



ASX/Media Release

Macquarie Group Limited update on German lending transaction in 2011

SYDNEY, 28 September 2018 – Macquarie Group Limited (ASX: MQG; ADR: MQBKY) (MGL) has received a number of media enquiries about a transaction that is the subject of civil litigation in the Munich District Court and is also being investigated by German authorities.

Macquarie Bank Limited (MBL) was a lender to a group of independent investment funds in 2011. The funds were trading shares around the dividend payment dates where investors were seeking to obtain the benefit of dividend withholding tax credits. The investors' credit claims were refused and there was no loss to the German revenue in relation to this matter.

In relation to the civil case, two of the investors have already sued the Swiss bank that introduced them to the investment. They and other investors have now sold their claims to a German litigation Special Purpose Vehicle controlled by the same lawyer who acted in the litigation against the Swiss bank. Earlier this year, that vehicle brought a claim against MBL seeking €30 million in damages. MBL strongly disputes this claim, noting that it did not arrange, advise or otherwise engage with the investors, who were high net-worth individuals with their own advisers. Many, if not all, had previously participated in similar transactions.

The Cologne Prosecutor's Office (CPO) is investigating the transaction. Although no current staff members have been interviewed by the CPO to date, we understand the CPO will want to interview the individuals involved in the transaction, which may number up to 30 people. This is expected to include staff involved in the approval process, among them the MGL Chief Executive Officer (CEO) and the CEO designate. In order to interview all these individuals, they are likely to be formally classified under German law as persons of interest or suspects.

The CPO and other German authorities are also investigating many other transactions that occurred around this time and earlier which did not involve MBL.

Macquarie will continue to cooperate fully with the German authorities. Macquarie notes that it has already resolved its two other matters involving German dividend trading that took place between 2006 and 2009, where the authorities noted Macquarie's "unreserved cooperation".

The total amount at issue with the CPO is not material and, as previously notified, MGL has provided for these matters. Macquarie was one of over 100 financial institutions involved in this market, from which it withdrew in 2012. As part of a robust review process at the time, Macquarie received extensive external legal advice in relation to its involvement and believed that it was acting lawfully.

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