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IMPORTANT: You must read the following before continuing. The following applies to the Offering Circular following this page, and you are therefore advised to read this carefully before reading, accessing or making any other use of the Offering Circular. In accessing the Offering Circular, you agree to be bound by the following terms and conditions, including any modifications to them any time you receive any information as a result of such access.

NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER OF SECURITIES FOR SALE OR SOLICITATION IN ANY JURISDICTION WHERE IT IS UNLAWFUL TO DO SO.

THE ECS DESCRIBED HEREIN HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE U.S. **SECURITIES ACT**), OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR OTHER JURISDICTION AND THE ECS DESCRIBED HEREIN MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS (AS DEFINED IN REGULATION S UNDER THE U.S. SECURITIES ACT), EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE U.S. SECURITIES ACT AND APPLICABLE STATE OR LOCAL SECURITIES LAWS.

THE FOLLOWING OFFERING CIRCULAR MAY NOT BE FORWARDED OR DISTRIBUTED TO ANY OTHER PERSON AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER, AND IN PARTICULAR, MAY NOT BE FORWARDED TO ANY U.S. PERSON OR TO AN U.S. ADDRESS. ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THIS DOCUMENT IN WHOLE OR IN PART IS UNAUTHORIZED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE U.S. SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS. ANY INVESTMENT DECISION SHOULD BE MADE ON THE BASIS OF THE TERMS OF THE ECS AND THE INFORMATION CONTAINED IN THIS OFFERING CIRCULAR. IF YOU HAVE GAINED ACCESS TO THIS TRANSMISSION CONTRARY TO ANY OF THE FOREGOING RESTRICTIONS, YOU ARE NOT AUTHORISED AND WILL NOT BE ABLE TO PURCHASE ANY OF THE ECS DESCRIBED THEREIN.

Confirmation of your Representation: In order to be eligible to view this Offering Circular or make an investment decision with respect to the ECS described herein, investors must not be a U.S. person (within the meaning of Regulation S under the U.S. Securities Act). The Offering Circular is being sent at your request and by accepting the e-mail and accessing the Offering Circular, you shall be deemed to have represented to Credit Suisse Securities (Europe) Limited, HSBC Bank plc, J.P. Morgan Securities Ltd. and Macquarie Capital (Europe) Limited (the **Joint Lead Managers**) that you are not a U.S. person, your stated electronic mail address to which this e-mail has been delivered is not located in the U.S. and that you consent to delivery of such Offering Circular by electronic transmission.

You are reminded that the Offering Circular has been delivered to you on the basis that you are a person into whose possession the Offering Circular may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located and you may not, nor are you authorised to, deliver the Offering Circular to any other person. The materials relating to the issue of the ECS described herein do not constitute, and may not be used in connection with, an offer or solicitation in any place where offers or solicitations are not permitted by law. If a jurisdiction requires that the issue of the ECS described herein be made by a licensed broker or dealer and the underwriters or any affiliate of the underwriters is a licensed broker or dealer in that jurisdiction, the issue of the ECS described herein shall be deemed to be made by the underwriters or such affiliate on behalf of the Issuer in such jurisdiction.

The Offering Circular has been sent to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently none of the Joint Lead Managers, the Issuer, nor any person who controls them nor any of their respective directors, officers, employees, agents or affiliates accepts any liability or responsibility whatsoever in respect of any difference between the Offering Circular distributed to you in electronic format and the hard copy version available to you on request from the Joint Lead Managers or the Issuer.

This Offering Circular is not an offer to sell the ECS, nor a solicitation to buy the ECS, in any jurisdiction where the offer or sale is not permitted.

OFFERING CIRCULAR



MACQUARIE

Macquarie Bank Limited, acting through its London Branch

(incorporated with limited liability in Australia with ACN 008 583 542 and with UK establishment number BR002678)

US\$250,000,000

Exchangeable Capital Securities

subordinated and exchangeable for ordinary shares of

Macquarie Group Limited

(incorporated with limited liability in Australia)

(ABN 94 122 169 279)

The US\$250,000,000 Exchangeable Capital Securities (the **ECS**) will be unsecured and junior subordinated notes of Macquarie Bank Limited (**MBL**), acting through its London Branch (the **Issuer**). Subject to the satisfaction of certain conditions, the ECS will be Exchanged for fully paid ordinary shares (the **MGL Ordinary Shares**) in the capital of Macquarie Group Limited (**MGL**) on 20 June 2057 (the **Final Mandatory Exchange Date**) or earlier in the circumstances described in the terms and conditions of the ECS (the **Terms**). The ECS may be Redeemed by the Issuer prior to any Exchange only following the occurrence of a Tax Event or Regulatory Event (but not otherwise) (see "*Terms and Conditions of the ECS - clause 4 ("Redemption and Resale") and clause 5 ("Mandatory Exchange")*"). However the ECS may, in certain circumstances, be Resold by the Issuer instead of being Exchanged or Redeemed (see "*Terms and Conditions of the ECS - clause 4 ("Redemption and Resale")*"). No ECS is Redeemable or Exchangeable, nor may an ECS be Resold, at the option of a holder of the ECS (**ECS Holder**).

The ECS are non-cumulative and confer a right to Interest for the period commencing on (and including) the date on which the ECS are issued (**Issue Date**) at the rate of 10.25% per annum as adjusted on 20 June 2017 (the **First Reset Date**) and on each fifth anniversary of the First Reset Date (see "*Terms and Conditions of the ECS - clause 3 ("Interest")*"). Subject to the provisions of the Terms relating to the non-payment thereof (including a discretion being exercised not to make the payment), Interest will be payable on each ECS semi-annually in arrear on 20 June and 20 December of each year commencing on 20 June 2012 until the date on which the ECS have been Redeemed or Exchanged including on the Redemption Date or, subject to certain conditions, the Resale Date or an Exchange Date (except where the Exchange occurs as a result of a Common Equity Tier 1 Trigger Event or Non-Viability Event) for that ECS (see "*Terms and Conditions of the ECS - clause 3 ("Interest")*").

The ECS are expected to be assigned on issue a credit rating of "BB+" by Fitch Australia Pty Ltd (**Fitch**). A credit rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the assigning rating agency. Credit ratings are for distribution only to a person (a) who is not a "retail client" within the meaning of section 761G of the Corporations Act 2001 of Australia (the **Australian Corporations Act**) and is also a sophisticated investor, professional investor or other investor in respect of whom disclosure is not required under Parts 6D.2 or 7.9 of the Australian Corporations Act, and (b) who is otherwise permitted to receive credit ratings in accordance with applicable law in any jurisdiction in which the person may be located. Anyone who is not such a person is not entitled to receive this Offering Circular and anyone who receives this Offering Circular must not distribute it to any person who is not entitled to receive it. Further information with respect to MBL's credit ratings is set out in this Offering Circular, in particular in the paragraph entitled "*Credit ratings*" in the section entitled "*Macquarie Group Limited*" on page 108.

An investment in the ECS involves certain risks. For a discussion of these risks see "*Risk Factors*". If certain conditions exist as at an Early Mandatory Exchange Event or on the Final Mandatory Exchange Date then each ECS will be written down and investors will lose all of their investment (see "*Terms and Conditions of the ECS - clause 5.27 ("Write down on inability of MGL to perform Exchange")*"). If, in the opinion of the Issuer, an ECS Holder is prohibited under an Applicable Shareholding Law from acquiring some or all of the Exchange Number of MGL Ordinary Shares on a Mandatory Exchange Date then some or all of its ECS may be written down and that ECS Holder will lose some or all of their investment (see "*Terms and Conditions of the ECS - clause 5.26 ("Applicable Shareholding Laws")*").

In-principle approval from the Singapore Exchange Securities Trading Limited (the **SGX-ST**) has been obtained for the listing and quotation of the ECS on the official list of the SGX-ST.

The SGX-ST assumes no responsibility for the correctness of any of the statements made or opinions expressed or reports contained herein. Admission to the official list of the SGX-ST and quotation of the ECS on the SGX-ST are not to be taken as an indication of the merits of the Issuer or the ECS. The ECS will be traded in a minimum board lot size of US\$200,000 (or equivalent in another currency) for so long as the ECS are listed on the SGX-ST.

None of the ECS or the MGL Ordinary Shares have been or will be registered under the United States Securities Act of 1933, as amended (the U.S. Securities Act) or with any securities regulatory authority of any state or other jurisdiction of the United States. Unless they are so registered, the ECS may be offered only in transactions that are exempt from, or not subject to registration under, the U.S. Securities Act or the securities laws of any other jurisdiction. Accordingly, the ECS are only being offered outside the United States in reliance on and in accordance with Regulation S under the U.S. Securities Act and in accordance with applicable laws. Prospective investors should read the section entitled "*Subscription and Sale*" for information on restrictions that apply to the purchase and sale of the ECS.

The ECS are not guaranteed by MGL nor by any other person. The ECS 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, the United Kingdom or any other government, government agency or compensation scheme in any jurisdiction or by any other person. The ECS do not represent "protected accounts" of any member of the Macquarie Group for the purposes of section 13A(3) of the Banking Act 1959 of Australia (the Australian Banking Act) or any similar law of any jurisdiction nor do they represent deposits with, or deposit liabilities of, any member of the Macquarie Group for the purposes of the Australian Banking Act or the laws of any other jurisdiction. Except for a claim made on the Issuer or MGL in accordance with the Terms and the Trust Deed (as defined below), an ECS 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 ECS held by that ECS Holder.

The ECS will be issued in registered form and in denominations of US\$200,000 and integral multiples of US\$1,000 above that amount (in each case, the denomination of an ECS will be its principal amount). The ECS will be initially represented by a global certificate (the **Global Certificate**), which will be registered in the name of a nominee of, and deposited with a common depository for, Euroclear Bank S.A./N.V. (**Euroclear**) and Clearstream Banking, *société anonyme* (**Clearstream, Luxembourg**). The Global Certificate will be exchangeable for definitive certificates representing ECS in registered form (the **Definitive Certificates**) only in certain limited circumstances (see "*Terms and Conditions of the ECS - clause 2.2 ("Entries in the Register and ECS Certificates")*").

Words and expressions defined in the Terms and not otherwise defined in this Offering Circular shall have the same meanings when used in the remainder of the Offering Circular.

Joint Lead Managers

Credit Suisse

HSBC

J.P. Morgan

Macquarie Capital (Europe)

Co-Managers

ANZ

BofA Merrill Lynch

Citigroup

National Australia Bank Limited

23 March 2012

IMPORTANT NOTICE

The Issuer, MBL and MGL (in the case of MBL and MGL, only in relation to information relating to it) accept responsibility for the information contained in this Offering Circular. To the best of the knowledge of the Issuer, MBL and MGL (each having taken all reasonable care to ensure that such is the case), the information (in the case of MBL and MGL, only the information relating to it) contained in this Offering Circular is in accordance with the facts and does not omit anything likely to affect the import of such information.

The SGX-ST takes no responsibility for the contents of this Offering Circular, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Offering Circular.

In this Offering Circular, references to **MGL** are to Macquarie Group Limited, references to **MBL** are to Macquarie Bank Limited, references to the **Issuer** are to MBL acting through its London Branch, references to the **Macquarie Group** are to MGL together with each entity it controls (as defined in the Australian Corporations Act, and including MBL), references to **S\$** are to Singapore dollars, references to **AUD** and **A\$** are to Australian dollars, references to **USD** and **US\$** are to United States dollars and references to **euro** and **€** are to the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty establishing the European Community, as amended.

This Offering Circular is to be read in conjunction with all documents which are deemed to be incorporated herein by reference (see "*Documents Incorporated by Reference*"). This Offering Circular shall be read and construed on the basis that such documents are incorporated by reference into, and form part of, this Offering Circular.

None of the Joint Lead Managers or the Co-Managers (together, the **Managers**) nor any Agent (as defined below), any of their respective affiliates, any external advisor to the Issuer, MBL or MGL, or any of the foregoing (each an **Other Person**) has (unless expressly stated otherwise) independently verified the information contained herein. Accordingly, no representation, warranty or undertaking, express or implied, is made, and no responsibility or liability is accepted, by any Manager, any Agent or any Other Person as to the accuracy or completeness of the information contained in or incorporated by reference into this Offering Circular or any other information provided by the Issuer, MBL or MGL in connection with the offer or distribution of the ECS under this Offering Circular (the **Offer**) or in respect of the ECS themselves. None of the Managers, any Agent nor any Other Person accepts any liability in relation to the information contained in or incorporated by reference into this Offering Circular or any other information provided by the Issuer, MBL or MGL in connection with the Offer or the ECS.

No person is, or has been, authorised by the Issuer, MBL, MGL, the Managers, any Agent or any Other Person to give any information or to make any representation not contained in or not consistent with this Offering Circular, or any other information supplied in connection with the Offer or the ECS and, if given or made, such information or representation must not be relied upon as having been authorised by the Issuer, MBL, MGL, the Managers, any Agent or any Other Person.

Neither this Offering Circular nor any other information supplied in connection with the Offer or the ECS (i) is intended to provide the basis of any credit or other evaluation or (ii) should be considered or relied on as a recommendation or a statement of opinion (or a report of either of those things) by the Issuer, MBL, MGL, the Managers, any Agent or any Other Person that any recipient of this Offering Circular or any other information supplied in connection with the Offer or the ECS should purchase any ECS. Each investor contemplating purchasing any ECS should make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness, of the Issuer, MBL and MGL. Neither this Offering Circular nor any other information supplied in connection with the Offer or the ECS constitutes an offer or invitation by, or on behalf of, the Issuer, MBL, MGL, any of the Managers, any Agent or any Other Person to any person to subscribe for or to purchase any ECS.

Neither the delivery of this Offering Circular nor the offering, sale or delivery of the ECS shall in any circumstances imply that the information contained herein concerning the Issuer, MBL, MGL or any other member of the Macquarie Group is correct at any time subsequent to the date hereof or that any other information supplied in connection with the Offer or the ECS is correct as of any time subsequent to the date indicated in the document containing the same. The Managers, the Agents and each Other Person expressly do not undertake to review the financial condition or affairs of the Issuer, MBL, MGL or any other member of the

Macquarie Group during the life of the ECS or to advise any investor in the ECS of any information coming to their attention.

If the terms of the Offer are modified or amended in a manner which would make this Offering Circular inaccurate or misleading, an amendment or supplement to this Offering Circular, or a new offering circular, will be prepared.

This Offering Circular has not been and will not be registered as a prospectus with the Monetary Authority of Singapore and the ECS are offered by the Issuer pursuant to the exemptions invoked under Sections 274 and 275 of the Securities and Futures Act, Chapter 289 of Singapore (the **SFA**).

Accordingly, this Offering Circular and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the ECS may not be circulated or distributed, nor may any ECS be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor pursuant to Section 274 of the SFA, (ii) to a relevant person under to Section 275(1) of the SFA, or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

ECS may not be offered for sale, nor may applications for the sale or purchase of any ECS be invited, in Australia (including an offer or invitation which is received by a person in Australia), and neither this Offering Circular nor any advertisement or other offering material relating to the ECS may be distributed or published in Australia, unless (i) (A) the aggregate amount payable on acceptance of the offer or invitation by each offeree or invitee for the ECS is at least A\$500,000 (or its equivalent in another currency, in either case, disregarding amounts, if any, lent by the person offering the ECS or making the invitation or its associates), or (B) the offer or invitation is otherwise an offer or invitation for which no disclosure is required to be made under Parts 6D.2 or 7.9 of the Australian Corporations Act, (ii) the offer, invitation or distribution does not constitute an offer to a “retail client” as defined for the purposes of section 761G of the Australian Corporations Act, (iii) the offer, invitation or distribution complies with all applicable laws and regulations relating to the offer, sale and resale of the ECS in the jurisdiction in which such offer, sale and resale occurs, and (iv) such action does not require any document to be lodged with the Australian Securities and Investments Commission (**ASIC**).

This Offering Circular is being given to the Australian Securities Exchange operated by ASX Limited (ABN 98 008 624 691) (**ASX**) in accordance with the requirements of ASIC instrument 12/0288, which provides relief so that MGL Ordinary Shares issued on Exchange of the ECS may be on-sold to retail investors if a notice containing disclosure required by section 708A(12D) of the Australian Corporations Act (as inserted by ASIC instrument 12/0288) is released in connection with the issue of the ECS.

THE ECS HAVE NOT BEEN NOR WILL THEY BE REGISTERED UNDER THE U.S. SECURITIES ACT OR THE SECURITIES LAWS OF ANY OTHER JURISDICTION OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES. THE ECS MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS (AS DEFINED IN REGULATION S UNDER THE U.S. SECURITIES ACT) UNLESS THE ECS ARE REGISTERED UNDER THE U.S. SECURITIES ACT OR OFFERED AND SOLD PURSUANT TO AND IN ACCORDANCE WITH AN EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE U.S. SECURITIES ACT AND ANY APPLICABLE STATE SECURITIES LAWS.

THE ECS HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION OR ANY OTHER SECURITIES COMMISSION OR OTHER REGULATORY AUTHORITY IN THE UNITED STATES, NOR HAVE THE FOREGOING AUTHORITIES APPROVED THIS OFFERING CIRCULAR OR DETERMINED IF THIS OFFERING CIRCULAR IS TRUTHFUL OR COMPLETE. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENCE IN THE UNITED STATES.

NO PARTY MAKES ANY REPRESENTATION TO ANY INVESTOR IN THE ECS REGARDING THE LEGALITY OF ITS INVESTMENT UNDER ANY APPLICABLE LAWS. ANY INVESTOR IN THE ECS SHOULD BE ABLE TO BEAR THE ECONOMIC RISK OF AN INVESTMENT IN THE ECS FOR THE ENTIRE TERM OF THE ECS (INCLUDING WHERE EXCHANGED FOR MGL

ORDINARY SHARES OR AUTOMATICALLY TRANSFERRED TO THE ISSUER FOR NO CONSIDERATION).

THE ECS ARE NOT GUARANTEED BY MGL NOR BY ANY OTHER PERSON. THE ECS 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, THE UNITED KINGDOM OR ANY OTHER GOVERNMENT, GOVERNMENT AGENCY OR COMPENSATION SCHEME IN ANY JURISDICTION. THE ECS DO NOT REPRESENT “PROTECTED ACCOUNTS” (AS DESCRIBED FURTHER BELOW) OF ANY MEMBER OF THE MACQUARIE GROUP FOR THE PURPOSES OF SECTION 13A(3) OF THE AUSTRALIAN BANKING ACT OR ANY SIMILAR LAW OF ANY JURISDICTION NOR DO THEY REPRESENT DEPOSITS WITH, OR DEPOSIT LIABILITIES OF, ANY MEMBER OF THE MACQUARIE GROUP FOR THE PURPOSES OF THE AUSTRALIAN BANKING ACT OR THE LAWS OF ANY OTHER JURISDICTION. EXCEPT FOR A CLAIM MADE ON THE ISSUER OR MGL IN ACCORDANCE WITH THE TERMS AND THE TRUST DEED, AN ECS 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 ECS HELD BY THAT ECS HOLDER.

Australian banking legislation

Other than MBL, no Macquarie Group entity referred to in this Offering Circular is an authorised deposit-taking institution (an **ADI**) for the purposes of the Australian Banking Act. The Australian Banking Act provides that, in the event an ADI becomes unable to meet its obligations or suspends payment, the ADI’s assets in Australia are available to meet specified liabilities of the ADI in priority to all other liabilities of the ADI (including, in the case of MBL, the ECS). These specified liabilities include certain obligations of the ADI to the Australian Prudential Regulation Authority (**APRA**) in respect of amounts payable by APRA to holders of protected accounts, other liabilities of the ADI in Australia in relation to protected accounts, debts to the Reserve Bank of Australia (**RBA**) and certain other debts to APRA. A “**protected account**” is, subject to certain conditions including as to currency and unless prescribed otherwise by regulations, an account or a specified financial product: (a) where the ADI is required to pay the account-holder, on demand or at an agreed time, the net credit balance of the account, or (b) otherwise prescribed by regulation. The Australian Treasurer has published a declaration of products prescribed as protected accounts for the purposes of the Australian Banking Act. Changes to applicable law may extend the liabilities required to be preferred by law.

The ECS do not represent a protected account of, or a deposit with, MBL. The liabilities which are preferred by law to the claim of an ECS will be substantial and the Terms do not limit the amount of such liabilities which may be incurred or assumed by MBL from time to time. Further, the obligations of the other members of the Macquarie Group do not represent deposit liabilities, “protected accounts” or other liabilities of MBL. MBL does not guarantee or otherwise provide assurance in respect of the obligations of any such entity, unless noted otherwise.

No offer

This Offering Circular does not constitute an offer to sell, or the solicitation of an offer to subscribe for or purchase, any ECS in any jurisdiction. The distribution of this Offering Circular and the offer or sale of the ECS may be restricted by law in certain jurisdictions. None of the Issuer, MBL, MGL, the Managers, any Agent or any Other Person represents that this Offering Circular may be lawfully distributed, or that the ECS may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assumes any responsibility for facilitating any such distribution or offering. In particular, no action has been taken by any of the Issuer, MBL, MGL, the Managers, any Agent or any Other Person which is intended to permit a public offering of the ECS or distribution of this Offering Circular in any jurisdiction where action for that purpose is required. Accordingly, no ECS may be offered or sold, directly or indirectly, and neither this Offering Circular nor any advertisement or other offering material may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with applicable laws and regulations. Persons into whose possession this Offering Circular or any ECS may come must inform themselves about, and observe, any such restrictions on the distribution of this Offering Circular and the offering and sale of the ECS. In particular, there are restrictions on the distribution of this Offering Circular and the offer or sale of the ECS in the United States, the European Economic Area, the United Kingdom, Switzerland, Australia, Japan, Hong Kong and Singapore (see “*Subscription and Sale*”).

Stabilisation

In connection with the issue of the ECS, Credit Suisse Securities (Europe) Limited, HSBC Bank plc and J.P. Morgan Securities Ltd. (the **Stabilising Managers**) (or any person acting on behalf of the Stabilising Managers) may over-allot the ECS or effect transactions (outside Australia and on a financial market operated outside Australia) with a view to supporting the market price of the ECS at a level higher than that which might otherwise prevail. However, there is no assurance that the Stabilising Managers (or persons acting on behalf of the Stabilising Managers) will undertake stabilisation action. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the ECS is made and, if begun, may be ended at any time, but it must end no later than the earlier of 30 days after the Issue Date of the ECS and 60 days after the date of the allotment of the ECS. Any stabilisation action or overallotment must be conducted by the Stabilising Managers (or persons acting on behalf of the Stabilising Managers) in accordance with all applicable laws and rules.

Interests of the Managers and the Agents

The Issuer has agreed to pay the Managers and the Agents' fees for undertaking their respective roles and reimburse them for certain of their expenses incurred in connection with the Offer and the issue of the ECS. The Managers and the Agents and any of their affiliates, directors and employees may have pecuniary or other interests in the ECS and may also have interests pursuant to other arrangements and may receive fees, brokerage and commissions and may act as a principal in dealing in any ECS.

Forward Looking Statements

This Offering Circular contains forward-looking statements including, without limitation, words and expressions such as **expect, believe, plan, intend, estimate, project, anticipate, may, will, would, could** or similar words or statements (however, these words are not the exclusive means of identifying forward looking statements), in particular, in the sections "*Macquarie Bank Limited*" and "*Macquarie Group Limited*" in this Offering Circular, in relation to future events, the Macquarie Group's prospects, its expected financial condition, its business strategies, the future developments of the Macquarie Group's operations and industry and the future development of the general domestic, regional and global economy.

These statements are based on assumptions regarding the Macquarie Group's present and future business strategy and the environment in which it expects to operate in the future. These matters and the Macquarie Group's future results could differ materially from those expressed or implied by these forward-looking statements and although these forward-looking statements reflect its current view of future events, they are not a guarantee of future performance or other matters. In addition, the Macquarie Group's future performance may be affected by various factors and risks including, without limitation, those discussed in the section entitled "*Risk Factors*".

Should one or more of these or other risks or uncertainties materialise, or should any underlying assumptions prove incorrect, actual outcomes may vary materially from those indicated. Prospective investors should therefore not place undue reliance on any of these forward-looking statements. Neither the delivery of this Offering Circular (or any part thereof) nor the issue, offering, purchase or sale of any ECS shall, under any circumstances, constitute a continuing representation or create any suggestion or implication that there has been no change in the affairs of the Issuer, MBL or MGL or any statement of fact or information contained in this Offering Circular since the date of this Offering Circular or the date on which this Offering Circular has been most recently amended or supplemented.

In this Offering Circular, statements of, or references to, intentions of the Issuer, MBL, MGL or those of any of the directors of any of them are made as at the date of this Offering Circular. Any such intentions may change in light of future developments.

Each of the Issuer, MBL, MGL, the Managers, the Agents and the Other Persons expressly disclaims any obligation or undertaking to release, publicly or otherwise, any updates or revisions to any forward-looking statement contained herein to reflect any change in the Issuer's, MBL's or MGL's expectations with regard thereto or any change in events, conditions, assumptions or circumstances on which any such statement was based or any change in the intentions of the Issuer, MBL, MGL or any of their respective directors.

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DOCUMENTS INCORPORATED BY REFERENCE

The documents described below shall be deemed to be incorporated into, and to form part of, this Offering Circular:

- the audited consolidated annual financial statements of MBL and its controlled entities for the financial years ended 31 March 2010 and 31 March 2011, and the independent auditor's report in respect of such consolidated annual financial statements, which are set out in, and form part of, the 2010 annual report and the 2011 annual report of MBL;
- the 2010 annual report and the 2011 annual report of MGL, which includes the audited annual financial statements of MGL, and MGL consolidated with its subsidiaries, for the financial years ended 31 March 2010 and 31 March 2011 and the independent auditor's reports in respect of such annual financial statements;
- the September 2011 Interim Directors' Report of MBL, which includes the financial statements of MBL consolidated with its subsidiaries for the financial half-year ended 30 September 2011;
- the September 2011 Interim Directors' Report of MGL, which includes the financial statements of MGL consolidated with its subsidiaries for the financial half-year ended 30 September 2011;
- the February 2012 MGL Operational briefing;
- the September 2011 and September 2010 Pillar 3 Disclosure Document of MBL; and
- all supplements or amendments to this Offering Circular published by the Issuer or MGL from time to time (which themselves may expressly incorporate additional documents into, and forming part of, this Offering Circular).

Any statement contained herein or in a document which is deemed to be incorporated herein by reference shall be deemed to be modified or superseded for the purpose of this Offering Circular to the extent that a statement contained in any such subsequent document which is deemed to be incorporated herein by reference modifies or supersedes such earlier statement (whether expressly, by implication or otherwise). Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Offering Circular.

The Issuer and MGL will provide, without charge, to each person to whom a copy of this Offering Circular has been validly delivered, upon receipt of a request from such person, a copy of any or all of the documents deemed to be incorporated herein by reference unless such documents have been modified or superseded as specified above. Requests for such documents should be directed to the Issuer or MGL at their registered offices set out in the "Directory" at the end of this Offering Circular. In addition, such documents will be available from the specified offices of the Principal Paying Agent.

Documents incorporated in this Offering Circular by reference are also available on the internet site www.macquarie.com.au.

MGL is a "disclosing entity" for the purposes of the Australian Corporations Act and is subject to regular reporting and disclosure obligations under the Australian Corporations Act and the listing rules of ASX. Copies of documents regarding MGL lodged with ASIC or ASX, respectively, may be obtained from, or inspected at, any ASIC office or the ASX, respectively. In addition, copies of the 2011 annual report of MGL, which includes the audited annual financial statements of MGL, and MGL consolidated with its subsidiaries, the September 2011 Interim Directors' Report of MGL, which includes the financial statements of MGL consolidated with its subsidiaries and of any other document used to notify ASX of information relating to MGL under the continuous disclosure provisions of the listing rules of ASX and the Australian Corporations Act after the lodgement with ASIC of the 2011 annual report of MGL and before lodgement of this Offering Circular with ASX may be obtained from MGL free of charge at its registered office set out in the "Directory" at the end of this Offering Circular. These documents, and all other regular reporting and disclosure documents of MGL, are also available electronically on the website of ASX, at www.asx.com.au.

The information on any websites referred to in this Offering Circular or any website directly or indirectly linked to such websites is not incorporated by reference into, and does not form part of, this Offering Circular and should not be relied upon unless expressly stated to be incorporated into, and to form part of, this Offering Circular.

OVERVIEW OF THE OFFER

The following overview does not purport to be complete and is taken from, and is qualified in its entirety by, the remainder of this Offering Circular, the terms and conditions of the ECS (Terms) and the terms and conditions of the Trust Deed dated on or about 22 March 2012 and entered into between the Issuer, MGL and Deutsche Trustee Company Limited as trustee (Trust Deed). Words and expressions defined in the Terms or, if the context so requires, the Trust Deed, shall have the same meanings when used in this overview, provided that in the event of any inconsistency between terms defined in the Terms and the Trust Deed, the meanings in the Terms shall prevail.

Issuer: Macquarie Bank Limited, a company incorporated with limited liability in Australia with ACN 008 583 542 and acting through its London Branch with UK establishment number BR002678.

Rating: The ECS are expected to be assigned on issue a credit rating of “BB+” by Fitch. For further information with respect to credit ratings see also “Credit ratings” in the section entitled “Macquarie Group Limited” on page 108.

Credit ratings are for distribution only to a person (a) who is not a retail client within the meaning of section 761G of the Corporations Act of Australia and is also a sophisticated investor, professional investor or other investor in respect of who disclosure is not required under Part 6D.2 or 7.9 of the Corporations Act, and (b) who is otherwise permitted to receive credit ratings in accordance with applicable law in any jurisdiction in which the person may be located. Anyone who is not such a person is not entitled to receive this Offering Circular and any person who does receive this Offering Circular is advised that they must not distribute it to any person who is not entitled to receive it.

A credit rating is not a recommendation to buy, sell or hold the ECS and may be subject to revision, suspension or withdrawal at any time by the assigning rating agency.

Risk Factors: There are certain risks related to the purchase of the ECS which investors should make sure they understand. These risks are set out under “Risk Factors” below.

Description, and ranking status of the ECS: The ECS are unsecured obligations of the Issuer in the form of junior subordinated notes. The ECS may be Redeemed or Resold by the Issuer in certain limited circumstances and will be Exchanged by the Issuer for ordinary shares in MGL (**MGL Ordinary Shares**) in certain circumstances, each as described further below. ECS may also be Written-Off in certain limited circumstances as described in further detail in the “Risk Factors” below.

Except to the extent mandatorily provided by law, each ECS ranks for payment and ranks in a winding up of MBL:

- subordinate to all Senior Creditors;
- equally with all other ECS in all respects and with holders of Equal Ranking Securities; and
- senior to holders of MBL Ordinary Shares,

and **Senior Creditors** means all present and future creditors of

MBL, both subordinated and unsubordinated, including depositors of MBL, whose claims are:

- (a) entitled to be admitted in a winding up of MBL; and
- (b) not expressed to rank equally with or subordinate to the claims of an ECS Holder under the Terms.

No guarantee:

The ECS are not guaranteed by MGL nor by any other person.

The ECS 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, the United Kingdom or any other government, government agency or compensation scheme in any jurisdiction or by any other person. The ECS do not represent “protected accounts” of any member of the Macquarie Group for the purposes of section 13A(3) of the Australian Banking Act or any similar law of any jurisdiction nor do they represent deposits with, or deposit liabilities of, any member of the Macquarie Group for the purposes of the Australian Banking Act or the laws of any other jurisdiction. Except for a claim made on the Issuer or MGL in accordance with the Terms and the Trust Deed, an ECS 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 ECS held by that ECS Holder.

Form of the ECS:

The ECS will be issued in registered form by entry in the Register and will be initially represented by a Global Certificate as described in the section “*Form of the ECS*”.

Denominations:

Each ECS will be issued in denominations of US\$200,000 and integral multiples of US\$1,000 above that amount.

Issue Price:

100.00% of the principal amount.

Offer Size:

US\$250,000,000.

Interest:

Interest is payable at the Interest Rate semi-annually in arrear on 20 June and 20 December of each year commencing on 20 June 2012 until the ECS has been Redeemed or Exchanged.

Interest is also payable on the Redemption Date or, subject to certain conditions, the Resale Date or on an Exchange Date (except where the Exchange occurs as a result of a Common Equity Tier 1 Trigger Event or a Non-Viability Event) (together with the semi-annual dates given above, each an **Interest Payment Date**).

Interest payments are subject to the Interest Payment Conditions described below.

Interest Rate:

10.25% per annum (being the sum of the Reference Rate in respect of the Issue Date and the Margin).

The Interest Rate will be adjusted on 20 June 2017 (the **First Reset Date**) and, to the extent not Exchanged or Redeemed, on each fifth anniversary (each a **Reset Date**) of this date to the sum of the Reference Rate in respect of that Reset Date and the Margin.

The Interest Rate is calculated in accordance with clause 3 (“Interest”) of the Terms.

Reference Rate:

The U.S. Treasury benchmark rate. See the definition of “Reference Rate” in the Terms for further detail.

Interest Payment Conditions:

The payment of all or any part of any Interest is subject to:

- the Directors of MBL, in their absolute discretion, determining that Interest should not be paid to ECS Holders;
- unless APRA otherwise agrees in writing, MBL having sufficient Distributable Profits available to pay the Interest;
- unless APRA otherwise agrees in writing, payment of the Interest not resulting in MBL breaching APRA’s capital adequacy requirements applicable to it;
- payment of the Interest not resulting in MBL becoming, or being likely to become, insolvent; and
- APRA not otherwise objecting to the payment of the Interest.

Non-payment of Interest:

Interest is non-cumulative.

The Issuer has no liability to pay any Interest where the Interest Payment Conditions have not been satisfied or because of any applicable law. Non-payment does not constitute an event of default however described, determined or defined.

The Issuer will notify ECS Holders if all or any part of any amount of Interest is not paid in whole or in part due to the Interest Payment Conditions not being satisfied.

An ECS Holder will have no claim or entitlement against any person in respect of any non-payment. No interest accrues on any unpaid Interest and an ECS Holder has no claim or entitlement in respect of interest on any unpaid Interest.

Dividend Restriction:

If, for any reason, the Issuer fails to pay an amount of Interest in full, a Dividend Restriction applies from that Interest Payment Date until the next Relevant Payment Date unless the Interest is paid in full within 20 Business Days of a scheduled Interest Payment Date.

So long as a Dividend Restriction applies, MBL and MGL must not, without the prior approval of a Special Resolution of ECS Holders:

- declare or pay a dividend or make any other distribution on any MBL Ordinary Shares or MGL Ordinary Shares; or
- redeem, reduce capital in respect of, cancel or buy-back any MBL Ordinary Shares or MGL Ordinary Shares.

The Dividend Restriction is subject to a number of exceptions as fully set out in clause 3.5 (“Dividend Restrictions”) of the Terms.

Redemption:

By notice to ECS Holders, the Issuer may, in its sole discretion, but with APRA’s prior written approval, elect to Redeem all (but not some) of the ECS following the occurrence of a Tax Event or a Regulatory Event (but not otherwise).

A Redemption Notice once given is irrevocable and takes effect despite any Exchange except as provided in “*Priority of Exchange obligations*” below.

An ECS Holder should not expect that APRA’s approval will be given for any Redemption of the ECS.

No ECS can, or will, be Redeemed at the option of an ECS Holder.

On the Redemption Date, the ECS will be Redeemed by payment of the Redemption Price. Interest from (and including) the immediately preceding Interest Payment Date up to (but excluding) the Redemption Date will be paid in respect of the ECS being Redeemed on the Redemption Date, to the extent the Interest Payment Conditions are met.

Redemption Conditions:

Redemption of the ECS must not occur unless either:

- the ECS are replaced (either concurrently or beforehand) with Tier 1 Capital of the same or better quality, and the replacement is sustainable for the income capacity of the MBL Level 1 Group, the MBL Level 2 Group and the MGL Level 3 Group; or
- APRA is satisfied that the capital position of the MBL Level 1 Group, the MBL Level 2 Group and the MGL Level 3 Group will be well above their minimum capital requirements after the Redemption of the ECS.

Redemption Price:

The Redemption Price for each ECS is:

- in the case of a Redemption on account of a Regulatory Event, an amount equal to 101% of the principal amount of that ECS;
- in the case of a Redemption on account of a Tax Event, an amount equal to the principal amount of that ECS; and
- in the case an order is made by a court of competent jurisdiction or an effective resolution is passed for the Winding Up of MBL, an amount equal to the principal amount of that ECS.

Resale:

The Issuer may:

- by no later than 21 Business Days prior to a Mandatory Exchange Date (other than a Mandatory Exchange Date on account of a Common Equity Tier

1 Trigger Event or a Non-Viability Event) provided that, except in the case of a Mandatory Exchange Date on account of an Acquisition Event, the First Mandatory Exchange Condition has been satisfied in respect of that Mandatory Exchange Date; or

- following the occurrence of a Tax Event or a Regulatory Event in respect of which no Redemption Notice has been given,

issue a notice (a **Resale Notice**) to each ECS Holder specifying that all (but not some) of each ECS Holder's holding of ECS will be transferred to a Nominated Party or (to the extent permitted by, and subject to the procedures of, any relevant clearing system where ECS are represented by a Global Certificate) to two or more Nominated Parties.

If a Resale Notice is issued and does not subsequently become void (as a result of a failure to satisfy any of the Mandatory Exchange Conditions), then the ECS specified will be transferred on the date specified in the Resale Notice (**Resale Date**) at a purchase price equal to:

- in the case of a Resale on account of a Regulatory Event, 101% of the principal amount of that ECS; and
- in each other case, the principal amount of that ECS,

(in each case the **Resale Price**).

Any Interest payable on the ECS on or before the Resale Date, shall be paid by the Issuer to the ECS Holder entitled to such amounts as otherwise provided in the Terms.

The transfer will convey to the relevant Nominated Party all rights to (i) Interest payable on the ECS arising after the Resale Date, (ii) be issued with MGL Ordinary Shares on Exchange on or after the Resale Date, and (iii) any Redemption Price payable on or after the Resale Date.

A Resale Notice once given is irrevocable and where given in respect of a Tax Event or a Regulatory Event takes effect despite any Exchange unless Exchange in respect of a Common Equity Tier 1 Trigger Event or Non-Viability Event is to occur, in which case, if the Resale has not completed, the Resale Notice will be taken to be revoked and of no force or effect.

No ECS can, or will be, Resold at the option of an ECS Holder.

Exchange:

Subject to clause 5 ("Mandatory Exchange") and clause 13 ("Winding up and Subordination") of the Terms, the Issuer must Exchange all (but not some) of the outstanding ECS for MGL Ordinary Shares on the first to occur of the following dates on which the Mandatory Exchange Conditions (as described below) relevant to those dates are satisfied unless the ECS have been or will be Redeemed or Exchanged for any reason prior to such Mandatory Exchange Date:

- 20 June 2017 (the **Scheduled Mandatory Exchange Date**);

- any Interest Payment Date (within the meaning of paragraph (a) of that definition in clause 3.1 (“Interest”) of the Terms) after the Scheduled Mandatory Exchange Date until and including the Interest Payment Date falling on 20 December 2056 (a **Deferred Mandatory Exchange Date**); and
- 20 June 2057 (the **Final Mandatory Exchange Date**).

In addition, the Issuer must Exchange all (but not some) of the outstanding ECS for MGL Ordinary Shares if an Early Mandatory Exchange Event occurs.

No ECS can, or will, be Exchanged at the option of the ECS Holders.

An Exchange will not occur if an order is made or an effective resolution is passed for the Winding Up of MBL prior to the Mandatory Exchange Date (see “*Winding Up and Subordination*” below).

Early Mandatory Exchange Event:

Each of the following is an Early Mandatory Exchange Event:

- MBL determines, or APRA has notified MBL 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% (a **Common Equity Tier 1 Trigger Event**);
- MBL has received a written determination from APRA that:
 - (i) the ECS must be Exchanged, as without such Exchange MBL would become non-viable; or
 - (ii) a public sector injection of capital (or equivalent support) is to occur into MBL, as without such support MBL would become non-viable,
 each a **Non-Viability Event**; and
- the occurrence of an Acquisition Event.

An Exchange on account of an Early Mandatory Exchange Event is not subject to the Mandatory Exchange Conditions except for the Fourth Mandatory Exchange Condition and the Fifth Mandatory Exchange Condition (see also “*Mandatory Exchange Conditions*” below).

If, in respect of an Early Mandatory Exchange Event, either or both the Fourth Mandatory Exchange Condition or the Fifth Mandatory Exchange Condition is not satisfied on the Early Mandatory Exchange Date, Exchange will not occur and instead on that date each ECS will automatically transfer to MBL or, subject to APRA’s prior written approval, to a Related Body Corporate of MBL nominated by the Issuer, in each case for no consideration and then cancelled.

Mandatory Exchange Conditions:

The Mandatory Exchange Conditions applicable to the Scheduled Mandatory Exchange Date, any Deferred Mandatory Exchange Date and the Final Mandatory Exchange Date are:

- in the case of the Scheduled Mandatory Exchange Date and any Deferred Mandatory Exchange Date:
 - on the Preliminary Test Date, the Exchange Number as of such date shall be less than, or equal to, 90.91% of the Maximum Exchange Number (**First Mandatory Exchange Condition**);
 - on the Mandatory Exchange Date, the Exchange Number as of such date is less than, or equal to, the Maximum Exchange Number (**Second Mandatory Exchange Condition**);
 - no Suspension Event applies in respect of the Mandatory Exchange Date (**Third Mandatory Exchange Condition**);
 - MGL is not Delisted as at the Mandatory Exchange Date (**Fourth Mandatory Exchange Condition**); and
 - an MGL Inability Event does not apply in respect of the Mandatory Exchange Date (**Fifth Mandatory Exchange Condition**),

together, the **Mandatory Exchange Conditions**; and

- in the case of the Final Mandatory Exchange Date, the Fourth Mandatory Exchange Condition and the Fifth Mandatory Exchange Condition. If either or both of the Fourth Mandatory Exchange Condition or the Fifth Mandatory Exchange Condition is not satisfied on the Final Mandatory Exchange Date, Exchange will not occur and instead on that date each ECS will automatically transfer to MBL or, subject to APRA's prior written approval, to a Related Body Corporate of MBL nominated by the Issuer, in each case for no consideration and then cancelled.

Effect of Exchange:

On an Exchange Date, each ECS will be automatically transferred free from any Encumbrance to MGL or, subject to APRA's prior written approval, to a Related Body Corporate of MGL nominated by MGL and the ECS Holders will, subject to certain restrictions (see "*Restrictions on Issue of MGL Ordinary Shares*" below), receive MGL Ordinary Shares.

Upon Exchange, for each US\$1,000 principal amount of ECS they hold, ECS Holders will receive the lesser of (i) the number of MGL Ordinary Shares equivalent in value to US\$1,000 (based on the Exchange Date USD Rate and the VWAP for MGL Ordinary Shares over the applicable VWAP Period adjusted for a 5% discount but not in the case of an Exchange after transfer to a Nominated Party in which case no discount shall apply unless otherwise agreed between the Issuer and that Nominated Party) and (ii) the Maximum Exchange Number (the **Exchange Number**).

VWAP Period means:

- in the case of the First Mandatory Exchange Condition, the 20 ASX Trading Days immediately preceding, but not including the Business Day before the Preliminary Test Date;
- in the case of the Second Mandatory Exchange Condition and an Exchange on a Scheduled Mandatory Exchange Date or on a Deferred Mandatory Exchange Date and in the case of an Exchange on the Final Mandatory Exchange Date, the 20 ASX Trading Days immediately preceding, but not including the Business Day before that Mandatory Exchange Date;
- 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 Business Day before the Early Mandatory Exchange Date; and
- in the case of an Exchange on account of a Common Equity Tier 1 Trigger Event or Non-Viability Event, the 5 ASX Trading Days immediately preceding but not including the Business Day before the Early Mandatory Exchange Date.

The Exchange Date USD Rate will be calculated on the Preliminary Test Date, for settlement on the Mandatory Exchange Date, except where Exchange is on account of an Early Mandatory Exchange Event in which case it will be calculated on the last day by which an Exchange Notice is required to be given in respect of that Early Mandatory Exchange Event and as set out in the Terms.

VWAP means the average of the daily volume weighted average sale prices (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 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 and is subject to specified adjustments arising from dividends and other entitlements or from divisions and other similar transactions (see clause 5.11 (“Adjustments to VWAP”) of the Terms).

Maximum Exchange Number

The Maximum Exchange Number (for each US\$1,000 of principal amount of ECS) will be twice the number of MGL Ordinary Shares (**Maximum Exchange Ratio**) equivalent in value to US\$1,000 based on the Issue Date USD/AUD exchange rate over the VWAP for MGL Ordinary Shares over 20 ASX Trading Days immediately preceding (but not including) the Issue Date, subject to adjustments in certain circumstances (see clause 5 (“Exchange”) of the Terms).

The Maximum Exchange Number may also be adjusted after the Issue Date for bonus issues, divisions, consolidations or other similar adjustments to MGL Ordinary Shares (that do not involve any cash payment or other distribution to, or by, a shareholder) as described in clause 5 (“Exchange”) of the Terms.

The Maximum Exchange Number (and any changes to the Maximum Exchange Number) will be disclosed by the Issuer on the SGX-ST.

Restrictions on Issue of MGL Ordinary Shares:

If the Issuer is of the opinion that under an Applicable Shareholding Law an ECS Holder is prohibited from acquiring some or all of the Exchange Number of MGL Ordinary Shares on the Mandatory Exchange Date, then:

- the Exchange shall occur (and ECS shall be Exchanged) only in respect of that portion of the ECS Holder’s ECS which would result in the ECS Holder acquiring by the Exchange the maximum number of MGL Ordinary Shares the ECS Holder is permitted to acquire in compliance with Applicable Shareholding Law as at the Mandatory Exchange Date; and
- an Exchange will not occur in respect of the balance of the ECS Holder’s ECS at that date and such ECS will be automatically transferred free from any Encumbrance to MGL or, subject to APRA’s prior written approval, to a Related Body Corporate of MGL nominated by the Issuer, in each case for no consideration and then cancelled. Upon transfer of the ECS, such ECS shall be deemed to have been Exchanged (without MGL being required to allot or issue MGL Ordinary Shares).

Applicable Shareholding Law means each of:

- Chapter 6 of the Australian Corporations Act;
- the Foreign Acquisitions and Takeovers Act 1975 of Australia;
- the Financial Sector (Shareholdings) Act 1998 of Australia;
- Part IV of the Competition and Consumer Act 2010 of Australia; and
- any other law in force in Australia, the United Kingdom, or any jurisdiction applicable to a Substitute Issuer which limits or restricts the number of shares in MGL in which a person may have an interest or over which it may have a right or power.

Without limiting the above, on an Exchange, a Foreign Holder of any ECS will not receive MGL Ordinary Shares unless the Issuer is satisfied that the laws of both Australia and the Foreign Holder’s country of residence permit the issue of MGL Ordinary Shares to that Foreign Holder (but as to which the Issuer is not bound to enquire), either unconditionally or after

compliance with conditions which the Issuer in its absolute discretion, regards as acceptable and not unduly onerous. Such MGL Ordinary Shares will instead be delivered to a nominee appointed by MGL who is not a member of the Macquarie Group and who will sell the MGL Ordinary Shares it receives and pay a cash amount equal to the net proceeds received, after deducting any applicable brokerage, stamp duty and other taxes and charges, to the Foreign Holder accordingly. The issue of MGL Ordinary Shares to such nominee will satisfy all obligations of MGL and its Related Bodies Corporate in connection with the Exchange and the rights of a Foreign Holder on and from that date are limited to its rights in respect of the MGL Ordinary Shares or their net cash proceeds.

In order for MGL Ordinary Shares to be issued to an ECS Holder, the ECS Holder must, no later than the Business Day before the Early Mandatory Exchange Date in the case of a Common Equity Tier 1 Trigger Event or a Non-Viability Event, and 10 Business Days prior to any other Mandatory Exchange Date, notify the Registrar of:

- its name and address (or the name and address of any person in whose name it directs the MGL Ordinary Shares to be issued) for entry into any register of title and receipt of any certificates or holding statements in respect of any MGL Ordinary Shares; and
- the details of any securities account to which MGL Ordinary Shares may be credited,

and must not deal with, transfer, dispose or otherwise encumber the ECS without the consent of the Issuer or as required in accordance with the Terms unless such transfer, disposal or other encumbrance is required by applicable law or order of any court. If MGL does not receive the information necessary to issue MGL ordinary shares to an ECS Holder for any reason, MGL will issue the relevant MGL Ordinary Shares to a nominee appointed by MGL who is not a member of the Macquarie Group and who will hold those MGL Ordinary Shares until MGL receives that information. If that information is not received within the time period prescribed in the Terms, the nominee will sell those MGL Ordinary Shares and pay to the ECS Holder (when claimed) a cash amount equal to the net proceeds received, after deducting all costs, taxes and charges incurred in connection with the sale.

When ECS are represented by Definitive Certificates, the ECS Holder must on the Exchange Date deliver and surrender to the Issuer the Definitive Certificates in respect of its ECS as specified in any Exchange Notice given by the Issuer or otherwise notified by the Issuer to the ECS Holder no later than 20 Business Days before the Mandatory Exchange Date.

If an ECS Holder does not transfer ECS to MGL free from Encumbrance to MGL or its nominee on the Exchange Date, MGL shall issue the Exchange Number of MGL Ordinary Shares to the ECS Holder in respect of that ECS and all rights of the relevant ECS Holder in such ECS will be taken to have ceased and the ECS shall be cancelled. Any Exchange is subject to the condition precedent that MGL and its Related

Bodies Corporate are not prevented by any applicable law, or order of any court, or action of any government authority (including in respect of insolvency, Winding Up or other external administration of MGL) from observing and performing their rights and obligations in connection with the Exchange (**MGL Inability Event**) and that MGL has not been Delisted (see “*Mandatory Exchange Conditions*” above). If on an Early Mandatory Exchange Date or on the Final Mandatory Exchange Date an MGL Inability Event subsists or MGL has been Delisted then Exchange will not occur and instead, on that date, unless the Winding Up of MBL has already commenced, each ECS shall automatically be transferred to MBL or, subject to APRA’s prior written approval to a Related Body Corporate of MBL, nominated by the Issuer, in each case for no consideration and then cancelled.

Subject to all of the above, if an Exchange does not occur in respect of an ECS, that ECS remains on issue and the provisions of the Terms relating to Interest continue to apply until an Exchange does occur or the ECS is Redeemed in accordance with the Terms and the remedies of an ECS Holder and the Trustee in respect of that failure are limited as provided in the Trust Deed.

Priority of Exchange obligations:

An Exchange:

- on account of a Common Equity Tier 1 Trigger Event or a Non-Viability Event (but not otherwise) will take place in lieu of any Redemption or Resale even if a Redemption Notice or Resale Notice was issued prior to the occurrence of the Mandatory Exchange Date (except where such Redemption or Resale completed prior to the occurrence of the Mandatory Exchange Event); and
- in any event, shall not occur if, before the Mandatory Exchange Date, an order is made or an effective resolution is passed for the Winding Up of MBL (see “*Winding Up and Subordination*” below).

Share Sale Facility:

Where ECS are to be Exchanged, subject to APRA’s prior written approval, the Issuer or MGL will use reasonable endeavours to establish a share sale facility to permit ECS Holders to sell all the MGL Ordinary Shares issued to it (other than to any member of the MGL Level 3 Group) pursuant to an Exchange and receive the proceeds of such sale. The Issuer and MGL retain the absolute discretion to determine the terms of any share sale facility. Any share sale facility will not be available in respect of ECS which have been Redeemed or Resold to a Nominated Party where the Nominated Party is appointed on terms which provide that the share sale facility provisions do not apply to that party.

No Events of Default:

The Terms do not include any events of default (howsoever described, determined or defined).

Voting Rights:

The Trust Deed contains provisions for convening meetings of the ECS Holders to consider any matter affecting their interests, including any variation of the Terms, the Trust Deed or the Agency Agreement which requires the consent of the ECS Holders.

Amendment of the Terms, the Trust Deed and the Agency Agreement:

Subject to all applicable laws, the Issuer and Trustee may amend, with the prior written approval of APRA (to the extent any such amendment may affect the eligibility of ECS as Tier 1 Capital of the MBL Level 1 Group or the MBL Level 2 Group or as Eligible Hybrid Capital of the MGL Level 3 Group), the Terms, the Trust Deed or the Agency Agreement without the consent of the ECS Holders in certain circumstances, including where:

- the Issuer and Trustee are of the opinion that the amendment is:
 - of a formal, minor or technical nature;
 - made to correct any manifest error or any error which in the opinion of the Trustee is proven;
 - expedient for the purpose of enabling the ECS 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 prejudicial to the interests of ECS Holders as a whole;
 - necessary to comply with the provisions of any statute or the requirements of any statutory authority (other than an amendment made to comply with a prudential standard dealing with capital management promulgated by APRA, the FSA or other prudential regulatory in the jurisdiction of any Substitute Issuer (*see “Branch Substitution” – below*) and applying to MBL or MGL);
 - necessary and appropriate to effect substitution of an Approved Acquirer as the issuer of MGL Ordinary Shares on the Mandatory Exchange Date in the manner contemplated by the Terms, including, without limitation, amendments and additions to the definitions of “Acquisition Event”, “Macquarie Group”, “Regulatory Event” and “Tax Event”; or
 - 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;
- if the Issuer delivers to the Trustee an opinion of an Independent Financial Advisor or legal adviser acceptable to the Trustee to the effect that, the

amendment is not likely (taken as a whole and in conjunction with all other amendments, if any, to be made contemporaneously with the amendment) to be materially prejudicial to the interests of ECS Holders as a whole;

- if the Issuer and the Trustee are of the opinion that the amendment is not, taken as a whole and in conjunction with all other amendments, if any, made contemporaneously with the amendments, materially prejudicial to the interests of ECS Holders as a whole; or
- where the Restructuring Rights are triggered (see “*Restructuring Rights*” below).

Otherwise, the Issuer and Trustee may only amend the Terms, the Trust Deed or the Agency Agreement with the approval of a Special Resolution of the ECS Holders and subject to APRA’s prior written approval.

Restructuring Rights:

On the occurrence of a Tax Event or Regulatory Event, in lieu of exercising its rights to Redeem or Resell the ECS, the Issuer (and, subject to the terms of the Trust Deed, the Trustee shall concur in and execute any such amendment), may without the consent of the ECS Holders but with the prior written approval of APRA:

- (i) amend the terms of the ECS; or
- (ii) substitute Qualifying Tier 1 Securities for the ECS in accordance with the Terms.

Any amendment to the ECS pursuant to the above may be made by the Issuer if:

- (i) the Issuer delivers to the Trustee an opinion of an Independent Financial Adviser to the effect that:
 - (A) the terms as amended are not materially less favourable to ECS Holders generally as the terms of the ECS prior to such amendments;
 - (B) the amendments are limited to such amendments as are required to eliminate the adverse consequences of the Tax Event or Regulatory Event; and
 - (C) the terms of the amendment do not amend the Scheduled Mandatory Exchange, payment, ranking, currency, principal amount or distribution restriction terms of the ECS;
- (ii) the rating (solicited by the Issuer) of ECS from a Rating Agency immediately following such amendment is the same or higher than the rating (solicited by the Issuer) from that Rating Agency immediately before the amendment; and
- (iii) the ECS as amended are eligible for inclusion as Tier

1 Capital for the MBL Level 1 Group, the MBL Level 2 Group and as Eligible Hybrid Capital of the MGL Level 3 Group.

Substitute Issuer:

The Issuer may, subject to APRA's prior written approval and all other necessary authorisations, regulatory and government approvals and consents, substitute another branch of MBL (a **Substitute Issuer**) as issuer of the ECS by an amendment to the Terms and the Trust Deed and the execution of such further documents (if any), in form and substance satisfactory to the Trustee, and the compliance with such other formalities or requirements as may be necessary to ensure that such Substitute Issuer is bound in full by all of the obligations of the Issuer under the ECS:

- (a) without the consent or approval of the ECS Holders, provided that:
 - (i) the Issuer delivers to the Trustee an opinion from an Independent Financial Adviser that or the Trustee is otherwise satisfied that, such substitution is not materially prejudicial to the interests of the ECS Holders as a whole; and
 - (ii) the rating (solicited by the Issuer) from a Rating Agency of the ECS immediately following such substitution is the same or higher than the rating (solicited by the Issuer) from that Rating Agency immediately before the substitution; or
- (b) provided that such substitution is approved by a Special Resolution of ECS Holders.

Subject to the Trustee's receipt of a certificate or opinion to the extent required under the terms of the Trust Deed, the Trustee shall concur in and execute any amendments to give effect to the substitution at the request and expense of the Issuer.

Winding Up and Subordination:

If an order is made by a court of competent jurisdiction (other than an order successfully appealed or permanently stayed within 30 days) or an effective resolution is passed for the Winding Up of MBL (unless the ECS have been Exchanged before such Winding Up commences), the Issuer will be obliged to Redeem each ECS for its Redemption Price.

In a Winding Up of MBL, the ECS Holder's claim for the Redemption Price will rank junior to the claims of all Senior Creditors (see "*Terms and Conditions of the ECS – clause 13.2 ('Subordination')*").

No set-off:

An ECS 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 ECS Holder. The Issuer has no right to set-off any amounts owing by it to an ECS Holder in respect of the ECS against any claims owing by the ECS Holder to it or to any other member of the Macquarie Group.

Taxation:	<p>A brief overview of the taxation treatment of payments on, and gains realised on the disposal of, the ECS and the MGL Ordinary Shares in the United Kingdom, Australia and Singapore is set out in “<i>Taxation</i>”.</p> <p>However, investors should obtain their own taxation advice regarding the taxation status of investing in any ECS or MGL Ordinary Shares.</p>
Clearing Systems:	<p>The ECS will be initially represented by the Global Certificate, which will be registered in the name of a nominee of, and deposited with a common depository for, Euroclear and Clearstream, Luxembourg. The Global Certificate will be exchangeable for Definitive Certificates only in certain limited circumstances. See “<i>Form of the ECS</i>”.</p>
Clearance and Settlement:	<p>The ECS have been accepted for clearance by Euroclear and Clearstream, Luxembourg under the following codes:</p>
ISIN:	XS0763122909
Common Code:	076312290
Trustee:	Deutsche Trustee Company Limited
Principal Paying Agent and Calculation Agent:	Deutsche Bank AG, London Branch
Paying Agent (Singapore):	<p>If any ECS are listed on the SGX and represented by Definitive Certificates and the rules of the SGX so require, the Issuer will ensure at all times that a Paying Agent in Singapore is appointed.</p>
Registrar and Principal Transfer Agent:	Deutsche Bank Luxembourg S.A.
Agents:	<p>The Principal Paying Agent, Paying Agent (Singapore) and Calculation Agent and the Registrar and Principal Transfer Agent and each other issuing agent, paying agent, listing agent, calculation agent, transfer agent and/or registrar that may be engaged by the Issuer in respect of the ECS from time to time.</p>
Listing and Admission to Trading:	<p>In-principle approval from the SGX-ST has been obtained for the listing and quotation of the ECS on the official list of the SGX-ST.</p> <p>Admission to the official list of the SGX-ST and quotation of the ECS on the SGX-ST are not to be taken as an indication of the merits of the Issuer, MGL or the ECS. The ECS will be traded in a minimum board lot size of US\$200,000 (or equivalent in another currency) for so long as the ECS are listed on the SGX-ST.</p> <p>In the event that the ECS are Exchanged for MGL Ordinary Shares, and MGL Ordinary Shares are listed on a relevant Stock Exchange, MGL will use all reasonable endeavours to list the MGL Ordinary Shares on that Stock Exchange.</p>
Governing Law:	<p>Except for clause 2.3 (“Ranking”) and clause 13 (“Winding Up and Subordination”) of the Terms which are governed by, and shall be construed in accordance with, the laws of the</p>

Australian Capital Territory, Australia, the ECS and the Trust Deed, including any non-contractual obligations arising out of or in connection with them, are governed by, and shall be construed in accordance with, the laws of England.

Selling Restrictions:

There are restrictions on the offer, sale, distribution and transfer of the ECS in the United States, the European Economic Area, the United Kingdom, Switzerland, Australia, Japan, Hong Kong and Singapore and such other restrictions as may be required in connection with the offering, sale, distribution and transfer of the ECS (see “*Subscription and Sale*”).

Use of proceeds:

The proceeds from the issue of the ECS (net of costs) will be used by the Issuer to return funds to MBL head office which will use the funds for general corporate purposes.

The Issuer undertakes to manage certain eligible investments with a view to generating income to put towards the payment of Interest. The Issuer undertakes to dispose of or redeem these investments prior to any Redemption of the ECS and use the proceeds towards payment of the Redemption Price. An ECS Holder has no right or interest in any such eligible investments.

The ECS will be eligible for inclusion as Tier 1 regulatory capital of MBL and Eligible Hybrid Capital of the Macquarie Group (for the purposes of APRA’s prudential guidelines as they apply to MBL and MGL), to strengthen the capital position of the Macquarie Group.

SUMMARY OF THE MGL ORDINARY SHARES

The MGL Ordinary Shares carry the following rights, privileges and restrictions. Full details of the rights attaching to the MGL Ordinary Shares are set out in the constitution of MGL.

- General Meetings and Voting: Each holder of MGL Ordinary Shares (**Shareholder**) is entitled to receive notice of, and to attend and vote at, general meetings of MGL and to receive all notices, accounts and other documents required to be furnished to Shareholders under the constitution of MGL, the Australian Corporations Act and the listing rules of ASX.
- Shareholders may attend in person or by proxy and vote on issues requiring a shareholders' resolution at general meetings. Such issues include the election of directors of MGL and any changes to the constitution of MGL. Notice is given to Shareholders when those meetings are to be held and of the items of business to be considered. At a general meeting, every holder of MGL Ordinary Shares present in person or by proxy or attorney or representative has one vote on a show of hands and, on a poll, one vote per fully paid MGL Ordinary Share (and, subject to the terms on which they are issued, a proportion of a vote for shares partly paid, equal to the proportion the amount paid on the share bears to its total issue price).
- Dividends: It is MGL's present policy to pay dividends twice yearly. Subject to the rights of holders of shares issued with any special or restricted rights, that portion of the profits of MGL which the voting directors of MGL may from time to time determine to distribute by way of a dividend, must be paid on all of the shares of a particular class in respect of which the dividend is paid.
- MGL has a dividend reinvestment plan. Holders of MGL Ordinary Shares who are residents of Australia or New Zealand may elect to reinvest their dividends in MGL Ordinary Shares.
- Annual Report: Shareholders have the opportunity to receive each year a copy of MGL's annual report which provides a review of the MGL Group's performance as a whole during the previous financial year.
- Winding Up: In the event that MGL were ever wound up, depositors and other creditors would be paid out before any distribution to shareholders. Any surplus available would be distributed among shareholders in accordance with the Australian Corporations Act.
- Transfer: Subject to the constitution of MGL, the Australian Corporations Act, any other laws and the listing rules of ASX, MGL Ordinary Shares are transferable.

Variation of Rights:

The rights attaching to shares of any class may be altered in accordance with MGL's constitution including with the approval of a special resolution passed at a meeting of the holders of shares of that class or with the written consent of the holders of at least three quarters of the issued shares of that class.

Share Buy-Back:

MGL is entitled to buy-back MGL Ordinary Shares in accordance with the requirements of the Australian Corporations Act. Shares acquired by MGL under a buy-back must be cancelled in accordance with the Corporations Act.

RISK FACTORS

Prospective investors should carefully consider the risks and uncertainties described below and the other information contained in this Offering Circular before making an investment in the ECS and should consult their own financial, tax, legal and other advisers as to the risks and investment considerations arising from an investment in the ECS, the appropriate tools to analyse such an investment and the suitability of such an investment in the context of the particular circumstances of each prospective investor. The risks described below are not exhaustive. The business, financial condition and results of operations of the Issuer, MBL, MGL and the Macquarie Group could be materially adversely affected by any of these or other risks. There are a number of factors, including those described below, that may adversely affect the ability of the Issuer, MBL and MGL to make payment on the ECS or the value of MGL Ordinary Shares (as the case may be). Additional risks not presently known to the Issuer, MBL or MGL or that they currently deem immaterial may also impair their business operations and affect (possibly adversely) the ability of the Issuer, MBL or MGL to make payments as noted above.

MBL is an ADI as that term is defined under the Australian Banking Act. See “Australian banking legislation” on page 5 of this Offering Circular for important information about the Australian Banking Act.

Words and expressions defined in the Terms or, if the context so requires, the Trust Deed, shall have the same meanings when used in this overview, provided that in the event of any inconsistency between terms defined in the Terms and the Trust Deed, the meanings in the Terms shall prevail.

(a) Risks relating to the Macquarie Group’s business

The Issuer’s, MBL’s and MGL’s ability to fulfil their obligations under the ECS

The factors described below represent the inherent risks relating to MGL and the Macquarie Group. Unless stated otherwise these risks apply equally to the Issuer and MBL and their businesses. None of the Issuer, MBL or MGL represents that the statements below regarding the risks relating to the Macquarie Group are exhaustive. You should carefully consider the risks below and the other information in this Offering Circular.

MGL is the ultimate holding company for all other companies and entities within the Macquarie Group. MGL is not a subsidiary of, nor controlled by, any other company.

The financial prospects of any entity are sensitive to the underlying characteristics of its business and the nature and extent of the commercial risks to which the entity is exposed. There are a number of risks faced by the Issuer, MBL, MGL and the Macquarie Group, including those that encompass a broad range of economic and commercial risks, many of which are not within their control. The performance of all of the Macquarie Group’s major businesses can be influenced by external market and regulatory conditions. If all or most of the Macquarie Group’s businesses were affected by adverse circumstances at or about the same time, overall earnings would suffer significantly. The Macquarie Group’s risk management framework incorporates active management and monitoring of risks including market, credit, equity, liquidity, operational, compliance, foreign exchange, legal, regulatory and reputation risks. These risks create the potential for the Issuer, MBL, MGL and the Macquarie Group to suffer loss.

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. Since 2008 global equity and debt markets have experienced some difficult conditions. These challenging market conditions have resulted in periods of reduced liquidity, extreme volatility and declining asset prices, as well as greater counterparty credit risk, widening of credit spreads and lack of price transparency in credit and other markets.

Market conditions also led to the failure of a number of financial institutions and the intervention of government authorities and central banks around the world.

Global economic conditions remain uncertain. If the economic climate worsens in the future, the Macquarie Group’s financial performance, business or strategy may be adversely affected.

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

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

Liquidity risk

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

As the global economic crisis emerged, governments and central banks around the globe implemented relief measures in an attempt to 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, or 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.

Legal, regulatory, compliance and documentation risk

Some 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, 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 could also be adversely affected by future changes in legal, regulatory and compliance requirements (including requirements relating to licensing and the management of conflicts of interest). In

particular, any change in regulation of the Macquarie Group to increase the requirements for capital adequacy or liquidity, or a change in accounting standards, could have an adverse effect on the Macquarie Group's businesses. Legal and regulatory requirements may also restrict the ability of subsidiaries of MGL, including MBL, to make dividend and other payments to MGL.

A number of regulatory changes have been implemented or proposed in various jurisdictions as a result of the global economic crisis, which may affect certain business activities of the Macquarie Group. See "Regulatory Developments" on pages 108 and 109 for further discussion of certain regulatory developments. It is not possible to predict what further future regulatory or related changes may result from the global economic crisis or the effect any such changes would have on the Macquarie Group and its businesses.

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

New business, acquisitions and mergers and future growth risk

A feature of the operating strategy of the Macquarie Group is growth and diversification. 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 Offering Circular.

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

Market risk

Market risk is the exposure to adverse changes in the value of the Macquarie Group's trading portfolios as a result of changes in market prices or volatility, including risks arising from foreign exchange rates, interest rates, equities, commodities, derivatives (which are subject to settlement and other risks) and the correlation of market prices and rates within and across markets. Any decline in global asset markets, including equity, property, and other asset markets, or in market liquidity, could adversely impact the Macquarie Group's results of operations and financial condition. In addition, a decline in asset prices could negatively impact the fees the Macquarie Group receives from funds that it manages and that invest in such assets.

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

Credit ratings risk

Certain Macquarie Group entities are assigned credit ratings by various rating agencies based on an evaluation of a number of factors, including the Macquarie Group'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 one or more of these credit ratings were downgraded this could have the effect of increasing the cost of funds raised by the Macquarie Group from financial markets, reducing the Macquarie Group's ability to access certain capital markets, triggering the Macquarie Group's obligations under certain of its contracts, and/or adversely impacting the willingness of counterparties to deal with the Macquarie Group. A rating downgrade could be driven by the occurrence of one or more of the risk factors described in this Offering Circular or by other events.

Competition risk

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

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.

Exchange rate risk

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

Credit 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.

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, compliance with legal and regulatory obligations, counterparty performance, business continuity planning, legal and litigation risk, environmental obligations, data integrity and processing risk, managing conflicts of interests and key person risk.

The availability of adequate insurance cover is important in order to mitigate the risks across the Macquarie Group's business activities.

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.

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.

Reputational 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, for instance, as a result of a conflict of interest, this could reduce business volume as clients might be reluctant to do business with the Macquarie Group due to their negative perceptions. This would adversely impact the Macquarie Group's earnings.

Tax risk

Future tax developments or changes to tax laws or their interpretation may also have a material adverse effect on the Macquarie Group. The Macquarie Group operates in a range of jurisdictions with different tax regimes which are subject to change. The Macquarie Group's after tax earnings may be impacted by changes to the tax treatment of MGL, the Issuer, MBL or any of its controlled entities.

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; particularly the Macquarie Group's managed funds. 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.

Other risks

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

(b) Risks relating to the ECS

Investor suitability

The ECS may not be a suitable investment for all investors. Each potential investor in any ECS must determine the suitability of an investment in the ECS and, in the event of a Mandatory Exchange Event, the MGL Ordinary Shares, in light of its own circumstances. In particular, each potential investor should:

- have sufficient knowledge and experience to make a meaningful evaluation of the ECS, the merits and risks of investing in the ECS, the rights attaching to the ECS, when and how the ECS may be Exchanged for MGL Ordinary Shares and the information contained in, or incorporated by reference into, this Offering Circular or any applicable supplement to this Offering Circular;
- have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the ECS and the impact the ECS (and potentially the MGL Ordinary Shares) will have on their overall investment portfolio;
- have sufficient financial resources and liquidity to bear all the risks of an investment in the ECS until 20 June 2057, including where the currency for principal or interest payments in respect of the ECS (or MGL Ordinary Shares) is different from the potential investor's currency;
- understand thoroughly the Terms, the Trust Deed and the other documents relating to the ECS and the transactions connected with them and be familiar with the behaviour of any relevant indices and financial markets; and
- be able to evaluate (either alone or with the help of a financial advisor) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

The ECS are complex financial instruments. A potential investor should not invest in ECS unless it has the expertise (either alone or with the assistance of a financial advisor) to evaluate how the ECS will perform under changing conditions, the resulting effects on the value of the ECS, the circumstances and effect of ECS being exchanged for MGL Ordinary Shares or written off, as well as the impact this investment will have on the potential investor's overall investment portfolio.

Interest may not be paid on the ECS

Payment of Interest is discretionary

Potential investors should be aware that the payment of Interest on the ECS is discretionary and there is a risk that Interest will not be paid. The Issuer may elect not to pay Interest at any time. Interest is not payable if the Interest Payment Conditions (outlined below) are not met.

The payment of any Interest in whole or in part on any Interest Payment Date is subject to the following Interest Payment Conditions:

- the Directors of MBL, in their absolute discretion, determining that Interest should not be paid to ECS Holders;
- unless APRA otherwise agrees in writing, MBL having sufficient Distributable Profits available to pay the Interest;
- unless APRA otherwise agrees in writing, payment of the Interest not resulting in MBL breaching APRA's capital adequacy requirements applicable to it;
- payment of the Interest not resulting in MBL becoming, or being likely to become, insolvent; and
- APRA not otherwise objecting to the payment of the Interest.

Potential investors should be aware that Interest on the ECS is non-cumulative. Therefore, if Interest is not paid, the ECS Holders will have no right to receive that Interest at a later time. The Terms contain no events of default and, accordingly, failure to pay Interest is not an event of default and the ECS Holders have no remedy for the non-payment.

Dividend Restriction is limited

If the Issuer does not pay an amount of Interest in full on the scheduled payment date because the Interest Payment Conditions are not met or for any other reason, a Dividend Restriction shall apply to MBL Ordinary Shares and MGL Ordinary Shares until the next Relevant Payment Date unless the Interest is paid in full within 20 Business Days of the Relevant Payment Date. The Dividend Restriction does not restrict payments of interest, dividend, or other distribution on any instrument ranking senior to or equally with ECS and is subject to a number of exceptions which are fully set out in clause 3.5 ("Dividend Restriction") of the Terms. The applicable Interest Payment Conditions are tested on each Interest Payment Date and a Dividend Restriction may apply on consecutive Interest Payment Dates.

Effect of other securities

The terms of MBL's existing or future capital instruments may restrict the Issuer from making payments in respect of ECS. The payment tests applying to other equal ranking securities may differ from the Interest Payment Conditions and if those payment tests are not met the distribution restriction on those securities may prevent payment in respect of the ECS.

The ECS are subject to limited optional Redemption and Resale

The Issuer may, in its sole discretion, but subject to APRA's prior written approval, elect to, Redeem all (but not some) of the ECS on the occurrence of a Regulatory Event or a Tax Event (but not otherwise). If the ECS are Redeemed due to a Tax Event, the Redemption Price will be equal to the principal amount of the ECS. If the ECS are Redeemed due to a Regulatory Event, the Redemption Price for each ECS is an amount equal to 101%

of the principal amount of the ECS. Interest will be paid in respect of the ECS being Redeemed to the extent the Interest Payment Conditions are met.

The Issuer may elect to Resell all (but not some) of the ECS following the occurrence of a Regulatory Event or Tax Event, or in certain cases where an Exchange may otherwise occur. If the ECS are Resold, the ECS will be transferred to a Nominated Party or (to the extent permitted by, and subject to the procedures of any relevant clearing system where ECS are represented by a Global Certificate) to two or more Nominated Parties, at a purchase price per ECS equal to 101 per cent of the principal amount of that ECS (in the case of a Resale on account of a Regulatory Event) or 100 per cent of the principal amount of that ECS (in all other cases). The obligation of the Nominated Party or Nominated Parties to pay the Resale Price on the relevant Resale Date may be subject to conditions. The Resale will convey all rights to the ECS arising from (and including) the Resale Date to the Nominated Party or Nominated Parties. Interest will be paid by the Issuer in respect of the ECS on a Resale Date to an ECS Holder only if the Interest Payment Conditions are met.

If a Nominated Party fails to pay the Resale Price, the Resale will be void in respect of the ECS referable to the Defaulting Nominated Party and the obligations of the ECS Holder and the Defaulting Nominated Party in respect of the Resale will terminate (but without prejudice to any claim of an ECS Holder against the Defaulting Nominated Party for loss on account of any breach of its undertaking in favour of ECS Holders). In these circumstances, the ECS Holder will continue to hold the ECS. Where ECS are represented by a Global Certificate, unless the clearing system procedures otherwise provide, if there is one or more Defaulting Nominated Parties, the Resale for each Nominated Party will be void.

The Nominated Party may not be a Related Body Corporate of MGL or MBL except where a Regulatory Event or Tax Event has occurred, APRA has given its prior written approval and MBL would be permitted to Redeem ECS. In all other cases the Nominated Party must not be a Related Body Corporate of MGL or MBL but must have certain minimum credit ratings. The terms on which MBL appoints a Nominated Party may require APRA's prior written approval. No Nominated Party has been appointed and neither MGL nor the Issuer gives any assurance that any Nominated Party will be available to be appointed.

See "*Terms and Conditions of the ECS - clause 4 ("Redemption and Resale")*".

APRA is not obliged to give approval for Redemption or Resale and, depending upon the facts and circumstances at the time, may not give such approval. Potential investors should not expect that APRA will provide approval for Redemption or Resale and should be aware that they may be required to hold the ECS until 20 June 2057 at which time the ECS will be Exchanged for MGL Ordinary Shares or, where MGL or any of its Related Bodies Corporate is prevented by applicable law, or order of any court, or action of any government authority (including laws regarding the insolvency, Winding Up or other external administration of MGL) from Exchanging the ECS for MGL Ordinary Shares (an **MGL Inability Event**) or where MGL is Delisted, each ECS will automatically be transferred to MBL, or subject to the prior written approval of APRA, a Related Body Corporate of MBL nominated by the Issuer, in each case for no consideration and then cancelled (a **Write-Off**).

The Issuer may choose not to exercise its rights to Redeem or Resell the ECS. ECS Holders have no rights to call for Redemption or Resale of the ECS and should not expect that the Issuer will exercise its rights to Redeem or Resell ECS.

The Issuer's ability or choice to Redeem or Resell the ECS may not suit a potential investor's preferences or investment circumstances. If the ECS are Redeemed or Resold, ECS Holders may not be able to reinvest the proceeds of that Redemption or Resale at an effective return as high as that of the ECS being Redeemed or Resold.

ECS will be Exchanged in certain circumstances

Unless previously Redeemed, Exchanged or Written-Off, the Issuer must Exchange the ECS for MGL Ordinary Shares on 20 June 2017 subject to the Mandatory Exchange Conditions being satisfied.

Potential investors may not wish to hold MGL Ordinary Shares which are subject to various risks and which are denominated in Australian Dollars. See "Risks associated with the MGL Ordinary Shares", below. The MGL Ordinary Shares received by a potential investor on an Exchange may be subject to investor restrictions or otherwise not be suitable for that investor (see "*ECS may be exchanged because of Loss Absorption Measures*").

Further, Exchange may not occur on 20 June 2017. In some cases it may occur on an earlier or later date, and in other cases the ECS will be Written-Off instead of Exchanged.

Exchange will not occur if MBL in Winding Up

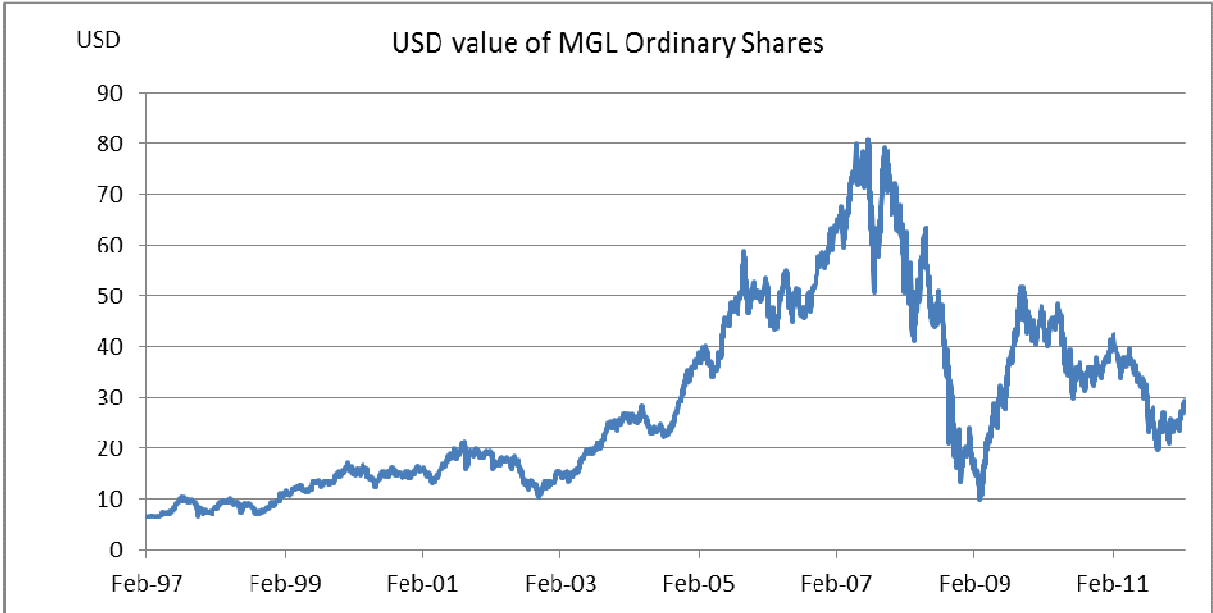
If an order is made by a court of a competent jurisdiction (other than an order successfully appealed or stayed in 30 days) or an effective resolution is passed for the Winding-Up of MBL, Exchange will not occur and ECS Holders will have a subordinated claim in the Winding-Up (see “The obligation under the ECS and the MGL Ordinary Shares are subordinated and unsecured”).

Exchange of ECS may be deferred in certain circumstances

If all the Mandatory Exchange Conditions are not met on 20 June 2017, unless previously Redeemed, Exchanged or Written-Off, Exchange will occur on the earlier of the Interest Payment Date thereafter or 20 June 2057, in all cases on which the applicable Exchange conditions are satisfied.

The Mandatory Exchange Conditions require (amongst other conditions) that the Exchange Number of MGL Ordinary Shares that would be issued (calculated for a period of 20 ASX Trading Days before the Preliminary Test Date) is less than 90.91% of the Maximum Exchange Number, and is less than the Maximum Exchange Number when calculated as at the Exchange Date.

The Maximum Exchange Number is a number of MGL Ordinary Shares for each US\$1,000 of principal amount of ECS, calculated as at the time of issue of the ECS by converting US\$1,000 into Australian dollars at the applicable USD/AUD exchange rate (as set out in the Terms) and dividing it by the price per MGL Ordinary Share, being 50% of the market price of an MGL Ordinary Share as measured over a period of 20 ASX Trading Days before the Issue Date. The Exchange Number is the principal amount of ECS, divided by a price per MGL Ordinary Share, being 95% of the market price of an MGL Ordinary Share as measured over a period, usually 20 ASX Trading Days before the Exchange Date, converted into US Dollars at the then prevailing AUD/USD exchange rate. The Exchange Number will fluctuate with movements in the MGL Ordinary Share price and movements in the AUD/USD exchange rate. A graph of the USD equivalent value of the MGL Ordinary Share price (based on the AUD/USD spot rate at each applicable date) over the period from February 1997 to February 2012 is shown below.



As such, there is a risk that Exchange may be deferred as a result of movements in the MGL Ordinary Share price or fluctuations in the AUD/USD exchange rate or some combination of these until the next Interest Payment Date, when the conditions will be tested again.

Full details of the calculation of Exchange Number and the Mandatory Exchange Conditions are contained in clause 5 of the Terms.

ECS may be Exchanged because of Loss Absorption Measures

Potential investors in the ECS should consider the possibility that the ECS may be exchanged for MGL Ordinary Shares at any time as a result of MBL's Common Equity Tier 1 Ratio falling below 5.125% or a determination as to the Non-Viability of MBL (commonly referred to as Loss Absorption Measures).

MBL's Common Equity Tier 1 Ratio falls below 5.125%

All (but not some) of the ECS must be exchanged for MGL Ordinary Shares where MBL determines, or APRA has notified MBL in writing that it believes, that either or both of the Common Equity Tier 1 Ratio in respect of the MBL Level 1 Group or the MBL Level 2 Group is equal to or less than 5.125% (a **Common Equity Tier 1 Trigger Event**).

The definition and calculation of Common Equity Tier 1 Ratio is based on APRA's definition of Fundamental Tier 1 (net of Tier 1 deductions) which, due to upcoming regulatory changes under Basel III, is expected to change (see "*Regulatory treatment may change*" below).

The Common Equity Tier 1 Ratio may be significantly impacted by a number of factors, including those which affect the business, operation and financial condition of MBL. Accordingly, there is a risk that the Common Equity Tier 1 Ratio of the MBL Level 1 Group and the MBL Level 2 Group falls to 5.125% or below and that as a result, the ECS will be Exchanged for MGL Ordinary Shares. Following any changes to APRA's definition of Common Equity Tier 1 (including as a result of APRA's implementation of Basel III), the Common Equity Tier 1 Ratio of the MBL Level 1 Group and the MBL Level 2 Group is likely to be lower compared to APRA's current prescribed definition, which may increase the likelihood of a Common Equity Tier 1 Trigger Event arising.

As at 31 December 2011 MBL's Level 1 and Level 2 Common Equity Tier 1 Ratio was 12.6% and 11.7% respectively under the current APRA regulations. However, MGL has announced an intention to buy back up to 10 per cent. of its ordinary shares, subject to APRA approval, which may have an impact on these ratios in the future.

APRA Determination of Non-Viability Event

All (but not some) of the ECS must also be exchanged for MGL Ordinary Shares where MBL has received written notice from APRA that APRA has determined that:

- the ECS must be Exchanged, as without such Exchange MBL would become non-viable; or
- a public sector injection of capital (or equivalent support) is to occur into MBL, as without such support MBL would become non-viable,

each a **Non-Viability Event**.

APRA has not given guidance as to what circumstances it would consider MBL to be non-viable or what would constitute a public sector injection of capital and APRA's position on these matters may change over time. Non-viability may not be limited to cases of insolvency or breach of capital adequacy requirements. Accordingly, there is a risk that a determination by APRA that MBL is or would become non-viable may not meet an ECS Holder's expectations of a Non-Viability Event and accordingly an Exchange may occur under conditions that the ECS Holder does not expect.

Effect of Exchange

Where a Common Equity Tier 1 Trigger Event or Non-Viability Event occurs, the ECS will be exchanged for MGL Ordinary Shares on the Business Day after the earliest date allowable for Exchange under any applicable ASX Listing Rules, the SGX Listing Rules and the procedures of any clearing system. Any Interest otherwise payable in respect of the ECS will not be paid on an Exchange arising as a result of a Common Equity Tier 1 Trigger Event or Non-Viability Event.

Investors will bear the risk of fluctuations in the Common Equity Tier 1 Ratio and the prospect of a Non-Viability Event

The market price of the ECS may be affected by fluctuations in the Common Equity Tier 1 Ratio of the MBL Level 1 Group or the MBL Level 2 Group since the amount of Common Equity Tier 1 may vary, as may the amount and basis of calculation of the risk weighted assets of the MBL Level 1 Group and the MBL Level 2 Group. Any indication that the Common Equity Tier 1 Ratio is trending towards a Common Equity Tier 1 Trigger Event or a Non-Viability Event may have an adverse effect on the market price of the ECS.

ECS may be subject to an Acquisition Event and exchanged for MGL Ordinary Shares

Potential investors in the ECS should consider the possibility that in certain circumstances where there is a greater than 50% change in the control of MBL or MGL (as described more fully in the Terms, an **Acquisition Event**), the ECS will Exchange for MGL Ordinary Shares.

Where an Acquisition Event occurs, the ECS will be Exchanged for MGL Ordinary Shares on such date reasonably determined by the Issuer to provide the ECS Holders with the opportunity to participate in the bid or scheme concerned as holders of MGL Ordinary Shares (or such date as required by APRA).

The number of MGL Ordinary Shares to be issued on an Acquisition Event is not subject to the Mandatory Exchange Conditions except for the Fourth Mandatory Exchange Condition (**Delisting Event**) and Fifth Mandatory Exchange Condition (**MGL Inability Event**). It is also subject to a Maximum Exchange Number and therefore, if the Exchange Date VWAP of MGL Ordinary Shares declines below such specified percentage of the Issue Date VWAP then ECS Holders may receive MGL Ordinary Shares worth significantly less than the US\$1,000 principal amount of the ECS being Exchanged.

The Exchange calculation is complex and the Exchange Number of MGL Ordinary Shares may not have a value equivalent to the principal amount of the ECS

The number of MGL Ordinary Shares to be issued on Exchange for each US\$1,000 principal amount of ECS cannot exceed the Maximum Exchange Number. If the ECS are exchanged as a result of a Loss Absorption Measure (see “*ECS may be exchanged because of Loss Absorption Measures*” above) or an Acquisition Event (see “*ECS may be subject to an Acquisition Event and exchanged for MGL Ordinary Shares*” above) or if Mandatory Exchange is deferred until 20 June 2057 and, at the time of such Exchange, the Exchange Number of MGL Ordinary Shares will otherwise exceed the Maximum Exchange Number, then, except as further described below ECS will be exchanged for only the Maximum Exchange Number of MGL Ordinary Shares. In these circumstances, ECS Holders will receive MGL Ordinary Shares with a market price less than their original investment. For the calculation of the Maximum Exchange Number, see above “Exchange of ECS may be deferred in certain circumstances”. Furthermore, the Maximum Exchange Number is adjusted only for a limited number of corporate actions of MGL (e.g. bonus issues and divisions, consolidation or other reclassification and events not involving any cash consideration being paid to or by a shareholder). Other corporate actions of MGL (e.g. a rights issue or placement) may affect the market price of MGL Ordinary Shares but do not result in any adjustment to the Maximum Exchange Number. Accordingly, if the Exchange results in an ECS Holder receiving only the Maximum Exchange Number, then ECS Holders may receive MGL Ordinary Shares worth significantly less than the US\$1,000 principal amount of the ECS. The risk that ECS Holders receive MGL Ordinary Shares worth significantly less than the US\$1,000 principal amount will be influenced by both a fall in the AUD share price of MGL Ordinary Shares and a depreciation of the Australian dollar against the U.S. dollar and may also be affected by corporate actions of MGL. Even if the number of MGL Ordinary Shares to be issued calculated based on the Exchange Date VWAP is less than the Maximum Exchange Number, the Exchange Date VWAP may differ from the MGL Ordinary Share price on or after the Exchange Date. The MGL Ordinary Shares may not be able to be sold at prices reflecting their value based on the Exchange Date VWAP calculation or at all and the USD/AUD exchange rate used to calculate the Maximum Exchange Number may differ from that prevailing on or after the Exchange Date.

Where ECS are Exchanged on account of a Common Equity Trigger Event or Non-Viability Event, the market price of ECS used to calculate the Exchange Number is calculated over a period of 5 ASX Trading Days (rather than 20 ASX Trading Days) immediately preceding but not including the Business Day before the Early Mandatory Exchange Date. That may include an ASX Trading Day falling before the day the Common Equity Trigger Event or Non-Viability Event occurred, or is known to the market. In this case, there is an increased risk

that the price used to determine the Exchange Number will not be the market price of MGL Ordinary Shares at the time that they are received by the ECS Holder.

If an Acquisition Event occurs, MGL Ordinary Shares may only be entitled to be traded on the ASX for less than 20 ASX Trading Days following the Acquisition Event. As a result, where ECS are Exchanged on account of an Acquisition Event the market price of MGL Ordinary Shares used to calculate the Exchange Number is calculated over the period immediately preceding, but not including, the Business Day before the Early Mandatory Exchange Date, which is equal to the lesser of 20 ASX Trading Days and the number of ASX Trading Days that MGL Ordinary Shares are entitled to trade on the ASX after the occurrence of the Acquisition Event.

Write-Off where MGL Delisted or MGL Inability Event

MGL may be Delisted if ASX ends the quotation of the MGL Ordinary Shares. The ASX may do so if the MGL Ordinary Shares no longer comply with the requirements for quotation that apply under the listing rules of ASX. In addition, ASX has the discretion to remove MGL from the official list of ASX, including in circumstances where MGL is unwilling to comply with, or breaks, a listing rule of ASX. If on any Mandatory Exchange Date MGL is Delisted, the ECS will be Written-Off and the ECS Holder will lose all their investment.

An MGL Inability Event is triggered when MGL or any of its Related Bodies Corporate is prevented by applicable law, or order of any court, or action of any government authority (including laws regarding the insolvency, Winding Up or other external administration of MGL) from performing its Exchange obligations. The Exchange of ECS for MGL Ordinary Shares is dependent on certain Related Bodies Corporate of MGL being able to perform and observe their obligations in connection with the Exchange. This includes the downstream subscription and issuance of shares by MGL and the Related Bodies Corporate interposed between MGL and MBL for the purposes of facilitating the issuance of MBL Ordinary Shares on Exchange in accordance with clause 5.10 of the Terms (“Exchange”). If MGL or any of its Related Bodies Corporate is unable to perform their obligations in connection with an Exchange on any Mandatory Exchange Date, an MGL Inability Event applies, the ECS will be Written-Off and the ECS Holders will lose all their investment.

MGL Ordinary Shares issued to a nominee following an Exchange in certain circumstances

In order for MGL Ordinary Shares to be issued to an ECS Holder, an ECS Holder is required to provide certain details such as any securities account to which MGL Ordinary Shares may be credited prior to an Exchange. If for any reason MGL does not receive the information necessary to issue MGL Ordinary Shares within the time periods prescribed in the Terms then MGL will issue the relevant MGL Ordinary Shares to a nominee appointed by MGL who is not a member of the Macquarie Group and who will hold those MGL Ordinary Shares until MGL receives that information and, if that information is not received by the last Business Day of the month following the month in which the Exchange Date falls, sell those MGL Ordinary Shares and pay to the ECS Holder (when claimed) a cash amount equal to the net proceeds received, after deducting all costs, taxes and charges incurred in connection with the sale. The issue of MGL Ordinary Shares to such nominee will satisfy all obligations of MGL and its Related Bodies Corporate in connection with the Exchange and on and from the relevant Exchange Date the rights of the ECS Holder are limited to its rights in respect of the MGL Ordinary Shares or their net cash proceeds.

Further, where the ECS held by a Foreign Holder are to be Exchanged for MGL Ordinary Shares, unless the Issuer is satisfied that the laws of both Australia and the Foreign Holder’s country of residence permit the issue of MGL Ordinary Shares to the Foreign Holder, the MGL Ordinary Shares which the Foreign Holder is obliged to accept will be issued to a nominee appointed by MGL who is not a member of the Macquarie Group and who will sell the MGL Ordinary Shares it receives and pay to the Foreign Holder a cash amount equal to the net proceeds received, after deducting all costs, taxes and charges incurred in connection with the sale. The issue of MGL Ordinary Shares to such nominee will satisfy all obligations of MGL and its Related Bodies Corporate in connection with the Exchange and the rights of a Foreign Holder on and from that date are limited to its rights in respect of the MGL Ordinary Shares or their net cash proceeds.

Investors may not be able to sell their MGL Ordinary Shares

While the Issuer and MGL will use reasonable endeavours to establish a share sale facility to allow ECS Holders to sell the MGL Ordinary Shares issued to it on Exchange, there is no guarantee that such share sale facility will be established, or that even if a share sale facility were established, it would be on terms that are acceptable to an

ECS Holder. Accordingly, an ECS Holder may need to make its own arrangements if it wishes to dispose of the MGL Ordinary Shares it receives on Exchange.

Write-Off on account of Applicable Shareholding Laws

If, on any Mandatory Exchange Date in the opinion of the Issuer an ECS Holder is prohibited under an Applicable Shareholding Law from acquiring some or all of the MGL Ordinary Shares that they would otherwise receive, then that portion of the ECS representing the MGL Ordinary Shares that the ECS Holder is prohibited from acquiring will be automatically transferred to MGL or, subject to APRA's prior written approval, to a Related Body Corporate of MGL nominated by the Issuer, in each case for no consideration and cancelled. In this case, some or all of the ECS will be Written-Off and such ECS holder will lose some or all of their investment.

Investors in the ECS should consider the possibility that they may be restricted from being able to acquire or receive MGL Ordinary Shares due to restrictions imposed by Applicable Shareholding Laws some of which are briefly described below.

Chapter 6 of the Australian Corporations Act - Takeover and Substantial Shareholder Provisions

MGL is a company listed on the ASX. Investors in the ECS should consider the possibility that they may be prohibited from receiving or acquiring MGL Ordinary Shares on Exchange if as a result of such Exchange their voting power in MGL increases from 20% or below to more than 20%, or from a starting point that is above 20% and below 90%, unless the shares are acquired in a manner specifically permitted under an exception.

In addition, under the Australian Corporations Act, a person who has a substantial holding in an ASX listed company, such as MGL, is required to notify MGL and the ASX (in the prescribed form) disclosing its interests in MGL generally within 2 business days after the person becomes aware of the circumstances which give rise to the person's substantial holding. A person has a **substantial holding** in MGL if that person and its associates have relevant interests in voting shares to which 5% or more of the total votes attach, or if the person has made a takeover bid for the voting shares in MGL.

Once a person becomes a substantial shareholder of MGL, that person is also obliged to notify MGL and the ASX (in the prescribed form) of its interest generally within 2 business days after its voting power increases or decreases by 1% or more. That person is also required to notify MGL and the ASX (in the prescribed form) if that person ceases to have substantial holding in MGL.

Investors should seek their own advice on the application of Chapter 6 of the Australian Corporations Act to their own circumstances.

Foreign Acquisitions and Takeovers Act 1975 of Australia

Foreign investors in the ECS should consider the possibility that their receipt or acquisition of MGL Ordinary Shares may be subject to review and approval by the Treasurer of the Commonwealth of Australia (the **Treasurer**) under the Foreign Acquisitions and Takeovers Act 1975 of Australia (**FATA Act**).

The FATA Act applies to any acquisition of 15% or more of the outstanding shares of Australian companies or any acquisition which results in one foreign person (including a company) and any associated persons controlling 15% or more of the total voting power of an Australian company. The FATA Act requires any person proposing to make any such acquisition to first notify the Treasurer of that person's intention to do so. Where such an acquisition has already occurred, the Treasurer has the power to order that the acquired shares be disposed of.

In addition, the FATA Act applies to any acquisition by two or more foreign persons and any associated persons controlling, in the aggregate, 40% or more of the total voting power or ownership. Where such an acquisition has occurred without notification to the Treasurer, the Treasurer has the power to order the disposal of the acquired shares.

Investors should seek their own advice on the application of the FATA Act to their own circumstances.

Financial Sector (Shareholdings) Act 1998 of Australia

Investors in the ECS should consider the possibility that they may be restricted from receiving or acquiring MGL Ordinary Shares under the *Financial Sector (Shareholdings) Act 1998* of Australia (**FSSA**). Under the FSSA, a person (including a company) must not acquire any interest in an Australian financial sector company (such as MGL) where the acquisition would take that person's voting power (which includes the voting power of the person's associates) in the financial sector company to more than 15%. The concept of "**voting power**" is very broadly defined. The Australian Treasurer may approve a higher percentage limit on national interest grounds. Furthermore, even if a person holds less than 15% of the voting power of a financial sector company, the Treasurer has the power to declare that a person has "practical control" of that company and require the person to relinquish that control.

Investors should seek their own advice on the application of the FSSA to their own circumstances.

Part IV of the Competition and Consumer Act 2010 of Australia

Investors in the ECS should consider the possibility that they may be restricted from receiving or acquiring MGL Ordinary Shares under the *Part IV of the Competition and Consumer Act 2010* of Australia (**CCA**). Under the CCA a person (including a company) may not acquire shares in an Australian company if the acquisition has the effect, or is likely to have the effect, of substantially lessening competition in a market in Australia, or a state or territory thereof.

Investors should seek their own advice on the application of the CCA to their own circumstances.

Other laws

Investors in the ECS should consider the possibility that there may be other laws in force in Australia, the United Kingdom, or jurisdiction applicable to a Substitute Issuer which limits or restricts the number of shares in MGL in which an ECS Holder may have an interest or over which it may have a right or power.

Investors should seek their own advice on the application of these to their own circumstances.

Insolvency laws

In the event that MBL or MGL becomes insolvent, insolvency proceedings in respect of MBL or MGL will be governed by Australian law. Potential investors should be aware that Australian insolvency laws are different from the insolvency laws in other jurisdictions. In particular, the voluntary administration procedure under the Australian Corporations Act, which provides for the potential re-organisation of an insolvent company, differs significantly from similar provisions under the insolvency laws of other jurisdictions.

If an order is made by a court of competent jurisdiction or an effective resolution is passed for the Winding Up of MBL, the Issuer will be obliged to Redeem each ECS (that has not otherwise been Redeemed, Exchanged or Written-Off before such a Winding Up commences) for its Redemption Price (i.e. 100 per cent of the principal amount of that ECS). In a Winding Up of MBL, the ECS Holder's claim for the Redemption Price will rank junior to the claims of all Senior Creditors as set out further in clause 13.2 ("Subordination") of the Terms.

Following an Exchange of the ECS for MGL Ordinary Shares, in the event MGL becomes insolvent, there may be insufficient assets to distribute to holders of MGL Ordinary Shares once all of MGL's creditors (both subordinated and unsubordinated) and preference shareholders have been repaid.

The obligations under the ECS and the MGL Ordinary Shares are subordinated and unsecured

The Issuer's and MGL's obligations under the ECS and the MGL Ordinary Shares will be unsecured and subordinated to the interests of Senior Creditors of MBL or MGL, as the case may be.

In a Winding Up of MBL, the Issuer will Redeem each ECS (unless the ECS have been Redeemed, Exchanged or Written-Off prior to the Winding Up). The ECS Holder's claim for the Redemption Price is subordinated to the claims of all of the Senior Creditors of MBL. Although each ECS ranks equally with holders of MIS

Preference Shares, MIPS Preference Shares and any other securities expressed to rank equally with those preference shares in a Winding Up, ECS Holders should be aware that there is likelihood that each ECS will be Exchanged or Written-Off due to the loss absorption measures prior to the Winding Up.

The MGL Ordinary Shares will rank in a Winding Up of MGL subordinate to the claims of all creditors and preference shareholders of MGL and equally amongst themselves.

In addition, neither the Terms or the Trust Deed restrict the Issuer or any member of the Macquarie Group in any way from issuing further capital instruments or incurring indebtedness which may rank senior to or equally with the ECS or the MGL Ordinary Shares.

If there is a shortfall of funds on a Winding-Up of MBL or MGL, there is a risk that the ECS Holders and/or the holders of MGL Ordinary Shares will not receive a full (or any) return of their investment.

Regulatory treatment may change

In 2010, the Basel Committee for Banking Supervision (the **Committee**) finalised key elements of its comprehensive reform package which requires strengthening of global capital and liquidity regulations for implementation from 2013. APRA, as a member of the Committee, has indicated that it will adopt these requirements.

On September 6, 2011, and in conjunction with these changes, APRA released a first discussion paper, Implementing Basel III Capital Reforms in Australia (the **Discussion Paper**). Further discussion papers covering liquidity and counterparty credit risk were also released in 2011 and draft standards are currently expected to be released in 2012. In the Discussion Paper APRA indicated that, subject to industry consultation, it will adopt as a minimum for ADIs (including MBL) the capital framework proposed under the Basel III framework with some additional conservatism. The Basel III framework divides capital for banks into three tiers: Common Equity Tier 1, Additional Tier 1 and Tier 2. Under the Basel III framework, banks must hold a minimum of 8% total capital, made up of at least 4.5% Common Equity Tier 1 and at least 6% Total Tier 1.

Prudential Capital Requirements (**PCRs**) will be set by APRA for each ADI at least at the minima set out in the Basel III arrangements. The Discussion Paper proposes that these capital requirements will need to be met in full from January 1, 2013. In addition, from January 1, 2016, ADIs will be required to hold a capital conservation buffer of up to 2.5% of Common Equity Tier 1 increasing the effective Common Equity Tier 1 requirement to at least 7.0% and if MBL's Common Equity Tier 1 Ratio is less than 7.0%, Interest on the ECS and dividends on the MGL Ordinary Shares may not be paid. These proposed deadlines do not include the phase-in arrangements contemplated by the Basel III arrangements. APRA also proposes to introduce the countercyclical buffer proposed by Basel III where APRA judges that excess credit growth has led to a build-up of system-wide risk.

In its Discussion Paper, APRA proposes that the Basel III non-viability loss absorbency requirements must be included in the terms of all Additional Tier 1 and Tier 2 instruments in the contractual terms and conditions of each instrument eligible as regulatory capital from January 1, 2013. The terms and conditions for the instrument must specify a write-off or conversion event that can be triggered by APRA in the event that APRA determines that the ADI would be non-viable without the conversion, or if a public sector injection of capital, or equivalent support, without which the ADI would be non-viable, is to be made. See clause 5.4 of the Terms ("Early Mandatory Exchange Event") and "*APRA Determination of Non-Viability Event*" above.

APRA has confirmed that the ECS will be eligible for inclusion as Tier 1 capital under the current regulatory framework applicable to MBL. In addition, APRA has confirmed that after the framework is amended, at a minimum, the ECS will be eligible for the transitional treatment from 1 January 2013.

There is a risk that if APRA does not confirm that the ECS fully qualifies under the implemented Basel III requirements, a Regulatory Event will occur on the third anniversary of the Issue Date. If a Regulatory Event does occur, the Issuer may or may not choose to Redeem or Resell the ECS, subject to APRA approval.

Additionally, the terms of the ECS may be changed, another branch of MBL may be substituted as the issuer, or an alternative security substituted for the ECS. Any material variation or substitution may only be made if the varied or substituted security then meets the implemented Basel III requirements. Any variation or substitution cannot be materially prejudicial to the ECS Holders, taken as a whole. The tax and stamp duty consequences of

holding alternative securities following a substitution could be different for some categories of holders from the tax and stamp duty consequences of holding the ECS.

Other regulatory changes may also affect the capital treatment of the ECS and result in a Regulatory Event. Among other potential regulatory changes, APRA has indicated an updated conglomerates regulatory regime will apply to the Macquarie Group in the future.

Although the Macquarie Group is currently principally supervised only by APRA, there can be no assurance that any future international expansion combined with changes to the cross-border prudential regime will not lead to the Macquarie Group being supervised by additional regulators in other jurisdictions during the period in which the ECS remain outstanding. If the Macquarie Group does become subject to significant prudential regulation in countries other than Australia, it is possible that the actions of regulators in those other countries will be relevant to the ECS (for example, in relation to any determination by APRA as to whether a Non-Viability Event has occurred).

The Terms of the ECS may be changed or substituted

The Terms and other related documents allow the Issuer to make changes to the ECS in certain limited circumstances (including to eliminate adverse consequences of a Tax Event or Regulatory Event) or, in lieu of exercising its right to Redeem or Resell the ECS, substitute Qualifying Tier 1 Securities for the ECS. There is a risk that such changes may not suit the interests of an individual ECS Holder and may give rise to tax consequences for ECS Holders which differ from those contemplated by the ECS Holder or described in the section headed "Taxation" below.

Additionally, provisions within the Terms and the Trust Deed permit 75% of the ECS Holders to agree to modifications to the Terms by written resolution or by resolution passed at a duly convened meeting and, in doing so, to bind all ECS Holders, including any ECS Holders who did not attend and vote at the relevant meeting and those ECS Holders who voted contrary to the majority.

The ECS have limited voting rights

An ECS Holder has no voting rights in respect of meetings of members of MBL. Further, an ECS Holder has no voting rights at a meeting of members of MGL or any other member of the Macquarie Group.

In addition, the ECS Holders have no rights to apply for the Winding Up or administration of MBL, or to cause a receiver and/or manager to be appointed in respect of the Issuer merely on the grounds that a scheduled Interest payment is not made.

Following an Exchange of the ECS for MGL Ordinary Shares, a holder of MGL Ordinary Shares will have the same rights as those conferred by the Australian Corporations Act and the Constitution of MGL as all other holders of ordinary shares of MGL in relation to receiving notices of general meetings, reports, balance sheets and accounts and attending and being heard at general meetings of MGL.

Tax

A brief overview of the taxation treatment of payments on, and gains realised on the disposal of, the ECS and the MGL Ordinary Shares in the United Kingdom, Australia and Singapore is set out in "Taxation". The overview provided is brief, applies only in limited jurisdictions and takes no account of an investor's circumstances. As such, it may be inappropriate or incorrect for some potential investors.

Investors should obtain their own taxation advice regarding the taxation status of investing in any ECS

Exceptions to gross-up. If, in respect of a payment under the ECS, any withholding or other tax, duty or levy is required by law to be deducted in respect of such payment, and where such deduction is imposed or levied by or on behalf of:

- Australia;
- the United Kingdom;

- any other jurisdiction in which the Issuer is a tax resident, or has a branch or permanent establishment to which the ECS are attributable from time to time, at any relevant time; or
- any jurisdiction in which a Paying Agent is appointed from time to time and the withholding, tax, duty or levy was imposed or levied because the payment was made by a paying agent in that jurisdiction,

(or, in each case, by or on behalf of any political subdivision or authority thereof or therein), the Issuer shall pay such additional amount to an applicable ECS Holder as will result in the receipt by the ECS Holder, after such deduction, of the amount which would have been received by the ECS Holder in respect of that payment if no such deduction had been required, subject to certain exceptions (which would generally apply where deductions are required due to the ECS Holder's own factual circumstances and which include any withholding or deduction arising under or in connection with FATCA (as defined below) as provided in clause 7 ("Payments to ECS Holders") of the Terms). If an exception applies, the Issuer will make the required withholding or deduction and shall not pay any additional amounts to the ECS Holders in respect thereof. See "Taxation".

U.S. Foreign Account Tax Compliance Act

Withholding on Payments Made to the Issuer. Under Sections 1471-1474 of the U.S. Internal Revenue Code ("FATCA"), certain foreign financial institutions (such as the Issuer) will be required to provide the U.S. Internal Revenue Service with information on accounts held by U.S. persons or be subject to a 30% U.S. withholding tax on all, or a portion of, certain payments it receives. Although the final form of these rules is unknown, the Issuer expects there to be a number of significant Australian legal obstacles to compliance with the FATCA reporting requirements. The Issuer also expects that compliance with any such regime will require a substantial investment in a documentation and reporting framework. In the absence of compliance with such regime, the Issuer could be exposed to a FATCA withholding tax on certain of its assets. The imposition of such a FATCA withholding tax would reduce the profitability, and thus the Distributable Profits, of the Issuer.

Withholding on Payments Made to ECS Holders. Under FATCA, the Issuer or other financial institutions through which payments on the ECS are made or through which an ECS Holder owns its ECS may be required to withhold amounts on the ECS if (i) there is a "non-participating" non-U.S. financial institution in the payment chain or (ii) the ECS Holder does not provide certain information, which may include the name, address, taxpayer identification number and certain other information with respect to direct and certain indirect U.S. Holders. Recently proposed U.S. Treasury regulations on FATCA have not provided comprehensive guidance as to the scope and mechanics of such withholding, although such proposed regulations do provide that such withholding will not be imposed prior to 1 January 2017.

The application of FATCA to interest, principal or other amounts paid with respect to the ECS is not clear. If an amount in respect of a FATCA withholding tax were to be deducted or withheld from interest, principal or other payments on the ECS as a result of an ECS Holder's failure to comply with these rules or as a result of the presence in the payment chain of an entity that is not in compliance with FATCA, neither the Issuer nor any paying agent nor any other person would, pursuant to the conditions of the ECS, be required to pay additional amounts as a result of the deduction or withholding of such tax. As a result, investors may receive less interest or principal than expected. ECS Holders should consult their own tax advisers on how these rules may apply to payments they receive under the ECS.

EU Savings Directive

Under EC Council Directive 2003/48/EC on the taxation of savings income, Member States are required to provide to the tax authorities of another Member State details of payments of interest (or similar income) paid by a person within its jurisdiction to an individual resident in that other Member State or to certain limited types of entities established in that other Member State. However, for a transitional period, Luxembourg and Austria are instead required (unless during that period they elect otherwise) to operate a withholding system in relation to such payments (the ending of such transitional period being dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries). A number of non-EU countries and territories including Switzerland have adopted similar measures (a withholding system in the case of Switzerland).

The European Commission has proposed certain amendments to the Directive which may, if implemented, amend or broaden the scope of the requirements described above.

If a payment were to be made or collected through a Member State, or a non-EU country or associated or dependent territory of any Member State which has adopted measures equivalent to EC Council Directive 2003/48/EC, which has opted for a withholding system and an amount of, or in respect of, tax were to be withheld from that payment, neither the Issuer nor any Paying Agent nor any other person would be obliged to pay additional amounts with respect to any ECS as a result of the imposition of such withholding tax. The Issuer is required to maintain a Paying Agent in a Member State that is not obliged to withhold or deduct tax pursuant to the Directive.

Change of law resulting in a Regulatory Event or Tax Event

The Terms are based on the relevant law in effect as at the date of this Offering Circular. No assurance can be given as to the impact of any possible judicial decision, change of law or administrative practice after the date of issue of the ECS. There is a risk that future changes in relevant law, future judicial decisions, administrative action or challenge by a Taxation or other authority or future changes in interpretation of regulations by APRA may result in a Regulatory Event or Tax Event. If a Regulatory Event or Tax Event does occur, the Issuer may or may not choose to Redeem or Resell the ECS, change the terms of the ECS, or substitute an alternate security, subject to APRA approval.

Occurrence of a Tax Event

A Tax Event will occur if the Issuer receives an opinion from a nationally recognised legal counsel or other nationally recognised tax adviser in any jurisdiction, that there is more than an insubstantial risk which the directors of MBL determine, at their absolute discretion, to be unacceptable that, as a result of:

- (a) an amendment to, change in or announced prospective change in, any laws or regulations in any jurisdiction;
- (b) a judicial decision interpreting, applying or clarifying any laws or regulations in any jurisdiction;
- (c) an administrative pronouncement, ruling, confirmation, advice or action that represents an official position, including a clarification of an official position of the governmental authority or regulatory body making the administrative pronouncement or taking any action; or
- (d) a challenge asserted or threatened in connection with an audit (including for the avoidance of doubt a HM Revenue and Customs (**HMRC**) enquiry into a self assessed corporation tax return) of the Issuer or any other member of the Macquarie Group,

occurring on or after the Issue Date, Interest or any principal amount is, or will within 90 days become, subject to an amount of withholding or deduction in respect of any taxes, duties or other governmental charges for which the Issuer, MBL or MGL must pay additional amounts or the Issuer, MBL or MGL is, or will within 90 days become, subject to more than a de minimis amount of taxes, assessments or other governmental charges in connection with the ECS, including an adverse change in the United Kingdom tax deductibility of interest payments on the ECS.

Tax Events are not therefore limited to changes in legislation or regulations or to judicial decisions. A Tax Event could occur if HM Revenue & Customs, the Australian Taxation Office or any other governmental authority, regulatory body or official body were to take any action representing an official position or were to assert a challenge or threaten a challenge in respect of the current law treatment of the ECS for the Issuer and the Macquarie Group.

The Issuer's understanding of the expected United Kingdom tax treatment of the ECS is based on its understanding of the relevant United Kingdom laws, and its understanding of HM Revenue & Customs practice (including further to discussions and consultations with HM Revenue & Customs in the context of substantially similar arrangements in relation to certain aspects of the UK tax treatment of the ECS) as at the date of this Offering Circular. A Tax Event could therefore occur if HM Revenue & Customs were to change their view or to take a different view on how relevant laws apply to the issue of the ECS, or changes its practice in interpreting such laws.

In May 2011, HM Revenue & Customs issued a discussion document considering the United Kingdom tax treatment of regulatory capital instruments treated as Additional Tier 1 Capital and Tier 2 Capital for the purposes of Basel III (including with respect to the deductibility of interest). A number of meetings were subsequently held during the course of the European summer and autumn of 2011 between representatives from HM Revenue & Customs and the Basel III Working Group (comprising representatives mainly from the United Kingdom banking and tax advisory sectors). HM Revenue & Customs published its 2011 Autumn Statement letter for the Financial Services Sector on 6 December 2011, confirming that the United Kingdom Government was committed to providing legislative certainty on the tax treatment of Basel III compliant regulatory capital in advance of 1 January 2013.

There is a risk therefore that, as a result of any policy decision expected to be taken by the United Kingdom Government before 1 January 2013, legislation might be enacted that could give rise to a Tax Event, if such legislation did not include 'grandfathering' rules to exclude issues of existing instruments.

Consequences of a Tax Event

The Issuer may, in its sole discretion, but subject to APRA's prior written approval, elect to Redeem all (but not some) of the ECS on the occurrence of a Tax Event. If the ECS are Redeemed due to a Tax Event, the Redemption Price will be equal to the principal amount of the ECS. Interest will be paid in respect of the ECS being Redeemed to the extent the Interest Payment Conditions are met.

The Issuer may instead elect to Resell all (but not some) of the ECS following the occurrence of a Tax Event. If the ECS are Resold, the ECS will be transferred to a Nominated Party or (to the extent permitted by, and subject to the procedures of any relevant clearing system where ECS are represented by a Global Certificate) to two or more Nominated Parties, at a purchase price per ECS equal to the principal amount of the ECS. Interest will be paid by the Issuer in respect of the ECS being Resold to the extent the Interest Payment Conditions are met.

On the occurrence of a Tax Event, in lieu of exercising its rights to Redeem or Resell the ECS, the Issuer may without the consent of the ECS Holders but with the prior written approval of APRA:

- (i) amend the terms of the ECS; or
- (ii) substitute Qualifying Tier 1 Securities for the ECS in accordance with the Terms,

provided such amendment or substitution is not materially less favourable to ECS Holders or such amendment or substitution has been approved by Special Resolution.

The amended ECS or the substitute Qualifying Tier 1 Securities may not suit the interests of particular ECS Holders and may give rise to tax consequences for ECS Holders which differ from those contemplated by the ECS Holder or described in the section headed "Taxation" below.

Stamp duties and Definitive Certificates

If:

- (a) the Issuer has or will become subject to adverse tax consequences which would not be suffered were the ECS in the form of Definitive Certificates instead of in the form of the Global Certificate; or
- (b) the Issuer determines that the ECS should cease to be represented by a Global Certificate in order to facilitate a Resale or Exchange; or
- (c) the Issuer has been notified that both Euroclear and Clearstream, Luxembourg have been closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or have announced an intention permanently to cease business or have in fact done so,

the Global Certificate may be exchanged (in whole, but not in part, and in the manner set out in the Trust Deed and the Global Certificate) for Definitive Certificates (see "Definitive Certificates" below).

The “adverse tax consequences” referred to in paragraph (a) above could include a situation in which withholding tax is applied to payments on the ECS. In those circumstances, the Issuer could choose to exchange the Global Certificate for Definitive Certificates in order to minimise its costs.

Potential ECS Holders should be aware that stamp duties, transfer taxes and other similar duties or taxes may be chargeable in respect of dealings in Definitive Certificates which may not have been chargeable had the Definitive Certificates remained in global form and continued to be held within Euroclear and Clearstream, Luxembourg.

(c) Risks relating to the market for the ECS

The secondary market generally

The ECS will have no established trading market when issued, and one may never develop. If a market does develop, it may not be liquid.

Investors may not be able to sell their ECS easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market. Illiquidity may have a severely adverse effect on the market value of the ECS. No guarantee of a secondary market or of a market price for the ECS is provided by the Issuer, MBL or MGL.

In addition, the ECS Holders should be aware of the risk that global credit market conditions may result in a general lack of liquidity in the secondary market for instruments similar to the ECS. Such lack of liquidity may result in investors suffering losses on the ECS in secondary resales even if there is no decline in the performance of the assets of MBL or the Macquarie Group.

Listing

In-principle approval from the SGX-ST has been obtained for the listing and quotation of the ECS on the official list of the SGX-ST. In the event that the ECS are Exchanged for MGL Ordinary Shares, MGL will apply for the MGL Ordinary Shares to be listed on a relevant Stock Exchange. MGL Ordinary Shares are currently listed and quoted on the ASX. No assurance can be given that if and once listed on the SGX-ST and/or any other applicable Stock Exchange, the ECS or the MGL Ordinary Shares (as the case may be) will at all times remain listed on that Stock Exchange and it may not be possible to list the ECS or MGL Ordinary Shares (as applicable) on any stock or securities exchange.

Exchange rate risks and exchange controls

Interest payments and potential principal payments on the ECS will be made in USD. This presents certain risks relating to currency conversions if an ECS Holder’s financial activities are denominated principally in a currency or currency unit (the **Holder’s Currency**) other than USD. These include the risk that exchange rates may significantly change (including changes due to devaluation of USD or revaluation of the Holder’s Currency) and the risk that authorities with jurisdiction over the Holder’s Currency may impose or modify exchange controls. An appreciation in the value of the Holder’s Currency relative to USD would decrease (1) the Holder’s Currency-equivalent yield on the ECS, (2) the Holder’s Currency-equivalent value of the principal potentially payable on the ECS, and (3) the Holder’s Currency-equivalent market value of the ECS.

Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate. As a result, ECS Holders may receive less interest or principal than expected, or no interest or principal.

Interest rate risks

Investment in the ECS involves the risk that subsequent changes in market interest rates may adversely affect the value of the ECS. As interest rates fluctuate, there is a risk that the Interest Rate payable on the ECS will become less attractive when compared to the rates of return on other comparable securities and consequently the market value of the ECS may fluctuate. ECS Holders may suffer unforeseen losses due to fluctuations in market values or fluctuations in interest rates making the rate of return on comparable securities or investments more favourable than the rate of return under the ECS.

Unless previously Exchanged or Redeemed, the Interest Rate will be adjusted on 20 June 2017 and each fifth anniversary of 20 June 2017, which may be higher or lower than the Interest Rate applicable immediately prior to the adjustment.

Credit ratings may change and may not reflect all risks

Independent credit rating agencies have assigned credit ratings to MBL and MGL. Fitch is expected to assign a credit rating to the ECS. There is a risk that the credit ratings of the ECS, MBL or MGL could be reviewed, suspended, withdrawn or downgraded which may impact the market price and liquidity of the ECS or the MGL Ordinary Shares. The ratings may not reflect the potential impact of all risks related to the structure, the market, the additional factors discussed above and any other factors that may also affect the market price and liquidity of the ECS or MGL Ordinary Shares. A credit rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, cancellation, reduction or withdrawal at any time by the assigning rating agency. For further information with respect to MBL's credit ratings see also paragraph entitled "*Credit ratings*" in the section entitled "*Macquarie Group Limited*" on page 108.

Legal investment considerations may restrict certain investments

The investment activities of certain investors are subject to investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent (1) the ECS or MGL Ordinary Shares are legal investments for it, (2) the ECS or MGL Ordinary Shares can be used as collateral for various types of borrowing, and (3) other restrictions apply to its purchase or pledge of any ECS or MGL Ordinary Shares. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of the ECS or MGL Ordinary Shares under any applicable risk-based capital or similar rules.

ECS Holders will have to rely on the procedures of Euroclear and Clearstream, Luxembourg for transfer, payment, voting and communication with the Issuer

Because the Global Certificates will be held by or on behalf of Euroclear and Clearstream, Luxembourg, ECS Holders will have to rely on their procedures for transfer, payment, voting and communication with the Issuer.

The ECS will initially be represented by a Global Certificate. The Global Certificate will be deposited with a common depository for Euroclear and Clearstream, Luxembourg. Except in certain limited circumstances described in the relevant Global Certificate, interests in the Global Certificates will not be represented in definitive form (see "*Form of ECS*"). Euroclear and Clearstream, Luxembourg will maintain records of the beneficial interests in the Global Certificate. While the ECS are represented by Global Certificate, investors will be able to trade their beneficial interests only through Euroclear or Clearstream, Luxembourg.

The Issuer will discharge its payment obligations under the ECS by making payments to the common depository for Euroclear and Clearstream, Luxembourg for distribution to their account holders. A holder of a beneficial interest in a Global Certificate must rely on the procedures of Euroclear and Clearstream, Luxembourg to receive payments under the ECS. The Issuer, MBL or MGL have no responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in the Global Certificate.

Holders of beneficial interests in the Global Certificate will not have a direct right to vote in respect of the ECS. Instead, such ECS Holders will be permitted to act only to the extent that they are enabled by Euroclear or Clearstream, Luxembourg to appoint appropriate proxies.

Definitive Certificates

Because the ECS will be issued in denominations consisting of a minimum denomination of US\$200,000 and integral multiples of US\$1,000 above that amount, it is possible that the ECS may be traded in amounts that are not integral multiples of such minimum denomination.

In such a case, an ECS Holder who, as a result of transferring such amounts, holds an aggregate principal amount of ECS which is less than US\$200,000 in their account with the relevant clearing system at the relevant time may not receive a Definitive Certificate in respect of such holding (should Definitive Certificates be issued) and would need to purchase a principal amount of ECS such that their aggregate holding amounts to a minimum denomination of US\$200,000.

If Definitive Certificates are issued, ECS Holders should be aware that Definitive Certificates which have a denomination that is not an integral multiple of the minimum denomination of US\$200,000 may be illiquid and difficult to transfer.

(d) Risks relating to the MGL Ordinary Shares

Dividends on the MGL Ordinary Shares

In the event that the ECS are Exchanged for MGL Ordinary Shares, potential investors should be aware that the payment of Dividends on the MGL Ordinary Shares is discretionary, and there is a risk that Dividends may not be paid. MGL Ordinary Shares are not redeemable and confer no right to a return of any fixed amount of capital (see “*Summary of MGL Ordinary Shares*”).

The market for MGL Ordinary Shares generally

MGL Ordinary Shares are listed and trade on the ASX. The market price of MGL Ordinary Shares will fluctuate due to various factors, including investor perceptions, Australian and global economic conditions and Macquarie Group’s financial performance (see “*Risks relating to the Macquarie Group’s business*”). Additionally, potential investors should be aware that MGL Ordinary Shares are denominated and trade in Australian Dollars. The exchange rate between AUD and USD will fluctuate with market and economic conditions.

As a result, the value that ECS Holders are able to realise should they sell their MGL Ordinary Shares following an Exchange may be more or less than their original investment.

FORM OF THE ECS

Entries in the Register

An entry in the Register in relation to an ECS constitutes conclusive evidence that the person so entered is the absolute owner of that ECS, subject to correction for fraud or error. Except as required by law, the Terms or the Trust Deed, the Issuer, the Trustee, the Registrar and any Agents must treat the person entered in the Register in respect of an ECS as the absolute owner of that ECS.

Global Certificate

The ECS will initially be represented by a Global Certificate. Beneficial interests in the Global Certificate may not be offered or sold to, or for the account or benefit of, a U.S. person and such Global Certificate will bear a legend regarding such restrictions on transfer.

For so long as any ECS are represented by the Global Certificate held on behalf of Euroclear and/or Clearstream, Luxembourg, each person (other than Euroclear and/or Clearstream, Luxembourg) who is for the time being shown in the records of Euroclear or Clearstream, Luxembourg, as the case may be, as the beneficial holder of a particular principal amount of such ECS (in which regard any certificate or other document issued by Euroclear and/or Clearstream, Luxembourg as to the aggregate principal amount of such ECS standing to the account of any person shall be conclusive and binding for all purposes save in the case of manifest error) shall be treated by the Issuer, MGL, the Trustee and any Agents as the holder of such principal amount of such ECS for all purposes (including, without limitation, for the purposes of voting and quorum requirements) other than with respect to the payment of the Redemption Price, Interest and any other amount payable on such principal amount of such ECS, for which purposes the registered holder of the Global Certificate shall be treated by the Issuer, MGL and their respective agents as the holder of such principal amount of such ECS in accordance with and subject to the terms of the Global Certificate, the Terms, and the Agency Agreement, and the expressions **ECS Holder** and **holder of ECS** and related expressions shall be construed accordingly.

None of the Issuer, MGL nor any Agent will have any responsibility or liability for any aspect of the records relating to or payments or deliveries made on account of beneficial ownership interests in the Global Certificate or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

For so long as any ECS are listed on the SGX-ST and the rules of the SGX-ST so require, the Issuer shall appoint and maintain a paying agent in Singapore (where such ECS may be presented or surrendered for payment or Redemption) in the event that the Global Certificate is exchanged for Definitive Certificates. In addition, in the event that the Global Certificate is exchanged for Definitive Certificates, an announcement of such exchange will be made on the SGX-ST and such announcement will include all material information with respect to the delivery of the Definitive Certificates, including details of the paying agent in Singapore.

When a Global Certificate may be exchanged for Definitive Certificates

The Global Certificate will be registered in the name of a nominee of, and deposited with a common depository for, Euroclear and Clearstream, Luxembourg. The Global Certificate will be exchangeable (free of charge), in whole but not in part, for Definitive Certificates on the occurrence of a Certification Event. A Certification Event will occur if:

- (a) the Issuer has or will become subject to adverse tax consequences which would not be suffered were the ECS in the form of Definitive Certificates instead of in the form of a Global Certificate and a certificate to such effect signed by two Authorised Signatories of the Issuer has been given to the Trustee;
- (b) the Issuer determines that ECS should cease to be represented by a Global Certificate in order to facilitate a Resale or Exchange and a certificate to such effect signed by two Authorised Signatories of the Issuer has been given to the Trustee; or
- (c) the Issuer has been notified that both Euroclear and Clearstream, Luxembourg have been closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or have announced an intention permanently to cease business or have in fact done so and, in any such case, no successor clearing system satisfactory to the Trustee is available.

If a Certification Event occurs, the Issuer must notify the ECS Holders in accordance with the Terms. In the event of the occurrence of a Certification Event, Euroclear and/or Clearstream, Luxembourg (acting on the instructions of any holder of an interest in the Global Certificate) or the Trustee may give notice to the Registrar requesting exchange and, in the event of the occurrence of a Certification Event of a type described in paragraph (a) above, the Issuer may also give notice to the Registrar requesting exchange. Any such exchange shall occur not later than 10 days after the date of receipt of the first relevant notice by the Registrar.

If an ECS Holder holds an amount of ECS in their account with the relevant clearing system which is less than US\$200,000 at the relevant time it may not receive a Definitive Certificate in respect of the amount of such holding and may be required to purchase a principal amount of ECS such that their holding amounts to at least US\$200,000.

CLEARANCE AND SETTLEMENT OF THE ECS

Book-Entry Ownership

The Issuer will make applications to Euroclear and Clearstream, Luxembourg for acceptance in their respective book-entry systems in respect of the ECS to be represented by a Global Certificate. Each Global Certificate deposited with a nominee for Euroclear and Clearstream, Luxembourg will have an ISIN and a Common Code.

All ECS will initially be in the form of a Global Certificate.

Transfers of Registered Notes

Transfers of interests in Global Certificates within Euroclear and Clearstream, Luxembourg will be in accordance with the usual rules and operating procedures of the relevant clearing system.

On or after the Issue Date, transfers of the ECS between accountholders in Euroclear and Clearstream, Luxembourg will generally have a settlement date three business days after the trade date (T+3). The customary arrangements for delivery versus payment will apply to such transfers.

Cross-market transfers between accountholders in Euroclear and Clearstream, Luxembourg will need to have an agreed settlement date between the parties to such transfer.

Definitive Certificates

Registration of title to ECS in a name other than a depository or its nominee for Euroclear and Clearstream, Luxembourg will be permitted only in the circumstances set forth in the section entitled "*Form of the ECS*". In such circumstances, the Issuer will cause sufficient Definitive Certificates to be executed and delivered to the Registrar for completion, authentication and despatch to the relevant ECS Holder. A person having an interest in a Global Certificate must provide the Registrar with a written order containing instructions and such other information as the Issuer and the Registrar may require to complete, execute and deliver such individual Definitive Certificates.

TERMS AND CONDITIONS OF THE ECS

The following (subject to modification) are the terms and conditions of the ECS (“Terms”). The ECS are constituted by, and are owing under, the Trust Deed. The statements in these Terms include summaries of, and are subject to, the detailed provisions of and definitions in the Trust Deed. The ECS Holders are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Trust Deed and the Agency Agreement applicable to them.

1 Denomination

The ECS are issued by the Issuer in denominations of US\$200,000 and integral multiples of US\$1,000 above that amount. Each ECS must be paid for in full on application.

2 Form and ranking

2.1 Form

- (a) The ECS are unsecured obligations of the Issuer in the form of a junior subordinated note and, subject, if required by these Terms, to the prior written consent of APRA, each may be:
 - (i) Redeemed or Resold by the Issuer; or
 - (ii) Exchanged for fully paid MGL Ordinary Shares,in accordance with these Terms.
- (b) The ECS cannot be Redeemed, Resold or Exchanged at the option of an ECS Holder.
- (c) The ECS are constituted by, owing under, and issued in accordance with, the Trust Deed, of which these Terms form part. The statements in these Terms include summaries of, and are subject to, the detailed provisions of and definitions in the Trust Deed. The ECS Holders are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Trust Deed and the Agency Agreement applicable to them.
- (d) The ECS do not represent protected accounts of any member of the Macquarie Group for the purposes of section 13A(3) of the Banking Act or any similar law of any jurisdiction and nor do they represent deposits with, or deposit liabilities of, any member of the Macquarie Group for any other purposes of the Banking Act or the laws of any other jurisdiction.
- (e) Except for a claim made on the Issuer or MGL in accordance with these Terms and the Trust Deed, an ECS 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 ECS held by that ECS Holder.
- (f) The ECS 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, the United Kingdom or any other government, government agency or compensation scheme in any jurisdiction or by any other person.

2.2 Entries in the Register and ECS Certificates

- (a) The ECS are issued in registered form by entry in the Register.
- (b) The ECS will be initially represented by a global certificate in the form scheduled to the Trust Deed (“**Global Certificate**”), which will be registered in the name of a nominee of, and deposited with a common depository for, Euroclear and Clearstream, Luxembourg.
- (c) On the occurrence of a Certification Event, the Global Certificate will be exchangeable (in whole, but not in part, and in the manner set out in the Trust Deed and the Global Certificate)

for definitive certificates in the form scheduled to the Trust Deed (“**Definitive Certificates**” and, together with the Global Certificate, the “**ECS Certificates**”). The Issuer must notify ECS Holders of the occurrence of a Certification Event. However, if an ECS Holder holds a principal amount of ECS in their account with the relevant clearing system which is less than US\$200,000 at the relevant time it may not receive a Definitive Certificate in respect of the amount of such holding and may be required to purchase a principal amount of ECS such that their holding amounts to at least US\$200,000.

- (d) If a Definitive Certificate is damaged or defaced, or is alleged to have been lost, stolen, mutilated or destroyed, a new Definitive Certificate may be issued by the Issuer on payment of such fee and on such terms as to evidence, indemnity and as to the payment of out-of-pocket expenses as the Issuer may reasonably determine in accordance with the provisions of the Trust Deed.

2.3 Ranking

Except to the extent mandatorily provided by law, each ECS ranks for payment, and ranks in a winding up of MBL:

- (a) subordinate to all Senior Creditors;
- (b) equally with all other ECS in all respects and with holders of Equal Ranking Securities; and
- (c) senior to holders of MBL Ordinary Shares,

and **Senior Creditors** means all present and future creditors of MBL, both subordinated and unsubordinated, including depositors, whose claims are:

- (i) entitled to be admitted in a winding up of MBL; and
- (ii) not expressed to rank equally with or subordinate to the claims of ECS Holders under these Terms.

3 Interest

3.1 Interest

Subject to clause 3.3 (“Interest payment conditions”), on each Interest Payment Date in respect of an ECS, the Issuer shall pay to the person who is the ECS Holder of that ECS on the applicable Record Date an amount of interest (“**Interest**”) calculated according to the following formula in respect of each US\$1,000 of principal amount of that ECS:

$$\text{Interest} = \frac{\text{US\$1,000} \times \text{Interest Rate} \times N}{360}$$

where:

Interest Payment Date means in respect of an ECS:

- (a) each 20 June and 20 December commencing on 20 June 2012 until the date on which that ECS has been Redeemed or Exchanged in accordance with these Terms; and
- (b) the Redemption Date or, subject to clause 4.14(c) (“Failure of Nominated Party to fulfil obligations”) the Resale Date or an Exchange Date, except where the Exchange is on account of a Common Equity Tier 1 Trigger Event or a Non-Viability Event;

Interest Rate means:

- (a) for the period commencing on (and including) the Issue Date until (but excluding) the First Reset Date, 10.25% per annum (being an amount equal to the sum of the Reference Rate in respect of the Issue Date and the Margin); and
- (b) for each period of five years commencing on a Reset Date (but excluding the next Reset Date), the aggregate of the Reference Rate in respect of that Reset Date and the Margin;

N means 180 except:

- (a) in respect of the first Interest Payment Date in respect of an ECS, where N is the number of days from (and including) the Issue Date to (but excluding) that Interest Payment Date; and
- (b) in respect of any Interest Payment Date in respect of an ECS where either that Interest Payment Date or the preceding Interest Payment Date does not occur on 20 June or 20 December, where N is the lesser of 180 and the number of days from (and including) the preceding Interest Payment Date in respect of that ECS to (but excluding) that Interest Payment Date,

such number of days in each case being calculated on the basis of a year of 360 days with 12 30 day months.

Record Date means:

- (a) the date which is one Business Day (where the ECS is represented by a Global Certificate) or seven Business Days (where the ECS are represented by Definitive Certificates) before the date scheduled for the relevant payment; or
- (b) such other date as is determined by the Issuer in its absolute discretion and communicated to the relevant Stock Exchange, the Agents and the ECS Holders not less than seven Business Days before the specified Record Date,

or in either case, such other date as may be required by, or agreed with, the relevant Stock Exchange.

3.2 Business Days

If an Interest Payment Date is a day which is not a Business Day, then that day remains the Interest Payment Date and the Interest scheduled to be paid on that day will be paid on the next day which is a Business Day, unless that day falls in the next calendar month, in which case that date is brought forward to the first preceding day that is a Business Day, and in any case without any adjustment of the amount of the Interest or any other payment in respect of the adjustment in the day of payment.

3.3 Interest payment conditions

The payment of any Interest in whole or in part on any Interest Payment Date is subject to:

- (a) the Directors in their absolute discretion, determining that Interest should not be paid to ECS Holders;
- (b) unless APRA otherwise agrees in writing, MBL having sufficient Distributable Profits available to pay the Interest;
- (c) unless APRA otherwise agrees in writing, payment of the Interest not resulting in MBL breaching APRA's capital adequacy requirements applicable to it;
- (d) payment of the Interest not resulting in MBL becoming, or being likely to become, insolvent; and
- (e) APRA not otherwise objecting to the payment of the Interest.

3.4 Non-payment of Interest

- (a) Interest is non-cumulative. If all or any part of any amount of Interest is not paid because of clause 3.3 (“Interest payment conditions”) or because of any applicable law, the Issuer has no liability to pay the unpaid amount of the Interest and ECS 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 Interest and the ECS Holders have no claim or entitlement in respect of interest on any unpaid Interest.
- (c) If all or any part of any amount of Interest is not paid in whole or part because a condition to payment of that Interest in clause 3.3 (“Interest payment conditions”) is not met, the Issuer agrees to give notice to ECS Holders of that fact (but without prejudice to clause 3.4(a)).

3.5 Dividend Restriction

If for any reason an amount of Interest has not been paid in full on the Relevant Payment Date, a Dividend Restriction shall apply from that date until the next Relevant Payment Date unless the Interest is paid in full within 20 Business Days of the Relevant Payment Date.

“**Dividend Restriction**” means that MBL and MGL must not, without prior approval of a Special Resolution of ECS Holders:

- (a) declare or pay a dividend or make any other distribution on any MBL Ordinary Shares or MGL Ordinary Shares; or
- (b) redeem, reduce capital in respect of, cancel or buy-back any MBL Ordinary Shares or MGL Ordinary Shares.

The Dividend Restriction does not apply to:

- (i) a redemption, reduction of capital in respect of, cancellation, or buy-back in respect of MBL Ordinary Shares or MGL Ordinary Shares in connection with:
 - (A) 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;
 - (B) a dividend reinvestment plan or shareholder share purchase plan; or
 - (C) the issuance of MBL Ordinary Shares or MGL Ordinary Shares, or securities convertible into or exercisable for such shares, as consideration in an acquisition transaction entered into prior to the date on which the Dividend Restriction first commences to apply;
- (ii) an exchange, buy-back or conversion of MBL Ordinary Shares or MGL Ordinary Shares for any other class or series of shares in MBL or MGL;
- (iii) the purchase of fractional interests in MBL Ordinary Shares or MGL Ordinary Shares under the conversion or exchange provisions of the shares or the security being converted or exchanged;
- (iv) any payment, distribution or declaration of, or other resolution to pay, a dividend in connection with any shareholder’s rights plan, or the issuance of rights, shares or other property under any shareholder’s rights plan, or the redemption or repurchase of rights pursuant to the plan;
- (v) any dividend in the form of shares, warrants, options or other rights where the dividend shares or the shares issuable upon exercise of such warrants, options or

other rights are the same class or series of shares as those on which the dividend is being paid or rank equal to or junior to those shares; or

- (vi) any distribution by way of a rights issue raising capital.

Nothing in the Dividend Restriction prohibits a member of the Macquarie Group from purchasing MBL Ordinary Shares or MGL Ordinary Shares in connection with transactions for the account of customers of a member of the Macquarie Group or in connection with the distribution or trading of any securities of MBL or MGL or any other shares in the capital of MBL or MGL in the ordinary course of business.

4 Redemption and Resale

4.1 Redemption

Subject to clause 4.2 (“Redemption conditions”), by notice (a “**Redemption Notice**”) to ECS Holders, the Issuer may, in its sole discretion, but with APRA’s prior written approval, elect to Redeem all (but not some) of the ECS following the occurrence of a Tax Event or a Regulatory Event (but not otherwise).

A Redemption Notice is irrevocable once given and takes effect despite anything in clause 5 (“Mandatory Exchange”) except as provided in clause 5.25 (“Priority of Exchange obligations”).

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

4.2 Redemption conditions

A Redemption in accordance with clause 4.1 (“Redemption”) must not occur unless either:

- (a) the ECS are replaced, concurrently with the Redemption or beforehand, with Tier 1 Capital of the same or better quality, and the replacement of those ECS is done at conditions which are sustainable for the income capacity of the MBL Level 1 Group, the MBL Level 2 Group and the MGL Level 3 Group; or
- (b) APRA is satisfied that the capital position of the MBL Level 1 Group, the MBL Level 2 Group and the MGL Level 3 Group will be well above their minimum capital requirements after the ECS are Redeemed.

4.3 Contents of the Redemption Notice

A Redemption Notice must specify:

- (a) the details of the relevant Tax Event or Regulatory Event; and
- (b) the date on which the Redemption is to occur (the “**Redemption Date**”), which will be a day no less than 5 Business Days nor more than 60 Business Days after the date of the Redemption Notice.

4.4 Redemption Price

On the Redemption Date:

- (a) each ECS being Redeemed will be Redeemed by payment of:
 - (i) in the case of a Redemption on account of a Regulatory Event, 101% of the principal amount of that ECS; and
 - (ii) in the case of a Redemption on account of a Tax Event, the principal amount of that ECS,

(in each case, the “**Redemption Price**”) to the ECS Holder on the Register on the Record Date; and

- (b) Interest from (and including) the immediate preceding Interest Payment Date up to (but excluding) the Redemption Date will be paid in respect of the ECS being Redeemed on such date, to the extent the conditions of payment of Interest under clause 3.3 (“Interest payment conditions”) are met.

4.5 No right of ECS Holders to require Redemption

No ECS can, or will, be Redeemed at the option of an ECS Holder.

4.6 Eligible Assets

The Issuer shall undertake to arrange for the management of Eligible Assets with a view to generating income to put towards the payment of Interest on the ECS.

If the ECS are to be Redeemed, the Issuer undertakes to redeem or dispose of its Eligible Assets and use these proceeds towards payment of the Redemption Price.

4.7 Effect of Redemption

On the Redemption Date the only rights ECS Holders will have in respect of each ECS being Redeemed on that date will be to obtain:

- (a) the Redemption Price payable in accordance with these Terms; and
- (b) Interest payable on the Redemption Date in accordance with clause 4.4(b) (“Redemption Price”).

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

4.8 Issuer may give Resale Notice

The Issuer may:

- (a) no later than 21 Business Days prior to a Mandatory Exchange Date (other than a Mandatory Exchange Date on account of a Common Equity Tier 1 Trigger Event or a Non-Viability Event) provided that, except in the case of a Mandatory Exchange Date on account of an Acquisition Event, the First Mandatory Exchange Condition has been satisfied in respect of that Mandatory Exchange Date; or
- (b) following the occurrence of a Tax Event or a Regulatory Event in respect of which no Redemption Notice has been given,

in respect of all (but not some) of the ECS issue to each ECS Holder a notice (a “**Resale Notice**”) specifying that all (but not some) of each ECS Holders’ holding of ECS will be transferred to a Nominated Party or, (to the extent permitted by, and subject to the procedures of, any relevant clearing system where ECS are represented by a Global Certificate) to two or more Nominated Parties (“**Resale**”). A Resale Notice to an ECS Holder must specify:

- (i) if the Resale Notice is given following the occurrence of a Tax Event or a Regulatory Event, the details of the relevant Tax Event or Regulatory Event;
- (ii) the date on which the Resale is to occur (the “**Resale Date**”), which will be:

- (A) in the case of a Resale Notice being given following the occurrence of a Tax Event or a Regulatory Event, no less than 20 Business Days nor more than 60 Business Days after the date of the Resale Notice; and
- (B) in any other case, the Mandatory Exchange Date;
- (iii) such further details of how completion of the Resale will occur as the Issuer and the Nominated Party may agree and which will be consistent with the procedures of any relevant clearing system;
- (iv) the name of each Nominated Party to whom that ECS Holder's offer under clause 4.11 ("Automatic offer to sell") is being made and, where there is more than one Nominated Party, the basis for determining the ECS to be purchased by each Nominated Party, and any special provisions to be applied if there is a Defaulting Nominated Party,

and once given is irrevocable and where given in respect of a Tax Event or Regulatory Event takes effect despite anything in clause 5 ("Mandatory Exchange") but subject to clauses 4.14 ("Failure of Nominated Party to fulfil obligations"), 4.15 ("Resale and Mandatory Exchange Conditions") and 5.25 ("Priority of Exchange obligations").

No ECS can, or will, be Resold at the option of an ECS Holder.

4.9 Resale Date and Resale Price

If the Issuer gives a Resale Notice in accordance with clause 4.8 ("Issuer may give Resale Notice") then, subject to clause 4.10 ("Nominated Parties"), each ECS which is to be Resold will be transferred to the Nominated Party on the Resale Date at a purchase price per ECS equal to:

- (a) in the case of a Resale on account of a Regulatory Event, 101% of the principal amount of that ECS; and
 - (b) in each other case, the principal amount of that ECS,
- (in each case, the "**Resale Price**").

Interest will be paid by the Issuer in respect of each ECS being Resold, to the extent the conditions of payment of Interest under clause 3.3 ("Interest payment conditions") are met.

4.10 Nominated Parties

- (a) A "**Nominated Party**" may be:
 - (i) where the Issuer gives the Resale Notice following the occurrence of a Tax Event or a Regulatory Event, a Related Body Corporate of MGL or MBL, provided that:
 - (A) APRA has given its prior written approval to their acting as a Nominated Party for these purposes; and
 - (B) the conditions in clause 4.2 ("Redemption conditions") are satisfied (as if the Resale was a Redemption); or
 - (ii) where the Issuer gives the Resale Notice in any other case, any other party (not being a Related Body Corporate of MGL or MBL) selected by the Issuer having the Required Credit Rating on the date the Resale Notice is given,

and in each case which undertakes in favour of ECS Holders as specified in the Resale Notice to acquire the relevant number of ECS from the relevant ECS Holder on the Resale Date.

- (b) Subject to APRA’s prior written approval, the terms of appointment of any Nominated Parties and their undertaking in favour of the relevant ECS Holders may be as agreed between the Issuer and that Nominated Party.
- (c) If the Issuer appoints more than one Nominated Party in respect of a Resale, all or any of the ECS held by an ECS Holder which are being transferred may be purchased by any one, or any combination, of the Nominated Parties, as determined by the Issuer and specified in the Resale Notice.
- (d) The obligation of the Nominated Parties to pay the Resale Price on the relevant Resale Date may be subject to conditions (including as to the procedures and evidence for completion of the transfer on the Resale Date as the Issuer or a Nominated Party may notify to the ECS Holders).
- (e) The Issuer will use its reasonable endeavours, in light of the circumstances then existing, to minimise the conditionality of the Nominated Parties’ obligation to pay the Resale Price but gives no assurance as to the details of any such conditions.

4.11 Automatic offer to sell

If the Issuer gives a Resale Notice:

- (a) each ECS Holder, as at the third Business Day (or such other day as required by the listing rules of any applicable Stock Exchange or of Euroclear or Clearstream, Luxembourg) before the Resale Date (the “**Resale Record Date**”), is irrevocably taken to offer to sell all of its ECS the subject of the Resale Notice on the Resale Date to the relevant Nominated Party or combination of Nominated Parties (as specified in the Resale Notice) (with completion of the Resale to occur in the manner specified in the Resale Notice and as is otherwise consistent with the procedures of any relevant clearing system); and
- (b) the relevant Nominated Party is taken irrevocably to accept that offer and to promise to acquire the relevant ECS on payment of an amount equal to the Resale Price to the ECS Holder, on the Register on the Resale Record Date.

Payment of the Resale Price by the Nominated Party is subject to clauses 7.1 (“Calculation of payments”), 7.2 (“Payments subject to laws”), 7.3 (“Gross up”), 7.4 (“Deductions”), 7.6 (“Payments in respect of the ECS”) and 7.9 (“Payment to joint ECS Holders”) as if:

- (i) references in those clauses to the Issuer (except where used in the context of subclauses (ii) and (iii) below) were references to the Nominated Party;
- (ii) references to a branch or permanent establishment of the Issuer to which ECS are attributable include (in addition) references to a branch or permanent establishment of the Nominated Party through which the Nominated Party is acting in acquiring the relevant ECS; and
- (iii) references to a jurisdiction in which the Issuer is tax resident included (in addition) a reference to a jurisdiction in which a Nominated Party is tax resident.

No transfer of ECS which are the subject of the Resale Notice will be registered between the Resale Record Date and the Resale Date.

4.12 Effect of transfer

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

- (a) to Interest payable on the ECS in respect of any Interest Payment Date arising after the Resale Date;
- (b) to be issued with MGL Ordinary Shares on Exchange on or after the Resale Date; and

(c) to any Redemption Price payable on or after the Resale Date,

but excluding any Interest payable on the ECS in respect of any Interest Payment Date on or before the Resale Date, which shall be paid by the Issuer to the holder of the ECS entitled to such amounts as otherwise provided in these Terms.

4.13 ECS Terms after Resale

If any ECS are Resold in accordance with these Terms, unless otherwise agreed between the Issuer and the Nominated Party with the prior written approval of APRA, these Terms will apply in all respects to the ECS held by the Nominated Party on and from the Resale Date.

Notwithstanding any other provision of these Terms, after the ECS have been transferred to a Nominated Party in accordance with these Terms, any provision of these Terms as it relates only to the ECS held by the Nominated Party may be amended by agreement between that Nominated Party and the Issuer without the consent of any other ECS Holder but with the prior written approval of APRA. For the purposes of making any such amendment, ECS held by:

- (a) a Nominated Party and ECS held by other ECS Holders, and
- (b) ECS held by different Nominated Parties,

shall be treated as though they were separate classes of securities, so that without limitation:

- (i) where there is more than one Nominated Party; or
- (ii) where ECS are held by a Nominated Party and by a person other than a Nominated Party,

amendments may be made to the ECS held by a Nominated Party and the ECS held by a Nominated Party can be Redeemed or Exchanged, in each case without the consent of or consideration for the interests of any ECS Holders other than the Nominated Party the terms of whose ECS are being amended, Redeemed or Exchanged and without any corresponding amendment, Redemption or Exchange (as the case may be) to the ECS held by other ECS Holders. Subject to clause 17(kk) of the Trust Deed, the Trustee shall concur in and execute any such amendment at the request and expense of the Issuer and, on such amendment being made, such ECS will have, to the extent required by the procedures of any relevant clearing system, separate global certificates and securities identification numbers.

4.14 Failure of Nominated Party to fulfil obligations

If a Nominated Party does not pay the Resale Price in full on the relevant Resale Date (a “**Defaulting Nominated Party**”), whether as a result of any condition referred to in clause 4.10 (“Nominated Parties”) not being satisfied or otherwise except as otherwise specified in the Resale Notice:

- (a) the Resale Notice will be void in so far as it relates to ECS referable to the Defaulting Nominated Party and the obligations of the ECS Holder and Defaulting Nominated Party in respect of the Resale of the ECS that is the subject of the Resale Notice will terminate (but without prejudice to any claim of the ECS Holder against the Defaulting Nominated Party for loss on account of any breach of its undertaking in favour of ECS Holders);
- (b) the ECS Holder will continue to hold the ECS that are the subject of the Resale Notice which are referable to the Defaulting Nominated Party; and
- (c) the Issuer has no liability for the Defaulting Nominated Party not paying the Resale Price and the Resale Date will not be an Interest Payment Date unless:
 - (i) such date would otherwise have been an Interest Payment Date; or

- (ii) Interest is paid on that date to ECS Holders whose ECS have been transferred to a Nominated Party on that date,

provided that so long as any ECS are represented by the Global Certificate and the Global Certificate is held on behalf of Euroclear and Clearstream, Luxembourg, unless the procedures of the relevant clearing system allow otherwise, if there is one or more Defaulting Nominated Parties the Resale Notice will be void in all respects and clause 4.14(a), 4.14(b) and 4.14(c) will apply as if references to the Defaulting Nominated Party were a reference to each Nominated Party.

4.15 Resale and Mandatory Exchange Conditions

If after the Issuer gives a Resale Notice in respect of a Mandatory Exchange Date any of the Mandatory Exchange Conditions in respect of that Mandatory Exchange Date are not satisfied, the Resale Notice will be void, the Resale Date shall not occur and the obligations of the ECS Holder and the Nominated Party in respect of the Resale of the ECS that is the subject of the Resale Notice will terminate. This clause does not limit clause 5.25 (“Priority of Exchange obligations”).

4.16 Stamp Duty

The Issuer agrees to pay any stamp or other duty or similar tax, arising on a Resale under the laws of the jurisdiction where the Register is maintained, any Australian jurisdiction, the United Kingdom, any other Residency Jurisdiction, Belgium, Luxembourg or (if relevant) the jurisdiction of residency or incorporation of the Nominated Party or place of its branch or other permanent establishment at or through which ECS are Resold, provided that in the case of a Resale on account of a Tax Event or a Regulatory Event the amount which the Issuer agrees to pay under this clause is limited to the amount by which the stamp or other duty or similar tax exceeds the amount of stamp or other duty or similar tax for which an ECS Holder would have been liable if the ECS had instead been Redeemed.

5 Mandatory Exchange

5.1 Scheduled Mandatory Exchange

Subject to this clause 5 and clause 13 (“Winding up and Subordination”) the Issuer must Exchange all (but not some) of the ECS for MGL Ordinary Shares on the first to occur of the following dates on which the Mandatory Exchange Conditions relevant to those dates as described in clause 5.2 (“Mandatory Exchange Conditions”) (“**Mandatory Exchange Conditions**”) are satisfied unless the ECS have been or will be Redeemed or Exchanged before that date:

- (a) 20 June 2017 (the “**Scheduled Mandatory Exchange Date**”) (a “**Scheduled Mandatory Exchange**”);
- (b) any Interest Payment Date (within the meaning of paragraph (a) of the definition of that term) after the Scheduled Mandatory Exchange Date until and including the Interest Payment Date falling on 20 December 2056) (a “**Deferred Mandatory Exchange Date**”); or
- (c) 20 June 2057 (the “**Final Mandatory Exchange Date**”).

5.2 Mandatory Exchange Conditions

The Mandatory Exchange Conditions applicable to the Scheduled Mandatory Exchange Date, any Deferred Mandatory Exchange Date and the Final Mandatory Exchange Date are:

- (a) in the case of the Scheduled Mandatory Exchange Date and any Deferred Mandatory Exchange Date:
 - (i) on the Preliminary Test Date, the Exchange Number as of such date shall be less than, or equal to, 90.91% of the Maximum Exchange Number (“**First Mandatory Exchange Condition**”);

- (ii) on the Mandatory Exchange Date, the Exchange Number as of such date is less than, or equal to, the Maximum Exchange Number (“**Second Mandatory Exchange Condition**”);
 - (iii) no Suspension Event applies in respect of the Mandatory Exchange Date (“**Third Mandatory Exchange Condition**”);
 - (iv) MGL is not Delisted as at the Mandatory Exchange Date (“**Fourth Mandatory Exchange Condition**”); and
 - (v) an MGL Inability Event does not apply in respect of the Mandatory Exchange Date (“**Fifth Mandatory Exchange Condition**”),
- (together, the “**Mandatory Exchange Conditions**”); and
- (b) in the case of the Final Mandatory Exchange Date, the Fourth Mandatory Exchange Condition and the Fifth Mandatory Exchange Condition. If either or both of the Fourth Mandatory Exchange Condition or the Fifth Mandatory Exchange Condition is not satisfied on the Final Mandatory Exchange Date, Exchange will not occur and clause 5.27 (“Write down on inability of MGL to perform Exchange”) applies.

5.3 Non-Exchange Notices

If:

- (a) the First Mandatory Exchange Condition is not satisfied in relation to a Mandatory Exchange Date, the Issuer will notify ECS Holders between the 25th and the 21st Business Day (inclusive) before the Mandatory Exchange Date; or
- (b) any of the other Mandatory Exchange Conditions are not satisfied in relation to a Mandatory Exchange Date, the Issuer will notify ECS Holders on or as soon as practicable after the Mandatory Exchange Date unless it has given a Resale Notice,

in either case notifying ECS Holders that Exchange will not (or, as the case may be, did not) occur on the Mandatory Exchange Date (a “**Non-Exchange Notice**”).

If the First Mandatory Exchange Condition is satisfied in relation to a Mandatory Exchange Date, the Issuer will notify ECS Holders of such satisfaction between the 25th and 21st Business Day (inclusive) before the Mandatory Exchange Date (unless a Resale Notice has been issued to ECS Holders). The Issuer will also notify ECS Holders of the Final Mandatory Exchange Date no later than the 21st Business Day before the date.

Failure to give a notice when required by this clause 5.3 (including where in accordance with clause 9 (“Notices and other communications”), 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 ECS Holders to Exchange each ECS for MGL Ordinary Shares when required in accordance with these Terms.

5.4 Early Mandatory Exchange Event

An “**Early Mandatory Exchange Event**” means:

- (a) a Common Equity Tier 1 Trigger Event;
- (b) a Non-Viability Event; or
- (c) an Acquisition Event.

5.5 Exchange on account of an Early Mandatory Exchange Event

Subject to this clause 5 and clause 13 (“Winding up and Subordination”) the Issuer must Exchange all (but not some) of the ECS for MGL Ordinary Shares following an Early Mandatory Exchange Event on the relevant Early Mandatory Exchange Date (other than ECS that have been Redeemed on or before that date).

5.6 Exchange on account of an Early Mandatory Exchange Event not subject to conditions

An Exchange on account of an Early Mandatory Exchange Event is not subject to the Mandatory Exchange Conditions except for the Fourth Mandatory Exchange Condition and the Fifth Mandatory Exchange Condition. If either or both of the Fourth Mandatory Exchange Condition and the Fifth Mandatory Exchange Condition is not satisfied on the Early Mandatory Exchange Date then Exchange will not occur and clause 5.27 (“Write down on inability of MGL to perform Exchange”) applies.

5.7 Early Exchange Notices

As soon as practicable after the occurrence of an Early Mandatory Exchange Event, but in any event no later than 5.00 pm (London time) on:

- (a) the tenth Business Day after the occurrence of the Early Mandatory Exchange Event which is an Acquisition Event; or
- (b) the Business Day after the occurrence of a Common Equity Tier 1 Trigger Event or Non-Viability Event,

the Issuer must give each ECS Holder notice of the proposed Exchange of the ECS (“**Exchange Notice**”).

An Exchange Notice is irrevocable once given (subject to clause 5.25 (“Priority of Exchange obligations”) and clause 5.27 (“Write down on inability of MGL to perform Exchange”)).

Failure to give an Exchange Notice when required by this clause 5.7 (including where in accordance with clause 9 (“Notices and other communications”), such notice takes effect only after the Early Mandatory Exchange Date) does not affect the obligations of the Issuer, MGL and the ECS Holders to Exchange each ECS for MGL Ordinary Shares when required in accordance with these Terms.

5.8 Contents of the Exchange Notice

An Exchange Notice must specify:

- (a) the details of the Common Equity Tier 1 Trigger Event, Non-Viability Event or Acquisition Event to which the Exchange Notice relates;
- (b) the date on which the Exchange is to occur (an “**Early Mandatory Exchange Date**”), which:
 - (i) in the case of a Common Equity Tier 1 Trigger Event or a Non-Viability Event, will be no later than the Business Day after the earliest date allowable for Exchange under any applicable ASX Listing Rules, the SGX Listing Rules and the procedures of any relevant clearing system (but in each case without prejudice to clause 5.22 (“Non-receipt of information”)); or
 - (ii) in the case of an Acquisition Event:
 - (A) is 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 or scheme concerned;
 - (B) such other earlier date as the Issuer may reasonably determine having regard to the best interests of ECS Holders as a whole and the timing of the

Acquisition Event concerned (provided that the Early Mandatory Exchange Date must be at least 20 Business Days after the date of the Exchange Notice); or

- (C) such other date as APRA may require; and
- (c) where ECS are represented by Definitive Certificates, procedures for the delivery and surrender of these Definitive Certificates on the Early Mandatory Exchange Date.

5.9 ECS Holder Information

Each ECS Holder agrees that, in order for the MGL Ordinary Shares to be issued to it:

- (a) no later than 10 Business Days prior to the Mandatory Exchange Date in the case of an Exchange other than on account of a Common Equity Tier 1 Trigger Event or a Non Viability Event; and
- (b) no later than the Business Day before the Early Mandatory Exchange Date in the case of a Common Equity Tier 1 Trigger Event or a Non-Viability Event,

the ECS Holder must give a notice (which notice shall be irrevocable) to the Registrar specifying:

- (c) its name and address (or the name and address of any person in whose name it directs the MGL Ordinary Shares be issued) for entry into any register of title and receipt of any certificates or holding statements in respect of any MGL Ordinary Shares; and
- (d) the details of any securities account (with any clearing agency or in the clearance and settlement system operated by affiliates of ASX or otherwise) to which MGL Ordinary Shares may be credited,

and must not deal with, transfer, dispose or otherwise encumber the ECS without the consent of the Issuer or as required by clause 5.26 (“Applicable Shareholding Laws”) or clause 5.27 (“Write down on inability of MGL to perform Exchange”) unless such transfer, disposal or other encumbrance is required by applicable law or order of any court.

When ECS are represented by Definitive Certificates, the ECS Holder must on the Exchange Date deliver and surrender to the Issuer the Definitive Certificates in respect of its ECS:

- (i) as specified in any Exchange Notice given by the Issuer in accordance with condition 5.7 (“Early Exchange Notices”); or
- (ii) as otherwise notified by the Issuer to the ECS Holder no later than 20 Business Days before the Mandatory Exchange Date.

5.10 Exchange

On the Exchange Date, subject to clauses 5.21 (“Foreign Holders”), 5.22 (“Non-receipt of information”), 5.26 (“Applicable Shareholding Laws”) and 5.27 (“Write down on inability of MGL to perform Exchange”) each of the following as described in paragraphs (a), (b), (c) and (d) shall occur:

- (a) each ECS will be automatically transferred free from any Encumbrance to MGL or, subject to APRA’s prior written approval, to a Related Body Corporate of MGL nominated by MGL.
- (b) MGL shall allot and issue the Exchange Number of MGL Ordinary Shares to the ECS Holders for each US\$1,000 principal amount of ECS held by the ECS Holder.

The Exchange Number will be calculated by MBL in accordance with the following formula:

$$\text{Exchange Number} = \frac{\text{US\$1,000}}{(1 - ED) \times \text{Exchange Date VWAP} \times \text{Exchange Date USD Rate}}$$

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

ED is an exchange discount of 5% but in the case of an Exchange after transfer to a Nominated Party it shall be in respect of ECS transferred to the Nominated Party nil or such other percentage less than 5% as agreed between the Issuer and that Nominated Party with the prior written approval of APRA.

Exchange Date USD Rate means a simple average (rounded to five decimal places) of the forward AUD/USD exchange rate quoted by two or more independent market makers in that exchange rate selected by MBL at approximately 4.00 p.m. (Sydney time) on:

- (i) in the case of an Exchange on account of an Early Mandatory Exchange Event, the last day by which the Exchange Notice is required to be given in respect of that Early Mandatory Exchange Event in accordance with clause 5.7 (“Early Exchange Notices”); and
- (ii) in any other case, the Preliminary Test Date,

for settlement on the Mandatory Exchange Date;

Exchange Date VWAP (expressed in Australian Dollars) means the VWAP of MGL Ordinary Shares during the VWAP Period;

VWAP means, subject to any adjustment under clause 5.11 (“Adjustments to VWAP”) or clause 5.12 (“Adjustments to VWAP for divisions and similar transactions”), the average of the daily volume weighted average sale prices (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 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; and

VWAP Period means for the purposes of calculating the Exchange Date VWAP and the Exchange Number:

- (i) in the case of the First Mandatory Exchange Condition, the 20 ASX Trading Days immediately preceding, but not including the Business Day before the Preliminary Test Date;
- (ii) in the case of the Second Mandatory Exchange Condition and an Exchange on a Scheduled Mandatory Exchange Date or on a Deferred Mandatory Exchange Date and in the case of an Exchange on the Final Mandatory Exchange Date, the 20 ASX Trading Days immediately preceding, but not including the Business Day before that Mandatory Exchange Date;
- (iii) 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 Business Day before the Early Mandatory Exchange Date; and
- (iv) in the case of an Exchange on account of a Common Equity Tier 1 Trigger Event or Non-Viability Event, the 5 ASX Trading Days immediately preceding but not including the Business Day before the Early Mandatory Exchange Date.

- (c) The **Maximum Exchange Number** will be calculated by MBL on the Issue Date in accordance with the following formula for each US\$1,000 of principal amount of ECS held by the ECS Holder:

Maximum Exchange Number

$$= \frac{\text{US\$1,000} \times \text{Issue Date AUD Rate}}{\text{Issue Date VWAP} \times \text{Maximum Exchange Ratio}}$$

where:

Issue Date AUD Rate means a simple average (rounded to five decimal places) of the spot USD/AUD exchange rate quoted by two or more independent market makers in that exchange rate selected by MBL at approximately 4.00 p.m. (Sydney time) as of the Issue Date;

Issue Date VWAP is the VWAP of MGL Ordinary Shares during the 20 ASX Trading Days immediately preceding, but not including, the Issue Date (as such number may be adjusted under clause 5.14 (“Adjustments to Issue Date VWAP for bonus issues”) or clause 5.15 (“Adjustment to Issue Date VWAP for divisions and similar transactions”)); and

Maximum Exchange Ratio means 0.5.

If the total number of MGL Ordinary Shares to be allotted to an ECS Holder in respect of their aggregate holding of ECS 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, MBL and the Issuer on or about the Issue Date, MGL, MBL, the Issuer and their Related Bodies Corporate will deal with the ECS 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 for an aggregate issue price equal to the aggregate principal amount of the ECS and the ECS transferred to MGL or to a Related Body Corporate of MGL in accordance with this clause 5.10 shall be redeemed and cancelled.

5.11 Adjustments to VWAP

For the purposes of calculating VWAP in these Terms:

- (a) where, on some or all of the Business 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 ECS 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 Business 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;
 - (ii) (in the case of any other entitlement that is not a dividend or other distribution under clause 5.11(a)(i) which is traded on ASX on any of those Business Days), the volume weighted average sale price of all such entitlements sold on ASX during the VWAP Period on the Business 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 Business 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 ECS 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 Business 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.

5.12 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:

A means the aggregate number of MGL Ordinary Shares immediately before the Reclassification; and

B means the aggregate number of MGL Ordinary Shares immediately after the Reclassification.

- (b) Any adjustment made by MGL in accordance with clause 5.11 (“Adjustments to VWAP”) and clause 5.12(a) will be effective and binding on ECS Holders under these Terms and these Terms will be construed accordingly. Any such adjustment must be notified to all ECS Holders as soon as reasonably practicable following its determination by MGL.

5.13 Adjustments to Issue Date VWAP

For the purposes of determining the Issue Date VWAP, adjustments to VWAP will be made in accordance with clause 5.11 (“Adjustments to VWAP”) and clause 5.12 (“Adjustments to VWAP for divisions and similar transactions”) 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 5.14 (“Adjustments to Issue Date VWAP for bonus issues”) to 5.15 (“Adjustment to Issue Date VWAP for divisions and similar transactions”) (inclusive); and
- (b) if so made, will correspondingly cause an adjustment to the Maximum Exchange Number.

5.14 Adjustments to Issue Date VWAP for bonus issues

- (a) Subject to clause 5.14(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:

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

where:

V means the Issue Date VWAP applying immediately after the application of this formula;

V₀ means the Issue Date VWAP applying immediately prior to the application of this formula;

RN means the number of MGL Ordinary Shares issued pursuant to the bonus issue; and

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 5.14(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 5.14(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 5.14 for any offer of MGL Ordinary Shares not covered by clause 5.14(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 5.14(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 ECS Holders or otherwise requiring any consent or concurrence.

5.15 Adjustment to Issue Date VWAP for divisions and similar transactions

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, MGL 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:

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

where:

A means the aggregate number of MGL Ordinary Shares immediately before the Reclassification; and

B means the aggregate number of MGL Ordinary Shares immediately after the Reclassification.

- (a) Any adjustment made by MGL in accordance with this clause 5.15 will be effective and binding on ECS Holders under these Terms and these Terms will be construed accordingly.
- (b) Any such adjustment must be promptly notified to all ECS Holders.
- (c) Each ECS 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 ECS Holders or otherwise requiring any consent or concurrence.

5.16 No adjustment to Issue Date VWAP in certain circumstances

Despite the provisions of clauses 5.14 (“Adjustment to Issue Date VWAP for Bonus Issues”) and 5.15 (“Adjustments to issue date VWAP for divisions and similar transactions”), no adjustment shall be made to the Issue Date VWAP where such cumulative adjustment (rounded if applicable) would be less than one percent of the Issue Date VWAP then in effect. Any adjustment not made in accordance with this clause shall be carried forward and taken into account in determining whether any subsequent adjustment shall be made.

5.17 Announcement of adjustment to Issue Date VWAP

MGL may determine an adjustment to the Issue Date VWAP under clauses 5.14 (“Adjustments to Issue Date VWAP for bonus issues”) and 5.15 (“Adjustment to Issue Date VWAP for divisions and similar transactions”). Such an adjustment will be:

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

The adjustment set out in the Adjustment Notice will be final and binding.

5.18 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.

5.19 Listing of MGL Ordinary Shares

MGL has agreed in the Trust Deed to:

- (a) use all reasonable endeavours to list the MGL Ordinary Shares issued or arising from an Exchange on the ASX;
- (b) pay the expenses of the issue of, and all expenses of obtaining listing for, MGL Ordinary Shares arising on an Exchange of any ECS; and
- (c) pay any stamp or other duty or similar tax arising on an Exchange under the laws of any jurisdiction where the Register or the register of MGL Ordinary Shares is maintained, any Australian jurisdiction, the United Kingdom, any other Residency Jurisdiction, Belgium, Luxembourg or (if relevant) the jurisdiction of residency or incorporation of the Related Body Corporate referred to in clause 5.10(a) (“Exchange”) or place of its branch or other permanent establishment at or through which ECS are transferred except any stamp duty described in clause 5.21 (“Foreign Holders”).

5.20 Failure to Exchange

- (a) If, in respect of an Exchange of an ECS, MGL fails to issue the MGL Ordinary Shares in respect of an ECS to, or in accordance with the instructions of, the relevant ECS Holder on the applicable Exchange Date or to the nominee where clause 5.21 (“Foreign Holders”) or clause 5.22 (“Non-receipt of information”) applies, subject to clauses 5.26 (“Applicable Shareholding Laws”) and 5.27 (“Write down on inability of MGL to perform Exchange”), that ECS remains on issue and clause 3 (“Interest”) applies until:

- (i) the MGL Ordinary Shares are issued to, or in accordance with the instructions of, the ECS Holder; or
- (ii) that ECS is Redeemed in accordance with these Terms,

and the remedies of an ECS Holder and the Trustee in respect of that failure are limited as provided in the Trust Deed.

- (b) If, in respect of an Exchange of an ECS, the ECS is not transferred free from Encumbrance to MGL or its nominee on the Exchange Date, MGL shall issue the Exchange Number of MGL Ordinary Shares to the ECS Holder in respect of that ECS and all rights of the relevant ECS Holder in such ECS are taken to have ceased and the ECS shall be cancelled.
- (c) This clause 5.20 does not affect the obligation of MGL to deliver the MGL Ordinary Shares or of the ECS Holder to transfer ECS when required in accordance with these Terms.

5.21 Foreign Holders

Without limitation to clause 5.26 (“Applicable Shareholding Laws”), where the ECS held by a Foreign Holder are to be Exchanged for MGL Ordinary Shares in accordance with clause 5 (“Mandatory Exchange”), unless the Issuer is satisfied that the laws of both Australia and the Foreign Holder’s country of residence permit the issue of MGL Ordinary Shares to the Foreign Holder (but as to which the Issuer is not bound to enquire), either unconditionally or after compliance with conditions which the Issuer, in its absolute discretion, regards as acceptable and not unduly onerous, the MGL Ordinary Shares which the Foreign Holder is obliged to accept will be issued to a nominee appointed by MGL who is not a member of the Macquarie Group and who will sell the MGL Ordinary Shares it receives and pay a cash amount equal to the net proceeds received, after deducting any applicable brokerage, stamp duty and other taxes and charges, to the Foreign Holder accordingly. The issue of MGL Ordinary Shares to such nominee will satisfy all obligations of MGL and its Related Bodies Corporate in connection with the Exchange, the ECS will be deemed Exchanged and will be dealt with in accordance with clause 5.10 (“Exchange”) and on and from the issue of MGL Ordinary Shares the rights of a Foreign Holder are limited to its rights in respect of the MGL Ordinary Shares or their net cash proceeds as provided in this clause.

5.22 Non-receipt of information

If for any reason (whether or not due to the fault of an ECS Holder) MGL does not receive the information required by clause 5.9 (“ECS Holder Information”) so as to impede MGL issuing the MGL Ordinary Shares to an ECS Holder on the Exchange Date, the MGL Ordinary Shares which are to be issued to such person on Exchange shall be issued to a nominee appointed by MGL who is not a member of the Macquarie Group to hold those MGL Ordinary Shares for such person until such time as MGL receives that information and, if that information is not received by the last Business Day of the month following the month in which the Exchange Date falls, to sell those MGL Ordinary Shares and pay a cash amount equal to the net proceeds received, after deducting all costs, taxes and charges incurred in connection with the sale, to such person as soon after such person claims the amount. The issue of MGL Ordinary Shares to such nominee will satisfy all obligations of MGL and its Related Bodies Corporate in connection with the Exchange, the ECS will be deemed Exchanged and will be dealt with in accordance with clause 5.10(d) (“Exchange”) and on and from the issue of MGL Ordinary Shares the rights of such person are limited to its rights in respect of the MGL Ordinary Shares or their net cash proceeds as provided in this clause.

5.23 Share sale facility

Where ECS are to be Exchanged, subject to APRA’s prior written approval, the Issuer or MGL will use reasonable endeavours to establish a share sale facility, under which an ECS Holder may elect to sell all MGL Ordinary Shares issued to it under the Exchange (other than to any member of the MGL Level 3 Group) and have the proceeds of such sale delivered to the ECS Holder. The terms of any share sale facility shall be determined by the Issuer or MGL in its absolute discretion. Any share sale facility will not be available in respect of ECS which have been Redeemed or Resold to a Nominated Party where the Nominated Party is appointed on terms which provide that this clause 5.23 does not apply.

5.24 No right of ECS Holders to require Exchange

No ECS can, or will, be Exchanged at the option of an ECS Holder.

5.25 Priority of Exchange obligations

An Exchange as required by this clause 5:

- (a) on account of a Common Equity Tier 1 Trigger Event or a Non-Viability Event (but not otherwise) takes place on the date, and in the manner required by this clause 5 notwithstanding anything in clause 4 (“Redemption and Resale”) (and any Redemption Notice or Resale Notice in respect of the ECS given before the Mandatory Exchange Date in respect of such Common Equity Tier 1 Trigger Event or Non-Viability Event but in respect of which the Redemption or Resale has not completed will be taken to be revoked and of no force or effect); and

- (b) in any event shall not occur if, before the Mandatory Exchange Date, an order is made or an effective resolution is passed for the Winding Up of MBL (in which case clause 13 (“Winding up and Subordination”) applies).

5.26 Applicable Shareholding Laws

If the Issuer is of the opinion that under an Applicable Shareholding Law an ECS Holder is prohibited from acquiring some or all of the Exchange Number of MGL Ordinary Shares on the Mandatory Exchange Date, then:

- (a) the Exchange shall occur (and ECS shall be Exchanged) only in respect of that portion of the ECS Holder’s ECS which would result in the ECS Holder acquiring by the Exchange the maximum number of MGL Ordinary Shares the ECS Holder is permitted to acquire in compliance with Applicable Shareholding Law as at the Mandatory Exchange Date; and
- (b) an Exchange will not occur in respect of the balance of the ECS Holder’s ECS at that date and such ECS will be automatically transferred free from any Encumbrance to MGL or, subject to APRA’s prior written approval, to a Related Body Corporate of MGL nominated by the Issuer, in each case for no consideration and cancelled. Upon transfer of the ECS, such ECS shall be deemed to have been Exchanged (without MGL being required to allot or issue MGL Ordinary Shares).

In this clause 5.26 **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) Pt IV of the Competition and Consumer Act 2010 (Cth); and
- (e) any other law in force in Australia, the United Kingdom, or any jurisdiction applicable to a Substitute Issuer which limits or restricts the number of shares in MGL in which a person may have an interest or over which it may have a right or power.

5.27 Write down on inability of MGL to perform Exchange

Notwithstanding any other provisions of this clause 5, the rights and obligations of MGL in connection with an Exchange (including with regard to the issue of MGL Ordinary Shares and MBL Ordinary Shares as agreed as contemplated by clause 5.10(d) (“Exchange”) (the “**MGL Exchange Rights and Obligations**”) are subject to the condition precedent that:

- (a) none of MGL and its Related Bodies Corporate is prevented by applicable law, or order of any court, or action of any government authority (including regarding the insolvency, Winding Up or other external administration of MGL) from observing and performing their obligations in respect of the MGL Exchange Rights and Obligations (“**MGL Inability Event**”); and
- (b) MGL has not been Delisted,

and if, on the Early Mandatory Exchange Date or on the Final Mandatory Exchange Date, an MGL Inability Event subsists or MGL has been Delisted, then Exchange will not occur on that Mandatory Exchange Date but instead on that date (subject to clause 5.25(b) (“Priority of Exchange obligations”)) each ECS shall automatically be transferred to MBL or, subject to APRA’s prior written approval, to a Related Body Corporate of MBL nominated by the Issuer, in each case for no consideration and then cancelled. The Issuer must give notice to ECS Holders if that Exchange has not occurred by operation of this clause 5.27 but failure to give that notice shall not affect the operation of this clause.

6 Acknowledgements and Appointments

6.1 Acknowledgements

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

- (a) irrevocably is taken to have notice of and agrees to be bound by the terms of the Trust Deed, these Terms and the Agency Agreement;
- (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 must 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 ECS upon an Exchange Date, notwithstanding anything which might otherwise affect the Exchange including:
 - (i) any change in the financial position of MGL, MBL or the Macquarie Group since the Issue Date;
 - (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 the ASX; or
 - (iv) it being impossible or impracticable to sell or otherwise dispose of the MGL Ordinary Shares;
- (e) agrees to provide to the Issuer any information that the Issuer considers necessary or desirable, or to take any and all such action as is within the reasonable control of that ECS Holder, to give effect to a Redemption, Resale or an Exchange;
- (f) agrees upon the issue of Qualifying Tier 1 Securities, pursuant to clause 10.3 (“Restructure Rights”), to be bound by the terms of such Qualifying Tier 1 Securities and, where the Qualifying Tier 1 Securities consist of or contain a share in the capital of MBL or any other company, consents to become a member of MBL or that other company;
- (g) acknowledges and agrees that it has:
 - (i) no right to request a Redemption, Resale or an Exchange;
 - (ii) to the fullest extent permitted by law:
 - (A) no right to initiate the winding up of the Issuer or any member of the Macquarie Group or to have any such entity placed in administration; or
 - (A) to cause a receiver or receiver and manager to be appointed in respect of the entity,

merely on the grounds that Interest or any other amount is not paid; and
 - (iii) no rights against any member of the Macquarie Group in connection with the ECS except as expressly provided in these Terms and under the Trust Deed;
- (h) acknowledges and agrees that the Issuer undertakes to arrange for the management of Eligible Assets with a view to generating income to put towards the payment of Interest on the ECS, but further acknowledges and agrees that:

- (i) an ECS Holder has no right or interest in any Eligible Asset;
 - (ii) that the Issuer may deal with the Eligible Assets in any way it considers appropriate;
 - (iii) that an ECS Holder has no right or remedy if the Issuer does not put income from the Eligible Assets towards the payment of Interest or redeem or dispose of its Eligible Assets where contemplated by these Terms; and
 - (iv) the Trustee has no duty to monitor the Issuer's acquisition, management or disposal of any Eligible Asset or how the proceeds of redemption of an Eligible Asset are applied; and
- (i) acknowledges and agrees that these Terms contain no events of default (however described, determined or defined).

6.2 Appointment of Agents and Directions

Each ECS Holder irrevocably:

- (a) appoints each of MGL, MBL, the Issuer, their respective Authorised Officers and any liquidator, administrator or statutory manager of MGL, MBL or the Issuer (each an "**Appointed Person**") severally to be the attorneys of the ECS Holder and the agents of the ECS Holder with the power in the name and on behalf of the ECS Holder to:
 - (i) do all such acts and things (including, without limitation, signing all documents, instruments or transfers or instructing any clearing system) 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) a Redemption, Resale or Exchange in accordance with clause 4 ("Redemption and Resale") or clause 5 ("Mandatory Exchange"); or
 - (B) where clause 5.26 ("Applicable Shareholding Laws") applies, a transfer to MGL or to a Related Body Corporate of MGL (as the case may be) in accordance with that clause; or
 - (C) where clause 5.27 ("Write down on inability of MGL to perform Exchange") applies, a transfer to MBL or to a Related Body Corporate of MBL (as the case may be) 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 clause 5.26 ("Applicable Shareholding Laws") applies, a transfer to MGL or to a Related Body Corporate of MGL (as the case may be) in accordance with that clause; or
 - (iii) where clause 5.27 ("Write down on inability of MGL to perform Exchange") applies, a transfer to MBL or to a Related Body Corporate of MBL (as the case may be) in accordance with that clause.

The power of attorney given in this clause 6.2 is given for valuable consideration and to secure the performance by the ECS Holder of the ECS Holder's obligations under these Terms and is irrevocable and shall survive and not be affected by the subsequent disability or incapacity of the ECS Holder (or, if such ECS 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 6.2.

7 Payments to ECS Holders

7.1 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 an ECS Holder's aggregate holding of ECS, any amount less than US\$0.01 will be disregarded.

7.2 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 7.4 ("Deductions").

No commissions or expenses shall be charged to the ECS Holders in respect of such payments.

7.3 Gross up

Without prejudice to clause 7.4(c) ("Deductions"), if a deduction or withholding is imposed or levied by or on behalf of:

- (a) the United Kingdom;
- (b) Australia;
- (c) any other jurisdiction in which the Issuer is tax resident, or has a branch or permanent establishment to which the ECS are attributable from time to time, at any relevant time ("**Residency Jurisdiction**"); or
- (d) any jurisdiction in which a Paying Agent is appointed from time to time ("**Paying Agent Jurisdiction**") and the withholding, tax, duty or levy was imposed or levied because the payment was made by a paying agent in a Paying Agent Jurisdiction,

(each of the United Kingdom, Australia, a Residency Jurisdiction and any such Paying Agent Jurisdiction, a "**Relevant Jurisdiction**", which in each case shall include any political subdivision or any authority thereof or therein) on any payment in respect of the ECS by or on behalf of the Issuer, the Issuer shall pay such additional amount ("**Additional Amount**") to the ECS Holder as will result in the receipt by the ECS Holder, after such deduction or withholding, of the amount which would have been received by the ECS Holder in respect of that payment if no such deduction or withholding had been required, except that no Additional Amount shall be payable to the extent that:

- (i) the relevant tax is imposed or levied by virtue of an ECS Holder, or a beneficial owner, of the relevant ECS having some connection (whether present, past or future) with a Relevant Jurisdiction or being or having been engaged in any activity, trade or business in a Relevant Jurisdiction, other than being a holder, or a beneficial owner, of the relevant ECS;
- (ii) the relevant tax is imposed or levied by virtue of an ECS Holder, or a beneficial owner, of the relevant ECS not having made a declaration of identity, non-residence

in, or other lack of connection with, the Relevant Jurisdiction or similar claim for exemption, or not availing itself of any statutorily prescribed and customarily used means of obviating the withholding requirement such as disclosure of its identity or tax details;

- (iii) the relevant tax is imposed or levied on a payment to an individual and is required to be made pursuant to European Council Directive 2003/48/EC on the taxation of savings income or any other directive implementing the conclusions of the ECOFIN Council meeting of 26-27th November 2000, or any law implementing or complying with, or introduced in order to conform to, any such directive or any agreement entered into by an EU Member State with (i) any other state, or (ii) any relevant dependent or associated territory of any EU Member State providing for measures equivalent to, or the same as, those laid down in any such directive (together, the “**ECOFIN Directive**”);
- (iv) an ECS Holder who would have been able to avoid such withholding or deduction by claiming payment in respect of the ECS through another Paying Agent in an EU Member State which has been appointed by the Issuer at that time; or
- (v) any withholding or deduction arises under or in connection with FATCA.

7.4 Deductions

- (a) The Issuer may withhold or deduct from any payment payable to an ECS Holder the amount of any withholding or other tax, duty or levy required by law to be deducted in respect of such payment including, without limitation, any withholding or deduction of taxes, interest or penalties required under FATCA.
- (b) If any deduction is required, the Issuer 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 to the relevant revenue authority; and
 - (iii) the balance of the amount payable, together with any Additional Amount payable in accordance with clause 7.3 (“Gross up”), has been paid to the ECS Holder,then the Issuer’s obligation to make the payment to the ECS Holder is taken to have been satisfied in full by the Issuer.
- (d) If any withholding or deduction of taxes, interest or penalties arises under or in connection with FATCA, neither the Issuer nor any other person will be required to pay any Additional Amount on account of such withholding or deduction.

7.5 No set-off

An ECS 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 ECS Holder. The Issuer has no right to set-off any amounts owing by it to an ECS Holder in respect of the ECS against any claims owing by the ECS Holder to it or any member of the Macquarie Group.

7.6 Payments in respect of the ECS

Subject to clauses 7.2 (“Payments subject to laws”) and 7.7 (“Payments in respect of an ECS represented by the Global Certificate”) below:

- (a) each payment of Interest in respect of an ECS (whether or not represented by the Global Certificate) will be made by cheque and mailed to the ECS Holder of record at such ECS Holder’s address as it appears on the Register as at the relevant Record Date; and
- (b) any payment in respect of the Redemption Price or (except as otherwise specified in a Resale Notice) the Resale Price of an ECS (whether or not represented by the Global Certificate) will be made by cheque against presentation and surrender of the ECS (or in the case of part payment by way of Redemption, endorsement) at the Specified Office of the Paying Agents,

provided, however, that an ECS Holder may receive such payment by direct transfer (and will so receive if such payment method is elected by the Issuer) if appropriate direct transfer instructions have been received by the Paying Agent at least five Business Days prior to the relevant Payment Date (or such other time as the Paying Agent may accept). ECS Holders will not be entitled to any interest or other payment for any delay after the due date in receiving the amount due if the due date is not a Business Day, if the ECS Holder is late in surrendering an ECS (if required to do so) or if a cheque mailed in accordance with this clause 7.6 arrives after the due date for payment.

7.7 Payments in respect of an ECS represented by the Global Certificate

For so long as any of the ECS are represented by the Global Certificate and the Global Certificate is held on behalf of Euroclear and/or Clearstream, Luxembourg, the registered holder of the Global Certificate is the only person entitled to receive payments by the Issuer in respect of ECS represented by the Global Certificate and the Issuer is discharged by payment to, or to the order of, the registered holder of the Global Certificate in respect of each amount so paid. Each of the persons shown in the records of Euroclear or of Clearstream, Luxembourg, as the case may be, as the beneficial holder of a particular nominal amount of ECS represented by the Global Certificate must look solely to Euroclear or Clearstream, Luxembourg, as the case may be, for that person’s share of each payment so made by the Issuer to the registered holder of the Global Certificate.

7.8 Agents

The Issuer is entitled, in accordance with the terms of the Agency Agreement:

- (a) to vary or terminate any Agents;
- (b) to appoint additional or other Agents; and
- (c) to approve any change in the Specified Office through which any Agent acts,

provided that: (i) so long as any ECS are listed on the SGX and the rules of the SGX so require, if any ECS are represented by Definitive Certificates, there will at all times be a Paying Agent in Singapore unless the Issuer obtains an exemption from the SGX; and (ii) there is at all times a Paying Agent in an EU Member State that is not obliged to withhold or deduct tax pursuant to the ECOFIN Directive.

7.9 Payment to joint ECS Holders

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

7.10 Time limit for claims

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

8 Title and transfer of ECS

8.1 Title

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

8.2 Effect of entries in the Register

Notwithstanding the provisions relating to ECS Certificates in these Terms, an entry in the Register in relation to an ECS constitutes conclusive evidence that the person so entered is the absolute owner of that ECS, subject to correction for fraud or error.

8.3 Non-recognition of interests

Except as required by law, and save as provided below, the Issuer, the Trustee, the Registrar and any Agents must treat the person entered in the Register in respect of an ECS as the absolute owner of that ECS.

No notice of any trust, encumbrance or other interest in, or claim to, any ECS will be entered in the Register. None of the Issuer, the Trustee, the Registrar or any Agent need take notice of any trust, encumbrance or other interest in, or claim to, any ECS, except as ordered by a court of competent jurisdiction or required by law.

For so long as any of the ECS is represented by the Global Certificate, and the Global Certificate is held on behalf of Euroclear and/or Clearstream, Luxembourg:

- (a) with respect to the payment of amounts in respect of an ECS, the registered holder of the Global Certificate shall be treated by the Issuer, any Nominated Party and the Trustee as the holder of such principal amount of such ECS in accordance with and subject to the terms of the Global Certificate; and
- (b) for each purpose other than that provided in clause 8.3(a) above, each person (other than Euroclear and/or Clearstream, Luxembourg) who is for the time being shown in the records of Euroclear and/or of Clearstream, Luxembourg, as the case may be, as the holder of a particular principal amount of ECS (in which regard any certificate or other document issued by any person shall be conclusive and binding for all purposes, save in the case of manifest error) shall be treated by the Issuer and the Trustee as the holder of such nominal amount of such ECS.

The expression "ECS Holder" shall be construed accordingly.

This clause 8.3 applies whether or not a payment has been made when scheduled on an ECS and despite any notice of ownership, trust, encumbrance or other interest in the ECS.

8.4 Joint holders

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

8.5 Transfers of ECS represented by the Global Certificate

For so long as any of the ECS are represented by the Global Certificate, and the Global Certificate is held on behalf of Euroclear and/or Clearstream, Luxembourg, ECS Holders may transfer interests in the Global Certificate only in accordance with the rules and procedures for the time being of Euroclear and/or Clearstream, Luxembourg, as the case may be.

Transfers of beneficial interests in the ECS represented by the Global Certificate will be effected by Euroclear and/or Clearstream, Luxembourg, as the case may be, and, in turn, by other participants and,

if appropriate, indirect participants in such clearing systems acting on behalf of beneficial transferors and transferees of such interests.

8.6 Transfer of ECS which are represented by Definitive Certificates

Where the ECS are represented by Definitive Certificates, transfers of the ECS may be effected by presentation and, where the transfer is of all of the ECS represented by the Definitive Certificate, surrender of the relevant Definitive Certificate (together with the transfer certificate relating thereto duly completed on behalf of the transferor and the transferee) and together with such material as the Issuer determines, and notifies the ECS Holders from time to time, is necessary or desirable for the Issuer to comply with its obligations under applicable know your customer requirements, at the Specified Office of the Registrar or any Transfer Agent. If satisfied that the transfer should be registered, the Registrar or the Transfer Agent (as the case may be) will:

- (a) enter the transfer in the Register;
- (b) authenticate and deliver (or procure the authentication and delivery of) a new Definitive Certificate of the same principal amount of the ECS represented by that Definitive Certificate (or the relevant part of the ECS represented by that Definitive Certificate) transferred; and
- (c) authenticate and deliver (or procure the authentication and delivery of) a new Definitive Certificate of the same principal amount of the ECS represented by that Definitive Certificate (or the relevant part of the ECS represented by that Definitive Certificate) not transferred.

Delivery will be to the Specified Office of the Registrar or the Transfer Agent (as the case may be) or by uninsured mail (at the risk of the transferee) to such address as the transferee may request. The Registrar or the Transfer Agent (as the case may be) shall issue Definitive Certificates only in integral multiples of US\$1,000 (and subject at all times to a minimum principal amount per Definitive Certificate equal to US\$200,000).

ECS Holders will not be required to bear the costs and expenses of effecting any registration of transfer as provided above, except:

- (i) for any costs or expenses of delivery other than by regular uninsured mail; and
- (ii) that the Issuer may require the payment of a sum sufficient to cover any stamp or other duty, or other tax or other governmental charge (“**Registration Duty**”) that may be imposed in relation to the registration other than:
 - (A) to the extent the Issuer is liable for such Registration Duty in accordance with clause 4.16 (“Stamp Duty”) or clause 5.19(c) (“Listing of MGL Ordinary Shares”); or
 - (B) where the ECS have been exchanged to Definitive Certificates due to the Issuer having or becoming subject to adverse tax consequences and the Registration Duty arises under the laws of the jurisdiction where the Register is maintained, any Australian jurisdiction, the United Kingdom, any other Residency Jurisdiction, Belgium or Luxembourg.

8.7 Transferee takes subject to terms

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

8.8 Transfer restrictions

At any time, an ECS may be offered, sold or otherwise transferred only if:

- (a) the offer or invitation giving rise to the transfer does not constitute an offer or invitation for which disclosure is required to be made to investors under Parts 6D.2 or 7.9 of the Corporations Act;
- (b) the offer is not to a person who is a “retail client” as defined for the purposes of Chapter 7 of the Corporations Act;
- (c) the transaction is exempt from, and does not require registration under, the US Securities Act; and
- (d) the transfer (and any offer or invitation to treat in connection with it) complies with any applicable law or directive of any jurisdiction affecting such conduct,

provided that until 40 days following the original issuance of the ECS, the ECS may only be transferred in an offshore transaction pursuant to and in accordance with Regulation S under the US Securities Act where neither the transferor nor any person acting on the transferor’s behalf knows, or has reason to believe, that the sale has been pre-arranged with a transferee in the United States, or that the transferee is, in the United States or is a U.S. Person (each as defined in Regulation S under the US Securities Act).

8.9 Other transfers void

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

8.10 Refusal to register

- (a) A transferor of an ECS is deemed to remain an ECS 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 ECS 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 five Business Days after the date on which notice of the transfer was delivered to it.

8.11 No liability to persons other than ECS Holders

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

9 Notices and other communications

9.1 Notices to ECS Holders

Subject to clause 9.3 (“Notices while the ECS are represented by the Global Certificate”), all notices and other communications to ECS 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 ECS Holder (as shown in the Register at the close of business on the day which is five Business Days before the date of the notice or communication);
- (b) sent by fax to the fax number of the ECS Holder (as shown in the Register at the close of business on the day which is five Business Days before the date of the notice or communication); or
- (c) given in any other way agreed between the Issuer and the Trustee (and in agreeing in such way, the Issuer and the Trustee may have regard to the dates by which notice is to be given under these Terms).

9.2 Notices to the Issuer

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

- (a) left at the address, or sent by prepaid post (airmail, if appropriate) to the address, set out below;
- (b) sent by fax to the fax number set out below; or
- (c) given in any other way agreed between the Issuer and the Trustee.

For the purposes of this clause 9.2, the Issuer’s address for notices and other communications is the address set out below or as otherwise notified by the Issuer to ECS Holders:

Name: Macquarie Bank Limited, London Branch

Address: 28 Ropemaker Street
London
EC2Y 9HD
United Kingdom

Attention: Company Secretary

Fax: +44 20 3037 2061

9.3 Notices while the ECS are represented by the Global Certificate

For so long as any of the ECS are represented by the Global Certificate, and the Global Certificate is held on behalf of Euroclear and/or Clearstream, Luxembourg, there may be substituted for the method of notice provided in clause 9.1 (“Notices to ECS Holders”) delivery of the relevant notice to Euroclear and/or Clearstream, Luxembourg, as the case may be, for communication by them to the ECS Holders. Any such notice shall be deemed to have been given to the ECS Holders on the day immediately following the day on which the notice was delivered to Euroclear and/or Clearstream, Luxembourg, as the case may be.

For so long as any of the ECS are represented by the Global Certificate, and the Global Certificate is held on behalf of Euroclear and/or Clearstream, Luxembourg, there may be substituted for the method of notice provided in clause 9.2 (“Notices to the Issuer”), to the extent such notice relates to information required in respect of a Resale or Exchange, delivery of the relevant notice to the Registrar in accordance with the standard procedures of Euroclear and Clearstream, Luxembourg. Any such

notice shall be deemed to have been given to the Issuer on the day on which the notice was delivered to the Registrar.

9.4 Notices while the ECS are listed on a Stock Exchange

For so long as any ECS are listed on a Stock Exchange (being, as at the Issue Date, on the Singapore Exchange Securities Trading Limited (the **SGX-ST**)) and the rules of that Stock Exchange (or any other relevant authority) so require, any notice given under this clause 9 will also be published in a manner which complies with the rules and regulations of the applicable Stock Exchange or other relevant authority, including where so required or permitted in a leading daily newspaper of general circulation in the financial centre in which that Stock Exchange is located (or any other place or places required by those rules) or, if required or permitted, on the website of the applicable Stock Exchange.

9.5 When effective

Communications take effect from the time they are received or taken to be received under clause 9.6 (“When taken to be received”) (whichever happens first) unless a later time is specified.

9.6 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 sent by fax, at the time shown in the transmission report as the time that the whole fax was sent; or
- (c) if published in a newspaper or on the website of the applicable Stock Exchange, on the first date that publication has been made in that newspaper or on the website of the applicable Stock Exchange.

9.7 Receipt outside business hours

Despite clauses 9.5 (“When effective”) and 9.6 (“When taken to be received”), if communications are received or taken to be received under clause 9.6 (“When taken to be received”) 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.

9.8 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 an ECS Holder does not invalidate the notice in relation to ECS Holders generally, or affect the validity of that act, matter or determination.

10 Amendment of ECS Terms and Substitutions

10.1 Amendment without consent

Subject to complying with all applicable laws, the Issuer and the Trustee may amend these Terms, the Trust Deed or the Agency Agreement, with the prior written approval of APRA (to the extent any such amendment may affect the eligibility of the ECS as Tier 1 Capital of the MBL Level 1 Group or the MBL Level 2 Group or as Eligible Hybrid Capital of the MGL Level 3 Group) but without the consent of the ECS Holders:

- (a) if the Issuer and the Trustee are of the opinion that the amendment is:
 - (i) of a formal, minor or technical nature;

- (ii) made to correct any manifest error or any error which in the opinion of the Trustee is proven;
 - (iii) expedient for the purpose of enabling the ECS 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 prejudicial to the interests of ECS Holders as a whole;
 - (iv) necessary to comply with the provisions of any statute or the requirements of any statutory authority (other than an amendment made to comply with a prudential standard dealing with capital management promulgated by APRA, the FSA (for so long as no substitution of a branch outside the United Kingdom occurs under clause 11.1 (“Substitute Issuer”)) or other prudential regulator in the jurisdiction of any Substitute Issuer and applying to MBL or MGL);
 - (v) necessary and appropriate to effect the substitution of the Approved Acquirer as the issuer of the MGL Ordinary Shares on the Mandatory Exchange Date in the manner contemplated by these Terms, including, without limitation, amendments and additions to the definitions of “Acquisition Event”, “Macquarie Group”, “Regulatory Event” and “Tax Event”; or
 - (vi) 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;
- (b) if the Issuer delivers to the Trustee an opinion of an Independent Financial Adviser or legal adviser acceptable to the Trustee to the effect that, the amendment is not likely (taken as a whole and in conjunction with all other amendments, if any, to be made contemporaneously with the amendment) to be materially prejudicial to the interests of ECS Holders as a whole;
 - (c) if the Issuer and the Trustee are of the opinion that the amendment is not, taken as a whole and in conjunction with all other amendments, if any, made contemporaneously with the amendments, materially prejudicial to the interests of ECS Holders as a whole; or
 - (d) where clause 10.3(a)(i) applies.

Subject to clause 17(kk) of the Trust Deed, the Trustee shall concur in and execute any amendments under clause 10.1(a)(iii), clause 10.1(a)(v), clause 10.1(a)(vi), clause 10.1(b) or clause 10.1(d) at the request and expense of the Issuer provided that, in the case of amendments under clause 10.1(a)(iii), clause 10.1(a)(v), clause 10.1(a)(vi) or clause 10.1(d), the Issuer has delivered a certificate (in a form satisfactory to the Trustee) signed by two Authorised Signatories of the Issuer to the Trustee certifying that the proposed amendments are permitted by the relevant clause and that any required APRA approval has been obtained.

10.2 Amendment with consent

Without limiting clause 10.1 (“Amendment without consent”), the Issuer may, with APRA’s prior written approval, amend these Terms, the Trust Deed or the Agency Agreement, if the amendment has been approved by a Special Resolution and subject to clause 17(kk) of the Trust Deed the Trustee shall concur in and execute any such amendment at the request and expense of the Issuer.

10.3 Restructure Rights

- (a) Without limiting clause 10.1 (“Amendment without consent”), where a Tax Event or Regulatory Event occurs, in lieu of exercising its right to Redeem or Resell the ECS, without the consent of the ECS Holders but with the prior written approval of APRA, the Issuer may:
 - (i) amend the terms of the ECS in accordance with clause 10.3(b); or

- (ii) substitute Qualifying Tier 1 Securities for the ECS in accordance with clause 10.4 (“Qualifying Tier 1 Securities”).
- (b) Any amendment to the ECS contemplated by clause 10.3(a) may be made by the Issuer (and, subject to clause 17(kk) of the Trust Deed, the Trustee shall concur in and execute any such amendment at the request and expense of the Issuer) if:
- (i) the Issuer delivers to the Trustee an opinion of an Independent Financial Adviser to the effect that:
 - (A) the terms as amended are not materially less favourable to ECS Holders generally as the terms of the ECS prior to such amendments;
 - (B) the amendments are limited to such amendments as are required to eliminate the adverse consequences of the Tax Event or Regulatory Event; and
 - (C) the terms of the amendment do not amend the Scheduled Mandatory Exchange, payment, ranking, currency, principal amount or distribution restriction terms of the ECS;
 - (ii) the rating (solicited by the Issuer) of ECS from a Rating Agency immediately following such amendment is the same or higher than the rating (solicited by the Issuer) from that Rating Agency immediately before the amendment; and
 - (iii) the ECS as amended are eligible for inclusion as Tier 1 Capital for the MBL Level 1 Group, the MBL Level 2 Group and as Eligible Hybrid Capital of the MGL Level 3 Group.

10.4 Qualifying Tier 1 Securities

- (a) A “**Qualifying Tier 1 Security**” is a security issued directly or indirectly by MBL, including at or by any branch of MBL:
- (i) the terms of which are not materially less favourable to ECS Holders generally than the terms of the ECS;
 - (ii) which includes terms providing for at least the same rate, currency and the same timing of Scheduled Mandatory Exchange, payment of principal and Interest from time to time applying to the ECS;
 - (iii) which ranks at least equally with the ECS in respect of payment of principal and interest and in a winding up;
 - (iv) which has a rating (solicited by the Issuer) from a Rating Agency which is the same as or higher than the rating (solicited by the Issuer) from that Rating Agency of the ECS immediately before the substitution;
 - (v) which is eligible for inclusion in the Tier 1 Capital for the MBL Level 1 Group, the MBL Level 2 Group and as Eligible Hybrid Capital of the MGL Level 3 Group; and
 - (vi) if not issued by MBL has the benefit of a guarantee from, or equivalent recourse to MBL which ranks at least equally with the ECS on a winding up of MBL.
- (b) Where the Issuer elects to substitute Qualifying Tier 1 Securities for the ECS, the Issuer shall issue, or procure the issue of Qualifying Tier 1 Securities with an aggregate principal amount or similar nominal amount equal to the aggregate ECS to or as directed by the ECS Holder, and on such issue the ECS will be taken to have been redeemed and all other rights conferred, or restrictions imposed by the ECS will no longer have effect.

10.5 Meanings

In this clause 10, “**amend**” includes modify, cancel, alter, adjust or add to and “**amendment**” has a corresponding meaning.

10.6 Notice of amendments

Any amendment of these Terms, the Trust Deed or the Agency Agreement made in accordance with this clause 10 must be promptly notified to ECS Holders.

11 Branch Substitution

11.1 Substitute Issuer

The Issuer may, subject to APRA’s prior written approval and all other necessary authorisations, regulatory and governmental approvals and consents, substitute another branch of MBL (a “**Substitute Issuer**”) as issuer of the ECS by an amendment to these Terms and the Trust Deed and the execution of such further documents (if any), in form and substance satisfactory to the Trustee, and the compliance with such other formalities or requirements as may be necessary to ensure that such Substitute Issuer is bound in full by all of the obligations of the Issuer under the ECS:

- (a) without the consent or approval of the ECS Holders, provided that:
 - (i) the Issuer delivers to the Trustee an opinion from an Independent Financial Adviser that, or the Trustee is otherwise satisfied that, such substitution is not materially prejudicial to the interests of ECS Holders as a whole; and
 - (ii) the rating (solicited by the Issuer) from a Rating Agency of ECS immediately following such substitution is the same or higher than the rating (solicited by the Issuer) from that Rating Agency immediately before the substitution; or
- (b) provided that such substitution is approved by a Special Resolution of ECS Holders.

Subject to clause 17(kk) of the Trust Deed, the Trustee shall concur in and execute any such amendments or further documents at the request and expense of the Issuer.

11.2 Further substitutions

After a substitution under clause 11.1 (“Substitute Issuer”), the Substitute Issuer may effect a further substitution (including to the Issuer or a previous Substitute Issuer) in accordance with clause 11.1 (“Substitute Issuer”) (with necessary changes).

11.3 Effect of substitution

Not later than 14 days after the execution of the documents and compliance with the requirements described in clause 11.1 (“Substitute Issuer”), the Substitute Issuer shall notify ECS Holders in the manner provided in clause 9 (“Notices and other communications”).

Upon the execution of such documents and compliance with such requirements, the Substitute Issuer shall be deemed to be named in these Terms, the Trust Deed and the Agency Agreement in place of the Issuer (or in place of the previous substitute) and these Terms, the Trust Deed and the Agency Agreement shall be deemed to be modified in such manner as shall be necessary to give effect to the above provisions and, without limitation, references in these Terms, the Trust Deed and the Agency Agreement to the Issuer shall, unless the context otherwise requires, be deemed to be or include references to the Substitute Issuer.

12 General provisions

12.1 Enforcement

- (a) Subject to this clause 12 and the Trust Deed, the Trustee may at any time, at its discretion and without further notice, take such proceedings, steps or action (including lodging an appeal in any proceedings) against or in relation to the Issuer, MBL or MGL as it may think fit to enforce any of its rights under this Trust Deed or the Terms, but shall not be bound to take any such action, steps or proceedings unless respectively directed or requested to do so:

- (i) by a Special Resolution; or
- (ii) in writing by the holders of at least one-quarter in aggregate principal amount of the ECS then outstanding (as defined in the Trust Deed),

and in any case then only if it shall be indemnified and/or secured and/or pre-funded to its satisfaction against all Liabilities (as defined in the Trust Deed) to which it may thereby render itself liable or which it may incur by so doing.

The Trustee may refrain from taking any action in any jurisdiction if:

- (iii) it has received a written legal opinion that:
 - (A) taking any action in that jurisdiction would be contrary to any law of that jurisdiction;
 - (B) that taking any action would render it liable to any person in that jurisdiction; or
 - (C) it does not have the power to do the relevant thing in that jurisdiction by virtue of any applicable law in that jurisdiction; or
 - (iv) it is determined by any court or other competent authority in that jurisdiction that it does not have the power to do the relevant thing in that jurisdiction by virtue of any applicable law in that jurisdiction.
- (b) Only the Trustee may enforce the provisions of the Trust Deed. No ECS Holder shall be entitled to:
- (i) take any steps or action or proceed directly against the Issuer, MBL or MGL to enforce any of its rights under the Trust Deed or the Terms; or
 - (ii) take any other proceedings (including lodging an appeal in any proceedings) in respect of or concerning the Issuer, MBL or MGL,

in each case unless the Trustee, being entitled and having become bound to take any such action, steps or proceedings in accordance with this clause 12, fails to do so within a reasonable period and such failure is continuing.

12.2 Voting

- (a) The Trust Deed contains provisions for convening meetings of the ECS Holders to consider any matter affecting their interests, including any variation of these Terms, the Trust Deed or the Agency Agreement.
- (b) The ECS carry no right to participate in any offering of securities by any member of the Macquarie Group.

- (c) Subject to applicable law, ECS Holders are not entitled to be provided with copies of:
 - (i) any notices of general meetings of MBL or MGL; or
 - (ii) other documents (including annual reports and financial statements) sent by MBL or MGL to holders of ordinary shares or securities (if any) in MBL or MGL.
- (d) ECS Holders will have no voting rights in respect of any member of the Macquarie Group.

12.3 Listing

The Issuer must use its best endeavours and furnish all such documents, information and undertakings as may be reasonably necessary in order to procure, at its own expense, quotation of the ECS on a Stock Exchange.

12.4 On-market buy-backs

Subject to APRA's prior written approval, the Issuer or any member of the Macquarie Group may buy-back or purchase ECS at any time and at any price by an on-market buy-back or otherwise. Such ECS may, at the option of the Issuer, be held, reissued, resold or cancelled. The Issuer undertakes that it will redeem or dispose of its Eligible Assets and use these proceeds towards any buy-back or purchase price of such ECS.

12.5 Contracts (Rights of Third Parties) Act 1999

No person has any right to enforce any term or condition of the ECS under the Contracts (Rights of Third Parties) Act 1999 but this does not affect any right or remedy of any person which exists or is exercisable apart from that Act.

13 Winding up and Subordination

13.1 Effect of Winding Up

If an order is made by a court of competent jurisdiction (other than an order successfully appealed or permanently stayed within 30 days) or an effective resolution is passed for the Winding Up of MBL, unless ECS have been Exchanged before such Winding Up commences, the Issuer is obliged subject to this clause 13, to Redeem each ECS for its Redemption Price. For the purposes of this clause 13.1 the Redemption Date will be deemed to be the date of commencement of the Winding Up of MBL and the ECS Holder's claim for the Redemption Price and any other amount owing in respect of the ECS will be subordinated as provided in this clause 13.

13.2 Subordination

In a winding up of MBL, the ECS Holder's claim for the Redemption Price and any other amount owing in respect of the ECS ranks junior to the claims of all Senior Creditors in that:

- (a) all claims of Senior Creditors must be paid in full (including in respect of any entitlement to interest under section 563B of the Corporations Act) before the claims of the ECS Holders are paid; and
- (b) until the Senior Creditors have been paid in full, neither the ECS Holders nor the Trustee on their behalf may claim in the winding up of MBL in competition with the Senior Creditors so as to diminish any distribution, dividend or payment which, but for that claim, the Senior Creditors would have been entitled to receive, so that the ECS Holder receives, for each ECS it holds, an amount equal to the amount it would have received if, in the winding up of MBL, it had held an issued and fully paid Preference Share.

13.3 No charge

Nothing in this clause 13 shall be taken to:

- (a) create a charge or security interest on or over any right of the ECS Holder; or
- (b) require the consent of any Senior Creditor to any amendment of these Terms, the Trust Deed or the Agency Agreement made in accordance with clause 10 (“Amendment of ECS Terms and Substitutions”).

13.4 Acknowledgements and agreements of Holders

Each ECS Holder by subscribing for, purchasing or otherwise acquiring an ECS irrevocably acknowledges and agrees:

- (a) that this clause 13 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 would not be entitled to such interest;
- (c) not to exercise any voting rights as a creditor in the winding up of MBL:
 - (i) until after all Senior Creditors have been paid in full; or
 - (ii) otherwise in a manner to defeat the subordination contemplated by this clause 13;
- (d) that it must pay or deliver to the liquidator any amount or asset received on account of its claim in the winding up of MBL in respect of the ECS in excess of its entitlement under this clause 13;
- (e) that it must pay or satisfy in full all liabilities then due and payable by it to the Issuer, in accordance with their terms, before it may receive any amount or asset on account of its claim in the winding up of MBL in respect of an ECS; and
- (f) that the debt subordination effected by this clause 13 is not affected by any act or omission of MBL or a Senior Creditor which might otherwise affect it at law or in equity or by the winding up of MBL.

14 Governing law, jurisdiction and service of documents

14.1 Governing law

The ECS, including these Terms and any non-contractual obligations arising out of or in connection with them are governed by, and shall be construed in accordance with, the laws of England except for clause 2.3 (“Ranking”) and clause 13 (“Winding Up and Subordination”) which are governed by, and shall be construed in accordance with the laws of the Australian Capital Territory, Australia.

14.2 Jurisdiction

The Issuer has irrevocably agreed for the benefit of the ECS Holders that the courts of England are to have non-exclusive jurisdiction to settle any disputes which may arise out of or in connection with the ECS and accordingly has submitted to the non-exclusive jurisdiction of the English courts. The Issuer waives any objection to the courts of England on the grounds that they are an inconvenient or inappropriate forum.

The ECS Holders may take any suit, action or proceeding arising out of or in connection with the ECS (“Proceedings”) against the Issuer in any other court of competent jurisdiction and may take concurrent Proceedings in any number of jurisdictions.

14.3 Service of process

Without preventing any other method of service, any document in any action may be served:

- (a) on the Issuer by being delivered or left at its registered office or principal place of business;
- (b) on MGL as provided in the Trust Deed.

15 Interpretation and Definitions

15.1 Interpretation

Unless otherwise specified or the contrary intention appears:

- (a) a reference to a clause or paragraph is a reference to a clause or paragraph of these Terms;
- (b) if a calculation is required under these Terms, the calculation will be rounded to four decimal places (with 0.00005 being rounded to 0.0001);
- (c) headings and bold typeface are for convenience only and do not affect the interpretation of these Terms;
- (d) the singular includes the plural and vice versa;
- (e) a reference to a statute, ordinance, directive, code or law includes regulations and other instruments under it and consolidations, amendments, re-enactments or replacements of any of them and references to law includes statutes, ordinances, codes, directives or common law and principles of equity having general application;
- (f) subject to clause 3.2 (“Business Days”), if an event under these Terms must occur on a stipulated day which is not a Business Day, then the stipulated day will be taken to be the next Business Day;
- (g) a reference to “United States Dollars”, “USD” or “US\$” is a reference to the lawful currency of the United States of America;
- (h) a reference to “Australian Dollars”, “AUD” or “A\$” is a reference to the lawful currency of Australia;
- (i) calculations, elections and determinations made by the Issuer, MBL or MGL or the Directors or the Trustee under these Terms, including, without limitation, by the Calculation Agent or any other Agent, are binding on ECS Holders in the absence of manifest error or fraud;
- (j) a reference to a party to an agreement, deed, authority or other instrument includes a reference to any successor, replacement, assignee, substitute or addition of the party according to that agreement, deed, authority or instrument;
- (k) any references to the requirements of APRA or any other prudential regulatory requirements will apply to the Issuer, MBL or MGL only if the Issuer, MBL or MGL is an entity, or the holding company of an entity, subject to regulation and supervision by APRA at the relevant time;
- (l) any requirement for APRA’s consent or approval will apply only if APRA requires that such consent or approval be given at the relevant time;
- (m) any requirements for the prior approval or consent of APRA for a particular course of action to be taken by the Issuer, MBL or MGL do not imply that APRA has given its consent or approval to the particular action as of the Issue Date;

- (n) a reference to accounting standards is a reference to the accounting standards as defined in the Corporations Act and a reference to an accounting term is a reference to that term as it is used in those accounting standards, or, if not inconsistent with those standards, in accounting principles and practices generally accepted in Australia;
- (o) a reference to an agreement, deed or other instrument includes a reference to that agreement, deed or instrument as amended, modified, added to or restated from time to time;
- (p) the terms “takeover bid”, “relevant interest”, “scheme of arrangement”, “buy-back” and “on-market buy-back” when used in these Terms have the meaning given in the Corporations Act;
- (q) a reference to the “interests of ECS Holders as a whole” will, if ECS are held beneficially by a Nominated Party, be a reference to the interests of ECS Holders other than the Nominated Party;
- (r) the words “includes” or “including”, “for example” or “such as” do not exclude a reference to other items, whether of the same class or genus or not;
- (s) all references to the records of Euroclear and Clearstream, Luxembourg shall be to the records that each of Euroclear and Clearstream, Luxembourg holds for its customers which reflect the amount of such customers’ interests in the ECS;
- (t) 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); and
- (u) 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.

15.2 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; or
- (c) a person together with its associates as defined in section 12 of the Corporations Act (i) acquires or comes to hold beneficially more than 50% of the voting shares (as defined in the Corporations Act) in the capital of MBL 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 MBL 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 the 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 MBL 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 MBL 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 prejudicial to the interests of ECS Holders as a whole; and
- (ii) the Approved Acquirer agrees for the benefit of ECS 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 ECS on a Stock Exchange; and
 - (C) comply with the obligations and restrictions as apply to MGL in connection with the ECS (with all necessary and appropriate modifications),
- (e) or 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;

Additional Amount has the meaning given in clause 7.3 ("Gross up");

Adjustment Notice has the meaning given in clause 5.17 ("Announcement of adjustment to Issue Date VWAP");

Agency Agreement means the agency agreement between the Issuer and the Agents and the Trustee to be dated on or about the Issue Date;

Agents means any or all (as the context requires) of the Registrar, a Paying Agent, Transfer Agent or Calculation Agent;

Applicable Shareholding Law has the meaning given in clause 5.26 ("Applicable Shareholding Laws");

Appointed Person has the meaning given in clause 6.2 ("Appointment of Agents and Directions");

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

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

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

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

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

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;

Authorised Signatory means:

- (a) any person who is a director or the secretary of the Issuer or has been notified by the Issuer in writing to the Trustee as being duly authorised to sign documents and to do other acts and things on behalf of the Issuer for the purposes of the Trust Deed; and
- (b) without limiting paragraph (a) above, any executive director authorised to witness the affixing of MBL's company seal in accordance with MBL's constitution;

Basel III Paper means the document titled "Basel III: A global regulatory framework for more resilient banks and banking systems" which was released by the Basel Committee on Banking Supervision on 16 December 2010 and revised in June 2011 and any related releases, papers, proposals (including, without limitation, the press release on minimum requirements to ensure loss absorbency at the point of non-viability of 13 January 2011) and any related prudential standards or guidelines of the Basel Committee on Banking Supervision or APRA;

Banking Act means the Banking Act 1959 of Australia;

Business Day means a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in each of Sydney, Australia, London, England, and, for the purposes only of the determination of the Reference Rate, New York, United States of America and Singapore or such other place in which the ECS may be listed from time to time (not being a Saturday, Sunday or public holiday in any such place);

Calculation Agent means Deutsche Bank AG, London Branch as calculation agent or any successor calculation agent;

Certification Event means:

- (a) the Issuer has or will become subject to adverse tax consequences which would not be suffered were the ECS in the form of Definitive Certificates instead of in the form of the Global Certificate and a certificate to such effect signed by two Authorised Signatories of the Issuer has been given to the Trustee; or
- (b) the Issuer determines that ECS should cease to be represented by a Global Certificate in order to facilitate a Resale or Exchange and a certificate to such effect signed by two Authorised Signatories of the Issuer has been given to the Trustee; or
- (c) the Issuer has been notified that both Euroclear and Clearstream, Luxembourg have been closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or have announced an intention permanently to cease business or have in fact done so and, in any such case, no successor or alternative clearing system satisfactory to the Trustee is available;

Change in Law has the meaning given to it in the definition of Regulatory Event;

Clearstream, Luxembourg means Clearstream Banking, *société anonyme* or its successor;

Common Equity Tier 1:

- (a) prior to 1 January 2013, means the lower of:
 - (i) in respect of the MBL Level 1 Group, Fundamental Tier 1 Capital net of Tier 1 deductions (as defined by APRA) of the MBL Level 1 Group; and
 - (ii) in respect of the MBL Level 2 Group, Fundamental Tier 1 Capital net of Tier 1 deductions (as defined by APRA) of the MBL Level 2 Group; and

- (b) on or after 1 January 2013, 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 by APRA from time to time;

Common Equity Tier 1 Trigger Event means MBL determines, or APRA has notified MBL 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%;

Control has the meaning given in the Corporations Act;

Corporations Act means the Corporations Act 2001 of Australia;

Cum Value has the meaning given in clause 5.11 (“Adjustments to VWAP”);

Defaulting Nominated Party has the meaning given in clause 4.14 (“Failure of Nominated Party to fulfil obligations”);

Deferred Mandatory Exchange Date has the meaning given in clause 5.1 (“Scheduled Mandatory Exchange”);

Definitive Certificate has the meaning given in clause 2.2 (“Entries in the Register and ECS Certificates”);

Delisted means, in respect of MGL and an Exchange Date, 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);

Directors means some or all of the Voting Directors (as defined in MBL’s constitution) of MBL acting as a board;

Distributable Profits means, unless otherwise agreed with APRA, the lesser of:

- (a) A - B; and
- (b) C - D,

where:

“**A**” is the aggregate of the consolidated net profits after income tax of the MBL Level 2 Group (determined before any interest, dividends or distributions paid or payable by a member of the MBL Level 2 Group on its Upper Tier 2 Capital and Tier 1 Capital) for the immediately preceding two six-monthly financial periods for which results have been publicly announced (the “**Relevant Financial Periods**”) (or any other amount as agreed between the Issuer and APRA as appropriate in MBL’s circumstances on a Level 2 basis for the purposes of paying interest, dividends or distributions on the Tier 1 Capital and Upper Tier 2 Capital of the MBL Level 2 Group);

“**B**” is the aggregate amount of interest, dividends, distributions or other amounts which have been paid, determined to be paid or liable to be paid by a member of the MBL Level 2 Group on:

- (a) the ECS in the 12 months to and including the Interest Payment Date; and

- (b) any other Residual Tier 1 Capital or Upper Tier 2 Capital security of the MBL Level 2 Group to the extent interest, dividends or distributions on those securities are funded by a member of the MBL Level 2 Group or by instruments of the MBL Level 2 Group in the 12 months to and including the Interest Payment Date; and
- (c) any other share capital (including MBL Ordinary Shares) referable to the Relevant Financial Periods,

but excluding:

- (i) any Interest payable in relation to the ECS on the applicable Interest Payment Date; and
- (ii) any such interest, dividend, distribution or other amount paid or payable to a member of the MBL Level 2 Group by another member of the MBL Level 2 Group.

“C” is the net profit after income tax of the MBL Level 1 Group (determined before any interest, dividends or distributions paid or payable by the MBL Level 1 Group on its Upper Tier 2 Capital and Tier 1 Capital) for the Relevant Financial Periods (or any other amount as agreed between the Issuer and APRA as appropriate in the MBL’s circumstances on a Level 1 basis for the purposes of paying interest, dividends or distributions on the MBL Level 1 Group’s Tier 1 Capital or Upper Tier 2 Capital); and

“D” is the aggregate amount of interest, dividends, distributions or other amounts referable to either of the Relevant Financial Periods paid, determined to be paid or liable to be paid by a member of the MBL Level 1 Group on:

- (a) the ECS in the 12 months to and including the Interest Payment Date; and
- (b) any other Residual Tier 1 Capital or Upper Tier 2 Capital security of the MBL Level 1 Group to the extent interest, dividends, distributions and other amounts on those securities are funded by a member of the MBL Level 1 Group or by instruments of the MBL Level 1 Group in the 12 months to and including the Interest Payment Date; and
- (c) any other share capital (including MBL Ordinary Shares) referable to the Relevant Financial Periods,

but excluding:

- (i) any Interest payable in relation to the ECS on the applicable Interest Payment Date; and
- (ii) any such interest, dividend, distribution or other amount paid or payable between entities comprising the MBL Level 1 Group;

Dividend Restriction has the meaning given in clause 3.5 (“Dividend Restriction”);

Early Mandatory Exchange Date has the meaning given in clause 5.8 (“Contents of the Exchange Notice”);

Early Mandatory Exchange Event has the meaning given in clause 5.4 (“Early Mandatory Exchange Event”);

ECOFIN Directive has the meaning given in clause 7.3 (“Gross up”);

ECS means the junior subordinated note issued by the Issuer in accordance with the Trust Deed;

ECS Certificate has the meaning given in clause 2.2 (“Entries in the Register and ECS Certificates”);

ECS Holder means a person Registered as the holder of an ECS (except that while the ECS are represented by a Global Certificate, for purposes other than payment by the Issuer, the ECS Holder means the person shown in the records of Euroclear or Clearstream, Luxembourg as the holder of a particular principal amount of the ECS);

Eligible Assets means bonds issued by, loans to or other investments in, subsidiaries of MBL resident outside Australia in which the Issuer invests and which are managed by it. As at the Issue Date, the Eligible Assets will comprise a bond issued by a subsidiary of the Issuer;

Eligible Hybrid Capital means in respect of the MGL Level 3 Group, hybrid capital that meets the conditions in the schedule of the NOHC Authority or the equivalent concept in any subsequent or replacement authority given by APRA in favour of MGL;

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 and any other arrangement of any kind having the same effect as any of the foregoing other than liens arising by operation of law;

Equal Ranking Securities means:

- (a) the MIS Preference Shares;
- (b) the MIPS Preference Shares; and
- (c) any securities or other instruments that are expressed to rank in the winding up equally with the MIS Preference Shares, the MIPS Preference Shares or the ECS;

EU Member State means, at any time, a state that is a member of the European Union at that time;

Euroclear means Euroclear Bank S.A./N.V or its successor.

Exchange means, in respect of an ECS, the purchase of that ECS in exchange for an MGL Ordinary Share in accordance with and subject to clause 5 (“Mandatory Exchange”) and “Exchangeable” and “Exchanged” have the corresponding meanings;

Exchange Date means the date on which the ECS must be Exchanged (any relevant Mandatory Exchange Conditions applicable to that date having been met);

Exchange Date USD Rate has the meaning given in clause 5.10 (“Exchange”);

Exchange Date VWAP has the meaning given in clause 5.10 (“Exchange”);

Exchange Notice has the meaning given in clause 5.7 (“Early Exchange Notices”);

Exchange Number has the meaning in clause 5.10 (“Exchange”);

FATCA means the Foreign Account Tax Compliance Act provisions, sections 1471 through to 1474 of the US Internal Revenue Code (including any regulations or official interpretations issued in respect of these provisions);

Fifth Mandatory Exchange Condition has the meaning given in clause 5.2 (“Mandatory Exchange Conditions”);

Final Mandatory Exchange Date has the meaning given to it in clause 5.1 (“Scheduled Mandatory Exchange”);

First Mandatory Exchange Condition has the meaning given in clause 5.2 (“Mandatory Exchange Conditions”);

First Reset Date means 20 June 2017;

Foreign Holder means an ECS 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 Mandatory Exchange Condition has the meaning given in clause 5.2 (“Mandatory Exchange Conditions”);

FSA means the Financial Services Authority of the United Kingdom or any successor entity charged with the prudential regulation of MBL in the United Kingdom;

Global Certificate has the meaning given in clause 2.2 (“Entries in the Register and ECS Certificates”);

HMRC means the HM Revenue and Customs;

Independent Financial Adviser means an independent investment bank or accounting firm of international repute (acting as expert) selected by the Issuer;

Interest has the meaning given in clause 3.1 (“Interest”);

Interest Payment Date has the meaning given in clause 3.1 (“Interest”);

Interest Rate has the meaning given in clause 3.1 (“Interest”);

Issue Date means 26 March 2012;

Issue Date AUD Rate has the meaning given in clause 5.10 (“Exchange”);

Issue Date VWAP has the meaning given in clause 5.10 (“Exchange”);

Issuer means MBL acting through its London Branch (UK Establishment Number BR002678);

Level 1, Level 2 and Level 3 mean those terms as defined by APRA from time to time;

Macquarie Group means MGL and each entity it Controls;

Mandatory Exchange Conditions has the meaning given in clause 5.2 (“Mandatory Exchange Conditions”);

Mandatory Exchange Date means each of the following dates on which the ECS will be Exchanged if the relevant Mandatory Exchange Conditions are met:

- (a) the Scheduled Mandatory Exchange Date;
- (b) the Final Mandatory Exchange Date;
- (c) an Early Mandatory Exchange Date; and
- (d) a Deferred Mandatory Exchange Date;

Margin means 9.10 per cent per annum;

Maximum Exchange Number has the meaning given in clause 5.10 (“Exchange”);

Maximum Exchange Ratio has the meaning given in clause 5.10 (“Exchange”);

MBL means Macquarie Bank Limited (ABN 46 008 583 542), a company incorporated under the laws of Australia;

MBL Level 1 Group means MBL and those of its controlled entities included by APRA from time to time in the calculation of MBL's Prudential Capital Ratio and Tier 1 Capital Ratio on a Level 1 basis;

MBL Level 2 Group means MBL and those of its controlled entities included by APRA from time to time in the calculation of MBL's Prudential Capital Ratio and Tier 1 Capital Ratio on a Level 2 basis;

MBL Ordinary Share means a fully paid ordinary share in the capital of MBL;

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

MGL Exchange Rights and Obligations has the meaning given in clause 5.27 ("Write down on Write down on inability of MGL to perform Exchange");

MGL Inability Event has the meaning given in clause 5.27 ("Write down on inability of MGL to perform Exchange");

MGL Level 3 Group means MGL and those of its controlled entities included by APRA from time to time in the calculation of MGL's minimum capital ratio on a Level 3 basis;

MGL Ordinary Share means a fully paid ordinary share in the capital of MGL;

MIPS Preference Shares means the preference share issued by MBL 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 MBL in 1999;

N has the meaning given in clause 3.1 ("Interest");

NOHC Authority means the authority to be a non-operating holding company of an authorised deposit taking institution given by APRA in favour of MGL on 5 September 2007 under the Banking Act;

Nominated Party has the meaning given in clause 4.10 ("Nominated Parties");

Non-Exchange Notice has the meaning given in clause 5.3 ("Non-Exchange Notices");

Non-Viability Event means APRA has provided a written determination to MBL that:

- (a) the ECS must be Exchanged, as without such Exchange MBL would become non-viable; or
- (b) a public sector injection of capital, or equivalent support, is to occur into MBL, as without such support MBL would become non-viable;

Paying Agent means Deutsche Bank AG, London Branch as principal paying agent or any additional or successor principal paying agent appointed in accordance with the Agency Agreement;

Paying Agent Jurisdiction has the meaning given in clause 7.3 ("Gross up");

Payment Date means the relevant Interest Payment Date, Redemption Date, Resale Date or Exchange Date or any other date on which the Issuer is to make a payment in respect of the ECS;

Preference Share means a notional preference share in the capital of MBL conferring a claim in the winding up of MBL equal to the Redemption Price as calculated for the purposes of clause 13.1 ("Effect of Winding Up") and ranking equally in respect of payment of dividends and return of capital in a winding up with each of the Equal Ranking Securities;

Preliminary Test Date means the 25th Business Day prior to a Mandatory Exchange Date;

Proceedings has the meaning given in clause 14.2 (“Jurisdiction”);

Prudential Capital Ratio means at any time that ratio as defined by APRA;

Qualifying Tier 1 Security has the meaning given in clause 10.4 (“Qualifying Tier 1 Securities”);

Rating Agency means each of Fitch Australia Pty Ltd and Moody’s Investors Service Pty Limited;

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

Record Date has the meaning given in clause 3.1 (“Interest”);

Redemption means, in respect of an ECS, ECS that are redeemed by payment of cash in accordance with and subject to clause 4 (“Redemption and Resale”) and “Redeem”, “Redeemable” and “Redeemed” have the corresponding meanings;

Redemption Date has the meaning given in clause 4.3 (“Contents of the Redemption Notice”);

Redemption Notice has the meaning given in clause 4.1 (“Redemption”);

Redemption Price has:

- (a) the meaning given to it in clause 4.4 (“Redemption Price”); and
- (b) in clause 13 (“Winding up and Subordination”), means the principal amount of the ECS;

Reference Rate means, in respect of the Issue Date 1.15% per annum, and in relation to any Reset Date:

- (a) the rate per annum equal to the yield, under the heading that represents the average for the week immediately preceding the third Business Day prior to the relevant Reset Date, appearing in the most recently published statistical release designated “H.15(519)” or any successor publication that is published weekly by the Board of Governors of the Federal Reserve System and that establishes yields on actively traded United States Treasury securities adjusted to constant maturity under the caption “Treasury Constant Maturities” for the maturity corresponding to the Comparable Treasury Issue (if no maturity is within three months before or after the relevant Reset Date, yields for the two published maturities most closely corresponding to the Comparable Treasury Issue shall be determined and the Reference Rate shall be interpolated or extrapolated from such yields on a straight line basis, rounding to the nearest month); or
- (b) if such release (or any successor release) is not published during the week preceding the third Business Day prior to the relevant date or does not contain such yields, the rate per annum equal to the semi-annual equivalent yield to maturity of the Comparable Treasury Issue (expressed as a percentage of its principal amount) equal to the Comparable Treasury Price for the relevant Reset Date,

in each case calculated on the third Business Day immediately preceding the relevant Reset Date as determined by the Calculation Agent. For the purposes of this definition:

Comparable Treasury Issue means the United States Treasury security selected by the Calculation Agent, having a five year maturity that would be utilised, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities of a five year term and maturity as near as possible to the next succeeding Reset Date;

Comparable Treasury Price means, with respect to any Reset Date, the average of three, or such lesser number as is obtained by the Calculation Agent, Reference Treasury Dealer Quotations for the relevant Reset Date;

Reference Treasury Dealer means each of the three nationally recognised firms selected by the Calculation Agent that are primary U.S. Government securities dealers;

Reference Treasury Dealer Quotations means with respect to each Reference Treasury Dealer and the relevant Reset Date, the average, as determined by the Calculation Agent, of the bid and asked prices for the Comparable Treasury Issue, expressed in each case as a percentage of its principal amount, quoted in writing to the Calculation Agent by such Reference Treasury Dealer at 5.00 p.m., New York City time on the third Business Day immediately preceding such Reset Date;

Register means the register, including any branch register, of ECS Holders established and maintained by, or on behalf of, the Issuer outside of the United Kingdom;

Registered means recorded in the Register;

Registrar means a person appointed by the Issuer to maintain the Register;

Registration Duty has the meaning given in clause 8.6 (“Transfer of ECS which are represented by Definitive Certificates”);

Regulatory Event means any one of the following events:

- (a) there is an introduction of, an amendment or clarification to or change in (or announcement of a prospective introduction of, amendment or clarification to or change in), or change in the application of, a law or regulation applicable in:
 - (i) the Commonwealth of Australia or any State or Territory thereof or any directive, order, standard, requirement, guideline or statement of APRA (whether or not having the force of law); or
 - (ii) the United Kingdom or any other jurisdiction through which the ECS are on issue as a result of a Substitution under clause 11 (“Branch Substitution”) (a “**Relevant Foreign Jurisdiction**”) or any political subdivision thereof or any direction, order, standard, regulatory guideline or statement of a prudential regulatory body in the Relevant Foreign Jurisdiction;

including, without limitation, any such action arising as a result of the Basel III Paper which applies to MBL, MGL or any other member of the Macquarie Group (each a “**Change in Law**”) and MBL receives an opinion of nationally recognised legal counsel in Australia or the Relevant Foreign Jurisdiction experienced in such matters as to the effect of a Change in Law; or

- (b) there is any statement, notification or advice by APRA, a prudential regulatory body in a Relevant Foreign Jurisdiction or a decision by any court or other authority interpreting, applying or administering any law, regulation, directive, order, standard, requirement, guideline or statement (other than where such statement, notification or advice by APRA is due to a change in accounting standards and not due to any change in APRA policy with respect to regulatory capital);

in each case, which event occurs on or at any time after the Issue Date and to the effect:

- (i) that:
 - (A) none of the aggregate outstanding principal amount of the ECS is eligible for inclusion as Tier 1 Capital for the MBL Level 1 Group, or the MBL Level 2 Group or as Eligible Hybrid Capital of the MGL Level 3 Group

(except where such non-qualification is only as a result of any applicable limitation on the amount or composition of MBL's Tier 1 Capital for the MBL Level 1 Group or the MBL Level 2 Group or of Eligible Hybrid Capital of the MGL Level 3 Group); and

- (B) APRA has confirmed to MBL in writing that none of the aggregate outstanding principal amount of the ECS is eligible to qualify as Tier 1 Capital for the MBL Level 1 Group, or the MBL Level 2 Group or as Eligible Hybrid Capital of the MGL Level 3 Group; or
- (ii) that:
- (A) one or more or any portion of the aggregate outstanding principal amount of the ECS is not eligible for inclusion as Tier 1 Capital for the MBL Level 1 Group, or the MBL Level 2 Group or as Eligible Hybrid Capital of the MGL Level 3 Group (except where such non-qualification is only as a result of any applicable limitation on the amount or composition of MBL's Tier 1 Capital for the MBL Level 1 Group or the MBL Level 2 Group or of Eligible Hybrid Capital of the MGL Level 3 Group which was in effect on the Issue Date); and
 - (B) APRA has confirmed to MBL in writing that one or more or any portion of the aggregate outstanding principal amount of the ECS is not eligible to qualify as Tier 1 Capital for the MBL Level 1 Group, or the MBL Level 2 Group or as Eligible Hybrid Capital of the MGL Level 3 Group;

provided that where the relevant event occurs before the third anniversary of the Issue Date, a Regulatory Event does not occur until the third anniversary of the Issue Date;

- (iii) that the quantum of regulatory capital attributable by APRA to the ECS ceases to reflect, other than in an insubstantial respect, changes in the rate of exchange of Australian dollars for United States dollars;
- (iv) that additional requirements (including regulatory, capital, financial, operational or administrative requirements whether generally or in respect of a particular place of business) in connection with the ECS would be imposed on the Issuer, MBL, MGL or the Macquarie Group which the Directors determine, in their absolute discretion, might have a material adverse effect on the Issuer, MBL or MGL or otherwise be unacceptable; or
- (v) that to have any of the ECS outstanding would be unlawful or impractical or that the Issuer, MBL, MGL or the Macquarie Group would be exposed to a more than de minimis increase in its costs in connection with those ECS;

Related Body Corporate has the meaning given in the Corporations Act;

Relevant Financial Periods has the meaning given to it in the definition of Distributable Profits;

Relevant Foreign Jurisdiction means the United Kingdom and any other jurisdiction through which the ECS are on issue;

Relevant Jurisdiction has the meaning given in clause 7.3 ("Gross up");

Relevant Payment Date means the scheduled Interest Payment Date (or such adjusted date for payment of that Interest in accordance with clause 3.2 ("Business Days"));

Relevant Tax Event Jurisdiction has the meaning given to it in the definition of Tax Event;

Required Credit Rating means having long term counterparty credit ratings (or for an insurer an equivalent financial strength or claims paying rating) from any of Moody's Investors Service Inc, Standard and Poor's or Fitch Ratings that are, in the case of:

- (a) Moody's Investors Service Inc not less than "Baa3";
- (b) Standard and Poor's not less than "BBB-"; and
- (c) Fitch Ratings not less than "BBB-";

Resale has the meaning given in clause 4.8 ("Issuer may give Resale Notice") and "Resell" and "Resold" have the corresponding meanings;

Resale Date has the meaning given in clause 4.8 ("Issuer may give Resale Notice");

Resale Notice has the meaning given in clause 4.8 ("Issuer may give Resale Notice");

Resale Price has the meaning given in clause 4.9 ("Resale Date and Resale Price");

Resale Record Date has the meaning given in clause 4.11 ("Automatic offer to sell");

Reset Date means each of the First Reset Date and each Subsequent Reset Date;

Residency Jurisdiction has the meaning given in clause 7.3 ("Gross up");

Residual Tier 1 Capital has the meaning determined by APRA from time to time;

Scheduled Mandatory Exchange and **Scheduled Mandatory Exchange Date** each have the meaning given in clause 5.1 ("Scheduled Mandatory Exchange");

Second Mandatory Exchange Condition has the meaning given in clause 5.2 ("Mandatory Exchange Conditions");

Senior Creditors has the meaning given in clause 2.3 ("Ranking");

SGX means Singapore Exchange Securities Trading Limited or the securities market operated by it, as the context requires;

SGX Listing Rules means the listing rules of the SGX;

Special Resolution means:

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

Specified Office of a person means the office specified for that person as notified to the ECS Holders from time to time and, if none is specified, that person's registered office;

Stock Exchange means the SGX or such other stock or securities exchange on which the ECS may be listed from time to time;

Subsequent Reset Date means each fifth anniversary of the First Reset Date;

Substitute Issuer has the meaning given in clause 11.1 ("Substitute Issuer");

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 five consecutive Business Days prior to that date; and
- (b) that date;

Tax Act means the Income Tax Assessment Act 1936 of Australia or the Income Tax Assessment Act 1997 of Australia, as the context requires;

Tax Event means that, on or after the Issue Date, MBL receives an opinion of nationally recognised legal counsel or other nationally recognised tax adviser in Australia, the United Kingdom or any other jurisdiction (each a “**Relevant Tax Event Jurisdiction**”) 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:

- (a) Interest or any principal amount is, or will within 90 days become, subject to an amount of withholding or deduction in respect of any taxes, duties or other governmental charges for which the Issuer, MBL or MGL must pay additional amounts;
- (b) the Issuer, MBL or MGL is, or will within 90 days become, subject to more than a *de minimis* amount of taxes, assessments or other governmental charges in connection with the ECS not otherwise covered by paragraph (a) including, without limitation, a more than *de minimis* adverse change in the deductibility of interest payments on the ECS under the United Kingdom tax laws applicable to the Issuer (or such other Relevant Tax Event Jurisdiction applicable to any Substitute Issuer);

Tax Event Trigger means:

- (a) an amendment to, change in or announced prospective change in, any laws or regulations in a Relevant Tax Event Jurisdiction;
- (b) a judicial decision interpreting, applying or clarifying any laws or regulations in a Relevant Tax Event Jurisdiction;
- (c) an administrative pronouncement, ruling, confirmation, advice or action that represents an official position, including a clarification of an official position of the governmental authority or regulatory body making the administrative pronouncement or taking any action; or
- (d) a challenge asserted or threatened in connection with an audit (including for the avoidance of doubt an HMRC enquiry into a self assessed corporation tax return) of any member of the Macquarie Group,

which amendment, change or prospective change is announced, or which action or clarification or challenge occurs, on or after the Issue Date;

Terms means these terms and conditions;

Third Mandatory Exchange Condition has the meaning given in clause 5.2 (“Mandatory Exchange Conditions”);

Tier 1 Capital has the meaning determined by APRA from time to time;

Tier 1 Capital Ratio means at any time that ratio as defined by APRA;

Transfer Agent means the Registrar or any successor transfer agent or principal transfer agent appointed in accordance with the Agency Agreement;

Trustee has the meaning given in the Trust Deed;

Trust Deed means the trust deed in relation to the ECS entitled “Trust Deed” dated on or about 22 March 2012 and between the Issuer, MGL and the Trustee;

Upper Tier 2 Capital has the meaning determined by APRA from time to time;

US Securities Act means the United States Securities Act of 1933, as amended;

VWAP has the meaning given in clause 5.10 (“Exchange”);

VWAP Period has the meaning given in clause 5.10 (“Exchange”); and

Winding Up means, with respect to an entity, the winding up of the entity, but does not include any winding up 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 corporation effectively assumes the entire obligations of the entity in respect of the ECS and the Trust Deed.

MACQUARIE BANK LIMITED

Information about the Issuer

On 8 August 1994, MBL (ACN 008 583 542) opened a London Branch. On 21 October 1994, MBL was registered under Schedule 21A to the *Companies Act 1985* of the United Kingdom as having established a branch (Registration No. BR002678) in England and Wales. The Issuer is an authorised person for the purposes of section 19 of the Financial Services and Markets Act 2000 and is authorised and regulated by the Financial Services Authority (Firm No. 170934).

The Issuer's registered office is Ropemaker Place, 28 Ropemaker Street, London, EC2Y 9HD, United Kingdom. The telephone number of its principal place of business is +44 20 3037 2000.

In the United Kingdom, MBL conducts regulated banking business. All five principal operating groups of MBL (see below) now have a presence in the Issuer.

Information about MBL

MBL is headquartered in Sydney, Australia and is an ADI regulated by APRA that, directly and through its subsidiaries, engages in Australian and international financial services businesses.

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 the ASX on 29 July 1996 until the corporate restructuring of the Macquarie Group in November 2007. As part of the restructure, MBL became an indirect subsidiary of MGL, a new ASX listed company comprising a **Banking Group** and a **Non-Banking Group**. MBL undertakes the Banking Group activities of MGL.

Although MBL's ordinary shares are no longer listed on ASX, MBL's Macquarie Income Securities continue to be listed on ASX. MBL, accordingly, remains subject to the disclosure and other requirements of ASX as they apply to ASX Debt Listings.

MBL's registered office is Level 3, 25 National Circuit, Forrest, Australian Capital Territory, 2603, Australia. Its principal place of business is No.1 Martin Place, Sydney, New South Wales 2000, Australia. The telephone number of its principal place of business is +61 2 8232 3333.

Regulatory Framework and Developments

As an ADI regulated by APRA, MBL is required to maintain certain minimum regulatory capital requirements. Further details of MBL's capital position is included further below (see "*Selected Financial Information*" below).

MBL is also subject to regulatory changes arising as a result of the Basel III framework, the UK Bank Levy, the US Dodd-Frank Wall Street Reform and Consumer Protection Act and the US Foreign Account Taxation Compliance Act (see "*Regulatory Developments*" below).

Organisational Structure

As at the date of this Offering Circular, MBL has five operating groups:

Operating Groups:

- Fixed Income, Currencies and Commodities;
- Macquarie Securities (excluding the Cash Division);
- Banking and Financial Services;

- Macquarie Funds (excluding the Macquarie Infrastructure and Real Assets Division); and
- Corporate and Asset Finance.

Shared Services

MBL is supported by a number of specialised areas in MGL. These shared services are provided under outsourcing arrangements with various subsidiaries of MGL, pursuant to services agreements and include: Risk management; Finance; Information technology; Macquarie Group treasury; Settlement services; Equity markets operations; Human resources services; Business services; Company secretarial services; 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 upon from time to time.

Business Group Overview

Fixed Income, Currencies and Commodities

Fixed Income, Currencies and Commodities provides a variety of trading, research, sales and financing services across the globe with an underlying specialisation in interest rate, commodity and foreign exchange related institutional trading, marketing, lending, clearing or platform provision.

Banking and Financial Services Group

Banking and Financial Services is the primary relationship manager for MBL's retail client base. The group brings together MBL's retail banking and financial services businesses providing a diverse range of wealth management products and services to financial advisers, stockbrokers, mortgage brokers, professional services industries and the end consumer.

Macquarie Funds (excluding the Infrastructure and Real Assets division)

Macquarie Funds is MBL's funds management business. Macquarie Funds is a full-service asset manager, offering a diverse range of capabilities and products including securities investment management, and fund and equity based structured products.

Macquarie Infrastructure and Real Assets division of Macquarie Funds forms part of the Non-Banking Group, and manages a range of direct asset funds including infrastructure and real estate funds.

Macquarie Securities (excluding the Cash division)

Macquarie Securities activities include institutional and retail derivatives, structured equity finance, arbitrage trading, synthetic products, capital management, collateral management and securities borrowing and lending.

The Cash division of Macquarie Securities forms part of the Non-Banking Group and operates as a full-service global institutional cash equities broker in Australia, Asia, South Africa and Canada, and offers specialised service in other regions. The Cash division also provides Equity Capital Markets through a joint venture with Macquarie Capital.

Corporate and Asset Finance

Corporate and Asset Finance provides lending, leasing and asset management solutions.

Principal Markets

MBL is a global provider of banking, financial, advisory, investment and funds management services, headquartered in Sydney, Australia.

MBL acts on behalf of institutional, corporate and retail clients and counterparties around the world.

Profit Estimate

MBL does not make profit forecasts or estimates.

Major Shareholders

As at the date of this Offering Circular, Macquarie B.H. Pty Limited (ACN 124 071 432) is the sole voting member of MBL. Macquarie B.H. Pty Limited is wholly-owned by MGL.

Material Contracts

There are no material contracts that are not entered into in the ordinary course of MBL's business which could result in MBL or any entity within the Banking Group being under an obligation or entitlement that is material to the Issuer's ability to meet its obligations to ECS Holders in respect of the ECS.

Principal investment activity

Since the date of MBL's last published financial statements (as at 30 September 2011), and other than as released to the ASX prior to the date of this Offering Circular, MBL has not made any principal investments that are material to its ability to meet its obligations to ECS Holders in respect of the ECS.

Significant change in the Issuer's financial position

There has been no significant change in the financial or trading position of MBL, and no material adverse change in the financial position or prospects, of MBL or the Banking Group since the six months ended 30 September 2011, being the date as at which the latest published financial statements of MBL consolidated with its controlled entities were made up other than as disclosed by MGL as part of the continuous disclosure requirements of the ASX.

Documents on Display

Copies of the following documents may be inspected on MBL's internet site, www.macquarie.com.au:

- the constitution of MBL; and
- the annual and financial reports of MBL for each of the two financial years preceding the publication of this Offering Circular.

MACQUARIE GROUP LIMITED

Information about Macquarie Group Limited

MGL (ACN 122 169 279) is the ultimate holding company for all other companies and entities within the Macquarie Group. As at the date of this Offering Circular, MGL is not a subsidiary of, nor controlled by, any other company.

MGL was incorporated on 12 October 2006 with limited liability for an unlimited duration. It is incorporated in the Commonwealth of Australia, registered in Victoria and is regulated by the Australian Corporations Act.

The registered office of MGL is at No.1 Martin Place, Sydney 2000, New South Wales, Australia. MGL's principal place of business is Level 7, No. 1 Martin Place, Sydney 2000, New South Wales, Australia. The telephone number of MGL's principal place of business is + 61 2 8232 3333.

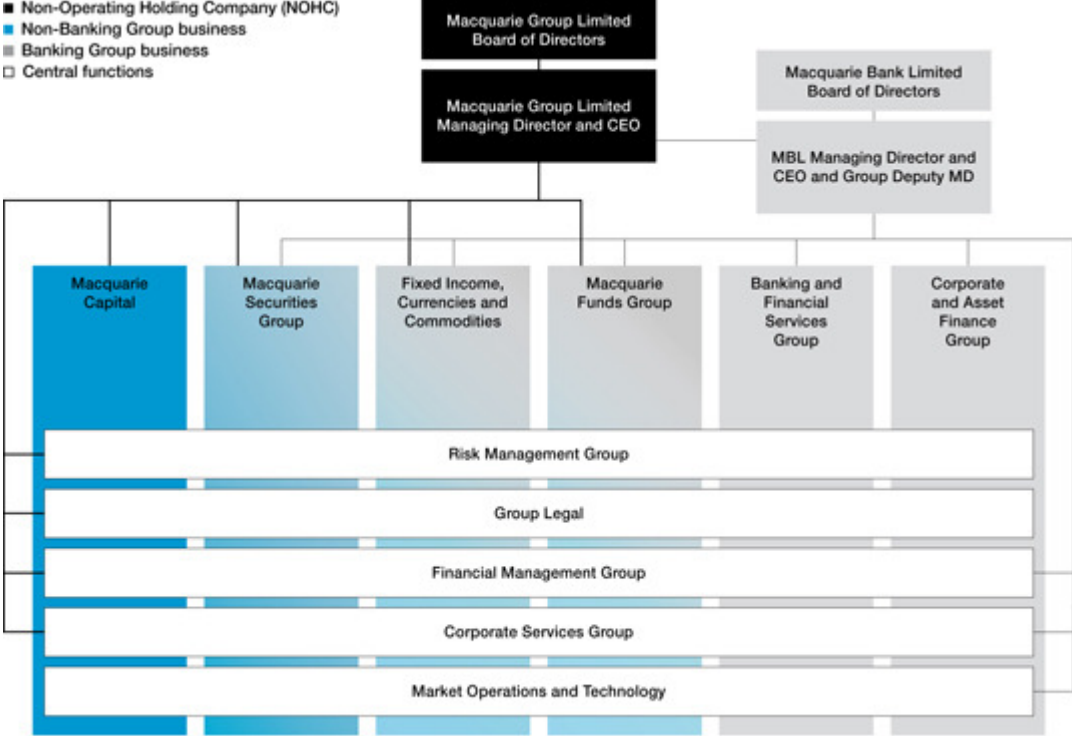
MGL is an ASX listed diversified financial services holding company headquartered in Sydney, Australia and regulated as a non-operating holding company of an Australian ADI by APRA, the prudential regulator of the Australian financial services industry. The Macquarie Group provides banking, financial, 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.

The Macquarie Group's operations are conducted primarily through two groups – the **Banking Group**, consisting of MBL and its controlled entities and the **Non-Banking Group**, consisting of the activities of Macquarie Capital, the Cash division of the Macquarie Securities, the Macquarie Infrastructure and Real Assets division of Macquarie Funds and certain less financially significant assets and businesses of Fixed Income, Currencies and Commodities operating groups. Further details of the Banking Group and the Non-Banking Group are provided below.

On 13 November 2007, MGL became the ultimate holding company of MBL and its controlled entities. As such, the historical consolidated financial statements of MBL reflect the historical results of operations and financial condition of MGL's businesses, with certain limited exceptions. As at 30 September 2011, the Macquarie Group employed over 15,000 people and had total assets of A\$174.7 billion and total equity of A\$11.8 billion.

Organisational Structure

As at 31 December 2011, the Macquarie Group’s organisational structure was:



MBL and MGL have corporate governance and policy frameworks that meet APRA’s requirements for ADIs and non-operating ADI holding companies, respectively. The Banking Group and the Non-Banking Group operate as separate sub-groups within the Macquarie Group with clearly identifiable businesses, separate capital requirements and discrete funding programmes. Although the Banking Group and the Non-Banking Group operate as separate sub-groups MGL views both as 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 APRA requirements.

Shared Services

The Banking Group and the Non-Banking Group are supported by a number of specialist areas in MGL. These shared services are provided under outsourcing arrangements with various subsidiaries of MGL, pursuant to services agreements and include: Risk management; Finance; Information technology; Macquarie Group treasury; Settlement services; Equity markets operations; Human resources services; Business services; Company secretarial services; 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 upon from time to time.

Business Overview

The following describes the Banking and Non-Banking Groups’ operations.

Overview of Banking Group

MBL comprises the Banking Group activities of MGL. These activities are discussed in detail in the Macquarie Bank Limited section above.

Overview of Non-Banking Group

The following operating group, divisions and activities form the Non-Banking Group:

- Macquarie Capital;
- The Cash division of Macquarie Securities;
- The Macquarie Infrastructure and Real Assets division of Macquarie Funds; and
- Certain less financially significant assets and businesses of the Fixed Income, Currencies and Commodities operating group.

Macquarie Capital includes the Macquarie Group's corporate advisory, equity underwriting, debt structuring and distribution businesses, private equity placements and principal investments.

Principal Markets

MGL is an ASX-listed diversified financial services holding company headquartered in Sydney, Australia and regulated as a non-operating holding company of an ADI by APRA. As a provider of banking, financial, advisory, investment and funds management service, the Macquarie Group acts on behalf of institutional, corporate and retail clients and counterparties around the world.

Profit Estimate

MGL does not make profit forecasts or estimates.

Documents on Display

Copies of the following documents may be inspected on MGL's internet site, www.macquarie.com.au:

- the constitution of MGL; and
- the annual and financial reports of MGL for each of the two financial years preceding the publication of this Offering Circular.

Lawsuits and Contingent Liabilities

The Macquarie Group is a large diversified Australian-based financial institution with a long and successful history. Like any financial institution, Macquarie Group has been subject to legal claims most of which have lapsed without liability. No claim in the past has resulted in a material adverse impact on MBL, MGL or the Macquarie Group.

The Macquarie Group has contingent liabilities in respect of actual and potential claims and proceedings that have not been determined, as described in Note 17 to MBL's consolidated financial statements for the six months ended 30 September 2011. An assessment of likely losses is made on a case by case basis for the purposes of MBL's and MGL's consolidated financial statements and specific provisions that MBL and MGL considers appropriate are made.

On 22 December 2010, ASIC commenced legal proceedings in the Federal Court of Australia against a number of banking institutions, including MBL.

In one set of proceedings ASIC is seeking compensation for investors from MBL and Bank of Queensland arising out of the collapse of Storm Financial Limited (**Storm**) for an alleged breach of contract, contravention of the statutory prohibitions against unconscionable conduct and liability as linked credit providers of Storm under section 73 of the Trade Practices Act 1974 of Australia.

In another set of proceedings, ASIC is alleging that there was an unregistered managed investment scheme in which the relevant banks were involved.

Representative legal action has also been brought through a private law firm in the same court claiming an unregistered managed investment scheme involving Storm on a similar basis as ASIC's action and claiming compensation for those investors.

As at the date of this Offering Circular, the proceedings are progressing through a pre-trial process.

MBL denies liability with respect to these claims.

Credit ratings

As at the date of this Offering Circular, MBL and MGL have the following debt ratings for long-term unsubordinated unsecured obligations:

MBL

- Standard and Poor's (Australia) Pty Ltd: A (Stable);
- Moody's Investors Service Pty Limited: A2 (Stable) ; and
- Fitch Australia Pty Ltd: A (Stable).

MGL

- Standard and Poor's (Australia) Pty Ltd: BBB (Stable);
- Moody's Investors Service Pty Limited: A3 (Stable); and
- Fitch Australia Pty Ltd: A- (Stable).

The ECS are expected to be assigned a credit rating on issue of "BB+" by Fitch.

Credit ratings are for distribution only to a person (a) who is not a retail client within the meaning of section 761G of the Corporations Act of Australia and is also a sophisticated investor, professional investor or other investor in respect of who disclosure is not required under Part 6D.2 or 7.9 of the Corporations Act, and (b) who is otherwise permitted to receive credit ratings in accordance with applicable law in any jurisdiction in which the person may be located. Anyone who is not such a person is not entitled to receive this Offering Circular and any person who does receive this Offering Circular is advised that they must not distribute it to any person who is not entitled to receive it.

A credit rating is not a recommendation to buy, sell or hold the ECS and may be subject to revision, suspension or withdrawal at any time by the assigning rating agency.

Regulatory Developments

Release of the Basel III framework

On 16 December 2010, the Basel Committee on Banking Supervision (**Basel Committee**) issued the text of the Basel III framework, which had been agreed to by the Group of Governors and Heads of Supervision, the oversight body of the Basel Committee, and endorsed by the G20 Leaders at their November 2010 summit in Seoul. The standard is expected to come into effect in Australia on 1 January 2013.

The framework includes higher capital requirements and better quality capital, better risk coverage, the introduction of a leverage ratio as a backstop to the risk-based requirement, measures to promote the build up of capital that can be drawn down in periods of stress, and the introduction of the Liquidity Coverage Ratio (**LCR**) requirement, which aims to ensure that banks have sufficient high-quality liquid assets to survive an acute stress scenario lasting for one month and the Net Stable Funding Ratio (**NSFR**), as a separate liquidity metric.

APRA has indicated that, subject to industry consultation and ongoing international supervisory developments, it intends to adopt, as a minimum, the capital framework, and issue final standards and reporting forms to

implement the global liquidity standards, as proposed under the Basel III framework. Transition arrangements are also expected to apply in relation to the LCR and NSFR, the capital conservation buffer, the countercyclical buffer, and capital instruments.

In line with the liquidity standards contained within the Basel III framework, it is expected that APRA will introduce the LCR and NSFR as part of its prudential standard on liquidity risk management (a draft of which is yet to be released), which will give effect to the global liquidity framework in Australia. In February 2011, APRA determined that the only assets that would qualify as high-quality liquid assets for the purposes of satisfying the LCR requirement are to be cash balances held with the RBA and Australian Government and semi-government securities. To assist ADIs with meeting their LCR requirements, APRA and the RBA have agreed an approach to allow ADIs to establish a committed secured liquidity facility with the RBA to cover any shortfall of its holdings of high-quality liquid assets and the LCR requirement in return for a market based commitment fee. Details of the RBA liquidity facility will be subject to consultation during 2012. APRA has not yet given any detail on its proposed approach to the NSFR and its implementation in Australia.

MGL currently expects that if APRA implements the Basel III framework as proposed, the key implications for MBL would be an increase in risk weighted assets due to the Credit valuation adjustment (CVA) risk capital charge and the increase in the correlation multiplier for exposures to financial institutions, a stricter capital deduction regime, increased minimum capital ratios, additional capital conservation and countercyclical buffers, and a revised definition of eligible capital. Further information is available from APRA's discussion paper "Implementing Basel III capital reforms in Australia" dated 6 September 2011. It is likely that MBL will operate with a reduced capital surplus over minimum requirements under Basel III. Until final prudential standards are published by APRA, it is not possible to predict the final impact of the reforms that will be adopted by APRA and, in particular, their impact on the capital structure or businesses of MBL and the Banking Group.

With the introduction of the RBA liquidity facility, MBL currently expects that it will meet the requirements of the LCR. However, details of the facility are yet to be finalised, including operational aspects and applicable fees.

Basel Committee requirements for loss absorbency

On 13 January 2011, the Basel Committee issued the minimum requirements to ensure loss absorbency at the point of non-viability. These requirements enhance the criteria of regulatory capital to ensure that all regulatory capital instruments issued by banks are capable of absorbing losses in the event that a bank is unable to support itself in the private market and are in addition to the criteria detailed in the text of the Basel III framework that were published in December 2010.

It is not yet clear how APRA proposes to implement these new minimum requirements which may result in MBL operating with a reduced capital surplus over minimum requirements to the extent any Tier 1 and Tier 2 instruments issued or on issue by MBL on or after 1 January 2013 fail to satisfy these new requirements.

UK Bank Levy

Effective 1 January 2011, the United Kingdom introduced a new bank levy to apply to all accounting periods subsequent to the effective date. In respect of non-UK banking groups operating in the United Kingdom, the bank levy will apply to the notional consolidated balance sheets of its UK branches, UK entities and their worldwide subsidiaries and branches. The bank levy will be calculated by reference to chargeable equity and liabilities included in the consolidated balance sheet at different rates for short term chargeable liabilities and long term chargeable equity and liabilities. The bank levy is not applicable on the first £20 billion of chargeable equity and liabilities on the consolidated balance sheet. Based on the 31 March 2011 balance sheet position (the first accounting period ending after 1 January 2011), it is not anticipated that the Macquarie Group will be impacted by the bank levy on the basis that its chargeable liabilities and equity are expected to be below £20 billion for the full accounting period. The Macquarie Group will continue to monitor its position on a regular basis.

Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act)

The Dodd-Frank Act was signed into law in the United States on 21 July 2010. The Act contains a wide range of provisions that will affect financial institutions operating in the United States, including Macquarie Group's U.S. and global subsidiaries. Included under the Dodd-Frank Act are reforms designed to reduce systemic risk

presented by very large financial firms, promote enhanced supervision, regulation and prudential standards for financial firms, establish comprehensive supervision of financial markets, impose new limitations on permissible financial institution activities and investments, expand regulation of the derivatives markets, protect consumers and investors from financial abuse, and provide the US government with the tools needed to manage a financial crisis. Many aspects of the legislation require final rulemaking by US federal supervisory agencies for full implementation. The Macquarie Group's businesses will be affected by a variety of new regulations under the Dodd-Frank Act primarily in relation to (i) greater regulation of over-the-counter derivatives including stricter capital and margin requirements, the centralised execution and clearing of standardised over-the-counter derivatives, and heightened supervision and required registration of swap dealers and major swap participants and (ii) increased regulation of investment advisers.

Directors of MBL

As at the date of this Offering Circular the persons named below are Voting Directors of MBL under MBL's constitution and exercise the powers of directors for the purposes of the Australian Corporations Act. All members of the Board of Voting Directors of MBL have the business address of No.1 Martin Place, Sydney, NSW, 2000, Australia.

H Kevin McCann, AM, BA LLB (Hons) (Syd), LLM (Harv), FAICD (age 71)

Independent Chairman since 17 March 2011

Independent Voting Director since December 1996

Kevin McCann is currently Chairman of Origin Energy Limited, a Director of BlueScope Steel Limited and the United States Studies Centre at the University of Sydney, and a member of the University of Sydney Senate and the Evans and Partners Advisory Board. He is also NSW President and a board member of the Australian Institute of Company Directors. Mr McCann was a Partner (from 1970 to 2004) and Chairman of Allens Arthur Robinson, a leading firm of Australian lawyers. He practiced as a commercial lawyer specialising in Mergers and Acquisitions, Mineral and Resources Law and Capital Markets Transactions. He was previously Chairman of Triako Resources Limited, Healthscope Limited and ING Management Limited.

Greg Ward BEc (Macquarie), MEc (Macquarie), FCA, F Fin (age 43)

Managing Director and Chief Executive Officer since December 2011

Greg Ward joined Macquarie on listing in 1996 and was appointed Chief Financial Officer in 1997. On 20 December 2011, Mr Ward became the Managing Director and Chief Executive Officer of Macquarie Bank Limited and a member of its Board. He is also the Deputy Managing Director and a member of the Board Risk Committee of Macquarie Group Limited.

Prior to working with Macquarie, Mr Ward held senior roles with Westpac Banking Corporation and PricewaterhouseCoopers. Mr Ward was also an inaugural member of the Federal Treasury's Financial Reporting Panel and served as a Board member of the Australian Accounting Standards Board from September 1999 to February 2003. Mr Ward is currently a Board member of the Macquarie Group Foundation which facilitates the Macquarie Group's philanthropic undertakings, a member of the Macquarie University Council and a director of UNICEF Australia.

Nicholas W Moore, BCom LLB (UNSW), FCA (age 53)

Executive Voting Director since May 2008

Nicholas Moore joined Macquarie's Corporate Services Division in 1986. He led a range of transactions, including Hills Motorway, which led the development of Macquarie's infrastructure business. 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 (predecessor to Macquarie Capital) on its inception in 2001. In this role, he oversaw significant growth in Macquarie Capital's net income through the global growth of the advisory, fund management, financing and securities businesses. He was previously a Director of Macquarie Infrastructure Group, Macquarie Alliance Group and Macquarie Media Group. Currently, he is also Chairman of the Police and Community Youth Clubs NSW Limited, a Director of the Centre for Independence Studies and Chairman of the University of NSW Business School Advisory Council.

Diane J Grady, AM, BA (Mills), MA (Hawaii), MBA (Harv) (age 63)

Independent Voting Director since May 2011

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 Bluescope Steel Limited, a member of the McKinsey Advisory Board, Chair of Ascham School and Chair of the Hunger Project Australia. Previously she was a Director of Woolworths Limited, Goodman Group, Wattyl Limited, Lend Lease US Office Trust, Lend Lease Limited, MLC and a Trustee of the Sydney Opera House. She was also President of Chief Executive Women and chaired the group's taskforce which published the CEO Kit for Attracting and Retaining Female Talent.

Ms Grady was 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 of the US 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, FAIM, SF Fin (age 52)

Independent Voting Director since March 2010

Member of the Board Audit Committee

Michael Hawker was Chief Executive Officer and Managing Director of Insurance Australia Group from 2001 to 2008. From 1995 to 2001, he was with Westpac where his roles included Group Executive of Business and Consumer Banking and General Manager of Financial Markets. Prior to this, he held a number of roles with Citibank, including Deputy Managing Director for Australia and subsequently Executive Director, Head of Derivatives, Europe. Currently, Mr Hawker is the Chairman of the George Institute for Global Health and serves as a Director of Aviva Plc Group, the largest insurance provider in the UK and the Australian Rugby Union. He is also a member of the Advisory Board to GEMS, a Hong Kong based private equity firm and a member of the board of trustees of the Giant Steps Foundation and the George Institute for Global Health (UK). He was previously President of the Insurance Council of Australia, Chairman of the Australian Financial Markets Association, board member of the Geneva Association, member of the Financial Sector Advisory Council and is the founder of the Australian Business in the Community Network.

Peter M Kirby, BEc (Rhodes), BEc (Hons) (Natal), MA (Manch), MBA (Wits) (age 64)

Independent Voting Director since June 2003

Member of the Board Audit Committee

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

Catherine B Livingstone, AO, BA (Hons) (Macquarie), HonDBus (Macquarie), HonDSc (Murdoch), FCA, FTSE, FAICD (age 56)

Independent Voting Director since November 2003

Chairman of the Board Audit Committee

Catherine Livingstone was the Managing Director of Cochlear Limited from 1994 to 2000. Prior to that she was the Chief Executive, Finance at Nucleus Limited and before that held a variety of finance and accounting roles including having been with chartered accountants, Price Waterhouse, for several years. Ms Livingstone was also previously Chairman of CSIRO and a Director of Goodman Fielder and Rural Press Limited. Ms Livingstone was awarded the Centenary Medal in 2003 for service to Australian Society in Business Leadership and was elected a Fellow of the Australian Academy of Technological Sciences and Engineering in 2002. She is currently Chairman of Telstra Corporation Limited, a Director of WorleyParsons Limited and Future Directions

International Pty Ltd and a member of the New South Wales Innovation Council, the Royal Institution of Australia and the Prime Minister's Business Taskforce for the Queensland Floods.

John R Niland, AC, BCom MCom HonDSc (UNSW), PhD (Illinois), DUniv (SCU), FAICD (age 71)
Independent Voting Director since February 2003

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

Helen M Nugent, AO, BA (Hons) (Qld), PhD (Qld), MBA (Harv), HonDBus (Qld) (age 63)
Independent Voting Director since June 1999

Helen Nugent is currently Chairman of Funds SA and a Director of Origin Energy Limited and Freehills. Previously, she was involved in the financial services sector as Director of Strategy at Westpac Banking Corporation (1994 to 1999) and a Non-Executive Director of the State Bank of New South Wales and Mercantile Mutual. In addition, she was previously Chairman of Hudson (Australia and New Zealand) and Swiss Re Life and Health (Australia) Limited and a Director of UNiTAB, Carter Holt Harvey and Australia Post. She has also been a Partner at McKinsey and Company. She has been actively involved in the arts and education. In the arts, she is Chairman of the National Portrait Gallery and was formerly Deputy Chairman of the Australia Council, Chairman of the Major Performing Arts Board of the Australia Council, Chairman of the Ministerial Inquiry into the Major Performing Arts and Deputy Chairman of Opera Australia. In education, she is currently Chancellor of Bond University and was a member of the Bradley Review into Higher Education and Professor in Management and Director of the MBA Program at the Australian Graduate School of Management.

Peter H Warne, BA (Macquarie) (age 56)
Independent Voting Director since July 2007
Member of the Board Audit 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. He was a Director and Deputy Chairman of the Sydney Futures Exchange (SFE) from 1995 to 1999 and a Director from 2000 to 2006. When the SFE merged with the Australian Securities Exchange (ASX Limited) in 2006 he became a Director of ASX Limited. Currently, Mr Warne is on the boards of other listed entities as Chairman of ALE Property Group and Deputy Chairman of WHK Group Limited. He is also Deputy Chairman of Capital Markets CRC Limited, a Director of Securities Research Centre of Asia Pacific Limited and of New South Wales Treasury Corporation and a member of the Advisory Board of the Australian Office of Financial Management. He is a former Director of Next Financial Limited, Macquarie Capital Alliance Group and a former Chairman and Director of TEYS Limited.

Directors of MGL

As at the date of this Offering Circular, the persons named below are Voting Directors of MGL under MGL's constitution and exercise the powers of directors for the purposes of the Australian Corporations Act. All members of the Board of Voting Directors of MGL have the business address of No.1 Martin Place, Sydney, NSW, 2000, Australia.

Each of the Voting Directors of MGL is a Voting Director of MBL and their relevant experience has been noted above.

H Kevin McCann, AM

Independent Chairman since 17 March 2011
Independent Voting Director since August 2007

Chairman of the Board Nominating Committee
Member of the Board Remuneration Committee
Member of the Board Risk Committee

Nicholas W Moore

Managing Director and Chief Executive Officer since May 2008
Executive Voting Director of Macquarie Group since February 2008
Member of the Board Risk Committee

Diane J Grady, AM

Independent Voting Director since May 2011
Member of the Board Remuneration Committee
Member of the Board Risk Committee

Michael J Hawker, AM

Independent Voting Director since March 2010
Member of the Board Audit Committee
Member of the Board Risk Committee

Peter M Kirby

Independent Voting Director since August 2007
Member of the Board Audit Committee
Member of the Board Governance and Compliance Committee
Member of the Board Risk Committee

Catherine B Livingstone, AO

Independent Voting Director since August 2007
Chairman of the Board Audit Committee
Member of the Board Governance and Compliance Committee
Member of the Board Nominating Committee
Member of the Board Risk Committee

John R Niland, AC

Independent Voting Director since August 2007
Chairman of the Board Governance and Compliance Committee
Member of the Board Remuneration Committee
Member of the Board Risk Committee

Helen M Nugent, AO

Independent Voting Director since August 2007
Chairman of the Board Remuneration Committee
Member of the Board Nominating Committee
Member of the Board Risk Committee

Peter H Warne

Independent Voting Director since August 2007
Chairman of the Board Risk Committee
Member of the Board Audit Committee
Member of the Board Governance and Compliance Committee
Member of the Board Remuneration Committee

Director Duties and Conflict of Interest

No member of the MBL Board has a material conflict between their duties to MBL and their personal interests or other duties. In broad terms, the Directors of MBL have duties to MBL including to:

- act with care and diligence;
- exercise their powers and discharge their duties in good faith and in the best interests of MBL, and for a proper purpose;
- not improperly use their position to gain an advantage for themselves or someone else or to cause detriment to MBL; and
- not improperly use information they have obtained as a result of their position to gain an advantage for themselves or someone else or to cause detriment to MBL.

In the event that a material conflict of interest between the duties of a Director to MBL and their personal interests arises, a Director with a conflict will:

- notify the other Directors of their interest in the matter when the conflict arises (unless a standing notice regarding the material personal interest has already been given to the other Directors); and
- not receive the relevant Board paper nor be present whilst the matter that they have an interest in is being considered at a Directors' meeting and not vote on the matter unless the Board (excluding the relevant Board member) resolves otherwise.

SELECTED FINANCIAL INFORMATION

The consolidated income statement and consolidated statement of financial position below has been extracted from the Interim Directors' Report and Financial Report Half-Year ended 30 September 2011 of MBL and MGL.

Macquarie Bank Limited and its subsidiaries Consolidated Income Statement for the half year ended 30 September 2011

	Half Year to 30 September 2011 \$m	Half Year to 31 March 2011 \$m	Half Year to 30 September 2010 \$m
Interest and similar income	2,701	2,617	2,524
Interest expense and similar charges	(1,872)	(1,730)	(1,760)
Net interest income	829	887	764
Fee and commission income	625	553	754
Net trading income	408	646	633
Share of net profits of associates and joint ventures accounted for using the equity method	15	26	19
Other operating income and charges	260	338	175
Net operating income	2,137	2,450	2,345
Employment expenses	(732)	(748)	(805)
Brokerage and commission expenses	(318)	(281)	(388)
Occupancy expenses	(72)	(72)	(67)
Non-salary technology expenses	(49)	(48)	(50)
Other operating expenses	(683)	(590)	(641)
Total operating expenses	(1,854)	(1,739)	(1,951)
Operating profit before income tax	283	711	394
Income tax expense	(58)	(189)	(83)
Profit after income tax	225	522	311
(Profit)/loss attributable to non-controlling interests:			
Macquarie Income Preferred Securities	(2)	(2)	(2)
Other non-controlling interests	(1)	2	(2)
Profit attributable to non-controlling interests	(3)	–	(4)
Profit attributable to equity holders of Macquarie Bank Limited	222	522	307
Distributions paid or provided for on:			
Macquarie Income Securities	(13)	(13)	(13)
Profit attributable to ordinary equity holders of Macquarie Bank Limited	209	509	294

Macquarie Bank Limited and its subsidiaries
Consolidated Statement of Financial Position as at 30 September 2011

	As at 30 Sep 2011 \$m	As at 31 Mar 2011 \$m	As at 30 Sep 2010 \$m
Assets			
Due from financial institutions	9,024	7,579	7,595
Cash collateral on securities borrowed and reverse repurchase agreements	5,894	7,418	8,272
Trading portfolio assets	14,375	14,423	15,182
Loan assets held at amortised cost	44,934	45,382	44,703
Other financial assets at fair value through profit or loss	9,097	10,607	9,447
Derivative financial instruments – positive values	34,064	21,145	23,431
Other assets	9,173	6,839	6,100
Investment securities available for sale	19,409	15,003	16,118
Life investment contracts and other unitholder investment assets	4,760	5,062	5,052
Due from related body corporate entities	1,313	2,443	2,334
Interests in associates and joint ventures accounted for using the equity method	771	856	852
Property, plant and equipment	4,648	2,363	1,881
Intangible assets	934	866	951
Deferred income tax assets	108	376	379
Total assets	158,504	140,362	142,297
Liabilities			
Due to financial institutions	4,995	1,580	2,647
Cash collateral on securities lent and repurchase agreements	8,571	6,103	5,837
Trading portfolio liabilities	4,346	5,732	5,501
Derivative financial instruments – negative values	32,171	21,455	24,284
Deposits	37,833	35,106	34,829
Debt issued at amortised cost	37,365	36,943	36,275
Other financial liabilities at fair value through profit or loss	2,103	2,909	2,017
Other liabilities	9,059	7,463	7,030
Current tax liabilities	27	67	67
Life investment contracts and other unitholder liabilities	4,759	5,055	5,069
Due to related body corporate entities	4,856	6,471	7,639
Provisions	87	80	84
Deferred income tax liabilities	296	393	311
Total liabilities excluding loan capital	146,468	129,357	131,590
Loan capital			
Subordinated debt at amortised cost	2,447	1,430	1,472
Subordinated debt at fair value through profit or loss	149	467	487
Total loan capital	2,596	1,897	1,959
Total liabilities	149,064	131,254	133,549
Net assets	9,440	9,108	8,748

Equity			
Contributed equity			
Ordinary share capital	7,578	7,278	7,128
Equity contribution from ultimate parent entity	111	102	108
Macquarie Income Securities	391	391	391
Reserves	(326)	(436)	(342)
Retained earnings	1,613	1,701	1,377
Total capital and reserves attributable to equity holders of Macquarie Bank Limited	9,367	9,036	8,662
Non-controlling interests			
Macquarie Income Preferred Securities	66	63	66
Other non-controlling interests	7	9	20
Total equity	9,440	9,108	8,748

Macquarie Group Limited and its subsidiaries
Consolidated Income Statement for the half year ended 30 September 2011

	Half Year to 30 September 2011 \$m	Half Year to 31 March 2011 \$m	Half Year to 30 September 2010 \$m
Interest and similar income	2,789	2,667	2,637
Interest expense and similar charges	(2,091)	(1,997)	(2,032)
Net interest income	698	670	605
Fee and commission income	1,766	1,896	1,995
Net trading income	374	762	606
Share of net profits of associates and joint ventures accounted for using the equity method	49	94	85
Other operating income and charges	356	561	370
Net operating income	3,243	3,983	3,661
Employment expenses	(1,652)	(1,994)	(1,896)
Brokerage and commission expenses	(386)	(344)	(441)
Occupancy expenses	(213)	(246)	(237)
Non-salary technology expenses	(149)	(157)	(159)
Other operating expenses	(428)	(467)	(432)
Total operating expenses	(2,828)	(3,208)	(3,165)
Operating profit before income tax	415	775	496
Income tax expense	(107)	(197)	(85)
Profit after income tax	308	578	411
(Profit)/loss attributable to non-controlling interests:			
Macquarie Income Securities	(13)	(13)	(13)
Macquarie Income Preferred Securities	(2)	(2)	(2)
Other non-controlling interests	12	(10)	7
Profit attributable to non-controlling interests	(3)	(25)	(8)
Profit attributable to ordinary equity holders of Macquarie Group Limited	305	553	403
			Cents per share
Basic earnings per share	86.6	163.3	119.2
Diluted earnings per share	85.3	158.8	117.1

Macquarie Group Limited and its subsidiaries
Consolidated Statement of Financial Position as at 30 September 2011

	As at 30 Sep 2011 \$m	As at 31 Mar 2011 \$m	As at 30 Sep 2010 \$m
Assets			
Due from financial institutions	11,525	9,817	9,766
Cash collateral on securities borrowed and reverse repurchase agreements	6,696	8,790	9,266
Trading portfolio assets	14,616	14,898	15,938
Loan assets held at amortised cost	45,843	46,016	45,130
Other financial assets at fair value through profit or loss	9,998	11,668	11,025
Derivative financial instruments – positive values	34,201	21,185	23,430
Other assets	14,960	12,646	11,671
Investment securities available for sale	21,334	17,051	18,576
Life investment contracts and other unitholder investment assets	4,758	5,059	5,047
Interests in associates and joint ventures accounted for using the equity method	2,891	2,790	2,719
Property, plant and equipment	5,133	5,007	2,899
Intangible assets	1,393	1,317	1,411
Deferred income tax assets	1,251	1,245	1,107
Non-current assets and assets of disposal groups classified as held for sale	89	79	75
Total assets	174,688	157,568	158,060
Liabilities			
Due to financial institutions	9,557	7,810	9,981
Cash collateral on securities lent and repurchase agreements	8,844	6,617	6,482
Trading portfolio liabilities	4,425	5,808	5,811
Derivative financial instruments – negative values	32,240	21,572	24,326
Deposits	38,050	35,338	35,047
Debt issued at amortised cost	42,258	41,177	39,955
Other financial liabilities at fair value through profit or loss	3,334	4,339	3,710
Other liabilities	15,180	14,327	12,973
Current tax liabilities	72	197	94
Life investment contracts and other unitholder liabilities	4,759	5,055	5,069
Provisions	232	215	221
Deferred income tax liabilities	351	287	235
Total liabilities excluding loan capital	159,302	142,742	143,904
Loan capital			
Macquarie Convertible Preference Securities	596	595	593
Subordinated debt at amortised cost	2,877	1,832	1,483
Subordinated debt at fair value through profit or loss	149	467	487
Total loan capital	3,622	2,894	2,563
Total liabilities	162,924	145,636	146,467
Net assets	11,764	11,932	11,593
Equity			
Contributed equity			
Ordinary share capital	7,245	7,140	7,063
Treasury shares	(1,135)	(731)	(719)
Exchangeable shares	98	104	129

	As at 30 Sep 2011 \$m	As at 31 Mar 2011 \$m	As at 30 Sep 2010 \$m
Reserves	504	310	263
Retained earnings	4,539	4,581	4,325
Total capital and reserves attributable to ordinary equity holders of Macquarie Group Limited	11,251	11,404	11,061
Non-controlling interests			
Macquarie Income Securities	391	391	391
Macquarie Income Preferred Securities	66	63	66
Other non-controlling interests	56	74	75
Total equity	11,764	11,932	11,593

Effect of the ECS on MBL and MGL's consolidated capitalisation

The following table contains information from MBL and MGL's consolidated reviewed but unaudited statement of financial position for the half year ended 30 September 2011 and sets out the consolidated capitalisation based on a historical basis as at 30 September 2011, and as adjusted to give effect to the ECS (but without giving effect to the application of the proceeds thereof). This table should be read in conjunction with the consolidated financial statements and related notes incorporated by reference in this Offering Circular.

MBL calculation

	As at 30 September 2011 A\$m	Adjustment for issuance of ECS ¹	Adjusted A\$m
Total liabilities excluding loan capital	146,468		146,468
Total loan capital	2,596	234	2,830
Total liabilities	149,064	234	149,298
Total equity	9,440		9,440
Total capitalisation²	158,504	234	158,738

1 US\$250 million issued, with transaction expenses of US\$5 million, converted to AUD using a USD exchange rate of 1.04779, being the exchange rate on 20 March 2012. The USD-AUD exchange rate is subject to fluctuation on a day-to-day basis and the conversion of this amount would vary if a different exchange rate were applied.

2 Consolidated capitalisation represents the sum of Total liabilities and Total equity.

MGL calculation

	As at 30 September 2011 A\$m	Adjustment for issuance of ECS ¹	Adjusted A\$m
Total liabilities excluding loan capital	159,302		159,302
Total loan capital	3,622	234	3,856
Total liabilities	162,924	234	163,158
Total equity	11,764		11,764
Total capitalisation²	174,688	234	174,922

1 US\$250 million issued, with transaction expenses of US\$5 million, converted to AUD using a USD exchange rate of 1.04779, being the exchange rate on 20 March 2012. The USD-AUD exchange rate is subject to fluctuation on a day-to-day basis and the conversion of this amount would vary if a different exchange rate were applied.

2 Consolidated capitalisation represents the sum of Total liabilities and Total equity.

Capital position

MBL

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

The MBL (Level 2) capital ratios as at 30 September 2011 are set out in the table below.

	As at 30 September 2011 A\$m	Adjustment for issuance of ECS ¹	Adjusted A\$m
Net Tier 1	6,967	234	7,201
Net Tier 2	1,794		1,794
Total Capital	8,761	234	8,995
Risk Weighted Assets	57,601		57,601
Tier 1 Ratio	12.1%		12.5%
Total Capital Ratio	15.2%		15.6%

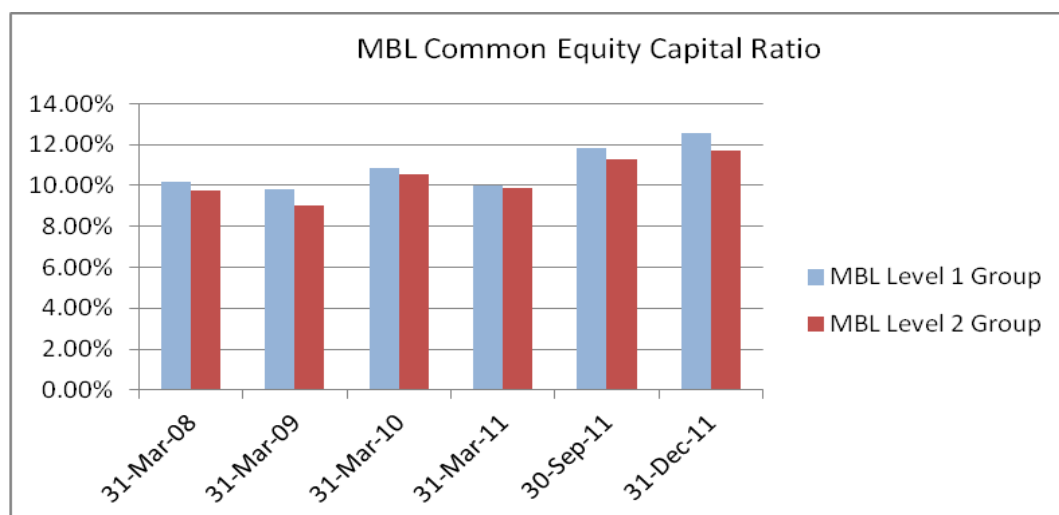
1 US\$250 million issued, with transaction expenses of US\$5 million, converted to AUD using a USD exchange rate of 1.04779, being the exchange rate on 20 March 2012. The USD-AUD exchange rate is subject to fluctuation on a day-to-day basis and the conversion of this amount would vary if a different exchange rate were applied.

The MBL (Level 1) capital ratios as at 30 September 2011 are set out in the table below.

	As at 30 September 2011 A\$m	Adjustment for issuance of ECS ¹	Adjusted A\$m
Net Tier 1	6,902	234	7,136
Net Tier 2	1,241		1,241
Total Capital	8,143	234	8,377
Risk Weighted Assets	54,484		54,484
Tier 1 Ratio	12.7%		13.1%
Total Capital Ratio	15.0%		15.4%

1 US\$250 million issued, with transaction expenses of US\$5 million, converted to AUD using a USD exchange rate of 1.04779, being the exchange rate on 20 March 2012. The USD-AUD exchange rate is subject to fluctuation on a day-to-day basis and the conversion of this amount would vary if a different exchange rate were applied.

MBL's Level 1 and Level 2 Common Equity Tier 1 Ratio (under the current APRA regulations) at year end reporting dates since 31 March 2008 (as well as at 30 September 2011 and 31 December 2011) is set out below.



MGL

As an APRA authorised and regulated Non-Operating Holding Company, MGL is required to hold adequate regulatory capital to cover the risks for the whole Macquarie Group, including the Non-Banking Macquarie Group. MGL and APRA have agreed a capital adequacy framework for MGL, based on 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 dollar value of:

- the Banking Macquarie Group's minimum Tier 1 capital requirement, based on a percentage of risk-weighted assets plus Tier 1 deductions (using prevailing APRA ADI Prudential Standards); and
- the Non-Banking Macquarie Group capital requirement, calculated using Macquarie's ECAM.

Transactions internal to the Macquarie Group are eliminated.

Eligible regulatory capital of MGL consists of ordinary share capital, retained earnings and certain reserves plus eligible hybrid instruments. Eligible hybrid instruments currently include the Convertible Preference Securities issued in July 2008 and the Macquarie Preferred Membership Interests issued in November 2010 as well as the Macquarie Income Securities and Macquarie Income Preferred Securities.

The current Macquarie Group regulatory capital surplus calculation as at 30 September 2011 is set out in the table below.

	As at 30 September 2011 A\$m	Adjustment for issuance of ECS ¹	Adjusted A\$m
Macquarie Group eligible capital	12,366	234	12,600
Macquarie Group capital requirement:			
Banking Macquarie Group			
Risk-Weighted Assets (excluding intra-group exposures) ²	57,601		57,601
Capital required to cover Risk-Weighted Assets ³	4,032		4,032
Tier 1 deductions (excluding intra-group exposures) ⁴	2,194		2,194
Banking Macquarie Group (excluding intra-group exposures)	6,226		6,226
Non-Banking Macquarie Group	2,608		2,608
Total capital requirement	8,834		8,834
Macquarie Group regulatory capital surplus	3,532		3,766

1 US\$250 million issued, with transaction expenses of US\$5 million, converted to AUD using a USD exchange rate of 1.04779, being the exchange rate on 20 March 2012. The USD-AUD exchange rate is subject to fluctuation on a day-to-day basis and the conversion of this amount would vary if a different exchange rate were applied.

2 In calculating the Macquarie Banking Group's contribution to MGL's capital requirement, risk-weighted assets associated with exposures to the Macquarie Non-Banking Group of A\$0 are eliminated.

3 At the internal minimum Tier 1 ratio of the Macquarie Banking Group, which is 7%.

4 In calculating the Macquarie Banking Group's contribution to MGL's capital requirement, deductions resulting from transactions internal to the Macquarie Group of A\$60 million are eliminated.

TAXATION

(a) United Kingdom

The comments below are of a general nature based on the Issuer's understanding of current United Kingdom law and HM Revenue and Customs (HMRC) practice and address the United Kingdom withholding tax treatment of the ECS and the MGL Ordinary Shares and certain other aspects of the United Kingdom tax treatment for holders of the ECS and MGL Ordinary Shares. The tax position prevailing under current UK law and HMRC practice may be subject to change, including change with retrospective effect. These comments are not exhaustive and do not purport to constitute legal or tax advice. They do not necessarily apply where income from the ECS or MGL Ordinary Shares is deemed for tax purposes to be the income of any other person. They relate only to the position of persons who are the absolute beneficial owners of the ECS and MGL Ordinary Shares and may not apply to certain classes of persons such as employees and officers of MBL, MGL or any entity connected with them, dealers, certain professional investors or persons connected with MBL or MGL. The United Kingdom tax treatment of prospective investors will depend on their individual circumstances. Prospective investors should seek their own professional advice as to the United Kingdom tax consequences to them of acquiring, holding, redeeming or selling the ECS or MGL Ordinary Shares. Any holders of the ECS and MGL Ordinary Shares who are in doubt as to their own tax position or who may be subject to tax in a jurisdiction other than the United Kingdom should consult their professional advisers.

Withholding taxes and provision of information

Payments of interest on the ECS (which for the purposes of the paragraphs of this part (a) ("United Kingdom") includes all payments of Interest) will be made without deduction of or withholding on account of United Kingdom income tax provided that the ECS are and continue to be listed on a "recognised stock exchange" within the meaning of section 1005 of the Income Tax Act 2007. The main board of the SGX-ST is a recognised stock exchange. The ECS will satisfy this requirement if they are officially listed in Singapore in accordance with provisions corresponding to those generally applicable in EEA states and are admitted to trading on the SGX-ST. Provided, therefore, that the ECS are and remain so listed, interest on the ECS will be payable without withholding or deduction on account of United Kingdom tax.

Interest on the ECS will also be paid without withholding or deduction on account of United Kingdom tax where interest on the ECS is paid by a company and, at the time the payment is made, the Issuer reasonably believes (and any person by or through whom interest on the ECS is paid reasonably believes) that the beneficial owner is within the charge to United Kingdom corporation tax as regards the payment of interest, provided that HMRC has not given a direction that the interest should be paid under deduction of tax.

In other cases, an amount must generally be withheld from payments of interest on the ECS on account of United Kingdom income tax at the basic rate (currently 20 per cent). However, where an applicable double tax treaty provides for a lower rate of withholding tax (or for no tax to be withheld) in relation to an investor, HMRC can issue a notice to the Issuer to pay interest to the investor without deduction of tax (or for interest to be paid with tax deducted at the rate provided for in the relevant double tax treaty).

Dividends paid on the MGL Ordinary Shares will be made without deduction of, or withholding on account of, United Kingdom income tax.

Investors may wish to note that, in certain circumstances, HMRC has power to obtain information (including the name and address of the beneficial owner of the interest or foreign dividend) from any person in the United Kingdom who either pays or credits interest or a foreign dividend to or receives interest or a foreign dividend for the benefit of, an investor. Information so obtained may, in certain circumstances, be exchanged by HMRC with the tax authorities of the jurisdiction in which the investor is resident for tax purposes. However, and in relation to foreign dividends only, HMRC published practice indicates that HMRC will not exercise the power to require such information in respect of foreign dividends paid on or before 5 April 2012 (except in limited circumstances).

Corporation tax – United Kingdom resident investors

United Kingdom tax-resident corporate taxpayers are subject to United Kingdom corporation tax. A non-resident company trading in the United Kingdom through a United Kingdom permanent establishment will be subject to corporation tax on trading income and certain other income and chargeable gains attributable to the permanent

establishment under the separate enterprise principle as set out in Chapter 4 of Part 2 of the Corporation Tax Act 2009.

ECS

The United Kingdom taxation treatment for an investor within the charge to corporation tax will depend on, amongst other things, the accounting treatment of the ECS in the investor's hands, including in particular whether or not the ECS are to be bifurcated into a host contract and an "embedded derivative" in the investor's accounts. The accounting treatment will also affect the tax treatment of a disposal of the ECS (including a disposal occurring on redemption or exchange).

Investors who are within the charge to United Kingdom corporation tax should consult their own accounting and tax advisors concerning their tax liabilities that may arise as a result of holding the ECS, or as a result of the disposal or exchange of the ECS.

MGL Ordinary Shares

Dividends paid to investors who are within the charge to corporation tax on the MGL Ordinary Shares will be subject to corporation tax on those dividends unless (subject to special rules for such shareholders that are small companies) the dividends fall within an exempt class and certain other conditions are met. It is expected that dividends paid by MGL would generally be exempt subject to the specific circumstances of investors. Investors will not be able to claim repayment of tax credits attaching to dividends. Gains recognised on a disposal of the MGL Ordinary Shares would generally be subject to corporation tax on chargeable gains subject to any reliefs and allowances which may then be available.

Corporation tax – non-United Kingdom resident investors

Corporate holders of the ECS or MGL Ordinary Shares who are not resident in the United Kingdom and who do not carry on a trade in the United Kingdom through a permanent establishment to which the ECS or MGL Ordinary Shares are attributable, are not liable to United Kingdom corporation tax in respect of any interest, distribution, profit or gains arising in respect to the ECS and MGL Ordinary Shares.

Individual income tax – United Kingdom resident/ ordinary resident and domiciled investors

ECS

Subject to their personal circumstances, individuals resident, ordinarily resident and domiciled in the United Kingdom for taxation purposes ("individual investors") will be liable to United Kingdom income tax in respect of Interest paid by the Issuer on the ECS.

On a disposal of the ECS by an individual investor (including on redemption, sale or an exchange), any interest which has accrued since the last interest payment date may be chargeable to tax as income under the rules of the accrued income scheme as set out in Part 12 of the Income Tax Act 2007.

The ECS are likely to constitute variable rate securities for the purposes of the accrued income scheme. Under the accrued income scheme, on a disposal (including on redemption or an exchange) of the ECS, an individual investor may be charged to income tax on an amount of income which is just and reasonable in the circumstances. The purchaser of such an ECS will not be entitled to any equivalent tax credit under the accrued income scheme to set against any actual interest received by the purchaser in respect of the ECS (which may therefore be taxable in full).

It is not considered that the ECS will be a deeply discounted security within Chapter 8 of Part 4 of the Income Tax (Trading and Other Income) Act 2005. These provisions test the amount payable on redemption and maturity of a security with the issue price. If there may be a discount or premium of more than 0.5 per cent per annum, any gain is taxable as income. In the case of the ECS, it should not be a deeply discounted security if the only circumstances under which investors (as long as they are unconnected with MGL or MBL) might realise a gain of more than 0.5 per cent per annum, are not brought about at the option of the investors and obtaining a UK tax advantage is not the main benefit or one of the main benefits expected to accrue from such a redemption. Section 431(2) Income Tax (Trading and Other Income) Act 2005 provides that these circumstances are not treated as a redemption for the purposes of determining if the ECS is a deeply discounted security.

The redemption, sale or exchange of the ECS should not give rise to dividends taxable under Chapter 4 of Part 4 of the Income Tax (Trading and Other Income) Act 2005.

Individual investors are referred to the provisions of Chapter 2 Part 13 of the Income Tax Act 2007 which seek to attribute income of non-UK resident or domiciled companies to individuals who have made transfers of assets and as a result income has become payable to the foreign entity. If any individual investor is in any doubt about the application of these provisions they should seek appropriate professional advice.

Gains on a disposal (including on redemption, sale or an exchange) of the ECS would generally be subject to capital gains tax in the hands of the individual investor, subject to any reliefs and allowances which may then be available.

MGL Ordinary Shares

Any dividends received in respect of the MGL Ordinary Shares by an individual investor will be taxed either at the dividend ordinary rate (currently 10 per cent.) or (if total income in a tax year exceeds the higher rate threshold) the dividend upper rate (currently 32.5 per cent.). Dividend income for individuals with taxable income for a tax year in excess of £150,000 is charged at 42.5 per cent.

Individual investors in receipt of dividends from non-UK resident companies are entitled to a non-payable tax credit of one-ninth of the distribution if they own less than 10 per cent. of the issued share capital of the distributing non-UK resident company.

A disposal of MGL Ordinary Shares would generally constitute a disposal for the purposes of United Kingdom capital gains tax and, accordingly, may give rise to a liability to capital gains tax for individual investors or for other investors who are individuals and who cease to be resident or ordinarily resident in the United Kingdom for a period of less than five years of assessment, subject to any reliefs and allowances which may then be available.

Individual income tax – non-United Kingdom resident investors

Interest on the ECS constitutes United Kingdom source income for tax purposes and, as such, may be subject to income tax by direct assessment even where paid without withholding.

However, interest with a United Kingdom source received without deduction or withholding on account of United Kingdom tax will not be chargeable to United Kingdom tax in the hands of an investor (other than certain trustees) who is not resident for tax purposes in the United Kingdom unless that investor carries on a trade, profession or vocation in the United Kingdom through a United Kingdom branch or agency in connection with which the interest is received or to which the ECS are attributable. There are exemptions for interest received by certain categories of agent (such as some brokers and investment managers).

EU Directive on the Taxation of Savings Income

Under EC Council Directive 2003/48/EC on the taxation of savings income, Member States are required to provide to the tax authorities of another Member State details of payments of interest (or similar income) paid by a person within its jurisdiction to an individual resident in that other Member State or to certain limited types of entities established in that other Member State. However, for a transitional period, Luxembourg and Austria are instead required (unless during that period they elect otherwise) to operate a withholding system in relation to such payments (the ending of such transitional period being dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries). A number of non-EU countries and territories including Switzerland have adopted similar measures (a withholding system in the case of Switzerland).

The European Commission has proposed certain amendments to the Directive, which may, if implemented amend or broaden the scope of the requirements described above.

United Kingdom stamp duty and stamp duty reserve tax

No United Kingdom stamp duty or stamp duty reserve tax arises on the issue of the ECS or MGL Ordinary Shares.

No United Kingdom stamp duty reserve tax arises on the transfer of the ECS or MGL Ordinary Shares (whether or not within Euroclear or Clearstream, Luxembourg) provided that neither the ECS nor the MGL Ordinary Shares are registered in a register maintained in the United Kingdom. No United Kingdom stamp duty will be due on any electronic transfer of the ECS within Euroclear or Clearstream, Luxembourg.

Moreover, no United Kingdom stamp duty will be due on any instrument transferring the ECS or MGL Ordinary Shares that is executed outside the United Kingdom and does not relate to any matter or thing done in the United Kingdom. In the event that any such instrument was executed in the United Kingdom, or was to relate to any matter or thing done in the United Kingdom, and were required for any purpose for which a stamped instrument were required under United Kingdom law (including in circumstances where it became necessary to rely upon that instrument in United Kingdom court proceedings other than criminal proceedings), then United Kingdom stamp duty at the rate of 0.5 percent of the chargeable consideration, together with interest and any applicable penalties, would be chargeable.

Foreign Income Tax Credits

Each holder or prospective holder of the ECS or MGL Ordinary Shares should consult its own tax advisers as to whether, and if so to what extent, any foreign tax credit in the United Kingdom may be obtained for any Australian or other non-United Kingdom tax payable on any amount arising in relation to the ECS or MGL Ordinary Shares.

(b) Australia

The following is a general summary of the Australian tax consequences of a person who is not a resident of Australia acquiring, holding and disposing of the ECS or the MGL Ordinary Shares. This summary is of a general nature and based on the law and practice as in effect at 9am Sydney time on the date of this Offering Circular, but which is subject to change. This summary assumes that all relevant transactions are carried out in the manner described in this Offering Circular.

The discussion below is not intended to constitute a complete analysis of all the tax consequences relating to the acquisition, ownership and disposal of the ECS or the MGL Ordinary Shares by all persons, some of whom may be subject to special or additional rules. This summary is not intended to address the Australian tax consequences (other than in respect of withholding tax) to any person who is a resident of Australia or who acquires, holds or disposes of the ECS or the MGL Ordinary Shares as part of or in the course of carrying on a business in Australia, via a permanent establishment, branch or in any other manner.

Each holder or prospective holder of the ECS or MGL Ordinary Shares should consult their own tax advisers concerning the tax consequences of acquiring, owning or disposing of the ECS or MGL Ordinary Shares in their own particular circumstances.

ECS Interest

Interest paid by the Issuer on the ECS to an ECS Holder who is not a resident of Australia and who does not acquire or hold the ECS in Australia or in connection with a business carried on in Australia should not be subject to Australian income or withholding tax or, to the extent that the Issuer was required to make deductions from the payments for Australian withholding tax, the Issuer would be required (subject to certain limited exceptions, which would generally apply where deductions are required due to the ECS Holder's own factual circumstances) to pay such additional amounts as would result in the ECS Holders receiving, after such withholding, the same amounts as they would have received if no such withholding were required. See clause 7.3 ("Gross up") of the Terms.

Interest paid by the Issuer on the ECS to an ECS Holder who is resident of Australia or who is a non-resident of Australia and acquires or holds the ECS in connection with a business carried on in Australia, should not be subject to Australian withholding tax, but may be subject to Australian income tax, depending on the circumstances of the ECS Holder.

Disposal of ECS

An ECS Holder who is not a resident of Australia and who does not acquire, hold or dispose of the ECS in Australia or in connection with a business carried on in Australia should not be subject to any Australian income

or capital gains tax on the disposal of the ECS, including a disposal by way of Exchange for MGL Ordinary Shares, provided that, in the case of income tax, the profit does not have an Australian source.

Although the application of the source rules depend heavily on the particular facts and circumstances of each case, and can be uncertain, a profit from the disposal of the ECS by a non-resident ECS Holder should generally not be from Australian sources if the non-resident ECS Holder acquired, held and disposed of the ECS outside Australia. Even if a profit from the disposal of the ECS by a non-resident ECS Holder was to have an Australian source it would be necessary for the ECS Holder to determine whether there is an applicable double tax treaty between Australia and the country of which the ECS Holder is a resident that may prevent or limit Australia's right to tax a profit in the particular facts and circumstances of the ECS Holder.

MGL Ordinary Share Dividends

Dividends paid on the MGL Ordinary Shares to a holder of MGL Ordinary Shares who is not a resident of Australia and who does not acquire or hold the MGL Ordinary Shares in Australia or in connection with a business carried on in Australia should not be subject to Australian income or withholding tax if, but only to the extent to which, those dividends are either franked or declared to be conduit foreign income by MGL. That part of any such dividends which is neither franked nor declared to be conduit foreign income would be subject to Australian dividend withholding tax at the rate of 30%, unless that rate is reduced by an applicable double tax treaty between Australia and the country of which the holder of the MGL Ordinary Share is a resident.

Disposal of MGL Ordinary Shares

A holder of an MGL Ordinary Share who is not a resident of Australia and who does not acquire, hold or dispose of the MGL Ordinary Shares in Australia or in connection with a business carried on in Australia should not be subject to any Australian income or capital gains tax on a profit or gain from the disposal of the MGL Ordinary Shares, provided that, in the case of income tax, the profit does not have an Australian source and, in the case of capital gains tax, the holder of the MGL Ordinary Share and its associates do not at any time hold or have the right to acquire 10% or more of the voting rights in or rights to distribution of income or capital from MGL.

Whether a profit or gain from the disposal of MGL Ordinary Shares would potentially be subject to the income tax rules at all (so as to make the question of source relevant) will depend on the circumstances of the particular non-resident holder. The application of the source rules depends heavily on the particular facts and circumstances of each case, and can be uncertain. Even if a profit from the disposal of MGL Ordinary Shares by a non-resident holder was to have an Australian source it would be necessary for the non-resident holder to determine whether there is an applicable double tax treaty between Australia and the country of which the non-resident holder is a resident that may prevent or limit Australia's right to tax a profit in the particular facts and circumstances of the non-resident holder.

(c) Singapore

The summary below is of a general nature and based on the law and practice currently applicable in Singapore. It is not intended to be and does not constitute legal or tax advice. No assurance can be given that the Singapore Courts or fiscal authorities will agree with the positions set out below.

The discussion below is not intended to constitute a complete analysis of all the tax consequences relating to the acquisition, ownership and disposal of the ECS or MGL Ordinary Shares by any persons, some of whom may be subject to special or additional rules.

Each holder or prospective holder of the ECS or MGL Ordinary Shares should consult its own tax advisers concerning the Singaporean or non-Singaporean tax consequences of acquiring, owning or disposing of the ECS or MGL Ordinary Shares.

Income Tax

Tax Residency

A company is regarded as tax resident in Singapore if the control and management of its business is exercised in Singapore.

An individual is regarded as tax resident in Singapore if the individual is physically present in Singapore or exercises an employment in Singapore (other than as a director of a company) for 183 days or more in the calendar year preceding the year of assessment, or if the individual ordinarily resides in Singapore.

Rates of tax

The income tax rate for corporate taxpayers in Singapore is 17% with effect from the year of assessment 2010 (i.e. in respect of income earned during the financial year or other basis period ended in 2009), with certain partial exemptions granted on the first S\$300,000 of chargeable income.

Singapore tax-resident individuals are subject to tax on their taxable income based on progressive tax rates, currently ranging from 0% to 20%. Non-resident individuals are taxable on certain income (excluding employment income, which is taxed at different rates) at 20%.

Singapore income tax position of a holder of the ECS or the MGL Ordinary Shares who is not resident in Singapore and does not carry on any business in Singapore

Interest paid on ECS and realisation of ECS

An ECS Holder who is not resident in, and does not carry on any business in Singapore, will not be subject to Singapore income tax in relation to any Interest payable on the ECS, any profit or gain realised on the sale of the ECS or any profit or gain realised on Exchange of the ECS into MGL Ordinary Shares.

MGL Ordinary Shares

A holder of MGL Ordinary Shares who is not resident in Singapore and does not carry on business in Singapore will not be subject to Singapore income tax in relation to any dividends paid on the MGL Ordinary Shares or any profit or gain realised on the sale of the MGL Ordinary Shares.

Singapore income tax position of a holder of the ECS or MGL Ordinary Shares who is resident in Singapore or who is a non-resident in Singapore but who carries on business activities in Singapore (whether through a branch or other permanent establishment in Singapore or otherwise) in connection with his acquisition or holding of the ECS and/or MGL Ordinary Shares

Singapore tax-resident corporate taxpayers and non-Singapore tax-resident corporate taxpayers carrying on business in Singapore (such as a Singapore branch of a foreign company) are subject to Singapore income tax on income accruing in or derived from Singapore and on foreign-sourced income received or deemed received in Singapore, subject to certain exceptions.

An individual taxpayer who is a Singapore tax resident or who is not a Singapore tax resident but who is carrying on business in Singapore is subject to Singapore income tax on income accruing in or derived from Singapore, subject to certain exceptions. Foreign-sourced income received or deemed received by a Singapore tax-resident individual is exempt from income tax in Singapore, except where such income is received through a partnership in Singapore.

Interest on ECS

Whether Interest paid on the ECS and dividends paid on the MGL Ordinary Shares would constitute foreign source income for the purposes of Singapore income tax will depend on the circumstances of the taxpayer in question – for example, income paid by a foreign payer to a person carrying on a trade or business in Singapore (such as a bank in Singapore) may be regarded as Singapore-source in the hands of such a receiver, whereas the same amount may be regarded as foreign source income if it is paid to a person in Singapore deriving such income as passive investment income.

Interest on the ECS is likely to be regarded as foreign-source income for Singapore income tax purposes where such Interest is derived by a holder of the ECS as passive investment income.

ECS Holders who are Singapore tax residents or who are not Singapore tax residents but who are carrying on business in Singapore and who may enjoy exemptions or concessionary rates of Singapore income tax on interest income derived by them should accordingly seek their own tax advice as to whether payments described as

"Interest" in this Offering Circular qualify for such exemptions or concessionary tax rates applicable to interest derived by them.

Dividends on MGL Ordinary Shares

Foreign-sourced dividends received or deemed received in Singapore by Singapore tax-resident corporate taxpayers are exempt from Singapore income tax provided that the following conditions are met:

- (i) at the time the income is received in Singapore, the highest rate of tax of a similar character to income tax levied on the trade or business income of a company in the jurisdiction from which the income is received is at least 15%;
- (ii) the dividend or the income out of which it was paid is subject to some tax of a similar character to income tax under the law of the jurisdiction from which the dividend is received; and
- (iii) the Comptroller of Income Tax in Singapore is satisfied that the tax exemption would be beneficial to the recipient of the foreign-sourced income.

From 30 July 2004, the above exemption was extended to foreign dividends or underlying income which is exempted from tax of a similar character to income tax in the foreign jurisdiction as a result of a tax incentive granted by that foreign jurisdiction for carrying out substantive business activities thereon, provided that conditions (i) and (iii) above continue to be satisfied.

Foreign sourced dividends received or deemed received in Singapore by a Singapore tax-resident individual are exempt from income tax in Singapore, except where such income is received through a partnership in Singapore.

For the specific purposes outlined above, dividends paid on the MGL Ordinary Shares will be classified as foreign source dividends, assuming that MGL continues not to be managed and controlled from Singapore.

Gains on the realisation of the ECS or MGL Ordinary Shares

Singapore currently does not impose tax on gains of a capital nature. However, there are no specific laws or regulations which deal with the characterisation of whether a gain is income or capital in nature.

For those holders of ECS or MGL Ordinary Shares who are Singapore tax residents or who are carrying on business in Singapore, gains arising from a realisation of the ECS or MGL Ordinary Shares held as trading stock or acquired for the purposes of realisation at a profit may be construed to be income in nature and subject to Singapore income tax.

The Exchange of the ECS for MGL Ordinary Shares is likely to be considered to be a realisation of the ECS for Singapore income tax purposes.

Adoption of Financial Reporting Standards 39 for Singapore income tax purposes

Under Section 34A of the Income Tax Act, Chapter 134 of Singapore, subject to certain "opt-out" provisions, Singapore incorporated companies and other taxpayers which are required to comply with *Financial Reporting Standards 39 - Financial instruments: Recognition and Measurement (FRS 39)* for financial reporting purposes are generally also required to apply FRS 39 for Singapore income tax purposes, subject to certain modifications.

Such taxpayers may be required to recognise gains or losses (not being gains or losses in the nature of capital) even though no sale or disposal is made (e.g. on the basis of changes in "fair value"). Each holder or prospective holder of the ECS or MGL Ordinary Shares who may be subject to such provisions should consult their own accounting and tax advisers regarding the Singapore income tax consequences of their acquisition, ownership and disposal of the ECS or MGL Ordinary Shares.

Stamp duty

Stamp duty is payable in Singapore only on instruments that:

- (a) are first executed in Singapore, or executed outside Singapore and brought into Singapore; and
- (b) which relate to immovable property, stocks or shares.

However, there is no Singapore stamp duty payable on the issuance of the ECS or MGL Ordinary Shares.

As the Issuer and MGL are foreign incorporated companies, there is also no stamp duty payable in Singapore on any sale or gift of the ECS or the MGL Ordinary Shares in the event the ECS or the MGL Ordinary Shares are not registered in any register kept in Singapore.

However, in the event that the ECS or the MGL Ordinary Shares are registered in a register kept in Singapore, any instrument for the transfer on sale or gift of the ECS or the MGL Ordinary Shares (as the case may be) would attract stamp duty at the rate of S\$0.20 for every S\$100 of the consideration or value of the ECS or the MGL Ordinary Shares or part thereof.

In the event that any other instruments in relation to the ECS or MGL Ordinary Shares are first executed in Singapore or executed abroad and brought into Singapore, specific advice should be sought as to whether the particular instrument is subject to stamp duty and, if so, at what rate or amount.

Goods and Services Tax (GST)

A sale of the ECS or MGL Ordinary Shares by a GST-registered investor belonging in Singapore for GST purposes to another person belonging in Singapore is an exempt supply and not subject to GST. Any input GST incurred by the GST-registered investor in making such an exempt supply is generally not recoverable from the Comptroller of GST.

Where the ECS or MGL Ordinary Shares are sold by a GST-registered investor in the course of or furtherance of a business carried on by such investor to a person belonging outside Singapore and that person is outside Singapore when the sale is executed, the sale should generally be considered a taxable supply subject to GST at zero-rate. Subject to the normal rules and limitations for input tax claims under the Singapore GST legislation, any input GST incurred by the GST-registered investor in making such a taxable supply in the course of or furtherance of a business carried on by such investor may generally be recoverable from the Comptroller of GST.

Services consisting of arranging, broking, underwriting or advising on the issue, allotment or transfer of ownership of the ECS or MGL Ordinary Shares provided by a GST-registered person to an investor belonging in Singapore for GST purposes will be subject to GST at the current standard rate of 7%. Similar services rendered to an investor belonging outside Singapore should generally be subject to GST at zero-rate, provided that the investor is outside Singapore when the services are performed and the services provided do not directly benefit any person in Singapore.

Foreign Income Tax Credits

Each holder or prospective holder of the ECS or MGL Ordinary Shares should consult its own tax advisers as to whether, and if so to what extent, any foreign tax credit in Singapore may be obtained for any Australian or other non-Singaporean tax payable on any amount arising in relation to the ECS or MGL Ordinary Shares.

SUBSCRIPTION AND SALE

The Managers will, in a subscription agreement (the **Subscription Agreement**) to be dated on or about 22 March 2012, agree with the Issuer and MGL the basis upon which they will agree to subscribe for the ECS including commissions and reallowances. The Managers may reoffer the ECS to investors at prices other than the issue price. In the Subscription Agreement, the Issuer will agree to reimburse the Managers for certain of their expenses in connection with the Offer and the issue of the ECS under the Offer and the Issuer and MGL will agree to indemnify the Managers against certain liabilities incurred by them in connection therewith.

United States

The ECS have not been, nor will they be, registered under the U.S. Securities Act and may not be offered or sold, delivered or transferred within the United States, its territories or possessions or to, or to or for the account or benefit of, U.S. persons except in accordance with Regulation S or certain transactions exempt from the registration requirements of the U.S. Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S under the U.S. Securities Act.

Each Manager has represented and agreed that it will not offer, sell or deliver any ECS (a) as part of their distribution at any time, or (b) otherwise until 40 days after the completion of the distribution, as determined and certified by the relevant Manager or, in the case of an issue of the ECS on a syndicated basis, the relevant lead manager, of the ECS, within the United States or to, or for the account or benefit of, U.S. persons. Each Manager has further agreed that it will send to each dealer to which it sells any ECS during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the ECS within the United States or to, or for the account or benefit of, U.S. persons. Terms used in this paragraph have the meanings given to them by Regulation S under the U.S. Securities Act.

In addition, until 40 days after the commencement of the offer of the ECS, an offer, sale or distribution of such ECS within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the U.S. Securities Act if such offer, sale or distribution is made otherwise than in accordance with an available exemption from registration under the U.S. Securities Act.

Public Offer Selling Restriction under the Prospectus Directive

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a **Relevant Member State**), each Manager has represented and agreed that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the **Relevant Implementation Date**) it has not made and will not make an offer of any ECS to the public in that Relevant Member State except that it may, with effect from and including the Relevant Implementation Date, make an offer of such ECS to the public in that Relevant Member State:

- (a) at any time to a legal entity which is a qualified investor as defined in the Prospectus Directive;
- (b) at any time to fewer than 100 or, if the Relevant Member State has implemented the relevant provisions of the 2010 PD Amending Directive, 150 natural or legal persons (other than qualified investors as defined in the Prospectus Directive) subject to obtaining the prior consent of the Managers; or
- (c) at any time in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of any ECS referred to in (a) to (c) above shall require the Issuer or any Manager to publish a prospectus pursuant to Article 3 of the Prospectus Directive, or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

For the purposes of this provision, the expression **an offer of the ECS to the public** in relation to any ECS in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the ECS to be offered so as to enable an investor to decide to purchase or subscribe the ECS, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State and the expression **Prospectus Directive** means Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in the Relevant Member State) and includes any relevant implementing measure in the Relevant Member State and the expression “2010 PD Amending Directive” means Directive 2010/73/EU.

United Kingdom

Each Manager has represented and agreed that:

- (a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the Financial Services and Markets Act 2000 (the **FSMA**) received by it in connection with the issue or sale of the ECS in circumstances in which Section 21(1) of the FSMA does not or, in the case of the Issuer, would not, if it was not an authorised person, apply to the Issuer, MBL or MGL; and
- (b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the ECS in, from or otherwise involving the United Kingdom.

Switzerland

The ECS have not been and may not be publicly offered, sold, advertised or delivered, directly or indirectly, in or from Switzerland. Each Manager has acknowledged and agreed that:

- (a) neither this Offering Circular nor any other offering or marketing document relating to the ECS constitutes a public offering prospectus as such term is understood under article 652a or article 1156 of the Swiss Federal Code of Obligations, a simplified prospectus as such term is understood pursuant to article 5 of the Swiss Federal Act on Collective Investment Schemes (**CISA**) or a listing prospectus within the meaning of the listing rules of the SIX Swiss Exchange AG (**SIX**); and
- (b) the ECS may be distributed or otherwise be made available in or from Switzerland on a private placement basis only.

Each Manager has further agreed not to:

- (i) publicly distribute (or otherwise make publicly available) this Offering Circular or any other offering or marketing document relating to the ECS in or from Switzerland; or
- (ii) publicly offer, sell or advertise the ECS, directly or indirectly, in or from Switzerland.

The ECS do not represent units in investment funds, have not been authorised or registered with the Swiss Financial Market Supervisory Authority (**FINMA**) under the CISA as foreign investment funds for public distribution in Switzerland and are not subject to the supervision of the FINMA. Investors cannot invoke the protection conferred under the CISA.

No Manager has applied for a listing of the ECS on the SIX or on any other regulated securities market in Switzerland. The information presented in this Offering Circular does not necessarily comply with the information standards set out in the relevant listing rules.

One or several funds may underlie the ECS. These funds may not be registered in Switzerland with the FINMA under the CISA. Accordingly, none of the underlying funds may be distributed in or from Switzerland based on a public solicitation as that term is defined under the CISA and the relevant practice of the FINMA.

Australia

No prospectus or other disclosure document (as defined in the Australian Corporations Act) in relation to the Offer or the ECS has been, or will be, lodged with the Australian Securities and Investments Commission (ASIC). Each Manager has represented and agreed that it:

- (a) has not made or invited, and will not make or invite an offer of the ECS for the issue, sale or purchase of any ECS in Australia, including an offer or invitation received in Australia; and
- (b) has not distributed or published, and will not distribute or publish, any offering circular or memorandum, advertisement or other offering material or advertisement relating to the ECS in Australia or received in Australia,

in each case unless:

- (i) the aggregate consideration payable by each offeree or invitee for the ECS is at least A\$500,000 (or its equivalent in an alternative currency, in each case, disregarding amounts, if any, lent by the offeror or its associates) or the offer or invitation does not otherwise require disclosure to investors under Parts 6D.2 or 7.9 of the Australian Corporations Act;
- (ii) the offer or invitation does not constitute an offer to a “retail client” within the meaning of section 761G of the Australian Corporations Act;
- (iii) such action complies with all applicable Australian laws, regulations and directives in Australia; and
- (iv) such action does not require any document to be lodged with ASIC or any other regulatory authority in Australia.

Japan

The ECS have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No.25 of 1948, as amended, the **FIEA**) and each Manager has represented and agreed that it has not offered or sold, and will not offer or sell, any ECS, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan (as defined under Item 5, Paragraph 1, Article 6 of the Foreign Exchange and Foreign Trade Act (Act No. 228 of 1949, as amended)) or to others for re-offering or resale, directly or indirectly, in Japan or to, or for the benefit of, a resident in Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the FIEA and any other applicable laws, regulations and ministerial guidelines of Japan.

Hong Kong

Each Manager has acknowledged that the ECS have not been authorised by the Hong Kong Securities and Futures Commission.

Each Manager has represented and agreed that:

- (a) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any ECS other than (i) to "professional investors" as defined in the Securities and Futures Ordinance (Cap. 571) (as amended) of Hong Kong (the **SFO**) and any rules made under that Ordinance, or (ii) in other circumstances which do not result in the document being a "prospectus" as defined in the Companies Ordinance (Cap. 32) (as amended) of Hong Kong or which do not constitute an offer to the public within the meaning of that Ordinance; and
- (b) unless it is a person permitted to do so under the applicable securities laws of Hong Kong, it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purpose of issue, in each case, whether in Hong Kong or elsewhere, any advertisement, invitation or other offering material or other document relating to the ECS, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to any ECS which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the SFO and any rules made under that Ordinance.

Singapore

Each Manager has acknowledged that this Offering Circular has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, each Manager has represented and agreed that this Offering Circular and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of any ECS to be issued from time to time by the Issuer pursuant to the Offer have not been and will not be circulated or distributed, nor the ECS offered or sold, or made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than:

- (i) to an institutional investor pursuant to Section 274 of the SFA,
- (ii) to a relevant person under Section 275(1) of the SFA, or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA, or
- (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the ECS are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

- (a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or
- (b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

securities (as defined in Section 239(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the ECS pursuant to an offer under Section 275 of the SFA except:

- (1) to an institutional investor or to a relevant person defined in Section 275(2) of the SFA, or (in the case of a corporation) or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;
- (2) where no consideration is or will be given for the transfer;
- (3) where the transfer is by operation of law; or
- (4) as specified in Section 276(7) of the SFA.

General

Each Manager has agreed that it will comply with all applicable securities laws and regulations in force in any jurisdiction in which it purchases, offers, sells, or delivers any ECS or possesses or distributes this Offering Circular and will obtain any, consent, approval or permission required by it for the purchase, offer, sale, distribution, transfer or delivery by it of the ECS under the laws and regulations in force in any jurisdiction to which it is subject or in which it makes such purchases, offers, sales or deliveries and neither the Issuer, MGL, nor any of the other Managers shall have any responsibility therefore.

None of the Issuer, MGL, or the Managers represents that the ECS may at any time lawfully be purchased, offered, sold, delivered or transferred in compliance with any applicable registration or other requirements in any jurisdiction, or pursuant to any exemption available thereunder, or assumes any responsibility for facilitating such purchase, offer, sale, distribution, transfer or delivery.

GENERAL INFORMATION

Authorisation

The Offer and the issue of the ECS have been duly authorised by the Issuer by resolutions of the Board of Directors of MBL made on 24 November 2011. The issue of the MGL Ordinary Shares on an Exchange of any ECS have been duly authorised by the Board of Directors of MGL made on 24 November 2011.

Listing and Trading of the ECS on the SGX-ST

Application has been made for approval from the SGX-ST for the listing of the ECS on the official list of the SGX-ST. The ECS will be traded in a minimum board lot size of US\$200,000 (or equivalent in another currency) for so long as the ECS are listed on the SGX-ST.

Admission of the ECS to the official list of the SGX-ST is not to be taken as an indication of the merits of the Issuer, MBL, MGL or the ECS.

For so long as the ECS are listed on the SGX-ST and the rules of the SGX-ST so require, the Issuer shall appoint and maintain a paying agent in Singapore, where the ECS may be presented or surrendered for payment or Redemption, in the event that the Global Certificate is exchanged for Definitive Certificates. In addition, in the event that a Global Certificate is exchanged for Definitive Certificates, an announcement of such exchange shall be made through the SGX-ST and such announcement will include all material information with respect to the delivery of the Definitive Certificates, including details of the paying agent in Singapore.

Documents Available

From the date hereof and so long as the ECS are capable of being issued under the Offer, copies of the following documents will, when published, be available for inspection from the registered offices of the Issuer and MGL and from the specified offices of the Principal Paying Agent:

- (a) the certificate of formation and the constitutional documents of each of MBL and MGL;
- (b) the Trust Deed;
- (c) the Agency Agreement;
- (d) this Offering Circular and any supplements to this Offering Circular; and
- (e) each document incorporated by reference into this Offering Circular (see “*Documents Incorporated by Reference*”).

Clearing Systems

The ECS have been accepted for clearance through Euroclear and Clearstream, Luxembourg (which are the entities in charge of keeping the records). The Common Code and ISIN for the ECS allocated by Euroclear and Clearstream, Luxembourg are 076312290 and XS0763122909.

The address of Euroclear is Euroclear Bank SA/NV, 1 Boulevard du Roi Albert II, B-1210 Brussels and the address of Clearstream, Luxembourg is Clearstream Banking, 42 Avenue JF Kennedy, L-1855 Luxembourg.

Auditors

The auditor of the Macquarie Group is PricewaterhouseCoopers, being an Australian partnership whose partners are members or affiliate members of The Institute of Chartered Accountants in Australia (**PwC Australia**).

PwC Australia has consented to be named as auditors of the Macquarie Group and to the following reports being incorporated in this Offering Circular by reference:

- independent audit report on the financial report of MBL for each of the years ended 31 March 2010 and 2011;
- independent audit report on the financial report of MGL for each of the years ended 31 March 2010 and 2011; and
- independent auditor's review report on the half-year financial report of each of MBL and MGL for the half-year ended 30 September 2011.

PwC Australia has not authorised or caused the issue of this Offering Circular and, other than a statement that PwC Australia is the auditor of Macquarie Group and the reports referred to in the preceding paragraph, PwC Australia has not made, authorised or consented to any statement or report in this Offering Circular (including (without limitation) the statements by the issuer in the section headed "*Limitation on Auditor's Liability*" below). PwC Australia disclaims responsibility and liability for this Offering Circular to the maximum extent permitted by law.

Limitation on Auditor's Liability

PwC Australia may be able to assert a limitation of liability with respect to claims arising out of its audit report described or included in the documents identified under "*Documents Incorporated by Reference*" on page 8 of this Offering Circular, and elsewhere in this Offering Circular, to the extent it is subject to the limitations set forth in the Professional Standards Act 1994 of New South Wales, Australia (the **Professional Standards Act**) and the Institute of Chartered Accountants in Australia (NSW) Scheme adopted by The Institute of Chartered Accountants in Australia and approved by the New South Wales Professional Standards Council pursuant to the Professional Standards Act (together, the **NSW Accountants Scheme**) (or, in relation to matters occurring prior to 7 October 2007, the predecessor scheme).

The Professional Standards Act and the NSW Accountants Scheme may limit the liability of PwC Australia for damages with respect to certain civil claims arising in, or governed by the laws of, New South Wales directly or vicariously from anything done or omitted in the performance of its professional services to the Macquarie Group, including, without limitation, its audits of the Macquarie Group's financial statements, to the lesser of ten times the reasonable charge for the service by PwC Australia that gave rise to the claim and a maximum liability of A\$75 million and for other work of A\$20 million (or in relation to matters occurring prior to 7 October 2007, A\$20 million). The limit does not apply to claims for breach of trust, fraud or dishonesty. The Professional Standards Act and the Accountants Scheme have not been subject to judicial consideration and therefore how the limitation will be applied by the courts and the effect of the limitation on the enforcement of foreign judgments are untested.

There is also legislation similar to the Professional Standards Act in the other states and territories of Australia and federally. Schemes similar to the NSW Accountants Scheme have been implemented in other states and territories of Australia and in relation to various civil claims under federal Australian law.

Managers transacting with the Issuer and MGL

Certain of the Managers and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform services to the Issuer, MGL and their affiliates in the ordinary course of business.

DIRECTORY

ISSUER

Macquarie Bank Limited, acting through its London Branch
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