

Macquarie Bank Capital Notes 2

Prospectus for the issue of Macquarie Bank Capital Notes 2 (BCN2)
to raise \$400 million with the ability to raise more or less

11 February 2020

Issuer

Macquarie Bank Limited
ABN 46 008 583 542

Arranger and Joint Lead Manager

Macquarie Capital (Australia) Limited

Joint Lead Managers

ANZ Securities Limited
Citigroup Global Markets Australia Pty Limited
Commonwealth Bank of Australia
E&P Corporate Advisory Pty Limited
Ord Minnett Limited
Morgans Financial Limited
National Australia Bank Limited
Westpac Institutional Bank

Co-Managers

Macquarie Equities Limited
Bell Potter Securities Limited
Crestone Wealth Management Limited
JBWere Limited

Important notices

About this Prospectus

This Prospectus relates to the offer by Macquarie Bank Limited ABN 46 008 583 542 ("**MBL**") of Macquarie Bank Capital Notes 2 ("**BCN2**") to raise \$400 million with the ability to raise more or less (the "**Offer**").

This Prospectus is dated 11 February 2020 and a copy was lodged with the Australian Securities and Investments Commission ("**ASIC**") on that date pursuant to section 713(1) of the *Corporations Act 2001* (Cth) ("**Corporations Act**") (as modified by the ASIC Corporations (Regulatory Capital Securities) Instrument 2016/71). This Prospectus expires 13 months after that date and no BCN2 will be issued on the basis of this Prospectus after that expiry date.

Neither ASIC nor ASX Limited ("**ASX**") take any responsibility for the contents of this Prospectus or for the merits of investing in BCN2.

Exposure Period

Under the Corporations Act, MBL is prohibited from accepting Applications in the seven day period after 11 February 2020, being the date on which this Prospectus was lodged with ASIC ("**Exposure Period**"). The Exposure Period may be extended by ASIC by up to a further seven days. The purpose of the Exposure Period is to enable this Prospectus to be examined by market participants prior to the raising of funds. No Application Forms will be available during the Exposure Period.

Documents relevant to the Offer

In addition to this Prospectus, the following documents are relevant to the Offer and can be obtained from www.MBCN2Offer.com.au:

- the BCN2 Terms (see Appendix A to this Prospectus);
- the BCN2 Deed Poll (see Section 7.1);
- the MBL Constitution; and
- the MGL Constitution.

Status of BCN2

BCN2 are fully paid, unsecured, subordinated, non-cumulative, mandatorily convertible notes.

BCN2 are not deposit liabilities and are not protected accounts of MBL under the Banking Act 1959 (Cth) ("**Banking Act**") and are not guaranteed or insured by any government, government agency or compensation scheme of Australia or any other jurisdiction. Other than MBL, no member of the Macquarie Group is an authorised deposit-taking institution ("**ADI**") for the purposes of the Banking Act. The investment performance of BCN2 is not guaranteed by MBL, Macquarie Group Limited (ABN 94 122 169 279) ("**MGL**") or any other member of the Macquarie Group.

Claims in respect of BCN2 are subordinated in a winding up of MBL so as to rank after all creditors, equally with the holders of certain preference shares and other equal ranking instruments and ahead only of holders of MBL Ordinary Shares. Further, if MBL is in financial difficulty some or all BCN2 may be required to be Exchanged into MGL Ordinary Shares or Written-Off. If Exchange occurs, you would be in the position of a holder of MGL Ordinary Shares and those shares may be worth significantly less than your investment in BCN2. If a BCN2 is Written-Off you lose all of your investment in the BCN2.

BCN2 are unsecured notes for the purposes of section 283BH of the Corporations Act.

BCN2 are issued by MBL under the BCN2 Terms and the BCN2 Deed Poll and holders of BCN2 have no claim on MBL or MGL except as provided in the BCN2 Terms and the BCN2 Deed Poll.

Key Risks

Investments in securities such as BCN2 are subject to risks which could affect their performance, including loss of investment and income. The market price of BCN2 or any particular rate of return is not guaranteed by MBL, MGL or any other member of the Macquarie Group.

Information about the key risks of investing in BCN2 is detailed in Section 5.

No representations other than in this Prospectus

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

Past performance information

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

Financial statements and forward looking information

Section 4.8 sets out financial information in relation to MBL and MGL. The basis of preparation of that information is set out in Section 4.8. All financial amounts contained in this Prospectus are expressed in Australian dollars and rounded to the nearest million unless otherwise stated. Any discrepancies between totals and sums of components in tables contained in this Prospectus are due to rounding.

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

Any forward looking statements are subject to various risk factors that could cause actual circumstances or outcomes to differ materially from the circumstances or outcomes expressed, implied or anticipated in these statements. Forward looking statements should be read in conjunction with the risk factors as set out in Section 5 and other information in this Prospectus.

No personal investment advice

The information provided in this Prospectus is not personal investment advice and has been prepared without taking into account your investment objectives, financial situation or particular needs (including financial and taxation issues). It is important that you read this Prospectus in full before deciding to invest in BCN2 and consider the risks that could affect the performance of BCN2. See in particular the risks set out in Section 5.

This Prospectus also contains information in relation to (amongst other things) the Reinvestment Offer which involves the BCN Purchaser. Neither MBL, the BCN Purchaser nor any other person is providing any investment advice or making any recommendation to Eligible BCN Holders in respect of the Reinvestment Offer.

ASX quotation

MBL will apply for BCN2 to be quoted on ASX and BCN2 are expected to trade under ASX code MBLPB.

Applications and obtaining a Prospectus

For Applications for BCN2 pursuant to the Reinvestment Offer or Securityholder Offer, paper copies of this Prospectus and an Application Form can be obtained free of charge by calling the BCN2 Offer Information Line on 1300 005 027 (within Australia) or on +61 2 8023 5474 (International) (Monday to Friday 8:30am – 5:30pm, AEDT) during the Offer Period. You must contact your Syndicate Broker for information on how to apply through the Broker Firm Offer.

This Prospectus can also be obtained electronically from www.MBCN2Offer.com.au. If you access an electronic copy of this Prospectus, the following conditions apply:

- this Prospectus is only available to residents of Australia accessing and downloading, or printing, the electronic Prospectus in Australia;
- you must access and download the electronic Prospectus in full; and
- your Application will only be valid where you have completed an Application Form that was attached to, or accompanied, the electronic Prospectus. You may also apply by completing the online Application Form available at www.MBCN2Offer.com.au during the Offer Period. By lodging an Application, you declare that you were given access to the electronic Prospectus together with the Application Form.

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No cooling-off rights

Investors should note that no cooling-off rights (whether by law or otherwise) apply to an Application for BCN2. This means, that in most circumstances, you cannot withdraw your Application once it has been lodged, except as permitted under the Corporations Act.

Restrictions on foreign jurisdictions

The distribution of this Prospectus and the offer or sale of BCN2 may be restricted by law in certain jurisdictions. This Prospectus does not constitute an offer in any place in which, or to any person to whom, it would not be lawful to make such an offer.

Persons who receive this Prospectus outside Australia must inform themselves about and observe all such restrictions. Nothing in this Prospectus is to be construed as authorising its distribution or the offer or sale of BCN2 in any jurisdiction other than Australia, and MBL does not accept any liability in that regard.

Furthermore, BCN2 may not be offered or sold, directly or indirectly, and neither this Prospectus nor any other offering material may be distributed or published, in any jurisdiction except under circumstances that will result in compliance with any applicable laws or regulations.

Restrictions applying to US Persons are outlined in Section 7.10 of the Prospectus. In particular, BCN2 have not been and will not be registered under the US Securities Act of 1933, as amended ("US Securities Act") or the securities laws of any state or other jurisdiction of the United States and may not be offered, sold or resold in the United States or to, or for the benefit of, any "US Person" (as defined in Regulation S under the US Securities Act) except pursuant to an exemption from the registration requirements of the US Securities Act. Neither the Prospectus nor any Application Form or other materials relating to the Offer may be distributed in the United States.

Defined words and expressions

Some words and expressions used in this Prospectus have defined meanings. These words and expressions are capitalised and are defined in Appendix B "Glossary". A reference to a "clause" in this Prospectus is a reference to the corresponding clause in the BCN2 Terms unless otherwise stated.

A reference to "dollar" or "\$" in this Prospectus is a reference to Australian currency. A reference to time in this Prospectus is a reference to AEDT time unless otherwise stated.

The Macquarie name and the Holey Dollar device are registered trade marks of MGL.

Providing personal information

You will be asked to provide personal information to MBL (directly or via its agents) if you apply for BCN2. Please read the privacy statement located at Section 8.7 of this Prospectus. By submitting an Application Form, you consent to the matters outlined in that statement.

Enquiries

If you have any questions about BCN2 or the Offer, you should seek advice from your financial adviser or other professional adviser. You can also email the Registrar at MBCN2Offer@boardroomlimited.com.au or call the BCN2 Offer Information Line on 1300 005 027 (within Australia) or on +61 2 8023 5474 (International) (Monday to Friday 8:30am – 5:30pm, AEDT) during the Offer Period. Applicants in the Broker Firm Offer may also call their Syndicate Broker.

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Guidance for investors

1. Read this Prospectus in full

If you are considering applying for BCN2 under the Offer, this Prospectus is important and should be read in its entirety before making an Application. In particular you should have regard to:

- “Investment Overview” in Section 1 and “About BCN2” in Section 2;
- “About the Reinvestment Offer” in Section 3 (if you are an Eligible BCN Holder); and
- “Investment Risks” in Section 5.

You should carefully consider the risks and other information regarding an investment in BCN2 and MBL in light of your investment objectives, financial situation and particular needs (including financial and taxation issues).

2. Speak to your professional adviser

BCN2 are a complex investment and may be difficult to understand, even for experienced investors, and involve different risks from a simple debt or ordinary equity security. You should ensure that you understand the BCN2 Terms and risks of investing in BCN2 and consider whether it is an appropriate investment for your particular circumstances.

MBL recommends that you seek guidance from your licensed financial adviser or other professional adviser before deciding whether to invest. ASIC has published guidance on how to choose a licensed adviser on its MoneySmart website. You can read this guidance by searching for the term ‘choosing a financial adviser’ at www.moneysmart.gov.au.

3. BCN holders

This prospectus contains information relevant to BCN Holders. If you are a BCN Holder, you may be eligible to reinvest your BCN into BCN2 under the Reinvestment Offer to maintain an ongoing investment in MBL. If you do not participate in the Reinvestment Offer, your BCN will be resold on 24 March 2020 and you will receive the cash proceeds of the sale.

4. Consider ASIC guidance for retail investors

ASIC has published guidance on its MoneySmart website which may be relevant to your consideration of whether to invest in BCN2 – namely, information for retail investors who are considering investing in hybrid securities. You can find this guidance by searching “hybrid securities” at www.moneysmart.gov.au. ASIC’s guidance includes a series of questions you should ask before you invest in hybrid securities, and a short quiz you can complete to check your understanding of how hybrids work, their features and the risks of investing in them.

5. Obtain further information about MBL, MGL and BCN2

MBL and MGL are subject to regular reporting and disclosure obligations under the Corporations Act and the ASX Listing Rules. Each of MBL and MGL must notify ASX immediately (subject to certain exceptions) if it becomes aware of information about it that a reasonable person would expect to have a material effect on the price or value of its securities. Copies of documents lodged with ASIC, which are publicly available, can be obtained from ASIC’s website www.asic.gov.au (a fee may apply) and MGL’s ASX announcements may be viewed at www.asx.com.au.

6. Enquiries

If you have any questions in relation to the Offer or an Application, please visit www.MBCN2Offer.com.au, email the Registrar at MBCN2Offer@boardroomlimited.com.au or call the BCN2 Offer Information Line on 1300 005 027 (within Australia) or on +61 2 8023 5474 (International) (Monday to Friday 8:30am – 5:30pm, AEDT).

Key dates

Key dates for the Offer	Date
Record date for determining Eligible Securityholders (this is the date for determining eligibility for the Securityholder Offer)	Friday, 7 February 2020
Lodgement of this Prospectus with ASIC	Tuesday, 11 February 2020
Bookbuild period commences	Tuesday, 11 February 2020
Announcement of the Margin	Friday, 14 February 2020
Lodgement of the replacement Prospectus with ASIC	Wednesday, 19 February 2020
Opening Date	Wednesday, 19 February 2020
Closing Date	Wednesday, 18 March 2020
Issue Date	Tuesday, 24 March 2020
BCN2 commence trading on ASX on a normal settlement basis	Wednesday, 25 March 2020
Holding Statements despatched by	Monday, 30 March 2020

Key dates for Reinvestment Offer for Eligible BCN Holders	Date
Record date for determining Eligible BCN Holders (relevant BCN must also be held on the Closing Date for the Reinvestment Offer)	Friday, 7 February 2020
Opening Date for Reinvestment Offer	Wednesday, 19 February 2020
Closing Date for the Reinvestment Offer	Wednesday, 18 March 2020
Transfer of Reinvested BCN to the BCN Purchaser	Tuesday, 24 March 2020
Payment date for final distribution on BCN ¹	Tuesday, 24 March 2020

For BCN that do not participate in the Reinvestment Offer:

BCN cease trading (but remain quoted on ASX)	Wednesday, 11 March 2020
Record date for final distribution on BCN	Monday, 16 March 2020
Transfer of BCN to the BCN Purchaser	Tuesday, 24 March 2020
Payment date for final distribution on BCN ¹	Tuesday, 24 March 2020
Cash payment of \$100 per BCN	Tuesday, 24 March 2020

Key dates for BCN2	Date
Issue Date	Tuesday, 24 March 2020
First Distribution Payment Date ²	Sunday, 21 June 2020*
Scheduled Optional Exchange Dates	Sunday, 21 December 2025**, Sunday, 21 June 2026*** and Monday, 21 December 2026
Scheduled Mandatory Exchange Date	Thursday, 21 December 2028

* Due to the Business Day convention, the first Distribution Payment Date is deferred from Sunday, 21 June 2020 to Monday, 22 June 2020.

** Due to the Business Day convention, the first Scheduled Optional Exchange Date is deferred from Sunday, 21 December 2025 to Monday, 22 December 2025.

*** Due to the Business Day convention, the second Scheduled Optional Exchange Date is deferred from Sunday, 21 June 2026 to Monday, 22 June 2026.

1 Subject to distribution payment conditions, including MBL's absolute discretion to determine whether or not to pay distributions.

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

Key dates

Dates may change

These dates are indicative only and may change without notice.

MBL with the prior consent of the Joint Lead Managers may vary the timetable, including by extending any Closing Date, closing the Offer early without notice or accepting late Applications (whether generally or in particular cases) or withdrawing the Offer at any time before BCN2 are issued, in its discretion. You are strongly encouraged to apply online as soon as possible after the Opening Date to ensure that your Application and Application Payment (if applicable) are received by the Closing Date for the Offer.

If you wish to submit your Application via a paper Application Form you must submit your Application Payment (if applicable) by cheque(s) and/or money order(s) so that it is received by the Registrar by the Closing Date for the Offer. If you are returning your payment by post you should ensure sufficient time for delivery by postal service or else your Application may not be accepted. Online Application and payment using BPAY® is preferred to ensure the efficient and timely processing of Applications.

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Investment overview

This section provides a summary of information that is key to a decision whether to invest in BCN2.



1. Investment overview

Topic	Summary	Further information
1.1. Key features of the Offer		
1.1.1. What is the Offer?	- The Offer is for the issue of BCN2 to raise approximately \$400 million, with the ability to raise more or less. - The Offer includes the Reinvestment Offer, which is a priority offer to Eligible BCN Holders to reinvest some or all of their BCN in BCN2.	Section 2
1.1.2. Who is the Issuer?	Macquarie Bank Limited (ABN 46 008 583 542), a public company incorporated with limited liability in Australia.	Section 4
1.1.3. What are BCN2?	- BCN2 are: fully-paid – the Issue Price (\$100 per BCN2) must be paid to MBL before the BCN2 are issued; subordinated – BCN2 are subordinated to claims of Senior Creditors in a Winding Up of MBL. They rank equally with Equal Ranking Obligations and rank ahead of MBL Ordinary Shares; non-cumulative – if a Distribution is not paid when scheduled, then that Distribution may never be paid and BCN2 Holders will have no rights to receive that Distribution in the future; unsecured – BCN2 are not deposit liabilities and are not protected accounts of MBL or MGL and are not guaranteed or insured by any government, government agency or compensation scheme of Australia or any other jurisdiction. The investment performance of BCN2 is not guaranteed by MBL, MGL or any other member of the Macquarie Group; mandatorily convertible – subject to certain conditions, BCN2 must be Exchanged into MGL Ordinary Shares on 21 December 2028; perpetual – if the conditions for Exchange are not met, BCN2 may remain on issue indefinitely; and automatically convertible – in certain circumstances, including where an Automatic Exchange Event occurs, BCN2 must be immediately Exchanged into MGL Ordinary Shares or, if that does not occur where an Automatic Exchange Event occurs, Written-Off. - The terms of the BCN2 are complex and derived from the detailed capital requirements which the Australian Prudential Regulation Authority (“APRA”) applies to these instruments. MBL’s ability to pay Distributions or to optionally Redeem or Resell BCN2 is dependent upon APRA either not objecting or giving prior written approval (as well as other conditions).	Section 2
1.1.4. Will BCN2 be quoted on ASX?	MBL will apply for BCN2 to be quoted on ASX and BCN2 are expected to trade under the ASX code MBLPB.	Section 8.6.2
1.1.5. What is the Issue Price?	\$100 per BCN2. This is the price you need to pay to apply for each BCN2 under this Prospectus.	Section 8.4
1.1.6. Why is MBL issuing BCN2?	- As at the Issue Date, BCN2 will constitute regulatory capital of MBL under APRA’s prudential standards. The BCN2 and MBL’s other regulatory capital instruments and equity capital provide a buffer which protects Senior Creditors against losses that may be incurred by MBL. - The Offer includes the Reinvestment Offer, under which Eligible BCN Holders can reinvest some or all of their BCN. - The net proceeds of the Offer will be used for general corporate purposes.	Section 2.9

Topic	Summary	Further information
1.2. Key features of BCN2		
1.2.1. Do BCN2 have a maturity date?	- BCN2 are perpetual and do not have a fixed maturity date and, if BCN2 are not Exchanged, Redeemed or Written-Off, they could remain on issue indefinitely and the Issue Price may not be repaid. - BCN2 will Exchange into MGL Ordinary Shares on 21 December 2028, subject to certain Exchange Conditions being satisfied, unless they are Exchanged, Redeemed or Written-Off earlier. - If the Exchange Conditions have not been satisfied on the above date then BCN2 will Exchange on the next Distribution Payment Date on which the Exchange Conditions are satisfied, unless they are Exchanged, Redeemed or Written-Off earlier.	Sections 2.2 to 2.8
1.2.2. What Distributions are payable?	- Distributions are scheduled to be paid quarterly in arrears commencing on 21 June 2020¹ until all BCN2 are Exchanged, Redeemed or Written-Off, subject to the Payment Conditions – see below. The Distribution Rate is based on the Reference Rate plus the Margin, adjusted for franking. The Margin will be determined under a Bookbuild and is expected to be between 2.90% and 3.10%. This range is indicative only and the Margin may be outside this range depending on the outcome of the Bookbuild. Distributions on BCN2 are discretionary, which means MBL can decide not to pay them. Distributions can also only be paid if certain Payment Conditions are met (including that MBL is able to pay Distributions without breaching APRA's capital adequacy requirements or becoming insolvent). - Distributions are non-cumulative, which means that if a Distribution is not paid on a Distribution Payment Date then MBL has no obligation to pay the Distribution at any later date. Failure to pay a Distribution is not an event of default. - Unless a Distribution is paid in full within 10 Business Days of the Distribution Payment Date, in most circumstances MBL is restricted from paying any dividends or returning capital on MBL Ordinary Shares until the next Distribution Payment Date. There is no equivalent restriction on MGL.	Section 2.1
1.2.3. Will Distributions be franked?	- Distributions on BCN2 are frankable. - Distributions are expected to be franked at the same rate as dividends on MGL Ordinary Shares. MGL currently franks dividends on MGL Ordinary Shares at 40%. The level of franking may vary over time and Distributions may be partially, fully or not franked. - A higher Franking Rate for a Distribution will result in a lower Distribution Rate and a lower cash Distribution, reflecting the value of the franking credit attached to the Distribution. - If Distributions are franked, the value and availability of franking credits to a BCN2 Holder will depend on that BCN2 Holder's particular circumstances and the tax rules that apply at the time of each distribution. BCN2 Holders should refer to the Australian taxation summary at section 6.1. The availability of franking credits is not guaranteed.	Sections 2.1.3, 2.1.4, 5.1.7, 5.1.8, 5.1.22 and 6
1.2.4. When will the Issue Price be repaid?	- MBL has no obligation to return the Issue Price on any fixed date, therefore capital invested by BCN2 Holders may never be returned. - Whether and when the capital invested by BCN2 Holders may be returned will depend on what happens to BCN2. What may happen to BCN2 is uncertain and depends on a number of factors, including whether: - the Exchange Conditions are satisfied in respect of a Relevant Mandatory Exchange Date; - a Common Equity Tier 1 Trigger Event, Non-Viability Event, Acquisition Event, Regulatory Event or Tax Event occurs; - MBL elects for an Optional Exchange, Redemption or Resale to occur; and - APRA approval is given when it is required under the BCN2 Terms. - BCN2 Holders will have no right to request that MBL Exchange, Redeem or Resell any BCN2. - If a Common Equity Tier 1 Trigger Event or Non-Viability Event occurs BCN2 will be Exchanged for MGL Ordinary Shares or Written-Off if Exchange does not occur for any reason. If BCN2 are Written-Off, the relevant BCN2 Holders' rights will be terminated and they will not receive any return of capital invested.	Sections 2.2 to 2.8

¹ Due to the Business Day convention, the first Distribution Payment Date is deferred from Sunday 21 June 2020 to Monday 22 June 2020.

1. Investment overview

Topic	Summary	Further information
1.2.5. Will BCN2 be Redeemed?	- If APRA gives prior written approval, MBL has a right, but not an obligation, to Redeem all or some BCN2: - on 21 December 2025², 21 June 2026³ or 21 December 2026; or - if a Tax Event or Regulatory Event occurs. - Redemption cannot occur unless BCN2 are replaced with Tier 1 Capital of the same or better quality from APRA's perspective or APRA is satisfied that MBL's capital position is sufficient after Redemption. - If BCN2 are Redeemed BCN2 Holders will receive \$100 for each BCN2 Redeemed and, if the Payment Conditions are met, a Distribution for the period since the last Distribution Payment Date to (but excluding) the Redemption Date.	Section 2.5
1.2.6. Will BCN2 be Resold?	- If APRA gives prior written approval, MBL has a right, but not an obligation, to Resell all or some BCN2 in the same limited circumstances as when Redemption may occur. - If a Resale occurs, the relevant BCN2 will be mandatorily sold to one or more nominated third parties. BCN2 Holders will receive a cash amount of \$100 for each BCN2 Resold and, if the Payment Conditions are met, a Distribution for the period since the last Distribution Payment Date to (but excluding) the Resale Date.	Section 2.6
1.2.7. Will BCN2 be Exchanged for MGL Ordinary Shares?	BCN2 may be Exchanged for MGL Ordinary Shares in the following circumstances: Mandatory Exchange: All BCN2 are scheduled to be Exchanged on 21 December 2028, unless the Exchange Conditions relevant to that date are not met (in which case, Exchange will be deferred until the first quarterly Distribution Payment Date where the Exchange Conditions relevant to that date are met). The Exchange Conditions (where applicable) are intended to ensure that BCN2 Holders will receive approximately \$101 worth of MGL Ordinary Shares per BCN2 on Exchange (based on the VWAP during the 20 ASX Trading Days before the Relevant Mandatory Exchange Date) and that the MGL Ordinary Shares are capable of being sold on ASX. Exchange at MBL's option: MBL may also choose to Exchange all or some BCN2 on Sunday 21 December 2025², Sunday 21 June 2026³ or Monday 21 December 2026, or if there has been a Tax Event or Regulatory Event, provided certain conditions are met. Acquisition Event: MBL will be required to Exchange all BCN2 for MGL Ordinary Shares if an Acquisition Event occurs (broadly, a change of control of MBL or MGL by takeover bid, scheme of arrangement or otherwise), provided certain conditions are met. Automatic Exchange Events (Common Equity Tier 1 Trigger Event or Non-Viability Event): MBL will be required to immediately Exchange all or some BCN2 for MGL Ordinary Shares if a Common Equity Tier 1 Trigger Event or Non-Viability Event occurs (or, if Exchange has not occurred for any reason within 5 Business Days, Write-Off all or some BCN2). Exchange under these circumstances is not subject to any conditions.	Sections 2.3, 2.4, 2.7 and 2.8
1.2.8. What will BCN2 Holders receive on Exchange?	- If Exchange occurs as a result of Mandatory Exchange, or at MBL's option, BCN2 Holders will receive approximately \$101 worth of MGL Ordinary Shares per BCN2, but those shares may be worth more or less than \$101 by the time they are issued. - If Exchange occurs as a result of an Acquisition Event, BCN2 Holders should receive approximately \$101 worth of MGL Ordinary Shares per BCN2, except in limited circumstances where the Directors determine that it is in the best interests of BCN2 Holders as a whole for Exchange to proceed, notwithstanding that BCN2 Holders will receive less than \$101 worth of MGL Ordinary Shares. Similarly to Mandatory Exchange or Exchange at MBL's option, those shares may be worth more or less than \$101 by the time they are issued. - The number of MGL Ordinary Shares to be received by each BCN2 Holder in respect of its aggregate holding of the BCN2 will also be rounded down to the nearest whole number. - See below for what BCN2 Holders receive on Exchange as a result of an Automatic Exchange Event.	Sections 2.3 and 2.4

² Due to the Business Day convention, the first Scheduled Optional Exchange Date is deferred from Sunday 21 December 2025 to Monday 22 December 2025.

³ Due to the Business Day convention, the second Scheduled Optional Exchange Date is deferred from Sunday 21 June 2026 to Monday 22 June 2026.

Topic	Summary	Further information
1.2.9. What will BCN2 Holders receive on Exchange on an Automatic Exchange Event?	• MBL is required to immediately Exchange BCN2 into MGL Ordinary Shares where an Automatic Exchange Event (being a Common Equity Tier 1 Trigger Event or a Non-Viability Event) occurs. BCN2 Holders will not receive prior notice of the Exchange. • A Common Equity Tier 1 Trigger Event occurs if MBL determines, or APRA notifies MBL in writing that it believes, that the Common Equity Tier 1 Ratio of MBL is equal to or less than 5.125%. • Broadly, a Non-Viability Event occurs if APRA (1) issues a written notice to MBL that the exchange or conversion into MGL Ordinary Shares, or write-off, of Relevant Tier 1 Securities (including BCN2) is necessary because without such action APRA considers that MBL would become non-viable or (2) has notified MBL in writing that it has determined that without a public sector injection of capital, or equivalent support, MBL would become non-viable. As at the date of this Prospectus, APRA has not provided specific guidance as to how it would determine non-viability. • An Automatic Exchange Event is not subject to any conditions. As a result, BCN2 Holders may receive less, or significantly less, than the Issue Price per BCN2 and a BCN2 Holder may suffer loss as a consequence.	Section 2.7
1.2.10. What happens if Exchange following an Automatic Exchange Event does not occur?	• If, for any reason, BCN2 that are required to be Exchanged on account of an Automatic Exchange Event have not been Exchanged within 5 Business Days of the Automatic Exchange Date, they will never be Exchanged and must be Written-Off. • If a Write-Off of a BCN2 occurs, the BCN2 Holder's rights under that BCN2 (including to payment of the Liquidation Amount and Distributions) are immediately and irrevocably terminated for no consideration with effect on and from the Automatic Exchange Date and BCN2 Holders will suffer a total loss of their investment in that BCN2 as a consequence.	Section 2.7
1.2.11. Summary of certain events that may occur during the term of BCN2	The diagram and table below summarises certain events that may occur while BCN2 are on issue and what BCN2 Holders may receive if those events occur. If none of these events occur, BCN2 could remain on issue indefinitely and the Issue Price will not be repaid. Timeline Summary: Issue Date: 24 March 2020 Optional Exchange Dates: 21 December 2025*, 21 June 2026**, 21 December 2026 Mandatory Exchange Date: 21 December 2028 Intervals: Approximately 6 Years (to first optional date), 1 Year (between optional dates), 2 Years (between second optional date and mandatory date) Conditions: - If MBL elects, and certain conditions are met, BCN2 will be Exchanged, Redeemed or Resold on these dates (referring to optional dates). - If the Exchange Conditions are met, BCN2 will be Exchanged on this date (referring to the mandatory date). End State: Potentially Perpetual * Due to the Business Day convention, the first Scheduled Optional Exchange Date is deferred from Sunday 21 December 2025 to Monday 22 December 2025. ** Due to the Business Day convention, the second Scheduled Optional Exchange Date is deferred from Sunday 21 June 2026 to Monday 22 June 2026. There are certain other events that could occur while BCN2 are on issue which may result in BCN2 being Exchanged, Redeemed, Resold or Written-Off. These are summarised in the table on the next page.	

1. Investment overview

Event ¹	When could this occur?	Consequences	Is APRA approval required? ²	Do conditions apply? ³	What value will a BCN2 Holder receive (per BCN2)? ⁴	In what form will the value be provided to BCN2 Holders?	Further Information
Tax Event or Regulatory Event	At any time	Exchange all or some BCN2 for MGL Ordinary Shares at MBL's option	No	Yes	Approximately \$101 ⁵	Variable number of MGL Ordinary Shares	Section 2.4
		Redemption or Resale of all or some BCN2 at MBL's option	Yes	Yes	\$100	Cash	Sections 2.5 and 2.6
Acquisition Event	At any time	All BCN2 Exchanged for MGL Ordinary Shares	No	Yes	Approximately \$101 ⁵ (except in limited circumstances ⁶)	Variable number of MGL Ordinary Shares	Section 2.8
Automatic Exchange Event	At any time	All (or in some cases, some) BCN2 Exchanged for MGL Ordinary Shares or Written-Off	No ⁷	No	Depending on the market price of MGL Ordinary Shares at the time, up to approximately \$101 ⁵ but maybe significantly less or zero	Variable number of MGL Ordinary Shares – If BCN2 are not Exchanged for MGL Ordinary Shares BCN2 will be Written-Off and BCN2 Holders receive no value	Section 2.7
Optional Exchange Date	On 21 December 2025 ⁹ , 21 June 2026 ¹⁰ or 21 December 2026	Exchange all or some BCN2 for MGL Ordinary Shares at MBL's option	No	Yes	Approximately \$101 ⁵	Variable number of MGL Ordinary Shares	Section 2.4
		Redemption or Resale of all or some BCN2 at MBL's option	Yes	Yes	\$100	Cash	Sections 2.5 and 2.6
Scheduled Mandatory Exchange Date ⁸	21 December 2028	Exchange of all BCN2 for MGL Ordinary Shares	No	Yes	Approximately \$101 ⁵	Variable number of MGL Ordinary Shares	Section 2.3

1. Please see the Glossary for full definitions.

2. BCN2 Holders should not expect that APRA's approval will be given for any Redemption or Resale.

3. The Exchange Conditions applicable to a Mandatory Exchange differ from those applicable to a Tax Event, Regulatory Event, Acquisition Event or an Optional Exchange. See Sections 2.3, 2.4, 2.7 and 2.8.

4. If Exchange (other than on account of an Automatic Exchange Event), Redemption or Resale occurs on a day that is not a scheduled quarterly Distribution Payment Date, BCN2 Holders whose BCN2 are being Exchanged, Redeemed or Resold will also receive a Distribution in respect of those BCN2 for the period from the immediately preceding Distribution Payment Date to the date on which the Exchange, Redemption or Resale occurs (provided the Directors have decided to pay the Distribution and the other Payment Conditions are met).

5. The value of MGL Ordinary Shares is determined over a period of ASX Trading Days immediately prior to Exchange (generally the period is 20 ASX Trading Days, with 5 ASX Trading Days for an Automatic Exchange). At the time they are issued, the value of MGL Ordinary Shares received on Exchange may be more or less than \$101.

6. May be less if Directors determine that Exchange is in the best interests of BCN2 Holders as a whole, notwithstanding that BCN2 Holders will suffer loss, or that the MGL Ordinary Shares may not be listed. See Section 2.8.

7. Whilst APRA approval is not required for an Exchange due to an Automatic Exchange Event, APRA must determine that a Non-Viability Event has occurred.

8. BCN2 are perpetual and, if the Exchange Conditions are never met, Exchange may never occur and BCN2 may remain on issue indefinitely. Unless Redeemed, Exchanged or Written-Off earlier, BCN2 will be mandatorily Exchanged on 21 December 2028 provided the Exchange Conditions are met, or on the next Distribution Payment Date on which the Exchange Conditions are satisfied.

9. Due to the Business Day convention, the first Scheduled Optional Exchange Date is deferred from Sunday 21 December 2025 to Monday 22 December 2025.

10. Due to the Business Day convention, the second Scheduled Optional Exchange Date is deferred from Sunday 21 June 2026 to Monday 22 June 2026.

Topic	Summary	Further information																
1.2.12. Ranking of BCN2 in a Winding Up of MBL	- In a Winding Up of MBL, BCN2 will rank ahead of MBL Ordinary Shares, equally with Equal Ranking Obligations, but behind all Senior Creditors of MBL. The table below illustrates this ranking, if the BCN2 have not been Exchanged or Written-Off. - However, any return on BCN2 may be adversely affected or reduced to zero if an Automatic Exchange Event occurs. If an Automatic Exchange Event occurs, some or all of the BCN2 are required to be Exchanged or, if that does not occur, Written-Off. Where an Exchange occurs, the BCN2 Holders will become holders of MGL Ordinary Shares (ranking equally with other MGL Ordinary Shares). If BCN2 are Written-Off, the BCN2 Holders will have no claim at all on MBL or MGL (even though MGL Ordinary Shares will still be on issue).	Section 2.10																
<table> <tr> <th>Ranking</th><th colspan="2">Illustrative examples</th></tr> <tr> <td>Higher</td><td>Preferred and secured debt</td><td>Liabilities preferred by law including employee entitlements and secured creditors.</td></tr> <tr> <td rowspan="3">  </td><td>Unsubordinated and unsecured debt</td><td>Unsubordinated and unsecured bonds and notes, trade and general creditors.</td></tr> <tr> <td>Subordinated and unsecured debt</td><td>Subordinated and unsecured debt obligations.</td></tr> <tr> <td>Preference shares and equal ranking securities</td><td>Equal Ranking Obligations and BCN2 (if an Automatic Exchange Event has not occurred). Where BCN2 are Exchanged for MGL Ordinary Shares, BCN2 Holders have the claims of holders of MGL Ordinary Shares. If, following an Automatic Exchange Event BCN2 are Written-Off, BCN2 Holders have no claim at all on MBL or MGL and they are likely to be worse off than holders of MGL Ordinary Shares or MBL Ordinary Shares.</td></tr> <tr> <td>Lower</td><td>MBL Ordinary shares</td><td>MBL Ordinary Shares.</td></tr> </table>			Ranking	Illustrative examples		Higher	Preferred and secured debt	Liabilities preferred by law including employee entitlements and secured creditors.		Unsubordinated and unsecured debt	Unsubordinated and unsecured bonds and notes, trade and general creditors.	Subordinated and unsecured debt	Subordinated and unsecured debt obligations.	Preference shares and equal ranking securities	Equal Ranking Obligations and BCN2 (if an Automatic Exchange Event has not occurred). Where BCN2 are Exchanged for MGL Ordinary Shares, BCN2 Holders have the claims of holders of MGL Ordinary Shares. If, following an Automatic Exchange Event BCN2 are Written-Off, BCN2 Holders have no claim at all on MBL or MGL and they are likely to be worse off than holders of MGL Ordinary Shares or MBL Ordinary Shares.	Lower	MBL Ordinary shares	MBL Ordinary Shares.
Ranking	Illustrative examples																	
Higher	Preferred and secured debt	Liabilities preferred by law including employee entitlements and secured creditors.																
	Unsubordinated and unsecured debt	Unsubordinated and unsecured bonds and notes, trade and general creditors.																
	Subordinated and unsecured debt	Subordinated and unsecured debt obligations.																
	Preference shares and equal ranking securities	Equal Ranking Obligations and BCN2 (if an Automatic Exchange Event has not occurred). Where BCN2 are Exchanged for MGL Ordinary Shares, BCN2 Holders have the claims of holders of MGL Ordinary Shares. If, following an Automatic Exchange Event BCN2 are Written-Off, BCN2 Holders have no claim at all on MBL or MGL and they are likely to be worse off than holders of MGL Ordinary Shares or MBL Ordinary Shares.																
Lower	MBL Ordinary shares	MBL Ordinary Shares.																
	If Exchange occurs, BCN2 Holders will become holders of MGL Ordinary Shares and their claims in respect of those MGL Ordinary Shares rank equally with other holders of MGL Ordinary Shares. Those shares may be worth significantly less than the Issue Price of BCN2.																	
1.2.13. BCN2 are not guaranteed	- BCN2 are not guaranteed by any member of the Macquarie Group and are not guaranteed or insured by any government, government agency or compensation scheme of Australia or any other jurisdiction, or by any other person. - BCN2 are not deposit liabilities or protected accounts for the purposes of the depositor protection provisions in Division 2 of Part II of the Banking Act or of the Financial Claims Scheme established under Division 2AA of Part II of the Banking Act.	Clause 1.2 of the BCN2 Terms																
1.2.14. BCN2 are not secured and have no other claims	- BCN2 are not secured in any way against any asset of MBL, MGL or any other member of the Macquarie Group. - A BCN2 Holder has no claim against MBL, MGL or any other member of the Macquarie Group (except as expressly provided in the BCN2 Terms).																	

1. Investment overview

Topic	Summary	Further information
1.3. What are the key risks of investing in BCN2?		
There are risks associated with an investment in BCN2, many of which are outside the control of MBL. These risks include those in this Section 1.3 and Section 5 and other matters referred to in this Prospectus.		
Before applying for BCN2, you should consider whether BCN2 are a suitable investment for you. BCN2 are a complex investment and may be difficult to understand, even for experienced investors.		
A summary of the key risks associated with an investment in MBL and the Macquarie Group generally are described in Section 5.2.		
1.3.1. Market Price and Liquidity of BCN2	- The market price of BCN2 may go up or down and there is no guarantee BCN2 will trade at or above their Issue Price. For example, the market price of BCN2 may decline if better rates of return are available on other securities. - The market price of BCN2 may also be significantly impacted by the market price for MGL Ordinary Shares. - There may be no liquid market for BCN2. - BCN2 Holders who wish to sell their BCN2 may be unable to do so at a price acceptable to them, or at all.	Section 5.1.3
1.3.2. Market price and liquidity of MGL Ordinary Shares	- If BCN2 are Exchanged into MGL Ordinary Shares, the value of those MGL Ordinary Shares is determined over a period of up to 20 ASX Trading Days immediately prior to Exchange. At the time they are issued, the price at which the MGL Ordinary Shares received by BCN2 Holders can be sold may be more or less than the anticipated \$101. - Additionally, in various circumstances the market price of MGL Ordinary Shares may determine whether Exchange can occur. This will affect when Exchange occurs (and may mean that Exchange never occurs). - The market price for MGL Ordinary Shares will vary due to many factors including the availability and rates of return on other securities, investor perceptions of the Macquarie Group's financial position and performance and general economic and market conditions. - The market for MGL Ordinary Shares may be less liquid than other securities and may not be liquid at all, so that BCN2 Holders may be unable to sell the MGL Ordinary Shares they may receive for an acceptable price, or at all.	Section 5.1.4
1.3.3. Distributions may not be paid	- MBL has absolute discretion to determine whether or not to pay Distributions. - Furthermore, a Distribution can only be paid if the Payment Conditions are met, including that MBL is able to pay the Distribution without MBL breaching APRA's capital adequacy requirements or becoming insolvent. This means that there is a risk that Distributions may not be paid. - Distributions are non-cumulative. Accordingly, if a Distribution is not paid for any reason, BCN2 Holders will have no rights to receive that Distribution in the future.	Section 5.1.5
1.3.4. Changes in Distribution Rate	- The Distribution Rate will fluctuate (both increasing and decreasing) over time as a result of movements in the Reference Rate. - A higher Franking Rate for a Distribution will result in a lower Distribution Rate and a lower cash Distribution, reflecting the value of the franking credit attached to the Distribution. - There is a risk that the Distribution Rate may become less attractive when compared to the rates of return available on comparable securities or investments.	Section 5.1.6
1.3.5. Level of franking	- The level of franking of Distributions on BCN2 is affected by the level of MGL's available franking credits and MBL's distributable profits. MGL's level of franking credits may be affected by a wide range of factors, including its business performance, the jurisdictions in which the Macquarie Group makes profits and pays tax and the amount of other frankable distributions. MBL's distributable profits may also be affected by a wide range of factors including its level of earnings and other distributions it makes. - The value and availability of franking credits to a BCN2 Holder will depend on that BCN2 Holder's particular circumstances and the tax rules that apply at the time of each distribution. BCN2 Holders should refer to the Australian taxation summary in section 6.1, including the potential impact of "anti-hybrid" rules.	Sections 5.1.3, 5.1.7, 5.1.8, 5.1.22 and 6

Topic	Summary	Further information
1.3.6. BCN2 are perpetual and may never be Exchanged, Redeemed or Resold	BCN2 are a perpetual instrument but will Exchange for MGL Ordinary Shares on 21 December 2028 if they are still on issue and the Exchange Conditions are satisfied. If the Exchange Conditions are not met on this date BCN2 will Exchange on the next subsequent Distribution Payment Date on which the Exchange Conditions are met. There is a risk that the Exchange will not occur on any of these dates and may never occur because these Exchange Conditions cannot be satisfied.	Section 5.1.11
1.3.7. MBL has rights for Exchange, Redemption or Resale at its election	- MBL may elect to Exchange, Redeem or arrange a Resale of all or some BCN2 in certain circumstances, subject to a number of conditions, including prior written approval from APRA when required under the BCN2 Terms. - Where required, APRA's approval is at the complete discretion of APRA and may or may not be granted. - The choice to elect the Exchange, Redemption or Resale of all or some BCN2 is entirely at MBL's discretion and BCN2 Holders have no right to either request or alter the timing of any Exchange, Redemption or Resale. - It is uncertain whether and when Exchange, Redemption or Resale may occur. The timing of any Exchange, Redemption or Resale may not suit BCN2 Holders.	Sections 5.1.10 to 5.1.13
1.3.8. Losses due to an Acquisition Event	If an Acquisition Event occurs, and the Directors determine it is in the best interests of BCN2 Holders, Exchange may occur even though BCN2 Holders would receive less (and possibly significantly less) than \$101 worth of MGL Ordinary Shares or even though those MGL Ordinary Shares are unlisted and BCN2 Holders may suffer a loss as a result.	Section 5.1.14
1.3.9. Losses due to an Automatic Exchange Event	- If Exchange occurs following an Automatic Exchange Event, BCN2 Holders may receive significantly less than \$101 worth of MGL Ordinary Shares per BCN2 and may receive unlisted MGL Ordinary Shares. - If, for any reason, a BCN2 which is required to be Exchanged is not Exchanged within 5 Business Days of the Automatic Exchange Event then that BCN2 will be Written-Off (in which case the BCN2 Holders' rights under the relevant BCN2 will be immediately and irrevocably terminated for no consideration with effect on and from the Automatic Exchange Date). In these circumstances, BCN2 Holders will suffer a total loss of their investment in those BCN2.	Sections 5.1.15 and 5.1.16
1.3.10. Restrictions on rights and ranking in a Winding Up of MBL	- BCN2 are not deposit liabilities or protected accounts of MBL or MGL or any other member of the Macquarie Group and are not guaranteed or insured by any government, government agency or compensation scheme of Australia or any other jurisdiction or by any other person. The investment performance of BCN2 is not guaranteed by MBL, MGL or any other member of the Macquarie Group. - In the event of a Winding Up of MBL, BCN2 Holders will rank behind all Senior Creditors, equally with Equal Ranking Obligations and ahead of MBL Ordinary Shares. Any return in a Winding Up of MBL may be adversely affected if an Automatic Exchange Event occurs. If this happens some or all BCN2 will be required to be Exchanged or, if Exchange has not occurred within 5 Business Days of the Automatic Exchange Event, Written-Off. If a BCN2 is Exchanged, the BCN2 Holder will become a holder of MGL Ordinary Shares and those shares may be worth significantly less than their investment in BCN2. If a BCN2 is Written-Off, the BCN2 Holder will suffer a total loss of their investment in that BCN2. - If there is a shortfall of funds on a Winding Up of MBL, BCN2 Holders will lose some or all of their investment in BCN2.	Sections 5.1.1 and 5.1.18

1. Investment overview

Topic	Summary	Further information
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1.4. Comparison between BCN2 and other investments

BCN2 are different from other types of investments such as term deposits and ordinary shares. The table below compares the key features of BCN2 to some of the other types of investments. You should consider these differences in light of your investment objectives, financial situation and particular needs (including financial and taxation issues) before deciding to apply for BCN2. MBL strongly recommends that you seek professional advice, which takes into account your particular investment objectives and circumstances, from a licensed adviser.

Please refer to the table in Section 3.4 setting out the key differences between BCN, which are the subject of the Reinvestment Offer, and BCN2.

Feature	Term deposit	BCN	MCN2, MCN3 and MCN4	BCN2	Ordinary Shares
Issuer	Bank, credit union or building society (e.g. MBL)	MBL	MGL	MBL	MGL
Eligible for protection under the Australian government Financial Claims Scheme	Yes ¹	No	No	No	No
Term	One month to five years (usually)	Perpetual ²	Perpetual ³	Perpetual ⁴	Perpetual
Distribution rate	Fixed (usually)	Floating, adjusted for franking	Floating, adjusted for franking	Floating, adjusted for franking ⁵	Variable dividends
Distribution payment dates	End of term or per annum (usually)	Semi-annually	Semi-annually (in the case of MCN2) Quarterly (in the case of MCN3 and MCN4)	Quarterly	Semi-annually (usually)
Distributions are discretionary	No	Yes	Yes	Yes	Yes
Frankable distributions	No	Yes	Yes	Yes	Yes
Transferable	No	Yes – quoted on ASX	Yes – quoted on ASX	Yes – quoted on ASX	Yes – quoted on ASX
Non-Viability provisions	No	Yes	Yes	Yes	Not applicable
Common Equity Tier 1 Trigger provisions	No	Yes	No	Yes	Not applicable

¹ As at the date of this prospectus, the financial claims scheme limit in relation to protected account(s) that an account holder has with a declared ADI as at a particular time is \$250,000.

² Unless redeemed, resold, converted, exchanged or written-off earlier in accordance with the terms of the BCN. Subject to the satisfaction of certain conditions, BCN will be mandatorily exchanged into MGL Ordinary Shares on 24 March 2023 or the next distribution payment date on which those conditions are satisfied.

³ Unless redeemed, resold, converted, exchanged or written-off earlier in accordance with the terms of the MCN2, MCN3 or MCN4 (as applicable). Subject to the satisfaction of certain conditions, MCN2 will be mandatorily exchanged into MGL Ordinary Shares on 18 March 2024 or the next distribution payment date on which those conditions are satisfied. Subject to the satisfaction of certain conditions, MCN3 will be mandatorily exchanged into MGL Ordinary Shares on 15 December 2027 or the next distribution payment date on which those conditions are satisfied. Subject to the satisfaction of certain conditions, MCN4 will be mandatorily exchanged into MGL Ordinary Shares on 10 September 2029 or the next distribution payment date on which those conditions are satisfied.

⁴ Unless Redeemed, Resold, Exchanged or Written-Off earlier in accordance with the terms of the BCN2. Subject to the satisfaction of certain conditions, BCN2 will be mandatorily Exchanged into MGL Ordinary Shares on a Mandatory Exchange Date, as outlined in Section 2.3 of this Prospectus.

⁵ The impact of franking is described in Sections 2.1.3 and 2.1.4.

Topic	Summary	Further information
1.5. What is the Offer and how do I apply?		
1.5.1. How is the Offer structured and who can apply?	The Offer comprises: • an Institutional Offer to Institutional Investors; • a Broker Firm Offer made to Australian resident retail and high net worth clients of Syndicate Brokers who are invited to apply under the Broker Firm Offer; • a Reinvestment Offer made to Eligible BCN Holders; and • a Securityholder Offer made to Eligible Securityholders. BCN2 may also be offered (as part of any Offer category) in certain permitted jurisdictions outside Australia where such Offer is made, and accepted, in accordance with the laws of such jurisdictions. You are eligible to participate in the Reinvestment Offer if you: • were registered as a holder of BCN at 7.00pm (AEDT) on 7 February 2020 (relevant BCN must also be held on the Closing Date for the Reinvestment Offer); • are shown on the BCN register as having an address in Australia; and • are not in the United States or acting as a nominee for, or for the account or benefit of, a person in the United States or not otherwise prevented from receiving the Reinvestment Offer or BCN2 under the laws of any jurisdiction.	Section 8.4
1.5.2. What is the Reinvestment Offer?	The Reinvestment Offer is an invitation to Eligible BCN Holders to: • apply to reinvest some or all of the proceeds of sale of your BCN to the BCN Purchaser in a corresponding number of BCN2; and • direct the BCN Purchaser to pay \$100 per Reinvested BCN directly to MBL as the Application Payment for the BCN2. Eligible BCN Holders also have the opportunity to apply for additional BCN2. MBL does not guarantee it will accept Applications under the Reinvestment Offer. If your Application under the Reinvestment Offer is not accepted, your BCN will be resold on 24 March 2020 in accordance with the BCN Terms. See Section 3.2 for further detail on the options available to Eligible BCN Holders in relation to their BCN. Important: There are important differences between BCN and BCN2 that Eligible BCN Holders should consider before deciding whether to apply to participate in the Reinvestment Offer. See Section 3.4 which further describes the differences between BCN and BCN2.	Section 3
1.5.3. Is the Offer underwritten?	No.	Section 7.3
1.5.4. When is the Offer Period?	The Offer is expected to open on 19 February 2020. The Offer is expected to close on 18 March 2020.	Key dates and Section 8.4
1.5.5. Is there a minimum Application size?	Applications must be for a minimum of 50 BCN2 (\$5,000), unless you hold 50 BCN or fewer and apply to participate in the Reinvestment Offer – see Section 1.5.6 for further details.	Section 8.4.6

1. Investment overview

Topic	Summary	Further information
1.5.6. How can I apply?	- If you wish to participate under the Broker Firm Offer you must contact your Syndicate Broker for instructions on how to apply. - If you wish to participate under the Securityholder Offer you must complete an electronic or paper copy of the Application Form and pay the Application Payment either electronically (if you are applying online) by BPAY® or by cheque or money order (if you are applying via a paper Application Form). - If you are an Eligible BCN Holder, you may apply to participate in the Reinvestment Offer by completing an Application Form and choosing one of the alternatives described in Section 3. - If you make an Application under the Reinvestment Offer, you will not be required to pay the Application Payment in respect of that Application, unless you choose to apply for more BCN2 than the number of BCN registered in your name at 7.00pm (AEDT) on 7 February 2020. - There is no minimum number of BCN that you must hold to be able to participate in the Reinvestment Offer. However, if you are an Eligible BCN Holder and hold 50 BCN or fewer, you must apply to reinvest all your BCN in BCN2 if you wish to participate in the Reinvestment Offer. If you are an Eligible BCN Holder and own more than 50 BCN, you can: - reinvest all of your BCN; or - apply for a minimum number of 50 BCN2 (\$5,000) and increments of 10 BCN2 (\$1,000) thereafter. - See Section 8 for further information on how to make an Application.	Section 8
1.5.7. How will BCN2 be allocated?	- Allocations to Syndicate Brokers and Institutional Investors will be agreed by MBL and the Joint Lead Managers following completion of the Bookbuild. Allocations to individual Broker Firm Applicants will be determined by their Syndicate Broker. - Allocations for the Reinvestment Offer and Securityholder Offer will be determined by MBL. MBL has absolute discretion to determine the method and extent of the allocations. Allocations may be scaled back. If the Reinvestment Offer or Securityholder Offer is scaled back, Applicants will have all or some of their Application Payments (as applicable) refunded (without interest) as soon as practicable after the Issue Date. Any refunded Application Payments will be refunded without interest by bank transfer (where possible) or alternatively by cheque despatched to the Applicant's address specified on the Application Form. - The allocation policy is described in Section 8.5.	Section 8.5
1.5.8. Is there brokerage, commission or stamp duty payable?	- No brokerage or commission is payable on Applications for BCN2. No stamp duty is payable on Applications for BCN2 provided that no person obtains, either alone or with associates, an interest of 90% or more in MBL. - BCN2 Holders may have to pay brokerage (and applicable GST) on any subsequent transfer of BCN2 on ASX after quotation or on any transfer of MGL Ordinary Shares that may be quoted on an Exchange. No stamp duty should be payable by a BCN2 Holder on the issue of MGL Ordinary Shares on Exchange or the transfer of MGL Ordinary Shares as long as MGL is listed, its shares are quoted on ASX and no BCN2 Holder (alone or with associates) will acquire or hold a 90% or more interest in MGL.	Section 8.4.3
1.5.9. What are the tax implications of investing in BCN2?	A general outline of the Australian taxation implications certain Australian investors of participating in the Offer (including through the Reinvestment Offer) is included in the Australian taxation summary at Section 6.1. See also the risk in relation to the use of franking credits by BCN2 Holders at section 5.1.8.	Section 5.1.8 and 6
1.5.10. Where can I find out more information about the Offer?	- If you have questions in relation to the Offer, please see www.MBCN2Offer.com.au or email the Registrar at MBCN2Offer@boardroomlimited.com.au or telephone the BCN2 Offer Information Line on 1300 005 027 (within Australia) or on +61 2 8023 5474 (International). - If you are a Broker Firm Applicant, you should contact your Syndicate Broker.	Section 8.8

2

About BCN2

This section provides additional information about BCN2.



2. About BCN2

Where indicated, more detailed information is provided in other sections of this Prospectus. If you have any questions, you should seek advice from your financial adviser or other professional adviser. The full BCN2 Terms are contained in Appendix A. Rights and liabilities attaching to BCN2 may also arise under the Corporations Act, ASX Listing Rules and other applicable laws.

Topic	Summary	Further information
2.1. Distributions		
BCN2 are expected to pay quarterly Distributions commencing on 21 June 2020 ¹ which are expected to be 40% franked initially, but may not be franked, or may be franked to a different level in the future. A Distribution will be paid subject to the Payment Conditions, including MBL's discretion.		
The Distribution Rate is a floating rate (i.e. it will fluctuate), and is equal to the sum of the Reference Rate plus a Margin (as determined under the Bookbuild), adjusted for the Tax Rate and the Franking Rate.		
Distributions are non-cumulative.		
2.1.1. What are Distributions?	- Distributions on BCN2 are discretionary, non-cumulative floating rate payments. - Distributions are scheduled to be paid quarterly in arrears commencing on 21 June 2020,¹ subject to the Payment Conditions – see below. - Distributions are expected to be franked at the same rate as dividends on MGL Ordinary Shares. MGL currently franks dividends on MGL Ordinary Shares at 40%. The level of franking may vary over time and Distributions may be partially, fully or not franked.	Clause 2 of the BCN2 Terms
2.1.2. What are the Payment Conditions?	- Distributions may not always be paid. The payment of each Distribution will be made unless: - MBL, in its absolute discretion, determines that the Distribution is not payable to BCN2 Holders; - payment of the Distribution would result in MBL breaching APRA's capital adequacy requirements applicable to it; - payment of the Distribution would result in MBL becoming, or being likely to become, insolvent for the purposes of the Corporations Act; or - APRA objects to the payment of the Distribution. These conditions are referred to in this Prospectus as the “Payment Conditions”. - Failure to pay a Distribution when scheduled will not constitute an event of default and BCN2 Holders have no claim or entitlement in respect of non-payment or any right to receive that Distribution at any later time. However, the Dividend Restriction may apply in this scenario – see Section 2.1.9.	Clause 2 of the BCN2 Terms
2.1.3. How will the Distribution Rate be calculated?	- The Distribution Rate is calculated using the following formula: Distribution Rate = (Reference Rate + Margin) x Franking Adjustment Factor where: <i>Reference Rate</i> means, the BBSW rate – see Section 2.1.5; <i>Margin</i> is expected to be in the range of 2.90% and 3.10% and will be set by way of Bookbuild and is expected to be announced to the market on 14 February 2020. The Margin may be outside that range depending on the outcome of the Bookbuild. Franking Adjustment Factor = $\frac{(1-T)}{1 - [T \times (1 - F)]}$ where: <i>T</i> is the Tax Rate; and <i>F</i> is the Franking Rate. - Due to the effect of the Franking Adjustment Factor, the Distribution Rate will be lower if franking applies to a Distribution.	Clause 2.1 of the BCN2 Terms

¹ Due to the Business Day convention, the first Distribution Payment Date is deferred from Sunday 21 June 2020 to Monday 22 June 2020.

Topic	Summary	Further information																
2.1.3. How will the Distribution Rate be calculated? (continued)	- For example, assuming the Reference Rate for the first Distribution Period is 0.9150% per annum, the Margin is 2.90% per annum and using the Macquarie Group’s current franking rate of 40%, then the Distribution Rate for that Distribution Period would be calculated as follows: <table><tr><th colspan="2">Partially franked Distribution</th></tr><tr><td>(1) Reference Rate</td><td>0.9150%</td></tr><tr><td>(2) Margin</td><td>2.90%</td></tr><tr><td>(3) = (1) + (2)</td><td>3.8150%</td></tr><tr><td>(4) Tax Rate</td><td>30%</td></tr><tr><td>(5) Franking Rate</td><td>40%</td></tr><tr><td>(6) Franking Adjustment Factor (per formula above)</td><td>85.3659%</td></tr><tr><td>(7) Distribution Rate = (3) x (6)</td><td>3.2567%</td></tr></table> - It is possible for the Reference Rate to become negative. Should this occur, the negative amount will be taken into account in calculating the Distribution Rate. For example, if the Reference Rate is –1.00% per annum, the Margin is 2.90% per annum and the Franking Adjustment Factors is 85.3659% then the Distribution Rate will be 1.6220% per annum. However, even if the Distribution Rate was negative as a result, there would be no obligation on BCN2 Holders to pay MBL.	Partially franked Distribution		(1) Reference Rate	0.9150%	(2) Margin	2.90%	(3) = (1) + (2)	3.8150%	(4) Tax Rate	30%	(5) Franking Rate	40%	(6) Franking Adjustment Factor (per formula above)	85.3659%	(7) Distribution Rate = (3) x (6)	3.2567%	Clause 2.1 of the BCN2 Terms
Partially franked Distribution																		
(1) Reference Rate	0.9150%																	
(2) Margin	2.90%																	
(3) = (1) + (2)	3.8150%																	
(4) Tax Rate	30%																	
(5) Franking Rate	40%																	
(6) Franking Adjustment Factor (per formula above)	85.3659%																	
(7) Distribution Rate = (3) x (6)	3.2567%																	
2.1.4. What is the impact of Franking credits?	- Distributions are expected to be franked at the same rate as MGL Ordinary Shares. MGL currently franks dividends on MGL Ordinary Shares at 40%. The level of franking may vary over time and Distributions may be partially, fully or not franked. - MGL’s ability to frank dividends on MGL Ordinary Shares and Distributions on BCN2 is affected by the level of MGL’s available franking credits and MBL’s distributable profits. MGL’s level of franking credits may be affected by a wide range of factors, including its business performance, the jurisdictions in which the Macquarie Group makes profits and pays tax, the applicable Australian corporate tax rate and the amount of other frankable distributions. MBL’s distributable profits may also be impacted by a wide range of factors, including its level of earnings and other distributions it makes. See Section 5.1.7. - A higher Franking Rate for a Distribution will result in a lower Distribution Rate and a lower cash Distribution, reflecting the value of the franking credit attached to the Distribution. - BCN2 Holders should be aware that the potential value of any franking credit does not accrue at the same time as the receipt of any cash Distribution. BCN2 Holders should also be aware that the ability to use the franking credits, either as an offset to a tax liability or by claiming a refund after the end of the income year, will depend on the individual tax position of each BCN2 Holder and the tax rules that apply at the time of each distribution. - The laws relating to the availability of franking may change. - BCN2 Holders should refer to the Australian taxation summary in Section 6.1 and seek professional advice in relation to their tax position. - If the Distribution is fully or partially franked, the franking credits attached to a Distribution (expressed as a percentage of the Issue Price) will be equal to: <u>Distribution Rate x Tax Rate x Franking Rate</u> <u>(1 – Tax Rate)</u> - The amount of franking credits attached to a Distribution will be notified to BCN2 Holders in Distribution notices shortly after a Distribution is paid.	Sections 5.1.3, 5.1.7, 5.1.8, 5.1.22 and 6																

2. About BCN2

Topic	Summary	Further information
2.1.4. What is the impact of Franking credits? (continued)	<	

Topic	Summary	Further information										
2.1.6. How will the Distribution be calculated for each Distribution Payment Date?	- Distributions scheduled to be paid on each Distribution Payment Date on each BCN2 will be calculated using the following formula: $\frac{\text{Distribution Rate} \times \text{A\\$100} \times N}{365}$ where: <i>Distribution Rate</i> means the rate (expressed as a percentage per annum) calculated as set out in Section 2.1.3; and <i>N</i> means the number of days in the Distribution Period. - As an example, if the Distribution Rate was 3.2567% per annum then the Distribution on each BCN2 for the Distribution Period (if the Distribution Period was a quarterly period of 91 days) would be calculated as follows:<table><tr><td>Distribution Rate</td><td>3.2567%</td></tr><tr><td>Multiplied by the Issue Price</td><td>x \$100</td></tr><tr><td>Multiplied by the number of days in the Distribution Period</td><td>x 91</td></tr><tr><td>Divided by 365²</td><td>÷ 365</td></tr><tr><td>Indicative Distribution payment for the quarterly Distribution Period per BCN2</td><td>\$0.8119</td></tr></table> - The first Distribution Period commences on the Issue Date and ends on 22 June 2020³ and, accordingly, the number of days included in that Distribution Period is expected to be 90 days. Using a Distribution Rate of 3.2567%, an indicative first Distribution payment would be \$0.8030. - The above example is for illustrative purposes only and does not indicate, guarantee or forecast the actual Distribution payable for the first or any subsequent Distribution Period. Actual Distributions may be higher or lower than this example.	Distribution Rate	3.2567%	Multiplied by the Issue Price	x \$100	Multiplied by the number of days in the Distribution Period	x 91	Divided by 365 ²	÷ 365	Indicative Distribution payment for the quarterly Distribution Period per BCN2	\$0.8119	Clause 2.1 of the BCN2 Terms
Distribution Rate	3.2567%											
Multiplied by the Issue Price	x \$100											
Multiplied by the number of days in the Distribution Period	x 91											
Divided by 365 ²	÷ 365											
Indicative Distribution payment for the quarterly Distribution Period per BCN2	\$0.8119											
2.1.7. When are the Distribution Payment Dates?	- Distributions are payable (subject to the Payment Conditions, including the discretion of MBL) quarterly in arrears commencing on 21 June 2020.² - The Distribution Payment Dates are 21 March, 21 June, 21 September and 21 December each year. - If BCN2 are Redeemed, Resold or Exchanged (other than on account of an Automatic Exchange Event) the Redemption Date, Resale Date or Exchange Date will also be a Distribution Payment Date. - If any of these dates is not a Business Day, the Distribution Payment Date will be the next day which is a Business Day.	Clauses 2.1, 2.2 and 2.3 of the BCN2 Terms										
2.1.8. How will Distributions be paid?	- Distributions will be paid in Australian dollars. MBL will only pay Distributions to Australian resident investors directly into an Australian dollar account held with a financial institution. - MBL will not pay Distributions on BCN2 to Australian resident investors by cheque. - If you are allotted any BCN2, when you are sent your Holding Statement you will also be sent instructions on how to provide details of your Australian dollar account held with a financial institution.	Clause 11 of the BCN2 Terms										

² Not adjusted for leap years.

³ Due to the Business Day convention, the first Distribution Payment Date is deferred from Sunday 21 June 2020 to Monday 22 June 2020 and an additional day is added to the Distribution Period.

2. About BCN2

Topic	Summary	Further information
2.1.8. How will Distributions be paid? (continued)	- If you are an Australian resident and do not provide these account details to the Registrar, or if any Distribution paid to you is unsuccessful, then you will be sent a notice advising you of the amount of the Distribution and the funds will be held in a bank account as a non-interest bearing deposit until the first to occur of the following: - you provide valid account details to the Registrar; - the BCN2 Holder or any legal personal representative of the BCN2 Holder claims the amount; - MBL is entitled to refuse any claim in respect of the amount on the ground that payment has not been made within 5 years from the date on which it first became due, in which case MBL may treat the amount as its own; or - MBL is entitled or obliged to deal with the amount in accordance with the legislation relating to unclaimed moneys. - Investors who are not Australian residents may receive Distributions by cheque. - MBL reserves the right to vary the way in which any Distribution is paid in accordance with the BCN2 Terms (provided that a Distribution must always be paid in cash).	Clause 11 of the BCN2 Terms
2.1.9. What is the Dividend Restriction and when will it apply?	- If for any reason a Distribution has not been paid in full on a Distribution Payment Date, unless it is paid in full within 10 Business Days of that date, MBL must not: - determine, declare or pay a dividend on any MBL Ordinary Shares; or - undertake any Buy-Back or Capital Reduction, from the Distribution Payment Date until and including the next Distribution Payment Date, subject to certain exceptions, without the approval of a Special Resolution of the BCN2 Holders. - There is no restriction on MGL declaring or paying any dividend on, or buying back or reducing capital on MGL Ordinary Shares. However, MGL's capacity to do so may be reduced by the application of the Dividend Restriction on MBL. Dividends from MBL have historically been a significant proportion of the profits of the Macquarie Group (approximately 35.2% on average during the past 3 financial years). However, the profit contribution of MBL to MGL may change in the future, including as a result of changes in business performance or restructuring of the Macquarie Group. - The BCN2 Terms contain no events of default and accordingly, failure to pay a Distribution when scheduled will not constitute an event of default.	Clauses 2.4, 2.5, 10.1 and 18.2 of the BCN2 Terms

2.2. Term

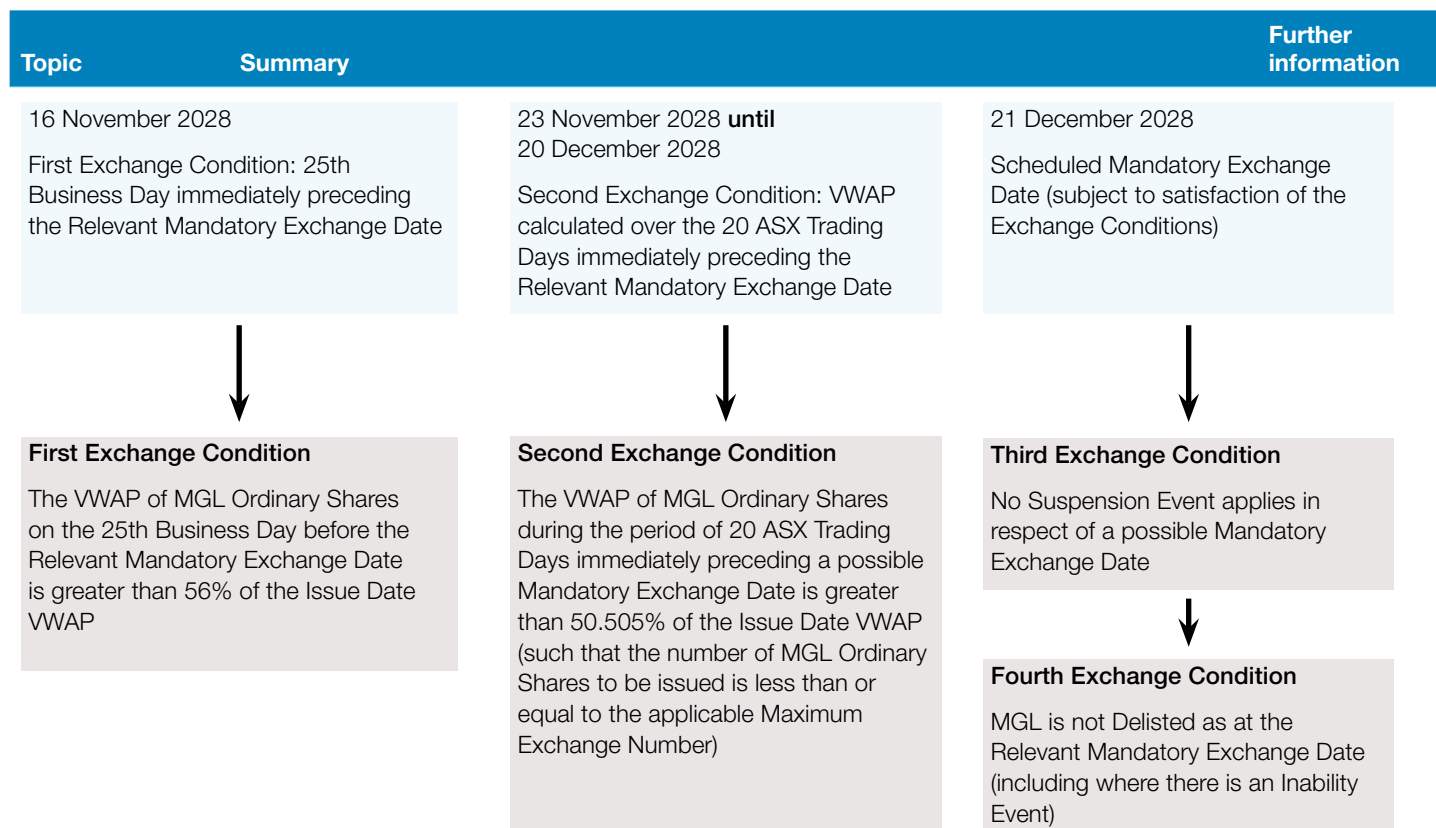
2.2.1. Do BCN2 have a maturity date?	BCN2 are perpetual and do not have a fixed maturity date. If they are not Exchanged, Redeemed or Written-Off in accordance with the BCN2 Terms they could remain on issue indefinitely.	
	Exchange If still on issue, BCN2 will Exchange into MGL Ordinary Shares on 21 December 2028 if the Exchange Conditions are satisfied in respect of that date. If the Exchange Conditions are not satisfied in respect of that date BCN2 will Exchange on the next subsequent Distribution Payment Date on which the Exchange Conditions are satisfied.	Section 2.3
	- Subject to certain restrictions, MBL may elect to Exchange some or all BCN2: - on a Scheduled Optional Exchange Date; or - after the occurrence of a Tax Event or Regulatory Event, (together, "Optional Exchange Dates").	Section 2.4

Topic	Summary	Further information
2.2.1. Do BCN2 have a maturity date? (continued)	• MBL must also Exchange all BCN2 following an Acquisition Event except in certain circumstances. If Exchange occurs following these events, BCN2 Holders would generally⁴ receive MGL Ordinary Shares worth approximately \$101 (determined on the basis of the Exchange calculations described in Section 2.3.4 below) although by the time of Exchange the market value of the MGL Ordinary Shares received may be more or less than \$101 when they are issued or at any time after that. • MBL must Exchange some or all (depending on the circumstances) BCN2 for MGL Ordinary Shares on the occurrence of an Automatic Exchange Event: • This Exchange is not subject to the Exchange Conditions. • If, for any reason, this Exchange does not occur within 5 Business Days of the Automatic Exchange Event then that BCN2 will be Written-Off. That BCN2 Holder will suffer a total loss of their investment and will not receive any compensation. Resale • On an Optional Exchange Date, subject to APRA's prior written approval, MBL may instead elect to arrange for a Resale of all or some BCN2. If Resale occurs, BCN2 Holders will receive the Issue Price (\$100) for each BCN2 they hold. Redemption • On an Optional Exchange Date, subject to APRA's prior written approval, MBL may instead elect to Redeem all or some BCN2. If Redemption occurs, BCN2 Holders will receive the Issue Price (\$100) for each BCN2 they hold. There are conditions on MBL's ability to Redeem or Resell BCN2 for cash. Importantly, MBL may only elect to Redeem or Resell BCN2 with APRA's prior written approval. BCN2 Holders should not expect that APRA's approval, if requested, will be given.	Section 2.8 Section 2.7 Section 2.6 Section 2.5
2.3. Mandatory Exchange		
MBL must Exchange BCN2 into MGL Ordinary Shares on 21 December 2028 (if the BCN2 have not been Redeemed, Exchanged or Written-Off beforehand) provided that certain Exchange Conditions are satisfied. The conditions to Mandatory Exchange and the associated Exchange calculations (described in this section) are designed to ensure that if Exchange occurs BCN2 Holders will receive approximately \$101 worth of MGL Ordinary Shares for each BCN2 held, and that the MGL Ordinary Shares they receive following the Exchange are capable of being sold on ASX.		
2.3.1. What happens on Scheduled Mandatory Exchange?	If BCN2 have not already been Redeemed, Resold, Exchanged or Written-Off, BCN2 Holders will receive MGL Ordinary Shares on Exchange of BCN2 on 21 December 2028, the "Scheduled Mandatory Exchange Date", unless the Exchange Conditions are not satisfied. Upon Exchange on the Mandatory Exchange Date, BCN2 Holders will receive approximately \$101 worth of MGL Ordinary Shares per BCN2 based on the VWAP calculated over the 20 ASX Trading Days immediately preceding the Exchange Date and a 1% discount on Exchange. This VWAP will most likely differ from the MGL Ordinary Share price on or after the Scheduled Mandatory Exchange Date. This means that the value of MGL Ordinary Shares received may be more or less than \$101 when they are issued, or at any time after that. As a result of any Exchange of BCN2 for MGL Ordinary Shares, BCN2 Holders will become holders of MGL Ordinary Shares, which will rank equally with existing MGL Ordinary Shares from the date of issue. The value of any holding of MGL Ordinary Shares may fluctuate from time to time.	Clauses 3 and 9 of the BCN2 Terms

⁴ As with other types of Exchange (other than Exchange on account of an Automatic Exchange Event), there are conditions to Exchange on an Acquisition Event which are designed to ensure that a BCN2 Holder will receive approximately \$101 worth of MGL Ordinary Shares for each BCN2 they hold and the MGL Ordinary Shares received are capable of being sold on the ASX. However, these conditions do not apply if the Directors determine that the Exchange is in any event in the best interests of BCN2 Holders as a whole.

2. About BCN2

Topic	Summary	Further information
2.3.2. What happens if the Exchange Conditions are not met on the Scheduled Mandatory Exchange Date (21 December 2028)?	• If still on issue, the BCN2 will be Exchanged on the Scheduled Mandatory Exchange Date, provided that the Exchange Conditions are satisfied on this date. • If any of the Exchange Conditions are not satisfied on this date, then the Exchange will be deferred until the next quarterly Distribution Payment Date, a “Deferred Mandatory Exchange Date”, where all of the Exchange Conditions are satisfied. This means that if the Exchange Conditions are never satisfied BCN2 may never be Exchanged. • The Scheduled Mandatory Exchange Date and each Deferred Mandatory Exchange Date are referred to as “Relevant Mandatory Exchange Dates”. • Distributions will continue to be paid (subject to the Payment Conditions) until Exchange occurs.	Clause 3.2 of the BCN2 Terms and Section 2.3.3
2.3.3. What are the Exchange Conditions?	• In summary, the Exchange Conditions are as follows: • First Exchange Condition: the Daily VWAP on the 25th Business Day immediately preceding the Relevant Mandatory Exchange Date is greater than 56% of the Issue Date VWAP; • Second Exchange Condition: the VWAP during the 20 ASX Trading Days immediately preceding the Relevant Mandatory Exchange Date is such that the number of MGL Ordinary Shares to be issued would be less than or equal to the applicable Maximum Exchange Number; • Third Exchange Condition: no Suspension Event applies in respect of the Relevant Mandatory Exchange Date (broadly, a Suspension Event occurs where MGL Ordinary Shares have been suspended from trading for the 5 preceding Business Days); and • Fourth Exchange Condition: MGL is not Delisted as at the Relevant Mandatory Exchange Date (broadly, MGL will be Delisted where MGL Ordinary Shares cease to be listed on ASX or where an Inability Event (as described in Section 2.7.7) subsists). • Exchange on a Mandatory Exchange Date cannot occur unless all four Exchange Conditions are satisfied. • The First Exchange Condition and Second Exchange Condition are intended to ensure BCN2 Holders will not receive less than \$101 worth of MGL Ordinary Shares per BCN2 on Exchange (based on the VWAP during the 20 ASX Trading Days before the Mandatory Exchange Date). • The Third Exchange Condition and Fourth Exchange Condition are intended to provide protection to BCN2 Holders by making Exchange conditional on BCN2 Holders receiving MGL Ordinary Shares which are capable of being sold on ASX. • The following diagram sets out the timeframes that are relevant for testing whether Exchange will occur, using the Scheduled Mandatory Exchange Date (21 December 2028). These dates are indicative only and may change.	Clause 3.3 of the BCN2 Terms



Note: The dates in the diagram above assume that trading of MGL Ordinary Shares takes place on 16 November 2028 and each of the Business Days between 23 November 2028 and 20 December 2028, which may not be the case due to public holidays or if trading in MGL Ordinary Shares is suspended during the period leading up to the possible Mandatory Exchange Date.

2.3.4. How many MGL Ordinary Shares will a BCN2 Holder receive on a Relevant Mandatory Exchange Date?	- A BCN2 Holder will receive on a Relevant Mandatory Exchange Date a number of MGL Ordinary Shares per BCN2 ("Exchange Number") calculated in accordance with the following formula: $\frac{\\$100}{99\% \times \text{Exchange Date VWAP}}$ where <i>Exchange Date VWAP</i> is the volume weighted average price of MGL Ordinary Shares during the VWAP Period (being the period of 20 ASX Trading Days immediately preceding the Relevant Mandatory Exchange Date). - The Exchange Number can never be greater than the Maximum Exchange Number (see Section 2.3.5). The Exchange Conditions prevent Exchange from occurring on a Relevant Mandatory Exchange Date where the Exchange Number would be limited by the Maximum Exchange Number applicable to a Relevant Mandatory Exchange Date. - The Exchange Date VWAP will be adjusted to reflect: - dividends or other distributions that are reflected in the MGL Ordinary Share price that will not be payable to BCN2 Holders after Exchange and vice versa (e.g. where the price is quoted cum dividend but the dividend is paid before the Exchange); and - any division, consolidation or reclassification of MGL's share capital (not involving any cash payment or other distribution or compensation to or by holders of MGL Ordinary Shares or to or by any entity in the Macquarie Group) occurring during the calculation period. - The number of MGL Ordinary Shares to be received by a BCN2 Holder will also be rounded down so that only a whole number of MGL Ordinary Shares is issued in connection with the BCN2 Holder's aggregate holding of BCN2 (with entitlements of the BCN2 Holder to a part only of an MGL Ordinary Share disregarded).	Clauses 9.1, 9.3 and 9.4 of the BCN2 Terms
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2. About BCN2

Topic	Summary	Further information
2.3.5. What is the Maximum Exchange Number?	- The Maximum Exchange Number is calculated as: $\frac{\\$100}{\text{Issue Date VWAP} \times \text{Relevant Percentage}}$ where: - the Issue Date VWAP is the VWAP during the 20 ASX Trading Days immediately preceding, but not including, the Issue Date; and - the Relevant Percentage, for Exchange on a Relevant Mandatory Exchange Date, is 50%. - Under no circumstances will BCN2 be Exchanged for more than the Maximum Exchange Number of MGL Ordinary Shares. - Other than for an Exchange on account of an Automatic Exchange Event (see Section 2.7.5) or an Acquisition Event (see Section 2.8), the Exchange Conditions prevent an Exchange from occurring where the MGL Ordinary Shares which BCN2 Holders would receive are worth less than approximately \$101 based on the Exchange Date VWAP. - The Issue Date VWAP (and consequently the Maximum Exchange Number) will be adjusted where: - dividends or other distributions are reflected in the MGL Ordinary Share price in the Issue Date VWAP calculation period that will not be payable to BCN2 Holders (e.g. where the price is quoted cum dividend); - a pro-rata bonus issue of MGL Ordinary Shares (other than a bonus share plan, employee or executive share plan, executive option plan, share top-up plan, share purchase plan or dividend reinvestment plan) occurs while BCN2 are on issue; or - any division, consolidation or reclassification of MGL's share capital (not involving any cash payment or other distribution or compensation to or by holders of MGL Ordinary Shares or to or by any entity in the Macquarie Group) occurs while the BCN2 are on issue. The adjustment to Issue Date VWAP will not be made for any other capital activity including a rights issue or other essentially pro rata issue. The BCN2 Terms do not restrict MGL from undertaking any activity of this kind. Where the adjustment to Issue Date VWAP would be less than 1%, no adjustment will be made (although the adjustment balance will be carried forward for any subsequent adjustments).	Clauses 9.1 and 9.3 to 9.9 of the BCN2 Terms
2.3.6. Example of the Exchange calculations	Illustrative example of Exchange This example is for illustrative purposes only. The figures in it are not forward looking statements and do not indicate or guarantee the Issue Date VWAP or future VWAP or other price of MGL Ordinary Shares. For the example of the Mandatory Exchange on 21 December 2028, assume the Issue Date VWAP was \$146.72. The Exchange Conditions are tested and the number of MGL Ordinary Shares to be received on Exchange would be determined as follows:	

Topic	Summary	Further information
2.3.6. Example of the Exchange calculations (continued)	Step 1: passing the Exchange Conditions <i>First Exchange Condition</i> This condition requires that the VWAP on the 25th Business Day immediately preceding 21 December 2028 (assuming there is trading of MGL Ordinary Shares on that day) is greater than 56% of the Issue Date VWAP, which would be \$82.16 (being 56% of \$146.72). • Assume the VWAP on 16 November 2028 (expected to be the 25th Business Day immediately preceding, but not including, 21 December 2028) is \$136.72. Since the VWAP on 16 November 2028 is greater than \$82.16, the First Exchange Condition is satisfied. <i>Second Exchange Condition</i> The Maximum Exchange Number applicable to a Relevant Mandatory Exchange Date is calculated on the basis that the Relevant Percentage is 50%. The effect of this is that the Second Exchange Condition applicable to a Relevant Mandatory Exchange Date will be met if the VWAP during the 20 ASX Trading Days immediately preceding 21 December 2028 is greater than 50.505% of the Issue Date VWAP, which would be \$74.10 (being 50.505% of \$146.72). • Assume the VWAP during the period from 23 November 2028 to 20 December 2028 (expected to be the 20 ASX Trading Days immediately preceding, but not including, 21 December 2028) is \$136.72. Since the VWAP during the period from 23 November 2028 to 20 December 2028 is greater than \$74.10, the Second Exchange Condition is satisfied. <i>Third Exchange Condition</i> This condition requires that no Suspension Event applies on 21 December 2028. • Assume on 21 December 2028, trading in MGL Ordinary Shares is not suspended on that date and has not been suspended during the five preceding Business Days. In these circumstances, the Third Exchange Condition is satisfied. <i>Fourth Exchange Condition</i> This condition requires that MGL is not Delisted on 21 December 2028. • Assume on 21 December 2028, MGL is listed on ASX and no Inability Event subsists. In these circumstances, the Fourth Exchange Condition is satisfied.	

2. About BCN2

Topic	Summary	Further information
2.3.6. Example of the Exchange calculations (continued)	Step 2: calculating the number of shares received on Exchange On 21 December 2028, BCN2 Holders would be entitled to receive in respect of BCN2, the Exchange Number of MGL Ordinary Shares determined as follows: $\frac{\\$100}{99\% \times \text{Exchange Date VWAP}}$ Assume the Exchange Date VWAP, being the VWAP during the period from 23 November 2028 to 20 December 2028 (being the 20 ASX Trading Days immediately preceding 21 December 2028) is \$136.72. The Exchange Number would be 0.7388 (being \$100 divided by (99% x \$136.72)). Assuming a BCN2 Holder has 100 BCN2, the total number of MGL Ordinary Shares to which they would be entitled would be 73 (i.e. 100 x 0.7388, which number is rounded down to disregard the fraction of the MGL Ordinary Share). Maximum Exchange Number In this example, the Exchange Number will not be impacted by the Maximum Exchange Number: If the Issue Date VWAP is \$146.72 the Maximum Exchange Number would be 1.3631 (being \$100 divided by (50% x \$146.72)). As the Exchange Number (0.7388) is less than the Maximum Exchange Number (1.3631), there will be no restriction on the number of MGL Ordinary Shares a BCN2 Holder receives.	
2.4. Exchange at option of MBL		
On any of the Scheduled Optional Exchange Dates, being 21 December 2025⁵, 21 June 2026⁶ and 21 December 2026, MBL may elect to Exchange BCN2 into MGL Ordinary Shares. MBL may also elect to Exchange BCN2 into MGL Ordinary Shares following the occurrence of a Tax Event or Regulatory Event. There are certain conditions and restrictions that apply to an Optional Exchange. The conditions to Optional Exchange and the associated Exchange calculations (described in this section) are designed to ensure that if Exchange occurs BCN2 Holders will receive approximately \$101 worth of MGL Ordinary Shares for each BCN2 held, and that the MGL Ordinary Shares they receive following the Exchange are capable of being sold on ASX.		
2.4.1. When can MBL choose to Exchange BCN2?	- MBL may choose to Exchange all or some BCN2 on: 21 December 2025; 21 June 2026; or 21 December 2026, (each a “Scheduled Optional Exchange Date”); or - after a Tax Event or a Regulatory Event. Upon Optional Exchange, BCN2 Holders will receive approximately \$101 worth of MGL Ordinary Shares per BCN2 based on the VWAP during the 20 ASX Trading Days immediately preceding the Optional Exchange Date. The calculation of the Exchange Number of MGL Ordinary Shares that BCN2 Holders will receive upon Optional Exchange is the same as described in Section 2.3.4 for a Relevant Mandatory Exchange Date (with the Optional Exchange Date substituted for the Relevant Mandatory Exchange Date) and using the Maximum Exchange Number applicable to an Optional Exchange Date as described in Section 2.4.5.	Clauses 5.1, 5.2 and 9.1 of the BCN2 Terms

⁵ Due to the Business Day convention, the first Scheduled Optional Exchange Date is deferred from Sunday 21 December 2025 to Monday 22 December 2025.

⁶ Due to the Business Day convention, the second Scheduled Optional Exchange Date is deferred from Sunday 21 June 2026 to Monday 22 June 2026.

Topic	Summary	Further information
2.4.1. When can MBL choose to Exchange BCN2? (continued)	The VWAP during this period will most likely differ from the MGL Ordinary Share price on or after the Optional Exchange Date. This means that the value of MGL Ordinary Shares received may be more or less than approximately \$101 when they are issued or at any time after that. MBL's right to elect to Exchange is restricted in the circumstances described further in Section 2.4.4, and is also subject to certain conditions as described further in Section 2.4.5. BCN2 Holders have no right to request Exchange of BCN2.	Clauses 5.1, 5.2 and 9.1 of the BCN2 Terms
2.4.2. What is a Tax Event?	A Tax Event means, broadly, that: • MBL receives advice that as a result of a change in law or regulation affecting taxation in Australia on or after the Issue Date (which was not expected by MBL as at the Issue Date), there is more than an insubstantial risk that, in connection with BCN2: • an additional franking debit will arise in the franking account of MGL in respect of any Distribution; • any Distribution would not be frankable; or • MBL or another member of the Macquarie Group would be exposed to a more than <i>de minimis</i> increase in its costs (including any amount of taxes, duties, assessments, costs or other government charges or the loss of any deductions). MBL is not aware of, nor expects, any Tax Event as at the date of this Prospectus.	Clause 18.2 of the BCN2 Terms
2.4.3. What is a Regulatory Event?	A Regulatory Event will, broadly, occur if as a result of a change of law or regulation, or a statement, order or directive from APRA, on or after the Issue Date, MBL determines that: • any of the BCN2 are not eligible for inclusion as Additional Tier 1 Capital for the MBL Level 1 Group or the MBL Level 2 Group; • additional requirements in connection with the BCN2 would be imposed on MBL, MGL or the Macquarie Group which MBL determines, in its absolute discretion, might have a material adverse effect on MBL, MGL or the Macquarie Group; or • to have any of the BCN2 outstanding would be unlawful or impractical or that MGL, MBL or the Macquarie Group would be exposed to a more than <i>de minimis</i> increase in its costs in connection with those BCN2.	Clause 18.2 of the BCN2 Terms
2.4.4. What are the requirements for Exchange to be elected?	• MBL may not elect to Exchange BCN2 if an Optional Exchange Restriction applies. • Further, if MBL has elected to Exchange BCN2, MBL may not proceed to Exchange if, on the Optional Exchange Date, certain further Exchange Conditions are not satisfied. In that case, the Exchange will be deferred until the first quarterly Distribution Payment Date on which the Optional Exchange Restrictions and the further Exchange Conditions are satisfied. • The Optional Exchange Restrictions are: • First Optional Exchange Restriction: the Daily VWAP on the second Business Day before the date on which an Optional Exchange Notice is to be sent by MBL (or, if that Business Day is not an ASX Trading Day, the last ASX Trading Day prior to that day) ("Non-Exchange Test Date") is less than or equal to 25% of the Issue Date VWAP; or • Second Optional Exchange Restriction: MGL is Delisted as at the Non-Exchange Test Date.	Clauses 5.4 and 5.5 of the BCN2 Terms

2. About BCN2

Topic	Summary	Further information
2.4.5. Further conditions to an Optional Exchange	- The Second Exchange Condition, Third Exchange Condition and Fourth Exchange Condition (as described in Section 2.3.3) apply to an Optional Exchange as if the date on which the Optional Exchange is to occur were a Mandatory Exchange Date, except that the Second Exchange Condition is tested on the basis of the Maximum Exchange Number applicable to an Optional Exchange Date. - The Maximum Exchange Number applicable to an Optional Exchange Date is calculated on the basis that the Relevant Percentage is 20%. As a result, the Maximum Exchange Number in the event of an Optional Exchange is higher than the Maximum Exchange Number applicable on a Relevant Mandatory Exchange Date. The effect of this is that the Second Exchange Condition applicable to an Optional Exchange will be met if the VWAP during the 20 ASX Trading Days immediately preceding the Optional Exchange Date is greater than 20.202% of the Issue Date VWAP.	Clause 5.5 and 9.1 of the BCN2 Terms

2.5. Redemption at option of MBL

On any of the Scheduled Optional Exchange Dates, being 21 December 2025⁷, 21 June 2026⁸ and 21 December 2026, or after a Tax Event or Regulatory Event, MBL may elect to Redeem all or some BCN2 with APRA's prior written approval. If Redemption occurs, BCN2 Holders will receive the Issue Price (\$100) for each of their BCN2 which is Redeemed.

There are conditions on MBL's ability to Redeem BCN2. Importantly, MBL may only elect to Redeem BCN2 with APRA's prior written approval. BCN2 Holders should not expect that APRA's approval, if requested, will be given for any Redemption.

2.5.1. When can MBL choose to Redeem BCN2?	- MBL may choose to Redeem all or some BCN2: - on any Scheduled Optional Exchange Date; or - after a Tax Event or Regulatory Event. MBL's right to elect to Redeem is subject to APRA's prior written approval and is restricted in the circumstances described further in Section 2.5.3. That approval is at the complete discretion of APRA and may or may not be granted. BCN2 Holders have no right to request Redemption of BCN2.	Clause 7 of the BCN2 Terms
2.5.2. What will BCN2 Holders receive if BCN2 are Redeemed?	On Redemption, a BCN2 Holder will receive \$100 for each BCN2 they hold which is Redeemed and, if the Payment Conditions are met, a Distribution will be paid on Redeemed BCN2 for the period since the last Distribution Payment Date to the date of Redemption.	Clause 7.4 of the BCN2 Terms
2.5.3. What are the requirements for Redemption?	- A Redemption must not occur unless either: - BCN2 which are to be Redeemed are replaced, concurrently with the Redemption or beforehand, with Tier 1 Capital of the same or better quality from APRA's perspective, and the replacement of those BCN2 is done under conditions which are sustainable for the income capacity of the MBL Level 1 Group and the MBL Level 2 Group; or - APRA is satisfied that the capital position of the MBL Level 1 and the MBL Level 2 Group is sufficient after the BCN2 are Redeemed. - Redemption requires APRA's prior written approval. BCN2 Holders should not expect that APRA's approval will be given for Redemption.	Clauses 7.1 and 7.2 of the BCN2 Terms

2.6. Resale at option of MBL

On any of the Scheduled Optional Exchange Dates, being 21 December 2025⁷, 21 June 2026⁸ and 21 December 2026, or following a Tax Event or Regulatory Event, MBL may elect to Resell all or some BCN2 with APRA's prior written approval. If Resale occurs, BCN2 Holders will receive the Issue Price (\$100) for each of their BCN2 which is Resold.

BCN2 Holders should not expect that APRA's approval, if requested, will be given for any Resale.

⁷ Due to the Business Day convention, the first Scheduled Optional Exchange Date is deferred from Sunday 21 December 2025 to Monday 22 December 2025.

⁸ Due to the Business Day convention, the second Scheduled Optional Exchange Date is deferred from Sunday 21 June 2026 to Monday 22 June 2026.

Topic	Summary	Further information
2.6.1. When can MBL choose to Resell BCN2?	• MBL may choose to Resell all or some BCN2: • on any Scheduled Optional Exchange Date; or • after a Tax Event or Regulatory Event. MBL's right to elect to Resell BCN2 is subject to APRA's prior written approval. That approval is at the complete discretion of APRA and may or may not be granted. If MBL elects to Resell BCN2, MBL will appoint one or more third parties ("Nominated Parties") to purchase some or all BCN2. If MBL appoints more than one Nominated Party, MBL can determine the allocation of BCN2 purchased by each Nominated Party. MBL may appoint a Nominated Party on such terms as it may agree with the Nominated Party, including as to the conditions of any Resale, the procedures for settlement of such Resale, the substitution of a Nominated Party and the terms on which any BCN2 acquired by a Nominated Party may be Exchanged or otherwise dealt with. To the extent that such terms may affect the eligibility of BCN2 as Additional Tier 1 Capital for MBL, such terms are subject to the prior written approval of APRA. BCN2 Holders have no right to request Resale of BCN2.	Clause 8 of the BCN2 Terms
2.6.2. What will BCN2 Holders receive if BCN2 are Resold?	Each BCN2 Holder will receive \$100 for each BCN2 it holds which is being Resold and, if the Payment Conditions are met, a Distribution will be paid by MBL in respect of Resold BCN2 for the period since the last Distribution Payment Date to the date of Resale.	Clause 8.3 of the BCN2 Terms
2.6.3. If a Nominated Party does not pay the Resale Price will BCN2 Holders continue to hold BCN2?	If a Nominated Party does not pay the Resale Price on or within two Business Days of the Resale Date, the Resale to that Nominated Party will not occur and BCN2 Holders will continue to hold the relevant BCN2 in accordance with the BCN2 Terms.	Clause 8.6 of the BCN2 Terms

2.7. Automatic Exchange (due to Common Equity Tier 1 Trigger Event or Non-Viability Event)

MBL is required immediately to Exchange BCN2 into MGL Ordinary Shares if a Common Equity Tier 1 Trigger Event or a Non-Viability Event occurs (referred to as an "Automatic Exchange" following an "Automatic Exchange Event").

A Common Equity Tier 1 Trigger Event occurs if MBL determines, or APRA notifies MBL in writing that it believes, that the Common Equity Tier 1 Ratio of MBL is equal to or less than 5.125%.

Broadly, a Non-Viability Event occurs if APRA (1) has issued a written notice to MBL that the exchange or conversion into MGL Ordinary Shares, or write-off, of Relevant Tier 1 Securities is necessary because without it APRA considers that MBL would become non-viable or (2) has notified MBL in writing that it has determined that without a public sector injection of capital, or equivalent support, MBL would become non-viable.

The Exchange Conditions do not apply to an Automatic Exchange. The number of MGL Ordinary Shares that BCN2 Holders will receive on an Automatic Exchange in these circumstances will not be greater than the applicable Maximum Exchange Number.

As an Automatic Exchange in these circumstances would most likely occur during a time of financial difficulty for the Macquarie Group, depending on the market price of MGL Ordinary Shares at the relevant time, BCN2 Holders may receive less, or significantly less, than \$101 worth of MGL Ordinary Shares per BCN2 and a BCN2 Holder may suffer loss as a consequence.

If, for any reason, BCN2 that are required to be Exchanged on account of an Automatic Exchange Event are not Exchanged within 5 Business Days of the Automatic Exchange Date, they will be Written-Off. If a Write-Off occurs, the BCN2 Holder's rights under that BCN2 are immediately and irrevocably terminated for no consideration with effect on and from the Automatic Exchange Date and BCN2 Holders will suffer a total loss of their investment.

2. About BCN2

Topic	Summary	Further information
2.7.1. Why do the BCN2 Terms include a Common Equity Tier 1 Trigger Event and a Non-Viability Event?	- The global bank Basel III capital framework includes requirements for conversion or write-off of capital instruments issued by banks: - at a defined trigger point, which must be set no lower than a minimum Common Equity Tier 1 Ratio of 5.125%; or - if the issuer becomes non-viable. - APRA has implemented this framework for ADIs, of which MBL is one, with effect from 1 January 2013.	
2.7.2. What is a Common Equity Tier 1 Trigger Event?	- A Common Equity Tier 1 Trigger Event means MBL determines, or APRA notifies MBL in writing that it believes, that the Common Equity Tier 1 Ratio of MBL at Level 1 or Level 2 is equal to or less than 5.125%. - If a Common Equity Tier 1 Trigger Event occurs, MBL must immediately Exchange such number of BCN2 as is equal (following or together with any exchange or conversion into MGL Ordinary Shares or write-off of other Relevant Tier 1 Securities) to the aggregate face value of Relevant Tier 1 Securities which APRA has notified MBL must be exchanged into MGL Ordinary Shares, converted into MGL Ordinary Shares or written-off (or, if APRA has not so notified MBL, such number of BCN2 and other Relevant Securities as MBL determines is necessary to satisfy APRA that the relevant Common Equity Tier 1 Ratio of MBL is greater than 5.125%) (and if all such securities are insufficient, other Relevant Securities). - If MBL is required to convert or write off Relevant Tier 1 Securities, BCN2 Holders should be aware that all Relevant Tier 1 Securities such as BCN2 will be converted or written-off before other Relevant Securities are converted or written off. MBL has no obligation to issue or keep on issue other Relevant Tier 1 Securities.	Clauses 4 and 18.2 of the BCN2 Terms
2.7.3. What is a Non-Viability Event?	- A Non-Viability Event means APRA: - has issued a written notice to MBL that the Exchange of BCN2 or the exchange or conversion into MGL Ordinary Shares, or write-off, of other Relevant Tier 1 Securities is necessary because without such exchange, conversion or write-off, APRA considers MBL would become non-viable; or - has notified MBL in writing that it has determined that without a public sector injection of capital, or equivalent support, MBL would become non-viable. - If a Non-Viability Event occurs (other than a Non-Viability Event which involves a determination by APRA that a public sector injection of capital would be required), MBL must immediately Exchange such number of BCN2 as is equal (following or together with any exchange or conversion into MGL Ordinary Shares, or write-off, of other Relevant Tier 1 Securities) to the aggregate face value of Relevant Tier 1 Securities which APRA has notified MBL must be exchanged into MGL Ordinary Shares, converted into MGL Ordinary Shares or written-off (or, if APRA has not so notified MBL, such number of BCN2 and other Relevant Securities as MBL determines is necessary to satisfy APRA that MBL will not become non-viable (and if all such securities are insufficient, other Relevant Securities)). - If a Non-Viability Event occurs which involves a determination by APRA that a public sector injection of capital would be required, MBL must immediately Exchange all BCN2. - Nothing in the making of the determination or the adjustments or the requirement to treat BCN2 Holders proportionately is to delay or impede the immediate Exchange of the BCN2 on the Automatic Exchange Date. - As at the date of this Prospectus, there are two other outstanding classes of Relevant Tier 1 Securities (BCN and the Macquarie Additional Capital Securities). If an Automatic Exchange Event were to occur and MBL is required to Exchange only some of the Relevant Tier 1 Securities then on issue, the proportion of BCN2 to be Exchanged (which may be all of the BCN2) may be lower if other Relevant Tier 1 Securities are on issue. There is no obligation on MBL to issue or maintain on issue any Relevant Tier 1 Securities.	Clauses 4 and 18.2 of the BCN2 Terms

Topic	Summary	Further information
2.7.3. What is a Non-Viability Event? (continued)	- If some (but not all) BCN2 are to be Exchanged on account of an Automatic Exchange Event: - MBL will endeavour to treat BCN2 Holders on an approximately proportionate basis, but may discriminate to take account of the effect on marketable parcels of BCN2 and other similar considerations and the need to effect Exchange immediately; and - under the terms of certain Relevant Securities that are Equal Ranking Obligations, where those securities are not all in the same currency, MBL may treat them as if converted into a single currency of MBL's choice at the rate of exchange that is specified in the terms of such securities or at such other rate as MBL in good faith considers reasonable.	Clauses 4 and 18.2 of the BCN2 Terms
2.7.4. What does non-viable mean?	- APRA has not provided specific guidance as to how it would determine non-viability. However, APRA has indicated that non-viability is likely to arise prior to the insolvency of an ADI. - Non-viability could be expected to include serious impairment of MBL's financial position and insolvency. However, it is possible that APRA's definition of non-viable may not necessarily be confined to solvency measures or capital levels and may also include other matters such as liquidity. - APRA has indicated that at this time it will not publish guidance on the specific parameters used to determine non-viability.	
2.7.5. How many MGL Ordinary Shares will BCN2 Holders receive on the Automatic Exchange Date?	- The number of MGL Ordinary Shares a BCN2 Holder will receive per BCN2 on account of an Exchange following an Automatic Exchange Event is the Exchange Number (calculated as described below) but cannot be more than the Maximum Exchange Number applicable to an Automatic Exchange Date. - The Exchange Number on account of an Automatic Exchange Event is calculated in the same manner as for a Relevant Mandatory Exchange Date (see Section 2.3.4). However, the <i>Exchange Date</i> VWAP in this case is the volume weighted average price of MGL Ordinary Shares during the period of 5 ASX Trading Days immediately preceding the Automatic Exchange Date. - The Maximum Exchange Number applicable to an Automatic Exchange Date is calculated on the basis that the Relevant Percentage is 20%. As a result, the Maximum Exchange Number on account of an Automatic Exchange is higher than the Maximum Exchange Number applicable to a Relevant Mandatory Exchange Date. - Since Exchange Conditions do not apply to an Automatic Exchange Event, the Exchange Number of MGL Ordinary Shares may be limited to the Maximum Exchange Number applicable to an Automatic Exchange Date. Accordingly, the MGL Ordinary Shares a BCN2 Holder may receive in these circumstances may be worth significantly less than the Issue Price of BCN2 and a BCN2 Holder may suffer a loss as a consequence.	Clause 9.1 of the BCN2 Terms
2.7.6. Are there any conditions to Exchange if an Automatic Exchange Event occurs?	- If an Automatic Exchange Event occurs, MBL must immediately Exchange some or all BCN2 into MGL Ordinary Shares. - Exchange on the occurrence of an Automatic Exchange Event is not subject to the Exchange Conditions being satisfied and is required to occur immediately on the date the Automatic Exchange Event occurs. - MBL expects any ASX trades in BCN2 that have not been settled on the date an Automatic Exchange Event occurs will continue to settle in accordance with the normal ASX settlement, although MBL expects the seller will be treated as having delivered, and the buyer will be treated as having acquired, the Exchange Number of MGL Ordinary Shares into which BCN2 have been Exchanged as a result of the Automatic Exchange Event. - MBL must give BCN2 Holders notice as soon as practicable that an Automatic Exchange Event has occurred, including details of the number of BCN2 Exchanged.	Clauses 4.2, 4.5, 4.6 and 4.7 of the BCN2 Terms

2. About BCN2

Topic	Summary	Further information
2.7.7. What happens if BCN2 are not Exchanged following an Automatic Exchange Event?	- If, following an Automatic Exchange Event, for any reason (including, without limitation, an Inability Event), Exchange of BCN2 does not occur within 5 Business Days of the Automatic Exchange Date, then Exchange will not occur and each relevant BCN2 will be Written-Off. - An Inability Event will arise if MBL, MGL or any of their Related Bodies Corporate (including MBHPL, being the intermediate non-operating holding company of MBL, which is wholly-owned by MGL) is for any reason unable to observe or perform, or is prevented, for any reason, from observing or performing their obligations in respect of an Exchange (including in connection with the issue of MGL Ordinary Shares or the performance of any Related Exchange Steps as described below). - MGL, MBL and MBHPL have agreed that where an Exchange occurs, MGL will subscribe for ordinary shares in MBHPL and MBHPL will subscribe for MBL Ordinary Shares, in each case, for aggregate consideration equal to the aggregate Issue Price of BCN2 being Exchanged. These steps are referred to as “Related Exchange Steps”. - An example of when an Inability Event may occur would be if MGL were prevented by an applicable law or order of any court, or action of any government authority, from issuing MGL Ordinary Shares. As at the date of this Prospectus, such laws could include Shareholding Laws (broadly, laws that relate to financial sector shareholdings, foreign acquisitions and takeovers and company takeovers). Other such laws may in future be specified by regulations made under the Banking Act. - However, Write-Off will also occur if the Exchange has not occurred for reasons other than an Inability Event. - If a BCN2 is Written-Off, the BCN2 Holder’s rights under that BCN2 are immediately and irrevocably terminated for no consideration with effect on and from the Automatic Exchange Date, and BCN2 Holders will suffer a total loss of their investment.	Clauses 4.5, 9.16 and 18.2 of the BCN2

2.8. Exchange on an Acquisition Event

MBL is required to Exchange BCN2 into MGL Ordinary Shares where a person acquires control of MBL or MGL (except in certain circumstances).

There are conditions to Exchange on an Acquisition Event which are designed to ensure that a BCN2 Holder will receive approximately \$101 worth of MGL Ordinary Shares for each BCN2 they hold and the MGL Ordinary Shares received are capable of being sold on ASX. However, these conditions do not apply if the Directors determine that the Exchange is in any event in the best interests of BCN2 Holders as a whole.

2.8.1. What is an Acquisition Event?	- An Acquisition Event broadly means either: - a takeover bid is made to acquire all or some MBL Ordinary Shares or MGL Ordinary Shares and the offer is, or becomes, unconditional and as a result the bidder has a relevant interest in more than 50% of the MBL Ordinary Shares or MGL Ordinary Shares on issue; - a court approves a scheme of arrangement which, when implemented will result in a person having a relevant interest in more than 50% of the MBL Ordinary Shares or MGL Ordinary Shares on issue; or - a person acquires, or enters into an agreement (which is or becomes unconditional) to beneficially acquire more than 50% of the voting shares in the capital of MBL or MGL. - However, an Acquisition Event will not occur where that event occurs as part of a solvent reorganisation of MBL or MGL which, is initiated by the Directors or directors of MGL (as relevant) or, in the reasonable opinion of the Directors, is not materially adverse to the interests of BCN2 Holders as a whole, and the acquiring entity assumes corresponding obligations to issue listed ordinary shares to BCN2 Holders where MGL would be required to issue MGL Ordinary Shares. Such an entity is referred to as an Approved Acquirer.	Clause 18.2 of the BCN2 Terms
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Topic	Summary	Further information
2.8.2. What are the consequences of an Acquisition Event for BCN2 Holders?	- If an Acquisition Event occurs, all BCN2 will be Exchanged for the Exchange Number of MGL Ordinary Shares (subject to the Exchange Number being no greater than the Maximum Exchange Number applicable to an Acquisition Exchange Date) unless the Directors determine that: - as at the Acquisition Exchange Date, MGL will be, or is likely to be, Delisted; or - the Exchange Number of MGL Ordinary Shares to be issued in exchange for a BCN2 would exceed the Maximum Exchange Number applicable to that Acquisition Exchange Date. However, Exchange may still occur where both of these exceptions apply, as described below. - The Maximum Exchange Number applicable to an Acquisition Exchange Date is calculated on the basis that the Relevant Percentage is 20%. As a result, the Maximum Exchange Number in the event of an Exchange on an Acquisition Event is higher than the Maximum Exchange Number applicable to a Relevant Mandatory Exchange Date. The effect of this is that the second of the Exchange Conditions referred to in the paragraph above will be met if the VWAP during the 20 ASX Trading Days immediately preceding the Acquisition Exchange Date is greater than 20.202% of the Issue Date VWAP. - If either of the conditions in the first paragraph above applies, Exchange will still occur if the Directors determine that the Exchange would be in the best interests of the BCN2 Holders as a whole, notwithstanding that MGL will be, or is likely to be, Delisted or the number of MGL Ordinary Shares is limited by the Maximum Exchange Number applicable to an Acquisition Exchange Date. In this situation BCN2 Holders would receive less than \$101 worth of MGL Ordinary Shares and/or may be unable to trade the MGL Ordinary Shares received.	Clauses 6.1 and 9.1 of the BCN2 Terms
2.8.3. How many MGL Ordinary Shares will BCN2 Holders receive on the Acquisition Exchange Date?	- In the ordinary course, Exchange of BCN2 following an Acquisition Event will be for approximately \$101 worth of MGL Ordinary Shares per BCN2, based on the VWAP calculated over a period of up to 20 ASX Trading Days immediately preceding the Acquisition Exchange Date (calculated in the same manner as for a Relevant Mandatory Exchange Date as described in Section 2.3.4 with the Acquisition Exchange Date substituted for the Relevant Mandatory Exchange Date). - The VWAP during this period may differ from the MGL Ordinary Share price on or after the Acquisition Exchange Date. This means that the value of MGL Ordinary Shares received may be more or less than approximately \$101 when they are issued or at any time after that. - If MGL will be, or will be likely to be, Delisted on the Acquisition Exchange Date, Exchange will only occur if the Directors determine that it would be in the best interests of the BCN2 Holders, taken as a whole. This means that upon Exchange, BCN2 Holders may be issued with the Exchange Number (subject to the Maximum Exchange Number applicable to an Acquisition Exchange Date) of MGL Ordinary Shares, based on the VWAP for a VWAP Period when MGL was listed. At the time of Exchange, the value of MGL Ordinary Shares may be uncertain and BCN2 Holders may be unable to trade those MGL Ordinary Shares. - If the Exchange Number (calculated as if it were not limited by the Maximum Exchange Number applicable to an Acquisition Exchange Date) is greater than the Maximum Exchange Number applicable to an Acquisition Exchange Date then Exchange will not occur unless the Directors determine that the Exchange would be in the best interests of the BCN2 Holders taken as a whole. If, in this situation, Exchange proceeds, BCN2 Holders will receive the Maximum Exchange Number applicable to an Acquisition Exchange Date of MGL Ordinary Shares. The Maximum Exchange Number of MGL Ordinary Shares may be worth significantly less than \$101 and a BCN2 Holder may suffer a loss as a consequence.	Clauses 6.1 and 9.1 of the BCN2 Terms

2. About BCN2

Topic	Summary	Further information
2.8.4. If Exchange does not occur following an Acquisition Event, will BCN2 Holders continue to hold BCN2?	Where Exchange does not occur following an Acquisition Event, BCN2 Holders will continue to hold BCN2 in accordance with the BCN2 Terms.	Clause 6 of the BCN2 Terms

2.9. Regulatory treatment of BCN2

2.9.1. What are MBL's prudential capital requirements?	MBL is an authorised deposit-taking institution ("ADI"), regulated by APRA. MBL is required by APRA to hold sufficient capital based on APRA's ADI prudential standards.	Section 4.8.5
2.9.2. Who is the Australian Prudential Regulation Authority (APRA)?	- APRA is the prudential regulator of the Australian financial services industry. APRA oversees banks, credit unions, building societies, general insurance and reinsurance companies, life insurance companies, friendly societies and most members of the superannuation industry. - APRA's website at www.apra.gov.au includes further details of its functions and prudential standards.	
2.9.3. What is Regulatory capital?	- APRA's regulatory capital prudential standards aim to ensure that banks and non-operating holding companies of financial groups, like MBL and MGL respectively, maintain adequate capital to support the risks associated with their activities and can withstand unexpected losses. - APRA has detailed guidance and restrictions on the types of capital instruments that are permitted to be included in a bank's regulatory capital base. The types of capital deemed eligible for inclusion in the capital base are referred to as regulatory capital. - APRA allows for a mix of regulatory capital, including shareholders' equity and certain Additional Tier 1 Capital (or "hybrid") instruments, with minimum requirements as described in its prudential standards.	
2.9.4. What is the regulatory treatment of BCN2?	- APRA has assessed that BCN2 will be eligible for inclusion as Additional Tier 1 Capital for MBL. - If APRA's treatment of the BCN2 changes, a Regulatory Event may occur. See further Section 2.4.3 on "Regulatory Event".	

2.10. Ranking of BCN2

2.10.1. How will BCN2 rank in a Winding Up of MBL?	- If a Winding Up occurs in relation to MBL, BCN2 will rank ahead of MBL Ordinary Shares, equally with Equal Ranking Obligations (which currently includes obligations in respect of the BCN, the Macquarie Additional Capital Securities and the MIS Preference Shares), but behind all Senior Creditors. - Any return in a Winding Up of MBL may be adversely affected if an Automatic Exchange Event occurs (see Section 2.7). If this happens some or all BCN2 will be required to be Exchanged, or, if Exchange has not occurred within 5 Business Days, Written-Off. If a BCN2 is Exchanged, the BCN2 Holder would become a holder of MGL Ordinary Shares and those shares may be worth significantly less than the Issue Price of the BCN2. If a BCN2 is Written-Off the BCN2 Holder will suffer a total loss of their investment in BCN2. In this case as MGL Ordinary Shares will still be on issue, a BCN2 Holder is likely to be worse off than a holder of MGL Ordinary Shares.	Clauses 1.5 and 16.1 of the BCN2 Terms and Section 2.7
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Topic	Summary	Further information
2.11. Other		
2.11.1. Can MGL Ordinary Shares on Exchange be issued to a Sale Agent?	• In certain limited circumstances, MGL Ordinary Shares may be issued to a Sale Agent instead of the relevant BCN2 Holder on Exchange. These circumstances include where: • the BCN2 Holder has requested MBL to do so; • the BCN2 are held by a Foreign Holder; • for any reason MBL or MGL does not have the information required to issue MGL Ordinary Shares to a BCN2 Holder, or a FATCA Withholding is required to be made; or • MGL is of the opinion that the BCN2 Holder is prohibited from acquiring MGL Ordinary Shares under an applicable Shareholding Law. • None of MBL, MGL or any Sale Agent owe any duty to the BCN2 Holder in relation to the price at which MGL Ordinary Shares are sold. • If MGL Ordinary Shares are required to be issued to a Sale Agent in respect of an Exchange that is not on account of an Automatic Exchange Event and the Sale Agent is unable to be appointed, the Issue of MGL Ordinary Shares may be deferred for up to six months, when the rights of BCN2 Holders (other than to receive any proceeds of sale from the Sale Agent) cease.	Clauses 9.13 and 9.14 of the BCN2 Terms and Section 5.1.17
2.11.2. Is set-off applicable?	A BCN2 Holder has no right to set-off any amounts owing by it to a member of the Macquarie Group against any claims owing by MBL, MGL or another member of the Macquarie Group to such BCN2 Holder. Equally, MBL has no right to set-off any amounts owing by it to a BCN2 Holder in respect of the BCN2 against any claims owing by the BCN2 Holder to it or any member of the Macquarie Group.	Clause 11.5 of the BCN2 Terms
2.11.3. What is the time limit on claims?	A claim against MBL for a payment under a BCN2 is void unless made within 5 years from the date on which payment first became due.	Clause 11.10 of the BCN2 Terms
2.11.4. Do BCN2 carry voting rights in respect of MBL?	• BCN2 Holders have no voting rights in respect of MBL or any other member of the Macquarie Group on account of holding BCN2. • BCN2 Holders may vote at meetings for BCN2 Holders in accordance with the BCN2 Deed Poll.	Clause 15.1 of the BCN2 Terms
2.11.5. Can MBL and MGL issue further securities?	• MBL and MGL have the right in their absolute discretion to issue shares or other securities of any kind. • BCN2 confer no rights on a BCN2 Holder to subscribe for new securities or participate in any bonus issues of securities of MBL or any other member of the Macquarie Group.	Clauses 1.7 and 1.8 of the BCN2 Terms and Section 5.1.19
2.11.6. Are BCN2 Holders bound by determinations made by MBL?	Except in the case of manifest error or fraud, calculations, elections and determinations made by MBL under the BCN2 Terms are binding on BCN2 Holders.	Clause 18.1(h) of the BCN2 Terms
2.11.7. What is the power of attorney?	Each BCN2 Holder agrees to appoint MBL, MGL and their respective authorised officers and any external administrator severally to be its attorney to sign all documents and transfers and to do any other thing as may in the attorney's opinion be necessary or desirable to give effect to, record or perfect a Redemption, Resale, Exchange or Write-Off in accordance with the BCN2 Terms or to do all other things which the attorney reasonably believes to be necessary or desirable to give effect to the BCN2 Terms.	Clause 10.2(a) of the BCN2 Terms

2. About BCN2

Topic	Summary	Further information
2.11.8. Can MBL amend the BCN2 Terms and BCN2 Deed Poll?	• Subject to complying with all applicable laws, and with APRA's prior written approval where required, MBL may amend the BCN2 Terms and BCN2 Deed Poll without the consent of BCN2 Holders in certain circumstances. The amendments that MBL may make without such consent include changes: • of a formal, minor or technical nature, made to correct any ambiguity or any manifest or proven error; • to facilitate the listing, clearing, offering for sale or Resale of the BCN2; • necessary to comply with the provisions of any statute or the requirements of any statutory authority; • in respect of any time or notice periods stated, required or permitted in connection with any Exchange; • to align the BCN2 Terms with the terms of any Relevant Securities eligible for inclusion as Additional Tier 1 Capital for MBL issued after the Issue Date; • to give effect to any agreement with any Nominated Party; • necessary and appropriate to effect the substitution of an Approved Acquirer (as described below); or • that MBL does not consider to be materially adverse to the interests of BCN2 Holders as a whole. • MBL may also, with APRA's prior written approval to the extent any such amendments may cause the BCN2 to cease to be Relevant Securities eligible for inclusion as Additional Tier 1 Capital for MBL, amend the BCN2 Terms and BCN2 Deed Poll if the amendment has been approved by a Special Resolution.	Clause 14 of the BCN2 Terms and Section 5.1.28
2.11.9. What is an Approved Acquirer?	• As described in Section 2.8.1, an Approved Acquirer may be substituted as issuer of listed ordinary shares in its capital whenever BCN2 are required to be Exchanged in the manner contemplated by the BCN2 Terms. The substitution of an Approved Acquirer is not an Acquisition Event. • MBL may make such amendments to the BCN2 Terms and BCN2 Deed Poll that it considers necessary and appropriate to effect the substitution of the Approved Acquirer, with the prior written approval of APRA (to the extent that any such amendments may cause the BCN2 to cease to be eligible for inclusion as Additional Tier 1 Capital for MBL) but without the consent of the BCN2 Holders. • BCN2 Holders do not have any right to vote on the substitution of an Approved Acquirer. • Following the substitution of an Approved Acquirer as the issuer of MGL Ordinary Shares on Conversion but prior to any Exchange of BCN2, BCN2 Holders continue to hold a note issued by MBL which ranks in the winding up of MBL as described in Section 1.2.12 and which is convertible into ordinary shares in the Approved Acquirer in the same circumstances in which it would have otherwise been converted into MGL Ordinary Shares.	Clause 14.2 of the BCN2 Terms
2.11.10. Can Macquarie Group purchase BCN2?	Subject to APRA's prior written approval, any member of the Macquarie Group may purchase BCN2 at any time and at any price.	Clause 15.3 of the BCN2 Terms
2.11.11. What are the taxation implications of investing in BCN2?	• The taxation implications of investing in BCN2 will depend on an investor's individual circumstances and the tax rules that apply at the time of each distribution. Prospective investors should obtain their own taxation advice. • A general outline of the Australian taxation implications for certain Australian investors of participating in the Offer (including through the Reinvestment Offer) is included in the Australian taxation summary at Section 6.1. See also the risk in relation to the use of franking credits by BCN2 Holders at section 5.1.8.	Section 5.1.8 and 6

Topic	Summary	Further information
2.11.12. Is brokerage, commission or stamp duty payable on Applications for BCN2?	- No brokerage or commission is payable on Applications for BCN2. No stamp duty is payable on Applications for BCN2 provided that no person obtains, either alone or with associates, an interest of 90% or more in MBL. BCN2 Holders may have to pay brokerage (and applicable GST) on any subsequent transfer of BCN2 on ASX after quotation or on any transfer of MGL Ordinary Shares that may be quoted on an Exchange. - No stamp duty should be payable by a BCN2 Holder on the issue of MGL Ordinary Shares on Exchange or on the transfer of MGL Ordinary Shares as long as MGL is listed, its shares are quoted on ASX and no BCN2 Holder (alone or with associates) will acquire or hold a 90% or more interest in MGL.	Section 8.4.3
2.11.13. What withholding or deductions are applicable?	- Each of MBL and MGL has the right to withhold or deduct from any payment or issue of MGL Ordinary Shares the amount of any withholding or other tax required to be withheld or deducted by law (including in order for it to comply with FATCA). - If a withholding or deduction is made from a payment in respect of BCN2, there is no obligation on MBL to gross-up a Distribution on account of such withholding or deduction.	Clause 11.4 of the BCN2 Terms and Section 5.1.26
2.11.14. Notices	While BCN2 are quoted on ASX, all notices by MBL to BCN2 Holders may be given by publication on ASX. The BCN2 Terms also permit notices to be given by newspaper advertisement, by email or by post. Notices to MBL may be given by post.	Clause 13 of the BCN2 Terms

3

About the
Reinvestment Offer



Topic	Summary
3.1. Overview	
3.1.1. What are BCN?	BCN are mandatorily convertible capital notes and constitute direct, subordinated and unsecured obligations of MBL. They were issued by MBL in 2014 and trade on ASX under the code MBLPA.
3.1.2. What is happening to the BCN?	MBL issued a resale notice on 11 February 2020 to resell the BCN on 24 March 2020. This means that all BCN will be resold on 24 March 2020 and BCN Holders will receive \$100 per BCN. Eligible BCN Holders can elect to reinvest the proceeds of the sale of their BCN in BCN2. A distribution is scheduled to be paid on BCN on 24 March 2020, subject to the distribution payment conditions in the BCN Terms. If those conditions are satisfied, BCN Holders (including Eligible BCN Holders who participate in the Reinvestment Offer) will receive a distribution of \$1.8425 per BCN in cash on 24 March 2020. You will receive no further distributions on the BCN.
3.1.3. What is the Reinvestment Offer?	The Reinvestment Offer is an invitation to Eligible BCN Holders to: • apply to reinvest some or all of the proceeds of sale of your BCN to the BCN Purchaser in corresponding number of BCN2; and • direct the BCN Purchaser to pay \$100 per Reinvested BCN directly to MBL as the Application Payment for the BCN2. Eligible BCN Holders also have the opportunity to apply for additional BCN2. If you have chosen to participate in the Reinvestment Offer, once your Application has been received, a holding lock will be placed on the BCN the subject of your Application and you will not be able to deal with those BCN until they are released from the holding lock. Eligible BCN Holders have a number of options in relation to their BCN, which are set out in further detail in Section 3.2. Important: There are important differences between BCN and BCN2 that Eligible BCN Holders should consider before deciding whether to apply to participate in the Reinvestment Offer. See Section 3.4 which further describes the differences between BCN and BCN2.
3.1.4. Am I eligible to participate in the Reinvestment Offer?	You are eligible to participate in the Reinvestment Offer if you: • were registered as a holder of BCN at 7.00pm (AEDT) on 7 February 2020 (relevant BCN must also be held on the Closing Date for the Reinvestment Offer); • are shown on the BCN register as having an address in Australia; and • are not in the United States or acting as a nominee for, or for the account or benefit of, a person in the United States or not otherwise prevented from receiving the Reinvestment Offer or BCN2 under the laws of any jurisdiction. Also see Section 7.10 – Foreign Selling Restrictions.
3.1.5. How do I apply to participate?	See Section 3.2 and Section 8 for information on how to apply to participate in the Reinvestment Offer.
3.1.6. What is the purpose of the Reinvestment Offer?	The Reinvestment Offer gives Eligible BCN Holders the opportunity to reinvest in BCN2 and maintain an ongoing investment in securities issued by MBL. The funds raised through the Reinvestment Offer will be used to refinance some of the funding currently provided by the BCN.
3.1.7. Do I need to apply for a minimum number of BCN2?	There is no minimum number of BCN that you must hold to be able to participate in the Reinvestment Offer. However, if you are an Eligible BCN Holder and hold 50 BCN or fewer, you must apply to reinvest all your BCN in BCN2 if you wish to participate in the Reinvestment Offer. If you are an Eligible BCN Holder and own more than 50 BCN, you can: • reinvest all of your BCN; or • apply for the minimum number of 50 BCN2 (\$5,000) and increments of 10 BCN2 (\$1,000) thereafter.

3. About the Reinvestment Offer

Topic	Summary
3.1.8. Can I sell my BCN after I have completed and returned my Application Form?	No – once your Application has been received, a holding lock will be placed on the BCN the subject of your Application and you will not be able to deal with those BCN until they are released from the holding lock. If, on the Closing Date for the Reinvestment Offer, you hold a greater or lesser number of BCN than you elect to reinvest on your Reinvestment Offer Application Form, you will be taken to have applied for reinvestment of the lesser of the number of BCN specified on your Reinvestment Offer Application Form and the number of BCN registered in your name on the Closing Date for the Reinvestment Offer. An Application to participate in the Reinvestment Offer is irrevocable once submitted but will only be effective so long as it is accepted and the Offer proceeds.
3.1.9. Can I apply for additional BCN2?	Eligible BCN Holders may also apply for more BCN2 than the number of BCN registered in their name at 7.00pm (AEDT) on 7 February 2020. The minimum number of additional BCN2 you can apply for if you elect to reinvest your BCN as part of the Reinvestment Offer is 10 BCN2 (\$1,000) and thereafter your Application must be in increments of 10 BCN2 (\$1,000). An application for additional BCN2 will be dealt with under the Securityholder Offer. Eligible BCN Holders who do not wish to participate in the Reinvestment Offer may apply for BCN2 as part of the Securityholder Offer if they wish.
3.1.10. Can I elect to reinvest any BCN distribution I receive in BCN2?	No.
3.1.11. Will I receive a priority allocation of BCN2?	Reinvestment Offer Applications will be given priority over Securityholder Offer Applications in determining the allocation of BCN2. See Section 8.5.2 for information on the allocation policy.
3.1.12. Will all BCN Reinvestment Offer Applications be accepted?	MBL does not guarantee to accept Applications under the Reinvestment Offer. If your Application under the Reinvestment Offer is not accepted the relevant BCN will be resold on 24 March 2020 in accordance with the BCN Terms. See Section 8.5.2 for information on the allocation policy.
3.1.13. What are the tax implications of having my BCN purchased by the BCN Purchaser and will any brokerage or stamp duty be payable?	A general outline of the taxation implications for certain Australian investors participating in the Offer (including through the Reinvestment Offer) can be found in the Australian taxation summary in Section 6. No brokerage or stamp duty is payable on the sale of your BCN to MBL or your Application for BCN2 provided that no person obtains, either alone or with an associate, an interest of 90% or more in MBL. BCN holders who choose to sell their BCN on market through their broker may be required to pay applicable brokerage (and applicable GST). The taxation implications of participating in the Reinvestment Offer will depend on an investor's individual circumstances. You should refer to the Australian taxation summary in section 6.2 and obtain your own taxation advice before you dispose of BCN or invest in BCN2 (including through the Reinvestment Offer).
3.1.14. What happens to my BCN if I do not participate in the Reinvestment Offer?	If you do not participate in the Reinvestment Offer, or your Application under the Reinvestment Offer is not accepted, your BCN will be resold on 24 March 2020. A distribution on BCN of \$1.8425 will be paid for each BCN you hold on 24 March 2020 (subject to the payment tests applicable to BCN) at this time.

Option	Summary
3.2. Options available to Eligible BCN Holders	
3.2.1. Option 1 – Apply directly to MBL for your BCN to be reinvested in BCN2	• If you are an Eligible BCN Holder, you may apply to participate in the Reinvestment Offer by completing the Application Form and choosing one of the alternatives below. The Application Form must be received online or by the Registry by 5.00pm on the Closing Date for the Reinvestment Offer which is expected to be 18 March 2020. See Section 8 for further information on how to make an Application and other related matters such as priority of applications. • If you make an Application under the Reinvestment Offer, you will not be required to pay the Application Payment in respect of that Application, unless you choose to apply for more BCN2 than the number of BCN registered in your name at 7.00pm (AEDT) on 7 February 2020. Alternative A. Reinvest all BCN in BCN2 • You may apply to reinvest all of the BCN registered in your name at 7.00pm (AEDT) on 7 February 2020 in BCN2. • To choose this alternative, you must indicate “Reinvest all my BCN in BCN2” on your Reinvestment Offer Application Form. • If you wish to participate in the Reinvestment Offer and own 50 BCN or fewer you must apply to reinvest all your BCN in BCN2. Alternative B. Reinvest some BCN held in BCN2 • You may apply to have only some of the BCN registered in your name at 7.00pm (AEDT) on 7 February 2020 reinvested in BCN2. • To choose this alternative, you must specify the number of BCN you wish to be reinvested on your Reinvestment Offer Application Form. • You must apply to reinvest in at least 50 BCN2 and increments of 10 BCN2 thereafter. In addition, you may also apply for additional BCN2 • You may also apply for more BCN2 than the number of BCN registered in your name at 7.00pm (AEDT) on 7 February 2020. • The minimum number of additional BCN2 you can apply for if you elect to reinvest your BCN as part of the Reinvestment Offer is 10 BCN2 (\$1,000) and thereafter your Application must be in increments of 10 BCN2 (\$1,000). • An application for additional BCN2 will be dealt with under the Securityholder Offer. • To choose this alternative, you must specify the number of additional BCN2 you wish to apply for under on your Reinvestment Offer Application Form. Your application for additional BCN2 may be scaled back if there is excess demand – see Section 8.5.2 for further details. • You are required to enclose the Application Payment for the additional BCN2 applied for. Application Payment must be made by cheque, money order or BPAY® – see Section 8 for further details.
3.2.2. Option 2 – Apply through your Syndicate Broker to reinvest your BCN in BCN2	• If you are an Eligible BCN Holder and you are an Australian resident client of a Syndicate Broker, you may apply to participate in the Reinvestment Offer through your Syndicate Broker. • You may apply to reinvest all or some of the BCN registered in your name at 7.00pm (AEDT) on 7 February 2020 in BCN2. You may also choose to apply for more BCN2. • You will not be required to pay the Application Payment unless you apply for more BCN2 than the number of BCN registered in your name at 7.00pm (AEDT) on 7 February 2020. • You should contact your Syndicate Broker for instructions on how to submit an Application Form and, if applicable, the Application Payment.

3. About the Reinvestment Offer

Option	Summary
3.2.3. Option 3 – sell your BCN on market through your broker	- Prior to the resale of the BCN to the BCN Purchaser, you may choose to sell your BCN on market through your broker or otherwise at the prevailing market price in the usual course. - The market price of BCN is subject to change from time to time. Up-to-date information about the market price of BCN can be obtained from www.asx.com.au (ASX code “MBLPA”). - If selling through your broker, you should contact your broker before the last trading day for BCN (expected to be 11 March 2020). - Under this option, you may have to pay brokerage and may receive a price greater or less than the face value of \$100 per BCN (which you will direct the BCN Purchaser to pay directly to MBL as the Application Payment for the BCN2 if you participate in the Reinvestment Offer or which you will receive if you take no action and your BCN are resold on 24 March 2020).
3.2.4. Option 4 – take no action – Your BCN will be resold for \$100 per BCN on 24 March 2020	- Eligible BCN Holders are not required to participate in the Reinvestment Offer and as such are not required to take any action. - Eligible BCN Holders who do not wish to participate in the Reinvestment Offer may apply for BCN2 as part of the Securityholder Offer if they wish. - If you do not participate in the Reinvestment Offer, your BCN will be resold on 24 March 2020. A distribution on BCN of \$1.8425 will be paid for each BCN you hold on 24 March 2020 (subject to the payment tests applicable to BCN) at this time.

3.3. Risks associated with participating in the Reinvestment Offer

If you are an Eligible BCN Holder and you apply under the Reinvestment Offer, you may receive an allocation of BCN2. As such, you will be subject to the risks associated with an investment in BCN2 and in MBL, many of which are outside the control of MBL and its Directors. These risks are outlined in Section 5 and should be considered before you apply under the Reinvestment Offer.

Although there are similarities between BCN and BCN2, the Reinvestment Offer is not a simple rollover into an identical investment. BCN2 and BCN have different benefits and risks, which must be evaluated separately (see Section 2). See Section 3.4 below for a summary of the key differences between BCN and BCN2.

The \$100 per Reinvested BCN to which Eligible BCN Holders who successfully participate in the Reinvestment Offer are entitled to receive from the BCN Purchaser may be less than the ASX trading price of BCN. Additionally, the Margin for BCN2 may be lower than the margin for BCN. The trading price for BCN2 may be lower than the trading price of BCN or less than \$100.

Therefore, rather than participating in the Reinvestment Offer, it is possible that Eligible BCN Holders may obtain a better financial outcome by selling their BCN on market or having their BCN resold on 24 March 2020, and subsequently investing the proceeds in BCN2 on market.

3.4. Key differences between BCN and BCN2

There are a number of differences between BCN and BCN2 of which you should be aware before deciding to reinvest your BCN under the Reinvestment Offer. The following table describes the key features of the BCN and BCN2 and highlights the main differences between them. You should consider these differences in light of your investment objectives, financial situation and particular needs (including financial and taxation issues) before deciding to apply for BCN2.

Topic	BCN	BCN2
Issuer	MBL	MBL
Legal form	Mandatorily convertible note	Mandatorily convertible note
Face value	\$100	\$100
ASX code	MBLPA	MBLPB
Term	Perpetual ¹	Perpetual ²
Margin	3.30%	To be determined in the Bookbuild

¹ Unless redeemed, exchanged or written-off earlier. Subject to the satisfaction of certain conditions, the BCN will be mandatorily exchanged on a Mandatory Exchange Date.

² Unless redeemed, exchanged or written-off earlier. Subject to the satisfaction of certain conditions, the BCN2 will be mandatorily exchanged on a Mandatory Exchange Date.

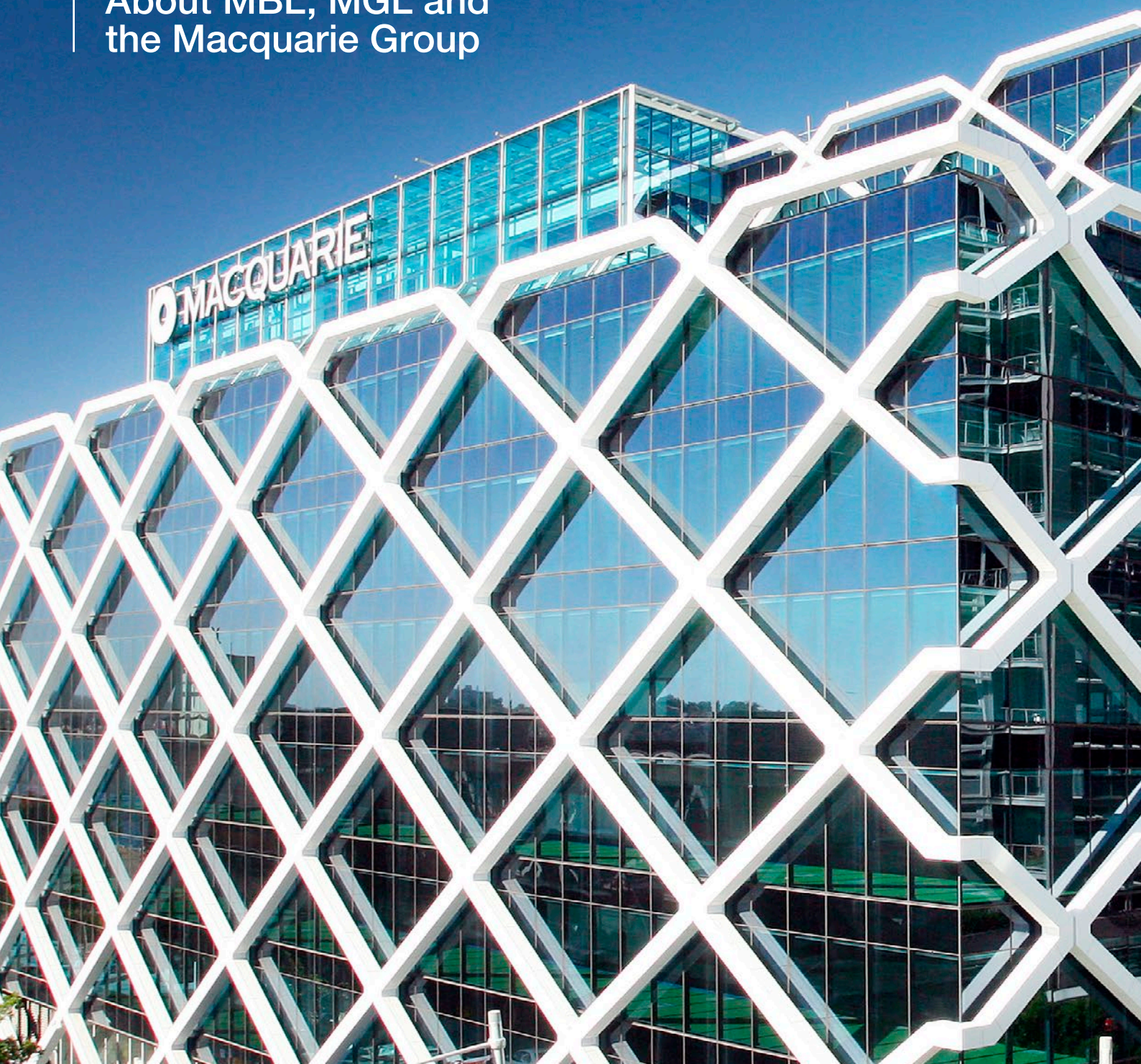
Topic	BCN	BCN2
Distributions	<i>Floating rate.</i> As a result BCN distributions will most likely change every 6 months. <i>Frankable.</i> The amount of cash distribution will be lower where the distribution is franked.	<i>Floating rate.</i> As a result Distributions will most likely change every 3 months. <i>Frankable.</i> The amount of cash Distribution will be lower where the Distribution is franked.
Distribution payment conditions	Distribution will be made unless: • MBL, in its absolute discretion, determines that the distribution is not payable; • payment of the distribution would result in MBL breaching APRA's capital adequacy requirements applicable to it; • payment of the distribution would result in MBL becoming, or likely to become, insolvent for the purposes of the Corporations Act; or • APRA objects to the payment of the distribution.	Distribution will be made unless: • MBL, in its absolute discretion, determines that the Distribution is not payable; • payment of the Distribution would result in MBL breaching APRA's capital adequacy requirements applicable to it; • payment of the Distribution would result in MBL becoming, or likely to become, insolvent for the purposes of the Corporations Act; or • APRA objects to the payment of the Distribution.
Redemption/resale	MBL may elect to redeem or resell on 24 March 2020, 24 September 2020 or 24 March 2021, subject to APRA approval.	MBL may elect to redeem or resell on 21 December 2025 ³ , 21 June 2026 ⁴ or 21 December 2026, subject to APRA approval.
Conversion/exchange	MBL must exchange for MGL Ordinary Shares on 24 March 2023 if the exchange conditions are satisfied. MBL may elect to exchange for MGL Ordinary Shares on 24 March 2020, 24 September 2020 or 24 March 2021 if the exchange conditions are satisfied.	MBL must Exchange for MGL Ordinary Shares on 21 December 2028 if the Exchange Conditions are satisfied. MBL may elect to Exchange for MGL Ordinary Shares on 21 December 2025 ³ , 21 June 2026 ⁴ or 21 December 2026 if the Exchange Conditions are satisfied.
MGL ordinary share price for first mandatory conversion/exchange condition	Greater than \$32.44 (being 56% of the BCN issue date VWAP).	Greater than 56% of the Issue Date VWAP.
MGL ordinary share price for the second mandatory conversion/exchange condition	Greater than \$29.25 (being 50.505% of the BCN issue date VWAP).	Greater than 50.505% of the Issue Date VWAP.
Exchange or write-off on automatic exchange event	Yes	Yes
Ranking in a winding up of MBL	Ahead of MBL Ordinary Shares, equally with equal ranking obligations but behind all other MBL creditors. Ranking may be affected by a BCN automatic exchange event.	Ahead of MBL Ordinary Shares, equally with Equal Ranking Obligations but behind all other MBL creditors. Ranking may be affected by an Automatic Exchange Event.
Protected under the Financial Claims Scheme	No	No

³ Due to the Business Day convention, the first Scheduled Optional Exchange Date is deferred from Sunday 21 December 2025 to Monday 22 December 2025.

⁴ Due to the Business Day convention, the second Scheduled Optional Exchange Date is deferred from Sunday 21 June 2026 to Monday 22 June 2026.

4

About MBL, MGL and
the Macquarie Group



4.1. Information about MBL

MBL is an APRA regulated ADI headquartered in Sydney, Australia. As at the date of this Prospectus, Macquarie B.H. Pty Limited (“**MBHPL**”) is the sole ordinary shareholder of MBL. MBHPL is a wholly owned subsidiary of MGL. MBL’s expertise covers asset management and finance, banking, advisory and risk and capital solutions across debt, equity and commodities. MBL acts primarily as an investment intermediary for institutional, corporate, government and retail clients and counterparties around the world, generating income by providing a diversified range of products and services to clients.

As at September 30, 2019, MBL employed 4,313 staff, had total assets of \$A185.6 billion and total equity of \$A12.3 billion. For the half-year ended 30 September 2019, MBL’s net operating income was \$A3.4 billion (for the full-year ended 31 March 2019 net operating income was \$A5.9 billion) and profit after tax attributable to ordinary equity holders was A\$992 million (for the full-year ended 31 March 2019 profit after tax attributable to ordinary equity holders was A\$2.0 billion). As at 30 September 2019, MBL conducted its operations in 16 markets, with 47% of Bank Group’s revenues from external customers derived from regions outside Australia.

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

Although MBL’s ordinary shares are no longer quoted on the ASX, Additional Tier 1 Capital securities issued by MBL continue to be quoted on the ASX and, accordingly, MBL will remain subject to the disclosure and other requirements of the ASX as they apply to companies with debt securities quoted on the ASX. Copies of documents lodged with ASIC in relation to MBL may be obtained from or inspected at any ASIC office. Some of this information can also be accessed via the ASX website and at macquarie.com.

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

- the MBL annual financial report for the year ended 31 March 2019 and the MBL interim financial report for the half-year ended 30 September 2019;
- any continuous disclosure notices given by MBL after the release of the MBL 2019 annual financial report and before the lodgement of this Prospectus with ASIC; and
- the MBL Constitution.

4.2. Information about MGL

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

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

BCN2 may be exchanged for ordinary shares in MGL. These are quoted on ASX (MGL Ordinary Shares ASX Code: MQG).

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

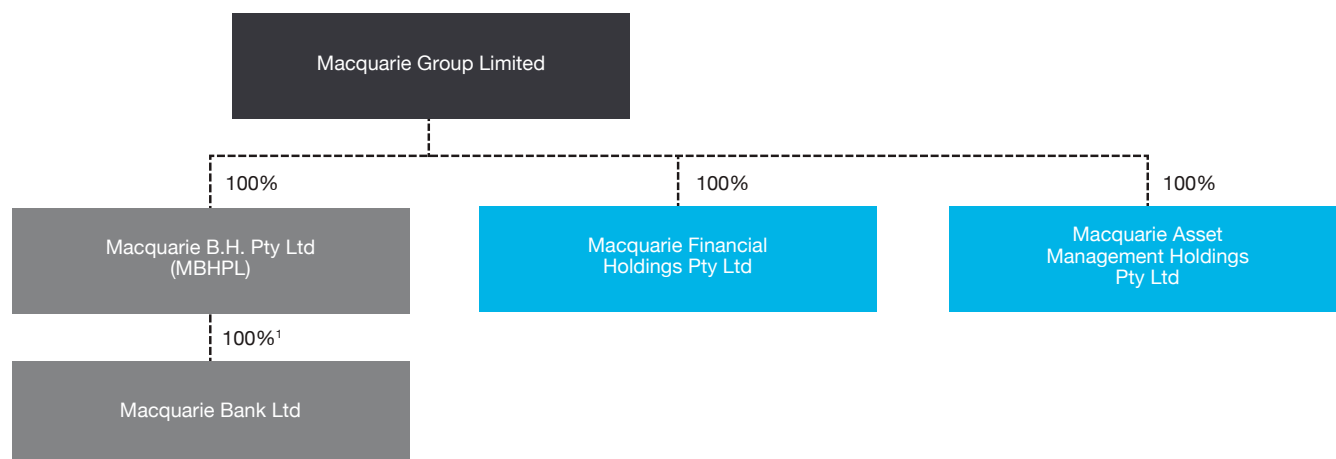
As at 30 September 2019, the Macquarie Group employed over 15,700 people and had total assets of A\$219.5 billion and total equity of A\$20.3 billion. For the half-year ended 30 September 2019, Macquarie Group’s net operating income was A\$6.3 billion (for the full-year ended 31 March 2019 net operating income was \$A12.8 billion) and profit attributable to ordinary equity holders of MGL was A\$1,457 million (for the full-year ended 31 March 2019 profit after tax attributable to ordinary equity holders was A\$3.0 billion), with 69% of the Macquarie Group’s total operating income (excluding earnings on capital and other corporate items) derived from regions outside Australia and New Zealand.

4. About MBL, MGL and the Macquarie Group

4.3. Holding Structure of the Macquarie Group

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

- Non-Operating Holding Company
- Bank Group
- Non-Bank Group



1. MBHPL holds 100% of the ordinary shares in MBL. As at the date of this Prospectus, there are also A\$400 million MIS on issue – MIS are stapled arrangements, which include preference shares issued by MBL.

4.4. Organisational structure of Macquarie Group

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

The Banking Group comprises MBL and has two operating groups:

- Banking and Financial Services;
- Commodities and Global Markets (excluding certain assets of the Credit Markets business, certain activities of the Cash Equities business and the Commodity Markets and Finance business, and some other less financially significant activities which are undertaken from within the Non-Banking Group);

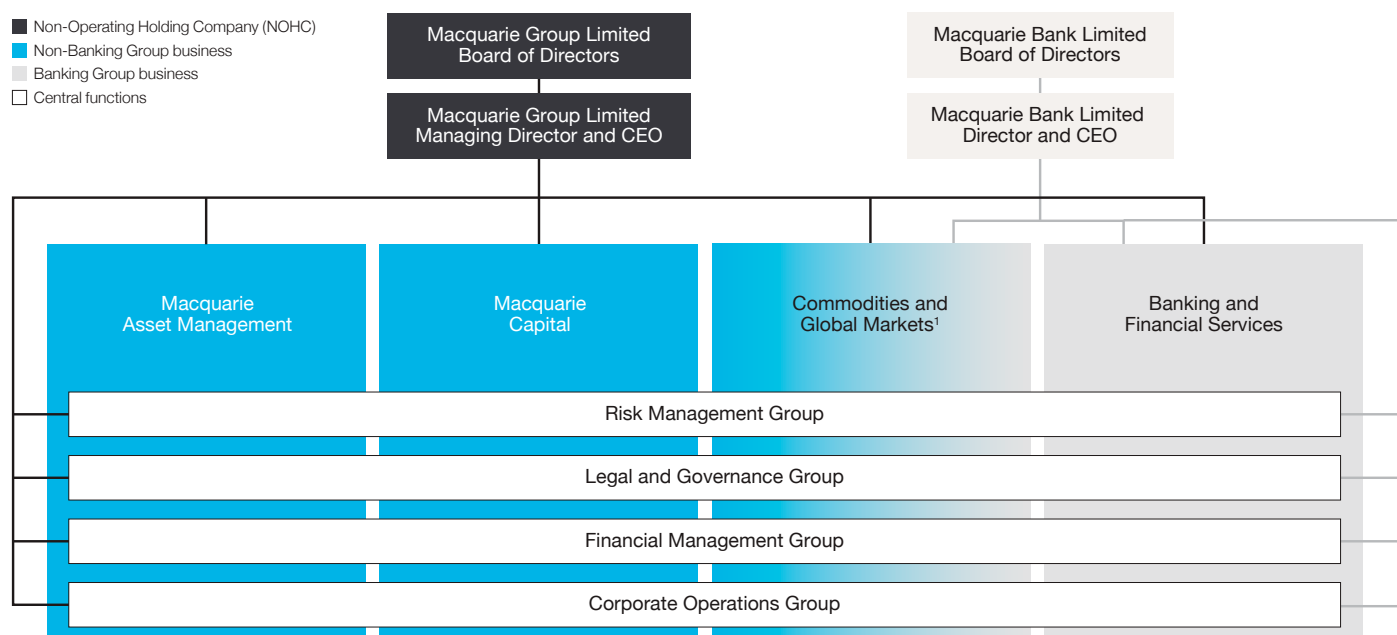
The Non-Banking Group consists of:

- Macquarie Asset Management;
- Macquarie Capital; and
- those assets and activities in Commodities and Global Markets which are not in the Banking Group, as described above.

The Macquarie Group provides shared services to both the Banking Group and the Non-Banking Group through the Corporate segment. The Corporate segment is not considered an operating group and comprises four central functions: Risk Management, Legal and Governance, Financial Management and Corporate Operations. Shared services include: Risk Management, Finance, Information Technology, Group Treasury, Settlement Services, Equity Markets Operations, Human Resources Services, Business Services, Group Legal, Corporate Governance, Corporate Affairs, Taxation Services, Business Improvement and Strategy Services, Central Executive Services, Other Group-wide Services, Business Shared Services, and other services as may be agreed from time to time. Items of income and expense within the Corporate segment include earnings from the net impact of managing liquidity for Macquarie Group, earnings on capital, non-trading derivative volatility, earnings from investments, central overlay on impairment provisions or valuation of assets, unallocated head office costs and costs of central service groups, performance-related profit share and share-based payments expense, income tax expense and certain distributions attributable to non-controlling interests and holders of MIS.

MBL and MGL have corporate governance and policy frameworks that meet APRA's requirements for ADIs and NOHCs, respectively. The Banking Group and the Non-Banking Group operate as separate sub-groups within MGL with clearly identifiable businesses, separate capital requirements and discrete funding programs. Although the Banking Group and the Non-Banking Group operate as separate sub-groups, both are integral to Macquarie Group's identity and strategy as they assist the Macquarie Group in continuing to pursue value adding and diversified business opportunities while meeting its obligations under APRA rules.

The following diagram shows the current organisational structure of the Macquarie Group and reflects the composition of the Banking and Non-Banking Groups.



As at 1 September 2019

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

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

MGL will continue to monitor and review the appropriateness of the MGL structure, including the provision of shared services. From time to time, the optimal allocation of MGL's businesses between the Banking Group and the Non-Banking Group and within the Banking Group and the Non-Banking Group may be adjusted and MGL may make changes in light of relevant factors including business growth, regulatory considerations, market developments and counterparty considerations.

4.5. Business strategy of MBL and the Macquarie Group

Consistent with Macquarie's principles of opportunity, accountability and integrity, Macquarie Group adopts a business strategy focused on the medium-term with the following key aspects:

- **Risk management approach.** Adopting a conservative approach to risk management underpinned by a sound risk culture. Macquarie Bank's robust risk management framework and risk culture is embedded across all Bank Group entities.
- **Strong balance sheet.** Maintaining a strong and conservative balance sheet. This is consistent with Macquarie Bank's longstanding policy of holding a level of capital which supports its business and managing its capital base ahead of ordinary business requirements. Macquarie Bank remains well funded, with diversified funding sources, including deposits, and continues to pursue its strategy of diversifying funding sources by growing its deposit base and accessing different funding markets.
- **Business mix.** Conducting a mix of annuity-style and markets facing businesses that deliver solid returns in a range of market conditions. Macquarie Bank has dynamically developed its annuity-style businesses, providing steady returns to the business and its shareholders, and stability to clients.
- **Diversification.** Operating a diversified set of businesses across different locations and service offerings: asset finance, lending, banking, and risk and capital solutions across debt, equity and commodities. Macquarie Bank offers a range of services to government, institutional, corporate and retail clients. This diversity mitigates concentration risk and provides resilience to Macquarie Bank.
- **Proven expertise.** Utilising proven deep expertise has allowed Macquarie Bank to establish leading market positions as a global specialist in sectors including resources and commodities, energy and financial institutions.
- **Adjacencies.** Expanding progressively by pursuing adjacencies through organic opportunities and selective acquisitions. These include products and geographies adjacent to Macquarie Bank's established areas of expertise, which results in sustainable evolutionary growth.
- **Pursuit of growth opportunities.** Targeting continued evolution and growth through innovation. Macquarie Bank starts with knowledge and skill, and encourages ingenuity and entrepreneurial spirit coupled with accountability. Ideas for new businesses are typically generated in the Operating Groups. Additionally, there are no specific businesses, markets, or regions in which Macquarie's strategy demands it operates. This means it retains operational flexibility and can adapt the portfolio mix to changing market conditions within the boundaries of the Risk Appetite Statement ("RAS") approved by the Board.

4. About MBL, MGL and the Macquarie Group

4.6. MGL and MBL Boards

The role of the MBL Board is to promote the long-term interests of MBL, being mindful of the obligations it must discharge as an authorised deposit-taking institution.

The MBL Board comprises:

- *Peter Warne, Chairman*
- *Mary Reemst, MBL Managing Director and Chief Executive Officer*
- *Shemara Wikramanayake, Executive Voting Director*
- *Gary Banks AO*
- *Jillian Broadbent AC*
- *Gordon Cairns*
- *Philip Coffey*
- *Michael Coleman*
- *Diane Grady AM*
- *Michael Hawker AM*
- *Glenn Stevens AC*
- *Nicola Wakefield Evans*

With the exception of Mary Reemst, each Director of MBL is also a director of MGL. The roles and responsibilities of the MGL Board are set out in the Board Charter.

4.7. Management of the business of MBL and the Macquarie Group

The MBL Executive Committee comprises:

- *Mary Reemst, MBL Managing Director and Chief Executive Officer*
- *Greg Ward, MGL Deputy Managing Director and Head of Banking and Financial Services*
- *Shemara Wikramanayake, MGL Managing Director and Chief Executive Officer*
- *Patrick Upfold, Head of Risk Management Group*
- *Nicole Sorbara, Head of Corporate Operations Group*
- *Alex Harvey, Chief Financial Officer and Head of the Financial Management Group*
- *Nick O’Kane, Head of Commodities and Global Markets*

The MGL Executive Committee comprises:

- *Shemara Wikramanayake, MGL Managing Director and Chief Executive Officer*
- *Greg Ward, MGL Deputy Managing Director and Head of Banking and Financial Services*
- *Patrick Upfold, Head of Risk Management Group*
- *Martin Stanley, Head of Macquarie Asset Management*
- *Nicole Sorbara, Head of Corporate Operations Group*
- *Mary Reemst, MBL Managing Director and Chief Executive Officer*
- *Alex Harvey, Chief Financial Officer and Head of the Financial Management Group*
- *Florian Herold, Head of Principal Finance*
- *Nick O’Kane, Head of Commodities and Global Markets*
- *Michael Silverton, Co-Head of Macquarie Capital*
- *Daniel Wong, Co-Head of Macquarie Capital*

In February 2018, the *Treasury Laws Amendment (Banking Executive Accountability and Related Measures) Act 2018* was passed by the Australian Parliament which introduces a new bank executive accountability regime known as “BEAR”. The BEAR has applied to MBL since 1 July 2019 and is administered by APRA. It imposes certain obligations on MBL as an ADI and requires persons in prescribed roles, including the members of the MBL Board, to be specified as accountable persons. Accountable persons are subject to legislated standards of responsibility accountability.

4.8. Financial information about MBL and the Macquarie Group

The summary consolidated statement of financial position data as at 30 September 2019, 31 March 2019 and 30 September 2018 and income statement data for the half-years ended 30 September 2019, 31 March 2019 and 30 September 2018 presented in this section has been derived from the Macquarie Group's September 2019 interim financial report and MBL's September 2019 interim financial report. These statements of financial position and income statement have been prepared in accordance with Macquarie Group's and MBL's accounting policies which are detailed in the Macquarie Group's 2019 Annual Financial Report and MBL's 2019 Annual Financial Report with the significant accounting policies contained in the September 2019 interim financial report. Investors should note that past performance is not a reliable indicator of future performance. The statutory financial information for MBL and MGL for the year ended 31 March 2019 was audited by PricewaterhouseCoopers (PwC) and the statutory financial information for the half-years ended 30 September 2018 and 30 September 2019 were reviewed by PwC in accordance with Australian Auditing Standards.

4.8.1. Macquarie Group's Consolidated Income Statement

	Half-year to 30 Sep 18 \$m	Half-year to 31 Mar 19 \$m	Half-year to 30 Sep 19 \$m
Interest and similar income			
Effective interest rate method	2,350	2,261	2,171
Other	337	407	377
Interest and other expense	(1,689)	(1,906)	(1,758)
Net interest income	998	762	790
Fee and commission income	2,661	2,865	2,874
Net trading income	1,231	1,560	1,627
Net operating lease income	461	489	461
Share of net (losses)/profits of associates and joint ventures	7	(63)	(49)
Credit impairment charges	(44)	(276)	(144)
Other impairment reversal/(charges)	(32)	(200)	5
Other operating income and charges	548	1,787	756
Net operating income	5,830	6,924	6,320
Employment expenses	(2,454)	(2,763)	(2,776)
Brokerage, commission and trading-related expenses	(579)	(561)	(482)
Occupancy expenses	(207)	(234)	(201)
Non-salary technology expenses	(331)	(353)	(367)
Other operating expenses	(554)	(851)	(654)
Total operating expenses	(4,125)	(4,762)	(4,480)
Operating profit before income tax	1,705	2,162	1,840
Income tax expense	(374)	(505)	(376)
Profit after income tax	1,331	1,657	1,464
(Profit)/loss attributable to non-controlling interests			
Macquarie Income Securities	(7)	(8)	(6)
Other non-controlling interests	(14)	23	(1)
Total (profit)/loss attributable to non-controlling interests	(21)	15	(7)
Profit attributable to the ordinary equity holders of Macquarie Group Limited	1,310	1,672	1,457
	Cents per share	Cents per share	Cents per share
Basic earnings per share	388.3	494.5	430.1
Diluted earnings per share	383.1	483.9	419.5

4. About MBL, MGL and the Macquarie Group

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

	As at 30 Sep 2018 \$m	As at 31 Mar 2019 \$m	As at 30 Sep 2019 \$m	As at 30 Sep 2019 (pro forma) \$m
ASSETS				
Cash and bank balances	9,625	9,787	9,579	9,142
Cash collateral on securities borrowed and reverse repurchase agreements	27,837	29,348	30,201	30,201
Trading assets	20,158	18,670	24,230	24,230
Margin money and settlement assets	20,703	19,111	20,312	20,312
Derivative assets	18,115	14,457	18,221	18,221
Financial investments	6,633	7,161	7,937	7,937
Held for sale assets	2,153	9,023	608	608
Other assets	5,248	5,169	5,625	5,625
Loan assets	76,953	78,474	85,066	85,066
Property, plant and equipment	11,361	4,701	5,471	5,471
Interests in associates and joint ventures	4,143	4,219	8,500	8,500
Intangible assets	1,894	2,031	2,666	2,666
Deferred tax assets	775	1,031	1,079	1,079
Total assets	205,598	203,182	219,495	219,058
LIABILITIES				
Cash collateral on securities lent and repurchase agreements	6,916	4,838	5,803	5,803
Trading liabilities	7,197	8,108	8,146	8,146
Margin money and settlement liabilities	24,902	22,576	26,683	26,683
Derivative liabilities	18,205	12,666	14,514	14,514
Deposits	52,620	56,191	59,042	59,042
Held for sale liabilities	504	6,809	94	94
Other liabilities	6,411	6,736	6,662	6,662
Borrowings	13,336	9,318	14,626	14,626
Debt issued	51,665	50,188	56,070	56,070
Deferred tax liabilities	800	425	297	297
Total liabilities excluding loan capital	182,556	177,855	191,937	191,937
Loan capital	5,883	6,963	7,246	7,209
Total liabilities	188,439	184,818	199,183	199,146
Net assets	17,159	18,364	20,312	19,912
EQUITY				
Contributed equity	6,144	6,181	7,721	7,712
Reserves	1,567	1,773	1,927	1,927
Retained earnings	8,849	9,807	9,969	9,969
Total capital and reserves attributable to the ordinary equity holders of Macquarie Group Limited	16,560	17,761	19,617	19,608
Non-controlling interests	599	603	695	304
Total equity	17,159	18,364	20,312	19,912

On 30 January 2020, MBL announced that it intends to repay the \$400m MIS on 15 April 2020. The pro forma position as at 30 September 2019 reflects the issue of \$400m BCN2 with \$7m expenses to be paid, the intended resale and redemption of all of the \$430m of BCN and repayment of \$400m of MIS.

4.8.3. MBL's Consolidated Income Statement

	Half-year to 30 Sep 18 \$m	Half-year to 31 Mar 19 \$m	Half-year to 30 Sep 19 \$m
Interest and similar income			
Effective interest rate method	2,137	1,998	1,910
Other	300	378	358
Interest and other expense	(1,351)	(1,484)	(1,287)
Net interest income	1,086	892	981
Fee and commission income	573	658	594
Net trading income	1,148	1,378	1,434
Net operating lease income	132	157	160
Share of net profits of associates and joint ventures	9	19	6
Credit impairment charges	(51)	(80)	(81)
Other impairment charges	(2)	(114)	(4)
Other operating income and charges	(30)	136	340
Net operating income	2,865	3,046	3,430
Employment expenses	(652)	(796)	(735)
Brokerage, commission and trading-related expenses	(391)	(386)	(307)
Occupancy expenses	(50)	(67)	(52)
Non-salary technology expenses	(81)	(86)	(85)
Other operating expenses	(814)	(1,109)	(929)
Total operating expenses	(1,988)	(2,444)	(2,108)
Operating profit from continuing operations before income tax	877	602	1,322
Income tax expense	(259)	(135)	(324)
Profit from continuing operations after income tax	618	467	998
Profit from discontinued operations after income tax	128	828	–
Profit from continuing and discontinued operations after income tax	746	1,295	998
Profit attributable to non-controlling interests	(4)	–	–
Profit attributable to equity holders of Macquarie Bank Limited	742	1,295	998
Distributions paid or provided for on:			
Macquarie Income Securities	(7)	(8)	(6)
Profit attributable to ordinary equity holder of Macquarie Bank Limited	735	1,287	992
From continuing operations	607	459	992
From discontinued operations	128	828	–

4. About MBL, MGL and the Macquarie Group

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

	As at 30 Sep 2018 \$m	As at 31 Mar 2019 \$m	As at 30 Sep 2019 \$m	As at 30 Sep 2019 (pro forma) \$m
ASSETS				
Cash and bank balances	7,361	7,693	7,773	7,336
Cash collateral on securities borrowed and reverse repurchase agreements	27,580	29,148	29,910	29,910
Trading assets	19,514	17,502	22,311	22,311
Margin money and settlement assets	15,076	14,496	15,098	15,098
Derivative assets	17,901	14,090	17,606	17,606
Financial investments	5,160	5,470	6,030	6,030
Other assets	3,410	2,105	1,856	1,856
Loan assets	75,365	73,821	80,290	80,290
Due from related body corporate entities	1,414	1,522	1,216	1,216
Property, plant and equipment	10,917	2,738	2,668	2,668
Interests in associates and joint ventures	752	219	219	219
Intangible assets	198	177	179	179
Deferred tax assets	231	441	460	460
Total assets	184,879	169,422	185,616	185,179
LIABILITIES				
Cash collateral on securities lent and repurchase agreements	6,668	4,216	5,494	5,494
Trading liabilities	7,019	7,757	7,678	7,678
Margin money and settlement liabilities	19,575	17,901	21,458	21,458
Derivative liabilities	18,046	12,523	14,057	14,057
Deposits	52,576	56,120	58,965	58,965
Other liabilities	4,124	3,043	2,636	2,636
Borrowings	7,020	1,560	2,611	2,611
Due to related body corporate entities	15,243	16,791	16,295	16,295
Debt issued	36,703	33,587	39,247	39,247
Deferred tax liabilities	492	134	10	10
Total liabilities excluding loan capital	167,466	153,632	168,451	168,451
Loan capital	4,366	4,550	4,828	4,791
Total liabilities	171,832	158,182	173,279	173,242
Net assets	13,047	11,240	12,337	11,937
EQUITY				
Contributed equity	9,937	7,898	7,900	7,500
Reserves	757	516	637	637
Retained earnings	2,345	2,824	3,799	3,799
Total capital and reserves attributable to equity holder of Macquarie Bank Limited	13,039	11,238	12,336	11,936
Non-controlling interests	8	2	1	1
Total equity	13,047	11,240	12,337	11,937

On 30 January 2020, MBL announced that it intends to repay the \$400m MIS on 15 April 2020. The pro forma position as at 30 September 2019 reflects the issue of \$400m BCN2 with \$7m expenses to be paid, the intended resale and redemption of all of the \$430m of BCN and repayment of \$400m of MIS.

The September 2019 consolidated income statements and consolidated statements of financial position reflects the adoption of AASB 16 Leases and AASB Interpretation 23 Uncertainty over Income Tax Treatment on 1 April 2019. As permitted by the standard, the Consolidated Entity has not restated the comparative financial reporting periods. Refer Note 1 of the Macquarie Group's September 2019 interim financial report and MBL's September 2019 interim financial report for the impact on initial adoption of the accounting standards.

4.8.5. Capital position

MBL

MBL is an ADI regulated by APRA. MBL is accredited under the Foundation Internal Ratings Based Approach (FIRB) for credit risk, the Advanced Measurement Approach (AMA) for operational risk, the Internal Model Approach (IMA) for market risk and interest rate risk in the banking book. These advanced approaches place a higher reliance on a bank's internal capital measures and therefore require a more sophisticated level of risk management and risk measurement practices.

Under Basel III rules, APRA requires ADIs to maintain minimum regulatory capital requirements, including to have a minimum ratio of Tier 1 capital to risk-weighted assets of 8.5% including the 2.5% capital conservation buffer, with at least 7.0% in the form of Common Equity Tier 1 capital (including the 2.5% capital conservation buffer)¹. In addition, APRA may impose ADI-specific minimum capital ratios which may be higher than these levels.

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

MBL's Common Equity Tier 1 Capital consists of ordinary share capital, retained earnings and certain reserves. Tier 1 Capital of MBL consists of Common Equity Tier 1 Capital plus Additional Tier 1 Capital instruments. Additional Tier 1 Capital instruments currently include the BCN, Macquarie Additional Capital Securities and MIS. APRA has confirmed that BCN2 will qualify for inclusion as Additional Tier 1 Capital of the Bank Group.

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

Regulatory capital requirements are measured for MBL and certain subsidiaries which meet the definition of Extended Licensed Entities (MBL Level 1 Group), and for the broader banking group (MBL Level 2 Group). The MBL Level 2 group consists of MBL, its subsidiaries and its immediate parent (MBHPL), but excludes certain subsidiaries of MBL which are de-consolidated for APRA reporting purposes. The subsidiaries which are deconsolidated for regulatory purposes include mortgage and leasing special purpose vehicles (SPVs) for which Macquarie has satisfied APS 120 Attachment A operational requirements for regulatory capital relief and entities conducting insurance, funds management and non-financial operations.

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

	As at 30 Sep 2018	As at 30 Sep 2019	As at 30 Sep 2019 (pro forma)
APRA BASEL III capital ratios			
Level 2 Macquarie Bank Group Common Equity Tier 1 Ratio	10.4%	11.4%	11.4%
Level 2 Macquarie Bank Group Tier 1 Capital Ratio	12.1%	13.3%	13.1%
Level 2 Macquarie Bank Group Total Capital Ratio	13.9%	15.2%	15.0%

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

	As at 30 Sep 2018	As at 30 Sep 2019	As at 30 Sep 2019 (pro forma)
APRA BASEL III capital ratios			
Level 1 Macquarie Bank Group Common Equity Tier 1 Ratio	10.4%	11.3%	11.3%
Level 1 Macquarie Bank Group Tier 1 Capital Ratio	12.4%	13.3%	13.1%
Level 1 Macquarie Bank Group Total Capital Ratio	14.4%	15.2%	15.0%

On 30 January 2020, MBL announced that it intends to repay MIS on 15 April 2020. The MIS contributed \$140m to Tier 1 capital at 30 September 2019. The pro forma position as at 30 September 2019 reflects the issue of \$400m BCN2 with \$7m expenses to be paid, the intended resale and redemption of all of the \$430m of BCN and repayment of \$400m of MIS.

¹ Based on materiality, the countercyclical capital buffer (CCyB) of ~13bps (as at 30 September 2019) has not been included.

4. About MBL, MGL and the Macquarie Group

MBL discloses capital calculation information quarterly in its Basel III Pillar 3 reports, which are lodged with ASX and are available at <https://www.macquarie.com/au/about/investors/regulatory-disclosures>. The MBL Level 2 Group capital ratios as at 31 December 2019 are 11.4% for Common Equity Tier 1 Capital, 13.3% for Tier 1 Capital and 15.1% for Total Capital.

MGL

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

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

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

Macquarie remains well capitalised with APRA Basel III Group capital of \$A23.8 billion at 30 September 2019, with a Group surplus of \$A6.7 billion² (\$A8.6 billion on a Harmonised³ Basel III basis).

Eligible regulatory capital of Macquarie consists of ordinary share capital, retained earnings and certain reserves plus eligible hybrid instruments. Eligible hybrid instruments as at 30 September 2019 include the MBL Additional Tier 1 Capital Instruments as well as MCN2, MCN3 and MCN4.

² Calculated at 8.5% of the Bank Group's RWA. The 8.5% represents the Basel III minimum Tier 1 ratio of 6% plus 2.5% of capital conservation buffer.

³ Harmonised Basel III relates to the Basel III guidelines defined by the Basel Committee on Banking Supervision, documented in the following: 'Basel III: a global regulatory framework for more resilient banks and banking systems', published December 2010 (revised June 2011) by the Bank for International Settlements (BIS) and further updated by BCBS 279 'The standardised approach for measuring counterparty credit risk exposures'.

5

Investment risks

This section describes the risks associated with an investment in BCN2, MBL and/or the Macquarie Group.



5. Investment risks

MBL believes that the following investment risks may affect the investment returns under BCN2 issued under the Offer and the market for BCN2 generally. These investment risks are not intended to be exhaustive and are contingencies which may or may not occur and MBL is not in a position to express a view on the likelihood of any such contingency occurring.

MBL may be unable to pay interest, principal or other amounts on or in connection with any BCN2, and BCN2 may not be able to be Exchanged, Redeemed or Resold for other reasons which may not be considered significant risks by MBL based on information currently available to it or which it may not currently be able to anticipate.

Before applying for BCN2, you should also read the detailed information set out elsewhere in this Prospectus and seek professional guidance from your financial adviser or other independent and qualified professional adviser as to the risks and other investment considerations arising from an investment in BCN2, the appropriate tools to analyse such an investment, and the suitability of such an investment in the context of your particular circumstances.

MBL does not guarantee or otherwise provide assurance in respect of the obligations of MGL.

5.1. Risks associated with investing in BCN2

5.1.1. Investments in BCN2 are an investment in MBL

Investments in BCN2 are an investment in MBL and may be affected by the ongoing performance, financial position and solvency of MBL and the Macquarie Group. BCN2 are not deposit liabilities and are not protected accounts for the purposes of the depositor protection provisions in Division 2 of Part II of the Banking Act or of the Financial Claims Scheme established under Division 2AA of Part II of the Banking Act. BCN2 are not guaranteed by any government, government agency or compensation scheme of Australia or by any other person or any other jurisdiction.

5.1.2. Suitability

BCN2 are a complex investment and may be difficult to understand, even for experienced investors. You should ensure that you understand the BCN2 Terms and risks of investing in BCN2 and consider whether it is an appropriate investment for your particular circumstances.

5.1.3. Market price and liquidity of BCN2

BCN2 may trade at a market price below their Issue Price. The market price of BCN2 may fluctuate due to various factors, including poor financial performance by MBL and the Macquarie Group, a change in MBL or the Macquarie Group's financial position, investor perceptions, worldwide economic conditions, interest rates, movements in the market price of MGL Ordinary Shares, foreign exchange rates, debt market conditions, the availability of better rates of return on other securities or investments and other factors that may affect the Macquarie Group's financial performance and position. The market price of BCN2 may be affected by changes in laws relating to the taxation treatment of BCN2, including franking.

Where BCN2 are to be Exchanged, Redeemed or Resold for any reason, the announcement of these events may have a significant impact on the market price and/or liquidity of BCN2 and the MGL Ordinary Shares.

Financial markets can be volatile, with the potential for significant fluctuations in the price of securities over a short period. This applies to the market price of both BCN2 and MGL Ordinary Shares. You should carefully consider this risk before deciding to invest in BCN2.

Although BCN2 are to be quoted on ASX, there is no guarantee that a liquid market will develop for them. The market for BCN2 may be less liquid than the market for MGL Ordinary Shares or other comparable securities. As a consequence, BCN2 Holders who wish to sell their BCN2 may be unable to do so at an acceptable price, or at all, if insufficient liquidity exists in the market for BCN2.

In addition, there is no guarantee that BCN2 will remain continuously quoted on ASX. Trading of ASX listed securities may be suspended in certain circumstances.

5.1.4. Market Price and liquidity of MGL Ordinary Shares

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

Upon Exchange, BCN2 Holders will generally receive approximately \$101 worth of MGL Ordinary Shares per BCN2, based on the VWAP (which is calculated by reference to the daily volume weighted average sale price of MGL Ordinary Shares) over a period of ASX Trading Days immediately preceding the Exchange Date. At the time they are issued, the market price of the MGL Ordinary Shares will likely vary from that used to determine the Exchange Number and consequently the value of MGL Ordinary Shares received will be more or less than \$101. The number of MGL Ordinary Shares to be received by a BCN2 Holder in respect of its aggregate holding of BCN2 will be rounded down to a whole number (with entitlements of the BCN2 Holder to a part only of an MGL Ordinary Share disregarded).

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

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

Where BCN2 are Exchanged for MGL Ordinary Shares, there may be no liquid market for MGL Ordinary Shares at the time of Exchange, or the market may be less liquid than that for

comparable securities issued by other entities at the time of Exchange. As a consequence, BCN2 Holders who wish to sell the MGL Ordinary Shares they may receive may be unable to do so at an acceptable price, or at all, if the market for MGL Ordinary Shares is illiquid.

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

5.1.5. Distributions may not be paid

There is a risk that Distributions may not be paid. The BCN2 Terms do not oblige MBL to pay Distributions, which are only payable at MBL's discretion.

If:

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

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

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

Distributions are non-cumulative (that is, if not paid, they do not accrue), so if a Distribution is not paid for any reason, BCN2 Holders will have no right to receive that Distribution in the future. BCN2 Holders have no remedy for any non-payment. However, if a Distribution is not paid when scheduled for any reason and unless MBL subsequently pays the relevant Distribution in full within 10 Business Days of the applicable Distribution Payment Date, a Dividend Restriction will apply to MBL. This Dividend Restriction means that MBL must not, subject to certain exceptions, without the approval of a Special Resolution of BCN2 Holders determine, declare or pay a dividend on any MBL Ordinary Shares, or undertake any Buy-Back or Capital Reduction, until and including the next Distribution Payment Date.

5.1.6. Changes in Distribution Rate

The Distribution Rate is calculated as the sum of the Reference Rate and the Margin (reduced where franking credits are attached) and is calculated for each Distribution Period. The Reference Rate will fluctuate (both increase and decrease) over time and is influenced by a number of factors. The chart in Section 2.1.5 shows historical movements in the Reference Rate.

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

MBL does not guarantee any particular rate of return on BCN2.

5.1.7. Distributions may or may not be franked

MGL currently franks dividends on MGL Ordinary Shares at 40% and Distributions are expected to be franked at the same rate as MGL Ordinary Shares. However, there is no guarantee that this level of franking will continue to apply for the life of BCN2 and it is possible that at some time in the future Distributions on BCN2 may not be franked, or may be partially franked to a different level, or fully franked.

MGL's ability to frank Distributions on BCN2 is affected by MGL's level of available franking credits and MBL's distributable profits. MGL's level of franking credits may be affected by a wide range of factors, including its business performance, the jurisdictions in which Macquarie Group makes profits and pays tax, the applicable Australian corporate tax rate and the amount of other frankable distributions. MBL's distributable profits may also be impacted by a wide range of factors, including its level of earnings and other distributions it makes.

If any Distribution is franked, the cash amount of that Distribution will be reduced. The payment of any franked Distribution is subject to the Payment Conditions.

5.1.8. Use of franking credits by BCN2 Holders

The value and availability of franking credits to a BCN2 Holder will differ depending on that BCN2 Holder's particular tax circumstances and the tax laws at the time of the distribution. BCN2 Holders should be aware that the potential value of any franking credits does not accrue at the same time as the receipt of any cash Distribution, and the ability to use the franking credits, either as an offset to a tax liability or by claiming a refund of tax after the end of the income year will depend upon the tax position of the individual BCN2 Holder.

A BCN2 Holder's entitlement to franking credits may be denied where MBL, as issuer of the instrument, is entitled to a tax deduction in a foreign jurisdiction on BCN2 Distributions under the so-called "anti-hybrid" rules ("Rules"). The cash Distribution will not be grossed up in the event that the franking credits are denied under the Rules. The Government introduced exposure draft legislation in December 2019 that seeks to retrospectively amend the Rules to ensure that investors (here, BCN2 Holders) would not be denied franking credits or tax offsets on their Distributions provided the issuer (MBL) does not claim a foreign income tax deduction for those Distributions. MBL is not intending to claim any such foreign income tax deductions in relation to Distributions paid on the BCN2 and intends to notify the ATO in accordance with the exposure draft legislation. As such, assuming that the exposure draft legislation is enacted, MBL does not expect BCN2 Holders to be impacted. However, the impacts cannot be finally determined until the legislation has been enacted. There is no certainty that the draft legislation will be enacted. The enactment of the draft legislation will not give rise to a Tax Event and accordingly will not trigger an entitlement for MBL to Exchange, Resell or Redeem BCN2.

Investors should refer to the taxation summary in section 6.1 and seek professional advice in relation to their tax position.

5. Investment risks

5.1.9. Dividend Restriction applies in limited circumstances

If a Distribution is not paid on BCN2, the Dividend Restriction will apply to limit MBL's ability to pay dividends on, buyback, and reduce capital in respect of MBL Ordinary Shares, subject to certain exceptions. Unlike some hybrid securities issued by Macquarie Group entities in the past the Dividend Restriction applying under BCN2 does not apply to restrict distributions on any securities other than MBL Ordinary Shares. In particular:

- it does not restrict MGL from making distributions on, or buying-back or returning capital on MGL Ordinary Shares or any other instruments of MGL; and
- it does not restrict MBL from making distributions on, or buying-back or reducing capital in respect of, securities that rank equally with (or ahead of) BCN2.

Accordingly:

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

In addition, the Dividend Restriction applies only until the next Distribution Payment Date. If Distributions are recommenced on BCN2, the Dividend Restriction will be lifted. This is unlike some other hybrid securities (including some hybrid securities issued by Macquarie Group entities in the past), which have more onerous dividend restrictions.

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

These limitations on the Dividend Restriction reflect APRA's current requirements for the BCN2 to be eligible for inclusion as Additional Tier 1 Capital for MBL.

5.1.10. Risks upon Exchange for MGL Ordinary Shares

MGL Ordinary Shares are a different type of investment from BCN2. For example, dividends on MGL Ordinary Shares are not determined by a formula. MGL Ordinary Shares rank behind the claims of all other securities and debts of MGL in a Winding Up of MGL. MGL Ordinary Shares trade in a manner that is likely to be more volatile than that of BCN2 and the market price is expected to be more sensitive to changes in the performance, prospects and business of the Macquarie Group.

Other events and conditions may affect the ability of BCN2 Holders to trade or dispose of MGL Ordinary Shares issued on Exchange. For example, the willingness or ability of ASX

to accept the MGL Ordinary Shares issued on Exchange for quotation or any practical issues which affect that quotation, any disruption to the market for the MGL Ordinary Shares or to capital markets generally, the availability of purchasers for MGL Ordinary Shares and any costs or practicalities associated with trading or disposing of MGL Ordinary Shares at that time.

5.1.11. BCN2 are perpetual and Exchange, Redemption or Resale may not occur

If not Redeemed, Exchanged, Resold or Written-Off beforehand, BCN2 are scheduled to be Exchanged for MGL Ordinary Shares on 21 December 2028, subject to the Exchange Conditions being satisfied. However, there is a risk that the Exchange Conditions will not be satisfied. For example, if there is a large fall in the MGL Ordinary Share price when compared to the Issue Date VWAP, the First Exchange Condition may not be satisfied. The Issue Date VWAP may only be adjusted for divisions, consolidations or reclassifications of MGL's share capital and bonus issues of MGL Ordinary Shares. There are no adjustments for other capital transactions undertaken by MGL (e.g. pro rata issues, share placements) which might reduce the MGL Ordinary Share price. The BCN2 Terms do not limit the ability of MGL to undertake such capital transactions or any similar action that may adversely affect the position of BCN2 Holders.

If Exchange does not occur on the Scheduled Mandatory Exchange Date, Exchange will then occur on the next quarterly Distribution Payment Date where the Exchange Conditions are all satisfied. There is no guarantee the Exchange Conditions will ever be satisfied and the Exchange may never occur. In this case Distributions will continue to be paid on BCN2, subject to MBL's discretion to pay Distributions and the other Payment Conditions. However, where an Exchange has not occurred, the market price and liquidity of BCN2 may be affected and BCN2 Holders who wish to sell their BCN2 may not be able to do so at an acceptable price, or at all. As such, BCN2 are a perpetual instrument and BCN2 Holders may never receive any return of their investment, either as cash or MGL Ordinary Shares.

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

MBL may elect to Exchange, Redeem or arrange a Resale on a Scheduled Optional Exchange Date, or the occurrence of a Tax Event or Regulatory Event. Whether any action takes place or which action is taken at these times is entirely at the option of MBL (and subject to various restrictions and conditions). These choices (and consequently whether BCN2 Holders receive cash or MGL Ordinary Shares) may be disadvantageous to BCN2 Holders and may not coincide with their individual preference or intended investment outcomes. BCN2 Holders have no right to request any of Exchange, Redemption or Resale at any time. Whilst, as at the date of this Prospectus, no Regulatory Events or Tax Events are expected by MBL, these events are beyond the control of MBL and could occur at any future time. Any Exchange, Redemption or Resale at the option of MBL is subject to various restrictions and conditions, including, in the case of Redemption, that the BCN2 to be Redeemed are replaced with securities forming part of Tier 1 Capital of the same or better quality from APRA's perspective,

under conditions that are sustainable for MBL's income capacity or that APRA is satisfied that the capital position of MBL is sufficient after the BCN2 are Redeemed. APRA must give written approval for any Redemption or Resale of BCN2. The granting of this approval is at the complete discretion of APRA.

As a consequence, Exchange, Redemption or Resale may not occur, or could occur at a time not previously contemplated by BCN2 Holders. This may disadvantage BCN2 Holders and not coincide with their individual preferences or intended investment outcomes. The rate of return at which BCN2 Holders may reinvest their funds may be lower than the Distribution Rate on BCN2.

5.1.13. Cash payment only in limited circumstances

BCN2 Holders will only receive a cash payment for their BCN2 where MBL chooses to Redeem or Resell BCN2. This choice of Redeeming or Reselling BCN2 is only available on specific dates or upon the occurrence of specific events and is entirely at the discretion of MBL. Further, these options are subject to conditions and restrictions, including requiring the written approval of APRA. It is not certain whether or not these tests will be met or the relevant events will occur, that APRA would give any approval, or that MBL would choose to Redeem or Resell BCN2 (or instead elect that BCN2 will be Exchanged (if permitted at the relevant time)). As a consequence, there is no certainty that BCN2 Holders will receive a cash payment for their BCN2.

5.1.14. Exchange on an Acquisition Event

Each of MBL and MGL may be affected by merger and acquisition activity, including the possibility of being acquired by or merged with another company, which may constitute an Acquisition Event. If an Acquisition Event occurs, an Exchange must occur (unless, the Directors determine that (a) on the Acquisition Exchange Date MGL will be, or will be likely to be, Delisted (except where, despite MGL being Delisted, the Exchange would be in the best interests of BCN2 Holders as a whole) or (b) the Exchange Number of MGL Ordinary Shares to be issued in exchange for a BCN2 (as if it were not limited by the Maximum Exchange Number applicable to an Acquisition Exchange Date) would exceed the Maximum Exchange Number applicable to an Acquisition Exchange Date and accordingly the BCN2 Holders may receive less than their Issue Price worth of MGL Ordinary Shares (except where, despite the Exchange Number being limited to the Maximum Exchange Number applicable to an Acquisition Exchange Date, the Directors determine that the Exchange would be in the best interest of the BCN2 Holders taken as a whole)).

Such an Exchange could occur at a time not previously contemplated by BCN2 Holders, which may disadvantage BCN2 Holders and not coincide with their individual preferences or intended investment outcomes. Additionally, where the Exchange occurs because the Directors have determined it is in the BCN2 Holders best interests as a whole, that determination may not take into account the position of individual BCN2 Holders and may disadvantage individual BCN2 Holders.

5.1.15. Impact of an Automatic Exchange Event

If an Automatic Exchange Event occurs, MBL must immediately Exchange some or all BCN2 for MGL Ordinary Shares. This could occur at any time and accordingly, is not subject to any Exchange Conditions. An Automatic Exchange Event occurs if a “**Common Equity Tier 1 Trigger Event**” or a “**Non-Viability Event**” occurs.

A Common Equity Tier 1 Trigger Event occurs if MBL determines, or APRA notifies MBL in writing that it believes, that the Common Equity Tier 1 Ratio of MBL is equal to or less than 5.125%.

A Non-Viability Event will occur if APRA:

- has issued a written notice to MBL that the exchange or conversion into MGL Ordinary Shares, or write-off, of Relevant Tier 1 Securities is necessary because without it APRA considers that MBL would become non-viable; or
- has notified MBL in writing that it has determined that without a public sector injection of capital, or equivalent support, MBL would become non-viable.

APRA has not provided any specific guidance as to how it would determine non-viability, or what would constitute equivalent support to a public sector injection of capital. However, APRA has indicated that it non-viability is likely to arise prior to the insolvency of an ADI.

Non-viability could be expected to include serious impairment of MBL's financial position and solvency. However, APRA's definition of non-viability may not be confined to solvency or capital measures and APRA's position on these matters may change over time. As the occurrence of a Non-Viability Event is at the discretion of APRA, there can be no assurance given as to the factors and circumstances that may give rise to this event.

Non-viability may arise as a result of many factors including factors which impact the business, operation and financial condition of MBL. See the discussion of risks associated with MBL and the Macquarie Group, below. As a consequence, if a Non-Viability Event occurs, there are many ways and a greater likelihood that a BCN2 Holder may lose some or all of their investment.

If an Automatic Exchange Event occurs, some or all BCN2 on issue will be immediately Exchanged into MGL Ordinary Shares. Exchange will occur automatically, without the need for any further action and MBL will treat BCN2 Holders as though the Exchange has occurred. MBL expects that any ASX trades in BCN2 that have not settled on the date of an Automatic Exchange Event will continue to settle in accordance with the normal ASX settlement, although the seller will be treated as having delivered and the buyer will be treated as having acquired MGL Ordinary Shares into which the BCN2 have been Exchanged. Alternatively, trading in BCN2 and MGL Ordinary Shares may be halted and unsettled transfers of BCN2 may not be registered. This disruption in trading may cause the BCN2 Holder to suffer a loss and be unable to deal in BCN2.

BCN2 Holders may not have prior notice of an Automatic Exchange Event and Exchange in these circumstances is not subject to the Exchange Conditions being satisfied. The MGL Ordinary Shares that will be issued may not be quoted at the time of issue or at all and may not be tradable.

5. Investment risks

The number of MGL Ordinary Shares that a BCN2 Holder will receive on an Exchange following an Automatic Exchange Event is calculated from a five ASX Trading Day VWAP prior to the Automatic Exchange Date and subject to the Maximum Exchange Number applicable to an Automatic Exchange Date. If an Automatic Exchange Event occurs the market price of MGL Ordinary Shares may be volatile. Accordingly, a BCN2 Holder may receive significantly less than \$100 worth of MGL Ordinary Shares per BCN2 and may suffer a loss as a result. This is because:

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

There is no obligation on MBL to issue any Relevant Securities, or to maintain on issue any Relevant Securities that it has issued or may decide to issue in the future. As a result, if an Automatic Exchange Event requiring the Exchange of only some but not all Relevant Securities occurs, the relative impact on BCN2 Holders will depend on the amount of Relevant Securities other than BCN2 (if any) that are on issue at that time. The Maximum Exchange Number applicable to the Exchange of BCN2 may be different from the maximum exchange number applicable to Relevant Securities.

5.1.16. Impact of failure to Exchange leading to Write-Off

If the relevant BCN2 are not Exchanged within 5 Business Days of the Automatic Exchange Event then the MGL Ordinary Shares will not be issued and the relevant BCN2 will be Written-Off. This may occur for any reason, including an Inability Event. An Inability Event occurs if MBL, MGL or any other their Related Bodies Corporate (including MBHPL) is for any reason unable to observe or perform, or is prevented or prohibited from observing or performing any of their obligations in respect of the Exchange.

An example of when an Inability Event may occur would be if MGL were prevented by an applicable law or order of any court, or action of any government authority, from issuing MGL Ordinary Shares. As at the date of this Prospectus, such laws could include Shareholding Laws (broadly, laws that relate to financial sector shareholdings, foreign acquisitions and takeovers and company takeovers). Other such laws may in future be specified by regulations made under the Banking Act. The completion of an Exchange requires not only MGL to issue MGL Ordinary Shares in exchange for the transfer of BCN2, but also MGL, MBL and MBHPL to perform the Related Exchange Steps – which involve the issue of MBL Ordinary Shares to MBHPL and the issue of ordinary shares in MBHPL to MGL, and if any of these steps is not carried out or for any other reason the Exchange is not completed within the 5 Business Days, the relevant BCN are Written-Off.

In such cases, the BCN2 Holder will not receive any MGL Ordinary Shares in respect of these BCN2, have no further claim on MBL or MGL and suffer a loss of their investment. The laws and circumstances under which an Inability Event arises may change and the change may be adverse to the interests of BCN2 Holders and MBL.

Recent changes to the law have given statutory recognition to conversion and write-off provisions in regulatory capital instruments such as BCN2, subject to limited exceptions (such as Shareholding Laws and other such laws that are in future specified by regulations made under the Banking Act).

5.1.17. MGL Ordinary Shares issued to a Sale Agent

If BCN2 are to be Exchanged and:

- the BCN2 Holder has notified MBL that it does not wish to receive MGL Ordinary Shares;
- the BCN2 are held by a person whose registered address is outside of Australia or who MBL believes is not an Australian resident and MBL believes the issue of MGL Ordinary Shares would not be permitted by law or would be permitted only after compliance with conditions which MBL considers, in its absolute discretion, are not acceptable or are unduly onerous;
- MBL or MGL does not have the necessary information to issue the MGL Ordinary Shares to a particular BCN2 Holder;
- a FATCA withholding is required to be made in respect of any MGL Ordinary Shares to be delivered as a result of Exchange; or
- MGL believes it is not permitted to issue some or all MGL Ordinary Shares to a particular BCN2 Holder under any Australian or foreign law which limits or restricts the number of shares in MGL which a person may hold; then

MBL will use reasonable endeavours to appoint a Sale Agent and, if a Sale Agent is appointed then, subject to applicable law and provided that MBL, MGL and the Sale Agent are satisfied that the MGL Ordinary Shares otherwise to be Exchanged may lawfully be issued and sold by the Sale Agent without having to take steps which any or all of them regard as onerous, MGL will instead issue the relevant MGL Ordinary Shares to the Sale Agent which will at the first reasonable opportunity sell the MGL Ordinary Shares (together with MGL Ordinary Shares of each other BCN2 Holder similarly affected) and pay to the relevant BCN2 Holder its proportionate share of the net proceeds actually received from the sale (after deducting applicable brokerage, stamp duty and other taxes, charges and expenses).

MBL, MGL and the Sale Agent give no assurance as to whether a sale will be achieved or the price at which it may be achieved and each have no liability to BCN2 Holders for any loss suffered as a result of the sale of MGL Ordinary Shares. The issue of the MGL Ordinary Shares to the Sale Agent will satisfy all obligations of MBL in respect to the BCN2.

In these circumstances the sale of MGL Ordinary Shares is beyond the control of the BCN2 Holder and may disadvantage the individual BCN2 Holder and not coincide with their individual preferences or intended investment outcomes. The amount received in respect of this sale may be less than the investment of the BCN2 Holder.

If any of MBL, MGL or the Sale Agent is of the opinion that MGL Ordinary Shares cannot be issued to the Sale Agent (or issue would require onerous steps to be taken) or otherwise to the BCN2 Holder within 5 Business Days of an Automatic Exchange Date, then the relevant BCN2 will be Written-Off.

In the case of an Exchange on any other date, if MBL or the Sale Agent is of the opinion that the issue of MGL Ordinary Shares to the Sale Agent cannot be made in accordance with applicable laws (or would require onerous steps to be taken), the issue of MGL Ordinary Shares is deferred and the relevant BCN2 remain on issue until the MGL Ordinary Shares are issued or the relevant BCN2 Redeemed. However, six months after the Exchange Date the rights of the relevant BCN2 Holder cease, other than the right to receive any net proceeds of the sale of MGL Ordinary Shares issued to the Sale Agent before that time.

5.1.18. Restrictions on rights and ranking in a Winding Up

BCN2 are issued by MBL under the terms of the BCN2 Deed Poll (including the BCN2 Terms). A BCN2 Holder has no claim on MBL in respect of the BCN2 except as provided in the BCN2 Terms and in the BCN2 Deed Poll. For further information on the relevant provisions of the BCN2 Deed Poll see section 7.1

BCN2 are unsecured and subordinated obligations of MBL. In the event of a Winding Up of MBL and assuming that BCN2 have not been Exchanged, Redeemed or Resold and are not required to be Written-Off due to an Automatic Exchange Event, BCN2 Holders will be entitled to claim for the Liquidation Amount of each BCN2 equal to \$100 for each BCN2. The claim for the Liquidation Amount ranks equally with Equal Ranking Obligations but is subordinated to Senior Creditors. If, on a Winding Up of MBL:

- there is a shortfall of funds to pay all amounts ranking senior to BCN2, BCN2 Holders will not receive any of the Liquidation Amount; and
- all amounts ranking senior to BCN2 have been paid but there is a shortfall of funds to pay all amounts ranking equally with BCN2, BCN2 Holders may not receive all (or any) of the Liquidation Amount.

If the BCN2 have been Exchanged (including following the occurrence of an Automatic Exchange Event), BCN2 Holders will hold MGL Ordinary Shares and rank equally with other holders of MGL Ordinary Shares in a Winding Up.

Where an Automatic Exchange Event occurs, if for any reason (for example due to applicable laws, order of a court or action of any government authority) Exchange of any BCN2 has not occurred within 5 Business Days following such an event, then those BCN2 are Written-Off (that is, the BCN2 Holder's rights (including to Distributions) in relation to those BCN2 are immediately and irrevocably terminated for no consideration with effect on and from the Automatic Exchange Date). The BCN2 Holder's investment will lose all of its value and the BCN2 Holder will not receive any MGL Ordinary Shares or other compensation.

BCN2 may pay a higher rate of distribution than comparable securities and instruments which are not subordinated. However, there is a greater risk that a BCN2 Holder would lose some or all of their investment in BCN2 should MBL become insolvent or in a Winding Up of MBL. Where BCN2 are Written-Off, as MGL Ordinary Shares will still be on issue, a BCN2 Holder is likely to be worse off than a holder of MGL Ordinary Shares.

5.1.19. Other securities issued by MBL or MGL

BCN2 do not in any way restrict MBL or MGL from issuing further MBL Ordinary Shares or MGL Ordinary Shares (as the case may be), other securities (including securities that rank equally with or ahead of the BCN2) or from incurring further debt. MBL's obligations under BCN2 are subordinate to Senior Creditors and obligations preferred by law. Accordingly, the obligations of BCN2:

- will not be satisfied unless MBL can satisfy in full all of its other obligations ranking senior to BCN2; and
- may not be satisfied in full unless MBL can also satisfy in full all of its other obligations ranking equally with BCN2,

and future issues of securities or debts by MBL may dilute the claim of BCN2 Holders or reduce the value of their investment or liquidity of BCN2. The future issue of such securities may be on terms such that they would be exchanged, converted or written-off other than on a proportionate basis with the BCN2 and affect the proportions of BCN2 Exchanged or Written-Off due to an Automatic Exchange Event.

An investment in BCN2 carries no right to participate in any future issue of securities issued by MBL, MGL or any other member of the Macquarie Group.

No prediction can be made as to the effect, if any, which future issues of securities by MBL or MGL may have on the market price or liquidity of BCN2 or the likelihood of payments being made on BCN2.

An investment in BCN2 carries no right to be Redeemed or otherwise be repaid at the same time as MBL or MGL redeems or otherwise repays other securities.

5.1.20. Credit rating risk relating to securities

MBL's cost of funds, margins, access to capital markets and competitive position and other aspects of its performance may be affected by its credit ratings, including any long-term credit ratings (see Section 5.2.14 for more information) or the ratings assigned to any class of its securities. Credit rating agencies may withdraw, revise or suspend credit ratings or change the methodology by which securities are rated. Even though BCN2 will not be rated, such changes could adversely affect the market price, liquidity and performance of BCN2 or MGL Ordinary Shares received on Exchange.

5.1.21. Regulatory treatment

BCN2 will be Additional Tier 1 Capital of MBL, which currently will qualify as regulatory capital of MBL for APRA purposes.

A Regulatory Event may occur if MBL determines that, as a result a change in law or regulation or determination of APRA:

- any of the BCN2 are not eligible for inclusion as Additional Tier 1 Capital for MBL;
- additional requirements in connection with the BCN2 would be imposed on MBL, MGL or the Macquarie Group which MBL determines in its absolute discretion might have a material adverse effect on MGL or otherwise be unacceptable; or
- to have any of the BCN2 outstanding would be unlawful or impractical or that MGL, MBL or the Macquarie Group would be exposed to a more than de minimis increase in its costs in connection with those BCN2.

5. Investment risks

If a Regulatory Event occurs, MBL may be entitled to Exchange or, with the written approval of APRA, Resell or Redeem BCN2.

As a consequence, Exchange, Redemption or Resale may occur at any time and at a time not previously contemplated by BCN2 Holders, which may disadvantage BCN2 Holders and not coincide with their individual preferences or intended investment outcomes. The rate of return at which BCN2 Holders may reinvest their funds or receive in connection with any MGL Ordinary Shares, may be lower than the Distribution Rate on BCN2.

The choice of Exchange, Redemption or Resale when they are available, is entirely at the option of MBL. The choice of these actions (and consequently whether BCN2 Holders receive cash or MGL Ordinary Shares) may be disadvantageous to BCN2 Holders and may not coincide with their individual preference or intended investment outcomes.

5.1.22. Tax consequences

A general outline of the tax consequences of investing in BCN2 for certain potential investors who are Australian residents for tax purposes is set out in the taxation summary in Section 6.1. This summary is in general terms and is not intended to provide specific advice addressing the circumstances of any particular potential investor. Accordingly, potential investors should seek independent advice concerning their own individual tax position.

If a change is made or announced in a law or regulation, or a judicial decision, or an administrative pronouncement, ruling or challenge from a government authority which was not expected at the time of issue of BCN2, which has an adverse effect on MBL in the amount of taxes, assessments or other governmental charges in connection with BCN2, or affects whether any Distribution would be frankable, then a Tax Event may occur.

If a Tax Event occurs, MBL may be entitled to Exchange or, with the written approval of APRA, Resell or Redeem BCN2.

As a consequence, Exchange, Redemption or Resale may occur at any time and at a time not previously contemplated by BCN2 Holders, which may disadvantage BCN2 Holders and not coincide with their individual preferences or intended investment outcomes. The rate of return at which BCN2 Holders may reinvest their funds may be lower than the Distribution Rate on BCN2.

The choice of Exchange, Redemption or Resale when they are available, is entirely at the option of MBL (subject to APRA approval). The choice of these actions (and consequently whether BCN2 Holders receive cash or MGL Ordinary Shares) may be disadvantageous to BCN2 Holders and may not coincide with their individual preferences or intended investment outcomes.

If a change is made or announced in a law or regulation which has an adverse effect on BCN2 Holders, but does not otherwise impact MBL, no Tax Event will occur and MBL has no ability to adjust the Distributions or otherwise change BCN2. For example, see the comments regarding “anti-hybrid” rules in Sections 5.1.8 and 6.1.2.

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

5.1.23. Powers of APRA

Under the Banking Act, APRA has power to issue directions to MBL and to MGL. These powers of APRA are broad and may be exercised to interfere with the performance of obligations and the exercise of rights under the BCN2, including power to appoint a Banking Act statutory manager, who may cancel shares or any rights to acquire shares in MBL or MGL (see further Section 5.2.4).

The Banking Act gives APRA extensive powers to facilitate the resolution of the entities that it regulates (and their subsidiaries) in times of distress. Powers given to APRA include oversight, management and directions powers in relation to MGL, MBL and other Macquarie Group members, and powers with respect to statutory management. The Banking Act also gives statutory recognition to provisions for the conversion or write-off of an instrument such as the BCN2.

In addition, APRA has powers to require the compulsory transfer of all or part of the business of MBL (including shares of MBL) or MGL pursuant to the Financial Sector (Transfer and Restructure) Act 1999 (Cth) (“**FSTR Act**”). A transfer under the FSTR Act overrides anything in any contract or agreement to which MBL or MGL is a party, including the BCN2 Terms.

These powers of APRA may be exercised in a way which adversely affects the ability of MBL or MGL to comply with its obligations in respect of the BCN2 (including in connection with the Exchange of BCN2), and this may adversely affect the position of BCN2 Holders.

5.1.24. Accounting standards

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

5.1.25. Shareholding limits

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

The FSSA restricts ownership of MGL by people (together with their associates) to a 20% stake. A shareholder may apply to the Australian Federal Treasurer to extend their ownership beyond 20%, but approval will not be granted unless the Treasurer is satisfied that the holding is in the national interest.

BCN2 Holders should take care to ensure that their holding of BCN2 (and any MGL Ordinary Shares that they could be Exchanged for) do not breach any applicable restrictions on ownership.

Where, on an Exchange, the issue of any MGL Ordinary Shares to any particular BCN2 Holder (either directly or indirectly) is prevented by law, MBL may be unable to Exchange those BCN2 and they will be Written-Off.

5.1.26. FATCA withholding and information reporting

Sections 1471 through 1474 of the U.S. Internal Revenue Code of 1986 (“**FATCA**”) impose a reporting regime and potentially a 30% withholding tax with respect to certain payments. The Australian Government and the US Government signed an intergovernmental agreement (“**IGA**”) which may require that Australian financial institutions involved in the BCN2 payment processes, such as custodians or nominees, provide the ATO with information about investors. As such, certain information may be requested from BCN2 Holders or beneficial owners of BCN2 which may be provided to the ATO. MBL does not anticipate any financial institutions involved in the payment processes (including MBL itself) being obliged to deduct any withholding for or on account of FATCA, but there can be no assurance that MBL or any relevant financial institution will not be required to deduct or withhold amounts on payments made to BCN2 Holders as a result of FATCA in the future.

If an amount was to be deducted or withheld in respect of FATCA from payments on BCN2 or deliveries of MGL Ordinary Shares made in respect of BCN2, neither MBL nor any paying agent nor any other person would, pursuant to the conditions of BCN2, be required to pay additional amounts as a result of the deduction or withholding. As a result, BCN2 Holders may receive less Distributions, principal or MGL Ordinary Shares than expected.

FATCA is particularly complex. Investors should consult their own tax advisers to determine how these rules may apply to payments they will receive under BCN2, particularly if they are a U.S. person or have financial dealings with a U.S. person.

5.1.27. Common Reporting Standard

The OECD Common Reporting Standard for Automatic Exchange of Financial Account Information in Tax Matters (“**CRS**”) may require financial institutions involved in the BCN2 payment processes, such as custodians or nominees, to report information regarding BCN2 to their local tax authority and follow related due diligence procedures. BCN2 Holders may be requested to provide certain information and certifications to ensure compliance with the CRS. The Australian Government has enacted legislation amending, among other things, the Taxation Administration Act 1953 (Cth) to give effect to the CRS.

5.1.28. Amendment of BCN2 Terms or BCN2 Deed Poll

In certain circumstances, MBL may, with APRA's prior written approval where required, amend the BCN2 Terms or BCN2 Deed Poll without the approval of BCN2 Holders. These circumstances include where MBL is of the opinion that the amendments do not materially adversely affect the interests of the BCN2 Holders as a whole.

MBL may also, with APRA's prior written approval where required, amend the BCN2 Terms or BCN2 Deed Poll if the amendment has been approved by a Special Resolution of BCN2 Holders. Amendments under these arrangements are binding on all BCN2 Holders, despite the fact that an individual BCN2 Holder may not agree with the amendment, has voted against making the amendment or may be disadvantaged by the amendment.

MBL may also, with APRA's prior written approval, amend the BCN2 Terms in circumstances where the Reference Rate ceases to be available and replace the Reference Rate with an alternative rate that MBL considers appropriate, and make certain other amendments to the BCN2 Terms. Such amendments could adversely affect the interests of BCN2 Holders.

APRA's prior written approval of an amendment is required where the amendment may cause the BCN2 to cease to be Additional Tier 1 Capital of MBL.

5.2. Risks associated with MBL and the Macquarie Group

The factors described below relate to an investment in MBL and the Macquarie Group.

Risks associated with MBL and the Macquarie Group are relevant to an investment in BCN2 because they may affect MBL's ability to fulfil its obligations under the BCN2 Terms, the market value of BCN2 and the market value of, and any dividends paid on, MGL Ordinary Shares issued on an Exchange of BCN2.

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. In this section, references to the Macquarie Group are to be read to include MBL and matters affecting or concerning the Macquarie Group should also be read to affect or concern MBL.

5.2.1. 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 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

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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.

In relation to the Non-Banking Group's funds management businesses, the funds management fee income may be adversely affected by volatility in asset values and the returns from the managed funds.

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, including the market value of securities in the secondary market.

5.2.2. 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, Chinese or European 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**") was ratified on 31 January 2020 under applicable UK and EU laws, however, significant uncertainty remains in relation to the structure of the future relationship between the UK and the EU and broader impact of Brexit. 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.

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 particularly 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.

5.2.3. 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 the Macquarie Group 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, MBL 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.

5.2.4. 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 and Hong Kong and representative offices in the United States, New Zealand, South Korea 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 MBL or MGL's securities or creditors.

As a diversified financial institution, many of the Macquarie Group's businesses are also subject to other regulations including financial services and other industry specific regulations. 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.

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 or impacts 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 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 Macquarie Group'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.

APRA may introduce new prudential regulations or modify existing regulations, including those that apply to MBL as an ADI. Any such event could result in changes to the organisational structure of the Macquarie Group and adversely affect the Macquarie Group.

The Australian government has also passed the *Treasury Laws Amendment (Design and Distributions Obligations and Product Intervention Powers) Act 2019* (Cth) which imposes design and distribution obligations on the issuers, providers and distributors of financial products. These laws may also affect the liquidity of funding instruments such as BCN2, if they lead to a material reduction in future issuance volumes or secondary trading activity by investors.

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.

5.2.5. 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

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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 was announced in December 2017 and 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. 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. On 14 February 2019, the Federal Parliament passed a law significantly increasing penalties for corporate and financial sector misconduct and contravention of various corporate legislation. In response to the Final Report, the Federal Government proposed extending the BEAR to Australian Financial Services Licence holders and ACL holders, market operators and clearing and settling facilities, as well as to all APRA regulated entities. On 19 August 2019, the Federal Government released its Financial Services Royal Commission Implementation Roadmap which noted that over 40 of the Royal Commission's recommendations require legislation to facilitate their implementation. The Federal Government anticipates that it will introduce all necessary legislation to implement the recommendations of the Royal Commission by the end of calendar 2020. Macquarie is closely monitoring the governmental, regulatory and industry responses to these recommendations and will participate in public and industry consultations as appropriate.

5.2.6. 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.

5.2.7. 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.

5.2.8. 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. MBL does not control those entities that are not in the Banking Group, but their actions may reflect directly on Macquarie's reputation.

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.

5.2.9. 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.

5.2.10. 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, MBL may be subject to limitations on remuneration practices. These limitations may require MBL 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.

5.2.11. 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, pandemics or disease outbreaks such as the 2019-20 novel coronavirus (2019—nCoV) outbreak, 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. Increased regulatory scrutiny, costs and risks of administering or otherwise participating in the setting of a benchmark may have the effect of discouraging market participants from continuing to administer or contribute to certain benchmarks, trigger changes in the rules or methodologies used in certain benchmarks or lead to the disappearance of certain benchmarks. Any 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.

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5.2.12. 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.

5.2.13. 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.

5.2.14. Credit ratings risk

The credit ratings assigned to MBL or 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 MBL or 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.

5.2.15. 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.

5.2.16. 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.

5.2.17. 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.

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.

5.2.18. 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.

5.2.19. Risk of unforeseen, hostile or potential catastrophic events, climate change and environmental 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 pandemics or disease outbreaks such as the 2019-20 novel coronavirus (2019—nCoV) outbreak, 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 such third party suppliers or service providers 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 including fires, storms, floods and droughts. 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 and/or impacting certain customer segments. Any such long-term, adverse environmental consequences could lead Macquarie Group to exit certain businesses altogether.

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.

5. Investment risks

5.2.20. 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.

5.2.21. Macquarie Group may be adversely affected by litigation and regulatory actions

The Macquarie Group may, from time to time, be subject to 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.

5.2.22. MBL relies on services provided by MGL.

Under the Services Agreements, MGL provides shared services to MBL. These shared services include risk management, financial operations and economic research services, information technology, treasury, settlement services, equity markets operation services, human resources, business services, company secretarial and investor relations, media relations and corporate communications, taxation, business improvement and strategy, central executive services, accommodation and related services, other group-wide services and business shared services. Other than exercising its rights under the Services Agreements, MBL has no direct control over the provision of those services, MGL's continued provision of those services or the cost at which such services are provided. Any failure by MGL to continue to provide those services or an increase in the cost of those services will have an adverse impact on MBL's results or operations.

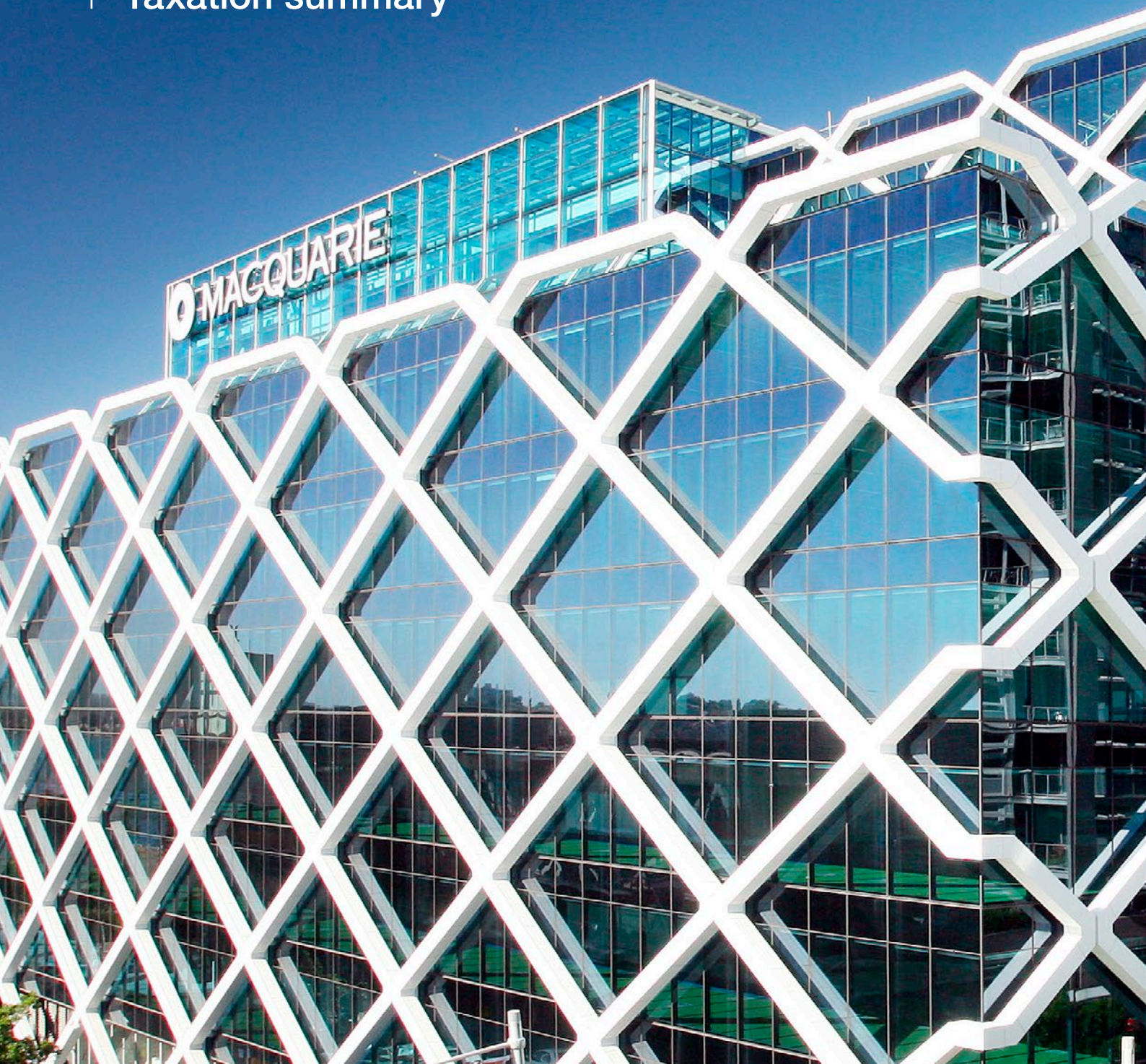
Apart from its rights under the Services Agreements, MBL has no control over the management, operations or business of entities in the Non-Bank Group that are not part of the Bank Group.

Entities in the Non-Bank Group that are not part of the Bank Group may establish or operate businesses that are different from or compete with the businesses of the Bank Group and those other entities are not obligated to support the businesses of the Bank Group other than as required by APRA prudential standards.

The description of risks in this Section 5 is not exhaustive and you should read this prospectus in its entirety and consult your financial adviser or other professional adviser before deciding whether to invest in BCN2.

6

Taxation summary



6. Taxation summary

6.1. Summary of Australian tax consequences for BCN2 Holders

The following is a summary of the Australian tax consequences for certain Australian resident BCN2 Holders who subscribe for BCN2 under the Offer.

This summary is not intended to be exhaustive and you should seek advice from your own financial or tax adviser or other professional adviser before deciding to invest in BCN2. In particular, this summary does not consider the consequences for BCN2 Holders who:

- are not Australian residents for tax purposes;
- are Australian residents but acquire and/or hold the BCN2 through a permanent establishment outside Australia;
- acquire BCN2 otherwise than under the Offer;
- hold BCN2 in their business of share trading or dealing in securities, or who otherwise hold their BCN2 on revenue account or as trading stock; or
- are subject to the “taxation of financial arrangements” provisions in Division 230 of the Tax Act in relation to their holding of BCN2.

This summary is not intended to be, nor should it be constituted as being, investment, legal or tax advice to any particular BCN2 Holder.

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

6.1.1. Class ruling sought on BCN2

MBL has applied to the ATO for a Class Ruling to confirm certain Australian tax consequences for Australian resident BCN2 Holders.

However, the ATO has indicated that it is unable to issue a Class Ruling until draft legislation introduced in December 2019 has been enacted. As such, the ATO will issue the BCN2 Class Ruling either after the BCN2 are issued or after the enactment of the new legislation (whichever comes later).

When issued, copies of the Class Ruling will be available from www.macquarie.com and on the ATO website.

6.1.2. Distributions on BCN2

BCN2 should constitute non-share equity interests and Distributions under the BCN2 Terms should constitute non-share dividends that are frankable.

BCN2 Holders should include such Distributions in their assessable income. Generally, provided that a BCN2 Holder is a “qualified person” (see below) and the ATO does not make a determination under certain anti-avoidance rules (see below), a BCN2 Holder should include any franking credits in their assessable income and be entitled to a tax offset equal to the franking credits received.

A BCN2 Holder that is an individual or complying superannuation fund may be able to receive a tax offset refund from the ATO in a particular year if the franking credits attached to the dividend exceed the tax payable on the BCN2 Holder's total taxable income.

A BCN2 Holder that is a company should be entitled to a franking credit and a tax offset in respect of any franking credits attached to a Distribution. However, the company will not be entitled to a tax offset refund of the excess franking credits. Rather, the surplus franking credits may be converted to a tax loss which can be carried forward to future years (subject to the corporate BCN2 Holder satisfying certain loss carry forward rules).

BCN2 Holders who are residents of Australia for tax purposes who are neither individuals nor trustees of complying superannuation funds nor companies should consider how they should be treated in relation to the taxation of the Distributions. Such BCN2 Holders include exempt bodies and the trustees of trusts other than complying superannuation funds.

Holding period rule

Under the “holding period rule”, in order to qualify for a franking offset BCN2 Holders are required to hold their BCN2 “at risk” for a continuous period of at least 90 days (excluding the days of acquisition and disposal) during the period beginning on the day after the BCN2 is acquired and ending on the 90th day after the day that the BCN2 becomes ex-distribution (commonly referred to as the “primary qualification period”).

If a BCN2 Holder, or an associate, is obliged to make a “related payment” which has the effect of passing on the benefit of the Distribution to other entities, the BCN2 Holder will also be required to hold their BCN2 “at risk” for at least 90 days during the period from 90 days before to 90 days after BCN2 become ex-distribution.

To be held “at risk”, a BCN2 Holder must effectively retain 30% or more of the risks and benefits associated with holding BCN2. This may be affected by any risk management strategies undertaken by a BCN2 Holder in relation to their BCN2 (for example, by the use of limited recourse loans, options or other derivatives).

A BCN2 Holder that holds their BCN2 at risk for at least the primary qualification period and does not make a related payment should satisfy the “holding period rule” in relation to the franking credits included in the Distribution.

The “holding period rule” does not apply to BCN2 Holders that are individuals if the total amount of the tax offsets in respect of franked distributions to which the BCN2 Holder is entitled to, in a particular income year, is \$5,000 or less, provided they are not under an obligation to make a “related payment” as described above. In this instance, the BCN2 Holder should be entitled to the benefit of franking credits whether or not their BCN2 are held at risk for the requisite period of time.

Anti-avoidance rules

There are anti-avoidance rules that may apply in certain circumstances to deny the benefit of franking credits to BCN2 Holders.

One such rule, being the so called “anti-hybrid” rule in section 207-158 of the Tax Act, applies when the issuer of the instrument (here, MBL) is entitled to a deduction in a foreign jurisdiction in relation to distributions paid on the instrument. It is possible that this rule could apply to Distributions paid on BCN2 and if applicable, a BCN2 Holder’s entitlement to franking credits may be denied. The Government is aware of this issue and, in December 2019, introduced draft legislation to ensure that investors (here, BCN2 Holders) would not be denied franking credits or tax offsets on their Distributions as a result of the application of this rule provided that the issuer (MBL) does not claim such foreign income tax deductions. MBL is not intending to claim any such foreign income tax deductions in relation to Distributions paid on the BCN2 that would infringe section 207-158. As such, provided the draft legislation is enacted in its current form, section 207-158 should not apply to deny Holders the benefit of either franking credits or tax offsets in relation to Distributions.

Another rule is in section 177EA of the Tax Act which is intended to apply to prevent schemes that are entered into for the purpose of obtaining a franking benefit and this purpose is more than an incidental purpose of entering into the scheme. Under this rule, the ATO may make a determination based on a number of objective factors as to whether a scheme has such a purpose.

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

Having regard to the objective factors which the ATO may consider under section 177EA and in light of the High Court’s decision in the Mills case, MBL does not expect section 177EA to apply to Distributions on BCN2.

MBL also does not expect any other anti-avoidance provisions to apply to Distributions on BCN2, subject to the particular circumstances of a BCN2 Holder.

6.1.3. CGT cost base and acquisition date for BCN2

The cost base (or reduced cost base) of each BCN2 acquired by a BCN2 Holder should include \$100 (being the Issue Price of each BCN2) and any non-deductible incidental costs (e.g. broker fees, adviser fees) associated with the acquisition and disposal of BCN2. This will be relevant in determining the capital gain or capital loss arising on a disposal of BCN2 (discussed further below).

Each BCN2 will be taken to have been acquired by a BCN2 Holder on the Issue Date.

6.1.4. Exchange of BCN2 into MGL Ordinary Shares

Specific capital gains tax provisions under the Tax Act should apply to disregard any gain or loss that may arise on Exchange of BCN2 into MGL Ordinary Shares such that the gain or loss is effectively deferred.

As a consequence, the BCN2 Holder’s cost base in the MGL Ordinary Shares acquired on Exchange should be equal to their cost base in BCN2. The MGL Ordinary Shares are taken to be acquired at the date of the relevant exchange event for capital gains tax purposes (including for the purposes of determining the 12 month ownership period for the “CGT Discount Concession” discussed below).

6.1.5. Write-Off of BCN2

If Exchange has not occurred, for any reason, within 5 Business Days of an Automatic Exchange Event, a BCN2 Holder’s rights under the BCN2 will be Written-Off and they will terminate for no consideration.

A CGT event will happen for BCN2 Holders if and when BCN2 are Written-Off. As no consideration will be received by BCN2 Holders for their Written-Off BCN2, where the BCN2 have no market value for tax purposes, BCN2 Holders should make a capital loss equal to the reduced cost base of their Written-Off BCN2.

6.1.6. Sale of BCN2 on ASX

Any gain or loss on the sale of BCN2 on ASX by a BCN2 Holder should be included in the calculation of the BCN2 Holder’s taxable income.

The Class Ruling application has requested that the ATO confirm that BCN2 should not constitute “traditional securities” and MBL expects that the Class Ruling will conclude that BCN2 are not “traditional securities”. On this basis, any gains or losses made by BCN2 Holders on the sale of BCN2 should be taxed under the CGT rules.

CGT Discount Concession

Where a BCN2 Holder realises a capital gain on disposal of BCN2, certain BCN2 Holders who have held their BCN2 for at least 12 months prior to disposal (excluding the days of acquisition and disposal) should be eligible for the 50% CGT discount (for individuals and trusts) or 33¹/₃% CGT discount (for complying superannuation funds) on any capital gain made on disposal.

The Government announced in the Federal Budget delivered on 8 May 2018 that from 1 July 2019, “managed investment trusts” (MITs) and “attribution MITs” (AMITs) would no longer be entitled to the CGT discount at the trust level. Under this proposal, MITs and AMITs that derive capital gains will continue to be able to distribute those amounts as capital gains that may be subject to the CGT discount in the hands of those beneficiaries who are entitled to the CGT discount. In the 2018-2019 Mid-Year Economic and Fiscal Outlook released on 17 December 2018, the Government announced that the start date for this proposal will be revised from 1 July 2019 to 1 July 2020. Investors should monitor any potential changes on an ongoing basis.

Where a capital loss is realised on the sale of BCN2, the capital loss is generally only deductible against capital gains but can be carried forward for use in a later year.

6. Taxation summary

6.1.7. Resale of BCN2

MBL may elect to Resell BCN2 in certain circumstances. For each BCN2 subject to a Resale, a BCN2 Holder will be entitled to receive the Resale Price (which is equal to the Issue Price) from the Nominated Party. A Resale will constitute a disposal of BCN2 by the BCN2 Holder for CGT purposes. Accordingly, a BCN2 Holder may realise a capital gain or capital loss on such disposal to the extent that the Resale proceeds are greater or less than the BCN2 Holder's cost base or reduced cost base for the BCN2.

If BCN2 have been held for at least 12 months prior to the Resale (excluding the days of acquisition and disposal), a qualifying BCN2 Holder (an individual, qualifying trust or complying superannuation fund) may be entitled to the CGT discount concession in respect of any capital gain arising on disposal, in the manner discussed in Section 6.1.6 above.

6.1.8. Redemption of BCN2

MBL may also elect to Redeem BCN2 in certain circumstances, in which case MBL must pay a cash amount equal to the Redemption Price in respect of each BCN2.

Redemption of BCN2 will be a CGT event and give rise to a capital gain if the proceeds exceed the BCN2 Holder's CGT cost base of the BCN2. Conversely, a capital loss will result if the proceeds are less than the BCN2 Holder's reduced cost base.

The Redemption proceeds will be an amount equal to the Issue Price of each BCN2, unless the market value of a BCN2 on the Redemption Date (determined as if Redemption of the BCN2 had not occurred or been proposed to occur) is greater or less than the Issue Price. In that case, the greater or lesser market value amount will be deemed to be the capital proceeds of the Redemption, instead of the Issue Price actually received. The Redemption proceeds should not be treated as a dividend on the basis that they will be debited against an amount standing to the credit of MBL's non-share capital account. A qualifying BCN2 Holder (an individual, qualifying trust or complying superannuation fund) may be entitled to the CGT discount concession for any capital gain, in the manner discussed in Section 6.1.6 above.

6.1.9. MGL Ordinary Shares following Exchange

The dividends received on MGL Ordinary Shares should give rise to similar tax consequences outlined in Section 6.1.2 in relation to Distributions on BCN2.

Any gain or loss realised on the sale of MGL Ordinary Shares should be taxable under the CGT rules. As outlined above, the MGL Ordinary Shares acquired on Exchange will be taken to have been acquired on the date of Exchange. This means that the MGL Ordinary Shares would need to be held for at least 12 months after the date of Exchange in order for eligible BCN2 Holders (individuals, qualifying trusts and complying superannuation funds) to qualify for the CGT discount concession on the disposal of MGL Ordinary Shares.

6.1.10. Provision of TFN and/or ABN

BCN2 Holders may choose to provide their TFN, ABN or a relevant exemption to MBL.

In the event that MBL is not notified, the Taxation Administration Act 1953 (Cth) imposes withholding tax on the payment of distributions on certain types of investments such as the unfranked part (if any) of Distributions. The rate of withholding is currently 47%.

6.1.11. GST

GST should not be payable on the issue, receipt, disposal, Exchange, Redemption or Resale of BCN2.

6.1.12. Stamp duty

Under current law, no stamp duty should be payable by a BCN2 Holder:

- on the issue, transfer, Redemption, Exchange or Resale of BCN2, as long as no BCN2 Holder (alone or with associates) will acquire or hold a 90% or more interest in MBL; or
- on the issue of MGL Ordinary Shares on Exchange or the transfer of MGL Ordinary Shares as long as MGL is listed, its shares are quoted on ASX and no BCN2 Holder (alone or with associates) will acquire or hold a 90% or more interest in MGL.

The stamp duty legislation generally requires the interests of associates to be included in working out whether the threshold is reached. In some circumstances, the interests of unrelated entities can also be aggregated together in working out whether the threshold is reached.

6.2. Summary of tax consequences for Eligible BCN Holders who participate in the Reinvestment Offer

Under the Reinvestment Offer, Eligible BCN Holders who elect to participate in the Reinvestment Offer may direct the proceeds of their Reinvested BCN to be reinvested in a corresponding number of BCN2. This will be effected via a payment direction to the BCN Purchaser to pay the sale proceeds to MBL and MBL to apply the sale proceeds for the Reinvested BCN (\$100 per BCN) as the Application Payment for BCN2.

We have set out below some high-level comments in relation to Eligible BCN Holders who are subject to Class Ruling CR 2014/86 and who participate in the Reinvestment Offer. This summary is not exhaustive and you should seek advice from your own financial or tax adviser or other professional adviser before deciding to participate in the Reinvestment Offer.

In particular, this summary does not consider the consequences for Eligible BCN Holders who:

- are not Australian residents for tax purposes;
- are Australian residents but acquired and/or hold the BCN through a permanent establishment outside Australia;
- acquired BCN otherwise than under the initial offer;
- hold BCN in their business of share trading or dealing in securities, or who otherwise hold their BCN on revenue account or as trading stock; or
- are subject to the “taxation of financial arrangements” provisions in Division 230 of the Tax Act in relation to their holding of BCN.

6.2.1. CGT consequences for Eligible BCN Holders

A CGT event will occur for Eligible BCN Holders upon sale of their Reinvested BCN to the BCN Purchaser.

Eligible BCN Holders may make a capital gain if their capital proceeds from the disposal are more than their cost base for their Reinvested BCN, or may make a capital loss if their capital proceeds are less than their reduced cost base for their Reinvested BCN:

- *Cost base or reduced cost base*: the first element of an Eligible BCN Holder’s cost base, or reduced cost base, for their Reinvested BCN should be the amount paid by the Eligible BCN Holder for their Reinvested BCN. Certain other non-deductible incidental costs associated with the acquisition or disposal of the Reinvested BCN (e.g. broker fees, adviser fees) may be included in the cost base or reduced cost base.
- *Capital proceeds*: the capital proceeds that will be received by an Eligible BCN Holder from the sale of their Reinvested BCN to the BCN Purchaser should be \$100 per Reinvested BCN.

A qualifying Eligible BCN Holder (an individual, qualifying trust or complying superannuation fund) may be entitled to the CGT discount concession in relation to any capital gain realised on the sale of their Reinvested BCN. In this regard, the CGT discount concession outlined in Section 6.1.6 above in relation to disposals by BCN2 Holders should be equally applicable to disposals by holders of Reinvested BCN.

6.2.2 CGT cost base and acquisition date for BCN2 acquired under the Reinvestment Offer

The amount of an Eligible BCN Holder’s disposal proceeds that is applied in subscribing for BCN2 under the Reinvestment Offer should be included in the Eligible BCN Holder’s cost base (and reduced cost base) for the purposes of determining any future capital gain or capital loss on the disposal, Exchange, Redemption or Resale of BCN2.

Each BCN2 acquired by an Eligible BCN Holder under the Reinvestment Offer will be taken to have been acquired by that holder on the Issue Date.

7

Additional
information



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

7.1. BCN2 Deed Poll

MBL and MGL have entered into the BCN2 Deed Poll which will constitute the obligations of MBL and MGL under BCN2. The BCN2 Terms are set out as a schedule to the BCN2 Deed Poll. A copy of the BCN2 Deed Poll can be obtained from www.MBCN2Offer.com.au.

The following is a summary of the principal provisions of the BCN2 Deed Poll.

7.1.1. Undertakings

Under the BCN2 Deed Poll:

- MBL undertakes with each BCN2 Holder to pay any amounts due and payable in respect of BCN2, and to comply with the BCN2 Terms; and
- MGL undertakes with each BCN2 Holder to Exchange BCN2 for MGL Ordinary Shares when required to do so, and to comply with the BCN2 Terms.

7.1.2. Meetings

The BCN2 Deed Poll includes provisions for convening meetings of the BCN2 Holders to consider any matter affecting their interests, including any variation of the BCN2 Terms. Any action which affects the eligibility of BCN2 as Additional Tier 1 Capital of MBL cannot be sanctioned or approved by BCN2 Holders without the prior written approval of APRA.

An Ordinary Resolution or a Special Resolution passed at a meeting of the BCN2 Holders duly called and held under the meeting provisions will be binding on all the BCN2 Holders whether or not present at the meeting. Each BCN2 Holder will be entitled to one vote on a show of hands. On a poll, each BCN2 Holder will be entitled to one vote for each BCN2 with respect to which it is the registered holder.

A BCN2 Holder has no entitlement to attend or vote at a general meeting of MBL, MGL or any other Macquarie Group member or to receive a copy of the MBL or MGL annual report or other financial information sent to holders of MGL Ordinary Shares.

7.2. Implementation Deed

MGL, MBL and MBHPL have entered into the Implementation Deed, pursuant to which they have agreed that where an Exchange occurs, MGL will subscribe for ordinary shares in MBHPL and MBHPL will subscribe for MBL Ordinary Shares, in each case, for aggregate consideration equal to the aggregate Issue Price of BCN2 being Exchanged. These steps are referred to as “Related Exchange Steps”.

7.3. Offer Management Agreement (“OMA”)

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

The following is a summary of the principal provisions of the OMA.

7.3.1. Fees

The fees payable to the Joint Lead Managers are set out in Section 7.7.

7.3.2. Representations, warranties and undertakings under the OMA

MBL makes various representations and warranties in relation to this Prospectus, compliance with the Corporations Act, the MBL Constitution, the OMA and the Corporations Act. MBL also warrants that it has the power (including under the MBL Constitution) to enter into and comply with all of the terms and conditions of the OMA.

7.3.3. Termination events

A Joint Lead Manager may terminate its obligations under the OMA after the happening of any one or more of the following events (among others):

- a material statement contained in this Prospectus is misleading or deceptive (including by omission);
- a waiver or approval from ASX, having been granted, is subsequently withdrawn, qualified (other than customary pre-listing conditions) or withheld;
- ASIC issues a stop order or similar proceeding in relation to this Prospectus;
- this Prospectus does not comply in all material respects with the Corporations Act, the ASX Listing Rules or any other applicable law or regulation;
- the credit rating assigned to MBL or MGL at the date of the OMA by Standard & Poor's or Moody's Investor Services is downgraded or withdrawn or that credit rating is placed on negative outlook or credit watch negative; or
- MBL withdraws this Prospectus or indicates that it does not intend to proceed with the Offer.

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

- an adverse change in the assets, liabilities, financial position or performance, profits, losses, or prospects of the Macquarie Group (in so far as the position of an entity in the Macquarie Group affects the overall position of MGL);
- a change in senior management as described in this Prospectus or the Board of Directors of MBL or MGL other than the appointment of an additional Director to the MBL Board or MGL Board, or a change in the constitution of MBL;
- a change in law is introduced or proposed to be introduced (other than a law or proposal which has been announced before the date of the OMA) which does or is likely to prohibit or adversely regulate the Offer, capital issues, or stock markets or adversely affect the tax treatment of BCN2; or

7. Additional information

- one of the following occurs:
 - a general moratorium on commercial banking activities in Australia, the United States or the United Kingdom is declared by the relevant central banking authority in any of those countries, or there is a disruption in commercial banking or security settlement or clearance services in any of those countries;
 - trading in all securities quoted or listed on ASX, the London Stock Exchange or New York Stock Exchange is suspended or limited for more than one day on which that exchange is open for trading; or
 - there is a suspension or limitation in trading in MGL's securities on ASX (other than in connection with the Bookbuild);
- after the successful completion of the Bookbuild:
 - there is an outbreak of hostilities or major escalation of existing hostilities involving any one or more of Australia, the United States, the United Kingdom, Hong Kong, China, any member of the European Union, Japan or Singapore or the declaration by any of these countries of a national emergency or war, or a major terrorist attack is perpetrated on any of those countries; or
 - the occurrence of any major calamity or crisis or any change in financial, political or economic conditions or currency exchange rates or controls in Australia, the United States or the United Kingdom; or
- a warranty granted by MBL contained in the OMA is not true or correct.

7.3.4. Indemnity

MBL indemnifies the Joint Lead Managers and their affiliates (including their related bodies corporate) and each of their officers, directors, employees, agents and advisers against all liabilities arising in connection with or as a result of their appointment, the Offer or this Prospectus except to the extent that those liabilities arise from the fraud, recklessness, wilful misconduct or negligence of those parties, or their breach of the settlement support obligations under the OMA.

7.4. Summary of rights attaching to MGL Ordinary Shares

MGL Ordinary Shares will be issued to BCN2 Holders on certain events – see Sections 2.3, 2.4, 2.7 and 2.8 for further details of Exchange and when it may occur.

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

This section briefly summarises the key rights attaching to MGL Ordinary Shares. It is not intended to be an exhaustive summary of the rights and obligations of holders of MGL Ordinary Shares.

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

- the right to vote at general meetings of MGL on the basis of:
 - on a show of hands – one vote for each member present in person or represented by proxy, attorney or other representative; and

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

7.5. Interests and benefits of MBL's and MGL's Directors

Each Independent Director of MBL is also a Director of MGL. The Board Audit Committee and Board Risk Committee are joint committees of MBL and MGL. The Board Nominating Committee, Board Remuneration Committee and Board Governance and Compliance Committee assist the Directors of MGL and MBL in their oversight role. MBL's Directors as at the date of this Prospectus are:

Peter H Warne

BA (Macquarie), FAICD

Independent Chairman since 1 April 2016

Independent Voting Director since July 2007

Chair of the Board Nominating Committee

Member of the Board Risk Committee

Member of the Board Remuneration Committee

Experience

Peter Warne has extensive knowledge of, and experience in, financial services and investment banking, through a number of senior roles at Bankers Trust Australia Limited, including as Head of its global Financial Markets Group from 1988 to 1999. Mr Warne was a Director of the Sydney Futures Exchange (SFE) from 1990 to 1999, then from 2000 to 2006. He served as Deputy Chairman of the SFE from 1995 to 1999. When the SFE merged with the Australian Securities Exchange (ASX Limited) in July 2006, he became a Director of ASX Limited, a position he still holds. Mr Warne has previously served as Chairman of ALE Property Group from 2003 to 2017 and OzForex Group Limited (now trading as OFX Limited) from 2013 to 2016, and as Deputy Chairman of Crowe Horwath Australasia Limited from 2008 to 2015.

Other current positions

Mr Warne is the Chairman of New South Wales Treasury Corporation, a Board member of Allens, and a Member of the ASIC Director Advisory Panel and the Macquarie University Faculty of Business and Economics Industry Advisory Board.

Mary J Reemst

BA (Macquarie), Dip Fin Mgt (Accountancy) (UNE), MAICD

Managing Director and Chief Executive Officer since July 2014

Experience

Mary Reemst joined Macquarie Group in 1999, having held senior investment banking roles at Bankers Trust Australia. Ms Reemst was Head of Credit in the Risk Management Group for 11 years, with oversight of Macquarie Group's wholesale and retail exposures, including lending, trading activities, equity investments and new products.

Other current positions

Ms Reemst is a Director of the Australian Bankers' Association, the Australian Financial Markets Association and the Financial Markets Foundation for Children. She is the Chair of the Macquarie Group Foundation and is on the board of Asylum Seekers Centre Incorporated and the Sisters of Charity Foundation.

Shemara R Wikramanayake

BCom, LLB (UNSW)

Executive Voting Director since August 2018

Managing Director and Chief Executive Officer of MGL since December 2018

Experience

In her time at Macquarie, Shemara Wikramanayake has worked in nine cities in six countries and across several business lines, establishing and leading Macquarie's corporate advisory offices in New Zealand, Hong Kong and Malaysia, and the infrastructure funds management business in the US and Canada. She joined Macquarie in 1987 and was instrumental in establishing Macquarie Capital which at the time included: advisory; infrastructure funds; corporate leasing and lending; and cash equities.

Ms Wikramanayake was most recently the Head of Macquarie Asset Management, a role she held from 2008 to 2018. Macquarie Asset Management offers a diverse range of services including infrastructure and real asset management, securities investment management, and fund and equity-based investment solutions.

Before joining Macquarie, she worked as a corporate lawyer at Blake Dawson Waldron in Sydney.

Other current positions

Ms Wikramanayake is a founding Commissioner of the Global Commission on Adaptation, a founding member of the Climate Finance Leadership Initiative and a Board member of the Institute of International Finance.

Gary R Banks AO

BEc (Hons) (Monash), MEc (ANU)

Independent Voting Director since August 2013

Member of the Board Risk Committee

Member of the Board Governance and Compliance Committee

Member of the Board Nominating Committee

Member of the Board Remuneration Committee

Experience

Gary Banks has extensive experience across economics, public policy and regulation in Australia and internationally. He was Chairman of the Australian Productivity Commission from its inception in 1998 until 2012 and subsequently Chief Executive of the Australia and New Zealand School of Government.

He has also held senior roles with the GATT Secretariat in Geneva, the Trade Policy Research Centre in London, the Centre for International Economics in Canberra and consulted to the World Bank, Organisation for Economic Co-operation and Development (OECD) and World Trade Organisation.

Other current positions

Professor Banks is a Professorial Fellow at the University of Melbourne. He is Chairperson of the Australian Statistics Advisory Council. He is also a Senior Fellow at the Centre for Independent Studies. He chairs the OECD's Regulatory Policy Committee and is a Member of the Melbourne Institute's Advisory Board, and the NSW Government's Economic Development Advisory Panel.

Jillian R Broadbent AC

BA (Maths & Economics) (Sydney)

Independent Voting Director since November 2018

Member of the Board Risk Committee

Member of the Board Nominating Committee

Member of the Board Remuneration Committee

Experience

Jillian Broadbent has extensive investment banking industry knowledge and markets expertise, including a deep knowledge of risk management and regulation in these areas. She also has considerable executive management and listed company board experience. Ms Broadbent spent 22 years at Bankers Trust Australia until 1998, initially as the economic strategist and then as executive director responsible for risk management and derivatives in foreign exchange, interest rates and commodities.

Ms Broadbent was also a Member of the Reserve Bank of Australia Board between 1998 and 2013 and has previously served as Chair of the Board of Clean Energy Finance Corporation (CEFC), and as a Director of ASX Limited, SBS, Coca Cola Amatil, Woodside Petroleum, Qantas and Westfield Management Ltd. She has an Honorary Doctorate Degree from the University of Western Sydney.

Other current positions

Ms Broadbent is the Chair of the Board of Swiss Re Life and Health Australia, Chancellor of the University of Wollongong and is currently a Director of Woolworths Group Limited, the National Portrait Gallery of Australia and the Sydney Dance Company.

7. Additional information

Gordon M Cairns

MA (Hons) (Edin)

Independent Voting Director since November 2014
Member of the Board Risk Committee
Member of the Board Nominating Committee
Member of the Board Remuneration Committee

Experience

Gordon Cairns has held a range of management and executive roles throughout his career with Nestle, Cadbury Ltd and Pepsico culminating as Chief Executive Officer of Lion Nathan Limited from 1997 to 2004. He has extensive experience as a company director, including nine years as a Non-Executive Director of Westpac Banking Corporation, where he served on the Board Risk Management and Remuneration Committees.

Mr Cairns has served as a Director on the boards of Lion Nathan Australia Limited and Seven Network Australia Limited, and as Chairman of David Jones Limited and Rebel Group Pty Limited.

Other current positions

Mr Cairns is Chairman of Woolworths Group Limited and Origin Energy Limited. He is a Director of World Education Australia.

Philip M Coffey

BEC (Hons) (Adelaide), GAICD, SF Finsia

Independent Voting Director since August 2018
Member of the Board Audit Committee
Member of the Board Risk Committee
Member of the Board Nominating Committee
Member of the Board Remuneration Committee

Experience

Phil Coffey served as the Deputy Chief Executive Officer (CEO) of Westpac Banking Corporation, from April 2014 until his retirement in May 2017. As the Deputy CEO, Mr Coffey had the responsibility of overseeing and supporting relationships with key stakeholders of Westpac including industry groups, regulators, customers and government. He was also responsible for the Group's Mergers & Acquisitions function. Prior to this role, Mr Coffey held a number of executive positions at Westpac including Chief Financial Officer and Group Executive, Westpac Institutional Bank.

He has successfully led operations based in Australia, New Zealand, United States and the United Kingdom and Asia and has extensive experience in financial markets, funds management, balance sheet management and risk management. He began his career at the Reserve Bank of Australia and has also held executive positions at the AIDC Limited and Citigroup.

Other current positions

Mr Coffey is a Non-Executive Director of Lendlease Corporation Limited and a member of the Clean Energy Finance Corporation Board.

Michael J Coleman

MCom (UNSW), FCA, FCPA, FAICD

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

Experience

After a career as a senior audit partner with KPMG for 30 years, Mr Coleman has been a professional non-executive director for the past eight years. He has significant experience in risk management, financial and regulatory reporting and corporate governance.

Mr Coleman has been the Chairman of ING Management Limited, a member of the Audit Committee of the Reserve Bank of Australia and a member of the Financial Reporting Council, including terms as Chairman and Deputy Chairman. During his time with KPMG, Mr Coleman was a financial services specialist, providing audit and advisory services to large banks, investment banks and fund managers. He was KPMG's inaugural National Managing Partner Assurance and Advisory from 1998 to 2002, National Managing Partner for Risk and Regulation from 2002 to 2010 and Regional Leader for Asia Pacific Quality and Risk Management from 2002 to 2011.

Other current positions

Mr Coleman is an Adjunct Professor at the Australian School of Business at the University of New South Wales, Chairman of Planet Ark Environmental Foundation and Chairman of Bingo Industries Limited. Mr Coleman is also a board member of Legal Aid NSW, a member of the National Board and of the NSW Council of the Australian Institute of Company Directors (AICD) and Chairman of the Reporting Committee of the AICD.

Diane J Grady AM

BA (Mills), MA (Hawaii), MBA (Harv), FAICD

Independent Voting Director since May 2011
Member of the Board Risk Committee
Member of the Board Governance and Compliance Committee
Member of the Board Nominating Committee
Member of the Board Remuneration Committee

Experience

Diane Grady has extensive international experience in a variety of industries having spent 25 years as a full-time independent director of public companies and not-for-profit boards and as a partner with McKinsey&Co where for 15 years she consulted with clients in financial services, insurance, retailing, telecommunications, consumer goods and manufacturing industries.

Ms Grady's previous boards include Woolworths, BlueScope, Lend Lease, MLC, Goodman Group and the Sydney Opera House. She has also served as President of Chief Executive Women and Chair of Ascham School. At McKinsey Ms Grady was a firm-wide leader of the Organisation, Culture and Change Management Practice and in Australia she focused on assisting

clients to grow through service improvement, innovation, and marketing strategies. She has a Masters of Chinese Studies and worked for three years as a journalist in Asia.

Other current positions

Ms Grady is a Director of Tennis Australia, a member of the Heads Over Heels Advisory Board and the NFP Chairs Forum and is Chair of The Hunger Project Australia. She is also a Director on the Grant Thornton Australia Board.

Michael J Hawker AM

BSc (Sydney), FAICD, SF Fin, FAIM, FloD

Independent Voting Director since March 2010

Chair of the Board Remuneration Committee

Member of the Board Audit Committee

Member of the Board Risk Committee

Member of the Board Nominating Committee

Experience

Mr Hawker has substantial expertise and experience in the financial services industry including management experience in regulated entities in Australia and internationally, and a deep understanding of risk management. He was Chief Executive Officer and Managing Director of Insurance Australia Group from 2001 to 2008 and held senior positions at Westpac and Citibank.

Mr Hawker was also President of the Insurance Council of Australia, Chairman of the Australian Financial Markets Association, a board member of the Geneva Association and a member of the Financial Sector Advisory Council.

Other current positions

Mr Hawker is a Non-Executive Director of the BUPA Global Board UK and the BUPA ANZ Group, the Lead Independent Director of Washington H. Soul Pattinson and Company Limited, and a Non-Executive Director of Rugby World Cup Limited. He is also a board member of the Museum of Contemporary Art Australia.

Glenn R Stevens AC

BEc (Hons) (Sydney), MA (Econ) (UWO)

Independent Voting Director since November 2017

Chair of the Board Risk Committee

Member of the Board Audit Committee

Member of the Board Nominating Committee

Experience

Glenn Stevens worked at the highest levels of the Reserve Bank of Australia for 20 years and, as well as developing Australia's successful inflation targeting framework for monetary policy, played a significant role in central banking internationally. Most recently, he was Governor of the Reserve Bank of Australia between 2006 and 2016.

Mr Stevens has also made key contributions to a number of Australian and international boards and committees, including as chair of the Australian Council of Financial Regulators between 2006 and 2016, as a member of the Financial Stability Board and on a range of G20 committees.

Other current positions

Mr Stevens is on the Investment Committee of NWQ Capital Management and is Chair of the NSW Generations Fund Advisory Board. He is a Director of the Anika Foundation and the Lowy Institute, Deputy Chair of the Temora Aviation Museum and a volunteer pilot for Angel Flight.

Nicola M Wakefield Evans

BJuris/BLaw (UNSW), FAICD

Independent Voting Director since February 2014

Chair of the Board Governance and Compliance Committee

Member of the Board Audit Committee

Member of the Board Risk Committee

Member of the Board Nominating Committee

Experience

Nicola Wakefield Evans is an experienced non-executive director and corporate finance lawyer. As a lawyer, Nicola has significant Asia-Pacific experience and was a partner at King & Wood Mallesons (and its predecessor, Mallesons Stephen Jaques) for more than 20 years. Ms Wakefield Evans has particular expertise in the financial services, resources and energy, and infrastructure sectors.

She held several key management positions at King & Wood Mallesons including Managing Partner International in Hong Kong and Managing Partner, Practice in Sydney.

Other current positions

Ms Wakefield Evans is a Director of MetLife Insurance Limited, MetLife General Insurance Limited, Lendlease Corporation Limited and Clean Energy Finance Corporation, and is Chair of the 30% Club Australia. She is also a member of the Takeovers Panel, the National Board of the Australian Institute of Company Directors, the GO Foundation Board and The University of New South Wales Foundation Limited Board.

7. Additional information

Directors' relevant interests

The interests of Directors on 7 February 2020 in MGL Ordinary Shares are listed in the table below:

Name and Position	Equity Participation			Other relevant interests	
	MGL Ordinary Shares	RSUs held in MEREP ⁽¹⁾	PSUs held in MEREP ⁽¹⁾	Direct and Indirect Interests	Number held
Executive Voting Director					
M.J. Reemst	68,828	91,832	70,499	–	–
S.R. Wikramanayake	883,625	255,598	109,977	Macquarie Agriculture Fund – Crop Australia units	2,000,000
Independent Directors					
G.R. Banks	6,541	–	–	Walter Scott Global Equity Fund units	24,982.50
J.R. Broadbent	6,250	–	–	MCN4	4,000
				MCN3	2,846
				BCN	3,400
G.M. Cairns	12,734	–	–	MIS	900
P.M. Coffey	8,739	–	–	Walter Scott Global Equity Fund units	408,699.89
M.J. Coleman	7,324	–	–	MCN2	2,000
D.J. Grady	9,643	–	–	MCN2	100
				MCN3	390
				MCN4	500
M.J. Hawker	7,460	–	–	MCN2	500
G.R. Stevens	3,900	–	–		
N.M. Wakefield Evans	6,929	–	–	–	–
P.H. Warne	14,933	–	–	–	–

(1) These Restricted Share Units (RSUs) and Performance Share Units (PSUs) were issued pursuant to the Macquarie Group Employee Retained Equity Plan (MEREP) and are subject to the vesting, forfeiture and other conditions applied to grants of awards to Macquarie Group Executive Directors, as described in the 2019 Annual Report.

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

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

Non-Executive Director (“NED”) Board and Board Committee Fees are set by the MGL Board acknowledging the level required to appropriately remunerate highly qualified NEDs who have the relevant skills and experience to govern as a member of the Board. The CEO is not remunerated separately for acting as an Executive Voting Director.

All NEDs of MBL are also NEDs of MGL.

NEDs are remunerated for their services from the maximum aggregate amount approved by shareholders for this purpose. MGL shareholders approved the current limit (\$5.0 million per annum) at MGL's 2019 Annual General Meeting. Board and Board Committee fees are reviewed annually. Separate fees may also be paid for additional responsibilities that may arise on an ad hoc basis.

Michael Coleman will be paid \$12,000 for additional director services performed in connection with the preparation of this Prospectus. Other than as set out in this Prospectus, no amount (whether in cash, MGL Ordinary Shares or otherwise) has been paid or agreed to be paid, nor has any benefit been given or agreed to be given, to any Director or proposed Director of MBL:

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

The Directors (and their associates) may collectively acquire no more than 0.2% of BCN2 offered under the Offer (subject to certain conditions) – see Section 7.9.1.

7.6. Consents to be named

MGL has consented to the inclusion of information about Macquarie Group in sections 4 and 5 including to the inclusion of MGL's consolidated income statement and consolidated statement of financial position from MGL's 2019 financial statements as the basis for the financial information about MGL and to the inclusion of MGL's regulatory capital surplus calculation in Section 4.8 in the form and context in which those statements appear.

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

- the Arranger;
- each Joint Lead Manager;
- each Co-Manager;
- Greenwoods & Herbert Smith Freehills Pty Ltd;
- PricewaterhouseCoopers Securities Ltd;
- PricewaterhouseCoopers;
- King & Wood Mallesons; and
- BoardRoom Pty Limited.

Except as outlined above, none of the parties have made any statement that is included in this Prospectus or any statement on which a statement made in this Prospectus is based.

Each party expressly disclaims all liability in respect of, makes no representations regarding, and takes no responsibility for, any statements in, or omissions from, this Prospectus. This applies to the maximum extent permitted by law, other than to the extent to which consent is given.

7.7. Interests and benefits of advisers

Each of Macquarie Capital (Australia) Limited, ANZ Securities Limited, Citigroup Global Markets Australia Pty Limited, Commonwealth Bank of Australia, E&P Corporate Advisory Pty Limited, Ord Minnett Limited, Morgans Financial Limited, National Australia Bank and Westpac Institutional Bank have acted as Joint Lead Managers to the Offer, in respect of which they will receive fees from MBL. The estimated aggregate fees payable by MBL to the Joint Lead Managers are \$5.6 million (exclusive of GST), making certain assumptions as to the allocation of BCN2 between the Institutional Offer, Broker Firm Offer, Reinvestment Offer and Securityholder Offer.

The Joint Lead Managers and their respective affiliates are involved in a wide range of financial services and businesses in respect of which they may receive fee and other benefits and out of which conflicting interests or duties may arise. These services may include securities trading, brokerage activities or the provision of finance, including in respect of securities of, or loans to, Macquarie Group entities. The Joint Lead Managers have represented to the Issuer that they will manage any conflicts in connection with their role as Joint Lead Managers in compliance with their legal obligations.

Greenwoods & Herbert Smith Freehills has acted as tax adviser to MBL in relation to the Offer. In respect of this work, MBL estimates that it will pay approximately \$85,000 (excluding disbursements and GST) to Greenwoods & Herbert Smith Freehills for work up to the date of this Prospectus. Further amounts may be paid to Greenwoods & Herbert Smith Freehills under its normal time-based charges.

PricewaterhouseCoopers Securities Ltd has acted as accounting adviser to MBL and MGL in relation to the Offer and has performed specific procedures relating to certain financial matters disclosed in this Prospectus. In respect of this work, MBL estimates that it will pay approximately \$90,000 (excluding disbursements and GST) to PricewaterhouseCoopers Securities Ltd for work up to the date of this Prospectus. Further amounts may be paid to PricewaterhouseCoopers Securities Ltd under its normal time-based charges.

King & Wood Mallesons have acted as Australian legal adviser to MBL in relation to the Offer and have performed work in relation to drafting the BCN2 Terms and transaction documents, advised on the due diligence and verification program and performed due diligence required on legal matters. In respect of this work, MBL estimates that it will pay approximately \$290,000 (excluding disbursements and GST) to King & Wood Mallesons for work up to the date of this Prospectus. Further amounts may be paid to King & Wood Mallesons under its normal time-based charges.

Except as set out in this Prospectus:

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

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

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

7.8. Expenses of the Offer

The total expenses of the Offer will be paid out of the proceeds of the Offer. Assuming the Offer raises \$400million, then the net proceeds of the Offer are expected to be \$393 million as the total expenses of the Offer (including fees payable to the Joint Lead Managers, legal, accounting, tax, marketing, administrative fees, as well as printing, advertising and other expenses related to this Prospectus and the Offer) are expected to be \$7 million. All of these expenses have been, or will be, borne by MBL.

7. Additional information

7.9. ASIC and ASX relief

7.9.1. ASIC

ASIC has granted relief from the provisions of Division 5A of Part 7.9 of the Corporations Act relating to unsolicited offers for MBL to conduct the Reinvestment Offer (subject to certain conditions).

7.9.2. ASX

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

- confirmation that the BCN2 Terms are appropriate and equitable for the purposes of ASX Listing Rule 6.1;
- confirmation that ASX does not consider BCN2 preference securities for the purposes of ASX Listing Rules 6.4 – 6.7;
- confirmation that Exchange, Resale, Redemption or Write-Off of BCN2 is appropriate and equitable for the purposes of ASX Listing Rule 6.12;
- determination how the issue of the BCN2 is to be treated for the purposes of MGL's placement capacity under ASX Listing Rule 7.1;
- that a holding lock will be applied to any BCN the subject of an Application from a Reinvestment Applicant; and
- waiver from ASX Listing Rule 10.11 to permit the issue of BCN2 without shareholder approval to Directors of MBL and MGL (and their associates) on condition that they are collectively restricted to applying for no more than 0.2% of the total number of BCN2 issued under the Offer, and the participation of the Directors (and their associates) in the Offer is on the same terms and conditions as applicable to other Applicants.

7.10. Foreign selling restrictions

United States

This Prospectus does not constitute an offer to sell, or a solicitation of an offer to buy, securities in the United States. Neither BCN2 nor MGL Ordinary Shares have been, or will be, registered under the U.S. Securities Act and may not be offered or sold in the United States or to, or for the account or benefit of, any U.S. Person except in transactions exempt from, or not subject to, the registration requirements under the U.S. Securities Act and applicable U.S. state securities laws.

Each Applicant, and any person for whose benefit such Applicant is applying, and each person to whom the Offer is made under this Prospectus, by accepting delivery of this Prospectus or BCN2, will have represented, agreed and acknowledged that:

- BCN2 and MGL Ordinary Shares have not been, and will not be, registered under the U.S. Securities Act or with any securities authority in any state or other jurisdiction of the United States;
- any BCN2 it acquires in the Offer or the Reinvestment Offer will be acquired in an offshore transaction outside the United States in compliance with the requirements of Regulation S under the U.S. Securities Act;
- it is not in the United States and it is not a U.S. Person and it is not acting for the account or benefit of a U.S. Person;

- it will not offer, sell, pledge or transfer any BCN2 or MGL Ordinary Shares in the United States, except in a transaction exempt from, or not subject to, the registration requirements of the U.S. Securities Act and any applicable laws of any state or other jurisdiction of the United States;
- it is not engaged in the business of distributing securities or, if it is, it agrees that it will not offer or sell in the United States or to, or for the account or benefit of, a U.S. Person (i) any BCN2 it acquires in the Offer at any time; or (ii) any BCN2 it acquires other than in the Offer until 40 days after the settlement of the BCN2, except in a transaction exempt from the registration requirements of the U.S. Securities Act pursuant to Rule 144A (if available) or Regulation S under the U.S. Securities Act. Notwithstanding the foregoing and the immediately preceding paragraph, it may sell BCN2 in standard (regular way) brokered transactions on the ASX where neither it nor any person acting on its behalf knows, or has reason to know, that the sale has been prearranged with, or that the purchaser is, a person in the United States or a U.S. Person;
- it, its affiliates and any person acting on its or their behalf, at or prior to confirmation of sales of any BCN2 will have sent to each distributor, dealer or person receiving a selling concession, fee or other remuneration that purchases any BCN2 from it or them until 40 days after the date on which the BCN2 are allocated in the Offer, a confirmation or notice substantially to the following effect:

"The securities covered hereby have not been registered under the U.S. Securities Act of 1933, as amended ("U.S. Securities Act") and may not be offered and sold within the United States or to, or for the account or benefit of, any U.S. person (as defined in Regulation S under the U.S. Securities Act) (i) as part of their distribution at any time or (ii) otherwise until 40 days after the later of the date of the commencement of the offering and the closing date, except in either case in accordance with Rule 144A or Regulation S under the U.S. Securities Act.";

- it has not and will not send this Prospectus and any Application Form, or any other material relating to the Offer to any person in the United States; and
- MBL and the Joint Lead Managers will rely upon the truth and accuracy of the foregoing representations, agreements and acknowledgements and agrees that, if any of such representations, agreements and acknowledgements are no longer accurate, it will promptly notify MBL, and if it is acquiring any BCN2 as fiduciary or agent for one or more accounts, it has full power to make the foregoing representations, agreements and acknowledgements on behalf of each such account.

7.11. Acknowledgements

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

- acknowledge having personally received a printed or electronic copy of this Prospectus accompanying the Application Form (and any supplementary or replacement Prospectus);
- acknowledge they understand the BCN2 Terms and have had opportunity to consider the suitability of an investment in BCN2 with their professional advisers;
- agree to be bound by the BCN2 Terms;
- agree to the terms of the Offer and provided authorisation to be registered as the holder of BCN2 and, on Exchange, become a member of MGL and to be bound by the terms of the MGL Constitution;
- acknowledge that, in some circumstances, MBL may not pay Distributions or any other amount payable on the BCN2;
- apply for, and agreed to being allocated, the number of BCN2 set out in or determined in accordance with their Application Form;
- represent and warrant that all details and statements on their Application Form are complete and accurate;
- declare, to the extent they are a natural person, that they are at least 18 years of age;
- authorise MBL and the Joint Lead Managers to do anything on behalf of the Applicant(s) that is necessary for BCN2 to be allocated to them;
- acknowledge that once received by the Registrar or MBL, their Application may not be varied or withdrawn except as allowed by law;
- acknowledge that if the amount of any cheque or money order is insufficient to pay for the number of BCN2 that the Applicant has applied for, or, if there are insufficient funds held in a relevant account to cover a cheque that the Applicant has drawn, then MBL may, in consultation with the Joint Lead Managers determine that the Applicant has applied for such lower number of BCN2 as the cleared Application Payment will pay for;
- acknowledge that the information contained in this Prospectus (or any supplementary or replacement Prospectus) is not personal investment advice or a recommendation that BCN2 are suitable for the Applicant;
- declare that the Applicant is a resident of Australia or otherwise a person to whom the Offer can be made, and BCN2 issued, in accordance with all applicable foreign securities laws and Section 7.10;
- acknowledge that any Application may be rejected without giving any reason, including where the Application Form is not properly completed or where a cheque which is submitted with the Application Form is dishonoured or for the incorrect amount; and
- acknowledge that BCN2 are not protected accounts or deposit liabilities for the purposes of the Banking Act and that investments are subject to investment risk, including possible delays in repayment and loss of income and principal invested and that none of MGL, MBL or any other member of the Macquarie Group in any way guarantees or stands behind the capital value or performance of BCN2.

In addition, each person submitting an Application Form in respect of the Reinvestment Offer is deemed to:

- have warranted that they are the holder of the number of BCN specified in the Application Form;
- have warranted the BCN are free and clear of any encumbrances;
- direct the BCN Purchaser to pay the BCN resale proceeds to MBL and authorise MBL and the Joint Lead Managers (or any person acting on their behalf) to complete and execute any documents and take all other actions necessary to reinvest their BCN;
- have agreed to not to transfer or dispose of the number of BCN specified in the Application Form;
- have agreed to indemnify MBL for all costs or losses it incurs as a result of you selling or disposing of the BCN specified in the Application Form if you do sell or dispose of any of those BCN; and
- have agreed to the application of a holding lock on the number of BCN specified in the Application Form and authorised MBL and MGL and its related bodies corporate and their respective officers to request the application of a holding lock to those BCN.

7.12. Directors' consent to lodgement

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

8

How to apply



8.1. The Offer

The Offer is for the issue of BCN2 with a face value of \$100 per BCN2 to raise approximately \$400 million, with the ability to raise more or less.

All BCN2 will be issued under and subject to the disclosure in this Prospectus.

8.2. Structure of the Offer

The Offer comprises:

- an Institutional Offer to Institutional Investors;
- a Broker Firm Offer made to Australian resident retail and high net worth clients of Syndicate Brokers who are invited to apply under the Broker Firm Offer;
- a Reinvestment Offer made to Eligible BCN Holders; and
- a Securityholder Offer made to Eligible Securityholders.

BCN2 may also be offered (as part of any Offer category) in certain permitted jurisdictions outside Australia where such Offer is made, and accepted, in accordance with the laws of such jurisdictions.

8.3. Obtaining a Prospectus and Application Form

No Applications can be made during the Exposure Period, and the Application Form will not be available until after the end of the Exposure Period.

During the Offer Period, an electronic version of this Prospectus with an Application Form will be available at www.MBCN2Offer.com.au. By lodging an online Application, you declare that you were given access to the electronic Prospectus together with the online Application Form. Applications pursuant to the Broker Firm Offer must be made through your Syndicate Broker. Please contact your Syndicate Broker for further information on the application process.

If you access an electronic copy of this Prospectus, the following conditions apply:

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

Paper copies of this Prospectus and of an Application Form can also be obtained free of charge by calling the BCN2 Offer Information Line on 1300 005 027 (within Australia) or on +61 2 8023 5474 (International) (Monday to Friday 8:30am – 5:30pm, AEDT) during the Offer Period. Applications will only be considered where Applicants have applied pursuant to an Application Form (either electronic or paper) that was attached to, or accompanied by, a copy of this Prospectus, and have provided the Application Payment.

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

8.4. Applying for BCN2

To apply for BCN2 pursuant to the Reinvestment Offer or Securityholder Offer, you must complete the Application Form attached to, or accompanying, this Prospectus or the online Application Form at www.MBCN2Offer.com.au. Applications pursuant to the Broker Firm Offer must be made through your Syndicate Broker. Please contact your Syndicate Broker for further information on the application process. You may apply for BCN2 under one or more of:

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

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

8. How to apply

Broker Firm Offer	
Who can apply?	Broker Firm Applicants
When to apply	- Applications will only be accepted during the Offer Period, which is expected to open on 19 February 2020. - The Closing Date for the Broker Firm Offer is expected to be 5:00pm (AEDT) on 18 March 2020. - If you are a client of a Syndicate Broker, you must contact your broker directly for instructions on how to participate in the Broker Firm Offer.
How to apply online	Contact your Syndicate Broker for instructions.
How to apply using a paper Application Form	- You must contact your Syndicate Broker for their specific instructions on how to submit the paper Application Form and your Application Payment (if any) to your Syndicate Broker. - General instructions on how to complete the paper Application Form are set out on the Application Form. - You must not return your paper Application Form to the Registrar. - Your Syndicate Broker must have received your completed paper Application Form and your Application Payment (as applicable) in time to arrange settlement on your behalf by the Closing Date for the Broker Firm Offer. - Your Syndicate broker will act as your agent in processing your Application Form and providing your Application details and Application Payment to MBL.
Reinvestment Offer	
Who can apply?	Eligible BCN Holders who wish to reinvest some or all of their BCN, including those who wish to apply for additional BCN2
When to apply	- Applications will only be accepted during the Offer Period, which is expected to open on 19 February 2020. - The Closing Date for the Reinvestment Offer is expected to be 5.00pm (AEDT) on 18 March 2020. - Your completed online Application Form must be received by the Registrar by the Closing Date for the Reinvestment Offer. - The options available to Eligible BCN Holders are outlined in Section 3.
How to apply online	- Please complete the Reinvestment Offer Application Form through www.MBCN2Offer.com.au and follow the instructions to apply online after the Offer opens. You will need your SRN or HIN. If you elect to reinvest some or all of your BCN, those BCN will automatically reinvest in BCN2. Application Payments are only required if you apply for additional Notes. - CHESS sponsored Eligible BCN Holders who wish to reinvest their BCN should seek instructions from their Syndicate Broker or controlling participant as to how to apply. - If you wish to apply for additional BCN2, you will be required to apply online for such additional BCN before the Closing Date for the Reinvestment Offer and pay for the additional BCN2 using BPAY®. You should check your daily transaction limit with your bank, credit union or building society to ensure your Application Payment can be made using BPAY®.
How to apply using a paper Application Form	- You can request a paper copy of this Prospectus and Application Form by calling the BCN2 Offer Information Line on 1300 005 027 (within Australia) or on +61 2 8023 5474 (International) (Monday to Friday 8.30am – 5.30pm, (AEDT)). - General instructions on how to complete the paper Application Form are set out on the Application Form. - You will be required to post your completed Application Form, and, if you wish to apply for additional BCN2, pay your Application Payment by cheque(s) and/or money order(s) in sufficient time so that it is received by the Registrar by the Closing Date for the Securityholder Offer. If you wish to pay by BPAY® you need to make an online Application. - If you wish to apply for additional BCN2, online Application and payment using BPAY® is preferred to ensure efficient and timely processing of Applications.

Securityholder Offer

Who can apply?	• Eligible Securityholders • Eligible Securityholders that are also Eligible BCN2 Holders wishing to participate in the Reinvestment Offer should refer to the instructions on how to apply under the Reinvestment Offer
When to apply	• Applications will only be accepted during the Offer Period, which is expected to open on 19 February 2020. • The Closing Date for the Securityholder Offer is expected to be 5:00pm (AEDT) on 18 March 2020. • Your completed online Application Form and Application Payment must be received by the Registrar by the Closing Date for the Securityholder Offer.
How to apply online	• Please complete the Securityholder Offer Application Form through www.MBCN2Offer.com.au and follow the instructions to apply online after the Securityholder Offer opens. You will need your SRN or HIN. • When applying online, you will be required to pay for BCN2 using BPAY® before the Closing Date for the Securityholder Offer. You should check your daily transaction limit with your bank, credit union or building society to ensure your Application Payment can be made using BPAY®.
How to apply using a paper Application Form	• You can request a paper copy of this Prospectus and Application Form calling the BCN2 Offer Information Line on 1300 005 027 (within Australia) or on +61 2 8023 5474 (International) (Monday to Friday 8:30am – 5:30pm, (AEDT)). • General instructions on how to complete the paper Application Form are set out on the Application Form. • You will be required to post your completed Application Form and pay your Application Payment by cheque(s) and/or money order(s) in sufficient time so that it is received by the Registrar by the Closing Date for the Securityholder Offer. If you wish to pay by BPAY® you need to make an online Application. • Online Application and payment using BPAY® is preferred to ensure efficient and timely processing of Applications.

8.4.1. BPAY® payments

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

8.4.2. Applications by Institutional Investors

If you are an Institutional Investor, you must apply to participate in the Institutional Offer by contacting a Joint Lead Manager prior to the close of the Bookbuild who will provide additional information about how to apply. MBL reserves the right to not accept Applications that appear to be Applications from Institutional Investors where they have not been received through a Joint Lead Manager.

8.4.3. Brokerage, commission and stamp duty

You do not have to pay brokerage on your Application for BCN2. You do not have to pay stamp duty on your Application for BCN2 provided that you and your associates do not obtain an interest of 90% or more in MBL. However, you may have to pay brokerage (and applicable GST) on any subsequent purchases or sales of BCN2 on ASX.

8.4.4. Application Payments held on trust

All Application Payments received before BCN2 are issued will be held by MBL on trust in an account established solely for the purpose of depositing Application Payments received. After BCN2 are issued to successful Applicants, the Application Payments held on trust will be payable to MBL.

8.4.5. Refunds

Applicants who are not allotted any BCN2, or are allotted fewer BCN2 than the number applied and paid for as a result of a scale back, will have all or some of their Application Payments (as applicable) refunded (without interest) as soon as practicable after the Issue Date.

Any refunded Application Payments will be refunded by bank transfer (where possible) or alternatively by cheque despatched to the Applicant's address specified on the Application Form.

8.4.6. Minimum Application

The amount you have to pay for each BCN2 is \$100. You must apply for a minimum of 50 BCN2, which is a minimum investment of \$5,000.

8. How to apply

8.5. Bookbuild and allocation policy

8.5.1. Bookbuild

The Bookbuild is a process conducted by the Joint Lead Managers before the Opening Date. In this process, the Bookbuild participants are invited to lodge bids for a number of BCN2. On the basis of those bids, MBL and the Joint Lead Managers will determine the Margin and the allocations to Bookbuild participants (being Syndicate Brokers and Institutional Investors).

MBL may increase or decrease the size of the Offer following the Bookbuild.

8.5.2. What is the allocation policy?

Broker Firm Offer and Institutional Offer

- Allocations to Syndicate Brokers and Institutional Investors will be agreed by MBL and the Joint Lead Managers following completion of the Bookbuild.
- Allocations to individual Broker Firm Applicants will be determined by their Syndicate Broker.

Reinvestment Offer and Securityholder Offer

- Allocations for the Reinvestment Offer and Securityholder Offer will be determined by MBL. Allocations under the Reinvestment Offer and Securityholder Offer may be scaled.
- MBL has absolute discretion to determine the method and extent of the allocations.
- Reinvestment Applicants (including applicants through Syndicate Brokers) will be given priority over Securityholder Applicants in relation to Applications for BCN2 up to the number of BCN2 registered in their name at 7.00pm (AEDT) on 7 February 2020. Applications for additional BCN2 will be dealt with under the Securityholder Offer.
- MBL has absolute discretion to determine the method and extent of the priority allocation to Reinvestment Applicant and Securityholder Applicants.
- MBL reserves the right to scale back Applications from Reinvestment Applicants and Securityholder Applicants. Any scale back will be announced on ASX on the Issue Date – expected to be 24 March 2020.
- MBL reserves the right to:
 - allocate to any Reinvestment Applicant or Securityholder Applicant all BCN2 for which they have applied;
 - reject any Application by a Reinvestment Applicant or Securityholder Applicant; or
 - allocate to any Reinvestment Applicant or Securityholder Applicant a lesser number of BCN2 than that applied for, including less than the minimum Application of BCN2, or none at all.
- No assurance is given that any Reinvestment Applicant or Securityholder Applicant will receive an allocation of BCN2.
- If the Reinvestment Offer or Securityholder Offer is scaled back, Applications will have all or some of their Application Payments (as applicable) refunded (without interest) as soon as practicable after the Issue Date.

8.5.3. How will the final allocation policy be announced?

Broker Firm Offer and Institutional Offer

- Allocations to Syndicate Brokers and Institutional Investors will be advised to those investors under the Bookbuild.
- Applicants under the Broker Firm Offer will also be able to confirm their firm allocation through the Syndicate Broker from whom they received their allocation.
- However, if you sell BCN2 before receiving a Holding Statement, you do so at your own risk, even if you confirmed your firm allocation through a Syndicate Broker.

Reinvestment Offer and Securityholder Offer

- Applicants in the Reinvestment Offer and Securityholder Offer will be able to email the Registrar at MBCN2Offer@boardroomlimited.com.au or telephone the BCN2 Offer Information Line on 1300 005 027 (within Australia) or on +61 2 8023 5474 (International) (Monday to Friday 8:30am – 5:30pm, AEDT) to confirm their allocation.
- However, if you sell BCN2 before receiving a Holding Statement, you do so at your own risk, even if you obtained details of your holding by telephoning the BCN2 Offer Information Line.

8.6. Other information

8.6.1. Restrictions on distribution

No action has been taken to register or qualify this Prospectus, BCN2 or the Offer or otherwise to permit a public offering of BCN2 in any jurisdiction outside of Australia.

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

This Prospectus (including an electronic copy) may not be distributed to or released, in whole or in part, in the U.S. This Prospectus does not constitute an offer to sell, or a solicitation of an offer to buy, securities in the U.S. or to, or for the account or benefit of, any U.S. Person. Neither BCN2 nor the MGL Ordinary Shares have been or will be registered under the U.S. Securities Act and may not be offered or sold in the U.S. except in transactions exempt from, or not subject to, the registration requirements under the U.S. Securities Act and applicable U.S. state securities laws. Each person submitting an Application Form will be deemed to have acknowledged that they are aware of the restrictions referred to in this Section 8.6.1 and to have represented and warranted that they are able to apply for and acquire BCN2 in compliance with those restrictions.

8.6.2. Application to ASX for quotation of BCN2

MBL will apply to ASX for BCN2 to be quoted on ASX within 7 days after the date of this Prospectus.

If ASX does not grant permission for BCN2 to be quoted by the Issue Date, BCN2 will not be issued and all Application Payments will be refunded (without interest) to Applicants as soon as practicable.

Any refunded Application Payments will be refunded by bank transfer (where possible) or alternatively by cheque despatched to the Applicant's address specified on the Application Form.

8.6.3. CHESS and issuer sponsored holdings

MBL will apply for BCN2 to participate in CHESS. No certificates will be issued for BCN2. MBL expects that Holding Statements for issuer sponsored holders and confirmations for CHESS holders will be despatched to successful Applicants by 30 March 2020.

8.6.4. Normal settlement trading and selling BCN2 on market

It is expected that BCN2 will begin trading on ASX on a normal settlement basis on 25 March 2020 under ASX Code MBLPB. Deferred settlement will not occur.

You are responsible for confirming your holding before trading in BCN2. If you are a successful Applicant and sell your BCN2 before receiving your Holding Statement, you do so at your own risk.

You may email the Registrar at MBCN2Offer@boardroomlimited.com.au or call the BCN2 Offer Information Line on 1300 005 027 (within Australia) or on +61 2 8023 5474 (International) (Monday to Friday 8:30am – 5:30pm, AEDT) or your Syndicate Broker after the Issue Date to enquire about your allocation.

8.6.5. Provision of TFN and/or ABN

When your Holding Statement is mailed to you, you will also be mailed instructions on how to provide your TFN and/or ABN should you wish to do so (see Section 6).

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

8.6.6. Provision of bank account details for payments

MBL will only pay Distributions to Australian investors directly into an Australian dollar account of an Australian financial institution nominated by you at any time before close of business on the record date in respect of that payment. MBL will not pay Distributions on the BCN2 to Australian investors by cheque. Investors who are not Australian residents will be able to receive Distributions via cheques.

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

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

- (i) you nominate a suitable Australian dollar account maintained in Australia with a financial institution to which the payment may be credited. Such payments will only be made periodically, likely monthly;
- (ii) MBL determines that it is permitted to refuse any claim in respect of the payment on account of the expiry of the time limit for claims specified in the BCN2 Terms; or
- (iii) MBL is entitled or obliged to deal with the amount in accordance with the law relating to unclaimed moneys.

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

8.6.7. Discretion regarding the Offer

MBL reserves the right not to proceed with, and may withdraw, the Offer at any time before the issue of BCN2 to successful Applicants.

If the Offer, or any part of it, does not proceed, all relevant Application Payments will be refunded (without interest) as soon as practicable. Any refunded Application Payments will be refunded by bank transfer (where possible) or alternatively by cheque despatched to the Applicant's address specified on the Application Form.

MBL and the Joint Lead Managers also reserve the right to close the Offer (or any part of it) early, extend the Offer (or any part of it), accept late Applications or bids either generally or in particular cases, reject any Application or bid, or allocate to any Applicant or bidder fewer BCN2 than applied or bid for. This is at MBL's discretion and MBL is under no obligation to exercise that discretion in any particular way.

Investors should also note that no cooling off rights (whether by law or otherwise) apply to an Application for BCN2. This means that, in most circumstances, Applicants may not withdraw their Applications once submitted.

8.7. Privacy statement

The Application Form requires you to provide personal information to MBL and the Registrar. MBL and the Registrar collect, hold and use personal information to assess your Application for BCN2, service your needs as a BCN2 Holder, provide facilities and services that you request, provide you with marketing materials, carry out appropriate administration in relation to your BCN2 holding and to comply with legislative and regulatory requirements, including complaint handling, crime prevention and investigation.

8. How to apply

MBL may also use your personal information to tell you about other products and services offered by MBL or other members of the Macquarie Group and in order to do that we will disclose your personal information to other member companies in the Macquarie Group or to their third party service providers.

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

If you become a BCN2 Holder, the Corporations Act requires MBL to include information about BCN2 Holders (including name, address and details of the securities held) in its public register ("**Register**"). The information contained in the Register must be retained, even if you cease to be a BCN2 Holder. Information contained in the Register is also used to facilitate and process payments including Distributions and corporate communications (including MBL's financial results, annual reports and other information that MBL wishes to communicate to BCN2 Holders) and to help ensure compliance by MBL with legal and regulatory requirements.

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

BoardRoom Pty Limited
GPO Box 3993
Sydney NSW 2001
1300 005 027

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

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

8.8. Enquiries

8.8.1. Reinvestment Applicants and Securityholder Applicants

You can email the Registrar at MBCN2Offer@boardroomlimited.com.au or call the BCN2 Offer Information Line on 1300 005 027 (within Australia) or on +61 2 8023 5474 (International) (Monday to Friday 8:30am – 5:30pm, AEDT, during the Offer Period) if you:

- have further questions on how to apply for BCN2;
- require assistance to complete your Application Form;
- require additional copies of this Prospectus and Application Forms; or
- have any other questions about the Offer.

If you are unclear in relation to any matter relating to the Offer or are uncertain whether BCN2 are a suitable investment for you, you should consult your stockbroker, solicitor, accountant or other independent and qualified professional adviser.

8.8.2. Broker Firm Applicants

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

A

Terms and Conditions of the BCN2

These Terms have been established pursuant to, and are incorporated by reference into, the BCN2 Deed Poll. In the event of any inconsistency between the BCN2 Deed Poll and these Terms, the provisions of these Terms shall prevail.



A. Terms and conditions of the BCN2

1 Form and ranking

1.1 Issue Price

Each Macquarie Bank Capital Note ("BCN2") is issued fully paid for an issue price of A\$100 ("Issue Price").

1.2 Form

- (a) The BCN2 are fully paid, unsecured, subordinated notes of the Issuer which are mandatorily Exchangeable for MGL Ordinary Shares.
- (b) Subject, if required by these Terms, to the prior written consent of APRA, each BCN2 may be:
 - (i) Redeemed or Resold by the Issuer; or
 - (ii) Exchanged for MGL Ordinary Shares, in accordance with these Terms.
- (c) The BCN2 cannot be Redeemed, Resold or Exchanged at the option of a Holder.
- (d) The BCN2 do not represent protected accounts of the Issuer or any other member of the Macquarie Group for the purposes of section 13A(3) of the Banking Act or any similar law of any jurisdiction and nor do they represent deposits with, or deposit liabilities of, the Issuer or any other member of the Macquarie Group for any other purposes of the Banking Act or the laws of any jurisdiction.
- (e) Except for a claim made on the Issuer or MGL in accordance with these Terms, a Holder has no claim on the Issuer, MGL or any other member of the Macquarie Group for payment of any amount or the performance of any obligation in respect of any BCN2 held by that Holder.
- (f) The BCN2 are not obligations of the Australian Government or of any other government and, in particular, are not guaranteed or insured by the Commonwealth of Australia or any government, government agency or compensation scheme in any jurisdiction or by MGL or any other person.
- (g) The BCN2 are constituted by the BCN2 Deed Poll of which these Terms form part.

1.3 Entries in the Register

The BCN2 are issued when they are entered in the Register.

1.4 CHESS

The BCN2 will be lodged into and dealt with in CHESS. While the BCN2 remain in CHESS:

- (a) the rights and obligations of a person holding the BCN2; and
- (b) all dealings (including transfers and payments) in relation to the BCN2 within CHESS,

will be subject to and governed by the ASX Settlement Operating Rules (but without affecting any provisions of these Terms which affect the eligibility of the BCN2 as Additional Tier 1 Capital).

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

1.5 Ranking

Subject to the BCN2 Deed Poll, and except to the extent mandatorily provided by law, each BCN2 ranks for payment, and ranks in a Winding Up of the Issuer:

- (a) senior to MBL Ordinary Shares;
- (b) equally with all other BCN2 in all respects;
- (c) equally with all Equal Ranking Obligations; and
- (d) subordinate to all Senior Creditors in respect of distributions and payments in a Winding Up of the Issuer.

1.6 Independent obligations

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

1.7 No other rights

Except as expressly provided in these Terms, no Holder has:

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

1.8 No limitations on dealings with other securities

Nothing in these Terms limits the ability of the Issuer, MGL or any other member of the Macquarie Group, in its absolute discretion from time to time, from:

- (a) issuing shares or other securities of any kind, whether ranking equally with, in priority to or junior to, or having different rights from the BCN2; or
- (b) redeeming, converting, buying back, returning or distributing capital in respect of any share capital or any other securities of any kind, whether ranking behind, equally with or in priority to the BCN2.

2 Distributions

2.1 Distributions

Subject to these Terms, each BCN2 entitles the Holder as at a Record Date to receive on each Distribution Payment Date a cash distribution for the Distribution Period ending on that Distribution Payment Date (“**Distribution**”) calculated according to the following formula:

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

where:

Distribution Payment Date means, in respect of a BCN2:

- (a) each 21 March, 21 June, 21 September and 21 December, commencing on 22 June 2020 until (but not including) the date on which that BCN2 has been Redeemed or Exchanged in accordance with these Terms; and
- (b) the Redemption Date or, subject to clause 8.6(c), the Resale Date or an Exchange Date, except where the Exchange is on account of an Automatic Exchange Event;

Distribution Rate means:

$(\text{Reference Rate} + \text{Margin}) \times \text{Franking Adjustment Factor}$,

where:

(a) “**Reference Rate**” means:

- (i) subject to paragraph (ii), BBSW; and
- (ii) if the Issuer determines that a Reference Rate Disruption Event has occurred, then, subject to APRA's prior written approval, the Issuer:
 - (A) shall use as the Reference Rate such Alternative Reference Rate as it may determine;
 - (B) shall make such adjustments to the Terms as it determines are reasonably necessary to calculate Distributions in accordance with such Alternative Reference Rate; and
- (C) in making the determinations under paragraphs (A) and (B) above:
 - (aa) shall act in good faith and in a commercially reasonable manner;
 - (ab) may consult with such sources of market practice as it considers appropriate; and
 - (ac) may otherwise make such determination in its discretion.

For the purposes of the foregoing:

(iii) “**Determination Date**” means:

- (A) subject to paragraph (B) below, the first day of the Distribution Period; and
 - (B) where a BCN2 is Resold on a day which is not a scheduled quarterly Distribution Payment Date, the first day of the Distribution Period preceding the Resale Date.
- (iv) “**Reference Rate Disruption Event**” means that, in the Issuer's opinion, the rate described in paragraph (i) above:
- (A) has been discontinued or otherwise ceased to be calculated or administered; or

(B) is no longer generally accepted in the Australian market as a reference rate appropriate to floating rate debt securities of a tenor and interest period comparable to that of BCN2; and

(v) “**Alternative Reference Rate**” means a rate other than the rate described in paragraph (i) above that is generally accepted in the Australian market as the successor to the Reference Rate, or if there is no such rate:

(A) a reference rate that is, in the Issuer's opinion, appropriate to floating rate debt securities of a tenor and interest period most comparable to that of BCN2; or

(B) such other reference rate as the Issuer considers appropriate having regard to available comparable indices.

Holders should note that APRA's approval may not be given for any Alternative Reference Rate it considers to have the effect of increasing the Distribution Rate contrary to applicable prudential standards.

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

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

where:

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

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

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

Record Date means, for any payment of Distributions:

- (a) the date which is 11 Business Days before the relevant Distribution Payment Date;
- (b) such other date as is determined by the Issuer, in its absolute discretion, and announced to the Holders on ASX and which is before the Record Date which would have been determined under paragraph (a) above; or
- (c) such other date as may be required by, or agreed by the Issuer with, ASX.

2.2 Business Days

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

2.3 Distribution payment conditions

The payment of any Distribution will be made unless:

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

A. Terms and conditions of the BCN2

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

2.4 Non-payment of Distributions

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

2.5 Dividend Restriction

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

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

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

3 Scheduled Mandatory Exchange

3.1 Scheduled Mandatory Exchange

Subject to this clause 3, clause 4.8 and clause 16, the Issuer must Exchange all (but not some) of the BCN2 for MGL Ordinary Shares in accordance with clause 9 on the Mandatory Exchange Date.

3.2 Mandatory Exchange Date

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

- (a) 21 December 2028 (the “**Scheduled Mandatory Exchange Date**”) (a “**Scheduled Mandatory Exchange**”); or
- (b) any Distribution Payment Date (within the meaning of paragraph (a) of the definition of that term) after the Scheduled Mandatory Exchange Date (a “**Deferred Mandatory Exchange Date**”),

(each a “**Relevant Mandatory Exchange Date**”) on which the Exchange Conditions relevant to those dates as described in clause 3.3 are satisfied, unless the BCN2 have been or will be Redeemed or Exchanged before that date.

3.3 Exchange Conditions

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

- (a) the Daily VWAP on the 25th Business Day immediately preceding (but not including) the Relevant Mandatory Exchange Date (or, if that day is not an ASX Trading Day, the last ASX Trading Day prior to that day) is greater than 56% of the Issue Date VWAP (“**First Exchange Condition**”);
- (b) the VWAP during the 20 ASX Trading Days immediately preceding (but not including) the Relevant Mandatory Exchange Date is such that the number of MGL Ordinary Shares to be issued (calculated in accordance with clause 9.1 as if it were not limited by the Maximum Exchange Number applicable to the Relevant Mandatory Exchange Date) is less than or equal to the Maximum Exchange Number applicable to a Relevant Mandatory Exchange Date (“**Second Exchange Condition**”);
- (c) no Suspension Event applies in respect of the Relevant Mandatory Exchange Date (“**Third Exchange Condition**”); and
- (d) MGL is not Delisted as at the Relevant Mandatory Exchange Date (“**Fourth Exchange Condition**”),

together, the “**Exchange Conditions**”.

3.4 Mandatory Exchange Notices

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

Failure to give a notice when required by this clause 3.4 (including where in accordance with clause 13 such notice takes effect only after the last date for the giving of that notice) does not affect the obligations of the Issuer, MGL and the Holders to Exchange each BCN2 when required in accordance with these Terms.

4 Automatic Exchange

4.1 Automatic Exchange Event

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

- (a) the Issuer determines, or APRA has notified the Issuer in writing that it believes, that either or both of the Common Equity Tier 1 Ratios in respect of the MBL Level 1 Group and the MBL Level 2 Group is equal to or less than 5.125% (“Common Equity Tier 1 Trigger Event”); or
- (b) APRA:
 - (i) has issued a written notice to the Issuer that:
 - (A) Exchange of the BCN2; or
 - (B) the exchange or conversion into MGL Ordinary Shares or write-off of Relevant Tier 1 Securities in accordance with their terms or by operation of law, is necessary because, without such exchange, conversion or write-off, APRA considers that the Issuer would become non-viable; or
 - (ii) has notified the Issuer in writing that it has determined that without a public sector injection of capital, or equivalent support, the Issuer would become non-viable, (each, a “Non-Viability Event”).

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

4.2 Exchange on account of an Automatic Exchange Event

Subject to this clause 4, if an Automatic Exchange Event occurs, the Issuer must immediately, in accordance with this clause 4 and clause 9, Exchange such number of BCN2 as:

- (a) is equal (following or together with any conversion into MGL Ordinary Shares or write-off of Relevant Tier 1 Securities as referred to in clause 4.3) to the aggregate face value of Relevant Tier 1 Securities which APRA has notified the Issuer must be exchanged into MGL Ordinary Shares, converted into MGL Ordinary Shares or written-off; or
- (b) if APRA has not so notified the Issuer, such number of BCN2 and other Relevant Tier 1 Securities as the Issuer determines is necessary to satisfy APRA that (and if all such securities are insufficient, other Relevant Securities):
 - (i) in the case of a Common Equity Tier 1 Trigger Event, the Common Equity Tier 1 Ratio in respect of either or both of the MBL Level 1 Group and the MBL Level 2 Group, as the case may be, will be restored to greater than 5.125%; or
 - (ii) in the case of a Non-Viability Event, the Issuer will not become non-viable,

(provided that in the case of a Non-Viability Event described in clause 4.1(b)(ii) all BCN2 must be Exchanged).

4.3 Determination of number of BCN2 to be Exchanged

In determining the number of the BCN2 which must be Exchanged in accordance with this clause 4, the Issuer may in its discretion, Exchange (in the case of the BCN2), or convert into MGL Ordinary Shares or write-off (in the case of any other Relevant Tier 1 Securities), the BCN2 and any Relevant Tier 1 Securities on a proportionate basis (unless the terms of any Relevant Tier 1 Security provide for that Relevant Tier 1 Security to be converted or written-off other than on a proportionate basis with BCN2 and other Relevant Tier 1 Securities), or such other basis as the Issuer considers fair and reasonable (subject to such adjustment as the Issuer may determine to take into account the effect on marketable parcels and whole numbers of MGL Ordinary Shares and any BCN2 or other Relevant Tier 1 Securities remaining on issue), provided always that nothing in the making of the determination or the adjustments is to delay or impede the immediate Exchange of the BCN2 on the Automatic Exchange Date.

4.4 Treatment of Holders

- (a) If, in accordance with clauses 4.2 and 4.3, only some BCN2 are to be Exchanged:
 - (i) the Issuer will endeavour to treat Holders on an approximately proportionate basis, but may discriminate to take account of the effect of marketable parcels and other similar considerations and the need to effect the Exchange immediately; and
 - (ii) where the specified currency of Relevant Tier 1 Securities is not the same for all such Relevant Tier 1 Securities, the Issuer may treat them as if converted into a single currency of the Issuer's choice at the rate of exchange that is specified in the terms of such securities or at such other rate as the Issuer in good faith considers reasonable.
- (b) In determining the identity of the Holder at the time that the Exchange is to take effect on the Automatic Exchange Date the Issuer may make any decision as may be necessary or desirable to ensure Exchange occurs in an orderly manner, including disregarding any transfers of BCN2 that have not been settled or registered at that time.

4.5 Exchange is automatic and irrevocable

If an Automatic Exchange Event has occurred and all or some of the BCN2 are required to be Exchanged in accordance with clause 4.2 then, subject to clause 4.6:

- (a) Exchange of the relevant BCN2 will be taken to have occurred in accordance with clause 9 immediately upon the date of occurrence of the Automatic Exchange Event;
- (b) none of the following shall prevent, impede or delay the Exchange of the BCN2 as required by clause 4.2:
 - (i) any failure to or delay in the conversion or write-off of other Relevant Tier 1 Securities;
 - (ii) any failure to or delay in giving an Automatic Exchange Notice;

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- (iii) any failure or delay in quotation of the MGL Ordinary Shares to be issued on or arising from the Exchange;
 - (iv) any requirement to select or adjust the amount of the BCN2 to be Exchanged in accordance with clause 4.3; or
 - (v) any obligation to treat Holders proportionately or any right to make determinations or adjustments in accordance with clause 4.4; and
- (c) from the Automatic Exchange Date the Issuer and MGL shall, subject to clause 15.1(b), treat the Holder in respect of its BCN2 as the holder of the Exchange Number of MGL Ordinary Shares and will take all such steps, including updating any register, required to record the Exchange.

4.6 Conditions to Exchange on account of an Automatic Exchange Event

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

4.7 Automatic Exchange Notice

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

An Automatic Exchange Notice must specify:

- (a) the details of the Automatic Exchange Event to which the Automatic Exchange Notice relates;
- (b) the date on which the Exchange occurred; and
- (c) the number of BCN2 Exchanged and the relevant number of Relevant Tier 1 Securities converted into MGL Ordinary Shares or written-off.

Failure to give an Automatic Exchange Notice when required by this clause 4.7 (including where in accordance with clause 13 such notice takes effect only after the Automatic Exchange Date) does not affect the obligations of the Issuer, MGL and the Holders to Exchange each BCN2 for MGL Ordinary Shares when required in accordance with these Terms or affect or impede the Exchange in any way.

4.8 Priority of Exchange obligations

An Exchange on account of an Automatic Exchange Event takes place on the relevant date and in the manner required by clause 9, notwithstanding anything in clauses 3, 5, 6, 7, 8 or 16 (and any Optional Exchange Notice, Acquisition Exchange Notice, Redemption Notice or Resale Notice in respect of the BCN2 given before the Automatic Exchange Date but in respect of which the Redemption or Resale has not completed will be taken to be revoked and of no force or effect).

4.9 Interpretation

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

5 Optional Exchange

5.1 Optional Exchange

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

- (a) Exchange all or some of the BCN2 on any Scheduled Optional Exchange Date; and
- (b) Exchange all or some of the BCN2 following the occurrence of a Tax Event or a Regulatory Event.

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

5.2 Scheduled Optional Exchange Dates

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

- (a) 21 December 2025 (the "**First Scheduled Optional Exchange Date**");
- (b) 21 June 2026 (the "**Second Scheduled Optional Exchange Date**"); and
- (c) 21 December 2026 (the "**Third Scheduled Optional Exchange Date**"),

(each a "**Scheduled Optional Exchange Date**").

5.3 Contents of the Optional Exchange Notice

An Optional Exchange Notice must specify:

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

5.4 Optional Exchange Restriction

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

- (a) on the second Business Day before the date on which an Optional Exchange Notice is to be sent by the Issuer (or, if that Business Day is not an ASX Trading Day, the last ASX Trading Day prior to that day) (the "**Non-Exchange Test Date**") the Daily VWAP on that date is less than or equal to 25% of the Issue Date VWAP (the "**First Optional Exchange Restriction**"); or

- (b) MGL is Delisted as at the Non-Exchange Test Date (the “**Second Optional Exchange Restriction**” and together with the First Optional Exchange Restriction, the “**Optional Exchange Restrictions**”).

5.5 Conditions to Exchange occurring once elected by the Issuer

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

- (a) the Exchange Date will be deferred until the first Distribution Payment Date (within the meaning of paragraph (a) of the definition of that term) on which:
 - (i) the Daily VWAP on the 25th Business Day immediately preceding (but not including) that Distribution Payment Date (or, if that day is not an ASX Trading Day, the last ASX Trading Day prior to that day) is greater than 25% of the Issue Date VWAP; and
 - (ii) each of the Second Exchange Condition (tested on the basis of the Maximum Exchange Number applicable to an Optional Exchange Date), the Third Exchange Condition and the Fourth Exchange Condition would be satisfied if that Distribution Payment Date were a Relevant Mandatory Exchange Date for the purposes of clause 3,
 (the “**Deferred Exchange Date**”);
- (b) the Issuer must Exchange the BCN2 on the Deferred Exchange Date (unless the BCN2 are Exchanged or Redeemed earlier in accordance with these Terms); and
- (c) until the Deferred Exchange Date, all rights attaching to the BCN2 will continue as if the Optional Exchange Notice had not been given.

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

6 Acquisition Event Exchange

6.1 Exchange on account of an Acquisition Event

If an Acquisition Event occurs, subject to clause 4.8, the Issuer must Exchange all but not some of the BCN2 in accordance with this clause 6, unless the Directors determine that:

- (a) as at the Acquisition Exchange Date, MGL will be, or will be likely to be, Delisted (except where, despite MGL being Delisted, the Exchange would be in the best interests of Holders as a whole); or
- (b) the Exchange Number of MGL Ordinary Shares to be issued in Exchange for a BCN2 (calculated in accordance with clause 9.1 as if it were not limited by the Maximum Exchange Number applicable to an Acquisition Exchange Date) would exceed

the Maximum Exchange Number applicable to an Acquisition Exchange Date (except where, despite the Exchange Number being limited to the Maximum Exchange Number applicable to an Acquisition Exchange Date, the Exchange would be in the best interests of Holders as a whole).

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

6.2 Acquisition Exchange Notice

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

- (a) details of the Acquisition Event to which the notice relates; and
- (b) if an Exchange is to occur:
 - (i) the date on which the Exchange is to occur (an “**Acquisition Exchange Date**”), which is to be:
 - (A) no later than the second Business Day prior to the date reasonably determined by the Issuer to be the last date on which holders of MGL Ordinary Shares can participate in the bid, scheme or arrangement concerned;
 - (B) such other earlier date as the Issuer may reasonably determine having regard to the best interests of Holders as a whole and the timing of the Acquisition Event concerned (provided that the Acquisition Exchange Date must be at least 25 Business Days after the date of the Acquisition Exchange Notice); or
 - (C) such other date as APRA may require; and
 - (ii) whether any Distribution will be paid in respect of the BCN2 on the Acquisition Exchange Date; or
- (c) otherwise, the reason why an Exchange is not to occur.

7 Optional Redemption

7.1 Optional Redemption

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

- (a) Redeem all or some of the BCN2 on a Scheduled Optional Exchange Date; or
- (b) Redeem all or some of the BCN2 following the occurrence of a Tax Event or a Regulatory Event.

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

Holders should not expect that APRA's approval will be given for any Redemption of the BCN2.

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7.2 Redemption conditions

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

- (a) the BCN2 which are to be Redeemed are replaced, concurrently with the Redemption or beforehand, with Tier 1 Capital of the same or better quality, and the replacement of those BCN2 is done under conditions which are sustainable for the income capacity of the MBL Level 1 Group and the MBL Level 2 Group; or
- (b) APRA is satisfied that the capital positions of the MBL Level 1 Group and the MBL Level 2 Group are sufficient after the BCN2 are Redeemed.

7.3 Contents of the Redemption Notice

A Redemption Notice must specify:

- (a) in the case of Redemption following the occurrence of a Tax Event or Regulatory Event, the details of the relevant Tax Event or Regulatory Event;
- (b) the date on which the Redemption is to occur (the “**Redemption Date**”), which:
 - (i) in the case of a Scheduled Optional Exchange Date, will be the next Scheduled Optional Exchange Date falling no earlier than 10 Business Days after the date of the Redemption Notice; and
 - (ii) in the case of a Tax Event or Regulatory Event, will be a day no earlier than 10 Business Days nor more than 60 Business Days after the date of the Redemption Notice; and
- (c) if less than all of the outstanding BCN2 are to be Redeemed, the proportion of each Holder’s holding which is to be Redeemed.

7.4 Redemption Price

On the Redemption Date:

- (a) each BCN2 being Redeemed will be Redeemed by payment of the Issue Price of that BCN2 (the “**Redemption Price**”) to the relevant Holder recorded on the Register at 10.00 am on the Redemption Date (or such other time required by the ASX Listing Rules); and
- (b) Distributions from (and including) the immediately preceding Distribution Payment Date and up to (but excluding) the Redemption Date will be paid in respect of the BCN2 being Redeemed on such date, to the extent the conditions of payment of Distributions under clause 2.3 are met.

7.5 No right of Holders to require Redemption

No BCN2 can, or will, be Redeemed at the option of a Holder.

7.6 Effect of Redemption

Upon payment of the Redemption Price being paid (or taken to be paid in accordance with clause 11) and any Distribution payable on the Redemption Date, all other rights conferred, or restrictions imposed, by each BCN2 being Redeemed on that date will no longer have effect and that BCN2 will be cancelled.

7.7 Partial Redemption or Resale

If some but not all of the outstanding BCN2 are Redeemed in accordance with this clause 7 or Resold in accordance with clause 8, the Issuer must select the BCN2 to be Redeemed or Resold:

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

8 Resale

8.1 Issuer may give Resale Notice

On any date on which it may issue a Redemption Notice, in lieu of such Redemption Notice, the Issuer may, in its sole discretion, but with APRA’s prior written approval, issue to each Holder a notice (a “**Resale Notice**”) specifying that all or some of each Holder’s holding of the BCN2 will be transferred to one or more Nominated Parties (“**Resale**”).

A Resale Notice to a Holder must specify:

- (a) the date on which the Resale is to occur (the “**Resale Date**”), which:
 - (i) in the case of a Scheduled Optional Exchange Date, will be the next Scheduled Optional Exchange Date falling no earlier than 5 Business Days after the date of the Resale Notice; and
 - (ii) in the case of a Tax Event or Regulatory Event, will be a day no earlier than 5 Business Days nor more than 60 Business Days after the date of the Resale Notice; and
- (b) the name of each Nominated Party to whom that Holder’s offer under clause 8.3 is being made and, where there is more than one Nominated Party, the basis for determining the BCN2 to be purchased by each Nominated Party, and any special provisions to be applied if there is a Non-Completing Nominated Party; and
- (c) any conditions that will apply to the Resale,

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

Holders should not expect that APRA’s approval will be given for any Resale of the BCN2.

8.2 Appointment of Nominated Party

- (a) The Issuer may not appoint itself or a Related Entity of the Issuer as a Nominated Party.
- (b) The Issuer may appoint one or more Nominated Parties for the Resale on such terms as may be agreed between the Issuer and the Nominated Parties and (to the extent any such conditions may affect the eligibility of the BCN2 as Additional Tier 1 Capital, with the prior written approval of APRA), including:
 - (i) as to the conditions of any Resale, the procedures for settlement of such Resale and the circumstances in which the Resale Notice may be amended, modified, added to or restated;

- (ii) as to the substitution of another entity (not being the Issuer or a Related Entity of the Issuer) as Nominated Party if, for any reason, the Issuer is not satisfied that the Nominated Party will perform its obligations under this clause 8; and
 - (iii) as to the terms on which any BCN2 acquired by a Nominated Party may be Exchanged or otherwise dealt with.
- (c) If the Issuer appoints more than one Nominated Party in respect of a Resale, all or any of the BCN2 held by a Holder which are being Resold may be purchased for the Resale Price by any one or any combination of the Nominated Parties, as determined by the Issuer.

8.3 Irrevocable offer to sell

- (a) If the Issuer gives a Resale Notice in accordance with clause 8, each Holder on the Resale Date is taken to irrevocably offer to sell the BCN2 that are the subject of the Resale Notice to the Nominated Party or Nominated Parties on the Resale Date for a purchase price per BCN2 equal to the Issue Price of that BCN2 (the “**Resale Price**”).
- (b) Subject to payment of the Resale Price on the Resale Date and any other conditions to the Resale specified in the Resale Notice, each BCN2 which is to be Resold will be transferred to the relevant Nominated Party or Nominated Parties free from any Encumbrance.
- (c) Clause 11 applies to the payment of the Resale Price as if references in clause 11 to the Issuer were references to the Nominated Party.

8.4 Effect of transfer

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

- (a) Distributions payable on the BCN2 in respect of any Distribution Payment Date arising after the Resale Date;
- (b) be issued with MGL Ordinary Shares on Exchange on or after the Resale Date; and
- (c) any Redemption Price payable on or after the Resale Date, but excluding any Distribution payable on the BCN2 in respect of any Distribution Payment Date on or before the Resale Date, which, to the extent the conditions of payment of Distribution under clause 2.3 are met, shall be paid by the Issuer to the holder of the BCN2 entitled to such amounts as otherwise provided in these Terms.

8.5 Terms after Resale

If any BCN2 are Resold in accordance with these Terms, these Terms will apply in all respects to the BCN2 held by the Nominated Party on and from the Resale Date.

8.6 Nominated Party not completing

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

- (a) unless the Resale Price is paid in full within 2 Business Days following the Resale Date, the Resale Notice will be void insofar as it relates to BCN2 referable to the Non-Completing Nominated Party and any obligations of the Holder and Non-Completing Nominated Party in respect of the Resale of the BCN2 that is the subject of the Resale Notice will terminate;
- (b) the Holder will continue to hold the BCN2 that are the subject of the Resale Notice which are referable to the Non-Completing Nominated Party; and
- (c) the Issuer and MGL have no liability for the Non-Completing Nominated Party not paying the Resale Price and the Resale Date will not be a Distribution Payment Date unless:
 - (i) such date would otherwise have been a Distribution Payment Date; or
 - (ii) a Distribution is paid on that date to Holders whose BCN2 have been transferred to a Nominated Party on that date or within 2 Business Days following that date.

8.7 No right of Holders to require Resale

No BCN2 can, or will, be Resold at the option of a Holder.

9 Exchange Mechanics

9.1 Exchange

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

- (a) Each BCN2 will be automatically transferred free from any Encumbrance to MGL or, only with APRA's written approval obtained prior to the Exchange Date, to another subsidiary of MGL which is a holding company of the Issuer on the Exchange Date nominated by MGL (an “**Approved Nominee**”).
- (b) MGL will allot and issue the Exchange Number of MGL Ordinary Shares to the Holders (or as they may direct) for each BCN2 held by the Holder. The “**Exchange Number**” will be calculated by MGL in accordance with the following formula:

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

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

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

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- (B) in the case of an Exchange on account of an Acquisition Event, the lesser of 20 ASX Trading Days and the number of ASX Trading Days that MGL Ordinary Shares are entitled to trade on ASX after the occurrence of the Acquisition Event immediately preceding, but not including, the Acquisition Exchange Date; and
 - (C) in the case of an Exchange on account of an Automatic Exchange Event, the 5 ASX Trading Days immediately preceding, but not including, the Automatic Exchange Date.
- (c) The **Maximum Exchange Number** will be calculated by the Issuer on the Issue Date in accordance with the following formula for each BCN2 held by the Holder:

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

where:

- (i) **Exchange Floor Price** means Issue Date VWAP x the Relevant Percentage;
 - (ii) **Issue Date VWAP** is the VWAP during the 20 ASX Trading Days immediately preceding, but not including, the Issue Date (as such number may be adjusted under clauses 9.5, 9.6 or 9.7); and
 - (iii) **Relevant Percentage** is:
 - (A) if the Exchange is occurring on a Relevant Mandatory Exchange Date, 50%; and
 - (B) if the Exchange is occurring on any other Exchange Date, 20%.
- (d) If the total number of MGL Ordinary Shares to be allotted to a Holder in respect of their aggregate holding of BCN2 upon Exchange includes a fraction of an MGL Ordinary Share, that fraction of an MGL Ordinary Share will be disregarded.
- (e) As agreed between, amongst others, MGL and the Issuer under the Implementation Deed, MGL, the Issuer and their Related Bodies Corporate will deal with the BCN2 being Exchanged so that MBL Ordinary Shares are issued to, or as directed by, MGL or to a Related Body Corporate of MGL nominated by MGL (which itself issues ordinary shares to, or as directed by, MGL), for an aggregate issue price equal to the aggregate Issue Price of the BCN2 to be Exchanged and the BCN2 transferred to MGL or to an Approved Nominee in accordance with this clause 9.1 shall be redeemed and cancelled (the “**Related Exchange Steps**”).

9.2 Holder information

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

9.3 Adjustments to VWAP

For the purposes of calculating VWAP in these Terms:

- (a) where, on some or all of the ASX Trading Days in the relevant VWAP Period, MGL Ordinary Shares have been quoted on ASX as cum dividend or cum any other distribution

or entitlement and the BCN2 will be Exchanged for MGL Ordinary Shares after the date those MGL Ordinary Shares no longer carry that dividend or any other distribution or entitlement, then the VWAP on the ASX Trading Days on which those MGL Ordinary Shares have been quoted cum dividend or cum any other distribution or entitlement shall be reduced by an amount (“**Cum Value**”) equal to:

- (i) in case of a dividend or other distribution, the amount of that dividend or other distribution including, if the dividend or other distribution is franked, the amount that would be included in the assessable income of a recipient of the dividend or other distribution who is both a resident of Australia and a natural person under the Tax Act and eligible to receive a franked distribution;
 - (ii) in the case of any other entitlement that is not a dividend or other distribution under clause 9.3(a)(i) and which is traded on ASX on any of those ASX Trading Days, the volume weighted average sale price of all such entitlements sold on ASX during the VWAP Period on the ASX Trading Days on which those entitlements were traded; or
 - (iii) in the case of any other entitlement which is not traded on ASX during the VWAP Period, the value of the entitlement as reasonably determined by the Directors; and
- (b) where, on some or all of the ASX Trading Days in the VWAP Period, MGL Ordinary Shares have been quoted on ASX as ex dividend or ex any other distribution or entitlement, and the BCN2 will be Exchanged for MGL Ordinary Shares which would be entitled to receive the relevant dividend or other distribution or entitlement, the VWAP on the ASX Trading Days on which those MGL Ordinary Shares have been quoted ex dividend or ex any other distribution or entitlement shall be increased by the Cum Value.

9.4 Adjustments to VWAP for divisions and similar transactions

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

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

where:

- (i) **A** means the aggregate number of MGL Ordinary Shares immediately before the Reclassification; and
- (ii) **B** means the aggregate number of MGL Ordinary Shares immediately after the Reclassification.

- (b) Any adjustment made by MGL in accordance with clauses 9.3 and 9.4(a) will be effective and binding on Holders under these Terms and these Terms will be construed accordingly. Any such adjustment must be notified to all Holders as soon as reasonably practicable following its determination by MGL or the Issuer.

9.5 Adjustments to Issue Date VWAP

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

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

9.6 Adjustments to Issue Date VWAP for bonus issues

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

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

where:

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

9.7 Adjustment to Issue Date VWAP for divisions and similar transactions

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

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

where:

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

9.8 No adjustment to Issue Date VWAP in certain circumstances

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

9.9 Announcement of adjustment to Issue Date VWAP

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

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

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

9.10 Listing of MGL Ordinary Shares

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

9.11 Status of MGL Ordinary Shares

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

A. Terms and conditions of the BCN2

9.12 Failure to Exchange

- (a) Subject to clauses 9.13(g) and 9.16, if, in respect of an Exchange of a BCN2, MGL fails to issue the MGL Ordinary Shares in respect of a BCN2 to, or in accordance with the instructions of, the relevant Holder on the applicable Exchange Date or to the Sale Agent where clause 9.13 applies, that BCN2 remains on issue (and, without limitation, clause 2 applies) until:
- (i) the MGL Ordinary Shares are issued to, or in accordance with the instructions of, that Holder or, where clause 9.13 applies, to the Sale Agent; or
 - (ii) that BCN2 is Redeemed in accordance with these Terms,
- and the remedies of a Holder in respect of that failure are limited to seeking an order for specific performance of MGL's obligations to issue MGL Ordinary Shares.
- (b) If, in respect of an Exchange of a BCN2, the BCN2 is not transferred on the Exchange Date free from Encumbrance to MGL or its Approved Nominee, MGL shall issue the Exchange Number of MGL Ordinary Shares to the Holder in respect of that BCN2 and all rights of the relevant Holder (and any person claiming through the Holder) in such BCN2 are taken to have ceased and the BCN2 shall be cancelled.
- (c) This clause 9.12 does not affect the obligation of MGL to deliver the MGL Ordinary Shares or of the Holder to transfer BCN2 when required in accordance with these Terms.

9.13 Holders whose MGL Ordinary Shares are to be sold

Subject to clause 9.16, if any BCN2 of a Holder are required to be Exchanged and if:

- (a) the Holder has notified the Issuer that it does not wish to receive MGL Ordinary Shares as a result of the Exchange (whether entirely or to the extent specified in the notice), which notice may be given at any time on or after the Issue Date and no less than 15 Business Days prior to the Exchange Date;
- (b) the BCN2 are held by a Foreign Holder;
- (c) if for any reason (whether or not due to the fault of a Holder):
 - (i) the Issuer or MGL does not receive any information required by it in accordance with these Terms so as to impede MGL from issuing the MGL Ordinary Shares to the Holder on the Exchange Date; or
 - (ii) a FATCA Withholding is required to be made in respect of any MGL Ordinary Shares to be delivered as a result of that Exchange; or
- (d) MGL is of the opinion that under an Applicable Shareholding Law the Holder is prohibited from acquiring some or all of the Exchange Number of MGL Ordinary Shares on the Exchange Date,

then, the Issuer will use reasonable endeavours to appoint a Sale Agent (which is not the Issuer or any Related Entity of the Issuer) on such terms as the Issuer considers reasonable, who will act in accordance with paragraph (f) where the Issuer, MGL and the Sale Agent can be satisfied that the obligation in paragraph (f)

may be performed in respect of the relevant Holder and the relevant MGL Ordinary Shares in accordance with all applicable laws and without the Issuer, MGL or the Sale Agent having to take steps which any of them regard as onerous.

On the Exchange Date:

- (e) where paragraph (a), (b) or (d) applies, MGL will issue the Exchange Number of MGL Ordinary Shares to the Holder only to the extent (if at all) that:
 - (i) where paragraph (a) applies, the Holder's notice referred to in paragraph (a) indicates the Holder wishes to receive them;
 - (ii) where paragraph (b) applies, MGL is satisfied that the laws of both Australia and the Foreign Holder's country of residence permit the issue of the Exchange Number of MGL Ordinary Shares to the Foreign Holder as contemplated by this clause 9 (but as to which MGL is not bound to enquire), either unconditionally or after compliance with conditions which the MGL, in its absolute discretion, regards as acceptable and not unduly onerous; and
 - (iii) where paragraph (d) applies, the issue would result in the Holder receiving the maximum number of MGL Ordinary Shares the Holder is permitted to acquire in compliance with Applicable Shareholding Law as at the Exchange Date;
- (f) otherwise, subject to paragraph (g) and clause 9.16, MGL will issue the balance of the Exchange Number of MGL Ordinary Shares (or, where paragraph (c) applies, all of the Exchange Number of MGL Ordinary Shares) in respect of that Holder to the Sale Agent on the terms that, at the first reasonable opportunity to sell the MGL Ordinary Shares, the Sale Agent will arrange for their sale and pay to the relevant Holder on a date determined by the Sale Agent a cash amount equal to the Attributable Proceeds of the relevant Holder, or where paragraph (c)(ii) applies, the Sale Agent will deal with the MGL Ordinary Shares in accordance with FATCA. The issue of MGL Ordinary Shares to the Sale Agent will satisfy all obligations of MGL and its Related Bodies Corporate in connection with the Exchange, the BCN2 will be deemed Exchanged and will be dealt with in accordance with clause 9.1 and, on and from the issue of MGL Ordinary Shares, the rights of a Holder the subject of this clause 9.13 are limited to its rights in respect of the MGL Ordinary Shares or the Attributable Proceeds as provided in this clause 9.13; and
- (g) where paragraph (f) applies in respect of a Holder and a Sale Agent is unable to be appointed, or any of the Issuer, MGL or the Sale Agent is of the opinion that the issue of MGL Ordinary Shares to the Sale Agent and subsequent sale in accordance with paragraph (f) cannot be undertaken in accordance with an Applicable Shareholding Law or other applicable law (or can be undertaken in accordance with an Applicable Shareholding Law or applicable law only after MGL or the Sale Agent take steps which any of the Issuer, MGL or the Sale Agent regard as onerous) then:
 - (i) in respect of an Automatic Exchange Date, but without in any way limiting clause 9.16, if either or both of MGL and the Sale Agent is of the opinion that the issue of MGL

Ordinary Shares cannot be undertaken within 5 Business Days of the Automatic Exchange Date to the Sale Agent in accordance with paragraph (f) or otherwise to the relevant Holder in accordance with clause 9, then the relevant BCN2 will be Written-Off; or

- (ii) in respect of an Exchange Date other than an Automatic Exchange Date:
 - (A) the issue of MGL Ordinary Shares to the Sale Agent in accordance with paragraph (f) shall occur as soon as practicable after MGL is able to issue the relevant MGL Ordinary Shares to the Sale Agent in accordance with Applicable Shareholding Law and other applicable law (and without MGL or the Sale Agent taking steps which either or both of MGL and the Sale Agent regard as onerous); and
 - (B) on and from the Exchange Date, the BCN2 of the relevant Holder remain on issue (and, without limitation, clause 2 applies) until the first to occur of:
 - (aa) the issue of the relevant MGL Ordinary Shares in accordance with paragraphs (f) and (g)(ii)(A) or otherwise to that relevant Holder in accordance with clause 9; or
 - (ab) the relevant BCN2 are Redeemed in accordance with these Terms; or
 - (ac) the date which is 6 months after the Exchange Date, upon which date an Exchange will not occur in respect of the balance of the Holder's BCN2 at that date and such BCN2 will be automatically transferred free from any Encumbrance to MGL or, subject to APRA's prior written approval, to another subsidiary of MGL which is a holding company of the Issuer on that date nominated by MGL, in each case for no consideration and cancelled. Upon transfer of the BCN2, such BCN2 shall be deemed to have been Exchanged (without MGL being required to allot or issue MGL Ordinary Shares).

Nothing in this clause 9.13 shall affect the Exchange of BCN2 to a Holder which is not a person to which any of paragraphs (a) to (d) (inclusive) applies.

9.14 No duty on sale

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

9.15 No right of Holders to require Exchange

No BCN2 can, or will, be Exchanged at the option of a Holder.

9.16 Write-Off on failure to perform Exchange

- (a) Notwithstanding any other provisions of this clause 9, if, following an Automatic Exchange Event, for any reason (including, without limitation, an Inability Event) a BCN2 which

but for this clause 9.16 would be required to be Exchanged, has not been Exchanged within 5 Business Days of the Automatic Exchange Date, then Exchange of that BCN2 will not occur and that BCN2 will instead be Written-Off.

- (b) The Issuer must give notice to Holders if that Exchange has not occurred by operation of this clause 9.16, but failure to give that notice shall not affect the operation of this clause.

10 Acknowledgements and appointments

10.1 Acknowledgements

Each Holder, by subscribing for, purchasing or otherwise acquiring a BCN2:

- (a) is taken to have notice of, and irrevocably agrees to be bound by, the terms of the BCN2 Deed Poll and these Terms;
- (b) upon an Exchange, consents to becoming a member of MGL and agrees to be bound by the constitution of MGL;
- (c) agrees that any Redemption, Resale or Exchange shall occur on a Redemption Date, Resale Date or Exchange Date (as the case may be) in accordance with these Terms;
- (d) agrees that it is obliged to accept the MGL Ordinary Shares in respect of its BCN2 upon an Exchange Date, notwithstanding anything which might otherwise affect the Exchange including:
 - (i) any change in the financial position of the Issuer, MGL or the Macquarie Group since the Issue Date;
 - (ii) any disruption to the market or potential market for the MGL Ordinary Shares or to capital markets generally;
 - (iii) it being impossible or impracticable to list the MGL Ordinary Shares on ASX; or
 - (iv) it being impossible or impracticable to sell or otherwise dispose of the MGL Ordinary Shares;
- (e) acknowledges and agrees that Exchange must occur immediately on the occurrence of an Automatic Exchange Event and that may result in disruption or failures in trading or dealings in the BCN2;
- (f) acknowledges and agrees that:
 - (i) if Exchange does not occur in the circumstances contemplated in clauses 9.13(g) or 9.16, each BCN2 will be Written-Off; and
 - (ii) each of clauses 9.13(g) and 9.16 is a fundamental term of the BCN2 and where it applies, no other conditions or events will affect its operation;
- (g) agrees to provide to the Issuer and MGL any information that the Issuer or MGL considers necessary or desirable, or to take any and all such action as is within the reasonable control of that Holder, to give effect to a Redemption, Resale or an Exchange;
- (h) acknowledges and agrees that it has:
 - (i) no right to request a Redemption, Resale or an Exchange;
 - (ii) to the fullest extent permitted by law:
 - (A) no right to initiate the Winding Up of the Issuer, MGL or any member of the Macquarie Group or to have any such entity placed in administration; or

A. Terms and conditions of the BCN2

- (B) to cause a receiver or receiver and manager to be appointed in respect of any such entity, merely on the grounds that a Distribution or any other amount is not paid; and
- (iii) no rights against any member of the Macquarie Group in connection with the BCN2 except as expressly provided in these Terms and under the BCN2 Deed Poll; and
- (i) acknowledges and agrees that these Terms contain no events of default (however described, determined or defined). Accordingly (but without limitation), failure to pay in full, for any reason, a Distribution on the scheduled Distribution Payment Date will not constitute an event of default; and
- (j) acknowledges and agrees it has no remedies on account of a failure by MGL or any Related Body Corporate:
 - (i) to make any payment in respect of an Exchange;
 - (ii) to issue MGL Ordinary Shares in accordance with clause 9 other than (and subject always to clauses 9.13(g) and 9.16) to seek specific performance of the obligation to issue the MGL Ordinary Shares; or
 - (iii) to perform any of the Related Exchange Steps.

10.2 Appointment of attorneys, agents and directions

Each Holder irrevocably:

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

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

11 Payments to Holders

11.1 Currency of payments

All payments of amounts in respect of any BCN2 will be made in Australian Dollars.

11.2 Calculation of payments

All calculations of payments will be rounded to the nearest four decimal places (with 0.00005 being rounded to 0.0001). For the purposes of making any payment in respect of a Holder's aggregate holding of BCN2, any amount less than A\$0.01 will be disregarded.

11.3 Payments and issues and deliveries of securities subject to laws

All payments and issues and deliveries of securities are subject in all cases to:

- (a) compliance by the Issuer with applicable laws; and
- (b) any applicable fiscal or other laws in the place of payment, but without prejudice to the provisions of clause 11.4.

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

11.4 Deductions

- (a) The Issuer, MGL, the Sale Agent and any financial institutions or intermediaries through which payments are made or securities issued or delivered, may withhold or deduct from any amount payable or securities issuable or deliverable to a Holder the amount of any withholding, deduction or other tax, duty or levy required by law to be withheld or deducted in respect of such payment, including, without limitation:
 - (i) any withholding or deduction of taxes, interest or penalties required under FATCA (**"FATCA Withholding"**); or
 - (ii) where the Issuer, MGL, the Sale Agent and any financial institution or intermediary (as applicable) has reasonable grounds to suspect that a Holder or a beneficial owner of any BCN2 (or any financial institution or intermediary through which the payment is to be made) may be subject to a FATCA Withholding in respect of the payment of that amount.

For the avoidance of doubt, any withholding or deduction required under FATCA is a tax, the withholding or deduction of which is required by applicable law for purposes of this clause 11.

- (b) In addition, where Ordinary Shares are required to be delivered to a Holder upon an Exchange, and the Issuer or MGL is required or entitled to make a FATCA Withholding, then the Issuer and MGL is entitled to deal with any Ordinary Shares in accordance with clause 9.13.
- (c) Each Holder shall be deemed to authorise the Issuer, MGL, the Sale Agent and any financial institutions or intermediaries through which payments are made to deal with payments, securities to be issued or delivered and the Holder's BCN2 in accordance with FATCA, including remitting, or otherwise dealing with, any amounts or securities comprising a FATCA Withholding, or reporting payment or account or other

information to the IRS or other relevant revenue or taxing authority in accordance with the applicable requirements under FATCA.

- (d) If any withholding or deduction is required by applicable law, the Issuer, MGL or the Sale Agent, (as applicable) must remit the full amount required to be withheld or deducted, or remit or otherwise deal with the total number of securities, to or as required by the relevant revenue or taxing authority within the time allowed for such remittance or dealing without incurring a penalty under the applicable law.
- (e) If:
 - (i) a withholding or deduction is made in accordance with this clause 11;
 - (ii) the amount of the withholding or deduction is, or number of or rights in respect of securities withheld are, accounted for by the Issuer, MGL or the Sale Agent (as applicable) to the relevant revenue or taxing authority; and
 - (iii) the balance of the amount payable has been paid, or the balance of the securities to be issued or delivered are issued or delivered, to the Holder,then the Issuer's, MGL's or the Sale Agent's (as applicable) obligation to make the payment, or to issue or deliver securities to the Holder is taken to have been satisfied in full.

11.5 No set-off

A Holder has no right to set-off any amounts owing by it to a member of the Macquarie Group against any claims owing by the Issuer or another member of the Macquarie Group to such Holder. The Issuer has no right to set-off any amounts owing by it to a Holder in respect of the BCN2 against any claims owing by the Holder to it or any member of the Macquarie Group.

11.6 Payment method

Subject to clauses 11.1 and 11.3, all monies payable by the Issuer to a Holder may be paid in any manner the Issuer decides, which may include any of the following:

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

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

11.7 Unpresented cheques

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

11.8 Unsuccessful attempts to pay

Subject to applicable law, where the Issuer:

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

the amount of the unsuccessful payment will be held by the Issuer for the Holder as a non-interest bearing deposit maintained by the Issuer until the first to occur of the following:

- (i) the Holder or any legal personal representative of the Holder claims the amount;
- (ii) the Issuer determines as permitted by clause 11.10 to refuse any claim in respect of the amount, in which case the Issuer may treat the amount as its own; or
- (iii) the Issuer is entitled or obliged to deal with the amount in accordance with the legislation relating to unclaimed moneys.

When this clause 11.8 applies the amount payable in respect of the BCN2 shall be treated as having been paid on the date scheduled for payment. Holders will not be entitled to any interest or other payment for any delay after the due date in receiving the amount due.

11.9 Payment to joint Holders

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

11.10 Time limit for claims

A claim against the Issuer for a payment under a BCN2 is void unless made within 5 years from the date on which payment first became due.

12 Title and transfer of BCN2

12.1 Title

Title to a BCN2 passes when details of the transfer are recorded in the Register.

A. Terms and conditions of the BCN2

12.2 Effect of entries in the Register

Each entry in the Register for a BCN2 constitutes an entitlement to the benefits given to the Holder under these Terms and the BCN2 Deed Poll in respect of the BCN2.

12.3 Register conclusive as to ownership

An entry in the Register in relation to a BCN2 constitutes conclusive evidence that the person so entered is the absolute owner of that BCN2, subject to correction for fraud or error.

12.4 Non-recognition of interests

- (a) Except as required by clause 9 and by law, and save as provided below, the Issuer, MGL and the Registrar must treat the person entered in the Register in respect of a BCN2 as the absolute owner of that BCN2.
- (b) No notice of any trust, Encumbrance or other interest in, or claim to, any BCN2 will be entered in the Register. None of the Issuer, MGL or the Registrar need take notice of any trust, Encumbrance or other interest in, or claim to, any BCN2, except as ordered by a court of competent jurisdiction or required by law.
- (c) This clause 12.4 applies whether or not a payment has been made when scheduled on a BCN2 and despite any notice of ownership, trust, Encumbrance or other interest in the BCN2.

12.5 Joint holders

Where two or more persons are entered in the Register as joint Holders of a BCN2 then they are taken to hold the BCN2 jointly, but the Registrar is not bound to register more than four persons as joint holders of a BCN2.

12.6 Transfers

A Holder may transfer a BCN2:

- (a) in accordance with the rules and regulations of CHES;
- (b) by a proper transfer under any other applicable computerised or electronic system recognised by the Corporations Act (or as the Issuer may otherwise accept); or
- (c) subject to clause 1.4, by any proper or sufficient instrument of transfer of marketable securities under applicable law, provided such instrument is delivered to the Registrar with any evidence the Registrar requires to prove title to or the right to transfer the BCN2.

The Holder is responsible for any stamp duty or other similar taxes which are payable in any jurisdiction in connection with a transfer, assignment or other dealing with BCN2.

12.7 Transferee takes subject to terms

A transferee of, or any person claiming, an interest in a BCN2 takes subject to these Terms and the BCN2 Deed Poll.

12.8 Other transfers void

A purported transfer otherwise than in accordance with these Terms and the BCN2 Deed Poll or grant of an interest in a BCN2 otherwise than by way of transfer is, to the fullest extent permitted by law, void.

12.9 Issuer may request holding lock or refuse to register transfer

If BCN2 are quoted on ASX, and if permitted to do so by the ASX Listing Rules and the Corporations Act, the Issuer may:

- (a) request the CS Facility Operator or the Registrar, as the case may be, to apply a holding lock to prevent a transfer of BCN2 approved by and registered on the CS Facility's electronic subregister or any BCN2 registered on an issuer-sponsored subregister, as the case may be; or
- (b) refuse to register a transfer of any BCN2.

12.10 Issuer must request holding lock or refuse to register transfer

- (a) The Issuer must request the CS Facility Operator or the Registrar, as the case may be, to apply a holding lock to prevent a transfer of BCN2 approved by and registered on the CS Facility's electronic subregister or BCN2 registered on an issuer-sponsored subregister, as the case may be, if the Corporations Act or the ASX Listing Rules require the Issuer to do so.
- (b) The Issuer must refuse to register any transfer of any BCN2 if the Corporations Act or the ASX Listing Rules require the Issuer to do so.

12.11 Notice of holding locks and refusal to register transfer

If, in the exercise of its rights under clauses 12.9 and 12.10, the Issuer requests the application of a holding lock to prevent a transfer of BCN2 or refuses to register a transfer of BCN2, it must, within 2 months after the date on which the transfer was lodged with it, give written notice of the request or refusal to the Holder, to the transferee and the broker lodging the transfer, if any. Failure to give such notice does not, however, invalidate the decision of the Issuer.

12.12 Delivery of instrument

If an instrument is used to transfer any BCN2 according to clause 12.6, it must be delivered to the Registrar, together with such evidence (if any) as the Registrar reasonably requires to prove the title of the transferor to, or right of the transferor to transfer, the BCN2.

12.13 Refusal to register

- (a) A transferor of a BCN2 is deemed to remain a Holder until the transfer is Registered and the name of the transferee is entered in the Register.
- (b) The Issuer may refuse to Register a transfer of any BCN2 if:
 - (i) such registration would contravene these Terms; or
 - (ii) the Corporations Act or any other law or regulation binding on the Issuer or MGL forbids registration.

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

12.14 No liability to persons other than Holders

The Issuer is not liable to pay any amount to any person claiming an interest in a BCN2 in connection with that BCN2 other than the Holder.

13 Notices and other communications

13.1 Notices to Holders

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

- (a) left at the address of or sent by prepaid post (airmail, if appropriate) to the address of the Holder as shown on the Register;
- (b) (if available) issued to Holders through CHESS in accordance with any applicable rules and regulations of CHESS;
- (c) so long as the BCN2 are quoted on ASX, by publication of an announcement on ASX;
- (d) given by an advertisement published in the Australian Financial Review, The Australian or in any other newspaper nationally circulated within Australia;
- (e) sent by email or electronic message to the electronic address (if any) of the Holder as shown on the Register; or
- (f) given in any other way agreed between the Issuer and any Holder (and in agreeing in such way, the Issuer and such Holders may have regard to the dates by which notice is to be given under these Terms).

13.2 Notices to the Issuer

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

- (a) left at the address, or sent by prepaid post (airmail, if appropriate) to the address, set out below:
Name: Macquarie Bank Limited
Address: 50 Martin Place
Sydney NSW 2000 Australia
Attention: Company Secretary
- (b) given in any other way reasonably determined by the Issuer and notified to Holders.

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

13.3 When effective

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

13.4 When taken to be received

Communications are taken to be received:

- (a) if sent by post, the day immediately following the day on which the notice was posted;
- (b) if addressed and transmitted to the Issuer in accordance with clause 13.2, on the Business Day following its transmission;

- (c) if sent by e-mail to the electronic address in respect of the Holder as specified in accordance with clause 13.1, on the day following its transmission to that electronic address;
- (d) if issued to Holders through CHESS, on the date of the issuance unless the sender receives an automated message that the e-mail has not been delivered;
- (e) if announced on ASX, on the date of the announcement; or
- (f) if published in a newspaper, on the first date that publication has been made in the required newspaper.

13.5 Receipt outside business hours

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

13.6 Effect of failure to give notice

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

14 Amendment of Terms

14.1 Amendment without consent

Subject to complying with the Corporations Act and all other applicable laws and directives, the Issuer may amend these Terms and the BCN2 Deed Poll, with the prior written approval of APRA (to the extent any such amendment may affect the eligibility of the BCN2 as Additional Tier 1 Capital of either or both of the MBL Level 1 Group and the MBL Level 2 Group) but without the consent of the Holders:

- (a) if the Issuer is of the opinion that the amendment is:
 - (i) of a formal, minor or technical nature;
 - (ii) made to correct any ambiguity or any manifest or proven error;
 - (iii) expedient for the purpose of enabling the BCN2 to be listed for quotation or to retain a listing on any Stock Exchange, to be cleared or settled through any clearing system or to retain clearance and settlement through any clearing system or to be offered for sale, Resold, or subscribed for, under the laws for the time being in force in any place and, in each case, it is otherwise not considered by the Issuer to be materially adverse to the interests of Holders as a whole;
 - (iv) necessary to comply with the provisions of any statute or the requirements of any statutory authority;
 - (v) in respect of any time or notice period stated, required or permitted in respect of any Exchange on account of any Acquisition Event, as is necessary or appropriate to give effect to such Exchange; or

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(vi) made to:

- (A) alter the terms of any BCN2:
 - (aa) to be or other otherwise to remain as a Relevant Tier 1 Security; or
 - (ab) to align them with any other Relevant Tier 1 Security issued after the Issue Date of such BCN2; or
 - (B) alter the definition of Relevant Tier 1 Securities on account of the issue (after the date of any BCN2) of any other Relevant Tier 1 Securities; or
 - (C) give effect to any agreement with the Nominated Party to which BCN2 have been Resold; or
- (b) if the Issuer is of the opinion that the amendment does not, taken as a whole and in conjunction with all other amendments, if any, made contemporaneously with the amendments, materially adversely affect the interests of Holders as a whole.

14.2 Amendment without consent where Approved Acquirer

Without limiting clause 14.1, subject to complying with the Corporations Act and all other applicable laws and directives, the Issuer may make amendments to these Terms and the BCN2 Deed Poll, with the prior written approval of APRA (to the extent any such amendment may affect the eligibility of the BCN2 as Additional Tier 1 Capital) but without the consent of the Holders, which are necessary and appropriate to effect the substitution of the Approved Acquirer as the issuer of ordinary shares whenever BCN2 are required to be Exchanged in the manner contemplated by these Terms, including without limitation:

- (a) amendments to the definition of “Exchange” such that, unless APRA otherwise agrees, on the Exchange Date:
 - (i) each BCN2 that is to be Exchanged will be automatically transferred by each Holder free from Encumbrance to the Approved Acquirer (or another subsidiary of the Approved Acquirer which is a holding company of the Issuer on the Exchange Date) (the “Transferee”);
 - (ii) each Holder will be issued a number of ordinary shares in the capital of the Approved Acquirer equal to the Exchange Number; and
 - (iii) as between the Issuer and the Transferee, the BCN2 held by the Transferee as a result of the transfer will be exchanged for a number (rounded down to the nearest whole number) of MBL Ordinary Shares the aggregate value of which equals the aggregate Issue Price of the transferred BCN2;
- (b) amendments and additions to the definitions of “Acquisition Event”, “Macquarie Group”, “Regulatory Event” and “Tax Event”; and
- (c) amendments and additions to any term defining the rights of Holders if the Exchange is not effected which is appropriate for the BCN2 to remain to be eligible as Additional Tier 1 Capital of the MBL Level 1 Group or the MBL Level 2 Group.

14.3 Amendment with consent

Without limiting clauses 14.1 and 14.2, the Issuer may, with APRA's prior written approval (to the extent any such amendment may affect the eligibility of the BCN2 as Additional Tier 1 Capital of the MBL Level 1 Group or of the MBL Level 2 Group), amend these Terms or the BCN2 Deed Poll, if the amendment has been approved by a Special Resolution.

14.4 Meanings

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

14.5 Notice of amendments

Any amendment of these Terms or the BCN2 Deed Poll made in accordance with this clause 14 must be promptly notified by the Issuer to Holders.

15 General provisions

15.1 Voting and meetings

- (a) The BCN2 Deed Poll contains provisions for convening meetings of the Holders to consider any matter affecting their interests, including any amendment of these Terms which requires the consent of Holders.
- (b) Holders will have no voting rights in respect of any member of the Macquarie Group.
- (c) Subject to applicable law, Holders are not entitled to be provided with copies of:
 - (i) any notices of general meetings of the Issuer or MGL; or
 - (ii) other documents (including annual reports and financial statements) sent by the Issuer or MGL to holders of ordinary shares or other securities (if any) in the Issuer or MGL.

15.2 Listing

The Issuer must use its best endeavours and furnish all such documents, information and undertakings as may be reasonably necessary in order to procure, at its own expense, quotation of the BCN2 on ASX on or as soon as possible after the Issue Date and maintain quotation on ASX until all BCN2 have been Exchanged, Redeemed or Written-Off.

15.3 Purchases

Subject to APRA's prior written approval and applicable law, any member of the Macquarie Group may purchase BCN2 at any time and at any price. Such BCN2 may, at the option of the acquirer, be held, resold or cancelled.

Holders should not expect that APRA's approval will be given for any purchase of the BCN2.

16 Winding Up

16.1 Ranking in Winding Up

- (a) If an order of a court of competent jurisdiction in Australia is made (other than an order successfully appealed or permanently stayed within 30 days), or an effective resolution passed, for the Winding Up of the Issuer in Australia, the

Issuer is liable to redeem each BCN2 for its Liquidation Amount in accordance with, and subject to, this clause 16.

- (b) In the Winding Up of the Issuer in Australia, a Holder is entitled, subject to the terms of the BCN2 Deed Poll and to this clause 16, to claim on a subordinated basis in accordance with clauses 1.5 and 16.1(c) for payment in cash of an amount equal to the Liquidation Amount but has no further or other claim on the Issuer in the Winding Up.
- (c) In a Winding Up of the Issuer in Australia:
 - (i) Holders shall be entitled to prove only for any sums payable in respect of the BCN2 as a debt which are subject to, and contingent upon the prior payment in full of, the Senior Creditors;
 - (ii) Holders shall be entitled to claim for payment in cash of an amount equal to the Liquidation Amount and that claim ranks equally with all Equal Ranking Obligations; and
 - (iii) Holders waive, to the fullest extent permitted by law, any right to prove in any such Winding Up as a creditor ranking for payment in any other manner.

16.2 Agreements of Holders as to subordination

Each Holder irrevocably agrees:

- (a) that clause 16.2 is a debt subordination for the purposes of section 563C of the Corporations Act;
- (b) that it does not have, and waives to the maximum extent permitted by law, any entitlement to interest under section 563B of the Corporations Act to the extent that a holder of a preference share which is an Equal Ranking Obligation would not be entitled to such interest;
- (c) not to exercise any voting or other rights as a creditor in any Winding Up or administration of the Issuer in any jurisdiction:
 - (i) until after all Senior Creditors have been paid in full; or
 - (ii) otherwise in a manner inconsistent with the ranking and subordination contemplated by clauses 1.5 and 16.1;
- (d) that it must pay or deliver to the liquidator or administrator any amount or asset received on account of its claim in any Winding Up or administration of the Issuer in any jurisdiction in respect of the BCN2 in excess of its entitlement under clauses 1.5 and 16.1;
- (e) that it must pay in full all liabilities it owes the Issuer before it may receive any amount or asset on account of its claim in any Winding Up or administration in any jurisdiction in respect of a BCN2; and
- (f) that the debt subordination effected by clauses 1.5 and 16.1 is not affected by any act or omission of the Issuer or a Senior Creditor which might otherwise affect it at law or in equity.

16.3 No charge

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

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

17 Governing law, jurisdiction and service of documents

17.1 Governing law

The BCN2, including these Terms, are governed by, and shall be construed in accordance with, the laws of New South Wales, Australia.

17.2 Jurisdiction

The Issuer and MGL irrevocably agree for the benefit of the Holders that the courts of New South Wales, Australia are to have non-exclusive jurisdiction to settle any disputes which may arise out of or in connection with the BCN2 and accordingly has submitted to the non-exclusive jurisdiction of the courts of New South Wales.

17.3 Service of process

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

18 Interpretation and definitions

18.1 Interpretation

Unless otherwise specified or the contrary intention appears:

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

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- (j) a reference to a party to an agreement, deed, authority or other instrument includes a reference to any successor, replacement, assignee, substitute or addition of the party according to that agreement, deed, authority or instrument;
- (k) any references to the requirements of APRA or any other prudential regulatory requirements will apply to the Issuer or MGL only if the Issuer or MGL is an entity, or the holding company of an entity, subject to regulation and supervision by APRA at the relevant time;
- (l) any requirement for APRA's consent or approval will apply only if APRA requires that such consent or approval be given at the relevant time;
- (m) any requirements for the prior approval or consent of APRA for a particular course of action to be taken by the Issuer or MGL do not imply that APRA has given its consent or approval to the particular action as of the Issue Date;
- (n) a reference to accounting standards is a reference to the accounting standards as defined in the Corporations Act and a reference to an accounting term is a reference to that term as it is used in those accounting standards, or, if not inconsistent with those standards, in accounting principles and practices generally accepted in Australia;
- (o) a reference to an agreement, deed or other instrument includes a reference to that agreement, deed or instrument as amended, modified, added to or restated from time to time;
- (p) the terms **"takeover bid"**, **"relevant interest"**, **"scheme of arrangement"**, **"buy-back"**, **"subsidiary"** and **"holding company"** when used in these Terms have the meaning given in the Corporations Act;
- (q) a reference to the **"interests of Holders as a whole"** will, if BCN2 are held beneficially by a Nominated Party, be a reference to the interests of Holders other than the Nominated Party;
- (r) the words **"includes"** or **"including"**, **"for example"** or **"such as"** do not exclude a reference to other items, whether of the same class or genus or not;
- (s) if the principal securities exchange on which the MGL Ordinary Shares are quoted is other than ASX, unless the context otherwise requires a reference to ASX shall be read as a reference to that principal securities exchange and a reference to the ASX Listing Rules, ASX Operating Rules or any term defined in any such rules, shall be read as a reference to the corresponding rules of that exchange or corresponding defined term in such rules (as the case may be);
- (t) a reference to any term defined by APRA shall, if that term is replaced or suspended in any of APRA's applicable prudential regulatory requirements or standards, be taken to be a reference to the replacement or equivalent term;
- (u) where these Terms refer to a person's opinion or to a person's regard or consideration or being satisfied with respect to any step, act, matter or thing, that opinion, regard, consideration or satisfaction may be held, formed or made by the person in the person's absolute discretion; and
- (v) for the purposes of clause 14.1, in determining whether an amendment is not materially adverse to, or does not materially adversely affect, the interests of Holders as a

whole, the taxation and regulatory capital consequences to Holders (or any class of Holders) and other special consequences which are personal to a Holder (or any class of Holders) do not need to be taken into account.

18.2 Definitions

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

Acquisition Event means:

- (a) a takeover bid is made to acquire all or some MBL Ordinary Shares or MGL Ordinary Shares and the offer is, or becomes, unconditional and as a result of the bid the bidder (and its associates as defined in section 12 of the Corporations Act) has a relevant interest in more than 50% of the MBL Ordinary Shares or MGL Ordinary Shares on issue;
- (b) a court approves a scheme of arrangement which, when implemented, will result in a person (and its associates as defined in section 12 of the Corporations Act) having a relevant interest in more than 50% of the MBL Ordinary Shares or MGL Ordinary Shares on issue; or
- (c) a person together with its associates as defined in section 12 of the Corporations Act;
 - (i) acquires or comes to hold beneficially more than 50% of the voting shares (as defined in the Corporations Act) in the capital of the Issuer or MGL;
 - (ii) enters into an agreement to beneficially acquire more than 50% of the voting shares (as defined in the Corporations Act) in the capital of the Issuer or MGL and the agreement to acquire is, or becomes, unconditional,

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

- (d) as part of a solvent reorganisation of the relevant entity where the persons holding relevant interests in the ordinary equity capital (being listed on ASX) of the bidder or other person (**"Approved Acquirer"**) acquiring a relevant interest in more than 50% of the MBL Ordinary Shares or MGL Ordinary Shares on issue or beneficially acquiring more than 50% of the voting shares in the capital of the Issuer or MGL are, or will be, substantially the same, and in substantially the same proportions, as the persons who held relevant interests in the MBL Ordinary Shares or MGL Ordinary Shares or who held beneficially voting shares in the capital of the Issuer or MGL immediately prior to the event where:
 - (i) the event is initiated by the Directors or the directors of MGL or would not, in the Issuer's reasonable opinion, otherwise be materially adverse to the interests of Holders as a whole; and
 - (ii) the Approved Acquirer agrees for the benefit of Holders to:
 - (A) issue listed ordinary share capital in all circumstances where MGL would have otherwise been obliged to issue MGL Ordinary Shares as contemplated by these Terms;
 - (B) use all reasonable endeavours to ensure continued quotation of the BCN2 on a Stock Exchange; and

- (C) comply with the obligations and restrictions as apply to MGL in connection with the BCN2 (with all necessary and appropriate modifications); or
- (e) in the case of the Issuer, where the person acquiring the relevant interest in or acquiring voting shares in the Issuer is a wholly owned subsidiary of MGL;

Acquisition Exchange Date has the meaning given in clause 6.2;

Acquisition Exchange Notice has the meaning given in clause 6.2;

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

Adjustment Notice has the meaning given in clause 9.9;

Alternative Reference Rate has the meaning given in clause 2.1;

Applicable Shareholding Law means each of:

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

Appointed Person has the meaning given in clause 10.2;

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

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

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

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

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

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

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

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

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

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

Automatic Exchange Event has the meaning given in clause 4.1;

Automatic Exchange Notice has the meaning given in clause 4.7;

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

Banking Act means the Banking Act 1959 (Cth);

BBSW means, for a Distribution Period:

- (a) the rate (expressed as a percentage per annum) designated “BBSW” in respect of prime bank eligible securities having a tenor closest to the Distribution Period which rate ASX (or its successor as administrator of that rate) publishes through information vendors at approximately 10:30am (Sydney time) (or such other time at which such rate is accustomed to be so published) on the Determination Date; or
- (b) if the Issuer determines that such rate (expressed as a percentage per annum) as is described in paragraph (a) above:
 - (A) is not published by midday (or such other time that the Issuer considers appropriate on that day); or
 - (B) is published, but is affected by an obvious error,

such other rate (expressed as a percentage per annum) that the Issuer determines as appropriate having regard to comparable indices then available.

BCN means the subordinated notes of the Issuer described as the “Macquarie Bank Capital Notes” issued under a deed poll executed by the Issuer and MGL dated 15 September 2014;

BCN2 has the meaning given in clause 1.1;

BCN2 Deed Poll means the deed poll entitled “Macquarie Bank Capital Notes 2 Deed Poll” executed by the Issuer and MGL in respect of the BCN2 dated on or about 11 February 2020;

Bookbuild means the process conducted prior to the opening of the Offer where brokers and investors bid for the BCN2 and, on the basis of those bids, the Issuer, in consultation with the joint lead managers to the Offer, determines the Margin;

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

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

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

CHES means the Clearing House Electronic Subregister System operated by ASX Settlement Pty Ltd (ACN 008 504 532) or any system that replaces it relevant to the BCN2 (including in respect of the transfer or Exchange of BCN2);

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

Common Equity Tier 1 Ratio means:

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

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

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

Control has the meaning given in the Corporations Act;

Corporations Act means the Corporations Act 2001 (Cth);

CS Facility has the same meaning as “Prescribed CS Facility” in the Corporations Act;

CS Facility Operator means the operator of a CS Facility;

Cum Value has the meaning given in clause 9.3;

Daily VWAP means the volume weighted average sale price (rounded to the nearest full cent) of MGL Ordinary Shares sold on ASX on a day but does not include any “Crossing” transacted outside the “Open Session State”, or any “Special Crossing” transacted at any time, each as defined in the ASX Operating Rules, or any overseas trades or trades pursuant to the exercise of options over MGL Ordinary Shares;

Deferred Exchange Date has the meaning given in clause 5.5;

Deferred Exchange Notice has the meaning given in clause 5.5;

Deferred Mandatory Exchange Date has the meaning given in clause 3.2;

Delisted means, in respect of MGL and an Exchange Date:

- (a) that MGL Ordinary Shares have ceased to be listed or admitted to trading on ASX (and continue not to be listed or admitted to trading on that date); or
- (b) an Inability Event applies on the relevant date preventing the Exchange of the BCN2 of Holders generally;

Determination Date has the meaning given in clause 2.1;

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

Distribution has the meaning given in clause 2.1;

Distribution Payment Date has the meaning given in clause 2.1;

Distribution Period means each period commencing on (and including) a Distribution Payment Date and ending on (but excluding) the next Distribution Payment Date. However:

- (a) the first Distribution Period commences on (and includes) the Issue Date; and

- (b) the final Distribution Period ends on (and excludes) the Exchange Date, Redemption Date or Resale Date, as applicable;

Distribution Rate has the meaning given in clause 2.1;

Dividend Restriction has the meaning given in clause 2.5;

Encumbrance means any mortgage, pledge, charge, lien, assignment by way of security, hypothecation, security interest, title retention, preferential right or trust arrangement, any other security agreement or security arrangement (including any security interest under the Personal Property Securities Act 2009 (Cth)) and any other arrangement of any kind having the same effect as any of the foregoing;

Equal Ranking Obligations means any obligation of, or claim against, the Issuer that exists or may arise in connection with:

- (a) the BCN;
- (b) the Macquarie Additional Capital Securities;
- (c) the MIS Preference Shares; and
- (d) any other:
 - (i) preference share, security or capital instrument issued by the Issuer; or
 - (ii) obligation of, or claim against, the Issuer in respect of a preference share, security or capital instrument issued by a member of the Macquarie Group,

which preference share, security, capital instrument of, or obligation or claim against, the Issuer ranks, or is expressed to rank, equally with the BCN2 or any other Equal Ranking Obligation;

Exchange means, in respect of a BCN2, the transfer of that BCN2 in exchange for MGL Ordinary Shares in accordance with and subject to clause 9 and the performance of the Related Exchange Steps, and “**Exchangeable**”, “**Exchanged**” and “**Exchanging**” have corresponding meanings;

Exchange Conditions has the meaning given in clause 3.3;

Exchange Date means a Mandatory Exchange Date, Automatic Exchange Date, Optional Exchange Date or Acquisition Exchange Date on which the BCN2 must be Exchanged (any relevant Exchange Conditions applicable to that date having been met);

Exchange Date VWAP has the meaning given in clause 9.1;

Exchange Floor Price has the meaning given in clause 9.1;

Exchange Number has the meaning in clause 9.1;

FATCA means the Foreign Account Tax Compliance Act provisions set out in sections 1471 through to 1474 of the US Internal Revenue Code (“**Code**”) (and including any current or future regulations or official interpretations thereof issued in respect of these provisions, any agreement entered into pursuant to Section 1471(b) of the Code, or any fiscal or regulatory legislation, rules or practices or similar laws implementing an inter-governmental approach on such provisions and any agreement entered into by the Issuer pursuant to or in connection with any of the foregoing);

FATCA Withholding has the meaning given in clause 11.4;

First Exchange Condition has the meaning given in clause 3.3;

First Optional Exchange Restriction has the meaning given in clause 5.4;

First Scheduled Optional Exchange Date has the meaning given in clause 5.2;

Foreign Holder means a Holder whose address in the Register is a place outside Australia or who the Issuer otherwise believes may not be a resident of Australia;

Fourth Exchange Condition has the meaning given in clause 3.3;

Franking Adjustment Factor has the meaning given in clause 2.1;

Franking Rate means the franking percentage, as defined under Part 3-6 of the Tax Act, for a Distribution as at the relevant Distribution Payment Date (expressed as a decimal) multiplied by the proportion of the relevant Distribution that is frankable;

Holder means a person Registered as the holder of a BCN2;

Implementation Deed means the deed titled “Macquarie Bank Capital Notes 2 Implementation Deed” entered into between, amongst others; MGL and the Issuer on or about the date of the Deed Poll;

Inability Event means any of the Issuer, MGL or any of their Related Bodies Corporate is for any reason unable to observe or perform, or is prevented or prohibited from observing or performing, any of their obligations in respect of an Exchange (including in connection with the issue of MGL Ordinary Shares or the performance of any Related Exchange Steps);

IRS means the Internal Revenue Service of the United States of America;

Issue Date means the date the BCN2 are issued, expected to be on or about 24 March 2020;

Issue Date VWAP has the meaning given in clause 9.1;

Issue Price has the meaning given in clause 1.1;

Issuer means Macquarie Bank Limited (ACN 008 583 542), a company incorporated under the laws of Australia;

Liquidation Amount means an amount equal to the Issue Price;

Macquarie Additional Capital Securities means the unsecured subordinated non-cumulative securities issued by the Issuer, acting through its London branch, on 8 March 2017;

Macquarie Group means MGL and each entity it Controls;

Mandatory Exchange Date has the meaning given in clause 3.2;

Margin has the meaning given in clause 2.1;

Maximum Exchange Number has the meaning given in clause 9.1;

MBL Level 1 Group means the Issuer and such other entities included by APRA from time to time in the calculation of MBL's Tier 1 Capital Ratio on a Level 1 basis (or its equivalent);

MBL Level 2 Group means the Issuer and such other entities included by APRA from time to time in the calculation of MBL's Tier 1 Capital Ratio on a Level 2 basis (or its equivalent);

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

MBL Ordinary Share Dividend means any interim, final or special dividend payable in accordance with the Corporations Act and the constitution of the Issuer in respect of MBL Ordinary Shares;

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

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

MIS Preference Shares means the preference shares comprised in the stapled security known as the Macquarie Income Securities issued by the Issuer in 1999;

Nominated Party means, subject to clause 8.2, one or more third parties selected by the Issuer in its absolute discretion;

Non-Completing Nominated Party has the meaning given in clause 8.6;

Non-Exchange Test Date has the meaning given in clause 5.4;

Non-Viability Event has the meaning given in clause 4.1(b);

Offer means the invitation made under the Prospectus by the Issuer for persons to subscribe for the BCN2;

Optional Exchange Date has the meaning given in clause 5.3;

Optional Exchange Notice has the meaning given in clause 5.1;

Optional Exchange Restrictions has the meaning given in clause 5.4;

Proceeds per Share means, in respect of MGL Ordinary Shares issued and sold in accordance with clause 9.13(f), an amount equal to the net proceeds of the sale of such MGL Ordinary Shares, actually received after deducting any applicable brokerage, stamp duties and other taxes, charges and expenses, divided by the number of such MGL Ordinary Shares issued and sold;

Prospectus means the prospectus for the Offer;

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

Record Date has the meaning given in clause 2.1;

Redemption means, in respect of a BCN2, the BCN2 is redeemed by payment of cash in accordance with and subject to clause 7 and “**Redeem**” and “**Redeemed**” have the corresponding meanings;

Redemption Date has the meaning given in clause 7.3;

Redemption Notice has the meaning given in clause 7.1;

A. Terms and conditions of the BCN2

Redemption Price has the meaning given to it in clause 7.4;

Reference Rate has the meaning given in clause 2.1;

Reference Rate Disruption Event has the meaning given in clause 2.1;

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

Registered means recorded in the Register;

Registrar means Boardroom Pty Limited, or such other person as is from time to time appointed by the Issuer to maintain the Register;

Regulatory Event means:

- (a) a law or regulation applicable in the Commonwealth of Australia or any State or Territory of Australia or any directive, order, standard, requirement, guideline or statement of APRA (whether or not having the force of law), which affects the Issuer, MGL or any other member of the Macquarie Group (a “**Regulation**”) is introduced, amended, clarified or changed or its application changed; or
- (b) an announcement is made that a Regulation will be introduced, amended, clarified or changed or its application changed; or
- (c) a decision is made by any court or other authority interpreting, applying or administering any Regulation,

in each case, which event occurs on or at any time after the Issue Date and was not expected by the Issuer as at the Issue Date (each such event a “**Change in Law**”) and the Issuer determines that, as a result of that Change in Law:

- (i) any of the BCN2 are not eligible for inclusion as Additional Tier 1 Capital for the MBL Level 1 Group or the MBL Level 2 Group;
- (ii) additional requirements (including regulatory, capital, financial, operational or administrative requirements) in connection with the BCN2 would be imposed on the Issuer, MGL or the Macquarie Group which the Issuer determines, in its absolute discretion, might have a material adverse effect on the Issuer, MGL or the Macquarie Group or otherwise be unacceptable; or
- (iii) to have any of the BCN2 outstanding would be unlawful or impractical or would cause the Issuer, MGL or the Macquarie Group to be exposed to a more than *de minimis* increase in its costs in connection with those BCN2;

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

Related Entity has the meaning given to it by APRA from time to time;

Related Exchange Steps has the meaning given in clause 9.1(e);

Relevant Mandatory Exchange Date has the meaning given in clause 3.2;

Relevant Percentage has the meaning given in clause 9.1;

Relevant Security means a security of the Issuer that, in accordance with its terms or by operation of law, may be required to be converted into MGL Ordinary Shares or written-off when an Automatic Exchange Event occurs (including Relevant Tier 1 Securities);

Relevant Tier 1 Security means a security forming part of the Tier 1 Capital of Issuer that, in accordance with its terms or by operation of law, is capable of being converted into MGL Ordinary Shares or written-off when an Automatic Exchange Event occurs (including the BCN and the Macquarie Additional Capital Securities);

Resale has the meaning given in clause 8.1 and “**Resell**” and “**Resold**” have the corresponding meanings;

Resale Date has the meaning given in clause 8.1;

Resale Notice has the meaning given in clause 8.1;

Resale Price has the meaning given in clause 8.3;

Sale Agent means person appointed by the Issuer to sell MGL Ordinary Shares in accordance with clause 9.13, and includes an agent of that person;

Scheduled Mandatory Exchange has the meaning given in clause 3.2;

Scheduled Mandatory Exchange Date has the meaning given in clause 3.2;

Scheduled Optional Exchange Date has the meaning given in clause 5.2;

Second Exchange Condition has the meaning given in clause 3.3;

Second Optional Exchange Restriction has the meaning given in clause 5.4;

Second Scheduled Optional Exchange Date has the meaning given in clause 5.2;

Senior Creditors means all present and future creditors of the Issuer whose claims are:

- (a) entitled to be admitted in the Winding Up of the Issuer; and
- (b) not expressed to rank equally with, or subordinate to, the claims of the Holders under these Terms;

Special Resolution means:

- (a) a resolution passed at a meeting of Holders duly convened and held (or by way of postal ballot) in accordance with the BCN2 Deed Poll by the affirmative vote of at least 75% of the votes validly cast by Holders in person or by proxy and entitled to vote on the resolution; or
- (b) the consent in writing of Holders holding at least 75% of the BCN2 then on issue;

Stock Exchange means ASX or such other stock or securities exchange on which the BCN2 may be listed from time to time;

Suspension Event means, in respect of a date, trading of MGL Ordinary Shares on ASX is suspended for a period of consecutive days which includes:

- (a) at least 5 consecutive Business Days prior to that date; and
- (b) that date;

Tax Act means the Income Tax Assessment Act 1936 (Cth) or the Income Tax Assessment Act 1997 (Cth), as the context requires;

Tax Event means that, on or after the Issue Date, the Issuer receives an opinion of nationally recognised legal counsel or other nationally recognised tax adviser in Australia experienced in such matters, that there is more than an insubstantial risk which the Issuer determines, at its absolute discretion, to be unacceptable that, as a result of a Tax Event Trigger and in connection with the BCN2:

- (a) a franking debit will arise in the franking account of MGL in respect of any Distribution (the terms “franking debit” and “franking account” being within the meaning of Division 205 of the Tax Act) in addition to any franking debit that would, or is expected to, arise from the relevant Distribution in the absence of the Tax Event Trigger;
- (b) the Issuer or another member of the Macquarie Group is or will become exposed to more than a *de minimis* increase in its costs (including without limitation through the imposition of any taxes, duties, assessments or other governmental charges); or
- (c) any Distribution would not be a frankable dividend or distribution within the meaning of Division 202 of the Tax Act;

Tax Event Trigger means:

- (a) an amendment to, change in or announcement that there will be a change in, any laws or regulations affecting taxation in the Commonwealth of Australia or any State or Territory of Australia;
- (b) a judicial decision interpreting, applying or clarifying any laws or regulations affecting taxation in the Commonwealth of Australia or any State or Territory of Australia;
- (c) an administrative pronouncement, ruling, confirmation, advice or action that represents an official position, including a clarification of an official position of the governmental authority or regulatory body making the administrative pronouncement or taking any action, in each case, affecting taxation in the Commonwealth of Australia or any State or Territory of Australia; or
- (d) a challenge asserted or threatened in writing in connection with an audit or investigation of the Issuer, MGL or any other member of the Macquarie Group by the Australian Tax Office or other relevant taxing authority in the Commonwealth of Australia or any State or Territory of Australia in connection with BCN2,

which amendment, change or announcement that there will be a change, or which action or clarification or challenge occurs, on or after the Issue Date and was not expected by the Issuer as at the Issue Date;

Tax Rate means the Australian corporate tax rate applicable to the franking account of MGL on the relevant Distribution Payment Date (expressed as a decimal);

Terms means these terms and conditions;

Third Exchange Condition has the meaning given in clause 3.3;

Third Scheduled Optional Exchange Date has the meaning given in clause 5.2;

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

Tier 1 Capital Ratio means at any time that ratio (or its equivalent) as defined by APRA from time to time;

Transferee has the meaning given in clause 14.2;

VWAP has the meaning given in clause 9.1;

VWAP Period has the meaning given in clause 9.1;

Winding Up means, with respect to an entity, the winding up, termination or dissolution of the entity, but does not include any winding up, termination or dissolution for the purposes of a consolidation, amalgamation, merger or reconstruction (the terms of which have been approved by the shareholders of the entity or by a court of competent jurisdiction) under which the continuing or resulting entity effectively assumes the entire obligations of the entity in respect of the BCN2; and

Written-Off means, in respect of a BCN2, that the Holder's rights under that BCN2 (including to payment of the Liquidation Amount and Distributions, and to be Exchanged) are immediately and irrevocably terminated for no consideration with effect on and from the Automatic Exchange Date, and “**Write-Off**” has a corresponding meaning.

18.3 Inconsistency with ASX Listing Rules and ASX Settlement Operating Rules

So long as the BCN2 are quoted on ASX and in CHESS, these Terms as they relate to those BCN2 are to be interpreted in a manner consistent with applicable ASX Listing Rules and ASX Settlement Operating Rules (together, the “**Rules**”), except to the extent that an interpretation consistent with those Rules would affect the eligibility of the BCN2 as Tier 1 Capital for the MBL Level 1 Group or the MBL Level 2 Group.

A. Terms and conditions of the BCN2

Schedule 2 – Meeting Provisions

1 Interpretation

1.1 Interpretation

- (a) If there is only one Holder of BCN2 that person must be treated as two persons for the purposes of any quorum requirements of a meeting.
- (b) The time and date for determining the identity of a Holder who may be counted for the purposes of determining a quorum or attend, speak and vote at a meeting (including any adjourned meeting) or sign a resolution in writing is at the close of business in the place where the Register is kept 7 days prior to the date of the meeting or, for a resolution made in writing, the Notification Date.
- (c) References to persons representing a proportion of the BCN2 are to Holders or proxies holding or representing in aggregate at least that proportion in principal amount of the BCN2 for the time being outstanding.
- (d) In determining whether the provisions relating to quorum, meeting and voting entitlements and procedures are complied with, any BCN2 beneficially held in the name of the Issuer, MGL or any of their Related Entities must be disregarded unless the Issuer, MGL, any such Related Entity or any of them together are the sole holders of the BCN2.
- (e) Unless expressly stated otherwise in these Meeting Provisions, any notice required to be given under these provisions to Holders must be given in the manner set out in clause 13 of the Terms.
- (f) If a notice of meeting must be given within a certain period of days, the day on which the notice is given, and the day on which the meeting is to be held, are not to be counted in calculating that period.
- (g) A Holder will be taken to be present at a meeting (including an adjourned meeting) if that Holder (being an individual) is present in person or if the attorney, proxy or (in the case of a corporation) a duly appointed corporate representative (where evidence, satisfactory to the Registrar and the Issuer, of such appointment has been provided to the Registrar and the Issuer) of the Holder is present, and any vote cast or other action taken by the attorney, proxy or corporate representative on behalf of the Holder in respect of any matter put before the meeting will be taken to be the vote or (as the case may be) action of the Holder.

1.2 Definitions

Expressions and terms having a defined meaning in the Terms have the same meaning when used in these provisions and the following words have these meanings in these provisions, in each case unless the contrary intention appears

Meeting Provisions means these meeting provisions contained in Schedule 2 to the BCN2 Deed Poll.

Notification Date means the date stated in the copies of a resolution to be made in writing sent for that purpose to Holders, which must be no later than the date on which such resolution is first notified to Holders in the manner provided in clause 13 of the Terms.

Ordinary Resolution means:

- (a) a resolution passed at a meeting of Holders duly convened and held (or by way of postal ballot) in accordance with these Meeting Provisions by the affirmative vote of at least 50% of the votes validly cast by Holders in person or by proxy and entitled to vote on the resolution; or
- (b) the consent in writing of Holders holding at least 50% of the BCN2 then on issue; and

Terms means the terms and conditions applicable to the BCN2 set out in Schedule 1 to the BCN2 Deed Poll.

1.3 Application

These Meeting Provisions apply equally to each BCN2 and a reference in these Meeting Provisions to “Holders” or “BCN2” are to the Holders of BCN2 in respect of which the meeting is being held or that particular BCN2 as the case may be unless specified or the context requires otherwise.

2 Power to call meetings

A meeting of the Holders:

- (a) may be convened at any time by the Issuer, MGL or the Registrar at the place and time appointed by the convenor; and
- (b) must be convened by the Registrar at a place and time appointed by it:
 - (i) if requested to do so by the Issuer or MGL; or
 - (ii) if requested to do so in writing by Holders who together hold 10% or more of the outstanding principal amount of the BCN2.

3 How to call meeting and period of notice

At least 28 days’ notice (exclusive of the day on which the notice is served or deemed to be served and of the day for which it is given) of every meeting is to be given to the Issuer, MGL, the Registrar and the Holders.

3.1 Contents of notice

The notice must specify the place, day and hour of meeting and the general nature of the business to be transacted but it is not necessary to specify in the notice the precise terms of the resolutions to be proposed. The convenor of the meeting may amend or supplement the notice of meeting by any further information or materials it considers appropriate by further notice given in accordance with this paragraph at least 7 days prior to the time fixed for the meeting. A copy of the notice must be sent by post to the Registrar (unless the meeting is called by the Registrar), to the Issuer (unless the meeting is called by the Issuer) and to MGL (unless the meeting is called by MGL).

The notice must provide that the Holders may attend personally or through a proxy.

3.2 Omission to give notice

- (a) A meeting is duly convened and proceedings at it are valid notwithstanding:
 - (i) accidental omission to give notice to, or the non-receipt of notice by, a Holder or any amending or supplementary notice; or
 - (ii) the omission to give notice (or any amending or supplementary notice) to a Holder whose country of residence (as shown in the Register) is outside Australia and where the giving of notice to such Holder is not permitted by applicable law, or permitted only after compliance with conditions which the Issuer in its discretion considers unduly onerous.
- (b) An omission to give notice to, or the non-receipt of notice by, the Registrar, the Issuer or MGL under paragraph 3 of these Meeting Provisions, within the period specified in that clause, invalidates a meeting unless:
 - (i) the Registrar, the Issuer or MGL (as the case may be) refuses to accept delivery of that notice; or
 - (ii) the Registrar, the Issuer or MGL (as the case may be), by notice to the other, waives its right to compliance with to be provided with such notice.

3.3 Meeting in more than one place

A meeting of Holders may, if the Registrar (after consultation with the Issuer, where practicable) so determines, be held at two or more meeting venues linked together by audio-visual communication equipment which, by itself or in conjunction with other arrangements:

- (a) gives the Holders in the separate venues a reasonable opportunity to participate in the proceedings;
- (b) enables the Chairperson (as defined below) to be aware of proceedings in each such venue; and
- (c) enables the Holders in each such venue to vote on a show of hands and on a poll.

A Holder at one of the separate meeting venues is taken to be present at the meeting of the Holders and is entitled to exercise all rights which a Holder has under this deed and these Meeting Provisions in relation to a meeting of Holders. Where a meeting of Holders is held at two or more meeting venues pursuant to this clause that meeting will be regarded as having been held at the venue determined by the Chairperson (as defined below) of the meeting.

3.4 Postal ballot

Any meeting of Holders may be conducted by postal ballot under such arrangements as the Issuer may determine reflecting, as closely as may be practicable, the provisions of these Meeting Provisions.

3.5 Location of meetings

All meetings of Holders must be held in Australia unless the Issuer and the Registrar agree otherwise.

4 Proceedings at meeting and quorum

The quorum for any meeting is two Holders or proxies (or one of each) and holding or representing Holders holding (in aggregate) BCN2 representing at least 10% of the outstanding principal amount of the BCN2 when the meeting begins. No business may be transacted at any meeting unless the requisite quorum is present at the commencement of business.

4.1 No quorum

If a quorum is not present within half an hour from the time appointed for the meeting then the meeting, if called upon the request of Holders, is dissolved. In any other case it stands adjourned to such day and time not being less than 14 days nor more than 42 days thereafter and to such place as may be directed by the Chairperson (as defined below). At such an adjourned meeting the Holders present and entitled to vote are a quorum for the transaction of business, regardless of the outstanding principal amount of the BCN2 held by them.

4.2 Adjournment

The Chairperson may with the consent of an Ordinary Resolution and must (if directed by an Ordinary Resolution on a poll) adjourn the meeting from time to time and from place to place but no business shall be transacted at any adjourned meeting except business which might lawfully have been transacted at the meeting from which the adjournment took place. Any proxy provided to the Issuer, the Issuer's agents or the Registrar under paragraph 6 of these Meeting Provisions, remains valid and effective for a meeting adjourned under these provisions.

4.3 Chairperson

The Issuer may nominate a person to be the chairperson ("**Chairperson**") of any meeting of Holders, who need not be a Holder but who may be a representative of the Issuer or any other executive officer of the Issuer. If no such person is nominated, or if at any meeting the person nominated is not present within 15 minutes after the time appointed for holding the meeting, the Holders present may choose one of their number to be Chairperson.

4.4 Attendees

No person other than the Chairperson, the Registrar, the Issuer, MGL and the Holders (through their respective representatives) and their respective financial and legal advisers and the auditor of the Issuer and the auditor of MGL may attend or speak at any meeting.

4.5 Minutes

Minutes of all resolutions and proceedings at every meeting (or resolutions otherwise passed in accordance with these Meeting Provisions) must be duly entered by the Registrar (failing which the Issuer) in minute books to be kept for that purpose by the Registrar (or the Issuer as the case may be) and any such minutes, if purported to be signed by the Chairman of the meeting at which such resolutions were passed or proceedings transacted or by the chairman of the next succeeding meeting (or, where the resolution is passed otherwise than at a meeting, if purporting

A. Terms and conditions of the BCN2

to be signed by a director or secretary of the Registrar or Issuer as the case may be), are conclusive evidence of the matters contained in them.

Until the contrary is proved, every meeting (and every resolution passed in writing) in respect of which minutes have been so made and signed is deemed to have been duly convened and held (or copies of the proposed written resolution duly sent) and all resolutions passed or proceedings transacted at that meeting are deemed to have been duly passed and transacted (or, where a resolution is passed in writing, such resolution is deemed to have been duly passed).

5 Voting show of hands

At any meeting a resolution put to the vote of the meeting is decided on a show of hands unless a poll is (before or on the declaration of the result of the show of hands) demanded by the Chairperson, the Registrar, the Issuer or MGL or by one or more Holders present or by attorney or proxy holding (in aggregate) BCN2 representing at least 5% of the outstanding principal amount of the BCN2 outstanding when the meeting begins.

Unless a poll is so demanded a declaration by the Chairperson that a resolution has been carried or carried unanimously or by a particular majority or lost is conclusive evidence of the fact without proof of the number or proportion of the votes recorded in favour of or against such resolution.

5.1 Poll

If a poll is duly demanded it must be taken in such manner as the Chairperson may direct and the result of such a poll is deemed to be the resolution of the meeting at which the poll was demanded.

5.2 Conduct of poll

A poll demanded on the election of the Chairperson or on a question of adjournment must be taken at the meeting without adjournment. A poll demanded on any other question must be taken either immediately or at such time and date (not being more than 30 days from the date of the meeting) and place as the Chairperson may direct. No notice need be given of a poll not taken immediately. The demand for a poll does not prevent the continuance of a meeting for the transaction of any business other than the question on which the poll has been demanded.

5.3 Number of votes

Except where these Meeting Provisions or the ASX Listing Rules provide otherwise:

- (a) on a show of hands, every Holder who is present has one vote; and
- (b) on a poll every Holder of BCN2 who is present has one vote for every BCN2 with respect to which it is the registered holder.

A Holder entitled to more than one vote need not use all its votes or cast all the votes it uses in the same way.

5.4 Joint Holders

In the case of joint registered holders of BCN2, the joint Holder first named in the Register (or if that person does not vote, the next named joint Holder) may exercise the voting rights of jointly held BCN2.

5.5 Casting vote

If votes are equal, whether on a show of hands or on a poll, the Chairperson has a casting vote in addition to the vote or votes (if any) to which the Chairperson is otherwise entitled.

6 Proxies

6.1 Instrument appointing proxy

An instrument appointing a proxy must be in writing under the hand of the appointor or of its attorney duly authorised in writing or if the appointor is a corporation either under its common seal or under the hand of an officer or attorney so authorised.

6.2 Proxy need not be Holder

A person appointed to act as a proxy need not be a Holder.

6.3 Deposit of proxy

The instrument appointing a proxy and the power of attorney or other authority (if any) under which it is signed or a duly certified copy of such power or authority must be deposited at such places in Australia as the Registrar or the Issuer may in the notice convening the meeting direct or if no such place is appointed then at the office of the Registrar in Australia not less than 48 hours before the time appointed for holding the meeting or adjourned meeting or for the taking of the poll at which the person named in the instrument proposes to vote and in default the instrument of proxy must not be treated as valid. A notice of revocation or amendment of a proxy must be received from the Holder not less than 24 hours before the time appointed for the holding of the relevant meeting or the taking of the relevant poll to revoke or amend the proxy. No instrument appointing a proxy is valid after the expiration of twelve months from the date named in it as the date of its execution. If the Registrar convenes a meeting of Holders, the Issuer or the Issuer's agents must as soon as reasonably practicable after receipt of the documents deposited with the Issuer under this paragraph 6, provide a copy of those documents to the Registrar.

6.4 Form of proxy

An instrument of proxy may be in the usual common form or in such other form as the Issuer approves. A proxy is deemed to include the right to demand or join in demanding a poll. A proxy is (unless the contrary is stated on it) valid for any adjournment of the meeting as well as for the meeting to which it relates and need not be witnessed.

6.5 Validity of vote

A vote given under the terms of an instrument of proxy shall be valid notwithstanding the previous death or insanity of the principal or revocation of the proxy or of the authority under which the proxy was executed or the transfer of the BCN2 in respect of which the proxy is given provided that no intimation in writing of such death insanity revocation or transfer has been received by the Issuer, at its registered office before the commencement of the meeting or adjourned meeting at which the proxy is used.

7 Passing of resolutions by instrument in writing

- (a) A resolution may be passed in writing:
- (i) if it is an Ordinary Resolution, where within one month from the Notification Date, Holders representing more than 50% of the aggregate outstanding principal amount of outstanding BCN2 as at the Notification Date have signed the resolution; or
 - (ii) if it is a Special Resolution, where within one month from the Notification Date stated in the copies of the resolution sent for that purpose to Holders, Holders representing at least 75% of the aggregate outstanding principal amount of outstanding BCN2 as at the Notification Date have signed the resolution,
- and any such resolution is deemed to have been passed on the date on which the last Holder whose signature on the resolution caused it to be so passed signed it (as evidenced on its face).
- (b) A resolution in writing made pursuant to this paragraph 7 is valid notwithstanding:
- (i) accidental omission to give a copy of the resolution to, or the non-receipt of such a copy by, a Holder; or
 - (ii) the omission to give a copy of the resolution to a Holder whose country of residence (as shown in the Register) is outside Australia and where the giving of such copy to such Holder is not permitted by applicable law, or permitted only after compliance with conditions which the Issuer in its discretion considers unduly onerous.
- (c) A resolution in writing signed by Holders may be contained in one document or in several documents in like form each signed by one or more Holders.

8 Powers of Holders

8.1 Use of Special Resolution

Without limiting the powers of the Holders under the Terms, the Holders may by Special Resolution:

- (a) sanction any proposal by the Issuer or MGL for any amendment to, or compromise of, or arrangement in respect of, the rights of the Holders against the Issuer or MGL whether such rights arise in respect of the BCN2 or otherwise;
- (b) sanction any proposal by the Issuer or MGL for the exchange or substitution for the BCN2 of, or the conversion of the BCN2 into, other obligations or securities of the Issuer or MGL or any other body corporate formed or to be formed (other than where such exchange, substitution or conversion is provided for in the Terms);
- (c) waive or authorise any breach or proposed breach by the Issuer or MGL of any of its obligations under the deed poll to which these provisions are a schedule or the BCN2;
- (d) authorise any person to concur in and do anything necessary to carry out and give effect to a Special Resolution;
- (e) appoint any persons (whether Holders or not) as a committee or committees to represent the interests of the Holders and to confer upon such committee or committees any powers or discretions which the Holders could themselves exercise by Special Resolution; and

- (f) approve any proposal by the Issuer for the alteration of the majority required to pass a Special Resolution.

8.2 Use of Ordinary Resolution

Subject to paragraph 8.1 of these Meeting Provisions, the Holders have the power exercisable by Ordinary Resolution to do anything for which a Special Resolution is not required.

8.3 Action which affects Additional Tier 1 Capital Eligibility

An action which may in any way affect the eligibility of the BCN2 as Additional Tier 1 Capital of the Issuer cannot be sanctioned or approved by Holders under paragraphs 8.1 and 8.2 of these Meeting Provisions unless prior written approval for the action has been obtained from APRA.

9 Holders bound

An Ordinary Resolution or a Special Resolution passed at a meeting of the Holders duly convened and held (or by way of postal ballot) under these Meeting Provisions is to be binding on all the Holders whether or not present at the meeting and each of the Holders is bound to give effect to the resolution.

The Issuer must give notice to the Holders, in the manner provided in clause 13 of the Terms, of the result of the voting on a resolution within 14 days of such result being known but failure to do so will not invalidate the resolution.

Except where this deed, the Terms or any applicable law provides otherwise, a resolution of Holders is to be passed as an Ordinary Resolution.

10 Further procedures

The Issuer (with the approval of the Registrar) may prescribe further regulations for the holding of, attendance and voting at meetings as are necessary or desirable and do not adversely affect the interests of the Holders.

B

Glossary



This Appendix provides a glossary of key terms and abbreviations used throughout this Prospectus and the Application Form. There is also a list of further defined terms in clause 18.2 of the BCN2 Terms immediately prior to this glossary commencing on page 95.

Term	Meaning
ABN	Australian Business Number as defined in <i>A New Tax System (Australian Business Number) Act 1999</i> (Cth).
ACN	Australian Company Number as defined in the Corporations Act.
Acquisition Event	Broadly occurs where a change of control of MBL or MGL occurs, by takeover bid or scheme of arrangement or otherwise. Acquisition Event is discussed in Section 2.8.1. For the full definition, see clause 18.2 of the BCN2 Terms.
Acquisition Exchange Date	The date on which an Exchange on account of an Acquisition Event is to occur. For the full definition, see clause 6.2 of the BCN2 Terms.
Additional Tier 1 Capital	“Additional Tier 1 Capital” or its equivalent, in either case, as defined by APRA from time to time.
ADI	Authorised deposit-taking institution as defined in the Banking Act.
Applicant	A person who lodges an Application Form in accordance with this Prospectus.
Application	A valid application for BCN2 made through a completed Application Form in accordance with this Prospectus.
Application Form	Each of the application forms accompanying this Prospectus upon which an Application may be made, being: - the Application Form which Syndicate Brokers may require Broker Firm Applicants under the Broker Firm Offer to complete; and - the Application Form provided for paper or online applications under the Reinvestment Offer and Securityholder Offer.
Application Payment	The amount payable on each Application, being the Issue Price multiplied by the number of BCN2 applied for.
Approved Acquirer	Broadly means a person who acquires a relevant interest in more than 50% of MGL Ordinary Shares or MBL Ordinary Shares on issue and agrees for the benefit of BCN2 Holders to issue listed ordinary share capital in all circumstances where MGL would otherwise have been obliged to issue MGL Ordinary Shares under the BCN2 Terms. See further Section 2.11.9. For the full definition, see clause 18.2 of the BCN2 Terms.
APRA	Australian Prudential Regulation Authority or any authority succeeding to its powers and responsibilities.

Term	Meaning
Arranger	Macquarie Capital (Australia) Limited.
ASIC	Australian Securities & Investments Commission.
ASX	ASX Limited (ABN 98 008 624 691) or the Australian Securities Exchange operated by it, as the context requires.
ASX Listing Rules	The listing rules of ASX as amended, varied or waived (whether in respect of MBL, MGL or generally) from time to time.
ASX Trading Day	A business day within the meaning of the ASX Listing Rules on which trading in MGL Ordinary Shares takes place.
ATO	The Australian Taxation Office.
Automatic Exchange Event	Either the occurrence of a Common Equity Tier 1 Trigger Event or a Non-Viability Event.
Automatic Exchange Date	The date of occurrence of an Automatic Exchange Event.
Banking Act	<i>Banking Act 1959</i> (Cth).
Bank Group	That part of the Macquarie Group that is subject to the full suite of APRA's banking regulations, and which includes MBL and its subsidiaries.
Banking Group	The Banking Group comprises BFS and some activities of CGM.
Basel III	Reforms released by the Basel Committee on Banking Supervision, in December 2010 (as revised), in order to raise the level and quality of regulatory capital in the global banking system.
BBSW	Broadly, the rate designated “BBSW” published by ASX (or a successor) that corresponds to the length of the relevant Distribution Period. For the full definition, see clause 18.2 of the BCN2 Terms.
BCN	The subordinated notes described as the “Macquarie Bank Capital Notes” issued by MBL in 2014.
BCN Holder	A person registered as the holder of a BCN.
BCN Purchaser	Citigroup Global Markets Australia Pty Limited (ABN 64 003 114 832).
BCN Terms	The terms of BCN attached as a scheduled to the Deed Poll in respect of BCN as amended from time to time.
BCN2	Macquarie Bank Capital Notes 2, being fully paid, subordinated, non-cumulative, unsecured, mandatorily convertible notes of MBL which are to be issued under this Prospectus.

B. Glossary

Term	Meaning
BCN2 Deed Poll	The deed poll made by MBL in respect of the BCN2 as amended from time to time.
BCN2 Holder	A person registered as the holder of a BCN2.
BCN2 Terms	The terms of BCN2 attached as a schedule to the BCN2 Deed Poll, and as also set out in Appendix A.
BFS	Banking and Financial Services, one of Macquarie's four operating groups.
Bookbuild	The process described in Section 8.5.1 to determine the Margin.
Broker Firm Applicant	An Australian resident retail or high net worth client of a Syndicate Broker invited to participate through the Broker Firm Offer.
Broker Firm Application	The application made by a Broker Firm Applicant.
Broker Firm Offer	The offer of BCN2 under this Prospectus to retail and high net worth clients of Syndicate Brokers, resident in Australia, who receive a firm allocation from their Syndicate Broker.
Business Day	A day which is (a) a business day within the meaning of the ASX Listing Rules; and (b) for the purpose of determining an Exchange Date (other than an Automatic Exchange Date) or the calculation or payment of a Distribution or of any other sum, a day on which banks are open for general business in Sydney, Australia.
Buy-Back	A transaction involving the acquisition by MBL of MBL Ordinary Shares pursuant to an offer made in its discretion in accordance with the provisions of Part 2J of the Corporations Act.
Capital Reduction	A reduction in capital initiated by MBL in its discretion in respect of MBL Ordinary Shares in any way permitted by the provisions of Part 2J of the Corporations Act.
CHESS	Clearing House Electronic Subregister System operated by ASX Settlement Pty Ltd (ACN 008 504 532) or any system that replaces it relevant to the BCN2 (including in respect of the transfer or Exchange of such BCN2).
CGM	Commodities and Global Markets, one of Macquarie's four operating groups.
Closing Date	The last date by which Applications will be accepted, which is expected to be: • for the Reinvestment Offer, 5.00pm (AEDT) on 18 March 2020; • for the Securityholder Offer, 5:00pm (AEDT) on 18 March 2020; and • for the Broker Firm Offer, 5:00pm (AEDT) on 18 March 2020.

Term	Meaning
Co-Managers	Macquarie Equities Limited, Bell Potter Securities Limited, Crestone Wealth Management Limited and JBWere Limited.
Common Equity Tier 1 Capital	Common Equity Tier 1 Capital as defined by APRA from time to time.
Common Equity Tier 1 Ratio	Broadly, the ratio of MBL's Common Equity Tier 1 Capital to its risk weighted assets, in each case, as calculated in accordance with APRA's requirements.
Common Equity Tier 1 Trigger Event	Broadly occurs where MBL determines, or APRA notifies MBL in writing that it believes, MBL's prudentially regulated capital is less than a specified level. For the Full definition, see clause 4.1 of the BCN2 Terms.
Corporations Act	<i>Corporations Act 2001</i> (Cth).
Daily VWAP	In summary, the volume weighted average sale price of MGL Ordinary Shares sold on ASX on a day, excluding certain trades. For the full definition, see clause 18.2 of the BCN2 Terms.
Deferred Mandatory Exchange Date	Broadly, and in circumstances where any of the Exchange Conditions is not satisfied on the Scheduled Mandatory Exchange Date, the next quarterly Distribution Payment Date after the Scheduled Mandatory Exchange Date where all of the Exchange Conditions are satisfied. For the full definition, see clauses 3.2 and 3.3 of the BCN2 Terms.
Delisted	Broadly occurs in respect of MGL and an Exchange Date where: • MGL Ordinary Shares have ceased to be listed or admitted to trading on ASX and the cessation is continuing on the relevant date; or • an Inability Event applies on the relevant date preventing Exchange. For the full definition, see clause 18.2 of the BCN2 Terms.
Directors	Some or all of the Voting Directors (as defined in the MBL Constitution) of MBL.
Distribution	Broadly, a cash distribution payable on BCN2. For the full definition, see clause 2.1 of the BCN2 Terms.

Term	Meaning
Distribution Payment Date	Broadly, in respect of a BCN2, (a) each 21 March, 21 June, 21 September and 21 December commencing 21 June 2020¹ until (but not including) the date on which that BCN2 has been Redeemed or Exchanged, and (b) the Redemption Date, Resale Date or an Exchange Date (except where the Exchange is on account of an Automatic Exchange Event). If any of these scheduled dates is not a Business Day, then the Distribution Payment Date will be the next day which is a Business Day. For the full definition, see clauses 2.1 and 2.2 of the BCN2 Terms.
Distribution Period	Each period commencing on (and including) a Distribution Payment Date and ending on (but excluding) the next Distribution Payment Date. However: - the first Distribution Period commences on (and includes) the Issue Date; and - the Distribution Period ends on (and excludes) the Exchange Date, Redemption Date or Resale Date, as applicable.
Distribution Rate	$(\text{Reference Rate} + \text{Margin}) \times \text{Franking Adjustment Factor}$.
Dividend Restriction	The restrictions summarised in Section 2.1.9 and set out in clause 2.5 of the BCN2 Terms.
Eligible BCN Holder	A BCN Holder who is: - a registered holder of BCN at 7 February 2020; - shown on the applicable register as having an address in Australia; and - not in the United States or acting as a nominee for, or for the account or benefit of, a person in the United States or otherwise prevented from receiving the Reinvestment Offer or BCN2 under the laws of any jurisdiction.

Term	Meaning
Eligible Securityholder	A person who is: - a registered holder of MGL Ordinary Shares, MIS, MCN2, MCN3, MCN4 or BCN (as applicable) at 7:00pm (AEDT) on 7 February 2020; - shown on the relevant register as having an address in Australia (or another jurisdiction to which MBL determines to extend the Offer); and - not otherwise prevented from receiving the Offer or the BCN2 under the securities laws of another jurisdiction, as determined by MBL. Holders of Macquarie American Depository Receipts (MQBKY) are not eligible to participate in the Securityholder Offer.
Equal Ranking Obligations	Any present or future obligation of, or claim against, MBL that exists or may arise in connection with: - the BCN; - the Macquarie Additional Capital Securities; - the MIS Preference Shares; and - any other - preference share, security or capital instrument issued by MBL; or - obligation of, or claim against, MBL in respect of a preference share, security or capital instrument issued by a member of the Macquarie Group, which preference share, security, capital instrument of, or obligation or claim against MBL ranks, or is expressed to rank, equally with the BCN2 or any other Equal Ranking Obligation. For the full definition, see clause 18.2 of the BCN2 Terms.
Exchange	Broadly, the allotment and issue of MGL Ordinary Shares in exchange for a BCN2. "Exchangeable", "Exchanged" and "Exchanging" have corresponding meanings. For the full definition, see clauses 9 and 18.2 of the BCN2 Terms.
Exchange Conditions	The conditions which must be satisfied before Exchange will occur upon a Mandatory Exchange Date. These are outlined in Section 2.3.3 (as modified in some cases as outlined in Sections 2.4, 2.7 and 2.8). For the full definition, see clause 3.3 of the BCN2 Terms.

¹ Due to the Business Day convention, the first Distribution Payment Date is deferred from Sunday 21 June 2020 to Monday 22 June 2020.

B. Glossary

Term	Meaning
Exchange Date	A Mandatory Exchange Date, Automatic Exchange Date, Optional Exchange Date or Acquisition Exchange Date on which the BCN2 must be Exchanged (any relevant Exchange Conditions applicable to that date having been met).
Exchange Number	The number of MGL Ordinary Shares to be issued on Exchange as described in Section 2.3.4 (as modified in some cases as outlined in Sections 2.4, 2.7 and 2.8). For the full definition, see clause 9.1 of the BCN2 Terms.
Exposure Period	The seven day period after the date of this Prospectus is lodged with ASIC during which the Corporations Act prohibits the acceptance of Applications, which may be extended by ASIC for a further 7 days.
FATCA	Broadly, the Foreign Account Tax Compliance Act provisions of the U.S. Internal Revenue Code, as amended. For the full definition, see clause 18.2 of the BCN2 Terms.
FATCA Withholding	Any withholding or deduction of taxes, interest or penalties required under FATCA.
First Exchange Condition	In summary, the Daily VWAP on the 25th Business Day immediately preceding the Relevant Mandatory Exchange Date is greater than 56% of the Issue Date VWAP. For the full definition, see clause 3.3 of the BCN2 Terms.
First Optional Exchange Restriction	In summary, the Daily VWAP on the second Business Day before the date on which an Optional Exchange Notice is to be sent by MBL is less than or equal to 25% of the Issue Date VWAP. For the full definition, see clause 5.4 of the BCN2 Terms.
Fourth Exchange Condition	In summary, MGL is not Delisted as at the possible Mandatory Exchange Date. For the full definition, see clause 3.3 of the BCN2 Terms.
Franking Adjustment Factor	$(1 - \text{Tax Rate}) / [1 - \text{Tax Rate} \times (1 - \text{Franking Rate})]$ For the full definition, see clause 2.1 of the BCN2 Terms.
Franking Rate	The franking percentage, as defined under Part 3-6 of the Tax Act, for a Distribution as at the relevant Distribution Payment Date (expressed as a decimal) multiplied by the proportion of the relevant Distribution that is frankable.
GST	Has the meaning given in section 195-1 of the <i>A New Tax System (Goods and Services Tax) Act 1999</i> (Cth).
Holding Statement	A statement issued to issuer sponsored BCN2 Holders by the Registrar which sets out the number of BCN2 issued to that BCN2 Holder.

Term	Meaning
Implementation Deed	A deed entered into between MGL, MBL and MBHPL, which sets out the intragroup steps for Exchange of BCN2.
Inability Event	Broadly, any of MBL, MGL or any of their Related Bodies Corporate is for any reason unable to observe or perform, or is prevented or prohibited from observing or performing, any of their obligations in respect of an Exchange (including in connection with the issue of MGL Ordinary Shares or the performance of any Related Exchange Steps).
Institutional Investors	An investor to whom the Joint Lead Managers reasonably believe BCN2 are able to be offered under applicable laws without the need for any prospectus, product disclosure statement, registration or other formality (other than a registration or formality required of MBL which MBL is willing to comply with).
Institutional Offer	The offer of BCN2 under this Prospectus to Institutional Investors who receive a firm allocation from the Joint Lead Managers.
Issue Date	The date the BCN2 are issued, expected to be 24 March 2020.
Issue Date VWAP	In summary, the VWAP during the 20 ASX Trading Days immediately preceding, but not including, the Issue Date. For the full definition, see clause 9.1 of the BCN2 Terms.
Issue Price	\$100.
Joint Lead Managers	Macquarie Capital (Australia) Limited, ANZ Securities Limited, Citigroup Global Markets Australia Pty Limited, Commonwealth Bank of Australia, E&P Corporate Advisory Pty Limited, Ord Minnett Limited, Morgans Financial Limited, National Australia Bank and Westpac Institutional Bank (a division of Westpac Banking Corporation).
Liquidation Amount	An amount equal to the Issue Price.
MacCap	Macquarie Capital, one of Macquarie's four operating groups.
Macquarie Additional Capital Securities	The unsecured subordinated non-cumulative securities issued by the Issuer, acting through its London branch, on 8 March 2017.
Macquarie Group	MGL and its subsidiaries.
MAM	Macquarie Asset Management, one of Macquarie's four operating groups.
Mandatory Exchange	An Exchange in accordance with clause 3 of the BCN2 Terms.

Term	Meaning
Mandatory Exchange Date	Broadly, 21 December 2028 or the next quarterly Distribution Payment Date after that date on which the Exchange Conditions are satisfied. For the full definition, see clause 3.2 of the BCN2 Terms.
Margin	The rate (expressed as a percentage per annum) determined under the Bookbuild, which may be outside of the indicative range disclosed in this Prospectus.
Maximum Exchange Number	The number of MGL Ordinary Shares calculated in accordance with the formula in clause 9.1 of the BCN2 Terms.
MBHPL	Macquarie B.H. Pty Limited (ABN 86 124 071 432).
MBL Level 1 Group	MBL and such other entities included by APRA from time to time in the calculation of MBL's Tier 1 Capital Ratio on a Level 1 basis (or its equivalent).
MBL Level 2 Group	MBL and such other entities included by APRA from time to time in the calculation of MBL's Tier 1 Capital Ratio on a Level 2 basis (or its equivalent).
MBL or Issuer	Macquarie Bank Limited (ABN 46 008 583 542).
MBL Constitution	The constitution of MBL as amended from time to time.
MBL Ordinary Share	A fully paid ordinary share in the capital of MBL.
MCN2	The subordinated notes described as the "Macquarie Group Capital Notes 2" issued by MGL in 2015.
MCN3	The subordinated notes described as the "Macquarie Group Capital Notes 3" issued by MGL in 2018.
MCN4	The subordinated notes described as the "Macquarie Group Capital Notes 4" issued by MGL in 2019.
MGL	Macquarie Group Limited (ABN 94 122 169 279).
MGL Board	All or some of the Voting Directors (as defined in the MGL Constitution) of MGL acting as a board.
MGL Constitution	The constitution of MGL as amended from time to time.
MGL Ordinary Share	A fully paid ordinary share in the capital of MGL.
MGL Shareholder	A registered holder of MGL Ordinary Shares.
MIS	Macquarie Income Securities issued by MBL and Macquarie Finance Ltd in 1999.

Term	Meaning
MIS Preference Shares	The preference shares issued by MBL in connection with MIS.
NOHC	Non-operating holding company.
Nominated Party	Broadly, one or more third parties nominated by MBL to purchase some or all BCN2 under a Resale process. For the full definition, see clauses 8.2 and 18.2 of the BCN2 Terms.
Non-Bank Group	All entities in the Macquarie Group other than the entities in the Bank Group.
Non-Banking Group	The Non-Banking Group comprises MacCap, MAM and some activities of CGM that use certain offshore regulated entities of the Non-Bank Group.
Non-Exchange Test Date	In summary, the second Business Day before the date on which an Optional Exchange Notice is to be sent by MBL. For the full definition, see clause 5.4 of the BCN2 Terms.
Non-Viability Event	A Non-Viability Event will occur if APRA: (a) has issued a written notice to MBL that the exchange or conversion into MGL Ordinary Shares, or write-off, of Relevant Tier 1 Securities is necessary because without it APRA considers that MBL would become non-viable; or (b) has notified MBL in writing that it has determined that without a public sector injection of capital, or equivalent support, MBL would become non-viable.
Offer	The invitation made under this Prospectus by MBL for persons to subscribe for BCN2.
Offer Management Agreement or OMA	The offer management agreement between the Joint Lead Managers and MBL in relation to the Offer as described in Section 7.3.
Offer Period	The period from the Opening Date to the applicable Closing Date.
Opening Date	The opening date of the Offer which is expected to be.
Optional Exchange	An Exchange at the option of MBL under clause 5 of the BCN2 Terms.
Optional Exchange Date	The date on which an Exchange at the option of MBL may occur. For the full definition, see clause 5.3 of the BCN2 Terms.
Optional Exchange Notice	In summary, a notice issued to BCN2 Holders by which an Exchange at the option of MBL is effected. For the full definition, see clause 5.1 of the BCN2 Terms.
Optional Exchange Restrictions	The conditions which must be satisfied before MBL can elect to Exchange. These are outlined in Section 2.4.4. For the full definition, see clause 5.4 of the BCN2 Terms.

B. Glossary

Term	Meaning
Ordinary Resolution	Broadly, a resolution passed at a meeting of BCN2 Holders (or by way of postal ballot) by a majority of at least 50% of the votes cast, or the consent in writing of BCN2 Holders holding at least 50% of the BCN2 then on issue.
Payment Conditions	The conditions which must be satisfied before the payment of Distributions on BCN2. These are outlined in Section 2.1.2.
Prospectus	This prospectus for the Offer.
Redemption	Broadly, the process through which MBL repays the Issue Price and a BCN2 is redeemed under the BCN2 Terms. “Redeem” and “Redeemed” have corresponding meanings. For the full definition, see clause 18.2 of the BCN2 Terms.
Reference Rate	Broadly, BBSW or, subject to APRA’s prior written approval, a replacement rate selected by MBL. For the full definition, see clauses 2.1 and 18.2 of the BCN2 Terms.
Reference Rate Disruption Event	Broadly, where BBSW has been discontinued or has ceased to be generally accepted in the Australian market for securities such as BCN2. For the full definition, see clause 2.1 of the BCN2 Terms.
Register	The register, including any branch register, of BCN2 Holders established and maintained by, or on behalf of, MBL.
Registrar	A person appointed by MBL to maintain the Register, currently BoardRoom Pty Limited.
Regulatory Event	Broadly occurs when, as a result of a change of law or regulation (or the interpretation thereof) on or after the Issue Date, the Issuer determines that: - any of the BCN2 are not eligible for inclusion as Additional Tier 1 Capital of MBL; - additional requirements would be imposed on MBL, MGL or the Macquarie Group which the Issuer determines in its absolute discretion might have a material adverse effect on MBL or MGL; or - to have the BCN2 outstanding would be unlawful or impractical or that MGL, MBL or the Macquarie Group would be exposed to a more than de minimis increase in its costs in connection with those BCN2. For the full definition, see clause 18.2 of the BCN2 Terms.
Reinvested BCN	BCN held by an Eligible BCN Holder that are reinvested in BCN2, under the terms of this Prospectus.

Term	Meaning
Reinvestment Applicant	An Eligible BCN Holder who applies under the Reinvestment Offer.
Reinvestment Offer	The invitation to Eligible BCN Holders to reinvest their BCN funds into BCN2 under this Prospectus.
Reinvestment Offer Application Form	The reinvestment form available to Eligible BCN Holders online at www.MBCN2Offer.com.au or accompanying this Prospectus sent to Eligible BCN Holders at their request on which they can reinvest all or some of their BCN in BCN2 as described in Section 3.
Relevant Mandatory Exchange Date	Broadly, the Scheduled Mandatory Exchange Date, and each Deferred Mandatory Exchange Date. For the full definition, see clause 3.2 of the BCN2 Terms.
Relevant Percentage	When calculating the Maximum Exchange Number, if the relevant Exchange is occurring on a Relevant Mandatory Exchange Date, 50%, otherwise 20%.
Relevant Security	A security of the MBL that, in accordance with its terms or by operation of law, may be required to be converted into MGL Ordinary Shares or written-off when an Automatic Exchange Event occurs (including Relevant Tier 1 Securities).
Relevant Tier 1 Security	A security forming part of the Tier 1 Capital of MBL that in accordance with its terms or by operation of law is capable of being exchanged or converted into MGL Ordinary Shares or written-off when an Automatic Exchange Event occurs. For the full definition, see clause 18.2 of the BCN2 Terms.
Resale	Broadly, the compulsory transfer of BCN2 by BCN2 Holders following the issue by MBL of a Resale Notice to BCN2 Holders, to one or more third parties under the BCN2 Terms. Resold and Resell have corresponding meanings. For the full definition, see clauses 8.1 and 18.2 of the BCN2 Terms.
Resale Date	The date on which a Resale is to occur. For the full definition, see clause 8.1 of the BCN2 Terms.
Resale Notice	A notice given in accordance with the BCN2 Terms specifying that all or some of a BCN2 Holder’s holding of the BCN2 will be Resold.
Resale Price	With respect to a BCN2, a purchase price equal to the Issue Price of that BCN2. For the full definition, see clause 8.3 of the BCN2 Terms.

Term	Meaning
Sale Agent	A person appointed by MBL to sell MGL Ordinary Shares in accordance with clause 9.13 of the BCN2 Terms, and includes an agent of that person. See clause 9.13 of the BCN2 Terms for further detail.
Scheduled Mandatory Exchange Date	Broadly, 21 December 2028, or if the Exchange Conditions are not satisfied with respect to that date, the next following Distribution Payment Date on which those conditions are satisfied. For the full definition, see clause 3.2 of the BCN2 Terms.
Scheduled Optional Exchange Date	Broadly, 21 December 2025 ² , 21 June 2026 ³ and 21 December 2026. For the full definition, see clause 5.2 of the BCN2 Terms.
Second Exchange Condition	Broadly, the VWAP during the 20 ASX Trading Days immediately preceding a Relevant Mandatory Exchange Date is such that the number of MGL Ordinary Shares to be issued would be less than or equal to the Maximum Exchange Number applicable to the Mandatory Exchange Date. For the full definition, see clause 3.3 of the BCN2 Terms.
Second Optional Exchange Restriction	MGL is Delisted as at the Non-Exchange Test Date. For the full definition, see clauses 5.4 and 18.2 of the BCN2 Terms.
Securityholder Applicant	An Eligible Securityholder who applies under the Securityholder Offer.
Securityholder Offer	The invitation to Eligible Securityholders to apply for BCN2 under this Prospectus.
Senior Creditors	All present and future creditors of MBL whose claims are: (a) entitled to be admitted in the Winding Up of MBL; and (b) not expressed to rank equally with, or subordinate to, the claims of the BCN2 Holders under the BCN2 Terms.
Services Agreements	The Outsourcing Master Services Agreements between MGL and MBL, and MGL and Macquarie Financial Holdings Pty Limited respectively, each of which took effect from 1 May 2012 (including any supplements or amendments thereto).
Shareholding Laws	Any of the following: (a) the <i>Financial Sector (Shareholdings) Act 1998</i> (Cth); (b) the <i>Foreign Acquisitions and Takeovers Act 1975</i> (Cth); or (c) Chapter 6 of the Corporations Act.

Term	Meaning
Special Resolution	Broadly, a resolution passed at a meeting of BCN2 Holders (or by way of postal ballot) by a majority of at least 75% of the votes validly cast by BCN2 Holders in person or by proxy and entitled to vote on the resolution. For the full definition, see clause 18.2 of the BCN2 Terms.
Suspension Event	In respect of a date, trading of MGL Ordinary Shares on ASX is suspended for a period of consecutive days which includes: (a) at least 5 consecutive Business Days prior to that date; and (b) that date.
Syndicate Broker	Any of the Joint Lead Managers (or their affiliated retail brokers) and any other co-manager or participating broker in the Offer appointed by the Joint Lead Managers.
Tax Act	The <i>Income Tax Assessment Act 1936</i> (Cth) or the <i>Income Tax Assessment Act 1997</i> (Cth), as the context requires.
Tax Event	Broadly, MBL receives advice that, as a result of a change in law or regulation affecting taxation in Australia, after the Issue Date, there is a more than insubstantial risk which MBL determines to be unacceptable that, in connection with BCN2: • an additional franking debit will arise in the franking account of MGL in respect of any Distribution; • MBL or another member of the Macquarie Group would be exposed to a more than <i>de minimis</i> increase in its costs (including without limitation through the imposition of any taxes, duties, assessments or other government charges); or • any Distribution would not be frankable. For the full definition and the related definition of “Tax Event Trigger”, see clause 18.2 of the BCN2 Terms.
Tax Rate	The Australian corporate tax rate applicable to the franking account of MGL on the relevant Distribution Payment Date (expressed as a decimal).
TFN	Tax File Number as defined in the Tax Act.
Third Exchange Condition	No Suspension Event applies in respect of the Relevant Mandatory Exchange Date. For the full definition, see clause 3.3 of the BCN2 Terms.

2 Due to the Business Day convention, the first Scheduled Optional Exchange Date is deferred from Sunday 21 December 2025 to Monday 22 December 2025.

3 Due to the Business Day convention, the second Scheduled Optional Exchange Date is deferred from Sunday 21 June 2026 to Monday 22 June 2026.

B. Glossary

Term	Meaning
Tier 1 Capital	Has the meaning determined for that term (or its equivalent) by APRA from time to time.
Tier 1 Capital Ratio	That ratio (or its equivalent) as defined by APRA from time to time.
United States or U.S.	United States of America.
U.S. Person	Has the meaning given to that term in Rule 902(k) under the U.S. Securities Act.
U.S. Securities Act	U.S. Securities Act of 1933, as amended.
VWAP	Broadly, the average of the Daily VWAPs during the VWAP Period, subject to adjustments. For the full definition, see clause 9.1 of the BCN2 Terms.
VWAP Period	Broadly, the period for which the VWAP is calculated. For the full definition, see clause 9.1 of the BCN2 Terms.
Winding Up	Broadly means the winding up, termination or dissolution of an entity (subject to certain exclusions). For the full definition, see clause 18.2 of the BCN2 Terms.
Written-Off	In respect of a BCN2, the BCN2 Holder's rights under that BCN2 (including to payment of the Liquidation Amount and Distributions and to be Exchanged) are immediately and irrevocably terminated for no consideration with effect on and from the Automatic Exchange Date and "Write-Off" has a corresponding meaning.

Corporate directory

Registered Office and Head Office of MBL

Macquarie Bank Limited
Level 6, 50 Martin Place
Sydney NSW 2000
www.macquarie.com

Legal Adviser

King & Wood Mallesons
Level 50, Bourke Place
600 Bourke Street
Melbourne VIC 3000

Tax Adviser

Greenwoods & Herbert Smith Freehills
Level 28, ANZ Tower
161 Castlereagh Street
Sydney NSW 2000

Accounting Adviser

PricewaterhouseCoopers Securities Ltd
One International Towers Sydney
Watermans Quay
Barangaroo NSW 2000

Auditor

PricewaterhouseCoopers
One International Towers Sydney
Watermans Quay
Barangaroo NSW 2000

Registrar

BoardRoom Pty Limited
Level 12, 225 George Street
Sydney NSW 2000

Arranger

Macquarie Capital (Australia) Limited
Level 3, 50 Martin Place
Sydney NSW 2000

Joint Lead Managers

Macquarie Capital (Australia) Limited
Level 3, 50 Martin Place
Sydney NSW 2000

ANZ Securities Limited
ANZ Centre Melbourne
Level 9, 833 Collins Street
Docklands Victoria 3008

Citigroup Global Markets Australia Pty Limited
Level 23, Citigroup Centre, 2 Park Street
Sydney, New South Wales, 2000

Commonwealth Bank of Australia
Ground Floor, Tower 1, 201 Sussex Street
Sydney, New South Wales, 2000

E&P Corporate Advisory Pty Limited
Level 15, 100 Pacific Highway
North Sydney, NSW, 2060

Ord Minnett Limited
Level 8, NAB House 255 George Street
Sydney, New South Wales, 2000

Morgans Financial Limited
Level 29, Riverside Centre,
123 Eagle Street Brisbane,
Queensland, 4000

National Australia Bank Limited
Level 25, 255 George Street
Sydney, New South Wales, 2000

Westpac Institutional Bank
(a division of Westpac Banking Corporation)
Level 20, 275 Kent Street
Sydney, New South Wales, 2000

