



MACQUARIE

Macquarie Group Capital Notes 3 Offer

Important notice and disclaimer



This presentation has been prepared by Macquarie Group Limited ABN 94 122 169 279 ("**MGL**") in relation to its proposed offer of Macquarie Group Capital Notes 3 ("**MCN3**") as described in this presentation. A Prospectus in respect of MCN3 was lodged with ASIC on 7 May 2018. The initial Prospectus does not contain the Margin. A Replacement Prospectus containing this information will be lodged with ASIC once the Margin is determined (expected to be on or about 15 May 2018). The Prospectus is only available within Australia. The initial Prospectus can be obtained electronically from www.MCN3Offer.com.au or a paper copy can be requested by contacting the MCN3 Offer Information Line on 1300 420 406 (within Australia) or on +61 1300 420 406 (International), Monday to Friday – 8.30am to 5.30pm (Sydney time). Applications under the Reinvestment Offer and Security holder Offer can be made online at www.MCN3Offer.com.au. Please call your broker for information on how to apply under the Broker Firm Offer.

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MCN3 are not deposit liabilities and are not protected accounts of Macquarie Bank Limited ABN 46 008 583 542 ("**MBL**") under the Banking Act 1959 (Cth) ("**Banking Act**") and are not guaranteed or insured by any government, government agency or compensation scheme or 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 MCN3 is not guaranteed by MGL, MBL or any other member of the Macquarie Group.

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ASIC Guidance



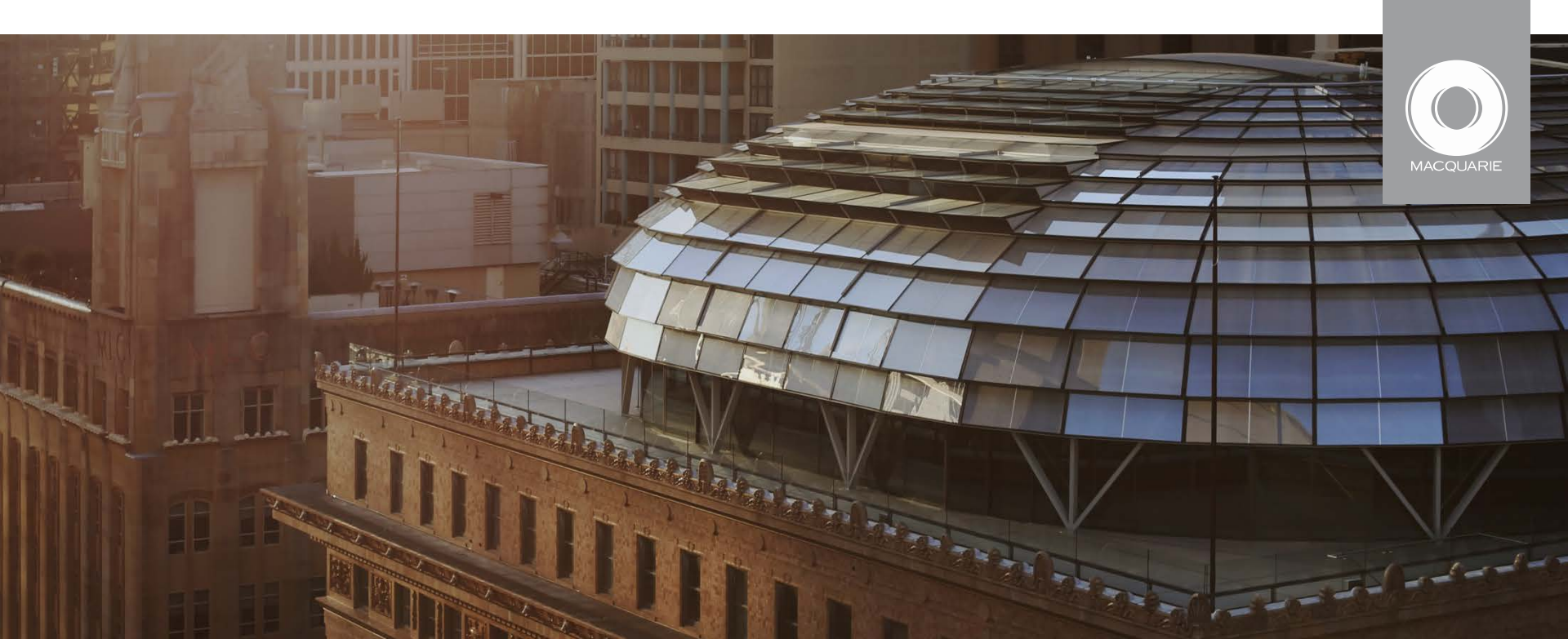
Please consider ASIC Guidance before investing.

www.moneysmart.gov.au/investing

MCN3 are a complex investment and may be difficult to understand, even for experienced investors and involve different risks from a simple debt or ordinary equity security. You should ensure that you understand the MCN3 Terms and risks of investing in MCN3 and consider whether it is an appropriate investment for your particular circumstances.

ASIC has published guidance on its MoneySmart website which may be relevant to your consideration of whether to invest in MCN3 – namely, information for retail investors who are considering investing in hybrid securities. You can find this guidance by searching “hybrid securities” at www.moneysmart.gov.au/investing.

ASIC’s guidance includes a series of questions you may wish to ask before you invest in hybrid securities, and a short quiz you can complete to check your understanding of how hybrids work, their features and the risks of investing in them.



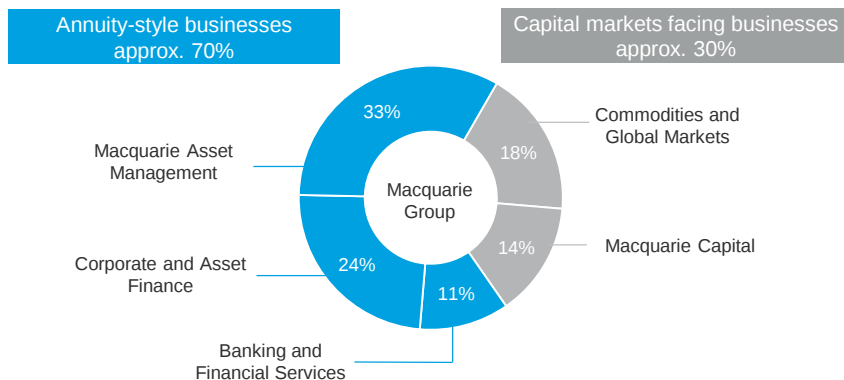
Overview of the Macquarie Group

01

Macquarie overview

Diversified financial group providing clients with asset management and finance, banking, advisory and risk and capital solutions across debt, equity and commodities

Macquarie Group overview¹



Global locations



Macquarie Group in numbers

14,469
employees, operating
in over **25**
countries

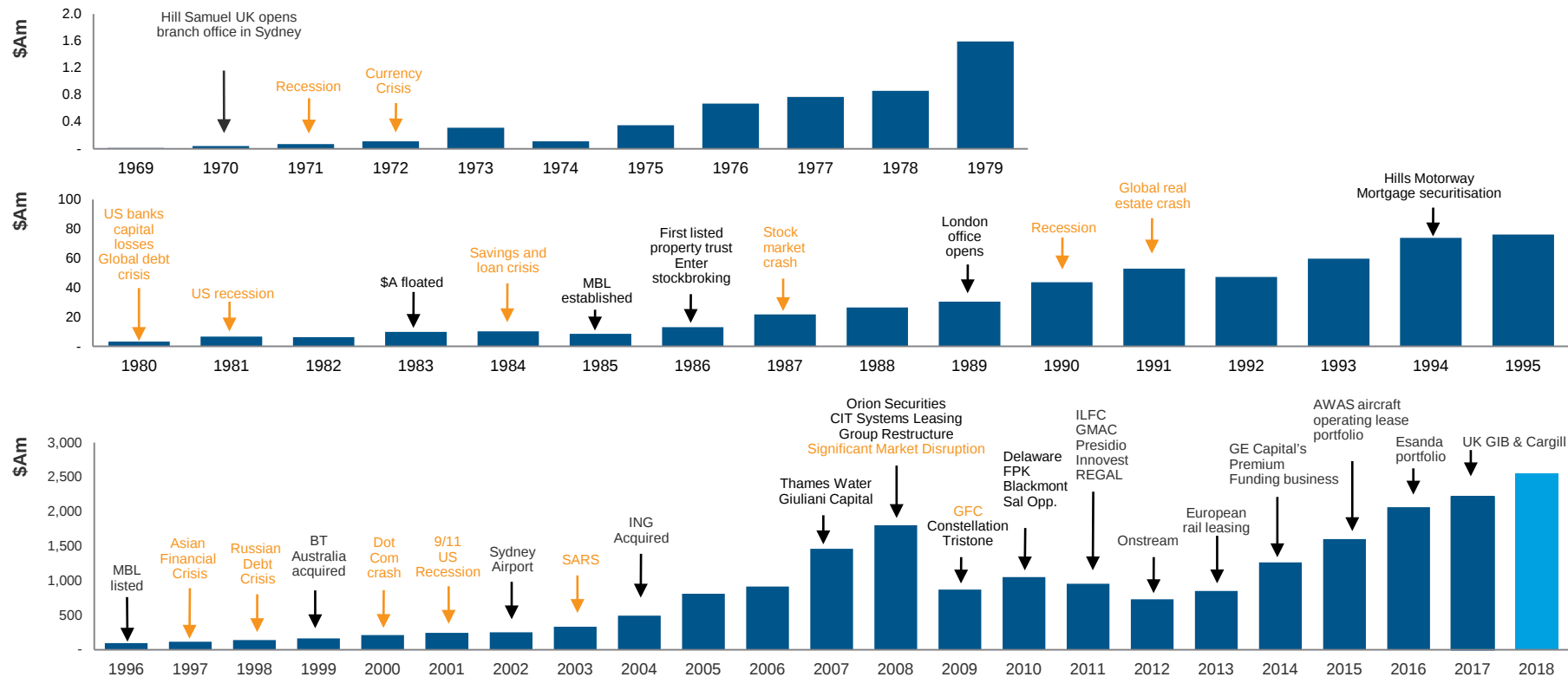
\$A496.7b
assets under
management as at
31 Mar 18

FY18 net profit **\$A2,557m**
FY17 net profit **\$A2,217m**

MBL
A/A2/A
credit rating

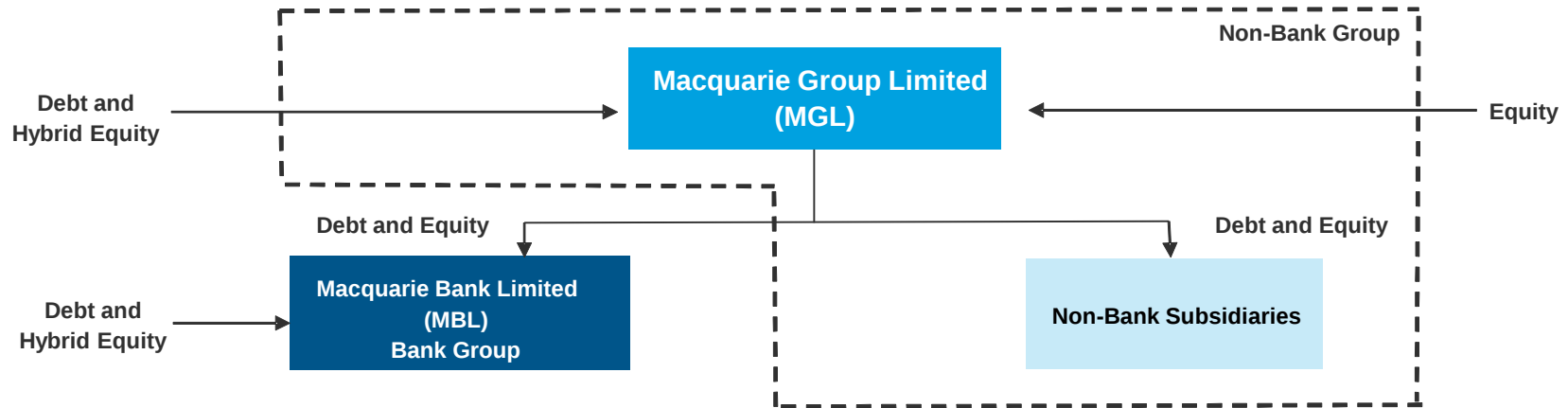
APRA primary
regulator for MBL
& MGL

49 years of profitability



Macquarie funding structure

- MGL and MBL are Macquarie's two primary external funding vehicles which have separate and distinct funding, capital and liquidity management arrangements
- MBL provides funding to the Bank Group
- MGL provides funding predominately to the Non-Bank Group



ABOUT MACQUARIE

Diverse business mix



Annuity-style businesses (~70%)

Macquarie Asset Management (MAM)

Top 50 global asset manager with \$A495.1b¹ of assets under management

Provides clients with access to a diverse range of capabilities and products, including infrastructure, real assets, equities, fixed income, liquid alternatives and multi-asset investment management solutions

Corporate and Asset Finance (CAF)

Global provider of specialist finance and asset management solutions, with a \$A34.5b¹ asset and loan portfolio

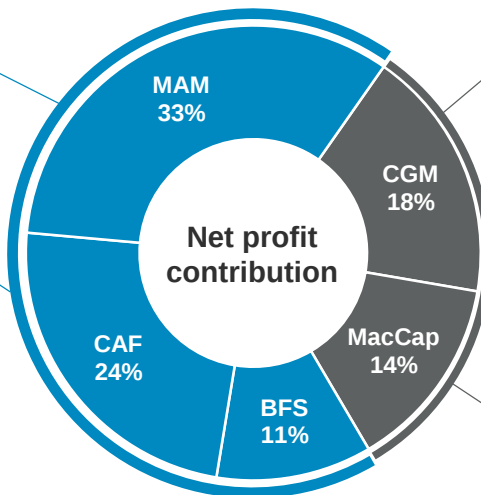
Asset Finance has global expertise in aircraft, vehicles, technology, healthcare, manufacturing, industrial, energy, rail and mining equipment

Principal Finance provides flexible primary financing solutions and engages in secondary market investing, across the capital structure. It operates globally in both corporate and real estate sectors

Banking and Financial Services (BFS)

Macquarie's retail banking and financial services business with a \$A40.6b¹ Australian loan portfolio, funds on platform² of \$A82.5b¹ and total BFS deposits³ of \$A45.7b¹

Provides a diverse range of personal banking, wealth management and business banking products and services to retail clients, advisers, brokers and business clients



Capital markets facing businesses (~30%)

Commodities and Global Markets (CGM)

Integrated, end-to-end offering across global markets including equities, fixed income, foreign exchange and commodities

Provides clients with risk and capital solutions across physical and financial markets

Diverse platform covering more than 25 market segments, with more than 160 products

Growing presence in physical commodities (natural gas, LNG, NGLs, power, oil, coal, base metals, iron ore, sugar and freight)

Global institutional securities house with strong Asia-Pacific foundations covering sales, research, ECM, execution and derivatives and trading activities

Macquarie Capital (MacCap)

Global capability across infrastructure, energy, real estate, telecommunications, media, technology, consumer, gaming and leisure, business services, resources, industrials and financial institutions in: M&A advisory; equity and debt capital markets; and balance sheet positions

Invests Macquarie's balance sheet to develop and create assets, platforms and businesses in the Infrastructure, Energy and Real Estate sectors, and partnering primarily with financial sponsor clients, to provide capital solutions, particularly in the Technology sector

FY18 result: \$A2,557m up 15% on FY17

Net operating income
Total operating expenses
Operating profit before income tax
Income tax expense
<i>Effective tax rate¹ (%)</i>
Profit attributable to non-controlling interests
Profit attributable to MGL shareholders

Annualised return on equity (%)
Basic earnings per share
Dividend per ordinary share

2H18 \$Am	1H18 \$Am
5,523	5,397
(3,763)	(3,693)
1,760	1,704
(435)	(448)
24.9	26.4
(16)	(8)
1,309	1,248

16.9	16.7
\$A3.88	\$A3.70
\$A3.20	\$A2.05

2H18 v 1H18
↑ 2%
↑ 2%
↑ 3%
↓ 3%
↑ 5%

↑ 1%
↑ 5%
↑ 56%

FY18 \$Am	FY17 \$Am
10,920	10,364
(7,456)	(7,260)
3,464	3,104
(883)	(868)
25.7	28.1
(24)	(19)
2,557	2,217

16.8	15.2
\$A7.58	\$A6.58
\$A5.25	\$A4.70

FY18 v FY17
↑ 5%
↑ 3%
↑ 12%
↑ 2%
↑ 15%

↑ 11%
↑ 15%
↑ 12%

1. Calculation of the effective tax rate is after adjusting for the impact of non-controlling interests.

FY18 net profit contribution from operating groups

\$A5,061m up 8% on FY17



ANNUITY-STYLE BUSINESSES

\$A3,451m | ▲ 6% ON FY17

MAM: ▲ on FY17

Strong result with increased performance fees, partially offset by higher impairments

CAF: ▲ on FY17

Asset Finance portfolio continued to perform well; higher prepayments, realisations and investment-related income in Principal Finance albeit reduced interest income from lower portfolio volumes; reduced provisions and impairments overall

BFS: ▲ on FY17

Growth in Australian loan portfolio, BFS deposits and funds on platform, partially offset by the Bank Levy; FY17 benefited from the gain on sale of Macquarie Life's risk insurance business

CAPITAL MARKETS FACING BUSINESSES

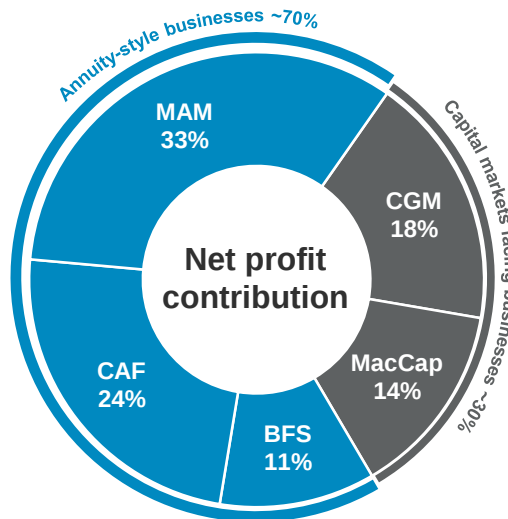
\$A1,610m | ▲ 11% ON FY17

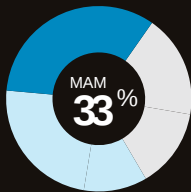
CGM: ▼ on FY17

Improved results across the group, as well as lower impairments; offset by the timing of income recognition relating to tolling agreements and capacity contracts, reduced income from the sale of investments and low volatility in interest rate and credit markets

Macquarie Capital: ▲ on FY17

Higher investment-related income due to asset realisations, increased client activity in DCM, offset by lower activity in ECM and M&A





Macquarie Asset Management

Annuity-style business



Top 50 global asset manager with \$A495.1b of assets under management

- Provides clients with access to a diverse range of capabilities and products, including infrastructure, real assets, equities, fixed income, liquid alternatives and multi-asset investment management solutions

OPERATING INCOME

\$A2,792m

▲ **8%**
ON FY17

NET PROFIT CONTRIBUTION

\$A1,685m

▲ **10%**
ON FY17

**Macquarie Infrastructure
and Real Assets**

AUM \$A155.2b

**Macquarie
Investment Management**

AUM \$A333.5b

**Macquarie Specialised
Investment Solutions**

AUM \$A6.4b

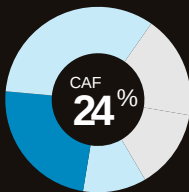
No. 1 infrastructure manager
globally¹

2 Lipper Awards and
1 Euro Funds award in 2017²

Largest specialist infrastructure
debt manager³

Note: Net profit contribution is management accounting profit before unallocated corporate costs, profit share and income tax. Pie chart is based on FY18 net profit contribution from operating groups.

AUM as at 31 Mar 18. 1. Based on AUM. Willis Towers Watson 2017 Global Alternatives Survey, published 17 Jul 17. 2. For information and disclosures relating to these awards, visit: <https://www.macquarieim.com/mimdisclosures>. 3. 2017 PDI 50.



Corporate and Asset Finance

Annuity-style business



\$A34.5b asset and loan portfolio

- Delivers tailored finance and asset management solutions to clients through the cycles
- Provides flexible primary financing solutions and engages in secondary market investing across the capital structure
 - operates globally in both corporate and real estate sectors
- Expertise in asset finance including aircraft; vehicles; technology; healthcare; manufacturing; industrial; energy; rail; and mining equipment
- Selectively invests in specialised asset classes
- Supports annuity-style businesses through different growth phases

Leading participant in bespoke primary financing;
niche acquirer of secondary market investments

Principal Finance
Portfolio \$A4.7b¹

Aircraft
Portfolio \$A8.0b

Energy
Portfolio \$A1.3b

Resources
Portfolio \$A0.4b

Vehicles
Portfolio \$A16.5b

TMT²
Portfolio \$A2.7b

Rail
Portfolio \$A0.7b

Other³
Portfolio \$A0.2b

One of Australia's **largest** vehicle financiers, with over 600,000 cars

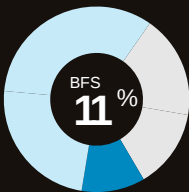
OPERATING INCOME
\$A1,889m

▲ **3%**
 ON FY17

NET PROFIT CONTRIBUTION
\$A1,206m

▲ **1%**
 ON FY17

Largest independent⁴ meter owner in the UK



Banking and Financial Services

Annuity-style business

\$A45.7b total BFS deposits¹

- Provides a diverse range of personal banking, wealth management and business banking products and services
- Serves clients through direct Macquarie offerings, a white label personal banking platform, strong intermediary relationships and a leading digital banking experience
- More than 1 million clients



OPERATING INCOME

\$A1,646m

BROADLY
IN LINE
WITH FY17

NET PROFIT CONTRIBUTION

\$A560m

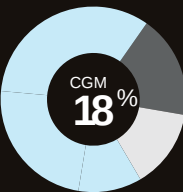
▲ **9%**
ON FY17

Australian
mortgage portfolio
\$A32.7b

Best Digital Banking
Offering and **Most**
Innovative Card Product²

Funds on platform³
of \$A82.5b

Business banking
loan portfolio
\$A7.3b



Commodities and Global Markets

Capital markets facing business

Providing clients with an integrated, end-to-end service across global markets

- Expertise in providing clients with access to markets, financing, financial hedging, research and market analysis, and physical execution
- Growing presence in commodities (natural gas, LNG, NGLs, power, oil, coal, base metals, iron ore, sugar and freight)
- Global institutional securities house with strong Asia-Pacific foundations covering sales, research, ECM, execution and derivatives and trading activities

OPERATING INCOME

\$A2,907m

▼ **1 %**
ON FY17

NET PROFIT CONTRIBUTION

\$A910m

▼ **6 %**
ON FY17

Commodities

Equities

Fixed Income

Foreign Exchange

15 years
in Energy
markets

20+ years
in Agricultural
markets

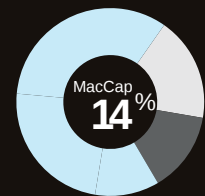
30+ years
in Metals, Equity, FX
and Futures markets

No.2 US physical gas
marketer in
North America¹

Top 10 global
equities research house²

Note: Net profit contribution is management accounting profit before unallocated corporate costs, profit share and income tax. Pie chart is based on FY18 net profit contribution from operating groups.

1. Platts Q4 CY17. 2. By number of stocks under coverage, I/B/E/S, Sep 17.



Macquarie Capital

Capital markets facing business



Global capability in M&A advisory, debt and equity capital markets and balance sheet positions

- Global capability across Infrastructure & Energy, Real Estate, Telecommunications, Media, Entertainment & Technology, Resources, Industrials and Financial Institutions in: M&A Advisory; Equity and Debt Capital Markets; and balance sheet positions
- Completed **402** transactions valued at **\$A352b** in FY18¹

FINANCIAL INSTITUTIONS	MERGERS & ACQUISITIONS PROJECT FINANCE EQUITY CAPITAL MARKETS DEBT CAPITAL MARKETS PRIVATE CAPITAL MARKETS BALANCE SHEET POSITIONS
INDUSTRIALS	
INFRASTRUCTURE & ENERGY	
REAL ESTATE	
RESOURCES	
TELECOMMUNICATIONS, MEDIA ENTERTAINMENT & TECHNOLOGY	

OPERATING INCOME

\$A1,491m

▲ **24%**
ON FY17

NET PROFIT CONTRIBUTION

\$A700m

▲ **45%**
ON FY17

Global **Best Investment Bank**
in Infrastructure sector²

No. 1 Project Finance
Global Power and
Renewables Financial
Adviser³

Financial **Adviser of the Year** (GOLD)⁴

No. 1 Global
Infrastructure Financial
Sponsor⁵

No. 1 M&A for
completed deals in
ANZ⁶

Note: Net profit contribution is management accounting profit before unallocated corporate costs, profit share and income tax. Pie chart is based on FY18 net profit contribution from operating groups.

1. Source: Dealogic and IS Global for Macquarie Group completed M&A, balance sheet positions, ECM and DCM transactions, converted at 31 Mar FX rate. Deal values reflect the full transaction value and not an attributed value 2. Global Finance Awards (2018). 3. Infraction CY17 (by value).

4. PPP Awards, Asia Pacific (2017). 5. Infraction CY17 (by volume). 6. Dealogic (FY18, by value).

Long standing conservative risk management framework



- Macquarie's core risk management principles have remained stable and continue to be effective
- The key aspects of Macquarie's risk management approach are:

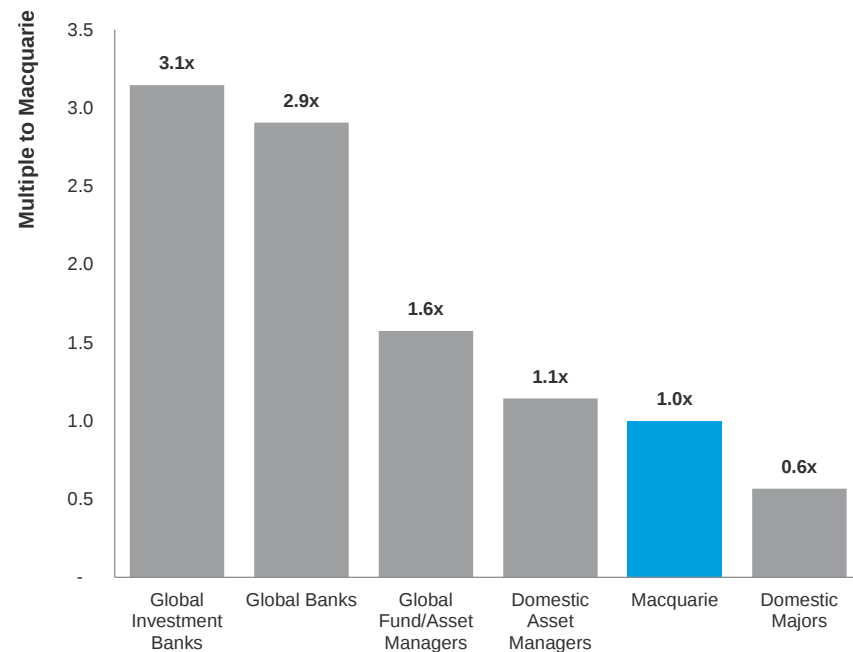
Ownership of risk at the business level	Understanding worst-case outcomes	Requirement for independent sign-off by Risk Management
Business heads responsible for identifying risks within their businesses and ensuring these are managed appropriately. Seek a clear analysis of the risks before taking decisions.	Risk management approach based on examining the consequences of worst case outcomes and determining whether risks can be tolerated. Adopted for all material risk types and often achieved by stress testing.	Risk Management Group (RMG) signs off all material risk acceptance decisions. For material proposals, RMG opinion is sought at an early stage in the decision-making process. The approval document submitted to senior management includes independent input from RMG on risk and return.

- Macquarie's approach to risk is supported by the Risk Management Group
- Macquarie determines aggregate risk appetite by assessing risk relative to earnings, with allowance made for the loss-absorbing ability of the current regulatory capital surplus

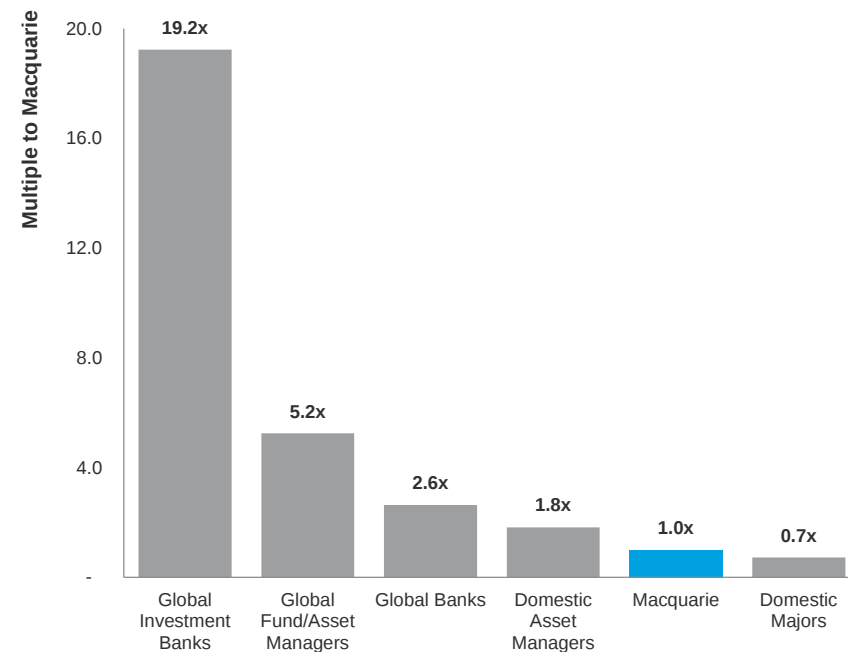
Stable earnings



5 year earnings volatility relative to Macquarie
(since GFC)

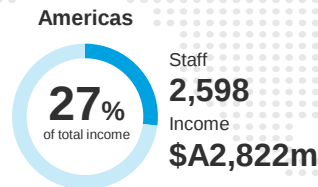


10 year earnings volatility relative to Macquarie
(includes GFC)



Diversification by region

International income 67% of total income¹
Total staff 14,469; International staff 54% of total



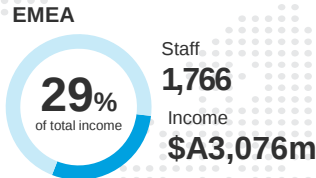
Assets under management
\$A255.1b
employing **29,000+** people³

CANADA
Calgary
Montreal
Toronto
Vancouver

LATIN AMERICA
Mexico City
Sao Paulo

USA
Austin
Boca Raton
Boston
Chicago
Denver
Houston
Jacksonville
Los Angeles

Minneapolis
Nashville
New York
Philadelphia
San Diego
San Francisco
San Jose

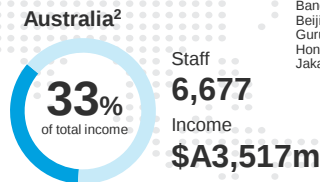


Assets under management
\$A92.0b
employing **40,000+** people³

EUROPE
Dublin
Edinburgh
Frankfurt
Geneva
London
Luxembourg
Madrid
Munich
Paris
Reading
Vienna
Zurich

MIDDLE EAST
Abu Dhabi
Dubai

SOUTH AFRICA
Cape Town
Johannesburg

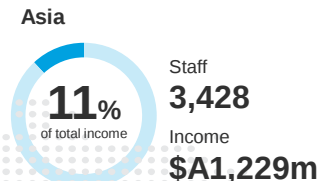


Assets under management
\$A97.9b
employing **4,500+** people³

AUSTRALIA
Adelaide
Brisbane
Canberra
Gold Coast
Manly
Melbourne

Newcastle
Parramatta
Perth
Sydney

NEW ZEALAND
Auckland



Assets under management
\$A51.7b
employing **40,000+** people³

ASIA
Bangkok
Beijing
Gurugram
Hong Kong
Jakarta

Kuala Lumpur
Manila
Mumbai
Seoul
Shanghai

Singapore
Taipei
Tokyo

Macquarie's Australian businesses



Macquarie's Australian businesses FY18	Group \$Am	Bank		Non-bank \$Am
		BFS \$Am	Other \$Am	
Net operating income for Australian businesses	3,517	1,640	1,067	810
Australian income as a proportion of Group total income ¹	33%	15%	10%	8%
Australian net profit contribution as a proportion of Group net profit contribution from operating groups	30%	11%	9%	10%
Headcount ²	6,645	2,318	1,187	3,140

Bank

Retail banking and financial services portfolio includes³:

\$A82.5b
funds on platform

\$A32.7b
mortgage portfolio

\$A7.3b
business banking loan portfolio

Awarded **Best Digital Banking Offering** at the 2017 Australian Retail Banking Awards



Leading Australian vehicle financier



Leased **900k+** smartphones in Australia since 2016

Provider of fixed income, currencies and energy solutions

No. 1 Futures broker on the ASX⁴

Non-bank



One of **Australia's largest** asset managers⁵ with Australian AUM of **\$A97.9b**^{3,6}



Leading Australian **equities research** team

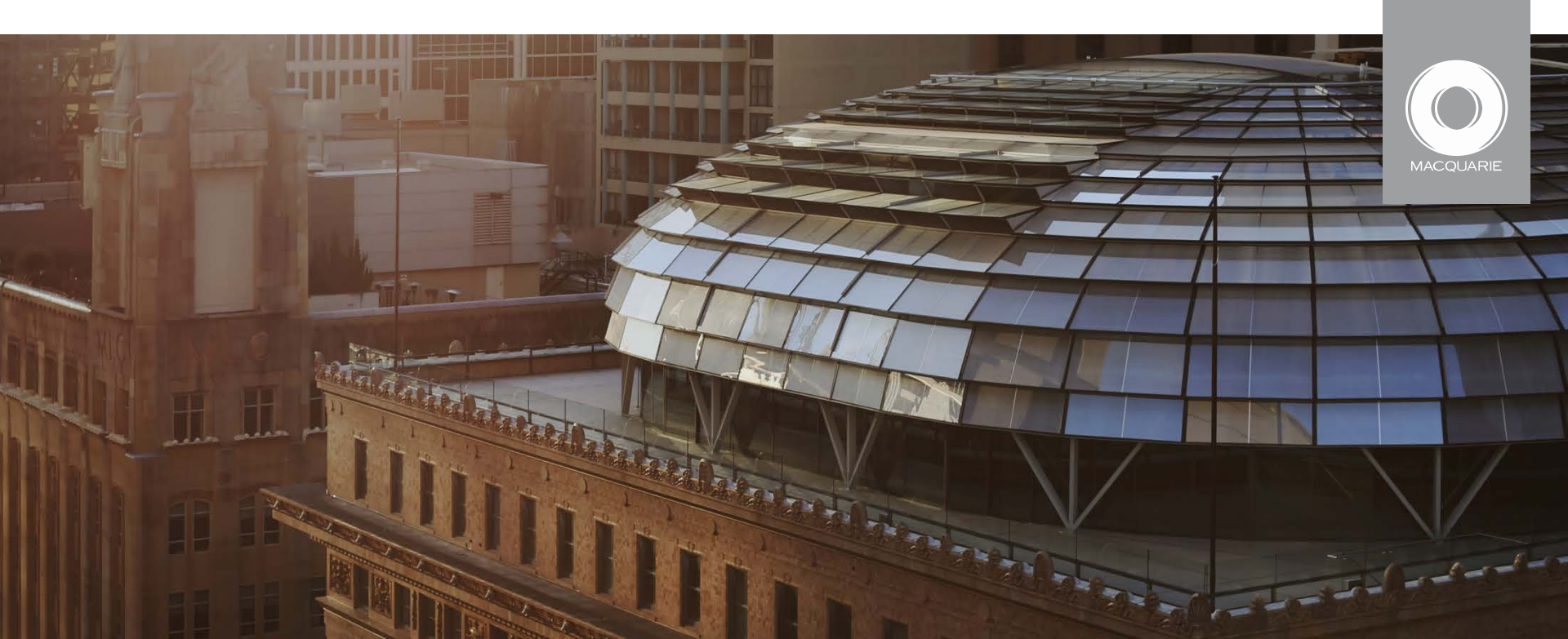


No.1 corporate adviser in Australia:

- **No.1** for M&As and IPOs; **No. 2** in ECM in ANZ⁷

Supporting growth across infrastructure, energy, real estate, telecommunications, media, technology, consumer, gaming and leisure, business services, resources, industrials and financial institutions

1. Total income excludes earnings on capital and other corporate items. 2. Excludes New Zealand. 3. As at 31 Mar 18. 4. Based on overall market share on ASX24 Futures volumes (CY18 YTD as at 31 Mar 18). 5. Based on AUM. 6. Represents ~20% of Group AUM. 7. Dealogic (FY18, by value).



Outlook | 02

Factors impacting short-term outlook

Annuity-style businesses

Macquarie Asset Management

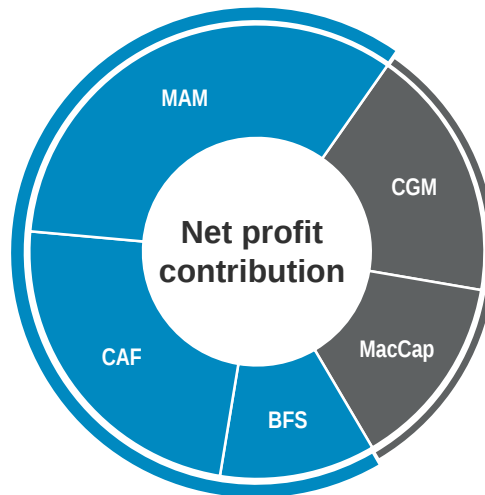
- FY18: \$A1.7b up 10% on FY17
- Base fees expected to be up, benefiting from recent acquisitions
- Performance fees and investment-related income (net of impairments) expected to be down

Corporate and Asset Finance

- FY18: \$A1.2b up 1% on FY17
- Leasing book broadly in line
- Reduced loan volumes in Principal Finance
- Timing and level of early prepayments and realisations in Principal Finance

Banking and Financial Services

- FY18: \$A0.6b up 9% on FY17
- Higher loan portfolio, deposit and platform volumes
- NIM pressure due to higher costs



Corporate

- Compensation ratio to be consistent with historical levels
- Based on present mix of income, along with the favourable impacts of US tax reform, the FY19 effective tax rate is expected to be down on FY18

Capital markets facing businesses

Commodities and Global Markets

- FY18: \$A0.9b down 6% on FY17
- Strong customer base expected to drive consistent flow across Commodities, Fixed Income and Futures
- Improved result in equities
- Reduced impact from timing of revenue recognition driven by accounting volatility

Macquarie Capital

- FY18: \$A0.7b up 45% on FY17
- Assume market conditions broadly consistent with 2H18
- Solid pipeline of asset realisations expected

Short-term outlook



- The Group's result for FY19 is currently expected to be broadly in line with FY18
- Our short-term outlook remains subject to:
 - Market conditions
 - The impact of foreign exchange
 - Potential regulatory changes and tax uncertainties
 - Geographic composition of income

Medium-term



- Macquarie remains well positioned to deliver superior performance in the medium-term
- Deep expertise in major markets
- Build on our strength in diversity and continue to adapt our portfolio mix to changing market conditions
 - Annuity-style income is provided by three significant businesses which are delivering superior returns following years of investment and acquisitions
 - Macquarie Asset Management, Corporate and Asset Finance and Banking and Financial Services
 - Two capital markets facing businesses well positioned to benefit from improvements in market conditions with strong platforms and franchise positions
 - Commodities and Global Markets and Macquarie Capital
- Ongoing benefits of continued cost initiatives
- Strong and conservative balance sheet
 - Well matched funding profile with minimal reliance on short-term wholesale funding
 - Surplus funding and capital available to support growth
- Proven risk management framework and culture

Approximate business Basel III Capital & ROE



As at 31 Mar 18

Operating Group	APRA Basel III Capital ¹ @ 8.5% (\$Ab)	Approx. FY18 Return on Ordinary Equity ²	Approx. 12-Year Average Return on Ordinary Equity ²
Annuity-style businesses	8.9		
Macquarie Asset Management	2.2	23%	20% ³
Corporate and Asset Finance	4.2		
Banking and Financial Services	2.5		
Capital markets facing businesses	5.9		
Commodities and Global Markets	3.3	15%	15% - 20%
Macquarie Capital	2.6		
Corporate	0.1		
Total regulatory capital requirement @ 8.5%	14.9		
Group surplus	4.2		
Total APRA Basel III capital supply	19.1⁴		

1. Business Group capital allocations and are based on 31 Dec 17 allocations adjusted for forecast material movements over the Mar 18 quarter. 2. NPAT used in the calculation of approx. annualised ROE is based on Operating Group's forecast FY18 net profit contribution adjusted for indicative allocations of profit share, tax and other corporate expenses. Equity is based on the quarterly average equity usage from FY17 to FY18 inclusive. FY18 equity is based on 31 Dec 17 allocations adjusted for forecast material movements over the Mar 18 quarter. 12-year average covers FY07 to FY18, inclusively. 3. CAF returns prior to FY11 excluded from 12-year average as not meaningful given the significant increase in scale of CAF's platform over this period. 4. Comprising of \$A17.4b of ordinary equity and \$A2.7b of hybrids.

Medium-term



Annuity-style businesses

Macquarie Asset Management (MAM)

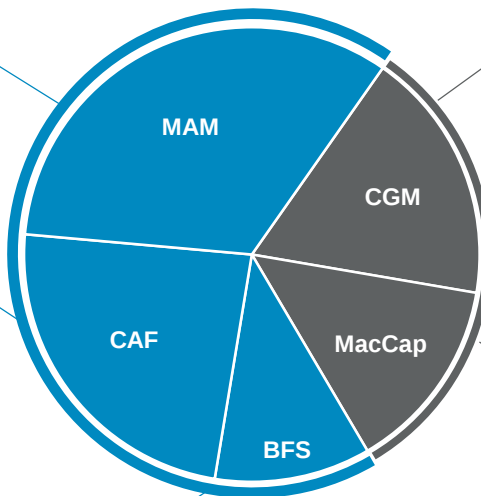
- Annuity-style business that is diversified across regions, products, asset classes and investor types
- Diversification of capabilities allows for the business to be well placed to grow assets under management in different market conditions
- Well positioned for organic growth with several strongly performing products and an efficient operating platform

Corporate and Asset Finance (CAF)

- Leverage deep industry expertise to maximise growth potential in asset and loan portfolio
- Positioned for further asset acquisitions and realisations, subject to market conditions
- Funding from asset securitisation throughout the cycle

Banking and Financial Services (BFS)

- Strong growth opportunities through intermediary and direct retail client distribution, white labelling, platforms and client service
- Opportunities to increase financial services engagement with existing business banking clients and extend into adjacent segments
- Modernising technology to improve client experience and support growth



Capital markets facing businesses

Commodities and Global Markets (CGM)

- Opportunities to grow commodities business, both organically and through acquisition
- Development of institutional coverage for specialised credit, rates and foreign exchange products
- Increase financing activities
- Growing the client base across all regions
- Leveraging a strong market position in Asia-Pacific through investment in the equities platform and further integration of the business across CGM

Macquarie Capital (MacCap)

- Positioned to benefit from any improvement in M&A and capital markets activity
- Continues to tailor the business offering to current opportunities, market conditions and strengths in each region and sector



MACQUARIE

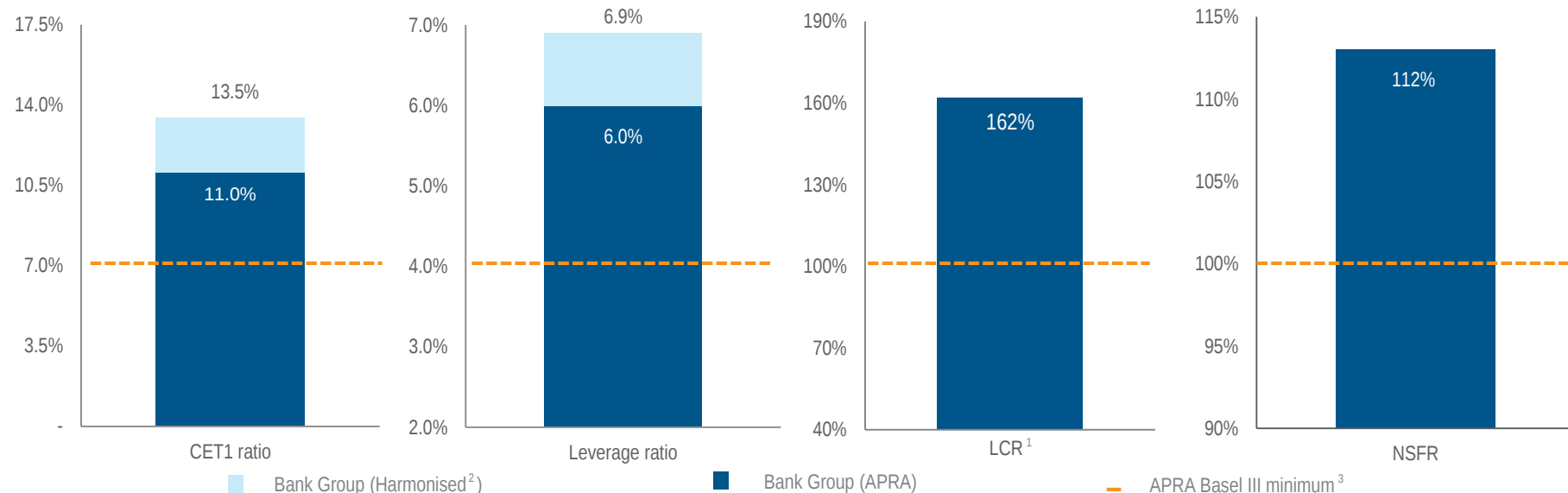
Capital and Funding

03

Strong regulatory ratios



Bank Group (Mar 18)



1. Average LCR for Mar 18 quarter is based on an average of daily observations. 2. 'Harmonised' Basel III estimates are calculated in accordance with the BCBS Basel III framework. 3. Includes the capital conservation buffer in the minimum CET1 ratio requirement. In Feb 18 APRA proposed a minimum leverage ratio requirement for IRB ADIs of 4% effective from 1 Jul 19.

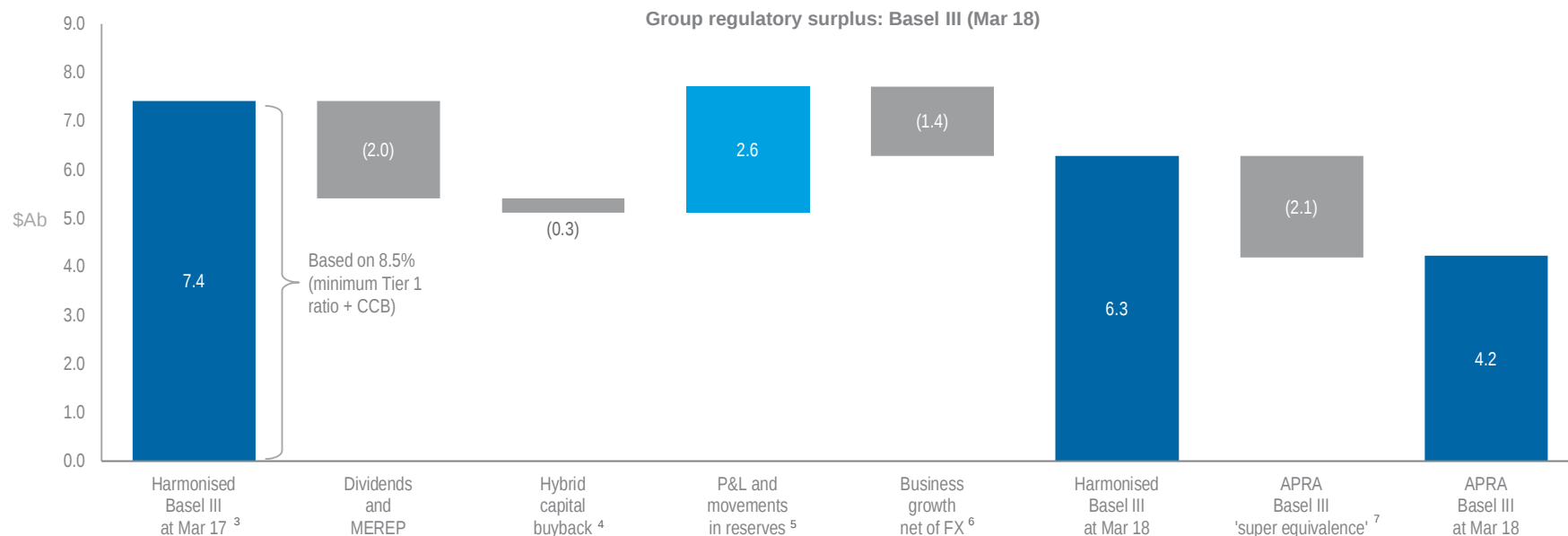
Basel III capital position



APRA Basel III Group capital at Mar 18 of \$A19.1b, Group capital surplus of \$A4.2b¹

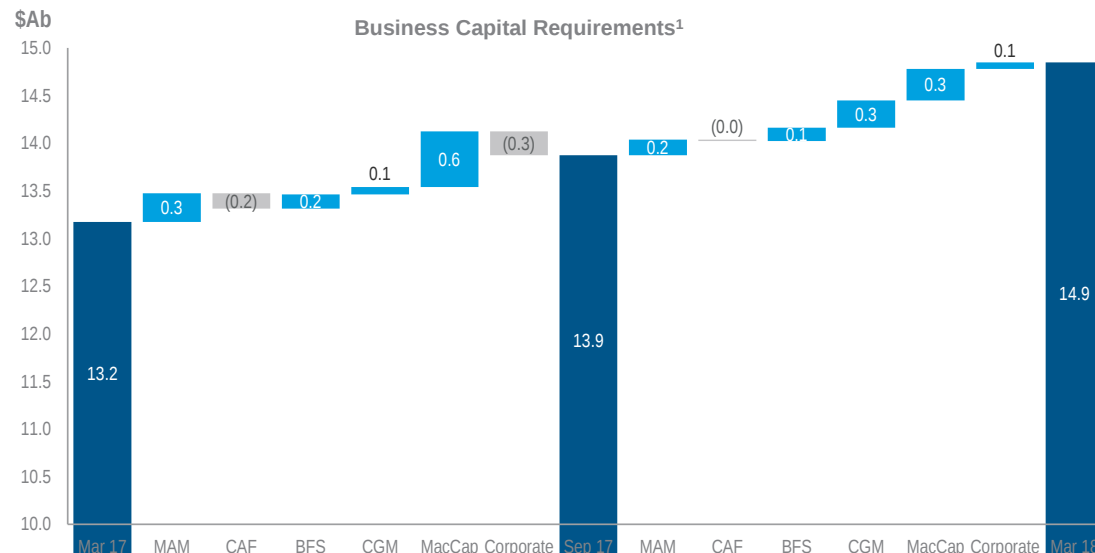
APRA Basel III Bank Group CET1 ratio: 11.0%²

Harmonised Basel III³ CET1 ratio: 13.5%⁴



1. Calculated at 8.5% RWA including the capital conservation buffer (CCB), per APRA ADI Prudential Standard 110. The APRA Basel III Group capital surplus is \$A5.6b calculated at 7% RWA, per the internal minimum Tier 1 ratio of the Bank Group. 2. Basel III applies only to the Bank Group and not the Non-Bank Group. APRA Basel III Tier 1 ratio at Mar 18: 12.8%, APRA Basel III CET1 ratio at Sep 17: 11.0%. 3. 'Harmonised' Basel III estimates are calculated in accordance with the BCBS Basel III framework. Harmonised Basel III Tier 1 ratio at Mar 18: 15.3%. 4. \$US250m of Macquarie Exchangeable Capital Securities ('ECS') bought back in Jun 17. 5. Excluding foreign currency translation reserve. 6. Business growth includes the net impact of hedging employed to reduce the sensitivity of the Group's capital position to FX translation movements. 7. APRA Basel III 'super-equivalence' includes the impact of changes in capital requirements in areas where APRA differs from the BCBS Basel III framework and includes full CET1 deductions for equity investments (\$A0.6b); differences in mortgages treatment (\$A0.6b); capitalised expenses (\$A0.5b); investment into deconsolidated subsidiaries (\$A0.2b); DTAs and other impacts (\$A0.2b).

Business growth



KEY DRIVERS

- Increase in MAM of \$A0.5b mainly due to acquisitions:
 - Net increase of \$A0.1b due to on-balance sheet investments to seed new MIRA products and mandates
 - Net increase of \$A0.4b due to off-balance sheet commitments and other requirements, including GLL Real Estate and ValueInvest
- Decrease in CAF of (\$A0.2b) due to Principal Finance repayments and a decline in the vehicles portfolio
- Increase in BFS of \$A0.3b due to growth in the mortgages and business banking portfolios
- Increase in CGM of \$A0.4b due to Cargill acquisitions and increases in commodities and foreign exchange
- Increase in Macquarie Capital of \$A0.9b primarily due to the acquisition of the GIG and continued transaction activity, particularly in green energy
 - Net increase of \$A0.7b due to on-balance sheet investments primarily reflecting the acquisition of GIG and continued transaction activity
 - Net increase of \$A0.2b due to off-balance sheet commitments and other requirements driven by continued transaction activity, particularly in green energy

Given significant business growth in FY18, Macquarie did not purchase any shares under the share buyback program announced at the 1H18 result announcement; the program remains in place, with any share purchases subject to a number of factors including the Group's capital surplus position, market conditions and opportunities to deploy capital by the businesses

Capital management update

- The Board has resolved:
 - To purchase shares^{1,2} to satisfy the MEREP requirements of approx. \$A460m. The buying period for the MEREP will commence on 14 May 18 and is expected to be completed by 29 Jun 18³
 - MQG shares sold by staff between 14 May 18 and 7 Jun 18⁴ are expected to be acquired by the MEREP Trustee to meet the MEREP buying requirements
 - Shares sold by staff during this window are to be acquired off-market at the daily VWAP⁵, reducing the number of shares acquired on-market to meet the MEREP requirements
 - No discount will apply for the 2H18 DRP and the shares are to be acquired on-market²
- Macquarie intends to redeem the Macquarie Group Capital Notes (MCN) \$A600m hybrid in Jun 18. An offer of MCN3 hybrid securities, including a rollover offer for MCN holders and a security holder offer will be launched shortly
- Share buyback
 - No buying occurred during 2H18. Macquarie's share buyback program remains in place, with any share purchases subject to a number of factors including the Group's capital surplus position, market conditions and opportunities to deploy capital by the businesses

1. Shares may be purchased on-market and off-market. 2. Shares will be issued if purchasing becomes impractical or inadvisable. 3. Actual buying may be completed sooner or later. On-market buying for the MEREP will be suspended during the DRP pricing period (22 May 18 to 30 May 18). 4. This date is subject to change. 5. Trades will be crossed off-market by Macquarie Securities (Australia) Limited and reported to ASX and Chi-X accordingly.

Regulatory and tax update

- Regulatory capital¹
 - In Jul 17 APRA provided guidance on the level of CET1 capital ratios for Australian banks to be considered 'unquestionably strong' (UQS), indicating an average increase of 150bps across the industry would be required²
 - In Feb 18, APRA released draft UQS proposals reinforcing their previous guidance. As the final form of the framework remains uncertain there may be a broader range of potential outcomes for individual banks³
 - Based on existing guidance, Macquarie's surplus capital position remains sufficient to accommodate likely additional requirements
 - In addition, APRA released a discussion paper on their proposed implementation of the leverage ratio with a minimum requirement of 4% from Jul 19
- US tax reform
 - In the medium term, the impact to Macquarie will be determined by the proportional contribution of earnings from the US in relation to the Group's overall result
 - Based on past performance, Macquarie estimates a reduction of approximately 3-4% in the Group's historical effective tax rate

1. The Basel Capital Framework applies to the Bank Group only. 2. APRA's information paper published Jul 17: 'Strengthening banking system resilience – establishing unquestionably strong capital ratios'. 3. 'APRA begins consultation with ADIs on revisions to capital framework', 14 Feb 18.

Balance sheet highlights



- Balance sheet remains solid and conservative
 - Term assets covered by term funding, stable deposits and equity
 - Minimal reliance on short-term wholesale funding markets
- Total customer deposits¹, up 1% to \$A48.1b as at Mar 18 from \$A47.8b as at Mar 17
- \$A21.8b² of term funding raised during FY18:
 - \$A7.3b public unsecured debt issuances
 - \$A5.1b Macquarie Air Finance Term Loan³
 - \$A3.3b MGL loan facilities⁴
 - \$A3.1b private placements and structured note issuance
 - \$A2.2b mortgage and motor vehicle/equipment secured funding
 - \$A0.8b MGL secured trade finance facility

1. Total customer deposits as per the funded balance sheet (\$A48.1b) differs from total deposits as per the statutory balance sheet (\$A59.4b). The funded balance sheet excludes any deposits which do not represent a funding source for Macquarie. 2. Issuances are AUD equivalent based on FX rates at the time of issuance and represent full facility size. 3. The Macquarie Air Finance Term Loan is a refinancing and upsize of the current outstanding AWAS Term Loan. Commitment letters for the Macquarie Air Finance Term Loan were signed prior to 31 Mar 18. 4. Includes \$A3.2b Senior Credit Facility refinancing and upsize and \$A0.1b addition to the existing MGL Asian Bank Facility refinanced in FY17.

Conservative long standing liquidity risk management framework



Liquidity Policy

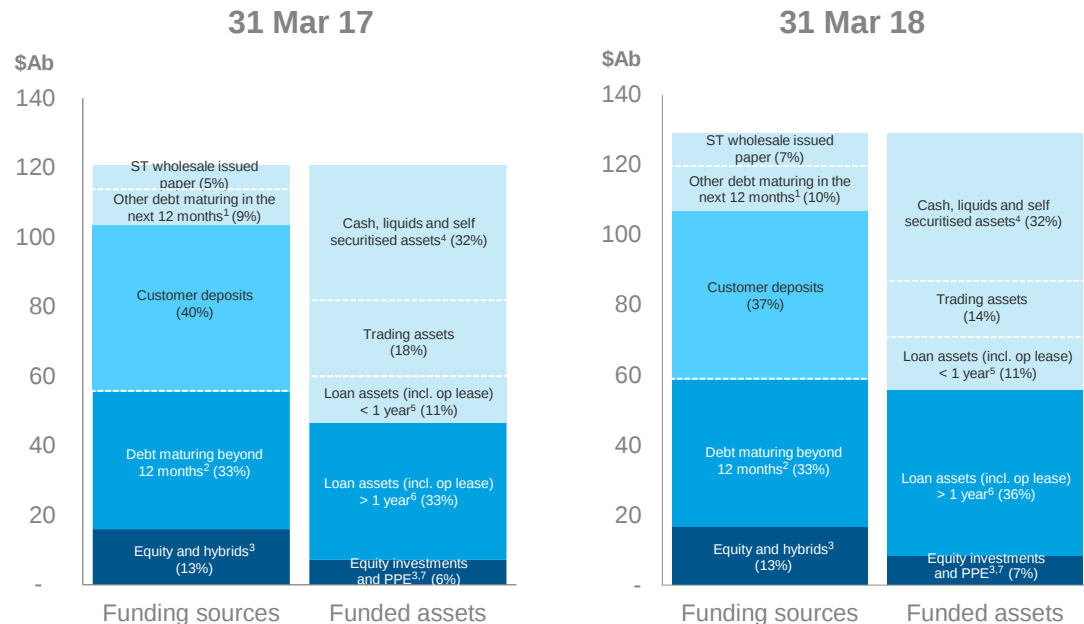
- The key requirement of MGL and MBL's liquidity policies is that the entities are able to meet all liquidity obligations during a period of liquidity stress:
 - A minimum 12 month period with constrained access to funding markets and with only a limited impact on franchise businesses
- Term assets are funded by term funding, stable deposits and equity

Liquidity Framework

- A robust liquidity risk management framework is designed to ensure that both MGL and MBL are able to meet their funding requirements as they fall due under a range of market conditions. Key tools include:
 - Liability driven approach to balance sheet management
 - Scenario analysis
 - Maintenance of unencumbered liquid asset holdings
- Liquidity management is performed centrally by Group Treasury, with oversight from the Asset and Liability Committee and the Risk Management Group
- The Boards of each entity approve their respective liquidity policy and are provided with liquidity reporting on a monthly basis

Funded balance sheet remains strong

Term liabilities exceed term assets



TOTAL CUSTOMER DEPOSITS⁸
\$A48.1b | **1%** FROM MAR 17

NEW TERM FUNDING⁹
\$A21.8b | RAISED SINCE MAR 17

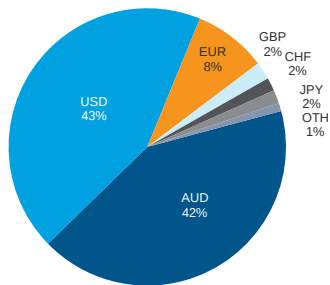
SYNDICATED LOAN FACILITIES
\$A3.3b | REFINANCED IN FY18

These charts represent Macquarie's funded balance sheets at the respective dates noted above. 1. 'Other debt maturing in the next 12 months' includes Structured Notes, Secured Funding, Bonds, Other Loans, Loan Capital maturing within the next 12 months and Net Trade Creditors. 2. 'Debt maturing beyond 12 months' includes Loan Capital not maturing within next 12 months. 3. Non-controlling interests netted down in 'Equity and hybrids' and 'Equity investments and PPE'. 4. 'Cash, liquids and self securitised assets' includes self securitisation of RBA repo eligible Australian mortgages originated by Macquarie. 5. 'Loan Assets (incl. op lease) < 1 year' includes Net Trade Debtors. 6. 'Loan Assets (incl. op lease) > 1 year' includes Debt Investment Securities. 7. 'Equity investments and PPE' includes Macquarie's co-investments in Macquarie-managed funds and equity investments. 8. Total customer deposits as per the funded balance sheet (\$A48.1b) differs from total deposits as per the statutory balance sheet (\$A59.4b). The funded balance sheet excludes any deposits which do not represent a funding source for Macquarie. 9. Issuances cover a range of tenors, currencies and product types and are AUD equivalent based on FX rates at the time of issuance and include undrawn facilities.

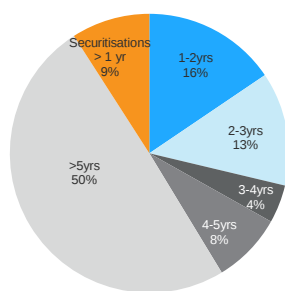
Diversified issuance strategy

Term funding as at 31 Mar 18 – diversified by currency¹, tenor² and type

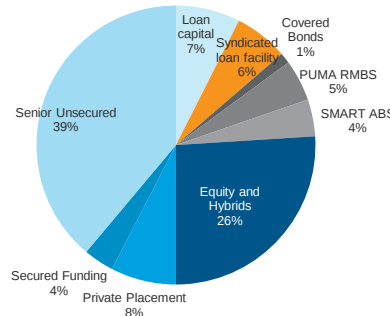
Currency



Tenor

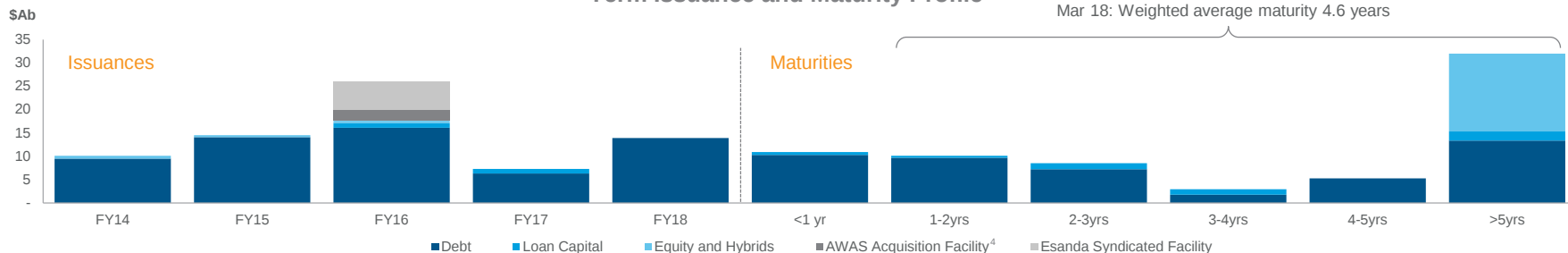


Type

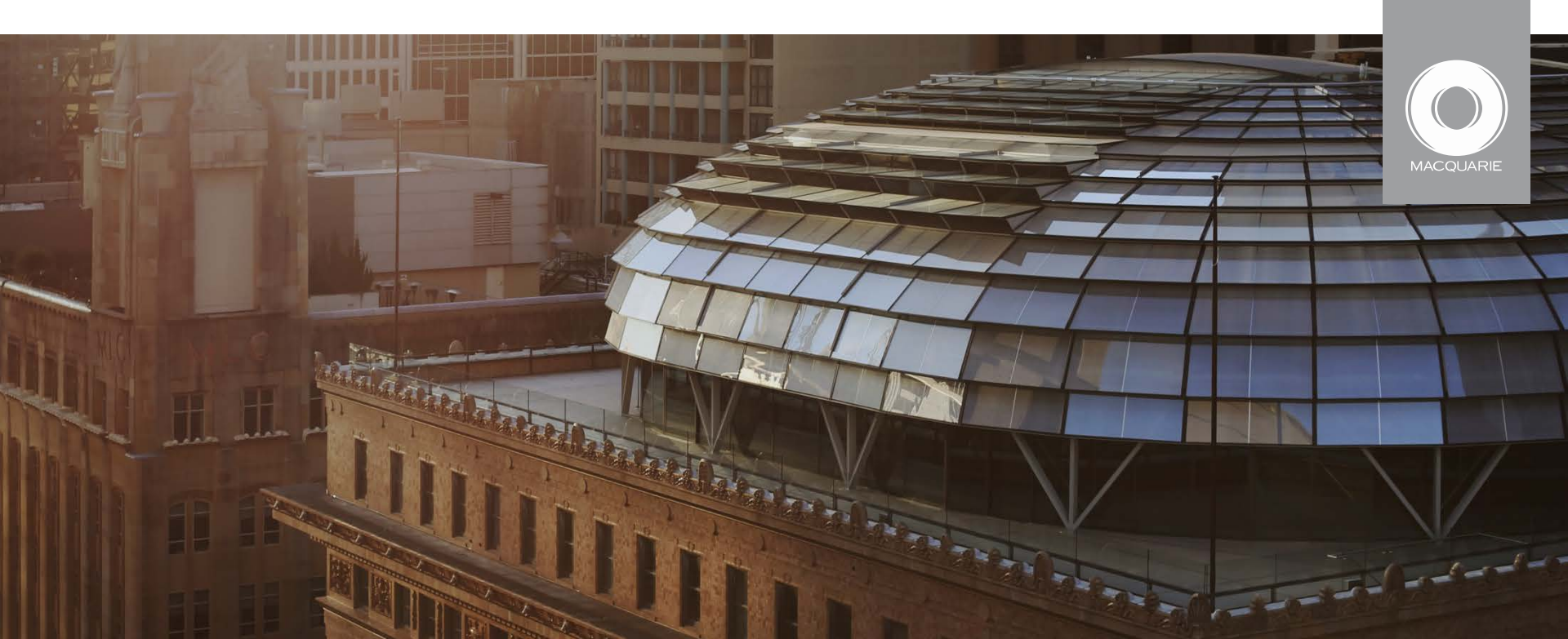


- Well diversified issuance and funding sources
- Term funding beyond 1 year (excluding equity and securitisations) has a weighted average maturity of 4.6 years

Term Issuance and Maturity Profile³



Note: All data presented in these charts represents drawn facilities. 1. Equity has been allocated to the AUD currency category. 2. Securitisations have been presented on a behavioural basis and represent funding expected to mature in >1yr. 3. Issuances and Maturities exclude securitisations and other secured finance. Issuances are converted to AUD at the 31 Mar 18 spot rate. Maturities shown are as at 31 Mar 18. 4. The Macquarie Air Finance Term Loan is a refinance and upside of the current outstanding AWAS Term Loan. Commitment letters for the Macquarie Air Finance Term Loan were signed prior to 31 Mar 18.



MCN3 Offer

04

Macquarie Group Capital Notes 3 Offer

Overview of the Offer



Issuer	Macquarie Group Limited ("MGL")
Type of security	Fully paid, unsecured, subordinated, non-cumulative, mandatorily convertible notes ("MCN3"), automatically convertible at the point of Non-Viability of MGL (with a fall back to Write-Off)
Offer size	\$A600 million, with the ability to raise more or less
Use of proceeds	- The net proceeds of the Offer will be used for general corporate funding and capital management purposes - The capital raised offsets the redemption of \$A600m MCN which are expected to be redeemed on 7 June 2018 - MCN3 will be Eligible Capital of Macquarie Group Limited under its NOHC Authority and for APRA's regulatory capital requirements
Distributions	- MCN3 are scheduled to pay floating rate cash distributions on a quarterly basis - The first distribution is scheduled for 17 September 2018 (subject to the Payment Conditions) - The Margin will be determined by a Bookbuild and is expected to be between 4.00% and 4.20% - Cash distributions are reduced to the extent franked. MGL currently franks dividends on Ordinary Shares at 45%
Face value	\$A100 per MCN3
Term	- MCN3 are perpetual and may never be Exchanged or Redeemed if the Exchange Conditions are not met - MCN3 will Exchange into Ordinary Shares on 15 December 2027, subject to certain Exchange Conditions being satisfied, unless they are Exchanged, Redeemed or Written-Off earlier - If the Exchange Conditions have not been satisfied on the above date then MCN3 will Exchange on the next Distribution Payment Date on which the Exchange Conditions are satisfied, unless they are Exchanged, Redeemed or Written-Off earlier - MCN3 can be Resold or Redeemed (subject to APRA approval) or Exchanged on 16 December 2024, 16 June 2025 or 15 December 2025¹
Quotation	Expected to be traded under ASX code "MQGPC"
Offer Structure	- The Offer comprises the: - Reinvestment Offer – made to Eligible MCN Holders, who were a registered holder of MCN at 7.00pm on 4 May 2018 - Institutional Offer – made to Institutional Investors, who have received a firm allocation from the Joint Lead managers; - Broker Firm Offer – made to Australian resident retail and high net worth clients of Syndicate Brokers and New Zealand resident high net worth clients of Syndicate Bankers who are invited to apply under the Broker Firm Offer; and - Securityholder Offer – made to Eligible Securityholders (Australian registered holders of Ordinary Shares, MIS, MCN, MCN2 or BCN)

1. These dates are changed due to the Business Day convention.

MCN3 Key Terms

Distributions



Distributions	• Distributions on MCN3 are discretionary, non-cumulative floating rate payments • Distributions are scheduled to be paid in arrears commencing on 17 September 2018 and thereafter quarterly, subject to the Payment Conditions, until MCN3 are Exchanged, Redeemed, Resold or Written Off • Distribution payments are subject to the Payment Conditions, including MGL's absolute discretion • Cash Distributions are reduced to the extent franked • Distributions are expected to be franked at the same rate as dividends on Ordinary Shares. MGL currently franks dividends on Ordinary Shares at 45%
Distribution Rate	• $\text{Distribution Rate} = (\text{Reference Rate} + \text{Margin}) \times \text{Franking Adjustment Factor}$ • Reference Rate means, broadly, the 90-day bank bill swap rate (BBSW) on the first day of the relevant Distribution Period • Margin is expected to be in the range of 4.00% to 4.20%, and will be set by way of Bookbuild. The final margin is expected to be announced to the market on 11 May 2018
Dividend / Capital Restrictions	• 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, in most cases MGL is restricted from paying any dividends or returning capital on Ordinary Shares until and including the next Distribution Payment Date • Distributions are non-cumulative, which means that if a Distribution has not been paid on a Distribution Payment Date, MGL has no obligation to pay the Distribution at a later date • The MCN3 Terms contain no events of default and accordingly, failure to pay a Distribution when scheduled will not constitute an event of default

MCN3 Key Terms

Mandatory Exchange



Mandatory Exchange

- MGL must Exchange MCN3 into Ordinary Shares on 15 December 2027 (if MCN3 have not been Redeemed, Exchanged or Written-Off beforehand) provided that certain Exchange Conditions are satisfied
- The conditions to Mandatory Exchange and the associated Exchange calculations are designed to ensure that if Exchange occurs, MCN3 Holders will receive approximately \$A101 worth of Ordinary Shares for each MCN3 held, and that the Ordinary Shares they receive following the Exchange are capable of being sold on ASX

Mandatory Exchange Conditions

- Exchange on a Mandatory Exchange Date cannot occur unless all four Exchange Conditions are satisfied and, if they are not satisfied, Exchange will be deferred to the next Scheduled Distribution Date on which all four Exchange Conditions are satisfied
- In summary, the Exchange Conditions are as follows:
 - **First Exchange Condition:** the Daily VWAP on the 25th Business Day immediately preceding the Relevant Mandatory Exchange Date is greater than 56% of the Issue Date VWAP;
 - **Second Exchange Condition:** the VWAP during the 20 ASX Trading Days immediately preceding the Relevant Mandatory Exchange Date is such that the number of Ordinary Shares to be issued would be less than or equal to the applicable Maximum Exchange Number;
 - **Third Exchange Condition:** no Suspension Event applies in respect of the Relevant Mandatory Exchange Date (broadly, a Suspension Event occurs where Ordinary Shares have been suspended from trading for the 5 preceding Business Days); and
 - **Fourth Exchange Condition:** MGL is not Delisted as at the Relevant Mandatory Exchange Date (broadly, MGL will be Delisted where Ordinary Shares cease to be listed on ASX or where an Inability Event subsists)

MCN3 Key Terms

Optional Exchange and Exchange on an Acquisition Event or Non-Viability Event



Optional Exchange

- MGL may choose to Exchange all or some MCN3 on 16 December 2024, 16 June 2025 or 15 December 2025 or if there has been a Tax Event or a Regulatory Event

Acquisition Event

- MGL will be required to Exchange all MCN3 for Ordinary Shares if an Acquisition Event occurs (broadly, a change of control of MGL by takeover bid, scheme of arrangement or otherwise), provided certain conditions are met

Non-Viability Event

- MGL will be required to immediately Exchange all or some MCN3 (or if Exchange has not occurred within 5 Business Days, Write-Off all or some MCN3) if a Non-Viability Event occurs
- Broadly, a Non-Viability Event means APRA has notified the Issuer in writing that:
 - Relevant Securities must be subject to Loss Absorption because, without such Loss Absorption, APRA considers the issuer would become non-viable; or
 - APRA has determined that without a public sector injection of capital, or equivalent support, the issuer would become non-viable

-
- The Exchange Conditions applicable to Mandatory Exchange do not apply to Exchange in the case of an Acquisition Event or a Non-Viability Event. Certain other conditions apply to exchange in the case of an Acquisition Event, and no conditions apply to Exchange in the case of a Non-Viability Event. The number of Ordinary Shares that MCN3 Holders will receive on Exchange (including in the case of an Acquisition Event or a Non-Viability Event) will not be greater than the Maximum Exchange Number applicable to the date on which the relevant Exchange occurs
 - As an Acquisition Event or a Non-Viability Event may occur at any time, including during a time of financial difficulty for MGL, depending on the market price of Ordinary Shares at the time of Exchange, MCN3 Holders may receive less, or significantly less, than \$A101 worth of Ordinary Shares per MCN3 and an MCN3 Holder may suffer loss as a consequence
 - If MCN3 which are required to be Exchanged are not Exchanged for any reason within 5 Business Days of the Non-Viability Event, they must be Written-Off
 - **If a Write-Off occurs, the MCN3 Holder's rights under that MCN3 are immediately and irrevocably terminated for no consideration and MCN3 Holders will suffer a total loss of their investment.**

MCN3 Key Terms

Summary of certain events that may occur during the term of MCN3



Event	When could this occur?	Consequences	APRA approval required? ¹	Do conditions apply? ²	What value will a MCN3 holder receive (per MCN3)? ³	In what form will the value be provided to MCN3 Holders?
Tax Event or Regulatory Event	At any time	Exchange all or some MCN3 for Ordinary Shares at MGL's option	No	Yes	Approximately \$A101 ⁴	Variable number of Ordinary Shares
		Redemption or Resale of all or some MCN3 at MGL's option	Yes	Yes	\$A100	Cash
Acquisition Event	At any time	All MCN3 Exchanged for Ordinary Shares	No	Yes	Approximately \$A101 ⁴ (except in limited circumstances ⁵)	Variable number of Ordinary Shares
Non-Viability Event	At any time	All (or in some cases, some) MCN3 Exchanged for Ordinary Shares or Written-Off	No ⁶	No	Depending on the market price of Ordinary Shares at the time, up to approximately \$A101 ⁴ but maybe significantly less or zero	Variable number of Ordinary Shares – if MCN3 are not Exchanged for Ordinary Shares MCN3 will be Written-Off and MCN3 Holders receive no value
Optional Exchange Date	16 December 2024, 16 June 2025 or 15 December 2025 ⁷	Exchange all or some MCN3 for Ordinary Shares at MGL's option	No	Yes	Approximately \$A101 ⁴	Variable number of Ordinary Shares
		Redemption or Resale of all or some MCN3 at MGL's option	Yes	Yes	\$A100	Cash
Scheduled Mandatory Exchange Date⁸	15 December 2027	Exchange of all MCN3 for Ordinary Shares	No	Yes	Approximately \$A101 ⁴	Variable number of Ordinary Shares

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

2. 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 of the Prospectus.

3. If Exchange (other than on account of a Non-Viability Event), Redemption or Resale occurs on a day that is not a scheduled quarterly Distribution Payment Date, MCN3 Holders which are being Exchanged, Redeemed or Resold will also receive a Distribution in respect of those MCN3 for the period from the immediately preceding Distribution Payment Date to the date on which the Exchange, Redemption or Resale occurs (provided the Directors have decided to pay the Distribution and the other Payment Conditions are met).

4. The value of Ordinary Shares is determined over a period of ASX Trading Days immediately prior to Exchange (generally the period is 20 ASX Trading Days, with 5 ASX Trading Days for Non-Viability Exchange). By the time of Exchange, the value of Ordinary Shares received on Exchange may be more or less than \$A101.

5. May be less if Directors determine that Exchange is in the best interests of MCN3 Holders as a whole, notwithstanding that MCN3 Holders will suffer loss, or that the Ordinary Shares may not be listed. See Section 2.8 of the Prospectus.

6. Whilst APRA approval is not required for an Exchange due to a Non-Viability Event, APRA must determine that a Non-Viability Event has occurred.

7. These dates may change due to the Business Day Convention.

8. MCN3 are perpetual and, if the Exchange Conditions are never met, Exchange may never occur and MCN3 may remain on issue indefinitely. Unless Redeemed, Exchanged or Written-Off earlier, MCN3 will be mandatorily Exchanged on 15 December 2027 provided the Exchange Conditions are met, or on the next Distribution Payment Date on which the Exchange Conditions are satisfied.

MCN3 Key Terms

Comparison between MCN3 and other Macquarie Securities



Feature	Term deposit	BCN	MCN	MCN2	MCN3	Ordinary Shares
Issuer	Bank, credit union or building society (e.g. MBL)	Macquarie Bank Limited	Macquarie Group Limited	Macquarie Group Limited	Macquarie Group Limited	Macquarie Group Limited
Guarantee under the Australian government Financial Claims Scheme	Yes ¹	No	No	No	No	No
Term	One month to five years (usually)	Perpetual ²	Perpetual ³	Perpetual ⁴	Perpetual ⁵	Perpetual
Distribution rate	Fixed (usually)	Floating, adjusted for franking	Floating, adjusted for franking	Floating, adjusted for franking	Floating, adjusted for franking ⁶	Variable dividends
Distribution payment dates	End of term or per annum (usually)	Semi-annually	Semi-annually	Semi-annually	Quarterly	Semi-annually (usually)
Distributions are discretionary	No	Yes	Yes	Yes	Yes	Yes
Frankable distributions	No	Yes	Yes	Yes	Yes	Yes
Transferable	No	Yes – quoted on ASX	Yes – quoted on ASX	Yes – quoted on ASX	Yes – quoted on ASX	Yes – quoted on ASX
Non-Viability provisions	No	Yes	Yes	Yes	Yes	Not applicable
Common Equity Tier 1 Trigger provisions	No	Yes	No	No	No	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 \$A250,000.

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

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

4. Unless redeemed, exchanged or written-off earlier in accordance with the terms of the MCN2. Subject to the satisfaction of certain conditions, MCN2 will be mandatorily exchanged into Ordinary Shares on 18 March 2021 or the next distribution payment date on which those conditions are satisfied.

5. Unless redeemed, exchanged or written-off earlier. Subject to the satisfaction of certain conditions, the MCN3 will be mandatorily Exchanged on a Mandatory Exchange Date, as outlined in Section 2.3 of the Prospectus.

6. The impact of franking is described in Sections 2.1.3 and 2.1.4 of the Prospectus.

MCN3 Key Terms

Ranking in a winding up of MGL



- In a Winding Up of MGL, MCN3 will rank ahead of Ordinary Shares, equally with Equal Ranking Obligations, but behind all Senior Creditors of MGL
- However, any return on MCN3 may be adversely affected or reduced to zero if a Non-Viability Event occurs. If APRA determines that a Non-Viability Event occurs, some or all of the MCN3 are to be Exchanged or, if that does not occur, Written-Off. Where this occurs, the MCN3 Holders will become holders of Ordinary Shares (ranking equally with other Ordinary Shares) or the MCN3 may be Written-Off, in which case the MCN3 Holders will have no claim at all on MGL (even though Ordinary Shares will still be on issue)
- If Exchange occurs, MCN3 Holders will become holders of Ordinary Shares and their claims in respect of those Ordinary Shares rank equally with other holders of Ordinary Shares. Those shares may be worth significantly less than the Issue Price of MCN3

Ranking	Illustrative examples	
Higher ↑ ↓ Lower	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	MCN3 and Equal Ranking Obligations (if a Non-Viability Event has not occurred). Where MCN3 are Exchange for Ordinary Shares, MCN3 Holders have the claims of holders of Ordinary Shares. If, following a Non-Viability Event MCN3 are Written-Off, MCN3 Holders have no claim at all on MGL and they are likely to be worse off than holders of Ordinary Shares.
	Ordinary shares	Ordinary Shares



Investment Risks

06

Key risks



Outlined below are some of the key risks associated with an investment in MCN3

- There are risks associated with an investment in MCN3, many of which are outside the control of MGL. These risks include those in Section 1.3 and Section 5 of the Prospectus.
- Before applying for MCN3, you should read the prospectus in full, seek professional guidance and consider the suitability of an investment in MCN3 for your particular circumstances.
- The key risks outlined in this presentation are not exhaustive and are in summary form only.
- For a full list of risk factors associated with an investment in MCN3, see Section 1.3 and Section 5 of the Prospectus.

Key risk	Overview
Investments in MCN 3 are not deposit liabilities and are not protected accounts under the Banking Act	• Investments in MCN3 are not deposit liabilities and are not protected accounts under the Banking Act • Investments in MCN3 are an investment in MGL and may be affected by the ongoing performance, financial position and solvency of MGL and the Macquarie Group • MCN3 are not guaranteed by any government, government agency or compensation scheme of Australia, or any other jurisdiction
Suitability	• MCN3 are a complex investment and may be difficult to understand, even for experienced investors. You should ensure that you understand the MCN3 Terms and risks of investing in MCN3 and consider whether it is an appropriate investment for your particular circumstances

Key risks (cont.)



Key risk	Overview
Market Price and Liquidity of MCN3	● The market price of MCN3 may go up or down and there is no guarantee MCN3 will trade at or above their Issue Price. For example, the market price of MCN3 may decline if better rates of return are available on other securities ● The market price of MCN3 may also be significantly impacted by the market price for Ordinary Shares ● There may be no liquid market for MCN3 ● MCN3 Holders who wish to sell their MCN3 may be unable to do so at a price acceptable to them, or at all
Market Price and Liquidity of Ordinary Shares	● If MCN3 are Exchanged into Ordinary Shares, the value of those Ordinary Shares is determined over a period of up to 20 ASX Trading Days immediately prior to Exchange¹. By the time of Exchange, the price at which the Ordinary Shares received by MCN3 Holders can be sold may be more or less than the anticipated \$101 ● Additionally, in various circumstances the market price of Ordinary Shares may determine whether Exchange can occur. This will affect when Exchange occurs (and may mean that Exchange never occurs) ● The market price for Ordinary Shares will vary due to many factors including the availability and rates of return on other securities, investor perceptions of the Macquarie Group's financial position and performance and general economic and market conditions ● The market for Ordinary Shares may be less liquid than other securities and may not be liquid at all, so that MCN3 Holders may be unable to sell the Ordinary Shares they may receive for an acceptable price, or at all
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 MGL breaching APRA's capital adequacy requirements or becoming insolvent. This means that there is a risk that Distributions may not be paid ● Distributions are non-cumulative. Accordingly, if a Distribution is not paid for any reason, MCN3 Holders will have no rights to receive that Distribution in the future

1. A different reference period applies in the case of Exchange on account of an Acquisition Event or a Non-Viability Event.

Key risks (cont.)



Key risk	Overview
Changes in Distribution rate	• The Distribution Rate will fluctuate (both increasing and decreasing) over time as a result of movements in the Reference Rate • A higher Franking Rate for a Distribution will result in a lower Distribution Rate and a lower cash Distribution, reflecting the value of the franking credit attached to the Distribution • There is a risk that the Distribution Rate may become less attractive when compared to the rates of return available on comparable securities or investments
Level of franking	• The level of franking of Distributions on MCN3 is affected by the level of MGL's available franking credits and distributable profits. MGL's level of franking credits may be affected by a wide range of factors, including its business performance, the jurisdictions in which the Macquarie Group makes profits and pays tax and the amount of other frankable distributions. MGL's distributable profits may also be affected by a wide range of factors including its level of earnings and other distributions it makes • The value and availability of franking credits to an MCN3 Holder will depend on that MCN3 Holder's particular circumstances
MCN3 are perpetual and may never be Exchanged, Redeemed or Resold	• MCN3 are a perpetual instrument but will Exchange for Ordinary Shares on 15 December 2027 if they are still on issue and the Exchange Conditions are satisfied. If the Exchange Conditions are not met on this date MCN3 will Exchange on the next subsequent Distribution Payment Date on which the Exchange Conditions are met. There is a risk that the Exchange will not occur on any of these dates and may never occur because these Exchange Conditions cannot be satisfied

Key risks (cont.)



Key risk	Overview
MGL has rights for Exchange, Redemption or Resale at its election	● MGL may elect to Exchange, Redeem or arrange a Resale of all or some MCN3 in certain circumstances, subject to a number of conditions, including prior written approval from APRA when required under the MCN3 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 MCN3 is entirely at MGL's discretion and MCN3 Holders have no right to either request or alter the timing of any Exchange, Redemption or Resale ● It is uncertain whether and when Exchange, Redemption or Resale may occur. The timing of any Exchange, Redemption or Resale may not suit MCN3 Holders
Losses due to an Acquisition Event	● If an Acquisition Event occurs, and the Directors determine it is in the best interests of MCN3 Holders, Exchange may occur even though MCN3 Holders would receive less (and possibly significantly less) than \$101 worth of Ordinary Shares or even though those Ordinary Shares are unlisted and MCN3 Holders may suffer a loss as a result
Losses due to a Non-Viability Event	● If Exchange occurs following a Non-Viability Event, MCN3 Holders may receive significantly less than \$101 worth of Ordinary Shares per MCN3 and may receive unlisted Ordinary Shares ● If, for any reason, an MCN3 which is required to be Exchanged is not Exchanged within 5 Business Days of the Non-Viability Event then that MCN3 will be Written-Off (in which case the MCN3 Holders' rights under the relevant MCN3 will be immediately and irrevocably terminated for no consideration with effect on and from the Non-Viability Exchange Date) ● In these circumstances, MCN3 Holders will suffer a total loss of their investment in that MCN3

Key risks (cont.)



Key risk

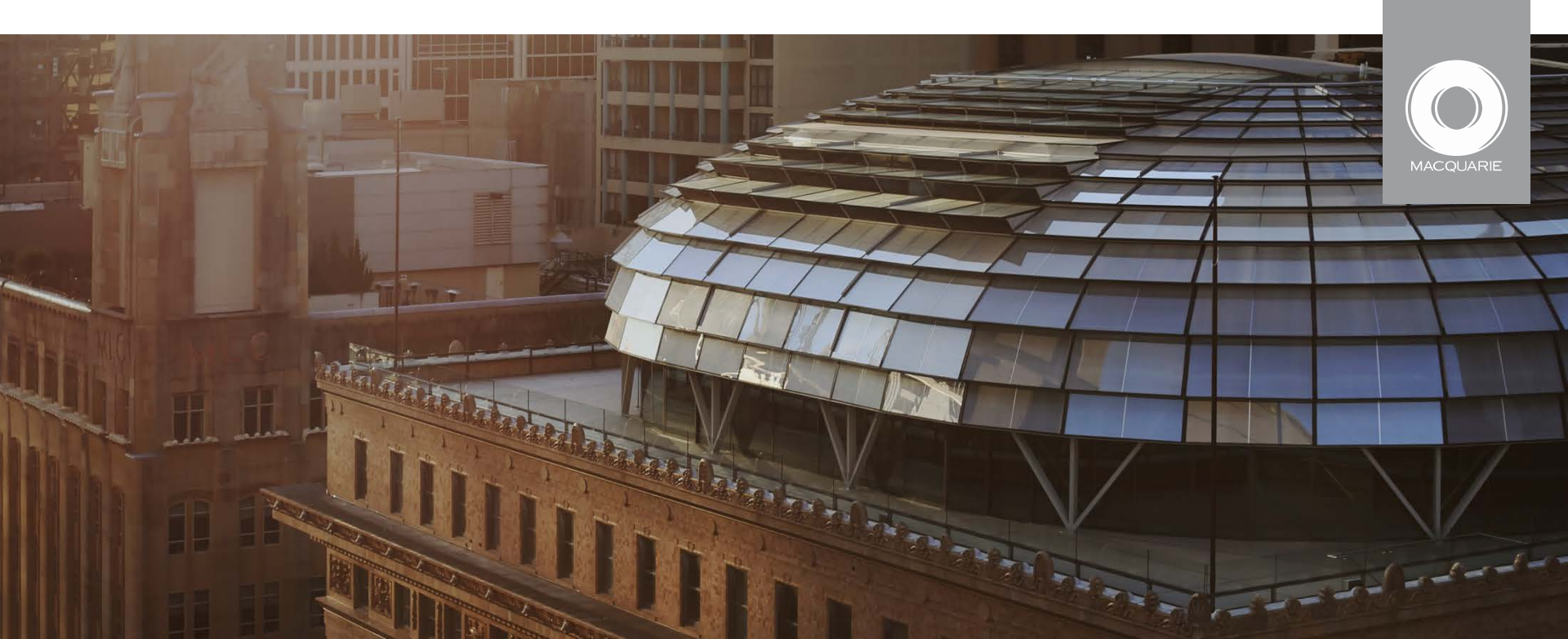
Restrictions on rights and ranking in a Winding Up of MGL

Overview

- MCN3 are not deposit liabilities or protected accounts of MBL or MGL and are not guaranteed or insured by any government, government agency or compensation scheme of Australia or any other jurisdiction or by any other person. The investment performance of MCN3 is not guaranteed by MGL, MBL or any other member of the Macquarie Group
- In the event of a Winding Up of MGL, MCN3 Holders will rank behind all Senior Creditors, equally with Equal Ranking Obligations and ahead of Ordinary Shares. Any return in a Winding Up of MGL may be adversely affected if a Non-Viability Event occurs. If this happens some or all MCN3 will be required to be Exchanged or, if Exchange has not occurred within 5 Business Days of the Non-Viability Event, Written-Off. If an MCN3 is Exchanged, the MCN3 Holder will become a holder of Ordinary Shares and those shares may be worth significantly less than their investment in MCN3. If an MCN3 is Written-Off, the MCN3 Holder will suffer a total loss of their investment in that MCN3
- If there is a shortfall of funds on a Winding Up of MGL, MCN3 Holders will lose some or all of their investment in that MCN3

Other risks

- The key risks outlined in this presentation are not exhaustive
- For a full list of risk factors associated with an investment in MCN3, see Section 1.3 and Section 5 of the Prospectus



Key Dates and Contacts

07

Key Dates



KEY DATES FOR OFFER

DATE

Record date for determining Eligible Securityholders	Friday, 4 May 2018
Lodgement of the initial Prospectus	Monday, 7 May 2018
Bookbuild period commences	Monday, 7 May 2018
Announcement of Margin	Friday, 11 May 2018
Lodgement of the replacement Prospectus	Tuesday, 15 May 2018
Opening Date for Offer	Tuesday, 15 May 2018
Closing Date for Offer	Friday 1 June 2018
Issue Date	Thursday, 7 June 2018
MCN3 commence trading on ASX (deferred settlement)	Friday, 8 June 2018
Holding Statements despatched by	Wednesday, 13 June 2018
MCN3 commence trading on ASX (normal settlement)	Thursday, 14 June 2018

KEY DATES FOR MCN3

DATE

First Distribution Payment Date	17 September 2018 ¹
Optional Exchange Date	16 December 2024, 16 June 2025 and 15 December 2025 ²
Scheduled Mandatory Exchange Date	15 December 2027

KEY DATES FOR REINVESTMENT OFFER

DATE

Record date for determining Eligible MCN Holders	Friday, 4 May 2018
Opening Date for Reinvestment Offer	Tuesday, 15 May 2018
Expected last date for trading in MCN	Monday, 28 May 2018
Record date for distribution on MCN	Wednesday, 30 May 2018
Closing Date for Reinvestment Offer	Friday, 1 June 2018
Payment date for distribution on MCN	Thursday, 7 June 2018
Issue Date	Thursday, 7 June 2018
MCN3 commence trading on ASX (deferred settlement)	Friday, 8 June 2018
Holding Statements despatched by	Wednesday, 13 June 2018
MCN3 commence trading on ASX (normal settlement)	Thursday, 14 June 2018

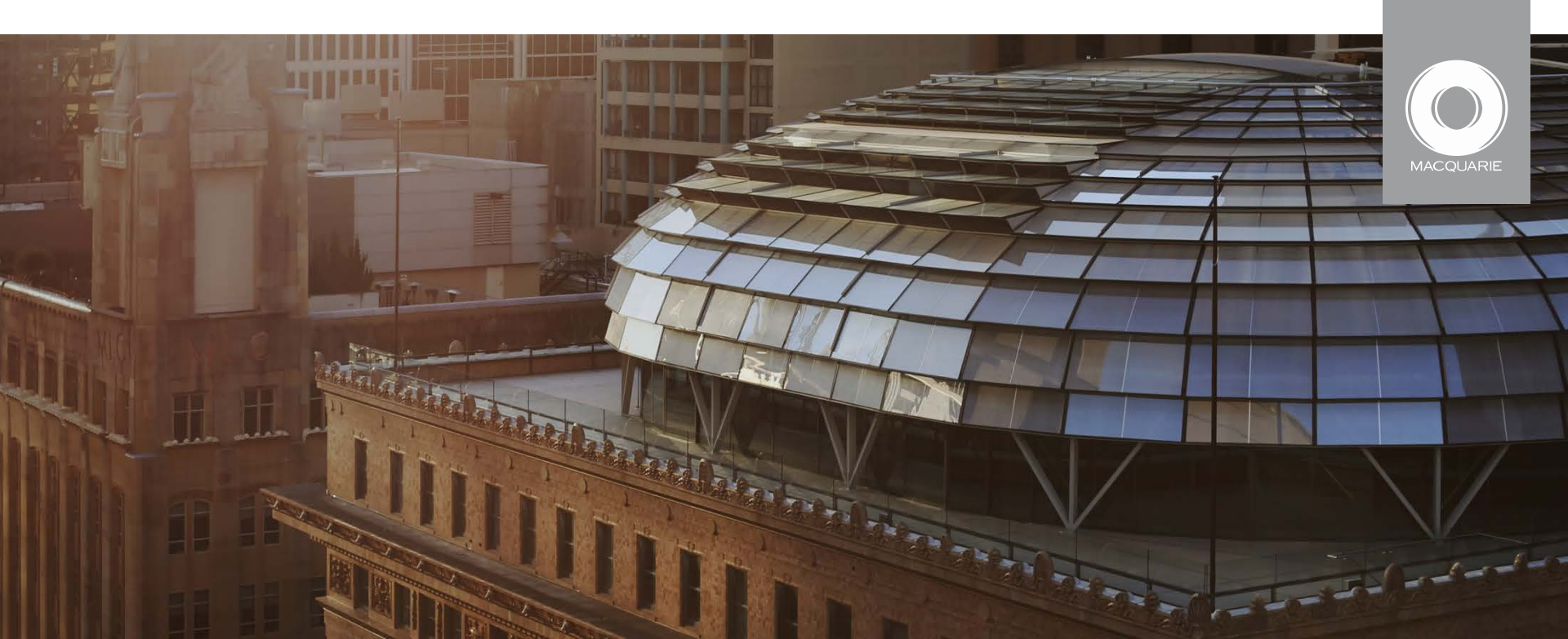
1. Due to the Business Day convention, the first Distribution Payment Date is deferred from 15 September 2018 to 17 September 2018.

2. Due to the Business Day convention, the Scheduled Optional Exchange Dates are deferred from 15 December 2024 to 16 December 2024 and from 15 June 2025 to 16 June 2025.

Key Contacts



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