 330 Table 4(a) (continued)

| | As At 31 March 2013 | | | Total \$m | Average Exposures for the 3 months \$m |
|---|----------------------------|------------------------------|--------------------------|---------------|--|
| | On Balance Sheet \$m | Non-market related \$m | Market related \$m | | |
| Subject to IRB approach | | | | | |
| Corporate | 12,878 | 1,703 | 6,114 | 20,695 | 21,011 |
| SME Corporate | 1,739 | 201 | - | 1,940 | 1,898 |
| Sovereign | 4,623 | 240 | 220 | 5,083 | 5,469 |
| Bank | 4,666 | 39 | 4,472 | 9,177 | 9,192 |
| Residential Mortgages | 10,104 | 211 | - | 10,315 | 9,910 |
| Other Retail | 7,085 | - | - | 7,085 | 6,960 |
| Total IRB approach | 41,095 | 2,394 | 10,806 | 54,295 | 54,440 |
| Specialised Lending | 4,388 | 633 | 457 | 5,478 | 5,384 |
| Subject to Standardised approach | | | | | |
| Corporate | 332 | 682 | - | 1,014 | 1,041 |
| Residential Mortgages | 7,223 | - | - | 7,223 | 7,382 |
| Other Retail | 2,282 | 3 | - | 2,285 | 2,317 |
| Total Standardised approach | 9,837 | 685 | - | 10,522 | 10,740 |
| Other Assets | 10,244 | - | - | 10,244 | 9,327 |
| Total Gross Credit Exposures | 65,564 | 3,712 | 11,263 | 80,539 | 79,891 |

4.0 Provisioning

The table below details Macquarie's impaired facilities, past due facilities and individually assessed provisions, presented in accordance with the definitions contained in Prudential Standard APS220 Credit Quality.

APS 330 Table 4(b)

| | As at 30 June 2013 | | | As at 31 March 2013 | | |
|----------------------------------|--|--|---|--|-----------------------------|---|
| | Impaired Facilities ¹ \$m | Past Due >90 days ² \$m | Individually Assessed Provisions \$m | Impaired Facilities ¹ \$m | Past Due >90 days \$m | Individually Assessed Provisions \$m |
| Subject to IRB approach | | | | | | |
| Corporate ³ | 577 | 156 | (264) | 551 | 40 | (255) |
| SME Corporate | 22 | 1 | (7) | 24 | 2 | (8) |
| Residential Mortgage | 138 | 63 | (8) | 164 | 80 | (20) |
| Other Retail | 16 | - | (7) | 13 | - | (6) |
| Total IRB approach | 753 | 220 | (286) | 752 | 122 | (289) |
| Subject to Standardised approach | | | | | | |
| Residential Mortgage | 39 | 30 | (13) | - | 25 | - |
| Other Retail | 41 | 2 | (12) | 45 | 1 | (15) |
| Total Standardised approach | 80 | 32 | (25) | 45 | 26 | (15) |
| Other Assets ⁴ | 260 | 1 | (6) | 225 | - | (1) |
| Total | 1,093 | 253 | (317) | 1,022 | 148 | (305) |

¹ In accordance with Attachment B (Paragraph 4) APS 330, the table above excludes securitisation exposures. As at 30 June 2013, Macquarie has impaired securitised facilities of \$6 million (31 March 2013: \$6 million) with individually assessed provisions of \$5 million (31 March 2013: \$5 million), and charges for individually assessed provisions of nil for the 3 months to 30 June 2013 (3 months to 31 March 2013: nil).

² In accordance with APRA prudential definition, past due facilities do not form part of impaired facilities as they are well secured.

³ IRB "Corporate" includes Specialised Lending.

⁴ Other Assets impaired facilities include real estate owned subsequent to facility foreclosure.

4.0 Provisioning

continued

APS 330 Table 4(b) (continued)

| | For the 3 months to 30 June 2013 | | For the 3 months to 31 March 2013 | |
|----------------------------------|--|-------------------|--|-------------------|
| | Charges for Individually Assessed Provisions \$m | Write-offs \$m | Charges for Individually Assessed Provisions \$m | Write-offs \$m |
| Subject to IRB approach | | | | |
| Corporate | (20) | (1) | (38) | (23) |
| SME Corporate | (1) | - | (1) | - |
| Other Retail | (1) | (11) | (1) | (10) |
| Total IRB approach | (22) | (12) | (40) | (33) |
| Subject to Standardised approach | | | | |
| Other Retail | (1) | (6) | (1) | (11) |
| Total Standardised approach | (1) | (6) | (1) | (11) |
| Other assets | (1) | - | - | - |
| Total | (24) | (18) | (41) | (44) |

APS 330 Table 4(c)

| | As At 30 June 2013 \$m | As At 31 March 2013 \$m |
|---|---------------------------------|----------------------------------|
| Collective provisions | 228 | 210 |
| Collective provisions treated as individually assessed provisions for regulatory purposes | (16) | (17) |
| Net collective provisions for regulatory purposes | 212 | 193 |
| Tax effect | (64) | (58) |
| General reserve for credit losses ¹ | 148 | 135 |

¹ The general reserve for credit losses is equivalent to the net collective provision for regulatory purposes.

5.0 Securitisation

5.1 Securitisation activity

Over the 3 months to 30 June 2013, Macquarie has undertaken the following securitisation activity. Macquarie may or may not retain an exposure to securitisation SPVs to which Macquarie has sold assets.

APS 330 Table 5(a)

| Exposure type | For the 3 months to 30 June 2013 | | Recognised gain or loss on sale \$m |
|---------------------------------------|--|-----------------------|--|
| | Value of loans sold or originated into securitisation | | |
| | ADI originated \$m | ADI as sponsor \$m | |
| Banking Book | | | |
| Residential Mortgage | 1,334 | - | - |
| Credit cards and other personal loans | - | - | - |
| Auto and equipment finance | 1,761 | - | - |
| Other | 259 | - | - |
| Total Banking Book | 3,354 | - | - |
| Trading Book | | | |
| Residential Mortgage | - | - | - |
| Credit cards and other personal loans | - | - | - |
| Auto and equipment finance | - | - | - |
| Other | - | - | - |
| Total Trading Book | - | - | - |

| Exposure type | For the 3 months to 31 March 2013 | | Recognised gain or loss on sale \$m |
|---------------------------------------|--|-----------------------|--|
| | Value of loans sold or originated into securitisation | | |
| | ADI originated \$m | ADI as sponsor \$m | |
| Banking Book | | | |
| Residential Mortgage | 1,501 | - | - |
| Credit cards and other personal loans | - | - | - |
| Auto and equipment finance | 757 | - | - |
| Other | - | - | - |
| Total Banking Book | 2,258 | - | - |
| Trading Book | | | |
| Residential Mortgage | - | - | - |
| Credit cards and other personal loans | - | - | - |
| Auto and equipment finance | - | - | - |
| Other | - | - | - |
| Total Trading Book | - | - | - |

5.0 Securitisation

continued

5.2 Securitisation activity

The table below sets out the on and off balance sheet securitisation exposures originated or purchased, broken down by exposure type.

APS 330 Table 5(b)

| Exposure type | As At 30 June 2013 | | |
|---------------------------------------|--|-----------------------------|---------------------------|
| | Total outstanding exposures securitised ¹ | | |
| | On balance sheet \$m | Off balance sheet \$m | Total exposures \$m |
| Banking Book | | | |
| Residential Mortgage | 12,344 | 478 | 12,822 |
| Credit cards and other personal loans | - | - | - |
| Auto and equipment finance | 6,226 | 1 | 6,227 |
| Other | 456 | 12 | 468 |
| Total Banking Book | 19,026 | 491 | 19,517 |
| Trading Book | | | |
| Residential Mortgage | - | 19 | 19 |
| Credit cards and other personal loans | - | - | - |
| Auto and equipment finance | - | - | - |
| Other | - | 8 | 8 |
| Total Trading Book | - | 27 | 27 |

¹ Included in the above are assets of \$7,809m in securitisation entities which Macquarie has made an APS 120 Attachment B paragraph 26 election to be included in the Bank Group.

| Exposure type | As At 31 March 2013 | | |
|---------------------------------------|--|-----------------------------|---------------------------|
| | Total outstanding exposures securitised ¹ | | |
| | On balance sheet \$m | Off balance sheet \$m | Total exposures \$m |
| Banking Book | | | |
| Residential Mortgage | 11,621 | 389 | 12,010 |
| Credit cards and other personal loans | - | - | - |
| Auto and equipment finance | 5,791 | - | 5,791 |
| Other | 333 | 49 | 382 |
| Total Banking Book | 17,745 | 438 | 18,183 |
| Trading Book | | | |
| Residential Mortgage | - | 14 | 14 |
| Credit cards and other personal loans | - | - | - |
| Auto and equipment finance | - | - | - |
| Other | - | 12 | 12 |
| Total Trading Book | - | 26 | 26 |

¹ Included in the above are assets of \$7,645m in securitisation entities which Macquarie has made an APS 120 Attachment B paragraph 26 election to be included in the Bank Group.

6.0 Disclaimer

General areas of disclaimer:

- The material in this document has been prepared by Macquarie Bank Limited ABN 46 008 583 542 (Macquarie) purely for the purpose of explaining the basis on which Macquarie has prepared and disclosed certain capital requirements and information about the management of risks relating to those requirements and for no other purpose. Information in this document, including any forward looking statements, should not be considered as advice or a recommendation or opinion on any of the Businesses. This document may contain forward looking statements including statements regarding our intent, belief or current expectations with respect to Macquarie's businesses and operations, market conditions, results of operation and financial conditions, capital adequacy, specific provisions and risk management practices. Readers are cautioned not to place undue reliance on these forward looking statements.
- Although Pillar 3 disclosures are intended to provide transparent capital disclosures on a common basis the information contained in this document may not be directly comparable with other banks. This may be due to a number of factors such as:
 - 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.

This page has been left blank intentionally.

Macquarie Bank Head Office

No.1 Martin Place
Sydney NSW 2000
Australia

Tel: +61 2 8232 3333

Registered Office

Macquarie Bank Limited
Level 3, 25 National Circuit
Forrest ACT 2603
Australia

Tel: +61 2 6225 3000

