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MACQUARIE GROUP LIMITED

RESALE OF 2008 CPS AND OFFER OF MACQUARIE GROUP CAPITAL NOTES

Dear 2008 CPS Holder,

On behalf of the Macquarie Group Limited (“**MGL**”) Board, I am writing to inform you of some important decisions that the Board has taken that affect you as a holder of Macquarie Convertible Preference Securities (“**2008 CPS**”). In summary, MGL is offering you the opportunity to reinvest your 2008 CPS into a new security - Macquarie Group Capital Notes (“**MCN**”). Acceptance of this offer is voluntary and it is expected that 2008 CPS Holders who do not participate will have their 2008 CPS resold on 1 July 2013. Full details of the MCN Offer and the Reinvestment Offer are available in the enclosed Prospectus.¹

This letter outlines the various options MGL is offering you in dealing with your 2008 CPS investment.

MCN Offer

MGL is offering investors the opportunity to invest in MCN.

The Offer of MCN to raise \$580 million, with the ability to raise more or less, but limited to a maximum of \$600 million, is being made as part of MGL’s capital management strategy; MCN qualify as regulatory capital of the Macquarie Group for Australian Prudential Regulation Authority (“**APRA**”) purposes.

MCN are fully paid, subordinated, non-cumulative, unsecured, mandatorily convertible notes. MCN are scheduled to pay discretionary, floating rate cash distributions semi-annually in arrears (subject to the Distribution Payment Conditions). The Distribution Rate is calculated each period as the 180-day bank bill swap rate plus a margin of 4.0% p.a., adjusted for franking. MGL currently franks dividends on Ordinary Shares at 40% and MCN Distributions will be franked at the same rate as Ordinary Shares and reduced to take into account this franking. The level of franking may vary over time and Distributions may be partially, fully or not franked.

¹ Capitalised terms used but not defined in this letter have the same meaning as in the enclosed Prospectus.

MCN are perpetual and do not have a fixed maturity date. However, MCN will mandatorily Exchange into MGL Ordinary Shares on 7 June 2021, subject to certain conditions being satisfied. Optional Exchange, or with APRA's prior written approval, Redemption or Resale, may also occur on 7 June 2018, 7 December 2018, 7 June 2019, or earlier upon the occurrence of certain events which are set out in the prospectus. Additionally, APRA may require MCN to Exchange if it considers that Exchange is necessary to prevent MGL from becoming non-viable, or if MGL requires public sector capital support to remain viable. This may adversely affect your returns and if the MCN cannot be Exchanged for any reason, they must be Written-Off, in which case you may suffer a total loss of investment.

You will find further details of the MCN Offer and MCN Terms outlined in the Prospectus accompanying this letter. The Prospectus also contains a summary of the taxation consequences of participating in the Reinvestment Offer.

The MCN Offer is also made to Institutional Investors, Australian resident clients and high net worth clients of Syndicate Brokers and Australian resident holders of MGL Ordinary Shares and Macquarie Income Securities. 2008 CPS holders who choose to Reinvest through Syndicate Brokers will be given priority allocation over other applicants to that Syndicate Broker (as determined by their Syndicate Broker). Reinvesting 2008 CPS holders who do not apply through a Syndicate Broker will be given priority allocation of MCN over Securityholder demand (as determined by MGL). However, if there is excess demand for MCN, applications from 2008 CPS holders may be scaled back and no assurance is given that any 2008 CPS holder will receive an allocation of MCN.

Expected resale of all 2008 CPS, for holders that do not participate in the Reinvestment Offer

Macquarie Capital Loans Management Limited (as responsible entity of the Macquarie CPS Trust) has issued a resale notice in accordance with the 2008 CPS terms. Under the proposed resale, it is expected that on 1 July 2013 all 2008 CPS will be sold to Macquarie Financial Holdings Limited ("**Resale Agent**") for the full face value of \$100 per 2008 CPS. A distribution of \$5.5019 per 2008 CPS will also be paid (subject to payment tests applicable to the 2008 CPS).

Proceeds from the resale are expected to be paid on 1 July 2013 in accordance with your existing 2008 CPS distribution payment instructions. If you wish to change your payment instructions, you must provide updated instructions to the Registrar by 5.00pm on 11 June 2013.

Due to the proposed resale, 2008 CPS are expected to cease trading on ASX from the close of trading on 13 June 2013.

The resale will occur subject to the conditions that:

- (i) the MCN issue is completed; and
- (ii) APRA has given and not withdrawn an approval permitting the resale and (unless the Resale Agent waives this requirement) the redemption of 2008 CPS.

While it is expected that the Resale will occur, if these conditions are not met, 2008 CPS will not convert on 1 July 2013 and, in accordance with the 2008 CPS terms, the next date on which Mandatory Conversion may occur is 30 September 2013.

Options available to 2008 CPS Holders

As a registered 2008 CPS Holder, there are three options in dealing with your 2008 CPS. These are summarised below and fully explained in the attached Prospectus. If you have already participated in the Reinvestment Offer through the Broker Firm Offer you do not need to do anything further unless required by your Broker.

Option 1. Apply under the Reinvestment Offer to reinvest your 2008 CPS in MCN

Under the Reinvestment Offer, Eligible 2008 CPS Holders are invited to apply to reinvest all or some of their 2008 CPS in MCN, as well as apply for additional MCN.

If you choose this option, your Reinvested 2008 CPS will be sold to the Reinvestment Purchaser for \$104.7724 per 2008 CPS. This sale price is equal to the face value of 2008 CPS plus an amount reflecting the distribution accrued on 2008 CPS up to, but not including, 7 June 2013 (being the issue date of MCN). The Reinvestment Purchaser will pay \$100 per Reinvested 2008 CPS directly to MGL as the Application Payment for the MCN and you will receive the balance of \$4.7724 per Reinvested 2008 CPS in cash paid to you on 13 June 2013.

If you own more than 50 2008 CPS, you must reinvest a minimum number of 50 2008 CPS. If you own 50 2008 CPS or fewer, you must apply to reinvest all of your 2008 CPS in MCN if you wish to participate in the Reinvestment Offer.

If you apply for more MCN than the number of 2008 CPS registered in your name at 7.00pm (Sydney time) on 13 May 2013, then you will need to make an Application Payment in respect of those additional MCN. In order to apply for additional MCN you will need to complete an Application Form online through www.MacquarieCNOffer.com.au and make an Application Payment using BPAY®. Any additional application must be for a minimum of 50 MCN (\$5,000).

You should read the enclosed Prospectus carefully before determining whether to apply. To participate:

- if you are an issuer sponsored Eligible 2008 CPS Holder, you may send your completed Reinvestment Form to the Registrar or complete the Reinvestment Form online through www.MacquarieCNOffer.com.au; or
- if you are a CHESS sponsored Eligible 2008 CPS Holder, you should contact your broker or CHESS controlling participant for instructions as to how to apply, or alternatively, send your Reinvestment Form to the Registrar who will contact your controlling participant on your behalf.

Applications must be received by the Registrar no later than by the Closing Date for the Reinvestment Offer, which is expected to be 5.00pm (Sydney time) on 4 June 2013.

Option 2. Take no action – your 2008 CPS are expected to be resold for \$100 per 2008 CPS on 1 July 2013

You are not required to participate in the Reinvestment Offer and as such you are not required to take any action. If you choose to take no action it is expected that your 2008 CPS will be resold to the Resale Agent on 1 July 2013 and that you will receive the face value (\$100) and a final distribution of \$5.5019 for each 2008 CPS that you hold on the resale date, subject to the 2008 CPS terms.

Option 3. Sell your 2008 CPS on market

You may choose to sell your 2008 CPS on market at the prevailing market price which may be higher or lower than the price you will receive if you reinvest your 2008 CPS in the Reinvestment Offer. Under this option you may have to pay brokerage and you may receive a price greater or less than the face value of \$100 per 2008 CPS. You will not be entitled to receive the 2008 CPS final distribution on 2008 CPS you sell and you cannot reinvest the sale proceeds directly in MCN via the Reinvestment Offer. The last trading day for 2008 CPS is expected to be 13 June 2013.

Next steps

There are a number of documents enclosed with this letter:

1. a Prospectus;
2. a personalised Application Form; and
3. a reply paid envelope.

You should read the enclosed documents carefully and consider the full details of the Offer set out in the Prospectus before making your decision.

If you require advice regarding the MCN Offer or the expected resale of 2008 CPS, you should seek advice from your financial adviser or other professional adviser.

Further information about the Offer and copies of the Prospectus are available at www.MacquarieCNOffer.com.au or you can contact the MCN Offer Information Line on 1300 346 778 (within Australia) or +61 3 9415 4898 (International) (Monday to Friday – 8:30am to 5:30pm, (Sydney time)). Applicants in the Broker Firm Offer may also call their Syndicate Broker.

Yours faithfully,



H. Kevin McCann AM
Chairman