



MACQUARIE

Macquarie Group Limited

Macquarie Group Capital Notes 2 Offer

November 2015

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 2 ("MCN2") as described in this presentation. A Prospectus¹ in respect of MCN2 was lodged with ASIC on 23 November 2015. 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 1 December 2015). The Prospectus is only available within Australia. The initial Prospectus can be obtained electronically from www.MacquarieMCN2Offer.com.au or a paper copy can be requested by contacting the MCN2 Offer Information Line on 1300 306 413 (within Australia) or on +61 1300 306 413 (International), Monday to Friday – 8.30am to 5.30pm (Sydney time). Applications under the General Offer and Securityholder Offer can be made online at www.MacquarieMCN2Offer.com.au. Please call your broker for information on how to apply under the Broker Firm Offer.

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¹ Capitalised terms have the meaning set out in the Prospectus



MACQUARIE

Overview of the Macquarie Group

01

Macquarie overview

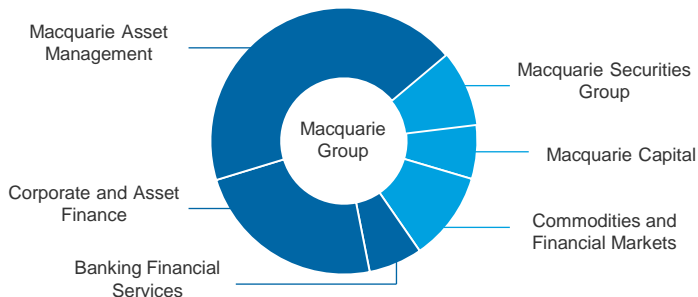
Global provider of banking, financial advisory, investment and funds management services



Macquarie Group overview¹

Annuity-style businesses

Capital markets facing businesses



Global locations



Macquarie Group in numbers

Market Capitalisation of **\$A27b+** as at 19 Nov 2015

13,582 employees, operating in **27** countries

~\$A504b assets under management as at 30 Sep 2015

\$A1,070m in net profit for 1H16
\$A1,604m for FY15

45 Years of unbroken profitability

APRA primary regulator for MBL & MGL

Note: Unless otherwise noted, all data is as at 30 September 2015. 1. Split based on 1H16 net profit contribution, calculated as management accounting profit before unallocated corporate costs, profit share and income tax.

About Macquarie

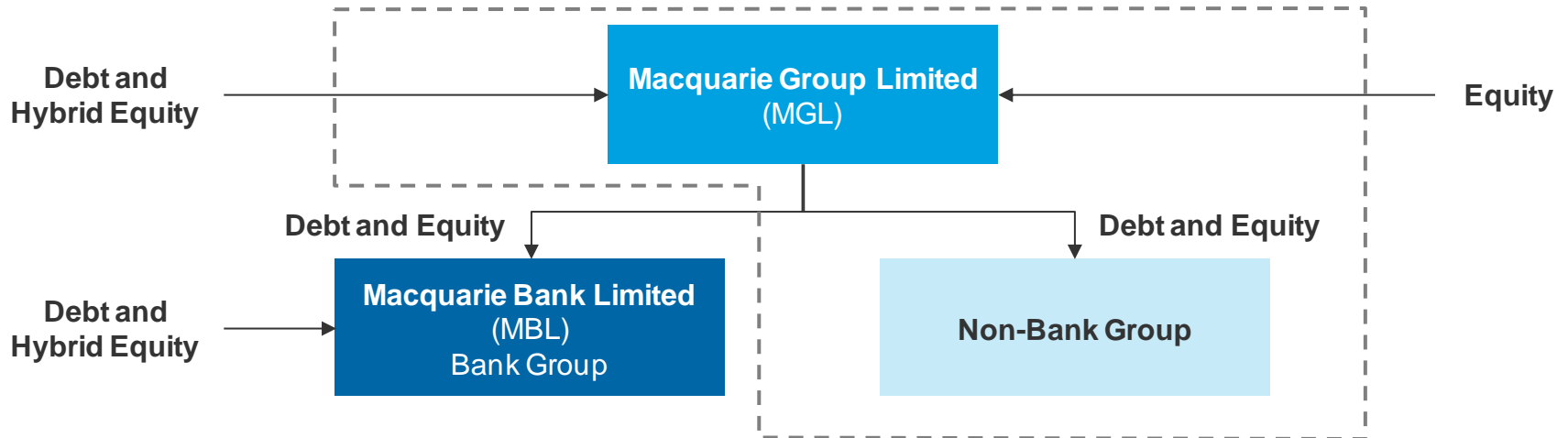
Building for the long term



| | |
|--|---|
| Macquarie Asset Management | <ul style="list-style-type: none"> • Top 50 global asset manager with \$A502.3b¹ of assets under management • Provides clients with access to a diverse range of capabilities and products, including infrastructure and real asset management, securities investment management and tailored investment solutions over funds and listed equities |
| Corporate and Asset Finance | <ul style="list-style-type: none"> • Global provider of specialist finance and asset management solutions, with \$A32.3b¹ of loans and leases • Global capability in corporate and real estate credit investing and lending • Expertise in asset finance including: aircraft, motor vehicles, technology, healthcare, manufacturing, industrial, energy, rail and mining equipment |
| Banking and Financial Services | <ul style="list-style-type: none"> • Macquarie's retail banking and financial services business • Provides a diverse range of personal banking, wealth management and business banking products and services to retail clients, advisers, brokers and business clients |
| Macquarie Securities Group | <ul style="list-style-type: none"> • Global institutional securities house with strong Asia-Pacific foundations covering sales, research, ECM, execution and derivatives and trading activities • Full-service cash equities in Australia, Asia, South Africa and Canada with specialised offerings in US and Europe. Specialised derivatives and trading offerings in key locations globally • Key specialities: Financial Institutions; Industrials; Infrastructure; Renewables and Utilities; Resources (mining and energy); Small-Mid Caps; and Telecommunications, Media, Entertainment and Technology (TMET) |
| Macquarie Capital | <ul style="list-style-type: none"> • Global corporate finance capability, including M&A, debt and equity capital markets, and principal investments • Key specialities in six industry groups: Financial Institutions; Industrials; Infrastructure, Utilities and Renewables; Real Estate; Resources (mining and energy); TMET |
| Commodities and Financial Markets | <ul style="list-style-type: none"> • Provides clients with risk and capital solutions across physical and financial markets • Diverse platform covering more than 25 market segments, with more than 140 products • Expertise in providing clients with access to markets, financing, financial hedging, and physical execution • Growing presence in commodities (natural gas, LNG, NGLs, power, oil, coal, base metals, iron ore, sugar and freight) |

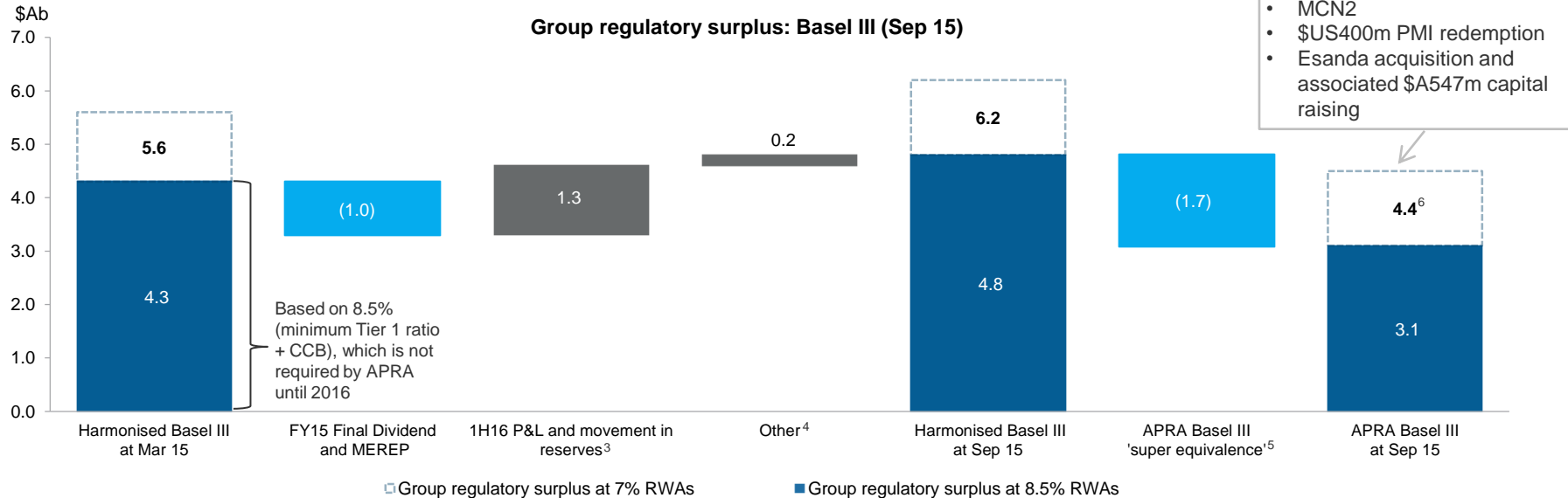
Group funding and capital structure

- MGL and MBL are the Group'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
- MCN2 are issued by MGL



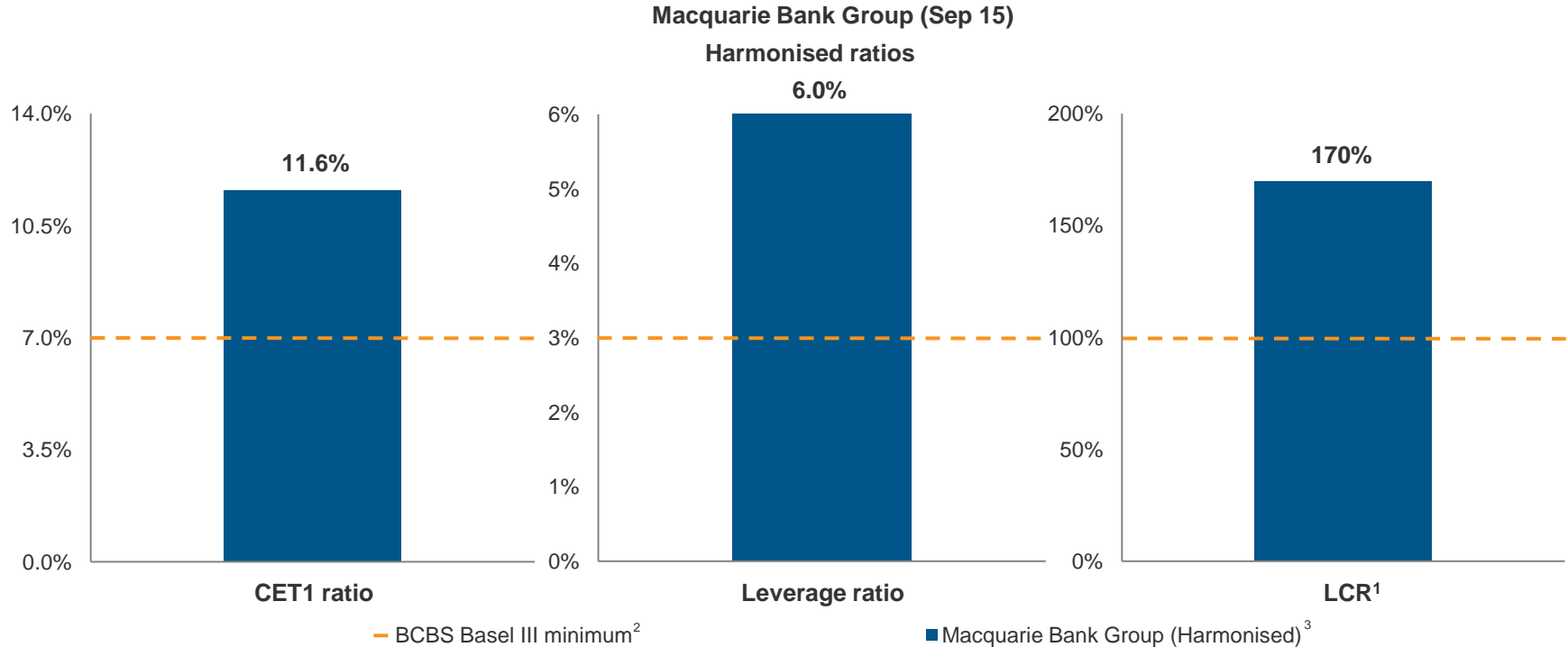
Basel III capital position

- APRA Basel III Group capital at Sep 15 of \$A16.9b, Group surplus of \$A3.1b (1 Jan 16 requirements¹)
- Bank Group APRA Basel III CET1 ratio: 9.9%; Tier 1 ratio: 11.1%
- Bank Group Harmonised Basel III CET1 ratio: 11.6%; Tier 1 ratio: 12.8%²



1. Calculated at 8.5% RWA including capital conservation buffer (CCB), per the 1 Jan 16 minimum requirements in APRA Prudential Standard 110. 2. 'Harmonised' Basel III estimates are calculated in accordance with the BCBS Basel III framework. 3. Includes reserve movements (excluding foreign currency translation reserve). 4. Includes business growth, the net impact of hedging employed to reduce the sensitivity of the Group's capital position to FX translation movements and other movements in capital requirements. 5. 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 of equity investments (\$A0.7b); deconsolidated subsidiaries (\$A0.4b); DTAs and other impacts (\$A0.6b). 6. The APRA Basel III Group surplus is \$A4.4b calculated at 7% RWA, per the internal minimum Tier 1 ratio of the Bank Group.

Strong regulatory ratios



1. Average LCR for Sep 15 quarter includes Jul, Aug and Sep month-end observations. LCR is calculated based on the APRA implementation of the Basel framework. 2. Includes the capital conservation buffer in the minimum CET1 ratio requirement. Current BCBS proposed minimum leverage ratio is 3%, to be implemented from 1 Jan 18. Final calibration of the leverage ratio is due to be completed by 2017. 3. 'Harmonised' Basel III estimates are calculated in accordance with the BCBS Basel III framework.

Long standing conservative risk management framework



- Macquarie's risk management principles have remained largely stable over 30 years and served the Group well over the past few years
- 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 |
|--|---|--|
| <p>Business heads responsible for identifying risks within their businesses and ensuring these are managed appropriately.</p> <p>Seek a clear analysis of the risks before taking decisions.</p> | <p>Risk management approach based on examining the consequences of worst case outcomes and determining whether risks can be tolerated.</p> <p>Adopted for all material risk types and often achieved by stress testing.</p> | <p>Risk Management Group (RMG) signs off all material risk acceptance decisions.</p> <p>For material proposals, RMG opinion sought at the early stage in decision making process, and independent input from RMG on risk and return is included in the approval document submitted to senior management.</p> |

- Macquarie's approach to risk is supported by the Risk Management Group
- Macquarie determines aggregate risk appetite by assessing risk relative to earnings, more than by reference to capital

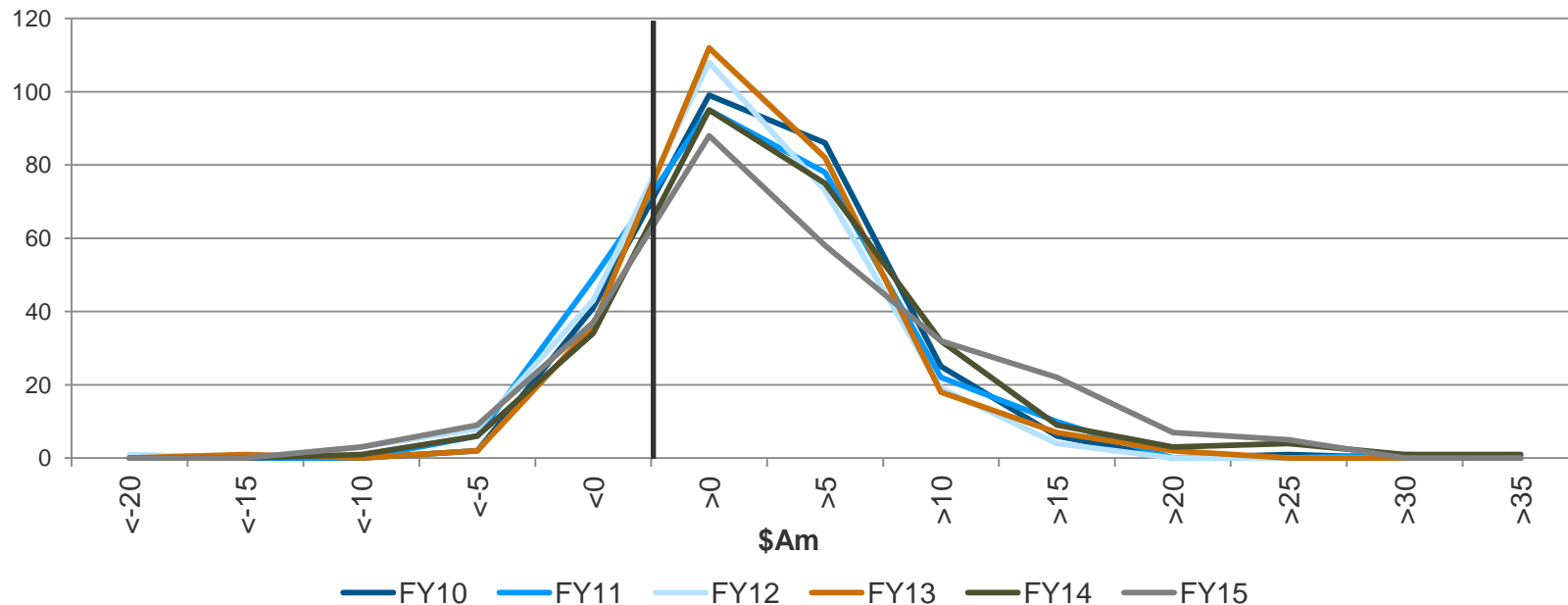
Trading businesses are client driven

Consistent daily trading returns



Daily Trading Profit and Loss FY10 - FY15

Days





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MGL results

02

1H16 Result

\$A1,070m



- Net profit \$A1,070m, up 58% on 1H15 and up 16% on 2H15
- Operating income \$A5.3b, up 24% on 1H15 and up 7% on 2H15
- Improved result largely driven by performance fees, foreign exchange and improved trading conditions
- All operating groups' net profit contribution¹ up on 1H15:
 - Annuity-style businesses (Macquarie Asset Management, Corporate and Asset Finance and Banking and Financial Services) continued to perform well with combined net profit contribution up 38% on 1H15 and up 32% on 2H15
 - Capital markets facing businesses (Macquarie Securities Group, Macquarie Capital and Commodities and Financial Markets) continued to improve with combined net profit contribution up 66% on 1H15 and down 24% on 2H15
- Operating expenses \$A3.7b, up 17% on 1H15 and up 3% on 2H15
- Effective tax rate of 33.1%, down from 38.9% in 1H15 and down from 33.5% in 2H15
- Earnings per share \$A3.25, up 53% on 1H15 and up 13% on 2H15
- Annualised return on equity 15.8%, up from 12.5% in 1H15 and up from 15.4% in 2H15
- 1H16 ordinary dividend \$A1.60 (40% franked), up on 1H15 ordinary dividend of \$A1.30 (40% franked) and down on 2H15 ordinary dividend of \$A2.00 (40% franked)

1. Net profit contribution is management accounting profit before unallocated corporate costs, profit share and income tax.

1H16 Result



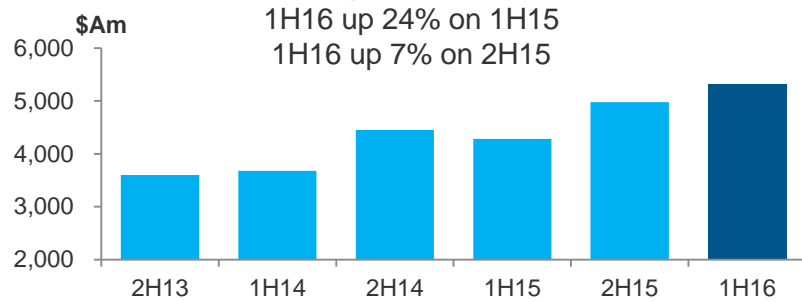
| |
|--|
| Net operating income |
| Total operating expenses |
| Operating profit before income tax |
| Income tax expense |
| Profit attributable to non-controlling interests |
| Profit attributable to MGL shareholders |
| Earnings per share |
| Return on equity (%) |

| 1H16 \$Am | 2H15 \$Am | 1H15 \$Am |
|----------------|----------------|----------------|
| 5,318 | 4,978 | 4,284 |
| (3,699) | (3,577) | (3,163) |
| 1,619 | 1,401 | 1,121 |
| (530) | (467) | (432) |
| (19) | (8) | (11) |
| 1,070 | 926 | 678 |
| \$A3.25 | \$A2.88 | \$A2.13 |
| 15.8 | 15.4 | 12.5 |

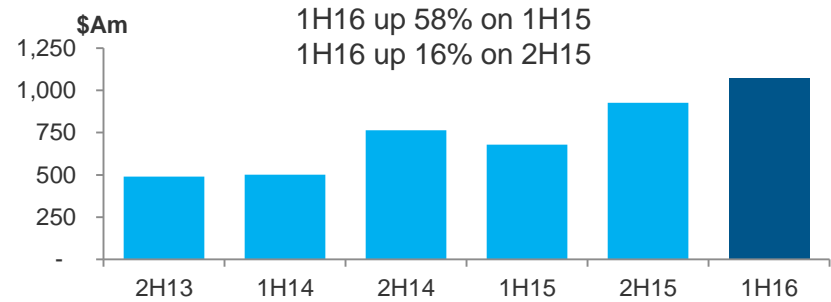
| 1H16 v 1H15 |
|----------------|
| 24% |
| 17% |
| 44% |
| 23% |
| 58% |
| 53% |
| 26% |

Financial performance

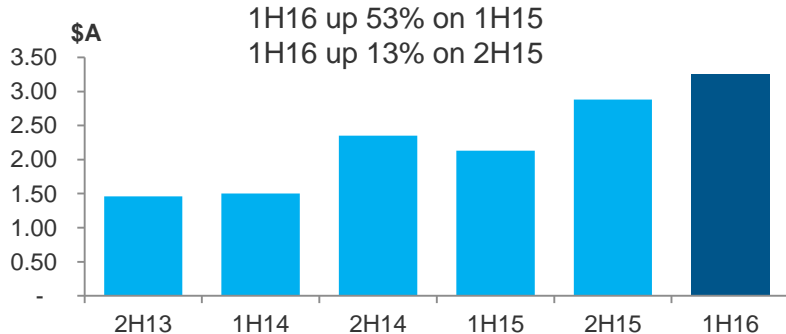
1H16 Operating income of \$A5,318m



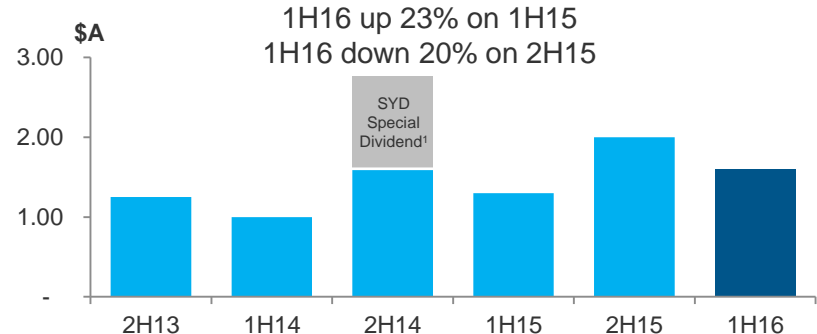
1H16 Profit of \$A1,070m



1H16 EPS of \$A3.25



1H16 DPS of \$A1.60



1. In 2H14 eligible shareholders benefitted from the SYD distribution in Jan 14 which comprised a special dividend of \$A1.16 (40% franked) and a return of capital of \$A2.57 per share.

Diversification by region

International income 71% of total income¹

Total staff 13,582; International staff 54% of total



Europe, Middle East & Africa

Income: \$A1,262m (24% of total)

Staff: 1,360

Europe

Amsterdam
Dublin
Frankfurt
Geneva
Glasgow
London
Luxembourg
Munich
Paris
Vienna
Zurich

Middle East

Abu Dhabi
Dubai

South Africa

Cape Town
Johannesburg

Asia

Income: \$A850m (16% of total)

Staff: 3,482

Asia

Bangkok
Beijing
Gurgaon
Hong Kong
Hsin-Chu
Jakarta
Kuala Lumpur
Manila
Mumbai
Seoul
Shanghai
Singapore
Taipei
Tokyo

Australia

Adelaide
Albury
Brisbane
Canberra
Gold Coast
Manly
Melbourne
Newcastle
Perth
Sydney

New Zealand

Auckland
Christchurch
Wellington

Australia²

Income: \$A1,526m (29% of total)

Staff: 6,232

Americas

Income: \$A1,677m (31% of total)

Staff: 2,508

Canada

Calgary
Montreal
Greater Toronto
Vancouver

USA

Arlington
Austin
Boston
Chicago
Denver
Houston
Los Angeles
Miami
Nashville
New York
Philadelphia
San Diego
San Francisco
San Jose

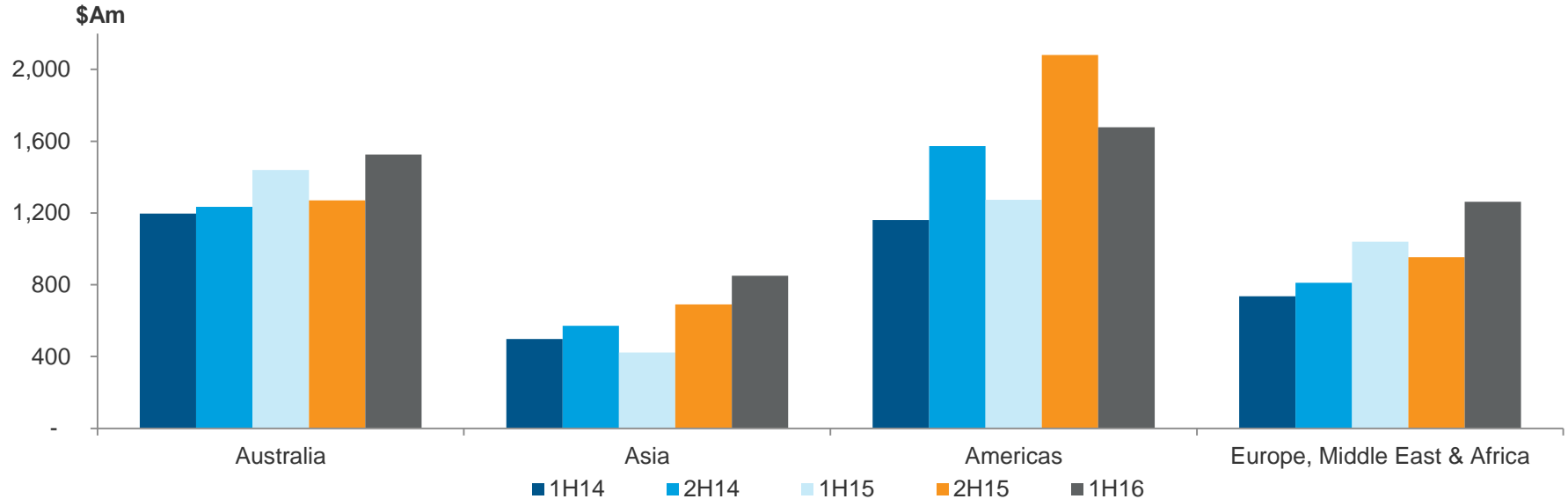
Latin America

Mexico City
Ribeirao Preto
Sao Paulo

1. Net operating income excluding earnings on capital and other corporate items. 2. Includes New Zealand.

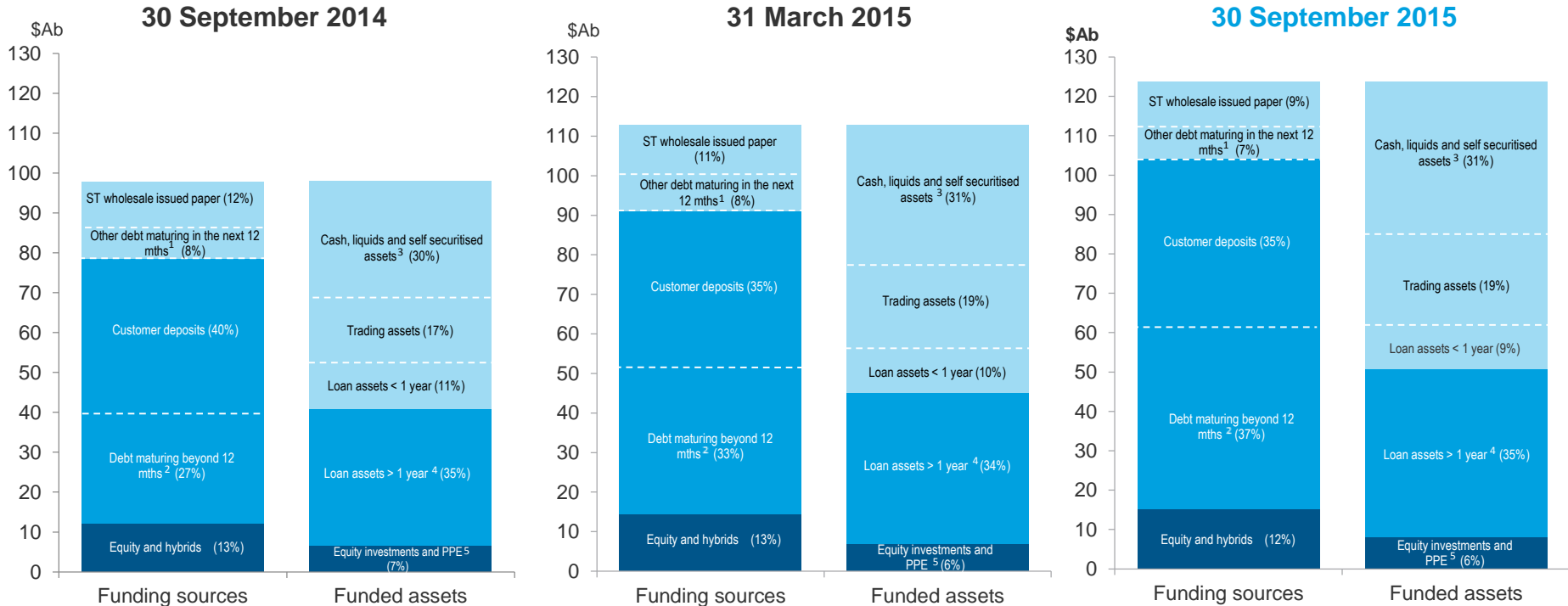
Diversification by region

- 71% of total income¹ in 1H16 was generated offshore
- A 10% movement² in AUD is estimated to have approx. 7% impact on full year NPAT
 - Given currency movements, we estimate approx. a quarter of the increase in 1H16 NPAT on 1H15 is attributable to foreign exchange



1. Net operating income excluding earnings on capital and other corporate items. 2. This represents an average annual movement against all major currencies.

Funded balance sheet remains strong



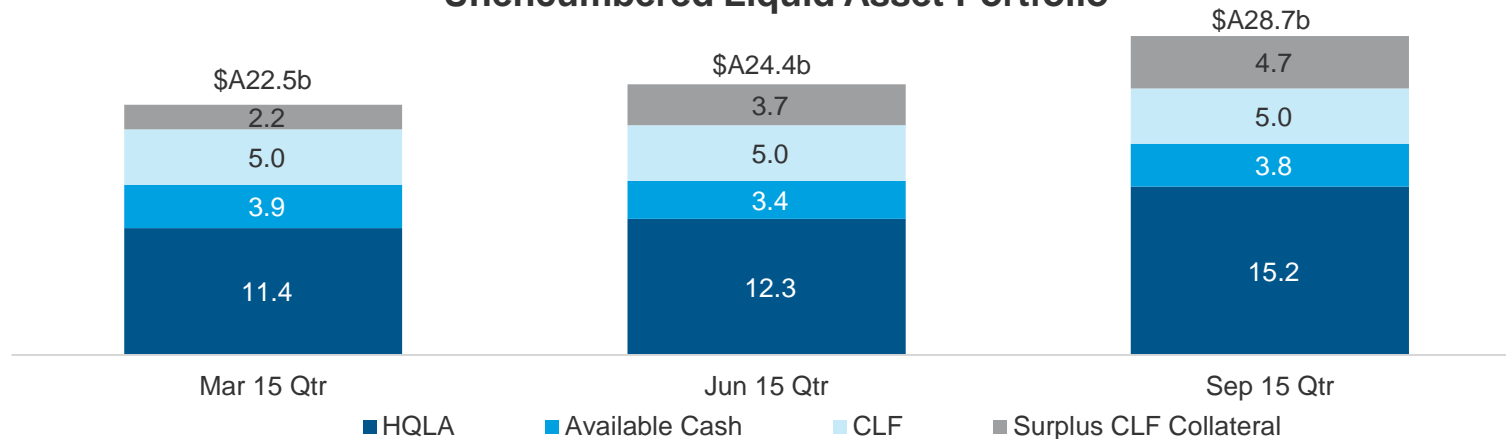
These charts represent Macquarie Group Limited's funded balance sheets at the respective dates noted above. For details regarding reconciliation of the funded balance sheet to the Group's statutory balance sheet see page 53 of the Presentation to investors and analysts dated 30 October 2015.

1. 'Other debt maturing in the next 12 mths' includes Structured Notes, Secured Funding, Bonds, Other Loans and Loan Capital maturing within the next 12 months and Net Trade Creditors. 2. 'Debt maturing beyond 12 mths' includes Loan Capital not maturing within next 12 months. 3. 'Cash, liquids and self securitised assets' includes self securitisation of repo eligible Australian mortgages originated by Macquarie. 4. 'Loan Assets > 1 yr' includes Debt Investment Securities and Operating Lease Assets. 5. 'Equity Investments and PPE' includes the Group's co-investments in Macquarie-managed funds and equity investments.

Strong liquidity position maintained

- 170% average LCR for Sep 15 quarter, based on month-end observations
 - Maintained well above regulatory minimums
 - Includes APRA approved AUD CLF allocation of \$A5b for 2015 calendar year
- Reflects long-standing conservative approach to liquidity management
- \$A28.7b of unencumbered liquid assets and cash on average over the quarter to Sep 15 (post applicable haircuts)

Unencumbered Liquid Asset Portfolio¹



1. Unencumbered Liquid Asset Portfolio represents the quarterly average of month-end observations.



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MCN2 Offer

03

Macquarie Group Capital Notes 2 Offer Overview



| | |
|-------------------------|---|
| Issuer | <ul style="list-style-type: none"> Macquarie Group Limited (“MGL”) |
| Type of security | <ul style="list-style-type: none"> Fully paid, subordinated, non-cumulative, unsecured, mandatorily convertible, perpetual capital notes (“MCN2”), automatically convertible at the point of Non-Viability of MGL |
| Offer size | <ul style="list-style-type: none"> \$A400 million, with the ability to raise more or less |
| Use of proceeds | <ul style="list-style-type: none"> MCN2 will constitute eligible regulatory capital of MGL for APRA’s regulatory capital requirements The net proceeds of the Offer will be used for general corporate funding and capital management purposes The capital raised offsets the redemption of \$US400m PMIs in December 2015 After the implementation of APRA’s conglomerates framework, MGL expects that MCN2 will be eligible to contribute Additional Tier 1 capital to Macquarie Bank Limited (“MBL”) |
| Distributions | <ul style="list-style-type: none"> MCN2 are scheduled to pay floating rate cash distributions on a semi-annual basis The first distribution is scheduled for 17 March 2016 (subject to the payment conditions) The Margin will be determined by a Bookbuild and is expected to be between 5.15% and 5.35% |
| Face value | <ul style="list-style-type: none"> \$A100 per MCN2 |
| Term | <ul style="list-style-type: none"> MCN2 are perpetual and may never be Exchanged or Redeemed if the Exchange Conditions are not met MCN2 will Exchange into MGL Ordinary Shares on 18 March 2024, 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 MCN2s will Exchange on the next Distribution Payment Date on which the Exchange Conditions are satisfied, unless they are Exchanged, Redeemed or Written-Off earlier MCN2 can be Resold or Redeemed (subject to APRA approval) or Exchanged on 17 March 2021, 17 September 2021 or 17 March 2022 |
| Quotation | <ul style="list-style-type: none"> Expected to be traded under ASX code “MQGPB” |
| Offer Structure | <ul style="list-style-type: none"> The Offer comprises the: <ul style="list-style-type: none"> – Institutional Offer – offer to Institutional Investors who receive a firm allocation from the Joint Lead Managers; – Broker Firm Offer – offer to retail and high net worth clients of Syndicate Brokers and Institutional Investors; – Securityholder Offer – offer to Eligible Securityholders (Australian registered holders of MGL Ordinary Shares, MIS, MCN or BCN); and – General Offer – offer to members of the general public who are resident in Australia |

MCN2 Key Terms

Distributions



Distributions

- Distributions on MCN2 are discretionary, non-cumulative floating rate payments
- Distributions are scheduled to be paid in arrears commencing on 17 March 2016 and thereafter semi-annually, subject to the Payment Conditions, until MCN2 are Exchanged, Redeemed, Resold or Written Off
- Distribution payments are subject to the Payment Conditions, including MGL's discretion
- Distributions are expected to be franked at the same rate as dividends on MGL Ordinary Shares. MGL currently franks dividends on MGL Ordinary Shares at 40%

Distribution Rate

- $\text{Distribution Rate} = (\text{Reference Rate} + \text{Margin}) \times \text{Franking Adjustment Factor}$
- Reference Rate means, broadly, the bank bill swap rate (BBSW) having a tenor closest to the Distribution Period (180-days except for the first Distribution Period which will be 90 days) on the first day of the relevant Distribution Period
- Margin is expected to be in the range of 5.15% to 5.35%, and will be set by way of Bookbuild. The final margin is expected to be announced to the market on 27 November 2015

Dividend and 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 MGL Ordinary Shares until 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 MCN2 Terms contain no events of default and accordingly, failure to pay a Distribution when scheduled will not constitute an event of default
-

MCN2 Key Terms

Mandatory Exchange



Mandatory Exchange

- The Issuer must Exchange MCN2 into MGL Ordinary Shares on 18 March 2024 (if MCN2 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, MCN2 Holders will receive approximately \$A101 worth of MGL Ordinary Shares for each MCN2 held, and that the MGL 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 MGL 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 MGL 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 MGL Ordinary Shares cease to be listed on ASX or where an Inability Event subsists)

MCN2 Key Terms

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



| | |
|----------------------------|--|
| Optional Exchange | <ul style="list-style-type: none">• The Issuer may choose to Exchange all or some MCN2 on 17 March 2021, 17 September 2021 or 17 March 2022 or if there has been a Tax Event or a Regulatory Event |
| Acquisition Event | <ul style="list-style-type: none">• The Issuer will be required to Exchange all MCN2 for MGL 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 | <ul style="list-style-type: none">• The Issuer will be required to immediately Exchange all or some MCN2 (or if Exchange has not occurred within 5 Business Days, Write-Off all or some MCN2) if a Non-Viability Event occurs• Broadly, a Non-Viability Event means APRA:<ul style="list-style-type: none">— has issued a written notice to MGL that the Exchange of MCN2, conversion or exchange into MGL Ordinary Shares or write-off of securities issued as Relevant Tier 1 Securities (including MCN2) is necessary because without such action, APRA considers MGL would become non-viable; or— has notified MGL in writing that it has determined that without a public sector injection of capital, or equivalent support, MGL would become non-viable |

| |
|--|
| <ul style="list-style-type: none">• 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 MGL Ordinary Shares that MCN2 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 MGL Ordinary Shares at the time of Exchange, MCN2 Holders may receive less, or significantly less, than \$A101 worth of MGL Ordinary Shares per MCN2 and an MCN2 Holder may suffer loss as a consequence• If MCN2 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 MCN2 Holder's rights under that MCN2 are immediately and irrevocably terminated for no consideration and MCN2 Holders will suffer a total loss of their investment. |
|--|

MCN2 Key Terms

Summary of certain events that may occur during the term of MCN2



| Event | When could this occur? | Consequences | Is APRA approval required? | Do conditions apply? | What value will a MCN2 holder receive (per MCN2)? | In what form will the value be provided to MCN2 Holders? |
|--|---|--|----------------------------|----------------------|--|--|
| Tax Event or Regulatory Event | At any time | Exchange all or some MCN2 for MGL Ordinary Shares at the Issuer's option | No | Yes | Approximately \$A101 ¹ | Variable number of MGL Ordinary Shares |
| | | Redemption or Resale of all or some MCN2 at the Issuer's option | Yes | Yes | \$A100 | Cash |
| Acquisition Event | At any time | All MCN2 Exchanged for MGL Ordinary Shares | No | Yes | Approximately \$A101 ¹ (except in limited circumstances) | Variable number of MGL Ordinary Shares |
| Non-Viability Event | At any time | All MCN2 Exchanged for MGL Ordinary Shares or Written-Off | No | No | Depending on the market price of MGL Ordinary Shares at the time, up to approximately \$A101 ¹ but maybe significantly less or zero | Variable number of MGL Ordinary Shares – if MCN2 are not Exchanged for MGL Ordinary Shares MCN2 will be Written-Off and MCN2 Holders receive no value. |
| Optional Exchange Date | 17 March 2021, 17 September 2021, 17 March 2022 | Exchange all or some MCN2 for MGL Ordinary Shares at the Issuer's option | No | Yes | Approximately \$A101 ¹ | Variable number of MGL Ordinary Shares |
| | | Redemption or Resale of all or some MCN2 at the Issuer's option | Yes | Yes | \$A100 | Cash |
| Scheduled Mandatory Exchange Date | 18 March 2024 ² | Exchange of all MCN2 for MGL Ordinary Shares | No | Yes | Approximately \$A101 ¹ | Variable number of MGL Ordinary Shares |

1. The number of MGL Ordinary Shares received will be determined by VWAP over a period immediately prior to Exchange. The value of MGL ordinary shares received on Exchange may be more or less than \$A101.
 2. Subject to the exchange conditions, which may never occur. MCN2 may remain on issue indefinitely.

MCN2 Key Terms

Comparison between MCN2 and other Securities



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

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, Exchanged or Written-Off earlier. Subject to the satisfaction of certain conditions, the BCN will be mandatorily Exchanged on a 24 March 2023 or the next distribution payment date on which those conditions are satisfied.

3. Unless Redeemed, Exchanged or Written-Off earlier. Subject to the satisfaction of certain conditions, the MCN will be mandatorily exchanged on 7 June 2021 or the next distribution payment date on which those conditions are satisfied.


4. Unless Redeemed, Exchanged or Written-Off earlier. Subject to the satisfaction of certain conditions, the MCN2 will be mandatorily Exchanged on a Mandatory Exchange Date (18 March 2024), as outlined in Section 2.3 of the Prospectus.

5. The impact of franking is described in sections 2.1.2 and 2.1.3 of the Prospectus.

MCN2 Key Terms

Ranking in a winding up

- In a Winding Up of MGL, MCN2 will rank ahead of MGL Ordinary Shares, equally with Equal Ranking Obligations, but behind all Senior Creditors of MGL
- However, any return on MCN2 may be adversely affected or reduced to zero if a Non-Viability Event occurs. If a Non-Viability Event occurs, some or all of the MCN2 are to be Exchanged or, if that does not occur, Written-Off. In this situation, the MCN2 Holders will become holders of Ordinary Shares (and rank equally with other Ordinary Shares) or will have their MCN2 Written-Off in which case they will have no further claim on MGL.
- If Exchange occurs, MCN2 Holders will become holders of MGL Ordinary Shares and rank equally with other holders of MGL Ordinary Shares. Those shares may be worth significantly less than the Issue Price of MCN2

| Ranking | Illustrative examples | |
|--|--|--|
| <p style="text-align: center;">Higher</p>  <p style="text-align: center;">Lower</p> | Preferred and secured debt | Liabilities preferred by law including employee entitlements and secured creditors |
| | Unsubordinated and unsecured debt | Unsubordinated and unsecured bonds and notes, trade and general creditors |
| | Subordinated and unsecured debt | Subordinated and unsecured debt obligations |
| | Preference shares and equal ranking securities | Equal Ranking Obligations and MCN2 (if a Non-Viability Event has not occurred) |
| | MGL Ordinary shares | MGL Ordinary Shares |



MACQUARIE

Investment Risks

04

ASIC Guidance



Please consider ASIC Guidance before investing.

www.moneysmart.gov.au/investing

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

ASIC has published guidance which may be relevant to your consideration of whether to invest in MCN2– namely, information for retail investors who are considering investing in hybrid securities. You can find this guidance by searching “hybrid securities” at www.moneysmart.gov.au/investing.

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

Investment risks



The following is a summary of key risks only. You should read Section 4 “Investment risks” of the Prospectus in full before deciding to invest

- **Investments in MCN2 are not deposit liabilities and are not protected accounts under the Banking Act** – Investments in MCN2 are an investment in MGL and may be affected by the ongoing performance, financial position and solvency of MGL and the Macquarie Group
- **Suitability** – MCN2 are a complex investment and may be difficult to understand, even for experienced investors. You should ensure that you understand the MCN2 Terms and risks of investing in MCN2 and consider whether it is an appropriate investment for your particular circumstances.
- **Market price and liquidity of MCN2** – The market price of MCN2 may fluctuate due to various factors, including poor financial performance by MGL and the Macquarie Group. Although MCN2 are to be quoted on ASX, there is no guarantee that a liquid market will develop for them.
- **Market Price and liquidity of Ordinary Shares** – Any Ordinary Shares issued on Exchange will rank equally with existing and future Ordinary Shares. The market price of Ordinary Shares may fluctuate due to various factors, including poor financial performance by Macquarie Group. Additionally, the market price of Ordinary Shares is used to determine whether Exchange can occur in certain circumstances through the Exchange Conditions and Optional Exchange Restrictions. Therefore, fluctuations in the market price of Ordinary Shares can impact the timing of Exchange occurring (other than on account of a Non-Viability Event), and may mean that Exchange never occurs. Where MCN2 are Exchanged for Ordinary Shares, there may be no liquid market for Ordinary Shares at the time of Exchange, or the market may be less liquid than that for comparable securities issued by other entities at the time of Exchange.
- **Distributions may not be paid** – The MCN2 Terms do not oblige MGL to pay Distributions, which are payable subject to certain conditions including MGL’s discretion. MCN2 Holders have no remedy for any non-payment.
- **Changes in Distribution Rate** – The Distribution Rate is calculated as the sum of the Reference Rate and the Margin (reduced where franking credits are attached) and is calculated for each Distribution Period. The Reference Rate may fluctuate (and may increase and decrease) over time and is influenced by a number of factors.
- **Distributions may or may not be franked** – MGL currently franks dividends on Ordinary Shares at 40% and Distributions are expected to be franked at the same rate as Ordinary Shares. However, there is no guarantee that this level of franking will continue to apply for the life of MCN2.
- **Use of franking credits by MCN2 Holders** – The value and availability of franking credits to an MCN2 Holder will differ depending on that MCN2 Holder’s particular tax circumstances.
- **Dividend Restriction applies in limited circumstances** – If a Distribution is not paid on MCN2, the Dividend Restriction will apply to limit MGL’s ability to pay dividends on, buyback, and reduce capital in respect of Ordinary Shares, subject to certain exceptions. Unlike some hybrid securities issued by Macquarie Group entities in the past (including the PMIs) the Dividend Restriction applying under MCN2 does not apply to restrict distributions on any securities other than Ordinary Shares.

The following is a summary of key risks only. You should read Section 4 “Investment risks” of the Prospectus in full before deciding to invest

- **Risks upon Exchange for Ordinary Shares** – Ordinary Shares are a different type of investment to MCN2. For example, dividends on Ordinary Shares are not determined by a formula. Ordinary Shares rank behind the claims of all other securities and debts of MGL in a Winding Up of MGL. Ordinary Shares trade in a manner that is likely to be more volatile than that of MCN2 and the market price is expected to be more sensitive to changes in the performance, prospects and business of the Macquarie Group.
- **MCN are perpetual and Exchange, Redemption or Resale may not occur** – If not Redeemed, Exchanged, Resold or Written-Off beforehand, MCN are expected to be Exchanged for Ordinary Shares on 18 March 2024, subject to the Exchange Conditions being satisfied. However, there is a risk that the Exchange Conditions will not be satisfied. MCN are a perpetual instrument and MCN Holders may never receive any return of their investment, either as cash or Ordinary Shares.
- **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. Exchange, Redemption or Resale may not occur, or could occur at a time not previously contemplated by MCN2 Holders. This may disadvantage MCN2 Holders and not coincide with their individual preferences or intended investment outcomes.
- **Cash payment only in limited circumstances** – MCN2 Holders will only receive a cash payment for their MCN2 where MGL chooses to Redeem or Resell MCN2. There is no certainty that MCN2 Holders will receive a cash payment for their MCN2.
- **Exchange on an Acquisition Event** – If an Acquisition Event occurs, an Exchange must occur except in certain circumstances. Such an Exchange could occur at a time not previously contemplated by MCN2 Holders, which may disadvantage MCN2 Holders and not coincide with their individual preferences or intended investment outcomes.
- **Impact of a Non-Viability Event** – If a Non-Viability Event occurs, MGL must immediately Exchange some or all MCN2 for Ordinary Shares. This could occur at any time and accordingly, is not subject to any Exchange Conditions. The Ordinary Shares that will be issued may not be quoted at the time of issue or at all and may not be tradable. If a Non-Viability Event occurs, there are many ways and a greater likelihood that an MCN2 Holder may lose some or all of their investment.
- **Impact of failure to Exchange and Write- Off** – If the relevant MCN2 are not Exchanged within 5 Business Days of the Non-Viability Event then the Ordinary Shares will not be issued and the relevant MCN2 will be Written-Off. In such cases, the MCN2 Holder will not receive any Ordinary Shares in respect of these MCN2, have no further claim on MGL and suffer a loss of their investment.
- **Ordinary Shares issued to a Sale Agent** – In some circumstances, if MCN2 are to be Exchanged, MGL will use reasonable endeavours to appoint a Sale Agent and if a Sale Agent is appointed then the Ordinary Shares to be Exchanged may be issued to and sold by the Sale Agent at the first reasonable opportunity. The Sale Agent will pay to the relevant MCN2 Holder its proportionate share of the net proceeds actually received from the sale. MGL and the Sale Agent give no assurance as to whether a sale will be achieved or the price at which it may be achieved and each have no liability to MCN2 Holders for any loss suffered as a result of the sale of Ordinary Shares. The issue of the Ordinary Shares to the Sale Agent will satisfy all obligations of MGL in respect to the MCN2.

Investment risks

continued



The following is a summary of key risks only. You should read Section 4 “Investment risks” of the Prospectus in full before deciding to invest

- **Restrictions on rights and ranking in a Winding Up** – MCN2 are unsecured and subordinated obligations of MGL. In the event of a Winding Up of MGL and assuming that MCN2 have not been Exchanged, Redeemed or Resold and are not required to be Written-Off due to a Non-Viability Event, MCN2 Holders will be entitled to claim for the Liquidation Amount of each MCN2 equal to \$A100 for each MCN2. The claim for the Liquidation Amount ranks equally with Equal Ranking Obligations but is subordinated to Senior Creditors.
- **Other securities issued by MGL** – MCN2 do not in any way restrict MGL from issuing further Ordinary Shares, securities (including securities that rank equally with or ahead of the MCN2) or from incurring further debt. An investment in MCN2 carries no right to participate in any future issue of securities issued by MGL.
- **Credit rating risk relating to securities** – Even though MCN2 will not be rated, changes to the credit rating of MGL could adversely affect the market price, liquidity and performance of MCN2 or Ordinary Shares received on Exchange.
- **Regulatory treatment** – Changes in the regulatory treatment of MCN2 (including by APRA) may have adverse consequences including an Exchange, Resale or Redemption on account of a Regulatory Event.
- **Tax consequences** – Changes in the tax treatment of MCN2 may have adverse consequences for MCN2 Holders including an Exchange, Resale or Redemption on account of a Tax Event
- **Powers of APRA** – Under the Banking Act, APRA has power to issue directions to MGL. These powers of APRA are broad and may be exercised to intervene in the performance of obligations and the exercise of rights under the MCN2.
- **Accounting standards** – Changes to accounting standards 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.
- **Shareholding limits** – Various laws may restrict the number of MGL Ordinary Shares that any person may hold and could lead to a Write-Off instead of Exchange.
- **FATCA withholding and information reporting** – MGL may deduct or withhold in respect of FATCA from payments on MCN2 or deliveries of Ordinary Shares in respect of MCN2. As a result, MCN2 Holders may receive less Distributions, principal or Ordinary Shares than expected.
- **Amendment of MCN2 Terms or Trust Deed** – In certain circumstances, MGL may, with APRA’s prior written approval where required, amend the MCN2 Terms or Trust Deed without the approval of MCN2 Holders or the Trustee.
- **Risks associated with MGL and the Macquarie Group** – Risks associated with MGL and the Macquarie Group are relevant to an investment in MCN2 because they may affect MGL’s ability to fulfil its obligations under the MCN2 Terms, the market value of MCN2 and the market value of, and any dividends paid on, MGL Ordinary Shares issued on an Exchange of MCN2. Key risks relating to an investment in MGL and the Macquarie Group are set out in section 4.2 of the Prospectus.

This list of investment considerations is not exhaustive. Please read the Prospectus, seek professional guidance and consider the suitability of and investment in MCN2 for your particular circumstances.



MACQUARIE

Key Dates and Contacts

05

Key Dates



KEY DATES FOR THE OFFER

DATE

| | |
|---|---|
| Record date for determining Eligible Securityholders | 7.00pm (Sydney time) Friday, 20 November 2015 |
| Lodgement of the Prospectus with ASIC | Monday, 23 November 2015 |
| Bookbuild | Friday, 27 November 2015 |
| Announcement of the Margin | Friday, 27 November 2015 |
| Lodgement of the replacement Prospectus with ASIC | Tuesday, 1 December 2015 |
| Opening Date | Tuesday, 1 December 2015 |
| Closing Date for the Securityholder Offer and General Offer | 5.00pm (Sydney time) Tuesday, 15 December 2015 |
| Closing Date for the Broker Firm Offer | 5.00pm (Sydney time) Thursday, 17 December 2015 |
| Issue Date | Friday, 18 December 2015 |
| MCN2 commence trading on ASX on a deferred settlement basis | Monday, 21 December 2015 |
| Holding Statements despatched by | Tuesday, 22 December 2015 |
| MCN2 commence trading on ASX on a normal settlement basis | Wednesday, 23 December 2015 |

KEY DATES FOR MCN2

DATE

| | |
|-----------------------------------|---|
| First Distribution Payment Date | Thursday, 17 March 2016 (subject to the Payment Conditions) |
| Optional Exchange Date | Wednesday, 17 March 2021, Friday, 17 September 2021 and Thursday, 17 March 2022 |
| Scheduled Mandatory Exchange Date | Monday, 18 March 2024 |

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