Capital raising and outlook update

Presentation to investors and analysts

28 August 2019

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01 Executive Summary

Overview – capital raising and outlook update

Capital raising follows a period of increased capital usage, primarily across markets-facing businesses

Outlook	• While the impact of future market conditions makes forecasting difficult, we continue to expect the Group's result for FY20 to be slightly down on FY19 — The 1H20 result is expected to be up approximately 10% on the 1H19 result but down on a strong 2H19, which benefited from increased contributions from the markets-facing businesses • Our short-term outlook for both 1H20 and FY20 remains subject to: — The completion rate of transactions and period end reviews — Market conditions — The impact of foreign exchange — Potential regulatory changes and tax uncertainties — Geographic composition of income

Capital update	• 2Q20 is projected to see an approximate $A1.6b increase in capital usage across annuity-style and markets-facing businesses:
	— net capital investment in 2Q20 is currently expected to be approximately A$1b, noting the final amount remains subject to the completion rate and timing of transactions, comprising:
	  — recent investments across most regions primarily by Macquarie Capital (MacCap) in the renewables, technology and infrastructure sectors; significant investments include an investment in a UK offshore wind farm and further investment in a Taiwanese wind farm
	  — an anticipated increase in capital deployment by Macquarie Asset Management (MAM) and MacCap
	— as previously disclosed, APRA's implementation of SA-CCR[1] on 1 July 2019 will result in an estimated $A0.6b increase in capital requirements for Commodities and Global Markets (CGM)

Capital raising	• Additional capital provides flexibility to invest in new opportunities, provided the projected risk adjusted returns are attractive for shareholders, while maintaining appropriate capital levels in light of ongoing regulatory change: — $A1.0b institutional placement (**Institutional Placement**) — Share purchase plan (**SPP**[2]) also offered to existing shareholders post completion of the Institutional Placement

1. APRA implemented the standardised approach for measuring counterparty credit risk exposures (SA-CCR) on 1 Jul 19. Note that SA-CCR has not yet been implemented in many jurisdictions, including US and EU. 2. SPP subject to potential scaling depending on take-up of offer.

02 | Outlook update

Factors impacting FY20 short-term outlook

Annuity-style businesses

Macquarie Asset Management (MAM)

Base fees expected to be broadly in line with FY19, benefiting from the deployment of capital and full-year effect of platform acquisitions, offset by divestments and internalisation of ALX

Performance fees and investment-related income (net of impairments) expected to be broadly in line with FY19

Corporate and Asset Finance (CAF)

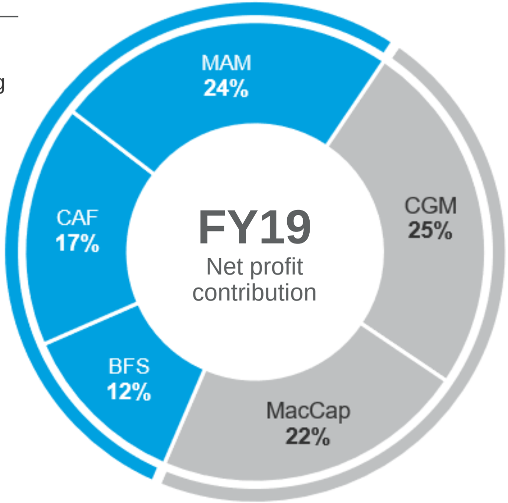
Asset Finance portfolio broadly in line with FY19

Principal Finance expected to be down due to **reduced loan volumes** and timing of realisations

Banking and Financial Services (BFS)

Higher loan portfolio and platform volumes

Competitive dynamics to drive **margin pressure**



Markets-facing businesses

Commodities and Global Markets (CGM)

Strong customer base expected to drive consistent flow across Commodities, Fixed Income, Foreign Exchange and Futures

Equities expected to remain challenging

Reduced impact from **impairments**

Business benefited from strong market conditions in FY19 which continued into 1H20, however **we do not currently anticipate these conditions will continue** to the same extent throughout the remainder of FY20

Macquarie Capital (MacCap)

Assume **market conditions broadly consistent** with FY19

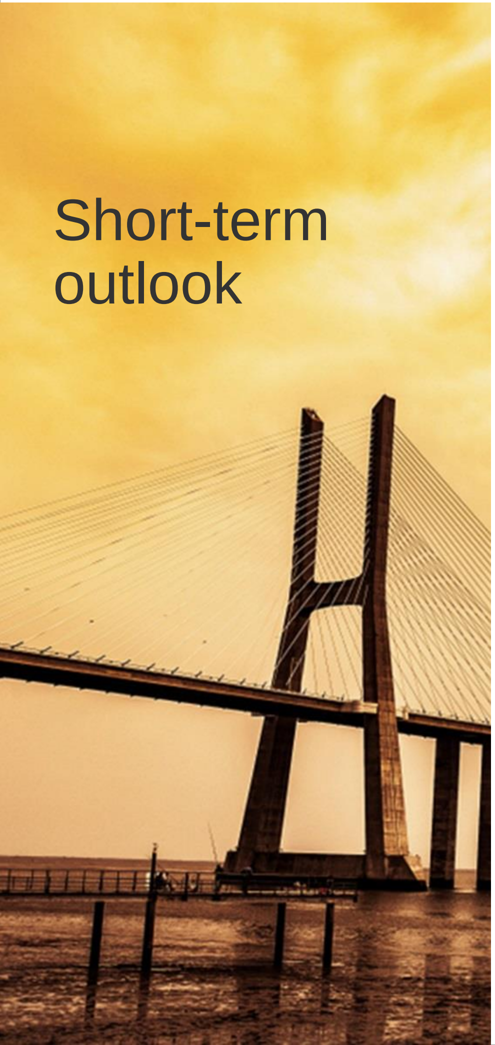
Solid pipeline of investment opportunities however **investment-related income down** due to timing of realisations

Corporate

Compensation ratio to be consistent with historical levels

Based on present mix of income, the FY20 **effective tax rate** is expected to be broadly in line with FY19

Note: Net profit contribution is management accounting profit before unallocated corporate costs, profit share and income tax. Pie chart is based on FY19 net profit contribution from Operating Groups as reported at the results announcement on 3 May 2019. Short term outlook will be updated at 1H20 result release on 1 November 2019 to reflect Operating Group changes announced at the Annual General Meeting.



Short-term outlook

- While the impact of future market conditions makes forecasting difficult, we continue to expect the Group’s result for FY20 to be slightly down on FY19
  - The 1H20 result is expected to be up approximately 10% on the 1H19 result but down on a strong 2H19, which benefited from increased contributions from the markets-facing businesses
- Our short-term outlook for both 1H20 and FY20 remains subject to:
  - The completion rate of transactions and period end reviews
  - Market conditions
  - The impact of foreign exchange
  - Potential regulatory changes and tax uncertainties
  - Geographic composition of income

Medium-term

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

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Medium-term

Annuity-style businesses

Non-Banking Group

Macquarie Asset Management (MAM)

Leading platform, well placed to grow assets under management through MAM's diversified product offering, track record and experienced local investment teams

Well positioned for organic growth

Banking Group

Banking and Financial Services (BFS)

Strong growth opportunities through intermediary and direct retail client distribution, platforms and client service

Opportunities to increase financial services engagement with existing business banking clients and extend into adjacent segments

Modernising technology to improve client experience and support growth

Markets-facing businesses

Non-Banking Group

Macquarie Capital (MacCap)

Positioned to benefit from any improvement in M&A and capital markets activity

Continues to tailor the business offering to current opportunities, market conditions and strengths in each sector and region

Opportunities for project development and balance sheet investment by the group and in support of partners and clients subject to market conditions

Banking Group

Commodities and Global Markets[1] (CGM)

Opportunities to grow the commodities business, both organically and through acquisition

Development of institutional and corporate coverage for specialised credit, rates and foreign exchange products

Tailored finance solutions globally across a variety of industries and asset classes

Growing the client base across all regions

Leveraging a strong market position in Asia-Pacific through investment in the equities platform

1. Note certain assets of the Credit Markets business, certain activities of the Cash Equities business and the Commodity Markets and Finance business, certain activities of CAF Asset Finance and some other less financially significant activities are undertaken from within the Non-Banking group

03 Capital position

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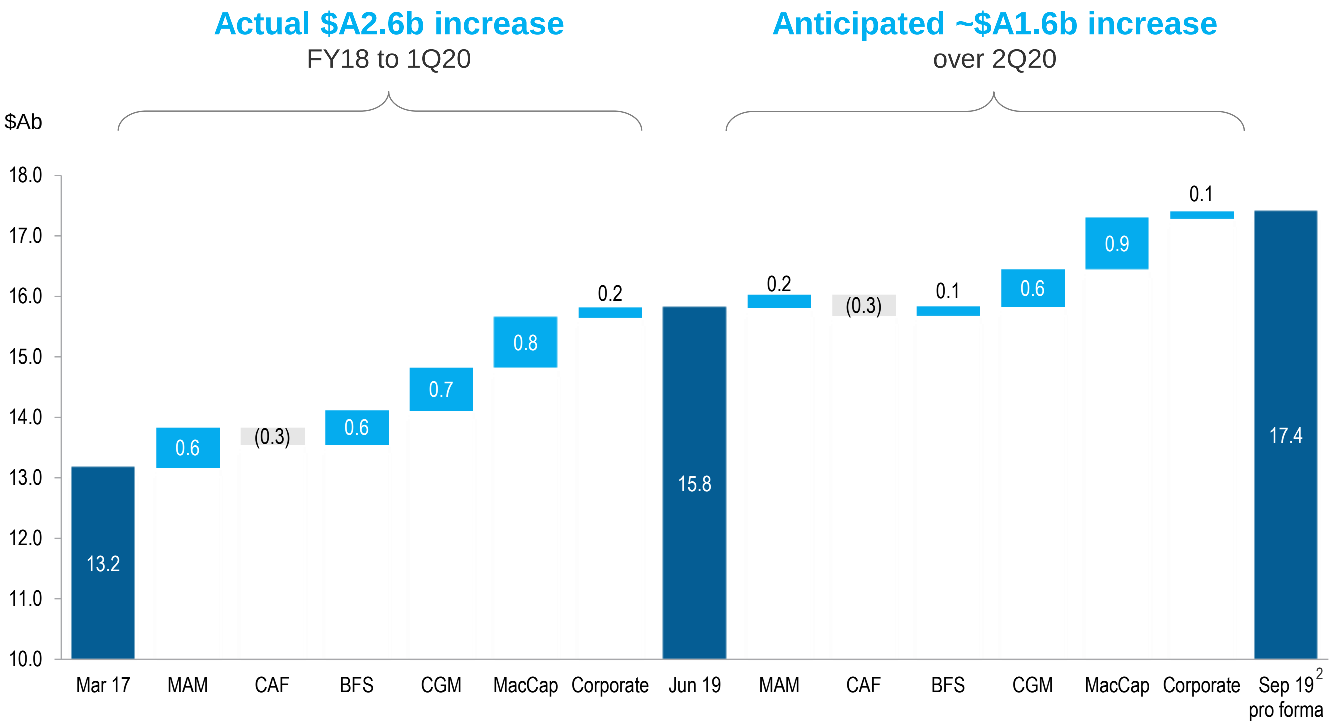
Capital update

- Across FY18, FY19 and 1H20, Macquarie's businesses will have used in excess of $A4b[1] of incremental capital
- 2Q20 is projected to see an approximate $A1.6b increase in capital usage across annuity-style and markets-facing businesses:
  - net capital investment in 2Q20 is currently expected to be approximately A$1b, noting the final amount remains subject to the completion rate and timing of transactions, comprising:
    - recent investments across most regions, primarily by MacCap in the renewables, technology and infrastructure sectors; significant investments include an investment in a UK offshore wind farm and further investment in a Taiwanese wind farm
    - an anticipated increase in capital deployment by MAM and MacCap
  - as previously disclosed, APRA's implementation of SA-CCR[2] on 1 July 2019 will result in an estimated $A0.6b increase in capital requirements for CGM
- Additional capital provides flexibility to invest in new opportunities, provided the projected risk adjusted returns are attractive for shareholders, while maintaining appropriate capital levels in light of ongoing regulatory change

1. Includes projected 2Q20 increase of approximately $A1.6b. 2. APRA implemented the standardised approach for measuring counterparty credit risk exposures (SA-CCR) on 1 Jul 19. Note that SA-CCR has not yet been implemented in many jurisdictions, including US and EU.

Business capital requirements[1]



1H20 key drivers

MAM
- Primarily short-term underwriting of assets

CAF
- Completion of Macquarie Air Finance sell down net of Principal Finance equity investments

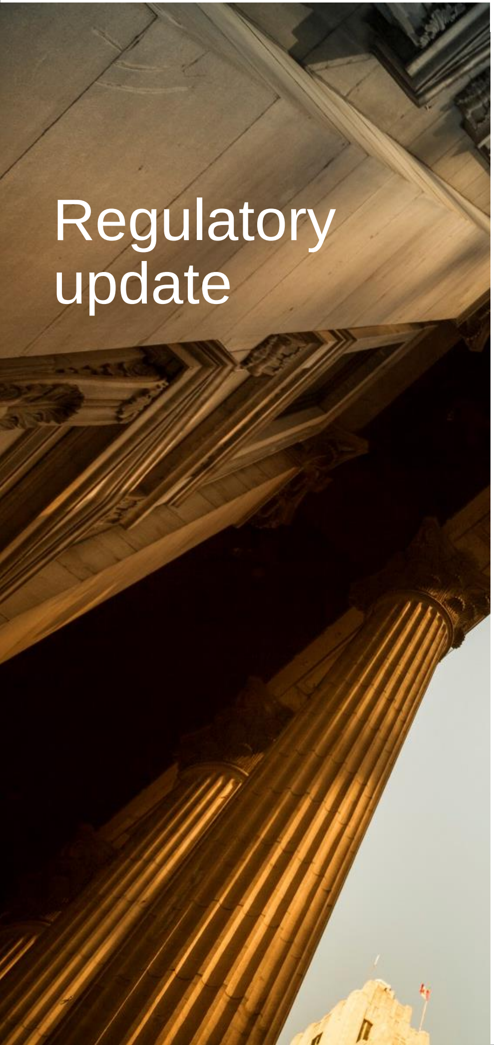
BFS
- Increase in mortgages and business banking loan portfolios, partially offset by decrease in the vehicle finance portfolio

CGM
- $A0.6b additional requirements for the introduction of SA-CCR[3] from 1 July 2019

MacCap
- Primarily driven by equity investments including:
  - a UK offshore wind farm and
  - an additional stake in a Taiwanese wind farm

Corporate
- Change in deferred tax position

Investors should be aware of the key risks associated with an investment in Macquarie which are contained in appendix B. 1. Regulatory capital requirements are calculated at 8.5% RWA including the capital conservation buffer (CCB), per APRA ADI Prudential Standard 110. Based on materiality, the 8.5% used to calculate capital requirements does not include the countercyclical capital buffer (CCyB) of ~12bps. The individual CCyB varies by jurisdiction and the Bank Group's CCyB is calculated as a weighted average based on exposures in different jurisdictions. Operating Group capital allocations for Sep 19 are based on 30 Jun 19 allocations adjusted for material movements over the Sep 19 quarter. 2. The pro forma result is subject to completion rate of transactions, regulatory outcomes, foreign exchange and other market movements 3. APRA implemented the standardised approach for measuring counterparty credit risk exposures (SA-CCR) on 1 Jul 19. Note that SA-CCR has not yet been implemented in many jurisdictions, including US and EU.



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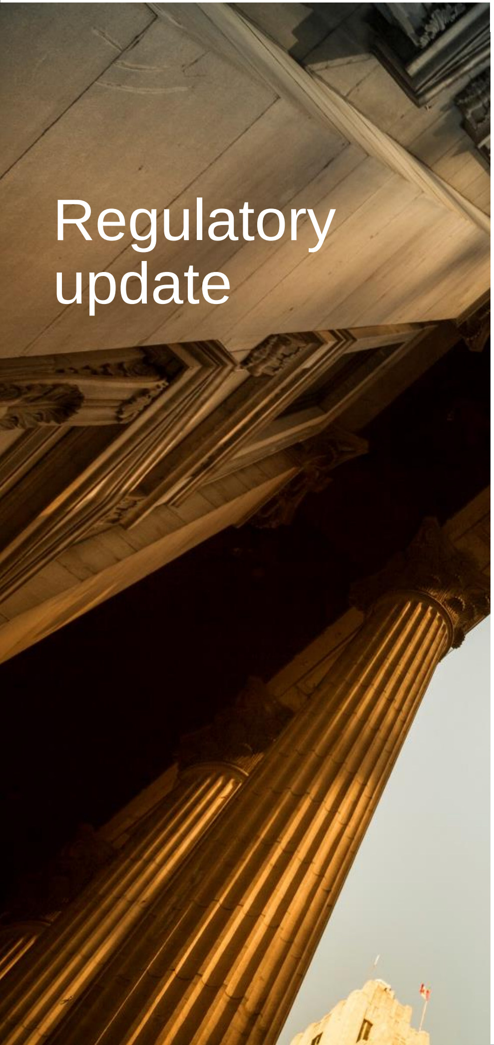
Regulatory update

Regulatory update

- APRA is currently undertaking regulatory reviews in a number of areas, including:
  - Finalisation of Basel III - APRA is yet to release final standards for Australian banks to ensure that their capital levels can be considered ‘unquestionably strong’[1]
    - In Jun 19, APRA responded to the first phase of consultation on revisions to the capital framework[2], and released draft updated standards for residential mortgages, credit risk and operational risk requirements under the standardised approaches
  - In Aug 18, APRA released a discussion paper setting out potential options to improve the transparency, international comparability and flexibility of the capital framework. The proposals are not intended to change the amount of capital that ADIs are required to hold[3]
  - In Nov 18, APRA released draft prudential standards on its implementation of a minimum requirement for the leverage ratio of 3.5% expected to be effective from Jan 22[4]. MBL’s leverage ratio was 5.4% at 30 Jun 19
  - Loss-absorbing capacity (LAC) - APRA released a ‘response to submissions’ paper in Jul 19 outlining its approach for LAC to support the orderly resolution of Australian ADIs[5]
    - MBL expects to be subject to additional LAC requirements, in line with the major banks, with the final quantum of LAC to be determined by APRA as part of the resolution planning process
  - Consistent with APRA’s stated intention to consult on resolution in 2019, APRA and Macquarie are currently consulting on resolution planning
  - In Jan 19, the Basel Committee on Banking Supervision (BCBS) released revisions to the market risk framework[6], with implementation from 1 Jan 22. APRA is yet to release draft standards
- Based on the current information available, including the proceeds from the current equity raising, it is Macquarie’s expectation that it will have sufficient capital to accommodate likely additional regulatory Tier 1 capital requirements as a result of the above changes, noting that some of them are at an early stage of review and hence the final impact is uncertain
- In July 19, APRA released a draft prudential standard CPS 511 aimed at clarifying and strengthening remuneration requirements in APRA-regulated entities. A three-month consultation period will close on 23 October 2019. APRA intends to release the final prudential standard before the end of 2019, with a view to it taking effect in 2021 following appropriate transitional arrangements.

1. ‘Revisions to the capital framework for ADIs’; 14 Feb 18. 2. ‘APRA responds to first phase of consultation on revisions to ADI capital framework’; 17 Jun 19. 3. ‘Improving the transparency, comparability and flexibility of the ADI capital framework’; 14 Aug 18. 4. ‘Draft Prudential Standard APS 110 Capital Adequacy’ and ‘Response to submissions: Leverage ratio requirement for ADIs’; 27 Nov 18. 5. ‘Increasing the loss-absorbing capacity of ADIs to support orderly resolution’; 8 Nov 18. 6. ‘Minimum capital requirements for market risk’; 14 Jan 19.



Regulatory update

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Brexit

- As previously stated, Macquarie does not believe that the UK's withdrawal from the European Union (EU) will be a material event for the Group
- Progress on licence applications to supplement existing EU licences is well advanced with three of the four targeted new licences now in place
- Macquarie is subject to an application process for a credit institution licence in Ireland that is expected to be issued in the second half of the calendar year 2019. Contingency arrangements are in place for a small number of clients who could be affected if the UK leaves the EU without a withdrawal or transition agreement before this licence is secured
- Macquarie has a longstanding and deep commitment to the UK as the hub for the EMEA region's operations and this will continue to be the case. Macquarie has been in the UK for 30 years with over 1,900 staff based there as at 31 March 2019
- Many of Macquarie's EMEA business lines have successfully built out from a strong UK hub to create a meaningful presence across continental Europe

Germany

- Macquarie continues to cooperate with German authorities in relation to an historical German lending transaction in 2011. No current staff members have been interviewed to date. The total amount at issue is not material and MGL has provided for the matter
- As previously stated, Macquarie resolved two dividend trading matters that took place between 2006 and 2009. The industry-wide investigation relating to dividend trading continues and Macquarie continues to respond to requests for information about its activities in this market. Macquarie's profits from these activities were not material

04 | Offer

Overview and use of funds

Macquarie is seeking to raise $A1b in the form of a non-underwritten Institutional Placement in addition to an associated Share Purchase Plan[1]

- 2Q20 is projected to see an approximate $A1.6b increase in capital usage across annuity-style and markets-facing businesses:
  - net capital investment in 2Q20 is currently expected to be approximately A$1b, noting the final amount remains subject to the completion rate and timing of transactions, comprising:
    - recent investments across most regions primarily by MacCap in the renewables, technology and infrastructure sectors; significant investments include an investment in a UK offshore wind farm and further investment in a Taiwanese wind farm
    - an anticipated increase in capital deployment by MAM and MacCap
  - as previously disclosed, APRA's implementation of SA-CCR[2] on 1 July 2019 will result in an estimated $A0.6b increase in capital requirements for CGM
- Additional capital provides flexibility to invest in new opportunities, provided the projected risk adjusted returns are attractive for shareholders, while maintaining appropriate capital levels in light of ongoing regulatory change

1. SPP subject to potential scaling depending on take-up of offer. 2. APRA implemented the standardised approach for measuring counterparty credit risk exposures (SA-CCR) on 1 Jul 19. Note that SA-CCR has not yet been implemented in many jurisdictions, including US and EU.

Key details of Offer

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Structure and size	• Non-underwritten Institutional Placement and associated Share Purchase Plan[1] (together the **"Offer"**)
Institutional Placement	• Institutional Placement of approximately 8.4 million new shares (**"New Shares"**) is expected to raise approximately $1b (**"Placement"**) • Placement Price will be determined via a bookbuild process • Placement represents approximately 2.5% of total existing Macquarie shares on issue
Share Purchase Plan	• Macquarie will offer Eligible Shareholders[2] the opportunity to participate in a non-underwritten Share Purchase Plan with a maximum application size of $15,000 per Eligible Shareholder (**"SPP"**) • New shares issued under the SPP will be offered at the lower of: — the Placement Price; and — a 1% discount to the volume-weighted average price of Macquarie ordinary shares traded during the five ASX trading days immediately prior to and including the SPP closing date.
Ranking	• New Shares issued under the Placement and SPP will rank equally with existing shares on issue from allotment

1. SPP subject to potential scaling depending on take-up of offer. 2. Eligible Shareholders are shareholders with a registered address in Australia or New Zealand on the register as at 7.00pm on Tuesday 27 August 2019

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Offer timetable

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Event	Date (Sydney time)
Record date for SPP	7.00pm Tuesday 27 August 2019
Announcement of the Placement and trading halt	Wednesday 28 August 2019
Placement bookbuild	Wednesday 28 August 2019
Announcement of the outcome of the Placement	Thursday 29 August 2019
Trading halt lifted	Thursday 29 August 2019
Settlement of New Shares issued under the Placement	Monday 2 September 2019
Allotment and normal trading of New Shares issued under the Placement	Tuesday 3 September 2019
Expected SPP offer opening date	Wednesday 4 September 2019
Expected SPP offer closing date	Friday 20 September 2019
Expected SPP allotment date	Monday 30 September 2019
Expected SPP holding statements dispatched and trading of new shares under the SPP	Tuesday 1 October 2019

All times and dates are indicative only and subject to change

05 Appendix A
1Q20 Update

1Q20
Overview

- Satisfactory trading conditions with 1Q20 operating group contribution broadly in line with the prior corresponding period (pcp) (1Q19) and slightly down on the prior period (4Q19)
- Macquarie's annuity-style businesses' (MAM, CAF and BFS) combined 1Q20 net profit contribution[1] down on pcp mainly due to: timing of performance fees and higher operating expenses following FY19 platform acquisitions in MAM; reduced loan volumes and realisations in CAF Principal Finance; BFS broadly in line
- Macquarie's markets-facing businesses' (CGM and MacCap) combined 1Q20 net profit contribution[1] up on pcp primarily due to: strong performance of the commodities platform in CGM, partially offset by lower investment–related income in MacCap

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

1Q20
Overview
Annuity-style businesses

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Macquarie Asset Management

24%

FY19 contribution[1]

- AUM of $A552.7b at June 19, up 2% on March 19 predominately driven by market movements
- MIM: $A368.1b in AUM, up 2% on March 19, predominately driven by market movements and FX; awarded $A4.8b in new, funded institutional mandates and contributions
- MIRA: $A120.2b in EUM[2], up 3% on March 19; $A2.4b in new equity raised in 1Q20 including $A2.3b in Europe; $A1.8b of equity invested; $A5.9b of asset divestments; and $A24.2b of equity to deploy at June 19
- Macquarie European Infrastructure Fund 6 closed at hard cap of €6b exceeding its initial target of €5b

Corporate and Asset Finance

17%

FY19 contribution[1]

- Asset Finance and Principal Finance portfolio of $A21.5b at June 19, broadly in line with March 19
- Asset Finance originations in line with expectations
- Notable transactions for Asset Finance include the launch of **nu**mobile in Australia to provide a low cost option to customers utilising pre-owned mobile phones and the arrangement and distribution of USD debt to finance the construction of four shuttle tankers
- Notable transactions for Principal Finance include an offer to acquire Premier Technical Services Group PLC, a provider of tech-enabled specialist testing and compliance services, providing financing for the acquisition of a leading NZ online classifieds business and providing financing to a European deep sea terminals operator
- Entered into agreement for sale of 25% of Macquarie AirFinance to Dutch pension fund adviser and manager PGGM
- Completion of the acquisition of a 120 rotorcraft portfolio from Waypoint Leasing (Ireland) Ltd

Banking and Financial Services

12%

FY19 contribution[1]

- Total BFS deposits[3] of $A53.1b at June 19, down 1% on March 19
- Australian mortgage portfolio of $A39.7b at June 19, up 3% on March 19
- Funds on platform[4] of $A88.8b at June 19, up 3% on March 19
- Business banking loan portfolio of $A8.3b at June 19, up 1% on March 19
- Australian vehicle finance portfolio of $A15.0b at June 19, down 1% on March 19

1. Based on FY19 net profit contribution from operating groups as reported on 3 May 19. Net profit contribution is management accounting profit before unallocated corporate costs, profit share and income tax. 2. MIRA's total EUM includes market capitalisation at measurement date for listed funds, the sum of original committed capital less capital subsequently returned for unlisted funds and mandates as well as invested capital for managed businesses. 3. BFS deposits exclude corporate/wholesale deposits. 4. Funds on platform includes Macquarie Wrap and Vision.

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1Q20
Overview
Markets-facing businesses

Commodities and Global Markets

25%

FY19 contribution[1]

- Strong contribution from client hedging and trading opportunities across the commodities platform, particularly from Global Oil, North American Gas & Power and EMEA Gas & Power
- Continued customer activity in foreign exchange across all regions
- Ongoing strength in ANZ and US Futures driven by customer activity
- Cash Equities continued to be impacted by challenging market conditions
- Maintained ranking as No. 2 physical gas marketer in North America[2]
- Awarded 2019 Natural Gas/LNG House of the Year[3]
- Awarded 2019 Research House of the Year[3]

Macquarie Capital

22%

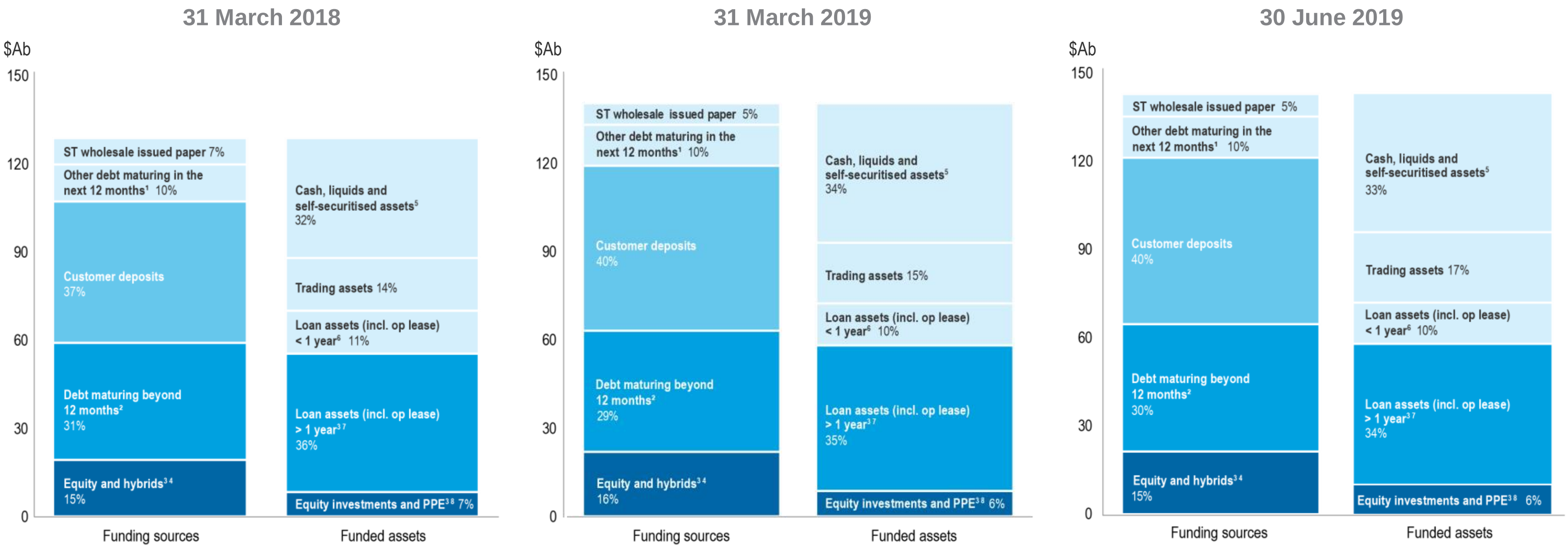
FY19 contribution[1]

- 87 transactions valued at $A92b[4] completed globally, down on a strong pcp and up on the prior period
- Fee revenue up on pcp due to higher fee revenue from M&A and DCM
- Investment-related income down predominantly due to lower revenue from asset realisations
- Green Investment Group acquired a 43 MW Swedish onshore wind farm from Nordic wind developer OX2 after structuring and securing a long-term Power Purchase Agreement (PPA) for the project with Axpo Nordic. With this PPA, GIG has now sourced and structured PPAs for almost 1GW of onshore wind capacity in the Nordic region. GIG also continued to recycle capital into renewables projects globally, across technologies including solar, waste-to-energy and battery storage
- Other notable Principal transactions included: investment in Dovel Technologies, a leading technology solutions provider to federal agencies that blends deep domain expertise and advanced technologies in the health IT, life sciences, and grants management markets
- Advisory Excellence Award - Sydney Metro Martin Place Integrated Station Development[5]
- Financial Excellence Award – Westconnex[5]
- No. 1 in ANZ for completed M&A[6]

1. Based on FY19 net profit contribution from operating groups. Net profit contribution is management accounting profit before unallocated corporate costs, profit share and income tax. 2. Platts Q1 CY19. 3. 2019 Energy Risk Awards. 4. Dealogic and IJGlobal for Macquarie Group completed M&A, investments, ECM and DCM transactions converted as at the relevant report date. Deal values reflect the full transaction value and not an attributed value. 5. Infrastructure Partnership Australia (2019). 6. Dealogic 1 January - 30 June 2019 (by volume).

Funded balance sheet remains strong

Term liabilities exceed term assets



These charts represent Macquarie's funded balance sheets at the respective dates noted above. The funded balance sheet is a representation of Macquarie's net funding requirements, and therefore differs from the statutory balance sheet by excluding certain items such as non-recourse self-funded assets and certain accounting gross-ups. 1. 'Other debt maturing in the next 12 months' includes Structured Notes, Secured Funding, Bonds, Other Loans, Subordinated debt maturing within the next 12 months and Net Trade Creditors. 2. 'Debt maturing beyond 12 months' includes Subordinated debt not maturing within next 12 months. 3. Non-controlling interests netted down in 'Equity and hybrids' and 'Equity investments and PPE' and 'Loan assets (incl. op leases) > 1 year. 4. Hybrid instruments include Macquarie Income Securities, Macquarie Additional Capital Securities, Macquarie Capital Notes 2, 3 & 4 and Macquarie Bank Capital Notes. 5. 'Cash, liquids and self-securitised assets' includes self-securitisation of repo eligible Australian assets originated by Macquarie. 6. 'Loan Assets (incl. op lease) < 1 year' includes Net Trade Debtors. 7. 'Loan Assets (incl. op lease) > 1 year' includes Debt Investment Securities. 8. 'Equity investments and PPE' includes Macquarie's co-investments in Macquarie-managed funds and equity investments.

Operating groups update

Operating groups update

- **Effective 1 July 2019**
  - Certain fiduciary businesses, such as the infrastructure debt business (MIDIS), moved from CAF Asset Finance in the Banking Group to MAM in the Non-Banking Group following receipt of required approvals
- **Effective 1 September 2019**
  - Each of CAF's divisions will be aligned to other businesses, where they have the greatest opportunities in terms of shared clients and complementary offerings:
    - CAF Principal Finance, excluding Transportation Finance, will join Macquarie Capital to bring together all principal investing activity and enhance our ability to invest directly and alongside clients and partners
    - CAF Transportation Finance will join Macquarie Asset Management, reflecting its evolution towards a fiduciary business following the recent sale of a stake in the portfolio to PGGM
    - CAF Asset Finance will move to Commodities and Global Markets, reflecting a longstanding, shared focus on innovative financing solutions for corporates, some of which are already shared clients
  - 1H20 results will be reported under the new Group structure with rebased prior periods

06 Appendix B Key Risks

Appendix B: Key risks

MACQUARIE

Risks

Investors should be aware that there are risks associated with an investment in Macquarie.

Some of the principal factors which may, either individually or in combination, affect the future operating performance of Macquarie are set out below. Some are specific to an investment in Macquarie, and the New Shares, whilst others are of a more general nature.

The summary of risks below is not exhaustive, and this presentation does not take into account the personal circumstances, financial position or investment requirements of any particular person. Additional risks and uncertainties that Macquarie is unaware of, or that it currently considers to be immaterial, may also become important factors that adversely affect the future performance of Macquarie, and/or the New Shares.

It is important for investors, before investing in Macquarie, to read and understand the entire presentation and to carefully consider these risks and uncertainties. You should have regard to your own investment objectives and financial circumstances and should seek professional guidance from your stockbroker, solicitor, accountant or other professional adviser before deciding whether or not to invest.

1. Risks associated with participating in the Offer	
Risk	**Description of risk**
Offer is not underwritten	The Joint Lead Managers have entered into an Offer Management Agreement with Macquarie to provide settlement support for the Offer but the Offer is not underwritten. Accordingly, if and to the extent that not all New Shares that are offered under the Offer are sold, those New Shares will not be issued. In this circumstance, Macquarie would not receive the Offer Price in respect of any New Shares not sold and the total amount raised by Macquarie under the Offer would be less than the $A1b that Macquarie intends to raise. This would mean that Macquarie's regulatory capital would be less than is expected in the scenario where all New Shares are taken up and other capital initiatives are not undertaken.

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2. Risks associated with Macquarie's business that may affect ordinary shares of Macquarie (Ordinary Shares) *The factors described below represent the key risks relating to an investment in Macquarie Group Limited (MGL) and each of its subsidiaries (together with MGL, the Macquarie Group).*	
Risk	**Description of risk**
Risks associated with MGL and the Macquarie Group	Risks associated with MGL and the Macquarie Group are relevant because they may affect the market value of, and any dividends paid on, Ordinary Shares. Risks may affect one or more of Macquarie Group's businesses at any one time. If more than one of the Macquarie Group's businesses were affected by adverse circumstances at or about the same time, the cumulative effect of these may also have an adverse impact on Macquarie Group.
Global credit and market conditions	The Macquarie Group's businesses operate in and depend on the operation of global markets, including through exposures in securities, loans, derivatives and other activities. In particular, uncertainty and volatility in global credit markets, liquidity constraints, funding costs, constrained access to funding and a decline in equity and capital market activity may affect transaction flow for the Macquarie Group in a range of industry sectors. The Macquarie Group's trading income may be adversely affected during times of subdued market conditions and client activity, and increased market risk can lead to trading losses or cause the Macquarie Group to reduce the size of its trading businesses in order to limit the Macquarie Group's risk exposure. Market conditions may cause clients to transfer their assets out of the Macquarie Group's funds, products or brokerage accounts and result in reduced net revenues. The Macquarie Group's funds management fee income may be adversely affected by volatility in asset values and the returns from Macquarie Group's managed funds. The value and performance of the Macquarie Group's loan portfolio and the value of its proprietary investments, including investments in managed funds, may also be adversely affected by deteriorating economic conditions, leading to impairments, write-downs and/or reduced returns from asset sales. Sudden declines and significant volatility in the prices of assets may substantially curtail or eliminate the trading markets for certain assets, which may make it very difficult to sell, hedge or value such assets. The inability to sell or effectively hedge assets reduces the Macquarie Group's ability to limit losses in such positions and difficulty in valuing assets may negatively affect the Macquarie Group's capital, liquidity or leverage ratios, increase funding costs and generally require the Macquarie Group to maintain additional capital. Increases in volatility may also increase Macquarie Group's capital requirements. Increased capital requirements may require the Macquarie Group to raise additional capital at a time, and on terms, which may be less favourable than it would otherwise achieve during stable market conditions. The commercial soundness of many financial institutions may be closely interrelated as a result of credit, trading, clearing or other relationships among financial institutions. Concerns about, or a default by, one or more institutions or by sovereigns could lead to market-wide liquidity problems, losses or defaults by other institutions globally that may further affect the Macquarie Group. This is sometimes referred to as "systemic risk" and may adversely affect financial intermediaries, such as clearing agencies, clearing houses, banks, securities firms, hedge funds and exchanges that the Macquarie Group interacts with on a daily basis. If any of the Macquarie Group's counterpart financial institutions fail, the Macquarie Group's financial exposures to that institution may lose some or all of their value. The failure of one financial institution may also affect the soundness of other financial institutions with which the Macquarie Group transacts, resulting in additional failures, financial instruments losing their value and liquidity, and interruptions to capital markets. Any of these events would have a serious adverse effect on the Macquarie Group's liquidity, profitability and value.
Other general economic and geopolitical risks	The Macquarie Group may face new costs and challenges as a result of general economic and geopolitical events and conditions. For instance, a sovereign default, slowdown in the US or Chinese economies, any increase in tariff levels or retaliatory measures, the impact of lower and negative interests slowing growth in emerging economies, the departure of any member country from the European Union or the market anticipation of such events, could disrupt global funding markets and the global financial system more generally. The United Kingdom's departure from the European Union ("Brexit") is currently subject to a deadline of 31 October 2019 under applicable UK and EU laws, however, significant uncertainty remains in relation to both the terms (e.g. the final form of any Brexit event) and timing. Such uncertainty, particularly the market's response, may adversely affect economic conditions and disrupt the markets in which Macquarie Group operates. Potential risks of default on sovereign debt in some jurisdictions could expose the Macquarie Group to substantial losses. The Macquarie Group may also be impacted indirectly through its counterparties that may have direct exposure to sovereigns and financial institutions.

Appendix B: Key risks

MACQUARIE

Risk	Description of risk
Other general economic and geopolitical risks (cont.)	Jurisdictions in which the Macquarie Group does business may be negatively impacted by slow growth rates or recessionary conditions, market volatility and/or political unrest. In conducting its businesses and maintaining and supporting its global operations, the Macquarie Group is subject to risks of possible nationalisation and/or confiscation of assets, expropriation, price controls, capital controls, redenomination risk, exchange controls, protectionist trade policies, economic sanctions and other restrictive governmental actions, unfavourable political and diplomatic developments and changes in legislation. These risks are elevated in emerging markets. Market and economic disruptions of all types may affect consumer confidence levels and spending, corporate investment and job creation, bankruptcy rates, levels of incurrence and default on consumer and corporate debt, economic growth rates and asset values, among other factors. Any such unfavourable conditions or developments could have an adverse impact on the Macquarie Group's business. For example, these developments can adversely affect investor and client confidence, resulting in declines in the size and number of underwritings, financial advisory transactions and increased market risk as a result of increased volatility. Geopolitical instability, such as threats of, potential for, or actual conflict, occurring around the world, may also adversely affect global financial markets, general economic and business conditions and the Macquarie Group's ability to continue operating or trading in a country. Risks in one country can limit the Macquarie Group's opportunities for portfolio growth and negatively affect its operations in other countries.
Liquidity risks	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 operation of Macquarie Group's businesses. Liquidity may be impaired by an inability to access debt and capital markets, or sell assets or if the Macquarie Group experiences unforeseen outflows of cash or collateral. Liquidity may also be impaired due to circumstances that MGL may be unable to control, such as general market disruptions, which may occur suddenly and dramatically, an operational problem that affects the Macquarie Group or its trading clients, or changes in credit spreads, which are market-driven, and subject at times to unpredictable and highly volatile movements. If economic conditions deteriorate or remain uncertain for a prolonged period, the Macquarie Group's funding costs may increase and this may limit its ability to replace maturing liabilities which could adversely affect the group's ability to fund and grow its business. In the event that the Macquarie Group's current sources of funding prove to be insufficient, MGL or other group members may be forced to seek alternative financing, which could include selling assets, including illiquid assets. The availability of alternative financing will depend on a variety of factors, including prevailing market conditions, the availability of credit, Macquarie Group entities' credit ratings and credit capacity. The cost of these alternatives may be higher than current sources of funding or include other unfavourable terms, or the Macquarie Group may be unable to raise as much funding as it needs to support its business activities. This could slow the growth rate of the Macquarie Group's businesses, cause it to reduce its term assets or increase its cost of funding, any of which could adversely affect the Macquarie Group.
Legal, regulatory and compliance risk	Many of the Macquarie Group's businesses are highly regulated and it could be adversely affected by changes in regulations, regulatory policy, unintended consequences from such changes and increased compliance requirements. The Macquarie Group operates various kinds of businesses across multiple jurisdictions, and some of its businesses operate across more than one jurisdiction or sector and are regulated by more than one regulator. Additionally, some members of the Macquarie Group own or manage assets and businesses that are regulated. The Macquarie Group's businesses include a bank in Australia (regulated by APRA) and other prudentially regulated activities, bank branches in the United Kingdom, Germany, the Dubai International Finance Centre, Singapore, Hong Kong and South Korea and representative offices in the United States, New Zealand and Switzerland. Prudential regulations vary from country to country but generally are designed to protect depositors and the banking system as a whole, not holders of MGL's securities or creditors. As a diversified financial institution, many of the Macquarie Group's businesses are also subject to financial services regulation other than prudential banking regulation. Regulatory agencies and governments frequently review and revise banking and financial services laws, security and competition laws, fiscal laws and other laws, regulations and policies which may impact the financial sector in which the Macquarie Group operates.

Appendix B: Key risks

Risk	Description of risk
Legal, regulatory and compliance risk	Changes to laws, regulations or policies, including changes in interpretation or implementation of laws, regulations or policies, could substantially affect the Macquarie Group or its businesses, the products and services it offers or the value of its assets, or have unintended consequences across its business. These may include changing required levels of liquidity and capital adequacy, increasing tax burdens generally or on financial institutions or transactions, limiting the types of financial services and products that can be offered and/ or increasing the ability of other providers to offer competing financial services and products. In some countries in which the Macquarie Group operates or may in the future operate, in particular in emerging markets, the laws and regulations applicable to the financial services industry are uncertain and evolving, and it may be difficult to determine the requirements of local laws in every market. The Macquarie Group's inability to remain in compliance with local laws in a particular market could have a significant and negative effect on its businesses in that market and on its reputation generally. Regulation is becoming increasingly extensive and complex and some areas of regulatory change involve multiple jurisdictions seeking to adopt a coordinated approach or certain jurisdictions seeking to expand the territorial reach of their regulation. The nature and impact of future changes are unpredictable, beyond MGL's control and may result in potentially conflicting requirements resulting in additional legal and compliance expenses and changes to business practices that could adversely affect the Macquarie Group. MGL is regulated by APRA as a Non-Operating Holding Company (NOHC). APRA may introduce new prudential regulations or modify existing regulations, including those that apply to MGL as a NOHC. Any such event could result in changes to the organisational structure of the Macquarie Group and adversely affect the Macquarie Group. The Macquarie Group is also subject in its operations worldwide to rules and regulations relating to corrupt and illegal payments and money laundering, as well as laws, sanctions and economic trade restrictions relating to doing business with certain individuals, groups and countries. The geographical diversity of the Macquarie Group's operations, employees, clients and customers, as well as the vendors and other third parties that it deals with, increases the risk that a member of the Macquarie Group may be found in violation of such rules or regulations. Any such violation could subject the Macquarie Group to significant penalties, revocation, suspension, restriction or variation of conditions of operating licenses, adverse reputational consequences, litigation (including potentially class actions) or limitations on the Macquarie Group's ability to do business. Emerging technologies, such as cryptocurrencies, could limit the Macquarie Group's ability to track the movement of funds. The Macquarie Group's ability to comply with these laws is dependent on its ability to improve detection and reporting capabilities and reduce variation in control processes and oversight accountability. MGL is a holding company and many of its subsidiaries, including its broker-dealer and bank subsidiaries, such as MBL, are subject to laws that authorize regulatory bodies to block or reduce the flow of funds from those subsidiaries to MGL. Restrictions or regulatory action of that kind could impede access to funds that MGL needs to make payments on its obligations, including debt obligations, or dividend payments. In particular, the availability of MBL's funding to meet the obligations of MGL or the Non-Banking Group is subject to regulatory restrictions.
Increased governmental and regulatory scrutiny	Global economic conditions and increased scrutiny of the culture in the banking sector have led to increased supervision and regulation, as well as changes in regulation in the markets in which the Macquarie Group operates and may lead to further significant changes of this kind. Governmental scrutiny from regulators, legislative bodies and law enforcement agencies with respect to matters relating to the financial services sector generally, and the Macquarie Group's operations, capital, liquidity and risk management, compensation and other matters, has increased dramatically over the past several years. The financial crisis and the subsequent political and public sentiment regarding financial institutions has resulted in a significant amount of adverse press coverage, as well as adverse statements or charges by regulators or other government officials, and in some cases, increased regulatory scrutiny, investigations and litigation. Responding to and addressing such matters, regardless of the ultimate outcome, is time-consuming, expensive, can adversely affect investor confidence and can divert the time and effort of the Macquarie Group's staff from other business activities. Investigations, inquiries, penalties and fines sought by regulatory authorities have increased substantially over the last several years, along with legislation targeted at the financial services industry. If the Macquarie Group is subject to adverse regulatory findings, the financial penalties could have a material adverse effect on the Macquarie Group's results of operations. Adverse publicity, governmental scrutiny and legal and enforcement proceedings can also have a negative impact on the Macquarie Group's reputation with clients and on the morale and performance of its employees. The Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry concluded on 1 February 2019. The Royal Commission inquired into the causes of, and responses to, misconduct by financial services entities and conduct falling below community standards and expectations, and held rounds of public hearings on a wide range of matters, including consumer and SME lending, financial advice, superannuation, insurance, culture, governance, remuneration, and the remits of regulators. The Commission's Final Report published on 4 February 2019 ("Final Report") contains 76 recommendations. No findings were made by the Commission in relation to the Macquarie Group. There is a broad bipartisan support on most of the recommendations contained in the Final Report. The Commission's recommendations are likely to result in a range of further legislative, regulatory and industry practice changes. Such changes may adversely impact Macquarie Group's business, operations, compliance costs, financial performance and prospects. Macquarie is closely monitoring the governmental, regulatory and industry responses to these recommendations and will participate in public and industry consultations as appropriate.

MACQUARIE

Appendix B: Key risks

Risk	Description of risk
Exchange rate risk	While the Macquarie Group's consolidated financial statements are presented in Australian dollars, a significant portion of the Macquarie Group's operating income is derived, and operating expenses are incurred, from offshore business activities, which are conducted in a broad range of currencies. Changes in currency exchange rates can impact the Macquarie Group's financial statements, its capital position and the economics of its business. If any member of the Macquarie Group is unable to hedge its exposure to currencies other than the Australian dollar as expected, the Macquarie Group's reported profit, balance sheet or capital position could be affected.
Risks of strategic opportunities and exiting or restructuring existing businesses	The Macquarie Group continually assesses the appropriateness of its business mix and the viability of individual businesses in light of regulatory, market and economic conditions and developments. From time to time, the Macquarie Group may evaluate other strategic opportunities, the outcome of which is dependent upon the quality of its strategic planning process, the implications of the strategy on risk appetite and its ability to evaluate and implement such strategic opportunities. 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 its legal, accounting, IT, risk management and operational infrastructure and result in increased expenses. Such activities are likely to bring the Macquarie Group into contact with individuals and entities that are new clients, new asset classes and other new products or new markets that may expose the Macquarie Group to new and enhanced risks, including reputational concerns arising from dealing with a range of new counterparties and investors, actual or perceived conflicts of interest, regulatory scrutiny of these activities, potential political pressure, increased credit-related and operational risks, including risks arising from IT systems, and reputational concerns with these businesses being operated or conducted. The Macquarie Group may over-value an acquisition, not achieve expected synergies from an acquisition, achieve lower than expected cost savings or otherwise incur losses, lose customers and market share, and may face disruptions to its operations resulting from integrating the systems, processes and personnel of the acquired business into the Macquarie Group (including the diversion of management time). The Macquarie Group may also underestimate the costs associated with outsourcing, exiting or restructuring existing businesses. Where the Macquarie Group's acquisitions are in foreign jurisdictions, particularly in emerging or growth economies, it may be exposed to heightened levels of regulatory scrutiny and political, social or economic disruption and sovereign risk.
Reputation risk	The Macquarie Group's reputation in the financial services markets and the recognition of the Macquarie brand by its customers are important contributors to its business. Many companies in the Macquarie Group and many of the funds managed by entities owned, in whole or in part, by the Macquarie Group use the Macquarie name. The Macquarie Group's business may be adversely affected by negative publicity or poor performance in relation to any of the entities using the Macquarie name or otherwise associated with Macquarie, including any Macquarie-managed fund or funds that Macquarie has promoted or is associated with, as investors and lenders may associate such entities and funds with the name, brand and reputation of the Macquarie Group and other Macquarie-managed funds.
Competitive risks	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. The Macquarie Group competes, both in Australia and internationally, with asset managers, retail and commercial banks, private banking firms, investment banking firms, brokerage firms, internet based firms, commodity trading firms and other investment and service firms as well as businesses in adjacent industries in connection with the various funds and assets the Macquarie Group manages and services it provides. This includes specialist competitors that may not be subject to the same capital and regulatory requirements and therefore may be able to operate more efficiently. Furthermore, digital technologies and business models are changing consumer behaviour and the competitive environment. The use of digital channels by customers to conduct their banking continues to rise and emerging competitors are increasingly utilising new technologies and seeking to disrupt existing business models, including in relation to digital payment services and open data banking, that could potentially disrupt traditional financial services and adversely affect the Macquarie Group's operations. Any 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 which may enhance the competitive position of Macquarie's competitors and result in the loss of Macquarie Group customers to those competitors.

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Appendix B: Key risks

Risk	Description of risk
Staff recruitment and retention	Employees are the Macquarie Group's most important resource, and its performance largely depends on the talents and efforts of highly skilled individuals. The Macquarie Group's continued ability to compete effectively in its businesses and to expand into new business areas and geographic regions depends on its ability to retain and motivate existing employees and attract new employees. Competition from within the financial services industry and from businesses outside the financial services industry for qualified employees has historically been intense and is expected to increase during periods of economic growth. In order to attract and retain qualified employees, the Macquarie Group must compensate such employees at or above market levels. Recent market events have resulted in increased regulatory and public scrutiny of corporate remuneration policies and the establishment of criteria against which industry remuneration policies may be assessed. As a regulated entity, MGL may be subject to limitations on remuneration practices. These limitations may require MGL to further alter its remuneration practices in ways that could adversely affect the Macquarie Group's ability to attract and retain qualified and talented employees. Current and future laws (including laws relating to immigration and outsourcing) may restrict the Macquarie Group's ability to move responsibilities or personnel from one jurisdiction to another. This may impact its ability to take advantage of business and growth opportunities or potential efficiencies, which could adversely affect the Macquarie Group's profitability.
Market, asset and interest rate risk	The Macquarie Group is exposed to changes in the value of financial instruments and other financial assets that are carried at fair market value, as well as changes to the level of advisory and other fees, due to changes in interest rates, exchange rates, equity and commodity prices and credit spreads and other market risks. These changes may result from changes in economic conditions, monetary and fiscal policies, market liquidity, availability and cost of capital, international and regional political events, acts of war or terrorism, corporate, political or other scandals that reduce investor confidence in capital markets, natural disasters or pandemics or a combination of these or other factors. Interest rate benchmarks around the world (for example, London Interbank Offered Rate or LIBOR) have been subject to regulatory scrutiny and are subject to change. Changes to such benchmarks can result in market disruption and volatility impacting the value of securities, financial returns and potentially impact the Macquarie Group's ability to effectively hedge market risk. The Macquarie Group's businesses trade in foreign exchange, interest rate, commodity, energy, securities and other markets and are an active price maker in the derivatives market. Certain financial instruments that members of the Macquarie Group hold and contracts to which members of the Macquarie Group are a party are complex and these complex structured products often do not have readily available markets to access in times of liquidity stress. The Macquarie Group may incur losses as a result of decreased market prices for products it trades, which decreases the valuation of its trading and investment positions, including interest rate and credit products, currency, commodity and equity positions. In addition, reductions in equity market prices or increases in interest rates may reduce the value of the Macquarie Group's clients' portfolios, which in turn may reduce the fees it earns for managing assets in certain parts of its business. Increases in interest rates or attractive prices for other investments could cause the Macquarie Group's clients to transfer their assets out of its funds or other products. 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.
Capital adequacy risk	The Macquarie Group seeks to maintain capital levels to ensure it can achieve strategic plans and objectives, manage the risks to which it is exposed, absorb unexpected losses and meet market expectations of capital levels. The Macquarie Group is required to maintain minimum levels determined by the risk profile of its operations and within the frameworks by which it is regulated. If the Macquarie Group fails to hold sufficient capital, including as a result of unexpected events affecting its business, operations and financial condition, there may be an increased risk of regulatory intervention in the operation of the business, and ultimately a greater risk of non-viability and insolvency. Reduced capital adequacy levels in MBL or MGL could also restrict those entities' ability to pay dividends or distributions. Many of the capital frameworks that the Macquarie Group operates under have been recently reviewed or are currently under review. The Basel Committee on Banking Supervision continues to undertake further work as part of its regulatory reform agenda that may result in additional capital requirements. Additional capital requirements may arise from APRA's proposals for "unquestionably strong" capital levels and/or loss absorbing capital requirements which are currently under consideration. APRA has also proposed prudential rules to apply to financial conglomerates such as the Macquarie Group, but the implementation date for these rules is currently unknown. Changes to these frameworks can require the Macquarie Group to hold more capital and have an adverse impact on the Macquarie Group.
Credit and counterparty risk	The Macquarie Group is exposed to the risk of financial loss as a result of failure by a client or other counterparty to meet its contractual obligations. The Macquarie Group assumes counterparty risk in connection with its lending, leasing, trading, derivatives and other businesses where it relies on the ability of a third party to satisfy their financial obligations to the Macquarie Group on a timely basis. The Macquarie Group is also exposed to potential concentration risk arising from large individual exposures or groups of exposures. The resultant credit exposure will depend on a number of factors, including the financial condition of the counterparty, the value of assets the Macquarie Group holds as collateral and the market value of the counterparty instruments and obligations the Macquarie Group holds, as well as the extent to which the Macquarie Group hedges such credit exposures. The Macquarie Group is also subject to the risk that its rights against third parties may not be enforceable in all circumstances, which may result in losses.

Appendix B: Key risks

Risk	Description of risk
Credit ratings risk	The credit ratings assigned to MGL and certain of its subsidiaries by rating agencies are based on an evaluation of a number of factors, including such entities' ability to maintain a stable and diverse earnings stream, strong capital ratios, strong credit quality and risk management controls, funding stability and security, disciplined liquidity management and the Macquarie Group's key operating environments, including the availability of systemic support in Australia. A credit rating downgrade could be driven by the occurrence of one or more of the other risks identified in this section or by other events that are not directly related to the Macquarie Group. If MGL or its subsidiaries fail to maintain current credit ratings, this could adversely affect the Macquarie Group's cost of funds and related margins, liquidity, competitive position, the willingness of counterparties to transact with the Macquarie Group and its ability to access capital markets. This may also trigger obligations under certain bilateral provisions in some of the Macquarie Group's trading and collateralised financing contracts which may result in the termination of contracts with the Macquarie Group or require members of the Macquarie Group to post additional collateral resulting in losses to the Macquarie Group and an impairment of its liquidity.
Tax Risk	The Macquarie Group is exposed to risks arising from the manner in which the Australian and international tax regimes are applied and enforced, both in terms of the Macquarie Group's own tax compliance and the tax aspects of transactions on which members of the Macquarie Group work with clients and other third parties. The Macquarie Group's international, multi-jurisdictional platform increases its tax risks. Any actual or alleged failure to comply with or any change in the interpretation, application or enforcement of applicable tax laws and regulations could adversely affect the Macquarie Group's reputation, businesses, significantly increase its own tax liability and expose it to legal, regulatory and other actions.
Operational system risks and risk management processes	The Macquarie Group's businesses depend on their ability to process and monitor, on a daily basis, a very large number of transactions, many of which are highly complex, across numerous and diverse markets in many currencies. The Macquarie Group is exposed to the risk of loss resulting from human error, the failure of internal or external processes and systems, such as from the disruption or failure of IT systems, or from external suppliers and service providers, including cloud-based outsourced technology platforms, or external events. The Macquarie Group is also exposed to the risk that employee, contractor and external service provider misconduct could occur. Such operational risks may include theft and fraud, employment practices and workplace safety, improper business practices, mishandling of client monies or assets, client suitability and servicing risks, product complexity and pricing, and valuation risk or improper recording, evaluating or accounting for transactions or breaches of internal policies and regulations. There is increasing regulatory and public scrutiny concerning conduct risk (including activities that fall below community standards and expectations) and concerning outsourced and off-shore activities and their associated risks, including, for example, the appropriate management and control of confidential data. If the Macquarie Group fails to appropriately manage these risks, it may incur financial losses and/or regulatory intervention and penalties, and its reputation and ability to retain and attract clients may be adversely affected. While the Macquarie Group employs a broad and diversified set of risk monitoring and risk mitigation techniques, those techniques and the judgments that accompany their application cannot anticipate every economic and financial outcome or the specifics and timing of such outcomes. There can be no assurance that the risk management processes and strategies that the Macquarie Group has developed will adequately anticipate or be effective in addressing market stress or unforeseen circumstances.
Information security system risks including cyber attack	The Macquarie Group's businesses are dependent on the security and efficacy of its information technology systems, as well as those of third parties with whom it interacts or on whom it relies. The Macquarie Group's businesses rely on the secure processing, transmission, storage and retrieval of confidential, proprietary and other information in its computer and data management systems and networks, and in those of third parties. The Macquarie Group, its customers, regulators and other third parties have been subject to, and are likely to continue to be the target of, cyber attacks. The Macquarie Group's computer systems, software and networks may be vulnerable to unauthorised access, misuse, denial-of-service or information attacks, phishing attacks, computer viruses or other malicious code and other events that could result in the unauthorised release, gathering, monitoring, misuse, loss or destruction of confidential, proprietary and other information of the Macquarie Group, its employees, its customers or of third parties, damages to systems, or otherwise material disruption to its or its customers' or other third parties' network access or business operations. Information security risks for financial institutions have increased in recent years, in part because of the proliferation of new technologies, the use of internet and telecommunications technology and the increased sophistication and activities of attackers. The techniques used by hackers change frequently, and may not be recognised until launched or until after a breach has occurred. Additionally, the existence of cyber attacks or security breaches at third parties with access to the Macquarie Group's data, such as vendors, may not be disclosed to the Macquarie Group in a timely manner.

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Appendix B: Key risks

Risk	Description of risk
Information security system risks including cyber attack (cont.)	As cyber threats continue to evolve, the Macquarie Group may have to significantly increase the resources it allocates to enhance its protective measures or to investigate and remediate any information security vulnerabilities or incidents. As a result of increasing consolidation, interdependence and complexity of financial entities and technology systems, a technology failure, cyber attack or other information or security breach that significantly degrades, deletes or compromises the systems or data of one or more financial entities could have a material impact on counterparties or other market participants, including the Macquarie Group.
Insurance Risk	The Macquarie Group maintains insurance that it considers to be prudent for the scope and scale of its activities. If the Macquarie Group's third party insurance providers fail to perform their obligations and/or its third party insurance cover is insufficient for a particular matter or group of related matters, the net loss to the Macquarie Group could adversely impact its results and operations.
Risk of unforeseen, hostile or potential catastrophic events and climate change social risks	The Macquarie Group and its customers operate businesses and hold assets in a diverse range of geographic locations. The Macquarie Group's businesses are subject to the risk of unforeseen, hostile or catastrophic events, many of which are outside of its control, including natural disasters, extreme weather events leaks, spills, explosions, release of toxic substances, fires, accidents on land or at sea, terrorist attacks or other hostile or catastrophic events. The occurrence of any such events may prevent the Macquarie Group from performing under its agreements with clients, may impair its operations or financial results, and may result in litigation, regulatory action, negative publicity or other reputational harm. In addition, the Macquarie Group relies on third party suppliers or service providers to perform their contractual obligations. If they are affected by such events, they may be unable to perform their obligations and any failure on their part could adversely affect the Macquarie Group's business. Macquarie and its customers, suppliers and service providers may also be adversely affected by climate change, including rising temperatures and sea levels and changes in the frequency and severity of catastrophic events. This could adversely impact Macquarie Group's financial performance and lead to business disruption. Regulatory changes and initiatives to respond to climate change, as well as failure to adequately anticipate and address transitions risks may also adversely impact on Macquarie Group by increasing operating costs and/or reducing the profitability of Macquarie's investments. The Macquarie Group may also not be able to obtain insurance to cover some of these risks or the insurance that it has may be inadequate to cover its losses.
Conflicts of Interest	As the Macquarie Group expands its businesses and its client base, it increasingly has to address potential or perceived conflicts of interest, including situations where its services to a particular client conflict with, or are perceived to conflict with, its own proprietary investments or other interests or with the interests of another client. The Macquarie Group may also face situations where one or more of its businesses have access to material non-public information that may not be shared with other businesses within the Macquarie Group. While the Macquarie Group believes it has adequate procedures and controls in place to address conflicts of interest, including those designed to prevent the improper sharing of information among its businesses, appropriately dealing with conflicts of interest is complex and difficult. A failure to comply with these procedures or controls may result in damage to the Macquarie Group's reputation, and the willingness of clients or counterparties to enter into transactions may be adversely affected if the Macquarie Group fails, or appears to fail, to deal appropriately with conflicts of interest. In addition, potential or perceived conflicts could give rise to claims by and liabilities to clients, litigation or enforcement actions.
Macquarie Group may be adversely affected by litigation and regulatory actions	The Macquarie Group may, from time to time, be subject to material litigation and regulatory actions, for example, as a result of inappropriate documentation of contractual relationships, class actions or regulatory violations, which, if they crystallize, may adversely impact upon Macquarie Group's operations and financial condition in future periods or its reputation. The Macquarie Group regularly obtains legal advice and make provisions, as deemed necessary. There is a risk that any losses may be larger than anticipated or provided for or that additional litigation, regulatory actions or other contingent liabilities may arise. Even where monetary damages may be relatively small, an adverse finding in a regulatory or litigation matter could harm Macquarie Group's reputation or brand, thereby adversely affecting its business.

MACQUARIE

Appendix B: Key risks

3. Risks associated with Ordinary Shares specifically	
Risk	**Description of risk**
The market price of Ordinary Shares will fluctuate	Ordinary Shares trade on ASX. The market price of Ordinary Shares on ASX will fluctuate due to various factors, including the risk factors described in section 3 above. If Ordinary Shares trade at a market price below the amount at which you acquired them, there is a risk that, if you sell them, you may lose all or some of the money you invested. Macquarie does not guarantee the market price of Ordinary Shares.
Dividends may fluctuate or not be paid	Dividends are entirely discretionary. The rate and value of dividends may fluctuate. There is a risk that dividends may become less attractive compared to returns on comparable securities or investments. Macquarie does not guarantee any return on Ordinary Shares. Macquarie may not pay dividends at all. Dividends are discretionary and do not accrue. Further, under the terms of some other securities issued by Macquarie, Macquarie may not be able to pay dividends if it does not pay distributions on those other securities.
Macquarie may raise more debt and issue other securities	Macquarie has the right in its absolute discretion to issue additional Ordinary Shares, debt or other securities, which may rank ahead of or equally with Ordinary Shares, whether or not secured. Any issue of other securities may dilute the relative value of existing Ordinary Shares and affect your ability to recover any value in a winding up. There are no restrictions on Macquarie raising more debt or issuing other securities, requiring Macquarie to refrain from certain business changes, or requiring Macquarie to operate within certain ratio limits. A holding of Ordinary Shares does not confer any right to participate in further issues of securities by Macquarie, other than future pro rata issues. It is difficult to anticipate the effect such debt or other issues of securities may have on the market price or liquidity of Ordinary Shares.
Shareholders are subordinated and unsecured investors	In a winding up of Macquarie, Shareholders' claims will rank after the claims of creditors preferred by law, secured creditors and general creditors. Shareholders' claims will rank equally with claims of holders of all other Ordinary Shares. If Macquarie were to be wound up and, after the claims of creditors preferred by law, secured creditors and general creditors are satisfied, there are insufficient assets remaining, there is a risk that you may lose some or all of the money you invested in Ordinary Shares.
Investments in Ordinary Shares are not deposit liabilities or protected accounts under the Banking Act	Investments in Ordinary Shares are an investment in Macquarie and will be affected by the ongoing performance, financial position and solvency of Macquarie. They are not deposit liabilities or protected accounts under the Banking Act. Therefore, Ordinary Shares are not guaranteed or insured by any Australian government, government agency or compensation scheme of Australia or any other jurisdiction.
Shareholders may be subject to the US Foreign Account Tax Compliance Act (FATCA) withholding and information reporting	In order to comply with FATCA, it is possible that Macquarie (or, if Ordinary Shares are held through another financial institution, such other financial institution) may be required (pursuant to an agreement with the Internal Revenue Service (IRS) or otherwise under applicable law) to request certain information from holders or beneficial owners of Ordinary Shares, which information may in turn be provided to the IRS or other relevant tax authority. Macquarie may also be required to withhold US tax on some portion of payments in relation to Ordinary Shares if such information is not provided or if payments are made to certain foreign financial institutions that have not entered into a similar agreement with the IRS (and are not otherwise required to comply with the FATCA regime under applicable laws or are otherwise exempt from complying with the requirements to enter into a FATCA agreement with the IRS). If Macquarie or any other person is required to withhold amounts under, or in connection with FATCA from any payments made in relation to Ordinary Shares, Shareholders and beneficial owners of Ordinary Shares will not be entitled to receive any gross up or additional amounts to compensate them for such withholding. This information is based on guidance issued by the IRS or other relevant tax authority as at the date of the Offer announcement. Future guidance may affect the application of FATCA to Macquarie, Shareholders or beneficial owners of Ordinary Shares.

Disclaimer

MACQUARIE

INTERNATIONAL OFFER RESTRICTIONS

This document does not constitute an offer of Securities of the Company in any jurisdiction in which it would be unlawful. In particular, this document may not be distributed to any person, and the Securities may not be offered or sold, in any country outside Australia except to the extent permitted below.

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This document constitutes an offering of Securities only in the Provinces of British Columbia, Ontario and Quebec (the "Provinces") and to those persons to whom they may be lawfully distributed in the Provinces, and only by persons permitted to sell such Securities. This document is not, and under no circumstances is to be construed as, an advertisement or a public offering of securities in the Provinces. This document may only be distributed in the Provinces to persons that are "accredited investors" within the meaning of NI 45-106 – *Prospectus Exemptions*, of the Canadian Securities Administrators.

No securities commission or similar authority in the Provinces has reviewed or in any way passed upon this document, the merits of the Securities or the offering of Securities and any representation to the contrary is an offence.

No prospectus has been, or will be, filed in the Provinces with respect to the offering of Securities or the resale of such securities. Any person in the Provinces lawfully participating in the offer will not receive the information, legal rights or protections that would be afforded had a prospectus been filed and receipted by the securities regulator in the applicable Province. Furthermore, any resale of the Securities in the Provinces must be made in accordance with applicable Canadian securities laws which may require resales to be made in accordance with exemptions from dealer registration and prospectus requirements. These resale restrictions may in some circumstances apply to resales of the Securities outside Canada and, as a result, Canadian purchasers should seek legal advice prior to any resale of the Securities.

The Company as well as its directors and officers may be located outside Canada and, as a result, it may not be possible for purchasers to effect service of process within Canada upon the Company or its directors or officers. All or a substantial portion of the assets of the Company and such persons may be located outside Canada and, as a result, it may not be possible to satisfy a judgment against the Company or such persons in Canada or to enforce a judgment obtained in Canadian courts against the Company or such persons outside Canada.

Any financial information contained in this document has been prepared in accordance with Australian Accounting Standards and also comply with International Financial Reporting Standards and interpretations issued by the International Accounting Standards Board. Unless stated otherwise, all dollar amounts contained in this document are in Australian dollars.

Statutory rights of action for damages and rescission

Securities legislation in certain of the Provinces may provide purchasers with, in addition to any other rights they may have at law, rights of rescission or to damages, or both, when an offering memorandum that is delivered to purchasers contains a misrepresentation. These rights and remedies must be exercised within prescribed time limits and are subject to the defenses contained in applicable securities legislation. Prospective purchasers should refer to the applicable provisions of the securities legislation of their respective Province for the particulars of these rights or consult with a legal adviser.

The following is a summary of the statutory rights of rescission or to damages, or both, available to purchasers in Ontario. In Ontario, every purchaser of the Securities purchased pursuant to this document (other than (a) a "Canadian financial institution" or a "Schedule III bank" (each as defined in NI 45-106), (b) the Business Development Bank of Canada or (c) a subsidiary of any person referred to in (a) or (b) above, if the person owns all the voting securities of the subsidiary, except the voting securities required by law to be owned by the directors of that subsidiary) shall have a statutory right of action for damages and/or rescission against the Company if this document or any amendment thereto contains a misrepresentation. If a purchaser elects to exercise the right of action for rescission, the purchaser will have no right of action for damages against the Company. This right of action for rescission or damages is in addition to and without derogation from any other right the purchaser may have at law. In particular, Section 130.1 of the Securities Act (Ontario) provides that, if this document contains a misrepresentation, a purchaser who purchases the Securities during the period of distribution shall be deemed to have relied on the misrepresentation if it was a misrepresentation at the time of purchase and has a right of action for damages or, alternatively, may elect to exercise a right of rescission against the Company, provided that (a) the Company will not be liable if it proves that the purchaser purchased the Securities with knowledge of the misrepresentation; (b) in an action for damages, the Company is not liable for all or any portion of the damages that the Company proves does not represent the depreciation in value of the Securities as a result of the misrepresentation relied upon; and (c) in no case shall the amount recoverable exceed the price at which the Securities were offered.

Section 138 of the Securities Act (Ontario) provides that no action shall be commenced to enforce these rights more than (a) in the case of any action for rescission, 180 days after the date of the transaction that gave rise to the cause of action or (b) in the case of any action, other than an action for rescission, the earlier of (i) 180 days after the purchaser first had knowledge of the fact giving rise to the cause of action or (ii) three years after the date of the transaction that gave rise to the cause of action. These rights are in addition to and not in derogation from any other right the purchaser may have.

Certain Canadian income tax considerations. Prospective purchasers of the Securities should consult their own tax adviser with respect to any taxes payable in connection with the acquisition, holding or disposition of the Securities as any discussion of taxation related matters in this document is not a comprehensive description and there are a number of substantive Canadian tax compliance requirements for investors in the Provinces.

Language of documents in Canada. Upon receipt of this document, each investor in Canada hereby confirms that it has expressly requested that all documents evidencing or relating in any way to the sale of the Securities (including for greater certainty any purchase confirmation or any notice) be drawn up in the English language only. *Par la réception de ce document, chaque investisseur canadien confirme par les présentes qu'il a expressément exigé que tous les documents faisant foi ou se rapportant de quelque manière que ce soit à la vente des valeurs mobilières décrites aux présentes (incluant, pour plus de certitude, toute confirmation d'achat ou tout avis) soient rédigés en anglais seulement.*

Disclaimer

MACQUARIE

China

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European Union

This document has not been, and will not be, registered with or approved by any national securities regulator in the European Union. Accordingly, this document may not be made available, nor may the Securities be offered for sale, in the European Union except in circumstances that do not require a prospectus under Article 1(4) of Regulation (EU) 2017/1129 of the European Parliament and the Council of the European Union (the "Prospectus Regulation").

In accordance with Article 1(4)(a) of the Prospectus Regulation, an offer of Securities in the European Union is limited to persons who are "qualified investors" (as defined in Article 2(e) of the Prospectus Regulation).

Hong Kong

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The contents of this document have not been reviewed by any Hong Kong regulatory authority. You are advised to exercise caution in relation to the offer. If you are in doubt about any contents of this document, you should obtain independent professional advice.

Japan

The Securities have not been and will not be registered under Article 4, paragraph 1 of the Financial Instruments and Exchange Law of Japan (Law No. 25 of 1948), as amended (the "FIEL") pursuant to an exemption from the registration requirements applicable to a private placement of securities to Qualified Institutional Investors (as defined in and in accordance with Article 2, paragraph 3 of the FIEL and the regulations promulgated thereunder). Accordingly, the Securities may not be offered or sold, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan other than Qualified Institutional Investors. Any Qualified Institutional Investor who acquires Securities may not resell them to any person in Japan that is not a Qualified Institutional Investor, and acquisition by any such person of Securities is conditional upon the execution of an agreement to that effect.

Korea

The Company is not making any representation with respect to the eligibility of any recipients of this document to acquire the Securities under the laws of Korea, including, without limitation, the Foreign Exchange Transaction Act and regulations thereunder. The Securities have not been, and will not be, registered under the Financial Investment Services and Capital Markets Act of Korea (“FSCMA”) and therefore may not be offered or sold (directly or indirectly) in Korea or to any resident of Korea or to any persons for re-offering or resale in Korea or to any resident of Korea (as defined under the Foreign Exchange Transaction Act of Korea and its enforcement decree), except as permitted under the applicable laws and regulations of Korea.

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Malaysia

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New Zealand

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- is an investment business within the meaning of clause 37 of Schedule 1 of the FMC Act;
- meets the investment activity criteria specified in clause 38 of Schedule 1 of the FMC Act;
- is large within the meaning of clause 39 of Schedule 1 of the FMC Act;
- is a government agency within the meaning of clause 40 of Schedule 1 of the FMC Act; or
- is an eligible investor within the meaning of clause 41 of Schedule 1 of the FMC Act.

Norway

This document has not been approved by, or registered with, any Norwegian securities regulator under the Norwegian Securities Trading Act of 29 June 2007. Accordingly, this document shall not be deemed to constitute an offer to the public in Norway within the meaning of the Norwegian Securities Trading Act of 2007.

The Securities may not be offered or sold, directly or indirectly, in Norway except to "professional clients" (as defined in Norwegian Securities Regulation of 29 June 2007 no. 876 and including non-professional clients having met the criteria for being deemed to be professional and for which an investment firm has waived the protection as non-professional in accordance with the procedures in this regulation).

Singapore

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Switzerland

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Disclaimer

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MACQUARIE

Capital raising and outlook update

Presentation to Investors and Analysts

28 August 2019

Shemara Wikramanayake
Chief Executive Officer

Alex Harvey
Chief Financial Officer

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