Capital Management

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Macquarie Group Limited

Operational Briefing

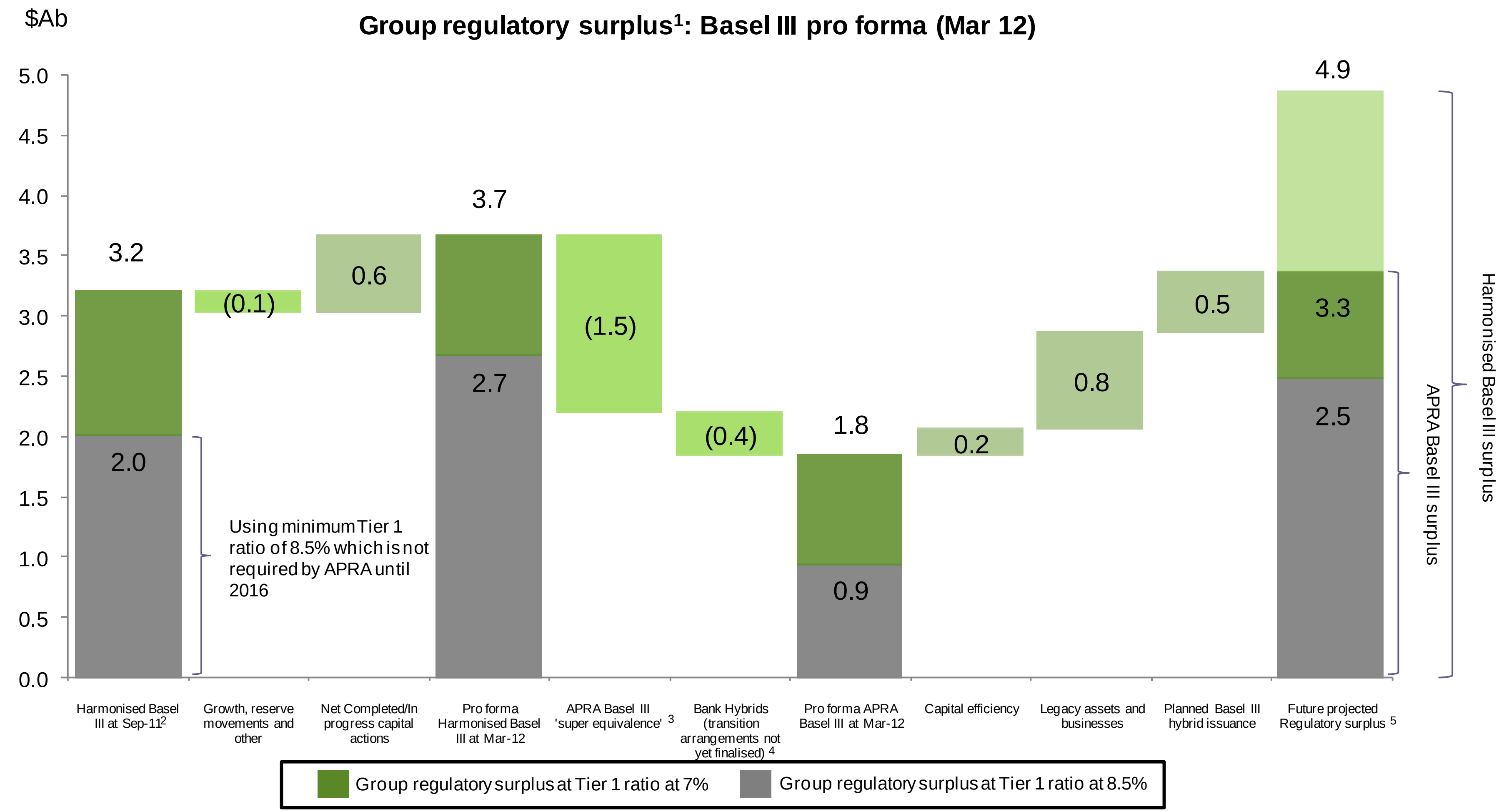
7 February 2012 – Presentation to Investors and Analysts

Capital update

- As advised in the 1H12 results presentation
  - Although APRA has not finalised its interpretation of the Basel III rules, it is our assessment that Macquarie Group has sufficient capital today to meet the Basel III capital rules as applied by APRA as at 1 Jan 13
  - It is our assessment Macquarie Group has sufficient Common Equity Tier 1 to cover the Capital Conservation Buffer of 2.5%
- Based on our projected pro-forma Group capital position as at 31 Mar 12
  - On a fully implemented Harmonised Basel III basis, our surplus capital is anticipated to be approx. $A3.7b measured at 7%[1] and $A2.7b measured at 8.5%[2] (APRA 2016 requirement) at 31 Mar 12
- After APRA 'super equivalence' and on a fully implemented Basel III basis, we expect our pro-forma Group capital surplus to be approx. $A0.9b[3] at 31 Mar 12. APRA has advised that meeting fully implemented Basel III requirements (not otherwise required until 2016) is a pre-requisite for buyback approval
- This surplus capital is expected to allow the commencement of the buyback of up to 10% of MGL ordinary shares, subject to regulatory approval
  - Buyback expected to commence in first half FY13 and to proceed concurrent with further capital actions

1. Pro-forma 31 Mar 12 surplus calculated using the Tier 1 capital ratio of 7% which is the 2013 requirement. 2. The Tier 1 capital ratio of 8.5% is not required by APRA until 2016 and includes the capital conservation buffer. Does not include future retained earnings or hybrid issuance. Capital requirements may vary with changes in market conditions. 3. Calculated using the Tier 1 capital ratio of 8.5%.

Basel III surplus to increase as a result of Capital Actions

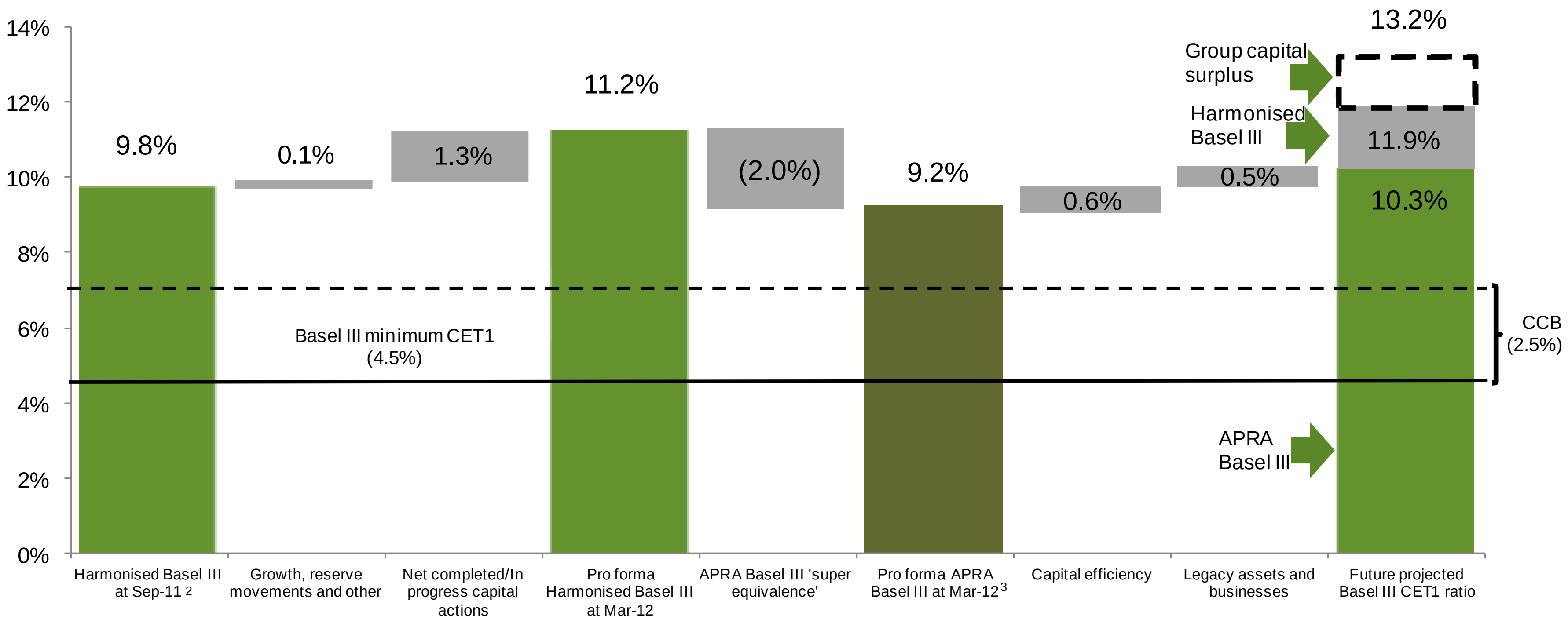


1. Group regulatory surplus is calculated (per the MGL NOHC authority) applying the internal minimum Tier 1 ratio of 7% in the banking group. Capital requirement may vary with changes in market conditions 2. 'Harmonised' Basel III estimates assume full alignment with BIS in areas where APRA differs from the BIS. 3. APRA Basel III 'super-equivalence' includes full CET1 deductions of equity investments (-$0.9b) ; deconsolidated subsidiaries (-$0.4b); DTA's and other impacts (-$0.2b). 4. Ineligible under APRA discussion paper; matter still to be finalised with APRA. 5. Based on expected Mar 12 numbers

Pro-forma Basel III CET1 Ratio

Strong Banking Group Harmonised Basel III capital ratios[1] - Common Equity Tier 1: 11.2%; Tier 1: 11.8%

MBL Common Equity Tier 1 (CET1) ratio: Basel III pro-forma (Mar 12)



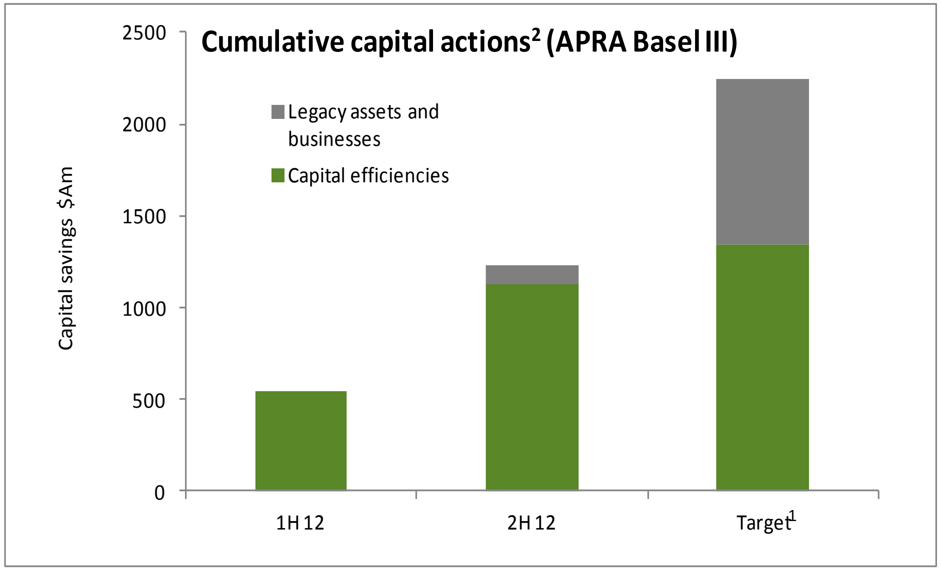
- Basel III applies only to Macquarie Bank Limited and not the Non-Bank Group

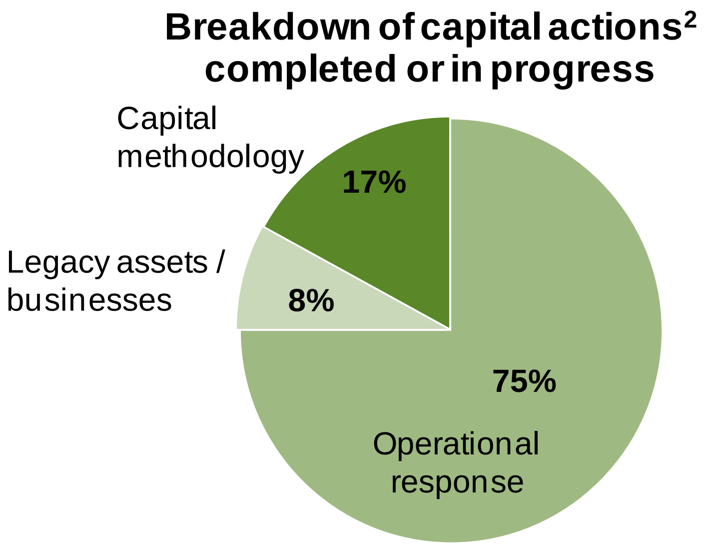
1. Capital requirement may vary with changes in market conditions. 2. 'Harmonised' Basel III estimates assume full alignment with BIS in areas where APRA differs from the BIS. 3. APRA Basel III 'super-equivalence' includes full CET1 deductions of equity investments (-1.2%); deconsolidated subsidiaries (-0.5%); DTA's and other impacts (-0.3%).

Update on Capital Actions

Areas of focus

- **Basel III capital:** Ongoing review of each Operating Group to quantify the impact of Basel III on capital requirements
- **Capital charging:** Placing a price on capital used by Operating Groups
- **Business returns:** All transactions now evaluated on the basis of fully implemented Basel III
- **Operational response**: All businesses now operating cognisant of Basel III





1. Equates to the $A0.8b of capital efficiencies and $0.9b of legacy assets and businesses on Slide 43 of the 1H12 Results Presentation, plus the $A0.5b capital savings on an APRA Basel III basis achieved 1H12. 2. Includes capital actions either completed or that are expected to complete prior to Mar 12 and included in the Mar 12 pro-forma capital estimate.

Examples of capital actions[1]

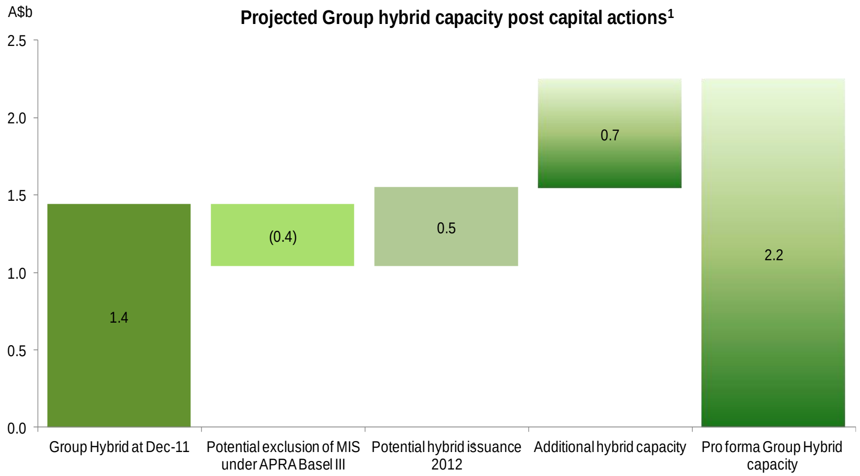
Macquarie Funds	▪ Return of excess capital currently held in fund management subsidiaries where currently over capitalised ▪ Netting of cash collateral to reduce exposures in respect of retail structured investment products
Corporate and Asset Finance	▪ Exit aircraft engine leasing business
Banking and Financial Services	▪ Move from Standardised to IRB treatment for Relationship Banking portfolio, consistent with the treatment of other credit books in Macquarie ▪ Strategic partnership with Julius Baer in relation to Asian Private Wealth business resulting in reduced balance sheet usage
Macquarie Securities	▪ Exit underperforming derivatives businesses including institutional derivatives, Asian Exotics and European index synthetics
Macquarie Capital	▪ Although not directly impacted by Basel III (business does not operate in MBL), review of capital usage continuing to provide additional capital surplus at the MGL level
Fixed Income, Currencies and Commodities	▪ Reduce holdings of securitised assets that attract penal capital treatments under Basel III ▪ OTC derivatives will be increasingly centrally cleared as regulatory reforms are implemented ▪ Update systems to enable improved precision in capital calculations

1. Includes examples that are completed / in progress and that are included in the Mar 12 Harmonised Basel III pro-forma as well as those in progress and potential actions that are expected to be completed after Mar 12.

Update on Hybrid issuance

$A2.2b of hybrid capacity at the Group level post Capital Actions

- Macquarie plans to undertake hybrid capital issuance in order to
  - Improve capital structure efficiency under Basel III whilst maintaining high levels of Core Equity
  - Replace hybrid instruments which no longer qualify under Basel III rules
  - Better match capital and funding requirements for offshore activities (foreign currency denominated)
- Current status of hybrid issuance
  - Market conditions improving
  - However, awaiting APRA's final rules on some aspects of Basel III hybrid requirements
- Subject to APRA approval and market conditions, targeting issuance as soon as practical



1. Group hybrid capacity is required under the APRA NOHC authority to be no more than 25% of the MGL minimum capital requirement.

Regulatory Update

- Basel III Capital
  - APRA provided a draft interpretation of Basel III rules in Sep 11
  - Written submission provided to APRA in Dec 11 commenting on draft rules
  - Although draft, based on discussion with APRA there is now a high degree of clarity on how the rules will apply to Australian banks – however, there are some areas where APRA has advised that further clarification will be provided in early 2012 including
    - Risk coverage changes, including CVA
    - Rules relating to hybrid capital instruments
  - Expecting finalisation of the rules and draft Basel III capital standards to be issued in early 2012
- Liquidity
  - APRA published Basel III Liquidity discussion paper and draft prudential standard in Nov 11
  - Submissions relating to these are due to APRA by mid-Feb 12
  - Final liquidity standard (APS 210) to be issued in mid-2012

Liquidity ratios

Basel III requirements	▪ APRA released discussion paper and draft liquidity standard in Nov 11 ▪ Proposals are broadly consistent with the Basel III rules text ▪ RBA released details of the Committed Liquidity Facility (CLF) ▪ Macquarie expects to meet both LCR and NSFR ratios
LCR **(Liquidity Coverage Ratio)**	▪ 30 day stress scenario ▪ Australian banks require the RBA CLF to meet the LCR requirements ▪ Banks will be charged 15 bps fee on the CLF ▪ Size of facility will be agreed on a bilateral basis with APRA ▪ LCR implemented as a minimum requirement in 2015
NSFR **(Net Stable Funding Ratio)**	▪ 12 month structural funding metric ▪ APRA has introduced a new category for assets used as collateral under the CLF in the LCR (10% RSF factor - excluding self-securitisations) ▪ NSFR implemented as a minimum requirement in 2018