



Macquarie Group Capital Notes 2

**Prospectus for the issue of
Macquarie Group Capital Notes 2
(MCN2) to raise \$500m with the
ability to raise more or less.**

Issuer

Macquarie Group Limited
ABN 94 122 169 279

Arranger and Joint Lead Manager

Macquarie Capital (Australia) Limited

Joint Lead Managers

ANZ Securities Limited
Commonwealth Bank of Australia
Evans and Partners Pty Limited
J.P. Morgan Australia Limited
Macquarie Capital (Australia) Limited
Morgans Financial Limited
National Australia Bank Limited
Westpac Institutional Bank

Co-Managers

Bell Potter Securities Limited
JBWere Limited
Macquarie Equities Limited
Ord Minnett Limited

IMPORTANT NOTICES

Prospectus

This Prospectus relates to the offer by Macquarie Group Limited ABN 94 122 169 279 ("MGL") of Macquarie Group Capital Notes 2 ("MCN2") to raise \$500 million with the ability to raise more or less (the "Offer").

This Prospectus is dated 1 December 2015 and a copy was lodged with the Australian Securities and Investments Commission ("ASIC") on this date in accordance with the Corporations Act 2001 (Cth) ("Corporations Act"). This is a replacement prospectus which replaces the Prospectus dated and lodged with ASIC on 23 November 2015 ("Original Prospectus"). This Prospectus expires 13 months after this date and no MCN2 will be issued on the basis of this Prospectus after that expiry date.

Neither ASIC nor ASX Limited ("ASX") take any responsibility for the contents of this Prospectus or for the merits of investing in MCN2.

Documents relevant to the Offer

In addition to this Prospectus, the following documents are relevant to the Offer and can be obtained from www.MacquarieCN2Offer.com.au:

- the MCN2 Terms (see Appendix A to this Prospectus);
- the Trust Deed (see section 6.1); and
- the MGL Constitution.

Status of MCN2

MCN2 are fully paid, unsecured, subordinated, non-cumulative, mandatorily convertible notes.

MCN2 are not deposit liabilities and are not protected accounts of Macquarie Bank Limited ABN 46 008 583 542 ("MBL") under the Banking Act 1959 (Cth) ("Banking Act") and are not guaranteed or insured by any government, government agency or compensation scheme of Australia or any other jurisdiction. MGL is not an authorised deposit-taking institution for the purposes of the Banking Act and its obligations do not represent deposits or other liabilities of MBL. The investment performance of MCN2 is not guaranteed by MGL, MBL or any other member of the Macquarie Group.

Claims in respect of MCN2 are subordinated in a winding up of MGL so as to rank after all creditors, equally with the holders of certain preference shares and other equal ranking instruments and ahead only of holders of Ordinary Shares. Further, if MGL is in financial difficulty some or all MCN2 may be required to be Exchanged into Ordinary Shares or Written-Off. If Exchange occurs, you would be in the position of a holder of Ordinary Shares and those shares may be worth significantly less than your investment in MCN2. If an MCN2 is Written-Off you lose all of your investment in the MCN2.

MCN2 are unsecured notes for the purposes of section 283BH of the Corporations Act.

MCN2 are issued by MGL under the MCN2 Terms and the Trust Deed and holders of MCN2 have no claim on MGL except as provided in the MCN2 Terms and the Trust Deed.

Key Risks

Investments in securities such as MCN2 are subject to risks which could affect their performance, including loss of investment and income. The market price of MCN2 or any particular rate of return is not guaranteed by MGL or any other member of the Macquarie Group. Information about the key risks of investing in MCN2 is detailed in section 4.

No representations other than in this Prospectus

No person is authorised to provide any information or to make any representation in connection with the Offer that is not contained in this Prospectus. Any information or representation not contained in this Prospectus may not be relied upon as having been authorised by MGL.

Past performance information

The financial information provided in this Prospectus is for information purposes only and is not a forecast of performance to be expected in future periods. Past performance and trends should not be relied upon as being indicative of future performance and trends.

Financial statements and forward looking information

Section 3.7 sets out financial information in relation to MGL. The basis of preparation of that information is set out in section 3.7. All financial amounts contained in this Prospectus are expressed in Australian dollars and rounded to the nearest million unless otherwise stated. Any discrepancies between totals and sums of components in tables contained in this Prospectus are due to rounding.

This Prospectus contains forward-looking statements which are identified by words such as "may", "could", "believes", "estimates", "expects", "intends" and other similar words that involve risks and uncertainties.

Any forward-looking statements are subject to various risk factors that could cause actual circumstances or outcomes to differ materially from the circumstances or outcomes expressed, implied or anticipated in these statements. Forward-looking statements should be read in conjunction with the risk factors as set out in section 4 and other information in this Prospectus.

No personal investment advice

The information provided in this Prospectus is not personal investment advice and has been prepared without taking into account your investment objectives, financial situation or particular needs (including financial and taxation issues). It is important that you read this Prospectus in full before deciding to

invest in MCN2 and consider the risks that could affect the performance of MCN2. See in particular the risks set out in section 4.

About the Trustee

The Trustee has not authorised or caused the issue of this Prospectus and has not been involved in the preparation of any part of this Prospectus.

The Trustee has not made any statement or purported to make any statement in this Prospectus or any statement on which a statement in this Prospectus is based, other than as specified in this Prospectus.

Applications and obtaining a Prospectus

For Applications for MCN2 pursuant to the Securityholder Offer, paper copies of this Prospectus and an Application Form can be obtained free of charge by calling the MCN2 Offer Information Line on 1300 306 413 (within Australia) or on +61 1300 306 413 (International) (Monday to Friday 8.30am – 5.30pm, Sydney time) during the Offer Period. You must contact your Syndicate Broker for information on how to apply through the Broker Firm Offer.

This Prospectus can also be obtained electronically from www.MacquarieCN2Offer.com.au. If you access an electronic copy of this Prospectus, the following conditions apply:

- the Prospectus is only available to residents of Australia accessing and downloading, or printing, the electronic Prospectus in Australia;
- you must access and download the electronic Prospectus in full; and
- your Application will only be valid where you have completed an Application Form that was attached to, or accompanied, the electronic Prospectus. You may also apply by completing the online Application Form available at www.MacquarieCN2Offer.com.au. By lodging an Application, you declare that you were given access to the electronic Prospectus together with the Application Form.

You cannot withdraw your Application once it has been lodged, except as permitted under the Corporations Act.

Restrictions on foreign jurisdictions

The distribution of this Prospectus and the offer or sale of MCN2 may be restricted by law in certain jurisdictions. This Prospectus does not constitute an offer in any place in which, or to any person to whom, it would not be lawful to make such an offer.

Persons who receive this Prospectus outside Australia must inform themselves about and observe all such restrictions. Nothing in this Prospectus is to be construed as authorising its distribution or the offer or sale of MCN2 in any jurisdiction other than Australia and MGL does not accept any liability in that regard.

Furthermore, MCN2 may not be offered or sold, directly or indirectly, and neither this Prospectus nor any other offering material may be distributed or published, in any jurisdiction except under circumstances that will result in compliance with any applicable laws or regulations.

Restrictions applying to US Persons are outlined in section 6.9. In particular, MCN2 have not been and will not be registered under the US Securities Act of 1933, as amended ("US Securities Act") or the securities laws of any state or other jurisdiction of the United States and may not be offered, sold or resold in the United States or to, or for the benefit of, any "US Person" (as defined in Regulation S under the US Securities Act) except pursuant to an exemption from the registration requirements of the US Securities Act. Neither this Prospectus nor any Application Form or other materials relating to the Offer may be distributed in the United States.

Defined words and expressions

Some words and expressions used in this Prospectus have defined meanings. These words and expressions are capitalised and are defined in Appendix B "Glossary". A reference to a "clause" in this Prospectus is a reference to the corresponding clause in the MCN2 Terms unless otherwise stated.

A reference to "dollar" or "\$" in this Prospectus is a reference to Australian currency. A reference to time in this Prospectus is a reference to Sydney, New South Wales, Australia time unless otherwise stated.

The Macquarie name and the Holey Dollar device are registered trade marks of MGL.

Providing personal information

You will be asked to provide personal information to MGL (directly or via its agents) if you apply for MCN2. Please read the privacy statement located at section 7.5 of the Prospectus. By submitting an Application Form, you consent to the matters outlined in that statement.

Enquiries

If you have any questions about MCN2 or the Offer, you should seek advice from your financial adviser or other professional adviser. You can also call the MCN2 Offer Information Line on 1300 306 413 (within Australia) or on +61 1300 306 413 (International) (Monday to Friday 8.30am – 5.30pm, Sydney time) during the Offer Period. Applicants in the Broker Firm Offer may also call their Syndicate Broker.

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ASIC guidance for retail investors

MCN2 are a complex investment and may be difficult to understand, even for experienced investors. You should ensure that you understand the MCN2 Terms and risks of investing in MCN2 and consider whether it is an appropriate investment for your particular circumstances.

ASIC has published guidance which may be relevant to your consideration of whether to invest in MCN2 – namely, information for retail investors who are considering investing in hybrid securities. You can find this guidance by searching “hybrid securities” at www.moneysmart.gov.au/investing. ASIC’s guidance includes a series of questions you may wish to ask yourself, and a short quiz you can complete, to check your understanding of how hybrids work, their features and the risks of investing in them.

How to apply for MCN2

1. Read the Prospectus

If you are considering applying for MCN2 under the Offer, this Prospectus is important and should be read in its entirety before making an Application. You should carefully consider the risks and other information regarding an investment in MCN2 and MGL in light of your investment objectives, financial situation and particular needs (including financial and taxation issues).

2. Speak to your professional adviser

If you do not understand any part of this Prospectus, or are in any doubt as to whether to invest in MCN2 or not, it is recommended that you seek guidance from your financial adviser or other professional adviser before deciding whether to invest. You can also call the MCN2 Offer Information Line on 1300 306 413 (within Australia) or on +61 1300 306 413 (International) (Monday to Friday 8.30am – 5.30pm, Sydney time).

3. Determine if you are eligible to participate in the Offer

The Offer is being made to:

- Australian resident retail and high net worth clients of Syndicate Brokers who are invited to apply under the Broker Firm Offer; and
- Eligible Securityholders who may apply under the Securityholder Offer.

There is no general offer of MCN2 to the public.

MCN2 may also be offered (as part of any Offer category) in certain permitted jurisdictions outside Australia where such Offer is made, and accepted, in accordance with the laws of such jurisdictions.

4. Complete and submit an Application Form

If you wish to apply for MCN2 pursuant to the Securityholder Offer you must complete and submit an Application Form. You must contact your Syndicate Broker for information on how to apply through the Broker Firm Offer. You are encouraged to submit your Application as soon as possible after the Opening Date. Your Application must be for a minimum of 50 MCN2 (i.e. \$5,000).

The Application process varies depending on whether you participate in the Broker Firm Offer or Securityholder Offer.

- If you wish to participate under the **Broker Firm Offer** you must contact your Syndicate Broker for instructions as to how to apply. The closing date for the Broker Firm Offer is expected to be 5.00pm (Sydney time) on 17 December 2015, however your Application and Application Payment must be received by your Syndicate Broker in accordance with arrangements made between you and your Syndicate Broker.
- If you wish to participate under the **Securityholder Offer** you must complete an electronic or paper copy of the Application Form and pay the Application Payment either electronically (if you are applying online) by BPAY® or by cheque or money order (if you are applying via a paper Application Form). Your Application and Application Payment must be received by the Registrar by the Closing Date for the Securityholder Offer which is expected to be 5.00pm (Sydney time) on 15 December 2015. Please see section 7 of this Prospectus and the online Application Form at www.MacquarieCN2Offer.com.au for complete information on the Application process.

Key dates

KEY DATES FOR THE OFFER	DATE
Record date for determining Eligible Securityholders	7.00pm (Sydney time) 20 November 2015
Lodgement of the Original Prospectus with ASIC	23 November 2015
Bookbuild period	26 November 2015
Announcement of the Margin	26 November 2015
Lodgement of this Prospectus with ASIC	1 December 2015
Opening Date	1 December 2015
Closing Date for the Securityholder Offer	5.00pm (Sydney time) 15 December 2015
Closing Date for the Broker Firm Offer	5.00pm (Sydney time) 17 December 2015
Issue Date	18 December 2015
MCN2 commence trading on ASX on a deferred settlement basis	21 December 2015
Holding Statements despatched by	22 December 2015
MCN2 commence trading on ASX on a normal settlement basis	23 December 2015
KEY DATES FOR MCN2	DATE
First Distribution Payment Date ¹	17 March 2016
Scheduled Optional Exchange Dates	17 March 2021, 17 September 2021 and 17 March 2022
Scheduled Mandatory Exchange Date	18 March 2024*

* Due to the Business Day convention, the Scheduled Mandatory Exchange Date is deferred from 17 March 2024 to 18 March 2024.

DATES MAY CHANGE

These dates are indicative only and may change without notice.

MGL with the prior consent of the Joint Lead Managers may vary the timetable, including by extending any Closing Date, closing the Offer early without notice or accepting late Applications (whether generally or in particular cases) or withdrawing the Offer at any time before MCN2 are issued, in its discretion. You are encouraged to apply as soon as possible after the Opening Date and make payments promptly.

1. Subject to Payment Conditions including MGL's absolute discretion to determine whether or not to pay Distributions.

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Investment overview

This section provides a summary of information that is key to a decision whether to invest in MCN2.

1. Investment overview

Topic	Summary	Further Information
1.1. Key features of the Offer		
1.1.1. Issuer	<ul style="list-style-type: none"> Macquarie Group Limited, a public company incorporated with limited liability in Australia (ABN 94 122 169 279) (“MGL”) 	Section 3
1.1.2. Offer Size	<ul style="list-style-type: none"> \$500 million, with the ability to raise more or less. 	
1.1.3. Type of security	<ul style="list-style-type: none"> MCN2 are: <ul style="list-style-type: none"> fully-paid – the Issue Price (\$100 per MCN2) must be paid to MGL before the MCN2 are issued; subordinated – MCN2 are subordinated to claims of Senior Creditors in a Winding Up of MGL. They rank equally with Equal Ranking Obligations and rank ahead of Ordinary Shares; non-cumulative – if a Distribution is not paid when scheduled, then that Distribution may never be paid and MCN2 Holders will have no rights to receive that Distribution in the future; unsecured – MCN2 are not deposit liabilities and are not protected accounts of MBL or MGL and are not guaranteed or insured by any government, government agency or compensation scheme of Australia or any other jurisdiction. The investment performance of MCN2 is not guaranteed by MGL, MBL or any other member of the Macquarie Group; mandatorily convertible – subject to certain conditions, MCN2 must be Exchanged into Ordinary Shares of MGL on 18 March 2024²; perpetual – if the conditions for Exchange are not met, MCN2 may remain on issue indefinitely; and automatically convertible – in certain circumstances, including where a Non-Viability Event occurs, MCN2 must be immediately Exchanged into Ordinary Shares or, if that does not occur, Written-Off. 	Section 2
1.1.4. ASX Quotation	<ul style="list-style-type: none"> MGL has applied for MCN2 to be quoted on ASX and MCN2 are expected to trade under ASX code MQGPB. 	Section 7.4.3
1.1.5. Trustee	<ul style="list-style-type: none"> MGL has appointed Australian Executor Trustees Limited as Trustee for MCN2 Holders. The Trustee holds certain rights in relation to the MCN2 on trust for MCN2 Holders under the Trust Deed and all MCN2 Holders are bound by the terms of the Trust Deed. The Trustee is obliged to take action to enforce the MCN2 Terms only if conditions in the Trust Deed are met, including that it is directed by MCN2 Holders, its liability is limited and it is indemnified to its satisfaction. 	Section 6.1

2. Due to the Business Day convention, the Scheduled Mandatory Exchange Date is deferred from 17 March 2024 to 18 March 2024.

1. Investment overview

Topic	Summary	Further Information
1.1.6. Reason for Issue of MCN2	<ul style="list-style-type: none"> As at the Issue Date, MCN2 will constitute eligible regulatory capital of Macquarie Group in a manner which satisfies the Australian Prudential Regulation Authority's ("APRA") regulatory capital requirements. The MCN2 and MGL's other regulatory capital instruments and equity capital provide a buffer which protects Senior Creditors against losses that may be incurred by the Macquarie Group. The terms of the MCN2 are complex and derived from the detailed capital requirements which APRA applies to these instruments. MGL's ability to pay Distributions or to optionally Redeem or Resell MCN2 is dependent upon APRA either not objecting or giving prior written approval (as well as other conditions). 	Sections 2.9 and 3
1.1.7. Use of Proceeds	<ul style="list-style-type: none"> The net proceeds of the Offer will be used for general corporate funding and capital management purposes, including that the capital raised may be used to make contributions to an ADI within the Macquarie Group that will fully qualify as Additional Tier 1 Capital of that ADI. 	
1.2. Key features of MCN2		
1.2.1. Term	<ul style="list-style-type: none"> MCN2 are perpetual and do not have a fixed maturity date and, if MCN2 are not Exchanged, Redeemed or Written-off, they could remain on issue indefinitely and the Issue Price may not be repaid. MCN2 will Exchange into Ordinary Shares on 18 March 2024³, subject to certain Exchange Conditions being satisfied, unless they are Exchanged, Redeemed or Written-Off earlier. If the Exchange Conditions have not been satisfied on the above date then MCN2 will Exchange on the next Distribution Payment Date on which the Exchange Conditions are satisfied, unless they are Exchanged, Redeemed or Written-Off earlier. 	Sections 2.2 to 2.8.
1.2.2. Distributions	<ul style="list-style-type: none"> MCN2 are scheduled to pay floating rate cash distributions commencing on 17 March 2016, thereafter semi-annually, in arrears until all MCN2 are Exchanged, Redeemed or Written-Off. The Distribution Rate is based on the Reference Rate plus the Margin, adjusted for franking. The Margin is 5.15%, which was determined under the Bookbuild. Distributions on MCN2 are discretionary, which means MGL can decide not to pay them. Distributions can also only be paid if certain Payment Conditions are met (including that MGL is able to pay Distributions without breaching APRA's capital adequacy requirements or becoming insolvent). 	Section 2.1

3. Due to the Business Day convention, the Scheduled Mandatory Exchange Date is deferred from 17 March 2024 to 18 March 2024.

1. Investment overview

Topic	Summary	Further Information
1.2.2. Distributions continued	<ul style="list-style-type: none">▪ Distributions are non-cumulative, which means that if a Distribution has not been paid on a Distribution Payment Date then MGL has no obligation to pay the Distribution at any later date. Failure to pay a Distribution is not an event of default.▪ Unless a Distribution is paid in full within 10 Business Days of the Distribution Payment Date, in most circumstances MGL is restricted from paying any dividends or returning capital on Ordinary Shares until the next Distribution Payment Date.	Section 2.1
1.2.3. Franking	<ul style="list-style-type: none">▪ Distributions on MCN2 are frankable.▪ Distributions are expected to be franked at the same rate as dividends on Ordinary Shares. MGL currently franks dividends on Ordinary Shares at 40%. The level of franking may vary over time and Distributions may be partially, fully or not franked.▪ A higher Franking Rate for a Distribution will result in a lower Distribution Rate and a lower cash Distribution, reflecting the value of the franking credit attached to the Distribution.▪ If Distributions are franked, the ability of MCN2 Holders to use the franking credits will depend on their individual circumstances.	Sections 2.1.2, 2.1.3, 4.1.7 and 5
1.2.4. Return of Investment	<ul style="list-style-type: none">▪ MGL has no obligation to return the Issue Price on any fixed date, therefore capital invested by MCN2 Holders may never be returned.▪ Whether and when the capital invested by MCN2 Holders may be returned will depend on what happens to MCN2. What may happen to MCN2 is uncertain and depends on a number of factors, including whether:<ul style="list-style-type: none">– a Scheduled Mandatory Exchange occurs;– a Non-Viability Event, Acquisition Event, Regulatory Event or Tax Event occurs;– MGL elects for an Optional Exchange, Redemption or Resale to occur; and– APRA approval is given when it is required under the MCN2 Terms.▪ MCN2 Holders will have no right to request that MGL Exchange, Redeem or Resell any MCN2.▪ If a Non-Viability Event occurs MCN2 will be Exchanged for Ordinary Shares or if MCN2 are not Exchanged for any reason, those MCN2 will be Written-Off in which case the relevant MCN2 Holders' rights will be terminated and they will not receive any return of capital invested.	Sections 2.2 to 2.8

1. Investment overview

Topic	Summary	Further Information
1.2.5. Redemption	<ul style="list-style-type: none">▪ If APRA gives prior written approval, MGL has a right, but not an obligation, to Redeem all or some MCN2:<ul style="list-style-type: none">– on 17 March 2021, 17 September 2021 or 17 March 2022; or– if a Tax Event or Regulatory Event occurs.▪ Redemption cannot occur unless MCN2 are replaced with Relevant Tier 1 Securities of the same or better quality or APRA is satisfied that MGL's capital position is sufficient after Redemption.▪ If MCN2 are Redeemed MCN2 Holders will receive \$100 for each MCN2 Redeemed and, if the Payment Conditions are met, a Distribution for the period since the last Distribution Payment Date to the Redemption Date.	Section 2.5
1.2.6. Resale	<ul style="list-style-type: none">▪ If APRA gives prior written approval, MGL has a right, but not an obligation, to Resell all or some MCN2 in the same limited circumstances as when Redemption may occur.▪ If a Resale occurs, the relevant MCN2 will be mandatorily sold to one or more nominated third parties. MCN2 Holders will receive a cash amount of \$100 for each MCN2 Resold and, if the Payment Conditions are met, a Distribution for the period since the last Distribution Payment Date to the Resale Date.	Section 2.6
1.2.7. Exchange for Ordinary Shares	<p>MCN2 may be Exchanged for Ordinary Shares in the following circumstances:</p> <ul style="list-style-type: none">▪ Mandatory Exchange: All MCN2 are scheduled to be Exchanged on 18 March 2024⁴, unless the Exchange Conditions relevant to that date are not met (in which case, Exchange will be deferred until the first semi-annual Distribution Payment Date where the Exchange Conditions relevant to that date are met). The Exchange Conditions (where applicable) are intended to ensure that MCN2 Holders will receive approximately \$101 worth of Ordinary Shares per MCN2 on Exchange (based on the VWAP during the 20 ASX Trading Days before the Relevant Mandatory Exchange Date) and that the Ordinary Shares are capable of being sold on ASX.	Sections 2.3, 2.4, 2.7 and 2.8

4. Due to the Business Day convention, the Scheduled Mandatory Exchange Date is deferred from 17 March 2024 to 18 March 2024.

1. Investment overview

Topic	Summary	Further Information
1.2.7. Exchange for Ordinary Shares continued	<ul style="list-style-type: none">▪ Exchange at MGL's option: MGL may also choose to Exchange all or some MCN2 on 17 March 2021, 17 September 2021 or 17 March 2022, or if there has been a Tax Event or Regulatory Event, provided certain conditions are met.▪ Acquisition Event: MGL will be required to Exchange all MCN2 for Ordinary Shares if an Acquisition Event (broadly, a change of control of MGL by takeover bid, scheme of arrangement or otherwise) occurs, provided certain conditions are met.▪ Non-Viability Event: MGL will be required to immediately Exchange all or some MCN2 for Ordinary Shares (or, if Exchange has not occurred for any reason within 5 Business Days, Write-Off all or some MCN2) if a Non-Viability Event occurs. Exchange under these circumstances is not subject to any conditions.	Sections 2.3, 2.4, 2.7 and 2.8
1.2.8. What MCN2 Holders receive on Exchange	<ul style="list-style-type: none">▪ If Exchange occurs as a result of Mandatory Exchange, or at MGL's option, MCN2 Holders will receive approximately \$101 worth of Ordinary Shares per MCN2, but those shares may be worth more or less than \$101 by the time the Exchange occurs.▪ If Exchange occurs as a result of an Acquisition Event, MCN2 Holders should receive approximately \$101 worth of Ordinary Shares per MCN2, except in limited circumstances where the Directors determine that it is in the best interests of MCN2 Holders as a whole for Exchange to proceed, notwithstanding that Holders will receive less than \$101 worth of Ordinary Shares. Similarly to Mandatory Exchange, those shares may be worth more or less than \$101 by the time the Exchange occurs.▪ The number of Ordinary Shares to be received by each MCN2 Holder in respect of its aggregate holding of the MCN2 will also be rounded down to the nearest whole number.▪ See below for what MCN2 Holders receive on Exchange as a result of a Non-Viability Event.	Sections 2.3 and 2.4

1. Investment overview

Topic	Summary	Further Information
1.2.9. Exchange Upon Non-Viability Event	<ul style="list-style-type: none">▪ MGL is required to immediately Exchange MCN2 into Ordinary Shares where a Non-Viability Event occurs. MCN2 Holders will not receive prior notice of the Exchange.▪ Broadly, a Non-Viability Event occurs if APRA (1) issues a written notice to MGL that the exchange or conversion into Ordinary Shares, or write-off, of securities issued as Relevant Tier 1 Securities (including MCN2) is necessary because without such action APRA considers that MGL would become non-viable or (2) has notified MGL in writing that it has determined that without a public sector injection of capital, or equivalent support, MGL would become non-viable. As at the date of this Prospectus, APRA has not provided guidance as to how it would determine non-viability.▪ Exchange on account of a Non-Viability Event is not subject to any conditions. As a result, MCN2 Holders may receive less, or significantly less, than the Issue Price per MCN2 and an MCN2 Holder may suffer loss as a consequence.	Section 2.7
1.2.10. What happens if Exchange following a Non-Viability Event is not possible – Write-Off of MCN2	<ul style="list-style-type: none">▪ If MCN2 have not been Exchanged, for any reason, within 5 Business Days of the Non-Viability Event, they will never be Exchanged and must be Written-Off.▪ If a Write-Off of an MCN2 occurs, the MCN2 Holder's rights under that MCN2 (including to payment of the Liquidation Amount and Distributions) are immediately and irrevocably terminated for no consideration and MCN2 Holders will suffer a total loss of their investment in that MCN2 as a consequence.	Section 2.7

1. Investment overview

Topic	Summary	Further Information
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1.2.11. Summary of certain events that may occur during the term of MCN2:

Event ¹	When could this occur?	Consequences	Is APRA approval required? ²	Do conditions apply? ³	What value will an MCN2 Holder receive (per MCN2)? ⁴	In what form will the value be provided to MCN2 Holders?	Further Information
Tax Event or Regulatory Event	At any time	Exchange all or some MCN2 for Ordinary Shares at MGL's option	No	Yes	Approximately \$101 ⁵	Variable number of Ordinary Shares	Section 2.4
		Redemption or Resale of all or some MCN2 at MGL's option	Yes	Yes	\$100	Cash	Sections 2.5 and 2.6
Acquisition Event	At any time	All MCN2 Exchanged for Ordinary Shares	No	Yes	Approximately \$101 ⁵ (except in limited circumstances ⁶)	Variable number of Ordinary Shares	Section 2.8
Non-Viability Event	At any time	All MCN2 Exchanged for Ordinary Shares or Written-Off	No	No	Depending on the market price of Ordinary Shares at the time, up to approximately \$101 ⁵ but maybe significantly less or zero	Variable number of Ordinary Shares – If MCN2 are not Exchanged for Ordinary Shares MCN2 will be Written-Off and MCN2 Holders receive no value	Section 2.7
Optional Exchange Date	17 March 2021, 17 September 2021 or 17 March 2022	Exchange all or some MCN2 for Ordinary Shares at MGL's option	No	Yes	Approximately \$101 ⁵	Variable number of Ordinary Shares	Section 2.4
		Redemption or Resale of all or some MCN2 at MGL's option	Yes	Yes	\$100	Cash	Sections 2.5 and 2.6
Scheduled Mandatory Exchange Date ⁷	18 March 2024 ⁸	Exchange of all MCN2 for Ordinary Shares	No	Yes	Approximately \$101 ⁶	Variable number of Ordinary Shares	Section 2.3

1. Please see the Glossary for full definitions.

2. Holders should not expect that APRA's approval will be given for any Redemption or Resale.

3. The Exchange Conditions applicable to a Mandatory Exchange differ from those applicable to a Tax Event, Regulatory Event, Acquisition Event or an Optional Exchange. See sections 2.3, 2.4, 2.7 and 2.8.

4. If Exchange (other than on account of a Non-Viability Event), Redemption or Resale occurs on a day that is not a scheduled semi-annual Distribution Payment Date, MCN2 Holders which are being Exchanged, Redeemed or Resold will also receive a Distribution in respect of those MCN2 for the period from the immediately preceding Distribution Payment Date to the date on which the Exchange, Redemption or Resale occurs (provided the Directors have decided to pay the Distribution and the other Payment Conditions are met).

5. The value of Ordinary Shares is determined over a period of ASX Trading Days immediately prior to Exchange (generally the period is 20 ASX Trading Days, with 5 ASX Trading Days for Non-Viability Exchange). By the time of Exchange, the value of Ordinary Shares received on Exchange may be more or less than \$101.

6. May be less if Directors determine that Exchange is in the best interests of MCN2 Holders as a whole, notwithstanding that MCN2 Holders will suffer loss, or that the Ordinary Shares may not be listed. See section 2.8.

7. MCN2 are perpetual and, if the Exchange Conditions are never met, Exchange may never occur and MCN2 may remain on issue indefinitely.

8. Due to the Business Day convention, the Scheduled Mandatory Exchange Date is deferred from 17 March 2024 to 18 March 2024.

1. Investment overview

Topic	Summary	Further Information																		
<p>1.2.12. Ranking in a Winding Up</p>	<ul style="list-style-type: none"> ▪ In a Winding Up of MGL, MCN2 will rank ahead of Ordinary Shares, equally with Equal Ranking Obligations, but behind all Senior Creditors of MGL. The table below illustrates this ranking, if the MCN2 have not been Exchanged or Written-Off on account of a Non-Viability Event. ▪ However, any return on MCN2 may be adversely affected or reduced to zero if a Non-Viability Event occurs. If APRA determines that a Non-Viability Event occurs, some or all of the MCN2 are to be Exchanged, or if that does not occur, Written-Off. In this situation, the MCN2 Holders will become holders of Ordinary Shares (and will rank equally with other Ordinary Shares) or the MCN2 may be Written-Off in which case the MCN2 Holders will have no further claim on MGL. <table border="1" data-bbox="531 1032 1275 1590"> <thead> <tr> <th data-bbox="531 1032 667 1077">Ranking</th> <th data-bbox="667 1032 911 1077"></th> <th data-bbox="911 1032 1275 1077">Illustrative examples</th> </tr> </thead> <tbody> <tr> <td data-bbox="531 1077 667 1227">Higher</td> <td data-bbox="667 1077 911 1227">Preferred and secured debt</td> <td data-bbox="911 1077 1275 1227">Liabilities preferred by law including employee entitlements and secured creditors</td> </tr> <tr> <td data-bbox="531 1227 667 1346"></td> <td data-bbox="667 1227 911 1346">Unsubordinated and unsecured debt</td> <td data-bbox="911 1227 1275 1346">Unsubordinated and unsecured bonds and notes, trade and general creditors</td> </tr> <tr> <td data-bbox="531 1346 667 1429"></td> <td data-bbox="667 1346 911 1429">Subordinated and unsecured debt</td> <td data-bbox="911 1346 1275 1429">Subordinated and unsecured debt obligations</td> </tr> <tr> <td data-bbox="531 1429 667 1541"></td> <td data-bbox="667 1429 911 1541">Preference shares and equal ranking securities</td> <td data-bbox="911 1429 1275 1541">Equal Ranking Obligations and MCN2 (if a Non-Viability Event has not occurred)</td> </tr> <tr> <td data-bbox="531 1541 667 1590">Lower</td> <td data-bbox="667 1541 911 1590">Ordinary shares</td> <td data-bbox="911 1541 1275 1590">Ordinary Shares</td> </tr> </tbody> </table>	Ranking		Illustrative examples	Higher	Preferred and secured debt	Liabilities preferred by law including employee entitlements and secured creditors		Unsubordinated and unsecured debt	Unsubordinated and unsecured bonds and notes, trade and general creditors		Subordinated and unsecured debt	Subordinated and unsecured debt obligations		Preference shares and equal ranking securities	Equal Ranking Obligations and MCN2 (if a Non-Viability Event has not occurred)	Lower	Ordinary shares	Ordinary Shares	Section 2.10
Ranking		Illustrative examples																		
Higher	Preferred and secured debt	Liabilities preferred by law including employee entitlements and secured creditors																		
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	Subordinated and unsecured debt	Subordinated and unsecured debt obligations																		
	Preference shares and equal ranking securities	Equal Ranking Obligations and MCN2 (if a Non-Viability Event has not occurred)																		
Lower	Ordinary shares	Ordinary Shares																		
	<ul style="list-style-type: none"> ▪ MGL is the non-operating holding company of the Macquarie Group and its assets are largely investments in and claims on entities in the Macquarie Group which may rank behind depositors and other creditors of those entities. ▪ If Exchange occurs, MCN2 Holders will become holders of Ordinary Shares and their claims in respect of those Ordinary Shares rank equally with other holders of Ordinary Shares. Those shares may be worth significantly less than the Issue Price of MCN2. 																			

1. Investment overview

Topic	Summary	Further Information
1.2.13. MCN2 are not guaranteed	<ul style="list-style-type: none"> MCN2 are not guaranteed by any member of the Macquarie Group and are not guaranteed or insured by any government, government agency or compensation scheme of Australia or any other jurisdiction, or by any other person. MCN2 are not deposit liabilities of MBL and are not protected accounts for the purposes of the depositor protection provisions in Division 2 of Part II of the Banking Act or of the Financial Claims Scheme established under Division 2AA of Part II of the Banking Act. 	Clause 1.2 of the MCN2 Terms
1.2.14. MCN2 are not secured	<ul style="list-style-type: none"> MCN2 are not secured in any way against any asset of MGL or the Macquarie Group. 	
1.3. Key risks of investing in MCN2		
<p>There are risks associated with an investment in MCN2, many of which are outside the control of MGL. These risks include those in this section 1.3 and section 4 and other matters referred to in this Prospectus.</p> <p>Before applying for MCN2, you should consider whether MCN2 are a suitable investment for you. MCN2 are complex investments and may be difficult to understand, even for experienced investors.</p> <p>A summary of some of the key risks associated with an investment in MGL and the Macquarie Group generally are described in section 4.2.</p>		
1.3.1. Market Price and Liquidity of MCN2	<ul style="list-style-type: none"> The market price of MCN2 may go up or down and there is no guarantee MCN2 will trade at or above their Issue Price. For example, the market price of MCN2 may decline if better rates of return are available on other securities. The market price of MCN2 may also be significantly impacted by the market price for Ordinary Shares. There may be no liquid market for MCN2. MCN2 Holders who wish to sell their MCN2 may be unable to do so at a price acceptable to them, or at all. 	Section 4.1.3
1.3.2. Market price and liquidity of Ordinary Shares	<ul style="list-style-type: none"> If MCN2 are Exchanged into Ordinary Shares, the value of those Ordinary Shares is determined over a period of up to 20 ASX Trading Days immediately prior to Exchange. By the time of Exchange, the price at which the Ordinary Shares received by MCN2 Holders can be sold may be more or less than the anticipated \$101. Additionally, in various circumstances the market price of Ordinary Shares may determine whether Exchange can occur. This will affect when Exchange occurs (and may mean that Exchange never occurs). The market price for Ordinary Shares will vary due to many factors including the availability and rates of return on other securities, investor perceptions of the Macquarie Group's financial position and performance and general economic and market conditions. The market for Ordinary Shares may be less liquid than other securities and may not be liquid at all, so that MCN2 Holders may be unable to sell the Ordinary Shares they may receive for an acceptable price, or at all. 	Section 4.1.4

1. Investment overview

Topic	Summary	Further Information
1.3.3. Distributions may not be paid	<ul style="list-style-type: none"> ▪ MGL has absolute discretion to determine whether or not to pay Distributions. ▪ Furthermore, a Distribution can only be paid if the Payment Conditions are met, including that MGL is able to pay the Distribution without MGL breaching APRA's capital adequacy requirements or becoming insolvent. This means that there is a risk that Distributions may not be paid. ▪ Distributions are non-cumulative. Accordingly, if a Distribution is not paid for any reason, MCN2 Holders will have no rights to receive that Distribution in the future. 	Section 4.1.5
1.3.4. Changes in Distribution Rate	<ul style="list-style-type: none"> ▪ The Distribution Rate will fluctuate (both increasing and decreasing) over time as a result of movements in the Reference Rate. ▪ A higher Franking Rate for a Distribution will result in a lower Distribution Rate and a lower cash Distribution, reflecting the value of the franking credit attached to the Distribution. ▪ There is a risk that the Distribution Rate may become less attractive when compared to the rates of return available on comparable securities or investments. 	Section 4.1.6
1.3.5. Level of franking	<ul style="list-style-type: none"> ▪ The level of franking of Distributions on MCN2 is affected by the level of MGL's available franking credits and distributable profits. MGL's level of franking credits may be affected by a wide range of factors, including its business performance, the jurisdictions in which the Macquarie Group makes profits and pays tax and the amount of other frankable distributions. MGL's distributable profits may also be affected by a wide range of factors including its level of earnings and other distributions it makes. ▪ The value and availability of franking credits to an MCN2 Holder will depend on that MCN2 Holder's particular circumstances. 	Sections 4.1.7 and 4.1.8
1.3.6. MCN2 are perpetual and may never be Exchanged, Redeemed or Resold	<ul style="list-style-type: none"> ▪ MCN2 are a perpetual instrument but will Exchange for Ordinary Shares on 18 March 2024⁵ if they are still on issue and the Exchange Conditions are satisfied. If the Exchange Conditions are not met on this date MCN2 will Exchange on the next subsequent Distribution Payment Date on which the Exchange Conditions are met. There is a risk that the Exchange will not occur on any of these dates and may never occur because these Exchange Conditions cannot be satisfied. 	Sections 4.1.11
1.3.7. MGL has rights for Exchange, Redemption or Resale at its election	<ul style="list-style-type: none"> ▪ MGL may elect to Exchange, Redeem or arrange a Resale of all or some MCN2 in certain circumstances, subject to a number of conditions, including prior written approval from APRA when required under the MCN2 Terms. ▪ Where required, APRA's approval is at the complete discretion of APRA and may or may not be granted. 	Sections 4.1.10 to 4.1.13

5. Due to the Business Day convention, the Scheduled Mandatory Exchange Date is deferred from 17 March 2024 to 18 March 2024.

1. Investment overview

Topic	Summary	Further Information
1.3.7. MGL has rights for Exchange, Redemption or Resale at its election <small>continued</small>	<ul style="list-style-type: none"> ▪ The choice to elect the Exchange, Redemption or Resale of all or some MCN2 is entirely at MGL's discretion and MCN2 Holders have no right to either request or alter the timing of any Exchange, Redemption or Resale. ▪ It is uncertain whether and when Exchange, Redemption or Resale may occur. The timing of any Exchange, Redemption or Resale may not suit MCN2 Holders. 	Sections 4.1.10 to 4.1.13
1.3.8. Losses due to an Acquisition Event	<ul style="list-style-type: none"> ▪ If an Acquisition Event occurs, and the Directors determine it is in the best interests of MCN2 Holders, Exchange may occur even though MCN2 Holders would receive less (and possibly significantly less) than \$101 worth of Ordinary Shares or even though those Ordinary Shares are unlisted and MCN2 Holders may suffer a loss as a result. 	Section 4.1.14
1.3.9. Losses due to a Non-Viability Event	<ul style="list-style-type: none"> ▪ If Exchange occurs following a Non-Viability Event, MCN2 Holders may receive significantly less than \$101 worth of Ordinary Shares per MCN2 and may receive unlisted Ordinary Shares. ▪ If, for any reason, an MCN2 which is required to be Exchanged is not Exchanged within 5 Business Days of the Non-Viability Event then that MCN2 will be Written-Off (in which case the MCN2 Holders' rights under the relevant MCN2 will be immediately and irrevocably terminated for no consideration). In these circumstances, MCN2 Holders will suffer a total loss of their investment in that MCN2. 	Section 4.1.15 and 4.1.16
1.3.10. Restrictions on rights and ranking in a Winding Up of MGL	<ul style="list-style-type: none"> ▪ MCN2 are not deposit liabilities or protected accounts of MBL or MGL and are not guaranteed or insured by any government, government agency or compensation scheme of Australia or any other jurisdiction or by any other person. The investment performance of MCN2 is not guaranteed by MGL, MBL or any other member of the Macquarie Group. ▪ In the event of a Winding Up of MGL, MCN2 Holders will rank behind all Senior Creditors, equally with Equal Ranking Obligations and ahead of Ordinary Shares. Any return in a Winding Up of MGL may be adversely affected if a Non-Viability Event occurs. If this happens some or all MCN2 will be required to be Exchanged or, if Exchange has not occurred within 5 Business Days of the Non-Viability Event, Written-Off. If an MCN2 is Exchanged, the MCN2 Holder would become a holder of Ordinary Shares and those shares may be worth significantly less than their investment in MCN2. If an MCN2 is Written-Off, the MCN2 Holder will suffer a total loss of their investment in that MCN2. ▪ If there is a shortfall of funds on a Winding Up of MGL, MCN2 Holders will lose some or all of their investment in that MCN2. 	Sections 4.1.1 and 4.1.18

1. Investment overview

Topic	Summary					Further Information
1.4. Comparison between MCN2 and other securities						
Feature	Term deposit	BCN	MCN	MCN2	Ordinary Shares	
Issuer	Bank, credit union or building society (e.g. MBL)	Macquarie Bank Limited	Macquarie Group Limited	Macquarie Group Limited	Macquarie Group Limited	
Guarantee under the Australian government Financial Claims Scheme	Yes ⁶	No	No	No	No	
Term	One month to five years (usually)	Perpetual ⁷	Perpetual ⁸	Perpetual ⁹	Perpetual	
Distribution rate	Fixed (usually)	Floating, adjusted for franking	Floating, adjusted for franking	Floating, adjusted for franking ¹⁰	Variable dividends	
Distribution payment dates	End of term or per annum (usually)	Semi-annually	Semi-annually	Semi-annually	Semi-annually (usually)	
Distributions are discretionary	No	Yes	Yes	Yes	Yes	
Frankable distributions	No	Yes	Yes	Yes	Yes	
Transferable	No	Yes – quoted on ASX	Yes – quoted on ASX	Yes – quoted on ASX	Yes – quoted on ASX	
Non-Viability provisions	No	Yes	Yes	Yes	Not applicable	
Common Equity Tier 1 Trigger provisions	No	Yes	No	No	Not applicable	

6. On or after 1 January 2013, the limit in relation to protected account(s) that an account holder has with a declared ADI as at a particular time is \$250,000.

7. Unless redeemed, resold, converted, exchanged or written-off earlier in accordance with the terms of the BCN. Subject to the satisfaction of certain conditions, BCN will be mandatorily exchanged into Ordinary Shares on 24 March 2023 or the next distribution payment date on which those conditions are satisfied.

8. Unless redeemed, resold, converted, exchanged or written-off earlier in accordance with the terms of the MCN. Subject to the satisfaction of certain conditions, MCN will be mandatorily exchanged into Ordinary Shares on 7 June 2021 or the next distribution payment date on which those conditions are satisfied.

9. Unless redeemed, exchanged or written-off earlier. Subject to the satisfaction of certain conditions, the MCN2 will be mandatorily Exchanged on a Mandatory Exchange Date, as outlined in Section 2.3 of this Prospectus.

10. The impact of franking is described in section 2.1.2 and 2.1.3.

2

About MCN2

This section provides additional information about MCN2. Where indicated, more detailed information is provided in other sections of this Prospectus. If you have any questions, you should seek advice from your financial adviser or other professional adviser. The full MCN2 Terms are contained in Appendix A. Rights and liabilities attaching to MCN2 may also arise under the Corporations Act, ASX Listing Rules and other applicable laws.

2. About MCN2

Topic	Summary	Further Information
2.1. Distributions	<p>MCN2 are expected to pay Distributions commencing on 17 March 2016 and thereafter semi-annually, which are expected to be 40% franked initially, but may not be franked, franked to a different level or fully franked in the future. A Distribution will be paid subject to the Payment Conditions, including MGL's discretion.</p> <p>The Distribution Rate is a floating rate (i.e. it will fluctuate), and is equal to the sum of the Reference Rate plus the Margin, adjusted for the Tax Rate and the Franking Rate.</p> <p>Distributions are non-cumulative.</p>	
2.1.1. Distributions	<ul style="list-style-type: none"> ▪ Distributions on MCN2 are discretionary, non-cumulative floating rate payments. ▪ Distributions are scheduled to be paid in arrears commencing on 17 March 2016 and thereafter semi-annually, subject to the Payment Conditions – see below. ▪ Distributions are expected to be franked at the same rate as dividends on Ordinary Shares. MGL currently franks dividends on Ordinary Shares at 40%. The level of franking may vary over time and Distributions may be partially, fully or not franked. ▪ Distributions may not always be paid. The payment of each Distribution will be made unless: <ul style="list-style-type: none"> – MGL, in its absolute discretion, determines that the Distribution is not payable to MCN2 Holders; – payment of the Distribution would result in MGL breaching APRA's capital adequacy requirements applicable to it; – payment of the Distribution would result in MGL becoming, or being likely to become, insolvent for the purposes of the Corporations Act; or – APRA objects to the payment of the Distribution. <p>These conditions are referred to in this Prospectus as the “Payment Conditions”.</p> ▪ Failure to pay a Distribution when scheduled will not constitute an event of default and MCN2 Holders have no claim or entitlement in respect of non-payment or any right to receive that Distribution at any later time. (However, the Dividend Restriction may apply in this scenario – see section 2.1.8). 	<p>Clause 2 of the MCN2 Terms</p>


2. About MCN2

Topic	Summary	Further Information																
2.1.2. Distribution Rate	<ul style="list-style-type: none"> ▪ The Distribution Rate is calculated using the following formula: $\text{Distribution Rate} = \frac{(\text{Reference Rate} + \text{Margin}) \times \text{Franking Adjustment Factor}}{1 - (T \times (1 - F))}$ <p>where:</p> <ul style="list-style-type: none"> – <i>Reference Rate</i> means the bank bill swap rate (BBSW) having a tenor closest to the Distribution Period (180 days except for the first Distribution Period which will be 90 days) on the first Business Day of the relevant Distribution Period – see section 2.1.4; – <i>Margin</i> is 5.15%, and was set by way of Bookbuild and announced to the market on 26 November 2015. <p>– <i>Franking Adjustment Factor</i> = $\frac{(1 - T)}{1 - (T \times (1 - F))}$</p> <p>where:</p> <ul style="list-style-type: none"> – <i>T</i> is the Tax Rate; and – <i>F</i> is the Franking Rate. <ul style="list-style-type: none"> ▪ Due to the effect of the Franking Adjustment Factor, the Distribution Rate will be lower if franking applies to a Distribution. ▪ For example, assuming the Reference Rate for the first Distribution Period is 2.36% per annum, the Margin is 5.15% per annum and using the Macquarie Group’s current franking rate of 40%, then the Distribution Rate for that Distribution Period would be calculated as follows: <table border="1" style="width: 100%; border-collapse: collapse; margin-top: 10px;"> <thead> <tr> <th colspan="2" style="background-color: #cccccc;">Partially franked Distribution</th> </tr> </thead> <tbody> <tr> <td>(1) Reference Rate</td> <td style="text-align: right;">2.3600% p.a.</td> </tr> <tr> <td>(2) Margin</td> <td style="text-align: right;">5.1500% p.a.</td> </tr> <tr> <td>(3) = (1) + (2)</td> <td style="text-align: right;">7.5100% p.a.</td> </tr> <tr> <td>(4) Tax Rate</td> <td style="text-align: right;">30%</td> </tr> <tr> <td>(5) Franking Rate</td> <td style="text-align: right;">40%</td> </tr> <tr> <td>(6) Franking Adjustment Factor (per formula above)</td> <td style="text-align: right;">85.3659%</td> </tr> <tr> <td>(7) Distribution Rate = (3) × (6)</td> <td style="text-align: right;">6.4110% p.a.</td> </tr> </tbody> </table>	Partially franked Distribution		(1) Reference Rate	2.3600% p.a.	(2) Margin	5.1500% p.a.	(3) = (1) + (2)	7.5100% p.a.	(4) Tax Rate	30%	(5) Franking Rate	40%	(6) Franking Adjustment Factor (per formula above)	85.3659%	(7) Distribution Rate = (3) × (6)	6.4110% p.a.	Clause 2.1 of the MCN2 Terms
Partially franked Distribution																		
(1) Reference Rate	2.3600% p.a.																	
(2) Margin	5.1500% p.a.																	
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(5) Franking Rate	40%																	
(6) Franking Adjustment Factor (per formula above)	85.3659%																	
(7) Distribution Rate = (3) × (6)	6.4110% p.a.																	
2.1.3. Franking credits	<ul style="list-style-type: none"> ▪ Distributions are expected to be franked at the same rate as Ordinary Shares. MGL currently franks dividends on Ordinary Shares at 40%. The level of franking may vary over time and Distributions may be partially, fully or not franked. 	Sections 4.1.7 and 5																

2. About MCN2

Topic	Summary	Further Information								
2.1.3. Franking credits continued	<ul style="list-style-type: none"> ▪ MGL's ability to frank dividends on Ordinary Shares and Distributions on MCN2 is affected by its level of available franking credits and distributable profits. MGL's level of franking credits may be affected by a wide range of factors, including its business performance, the jurisdictions in which the Macquarie Group makes profits and pays tax, the applicable Australian corporate tax rate and the amount of other frankable distributions. MGL's distributable profits may also be impacted by a wide range of factors, including its level of earnings and other distributions it makes. See section 4.1.7. ▪ A higher Franking Rate for a Distribution will result in a lower Distribution Rate and a lower cash Distribution, reflecting the value of the franking credit attached to the Distribution. ▪ MCN2 Holders should be aware that the potential value of any franking credit does not accrue at the same time as the receipt of any cash Distribution. MCN2 Holders should also be aware that the ability to use the franking credits, either as an offset to a tax liability or by claiming a refund after the end of the income year, will depend on the individual tax position of each MCN2 Holder. ▪ MCN2 Holders should refer to the Australian taxation summary in section 5.1 and seek professional advice in relation to their tax position. ▪ If the Distribution is fully or partially franked, the franking credits attached to a Distribution (expressed as a percentage of the Issue Price) will be equal to: $\frac{\text{Distribution Rate} \times \text{Tax Rate} \times \text{Franking Rate}}{(1 - \text{Tax Rate})}$ ▪ The amount of franking credits attached to a Distribution will be notified to MCN2 Holders in Distribution notices shortly after a Distribution is paid. ▪ Taking the example in section 2.1.2, the amount of franking credits (expressed as a percentage) would be calculated as: 	Sections 4.1.7 and 5								
Partially franked Distribution										
<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 60%;">Distribution Rate</td> <td style="text-align: right;">6.4110% p.a.</td> </tr> <tr> <td>Tax Rate</td> <td style="text-align: right;">30%</td> </tr> <tr> <td>Franking Rate</td> <td style="text-align: right;">40%</td> </tr> <tr> <td>Franking credit rate (per formula above)</td> <td style="text-align: right;">1.0990% p.a.</td> </tr> </table>			Distribution Rate	6.4110% p.a.	Tax Rate	30%	Franking Rate	40%	Franking credit rate (per formula above)	1.0990% p.a.
Distribution Rate	6.4110% p.a.									
Tax Rate	30%									
Franking Rate	40%									
Franking credit rate (per formula above)	1.0990% p.a.									

2. About MCN2

Topic	Summary	Further Information
2.1.4. Reference Rate	<ul style="list-style-type: none">▪ The Reference Rate is the rate for prime bank eligible securities (BBSW) having a tenor closest to the Distribution Period (180 days except in the first Distribution Period which is 90 days) which is designated as “AVG MID” and displayed on Reuters page BBSW (or any page which replaces that page) on the first Business Day of each relevant Distribution Period.▪ This rate represents the average interest rate at which institutions on the Australian Financial Markets Association’s BBSW panel will trade a 180-day Australian dollar bill of exchange endorsed by an approved bank.▪ The rate is published daily by the Australian Financial Markets Association and appears on various information services (e.g. Reuters page BBSW). BBSW rates provide a reference for the pricing, rate setting and valuation of financial securities.▪ The graph below illustrates the movement in the Reference Rate over the last 10 years. The rate on 20 November 2015 was 2.36% per annum.  <ul style="list-style-type: none">▪ The above graph is for illustrative purposes only and does not indicate, guarantee or forecast the actual Reference Rate. The actual Reference Rate for the first and subsequent Distribution Periods may be higher or lower than the rates in the above graph.	Clause 2.1 of the MCN2 Terms

2. About MCN2

Topic	Summary	Further Information												
<p>2.1.5. How the Distribution will be calculated for each Distribution Payment Date</p>	<ul style="list-style-type: none"> ▪ Distributions scheduled to be paid on each Distribution Payment Date on each MCN2 will be calculated using the following formula: $\frac{\\$100 \times \text{Distribution Rate} \times N}{365}$ where: <ul style="list-style-type: none"> – <i>Distribution Rate</i> means the rate (expressed as a percentage per annum) calculated as set out in section 2.1.2; and – <i>N</i> means the number of days in the Distribution Period. ▪ As an example, if the Distribution Rate was 6.4110% per annum then the Distribution on each MCN2 for the Distribution Period (if the Distribution Period was a semi-annual period of 182 days) would be calculated as follows: <table border="0" style="width: 100%; margin-top: 10px;"> <tr> <td style="width: 60%;">Distribution Rate</td> <td style="text-align: right;">6.4110% per annum</td> </tr> <tr> <td>Multiplied by the Issue Price</td> <td style="text-align: right;">× \$100</td> </tr> <tr> <td>Multiplied by the number of days in the Distribution Period</td> <td style="text-align: right;">× 182</td> </tr> <tr> <td>Divided by 365</td> <td style="text-align: right;">÷ 365</td> </tr> <tr> <td colspan="2" style="border-top: 1px solid black; padding-top: 5px;">Indicative Distribution payment for the semi-annual Distribution Period per MCN2</td> </tr> <tr> <td></td> <td style="text-align: right;">\$3.1967</td> </tr> </table> ▪ The first Distribution Period commences on the Issue Date and ends on 17 March 2016 and, accordingly, the number of days included in that Distribution Period is expected to be 90 days. Using a Distribution Rate of 6.3171% (reflecting a Reference Rate of 2.250% and otherwise the same inputs as above), an indicative first Distribution payment would be \$1.5576. ▪ The above example is for illustrative purposes only and does not indicate, guarantee or forecast the actual Distribution payable for the first or any subsequent Distribution Period. Actual Distributions may be higher or lower than this example. 	Distribution Rate	6.4110% per annum	Multiplied by the Issue Price	× \$100	Multiplied by the number of days in the Distribution Period	× 182	Divided by 365	÷ 365	Indicative Distribution payment for the semi-annual Distribution Period per MCN2			\$3.1967	<p>Clause 2.1 of the MCN2 Terms</p>
Distribution Rate	6.4110% per annum													
Multiplied by the Issue Price	× \$100													
Multiplied by the number of days in the Distribution Period	× 182													
Divided by 365	÷ 365													
Indicative Distribution payment for the semi-annual Distribution Period per MCN2														
	\$3.1967													
<p>2.1.6. Distribution Payment Dates</p>	<ul style="list-style-type: none"> ▪ Distributions are payable (subject to the Payment Conditions, including the discretion of MGL) in arrears commencing on 17 March 2016 and thereafter semi-annually on the Distribution Payment Dates. ▪ The Distribution Payment Dates are 17 March and 17 September each year, commencing on 17 March 2016. ▪ If MCN2s are Redeemed, Resold or Exchanged (other than on account of a Non-Viability Event) the Redemption Date, Resale Date or Exchange Date will also be a Distribution Payment Date. ▪ If any of these dates is not a Business Day, the Distribution Payment Date will be the next day which is a Business Day. 	<p>Clauses 2.1, 2.2 and 2.3 of the MCN2 Terms</p>												

2. About MCN2

Topic	Summary	Further Information
2.1.7. How Distributions will be paid	<ul style="list-style-type: none"> ▪ Distributions will be paid in Australian dollars. MGL will only pay Distributions to Australian resident investors directly into an Australian dollar account held with a financial institution. ▪ MGL will not pay Distributions on MCN2 to Australian resident investors by cheque. ▪ If you are allotted any MCN2, when you are sent your Holding Statement you will also be sent instructions on how to provide details of your Australian dollar account held with a financial institution. ▪ If you do not provide these account details to the Registrar, or if any Distribution paid to you is unsuccessful, then you will be sent a notice advising you of the amount of the Distribution. In that case the funds will be held in a bank account as a non-interest bearing deposit until such time as you provide appropriate account details or MGL is entitled to or obliged to deal with the amount in accordance with the law relating to unclaimed money. ▪ Investors who are not Australian residents may receive Distributions by cheque. ▪ MGL reserves the right to vary the way in which any Distribution is paid in accordance with the MCN2 Terms (provided that a Distribution must always be paid in cash). 	Clause 11 of the MCN2 Terms
2.1.8. Dividend Restriction	<ul style="list-style-type: none"> ▪ If for any reason a Distribution has not been paid on a Distribution Payment Date, unless it is paid within 10 Business Days of that date, MGL must not: <ul style="list-style-type: none"> – determine, declare or pay a dividend on any Ordinary Shares; or – undertake any Buy-Back or Capital Reduction, from the Distribution Payment Date until and including the next Distribution Payment Date, subject to certain exceptions, without the approval of a Special Resolution of the MCN2 Holders. ▪ The MCN2 Terms contain no events of default and accordingly, failure to pay a Distribution when scheduled will not constitute an event of default. 	Clauses 2.4, 2.5, 10.1 and 18.2 of the MCN2 Terms
2.2. Term		
2.2.1. Term	<ul style="list-style-type: none"> ▪ MCN2 are perpetual and do not have a fixed maturity date. If they are not Exchanged, Redeemed or Written-Off in accordance with the MCN2 Terms they could remain on issue indefinitely. 	

2. About MCN2

Topic	Summary	Further Information
2.2.1. Term continued	<p>Exchange</p> <ul style="list-style-type: none"> ▪ If still on issue, MCN2 will Exchange into Ordinary Shares on 18 March 2024¹¹ if the Exchange Conditions are satisfied in respect of that date. If the Exchange Conditions are not satisfied in respect of that date MCN2 will Exchange on the next subsequent Distribution Payment Date on which the Exchange Conditions are satisfied. ▪ Subject to certain restrictions, MGL may elect to Exchange some or all MCN2: <ul style="list-style-type: none"> – on a Scheduled Optional Exchange Date; or – after the occurrence of a Tax Event or Regulatory Event (together, “Optional Exchange Dates”). ▪ MGL must also Exchange all MCN2 following an Acquisition Event except in certain circumstances. <p>If Exchange occurs following these events, MCN2 Holders would generally¹² receive Ordinary Shares worth approximately \$101 (determined on the basis of the Exchange calculations described in section 2.3.4 below) although by the time of Exchange the market value of the Ordinary Shares received may be more or less than \$101 when they are issued or at any time after that.</p> ▪ MGL must Exchange some or all (depending on the circumstances) of MCN2 for Ordinary Shares on the occurrence of a Non-Viability Event. <ul style="list-style-type: none"> – This Exchange is not subject to the Exchange Conditions. – If, for any reason, this Exchange does not occur within five Business Days of the Non-Viability Event for any particular MCN2 Holder, then the relevant MCN2 will be Written Off. That MCN2 Holder will suffer a total loss of their investment and will not receive any compensation. <p>Resale</p> <ul style="list-style-type: none"> ▪ On an Optional Exchange Date, subject to APRA's prior written approval, MGL may instead elect to arrange for a Resale of all or some MCN2. If Resale occurs, Holders will receive the Issue Price (\$100) for each MCN2 they hold. 	<p>Section 2.3</p> <p>Section 2.4</p> <p>Section 2.8</p> <p>Section 2.7</p> <p>Section 2.6</p>

11. Due to the Business Day convention, the Scheduled Mandatory Exchange Date is deferred from 17 March 2024 to 18 March 2024.

12. As with other types of Exchange (other than Exchange on account of a Non-Viability Event), there are conditions to Exchange on an Acquisition Event which ensure that an MCN2 Holder will receive approximately \$101 worth of Ordinary Shares for each MCN2 they hold and the Ordinary Shares received are capable of being sold on the ASX. However, these conditions do not apply if the Directors determine that the Exchange is in any event in the best interests of Holders as a whole.

2. About MCN2

Topic	Summary	Further Information
2.2. Term		
2.2.1. Term continued	<p>Redemption</p> <ul style="list-style-type: none"> On an Optional Exchange Date, subject to APRA's prior written approval, MGL may instead elect to Redeem all or some MCN2. If Redemption occurs, MCN2 Holders will receive the Issue Price (\$100) for each MCN2 they hold. <p>There are conditions on MGL's ability to Redeem or Resell MCN2 for cash. Importantly, MGL may only elect to Redeem or Resell MCN2 with APRA's prior written approval. MCN2 Holders should not expect that APRA's approval, if requested, will be given.</p>	Section 2.5
2.3. Mandatory Exchange		
<p>MGL must Exchange MCN2 into Ordinary Shares on 18 March 2024¹³ (if the MCN2 have not been Redeemed, Exchanged or Written-Off beforehand) provided that certain Exchange Conditions are satisfied.</p> <p>The conditions to Mandatory Exchange and the associated Exchange calculations (described in this section) are designed to ensure that if Exchange occurs MCN2 Holders will receive approximately \$101 worth of Ordinary Shares for each MCN2 held, and that the Ordinary Shares they receive following the Exchange are capable of being sold on ASX.</p>		
2.3.1. Scheduled Mandatory Exchange	<ul style="list-style-type: none"> If MCN2 have not already been Redeemed, Resold, Exchanged or Written-Off, MCN2 Holders will receive Ordinary Shares on Exchange of MCN2 on 18 March 2024, the "Scheduled Mandatory Exchange Date", unless the Exchange Conditions are not satisfied. Upon Exchange on the Mandatory Exchange Date, MCN2 Holders will receive approximately \$101 worth of Ordinary Shares per MCN2 based on VWAP calculated over the 20 ASX Trading Days immediately preceding the Exchange Date and a 1% discount on Exchange. This VWAP will most likely differ from the Ordinary Share price on or after the Scheduled Mandatory Exchange Date. This means that the value of Ordinary Shares received may be more or less than \$101 when they are issued or at any time after that. As a result of any Exchange of MCN2 for Ordinary Shares, MCN2 Holders will become holders of Ordinary Shares, which will rank equally with existing Ordinary Shares from the date of issue. The value of any holding of Ordinary Shares may fluctuate from time to time. 	Clause 3 and 9 of the MCN2 Terms

13. Due to the Business Day convention, the Scheduled Mandatory Exchange Date is deferred from 17 March 2024 to 18 March 2024.

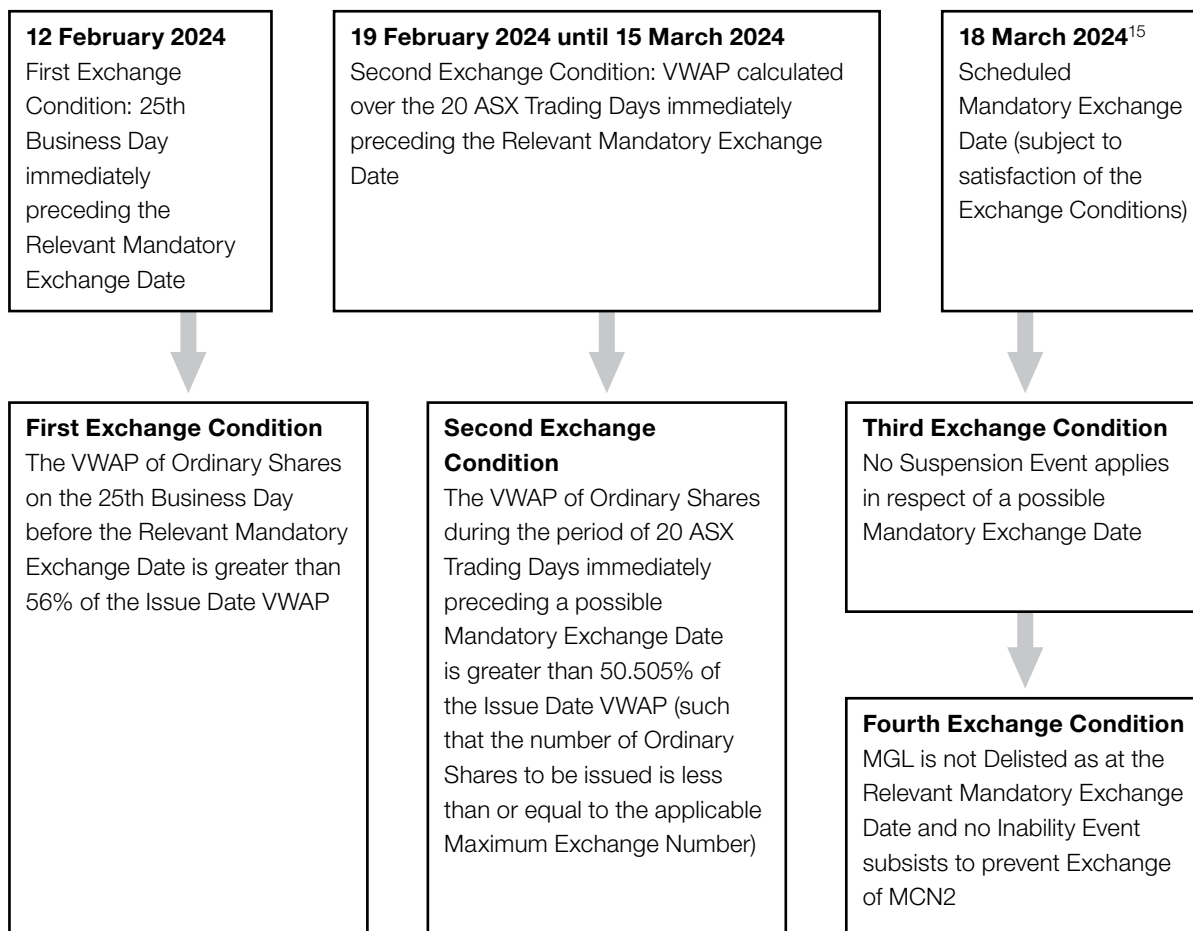
2. About MCN2

Topic	Summary	Further Information
<p>2.3.2. If the Exchange Conditions are not met on the Scheduled Mandatory Exchange Date (18 March 2024¹⁴)</p>	<ul style="list-style-type: none"> ▪ If still on issue, the MCN2 will be Exchanged on the Scheduled Mandatory Exchange Date, provided that the Exchange Conditions are satisfied on this date. ▪ If any of the Exchange Conditions are not satisfied on this date, then the Exchange will be deferred until the next semi-annual Distribution Payment Date, each a “Deferred Mandatory Exchange Date”, where all of the Exchange Conditions are satisfied. This means that if the Exchange Conditions are never satisfied MCN2 may never be Exchanged. ▪ The Scheduled Mandatory Exchange Date and each Deferred Mandatory Exchange Date are referred to as “Relevant Mandatory Exchange Dates”. ▪ Distributions will continue to be paid (subject to the Payment Conditions) until Exchange occurs. 	<p>Clause 3.2 of the MCN2 Terms and Section 2.3.3</p>
<p>2.3.3. Exchange Conditions</p>	<ul style="list-style-type: none"> ▪ In summary, the Exchange Conditions are as follows: <ul style="list-style-type: none"> – First Exchange Condition: the Daily VWAP on the 25th Business Day immediately preceding the Relevant Mandatory Exchange Date is greater than 56% of the Issue Date VWAP; – Second Exchange Condition: the VWAP during the 20 ASX Trading Days immediately preceding the Relevant Mandatory Exchange Date is such that the number of Ordinary Shares to be issued would be less than or equal to the applicable Maximum Exchange Number; – Third Exchange Condition: no Suspension Event applies in respect of the Relevant Mandatory Exchange Date (broadly, a Suspension Event occurs where Ordinary Shares have been suspended from trading for the 5 preceding Business Days); and – Fourth Exchange Condition: MGL is not Delisted as at the Relevant Mandatory Exchange Date (broadly, MGL will be Delisted where Ordinary Shares cease to be listed on ASX or where an Inability Event (as described in section 2.7.6) subsists). ▪ Exchange on a Mandatory Exchange Date cannot occur unless all four Exchange Conditions are satisfied. ▪ The First Exchange Condition and Second Exchange Condition are intended to ensure MCN2 Holders will not receive less than \$101 worth of Ordinary Shares per MCN2 on Exchange (based on the VWAP during the 20 ASX Trading Days before the Mandatory Exchange Date). 	<p>Clause 3.3 of the MCN2 Terms</p>

14. Due to the Business Day convention, the Scheduled Mandatory Exchange Date is deferred from 17 March 2024 to 18 March 2024.

2. About MCN2

Topic	Summary	Further Information
2.3.3. Exchange Conditions continued	<ul style="list-style-type: none"> The Third Exchange Condition and Fourth Exchange Condition are intended to provide protection to MCN2 Holders by making Exchange conditional on MCN2 Holders receiving Ordinary Shares which are capable of being sold on ASX. The following diagram sets out the timeframes that are relevant for testing whether Exchange will occur, using the Scheduled Mandatory Exchange Date (18 March 2024). These dates are indicative only and may change. 	Clause 3.3 of the MCN2 Terms



Note: The dates in the diagram above assume that trading of Ordinary Shares takes place on 12 February 2024 and each of the Business Days between 19 February 2024 and 15 March 2024, which may not be the case if trading in Ordinary Shares is suspended during the period leading up to the possible Mandatory Exchange Date.

15. Due to the Business Day convention, the Scheduled Mandatory Exchange Date is deferred from 17 March 2024 to 18 March 2024.

2. About MCN2

Topic	Summary	Further Information
<p>2.3.4. Exchange Number on a Relevant Mandatory Exchange Date</p>	<ul style="list-style-type: none"> ▪ An MCN2 Holder will receive on a Relevant Mandatory Exchange Date a number of Ordinary Shares per MCN2 (“Exchange Number”) calculated in accordance with the following formula: $\frac{\\$100}{99\% \times \text{Exchange Date VWAP}}$ <p>where <i>Exchange Date VWAP</i> is the volume weighted average price of Ordinary Shares during the VWAP Period (being the period of 20 ASX Trading Days immediately preceding the Relevant Mandatory Exchange Date).</p> ▪ The Exchange Number can never be greater than the Maximum Exchange Number (see section 2.3.5). The Exchange Conditions prevent Exchange from occurring on a Relevant Mandatory Exchange Date where the Exchange Number would be limited by the Maximum Exchange Number applicable to a Relevant Mandatory Exchange Date. ▪ The Exchange Date VWAP will be adjusted to reflect: <ul style="list-style-type: none"> – dividends or other distributions that are reflected in the Ordinary Share price that will not be payable to MCN2 Holders after Exchange and vice versa (e.g. where the price is quoted cum dividend but the dividend is paid before the Exchange); and – any division, consolidation or reclassification of MGL’s share capital (not involving any cash payment or other distribution or compensation to or by holders of Ordinary Shares or to or by any entity in the Macquarie Group) occurring during the calculation period. ▪ The number of Ordinary Shares to be received by an MCN2 Holder will also be rounded down so that only a whole number of Ordinary Shares is issued in connection with the MCN2 Holder’s aggregate holding of MCN2 (with entitlements of the MCN2 Holder to a part only of an Ordinary Share disregarded). 	<p>Clauses 9.1, 9.3 and 9.4 of the MCN2 Terms</p>

2. About MCN2

Topic	Summary	Further Information
2.3.5. Maximum Exchange Number	<ul style="list-style-type: none"> ▪ The Maximum Exchange Number is calculated as: $\frac{\\$100}{\text{Issue Date VWAP} \times \text{Relevant Percentage}}$ where: <ul style="list-style-type: none"> – the Issue Date VWAP is the VWAP during the 20 ASX Trading Days immediately preceding, but not including, the Issue Date; and – the Relevant Percentage, for Exchange on a Relevant Mandatory Exchange Date, is 50%. ▪ Under no circumstances will MCN2 be Exchanged for more than the Maximum Exchange Number of Ordinary Shares. ▪ Other than for an Exchange on account of a Non-Viability Event (see section 2.7.4) or an Acquisition Event (see section 2.8), the Exchange Conditions prevent an Exchange from occurring where the Ordinary Shares which MCN2 Holders would receive are worth less than approximately \$101 based on the Exchange Date VWAP. ▪ The Issue Date VWAP (and consequently the Maximum Exchange Number) will be adjusted where: <ul style="list-style-type: none"> – dividends or other distributions are reflected in the Ordinary Share price in the Issue Date VWAP calculation period that will not be payable to MCN2 Holders (e.g. where the price is quoted cum dividend); – a pro-rata bonus issue of Ordinary Shares (other than a bonus share plan, employee or executive share plan, executive option plan, share top-up plan, share purchase plan or dividend reinvestment plan) occurs while MCN2 are on issue; or – any division, consolidation or reclassification of MGL's share capital (not involving any cash payment or other distribution or compensation to or by holders of Ordinary Shares or to or by any entity in the Macquarie Group) occurs while the MCN2 are on issue. <p>The adjustment to Issue Date VWAP will not be made for any other capital activity including a rights issue or other essentially pro rata issue. The MCN2 Terms do not restrict MGL from undertaking any activity of this kind.</p> <p>Where the adjustment to Issue Date VWAP would be less than 1%, no adjustment will be made (although the adjustment balance will be carried forward for any subsequent adjustments).</p>	Clauses 9.1 and 9.3 to 9.9 of the MCN2 Terms

2. About MCN2

Topic	Summary	Further Information
2.3.6. Example of the Exchange calculations	<p>Illustrative example of Exchange</p> <p>This example is for illustrative purposes only. The figures in it are not forward-looking statements and do not indicate or guarantee the Issue Date VWAP or future VWAP or other price of Ordinary Shares.</p> <p>For the example of the Mandatory Exchange on 18 March 2024¹⁶, assume the Issue Date VWAP was \$80. The Exchange Conditions are tested and the number of shares to be received on Exchange would be determined as follows:</p> <p>Step 1: passing the Exchange Conditions</p> <p><i>First Exchange Condition</i></p> <p>This condition requires that the VWAP on the 25th Business Day immediately preceding 18 March 2024 (assuming there is trading of Ordinary Shares on that day) is greater than 56% of the Issue Date VWAP, which would be \$44.80 (being 56% of \$80).</p> <ul style="list-style-type: none">– Assume the VWAP on 12 February 2024 (expected to be the 25th Business Day immediately preceding, but not including, 18 March 2024) is \$70. <p>Since the VWAP on 12 February 2024 is greater than \$44.80, the First Exchange Condition is satisfied.</p> <p><i>Second Exchange Condition</i></p> <p>The Maximum Exchange Number applicable to a Relevant Mandatory Exchange Date is calculated on the basis that the Relevant Percentage is 50%. The effect of this is that the Second Exchange Condition applicable to a Relevant Mandatory Exchange Date will be met if the VWAP during the 20 ASX Trading Days immediately preceding 18 March 2024 is greater than 50.505% of the Issue Date VWAP, which would be \$40.40 (being 50.505% of \$80).</p> <ul style="list-style-type: none">– Assume the VWAP during the period from 19 February 2024 to 15 March 2024 (expected to be the 20 ASX Trading Days immediately preceding, but not including, 18 March 2024) is \$70. <p>Since the VWAP during the period from 19 February 2024 to 15 March 2024 is greater than \$40.40, the Second Exchange Condition is satisfied.</p>	

16. Due to the Business Day convention, the Scheduled Mandatory Exchange Date is deferred from 17 March 2024 to 18 March 2024.

2. About MCN2

Topic	Summary	Further Information
2.3.6. Example of the Exchange calculations continued	<p><i>Third Exchange Condition</i></p> <p>This condition requires that no Suspension Event applies on 18 March 2024.</p> <ul style="list-style-type: none">– Assume on 18 March 2024, trading in Ordinary Shares is not suspended on that date and has not been suspended during the five preceding Business Days. <p>In these circumstances, the Third Exchange Condition is satisfied.</p> <p><i>Fourth Exchange Condition</i></p> <p>This condition requires that MGL is not Delisted on 18 March 2024.</p> <ul style="list-style-type: none">– Assume on 18 March 2024, MGL is listed on the ASX and no Inability Event subsists. <p>In these circumstances, the Fourth Exchange Condition is satisfied.</p> <p>Step 2: calculating the number of shares received on Exchange</p> <p>On 18 March 2024, MCN2 Holders would be entitled to receive in respect of MCN2, the Exchange Number of Ordinary Shares determined as follows:</p> $\frac{\$100}{99\% \times \text{Exchange Date VWAP}}$ <ul style="list-style-type: none">– Assume the Exchange Date VWAP, being the VWAP during the period from 19 February 2024 to 15 March 2024 (being the 20 ASX Trading Days immediately preceding 18 March 2024) is \$70. <p>The Exchange Number would be 1.4430 (being \$100 divided by $(99\% \times \\$70)$).</p> <p>Assuming an MCN2 Holder has 100 MCN2, the total number of Ordinary Shares to which they would be entitled would be 144 (i.e. 100×1.4430, which number is rounded down to disregard the fraction of the Ordinary Share).</p> <p>Maximum Exchange Number</p> <p>In this example, the Exchange Number will not be impacted by the Maximum Exchange Number:</p> <p>If the Issue Date VWAP is \$80, the Maximum Exchange Number would be 2.5 (being \$100 divided by $(50\% \times \\$80)$).</p> <p>As the Exchange Number (1.4430) is less than the Maximum Exchange Number (2.5), there will be no restriction on the number of Ordinary Shares an MCN2 Holder receives.</p>	

2. About MCN2

Topic	Summary	Further Information
2.4. Exchange at option of MGL		
<p>On any of the Scheduled Optional Exchange Dates, being 17 March 2021, 17 September 2021 and 17 March 2022, MGL may elect to Exchange MCN2 into Ordinary Shares. MGL may also elect to Exchange MCN2 into Ordinary Shares following the occurrence of a Tax Event or Regulatory Event.</p> <p>There are certain conditions and restrictions that apply to an Optional Exchange. The conditions to Optional Exchange and the associated Exchange calculations (described in this section) are designed to ensure that if Exchange occurs MCN2 Holders will receive approximately \$101 worth of Ordinary Shares for each MCN2 held, and that the Ordinary Shares they receive following the Exchange are capable of being sold on ASX.</p>		
2.4.1. MGL may choose to Exchange MCN2	<ul style="list-style-type: none"> ▪ MGL may choose to Exchange all or some MCN2 on: <ul style="list-style-type: none"> – 17 March 2021; – 17 September 2021; or – 17 March 2022, (each a “Scheduled Optional Exchange Date”); or – after a Tax Event or a Regulatory Event. <ul style="list-style-type: none"> ▪ Upon Optional Exchange, MCN2 Holders will receive approximately \$101 worth of Ordinary Shares per MCN2 based on the VWAP during the 20 ASX Trading Days immediately preceding the Optional Exchange Date. The calculation of the Exchange Number of Ordinary Shares that MCN2 Holders will receive upon Optional Exchange is the same as described in section 2.3.4 for a Relevant Mandatory Exchange Date (with the Optional Exchange Date substituted for the Relevant Mandatory Exchange Date) and using the Maximum Exchange Number applicable to an Optional Exchange Date as described in section 2.4.5. ▪ The VWAP during this period will most likely differ from the Ordinary Share price on or after the Optional Exchange Date. This means that the value of Ordinary Shares received may be more or less than approximately \$101 when they are issued or at any time after that. ▪ MGL’s right to elect to Exchange is restricted in the circumstances described further in section 2.4.4. and is also subject to certain conditions as described further in section 2.4.5. ▪ MCN2 Holders have no right to request Exchange of MCN2. 	Clauses 5.1, 5.2 and 9.1 of the MCN2 Terms

2. About MCN2

Topic	Summary	Further Information
2.4.2. Tax Event	<p>A Tax Event means, broadly, that:</p> <ul style="list-style-type: none"> ▪ MGL receives advice that as a result of a change in law or regulation affecting taxation in Australia on or after the Issue Date (which was not expected by MGL as at the Issue Date), there is more than an insubstantial risk that, in connection with MCN2: <ul style="list-style-type: none"> – an additional franking debit will arise in the franking account of MGL in respect of any Distribution; – MGL would be exposed to a more than de minimis increase in its costs (including any amount of taxes, duties, assessments, costs or other government charges or the loss of any deductions); or – any Distribution would not be frankable. <p>MGL is not aware of, nor expects, any Tax Event as at the date of this Prospectus.</p>	Clause 18.2 of the MCN2 Terms
2.4.3. Regulatory Event	<p>A Regulatory Event will, broadly, occur if as a result of a change of law or regulation, or a statement, order or directive from APRA, on or after the Issue Date, MGL determines that:</p> <ul style="list-style-type: none"> – the MCN2 do not fully qualify as a Relevant Tier 1 Security; – additional requirements in connection with the MCN2 would be imposed on the Macquarie Group which MGL determines might have a material adverse effect on MGL; or – that to have any of the MCN2 outstanding would be unlawful or impractical or would cause MGL to be exposed to a more than <i>de minimis</i> increase in its costs in connection with those MCN2. <p>The implementation of the Conglomerates Standard (in the form published at the Issue Date) will not give rise to a Regulatory Event.</p> <p>MGL is not aware of, nor expects, any Regulatory Event as at the date of this Prospectus.</p>	Clause 18.2 of the MCN2 Terms
2.4.4. Optional Exchange Restrictions	<ul style="list-style-type: none"> ▪ MGL may not elect to Exchange MCN2 if an Optional Exchange Restriction applies. ▪ Further, if MGL has elected to Exchange MCN2, MGL may not proceed to Exchange if, on the Optional Exchange Date, certain further Exchange Conditions are not satisfied. In that case, the Exchange will be deferred until the first semi-annual Distribution Payment Date on which the Optional Exchange Restrictions and the further Exchange Conditions are satisfied. 	Clauses 5.4 and 5.5 of the MCN2 Terms

2. About MCN2

Topic	Summary	Further Information
2.4.4. Optional Exchange Restrictions continued	<ul style="list-style-type: none"> ▪ The Optional Exchange Restrictions are: <ul style="list-style-type: none"> – First Optional Exchange Restriction: the Daily VWAP on the second Business Day before the date on which an Optional Exchange Notice is to be sent by MGL (or, if that Business Day is not an ASX Trading Day, the last ASX Trading Day prior to that day) (“Non-Exchange Test Date”) is less than or equal to 25% of the Issue Date VWAP; or – Second Optional Exchange Restriction: MGL is Delisted as at the Non-Exchange Test Date. 	Clause 5.4 and 5.5 of the MCN2 Terms
2.4.5. Further conditions to an Optional Exchange	<ul style="list-style-type: none"> ▪ The Second Exchange Condition, Third Exchange Condition and Fourth Exchange Condition (as described in section 2.3.3) apply to an Optional Exchange as if the date on which the Optional Exchange is to occur were a Mandatory Exchange Date, except that the Second Exchange Condition is tested on the basis of the Maximum Exchange Number applicable to an Optional Exchange Date. ▪ The Maximum Exchange Number applicable to an Optional Exchange Date is calculated on the basis that the Relevant Percentage is 20%. As a result, the Maximum Exchange Number in the event of an Optional Exchange is higher than the Maximum Exchange Number applicable on a Relevant Mandatory Exchange Date. The effect of this is that the Second Exchange Condition applicable to an Optional Exchange will be met if the VWAP during the 20 ASX Trading Days immediately preceding the Optional Exchange Date is greater than 20.202% of the Issue Date VWAP. 	Clause 5.5 and 9.1 of the MCN2 Terms
2.5. Redemption at option of MGL		
<p>On any of the Scheduled Optional Exchange Dates, being 17 March 2021, 17 September 2021 and 17 March 2022, or after a Tax Event or Regulatory Event, MGL may elect to Redeem all or some MCN2 with APRA’s prior written approval. If Redemption occurs, Holders will receive the Issue Price (\$100) for each MCN2 they hold.</p>		
<p>There are conditions on MGL’s ability to Redeem MCN2 for cash. Importantly, MGL may only elect to Redeem MCN2 with APRA’s prior written approval. MCN2 Holders should not expect that APRA’s approval, if requested, will be given for any Redemption.</p>		
2.5.1. MGL may choose to Redeem MCN2	<ul style="list-style-type: none"> ▪ MGL may choose to Redeem all or some MCN2: <ul style="list-style-type: none"> – on any Scheduled Optional Exchange Date; or – after a Tax Event or Regulatory Event. ▪ MGL’s right to elect to Redeem is subject to APRA’s prior written approval and is restricted in the circumstances described further in section 2.5.3. That approval is at the complete discretion of APRA and may or may not be granted. ▪ MCN2 Holders have no right to request Redemption of MCN2. 	Clause 7 of the MCN2 Terms

2. About MCN2

Topic	Summary	Further Information
2.5.2. MCN2 Holders will receive cash if MCN2 are Redeemed	<ul style="list-style-type: none"> On Redemption, an MCN2 Holder will receive \$100 for each MCN2 it holds which is Redeemed and, if the Payment Conditions are met, a Distribution will be paid on Redeemed MCN2 for the period since the last Distribution Payment Date to the date of Redemption. 	Clause 7.4 of the MCN2 Terms
2.5.3. Conditions on Redemption	<ul style="list-style-type: none"> A Redemption must not occur unless either: <ul style="list-style-type: none"> MCN2 which are to be Redeemed are replaced, concurrently with the Redemption or beforehand, with Relevant Tier 1 Securities of the same or better quality, and the replacement of those MCN2 is done under conditions which are sustainable for the income capacity of the Macquarie Level 3 Group; or APRA is satisfied that the capital position of the Macquarie Level 3 Group is sufficient after the MCN2 are Redeemed. Redemption requires APRA's prior written approval. MCN2 Holders should not expect that APRA's approval will be given for Redemption. 	Clauses 7.1 and 7.2 of the MCN2 Terms
2.6. Resale at option of MGL		
<p>On any of the Scheduled Optional Exchange Dates, being 17 March 2021, 17 September 2021 and 17 March 2022, or following a Tax Event or Regulatory Event, MGL may elect to Resell all or some MCN2 with APRA's prior written approval. If Resale occurs, Holders will receive the Issue Price (\$100) for each MCN2 they hold.</p> <p>Holders should not expect that APRA's approval, if requested, will be given for any Resale.</p>		
2.6.1. MGL may choose to Resell MCN2	<ul style="list-style-type: none"> MGL may choose to Resell all or some MCN2: <ul style="list-style-type: none"> on any Scheduled Optional Exchange Date; or after a Tax Event or Regulatory Event. If MGL elects to Resell MCN2, MGL will appoint one or more third parties ("Nominated Parties") to purchase some or all MCN2. If MGL appoints more than one Nominated Party, MGL can determine the allocation of MCN2 purchased by each Nominated Party. MGL's right to elect to Resell is subject to APRA's prior written approval. That approval is at the complete discretion of APRA and may or may not be granted. MCN2 Holders have no right to request Resale of MCN2. 	Clause 8 of the MCN2 Terms
2.6.2. MCN2 Holders will receive cash if MCN2 are Resold	<ul style="list-style-type: none"> Each MCN2 Holder will receive \$100 for each MCN2 it holds which is being Resold and, if the Payment Conditions are met, a Distribution will be paid by MGL in respect of Resold MCN2 for the period since the last Distribution Payment Date to the date of Resale. 	Clause 8.3 of the MCN2 Terms

2. About MCN2

Topic	Summary	Further Information
2.6.3. If a Nominated Party does not pay the Resale Price MCN2 Holders will continue to hold MCN2	<ul style="list-style-type: none"> ▪ If a Nominated Party does not pay the Resale Price on the Resale Date, the Resale to that Nominated Party will not occur and MCN2 Holders will continue to hold the relevant MCN2 in accordance with the MCN2 Terms. 	Clause 8.6 of the MCN2 Terms
2.7. Non-Viability Event Exchange		
<p>MGL is required to immediately Exchange MCN2 into Ordinary Shares where a Non-Viability Event occurs. Broadly, a Non-Viability Event occurs if APRA (1) has issued a written notice to MGL that Exchange of the MCN2 or the exchange or conversion into Ordinary Shares, or write-off of securities issued as Relevant Tier 1 Securities is necessary because without it APRA considers that MGL would become non-viable or (2) has notified MGL in writing that it has determined that without a public sector injection of capital, or equivalent support, MGL would become non-viable.</p> <p>The Exchange Conditions do not apply to an Exchange following a Non-Viability Event. The number of Ordinary Shares that MCN2 Holders will receive on an Exchange in these circumstances will not be greater than the Maximum Exchange Number applicable to a Non-Viability Exchange Date.</p> <p>As an Exchange in these circumstances would most likely occur during a time of financial difficulty for MGL, depending on the market price of Ordinary Shares at the relevant time, MCN2 Holders may receive less, or significantly less, than \$101 worth of Ordinary Shares per MCN2 and an MCN2 Holder may suffer loss as a consequence.</p> <p>If, for any reason, MCN2 that are required to be Exchanged on account of a Non-Viability Event are not Exchanged within 5 Business Days of the Non-Viability Event, they will be Written-Off. If a Write-Off occurs, the MCN2 Holder's rights under that MCN2 are immediately and irrevocably terminated for no consideration and MCN2 Holders will suffer a total loss of their investment.</p>		
2.7.1. Why the MCN2 Terms include a Non-Viability Event	<ul style="list-style-type: none"> ▪ The global bank Basel III capital framework includes requirements for conversion or write-off of capital instruments where the issuer becomes non-viable. APRA has implemented this framework for Australian banks with effect from 1 January 2013. In order to gain treatment as Eligible Capital under the NOHC Authority or qualify as a Relevant Tier 1 Security, it is also required that MCN2 be Exchanged or Written-Off on the occurrence of a Non-Viability Event. 	
2.7.2. Non-Viability Event	<ul style="list-style-type: none"> ▪ A Non-Viability Event means APRA has: <ul style="list-style-type: none"> – issued a written notice to MGL that: <ul style="list-style-type: none"> (i) Exchange of the MCN2; or (ii) the conversion or exchange into Ordinary Shares or write-off of securities issued as Relevant Tier 1 Securities in accordance with their terms or by operation of law, is necessary because, without such conversion, exchange or write-off, APRA considers MGL would become non-viable; or – notified MGL in writing that it has determined that without a public sector injection of capital, or equivalent support, MGL would become non-viable. 	Clauses 4 and 18.2 of the MCN2 Terms

2. About MCN2

Topic	Summary	Further Information
2.7.2. Non-Viability Event continued	<ul style="list-style-type: none"> ▪ If a Non-Viability Event occurs which does not involve a determination by APRA that a public sector injection of capital would be required, MGL must immediately Exchange such number of MCN2 as is equal (following or together with any conversion into Ordinary Shares or write-off of other securities issued as Relevant Tier 1 Securities) to the aggregate face value of MCN2 and other securities issued as Relevant Tier 1 Securities which APRA has notified MGL must be exchanged into Ordinary Shares, converted into Ordinary Shares or written-off (or, if APRA has not so notified MGL, such number of MCN2 as MGL determines is necessary to satisfy APRA that MGL will not become non-viable). ▪ In the case of a Non-Viability Event which involves determination by APRA that a public sector injection of capital would be required, all MCN2 must be exchanged. ▪ As at the date of this Prospectus, MGL has one other outstanding issue of securities issued as Relevant Tier 1 Security that are outstanding (the MCN). If a Non-Viability Event were to occur and MGL is required to Exchange only a proportion of the securities issued as Relevant Tier 1 Securities then on issue, the proportion of MCN2 to be Exchanged (which may be all of the MCN2) may be lower if other Relevant Tier 1 Securities are on issue. There is no obligation on any member of the Macquarie Group to issue any Relevant Tier 1 Securities. There is no obligation on MGL to maintain on issue the MCN or any other Relevant Tier 1 Securities that it has issued or may decide to issue in the future. 	Clauses 4 and 18.2 of the MCN2 Terms
2.7.3. Meaning of non-viable	<ul style="list-style-type: none"> ▪ APRA has not provided guidance as to how it would determine non-viability. ▪ Non-viability could be expected to include serious impairment of MGL's financial position and insolvency. However, it is possible that APRA's definition of non-viable may not necessarily be confined to solvency measures or capital levels and may also include other matters such as liquidity. ▪ APRA has indicated that at this time it will not publish further guidance on the parameters used to determine non-viability. 	

2. About MCN2

Topic	Summary	Further Information
2.7.4. MCN2 Holders will receive Ordinary Shares on the Non-Viability Exchange Date	<ul style="list-style-type: none">▪ The number of Ordinary Shares an MCN2 Holder will receive per MCN2 on account of an Exchange following a Non-Viability Event is the Exchange Number (calculated as described below) but cannot be more than the Maximum Exchange Number applicable to a Non-Viability Exchange Date.▪ The Exchange Number on account of a Non-Viability Event Exchange is calculated in the same manner as for a Relevant Mandatory Exchange Date (see section 2.3.4).<p>However, the <i>Exchange Date VWAP</i> in this case is the volume weighted average price of Ordinary Shares during the period of 5 ASX Trading Days immediately preceding the Non-Viability Exchange Date.</p>▪ The Maximum Exchange Number applicable to a Non-Viability Exchange Date is calculated on the basis that the Relevant Percentage is 20%. As a result, the Maximum Exchange Number on account of a Non-Viability Event Exchange is higher than the Maximum Exchange Number applicable to a Relevant Mandatory Exchange Date.▪ Since Exchange Conditions do not apply to a Non-Viability Event, the Exchange Number of Ordinary Shares may be limited to the Maximum Exchange Number applicable to a Non-Viability Exchange Date. Accordingly, the Ordinary Shares an MCN2 Holder may receive in these circumstances may be worth significantly less than the Issue Price of MCN2 and an MCN2 Holder may suffer a loss as a consequence.▪ If some (but not all) MCN2 are to be Exchanged on account of a Non-Viability Event, MGL will endeavour to treat MCN2 Holders on an approximately proportionate basis, but may discriminate to take account of the effect on marketable parcels of MCN2 and other similar considerations and the need to effect Exchange immediately.	Clauses 4.4, 4.5, 4.6 and 4.7 of the MCN2 Terms

2. About MCN2

Topic	Summary	Further Information
2.7.5. If a Non-Viability Event occurs, MGL must immediately Exchange some or all MCN2 into Ordinary Shares	<ul style="list-style-type: none">▪ Exchange on the occurrence of a Non-Viability Event is not subject to the Exchange Conditions being satisfied and is required to occur immediately on the date the Non-Viability Event occurs.▪ MGL expects any ASX trades in MCN2 that have not been settled on the date a Non-Viability Event occurs will continue to settle in accordance with the normal ASX settlement, although MGL expects the seller will be treated as having delivered, and the buyer will be treated as having acquired, the Exchange Number of Ordinary Shares into which MCN2 have been Exchanged as a result of the Non-Viability Event.▪ MGL must give MCN2 Holders notice as soon as practicable that a Non-Viability Event has occurred, including details of the number of MCN2 Exchanged.	Clauses 4.5, 4.6 and 4.7 of the MCN2 Terms
2.7.6. MCN2 will be Written-Off if they are not Exchanged following a Non-Viability Event	<ul style="list-style-type: none">▪ If, following a Non-Viability Event, for any reason (including, without limitation, an Inability Event), Exchange of MCN2 as required on account of a Non-Viability Event does not occur within 5 Business Days of the Non-Viability Exchange Date, then Exchange will not occur and each relevant MCN2 will be Written-Off.▪ An Inability Event will arise if MGL or any of its Related Bodies Corporate is prevented, for any reason, from observing or performing their obligations in respect of an Exchange (including in connection with the issue of Ordinary Shares). For example, an Inability Event will arise MGL were prevented by an applicable law or order of any court, or action of any government authority, from issuing Ordinary Shares. Such laws could include laws relating to insolvency, Winding Up or other external administration of MGL.▪ However, Write-Off will also occur if the Exchange has not occurred for reasons other than an Inability Event.▪ Where an MCN2 is Written-Off, the MCN2 Holder's rights under that MCN2 are immediately and irrevocably terminated for no consideration, and MCN2 Holders will suffer a total loss of their investment.	Clauses 4.5, 9.17 and 18.2 of the MCN2

2. About MCN2

Topic	Summary	Further Information
2.8. Exchange on an Acquisition Event		
MGL is required to Exchange MCN2 into Ordinary Shares where a person acquires control of MGL (except in certain circumstances).		
There are conditions to Exchange on an Acquisition Event which ensure that an MCN2 Holder will receive approximately \$101 worth of Ordinary Shares for each MCN2 they hold and the Ordinary Shares received are capable of being sold on ASX. However, these conditions do not apply if the Directors determine that the Exchange is in any event in the best interests of MCN2 Holders as a whole.		
2.8.1. Acquisition Event	<ul style="list-style-type: none"> ▪ An Acquisition Event broadly means either: <ul style="list-style-type: none"> – a takeover bid is made to acquire all or some Ordinary Shares and the offer is, or becomes, unconditional and as a result the bidder has a relevant interest in more than 50% of the Ordinary Shares on issue; – a court approves a scheme of arrangement which, when implemented will result in a person having a relevant interest in more than 50% of the Ordinary Shares on issue; or – a person acquires, or enters into an agreement (which is or becomes unconditional) to beneficially acquire more than 50% of the voting shares in the capital of MGL. ▪ However, an Acquisition Event will not occur where that event occurs as part of a solvent reorganisation of MGL which, is initiated by the Directors or, in the reasonable opinion of the Directors, is not materially adverse to the interests of MCN2 Holders as a whole, and the acquiring entity assumes corresponding obligations to issue ordinary shares to MCN2 Holders where MGL would be required to issue Ordinary Shares. MGL may make appropriate amendments to the MCN2 Terms, with the prior written consent of APRA but without the consent of the MCN2 Holders, to give effect to that substitution. 	Clauses 14.2 and 18.2 of the MCN2 Terms
2.8.2. Consequences of an Acquisition Event for MCN2 Holders	<ul style="list-style-type: none"> ▪ If an Acquisition Event occurs, all MCN2 will be Exchanged for the Exchange Number of Ordinary Shares (subject to the Exchange Number being no greater than the Maximum Exchange Number applicable to an Acquisition Exchange Date) unless the Directors determine that: <ul style="list-style-type: none"> – as at the Acquisition Exchange Date, MGL will be, or is likely to be, Delisted; or – the Exchange Number of Ordinary Shares to be issued in exchange for an MCN2 would exceed the Maximum Exchange Number applicable to that Acquisition Exchange Date (except in limited circumstances). 	Clauses 6.1 and 9.1 of the MCN2 Terms

2. About MCN2

Topic	Summary	Further Information
<p>2.8.2. Consequences of an Acquisition Event for MCN2 Holders continued</p>	<ul style="list-style-type: none"> ▪ The Maximum Exchange Number applicable to an Acquisition Exchange Date is calculated on the basis that the Relevant Percentage is 20%. As a result, the Maximum Exchange Number in the event of an Exchange on an Acquisition Event is higher than the Maximum Exchange Number applicable to a Relevant Mandatory Exchange Date. The effect of this is that the second of the Exchange Conditions referred to in the paragraph above will be met if the VWAP during the 20 ASX Trading Days immediately preceding the Acquisition Exchange Date is greater than 20.21% of the Issue Date VWAP. ▪ If either of the conditions in the first paragraph above applies, Exchange will still occur if the Directors determine that the Exchange would be in the best interests of the MCN2 Holders as a whole, notwithstanding that MGL will be, or is likely to be, Delisted or the number of Ordinary Shares is limited by the Maximum Exchange Number applicable to an Acquisition Exchange Date. In this situation MCN2 Holders would receive less than \$101 worth of Ordinary Shares and/or may be unable to trade the Ordinary Shares received. 	<p>Clauses 6.1 and 9.1 of the MCN2 Terms</p>
<p>2.8.3. MCN2 Holders will receive Ordinary Shares on the Acquisition Exchange Date</p>	<ul style="list-style-type: none"> ▪ In the ordinary course, Exchange of MCN2 following an Acquisition Event will be for approximately \$101 worth of Ordinary Shares per MCN2, based on the VWAP calculated over a period of up to 20 ASX Trading Days immediately preceding the Acquisition Exchange Date (calculated in the same manner as for a Relevant Mandatory Exchange Date as described in section 2.3.4 with the Acquisition Exchange Date substituted for the Relevant Mandatory Exchange Date). ▪ The VWAP during this period may differ from the Ordinary Share price on or after the Acquisition Exchange Date. This means that the value of Ordinary Shares received may be more or less than approximately \$101 when they are issued or at any time after that. ▪ If MGL will be, or will be likely to be, Delisted on the Acquisition Exchange Date, Exchange will only occur if the Directors determine that it would be in the best interests of the MCN2 Holders, taken as a whole. This means that upon Exchange, MCN2 Holders may be issued with the Exchange Number (subject to the Maximum Exchange Number applicable to an Acquisition Exchange Date) of Ordinary Shares, based on the VWAP for a VWAP Period when MGL was listed. At the time of Exchange, the value of Ordinary Shares may be uncertain and MCN2 Holders may be unable to trade those Ordinary Shares. 	<p>Clauses 6.1 and 9.1 of the MCN2 Terms</p>

2. About MCN2

Topic	Summary	Further Information
2.8.3. MCN2 Holders will receive Ordinary Shares on the Acquisition Exchange Date continued	<ul style="list-style-type: none"> If the Exchange Number (calculated as if it were not limited by the Maximum Exchange Number applicable to an Acquisition Exchange Date) is greater than the Maximum Exchange Number applicable to an Acquisition Exchange Date then Exchange will not occur unless the Directors determine that the Exchange would be in the best interests of the MCN2 Holders taken as a whole. If, in this situation, Exchange proceeds, MCN2 Holders will receive the Maximum Exchange Number applicable to an Acquisition Exchange Date of Ordinary Shares. The Maximum Exchange Number of Ordinary Shares may be worth significantly less than \$101 and an MCN2 Holder may suffer a loss as a consequence. 	Clauses 6.1 and 9.1 of the MCN2 Terms
2.8.4. If Exchange does not occur following an Acquisition Event MCN2 Holders will continue to hold MCN2	<ul style="list-style-type: none"> Where Exchange does not occur following an Acquisition Event, MCN2 Holders will continue to hold MCN2 in accordance with the MCN2 Terms. 	Clause 9.13 of the MCN2 Terms
2.9. Regulatory treatment of MCN2		
2.9.1. MGL's prudential capital requirements	<ul style="list-style-type: none"> MGL is an authorised non-operating holding company ("NOHC"), regulated by APRA. MGL is required by APRA to hold sufficient capital to meet the requirements of the Bank Group (based on APRA's ADI prudential standards) and the Non-Bank Group (calculated using the Macquarie Group's economic capital model). 	Section 3.7.3
2.9.2. Australian Prudential Regulation Authority (APRA)	<ul style="list-style-type: none"> APRA is the prudential regulator of the Australian financial services industry. APRA oversees banks, credit unions, building societies, general insurance and reinsurance companies, life insurance companies, friendly societies and most members of the superannuation industry. APRA's website at www.apra.gov.au includes further details of its functions and prudential standards. 	
2.9.3. Regulatory capital	<ul style="list-style-type: none"> APRA's regulatory capital prudential standards aim to ensure that banks and non-operating holding companies of financial groups, like MGL, maintain adequate capital to support the risks associated with their activities and can withstand unexpected losses. APRA has detailed guidance and restrictions on the types of capital instruments that are permitted to be included in a bank's capital base. The types of capital deemed eligible for inclusion in the capital base are referred to as regulatory capital. 	

2. About MCN2

Topic	Summary	Further Information
2.9.4. Eligible Capital	<ul style="list-style-type: none"> ▪ APRA currently allows for a mix of capital to meet MGL's capital requirements, including shareholders' equity and certain hybrid instruments, with minimum requirements as described in the NOHC Authority. This is referred to as "Eligible Capital". ▪ APRA has issued proposed standards applicable to Level 3 conglomerate groups ("Conglomerates Standard") but its final implementation date is unknown. 	
2.9.5. Regulatory treatment of MCN2	<ul style="list-style-type: none"> ▪ APRA has assessed that MCN2 will be Eligible Capital under its NOHC Authority. ▪ If the Conglomerates Standard is introduced APRA has confirmed that MCN2 will not be Eligible Capital when the standard takes effect. However, APRA has confirmed to MGL that it does not object, in principle, to the Macquarie Group using the MCN2 to make contributions to an ADI within the Macquarie Group that will qualify as an Additional Tier 1 Capital instrument of that ADI. ▪ See further section 2.4.3 on "Regulatory Event". 	
2.10. Ranking of MCN2		
2.10.1. Ranking of MCN2 in a Winding Up of MGL	<ul style="list-style-type: none"> ▪ If a Winding Up occurs in relation to MGL, MCN2 will rank ahead of Ordinary Shares, equally with Equal Ranking Obligations (which currently includes obligations in respect of MCN and PMIs), but behind all Senior Creditors. ▪ Any return in a Winding Up of MGL may be adversely affected if a Non-Viability Event occurs (see section 2.7). If this happens some or all MCN2 will be required to be Exchanged, or, if Exchange has not occurred within 5 Business Days, Written-Off. If an MCN2 is Exchanged, the MCN2 Holder would become a holder of Ordinary Shares and those shares may be worth significantly less than the Issue Price of the MCN2. If an MCN2 is Written-Off the MCN2 Holder will suffer a total loss of their investment in MCN2. 	Clauses 1.5 and 16.1 of the MCN2 Terms and Section 2.7
2.11. Other		
2.11.1. Ordinary Shares on Exchange issued to a Sale Agent	<ul style="list-style-type: none"> ▪ On Exchange, in certain limited circumstances, where the MCN2 Holder has requested MGL to do so, where there are impediments to the Ordinary Shares being issued directly to an MCN2 Holder or where MGL is required to make a FATCA Withholding from such issue, Ordinary Shares may be issued to a Sale Agent instead of the relevant MCN2 Holder. ▪ None of MGL, the Trustee or any Sale Agent owe any duty to the MCN2 Holder in relation to the price at which Ordinary Shares are sold. 	Clauses 9.14 and 9.15 of the MCN2 Terms and Section 4.1.17

2. About MCN2

Topic	Summary	Further Information
2.11.2. MCN2 cannot be set-off against other claims	<ul style="list-style-type: none"> An MCN2 Holder has no right to set-off any amounts owing by it to a member of the Macquarie Group against any claims owing by MGL or another member of the Macquarie Group to such MCN2 Holder. Equally, MGL has no right to set-off any amounts owing by it to an MCN2 Holder in respect of the MCN2 against any claims owing by the MCN2 Holder to it or any member of the Macquarie Group. 	Clause 11.5 of the MCN2 Terms
2.11.3. MCN2 carry no voting rights in respect of MGL	<ul style="list-style-type: none"> MCN2 Holders have no voting rights in respect of MGL or any other member of the Macquarie Group. MCN2 Holders may vote at meetings for MCN2 Holders in accordance with the Trust Deed. 	Clause 15.2 of the MCN2 Terms
2.11.4. MGL can issue further securities	<ul style="list-style-type: none"> MGL has the right in its absolute discretion to issue shares or other securities of any kind. MCN2 confer no rights on an MCN2 Holder to subscribe for new securities or participate in any bonus issues of securities of MGL or any other member of the Macquarie Group. 	Clause 1.7 of the MCN2 Terms and Section 4.1.19
2.11.5. MGL may amend the MCN2 Terms and Trust Deed	<ul style="list-style-type: none"> Subject to complying with all applicable laws, and with APRA's prior written approval where required, MGL may amend the MCN2 Terms and Trust Deed without the consent of MCN2 Holders or the Trustee in certain circumstances. MGL may also, with APRA's prior written approval where required, amend the MCN2 Terms and Trust Deed if the amendment has been approved by a Special Resolution and by the Trustee. Notwithstanding the above, any amendment to the MCN2 Terms or Trust Deed which may have an adverse effect on the Trustee's rights and obligations under the Trust Deed must first be approved by the Trustee. 	Clause 14 of the MCN2 Terms and Section 4.1.27
2.11.6. Macquarie Group may purchase MCN2	<ul style="list-style-type: none"> Subject to APRA's prior written approval, any member of the Macquarie Group may purchase MCN2 at any time and at any price. 	Clause 15.4 of the MCN2 Terms
2.11.7. Taxation implications of investing in MCN2	<ul style="list-style-type: none"> The taxation implications of investing in MCN2 will depend on an investor's individual circumstances. Prospective investors should obtain their own taxation advice. A general outline of the Australian taxation implications is included in the Australian taxation summary at section 5.1. 	Section 5

2. About MCN2

Topic	Summary	Further Information
2.11.8. No brokerage, commission or stamp duty payable on Applications for MCN2	<ul style="list-style-type: none">▪ No brokerage, commission or stamp duty is payable on Applications for MCN2 provided that no person obtains, either alone or with associates, an interest of 90% or more in MGL. MCN2 Holders may have to pay brokerage (and applicable GST) on any subsequent transfer of MCN2 on ASX after quotation or on any transfer of Ordinary Shares that may be quoted on an Exchange.	Section 7.2.3
2.11.9. Withholding or deductions	<ul style="list-style-type: none">▪ MGL has the right to withhold or deduct from any payment or issue of Ordinary Shares the amount of any withholding or other tax required to be withheld or deducted by law (including in order for it to comply with FATCA).▪ If a withholding or deduction is made from a payment in respect of MCN2, there is no obligation on MGL to gross-up a Distribution on account of such withholding or deduction.	Clauses 11.4 of the MCN2 Terms and Section 4.1.26

3

**About MGL and the
Macquarie Group**

3. About MGL and the Macquarie Group

3.1. Introduction

MGL is an ASX listed diversified financial services holding company headquartered in Sydney, Australia and regulated as a NOHC of an Australian ADI by APRA, the prudential regulator of the Australian financial services industry.

MGL is the ultimate holding company for all other companies and entities within the Macquarie Group. The Macquarie Group provides banking, financial, advisory, investment and funds management services through client driven businesses which generate income by providing a diversified range of services to clients. The Macquarie Group acts on behalf of institutional, corporate and retail clients and counterparties around the world.

As at 30 September 2015, the Macquarie Group employed over 13,500 staff and had total assets of \$209.1 billion and total equity of \$15.2 billion. For the half year ended 30 September 2015, Macquarie Group's net operating income was \$5.3 billion and profit after tax attributable to ordinary equity holders of \$1,070 million. For the financial year ended 31 March 2015, the Macquarie Group's net operating income was \$9.3 billion and profit after tax attributable to ordinary equity holders was \$1,604 million, with 70% of net operating income (excluding earnings on capital and other corporate items) derived from international income¹⁷.

More information about the Macquarie Group and its businesses can be found at www.macquarie.com.

3.2. Reporting and disclosing obligations

MGL is listed on ASX (Ordinary Shares ASX Code: MQG) and is a disclosing entity under the Corporations Act. It is therefore subject to regular reporting and disclosure obligations under the Corporations Act and the ASX Listing Rules. These include preparation of yearly and half-yearly financial statements, a report on the operations of the Macquarie Group during the relevant period and an audit or review report by its auditor. Copies of documents lodged with ASIC may be obtained from or inspected at any ASIC office.

MGL has an obligation under the ASX Listing Rules (subject to certain exceptions) to notify ASX immediately of any information of which it is, or becomes, aware concerning the Macquarie Group, which a reasonable person would expect to have a material effect on the price or value of the Ordinary Shares. This information can be accessed via the ASX website and at www.macquarie.com.

MGL will provide a copy of any of the following documents free of charge to any person who requests a copy during the Offer Period:

- the 2015 annual financial report and 2015 interim financial report most recently provided to ASX by MGL (on 8 May 2015 and 31 October 2015 respectively);
- any continuous disclosure notices given by MGL after the release of the 2015 annual financial report and before the lodgement of this Prospectus with ASIC; and
- the MGL Constitution.

More information about MGL and the Macquarie Group and its businesses can be found at www.macquarie.com. During the Offer Period, you can obtain a copy of the above documents free of charge at www.macquarie.com or by phoning the MCN2 Offer Information Line on 1300 306 413 (within Australia) or on +61 1300 306 413 (International).

3.3. Organisational structure

The Macquarie Group's business operations are conducted primarily through two groups, within which individual businesses operate: the Bank Group and the Non-Bank Group.

The Bank Group includes MBL and has five operating groups:

- Corporate & Asset Finance;
- Banking & Financial Services;
- Macquarie Asset Management (excluding the Macquarie Infrastructure and Real Assets division and the Macquarie Investment Management division);

17. Operating income is classified as 'international' with reference to the geographic location from which the operating income is generated. This may not be the same geographic location where the operating income is recognised. For example, operating income generated by work performed for clients based overseas but recognised in Australia for reporting purposes would be classified as international income.

3. About MGL and the Macquarie Group

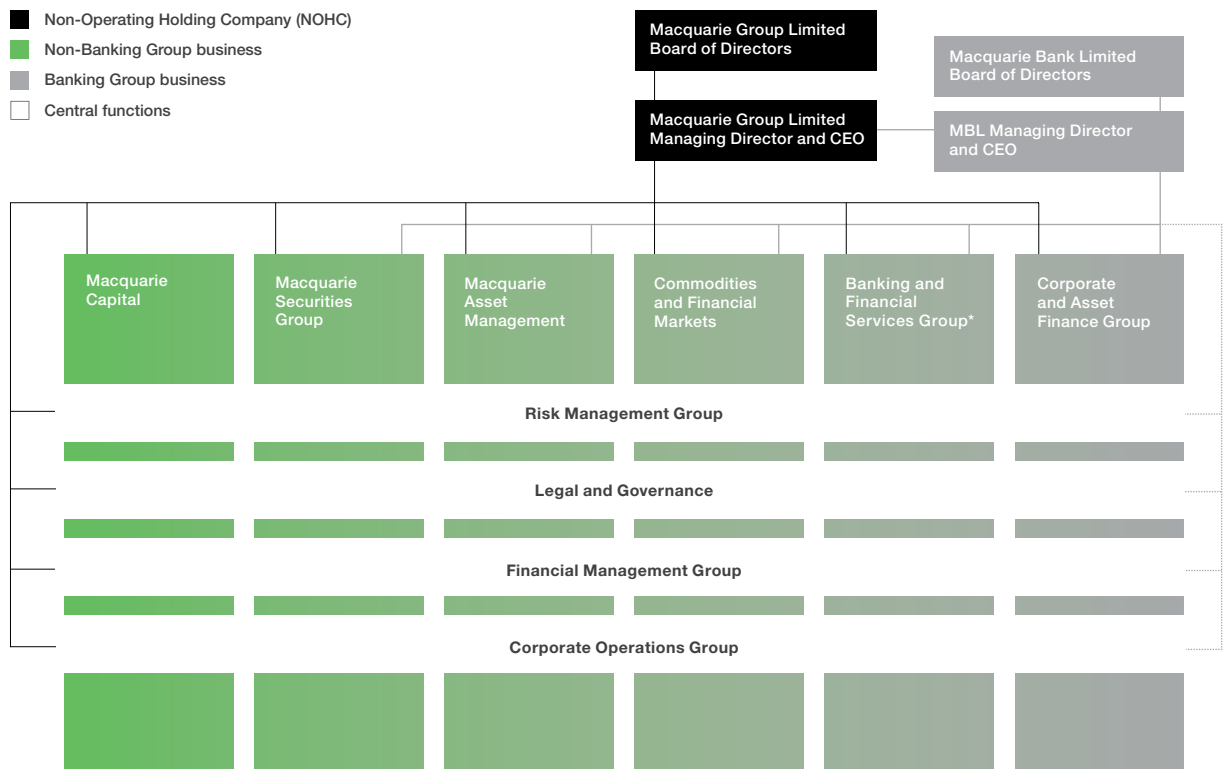
- Commodities & Financial Markets (excluding certain assets of the Credit Markets business and some other less financially significant activities); and
- Macquarie Securities (excluding certain activities of the Cash division and certain activities of the Derivatives and Trading division, in each case, in certain jurisdictions).

The Non-Bank Group consists of:

- Macquarie Capital;
- the Macquarie Infrastructure and Real Assets division and the Macquarie Investment Management division of Macquarie Asset Management;
- certain activities of the Cash division and certain activities of the Derivatives and Trading division of Macquarie Securities, in each case, in certain jurisdictions; and
- certain assets of the Credit Markets business and some other less financially significant activities of Commodities & Financial Markets.

Shared services are provided to both the Bank Group and the Non-Bank Group through the Corporate segment. The Corporate segment is not considered an operating group and currently comprises four central functions: Risk Management, Legal and Governance, Financial Management and Corporate Operations. Shared services include: Risk Management, Finance, Information Technology, Group Treasury, Settlement Services, Equity Markets Operations, Human Resources Services, Business Services, Company Secretarial, Corporate Communications and Investor Relations Services, Taxation Services, Business Improvement and Strategy Services, Central Executive Services, Other Group-wide Services, Business Shared Services, and other services as may be agreed from time to time.

MBL and MGL have corporate governance and policy frameworks that meet APRA's requirements for ADIs and NOHCs, respectively. The Bank Group and the Non-Bank Group operate as separate sub-groups within MGL with clearly identifiable businesses, separate capital requirements and discrete funding programs. Although the Bank Group and the Non-Bank



As at 8 May 2015

* The current Group Head of BFS is also the Deputy Group CEO.

3. About MGL and the Macquarie Group

Group operate as separate sub-groups, both are integral to the Macquarie Group's identity and strategy as they assist the Macquarie Group in continuing to pursue value adding and diversified business opportunities while meeting its obligations under APRA rules. The above diagram shows the Macquarie Group's current organisational structure and reflects the composition of the Bank and Non-Bank Groups.

MGL will continue to monitor and review the appropriateness of the Macquarie Group's structure, including the provision of shared services. From time to time, the optimal allocation of our businesses between the Bank Group and the Non-Bank Group and within the Bank Group and the Non-Bank Group may be adjusted and we may make changes in light of relevant factors including business growth, regulatory considerations, market developments and counterparty considerations.

3.4. Business strategies

Consistent with the principles of Opportunity, Accountability and Integrity, the Macquarie Group employs a business strategy focused on the medium term with the following key aspects:

- *conducting a mix of annuity-style and capital markets facing businesses* that deliver solid returns in a range of market conditions. In recent years the Macquarie Group has strongly developed its annuity-style businesses, providing steady returns to the business and the Macquarie Group shareholders and certainty to clients.
- *operating a diversified set of businesses* across different locations and service offerings: banking, financial, advisory, investment and funds management services. The Macquarie Group offers a range of services to government, institutional, corporate and retail clients. This diversity mitigates concentration risk and provides resilience to the Macquarie Group, as highlighted in the challenging global markets of recent years.
- *utilising proven deep expertise* has allowed the Macquarie Group to establish leading market positions as a global specialist in sectors including resources and commodities, energy, financial institutions, infrastructure and real estate, with a deep knowledge of Asia-Pacific financial markets.
- *expanding progressively by pursuing adjacencies* through new organic opportunities and selective acquisitions in products and geographies that are adjacent to its established areas of expertise, by building expertise in these disciplines and expanding into associated activities. This results in sustainable evolutionary growth.
- *pursuing growth opportunities* through recognising the value of ideas and innovation. The Macquarie Group starts with real knowledge and skill and encourages innovation, ingenuity and entrepreneurial spirit coupled with accountability. The Macquarie Group seeks to identify opportunity and realise it for clients, community, shareholders and its people. Ideas for new businesses are typically generated in the operating businesses. Additionally, there are no specific businesses, markets, or regions in which the Macquarie Group's strategy demands it operates. This means it retains operational flexibility and can adapt the portfolio mix to changing market conditions within the boundaries of the Board-approved Risk Appetite Statement.
- *utilising a conservative approach to risk management* through the Macquarie Group's strong risk management framework, embedded across all operating groups. This equips the business for unanticipated disruptions and ensures that both the relevant business and the Macquarie Group can survive a worst-case outcome from any new or existing activity.
- *maintaining a strong and conservative balance sheet* consistent with its longstanding policy of holding a level of capital which supports its business and managing its capital base ahead of ordinary business requirements. The Macquarie Group remains well funded, with diversified funding sources. It continues to pursue its strategy of diversifying funding sources by growing its deposit base and accessing different funding markets.

3. About MGL and the Macquarie Group

3.5. MGL Board

The MGL Board comprises:

- Kevin McCann AM, Chairman*
- Nicholas Moore, Managing Director and Chief Executive Officer
- Gary Banks AO
- Gordon Cairns
- Michael Coleman
- Patricia Cross
- Diane Grady AM
- Michael Hawker AM
- Nicola Wakefield Evans
- Peter Warne*

The roles and responsibilities of the MGL Board are set out in the Board Charter. The Board Charter and further information on the MGL Board is available at www.macquarie.com.

* On 24 September 2015, MGL announced that Mr McCann will retire as Chairman and a Voting Director of MGL, effective 31 March 2016. Independent Director, Mr Warne, has been appointed non-executive Chairman of the Board of MGL, effective on Mr McCann's retirement.

3.6. Management of the businesses of the Macquarie Group

The members of the Macquarie Group's Executive Committee are:

- Nicholas Moore, Managing Director and Chief Executive Officer
- Greg Ward, Deputy Managing Director and Head of Banking and Financial Services Group
- Mary Reemst, MBL Managing Director and Chief Executive Officer
- Patrick Upfold, Chief Financial Officer, Head of Financial Management Group
- Stephen Allen, Head of Risk Management Group
- Andrew Downe, Head of Commodities and Financial Markets
- Tim Bishop, Head of Macquarie Capital
- Shemara Wikramanayake, Head of Macquarie Asset Management

- Garry Farrell, Co-Head of Corporate and Asset Finance Group
- Ben Brazil, Co-Head of Corporate and Asset Finance Group
- Stevan Vrcelj, Head of Macquarie Securities Group
- Michael McLaughlin, US Country Head
- Nicola Sorbara, Head of Corporate Operations Group

Further information on the role and responsibilities of the Executive Committee is included in the Macquarie Group's 2015 Annual Financial Report which is available at www.macquarie.com.

3.7. Financial information about the Macquarie Group

The summary consolidated statement of financial position data as at 30 September 2015 and 31 March 2015 and income statement data for the half year ended 30 September 2015 and full year ended 31 March 2015 presented in this section has been derived from the Macquarie Group's 2016 mid year financial statements. These statements of financial position have been prepared in accordance with Macquarie Group's normal accounting policies which are detailed in the Macquarie Group's 2015 Annual Financial Report.

Investors should note that past performance is not a reliable indicator of future performance.

3. About MGL and the Macquarie Group

3.7.1. Macquarie Group's Consolidated Income Statement

	Half-year to 30 Sep 2015 \$m	Half-year to 31 Mar 2015 \$m	Half-year to 30 Sep 2014 \$m
Interest and similar income	2,677	2,613	2,396
Interest expense and similar charges	(1,512)	(1,477)	(1,440)
Net interest income	1,165	1,136	956
Fee and commission income	2,794	2,572	2,167
Net trading income	1,108	1,040	687
Share of net (losses)/profits of associates and joint ventures accounted for using the equity method	(63)	(14)	19
Other operating income and charges	314	244	455
Net operating income	5,318	4,978	4,284
Employment expenses	(2,263)	(2,199)	(1,944)
Brokerage, commission and trading-related expenses	(444)	(437)	(387)
Occupancy expenses	(202)	(201)	(178)
Non-salary technology expenses	(287)	(231)	(206)
Other operating expenses	(503)	(509)	(448)
Total operating expenses	(3,699)	(3,577)	(3,163)
Operating profit before income tax	1,619	1,401	1,121
Income tax expense	(530)	(467)	(432)
Profit after income tax	1,089	934	689
(Profit)/loss attributable to non-controlling interests:			
Macquarie Income Securities	(8)	(9)	(9)
Macquarie Income Preferred Securities	(1)	(3)	(2)
Other non-controlling interests	(10)	4	–
Profit attributable to non-controlling interests	(19)	(8)	(11)
Profit attributable to ordinary equity holders of Macquarie Group Limited	1,070	926	678

3. About MGL and the Macquarie Group

3.7.2. Macquarie Group's Consolidated Statement of Financial Position and Pro-Forma Position

	as at 30 Sept 2015 \$m	as at 31 March 2015 \$m	as at 30 Sept 2014 \$m	Pro-forma as at 30 Sept 2015 \$m*
Assets				
Receivables from financial institutions	36,954	28,705	20,775	36,873
Trading portfolio assets	31,337	30,406	26,310	31,337
Derivative assets	22,307	20,080	14,648	22,307
Investment securities available for sale	10,707	8,896	9,299	10,707
Other assets	13,742	13,557	13,024	13,742
Loan assets held at amortised cost	76,690	72,762	64,435	76,690
Other financial assets at fair value through profit or loss	2,101	2,125	2,752	2,101
Property, plant and equipment	10,383	7,079	6,636	10,383
Interests in associates and joint ventures accounted for using the equity method	2,779	2,328	2,483	2,779
Intangible assets	1,182	1,164	1,237	1,182
Deferred tax assets	908	874	733	908
Total assets	209,090	187,976	162,332	209,009
Liabilities				
Trading portfolio liabilities	8,702	5,295	4,118	8,702
Derivative liabilities	20,018	18,267	14,634	20,018
Deposits	51,915	47,386	44,216	51,915
Other liabilities	15,372	15,830	13,287	15,372
Payables to financial institutions	23,525	18,645	16,961	23,525
Other financial liabilities at fair value through profit or loss	2,309	1,626	1,364	2,309
Debt issued at amortised cost	65,466	61,463	51,076	65,466
Provisions	238	220	221	238
Deferred tax liabilities	546	464	635	546
Total liabilities excluding loan capital	188,091	169,196	146,512	188,091
Loan capital				
Subordinated debt issued at amortised cost	5,782	4,384	3,604	5,701
Total loan capital	5,782	4,384	3,604	5,701
Total liabilities	193,873	173,580	150,116	193,792
Net assets	15,217	14,396	12,216	15,217
Equity				
Contributed equity	5,836	5,947	5,063	5,836
Reserves	2,090	1,656	826	2,090
Retained earnings	6,705	6,306	5,801	6,705
Total capital and reserves attributable to ordinary equity holders of Macquarie Group Limited	14,631	13,909	11,690	14,631
Non-controlling interests	586	487	526	586
Total equity	15,217	14,396	12,216	15,217

* The pro-forma position as at 30 September 2015 reflects the intended redemption of US\$400m of PMIs and the issue of \$500m MCN2 (net of expenses to be paid) and is based upon an AUD/USD exchange rate of 0.70188 as at 30 September 2015.

On 8 October 2015 MBL entered into an agreement to acquire the Esanda auto finance portfolio from Australia and New Zealand Banking Group Limited for \$8,200 million. This acquisition will be funded from existing funding sources, capital and third-party financing arrangements. An institutional placement of \$400 million ordinary equity was completed on 9 October 2015 and a share purchase plan raised \$137 million ordinary equity in November 2015. These transactions are not reflected in the pro-forma position because the transaction is not fully completed.

3. About MGL and the Macquarie Group

3.7.3. Capital position

As an APRA authorised and regulated NOHC, MGL is required to hold adequate regulatory capital to cover the risks for the whole Macquarie Group, comprising the Bank Group and the Non-Bank Group. MGL and APRA has agreed a capital adequacy framework for MGL, based on the MGL's Board-approved Economic Capital Adequacy Model (**ECAM**) and APRA's capital standards for ADIs.

MGL's capital adequacy framework requires it to maintain minimum regulatory capital requirements calculated as the sum of:

- the Bank Group's minimum Tier 1 Capital requirement, based on a percentage of risk-weighted assets plus Tier 1 deductions (using prevailing APRA ADI prudential standards); and
- the Non-Bank Group capital requirement, calculated using Macquarie Group's ECAM. Transactions internal to the Macquarie Group are eliminated.

Eligible regulatory capital of MGL consists of ordinary share capital, retained earnings and certain reserves plus eligible hybrid instruments. Eligible hybrid instruments currently include PMIs issued in November 2010, the MCN issued in 2013 as well as Additional Tier 1 Capital of the Bank Group. MCN2 currently qualify for inclusion as Eligible Capital but APRA has confirmed that if the Conglomerates Standard is introduced, MCN2 will not qualify for inclusion as Eligible Capital. However, APRA has confirmed that it does not object to the Macquarie Group using the proceeds of issue of the MCN2 to make contributions to an ADI within the Macquarie Group that will qualify as an Additional Tier 1 Capital instrument of that ADI (any such instrument would only be a "Related Additional Tier 1 Security" of that ADI if APRA approves it as such). Please see section 3.7.4 for the impact of the Offer on Macquarie Group's regulatory capitalisation.

Capital disclosures in this section include Harmonised Basel III¹⁸ and APRA Basel III¹⁹. The former is relevant for comparison with banks regulated by regulators other than APRA, whereas the latter reflects Macquarie's regulatory requirements under APRA Basel III rules.

18. Harmonised Basel III relates to the Basel III rules defined by the Basel Committee on Banking Supervision, documented in the following: 'Basel III: a global regulatory framework for more resilient banks and banking systems', published December 2010 (revised June 2011) by the Bank for International Settlements (BIS).

19. APRA Basel III relates to the Prudential Standards released by APRA applying as at the date of this Prospectus.

3. About MGL and the Macquarie Group

The Macquarie Group regulatory capital surplus calculation as at 30 September 2015 is set out in the table below.

	As at 30 September 2015	
	Harmonised Basel III A\$m	APRA Basel III A\$m
Macquarie Group eligible capital:		
Bank Group Gross Tier 1 capital	12,668	12,668
Non-Bank Group eligible capital	4,244	4,244
Eligible capital	16,912	16,912
Macquarie Group capital requirement:		
Bank Group capital requirement		
Risk-Weighted Assets (RWA)	94,515	91,299
Capital required to cover RWA at 7% ⁽¹⁾	6,616	6,391
Tier 1 deductions	481	2,488
Total Bank Group capital requirement	7,097	8,879
Total Non-Bank Group capital requirement	3,592	3,592
Total capital requirement	10,689	12,471
Macquarie Group regulatory capital surplus (at 7% ⁽¹⁾ of Bank Group RWA)	6,223	4,441
Additional capital requirement required to maintain 8.5% ⁽²⁾ of Tier 1 ratio in Bank Group	1,418	1,369
Macquarie Group regulatory capital surplus (at 8.5% ⁽²⁾ of Bank Group RWA)	4,805	3,072

(1) Calculated at the internal minimum Tier 1 ratio of the Bank Group, which is 7%.

(2) Calculated at 8.5% of the Bank Group's RWAs. The 8.5% represents the Basel III minimum Tier 1 ratio of 6% plus 2.5% of capital conservation buffer (CCB). The 2.5% CCB is not required by APRA until 2016 and by BIS until 2019.

On 8 October 2015 MBL entered into an agreement to acquire the Esanda auto finance portfolio from Australia and New Zealand Banking Group Limited. The initial capital requirement for this transaction is expected to be approximately \$800 million which will be met from an institutional placement of \$400 million ordinary equity (completed on 9 October 2015); a share purchase plan raising \$137 million ordinary equity (offered in November 2015) and existing capital. These transactions are not reflected in the stated position because the final capital position is not yet known.

3.7.4. Effect of MCN2 on the Macquarie Group's regulatory capitalisation

Macquarie intends to redeem US\$400m of an existing eligible hybrid instrument (the PMIs) on 2 December 2015. It is anticipated that the \$500m of capital raised by MCN2 will partially offset the impact of the redemption such that there will be a net \$81m²⁰ reduction in the capital position of MGL. Should the MCN2 raise more or less than \$500m the capital position of MGL will correspondingly increase or decrease.

3.7.5. Conglomerates framework

In August 2014, APRA issued its planned framework for the supervision of conglomerate groups ("Level 3 groups"), which includes the MGL Group, with implementation timing yet to be announced.

20. Based upon an AUD/USD exchange rate of 0.70188 as at 30 September 2015.

3. About MGL and the Macquarie Group

The proposed overarching requirements of the framework are as follows: (i) a Level 3 group must have a robust governance framework that is applied appropriately throughout the group; (ii) the intra-group exposures and external aggregate exposures of a Level 3 group must be transparent and prudently managed; (iii) a Level 3 group must have an effective group-wide risk management framework in place; and (iv) a Level 3 group must have sufficient capital to support the risks of the entire group, including material risks that arise from non-APRA-regulated activities.

The impact of this framework is subject to consultation with APRA, with our current assessment being that MGL has sufficient capital to meet the minimum APRA capital requirements for Level 3 groups. However, it is not possible to predict how APRA will implement, or how the Australian Government's response to the Financial System Inquiry will affect, these rules and, in particular, how these matters will impact the capital structure or businesses of the MGL Group.

If the Conglomerates Standard is implemented, APRA has confirmed that MCN2 will not receive transition relief and will not continue to be Eligible Capital. However, APRA has confirmed to MGL that it does not object to the Macquarie Group using MCN2 to make contributions to an ADI within the Macquarie Group that will fully qualify as an Additional Tier 1 Capital instrument of that ADI (any such instrument would only be a "Related Additional Tier 1 Security" of that ADI if APRA approves it as such).

3.7.6. Financial System Inquiry

Over the course of 2014, the Australian Federal Government undertook a review of the Australian financial system, called the Financial System Inquiry ("FSI"). The FSI released its final report on 7 December 2014, which included 44 recommendations. On 20 October 2015, the Australian Government responded to each of the recommendations made by the FSI, endorsing the majority of them, referring certain matters to key regulators and proposing a timetable for further public and industry consultation and, in certain cases, for implementation of reform measures.

APRA has separately responded to two of the FSI's recommendations on regulatory capital. Firstly, in July 2015, APRA announced that it will increase the amount of capital required for Australian residential mortgage exposures by major banks from 1 July 2016. Based on MBL's mortgage portfolio as at June 2015, the adverse impact of this change on MBL's capital surplus would be approximately A\$150 million. APRA has stated that this increase in mortgage capital requirements is an interim measure, and that it will consider further changes over the medium term in the context of broader international developments.

APRA has also released a study in relation to the FSI's recommendation that "Australian authorised deposit-taking institution capital ratios are unquestionably strong". APRA's study, and its conclusions, only pertain to the largest four Australian banks and hence do not apply to MBL. It is not clear whether subsequent work by APRA would include any change in capital requirements for MBL, although APRA has indicated that "the impact of any future policy adjustments, if any, is likely to be less material for smaller ADIs".

It is not currently possible to have any further certainty on the impact on the capital structure or businesses of MBL from any future policy changes resulting from the Financial System Inquiry or broader international regulatory developments.

4

Investment risks

This section describes some of the risks associated with an investment in MCN2 or the Macquarie Group.

MGL believes that the following investment considerations may affect the investment returns under MCN2 issued under the Offer. These investment considerations are not intended to be exhaustive and are contingencies which may or may not occur and MGL is not in a position to express a view on the likelihood of any such contingency occurring.

Investment considerations which MGL believes may be material for the purpose of assessing the risks associated with an investment in MCN2 and the market for MCN2 generally are also described below.

MGL believes that the investment considerations described below represent the key risks inherent in investing in MCN2 issued under the Offer, but MGL may be unable to pay interest, principal or other amounts on or in connection with any MCN2, and MCN2 may not be able to be Exchanged, Redeemed or Resold for other reasons which may not be considered significant risks by MGL based on information currently available to it or which it may not currently be able to anticipate.

Before applying for MCN2, you should also read the detailed information set out elsewhere in this Prospectus and seek professional guidance from your financial adviser or other independent and qualified professional adviser as to the risks and investment considerations arising from an investment in MCN2, the appropriate tools to analyse such an investment, and the suitability of such an investment in the context of your particular circumstances.

MGL is not an ADI for the purposes of the Banking Act, and the obligations of MGL do not represent deposits or other liabilities of MBL. MBL does not guarantee or otherwise provide assurance in respect of the obligations of MGL.

4. Investment risks

4.1. Risks associated with investing in MCN2

4.1.1. Investments in MCN2 are not deposit liabilities and are not protected accounts under the Banking Act

Investments in MCN2 are an investment in MGL and may be affected by the ongoing performance, financial position and solvency of MGL and the Macquarie Group. MCN2 are not deposit liabilities and are not protected accounts for the purposes of the depositor protection provisions in Division 2 of Part II of the Banking Act or of the Financial Claims Scheme established under Division 2 AA of Part II of under the Banking Act. MCN2 are not guaranteed by any government, government agency or compensation scheme of Australia or by any other person or any other jurisdiction.

4.1.2. Suitability

MCN2 are a complex investment and may be difficult to understand, even for experienced investors. You should ensure that you understand the MCN2 Terms and risks of investing in MCN2 and consider whether it is an appropriate investment for your particular circumstances.

4.1.3. Market price and liquidity of MCN2

The market price of MCN2 may fluctuate due to various factors, including poor financial performance by MGL and the Macquarie Group, a change in Macquarie Group's financial position, investor perceptions, worldwide economic conditions, interest rates, movements in the market price of Ordinary Shares, foreign exchange rates, debt market conditions, the availability of better rates of return on other securities or investments and other factors that may affect the Macquarie Group's financial performance and position. MCN2 may trade at a market price below their Issue Price.

Where MCN2 are to be Exchanged, Redeemed or Resold for any reason, the announcement of these events may have a significant impact on the market price and liquidity of MCN2 and the Ordinary Shares.

In recent years, financial markets have been more volatile, with the potential for significant fluctuations in the price of securities over a short period. This applies to the market price of both MCN2 and Ordinary Shares.

You should carefully consider this risk before deciding to invest in MCN2.

Although MCN2 are to be quoted on ASX, there is no guarantee that a liquid market will develop for them. The market for MCN2 may be less liquid than the market for Ordinary Shares or other comparable securities. As a consequence, MCN2 Holders who wish to sell their MCN2 may be unable to do so at an acceptable price, or at all, if insufficient liquidity exists in the market for MCN2.

In addition, there is no guarantee that MCN2 will remain continuously quoted on ASX. Trading of ASX listed securities may be suspended in certain circumstances.

4.1.4. Market Price and liquidity of Ordinary Shares

Any Ordinary Shares issued on Exchange will rank equally with existing and future Ordinary Shares. Accordingly, the ongoing value of the Ordinary Shares received will depend on the market price of Ordinary Shares after an Exchange.

Upon Exchange, MCN2 Holders will generally receive approximately \$101 worth of Ordinary Shares per MCN2, based on the VWAP (which is calculated by reference to the daily volume weighted average sale price of Ordinary Shares) over a period of ASX Trading Days immediately days preceding the Exchange Date. By the time of Exchange, the market price of the Ordinary Shares will likely vary from that used to determine the Exchange Number and consequently the value of Ordinary Shares received will be more or less than \$101. The number of Ordinary Shares to be received by an MCN2 Holder in respect of its aggregate holding of MCN2 will be rounded down to a whole number (with entitlements of the MCN2 Holder to a part only of an Ordinary Share disregarded).

Additionally, the market price of Ordinary Shares is used to determine whether Exchange can occur in various conditions through the Exchange Conditions and Optional Exchange Restrictions. Therefore, fluctuations in the market price of Ordinary Shares can impact the timing of Exchange occurring (and may mean that Exchange never occurs).

The market price of Ordinary Shares may fluctuate due to various factors, including poor financial performance by Macquarie Group, a negative change in Macquarie

4. Investment risks

Group's financial position, investor perceptions, worldwide economic conditions, interest rates, foreign exchange rates, debt market conditions, the availability of better rates of return on other securities or investments and factors that may affect Macquarie Group's financial performance and position.

Where MCN2 are Exchanged for Ordinary Shares, there may be no liquid market for Ordinary Shares at the time of Exchange, or the market may be less liquid than that for comparable securities issued by other entities at the time of Exchange. As a consequence, MCN2 Holders who wish to sell the Ordinary Shares they may receive may be unable to do so at an acceptable price, or at all, if the market for Ordinary Shares is illiquid.

In addition, there is no guarantee that Ordinary Shares will remain continuously quoted on ASX. Trading of ASX listed securities may be suspended in certain circumstances.

4.1.5. Distributions may not be paid

There is a risk that Distributions may not be paid. The MCN2 Terms do not oblige MGL to pay Distributions, which are only payable at MGL's discretion.

If:

- MGL, in its absolute discretion, decides not to pay a Distribution (which may include, without limitation, circumstances where the Directors determine that they are not permitted under the Corporations Act to pay the Distribution);
- the payment of a Distribution would result in MGL breaching APRA's regulatory requirements;
- the payment of a Distribution would result in MGL becoming, or being likely to become, insolvent for the purposes of the Corporations Act; or
- APRA otherwise objects to the payment of a Distribution,

then that Distribution will not be paid. Changes in laws and regulations applicable to MGL may impose additional requirements which prevent MGL from paying a Distribution in additional circumstances.

Under the terms of other securities issued by MGL and MBL, MGL may be restricted from paying Distributions if distributions on those other securities are not paid.

Distributions are non-cumulative (that is, if not paid, they do not accrue), so if a Distribution is not paid for any reason, MCN2 Holders will have no right to receive that Distribution in the future. MCN2 Holders have no remedy for any non-payment. However, if a Distribution is not paid when scheduled for any reason and unless MGL subsequently pays the relevant Distribution in full within 10 Business Days of the applicable Distribution Payment Date, a Dividend Restriction will apply to MGL. This Dividend Restriction means that MGL must not, subject to certain exceptions, without the approval of a Special Resolution of MCNs Holders determine, declare or pay a dividend on any Ordinary Shares, or undertake any Buy-Back or Capital Reduction, until and including the next Distribution Payment Date.

4.1.6. Changes in Distribution Rate

The Distribution Rate is calculated as the sum of the Reference Rate and the Margin (reduced where franking credits are attached) and is calculated for each Distribution Period. The Reference Rate will fluctuate (both increase and decrease) over time and is influenced by a number of factors. The chart in section 2.1.4 shows historical movements in the Reference Rate.

As the Reference Rate varies, there is a risk that the Distribution Rate payable will become less attractive when compared to the rates of return available on comparable securities issued by the Macquarie Group or other entities or other investments.

MGL does not guarantee any particular rate of return on MCN2.

4.1.7. Distributions may or may not be franked

MGL currently franks dividends on Ordinary Shares at 40% and Distributions are expected to be franked at the same rate as Ordinary Shares. However, there is no guarantee that this level of franking will continue to apply for the life of MCN2 and it is possible that at some time in the future Distributions on MCN2 may not be franked, or may be partially franked to a different level, or fully franked.

MGL's ability to frank Distributions on MCN2 is affected by the level of available franking credits and MGL's distributable profits. MGL's level of franking

4. Investment risks

credits may be affected by a wide range of factors, including its business performance, the jurisdictions in which Macquarie Group makes profits and pays tax, the applicable Australian corporate tax rate and the amount of other frankable distributions. MGL's distributable profits may also be impacted by a wide range of factors, including its level of earnings and other distributions it makes.

If any Distribution is franked, the cash amount of that Distribution will be reduced where franking credits are attached to the payment. The payment of any Distribution will continue to be subject to the Payment Conditions.

4.1.8. Use of franking credits by MCN2 Holders

The value and availability of franking credits to an MCN2 Holder will differ depending on that MCN2 Holder's particular tax circumstances. MCN2 Holders should be aware that the potential value of any franking credits does not accrue at the same time as the receipt of any cash Distribution, and the ability to use the franking credits, either as an offset to a tax liability or by claiming a refund after the end of the income year will depend upon the tax position of the individual MCN2 Holder. You should refer to the taxation summary in section 5 and seek professional advice in relation to their tax position.

4.1.9. Dividend Restriction applies in limited circumstances

If a Distribution is not paid on MCN2, the Dividend Restriction will apply to limit MGL's ability to pay dividends on, buyback, and reduce capital in respect of Ordinary Shares, subject to certain exceptions. Unlike some hybrid securities issued by Macquarie Group entities in the past the Dividend Restriction applying under MCN2 does not apply to restrict distributions on any securities other than Ordinary Shares. In particular, it does not restrict MGL from making distributions on, or buying-back or returning capital on its equal ranking securities (even though the terms of those securities may restrict MGL from a distribution and may also prevent MGL from making a distribution or

buying back, or returning capital on, Ordinary Shares if a distribution is not paid on those securities).

In addition, the Dividend Restriction applies only until the next Distribution Payment Date. If Distributions are recommenced on MCN2, the Dividend Restriction will be lifted. This is unlike some other hybrid securities (including some hybrid securities issued by the Macquarie Group entities in the past), which have more onerous dividend restrictions.

As a consequence, when compared to the dividend restriction under some other hybrid securities, the consequences for MGL if a Distribution is not paid are less significant than would be the case for an issuer under those other securities.

4.1.10. Risks upon Exchange for Ordinary Shares

Ordinary Shares are a different type of investment to MCN2. For example, dividends on Ordinary Shares are not determined by a formula. Ordinary Shares rank behind the claims of all other securities and debts of MGL in a Winding Up of MGL. Ordinary Shares trade in a manner that is likely to be more volatile than that of MCN2 and the market price is expected to be more sensitive to changes in the performance, prospects and business of the Macquarie Group.

Other events and conditions may affect the ability of MCN2 Holders to trade or dispose of Ordinary Shares issued on Exchange. For example, the willingness or ability of ASX to accept the Ordinary Shares issued on Exchange for quotation or any practical issues which affect that quotation, any disruption to the market for the Ordinary Shares or to capital markets generally, the availability of purchasers for Ordinary Shares and any costs or practicalities associated with trading or disposing of Ordinary Shares at that time.

4.1.11. MCN2 are perpetual and Exchange, Redemption or Resale may not occur

If not Redeemed, Exchanged, Resold or Written-Off beforehand, MCN2 are expected to be Exchanged for Ordinary Shares on 18 March 2024²¹, subject to the

21. Due to the Business Day convention, the Scheduled Mandatory Exchange Date is deferred from 17 March 2024 to 18 March 2024.

4. Investment risks

Exchange Conditions being satisfied. However, there is a risk that the Exchange Conditions will not be satisfied. For example, if there is a large fall in the Ordinary Share price when compared to the Issue Date VWAP, the First Exchange Condition may not be satisfied. The Issue Date VWAP may only be adjusted for divisions, consolidations or reclassifications of MGL's share capital and bonus issues of Ordinary Shares. There are no adjustments for other capital transactions undertaken by MGL (e.g. pro rata issues, share placements) which might reduce the Ordinary Share price. The MCN2 Terms do not limit the ability of MGL to undertake such capital transactions or any action that may adversely affect the position of MCN2 Holders.

If Exchange does not occur on the Scheduled Mandatory Exchange Date, Exchange will then occur on the next semi-annual Distribution Payment Date where the Exchange Conditions are all satisfied. There is no guarantee the Exchange Conditions will ever be satisfied and the Exchange may never occur. In this case Distributions will continue to be paid on MCN2, subject to MGL's discretion to pay Distributions and the other Payment Conditions. However, where an Exchange has not occurred, the market price and liquidity of MCN2 may be affected and MCN2 Holders who wish to sell their MCN2 may not be able to do so at an acceptable price, or at all. As such, MCN2 are a perpetual instrument and MCN2 Holders may never receive any return of their investment, either as cash or Ordinary Shares.

4.1.12. Exchange, Redemption or Resale at the option of MGL

MGL may elect to Exchange, Redeem or arrange a Resale on a Scheduled Optional Exchange Date, or the occurrence of a Tax Event or Regulatory Event. Whether any action takes place or which action is taken at these times is entirely at the option of MGL. The choice of these actions (and consequently whether MCN2 Holders receive cash or Ordinary Shares) may be disadvantageous to MCN2 Holders and may not coincide with their individual preference or intended investment outcomes. MCN2 Holders have no right to request any of Exchange, Redemption or Resale at any time.

Whilst, as at the date of this Prospectus, no Regulatory Events or Tax Events are expected by MGL, these events are beyond the control of MGL and could occur at any future time.

Any Exchange, Redemption or Resale at the option of MGL is subject to various restrictions and conditions, including, in the case of Redemption, that the MCN2 to be Redeemed are replaced by a new issue of Relevant Tier 1 Securities of the same or better quality, under conditions that are sustainable for MGL's income capacity or that APRA is satisfied that the capital position of MGL is sufficient after the MCN2 are Redeemed. APRA must give written approval for any Redemption or Resale of MCN2. The granting of this approval is at the complete discretion of APRA.

As a consequence, Exchange, Redemption or Resale may not occur, or could occur at a time not previously contemplated by MCN2 Holders. This may disadvantage MCN2 Holders and not coincide with their individual preferences or intended investment outcomes. The rate of return at which MCN2 Holders may reinvest their funds may be lower than the Distribution Rate on MCN2.

4.1.13. Cash payment only in limited circumstances

MCN2 Holders will only receive a cash payment for their MCN2 where MGL chooses to Redeem or Resell MCN2. This choice of Redeeming or Reselling MCN2 is only available on specific dates or upon the occurrence of specific events and is entirely at the discretion of MGL. Further, these options are subject to additional conditions and restrictions, including requiring the written approval of APRA. It is not certain whether or not these tests will be met or the relevant events will occur, that APRA would give any approval, or that MGL would choose to Redeem or Resell MCN2 (or instead elect that MCN2 will be Exchanged (if possible at the relevant time)). As a consequence, there is no certainty that MCN2 Holders will receive a cash payment for their MCN2.

4.1.14. Exchange on an Acquisition Event

MGL is an ASX listed company, which may be affected by merger and acquisition activity, including the possibility of being acquired by or merged with

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another company, which may constitute an Acquisition Event. If an Acquisition Event occurs, an Exchange must occur (unless, the Directors determine that (a) on the Acquisition Exchange Date MGL will be, or will be likely to be, Delisted (except where, despite MGL being Delisted, the Exchange would be in the best interests of Holders as a whole) or (b) the Exchange Number of Ordinary Shares to be issued in exchange for an MCN2 (as if it were not limited by the Maximum Exchange Number applicable to an Acquisition Exchange Date) would exceed the Maximum Exchange Number applicable to an Acquisition Exchange Date and accordingly the MCN2 Holders may receive less than their Issue Price worth of Ordinary Shares (except where, despite the Exchange Number being limited to the Maximum Exchange Number applicable to an Acquisition Exchange Date, the Directors determine that the Exchange would be in the best interest of the MCN2 Holders taken as a whole)).

Such an Exchange could occur at a time not previously contemplated by MCN2 Holders, which may disadvantage MCN2 Holders and not coincide with their individual preferences or intended investment outcomes. Additionally, where the Exchange occurs because the Directors have determined it is in the MCN2 Holders best interests as a whole, that determination may not take into account the position of individual MCN2 Holders and may disadvantage individual MCN2 Holders.

4.1.15. Impact of a Non-Viability Event

If a Non-Viability Event occurs, MGL must immediately Exchange some or all MCN2 for Ordinary Shares. This could occur at any time and accordingly, is not subject to any Exchange Conditions.

In summary, a Non-Viability Event occurs if APRA has provided a written determination to MGL that conversion into Ordinary Shares or write-off of securities issued as Relevant Tier 1 Securities is required because without such conversion or write-off, MGL would become non-viable, or a public sector injection of capital or equivalent support is to be provided to MGL, without which MGL would become non-viable.

APRA has not provided any guidance as to how it would determine non-viability, or what would constitute

equivalent support to a public sector injection of capital. Non-viability could be expected to include serious impairment of MGL's financial position and solvency. However, APRA's definition of non-viability may not be confined to solvency or capital measures and APRA's position on these matters may change over time. As the occurrence of a Non-Viability Event is at the discretion of APRA, there can be no assurance given as to the factors and circumstances that may give rise to this event.

Non-viability may arise as a result of many factors including factors which impact the business, operation and financial condition of MGL. See the discussion of risks associated with MGL and the Macquarie Group, below. As a consequence, if a Non-Viability Event occurs, there are many ways and a greater likelihood that an MCN2 Holder may lose some or all of their investment.

If a Non-Viability Event occurs, some or all MCN2 on issue will be immediately Exchanged into Ordinary Shares. Exchange will occur automatically, without the need for any further action and MGL will treat MCN2 Holders as though the Exchange has occurred. MGL expects that any ASX trades in MCN2 that have not settled on the date of a Non-Viability Event will continue to settle in accordance with the normal ASX settlement, although the seller will be treated as having delivered and the buyer will be treated as having acquired Ordinary Shares into which the MCN2 have been Exchanged. Alternatively, trading in MCN2 and Ordinary Shares may be halted and unsettled transfers of MCN2 may not be registered. This disruption in trading may cause the MCN2 Holder to suffer a loss and be unable to deal in MCN2.

MCN2 Holders may not have prior notice of a Non-Viability Event and Exchange in these circumstances is not subject to the Exchange Conditions being satisfied. The Ordinary Shares that will be issued may not be quoted at the time of issue or at all and may not be tradable.

The number of Ordinary Shares that an MCN2 Holder will receive on an Exchange following a Non-Viability Event is calculated from a five ASX Trading Day VWAP prior to the Non-Viability Exchange Date and subject to the Maximum Exchange Number applicable to a Non-Viability Exchange Date. If a Non-Viability Event occurs

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the market price of Ordinary Shares may be volatile. Accordingly, an MCN2 Holder may receive significantly less than \$100 worth of Ordinary Shares per MCN2 and may suffer a loss as a result. This is because:

- the number of Ordinary Shares may be limited by the Maximum Exchange Number applicable to a Non-Viability Exchange Date and as a consequence the value of Ordinary Shares received may be reduced; and
- the market price of Ordinary Shares received may differ from the five ASX Trading Days VWAP used to determine the Exchange Number of Ordinary Shares.

If a Non-Viability Event were to occur and MGL is required to Exchange only a proportion of the securities issued as Relevant Tier 1 Securities then on issue, the proportion of MCN2 to be Exchanged (which may be all of the MCN2) may be higher than if a Non-Viability Event occurred and members of the Macquarie Group had other securities issued as Relevant Tier 1 Securities on issue. There is no obligation on any member of the Macquarie Group to issue any Relevant Tier 1 Securities. There is no obligation on MGL maintain on issue the MCN or any other Relevant Tier 1 Securities that it has issued or may decide to issue in the future.

4.1.16. Impact of failure to Exchange and Write-Off

If the relevant MCN2 are not Exchanged within 5 Business Days of the Non-Viability Event then the Ordinary Shares will not be issued and the relevant MCN2 will be Written-Off. This may occur for any reason, including an Inability Event. An Inability Event occurs if MGL is prevented by applicable law, order of any court, action of any government authority (including regarding the insolvency, Winding Up or other external administration of MGL) or for any other reason from issuing Ordinary Shares. In such cases, the MCN2 Holder will not receive any Ordinary Shares in respect of these MCN2, have no further claim on MGL and suffer a loss of their investment. The laws and circumstances under which an Inability Event arises may change and the change may be adverse to the interests of MCN2 Holders and MGL.

4.1.17. Ordinary Shares issued to a Sale Agent

If MCN2 are to be Exchanged and:

- the MCN2 Holder has notified MGL that it does not wish to receive Ordinary Shares;
- the MCN2 are held by a person whose registered address is outside of Australia or who MGL believes is not an Australian resident and MGL believes the issue of Ordinary Shares would not be permitted by law or would be permitted only after compliance with conditions which MGL considers, in its absolute discretion, are not acceptable or are unduly onerous;
- MGL does not have the necessary information to issue the Ordinary Shares to a particular MCN2 Holder;
- a FATCA withholding is required to be made in respect of any Ordinary Shares to be delivered as a result of Exchange; or
- MGL believes it is not permitted to issue some or all Ordinary Shares to a particular MCN2 Holder under any Australian or foreign law which limits or restricts the number of shares in MGL which a person may hold; then

MGL will use reasonable endeavours to appoint a Sale Agent and, if a Sale Agent is appointed then, subject to applicable law and provided that MGL, the Trustee and the Sale Agent are satisfied that the Ordinary Shares otherwise to be Exchanged may lawfully be issued and sold by the Sale Agent without having to take steps which either or both regard as onerous, MGL will instead issue the relevant Ordinary Shares to the Sale Agent which will at the first reasonable opportunity sell the Ordinary Shares (together with Ordinary Shares of each other MCN2 Holder similarly affected) and pay to the relevant MCN2 Holder its proportionate share of the net proceeds actually received from the sale (after deducting applicable brokerage, stamp duty and other taxes, charges and expenses).

If MGL appoints a Sale Agent to receive the issue of, and sell, Ordinary Shares in relation to an Exchange event, the appointment of the Sale Agent is to the exclusion of the Trustee (unless the Trustee is appointed as Sale Agent). In other words, in such a situation, the Trustee will have no role in connection with the

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sale of the relevant Ordinary Shares or the distribution of the sale proceeds. Instead, the sale process will be conducted by the Sale Agent. Your personal information (such as your name, contact details, account details and identification information) will be given to the Trustee and Sale Agent for the purposes of the sale. None of MGL, the Trustee, the Sale Agent nor any other person will owe any duties or obligations under the MCN2 Terms or Trust Deed to MCN2 Holders in connection with the Ordinary Shares issued to, and sold by, the Sale Agent.

MGL and the Sale Agent give no assurance as to whether a sale will be achieved or the price at which it may be achieved and each have no liability to MCN2 Holders for any loss suffered as a result of the sale of Ordinary Shares. The issue of the Ordinary Shares to the Sale Agent will satisfy all obligations of MGL in respect to the MCN2.

In these circumstances the sale of Ordinary Shares is beyond the control of the MCN2 Holder and may disadvantage the individual MCN2 Holder and not coincide with their individual preferences or intended investment outcomes. The amount received in respect of this sale may be less than the investment of the MCN2 Holder.

If either or both of MGL and the Sale Agent is of the opinion that Ordinary Shares cannot be issued to the Sale Agent (or issue would require onerous steps to be taken) or otherwise to the MCN2 Holder within 5 Business Days of a Non-Viability Exchange Date, then the relevant MCN2s will be Written-Off.

In the case of an Exchange on any other date, if MGL or the Sale Agent is of the opinion that the issue of Ordinary Shares to the Sale Agent cannot be made in accordance with applicable laws (or would require onerous steps to be taken), the issue of Ordinary Shares is deferred and the MCN2 remain on issue until the Ordinary Shares are issued or the relevant MCN2 Redeemed. However, six months after the Exchange Date the rights of the relevant MCN2 Holder cease, other than the right to receive the Ordinary Shares or the net proceeds of their Sale.

4.1.18. Restrictions on rights and ranking in a Winding Up

MCN2 are issued by MGL under the terms of the Trust Deed (including the MCN2 Terms). An MCN2 Holder has no claim on MGL in respect of the MCN2 except as provided in the MCN2 Terms and in the Trust Deed. For further information on the relevant provisions of the Trust Deed see section 6.1.

MCN2 are unsecured and subordinated obligations of MGL. In the event of a Winding Up of MGL and assuming that MCN2 have not been Exchanged, Redeemed or Resold and are not required to be Written-Off due to a Non-Viability Event, MCN2 Holders will be entitled to claim for the Liquidation Amount of each MCN2 equal to \$100 for each MCN2. The claim for the Liquidation Amount ranks equally with Equal Ranking Obligations but is subordinated to Senior Creditors. If, on a Winding Up of MGL:

- there is a shortfall of funds to pay all amounts ranking senior to MCN2, MCN2 Holders will not receive any of the Liquidation Amount; and
- all amounts ranking senior to MCN2 have been paid but there is a shortfall of funds to pay all amounts ranking equally with MCN2, MCN2 Holders may not receive all (or any) of the Liquidation Amount.

If the MCN2 have been Exchanged (including following the occurrence of a Non-Viability Event), MCN2 Holders will hold Ordinary Shares and rank equally with other holders of Ordinary Shares in a Winding Up.

Where a Non-Viability Event occurs, if for any reason (for example due to applicable laws, order of a court or action of any government authority) Exchange of any MCN2 has not occurred within 5 Business Days following such an event, then those MCN2 are Written-Off (that is, the MCN2 Holder's rights (including to Distributions) in relation to those MCN2 are immediately and irrevocably terminated for no consideration). The MCN2 Holder's investment will lose all of its value and the MCN2 Holder will not receive any Ordinary Shares or other compensation.

MCN2 may pay a higher rate of distribution than comparable securities and instruments which are not subordinated. However there is a greater risk that an MCN2 Holder would lose some or all of their investment

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in MCN2 should MGL become insolvent or in a Winding Up of MGL.

4.1.19. Other securities issued by MGL

MCN2 do not in any way restrict MGL from issuing further Ordinary Shares, securities (including securities that rank equally with or ahead of the MCN2) or from incurring further debt. MGL's obligations under MCN2 are subordinate to Senior Creditors and obligations preferred by law. Accordingly, the obligations of MCN2:

- will not be satisfied unless MGL can satisfy in full all of its other obligations ranking senior to MCN2; and
- may not be satisfied in full unless MGL can also satisfy in full all of its other obligations ranking equally with MCN2

and future issues of securities or debts by MGL may dilute the claim of MCN2 Holders or reduce the value of their investment or liquidity of MCN2. The future issue of such securities may be on terms such that they would be exchanged, converted or written-off other than on a proportionate basis with the MCN2 and affect the proportions of MCN2 Exchanged or Written-Off due to a Non-Viability Event.

An investment in MCN2 carries no right to participate in any future issue of securities issued by MGL.

No prediction can be made as to the effect, if any, which future issues of securities by MGL may have on the market price or liquidity of MCN2 or the likelihood of payments being made on MCN2.

An investment in MCN2 carries no right to be Redeemed or otherwise be repaid at the same time as MGL redeems or otherwise repays other securities.

4.1.20. Credit rating risk relating to securities

MGL's cost of funds, margins, access to capital markets and competitive position and other aspects of its performance may be affected by its credit ratings, including any long-term credit ratings (see section 4.2.9 for more information) or the ratings assigned to any class of its securities. Credit rating agencies may withdraw, revise or suspend credit ratings or change the methodology by which securities are rated. Even though MCN2 will not be rated, such changes could adversely affect the market price, liquidity and

performance of MCN2 or Ordinary Shares received on Exchange.

4.1.21. Regulatory treatment

MCN2 are Eligible Capital of MGL, which currently qualify as regulatory capital of MGL for APRA purposes. APRA has issued proposed standards applicable to Level 3 conglomerate groups ("**Conglomerates Standard**") but its final implementation date is currently unknown.

If the Conglomerates Standard is introduced APRA has confirmed that MCN2 will not be Eligible Capital.

However, APRA has confirmed to MGL that it does not object, in principle, to the Macquarie Group using the proceeds of the MCN2 to make contributions to an ADI within the Macquarie Group that will fully qualify as an Additional Tier 1 Capital instrument of that ADI.

A Regulatory Event may occur if as a result a change in law or regulation or determination of APRA the MCN2 do not fully qualify as a Relevant Tier 1 Security, additional requirements in connection with the MCN2 would be imposed on the Macquarie Group which MGL determines might have a material adverse effect on MGL or to have any of the MCN2 outstanding would be unlawful or impractical or would cause MGL to be exposed to a more than *de minimis* increase in its costs in connection with those MCN2.

The implementation of the Conglomerates Standard (in the form published at the Issue Date) will not give rise to a Regulatory Event.

If a Regulatory Event occurs, MGL may be entitled to Exchange or, with the written approval of APRA, Resell or Redeem MCN2.

As a consequence, Exchange, Redemption or Resale may occur at any time and at a time not previously contemplated by MCN2 Holders, which may disadvantage MCN2 Holders and not coincide with their individual preferences or intended investment outcomes. The rate of return at which MCN2 Holders may reinvest their funds or receive in connection with any Ordinary Shares, may be lower than the Distribution Rate on MCN2.

The choice of Exchange, Redemption or Resale when they are available, is entirely at the option of MGL. The choice of these actions (and consequently whether

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MCN2 Holders receive cash or Ordinary Shares) may be disadvantageous to MCN2 Holders and may not coincide with their individual preference or intended investment outcomes.

4.1.22. Tax consequences

A general outline of the tax consequences of investing in MCN2 for certain potential investors who are Australian residents for tax purposes is set out in the Taxation Summary in section 5. This summary is in general terms and not intended to provide specific advice addressing the circumstances of any particular potential investor. Accordingly, potential investors should seek independent advice concerning their own individual tax position.

If a change is made or announced in a law or regulation, or a judicial decision, or an administrative pronouncement, ruling or challenge from a government authority which was not expected at the time of issue of MCN2, which has an adverse effect on MGL in the amount of taxes, assessments or other governmental charges in connection with MCN2 or affects the withholding or franking treatment of MCN2 then a Tax Event may occur.

If a Tax Event occurs, MGL may be entitled to Exchange or, with the written approval of APRA, Resell or Redeem MCN2.

As a consequence, Exchange, Redemption or Resale may occur at any time and at a time not previously contemplated by MCN2 Holders, which may disadvantage MCN2 Holders and not coincide with their individual preferences or intended investment outcomes. The rate of return at which MCN2 Holders may reinvest their funds may be lower than the Distribution Rate on MCN2.

The choice of Exchange, Redemption or Resale when they are available, is entirely at the option of MGL. The choice of these actions (and consequently whether MCN2 Holders receive cash or Ordinary Shares) may be disadvantageous to MCN2 Holders and may not coincide with their individual preferences or intended investment outcomes.

If the corporate tax rate in Australia changes, the cash amount of Distributions and any associated franking credits may change.

4.1.23. Powers of APRA

Under the Banking Act, APRA has power to issue directions to MGL. These powers of APRA are broad and may be exercised to intervene in the performance of obligations and the exercise of rights under the MCN2 (see further section 4.2.4). In addition, where pursuant to the Financial Sector (Business Transfer and Group Restructure) Act 1999 (Cth) (“**FSBTGR Act**”) APRA makes an order for MBL to transfer all or part of its business to another entity, APRA may also require MGL to transfer all or part of its business to another entity. A transfer under the FSBTGR Act overrides anything in any contract or agreement to which MGL is party, including the MCN2 Terms. These powers of APRA may be exercised in a way which adversely affects the ability of MGL to comply with its obligations in respect of the MCN2 (including in connection with the Exchange of MCN2), and this may adversely affect the position of MCN2 Holders.

4.1.24. Accounting standards

New, or amendments to existing, accounting standards issued by either the International Accounting Standards Board or Australian Accounting Standards Board may affect the reported earnings and financial position of MGL in future financial periods. This may adversely affect the ability of MGL to pay Distributions.

4.1.25. Shareholding limits

Various laws, including Chapter 6 of the Australian Corporations Act, the Foreign Acquisition and Takeovers Act 1975, the Financial Sector (Shareholdings) Act 1998 (“**FSSA**”) and Part IV of the Competition and Consumer Act 2010 may restrict the number of Ordinary Shares that any person may hold. Mergers, acquisitions and divestments of Australian public companies listed on ASX (such as MGL) are regulated by detailed and comprehensive legislation and the rules and regulations of ASX.

The FSSA restricts ownership of MGL by people (together with their associates) to a 15% stake. A shareholder may apply to the Australian Federal Treasurer to extend their ownership beyond 15%, but approval will not be granted unless the Treasurer is satisfied that the holding is in the national interest.

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MCN2 Holders should take care to ensure that their holding of MCN2 (and any Ordinary Shares that they could be Exchanged for) do not breach any applicable restrictions on ownership.

Where, on an Exchange, the issue of any Ordinary Shares to any particular MCN2 Holder (either directly or indirectly) is prevented by law, MGL may be unable to Exchange those MCN2 and they will be Written-Off.

4.1.26. FATCA withholding information and reporting

Sections 1471 through 1474 of the U.S. Internal Revenue Code of 1986 (“**FATCA**”) impose a new reporting regime and potentially a 30% withholding tax with respect to certain payments to (i) any non-U.S. financial institution (“**FFI**”) that does not become a “**Participating FFI**” or is not otherwise exempt from or in deemed compliance with FATCA and (ii) investors (including individual investors) that do not provide information sufficient to determine whether the investor is a U.S. person or should otherwise be treated as holding a “United States Account”. MGL is classified as an FFI.

The Australian Government and the U.S. Government signed an intergovernmental agreement (“**IGA**”) in respect of FATCA on 28 April 2014, providing an alternative means for Australian financial institutions such as MGL to comply with FATCA. The obligations for Australian financial institutions under the IGA include U.S. Internal Revenue Service (“**IRS**”) registration and due diligence and reporting obligations. On 29 May, 2014, the Australian Government implemented domestic legislation that enacted the IGA obligations into Australian law. The IGA obligations for Australian financial institutions commenced on 1 July, 2014. MGL may be subject to U.S. withholding tax if MGL fails to either (i) implement such IGA obligations or (ii) enter into an agreement with the IRS to report certain information about holders of the MCN2. Withholding under FATCA should not be required from payments made with respect to MCN2 other than in certain prescribed circumstances. However, under the IGA, MGL (or other financial institutions that may be involved in the MCN2 payment processes, such as custodians or nominees) may be required to provide the Australian Taxation Office with information about investors. MGL is to be

treated as a Reporting Foreign Institution (“**Reporting FI**”) pursuant to the IGA and does not anticipate being obliged to deduct or withhold on payments it makes to MCN2 Holders as a result of FATCA. There can be no assurance, however, that MGL will be treated as a Reporting FI in the future or that it would in the future not be required to deduct or withhold amounts on payments it makes to MCN2 Holders as a result of FATCA.

If an amount was to be deducted or withheld in respect of FATCA from payments on MCN2 or deliveries of Ordinary Shares made in respect of MCN2, neither MGL nor any paying agent nor any other person would, pursuant to the conditions of MCN2, be required to pay additional amounts as a result of the deduction or withholding. As a result, MCN2 Holders may receive less Distributions, principal or Ordinary Shares than expected.

FATCA is particularly complex. Investors should consult their own tax advisers to determine how these rules may apply to payments they will receive under MCN2.

4.1.27. Amendment of MCN2 Terms or Trust Deed

In certain circumstances, MGL may, with APRA’s prior written approval where required, amend the MCN2 Terms or Trust Deed without the approval of MCN2 Holders or the Trustee. These circumstances include where MGL is of the opinion that the amendments do not materially adversely affect the interests of the MCN2 Holders as a whole.

MGL may also, with APRA’s prior written approval where required, amend the MCN2 Terms or Trust Deed if the amendment has been approved by a Special Resolution of MCN2 Holders and the Trustee. Amendments under these arrangements are binding on all MCN2 Holders, despite the fact that an individual MCN2 Holder may not agree with the amendment, has voted against making the amendment or may be disadvantaged by the amendment.

APRA’s prior written approval of an amendment is required where the amendment may cause the MCN2 to cease to be Relevant Tier 1 Securities.

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4.2. Risks associated with MGL and the Macquarie Group

The factors described below represent the key risks relating to an investment in MGL and the Macquarie Group.

4.2.1. Impact of risks associated with MGL on an investment in MCN2

Risks associated with MGL and the Macquarie Group are relevant to an investment in MCN2 because they may affect MGL's ability to fulfil its obligations under the MCN2 Terms, the market value of MCN2 and the market value of, and any dividends paid on, Ordinary Shares issued on an Exchange of MCN2.

There are a number of risks faced by MGL and the Macquarie Group, including those that encompass a broad range of economic and commercial risks, many of which are not within their control. The performance of all of the Macquarie Group's major businesses can be influenced by external market and regulatory conditions. If all or most of the Macquarie Group's businesses were affected by adverse circumstances at or about the same time, overall earnings would suffer significantly.

4.2.2. Market conditions, including funding

Global market conditions are subject to periods of volatility and change which can negatively impact market liquidity, increase credit spreads and reduce funding availability. In recent years global equity and debt markets have experienced difficult conditions. These challenging market conditions have resulted in periods of reduced liquidity, extreme volatility and declining asset prices, as well as greater counterparty credit risk, widening of credit spreads and lack of price transparency in credit and other markets.

Market conditions have also led to the failure of a number of financial institutions and the intervention of government authorities and central banks around the world. Global economic conditions remain uncertain. More recently, these challenging market conditions have resulted primarily from the on-going sovereign debt concerns in Europe and concerns about Chinese and global economic growth. If the economic climate worsens in the future, Macquarie Group's performance, business or strategy may be adversely affected. The

Macquarie Group relies on equity and debt markets for funding its businesses. Further instability in these markets may affect the Macquarie Group's ability to access funding, particularly the ability to issue long-term debt securities, to replace maturing liabilities in a timely manner and to access the funding necessary to grow its businesses. In addition, an increase in credit spreads may increase the Macquarie Group's cost of funding. Further, volatile and deteriorating markets may reduce activity and the flow of transactions, which may adversely impact the Macquarie Group's financial performance. Other risks associated with funding that the Macquarie Group may face are overreliance on a particular funding source or a simultaneous increase in funding costs across a broad range of sources.

Changes in investment markets, including changes in interest rates, exchange rates and returns from equity, any listed and unlisted investment assets, property and other investments, as well as adverse economic conditions, will affect the financial performance of the Macquarie Group, for instance, through its ability to earn base and performance fees and other advisory and client facilitation fees. Further, the Macquarie Group's trading income may be adversely impacted during times of subdued market conditions and client activity. In addition, the Macquarie Group may be indirectly adversely affected by the negative performance of any fund managed by the Macquarie Group, as investors and lenders may associate the Macquarie Group managed-funds with the Macquarie Group brand.

In poor market conditions, the Macquarie Group may be required to hold its investment assets for longer, or sell these assets at a lower price than historically expected and this may impact the Macquarie Group's rate of return on these assets and require funding for longer periods than anticipated. This may include situations where potential buyers of the Macquarie Group's investment assets are unable to obtain financing to purchase assets that the Macquarie Group currently holds or purchases.

Capital market volatility may require the Macquarie Group to make writedowns of its funds management assets and other investments as well as make loan impairment provisions. This would impact the Macquarie Group's financial performance.

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4.2.3. Liquidity risk

The Macquarie Group is exposed to the risk that it may become unable to meet its financial commitments when they fall due, which could arise due to mismatches in cashflows. Liquidity is essential to the Macquarie Group's businesses. Liquidity could be impaired by an inability to access credit and debt markets, an inability to sell assets or unforeseen outflows of cash or collateral. In difficult credit and debt markets the Macquarie Group may be forced to find alternative funding sources or fund its operations at a higher cost.

Since 2008, governments and central banks around the globe have taken steps to increase liquidity, restore confidence in financial systems and bolster economic growth. There can be no assurance, however, that such measures will result in a sustained long-term stabilisation of financial markets. In addition, governments have begun to withdraw or alter their support of such relief measures and it is not clear what long term effect these actions, or the consequential impacts of substantial fiscal stimulus on the budgets of sovereigns, will have on global economic conditions or the Macquarie Group's financial condition. If access to public bond markets over the medium term worsens, and other existing avenues of term funding become unavailable, the Macquarie Group may need to consider selling liquid assets.

The commercial soundness of many financial institutions may be closely interrelated as a result of credit, trading, clearing or other relationships among the financial institutions. As a result, concerns, whether well-founded or not, about default by any large financial institution, or by a sovereign that guarantees the indebtedness or other commercial transactions of such an institution, could cause further market-wide liquidity problems which may adversely affect financial institutions such as the Macquarie Group.

4.2.4. Legal, regulatory, compliance and documentation risk

Many of the Macquarie Group's businesses are highly regulated, including regulation relating to prudential and liquidity requirements. Failure to comply with legal and regulatory requirements, including tax laws and regulations, and rules relating to conflicts of interest,

corrupt and illegal payments and money laundering, or government policies, may have an adverse effect on the Macquarie Group and its reputation among customers and regulators in the market.

The Macquarie Group is supervised by a number of different regulators. In Australia, the Macquarie Group's key regulators include APRA, the Reserve Bank of Australia, ASIC, ASX, the Australian Securities Exchange Limited, (as operator of the ASX24 market formerly known as the Sydney Futures Exchange) the Australian Competition Consumer Commission and the Australian Transaction Reports and Analysis Centre. Outside Australia, the Macquarie Group's key regulators include the United States Securities and Exchange Commission, the United States Commodity Futures Trading Commission, the United States Financial Industry Regulatory Authority, the United Kingdom Financial Conduct Authority and Prudential Regulation Authority, the Hong Kong Monetary Authority, the Monetary Authority of Singapore, the Korean Financial Supervisory Service and the Bank of Korea.

Many of these regulators have broad administrative powers to regulate and intervene in the operations of the businesses of the Macquarie Group. In particular, APRA has the power under the Banking Act (a) to investigate the Macquarie Group's affairs and/or issue a direction to it (such as a direction to comply with an APRA requirement, to conduct an audit, to remove a director, executive officer or employee or not to undertake transactions), and (b) if MBL becomes unable to meet its obligations or suspends payment (and in certain other limited circumstances), to appoint a third party to take control of MBL's business. The exercise of these broad administrative powers by one or more regulators could have a material adverse effect on the Macquarie Group and its business, reputation, prospects, financial performance or financial condition.

Regulation is becoming more extensive and complex. Some areas of potential regulatory change involve multiple jurisdictions seeking to adopt a coordinated approach. Such an approach may not appropriately respond to the specific requirements of the jurisdictions in which the Macquarie Group operates and, in addition, such changes may be inconsistently introduced across jurisdictions.

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The Macquarie Group could also be adversely affected by future changes in legal, regulatory and compliance requirements (including requirements relating to licensing). In particular, any change in regulation of the Macquarie Group to increase the requirements for capital adequacy or liquidity, or a change in accounting standards could have an adverse effect on the Macquarie Group's businesses.

Legal and regulatory requirements may also restrict the ability of subsidiaries of MGL to make dividend and other payments to MGL.

A number of regulatory changes have been implemented or proposed in various jurisdictions as a result of the global economic crisis, which may significantly alter the regulatory framework and may adversely affect the Macquarie Group's competitive position and profitability. It is not possible to predict what future regulatory or related changes may result from the global economic crisis or the effect any such changes would have on the Macquarie Group and its businesses.

The Macquarie Group is also exposed to the risk of inappropriate or inadequate documentation of contractual relationships.

4.2.5. Increased governmental and regulatory scrutiny

Governmental scrutiny from regulators, legislative bodies and law enforcement agencies with respect to matters relating to the financial services sector generally, and the Macquarie Group's business operations, capital, liquidity and risk management, compensation and other matters, has increased dramatically over the past several years. The financial crisis and the subsequent political and public sentiment regarding financial institutions has resulted in a significant amount of adverse press coverage, as well as adverse statements or charges by regulators or other government officials, and in some cases, to increased regulatory scrutiny, investigations and litigation. Responding to and addressing such matters, regardless of the ultimate outcome, is time-consuming and expensive and can divert the time and effort of the Macquarie Group's senior management from its business. Enforcement actions, penalties and fines sought by regulatory authorities have increased

substantially over the last several years, along with legislation targeted at the financial services industry. Adverse publicity, governmental scrutiny and legal and enforcement proceedings can also have a negative impact on the Macquarie Group's reputation with clients and on the morale and performance of its employees, which could adversely affect the Macquarie Group's businesses and the results of their operations.

4.2.6. Risks of strategic opportunities and exiting or restructuring existing businesses

Future growth of the Macquarie Group, including through acquisitions, mergers and other corporate transactions, as well as planned business initiatives and expansions of existing businesses into new jurisdictions may place significant demands on the Macquarie Group's risk management and operational infrastructure. This activity may also bring the Macquarie Group into contact, directly or indirectly, with individuals and entities that are new clients, with new asset classes and other new products or new markets. These business activities expose the Macquarie Group to new and enhanced risks including reputation risks arising from dealing with a range of new counterparties and investors, along with these activities being exposed to the range of risks described in this Prospectus.

The Macquarie Group may also underestimate the costs associated with outsourcing, exiting or restructuring existing businesses.

The Macquarie Group continually assesses the appropriateness of its business mix and the viability of individual businesses in light of regulatory, market and economic conditions and developments.

With respect to acquisitions, the Macquarie Group may over-value an acquisition, may become subject to unknown liabilities of an acquired business, may not achieve expected synergies, cost savings or may otherwise incur losses. The Macquarie Group may lose market share or customers, or may face disruptions to operations and the Macquarie Group's management time may be diverted to facilitate the integration of acquired businesses or the acquisition may have negative impacts on the Macquarie Group's results, financial condition or operations.

From time to time, the Macquarie Group may evaluate other strategic opportunities, the outcome of which

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is dependent upon the quality of their strategic planning process, the implications of the strategy on risk appetite and their ability to evaluate and, if determined to be worthwhile, implement such strategic opportunities.

4.2.7. Exchange rate risk

The Macquarie Group's financial statements are presented in Australian dollars. However a significant portion of the Macquarie Group's operating income is derived, and operating expenses are incurred, from offshore business activities, which are conducted in a broad range of currencies and with counterparties around the world. As such, changes in currency exchange rates may adversely impact the Macquarie Group's financial results, its operations and its regulatory capital and funding position. Further, where the Macquarie Group conducts business activities offshore, capital and funding are generally deployed locally and thus the Macquarie Group's capital is held in, and funding is sourced from, a broad range of currencies.

Although the Macquarie Group seeks to carefully manage its exposure to foreign currencies through matching of assets and liabilities in local currencies and through the use of foreign exchange swaps and forward contracts to hedge its exposure, the Macquarie Group is still exposed to exchange risk. Insofar as any member of the Macquarie Group is unable to hedge or has not completely hedged its exposure to non-Australian currencies, the Macquarie Group's reported profit or foreign currency translation reserve would be affected.

Investors should be aware that exchange rate movements may adversely impact the Macquarie Group's future financial results. The Macquarie Group's regulatory capital position may be adversely impacted by exchange rate movements. For example, a depreciating Australian dollar, increases the capital requirement for assets denominated in currencies other than Australian dollars.

4.2.8. Market and asset risk

Market risk is the exposure to adverse changes in the value of the Macquarie Group's trading portfolios or other assets or investments as a result of changes in market prices or volatility, including risks arising from

exchange rates, interest rates, equities, commodities, derivatives (which are subject to settlement and other risks) and the correlation of market prices and rates within and across markets. These changes may result from changes in economic conditions, monetary and fiscal policies, market liquidity, availability and cost of capital, international and regional political events, acts of war or terrorism, corporate, political or other scandals that reduce investor confidence in capital markets, natural disasters or pandemics or a combination of these or other factors. Any decline in global asset markets, including equity, property, and other asset markets, or in market liquidity, could adversely impact the Macquarie Group's results of operations and financial condition. In addition, a decline in asset prices could negatively impact the fees the Macquarie Group receives from funds that it manages and that it invests in such assets.

Certain financial instruments that members of the Macquarie Group hold and contracts to which they are a party are increasingly complex, as the Macquarie Group employs structured products to benefit its clients and itself, and these complex structured products often do not have readily available markets to access in times of liquidity stress.

Furthermore, declining asset prices could adversely impact the Macquarie Group's customers and the security the Macquarie Group holds against loans, which may impact the Macquarie Group's results and operations due to default. These risks may impact the value of financial instruments and other financial assets that are carried at fair market value.

4.2.9. Credit ratings risk

Various rating agencies assign credit ratings based on an evaluation of a number of factors, including an entity's ability to maintain a stable and diverse earnings stream, strong capital ratios, strong credit quality and risk management controls, diverse funding sources and disciplined liquidity monitoring procedures. If any credit ratings assigned to the Macquarie Group entities were downgraded this could have the effect of increasing the cost of funds raised by the Macquarie Group from financial markets, reducing the Macquarie Group's ability to access certain capital markets, triggering the Macquarie Group's obligations under certain of its contracts, and/or adversely impacting the willingness

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of counterparties to deal with the Macquarie Group. A credit rating downgrade could be driven by the occurrence of one or more of the risk factors described in this Prospectus or by other events.

4.2.10. Competition risk

The Macquarie Group faces significant competition from local and international competitors, which compete vigorously for participation in the various markets and sectors across which the Macquarie Group operates. In particular, the Macquarie Group competes, both in Australia and internationally, with asset managers, retail and commercial banks, investment banking firms, and other investment and service firms. Any trend toward consolidation in the global financial services industry may create stronger competitors with broader ranges of product and service offerings, increased access to capital, and greater efficiency and pricing power. The effect of competitive market conditions may adversely impact the earnings and assets of the Macquarie Group.

4.2.11. Interest rate risk

Interest rate risk arises from a variety of sources including mismatches between the repricing periods of assets and liabilities. As a result of these mismatches, movements in interest rates can affect earnings or the value of the Macquarie Group.

4.2.12. Credit and counterparty risk

The Macquarie Group is exposed to the risk of financial loss as a result of failure by a client or other counterparty to meet its contractual obligations. The Macquarie Group assumes counterparty risk in connection with its lending, trading, derivatives and other businesses where it relies on the ability of a third party to satisfy its financial obligations to the Macquarie Group on a timely basis. The resultant credit exposure will depend on a number of factors, including the financial condition of the counterparty, the value of property the Macquarie Group holds as collateral and the market value of the counterparty instruments and obligations the Macquarie Group holds, as well as the extent to which the Macquarie Group hedges such credit exposures.

4.2.13. Operational risk

The daily operations of the Macquarie Group may result in financial loss, adverse regulatory consequences or reputational damage due to a variety of operational risks including business decisions, technology risk (including failure of the Macquarie Group's business systems or those of its counterparties and service providers), fraud (including fraud or other misconduct by employees), compliance with legal and regulatory obligations, mishandling of client monies, counterparty performance, business continuity planning, legal and litigation risk, environmental obligations, data integrity, data security and processing risk, managing conflicts of interests and key person risk. There is increasing regulatory and public scrutiny concerning outsourced and off-shored activities and their associated risks, including, for example, the appropriate management and control of confidential data. The failure to appropriately manage this risk, including where external service providers are used, may adversely impact the Macquarie Group's reputation, financial performance and position.

While the Macquarie Group has adopted policies and procedures to control exposure to, and limit the extent of, these risks, there are inherent limitations in any risk management control system and control breakdowns and system failures can occur.

The Macquarie Group maintains insurance that it considers to be prudent for the scope and scale of its activities. If the Macquarie Group's third party insurance carriers fail to perform their obligations and/or its third party insurance cover is insufficient for a particular matter or group of related matters, its net loss could adversely impact its results and operations.

4.2.14. Custodian risk

Certain funds that the Macquarie Group manages depend upon the services of custodians to carry out certain securities transactions. In the event of the insolvency of a custodian, the funds might not be able to recover equivalent assets in full (including any cash held on its behalf) as they will rank among the custodian's unsecured creditors in relation to assets which the custodian borrows, lends or otherwise uses.

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4.2.15. Capital adequacy risk

The Macquarie Group seeks to maintain capital levels to ensure it can achieve strategic plans and objectives, manage the risks to which it is exposed, absorb unexpected losses and meet market expectations of capital levels. The Macquarie Group is required to maintain minimum levels determined by the risk profile of its operations and within the frameworks by which it is regulated. If the Macquarie Group fails to hold sufficient capital, there may be an adverse impact on the Ordinary Share price, an increased risk of regulatory intervention in the operation of the business, and ultimately a greater risk of non-viability and insolvency. The Macquarie Group gives no assurance as to what its capital level may be at any time as it may be significantly impacted by unexpected events affecting its business, operations and financial condition.

Many of the capital frameworks that the Macquarie Group operates under have been recently reviewed or are currently under review. The Basel Committee on Banking Supervision is still undertaking further work as part of its regulatory reform agenda that may result in additional capital requirements. APRA has proposed prudential rules to apply to financial conglomerates such as the Macquarie Group, but the implementation date for these rules is currently unknown. Changes to these frameworks can require the Macquarie Group to hold more capital and have an adverse impact on the Macquarie Group's financial performance and position and to the market price of MCN2 and other securities.

4.2.16. Staff recruitment and retention

The Macquarie Group is reliant on the ability to hire and retain appropriately qualified staff. In order to do this, the Macquarie Group must compensate employees at or above market levels. Current or future laws or regulatory or public scrutiny may restrict the Macquarie Group's ability to move its staff from one jurisdiction to another or change the way the Macquarie Group remunerates its employees. If the Macquarie Group is unable to continue to attract and retain qualified employees, its performance, including its competitive position, could be materially adversely affected.

Recent market events have resulted in increased regulatory and public scrutiny of corporate remuneration policies and the establishment of criteria against which industry remuneration policies may be assessed.

4.2.17. Reputation risk

The Macquarie Group is substantially dependent on its brand and reputation. If the Macquarie Group suffers damage to its reputation, including damage to the brands used by the Macquarie Group and the funds it manages, this could reduce business volume as clients might be reluctant to do business with the Macquarie Group due to their negative perceptions. Reputation issues can arise for many reasons, including actual or alleged breaches of regulation or conflicts of interest. This would adversely impact the Macquarie Group's earnings.

Many companies in the Macquarie Group and many of the funds managed by entities owned, in whole or in part, by the Macquarie Group use the Macquarie name. The Macquarie Group's reputation and, as a result, its businesses and business prospects could be adversely affected if any of the entities using the Macquarie name take actions, or are publicly accused of such actions, that bring negative publicity to the Macquarie Group.

4.2.18. Tax risk

Future tax developments or changes to tax laws or their interpretation may also have a material adverse effect on the Macquarie Group. The Macquarie Group operates in a range of jurisdictions with different tax regimes which are subject to change. The Macquarie Group's after tax earnings may be impacted by changes to the tax treatment of MGL or any of its controlled entities. While the Macquarie Group believes that it has in place controls and procedures that are designed to ensure that transactions comply with applicable tax laws and regulations, any actual or alleged failure to comply with or any change in the interpretation, application or enforcement of applicable tax laws and regulations could adversely affect its reputation and affected business areas, significantly increase its own tax liability and expose it to legal, regulatory and other actions.

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4.2.19. Information security risks

The Macquarie Group businesses are highly dependent on its information technology systems. The Macquarie Group devotes significant effort to protecting the confidentiality, integrity and availability of its computer systems, software and networks, including maintaining the confidentiality of information that may reside on those systems. However, there can be no assurances that the Macquarie Group's security measures will provide absolute security. Information security risks for financial institutions have increased in recent years, in part because of the proliferation of new technologies, the use of internet and telecommunications technology and the increased sophistication and activities of organised criminals and hackers. The Macquarie Group's computer systems, software and networks may be vulnerable to unauthorised access, misuse, denial-of-service attacks, phishing attacks, computer viruses or other malicious code and other events that could have a security impact. Information security threats may also occur as a result of the Macquarie Group's plans to continue to implement internet banking and mobile banking channel strategies and develop additional remote connectivity solutions, the outsourcing of some of the Macquarie Group's business operations and the threat of cyber terrorism. Third parties with which the Macquarie Group does business, as well as other third parties with which the Macquarie Group's clients do business, can also be sources of operational risk to it, including with respect to security breaches affecting such parties, breakdowns or failures of the systems or misconduct by the employees of such parties and cyber-attacks. Such incidents may require the Macquarie Group to take steps to protect the integrity of its own operational systems or to safeguard its confidential information and that of its clients, thereby increasing its operational costs and potentially diminishing customer satisfaction. It is possible that the Macquarie Group may not be able to anticipate or to implement effective measures to prevent or minimise damage that may be caused by all information security threats, because the techniques used can be highly sophisticated and can evolve rapidly, and those that would perpetrate attacks can be well resourced. An information security failure could have serious consequences for the Macquarie Group including operational disruption, financial losses,

reputational damage, theft of intellectual property and customer data, and could result in violations of applicable privacy laws, all of which could have a material impact on the Macquarie Group.

4.2.20. Risk of unforeseen, hostile or potential catastrophic events and environmental risks

The Macquarie Group's businesses (including commodities businesses and particularly physical commodities financing businesses) are subject to the risk of unforeseen, hostile or catastrophic events, many of which are outside of its control, including natural disasters, extreme weather events (such as persistent winter storms or protracted droughts) leaks, spills, explosions, release of toxic substances, fires, accidents on land or at sea, terrorist attacks or other hostile or catastrophic events. Additionally, rising climate change concerns may lead to additional regulation that could increase the operating costs and/or reduce the profitability of the Macquarie Group's investments. In addition, the Macquarie Group relies on third party suppliers or service providers to perform their contractual obligations, and any failure on their part could adversely affect the Macquarie Group's business. The Macquarie Group may also not be able to obtain insurance to cover some of these risks and the insurance that it has may be inadequate to cover its losses.

The occurrence of any such events may prevent MGL and the Macquarie Group from performing under their agreements with clients, may impair their operations or financial results, and may result in litigation, regulatory action, negative publicity or other reputational harm.

4.2.21. Conflicts of Interest

As the Macquarie Group expands its businesses and its client base, it increasingly has to address potential or perceived conflicts of interest, including situations where its services to a particular client conflict with, or are perceived to conflict with, its own proprietary investments or other interests or with the interests of another client, as well as situations where one or more of its businesses have access to material non-public information that may not be shared with other businesses within the Macquarie Group. While the Macquarie Group believes it has adequate procedures and controls in place to address

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conflicts of interest, including those designed to prevent the improper sharing of information among its businesses, appropriately dealing with conflicts of interest is complex and difficult, and its reputation could be damaged and the willingness of clients to enter into transactions may be adversely affected if the Macquarie Group fails, or appears to fail, to deal appropriately with conflicts of interest. In addition, potential or perceived conflicts could materially adversely affect the Macquarie Group's reputation or business, including give rise to claims by and liabilities to clients, litigation or enforcement actions or discourage clients or counterparties to do business with the Macquarie Group.

4.2.22. Litigation risk

The Macquarie Group may, from time to time, be subject to material litigation or regulatory actions which may generate contingent liabilities which may adversely impact on its financial condition or its reputation.

While provisions are made in the Macquarie Group's accounts for litigation and regulatory actions, where deemed necessary, there is a risk that any losses incurred may be larger than anticipated or provided for in those accounts or that additional litigation, regulatory actions or other contingent liabilities may arise. Furthermore, even where monetary damages may be relatively small, an adverse finding in a regulatory or litigation matter could harm the Macquarie Group's reputation or brand, thereby adversely affecting their businesses.

4.2.23. Risks relating to funds management

The Macquarie Group's financial condition and results of operation are directly and indirectly affected by the results of the funds or the assets it manages. As such, poor performance of funds may cause a decline in the Macquarie Group's revenue and results of operations may adversely affect the Macquarie Group's ability to raise capital for future funds and may also affect the Macquarie Group's brand and reputation.

In addition the Macquarie Group's funds model exposes it to such risks as:

- Equity at risk: the Macquarie Group maintains an equity interest in a number of the funds that it manages. The market value of the Macquarie

Group's assets is directly affected by the value of the funds managed by the Macquarie Group to the extent of its equity interest in those funds.

- Reputation risk: The Macquarie name is attached to many of the funds managed by the Macquarie Group. Any adverse developments in relation to any of the funds the Macquarie Group manages or the assets managed by those funds could have an adverse impact on the Macquarie Group's reputation and public image which could adversely affect its business and financial condition.
- Contingent liabilities: In some instances, entities in the Macquarie Group have sold assets to funds managed by the Macquarie Group mostly in circumstances when the Macquarie Group is seeding a newly-formed fund with assets, or the Macquarie Group has sold its interest in such assets to third parties. Under the terms of some of the agreements pursuant to which those assets have been sold the Macquarie Group may have contingent liabilities as a result of the representations and warranties, covenants, indemnities or other provisions of those agreements.
- Conflicts of interest: the Macquarie Group manages and advises a large number of funds, many of which compete for assets and investors. The Macquarie Group has policies in place designed to manage conflicts of interest within the Macquarie Group but no assurance can be given that those policies will be adequate to prevent actual or perceived conflicts of interest.

If the Macquarie Group is unable to effectively manage these risks, its funds management business and reputation could be materially harmed or it could be exposed to claims or other liabilities to investors in the funds.

4.2.24. Other risks

The Macquarie Group's profitability is also subject to a number of other risks including political risk (including economic sanctions and other restrictive government actions), risks from external events (including geopolitical instability and conflicts), strategic risks (including corporate transactions and internal restructures), litigation, regulatory actions and any associated contingent liabilities.

5

Taxation summary

5. Taxation summary

5.1. Summary of Australian tax consequences for MCN2 Holders

The following is a summary of the Australian tax consequences for certain Australian resident MCN2 Holders who subscribe for MCN2 under the Offer.

This summary is not intended to be exhaustive and you should seek advice from your own financial adviser or other professional adviser before deciding to invest in MCN2. In particular, this summary does not consider the consequences for MCN2 Holders who:

- are not Australian residents for tax purposes;
- acquire MCN2 otherwise than under the Offer;
- hold MCN2 in their business of share trading or dealing in securities, or who otherwise hold their MCN2 on revenue account or as trading stock; or
- are subject to the “taxation of financial arrangements” provisions in Division 230 of the Tax Act in relation to their holding of MCN2.

This summary is not intended to be, nor should it be constituted as being, investment, legal or tax advice to any particular MCN2 Holder.

This summary is based on Australian tax laws and regulations, interpretations of such laws and regulations, and administrative practices as at the date of this Prospectus.

5.1.1. Class ruling sought on MCN2

MGL has applied for a Class Ruling to the ATO to confirm certain Australian tax consequences for Australian resident MCN2 Holders. The ATO will only issue a Class Ruling after the issue of MCN2. When issued, copies of the class ruling will be available from www.macquarie.com and the ATO website.

5.1.2. Distributions on MCN2

MCN2 should constitute a non-share equity interest and Distributions under the MCN2 Terms should constitute non-share dividends that are frankable.

MCN2 Holders should include such Distributions in their assessable income. If the Distribution includes franking credits, MCN2 Holders should also be required to include the franking credits in their assessable income. However, the MCN2 Holder may be entitled to a tax offset equal to the franking credits received. This is subject to the MCN2

Holder satisfying the “holding period rule” (refer below) and the ATO not making a determination under the anti-avoidance rules (refer below) to deny the benefit of the franking credits to the MCN2 Holder.

An MCN2 Holder that is an individual or complying superannuation fund may be able to receive a tax refund from the ATO in a particular year if the franking credits attached to the dividend exceed the tax payable on the MCN2 Holder’s total taxable income.

An MCN2 Holder that is a company should be entitled to a franking credit in its own franking account and a tax offset in respect of any franking credits attached to a Distribution. However, the company will not be entitled to a tax refund of the excess franking credits. Rather, the surplus franking credits may be converted to a tax loss which can be carried forward to future years (subject to the corporate MCN2 Holder satisfying certain loss carry forward rules).

MCN2 Holders who are residents of Australia for tax purposes who are neither individuals nor trustees of complying superannuation funds nor companies should consider how they should be treated in relation to the taxation of the Distributions. Such MCN2 Holders include exempt bodies and the trustees of trusts other than complying superannuation funds.

Holding period rule

Under the “holding period rule”, MCN2 Holders are required to hold their MCN2 “at risk” for a continuous period of at least 90 days from the day after MCN2 is acquired until the day after MCN2 becomes ex-distribution (commonly referred to as the “primary qualification period”).

If an MCN2 Holder is obliged to make a “related payment” which has the effect of passing on the benefit of the Distribution to other entities, the MCN2 Holder will also be required to hold their MCN2 “at risk” for at least 90 days before and after MCN2 become ex-distribution.

To be held “at risk”, an MCN2 Holder must retain 30% or more of the risks and benefits associated with holding MCN2. This may be affected by any risk management strategies undertaken by an MCN2 Holder in relation to their MCN2 (for example, by the use of limited recourse loans, options or other derivatives).

5. Taxation summary

An MCN2 Holder that holds their MCN2 for at least the primary qualification period and does not make a related payment or undertake any risk management strategies should satisfy the “holding period rule” in relation to the franking credits included in the Distribution.

However, the “holding period rule” does not apply to MCN2 Holders that are individuals if the total amount of the tax offsets in respect of franked distributions to which the MCN2 Holder is entitled to, in a particular income year, is \$5,000 or less, provided they are not under an obligation to make a “related payment” as described above. In this instance, the MCN2 Holder should be entitled to the benefit of franking credits whether or not their MCN2 are held at risk for the requisite period of time.

Anti-avoidance rules

There are also anti-avoidance rules that may apply in certain circumstances to deny the benefit of franking credits to MCN2 Holders. One of these rules is in section 177EA of the Tax Act which is intended to apply to prevent schemes that are concluded for the purpose of obtaining a franking benefit and this purpose is more than an incidental purpose of entering into the scheme. Under this rule, the ATO may make a determination based on a number of objective factors as to whether a scheme has such a purpose.

The application of this rule was reviewed by the Australian High Court in *Mills v Commissioner of Taxation* [2012] HCA 51 (**the Mills case**) where it was concluded that the notes issued in that case, that were classified as Tier 1 capital, were not subject to section 177EA.

Having regard to the objective factors which the ATO may consider under section 177EA and in light of the High Court’s decision in the *Mills* case, MGL does not expect section 177EA to apply to Distributions on MCN2.

MGL also does not expect any other anti-avoidance provisions should apply to Distributions on MCN2, subject to the particular circumstances of an MCN2 Holder.

5.1.3. CGT cost base and acquisition date for MCN2

The cost base (or reduced cost base) of each MCN2 acquired by an MCN2 Holder should include \$100 (being the Issue Price of each MCN2) and any non-deductible incidental costs (e.g. broker fees, adviser fees) associated with the acquisition and disposal of MCN2. This will be relevant in determining the capital gain or capital loss resulting on a disposal of MCN2 (discussed further below).

Each MCN2 will be taken to have been acquired by an MCN2 Holder on the Issue Date.

5.1.4. Exchange of MCN2 into Ordinary Shares

Specific capital gains tax provisions under the Tax Act should apply to disregard any gain or loss that may arise on Exchange of MCN2 into Ordinary Shares such that the gain or loss is effectively deferred.

As a consequence, the MCN2 Holder’s cost base in the Ordinary Shares acquired on Exchange should be equal to their cost base in MCN2. The Ordinary Shares are taken to be acquired at the date of the relevant exchange event for capital gains tax purposes (including for the purposes of determining the 12 month ownership period for the “CGT Discount Concession” discussed below).

5.1.5. Sale on ASX, Redemption or Resale

Any gain or loss on the sale of the MCN2 (including on the ASX, through Redemption, or Resale) by an MCN2 Holder should be included in the calculation of their taxable income.

In respect of a Redemption, the Redemption proceeds should not be treated as a dividend to the extent to which (as is expected to be the case) they are debited against MGL’s non-share capital account.

The Class Ruling application has also requested that the ATO address the issue as to whether MCN2 should constitute “traditional securities” such that the gain or loss on the sale of MCN2 will be treated as effectively ordinary income or loss for tax purposes rather than a capital gain or loss under the CGT rules in the Tax Act. MGL expects that the ATO should conclude that MCN2 are not “traditional securities”. On this basis, any

5. Taxation summary

gains or losses made by MCN2 Holders on the sale of the MCN2 should be taxed under the CGT rules.

CGT Discount Concession

Where an MCN2 Holder realises a capital gain on disposal of MCN2, certain MCN2 Holders who have held their MCN2 for at least 12 months prior to disposal should be eligible for the 50% CGT discount (for individuals and trusts) or 33⅓% CGT discount (for complying superannuation funds) on any capital gain made on disposal.

Where a capital loss is realised on the sale of MCN2, the capital loss is generally only deductible against capital gains, but can be carried forward for use in a later year.

5.1.6. Ordinary Shares following Exchange

The dividends received on Ordinary Shares should give rise to similar tax consequences outlined in section 5.1.2 in relation to Distributions on MCN2.

Any gain or loss realised on the sale of Ordinary Shares should be taxable under the CGT rules. As outlined above, the Ordinary Shares acquired on Exchange will be taken to have been acquired on the date of Exchange. This means that the Ordinary Shares would need to be held for at least 12 months after the date of Exchange in order for eligible MCN2 Holders (individuals, trusts and complying superannuation funds) to be eligible for the CGT discount concession on the disposal of Ordinary Shares.

5.1.7. Write-Off of MCN2

If Exchange has not occurred, for any reason, within 5 Business Days of a Non-Viability Event, an MCN2 Holder's rights under MCN2 will be Written-Off so that they terminate for no consideration.

A CGT event will happen for MCN2 Holders if and when MCN2 are Written-Off. No consideration will be received by MCN2 Holders for their Written-Off MCN2 and, where the MCN2 have no market value for tax purposes, MCN2 Holders should make a capital loss equal to the reduced cost base of their Written-Off MCN2.

5.1.8. Provision of TFN and/or ABN

MCN2 Holders may choose to provide their tax file number, Australian Business Number or a relevant exemption to MGL.

In the event that MGL is not notified, the Taxation Administration Act 1953 (Cth) imposes withholding tax on the payment of distributions on certain types of investments such as the unfranked part (if any) of Distributions. The rate of withholding is currently 49%, including a Temporary Budget Repair Levy of 2%, which applies until 30 June 2017.

This tax withholding may be offset against the tax payable on the unfranked part of Distributions in respect of the MCN2 Holders.

5.1.9. GST

GST should not be payable on the issue, receipt, disposal, Exchange, Redemption or Resale of MCN2.

5.1.10. Stamp duty

Under current law, no stamp duty should be payable by an MCN2 Holder on the issue, transfer, Redemption, Exchange or Resale of MCN2 as long as MGL is listed and its shares and MCN2 are quoted on the ASX and no MCN2 Holder (alone or with associates) will acquire or hold a 90% or more interest in MGL.

6

Additional information

This section provides information about a number of other matters not covered elsewhere in this Prospectus.

6. Additional information

6.1. Trust Deed

MGL has entered into the Trust Deed with the Trustee. The MCN2 Terms are set out as a schedule to the Trust Deed. A copy of the Trust Deed can be obtained from www.MacquarieCN2Offer.com.au.

In accordance with the requirements in Chapter 2L of the Corporations Act, the Trustee will act as note trustee for the MCN2 Holders under the Trust Deed. All MCN2 Holders are bound by the terms of the Trust Deed.

All payment, Exchange and other obligations under the MCN2 are the direct obligations of MGL. Neither the Trustee nor any of its directors, employees, officers, affiliates, agents, advisers, intermediaries, or Related Bodies Corporate guarantee, or are otherwise responsible for, the payment, Exchange or any other obligation of MGL under the MCN2.

The Trustee is not responsible for monitoring any breach of the Trust Deed, the MCN2 Terms, the occurrence of any event which may trigger an Exchange or the activities, financial position, business or status of MGL except as required by law. In this regard, the Trustee is subject to certain statutory duties imposed on it under Chapter 2L of the Corporations Act including to:

- exercise reasonable diligence to ascertain whether:
 - the property of MGL that is or should be available will be sufficient to repay the amounts lent by MCN2 Holders in respect of MCN2 when such amounts become due; and
 - MGL has breached the MCN2 Terms, the Trust Deed or the provisions of Chapter 2L of the Corporations Act; and
- unless the Trustee is satisfied a breach of the MCN2 Terms, the Trust Deed or the provisions of Chapter 2L of the Corporations Act is not materially prejudicial to the MCN2 Holders' interests, do everything in its power to ensure MGL remedies any breach which is known to the Trustee.

Investors should be aware that the Trustee's role (as noted above) is broadly limited to monitoring MGL's compliance with the MCN2 Terms, the Trust Deed and Chapter 2L of the Corporations Act and, to the extent permitted by the MCN2 Terms, the Trust Deed and the law, doing everything within its power

to ensure that MGL remedies any breach which is known to the Trustee (unless the Trustee is satisfied that the breach is not materially prejudicial to the MCN2 Holders' interests).

The following is a summary only of the principal provisions of the Trust Deed.

6.1.1. Appointment of Trustee and declaration

The Trustee has been appointed under the Trust Deed and holds on trust for itself and the MCN2 Holders:

- a trust settlement sum of \$10;
- the right to enforce, on behalf of MCN2 Holders, MGL's obligations to pay amounts payable under the MCN2 Terms and under the Trust Deed;
- the right to enforce, on behalf of MCN2 Holders, all other duties and obligations of MGL under the MCN2 Terms, the provisions of the Trust Deed and Chapter 2L of the Corporations Act; and
- any other property and benefits which the Trustee from time to time receives or holds on such trust (including, without limitation, the benefit of any covenants, undertakings, representations, warranties, rights, powers, benefits or remedies in favour of the Trustee under the Transaction Documents).

6.1.2. MGL undertakings

MGL has undertaken to the Trustee (on behalf of each MCN2 Holder) that it will, amongst other things:

- pay any amounts due and payable in respect of MCN2 (subject to any obligation of MGL to Exchange or Write-Off any MCN2);
- comply with its obligations under the MCN2 Terms, and comply with all laws applicable to it (including Chapter 2L of the Corporations Act) where failure to do so would have or be likely to have a material adverse effect in relation to the MCN2; and
- comply with any conditions imposed by ASX in connection with the MCN2 except to the extent those conditions may cause the MCN2 to cease to be Relevant Tier 1 Securities.

6. Additional information

6.1.3. Trustee limitation of liability

The Trustee is not liable to MGL, MCN2 Holders or any other person in any capacity other than as Trustee of the Trust. A liability of the Trustee is limited to and can be enforced against the Trustee only to the extent to which the Trustee is actually indemnified out of the assets of the Trust in respect of that liability.

However, this limitation only applies to a liability of the Trustee to the maximum extent permitted by section 283DB of the Corporations Act and does not apply to a liability of the Trustee:

- to the extent that there is a reduction in the extent of the Trustee's indemnification from the assets of the Trust in respect of the liability as a result of the Trustee's fraud, negligence, wilful default or breach of section 283DA(a), (b) or (c) of the Corporations Act ("**Trustee Default**"); or
- in respect of which the Trustee is not entitled to be indemnified, out of the assets of the Trust, as a result of a Trustee Default.

The Trustee is not obliged to do or refrain from doing anything under the Trust Deed or MCN2 Terms unless the Trustee's liability is limited in the same manner as set out in the Trust Deed (which is summarised in this section 6.1.3).

6.1.4. Action by Trustee

The Trustee is required, at all times, to act in accordance with its obligations under the MCN2 Terms, the Trust Deed, the Corporations Act and applicable law. Subject to the MCN2 Terms and to section 283DA(h) of the Corporations Act, the Trustee must take action to enforce its rights and the rights of MCN2 Holders under the Trust Deed and the MCN2 Terms in accordance with their terms where all the following conditions are met and is not required to act in accordance with any direction from the MCN2 Holders or any of them unless:

- the Trustee is requested to take action by MCN2 Holders who hold between them at least 25% of the outstanding principal amount of MCN2 then outstanding or it has been so directed by a Special Resolution of the MCN2 Holders;

- the Trustee is indemnified to its reasonable satisfaction against all actions to which it may render itself liable by taking such action and costs which it may incur and all management time spent by employees or officers of the Trustee in relation to such action; and
- the action is permitted under the Transaction Documents.

The Trustee may not take any enforcement action which is contrary to the Transaction Documents.

6.1.5. Direct action by MCN2 Holder

No MCN2 Holder is entitled to proceed directly against MGL to enforce the performance of any of the provisions of the Trust Deed or the MCN2 Terms (including any rights, powers or remedies in connection with the MCN2, whether arising under the Trust Deed or any other Transaction Document), unless the Trustee, having become bound to proceed, fails to do so within 14 days and such failure is continuing, in which case any MCN2 Holder may itself institute proceedings against MGL for the relevant remedy to the same extent (but not further or otherwise) that the Trustee would have been entitled to do so. Any such proceeding must be brought in the name of the MCN2 Holder and not the Trustee.

MCN2 Holders should be aware that, even if action is taken by the Trustee in accordance with the MCN2 Terms, the Trust Deed, the Corporations Act or applicable law, there can be no guarantee that such action will ensure the performance of all (or any) of MGL's obligations under the MCN2 Terms. Further, MCN2 Holders should be aware that the Trustee may not take any action to enforce any obligation of MGL in connection with the MCN2 unless the enforcement of that obligation is in accordance with the MCN2 Terms, the Trust Deed and applicable law. Neither the Trustee nor any MCN2 Holder may exercise any powers in a manner inconsistent with the Trust Deed and the MCN2 Terms.

6. Additional information

6.1.6. Fees and expenses

Under the Trust Deed, MGL will pay the Trustee by way of a fee for its services such amounts as may be agreed between MGL and the Trustee from time to time. The initial fees comprise an upfront establishment fee of \$5,000 (to cover the review and negotiation of the relevant transaction documents) and an annual fee of \$40,000 plus 0.01% of MCN2 on issue above \$300 million, subject to adjustment in future years. The Trustee may also be entitled to additional remuneration from MGL where it is required to undertake duties of an exceptional nature that are outside its normal duties. MGL will also pay to the Trustee:

- its reasonable costs, charges and expenses incurred in connection with the negotiation, preparation and execution of the Trust Deed, this Prospectus and the MCN2 Terms and any subsequent consent, agreement, approval, waiver or amendment relating to the Transaction Documents;
- all costs, charges, expenses, losses and other liabilities it incurs in connection with exercising, enforcing or preserving, or attempting to exercise, enforce or preserve, rights under the Trust Deed and the MCN2 Terms; and
- all losses, costs, charges and expenses and other liabilities it suffers or properly incurs which arise out of, or in the course of, acting as the trustee of the Trust, except where such expenses are incurred by the Trustee as a direct result of a Trustee Default.

6.1.7. Retirement and removal

The Trustee may retire by giving written notice to MGL, which will not be effective until at least 60 days after the date of the notice has passed (or such other period as the Trustee and MGL may agree) and provided that the appointment of a new trustee is effective and in compliance with all applicable statutory requirements. The Trustee may be removed by MGL by MGL giving not less than 60 days' notice to the Trustee if, amongst other things:

- the Trustee is in material breach of its obligations under the Trust Deed or the MCN2 Terms and has not rectified the breach within 7 Business Days of receiving a notice from MGL specifying the breach and requesting that it be remedied;
- a Trustee Default has occurred and is continuing;

- the Trustee ceases to carry on business or becomes subject to an insolvency event (such as being placed in liquidation, being wound-up or dissolved) or a receiver or similar official is appointed to it;
- the Trustee is no longer permitted to act as trustee under the Corporations Act;
- any licence, consent, authorisation or similar thing the Trustee is required to hold to carry out its obligations under the Trust Deed is revoked or not renewed;
- MGL is authorised or requested to do so by a Special Resolution of the MCN2 Holders; or
- MGL becomes aware that the Trustee has ceased to exist, has not been validly appointed, cannot be a trustee under section 283AC of the Corporations Act or has failed or refused to act as trustee.

When the Trustee retires or is removed, the Trustee is, to the extent permitted by law, discharged and released from its obligations, covenants and liabilities under the Trust Deed arising after the date it retires or is removed.

Notwithstanding the retirement or removal of the Trustee, the outgoing Trustee:

- is entitled to its remuneration up to the date of its retirement or removal;
- will continue to be entitled to the rights of reimbursement and indemnities contained in the Trust Deed in relation to all acts and omissions occurring up to the date of its retirement, removal or replacement;
- may retain copies of any documents and records required by it and which it reasonably considers to be relevant; and
- will be given reasonable access to any other documents and records by the incoming Trustee.

6.1.8. Meetings

A meeting of MCN2 Holders has the power to:

- by Ordinary Resolution, give directions to the Trustee as to, or authorise, ratify or confirm anything the Trustee has done or omitted to do in respect of, the performance or exercise of any of its duties, rights, powers and remedies under the Trust Deed or MCN2; and

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- by Special Resolution:
 - approve the release of the Trustee from liability for anything done or omitted to be done by the Trustee or any other person before the release is given; and
 - approve alterations to the Trust Deed or amendments to the MCN2 Terms (subject to the other conditions described in section 4.1.27 being complied with).

To the extent any matter arising from a meeting of MCN2 Holders may cause the MCN2 to cease to be Relevant Tier 1 Securities, such matter requires the prior written approval of APRA.

Each MCN2 Holder is entitled to one vote on a show of hands. On a poll, each MCN2 Holder is entitled to one vote for each MCN2 with respect to which it is the registered holder.

To the extent permitted by law, the Trustee is not liable to an MCN2 Holder, MGL or any other person for acting on directions, authorisations, resolutions or confirmations given by the MCN2 Holders.

An MCN2 Holder has no entitlement to attend or vote at a general meeting of MGL or to receive a copy of the MGL annual report or other financial information sent to holders of Ordinary Shares.

6.2. Offer Management Deed (“OMD”)

MGL has entered into an OMD with the Joint Lead Managers. Macquarie Capital (Australia) Limited is sole Arranger and a Joint Lead Manager. Under the OMD, the Joint Lead Managers have agreed to conduct a Bookbuild for the purpose of establishing the Margin.

The following is a summary of the principal provisions of the OMD.

6.2.1. Fees

The fees payable to the Joint Lead Managers are set out in Section 6.7.

6.2.2. Representations, warranties and undertakings under the OMD

MGL makes various representations and warranties in relation to this Prospectus, compliance with the Corporations Act, conduct of the Offer in accordance with this Prospectus, the MGL Constitution, the OMD

and the Corporations Act. MGL also warrants that it has the power (including under the MGL Constitution) to enter into and perform transactions and agreements in connection with the OMD and the Offer.

6.2.3. Termination events

A Joint Lead Manager may terminate the Offer after the happening of any one or more of the following events (among others):

- a material statement contained in this Prospectus is misleading or deceptive (including by omission);
- a waiver or approval from the ASX, having been granted, is subsequently withdrawn, qualified (other than customary pre-listing conditions) or withheld;
- ASIC issues a stop order or similar proceeding in relation to this Prospectus;
- this Prospectus does not comply in all material respects with the Corporations Act, the ASX Listing Rules or any other applicable law or regulation;
- the credit rating assigned to MGL at the date of the OMD by Standard & Poor’s or Moody’s Investor Services is downgraded or withdrawn or that credit rating is placed on negative outlook or credit watch negative;
- MGL withdraws this Prospectus or indicates that it does not intend to proceed with the Offer; or
- a specified fall in the S&P ASX 200 Index.

In addition, a Joint Lead Manager may terminate the Offer after the happening of any one or more of the following events (among others) where in the reasonable opinion of the Joint Lead Manager this event has or is likely to have a materially adverse effect on the success or settlement of the Offer or could give rise to a material liability of the Joint Lead Manager under the Corporations Act or any other application law:

- an adverse change in the assets, liabilities, financial position or performance, profits, losses, or prospects of the Macquarie Group (in so far as the position of the entity in the Macquarie Group affects the overall position of MGL);
- a change in senior management as described in this Prospectus or the Board of Directors of MGL other than the appointment of an additional Director

6. Additional information

to the MGL Board, or a change in the constitution of MGL;

- a change in law is introduced or proposed to be introduced which does or is likely to prohibit or adversely regulate the Offer, capital issues, or stock markets or adversely affect the tax treatment of MCN2; or
- one of the following occurs:
 - a general moratorium on commercial banking activities in Australia, the United States or the United Kingdom is declared by the relevant central banking authority in any of those countries, or there is a disruption in commercial banking or security settlement or clearance services in any of those countries;
 - trading in all securities quoted or listed on ASX, the London Stock Exchange or New York Stock Exchange is suspended or limited for more than one day on which that exchange is open for trading; or
 - there is a suspension or limitation in trading in MGL's securities on ASX (other than in connection with the Bookbuild);
- after the successful completion of the Bookbuild:
 - there is an outbreak or major escalation of hostilities involving any one or more of Australia, the United States, the United Kingdom, Hong Kong, China, any member of the European Union, Japan or Singapore or the declaration by any of these countries of a national emergency or war, or a major terrorist attack is perpetrated on any of those countries;
 - the occurrence of any calamity or crisis or any change in financial, political or economic conditions or currency exchange rates or controls in Australia, the United States or the United Kingdom;
- a warranty granted by MGL contained in the OMD is not true or correct.

6.2.4. Indemnity

MGL indemnifies the Joint Lead Managers and their affiliates (including their related bodies corporate) and each of their officers, directors, employees, agents

and advisers against all liabilities arising in connection with or as a result of their appointment, the Offer or the Prospectus except to the extent that those liabilities arise from the fraud, recklessness, wilful misconduct or negligence of those parties, or their breach of the OMD.

6.3. Summary of rights attaching to Ordinary Shares

Ordinary Shares will be issued to MCN2 Holders on certain events – see section 2.3, 2.4, 2.7 and 2.8 for further details of Exchange and when it may occur.

The rights and liabilities attaching to Ordinary Shares are set out in the MGL Constitution and are also regulated by the Corporations Act, ASX Listing Rules and the general law.

This section briefly summarises the key rights attaching to Ordinary Shares. It is not intended to be an exhaustive summary of the rights and obligations of holders of Ordinary Shares.

The key rights attaching to Ordinary Shares are as follows:

- the right to vote at general meetings of MGL on the basis of:
 - on a show of hands – one vote for each member present in person or represented by proxy, attorney or other representative; and
 - on a poll – one vote for each member present in person or represented by proxy, attorney or other representative per fully paid Ordinary Share (or the number of votes in proportion to the capital paid up on any partly paid Ordinary Shares held);
- the right to receive dividends declared from time to time in proportion to the capital paid up on the Ordinary Shares held by each holder (subject to the rights of holders of securities with special rights as to dividend);
- the right to receive information required to be distributed under the Corporations Act and the ASX Listing Rules; and
- the right to participate in a Winding Up of MGL at the discretion of the liquidator.

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6.4. Interests and benefits of MGL's Directors

MGL's Directors as at the date of this Prospectus are:

H Kevin McCann AM, BA LLB (Hons) (Syd), LLM (Harv), FAICD

Independent Chairman since March 2011

Independent Voting Director since August 2007 (of Macquarie Bank since December 1996)

Chairman of the Board Nominating Committee

Member of the Board Remuneration Committee

Member of the Board Risk Committee

Kevin McCann was a Partner of leading Australian law firm Allens Arthur Robinson for 34 years and also served as Chairman. He practised as a commercial lawyer specialising in mergers and acquisitions, mineral and resources law and capital markets transactions.

Mr McCann has wide Board experience with major Australian companies. He was previously Chairman of Origin Energy Limited, Healthscope Limited and ING Management Limited and a Director of BlueScope Steel Limited.

Mr McCann is Vice Chairman of the New Colombo Plan Reference Group, and a Director of the United States Studies Centre at the University of Sydney and Evans and Partners Pty Limited. Mr McCann is also the Chairman of The Citadel Group Limited. In the non-profit sector, Mr McCann is Chairman of the National Library of Australia Foundation and Sydney Harbour Federation Trust as well as a Fellow of the Senate of his alma mater, University of Sydney.

Nicholas W Moore, BCom LLB (UNSW), FCA

Managing Director and Chief Executive Officer since May 2008

Executive Voting Director since February 2008 (of Macquarie Bank since May 2008)

Nicholas Moore joined Macquarie in 1986 and led the global development of its advisory, funds management, financing and securities businesses.

Appointed Chief Executive Officer in 2008, he is now leading the continued global growth of Macquarie Group as it builds on its position as one of Asia-Pacific's leading financial services providers.

Mr Moore is Chairman of Screen Australia, Sydney Opera House Trust and the University of NSW Business School Advisory Council, and a Director of the Centre for Independent Studies.

Gary R Banks AO, BEc (Hons) (Monash), MEc (ANU)

Independent Voting Director since August 2013

(of Macquarie Bank since August 2013)

Member of the Board Nominating Committee

Member of the Board Remuneration Committee

Member of the Board Risk Committee

Gary Banks has a wealth of experience across economics, public policy and regulation in Australia and internationally. He was Chairman of the Australian Productivity Commission from its inception in 1998 until 2012.

He has also held senior roles with the GATT Secretariat in Geneva, the Trade Policy Research Centre in London, the Centre for International Economics in Canberra and consulted to the World Bank, Organisation for Economic Co-operation and Development (OECD) and World Trade Organisation.

Professor Banks is Chief Executive and Dean of the Australia and New Zealand School of Government, a Professorial Fellow at the University of Melbourne and Adjunct Professor at the Australian National University. He chairs the OECD's Regulatory Policy Committee and is a Member of the Melbourne Institute's Advisory Board and the Prime Minister's Business Advisory Council.

Gordon M Cairns, MA (Hons) (Edin)

Independent Voting Director since November 2014

(of Macquarie Bank since November 2014)

Member of the Board Nominating Committee

Member of the Board Remuneration Committee

Member of the Board Risk Committee

Gordon Cairns has held a range of management and executive roles throughout his career, including Chief Executive Officer of Lion Nathan Limited. He has extensive experience as a company director, including nine years as a non-executive director of Westpac Banking Corporation, where he served on the Board Risk Management and Remuneration Committees. Mr Cairns has served as a director on the boards of Lion Nathan Australia Limited and Seven Network

6. Additional information

Australia Limited, and as Chairman of David Jones Limited and Rebel Group Pty Limited.

Mr Cairns is Chairman of Woolworths Limited and Origin Energy Limited. He is a Director of Quick Service Restaurant Group.

Michael J Coleman, MCom (UNSW), FCA, FCPA, FAICD

*Independent Voting Director since November 2012
(of Macquarie Bank since November 2012)*

Chairman of the Board Audit Committee

Member of the Board Governance and Compliance Committee

Member of the Board Nominating Committee

Member of the Board Risk Committee

A senior audit partner with KPMG for 30 years, Michael Coleman has significant experience in risk management, financial and regulatory reporting and corporate governance.

Mr Coleman was KPMG's inaugural National Managing Partner Assurance and Advisory from 1998 to 2002, National Managing Partner for Risk and Regulation from 2002 to 2010 and Regional Leader for Asia Pacific Quality and Risk Management from 2002 to 2011. He has also served as Chairman of ING Management Limited.

Mr Coleman is an Adjunct Professor at the Australian School of Business at the University of New South Wales. He is Deputy Chairman of the Financial Reporting Council and Chairman of Planet Ark Environmental Foundation. Mr Coleman is also a member of the Audit Committee of the Reserve Bank of Australia, a member of the National Board and of the NSW Council of the Australian Institute of Company Directors (AICD) and Chairman of the Reporting Committee of the AICD.

Patricia A Cross, BSc (Hons) (Georgetown), FAICD

*Independent Voting Director since August 2013
(of Macquarie Bank since August 2013)*

Chairman of the Board Risk Committee

Member of the Board Audit Committee

Member of the Board Nominating Committee

Patricia Cross has extensive international financial and banking experience, through senior executive roles with Chase Manhattan Bank and Chase Investment Bank,

Banque Nationale de Paris and National Australia Bank, where she was responsible for the Wholesale Banking and Finance Division and a member of the Executive Committee. She has lived and worked in seven different countries.

Mrs Cross has served on a number of listed company boards, including National Australia Bank Limited, JBWere Limited, Qantas Airways, Wesfarmers Limited, AMP Limited and Suncorp-Metway Limited. She was Chairman of Qantas Superannuation Limited and Deputy Chairman of the Transport Accident Commission of Victoria. Mrs Cross has also served on many government bodies and not for profit organisations' boards.

Mrs Cross is a Director of Aviva plc, Chairman of Commonwealth Superannuation Corporation and a founding Director of the Grattan Institute. She is also an Australian Indigenous Education Foundation ambassador.

Diane J Grady AM, BA (Mills), MA (Hawaii), MBA (Harv), FAICD

*Independent Voting Director since May 2011
(of Macquarie Bank since May 2011)*

Member of the Board Governance and Compliance Committee

Member of the Board Nominating Committee

Member of the Board Remuneration Committee

Member of the Board Risk Committee

Diane Grady was a partner at McKinsey & Company where she consulted for over 15 years to clients on strategic, organisational and operational issues related to growth and was a worldwide leader of the firm's Organisation and Change Management practice. She has a Masters of Chinese Studies and worked for three years as a journalist in Asia. She has published research on innovation, corporate governance and gender diversity.

Ms Grady has been a full time independent director of public companies and not-for-profit boards since 1994 and has extensive international experience in a variety of industries. Previous directorships include BlueScope Steel Limited, Woolworths Limited, Goodman Group, Watty Limited, Lend Lease US Office Trust, Lend Lease Limited and MLC. She also served as a member of the ASIC Business Consultative Panel, the National

6. Additional information

Investment Council, the Sydney Opera House Trust, and was President of Chief Executive Women.

Ms Grady is a Director of Spotless Group Holdings Limited and Australian Stationery Industries, and a member of the McKinsey Advisory Council, the Centre for Ethical Leadership, the NSW Innovation and Productivity Council and the Heads Over Heels Advisory Board and is Chair of Ascham School and The Hunger Project Australia.

Michael J Hawker AM, BSc (Sydney), FAICD, SF Fin, FAIM, FIoD

Independent Voting Director since March 2010 (of Macquarie Bank since March 2010)

Chairman of the Board Governance and Compliance Committee

Member of the Board Audit Committee

Member of the Board Nominating Committee

Member of the Board Risk Committee

Michael Hawker has substantial expertise and experience in the financial services industry including management experience in regulated entities, and a deep understanding of risk management. He was Chief Executive Officer and Managing Director of Insurance Australia Group from 2001 to 2008 and held senior positions at Westpac and Citibank.

Mr Hawker was also President of the Insurance Council of Australia, Chairman of the Australian Financial Markets Association, a board member of the Geneva Association and a member of the Financial Sector Advisory Council.

Mr Hawker is Chairman of the George Institute for Global Health, a member of the George Institute for Global Health (UK) and a Director of Aviva Plc Group, the largest insurance provider in the UK. He is also a Director of Washington H Soul Pattinson and Company Limited, and Chairman of Australian Rugby Union.

Nicola M Wakefield Evans, BJuris/BLaw (UNSW), MAICD

Independent Voting Director since February 2014 (of Macquarie Bank since February 2014)

Member of the Board Audit Committee

Member of the Board Governance and Compliance Committee

Member of the Board Nominating Committee

Member of the Board Risk Committee

Nicola Wakefield Evans has significant Asia-Pacific experience as a corporate finance lawyer and was a partner at King & Wood Mallesons (and its predecessor, Mallesons Stephen Jaques) for more than 20 years. Ms Wakefield Evans has particular expertise in the financial services, resources and energy, and infrastructure sectors.

She held several key management positions at King & Wood Mallesons including Managing Partner International in Hong Kong and Managing Partner, Practice in Sydney.

Ms Wakefield Evans is a director of Lend Lease Corporation Limited, Toll Holdings Limited and BUPA Australia & New Zealand Group. She is also a member of the Takeovers Panel and the Advisory Board at the University of New South Wales Law School and a director of Asialink, University of Melbourne.

Peter H Warne, BA (Macquarie), FAICD

Independent Voting Director since August 2007 (of Macquarie Bank since July 2007)

Chairman of the Board Remuneration Committee

Member of the Board Nominating Committee

Member of the Board Risk Committee

Peter Warne has extensive knowledge of, and experience in, financial services and investment banking, through a number of roles at Bankers Trust Australia Limited, including as Head of its Financial Markets Group from 1988 to 1999. Mr Warne was a Director of the Sydney Futures Exchange (SFE) from 1990 to 1999, then from 2000 to 2006. He served as Deputy Chairman of the SFE from 1995 to 1999. When the SFE merged with the Australian Securities Exchange (ASX Limited) in July 2006, he became a Director of ASX Limited, a position he still holds.

Mr Warne is Chairman of ALE Property Group and OzForex Group Limited. He is also a Director of New South Wales Treasury Corporation, a member of the Advisory Board of the Australian Office of Financial Management and a Patron of Macquarie University Foundation.

6. Additional information

Directors' relevant interests

The interests of Directors on 18 November 2015 in Ordinary Shares are listed in the table below:

Name and position	Direct interests		Indirect interests	
Executive Voting Directors				
N.W. Moore	Ordinary Shares	1,483,823	Ordinary Shares	365,295
	MEREP RSUs	625,050		
	MEREP PSUs	272,828		
Independent Voting Directors				
G.R. Banks	Ordinary Shares	4,116		
G.M. Cairns			Ordinary Shares	12,671
			Macquarie Income Securities	900
M.J. Coleman			Ordinary Shares	7,136
P.A. Cross			Ordinary Shares	7,636
D. J. Grady			Ordinary Shares	7,073
			Macquarie Group Capital Notes (MCN)	400
M.J. Hawker	Ordinary Shares	4,248	Ordinary Shares	3,024
H.K. McCann			Ordinary Shares	14,464
			MCN	4,800
N.M. Wakefield Evans			Ordinary Shares	4,036
P.H. Warne	Ordinary Shares	2,590	Ordinary Shares	12,343

Other than as set out in this Prospectus, no Director or proposed Director of MGL holds at the date of the Original Prospectus, or has held in the two years before that date, an interest in:

- the formation or promotion of MGL;
- the Offer; or
- any property acquired or proposed to be acquired by MGL in connection with the formation or promotion of MGL or the Offer.

Macquarie's Non-Executive Directors (NEDs) are remunerated via Board and Board Committee fees which are reviewed annually. Per diem fees may also be paid from time to time for approved additional work. NEDs are remunerated for their services from the maximum aggregate amount approved by shareholders for this purpose. The maximum annual aggregate amount approved by shareholders at the 2015 MGL Annual General Meeting is \$4.6 million.

Michael Coleman will be paid \$7,500 for additional services performed in connection with the preparation of this Prospectus. Other than as set out in this Prospectus, no amount (whether in cash, Ordinary Shares or otherwise) has been paid or agreed to be paid, nor has any benefit been given or agreed to be given, to any Director or proposed Director of MGL:

- to induce a person to become, or qualify as, a Director of MGL; or
- for services provided by a Director or proposed Director of MGL in connection with the formation or promotion of MGL or the Offer.

The Directors (and certain other related parties of MGL) may collectively acquire no more than 0.2% of MCN2 offered under the Offer without MGL Shareholder approval (subject to certain conditions) – see section 6.8.2.

6. Additional information

6.5. Consents to be named

Each of the parties named below has given its written consent to be named in the Prospectus in the form and context in which it is named and has not, at the date of this Prospectus, withdrawn its consent:

- the Arranger;
- each Joint Lead Manager;
- each Co-Manager;
- the Trustee;
- Greenwoods & Herbert Smith Freehills Pty Ltd;
- PricewaterhouseCoopers Securities Ltd;
- King & Wood Mallesons; and
- Link Market Services Limited.

None of the parties have made any statement that is included in this Prospectus or any statement on which a statement made in this Prospectus is based. Each party expressly disclaims all liability in respect of, makes no representations regarding, and takes no responsibility for, any statements in, or omissions from, this Prospectus. This applies to the maximum extent permitted by law.

6.6. Interests and benefits of advisers

Each of Macquarie Capital (Australia) Limited, ANZ Securities Limited, National Australia Bank Limited, Morgans Financial Limited, J.P. Morgan Australia Limited, Westpac Institutional Bank, Evans and Partners Pty Ltd, and Commonwealth Bank of Australia have acted as joint lead managers to the Offer, in respect of which they will receive fees from MGL. The estimated aggregate fees payable by MGL to the Joint Lead Managers are \$7.6 million (exclusive of GST), making certain assumptions as to the allocation of MCN2 between the Institutional Offer, Broker Firm Offer and Securityholder Offer.

Fees payable to the Trustee for acting as trustee under the Trust Deed are described in section 6.1.6.

Greenwoods & Herbert Smith Freehills has acted as tax adviser to MGL in relation to the Offer. In respect of this work, MGL estimates that it will pay approximately \$70,000 (excluding disbursements and GST) to Greenwoods & Herbert Smith Freehills for work up to the date of the Original Prospectus. Further amounts

may be paid to Greenwoods & Herbert Smith Freehills under its normal time-based charges.

PricewaterhouseCoopers Securities Ltd has acted as accounting adviser to MGL in relation to the Offer and has performed specific procedures relating to certain financial matters disclosed in this Prospectus. In respect of this work, MGL estimates that it will pay approximately \$100,000 (excluding disbursements and GST) to PricewaterhouseCoopers Securities Ltd for work up to the date of the Original Prospectus. Further amounts may be paid to PricewaterhouseCoopers Securities Ltd under its normal time-based charges.

King & Wood Mallesons have acted as Australian legal adviser to MGL in relation to the Offer and have performed work in relation to drafting the MCN2 Terms and transaction documents, advised on the due diligence and verification program and performed due diligence required on legal matters. In respect of this work, MGL estimates that it will pay approximately \$300,000 (excluding disbursements and GST) to King & Wood Mallesons for work up to the date of the Original Prospectus. Further amounts may be paid to King & Wood Mallesons under its normal time-based charges.

Except as set out in this Prospectus:

- no person named in the Prospectus as performing a function in a professional, advisory or other capacity in connection with the preparation or distribution of this Prospectus, and
- no Joint Lead Manager,

holds at the date of this Prospectus, or has held in the two years before that date, an interest in:

- the formation or promotion of MGL;
- the Offer; or
- any property acquired or proposed to be acquired by MGL in connection with the formation or promotion of MGL or the Offer, nor has anyone paid or agreed to pay, or given or agreed to give, any benefit to such persons in connection with the formation or promotion of MGL or the Offer.

6. Additional information

6.7. Expenses of the Offer

The total expenses of the Offer will be paid out of the proceeds of the Offer. Assuming the Offer raises \$500 million, then the net proceeds of the Offer are expected to be \$488.8 million as total expenses of the Offer (including fees payable to the Joint Lead Managers, legal, accounting, tax, marketing, administrative fees, as well as printing, advertising and other expenses related to the Prospectus and the Offer) are expected to be \$11.2 million. All of these expenses have been, or will be, borne by MGL.

6.8. ASIC and ASX relief

6.8.1. ASIC

ASIC has granted relief to enable MGL to offer the MCN2 under a transaction specific prospectus and to permit the on-sale of any MGL Ordinary Shares issued on Exchange without further disclosure at the time of Exchange.

6.8.2. ASX

ASX has granted the following waivers and confirmations to MGL in connection with the Offer:

- confirmation that the MCN2 Terms are appropriate and equitable for the purposes of listing rule 6.1;
- confirmation that listing rule 6.12 (relating to restrictions on divesting holders of their securities) does not apply to any Exchange of MCN2 in accordance with the MCN2 Terms;
- determination how the issue of the MCN2 is to be treated for the purposes of MGL's placement capacity under listing rule 7.1;
- waiver from listing rule 10.11 to permit the issue of MCN2 without shareholder approval to related parties of MGL on condition that they are collectively restricted to applying for no more than 0.2% of the total issue, and the participation of related parties in the Offer is on the same terms and conditions as applicable to other Applicants; and
- approval to allow MCN2 to trade on a deferred settlement basis for a short time following their issue and quotation on ASX.

6.9. Foreign selling restrictions

New Zealand

This Prospectus has not been registered, filed with or approved by any New Zealand regulatory authority under the *Financial Markets Conduct Act 2013* (the "FMC Act").

MCN2 and Ordinary Shares are not being offered or sold in New Zealand (or allotted with a view to being offered for sale in New Zealand) other than to a person who:

- is an investment business within the meaning of clause 37 of Schedule 1 of the FMC Act;
- meets the investment activity criteria specified in clause 38 of Schedule 1 of the FMC Act;
- is large within the meaning of clause 39 of Schedule 1 of the FMC Act;
- is a government agency within the meaning of clause 40 of Schedule 1 of the FMC Act; or
- is an eligible investor within the meaning of clause 41 of Schedule 1 of the FMC Act.

Neither MGL nor any other member of the Macquarie Group is a registered bank in New Zealand.

United States of America

This Prospectus does not constitute an offer to sell, or a solicitation of an offer to buy, securities in the United States. Neither MCN2 nor Ordinary Shares have been, or will be, registered under the US Securities Act of 1933 and may not be offered or sold in the United States except in transactions exempt from, or not subject to, the registration under the US Securities Act and applicable US state securities laws.

Each applicant, and any person for whose benefit such applicant is applying, and each person to whom the Offer is made under this Prospectus, by accepting delivery of this Prospectus or MCN2, will have represented, agreed and acknowledged that:

- MCN2 and Ordinary Shares have not been, and will not be, registered under the US Securities Act or with any securities authority in any state of the United States;

6. Additional information

- any MCN2 it acquires in the Offer or the Reinvestment Offer will be acquired in an offshore transaction outside the United States in compliance with the requirements of Regulation S under the US Securities Act;
- it is not in the United States;
- It will not offer, sell, pledge or transfer any MCN2 or Ordinary Shares in the United States, except a transaction exempt from, or not subject to, the registration requirements of the US Securities Act and any applicable laws of any state of the United States;
- it has not and will not send the Prospectus and any Application Form, or any other material relating to the Offer to any person in the United States: and
- MGL and the Joint Lead Managers will rely upon the truth and accuracy of the foregoing representations, agreements and acknowledgements and agrees that, if any of such representations, agreements and acknowledgements are no longer accurate, it will promptly notify MGL, and if it is acquiring any MCN2 as fiduciary or agent for one or more accounts, it has full power to make the foregoing representations, agreements and acknowledgements on behalf of each such account.

6.10. Acknowledgements

By submitting an Application Form, each Applicant is deemed to:

- acknowledge having personally received a printed or electronic copy of the Prospectus accompanying the Application Form (and any supplementary or replacement Prospectus);
- acknowledge they understand the MCN2 Terms and have had opportunity to consider the suitability of an investment in MCN2 with their professional advisers;
- agree to be bound by the MCN2 Terms;
- agree to the terms of the Offer and provided authorisation to be registered as the holder of MCN2 and, on Exchange, become a member of MGL and to be bound by the terms of the MGL Constitution;
- acknowledge that, in some circumstances, MGL may not pay Distributions or any other amount payable on the MCN2;
- apply for, and agreed to being allocated, the number of MCN2 set out in or determined in accordance with their Application Form;
- represent and warrant that all details and statements on their Application Form are complete and accurate;
- declare, to the extent they are a natural person, that they are at least 18 years of age;
- authorise MGL and the Joint Lead Managers to do anything on behalf of the Applicant(s) that is necessary for MCN2 to be allocated to them;
- acknowledge that once received by the Registrar or MGL, their Application may not be varied or withdrawn except as allowed by law;
- acknowledge that if the amount of any cheque or money order is insufficient to pay for the number of MCN2 that the Applicant has applied for, or, if there are insufficient funds held in a relevant account to cover a cheque that the Applicant has drawn, then MGL may, in consultation with the Joint Lead Managers determine that the Applicant has applied for such lower number of MCN2 as the cleared Application Payment will pay for;

6. Additional information

- acknowledge that the information contained in this Prospectus (or any supplementary or replacement Prospectus) is not personal investment advice or a recommendation that MCN2 are suitable for the Applicant;
- declare that the Applicant is a resident of Australia or otherwise a person to whom the Offer can be made, and MCN2 issued, in accordance with all applicable foreign securities laws and section 6.9;
- acknowledge that any Application may be rejected without given any reason, including where the Application Form is not properly completed or where a cheque which is submitted with the Application Form is dishonoured or for the incorrect amount; and
- acknowledge that MCN2 are not protected accounts or deposit liabilities for the purposes of the Banking Act and that investments are subject to investment risk, including possible delays in repayment and loss of income and principal invested and that none of MGL, MBL or any other member of the Macquarie Group in any way guarantees or stands behind the capital value or performance of MCN2.

6.11. Directors consent to lodgement

Each Director of MGL has given, and not withdrawn, their consent to the lodgement of this Prospectus with ASIC.

7

How to apply

7. How to apply

7.1. Obtaining a Prospectus and Application Form

During the Offer Period, an electronic version of this prospectus with an Application Form will be available at www.MacquarieCN2Offer.com.au. By lodging an online Application, you declare that you were given access to the electronic Prospectus together with the online Application Form. Applications pursuant to the Broker Firm Offer must be made through your Syndicate Broker. Please contact your Syndicate Broker for further information on the application process.

If you access an electronic copy of this Prospectus, the following conditions apply:

- the Prospectus is available to residents of Australia accessing and downloading, or printing, the electronic Prospectus in Australia; and
- you must access and download the electronic Prospectus in full.

Paper copies of this Prospectus and of an Application Form can also be obtained free of charge by calling the MCN2 Offer Information Line on 1300 306 413 (within Australia) or on +61 1300 306 413 (International) (Monday to Friday 8.30am – 5.30pm, Sydney time) during the Offer Period. Applications will only be considered where Applicants have applied pursuant to an Application Form (either electronic or paper) that was attached to, or accompanied by, a copy of this Prospectus, and have provided the Application Payment.

You cannot withdraw your online Application once it has been lodged, except as permitted under the Corporations Act.

7.2. Applying for MCN2

To apply for MCN2 pursuant to the Securityholder Offer, you must complete the Application Form attached to, or accompanying, the Prospectus or the online Application Form at www.MacquarieCN2Offer.com.au. Applications pursuant to the Broker Firm Offer must be made through your Syndicate Broker. Please contact your Syndicate Broker for further information on the application process. You may apply for MCN2 under one or more of:

- the Broker Firm Offer; or
- the Securityholder Offer.

The instructions for lodging your Application and accompanying Application Payment vary depending on whether you apply under the Broker Firm Offer, or the Securityholder Offer. The Closing Dates set out below are indicative only. The Offer may close early so you are encouraged to consider submitting your Application as soon as possible after the Opening Date.

7. How to apply

	Who can apply?	When to apply	How to apply online	How to apply using a paper Application Form
Broker Firm Offer	Broker Firm Applicants	<p>The Closing Date for the Broker Firm Offer is expected to be 5.00pm (Sydney time) on 17 December 2015.</p> <p>If you are a client of a Syndicate Broker, you must contact your broker directly for instructions as to how to participate in the Broker Firm Offer.</p>	Contact your Syndicate Broker for instructions.	<p>There are paper Application Forms at the back of this Prospectus that may be used by Broker Firm Applicants.</p> <p>You must contact your Syndicate Broker for their specific instructions on how to submit the paper Application Form and your Application Payment (if any) to your Syndicate Broker.</p> <p>General instructions on how to complete the paper Application Form are set out on the Application Form.</p> <p>You must not return your paper Application Form to the Registrar.</p> <p>Your Syndicate Broker must have received your completed paper Application Form and your Application Payment (as applicable) in time to arrange settlement on your behalf by the relevant Closing Date for the Broker Firm Offer.</p> <p>Your Syndicate broker will act as your agent in processing your Application Form and providing your Application details and Application Payment to MGL.</p>
Securityholder Offer	Eligible Securityholders	<p>The Closing Date for the Securityholder Offer is expected to be 5.00pm (Sydney time) on 15 December 2015.</p> <p>Your completed online Application Form and Application Payment must be received by the Registrar by the Closing Date for the Securityholder Offer.</p>	<p>Please go to www.MacquarieCN2Offer.com.au and follow the instructions to apply online.</p> <p>When applying online, you will be required to pay for MCN2 using BPAY®.</p>	<p>There are paper Application Forms at the back of this Prospectus that may be used by Eligible Securityholders.</p> <p>You can also request a paper copy of the Prospectus and Application Form by calling the MCN2 Offer Information Line on 1300 306 413 (within Australia) or on +61 1300 306 413 (International) (Monday to Friday 8.30am – 5.30pm, (Sydney time)).</p> <p>General instructions on how to complete the paper Application Form are set out on the Application Form.</p> <p>You will be required to post your completed Application Form and pay your Application Payment by cheque(s) and/or money order(s) in sufficient time so that it is received by the Registrar by the Closing Date for the Securityholder Offer. If you wish to pay by BPAY® you need to make an online Application.</p> <p>Online Application and payment using BPAY® is preferred to ensure efficient and timely processing of Applications.</p>

7. How to apply

7.2.1. BPAY® payments

BPAY® payments must be made from an Australian dollar account of an Australian financial institution. You need to check with your financial institution in relation to their BPAY® closing times to ensure that your Application Payment will be received by the Closing Date. If your Application Payment is not received by the Closing Date, your Application will be incomplete and will not be accepted.

7.2.2. Applications by Institutional Investors

If you are an Institutional Investor, you must have received an allocation of MCN2 from a Joint Lead Manager prior to the close of the Bookbuild. MGL reserves the right to not accept Applications that appear to be Applications from Institutional Investors where they have not been received through a Joint Lead Manager.

7.2.3. Brokerage, commission and stamp duty

You do not have to pay brokerage or stamp duty on your Application for MCN2 provided that you and your associates do not obtain an interest of 90% or more in MGL. However, you may have to pay brokerage (and applicable GST) on any subsequent purchases or sales of MCN2 on ASX.

7.2.4. Application Payments held on trust

All Application Payments received before MCN2 are issued will be held by MGL on trust in an account established solely for the purpose of depositing Application Payments received. After MCN2 are issued to successful Applicants, the Application Payments held on trust will be payable to MGL.

7.2.5. Refunds

Applicants who are not allotted any MCN2, or are allotted fewer MCN2 than the number applied and paid for as a result of a scale back, will have all or some of their Application Payments (as applicable) refunded (without interest) as soon as practicable after the Issue Date.

Any amount of \$5 or less in aggregate will not be refunded to an Applicant, but instead paid to the Macquarie Group Foundation as a donation, within a reasonable time after the Offer Period. More information on the Macquarie Group Foundation is available at www.macquarie.com.

7.2.6. Minimum Application

The amount you have to pay for each MCN2 is \$100. You must apply for a minimum of 50 MCN2, which is a minimum investment of \$5,000.

7.3. Bookbuild and allocation policy

7.3.1. Bookbuild

The Bookbuild was a process conducted by the Joint Lead Managers before the Opening Date. In this process, the Bookbuild participants were invited to lodge bids for a number of MCN2. On the basis of those bids, MGL and the Joint Lead Managers determined the Margin and the firm allocations to Bookbuild participants (being Syndicate Brokers and Institutional Investors).

7.3.2. Allocation policy

Broker Firm Offer and Institutional Offer	<ul style="list-style-type: none">▪ Allocations to Syndicate Brokers and Institutional Investors were agreed by MGL and the Joint Lead Managers following completion of the Bookbuild.▪ Allocations to Broker Firm Applicants by a Syndicate Broker are at the discretion of that Syndicate Broker.
Securityholder Offer	<ul style="list-style-type: none">▪ Allocations for the Securityholder Offer will be determined by MGL, in consultation with the Joint Lead Managers after the Closing Date.▪ MGL has absolute discretion to determine the method and extent of the allocations.

7. How to apply

Securityholder Offer

continued

- MGL reserves the right to scale back Applications from Securityholder Applicants. Any scale back will be announced on ASX on the Issue Date – expected to be 18 December 2015.
- MGL reserves the right to:
 - allocate to any Securityholder Applicant all MCN2 for which they have applied;
 - reject any Application by a Securityholder Applicant; or
 - allocate to any Securityholder Applicant a lesser number of MCN2 than that applied for, including less than the minimum Application of MCN2, or none at all.
- No assurance is given that any Securityholder Applicant will receive an allocation of MCN2.

7.4. Other information

7.4.1. About the Trustee

The Trustee has not authorised or caused the issue of this Prospectus and has not been involved in the preparation of any part of this Prospectus. Neither the Trustee nor any of its Related Bodies Corporate makes any representations as to the truth or accuracy of the contents of this Prospectus. To the maximum extent permitted by law, the Trustee expressly disclaims all liability in respect of, makes no representation or any statement regarding, and takes no responsibility for, any part of this Prospectus, or any statements in, or omissions from this Prospectus, other than the references to its name. The Trustee has relied upon MGL for the accuracy of the contents of this Prospectus. Neither the Trustee nor any of its Related Bodies Corporate makes any representations as to the performance of the MCN2, the payment of interest or the redemption or exchange of the MCN2. Neither the Trustee nor any of its Related Bodies Corporate warrants the future performance of MGL or any return

on any MCN2 or other investment made under this Prospectus. The MCN2 are not liabilities of the Trustee or any of its Related Bodies Corporate.

7.4.2. Restrictions on distribution

No action has been taken to register or qualify this Prospectus, MCN2 or the Offer or otherwise to permit a public offering of MCN2 in any jurisdiction outside of Australia.

The distribution of this Prospectus (including an electronic copy) outside Australia may be restricted by law. If you come into possession of this Prospectus outside Australia, then you should seek advice on, and observe any such restrictions. Any failure to comply with such restrictions may violate securities laws. This Prospectus does not constitute an offer or invitation in any jurisdiction in which, or to any person to whom, it would not be lawful to make such an offer or invitation.

This Prospectus (including an electronic copy) may not be distributed to or released, in whole or in part, in the US. This Prospectus does not constitute an offer to sell, or a solicitation of an offer to buy, securities in the US. Neither MCN2 nor the Ordinary Shares have been or will be registered under the US Securities Act and may not be offered or sold in the US except in transactions exempt from, or not subject to, registration under the US Securities Act and applicable US state securities laws.

Each person submitting an Application Form will be deemed to have acknowledged that they are aware of the restrictions referred to in this section 7.4.2 and to have represented and warranted that they are able to apply for and acquire MCN2 in compliance with those restrictions.

7.4.3. Application to ASX for quotation of MCN2

MGL has applied to ASX for MCN2 to be quoted on ASX within 7 days after the date of this Prospectus.

If ASX does not grant permission for MCN2 to be quoted by the Issue Date, MCN2 will not be issued and all Application Payments will be refunded (without interest) to Applicants as soon as practicable.

7. How to apply

7.4.4. CHESSE and issuer sponsored holdings

MGL has applied for MCN2 to participate in CHESSE. No certificates will be issued for MCN2. MGL expects that Holding Statements for issuer sponsored holders and confirmations for CHESSE holders will be despatched to successful Applicants by 22 December 2015.

7.4.5. Deferred settlement trading and selling MCN2 on market

It is expected that MCN2 will begin trading on ASX on a deferred settlement basis on 21 December 2015 under ASX Code MQGPB. Trading is expected to continue on that basis until 23 December 2015, when it is anticipated that trading of MCN2 will begin on a normal settlement basis. Deferred settlement will occur as a consequence of trading which takes place before Holding Statements are despatched to successful Applicants.

You are responsible for confirming your holding before trading in MCN2. If you are a successful Applicant and sell your MCN2 before receiving your Holding Statement, you do so at your own risk.

You may call the MCN2 Offer Information Line on 1300 306 413 (within Australia) or on +61 1300 306 413 (International) (Monday to Friday 8.30am – 5.30pm, Sydney time) or your Syndicate Broker after the Issue Date to enquire about your allocation.

7.4.6. Provision of TFN and/or ABN

When your Holding Statement is mailed to you, you will also be mailed a form on which to provide your TFN and/or ABN should you wish to do so (see section 5.1.8).

The collection and quotation of TFNs and ABNs are authorised, and their use and disclosure is strictly regulated, by tax laws and the Privacy Act 1988 (Cth).

7.4.7. Provision of bank account details for payments

MGL will only pay Distributions to Australian investors directly into an Australian dollar account of a financial institution nominated by you at any time before close of business on the record date in respect of that payment. MGL will not pay Distributions on the MCN2 to

Australian investors by cheque. Investors who are not Australian residents will be able to receive Distributions via cheques.

When your Holding Statement is mailed to you, you will also be sent instructions on how to provide your account details. This nominated account will be used for the direct crediting of payments of Distributions, repayment of principal and payments of other amounts. You must complete and return this Account Nomination Form as soon as possible.

If you have not notified MGL of an appropriate account by the close of business on the record date in respect of that payment or the credit of any money to your account does not complete for any reason, then MGL will send a notice to the postal address or email address most recently notified by you advising of the uncompleted payment. In that case, the amount of the uncompleted payment will be held as a deposit in a non-interest bearing account until the first to occur of the following:

- i. You nominate a suitable Australian dollar account maintained in Australia with a financial institution to which the payment may be credited; or
- ii. MGL is entitled or obliged to deal with the amount in accordance with the law relating to unclaimed moneys.

No interest is payable in respect of any delay in payment.

7.5. MGL Privacy statement

The Application Form requires you to provide personal information to MGL and the Registrar. MGL and the Registrar collect, hold and use personal information to assess your Application for MCN2, service your needs as an MCN2 Holder, provide facilities and services that you request, provide you with marketing materials, carry out appropriate administration in relation to your MCN2 holding and to comply with legislative and regulatory requirements, including complaint handling, crime prevention and investigation.

MGL may also use your personal information to tell you about other products and services offered by MGL or other members of the Macquarie Group and in order to do that we will disclose your personal information to other member companies in the Macquarie Group or to their third party service providers. Please contact the

7. How to apply

Registrar on +61 (3) 9415 4137 if you do not consent to the use and disclosure of your personal information for these purposes.

By submitting an Application Form, you agree that MGL and the Registrar may use the information provided by you on the Application Form for the purposes set out in this privacy statement and may disclose your personal information for those purposes to the Joint Lead Managers (or your broker), the Registrar, the Trustee, MGL's and the Trustee's related entities, agents, contractors and third party service providers (including mail houses and professional advisers), ASX, other regulatory authorities and in any case, where disclosure is required or allowed by law or where you have consented. If you do not provide the information required on the Application Form, MGL may not be able to accept or process your Application.

If you become an MCN2 Holder, the Corporations Act requires MGL to include information about MCN2 Holders (including name, address and details of the securities held) in its public register ("**Register**"). The information contained in the Register must be retained, even if you cease to be an MCN2 Holder. Information contained in the Register is also used to facilitate and process payments including Distributions and corporate communications (including MGL's financial results, annual reports and other information that MGL wishes to communicate to MCN2 Holders) and to help ensure compliance by MGL with legal and regulatory requirements.

Under the Privacy Act 1988 (Cth), you may request access to your personal information held by (or on behalf of) MGL or the Registrar, subject to certain exemptions under law. A fee may be charged for access. You can request access to your personal information or obtain further information about MGL's privacy management practices by telephoning or writing to MGL through the Registrar as follows:

Link Market Services Limited
Locked Bag A14
SYDNEY SOUTH NSW 1235

MGL and the Registrar take reasonable steps to ensure that the personal information they retain about you is accurate, complete and up-to-date. To assist them with this, please contact the Registrar if any of the details you have provided change. If you have concerns about the completeness or accuracy of the information held about you, steps will be taken to correct it.

MGL adheres to the privacy policy, which is available at www.macquarie.com.

7.6. Trustee – Privacy Policy

The Trustee may collect your personal information for the primary purpose of providing trustee services in relation to the MCN2 and for ancillary purposes detailed in its privacy policy.

The Trustee may disclose your personal information, such as your name and contact details, along with your account information to its Related Bodies Corporate, MGL, the Registrar, professional advisers, the land titles office and/or as otherwise instructed by MGL. The Trustee is also permitted to collect and disclose your personal information when required or authorised to do so by law. The Trustee is not likely to disclose your personal information to overseas recipients.

Your personal information will be used in accordance with the Trustee's privacy policy. The privacy policy contains information about how you may access or correct your personal information held by the Trustee and how you may complain about a breach of the Australian Privacy Principles.

You may obtain a copy of the Trustee's privacy policy at www.aetlimited.com.au/privacy.

7. How to apply

7.7. Enquiries

7.7.1. Securityholder Applicants

You can call the MCN2 Offer Information Line on 1300 306 413 (within Australia) or on +61 1300 306 413 (International) (Monday to Friday 8.30am – 5.30pm, Sydney time, during the Offer Period) if you:

- have further questions on how to apply for MCN2;
- require assistance to complete your Application Form;
- require additional copies of this Prospectus and Application Forms; or
- have any other questions about the Offer.

If you are unclear in relation to any matter relating to the Offer or are uncertain whether MCN2 are a suitable investment for you, you should consult your stockbroker, solicitor, accountant or other independent and qualified professional adviser.

7.7.2. Broker Firm Applicants

If you have further questions about the Offer or your Broker Firm Application, call your Syndicate Broker.

Appendix

A

MCN2 terms

Appendix A: MCN2 terms

Terms and Conditions of the MCN2

These Terms have been established pursuant to, and are incorporated by reference into, the MCN2 Trust Deed. In the event of any inconsistency between the MCN2 Trust Deed and these Terms, the provisions of these Terms shall prevail.

1 Form and ranking

1.1 Issue Price

Each Macquarie Group Capital Note 2 (“MCN2”) is issued fully paid for an issue price of A\$100 (“Issue Price”).

1.2 Form

- (a) The MCN2 are fully paid, unsecured, subordinated notes of the Issuer which are mandatorily convertible into Ordinary Shares.
- (b) Subject, if required by these Terms, to the prior written consent of APRA, each MCN2 may be:
 - (i) Redeemed or Resold by the Issuer; or
 - (ii) Exchanged for fully paid Ordinary Shares, in accordance with these Terms.
- (c) The MCN2 cannot be Redeemed, Resold or Exchanged at the option of a Holder.
- (d) The MCN2 do not represent protected accounts of any member of the Macquarie Group for the purposes of section 13A(3) of the Banking Act or any similar law of any jurisdiction and nor do they represent deposits with, or deposit liabilities of, any member of the Macquarie Group for any other purposes of the Banking Act or the laws of any jurisdiction.
- (e) Except for a claim made on the Issuer in accordance with these Terms, a Holder has no claim on any member of the Macquarie Group for payment of any amount or the performance of any obligation in respect of any MCN2 held by that Holder.
- (f) The MCN2 are not obligations of the Australian Government or of any other government and, in particular, are not guaranteed or insured by the Commonwealth of Australia or any government,

government agency or compensation scheme in any jurisdiction or by any other person.

- (g) The MCN2 are constituted by the MCN2 Trust Deed of which these Terms form part.

1.3 Entries in the Register

The MCN2 are issued when they are entered in the Register.

1.4 CHESS

The MCN2 will be lodged into and dealt with in CHESS. While the MCN2 remain in CHESS:

- (a) the rights and obligations of a person holding the MCN2; and
- (b) all dealings (including transfers and payments) in relation to the MCN2 within CHESS,

will be subject to and governed by the ASX Settlement Operating Rules (but without affecting any provisions of these Terms which may cause the MCN2 to cease to be Relevant Tier 1 Securities).

No certificates will be issued to Holders unless the Issuer determines that certificates should be available or are required by law.

1.5 Ranking

Subject to the MCN2 Trust Deed, and except to the extent mandatorily provided by law, each MCN2 ranks for payment, and ranks in a Winding Up of the Issuer:

- (a) senior to Ordinary Shares;
- (b) equally with all other MCN2 in all respects;
- (c) equally with all Equal Ranking Obligations; and
- (d) subordinate to all Senior Creditors in respect of distributions and payments in a Winding Up of the Issuer.

1.6 Independent obligations

Each entry in the Register constitutes a separate and individual acknowledgement to the relevant Holder of the Issuer’s indebtedness to, and the obligations of the Issuer to, the relevant Holder under these Terms.

Appendix A: MCN2 terms

1.7 No other rights

Except as expressly provided in these Terms in respect of Exchange, MCN2 confer no rights on a Holder to:

- (a) subscribe for securities, or to participate in any bonus issues of securities, of the Issuer or any other member of the Macquarie Group; or
- (b) to otherwise participate in the profits or property of the Issuer or any other member of the Macquarie Group, except by receiving payments as set out in these Terms.

Nothing in these Terms limits the ability of any member of the Macquarie Group, in its absolute discretion from time to time, from issuing shares or other securities of any kind.

2 Distributions

2.1 Distributions

Subject to these Terms, each MCN2 entitles the Holder as at a Record Date to receive on each Distribution Payment Date a cash distribution for the Distribution Period ending on that Distribution Payment Date ("Distribution") calculated according to the following formula:

$$\text{Distribution} = \frac{\text{Distribution Rate} \times \text{A\$100} \times \text{N}}{365}$$

where:

Distribution Payment Date means, in respect of an MCN2:

- (a) each 17 March and 17 September commencing on 17 March 2016 until (but not including) the date on which that MCN2 has been Redeemed or Exchanged in accordance with these Terms; and
- (b) the Redemption Date or, subject to clause 8.6(c), the Resale Date or an Exchange Date, except where the Exchange is on account of a Non-Viability Event;

Distribution Rate means:

$$(\text{Reference Rate} + \text{Margin}) \times \text{Franking Adjustment Factor}$$

where:

- (a) **Reference Rate** means, for a Distribution Period, the rate for prime bank eligible securities having

a tenor closest to the Distribution Period which is designated as the "AVG MID" on the Reuters Screen BBSW Page at approximately 10:10am on the first day of that Distribution Period. However, if such rate does not appear on the Reuters Screen BBSW Page by 10:30am on that day, or if it does appear but the Issuer determines that there is an obvious error in that rate, "Reference Rate" means the rate determined by the Issuer having regard to comparable indices then available. The rate calculated or determined by the Issuer will be expressed as a percentage rate per annum and will be rounded up, if necessary, to the next higher one ten-thousandth of a percentage point (0.0001 per cent) (and provided that where an MCN2 is Resold on a day which is not a scheduled semi-annual Distribution Payment Date, the Reference Rate for the Distribution Period commencing on the Resale Date is the Reference Rate for the Distribution Period preceding the Resale Date);

(b) **Franking Adjustment Factor** means:

$$\frac{(1 - T)}{1 - [T \times (1 - F)]}$$

where:

- (i) **F** means the Franking Rate; and
 - (ii) **T** means the Tax Rate;
- (c) **Margin** means the rate (expressed as a percentage per annum) determined under the Bookbuild; and
- N** means, for a Distribution Period, the number of days in that Distribution Period; and

Record Date means, for any payment of Distributions:

- (a) the date which is eight calendar days before the relevant Distribution Payment Date;
- (b) such other date as is determined by the Issuer, in its absolute discretion, and announced to the Holders on ASX and which is before the Record Date which would have been determined under paragraph (a) above; or
- (c) such other date as may be required by, or agreed by the Issuer with, ASX.

2.2 Business Days

If a Distribution Payment Date is a day which is not a Business Day, then the Distribution Payment Date becomes the next day which is a Business Day.

2.3 Distribution payment conditions

The payment of any Distribution will be made unless:

- (a) the Issuer, in its absolute discretion, determines that the Distribution is not payable to Holders;
- (b) payment of the Distribution would result in the Issuer breaching APRA's capital adequacy requirements applicable to it;
- (c) payment of the Distribution would result in the Issuer becoming, or being likely to become, insolvent for the purposes of the Corporations Act; or
- (d) APRA objects to the payment of the Distribution.

In determining not to pay a Distribution, the Issuer shall consider payment of Distributions as if it were payment of a dividend on a preference share which is an Equal Ranking Obligation.

2.4 Non-payment of Distributions

- (a) Distributions are non-cumulative. If all or any part of any Distribution is not paid because of clause 2.3, the Issuer has no liability to pay the unpaid amount of the Distribution and Holders have no claim or entitlement in respect of any person in respect of such non-payment and such non-payment does not constitute an event of default however described, determined or defined.
- (b) No interest accrues on any unpaid Distributions and the Holders have no claim or entitlement in respect of interest on any unpaid Distributions.
- (c) If all or any part of a Distribution will not be paid in whole or part because of clause 2.3, the Issuer must give notice to the Trustee, Registrar and ASX promptly after determining or becoming aware that payment will not be made.

2.5 Dividend Restriction

- (a) If, for any reason, an amount of any Distribution has not been paid in full on the relevant Distribution Payment Date, a Dividend Restriction shall apply from that date until the next Distribution Payment Date unless the Distribution is paid in full within 10 Business Days of the relevant Distribution Payment Date.

"Dividend Restriction" means that the Issuer must not, without prior approval of a Special Resolution of Holders:

- (i) determine, declare or pay any Ordinary Share Dividend; or
 - (ii) undertake any Buy-Back or Capital Reduction.
- (b) The Dividend Restriction does not apply:
- (i) in connection with any employment contract, employee equity plan, other benefit plan or other similar arrangement with or for the benefit of any one or more employees, officers, directors or consultants of a member of the Macquarie Group;
 - (ii) in connection with the Issuer or a member of the Macquarie Group purchasing Ordinary Shares:
 - (A) in connection with transactions for the account of customers of a member of the Macquarie Group; or
 - (B) with the prior written approval of APRA, in connection with the distribution or trading of any securities of the Issuer or any other shares in the capital of the Issuer in the ordinary course of business; or
 - (iii) to the extent that at the time a Distribution has not been paid on the relevant Distribution Payment Date, the Issuer is legally obliged to pay on or after that date an Ordinary Share Dividend or is legally obliged to complete on or after that date a Buy-Back or Capital Reduction.

3 Scheduled Mandatory Exchange

3.1 Scheduled Mandatory Exchange

Subject to this clause 3 and clauses 4.8 and 16, the Issuer must Exchange all (but not some) of the MCN2 for Ordinary Shares in accordance with clause 9 on the Mandatory Exchange Date.

3.2 Mandatory Exchange Date

The “**Mandatory Exchange Date**” is the first to occur of the following dates:

- (a) 17 March 2024 (the “**Scheduled Mandatory Exchange Date**”) (a “**Scheduled Mandatory Exchange**”); or
- (b) any Distribution Payment Date (within the meaning of paragraph (a) of the definition of that term) after the Scheduled Mandatory Exchange Date (a “**Deferred Mandatory Exchange Date**”),

(each a “**Relevant Mandatory Exchange Date**”) on which the Exchange Conditions relevant to those dates as described in clause 3.3 are satisfied, unless the MCN2 have been or will be Redeemed or Exchanged before that date.

3.3 Exchange Conditions

The Exchange Conditions in respect of a Relevant Mandatory Exchange Date are:

- (a) the Daily VWAP on the 25th Business Day immediately preceding (but not including) the Relevant Mandatory Exchange Date (or, if that day is not an ASX Trading Day, the last ASX Trading Day prior to that day) is greater than 56% of the Issue Date VWAP (“**First Exchange Condition**”);
- (b) the VWAP during the 20 ASX Trading Days immediately preceding (but not including) the Relevant Mandatory Exchange Date is such that the number of Ordinary Shares to be issued (calculated in accordance with clause 9.1 as if it were not limited by the Maximum Exchange Number applicable to the Relevant Mandatory Exchange Date) is less than or equal to the Maximum Exchange Number applicable to a Relevant Mandatory Exchange Date (“**Second Exchange Condition**”);

- (c) no Suspension Event applies in respect of the Relevant Mandatory Exchange Date (“**Third Exchange Condition**”); and
- (d) the Issuer is not Delisted as at the Relevant Mandatory Exchange Date (“**Fourth Exchange Condition**”),

together, the “**Exchange Conditions**”.

3.4 Mandatory Exchange Notices

- (a) Between the 25th and 21st Business Day (inclusive) before a Relevant Mandatory Exchange Date, the Issuer will notify Holders as to whether or not the First Exchange Condition is satisfied in relation to that Relevant Mandatory Exchange Date and, if it is not, that Exchange will not occur.
- (b) If the First Exchange Condition is satisfied in relation to that Relevant Mandatory Exchange Date, and any of the other Exchange Conditions are not satisfied in relation to a Relevant Mandatory Exchange Date, the Exchange will not occur and the Issuer will notify Holders on or as soon as practicable after the Relevant Mandatory Exchange Date that Exchange did not occur.

Failure to give a notice when required by this clause 3.4 (including where in accordance with clause 13 such notice takes effect only after the last date for the giving of that notice) does not affect the obligations of the Issuer and the Holders to Exchange each MCN2 for Ordinary Shares when required in accordance with these Terms.

4 Non-Viability Event Exchange

4.1 Non-Viability Event

A “**Non-Viability Event**” will occur if APRA:

- (a) has issued a written notice to the Issuer that:
 - (i) Exchange of the MCN2; or
 - (ii) the conversion or exchange into Ordinary Shares or write-off of securities issued as Relevant Tier 1 Securities in accordance with their terms or by operation of law,

is necessary because, without such conversion, exchange or write-off, APRA considers the Issuer would become non-viable; or

- (b) has notified the Issuer in writing that it has determined that without a public sector injection of capital, or equivalent support, the Issuer would become non-viable.

4.2 Exchange on account of a Non-Viability Event

Subject to this clause 4, if a Non-Viability Event occurs, the Issuer must immediately, in accordance with this clauses 4 and 9, Exchange such number of MCN2 as is equal (following or together with any conversion into Ordinary Shares or write-off of securities issued as Relevant Tier 1 Securities as referred to in clause 4.3) to the aggregate face value of MCN2 and other such securities which APRA has notified the Issuer must be exchanged into Ordinary Shares, converted into Ordinary Shares or written-off (or, if APRA has not so notified the Issuer, such number of MCN2 as the Issuer determines is necessary to satisfy APRA that the Issuer will not become non-viable, provided that, in the case of a Non-Viability Event described in clause 4.1(b), all MCN2 must be Exchanged).

4.3 Determination of number of MCN2 to be Exchanged

In determining the number of MCN2 which must be Exchanged in accordance with this clause 4, the Issuer may, in its discretion, Exchange (in the case of MCN2) or convert into Ordinary Shares or write-off (in the case of any other securities issued as Relevant Tier 1 Securities) the MCN2 and any other securities issued as Relevant Tier 1 Securities on a proportionate basis (unless the terms of any such other security provide for that security to be converted or written-off other than on a proportionate basis with MCN2 and other such securities), or such other basis as the Issuer considers fair and reasonable (subject to such adjustment as the Issuer may determine to take into account the effect on marketable parcels and whole numbers of Ordinary Shares and any MCN2 or other securities issued as Relevant Tier 1 Securities remaining on issue), provided always that nothing in the making of the determination or the adjustments is to delay or impede the immediate Exchange of the MCN2 on the Non-Viability Exchange Date.

4.4 Treatment of Holders

- (a) If, in accordance with clauses 4.1 and 4.3, only some MCN2 are to be Exchanged, the Issuer will endeavour to treat Holders on an approximately proportionate basis, but may discriminate to take account of the effect of marketable parcels and other similar considerations and the need to effect the Exchange immediately.
- (b) In determining the identity of the Holder at the time that the Exchange is to take effect on the Non-Viability Exchange Date the Issuer may make any decision as may be necessary or desirable to ensure Exchange occurs in an orderly manner, including disregarding any transfers of MCN2 that have not been settled or registered at that time.

4.5 Exchange is automatic and irrevocable

If a Non-Viability Event has occurred and all or some of the MCN2 are required to be Exchanged in accordance with clause 4.1, then, subject to clause 4.6:

- (a) Exchange of the relevant MCN2 will be taken to have occurred in accordance with clause 9 immediately upon the date of occurrence of the Non-Viability Event;
- (b) none of the following shall prevent, impede or delay the Exchange of the MCN2 as required by clause 4.1:
- (i) any failure to or delay in the conversion or write-off of other securities issued as Relevant Tier 1 Securities;
 - (ii) any failure to or delay in giving a Non-Viability Exchange Notice;
 - (iii) any failure or delay in quotation of the Ordinary Shares to be issued on or arising from the Exchange; or
 - (iv) any requirement to select or adjust the amount of the MCN2 to be Exchanged in accordance with clause 4.4; and
- (c) from the Non-Viability Exchange Date the Issuer shall, subject to clause 15.2(b), treat the Holder in respect of its MCN2 as the holder of the Exchange Number of Ordinary Shares and will take all such steps, including updating any register, required to record the Exchange.

4.6 Conditions to Exchange on account of a Non-Viability Event

An Exchange on account of a Non-Viability Event is not subject to the Exchange Conditions or any other condition except as provided in this clauses 4 and 9.17.

4.7 Non-Viability Exchange Notices

As soon as practicable after the occurrence of a Non-Viability Event, the Issuer must give notice that the Exchange has occurred ("**Non-Viability Exchange Notice**") to the Holders, the Trustee, the Registrar and ASX.

A Non-Viability Exchange Notice must specify:

- (a) the details of the Non-Viability Event to which the Non-Viability Exchange Notice relates;
- (b) the date on which the Exchange occurred; and
- (c) the number of MCN2 Exchanged and the relevant number of securities issued as Relevant Tier 1 Securities converted into Ordinary Shares or written-off.

Failure to give a Non-Viability Exchange Notice when required by this clause 4.7 (including where in accordance with clause 13 such notice takes effect only after the Non-Viability Exchange Date) does not affect the obligations of the Issuer and the Holders to Exchange each MCN2 for Ordinary Shares when required in accordance with these Terms or affect or impede the Exchange in any way.

4.8 Priority of Exchange obligations

An Exchange on account of a Non-Viability Event takes place on the relevant date, and in the manner required by clause 9 notwithstanding anything in clauses 3, 5, 6, 7, 8 or 16 (and any Optional Exchange Notice, Acquisition Exchange Notice, Redemption Notice or Resale Notice in respect of the MCN2 given before the Non-Viability Exchange Date but in respect of which the Redemption or Resale has not completed will be taken to be revoked and of no force or effect).

4.9 Interpretation

A reference in this clause 4 to the "conversion" of a security issued as a Relevant Tier 1 Security includes any method by which that security is converted or exchanged into Ordinary Shares.

5 Optional Exchange

5.1 Optional Exchange

Subject to this clause 5 and to clause 16, by notice (an "**Optional Exchange Notice**") to Holders the Issuer may, in its sole discretion, elect to:

- (a) Exchange all or some of the MCN2 on any Scheduled Optional Exchange Date; and
- (b) Exchange all or some of the MCN2 following the occurrence of a Tax Event or a Regulatory Event.

An Optional Exchange Notice is irrevocable and takes effect despite anything in clause 3, except as provided in clauses 4.8 and 16.

5.2 Scheduled Optional Exchange Dates

The Scheduled Optional Exchange Dates are the Distribution Payment Dates falling on or about:

- (a) 17 March 2021 (the "**First Scheduled Optional Exchange Date**");
- (b) 17 September 2021 (the "**Second Scheduled Optional Exchange Date**"); and
- (c) 17 March 2022 (the "**Third Scheduled Optional Exchange Date**"),

(each a "**Scheduled Optional Exchange Date**").

5.3 Contents of the Optional Exchange Notice

An Optional Exchange Notice must specify:

- (a) in the case of an Optional Exchange Notice given following the occurrence of a Tax Event or Regulatory Event, the details of the Tax Event or Regulatory Event to which the Optional Exchange Notice relates; and
- (b) the date on which the Exchange is to occur (an "**Optional Exchange Date**"), which:
 - (i) in the case of Exchange on a Scheduled Optional Exchange Date, is the relevant Scheduled Optional Exchange Date falling no earlier than 25 Business Days after the date of the Optional Exchange Notice;
 - (ii) in the case of a Tax Event or Regulatory Event, will be a day no earlier than 25 Business Days

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nor more than 60 Business Days after the date of the Optional Exchange Notice; or

- (iii) in any case, is such other date as APRA may require.

5.4 Optional Exchange Restriction

The Issuer may not elect to Exchange under this clause 5 if:

- (a) on the second Business Day before the date on which an Optional Exchange Notice is to be sent by the Issuer (or, if that Business Day is not an ASX Trading Day, the last ASX Trading Day prior to that day) (the “**Non-Exchange Test Date**”) the Daily VWAP on that date is less than or equal to 25% of the Issue Date VWAP (the “**First Optional Exchange Restriction**”); or
- (b) the Issuer is Delisted as at the Non-Exchange Test Date (the “**Second Optional Exchange Restriction**”) and together with the First Optional Exchange Restriction, the “**Optional Exchange Restrictions**”).

5.5 Conditions to Exchange occurring once elected by the Issuer

If the Issuer has given an Optional Exchange Notice but, if the Exchange Date were a Relevant Mandatory Exchange Date for the purposes of clause 3, any one or more of the Second Exchange Condition (tested on the basis of the Maximum Exchange Number applicable to an Optional Exchange Date), the Third Exchange Condition or the Fourth Exchange Condition would not be satisfied in respect of that date, then, notwithstanding any other provision of these Terms:

- (a) the Exchange Date will be deferred until the first Distribution Payment Date (within the meaning of paragraph (a) of the definition of that term) on which:
 - (i) the Daily VWAP on the 25th Business Day immediately preceding (but not including) that Distribution Payment Date (or, if that day is not an ASX Trading Day, the last ASX Trading Day prior to that day) is greater than 25% of the Issue Date VWAP; and
 - (ii) each of the Second Exchange Condition (tested on the basis of the Maximum Exchange Number applicable to an Optional Exchange Date),

the Third Exchange Condition and the Fourth Exchange Condition would be satisfied if that Distribution Payment Date were a Relevant Mandatory Exchange Date for the purposes of clause 3,

(the “**Deferred Exchange Date**”);

- (b) the Issuer must Exchange the MCN2 on the Deferred Exchange Date (unless the MCN2 are Exchanged or Redeemed earlier in accordance with these Terms); and
- (c) until the Deferred Exchange Date, all rights attaching to the MCN2 will continue as if the Optional Exchange Notice had not been given.

The Issuer will notify Holders on or as soon as practicable after an Exchange Date in respect of which this clause 5.5 applies that Exchange did not occur on that Exchange Date (a “**Deferred Exchange Notice**”).

6 Acquisition Event Exchange

6.1 Exchange on account of an Acquisition Event

If an Acquisition Event occurs, subject to clause 4.8, the Issuer must Exchange all but not some of the MCN2 in accordance with this clause 6, unless the Directors determine that:

- (a) as at the Acquisition Exchange Date the Issuer will be, or will be likely to be, Delisted (except where, despite the Issuer being Delisted, the Exchange would be in the best interests of Holders as a whole); or
- (b) the Exchange Number of Ordinary Shares to be issued in Exchange for an MCN2 (calculated in accordance with clause 9.1 as if it were not limited by the Maximum Exchange Number applicable to an Acquisition Exchange Date) would exceed the Maximum Exchange Number applicable to an Acquisition Exchange Date (except where, despite the Exchange Number being limited to the Maximum Exchange Number applicable to an Acquisition Exchange Date, the Exchange would be in the best interests of Holders as a whole).

Exchange on account of an Acquisition Event is not subject to any Exchange Conditions or other conditions except as expressly provided in this clause 6.

6.2 Acquisition Exchange Notice

No later than 5.00pm (Sydney time) on the tenth Business Day after the occurrence of the Acquisition Event, the Issuer must give each Holder a notice (an “**Acquisition Exchange Notice**”) specifying:

- (a) details of the Acquisition Event to which the notice relates; and
- (b) if an Exchange is to occur:
 - (i) the date on which the Exchange is to occur (an “**Acquisition Exchange Date**”), which is to be:
 - (A) no later than the second Business Day prior to the date reasonably determined by the Issuer to be the last date on which holders of Ordinary Shares can participate in the bid, scheme or arrangement concerned;
 - (B) such other earlier date as the Issuer may reasonably determine having regard to the best interests of Holders as a whole and the timing of the Acquisition Event concerned (provided that the Acquisition Exchange Date must be at least 25 Business Days after the date of the Acquisition Exchange Notice); or
 - (C) such other date as APRA may require; and
 - (ii) whether any Distribution will be paid in respect of the MCN2 on the Acquisition Exchange Date; or
- (c) otherwise, the reason why an Exchange is not to occur.

7 Optional Redemption

7.1 Optional Redemption

Subject to clause 7.2, by notice (a “**Redemption Notice**”) to Holders, the Issuer may, in its sole discretion, but with APRA’s prior written approval, elect to:

- (a) Redeem all or some of the MCN2 on a Scheduled Optional Exchange Date; or
- (b) Redeem all or some of the MCN2 following the occurrence of a Tax Event or a Regulatory Event.

A Redemption Notice, once given, is irrevocable and takes effect despite anything in clause 3, except as provided in clauses 4.8 and 16.

Holders should not expect that APRA’s approval will be given for any Redemption of the MCN2.

7.2 Redemption conditions

A Redemption in accordance with clause 7.1 must not occur unless either:

- (a) the MCN2 which are to be Redeemed are replaced, concurrently with the Redemption or beforehand, with Relevant Tier 1 Securities of the same or better quality, and the replacement of those MCN2 is done under conditions which are sustainable for the income capacity of the Level 3 Group; or
- (b) APRA is satisfied that the capital position of the Level 3 Group is sufficient after the MCN2 are Redeemed.

7.3 Contents of the Redemption Notice

A Redemption Notice must specify:

- (a) in the case of Redemption following the occurrence of a Tax Event or Regulatory Event, the details of the relevant Tax Event or Regulatory Event;
- (b) the date on which the Redemption is to occur (the “**Redemption Date**”), which:
 - (i) in the case of a Scheduled Optional Exchange Date, will be the next Scheduled Optional Exchange Date falling no earlier than 10 Business Days after the date of the Redemption Notice; and
 - (ii) in the case of a Tax Event or Regulatory Event, will be a day no earlier than 10 Business Days nor more than 60 Business Days after the date of the Redemption Notice; and
- (c) if less than all of the outstanding MCN2 are to be Redeemed, the proportion of each Holder’s holding which is to be Redeemed.

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7.4 Redemption Price

On the Redemption Date:

- (a) each MCN2 being Redeemed will be Redeemed by payment of the Issue Price of that MCN2 (the “**Redemption Price**”) to the relevant Holder recorded on the Register at 10.00 am on the Redemption Date (or such other time required by the ASX Listing Rules); and
- (b) Distributions from (and including) the immediately preceding Distribution Payment Date and up to (but excluding) the Redemption Date will be paid in respect of the MCN2 being Redeemed on such date, to the extent the conditions of payment of Distributions under clause 2.3 are met.

7.5 No right of Holders to require Redemption

No MCN2 can, or will, be Redeemed at the option of a Holder.

7.6 Effect of Redemption

Upon payment of the Redemption Price and any Distribution payable on the Redemption Date, all other rights conferred, or restrictions imposed, by each MCN2 being Redeemed on that date will no longer have effect and that MCN2 will be cancelled.

7.7 Partial Redemption or Resale

If some but not all of the outstanding MCN2 are Redeemed in accordance with this clause 7 or Resold in accordance with clause 8, the Issuer must select the MCN2 to be Redeemed or Resold:

- (a) in a manner that is, in the opinion of the Issuer, fair and reasonable; and
- (b) in compliance with any applicable law, directive or requirement of ASX.

8 Resale

8.1 Issuer may give Resale Notice

On any date on which it may issue a Redemption Notice, in lieu of such Redemption Notice, the Issuer may, in its sole discretion, but with APRA’s prior written approval, issue to each Holder a notice (a “**Resale Notice**”) specifying that all or some of each Holder’s

holding of the MCN2 will be transferred to one or more Nominated Parties (“**Resale**”).

A Resale Notice to a Holder must specify:

- (a) the date on which the Resale is to occur (the “**Resale Date**”), which:
 - (i) in the case of a Scheduled Optional Exchange Date, will be the next Scheduled Optional Exchange Date falling no earlier than 10 Business Days after the date of the Resale Notice; and
 - (ii) in the case of a Tax Event or Regulatory Event, will be a day no earlier than 10 Business Days nor more than 60 Business Days after the date of the Resale Notice; and
- (b) the name of each Nominated Party to whom that Holder’s offer under clause 8.3 is being made and, where there is more than one Nominated Party, the basis for determining the MCN2 to be purchased by each Nominated Party, and any special provisions to be applied if there is a Non-Completing Nominated Party,

and, subject to clauses 4.8 and 16, once given is irrevocable.

Holders should not expect that APRA’s approval will be given for any Resale of the MCN2.

8.2 Appointment of Nominated Party

- (a) The Issuer may not appoint itself or a Related Entity of the Issuer as a Nominated Party.
- (b) The Issuer may appoint one or more Nominated Parties for the Resale on such terms including as to the conditions of any Resale as may be agreed between the Issuer and the Nominated Parties and with the prior written approval of APRA.
- (c) If the Issuer appoints more than one Nominated Party in respect of a Resale, all or any of the MCN2 held by a Holder which are being Resold may be purchased for the Resale Price by any one or any combination of the Nominated Parties, as determined by the Issuer.

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8.3 Irrevocable offer to sell

- (a) If the Issuer gives a Resale Notice in accordance with clause 8 each Holder on the Resale Date is taken to irrevocably offer to sell the MCN2 that are the subject of the Resale Notice to the Nominated Party or Nominated Parties on the Resale Date for a purchase price per MCN2 equal to the Issue Price of that MCN2 (the “**Resale Price**”).
- (b) Subject to payment of the Resale Price on the Resale Date each MCN2 which is to be Resold will be transferred to the relevant Nominated Party or Nominated Parties free from any Encumbrance.

8.4 Effect of transfer

The transfer will convey to the relevant Nominated Party all rights to:

- (a) Distributions payable on the MCN2 in respect of any Distribution Payment Date arising after the Resale Date;
- (b) be issued with Ordinary Shares on Exchange on or after the Resale Date; and
- (c) any Redemption Price payable on or after the Resale Date,

but excluding any Distribution payable on the MCN2 in respect of any Distribution Payment Date on or before the Resale Date, which, to the extent the conditions of payment of Distribution under clause 2.3 are met, shall be paid by the Issuer to the holder of the MCN2 entitled to such amounts as otherwise provided in these Terms.

8.5 Terms after Resale

If any MCN2 are Resold in accordance with these Terms, these Terms will apply in all respects to the MCN2 held by the Nominated Party on and from the Resale Date.

8.6 Nominated Party not completing

If, for any reason, a Nominated Party does not pay the Resale Price in full on the relevant Resale Date (a “**Non-Completing Nominated Party**”):

- (a) the Resale Notice will be void insofar as it relates to MCN2 referable to the Non-Completing Nominated Party and any obligations of the Holder and Non-Completing Nominated Party in respect of

the Resale of the MCN2 that is the subject of the Resale Notice will terminate;

- (b) the Holder will continue to hold the MCN2 that are the subject of the Resale Notice which are referable to the Non-Completing Nominated Party; and
- (c) the Issuer has no liability for the Non-Completing Nominated Party not paying the Resale Price and the Resale Date will not be a Distribution Payment Date unless:
 - (i) such date would otherwise have been a Distribution Payment Date; or
 - (ii) a Distribution is paid on that date to Holders whose MCN2 have been transferred to a Nominated Party on that date.

8.7 No right of Holders to require Resale

No MCN2 can, or will, be Resold at the option of a Holder.

9 Exchange Mechanics

9.1 Exchange

On an Exchange Date, subject to clauses 4.8, 9.14 and 9.17, the Issuer will allot and issue the Exchange Number of Ordinary Shares to the Holders (or as they may direct) for each MCN2 held by the Holder.

The “**Exchange Number**” will be calculated by the Issuer in accordance with the following formula:

$$\text{Exchange Number} = \frac{\text{Issue Price}}{0.99 \times \text{Exchange Date VWAP}}$$

subject to the Exchange Number being no greater than the Maximum Exchange Number, where:

- (a) **Exchange Date VWAP** (expressed in Australian Dollars) means the VWAP during the VWAP Period;
- (b) **VWAP** means, subject to any adjustment under clauses 9.3 or 9.4, for a period or relevant number of days, the average of the Daily VWAPs (such average being rounded to the nearest full cent) of Ordinary Shares sold on ASX during the relevant period or on the relevant days; and
- (c) **VWAP Period** means, for the purposes of calculating the Exchange Date VWAP and the Exchange Number:

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- (i) in the case of an Exchange on a Relevant Mandatory Exchange Date or an Optional Exchange Date, the 20 ASX Trading Days immediately preceding, but not including, that Exchange Date;
 - (ii) in the case of an Exchange on account of an Acquisition Event, the lesser of 20 ASX Trading Days and the number of ASX Trading Days that Ordinary Shares are entitled to trade on ASX after the occurrence of the Acquisition Event immediately preceding, but not including, the Acquisition Exchange Date; and
 - (iii) in the case of an Exchange on account of a Non-Viability Event, the 5 ASX Trading Days immediately preceding, but not including, the Non-Viability Exchange Date; and
- (d) the “**Maximum Exchange Number**” will be calculated by the Issuer on the Issue Date in accordance with the following formula for each MCN2 held by the Holder:

$$\text{Maximum Exchange Number} = \frac{\text{Issue Price}}{\text{Exchange Floor Price}}$$

where:

- (i) **Exchange Floor Price** means Issue Date VWAP × the Relevant Percentage;
- (ii) **Issue Date VWAP** is the VWAP during the 20 ASX Trading Days immediately preceding, but not including, the Issue Date (as such number may be adjusted under clauses 9.5, 9.6 or 9.7); and
- (iii) **Relevant Percentage** is:
 - (A) if the Exchange is occurring on a Relevant Mandatory Exchange Date, 50%; and
 - (B) if the Exchange is occurring on any other Exchange Date, 20%.

Each Holder’s rights (including to payment of Distributions other than the Distribution, if any, payable on the Exchange Date) in relation to each MCN2 that is being Exchanged will be immediately and irrevocably terminated for an amount equal to the Issue Price of that MCN2 and the Issuer will apply that Issue Price by way of payment for the subscription for the Ordinary Shares to be allotted and issued under this clause 9.1.

Each Holder is taken to have irrevocably directed that any amount payable under this clause 9.1 is to be applied as provided for in this clause 9.1 and no Holder has any right to payment in any other way.

If the total number of Ordinary Shares to be allotted to a Holder in respect of their aggregate holding of MCN2 upon Exchange includes a fraction of an Ordinary Share, that fraction of an Ordinary Share will be disregarded.

9.2 Holder information

Each Holder agrees to provide to the Issuer (and, where clause 9.14 applies, the Sale Agent) any information necessary or desirable to give effect to an Exchange.

9.3 Adjustments to VWAP

For the purposes of calculating VWAP in these Terms:

- (a) where, on some or all of the ASX Trading Days in the relevant VWAP Period, Ordinary Shares have been quoted on ASX as cum dividend or cum any other distribution or entitlement and the MCN2 will be Exchanged for Ordinary Shares after the date those Ordinary Shares no longer carry that dividend or any other distribution or entitlement, then the VWAP on the ASX Trading Days on which those Ordinary Shares have been quoted cum dividend or cum any other distribution or entitlement shall be reduced by an amount (“**Cum Value**”) equal to:
 - (i) in case of a dividend or other distribution, the amount of that dividend or other distribution including, if the dividend or other distribution is franked, the amount that would be included in the assessable income of a recipient of the dividend or other distribution who is both a resident of Australia and a natural person under the Tax Act and eligible to receive a franked distribution;
 - (ii) in the case of any other entitlement that is not a dividend or other distribution under clause 9.3(a) (i) and which is traded on ASX on any of those ASX Trading Days, the volume weighted average sale price of all such entitlements sold on ASX during the VWAP Period on the ASX Trading Days on which those entitlements were traded; or

- (iii) in the case of any other entitlement which is not traded on ASX during the VWAP Period, the value of the entitlement as reasonably determined by the Directors; and
- (b) where, on some or all of the ASX Trading Days in the VWAP Period, Ordinary Shares have been quoted on ASX as ex dividend or ex any other distribution or entitlement, and the MCN2 will be Exchanged for Ordinary Shares which would be entitled to receive the relevant dividend or other distribution or entitlement, the VWAP on the ASX Trading Days on which those Ordinary Shares have been quoted ex dividend or ex any other distribution or entitlement shall be increased by the Cum Value.

9.4 Adjustments to VWAP for divisions and similar transactions

- (a) Where during the relevant VWAP Period there is a change in the number of the Ordinary Shares on issue as a result of a Reclassification, in calculating the VWAP for that VWAP Period the Daily VWAP applicable on each day in the relevant VWAP Period which falls before the date on which trading in Ordinary Shares is conducted on a post Reclassification basis shall be adjusted by multiplying the VWAP by the following fraction:

$$\frac{A}{B}$$

where:

- (i) **A** means the aggregate number of Ordinary Shares immediately before the Reclassification; and
 - (ii) **B** means the aggregate number of Ordinary Shares immediately after the Reclassification.
- (b) Any adjustment made by the Issuer in accordance with clauses 9.3 and 9.4(a) will be effective and binding on Holders under these Terms and these Terms will be construed accordingly. Any such adjustment must be notified to all Holders as soon as reasonably practicable following its determination by the Issuer.

9.5 Adjustments to Issue Date VWAP

For the purposes of determining the Issue Date VWAP, adjustments to VWAP will be made in accordance with clauses 9.3 and 9.4(a) during the VWAP Period for the Issue Date VWAP. On and from the Issue Date, adjustments to the Issue Date VWAP:

- (a) may be made in accordance with clauses 9.6 and 9.7; and
- (b) if so made, will correspondingly cause an adjustment to the Maximum Exchange Number.

9.6 Adjustments to Issue Date VWAP for bonus issues

- (a) Subject to clause 9.6(b) below, if the Issuer makes a pro rata bonus issue of Ordinary Shares to holders of Ordinary Shares generally, the Issue Date VWAP will be adjusted immediately in accordance with the following formula:

$$V = V_0 \frac{RD}{RD + RN}$$

where:

- (i) **V** means the Issue Date VWAP applying immediately after the application of this formula;
 - (ii) **V₀** means the Issue Date VWAP applying immediately prior to the application of this formula;
 - (iii) **RN** means the number of Ordinary Shares issued pursuant to the bonus issue; and
 - (iv) **RD** means the number of Ordinary Shares on issue immediately prior to the allotment of new Ordinary Shares pursuant to the bonus issue.
- (b) Clause 9.6(a) does not apply to Ordinary Shares issued as part of a bonus share plan, employee or executive share plan, executive option plan, share top up plan, share purchase plan or a dividend reinvestment plan.
 - (c) For the purpose of clause 9.6(a), an issue will be regarded as a pro rata issue notwithstanding that the Issuer does not make offers to some or all holders of Ordinary Shares with registered addresses outside Australia, provided that in so doing the Issuer is not in contravention of the ASX Listing Rules.

- (d) No adjustments to the Issue Date VWAP will be made under this clause 9.6 for any offer of Ordinary Shares not covered by clause 9.6(a), including a rights issue or other essentially pro rata issue.
- (e) The fact that no adjustment is made for an issue of Ordinary Shares except as covered by clause 9.6(a) shall not in any way restrict the Issuer from issuing Ordinary Shares at any time on such terms as it sees fit nor be taken to constitute a modification or variation of rights or privileges of Holders or otherwise requiring any consent or concurrence.

9.7 Adjustment to Issue Date VWAP for divisions and similar transactions

- (a) If at any time after the Issue Date there is a change in the number of Ordinary Shares on issue as a result of a Reclassification, the Issuer shall adjust the Issue Date VWAP by multiplying the Issue Date VWAP applicable on the Business Day immediately before the date of any such Reclassification by the following fraction:

$$\frac{A}{B}$$

where:

- (i) **A** means the aggregate number of Ordinary Shares immediately before the Reclassification; and
 - (ii) **B** means the aggregate number of Ordinary Shares immediately after the Reclassification.
- (b) Each Holder acknowledges that the Issuer may consolidate, divide or reclassify securities so that there is a lesser or greater number of Ordinary Shares at any time in its absolute discretion without any such action constituting a modification or variation of rights or privileges of Holders or otherwise requiring any consent or concurrence.

9.8 No adjustment to Issue Date VWAP in certain circumstances

Despite the provisions of clauses 9.6 and 9.7, no adjustment shall be made to the Issue Date VWAP where such cumulative adjustment (rounded if applicable) would be less than 1% of the Issue Date VWAP then in effect. Any adjustment not made in accordance with this clause 9.8 shall be carried

forward and taken into account in determining whether any subsequent adjustment shall be made.

9.9 Announcement of adjustment to Issue Date VWAP

If the Issuer determines an adjustment to the Issue Date VWAP under clauses 9.6 and 9.7, such an adjustment will be:

- (a) determined as soon as reasonably practicable following the relevant event; and
- (b) notified to Holders (an “**Adjustment Notice**”) within 10 Business Days of the Issuer determining the adjustment.

The adjustment set out in the Adjustment Notice will be final and binding on Holders and these Terms will be construed accordingly.

9.10 Listing of Ordinary Shares

The Issuer agrees to use all reasonable endeavours to list the Ordinary Shares issued or arising from an Exchange on ASX.

9.11 Status of Ordinary Shares

The Ordinary Shares issued or arising from an Exchange will rank equally with all other fully paid Ordinary Shares.

9.12 Effect of Exchange

When an Exchange of an MCN2 occurs all other rights conferred or restrictions imposed on that MCN2 under these Terms will no longer have effect (except for rights relating to a Distribution which is payable but has not been paid on or before the Exchange Date) and the MCN2 is cancelled.

9.13 Failure to Exchange

- (a) Subject to clauses 9.14(g) and 9.17, if, in respect of an Exchange of an MCN2, the Issuer fails to issue the Ordinary Shares in respect of an MCN2 to, or in accordance with the instructions of, the relevant Holder on the applicable Exchange Date or to the Sale Agent where clause 9.14 applies, that MCN2 remains on issue (and without limitation clause 2 applies) until:

Appendix A: MCN2 terms

- (i) the Ordinary Shares are issued to, or in accordance with the instructions of, that Holder or, where clause 9.14 applies, to the Sale Agent; or
- (ii) that MCN2 is Redeemed in accordance with these Terms,

and the remedies of the Trustee and a Holder in respect of that failure are limited to seeking an order for specific performance of the Issuer's obligations to issue Ordinary Shares.

- (b) This clause 9.13 does not affect the obligation of the Issuer to deliver the Ordinary Shares or of the Holder to transfer MCN2 when required in accordance with these Terms.

9.14 Holders whose Ordinary Shares are to be sold

Subject to clause 9.17, if any MCN2 of a Holder are required to be Exchanged and if:

- (a) the Holder has notified the Issuer that it does not wish to receive Ordinary Shares as a result of the Exchange (whether entirely or to the extent specified in the notice), which notice may be given at any time on or after the Issue Date and no less than 15 Business Days prior to the Exchange Date;
- (b) the MCN2 are held by a Foreign Holder;
- (c) for any reason (whether or not due to the fault of a Holder):
 - (i) the Issuer does not receive any information required by it in accordance with these Terms so as to impede the Issuer from issuing the Ordinary Shares to the Holder on the Exchange Date; or
 - (ii) a FATCA Withholding is required to be made in respect of any Ordinary Shares to be delivered as a result of that Exchange; or
- (d) the Issuer is of the opinion that under an Applicable Shareholding Law the Holder is prohibited from acquiring some or all of the Exchange Number of Ordinary Shares on the Exchange Date, (to the extent it is so prohibited, an **"Ineligible Holder"**),

then the Issuer will use reasonable endeavours to appoint a **"Sale Agent"** (which is not the Issuer or any

Related Body Corporate of the Issuer) on such terms as the Issuer considers reasonable, who will act in accordance with paragraph (f) where the Issuer, the Trustee and the Sale Agent can be satisfied that the obligation in paragraph (f) may be performed in respect of the relevant Holder and the relevant Ordinary Shares in accordance with all applicable laws and without the Issuer, the Trustee or the Sale Agent having to take steps which any of them regard as onerous.

On the Exchange Date:

- (e) where paragraph (a), (b) or (d) applies, the Issuer will issue the Exchange Number of Ordinary Shares to the Holder only to the extent (if at all) that:
 - (i) where paragraph (a) applies, the Holder's notice referred to in paragraph (a) indicates the Holder wishes to receive them;
 - (ii) where paragraph (b) applies, the Issuer is satisfied that the laws of both Australia and the Foreign Holder's country of residence permit the issue of the Exchange Number of Ordinary Shares to the Foreign Holder as contemplated by this clause 9 (but as to which the Issuer is not bound to enquire), either unconditionally or after compliance with conditions which the Issuer, in its absolute discretion, regards as acceptable and not unduly onerous; and
 - (iii) where paragraph (d) applies, the issue would result in the Holder receiving the maximum number of Ordinary Shares the Holder is permitted to acquire in compliance with Applicable Shareholding Law as at the Exchange Date;
- (f) otherwise, subject to paragraph (g) and clause 9.17, the Issuer will issue:
 - (i) where paragraph (a), (b) or (d) applies, the balance of the Exchange Number of Ordinary Shares; or
 - (ii) where paragraph (c) applies, the Exchange Number (in full),

in respect of that Holder to the Sale Agent on the terms that, at the first reasonable opportunity to sell the Ordinary Shares, the Sale Agent will arrange for their sale and pay to the relevant Holder on a date determined by the Sale Agent a cash amount equal

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to the Attributable Proceeds of the relevant Holder or, where paragraph (c)(ii) applies, the Sale Agent will deal with the Ordinary Shares in accordance with FATCA. The issue of Ordinary Shares to the Sale Agent will satisfy all obligations of the Issuer in connection with the Exchange, the MCN2 will be deemed Exchanged and will be dealt with in accordance with clause 9.1 and, on and from the issue of Ordinary Shares, the rights of a Holder the subject of this clause 9.14 are limited to its rights in respect of the Ordinary Shares or the Attributable Proceeds as provided in this clause 9.14; and

- (g) where paragraph (f) applies in respect of a Holder and a Sale Agent is unable to be appointed, or either or both of the Issuer and the Sale Agent is of the opinion that the issue of Ordinary Shares to the Sale Agent and subsequent sale in accordance with paragraph (f) cannot be undertaken in accordance with Applicable Shareholding Law or other applicable law (or can be undertaken in accordance with Applicable Shareholding Law or applicable law only after the Issuer or the Sale Agent take steps which either or both the Issuer and the Sale Agent regard as onerous), then:
- (i) in respect of a Non-Viability Exchange Date, but without in any way limiting clause 9.17, if either or both of the Issuer and the Sale Agent is of the opinion that the issue of Ordinary Shares cannot be undertaken within 5 Business Days of the Non-Viability Exchange Date to the Sale Agent in accordance with paragraph (f) or otherwise to the relevant Holder in accordance with this clause 9, then the relevant MCN2 will be Written-Off; or
- (ii) in respect of an Exchange Date other than a Non-Viability Exchange Date:
- (A) the issue of Ordinary Shares to the Sale Agent in accordance with paragraph (f) shall occur as soon as practicable after the Issuer is able to issue the relevant Ordinary Shares to the Sale Agent in accordance with Applicable Shareholding Law and other applicable law (and without the Issuer or the Sale Agent taking steps which either or both of the Issuer and the Sale Agent regard as onerous); and

(B) on and from the Exchange Date, the MCN2 of the relevant Holder remain on issue (and, without limitation, clause 2 applies) until the first to occur of:

- (aa) the issue of the relevant Ordinary Shares in accordance with paragraphs (f) and (g)(ii)(A) or otherwise to that relevant Holder in accordance with this clause 9; or
- (ab) the relevant MCN2 are Redeemed in accordance with these Terms; or
- (ac) the date which is 6 months after the Exchange Date, upon which date an Exchange will not occur in respect of the balance of the Holder's MCN2 at that date and such MCN2 will be automatically cancelled for no consideration.

Nothing in this clause 9.14 shall affect the Exchange of MCN2 to a Holder which is not a person to which any of paragraphs (a) to (d) (inclusive) applies.

9.15 No duty on sale

For the purpose of clause 9.14, none of the Issuer, the Trustee, the Sale Agent or any other person owes any obligations or duties to the Holders in relation to the price at which Ordinary Shares are sold or has any liability for any loss suffered by a Holder as a result of the sale of Ordinary Shares.

9.16 No right of Holders to require Exchange

No MCN2 can, or will, be Exchanged at the option of a Holder.

9.17 Write-Off on failure to perform Exchange

- (a) Notwithstanding any other provisions of this clause 9, if, for any reason (including, without limitation, an Inability Event) an MCN2 which, but for this clause would be required to be Exchanged, has not been Exchanged within 5 Business Days of the Non-Viability Exchange Date, then Exchange of that MCN2 will not occur and that MCN2 will instead be Written-Off.

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- (b) The Issuer must give notice to Holders if that Exchange has not occurred by operation of this clause 9.17, but failure to give that notice shall not affect the operation of this clause.

10 Acknowledgements and appointments

10.1 Acknowledgements

Each Holder, by subscribing for, purchasing or otherwise acquiring an MCN2:

- (a) is taken to have notice of, and irrevocably agrees to be bound by, the terms of the MCN2 Trust Deed and these Terms;
- (b) upon an Exchange, consents to becoming a member of the Issuer and agrees to be bound by the constitution of the Issuer;
- (c) agrees that any Redemption, Resale or Exchange shall occur on a Redemption Date, Resale Date or Exchange Date (as the case may be) in accordance with these Terms;
- (d) agrees that it is obliged to accept the Ordinary Shares in respect of its MCN2 upon an Exchange Date, notwithstanding anything which might otherwise affect the Exchange including:
 - (i) any change in the financial position of the Issuer or the Macquarie Group since the Issue Date;
 - (ii) any disruption to the market or potential market for the Ordinary Shares or to capital markets generally;
 - (iii) it being impossible or impracticable to list the Ordinary Shares on ASX; or
 - (iv) it being impossible or impracticable to sell or otherwise dispose of the Ordinary Shares;
- (e) acknowledges and agrees that Exchange must occur immediately on the Non-Viability Event and that may result in disruption or failures in trading or dealings in the MCN2;
- (f) acknowledges and agrees that:
 - (i) if Exchange does not occur in the circumstances contemplated in clauses 9.14(g) or 9.17, each MCN2 will be Written-Off; and
 - (ii) each of clause 9.14(g) and 9.17 is a fundamental term of the MCN2 and where it applies, no other conditions or events will affect its operation;
- (g) agrees to provide to the Issuer any information that the Issuer considers necessary or desirable, or to take any and all such action as is within the reasonable control of that Holder, to give effect to a Redemption, Resale or an Exchange;
- (h) acknowledges and agrees that it has:
 - (i) no right to request a Redemption, Resale or an Exchange;
 - (ii) to the fullest extent permitted by law:
 - (A) no right to initiate the Winding Up of the Issuer or any other member of the Macquarie Group or to have any such entity placed in administration; or
 - (B) to cause a receiver or receiver and manager to be appointed in respect of any such entity, merely on the grounds that a Distribution or any other amount is not paid; and
 - (iii) no rights against any member of the Macquarie Group in connection with the MCN2 except as expressly provided in these Terms and under the MCN2 Trust Deed;
- (i) acknowledges and agrees that these Terms contain no events of default (however described, determined or defined). Accordingly (but without limitation), failure to pay in full, for any reason, a Distribution on the scheduled Distribution Payment Date will not constitute an event of default; and
- (j) acknowledges and agrees it has no remedies on account of a failure by the Issuer to issue Ordinary Shares in accordance with clause 9 other than (and subject always to clauses 9.14(g) and 9.17) to seek specific performance of the obligation to issue the Ordinary Shares.

10.2 Appointment of attorneys, agents and directions

Each Holder irrevocably:

- (a) appoints each of the Issuer, the Issuer's Authorised Officers and any liquidator, administrator, statutory manager or other similar official of the Issuer (each an "**Appointed Person**") severally to be the attorneys of the Holder and the agents of the Holder, with the power in the name and on behalf of the Holder to:
 - (i) do all such acts and things (including, without limitation, signing all documents, instruments or transfers or instructing CHES) as may, in the opinion of the Appointed Person, be necessary or desirable to be done in order to give effect to, record or perfect a Redemption, Resale or Exchange in accordance with clauses 3, 4, 5, 6, 7, 8 and 9 or, where clauses 9.14(g) and 9.17 apply, a Write-Off in accordance with that clause; or
 - (ii) do all other things which an Appointed Person reasonably believes to be necessary or desirable to give effect to these Terms; and
 - (iii) appoint in turn its own agent or delegate; and
- (b) authorises and directs the Issuer and/or the Registrar to make such entries in the Register, including amendments and additions to the Register, which the Issuer and/or the Registrar may consider necessary or desirable to record:
 - (i) a Redemption, Resale or an Exchange; or
 - (ii) where clause 9.14(g) or 9.17 applies, a Write-Off in accordance with that clause.

The power of attorney given in this clause 10.2 is given for valuable consideration and to secure the performance by the Holder of the Holder's obligations under these Terms and is irrevocable and shall survive and not be affected by the subsequent disability or incapacity of the Holder (or, if such Holder is an entity, by its dissolution or termination). An Appointed Person shall have no liability in respect of any acts duly performed in accordance with power of attorney given in this clause 10.2.

11 Payments to Holders

11.1 Currency of payments

All payments of amounts in respect on any MCN2 will be made in Australian dollars.

11.2 Calculation of payments

All calculations of payments will be rounded to the nearest four decimal places (with 0.00005 being rounded to 0.0001). For the purposes of making any payment in respect of a Holder's aggregate holding of MCN2, any amount less than A\$0.01 will be disregarded.

11.3 Payments and issues and deliveries of securities subject to laws

All payments and issues and deliveries of securities are subject in all cases to:

- (a) compliance by the Issuer with applicable laws; and
- (b) any applicable fiscal or other laws in the place of payment, issue or delivery, but without prejudice to the provisions of clause 11.4.

No commissions or expenses shall be charged to the Holders in respect of such payments (except in respect of the calculation of Attributable Proceeds in accordance with clause 9.14(f)).

11.4 Deductions

- (a) The Issuer, the Trustee, the Sale Agent and any financial institutions or intermediaries through which payments are made or securities issued or delivered, may withhold or deduct from any amount payable or securities issuable or deliverable to a Holder the amount of any withholding, deduction or other tax, duty or levy required by law to be withheld or deducted in respect of such payment, including, without limitation:
 - (i) any withholding or deduction of taxes, interest or penalties required under FATCA ("**FATCA Withholding**"); or
 - (ii) where the Issuer, the Trustee, the Sale Agent and any financial institution or intermediary (as applicable) has reasonable grounds to suspect that a Holder or a beneficial owner of any MCN2 (or any financial institution or intermediary

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through which the payment is to be made) may be subject to a FATCA Withholding in respect of the payment of that amount

For the avoidance of doubt, any withholding or deduction required under FATCA is a tax, the withholding or deduction of which is required by applicable law for purposes of this clause 11.

- (b) In addition, where Ordinary Shares are required to be delivered to a Holder upon an Exchange, and the Issuer is required or entitled to make a FATCA Withholding, then the Issuer is entitled to deal with any Ordinary Shares comprising that FATCA Withholding in accordance with clause 9.14.
- (c) Each Holder shall be deemed to authorise the Issuer, the Trustee, the Sale Agent and any financial institutions or intermediaries through which payments are made to deal with payments, securities to be issued or delivered and the Holder's MCN2 in accordance with FATCA, including remitting, or otherwise dealing with, any amounts or securities comprising a FATCA Withholding, or reporting payment or account or other information to the IRS or other relevant revenue or taxing authority in accordance with the applicable requirements under FATCA.
- (d) If any withholding or deduction is required by applicable law, the Issuer, the Trustee or the Sale Agent, (as applicable) must remit the full amount required to be withheld or deducted, or remit or otherwise deal with the total number of securities, to or as required by the relevant revenue or taxing authority within the time allowed for such remittance or dealing without incurring a penalty under the applicable law.
- (e) If:
 - (i) a withholding or deduction is made in accordance with this clause 11;
 - (ii) the amount of the withholding or deduction is, or number of or rights in respect of securities withheld are, accounted for by the Issuer, the Trustee or the Sale Agent (as applicable) to the relevant revenue or taxing authority; and

- (iii) the balance of the amount payable has been paid, or the balance of the securities to be issued or delivered are issued or delivered, to the Holder,

then the Issuer's or the Trustee's (or Sale Agent's) (as applicable) obligation to make the payment to the Holder is taken to have been satisfied in full.

11.5 No set-off

A Holder has no right to set-off any amounts owing by it to a member of the Macquarie Group against any claims owing by the Issuer or another member of the Macquarie Group to such Holder. The Issuer has no right to set-off any amounts owing by it to a Holder in respect of the MCN2 against any claims owing by the Holder to it or any member of the Macquarie Group.

11.6 Payment method

Subject to clauses 11.1 and 11.3, all monies payable by the Issuer to a Holder may be paid in any manner the Issuer decides, which may include any of the following:

- (a) by any method of direct crediting determined by the Issuer to the Holder or Holders shown on the Register or to such person or place directed by them;
- (b) by sending on or before the payment date a cheque, through the post at the Holder's risk directed to the physical or postal address of the Holder as shown in the Register or, in the case of joint Holders, to the physical or postal address notified to the Registrar for receipt of such monies (and in default of notification, to the physical or postal address shown in the Register as the address of the joint Holder first named in that Register); or
- (c) by cheque sent through the post directed to such other physical or postal address as the Holder or joint Holders in writing direct.

A cheque sent through the post on or before the date for payment is taken to have been received on the payment date.

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11.7 Unpresented cheques

- (a) Cheques issued by the Issuer that are not presented within 6 months of being issued, or such lesser period as determined by the Issuer, may be cancelled.
- (b) Where a cheque which is cancelled was drawn in favour of a Holder, the moneys are to be held by the Issuer for the Holder as a non-interest bearing deposit until the Holder or any legal personal representative of the Holder claims the amount or the amount is paid by the Issuer according to the legislation relating to unclaimed moneys.

11.8 Unsuccessful attempts to pay

Subject to applicable law, where the Issuer:

- (a) decides that an amount is to be paid to a Holder by a method of direct credit and the Holder has not given a direction as to where amounts are to be paid by that method;
- (b) attempts to pay an amount to a Holder by direct credit, electronic transfer of funds or any other means and the transfer is unsuccessful; or
- (c) has made reasonable efforts to locate a Holder but is unable to do so,

the amount of the unsuccessful payment will be held by the Issuer for the Holder as a non-interest bearing deposit with a bank selected by the Issuer until the Holder or any legal personal representative of the Holder claims the amount or the amount is paid by the Issuer according to the legislation relating to unclaimed moneys.

Holders will not be entitled to any interest or other payment for any delay after the due date in receiving the amount due.

11.9 Payment to joint Holders

A payment to any one of joint Holders will discharge the Issuer's liability in respect of the payment.

11.10 Time limit for claims

A claim against the Issuer for a payment under an MCN2 is void unless made within 5 years from the date on which payment first became due.

12 Title and transfer of MCN2

12.1 Title

Title to an MCN2 passes when details of the transfer are recorded in the Register.

12.2 Effect of entries in the Register

Each entry in the Register for an MCN2 constitutes an entitlement to the benefits given to the Holder under these Terms and the MCN2 Trust Deed in respect of the MCN2.

12.3 Register conclusive as to ownership

An entry in the Register in relation to an MCN2 constitutes conclusive evidence that the person so entered is the absolute owner of that MCN2, subject to correction for fraud or error.

12.4 Non-recognition of interests

- (a) Except as required by clause 9 and by law, and save as provided below, the Issuer and the Registrar must treat the person entered in the Register in respect of an MCN2 as the absolute owner of that MCN2.
- (b) No notice of any trust, Encumbrance or other interest in, or claim to, any MCN2 will be entered in the Register. None of the Issuer or the Registrar need take notice of any trust, Encumbrance or other interest in, or claim to, any MCN2, except as ordered by a court of competent jurisdiction or required by law.
- (c) This clause 12.4 applies whether or not a payment has been made when scheduled on an MCN2 and despite any notice of ownership, trust, encumbrance or other interest in the MCN2.

12.5 Joint holders

Where two or more persons are entered in the Register as joint Holders of an MCN2 then they are taken to hold the MCN2 jointly, but the Registrar is not bound to register more than four persons as joint holders of an MCN2.

12.6 Transfers

A Holder may transfer an MCN2:

- (a) in accordance with the rules and regulations of CHES;
- (b) by a proper transfer under any other applicable computerised or electronic system recognised by the Corporations Act (or as the Issuer may otherwise accept); or
- (c) subject to clause 1.4, by any proper or sufficient instrument of transfer of marketable securities under applicable law, provided such instrument is delivered to the Registrar with any evidence the Registrar requires to prove title to or the right to transfer the MCN2.

The Holder is responsible for any stamp duty or other similar taxes which are payable in any jurisdiction in connection with a transfer, assignment or other dealing with MCN2.

12.7 Transferee takes subject to terms

A transferee of, or any person claiming, an interest in an MCN2 takes subject to these Terms and the MCN2 Trust Deed.

12.8 Other transfers void

A purported transfer otherwise than in accordance with these Terms and the MCN2 Trust Deed or grant of an interest in an MCN2 otherwise than by way of transfer is, to the fullest extent permitted by law, void.

12.9 Issuer may request holding lock or refuse to register transfer

If MCN2 are quoted on ASX, and if permitted to do so by the ASX Listing Rules and the Corporations Act, the Issuer may:

- (a) request the CS Facility Operator or the Registrar, as the case may be, to apply a holding lock to prevent a transfer of MCN2 approved by and registered on the CS Facility's electronic subregister or MCN2 registered on an issuer-sponsored subregister, as the case may be; or
- (b) refuse to register a transfer of any MCN2.

12.10 Issuer must request holding lock or refuse to register transfer

- (a) The Issuer must request the CS Facility Operator or the Registrar, as the case may be, to apply a holding lock to prevent a transfer of MCN2 approved by and registered on the CS Facility's electronic subregister or MCN2 registered on an issuer-sponsored subregister, as the case may be, if the Corporations Act or the ASX Listing Rules require the Issuer to do so.
- (b) The Issuer must refuse to register any transfer of any MCN2 if the Corporations Act or the ASX Listing Rules require the Issuer to do so.

12.11 Notice of holding locks and refusal to register transfer

If, in the exercise of its rights under clauses 12.9 and 12.10, the Issuer requests the application of a holding lock to prevent a transfer of MCN2 or refuses to register a transfer of MCN2, it must, within 2 months after the date on which the transfer was lodged with it, give written notice of the request or refusal to the Holder, to the transferee and the broker lodging the transfer, if any. Failure to give such notice does not, however, invalidate the decision of the Issuer.

12.12 Delivery of instrument

If an instrument is used to transfer any MCN2 according to clause 12.6, it must be delivered to the Registrar, together with such evidence (if any) as the Registrar reasonably requires to prove the title of the transferor to, or right of the transferor to transfer, the MCN2.

12.13 Refusal to register

- (a) A transferor of an MCN2 is deemed to remain a Holder until the transfer is Registered and the name of the transferee is entered in the Register.
- (b) The Issuer may refuse to Register a transfer of any MCN2 if:
 - (i) such registration would contravene these Terms; or
 - (ii) the Corporations Act or any other law or regulation binding on the Issuer forbids registration.

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If the Issuer refuses to Register a transfer, the Registrar must give the lodging party notice of the refusal and the reasons for it within 5 Business Days after the date on which notice of the transfer was delivered to it.

12.14 No liability to persons other than Holders

The Issuer is not liable to pay any amount to any person claiming an interest in an MCN2 in connection with that MCN2 other than the Holder.

13 Notices and other communications

13.1 Notices to Holders

All notices and other communications to Holders must be in writing and must be:

- (a) left at the address of or sent by prepaid post (airmail, if appropriate) to the address of the Holder (as shown in the Register at the close of business on the day which is 5 Business Days before the date of the notice or communication);
- (b) (if available) issued to Holders through CHES in accordance with any applicable rules and regulations of CHES;
- (c) so long as the MCN2 are quoted on ASX, by publication of an announcement on ASX;
- (d) given by an advertisement published in the Australian Financial Review, The Australian or in any other newspaper nationally circulated within Australia;
- (e) sent by email or electronic message to the electronic address (if any) of the Holder (as shown in the Register at the close of business on the day which is 5 Business Days before the date of the notice or communication); or
- (f) given in any other way agreed between the Issuer and any Holder (and in agreeing in such way, the Issuer and such Holders may have regard to the dates by which notice is to be given under these Terms).

13.2 Notices to the Issuer or the Trustee

All notices and other communications to the Issuer or the Trustee must be in writing and must be:

- (a) if to the Issuer, sent by fax to the fax number, or left at the address, or sent by prepaid post (airmail, if appropriate) to the address, set out below:

Name: Macquarie Group Limited

Address: 50 Martin Place
Sydney NSW 2000
Australia

Attention: Company Secretary

Fax: +61 2 8232 7780

- (b) if to the Trustee, addressed as specified from time to time in accordance with the MCN2 Trust Deed; and
- (c) given in any other way reasonably determined by the Issuer or, in the case of clause 13.2(b), the Trustee and notified to Holders.

For the purposes of this clause 13.2, the Issuer's address for notices and other communications is the address set out above or as otherwise notified by the Issuer to Holders.

13.3 When effective

Communications take effect from the time they are received or taken to be received under clause 13.4 (whichever happens first) unless a later time is specified.

13.4 When taken to be received

Communications are taken to be received:

- (a) if sent by post, the day immediately following the day on which the notice was posted (or 4 days after posting if sent from one country to another);
- (b) if addressed and transmitted to the person and fax number specified in accordance with clause 13.2, on the Business Day following its transmission;
- (c) if sent by e-mail to the electronic address in respect of the Holder as specified in accordance with clause 13.1, on the day following its transmission to that electronic address;

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- (d) if issued to Holders through CHESSE, on the date of the issuance unless the sender receives an automated message that the e-mail has not been delivered;
- (e) if announced on ASX, on the date of the announcement; or
- (f) if published in a newspaper, on the first date that publication has been made in the required newspaper.

13.5 Receipt outside business hours

Despite clauses 13.3 and 13.4, if communications are received or taken to be received under clause 13.4 after 5.00 pm in the place of receipt or on a non-Business Day, they are taken to be received at 9.00 am in the place of receipt on the next Business Day and take effect from that time unless a later time is specified.

13.6 Effect of failure to give notice

If the Issuer is required to give a notice in relation to any act, matter or determination, the accidental omission to give that notice to a Holder does not invalidate the notice in relation to Holders generally, or affect the validity of that act, matter or determination.

14 Amendment of Terms

14.1 Amendment without consent

Subject to complying with the Corporations Act and all other applicable laws and directives, the Issuer may amend these Terms and the MCN2 Trust Deed, with the prior written approval of APRA (to the extent any such amendment may cause the MCN2 to cease to be Relevant Tier 1 Securities) but without the consent of the Holders or the Trustee:

- (a) if the Issuer is of the opinion that the amendment is:
 - (i) of a formal, minor or technical nature;
 - (ii) made to correct any ambiguity or any manifest or proven error;
 - (iii) expedient for the purpose of enabling the MCN2 to be listed for quotation or to retain a listing on any Stock Exchange, to be cleared or settled through any clearing system or to retain clearance and settlement through any clearing system or to be offered for sale, or subscribed

for, under the laws for the time being in force in any place and, in each case, it is otherwise not considered by the Issuer to be materially adverse to the interests of Holders as a whole;

- (iv) necessary to comply with the provisions of any statute or the requirements of any statutory authority;
- (v) in respect of any time or notice period stated, required or permitted in respect of any Exchange on account of any Acquisition Event, as is necessary or appropriate to give effect to such Exchange; or
- (vi) made to:
 - (A) alter the terms of any MCN2:
 - (aa) to be or other otherwise to remain as Relevant Tier 1 Securities; or
 - (ab) to align them with any other Relevant Tier 1 Securities issued after the issue date of such MCN2; or
 - (B) alter the definition of Relevant Tier 1 Securities on account of the issue (after the date of any MCN2) of any other Relevant Tier 1 Securities; and

- (b) if the Issuer is of the opinion that the amendment does not, taken as a whole and in conjunction with all other amendments, if any, made contemporaneously with the amendments, materially adversely affect the interests of Holders as a whole,

provided that, notwithstanding anything else in this clause 14.1, any amendments which may have an adverse effect on the Trustee's personal rights and obligations under the Transaction Documents must first be approved by the Trustee in writing (such approval not to be unreasonably withheld or delayed).

14.2 Amendment without consent where Approved Acquirer

Without limiting clause 14.1, subject to complying with the Corporations Act and all other applicable laws and directives, the Issuer may make amendments to these Terms and the MCN2 Trust Deed, with the prior written approval of APRA but without the consent of the Holders or the Trustee which are necessary

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and appropriate to effect the substitution of the Approved Acquirer as the issuer of Ordinary Shares whenever MCN2 are required to be Exchanged in the manner contemplated by these Terms, including without limitation:

- (a) amendments to the definition of “**Exchange**” such that, unless APRA otherwise agrees, on the Exchange Date:
 - (i) each MCN2 that is to be Exchanged will be automatically transferred by each Holder free from Encumbrance to the Approved Acquirer (or another subsidiary of the Approved Acquirer which is a holding company of the Issuer on the Exchange Date) (the “**Transferee**”);
 - (ii) each Holder will be issued a number of ordinary shares in the capital of the Approved Acquirer equal to the Exchange Number; and
 - (iii) as between the Issuer and the Transferee, the MCN2 held by the Transferee as a result of the transfer will be exchanged for a number (rounded down to the nearest whole number) of Ordinary Shares the aggregate value of which equals the aggregate Issue Price of the transferred MCN2;
- (b) amendments and additions to the definitions of “Acquisition Event”, “Macquarie Group”, “Regulatory Event” and “Tax Event”; and
- (c) amendments and additions to any term defining the rights of Holders if the Exchange is not effected which is appropriate for the MCN2 to be or to remain as Relevant Tier 1 Securities,

provided that, notwithstanding anything else in this clause 14.2, any amendments which may have an adverse effect on the Trustee’s personal rights and obligations under the Transaction Documents must first be approved by the Trustee in writing (such approval not to be unreasonably withheld or delayed).

14.3 Amendment with consent

Without limiting clause 14.1 and clause 14.2, the Issuer may, with APRA’s prior written approval (to the extent any such amendment may cause the MCN2 to cease to be Relevant Tier 1 Securities), amend these Terms or the MCN2 Trust Deed, if the amendment has been

approved by a Special Resolution and by the Trustee in writing.

14.4 Meanings

In this clause 14, “**amend**” includes modify, cancel, alter, adjust or add to and “**amendment**” has a corresponding meaning.

14.5 Notice of amendments

Any amendment of these Terms or the MCN2 Trust Deed made in accordance with this clause 14 must be promptly notified by the Issuer to Holders.

15 General provisions

15.1 Enforcement of the MCN2 Trust Deed and the Terms

- (a) Subject to paragraph (b) below, only the Trustee may enforce the provisions of the MCN2 Trust Deed or these Terms and only in accordance with their terms and subject to the limitations and to the protections afforded to the Trustee set out in the MCN2 Trust Deed.
- (b) No Holder shall be entitled to proceed directly against the Issuer to enforce the performance of any of the provisions of the MCN2 Trust Deed or these Terms unless:
 - (i) the Trustee, being entitled and having become bound to take proceedings in accordance with the MCN2 Trust Deed, fails to do so within 14 days; and
 - (ii) such failure is continuing,

and then only in accordance with their terms and subject to the limitations set out in the MCN2 Trust Deed.

15.2 Voting and meetings

- (a) The MCN2 Trust Deed contains provisions for convening meetings of the Holders to consider any matter affecting their interests, including any amendment of these Terms which requires the consent of Holders.
- (b) Holders will have no voting rights in respect of any member of the Macquarie Group.

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(c) Subject to applicable law, Holders are not entitled to be provided with copies of:

- (i) any notices of general meetings of the Issuer; or
- (ii) other documents (including annual reports and financial statements) sent by the Issuer to holders of Ordinary Shares or other securities (if any) in the Issuer.

15.3 Listing

The Issuer must use its best endeavours and furnish all such documents, information and undertakings as may be reasonably necessary in order to procure, at its own expense, quotation of the MCN2 on ASX on or as soon as possible after the Issue Date and maintain quotation on ASX until all MCN2 have been Exchanged, Redeemed or Written-Off.

15.4 Purchases

Subject to APRA's prior written approval and applicable law, any member of the Macquarie Group may purchase MCN2 at any time and at any price. Such MCN2 may, at the option of the acquirer, be held, resold or cancelled.

16 Winding Up

16.1 Ranking in Winding Up

- (a) If an order of a court of competent jurisdiction in Australia is made (other than an order successfully appealed or permanently stayed within 30 days), or an effective resolution passed, for the Winding Up of the Issuer in Australia, the Issuer is liable to redeem each MCN2 for its Liquidation Amount in accordance with, and subject to, this clause 16.
- (b) In the Winding Up of the Issuer in Australia, a Holder is entitled, subject to the terms of the MCN2 Trust Deed and to this clause 16, to claim on a subordinated basis in accordance with clauses 1.5 and 16.1(c) for payment in cash of an amount equal to the Liquidation Amount but has no further or other claim on the Issuer in the Winding Up.
- (c) In a Winding Up of the Issuer in Australia:
 - (i) Holders shall be entitled to prove only for any sums payable in respect of the MCN2 as a debt which are subject to, and contingent upon the prior payment in full of, the Senior Creditors;

- (ii) Holders shall be entitled to claim for payment in cash of an amount equal to the Liquidation Amount and that claim ranks equally with all Equal Ranking Obligations; and
- (iii) Holders waive, to the fullest extent permitted by law, any right to prove in any such Winding Up as a creditor ranking for payment in any other manner.

16.2 Agreements of Holders as to subordination

Each Holder irrevocably agrees:

- (a) that clause 16.2 is a debt subordination for the purposes of section 563C of the Corporations Act;
- (b) that it does not have, and waives to the maximum extent permitted by law, any entitlement to interest under section 563B of the Corporations Act to the extent that a holder of a preference share which is an Equal Ranking Obligation would not be entitled to such interest;
- (c) not to exercise any voting or other rights as a creditor in any Winding Up or administration of the Issuer in any jurisdiction:
 - (i) until after all Senior Creditors have been paid in full; or
 - (ii) otherwise in a manner inconsistent with the ranking and subordination contemplated by clauses 1.5 and 16.1;
- (d) that it must pay or deliver to the liquidator or administrator any amount or asset received on account of its claim in any Winding Up or administration of the Issuer in any jurisdiction in respect of the MCN2 in excess of its entitlement under clauses 1.5 and 16.1;
- (e) that it must pay in full all liabilities it owes the Issuer before it may receive any amount or asset on account of its claim in any Winding Up or administration in any jurisdiction in respect of an MCN2; and
- (f) that the debt subordination effected by clauses 1.5 and 16.1 is not affected by any act or omission of the Issuer or a Senior Creditor which might otherwise affect it at law or in equity.

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16.3 No charge

Nothing in clause 1.5 or this clause 16 shall be taken to:

- (a) create a charge or security interest on or over any right of the Holder; or
- (b) require the consent of any Senior Creditor to any amendment of these Terms.

17 Governing law, jurisdiction and service of documents

17.1 Governing law

The MCN2, including these Terms, are governed by, and shall be construed in accordance with, the laws of New South Wales, Australia.

17.2 Jurisdiction

The Issuer irrevocably agrees for the benefit of the Holders that the courts of New South Wales, Australia are to have non-exclusive jurisdiction to settle any disputes which may arise out of or in connection with the MCN2 and accordingly has submitted to the non-exclusive jurisdiction of the courts of New South Wales.

17.3 Service of process

Without preventing any other method of service, any document in any action may be served on the Issuer by being delivered or left at its registered office or principal place of business.

18 Interpretation and definitions

18.1 Interpretation

Unless otherwise specified or the contrary intention appears:

- (a) a reference to a clause or paragraph is a reference to a clause or paragraph of these Terms;
- (b) if a calculation is required under these Terms, the result of the calculation will be rounded to four decimal places (with 0.00005 being rounded to 0.0001);
- (c) headings and bold typeface are for convenience only and do not affect the interpretation of these Terms;
- (d) the singular includes the plural and vice versa;
- (e) a reference to a statute, ordinance, directive, code, law or prudential standard includes regulations and other instruments under it and consolidations, amendments, re-enactments or replacements of any of them and references to law includes statutes, ordinances, codes, directives or common law and principles of equity having general application;
- (f) a reference to the “**Corporations Act**” as it relates to the Issuer is to that Act as may be modified in relation to the Issuer by ASIC;
- (g) if under these Terms an event must occur on a stipulated day, or a day is stipulated, which is not a Business Day, then, except in the cases of a Non-Viability Event and a Non-Viability Exchange Date, the stipulated day will be taken to be the next Business Day;
- (h) a reference to “**Australian Dollars**”, “**AUD**”, “**A\$**” or “**cents**” is a reference to the lawful currency of Australia;
- (i) calculations, elections and determinations made by or on behalf of the Issuer or the Directors under these Terms are binding on Holders in the absence of manifest error or fraud;
- (j) a reference to a party to an agreement, deed, authority or other instrument includes a reference to any successor, replacement, assignee, substitute or addition of the party according to that agreement, deed, authority or instrument;
- (k) any references to the requirements of APRA or any other prudential regulatory requirements will apply to the Issuer only if the Issuer is an entity, or the holding company of an entity, subject to regulation and supervision by APRA at the relevant time;
- (l) any requirement for APRA’s consent or approval will apply only if APRA requires that such consent or approval be given at the relevant time;
- (m) any requirements for the prior approval or consent of APRA for a particular course of action to be taken by the Issuer do not imply that APRA has given its consent or approval to the particular action as of the Issue Date;
- (n) a reference to accounting standards is a reference to the accounting standards as defined in the Corporations Act and a reference to an accounting

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term is a reference to that term as it is used in those accounting standards, or, if not inconsistent with those standards, in accounting principles and practices generally accepted in Australia;

- (o) a reference to an agreement, deed or other instrument includes a reference to that agreement, deed or instrument as amended, modified, added to or restated from time to time;
- (p) the terms “**takeover bid**”, “**relevant interest**”, “**scheme of arrangement**”, “**buy-back**”, “**subsidiary**” and “**holding company**” when used in these Terms have the meaning given in the Corporations Act;
- (q) a reference to the “interests of Holders as a whole” will, if MCN2 are held beneficially by a Nominated Party, be a reference to the interests of Holders other than the Nominated Party;
- (r) the words “**includes**” or “**including**”, “**for example**” or “**such as**” do not exclude a reference to other items, whether of the same class or genus or not;
- (s) if the principal securities exchange on which the Ordinary Shares are quoted is other than ASX, unless the context otherwise requires a reference to ASX shall be read as a reference to that principal securities exchange and a reference to the ASX Listing Rules, ASX Operating Rules or any term defined in any such rules, shall be read as a reference to the corresponding rules of that exchange or corresponding defined term in such rules (as the case may be);
- (t) a reference to any term defined by APRA shall, if that term is replaced or superseded in any of APRA’s applicable prudential regulatory requirements or standards, be taken to be a reference to the replacement or equivalent term;
- (u) where these Terms refer to a person’s opinion or to a person’s regard or consideration or being satisfied with respect to any step, act, matter or thing, that opinion, regard, consideration or satisfaction may be held, formed or made by the person in the person’s absolute discretion; and
- (v) for the purposes of clause 14.1, in determining whether an amendment is not materially adverse to, or does not materially adversely affect, the interests

of Holders as a whole, the taxation and regulatory capital consequences to Holders (or any class of Holders) and other special consequences which are personal to a Holder (or any class of Holders) do not need to be taken into account.

18.2 Definitions

In these Terms, the following meanings apply unless the contrary intention appears:

Acquisition Event means:

- (a) a takeover bid is made to acquire all or some of the Ordinary Shares and the offer is, or becomes, unconditional and as a result of the bid the bidder (and its associates as defined in section 12 of the Corporations Act) has a relevant interest in more than 50% of the Ordinary Shares on issue;
- (b) a court approves a scheme of arrangement which, when implemented, will result in a person (and its associates as defined in section 12 of the Corporations Act) having a relevant interest in more than 50% of the Ordinary Shares on issue; or
- (c) a person together with its associates as defined in section 12 of the Corporations Act;
 - (i) acquires or comes to hold beneficially more than 50% of the voting shares (as defined in the Corporations Act) in the capital of the Issuer; or
 - (ii) enters into an agreement to beneficially acquire more than 50% of the voting shares (as defined in the Corporations Act) in the capital of the Issuer and the agreement to acquire is, or becomes, unconditional,

(for the purposes of this definition, each an “**event**”), other than as part of a solvent reorganisation of the relevant entity where the persons holding relevant interests in the ordinary equity capital (being listed on the ASX) of the bidder or other person (“**Approved Acquirer**”) acquiring a relevant interest in more than 50% of the Ordinary Shares on issue or beneficially acquiring more than 50% of the voting shares in the capital of the Issuer are, or will be, substantially the same, and in substantially the same proportions, as the persons who held relevant interests in the Ordinary Shares or who held beneficially voting shares in the capital of the Issuer immediately prior to the event where:

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- (i) the event is initiated by the Directors or would not, in the Issuer's reasonable opinion, otherwise be materially adverse to the interests of Holders as a whole; and
- (ii) the Approved Acquirer agrees for the benefit of Holders to:
 - (A) issue listed ordinary share capital in all circumstances where the Issuer would have otherwise been obliged to issue Ordinary Shares as contemplated by these Terms;
 - (B) use all reasonable endeavours to ensure continued quotation of the MCN2 on a Stock Exchange; and
 - (C) comply with the obligations and restrictions as apply to the Issuer in connection with the MCN2 (with all necessary and appropriate modifications);

Acquisition Exchange Date has the meaning given in clause 6.2;

Acquisition Exchange Notice has the meaning given in clause 6.2;

Additional Tier 1 Capital means "Additional Tier 1 Capital" or its equivalent, in either case, as defined by APRA from time to time;

ADI means an authorised deposit-taking institution under the Banking Act;

Adjustment Notice has the meaning given in clause 9.9;

Applicable Shareholding Law means any law in force in Australia or any relevant foreign jurisdiction which limits or restricts the number of shares in the Issuer in which a person may have an interest or over which it may have a right or power, including, without limitation, Chapter 6 of the Corporations Act, the Foreign Acquisitions and Takeovers Act 1975 (Cth), the Financial Sector (Shareholdings) Act 1998 (Cth) and Part IV of the Competition and Consumer Act 2010 (Cth);

Appointed Person has the meaning given in clause 10.2;

Approved Acquirer has the meaning given in the definition of Acquisition Event;

APRA means the Australian Prudential Regulation Authority or any authority succeeding to its powers and responsibilities;

APS 111 means the prudential standard relating to the measurement of capital of an ADI as issued by APRA;

ASX means ASX Limited (ACN 008 624 691) or the Australian Securities Exchange, as the context requires;

ASX Listing Rules means the listing rules of ASX as amended, varied or waived (whether in respect of the Issuer or generally) from time to time;

ASX Operating Rules means the market operating rules of ASX as amended, varied or waived (whether in respect of the Issuer or generally) from time to time;

ASX Settlement Operating Rules means the settlement operating rules of ASX as amended, varied or waived (whether in respect of the Issuer or generally) from time to time;

ASX Trading Day means a business day within the meaning of the ASX Listing Rules on which trading in Ordinary Shares takes place;

Attributable Proceeds means, in respect of a Holder to whom clause 9.14(f) applies, an amount equal to the Proceeds per Share multiplied by the number of Ordinary Shares issued and sold in accordance with clause 9.14(f) in respect of that Holder;

Authorised Officer means a person appointed by the party to act as an authorised officer for the purposes of these Terms by notice to the Issuer;

Banking Act means the Banking Act 1959 (Cth);

Bookbuild means the process conducted prior to the opening of the Offer where brokers and investors bid for the MCN2 and, on the basis of those bids, the Issuer, in consultation with the joint lead managers to the Offer, determines the Margin;

Business Day means a day which is (i) a business day within the meaning of the ASX Listing Rules; and (ii) for the purpose of determining an Exchange Date (other than a Non-Viability Exchange Date) or the calculation or payment of a Distribution or of any other sum, a day on which banks are open for general business in Sydney, Australia;

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Buy-Back means a transaction involving the acquisition by the Issuer of its Ordinary Shares pursuant to an offer made in its discretion in accordance with the provisions of Part 2J of the Corporations Act;

Capital Reduction means a reduction in capital initiated by the Issuer in its discretion in respect of its Ordinary Shares in any way permitted by the provisions of Part 2J of the Corporations Act;

Change in Law has the meaning given to it in the definition of Regulatory Event;

CHES means the Clearing House Electronic Subregister System operated by ASX Settlement Pty Ltd (ACN 008 504 532);

Conglomerates Standard means the proposed standards applicable to Level 3 conglomerate groups as currently set out in the standards and guidance published by APRA on 15 August 2014;

Control has the meaning given in the Corporations Act;

Corporations Act means the Corporations Act 2001 (Cth);

CS Facility has the same meaning as “Prescribed CS Facility” in the Corporations Act;

CS Facility Operator means the operator of a CS Facility;

Cum Value has the meaning given in clause 9.3;

Daily VWAP means the volume weighted average sale price (rounded to the nearest full cent) of Ordinary Shares sold on ASX on a day but does not include any “Crossing” transacted outside the “Open Session State”, or any “Special Crossing” transacted at any time, each as defined in the ASX Operating Rules, or any overseas trades or trades pursuant to the exercise of options over Ordinary Shares;

Deferred Exchange Date has the meaning given in clause 5.5;

Deferred Exchange Notice has the meaning given in clause 5.5;

Deferred Mandatory Exchange Date has the meaning given in clause 3.2;

Delisted means, in respect of the Issuer and an Exchange Date,

(a) that Ordinary Shares have ceased to be listed or admitted to trading on ASX (and continue not to be listed or admitted to trading on that date); or

(b) an Inability Event applies on the relevant date preventing the Exchange of the MCN2 of Holders generally;

Directors means some or all of the Voting Directors (as defined in the Issuer’s constitution) of the Issuer acting as a board;

Distribution has the meaning given in clause 2.1;

Distribution Payment Date has the meaning given in clause 2.1;

Distribution Period means each period commencing on (and including) a Distribution Payment Date and ending on (but excluding) the next Distribution Payment Date. However:

(a) the first Distribution Period commences on (and includes) the Issue Date; and

(b) the final Distribution Period ends on (and excludes) the Exchange Date, Redemption Date or Resale Date, as applicable;

Distribution Rate has the meaning given in clause 2.1;

Dividend Restriction has the meaning given in clause 2.5;

Eligible Capital has the same meaning as “eligible capital” in the conditions in the schedule to the NOHC Authority or the equivalent concept in any subsequent or replacement authority given by APRA in favour of the Issuer or in any prudential standard determined by APRA relevant to the definition of the capital of the Issuer;

Eligible Capital Funding Instrument means an instrument which APRA has determined in writing (and has not withdrawn the determination) permits the Macquarie Group to make contributions to an ADI within the Macquarie Group, which contributions will fully qualify as a Related Additional Tier 1 Security of that ADI in an aggregate amount equal to the aggregate issue price of the instrument;

Encumbrance means any mortgage, pledge, charge, lien, assignment by way of security, hypothecation, security interest, title retention, preferential right or trust arrangement, any other security agreement or security

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arrangement (including any security interest under the Personal Property Securities Act 2009 (Cth)) and any other arrangement of any kind having the same effect as any of the foregoing;

Equal Ranking Obligations means any obligation of, or claim against, the Issuer that exists or may arise in connection with:

- (a) the instruments described as the “US\$400,000,000 Macquarie Preferred Membership Interests” issued on 2 December 2010; and
- (b) the MCN2;
- (c) any other:
 - (i) preference share, security or capital instrument issued by the Issuer; or
 - (ii) obligation of, or claim against, the Issuer in respect of a preference share, security or capital instrument issued by a member of the Macquarie Group,

which preference share, security, capital instrument of, or obligation or claim against, the Issuer ranks, or is expressed to rank, equally with the MCN2 or any other Equal Ranking Obligation;

Exchange means, in respect of an MCN2, the allotment and issue of Ordinary Shares in respect of that MCN2 in accordance with and subject to clause 9, and **Exchangeable**, **Exchanged** and **Exchanging** have corresponding meanings;

Exchange Conditions has the meaning given in clause 3.3;

Exchange Date means a Mandatory Exchange Date, Non-Viability Exchange Date, Optional Exchange Date or Acquisition Exchange Date on which the MCN2 must be Exchanged (any relevant Exchange Conditions applicable to that date having been met);

Exchange Date VWAP has the meaning given in clause 9.1;

Exchange Floor Price has the meaning given in clause 9.1;

Exchange Number has the meaning in clause 9.1;

FATCA means the Foreign Account Tax Compliance Act provisions set out in sections 1471 through to 1474 of the US Internal Revenue Code (“**Code**”) (and

including any current or future regulations or official interpretations thereof issued in respect of these provisions, any agreement entered into pursuant to Section 1471(b) of the Code, or any fiscal or regulatory legislation, rules or practices or similar laws implementing an inter-governmental approach on such provisions and any agreement entered into by the Issuer pursuant to or in connection with any of the foregoing);

FATCA Withholding has the meaning given in clause 11.4;

First Exchange Condition has the meaning given in clause 3.3;

First Optional Exchange Restriction has the meaning given in clause 5.4;

First Scheduled Optional Exchange Date has the meaning given in clause 5.2;

Foreign Holder means a Holder whose address in the Register is a place outside Australia or who the Issuer otherwise believes may not be a resident of Australia;

Fourth Exchange Condition has the meaning given in clause 3.3;

Franking Adjustment Factor has the meaning given in clause 2.1;

Franking Rate means the franking percentage, as defined under Part 3-6 of the Tax Act, for a Distribution as at the relevant Distribution Payment Date (expressed as a decimal) multiplied by the proportion of the relevant Distribution that is frankable;

Holder means a person Registered as the holder of an MCN2;

Inability Event means any of the Issuer or any of its Related Bodies Corporate is prevented by applicable law, an order of any court, an action of any government authority (including regarding the insolvency, Winding Up or other external administration of the Issuer or a Related Body Corporate), or for any other reason, from observing and performing their obligations in respect of an Exchange (including in connection with the issue of Ordinary Shares);

Ineligible Holder has the meaning given in clause 9.14;

IRS means the Internal Revenue Service of the United States of America;

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Issue Date means the date the MCN2 are issued, expected to be 18 December 2015;

Issue Date VWAP has the meaning given in clause 9.1;

Issue Price has the meaning given in clause 1.1;

Issuer means Macquarie Group Limited (ACN 122 169 279), a company incorporated under the laws of Australia;

Level 3 Group means the Issuer and such other entities included from time to time in the calculation of the Issuer's capital requirements on a Level 3 basis (or its equivalent, in either case, as defined by APRA from time to time);

Liquidation Amount means an amount equal to the Issue Price;

Macquarie Group means the Issuer and each entity it Controls;

Mandatory Exchange Date has the meaning given in clause 3.2;

Margin has the meaning given in clause 2.1;

Maximum Exchange Number has the meaning given in clause 9.1;

MCN means the subordinated notes of the Issuer described as the "Macquarie Group Capital Notes" and issued under a trust deed entitled "MCN Trust Deed" dated 14 May 2013 (as amended);

MCN2 has the meaning given in clause 1.1;

MCN2 Trust Deed means the trust deed in respect of MCN2 dated on or about 23 November 2015, as amended from time to time;

NOHC Authority means the authority to be a non-operating holding company of an authorised deposit-taking institution given by APRA in favour of the Issuer on 5 September 2007 (as amended from time to time) under the Banking Act;

Nominated Party means, subject to clause 8.2, one or more third parties selected by the Issuer in its absolute discretion;

Non-Completing Nominated Party has the meaning given in clause 8.6;

Non-Exchange Test Date has the meaning given in clause 5.4;

Non-Viability Event has the meaning given in clause 4.1;

Non-Viability Exchange Date means the date of occurrence of the Non-Viability Event;

Non-Viability Exchange Notice has the meaning given in clause 4.7;

Offer means the invitation made under the Prospectus by the Issuer for persons to subscribe for the MCN2;

Optional Exchange Date has the meaning given in clause 5.3;

Optional Exchange Notice has the meaning given in clause 5.1;

Optional Exchange Restrictions has the meaning given in clause 5.4;

Ordinary Share means a fully paid ordinary share in the capital of the Issuer;

Ordinary Share Dividend means any interim, final or special dividend payable in accordance with the Corporations Act and the constitution of the Issuer in respect of Ordinary Shares;

Proceeds per Share means, in respect of Ordinary Shares issued and sold in accordance with clause 9.14(f), an amount equal to the net proceeds of the sale of such Ordinary Shares, actually received after deducting any applicable brokerage, stamp duties and other taxes, charges and expenses, divided by the number of such Ordinary Shares issued and sold;

Prospectus means the prospectus for the Offer;

Reclassification means a division, consolidation or reclassification of the Issuer's share capital (not involving any cash payment or other distribution or compensation to or by holders of Ordinary Shares or to or by any entity in the Macquarie Group);

Record Date has the meaning given in clause 2.1;

Redemption means, in respect of an MCN2, the MCN2 is redeemed by payment of cash in accordance with and subject to clause 7 and "Redeem", and "Redeemed" have the corresponding meanings;

Redemption Date has the meaning given in clause 7.3;

Redemption Notice has the meaning given in clause 7.1;

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Redemption Price has the meaning given to it in clause 7.4;

Reference Rate has the meaning given in clause 2.1;

Register means the register, including any branch register, of Holders established and maintained by, or on behalf of, the Issuer;

Registered means recorded in the Register;

Registrar means a person appointed by the Issuer to maintain the Register;

Regulatory Event means any of the following occur:

- (a) a law or regulation applicable in the Commonwealth of Australia or any State or Territory of Australia or any directive, order, standard, requirement, guideline or statement of APRA (whether or not having the force of law), which applies to the Macquarie Group (a “**Regulation**”) is introduced, amended, clarified or changed or its application changed;
- (b) an announcement is made that a Regulation will be introduced, amended, clarified or changed or its application changed; or
- (c) a decision is made by any court or other authority interpreting, applying or administering any Regulation,

in each case, which event occurs on or at any time after the Issue Date and was not expected by the Issuer as at the Issue Date (each such event a “**Change in Law**”) and the Issuer determines that, as a result of that Change in Law:

- (i) the MCN2 do not fully qualify as a Relevant Tier 1 Security;
- (ii) additional requirements (including regulatory, capital, financial, operational or administrative requirements) in connection with the MCN2 would be imposed on the Macquarie Group which the Issuer determines, in its absolute discretion, might have a material adverse effect on the Issuer; or
- (iii) to have any of the MCN2 outstanding would be unlawful or impractical or would cause the Issuer to be exposed to a more than *de minimis* increase in its costs in connection with those MCN2;

and, for the avoidance of doubt, provided that no Regulatory Event shall occur as a result of the implementation of the Conglomerates Standard in the form published as at the Issue Date;

Related Additional Tier 1 Security means an instrument issued by an ADI within the Macquarie Group to a member of the Macquarie Group on terms approved by APRA where APRA has confirmed on or before the issue of the instrument that the instrument is fully eligible for inclusion as Additional Tier 1 Capital of that ADI under APS 111 without being excluded, on the basis of being a related party transaction, in the calculation of the capital requirements of the ADI block under the Conglomerates Standard;

Related Body Corporate has the meaning given in the Corporations Act;

Related Entity has the meaning given to it by APRA from time to time;

Relevant Mandatory Exchange Date has the meaning given in clause 3.2;

Relevant Percentage has the meaning given in clause 9.1;

Relevant Tier 1 Security means a security that either:

- (a) forms part of the Eligible Capital of the Issuer; or
- (b) is an Eligible Capital Funding Instrument, and that, in accordance with its terms or by operation of law, is capable of being converted into Ordinary Shares or written-off when a Non-Viability Event occurs (including the MCN and the MCN2);

Resale has the meaning given in clause 8.1 and “**Resell**” and “**Resold**” have the corresponding meanings;

Resale Date has the meaning given in clause 8.1;

Resale Notice has the meaning given in clause 8.1;

Resale Price has the meaning given in clause 8.3;

Sale Agent means person appointed by the Issuer to sell Ordinary Shares in accordance with clause 9.14, and includes an agent of that person;

Scheduled Mandatory Exchange has the meaning given in clause 3.2;

Appendix A: MCN2 terms

Scheduled Mandatory Exchange Date has the meaning given in clause 3.2;

Scheduled Optional Exchange Date has the meaning given in clause 5.2;

Second Exchange Condition has the meaning given in clause 3.3;

Second Optional Exchange Restriction has the meaning given in clause 5.4;

Second Scheduled Optional Exchange Date has the meaning given in clause 5.2;

Senior Creditors means all present and future creditors of the Issuer whose claims are:

- (a) entitled to be admitted in the Winding Up of the Issuer; and
- (b) not expressed to rank equally with, or subordinate to, the claims of the Holders under these Terms;

Special Resolution means:

- (a) a resolution passed at a meeting of Holders duly convened and held (or by way of postal ballot) in accordance with the MCN2 Trust Deed by the affirmative vote of at least 75% of the votes validly cast by Holders in person or by proxy and entitled to vote on the resolution; or
- (b) the consent in writing of Holders holding at least 75% of the MCN2 then on issue;

Stock Exchange means ASX or such other stock or securities exchange on which the MCN2 may be listed from time to time;

Suspension Event means, in respect of a date, trading of Ordinary Shares on ASX is suspended for a period of consecutive days which includes:

- (a) at least 5 consecutive Business Days prior to that date; and
- (b) that date;

Tax Act means the Income Tax Assessment Act 1936 (Cth) or the Income Tax Assessment Act 1997 (Cth), as the context requires;

Tax Event means that, on or after the Issue Date, the Issuer receives an opinion of nationally recognised legal counsel or other nationally recognised tax adviser in Australia experienced in such matters, that there is more than an insubstantial risk which the Issuer determines, at its absolute discretion, to be unacceptable that, as a result of a Tax Event Trigger and in connection with MCN2:

- (a) a franking debit will arise in the franking account of the Issuer in respect of any Distribution (the terms “franking debit” and “franking account” being within the meaning of Division 205 of the Tax Act) in addition to any franking debit that would, or is expected to, arise from the relevant Distribution in the absence of the Tax Event Trigger;
- (b) any Distribution would not be a frankable dividend or distribution within the meaning of Division 202 of the Tax Act; or
- (c) the Issuer is or will become exposed to more than a *de minimis* increase in its costs (including without limitation through the imposition of any taxes, duties, assessments, or other governmental charges or the loss of any deductions);

Tax Event Trigger means:

- (a) an amendment to, change in or announcement that there will be a change in, any laws or regulations affecting taxation in the Commonwealth of Australia or any State or Territory of Australia;
- (b) a judicial decision interpreting, applying or clarifying any laws or regulations affecting taxation in the Commonwealth of Australia or any State or Territory of Australia;
- (c) an administrative pronouncement, ruling, confirmation, advice or action that represents an official position, including a clarification of an official position of the governmental authority or regulatory body making the administrative pronouncement or taking any action, in each case, affecting taxation in the Commonwealth of Australia or any State or Territory of Australia; or

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- (d) a challenge asserted or threatened in writing in connection with an audit or investigation of the Issuer in connection with MCN2 by the Australian Tax Office or other relevant taxing authority in the Commonwealth of Australia or any State or Territory of Australia,

which amendment, change or announcement that there will be a change, or which action or clarification or challenge occurs, on or after the Issue Date and was not expected by the Issuer as at the Issue Date;

Tax Rate means the Australian corporate tax rate applicable to the franking account of the Issuer on the relevant Distribution Payment Date (expressed as a decimal);

Terms means these terms and conditions;

Third Exchange Condition has the meaning given in clause 3.3;

Third Scheduled Optional Exchange Date has the meaning given in clause 5.2;

Transaction Documents means:

- (a) the MCN2 Trust Deed (including these Terms); and
- (b) any other document agreed by the parties to the MCN2 Trust Deed to be a Transaction Document for the purposes of the MCN2 Trust Deed (and provided that no such agreement will be made if the document may cause the MCN2 to cease to be Relevant Tier 1 Securities unless the written approval of APRA to the agreement has been obtained);

Transferee has the meaning given in clause 14.2;

Trustee means Australian Executor Trustees Limited (ACN 007 869 794) or any replacement trustee under the MCN2 Trust Deed from time to time;

VWAP has the meaning given in clause 9.1;

VWAP Period has the meaning given in clause 9.1;

Winding Up means, with respect to an entity, the winding up, termination or dissolution of the entity, but does not include any winding up, termination or dissolution for the purposes of a consolidation, amalgamation, merger or reconstruction (the terms of which have been approved by the shareholders of the entity or by a court of competent jurisdiction) under which the continuing or resulting entity effectively assumes the entire obligations of the entity in respect of the MCN2; and

Written-Off means, in respect of an MCN2, that the Holder's rights under that MCN2 (including to payment of the Liquidation Amount and Distributions and to be Exchanged) are immediately and irrevocably terminated for no consideration with effect on and from the Non-Viability Exchange Date and **"Write-Off"** has a corresponding meaning.

18.3 Inconsistency with ASX Listing Rules and ASX Settlement Operating Rules

So long as the MCN2 are quoted on ASX and in CHESS, these Terms as they relate to those MCN2 are to be interpreted in a manner consistent with applicable ASX Listing Rules and ASX Settlement Operating Rules (together, the **"Rules"**), except to the extent that an interpretation consistent with those Rules may cause the MCN2 to cease to be Relevant Tier 1 Securities.

Appendix

B

Glossary

This Appendix provides a glossary of key terms and abbreviations used throughout this Prospectus and the Application Form. There is also a list of further defined terms in clause 18.2 of the MCN2 Terms immediately prior to this glossary commencing on page 128.

Appendix B: Glossary

Term	Meaning
ABN	Australian Business Number as defined in A New Tax System (Australian Business Number) Act 1999 (Cth).
ACN	Australian Company Number as defined in the Corporations Act.
Acquisition Event	Broadly occurs where a change of control of MGL occurs, by takeover bid or schemes of arrangement or otherwise. Acquisition Event is discussed in section 2.8.1. For the full definition, see clause 18.2 of the MCN2 Terms.
Acquisition Exchange Date	The date on which an Exchange on account of an Acquisition Event is to occur. For the full definition, see clause 6.2 of the MCN2 Terms.
Additional Tier 1 Capital	“Additional Tier 1 Capital” or its equivalent, in either case, as defined by APRA from time to time.
ADI	Authorised deposit-taking institution as defined in the Banking Act.
Applicant	A person who lodges an Application Form in accordance with this Prospectus.
Application	A valid application for MCN2 made through a completed Application Form in accordance with this Prospectus.
Application Form	Each of the application forms accompanying this Prospectus upon which an Application may be made, being: <ul style="list-style-type: none"> ▪ the Application Form which Syndicate Brokers may require Broker Firm Applicants under the Broker Firm Offer to complete; and ▪ the Application Form provided for paper or online applications under the Securityholder Offer.
Application Payment	The amount payable on each Application, being the Issue Price multiplied by the number of MCN2 applied for.
APRA	Australian Prudential Regulation Authority or any authority succeeding to its powers and responsibilities.
APS 111	The prudential standard relating to the measurement of capital of an ADI as issued by APRA.
Arranger	Macquarie Capital (Australia) Limited (ACN 123 199 548).
ASIC	Australian Securities & Investments Commission.
ASX	ASX Limited (ABN 98 008 624 691) or the Australian Securities Exchange operated by it, as the context requires.
ASX Listing Rules	The listing rules of ASX as amended, varied or waived (whether in respect of MGL or generally) from time to time.
ASX Trading Day	A business day within the meaning of the ASX Listing Rules on which trading in Ordinary Shares takes place.
Banking Act	Banking Act 1959 (Cth).
Bank Group	That part of the Macquarie Group that is subject to the full suite of APRA's banking regulations, and which includes MBL and its subsidiaries.

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Term	Meaning
Basel III	Reforms released by the Basel Committee on Banking Supervision, in December 2010 (as revised), in order to raise the level and quality of regulatory capital in the global banking system.
BCN	The subordinated notes described as the “Macquarie Bank Capital Notes” issued by MBL in 2014.
Bookbuild	The process described in section 7.3.1 to determine the Margin.
Broker Firm Applicant	An Australian resident retail or high net worth client of a Syndicate Broker invited to participate through the Broker Firm Offer.
Broker Firm Application	The application made by a Broker Firm Applicant.
Broker Firm Offer	The offer of MCN2 under this Prospectus to retail and high net worth clients of Syndicate Brokers, resident in Australia, who receive a firm allocation from their Syndicate Broker.
Business Day	A day which is (i) a business day within the meaning of the ASX Listing Rules; and (ii) for the purpose of determining an Exchange Date (other than a Non-Viability Exchange Date) or the calculation or payment of a Distribution or of any other sum, a day on which banks are open for general business in Sydney, Australia.
Buy-Back	A transaction involving the acquisition by MGL of its Ordinary Shares pursuant to an offer made in its discretion in accordance with the provisions of Part 2J of the Corporations Act.
Capital Reduction	A reduction in capital initiated by MGL in its discretion in respect of its Ordinary Shares in any way permitted by the provisions of Part 2J of the Corporations Act.
CHESS	Clearing House Electronic Subregister System operated by ASX Settlement Pty Ltd (ACN 008 504 532).
Closing Date	The last date by which Applications will be accepted, which is expected to be: <ul style="list-style-type: none"> ▪ for the Securityholder Offer, 5.00pm (Sydney time) on 15 December 2015; and ▪ for the Broker Firm Offer, 5.00pm (Sydney time) on 17 December 2015.
Co-Managers	Bell Potter Securities Limited; JBWere Limited; Macquarie Equities Limited and Ord Minnett Limited.
Common Equity Tier 1 Trigger	Broadly occurs when certain ratios of prudentially regulated capital of the issuer fall below a level specified in the terms of the relevant instrument.
Conglomerates Standard	means the proposed standards applicable to Level 3 conglomerate groups as currently set out in the standards and guidance published by APRA on 15 August 2014.
Corporations Act	Corporations Act 2001 (Cth).
Daily VWAP	In summary, the volume weighted average sale price of Ordinary Shares sold on ASX on a day, excluding certain trades. For the full definition, see clause 18.2 of the MCN2 Terms.
Deferred Mandatory Exchange Date	Broadly, and in circumstances where any of the Exchange Conditions is not satisfied on the Scheduled Mandatory Exchange Date, the next semi-annual Distribution Payment Date after the Scheduled Mandatory Exchange Date where all of the Exchange Conditions are satisfied. For the full definition, see clauses 3.2 and 3.3 of the MCN2 Terms.

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Term	Meaning
Delisted	<p>Broadly occurs in respect of MGL and an Exchange Date where:</p> <ul style="list-style-type: none"> ▪ Ordinary Shares have ceased to be listed or admitted to trading on ASX and the cessation is continuing on the relevant date; or ▪ an Inability Event applies on the relevant date preventing Exchange. <p>For the full definition, see clause 18.2 of the MCN2 Terms.</p>
Directors	Some or all of the Voting Directors (as defined in the MGL Constitution) of MGL acting as a board.
Distribution	Broadly, a cash distribution payable on MCN2. For the full definition, see clause 2.1 of the MCN2 Terms.
Distribution Payment Date	<p>Broadly, in respect of an MCN2, (a) each 17 March and 17 September commencing 17 March 2016 until (but not including) the date on which that MCN2 has been Redeemed or Exchanged, and (b) the Redemption Date, Resale Date or an Exchange Date (except where the Exchange is on account of a Non-Viability Event).</p> <p>If any of these scheduled dates is not a Business Day, then the Distribution Payment Date will be the next day which is a Business Day. For the full definition, see clauses 2.1 and 2.2 of the MCN2 Terms.</p>
Distribution Period	<p>Each period commencing on (and including) a Distribution Payment Date and ending on (but excluding) the next Distribution Payment Date. However:</p> <ul style="list-style-type: none"> ▪ the first Distribution Period commences on (and includes) the Issue Date; and ▪ the final Distribution Period ends on (and excludes) the Exchange Date, Redemption Date or Resale Date, as applicable.
Distribution Rate	$(\text{Reference Rate} + \text{Margin}) \times \text{Franking Adjustment Factor}$.
Dividend Restriction	The restrictions summarised in section 2.1.8 and set out in clause 2.5 of the MCN2 Terms.
Eligible Capital	Has the same meaning as “eligible capital” in the conditions in the schedule to the NOHC Authority or the equivalent concept in any subsequent or replacement authority given by APRA in favour of MGL or in any prudential standard determined by APRA relevant to the definition of the capital of MGL.
Eligible Capital Funding Instrument	An instrument which APRA has determined in writing permits the Macquarie Group to make contributions to an ADI within the Macquarie Group, which contributions will fully qualify as a Related Additional Tier 1 Security of that ADI in an aggregate amount equal to the aggregate issue price of the instrument.
Eligible Securityholder	<p>A person who is:</p> <ul style="list-style-type: none"> ▪ a registered holder of Ordinary Shares, MIS, MCN or BCN (as applicable) at 7.00pm (Sydney time) on 20 November 2015; ▪ shown on the relevant register as having an address in Australia (or another jurisdiction to which MGL determines to extend the Offer); and ▪ not otherwise prevented from receiving the Offer or the MCN2 under the securities laws of another jurisdiction, as determined by MGL.

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Term	Meaning
Equal Ranking Obligations	<p>Any obligation of, or claim against, MGL that exists or may arise in connection with:</p> <ul style="list-style-type: none"> ▪ the PMIs; ▪ the MCN; and ▪ any other <ul style="list-style-type: none"> – preference share, security or capital instrument issued by MGL; or – obligation of, or claim against, MGL in respect of a preference share, security or capital instrument issued by a member of the Macquarie Group, <p>which preference share, security, capital instrument of, or obligation or claim against MGL ranks, or is expressed to rank, equally with the MCN2 or any other Equal Ranking Obligation.</p> <p>For the full definition, see clause 18.2 of the MCN2 Terms.</p>
Exchange	<p>Broadly, the allotment and issue of Ordinary Shares in exchange for an MCN2. “Exchangeable”, “Exchanged” and “Exchanging” have corresponding meanings. For the full definition, see clauses 9 and 18.2 of the MCN2 Terms.</p>
Exchange Conditions	<p>The conditions which must be satisfied before Exchange will occur on a Mandatory Exchange Date. These are outlined in section 2.3.3 (as modified in some cases as outlined in sections 2.4, 2.7 and 2.8). For the full definition, see clause 3.3 of the MCN2 Terms.</p>
Exchange Date	<p>A Mandatory Exchange Date, Non-Viability Exchange Date, Optional Exchange Date or Acquisition Exchange Date on which the MCN2 must be Exchanged (any relevant Exchange Conditions applicable to that date having been met).</p>
Exchange Number	<p>The number of Ordinary Shares to be issued on Exchange as described in section 2.3.4 (as modified in some cases as outlined in sections 2.4, 2.7 and 2.8). For the full definition, see clause 9.1 of the MCN2 Terms.</p>
Exposure Period	<p>The seven day period after the date this Prospectus is lodged with ASIC during which the Corporations Act prohibits the acceptance of Applications, which may be extended by ASIC for a further 7 days.</p>
FATCA	<p>Broadly, the Foreign Account Tax Compliance Act provisions of the US Internal Revenue Code of 1986, as amended. For the full definition, see clause 18.2 of the MCN2 Terms.</p>
FATCA Withholding	<p>Any withholding or deduction of taxes, interest or penalties required under FATCA.</p>
First Exchange Condition	<p>In summary, the Daily VWAP on the 25th Business Day immediately preceding the possible Mandatory Exchange Date is greater than 56% of the Issue Date VWAP. For the full definition, see clause 3.3 of the MCN2 Terms.</p>
First Optional Exchange Restriction	<p>In summary, the Daily VWAP on the second Business Day before the date on which an Optional Exchange Notice is to be sent by MGL is less than or equal to 25% of the Issue Date VWAP. For the full definition, see clause 5.4 of the MCN2 Terms.</p>
FMC Act	<p><i>Financial Markets Conduct Act 2013.</i></p>
Fourth Exchange Condition	<p>In summary, MGL is not Delisted as at the possible Mandatory Exchange Date. For the full definition, see clause 3.3 of the MCN2 Terms.</p>

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Term	Meaning
Franking Adjustment Factor	$(1 - \text{Tax Rate}) \div (1 - \text{Tax Rate} \times (1 - \text{Franking Rate}))$ For the full definition, see clause 18.2 of the MCN2 Terms.
Franking Rate	The franking percentage, as defined under Part 3-6 of the Tax Act, for a Distribution as at the relevant Distribution Payment Date (expressed as a decimal) multiplied by the proportion of the relevant Distribution that is frankable.
GST	Has the meaning given in section 195-1 of the A New Tax System (Goods and Services Tax) Act 1999 (Cth).
Holding Statement	A statement issued to issuer sponsored MCN2 Holders by the Registrar which sets out the number of MCN2 issued to that MCN2 Holder.
Inability Event	Broadly, MGL or any of its Related Bodies Corporate is prevented by applicable law, or order of any court, or action of any government authority (including regarding the insolvency, Winding Up or other external administration of MGL or a Related Body Corporate) or for any other reason, from observing and performing its obligations in respect of an Exchange (including in connection with the issue of Ordinary Shares). For the full definition, see clause 18.2 of the MCN2 Terms.
Institutional Investors	An investor to whom the Joint Lead Managers reasonably believe MCN2 are able to be offered under applicable laws without the need for any prospectus, product disclosure statement, registration or other formality (other than a registration or formality required of MGL which MGL is willing to comply with).
Institutional Offer	The Offer of MCN2 under this Prospectus to Institutional Investors who have received a firm allocation from the Joint Lead Managers.
Issue Date	The date the MCN2 are issued, expected to be 18 December 2015.
Issue Date VWAP	In summary, the VWAP during the 20 ASX Trading Days immediately preceding, but not including, the Issue Date. For the full definition, see clause 9.1 of the MCN2 Terms.
Issue Price	\$100.
Joint Lead Managers	Macquarie Capital (Australia) Limited, ANZ Securities Limited, Commonwealth Bank of Australia, Evans and Partners Pty Limited, J.P. Morgan Australia Limited, National Australia Bank Limited, Morgans Financial Limited and Westpac Institutional Bank, a division of Westpac Banking Corporation.
Liquidation Amount	An amount equal to the Issue Price.
Macquarie Group	MGL and each of its subsidiaries.
Macquarie Level 3 Group	MGL and those of its controlled entities included by APRA from time to time in the calculation of MGL's minimum capital requirement on a Level 3 basis.
Mandatory Exchange	An Exchange in accordance with clause 3 of the MCN2 Terms.
Mandatory Exchange Date	Broadly, 18 March 2024 or the next semi-annual Distribution Payment Date after that date on which the Exchange Conditions are satisfied. For the full definition, see clause 3.2 of the MCN2 Terms. (Due to the Business Day convention, the Scheduled Mandatory Exchange Date is deferred from 17 March 2024 until 18 March 2024.)
Margin	5.15 percent per annum.

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Term	Meaning
Maximum Exchange Number	The number of Ordinary Shares calculated in accordance with the formula in clause 9.1 of the MCN2 Terms.
MBL	Macquarie Bank Limited (ABN 46 008 583 542).
MCN	The subordinated notes described as the “Macquarie Group Capital Notes” issued by MGL in 2013.
MCN2	Macquarie Group Capital Notes 2, being fully paid, subordinated, non-cumulative, unsecured, mandatorily convertible notes of MGL which are to be issued under this Prospectus.
MCN2 Holder	A person registered as the holder of an MCN2.
MCN2 Terms	The terms of MCN2 attached as a schedule to the Trust Deed, and as also set out in Appendix A.
MGL	Macquarie Group Limited (ABN 94 122 169 279).
MGL Board	The Directors acting as a board.
MGL Constitution	The constitution of MGL as amended from time to time.
MGL Shareholder	A registered holder of Ordinary Shares.
MIS	Macquarie Income Securities issued by MBL and Macquarie Finance Ltd in 1999.
NOHC	Non-operating holding company.
NOHC Authority	The authority to be a non-operating holding company of an authorised deposit taking institution given by APRA in favour of MGL on 5 September 2007 (as amended from time to time) under the Banking Act.
Nominated Party	Broadly, one or more third parties nominated by MGL to purchase some or all MCN2 under a Resale process. For the full definition, see clauses 8.2 and 18.2 of the MCN2 Terms.
Non-Bank Group	All entities in the Macquarie Group other than the entities in the Bank Group.
Non-Exchange Test Date	In summary, the second Business Day before the date on which an Optional Exchange Notice is to be sent by MGL. For the full definition, see clause 5.4 of the MCN2 Terms.
Non-Viability Event	A Non-Viability Event will occur if APRA: <ul style="list-style-type: none"> (a) has issued a written notice to MGL that: <ul style="list-style-type: none"> (i) Exchange of the MCN2; (ii) the conversion or exchange into Ordinary Shares or write-off of securities issued as Relevant Tier 1 Securities in accordance with their terms or by operation of law, is necessary because, without such conversion, exchange or write-off, APRA considers MGL would become non-viable; or (b) has notified MGL in writing that it has determined that without a public sector injection of capital, or equivalent support, MGL would become non-viable.
Non-Viability Exchange Date	The date of occurrence of the Non-Viability Event.
Offer	The invitation made under this Prospectus by MGL for persons to subscribe for MCN2.

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Term	Meaning
Offer Management Deed or OMD	The offer management deed between the Joint Lead Managers and MGL in relation to the Offer as described in section 6.2.
Offer Period	The period from the Opening Date to the applicable Closing Date.
Opening Date	The opening date of the Offer being 1 December 2015.
Optional Exchange	An Exchange at the option of MGL under clause 5 of the MCN2 Terms.
Optional Exchange Date	The date on which an Exchange at the option of MGL may occur. For the full definition, see clause 5.3 of the MCN2 Terms.
Optional Exchange Notice	In summary, a notice issued to MCN2 Holders by which an Exchange at the option of MGL is effected. For the full definition, see clause 5.1 of the MCN2 Terms.
Optional Exchange Restrictions	The conditions which must be satisfied before MGL can elect to Exchange. These are outlined in section 2.4.4. For the full definition, see clause 5.4 of the MCN2 Terms.
Ordinary Resolution	Broadly, a resolution passed at a meeting of MCN2 Holders (or by way of postal ballot) by a majority of at least 50% of the votes cast, or the consent in writing of MCN2 Holders holding at least 50% of the MCN2 then on issue.
Ordinary Share	A fully paid ordinary share in the capital of MGL.
Original Prospectus	The Prospectus dated 23 November 2015 and lodged on that date which this Prospectus replaces.
Payment Conditions	The conditions which must be satisfied before the payment of Distributions on MCN2. These are outlined in section 2.1.1.
PMIs	US\$400,000,000 Preferred Membership Interests issued by Macquarie PMI LLC in December 2010.
Prospectus	This prospectus for the Offer.
Redemption	Broadly, the process through which MGL repays the Issue Price and an MCN2 is redeemed under the MCN2 Terms. "Redeem" and "Redeemed" have corresponding meanings. For the full definition, see clause 18.2 of the MCN2 Terms.
Reference Rate	Broadly, the rate (expressed as a percentage per annum) for prime bank eligible securities having a tenor closest to the Distribution Period (180 days except in the first Distribution Period which is 90 days) which is designated as the "AVG MID" on the Reuters Screen BBSW Page at approximately 10.10am.
Register	The register, including any branch register, of MCN2 Holders established and maintained by, or on behalf of, MGL.
Registrar	A person appointed by MGL to maintain the Register, currently Link Market Services Limited.

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Term	Meaning
Regulatory Event	<p>Broadly occurs when, as a result of a change of law or regulation (or the interpretation thereof) on or after the Issue Date, MGL determines that:</p> <ul style="list-style-type: none"> ▪ the MCN2 do not fully qualify as a Relevant Tier 1 Security; ▪ additional requirements would be imposed on the Macquarie Group which MGL determines might have a material adverse effect on MGL; or ▪ to have the MCN2 outstanding would be unlawful or impractical or cause MGL to be exposed to a more than de minimis increase in its costs in connection with those MCN2. <p>The implementation of the Conglomerates Standard (in the form published at the Issue Date) will not give rise to a Regulatory Event.</p> <p>For the full definition, see clause 18.2 of the MCN2 Terms.</p>
Related Additional Tier 1 Security	<p>An instrument issued by an ADI within the Macquarie Group to a member of the Macquarie Group on terms approved by APRA where APRA has confirmed on or before the issue of the instrument that it is fully eligible for inclusion as Additional Tier 1 Capital of that ADI under APS 111 without being excluded, on the basis of being a related party transaction, in the calculation of the capital requirements of the ADI block under the Conglomerates Standard.</p>
Related Body Corporate	<p>Has the meaning given in the Corporations Act.</p>
Relevant Mandatory Exchange Date	<p>Broadly, the Scheduled Mandatory Exchange Date, each Deferred Mandatory Exchange Date and the Final Mandatory Exchange Date. For the full definition, see clauses 3.2 and 3.3 of the MCN2 Terms.</p>
Relevant Percentage	<p>When calculating the Maximum Exchange Number, if the relevant Exchange is occurring on a Relevant Mandatory Exchange Date, 50%, otherwise 20%.</p>
Relevant Tier 1 Security	<p>A security that either forms part of the Eligible Capital of MGL or is an Eligible Capital Funding Instrument and that, in accordance with its terms or by operation of law, is capable of being converted into Ordinary Shares or written-off when a Non-Viability Event occurs (including the MCN and MCN2).</p>
Relevant Tier 2 Security	<p>A security which MGL is entitled to treat as Tier 2 regulatory capital that, in accordance with its terms or by operation of law, is capable of being converted or written-off when a Non-Viability Event occurs.</p>
Resale	<p>Broadly, the sale of MCN2 by MCN2 Holders following the issue by MGL of a resale notice to MCN2 Holders, to a third party under the MCN2 Terms. Resold and Resell have corresponding meanings. For the full definition, see clauses 8.1 and 18.2 of the MCN2 Terms.</p>
Resale Date	<p>The date on which a Resale is to occur. For the full definition, see clause 8.1 of the MCN2 Terms.</p>
Resale Price	<p>With respect to an MCN2, a purchase price equal to the Issue Price of that MCN2. For the full definition, see clause 8.3 of the MCN2 Terms.</p>

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Term	Meaning
Sale Agent	A person appointed by MGL to sell Ordinary Shares in accordance with clause 9.14 of the MCN2 Terms, and includes an agent of that person. See clause 9.14 of the MCN2 Terms for further detail.
Scheduled Mandatory Exchange Date	18 March 2024. (Due to the Business Day convention, the Scheduled Mandatory Exchange Date is deferred from 17 March 2024 until 18 March 2024.)
Scheduled Optional Exchange Date	Broadly, 17 March 2021, 17 September 2021 and 17 March 2022. For the full definition, see clause 5.2 of the MCN2 Terms.
Second Exchange Condition	Broadly, the VWAP during the 20 ASX Trading Days immediately preceding the possible Mandatory Exchange Date is such that the number of Ordinary Shares to be issued would be less than or equal to the Maximum Exchange Number applicable to the Mandatory Exchange Date. For the full definition, see clause 3.3 of the MCN2 Terms.
Second Optional Exchange Restriction	MGL is Delisted as at the Non-Exchange Test Date. For the full definition, see clauses 5.4 and 18.2 of the MCN2 Terms.
Securityholder Applicant	An Eligible Securityholder who applies under the Securityholder Offer.
Securityholder Offer	The invitation to Eligible Securityholders to apply for MCN2 under this Prospectus.
Senior Creditors	All present and future creditors of MGL whose claims are: <ul style="list-style-type: none"> (a) entitled to be admitted in the Winding Up of MGL; and (b) not expressed to rank equally with, or subordinate to, the claims of the MCN2 Holders under the MCN2 Terms.
Special Resolution	Broadly, a resolution passed at a meeting of MCN2 Holders (or by way of postal ballot) by a majority of at least 75% of the votes validly cast by MCN2 Holders in person or by proxy and entitled to vote on the resolution. For the full definition, see clause 18.2 of the MCN2 Terms.
Suspension Event	In respect of a date, trading of Ordinary Shares on ASX is suspended for a period of consecutive days which includes: <ul style="list-style-type: none"> (a) at least 5 consecutive Business Days prior to that date; and (b) that date.
Syndicate Broker	Any of the Joint Lead Managers (or their affiliated retail brokers) and any other co-manager or participating broker in the Offer appointed by the Joint Lead Managers.
Tax Act	The Income Tax Assessment Act 1936 (Cth) or the Income Tax Assessment Act 1997 (Cth), as the context requires.

Appendix B: Glossary

Term	Meaning
Tax Event	<p>Broadly, MGL receives advice that, as a result of a change in law or regulation affecting taxation in Australia, after the Issue Date, there is a more than insubstantial risk which MGL determines to be unacceptable that, in connection with MCN2:</p> <ul style="list-style-type: none"> ▪ an additional franking debit will arise in the franking account of MGL in respect of any Distribution; or ▪ MGL would be exposed to a more than de minimis increase in its costs (including without limitation through the imposition of any taxes, duties, assessments or other government charges or the loss of any deductions); or ▪ any Distribution ceases to be frankable. <p>For the full definition and the related definition of “Tax Event Trigger”, see clause 18.2 of the MCN2 Terms.</p>
Tax Rate	The Australian corporate tax rate applicable to the franking account of MGL on the relevant Distribution Payment Date (expressed as a decimal).
TFN	Tax File Number.
Third Exchange Condition	No Suspension Event applies in respect of the possible Mandatory Exchange Date. For the full definition, see clause 3.3 of the MCN2 Terms.
Transaction Document	Broadly, the Trust Deed, the MCN2 Terms and any other document agreed by the Trustee and MGL to be a transaction document. The full definition is set out in the Trust Deed.
Trust	The trust constituted by the Trust Deed.
Trust Deed	The trust deed in respect of MCN2.
Trustee	Australian Executor Trustees Limited (ACN 007 869 794) or any replacement trustee under the Trust Deed from time to time.
Trustee Default	Has the meaning given in section 6.1.3.
United States or US	United States of America.
US Securities Act	US Securities Act of 1933, as amended.
VWAP	Broadly, the average of the Daily VWAPs during the VWAP Period, subject to adjustments. For the full definition, see clause 9.1 of the MCN2 Terms.
VWAP Period	Broadly, the period for which the VWAP is calculated. For the full definition, see clause 9.1 of the MCN2 Terms.
Winding Up	Broadly means the winding up, termination or dissolution of an entity (subject to certain exclusions). For the full definition, see clause 18.2 of the MCN2 Terms.
Written-Off	In respect of an MCN2, the MCN2 Holders’ rights under that MCN2 (including to payment of the Liquidation Amount and Distributions and to be Exchanged) are immediately and irrevocably terminated for no consideration with effect on and from the Non-Viability Exchange Date and “Write-Off” has a corresponding meaning.

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Your Guide to the Broker Firm Offer Application Form

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This Application Form relates to Macquarie Group Capital Notes 2 (MCN2) issued by Macquarie Group Limited (MGL). Further details about the MCN2 are contained in the replacement prospectus dated 1 December 2015 (and any supplementary or replacement prospectus) (Prospectus), issued by MGL. The Prospectus will expire on 23 December 2016. During the Offer Period, Macquarie Group Limited will send paper copies of the Prospectus, any supplementary document and the Application Form, free of charge on request. The Prospectus will also be made available at www.MacquarieCN2Offer.com.au.

The Australian Securities and Investments Commission requires that a person who provides access to an electronic application form must provide access, by the same means and at the same time, to the relevant Prospectus. This Application Form is included in the Prospectus and, in the case of the electronic version, accompanying the electronic copy of the Prospectus. The Prospectus contains important information about investing in the MCN2. You should read the Prospectus before applying for MCN2.

Please note that this Application Form is only in respect of the Broker Firm Offer. Your Syndicate Broker may require you to complete and return this Application Form. You must contact your Syndicate Broker for information on how to apply through the Broker Firm Offer.

By applying under the Broker Firm Offer, you make the acknowledgements, declarations, representations and warranties set out in section 6 and section 7 of the Prospectus.

- A** Insert the number of MCN2 you wish to apply for. The Application must be for a minimum of 50 MCN2 (A\$5,000). You may be issued all of the MCN2 applied for, a lesser number, or none at all.
- B** Insert the relevant amount of Application Payment. To calculate your Application Payment, multiply the number of MCN2 applied for by the issue price. Amounts should be in Australian dollars. Please make sure that you enclose the Application Payment equalling this amount with your Application Form.
- C** Write the full name you wish to appear on the register of MCN2. This must be either your own name or the name of a company. Up to three joint Applicants may register. You should refer to the table below for the correct registrable title.
- D** Enter your Tax File Number (TFN) or exemption category. Business enterprises may alternatively quote their Australian Business Number (ABN). Where applicable, please enter the TFN or ABN for each joint Applicant. Collection of TFN(s) and ABN(s) is authorised by taxation laws. Quotation of TFN(s) and ABN(s) is not compulsory and will not affect your Application. However, if these are not provided, Macquarie Group Limited will be required to deduct tax at the highest marginal rate of tax (including the Medicare Levy) from payments.
- E** Please enter your postal address for all correspondence. All communications to you from MGL and the Registrar will be mailed to the person(s) and address as shown. For joint Applicants, only one address can be entered.
- F** If you are already a CHES participant or sponsored by a CHES participant, write your Holder Identification Number (HIN) here. If the name or address recorded on CHES for this HIN is different to the details given on this form, your MCN2 will be issued to MGL's issuer sponsored subregister.
- G** Please enter your telephone number(s), area code and contact name in case we need to contact you in relation to your Application.
- H** Please complete the details of your cheque, bank draft or money order in this section. The total amount of your cheque, bank draft or money order should agree with the amount shown in section B. If you receive a firm allocation of MCN2 from your Broker make your Application Payment payable to your Broker in accordance with their instructions.

ACCEPTANCE OF THE OFFER: By returning this Broker Firm Offer Application Form and Application Payment, I/we:

- Declare that this Application is completed and lodged according to the Prospectus and the declarations/statements on this Application Form;
- Represent and warrant that I/we have read and understood the Prospectus and acknowledge the matters, and make the warranties and representations, contained in the Prospectus and this Application Form;
- Acknowledge having personally received a printed or electronic copy of the Prospectus (and any supplementary or replacement Prospectus);
- Acknowledge that I/we understand the MCN2 Terms and have had opportunity to consider the suitability of an investment in MCN2 with my/our professional advisers;
- Agree to be bound by the MCN2 Terms;
- Acknowledge that, in some circumstances, MGL may not pay Distributions or any other amount payable on MCN2;
- Authorise MGL and the Joint Lead Managers to do anything on behalf of me/us that is necessary for MCN2 to be allocated to them;
- Acknowledge that once received by the Registrar or MGL, my/our Application may not be varied or withdrawn except as allowed by law;
- Declare that all details and statements made by me/us are complete and accurate;
- Declare that each Applicant(s), if a natural person, is/are at least 18 years of age;
- Declare that I/we am/are not a US Person nor am/are I/we acting for the account or benefit of any US Person;
- Represent and warrant that the law of any other place does not prohibit me/us from being given the Prospectus and any supplementary or replacement Prospectus or making an Application on this Application Form;
- Declare that I am/we are a resident of Australia and not otherwise prevented from receiving the Offer or MCN2 under the securities laws of another jurisdiction, or otherwise a person to whom the Offer can be made, and MCN2 issued, in accordance with section 6.9 of the Prospectus;
- Acknowledge that by submitting this Application Form I/we are deemed to have acknowledged that I/we are aware of the restrictions referred to in section 7.4.2 of the Prospectus and I am/we are taken to have represented and warranted that I am/we are able to apply for and acquire MCN2 in compliance with those restrictions;
- Provide authorisation to be registered as the holder of MCN2 issued to me/us and on Exchange to be registered as a member of MGL and be bound by the MGL Constitution;
- Apply for such number of MCN2 set out on or determined in accordance with this Application Form and agree to be issued such number of MCN2, a lesser number or none;
- Acknowledge that MCN2 are not deposit liabilities of MBL, are not guaranteed or insured by any government or other person, are not protected accounts under Australian banking legislation and give Holders no claim on MBL except as provided in the MCN2 Terms and that the investment performance of MCN2 is not guaranteed by MGL, MBL or any member of the Management Group;
- Acknowledge that the information contained in the Prospectus (or any supplementary or replacement Prospectus) is not investment advice or a recommendation that MCN2 are suitable for me/us, given my/our investment objectives, financial situation or particular needs;
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CORRECT FORMS OF REGISTRABLE NAMES: Note that ONLY legal entities are allowed to hold MCN2. Applications must be in the name(s) of natural persons or companies. At least one full given name and the surname is required for each natural person. The name of the beneficiary or any other non-registrable name may be included by way of an account designation if completed exactly as described in the examples of correct forms below.

Type of Investor	Correct Form of Registration	Incorrect Form of Registration
Individual Use given names in full, not initials	Mrs Katherine Clare Edwards	K C Edwards
Company Use Company's full title, not abbreviations	Liz Biz Pty Ltd	Liz Biz P/L or Liz Biz Co.
Joint Holdings Use full and complete names	Mr Peter Paul Tranche & Ms Mary Orlando Tranche	Peter Paul & Mary Tranche
Trusts Use the trustee(s) personal name(s)	Mrs Alessandra Herbert Smith <Alessandra Smith A/C>	Alessandra Smith Family Trust
Deceased Estates Use the executor(s) personal name(s)	Ms Sophia Garnet Post & Mr Alexander Traverse Post <Est Harold Post A/C>	Estate of late Harold Post or Harold Post Deceased
Minor (a person under the age of 18 years) Use the name of a responsible adult with an appropriate designation	Mrs Sally Hamilton <Henry Hamilton>	Master Henry Hamilton
Partnerships Use the partners' personal names	Mr Frederick Samuel Smith & Mr Samuel Lawrence Smith <Fred Smith & Son A/C>	Fred Smith & Son
Long Names	Mr Hugh Adrian John Smith-Jones	Mr Hugh A J Smith Jones
Clubs/Unincorporated Bodies/Business Names Use office bearer(s) personal name(s)	Mr Alistair Edward Lilley <Vintage Wine Club A/C>	Vintage Wine Club
Superannuation Funds Use the name of the trustee of the fund	XYZ Pty Ltd <Super Fund A/C>	XYZ Pty Ltd Superannuation Fund

Put the name(s) of any joint Applicant(s) and/or account description using < > as indicated above in designated spaces at section C on the Application Form.

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Superannuation Funds Use the name of the trustee of the fund	XYZ Pty Ltd <Super Fund A/C>	XYZ Pty Ltd Superannuation Fund

Put the name(s) of any joint Applicant(s) and/or account description using < > as indicated above in designated spaces at section C on the Application Form.

Corporate directory

Registered Office and Head Office of MGL

Macquarie Group Limited

Level 6, 50 Martin Place
Sydney NSW 2000
www.macquarie.com

Legal Adviser

King & Wood Mallesons

Level 50, Bourke Place
600 Bourke Street
Melbourne VIC 3000

Tax Adviser

Greenwoods & Herbert Smith Freehills

Level 28, ANZ Tower
161 Castlereagh Street
Sydney NSW 2000

Accounting Adviser

PricewaterhouseCoopers Securities Ltd

Ground Floor, Tower 2
201 Sussex Street
Sydney NSW 2000

Trustee

Australian Executor Trustees Limited

Level 22, 207 Kent Street
Sydney NSW 2000

Registrar

Link Market Services Limited

Level 12
680 George Street
Sydney NSW 2000

Arranger

Macquarie Capital (Australia) Limited

Level 3, 50 Martin Place
Sydney NSW 2000

Joint Lead Managers

Macquarie Capital (Australia) Limited

Level 3, 50 Martin Place
Sydney NSW 2000

ANZ Securities Limited

ANZ Centre Melbourne
Level 9, 833 Collins Street
Docklands VIC 3008

Commonwealth Bank of Australia

Ground Floor, Tower 1
201 Sussex Street
Sydney NSW 2000

Evans and Partners Pty Limited

Mayfair Building
Level 7, 171 Collins Street
Melbourne VIC 3000

J.P. Morgan Australia Limited

Level 18, J.P. Morgan House
85 Castlereagh Street
Sydney NSW 2000

Morgans Financial Limited

Level 29, Riverside Centre
123 Eagle Street
Brisbane QLD 4000

National Australia Bank Limited

Level 25, 255 George Street
Sydney NSW 2000

Westpac Banking Corporation

Level 2, Westpac Place
275 Kent Street
Sydney NSW 2000

