



Macquarie Bank Capital Notes

**Prospectus for the issue of
Macquarie Bank Capital Notes (BCN)
to raise \$420m with the ability to raise
more or less**

Issuer

Macquarie Bank Limited (ACN 008 583 542)

Arranger and Joint Lead Manager

Macquarie Capital (Australia) Limited

Joint Lead Managers

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

Co-Managers

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

IMPORTANT NOTICES

Prospectus

This Prospectus relates to the offer by Macquarie Bank Limited (ACN 008 583 542) (the "Issuer" or "MBL") of Macquarie Bank Capital Notes ("BCN") to raise \$420 million with the ability to raise more or less (the "Offer").

This Prospectus is dated 23 September 2014 and a copy was lodged with the Australian Securities and Investments Commission ("ASIC") on this date in accordance with the Corporations Act 2001 (Cth) ("Corporations Act"). This is a replacement Prospectus which replaces the Prospectus dated and lodged with ASIC on 15 September 2014 ("Original Prospectus"). This Prospectus expires 13 months after the date of the Original Prospectus and no BCN will be issued on the basis of this Prospectus after that expiry date.

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

Documents relevant to the Offer

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

- the BCN Terms (see Appendix A to this Prospectus);
- the BCN Deed Poll (see section 6.1);
- the MBL Constitution; and
- the MGL Constitution.

Status of BCN

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

BCN are not deposit liabilities and are not protected accounts of MBL for the purposes of the depositor protection provisions in Division 2 of Part II of the Banking Act 1959 (Cth) ("Banking Act") or of the Financial Claims Scheme established under Division 2AA of Part II of the Banking Act and are not guaranteed or insured by any government, government agency or compensation scheme of Australia or any other jurisdiction. MBL does not guarantee or otherwise provide assurance in respect of the obligations of any other member of the Macquarie Group, unless noted otherwise. Other than MBL, no other member of the Macquarie Group is an authorised deposit-taking institution for the purposes of the Banking Act.

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

BCN are issued by the Issuer under the BCN Terms and the BCN Deed Poll and BCN Holders have no claim on the Issuer or Macquarie Group Limited (ACN 122 169 279) ("MGL") except as provided in the BCN Terms and the BCN Deed Poll. The investment performance of BCN is not guaranteed by the Issuer, MGL or any other member of the Macquarie Group.

Key Risks

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

Information about the key risks of investing in BCN is detailed in section 4.

No representations other than in this Prospectus

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

Past performance information

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

Financial statements and forward looking information

Section 3.8 sets out financial information in relation to the Issuer and MGL. The basis of preparation of that information is set out in section 3.8. All financial amounts contained in this Prospectus are expressed in Australian dollars and rounded to the nearest million unless otherwise stated. Any discrepancies between totals and sums of components in tables contained in this Prospectus are due to rounding.

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

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

No personal investment advice

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

that you read this Prospectus in full before deciding to invest in BCN and consider the risks that could affect the performance of BCN. See in particular the risks set out in section 4.

Applications and obtaining a Prospectus

Applications for BCN pursuant to the Securityholder Offer or General Offer can only be made online by completing the online Application Form available at www.MacquarieBCNOffer.com.au. You must contact your Syndicate Broker for information on how to apply through the Broker Firm Offer. By lodging an Application, you declare that you were given access to the Prospectus together with the Application Form.

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

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

Paper copies of this Prospectus can also be obtained free of charge by calling the BCN Offer Information Line on 1300 634 564 (within Australia) or on +61 3 9415 4230 (International) (Monday to Friday 8.30am – 5.30pm, Sydney time) during the Offer Period.

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

Restrictions on foreign jurisdictions

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

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

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

Restrictions applying to US Persons are outlined in section 6.10. In particular, BCN have not been and will not be registered under the US Securities Act of 1933, as amended ("Securities Act") or the securities laws of any state or other jurisdiction of the United States and may not be offered, sold or resold in the United States or to, or for the benefit of, any "US Person" (as defined in Regulation S under the Securities Act) except pursuant to an exemption from

the registration requirements of the Securities Act. Neither this Prospectus nor any Application Form or other materials relating to the Offer may be distributed in the United States.

Defined words and expressions

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

A reference to dollar or \$ in this Prospectus is a reference to Australian currency. A reference to time in this Prospectus is a reference to Sydney, New South Wales, Australia time unless otherwise stated. The Macquarie name and the Holey Dollar device are registered trade marks of MGL.

Providing personal information

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

Enquiries

If you have any questions about BCN or the Offer, you should seek advice from your financial adviser or other professional adviser. You can also call the BCN Offer Information Line on 1300 634 564 (within Australia) or on +61 3 9415 4230 (International) (Monday to Friday 8.30am – 5.30pm, Sydney time) during the Offer Period. Applicants in the Broker Firm Offer may also call their Syndicate Broker.

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ASIC guidance for retail investors

BCN are a complex investment and may be difficult to understand, even for experienced investors. You should ensure that you understand the BCN Terms and risks of investing in BCN 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 BCN – namely, information for retail investors who are considering investing in hybrid securities called “Hybrid securities and notes” (under the heading “Complex investments” at www.moneysmart.gov.au/investing).

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.

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

How to apply for BCN

1. Read the Prospectus

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

2. Speak to your professional adviser

If you do not understand any part of this Prospectus, or are in any doubt as to whether to invest in BCN or not, it is recommended that you seek guidance from your financial adviser or other professional adviser before deciding whether to invest. You can also call the BCN Offer Information Line on 1300 634 564 (within Australia) or on +61 3 9415 4230 (International) (Monday to Friday 8.30am – 5.30pm, Sydney time).

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

The Offer is being made to:

- Australian resident retail and high net worth clients of Syndicate Brokers who are invited to apply under the Broker Firm Offer;
- Eligible Securityholders who may apply under the Securityholder Offer; and
- members of the general public who are residents of Australia (and not otherwise prevented from receiving the Offer or BCN under the securities laws of another jurisdiction, as determined by MBL) who may apply under the General Offer.

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

4. Complete and submit an Application Form

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

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

- If you wish to participate under the **Broker Firm Offer** you must contact your Syndicate Broker for instructions as to how to apply. The closing date for the Broker Firm Offer is expected to be 5.00pm (Sydney time) on 7 October 2014, however your Application and Application Payment must be received by your Syndicate Broker in accordance with arrangements made between you and your Syndicate Broker.
- If you wish to participate under the **Securityholder Offer** or **General Offer** you must complete an online Application Form and pay the Application Payment electronically by BPAY®. Your online Application and Application Payment must be received by the Registrar by the Closing Date for the Securityholder and General Offer which is expected to be 5.00pm (Sydney time) on 3 October 2014. Please see section 7 of this Prospectus and the online Application Form at www.MacquarieBCNOffer.com.au for complete information on the Application process.

Key dates

KEY DATES FOR THE OFFER	DATE
Record date for determining Eligible Securityholders	7.00pm (Sydney time) Friday, 12 September 2014
Lodgement of the Original Prospectus with ASIC	Monday, 15 September 2014
Bookbuild period	Monday, 15 September 2014 to Friday, 19 September 2014
Announcement of the Margin	Friday, 19 September 2014
Lodgement of the replacement Prospectus with ASIC	Tuesday, 23 September 2014
Opening Date	Tuesday, 23 September 2014
Closing Date for the Securityholder Offer and General Offer	5.00pm (Sydney time) Friday, 3 October 2014
Closing Date for the Broker Firm Offer	5.00pm (Sydney time) Tuesday, 7 October 2014
Issue Date	Wednesday, 8 October 2014
BCN commence trading on ASX on a deferred settlement basis	Thursday, 9 October 2014
Holding Statements despatched by	Friday, 10 October 2014
BCN commence trading on ASX on a normal settlement basis	Monday, 13 October 2014
KEY DATES FOR BCN	DATE
First Distribution Payment Date ¹	24 March 2015
Optional Exchange Date	24 March 2020, 24 September 2020 and 24 March 2021
Scheduled Mandatory Exchange Date	24 March 2023

DATES MAY CHANGE

These dates are indicative only and may change without notice.

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

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



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Investment Overview

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

1. Investment overview

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Topic	Summary	Further information
1.1. Key features of the Offer		
1.1.1. Issuer	<ul style="list-style-type: none"> Macquarie Bank Limited, a public company incorporated with limited liability in Australia (ACN 008 583 542) 	Section 3
1.1.2. Offer Size	<ul style="list-style-type: none"> \$420 million, with the ability to raise more or less. 	
1.1.3. Type of security	<ul style="list-style-type: none"> BCN are: <ul style="list-style-type: none"> fully-paid – the Issue Price (\$100 per BCN) must be paid to the Issuer before BCN are issued; subordinated – BCN are subordinated to claims of Senior Creditors (including depositors) in a Winding Up of the Issuer. They rank equally with Equal Ranking Obligations, and ahead of MBL Ordinary Shares, unless a Common Equity Tier 1 Trigger Event or Non-Viability Event occurs; non-cumulative – if not paid when scheduled, that Distribution on BCN will never be paid; unsecured – BCN are not deposit liabilities and are not protected accounts of the Issuer or MGL and are not guaranteed or insured by any government, government agency or compensation scheme of Australia or any other jurisdiction. The investment performance of BCN is not guaranteed by the Issuer, MGL or any other member of the Macquarie Group; mandatorily convertible – subject to certain conditions, BCN must be Exchanged into MGL Ordinary Shares on 24 March 2023; perpetual – if the conditions for Exchange are not met, BCN may remain on issue indefinitely; automatically convertible – in certain circumstances, BCN must be immediately Exchanged into MGL Ordinary Shares or, if that cannot occur, Written-Off. 	Section 2
1.1.4. ASX Quotation	<ul style="list-style-type: none"> The Issuer has applied for BCN to be quoted on ASX and BCN are expected to trade under ASX code “MBLPA”. 	

1. Investment overview

Topic	Summary	Further information
1.1.5. Reason for Issue of BCN	<ul style="list-style-type: none"> BCN will constitute regulatory capital of the Issuer which satisfies the Australian Prudential Regulation Authority's ("APRA") regulatory capital requirements. BCN and the Issuer's other equity capital provide a buffer which protects Senior Creditors against losses that may be incurred by the Issuer. The terms of BCN are complex and derived from the detailed capital requirements which APRA applies to these instruments. The Issuer's ability to pay Distributions or to optionally Redeem or Resell BCN is dependent upon APRA either not objecting or giving prior written approval (as well as other conditions). 	Sections 2.9 and 3
1.1.6. Use of Proceeds	<ul style="list-style-type: none"> The net proceeds of the Offer will be used for general corporate funding and capital management purposes. 	
1.2. Key features of BCN		
1.2.1. Term	<ul style="list-style-type: none"> BCN are perpetual, which means they have no fixed maturity date and, if BCN are not Exchanged, Redeemed or Written-Off, they could remain on issue indefinitely and the Issue Price will not be repaid. BCN will Exchange into MGL Ordinary Shares on 24 March 2023, 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 BCN will Exchange on the next Distribution Payment Date on which the Exchange Conditions are satisfied, unless they are Exchanged, Redeemed or Written-Off earlier. 	Sections 2.2 to 2.8.
1.2.2. Distributions	<ul style="list-style-type: none"> BCN are scheduled to pay floating rate cash distributions commencing on 24 March 2015, thereafter semi-annually, in arrears until all BCN are Exchanged, Redeemed, Resold or Written-Off. The Distribution Rate is based on the Reference Rate plus the Margin, adjusted for franking. The Margin has been determined under a Bookbuild and is 3.30%. The Distribution Rate for the first Distribution Period is calculated on the Issue Date and is recalculated semi-annually for each following Distribution Period. Distributions on BCN are discretionary, which means the Issuer can decide not to pay them. Distributions can also only be paid if certain Payment Conditions are met (including that the Issuer is able to pay Distributions without breaching APRA's capital adequacy requirements or becoming insolvent). 	Section 2.1

1. Investment overview

Topic	Summary	Further information
1.2.2. Distributions <i>continued</i>	<ul style="list-style-type: none">• Distributions are non-cumulative, which means that if a Distribution has not been paid on a Distribution Payment Date then the Issuer has no obligation to pay the Distribution at any later date. Failure to pay a Distribution is not an event of default.• Unless a Distribution is paid in full within 10 Business Days of the Distribution Payment Date, in most circumstances the Issuer is restricted from paying any dividends or returning capital on MBL Ordinary Shares until the next Distribution Payment Date. There is no equivalent restriction on MGL.	Section 2.1
1.2.3. Franking	<ul style="list-style-type: none">• Distributions on BCN are frankable.• 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%. The level of franking may vary over time and Distributions may be partially, fully or not franked.• The greater the rate of franking of the Distribution, the lower the Distribution Rate and the amount of cash Distribution, reflecting the value of the franking credit attached to the Distribution.• If Distributions are franked, the ability of BCN Holders to use the franking credits will depend on their individual circumstances.	Sections 2.1.3, 4.1.7 and 5
1.2.4. Return of investment	<ul style="list-style-type: none">• The Issuer has no obligation to return the Issue Price on any fixed date, therefore capital invested by BCN Holders may never be returned.• Whether and when the capital invested by BCN Holders may be returned will depend on what happens to BCN. What may happen to BCN is uncertain and depends on a number of factors, including whether:<ul style="list-style-type: none">– a Scheduled Mandatory Exchange occurs;– a Common Equity Tier 1 Trigger Event, Non-Viability Event, Acquisition Event, Regulatory Event or Tax Event occurs;– the Issuer elects for an Optional Exchange, Redemption or Resale to occur; and– APRA approval is given when it is required under the BCN Terms.• BCN Holders will have no right to request that the Issuer Exchange, Redeem or Resell any BCN.• If a Common Equity Tier 1 Trigger Event or Non-Viability Event occurs BCN will be Exchanged for MGL Ordinary Shares or, if BCN are unable to be Exchanged for any reason, those BCN will be Written-Off in which case the relevant BCN Holders' rights will be terminated and they will not receive any return of capital invested.	Sections 2.2 to 2.8.

1. Investment overview

Topic	Summary	Further information
1.2.5. Redemption	<ul style="list-style-type: none"> • If APRA gives prior written approval, the Issuer has a right, but not an obligation, to Redeem all or some BCN: <ul style="list-style-type: none"> – on 24 March 2020, 24 September 2020 and 24 March 2021; or – if a Tax Event or Regulatory Event occurs. • Redemption cannot occur unless BCN are replaced with regulatory capital of the same or better quality or APRA is satisfied that the Issuer’s capital position is sufficient after Redemption. • If BCN are Redeemed, BCN Holders will receive \$100 for each BCN Redeemed and, if the Payment Conditions are met, a Distribution for the period since the last Distribution Payment Date to the Redemption Date. 	Section 2.5
1.2.6. Resale	<ul style="list-style-type: none"> • The Issuer has a right, but not an obligation, to Resell all or some BCN in the same limited circumstances as when Redemption may occur. • If a Resale occurs, the relevant BCN will be mandatorily sold to one or more nominated third parties. BCN Holders will receive a cash amount of \$100 for each BCN Resold and, if the Payment Conditions are met, a Distribution for the period since the last Distribution Payment Date to the Resale Date. 	Section 2.6
1.2.7. Exchange for MGL Ordinary Shares	<p>BCN may be Exchanged for MGL Ordinary Shares in the following circumstances:</p> <ul style="list-style-type: none"> • Mandatory Exchange: All BCN are scheduled to be Exchanged on 24 March 2023, unless the Exchange Conditions are not met (in which case, Exchange will be deferred until the first semi-annual Distribution Payment Date where the Exchange Conditions are met – this means that, if the Exchange Conditions are never met, BCN may never be Exchanged). The Exchange Conditions ensure that BCN Holders will receive approximately \$101 worth of MGL Ordinary Shares per BCN on Exchange (based on the VWAP during the 20 ASX Trading Days before the Relevant Mandatory Exchange Date) and that the MGL Ordinary Shares are capable of being sold on ASX. • Exchange at the Issuer’s option: The Issuer may also choose to Exchange all or some BCN on 24 March 2020, 24 September 2020 and 24 March 2021, or if there has been a Tax Event or Regulatory Event, provided certain conditions are met. • Acquisition Event: The Issuer will be required to Exchange all BCN for MGL Ordinary Shares if an Acquisition Event (broadly, a change of control of MBL or MGL by takeover bid, scheme of arrangement or otherwise) occurs, provided certain conditions are met. • Automatic Exchange Events (Common Equity Tier 1 Trigger Event or Non-Viability Event): The Issuer will be required to immediately Exchange all or some BCN for MGL Ordinary Shares (or, if Exchange has not occurred for any reason within 5 Business Days, Write-Off all or some BCN) if a Common Equity Tier 1 Trigger Event or Non-Viability Event (each an “Automatic Exchange Event”) occurs. Exchange under these circumstances is not subject to any conditions. 	Sections 2.3, 2.4, 2.7 and 2.8

1. Investment overview

Topic	Summary	Further information
1.2.8. What BCN Holders receive on Exchange	<ul style="list-style-type: none"> • If Exchange occurs as a result of Mandatory Exchange, or at the Issuer's option, BCN Holders will receive approximately \$101 worth of MGL Ordinary Shares per BCN, but those shares may be worth more or less than \$101 by the time the Exchange occurs. • If Exchange occurs as a result of an Acquisition Event, BCN Holders should receive approximately \$101 worth of MGL Ordinary Shares per BCN, except in limited circumstances where the Directors determine that it is in the best interests of BCN Holders as a whole for Exchange to proceed, notwithstanding that BCN Holders will receive less than \$101 worth of MGL Ordinary Shares. Similarly to Mandatory Exchange, those shares may be worth more or less than \$101 by the time the Exchange occurs. • The number of MGL Ordinary Shares to be received by each BCN Holder will also be rounded down. • See below for what BCN Holders receive on Exchange as a result of a Common Equity Tier 1 Trigger Event or Non-Viability Event. 	Sections 2.3, 2.4 and 2.7.
1.2.9. Exchange upon occurrence of an Automatic Exchange Event	<ul style="list-style-type: none"> • On the occurrence of an Automatic Exchange Event (being a Common Equity Tier 1 Trigger Event or a Non-Viability Event), the Issuer is required to immediately Exchange some or all BCN into MGL Ordinary Shares. BCN Holders will not receive prior notice of the Exchange. • A Common Equity Tier 1 Trigger Event occurs if MBL determines, or APRA notifies MBL in writing that it believes, that the Common Equity Tier 1 Ratio of MBL is equal to or less than 5.125%. • Broadly, a Non-Viability Event occurs if APRA (1) issues a written notice to MBL that the exchange or conversion into MGL Ordinary Shares, or write-off, of Relevant Tier 1 Securities (including BCN) is necessary because without such action APRA considers that MBL would become non-viable or (2) has notified MBL in writing that it has determined that without a public sector injection of capital, or equivalent support, MBL would become non-viable. As at the date of this Prospectus, APRA has not provided guidance as to how it would determine non-viability. • An Automatic Exchange is not subject to any conditions. As a result, BCN Holders may receive less, or significantly less, than the Issue Price per BCN and a BCN Holder may suffer loss as a consequence. 	Section 2.7
1.2.10. What happens if Automatic Exchange is not possible – Write-Off of BCN	<ul style="list-style-type: none"> • If BCN have not been Exchanged, for any reason, within 5 Business Days of the Automatic Exchange Event, they must be Written-Off. • If a Write-Off of a BCN occurs, the BCN Holder's rights under that BCN (including to payment of the Liquidation Amount and Distributions) are immediately and irrevocably terminated for no consideration and BCN Holders will suffer a total loss of their investment as a consequence. 	Section 2.7

1. Investment overview

Topic	Summary	Further information
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1.2.11. Summary of certain events that may occur during the term of BCN

Event ¹	When could this occur?	Consequences	Is APRA approval required? ²	Do conditions apply? ³	What value will a BCN Holder receive (per BCN)? ⁴	In what form will the value be provided to BCN Holders?	Further Information
Tax Event or Regulatory Event	At any time	Exchange all or some BCN for MGL Ordinary Shares at the Issuer's option	No	Yes	Approximately \$101 ⁵	Variable number of MGL Ordinary Shares	Section 2.4
		Redemption or Resale of all or some BCN at the Issuer's option	Yes	Yes	\$100	Cash	Section 2.5 and 2.6
Acquisition Event	At any time	All BCN Exchanged for MGL Ordinary Shares	No	Yes	Approximately \$101 ⁵ (except in limited circumstances ⁷)	Variable number of MGL Ordinary Shares	Section 2.8
Automatic Exchange Event	At any time	All BCN 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 \$101 ⁵ but maybe significantly less or zero	Variable number of MGL Ordinary Shares – If the Issuer is unable to Exchange BCN for MGL Ordinary Shares BCN will be Written-Off and BCN Holders receive no value	Section 2.7
Optional Exchange Date	24 March 2020, 24 September 2020 and 24 March 2021	Exchange all or some BCN for MGL Ordinary Shares at the Issuer's option	No	Yes	Approximately \$101 ⁵	Variable number of MGL Ordinary Shares	Section 2.4
		Redemption or Resale of all or some BCN at the Issuer's option	Yes	Yes	\$100	Cash	Sections 2.5 and 2.6
Scheduled Mandatory Exchange Date	24 March 2023 ⁶	Exchange of all BCN for MGL Ordinary Shares	No	Yes	Approximately \$101 ^{5,6}	Variable number of MGL Ordinary Shares	Section 2.3

- Please see the Glossary for full definitions.
- BCN Holders should not expect that APRA's approval will be given for any Redemption or Resale.
- 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.
- If Exchange (other than on account of an Automatic Exchange Event), Redemption or Resale occurs on a day that is not a scheduled semi-annual Distribution Payment Date, BCN Holders which are being Exchanged, Redeemed or Resold will also receive a Distribution in respect of those BCN 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).
- The value of MGL 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 Exchange due to an Automatic Exchange Event). By the time of Exchange, the value of MGL Ordinary Shares received on Exchange may be worth more or less than \$101.
- BCN are perpetual. If the Exchange Conditions are never met, Exchange may never occur and BCN may remain on issue indefinitely.
- May be less if Directors determine that Exchange is in the best interests of BCN Holders as a whole, notwithstanding that BCN Holders will suffer loss, or that the MGL Ordinary Shares may not be listed. See section 2.8.

1. Investment overview

Topic	Summary	Further information
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1.2.12. Ranking in a Winding Up

- In a Winding Up of MBL, BCN will rank ahead of MBL Ordinary Shares, equally with Equal Ranking Obligations, but behind all Senior Creditors of MBL.
- However, in a Winding Up of MBL, any return on BCN may be adversely affected or reduced to zero if APRA requires all or some BCN to be Exchanged or Written-Off on account of an Automatic Exchange Event.

Section 2.10

Ranking	Illustrative examples	
Higher	Preferred and secured debt	Liabilities in relation to protected accounts under the Banking Act (including current accounts and term deposits) and other liabilities preferred by law including certain debts owed to APRA or the RBA, 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	BCN and any securities expressed to rank equally with BCN, including MIS Preference Shares, MIPS Preference Shares and ECS.
	Lower	MBL Ordinary Shares

- If Exchange occurs, BCN 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 BCN.

1. Investment overview

Topic	Summary	Further information
1.2.13. BCN are not guaranteed	<ul style="list-style-type: none"> • BCN are not guaranteed by any member of the Macquarie Group and are not guaranteed or insured by any government, government agency or compensation scheme of Australia, or by any other person. • BCN are not deposit liabilities of MBL and are not protected accounts for the purposes of the depositor protection provisions in Division 2 of Part II of the Banking Act or of the Financial Claims Scheme established under Division 2 AA of Part II of the Banking Act. 	Clause 1.2 of the BCN Terms
1.2.14. BCN are not secured	<ul style="list-style-type: none"> • BCN are not secured in any way against any asset of MBL or the Macquarie Group. 	
1.3. Key risks of investing in BCN		
<p>There are risks associated with an investment in BCN, many of which are outside the control of the Issuer. These risks include those in this section 1.3 and section 4 and other matters referred to in this Prospectus.</p>		
<p>Before applying for BCN, you should consider whether BCN are a suitable investment for you. BCN are complex investments and may be difficult to understand, even for experienced investors.</p>		
<p>A summary of some of the key risks associated with an investment in MBL and the Macquarie Group generally are described in section 4.2.</p>		
1.3.1. Market price and liquidity of BCN	<ul style="list-style-type: none"> • The market price of BCN may go up or down and there is no guarantee BCN will trade at or above their Issue Price. For example, the market price of BCN may decline if better rates of return are available on other securities. • The market price of BCN may also be significantly impacted by the market price for MGL Ordinary Shares. • There may be no liquid market for BCN. • BCN Holders who wish to sell their BCN may be unable to do so at a price acceptable to them, or at all. 	Sections 4.1.3 and 4.1.4
1.3.2. Market price and liquidity of MGL Ordinary Shares	<ul style="list-style-type: none"> • If BCN are Exchanged into MGL Ordinary Shares, the value of those MGL Ordinary Shares is determined over a period of up to 20 ASX Trading Days immediately prior to Exchange. By the time of Exchange, the price at which the MGL Ordinary Shares received by BCN Holders can be sold may be more or less than the anticipated \$101. • Additionally, in various circumstances the market price of MGL 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 MGL 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 MGL Ordinary Shares may be less liquid than other securities and may not be liquid at all, so that BCN Holders may be unable to sell the MGL Ordinary Shares they may receive for an acceptable price, or at all. 	Sections 4.1.3, 4.1.4, 4.1.10 and 4.1.11

1. Investment overview

Topic	Summary	Further information
1.3.3. Distributions may not be paid	<ul style="list-style-type: none"> The Directors have 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 MBL is able to pay the Distribution without MBL 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, BCN Holders will have no rights to receive that Distribution in the future. MBL is restricted from paying any dividends or returning capital on MBL Ordinary Shares until the next Distribution Payment Date but there is no equivalent restriction on MGL because such a restriction is not allowed under APRA's current prudential standards. 	Section 4.1.5
1.3.4. Changes in Distribution Rate	<ul style="list-style-type: none"> The Distribution Rate will fluctuate (both increasing and decreasing) over time as a result of movements in the Reference Rate. The greater the rate of franking of the Distribution, the lower the Distribution Rate and the amount of cash Distribution, reflecting the value of the franking credit attached to the Distribution. There is a risk that the Distribution Rate may become less attractive when compared to the rates of return available on comparable securities or investments. 	Section 4.1.6
1.3.5. Level of franking	<ul style="list-style-type: none"> The level of franking of Distributions on BCN is affected by the level of MGL's available franking credits and MBL's distributable profits. MGL's level of franking credits may be affected by a wide range of factors, including its business performance, in what jurisdictions the Macquarie Group makes profits and pays tax and the amount of other frankable distributions. MBL'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 a BCN Holder will depend on that BCN Holder's particular circumstances. 	Section 4.1.7
1.3.6. BCN are perpetual and may never be Exchanged, Redeemed or Resold	<ul style="list-style-type: none"> If still on issue, BCN will Exchange into MGL Ordinary Shares on 24 March 2023 if the Exchange Conditions are satisfied. If the Exchange Conditions are not met on this date BCN 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 the Exchange Conditions are not satisfied. 	Section 4.1.11
1.3.7. The Issuer has rights for Exchange, Redemption or Resale at its election	<ul style="list-style-type: none"> The Issuer may elect to Exchange, Redeem or arrange a Resale of all or some BCN in certain circumstances, subject to a number of conditions, including prior written approval from APRA when required under the BCN Terms. Where required, APRA's approval is at the complete discretion of APRA and may or may not be granted. 	Sections 4.1.10 to 4.1.12

1. Investment overview

Topic	Summary	Further information
1.3.7. The Issuer has rights for Exchange, Redemption or Resale at its election <i>continued</i>	<ul style="list-style-type: none"> The choice to elect the Exchange, Redemption or Resale of all or some BCN is entirely at the Issuer's discretion and BCN 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 BCN Holders. 	
1.3.8. Losses due to an Acquisition Event	<ul style="list-style-type: none"> If an Acquisition Event occurs, and Directors determine it is in the best interests of BCN Holders, Exchange may occur even though BCN Holders would receive less (and possibly significantly less) than \$101 worth of MGL Ordinary Shares or even though those MGL Ordinary Shares are unlisted and BCN Holders may suffer a loss as a result. 	Section 4.1.14
1.3.9. Losses due to an Automatic Exchange	<ul style="list-style-type: none"> If an Automatic Exchange occurs, BCN Holders may receive significantly less than \$101 worth of MGL Ordinary Shares per BCN and may receive unlisted MGL Ordinary Shares. If any BCN is not Exchanged for any reason within 5 Business Days of the Automatic Exchange Event then those BCN will be Written-Off (in which case the BCN Holder's rights under that BCN are immediately and irrevocably terminated for no consideration). In these circumstances BCN Holders will suffer a total loss of their investment. 	Sections 4.1.15 and 4.1.16
1.3.10. Restrictions on rights and ranking in a Winding Up of MBL	<ul style="list-style-type: none"> BCN are not deposit liabilities and are not protected accounts of MBL for the purposes of the depositor protection provisions in Division 2 of Part II of the Banking Act or of the Financial Claims Scheme established under Division 2 AA of Part II of the Banking Act and are not guaranteed or insured by any government, agency or compensation scheme of Australia or by any other person. The investment performance of BCN is not guaranteed by the Issuer, MGL or any other member of the Macquarie Group. In the event of a Winding Up of MBL, BCN Holders will rank behind all Senior Creditors, equally with Equal Ranking Obligations and ahead of MBL Ordinary Shares. Any return in a Winding Up of MBL may be adversely affected if an Automatic Exchange Event occurs. If this happens some or all BCN will be required to be Exchanged or, if Exchange has not occurred within 5 Business Days, Written-Off. If a BCN is Exchanged, the BCN Holder would become a holder of MGL Ordinary Shares and those shares may be worth significantly less than their investment in BCN. If a BCN is Written-Off, the BCN Holder will suffer a total loss of their investment. If there is a shortfall of funds on a Winding Up of MBL, BCN Holders will lose some or all of their investment. 	Sections 4.1.1 and 4.1.18

1. Investment overview

1.4. Comparison between BCN and other securities

Feature	Term deposit	MIS	MCN	BCN	MGL Ordinary Shares
Issuer	Bank, credit union or building society (e.g. MBL)	MBL and Macquarie Finance Ltd (ACN 001 214 964)	MGL	MBL	MGL
Guarantee under the Australian government Financial Claims Scheme	Yes ¹	No	No	No	No
Term	One month to five years (usually)	Perpetual	Perpetual ²	Perpetual ³	Perpetual
Distribution rate	Fixed (usually)	Floating	Floating, adjusted for franking	Floating, adjusted for franking ⁴	Variable dividends
Distribution payment dates	End of term or per annum (usually)	Quarterly	Semi-annually	Semi-annually ⁵	Semi-annually (usually)
Distributions are discretionary	No	Yes	Yes	Yes	Yes
Frankable distributions	No	No	Yes	Yes	Yes
Transferable	No	Yes – quoted on ASX	Yes – quoted on ASX	Yes – quoted on ASX	Yes – quoted on ASX
Common Equity Tier 1 Trigger provisions	No	No	No	Yes	No
Non-Viability provisions	No	No	Yes	Yes	No

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, MCN will be mandatorily exchanged into MGL Ordinary Shares on 7 June 2021 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 BCN will be mandatorily Exchanged on a Mandatory Exchange Date in accordance with the BCN Terms.

4. The impact of franking is described in sections 2.1.2 and 2.1.3.

5. The first Distribution Payment Date is expected to be 167 days after the Issue Date.



ABOUT BCN

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

2. About BCN

Topic	Summary	Further information
2.1. Distributions	<p>BCN are expected to pay Distributions commencing on 24 March 2015 and thereafter semi-annually, which are expected to be 40% franked initially, but may not be franked, franked to a different level or fully franked in the future. A Distribution will be paid subject to the Payment Conditions, including MBL's discretion.</p> <p>The Distribution Rate is a floating rate (i.e. it will fluctuate), and is equal to the sum of the Reference Rate plus the Margin, adjusted for the Tax Rate and the Franking Rate.</p> <p>Distributions are non-cumulative.</p>	
2.1.1. Distributions	<ul style="list-style-type: none"> • Distributions on BCN are discretionary, non-cumulative floating rate payments. • Distributions are scheduled to be paid in arrears commencing on 24 March 2015 and thereafter semi-annually, subject to the Payment Conditions – see below. • 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%. The level of franking may vary over time and Distributions may be partially, fully or not franked. • Distributions may not always be paid. The payment of each Distribution will be made unless: <ul style="list-style-type: none"> – MBL, in its absolute discretion, determines that the Distribution is not payable to BCN Holders; – payment of the Distribution would result in MBL breaching APRA's capital adequacy requirements applicable to it; – payment of the Distribution would result in MBL becoming, or being likely to become, insolvent for the purposes of the Corporations Act; or – APRA objects to the payment of the Distribution. <p>These conditions are referred to in this Prospectus as the “Payment Conditions”.</p> • Failure to pay a Distribution when scheduled will not constitute an event of default and BCN Holders have no claim or entitlement in respect of non-payment or any right to receive that Distribution at any later time. (However, the Dividend Restriction may apply in this scenario – see section 2.1.8). 	Clause 2 of the BCN Terms

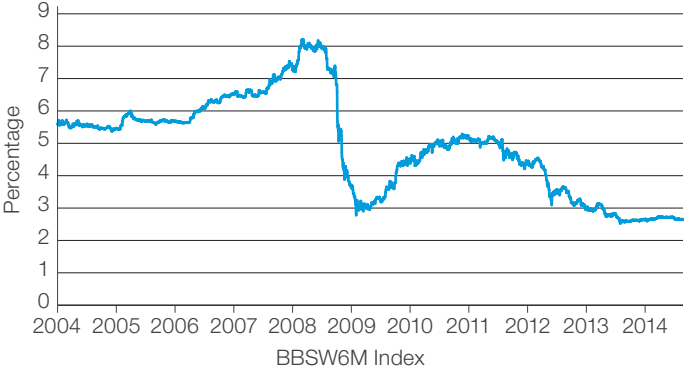
2. About BCN

Topic	Summary	Further information																
<p>2.1.2. Distribution Rate</p>	<ul style="list-style-type: none"> The Distribution Rate is calculated using the following formula: Distribution Rate = (Reference Rate + Margin) × Franking Adjustment Factor <p>where:</p> <ul style="list-style-type: none"> – <i>Reference Rate</i> means the 180-day bank bill swap rate (BBSW) on the first Business Day of the relevant Distribution Period – see section 2.1.4; – <i>Margin</i> is 3.30%; – Franking Adjustment Factor = $\frac{(1 - T)}{1 - (T \times (1 - F))}$ <p>where:</p> <ul style="list-style-type: none"> – <i>T</i> is the Tax Rate; and – <i>F</i> is the Franking Rate. <ul style="list-style-type: none"> • Due to the effect of the Franking Adjustment Factor, the Distribution Rate will be lower if franking applies to a Distribution. • For example, assuming the Reference Rate for the first Distribution Period is 2.7000% per annum, the Margin is 3.3000% per annum and using the Macquarie Group's current franking rate of 40%, then the Distribution Rate for that Distribution Period would be calculated as follows: <table border="1" data-bbox="515 1115 1249 1485"> <thead> <tr> <th></th> <th>Partially franked Distribution</th> </tr> </thead> <tbody> <tr> <td>(1) Reference Rate</td> <td>2.7000% p.a.</td> </tr> <tr> <td>(2) Margin</td> <td>3.3000% p.a.</td> </tr> <tr> <td>(3) = (1)+(2)</td> <td>6.0000% p.a.</td> </tr> <tr> <td>(4) Tax Rate</td> <td>30%</td> </tr> <tr> <td>(5) Franking Rate</td> <td>40%</td> </tr> <tr> <td>(6) Franking Adjustment Factor (per formula above)</td> <td>85.3659%</td> </tr> <tr> <td>(7) Distribution Rate = (3)x(6)</td> <td>5.1220% p.a.</td> </tr> </tbody> </table>		Partially franked Distribution	(1) Reference Rate	2.7000% p.a.	(2) Margin	3.3000% p.a.	(3) = (1)+(2)	6.0000% p.a.	(4) Tax Rate	30%	(5) Franking Rate	40%	(6) Franking Adjustment Factor (per formula above)	85.3659%	(7) Distribution Rate = (3)x(6)	5.1220% p.a.	<p>Clause 2.1 of the BCN Terms</p>
	Partially franked Distribution																	
(1) Reference Rate	2.7000% p.a.																	
(2) Margin	3.3000% p.a.																	
(3) = (1)+(2)	6.0000% p.a.																	
(4) Tax Rate	30%																	
(5) Franking Rate	40%																	
(6) Franking Adjustment Factor (per formula above)	85.3659%																	
(7) Distribution Rate = (3)x(6)	5.1220% p.a.																	
<p>2.1.3. Franking credits</p>	<ul style="list-style-type: none"> Distributions are expected to be franked at the same rate as MGL Ordinary Shares. MGL currently franks dividends on MGL Ordinary Shares at 40%. The level of franking may vary over time and Distributions may be partially, fully or not franked. MGL's ability to frank Distributions on BCN is affected by the level of MGL's available franking credits and MBL's distributable profits. MGL's level of franking credits may be affected by a wide range of factors, including its business performance, in what jurisdictions the Macquarie Group makes profits and pays tax, the applicable Australian corporate tax rate and the amount of other frankable distributions. MBL's distributable profits may also be impacted by a wide range of factors, including its level of earnings and other distributions it makes. See Section 4.1.7. 	<p>Sections 5 and 4.1.7</p>																

2. About BCN

Topic	Summary	Further information										
2.1.3. Franking credits <i>continued</i>	<ul style="list-style-type: none"> The greater the rate of franking of the Distribution, the lower the Distribution Rate and the amount of cash Distribution, reflecting the value of the franking credit attached to the Distribution. BCN Holders should be aware that the potential value of any franking credit does not accrue at the same time as the receipt of any cash Distribution. BCN Holders should also be aware that the ability to use the franking credits, either as an offset to a tax liability or by claiming a refund after the end of the income year, will depend on the individual tax position of each BCN Holder. BCN Holders should refer to the Australian taxation summary in section 5 and seek professional advice in relation to their tax position. If the Distribution is fully or partially franked, the franking credits attached to a Distribution (expressed as a percentage of the Issue Price) will be equal to: <p style="text-align: center;"><u>Distribution Rate × Tax Rate × Franking Rate</u> (1 – Tax Rate)</p> <table border="1" style="margin-left: 40px;"> <thead> <tr> <th></th> <th style="text-align: center;">Partially franked Distribution</th> </tr> </thead> <tbody> <tr> <td>Distribution Rate</td> <td style="text-align: center;">5.1220% p.a.</td> </tr> <tr> <td>Tax Rate</td> <td style="text-align: center;">30%</td> </tr> <tr> <td>Franking Rate</td> <td style="text-align: center;">40%</td> </tr> <tr> <td>Franking credit rate (per formula above)</td> <td style="text-align: center;">0.8781% p.a.</td> </tr> </tbody> </table>		Partially franked Distribution	Distribution Rate	5.1220% p.a.	Tax Rate	30%	Franking Rate	40%	Franking credit rate (per formula above)	0.8781% p.a.	Sections 5 and 4.1.7
	Partially franked Distribution											
Distribution Rate	5.1220% p.a.											
Tax Rate	30%											
Franking Rate	40%											
Franking credit rate (per formula above)	0.8781% p.a.											
2.1.4. Reference Rate	<ul style="list-style-type: none"> The Reference Rate is the 180-day bank bill swap rate (BBSW) which is displayed on Reuters page BBSW (or any page which replaces that page) on the first Business Day of each relevant Distribution Period. This rate represents the average interest rate at which institutions on the Australian Financial Markets Association's BBSW panel will trade a 180-day Australian dollar bill of exchange endorsed by an approved bank. 	Clause 2.1 of the BCN Terms										

2. About BCN

Topic	Summary	Further information												
<p>2.1.4. Reference Rate <i>continued</i></p>	<ul style="list-style-type: none"> The rate is published daily by the Australian Financial Markets Association and appears on various information services (e.g. Reuters page BBSW). BBSW rates provide a reference for the pricing, rate setting and valuation of financial securities. The graph below illustrates the movement in the Reference Rate over the last 10 years. The rate on 12 September 2014 was 2.7000% per annum.  <ul style="list-style-type: none"> The above graph is for illustrative purposes only and does not indicate, guarantee or forecast the actual Reference Rate. The actual Reference Rate for the first and subsequent Distribution Periods may be higher or lower than the rates in the above graph. 	<p>Clause 2.1 of the BCN Terms</p>												
<p>2.1.5. How the Distribution will be calculated for each Distribution Payment Date</p>	<ul style="list-style-type: none"> Distributions scheduled to be paid on each Distribution Payment Date on each BCN will be calculated using the following formula: $\frac{\\$100 \times \text{Distribution Rate} \times N}{365}$ where: <ul style="list-style-type: none"> – <i>Distribution Rate</i> means the rate (expressed as a percentage per annum) calculated as set out in section 2.1.2; and – <i>N</i> means the number of days in the Distribution Period. As an example, if the Distribution Rate was 5.1220% per annum then the Distribution on each BCN (if the Distribution Period was a semi-annual period of 182 days) would be calculated as follows: <table border="0" data-bbox="555 1659 1171 1995"> <tr> <td>Distribution Rate</td> <td>5.1220% per annum</td> </tr> <tr> <td>Multiplied by the Issue Price</td> <td>× \$100</td> </tr> <tr> <td>Multiplied by the number of days in the Distribution Period</td> <td>× 182</td> </tr> <tr> <td>Divided by 365</td> <td>÷ 365</td> </tr> <tr> <td colspan="2"><hr/></td> </tr> <tr> <td>Indicative Distribution payment for each semi-annual Distribution Period per BCN</td> <td>\$2.5540</td> </tr> </table>	Distribution Rate	5.1220% per annum	Multiplied by the Issue Price	× \$100	Multiplied by the number of days in the Distribution Period	× 182	Divided by 365	÷ 365	<hr/>		Indicative Distribution payment for each semi-annual Distribution Period per BCN	\$2.5540	<p>Clauses 2.1 and 2.2 of the BCN Terms</p>
Distribution Rate	5.1220% per annum													
Multiplied by the Issue Price	× \$100													
Multiplied by the number of days in the Distribution Period	× 182													
Divided by 365	÷ 365													
<hr/>														
Indicative Distribution payment for each semi-annual Distribution Period per BCN	\$2.5540													

2. About BCN

Topic	Summary	Further information
2.1.5. How the Distribution will be calculated for each Distribution Payment Date <i>continued</i>	<ul style="list-style-type: none"> The first Distribution Period commences on the Issue Date and ends on 24 March 2015 and, accordingly, the number of days included in that Distribution Period is expected to be 167 days. Using the above example inputs, an indicative first Distribution payment would be \$2.3435. The above example is for illustrative purposes only and does not indicate, guarantee or forecast the actual Distribution payable for the first or any subsequent Distribution Period. Actual Distributions may be higher or lower than this example. 	Clauses 2.1 and 2.2 of the BCN Terms
2.1.6. Distribution Payment Dates	<ul style="list-style-type: none"> Distributions are payable (subject to the Payment Conditions, including the discretion of MBL) in arrears commencing on 24 March 2015 and thereafter semi-annually on the Distribution Payment Dates. The Distribution Payment Dates are 24 March and 24 September each year, commencing on 24 March 2015. If BCNs are Exchanged, Redeemed or Resold (other than on account of an Automatic Exchange Event) the Redemption Date, Resale Date or Exchange Date will also be a Distribution Payment Date. If any of these dates is not a Business Day, the Distribution Payment Date will be the next day which is a Business Day. 	Clauses 2.1, 2.2 and 2.3 of the BCN Terms
2.1.7. How Distributions will be paid	<ul style="list-style-type: none"> Distributions will be paid in Australian dollars. The Issuer will only pay Distributions to Australian resident investors directly into an Australian dollar account held with a financial institution. The Issuer will not pay Distributions on BCN to Australian resident investors by cheque. If you are allotted any BCN, when you are sent your Holding Statement you will also be sent instructions on how to provide details of your Australian dollar account held with a financial institution. If you do not provide these account details to the Registrar, or if any Distribution paid to you is unsuccessful, then you will be sent a notice advising you of the amount of the Distribution. In that case the funds will be held in a bank account as a non-interest bearing deposit until such time as you provide appropriate account details or the Issuer is entitled to or obliged to deal with the amount in accordance with the law relating to unclaimed money. Investors who are not Australian residents may receive Distributions by cheque. The Issuer reserves the right to vary the way in which any Distribution is paid in accordance with the BCN Terms (provided that a Distribution must always be paid in cash). 	Clause 11 of the BCN Terms

2. About BCN

Topic	Summary	Further information
2.1.8. Dividend Restriction	<ul style="list-style-type: none"> If for any reason a Distribution has not been paid on a Distribution Payment Date, unless it is paid within 10 Business Days of that date, MBL must not: <ul style="list-style-type: none"> determine, declare or pay a dividend on MBL Ordinary Shares; or undertake any Buy-Back or Capital Reduction, from the Distribution Payment Date until and including the next Distribution Payment Date, subject to certain exceptions, without the approval of a Special Resolution of the BCN Holders. There is no restriction on MGL declaring or paying any dividend on, or buying back or reducing capital on MGL Ordinary Shares. However, MGL's capacity to do so may be reduced by the application of the Dividend Restriction on MBL. Dividends from MBL have historically been a significant proportion of the profits of the Macquarie Group (approximately 74% on average during the past 3 financial years). However, the profit contribution of MBL to MGL may change in the future, including as a result of changes in business performance or restructuring of the Macquarie Group. A Dividend Restriction applying to MGL is not permitted under APRA's current prudential rules in order for the BCN to be eligible for inclusion as Additional Tier 1 Capital for MBL. The BCN Terms contain no events of default and accordingly, failure to pay a Distribution when scheduled will not constitute an event of default. 	Clauses 2.5, 10.1 and 18.2 of the BCN Terms

2.2. Term

2.2.1. Term

Exchange

- If still on issue, BCN will Exchange into MGL Ordinary Shares on 24 March 2023 if the Exchange Conditions are satisfied in respect of that date. If the Exchange Conditions are not satisfied in respect of that date BCN will Exchange on the next subsequent Distribution Payment Date on which the Exchange Conditions are satisfied.
- Subject to certain restrictions, the Issuer may elect to Exchange some or all BCN:
 - on a Scheduled Optional Exchange Date; or
 - after the occurrence of a Tax Event or Regulatory Event (together, "Optional Exchange Dates").
- The Issuer must also Exchange all BCN following an Acquisition Event except in certain circumstances.
- If Exchange occurs following these events, BCN Holders would generally¹ receive MGL Ordinary Shares worth approximately \$101 (determined on the basis of the Exchange calculations described in section 2.3.4 below) although by the time of Exchange the market value of the MGL Ordinary Shares received may be worth more or less than \$101 when they are issued or at any time after that.

Section 2.3

Section 2.4

Section 2.8

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

2. About BCN

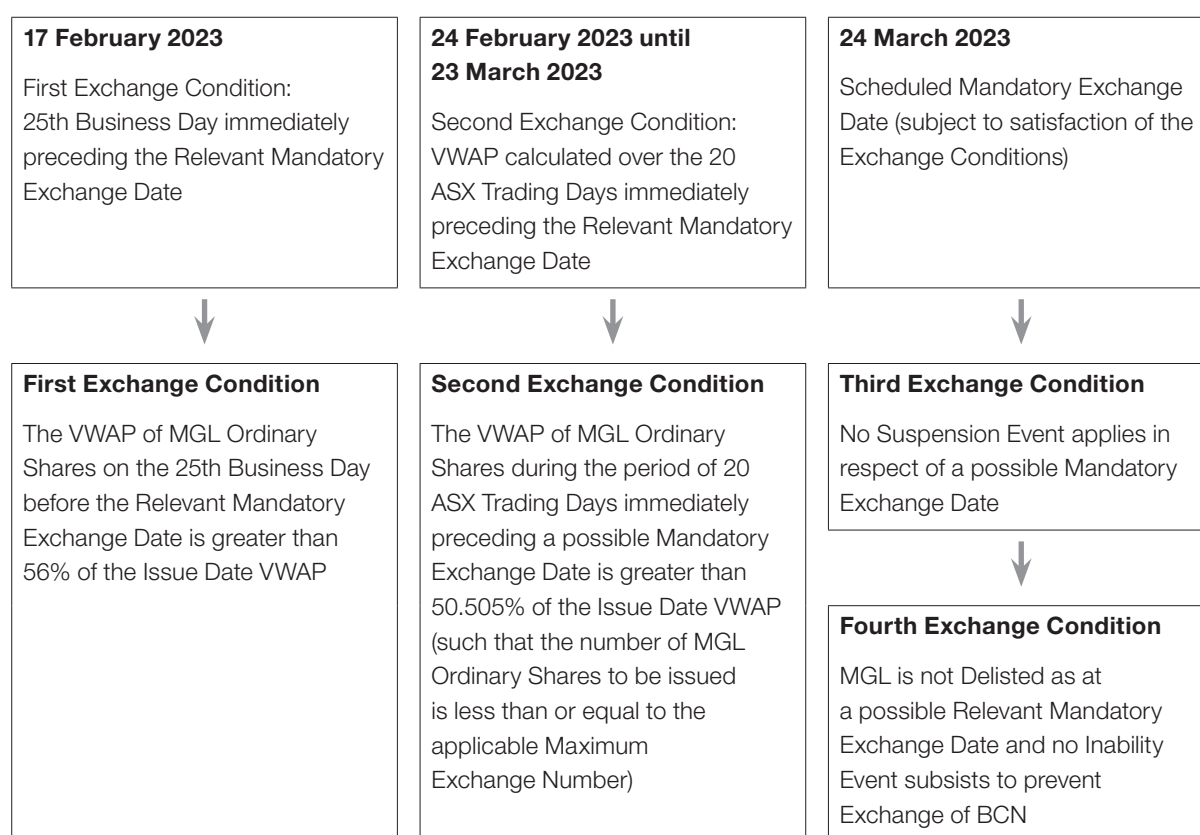
Topic	Summary	Further information
2.2.1. Term <i>continued</i>	<ul style="list-style-type: none"> • The Issuer must Exchange some or all (depending on the circumstances) of BCN for MGL Ordinary Shares on the occurrence of an Automatic Exchange Event. <ul style="list-style-type: none"> – An Automatic Exchange is not subject to the Exchange Conditions. – If an Automatic Exchange of a BCN has not occurred for any reason within 5 Business Days of the Automatic Exchange Event for any particular BCN Holder, then the relevant BCN will be Written-Off. That BCN Holder will suffer a total loss of their investment and will not receive any compensation. <p>Redemption</p> <ul style="list-style-type: none"> • On an Optional Exchange Date, subject to APRA's prior written approval, the Issuer may instead elect to Redeem all or some BCN. If Redemption occurs, BCN Holders will receive the Issue Price (\$100) for each BCN they hold. <p>Resale</p> <ul style="list-style-type: none"> • On an Optional Exchange Date, subject to APRA's prior written approval, the Issuer may instead elect to arrange for a Resale of all or some BCN. If Resale occurs, BCN Holders will receive the Issue Price (\$100) for each BCN they hold. <p>There are conditions on the Issuer's ability to Redeem or Resell BCN for cash. Importantly, the Issuer may only elect to Redeem or Resell BCN with APRA's prior written approval. BCN Holders should not expect that APRA's approval, if requested, will be given.</p>	<p>Section 2.7</p> <p>Section 2.6</p> <p>Section 2.5</p>
2.3. Mandatory Exchange		
<p>The Issuer must Exchange BCN into MGL Ordinary Shares on 24 March 2023 (if BCN have not been Redeemed, Exchanged or Written-Off beforehand) provided that certain Exchange Conditions are satisfied.</p>		
<p>The conditions to Mandatory Exchange and the associated Exchange calculations (described in this section) are designed to ensure that if Exchange occurs BCN Holders will receive approximately \$101 worth of MGL Ordinary Shares for each BCN held, and that the MGL Ordinary Shares they receive following the Exchange are capable of being sold on ASX.</p>		
2.3.1. Scheduled Mandatory Exchange	<ul style="list-style-type: none"> • If BCN have not already been Exchanged, Redeemed or Written-Off, BCN Holders will receive MGL Ordinary Shares on Exchange of BCN on 24 March 2023, the "Scheduled Mandatory Exchange Date", unless the Exchange Conditions are not satisfied. • Upon Exchange on the Scheduled Mandatory Exchange Date, BCN Holders will receive approximately \$101 worth of MGL Ordinary Shares per BCN based on the VWAP calculated over the 20 ASX Trading Days immediately preceding the Exchange Date and a 1% discount on Exchange. This VWAP will most likely differ from the MGL Ordinary Share price on or after the Scheduled Mandatory Exchange Date. This means that the value of MGL Ordinary Shares received may be more or less than \$101 when they are issued or at any time after that. 	<p>Clause 3 and 9 of the BCN Terms</p>

2. About BCN

Topic	Summary	Further information
2.3.1. Scheduled Mandatory Exchange <i>continued</i>	<ul style="list-style-type: none"> As a result of any Exchange of BCN for MGL Ordinary Shares, BCN Holders will become holders of MGL Ordinary Shares, which will rank equally with existing MGL Ordinary Shares from the date of issue. The value of any holding of MGL Ordinary Shares may fluctuate from time to time. 	Clause 3 and 9 of the BCN Terms
2.3.2. If the Exchange Conditions are not met on the Scheduled Mandatory Exchange Date (24 March 2023)	<ul style="list-style-type: none"> If still on issue, the BCN will be Exchanged on the Scheduled Mandatory Exchange Date, provided that the Exchange Conditions are satisfied on this date. If any of the Exchange Conditions are not satisfied on this date, then Exchange will be deferred until the next semi-annual Distribution Payment Date, each a “Deferred Mandatory Exchange Date”, where all of the Exchange Conditions are satisfied. This means that if the Exchange Conditions are never satisfied BCN may never be Exchanged. The Scheduled Mandatory Exchange Date and each Deferred Mandatory Exchange Date are referred to as “Relevant Mandatory Exchange Dates”. Distributions will continue to be paid (subject to the Payment Conditions) until Exchange occurs. 	Clause 3.2 of the BCN Terms and section 2.3.3
2.3.3. Exchange Conditions	<ul style="list-style-type: none"> In summary, the Exchange Conditions are as follows: <ul style="list-style-type: none"> First Exchange Condition: the Daily VWAP on the 25th Business Day immediately preceding the Relevant Mandatory Exchange Date is greater than 56% of the Issue Date VWAP; Second Exchange Condition: the VWAP during the 20 ASX Trading Days immediately preceding the Relevant Mandatory Exchange Date is such that the number of 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 (as described in section 2.7.7) subsists). Exchange on a Mandatory Exchange Date cannot occur unless all four Exchange Conditions are satisfied. The First Exchange Condition and Second Exchange Condition are intended to ensure BCN Holders will not receive less than \$101 worth of MGL Ordinary Shares per BCN on Exchange (based on the VWAP during the 20 ASX Trading Days before the Mandatory Exchange Date). 	Clause 3.3 of the BCN Terms

2. About BCN

Topic	Summary	Further information
2.3.3. Exchange Conditions <i>continued</i>	<ul style="list-style-type: none"> The Third Exchange Condition and Fourth Exchange Condition are intended to provide protection to BCN Holders by making Exchange conditional on BCN Holders receiving MGL Ordinary Shares which are capable of being sold on ASX. The following diagram sets out the timeframes that are relevant for testing whether Exchange will occur, using the Scheduled Mandatory Exchange Date (24 March 2023). These dates are indicative only and may change. 	Clause 3.3 of the BCN Terms



Note: The dates in the diagram above assume that trading of MGL Ordinary Shares takes place on 17 February 2023 and each of the Business Days between 24 February 2023 and 23 March 2023, which may not be the case if trading in MGL Ordinary Shares is suspended during the period leading up to the possible Mandatory Exchange Date.

2. About BCN

Topic	Summary	Further information
<p>2.3.4. Exchange Number</p>	<ul style="list-style-type: none"> A BCN Holder will receive on a Relevant Mandatory Exchange Date a number of MGL Ordinary Shares per BCN (“Exchange Number”) calculated in accordance with the following formula: $\frac{\\$100}{99\% \times \text{Exchange Date VWAP}}$ <p>where <i>Exchange Date VWAP</i> is the volume weighted average price of MGL Ordinary Shares during the VWAP Period (being the period of 20 ASX Trading Days immediately preceding the Relevant Mandatory Exchange Date).</p> The Exchange Number can never be greater than the Maximum Exchange Number (see section 2.3.5). The Exchange Conditions prevent Exchange from occurring on a Relevant Mandatory Exchange Date where the Exchange Number would be limited by the Maximum Exchange Number applicable to a Relevant Mandatory Exchange Date. The Exchange Date VWAP will be adjusted to reflect: <ul style="list-style-type: none"> dividends or other distributions that are reflected in the MGL Ordinary Share price that will not be payable to BCN Holders after Exchange and vice versa (e.g. where the price is quoted cum dividend but the dividend is paid before the Exchange); and any division, consolidation or reclassification of MGL’s share capital (not involving any cash payment or other distribution or compensation to or by holders of MGL Ordinary Shares or to or by any entity in the Macquarie Group) occurring during the calculation period. The number of MGL Ordinary Shares to be received by a BCN Holder will also be rounded down so that only a whole number of MGL Ordinary Shares is issued in connection with the BCN Holder’s aggregate holding of BCN (with entitlements of the BCN Holder to a part only of an MGL Ordinary Share disregarded). 	<p>Clauses 9.1, 9.3 and 9.4 of the BCN Terms</p>
<p>2.3.5. Maximum Exchange Number</p>	<ul style="list-style-type: none"> The Maximum Exchange Number is calculated as: $\frac{\\$100}{\text{Issue Date VWAP} \times \text{Relevant Percentage}}$ <p>where:</p> <ul style="list-style-type: none"> the <i>Issue Date VWAP</i> is the VWAP during the 20 ASX Trading Days immediately preceding, but not including, the Issue Date; and the <i>Relevant Percentage</i>, for Exchange on a Relevant Mandatory Exchange Date, is 50%. Under no circumstances will BCN be Exchanged for more than the Maximum Exchange Number of MGL Ordinary Shares. Other than for an Exchange on account of a Common Equity Tier 1 Trigger Event or a Non-Viability Event (see section 2.7) or an Acquisition Event (see section 2.8), the Exchange Conditions prevent an Exchange from occurring where the MGL Ordinary Shares which BCN Holders would receive are worth less than approximately \$101. 	<p>Clauses 9.1 and 9.3 to 9.9 of the BCN Terms</p>

2. About BCN

Topic	Summary	Further information
<p>2.3.5. Maximum Exchange Number <i>continued</i></p>	<ul style="list-style-type: none"> • The Issue Date VWAP (and consequently the Maximum Exchange Number) will be adjusted where: <ul style="list-style-type: none"> – dividends or other distributions are reflected in the MGL Ordinary Share price in the Issue Date VWAP calculation period that will not be payable to BCN Holders (e.g. where the price is quoted cum dividend); – a pro-rata bonus issue of MGL Ordinary Shares (other than a bonus share plan, employee or executive share plan, executive option plan, share top-up plan, share purchase plan or dividend reinvestment plan) occurs while BCN are on issue; or – any division, consolidation or reclassification of MGL's share capital (not involving any cash payment or other distribution or compensation to or by holders of MGL Ordinary Shares or to or by any entity in the Macquarie Group) occurs while BCN are on issue. <p>The adjustment to Issue Date VWAP will not be made for any other capital activity including a rights issue or other essentially pro rata issue. The BCN Terms do not restrict MGL from undertaking any activity of this kind.</p> <p>Where the adjustment to Issue Date VWAP would be less than 1%, no adjustment will be made (although the adjustment balance will be carried forward for any subsequent adjustments).</p>	<p>Clauses 9.1 and 9.3 to 9.9 of the BCN Terms</p>
<p>2.3.6. Example of the Exchange calculations</p>	<p>Illustrative example of Exchange</p> <p>This example is for illustrative purposes only. The figures in it are not forward-looking statements and do not indicate or guarantee the Issue Date VWAP or future VWAP or other price of MGL Ordinary Shares.</p> <p>For the example of the Mandatory Exchange on 24 March 2023, assume the Issue Date VWAP was \$58.00. The Exchange Conditions are tested and the number of shares to be received on Exchange would be determined as follows:</p> <p>Step 1: passing the Exchange Conditions</p> <p>First Exchange Condition</p> <p>This condition requires that the VWAP on the 25th Business Day immediately preceding 23 March 2023 (assuming there is trading of MGL Ordinary Shares on that day) is greater than 56% of the Issue Date VWAP, which would be \$32.48 (being 56% of \$58.00).</p> <ul style="list-style-type: none"> – Assume the VWAP on 17 February 2023 (expected to be the 25th Business Day immediately preceding 23 March 2023) is \$45.00. <p>Since the VWAP on 17 February 2023 is greater than \$32.48, the First Exchange Condition is satisfied.</p>	

2. About BCN

Topic	Summary	Further information
2.3.6. Example of the Exchange calculations <i>continued</i>	<p>Second Exchange Condition</p> <p>The Maximum Exchange Number applicable to a Relevant Mandatory Exchange Date is calculated on the basis that the Relevant Percentage is 50%. The effect of this is that the Second Exchange Condition applicable to a Relevant Mandatory Exchange Date will be met if the VWAP during the 20 ASX Trading Days immediately preceding 24 February 2023 is greater than 50.505% of the Issue Date VWAP, which would be \$29.29 (being 50.505% of \$58.00).</p> <ul style="list-style-type: none">– Assume the VWAP during the period from 24 February 2023 to 23 March 2023 (expected to be the 20 ASX Trading Days immediately preceding 24 March 2023) is \$45.00. <p>Since the VWAP during the period from 24 February 2023 to 23 March 2023 is greater than \$29.29, the Second Exchange Condition is satisfied.</p> <p>Third Exchange Condition</p> <p>This condition requires that no Suspension Event applies on 23 March 2023.</p> <ul style="list-style-type: none">– Assume on 23 March 2023, trading in MGL Ordinary Shares is not suspended on that date and has not been suspended during the five preceding Business Days. <p>In these circumstances, the Third Exchange Condition is satisfied.</p> <p>Fourth Exchange Condition</p> <p>This condition requires that MGL is not Delisted on 24 March 2023.</p> <ul style="list-style-type: none">– Assume on 24 March 2023, MGL is listed on ASX and no Inability Event subsists. <p>In these circumstances, the Fourth Exchange Condition is satisfied.</p> <p>Step 2: calculating the number of shares received on Exchange</p> <p>On 24 March 2023, BCN Holders would be entitled to receive in respect of BCN, the Exchange Number of MGL Ordinary Shares determined as follows:</p> $\frac{\$100}{99\% \times \text{Exchange Date VWAP}}$ <ul style="list-style-type: none">– Assume the Exchange Date VWAP, being the VWAP during the period from 24 February 2023 to 23 March 2023 (being the 20 ASX Trading Days immediately preceding 24 March 2023) is \$45.00. <p>The Exchange Number would be 2.2447 (being \$100 divided by (99% × \$45.00)).</p>	

2. About BCN

Topic	Summary	Further information
2.3.6. Example of the Exchange calculations <i>continued</i>	<p>Assuming a BCN Holder has 100 BCN, the total number of MGL Ordinary Shares to which they would be entitled would be 224 (i.e. 100×2.2447, which number is rounded down to disregard the fraction of the Ordinary Share).</p> <p>Maximum Exchange Number</p> <p>In this example, the Exchange Number will not be impacted by the Maximum Exchange Number:</p> <p>If the Issue Date VWAP is \$58.00, the Maximum Exchange Number would be 3.4483 (being \$100 divided by $(50\% \times \\$58.00)$).</p> <p>As the Exchange Number (2.2447) is less than the Maximum Exchange Number (3.4483), there will be no restriction on the number of MGL Ordinary Shares a BCN Holder receives.</p>	
2.4. Exchange at option of the Issuer		
<p>On any of the Scheduled Optional Exchange Dates, being 24 March 2020, 24 September 2020 and 24 March 2021, the Issuer may elect to Exchange BCN into MGL Ordinary Shares. The Issuer may also elect to Exchange BCN into MGL Ordinary Shares following the occurrence of a Tax Event or Regulatory Event.</p> <p>There are certain conditions and restrictions that apply to an Optional Exchange. The conditions to Optional Exchange and the associated Exchange calculations (described in this section) are designed to ensure that if Exchange occurs BCN Holders will receive approximately \$101 worth of MGL Ordinary Shares for each BCN held, and that the MGL Ordinary Shares they receive following the Exchange are capable of being sold on ASX.</p>		
2.4.1. The Issuer may choose to Exchange BCN	<ul style="list-style-type: none"> • The Issuer may choose to Exchange all or some BCN: <ul style="list-style-type: none"> – on 24 March 2020; – 24 September 2020; or – 24 March 2021 (each a “Scheduled Optional Exchange Date”); or – after a Tax Event or a Regulatory Event. • Upon Optional Exchange, BCN Holders will receive approximately \$101 worth of MGL Ordinary Shares per BCN based on the VWAP during the 20 ASX Trading Days immediately preceding the Optional Exchange Date. The calculation of the Exchange Number of MGL Ordinary Shares that BCN Holders will receive upon Optional Exchange is the same as described in section 2.3.4 for a Relevant Mandatory Exchange Date (with the Optional Exchange Date substituted for the Relevant Mandatory Exchange Date) and using the Maximum Exchange Number applicable to an Optional Exchange Date as described in section 2.4.5. • The VWAP during this period will most likely differ from the MGL Ordinary Share price on or after the Optional Exchange Date. This means that the value of MGL Ordinary Shares received may be more or less than approximately \$101 when they are issued or at any time after that. 	Clauses 5.1, 5.2 and 9.1 of the BCN Terms

2. About BCN

Topic	Summary	Further information
2.4.1. The Issuer may choose to Exchange BCN <i>continued</i>	<ul style="list-style-type: none"> The Issuer's right to elect to Exchange is restricted in the circumstances described further in section 2.4.4. and is also subject to certain conditions as described further in section 2.4.5. BCN Holders have no right to request Exchange of BCN. 	Clauses 5.1, 5.2 and 9.1 of the BCN Terms
2.4.2. Tax Event	<ul style="list-style-type: none"> A Tax Event means, broadly, that the Issuer receives advice that as a result of a change in law or regulation affecting taxation in Australia, after the Issue Date (which was not expected by the Issuer as at the Issue Date), there is a more than insubstantial risk that, in connection with BCN: <ul style="list-style-type: none"> an additional franking debit will arise in the franking account of MGL in respect of any Distribution; the Issuer or another member of the Macquarie Group would be exposed to an increase in costs relating to BCN (including taxes, assessments, duties or other government charges) which is not insignificant; or any Distribution would not be frankable. The Issuer is not aware of, nor expects, any Tax Event as at the date of this Prospectus. 	Clause 18.2 of the BCN Terms
2.4.3. Regulatory Event	<ul style="list-style-type: none"> A Regulatory Event will, broadly, occur if, as a result of a change of law or regulation applicable in Australia or any directive, order, standard, requirement, guideline or statement of APRA, on or after the Issue Date (which was not expected by the Issuer as at the Issue Date): <ul style="list-style-type: none"> BCN are not eligible for inclusion as Additional Tier 1 Capital for the MBL Level 1 Group or the MBL Level 2 Group; additional requirements in connection with BCN would be imposed on the Issuer, MGL or the Macquarie Group which the Directors determine might have a material adverse effect on the Issuer or MGL or otherwise be unacceptable; or that to have any of BCN outstanding would be unlawful or impractical or that the Issuer, MGL or the Macquarie Group would be exposed to an increase in its costs in connection with those BCN which is not insignificant. The Issuer is not aware of, nor expects, any Regulatory Event as at the date of this Prospectus. 	Clause 18.2 of the BCN Terms
2.4.4. Optional Exchange Restrictions	<ul style="list-style-type: none"> The Issuer may not elect to Exchange BCN if an Optional Exchange Restriction applies. Further, if the Issuer has elected to Exchange BCN, the Issuer may not proceed to Exchange if, on the Optional Exchange Date, certain further Exchange Conditions are not satisfied. In that case, the Exchange will be deferred until the first semi-annual Distribution Payment Date on which the Optional Exchange Restrictions and the further Exchange Conditions are satisfied. 	Clause 5.4 of the BCN Terms

2. About BCN

Topic	Summary	Further information
2.4.4. Optional Exchange Restrictions <i>continued</i>	<ul style="list-style-type: none"> • The Optional Exchange Restrictions are: <ul style="list-style-type: none"> – First Optional Exchange Restriction: the Daily VWAP on the second Business Day before the date on which an Optional Exchange Notice is to be sent by the Issuer (or, if that Business Day is not an ASX Trading Day, the last ASX Trading Day prior to that day) (“Non-Exchange Test Date”) is less than or equal to 25% of the Issue Date VWAP; or – Second Optional Exchange Restriction: MGL is Delisted as at the Non-Exchange Test Date. 	Clause 5.4 of the BCN Terms
2.4.5. Further conditions to an Optional Exchange	<ul style="list-style-type: none"> • The Second Exchange Condition, Third Exchange Condition and Fourth Exchange Condition (as described in section 2.3.3) apply to an Optional Exchange as if the date on which the Optional Exchange is to occur were a Mandatory Exchange Date, except that the Second Exchange Condition is tested on the basis of the Maximum Exchange Number applicable to an Optional Exchange Date. • The Maximum Exchange Number applicable to an Optional Exchange Date is calculated on the basis that the Relevant Percentage is 20%. As a result, the Maximum Exchange Number in the event of an Optional Exchange is higher than the Maximum Exchange Number applicable on a Relevant Mandatory Exchange Date. The effect of this is that the Second Exchange Condition applicable to an Optional Exchange will be met if the VWAP during the 20 ASX Trading Days immediately preceding the Optional Exchange Date is greater than 20.202% of the Issue Date VWAP. 	Clause 5.5 of the BCN Terms
2.5. Redemption at option of the Issuer		
<p>On any of the Scheduled Optional Exchange Dates, being 24 March 2020, 24 September 2020 and 24 March 2021, or after a Tax Event or Regulatory Event, the Issuer may elect to Redeem all or some BCN with APRA’s prior written approval. If Redemption occurs, BCN Holders will receive the Issue Price (\$100) for each BCN they hold.</p>		
<p>There are conditions on the Issuer’s ability to Redeem BCN for cash. Importantly, the Issuer may only elect to Redeem BCN with APRA’s prior written approval. BCN Holders should not expect that APRA’s approval, if requested, will be given for any Redemption.</p>		
2.5.1. Issuer may choose to Redeem BCN	<ul style="list-style-type: none"> • The Issuer may choose to Redeem all or some BCN: <ul style="list-style-type: none"> – on any Scheduled Optional Exchange Date; or – after a Tax Event or Regulatory Event. • The Issuer’s right to elect to Redeem is subject to APRA’s prior written approval and is restricted in the circumstances described further in section 2.5.3. That approval is at the complete discretion of APRA and may or may not be granted. • BCN Holders have no right to request Redemption of BCN. 	Clause 7 of the BCN Terms

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Topic	Summary	Further information
2.5.2. BCN Holders will receive cash if BCN are Redeemed	<ul style="list-style-type: none"> On Redemption, a BCN Holder will receive \$100 for each BCN it holds which is Redeemed and, if the Payment Conditions are met, a Distribution will be paid on Redeemed BCN for the period since the last Distribution Payment Date to the date of Redemption. 	Clause 7 of the BCN Terms
2.5.3. Conditions on Redemption	<ul style="list-style-type: none"> A Redemption must not occur unless either: <ul style="list-style-type: none"> BCN which are to be Redeemed are replaced, concurrently with the Redemption or beforehand, with Tier 1 Capital of the same or better quality, and the replacement of those BCN is done under conditions which are sustainable for the income capacity of MBL Level 1 Group and the MBL Level 2 Group; or APRA is satisfied that the capital positions of the MBL Level 1 Group and the MBL Level 2 Group are sufficient after BCN are Redeemed. Redemption requires APRA's prior written approval. BCN Holders should not expect that APRA's approval will be given for Redemption. 	Clause 7.2 of the BCN Terms
2.6. Resale at option of Issuer		
<p>On any of the Scheduled Optional Exchange Dates, being 24 March 2020, 24 September 2020 and 24 March 2021, or following a Tax Event or Regulatory Event, the Issuer may elect to Resell all or some BCN with APRA's prior written approval. If Resale occurs, BCN Holders will receive the Issue Price (\$100) for each BCN they hold.</p> <p>BCN Holders should not expect that APRA's approval, if requested, will be given for any Resale.</p>		
2.6.1. Issuer may choose to Resell BCN	<ul style="list-style-type: none"> The Issuer may choose to Resell all or some BCN: <ul style="list-style-type: none"> on any Scheduled Optional Exchange Date; or after a Tax Event or Regulatory Event. If the Issuer elects to Resell BCN, the Issuer will appoint one or more third parties ("Nominated Parties") to purchase some or all BCN. If the Issuer appoints more than one Nominated Party, the Issuer can determine the allocation of BCN purchased by each Nominated Party. The Issuer's right to elect to Resell is subject to APRA's prior written approval. That approval is at the complete discretion of APRA and may or may not be granted. BCN Holders have no right to request Resale of BCN. 	Clause 8 of the BCN Terms
2.6.2. BCN Holders will receive cash if BCN are Resold	<ul style="list-style-type: none"> A BCN Holder will receive \$100 for each BCN it holds which is being Resold and, if the Payment Conditions are met, a Distribution will be paid by the Issuer in respect of Resold BCN for the period since the last Distribution Payment Date to the date of Resale. 	Clause 8.3 of the BCN Terms

2. About BCN

Topic	Summary	Further information
2.6.3. If a Nominated Party does not pay the Resale Price BCN Holders will continue to hold BCN	<ul style="list-style-type: none"> If a Nominated Party does not pay the Resale Price on the Resale Date, the Resale to that Nominated Party will not occur and BCN Holders will continue to hold the relevant BCN in accordance with the BCN Terms. 	Clause 8.6 of the BCN Terms
2.7. Automatic Exchange (due to Common Equity Tier 1 Trigger Event or Non-Viability Event)		
<p>The Issuer is required to immediately Exchange BCN into MGL Ordinary Shares where a Common Equity Tier 1 Trigger Event or a Non-Viability Event occurs (referred to as an “Automatic Exchange” following an “Automatic Exchange Event”).</p>		
<p>A Common Equity Tier 1 Trigger Event occurs if MBL determines, or APRA notifies MBL in writing that it believes, that the Common Equity Tier 1 Ratio of MBL is equal to or less than 5.125%.</p>		
<p>Broadly, a Non-Viability Event occurs if APRA (1) has issued a written notice to MBL that the exchange or conversion into MGL Ordinary Shares, or write-off, of Relevant Tier 1 Securities is necessary because without it APRA considers that MBL would become non-viable or (2) has notified the Issuer in writing that it has determined that without a public sector injection of capital, or equivalent support, MBL would become non-viable.</p>		
<p>The Exchange Conditions do not apply to an Automatic Exchange. The number of MGL Ordinary Shares that BCN Holders will receive on an Automatic Exchange will not be greater than the Maximum Exchange Number applicable to the date on which the Automatic Exchange Event occurs.</p>		
<p>As an Automatic Exchange would most likely occur during a time of financial difficulty for MBL, depending on the market price of MGL Ordinary Shares at the relevant time, BCN Holders may receive less, or significantly less, than \$101 worth of MGL Ordinary Shares per BCN and a BCN Holder may suffer loss as a consequence.</p>		
<p>If BCN have not been Exchanged for any reason within 5 Business Days of the Automatic Exchange Event, they must be Written-Off. If a Write-Off occurs, the BCN Holder’s rights under that BCN are immediately and irrevocably terminated for no consideration and BCN Holders will suffer a total loss of their investment.</p>		
2.7.1. Why the BCN Terms include a Common Equity Tier 1 Trigger Event and a Non-Viability Event	<ul style="list-style-type: none"> The global bank Basel III capital framework includes requirements for conversion or write-off of capital instruments: <ul style="list-style-type: none"> – at a defined trigger point which must be set no lower than a minimum Common Equity Tier 1 Ratio of 5.125%; or – where the issuer becomes non-viable. APRA has implemented this framework for Australian banks with effect from 1 January 2013. 	
2.7.2. Common Equity Tier 1 Trigger Event	<ul style="list-style-type: none"> A Common Equity Tier 1 Trigger Event means MBL determines, or APRA notifies MBL in writing that it believes, that the Common Equity Tier 1 Ratio of MBL at Level 1 or Level 2 is equal to or less than 5.125%. 	Clauses 4 and 18.2 of the BCN Terms

2. About BCN

Topic	Summary	Further information
2.7.2. Common Equity Tier 1 Trigger Event <i>continued</i>	<ul style="list-style-type: none"> If a Common Equity Tier 1 Trigger Event occurs, the Issuer must immediately Exchange such number of BCN as is equal (following or together with any exchange or conversion into MGL Ordinary Shares or write-off of other Relevant Tier 1 Securities) to the aggregate face value of Relevant Tier 1 Securities which APRA has notified MBL must be exchanged into MGL Ordinary Shares, converted into MGL Ordinary Shares or written-off (or, if APRA has not so notified MBL, such number of BCN as MBL determines is necessary to satisfy APRA that the relevant Common Equity Tier 1 Ratio of MBL is greater than 5.125%). If MBL is required to convert or write off Relevant Tier 1 Securities, BCN Holders should be aware that all Relevant Tier 1 Securities such as BCN will be converted or written-off before any Relevant Tier 2 Securities are converted or written off. MBL currently has no Relevant Tier 2 Securities, but may issue such securities in the future. MBL has no obligation to issue or keep on issue other Relevant Tier 1 Securities. 	Clauses 4 and 18.2 of the BCN Terms
2.7.3. Non-Viability Event	<ul style="list-style-type: none"> A Non-Viability Event means APRA: <ul style="list-style-type: none"> has issued a written notice to MBL that the Exchange of BCNs or the exchange or conversion into MGL Ordinary Shares, or write-off, of other Relevant Tier 1 Securities is necessary because without such exchange, conversion or write-off, APRA considers MBL would become non-viable; or has notified the Issuer in writing that it has determined that without a public sector injection of capital, or equivalent support, MBL would become non-viable. If a Non-Viability Event occurs which does not involve determination by APRA that a public sector injection of capital would be required, the Issuer must immediately Exchange such number of BCN (following or together with any exchange or conversion into MGL Ordinary Shares, or write-off, of other Relevant Tier 1 Securities) to the aggregate face value of Relevant Tier 1 Securities which APRA has notified MBL must be exchanged into MGL Ordinary Shares, converted into MGL Ordinary Shares or written-off (or, if APRA has not so notified MBL, such number of BCN as MBL determines is necessary to satisfy APRA that MBL will not become non-viable). In the case of a Non-Viability Event which involves determination by APRA that a public sector injection of capital would be required, all BCN must be exchanged. If MBL is required to convert or write off Relevant Tier 1 Securities, BCN Holders should be aware that all Relevant Tier 1 Securities (such as BCN will) be exchanged, converted or written off before any Relevant Tier 2 Securities are exchanged, converted or written off. MBL currently has no Relevant Tier 2 Securities, but may issue such securities in the future. MBL has no obligation to issue or keep on issue other Relevant Tier 1 Securities. 	Clauses 4 and 18.2 of the BCN Terms

2. About BCN

Topic	Summary	Further information
2.7.4. Meaning of 'non-viable'	<ul style="list-style-type: none"> • APRA has not provided guidance as to how it would determine non-viability. • Non-viability could be expected to include serious impairment of MBL's financial position and insolvency. However, it is possible that APRA's definition of non-viable may not necessarily be confined to solvency measures or capital ratios and may also include other matters such as liquidity. • APRA has indicated that at this time it will not publish further guidance on the parameters used to determine non-viability. 	
2.7.5. BCN Holders will receive MGL Ordinary Shares on the Automatic Exchange Event Date	<ul style="list-style-type: none"> • The number of MGL Ordinary Shares a BCN Holder will receive per BCN on account of an Automatic Exchange is the Exchange Number (calculated as described below) but cannot be more than the Maximum Exchange Number applicable to the date on which the Automatic Exchange occurs. • The Exchange Number on account of an Automatic Exchange is calculated in the same manner as for a Relevant Mandatory Exchange Date (see section 2.3.4). However, the Exchange Date VWAP in this case is the volume weighted average price of MGL Ordinary Shares during the period of 5 ASX Trading Days immediately preceding the date on which the Automatic Exchange Event occurs. • The Maximum Exchange Number applicable to the Automatic Exchange is calculated on the basis that the Relevant Percentage is 20%. As a result, the Maximum Exchange Number on account of an Automatic Exchange is higher than the Maximum Exchange Number applicable to a Relevant Mandatory Exchange Date. • Since Exchange Conditions do not apply to an Automatic Exchange, the Exchange Number of MGL Ordinary Shares may be limited to the Maximum Exchange Number applicable to the Automatic Exchange. Accordingly, the MGL Ordinary Shares a BCN Holder may receive in these circumstances may be worth significantly less than the Issue Price of BCN and a BCN Holder may suffer a loss as a consequence. • If some (but not all) BCN are to be Exchanged on account of an Automatic Exchange, MBL will endeavour to treat BCN Holders on an approximately proportionate basis, but may discriminate to take account of the effect on marketable parcels of BCN and other similar considerations and the need to effect Exchange immediately. 	Clauses 4 and 9.1 of the BCN Terms

2. About BCN

Topic	Summary	Further information
<p>2.7.6. If an Automatic Exchange Event occurs, the Issuer must immediately Exchange some or all BCN into MGL Ordinary Shares</p>	<ul style="list-style-type: none"> Automatic Exchange is not subject to the Exchange Conditions being satisfied and is required to occur immediately on the date the Automatic Exchange Event occurs. The Issuer expects any ASX trades in BCN that have not been settled on the date an Automatic Exchange Event occurs will continue to settle in accordance with the normal ASX T+3 settlement, although the Issuer expects the seller will be treated as having delivered, and the buyer will be treated as having acquired, the Exchange Number of MGL Ordinary Shares into which BCN have been Exchanged as a result of the Automatic Exchange. The Issuer must give BCN Holders notice as soon as practicable that an Automatic Exchange Event has occurred, including details of the number of BCN Exchanged. 	<p>Clauses 4.5, 4.6 and 4.7 of the BCN Terms</p>
<p>2.7.7. BCN will be Written-Off if they cannot be Exchanged following an Automatic Exchange Event</p>	<ul style="list-style-type: none"> If for any reason (including, without limitation, an Inability Event) Exchange has not occurred within 5 Business Days of an Automatic Exchange Date, then Exchange will not occur and each BCN that was required to be Exchanged on that Automatic Exchange Date will be Written-Off. An Inability Event will arise where MGL, MBL or any of their Related Bodies Corporate (including MBHPL, being the intermediate non-operating holding company of MBL, which is wholly-owned by MGL) is prevented, for any reason, from observing or performing their obligations in respect of an Exchange (including in connection with the issue of MGL Ordinary Shares or the performance of any Related Exchange Steps as described below). MGL, MBL and MBHPL have agreed that where an Exchange occurs, MGL will subscribe for ordinary shares in MBHPL and MBHPL will subscribe for MBL Ordinary Shares, in each case, for aggregate consideration equal to the aggregate Issue Price of BCN being Exchanged. These steps are referred to as “Related Exchange Steps”. An example of when an Inability Event may occur would be if an applicable law or order of any court, or action of any government authority prevented MGL from issuing MGL Ordinary Shares or taking a transfer of BCN, or prevented MGL, MBL or MBHPL from performing any of the Related Exchange Steps, such as the issue of MBL Ordinary Shares to MBHPL. Such laws could include laws relating to insolvency, Winding Up or other external administration of MGL. However, Write-Off will also occur if the Exchange has not occurred for reasons other than an Inability Event. Where a BCN is Written-Off, the Holder’s rights under that BCN are immediately and irrevocably terminated for no consideration, and BCN Holders will suffer a total loss of their investment. 	<p>Clauses 4.5, 9.16 and 18.2 of the BCN</p>

2. About BCN

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

2. About BCN

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

2. About BCN

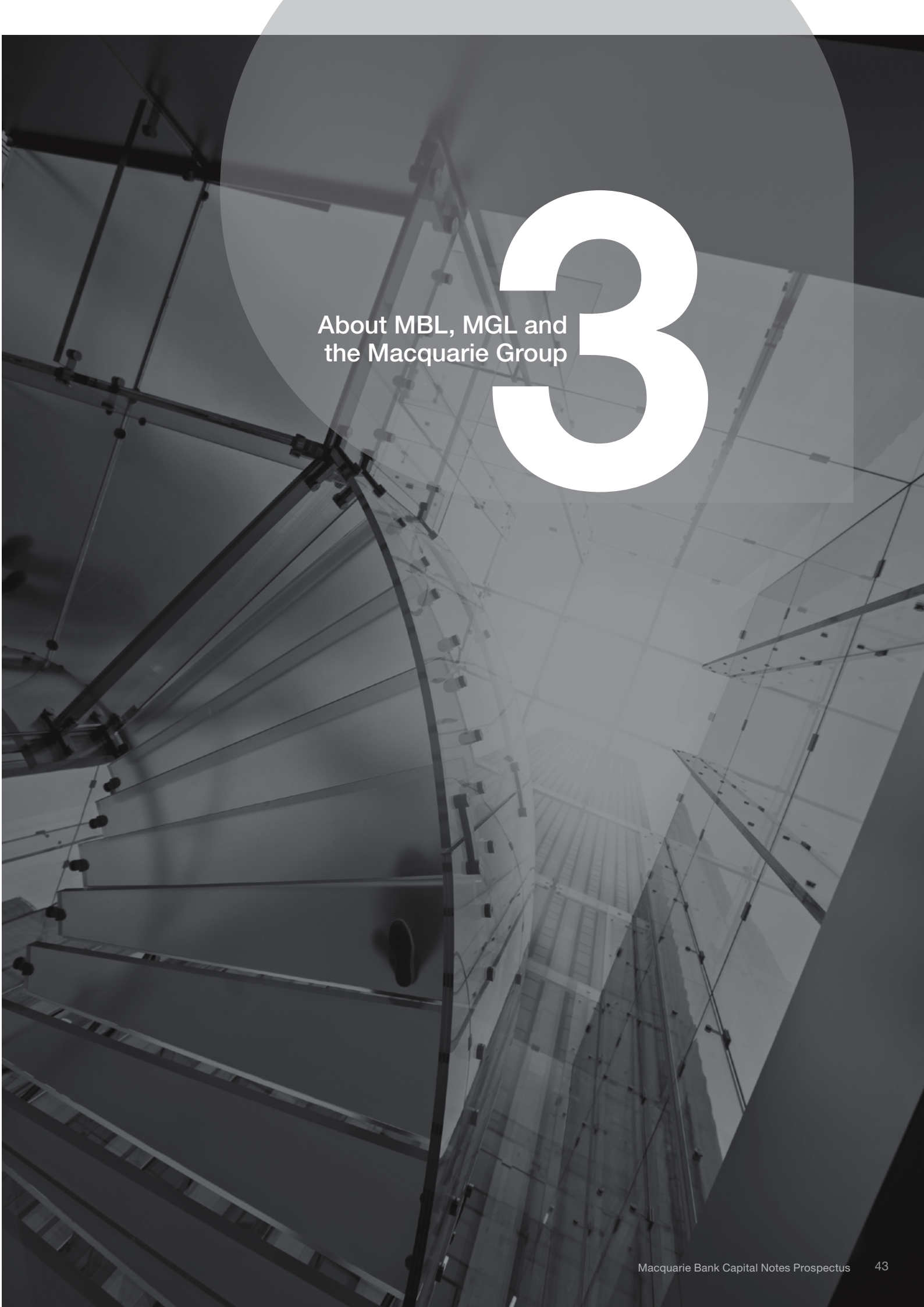
Topic	Summary	Further information
2.8.3. BCN Holders will receive MGL Ordinary Shares on the Acquisition Exchange Date <i>continued</i>	<ul style="list-style-type: none"> If the Exchange Number (calculated as if it were not limited by the Maximum Exchange Number applicable to an Acquisition Exchange Date) is greater than the Maximum Exchange Number applicable to an Acquisition Exchange Date then Exchange will not occur unless the Directors determine that the Exchange would be in the best interests of the BCN Holders taken as a whole. If, in this situation, Exchange proceeds, BCN Holders will receive the Maximum Exchange Number applicable to an Acquisition Exchange Date of MGL Ordinary Shares. The Maximum Exchange Number of MGL Ordinary Shares may be worth significantly less than \$101 and a BCN Holder may suffer a loss as a consequence. 	Clauses 6.1 and 9.1 of the BCN Terms
2.8.4. If Exchange does not occur following an Acquisition Event BCN Holders will continue to hold BCN	<ul style="list-style-type: none"> Where Exchange does not occur following an Acquisition Event, BCN Holders will continue to hold BCN in accordance with the BCN Terms. 	
2.9. Regulatory treatment of BCN		
2.9.1. MBL's prudential capital requirements	<ul style="list-style-type: none"> MBL is an authorised deposit-taking institution ("ADI"), regulated by APRA. MBL is required by APRA to hold sufficient capital based on APRA's ADI prudential standards. 	Section 3.8.5
2.9.2. Australian Prudential Regulation Authority ("APRA")	<ul style="list-style-type: none"> APRA is the prudential regulator of the Australian financial services industry. APRA oversees banks, credit unions, building societies, general insurance and reinsurance companies, life insurance companies, friendly societies and most members of the superannuation industry. APRA's website at www.apra.gov.au includes further details of its functions and prudential standards. 	
2.9.3. Regulatory capital	<ul style="list-style-type: none"> APRA's regulatory capital prudential standards aim to ensure that banks and non-operating holding companies of financial groups, like MBL and MGL respectively, maintain adequate capital to support the risks associated with their activities and can withstand unexpected losses. APRA has detailed guidance and restrictions on the types of capital instruments that are permitted to be included in a bank's capital base. The types of capital deemed eligible for inclusion in the capital base are referred to as regulatory capital. APRA allows for a mix of regulatory capital, including shareholders' equity and certain Additional Tier 1 Capital (or "hybrid") instruments, with minimum requirements as described in its prudential standards. 	

2. About BCN

Topic	Summary	Further information
2.9.4. Regulatory treatment of BCN	<ul style="list-style-type: none"> APRA has confirmed that BCN will be eligible for inclusion as Additional Tier 1 Capital for MBL. 	
2.10. Ranking of BCN		
2.10.1. Ranking of BCN in a Winding Up of MBL	<ul style="list-style-type: none"> If a Winding Up occurs in relation to MBL, BCN will rank in priority to MBL Ordinary Shares, equally with Equal Ranking Obligations (which currently includes obligations in respect of MIS Preference Shares, MIPS Preference Shares and ECS), but behind all Senior Creditors (including depositors). Any return in a Winding Up of MBL may be adversely affected if an Automatic Exchange Event occurs (see section 2.7). If this happens some or all BCN will be required to be Exchanged, or, if Exchange has not occurred within 5 Business Days, Written-Off. If a BCN is Exchanged, the BCN Holder would become a holder of MGL Ordinary Shares and those shares may be worth significantly less than the Issue Price of BCN. If a BCN is Written Off the BCN Holder will suffer a total loss of their investment in BCN. 	Clauses 1.5 and 16.1 of the BCN Terms and Section 2.7
2.11. Other		
2.11.1. MGL Ordinary Shares on Exchange issued to Sale Agent	<ul style="list-style-type: none"> On Exchange, in certain limited circumstances, where the BCN Holder has requested Issuer to do so, or where there are impediments to the MGL Ordinary Shares being issued directly to a BCN Holder, MGL Ordinary Shares may be issued to the Sale Agent instead of the relevant BCN Holder. None of the Issuer, MGL or the Sale Agent owe any duty to the BCN Holder in relation to the price at which MGL Ordinary Shares are sold. 	Section 4.1.17
2.11.2. BCN cannot be set-off against other claims	<ul style="list-style-type: none"> A BCN Holder has no right to set-off any amounts owing by it to a member of the Macquarie Group against any claims owing by Issuer, MGL or another member of the Macquarie Group to such BCN Holder. Equally, the Issuer has no right to set-off any amounts owing by it to a BCN Holder in respect of BCN against any claims owing by the BCN Holder to it or any member of the Macquarie Group. 	Clause 11.4 of the BCN Terms
2.11.3. BCN carry no voting rights in respect of MBL	<ul style="list-style-type: none"> BCN Holders have no voting rights in respect of MBL or any other member of the Macquarie Group. BCN Holders may vote at meetings for BCN Holders in accordance with the BCN Deed Poll. 	Clause 15.1 of the BCN Terms
2.11.4. MBL and MGL can issue further securities	<ul style="list-style-type: none"> MBL and MGL have the right in their absolute discretion to issue shares or other securities of any kind. BCN confer no rights on a BCN Holder to subscribe for new securities or participate in any bonus issues of securities of MBL or any other member of the Macquarie Group. 	Clause 1.7 of the BCN Terms

2. About BCN

Topic	Summary	Further information
2.11.5. Issuer may amend the BCN Terms and BCN Deed Poll	<ul style="list-style-type: none"> Subject to complying with all applicable laws, and with APRA's prior written approval where required, the Issuer may amend the BCN Terms and BCN Deed Poll without the consent of BCN Holders in certain circumstances. The Issuer may also, with APRA's prior written approval where required, amend the BCN Terms and BCN Deed Poll if the amendment has been approved by a Special Resolution. 	Clause 14 of the BCN Terms and Section 4.1.27
2.11.6. Macquarie Group may purchase BCN	<ul style="list-style-type: none"> Subject to APRA's prior written approval, any member of the Macquarie Group may purchase BCN at any time and at any price. 	
2.11.7. Taxation implications of investing in BCN	<ul style="list-style-type: none"> The taxation implications of investing in BCN will depend on an investor's individual circumstances. Prospective investors should obtain their own taxation advice. A general outline of the Australian taxation implications is included in the Australian taxation summary at section 5. 	Section 5
2.11.8. No brokerage, commission or stamp duty payable on Applications for BCN	<ul style="list-style-type: none"> No brokerage, commission or stamp duty is payable on Applications for BCN. BCN Holders may have to pay brokerage (and applicable GST) on any subsequent transfer of BCN on ASX after quotation or on any transfer of MGL Ordinary Shares that may be issued on an Exchange. 	
2.11.9. Withholding or Deductions	<ul style="list-style-type: none"> Each of MBL and MGL has the right to withhold or deduct from any payment or issue of MGL Ordinary Shares the amount of any withholding or other tax required to be withheld or deducted by law (including in order for it to comply with FATCA). 	Clause 11.3 of the BCN Terms and Section 4.1.26



About MBL, MGL and
the Macquarie Group

3

3.

About MBL, MGL and the Macquarie Group

3.1. Information about MBL

MBL is headquartered in Sydney, Australia and is an ADI regulated by APRA that, directly and through its subsidiaries, provides banking, financial, advisory, investment and funds management services to institutional, corporate and retail clients and counterparties around the world.

MBL began in 1969 as the merchant bank Hill Samuel Australia Limited, a wholly-owned subsidiary of Hill Samuel & Co Limited, London. Authority for MBL to conduct banking business in Australia was received from the Australian Treasurer on 28 February 1985.

MBL's ordinary shares were listed on ASX on 29 July 1996 until the corporate restructuring of the Macquarie Group in November 2007. As part of the restructure, MBL became a subsidiary of MBHPL, itself a wholly-owned subsidiary of MGL, a new ASX listed company comprising a **Bank Group** and a **Non-Bank Group**. MBL undertakes the Bank Group activities of MGL.

At 31 March 2014 MBL employed over 5,400 people, had total assets of A\$139.9 billion, and total equity of A\$9.5 billion. For the financial year ending 31 March 2014, profit attributable to ordinary equity holders of MBL was A\$752 million.

Although MBL's ordinary shares are no longer listed on ASX, the MIS continue to be listed on ASX and accordingly, MBL remains subject to the disclosure and other requirements of ASX as they apply to ASX debt listings.

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

- the 2014 annual financial report and 2014 interim financial report most recently provided to ASX by MBL (on 2 May 2014 and 1 November 2013 respectively);
- any continuous disclosure notices given by MBL after the release of the 2014 annual financial report and before the lodgement of this Prospectus with ASIC; and
- the MBL Constitution.

3.2. Information about MGL

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

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

BCN may be exchanged for ordinary shares in MGL. These are listed on ASX (MGL Ordinary Shares ASX Code: MQG).

MGL is also a disclosing entity under the Corporations Act. It is therefore subject to regular reporting and disclosure obligations under the Corporations Act and the ASX Listing Rules. These include preparation of yearly and half-yearly financial statements, a report on the operations of the Macquarie Group during the relevant period, an audit or review report by its auditor and (subject to certain exceptions) immediate notification of ASX of any information of which it is, or becomes, aware concerning the Macquarie Group, which a reasonable person would expect to have a material effect on the price or value of the MGL Ordinary Shares. Copies of documents lodged with ASIC may be obtained from or inspected at any ASIC office. This information can also be accessed via the ASX website and at macquarie.com.au.

As at 31 March 2014, the Macquarie Group employed over 13,900 people and had total assets of A\$153.9 billion and total equity of A\$11.9 billion.

For the financial year ended 31 March 2014, the Macquarie Group's net operating income was A\$8.1 billion and profit attributable to ordinary equity holders of MGL was A\$1,265 million, with 68% of the Macquarie Group's total operating income (excluding earnings on capital and other corporate items) derived from regions outside Australia and New Zealand.

3. About MBL, MGL and the Macquarie Group

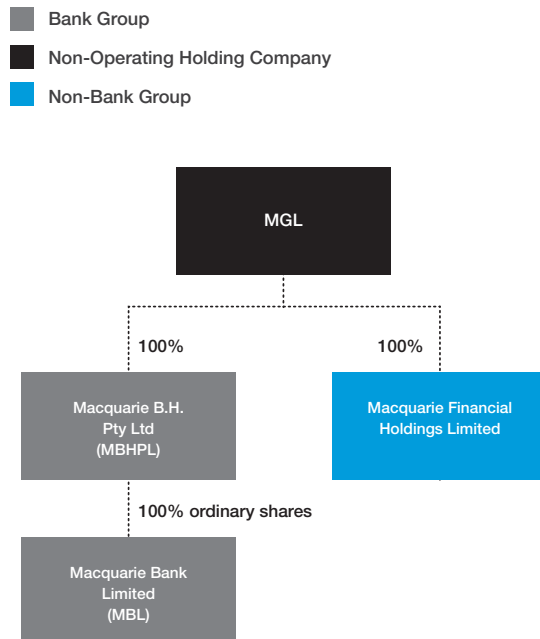
MGL will provide a copy of any of the following documents free of charge to any person who requests a copy during the Offer Period:

- the 2014 annual financial report and 2014 interim financial report most recently provided to ASX by MGL (on 2 May 2014 and 1 November 2013 respectively);
- any continuous disclosure notices given by MGL after the release of the 2014 annual financial report and before the lodgement of this Prospectus with ASIC including the investor update which MGL released on 15 September 2014; and
- the MGL Constitution.

More information about MBL and the Macquarie Group and its businesses can be found at macquarie.com.au. During the Offer Period, you can obtain a copy of the above documents for MBL and MGL free of charge at macquarie.com.au or by phoning the BCN Offer Information Line on 1300 634 564 (within Australia) or on +61 3 9415 4230 (International).

3.3. Holding structure of the Macquarie Group

The holding structure of Macquarie Group is illustrated on the diagram below.



3.4. Organisational structure of Macquarie Group

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

The Bank Group includes MBL and has five operating groups:

- Corporate & Asset Finance;
- Banking & Financial Services;
- Macquarie Funds (excluding the Macquarie Infrastructure and Real Assets division);
- Fixed Income, Currencies & Commodities (excluding certain assets of the Credit Trading business and some other less financially significant activities); and
- Macquarie Securities (excluding certain activities of the Cash division and the Derivatives division in certain jurisdictions).

The Non-Bank Group consists of:

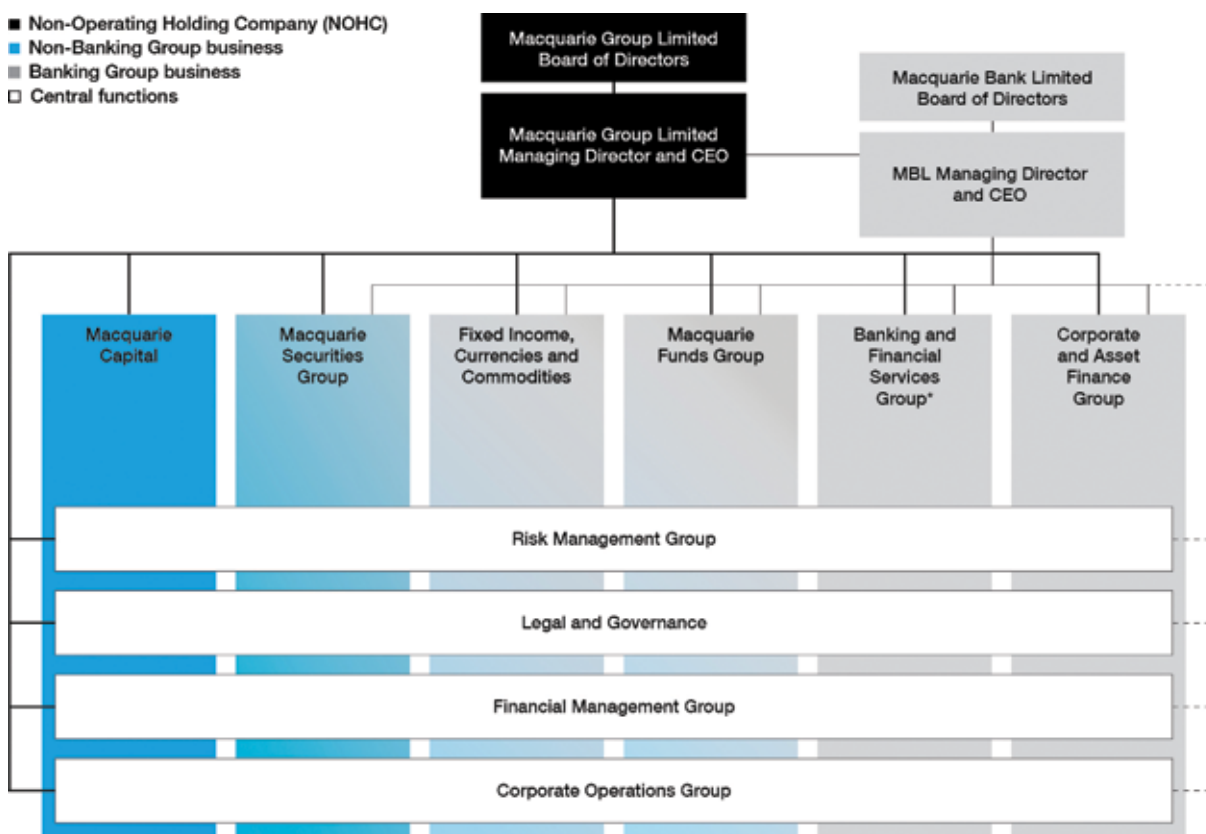
- Macquarie Capital;
- the Macquarie Infrastructure and Real Assets division of Macquarie Funds;
- certain activities of the Cash division and the Derivatives division of Macquarie Securities, in each case, in certain jurisdictions; and
- certain assets of the Credit Trading business and some other less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

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

3. About MBL, MGL and the Macquarie Group

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

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



As at 1 July 2014

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

MGL will continue to monitor and review the appropriateness of the Macquarie Group's structure, including the provision of shared services. From time to time, the optimal allocation of our businesses between the Bank Group and the Non-Bank Group

and within the Bank Group and the Non-Bank Group may be adjusted and we may make changes in light of relevant factors including business growth, regulatory considerations, market developments and counterparty considerations.

3. About MBL, MGL and the Macquarie Group

3.5. Business strategy of MBL and the Macquarie Group

The Macquarie Group's core business involves leveraging the deep expertise and insight of our people to deliver value to clients in selected areas of financial services.

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

- providing a range of financial services to clients;
- aligning the interests of shareholders, investors and staff;
- utilising what the Macquarie Group believes is a conservative approach to risk management;
- continuing to focus on growth and evolution;
- diversifying by business and geography; and
- adapting to change.

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

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

The Macquarie Group's business has evolved and changed to adapt to market conditions. The Macquarie Group examines investment opportunities and has undertaken a number of strategic acquisitions in response to changing market conditions and opportunities. At any given time is likely to be in discussion with a range of counterparties concerning prospective but incomplete proposals (some of which, if completed, could have a material impact on the Macquarie Group).

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

1. MGL Executive Committee only.

3.6. MGL and MBL Boards

The MBL Board comprises:

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

With the exception of Mary Reemst, each Director of MBL is also a Director of MGL. The roles and responsibilities of the MGL board are set out in the Board Charter. The Board Charter and further information on the MGL board is available at macquarie.com.au.

3.7. Management of the businesses of the Macquarie Group

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

- Nicholas Moore, MGL Managing Director and Chief Executive Officer
- Greg Ward, Deputy Managing Director and Head of Banking and Financial Services Group
- Stephen Allen, Chief Risk Officer and Head of Risk Management Group
- Andrew Downe, Head of Fixed Income, Currencies and Commodities
- Tim Bishop,¹ Head of Macquarie Capital
- Shemara Wikramanayake, Head of Macquarie Funds Group
- Garry Farrell, Co-Head of Corporate and Asset Finance Group
- Ben Brazil, Co-Head of Corporate and Asset Finance Group
- Stevan Vrcelj, Head of Macquarie Securities Group
- Michael McLaughlin, US Country Head
- Nicole Sorbara, Head of Corporate Operations Group
- Mary Reemst, MBL Managing Director and Chief Executive Officer
- Patrick Upfold, Chief Financial Officer and Head of Financial Management Group

3. About MBL, MGL and the Macquarie Group

Further information on the role and responsibilities of the Macquarie Group and MBL Executive Committee is included in the Macquarie Group's 2014 Annual Financial Report and MBL's 2014 Annual Financial Report, respectively, which are available at macquarie.com.au.

3.8. Financial information about the Macquarie Group

The summary consolidated statement of financial position data as at 31 March 2014 and income statement data for the full years ended 31 March 2014 and 31 March 2013 presented in this section has been derived from the Macquarie Group's 2014 full year financial statements. These statements of financial position have been prepared in accordance with Macquarie Group's normal accounting policies which are detailed in the Macquarie Group's 2014 Annual Financial Report.

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

3.8.1. Macquarie Group's Consolidated Income Statement

	Full-year to		Movement
	31 March 2014 \$m	31 March 2013 \$m	%
Financial performance summary			
Net interest income	1,705	1,367	25
Fee and commission income	3,853	3,379	14
Net trading income	1,570	1,234	27
Share of net profits of associates and joint ventures accounted for using the equity method	149	92	62
Other operating income and charges	855	585	46
Net operating income	8,132	6,657	22
Employment expenses	(3,736)	(3,273)	14
Brokerage, commission and trading-related expenses	(779)	(604)	29
Occupancy expenses	(382)	(390)	(2)
Non-salary technology expenses	(323)	(260)	24
Other operating expenses	(806)	(725)	11
Total operating expenses	(6,026)	(5,252)	15
Operating profit before income tax	2,106	1,405	50
Income tax expense	(827)	(533)	55
Profit after income tax	1,279	872	47
Profit attributable to non-controlling interests	(14)	(21)	(33)
Profit attributable to ordinary equity holders of Macquarie Group Limited	1,265	851	49

3. About MBL, MGL and the Macquarie Group

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

	Consolidated 31 March 2014 \$m	Consolidated 31 March 2013 \$m	Pro-Forma 31 March 2014 \$m
Assets			
Receivables from financial institutions	19,457	14,806	19,867
Trading portfolio assets	22,462	19,776	22,462
Derivative assets	12,633	14,704	12,633
Investment securities available for sale	14,051	17,057	14,051
Other assets	12,990	12,397	12,990
Loan assets held at amortised cost	58,712	50,793	58,712
Other financial assets at fair value through profit or loss	2,854	5,033	2,854
Property, plant and equipment	6,311	5,643	6,311
Interests in associates and joint ventures accounted for using the equity method	2,447	2,048	2,447
Intangible assets	1,221	1,221	1,221
Deferred tax assets	766	1,270	766
Total assets	153,904	144,748	154,314
Liabilities			
Trading portfolio liabilities	2,762	1,497	2,762
Derivative liabilities	11,973	14,853	11,973
Deposits	42,401	41,103	42,401
Other liabilities	13,908	13,572	13,908
Payables to financial institutions	19,654	18,075	19,654
Other financial liabilities at fair value through profit or loss	1,464	1,704	1,464
Debt issued at amortised cost	45,565	38,014	45,565
Provisions	205	213	205
Deferred tax liabilities	551	542	551
Total liabilities excluding loan capital	138,483	129,573	138,483
Loan capital			
Macquarie Convertible Preference Securities	–	616	–
Macquarie Bank Capital Notes	–	–	410
Subordinated debt at amortised cost	3,507	2,604	3,507
Total loan capital	3,507	3,220	3,917
Total liabilities	141,990	132,793	142,400
Net assets	11,914	11,955	11,914
Equity			
Contributed equity	5,112	5,907	5,112
Reserves	669	57	669
Retained earnings	5,637	5,439	5,637
Total capital and reserves attributable to ordinary equity holders of Macquarie Group Limited	11,418	11,403	11,418
Non-controlling interests	496	552	496
Total equity	11,914	11,955	11,914

The pro-forma position as at 31 March 2014 reflects the issue of \$420m BCN with \$10m of expenses to be paid.

3. About MBL, MGL and the Macquarie Group

3.8.3. MBL's Consolidated Income Statement

	Full-year to		Movement
	31 March 2014 \$m	31 March 2013 \$m	%
Financial performance summary			
Net interest income	1,715	1,428	20
Fee and commission income	1,685	1,513	11
Net trading income	1,602	1,278	25
Share of net profits of associates and joint ventures accounted for using the equity method	14	40	(65)
Other operating income and charges	470	342	37
Net operating income	5,486	4,601	19
Employment expenses	(1,684)	(1,511)	11
Brokerage, commission and trading-related expenses	(697)	(523)	33
Occupancy expenses	(140)	(145)	(3)
Non-salary technology expenses	(100)	(88)	14
Other operating expenses	(1,470)	(1,305)	13
Total operating expenses	(4,091)	(3,572)	15
Operating profit before income tax	1,395	1,029	36
Income tax expense	(621)	(355)	75
Profit after income tax	774	674	15
Profit attributable to non-controlling interests	(4)	(3)	33
Profit attributable to equity holders of Macquarie Bank Limited	770	671	15
Distributions paid or provided for on Macquarie Income Securities	(18)	(21)	(14)
Profit attributable to ordinary equity holders of Macquarie Bank Limited	752	650	16

3. About MBL, MGL and the Macquarie Group

3.8.4. MBL's Consolidated Statement of Financial Position and Pro-Forma Position

	Consolidated 31 March 2014 \$m	Consolidated 31 March 2013 \$m	Pro-Forma 31 March 2014 \$m
Assets			
Receivables from financial institutions	16,151	12,607	16,561
Trading portfolio assets	21,640	18,853	21,640
Derivative assets	12,468	14,595	12,468
Investment securities available for sale	12,182	14,190	12,182
Other assets	8,302	7,895	8,302
Loan assets held at amortised cost	57,170	49,218	57,170
Other financial assets at fair value through profit or loss	2,195	4,645	2,195
Due from related body corporate entities	2,244	1,060	2,244
Property, plant and equipment	6,045	5,352	6,045
Interests in associates and joint ventures accounted for using the equity method	551	528	551
Intangible assets	785	795	785
Deferred tax assets	178	262	178
Total assets	139,911	130,000	140,321
Liabilities			
Trading portfolio liabilities	2,459	1,384	2,459
Derivative liabilities	11,748	14,725	11,748
Deposits	42,302	40,966	42,302
Other liabilities	8,521	8,147	8,521
Payables to financial institutions	16,573	15,180	16,573
Other financial liabilities at fair value through profit or loss	937	919	937
Due to related body corporate entities	7,443	5,456	7,443
Debt issued at amortised cost	37,255	31,826	37,255
Provisions	86	104	86
Deferred tax liabilities	625	435	625
Total liabilities excluding loan capital	127,949	119,142	127,949
Loan capital			
Macquarie Bank Capital Notes	–	–	410
Subordinated debt at amortised cost	2,464	2,203	2,464
Total loan capital	2,464	2,203	2,874
Total liabilities	130,413	121,345	130,823
Net assets	9,498	8,655	9,498
Equity			
Contributed equity	8,101	8,077	8,101
Reserves	(68)	(560)	(68)
Retained earnings	1,388	1,046	1,388
Total capital and reserves attributable to equity holders of Macquarie Bank Limited	9,421	8,563	9,421
Non-controlling interests	77	92	77
Total equity	9,498	8,655	9,498

The pro-forma position as at 31 March 2014 reflects the issue of \$420m BCN with \$10m of expenses to be paid.

3. About MBL, MGL and the Macquarie Group

3.8.5. Capital position

MBL

MBL is an ADI regulated by APRA. MBL is accredited under the Foundation Internal Ratings Based Approach for credit risk, the Advanced Measurement Approach for operational risk, the internal model approach for market risk and the internal model approach for interest rate risk in the banking book.

These advanced approaches place a higher reliance on a bank's internal capital measures and therefore require a more sophisticated level of risk management and risk measurement practices.

APRA requires ADIs to have a minimum Total Capital ratio of 8%, a Tier 1 Capital Ratio of 6% and a Common Equity Tier 1 Ratio of at least 4.5%, in each case at both Level 1 and Level 2. In addition, APRA imposes ADI specific minimum capital ratios which may be higher than these levels. From 1 January 2016, an ADI must hold a capital conservation buffer above the minimum Common Equity Tier 1 Ratio. The capital conservation buffer is 2.5%, unless determined otherwise by APRA in writing.

In the event that an ADI's minimum Common Equity Tier 1 Ratio falls within the capital conservation buffer, APRA will impose restrictions on the amount of profits that can be used by the ADI to pay distributions on Tier 1 Capital instruments.

MBL's Common Equity Tier 1 Capital consists of ordinary share capital, retained earnings and certain reserves. Tier 1 Capital of MBL consists of Common Equity Tier 1 Capital plus Additional Tier 1 Capital ("hybrid") instruments. Additional Tier 1 Capital instruments currently include the MIPS, MIS and ECS. APRA has confirmed that BCN will qualify for inclusion as Additional Tier 1 Capital of the Bank Group.

In the normal course of business, MBL in its discretion periodically pays dividends to MGL. Subject to regulatory constraints, business performance and the availability of capital, MGL may add capital, or MBL may return capital to MGL (subject to APRA approval) in order to meet the capital needs throughout the Macquarie Group.

Regulatory capital requirements are measured for MBL and certain subsidiaries which meet the definition of Extended Licensed Entities (MBL Level 1 Group), and for the broader banking group (MBL Level 2 Group). The Level 2 group consists of the Bank, its subsidiaries and its immediate parent (MBHPL), but excludes certain subsidiaries of MBL which are de-consolidated for APRA reporting purposes. These excluded subsidiaries include entities conducting insurance, funds management and non-financial operations.

The MBL Level 2 Group capital ratios are set out in the table below.

APRA Basel III capital ratios	As at 31 March 2014	As at 31 March 2013	Proforma ¹ as at 31 March 2014
Level 2 Macquarie Bank Group Common Equity Tier 1 Ratio	9.6%	9.7%	9.6%
Level 2 Macquarie Bank Group Tier 1 Capital Ratio	10.6%	10.8%	11.2%
Level 2 Macquarie Bank Group Total Capital ratio	12.6%	13.5%	13.3%

The MBL Level 1 Group capital ratios are set out in the table below.

APRA Basel III capital ratios	As at 31 March 2014	As at 31 March 2013	Proforma as at 31 March 2014
Level 1 Macquarie Bank Group Common Equity Tier 1 Ratio	8.6%	9.1%	8.6%
Level 1 Macquarie Bank Group Tier 1 Capital Ratio	9.6%	10.3%	10.2%
Level 1 Macquarie Bank Group Total Capital ratio	11.7%	13.1%	12.3%

MBL discloses capital calculation information quarterly in its Basel III Pillar 3 reports, available at macquarie.com.au/mgl/au/about-macquarie-group/investor-relations. The Level 2 Macquarie Bank Group capital ratios as at 30 June 2014 are 9.5% for Common Equity Tier 1 Capital, 10.5% for Tier 1 Capital and 12.6% for Total Capital.

1. The pro-forma position as at 31 March 2014 reflects the issue of \$420m BCN.

3. About MBL, MGL and the Macquarie Group

MGL

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

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

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

The Macquarie Group's capital consists of eligible share capital, retained earnings and certain reserves plus eligible hybrid instruments. Eligible hybrid instruments currently include PMIs issued in November 2010, MCN issued in June 2013 as well as Additional Tier 1 Capital of the Bank Group. APRA has confirmed that BCN will qualify for inclusion as Additional Tier 1 Capital of the Bank Group as well as eligible regulatory capital of the Macquarie Group.

In August 2014, APRA issued its final rules for Conglomerates ("**Conglomerates**"), although the implementation timing is dependent on the outcomes of the Financial System Inquiry. The impact of the rules is subject to consultation with APRA, with our current assessment being that Macquarie has sufficient capital to meet the minimum APRA capital requirements for Conglomerates.

4

Investment Risks

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

4. Investment risks

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

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

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

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

4.1. Risks associated with investing in BCN

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

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

4.1.2. Suitability

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

4.1.3. Market price and liquidity of BCN

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

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

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

4. Investment risks

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

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

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

4.1.4. Market Price and liquidity of MGL Ordinary Shares

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

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

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

The market price of MGL Ordinary Shares may fluctuate due to various factors, including poor financial performance by the Macquarie Group, a negative change in the Macquarie Group's financial position, investor perceptions, worldwide economic conditions, interest rates, foreign exchange rates, debt market conditions, the availability of better rates of return on

other securities or investments and factors that may affect the Macquarie Group's financial performance and position.

Where BCN are Exchanged for MGL Ordinary Shares, there may be no liquid market for MGL Ordinary Shares at the time of Exchange, or the market may be less liquid than that for comparable securities issued by other entities at the time of Exchange.

As a consequence, BCN Holders who wish to sell the MGL Ordinary Shares they may receive may be unable to do so at an acceptable price, or at all, if the market for MGL Ordinary Shares is illiquid.

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

4.1.5. Distributions may not be paid

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

If:

- MBL, in its absolute discretion, decides not to pay a Distribution (which may include, without limitation, circumstances where MBL determines that it is not permitted under the Corporations Act to pay the Distribution);
- the payment of a Distribution would result in MBL breaching APRA's capital adequacy requirements;
- the payment of a Distribution would result in MBL becoming, or being likely to become, insolvent for the purposes of the Corporations Act; or
- APRA otherwise objects to the payment of a Distribution,

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

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

Distributions are non-cumulative (that is, if not paid, they do not accrue), so if a Distribution is not paid for any reason, BCN Holders will have no right to receive that Distribution in the future. BCN Holders have no remedy for any non-payment. However, if a Distribution is not paid when scheduled for any reason and unless

4. Investment risks

MBL subsequently pays the relevant Distribution in full within 10 Business Days of the applicable Distribution Payment Date, a Dividend Restriction will apply to MBL. This Dividend Restriction means that MBL must not, subject to certain exceptions, without the approval of a Special Resolution of BCN Holders, determine, declare or pay a dividend on any MBL Ordinary Shares, or undertake any Buy-Back or Capital Reduction, until and including the next Distribution Payment Date.

4.1.6. Changes in Distribution Rate

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

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

MBL does not guarantee any particular rate of return on BCN.

4.1.7. Distributions may or may not be franked

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

MGL's ability to frank Distributions on BCN is affected by the level of MGL's available franking credits and MBL's distributable profits. MGL's level of franking credits may be affected by a wide range of factors, including its business performance, in what jurisdictions it makes profits and pays tax, the applicable Australian corporate tax rate and the amount of other frankable distributions. MBL's distributable profits may also be impacted by a wide range of factors, including its level of earnings and other distributions it makes.

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

4.1.8. Use of franking credits by BCN Holders

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

4.1.9. Dividend Restriction applies in limited circumstances

If a Distribution is not paid on BCN, the Dividend Restriction will apply to limit MBL's ability to pay dividends on, buyback, and reduce capital in respect of MBL Ordinary Shares, subject to certain exceptions. Unlike some hybrid securities issued by Macquarie Group entities in the past (including securities ranking equally with the BCN) the Dividend Restriction applying under BCN does not apply to restrict distributions on any securities other than MBL Ordinary Shares. In particular:

- it does not restrict MGL from making distributions on, or buying-back or reducing capital in respect of MGL Ordinary Shares or any other instruments of MGL; and
- it does not restrict MBL from making distributions on, or buying-back or reducing capital in respect of, securities that rank equally with (or ahead of) BCN.

Accordingly:

- if MBL does not pay a Distribution, MGL would be free to make a distribution on, or buy back or return capital on, MGL Ordinary Shares (although for the period of the Dividend Restriction its commercial capacity to do so might be reduced by the application of the Dividend Restriction on MBL); and
- if MBL does not pay a Distribution, MBL is not restricted from making a distribution on, or buying-back or returning capital on, its equal ranking securities (even though the terms of those securities may restrict MBL from paying a Distribution and may also prevent MGL from making a distribution on MGL, or buying back or returning capital on, Ordinary Shares if a distribution is not paid on those securities).

4. Investment risks

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

As a consequence, when compared to the dividend restriction under some other hybrid securities, the consequences for MBL and the Macquarie Group if MBL does not pay a Distribution are less significant than would be the case for an issuer under those other securities.

These limitations on the Dividend Restriction reflect APRA's current requirements for the BCN to be eligible for inclusion as Additional Tier 1 Capital for MBL.

4.1.10. Risks upon Exchange for MGL Ordinary Shares

MGL Ordinary Shares are a different type of investment to BCN. For example, dividends on MGL Ordinary Shares are not determined by a formula.

MGL Ordinary Shares are an investment in MGL (as the ultimate parent of the Macquarie Group) rather than in MBL. MGL Ordinary Shares rank behind the claims of all other securities and debts of MGL in a Winding Up of MGL. MGL Ordinary Shares trade in a manner that is likely to be more volatile than that of BCN and the market price is expected to be more sensitive to changes in the performance, prospects and business of the Macquarie Group.

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

4.1.11. BCN are perpetual securities and may never be Exchanged, Redeemed or Resold

If not Exchanged, Redeemed, Resold or Written-Off beforehand, BCN are expected to be Exchanged for MGL Ordinary Shares on 24 March 2023, subject to the Exchange Conditions being satisfied. However, there is a risk that the Exchange Conditions will not be satisfied.

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

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

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

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

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

Any Exchange, Redemption or Resale at the option of MBL is subject to various restrictions and conditions, including, in the case of Redemption, that BCN to be

4. Investment risks

Redeemed are replaced by a new issue of capital of the same or better quality, under conditions that are sustainable for MBL's income capacity, or that APRA is satisfied that the capital position of MBL is sufficient after BCN are Redeemed. APRA must give prior written approval for any Redemption or Resale of BCN. The granting of this approval is at the complete discretion of APRA.

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

4.1.13. Cash payment only in limited circumstances

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

4.1.14. Exchange on an Acquisition Event

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

limited to the Maximum Exchange Number applicable to an Acquisition Exchange Date, the Directors determine that the Exchange would be in the best interest of the BCN Holders taken as a whole)).

Such an Exchange could occur at a time not previously contemplated by BCN Holders, which may disadvantage BCN Holders and not coincide with their individual preferences or intended investment outcomes.

Additionally, where the Exchange occurs because the Directors have determined it is in the BCN Holders best interests as a whole, that determination may not take into account the position of individual BCN Holders and may disadvantage individual BCN Holders.

4.1.15. Impact of a Common Equity Tier 1 Trigger Event or Non-Viability Event (Automatic Exchange Events)

If a Common Equity Tier 1 Trigger Event or Non-Viability Event occurs (each an Automatic Exchange Event), MBL must immediately Exchange some or all BCN for MGL Ordinary Shares. This could occur at any time and is not subject to any Exchange Conditions.

In summary:

- a Common Equity Tier 1 Trigger Event occurs if MBL determines, or APRA has notified MBL that it believes, that either or both of the Common Equity Tier 1 Ratio for the MBL Level 1 Group and the MBL Level 2 Group is equal to or less than 5.125%; and
- a Non-Viability Event occurs if APRA has provided a written determination to MBL that exchange or conversion into MGL Ordinary Shares or write-off of Relevant Tier 1 Securities is required because without such conversion or write-off, APRA considers that MBL would become non-viable, or that without a public sector injection of capital or equivalent support MBL would become non-viable.

APRA has not provided any guidance as to how it would determine non-viability, or what would constitute equivalent support to a public sector injection of capital. Non-viability could be expected to include serious impairment of MBL's financial position and solvency and may arise as a result of many factors including factors which impact the business, operation and financial condition of MBL (see the discussion of risks associated with MBL and the Macquarie Group, below). However, it is possible that APRA's definition of non-viable may not necessarily be confined to solvency measures or capital ratios and may also include other matters such as liquidity. MBL has not been designated by APRA as a Domestic Systemically Important Bank and it is not clear what impact this could have on APRA's

4. Investment risks

determination of non-viability. APRA has indicated that at this time it will not publish further guidance on the parameters used to determine non-viability. APRA's position on these matters may change over time.

MBL's levels of Common Equity Tier 1 Capital may be affected by risks which are associated with its business (including changes in APRA policy or regulation) and its ability to raise and maintain levels of capital, and risks which are outside of its control. The occurrence of a Non-Viability Event is at the discretion of APRA. As a result, there can be no assurance given as to the factors and circumstances that may give rise to these events.

If an Automatic Exchange Event occurs, there are many ways in which, and a greater likelihood that, a BCN Holder may lose some or all of their investment.

If an Automatic Exchange Event occurs:

- some or all BCN on issue will be immediately Exchanged into MGL Ordinary Shares.
In circumstances where an Automatic Exchange Event occurs and:
 - this does not involve a public sector injection of capital, it is possible that only a portion of BCN will be Exchanged. In these circumstances, MBL must treat BCN on an approximately proportional basis, or any other basis as MBL considers fair and reasonable, subject to adjustments to take into account the effect of marketable parcels of BCN, provided that nothing in this process delays or impedes the Exchange taking effect; and
 - this does involve a public sector injection of capital, all BCN will be Exchanged; and
- Exchange will occur automatically, without the need for any further action, and MBL will treat BCN Holders as though the Exchange has occurred immediately.

MBL expects that any trades in BCN on ASX that have not settled on the relevant Automatic Exchange Date will continue to settle in accordance with the normal ASX T+3 settlement process, although the seller of the relevant BCN will be treated as having delivered, and the buyer will be treated as having acquired, MGL Ordinary Shares into which BCN have been Exchanged. Alternatively, trading in BCN and MGL Ordinary Shares on ASX may be halted, and unsettled transfers of BCN may not be registered. This disruption in trading may cause the BCN Holder to suffer a loss and be unable to deal in BCN.

BCN Holders may not have prior notice of an Automatic Exchange Event and Exchange in these circumstances is not subject to any Exchange Conditions being satisfied. The MGL Ordinary Shares that will be issued may not be quoted at the time of issue or at all and may not be tradable.

The number of MGL Ordinary Shares that a BCN Holder will receive on an Exchange following an Automatic Exchange Event is calculated by reference to the VWAP during the 5 ASX Trading Days immediately preceding the relevant Automatic Exchange Date and subject to the Maximum Exchange Number applicable to that date. If an Automatic Exchange Event occurs, the market price of MGL Ordinary Shares may be volatile. Accordingly, a BCN Holder may receive significantly less than \$101 worth of MGL Ordinary Shares per BCN and may suffer a loss as a result. This is because:

- the number of MGL Ordinary Shares may be limited by the Maximum Exchange Number applicable to the Automatic Exchange Date and as a consequence the value of MGL Ordinary Shares received may be reduced; and
- the market price of MGL Ordinary Shares received may differ from the VWAP during the 5 Trading Days used to determine the Exchange Number of MGL Ordinary Shares.

4.1.16. Impact of failure to Exchange and Write-Off

If BCN are not Exchanged within 5 Business Days of any applicable Automatic Exchange Date then the MGL Ordinary Shares will not be issued and the relevant BCN will be Written-Off. This might occur for any reason, including an Inability Event. An Inability Event occurs if MBL, MGL or any other their Related Bodies Corporate (including MBHPL) is prevented by applicable law, order of any court, action of any government authority (including in connection with the insolvency, Winding Up or other external administration of MBL, MGL or any other their Related Bodies Corporate (including MBHPL)) from observing or performing their obligations in respect of the Exchange. The completion of an Exchange requires not only MGL to issue MGL Ordinary Shares in exchange for the transfer of BCN, but also MGL, MBL and MBHPL to perform the Related Exchange Steps – which involve the issue of MBL Ordinary Shares to MBHPL and the issue of ordinary shares in MBHPL to MGL, and if any of these steps is not carried out or for any other reason the Exchange is not completed within the 5 Business Days, the relevant BCN are Written-Off. In such cases, the BCN Holder will not receive any MGL

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Ordinary Shares or other compensation in respect of these BCN, will have no further claim on MBL or MGL and will suffer a loss of their investment. The laws and circumstances under which an Inability Event arises may change, and such changes may be adverse to the interests of BCN Holders.

4.1.17. MGL Ordinary Shares issued to the Sale Agent

If BCN are to be Exchanged and:

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

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

MBL, 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 BCN Holders for any loss suffered as a result of the sale of MGL Ordinary Shares. The issue of the MGL Ordinary Shares to the Sale Agent will satisfy all obligations of MBL in respect to BCN.

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

If any of MBL, MGL and the Sale Agent is of the opinion that MGL Ordinary Shares cannot be issued to the Sale Agent (or issue would require onerous steps to be taken) or otherwise to the BCN Holder within 5 Business Days of an applicable Automatic Exchange Date, then the relevant BCN will be Written-Off.

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

4.1.18. Restrictions on rights and ranking in a Winding Up

BCN are issued by MBL under the terms of the BCN Deed Poll (including the BCN Terms). A BCN Holder has no claim on MBL in respect of BCN except as provided in the BCN Terms and in the BCN Deed Poll. For further information on the BCN Deed Poll see section 6.1.

BCN are unsecured and subordinated obligations of MBL. In the event of a Winding Up of MBL and assuming that BCN have not been Exchanged, Redeemed or Resold and are not required to be Written-Off, BCN Holders will be entitled to claim for the Liquidation Amount of each BCN equal to \$100 for each BCN. The claim for the Liquidation Amount ranks equally with Equal Ranking Obligations but is subordinated to Senior Creditors and claims preferred by law.

If, on a Winding Up of MBL:

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

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If BCN have been Exchanged (including following the occurrence of an Automatic Exchange Event), BCN Holders will hold MGL Ordinary Shares and rank equally with other holders of MGL Ordinary Shares in a Winding Up of MGL.

Where an Automatic Exchange Event occurs, if Exchange of BCN has not occurred within 5 Business Days following such an event (for example, because applicable laws, order of a court or action of any government authority prevents the Exchange), then the BCN Holder's rights (including to Distributions) in relation to those BCN are immediately and irrevocably Written-Off. The BCN Holder's investment will lose all of its value and the BCN Holder will not receive any MGL Ordinary Shares or other compensation.

BCN may pay a higher rate of distribution than comparable securities and investments which are not subordinated. However, there is a greater risk that a BCN Holder would lose some or all of their investment in BCN should MBL become insolvent or in a Winding Up of MBL.

4.1.19. Other securities issued by MBL or MGL

BCN do not in any way restrict MBL from issuing further MBL Ordinary Shares, securities (including securities that rank equally with or ahead of BCN) or from incurring further debt or MGL from issuing further MGL Ordinary Shares or other securities or from incurring further debt.

MBL's obligations under BCN are subordinate to Senior Creditors and obligations preferred by law. Accordingly, the obligations of BCN:

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

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

An investment in BCN carries no right to participate in any future issue of securities issued by MBL, MGL or any other member of the Macquarie Group.

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

An investment in BCN carries no right to be Redeemed, Resold or otherwise be repaid at the same time as MBL or MGL redeems, resells or otherwise repays any other securities.

4.1.20. Credit rating risk relating to securities

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

4.1.21. Regulatory treatment

BCN are Additional Tier 1 Capital of MBL, which qualify as regulatory capital of MBL for APRA's regulatory purposes. If a change in law or regulation occurs or APRA determines that BCN do not qualify as Additional Tier 1 Capital of MBL, a Regulatory Event may occur. If a Regulatory Event occurs, MBL may be entitled to Exchange or, with the prior written approval of APRA, Resell or Redeem BCN.

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

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

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4.1.22. Tax consequences

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

If a change is made or announced in a law or regulation, or a judicial decision, or an administrative pronouncement, ruling or challenge from a government authority affecting taxation in Australia which was not known about at the time of issue of BCN, which has an adverse effect on MBL or the Macquarie Group in the amount of taxes, assessments or other governmental charges in connection with BCN or affects the withholding or franking treatment of BCN then a Tax Event may occur. If a Tax Event occurs, MBL may be entitled to Exchange or, with the written approval of APRA, Resell or Redeem BCN.

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

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

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

4.1.23. Powers of APRA and ADI statutory managers

Under the Banking Act, APRA has power to issue directions to MBL and MGL and, in certain circumstances, to appoint an ADI statutory manager to take control of MBL's business. These powers of APRA and the powers of an ADI statutory manager are broad and include a power of the statutory manager to cancel shares or any right to acquire shares in MBL, and may

be exercised to intervene in the performance of obligations and the exercise of rights under the BCN (see further section 4.2.4). In addition, APRA may, in certain circumstances, require MBL to transfer all or part of its business to another entity under the Financial Sector (*Business Transfer and Group Restructure*) Act 1999 (Cth) ("**FSBT Act**"). A transfer under the FSBT Act overrides anything in any contract or agreement to which MBL is party, including the BCN Terms.

These powers of APRA and any ADI statutory manager (appointed to MBL) may be exercised in a way which adversely affects the ability of MBL or MGL to comply with their respective obligations in respect of the BCN (including in connection with the Exchange of BCN), and this may adversely affect the position of BCN Holders.

4.1.24. Accounting standards

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

4.1.25. Shareholding limits

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

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

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

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

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4.1.26. FATCA withholding and information reporting

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

MBL is classified as an FFI and intends to become a Participating FFI. Whilst the Macquarie Group is implementing systems and processes to comply with FATCA requirements, there may be further costs to MBL and the Macquarie Group in ensuring compliance with FATCA.

The Australian Government and the U.S. Government signed an intergovernmental agreement (“**IGA**”) in respect of FATCA on 28 April 2014. The impact of the FATCA regime will depend upon the terms of the Australian implementing legislation, which has not yet been finalised. Withholding under FATCA should not be required from payments made with respect to BCN other than in certain prescribed circumstances. However, under the IGA, MBL (or other financial institutions that may be involved in the BCN payment processes, such as custodians or nominees) may be required to provide the Australian Taxation Office with information on investors. MBL expects to be compliant under the IGA and does not anticipate being obliged to deduct or withhold on payments it makes to BCN Holders as a result of FATCA.

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

FATCA is particularly complex and its application is uncertain at this time. Investors should consult their own tax advisers to determine how these rules may apply to payments they will receive under BCN.

4.1.27. Amendment of BCN Terms or BCN Deed Poll

In certain circumstances, MBL may, with APRA’s prior written approval where required, amend the BCN

Terms or BCN Deed Poll without the approval of BCN Holders. These circumstances include where the amendments do not materially adversely affect the interests of the BCN Holders as a whole.

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

APRA’s prior written approval for an amendment is only required where the amendment may affect the eligibility of BCN as Additional Tier 1 Capital of MBL.

4.2. Risks associated with MBL and the Macquarie Group

The factors described below represent the key risks relating to an investment in MBL and the Macquarie Group. In this section, references to the Macquarie Group are to be read to include MBL and matters affecting or concerning the Macquarie Group should also be read to affect or concern MBL.

4.2.1. Impact of risks associated with the Macquarie Group on an investment in BCN

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

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

4.2.2. Market conditions, including funding

Global market conditions are subject to periods of volatility and change which can negatively impact market liquidity, increase credit spreads and reduce funding availability. In recent years global equity and debt markets have experienced difficult conditions.

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These challenging market conditions have resulted in periods of reduced liquidity, extreme volatility and declining asset prices, as well as greater counterparty credit risk, widening of credit spreads and lack of price transparency in credit and other markets.

Market conditions have also led to the failure of a number of financial institutions and the intervention of government authorities and central banks around the world. Global economic conditions remain uncertain. If the economic climate worsens in the future, including due to ongoing sovereign debt concerns in Europe, concerns about United States, European, Chinese or global growth, current geopolitical concerns across Russia, Ukraine and the Middle East, or concerns of a systemic shock, the Macquarie Group's financial performance, business or strategy may be adversely affected.

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

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

In poor market conditions, the Macquarie Group may be required to hold its investment assets for longer, or sell these assets at a lower price than historically expected and this may impact the Macquarie Group's

rate of return on these assets and require funding for longer periods than anticipated. This may include situations where potential buyers of the Macquarie Group's investment assets are unable to obtain financing to purchase assets that the Macquarie Group currently holds or purchases.

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

4.2.3. Liquidity risk

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

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

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

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4.2.4. Legal, regulatory, compliance and documentation risk

Many of the Macquarie Group's businesses are highly regulated, including regulation relating to prudential and liquidity requirements. Failure to comply with legal and regulatory requirements, including tax laws and regulations, and rules relating to conflicts of interest, corrupt and illegal payments and money laundering, or government policies, may have an adverse effect on the Macquarie Group and its reputation among customers and regulators in the market.

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

MBL is regulated by APRA as an ADI. APRA may introduce new prudential regulations or modify existing regulations, including those that apply to MBL as an ADI. Any such event could result in changes to the organisational structure of MBL, its subsidiaries and/or the Macquarie Group and adversely affect the business or financial performance of the Macquarie Group. Many of these regulators have broad administrative powers to regulate and intervene in the operations of the businesses of the Macquarie Group. In particular, APRA has the power under the Banking Act (a) to investigate the Macquarie Group's affairs and/or issue a direction to it (such as a direction to comply with an APRA requirement, to conduct an audit, to remove a director, executive officer or employee or not to undertake transactions), and (b) if MBL becomes unable to meet its obligations or suspends payment (and in certain other limited circumstances), to appoint a third party to take control of MBL's business. The exercise of these broad administrative powers by one or more regulators could have a material adverse effect on the Macquarie Group and its business, reputation, prospects, financial performance or financial condition.

Regulation is becoming more extensive and complex. Some areas of potential regulatory change involve multiple jurisdictions seeking to adopt a coordinated approach. Such an approach may not appropriately respond to the specific requirements of the jurisdictions in which the Macquarie Group operates and, in addition, such changes may be inconsistently introduced across jurisdictions. The Macquarie Group could also be adversely affected by future changes in legal, regulatory and compliance requirements (including requirements relating to licensing).

In particular, any change in regulation of the Macquarie Group to increase the requirements for capital adequacy or liquidity, or a change in accounting standards could have an adverse effect on the Macquarie Group's businesses.

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

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

On 29 January 2013, Macquarie Equities Limited (a subsidiary of MBL) agreed an Enforceable Undertaking (EU) with ASIC. The EU raised concerns about the effectiveness of compliance within Macquarie Private Wealth (MPW), in particular processes, controls and systems previously in place such as record keeping, monitoring and supervision. MPW is the Macquarie Group's retail financial advice business and is primarily engaged in retail broking and equities advice. The Macquarie Group acknowledged these concerns within the EU.

The Macquarie Group has previously provided an update on the progress of the implementation of the EU at its Annual General Meeting on 24 July 2014. It advised the implementation is on track, with three out of the EU's four phases now complete. A client remediation approach has also commenced based on the consistent application of Financial Ombudsman Service principles and is subject to oversight by Deloitte and ASIC. The implementation of the EU is subject to oversight by ASIC and an independent expert, KPMG.

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The Australian government is currently undertaking a review of the Australian financial system, called the Financial System Inquiry. The Financial System Inquiry has released an interim report containing a number of observations and potential policy options, but has not made any recommendations for policy changes at this stage. The Financial System Inquiry's final report is expected to be released in November 2014. It is not possible, at this stage, to predict with any certainty the impact the Financial System Inquiry will have on the reforms that may be adopted by the Australian government and, in particular, their impact on the capital structure or businesses of the Macquarie Group. The outcomes of the Financial System Inquiry and of other government or regulatory reviews and changes, including various workers' compensation schemes, the taxation system and various reforms proposed or already implemented for various Australian federal and state judicial systems, may impact the operations of the Macquarie Group.

The Macquarie Group is also exposed to the risk of inappropriate or inadequate documentation of contractual relationships, or the risk that its agreements do not reflect the commercial intent of the parties, especially for complex transactions including those which involve derivatives.

4.2.5. Increased governmental and regulatory scrutiny or negative publicity

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

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

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

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

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

The Macquarie Group continually assesses the appropriateness of its business mix and the viability of individual businesses in light of regulatory, market and economic conditions and developments. In particular, APRA's conglomerate framework (the implementation of which is still uncertain) may result in the need for internal restructuring of some businesses such as the sale of businesses between the Bank Group and the Non-Bank Group at arm's length.

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

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From time to time, the Macquarie Group may evaluate other strategic opportunities, the outcome of which is dependent upon the quality of their strategic planning process, the implications of the strategy on risk appetite and their ability to evaluate and, if determined to be worthwhile, implement such strategic opportunities.

4.2.7. Exchange rate risk

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

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

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

4.2.8. Market and asset risk

Market risk is the exposure to adverse changes in the value of the Macquarie Group's trading portfolios or other assets or investments as a result of changes in market prices or volatility, including risks arising from exchange rates, interest rates, equities, commodities, derivatives (which are subject to settlement and other

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

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

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

4.2.9. Credit ratings risk

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

4. Investment risks

4.2.10. Competition risk

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

4.2.11. Interest rate risk

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

4.2.12. Credit and counterparty risk

The Macquarie Group is exposed to the risk of financial loss as a result of failure by a client or other counterparty to meet its contractual obligations.

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

4.2.13. Operational risk

The daily operations of the Macquarie Group may result in financial loss, adverse regulatory consequences or reputational damage due to a variety of operational risks including business decisions, technology risk (including failure of the Macquarie Group's business systems or those of its counterparties and service providers), fraud (including fraud or other misconduct by employees), compliance with legal and regulatory obligations, counterparty performance, business

continuity planning, legal and litigation risk, environmental obligations, data integrity, data security and processing risk, managing conflicts of interests and key person risk.

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

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

4.2.14. Custodian risk

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

4.2.15. Capital adequacy risk

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

Many of the capital frameworks that the Macquarie Group operates under have been recently reviewed or are currently under review. APRA has proposed prudential rules to apply to financial conglomerates such as the Macquarie Group, but the implementation of these rules have been deferred until the

4. Investment risks

Government's response to the Financial System Inquiry is known. Changes to these frameworks can require the Macquarie Group to hold more capital and have an adverse impact on the Macquarie Group's financial performance and position and to the market price of BCN and other securities.

4.2.16. Staff recruitment and retention

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

Recent market events have resulted in increased regulatory and public scrutiny of corporate remuneration policies and the establishment of criteria against which industry remuneration policies may be assessed. As an ADI regulated by APRA, MBL may be subject to limitations on remuneration practices (which may or may not affect its competitors).

4.2.17. Reputation risk

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

Many companies in the Macquarie Group and many of the funds managed by entities owned, in whole or in part, by the Macquarie Group use the Macquarie name. MBL does not control those entities that are not subsidiaries, but their actions may reflect directly on its reputation. The Macquarie Group's reputation and, as a result, its businesses and business prospects could be adversely affected if any of the entities using the Macquarie name take actions that bring negative publicity on the Macquarie Group.

4.2.18. Tax risk

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

4.2.19. Information security risks

The Macquarie Group businesses are highly dependent on its information technology systems. The Macquarie Group devotes significant effort to protecting the confidentiality, integrity and availability of its computer systems, software and networks, including maintaining the confidentiality of information that may reside on those systems. However, there can be no assurances that the Macquarie Group's security measures will provide absolute security. Third parties with which the Macquarie Group does business, as well as other third parties with which the Macquarie Group's clients do business, can also be sources of operational risk to it, including with respect to security breaches affecting such parties, breakdowns or failures of the systems or misconduct by the employees of such parties and cyber-attacks. Such incidents may require the Macquarie Group to take steps to protect the integrity of its own operational systems or to safeguard its confidential information and that of its clients, thereby increasing its operational costs and potentially diminishing customer satisfaction. It is possible that the Macquarie Group may not be able to anticipate or to implement effective measures to prevent or minimise damage that may be caused by all information security threats, because the techniques used can be highly sophisticated and can evolve rapidly, and those that would perpetrate attacks can be well resourced. An information security failure could have serious consequences for the Macquarie Group including operational disruption, financial losses, reputational

4. Investment risks

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

4.2.20. Physical trading in oil and other commodities

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

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

4.2.21. Conflicts of Interest

As the Macquarie Group expands its businesses and its client base, it increasingly has to address potential or perceived conflicts of interest, including situations where its services to a particular client conflict with, or are perceived to conflict with, its own proprietary investments or other interests or with the interests of another client, as well as situations where one or more of its businesses have access to material non-public information that may not be shared with other businesses within the Macquarie Group. While the Macquarie Group believes it has adequate procedures and controls in place to address conflicts of interest, including those designed to prevent the improper sharing of information among its businesses, appropriately dealing with conflicts of interest is complex and difficult, and its reputation could be damaged and the willingness of clients to enter into transactions may be adversely affected if the Macquarie Group fails, or appears to fail, to deal appropriately with conflicts of interest. In addition, potential or perceived conflicts could materially adversely affect the Macquarie Group's reputation or business, including give rise to claims by and liabilities to clients, litigation or enforcement actions or discourage clients or counterparties to do business with the Macquarie Group.

4.2.22. Litigation risk

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

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

4.2.23. Poor performance of funds

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

4.2.24. MBL and the Macquarie Group structure

BCN may be exchanged for MGL Ordinary Shares under various circumstances and as a result the return to BCN Holders may be impacted by the financial performance and investor perceptions of the whole of the Macquarie Group, not just MBL and its subsidiaries.

MBL and MGL have corporate governance and policy frameworks that meet APRA's requirements for ADIs and NOHCs, respectively. The Bank Group and the Non-Bank Group operate as separate sub-groups within the Macquarie Group (see section 3.3) with clearly identifiable businesses, separate capital requirements and discrete funding programs.

This separation requires that MBL and its subsidiaries have an arm's-length relationship with the Non-Bank Group. Shared services are provided to entities throughout the Macquarie Group under services agreements. These shared services include risk management, financial operations and economic research services, information technology, treasury, settlement services, equity markets operation services, human resources, business services, company

4. Investment risks

secretarial and investor relations, media relations and corporate communications, taxation, business improvement and strategy, central executive services, accommodation and related services, other group-wide services and business shared services. Other than exercising its rights under those agreements, MBL and its subsidiaries have no direct control over the provision of those services, the Macquarie Group's continued provision of those services or the cost at which such services are provided. Any failure by the Macquarie Group to continue to provide those services or an increase in the cost of those services will have an adverse impact on the Macquarie Group's results or operations.

Entities in the Non-Bank Group may compete and establish businesses that compete with the businesses of MBL and its subsidiaries and those other entities are not obligated to support the businesses of MBL and its subsidiaries. Other than APRA prudential standards and capital adequacy requirements, there are no regulations or agreements governing the allocation of future business between MBL and its subsidiaries and the Non-Bank Group.

4.2.25. The business model of the Macquarie Group includes revenue it generates from management of funds and transactions with the assets it manages

The Macquarie Group's financial condition and results of operation are directly and indirectly affected by the results of the funds or the assets members of the Macquarie Group manage. In addition to risks relating to fee income (as described above) and any credit exposure it may have to funds or assets owned by funds, the Macquarie Group's funds model exposes it to such risks as:

- *Equity at risk*: the Macquarie Group maintains an equity interest in a number of the funds that it manages. The market value of the Macquarie Group's assets is directly affected by the value of the funds managed by the Macquarie Group to the extent of its equity interest in those funds.
- *Reputation risk*: The Macquarie name is attached to many of the funds managed by the Macquarie Group. Any adverse developments in relation to any of the funds the Macquarie Group manages or the assets managed by those funds could have an adverse impact on the Macquarie Group's reputation and public image which could adversely affect its business and financial condition.

- *Contingent liabilities*: In some instances entities in the Macquarie Group have sold assets to funds managed by the Macquarie Group mostly in circumstances when the Macquarie Group is seeding a newly-formed fund with assets, or the Macquarie Group has sold its interest in such assets to third parties. Under the terms of some of the agreements pursuant to which those assets have been sold the Macquarie Group may have contingent liabilities as a result of the representations and warranties, covenants, indemnities or other provisions of those agreements.
- *Conflicts of interest*: the Macquarie Group manages and advises a large number of funds, many of which compete for assets and investors. The Macquarie Group has policies in place designed to manage conflicts of interest within the Macquarie Group but no assurance can be given that those policies will be adequate to prevent actual or perceived conflicts of interest.

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

4.2.26. Other risks

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



Taxation summary

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

5. Taxation summary

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

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

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

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

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

5.1. Class ruling sought on BCN

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

5.2. Distributions on BCN

BCN should constitute a non-share equity interest and Distributions should constitute non-share dividends that are frankable.

BCN Holders should include such Distributions in their assessable income. If the Distribution includes franking credits, BCN Holders should also be required to include the franking credits in their assessable income. However, the BCN Holder may be entitled to a tax offset equal to the franking credits received. This is subject to the BCN Holder satisfying the “holding period rule” (refer below) and the ATO not making

a determination under the anti-avoidance rules (refer below) to deny the benefit of the franking credits to the BCN Holder.

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

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

BCN Holders who are residents of Australia for tax purposes who are not individuals, trustees of complying superannuation funds or companies should consider how they should be treated in relation to the taxation of the Distributions. Such BCN Holders include tax exempt bodies and the trustees of trusts other than complying superannuation funds.

Holding period rule

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

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

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

5. Taxation summary

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

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

Anti-avoidance rules

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

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

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

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

Change in Tax Rate

If the Tax Rate were to change, the maximum amount of franking credits that can be attached to a Distribution would change as a result. In this regard, the current Federal Government’s policy announcements included a proposal to reduce the corporate tax rate from 30% to 28.5% from 1 July 2015. Although their policy announcements also included a proposal to impose a 1.5% special levy from 1 July 2015 on companies with taxable income exceeding \$5 million, such a levy

may not be treated as part of the corporate tax rate for franking purposes.

It remains to be seen whether legislation to reduce the corporate tax rate will actually be introduced and enacted. If the corporate tax rate is reduced to 28.5% from 1 July 2015, then from that time the minimum cash amount of Distributions should increase.

5.3. CGT cost base and acquisition date for BCN

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

Each BCN will be taken to have been acquired by a BCN Holder on the Issue Date.

5.4. Exchange of BCN into MGL Ordinary Shares

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

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

5.5. Sale on ASX, Redemption or Resale

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

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

The class ruling application has also requested that the ATO address the issue as to whether BCN should constitute “traditional securities” such that the gain or loss on the sale of BCN will be treated as effectively ordinary income or loss for tax purposes rather than a capital gain or loss under the CGT rules in the Tax

5. Taxation summary

Act. MBL expects that the ATO should conclude that BCN are not “traditional securities”. On this basis, any gains or losses made by BCN Holders on the sale of BCN should be taxed under the CGT rules.

CGT Discount Concession

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

Where a capital loss is realised on the sale of BCN, the capital loss is only able to reduce current year capital gains, but can be carried forward for use in a later year, subject to certain loss carry forward rules.

5.6. MGL Ordinary Shares following Exchange

The dividends received on MGL Ordinary Shares should give rise to similar tax consequences to those outlined in section 5.2 in relation to Distributions on BCN.

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

5.7. Write-Off of BCN

If Exchange has not occurred within 5 Business Days of an Automatic Exchange Date for any reason, including an Inability Event, a BCN Holder’s rights under BCN will be Written-Off so that they terminate for no consideration.

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

5.8. Provision of TFN and/or ABN

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

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

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

5.9. GST


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

5.10. Stamp duty

Under current law, no stamp duty should be payable by a BCN Holder on the issue, transfer, Redemption, or Resale of BCN.

Under current law, no stamp duty should be payable by a BCN Holder on the issue of shares in MGL on an Exchange or on the transfer of ordinary shares in MGL provided that:

- MGL’s shares are quoted on the ASX; and
- no person (either alone or with associates) obtains a 90% or more interest in MGL. In this context an “interest” generally refers to the entitlement of a shareholder in MGL to participate in a distribution of MGL’s assets on a notional winding up of MGL.



Additional
information

6

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

6. Additional information

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

6.1. BCN Deed Poll

MBL and MGL have entered into the BCN Deed Poll which will constitute the obligations of MBL and MGL under BCN. The BCN Terms are set out as a schedule to the BCN Deed Poll. A copy of the BCN Deed Poll can be obtained from www.MacquarieBCNOffer.com.au.

The following is a summary of the principal provisions of the BCN Deed Poll.

6.1.1. Undertakings

Under the BCN Deed Poll:

- MBL undertakes with each BCN Holder to pay any amounts due and payable in respect of BCN, and to comply with the BCN Terms; and
- MGL undertakes with each BCN Holder to Exchange BCN for MGL Ordinary Shares when required to do so, and to comply with the BCN Terms.

6.1.2. Meetings

The BCN Deed Poll includes provisions for convening meetings of the BCN Holders to consider any matter affecting their interests, including any variation of the BCN Terms. Any action which affects the eligibility of BCN as Additional Tier 1 Capital of MBL cannot be sanctioned or approved by BCN Holders without the prior written approval of APRA.

An Ordinary Resolution or a Special Resolution passed at a meeting of the BCN Holders duly called and held under the meeting provisions will be binding on all the BCN Holders whether or not present at the meeting. Each BCN Holder will be entitled to one vote on a show of hands. On a poll, each BCN Holder will be entitled to one vote for each BCN with respect to which it is the registered holder.

A BCN Holder has no entitlement to attend or vote at a general meeting of MBL, MGL or any other Macquarie Group member or to receive a copy of the MBL or MGL annual report or other financial information sent to holders of MGL Ordinary Shares.

6.2. Implementation Deed

MBL, MGL and MBHPL have entered into an Implementation Deed to give effect to the Related Exchange Steps where an Exchange occurs.

6.3. Offer Management Deed

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

The following is a summary of the principal provisions of the Offer Management Deed.

6.3.1. Fees

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

6.3.2. Representations, warranties and undertakings under the Offer Management Deed

MBL makes various representations and warranties in relation to this Prospectus, compliance with the Corporations Act, conduct of the Offer in accordance with this Prospectus, the MBL Constitution, the Offer Management Deed and the Corporations Act. MBL also warrants that it has the power (including under the MBL Constitution) to enter into and perform transactions and agreements in connection with the Offer Management Deed and the Offer. MGL also makes various representations and warranties including in relation to the conduct of its business, that it is not in breach of the ASX Listing Rules and that it has the power (including under the MGL Constitution) to enter into and comply with the Offer Management Deed.

6.3.3. Termination events

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

- a waiver or approval from ASX, having been granted, is subsequently withdrawn, qualified (other than customary pre-listing conditions) or withheld;
- ASIC issues a stop order or similar proceeding in relation to this Prospectus;

6. Additional information

- this Prospectus does not comply in all material respects with the Corporations Act, the ASX Listing Rules or any other applicable law or regulation;
- the credit rating assigned to MBL or MGL at the date of the Offer Management Deed by Standard & Poor's or Moody's Investor Services is downgraded or withdrawn or that credit rating is placed on negative outlook or credit watch negative;
- MBL withdraws this Prospectus or indicates that it does not intend to proceed with the Offer (other than the General Offer); or
- a specified fall in the S&P ASX 200 Index.

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

- an adverse change in the assets, liabilities, financial position or performance, profits, losses, or prospects of the Macquarie Group (in so far as the position of the entity in the Macquarie Group affects the overall position of MGL);
- a change in senior management as described in this Prospectus or the Board of Directors of MBL or MGL other than the appointment of a Director to the MBL or MGL Board;
- a change in law is introduced or proposed to be introduced which does or is likely to prohibit or adversely regulate the Offer, capital issues, or stock markets or adversely affect the tax treatment of BCN; or
- one of the following occurs:
 - a general moratorium on commercial banking activities in Australia, the United States or the United Kingdom is declared by the relevant central banking authority in any of those countries, or there is a disruption in commercial banking or security settlement or clearance services in any of those countries;
 - trading in all securities quoted or listed on ASX, the London Stock Exchange or New York Stock Exchange is suspended or limited for more than one day on which that exchange is open for trading; or

- there is a suspension or limitation in trading in MBL's or MGL's securities on ASX (other than in connection with the Bookbuild);
- after the successful completion of the Bookbuild:
 - there is an outbreak or major escalation of hostilities involving any one or more of Australia, the United States, the United Kingdom, Hong Kong, China, any member of the European Union, Japan or Singapore or the declaration by any of these countries of a national emergency or war, or a major terrorist attack is perpetrated on any of those countries;
 - the occurrence of any calamity or crisis or any change in financial, political or economic conditions or currency exchange rates or controls in Australia, the United States or the United Kingdom;
- a warranty granted by MBL or MGL contained in the Offer Management Deed is not true or correct.

6.3.4. Indemnity

MBL indemnifies the Joint Lead Managers and their related bodies corporate and each of their officers, directors, employees, agents and advisers against liabilities in connection with their appointment under the Offer Management Deed, or as a result of, the Offer or the Prospectus except to the extent that those liabilities arise from the fraud, recklessness, wilful misconduct or negligence of those parties, or their breach of the Offer Management Deed.

6.4. Summary of rights attaching to MGL Ordinary Shares

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

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

This section briefly summarises the key rights attaching to MGL Ordinary Shares. It is not intended to be an exhaustive summary of the rights and obligations of holders of MGL Ordinary Shares. You can obtain a copy of the MGL Constitution electronically from www.MacquarieBCNOffer.com.au.

The key rights attaching to MGL Ordinary Shares are as follows:

- the right to vote at general meetings of MGL on the basis of:

6. Additional information

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

6.5. Interests and benefits of MBL's Directors

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

H Kevin McCann AM, BA LLB (Hons) (Syd), LLM (Harv), FAICD (age 73)

Independent Chairman since 17 March 2011

Independent Voting Director since December 1996 (of MGL since August 2007)

*Chairman of the MGL Board Nominating Committee
Member of the MGL Board Remuneration Committee*

Kevin McCann is currently a Director of the United States Studies Centre at the University of Sydney, a Director of Evans and Partners Pty Limited and a Director of Sydney Institute of Marine Science. Mr McCann is a Fellow of the University of Sydney Senate, Chair of its Safety and Risk Management Committee and a member of its Finance and Audit, Investment and Commercialisation and Nominations and Appointments Committees. Mr McCann is also a member of the Australian Treasury Advisory Council and the University of Sydney Business School Advisory Board. He is Chairman of the National Library of Australia Foundation, a member of the European Australian Business Council, the Corporate Governance Committee of the Australian Institute of Company Directors, and the Evans and Partners Advisory Board. Mr McCann was a Partner (from 1970 to 2004) and Chairman of Allens Arthur Robinson, a leading firm of Australian lawyers. He practiced as a commercial lawyer specialising in Mergers and Acquisitions, Mineral and Resources Law and Capital Markets Transactions. He was previously Chairman of Origin Energy Limited, Triako Resources Limited, Healthscope Limited and

ING Management Limited and a Director of BlueScope Steel Limited.

Mary J Reemst, BA (Macquarie), Dip Fin Mgt (Accountancy) (UNE), FAICD (age 56)

Managing Director and Chief Executive Officer since July 2014

Executive Voting Director since July 2014

Mary Reemst joined the Board in July 2014 as an Executive Voting Director. She joined Macquarie in August 1999. Ms Reemst was promoted to Executive Director in 2000 and became Head of RMG Credit, Risk Management Group in April 2003. In this role she led 140 staff in Sydney, New York, London, Houston, Hong Kong and Singapore, who were responsible for approving and monitoring exposures taken by the Macquarie Group, including lending, trading activities, equity investments and new products. Prior to joining Macquarie, Mary held senior roles within investment banking at Bankers Trust Australia.

Ms Reemst is currently a Director of the Australian Financial Markets Association and a Director of the Financial Markets Foundation for Children.

Nicholas W Moore, BCom LLB (UNSW), FCA (age 55)

Managing Director and Chief Executive Officer of MGL since May 2008

Executive Voting Director since May 2008 (of MGL since February 2008)

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

Gary R Banks, AO, BEc (Hons) (Monash), MEc (ANU) (age 64)

Independent Voting Director since August 2013

Member of the MGL Board Nominating Committee

Member of the MGL Board Remuneration Committee

Gary Banks is Dean and Chief Executive Officer of the Australia and New Zealand School of Government

6. Additional information

(ANZSOG). He was Chairman of the Australian Productivity Commission from its inception in 1998 until 2012. He is a Professorial Fellow at the University of Melbourne and Adjunct Professor at the Australian National University. Gary Banks currently chairs the Regulatory Policy Committee of the Organisation for Economic Co-operation and Development (OECD) and is a Member of the Advisory Board of the Melbourne Institute and the Prime Minister's Business Advisory Council. He was previously a Senior Economist with the GATT Secretariat in Geneva, Visiting Fellow at the Trade Policy Research Centre in London, Projects Director with the Centre for International Economics in Canberra and has been a consultant to the World Bank, OECD and World Trade Organisation. He chaired the Regulation Taskforce in 2006 and the Infrastructure Stream at the Prime Minister's 2020 Summit.

Michael J Coleman, MComm (UNSW), FCA, FCPA, FAICD (age 64)

Independent Voting Director since November 2012
Chairman of the Board Audit Committee
Member of the MGL Board Governance and Compliance Committee
Member of the MGL Board Nominating Committee

Michael Coleman is currently Chairman of the Financial Reporting Council, a member of the Audit Committee of the Reserve Bank of Australia, Chairman of the Reporting Committee and a member of the NSW Council of the Australian Institute of Company Directors, and a member of the Advisory Board of Norton Rose Fulbright Australia. He is Adjunct Professor at the Australian School of Business at the University of New South Wales. Mr Coleman is also Chairman of Planet Ark Environmental Foundation, Chair of the Advisory Board of the Centre for Accounting and Assurance Services Research at UNSW, a Director of Osteoporosis Australia and a board member of Belvoir Street Theatre Foundation Ltd. Previously Mr Coleman was Chairman of ING Management Limited. Mr Coleman was a senior audit partner with KPMG for 30 years. He was KPMG's inaugural National Managing Partner Assurance and Advisory from 1998 to 2002, National Managing Partner for Risk and Regulation from 2002 to 2010 and Regional Leader for Asia Pacific Quality and Risk Management from 2002 to 2011.

Patricia A Cross, BSc (Hons) (Georgetown), FAICD (age 55)

Independent Voting Director since August 2013
Member of the Board Audit Committee

Member of the MGL Board Nominating Committee
Member of the MGL Board Remuneration Committee

Patricia Cross is currently a Director of Aviva plc, Chairman of Commonwealth Superannuation Corporation, and a founding Director of the Grattan Institute. She is also an Australian Indigenous Education Foundation ambassador. Mrs Cross has extensive international financial and banking experience, through senior executive roles with Chase Manhattan Bank and Chase Investment Bank, Banque Nationale de Paris and National Australia Bank. At National Australia Bank, Mrs Cross was responsible for the Wholesale Banking and Finance Division and was a member of the Executive Committee. Previously she was a Director of Qantas Airways Limited, National Australia Bank Limited, JBWere Limited, Wesfarmers Limited, AMP Limited, Suncorp-Metway Limited, Chairman of Qantas Superannuation Limited, and Deputy Chairman of the Transport Accident Commission of Victoria.

Mrs Cross has held a number of honorary government positions, including five years as a founding member of the Financial Sector Advisory Council, APEC Business Advisory Council, and as a member of the Panel of Experts to the Australia as a Financial Centre Forum. She has also served on a wide range of not for profit boards, including the Murdoch Childrens Research Institute. In 2001, Mrs Cross received the Australian Centenary Medal for service to Australian society through the finance industry.

Diane J Grady AM, BA (Mills), MA (Hawaii), MBA (Harv), FAICD (age 66)

Independent Voting Director since May 2011
(of Macquarie Bank since May 2011)
Member of the MGL Board Governance and Compliance Committee
Member of the MGL Board Nominating Committee
Member of the MGL Board Remuneration Committee

Ms Grady has been a full time independent director of public companies and not-for-profit boards since 1994. She is currently a Director of Spotless Group Holdings Limited, a Director of Australian Stationery Industries, and a member of the McKinsey Advisory Council, the Centre for Ethical Leadership/Melbourne Business School, the NSW Innovation and Productivity Council and the Heads Over Heels Advisory Board. She is Chair of Ascham School and the Hunger Project Australia. Previously she was a Director of BlueScope Steel Limited, Woolworths Limited, Goodman Group, Watty Limited, Lend Lease US Office Trust, Lend Lease Limited, MLC and a Trustee of the Sydney Opera

6. Additional information

House. She was also President of Chief Executive Women and a member of the UTS Business School Advisory Board.

Ms Grady was formerly a partner at McKinsey & Company where she spent 15 years consulting to clients in a broad range of industries on strategic and operational issues. She was a worldwide leader of the firm's Organisation and Change Management Practice and the first woman outside the United States to be elected to McKinsey's global partnership. In Australia, she headed McKinsey's Consumer Goods, Retailing and Marketing Practice Group. Ms Grady was made a member of the Order of Australia in 2009 for her contribution to business and to the promotion of women leaders and in 2001 received a Centenary Medal for service to Australian society through business leadership.

Michael J Hawker AM, BSc (Sydney), FAICD, SF Fin (age 54)

Independent Voting Director since March 2010

Chairman of the MGL Board Governance and Compliance Committee

Member of the MGL Board Audit Committee

Member of the MGL Board Nominating Committee

Michael Hawker was Chief Executive Officer and Managing Director of Insurance Australia Group from 2001 to 2008. From 1995 to 2001, Mr Hawker held a range of positions at Westpac, including Group Executive of Business and Consumer Banking and General Manager of Financial Markets. Prior to this, he held a number of positions at Citibank, including Deputy Managing Director for Australia and subsequently Executive Director, Head of Derivatives, Europe. Currently, Mr Hawker is Chairman of the George Institute for Global Health, a member of the George Institute for Global Health (UK) and a Director of Aviva Plc Group, the largest insurance provider in the UK. He is also Director of Washington H Soul Pattinson and Company Limited and Chairman of Australian Rugby Union. Mr Hawker is a member of the International Rugby Board Council, the Executive Committee of the International Rugby Board and of the board of trustees of the Giant Steps Foundation. He was previously President of the Insurance Council of Australia, Chairman of the Australian Financial Markets Association, a board member of the Geneva Association, a member of the Financial Sector Advisory Council and Chairman of SANZAR (South African, New Zealand and Australian Rugby). Mr Hawker is additionally the founder of the Australian Business in the Community Network.

Nicola M Wakefield Evans, BJuris/BLaw (UNSW), MAICD (age 53)

Independent Voting Director since February 2014

Member of the MGL Board Audit Committee

Member of the MGL Board Governance and Compliance Committee

Member of the MGL Board Nominating Committee

Nicola Wakefield Evans is currently a director of Lend Lease Corporation Limited, Toll Holdings Limited and BUPA Australia & New Zealand Group. She is also a member of the Advisory Board at the University of New South Wales Law School and a director of Asialink at the University of Melbourne. Ms Wakefield Evans has extensive experience as a corporate finance lawyer at King & Wood Mallesons (previously Mallesons Stephen Jaques), where she was a partner for over 20 years, including Managing Partner, Practice division (Sydney) from 2004 to 2007, and Managing Partner, International (Hong Kong) from 2007 to 2010.

Ms Wakefield Evans is a member of the Australian Institute of Company Directors, the International Bar Association and Chief Executive Women. She holds a Bachelor of Jurisprudence and Laws and is a qualified lawyer in Australia, Hong Kong and the United Kingdom. She was also included in the Australian Financial Review and Westpac Group's inaugural list of 'Australia's 100 Women of Influence'.

Peter H Warne, BA (Macquarie), FAICD (age 58)

Independent Voting Director since July 2007

(of MGL since August 2007)

Chairman of the MGL Board Remuneration Committee

Member of the MGL Board Nominating Committee

Peter Warne was Head of Bankers Trust Australia Limited's (BTAL) Financial Markets Group from 1988 to 1999. Prior to this he held a number of roles at BTAL. Mr Warne was a Director of the Sydney Futures Exchange (SFE) from 1990 and served as Deputy Chairman from 1995 to 1999. When the SFE merged with the Australian Securities Exchange (ASX Limited) in July 2006, he became a Director of ASX Limited, a position he still holds. Currently, Mr Warne is on the boards of other listed entities, including Chairman of ALE Property Group, Chairman of OzForex Group Limited and Deputy Chairman of Crowe Horwath Australasia Limited. He is also a Director of Securities Research Centre of Asia Pacific Limited and of New South Wales Treasury Corporation, a member of the Advisory Board of the Australian Office of Financial Management and a Patron of Macquarie University Foundation. He is a former Director of Next Financial Limited.

6. Additional information

Directors' relevant interests

The interests of Directors on 15 September 2014 in MGL Ordinary Shares are listed in the table below:

Name and position	Direct interests		Indirect interests	
Executive Voting Directors				
N. W. Moore	MGL Ordinary Shares	1,246,519	MGL Ordinary Shares	365,295
	MEREP RSUs	649,723		
	MEREP PSUs	327,154		
M. J. Reemst	MGL Ordinary Shares	10,850		
	MEREP RSUs	87,698		
Independent Voting Directors				
H. K. McCann			MGL Ordinary Shares	12,728
G. R. Banks	MGL Ordinary Shares	2,916		
M. J. Coleman			MGL Ordinary Shares	7,000
P. A. Cross			MGL Ordinary Shares	7,500
D. J. Grady			MGL Ordinary Shares	6,035
			Macquarie Group Capital Notes	400
M. J. Hawker	MGL Ordinary Shares	4,248	MGL Ordinary Shares	2,888
N. M. Wakefield Evans			MGL Ordinary Shares	2,500
P. H. Warne	MGL Ordinary Shares	2,590	MGL Ordinary Shares	12,343

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

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

Macquarie's Non-Executive Directors are remunerated for their services from the maximum aggregate amount approved by shareholders for this purpose. The current limit (\$A4,000,000 per annum) was approved by Macquarie Group shareholders at Macquarie Group's 2010 Annual General Meeting. The Board ensures that Non-Executive Director remuneration for Macquarie Group Limited and Macquarie Bank Limited taken together does not exceed this shareholder approved maximum aggregate amount. Executive Voting Directors are not remunerated for acting as Voting Directors. The MGL Constitution contains provisions about the remuneration of the Directors. As remuneration for their services as Directors, the Non-Executive Voting Directors are paid fees determined by the MGL Board. Each Non-Executive Voting Director may also be paid additional remuneration for performance of additional services and is entitled to reimbursement of reasonable out-of-pocket expenses. Michael Coleman will be paid

\$12,000 for additional services performed in connection with the preparation of this Prospectus.

Other than as set out in this Prospectus, no amount (whether in cash, MGL Ordinary Shares or otherwise) has been paid or agreed to be paid, nor has any benefit been given or agreed to be given, to any Director or proposed Director of MBL:

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

The Directors (and certain other related parties of MGL) may collectively acquire no more than 0.2% of BCN offered under the Offer without MGL Shareholder approval (subject to certain conditions) – see section 6.9.2.

6. Additional information

6.6. Consents to be named

MGL has consented to the inclusion of information about Macquarie Group (other than information about MBL) in sections 3.2 to 3.8 and 6.4 in the form and context in which that information is included.

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

- the Arranger;
- each Joint Lead Manager;
- each Co-Manager;
- Greenwoods & Freehills Pty Ltd;
- PricewaterhouseCoopers Securities Ltd;
- King & Wood Mallesons; and
- Computershare Investor Services Pty Ltd.

Except as outlined above, none of the parties have made any statement that is included in this Prospectus or any statement on which a statement made in this Prospectus is based. Each party expressly disclaims all liability in respect of, makes no representations regarding, and takes no responsibility for, any statements in, or omissions from, this Prospectus. This applies to the maximum extent permitted by law but does not apply to any matter to the extent to which consent is given.

6.7. Interests and benefits of advisers

Each of Macquarie Capital (Australia) Limited, ANZ Securities Limited, Citigroup Global Markets Australia Pty Limited, Commonwealth Bank of Australia, Evans and Partners Pty Limited, J.P. Morgan Australia Limited, Morgans Financial Limited and National Australia Bank Limited have acted as joint lead managers to the Offer, in respect of which they will receive fees from MBL. The estimated aggregate fees payable by MBL to the Joint Lead Managers are \$8.0 million (exclusive of GST), making certain assumptions as to the allocation of BCN between the Broker Firm Offer, General Offer and Securityholder Offer.

Greenwoods & Freehills Pty Ltd have acted as tax adviser to MBL in relation to the Offer. In respect of this work, MBL estimates that it will pay approximately \$150,000 (excluding disbursements and GST) to Greenwoods & Freehills Pty Ltd for work up to the date of the Original Prospectus. Further amounts may be paid to Greenwoods & Freehills Pty Ltd under its normal time-based charges.

PricewaterhouseCoopers Securities Ltd has acted as accounting adviser to MBL in relation to the Offer and has performed specific procedures relating to certain financial matters disclosed in this Prospectus. In respect of this work, MBL estimates that it will pay approximately \$105,000 (excluding disbursements and GST) to PricewaterhouseCoopers Securities Ltd for work up to the date of the Original Prospectus. Further amounts may be paid to PricewaterhouseCoopers Securities Ltd under its normal time-based charges.

King & Wood Mallesons have acted as Australian legal adviser to MBL in relation to the Offer and have performed work in relation to drafting the BCN Terms and transaction documents, advised on the due diligence and verification program and performed due diligence required on legal matters. In respect of this work, MBL estimates that it will pay approximately \$500,000 (excluding disbursements and GST) to King & Wood Mallesons for work up to the date of the Original Prospectus. Further amounts may be paid to King & Wood Mallesons under its normal time-based charges.

Except as set out in this Prospectus:

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

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

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

6. Additional information

6.8. Expenses of the Offer

The total expenses of the Offer will be paid out of the proceeds of the Offer. Assuming the Offer raises \$420 million, then the net proceeds of the Offer are expected to be \$410 million as total expenses of the Offer (including fees payable to the Joint Lead Managers, legal, accounting, tax, marketing and administrative fees, as well as printing, advertising and other expenses related to the Prospectus and the Offer) are expected to be \$10 million. All of these expenses have been, or will be, borne by MBL.

6.9. ASIC and ASX relief

6.9.1. ASIC

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

6.9.2. ASX

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

- confirmation that listing rule 3.20.2 and Appendix 3A will not apply to the Exchange of BCN following an APRA determination of a Non-Viability Event or a Common Equity Tier 1 Trigger Event;
- confirmation that the BCN Terms are appropriate and equitable for the purposes of listing rule 6.1;
- confirmation that BCN are not preference securities for the purposes of listing rules 6.4-6.7;
- confirmation that the Exchange of BCN in accordance with the BCN Terms is appropriate and equitable for the purposes of listing rule 6.12 (relating to restrictions on divesting holders of their securities);
- determination of how the issue of BCN is to be treated for the purposes of MGL's placement capacity under listing rule 7.1; and
- waiver from listing rule 10.11 to permit the issue of BCN (and any MGL Ordinary Shares into which they may convert) to related parties of MGL on condition that they are collectively restricted to applying for no more than 0.2% of the total issue.

6.10. Offer jurisdictions

The Offer is made only to persons who are resident in Australia (and not otherwise prevented from receiving the Offer or BCN under the securities laws of another jurisdiction, as determined by MBL) and to certain Institutional Investors who may participate in the Broker Firm Offer as determined by MBL and the Arranger.

United States of America

This Prospectus does not constitute an offer to sell, or a solicitation of an offer to buy, securities in the United States. Neither BCN nor MGL Ordinary Shares have been or will be registered under the US Securities Act and may not be offered or sold in the United States except in transactions exempt from, or not subject to, registration under the US Securities Act and applicable US state securities laws. Any offer, sale or resale of BCN in the United States by a dealer (whether or not participating in the Offer) may violate the registration requirements of the US Securities Act.

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

- BCN and this Prospectus have not been, and will not be, registered under the US Securities Act or with any securities authority in any state of the United States;
- it is not in the United States, it is not a "US Person" (as defined in Regulation S under the Securities Act) and it is not acting for the benefit of a US Person;
- it will not offer, sell, pledge or transfer any BCN in the United States or to a US Person, except a transaction exempt from, or not subject to, the registration requirements of the US Securities Act and any applicable laws of any state of the United States;
- it has not and will not send the Prospectus and any Application Form, or any other material relating to the Offer to any person in the United States; and
- MBL and the Joint Lead Managers will rely upon the truth and accuracy of the foregoing representations, agreements and acknowledgements and agrees that, if any of such representations, agreements and acknowledgements are no longer accurate, it will promptly notify MBL, and if it is acquiring any BCN as fiduciary or agent for one or more accounts, it has full power to make the foregoing representations, agreements and acknowledgements on behalf of each such account.

6. Additional information

6.11. Acknowledgements

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

- acknowledge having personally received a printed or electronic copy of the Prospectus (and any supplementary or replacement Prospectus);
- acknowledge they understand the BCN Terms and have had opportunity to consider the suitability of an investment in BCN with their professional advisers;
- agree to be bound by the BCN Terms;
- agree to the terms of the Offer and provide authorisation to be registered as the holder of BCN and, on Exchange, become a member of MGL and to be bound by the terms of the MGL Constitution;
- acknowledge that, in some circumstances, MBL may not pay Distributions or any other amount payable on BCN;
- apply for, and agreed to being allocated, the number of BCN set out in or determined in accordance with their Application Form;
- represent and warrant that all details and statements on their Application Form are complete and accurate;
- declare, to the extent they are a natural person, that they are at least 18 years of age;
- authorise MBL and the Joint Lead Managers to do anything on behalf of the Applicant(s) that is necessary for BCN to be allocated to them;
- acknowledge that once received by the Registrar or MBL, their Application may not be varied or withdrawn except as allowed by law;
- acknowledge that the information contained in this Prospectus (or any supplementary or replacement Prospectus) is not personal investment advice or a recommendation that BCN are suitable for the Applicant;
- declare that the Applicant is a resident of Australia and not otherwise prevented from receiving the Offer or BCN under the securities laws of another jurisdiction, or otherwise a person to whom the Offer can be made, and BCN issued, in accordance with section 6.10;

- acknowledge that any Application may be rejected without giving any reason, including where the Application Form is not properly completed or where the Application Payment is for an incorrect amount; and
- acknowledge that BCN are not protected accounts and are not deposit liabilities for the purposes of the Banking Act and that investments are subject to investment risk, including possible delays in repayment and loss of income and principal invested and that MBL does not in any way guarantee or stand behind the capital value or performance of BCN.

6.12. Directors consent to lodgement

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



7
How to Apply

7. How to apply

7.1. Applications and obtaining a Prospectus

During the Offer Period, Applications for BCN pursuant to the Securityholder Offer or the General Offer can only be made online by completing the online Application Form available at www.MacquarieBCNOffer.com.au. Applications pursuant to the Broker Firm Offer must be made through your Syndicate Broker. You must contact your Syndicate Broker for further information on the application process. By lodging an Application, you declare that you were given access to the Prospectus (either printed or electronic) together with the Application Form.

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

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

Paper copies of this Prospectus can also be obtained free of charge by calling the BCN Offer Information Line on 1300 634 564 (within Australia) or on +61 3 9415 4230 (International) (Monday to Friday 8.30am – 5.30pm, Sydney time) during the Offer Period.

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

7.2. Applying for BCN

To apply for BCN pursuant to the Securityholder Offer or the General Offer, you must complete the online Application Form at www.MacquarieBCNOffer.com.au. Applications pursuant to the Broker Firm Offer must be made through your Syndicate Broker. You must contact your Syndicate Broker for further information on the application process.

You may apply for BCN under one or more of:

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

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

7. How to apply

	Who can apply?	When to apply	How to apply
Broker Firm Offer	<ul style="list-style-type: none"> Broker Firm Applicants 	<ul style="list-style-type: none"> Applications will only be accepted during the Offer Period, which is expected to open on 23 September 2014. The Closing Date for the Broker Firm Offer is expected to be 5.00pm (Sydney time) on 7 October 2014. If you are a client of a Syndicate Broker, you must contact your broker directly for instructions as to how to participate in the Broker Firm Offer. 	<ul style="list-style-type: none"> Applications pursuant to the Broker Firm Offer must be made through your Syndicate Broker. You must contact your Syndicate Broker for further information on how to apply through the Broker Firm Offer.
Securityholder Offer	<ul style="list-style-type: none"> Eligible Securityholders 	<ul style="list-style-type: none"> Applications will only be accepted during the Offer Period, which is expected to open on 23 September 2014. The Closing Date for the Securityholder Offer is expected to be 5.00pm (Sydney time) on 3 October 2014. Your completed online Application Form and Application Payment must be received by the Registrar by the Closing Date for the Securityholder Offer. 	<ul style="list-style-type: none"> Eligible Securityholders must apply online. Please go to www.MacquarieBCNOffer.com.au and follow the instructions to apply online. When applying online, you will be required to pay for BCN using BPAY®.
General Offer	<ul style="list-style-type: none"> General Applicants 	<ul style="list-style-type: none"> Applications will only be accepted during the Offer Period, which is expected to open on 23 September 2014. The Closing Date for the General Offer is expected to be 5.00pm (Sydney time) on 3 October 2014. Your completed online Application Form and Application Payment must be received by the Registrar by the Closing Date for the General Offer. 	<ul style="list-style-type: none"> All General Applicants must apply online. Please go to www.MacquarieBCNOffer.com.au and follow the instructions to apply online. When applying online, you will be required to pay for BCN using BPAY®.

7.2.1. BPAY® payments

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

7.2.2. Applications by Institutional Investors

If you are an Institutional Investor, you were required to participate in the Broker Firm Offer by contacting the Arranger prior to the close of the Bookbuild. MBL reserves the right to not accept Applications that appear to be Applications from Institutional Investors where they have not been received through the Arranger.

7.2.3. Brokerage, commission and stamp duty

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

7. How to apply

7.2.4. Application Payments held on trust

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

7.2.5. Refunds

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

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

7.2.6. Minimum Application

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

7.3. Bookbuild and allocation policy

7.3.1. Bookbuild

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

7.3.2. Allocation policy

Broker Firm Offer

- Allocations to Syndicate Brokers and Institutional Investors were agreed by MBL and the Joint Lead Managers following completion of the Bookbuild.
- Allocations to Broker Firm Applicants by a Syndicate Broker are at the discretion of that Syndicate Broker.

Securityholder Offer and General Offer

- Allocations for the Securityholder Offer and General Offer will be determined by MBL and the Joint Lead Managers after the Closing Date.
- MBL has absolute discretion to determine the method and extent of the allocations.
- If there is excess demand for BCN after allocations to Bookbuild participants, Securityholder Applicants will be given priority over General Applicants.
- MBL has absolute discretion to determine the method and extent of the priority allocation to Securityholder Applicants.
- MBL reserves the right to scale back Applications from Securityholder Applicants and General Applicants. Any scale back will be announced on ASX on the Issue Date – expected to be 8 October 2014.
- MBL reserves the right to:
 - allocate to any Securityholder Applicant or General Applicant all BCN for which they have applied;
 - reject any Application by a Securityholder Applicant or General Applicant; or
 - allocate to any Securityholder Applicant or General Applicant a lesser number of BCN than that applied for, including less than the minimum Application of BCN, or none at all.
- No assurance is given that any Securityholder Applicant or General Applicant will receive an allocation of BCN.

7.4. Other information

7.4.1. Restrictions on distribution

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

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

This Prospectus (including an electronic copy) may not be distributed to or released, in whole or in part, in the US. This Prospectus does not constitute an offer to sell, or a solicitation of an offer to buy, securities in the US.

7. How to apply

Neither BCN nor the MGL Ordinary Shares have been or will be registered under the US Securities Act and may not be offered or sold in the US except in transactions exempt from, or not subject to, registration under the US Securities Act and applicable US state securities laws. Any offer, sale or resale of BCN in the US by a dealer (whether or not participating in the Offer) may violate the registration requirements of the US Securities Act.

In consultation with MBL, BCN may be offered to certain permitted jurisdictions outside Australia under the Broker Firm Offer where such offer is made, and accepted, in accordance with the laws of such jurisdictions (see section 6.10 for foreign selling restrictions).

Each person submitting an Application Form will be deemed to have acknowledged that they are aware of the restrictions referred to in this section 7.4.1 and to have represented and warranted that they are able to apply for and acquire BCN in compliance with those restrictions.

7.4.2. Application to ASX for quotation of BCN

MBL has applied to ASX for BCN to be quoted on ASX.

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

7.4.3. CHESS and issuer sponsored holdings

MBL will apply for BCN to participate in CHESS. No certificates will be issued for BCN. MBL expects that Holding Statements for issuer sponsored holders and confirmations for CHESS holders will be despatched to successful Applicants by 10 October 2014.

7.4.4. Deferred settlement trading and selling BCN on market

It is expected that BCN will begin trading on ASX on a deferred settlement basis on 9 October 2014 under ASX Code MBLPA. Trading is expected to continue on that basis until 13 October 2014, when it is anticipated that trading of BCN will begin on a normal settlement basis. Deferred settlement will occur as a consequence of trading which takes place before Holding Statements are despatched to successful Applicants.

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

You may call the BCN Offer Information Line on 1300 634 564 (within Australia) or on +61 3 9415 4230 (International) (Monday to Friday 8.30am – 5.30pm, Sydney time) or your Syndicate Broker after the Issue Date to enquire about your allocation.

7.4.5. Provision of TFN and/or ABN

When your Holding Statement is mailed to you, you will also be mailed a form on which to provide your TFN and/or ABN should you wish to do so (see section 5.8).

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

7.4.6. Provision of bank account details for payments

MBL will only pay Distributions to Australian investors directly into an Australian dollar account of a financial institution nominated by you at any time before close of business on the record date in respect of that payment. MBL will not pay Distributions on BCN to Australian investors by cheque. Investors who are not Australian residents will be able to receive Distributions via cheques.

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

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

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

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

7. How to apply

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

7.5. Privacy statement

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

MBL may also use your personal information to tell you about other products and services offered by MBL or other members of the Macquarie Group and in order to do that we may disclose your personal information to other member companies in the Macquarie Group or to their third party service providers. Please contact the Registrar on +61 (3) 9415 4137 if you do not consent to the use and disclosure of your personal information for these purposes.

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

If you become a BCN Holder, the Corporations Act requires MBL to include information about BCN Holders (including name, address and details of the securities held) in the Register. The information contained in the Register must be retained, even if you cease to be a BCN Holder. Information contained in the Register is also used to facilitate payments including Distributions and corporate communications (including information that MBL wishes to communicate to BCN Holders) and to help ensure compliance by MBL with legal and regulatory requirements.

On Exchange, MBL and the Registrar will provide your personal information to MGL and its registrar who will be permitted to use and disclose that information as described above.

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

Privacy Officer
Computershare Investor Services
Yarra Falls, 452 Johnston Street
Abbotsford VIC Australia 3067

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

MBL adheres to the privacy policy, which is available at macquarie.com.au.

7.6. Enquiries

7.6.1. Securityholder Applicants and General Applicants

You can call the BCN Offer Information Line on 1300 634 564 (within Australia) or on +61 3 9415 4230 (International) (Monday to Friday 8.30am – 5.30pm, Sydney time, during the Offer Period) if you:

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

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

7.6.2. Broker Firm Applicants

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

Appendix

A

BCN Terms.

Appendix A: BCN terms

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

1 Form and ranking

1.1 Issue Price

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

1.2 Form

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

1.3 Entries in the Register

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

1.4 CHESS

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

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

will be subject to and governed by the ASX Settlement Operating Rules (but without affecting any provisions of these Terms which affect the eligibility of the BCN as Additional Tier 1 Capital).

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

1.5 Ranking

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

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

1.6 Independent obligations

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

Appendix A: BCN terms

1.7 No other rights

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

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

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

2 Distributions

2.1 Distributions

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

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

where:

Distribution Payment Date means, in respect of a BCN:

- (a) each 24 March and 24 September commencing on 24 March 2015 until (but not including) the date on which that BCN has been Redeemed or Exchanged in accordance with these Terms; and
- (b) the Redemption Date or, subject to clause 8.6(c), the Resale Date or an Exchange Date, except where the Exchange is on account of an Automatic Exchange Event;

Distribution Rate means:

(Reference Rate + Margin) × Franking Adjustment Factor,

where:

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

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

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

(and provided that where a BCN is Resold on a day which is not a scheduled semi-annual Distribution Payment Date, the Reference Rate for the Distribution Period commencing on the Resale Date is the Reference Rate for the Distribution Period preceding the Resale Date);

(b) **Bills** has the meaning given in the Bills of Exchange Act 1909 (Cth);

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

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

where:

- (i) **F** means the Franking Rate; and
- (ii) **T** means the Tax Rate;

(d) **Margin** means the rate (expressed as a percentage per annum) determined under the Bookbuild; and

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

Record Date means, for any payment of Distributions:

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

2.2 Business Days

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

Appendix A: BCN terms

2.3 Distribution payment conditions

The payment of any Distribution will be made unless:

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

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

2.4 Non-payment of Distributions

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

2.5 Dividend Restriction

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

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

- (i) determine, declare or pay any MBL Ordinary Share Dividend; or
- (ii) undertake any Buy-Back or Capital Reduction.

- (b) The Dividend Restriction does not apply:
 - (i) in connection with any employment contract, employee equity plan, other benefit plan or other similar arrangement with or for the benefit of any one or more employees, officers, directors or consultants of a member of the Macquarie Group; or
 - (ii) to the extent that at the time a Distribution has not been paid on the relevant Distribution Payment Date, the Issuer is legally obliged to pay on or after that date a MBL Ordinary Share Dividend or is legally obliged to complete on or after that date a Buy-Back or Capital Reduction.

3 Scheduled Mandatory Exchange

3.1 Scheduled Mandatory Exchange

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

3.2 Mandatory Exchange Date

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

- (a) 24 March 2023 (the “**Scheduled Mandatory Exchange Date**”) (a “**Scheduled Mandatory Exchange**”); or
- (b) any Distribution Payment Date (within the meaning of paragraph (a) of the definition of that term) after the Scheduled Mandatory Exchange Date (a “**Deferred Mandatory Exchange Date**”),

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

3.3 Exchange Conditions

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

- (a) the Daily VWAP on the 25th Business Day immediately preceding (but not including) the Relevant Mandatory Exchange Date (or, if that day is not an ASX Trading Day, the last ASX Trading Day prior to that day) is greater than 56% of the Issue Date VWAP (“**First Exchange Condition**”);

Appendix A: BCN terms

- (b) the VWAP during the 20 ASX Trading Days immediately preceding (but not including) the Relevant Mandatory Exchange Date is such that the number of MGL Ordinary Shares to be issued (calculated in accordance with clause 9.1 as if it were not limited by the Maximum Exchange Number applicable to the Relevant Mandatory Exchange Date) is less than or equal to the Maximum Exchange Number applicable to a Relevant Mandatory Exchange Date (“**Second Exchange Condition**”);
 - (c) no Suspension Event applies in respect of the Relevant Mandatory Exchange Date (“**Third Exchange Condition**”); and
 - (d) MGL is not Delisted as at the Relevant Mandatory Exchange Date (“**Fourth Exchange Condition**”),
- together, the “**Exchange Conditions**”.

3.4 Mandatory Exchange Notices

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

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

4 Automatic Exchange

4.1 Automatic Exchange Event

An “**Automatic Exchange Event**” will occur if either of the following occurs:

- (a) the Issuer determines, or APRA has notified the Issuer in writing that it believes, that either or both of the Common Equity Tier 1 Ratios in respect of

the MBL Level 1 Group and the MBL Level 2 Group is equal to or less than 5.125% (“**Common Equity Tier 1 Trigger Event**”); or

- (b) APRA:
 - (i) has issued a written notice to the Issuer that:
 - (A) Exchange of the BCN; or
 - (B) the exchange or conversion into MGL Ordinary Shares or write-off of Relevant Tier 1 Securities in accordance with their terms or by operation of law,is necessary because, without such exchange, conversion or write-off, APRA considers that the Issuer would become non-viable; or
 - (ii) has notified the Issuer in writing that it has determined that without a public sector injection of capital, or equivalent support, the Issuer would become non-viable,

(each, a “**Non-Viability Event**”).

The Issuer must immediately notify APRA in writing if the Issuer determines that a Common Equity Tier 1 Trigger Event has occurred.

4.2 Exchange on account of an Automatic Exchange Event

Subject to this clause 4, if an Automatic Exchange Event occurs, the Issuer must immediately, in accordance with this clause 4 and clause 9, Exchange such number of BCN as is equal (following or together with any conversion into MGL Ordinary Shares or write-off of Relevant Tier 1 Securities as referred to in clause 4.3) to the aggregate face value of Relevant Tier 1 Securities which APRA has notified the Issuer must be exchanged into MGL Ordinary Shares, converted into MGL Ordinary Shares or written-off (or, if APRA has not so notified the Issuer, such number of BCN as the Issuer determines is necessary to satisfy APRA that:

- (a) in the case of a Common Equity Tier 1 Trigger Event, the Common Equity Tier 1 Ratio in respect of either or both of the MBL Level 1 Group and the MBL Level 2 Group, as the case may be, will be restored to greater than 5.125%; or
- (b) in the case of a Non-Viability Event, the Issuer will not become non-viable),

(provided that in the case of a Non-Viability Event described in clause 4.1(b)(ii) all BCN must be Exchanged).

Appendix A: BCN terms

4.3 Determination of number of BCN to be Exchanged

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

4.4 Treatment of Holders

- (a) If, in accordance with clauses 4.2 and 4.3, only some BCN are to be Exchanged, the Issuer will endeavour to treat Holders on an approximately proportionate basis, but may discriminate to take account of the effect of marketable parcels and other similar considerations and the need to effect the Exchange immediately.
- (b) In determining the identity of the Holder at the time that the Exchange is to take effect on the Automatic Exchange Date the Issuer may make any decision as may be necessary or desirable to ensure Exchange occurs in an orderly manner, including disregarding any transfers of BCN that have not been settled or registered at that time.

4.5 Exchange is automatic and irrevocable

If an Automatic Exchange Event has occurred and all or some of the BCN are required to be Exchanged in accordance with clause 4.2 then, subject to clause 4.6:

- (a) Exchange of the relevant BCN will be taken to have occurred in accordance with clause 9 immediately upon the date of occurrence of the Automatic Exchange Event;

- (b) none of the following shall prevent, impede or delay the Exchange of the BCN as required by clause 4.2:
 - (i) any failure to or delay in the conversion or write-off of other Relevant Tier 1 Securities;
 - (ii) any failure to or delay in giving an Automatic Exchange Notice;
 - (iii) any failure or delay in quotation of the MGL Ordinary Shares to be issued on or arising from the Exchange; or
 - (iv) any requirement to select or adjust the amount of the BCN to be Exchanged in accordance with clause 4.4; and
- (c) from the Automatic Exchange Date the Issuer and MGL shall, subject to clause 15.1(b), treat the Holder in respect of its BCN as the holder of the Exchange Number of MGL Ordinary Shares and will take all such steps, including updating any register, required to record the Exchange.

4.6 Conditions to Exchange on account of an Automatic Exchange Event

An Exchange on account of an Automatic Exchange Event is not subject to the Exchange Conditions or any other condition except as provided in this clause 4 and clause 9.16.

4.7 Automatic Exchange Notice

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

An Automatic Exchange Notice must specify:

- (a) the details of the Automatic Exchange Event to which the Automatic Exchange Notice relates;
- (b) the date on which the Exchange occurred; and
- (c) the number of BCN Exchanged and the relevant number of Relevant Tier 1 Securities converted into MGL Ordinary Shares or written-off.

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

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4.8 Priority of Exchange obligations

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

4.9 Interpretation

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

5 Optional Exchange

5.1 Optional Exchange

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

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

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

5.2 Scheduled Optional Exchange Dates

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

- (a) 24 March 2020 (the “**First Scheduled Optional Exchange Date**”);
- (b) 24 September 2020 (the “**Second Scheduled Optional Exchange Date**”); and
- (c) 24 March 2021 (the “**Third Scheduled Optional Exchange Date**”),

(each a “**Scheduled Optional Exchange Date**”).

5.3 Contents of the Optional Exchange Notice

An Optional Exchange Notice must specify:

- (a) in the case of an Optional Exchange Notice given following the occurrence of a Tax Event or Regulatory Event, the details of the Tax Event or Regulatory Event to which the Optional Exchange Notice relates; and
- (b) the date on which the Exchange is to occur (an “**Optional Exchange Date**”), which:
 - (i) in the case of Exchange on a Scheduled Optional Exchange Date, is the relevant Scheduled Optional Exchange Date falling no earlier than 25 Business Days after the date of the Optional Exchange Notice;
 - (ii) in the case of a Tax Event or Regulatory Event, will be a day no earlier than 25 Business Days nor more than 60 Business Days after the date of the Optional Exchange Notice; or
 - (iii) in any case, is such other date as APRA may require.

5.4 Optional Exchange Restriction

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

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

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5.5 Conditions to Exchange occurring once elected by the Issuer

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

- (a) the Exchange Date will be deferred until the first Distribution Payment Date (within the meaning of paragraph (a) of the definition of that term) on which:
 - (i) the Daily VWAP on the 25th Business Day immediately preceding (but not including) that Distribution Payment Date (or, if that day is not an ASX Trading Day, the last ASX Trading Day prior to that day) is greater than 25% of the Issue Date VWAP; and
 - (ii) each of the Second Exchange Condition (tested on the basis of the Maximum Exchange Number applicable to an Optional Exchange Date), the Third Exchange Condition and the Fourth Exchange Condition would be satisfied if that Distribution Payment Date were a Relevant Mandatory Exchange Date for the purposes of clause 3,
(the “**Deferred Exchange Date**”);
- (b) the Issuer must Exchange the BCN on the Deferred Exchange Date (unless the BCN are Exchanged or Redeemed earlier in accordance with these Terms); and
- (c) until the Deferred Exchange Date, all rights attaching to the BCN will continue as if the Optional Exchange Notice had not been given.

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

6 Acquisition Event Exchange

6.1 Exchange on account of an Acquisition Event

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

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

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

6.2 Acquisition Exchange Notice

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

- (a) details of the Acquisition Event to which the notice relates; and
- (b) if an Exchange is to occur:
 - (i) the date on which the Exchange is to occur (an “**Acquisition Exchange Date**”), which is to be:
 - (A) no later than the second Business Day prior to the date reasonably determined by the Issuer to be the last date on which holders of MGL Ordinary Shares can participate in the bid, scheme or arrangement concerned;

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- (B) such other earlier date as the Issuer may reasonably determine having regard to the best interests of Holders as a whole and the timing of the Acquisition Event concerned (provided that the Acquisition Exchange Date must be at least 25 Business Days after the date of the Acquisition Exchange Notice); or
- (C) such other date as APRA may require; and
- (ii) whether any Distribution will be paid in respect of the BCN on the Acquisition Exchange Date; or
- (c) otherwise, the reason why an Exchange is not to occur.

7 Optional Redemption

7.1 Optional Redemption

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

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

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

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

7.2 Redemption conditions

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

- (a) the BCN which are to be Redeemed are replaced, concurrently with the Redemption or beforehand, with Tier 1 Capital of the same or better quality, and the replacement of those BCN is done under conditions which are sustainable for the income capacity of the MBL Level 1 Group and the MBL Level 2 Group; or
- (b) APRA is satisfied that the capital positions of the MBL Level 1 Group and the MBL Level 2 Group are sufficient after the BCN are Redeemed.

7.3 Contents of the Redemption Notice

A Redemption Notice must specify:

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

7.4 Redemption Price

On the Redemption Date:

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

7.5 No right of Holders to require Redemption

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

7.6 Effect of Redemption

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

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7.7 Partial Redemption or Resale

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

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

8 Resale

8.1 Issuer may give Resale Notice

On any date on which it may issue a Redemption Notice, in lieu of such Redemption Notice, the Issuer may, in its sole discretion, but with APRA's prior written approval, issue to each Holder a notice (a "**Resale Notice**") specifying that all or some of each Holder's holding of the BCN will be transferred to one or more Nominated Parties ("**Resale**").

A Resale Notice to a Holder must specify:

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

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

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

8.2 Appointment of Nominated Party

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

8.3 Irrevocable offer to sell

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

8.4 Effect of transfer

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

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

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

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8.5 Terms after Resale

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

8.6 Nominated Party not completing

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

- (a) the Resale Notice will be void insofar as it relates to BCN referable to the Non-Completing Nominated Party and any obligations of the Holder and Non-Completing Nominated Party in respect of the Resale of the BCN that is the subject of the Resale Notice will terminate;
- (b) the Holder will continue to hold the BCN that are the subject of the Resale Notice which are referable to the Non-Completing Nominated Party; and
- (c) the Issuer and MGL have no liability for the Non-Completing Nominated Party not paying the Resale Price and the Resale Date will not be a Distribution Payment Date unless:
 - (i) such date would otherwise have been a Distribution Payment Date; or
 - (ii) a Distribution is paid on that date to Holders whose BCN have been transferred to a Nominated Party on that date.

8.7 No right of Holders to require Resale

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

9 Exchange Mechanics

9.1 Exchange

On an Exchange Date, subject to clauses 4.8, 9.13 and 9.16, each of the events described in paragraphs (a), (b), (c) and (d) shall occur.

- (a) Each BCN will be automatically transferred free from any Encumbrance to MGL or, only with APRA's written approval obtained prior to the Exchange Date, to another subsidiary of MGL which is a holding company of the Issuer on the Exchange Date nominated by MGL (an “**Approved Nominee**”).

- (b) MGL will allot and issue the Exchange Number of MGL Ordinary Shares to the Holders (or as they may direct) for each BCN held by the Holder. The “**Exchange Number**” will be calculated by MGL in accordance with the following formula:

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

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

- (i) **Exchange Date VWAP** (expressed in Australian Dollars) means the VWAP during the VWAP Period;
- (ii) **VWAP** means, subject to any adjustment under clauses 9.3 or 9.4, for a period or relevant number of days, the average of the Daily VWAPs (such average being rounded to the nearest full cent) of MGL Ordinary Shares sold on ASX during the relevant period or on the relevant days; and
- (iii) **VWAP Period** means, for the purposes of calculating the Exchange Date VWAP and the Exchange Number:
 - (A) in the case of an Exchange on a Relevant Mandatory Exchange Date or an Optional Exchange Date, the 20 ASX Trading Days immediately preceding, but not including, that Exchange Date;
 - (B) in the case of an Exchange on account of an Acquisition Event, the lesser of 20 ASX Trading Days and the number of ASX Trading Days that MGL Ordinary Shares are entitled to trade on ASX after the occurrence of the Acquisition Event immediately preceding, but not including, the Acquisition Exchange Date; and
 - (C) in the case of an Exchange on account of an Automatic Exchange Event, the 5 ASX Trading Days immediately preceding, but not including, the Automatic Exchange Date.

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- (c) The **Maximum Exchange Number** will be calculated by the Issuer on the Issue Date in accordance with the following formula for each BCN held by the Holder:

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

where:

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

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

- (d) As agreed between, amongst others, MGL and the Issuer on or about the Issue Date, MGL, the Issuer and their Related Bodies Corporate will deal with the BCN being Exchanged so that MBL Ordinary Shares are issued to, or as directed by, MGL or to a Related Body Corporate of MGL nominated by MGL (which itself issues ordinary shares to, or as directed by, MGL), for an aggregate issue price equal to the aggregate Issue Price of the BCN to be Exchanged and the BCN transferred to MGL or to an Approved Nominee in accordance with this clause 9.1 shall be redeemed and cancelled (the “**Related Exchange Steps**”).

9.2 Holder information

Each Holder agrees to provide to the Issuer, MGL (and, where clause 9.13 applies, the Sale Agent) any information necessary or desirable to give effect to an Exchange.

9.3 Adjustments to VWAP

For the purposes of calculating VWAP in these Terms:

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

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9.4 Adjustments to VWAP for divisions and similar transactions

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

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

where:

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

9.5 Adjustments to Issue Date VWAP

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

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

9.6 Adjustments to Issue Date VWAP for bonus issues

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

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

where:

- (i) **V** means the Issue Date VWAP applying immediately after the application of this formula;
 - (ii) **V₀** means the Issue Date VWAP applying immediately prior to the application of this formula;
 - (iii) **RN** means the number of MGL Ordinary Shares issued pursuant to the bonus issue; and
 - (iv) **RD** means the number of MGL Ordinary Shares on issue immediately prior to the allotment of new MGL Ordinary Shares pursuant to the bonus issue.
- (b) Clause 9.6(a) does not apply to MGL Ordinary Shares issued as part of a bonus share plan, employee or executive share plan, executive option plan, share top up plan, share purchase plan or a dividend reinvestment plan.
- (c) For the purpose of clause 9.6(a), an issue will be regarded as a pro rata issue notwithstanding that MGL does not make offers to some or all holders of MGL Ordinary Shares with registered addresses outside Australia, provided that in so doing MGL is not in contravention of the ASX Listing Rules.
- (d) No adjustments to the Issue Date VWAP will be made under this clause 9.6 for any offer of MGL Ordinary Shares not covered by clause 9.6(a), including a rights issue or other essentially pro rata issue.
- (e) The fact that no adjustment is made for an issue of MGL Ordinary Shares except as covered by clause 9.6(a) shall not in any way restrict MGL from issuing MGL Ordinary Shares at any time on such terms as it sees fit nor be taken to constitute a modification or variation of rights or privileges of Holders or otherwise requiring any consent or concurrence.

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9.7 Adjustment to Issue Date VWAP for divisions and similar transactions

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

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

where:

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

9.8 No adjustment to Issue Date VWAP in certain circumstances

Despite the provisions of clauses 9.6 and 9.7, no adjustment shall be made to the Issue Date VWAP where such cumulative adjustment (rounded if applicable) would be less than 1 per cent. of the Issue Date VWAP then in effect. Any adjustment not made in accordance with this clause 9.8 shall be carried forward and taken into account in determining whether any subsequent adjustment shall be made.

9.9 Announcement of adjustment to Issue Date VWAP

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

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

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

9.10 Listing of MGL Ordinary Shares

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

9.11 Status of MGL Ordinary Shares

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

9.12 Failure to Exchange

- (a) Subject to clauses 9.13(g) and 9.16, if, in respect of an Exchange of a BCN, MGL fails to issue the MGL Ordinary Shares in respect of a BCN to, or in accordance with the instructions of, the relevant Holder on the applicable Exchange Date or to the Sale Agent where clause 9.13 applies, that BCN remains on issue (and, without limitation, clause 2 applies) until:

- (i) the MGL Ordinary Shares are issued to, or in accordance with the instructions of, that Holder or, where clause 9.13 applies, to the Sale Agent; or
- (ii) that BCN is Redeemed in accordance with these Terms,

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

- (b) If, in respect of an Exchange of a BCN, the BCN is not transferred on the Exchange Date free from Encumbrance to MGL or its Approved Nominee, MGL shall issue the Exchange Number of MGL Ordinary Shares to the Holder in respect of that BCN and all rights of the relevant Holder (and any person claiming through the Holder) in such BCN are taken to have ceased and the BCN shall be cancelled.
- (c) This clause 9.12 does not affect the obligation of MGL to deliver the MGL Ordinary Shares or of the Holder to transfer BCN when required in accordance with these Terms.

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9.13 Holders whose MGL Ordinary Shares are to be sold

Subject to clause 9.16, if any BCN of a Holder are required to be Exchanged and if:

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

then, the Issuer will use reasonable endeavours to appoint a Sale Agent (which is not the Issuer or any Related Entity of the Issuer) on such terms as the Issuer considers reasonable, who will act in accordance with paragraph (f) where the Issuer, MGL and the Sale Agent can be satisfied that the obligation in paragraph (f) may be performed in respect of the relevant Holder and the relevant MGL Ordinary Shares in accordance with all applicable laws and without the Issuer, MGL or the Sale Agent having to take steps which any of them regard as onerous.

On the Exchange Date:

- (e) where paragraph (a), (b) or (d) applies, MGL will issue the Exchange Number of MGL Ordinary Shares to the Holder only to the extent (if at all) that:
 - (i) where paragraph (a) applies, the Holder's notice referred to in paragraph (a) indicates the Holder wishes to receive them;
 - (ii) where paragraph (b) applies, MGL is satisfied that the laws of both Australia and the Foreign Holder's country of residence permit the issue of the Exchange Number of MGL Ordinary Shares to the Foreign Holder as contemplated by this clause 9 (but as to which MGL is not bound to enquire), either unconditionally or after compliance with conditions which the MGL, in its absolute discretion, regards as acceptable and not unduly onerous; and
- (iii) where paragraph (d) applies, the issue would result in the Holder receiving the maximum number of MGL Ordinary Shares the Holder is permitted to acquire in compliance with Applicable Shareholding Law as at the Exchange Date;
- (f) otherwise, subject to paragraph (g) and clause 9.16, MGL will issue the balance of the Exchange Number of MGL Ordinary Shares in respect of that Holder to the Sale Agent on the terms that, at the first reasonable opportunity to sell the MGL Ordinary Shares, the Sale Agent will arrange for their sale and pay to the relevant Holder on a date determined by the Sale Agent a cash amount equal to the Attributable Proceeds of the relevant Holder. The issue of MGL Ordinary Shares to the Sale Agent will satisfy all obligations of MGL and its Related Bodies Corporate in connection with the Exchange, the BCN will be deemed Exchanged and will be dealt with in accordance with clause 9.1 and, on and from the issue of MGL Ordinary Shares, the rights of a Holder the subject of this clause 9.13 are limited to its rights in respect of the MGL Ordinary Shares or the Attributable Proceeds as provided in this clause 9.13; and
- (g) where paragraph (f) applies in respect of a Holder and a Sale Agent is unable to be appointed, or any of the Issuer, MGL or the Sale Agent is of the opinion that the issue of MGL Ordinary Shares to the Sale Agent and subsequent sale in accordance with paragraph (f) cannot be undertaken in accordance with Applicable Shareholding Law or other applicable law (or can be undertaken in accordance with Applicable Shareholding Law or applicable law only after MGL or the Sale Agent take steps which any of the Issuer, MGL or the Sale Agent regard as onerous) then:
 - (i) in respect of an Automatic Exchange Date, but without in any way limiting clause 9.16, if either or both of MGL and the Sale Agent is of the opinion that the issue of MGL Ordinary Shares cannot be undertaken within 5 Business Days of the Automatic Exchange Date to the Sale Agent in accordance with paragraph (f) or otherwise to the relevant Holder in accordance with clause 9, then the relevant BCN will be Written-Off; or

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- (ii) in respect of an Exchange Date other than an Automatic Exchange Date:
 - (A) the issue of MGL Ordinary Shares to the Sale Agent in accordance with paragraph (f) shall occur as soon as practicable after MGL is able to issue the relevant MGL Ordinary Shares to the Sale Agent in accordance with Applicable Shareholding Law and other applicable law (and without MGL or the Sale Agent taking steps which either or both of MGL and the Sale Agent regard as onerous); and
 - (B) on and from the Exchange Date, the BCN of the relevant Holder remain on issue (and, without limitation, clause 2 applies) until the first to occur of:
 - (aa) the issue of the relevant MGL Ordinary Shares in accordance with paragraphs (f) and (g)(ii)(A) or otherwise to that relevant Holder in accordance with clause 9; or
 - (ab) the relevant BCN are Redeemed in accordance with these Terms; or
 - (ac) the date which is 6 months after the Exchange Date, upon which date an Exchange will not occur in respect of the balance of the Holder's BCN at that date and such BCN will be automatically transferred free from any Encumbrance to MGL or, subject to APRA's prior written approval, to another subsidiary of MGL which is a holding company of the Issuer on that date nominated by MGL, in each case for no consideration and cancelled. Upon transfer of the BCN, such BCN shall be deemed to have been Exchanged (without MGL being required to allot or issue MGL Ordinary Shares).

Nothing in this clause 9.13 shall affect the Exchange of BCN to a Holder which is not a person to which any of paragraphs (a) to (d) (inclusive) applies.

9.14 No duty on sale

For the purpose of clause 9.13, none of the Issuer, MGL, the Sale Agent or any other person owes any obligations or duties to the Holders in relation to the price at which MGL Ordinary Shares are sold or has any liability for any loss suffered by a Holder as a result of the sale of MGL Ordinary Shares.

9.15 No right of Holders to require Exchange

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

9.16 Write-Off on failure to perform Exchange

- (a) Notwithstanding any other provisions of this clause 9, if for any reason (including, without limitation, an Inability Event) Exchange has not occurred within 5 Business Days of an Automatic Exchange Date, then Exchange will not occur and each BCN, which but for this clause would be required to be Exchanged, will be Written-Off.
- (b) The Issuer must give notice to Holders if that Exchange has not occurred by operation of this clause 9.16, but failure to give that notice shall not affect the operation of this clause.

10 Acknowledgements and appointments

10.1 Acknowledgements

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

- (a) is taken to have notice of, and irrevocably agrees to be bound by, the terms of the BCN Deed Poll and these Terms;
- (b) upon an Exchange, consents to becoming a member of MGL and agrees to be bound by the constitution of MGL;
- (c) agrees that any Redemption, Resale or Exchange shall occur on a Redemption Date, Resale Date or Exchange Date (as the case may be) in accordance with these Terms;
- (d) agrees that it is obliged to accept the MGL Ordinary Shares in respect of its BCN upon an Exchange Date, notwithstanding anything which might otherwise affect the Exchange including:
 - (i) any change in the financial position of the Issuer, MGL or the Macquarie Group since the Issue Date;

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- (ii) any disruption to the market or potential market for the MGL Ordinary Shares or to capital markets generally;
 - (iii) it being impossible or impracticable to list the MGL Ordinary Shares on ASX; or
 - (iv) it being impossible or impracticable to sell or otherwise dispose of the MGL Ordinary Shares;
- (e) acknowledges and agrees that Exchange must occur immediately on the Automatic Exchange Event and that may result in disruption or failures in trading or dealings in the BCN;
- (f) acknowledges and agrees that:
- (i) if Exchange does not occur in the circumstances contemplated in clauses 9.13(g) or 9.16, each BCN will be Written-Off; and
 - (ii) each of clauses 9.13(g) and 9.16 is a fundamental term of the BCN and where it applies, no other conditions or events will affect its operation;
- (g) agrees to provide to the Issuer and MGL any information that the Issuer or MGL considers necessary or desirable, or to take any and all such action as is within the reasonable control of that Holder, to give effect to a Redemption, Resale or an Exchange;
- (h) acknowledges and agrees that it has:
- (i) no right to request a Redemption, Resale or an Exchange;
 - (ii) to the fullest extent permitted by law:
 - (A) no right to initiate the Winding Up of the Issuer, MGL or any member of the Macquarie Group or to have any such entity placed in administration; or
 - (B) to cause a receiver or receiver and manager to be appointed in respect of any such entity, merely on the grounds that a Distribution or any other amount is not paid; and
 - (iii) no rights against any member of the Macquarie Group in connection with the BCN except as expressly provided in these Terms and under the BCN Deed Poll; and
- (i) acknowledges and agrees that these Terms contain no events of default (however described, determined or defined). Accordingly (but without limitation), failure to pay in full, for any reason, a Distribution on the scheduled Distribution Payment Date will not constitute an event of default; and
- (j) acknowledges and agrees it has no remedies on account of a failure by MGL to issue MGL Ordinary Shares in accordance with clause 9 other than (and subject always to clauses 9.13(g) and 9.16) to seek specific performance of the obligation to issue the MGL Ordinary Shares.

10.2 Appointment of attorneys, agents and directions

Each Holder irrevocably:

- (a) appoints each of MGL, the Issuer, their respective Authorised Officers and any liquidator, administrator, statutory manager or other similar official of MGL or the Issuer (each an “**Appointed Person**”) severally to be the attorneys of the Holder and the agents of the Holder, with the power in the name and on behalf of the Holder to:
- (i) do all such acts and things (including, without limitation, signing all documents, instruments or transfers or instructing CHESS) as may, in the opinion of the Appointed Person, be necessary or desirable to be done in order to give effect to, record or perfect a Redemption, Resale or Exchange in accordance with clauses 3, 4, 5, 6, 7, 8 and 9 or, where clauses 9.13(g) or 9.16 apply, a Write-Off in accordance with that clause;
 - (ii) do all other things which an Appointed Person reasonably believes to be necessary or desirable to give effect to these Terms; and
 - (iii) appoint in turn its own agent or delegate; and
- (b) authorises and directs the Issuer and/or the Registrar to make such entries in the Register, including amendments and additions to the Register, which the Issuer and/or the Registrar may consider necessary or desirable to record:
- (i) a Redemption, Resale or an Exchange; or
 - (ii) where clauses 9.13(g) or 9.16 apply, a Write-Off in accordance with that clause.

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

11 Payments to Holders

11.1 Calculation of payments

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

11.2 Payments subject to laws

All payments are subject in all cases to:

- (a) compliance by the Issuer with applicable laws; and
- (b) any applicable fiscal or other laws in the place of payment, but without prejudice to the provisions of clause 11.3.

No commissions or expenses shall be charged to the Holders in respect of such payments (except in respect of the calculation of Attributable Proceeds in accordance with clause 9.13(f)).

11.3 Deductions

(a) The:

- (i) Issuer, MGL and any financial institutions or intermediaries through which payments are made or securities issued, may withhold or deduct from any payment payable or securities issuable to a Holder; and
- (ii) Sale Agent and MGL may withhold or deduct from any payment payable to a Holder in accordance with clause 9.13,

the amount of any withholding or other tax, duty or levy required by law to be deducted in respect of such payment or issue of securities including, without limitation, any withholding or deduction of taxes, interest or penalties required under FATCA or where the Issuer, MGL or the Sale Agent (as applicable) has reasonable grounds to suspect that a Holder or a beneficial owner of any BCN (or any financial institution or intermediary) may be subject to FATCA, and may deal with such payment, issue of securities and the Holder's BCN in accordance with FATCA, including withholding any tax or reporting payment or account information to the IRS or other relevant taxing authority as prescribed by FATCA. For the avoidance of doubt, any withholding required under FATCA is a tax, the deduction or withholding of which is required by applicable law for purposes of this clause 11.

- (b) If any deduction is required, the Issuer, MGL or the Sale Agent (as applicable) must pay the full amount required to be deducted to the relevant revenue authority within the time allowed for such payment without incurring a penalty under the applicable law.
- (c) If:
 - (i) a deduction is made;
 - (ii) the amount of the deduction is accounted for by the Issuer, MGL or the Sale Agent (as applicable) to the relevant revenue authority; and
 - (iii) the balance of the amount payable has been paid to the Holder,

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

11.4 No set-off

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

11.5 Payment method

Subject to clause 11.2, all monies payable by the Issuer to a Holder may be paid in any manner the Issuer decides, which may include any of the following:

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

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

11.6 Unpresented cheques

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

11.7 Unsuccessful attempts to pay

Subject to applicable law, where the Issuer:

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

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

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

11.8 Payment to joint Holders

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

11.9 Time limit for claims

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

12 Title and transfer of BCN

12.1 Title

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

12.2 Effect of entries in the Register

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

12.3 Register conclusive as to ownership

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

12.4 Non-recognition of interests

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

12.5 Joint holders

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

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12.6 Transfers

A Holder may transfer a BCN:

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

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

12.7 Transferee takes subject to terms

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

12.8 Other transfers void

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

12.9 Issuer may request holding lock or refuse to register transfer

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

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

12.10 Issuer must request holding lock or refuse to register transfer

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

12.11 Notice of holding locks and refusal to register transfer

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

12.12 Delivery of instrument

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

12.13 Refusal to register

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

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

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12.14 No liability to persons other than Holders

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

13 Notices and other communications

13.1 Notices to Holders

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

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

13.2 Notices to the Issuer

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

- (a) sent by fax to the fax number, or left at the address, or sent by prepaid post (airmail, if appropriate) to the address, set out below:

Name: Macquarie Bank Limited

Address: Level 4, 1 Martin Place, Sydney,
NSW, 2000, Australia

Attention: Company Secretary

Fax: +61 2 8232 4330

- (b) given in any other way reasonably determined by the Issuer and notified to Holders.

For the purposes of this clause 13.2, the Issuer's address for notices and other communications is the address set out above or as otherwise notified by the Issuer to Holders.

13.3 When effective

Communications take effect from the time they are received or taken to be received under clause 13.4 (whichever happens first) unless a later time is specified.

13.4 When taken to be received

Communications are taken to be received:

- (a) if sent by post, the day immediately following the day on which the notice was posted (or four days after posting if sent from one country to another);
- (b) if addressed and transmitted to the person and fax number specified in accordance with clause 13.2, on the Business Day following its transmission;
- (c) if sent by e-mail to the electronic address in respect of the Holder as specified in accordance with clause 13.1, on the day following its transmission to that electronic address;
- (d) if issued to Holders through CHESSE, on the date of the issuance unless the sender receives an automated message that the e-mail has not been delivered;
- (e) if announced on ASX, on the date of the announcement; or
- (f) if published in a newspaper, on the first date that publication has been made in the required newspaper.

13.5 Receipt outside business hours

Despite clauses 13.3 and 13.4, if communications are received or taken to be received under clause 13.4 after 5.00 pm in the place of receipt or on a non-Business Day, they are taken to be received at 9.00 am in the place of receipt on the next Business Day and take effect from that time unless a later time is specified.

13.6 Effect of failure to give notice

If the Issuer is required to give a notice in relation to any act, matter or determination, the accidental omission to give that notice to a Holder does not invalidate the notice in relation to Holders generally, or affect the validity of that act, matter or determination.

14 Amendment of Terms

14.1 Amendment without consent

Subject to complying with the Corporations Act and all other applicable laws and directives, the Issuer may amend these Terms and the BCN Deed Poll, with the prior written approval of APRA (to the extent any such amendment may affect the eligibility of the BCN as Additional Tier 1 Capital of either or both of the MBL Level 1 Group and the MBL Level 2 Group) but without the consent of the Holders:

- (a) if the Issuer is of the opinion that the amendment is:
- (i) of a formal, minor or technical nature;
 - (ii) made to correct any ambiguity or any manifest or proven error;
 - (iii) expedient for the purpose of enabling the BCN to be listed for quotation or to retain a listing on any Stock Exchange, to be cleared or settled through any clearing system or to retain clearance and settlement through any clearing system or to be offered for sale, or subscribed for, under the laws for the time being in force in any place and, in each case, it is otherwise not considered by the Issuer to be materially adverse to the interests of Holders as a whole;
 - (iv) necessary to comply with the provisions of any statute or the requirements of any statutory authority; or
 - (v) in respect of any time or notice period stated, required or permitted in respect of any Exchange on account of any Acquisition Event, as is necessary or appropriate to give effect to such Exchange; and
- (b) if the Issuer is of the opinion that the amendment does not, taken as a whole and in conjunction with all other amendments, if any, made contemporaneously with the amendments, materially adversely affect the interests of Holders as a whole.

14.2 Amendment without consent where Approved Acquirer

Without limiting clause 14.1, subject to complying with the Corporations Act and all other applicable laws and directives, the Issuer may make amendments to these Terms and the BCN Deed Poll, with the prior written approval of APRA but without the consent of the Holders, which are necessary and appropriate to effect the substitution of the Approved Acquirer as the issuer of ordinary shares whenever BCN are required to be

Exchanged in the manner contemplated by these Terms, including without limitation:

- (a) amendments to the definition of “Exchange” such that, unless APRA otherwise agrees, on the Exchange Date:
- (i) each BCN that is to be Exchanged will be automatically transferred by each Holder free from Encumbrance to the Approved Acquirer (or another subsidiary of the Approved Acquirer which is a holding company of the Issuer on the Exchange Date) (the “**Transferee**”);
 - (ii) each Holder will be issued a number of ordinary shares in the capital of the Approved Acquirer equal to the Exchange Number; and
 - (iii) as between the Issuer and the Transferee, the BCN held by the Transferee as a result of the transfer will be exchanged for a number (rounded down to the nearest whole number) of MBL Ordinary Shares the aggregate value of which equals the aggregate Issue Price of the transferred BCN;
- (b) amendments and additions to the definitions of “Acquisition Event”, “Macquarie Group”, “Regulatory Event” and “Tax Event”; and
- (c) amendments and additions to any term defining the rights of Holders if the Exchange is not effected which is appropriate for the BCN to remain to be eligible as Additional Tier 1 Capital of the MBL Level 1 Group or the MBL Level 2 Group.

14.3 Amendment with consent

Without limiting clauses 14.1 and 14.2, the Issuer may, with APRA’s prior written approval (to the extent any such amendment may affect the eligibility of the BCN as Additional Tier 1 Capital of the MBL Level 1 Group or of the MBL Level 2 Group), amend these Terms or the BCN Deed Poll, if the amendment has been approved by a Special Resolution.

14.4 Meanings

In this clause 14, “**amend**” includes modify, cancel, alter, adjust or add to and “**amendment**” has a corresponding meaning.

14.5 Notice of amendments

Any amendment of these Terms or the BCN Deed Poll made in accordance with this clause 14 must be promptly notified by the Issuer to Holders.

15 General provisions

15.1 Voting and meetings

- (a) The BCN Deed Poll contains provisions for convening meetings of the Holders to consider any matter affecting their interests, including any amendment of these Terms which requires the consent of Holders.
- (b) Holders will have no voting rights in respect of any member of the Macquarie Group.
- (c) Subject to applicable law, Holders are not entitled to be provided with copies of:
 - (i) any notices of general meetings of the Issuer or MGL; or
 - (ii) other documents (including annual reports and financial statements) sent by the Issuer or MGL to holders of ordinary shares or other securities (if any) in the Issuer or MGL.

15.2 Listing

The Issuer must use its best endeavours and furnish all such documents, information and undertakings as may be reasonably necessary in order to procure, at its own expense, quotation of the BCN on ASX on or as soon as possible after the Issue Date and maintain quotation on ASX until all BCN have been Exchanged, Redeemed or Written-Off.

15.3 Purchases

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

16 Winding Up

16.1 Ranking in Winding Up

- (a) If an order of a court of competent jurisdiction in Australia is made (other than an order successfully appealed or permanently stayed within 30 days), or an effective resolution passed, for the Winding Up of the Issuer in Australia, the Issuer is liable to redeem each BCN for its Liquidation Amount in accordance with, and subject to, this clause 16.
- (b) In the Winding Up of the Issuer in Australia, a Holder is entitled, subject to the terms of the BCN Deed Poll and to this clause 16, to claim on a subordinated basis in accordance with clauses 1.5 and 16.1(c) for payment in cash of an amount equal to the Liquidation Amount but has no further or other claim on the Issuer in the Winding Up.
- (c) In a Winding Up of the Issuer in Australia:
 - (i) Holders shall be entitled to prove only for any sums payable in respect of the BCN as a debt which are subject to, and contingent upon the prior payment in full of, the Senior Creditors;
 - (ii) Holders shall be entitled to claim for payment in cash of an amount equal to the Liquidation Amount and that claim ranks equally with all Equal Ranking Obligations; and
 - (iii) Holders waive, to the fullest extent permitted by law, any right to prove in any such Winding Up as a creditor ranking for payment in any other manner.

16.2 Agreements of Holders as to subordination

Each Holder irrevocably agrees:

- (a) that clause 16.2 is a debt subordination for the purposes of section 563C of the Corporations Act;
- (b) that it does not have, and waives to the maximum extent permitted by law, any entitlement to interest under section 563B of the Corporations Act to the extent that a holder of a preference share which is an Equal Ranking Obligation would not be entitled to such interest;
- (c) not to exercise any voting or other rights as a creditor in any Winding Up or administration of the Issuer in any jurisdiction:
 - (i) until after all Senior Creditors have been paid in full; or

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- (ii) otherwise in a manner inconsistent with the ranking and subordination contemplated by clauses 1.5 and 16.1;
- (d) that it must pay or deliver to the liquidator or administrator any amount or asset received on account of its claim in any Winding Up or administration of the Issuer in any jurisdiction in respect of the BCN in excess of its entitlement under clauses 1.5 and 16.1;
- (e) that it must pay in full all liabilities it owes the Issuer before it may receive any amount or asset on account of its claim in any Winding Up or administration in any jurisdiction in respect of a BCN; and
- (f) that the debt subordination effected by clauses 1.5 and 16.1 is not affected by any act or omission of the Issuer or a Senior Creditor which might otherwise affect it at law or in equity.

16.3 No charge

Nothing in clause 1.5 or this clause 16 shall be taken to:

- (a) create a charge or security interest on or over any right of the Holder; or
- (b) require the consent of any Senior Creditor to any amendment of these Terms.

17 Governing law, jurisdiction and service of documents

17.1 Governing law

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

17.2 Jurisdiction

- (a) The Issuer and MGL irrevocably agree for the benefit of the Holders that the courts of New South Wales, Australia are to have non-exclusive jurisdiction to settle any disputes which may arise out of or in connection with the BCN and accordingly has submitted to the non-exclusive jurisdiction of the courts of New South Wales.
- (b) The Holders may take any suit, action or proceeding arising out of or in connection with the BCN (“**Proceedings**”) against the Issuer or MGL in any

other court of competent jurisdiction and may take concurrent Proceedings in any number of jurisdictions.

17.3 Service of process

Without preventing any other method of service, any document in any action may be served on the Issuer or MGL by being delivered or left at its registered office or principal place of business.

18 Interpretation and definitions

18.1 Interpretation

Unless otherwise specified or the contrary intention appears:

- (a) a reference to a clause or paragraph is a reference to a clause or paragraph of these Terms;
- (b) if a calculation is required under these Terms, the result of the calculation will be rounded to four decimal places (with 0.00005 being rounded to 0.0001);
- (c) headings and bold typeface are for convenience only and do not affect the interpretation of these Terms;
- (d) the singular includes the plural and vice versa;
- (e) a reference to a statute, ordinance, directive, code or law includes regulations and other instruments under it and consolidations, amendments, re-enactments or replacements of any of them and references to law includes statutes, ordinances, codes, directives or common law and principles of equity having general application;
- (f) if under these Terms an event must occur on a stipulated day, or a day is stipulated, which is not a Business Day, then, except in the cases of an Automatic Exchange Event and an Automatic Exchange Date, the stipulated day will be taken to be the next Business Day;
- (g) a reference to “**Australian Dollars**”, “**AUD**” “**A\$**” or “**cents**” is a reference to the lawful currency of Australia;
- (h) calculations, elections and determinations made by or on behalf of the Issuer, MGL or the Directors under these Terms are binding on Holders in the absence of manifest error or fraud;

Appendix A: BCN terms

- (i) a reference to a party to an agreement, deed, authority or other instrument includes a reference to any successor, replacement, assignee, substitute or addition of the party according to that agreement, deed, authority or instrument;
- (j) any references to the requirements of APRA or any other prudential regulatory requirements will apply to the Issuer or MGL only if the Issuer or MGL is an entity, or the holding company of an entity, subject to regulation and supervision by APRA at the relevant time;
- (k) any requirement for APRA's consent or approval will apply only if APRA requires that such consent or approval be given at the relevant time;
- (l) any requirements for the prior approval or consent of APRA for a particular course of action to be taken by the Issuer or MGL do not imply that APRA has given its consent or approval to the particular action as of the Issue Date;
- (m) a reference to accounting standards is a reference to the accounting standards as defined in the Corporations Act and a reference to an accounting term is a reference to that term as it is used in those accounting standards, or, if not inconsistent with those standards, in accounting principles and practices generally accepted in Australia;
- (n) a reference to an agreement, deed or other instrument includes a reference to that agreement, deed or instrument as amended, modified, added to or restated from time to time;
- (o) the terms "**takeover bid**", "**relevant interest**", "**scheme of arrangement**", "**buy-back**", "**subsidiary**" and "**holding company**" when used in these Terms have the meaning given in the Corporations Act;
- (p) a reference to the "**interests of Holders as a whole**" will, if BCN are held beneficially by a Nominated Party, be a reference to the interests of Holders other than the Nominated Party;
- (q) the words "**includes**" or "**including**", "**for example**" or "**such as**" do not exclude a reference to other items, whether of the same class or genus or not;
- (r) if the principal securities exchange on which the MGL Ordinary Shares are quoted is other than ASX, unless the context otherwise requires a reference to ASX shall be read as a reference to that principal securities exchange and a reference to the ASX Listing Rules, ASX Operating Rules or any term defined in any such rules, shall be read as a reference to the corresponding rules of that exchange or corresponding defined term in such rules (as the case may be);
- (s) a reference to any term defined by APRA shall, if that term is replaced or suspended in any of APRA's applicable prudential regulatory requirements or standards, be taken to be a reference to the replacement or equivalent term; and
- (t) where these Terms refer to a person's opinion or to a person's regard or consideration or being satisfied with respect to any step, act, matter or thing, that opinion, regard, consideration or satisfaction may be held, formed or made by the person in the person's absolute discretion.

18.2 Definitions

In these Terms, the following meanings apply unless the contrary intention appears:

Acquisition Event means:

- (a) a takeover bid is made to acquire all or some MBL Ordinary Shares or MGL Ordinary Shares and the offer is, or becomes, unconditional and as a result of the bid the bidder (and its associates as defined in section 12 of the Corporations Act) has a relevant interest in more than 50% of the MBL Ordinary Shares or MGL Ordinary Shares on issue;
- (b) a court approves a scheme of arrangement which, when implemented, will result in a person (and its associates as defined in section 12 of the Corporations Act) having a relevant interest in more than 50% of the MBL Ordinary Shares or MGL Ordinary Shares on issue; or

Appendix A: BCN terms

- (c) a person together with its associates as defined in section 12 of the Corporations Act;
- (i) acquires or comes to hold beneficially more than 50% of the voting shares (as defined in the Corporations Act) in the capital of the Issuer or MGL;
 - (ii) enters into an agreement to beneficially acquire more than 50% of the voting shares (as defined in the Corporations Act) in the capital of the Issuer or MGL and the agreement to acquire is, or becomes, unconditional,

(for the purposes of this definition, each an “**event**”), other than:

- (d) as part of a solvent reorganisation of the relevant entity where the persons holding relevant interests in the ordinary equity capital (being listed on ASX) of the bidder or other person (“**Approved Acquirer**”) acquiring a relevant interest in more than 50% of the MBL Ordinary Shares or MGL Ordinary Shares on issue or beneficially acquiring more than 50% of the voting shares in the capital of the Issuer or MGL are, or will be, substantially the same, and in substantially the same proportions, as the persons who held relevant interests in the MBL Ordinary Shares or MGL Ordinary Shares or who held beneficially voting shares in the capital of the Issuer or MGL immediately prior to the event where:

- (i) the event is initiated by the Directors or the directors of MGL or would not, in the Issuer’s reasonable opinion, otherwise be materially adverse to the interests of Holders as a whole; and
- (ii) the Approved Acquirer agrees for the benefit of Holders to:
 - (A) issue listed ordinary share capital in all circumstances where MGL would have otherwise been obliged to issue MGL Ordinary Shares as contemplated by these Terms;
 - (B) use all reasonable endeavours to ensure continued quotation of the BCN on a Stock Exchange; and
 - (C) comply with the obligations and restrictions as apply to MGL in connection with the BCN (with all necessary and appropriate modifications); or

- (e) in the case of the Issuer, where the person acquiring the relevant interest in or acquiring voting shares in the Issuer is a wholly owned subsidiary of MGL;

Acquisition Exchange Date has the meaning given in clause 6.2;

Acquisition Exchange Notice has the meaning given in clause 6.2;

Additional Tier 1 Capital has the meaning determined for that term (or its equivalent) by APRA from time to time;

Adjustment Notice has the meaning given in clause 9.9;

Applicable Shareholding Law means each of:

- (a) Chapter 6 of the Corporations Act;
- (b) the Foreign Acquisitions and Takeovers Act 1975 (Cth);
- (c) the Financial Sector (Shareholdings) Act 1998 (Cth);
- (d) Part IV of the Competition and Consumer Act 2010 (Cth); and
- (e) any other law in force in Australia or any relevant foreign jurisdiction which limits or restricts the number of shares in the Issuer, MGL or any of their respective Related Bodies Corporate in which a person may have an interest or over which it may have a right or power;

Appointed Person has the meaning given in clause 10.2;

Approved Acquirer has the meaning given in the definition of Acquisition Event;

Approved Nominee has the meaning given in clause 9.1(a);

APRA means the Australian Prudential Regulation Authority or any authority succeeding to its powers and responsibilities;

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

ASX Listing Rules means the listing rules of ASX as amended, varied or waived (whether in respect of the Issuer, MGL or generally) from time to time;

ASX Operating Rules means the market operating rules of ASX as amended, varied or waived (whether in respect of the Issuer, MGL or generally) from time to time;

ASX Settlement Operating Rules means the settlement operating rules of ASX as amended, varied or waived (whether in respect of the Issuer, MGL or generally) from time to time;

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ASX Trading Day means a business day within the meaning of the ASX Listing Rules on which trading in MGL Ordinary Shares takes place;

Attributable Proceeds means, in respect of a Holder to whom clause 9.13(f) applies, an amount equal to the Proceeds per Share multiplied by the number of MGL Ordinary Shares issued and sold in accordance with clause 9.13(f) in respect of that Holder.

Automatic Exchange Date means the date of occurrence of an Automatic Exchange Event;

Automatic Exchange Event has the meaning given in clause 4.1;

Automatic Exchange Notice has the meaning given in clause 4.7;

Authorised Officer means a person appointed by the party to act as an authorised officer for the purposes of these Terms by notice to the Issuer;

Banking Act means the Banking Act 1959 (Cth);

BCN has the meaning given in clause 1.1;

BCN Deed Poll means the deed poll entitled “Macquarie Bank Capital Notes Deed Poll” executed by the Issuer and MGL in respect of the BCN dated on or about 15 September 2014;

Bills has the meaning given in clause 2.1;

Bookbuild means the process conducted prior to the opening of the Offer where brokers and investors bid for the BCN and, on the basis of those bids, the Issuer, in consultation with the joint lead managers to the Offer, determines the Margin;

Business Day means a day which is (i) a business day within the meaning of the ASX Listing Rules; and (ii) for the purpose of determining an Exchange Date (other than an Automatic Exchange Date) or the calculation or payment of a Distribution or of any other sum, a day on which banks are open for general business in Sydney, Australia;

Buy-Back means a transaction involving the acquisition by the Issuer of MBL Ordinary Shares pursuant to an offer made in its discretion in accordance with the provisions of Part 2J of the Corporations Act;

Capital Reduction means a reduction in capital initiated by the Issuer in its discretion in respect of MBL Ordinary Shares in any way permitted by the provisions of Part 2J of the Corporations Act;

Common Equity Tier 1 in respect of each of the MBL Level 1 Group and the MBL Level 2 Group has the meaning determined for that term (or its equivalent) by APRA from time to time;

Common Equity Tier 1 Ratio means:

- (a) in respect of the MBL Level 1 Group, the ratio of Common Equity Tier 1 in respect of the MBL Level 1 Group to risk weighted assets of the MBL Level 1 Group; and
- (b) in respect of the MBL Level 2 Group, the ratio of Common Equity Tier 1 in respect of the MBL Level 2 Group to risk weighted assets of the MBL Level 2 Group,

in each case as calculated by the methodology prescribed (or its equivalent ratio) by APRA from time to time;

Common Equity Tier 1 Trigger Event has the meaning given in clause 4.1(a);

CHES means the Clearing House Electronic Subregister System operated by ASX Settlement Pty Ltd (ACN 008 504 532);

Control has the meaning given in the Corporations Act;

Corporations Act means the Corporations Act 2001 (Cth);

CS Facility has the same meaning as “Prescribed CS Facility” in the Corporations Act;

CS Facility Operator means the operator of a CS Facility;

Cum Value has the meaning given in clause 9.3;

Daily VWAP means the volume weighted average sale price (rounded to the nearest full cent) of MGL Ordinary Shares sold on ASX on a day but does not include any “Crossing” transacted outside the “Open Session State”, or any “Special Crossing” transacted at any time, each as defined in the ASX Operating Rules, or any overseas trades or trades pursuant to the exercise of options over MGL Ordinary Shares;

Deferred Exchange Date has the meaning given in clause 5.5;

Deferred Exchange Notice has the meaning given in clause 5.5;

Deferred Mandatory Exchange Date has the meaning given in clause 3.2;

Appendix A: BCN terms

Delisted means, in respect of MGL and an Exchange Date:

- (a) that MGL Ordinary Shares have ceased to be listed or admitted to trading on ASX (and continue not to be listed or admitted to trading on that date); or
- (b) an Inability Event applies on the relevant date preventing the Exchange of the BCN of Holders generally;

Directors means some or all of the Voting Directors (as defined in the Issuer's constitution) of the Issuer acting as a board;

Distribution has the meaning given in clause 2.1;

Distribution Payment Date has the meaning given in clause 2.1;

Distribution Period means each period commencing on (and including) a Distribution Payment Date and ending on (but excluding) the next Distribution Payment Date. However:

- (a) the first Distribution Period commences on (and includes) the Issue Date; and
- (b) the final Distribution Period ends on (and excludes) the Exchange Date, Redemption Date or Resale Date, as applicable;

Distribution Rate has the meaning given in clause 2.1;

Dividend Restriction has the meaning given in clause 2.5;

ECS means the US\$250,000,000 10.25% junior subordinated notes issued by the Issuer in 2012;

Encumbrance means any mortgage, pledge, charge, lien, assignment by way of security, hypothecation, security interest, title retention, preferential right or trust arrangement, any other security agreement or security arrangement (including any security interest under the Personal Property Securities Act 2009 (Cth)) and any other arrangement of any kind having the same effect as any of the foregoing;

Equal Ranking Obligations means any obligation of, or claim against, the Issuer that exists or may arise in connection with:

- (a) the MIPS Preference Shares;
- (b) the MIS Preference Shares;
- (c) the ECS; and
- (d) any other:
 - (i) preference share, security or capital instrument issued by the Issuer; or
 - (ii) obligation of, or claim against, the Issuer in respect of a preference share, security or capital instrument issued by a member of the Macquarie Group,

which preference share, security, capital instrument of, or obligation or claim against, the Issuer ranks, or is expressed to rank, equally with the BCN or any other Equal Ranking Obligation;

Exchange means, in respect of a BCN, the transfer of that BCN in exchange for MGL Ordinary Shares in accordance with and subject to clause 9 and the performance of the Related Exchange Steps, and “**Exchangeable**”, “**Exchanged**” and “**Exchanging**” have corresponding meanings;

Exchange Conditions has the meaning given in clause 3.3;

Exchange Date means a Mandatory Exchange Date, Automatic Exchange Date, Optional Exchange Date or Acquisition Exchange Date on which the BCN must be Exchanged (any relevant Exchange Conditions applicable to that date having been met);

Exchange Date VWAP has the meaning given in clause 9.1;

Exchange Floor Price has the meaning given in clause 9.1;

Exchange Number has the meaning in clause 9.1;

FATCA means the Foreign Account Tax Compliance Act provisions set out in sections 1471 through to 1474 of the US Internal Revenue Code (“**Code**”) (and including any current or future regulations or official interpretations thereof issued in respect of these provisions, any agreement entered into pursuant to Section 1471(b) of the Code, or any fiscal or regulatory legislation, rules or practices or similar laws implementing an inter-governmental approach on such provisions and any agreement entered into by the Issuer pursuant to or in connection with any of the foregoing);

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First Exchange Condition has the meaning given in clause 3.3;

First Optional Exchange Restriction has the meaning given in clause 5.4;

First Scheduled Optional Exchange Date has the meaning given in clause 5.2;

Foreign Holder means a Holder whose address in the Register is a place outside Australia or who the Issuer otherwise believes may not be a resident of Australia;

Fourth Exchange Condition has the meaning given in clause 3.3;

Franking Adjustment Factor has the meaning given in clause 2.1;

Franking Rate means the franking percentage, as defined under Part 3-6 of the Tax Act, for a Distribution as at the relevant Distribution Payment Date (expressed as a decimal) multiplied by the proportion of the relevant Distribution that is frankable;

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

Inability Event means any of the Issuer, MGL or any of their Related Bodies Corporate is prevented by applicable law, an order of any court, an action of any government authority (including regarding the insolvency, Winding Up or other external administration of the Issuer, MGL or a Related Body Corporate), or for any other reason, from observing and performing their obligations in respect of an Exchange (including in connection with the issue of MGL Ordinary Shares or the performance of any Related Exchange Steps);

Ineligible Holder has the meaning given in clause 9.13;

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

Issue Date means the date the BCN are issued, expected to be 8 October 2014;

Issue Date VWAP has the meaning given in clause 9.1;

Issue Price has the meaning given in clause 1.1;

Issuer means Macquarie Bank Limited (ACN 008 583 542), a company incorporated under the laws of Australia;

Liquidation Amount means an amount equal to the Issue Price;

Macquarie Group means MGL and each entity it Controls;

Mandatory Exchange Date has the meaning given in clause 3.2;

Margin has the meaning given in clause 2.1;

Maximum Exchange Number has the meaning given in clause 9.1;

MBL Level 1 Group means the Issuer and such other entities included by APRA from time to time in the calculation of MBL's Tier 1 Capital Ratio on a Level 1 basis (or its equivalent);

MBL Level 2 Group means the Issuer and such other entities included by APRA from time to time in the calculation of MBL's Tier 1 Capital Ratio on a Level 2 basis (or its equivalent);

MBL Ordinary Share means a fully paid ordinary share in the capital of the Issuer;

MBL Ordinary Share Dividend means any interim, final or special dividend payable in accordance with the Corporations Act and the constitution of the Issuer in respect of MBL Ordinary Shares;

MGL means Macquarie Group Limited (ACN 122 169 279), a company incorporated under the laws of Australia;

MGL Ordinary Share means a fully paid ordinary share in the capital of MGL;

MIPS Preference Shares means the preference shares issued by the Issuer in connection with the £350,000,000 6.177% Guaranteed Non-cumulative Step-up Perpetual Preferred Securities issued by Macquarie Capital Funding LP in 2004;

MIS Preference Shares means the preference shares comprised in the stapled security known as the Macquarie Income Securities issued by the Issuer in 1999;

Nominated Party means, subject to clause 8.2, one or more third parties selected by the Issuer in its absolute discretion;

Non-Completing Nominated Party has the meaning given in clause 8.6;

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

Non-Viability Event has the meaning given in clause 4.1(b);

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

Optional Exchange Date has the meaning given in clause 5.3;

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Optional Exchange Notice has the meaning given in clause 5.1;

Optional Exchange Restrictions has the meaning given in clause 5.4;

Proceedings has the meaning given in clause 17.2;

Proceeds per Share means, in respect of MGL Ordinary Shares issued and sold in accordance with clause 9.13(f), an amount equal to the net proceeds of the sale of such MGL Ordinary Shares, actually received after deducting any applicable brokerage, stamp duties and other taxes, charges and expenses, divided by the number of such MGL Ordinary Shares issued and sold;

Prospectus means the prospectus for the Offer;

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

Record Date has the meaning given in clause 2.1;

Redemption means, in respect of a BCN, the BCN is redeemed by payment of cash in accordance with and subject to clause 7 and "**Redeem**" and "**Redeemed**" have the corresponding meanings;

Redemption Date has the meaning given in clause 7.3;

Redemption Notice has the meaning given in clause 7.1;

Redemption Price has the meaning given to it in clause 7.4;

Reference Rate has the meaning given in clause 2.1;

Register means the register, including any branch register, of Holders established and maintained by, or on behalf of, the Issuer;

Registered means recorded in the Register;

Registrar means a person appointed by the Issuer to maintain the Register;

Regulatory Event means:

- (a) a law or regulation applicable in the Commonwealth of Australia or any State or Territory of Australia or any directive, order, standard, requirement, guideline or statement of APRA (whether or not having the force of law), which applies to the Issuer, MGL or any other member of the Macquarie Group (a "**Regulation**") is introduced, amended, clarified or changed or its application changed; or

- (b) an announcement is made that a Regulation will be introduced, amended, clarified or changed or its application changed; or

- (c) a decision is made by any court or other authority interpreting, applying or administering any Regulation,

in each case, which event occurs on or at any time after the Issue Date and was not expected by the Issuer as at the Issue Date (each such event a "**Change in Law**") and the Directors determine that, as a result of that Change in Law:

- (i) any of the BCN are not eligible for inclusion as Additional Tier 1 Capital for the MBL Level 1 Group or the MBL Level 2 Group;
- (ii) that additional requirements (including regulatory, capital, financial, operational or administrative requirements) in connection with the BCN would be imposed on the Issuer, MGL or the Macquarie Group which the Directors determine, in their absolute discretion, might have a material adverse effect on the Issuer, MGL or the Macquarie Group or otherwise be unacceptable; or
- (iii) that to have any of the BCN outstanding would be unlawful or impractical or that the Issuer, MGL or the Macquarie Group would be exposed to a more than *de minimis* increase in its costs in connection with those BCN;

Related Bodies Corporate has the meaning given in the Corporations Act;

Related Entity has the meaning given to it by APRA from time to time;

Related Exchange Steps has the meaning given in clause 9.1(d);

Relevant Mandatory Exchange Date has the meaning given in clause 3.2;

Relevant Percentage has the meaning given in clause 9.1;

Relevant Tier 1 Security means a security forming part of the Tier 1 Capital of Issuer that, in accordance with its terms or by operation of law, is capable of being converted into MGL Ordinary Shares or written-off when an Automatic Exchange Event occurs (including the BCN and the ECS);

Resale has the meaning given in clause 8.1 and "**Resell**" and "**Resold**" have the corresponding meanings;

Resale Date has the meaning given in clause 8.1;

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Resale Notice has the meaning given in clause 8.1;

Resale Price has the meaning given in clause 8.3;

Sale Agent means person appointed by the Issuer to sell MGL Ordinary Shares in accordance with clause 9.13, and includes an agent of that person;

Scheduled Mandatory Exchange has the meaning given in clause 3.2;

Scheduled Mandatory Exchange Date has the meaning given in clause 3.2;

Scheduled Optional Exchange Date has the meaning given in clause 5.2;

Second Exchange Condition has the meaning given in clause 3.3;

Second Optional Exchange Restriction has the meaning given in clause 5.4;

Second Scheduled Optional Exchange Date has the meaning given in clause 5.2;

Senior Creditors means all present and future creditors of the Issuer whose claims are:

- (a) entitled to be admitted in the Winding Up of the Issuer; and
- (b) not expressed to rank equally with, or subordinate to, the claims of the Holders under these Terms;

Special Resolution means:

- (a) a resolution passed at a meeting of Holders duly convened and held (or by way of postal ballot) in accordance with the BCN Deed Poll by the affirmative vote of at least 75% of the votes validly cast by Holders in person or by proxy and entitled to vote on the resolution; or
- (b) the consent in writing of Holders holding at least 75% of the BCN then on issue;

Stock Exchange means ASX or such other stock or securities exchange on which the BCN may be listed from time to time;

Suspension Event means, in respect of a date, trading of MGL Ordinary Shares on ASX is suspended for a period of consecutive days which includes:

- (a) at least 5 consecutive Business Days prior to that date; and
- (b) that date;

Tax Act means the Income Tax Assessment Act 1936 (Cth) or the Income Tax Assessment Act 1997 (Cth), as the context requires;

Tax Event means that, on or after the Issue Date, the Issuer receives an opinion of nationally recognised legal counsel or other nationally recognised tax adviser in Australia experienced in such matters, that there is more than an insubstantial risk which the Directors determine, at their absolute discretion, to be unacceptable that, as a result of a Tax Event Trigger and in connection with the BCN:

- (a) a franking debit will arise in the franking account of MGL in respect of any Distribution (the terms “franking debit” and “franking account” being within the meaning of Division 205 of the Tax Act) in addition to any franking debit that would, or is expected to, arise from the relevant Distribution in the absence of the Tax Event Trigger;
- (b) the Issuer or another member of the Macquarie Group is or will become exposed to more than a *de minimis* increase in its costs (including without limitation through the imposition of any taxes, duties, assessments or other governmental charges); or
- (c) any Distribution would not be a frankable dividend or distribution within the meaning of Division 202 of the Tax Act;

Tax Event Trigger means:

- (a) an amendment to, change in or announcement that there will be a change in, any laws or regulations affecting taxation in Australia;
- (b) a judicial decision interpreting, applying or clarifying any laws or regulations affecting taxation in Australia;
- (c) an administrative pronouncement, ruling, confirmation, advice or action that represents an official position, including a clarification of an official position of the governmental authority or regulatory body making the administrative pronouncement or taking any action, in each case, affecting taxation in Australia; or
- (d) a challenge asserted or threatened in writing in connection with an audit or investigation of any member of the Macquarie Group by the Australian Tax Office in connection with BCN,

which amendment, change or announcement that there will be a change, or which action or clarification or challenge occurs, on or after the Issue Date and was not expected by the Issuer as at the Issue Date;

Tax Rate means the Australian corporate tax rate applicable to the franking account of MGL on the relevant Distribution Payment Date (expressed as a decimal);

Appendix A: BCN terms

Terms means these terms and conditions;

Third Exchange Condition has the meaning given in clause 3.3;

Third Scheduled Optional Exchange Date has the meaning given in clause 5.2;

Tier 1 Capital has the meaning determined for that term (or its equivalent) by APRA from time to time;

Tier 1 Capital Ratio means at any time that ratio (or its equivalent) as defined by APRA from time to time;

Transferee has the meaning given in clause 14.2;

VWAP has the meaning given in clause 9.1;

VWAP Period has the meaning given in clause 9.1;

Winding Up means, with respect to an entity, the winding up, termination or dissolution of the entity, but does not include any winding up, termination or dissolution for the purposes of a consolidation, amalgamation, merger or reconstruction (the terms of which have been approved by the shareholders of the entity or by a court of competent jurisdiction) under which the continuing or resulting entity effectively assumes the entire obligations of the entity in respect of the BCN; and

Written-Off means, in respect of a BCN, that the Holder's rights under that BCN (including to payment of the Liquidation Amount and Distributions) are immediately and irrevocably terminated for no consideration, and **"Write-Off"** has a corresponding meaning.

18.3 Inconsistency with ASX Listing Rules and ASX Settlement Operating Rules

So long as the BCN are quoted on ASX and in CHES, these Terms as they relate to those BCN are to be interpreted in a manner consistent with applicable ASX Listing Rules and ASX Settlement Operating Rules (together, the **"Rules"**), except to the extent that an interpretation consistent with those Rules would affect the eligibility of the BCN as Tier 1 Capital for the MBL Level 1 Group or the MBL Level 2 Group.

Appendix

B

Glossary.

Appendix B: Glossary

This Appendix provides a glossary of key terms and abbreviations used throughout this Prospectus and the Application Form. There is also a list of further defined terms in clause 18.2 of the BCN Terms immediately prior to this glossary commencing on page 117.

Term	Meaning
ABN	Australian Business Number as defined in <i>A New Tax System (Australian Business Number) Act 1999</i> (Cth).
ACN	Australian Company Number as defined in the <i>Corporations Act</i> .
Acquisition Event	Broadly occurs where a change of control of the Issuer or MGL occurs, by takeover bid or scheme of arrangement or otherwise. Acquisition Event is discussed in section 2.8.1. For the full definition, see clause 18.2 of the BCN Terms.
Acquisition Exchange Date	The date on which an Exchange on account of an Acquisition Event is to occur. For the full definition, see clause 6.2 of the BCN Terms.
Additional Tier 1 Capital	Has the meaning determined for that term (or its equivalent) by APRA from time to time.
ADI	Authorised deposit-taking institution as defined in the Banking Act.
ADI statutory manager	Has the meaning given in the Banking Act.
Applicant	A person who lodges an Application Form in accordance with this Prospectus.
Application	A valid application for BCN made in accordance with this Prospectus.
Application Form	Each of the application forms accompanying this Prospectus upon which an Application may be made, being: <ul style="list-style-type: none">• the Application Form which Syndicate Brokers may require Broker Firm Applicants under the Broker Firm Offer to complete; or• the electronic Application Form provided for online applications under the Securityholder Offer and the General Offer.
Application Payment	The amount payable on each Application, being the Issue Price multiplied by the number of BCN applied for.
APRA	Australian Prudential Regulation Authority or any authority succeeding to its powers and responsibilities.
Arranger	Macquarie Capital (Australia) Limited.
ASIC	Australian Securities & Investments Commission.
ASX	ASX Limited (ACN 008 624 691) or the Australian Securities Exchange operated by it, as the context requires.

Appendix B: Glossary

Term	Meaning
ASX Listing Rules	The listing rules of ASX as amended, varied or waived (whether in respect of MBL, MGL or generally) from time to time.
ASX Trading Day	A business day within the meaning of the ASX Listing Rules on which trading in MGL Ordinary Shares takes place.
Automatic Exchange	An Exchange on account of an Automatic Exchange Event.
Automatic Exchange Event	A Common Equity Tier 1 Trigger Event or a Non-Viability Event. For the full definition, see clause 18.2 of the BCN Terms.
Automatic Exchange Date	The date of occurrence of an Automatic Exchange Event.
Banking Act	<i>Banking Act 1959</i> (Cth).
Bank Group	MBHPL and its subsidiaries (including MBL), being that part of the Macquarie Group that is subject to the full suite of APRA's banking regulations.
Basel III	Reforms released by the Basel Committee on Banking Supervision, in December 2010 (as revised), in order to raise the level and quality of regulatory capital in the global banking system.
BCN	Macquarie Bank Capital Notes, being fully paid, subordinated, non-cumulative, unsecured, mandatorily exchangeable notes of the Issuer which are to be offered under this Prospectus.
BCN Deed Poll	The BCN Deed Poll in respect of BCN.
BCN Holder	A person registered as the holder of a BCN.
BCN Terms	The terms of BCN scheduled to the BCN Deed Poll, as set out in Appendix A.
Bookbuild	The process described in section 7.3.1 to determine the Margin.
Broker Firm Applicant	An Australian resident retail or high net worth client of a Syndicate Broker invited to participate through the Broker Firm Offer.
Broker Firm Application	The application made by a Broker Firm Applicant.
Broker Firm Offer	The offer of BCN under this Prospectus to: <ul style="list-style-type: none"> • retail and high net worth clients of Syndicate Brokers, resident in Australia, who have received a firm allocation from their Syndicate Broker; and • Institutional Investors who have received a firm allocation from the Arranger.
Business Day	A day which is (i) a business day within the meaning of the ASX Listing Rules; and (ii) for the purpose of determining an Exchange Date (other than an Automatic Exchange Date) or the calculation or payment of a Distribution or of any other sum, a day on which banks are open for general business in Sydney, Australia.

Appendix B: Glossary

Term	Meaning
Buy-Back	A transaction involving the acquisition by MBL of MBL Ordinary Shares pursuant to an offer made in its discretion in accordance with the provisions of Part 2J of the Corporations Act.
Capital Reduction	A reduction in capital initiated by MBL in its discretion in respect of its MBL Ordinary Shares in any way permitted by the provisions of Part 2J of the Corporations Act.
CHESS	Clearing House Electronic Subregister System operated by ASX Settlement Pty Ltd (ACN 008 504 532).
Closing Date	The last date by which Applications will be accepted, which is expected to be: <ul style="list-style-type: none"> • for the Securityholder Offer and General Offer, 5.00pm (Sydney time) on 3 October 2014; and • for the Broker Firm Offer, 5.00pm (Sydney time) on 7 October 2014.
Co-Managers	Bell Potter Securities Limited; JBWere Limited; Macquarie Equities Limited; and Ord Minnett Limited.
Common Equity Tier 1 Capital	In respect of each of the MBL Level 1 Group and the MBL Level 2 Group has the meaning determined for that term (or its equivalent) by APRA from time to time.
Common Equity Tier 1 Ratio	Where: <ul style="list-style-type: none"> • in respect of the MBL Level 1 Group, the ratio of Common Equity Tier 1 Capital in respect of the MBL Level 1 Group to risk weighted assets of the MBL Level 1 Group; and • in respect of the MBL Level 2 Group, the ratio of Common Equity Tier 1 Capital in respect of the MBL Level 2 Group to risk weighted assets of the MBL Level 2 Group, in each case as calculated by the methodology prescribed (or its equivalent ratio) by APRA from time to time.
Common Equity Tier 1 Trigger Event	The Issuer determines, or APRA has notified the Issuer in writing that it believes, that either or both of the Common Equity Tier 1 Ratio in respect of the MBL Level 1 Group and the MBL Level 2 Group is equal to or less than 5.125%. For the full definition, see clause 4.1(a) of the BCN Terms.
Corporations Act	<i>Corporations Act 2001</i> (Cth).
Daily VWAP	In summary, the volume weighted average sale price of MGL Ordinary Shares sold on ASX on a day, excluding certain trades. For the full definition, see clause 18.2 of the BCN Terms.
Deferred Mandatory Exchange Date	Broadly, and in circumstances where any of the Exchange Conditions is not satisfied on the Scheduled Mandatory Exchange Date, the next semi-annual Distribution Payment Date after the Scheduled Mandatory Exchange Date where all of the Exchange Conditions are satisfied. For the full definition, see clauses 3.2 and 3.3 of the BCN Terms.
Delisted	Broadly occurs where: <ul style="list-style-type: none"> • MGL Ordinary Shares have ceased to be listed or admitted to trading on ASX and the cessation is continuing on the relevant date; or • an Inability Event applies on the relevant date preventing Exchange. For the full definition, see clause 18.2 of the BCN Terms.
Directors	Some or all of the Voting Directors (as defined in the MBL Constitution) of MBL.

Appendix B: Glossary

Term	Meaning
Distribution	Broadly, a cash distribution payable on BCN. For the full definition, see clause 2.1 of the BCN Terms.
Distribution Payment Date	<p>Broadly, in respect of a BCN, (a) each 24 March and 24 September commencing 24 March 2015 until (but not including) the date on which that BCN has been Redeemed or Exchanged, and (b) the Redemption Date, Resale Date or an Exchange Date (except where the Exchange is on account of an Automatic Exchange Event).</p> <p>If any of these scheduled dates is not a Business Day, then the Distribution Payment Date will be the next day which is a Business Day. For the full definition, see clauses 2.1 and 2.2 of the BCN Terms.</p>
Distribution Period	<p>Each period commencing on (and including) a Distribution Payment Date and ending on (but excluding) the next Distribution Payment Date. However:</p> <ul style="list-style-type: none"> • the first Distribution Period commences on (and includes) the Issue Date; and • the final Distribution Period ends on (and excludes) the Exchange Date, Redemption Date or Resale Date, as applicable.
Distribution Rate	$(\text{Reference Rate} + \text{Margin}) \times \text{Franking Adjustment Factor}$.
Dividend Restriction	The restrictions summarised in section 2.1.8 and set out in clause 2.5 of the BCN Terms.
ECS	Means the US\$250,000,000 10.25% junior subordinated notes issued by MBL in 2012.
Eligible Securityholder	<p>A person who is:</p> <ul style="list-style-type: none"> • a registered holder of MGL Ordinary Shares, MIS or MCN (as applicable) at 7.00pm (Sydney time) on 12 September 2014; • shown on the relevant register as having an address in Australia (or another jurisdiction to which MBL determines to extend the Offer); and • not otherwise prevented from receiving the Offer or BCN under the securities laws of another jurisdiction, as determined by MBL.
Equal Ranking Obligations	<p>Any obligation of, or claim against, MBL that exists or may arise in connection with:</p> <ul style="list-style-type: none"> • the MIS Preference Shares; • the MIPS Preference Shares; • the ECS; and • any other <ul style="list-style-type: none"> – preference share, security or capital instrument issued by MBL; or – obligation of, or claim against, MBL in respect of a preference share, security or capital instrument issued by a member of the Macquarie Group, <p>which preference share, security, capital instrument of, or obligation or claim against MBL ranks, or is expressed to rank, equally with BCN or any other Equal Ranking Obligation.</p>
Exchange	Broadly, the allotment and issue of MGL Ordinary Shares in exchange for a BCN. Exchangeable, Exchanged and Exchanging have corresponding meanings. For the full definition, see clause 18.2 of the BCN Terms.

Appendix B: Glossary

Term	Meaning
Exchange Conditions	The conditions which must be satisfied before Exchange will occur (other than in circumstances when an Automatic Exchange Event occurs). These are outlined in section 2.3.3 (as modified in some cases as outlined in sections 2.4, 2.7 and 2.8). For the full definition, see clause 3.3 of the BCN Terms.
Exchange Date	A Mandatory Exchange Date, Automatic Exchange Date, Optional Exchange Date or Acquisition Exchange Date on which BCN must be Exchanged (any relevant Exchange Conditions applicable to that date having been met).
Exchange Number	The number of MGL Ordinary Shares to be issued on Exchange as described in section 2.3.4 (as modified in some cases as outlined in sections 2.4, 2.7 and 2.8). For the full definition, see clause 9.1 of the BCN Terms.
FATCA	Broadly, the Foreign Account Tax Compliance Act provisions of the U.S. Internal Revenue Code of 1986. For the full definition see clause 18.2 of the BCN Terms.
First Exchange Condition	In summary, the Daily VWAP on the 25th Business Day immediately preceding the possible Mandatory Exchange Date is greater than 56% of the Issue Date VWAP. For the full definition, see clause 3.3 of the BCN Terms.
First Optional Exchange Restriction	In summary, the Daily VWAP on the second Business Day before the date on which an Optional Exchange Notice is to be sent by the Issuer is less than or equal to 25% of the Issue Date VWAP. For the full definition, see clause 5.4 of the BCN Terms.
Fourth Exchange Condition	In summary, MGL is not Delisted as at the possible Mandatory Exchange Date. For the full definition, see clause 3.3 of the BCN Terms.
Franking Adjustment Factor	$\frac{(1 - \text{Tax Rate})}{(1 - (\text{Tax Rate} \times (1 - \text{Franking Rate})))}$ <p>For the full definition, see clause 18.2 of the BCN Terms.</p>
Franking Rate	The franking percentage (as defined under Part 3-6 of the Tax Act) applicable as at the Distribution Payment Date multiplied by the proportion of the relevant Distribution that is frankable.
General Applicant	An applicant under the General Offer.
General Offer	The invitation to members of the general public who are resident in Australia (and not otherwise prevented from receiving the Offer or BCN under the securities laws of another jurisdiction, as determined by MBL) to apply for BCN under this Prospectus.
GST	Has the meaning given in section 195-1 of the <i>A New Tax System (Goods and Services Tax) Act 1999</i> (Cth).
Holding Statement	A statement issued to issuer sponsored BCN Holders by the Registrar which sets out the number of BCN issued to that BCN Holder.
Inability Event	Broadly, the Issuer, MGL or any of their Related Bodies Corporate (including MBHPL) is prevented by applicable law, or order of any court, or action of any government authority or any other reason from observing and performing its obligations in respect of an Exchange. For the full definition, see clause 18.2 of the BCN Terms.

Appendix B: Glossary

Term	Meaning
Institutional Investors	An investor to whom BCN are able to be offered under applicable laws without the need for any Prospectus, registration or other formality (other than a registration or formality which the Issuer is willing to comply with).
IRS	The U.S. Internal Revenue Service.
Issue Date	The date BCN are issued, expected to be 8 October 2014.
Issue Date VWAP	In summary, the VWAP during the 20 ASX Trading Days immediately preceding, but not including, the Issue Date. For the full definition, see clause 9.1 of the BCN Terms.
Issue Price	\$100.
Issuer	Macquarie Bank Limited (ACN 008 583 542).
Joint Lead Managers	ANZ Securities Limited; Citigroup Global Markets Australia Pty Limited; Commonwealth Bank of Australia; Evans and Partners Pty Limited; J.P. Morgan Australia Limited; Macquarie Capital (Australia) Limited; Morgans Financial Limited; and National Australia Bank Limited.
Liquidation Amount	An amount equal to the Issue Price.
Macquarie Group	MGL and each of its subsidiaries.
Mandatory Exchange	An Exchange in accordance with clause 3 of the BCN Terms.
Mandatory Exchange Date	Broadly, 24 March 2023 or the next semi-annual Distribution Payment Date after that date on which the Exchange Conditions are satisfied. For the full definition, see clause 3.2 of the BCN Terms.
Margin	3.30 percent per annum as determined under the Bookbuild.
Maximum Exchange Number	The number of MGL Ordinary Shares calculated in accordance with the formula in clause 9.1 of the BCN Terms.
MBHPL	Macquarie B.H. Pty Limited (ACN 124 071 432).
MBL	Macquarie Bank Limited (ACN 008 583 542).
MBL Board	The Directors acting as a board.
MBL Constitution	The constitution of MBL as amended from time to time.
MBL Level 1 Group	The Issuer and those other entities included by APRA from time to time in the calculation of Tier 1 Capital Ratio on a Level 1 basis (or its equivalent).
MBL Level 2 Group	The Issuer and those other entities included by APRA from time to time in the calculation of Tier 1 Capital Ratio on a Level 2 basis (or its equivalent).
MBL Ordinary Share	A fully paid ordinary share in the capital of MBL.

Appendix B: Glossary

Term	Meaning
MCN	Macquarie Group Capital Notes issued by MGL in 2013.
MGL	Macquarie Group Limited (ACN 122 169 279).
MGL Constitution	The constitution of MGL as amended from time to time.
MGL Ordinary Share	A fully paid ordinary share in the capital of MGL.
MGL Shareholder	A registered holder of MGL Ordinary Shares.
MIS	Macquarie Income Securities issued by MBL and Macquarie Finance Ltd. in 1999.
MIS Preference Shares	Means the preference shares issued by MBL in connection with the MIS.
MIPS	The GBP 350,000,000 6.177% Guaranteed Non-cumulative Step-up Perpetual Preferred Securities issued by Macquarie Capital Funding LP in 2004.
MIPS Preference Shares	Means the preferences shares issued by MBL in connection with MIPS.
NOHC	Non-operating holding company.
Nominated Party	Broadly, one or more third parties nominated by the Issuer to purchase some or all BCN under a Resale process. For the full definition, see clauses 8.2 and 18.2 of the BCN Terms.
Non-Bank Group	All entities in the Macquarie Group other than the entities in the Bank Group.
Non-Exchange Test Date	In summary, the second Business Day before the date on which an Optional Exchange Notice is to be sent by the Issuer. For the full definition, see clause 5.4 of the BCN Terms.
Non-Viability Event	<p>APRA:</p> <p>(a) has issued a written notice to MBL that the exchange or conversion into MGL Ordinary Shares, or write-off, of Relevant Tier 1 Securities in accordance with their terms or by operation of law is necessary because without such exchange, conversion or write-off, APRA considers MBL would become non-viable; or</p> <p>(b) has notified MBL in writing that it has determined that without a public sector injection of capital, or equivalent support, MBL would become non-viable.</p> <p>For the full definition, see clause 4.1(b) of the BCN Terms.</p>
Offer	The invitation made under this Prospectus by the Issuer for persons to subscribe for BCN.
Offer Management Deed	The offer management deed between the Joint Lead Managers and the Issuer in relation to the Offer as described in section 6.3.
Offer Period	The period from the Opening Date to the applicable Closing Date.
Opening Date	The opening date of the Offer which is expected to be 23 September 2014.
Optional Exchange	An Exchange at the option of the Issuer under clause 5 of the BCN Terms.

Appendix B: Glossary

Term	Meaning
Optional Exchange Date	The date on which an Exchange at the option of the Issuer occurs. For the full definition, see clause 5.3 of the BCN Terms.
Optional Exchange Notice	In summary, a notice issued to BCN Holders by which an Exchange at the option of the Issuer is effected. For the full definition, see clause 5.1 of the BCN Terms.
Optional Exchange Restrictions	The conditions which must be satisfied before the Issuer can elect to Exchange. These are outlined in section 2.4.4. For the full definition, see clause 5.4 of the BCN Terms.
Ordinary Resolution	Broadly, a resolution passed at a meeting of BCN Holders (or by way of postal ballot) by a majority of at least 50% of the votes cast, or the consent in writing of BCN Holders holding at least 50% of BCN then on issue.
Original Prospectus	The Prospectus dated 15 September 2014 and lodged with ASIC on that date which this Prospectus replaces.
Payment Conditions	The conditions which must be satisfied before the payment of Distributions on BCN. These are outlined in section 2.1.1.
PMIs	Preferred Membership Interests issued by Macquarie PMI LLC in 2010.
Prospectus	This prospectus for the Offer including the BCN Terms.
Redemption	Broadly, the process through which the Issuer repays the Issue Price under the BCN Terms if the Issuer elects to Redeem. Redeem and Redeemed have corresponding meanings. For the full definition, see clause 18.2 of the BCN Terms.
Redemption Date	The date in which a Redemption is to occur if the Issuer elects to Redeem. For the full definition, see clause 7.3 of the BCN Terms.
Reference Rate	Broadly, the rate (expressed as a percentage per annum) which is the average mid-rate for Bills for a term of 180 days as displayed on the “BBSW” page of the Reuters Monitor System (or any page that replaces that page) on the first Business Day of the relevant Distribution Period. For the full definition, see clause 2.1 of the BCN Terms.
Register	The register, including any branch register, of BCN Holders established and maintained by, or on behalf of, the Issuer.
Registrar	A person appointed by the Issuer to maintain the Register, currently Computershare Investor Services Pty Limited.
Regulatory Event	Broadly occurs when, as a result of a change of law or regulation on or after the Issue Date, the Directors determine that any of BCN are not eligible for inclusion as Additional Tier 1 Capital or additional requirements would be imposed on the Issuer, MGL or any other member of the Macquarie Group which the Directors determine as unacceptable or that to have BCN outstanding would be unlawful or impractical or expose the Issuer, MGL or the Macquarie Group to a more than <i>de minimis</i> increase in costs. For the full definition, see clause 18.2 of the BCN Terms.
Related Exchange Steps	Broadly, the issue of MBL Ordinary Shares to MBHPL and the issue of ordinary shares in MBHPL to MGL in connection with an Exchange. For the full definition, see clause 9.1(d) of the BCN Terms.

Appendix B: Glossary

Term	Meaning
Related Body Corporate	Has the meaning given in the Corporations Act.
Relevant Percentage	When calculating the Maximum Exchange Number, if the relevant Exchange is occurring on a Relevant Mandatory Exchange Date, 50%, otherwise 20%.
Relevant Mandatory Exchange Date	Broadly, the Scheduled Mandatory Exchange Date and each Deferred Mandatory Exchange Date. For the full definition, see clauses 3.2 and 3.3 of the BCN Terms.
Relevant Tier 1 Security	A security forming part of the Tier 1 Capital of MBL that is capable of being exchanged or converted into MGL Ordinary Shares or written-off when an Automatic Exchange Event occurs (including the BCN and the ECS). For the full definition, see clause 18.2 of the BCN Terms.
Relevant Tier 2 Security	A security forming part of the Tier 2 Capital of MBL that is capable of being exchanged or converted into MGL Ordinary Shares or written-off when a Non-Viability Event occurs.
Resale	Broadly, the sale of BCN by BCN Holders following the issue by the Issuer of a resale notice to BCN Holders, to a Nominated Party under the BCN Terms. Resold and Resell have corresponding meanings. For the full definition, see clauses 8.1 and 18.2 of the BCN Terms.
Resale Date	The date on which a Resale is to occur. For the full definition, see clause 8.1 of the BCN Terms.
Resale Price	With respect to a BCN, a purchase price equal to the Issue Price of that BCN. For the full definition, see clause 8.3 of the BCN Terms.
Sale Agent	The person appointed by the Issuer to sell MGL Ordinary Shares in accordance with clause 9.13 of the BCN Terms. See section 4.1.17 for further detail.
Scheduled Mandatory Exchange Date	24 March 2023.
Scheduled Optional Exchange Date	Broadly, 24 March 2020, 24 September 2020, and 24 March 2021. For the full definition, see clauses 5.2 and 18.2 of the BCN Terms.
Second Exchange Condition	Broadly, the VWAP during the 20 ASX Trading Days immediately preceding the possible Mandatory Exchange Date is such that the number of MGL Ordinary Shares to be issued would be less than or equal to the Maximum Exchange Number applicable to the Mandatory Exchange Date. For the full definition, see clause 3.3 of the BCN Terms.
Second Optional Exchange Restriction	The Issuer is Delisted as at the Non-Exchange Test Date. For the full definition, see clause 18.2 of the BCN Terms.
Securityholder	A registered holder of MGL Ordinary Shares, MIS or MCN (as the context requires).
Securityholder Applicant	An Eligible Securityholder who applies under the Securityholder Offer.
Securityholder Offer	The invitation to Eligible Securityholders to apply for BCN under this Prospectus.

Appendix B: Glossary

Term	Meaning
Senior Creditors	All present and future creditors of the Issuer whose claims are: <ul style="list-style-type: none"> (a) entitled to be admitted in the Winding Up of the Issuer; and (b) not expressed to rank equally with, or subordinate to, the claims of the BCN Holders under the BCN Terms.
Special Resolution	Broadly, a resolution passed at a meeting of BCN Holders (or by way of postal ballot) by a majority of at least 75% of the votes validly cast by BCN Holders in person or by proxy and entitled to vote on the resolution. For the full definition, see clause 18.2 of the BCN Terms.
Suspension Event	In respect of a date, trading of MGL Ordinary Shares on ASX is suspended for a period of consecutive days which includes: <ul style="list-style-type: none"> (a) at least 5 consecutive Business Days prior to that date; and (b) that date.
Syndicate Broker	Any of the Joint Lead Managers (or their affiliated retail brokers) and any other participating broker in the Offer.
Tax Act	The <i>Income Tax Assessment Act 1936</i> (Cth) or the <i>Income Tax Assessment Act 1997</i> (Cth), as the context requires.
Tax Event	Broadly, the Issuer receives advice there is a more than insubstantial risk which the Issuer determines to be unacceptable that, in connection with BCN: <ul style="list-style-type: none"> • an additional franking debit will arise in the franking account of MGL in respect of any Distribution; • the Issuer or another member of the Macquarie Group would be exposed to an increase in costs (including taxes, assessments, duties or other government charges) which is not insignificant; or • any distribution ceases to be frankable. For the full definition, see clause 18.2 of the BCN Terms.
Tax Rate	The Australian corporate tax rate applicable to the franking account of MGL on the relevant Distribution Payment Date (expressed as a decimal).
Third Exchange Condition	No Suspension Event applies in respect of the possible Mandatory Exchange Date. For the full definition, see clause 3.3 of the BCN Terms.
Tier 1 Capital	Has the meaning determined for that term (or its equivalent) by APRA from time to time.
Tier 1 Capital Ratio	At any time that ratio (or its equivalent) as defined by APRA.
TFN	Tax File Number.
Total Capital	Has the meaning determined for that term (or its equivalent) by APRA from time to time.
United States or US	United States of America.
US Securities Act	United States Securities Act of 1933, as amended from time to time.
VWAP	Broadly, the average of the Daily VWAP during the VWAP Period, subject to adjustments. For the full definition, see clause 9.1 of the BCN Terms.

Appendix B: Glossary

Term	Meaning
VWAP Period	Broadly, the period for which the VWAP is calculated. For the full definition, see clause 9.1 of the BCN Terms.
Winding Up	Broadly means the winding up, termination or dissolution of an entity. For the full definition, see clause 18.2 of the BCN Terms.
Written-Off	In respect of a BCN, that the Holder's rights under that BCN (including to payment of the Liquidation Amount and Distributions) are immediately and irrevocably terminated for no consideration and Write-Off has a corresponding meaning.

Corporate Directory

Registered Office and Head Office of the Issuer

Macquarie Bank Limited

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

Legal Adviser

King & Wood Mallesons

Level 50, Bourke Place
600 Bourke Street
Melbourne VIC 3000

Tax Adviser

Greenwoods & Freehills Pty Ltd

ANZ Tower
161 Castlereagh Street
Sydney NSW 2000

Accounting Adviser

PricewaterhouseCoopers Securities Ltd

Ground Floor, Tower 2
201 Sussex Street
Sydney NSW 2000

Registrar

Computershare Investor Services Pty Limited

Level 4, 60 Carrington Street
Sydney NSW 2000

Arranger

Macquarie Capital (Australia) Limited

Level 23, 101 Collins Street
Melbourne VIC 3000

Joint Lead Managers

Macquarie Capital (Australia) Limited

Level 23, 101 Collins Street
Melbourne VIC 3000

ANZ Securities Limited

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

Citigroup Global Markets Australia Pty Limited

Level 22, 2 Park Street
Sydney NSW 2000

Commonwealth Bank of Australia

Ground Floor, Tower 1
201 Sussex Street
Sydney NSW 2000

Evans and Partners Pty Limited

32 Jolimont Terrace
East Melbourne VIC 3002

J.P. Morgan Australia Limited

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

Morgans Financial Limited

Level 29, Riverside Centre
123 Eagle Street
Brisbane QLD 4000

National Australia Bank Limited

Level 25, 255 George Street
Sydney NSW 2000

