

MACQUARIE GROUP CAPITAL NOTES PROSPECTUS

Prospectus for the issue of Macquarie Group Capital Notes (MCN)
to raise \$400m 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
Citigroup Global Markets Australia Pty Limited
Commonwealth Bank of Australia
Evans and Partners Pty Limited
J.P. Morgan Australia Limited
Macquarie Capital (Australia) Limited
National Australia Bank Limited
RBS Morgans Limited

Important notices

PROSPECTUS

This Prospectus relates to the offer by Macquarie Group Limited ABN 94 122 169 279 (“MGL” or “the Issuer”) of Macquarie Group Capital Notes (“MCN”) to raise \$400 million with the ability to raise more or less (the “Offer”).

This Prospectus is dated 14 May 2013 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 Prospectus expires 13 months after this date and no MCN 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 MCN.

EXPOSURE PERIOD

Under the Corporations Act, MGL is prohibited from processing Applications in the seven day period after 14 May 2013, being the date on which this Prospectus was lodged with ASIC (“Exposure Period”). The Exposure Period may be extended by ASIC by up to a further seven days. The purpose of the Exposure Period is to enable the Prospectus to be examined by market participants prior to the raising of funds. No Applications received during the Exposure Period will be accepted until after the expiry of that period.

DOCUMENTS RELEVANT TO THE OFFER

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

- the MCN Terms (see Appendix A to this Prospectus);
- the Trust Deed (see section 7.1); and
- the MGL Constitution.

In addition to reading this Prospectus in full, it is important that you read these documents in full before deciding whether to invest in MCN.

STATUS OF MCN

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

MCN are not deposit liabilities or protected accounts of Macquarie Bank Limited ABN 46 008 583 542 (“MBL”) under the 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 MCN is not guaranteed by MGL, MBL or any other member of the Macquarie Group.

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

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

KEY RISKS

Investments in securities such as MCN are subject to risks which could affect their performance, including loss of investment and income. The market price of MCN 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 MCN is detailed in section 5 “Investment Risks”.

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 4.7 sets out financial information in relation to MGL. The basis of preparation of that information is set out in section 4.7. 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 5, “Investment Risks” 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 MCN and consider the risks that could affect the performance of MCN. See in particular the risks set out in section 5 “Investment Risks”.

This Prospectus also contains information in relation to (amongst other things) the Reinvestment Offer which involves the Reinvestment Purchaser. Neither MGL, the Reinvestment Purchaser nor any other person is providing any investment advice or making any recommendation to Eligible 2008 CPS Holders in respect of the Reinvestment Offer.

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.

OBTAINING A PROSPECTUS AND APPLICATION FORM

Paper copies of this Prospectus and an Application Form can be obtained free of charge by calling the MCN Offer Information Line on 1300 346 778 (within Australia) or on +61 3 9415 4898 (International) (Monday to Friday 8.30am – 5.30pm, Sydney time) during the Offer Period.

This Prospectus can also be obtained electronically from www.MacquarieCNOffer.com.au. 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;
- you must access and download the electronic Prospectus in full;
- 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.MacquarieCNOffer.com.au. By lodging an Application, you declare that you were given access to the electronic Prospectus together with the Application Form; and

- 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 MCN 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 MCN in any jurisdiction other than Australia and MGL does not accept any liability in that regard.

Furthermore, MCN 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 7.9. In particular, MCN have not been and will not be registered under the US Securities Act of 1933, as amended (“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 Securities Act) except pursuant to an effective registration statement or an exemption from the registration requirements of the 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 MCN 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 MCN. Please read the privacy statement located at section 8.7 “Privacy statement” of the Prospectus. By submitting the Application Form accompanying this Prospectus, you consent to the matters outlined in that statement.

ENQUIRIES

If you have any questions about MCN or the Offer, you should seek advice from your financial adviser or other professional adviser. You can also call the MCN Offer Information Line on 1300 346 778 (within Australia) or on +61 3 9415 4898 (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

ASIC has published guidance which may be relevant to your consideration of whether to invest in MCN – namely, information for retail investors who are considering investing in hybrid securities called “Hybrid securities and notes” (under the heading “Complex investments” at www.moneysmart.gov.au/investing).

Free copies of this ASIC guidance can be obtained from ASIC’s website at www.moneysmart.gov.au/investing or by calling ASIC on 1300 300 630 (from Australia) or +61 3 5177 3988 (from outside Australia).

How to apply for MCN

1. Read the Prospectus

If you are considering applying for MCN 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 MCN 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 MCN 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 MCN Offer Information Line on 1300 346 778 (within Australia) or on +61 3 9415 4898 (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:

- Eligible 2008 CPS Holders who may apply under the Reinvestment Offer;
- Australian resident retail and high net worth clients of Syndicate Brokers who are invited to apply under the Broker Firm Offer;
- Eligible Securityholders who may apply under the Securityholder Offer; and
- members of the general public who are resident in Australia who may apply under the General Offer.

MCN 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 participate in the Reinvestment Offer or apply for MCN, you must complete and submit an Application Form. You are encouraged to submit your Application as soon as possible after the Opening Date. Your Application must be for a minimum of 50 MCN, except in certain circumstances when applying under the Reinvestment Offer.

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

- If you wish to participate under the **Broker Firm Offer** you should contact your Syndicate Broker for instructions as to how to apply.
 - The closing date for the Broker Firm Offer (other than an application under the Reinvestment Offer) is expected to be 18 June 2013, however your Application Form and Application Payment must be received by your Syndicate Broker in accordance with arrangements made between you and your Syndicate Broker.
- If you are an Eligible 2008 CPS Holder and you wish to participate in the **Reinvestment Offer**, you should:
 - seek instructions from your broker or CHESS controlling participant if you are a CHESS sponsored holder; or
 - complete an electronic or paper copy of your personalised Reinvestment Form if you are an issuer sponsored holder. You will also need to pay the Application Payment if you are applying for additional MCN either electronically (if you are applying online) or by cheque or money order (if you are applying via a paper Reinvestment Form). Your application must be received by the Registrar by the Closing Date for the Reinvestment Offer which is expected to be 11 June 2013.

- If you wish to participate under the **Securityholder Offer** or **General Offer** you should complete an electronic or paper copy of the Application Form and pay the Application Payment either electronically (if you are applying online) or by cheque or money order (if you are applying via a paper Application Form). Your Application must be received by the Registrar by the Closing Date for the Securityholder Offer and General Offer which is expected to be 11 June 2013. Please see section 8 of this Prospectus and the Application Form 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) Monday, 13 May 2013
Lodgement of the Prospectus with ASIC	Tuesday, 14 May 2013
Bookbuild period	Tuesday, 14 May 2013 – Tuesday, 21 May 2013
Announcement of the Margin	Wednesday, 22 May 2013
Lodgement of the replacement Prospectus with ASIC	Wednesday, 22 May 2013
Opening Date	Wednesday, 22 May 2013
Closing Date for the Securityholder Offer and General Offer	5.00pm (Sydney time) Tuesday, 11 June 2013
Closing Date for the Broker Firm Offer (excluding applications in respect of the Reinvested 2008 CPS)	5.00pm (Sydney time) Tuesday, 18 June 2013
Issue Date	Wednesday, 19 June 2013
MCN commence trading on ASX on a deferred settlement basis	Thursday, 20 June 2013
Holding Statements despatched by	Monday, 24 June 2013
MCN commence trading on ASX on a normal settlement basis	Tuesday, 25 June 2013
Key dates for 2008 CPS Holders	Date
Record date for determining Eligible 2008 CPS Holders for Reinvestment Offer (relevant 2008 CPS must also be held on Closing Date for the Reinvestment Offer)	7.00pm (Sydney time) Monday, 13 May 2013
Opening Date for the Reinvestment Offer	Wednesday, 22 May 2013
Closing Date for the Reinvestment Offer	5.00pm (Sydney time) Tuesday, 11 June 2013
Transfer of Reinvested 2008 CPS to the Reinvestment Purchaser	Tuesday, 18 June 2013
Issue Date for MCN	Wednesday, 19 June 2013
Cash Payment of \$5.1371 per Reinvested 2008 CPS	Monday, 24 June 2013
For 2008 CPS that do not participate in the Reinvestment Offer (if a resale occurs as expected):	
2008 CPS cease trading (but remain quoted on ASX)	ASX close of trading, Thursday, 13 June 2013
Record date for final distribution on 2008 CPS	Thursday, 20 June 2013
Resale date and payment date for final distribution	Monday, 1 July 2013
Key dates for MCN	Date
First semi-annual Distribution Payment Date	Thursday, 19 December 2013
First Scheduled Optional Exchange Date	Tuesday, 19 June 2018
Scheduled Mandatory Exchange Date	Monday, 21 June 2021*

* Due to the Business Day convention, the Scheduled Mandatory Exchange Date is deferred from 19 June 2021 to 21 June 2021.

Dates may change

These dates are indicative only and may change without notice.

MGL in consultation with 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 MCN are issued, in its discretion. You are encouraged to apply as soon as possible after the Opening Date.

1. Investment overview

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

1. Investment overview

Topic	Summary	Further Information
1.1. Key features of the Offer		
1.1.1. Issuer	– Macquarie Group Limited ABN 94 122 169 279 (“MGL”) – MGL is the ASX-listed holding company of the Macquarie Group, headquartered in Sydney, Australia. The Macquarie Group provides banking, financial, advisory, investment and funds management services and acts on behalf of institutional, corporate and retail clients and counterparts around the world.	Section 4
1.1.2. Offer Size	– \$400 million, with the ability to raise more or less.	
1.1.3. Type of security	– MCN are: ■ fully-paid – the Issue Price (\$100 per MCN) must be paid to Macquarie before the MCN are issued; ■ subordinated – MCN are subordinated to claims of Senior Creditors in a Winding Up of MGL. They rank equally with Equal Ranking Obligations, and ahead of Ordinary Shares, unless a Non-Viability Event occurs; ■ non-cumulative – if not paid when scheduled, Distributions on MCN will never be paid; ■ unsecured – MCN are not deposit liabilities or protected accounts of MBL or MGL and are not guaranteed or insured by any government, agency or compensation scheme of Australia or any other jurisdiction. The investment performance of MCN is not guaranteed by MGL, MBL or any other member of the Macquarie Group; ■ mandatorily convertible – subject to certain conditions, MCN must be Exchanged into Ordinary Shares of MGL on 21 June 2021*.	Section 2
1.1.4. ASX Quotation	– MGL will apply for MCN to be quoted on ASX and MCN are expected to trade under ASX Code “MQGPA”.	
1.1.5. Trustee	– MGL has appointed The Trust Company (Australia) Limited as Trustee for MCN Holders. The Trustee holds certain rights in relation to the MCN on trust for MCN Holders under the Trust Deed and all MCN Holders are bound by the terms of the Trust Deed. – The Trustee is obliged to take action to enforce the MCN Terms only if conditions in the Trust Deed are met, including that it is directed by MCN Holders, its liability is limited and it is indemnified to its satisfaction.	Section 7.1
1.1.6. Reason for Issue of MCN	– MCN will constitute regulatory capital of Macquarie Group which satisfies the Australian Prudential Regulation Authority’s (“APRA”) regulatory capital requirements. The MCN and MGL’s other equity capital provide a buffer which protects Senior Creditors against losses that may be incurred by the Macquarie Group. – The terms of the MCN 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 MCN is dependent upon APRA either not objecting or giving prior written approval (as well as other conditions).	Sections 2.9 and 4
1.1.7. Use of Proceeds	– The net proceeds of the Offer will be used for general corporate funding and capital management purposes including to facilitate the redemption of the 2008 CPS.	
1.2. Key features of MCN		
1.2.1. Term	– MCN are perpetual and do not have a fixed maturity date. – However, MCN will Exchange into Ordinary Shares on 21 June 2021*, subject to certain conditions being satisfied, unless they are Redeemed, Exchanged or Written-Off earlier.	Sections 2.2 to 2.8.

Topic	Summary	Further Information
1.2. Key features of MCN		
1.2.2. Distributions	– MCN are scheduled to pay floating rate cash distributions semi-annually in arrears until all MCN are Exchanged, Redeemed or Written-Off. – The Distribution Rate is recalculated semi-annually based on the Reference Rate plus the Margin, adjusted for franking. The Margin will be determined by a Bookbuild and is expected to be between 4.00% and 4.20%. – Distributions on MCN 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 requirements or becoming insolvent). – 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 dividend or returning capital on Ordinary Shares until the next Distribution Payment Date.	Section 2.1
1.2.3. Franking	– Distributions on MCN are frankable. – MGL currently franks dividends on Ordinary Shares at 40% and Distributions will be franked at the same rate as Ordinary Shares. The level of franking may vary over time and Distributions may be partially, fully or not franked. – The amount of cash Distribution will be lower where that Distribution is franked. – If Distributions are franked, the ability of MCN Holders to use the franking credits will depend on their individual circumstances.	Sections 2.1.2, 2.1.3, 5.1.7 and 6
1.2.4. Return of Investment	– MGL has no obligation to return the Issue Price on any fixed date, therefore capital invested by MCN Holders may never be returned. – Whether and when the capital invested by MCN Holders may be returned will depend on what happens to MCN. What may happen to MCN is uncertain and depends on a number of factors, including: ■ whether a Scheduled Mandatory Exchange occurs; ■ whether a Non-Viability Event, Acquisition Event, Regulatory Event or Tax Event occurs; ■ whether MGL elects for an Optional Exchange, Redemption, or Resale to occur; and ■ whether APRA approval is given when it is required under the MCN Terms. – MCN Holders will have no right to request that MGL Exchange, Redeem or Resell MCN. – If a Non-Viability Event occurs MCN will be Exchanged for Ordinary Shares or if MCN are unable to be Exchanged for any reason, MCN Holders' rights will be terminated and they will not receive any return of capital invested.	Sections 2.2 to 2.8.
1.2.5. Redemption	– If APRA gives prior written approval, MGL has a right, but not an obligation, to Redeem all or some MCN: ■ on 19 June 2018, 19 December 2018 and 19 June 2019; or ■ if a Tax Event or Regulatory Event occurs. – Approval is at the complete discretion of APRA and may or may not be granted. To grant the approval, APRA must be satisfied that MGL's capital position is sufficient after Redemption or that MCN are replaced with regulatory capital of the same or better quality. – If MCN are Redeemed MCN Holders will receive \$100 for each MCN Redeemed and, if the Payment Conditions are met, a Distribution for the period since the last Distribution Payment Date to the date of Redemption.	Section 2.5

Topic	Summary	Further Information
1.2. Key features of MCN		
1.2.6. Resale	– MGL has a right, but not an obligation, to Resell all or some MCN in the same limited circumstances as when Redemption may occur. – If a Resale occurs, the relevant MCN will be mandatorily sold to a third party. MCN Holders will receive a cash amount of \$100 for each MCN Resold and, if the Payment Conditions are met, a Distribution for the period since the last Distribution Payment Date to the date of Resale.	Section 2.6
1.2.7. Exchange for Ordinary Shares	MCN may be Exchanged for Ordinary Shares in the following circumstances: – Mandatory Exchange: All MCN are scheduled to be Exchanged on 21 June 2021*, unless the Exchange Conditions are not met (in which case, Exchange will be deferred until the first semi-annual Distribution Payment Date where the Exchange Conditions are met). The Exchange Conditions ensure that MCN Holders will not receive less than \$101 worth of Ordinary Shares per MCN on Exchange (based on the VWAP during the 20 ASX Trading Days before the Mandatory Exchange Date) and that the Ordinary Shares are capable of being sold on ASX. – Exchange at MGL's option: MGL may also choose to Exchange all or some MCN on 19 June 2018, 19 December 2018 or 19 June 2019, 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 MCN 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 Exchange all or some MCN for Ordinary Shares (or, if MGL is prevented from issuing Ordinary Shares, Write-Off all or some MCN) if a Non-Viability Event occurs. This Exchange is not subject to any conditions.	Sections 2.3, 2.4, 2.7 and 2.8
1.2.8. What MCN Holders receive on Exchange	– If Exchange occurs as a result of Mandatory Exchange, or at MGL's option, MCN Holders will receive approximately \$101 worth of Ordinary Shares per MCN, 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, MCN Holders should receive approximately \$101 worth of Ordinary Shares per MCN, except in limited circumstances where the Directors determine that it is in the best interests of MCN 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. – See below for what MCN Holders receive on Exchange as a result of a Non-Viability Event.	Sections 2.3, 2.4, and 2.7.
1.2.9. Non-Viability	– Broadly, a Non-Viability Event occurs if APRA provides MGL with a written determination that the conversion into Ordinary Shares or write-off of Relevant Tier 1 Securities (including MCN) is necessary as without it APRA considers that MGL would become non-viable or a public sector injection of capital, or equivalent support, into MGL is to occur, as without such 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. – MGL is required to immediately Exchange MCN into Ordinary Shares where a Non-Viability Event occurs. – The Exchange is not subject to any conditions. As a result, MCN Holders may receive less, or significantly less, than the Issue Price per MCN and a MCN Holder may suffer loss as a consequence. – If MCN cannot be Exchanged for any reason within 5 Business Days of the Non-Viability Event, they must be Written-Off. If a Write-Off occurs, the rights of MCN Holders will be immediately and irrevocably terminated and written off and MCN Holders will suffer a total loss of their investment.	Section 2.8

Topic	Summary	Further Information
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1.2. Key features of MCN

1.2.10. Summary of certain events that may occur during the term of MCN:

Event ¹	When could this occur?	Consequences	Is APRA approval required? ²	Do conditions apply? ³	What value will a MCN Holder receive? ⁴	In what form will the value be provided to MCN Holders?	Further Information
Tax Event or Regulatory Event	At any time	Exchange all or some MCN 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 MCN at MGL's option	Yes	Yes	\$100	Cash	Sections 2.5 and 2.6
Acquisition Event	At any time	All MCN 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 MCN Exchanged for Ordinary Shares or Written-Off	No	No	Depending on the market price of Ordinary Shares, approximately \$101 ⁵ or less (and possibly significantly less or zero)	Variable number of Ordinary Shares – If MGL is unable to Exchange MCN for Ordinary Shares MCN will be Written-Off and MCN Holders receive no value.	Section 2.7
Optional Exchange Date	19 June 2018, 19 December 2018 or 19 June 2019	Exchange all or some MCN 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 MCN at MGL's option	Yes	Yes	\$100	Cash	Sections 2.5 and 2.6
Mandatory Exchange Date	21 June 2021 ⁷	Exchange of all MCN for Ordinary Shares	No	Yes	Approximately \$101 ⁵	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 Dividend Payment Date, holders of the MCN which are being Exchanged, Redeemed or Resold will also receive a Distribution in respect of those MCN for the period from the immediately preceding Distribution Payment Date to the date on which the Exchange, Redemption or Resale occurs (provided MGL has 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 worth more or less than \$101.

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

7. Due to the Business Day convention, the Scheduled Mandatory Exchange Date is deferred from 19 June 2021 to 21 June 2021.

Topic	Summary	Further Information																		
1.2. Key features of MCN																				
1.2.11. Ranking in a Winding Up	– In a Winding Up of MGL, MCN will rank ahead of Ordinary Shares, equally with Equal Ranking Obligations, but behind all Senior Creditors of MGL. – However, in a Winding Up of MGL, any return on MCN may be adversely affected or reduced to zero if APRA requires all or some MCN to be Exchanged or Written-Off on account of a Non-Viability Event. <table border="1"> <thead> <tr> <th>Ranking</th><th></th><th>Illustrative examples</th></tr> </thead> <tbody> <tr> <td>Higher</td><td>Preferred and secured debt</td><td>Liabilities preferred by law including employee entitlements and secured creditors</td></tr> <tr> <td></td><td>Unsubordinated and unsecured debt</td><td>Unsubordinated and unsecured bonds and notes, trade and general creditors</td></tr> <tr> <td></td><td>Subordinated and unsecured debt</td><td>Subordinated and unsecured debt obligations</td></tr> <tr> <td></td><td>Preference shares and equal ranking securities</td><td>MCN and any securities expressed to rank equally with MCN, including the 2008 CPS.</td></tr> <tr> <td>Lower</td><td>Ordinary shares</td><td>Ordinary Shares</td></tr> </tbody> </table> – MGL is a 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.	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	MCN and any securities expressed to rank equally with MCN, including the 2008 CPS.	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																		
	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	MCN and any securities expressed to rank equally with MCN, including the 2008 CPS.																		
Lower	Ordinary shares	Ordinary Shares																		
1.2.12. MCN are not guaranteed	– MCN 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. – MCN are not deposit liabilities of MBL and are not protected accounts under the Banking Act.	Clause 1.2 of the MCN Terms																		
1.2.13. MCN are not secured	– MCN are not secured in any way against any asset of MGL or the Macquarie Group.																			
1.3. Key risks of investing in MCN																				
There are risks associated with an investment in MCN, many of which are outside the control of MGL. These risks include those in this section 1.3, section 1.4 and section 5 and other matters referred to in this Prospectus. Before applying for MCN, you should consider whether MCN are a suitable investment for you. MCN are complex investments and may be difficult to understand, even for experienced investors.																				
1.3.1. Market Price and Liquidity of MCN	– The market price of MCN may go up or down and there is no guarantee MCN will trade at or above their Issue Price. For example, the price of MCN may decline if better rates of return are available on other securities. – The market price of MCN may also be significantly impacted by the market price for Ordinary Shares. – There may be no liquid market for MCN. – MCN Holders who wish to sell their MCN may be unable to do so at a price acceptable to them, or at all.	Sections 5.1.3 and 5.1.4																		

Topic	Summary	Further Information
1.3. Key risks of investing in MCN		
1.3.2. Market Price and Liquidity of Ordinary Shares	– If MCN are Exchanged into Ordinary Shares, the value of those Ordinary Shares is determined over a period of 20 ASX Trading Days immediately prior to Exchange. By the time of Exchange, the price at which the Ordinary Shares received by MCN Holders can be sold may be worth more or less than the anticipated \$101. – Additionally, in various circumstances the market price of Ordinary Shares may determine whether Exchange can occur, and therefore will affect when Exchange occurs (and may mean that Exchange never occurs). – The market price for Ordinary Shares will vary due to various factors including the availability and rates of return on other securities, investor perceptions of 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 MCN Holders may be unable to sell the Ordinary Shares they may receive for an acceptable price, or at all.	Sections 5.1.3, 5.1.4, 5.1.10 and 5.1.11.
1.3.3. Distributions may not be paid	– 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 breaching APRA's 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, MCN Holders will have no rights to receive that Distribution in the future.	Section 5.1.5
1.3.4. Changes in Distribution Rate	– The Distribution Rate will fluctuate (both increasing and decreasing) over time as a result of movements in the Reference Rate. – The amount of cash Distribution will be lower where that Distribution is franked. – There is a risk that the Distribution Rate may become less attractive when compared to the rates of return available on comparable securities.	Section 5.1.6
1.3.5. Distributions may or may not be franked	– MGL's ability to frank Distributions on MCN is affected by its level of available franking credits. MGL's level of available franking credits may be affected by a wide range of factors, including its business performance, in what jurisdictions it makes profits and pays tax, the assessment of relevant tax authorities and the amount of other frankable distributions. – The value and availability of franking credits to a MCN Holder will depend on that MCN Holder's particular circumstances.	Section 5.1.7
1.3.6. MCN are perpetual and may never be Exchanged, Redeemed or Resold	– MCN have no fixed maturity date but will Exchange for Ordinary shares on 21 June 2021* if the Exchange Conditions are satisfied. There is a risk that the Exchange will not occur and may never occur because these Exchange Conditions are not satisfied. – MCN are a perpetual instrument and do not contain events of default or other provisions entitling MCN Holders to request any Exchange, Redemption or Resale of MCN.	Section 5.1.11
1.3.7. MGL has rights for early Exchange, Redemption or Resale	– MGL may elect to Exchange, Redeem or arrange a Resale of all or some MCN in certain circumstances, subject to a number of conditions, including prior written approval from APRA when required under the MCN Terms. – Where required, APRA's approval is at the complete discretion of APRA and may or may not be granted. – The choice to elect the Exchange, Redemption or Resale of all or some MCN is entirely at MGL's discretion and MCN Holders have no right to either request or alter the timing of 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 MCN Holders.	Sections 5.1.10 to 5.1.13

* Due to the Business Day convention, the Scheduled Mandatory Exchange Date is deferred from 19 June 2021 to 21 June 2021.

Topic	Summary	Further Information
1.3. Key risks of investing in MCN		
1.3.8. Losses due to an Acquisition Event	– If an Acquisition Event occurs, and Directors determine it is in the best interests of MCN Holders, Exchange may occur even though MCN Holders would receive less (and possibly significantly less) than \$101 worth of Ordinary Shares or even though those Ordinary Shares are unlisted and MCN Holders may suffer a loss as a result.	Section 5.1.15
1.3.9. Losses due to a Non-Viability Event	– Due to the Maximum Exchange Number and the fact that the Exchange Conditions do not apply, if Exchange occurs following a Non-Viability Event, MCN Holders may receive significantly less than \$101 worth of Ordinary Shares per MCN and may receive unlisted Ordinary Shares. – If MCN cannot be Exchanged for any reason within 5 Business Days of the Non-Viability Event then MCN Holders' rights under the relevant MCN will be terminated. MCN Holders will suffer a total loss of their investment.	Section 5.1.16
1.3.10. Restrictions on rights and ranking in a Winding Up of MGL	– MCN are not deposit liabilities or protected accounts of MBL or MGL and are not guaranteed or insured by any government, agency or compensation scheme of Australia or any other jurisdiction. The investment performance of MCN is not guaranteed by MGL, MBL or any other member of the Macquarie Group. – In the event of a Winding Up of MGL, MCN 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 there is a shortfall of funds on a Winding Up of MGL, MCN Holders will lose all or some of their investment.	Sections 5.1.1 and 5.1.18
1.4. Key risks associated with MGL and the Macquarie Group		
A summary of some of the key risks associated with an investment in MGL, which are more fully detailed in section 5.2, is set out below.		
1.4.1. Exposure to global market and economic conditions	– Global economic conditions remain uncertain. If the economic climate worsens, including due to ongoing sovereign debt concerns in Europe, concerns about the US or global growth or concerns of a systemic shock, the Macquarie Group's financial performance, business or strategy may be adversely affected. – 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 will affect the financial performance of the Macquarie Group. Losses arising from these risks may have an adverse impact on the Macquarie Group's earnings.	Sections 5.2.2, 5.2.6, 5.2.7 and 5.2.10
1.4.2. Exposure to liquidity and funding risk	– The Macquarie Group is exposed to liquidity risk, being the risk that it may become unable to meet its financial commitments when they fall due due to mismatches in cashflows or to an inability to raise funding as and when required. – 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. In extreme circumstances, liquidity risk could lead to MGL becoming non-viable and result in APRA triggering a Non-Viability Event.	Sections 5.2.2 and 5.2.3
1.4.3. Exposure to changes in legal, regulatory and compliance requirements	– 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 may have an adverse effect on the Macquarie Group and its reputation among customers and regulators in the market. – Regulation is becoming more extensive and complex, and the Macquarie Group could be adversely affected by changes in legal, regulatory and compliance requirements.	Section 5.2.4

Topic	Summary	Further Information
1.4. Key risks associated with MGL and the Macquarie Group		
1.4.4. Exposure to 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. - Credit losses can result, and have resulted, in financial services organisations realising significant losses and in some cases failing altogether. Should material unexpected credit losses occur to the Macquarie Group's credit exposures, this could have an adverse effect on the Macquarie Group's business, operations and financial conditions.	Section 5.2.11
1.4.5. Exposure to operational risk	- The Macquarie Group is exposed to a variety of operational risks, including those resulting from process error, fraud, information technology instability and failure, system failure, data integrity and managing conflicts of interests. - Operational risk can directly impact the Macquarie Group's reputation and result in financial losses.	Section 5.2.12
1.4.6. Exposure to greater competition	- 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. - The effect of competitive market conditions may adversely impact the earnings and assets of the Macquarie Group.	Section 5.2.9

1.5. Comparison between MCN and other securities				
Feature	Term deposit	2008 CPS	MCN	Ordinary Shares
Issuer	Bank, credit union or building society (e.g. MBL)	Responsible entity of a special purpose trust	MGL	MGL
Guarantee under the Australian government Financial Claims Scheme	Yes ¹	No	No	No
Term	One month to five years (usually)	Perpetual ²	Perpetual ³	Perpetual
Distribution rate	Fixed (usually)	Fixed	Floating, adjusted for franking ⁴	Variable dividends
Distribution payment dates	End of term or per annum (usually)	Semi-annually ⁵	Semi-annually	Semi-annually (usually)
Distributions are discretionary	No	Yes	Yes	Yes
Frankable distributions	No	No	Yes	Yes
Transferable	No	Yes – quoted on ASX	Yes – quoted on ASX	Yes – quoted on ASX
Non-Viability provisions	No	No	Yes	Not applicable

1. 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.
 2. Unless redeemed, resold, converted or exchanged earlier in accordance with the terms of the 2008 CPS.
 3. Unless Redeemed, Exchanged or Written-Off earlier. Subject to the satisfaction of certain conditions, the MCN will be mandatorily Exchanged on a Mandatory Exchange Date, as outlined in Section 2.3 of this Prospectus.
 4. The impact of franking is described in sections 2.1.2 and 2.1.3.
 5. Semi-annually up to and including 30 June 2013 and quarterly thereafter.

Topic	Summary	Further Information
1.6. Information for 2008 CPS Holders		
1.6.1. 2008 CPS and the Reinvestment Offer	– 2008 CPS are convertible preference securities issued by Macquarie Capital Loans Management Limited as responsible entity for the Macquarie CPS Trust in 2008. – The Reinvestment Offer will provide Eligible 2008 CPS Holders the opportunity to reinvest their 2008 CPS into MCN and maintain an ongoing investment in the Macquarie Group. – There are important differences between 2008 CPS and MCN that 2008 CPS Holders should consider before deciding whether to reinvest.	Sections 3.1 and 3.7
1.6.2. Options available to 2008 CPS Holders	– If you are an Eligible 2008 CPS Holder, you may: ■ apply under the Reinvestment Offer to: ◦ reinvest all of your 2008 CPS in MCN; ◦ reinvest some, but not all, of your 2008 CPS in MCN; ◦ subscribe for additional MCN; ■ take no action in which case it is expected that your 2008 CPS will be resold on 1 July 2013; or ■ sell 2008 CPS on-market on or prior to 13 June 2013 when they are expected to cease trading on ASX.	Section 3.2
1.6.3. What the Reinvestment Offer involves	– The Reinvestment Offer is an invitation to Eligible 2008 CPS Holders to: ■ apply to sell all or some of your 2008 CPS to the Reinvestment Purchaser for \$105.1371 per 2008 CPS; ■ apply to MGL for a corresponding number of MCN (i.e. the same number as the number of 2008 CPS you elect to sell to the Reinvestment Purchaser); ■ direct the Reinvestment Purchaser to pay \$100 per Reinvested 2008 CPS directly to MGL as the Application Payment for the MCN; and ■ receive the balance of \$5.1371 per Reinvested 2008 CPS to be paid to you in cash. This amount reflects accrued distributions on the 2008 CPS and you will receive no further distributions on Reinvested 2008 CPS. – Eligible 2008 CPS Holders who participate in the Reinvestment Offer (including through the Broker Firm Offer) will receive priority in allocation of MCN over Securityholder Applicants and General Applicants in respect of their Reinvested 2008 CPS. – Eligible 2008 CPS Holders will also have the opportunity to apply for additional MCN.	Sections 3.1 and 3.2
1.6.4. Eligible 2008 CPS Holders	– The Reinvestment Offer is open to Eligible 2008 CPS Holders, namely persons who are: ■ registered holders of 2008 CPS at 7.00pm (Sydney time) on 13 May 2013; ■ shown on the 2008 CPS register as having an address in Australia (or another jurisdiction to which MGL and the Reinvestment Purchaser determine to extend the Reinvestment Offer); and ■ not in the United States nor acting as a nominee for a person in the United States nor otherwise prevented from receiving the Reinvestment Offer or the MCN under the securities laws of another jurisdiction, as determined by MGL and the Reinvestment Purchaser. – If you choose to reinvest your 2008 CPS in MCN and submit a Reinvestment Form to do so, you must not sell your 2008 CPS and are taken to agree to a holding lock being placed on your 2008 CPS.	Section 3.1

Topic	Summary	Further Information
1.6. Information for 2008 CPS Holders		
1.6.5. Risks associated with the Reinvestment Offer	– The main risks of participating in the Reinvestment Offer are the risks relating to investing in MCN. – These risks should be considered before you apply under the Reinvestment Offer.	Sections 1.4, 1.5 and 5
1.6.6. Restrictions on Application size under the Reinvestment Offer	– Under the Reinvestment Offer, you are entitled to apply for the same number of MCN as the number of 2008 CPS you held at 7.00pm (Sydney time) on 13 May 2013. – If you own 50 2008 CPS or fewer, you must apply to reinvest all of your 2008 CPS in MCN if you wish to participate in the Reinvestment Offer. – If you own more than 50 2008 CPS, you must reinvest a minimum number of 50 2008 CPS. – You may wish to apply for additional MCN outside the Reinvestment Offer, but you must make an Application Payment for those additional MCN. If you wish to apply for additional MCN, you must apply for a minimum of 50 MCN (\$5,000) in addition to any Reinvested 2008 CPS.	Section 3.6
1.6.7. 2008 CPS not impacted by the Reinvestment Offer	– It is expected that a resale of all 2008 CPS will occur on 1 July 2013 under the 2008 CPS terms. On a resale, all 2008 CPS Holders will receive \$100 per 2008 CPS as well as the final distribution of \$5.5019 per 2008 CPS (subject to the applicable payment tests).	Section 3.1.7
1.6.8. Final distribution on 2008 CPS	– The cash payment under the Reinvestment Offer is \$5.1371 per Reinvested 2008 CPS which reflects accrued distributions on 2008 CPS during the period from 1 January 2013 up to, but not including the Issue Date (19 June 2013). – The final distribution paid to holders of 2008 CPS who do not participate in the Reinvestment Offer is expected to be \$5.5019. The final distribution is paid in respect of the period from 1 January 2013 until 30 June 2013. The higher amount reflects the longer period during which distributions will have accrued. – 2008 CPS Holders who reinvest their 2008 CPS will accrue Distributions on their MCN from and including 19 June 2013.	Sections 3.1.4 and 3.1.5
1.6.9. Tax implications of participating in the Reinvestment Offer	– A general description of the Australian taxation consequences for 2008 CPS Holders upon the reinvestment of their 2008 CPS is set out at section 6. – You should obtain your own tax advice regarding the implications of the reinvestment of your 2008 CPS, having regard to your individual circumstances.	Section 6

2. About MCN

This section provides additional information about MCN. 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 MCN Terms are contained in Appendix A. Rights and liabilities attaching to MCN may also arise under the Corporations Act, ASX Listing Rules and other applicable laws.

2. About MCN

Topic	Summary	Further Information
2.1. Distributions		
MCN are expected to pay semi-annual Distributions, which are expected to be 40% franked initially, but may be unfranked, 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. The Distribution Rate is a floating rate (i.e. it will fluctuate), and is equal to the sum of the Reference Rate plus a Margin (as determined under the Bookbuild), adjusted for MGL's Tax Rate and the Franking Rate. Distributions are non-cumulative.		
2.1.1. Distributions	– Distributions on MCN are discretionary, non-cumulative floating rate payments. – Distributions are scheduled to be paid semi-annually in arrears, subject to the Payment Conditions – see below. – MGL currently franks dividends on Ordinary Shares at 40% and Distributions will be franked at the same rate as Ordinary Shares. 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: ■ MGL, in its absolute discretion, determines that the Distribution is not payable to MCN 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. These conditions are referred to in this Prospectus as the “Payment Conditions”. – Failure to pay a Distribution when scheduled will not constitute an event of default and MCN 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).	Clause 2 of the MCN Terms
2.1.2. Distribution Rate	– The Distribution Rate is calculated using the following formula: Distribution Rate = (Reference Rate + Margin) × Franking Adjustment Factor where: ■ <i>Reference Rate</i> means the 180-day bank bill swap rate (BBSW) on the first Business Day of the relevant Distribution Period – see section 2.1.4; ■ <i>Margin</i> is expected to be in the range of 4.00% and 4.20%, and will be set by way of Bookbuild and announced to the market on 22 May 2013; ■ <i>Franking Adjustment Factor</i> = $\frac{(1 - T)}{[1 - (T \times (1 - F))]}$ - where: ◦ T is the Tax Rate; and ◦ F is the Franking Rate.	Clause 2.1 of the MCN Terms

Topic	Summary	Further Information
2.1. Distributions		
2.1.2. Distribution Rate (cont.)		

Topic	Summary	Further Information																
2.1. Distributions																		
2.1.3. Franking credits (cont.)	Unfranked Distribution Partially franked Distribution Fully franked Distribution <table><tr><td>Distribution Rate</td><td>6.7500% p.a.</td><td>5.7622% p.a.</td><td>4.7250% p.a.</td></tr><tr><td>Tax Rate</td><td>30%</td><td>30%</td><td>30%</td></tr><tr><td>Franking Rate</td><td>0%</td><td>40%</td><td>100%</td></tr><tr><td>Franking credit rate (per formula above)</td><td>nil</td><td>0.9878% p.a.</td><td>2.0250% p.a.</td></tr></table> – Taking the examples in section 2.1.2, the amount of franking credits (expressed as a percentage) would be calculated as: <td>Sections 6 and 5.1.7.</td>	Distribution Rate	6.7500% p.a.	5.7622% p.a.	4.7250% p.a.	Tax Rate	30%	30%	30%	Franking Rate	0%	40%	100%	Franking credit rate (per formula above)	nil	0.9878% p.a.	2.0250% p.a.	Sections 6 and 5.1.7.
Distribution Rate	6.7500% p.a.	5.7622% p.a.	4.7250% p.a.															
Tax Rate	30%	30%	30%															
Franking Rate	0%	40%	100%															
Franking credit rate (per formula above)	nil	0.9878% p.a.	2.0250% p.a.															
2.1.4. Reference Rate	– The Reference Rate is the 180-day bank bill swap rate (BBSW) which is 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 10 May 2013 was 2.7500% per annum. Percentage																	

Topic	Summary	Further Information
2.1. Distributions		
2.1.5. How the Distribution will be calculated for each Distribution Payment Date	– Distributions scheduled to be paid on each Distribution Payment Date on each MCN will be calculated using the following formula: $\frac{\\$100 \times \text{Distribution Rate} \times N}{365}$ where: ■ <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 5.7622% per annum then the Distribution on each MCN for the first Distribution Period (if the Distribution Period was 183 days) would be calculated as follows: Distribution Rate Multiplied by the Issue Price Multiplied by the number of days in the Distribution Period Divided by 365 5.7622% per annum × \$100 × 183 ÷ 365 Indicative Distribution payment for the first Distribution Period per MCN \$2.8890 – 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.	Clauses 2.1 and 2.2 of the MCN Terms
2.1.6. Distribution Payment Dates	– Distributions are payable (subject to the Payment Conditions, including the discretion of MGL) semi-annually in arrears on the Distribution Payment Dates. – The Distribution Payment Dates are 19 June and 19 December each year, commencing on 19 December 2013. – If MCN 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.	Clauses 2.1, 2.2 and 2.3 of the MCN Terms
2.1.7. How Distributions will be paid	– Distributions will be paid in Australian dollars. MGL will only pay Distributions to Australian resident investors directly into an Australian dollar account of a financial institution. – MGL will not pay Distributions on MCN to Australian investors by cheque. – If you are allotted any MCN, when you are sent your Holding Statement you will receive a form on which you should provide your Australian dollar financial institution account details. – 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 via a cheque. – MGL reserves the right to vary the way in which any Distribution is paid in accordance with the MCN Terms (provided that Distribution must always be paid in cash).	Clause 10 of the MCN Terms

Topic	Summary	Further Information
2.1. Distributions		
2.1.8. Dividend Restriction	– 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: ■ determine, declare or pay a dividend on any Ordinary Shares; or ■ undertake any Buy-Back or Capital Reduction, from the Distribution Payment Date until the next Distribution Payment Date, subject to certain exceptions, without the approval of a Special Resolution of the MCN Holders. – The MCN Terms contain no events of default and accordingly, failure to pay a Distribution when scheduled will not constitute an event of default.	Clauses 2.5, 9.1 and 17.2 of the MCN Terms
2.2. Term		
2.2.1. Term	– MCN are perpetual and do not have a fixed maturity date. If they are not Exchanged, Redeemed or Written-Off in accordance with the Terms they could remain on issue indefinitely. Exchange – MCN are scheduled to Exchange in to Ordinary Shares on 21 June 2021* if the Exchange Conditions are satisfied. – Subject to certain restrictions, MGL may elect to Exchange some or all MCN: ■ 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 MCN following an Acquisition Event except in certain circumstances. If Exchange occurs following these events, MCN Holders would generally¹ 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 worth more or less than \$101 when they are issued or at any time after that. – MGL must Exchange some or all (depending on the circumstances) of MCN for Ordinary Shares on the occurrence of a Non-Viability Event. ■ This Exchange is not subject to the Exchange Conditions. ■ If this Exchange is prevented for any reason and does not occur within five Business Days of the Non-Viability Event for any particular MCN Holder, the MCN Holder's rights under the relevant MCN will be terminated. That MCN Holder's investment will lose its value and that MCN Holder will not receive any compensation. Resale – 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 MCN. If Resale occurs, Holders will receive the Issue Price (\$100) for each MCN they hold. Redemption – On an Optional Exchange Date, subject to APRA's prior written approval, MGL may instead elect to Redeem all or some MCN. If Redemption occurs, Holders will receive the Issue Price (\$100) for each MCN they hold. There are conditions on MGL's ability to Redeem or Resell MCN for cash. Importantly, MGL may only elect to Redeem MCN with APRA's prior written approval. MCN Holders should not expect that APRA's approval, if requested, will be given.	Section 2.3 Section 2.4 Section 2.8 Section 2.7 Section 2.6 Section 2.5

1. 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 a MCN Holder will receive approximately \$101 worth of Ordinary Shares for each MCN 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.

* Due to the Business Day convention, the Scheduled Mandatory Exchange Date is deferred from 19 June 2021 to 21 June 2021.

Topic	Summary	Further Information
2.3. Mandatory Exchange		
MGL must Exchange MCN into Ordinary Shares on 21 June 2021* (if the MCN have not been Redeemed, Exchanged or Written-Off beforehand), provided that certain conditions are met. These conditions may never be satisfied and accordingly MCN may never Exchange into Ordinary Shares. The conditions to Mandatory Exchange and the associated Exchange calculations (described in this section) are designed to ensure that if Exchange occurs MCN Holders will receive approximately \$101 worth of Ordinary Shares for each MCN held, and that the Ordinary Shares they receive following the Exchange are capable of being sold on the ASX.		
2.3.1. Mandatory Exchange	– If MCN have not already been Redeemed, Exchanged or Written-Off, MCN Holders will receive Ordinary Shares on Exchange of MCN on 21 June 2021*, the Mandatory Exchange Date, unless the Exchange Conditions are not satisfied. – Upon Exchange on the Mandatory Exchange Date, MCN Holders will receive approximately \$101 worth of Ordinary Shares per MCN based on the volume weighted average price ("VWAP") calculated over the 20 ASX Trading Days immediately preceding, but not including, the Exchange Date and a 1% discount on Exchange. This VWAP will most likely differ from the Ordinary Share price on or after the 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 MCN for Ordinary Shares, MCN 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.	Clauses 3 and 8 of the MCN Terms
2.3.2. If the Exchange Conditions are not met on 21 June 2021*	– The Mandatory Exchange Date is 21 June 2021*, provided that the Exchange Conditions are satisfied on this date. – If any of the Exchange Conditions are not satisfied on this date, then the Mandatory Exchange Date will be deferred until the next semi-annual Distribution Payment Date where all of the Exchange Conditions are satisfied. – The Exchange Conditions may never be satisfied and consequently Exchange may never occur. Distributions will continue to be paid (subject to the Payment Conditions) until Exchange occurs.	Clause 3.2 of the MCN Terms and Section 2.3.3
2.3.3. Exchange Conditions	– In summary, the Exchange Conditions are as follows: ■ First Exchange Condition: the Daily VWAP on the 25th Business Day immediately preceding (but not including) a possible Mandatory Exchange Date (or if this is not an ASX Trading Day, the last ASX Trading Day prior to that day) is greater than 56% of the Issue Date VWAP; ■ Second Exchange Condition: the VWAP during the 20 ASX Trading Days immediately preceding (but not including) a 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 a Mandatory Exchange Date; ■ Third Exchange Condition: no Suspension Event applies in respect of the possible 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 possible Mandatory Exchange Date (broadly, MGL will be Delisted where Ordinary Shares cease to be listed on the ASX or where MGL is prevented from Exchanging the MCN). – Exchange on the Mandatory Exchange Date cannot occur unless all four Exchange Conditions are satisfied. – The First Exchange Condition and Second Exchange Condition are intended to ensure MCN Holders will not receive less than \$101 worth of Ordinary Shares per MCN on Exchange (based on the VWAP during the 20 ASX Trading Days before the Mandatory Exchange Date).	Clause 3.3 of the MCN Terms

Topic	Summary	Further Information
2.3. Mandatory Exchange		
2.3.3. Exchange Conditions (cont.)	– The Third Exchange Condition and Fourth Exchange Condition are intended to provide protection to MCN Holders by making Exchange conditional on MCN 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 (21 June 2021*). These dates are indicative only and may change. 14 May 2021 First Exchange Condition: 25th Business Day before Scheduled Mandatory Exchange Date First Exchange Condition The VWAP of Ordinary Shares on the 25th Business Day before a possible Mandatory Exchange Date is greater than 56% of the Issue Date VWAP 21 May 2021 until 18 June 2021 Second Exchange Condition: VWAP calculated over the 20 ASX Trading Days immediately prior to the Scheduled Mandatory Exchange Date Second Exchange Condition The VWAP of Ordinary Shares during the period of 20 ASX Trading Days immediately preceding (but not including) a possible Mandatory Exchange Date is greater than 50.505% of the Issue Date VWAP (such that the number of Ordinary Shares to be issued is less than or equal to the Maximum Exchange Number applicable to a Mandatory Exchange Date) 21 June 2021* Scheduled Mandatory Exchange Date (subject to satisfaction of the Exchange Conditions) Third Exchange Condition No Suspension Event applies in respect of a possible Mandatory Exchange Date Fourth Exchange Condition MGL is not Delisted as at a possible Mandatory Exchange Date Note: The dates in the diagram above assume that trading of Ordinary Shares takes place on 14 May 2021 and each of the Business Days between 21 May 2021 and 18 June 2021, which may not be the case if trading in Ordinary Shares is suspended during the period leading up to the possible Mandatory Exchange Date.	Clause 3.3 of the MCN Terms
2.3.4. Exchange Number	– A MCN Holder will receive on a Mandatory Exchange Date a number of Ordinary Shares per MCN (“Exchange Number”) calculated in accordance with the following formula: $\frac{\$100}{99\% \times \text{Exchange Date VWAP}}$ 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, but not including, the Mandatory Exchange Date). – 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 Mandatory Exchange Date where the Exchange Number would be limited by the Maximum Exchange Number applicable to a Mandatory Exchange Date. – The Exchange Date VWAP will be adjusted to reflect: ■ dividends or other distributions that are reflected in the Ordinary Share price that will not be payable to MCN 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 a payment or distribution to holders of Ordinary Shares or any entity in the Macquarie Group) occurring during the calculation period.	Clauses 8.1, 8.3 and 8.4 of the MCN Terms

* Due to the Business Day convention, the Scheduled Mandatory Exchange Date is deferred from 19 June 2021 to 21 June 2021.

Topic	Summary	Further Information
2.3. Mandatory Exchange		
2.3.5. Maximum Exchange Number	– The Maximum Exchange Number is calculated as: $\frac{\$100}{\text{Issue Date VWAP} \times \text{Relevant Percentage}}$ where: ■ the Issue Date VWAP is the VWAP during the 8 ASX Trading Days immediately preceding, but not including, the Issue Date; and ■ the Relevant Percentage, for Exchange on a Mandatory Exchange Date, is 50%. – Under no circumstances will MCN 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) or an Acquisition Event (see section 2.8), the Exchange Conditions prevent an Exchange from occurring where the Maximum Exchange Number is worth less than approximately \$101. – The Issue Date VWAP (and consequently the Maximum Exchange Number) will be adjusted where: ■ dividends or other distributions are reflected in the Ordinary Share price in the Issue Date VWAP calculation period that will not be payable to MCN 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 MCN are on issue; or ■ any division, consolidation or reclassification of MGL's share capital (not involving a cash payment or distribution to or by holders of Ordinary Shares or any entity in the Macquarie Group) occurs while the MCN are on issue. 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 MCN Terms do not restrict MGL from undertaking any activity of this kind. 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).	Clauses 8.1 and 8.3 to 8.8 of the MCN Terms
2.3.6. Example of the Exchange calculations	Illustrative example of Exchange 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. For the example of the Mandatory Exchange on 21 June 2021*, assume the Issue Date VWAP was \$45.00. The Exchange Conditions are tested and the number of shares to be received on Exchange would be determined as follows: Step 1: passing the Exchange Conditions First Exchange Condition This condition requires that the VWAP on the 25th Business Day immediately preceding (but not including) 21 June 2021* (assuming there is trading of Ordinary Shares on that day) is greater than 56% of the Issue Date VWAP, which would be \$25.20 (being 56% of \$45.00). – Assume the VWAP on 14 May 2021 (expected to be the 25th Business Day immediately preceding, but not including, 21 June 2021*) is \$35.00. Since the VWAP on 14 May 2021 is greater than \$25.20, the First Exchange Condition is satisfied.	

Topic	Summary	Further Information
2.3. Mandatory Exchange		
2.3.6. Example of the Exchange calculations (cont.)	Second Exchange Condition The Maximum Exchange Number applicable to a 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 Mandatory Exchange Date will be met if the VWAP during the 20 ASX Trading Days immediately preceding (but not including) 21 June 2021* is greater than 50.505% of the Issue Date VWAP, which would be \$22.73 (being 50.505% of \$45.00). – Assume the VWAP during the period from 21 May 2021 to 18 June 2021 (expected to be the 20 ASX Trading Days immediately preceding, but not including, 21 June 2021*) is \$35.00. Since the VWAP during the period from 21 May 2021 to 18 June 2021 is greater than \$22.73, the Second Exchange Condition is satisfied. Third Exchange Condition This condition requires that no Suspension Event applies on 21 June 2021*. – Assume on 21 June 2021*, trading in Ordinary Shares is not suspended on that date and has not been suspended during the five preceding Business Days. In these circumstances, the Third Exchange Condition is satisfied. Fourth Exchange Condition This condition requires that MGL is not Delisted on 21 June 2021*. – Assume on 21 June 2021*, MGL is listed on the ASX and no Inability Event subsists. In these circumstances, the Fourth Exchange Condition is satisfied. Step 2: calculating the number of shares received on Exchange On 21 June 2021*, MCN Holders would be entitled to receive in respect of each MCN, the Exchange Number of Ordinary Shares determined as follows: $\frac{\$100}{99\% \times \text{Exchange Date VWAP}}$ – Assume the Exchange Date VWAP, being the VWAP during the period from 21 May 2021 to 18 June 2021 (being the 20 ASX Trading Days immediately preceding, but not including, 21 June 2021*) is \$35.00. The Exchange Number would be 2.886 (being \$100 divided by $(99\% \times \\$35.00)$). Assuming a MCN Holder has 100 MCN, the total number of Ordinary Shares to which they would be entitled would be 288 (i.e. 100×2.886, which number is rounded down to disregard the fraction of the Ordinary Share). Maximum Exchange Number In this example, the Exchange Number will not be impacted by the Maximum Exchange Number: If the Issue Date VWAP is \$45.00, the Maximum Exchange Number would be 4.4444 (being \$100 divided by $(50\% \times \\$45.00)$). As the Exchange Number (2.886) is less than the Maximum Exchange Number (4.4444), there will be no restriction on the number of Ordinary Shares a MCN Holder receives.	

* Due to the Business Day convention, the Scheduled Mandatory Exchange Date is deferred from 19 June 2021 to 21 June 2021.

Topic	Summary	Further Information
2.4. Exchange at option of MGL		
On any of the Scheduled Optional Exchange Dates, 19 June 2018, 19 December 2018 or 19 June 2019, MGL may elect to Exchange MCN into Ordinary Shares. MGL may also elect to Exchange MCN into Ordinary Shares following the occurrence of a Tax Event or Regulatory Event. 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 MCN Holders will receive approximately \$101 worth of Ordinary Shares for each MCN held, and that the Ordinary Shares they receive following the Exchange are capable of being sold on the ASX.		
2.4.1. MGL may choose to Exchange MCN	– MGL may choose to Exchange all or some MCN: ■ on 19 June 2018; ■ 19 December 2018; or ■ 19 June 2019 (a “Scheduled Optional Exchange Date”); or ■ after a Tax Event or a Regulatory Event. – Upon Exchange, MCN Holders will receive approximately \$101 worth of Ordinary Shares per MCN based on the VWAP during the 20 ASX Trading Days immediately preceding, but not including, the Optional Exchange Date. The calculation of the Exchange Number of Ordinary Shares MCN Holders will receive upon Optional Exchange is the same as described in section 2.3.4 for Mandatory Exchange (with the Optional Exchange Date substituted for the Mandatory Exchange Date) and using the Maximum Exchange Number applicable to an Optional Exchange Date. – 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. – MCN Holders have no right to request Exchange of MCN.	Clauses 5.1 and 8.1 of the MCN Terms
2.4.2. Tax Event	– A Tax Event means, broadly, that MGL receives advice that as a result of a change in law or regulation in Australia after the Issue Date (which was not expected by MGL as at the Issue Date), there is a more than insubstantial risk that, in connection with MCN: ■ An additional franking debit will arise in the franking account of MGL in respect of any Distribution; or ■ MGL or another member of the Macquarie Group would be exposed to an increase in taxes, assessments, costs or other government charges, which is not insignificant. – MGL is not aware of, nor expects, any Tax Event as at the date of this Prospectus.	Clause 17.2 of the MCN Terms
2.4.3. Regulatory Event	– A Regulatory Event will, broadly, occur if, as a result of a change of law or regulation, or a statement, notification or advice from APRA, on or after the Issue Date: ■ any MCN are not eligible for inclusion as Eligible Capital; ■ additional requirements in connection with the MCN would be imposed on MGL or the Macquarie Group which the Directors determine might have a material adverse effect on MGL or otherwise be unacceptable; or ■ that to have any of the MCN outstanding would be unlawful or impractical or that MGL or the Macquarie Group would be exposed to a more than de minimis increase in its costs in connection with those MCN. – MGL is not aware of, nor expects, any Regulatory Event as at the date of this Prospectus.	Clause 17.2 of the MCN Terms

Topic	Summary	Further Information
2.4. Exchange at option of MGL		
2.4.4. Optional Exchange Restrictions	– MGL may not elect to Exchange MCN if an Optional Exchange Restriction applies. – Further, if MGL has elected to Exchange MCN, MGL may not proceed to Exchange if, on the Optional Exchange Date, certain further 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. – The Optional Exchange Restrictions are: ■ 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 of the MCN Terms
2.4.5. Further conditions to an Optional Exchange	– 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 to a Mandatory Exchange. 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 (but not including) the Optional Exchange Date is greater than 20.202% of the Issue Date VWAP.	Clause 5.5 of the MCN Terms

Topic	Summary	Further Information
2.5. Redemption at option of MGL		
On any of the Scheduled Optional Exchange Dates, 19 June 2018, 19 December 2018 or 19 June 2019, or after a Tax Event or Regulatory Event, MGL may elect to Redeem all or some MCN with APRA's prior written approval. If Redemption occurs, Holders will receive the Issue Price (\$100) for each MCN they hold. There are conditions on MGL's ability to Redeem MCN for cash. Importantly, MGL may only elect to Redeem MCN with APRA's prior written approval. MCN Holders should not expect that APRA's approval, if requested, will be given for any Redemption.		
2.5.1. MGL may choose to Redeem MCN	– MGL may choose to Redeem all or some MCN: ■ 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. – MCN Holders have no right to request Redemption of MCN.	Clause 6 of the MCN Terms
2.5.2. MCN Holders will receive cash if MCN are Redeemed	– On Redemption, MCN Holders will receive \$100 for each MCN Redeemed and, if the Payment Conditions are met, a Distribution is paid on Redeemed MCN for the period since the last Distribution Payment Date to the date of Redemption.	Clause 6 of the MCN Terms
2.5.3. Conditions on Redemption	– A Redemption must not occur unless either: ■ MCN which are to be Redeemed are replaced, concurrently with the Redemption or beforehand, with Eligible Capital of the same or better quality, and the replacement of those MCN 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 MCN are Redeemed. – Redemption requires APRA's prior written approval. MCN Holders should not expect that APRA's approval will be given for Redemption.	Clause 6.2 of the MCN Terms
2.6. Resale at option of MGL		
On any of the Scheduled Optional Exchange Dates, 19 June 2018, 19 December 2018 or 19 June 2019, or following a Tax Event or Regulatory Event, MGL may elect to Resell all or some MCN with APRA's prior written approval. If Resale occurs, Holders will receive the Issue Price (\$100) for each MCN they hold.		
2.6.1. MGL may choose to Resell MCN	– MGL may choose to Resell all or some MCN: ■ on any Scheduled Optional Exchange Date; or ■ after a Tax Event or Regulatory Event. – If MGL elects to Resell MCN, MGL will appoint one or more third parties ("Nominated Parties") to purchase some or all MCN. If MGL appoints more than one Nominated Party, MGL can determine the allocation of MCN 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. – MCN Holders have no right to request Resale of MCN.	Clause 7 of the MCN Terms
2.6.2. MCN Holders will receive cash if MCN are Resold	– Each MCN Holder will receive \$100 per MCN being Resold (being the Resale Price) from the Nominated Party and, if the Payment Conditions are met, a Distribution will be paid by MGL in respect of Resold MCN for the period since the last Distribution Payment Date to the date of Resale.	Clause 7.3 of the MCN Terms
2.6.3. If a Nominated Party does not pay the Resale Price MCN Holders will continue to hold MCN	– If a Nominated Party does not pay the Resale Price on the Resale Date, the Resale to that Nominated Party will not occur and MCN Holders will continue to hold MCN in accordance with the MCN Terms.	Clause 7.6 of the MCN Terms

Topic	Summary	Further Information
2.7. Non-Viability Event Exchange		
MGL is required to immediately Exchange MCN into Ordinary Shares where a Non-Viability Event occurs. Broadly, a Non-Viability Event occurs if APRA provides MGL with a written determination that the conversion into Ordinary Shares or write-off of Relevant Tier 1 Securities is necessary as without it APRA considers that MGL would become non-viable or a public sector injection of capital, or equivalent support, into MGL is to occur, as without such support MGL would become non-viable. The Exchange Conditions do not apply to an Exchange following a Non-Viability Event. The number of Ordinary Shares that MCN 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. 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, MCN Holders may receive less, or significantly less, than \$101 worth of Ordinary Shares per MCN and a MCN Holder may suffer loss as a consequence. If MCN cannot be Exchanged for any reason within 5 Business Days of the Non-Viability Event, they must be Written-Off. If a Write-Off occurs, the rights of MCN Holders will be immediately and irrevocably terminated and written-off and MCN Holders will suffer a total loss of their investment.		
2.7.1. Why the MCN Terms include a Non-Viability Event	– The global bank Basel III capital framework includes requirements for conversion or write-off of capital instruments where the issuer becomes non-viable. APRA implemented this framework for Australian banks from 1 January 2013. In order to gain transition treatment under APRA's forthcoming conglomerates framework it is also required that MCN be Exchanged or Written-Off on the occurrence of a Non-Viability Event.	
2.7.2. Non-Viability Event	– A Non-Viability Event means APRA has provided a written determination to MGL that the conversion into Ordinary Shares or write-off of Relevant Tier 1 Securities in accordance with their terms or by operation of law is necessary because: ■ without such conversion or write-off, APRA considers MGL would become non-viable; or ■ a public sector injection of capital, or equivalent support, is to occur into MGL, as without such support MGL would become non-viable. – If a Non-Viability Event occurs, MGL must immediately Exchange such number of MCN as is equal (following or together with any conversion into Ordinary Shares or write-off of other Relevant Tier 1 Securities) to the aggregate face value of capital instruments 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 MCN as MGL determines is necessary to satisfy APRA that MGL will not become non-viable). – If MGL is required to convert or write off Relevant Tier 1 Securities, MCN Holders should be aware that all Relevant Tier 1 Securities such as MCN will be converted or written off before any Relevant Tier 2 Securities are converted or written off. MGL currently has no Relevant Tier 1 Securities or Relevant Tier 2 Securities, but may issue such securities in the future.	Clauses 4 and 17.2 of the MCN Terms
2.7.3. Meaning of non-viable	– 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 ratios 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.	

Topic	Summary	Further Information
2.7. Non-Viability Event Exchange		
2.7.4. MCN Holders will receive Ordinary Shares on the Non-Viability Exchange Date	– The number of Ordinary Shares a MCN Holder will receive per MCN 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 in the event of a Non-Viability Event Exchange is calculated in the same manner as for a Mandatory Exchange (see section 2.3.4). However, the <i>Exchange Date VWAP</i> is the volume weighted average price of Ordinary Shares during the period of 5 ASX Trading Days immediately preceding, but not including, the Non-Viability Exchange Date. – 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 in the event of a Non-Viability Event Exchange is higher than the Maximum Exchange Number applicable to a Mandatory Exchange. – 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 a MCN Holder may receive in these circumstances may be worth significantly less than the Issue Price of MCN and a MCN Holder may suffer a loss as a consequence. – If some (but not all) MCN are to be Exchanged on account of a Non-Viability Event, MGL will endeavour to treat MCN Holders on an approximately proportionate basis, but may discriminate to take account of the effect on marketable parcels of MCN and other similar considerations and the need to effect Exchange immediately.	Clauses 4 and 8.1 of the MCN Terms
2.7.5. If a Non-Viability Event occurs, MGL must immediately Exchange some or all MCN into Ordinary Shares	– 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 MCN that have not been settled on the date a Non-Viability Event occurs will continue to settle in accordance with the normal ASX T+3 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 MCN have been Exchanged as a result of the Non-Viability Event. – MGL must give MCN Holders notice as soon as practicable that a Non-Viability Event has occurred, including details of the number of MCN Exchanged.	Clauses 4.4, 4.5 and 4.6 of the MCN Terms
2.7.6. MCN shall be Written-Off if they cannot be Exchanged on the Non-Viability Exchange Date	– If, following a Non-Viability Event, an Inability Event prevents the Exchange of MCN from occurring within 5 Business Days of the Non-Viability Exchange Date, then Exchange will not occur on that date but instead each MCN shall be Written-Off. – This means that the relevant MCN Holders' rights (including to payment of Distributions) in relation to such MCN will be immediately and irrevocably terminated and written off. – An Inability Event will arise where MGL is prevented from issuing Ordinary Shares for any reason. For example, if 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.	Clauses 4.5, 8.17 and 17.2 of the MCN

Topic	Summary	Further Information
2.8. Exchange on an Acquisition Event		
MGL is required to Exchange MCN into Ordinary Shares where a person acquires control of MGL (except in certain circumstances). As with other types of Exchange, there are conditions to Exchange on an Acquisition Event which ensure that a MCN Holder will receive approximately \$101 worth of Ordinary Shares for each MCN 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.		
2.8.1. Acquisition Event	– An Acquisition Event broadly means either: ■ 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 MCN Holders as a whole, and the acquiring entity assumes corresponding obligations to issue ordinary shares to MCN Holders where MGL would be required to issue Ordinary Shares.	Clause 17.2 of the MCN Terms
2.8.2. Consequences of an Acquisition Event for MCN Holders	– If an Acquisition Event occurs, all MCN 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 Directors determine that: ■ as at the Acquisition Exchange Date, MGL will be, or is likely to be, Delisted; or ■ the Exchange Number (calculated as if it were not limited by the Maximum Exchange Number applicable to an Acquisition Exchange Date) of Ordinary Shares to be issued in exchange for a MCN would exceed the Maximum Exchange Number applicable to an Acquisition Exchange Date. – 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 Mandatory Exchange. The effect of this is that the Second Exchange Condition applicable to an Acquisition Exchange Date will be met if the VWAP during the 20 ASX Trading Days immediately preceding (but not including) 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 MCN 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 MCN Holders would receive less than \$101 worth of Ordinary Shares or may be unable to trade the Ordinary Shares received.	Clause 5.6 of the MCN Terms
2.8.3. MCN Holders will receive Ordinary Shares on the Acquisition Exchange Date	– In the ordinary course of business, Exchange of MCN following an Acquisition Event will be for approximately \$101 worth of Ordinary Shares per MCN, based on the VWAP calculated over a period of up to 20 ASX Trading Days immediately preceding, but not including, the Exchange Date (calculated in the same manner as for a Mandatory Exchange as described in section 2.3.4 with the Acquisition Exchange Date substituted for the Mandatory Exchange Date).	Clauses 5.6 and 8.1 of the MCN Terms

Topic	Summary	Further Information
2.8. Exchange on an Acquisition Event		
2.8.3. MCN Holders will receive Ordinary Shares on the Acquisition Exchange Date (cont.)	– 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 it would be in the best interests of the MCN Holders, taken as a whole. This means that upon Exchange, MCN 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 last available VWAP when MGL was listed. At the time of Exchange, the value of Ordinary Shares may be uncertain and MCN Holders may be unable to trade those Ordinary Shares. – 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 MCN Holders taken as a whole. If, in this situation, Exchange proceeds, MCN 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 a MCN Holder may suffer a loss as a consequence.	Clauses 5.6 and 8.1 of the MCN Terms
2.8.4. If Exchange does not occur following an Acquisition Event MCN Holders will continue to hold MCN	– Where Exchange does not occur following an Acquisition Event, MCN Holders will continue to hold MCN in accordance with the MCN Terms.	
2.9. Regulatory treatment of MCN		
2.9.1. MGL's prudential capital requirements	– 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 Banking Group (based on APRA's ADI prudential standards) and the Non-Banking Group (calculated using the Macquarie Group's economic capital model).	Section 4.7.3
2.9.2. Australian Prudential Regulation Authority ("APRA")	– 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	– 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.	
2.9.4. Eligible Capital	– APRA 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 is currently reviewing its capital standards for non-operating holding companies of banks, such as MGL ("Conglomerates Rules").	

Topic	Summary	Further Information
2.9. Regulatory treatment of MCN		
2.9.5. Regulatory treatment of MCN	- Macquarie Group has assessed MCN will be eligible for inclusion as Eligible Capital under its NOHC Authority. - APRA has confirmed that MCN will be eligible for transitional relief under the revised Conglomerates Rules expected to apply from 1 January 2014 until 19 June 2018.	
2.10. Ranking of MCN		
2.10.1. Ranking of MCN in a Winding Up of MGL	- If a Winding Up occurs in relation to MGL, MCN will rank in priority to Ordinary Shares, equally with Equal Ranking Obligations (which currently includes obligations in respect of 2008 CPS 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).	Clauses 1.5 and 15.1 of the MCN Terms and Section 2.7
2.11. Other		
2.11.1 Ordinary Shares on Exchange issued to Trustee or Nominee	On Exchange, in certain limited circumstances, where the MCN Holder has requested MGL to do so, or where there are impediments to the Ordinary Shares being issued directly to a MCN Holder, Ordinary Shares will be issued to the Trustee or Nominee instead of the relevant MCN Holder.	Section 5.1.17
2.11.2. MCN cannot be set-off against other claims	A MCN 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 MCN Holder. Equally, MGL has no right to set-off any amounts owing by it to a MCN Holder in respect of the MCN against any claims owing by the MCN Holder to it or any member of the Macquarie Group.	Clause 10.4 of the MCN Terms
2.11.3. MCN carry no voting rights in respect of MGL	- MCN Holders have no voting rights in respect of MGL or any other member of the Macquarie Group. - MCN Holders may vote at meetings for MCN Holders in accordance with the Trust Deed.	Clause 14.2 of the MCN Terms
2.11.4. MGL can issue further securities	- MGL has the right in its absolute discretion to issue shares or other securities of any kind. - MCN confer no rights on a MCN 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 MCN Terms
2.11.5. MGL may amend the MCN Terms and Trust Deed	- Subject to complying with all applicable laws, and with APRA's prior written approval where required, MGL may amend the MCN Terms and Trust Deed without the consent of MCN Holders or the Trustee in certain circumstances. - Notwithstanding the above, any amendment to the MCN 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. - MGL may also, with APRA's prior written approval where required, amend the MCN Terms and Trust Deed if the amendment has been approved by a Special Resolution and the Trustee.	Clause 13 of the MCN Terms
2.11.6 Macquarie Group may purchase MCN	Subject to APRA's prior written approval, any member of the Macquarie Group may purchase MCN at any time and at any price.	
2.11.7. Taxation implications of investing in MCN	- The taxation implications of investing in MCN 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 6.1.	Section 6
2.11.8. No brokerage, commission or stamp duty payable on Applications for MCN	No brokerage, commission or stamp duty is payable on Applications for MCN. MCN Holders may have to pay brokerage on any subsequent transfer of MCN on ASX after quotation or on any transfer of Ordinary Shares that may be issued on an Exchange.	Section 8.3.2

3. About the Reinvestment Offer

The following provides information about the Reinvestment Offer for Eligible 2008 CPS Holders

3. About the Reinvestment Offer

3.1. Overview

3.1.1. 2008 CPS

The 2008 CPS are convertible preference securities issued by the Macquarie CPS Trust in 2008 that trade under ASX code “MQCPA”.

3.1.2. Reinvestment Offer

The Reinvestment Offer is an invitation to Eligible 2008 CPS Holders to:

- apply to sell all or some of their 2008 CPS to the Reinvestment Purchaser for \$105.1371 per 2008 CPS;
- apply to MGL for a corresponding number of MCN (i.e. the same number as the number of 2008 CPS sold to the Reinvestment Purchaser);
- direct the Reinvestment Purchaser to pay \$100 per Reinvested 2008 CPS directly to MGL as the Application Payment for the MCN; and
- receive the balance of \$5.1371 per Reinvested 2008 CPS in cash. This amount reflects the accrued 2008 CPS distributions from (and including) 1 January 2013 to (but excluding) the Issue Date of 19 June 2013 and is expected to be paid on 24 June 2013. You will receive no further distributions on Reinvested 2008 CPS.

Eligible 2008 CPS Holders have a number of options in addition to reinvesting 2008 CPS in MCN, which are set out in further detail in section 3.2.

Important note: MCN have a number of different features to 2008 CPS. See section 3.7 for an outline of the key differences.

3.1.3. Eligible 2008 CPS Holders

The Reinvestment Offer is only made to “Eligible 2008 CPS Holders” – investors who are:

- registered holders of 2008 CPS at 7.00pm (Sydney time) on 13 May 2013;
- shown on the 2008 CPS register as having an address in Australia (or another jurisdiction to which MGL and the Reinvestment Purchaser determine to extend the Reinvestment Offer); and
- not in the United States or acting as a nominee for a person in the United States or otherwise prevented from receiving the Reinvestment Offer or the MCN under the securities laws of another jurisdiction, as determined by MGL and the Reinvestment Purchaser.

Also see section 7.9 – “Foreign selling restrictions”.

3.1.4. Cash payment to 2008 CPS Holders who participate in the Reinvestment Offer

Eligible 2008 CPS Holders who elect for some or all of their 2008 CPS to be reinvested in MCN, will receive a cash payment of \$5.1371 per Reinvested 2008 CPS which reflects accrued distributions on Reinvested 2008 CPS for the period from (and including) 1 January 2013 to (but excluding) the Issue Date of 19 June 2013. This amount is expected to be paid on 24 June 2013.

A final distribution of \$5.5019 per 2008 CPS is expected to be paid on 1 July 2013 in accordance with the 2008 CPS terms. You will not receive this distribution on any Reinvested 2008 CPS.

3.1.5. Final distribution on 2008 CPS

The amount of the final distribution on 2008 CPS is greater than cash payment made in respect of Reinvested 2008 CPS because it reflects a longer period during which distributions will have accrued on 2008 CPS at the time the relevant payment is made. 2008 CPS Holders who reinvest their 2008 CPS will accrue Distributions on their MCN (at a different rate from the 2008 CPS) from, and including, 19 June 2013.

3.1.6. You cannot elect to reinvest the cash payment in MCN

The cash payment will be made to Eligible 2008 CPS Holders in respect of their Reinvested 2008 CPS, in accordance with their existing 2008 CPS payment instructions.

3.1.7. Future Events for 2008 CPS

It is intended that a resale of 2008 CPS will be undertaken in accordance with the 2008 CPS terms, whereby on 1 July 2013 all 2008 CPS will be sold to the Resale Agent for \$100 per 2008 CPS. A distribution on 2008 CPS of \$5.5019 will also be paid (subject to the payment tests applicable to CPS) at this time. Notice of the resale will be given on or about the date of this Prospectus in accordance with the 2008 CPS terms. Completion of the resale will be subject to the conditions that (1) the MCN issue is completed and (2) APRA has given and has not withdrawn an approval permitting the resale of CPS and (unless the Resale Agent waives this requirement) the redemption of CPS. If the conditions are not met, CPS will not convert on 1 July 2013 and, in accordance with the CPS Terms, the next date on which Mandatory Conversion may occur is 30 September 2013. Macquarie expects that if the issue of MCN proceeds, the resale will be completed.

3.2. Options available to Eligible 2008 CPS Holders

Option 1: apply under the Reinvestment Offer for your 2008 CPS to be reinvested in MCN or apply for additional MCN	– If you are an issuer sponsored Eligible 2008 CPS Holder (your SRN starts with the letter “I”), you may send your Reinvestment Form to the Registrar or complete the Reinvestment Form online through www.MacquarieCNOffer.com.au (you will need your SRN). – If you are a CHESS sponsored Eligible 2008 CPS Holder, you should contact your broker or CHESS controlling participant for instructions as to how to apply or alternatively, send your Reinvestment Form to the Registrar who will contact your controlling participant on your behalf. – Your Reinvestment Form must be received by the Registrar no later than by the Closing Date for the Reinvestment Offer which is expected to be 5:00pm on 11 June 2013. – Unless you apply for more MCN than the number of 2008 CPS you held on 13 May 2013, you will not be required to make a separate Application Payment. – If you are an Eligible 2008 CPS Holder and choose to participate in the Reinvestment Offer (including through the Broker Firm Offer), you will receive priority allocation of MCN over Securityholder Applicants and General Applicants if there is excess demand for MCN. However, your Application may be scaled back if there is excess demand – see section 8.5.2 for further details. – If you are an Eligible 2008 CPS Holders, you will be sent a copy of this Prospectus with a personalised Reinvestment Form. Option A. Full reinvestment – You may apply to reinvest all of your 2008 CPS registered at 7.00pm (Sydney time) on 13 May 2013 in MCN. – To choose this option, you must indicate “full reinvestment” on the personalised Reinvestment Form. – If, on the Closing Date for the Reinvestment Offer, you hold fewer or more 2008 CPS than shown on the personalised Reinvestment Form and you selected the full reinvestment option, you will be taken to have applied for reinvestment of the lower of the number of 2008 CPS specified on the personalised Reinvestment Form and the number of 2008 CPS registered on the Closing Date for the Reinvestment Offer. Option B. Partial reinvestment – You may apply to have only some of those 2008 CPS registered at 7.00pm (Sydney time) on 13 May 2013 reinvested in MCN. – To choose this option, you must specify the number of 2008 CPS to be reinvested on the personalised Reinvestment Form. – If you own 50 2008 CPS or fewer, you must reinvest all your 2008 CPS in MCN if you wish to participate in the Reinvestment Offer. If you own more than 50 2008 CPS, you must reinvest a minimum number of 50 2008 CPS. – If, on 11 June 2013, you hold fewer 2008 CPS than you elected to reinvest on your personalised Reinvestment Form, you will be taken to have applied for reinvestment of the number of 2008 CPS registered on 11 June 2013. In addition to each of Option A and Option B, you may apply for additional MCN – You may also apply for more MCN than the number of 2008 CPS held at 7.00pm (Sydney time) on 13 May 2013. – The minimum number of additional MCN for which you can apply is 50 MCN (\$5,000). – To choose this option, you must specify the number of additional MCN you wish to apply for on the personalised Reinvestment Form. You will receive a priority allocation of MCN applied for, over Securityholder and General Applicants, if there is excess demand for MCN. However, your Application for additional MCN may be scaled back if there is excess demand – see section 8.5.2 for further details. – You are required to enclose an Application Payment for any additional MCN applied for. Application Payments must be made by BPAY® if applying online or by cheque or money order if applying via a paper Reinvestment Form – see section 8.4.2 for further details. If you are applying under the Broker Firm Offer, you should contact your Syndicate Broker for instructions on how to make your Application Payment.
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Option 2 – take no action – your 2008 CPS are expected to be resold for \$100 per 2008 CPS on 1 July 2013	– You are not required to participate in the Reinvestment Offer and as such you are not required to take any action. – If you choose to take no action, it is expected that your 2008 CPS will be resold to the Resale Agent on 1 July 2013 and that you will receive the face value (\$100) and a 2008 CPS final distribution of \$5.5019 for each 2008 CPS that you hold on the resale date for 2008 CPS, subject to the 2008 CPS terms. – Payments are expected to be made on the resale date for 2008 CPS (1 July 2013).
Option 3 – sell your 2008 CPS on market	– You may choose to sell your 2008 CPS on market at the prevailing market price, which may be higher or lower than the price you will receive if you reinvest your 2008 CPS in the Reinvestment Offer. – The market price of 2008 CPS is subject to change from time to time. Up to date information about the market price of 2008 CPS can be obtained from www.asx.com.au (ASX code: MQCPA). – To choose this option, you should do so before the last trading day for 2008 CPS, which is expected to be 13 June 2013. – Under this option, you may have to pay brokerage and may receive a price greater or less than the face value of \$100 per 2008 CPS. – If you choose this option, you will not be entitled to receive the 2008 CPS final distribution on the 2008 CPS you sell.

3.3. Options available to 2008 CPS Holders that are not eligible to participate

If you are not an Eligible 2008 CPS Holder, you are limited to options 2 and 3 in the table above.

3.4. Do not transfer your 2008 CPS after you have submitted your Reinvestment Form

Once you have submitted a Reinvestment Form, it is your responsibility to ensure that you do not transfer your 2008 CPS that are to be reinvested. If you transfer your 2008 CPS prior to the Closing Date for the Reinvestment Offer, the number of MCN that will be allocated to you will be reduced to the extent that the required number of 2008 CPS are not available on the Closing Date for the Reinvestment Offer.

A holding lock will be placed on all 2008 CPS for which Reinvestment Forms are received. Given that the last trading day for 2008 CPS is on 13 June 2013 and prior to the Issue Date, if your Reinvestment Application is unsuccessful, you will continue to hold 2008 CPS until 1 July 2013, when it is expected that they will be resold to the Resale Agent.

3.5. Risks associated with participating in the Reinvestment Offer

The risks of participating in the Reinvestment Offer are the risks associated with an investment in MCN and MGL. These risks are outlined in section 5 and should be considered before you apply under the Reinvestment Offer.

3.6. Further information about the 2008 CPS and participating in the Reinvestment Offer

3.6.1. Reinvestment Purchaser

The Reinvestment Purchaser is Macquarie Distribution Pty Limited, a wholly owned Australian Resident subsidiary of MGL. The Reinvestment Purchaser is inviting Eligible 2008 CPS Holders to apply to sell some or all of their 2008 CPS for \$105.1371 per 2008 CPS on the terms and conditions of the Reinvestment Offer.

You cannot direct the Reinvestment Purchaser to pay the full purchase price of the 2008 CPS to you in cash.

Under the terms of the Reinvestment Offer, you will have applied for a corresponding number of MCN and directed the Reinvestment Purchaser to pay \$100 per Reinvested 2008 CPS directly to MGL as the Application Payment for the MCN.

3.6.2. Tax consequences of the Reinvestment Offer

Section 6.1.9 “Summary of Australian tax consequences for Eligible 2008 CPS Holders” provides information about the tax consequences for Eligible 2008 CPS Holders.

3.6.3. Changing your 2008 CPS payment instructions

If you elect to reinvest some or all of your 2008 CPS in MCN and you wish to change your 2008 CPS payment

instructions for the cash payment of \$5.1371 per Reinvested 2008 CPS you must provide updated instructions to the Registrar by the Closing Date for the Reinvestment Offer which is expected to be 11 June 2013.

3.6.4. Brokerage or stamp duty is not payable on your Application

Brokerage or stamp duty is not payable on the sale of your 2008 CPS to the Reinvestment Purchaser or your Application for MCN. 2008 CPS Holders who choose to sell their 2008 CPS on market may be required to pay applicable brokerage.

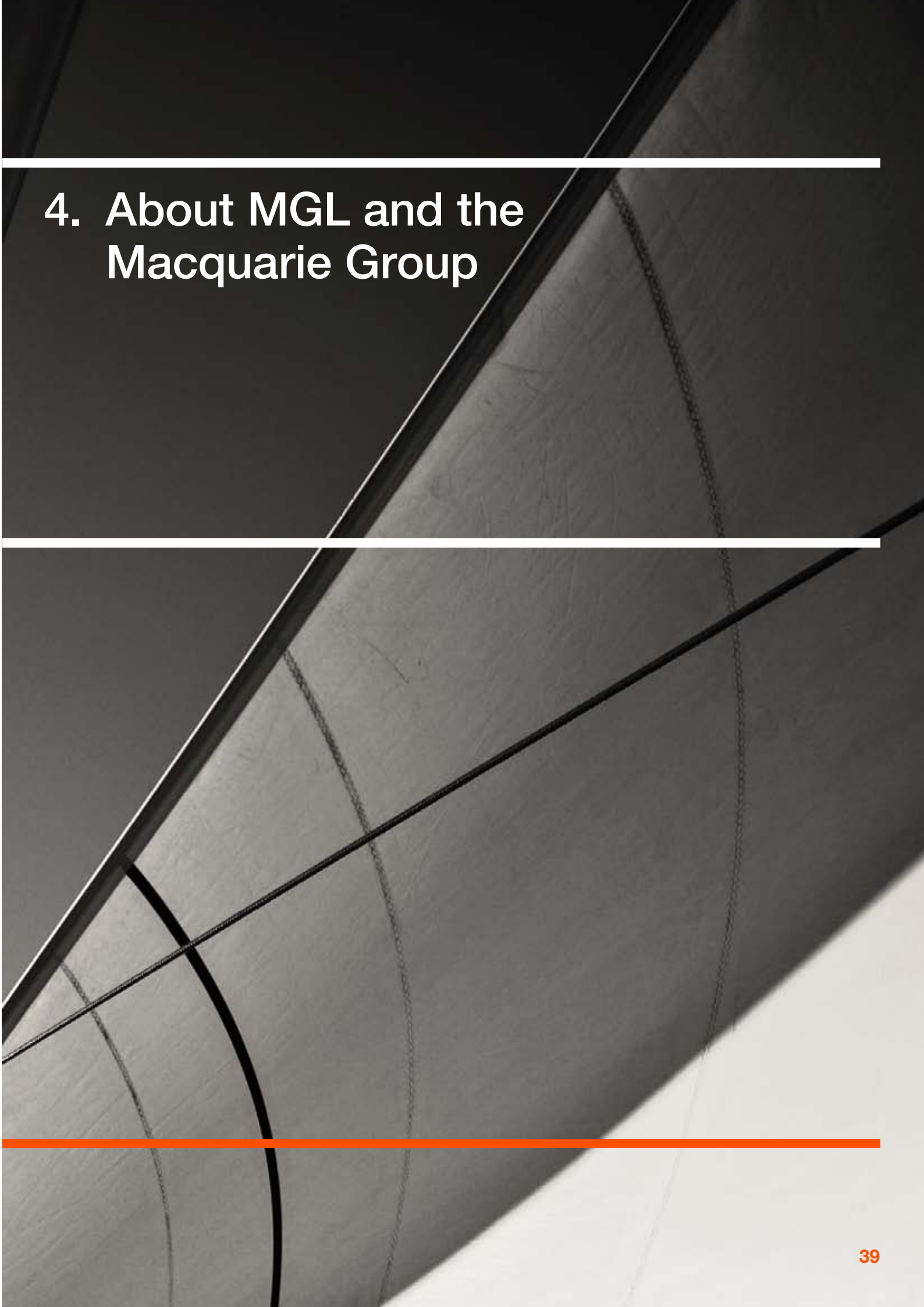
3.6.5. If the MCN offer does not proceed or the Reinvestment Offer is scaled back

If you have elected to reinvest some or all of your 2008 CPS in MCN and the Offer does not proceed or your Application is scaled back, you will continue to hold the non-accepted 2008 CPS. Although a notice of resale of 2008 CPS will have been given, as described in section 3.1.7, completion of the resale is subject to MGL completing an issue of MCN. Accordingly, the resale will not proceed where the Offer does not proceed. If a resale does not proceed, 2008 CPS will remain on issue, with the mandatory conversion date deferred until 30 September 2013.

Any Application Payment in respect of additional MCN will be refunded to you. No interest will be payable on any refunded Application Payment.

3.7. Key differences between 2008 CPS and MCN

	2008 CPS	MCN
Issuer	Macquarie Capital Loans Management Limited as responsible entity for the Macquarie CPS Trust ("MCLM")	Macquarie Group Limited
Legal form	Mandatorily convertible preference unit	Mandatorily convertible note
Face value	\$100	\$100
ASX code	MQCPA	MQGPA
Margin	3.50% p.a.	Expected to be set by Bookbuild within the range 4.00% – 4.20%
Distributions	Fixed rate (at 11.095% p.a.), not frankable	Floating rate. As a result, Distributions will most likely change every 6 months. Frankable. The amount of cash Distribution will be lower where the Distribution is franked.
Distribution payment conditions	Each distribution is subject to: – MCLM, at its absolute discretion, determining the distribution to be payable; – MGL, at its absolute discretion, not objecting to the payment of the distribution; – unless APRA otherwise agrees, payment of the distribution not resulting in MGL not complying with APRA's then current capital adequacy guidelines as they are applied to MGL at the time; – unless APRA otherwise agrees, the amount of the distribution not exceeding distributable profits; and – payment of the distribution not resulting in the Macquarie CPS Trust, MGL or any such member of the Macquarie Group becoming, or being likely to become, insolvent for the purposes of any applicable law	Distribution will be made unless: – MGL, in its absolute discretion, determines that the Distribution is not payable; – 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 likely to become, insolvent for the purposes of the Corporations Act; or – APRA objects to the payment of the Distribution
Conversion/Exchange	Unless resold, MCLM must convert on 1 July 2013 if the mandatory conversion conditions are satisfied	MGL must Exchange for Ordinary Shares on 21 June 2021* if the Exchange Conditions are satisfied
MGL ordinary share price for first mandatory conversion/exchange condition	Greater than \$27.10 (being 55.55% of the issue date VWAP)	Greater than 56% of the Issue Date VWAP
MGL ordinary share price for the second mandatory conversion/exchange condition	Greater than \$24.64 (being 50.51% of the issue date VWAP)	Greater than 50.505% of the Issue Date VWAP
Exchange or Write-Off on Non-Viability Event	No	Yes
Ranking in a winding up of MGL	Ahead of Ordinary Shares, equally with equal ranking obligations (including MCN) but behind all other creditors of MGL	Ahead of Ordinary Shares, equally with Equal Ranking Obligations (including CPS) but behind all Senior Creditors of MGL



4. About MGL and the Macquarie Group

4. About MGL and the Macquarie Group

4.1. 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 31 March 2013, the Macquarie Group employed 13,663 people and had total assets of \$150.8 billion and total equity of \$11.9 billion. For the financial year ended 31 March 2013, the Macquarie Group's net operating income was \$6.7 billion and profit after tax attributable to ordinary equity holders was \$851 million, with 63% of net operating income (excluding earnings on capital and other corporate items) derived from international income.*

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

* 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.

4.2. 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 macquarie.com.au.

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 2013 annual financial report and 2013 interim financial report most recently provided to ASX by MGL (on 3 May 2013 and 26 October 2012 respectively);
- any continuous disclosure notices given by MGL after the release of the 2013 annual financial report and before the lodgement of this Prospectus with ASIC; and
- the MGL Constitution.

During the Offer Period, you can obtain a copy of the above documents free of charge at macquarie.com.au or by phoning the MCN Offer Information Line on 1300 346 778 (within Australia) or on +61 3 9415 4898 (International).

4.3. Organisational structure

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

The Banking Group includes MBL and has five operating groups:

- Corporate & Asset Finance;
- Banking & Financial Services;
- Macquarie Funds (excluding the Macquarie Infrastructure and Real Assets division);
- Fixed Income, Currencies & Commodities (excluding certain assets of the Credit

Trading business and some other less financially significant activities); and

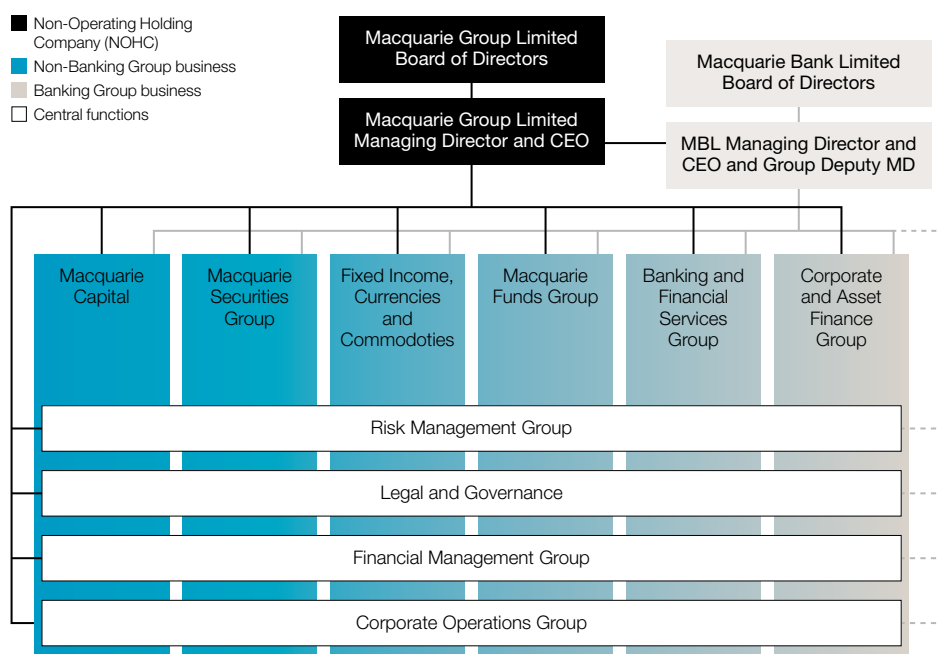
- Macquarie Securities (excluding the Cash division other than in Hong Kong, and certain activities of the Derivatives division in certain jurisdictions).

The Non-Banking Group consists of:

- Macquarie Capital;
- the Macquarie Infrastructure and Real Assets division of Macquarie Funds;
- the Cash division of Macquarie Securities (other than in Hong Kong) and certain activities of the Derivatives division of Macquarie Securities in certain jurisdictions; and
- certain assets of the Credit Trading business and some other less financially significant activities of Fixed Income, Currencies & Commodities.

Shared services are provided to both the Banking Group and the Non-Banking 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 Banking Group and the Non-Banking Group operate as separate sub-groups within MGL with clearly identifiable businesses, separate capital requirements and discrete funding programs. Although the Banking Group and the Non-Banking 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 following diagram shows the Macquarie Group's current organisational structure and reflects the composition of the Banking and Non-Banking 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 Banking Group and the Non-Banking Group and within the Banking Group and the Non-Banking Group may be adjusted and we may make changes in light of relevant factors including business growth, regulatory considerations, market developments and counterparty considerations.

4.4. Business strategy

The Macquarie Group's strategy is to focus on the medium term and is built on:

- providing a range of financial services to clients;
- aligning the interests of shareholders, investors and staff;
- utilising what the Macquarie Group believes is a conservative approach to risk management;

- continuing to focus on growth and evolution;
- diversifying by business and geography; and
- adapting to change.

This approach provides the flexibility to enter into new business sectors and regions as opportunities emerge and to expand our existing businesses in selective areas of expertise.

The Macquarie Group seeks to encourage growth and diversity by allowing strategy to be driven in the individual businesses at the operating level. However, equity, credit, market, liquidity, compliance and operational risks are centrally managed by the Macquarie Group's centralised Risk Management group whose responsibility is to implement appropriate assessment and management policies in respect of these risks throughout the Macquarie Group. MGL applies this existing strategy and risk management framework across the Macquarie Group.

The Macquarie Group's business has always evolved and changed to adapt to market conditions. Each of Macquarie Group's six operating groups is continually assessing investment opportunities and at any given time

is likely to be in discussion with a range of counterparties concerning prospective but incomplete proposals (some of which, if completed, could have a material impact on the Group). The range of investment opportunities being considered at any time is broad, embracing both domestic and international businesses and assets, and will likely include (but not be limited to):

- Macquarie Funds Group: potential investments in fund managers across a broad range of asset classes
- Corporate and Asset Finance: loan books, operating and finance lease businesses or portfolios across a broad range of asset classes (including aircraft, rail, motor vehicles and meters)
- Banking and Financial Services: retail banking including mortgage and deposit books, businesses, or distribution platforms and retail wealth management businesses
- Macquarie Capital: advisory platforms and a broad range of principal investment opportunities
- FICC: trading businesses in a range of asset classes including, commodities, energy and credit trading
- Macquarie Securities Group: institutional stock broking businesses

The Macquarie Group expects to continue to assess strategic acquisition and merger opportunities and other corporate transactions as they arise, along with exploring opportunities for further organic growth in existing and related businesses as an avenue of growth and diversification for the Macquarie Group in the medium term.

Across the Macquarie Group's international operations, the strategy focuses on building a global platform in the Macquarie Group's key areas of expertise, through both acquisitions and organic growth, which the Macquarie Group believes will enable it to offer a comprehensive range of MGL products to clients around the world.

4.5. MGL Board

The MGL Board comprises:

- Kevin McCann AM, Chairman
- Nicholas Moore, Managing Director and Chief Executive Officer
- Michael Coleman
- Diane Grady AM
- Michael Hawker AM
- Peter Kirby
- Catherine Livingstone, AO¹
- John Niland AC
- Helen Nugent AO
- 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 macquarie.com.au.

1. Ms Livingstone will retire from the MGL Board on 25 July 2013.

4.6. 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, MBL Managing Director and Chief Executive Officer and Head of Banking and Financial Services Group
- Stephen Allen, Head of Risk Management Group
- Andrew Downe, Head of Fixed Income, Currencies and Commodities
- Tim Bishop, Head of Macquarie Capital
- Shemara Wikramanayake, Head of Macquarie Funds Group
- Garry Farrell, 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 2013 Annual Financial Report which is available at macquarie.com.au.

4.7. Financial information about the Macquarie Group

The summary consolidated statement of financial position data as at 31 March 2013 and income statement data for the full years ended 31 March 2013 and

31 March 2012 presented in this section has been derived from the Macquarie Group's 2013 full 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 2013 Annual Financial Report.

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

4.7.1. Macquarie Group's Consolidated Income Statement

	Full-year to		Movement
	31 March 2013 \$m	31 March 2012 \$m	%
Financial performance summary			
Net interest income	1,367	1,333	3
Fee and commission income	3,422	3,364	2
Net trading income	1,234	1,035	19
Share of net profits of associates and joint ventures accounted for using the equity method	92	108	(15)
Other operating income and charges	585	1,123	(48)
Net operating income	6,700	6,963	(4)
Employment expenses	(3,273)	(3,560)	(8)
Brokerage, commission and trading-related expenses	(647)	(724)	(11)
Occupancy expenses	(390)	(456)	(14)
Non-salary technology expenses	(260)	(290)	(10)
Other operating expenses	(725)	(884)	(18)
Total operating expenses	(5,295)	(5,914)	(10)
Operating profit before income tax	1,405	1,049	34
Income tax expense	(533)	(287)	86
Profit after income tax	872	762	14
Profit attributable to non-controlling interests	(21)	(32)	(34)
Profit attributable to ordinary equity holders of Macquarie Group Limited	851	730	17

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

	Consolidated 31 March 2013 \$m	Consolidated 31 March 2012 \$m	Pro-Forma 31 March 2013 \$m
Assets			
Receivables from financial institutions	16,516	18,510	16,291
Trading portfolio assets	19,776	12,689	19,776
Derivative assets	14,704	22,078	14,704
Investment securities available for sale	17,057	18,266	17,057
Other assets	11,187	13,717	11,187
Loan assets held at amortised cost	49,083	45,218	49,083
Other financial assets at fair value through profit or loss	5,033	6,715	5,033
Life investment contracts and other unitholder investment assets	7,240	5,904	7,240
Due from subsidiaries	–	–	–
Property, plant and equipment	5,643	5,235	5,643
Interests in associates and joint ventures accounted for using the equity method	2,048	2,664	2,048
Intangible assets	1,221	1,351	1,221
Investments in subsidiaries	–	–	–
Deferred tax assets	1,270	1,279	1,270
Total assets	150,778	153,626	150,553
Liabilities			
Trading portfolio liabilities	1,497	3,615	1,497
Derivative liabilities	14,853	21,022	14,853
Deposits	41,103	37,169	41,103
Other liabilities	12,391	15,096	12,391
Payables to financial institutions	18,075	12,629	18,075
Other financial liabilities at fair value through profit or loss	1,704	2,733	1,704
Life investment contracts and other unitholder liabilities	7,218	5,897	7,218
Due to subsidiaries	–	–	–
Debt issued at amortised cost	38,014	39,713	38,014
Provisions	213	241	213
Deferred tax liabilities	542	436	542
Total liabilities excluding loan capital	135,610	138,551	135,610
Loan capital			
Macquarie Convertible Preference Securities	616	614	–
Macquarie Group Capital Notes	0	0	391
Subordinated debt at amortised cost	2,604	2,579	2,604
Subordinated debt at fair value through profit or loss	–	150	–
Total loan capital	3,220	3,343	2,995
Total liabilities	138,830	141,894	138,605
Net assets	11,948	11,732	11,948
Equity			
Contributed equity	5,900	6,235	5,900
Reserves	57	44	57
Retained earnings	5,439	4,924	5,439
Total capital and reserves attributable to ordinary equity holders of Macquarie Group Limited	11,396	11,203	11,396
Non-controlling interests	552	529	552
Total equity	11,948	11,732	11,948

The pro-forma position as at 31 March 2013 reflects the issue of \$400m MCN with \$9m of expenses to be paid and the intended redemption of \$600m 2008 CPS with \$16m of accrued interest paid. The net reduction in funding will be met from available liquid assets.

4.7.3. 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 Banking Group and the Non-Banking Group. MGL and APRA have 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 Banking 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-Banking Group capital requirement, calculated using Macquarie Group's ECAM.

Transactions internal to the Macquarie Group are eliminated.

Eligible Capital of MGL consists of eligible share capital, retained earnings and certain reserves plus eligible hybrid instruments. Eligible hybrid instruments currently include 2008 CPS issued in July 2008 and PMIs issued in November 2010 as well as Additional Tier 1 Capital of the Banking Group. APRA has confirmed that MCN will qualify for inclusion as Eligible Capital. Please see section 4.7.4 for the impact of the Offer on Macquarie Group's regulatory capitalisation.

Given the introduction of Basel III rules on 1 January 2013, capital disclosures in this section include Harmonised Basel III¹ and APRA Basel III². 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.

1. 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).
2. APRA Basel III relates to the Prudential Standards released by APRA for the period effective 1 January 2013.

The Macquarie Group regulatory capital surplus calculation as at 31 March 2013 is set out in the table below.

	As at 31 March 2013	
	Harmonised Basel III \$Am	APRA Basel III \$Am
Macquarie Group eligible capital:		
Bank Gross Tier 1 capital	8,955	8,955
Non-Bank eligible capital	3,993	3,993
Eligible capital	12,948	12,948
Macquarie Group capital requirement:		
Bank Group		
Risk-Weighted Assets	62,457	58,360
Capital required to cover		
Risk-Weighted Assets (RWA) at 7% ¹	4,372	4,085
Tier 1 deductions ²	1,042	2,636
Total Bank Group capital requirement	5,414	6,721
Total Non-Bank Group capital requirement	3,150	3,150
Total capital requirement	8,564	9,871
Macquarie Group regulatory capital surplus (at 7%¹ of Bank Group RWAs)	4,384	3,077
Additional capital requirement required to maintain 8.5%³ of Tier 1 ratio in Bank Group	937	867
Macquarie Group regulatory capital surplus (at 8.5%³ of Bank Group RWAs)	3,447	2,201

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

2. In calculating the Bank Group's contribution to MGL's capital requirement, Tier 1 deductions arising from transactions with the Non-Bank are eliminated (31 March 2013: nil; 30 September 2012: \$A60 million).

3. 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 must be met by Common Equity Tier 1 capital.

4.7.4. Effect of MCN on the Macquarie Group's regulatory capitalisation

Macquarie Group has announced that, subject to the Offer proceeding, it intends to resell and subsequently redeem the 2008 CPS as at 1 July 2013. The combination of the issue of \$400m MCN and the redemption of \$600m 2008 CPS will reduce the Macquarie Group regulatory capital surplus by approximately \$200m.

4.7.5. Conglomerates framework

APRA released a consultation package for the proposed risk management and capital adequacy requirements of conglomerate groups on 9 May 2013. The package applies to conglomerate groups, such as the Macquarie Group, which comprise APRA regulated institutions performing material activities across more than one industry. The proposed regulatory framework will assist APRA to ensure that its supervision captures risks which APRA considers are not adequately covered by existing prudential arrangements.

The framework is not final, so may change and is expected to take effect from 1 January 2014. The package will change the way that MGL calculates and reports its capital surplus. MGL believes that it has sufficient capital to meet APRA's minimum capital requirements under the current proposal.

APRA has confirmed that under the proposed framework, the issue of MCN will receive transition relief and contribute to eligible capital until the first Optional Exchange Date (19 June 2018).

5. Investment risks

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

5. Investment risks

MGL believes that the following investment considerations may affect its ability to fulfil its obligations under MCN 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 MCN issued under the Offer and the market for MCN generally are also described below.

MGL believes that the investment considerations described below represent the principal risks inherent in investing in MCN issued under the Offer, but MGL may be unable to pay interest, principal or other amounts on or in connection with any MCN 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 MCN, you should also read the detailed information set out elsewhere in this Prospectus and seek professional guidance from your stockbroker, solicitor, accountant or other independent and qualified professional adviser as to the risks and investment considerations arising from an investment in MCN, 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.

5.1. Risks associated with investing in MCN

5.1.1. Investments in MCN are not deposit liabilities or protected accounts under the Banking Act

Investments in MCN are an investment in MGL and may be affected by the ongoing performance, financial position and solvency of MGL and Macquarie Group. They are not deposit liabilities or protected accounts under the Banking Act. MCN are not guaranteed by any Australian government, government agency or compensation scheme of Australia or any other jurisdiction.

5.1.2. Suitability

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

5.1.3. Market price and liquidity of MCN

The market price of MCN may fluctuate due to various factors, including poor financial performance by Macquarie Group, a negative 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 and factors that may affect Macquarie Group's financial

performance and position. MCN may trade at a market price below their Issue Price.

Where MCN 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 MCN 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 MCN and Ordinary Shares. You should carefully consider this risk before deciding to invest in MCN.

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

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

5.1.4. Market Price and liquidity of Ordinary Shares

Any Ordinary Shares issued on Exchange will rank equally with existing 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, MCN Holders will generally receive approximately \$101 worth of Ordinary Shares per MCN, based on the VWAP over a period of ASX Trading Days immediately before 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 worth more or less than \$101.

Additionally, the market price of Ordinary Shares is used to determine whether Exchange can occur in various conditions through the Exchange Conditions and 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 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 and factors that may affect Macquarie Group's financial performance and position.

Where MCN 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, MCN 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.

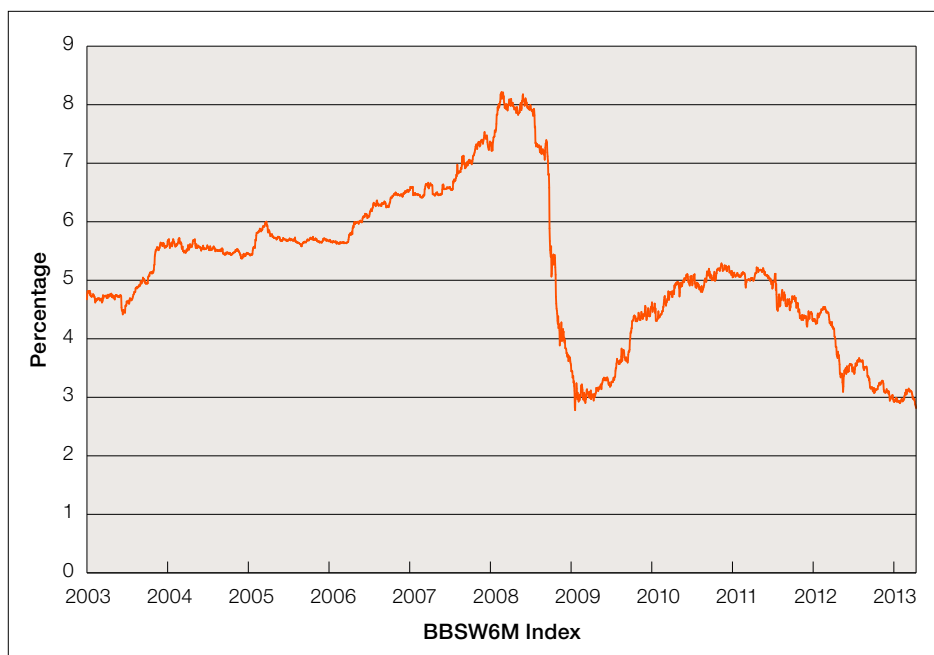
5.1.5. Distributions may not be paid

There is a risk that Distributions may not be paid. The MCN 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 then that Distribution will not be paid. If the payment of a Distribution would result in a breach of APRA's regulatory requirements as they apply to MGL (either currently or in the future) or if MGL is not permitted to pay the Distribution under the Corporations Act, or if APRA otherwise objects, then a Distribution will not be paid. If the payment would result in MGL or any other member of the Macquarie Group becoming or being likely to become insolvent for the purposes of the Corporations Act then a Distribution will not be paid. Changes in 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, so if a Distribution is not paid for any reason, MCN Holders will have no right to receive that Distribution in the future. MCN Holders have no remedy for any non-payment. However, unless MGL pays the relevant Distribution in full within 10 Business Days of a Distribution Payment Date, a Dividend Restriction will apply to MGL. This means that MGL must not, subject to certain exceptions, without the approval of a Special Resolution, until and including the next Distribution Payment Date determine, declare or pay a dividend or make any other distribution on any Ordinary Shares or undertake any Buy-Back or Capital Reduction.



5.1.6. Changes in Distribution Rate

The Distribution Rate is calculated from 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 below 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.

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

5.1.7. Distributions may or may not be franked

MGL currently franks dividends on Ordinary Shares at 40% and Distributions will be franked at the same rate as Ordinary Shares. However, there is no guarantee that this will continue for the life of MCN and it is possible that at some time in the future Distributions on MCN may become unfranked, partially franked to a different level or fully franked.

MGL's ability to frank Distributions on MCN is affected by its level of available

franking credits. MGL's level of available franking credits may be affected by a wide range of factors, including its business performance, in what jurisdictions it makes profits and pays tax, the applicable Australian corporate tax rate, the assessment of relevant tax authorities and the amount of other frankable distributions.

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.

5.1.8. Use of franking credits by MCN Holders

The value and availability of franking credits to a MCN Holder will differ depending on that MCN Holder's particular tax circumstances. MCN 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 MCN Holder. MCN Holders should refer to the taxation summary in section 6 and seek professional advice in relation to their tax position.

5.1.9. Dividend Restriction applies in limited circumstances

In summary, the Dividend Restriction limits MGL's ability to pay dividends on, buyback, and reduce capital in respect of Ordinary Shares if a Distribution is not paid, subject to certain exceptions. Unlike hybrid securities issued by Macquarie Group entities in the past (such as the 2008 CPS), the Dividend Restriction applying in respect of MCN does not apply to any securities (such as other securities ranking equally with MCN) other than Ordinary Shares. Accordingly, non-payment of a Distribution will not restrict MGL from making payments in respect of securities that rank equally with MCN.

Further, the Dividend Restriction applies only until the next Distribution Payment Date. If Distributions are recommenced on MCN, the Dividend Restriction will be lifted. This is unlike some other hybrid securities (such as CPS), which had more comprehensive dividend restrictions.

As a consequence, when compared to some other hybrid securities (including the 2008 CPS) the consequences for MGL of not paying a Distribution are reduced.

5.1.10. Risks upon Exchange for Ordinary Shares

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

5.1.11. MCN are perpetual and Exchange, Redemption or Resale may not occur

If not Redeemed, Exchanged or Written-Off beforehand, MCN are expected to be Exchanged for Ordinary Shares on 21 June 2021*, subject to the 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 pro rata issues of Ordinary Shares. There are no adjustments for other capital transactions undertaken by MGL (e.g. rights issues, share placements) which might reduce the Ordinary Share price. The MCN Terms do not limit the ability of MGL to undertake such capital transactions or any action that may adversely affect the position of MCN 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 MCN, subject to MGL's discretion to pay Distributions and the other Payment Conditions. As such, MCN are a perpetual instrument and MCN Holders may never receive any return of their investment, either as cash or Ordinary Shares.

* Due to the Business Day convention, the Scheduled Mandatory Exchange Date is deferred from 19 June 2021 to 21 June 2021.

5.1.12. 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 MCN Holders receive cash or Ordinary Shares) may be disadvantageous to MCN Holders and may not coincide with their individual preference. MCN Holders have no right to request any of Exchange, Redemption or Resale at any time.

Whilst no Regulatory Events or Tax Events are currently expected, these events could occur at any time, and are beyond the control of MGL.

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 MCN to be Redeemed are replaced by a new issue of capital 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 MCN are Redeemed. APRA must give written approval for any Redemption or Resale of MCN. 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 MCN Holders. This may disadvantage MCN Holders and not coincide with their individual preferences. The rate of return at which MCN Holders may reinvest their funds may be lower than the Distribution Rate on MCN.

5.1.13. Other events affecting Exchange

Other events and conditions may affect the ability of MCN Holders to trade or dispose of Ordinary Shares issued on Exchange e.g. 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.

5.1.14. Cash payment only in limited circumstances

MCN Holders will only receive a cash payment for their MCN where MGL chooses to Redeem or Resell MCN. This choice of Redeeming or Reselling MCN is only available on specific dates 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, that APRA would give approval, or that MGL would choose to Redeem or Resell MCN. As a consequence, there is no certainty that MCN Holders will receive a cash payment for their MCN.

5.1.15. 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 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 a MCN (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 Directors determine that the Exchange would be in the best interest of the MCN Holders taken as a whole)).

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

5.1.16. Impact of a Non-Viability Event

If a Non-Viability Event occurs, MGL must immediately Exchange some or all MCN for Ordinary Shares. This could occur at any time and accordingly, any such Exchange may occur at a time not previously contemplated by MCN Holders, which may disadvantage MCN Holders and not coincide with their individual preferences.

Only a portion of MCN may be Exchanged. In these circumstances, MGL must treat MCN on an approximately proportional basis, or any other basis as MGL considers fair and reasonable, subject to adjustments to take into account the effect of marketable parcels of MCN, provided that nothing in this process delays or impedes the Exchange taking effect.

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 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 insolvency. 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 a MCN Holder may lose some or all of their investment.

If a Non-Viability Event occurs, some or all MCN on issue will be immediately Exchanged into Ordinary Shares. Exchange will occur automatically, without the need for any further action and MGL will treat MCN Holders as though the Exchange has occurred. MGL expects that any ASX trades in MCN that have not settled on the date of a Non-Viability Event will continue to settle in accordance with the normal ASX T+3 settlement, although the seller will be

treated as having delivered and the buyer will be treated as having acquired Ordinary Shares into which the MCN have been Exchanged. Alternatively, trading in MCN and Ordinary Shares may be halted and unsettled transfers of MCN may not be registered. This disruption in trading may cause the MCN Holder to suffer a loss and be unable to deal in MCN.

MCN 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 a MCN 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 the market price of Ordinary Shares may be volatile. Accordingly, a MCN Holder may receive significantly less than \$100 worth of Ordinary Shares per MCN 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.

Additionally, 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. If an Inability Event occurs and the relevant MCN cannot be Exchanged within 5 Business Days of the Non-Viability Event then the Ordinary Shares will not be issued and the relevant MCN will be Written-Off. In such cases, the MCN Holder will not receive any Ordinary Shares in respect of

these MCN, 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 MCN Holders and MGL.

5.1.17. Ordinary Shares issued to a nominee

If MCN are to be Exchanged and:

- the MCN Holder has notified MGL that it does not wish to receive Ordinary Shares and MGL and the Trustee (or Nominee) are satisfied that the Ordinary Shares otherwise to be Exchanged may lawfully be issued and sold by the Trustee (or Nominee) without having to take steps which either or both regard as onerous;
- the MCN are held outside of Australia 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 MCN Holder; or
- MGL believes it is not permitted to issue some or all Ordinary Shares to a particular MCN Holder under any Australian or foreign law which limits or restricts the number of shares in MGL which a person may hold; then

subject to applicable law, MGL will instead issue the relevant Ordinary Shares to the Trustee (or Nominee appointed by MGL) which will at the first reasonable opportunity sell the Ordinary Shares (together with Ordinary Shares of each other MCN Holder similarly affected) and pay to the relevant MCN Holder its proportionate share of the net proceeds actually received (after deducting applicable brokerage, stamp duty and other taxes, charges and expenses).

The Trustee (or Nominee) may appoint one or more entities to act as sale agents in connection with the sale.

If MGL appoints a Nominee to receive the issue of, and sell, Ordinary Shares in relation to an Exchange event, the appointment of the Nominee is to the

exclusion of the Trustee. In other words, in such a situation, the Trustee will have no role in connection with the sale of the relevant Ordinary Shares or the distribution of the sale proceeds. Instead, the sale process will be conducted by the Nominee. In such a situation, the Trustee will owe no duties or obligations under the MCN Terms or Trust Deed to MCN Holders in connection with the Ordinary Shares issued to, and sold by, the Nominee.

The Trustee (or Nominee) gives no assurance as to whether a sale will be achieved or the price at which it may be achieved and has no liability to MCN Holders for any loss suffered as a result of the sale of Ordinary Shares. The issue of the Ordinary Shares to the Trustee (or a Nominee) will satisfy all obligations of MGL in respect to the MCN.

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

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

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

5.1.18. Restrictions on rights and ranking in a Winding Up

MCN are issued by MGL under the terms of the Trust Deed (including the MCN Terms). A MCN Holder has no claim on MGL in respect of the MCN except as provided in the MCN Terms and in the Trust Deed. For further information on the relevant provisions of the Trust Deed see section 7.1.

MCN are unsecured and subordinated obligations of MGL. In the event of a Winding Up of MGL and assuming that MCN have not been Exchanged or Redeemed and are not required to be Written-Off due to a Non-Viability Event, MCN Holders will be entitled to claim for the Liquidation Amount of each MCN equal to \$100 for each MCN. The claim for the Liquidation Amount ranks equally with Equal Ranking Obligations but is subordinated to Senior Creditors. If there is a shortfall of funds on a Winding Up of MGL to pay all amounts ranking senior to MCN, MCN Holders will not receive any of the Liquidation Amount. If, on a Winding Up of MGL, all amounts ranking senior to MCN have been paid but there is a shortfall of funds to pay all amounts ranking equally with MCN, MCN Holders may not receive all (or any) of the Liquidation Amount.

If the MCN have been Exchanged (including following the occurrence of a Non-Viability Event), MCN 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 Exchange of MCN is not possible (for example due to applicable laws, order of a court or action of any government authority) and MGL is not able to issue the Ordinary Shares within 5 Business Days following such an event, then the MCN Holder's rights (including to Distributions) in relation to those MCN are immediately and irrevocably terminated and written-off. The MCN Holder's investment will lose all of its value and the MCN Holder will not receive any compensation.

Although MCN may pay a higher rate of distribution than comparable securities and instruments which are not subordinated, there is a greater risk that a MCN Holder would lose some or all of their investment should MGL become insolvent or be wound up.

5.1.19. Other securities issued by MGL

MCN do not in any way restrict MGL from issuing further Ordinary Shares, securities or from incurring further debts. MGL's obligations under MCN are subordinate to Senior Creditors. Accordingly, the obligations of MCN will not be satisfied unless MGL can satisfy in full all of its other obligations ranking senior to MCN and future issues of securities or debts by MGL may dilute the claim of MCN Holders or reduce the value of their investment.

An investment in MCN 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 MCN or the likelihood of payments being made on MCN.

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

5.1.20. 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 5.2.8 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 MCN will not be rated, such changes could adversely affect the market price, liquidity and performance of MCN or Ordinary Shares received on Exchange.

5.1.21. Regulatory treatment

MCN are Eligible Capital of MGL, which qualify as regulatory capital of MGL for

APRA purposes. APRA has proposed draft prudential rules to apply to financial conglomerates such as MGL but the final form of those rules is not known at the date of this Prospectus. Should MCN not comply with those rules when finalised, APRA has confirmed that MCN will be eligible for transitional relief and be included in the regulatory capital of MGL until 19 June 2018.

If a change in law or regulation occurs or APRA determines that MCN do not qualify as Eligible Capital of MGL, a Regulatory Event may occur. If a Regulatory Event occurs, MGL may be entitled to Exchange or, with the written approval of APRA, Resell or Redeem MCN.

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

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 MCN Holders receive cash or Ordinary Shares) may be disadvantageous to MCN Holders and may not coincide with their individual preference.

5.1.22. Tax consequences

A general outline of the tax consequences of investing in MCN for certain potential investors who are Australian residents for tax purposes is set out in the Taxation Summary in section 6. 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 known about at the time of issue of MCN, which has an adverse effect on MGL in the amount of taxes, assessments or other governmental

charges in connection with MCN or affects the withholding or franking treatment of MCN 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 MCN.

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

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 MCN Holders receive cash or Ordinary Shares) may be disadvantageous to MCN Holders and may not coincide with their individual preference.

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

5.1.23. 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.

5.1.24. Shareholding limits

Various laws, including Chapter 6 of the Australian Corporations Act, the Foreign Acquisition and Takeovers Act 1998, the Financial Sector (Shareholdings) Act 1998 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 Financial Sector (Shareholdings) Act restricts ownership of MGL by people (together with their associates) to a 15%

stake. A shareholder may apply to the Australian Treasurer to extend their ownership beyond 15%, but approval will not be granted unless the Treasurer is satisfied that the holding is not against the national interest.

MCN Holders should take care to ensure that their holding of MCN (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 MCN Holder (either directly or indirectly) is prevented by law, MGL may be unable to Exchange those MCN and they will be Written-Off.

5.1.25. FATCA Withholding

Under sections 1471-1474 of the US Internal Revenue Code (the US Foreign Account Tax Compliance Act ("FATCA")), certain financial institutions (such as MGL) will be required to provide the US Internal Revenue Service ("IRS") with information on accounts held by US persons or be subject to a 30% US withholding tax on all, or a portion of, certain US source payments it receives after 31 December 2013 (and after 31 December 2016 on any gross proceeds from the sale or other disposition of any property of a type that can produce US source interest or dividends). MGL can comply with such information reporting requirements (and thus avoid such withholding tax) by entering into and complying with an agreement with the IRS or, if the Australian Federal Government enters into an intergovernmental agreement with the US Federal Government, by complying with such intergovernmental agreement. Based on guidance issued and announcements from the Australian Federal Government to date, the Australian Federal Government has announced that it intends to enter into such an inter-governmental agreement with the US Federal Government. An imposition of the foregoing 30% US withholding tax could materially affect MGL's ability to make payments on MCN.

Assuming that MGL is not subject to the 30% US withholding tax described above, MGL or other financial institutions or intermediaries through which payments

are made or securities are issued may be required to withhold or deduct amounts from payments on MCN or Ordinary Shares issued on Exchange of MCN after 31 December 2016 if (i) payments are made to or through a non-US financial institution that is not a "participating" institution or is not otherwise deemed to be FATCA compliant; or (ii) the MCN Holder does not provide certain information which may be requested.

MCN Holders will be required to provide MGL with information necessary to comply with FATCA related information reporting agreements. MCN Holders will not be entitled to receive any gross-up or additional amounts to compensate them from such withholding. Future guidance or additional regulations may affect the application of FATCA to MCN.

5.1.26. Amendment of MCN Terms or Trust Deed

MGL may, with the written approval of APRA where required, amend the MCN Terms or Trust Deed without the approval of MCN Holders or the Trustee. These include amendments which do not materially adversely affect the interests of the MCN Holders as a whole.

Notwithstanding the above, any amendment to the MCN 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.

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

APRA's prior written approval of an amendment is only required where the amendment may affect the eligibility of MCN as Eligible Capital of MGL.

5.2. 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.

5.2.1. Impact of risks associated with MGL on an investment in MCN

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

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.

5.2.2. 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 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. If the economic climate worsens in the future, including due to

ongoing sovereign debt concerns in Europe, concerns about United States or global growth, or concerns of a systemic shock, the Macquarie Group's financial performance, business or strategy may be adversely affected.

The Macquarie Group relies on equity and debt markets for funding its business. 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 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 and loan impairment provisions. This would impact the Macquarie Group's financial performance.

5.2.3. 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.

5.2.4. 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 and the Australian Competition Consumer Commission. Outside Australia, Macquarie Group's key regulators include the United States Securities Exchange Commission, 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.

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.

5.2.5. 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.

With respect to acquisitions, the Macquarie Group 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.

5.2.6. Exchange rate risk

The Macquarie Group's financial statements are presented in Australian dollars. However a portion of the Macquarie Group's operating income is derived from offshore business activities, which are conducted in a broad range of currencies. 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.

5.2.7. Market risk 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 foreign 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. 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.

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 of operations due to default. These risks may impact the value of financial instruments and other financial assets that are carried at fair market value.

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

5.2.9. 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.

5.2.10. 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.

5.2.11. 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.

5.2.12. 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, 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.

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

5.2.13. Capital adequacy risk

Macquarie Group maintains 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 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 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.

Many of the capital frameworks that the Group operates under have been recently reviewed or are currently under

review. APRA has proposed prudential rules to apply to financial conglomerates such as MGL, but the final form of those rules is not known at the date of this Prospectus. Changes to these frameworks can require the Group to hold more capital and have an adverse impact on the Group's financial performance and position and to the market price of MCN and other securities.

5.2.14. 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.

5.2.15. 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.

5.2.16. 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.

5.2.17. Physical trading in oil and other commodities

The Macquarie Group undertakes physical trading activities in oil and other commodities. These activities are subject to the risk of unforeseen events, including natural disasters, leaks, spills, explosions, fires and acts of terrorism. The Macquarie Group may not be able to obtain insurance to cover some of these risks.

The occurrence of any such events may prevent the Macquarie Group from performing obligations owed to clients, may impair its operations or financial results and may result in litigation, regulatory action and harm to its reputation.

5.2.18. Litigation risk

The Macquarie Group may, from time to time, be subject to material litigation and regulatory actions 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.

5.2.19. Poor performance of funds

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.

5.2.20. Other risks

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

6. Taxation summary

6. Taxation summary

6.1. Summary of Australian tax consequences for MCN Holders

The following is a summary of the Australian tax consequences for certain Australian resident MCN Holders who subscribe for MCN 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 MCN. In particular, this summary does not consider the consequences for MCN Holders who:

- acquire MCN otherwise than under the Offer;
- hold MCN in their business of share trading or dealing in securities, or who otherwise hold their MCN 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 MCN.

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

6.1.1. Class ruling sought on MCN

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

6.1.2. Distributions on MCN

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

MCN Holders should include such Distributions in their assessable income. If the Distribution includes franking credits, MCN Holders should also be required to include the franking credits in their assessable income. However, the

MCN Holder may be entitled to a tax offset equal to the franking credits received. This is subject to the MCN 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 MCN Holder.

A MCN 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 MCN Holder’s total taxable income.

A MCN 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 MCN Holder satisfying certain loss carry forward rules).

MCN 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 MCN Holders include exempt bodies and the trustees of trusts other than complying superannuation funds.

Holding period rule

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

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

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

A MCN Holder that holds their MCN 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 MCN Holders that are individuals and who do not receive franking credits in excess of \$5,000 provided they are not under an obligation to make a “related payment” as described above. In this instance, the MCN Holder should be entitled to the benefit of franking credits whether or not their MCN 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 MCN 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 recently 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 the MCN.

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

6.1.3. Exchange of MCN 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 MCN into Ordinary Shares such that the gain or loss is effectively deferred.

As a consequence, the MCN Holder's cost base in the Ordinary Shares acquired on Exchange should be equal to their cost base in the MCN. 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).

6.1.4. Sale on ASX, Redemption or Resale

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

The Class Ruling application has also requested that the ATO address the issue as to whether the MCN should constitute "traditional securities" such that the gain or loss on the sale of the MCN 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 the MCN are not "traditional securities". On this basis, any gains or losses made by MCN Holders on the sale of the MCN should be taxed under the CGT rules.

CGT Discount Concession

Where a MCN Holder realises a capital gain on disposal of the MCN, certain MCN Holders who have held their MCN 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 the MCN, the capital losses are generally only deductible against capital gains, but can be carried forward for use in a later year.

6.1.5. Ordinary Shares following Exchange

The dividends received on Ordinary Shares should give rise to similar tax consequences outlined in section 6.1.2 in relation to Distributions on MCN.

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 MCN Holders (individuals, trusts and complying superannuation funds) to be eligible for the CGT discount concession on the disposal of Ordinary Shares.

6.1.6. Provision of TFN and/or ABN

MCN 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 (currently at the rate of 46.5%) on the payment of distributions on certain types of investments such as the unfranked part (if any) of Distributions.

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

6.1.7. GST

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

6.1.8. Stamp duty

Under current law, no stamp duty should be payable by a MCN Holder on the issue, transfer, Redemption, Exchange or Resale of MCN so long as all of MGL's shares are listed and its shares and the MCN are quoted on the ASX and no MCN Holder (of itself or after aggregating holdings of associates) will acquire or hold a 90% or more interest in MGL.

6.1.9. Summary of Australian tax consequences for Eligible 2008 CPS Holders

Eligible 2008 CPS Holders who hold the CPS on capital account and accept the offer to sell all or some of their 2008 CPS to the Reinvestment Purchaser under the Reinvestment Offer will make a capital gain or loss on the sale that should be calculated based on the sale price of \$105.1371 less their cost base of the 2008 CPS.

The cost base of the MCN should include \$100 being the amount that the Eligible 2008 CPS Holder directs the Reinvestment Purchaser to pay to MGL as Application Payment for the MCN.

The Eligible 2008 CPS Holders who participate in the Reinvestment Offer should include in their assessable income their share of the taxable income of the Macquarie CPS Trust to which they were presently entitled. It is anticipated that the trustee of the Macquarie CPS Trust will notify Eligible 2008 CPS Holders of their share of the taxable income of the CPS Trust (if any).

Under current law, no stamp duty should be payable by an Eligible 2008 CPS Holder on the sale of the 2008 CPS to the Reinvestment Purchaser pursuant to the Reinvestment Offer.

7. Additional information

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

7. Additional information

7.1. Trust Deed

MGL has entered into the Trust Deed with The Trust Company (Australia) Limited as the Trustee. The MCN Terms are set out as a schedule to the Trust Deed. A copy of the Trust Deed can be obtained from www.MacquarieCNOffer.com.au.

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

All payment, Exchange and other obligations under the MCN 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 MCN.

The Trustee is not responsible for monitoring any breach of the Trust Deed, the MCN Terms, the occurrence of any event which may trigger an Exchange or the activities, financial position, 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 MCN Holders in respect of MCN when such amounts become due; and
 - MGL has breached the MCN Terms, the Trust Deed or the provisions of Chapter 2L of the Corporations Act; and
- unless the Trustee is satisfied a breach of the MCN Terms, the Trust Deed or the provisions of Chapter 2L of the Corporations Act is not materially prejudicial to the MCN 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 MCN Terms, Trust Deed and Chapter 2L of the Corporations Act and, to the extent permitted by the MCN Terms, Trust Deed and 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 MCN Holders' interests). Applicants for MCN should carefully read and fully understand this Prospectus, the MCN Terms and the Trust Deed before applying for MCN. In particular, applicants should carefully read Sections 1 and 2 of this Prospectus (which summarise some of the key terms of the MCN and the Offer) before applying for MCN.

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

7.1.1. Appointment of Trustee and declaration

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

- a trust settlement sum of \$10.00;
- the right to enforce, on behalf of MCN Holders, MGL's obligations to pay amounts payable under the MCN Terms and under the Trust Deed;
- the right to enforce, on behalf of MCN Holders, all other duties of MGL under the MCN 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 Trust Deed).

7.1.2. MGL undertakings

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

- pay any amounts due and payable in respect of MCN;

- comply with its obligations under the MCN Terms, all laws applicable to it (including Chapter 2L of the Corporations Act) where failure to do so would be likely to have a material adverse effect in relation to the MCN; and
- comply with any conditions imposed by ASX in connection with the MCN except to the extent those conditions may affect the eligibility of MCN as Eligible Capital.

7.1.3. Trustee limitation of liability

The Trustee is not liable to MGL, MCN 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:

- it can be satisfied out of the assets of the Trust out of which the Trustee is actually indemnified in respect of the liability; and
- there is sufficient property held by the Trustee as trustee of the Trust at the time, which is available to meet that liability (after Trust assets have been allocated to meet the liability and any other valid claims).

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, gross 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 MCN 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 7.1.3).

7.1.4. Action by Trustee

The Trustee is required, at all times, to act in accordance with its obligations under the MCN Terms, the Trust Deed, the Corporations Act and applicable law. Subject to the MCN Terms and to section 283DA(h) of the Corporations Act, the Trustee must take action to enforce its rights and the rights of MCN Holders under the Trust Deed and the MCN 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 MCN Holders or any of them unless:

- the Trustee is requested to take action by MCN Holders who hold between them at least 25% of the outstanding principal amount of MCN then outstanding or it has been so directed by a Special Resolution of the MCN Holders;
- the Trustee is indemnified to its reasonable satisfaction (including being placed in funds, if required by it) 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 Trust Deed and the MCN Terms and is not prohibited by law.

7.1.5. Direct action by MCN Holder

No MCN Holder is entitled to proceed directly against MGL to enforce the performance of any of the provisions of the Trust Deed or the MCN Terms (including any right, power or remedy in connection with the MCN and whether arising under the Trust Deed or the other transaction documents), unless the Trustee, having become bound to proceed, fails to do so within 14 days and such failure is continuing, in which case any such MCN Holder may itself institute proceedings against MGL in accordance with the Trust Deed and the MCN Terms.

MCN Holders should be aware that, even if action is taken by the Trustee in accordance with the MCN 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 MCN Terms. Further, MCN Holders should be aware that the Trustee may not take any action to enforce any obligation of MGL in connection with the MCN unless the enforcement of that obligation is in accordance with the MCN Terms, the Trust Deed and applicable law.

7.1.6. 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 agreed fee is, at the date of this document, an annual fee of up to \$20,000 (exclusive of GST) plus an upfront fee of \$5,000 (exclusive of GST). MCN Holders should note that the annual fee is subject to change. 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 MCN Terms;
- 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 MCN 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.

7.1.7. 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 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 MCN 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 (other than to any assets of any trust of which the Trustee is trustee other than the Trust);
- 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 MCN Holders; or
- MGL reasonably believes 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.

7.1.8. Meetings

A meeting of MCN 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 MCN; and
- 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 MCN Terms (subject to the other conditions in section 5.1.26 being complied with).

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

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

A MCN 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.

7.2 Offer Management Agreement (“OMA”)

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

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

7.2.1. Fees

The fees payable to the Joint Lead Managers are set out in Section 7.1.6.

7.2.2. Representations, warranties and undertakings under the OMA

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 OMA 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 OMA and the Offer.

7.2.3. Termination events

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

- 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 OMA 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 OMA 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 or MGL other than the appointment of a Director to the MGL Board;
- a contravention by MGL of the Corporations Act, the MGL Constitution, or any of the ASX Listing Rules;
- a change in law is introduced which is likely to prohibit or materially adversely regulate the Offer, capital issues, or stock markets or adversely affect the tax treatment of MCN; 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 contained in the OMA is not true or correct.

7.2.4. Indemnity

Macquarie indemnifies the Joint Lead Managers and its related bodies corporate and each of their officers, directors, employees, agents and advisers against liabilities in connection with its appointment under the OMA, or as a result of, 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 OMA.

7.3. Summary of rights attaching to Ordinary Shares

Ordinary Shares will be issued to MCN Holders on certain events – see section 2.3 to 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 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 carrying preferred rights);
- 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.

7.4. 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 (age 72)

Independent Chairman since 17 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 is currently Chairman of Origin Energy Limited and a Director of the United States Studies Centre at the University of Sydney. Mr McCann is a Fellow of the University of Sydney Senate and a member of its Nominations and Appointments, Investment and Commercialisation and Finance and Audit Committees and a member of the University of Sydney Business School Advisory Board. He is also Chairman of the National Library of Australia Foundation, a member of the European

Australian Business Council, the Corporate Governance Committee of the Australian Institute of Company Directors, the Board on Diversity, Allens and Linklaters, and the Evans and Partners Advisory Board. Mr McCann was a Partner (from 1970 to 2004) and Chairman of Allens Arthur Robinson, a leading firm of Australian lawyers. He practiced as a commercial lawyer specialising in Mergers and Acquisitions, Mineral and Resources Law and Capital Markets Transactions. He was previously Chairman of Triako Resources Limited, Healthscope Limited and ING Management Limited and a Director of BlueScope Steel Limited.

Nicholas W Moore, BCom LLB (UNSW), FCA (age 54)

Managing Director and Chief Executive Officer since May 2008

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

Member of the Board Risk Committee

Nicholas Moore joined Macquarie's Corporate Services Division in 1986. In 1996, Mr Moore was appointed Head of the Project and Structured Finance Division. In 1998 he was appointed Head of the Asset and Infrastructure Group and then Head of the Investment Banking Group on its inception in 2001. In this role, he oversaw significant growth in Macquarie's net income through the global growth of the advisory, fund management, financing and securities businesses. Currently, Mr Moore is also Chairman of the Police and Community Youth Clubs NSW Limited, a Director of the Centre for Independent Studies and Chairman of the University of NSW Business School Advisory Council.

Michael J Coleman, MComm (UNSW), FCA, FCPA, FAICD (age 62)

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

Member of the Board Audit Committee

Member of the Board Risk Committee

Michael Coleman was a senior audit partner with KPMG for 30 years. He 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. Mr Coleman is currently Deputy Chairman of the Financial Reporting Council, a member of the Audit Committee of the Reserve Bank of Australia, Chairman of the Reporting Committee of the Australian Institute of Company Directors and a member of the Advisory Board of Norton Rose Australia. He is also Chairman of Planet Ark Environmental Foundation, Chair of the Advisory Board of the Centre for Accounting and Assurance Services Research at UNSW and a Director of Osteoporosis Australia. Previously Mr Coleman was Chairman of ING Management Limited.

Diane J Grady AM, BA (Mills), MA (Hawaii), MBA (Harv), FAICD (age 64)

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

Member of the Board Remuneration Committee

Member of the Board Risk Committee

Ms Grady has been a full time independent director of public companies and not-for-profit boards since 1994. She is currently a member of the McKinsey Advisory Council, the Centre for Ethical Leadership/Melbourne Business School and the Heads Over Heels Advisory Board. She is Chair of Ascham School and the Hunger Project Australia. Previously she was a director of Bluescope Steel Limited, Woolworths Limited, Goodman Group, Watty Limited, Lend Lease US Office Trust, Lend Lease Limited, MLC and a Trustee of the Sydney Opera House. She was also President of Chief Executive Women and chaired the group's taskforce which published the CEO Kit for Attracting and Retaining Female Talent.

Ms Grady was formerly a partner at McKinsey & Company where she spent 15 years consulting to clients in a broad

range of industries on strategic and operational issues. She was a worldwide leader of the firm's Organisation and Change Management Practice and the first woman outside the United States to be elected to McKinsey's global partnership. In Australia, she headed McKinsey's Consumer Goods, Retailing and Marketing Practice Group. Ms Grady was made a member of the Order of Australia in 2009 for her contribution to business and to the promotion of women leaders and in 2001 received a Centenary Medal for service to Australian society through business leadership.

Michael J Hawker AM, BSc (Sydney), FAICD, SF Fin (age 53)

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

Member of the Board Audit Committee

Member of the Board Risk Committee

Member of the Board Governance and Compliance Committee

Michael Hawker was Chief Executive Officer and Managing Director of Insurance Australia Group from 2001 to 2008. From 1995 to 2001, Mr Hawker held a range of positions at Westpac, including Group Executive of Business and Consumer Banking and General Manager of Financial Markets. Prior to this, he held a number of positions at Citibank, including Deputy Managing Director for Australia and subsequently Executive Director, Head of Derivatives, Europe. Currently, 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 Director of Washington H Soul Pattinson and Company Limited and Chairman of Australian Rugby Union and SANZAR (South African, New Zealand and Australian Rugby). Mr Hawker is a member of the International Rugby Board Council, the Executive Committee of the International Rugby Board, the Advisory Board to GEMS, a Hong Kong based private equity firm, and of the board of trustees of the Giant Steps Foundation. He was previously 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 additionally the founder of the Australian Business in the Community Network.

Peter M Kirby, BEc (Rhodes), BEc (Hons) (Natal), MA (Manch), MBA (Wits), FAICD (age 65)

Independent Voting Director since August 2007 (of Macquarie Bank since June 2003)

Member of the Board Audit Committee

Member of the Board Governance and Compliance Committee

Member of the Board Risk Committee

Peter Kirby was Managing Director and Chief Executive Officer of CSR Limited from 1998 to March 2003. He was a member of the Board of the Business Council of Australia from 2001 to 2003. Mr Kirby received the Centenary Medal in 2003. Prior to joining CSR, he was with the Imperial Chemical Industries PLC group (ICI) for 25 years in a variety of senior management positions around the world, including Chairman/CEO of ICI Paints, responsible for the group's coatings businesses worldwide, and a member of the Executive Board of ICI PLC, with responsibility for ICI Americas and the western hemisphere. Currently he is Chairman of DuluxGroup Limited. Mr Kirby's previous directorships include Chairman and Director of Medibank Private Limited, Director of Orica Limited and the Beacon Foundation.

Catherine B Livingstone AO, BA (Hons) (Macquarie), HonDBus (Macquarie), HonDSc (Murdoch), FCA, FTSE, FAICD (age 57)

Independent Voting Director since August 2007 (of Macquarie Bank since November 2003)

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

Catherine Livingstone was Managing Director of Cochlear Limited from 1994 to 2000. Prior to that she was Chief Executive, Finance, at Nucleus Limited

and before that held a variety of finance and accounting roles including having been with chartered accountants, Price Waterhouse, for several years. Ms Livingstone was awarded the Centenary Medal in 2003 for service to Australian Society in Business Leadership and was elected a Fellow of the Australian Academy of Technological Sciences and Engineering in 2002. She is currently Chairman of Telstra Corporation Limited, a member of the New South Wales Innovation and Productivity Council and the Advisory Board, John Grill Centre for Project Leadership at the University of Sydney. She is President of the Australian Museum Trust. Ms Livingstone is a Director of WorleyParsons Limited, The George Institute for Global Health and Saluda Medical Pty Ltd. Ms Livingstone was previously Chairman of CSIRO and a Director of Goodman Fielder and Rural Press Limited, as well as President of Chief Executive Women.

John R Niland AC, BCom MCom HonDSc (UNSW), PhD (Illinois), DUniv (SCU), FAICD (age 72)

Independent Voting Director since August 2007 (of Macquarie Bank since February 2003)

Chairman of the Board Governance and Compliance Committee

Member of the Board Remuneration Committee

Member of the Board Risk Committee

John Niland is a Professor Emeritus of the University of New South Wales (UNSW) and was Vice-Chancellor and President of UNSW from 1992 to 2002. Before that he was the Dean of the Faculty of Commerce and Economics. He is currently Chairman of Singapore Management University's International Academic Review Panel. Dr Niland is a former Chief Executive of the State Pollution Control Commission and Executive Chairman of the Environment Protection Authority. He has served on the Australian Universities Council, the Prime Minister's Science, Engineering and Innovation Council, the boards of the Centennial Park and Moore Park Trust, realestate.com.au Limited, St Vincent's Hospital, the Sydney Symphony Orchestra Foundation, the Sydney Olympic bid's Building Commission

and the University Grants Committee of Hong Kong. He is a former President of the National Trust of Australia (NSW).

Helen M Nugent AO, BA (Hons) (Qld), PhD (Qld), MBA (Harv), HonDBus (Qld) (age 64)

Independent Voting Director since August 2007 (of Macquarie Bank since June 1999)

Chairman of the Board Remuneration Committee

Member of the Board Nominating Committee

Member of the Board Risk Committee

Helen Nugent is currently Chairman of Funds SA and a Director of Origin Energy Limited. Previously, Dr Nugent has been involved in the financial services sector as Director of Strategy at Westpac Banking Corporation, Chairman of Swiss Re (Australia) Limited and a Non-Executive Director of the State Bank of New South Wales and Mercantile Mutual. In addition, she was previously Chairman of Hudson (Australia and New Zealand) and a Director of UNITAB, Carter Holt Harvey, Australia Post and Herbert Smith Freehills. She has also been a Partner at McKinsey and Company.

Dr Nugent has been actively involved in the arts and education. In the arts, she is Chairman of the National Portrait Gallery and was formerly Deputy Chairman of the Australia Council, Chairman of the Major Performing Arts Board of the Australia Council, Chairman of the Ministerial Inquiry into the Major Performing Arts and Deputy Chairman of Opera Australia. In education, she is currently Chancellor of Bond University and President of Cranbrook School. Dr Nugent is also a member of the Australian Olympic Foundation's Investment Advisory Committee. Previously she was a member of the Bradley Review into Higher Education and Professor in Management and Director of the MBA Program at the Australian Graduate School of Management.

Peter H Warne, BA (Macquarie), FAICD (age 57)

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

Chairman of the Board Risk Committee

Member of the Board Audit Committee

Member of the Board Nominating Committee

Member of the Board Remuneration Committee

Peter Warne was Head of Bankers Trust Australia Limited's (BTAL) Financial Markets Group from 1988 to 1999. Prior to this he held a number of roles at BTAL. Mr Warne was a Director of the Sydney Futures Exchange (SFE) from 1990 and served as Deputy Chairman 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. Currently, Mr Warne is on the boards of other listed entities, including Chairman of ALE Property Group and Deputy Chairman of WHK Group Limited. He is also Deputy Chairman of Capital Markets CRC Limited, a Director of Securities Research Centre of Asia Pacific Limited and 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. He is a former Director of Next Financial Limited, Macquarie Capital Alliance Group and a former Chairman and Director of TEYS Limited.

Directors' relevant interests

The relevant interests of Directors on 2 May 2013 in MGL Ordinary Shares and 2008 CPS are listed in the table below:

Name and position	Direct interests		Indirect interests	
Executive Voting Directors				
N.W.Moore	Ordinary Shares	1,049,271	Ordinary Shares	387,046
	MEREP RSUs	679,198		
	MEREP PSUs	365,566		
Independent Voting Directors				
M.J. Coleman	Ordinary Shares	6,000		
D. J. Grady	Ordinary Shares	3,253		
M.J. Hawker	Ordinary Shares	4,500	2008 CPS	450
P.M. Kirby	Ordinary Shares	23,198		
C.B. Livingstone	Ordinary Shares	646	Ordinary Shares	11,354
H.K. McCann			Ordinary Shares	13,485
J.R. Niland	Ordinary Shares	2,309	Ordinary Shares	7,813
H.M. Nugent	Ordinary Shares	2,906	Ordinary Shares	10,100
P.H. Warne	Ordinary Shares	2,744	Ordinary Shares	13,077

Other than as set out in this Prospectus, no Director or proposed Director of the Issuer 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 Offer.

The MGL Constitution contains provisions about the remuneration of the Directors. As remuneration for their services as Directors, the Directors are paid fees determined by the MGL Board. Each Director may also be paid additional remuneration for performance of additional services and is entitled to reimbursement of reasonable out-of-pocket expenses. Michael Coleman will be paid \$12,900 for additional services performed in connection with the preparation of this Prospectus. The remuneration of Directors is subject to a maximum annual aggregate amount determined by MGL Shareholders in a general meeting. The maximum annual aggregate amount approved is \$4 million for MGL's non-executive Directors.

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 MCN offered under the Offer without MGL Shareholder approval (subject to certain conditions) – see section 7.8.2.

7.5. 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;
- Reinvestment Purchaser;

- The Trust Company (Australia) Limited;
- PricewaterhouseCoopers;
- PricewaterhouseCoopers Securities Ltd;
- King & Wood Mallesons; and
- Computershare.

The Reinvestment Purchaser has given its consent to the inclusion in this Prospectus of the references to it in relation to the Reinvestment Offer in the form and context in which those references appear. Except as outlined above, 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 but does not apply to any matter to the extent to which consent is given.

7.6. Interests and benefits of advisers

Each of Macquarie Capital (Australia) Limited, ANZ Securities Limited, Citigroup Global Markets Australia Pty Limited, Commonwealth Bank of Australia, Evans and Partners Pty Limited, J.P. Morgan Australia Limited, National Australia Bank Limited and RBS Morgans Limited 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 \$7.1 million (exclusive of GST), making certain assumptions as to the allocation of MCN between the Broker Firm Offer, Institutional Offer, Reinvestment Offer, Securityholder Offer and General Offer.

Fees payable to the Trustee for acting as trustee under the Trust Deed are described in section 7.1.6.

PricewaterhouseCoopers has acted as tax advisor to MGL in relation to the Offer. In respect of this work, MGL estimates that it will pay approximately \$84,000 (excluding disbursements and GST) to PricewaterhouseCoopers for work up to the date of this Prospectus. Further amounts may be paid to PricewaterhouseCoopers under its normal time-based charges.

PricewaterhouseCoopers Securities Ltd has acted as accounting advisor 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 \$90,000 (excluding disbursements and GST) to PricewaterhouseCoopers Securities Ltd for work up to the date of this 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 MCN 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 \$675,000

(excluding disbursements and GST) to King & Wood Mallesons for work up to the date of this 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.

7.7. Expenses of the Offer

The total expenses of the Offer will be paid out of the proceeds of the Offer. Assuming the Offer raises \$400 million, then the net proceeds of the Offer are expected to be \$391 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 \$9 million. All of these expenses have been, or will be, borne by MGL.

7.8. ASIC and ASX relief

7.8.1. ASIC

ASIC has granted MGL an exemption from Div. 5A of Part 7.9 of the Corporations Act to permit the Reinvestment Purchaser to offer to acquire 2008 CPS under the Reinvestment Offer without the need to comply with the provisions relating to unsolicited off market offers to acquire securities.

7.8.2. ASX

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

- confirmation that listing rule 3.20.2 will not apply to the Exchange of MCN following an APRA determination of a Non-Viability Event
- confirmation that the MCN 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 MCN in accordance with the MCN Terms;
- determination how the issue of the MCN 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 MCN (and any Ordinary Shares into which they may convert) to related parties of MGL on condition that they are collectively restricted to applying for no more than 0.2% of the total issue;
- confirmation that the proposed timetable for the Offer and the Reinvestment Offer meets ASX's requirements; and
- approval to allow MCN to trade on a deferred settlement basis for a short time following their issue and quotation on ASX.

7.9. Foreign selling restrictions

New Zealand

This Prospectus is not an investment statement or prospectus under New Zealand law and has not been registered, filed with or approved by any New Zealand regulatory authority under or in accordance with the Securities Act 1978 (New Zealand) or any other relevant law in New Zealand. It may not contain all the information that an investment statement or prospectus under New Zealand law is required to contain.

Each applicant, and any persons 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 MCN, will have represented, agreed and acknowledged that they are:

- persons whose principal business is the investment of money or who, in the course of and for the purposes of their business, habitually invest money; or
- persons who are each required to (i) pay a minimum subscription price of at least NZ\$500,000 for the securities before allotment or (ii) have previously paid a minimum subscription price of at least NZ\$500,000 for securities of MGL (“initial securities”) in a single transaction before the allotment of such initial securities and such allotment was not more than 18 months prior to the date of this Prospectus.

MGL reserves the right to refuse any application under the Offer where it reasonably believes that the applicant may be a member of the public for the purpose of the New Zealand Securities Act 1978.

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

Hong Kong

This Prospectus may only be directed at, distributed to, accessed or read by persons in Hong Kong who are, and no MCN has been, or will be, offered or sold in Hong Kong, by means of this Prospectus other than to, “professional investors” as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong and any rules made under that Ordinance or otherwise to or by persons in circumstances which do not result in this Prospectus being a “prospectus” as defined in the Companies Ordinance (Cap. 32) of Hong Kong or which do not constitute the making of an offer to the public within the meaning of that Ordinance.

Each applicant, and any persons 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 MCN, will have represented, agreed and acknowledged that they are a “professional investor” (as such terms are defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong).

Singapore

This Prospectus and any other materials relating to MCN have not been, and will not be, lodged or registered as a prospectus in Singapore with the Monetary Authority of Singapore. Accordingly, this Prospectus and any other document or materials in connection with the offer or sale, or invitation for subscription or purchase of MCN, whether directly or indirectly, to persons in Singapore except pursuant to and in accordance with exemptions in Subdivision (4) Division 1, Part XIII of the Securities and Futures Act, Chapter 289 of Singapore (the “SFA”), or as otherwise pursuant to, and in accordance with the conditions of any other applicable provisions of the SFA.

Each applicant, and any persons 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 MCN, will have represented, agreed and acknowledged that they:

- are an “institutional investor” or a “relevant person” (as such terms are defined in the Securities and Futures Act of Singapore (“SFA”));
- will acquire MCN in accordance with applicable provisions of the SFA; and
- acknowledge that the offer of MCN is subject to the restrictions (including selling restrictions) set out in section 276 of the SFA.

Any offer is not made to you with a view to MCN being subsequently offered for sale to any other party. There are on-sale restrictions in Singapore that may be applicable to investors who acquire MCN. As such, investors are advised to acquaint themselves with the SFA provisions relating to resale restrictions in Singapore and comply accordingly.

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 MCN nor Ordinary Shares have been or will be registered under the US Securities Act and may not be offered or sold in the United States except in transactions exempt from, or not subject to, registration under the US Securities Act and applicable US state securities laws. Any offer, sale or resale of MCN in the United States by a dealer (whether or not participating in the Offer) may violate the registration requirements of the US Securities Act.

Each applicant, and any persons 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 MCN, will have represented, agreed and acknowledged that:

- MCN 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;
- any MCN 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;
- it is not in the United States;
- it will not offer, sell, pledge or transfer any MCN 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 MCN 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.

Switzerland

MCN may not be publicly offered in Switzerland and will not be listed on the SIX Swiss Exchange ("SIX") or on any other stock exchange or regulated trading facility in Switzerland. This document has been prepared without regard to the disclosure standards for issuance prospectuses under art. 652a or art. 1156 of the Swiss Code of Obligations or the disclosure standards for listing prospectuses under art. 27 ff. of the SIX Listing Rules or the listing rules of any other stock exchange or regulated trading facility in Switzerland. Neither this document nor any other offering or marketing material relating to MCN may be publicly distributed or otherwise made publicly available in Switzerland. MCN will only be offered to regulated financial intermediaries such as banks, securities dealers, insurance institutions and fund management companies as well as institutional investors with professional treasury operations.

Neither this document nor any other offering or marketing material relating to MCN have been or will be filed with or approved by any Swiss regulatory authority. In particular, this document will not be filed with, and the offer of MCN will not be supervised by, the Swiss Financial Market Supervisory Authority (FINMA).

This document is personal to the recipient only and not for general circulation in Switzerland.

Each applicant, and any persons 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 MCN, will have represented, agreed and acknowledged that they are:

- an institutional investor subject to Swiss or foreign prudential supervision such as a bank, securities dealer, insurance institution or fund management company; or
- an institutional investor with professional treasury operations.

7.10. 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;
- acknowledge they understand the MCN Terms and have had opportunity to consider the suitability of an investment in MCN with their professional advisers;
- agree to be bound by the MCN Terms;
- agree to the terms of the Offer (and Reinvestment Offer in the case of Eligible 2008 CPS Holder Applicants) and provided authorisation to be registered as the holder of MCN 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 MCN;
- apply for, and agreed to being allocated, the number of MCN 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 MCN 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 MCN 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 MCN as the cleared Application Payment will pay for;

- acknowledge that the information contained in this Prospectus (or any supplementary or replacement Prospectus) is not personal investment advice or a recommendation that MCN is 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 MCN issued, in accordance with section 7.9;
- 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 MCN 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 MGL does not in any way guarantee or stand behind the capital value or performance of MCN.

7.11. Directors consent to lodgement

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

8. How to apply

8. How to apply

8.1. Obtaining a Prospectus and Application Form

During the Exposure Period, an electronic version of this Prospectus (without an Application Form) will be available to eligible investors at www.MacquarieCNOffer.com.au. Application Forms will not be made available until after the Exposure Period.

During the Offer Period, an electronic version of this Prospectus with an Application Form will be available through www.MacquarieCNOffer.com.au and may be available through your Syndicate Broker. You can also request a free paper copy of this Prospectus and an Application Form by calling the MCN Offer Information Line on 1300 346 778 (within Australia) or on +61 3 9415 4898 (International) (Monday to Friday 8.30am – 5.30pm, Sydney time) or by registering online to receive a Prospectus at www.MacquarieCNOffer.com.au.

Eligible 2008 CPS Holders will also have access to download an electronic version of this Prospectus as well as be able to complete the Application Form online through www.MacquarieCNOffer.com.au.

The Corporations Act prohibits any person from passing the Application Form on to another person unless it is attached to, or accompanied by, a printed copy of this Prospectus or the complete and unaltered electronic version of this Prospectus.

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, unless the Application is under the Reinvestment Offer in which case no Application Payment is required.

8.2. Electronic access to this Prospectus

The following conditions apply if this Prospectus is accessed electronically:

- you must access and download the entire Prospectus;
- your Application will only be considered where you have applied on an Application Form (either electronically or paper) that was attached to, or accompanied by, a copy of this Prospectus. By making an Application, you declare that you were given access to the complete Prospectus together with the Application Form; and
- the Prospectus is available electronically to you only if you are accessing and downloading or printing the electronic copy of this Prospectus in Australia, or if you are an Eligible Securityholder.

8.3. Applying for MCN

To apply for MCN, you must complete the Application Form attached to, or accompanying, the Prospectus or the online Application Form at www.MacquarieCNOffer.com.au.

You may apply for MCN under one or more of:

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

The instructions for lodging your Application and accompanying Application Payment vary depending on whether you apply under the Broker Firm Offer, the Reinvestment Offer, the Securityholder Offer or the General 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.

Broker Firm Offer	
Who can apply?	– Broker Firm Applicants, including Broker Firm Applicants applying under the Reinvestment Offer.
When to apply	– Applications will only be accepted during the Offer Period, which is expected to open on 22 May 2013. – The Closing Date for the Broker Firm Offer in relation to Reinvested 2008 CPS is expected to be 5.00pm (Sydney time) on 11 June 2013. – The Closing Date for the Broker Firm Offer (excluding Applications in respect of Reinvestment Offer) is expected to be 5.00pm (Sydney time) on 18 June 2013 – Your completed Application Form and Application Payment must be received by your Syndicate Broker in accordance with arrangements made between you and your Syndicate Broker. – 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.
How to apply online	– If you are a Broker Firm Applicant, you may NOT apply online. – Contact your Syndicate Broker for instructions.
How to apply using a paper Application Form	– There are paper Application Forms at the back of this Prospectus, as well as personalised Reinvestment Forms that will be sent to each Eligible 2008 CPS Holder, that may be used by Broker Firm Applicants. – General instructions on how to complete the paper Application Form are set out on the Application Form. – 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. – You must not return your paper Application Form to the Registrar. – 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. – Your Syndicate Broker will act as your agent in processing your Application Form and providing your Application details and Application Payment to MGL.
Reinvestment Offer	
Who can apply?	– Eligible 2008 CPS Holders.
When to apply	– Applications will only be accepted during the Offer Period, which is expected to open on 22 May 2013. – The Closing Date for the Reinvestment Offer (including Applications for Reinvested 2008 CPS under the Broker Firm Offer) is expected to be 5.00pm (Sydney time) on 11 June 2013. – Your completed personalised Reinvestment Form or online Reinvestment Form and Application Payment (only if you apply for more MCN than the number of 2008 CPS that you hold) must be received by the Registrar by the Closing Date for the Reinvestment Offer. – The options available to Eligible 2008 CPS Holders under the Reinvestment Offer are outlined at section 3.
How to apply online	– Ability to apply online is available to issuer sponsored Eligible 2008 CPS Holders who wish to reinvest their 2008 CPS or apply for additional MCN using BPAY®. Please go to www.MacquarieCNOffer.com.au and follow the instructions to apply online. – CHESS sponsored Eligible 2008 CPS Holders who wish to reinvest their 2008 CPS should seek instructions from their Syndicate Broker or controlling participant as to how to apply. – CHESS sponsored Eligible 2008 CPS Holders who wish to apply for additional MCN can apply online using BPAY®. Please go to www.MacquarieCNOffer.com.au and follow the instructions to apply online.
How to apply using a paper Application Form	– Follow the instructions to complete the personalised Reinvestment Form which will be mailed to you with a copy of this Prospectus on or around 28 May 2013. – You can also request an additional paper copy of the Prospectus and your personalised Reinvestment Form by calling the MCN Offer Information Line on 1300 346 778 (within Australia) or on +61 3 9415 4898 (International) (Monday to Friday 8.30am – 5.30pm, (Sydney time)) during the Offer Period. – If you apply for more MCN than the number of 2008 CPS that you hold, you will be required to 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 Reinvestment Offer. – You will be required to post your completed personalised Reinvestment Form to the address printed on your reply paid envelope so that it reaches that address by the Closing Date for the Reinvestment Offer.

Securityholder Offer	
Who can apply?	– Eligible Securityholders
When to apply	– Applications will only be accepted during the Offer Period, which is expected to open on 22 May 2013. – The Closing Date for the Securityholder Offer is expected to be 5.00pm (Sydney time) on 11 June 2013. – Your completed paper or online Application Form and Application Payment must be received by the Registrar by the Closing Date for the Securityholder Offer.
How to apply online	– Eligible Securityholders will have the ability to apply online. – Please go to www.MacquarieCNOffer.com.au and follow the instructions to apply online. – When applying online, you will be required to pay for MCN using BPAY®. – Eligible Securityholders that are also Eligible 2008 CPS Holders wishing to participate in the Reinvestment Offer should refer to the instructions on how to apply under the Reinvestment Offer.
How to apply using a paper Application Form	– There are paper Application Forms at the back of this Prospectus that may be used by Eligible Securityholders. – You can also request a paper copy of the Prospectus and Application Form by calling the MCN Offer Information Line on 1300 346 778 (within Australia) or on +61 3 9415 4898 (International) (Monday to Friday 8.30am – 5.30pm, (Sydney time)). – General instructions on how to complete the paper Application Form are set out on the Application Form. – You will be required to 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. – You will be required to post your completed Application Form and Application Payment so that it reaches the Registrar by the Closing Date for the Securityholder Offer. – Eligible Securityholders who are also Eligible 2008 CPS Holders wishing to participate in the Reinvestment Offer should refer to the instructions on how to apply under the Reinvestment Offer.

General Offer	
Who can apply?	– General Applicants
When to apply	– Applications will only be accepted during the Offer Period, which is expected to open on 22 May 2013. – The Closing Date for the General Offer is expected to be 5.00pm (Sydney time) on 11 June 2013. – Your completed paper or online Application Form and Application Payment must be received by the Registrar by the Closing Date for the General Offer.
How to apply online	– All General Applicants will have the ability to apply online. – Please go to www.MacquarieCNOffer.com.au and follow the instructions to apply online. – When applying online, you will be required to pay for MCN using BPAY®.
How to apply using a paper Application Form	– There are paper Application Forms at the back of this Prospectus that should be used by General Applicants. – You can also request a paper copy of the Prospectus and Application Form by calling the MCN Offer Information Line on 1300 346 778 (within Australia) or on +61 3 9415 4898 (International) (Monday to Friday 8.30am – 5.30pm, (Sydney time)). – General instructions on how to complete the paper Application Form are set out on the Application Form. – You will be required to 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 General Offer. If you wish to pay by BPAY® you need to make an online Application. – You will be required to post your completed Application Form and Application Payment so that it reaches the Registrar by the Closing Date for the General Offer.

8.3.1. Applications by Institutional Investors

If you are an Institutional Investor, you must apply to participate in the Broker Firm Offer by contacting the Arranger prior to the close of the Bookbuild who will provide additional information about how to apply. MGL reserves the right to not accept Applications that appear to be Applications from Institutional Investors where they have not been received through the Arranger.

8.3.2. Brokerage, commission and stamp duty

You do not have to pay brokerage or stamp duty on your Application for MCN. However, you may have to pay brokerage (and applicable GST) on any subsequent purchases or sales of MCN on ASX.

8.3.3. Application Payments held on trust

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

8.3.4. Refunds

Applicants who are not allotted any MCN, or are allotted fewer MCN 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.

In the event that the Offer does not proceed, the Reinvestment Offer will also not proceed. MGL will notify 2008 CPS Holders by an ASX announcement.

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 macquarie.com.au.

8.4. Completing and lodging your Application

8.4.1. Minimum Application

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

If you own more than 50 2008 CPS and wish to participate in the Reinvestment Offer, you must reinvest a minimum number of 50 2008 CPS. If you own 50 2008 CPS or fewer, you must reinvest all your 2008 CPS if you wish to participate in the Reinvestment Offer. If you wish to apply for additional MCN, you must apply for a minimum of 50 MCN (\$5,000), in addition to any Reinvested 2008 CPS.

8.4.2. Lodging your Application (if you don't apply online at www.MacquarieCNOffer.com.au)

If you are applying under the Broker Firm Offer, you should contact the Syndicate Broker who has offered you an allocation for information about how and when to lodge your Application. Generally, you will lodge your Application with your Syndicate Broker. MGL and the Registrar take no responsibility for any acts or omissions by your Syndicate Broker in connection with the Application.

If you are applying under the Reinvestment Offer (otherwise than through a Syndicate Broker), the

Securityholder Offer or the General Offer, you should lodge your Application and accompanying Application Payment (if applicable) with the Registrar by mailing it to:

Mail Address

Macquarie MCN Offer
C/- Computershare Investor Services
Pty Limited
GPO Box 2115
Melbourne VIC 3001

For CHES sponsored Eligible 2008 CPS Holders to participate in the Reinvestment Offer, they must contact their stockbroker or CHES controlling participant, or alternatively, send the Reinvestment Form to the Registrar and the Registrar will contact their controlling participant on their behalf. CHES sponsored holders who are applying for additional MCN may send their Application Form to Computershare or complete the Application Form online through www.MacquarieCNOffer.com.au.

8.5. Bookbuild and allocation policy

8.5.1. Bookbuild

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

MGL may increase or decrease the size of the Offer following the close of the Bookbuild.

8.5.2. Allocation policy

Reinvestment Offer	– Allocations under the Reinvestment Offer (other than through the Broker Firm Offer) will be determined by MGL after the Reinvestment Offer Closing Date. – Eligible 2008 CPS Holders who apply under the Reinvestment Offer (including through the Broker Firm Offer), will be given priority over Securityholder Applicants and General Applicants in respect of their Reinvested 2008 CPS. Eligible 2008 CPS Holders who apply for additional MCN, will receive priority over General Applicants and equal priority with Securityholder Applicants. However, if there is excess demand for MCN, Applications from Eligible 2008 CPS Holders may be scaled back and no assurance is given that any Eligible 2008 CPS Holder Applicant will receive an allocation of MCN. – Eligible MCN Holders are taken to agree to a holding lock being placed on those 2008 CPS applied to be reinvested, pending completion of the Reinvestment Offer. If you transfer any 2008 CPS, the number of MCN you will be allocated will be reduced to the extent the required number of 2008 CPS are not held by you on 11 June 2013.
Broker Firm Offer	– Allocations to Syndicate Brokers will be 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. – Eligible 2008 CPS Holders who apply under the Broker Firm Offer will be given priority over Securityholder Applicants and General Applicants in respect of their Reinvested 2008 CPS. Eligible 2008 CPS Holders who apply for additional MCN through the Broker Firm Offer, will receive priority over General Applicants and equal priority with Securityholder Applicants. However, if there is excess demand for MCN, Applications from Eligible 2008 CPS Holders may be scaled back and no assurance is given that any Eligible 2008 CPS Holder Applicant will receive an allocation of MCN. – Eligible MCN Holders are taken to agree to a holding lock being placed on those 2008 CPS applied to be reinvested, pending completion of the Reinvestment Offer. If you transfer any 2008 CPS, the number of MCN you will be allocated will be reduced to the extent the required number of 2008 CPS are not held by you on 11 June 2013.
Securityholder Offer and General Offer	– Allocations for the Securityholder Offer and General Offer will be determined by MGL and the Joint Lead Managers after the relevant Closing Date. – MGL has absolute discretion to determine the method and extent of the allocations. – If there is excess demand for MCN after allocations to Bookbuild participants and under the Reinvestment Offer, Securityholder Applicants will be given priority over General Applicants. – MGL has absolute discretion to determine the method and extent of the priority allocation to Securityholder Applicants. – MGL reserves the right to scale back Applications from Securityholder Applicants and General Applicants. Any scale back will be announced on ASX on the Issue Date – expected to be 19 June 2013. – MGL reserves the right to: ■ allocate to any Securityholder Applicant or General Applicant all MCN for which they have applied; ■ reject any Application by a Securityholder Applicant or General Applicant; or ■ allocate to any Securityholder Applicant or General Applicant a lesser number of MCN than that applied for, including less than the minimum Application of MCN, or none at all. – No assurance is given that any Securityholder Applicant or General Applicant will receive an allocation of MCN.

8.6. Other information

8.6.1. 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. The Trustee does not make any representation regarding or accepting any responsibility for any

statements or omissions in or from any parts of this Prospectus. 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 MCN, the payment of interest or the redemption or exchange of the MCN. Neither the Trustee nor any of its related bodies corporate warrants the future performance of MGL or any return on any MCN or other investment made under this Prospectus.

The MCN are not liabilities of the Trustee or any of its related bodies corporate.

8.6.2. Restrictions on distribution

No action has been taken to register or qualify this Prospectus, MCN or the Offer or otherwise to permit a public offering of MCN 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 MCN 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. Any offer, sale or resale of MCN in the US by a dealer (whether or not participating in the Offer) may violate the registration requirements of the US Securities Act.

Subject to MGL approval, MCN may be offered to certain permitted jurisdictions outside Australia under the Broker Firm Offer where such offer is made, and accepted, in accordance with the laws of such jurisdictions (see section 7.9 for foreign selling restrictions).

Each person submitting an Application Form will be deemed to have acknowledged that they are aware of the restrictions referred to in this section 8.6.2 and to have represented and warranted that they are able to apply for and acquire MCN in compliance with those restrictions.

8.6.3. Application to ASX for quotation of MCN

MGL will apply to ASX for MCN to be quoted on ASX within seven days after the date of this Prospectus.

If ASX does not grant permission for MCN to be quoted by the Issue Date, MCN will not be issued, the Reinvestment Offer will not proceed and all Application Payments

will be refunded (without interest) to Applicants as soon as practicable.

8.6.4. CHESS and issuer sponsored holdings

MGL will apply for MCN to participate in CHESS. No certificates will be issued for MCN. MGL expects that Holding Statements for issuer sponsored holders and confirmations for CHESS holders will be despatched to successful Applicants by 24 June 2013.

8.6.5. Deferred settlement trading and selling MCN on market

It is expected that MCN will begin trading on ASX on a deferred settlement basis on 20 June 2013 under ASX Code MQGPA. Trading is expected to continue on that basis until 25 June 2013, when it is anticipated that trading of MCN 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 MCN. If you are a successful Applicant and sell your MCN before receiving your Holding Statement, you do so at your own risk.

You may call the MCN Offer Information Line on 1300 346 778 (within Australia) or on +61 3 9415 4898 (International) (Monday to Friday 8.30am – 5.30pm, Sydney time) or your Syndicate Broker after the Issue Date to enquire about your allocation.

8.6.6. 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 6.1.6).

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).

8.6.7. 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 MCN 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.

8.7. 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 MCN, service your needs as a MCN Holder, provide facilities and services that you request, provide you with marketing materials, carry out appropriate administration in relation to your MCN holding and to comply with legislative and regulatory requirements, including 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 may disclose your personal information to other member companies in the Macquarie Group or to their third party service providers. Please contact the 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 a MCN Holder, the Corporations Act requires MGL to include information about MCN 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 a MCN Holder. Information contained in the Register is also used to facilitate payments including Distributions and corporate communications (including MGL's financial results, annual reports and other information that MGL wishes to communicate to MCN Holders) and to 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:

Computershare Investor Services
Pty Limited
GPO Box 7045
Sydney NSW 2001

MGL and the Registrar aim 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 macquarie.com.au.

Trust Company – Your privacy

If and when the Trustee is required to sell Ordinary Shares which were otherwise to be issued to you, as described in section 5.1.17 of this Prospectus, the Trustee will be provided by MGL or its agents or by you with your personal information (such as your name, contact details, account details and identification information) so that the Trustee may fulfil its sale and payment obligations as described in section 5.1.17 of this Prospectus, including remitting any eventual net proceeds from the sale of Ordinary Shares to you.

The Trustee will not disclose your personal information to any other body, unless:

- the law requires the Trustee to do so;
- you have requested the Trustee to do so, e.g. to your adviser; or
- the Trustee needs to disclose your personal information to service providers that provide administration services to the Trustee.

The Trustee requires its service providers to keep any personal information about an investor confidential and to only use it for the purposes of providing services to the Trustee. If you think the Trustee's records may be inaccurate, incomplete, or out-of-date, it is important that you contact the Trustee so that the Trustee can correct them.

Subject to any legal restrictions, you may access any of your personal information that the Trustee holds by contacting the Trustee at any time. If your request is complex or requires detailed searching of the Trustee's records, the Trustee may charge for this service.

By submitting an Application Form, you agree that the Trustee may use the information provided by you in the Application Form or otherwise in connection with the arrangements for the sale of Ordinary Shares described in section 5.1.17, for the purposes set out in this privacy statement and may disclose your personal information for those purposes to 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 would like a copy of The Trust Company Group's Privacy Policy, please contact the Trustee's Privacy Officer on 02 8295 8100 or 1800 650 358 or visit www.thetrustcompany.com.au/Privacy_Information.asp

8.8. Enquiries

8.8.1. Eligible 2008 CPS Holders, Securityholder Applicants and General Applicants

You can call the MCN Offer Information Line on 1300 346 778 (within Australia) or on +61 3 9415 4898 (International) (Monday to Friday 8.30am – 5.30pm, Sydney time, during the Offer Period) if you:

- have further questions on how to apply for MCN;
- 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 MCN are a suitable investment for you, you should consult your stockbroker, solicitor, accountant or other independent and qualified professional adviser.

8.8.2. Broker Firm Applicants

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

Appendix A:

MCN Terms

Appendix A: Terms and conditions of the MCN

*These Terms have been established pursuant to, and are incorporated by reference into, the MCN Trust Deed.
In the event of any inconsistency between the MCN 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 (“MCN”) is issued fully paid for an issue price of A\$100 (“**Issue Price**”).

1.2 Form

- (a) MCN are convertible preferred securities of the Issuer. They are in the form of fully paid, unsecured, subordinated, mandatorily convertible notes of the Issuer.
- (b) Subject, if required by these Terms, to the prior written consent of APRA, each MCN may be:
 - (i) Redeemed or Resold by the Issuer; or
 - (ii) Exchanged for fully paid Ordinary Shares,in accordance with these Terms.
- (c) The MCN cannot be Redeemed, Resold or Exchanged at the option of a Holder.
- (d) The MCN 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 other 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 MCN held by that Holder.
- (f) The MCN 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 other government, government agency or compensation scheme in any jurisdiction or by any other person.
- (g) MCN are constituted by the MCN Trust Deed of which these Terms form part.

1.3 Entries in the Register

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

1.4 CHESS

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

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

will be subject to and governed by the ASX Settlement Operating Rules (but without affecting any provisions of these Terms which affect the eligibility of MCN as Eligible Capital).

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

- (a) senior to Ordinary Shares;
- (b) equally with all other MCN 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 obligations of the Issuer to the relevant Holder under these Terms.

1.7 No other rights

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

- (a) subscribe for new 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 MCN entitles the Holder on 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 a MCN:

- (a) each 19 June and 19 December commencing on 19 December 2013 until (but not including) the date on which that MCN has been Redeemed or Exchanged in accordance with these Terms; and
- (b) the Redemption Date or, subject to clause 7.6(c), the Resale Date or an Exchange Date, except where the Exchange is on account of a Non-Viability Event;

Distribution Rate means (Reference Rate + Margin) × Franking Adjustment Factor, where:

- (a) **Reference Rate** means, for a Distribution Period, the rate (expressed as a percentage per annum) which is the average mid-rate for Bills for a term of 180 days as displayed on the “BBSW” page of the Reuters Monitor System (or any page that replaces that page) on the first Business Day of the Distribution Period. However, if the average mid-rate is not displayed by 10.30am on that day, or if it is displayed but

the Issuer determines that there is a manifest error in that rate, Reference Rate means the rate specified by the Issuer in good faith at or around 10.30am on that day, having regard, to the extent possible, to:

- (i) the rates otherwise bid and offered for Bills of a term of 180 days at or around that time on that day (including any displayed on the “BBSW” page of the Reuters Monitor System (or any page that replaces that page)); and
- (ii) if bid and offer rates for Bills of a term of 180 days are not otherwise available, the rates otherwise bid and offered for funds of a term of 180 days at or around that time on that day,

(and provided that where a MCN 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) **Bills** has the meaning it has in the Bills of Exchange Act 1909 (Cth);
- (c) **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;
- (d) **Margin** means the rate (expressed as a percentage per annum) determined under the Bookbuild;

N means, in respect of a Distribution Period, the number of days in that Distribution Period; and

Record Date means, for 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 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 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 clause 15, the Issuer must Exchange all (but not some) of the MCN for Ordinary Shares in accordance with clause 8 on the Mandatory Exchange Date.

3.2 Mandatory Exchange Date

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

- (a) 19 June 2021 (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 MCN have been or will be Redeemed or Exchanged before that date.

3.3 Exchange Conditions

The Exchange Conditions 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 8.1 as if it were not limited by the Maximum

Exchange Number applicable to a Mandatory Exchange Date) is less than or equal to the Maximum Exchange Number applicable to a 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 12 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 MCN for Ordinary Shares when required in accordance with these Terms.

4 Non-Viability Event Exchange

4.1 Exchange on account of a Non-Viability Event

Subject to this clause 4, if a Non-Viability Event occurs, the Issuer must immediately on the Non-Viability Exchange Date, and in accordance with this clause 4 and clause 8, Exchange such number of MCN as is equal (following or together with any

conversion into Ordinary Shares or write-off of Relevant Tier 1 Securities as referred to in clause 4.2) to the aggregate face value of capital instruments 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 MCN as the Issuer determines is necessary to satisfy APRA that the Issuer will not become non-viable).

4.2 Determination of number of MCN to be Exchanged

In determining the number of MCN which must be Exchanged in accordance with this clause 4, the Issuer may in its discretion, Exchange (in the case of MCN) or convert into Ordinary Shares or write-off (in the case of any other Relevant Tier 1 Securities) MCN and any Relevant Tier 1 Securities on a proportionate basis unless the terms of any Relevant Tier 1 Security provide for that Relevant Tier 1 Security to be written-off other than on a proportionate basis with MCN and other Relevant Tier 1 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 MCN or other 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 Exchange taking effect on the Non-Viability Exchange Date.

4.3 Treatment of Holders

- (a) If, in accordance with clause 4.2, only some MCN 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 MCN that have not been settled or registered at that time.

4.4 Exchange is automatic and irrevocable

If a Non-Viability Event has occurred and all or some of the MCN are required to be Exchanged in accordance with clause 4.1, then, subject to clause 4.5:

- (a) Exchange of the relevant MCN will be taken to have occurred in accordance with clause 8 immediately upon the date of occurrence of the Non-Viability Event;
- (b) none of the following shall prevent, impede or delay the Exchange of MCN as required by clause 4.1:
 - (i) any failure to or delay in the conversion or write-off of other 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 Exchange; or
 - (iv) any requirement to select or adjust the amount of MCN to be Exchanged in accordance with clause 4.3; and
- (c) from the Non-Viability Exchange Date the Issuer shall treat the Holder in respect of its MCN 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.

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

- (a) 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 clause 4.
- (b) If an Inability Event is subsisting on the Non-Viability Exchange Date then Exchange will not occur and clause 8.17 will apply.

4.6 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 the ASX.

A Non-Viability Exchange Notice must specify:

- (a) the date on which the Exchange occurred; and
- (b) the number of MCN Exchanged and the relevant number of Relevant Tier 1 Securities converted into Ordinary Shares or written-off.

Failure to give a Non-Viability Exchange Notice when required by this clause 4.6 (including where in accordance with clause 12 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 MCN for Ordinary Shares when required in accordance with these Terms or affect or impede the Exchange in any way.

4.7 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 8 notwithstanding anything in clauses 5, 6, 7 or 15 (and any Redemption Notice or Resale Notice in respect of the MCN 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).

4.8 Interpretation

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

5 Optional Exchange and Acquisition Event Exchange

5.1 Optional Exchange

Subject to this clause 5 and to clause 15, by notice (an "**Optional Exchange Notice**") to Holders the Issuer may, in its sole discretion, elect to:

- (a) Exchange all or some of the MCN on any Scheduled Optional Exchange Date; and
- (b) Exchange all or some of the MCN 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 clause 4.7 and clause 15.

5.2 Scheduled Optional Exchange Dates

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

- (a) 19 June 2018 (the "**First Scheduled Optional Exchange Date**");
- (b) 19 December 2018 (the "**Second Scheduled Optional Exchange Date**"); and
- (c) 19 June 2019 (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 nor more than 60 Business Days after the date of the Optional Exchange Notice; or

- (iii) 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 MCN on the Deferred Exchange Date (unless the MCN are Exchanged or Redeemed earlier in accordance with these Terms); and
- (c) until the Deferred Exchange Date, all rights attaching to the MCN 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"**).

5.6 Exchange on account of an Acquisition Event

If an Acquisition Event occurs, the Issuer must Exchange all but not some of the MCN in accordance with clauses 5.6 to 5.7 inclusive, 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 a MCN (calculated in accordance with clause 8.1 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 5.6.

5.7 Acquisition Exchange Notice

No later than 5.00 pm (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 or scheme 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 MCN on the Acquisition Exchange Date; or
- (c) otherwise, the reason why an Exchange is not to occur.

6 Optional Redemption

6.1 Optional Redemption

Subject to clause 6.2, 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 MCN on a Scheduled Optional Exchange Date; or
- (b) Redeem all or some of the MCN 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 clause 4.7 and clause 15.

Holders should not expect that APRA's approval will be given for any Redemption of MCN.

6.2 Redemption conditions

A Redemption in accordance with clause 6.1 must not occur unless either:

- (a) the MCN which are to be Redeemed are replaced, concurrently with the Redemption or beforehand, with Eligible Capital of the same or better quality, and the replacement of those MCN 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 MCN are Redeemed.

6.3 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 MCN are to be Redeemed, the proportion of each Holder's holding which is to be Redeemed.

6.4 Redemption Price

On the Redemption Date:

- (a) each MCN being Redeemed will be Redeemed by payment of the Issue Price of that MCN (the **"Redemption Price"**) to the relevant Holder recorded on the Register at 10:00am 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 MCN being Redeemed on such date, to the extent the conditions of payment of Distributions under clause 2.3 are met.

6.5 No right of Holders to require Redemption

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

6.6 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 MCN being Redeemed on that date will no longer have effect and that MCN will be cancelled.

6.7 Partial Redemption or Resale

If some but not all of the outstanding MCN are Redeemed in accordance with this clause 6 or Resold in accordance with clause 7, the Issuer must select the MCN 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.

7 Resale

7.1 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, at 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 MCN 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 7.3 is being made and, where there is more than one Nominated Party, the basis for determining the MCN 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 clause 4.7 and clause 15, once given is irrevocable.

Holders should not expect that APRA's approval will be given for any Resale of MCN.

7.2 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 MCN 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.

7.3 Irrevocable offer to sell

- (a) If the Issuer gives a Resale Notice in accordance with clause 7 each Holder on the Resale Date is taken to irrevocably offer to sell the MCN that are the subject of the Resale Notice to the Nominated Party or Nominated Parties on the Resale Date for a purchase price per MCN equal to the Issue Price of that MCN (the “**Resale Price**”).
- (b) Subject to payment of the Resale Price on the Resale Date each MCN which is to be Resold will be transferred to the relevant Nominated Party or Nominated Parties free from any Encumbrance.

7.4 Effect of transfer

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

- (a) Distributions payable on the MCN 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 MCN 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 MCN entitled to such amounts as otherwise provided in these Terms.

7.5 Terms after Resale

If any MCN are Resold in accordance with these Terms, these Terms will apply

in all respects to the MCN held by the Nominated Party on and from the Resale Date.

7.6 Nominated Party not completing

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

- (a) the Resale Notice will be void in so far as it relates to MCN 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 MCN that is the subject of the Resale Notice will terminate;
- (b) the Holder will continue to hold the MCN 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 MCN have been transferred to a Nominated Party on that date.

7.7 No right of Holders to require Resale

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

8 Exchange Mechanics

8.1 Exchange

On an Exchange Date, subject to clauses 4.7, 8.14 and 8.17, the Issuer will allot and issue the Exchange Number of Ordinary Shares to the Holders (or as they may direct) for each MCN 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 8.3 or 8.4, 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;
- (c) **VWAP Period** means for the purposes of calculating the Exchange Date VWAP and the Exchange Number:
 - (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 MCN 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 x the Relevant Percentage;
- (ii) **Issue Date VWAP** is the VWAP during the 8 ASX Trading Days immediately preceding, but not including, the Issue Date (as such number may be adjusted under clauses 8.5, 8.6 or 8.7); and
- (iii) **Relevant Percentage** is:
 - (A) if the Exchange is occurring on a 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 MCN that is being Exchanged will be immediately and irrevocably terminated for an amount equal to the Issue Price of that MCN 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 8.1. Each Holder is taken to have irrevocably directed that any amount payable under this clause 8.1 is to be applied as provided for in this clause 8.1 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 MCN upon Exchange includes a fraction of an Ordinary Share, that fraction of an Ordinary Share will be disregarded.

8.2 Holder information

Each Holder agrees to provide to the Issuer (and, where clause 8.14 applies, the Trustee (or Nominee)) any information necessary or desirable to give effect to an Exchange.

8.3 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 MCN 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 8.3(a)(i) 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 MCN 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.

8.4 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 clause 8.3 and clause 8.4(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.

8.5 Adjustments to Issue Date VWAP

For the purposes of determining the Issue Date VWAP, adjustments to VWAP will be made in accordance with clause 8.3 and clause 8.4 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 8.6 to 8.7 (inclusive); and
- (b) if so made, will correspondingly cause an adjustment to the Maximum Exchange Number.

8.6 Adjustments to Issue Date VWAP for bonus issues

- (a) Subject to clause 8.6(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:

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

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 8.6(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 8.6(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 8.6 for any offer of Ordinary Shares not covered by clause 8.6(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 8.6(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.

8.7 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.

8.8 No adjustment to Issue Date VWAP in certain circumstances

Despite the provisions of clauses 8.6 and 8.7, no adjustment shall be made to the Issue Date VWAP where such cumulative adjustment (rounded if applicable) would be less than one percent of the Issue Date VWAP then in effect. Any adjustment not made in accordance with this clause 8.8 shall be carried forward and taken into account in determining whether any subsequent adjustment shall be made.

8.9 Announcement of adjustment to Issue Date VWAP

If the Issuer determines an adjustment to the Issue Date VWAP under clauses 8.6 and 8.7, 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.

8.10 Listing of Ordinary Shares

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

8.11 Status of Ordinary Shares

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

8.12 Effect of Exchange

When an Exchange of a MCN occurs all other rights conferred or restrictions imposed on that MCN 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 MCN is cancelled.

8.13 Failure to Exchange

- (a) Subject to clauses 8.14(g) and 8.17, if, in respect of an Exchange of a MCN, the Issuer fails to issue the Ordinary Shares in respect of a MCN to, or in accordance with the instructions of, the relevant Holder on the applicable Exchange Date or to the Trustee (or other nominee) where clause 8.14 applies, that MCN remains on issue (and without limitation clause 2 applies) until:
- (i) the Ordinary Shares are issued to, or in accordance with the instructions of, that Holder or, where clause 8.14 applies, to the Trustee (or Nominee); or

- (ii) that MCN 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 8.13 does not affect the obligation of the Issuer to deliver the Ordinary Shares or of the Holder to transfer MCN when required in accordance with these Terms.

8.14 Holders whose Ordinary Shares are to be sold

Subject to clause 8.17, if any MCN of a Holder are required to be Exchanged and:

- (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, and the Issuer and the Trustee (or Nominee) appointed in accordance with paragraph (f) are 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 or the Trustee (or Nominee) having to take steps which either or both regard as onerous;
- (b) the MCN are held by a Foreign Holder;
- (c) if for any reason (whether or not due to the fault of a Holder) the Issuer does not receive any information required by it in accordance with these Terms so as to impede the Issuer issuing the Ordinary Shares to the Holder on the Exchange Date; 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, 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 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 8 (but as to which the Issuer is not bound to enquire), either unconditionally or after compliance with conditions which the Issuer 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 the Applicable Shareholding Law as at the Exchange Date;
- (f) otherwise, subject to paragraph (g), the Issuer will issue the balance of the Exchange Number of Ordinary Shares in respect of that Holder to the Trustee (or any other nominee appointed by the Issuer which is not the Issuer, any Related Entity of the Issuer or any Related Body Corporate of the Trustee (the **"Nominee"**)) for no additional consideration and on the terms that, at the first reasonable opportunity to sell the Ordinary Shares, the Trustee (or Nominee) will arrange for their sale and pay to the relevant Holder on a date determined by the Trustee (or Nominee) a cash amount equal to the Attributable Proceeds of the relevant Holder. The issue of Ordinary Shares to the Trustee (or Nominee) will satisfy all obligations of the Issuer in connection with the Exchange, the MCN will be deemed Exchanged and will be dealt with in accordance with

clause 8.1 and, on and from the issue of Ordinary Shares, the rights of a Holder the subject of this clause 8.14 are limited to its rights in respect of the Ordinary Shares or the Attributable Proceeds as provided in this clause 8.14; and

- (g) where paragraph (f) applies in respect of a Holder and either or both of the Issuer and the Trustee (or Nominee) is of the opinion that the issue of Ordinary Shares to the Trustee (or Nominee) 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 Trustee (or Nominee) take steps which either or both the Issuer and the Trustee (or Nominee) regard as onerous) then:
 - (i) in respect of a Non-Viability Exchange Date, but without in any way limiting clause 8.17, if either or both of the Issuer and the Trustee (or Nominee) 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 Trustee (or Nominee) in accordance with paragraph (f) or otherwise to the relevant Holder in accordance with clause 8, then the relevant MCN 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 Trustee (or Nominee) in accordance with paragraph (f) shall occur as soon as practicable after the Issuer is able to issue the relevant Ordinary Shares to the Trustee (or Nominee) in accordance with Applicable Shareholding Law and other applicable law (and without the Issuer or the Trustee (or Nominee) taking steps which either or both of the Issuer and the Trustee (or

Nominee) regard as onerous); and

- (B) on and from the Exchange Date, the MCN 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 clause 8; or

(ab) the relevant MCN are Redeemed in accordance with these Terms; or

(ac) the date which is six months after the Exchange Date, upon which date all rights of the Holder of MCN cease, other than the rights to be issued Ordinary Shares or to receive the Attributable Proceeds if and when the Ordinary Shares are issued and sold.

Nothing in this clause 8.14 shall affect the Exchange of MCN to a Holder which is not a person to which any of paragraphs (a) to (d) (inclusive) applies.

8.15 No duty on sale

For the purpose of clause 8.14, none of the Issuer, the Trustee or Nominee 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.

8.16 No right of Holders to require Exchange

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

8.17 Write-Off on Inability to perform Exchange

- (a) Notwithstanding any other provisions of this clause 8, if on the Non-Viability

Exchange Date, an Inability Event subsists and such Inability Event prevents the issue of Ordinary Shares within 5 Business Days of the Non-Viability Exchange Date, then Exchange will not occur on that Non-Viability Exchange Date and each MCN shall be Written-Off.

- (b) The Issuer must give notice to Holders if that Exchange has not occurred by operation of this clause 8.17, but failure to give that notice shall not affect the operation of this clause.

9 Acknowledgements and appointments

9.1 Acknowledgements

Each Holder, by subscribing for, purchasing or otherwise acquiring a MCN:

- (a) is taken to have notice of, and irrevocably agrees to be bound by, the terms of the MCN 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 MCN 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 the 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 MCN;
- (f) acknowledges and agrees that:
 - (i) if Exchange does not occur in the circumstances contemplated in clause 8.17, each MCN will be Written-Off; and
 - (ii) clause 8.17 is a fundamental term of the MCN 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 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 the entity, merely on the grounds that Distribution or any other amount is not paid; and
 - (iii) no rights against any member of the Macquarie Group in connection with the MCN except as expressly provided in these Terms and under the MCN 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 8 other than (and subject always to clause 8.17) to seek specific performance of the obligation to issue the Ordinary Shares.

9.2 Appointment of agents and Directions

Each Holder irrevocably:

- (a) appoints the Issuer, its respective Authorised Officers and any liquidator, administrator, statutory manager or other similar official of it (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 and 8; or
 - (ii) where clause 8.17 applies, a Write-Off in accordance with that clause;
 - (iii) do all other things which an Appointed Person reasonably believes to be necessary or desirable to give effect to these Terms; and
 - (iv) 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 8.17 applies, a Write-Off in accordance with that clause.

The power of attorney given in this clause 9.2 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 9.2.

10 Payments to Holders

10.1 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 MCN, any amount less than A\$0.01 will be disregarded.

10.2 Payments subject to laws

All payments 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, but without prejudice to the provisions of clause 10.3.

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 8.14(f)).

10.3 Deductions

- (a) The:
 - (i) Issuer, and any financial institutions or intermediaries through which payments are made or securities issued, may withhold or deduct from any

payment payable or securities issuable to a Holder; and

- (ii) Trustee (or Nominee) may withhold or deduct from any payment payable to a Holder in accordance with clause 8.14(f),

the amount of any withholding or other tax, duty or levy required by law to be deducted in respect of such payment or issue of securities including, without limitation, any withholding or deduction of taxes, interest or penalties required under FATCA or where the Issuer or the Trustee (or Nominee) (as applicable) has reasonable grounds to suspect that a Holder or a beneficial owner of any MCN (or any financial institution or intermediary) may be subject to FATCA, and may deal with such payment, issue of securities and the Holder's MCN in accordance with FATCA, including withholding any tax or reporting payment or account information to the IRS or other relevant taxing authority as prescribed by FATCA. For the avoidance of doubt, any withholding required under FATCA is a tax, the deduction or withholding of which is required by applicable law for purposes of this clause 10.

- (b) If any withholding or deduction from any payment payable or securities issuable is permitted in accordance with clause 10.3(a), none of the Issuer, the Trustee (or Nominee) or any other person (including any financial institution or intermediary) will be required to pay any further amounts on account of such withholding or deduction or otherwise reimburse or compensate, or make any payment to, a Holder or a beneficial owner of any MCN for or in respect of any such withholding or deduction.
- (c) If any deduction is required, the Issuer or the Trustee (or Nominee) (as applicable) must pay the full amount required to be deducted to the relevant revenue authority within the time allowed for such payment without incurring a penalty under the applicable law.

- (d) If:
- (i) a deduction is made;
 - (ii) the amount of the deduction is accounted for by the Issuer or the Trustee (or nominee) (as applicable) to the relevant revenue authority; and
 - (iii) the balance of the amount payable has been paid to the Holder,
- then the Issuer's or the Trustee's (or Nominee's) (as applicable) obligation to make the payment to the Holder is taken to have been satisfied in full by the Issuer or the Trustee (or Nominee) (as applicable).

10.4 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 MCN against any claims owing by the Holder to it or any member of the Macquarie Group.

10.5 Payment method

Subject to clause 10.2, 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.

10.6 Unpresented cheques

- (a) Cheques issued by the Issuer that are not presented within six 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.

10.7 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.

10.8 Payment to joint Holders

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

10.9 Time limit for claims

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

11 Title and transfer of MCN

11.1 Title

Title to a MCN passes when details of the transfer are recorded in the Register.

11.2 Effect of entries in the Register

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

11.3 Register conclusive as to ownership

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

11.4 Non-recognition of interests

- (a) Except as required by law, and save as provided below, the Issuer and the Registrar must treat the person entered in the Register in respect of a MCN as the absolute owner of that MCN.
- (b) No notice of any trust, encumbrance or other interest in, or claim to, any MCN 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 MCN, except as ordered by a court of competent jurisdiction or required by law.
- (c) This clause 11.4 applies whether or not a payment has been made when scheduled on a MCN and despite any notice of ownership, trust, encumbrance or other interest in the MCN.

11.5 Joint holders

Where two or more persons are entered in the Register as joint Holders then they are taken to hold the MCN jointly, but the

Registrar is not bound to register more than four persons as joint holders of a MCN.

11.6 Transfers

A Holder may transfer a MCN:

- (a) in accordance with the rules and regulations of CHESSE; or
- (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 MCN.

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 MCN.

11.7 Transferee takes subject to terms

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

11.8 Other transfers void

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

11.9 Issuer may request holding lock or refuse to register transfer

If MCN 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 MCN approved by and registered on the CS Facility's electronic subregister or MCN

registered on an issuer-sponsored subregister, as the case may be; or

- (b) refuse to register a transfer of MCN.

11.10 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 MCN approved by and registered on the CS Facility's electronic subregister or MCN 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 MCN if the Corporations Act or the ASX Listing Rules require the Issuer to do so.

11.11 Notice of holding locks and refusal to register transfer

If, in the exercise of its rights under clauses 11.9 and 11.10, the Issuer requests application of a holding lock to prevent a transfer of MCN or refuses to register a transfer of MCN, it must, within two 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.

11.12 Delivery of instrument

If an instrument is used to transfer MCN according to clause 11.6, 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 MCN.

11.13 Refusal to register

- (a) A transferor of a MCN 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 MCN 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.

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 five Business Days after the date on which notice of the transfer was delivered to it.

11.14 No liability to persons other than Holders

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

12 Notices and other communications

12.1 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 five Business Days before the date of the notice or communication);
- (b) (if available) issued to Holders through CHESSE in accordance with any applicable rules and regulations of CHESSE;
- (c) so long as the MCN 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 five Business Days before the date of the notice or communication); or
- (f) given in any other way agreed between the Issuer and the Holders (and in agreeing in such way, the Issuer and the Holders may have regard to the dates by which notice is to be given under these Terms).

12.2 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: Level 15, 1 Martin Place,
Sydney NSW 2000
Attention: Company Secretary
Fax: +61 2 8232 4330
- (b) if to the Trustee, addressed as specified from time to time in accordance with the MCN Trust Deed; and
- (c) given in any other way reasonably determined by the Issuer or, in the case of clause 12.2(b), the Trustee and notified to Holders.

For the purposes of this clause 12.2, the Issuer's address for notices and other communications is the address set out above or as otherwise notified by the Issuer to Holders.

12.3 When effective

Communications take effect from the time they are received or taken to be received under clause 12.4 (whichever happens first) unless a later time is specified.

12.4 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 four 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 12.2, 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 12.1, on the day following

its transmission to that electronic address;

- (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 the 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.

12.5 Receipt outside business hours

Despite clauses 12.3 and 12.4, if communications are received or taken to be received under clause 12.4 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.

12.6 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.

13 Amendment of Terms

13.1 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 MCN Trust Deed, with the prior written approval of APRA (to the extent any such amendment may affect the eligibility of the MCN as Eligible Capital) 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 error;
 - (iii) expedient for the purpose of enabling the MCN 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; or
- (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; 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 13.1, any amendments which may have an adverse effect on the Trustee's 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).

13.2 Amendment without consent where Approved Acquirer

Without limiting clause 13.1, subject to complying with the Corporations Act and all other applicable laws and directives, the Issuer may make amendments to these Terms and the MCN Trust Deed, with the prior written approval of APRA but without the consent of the Holders or the Trustee which are necessary and appropriate to effect the substitution of the Approved Acquirer as the issuer of the Ordinary Shares whenever MCN 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 MCN 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 MCN 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 MCN;
- (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 MCN to remain as Eligible Capital,

provided that, notwithstanding anything else in this clause 13.2, any amendments which may have an adverse effect on the Trustee’s 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).

13.3 Amendment with consent

Without limiting clause 13.1 and clause 13.2, the Issuer may, with APRA’s prior written approval (to the extent any such amendment may affect the eligibility of the MCN as Eligible Capital), amend these Terms or the MCN Trust Deed, if the amendment has been approved by a Special Resolution and by the Trustee in writing.

13.4 Meanings

In this clause 13, “**amend**” includes modify, cancel, alter, adjust or add to and “**amendment**” has a corresponding meaning.

13.5 Notice of amendments

Any amendment of these Terms or the MCN Trust Deed made in accordance with this clause 13 must be promptly notified by the Issuer to Holders.

14 General provisions

14.1 Enforcement of the MCN Trust Deed and the Terms

Only the Trustee may enforce the provisions of the MCN 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 MCN Trust Deed. No Holder shall be entitled to proceed directly against the Issuer to enforce the performance of any of the provisions of the MCN Trust Deed or these Terms unless the Trustee, being entitled and having become bound to take proceedings in accordance with the MCN Trust Deed, fails to do so within 14 days and such failure is continuing and then only in accordance with their terms and subject to the limitations set out in the MCN Trust Deed.

14.2 Voting

- (a) The MCN Trust Deed contains provisions for convening meetings of the Holders to consider any matter affecting their interests, including any variation 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.

- (c) Subject to applicable law, Holders are not entitled to be provided with copies of:

- (i) any notices of general meeting 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.

14.3 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 MCN on ASX on or as soon as possible after the Issue Date and maintain quotation on ASX until all MCN have been Exchanged, Redeemed or Written-Off.

14.4 Purchases

Subject to APRA’s prior written approval and applicable law, any member of the Macquarie Group may purchase MCN at any time and at any price. Such MCN may, at the option of the acquirer, be held or resold.

15 Winding Up

15.1 Ranking in Winding Up

- (a) If an order of a court of competent jurisdiction 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, the Issuer is liable to redeem each MCN for its Liquidation Amount in accordance with, and subject to, this clause 15.
- (b) In the Winding Up of the Issuer, a Holder is entitled, subject to the terms of the MCN Trust Deed and to this clause 15, to claim on a subordinated basis in accordance with clause 1.5 and clause 15.1(c) for payment in cash of an amount equal to the Liquidation Amount but has no further or other right to participate in the assets of the Issuer.
- (c) On a Winding Up of the Issuer:

- (i) Holders shall be entitled to prove only for any sums payable in respect of the MCN 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 Issue Price 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.

15.2 Agreements of Holders as to subordination

Each Holder irrevocably agrees:

- (a) that clause 15.2 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 rights as a creditor in the Winding Up or administration of the Issuer:
 - (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 clause 1.5 and clause 15.1;
- (d) that it must pay or deliver to the liquidator or administrator any amount or asset received on account of its claim in the Winding Up or administration of the Issuer in respect of the MCN in excess of its entitlement under clause 1.5 and clause 15.1;
- (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 the winding up or

administration in respect of a MCN; and

- (f) that the debt subordination effected by clause 1.5 and clause 15.1 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.

15.3 No charge

Nothing in clause 1.5 or this clause 15 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.

16 Governing law, jurisdiction and service of documents

16.1 Governing law

The MCN, including these Terms, are governed by, and shall be construed in accordance with, the laws of New South Wales, Australia.

16.2 Jurisdiction

- (a) The Issuer has irrevocably agreed 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 MCN and accordingly has submitted to the non-exclusive jurisdiction of the courts of New South Wales.
- (b) The Holders may take any suit, action or proceeding arising out of or in connection with the MCN ("**Proceedings**") against the Issuer in any other court of competent jurisdiction and may take concurrent Proceedings in any number of jurisdictions.

16.3 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.

17 Interpretation and definitions

17.1 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 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 or law 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) if an event under these Terms must occur on a stipulated day which is not a Business Day, then, except where the event is an Exchange on account of a Non-Viability Event, the stipulated day will be taken to be the next Business Day;
- (g) a reference to "**Australian Dollars**", "**AUD**" or "**AS**" is a reference to the lawful currency of Australia;
- (h) 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;
- (i) 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;
- (j) 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;
- (k) 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;
 - (l) 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;
 - (m) a reference to accounting standards is a reference to the accounting standards as defined in the Corporations Act and a reference to an accounting 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;
 - (n) 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;
 - (o) 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;
 - (p) a reference to the "interests of Holders as a whole" will, if MCN are held beneficially by a Nominated Party, be a reference to the interests of Holders other than the Nominated Party;
 - (q) 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;

- (r) 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);
- (s) a reference to any term defined by APRA shall, if that term is replaced or suspended in any of APRA's applicable prudential regulatory requirements or standards, be taken to be a reference to the replacement or equivalent term; and
- (t) 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.

17.2 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:

- (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 the Ordinary Shares as contemplated by these Terms;
 - (B) use all reasonable endeavours to ensure continued quotation of the MCN on a Stock Exchange; and
 - (C) comply with the obligations and restrictions as apply to the Issuer in connection with the MCN (with all necessary and appropriate modifications);

Acquisition Exchange Date has the meaning given in clause 5.7;

Acquisition Exchange Notice has the meaning given in clause 5.7;

Adjustment Notice has the meaning given in clause 8.9;

Applicable Shareholding Law means each of:

- (a) Chapter 6 of the Corporations Act;
- (b) the Foreign Acquisitions and Takeovers Act 1975 (Cth);
- (c) the Financial Sector (Shareholdings) Act 1998 (Cth);
- (d) Part IV of the Competition and Consumer Act 2010 (Cth); and
- (e) any other 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;

Appointed Person has the meaning given in clause 9.2;

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;

ASX means ASX Limited (ABN 98 008 624 691) or the Australian Securities Exchange, as the context requires;

ASX Listing Rules means the listing rules of the 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 from time to time with any applicable modifications or waivers granted by ASX;

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 8.14(f) applies, an amount equal to the

Proceeds per Share multiplied by the number of Ordinary Shares issued and sold in accordance with clause 8.14(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);

Bills has the meaning given in clause 2.1;

Bookbuild means the process conducted prior to the opening of the Offer where brokers and investors bid for MCN 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 (except where the Exchange is on account of a Non-Viability Event) 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 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;

CHESS means the Clearing House Electronic Subregister System operated by ASX Settlement Pty Ltd (ABN 49 008 504 532);

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 8.3;

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 Issuer from Exchanging MCN 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;

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 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 other than liens arising by operation of law;

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 “A\$600,000,000 Macquarie Convertible Preference Securities” issued on 8 July 2008;
- (b) the instruments described as the “US400,000,000 Macquarie Preferred Membership Interests” issued on 2 December 2010; and
- (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 MCN or any other Equal Ranking Obligation;

Exchange means, in respect of a MCN, the allotment and issue of Ordinary Shares in respect of that MCN in accordance with and subject to clause 8, 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 MCN must be Exchanged (any relevant Exchange Conditions applicable to that date having been met);

Exchange Date VWAP has the meaning given in clause 8.1;

Exchange Floor Price has the meaning given in clause 8.1;

Exchange Number has the meaning in clause 8.1;

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);

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);

Holder means a person Registered as the holder of a MCN;

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 any other reason from observing and performing their obligations in respect of an Exchange;

Ineligible Holder has the meaning given in clause 8.14;

IRS means the Internal Revenue Service of the United States of America;

Issue Date means 19 June 2013;

Issue Date VWAP has the meaning given in clause 8.1;

Issue Price has the meaning given in clause 1.1;

Issuer means Macquarie Group Limited (ABN 94 122 169 279), a company incorporated under the laws of Australia;

Level 3 Group means the Issuer and those of its controlled entities included by APRA from time to time in the calculation of the Issuer’s minimum capital requirement on a Level 3 basis (as that term is 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 8.1;

MCN has the meaning given in clause 1.1;

MCN Trust Deed means the trust deed in respect of MCN dated on or about 14 May 2013;

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 7.2, one or more third parties selected by the Issuer in its absolute discretion;

Nominee has the meaning given in clause 8.14;

Non-Completing Nominated Party has the meaning given in clause 7.6;

Non-Exchange Test Date has the meaning given in clause 5.4;

Non-Viability Event means APRA has provided a written determination to the Issuer that the conversion into Ordinary Shares or write-off of Relevant Tier 1 Securities in accordance with their terms or by operation of law is necessary because:

- (a) without such conversion or write-off, APRA considers the Issuer would become non-viable; or
- (b) a public sector injection of capital, or equivalent support, is to occur into the Issuer, as without such support the Issuer would become non-viable;

Non-Viability Exchange Date means the date of occurrence of the Non-Viability Event;

Non-Viability Exchange Notice has the meaning given in clause 4.6;

Offer means the invitation made under the Prospectus by the Issuer for persons to subscribe for MCN;

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 relation to Ordinary Shares;

Proceedings has the meaning given in clause 16.2;

Proceeds per Share means, in respect of Ordinary Shares issued and sold in accordance with clause 8.14(f), an amount equal to the net proceeds of the sale of such Ordinary Shares, actually received after deducting any applicable brokerage, stamp duty and other taxes, charges and expenses, divided by the number of such Ordinary Shares issued and sold;

Prospectus means the prospectus for the Offer including these Terms;

Reclassification means a division, consolidation or reclassification of the Issuer's share capital (not involving any cash payment or other distribution to or by holders of Ordinary Shares or to any entity in the Macquarie Group);

Record Date has the meaning given in clause 2.1;

Redemption means, in respect of a MCN, the MCN is redeemed by payment of cash in accordance with and subject to clause 6 and "**Redeem**", "**Redeemable**" and "**Redeemed**" have the corresponding meanings;

Redemption Date has the meaning given in clause 6.3;

Redemption Notice has the meaning given in clause 6.1;

Redemption Price has the meaning given to it in clause 6.4;

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:

- (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 Issuer or any other member of the Macquarie Group (a "**Regulation**")

is introduced, amended, clarified or changed or its application changed; or

- (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 Directors determine that, as a result of that Change in Law:

- (i) any of the MCN are not eligible for inclusion as Eligible Capital;
- (ii) additional requirements (including regulatory, capital, financial, operational or administrative requirements) in connection with the MCN would be imposed on the Issuer or the Macquarie Group which the Directors determine, in their absolute discretion, might have a material adverse effect on the Issuer or otherwise be unacceptable; or
- (iii) to have any of the MCN outstanding would be unlawful or impractical or that the Issuer or the Macquarie Group would be exposed to a more than *de minimis* increase in its costs in connection with those MCN;

Related Bodies 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 8.1;

Relevant Tier 1 Security means a security forming part of the Eligible Capital of the Issuer 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);

Resale has the meaning given in clause 7.1 and “Resell” and “Resold” have the corresponding meanings;

Resale Date has the meaning given in clause 7.1;

Resale Notice has the meaning given in clause 7.1;

Resale Price has the meaning given in clause 7.3;

Scheduled Mandatory Exchange and **Scheduled Mandatory Exchange Date** each have 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) the approval of a resolution passed at a meeting of Holders duly convened and held in accordance with the MCN Trust Deed by the affirmative vote of at least 75% of the votes cast by Holders at such meeting; or
- (b) the consent in writing of Holders holding at least 75% of the MCN then on issue;

Stock Exchange means the ASX or such other stock or securities exchange on which the MCN 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 five 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 MCN:

- (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; or
- (b) the Issuer or another member of the Macquarie Group is or will become exposed to more than a *de minimis* amount of other taxes, assessments, costs or other governmental charges;

Tax Event Trigger means:

- (a) an amendment to, change in or announced prospective change in, any laws or regulations in Australia;
- (b) a judicial decision interpreting, applying or clarifying any laws or regulations in 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; or
- (d) a challenge asserted or threatened in writing in connection with an audit or investigation by the Australian Taxation Office of the Issuer in connection with MCN,

which amendment, change or prospective change is announced, 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 MCN Trust Deed (including these Terms);
- (b) any other document agreed by the parties to be a Transaction Document for the purposes of the MCN Trust Deed (and provided that no such agreement will be made if the document may affect the eligibility of the MCN as Eligible Capital unless the written approval of APRA to the agreement has been obtained);

Transferee has the meaning given in clause 13.2;

Trustee means The Trust Company (Australia) Limited (ABN 21 000 000 993) or any replacement trustee under the MCN Trust Deed from time to time;

VWAP has the meaning given in clause 8.1;

VWAP Period has the meaning given in clause 8.1;

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 MCN; and

Written-Off means, in respect of a MCN, that the relevant Holder's rights and the obligations of the Issuer (including in respect of payment of Distributions and any Exchange) in relation to such MCN are immediately and irrevocably terminated and written off and "**Write-Off**" has a corresponding meaning.

17.3 Inconsistency with ASX Listing Rules and ASX Settlement Operating Rules

So long as the MCN are quoted on ASX and in CHESS, these Terms as they relate to those MCN are to be interpreted in a manner consistent with applicable ASX Listing Rules and ASX Settlement Operating Rules (the "**Rules**"), except to the extent that an interpretation consistent with those Rules would affect the eligibility of the MCN as Eligible Capital).

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 17.2 of the MCN Terms immediately prior to this glossary commencing on page 97.

Appendix B: Glossary

Term	Meaning
2008 CPS	Macquarie Convertible Preference Securities issued by Macquarie Capital Loans Management Limited (ABN 18 077 595 012) as responsible entity for the Macquarie CPS Trust in 2008 that trade on ASX under the code "MQCPA".
2008 CPS Holder	A registered holder of 2008 CPS from time to time.
ABN	Australian Business Number as defined in A New Business Tax System (Australian Business Number) Act 1999 (Cth).
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 17.2 of the MCN 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 5.7 of the MCN Terms.
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 MCN made through a completed Application Form in accordance with this Prospectus.
Application Form	A paper or online form (as the context requires) attached to, or accompanying, this Prospectus or available at www.MacquarieCNOffer.com.au through which an Application for MCN may be made, including a Reinvestment Form.
Application Payment	The amount payable on each Application, being the Issue Price multiplied by the number of MCN applied for.
APRA	Australian Prudential Regulation Authority or any authority succeeding to its powers and responsibilities.
Arranger	Macquarie Capital (Australia) Limited.
ASIC	Australian Securities & Investments Commission

Term	Meaning
ASX	ASX Limited (ABN 98 008 624 691) or the market operated by it, as the context requires.
ASX Listing Rules	The listing rules of the 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).
Banking 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.
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.
Bookbuild	The process described in section 8.5.1 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 MCN under this Prospectus to retail and high net worth clients of Syndicate Brokers, resident in Australia, who have received 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 (except where the Exchange Date is on account of a Non-Viability Event) 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.

Term	Meaning
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 (ABN 49 008 504 532).
Closing Date	The last date by which Applications will be accepted, which is expected to be: – for the Reinvestment Offer, Securityholder Offer and General Offer, 5.00pm (Sydney time) on 11 June 2013; – for the Broker Firm Offer applications in respect of Reinvestment Offer, 5.00pm (Sydney time) on 11 June 2013; and – for the Broker Firm Offer (excluding applications in respect of Reinvestment Offer), 5.00pm (Sydney time) on 18 June 2013.
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 17.2 of the MCN Terms.
Delisted	Broadly occurs where: – 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. For the full definition, see clause 17.2 of the MCN Terms.
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 MCN. For the full definition, see clause 2.1 of the MCN Terms.

Term	Meaning
Distribution Payment Date	Broadly, in respect of a MCN, (a) each 19 June and 19 December commencing 19 December 2013 until (but not including) the date on which that MCN 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). 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 clause 2.1 of the MCN Terms.
Distribution Period	Each period commencing on (and including) a Distribution Payment Date and ending on (but excluding) the next Distribution Payment Date. However: – 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 2.6 of the MCN Terms.
Eligible 2008 CPS Holder Applicant	An Eligible 2008 CPS Holder who applies under the Reinvestment Offer.
Eligible 2008 CPS Holder	A 2008 CPS Holder who is: – a registered holder of 2008 CPS at 7.00pm (Sydney time) on 13 May 2013; – shown on the 2008 CPS register as having an address in Australia (or another jurisdiction to which MGL and the Reinvestment Purchaser determine to extend the Reinvestment Offer); and – not in the United States nor acting as a nominee for a person in the United States nor otherwise prevented from receiving the Reinvestment Offer or the MCN under the securities laws of another jurisdiction, as determined by MGL and the Reinvestment Purchaser.

Term	Meaning
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 Securityholder	A person who is: – a registered holder of Ordinary Shares, 2008 CPS, or MIS (as applicable) at 7.00pm (Sydney time) on 13 May 2013; – 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 MCN under the securities laws of another jurisdiction, as determined by MGL.
Equal Ranking Obligations	Any obligation of, or claim against, MGL that exists or may arise in connection with: – the instruments described as the “\$A600,000,000 Macquarie Convertible Preference Securities” issued on 8 July 2008; – the instruments described as the “US\$400,000,000 Macquarie Preferred Membership Interests” issued on 2 December 2010; and – any other ■ 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, which preference share, security, capital instrument of, or obligation or claim against MGL ranks, or is expressed to rank, equally with the MCN or any other Equal Ranking Obligation.

Term	Meaning
Exchange	Broadly, the allotment and issue of Ordinary Shares in respect of a MCN. Exchangeable, Exchanged and Exchanging have corresponding meanings. For the full definition, see clause 17.2 of the MCN Terms.
Exchange Conditions	The conditions which must be satisfied before Exchange will occur. 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 MCN Terms.
Exchange Date	A Mandatory Exchange Date, Non-Viability Exchange Date, Optional Exchange Date or Acquisition Exchange Date on which the MCN must be Exchanged (any relevant Exchange Conditions applicable to that date having been met).
Exchange Number	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 8.1 of the MCN Terms.
Exposure Period	The seven day period after the date this Prospectus is lodged with ASIC during which the Corporations Act prohibits the processing of Applications.
FATCA	Foreign Account Tax Compliance Act provisions set out in sections 1471 through to 1474 of the US Internal Revenue Code, as more fully defined in clause 17.2 of the MCN Terms.
First Exchange Condition	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 MCN Terms.
First Optional Exchange Restriction	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 MCN Terms.
Fourth Exchange Condition	In summary, MGL is not Delisted as at the possible Mandatory Exchange Date. For the full definition, see clause 3.3 of the MCN Terms.

Term	Meaning
Franking Adjustment Factor	$\frac{(1 - \text{Tax Rate})}{1 - [\text{Tax Rate} \times (1 - \text{Franking Rate})]}$
Franking Rate	The franking percentage (as defined under Part 3-6 of the Tax Act) applicable as at the Distribution Payment Date.
General Applicant	An applicant under the General Offer.
General Offer	The invitation to members of the general public who are resident in Australia to apply for MCN under this Prospectus.
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 MCN Holders by the Registrar which sets out the number of MCN issued to that MCN 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 or any other reason from observing and performing its obligations in respect of an Exchange. For the full definition, see clause 17.2 of the MCN Terms.
Institutional Investors	An investor to whom MCN are able to be offered under applicable laws without the need for any Prospectus, registration or other formality (other than a registration or formality which MGL is willing to comply with).
Issue Date	The date the MCN are issued, expected to be 19 June 2013.
Issue Date VWAP	In summary, the VWAP during the 8 ASX Trading Days immediately preceding, but not including, the Issue Date. For the full definition, see clause 8.1 of the MCN Terms.
Issue Price	\$100.
Issuer	Macquarie Group Limited (ABN 94 122 169 279), a company incorporated under the laws of Australia.

Term	Meaning
Joint Lead Managers	ANZ Securities Limited; Citigroup Global Markets Australia Pty Limited; Commonwealth Bank of Australia; Evans and Partners Pty Limited; J.P. Morgan Australia Limited; Macquarie Capital (Australia) Limited; National Australia Bank Limited; and RBS Morgans Limited.
Liquidation Amount	An amount equal to the Issue Price.
Macquarie CPS Trust	Macquarie CPS Trust (ARSN 129 962 358), established under its constitution.
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 MCN Terms.
Mandatory Exchange Date	Broadly, 21 June 2021* 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 MCN Terms. * Due to the Business Day convention, the Scheduled Mandatory Exchange Date is deferred from 19 June 2021 to 21 June 2021.
Margin	The rate (expressed as a percentage per annum) determined under the Bookbuild.
Maximum Exchange Number	The number of Ordinary Shares calculated in accordance with the formula in clause 8.1 of the MCN Terms.
MBL	Macquarie Bank Limited (ABN 46 008 583 542).
MCN	Macquarie Group Capital Notes, being fully paid, subordinated, non-cumulative, unsecured, mandatorily convertible notes of MGL which are to be issued under this Prospectus.
MCN Holder	A person registered as the holder of a MCN.
MCN Terms	The terms of MCN attached as a schedule to the Trust Deed, as set out in Appendix A.

Term	Meaning
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 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 MCN under a Resale process. For the full definition, see clause 17.2 of the MCN Terms.
Nominee	A person appointed by MGL to whom Ordinary Shares are issued instead of MCN Holders in certain circumstances. See section 5.1.17 and clause 8.14 of the MCN Terms for further detail.
Non-Banking Group	All entities in the Macquarie Group other than the entities in the Banking 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 MCN Terms.
Non-Viability Event	APRA has provided a written determination to MGL that the conversion into Ordinary Shares or write-off of Relevant Tier 1 Securities in accordance with their terms or by operation of law is necessary because: (a) without such conversion or write-off, APRA considers MGL would become non-viable; or (b) a public sector injection of capital, or equivalent support, is to occur into MGL, as without such support MGL would become non-viable.
Non-Viability Exchange Date	The date of occurrence of the Non-Viability Event.

Term	Meaning
Offer	The invitation made under the Prospectus by MGL for persons to subscribe for MCN.
Offer Management Agreement	The offer management agreement between the Joint Lead Managers and MGL in relation to the Offer as described in section 7.2.
Offer Period	The period from the Opening Date to the Closing Date.
Opening Date	The opening date of the Offer which is expected to be 22 May 2013.
Optional Exchange	An Exchange at the option of MGL under clause 5 of the MCN Terms.
Optional Exchange Date	The date on which an Exchange at the option of MGL occurs. For the full definition, see clause 5.3 of the MCN Terms.
Optional Exchange Notice	In summary, a notice issued to MCN Holders by which an Exchange at the option of MGL is effected. For the full definition, see clause 5.1 of the MCN 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 MCN Terms.
Ordinary Resolution	Broadly, a resolution passed at a meeting of MCN Holders by a majority of at least 50% of the votes cast, or the consent in writing of MCN Holders holding at least 50% of the MCN then on issue.
Ordinary Share	A fully paid ordinary share in the capital of MGL.
Payment Conditions	The conditions which must be satisfied before the payment of Distributions on MCN. These are outlined in section 2.1.1.
PMIs	Preferred Membership Interests issued by Macquarie PMI LLC in 2010.
Prospectus	This prospectus for the Offer including the MCN Terms.
Redemption	Broadly, the process through which MGL repays the Issue Price under the MCN Terms. Redeem, Redeemable and Redeemed have corresponding meanings. For the full definition, see clause 17.2 of the MCN Terms.

Term	Meaning
Reference Rate	Broadly, the rate (expressed as a percentage per annum) which is the average mid-rate for Bills for a term of 180 days as displayed on the “BBSW” page of the Reuters Monitor System (or any page that replaces that page) on the First Business Day of the relevant Distribution Period. For the full definition, see clause 2.1 of the MCN Terms.
Register	The register, including any branch register, of MCN Holders established and maintained by, or on behalf of, MGL.
Registrar	A person appointed by MGL to maintain the Register, currently Computershare Investor Services Pty Limited.
Regulatory Event	Broadly occurs when, as a result of a change of law or regulation on or after the Issue Date, the Directors determine that any of the MCN are not eligible for inclusion as Eligible Capital or additional requirements would be imposed on MGL or the Macquarie Group which the Directors determine as unacceptable or that to have the MCN outstanding would be unlawful or impractical or expose MGL or the Macquarie Group to a more than de minimis increase in costs. For the full definition, see clause 17.2 of the MCN Terms.
Reinvestment Form	The form sent to Eligible 2008 CPS Holders allowing them to invest in MCN through the Reinvestment Offer.
Reinvestment Offer	The offer to Eligible 2008 CPS Holders to reinvest all or some of their 2008 CPS in MCN as described in section 3.
Reinvestment Purchaser	Macquarie Distribution Pty Limited.
Reinvested 2008 CPS	2008 CPS that are reinvested in MCN under the Reinvestment Offer.
Related Body Corporate	Has the meaning given in the Corporations Act.
Relevant Percentage	When calculating the Maximum Exchange Number, if the relevant Exchange is occurring on a Mandatory Exchange Date, 50%, otherwise 20%.

Term	Meaning
Relevant Tier 1 Security	A security forming part of the Eligible Capital of MGL 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).
Relevant Tier 2 Security	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.
Resale Agent	The resale agent notified by MGL (in conjunction with the responsible entity of the CPS trust) in accordance with the 2008 CPS terms. See section 3.1.7.
Resale	Broadly, the sale of MCN by MCN Holders following the issue by MGL of a resale notice to MCN Holders, to a third party under the MCN Terms. Resold and Resell have corresponding meanings. For the full definition, see clauses 17.2 and 7.1 of the MCN Terms.
Resale Date	The date on which a Resale is to occur. For the full definition, see clause 7.1 of the MCN Terms.
Resale Price	With respect to a MCN, a purchase price equal to the Issue Price of that MCN. For the full definition, see clause 7.3 of the MCN Terms.
Scheduled Mandatory Exchange Date	21 June 2021. Due to the Business Day convention, the Scheduled Mandatory Exchange Date is deferred from 19 June 2021 to 21 June 2021.
Scheduled Optional Exchange Date	Broadly, 19 June 2018, 19 December 2018 and 19 June 2019. For the full definition, see clauses 17.2 and 5.2 of the MCN 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 MCN Terms.
Second Optional Exchange Restriction	MGL is Delisted as at the Non-Exchange Test Date.

Term	Meaning
Securityholder	A registered holder of Ordinary Shares, 2008 CPS or MIS (as the context requires).
Securityholder Applicant	An Eligible Securityholder who applies under the Securityholder Offer.
Securityholder Offer	The invitation to Eligible Securityholders to apply for MCN under this Prospectus.
Senior Creditors	All present and future creditors of MGL whose claims are: (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 MCN Holders under the MCN Terms.
Special Resolution	Broadly, a resolution passed at a meeting of MCN Holders by a majority of at least 75% of the votes validly cast by MCN Holders in person or by proxy and entitled to vote on the resolution. For the full definition, see clause 17.2 of the MCN Terms.
SRN	Securityholder Reference Number.
Suspension Event	In respect of a date, trading of Ordinary Shares on ASX is suspended for a period of consecutive days which includes: (a) at least five consecutive business days within the meaning of the ASX Listing Rules prior to that date; and (b) that date.
Syndicate Broker	Any of the Joint Lead Managers (or their affiliated retail brokers) and any other participating broker in the Offer.
Tax Act	The Income Tax Assessment Act 1936 (Cth) or the Income Tax Assessment Act 1997 (Cth), as the context requires.
Tax Event	Broadly, MGL receives advice that there is a more than insubstantial risk which MGL determines to be unacceptable that, in connection with MCN: – An additional franking debit will arise in the franking account of MGL in respect of any Distribution; or

Term	Meaning
Tax Event continued	– MGL or another member of the Macquarie Group would be exposed to an increase in taxes, assessments, costs or other government charges, which is not insignificant. For the full definition, see clause 17.2 of the MCN Terms.
Tax Rate	The Australian corporate tax rate applicable to the franking account of MGL on the relevant Distribution Payment Date (expressed as a decimal).
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 MCN Terms.
TFN	Tax File Number.
Trust	Has the meaning given in section 7.1.
Trust Deed	The trust deed in respect of MCN.
Trustee	The Trust Company (Australia) Limited (ABN 21 000 000 993) or any replacement trustee under the Trust Deed from time to time.
Trustee Default	Has the meaning given in section 7.1.3.
United States or US	United States of America.
US Securities Act	United States Securities Act 1933 as amended from time to time.
VWAP	Broadly, the average of the Daily VWAP during the VWAP Period, subject to adjustments. For the full definition, see clause 8.1 of the MCN Terms.
VWAP Period	Broadly, the period for which the VWAP is calculated. For the full definition, see clause 8.1 of the MCN Terms.
Winding Up	Broadly means the winding up, termination or dissolution of an entity. For the full definition, see clause 17.2 of the MCN Terms.
Written-Off	In respect of a MCN, the relevant MCN Holders' rights and the obligations of MGL (including in respect of payment of Distributions and any Exchange) in relation to such MCN are immediately and irrevocably terminated and written off and Write-Off has a corresponding meaning.

Corporate directory

Registered Office and Head Office of MGL

Macquarie Group Limited
Level 7, No. 1 Martin Place
Sydney NSW 2000
macquarie.com.au

Legal Adviser

King & Wood Mallesons
Level 50, Bourke Place
600 Bourke Street
Melbourne VIC 3000

Tax Adviser

PricewaterhouseCoopers
Ground Floor, Tower 2
201 Sussex Street
Sydney NSW 2000

Accounting Adviser

PricewaterhouseCoopers Securities Ltd
Ground Floor, Tower 2
201 Sussex Street
Sydney NSW 2000

Registrar

Computershare Investor Services Pty
Limited
Level 4, 60 Carrington Street
Sydney NSW 2000

Arranger

Macquarie Capital (Australia) Limited
Level 23, 101 Collins Street
Melbourne VIC 3000

Joint Lead Managers

Macquarie Capital (Australia) Limited
Level 23, 101 Collins Street
Melbourne VIC 3000

ANZ Securities Limited
ANZ Centre Melbourne
Level 9, 833 Collins Street
Docklands VIC 3008

Citigroup Global Markets Australia
Pty Limited
Level 22, 2 Park Street
Sydney NSW 2000

Commonwealth Bank of Australia
Ground Floor, Tower 1
201 Sussex Street
Sydney NSW 2000

Evans and Partners Pty Limited
32 Jolimont Terrace
East Melbourne VIC 3002

J.P. Morgan Australia Limited
Level 18, J.P. Morgan House
85 Castlereagh Street
Sydney NSW 2000

National Australia Bank Limited
Level 25, 255 George Street
Sydney NSW 2000

RBS Morgans Limited
Level 29, Riverside Centre
123 Eagle Street
Brisbane QLD 4000

