

## **PRO FORMA FINANCIAL INFORMATION SUPPLEMENT**

This document contains the unaudited pro forma condensed consolidated income statements for the year ended 31 March 2018 and the six month period ended 30 September 2018 as well as the unaudited condensed consolidated statement of financial position as at 30 September 2018 to illustrate the impact on Macquarie Bank Limited (“MBL”) and its subsidiaries (collectively, “Consolidated Entity”) of the sale of Corporate & Asset Finance’s (“CAF”) Principal Finance and Transportation Finance businesses (each a “Business” and together the “Businesses”) by the Consolidated Entity to Macquarie Financial Holdings Pty Limited (“MFHPL”) and its subsidiaries (collectively “Non-Bank Group”) for a fair value consideration of A\$7.4 billion. The fair value consideration is expected to be applied predominately by MBL against the payment of dividends of A\$0.3 billion, returning capital of up to A\$2.0 billion to Macquarie B.H. Pty Limited (“MBHPL”), MBL’s intermediate holding company, and the settlement of certain deposit balances that it has with MFHPL. Both MBHPL and MFHPL are wholly owned subsidiaries of Macquarie Group Limited (“MGL”).

On 2 November 2018, MGL, MBL, MFHPL, and MBHPL executed Restructure Deeds to transfer the Businesses with an effective date of 10 December 2018 (the “Effective Date”).

The sale is intended to simplify the Consolidated Entity’s structure by better reflecting the latest activities of individual parts of the Businesses.

CAF’s Principal Finance provides flexible primary financing solutions and engages in secondary market investing across the capital structure. CAF’s Transportation Finance involves the financing of aircraft, rotorcraft and rail assets. Both Businesses are reported as part of the CAF operating segment within the Consolidated Entity’s financial statements.

The following unaudited pro forma condensed consolidated statement of financial position gives effect to the sale of the Businesses as if it had occurred on 30 September 2018. The unaudited pro forma condensed consolidated income statement of MBL for the year ended 31 March 2018 and the six month period ended 30 September 2018 give effect to the sale of the Businesses as if it had occurred on 1 April 2017. The following unaudited pro forma condensed consolidated financial statements have been derived as follows:

- The “MBL” column is derived, without adjustment and should be read in conjunction with, the MBL consolidated financial statements as at 31 March 2018 and 30 September 2018 for the year and half year then ended respectively,
- The “Pro forma adjustments” column in the unaudited pro forma condensed consolidated statement of financial position represents the adjustments for the sale of the Businesses from the Consolidated Entity in exchange for the transfer consideration of A\$7.4 billion and is derived from internal management financial information reported for the CAF operating segment together with certain centrally managed corporate assets and liabilities, which are included in the Corporate segment, and are prepared in a manner consistent with the MBL consolidated financial statements as at 30 September 2018,
- The “Pro forma adjustments” column in the unaudited pro forma income statement represents the adjustments for the sale of the Businesses from the Consolidated Entity in exchange for the transfer consideration and is derived from internal management financial information reported for the CAF operating segment together with directly attributable revenue and expense items which are included in the Corporate segment, and are prepared in a manner consistent with the MBL consolidated financial statements for the year ended 31 March 2018 and for the six month period ended 30 September 2018,
- The “Pro forma as adjusted” column represents the estimate of the assets and liabilities in the Consolidated Entity as at 30 September 2018 and the income and expense retained in the Consolidated Entity for the year ended 31 March 2018 and for the six month period ended 30 September 2018. .

As of the date hereof, MBL has not finalised the detailed valuation necessary to determine the fair value of the assets and liabilities of the Businesses. The final transfer consideration and divested assets and liabilities will

only be determined after the Effective Date and will be subject to changes based on the Businesses position and exchange rates at the Effective Date. Consequently, these adjustments reflect managements preliminary estimates of fair value necessary to prepare the unaudited pro forma condensed consolidated financial statements and are based on information available as of the date hereof. These estimates will be finalised based on valuation and other analyses to be completed. The actual adjustments may differ as additional information becomes available and additional analysis is performed by management. Accordingly, the estimates of the transfers and related impacts on the unaudited pro forma condensed consolidated financial statements are preliminary and are subject to revision, which may be material, after the Effective Date.

These unaudited pro forma condensed consolidated financial statements are for illustrative informational purposes only and is not necessarily indicative of the results of operations or financial position that would have been achieved had the sale of the Businesses actually taken place at the dates indicated and does not purport to be indicative of the future financial position or operating results. Actual adjustments may accordingly differ from the pro forma adjustments.

Future operating results may differ materially from the unaudited pro forma condensed consolidated financial statements presented below due to various factors including those described above and elsewhere in the documents incorporated by reference into the offering memorandum, dated 28 November 2018.

The unaudited pro forma condensed consolidated income statement does not give effect to gains and losses directly attributable to the sale of the Businesses including any gain or loss or impact of changes in reserves. In addition, the unaudited pro forma condensed consolidated financial statements do not give effect to potential post sale adjustments.

The published MBL consolidated financial statements as at 31 March 2018 and 30 September 2018 and for the year and half year then ended are prepared in accordance with Australian Accounting Standards.

The unaudited pro forma condensed consolidated financial statements should be read in conjunction with MBL's consolidated financial statements as at 31 March 2018 and 30 September 2018 and for the year and half year then ended and related notes thereto.

## Pro forma condensed consolidated statement of financial position as at 30 September 2018

(A\$ m)

Statement of financial position of MBL as at 30 September 2018	Ref	MBL as reported	Adjustments for the transfer of the businesses	MBL excluding the businesses
<b>Assets</b>				
Receivables from financial institutions	1	34,941	(314)	34,627
Trading assets		19,514	-	19,514
Derivative assets		17,901	-	17,901
Other assets	1	18,486	(641)	17,845
Financial Investments		5,160	-	5,160
Loan assets	1	75,365	(4,073)	71,292
Due from related body corporate entities		1,414	-	1,414
Property, plant and equipment	1	10,917	(8,398)	2,519
Interests in associates and joint ventures	1	752	(362)	390
Intangible assets		198	-	198
Deferred tax assets	1	231	165	396
<b>Total assets</b>		<b>184,879</b>	<b>(13,623)</b>	<b>171,256</b>
<b>Liabilities</b>				
Trading liabilities		7,019	-	7,019
Derivative liabilities	1	18,046	(10)	18,036
Deposits	1	52,576	(187)	52,389
Other liabilities	1	23,699	(1,137)	22,562
Payables to financial institutions	1	13,688	(5,089)	8,599
Due to related body corporate entities	2	15,243	(4,831)	10,412
Debt issued	1	36,703	(42)	36,661
Deferred tax liabilities	1	492	(287)	205
<b>Total liabilities excluding loan capital</b>		<b>167,466</b>	<b>(11,583)</b>	<b>155,883</b>
Loan capital		4,366	-	4,366
<b>Total liabilities</b>		<b>171,832</b>	<b>(11,583)</b>	<b>160,249</b>
<b>Net assets</b>		<b>13,047</b>	<b>(2,040)</b>	<b>11,007</b>
<b>Equity</b>				
Contributed equity	3	9,937	(2,040)	7,897
Retained earnings and other reserves	4	3,102	-	3,102
<b>Total capital and reserves attributable to equity holders of Macquarie Bank Limited</b>		<b>13,039</b>	<b>(2,040)</b>	<b>10,999</b>
Non-controlling interests		8	-	8
<b>Total equity</b>		<b>13,047</b>	<b>(2,040)</b>	<b>11,007</b>

- (1) Relates to the exclusion of the assets and liabilities relating to the Businesses as at 30 September 2018.
- (2) The change in the 'Due to body corporate entities' relates to the change in deposit-related balances that are required in order to effect the sale of the Businesses and includes the receipt of a A\$7.4 billion fair value consideration for the Businesses net of a placement of a A\$2.3 billion deposit from MFHPL.
- (3) Following the disposal of the Businesses, the Consolidated Entity will return capital to MBHPL.
- (4) Includes A\$0.3 billion gain on sale less A\$0.3 billion subsequent dividend payment to the ordinary shareholders. Following the sale of the Businesses, and subsequent related dividend, no change to 'Retained earnings and other reserves' is expected.

### Pro forma condensed consolidated income statement for the six month period ended 30 September 2018

(A\$ m)	Ref	MBL	Pro Forma Adjustments	Pro Forma as Adjusted
Net interest income	1	1,084	(86)	998
Fee and Commission income	1	573	0	573
Net Trading income	1	1,143	(1)	1,142
Net operating lease income	1	460	(328)	132
Share of net profits of associates and joint ventures	1	11	(2)	9
Other operating income and charges	1	(29)	48	19
<b>Net operating income</b>		<b>3,242</b>	<b>(369)</b>	<b>2,873</b>
Employment expenses	1	(766)	87	(679)
Brokerage, commission and trading-related expenses	1	(392)	1	(391)
Occupancy expenses	1	(58)	6	(52)
Non-salary technology expenses	1	(83)	2	(81)
Other operating expenses	1	(877)	54	(823)
<b>Total operating expenses</b>		<b>(2,176)</b>	<b>150</b>	<b>(2,026)</b>
Operating profit before income tax	1	1,066	(219)	847
Income tax expense	1, 2	(320)	70	(250)
<b>Profit after income tax</b>		<b>746</b>	<b>(149)</b>	<b>597</b>
(Profit)/loss attributable to non-controlling interests	1	(4)	1	(3)
<b>Profit attributable to equity holders of Macquarie Bank Limited</b>		<b>742</b>	<b>(148)</b>	<b>594</b>
Distributions paid or provided for on Macquarie Income Securities	1	(7)	0	(7)
<b>Profit attributable to the ordinary equity holder of Macquarie Bank Limited</b>		<b>735</b>	<b>(148)</b>	<b>587</b>

- (1) Relates to the exclusion of income and expenses relating to the Businesses as at 30 September 2018
- (2) 'Income tax Expense' for the transferring Businesses is calculated as the tax payable on the current period's taxable income adjusted for changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements and unused tax losses. The effective tax rate of the pro forma adjustments for the six month period ended 30 September 2018 is 32.1%.

### Pro forma condensed consolidated income statement for the year ended 31 March 2018

(A\$ m)	Ref	MBL	Pro Forma Adjustments	Pro Forma as Adjusted
Net interest income	1	2,018	(424)	1,594
Fee and Commission income	1	890	(1)	889
Net Trading income	1	1,881	42	1,923
Net operating lease income	1	937	(694)	243
Share of net profits of associates and joint ventures	1	22	3	25
Other operating income and charges	1	415	(82)	333
<b>Net operating income</b>		<b>6,163</b>	<b>(1,156)</b>	<b>5,007</b>
Employment expenses	1	(1,487)	202	(1,285)
Brokerage, commission and trading-related expenses	1	(619)	3	(616)
Occupancy expenses	1	(124)	14	(110)
Non-salary technology expenses	1	(133)	5	(128)
Other operating expenses	1	(1,647)	148	(1,499)
<b>Total operating expenses</b>		<b>(4,010)</b>	<b>372</b>	<b>(3,638)</b>
Operating profit before income tax	1	2,153	(784)	1,369
Income tax expense	1, 2	(570)	219	(351)
<b>Profit after income tax</b>		<b>1,583</b>	<b>(565)</b>	<b>1,018</b>
(Profit)/loss attributable to non-controlling interests	1	(1)	4	3
<b>Profit attributable to equity holders of Macquarie Bank Limited</b>		<b>1,582</b>	<b>(561)</b>	<b>1,021</b>
Distributions paid or provided for on Macquarie Income Securities	1	(14)	0	(14)
<b>Profit attributable to ordinary equity holders of Macquarie Bank Limited</b>		<b>1,568</b>	<b>(561)</b>	<b>1,007</b>

- (1) Relates to the exclusion of income and expenses relating to the Businesses as at 31 March 2018
- (2) 'Income tax Expense' for the transferring Businesses is calculated as the tax payable on the current year's taxable income adjusted for changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements and unused tax losses. The effective tax rate of the pro forma adjustments for the year ended 31 March 2018 is 28.1%.

## **Notes to the Pro forma Condensed Consolidated Financial Statements**

### **Basis of preparation**

The following assumptions have been applied in the preparation of the unaudited pro forma condensed consolidated financial statements:

- i) The unaudited pro forma condensed consolidated statement of financial position at 30 September 2018 presented show the effect of the sale of the Businesses as if it had occurred on 30 September 2018
- ii) The unaudited pro forma condensed consolidated income statements of MBL for the year ended 31 March 2018 and the six month period ended 30 September 2018, presented show the effect of the sale of the Businesses as if it had occurred on 1 April 2017.

The unaudited pro forma condensed consolidated financial statements have been prepared based on certain estimates and assumptions. Such financial statements are unaudited and are for illustrative purposes only. They do not represent what the Consolidated Entity's statement financial position or income statement would have been if the sale had in fact occurred on the dates mentioned above. Consequently, investors are cautioned not to place undue reliance on the unaudited pro forma condensed consolidated financial statements.

As of the date hereof, MBL has not finalised the detailed valuation necessary to determine the fair value of the assets and liabilities of the Businesses. The final transfer consideration and transferred assets will only be determined after the Effective Date. Consequently, these adjustments reflect management's preliminary estimates of fair value necessary to prepare the unaudited pro forma condensed consolidated financial statements and are based on the information available at this time.

These unaudited pro forma condensed consolidated financial statements may contain forward-looking statements. Forward-looking statements are statements that are not historical facts, including statements about management's beliefs and expectations. Any statement in these unaudited pro forma condensed consolidated financial statements that expresses or implies management's intentions, beliefs, expectations or predictions (and the assumptions underlying them) is a forward-looking statement. These statements are based on plans, estimates and projections, as they are currently available to the management of MBL. Forward-looking statements therefore speak only as of the date they are made, and the Consolidated Entity takes no obligation to update publicly any of them in light of new information or future events.

Forward-looking statements involve inherent risks and uncertainties. A number of important factors could therefore cause actual future results to differ materially from those expressed or implied in any forward-looking statement.

Forward-looking statements contained in these unaudited pro forma condensed consolidated financial statements are made as of the date hereof, and the Consolidated Entity assumes no obligation to update any of the forward-looking statements contained in this announcement.