

For personal use only

# Macquarie Bank Capital Notes 3

Prospectus for the issue of Macquarie Bank Capital Notes 3 (BCN3) to raise \$500 million with the ability to raise more or less.



**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  
Morgans Financial Limited  
National Australia Bank Limited  
Ord Minnett 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 3 ("BCN3") to raise \$500 million with the ability to raise more or less (the "Offer").

This Prospectus is dated 11 August 2021 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 is a replacement prospectus which replaces the prospectus dated and lodged with ASIC on 3 August 2021 ("Original Prospectus"). This Prospectus expires 13 months after that date and no BCN3 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 BCN3.

## Documents relevant to the Offer

In addition to this Prospectus, the following documents are relevant to the Offer and can be obtained from [www.BCN3Offer.com.au](http://www.BCN3Offer.com.au):

- the BCN3 Terms (see Appendix A to this Prospectus);
- the BCN3 Deed Poll (see section 6.1);
- the MBL Constitution; and
- the Macquarie Group Limited (ABN 94 122 169 279) ("MGL") Constitution.

## Status of BCN3

BCN3 are fully paid, unsecured, subordinated, non-cumulative, mandatorily convertible notes.

BCN3 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 BCN3 is not guaranteed by MBL, MGL or any other member of the Macquarie Group.

Claims in respect of BCN3 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 BCN3 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 BCN3. If a BCN3 is Written-Off you will lose all of your investment in the BCN3.

BCN3 are issued by MBL under the BCN3 Terms and the BCN3 Deed Poll and holders of BCN3 have no claim on MBL or MGL except as provided in the BCN3 Terms and the BCN3 Deed Poll.

## Key Risks

Investments in securities such as BCN3 are subject to risks which could affect their performance, including loss of investment and income. The market price of BCN3 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 BCN3 is detailed in section 4.

## 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 3.8 sets out financial information in relation to MBL and MGL. The basis of preparation of that information is set out in section 3.8. 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 4 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 BCN3 and consider the risks that could affect the performance of BCN3. See in particular the risks set out in section 4.

## ASX quotation

BCN3 will trade under ASX code MBLPD.

## Applications and obtaining a Prospectus

This Prospectus can be obtained electronically from [www.BCN3Offer.com.au](http://www.BCN3Offer.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 be valid where you have completed an Application Form that was attached to, or accompanied, the electronic Prospectus. By lodging an Application, you declare that you were given access to the electronic Prospectus together with the Application Form.

For Applications for BCN3 pursuant to the Securityholder Offer, Application Payments can only be made by BPAY®. You must contact your Syndicate Broker for information on how to apply through the Broker Firm Offer.

## No cooling-off rights

Investors should note that no cooling-off rights (whether by law or otherwise) apply to an Application for BCN3. 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 BCN3 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 BCN3 in any jurisdiction other than Australia, and MBL does not accept any liability in that regard.

Furthermore, BCN3 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 U.S. Persons are outlined in section 6.10 of the Prospectus. In particular, BCN3 have not been and will not be registered under the U.S. Securities Act of 1933, as amended from time to time ("**U.S. 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 "U.S. Person" (as defined in Regulation S under the US Securities Act) except pursuant to an exemption from the registration requirements of the U.S. 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 BCN3 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 AEST 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 BCN3. Please read the privacy statement located at section 7.7 of this Prospectus. By submitting an Application Form, you consent to the matters outlined in that statement.

### Enquiries

If you have any questions about BCN3 or the Offer, you should seek advice from your financial adviser or other professional adviser. You can also email the Registrar at [BCN3Offer@linkmarketservices.com.au](mailto:BCN3Offer@linkmarketservices.com.au) or call the BCN3 Offer Information Line on 1300 963 991 (within Australia) or on +61 1300 963 991 (International) (Monday to Friday 8:30am - 5:30pm, AEST) during the Offer Period. Applicants in the Broker Firm Offer may also call their Syndicate Broker.

## Contents

Important Notices	IFC
Guidance for Investors	2
Key Dates	3
01 Investment Overview	4
02 About BCN3	18
03 About MBL, MGL and the Macquarie Group	45
04 Investment Risks	57
05 Taxation Summary	78
06 Additional Information	82
07 How to Apply	96
A Terms and conditions of the BCN3	103
B Glossary	139
Corporate Directory	IBC

## Guidance for Investors

### 1. Read this Prospectus in full

If you are considering applying for BCN3 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 BCN3” in section 2; and
- “Investment Risks” in section 4.

You should carefully consider the risks and other information regarding an investment in BCN3 and MBL in light of your investment objectives, financial situation and particular needs (including financial and taxation issues).

### 2. Speak to your professional adviser

BCN3 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 BCN3 Terms and risks of investing in BCN3 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](http://www.moneysmart.gov.au).

### 3. 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 BCN3 – 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](http://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.

### 4. Obtain further information about MBL, MGL and BCN3

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](http://www.asic.gov.au) (a fee may apply) and MGL’s ASX announcements may be viewed at [www.asx.com.au](http://www.asx.com.au).

### 5. Enquiries

If you have any questions in relation to the Offer or an Application, please visit [www.BCN3Offer.com.au](http://www.BCN3Offer.com.au), email the Registrar at [BCN3Offer@linkmarketservices.com.au](mailto:BCN3Offer@linkmarketservices.com.au) or call the BCN3 Offer Information Line on 1300 963 991 (within Australia) or on +61 1300 963 991 (International) (Monday to Friday 8:30am – 5:30pm, AEST) during the Offer Period. Applicants in the Broker Firm Offer may also call their Syndicate Broker.

## 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)	Wednesday, 28 July 2021
Lodgement of the Original Prospectus with ASIC	Tuesday, 3 August 2021
Bookbuild period commences	Tuesday, 3 August 2021
Announcement of the Margin	Wednesday, 4 August 2021
Lodgement of this Prospectus with ASIC	Wednesday, 11 August 2021
Opening Date	Wednesday, 11 August 2021
Closing Date	Tuesday, 24 August 2021
Issue Date	Friday, 27 August 2021
BCN3 commence trading on ASX on a normal settlement basis	Monday, 30 August 2021
Holding Statements despatched by	Thursday, 2 September 2021

### Key Dates for BCN3

	Date
Issue Date	27 August 2021
First Distribution Payment Date <sup>1</sup>	7 December 2021
Scheduled Optional Exchange Dates	7 September 2028, 7 March 2029, 7 September 2029
Scheduled Mandatory Exchange Date	8 September 2031*

\* Due to the Business Day convention, the Scheduled Mandatory Exchange Date is deferred from 7 September 2031 to 8 September 2031.

### 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 BCN3 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.

Application Payments can only be made by BPAY®. Cash payments and payments made by cheque will not be accepted for this Offer.

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

For personal use only

# 01

## Investment Overview

This section provides a summary of information that is key to a decision whether to invest in BCN3.



## 1.1. Key features of the Offer

Topic	Further information
<b>1.1.1. What is the Offer?</b> <ul style="list-style-type: none"> <li>• The Offer is for the issue of BCN3 to raise approximately \$500 million, with the ability to raise more or less.</li> </ul>	Section 2
<b>1.1.2. Who is the Issuer?</b> <ul style="list-style-type: none"> <li>• Macquarie Bank Limited (ABN 46 008 583 542), a public company incorporated with limited liability in Australia.</li> </ul>	Section 3
<b>1.1.3. What are BCN3?</b> <ul style="list-style-type: none"> <li>• BCN3 are:           <ul style="list-style-type: none"> <li>– <b>fully-paid</b> – the Issue Price (\$100 per BCN3) must be paid to MBL before the BCN3 are issued;</li> <li>– <b>subordinated</b> – BCN3 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;</li> <li>– <b>non-cumulative</b> – if a Distribution is not paid when scheduled, then that Distribution may never be paid and BCN3 Holders will have no rights to receive that Distribution in the future;</li> <li>– <b>unsecured</b> – BCN3 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 BCN3 is not guaranteed by MBL, MGL or any other member of the Macquarie Group;</li> <li>– <b>mandatorily convertible</b> – subject to certain conditions, BCN3 must be Exchanged into MGL Ordinary Shares on 8 September 2031<sup>2</sup>;</li> <li>– <b>perpetual</b> – if the conditions for Exchange are not met, BCN3 may remain on issue indefinitely; and</li> <li>– <b>automatically convertible</b> – in certain circumstances, including where an Automatic Exchange Event occurs, BCN3 must be immediately Exchanged into MGL Ordinary Shares or, if that does not occur where an Automatic Exchange Event occurs, Written-Off.</li> </ul> </li> <li>• The terms of the BCN3 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 BCN3 is dependent upon APRA either not objecting or giving prior written approval (as well as other conditions).</li> </ul>	Section 2
<b>1.1.5. What is the Issue Price?</b> <ul style="list-style-type: none"> <li>• \$100 per BCN3. This is the price you need to pay to apply for each BCN3 under this Prospectus.</li> </ul>	Section 7.4
<b>1.1.4. Will BCN3 be quoted on ASX?</b> <ul style="list-style-type: none"> <li>• Yes, BCN3 will trade under the ASX code MBLPD.</li> </ul>	Section 7.6.2
<b>1.1.6. Why is MBL issuing BCN3?</b> <ul style="list-style-type: none"> <li>• As at the Issue Date, BCN3 will constitute regulatory capital of MBL in a manner which satisfies APRA’s prudential standards. The BCN3 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.</li> <li>• The net proceeds of the Offer will be used for general corporate purposes.</li> </ul>	Section 2.9

2. Due to the Business Day convention, the Scheduled Mandatory Exchange Date is deferred from 7 September 2031 to 8 September 2031.

## 1.2. Key features of BCN3

Topic	Further information
<p><b>1.2.1. Do BCN3 have a maturity date?</b></p> <ul style="list-style-type: none"> <li>BCN3 are perpetual and do not have a fixed maturity date and, if BCN3 are not Exchanged, Redeemed or Written-Off, they could remain on issue indefinitely and the Issue Price may not be repaid.</li> <li>BCN3 will Exchange into MGL Ordinary Shares on 8 September 2031<sup>3</sup>, subject to certain Exchange Conditions being satisfied, unless they are Exchanged, Redeemed or Written-Off earlier.</li> <li>If the Exchange Conditions have not been satisfied on the above date then BCN3 will Exchange on the next Distribution Payment Date on which the Exchange Conditions are satisfied, unless they are Exchanged, Redeemed or Written-Off earlier.</li> </ul>	<p>Sections 2.2 to 2.8</p>
<p><b>1.2.2. What Distributions are payable?</b></p> <ul style="list-style-type: none"> <li>Distributions are scheduled to be paid quarterly in arrears commencing on 7 December 2021 until all BCN3 are Exchanged, Redeemed or Written-Off, subject to the Payment Conditions – see below.</li> <li>The Distribution Rate is based on the Reference Rate plus the Margin, adjusted for franking. The Margin is 2.90% and was determined under a Bookbuild.</li> <li>The Bookbuild occurred before the BCN3 Offer opened. The Margin was determined under the Bookbuild, and is set for the life of BCN3 regardless of any deterioration or improvement in market conditions.</li> <li>Distributions on BCN3 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).</li> <li>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.</li> <li>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.</li> </ul>	<p>Section 2.1</p>
<p><b>1.2.3. Will Distributions be franked?</b></p> <ul style="list-style-type: none"> <li>Distributions on BCN3 are frankable.</li> <li>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.</li> <li>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.</li> <li>If Distributions are franked, the value and availability of franking credits to a BCN3 Holder will depend on that BCN3 Holder's particular circumstances and the tax rules that apply at the time of each Distribution. BCN3 Holders should refer to the Australian taxation summary at section 5.1. The availability of franking credits is not guaranteed.</li> </ul>	<p>Sections 2.1.3, 2.1.4, 4.1.7, 4.1.22 and 5</p>

3. Due to the Business Day convention, the Scheduled Mandatory Exchange Date is deferred from 7 September 2031 to 8 September 2031.



Topic	Further information
<p><b>1.2.4. When will the Issue Price be repaid?</b></p> <ul style="list-style-type: none"> <li>• MBL has no obligation to return the Issue Price on any fixed date, therefore capital invested by BCN3 Holders may never be returned.</li> <li>• Whether and when the capital invested by BCN3 Holders may be returned will depend on what happens to BCN3. What may happen to BCN3 is uncertain and depends on a number of factors, including whether: <ul style="list-style-type: none"> <li>– the Exchange Conditions are satisfied in respect of a Relevant Mandatory Exchange Date;</li> <li>– a Common Equity Tier 1 Trigger Event, Non-Viability Event, Acquisition Event, Regulatory Event or Tax Event occurs;</li> <li>– MBL elects for an Optional Exchange, Redemption or Resale to occur; and</li> <li>– APRA approval is given when it is required under the BCN3 Terms.</li> </ul> </li> <li>• BCN3 Holders will have no right to request that MBL Exchange, Redeem or Resell any BCN3.</li> <li>• If a Common Equity Tier 1 Trigger Event or Non-Viability Event occurs BCN3 will be Exchanged for MGL Ordinary Shares or Written-Off if Exchange does not occur for any reason. If BCN3 are Written-Off, the relevant BCN3 Holders' rights will be terminated and they will not receive any return of capital invested.</li> </ul>	Sections 2.2 to 2.8
<p><b>1.2.5. Will BCN3 be Redeemed?</b></p> <ul style="list-style-type: none"> <li>• If APRA gives prior written approval, MBL has a right, but not an obligation, to Redeem all or some BCN3: <ul style="list-style-type: none"> <li>– on 7 September 2028, 7 March 2029 or 7 September 2029; or</li> <li>– if a Tax Event or Regulatory Event occurs.</li> </ul> </li> <li>• Redemption cannot occur unless BCN3 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.</li> <li>• If BCN3 are Redeemed BCN3 Holders will receive \$100 for each BCN3 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.</li> </ul>	Section 2.5
<p><b>1.2.6. Will BCN3 be Resold?</b></p> <ul style="list-style-type: none"> <li>• MBL has a right, but not an obligation, to Resell all or some BCN3 in the same limited circumstances as when Redemption may occur.</li> <li>• If a Resale occurs, the relevant BCN3 will be mandatorily sold to one or more nominated third parties. BCN3 Holders will receive a cash amount of \$100 for each BCN3 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.</li> </ul>	Section 2.6

## Topic

## Further information

### 1.2.7. Will BCN3 be Exchanged for MGL Ordinary Shares?

Sections 2.3, 2.4, 2.7 and 2.8

BCN3 may be Exchanged for MGL Ordinary Shares in the following circumstances:

- **Mandatory Exchange:** All BCN3 are scheduled to be Exchanged on 8 September 2031,<sup>4</sup> 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 BCN3 Holders will receive approximately \$101 worth of MGL Ordinary Shares per BCN3 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 BCN3 on 7 September 2028, 7 March 2029 or 7 September 2029, 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 BCN3 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 BCN3 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 BCN3). Exchange under these circumstances is not subject to any conditions.

### 1.2.8. What will BCN3 Holders receive on Exchange?

Sections 2.3 and 2.4

- If Exchange occurs as a result of Mandatory Exchange, or at MBL's option, BCN3 Holders will receive approximately \$101 worth of MGL Ordinary Shares per BCN3, 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, BCN3 Holders should receive approximately \$101 worth of MGL Ordinary Shares per BCN3, except in limited circumstances where the Directors determine that it is in the best interests of BCN3 Holders as a whole for Exchange to proceed, notwithstanding that BCN3 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 BCN3 Holder in respect of its aggregate holding of the BCN3 will also be rounded down to the nearest whole number.
- See overleaf for what BCN3 Holders receive on Exchange as a result of an Automatic Exchange Event.

4. Due to the Business Day convention, the Scheduled Mandatory Exchange Date is deferred from 7 September 2031 to 8 September 2031.

**Topic**

**Further information**

**1.2.9. What will BCN3 Holders receive on Exchange on an Automatic Exchange Event?**

Section 2.7

- MBL is required to immediately Exchange BCN3 into MGL Ordinary Shares where an Automatic Exchange Event (being a Common Equity Tier 1 Trigger Event or a Non-Viability Event) occurs. BCN3 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 BCN3) 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, BCN3 Holders may receive less, or significantly less, than the Issue Price per BCN3 and a BCN3 Holder may suffer loss as a consequence.

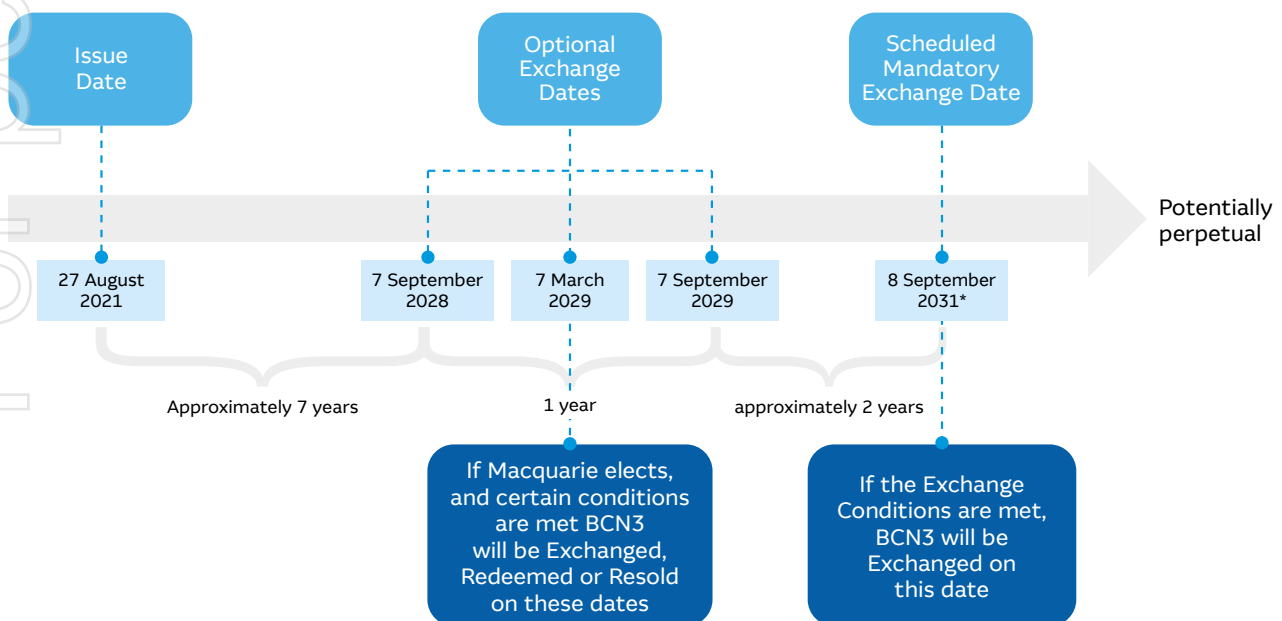
**1.2.10. What happens if Exchange following an Automatic Exchange Event does not occur?**

Section 2.7

- If, for any reason, BCN3 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 BCN3 occurs, the BCN3 Holder’s rights under that BCN3 (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 BCN3 Holders will suffer a total loss of their investment in that BCN3 as a consequence.

**1.2.11. Summary of certain events that may occur during the term of BCN3**

The diagram and table below summarises certain events that may occur while BCN3 are on issue and what BCN3 Holders may receive if those events occur. If none of these events occur, BCN3 could remain on issue indefinitely and the Issue Price will not be repaid.



\* Due to the Business Day Convention, the Scheduled Mandatory Exchange Date is deferred from 7 September 2031 to 8 September 2031.

# Macquarie Bank Capital Notes 3

Prospectus

Topic							Further information
<b>1.2.11. Summary of certain events that may occur during the term of BCN3</b> continued							
There are certain other events that could occur while BCN3 are on issue which may result in BCN3 being Exchanged, Redeemed, Resold or Written-Off. These are summarised in the table below.							
Event <sup>1</sup>	When could this occur?	Consequences	Is APRA approval required? <sup>2</sup>	Do conditions apply? <sup>3</sup>	What value will a BCN3 Holder receive (per BCN3)? <sup>4</sup>	In what form will the value be provided to BCN3 Holders?	Further Information
Tax Event or Regulatory Event	At any time	Exchange all or some BCN3 for MGL Ordinary Shares at MBL's option	No	Yes	Approximately \$101 <sup>5</sup>	Variable number of MGL Ordinary Shares	Section 2.4
		Redemption or Resale of all or some BCN3 at MBL's option	Yes (in the case of Redemption) No (in the case of Resale)	Yes	\$100	Cash	Sections 2.5 and 2.6
Acquisition Event	At any time	All BCN3 Exchanged for MGL Ordinary Shares	No	Yes	Approximately \$101 <sup>5</sup> (except in limited circumstances) <sup>6</sup>	Variable number of MGL Ordinary Shares	Section 2.8
Automatic Exchange Event	At any time	All (or in some cases, some) BCN3 Exchanged for MGL Ordinary Shares or Written-Off	No <sup>7</sup>	No	Depending on the market price of MGL Ordinary Shares at the time, up to approximately \$101 <sup>5</sup> but maybe significantly less or zero	Variable number of MGL Ordinary Shares – If BCN3 are not Exchanged for MGL Ordinary Shares BCN3 will be Written-Off and BCN3 Holders receive no value	Section 2.7
Optional Exchange Date	7 September 2028, 7 March 2029 or 7 September 2029	Exchange all or some BCN3 for MGL Ordinary Shares at MBL's option	No	Yes	Approximately \$101 <sup>5</sup>	Variable number of MGL Ordinary Shares	Section 2.4
		Redemption or Resale of all or some BCN3 at MBL's option	Yes (in the case of Redemption but not in the case of Resale) <sup>9</sup>	Yes	\$100	Cash	Sections 2.5 and 2.6
Scheduled Mandatory Exchange Date <sup>8</sup>	8 September 2031 <sup>10</sup>	Exchange of all BCN3 for MGL Ordinary Shares	No	Yes	Approximately \$101 <sup>5</sup>	Variable number of MGL Ordinary Shares	Section 2.3

- Please see Appendix B: Glossary for full definitions.
- BCN3 Holders should not expect that APRA's approval will be given for any Redemption.
- 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.
- 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, BCN3 Holders whose BCN3 are being Exchanged, Redeemed or Resold will also receive a Distribution in respect of those BCN3 for the period from the immediately preceding Distribution Payment Date to the date on which the Exchange, Redemption or Resale occurs (provided MBL has decided to pay the Distribution and the other Payment Conditions are met).
- 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.
- May be less if Directors determine that Exchange is in the best interests of BCN3 Holders as a whole, notwithstanding that BCN3 Holders will suffer loss, or that the MGL Ordinary Shares may not be listed. See section 2.8.
- 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.
- BCN3 are perpetual and, if the Exchange Conditions are never met, Exchange may never occur and BCN3 may remain on issue indefinitely. Unless Redeemed, Exchanged or Written-Off earlier, BCN3 will be mandatorily Exchanged on 8 September 2031 provided the Exchange Conditions are met, or on the next Distribution Payment Date on which the Exchange Conditions are satisfied.
- Whilst APRA approval is not required to give a Resale Notice, the terms of appointment of a Nominated Party may require APRA approval.
- Due to the Business Day convention, the Scheduled Mandatory Exchange Date is deferred from 7 September 2031 to 8 September 2031.

## Topic

## Further information

**1.2.12. Ranking of BCN3 in a Winding Up of MBL**

Section 2.10

- In a Winding Up of MBL, BCN3 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 BCN3 have not been Exchanged or Written-Off.
- However, any return on BCN3 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 BCN3 are required to be Exchanged or, if that does not occur, Written-Off. Where an Exchange occurs, the BCN3 Holders will become holders of MGL Ordinary Shares (ranking equally with other MGL Ordinary Shares). If BCN3 are Written-Off, the BCN3 Holders will have no claim at all on MBL or MGL (even though MGL Ordinary Shares will still be on issue).

Ranking		Illustrative examples
Higher ↑ Lower	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 BCN3 (if an Automatic Exchange Event has not occurred). Where BCN3 are Exchanged for MGL Ordinary Shares, BCN3 Holders have the claims of holders of MGL Ordinary Shares. If, following an Automatic Exchange Event BCN3 are Written-Off, BCN3 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.
	MBL Ordinary shares	MBL Ordinary Shares.

- If Exchange occurs, BCN3 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 BCN3.

**1.2.13. BCN3 are not guaranteed**

Clause 1.2 of the BCN3 Terms

- BCN3 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.
- BCN3 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.

**1.2.14. BCN3 are not secured and have no other claims**

- BCN3 are not secured in any way against any asset of MBL, MGL or any other member of the Macquarie Group.
- A BCN3 Holder has no claim against MBL, MGL or any other member of the Macquarie Group (except as expressly provided in the BCN3 Terms).

## 1.3. What are the key risks of investing in BCN3?

There are risks associated with an investment in BCN3, many of which are outside the control of MBL. These risks include those in this section 1.3 and section 4 and other matters referred to in this Prospectus.

Before applying for BCN3, you should consider whether BCN3 are a suitable investment for you. BCN3 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 4.2.

Topic	Further information
<p><b>1.3.1. Market Price and Liquidity of BCN3</b></p> <ul style="list-style-type: none"> <li>The market price of BCN3 may go up or down due to many factors and there is no guarantee BCN3 will trade at or above their Issue Price. For example, the market price of BCN3 may decline if better rates of return are available on other securities.</li> <li>The market price of BCN3 may also decline due to the impact of the COVID-19 pandemic on global, regional and national economies and markets. The expected duration and magnitude of the COVID-19 pandemic and its potential impacts on the economy and the market price of BCN3 are unclear.</li> <li>The market price of BCN3 may also be significantly impacted by the market price for MGL Ordinary Shares.</li> <li>There may be no liquid market for BCN3.</li> <li>BCN3 Holders who wish to sell their BCN3 may be unable to do so at a price acceptable to them, or at all.</li> </ul>	Section 4.1.3
<p><b>1.3.2. Market price and liquidity of MGL Ordinary Shares</b></p> <ul style="list-style-type: none"> <li>If BCN3 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 BCN3 Holders can be sold may be more or less than the anticipated \$101.</li> <li>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).</li> <li>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.</li> <li>The COVID-19 pandemic has impacted, and will likely continue to, severely impact global, regional and national economies and markets. The expected duration and magnitude of the COVID-19 pandemic and its potential impacts on the economy and the market price for MGL Ordinary Shares are unclear.</li> <li>The market for MGL Ordinary Shares may be less liquid than other securities and may not be liquid at all, so that BCN3 Holders may be unable to sell the MGL Ordinary Shares they may receive for an acceptable price, or at all.</li> </ul>	Section 4.1.4
<p><b>1.3.3. Distributions may not be paid</b></p> <ul style="list-style-type: none"> <li>MBL has absolute discretion to determine whether or not to pay Distributions.</li> <li>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 and APRA does not object to payment of the Distribution. This means that there is a risk that Distributions may not be paid.</li> <li>Distributions are non-cumulative. Accordingly, if a Distribution is not paid for any reason, BCN3 Holders will have no rights to receive that Distribution in the future.</li> </ul>	Section 4.1.5

Topic	Further information
<p><b>1.3.4. Changes in Distribution Rate</b></p> <ul style="list-style-type: none"> <li>The Distribution Rate is a floating rate equal to the sum of the Reference Rate plus a Margin, adjusted for the Tax Rate and the Franking Rate.</li> <li>Although the Margin remains fixed for as long as BCN3 are on issue, the Distribution Rate will fluctuate (both increasing and decreasing) over time as a result of movements in the Reference Rate.</li> <li>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.</li> <li>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.</li> <li>The Bookbuild occurred before the BCN3 Offer opened. The Margin was determined under the Bookbuild, and is set for the life of BCN3 regardless of any deterioration or improvement in market conditions.</li> </ul>	Section 4.1.6
<p><b>1.3.5. Level of franking</b></p> <ul style="list-style-type: none"> <li>The level of franking of Distributions on BCN3 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.</li> <li>The value and availability of franking credits to a BCN3 Holder will depend on that BCN3 Holder's particular circumstances and the tax rules that apply at the time of each Distribution. BCN3 Holders should refer to the Australian taxation summary in section 5.1.</li> </ul>	Sections 4.1.3, 4.1.7, 4.1.8, 4.1.22 and 5
<p><b>1.3.6. BCN3 are perpetual and may never be Exchanged, Redeemed or Resold</b></p> <ul style="list-style-type: none"> <li>BCN3 are a perpetual instrument but will Exchange for MGL Ordinary Shares on 8 September 2031 if they are still on issue and the Exchange Conditions are satisfied. If the Exchange Conditions are not met on this date BCN3 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.</li> </ul>	Section 4.1.11
<p><b>1.3.7. MBL has rights for Exchange, Redemption or Resale at its election</b></p> <ul style="list-style-type: none"> <li>MBL may elect to Exchange, Redeem or arrange a Resale of all or some BCN3 in certain circumstances, subject to a number of conditions, including prior written approval from APRA when required under the BCN3 Terms.</li> <li>Where required, APRA's approval is at the complete discretion of APRA and may or may not be granted.</li> <li>The choice to elect the Exchange, Redemption or Resale of all or some BCN3 is entirely at MBL's discretion and BCN3 Holders have no right to either request or alter the timing of any Exchange, Redemption or Resale.</li> <li>It is uncertain whether and when Exchange, Redemption or Resale may occur. The timing of any Exchange, Redemption or Resale may not suit BCN3 Holders.</li> </ul>	Sections 4.1.10 to 4.1.12

Topic	Further information
<p><b>1.3.8. Losses due to an Acquisition Event</b></p> <ul style="list-style-type: none"> <li>If an Acquisition Event occurs, and the Directors determine it is in the best interests of BCN3 Holders, Exchange may occur even though BCN3 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 BCN3 Holders may suffer a loss as a result.</li> </ul>	Section 4.1.14
<p><b>1.3.9. Losses due to an Automatic Exchange Event</b></p> <ul style="list-style-type: none"> <li>If Exchange occurs following an Automatic Exchange Event, BCN3 Holders may receive significantly less than \$101 worth of MGL Ordinary Shares per BCN3 and may receive unlisted MGL Ordinary Shares.</li> <li>If, for any reason, a BCN3 which is required to be Exchanged is not Exchanged within 5 Business Days of the Automatic Exchange Event then that BCN3 will be Written-Off (in which case the BCN3 Holders' rights under the relevant BCN3 will be immediately and irrevocably terminated for no consideration with effect on and from the Automatic Exchange Date). In these circumstances, BCN3 Holders will suffer a total loss of their investment in those BCN3.</li> </ul>	Section 4.1.15 and 4.1.16
<p><b>1.3.10. Restrictions on rights and ranking in a Winding Up of MBL</b></p> <ul style="list-style-type: none"> <li>BCN3 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 BCN3 is not guaranteed by MBL, MGL or any other member of the Macquarie Group.</li> <li>In the event of a Winding Up of MBL, BCN3 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 BCN3 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 BCN3 is Exchanged, the BCN3 Holder will become a holder of MGL Ordinary Shares and those shares may be worth significantly less than their investment in BCN3. If a BCN3 is Written-Off, the BCN3 Holder will suffer a total loss of their investment in BCN3.</li> <li>If there is a shortfall of funds on a Winding Up of MBL, BCN3 Holders will lose some or all of their investment in that BCN3.</li> </ul>	Sections 4.1.1 and 4.1.18



## 1.4. Comparison between BCN3 and other investments

BCN3 are different from other types of investments such as term deposits and ordinary shares. The table below compares the key features of BCN3 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 BCN3. MBL strongly recommends that you seek professional advice, which takes into account your particular investment objectives and circumstances, from a licensed adviser.

Feature	Term deposit	MCN3, MCN4 and MCN5	BCN2	BCN3	MGL Ordinary Shares
Issuer	Bank, credit union or building society (e.g. MBL)	MGL	MBL	MBL	MGL
Eligible for protection under the Australian government Financial Claims Scheme	Yes <sup>1</sup>	No	No	No	No
Term	One month to five years (usually)	Perpetual <sup>2</sup>	Perpetual <sup>3</sup>	Perpetual <sup>4</sup>	Perpetual
Distribution rate	Fixed (usually)	Floating, adjusted for franking	Floating, adjusted for franking	Floating, adjusted for franking <sup>5</sup>	Variable dividends
Distribution payment dates	End of term or per annum (usually)	Quarterly	Quarterly	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	No	Yes	Yes	Not applicable

- 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.
- Unless redeemed, resold, converted, exchanged or written-off earlier in accordance with the terms of the MCN3, MCN4 or MCN5 (as applicable). 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. Subject to the satisfaction of certain conditions, MCN5 will be mandatorily exchanged into MGL Ordinary Shares on 18 September 2030 or the next distribution payment date on which those conditions are satisfied.
- Unless redeemed, resold, converted, 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 21 December 2028 or the next distribution payment date on which those conditions are satisfied.
- Unless Redeemed, Resold, Exchanged or Written-Off earlier in accordance with the terms of the BCN3. Subject to the satisfaction of certain conditions, BCN3 will be mandatorily Exchanged into MGL Ordinary Shares on a Mandatory Exchange Date, as outlined in section 2.3.
- The impact of franking is described in section 2.1.3 and 2.1.4.

## 1.5. What is the Offer and how do I apply?

Topic	Further information
<p><b>1.5.1. How is the Offer structured and who can apply?</b></p> <p>The Offer comprises:</p> <ul style="list-style-type: none"> <li>• an Institutional Offer to Institutional Investors;</li> <li>• 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; and</li> <li>• a Securityholder Offer made to Eligible Securityholders.</li> </ul> <p>BCN3 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.</p>	Section 7.2
<p><b>1.5.2. Is the Offer underwritten?</b></p> <p>No.</p>	Section 6.3
<p><b>1.5.3. When is the Offer Period?</b></p> <p>The Offer opens on Wednesday, 11 August 2021.</p> <p>The Offer is expected to close on Tuesday, 24 August 2021.</p>	Key dates and Section 7.4
<p><b>1.5.4. Is there a minimum Application size?</b></p> <p>Applications must be for a minimum of 50 BCN3 (\$5,000).</p>	Section 7.4.6
<p><b>1.5.5. How can I apply?</b></p> <ul style="list-style-type: none"> <li>• If you wish to participate under the Broker Firm Offer you must contact your Syndicate Broker for instructions on how to apply.</li> <li>• If you wish to participate under the Securityholder Offer you can apply by completing the electronic Application Form available at <a href="http://www.BCN3Offer.com.au">www.BCN3Offer.com.au</a> and pay the Application Payment by BPAY®.</li> <li>• Cash payments and payments made by cheque will not be accepted for this Offer.</li> <li>• See section 7 for further information on how to make an Application.</li> <li>• No cooling off rights apply to an Application for BCN3. You cannot withdraw your Application once it has been lodged, except as permitted under the Corporations Act.</li> </ul>	Section 7
<p><b>1.5.6. How will BCN3 be allocated?</b></p> <ul style="list-style-type: none"> <li>• Allocations to Syndicate Brokers and Institutional Investors were 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.</li> <li>• Allocations for the 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 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 on file.</li> <li>• The allocation policy is described in section 7.5.</li> </ul>	Section 7.5

Topic	Further information
<p><b>1.5.7. Is there brokerage, commission or stamp duty payable?</b></p> <ul style="list-style-type: none"> <li>No brokerage or commission is payable on Applications for BCN3 by applicants. No stamp duty is payable on Applications for BCN3.</li> <li>BCN3 Holders may have to pay brokerage (and applicable GST) on any subsequent transfer of BCN3 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 BCN3 Holder on the issue of MGL Ordinary Shares on Exchange or the transfer of MGL Ordinary Shares as long as MGL is listed and its shares are quoted on ASX.</li> </ul>	Sections 5.1.12 and 7.4.3
<p><b>1.5.8. What are the tax implications of investing in BCN3?</b></p> <p>A general outline of the Australian taxation implications for certain Australian investors of participating in the Offer is included in the Australian taxation summary at section 5.1. See also the risk in relation to the use of franking credits by BCN3 Holders at section 4.1.8.</p>	Sections 4.1.8 and 5
<p><b>1.5.9. Where can I find out more information about the Offer?</b></p> <ul style="list-style-type: none"> <li>If you have any questions in relation to the Offer or an Application, please visit <a href="http://www.BCN3Offer.com.au">www.BCN3Offer.com.au</a>, email the Registrar at <a href="mailto:BCN3Offer@linkmarketservices.com.au">BCN3Offer@linkmarketservices.com.au</a> or call the BCN3 Offer Information Line on 1300 963 991 (within Australia) or on +61 1300 963 991 (International) (Monday to Friday 8:30am - 5:30pm, AEST) during the Offer Period.</li> <li>If you are a Broker Firm Applicant, you should contact your Syndicate Broker.</li> </ul>	Section 7.8

# 02

## About BCN3

This section provides additional information about BCN3. 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 BCN3 Terms are contained in Appendix A. Rights and liabilities attaching to BCN3 may also arise under the Corporations Act, ASX Listing Rules and other applicable laws.

## 2.1. Distributions

BCN3 are expected to pay quarterly Distributions commencing on 7 December 2021 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 the Margin, adjusted for the Tax Rate and the Franking Rate.

Distributions are non-cumulative.

Topic	Further information
<p><b>2.1.1. What are Distributions?</b></p> <ul style="list-style-type: none"> <li>• Distributions on BCN3 are discretionary, non-cumulative floating rate payments.</li> <li>• Distributions are scheduled to be paid quarterly in arrears commencing on 7 December 2021, subject to the Payment Conditions – see below.</li> <li>• 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.</li> </ul>	<p>Clause 2 of the BCN3 Terms</p>
<p><b>2.1.2 What are the Payment Conditions?</b></p> <ul style="list-style-type: none"> <li>• Distributions may not always be paid. The payment of each Distribution will be made unless:               <ul style="list-style-type: none"> <li>– MBL, in its absolute discretion, determines that the Distribution is not payable to BCN3 Holders;</li> <li>– payment of the Distribution would result in MBL breaching APRA's capital adequacy requirements applicable to it;</li> <li>– payment of the Distribution would result in MBL becoming, or being likely to become, insolvent for the purposes of the Corporations Act; or</li> <li>– APRA objects to the payment of the Distribution.</li> </ul> </li> </ul> <p>These conditions are referred to in this Prospectus as the “<b>Payment Conditions</b>”.</p> <ul style="list-style-type: none"> <li>• Failure to pay a Distribution when scheduled will not constitute an event of default and BCN3 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.</li> </ul>	<p>Clause 2 of the BCN3 Terms</p>

## Topic

## Further information

### 2.1.3. How will the Distribution Rate be calculated?

Clause 2.1 of the BCN3 Terms

- The Distribution Rate is calculated using the following formula:

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

where:

- Reference Rate* means, the BBSW rate – see section 2.1.5;
- Margin* is 2.90% and was set by way of Bookbuild, and announced to the market on Wednesday, 4 August 2021.
- Franking Adjustment Factor =**

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

where:

- T* is the Tax Rate; and
- F* 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.
- For example, assuming the Reference Rate for the first Distribution Period is 0.0150% 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:

	Partially franked Distribution
(1) Reference Rate	0.0150%
(2) Margin	2.90%
(3) = (1)+(2)	2.9150%
(4) Tax Rate	30%
(5) Franking Rate	40%
(6) Franking Adjustment Factor (per formula above)	85.3659%
(7) Distribution Rate = (3)x(6)	2.4884%

- 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. If the Distribution Rate was negative as a result, BCN3 Holders would not receive a distribution and there would be no obligation on BCN3 Holders to pay MBL.

**Topic****Further information****2.1.4. What is the impact of franking credits?**

Sections 4.1.3, 4.1.7, 4.1.8, 4.1.22 and 5

- 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 BCN3 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 4.1.7.
- 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.
- BCN3 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. BCN3 Holders should also be aware that the ability to use 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 BCN3 Holder and the tax rules that apply at the time of each Distribution.
- The laws relating to the availability of franking may change.
- BCN3 Holders should refer to the Australian taxation summary in section 5.1 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:

$$\frac{\text{Distribution Rate} \times \text{Tax Rate} \times \text{Franking Rate}}{(1 - \text{Tax Rate})}$$

- The amount of franking credits attached to a Distribution will be notified to BCN3 Holders in a Distribution notice shortly after a Distribution is paid.
- Taking the example in section 2.1.3, the amount of franking credits (expressed as a percentage) would be calculated as:

**Partially franked Distribution**

Distribution Rate	2.4884%
Tax Rate	30%
Franking Rate	40%
Franking credit rate (per formula above)	0.4266%

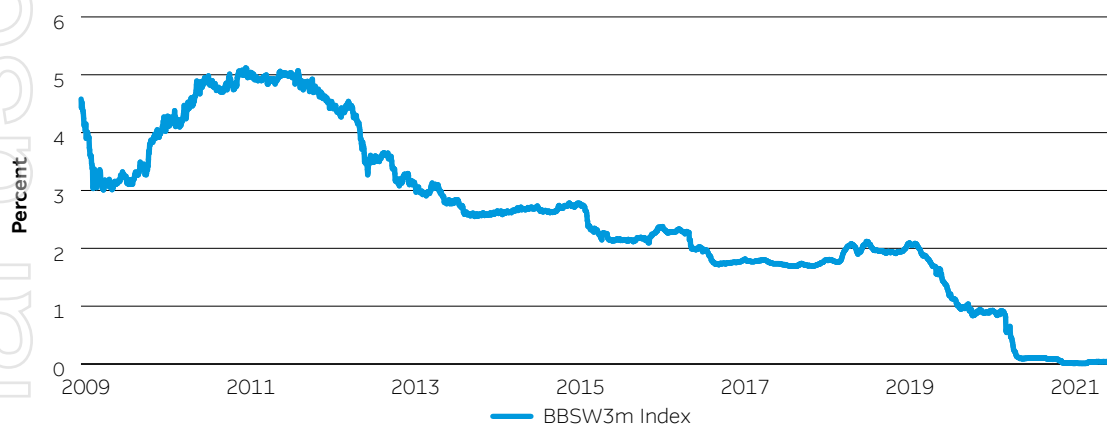
**Topic**

**Further information**

**2.1.5. What is the Reference Rate?**

Clause 2.1 of the BCN3 Terms

- The Reference Rate means, for a Distribution Period, the rate 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 on the Determination Date.
- The rate is administered by ASX and is published on various information services (e.g. Thomson Reuters page BBSW).
- The rate changes to reflect supply and demand in the cash and currency markets and provides a reference for the pricing, rate setting and valuation of Australian dollar financial securities.



- The graph above illustrates the movement in the Reference Rate over the last 20 years. The rate on 5 August 2021 was 0.0150% per annum.
- The above graph is for illustrative purposes only and does not indicate, guarantee or forecast the actual Reference Rate. The actual Reference Rate for the first and subsequent Distribution Periods may be higher or lower than the rates in the above graph.
- If MBL determines that BBSW has been affected by a “Reference Rate Disruption Event”, MBL may select an alternative reference rate that it considers appropriate and make other related changes to the Terms (subject, in each case, to APRA’s prior written approval).
- Broadly, a “Reference Rate Disruption Event” occurs where BBSW has been discontinued or has ceased to be generally accepted in the Australian market for securities such as BCN3. MBL is required to act in good faith and in a commercially reasonable manner in selecting an alternative reference rate, and may consult with sources that it considers appropriate, but may otherwise exercise its discretion.



**Topic****Further information****2.1.6. How will the Distribution be calculated for each Distribution Payment Date?**

Clause 2.1 of the BCN3 Terms

- Distributions scheduled to be paid on each Distribution Payment Date on each BCN3 will be calculated using the following formula:

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

where:

- Distribution Rate* means the rate (expressed as a percentage per annum) calculated as set out in section 2.1.3; and
- N* means the number of days in the Distribution Period.
- As an example, if the Distribution Rate was 2.4884% per annum then the Distribution on each BCN3 for the Distribution Period (if the Distribution Period was a quarterly period of 91 days) would be calculated as follows:

Distribution Rate	2.4884%
Multiplied by the Issue Price	× \$100
Multiplied by the number of days in the Distribution Period	× 91
Divided by 365 <sup>5</sup>	÷ 365
Indicative Distribution payment for the quarterly Distribution Period per BCN3	\$0.6204

- The first Distribution Period commences on the Issue Date and ends on 7 December 2021 and, accordingly, the number of days included in that Distribution Period is expected to be 102 days. Using a Distribution Rate of 2.4884%, an indicative first Distribution payment would be \$0.6954.
- 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.

**2.1.7. When are the Distribution Payment Dates?**

Clauses 2.1, 2.2 and 2.3 of the BCN3 Terms

- Distributions are payable (subject to the Payment Conditions, including the discretion of MBL) quarterly in arrears commencing on 7 December 2021.
- The Distribution Payment Dates are 7 March, 7 June, 7 September and 7 December each year.
- If BCN3 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.

5. Not adjusted for leap years.

Topic	Further information
<p><b>2.1.8. How will Distributions be paid?</b></p> <ul style="list-style-type: none"><li>• 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.</li><li>• MBL will not pay Distributions on BCN3 to Australian resident investors by cheque.</li><li>• If you are allotted any BCN3, 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.</li><li>• 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:<ul style="list-style-type: none"><li>– you provide valid account details to the Registrar;</li><li>– the BCN3 Holder or any legal personal representative of the BCN3 Holder claims the amount;</li><li>– 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</li><li>– MBL is entitled or obliged to deal with the amount in accordance with the legislation relating to unclaimed moneys.</li></ul></li><li>• Investors who are not Australian residents may be eligible to opt in to receive payments converted into foreign currency and paid to their local bank account through OFX Limited. Those investors who are not Australian residents who do not wish to opt into the service may receive Distributions by cheque.</li><li>• MBL reserves the right to vary the way in which any Distribution is paid in accordance with the BCN3 Terms (provided that a Distribution must always be paid in cash).</li></ul>	Clause 11 of the BCN3 Terms
<p><b>2.1.9. What is the Dividend Restriction and when will it apply?</b></p> <ul style="list-style-type: none"><li>• If for any reason an amount of any 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:<ul style="list-style-type: none"><li>– determine, declare or pay a dividend on any MBL Ordinary Shares; or</li><li>– undertake any Buy-Back or Capital Reduction,</li></ul>from the Distribution Payment Date until the next Distribution Payment Date, subject to certain exceptions, without the approval of a Special Resolution of the BCN3 Holders.</li><li>• 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 26% 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.</li><li>• The BCN3 Terms contain no events of default and accordingly, failure to pay a Distribution when scheduled will not constitute an event of default.</li></ul>	Clauses 2.4, 2.5, 10.1 and 18.2 of the BCN3 Terms

## 2.2. Term

Topic	Further information
<p><b>2.2.1. Do BCN3 have a maturity date?</b></p> <ul style="list-style-type: none"> <li>BCN3 are perpetual and do not have a fixed maturity date. If they are not Exchanged, Redeemed or Written-Off in accordance with the BCN3 Terms they could remain on issue indefinitely.</li> </ul>	
<p><i>Exchange</i></p> <ul style="list-style-type: none"> <li>If still on issue, BCN3 will Exchange into MGL Ordinary Shares on 8 September 2031 if the Exchange Conditions are satisfied in respect of that date. If the Exchange Conditions are not satisfied in respect of that date BCN3 will Exchange on the next subsequent Distribution Payment Date on which the Exchange Conditions are satisfied.</li> <li>Subject to certain restrictions, MBL may elect to Exchange some or all BCN3: <ul style="list-style-type: none"> <li>on a Scheduled Optional Exchange Date; or</li> <li>after the occurrence of a Tax Event or Regulatory Event, (together, "<b>Optional Exchange Dates</b>").</li> </ul> </li> <li>MBL must also Exchange all BCN3 following an Acquisition Event except in certain circumstances.</li> </ul> <p>If Exchange occurs following these events, BCN3 Holders would generally<sup>6</sup> receive MGL Ordinary Shares worth approximately \$101 (determined on the basis of the Exchange calculations described in section 2.3.4 overleaf) 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.</p> <ul style="list-style-type: none"> <li>MBL must Exchange some or all (depending on the circumstances) BCN3 for MGL Ordinary Shares on the occurrence of an Automatic Exchange Event: <ul style="list-style-type: none"> <li>This Exchange is not subject to the Exchange Conditions.</li> <li>If, for any reason, this Exchange does not occur within 5 Business Days of the Automatic Exchange Event then that BCN3 will be Written-Off. That BCN3 Holder will suffer a total loss of their investment and will not receive any compensation.</li> </ul> </li> </ul>	<p><b>Section 2.3</b></p> <p><b>Section 2.4</b></p> <p><b>Section 2.8</b></p>
<p><i>Resale</i></p> <ul style="list-style-type: none"> <li>On an Optional Exchange Date, MBL may instead elect to arrange for a Resale of all or some BCN3. If Resale occurs, BCN3 Holders will receive the Issue Price (\$100) for each BCN3 they hold. Any subsequent redemption or repurchase of the Resold BCN3 is subject to APRA's prior written approval.</li> </ul>	<p><b>Section 2.6</b></p>
<p><i>Redemption</i></p> <ul style="list-style-type: none"> <li>On an Optional Exchange Date, subject to APRA's prior written approval, MBL may instead elect to Redeem all or some BCN3. If Redemption occurs, BCN3 Holders will receive the Issue Price (\$100) for each BCN3 they hold.</li> </ul> <p>There are conditions on MBL's ability to Redeem or Resell BCN3 for cash. Importantly, MBL may only elect to Redeem BCN3 with APRA's prior written approval. BCN3 Holders should not expect that APRA's approval, if requested, will be given.</p>	<p><b>Section 2.5</b></p>

6. 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 BCN3 Holder will receive approximately \$101 worth of MGL Ordinary Shares for each BCN3 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 BCN3 Holders as a whole.

## 2.3. Mandatory Exchange

MBL must Exchange BCN3 into MGL Ordinary Shares on 8 September 2031<sup>7</sup> (if the BCN3 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 BCN3 Holders will receive approximately \$101 worth of MGL Ordinary Shares for each BCN3 held, and that the MGL Ordinary Shares they receive following the Exchange are capable of being sold on ASX.

Topic	Further information
<p><b>2.3.1. What happens on Scheduled Mandatory Exchange?</b></p> <p>If BCN3 have not already been Redeemed, Resold, Exchanged or Written-Off, BCN3 Holders will receive MGL Ordinary Shares on Exchange of BCN3 on 8 September 2031<sup>8</sup>, the “<b>Scheduled Mandatory Exchange Date</b>”, unless the Exchange Conditions are not satisfied.</p> <p>Upon Exchange on the Mandatory Exchange Date, BCN3 Holders will receive approximately \$101 worth of MGL Ordinary Shares per BCN3 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.</p> <p>As a result of any Exchange of BCN3 for MGL Ordinary Shares, BCN3 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.</p>	<p>Clauses 3 and 9 of the BCN3 Terms</p>
<p><b>2.3.2. What happens if the Exchange Conditions are not met on the Scheduled Mandatory Exchange Date (8 September 2031<sup>9</sup>)?</b></p> <ul style="list-style-type: none"> <li>• If still on issue, the BCN3 will be Exchanged on the Scheduled Mandatory Exchange Date, provided that the Exchange Conditions are satisfied on this date.</li> <li>• 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 “<b>Deferred Mandatory Exchange Date</b>”, where all of the Exchange Conditions are satisfied. This means that if the Exchange Conditions are never satisfied BCN3 may never be Exchanged.</li> <li>• The Scheduled Mandatory Exchange Date and each Deferred Mandatory Exchange Date are referred to as “<b>Relevant Mandatory Exchange Dates</b>”.</li> <li>• Distributions will continue to be paid (subject to the Payment Conditions) until Exchange occurs.</li> </ul>	<p>Clause 3.2 of the BCN3 Terms and section 2.3.3</p>
<p><b>2.3.3. What are the Exchange Conditions?</b></p> <ul style="list-style-type: none"> <li>• In summary, the Exchange Conditions are as follows: <ul style="list-style-type: none"> <li>– <b>First Exchange Condition:</b> the Daily VWAP on the 25th Business Day immediately preceding the Relevant Mandatory Exchange Date is greater than 56% of the Issue Date VWAP;</li> <li>– <b>Second Exchange Condition:</b> 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;</li> <li>– <b>Third Exchange Condition:</b> 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</li> <li>– <b>Fourth Exchange Condition:</b> 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).</li> </ul> </li> </ul>	<p>Clause 3.3 of the BCN3 Terms</p>

7. Due to the Business Day convention, the Scheduled Mandatory Exchange Date is deferred from 7 September 2031 to 8 September 2031.

8. Due to the Business Day convention, the Scheduled Mandatory Exchange Date is deferred from 7 September 2031 to 8 September 2031.

9. Due to the Business Day convention, the Scheduled Mandatory Exchange Date is deferred from 7 September 2031 to 8 September 2031.

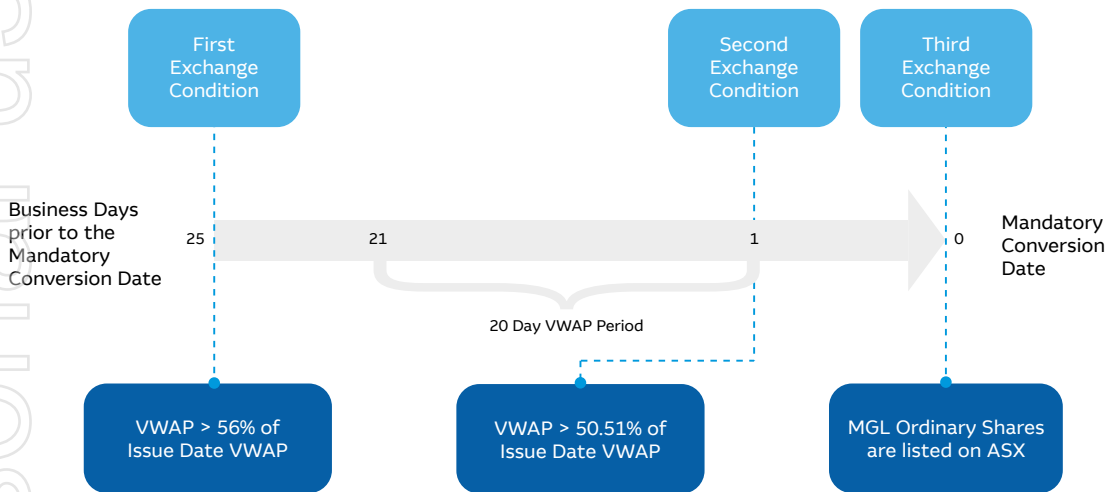
Topic

Further information

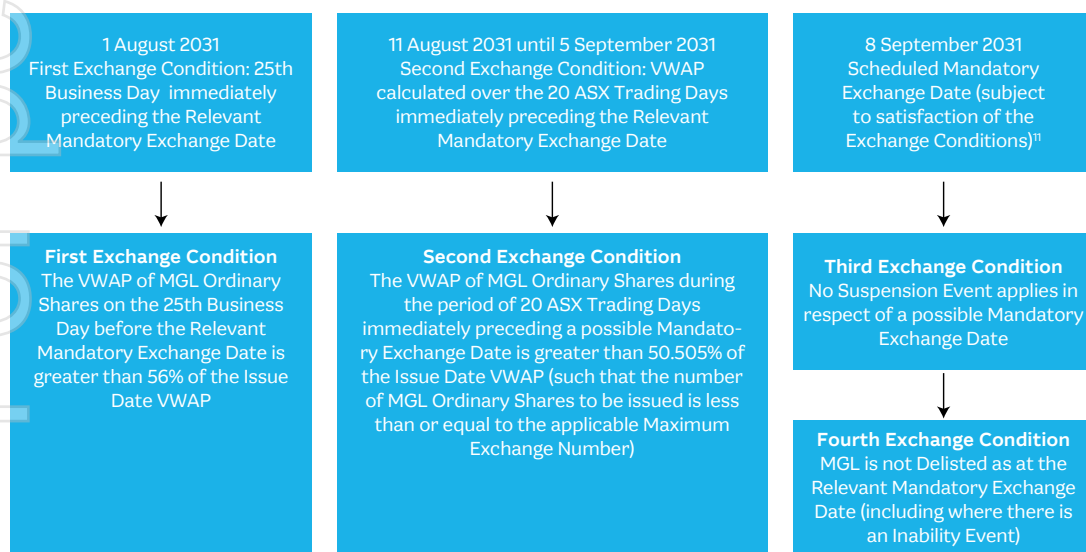
2.3.3. What are the Exchange Conditions? continued

Clause 3.3 of the BCN3 Terms

- 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 BCN3 Holders will not receive less than \$101 worth of MGL Ordinary Shares per BCN3 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 BCN3 Holders by making Exchange conditional on BCN3 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 (8 September 2031)<sup>10</sup>. These dates are indicative only and may change.



Note: These dates are subject to adjustments to account for any days where trading in MGL Ordinary Shares does not occur.



Note: The dates in the diagram above assume that trading of MGL Ordinary Shares takes place on 1 August 2031 and each of the Business Days between 11 August 2031 and 5 September 2031 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.

10. Due to the Business Day convention, the Scheduled Mandatory Exchange Date is deferred from 7 September 2031 to 8 September 2031.

11. Due to the Business Day convention, the Scheduled Mandatory Exchange Date is deferred from 7 September 2031 to 8 September 2031.

Topic	Further information
<p><b>2.3.4. How many MGL Ordinary Shares will a BCN3 Holder receive on a Relevant Mandatory Exchange Date?</b></p>	<p>Clauses 9.1, 9.3 and 9.4 of the BCN3 Terms</p>
<p>• A BCN3 Holder will receive on a Relevant Mandatory Exchange Date a number of MGL Ordinary Shares per BCN3 (“<b>Exchange Number</b>”) calculated in accordance with the following formula:</p>	
$\frac{\$100}{99\% \times \text{Exchange Date VWAP}}$	
<p>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).</p>	
<p>• 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.</p> <p>• The Exchange Date VWAP will be adjusted to reflect:</p> <ul style="list-style-type: none"> <li>- dividends or other distributions that are reflected in the MGL Ordinary Share price that will not be payable to BCN3 Holders after Exchange and vice versa (e.g. where the price is quoted cum dividend but the dividend is paid before the Exchange); and</li> <li>- 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.</li> </ul> <p>• The number of MGL Ordinary Shares to be received by a BCN3 Holder will also be rounded down so that only a whole number of MGL Ordinary Shares is issued in connection with the BCN3 Holder's aggregate holding of BCN3 (with entitlements of the BCN3 Holder to a part only of an MGL Ordinary Share disregarded).</p>	

For personal use only

**Topic****Further information****2.3.5. What is the Maximum Exchange Number?**

Clauses 9.1 and 9.3 to 9.9 of the BCN3 Terms

- 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 BCN3 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 BCN3 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 BCN3 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 BCN3 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 BCN3 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 BCN3 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).

## Topic

### 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 8 September 2031<sup>12</sup>, assume the Issue Date VWAP was \$155. The Exchange Conditions are tested and the number of MGL Ordinary Shares to be received on Exchange would be determined as follows:

#### Step 1: passing the Exchange Conditions

##### First Exchange Condition

This condition requires that the VWAP on the 25th Business Day immediately preceding 8 September 2031 (assuming there is trading of MGL Ordinary Shares on that day) is greater than 56% of the Issue Date VWAP, which would be \$86.80 (being 56% of \$155).

- Assume the VWAP on 1 August 2031 (expected to be the 25th Business Day immediately preceding, but not including, 8 September 2031) is \$110.

Since the VWAP on 1 August 2031 is greater than \$86.80, the First Exchange Condition is satisfied.

##### Second Exchange Condition

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 8 September 2031 is greater than 50.505% of the Issue Date VWAP, which would be \$78.28 (being 50.505% of \$155).

- Assume the VWAP during the period from 11 August 2031 to 5 September 2031 (expected to be the 20 ASX Trading Days immediately preceding, but not including, 8 September 2031) is \$110.

Since the VWAP during the period from 11 August 2031 to 5 September 2031 is greater than \$78.28, the Second Exchange Condition is satisfied.

##### Third Exchange Condition

This condition requires that no Suspension Event applies on 8 September 2031.

- Assume on 8 September 2031, 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.

##### Fourth Exchange Condition

This condition requires that MGL is not Delisted on 8 September 2031.

- Assume on 8 September 2031, MGL is listed on ASX and no Inability Event subsists.

In these circumstances, the Fourth Exchange Condition is satisfied.

12. Due to the Business Day convention, the Scheduled Mandatory Exchange Date is deferred from 7 September 2031 to 8 September 2031.



## Topic

Further  
information**2.3.6. Example of the Exchange calculations** continued**Step 2: calculating the number of shares received on Exchange**

On 8 September 2031, BCN3 Holders would be entitled to receive in respect of BCN3, 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 11 August 2031 to 5 September 2031 (being the 20 ASX Trading Days immediately preceding 8 September 2031) is \$110.

The Exchange Number would be 0.9183 (being \$100 divided by (99% x \$110)).

Assuming a BCN3 Holder has 100 BCN3, the total number of MGL Ordinary Shares to which they would be entitled would be 91 (i.e. 100 x 0.9183, 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 \$155, the Maximum Exchange Number would be 1.2903 (being \$100 divided by (50% x \$155)).

As the Exchange Number (0.9183) is less than the Maximum Exchange Number (1.2903), there will be no restriction on the number of MGL Ordinary Shares a BCN3 Holder receives.

**2.4. Exchange at option of MBL**

On any of the Scheduled Optional Exchange Dates, being 7 September 2028, 7 March 2029 and 7 September 2029, MBL may elect to Exchange BCN3 into MGL Ordinary Shares. MBL may also elect to Exchange BCN3 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 BCN3 Holders will receive approximately \$101 worth of MGL Ordinary Shares for each BCN3 held, and that the MGL Ordinary Shares they receive following the Exchange are capable of being sold on ASX.

Topic	Further information
<p><b>2.4.1. When can MBL choose to Exchange BCN3?</b></p> <ul style="list-style-type: none"> <li>• MBL may choose to Exchange all or some BCN3 on: <ul style="list-style-type: none"> <li>- 7 September 2028;</li> <li>- 7 March 2029; or</li> <li>- 7 September 2029,</li> </ul>                     (each a “<b>Scheduled Optional Exchange Date</b>”); or <ul style="list-style-type: none"> <li>- after a Tax Event or a Regulatory Event.</li> </ul> </li> </ul> <p>Upon optional Exchange, BCN3 Holders will receive approximately \$101 worth of MGL Ordinary Shares per BCN3 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 BCN3 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.</p> <p>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.</p> <p>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.</p> <p>BCN3 Holders have no right to request Exchange of BCN3.</p>	<p>Clauses 5.1, 5.2 and 9.1 of the BCN3 Terms</p>
<p><b>2.4.2. What is a Tax Event?</b></p> <p>A <b>Tax Event</b> means, broadly, that:</p> <ul style="list-style-type: none"> <li>• 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 BCN3: <ul style="list-style-type: none"> <li>- an additional franking debit will arise in the franking account of MGL in respect of any Distribution;</li> <li>- any Distribution would not be frankable; or</li> <li>- 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).</li> </ul> </li> </ul> <p>MBL is not aware of, nor expects, any Tax Event as at the date of this Prospectus.</p>	<p>Clause 18.2 of the BCN3 Terms</p>
<p><b>2.4.3. What is a Regulatory Event?</b></p> <p>A <b>Regulatory Event</b> 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:</p> <ul style="list-style-type: none"> <li>• any of the BCN3 are not eligible for inclusion as Additional Tier 1 Capital for the MBL Level 1 Group or the MBL Level 2 Group;</li> <li>• additional requirements in connection with the BCN3 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</li> <li>• to have any of the BCN3 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 BCN3.</li> </ul>	<p>Clause 18.2 of the BCN3 Terms</p>

Topic	Further information
<p><b>2.4.4. What are the requirements for Exchange to be elected?</b></p> <ul style="list-style-type: none"> <li>• MBL may not elect to Exchange BCN3 if an Optional Exchange Restriction applies.</li> <li>• Further, if MBL has elected to Exchange BCN3, 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.</li> <li>• The Optional Exchange Restrictions are: <ul style="list-style-type: none"> <li>- <b>First Optional Exchange Restriction:</b> 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) ("<b>Non-Exchange Test Date</b>") is less than or equal to 25% of the Issue Date VWAP; or</li> <li>- <b>Second Optional Exchange Restriction:</b> MGL is Delisted as at the Non-Exchange Test Date.</li> </ul> </li> </ul>	<p>Clauses 5.4 and 5.5 of the BCN3 Terms</p>
<p><b>2.4.5. Further conditions to an Optional Exchange</b></p> <ul style="list-style-type: none"> <li>• 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.</li> <li>• 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.</li> </ul>	<p>Clause 5.5 and 9.1 of the BCN3 Terms</p>

## 2.5. Redemption at option of MBL

On any of the Scheduled Optional Exchange Dates, being 7 September 2028, 7 March 2029 or 7 September 2029, or after a Tax Event or Regulatory Event, MBL may elect to Redeem all or some BCN3 with APRA's prior written approval. If Redemption occurs, BCN3 Holders will receive the Issue Price (\$100) for each of their BCN3 which is Redeemed.

There are conditions on MBL's ability to Redeem BCN3. Importantly, MBL may only elect to Redeem BCN3 with APRA's prior written approval. BCN3 Holders should not expect that APRA's approval, if requested, will be given for any Redemption.

Topic	Further information
<p><b>2.5.1. When can MBL choose to Redeem BCN3?</b></p> <ul style="list-style-type: none"> <li>• MBL may choose to Redeem all or some BCN3: <ul style="list-style-type: none"> <li>- on any Scheduled Optional Exchange Date; or</li> <li>- after a Tax Event or Regulatory Event.</li> </ul> </li> <li>• 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.</li> <li>• BCN3 Holders have no right to request Redemption of BCN3.</li> </ul>	<p>Clause 7 of the BCN3 Terms</p>
<p><b>2.5.2. What will BCN3 Holders receive if BCN3 are Redeemed?</b></p> <p>On Redemption, a BCN3 Holder will receive \$100 for each BCN3 they hold which is Redeemed and, if the Payment Conditions are met, a Distribution will be paid on Redeemed BCN3 for the period since the last Distribution Payment Date to the date of Redemption.</p>	<p>Clause 7.4 of the BCN3 Terms</p>

Topic	Further information
<p><b>2.5.3. What are the requirements for Redemption?</b></p> <ul style="list-style-type: none"> <li>• A Redemption must not occur unless either:                             <ul style="list-style-type: none"> <li>– BCN3 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 BCN3 is done under conditions which are sustainable for the income capacity of the MBL Level 1 Group and the MBL Level 2 Group; or</li> <li>– APRA is satisfied that the capital positions of the MBL Level 1 and the MBL Level 2 Group are sufficient after the BCN3 are Redeemed.</li> </ul> </li> <li>• Redemption requires APRA's prior written approval. BCN3 Holders should not expect that APRA's approval will be given for Redemption.</li> </ul>	<p>Clauses 7.1 and 7.2 of the BCN3 Terms</p>

## 2.6. Resale at option of MBL

On any of the Scheduled Optional Exchange Dates, being 7 September 2028, 7 March 2029 or 7 September 2029, or following a Tax Event or Regulatory Event, MBL may elect to Resell all or some BCN3. If Resale occurs, BCN3 Holders will receive the Issue Price (\$100) for each of their BCN3 which is Resold.

Topic	Further information
<p><b>2.6.1. When can MBL choose to Resell BCN3?</b></p> <ul style="list-style-type: none"> <li>• MBL may choose to Resell all or some BCN3:                             <ul style="list-style-type: none"> <li>– on any Scheduled Optional Exchange Date; or</li> <li>– after a Tax Event or Regulatory Event.</li> </ul> </li> </ul> <p>Any subsequent redemption or repurchase of the Resold BCN3 is subject to APRA's prior written approval of a redemption. That approval is at the complete discretion of APRA and may or may not be granted.</p> <p>If MBL elects to Resell BCN3, MBL will appoint one or more third parties ("<b>Nominated Parties</b>") to purchase some or all BCN3. If MBL appoints more than one Nominated Party, MBL can determine the allocation of BCN3 purchased by each Nominated Party.</p> <p>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 BCN3 acquired by a Nominated Party may be Exchanged or otherwise dealt with. To the extent that such terms may affect the eligibility of BCN3 as Additional Tier 1 Capital for MBL, such terms are subject to the prior written approval of APRA.</p> <p>BCN3 Holders have no right to request Resale of BCN3.</p>	<p>Clause 8 of the BCN3 Terms</p>
<p><b>2.6.2. What will BCN3 Holders receive if BCN3 are Resold?</b></p> <p>Each BCN3 Holder will receive \$100 for each BCN3 it holds which is being Resold and, if the Payment Conditions are met, a Distribution will be paid by MBL in respect of Resold BCN3 for the period since the last Distribution Payment Date to the date of Resale.</p>	<p>Clause 8.3 of the BCN3 Terms</p>
<p><b>2.6.3. If a Nominated Party does not pay the Resale Price will BCN3 Holders continue to hold BCN3?</b></p> <p>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 BCN3 Holders will continue to hold the relevant BCN3 in accordance with the BCN3 Terms.</p>	<p>Clause 8.6 of the BCN3 Terms</p>

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

MBL is required immediately to Exchange BCN3 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 BCN3 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, BCN3 Holders may receive less, or significantly less, than \$101 worth of MGL Ordinary Shares per BCN3 and a BCN3 Holder may suffer loss as a consequence.

If, for any reason, BCN3 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 BCN3 Holder’s rights under that BCN3 are immediately and irrevocably terminated for no consideration with effect on and from the Automatic Exchange Date and BCN3 Holders will suffer a total loss of their investment.

Topic	Further information
<p><b>2.7.1. Why do the BCN3 Terms include a Common Equity Tier 1 Trigger Event and a Non-Viability Event?</b></p> <ul style="list-style-type: none"> <li>• The global bank Basel III capital framework includes requirements for conversion or write-off of capital instruments issued by banks:               <ul style="list-style-type: none"> <li>- at a defined trigger point, which must be set no lower than a minimum Common Equity Tier 1 Ratio of 5.125%; or</li> <li>- if the issuer becomes non-viable.</li> </ul> </li> <li>• APRA has implemented this framework for ADIs, of which MBL is one, with effect from 1 January 2013.</li> </ul>	
<p><b>2.7.2. What is a Common Equity Tier 1 Trigger Event?</b></p> <ul style="list-style-type: none"> <li>• 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%.</li> <li>• If a Common Equity Tier 1 Trigger Event occurs, MBL must immediately Exchange such number of BCN3 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 BCN3 and other Relevant Tier 1 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).</li> <li>• If MBL is required to convert or write off Relevant Tier 1 Securities, BCN3 Holders should be aware that all Relevant Tier 1 Securities such as BCN3 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.</li> </ul>	<p><b>Clauses 4 and 18.2 of the BCN3 Terms</b></p>

## Topic

### 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 BCN3 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 BCN3 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 BCN3 and other Relevant Tier 1 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 BCN3.
- Nothing in the making of the determination or the adjustments or the requirement to treat BCN3 Holders proportionately is to delay or impede the immediate Exchange of the BCN3 on the Automatic Exchange Date.
- As at the date of this Prospectus, there are two other outstanding classes of Relevant Tier 1 Securities (the BCN2 and 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 BCN3 to be Exchanged (which may be all of the BCN3) 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.
- If some (but not all) BCN3 are to be Exchanged on account of an Automatic Exchange Event:
  - MBL will endeavour to treat BCN3 Holders on an approximately proportionate basis, but may discriminate to take account of the effect on marketable parcels of BCN3 and other similar considerations and the need to effect Exchange immediately; and
  - where Relevant Tier 1 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.

## Further information

Clauses 4 and 18.2 of the BCN3 Terms

## Topic

## Further information

**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 BCN3 Holders receive on an Automatic Exchange Date?**

Clause 9.1 of the BCN3 Terms

- The number of MGL Ordinary Shares a BCN3 Holder will receive per BCN3 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 *Exchange Date 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 BCN3 Holder may receive in these circumstances may be worth significantly less than the Issue Price of BCN3 and a BCN3 Holder may suffer a loss as a consequence.

Topic	Further information
<p><b>2.7.6. Are there any conditions to Exchange if an Automatic Exchange Event occurs?</b></p> <ul style="list-style-type: none"> <li>• If an Automatic Exchange Event occurs, MBL must immediately Exchange some or all BCN3 into MGL Ordinary Shares.</li> <li>• 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.</li> <li>• MBL expects any ASX trades in BCN3 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 BCN3 have been Exchanged as a result of the Automatic Exchange Event.</li> <li>• MBL must give BCN3 Holders notice as soon as practicable that an Automatic Exchange Event has occurred, including details of the number of BCN3 Exchanged.</li> </ul>	<p>Clauses 4.2, 4.5, 4.6 and 4.7 of the BCN3 Terms</p>
<p><b>2.7.7. What happens if BCN3 are not Exchanged following an Automatic Exchange Event?</b></p> <ul style="list-style-type: none"> <li>• If, following an Automatic Exchange Event, for any reason (including, without limitation, an Inability Event), Exchange of BCN3 does not occur within 5 Business Days of the Automatic Exchange Date, then Exchange will not occur and each relevant BCN3 will be Written-Off.</li> <li>• An <b>Inability Event</b> will arise if MBL, MGL or any of their Related Bodies Corporate (including Macquarie B.H. Pty Limited ("<b>MBHPL</b>"), 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 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).</li> <li>• 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 BCN3 being Exchanged. These steps are referred to as "Related Exchange Steps".</li> <li>• 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.</li> <li>• However, Write-Off will also occur if the Exchange has not occurred for reasons other than an Inability Event.</li> <li>• If a BCN3 is Written-Off, the BCN3 Holder's rights under that BCN3 are immediately and irrevocably terminated for no consideration with effect on and from the Automatic Exchange Date, and BCN3 Holders will suffer a total loss of their investment.</li> </ul>	<p>Clauses 4.5, 9.16 and 18.2 of the BCN3</p>



## 2.8. Exchange on an Acquisition Event

MBL is required to Exchange BCN3 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 BCN3 Holder will receive approximately \$101 worth of MGL Ordinary Shares for each BCN3 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 BCN3 Holders as a whole.

Topic	Further information
<p><b>2.8.1. What is an Acquisition Event?</b></p> <ul style="list-style-type: none"> <li>• An Acquisition Event broadly means either:           <ul style="list-style-type: none"> <li>- 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;</li> <li>- 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</li> <li>- 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.</li> </ul> </li> <li>• 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 MBL, is not materially adverse to the interests of BCN3 Holders as a whole, and the acquiring entity assumes corresponding obligations to issue listed ordinary shares to BCN3 Holders where MGL would be required to issue MGL Ordinary Shares. Such an entity is referred to as an Approved Acquirer.</li> </ul>	<p>Clause 18.2 of the BCN3 Terms</p>
<p><b>2.8.2. What are the consequences of an Acquisition Event for BCN3 Holders?</b></p> <ul style="list-style-type: none"> <li>• If an Acquisition Event occurs, all BCN3 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:           <ul style="list-style-type: none"> <li>- as at the Acquisition Exchange Date, MGL will be, or is likely to be, Delisted; or</li> <li>- the Exchange Number of MGL Ordinary Shares to be issued in Exchange for a BCN3 would exceed the Maximum Exchange Number applicable to that Acquisition Exchange Date.</li> </ul> </li> </ul> <p>However, Exchange may still occur where both of these exceptions apply, as described below.</p> <ul style="list-style-type: none"> <li>• 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.</li> <li>• 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 BCN3 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 BCN3 Holders would receive less than \$101 worth of MGL Ordinary Shares and/or may be unable to trade the MGL Ordinary Shares received.</li> </ul>	<p>Clauses 6.1 and 9.1 of the BCN3 Terms</p>

Topic	Further information
<p><b>2.8.3. How many MGL Ordinary Shares will BCN3 Holders receive on the Acquisition Exchange Date?</b></p> <p>In the ordinary course, Exchange of BCN3 following an Acquisition Event will be for approximately \$101 worth of MGL Ordinary Shares per BCN3, 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).</p> <p>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.</p> <p>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 BCN3 Holders, taken as a whole. This means that upon Exchange, BCN3 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 BCN3 Holders may be unable to trade those MGL Ordinary Shares.</p> <p>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 BCN3 Holders taken as a whole. If, in this situation, Exchange proceeds, BCN3 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 BCN3 Holder may suffer a loss as a consequence.</p>	<p>Clauses 6.1 and 9.1 of the BCN3 Terms</p>
<p><b>2.8.4. If Exchange does not occur following an Acquisition Event, will BCN3 Holders continue to hold BCN3?</b></p> <p>Where Exchange does not occur following an Acquisition Event, BCN3 Holders will continue to hold BCN3 in accordance with the BCN3 Terms.</p>	<p>Clause 6 of the BCN3 Terms</p>

## 2.9. Regulatory treatment of BCN3

Topic	Further information
<p><b>2.9.1. What are MBL's prudential capital requirements?</b></p> <p>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.</p>	<p>Section 3.8.5</p>
<p><b>2.9.2. Who is the Australian Prudential Regulation Authority (APRA)</b></p> <ul style="list-style-type: none"> <li>• 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.</li> <li>• APRA's website at <a href="http://www.apra.gov.au">www.apra.gov.au</a> includes further details of its functions and prudential standards.</li> </ul>	

Topic	Further information
<p><b>2.9.3. What is Regulatory capital?</b></p> <ul style="list-style-type: none"> <li>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.</li> <li>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.</li> <li>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.</li> </ul>	
<p><b>2.9.4. What is the regulatory treatment of BCN3?</b></p> <ul style="list-style-type: none"> <li>APRA has assessed that BCN3 will be eligible for inclusion as Additional Tier 1 Capital for MBL.</li> <li>If APRA's treatment of the BCN3 changes, a Regulatory Event may occur. See further section 2.4.3 on "Regulatory Event".</li> </ul>	

## 2.10. Ranking of BCN3

Topic	Further information
<p><b>2.10.1. How will BCN3 rank in a Winding Up of MBL</b></p> <ul style="list-style-type: none"> <li>If a Winding Up occurs in relation to MBL, BCN3 will rank ahead of MBL Ordinary Shares, equally with Equal Ranking Obligations (which currently includes obligations in respect of the Macquarie Additional Capital Securities and the BCN2), but behind all Senior Creditors.</li> <li>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 BCN3 will be required to be Exchanged, or, if Exchange has not occurred within 5 Business Days, Written-Off. If a BCN3 is Exchanged, the BCN3 Holder would become a holder of MGL Ordinary Shares and those shares may be worth significantly less than the Issue Price of the BCN3. If a BCN3 is Written-Off the BCN3 Holder will suffer a total loss of their investment in BCN3. In this case as MGL Ordinary Shares will still be on issue, a BCN3 Holder is likely to be worse off than a holder of MGL Ordinary Shares.</li> </ul>	<p>Clauses 1.5 and 16.1 of the BCN3 Terms and section 2.7</p>

## 2.11. Other

Topic	Further information
<p><b>2.11.1. Can MGL Ordinary Shares on Exchange be issued to a Sale Agent?</b></p> <ul style="list-style-type: none"> <li>• In certain limited circumstances, MGL Ordinary Shares may be issued to a Sale Agent instead of the relevant BCN3 Holder on Exchange. These circumstances include where: <ul style="list-style-type: none"> <li>- the BCN3 Holder has requested MBL to do so;</li> <li>- the BCN3 are held by a Foreign Holder;</li> <li>- for any reason MBL or MGL does not have the information required to issue MGL Ordinary Shares to a BCN3 Holder, or a FATCA Withholding is required to be made; or</li> <li>- MGL is of the opinion that the BCN3 Holder is prohibited from acquiring MGL Ordinary Shares under an applicable Shareholding Law.</li> </ul> </li> <li>• None of MBL, MGL or any Sale Agent owe any duty to the BCN3 Holder in relation to the price at which MGL Ordinary Shares are sold.</li> <li>• 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 BCN3 Holders (other than to receive any proceeds of sale from the Sale Agent) cease.</li> </ul>	<p>Clauses 9.13 and 9.14 of the BCN3 Terms and section 4.1.17</p>
<p><b>2.11.2. Is set-off applicable?</b></p> <p>A BCN3 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 BCN3 Holder. Equally, MBL has no right to set-off any amounts owing by it to a BCN3 Holder in respect of the BCN3 against any claims owing by the BCN3 Holder to it or any member of the Macquarie Group.</p>	<p>Clause 11.5 of the BCN3 Terms</p>
<p><b>2.11.3. What is the time limit on claims?</b></p> <p>A claim against MBL for a payment under a BCN3 is void unless made within 5 years from the date on which payment first became due.</p>	<p>Clause 11.10 of the BCN3 Terms</p>
<p><b>2.11.4. Do BCN3 carry voting rights in respect of MBL?</b></p> <ul style="list-style-type: none"> <li>• BCN3 Holders have no voting rights in respect of MBL or any other member of the Macquarie Group on account of holding BCN3.</li> <li>• BCN3 Holders may vote at meetings for BCN3 Holders in accordance with the BCN3 Deed Poll.</li> </ul>	<p>Clause 15.1 of the BCN3 Terms</p>
<p><b>2.11.5. Can MBL and MGL issue further securities?</b></p> <ul style="list-style-type: none"> <li>• MBL and MGL have the right in their absolute discretion to issue shares or other securities of any kind.</li> <li>• BCN3 confer no rights on a BCN3 Holder to subscribe for new securities or participate in any bonus issues of securities of MBL or any other member of the Macquarie Group.</li> </ul>	<p>Clauses 1.7 and 1.8 of the BCN3 Terms and section 4.1.19</p>
<p><b>2.11.6. Are BCN3 Holders bound by determinations made by MBL?</b></p> <p>Except in the case of manifest error or fraud, calculations, elections and determinations made by MBL, MGL or the Directors under the BCN3 Terms are binding on BCN3 Holders.</p>	<p>Clause 18.1(i) of the BCN3 Terms</p>
<p><b>2.11.7. What is the power of attorney?</b></p> <p>Each BCN3 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 BCN3 Terms or to do all other things which the attorney reasonably believes to be necessary or desirable to give effect to the BCN3 Terms.</p>	<p>Clause 10.2 of the BCN3 Terms</p>

Topic	Further information
<p><b>2.11.8. Can MBL amend the BCN3 Terms and BCN3 Deed Poll?</b></p> <ul style="list-style-type: none"> <li>• Subject to complying with all applicable laws, and with APRA's prior written approval where required, MBL may amend the BCN3 Terms and BCN3 Deed Poll without the consent of BCN3 Holders in certain circumstances. The amendments that MBL may make without such consent include changes: <ul style="list-style-type: none"> <li>– of a formal, minor or technical nature, made to correct any ambiguity or any manifest or proven error;</li> <li>– to facilitate the listing, clearing, offering for sale or Resale of the BCN3;</li> <li>– necessary to comply with the provisions of any statute or the requirements of any statutory authority;</li> <li>– in respect of any time or notice periods stated, required or permitted in connection with any Exchange;</li> <li>– to align the BCN3 Terms with the terms of any Relevant Tier 1 Securities issued after the Issue Date;</li> <li>– to give effect to any agreement with any Nominated Party;</li> <li>– necessary and appropriate to effect the substitution of an Approved Acquirer (as described below); or</li> <li>– that MBL does not consider to be materially adverse to the interests of BCN3 Holders as a whole.</li> </ul> </li> <li>• MBL may also, with APRA's prior written approval to the extent any such amendments may cause the BCN3 to cease to be Relevant Securities eligible for inclusion as Additional Tier 1 Capital for MBL, amend the BCN3 Terms and BCN3 Deed Poll if the amendment has been approved by a Special Resolution.</li> </ul>	<p>Clause 14 of the BCN3 Terms and section 4.1.28</p>
<p><b>2.11.9. What is an Approved Acquirer?</b></p> <ul style="list-style-type: none"> <li>• As described in section 2.8.1, an Approved Acquirer may be substituted as issuer of listed ordinary shares in its capital whenever BCN3 are required to be Exchanged in the manner contemplated by the BCN3 Terms. The substitution of an Approved Acquirer is not an Acquisition Event.</li> <li>• MBL may make such amendments to the BCN3 Terms and BCN3 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 BCN3 to cease to be eligible for inclusion as Additional Tier 1 Capital for MBL) but without the consent of the BCN3 Holders. <ul style="list-style-type: none"> <li>• BCN3 Holders do not have any right to vote on the substitution of an Approved Acquirer.</li> <li>• Following the substitution of an Approved Acquirer as the issuer of MGL Ordinary Shares on Exchange but prior to any Exchange of BCN3, BCN3 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.</li> </ul> </li> </ul>	<p>Clauses 14.2 and 18.2 of the BCN3 Terms</p>
<p><b>2.11.10. Can Macquarie Group purchase BCN3?</b></p> <p>Subject to APRA's prior written approval, any member of the Macquarie Group may purchase BCN3 at any time and at any price.</p>	<p>Clause 15.3 of the BCN3 Terms</p>

Topic	Further information
<p><b>2.11.11. What are the taxation implications of investing in BCN3?</b></p> <ul style="list-style-type: none"> <li>The taxation implications of investing in BCN3 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.</li> <li>A general outline of the Australian taxation implications for certain Australian investors of participating in the Offer is included in the Australian taxation summary at section 5.1. See also the risk in relation to the use of franking credits by BCN3 Holders at section 4.1.8.</li> </ul>	<p>Sections 4.1.8 and 5</p>
<p><b>2.11.12. Is brokerage, commission or stamp duty payable on Applications for BCN3?</b></p> <ul style="list-style-type: none"> <li>No brokerage or commission is payable on Applications for BCN3 by applicants. No stamp duty is payable on Applications for BCN3. BCN3 Holders may have to pay brokerage (and applicable GST) on any subsequent transfer of BCN3 on ASX after quotation or on any transfer of MGL Ordinary Shares that may be quoted on an Exchange.</li> <li>No stamp duty should be payable by a BCN3 Holder on the issue of MGL Ordinary Shares on Exchange or on the transfer of MGL Ordinary Shares as long as MGL is listed and its shares are quoted on ASX.</li> </ul>	<p>Sections 5.1.12 and 7.4.3</p>
<p><b>2.11.13. What withholding or deductions are applicable?</b></p> <ul style="list-style-type: none"> <li>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).</li> <li>If a withholding or deduction is made from a payment in respect of BCN3, there is no obligation on MBL to gross-up a Distribution on account of such withholding or deduction. See also sections 2.1.3 and 2.1.4, which summarise the effect of franking credits on the amount of a Distribution.</li> </ul>	<p>Clauses 11.4 of the BCN3 Terms and sections 2.1.3, 2.1.4 and 4.1.26</p>
<p><b>2.11.14. Notices</b></p> <p>While BCN3 are quoted on ASX, all notices by MBL to BCN3 Holders may be given by publication on ASX. The BCN3 Terms also permit notices to be given by newspaper advertisement, by email or by post. Notices to MBL may be given by post.</p>	<p>Clause 13 of the BCN3 Terms</p>

# 03

## About MBL, MGL and the Macquarie Group



## 3.1. Information about MBL

MBL is an APRA regulated ADI headquartered in Sydney, Australia. As at the date of this Prospectus, MBL is a wholly owned subsidiary of Macquarie B.H. Pty Limited (“**MBHPL**”), and MBHPL is a wholly owned subsidiary of MGL. MBL operates 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. MBL offers a range of services to government, institutional, corporate and retail clients.

As at March 31, 2021, MBL employed 12,576 staff, had total assets of \$A216.8 billion and total equity of \$A14.1 billion. For the full-year ended 31 March 2021, MBL’s net operating income was \$A7.0 billion (for the full-year ended 31 March 2020 net operating income was \$A6.2 billion) and profit after tax attributable to ordinary equity holder was \$A1.7 billion (for the full-year ended 31 March 2020 profit after tax attributable to ordinary equity holder was \$A1.5 billion). As at 31 March 2021, MBL conducted its operations in 19 markets, with 51% of Bank Group’s revenues from external customers derived from regions outside Australia.

MBL 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 ordinary shares are no longer quoted on the ASX, capital or debt 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 [www.macquarie.com](http://www.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 Report for the year ended 31 March 2021;
- any continuous disclosure notices given by MBL after the release of the MBL 2021 Annual Report and before the lodgement of this Prospectus with ASIC; and
- the MBL Constitution.

## 3.2. 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 asset management and finance, banking, advisory and risk and capital solutions across debt, equity and commodities. The Macquarie Group acts primarily as an investment intermediary for institutional, corporate, government and retail clients and counterparties around the world.

BCN3 may be Exchanged for MGL Ordinary Shares. These are quoted on ASX (MGL Ordinary Shares ASX Code: MQG).

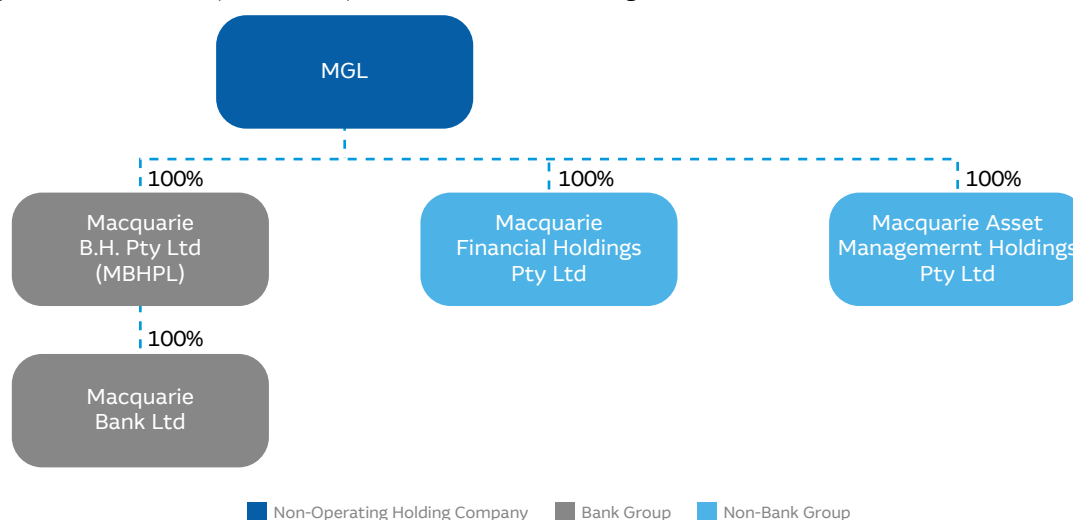
MGL is also a disclosing entity under the Corporations Act. It is therefore subject to regular reporting and disclosure obligations under the Corporations Act and the ASX Listing Rules. These include preparation of yearly and half-yearly financial statements, a report on the operations of the Macquarie Group during the relevant period, an audit or review report by its auditor and (subject to certain exceptions) immediate notification to 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](http://macquarie.com).

As at 31 March 2021, the Macquarie Group employed 16,459 people and had total assets of A\$245.7 billion and total equity of A\$22.4 billion. For the full-year ended 31 March 2021, Macquarie Group’s net operating income was A\$12.8 billion (for the full-year ended 31 March 2020 net operating income was \$A12.3 billion) and profit attributable to ordinary equity holders of MGL was A\$3.0 billion (for the full-year ended 31 March 2020 profit after tax attributable to ordinary equity holders was A\$2.7 billion), with 68% of the Macquarie Group’s total operating income (excluding earnings on capital and other corporate items) derived from regions outside Australia and New Zealand.



### 3.3. Holding Structure of the Macquarie Group

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



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

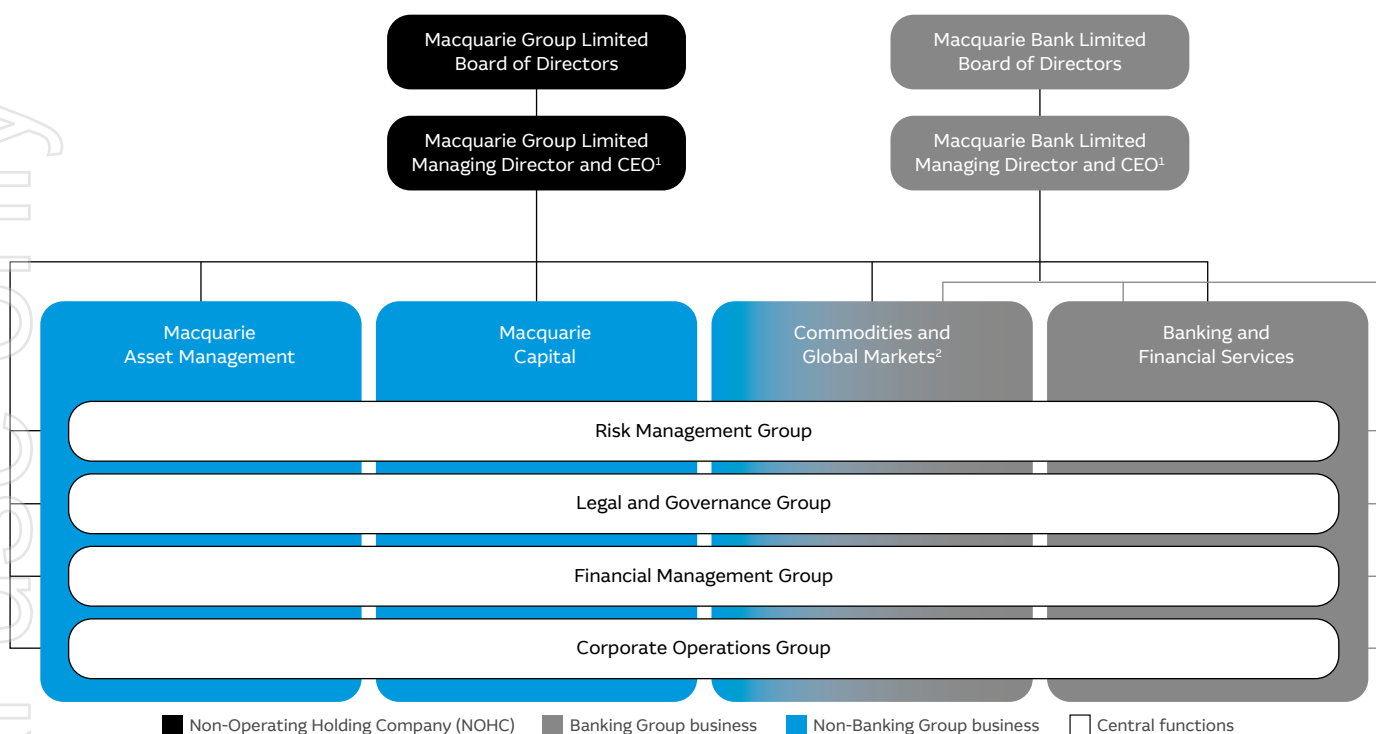
The Non-Banking Group consists of:

- 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 Banking 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, Markets Operations, Human Resources Services, Business Services, Group Legal, Corporate Governance, Corporate Affairs, Taxation Services, Business Improvement and Strategy Services, Central Executive Services, Business Services, and other services as may be agreed from time to time. Items of income and expense within the Corporate segment include the net result of managing the Macquarie Group's liquidity and funding requirements, earnings on capital and the residual accounting volatility relating to economically hedged positions where hedge accounting is applied as well as accounting volatility for other economically hedged positions where hedge accounting is not applicable. Other items of income and expenses include earnings from investments, central credit and asset related impairments, including certain additional central overlays on expected credit losses, unallocated head office costs and costs of central service groups, Macquarie Group's performance-related profit share and share-based payments expense and income tax expense.

MGL has a corporate governance and policy framework that meets APRA's requirements for ADIs and NOHCs, respectively. The Bank Group and the Non-Bank Group operate as separate sub-groups within MGL with clearly identifiable businesses, separate capital requirements and discrete funding programs. Although the Bank Group and the Non-Bank 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 Group and the Non-Banking Group.



1. The MGL CEO has senior executive responsibility for the management of the business activities of the Banking Group. The MBL CEO has senior executive oversight of the Banking Group's position in order to protect MBL's interests and fulfil its responsibilities as an ADI.
2. 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.

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.

### 3.5. Business strategy of MBL and the Macquarie Group

Consistent with the principles of *What We Stand For*, Macquarie's business strategy is 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's robust risk management framework and risk culture are embedded across all Operating and Central Service Groups.
- **Strong balance sheet.** Maintaining a strong and conservative balance sheet. This is consistent with Macquarie's longstanding policy of holding a level of capital that supports its business and managing its capital base ahead of ordinary business requirements. Macquarie remains well funded, with diversified funding sources, including deposits. Macquarie 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 has progressively 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 management and finance, banking, advisory and risk and capital solutions across debt, equity and commodities. Macquarie offers a range of services to government, institutional, corporate and retail clients. This diversity in services and clients mitigates concentration risk and provides resilience to Macquarie.
- **Proven expertise.** Utilising proven deep expertise has allowed Macquarie to establish leading market positions as a global specialist in sectors including renewables, infrastructure, resources and commodities, energy, financial institutions and real estate.

- **Adjacencies.** Expanding progressively by pursuing adjacencies through organic opportunities and selective acquisitions. These include products and geographies adjacent to our established areas of expertise, supporting sustainable evolutionary growth.
- **Pursuit of growth opportunities.** Targeting continued evolution and growth through innovation. We start with knowledge and skill, and we encourage 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 our strategy dictates that we operate. This means we retain 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.

### 3.6. MGL Board and MBL Board

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

The MBL Board comprises:

- Peter Warne, Chairman
- Stuart Green, MBL Managing Director and Chief Executive Officer
- Shemara Wikramanayake, Executive Voting Director
- Jillian Broadbent AC
- Philip Coffey
- Michael Coleman
- Diane Grady AO
- Rebecca McGrath
- Mike Roche
- Glenn Stevens AC
- Nicola Wakefield Evans

With the exception of Stuart Green, 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.

At the request of the MGL Board and the MBL Board, Peter Warne was re-elected as a director at the 2021 annual general meeting for one additional year given his oversight of the ongoing process of Board renewal and as a period of global uncertainty continues to abate into 2022. Over the course of the 2022 fiscal year, the MGL Board and MBL Board will nominate a new Chair and will advise shareholders in due course. Mr Warne intends to step down at the 2022 annual general meeting.

### 3.7. Management of the business of MBL and the Macquarie Group

The MBL Executive Committee comprises:

- Stuart Green, 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, Chief Risk Officer and Head of Risk Management Group
- Nicole Sorbara, Chief Operating Officer and Head of Corporate Operations Group
- Alex Harvey, Chief Financial Officer and Head of Financial Management Group
- Nick O’Kane, Head of Commodities and Global Markets

# Macquarie Bank Capital Notes 3

Prospectus

---

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, Chief Risk Officer and Head of Risk Management Group
- Ben Way, Head of Macquarie Asset Management
- Nicole Sorbara, Chief Operating Officer and Head of Corporate Operations Group
- Stuart Green, MBL Managing Director and Chief Executive Officer
- Alex Harvey, Chief Financial Officer and Head of Financial Management Group
- 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 introducing a new banking executive accountability regime known as “BEAR”. The intention of BEAR is to improve the operating culture of all ADIs and their subsidiaries and introduce enhanced transparency and personal accountability into the banking sector.

BEAR is administered by APRA and has applied to MBL (a medium-sized ADI) since 1 July 2019. The regime imposes certain obligations on both MBL (as the ADI) and its “accountable persons” (that is, senior executives and directors of MBL in prescribed roles, which include members of the MBL Board).

On 22 January 2020, the Australian Treasury released a consultation paper outlining its proposal on the Financial Accountability Regime (“**FAR**”) to replace BEAR and to extend the responsibility and accountability framework established under BEAR to all APRA-regulated entities, including MGL.

On 16 July 2021, the FAR exposure draft legislation was released for consultation. It was indicated that the legislation is expected to be passed in Parliament by the end of 2021, with the regime to apply to ADIs and their licensed non-operating holding companies (as the first industry to be subject to FAR) from the later of 1 July 2022 or 6 months after the commencement of FAR.

## 3.8. Financial information about MBL and the Macquarie Group

The summary consolidated statement of financial position data as at 31 March 2021 and 31 March 2020 and income statement data for the years ended 31 March 2021 and 31 March 2020 presented in this section have been derived from the Macquarie Group’s 2021 Annual Report and MBL’s 2021 Annual 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 2021 Annual Report and MBL’s 2021 Annual 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 years ended 31 March 2020 and 31 March 2021 were audited by PricewaterhouseCoopers (PwC) in accordance with the Australian Auditing Standards.

**3.8.1. Macquarie Group's Consolidated Income Statement**

	Consolidated	
	March 2020 \$m	March 2021 \$m
Interest and similar income		
Effective interest rate method	4,411	3,632
Other	745	333
Interest and similar expense	(3,297)	(1,770)
Net interest income	1,859	2,195
Fee and commission income	5,837	5,176
Net trading income	2,861	3,482
Net operating lease income	745	466
Share of net profits/(losses) from associates and joint ventures	95	(3)
Net credit impairment charges	(805)	(434)
Other impairment charges	(235)	(90)
Other operating income and charges	1,968	1,982
Net operating income	12,325	12,774
Employment expenses	(5,323)	(5,517)
Brokerage, commission and trading-related fee expenses	(964)	(879)
Occupancy expenses	(400)	(382)
Non-salary technology expenses	(749)	(781)
Other operating expenses	(1,435)	(1,308)
Total operating expenses	(8,871)	(8,867)
Operating profit before income tax	3,454	3,907
Income tax expense	(728)	(899)
Profit after income tax	2,726	3,008
(Profit)/loss attributable to non-controlling interests		
Macquarie Income Securities	(12)	-
Other non-controlling interests	17	7
Total loss attributable to non-controlling interest	5	7
Profit attributable to the ordinary equity holders of Macquarie Group Limited	2,731	3,015
Basic earnings per share	791.0	842.9
Diluted earnings per share	764.5	824.6

Subsequent to 31 March 2021, Macquarie Group disposed of certain assets that were classified as held for sale for a pre-tax gain of approximately \$450 million. The gain on disposal will be recognised by Macquarie Group in the half-year ending 30 September 2021.

# Macquarie Bank Capital Notes 3

Prospectus

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

	Consolidated		Pro forma as
	March 2020 \$m	March 2021 \$m	at 31 March 2021 \$m
<b>Assets</b>			
Cash and bank balances	9,717	18,425	18,916
Cash collateral on securities borrowed and reverse repurchase agreements	37,710	36,681	36,681
Trading assets	16,855	21,746	21,746
Margin money and settlement assets	16,393	14,397	14,397
Derivative assets	45,607	20,642	20,642
Financial investments	8,930	9,566	9,566
Held for sale assets	1,634	279	279
Other assets	6,868	6,006	6,006
Loan assets	94,117	105,026	105,026
Interests in associates and joint ventures	8,319	4,194	4,194
Property, plant and equipment and right-of-use assets	5,044	4,676	4,676
Intangible assets	3,268	2,543	2,543
Deferred tax assets	1,340	1,472	1,472
<b>Total assets</b>	<b>255,802</b>	<b>245,653</b>	<b>246,144</b>
<b>Liabilities</b>			
Cash collateral on securities lent and repurchase agreements	2,334	4,542	4,542
Trading liabilities	5,544	6,205	6,205
Margin money and settlement liabilities	22,815	22,124	22,124
Derivative liabilities	38,399	17,579	17,579
Deposits	67,342	84,199	84,199
Held for sale liabilities	260	18	18
Other liabilities	8,027	8,211	8,211
Borrowings	17,093	9,817	9,817
Debt issued	64,556	60,980	60,980
Deferred tax liabilities	234	204	204
<b>Total liabilities excluding loan capital</b>	<b>226,604</b>	<b>213,879</b>	<b>213,879</b>
Loan capital	7,414	9,423	9,914
<b>Total liabilities</b>	<b>234,018</b>	<b>223,302</b>	<b>223,793</b>
<b>Net assets</b>	<b>21,784</b>	<b>22,351</b>	<b>22,351</b>
<b>Equity</b>			
Contributed equity	7,851	8,531	8,531
Reserves	2,773	1,286	1,286
Retained earnings	10,439	12,231	12,231
<b>Total capital and reserves attributable to ordinary equity holders of Macquarie Group Limited</b>	<b>21,063</b>	<b>22,048</b>	<b>22,048</b>
Non-controlling interests	721	303	303
<b>Total equity</b>	<b>21,784</b>	<b>22,351</b>	<b>22,351</b>

The pro forma position as at 31 March 2021 reflects the issue of \$500m BCN3 with \$9m expenses to be paid to entities outside the MGL group.

On 30 April 2021, Macquarie Group acquired control of Waddell & Reed Financial Inc., a publicly traded US asset manager providing wealth management and asset management services, for consideration of \$2,175 million. On completion, Macquarie Group sold the wealth management business to LPL Financial Holdings Inc. for \$400 million.

**3.8.3. MBL's Consolidated Income Statement**

	Consolidated	
	March 2020 \$m	March 2021 \$m
Interest and similar income		
Effective interest rate method	3,777	3,101
Other	686	261
Interest and similar expense	(2,423)	(1,273)
Net interest income	2,040	2,089
Fee and commission income	1,185	1,326
Net trading income	2,615	3,315
Net operating lease income	371	395
Share of net profits from associates and joint ventures	27	41
Net credit impairment charges	(451)	(287)
Other impairment charges	(21)	(46)
Other operating income and charges	406	162
Net operating income	6,172	6,995
Employment expenses	(1,347)	(2,103)
Brokerage, commission and trading-related fee expenses	(596)	(525)
Occupancy expenses	(104)	(150)
Non-salary technology expenses	(170)	(327)
Other operating expenses	(2,060)	(1,592)
Total operating expenses	(4,277)	(4,697)
Operating profit from continuing operations before income tax	1,895	2,298
Income tax expense	(586)	(622)
Profit from continuing operations after income tax	1,309	1,676
Profit from discontinued operations after income tax	164	-
Profit from continuing and discontinued operations after income tax	1,473	1,676
Profit attributable to equity holders of Macquarie Bank Limited	1,473	1,676
Distributions paid or provided for on:		
Macquarie Income Securities (MIS)	(12)	-
Profit attributable to the ordinary equity holder of Macquarie Bank Limited	1,461	1,676
From continuing operations	1,297	1,676
From discontinued operations	164	-

Subsequent to 31 March 2021, MBL and its subsidiaries disposed of certain assets that were classified as held for sale for a pre-tax gain of approximately \$450 million. The gain on disposal will be recognised by MBL and its subsidiaries in the half-year ending 30 September 2021.

# Macquarie Bank Capital Notes 3

Prospectus

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

	Consolidated		Pro forma as at 31 March 2021
	March 2020 \$m	March 2021 \$m	2021 \$m
<b>Assets</b>			
Cash and bank balances	7,847	15,966	16,456
Cash collateral on securities borrowed and reverse repurchase agreements	37,708	34,555	34,555
Trading assets	16,251	21,212	21,212
Margin money and settlement assets	12,183	8,302	8,302
Derivative assets	44,845	20,552	20,552
Financial investments	7,484	7,999	7,999
Held for sale and other assets	3,267	3,066	3,066
Loan assets	87,719	98,992	98,992
Due from related body corporate activities	5,278	2,154	2,154
Interests in associates and joint ventures	251	281	281
Property, plant and equipment and right-of-use assets	2,598	2,797	2,797
Intangible assets	185	146	146
Deferred tax assets	520	826	826
<b>Total assets</b>	<b>226,136</b>	<b>216,848</b>	<b>217,338</b>
<b>Liabilities</b>			
Cash collateral on securities lent and repurchase agreements	2,322	4,542	4,542
Trading liabilities	5,363	6,134	6,134
Margin money and settlement liabilities	19,052	16,251	16,251
Derivative liabilities	37,823	17,475	17,475
Deposits	67,253	84,140	84,140
Other liabilities	2,946	4,350	4,350
Borrowings	3,047	2,473	2,473
Due to related body corporate entities	22,115	15,901	15,901
Debt issued	46,922	44,668	44,668
Deferred tax liabilities	69	36	36
<b>Total liabilities excluding loan capital</b>	<b>206,912</b>	<b>195,970</b>	<b>195,970</b>
Loan capital	4,997	6,804	7,294
<b>Total liabilities</b>	<b>211,909</b>	<b>202,774</b>	<b>203,264</b>
<b>Net assets</b>	<b>14,227</b>	<b>14,074</b>	<b>14,074</b>
<b>Equity</b>			
Contributed equity	8,899	8,523	8,523
Reserves	991	306	306
Retained earnings	4,336	5,245	5,245
<b>Total capital and reserves attributable to the ordinary equity holder of Macquarie Bank Limited</b>	<b>14,226</b>	<b>14,074</b>	<b>14,074</b>
Non-controlling interests	1	-	-
<b>Total equity</b>	<b>14,227</b>	<b>14,074</b>	<b>14,074</b>

The pro forma position as at 31 March 2021 reflects the issue of \$500m BCN3 with \$10m of expenses to be paid outside the MBL group.



### 3.8.5. 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).<sup>13</sup> The Basel III rules also require a minimum ratio of Total Capital of 10.5%. 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 Macquarie Additional Capital Securities and the BCN2. MBL's Total Capital consists of the Tier 1 Capital plus Tier 2 Capital instruments. APRA has confirmed that the BCN3 will qualify for inclusion as Additional Tier 1 Capital of the Bank Group.

APRA released a 'response to submissions' paper in July 2019 outlining its approach for Loss-absorbing capacity ("LAC") to support the orderly resolution of Australian ADIs.<sup>14</sup> The LAC framework will increase the Total Capital requirements for the Australian major banks by 3% of risk weighted assets from 1 January 2024. APRA has confirmed that MBL will be subject to additional LAC requirements, consistent with the approach for the major banks.

In the normal course of business, the Bank Group in its discretion periodically pays dividends to MGL. Subject to regulatory constraints, business performance and the availability of capital, MGL may add capital, or the Bank Group 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 31 March 2020	As at 31 March 2021	As at 31 March 2021 (pro forma) <sup>15</sup>
<b>APRA Basel III capital ratios</b>			
Level 2 Macquarie Bank Group Common Equity Tier 1 Ratio	12.2%	12.6%	12.6%
Level 2 Macquarie Bank Group Tier 1 Capital Ratio	13.6%	14.3%	14.9%
Level 2 Macquarie Bank Group Total Capital ratio	15.2%	18.8%	19.4%

13. Based on materiality, the countercyclical capital buffer (CCyB) of ~1bps (as at 31 March 2021) has not been included.

14. 'Response to submissions - loss-absorbing capacity'; 9 Jul 19.

15. This pro forma position assumes an A\$500m issuance of BCN3.

# Macquarie Bank Capital Notes 3

Prospectus

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

APRA Basel III capital ratios	As at 31 March 2020	As at 31 March 2021	As at 31 March 2021 (pro forma) <sup>16</sup>
Level 1 Macquarie Bank Group Common Equity Tier 1 Ratio	11.3%	12.0%	11.3%
Level 1 Macquarie Bank Group Tier 1 Capital Ratio	12.7%	13.7%	13.4%
Level 1 Macquarie Bank Group Total Capital ratio	14.3%	18.1%	17.5%

On 1 April 2021, APRA announced actions required regarding MBL's risk management practices and ability to calculate and report key prudential ratios. APRA increased MBL's operational risk capital requirement and made adjustments to requirements for certain liquidity prudential ratios, effective from 1 April 2021. These actions relate to specific intra-group funding arrangements as well as breaches of APRA's reporting standards on liquidity between 2018 and 2020. APRA noted that these breaches are historical and do not impact on the current overall soundness of Macquarie Group's capital or liquidity positions. While specific historical matters leading to these actions have been addressed, Macquarie acknowledges that continued work is required on its risk governance and operating platform and has programs in place to strengthen capital and liquidity reporting and its risk management framework. Macquarie will work closely with APRA on these programs through a period of intensified supervision and is working with APRA to determine the extent of the necessary restatements of impacted historical returns.

The increased operational capital requirement is implemented through an increase in Level 1 risk weighted assets (RWAs), reflected in the pro-forma numbers above. There is no impact on the Level 2 capital position.

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 Level 2 Macquarie Bank Group capital ratios as at 30 June 2021 are 12.1% for Common Equity Tier 1 Capital, 13.7% for Tier 1 Capital and 18.1% 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 \$A26.3 billion at 31 March 2021, with a Group surplus of \$A8.8 billion<sup>17</sup> (\$A11.6 billion on a Harmonised<sup>18</sup> 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 31 March 2021 include the BCN2, the Macquarie Additional Capital Securities as well as MCN3, MCN4 and MCN5. As Additional Tier 1 capital of the Bank Group, BCN3 will also contribute eligible capital for Macquarie Group.

16. This pro forma position assumes an A\$500m issuance of BCN3 and reflects the APRA operational risk overlay.

17. Calculated at 8.5% of the Bank Group's risk weighted assets. The 8.5% represents the Basel III minimum Tier 1 Capital ratio of 6% plus 2.5% of capital conservation buffer.

18. 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'.

For personal use only!

# 04

## Investment Risks



*This section describes the risks associated with an investment in BCN3, MBL and/or the Macquarie Group.*

*MBL believes that the following risk factors may affect the investment returns of BCN3 issued under the Offer. These risk factors 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 believes that the risk factors described below represent the key risks inherent in investing in BCN3 issued under the Offer, but MBL may be unable to pay distributions, principal or other amounts on or in connection with any BCN3, and BCN3 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 BCN3, 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 BCN3, the appropriate tools to analyse such an investment, and the suitability of such an investment in the context of your particular circumstances.*

*No cooling off rights apply to an Application for BCN3. You cannot withdraw your Application once it has been lodged, except as permitted under the Corporations Act.*

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

## 4.1. Risks associated with investing in BCN3

### 4.1.1. Investments in BCN3 are an investment in MBL

Investments in BCN3 are an investment in MBL and may be affected by the ongoing performance, financial position and solvency of the Macquarie Group. BCN3 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 under the Banking Act. BCN3 are not guaranteed by any government, government agency or compensation scheme of Australia or by any other person or any other jurisdiction.

### 4.1.2. Suitability

BCN3 are a complex investment and may be difficult to understand, even for experienced investors. You should ensure that you understand the BCN3 Terms and risks of investing in BCN3 and consider whether it is an appropriate investment for your particular circumstances.

### 4.1.3. Market price and liquidity of BCN3

BCN3 may trade at a market price below their Issue Price. The market price of BCN3 may fluctuate due to various factors, including poor financial performance by 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 BCN3 may be affected by changes in laws relating to the taxation treatment of BCN3, including franking or other laws, or if pursuant to the

DDO Legislation, ASIC exercises its Product Intervention Power in relation to BCN3 or comparable securities issued by MBL or other entities. The DDO Legislation imposes design and distribution obligations on the issuers, providers and distributors of financial products and provides ASIC with a Product Intervention Power (see Section 4.1.29 for further detail). The impact of these new obligations remains untested, however there is a risk that they may adversely impact the issue, distribution and reinvestment of financial products in the future, including instruments like BCN3. These changes may also affect the liquidity of funding instruments (including hybrids such as BCN3), if they lead to a material reduction in future issuance volumes or secondary trading activity by investors.

Where BCN3 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 BCN3 and/or 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 BCN3 and MGL Ordinary Shares. You should carefully consider this risk before deciding to invest in BCN3.

Although BCN3 are to be quoted on ASX, there is no guarantee that a liquid market will develop for them. The market for BCN3 may be less liquid than the market for MGL Ordinary Shares or other comparable securities. As a consequence, BCN3 Holders who wish to sell their BCN3 may be unable to do so at an acceptable price, or at all, if insufficient liquidity exists in the market for BCN3.

In addition, there is no guarantee that BCN3 will remain continuously quoted on ASX. Trading of ASX listed securities may be suspended in certain circumstances.

#### 4.1.4. 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, BCN3 Holders will generally receive approximately \$101 worth of MGL Ordinary Shares per BCN3, 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 BCN3 Holder in respect of its aggregate holding of BCN3 will be rounded down to a whole number (with entitlements of the BCN3 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 BCN3 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, BCN3 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.

#### 4.1.5. Distributions may not be paid

There is a risk that Distributions may not be paid. The BCN3 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 BCN3 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. MBL may issue securities or enter into financing which restricts it from paying Distributions. Reduced capital adequacy levels in MBL could also restrict MBL's ability to pay Distributions.

Distributions are non-cumulative (that is, if not paid, they do not accrue), so if a Distribution is not paid for any reason, BCN3 Holders will have no right to receive that Distribution in the future. BCN3 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 BCN3 Holders determine, declare or pay a dividend on any MBL Ordinary Shares, or undertake any Buy-Back or Capital Reduction, until the next Distribution Payment Date.

#### 4.1.6. 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 BCN3.

#### **4.1.7. 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 BCN3 and it is possible that at some time in the future Distributions on BCN3 may not be franked, or may be partially franked to a different level, or fully franked.

MGL's ability to frank Distributions on BCN3 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.

#### **4.1.8. Use of franking credits by BCN3 Holders**

The value and availability of franking credits to a BCN3 Holder will differ depending on that BCN3 Holder's particular tax circumstances and the tax laws at the time of the Distribution. BCN3 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 BCN3 Holder.

Investors should refer to the taxation summary in section 5.1 and seek professional advice in relation to their tax position.

#### **4.1.9. Dividend Restriction applies in limited circumstances**

If a Distribution is not paid on BCN3, the Dividend Restriction will apply to limit MBL's ability to pay dividends on, Buy-Back, and undertake a Capital Reduction in respect of MBL Ordinary Shares, subject to certain exceptions. The Dividend Restriction applying under BCN3 does not apply to restrict distributions on any securities other than MBL Ordinary Shares. In particular, it does not restrict MBL from making distributions on, or buying back or returning capital on its equal ranking securities. In addition, the Dividend Restriction applies only until the next quarterly Distribution Payment Date. If Distributions are recommenced on BCN3, the Dividend Restriction will be lifted.

No dividend restriction applies to MGL. Accordingly, if a Distribution is not paid on BCN3, MGL is not restricted from paying dividends on MGL Ordinary Shares.

#### **4.1.10. Risks upon Exchange for MGL Ordinary Shares**

MGL Ordinary Shares are a different type of investment from BCN3. 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 BCN3 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 BCN3 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.

#### **4.1.11. BCN3 are perpetual and Exchange, Redemption or Resale may not occur**

If not Redeemed, Exchanged, Resold or Written-Off beforehand, BCN3 are scheduled to be Exchanged for MGL Ordinary Shares on 8 September 2031<sup>19</sup>, 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 BCN3 Terms do not limit the ability of MGL to undertake such capital transactions or any similar action that may adversely affect the position of BCN3 Holders.

19. Due to the Business Day convention, the Scheduled Mandatory Exchange Date is deferred from 7 September 2031 to 8 September 2031.

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 BCN3, 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 BCN3 may be affected and BCN3 Holders who wish to sell their BCN3 may not be able to do so at an acceptable price, or at all. As such, BCN3 are a perpetual instrument and BCN3 Holders may never receive any return of their investment, either as cash or MGL Ordinary Shares.

#### **4.1.12. 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 BCN3 Holders receive cash or MGL Ordinary Shares) may be disadvantageous to BCN3 Holders and may not coincide with their individual preference or intended investment outcomes. BCN3 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 BCN3 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 BCN3 are Redeemed. APRA must give written approval for any Redemption of BCN3. 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 BCN3 Holders. This may disadvantage BCN3 Holders and not coincide with their individual preferences or intended investment outcomes. The rate of return at which BCN3 Holders may reinvest their funds may be lower than the Distribution Rate on BCN3.

#### **4.1.13. Cash payment only in limited circumstances**

BCN3 Holders will only receive a cash payment for their BCN3 where MBL chooses to Redeem or Resell BCN3. This choice of Redeeming or Reselling BCN3 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 the election to Redeem 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 BCN3 (or instead elect that BCN3 will be Exchanged (if permitted at the relevant time)). As a consequence, there is no certainty that BCN3 Holders will receive a cash payment for their BCN3.

#### **4.1.14. 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 BCN3 Holders as a whole) or (b) the Exchange Number of MGL Ordinary Shares to be issued in exchange for a BCN3 (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 BCN3 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 BCN3 Holders taken as a whole).

Such an Exchange could occur at a time not previously contemplated by BCN3 Holders, which may disadvantage BCN3 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 BCN3 Holders best interests as a whole, that determination may not take into account the position of individual BCN3 Holders and may disadvantage individual BCN3 Holders.

## 4.1.15. Impact of an Automatic Exchange Event

If an Automatic Exchange Event occurs, MBL must immediately Exchange some or all BCN3 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%. The Common Equity Tier 1 Trigger Event is based on APRA's definition of the Common Equity Tier 1 Capital Ratio of MBL measured in respect of the MBL Level 1 Group or MBL Level 2 Group (as described in section 3.8.5). The Common Equity Tier 1 Ratio of MBL may be significantly impacted by a number of factors, including factors which affect the business, operation and financial condition of MBL, and by APRA's prescriptions for the determination of the ratios in respect of the MBL Level 1 Group or MBL Level 2 Group. Accordingly, there is a risk that MBL's Common Equity Tier 1 Capital Ratio falls to 5.125% or below and that as a result, BCN3 are required to be Exchanged for MGL Ordinary Shares before the Scheduled Mandatory Exchange Date.

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 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 BCN3 Holder may lose some or all of their investment.

If an Automatic Exchange Event occurs, some or all BCN3 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 BCN3 Holders as though the Exchange has occurred. MBL expects that any ASX trades in BCN3 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 BCN3 have been Exchanged. Alternatively, trading in BCN3 and MGL Ordinary Shares may be halted and unsettled transfers of BCN3 may not be registered. This disruption in trading may cause the BCN3 Holder to suffer a loss and be unable to deal in BCN3.

BCN3 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.

The number of MGL Ordinary Shares that a BCN3 Holder will receive on an Exchange following an Automatic Exchange Event is calculated from a 5 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 BCN3 Holder may receive significantly less than \$100 worth of MGL Ordinary Shares per BCN3 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 5 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 Tier 1 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 Tier 1 Securities occurs, the relative impact on BCN3 Holders will depend on the amount of Relevant Tier 1 Securities other than BCN3 (if any) that are on issue at that time. The Maximum Exchange Number applicable to the Exchange of BCN3 may be different from the maximum exchange number applicable to other Relevant Tier 1 Securities.



#### 4.1.16. Impact of failure to Exchange leading to Write-Off

If the relevant BCN3 are not Exchanged within 5 Business Days of the Automatic Exchange Event then the MGL Ordinary Shares will not be issued and the relevant BCN3 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 BCN3, 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 BCN3 are Written-Off.

In such cases, BCN3 Holders will not receive any MGL Ordinary Shares in respect of these BCN3, 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 BCN3 Holders and MBL.

Recent changes to the law have given statutory recognition to conversion and write-off provisions in regulatory capital instruments such as BCN3, subject to limited exceptions (such as Shareholding Laws and other such laws that are in future specified by regulations made under the Banking Act).

#### 4.1.17. MGL Ordinary Shares issued to a Sale Agent

If BCN3 are to be Exchanged and:

- a BCN3 Holder has notified MBL that it does not wish to receive MGL Ordinary Shares;
- the BCN3 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 BCN3 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 BCN3 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 BCN3 Holder similarly affected) and pay to the relevant BCN3 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 BCN3 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 BCN3.

In these circumstances the sale of MGL Ordinary Shares is beyond the control of BCN3 Holders and may disadvantage individual BCN3 Holders 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 BCN3 Holders.

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 BCN3 Holder within 5 Business Days of an Automatic Exchange Date, then the relevant BCN3 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 BCN3 remain on issue until the MGL Ordinary Shares are issued or the relevant BCN3 Redeemed. However, six months after the Exchange Date the rights of the relevant BCN3 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.

## 4.1.18. Restrictions on rights and ranking in a Winding Up

BCN3 are issued by MBL under the terms of the BCN3 Deed Poll (including the BCN3 Terms). A BCN3 Holder has no claim on MBL in respect of the BCN3 except as provided in the BCN3 Terms and in the BCN3 Deed Poll. For further information on the relevant provisions of the BCN3 Deed Poll see section 6.1.

BCN3 are unsecured and subordinated obligations of MBL. In the event of a Winding Up of MBL and assuming that BCN3 have not been Exchanged, Redeemed or Resold and are not required to be Written-Off due to an Automatic Exchange Event, BCN3 Holders will be entitled to claim for the Liquidation Amount of each BCN3 equal to \$100 for each BCN3. 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 BCN3, BCN3 Holders will not receive any of the Liquidation Amount; and
- all amounts ranking senior to BCN3 have been paid but there is a shortfall of funds to pay all amounts ranking equally with BCN3, BCN3 Holders may not receive all (or any) of the Liquidation Amount.

If the BCN3 have been Exchanged (including following the occurrence of an Automatic Exchange Event), BCN3 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 BCN3 has not occurred within 5 Business Days following such an event, then those BCN3 are Written-Off (that is, the BCN3 Holder's rights (including to Distributions) in relation to those BCN3 are immediately and irrevocably terminated for no consideration with effect on and from the Automatic Exchange Date). The BCN3 Holder's investment will lose all of its value and the BCN3 Holder will not receive any MGL Ordinary Shares or other compensation.

BCN3 may pay a higher rate of distribution than comparable securities and instruments which are not subordinated. However, there is a greater risk that a BCN3 Holder would lose some or all of their investment in BCN3 should MBL become insolvent or in a Winding Up of MBL. Where BCN3 are Written-Off, as MGL Ordinary Shares will still be on issue, a BCN3 Holder is likely to be worse off than a holder of MGL Ordinary Shares.

## 4.1.19. Other securities issued by MBL or MGL

BCN3 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 BCN3) or from incurring further debt. MBL's obligations under BCN3 are subordinate to Senior Creditors and obligations preferred by law. Accordingly, the obligations of BCN3:

- will not be satisfied unless MBL can satisfy in full all of its other obligations ranking senior to BCN3; and
- may not be satisfied in full unless MBL can also satisfy in full all of its other obligations ranking equally with BCN3,

and future issues of securities or debts by MBL may dilute the claim of BCN3 Holders or reduce the value of their investment or liquidity of BCN3. 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 BCN3 and affect the proportions of BCN3 Exchanged or Written-Off due to an Automatic Exchange Event.

An investment in BCN3 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 BCN3 or the likelihood of payments being made on BCN3.

An investment in BCN3 carries no right to be Redeemed or otherwise be repaid at the same time as MBL or MGL redeems or otherwise repays other securities.

## 4.1.20. 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 4.2.15 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 BCN3 will not be rated, such changes could adversely affect the market price, liquidity and performance of BCN3 or MGL Ordinary Shares received on Exchange.

#### 4.1.21. Regulatory treatment

BCN3 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 BCN3 are not eligible for inclusion as Additional Tier 1 Capital for MBL;
- additional requirements in connection with the BCN3 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 BCN3 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 BCN3.

If a Regulatory Event occurs, MBL may be entitled to Exchange or, with the written approval of APRA, Resell or Redeem BCN3.

As a consequence, Exchange, Redemption or Resale may occur at any time and at a time not previously contemplated by BCN3 Holders, which may disadvantage BCN3 Holders and not coincide with their individual preferences or intended investment outcomes. The rate of return at which BCN3 Holders may reinvest their funds or receive in connection with any MGL Ordinary Shares, may be lower than the Distribution Rate on BCN3.

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 BCN3 Holders receive cash or MGL Ordinary Shares) may be disadvantageous to BCN3 Holders and may not coincide with their individual preference or intended investment outcomes.

#### 4.1.22. Tax consequences

A general outline of the tax consequences of investing in BCN3 for certain potential investors who are Australian residents for tax purposes is set out in the taxation summary in section 5.1. 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 BCN3, which has an adverse effect on MBL in the amount of taxes, assessments or other governmental charges in connection with BCN3, 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, Resell, or with the written approval of APRA, Redeem BCN3.

As a consequence, Exchange, Redemption or Resale may occur at any time and at a time not previously contemplated by BCN3 Holders, which may disadvantage BCN3 Holders and not coincide with their individual preferences or intended investment outcomes. The rate of return at which BCN3 Holders may reinvest their funds may be lower than the Distribution Rate on BCN3.

The choice of Exchange, Redemption or Resale when they are available, is entirely at the option of MBL (subject to APRA approval if required). The choice of these actions (and consequently whether BCN3 Holders receive cash or MGL Ordinary Shares) may be disadvantageous to BCN3 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 BCN3 Holders, but does not otherwise impact MBL, no Tax Event will occur and MBL has no ability to adjust the Distributions or otherwise change BCN3.

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

#### 4.1.23. 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 BCN3, including power to appoint a Banking Act statutory manager, who may cancel shares or any rights to acquire shares in MBL or MGL.

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 BCN3.

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 BCN3 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 BCN3 (including in connection with the Exchange of BCN3), and this may adversely affect the position of BCN3 Holders.

#### 4.1.24. 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.

#### 4.1.25. 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.

BCN3 Holders should take care to ensure that their holding of BCN3 (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 BCN3 Holder (either directly or indirectly) is prevented by law, MBL may be unable to Exchange those BCN3 and they will be Written-Off.

#### 4.1.26. 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**”) in respect of FACTA on 28 April 2014, providing an alternative means for Australian financial institutions to comply with FACTA. Under the IGA, Australian financial institutions may be involved in the BCN3 payment processes, such as custodians or nominees, may be required to provide the Australian Tax Office (“**ATO**”) with information about investors. As such, certain information may be requested from BCN3 Holders or beneficial owners of BCN3 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 BCN3 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 BCN3 or deliveries of MGL Ordinary Shares made in respect of BCN3, neither MBL nor any paying agent nor any other person would, pursuant to the conditions of BCN3, be required to pay additional amounts as a result of the deduction or withholding. As a result, BCN3 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 BCN3, particularly if they are a U.S. person or have financial dealings with a U.S. person.

#### 4.1.27. 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 BCN3 payment processes, such as custodians or nominees, to report information regarding BCN3 to their local tax authority and follow related due diligence procedures. BCN3 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. The CRS applies to Australian financial institutions with effect from 1 July 2017.

#### 4.1.28. Amendment of BCN3 Terms or BCN3 Deed Poll

In certain circumstances, MBL may, with APRA's prior written approval where required, amend the BCN3 Terms or BCN3 Deed Poll without the approval of BCN3 Holders. These circumstances include where MBL is of the opinion that the amendments do not materially adversely affect the interests of the BCN3 Holders as a whole.

MBL may also, with APRA's prior written approval where required, amend the BCN3 Terms or BCN3 Deed Poll if the amendment has been approved by a Special Resolution of BCN3 Holders. Amendments under these arrangements are binding on all BCN3 Holders, despite the fact that an individual BCN3 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 BCN3 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 BCN3 Terms. Such amendments could adversely affect the interests of BCN3 Holders.

APRA's prior written approval of an amendment is required where the amendment may cause the BCN3 to cease to be Additional Tier 1 Capital of MBL.

#### 4.1.29. Design and distribution obligations

On 5 April 2019, the DDO Legislation was enacted. The DDO Legislation imposes additional obligations on MBL regarding the design and distribution of certain financial products offered to retail investors (including hybrid securities), and grants product intervention powers to ASIC if it believes significant consumer detriment may occur. The DDO Legislation is supplemented by the Corporations Amendment (Design and Distribution Obligations) Regulations 2019, which were enacted in December 2019.

The design and distribution obligations under the DDO Legislation are scheduled to apply on and from 5 October 2021 and will apply to offers for issue of securities such as BCN3 that take place on or after that date. The design and distribution obligations under the DDO Legislation will not apply to secondary sales of securities such as the BCN3 that have been offered for issue under a prospectus where the issue has completed. This is so whether the issue has completed before or after the design and distribution obligations under the DDO Legislation have begun to apply.

The DDO Legislation also gives ASIC a significant, proactive power to issue a product intervention order if it believes that a financial product has resulted in or will, or is likely to, result in significant detriment to retail investors (the “**Product Intervention Power**”). Unlike the design and distribution obligations, the Product Intervention Power has already come into force. It is uncertain whether ASIC would perceive there to be any significant consumer detriment in relation to BCN3 or similar securities. The DDO Legislation requires ASIC to undertake a consultation process before it exercises the Product Intervention Power.

As noted in section 4.1.3, the impact of these new obligations remains untested, however there is a risk that they may adversely impact the issue, distribution and reinvestment of financial products in the future, including instruments like BCN3. These changes may also affect the liquidity of funding instruments (including hybrids such as BCN3), if they lead to a material reduction in future issuance volumes or secondary trading activity by investors.

## 4.2. 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 BCN3 because they may affect MBL's ability to fulfil its obligations under the BCN3 Terms, the market value of BCN3 and the market value of, and any dividends paid on, MGL Ordinary Shares issued on an Exchange of BCN3. In this Section, references to the Macquarie Group are to be read to include MBL and matters affecting the Macquarie Group should also be read to affect MBL.

Risks may affect one or more of Macquarie Group's businesses.

### 4.2.1. Macro-economic risks

#### 4.2.1.1. Global credit and market conditions

The Macquarie Group's business and financial condition have been and may, in the future be, negatively affected by global credit and other 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, increased funding costs, constrained access to funding and the decline in equity and capital market activity have adversely affected and may again affect transaction flow 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 its risk exposure. Market conditions, as well as declines in asset values, may cause the Macquarie Group's clients to transfer their assets out of the Macquarie Group's funds or other products or their brokerage accounts and result in reduced net revenues.

The Non-Banking Group's funds management fee income, including base and performance fees, may be adversely affected by volatility in equity values and returns from its managed funds. The value and performance of the Macquarie Group's loan portfolio may also be adversely affected by deteriorating economic conditions.

The Macquarie Group's returns from asset sales may also decrease if economic conditions deteriorate. In addition, if financial markets decline, revenues from the Macquarie Group's products are likely to decrease. In addition, increases in volatility increase the level of the Macquarie Group's risk weighted assets and increase the 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 the Macquarie Group would otherwise achieve during stable market conditions.

Sudden declines and significant volatility in the prices of assets may substantially curtail or eliminate the trading markets for certain assets, which may make it very difficult to sell, hedge or value such assets. The inability to sell or effectively hedge assets reduces the Macquarie Group's ability to limit losses in such positions and difficulty in valuing assets may negatively affect the Macquarie Group's capital, liquidity or leverage ratios, increase funding costs and generally require the Macquarie Group to maintain additional capital.

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 a sovereign could lead to market-wide liquidity problems, losses or defaults by other institutions, financial instruments losing their value and liquidity, and interruptions to capital markets 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 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. Any of these events would have a serious adverse effect on the Macquarie Group's liquidity, profitability and value.

#### 4.2.1.2. Foreign exchange risk

Changes and increased volatility in currency exchange rates may adversely impact the Macquarie Group's financial results and its financial and regulatory capital positions.

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 its offshore business activities, which are conducted in a broad range of currencies. Changes in the rate at which the Australian Dollar is translated from other currencies can impact the Macquarie Group's financial statements and the economics of its business.

Although the Macquarie Group seeks to carefully manage its exposure to foreign currencies, in part through matching of assets and liabilities in local currencies and through the use of foreign exchange forward contracts to hedge its exposure, the Macquarie Group is still exposed to exchange risk. Insofar as the Macquarie Group is unable to hedge or has not completely hedged its exposure to currencies other than the Australian Dollar, the Macquarie Group's earnings, funding position or regulatory capital position could be affected. As well as potentially impacting the reported profit and foreign currency translation reserve, this could also impact the Macquarie Group's funding costs and adversely affect the Macquarie Group's ability to fund and grow its business as well as potentially requiring additional capital to be raised and impacting the competitiveness of its businesses. In addition, because MBL and MGL's regulatory capital position is assessed in Australian dollars, their capital ratios may be adversely impacted by a depreciating Australian Dollar, which increases the capital requirement for assets denominated in currencies other than Australian dollars.

#### 4.2.1.3. Other market, asset and interest rate risk

The Macquarie Group's businesses are subject to the risk of loss associated with falling prices in the equity and other markets in which they operate.

The Macquarie Group's businesses are 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 their advisory and other fees, due to changes in interest rates, exchange rates, equity and commodity prices and credit spreads and other market risks. These changes may result from changes in economic conditions, monetary and fiscal policies, market liquidity, availability and cost of capital, international and regional political events, acts of war or terrorism, corporate, political or other scandals that reduce investor confidence in capital markets, natural disasters or pandemics or a combination of these or other factors.

The Macquarie Group trades in foreign exchange, interest rate, commodity, bullion, energy, securities and other markets and are an active price maker in the derivatives market. Certain financial instruments that MGL and/or the Macquarie Group holds and contracts to which it is 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 the Macquarie Group trades, which decreases the valuation of its trading and investment positions, including its 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 their clients' portfolios, which in turn may reduce the fees the Macquarie Group earns

for managing assets in certain parts of their 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.

The expected discontinuation of LIBOR or any other interest rate benchmarks (collectively, the "IBORs") and the adoption of "alternate reference rates" ("ARR") by the market introduce a number of risks for the Macquarie Group, its clients, and the financial services industry more widely. These include, but are not limited to:

- Conduct risks – where Macquarie's management of the transition may lead to customer complaints, regulatory sanctions or reputational impact.
- Legal and execution risks – relating to documentation changes required for new ARR products and for the transition of legacy contracts to ARRs and legal proceedings or other actions regarding the interpretation and enforceability of provisions in IBOR-based contracts.
- Financial risks and pricing risks – arising from any changes in the pricing mechanisms of impacted financial instruments.
- Operational risks – due to the potential need for the Macquarie Group, its customers and the market to adapt IT systems, operational processes and controls to accommodate one or more ARRs for a large volume of trades.

Further, 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, including MBL.

#### 4.2.1.4. Funding constraints of investors and clients

Historically, the Macquarie Group has generated a portion of its income from the sale of assets to third parties, including its funds. If buyers are unable to obtain financing to purchase assets that the Macquarie Group currently holds or purchases with the intention to sell in the future, the Macquarie Group may be required to hold investment assets for longer than intended or sell these assets at lower prices than it historically would have expected to achieve, which may lower its rate of return on these investments and require funding for periods longer than anticipated.

In addition, the Non-Banking Group has historically derived a portion of its income from mergers and acquisitions advisory fees which are typically paid upon completion of a transaction. Clients that engage in mergers and acquisitions often rely on access to credit markets to finance their transactions. The lack of available credit and the increased cost of credit may adversely affect the size, volume and timing of the Macquarie Group's clients' merger and acquisition transactions, particularly large transactions, and may also adversely affect the Macquarie Group's financial advisory and underwriting businesses.

#### 4.2.1.5. Capital adequacy

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. Changes to these frameworks can require the Macquarie Group to hold more capital and have an adverse impact on the Macquarie Group.

#### 4.2.1.6. Credit ratings

Failure of MBL or the Macquarie Group to maintain their credit ratings and those of their subsidiaries could adversely affect their cost of funds, liquidity, competitive position and access to capital markets.

The credit ratings assigned to MBL, MGL and certain of their subsidiaries by rating agencies are based on an evaluation of a number of factors, including the relevant entity's 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 its key operating environments, including the availability of systemic support in Australia. In addition, 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 related to the Macquarie Group.

If these Macquarie Group entities fail to maintain their current credit ratings, this could (i) adversely affect MBL's or 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 or (ii) trigger MBL's or the Macquarie Group's obligations under certain bilateral provisions in some of their trading and collateralised financing contracts. Under these provisions, counterparties could be permitted to terminate contracts with MBL or the Macquarie Group or require it to post additional collateral. Termination of MBL's or a Macquarie Group entity's trading and collateralised financing contracts could cause them to sustain losses and impair their liquidity by requiring them to find other sources of financing or to make significant cash payments or securities movements.

#### 4.2.1.7. Global economic, market and business risks with respect to the COVID-19 pandemic

The COVID-19 pandemic has caused, and will likely continue to cause, severe impacts on global, regional and national economies and disruption to international trade and business activity. While financial markets have rebounded from the significant declines that occurred earlier in the pandemic and global economic conditions showed signs of improvement during the second half of calendar year 2020, many of the circumstances that arose or became more pronounced after the onset of the COVID-19 pandemic persisted through the year, including (i) muted levels of business activity across many sectors of the economy, relatively weak consumer confidence and high unemployment rates; (ii) elevated levels of market volatility; (iii) yields on government bonds near zero; (iv) heightened credit risk with regard to industries that have been most severely impacted by the pandemic; and (v) higher cyber security, information security and operational risks as a result of work-from-home arrangements. This may in turn reduce the level of activity in sectors in which certain of the Macquarie Group's businesses operate and thus have a negative impact on such businesses' ability to generate revenues or profits.

Governments and central banks around the world have reacted to the economic crisis caused by the pandemic by implementing stimulus and liquidity programs and cutting interest rates, however it is unclear whether these actions or any future actions taken by governments and central banks will be successful in mitigating the economic disruption. Additionally, any such fiscal and monetary actions are subject to withdrawal by the relevant governments or central banks, or may lapse without renewal. If the COVID-19 pandemic is prolonged and/or actions of governments and central banks are unsuccessful in mitigating the economic disruption, the negative impact on global growth and global financial markets could be amplified, and may lead to recessions in national, regional or global economies.

In March 2020, the Macquarie Group implemented a range of support measures to provide short term financial assistance to certain customers facing difficulties as a consequence of COVID-19. The removal of these support measures may increase customer defaults and the credit risks faced by the Macquarie Group. This may in turn adversely impact the Macquarie Group's business, results of operations, financial condition and prospects.

The impact of COVID-19 has and may lead to further reduced client activity and demand for the Macquarie Group's products and services, higher credit and valuation losses in Macquarie Group loan and investment portfolios, impairments of financial assets, trading losses and other negative impacts on the Macquarie Group's financial position, including possible constraints on capital and liquidity, as well as higher costs of capital, and possible changes or downgrades to MBL, MGL and certain other rated Macquarie Group entities' credit ratings.

Additionally, despite the business continuity and crisis management policies currently in place, travel restrictions or potential impacts on personnel and operations may disrupt the Macquarie Group's business and increase operational risk losses.

The expected duration and magnitude of the COVID-19 pandemic and its potential impacts on the economy and the Macquarie Group's personnel and operations are unclear. If conditions deteriorate or remain uncertain for a prolonged period, funding costs may increase and the Macquarie Group's ability to replace maturing liabilities may be limited, which could adversely affect the Macquarie Group's ability to fund and grow its business. This may adversely impact the Macquarie Group's results of operations and financial condition.

#### 4.2.1.8. Climate change risk

The Macquarie Group's businesses could suffer losses due to climate change. Climate change is systemic in nature and is a significant long-term driver of both financial and non-financial risks. Climate change related impacts include physical risks from changing climatic conditions and transition risks such as changes to laws and regulations, technology development and disruptions and consumer preferences. A failure to respond to the potential and expected impacts of climate change may affect Macquarie Group's performance and could have wide-ranging impacts for the Macquarie Group. These include, but are not limited to, impacts on the probability of default and losses arising from defaults, asset valuations and collateral, may result in litigation, regulatory action, negative publicity or other reputational harm or could prompt us to exit certain businesses altogether. Failure to effectively manage these risks could adversely affect our business, prospects, reputation, financial performance or financial condition.

#### 4.2.2. Legal and regulatory risks

##### 4.2.2.1. Change in laws, regulation and regulatory policy

Many of the Macquarie Group's businesses are highly regulated and they could be adversely affected by temporary and permanent changes in laws, regulations and regulatory policy.

The Macquarie Group operates various kinds of businesses across multiple jurisdictions or sectors which 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 includes MBL as an ADI in Australia (regulated by APRA), bank branches in the United Kingdom, the Dubai International Finance Centre, Singapore and Hong Kong and representative offices in the United States, New Zealand, Brazil and Switzerland. The 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 MBL's securities or creditors. In addition,



as a diversified financial institution, many of the Macquarie Group's businesses are subject to financial services regulation other than prudential banking regulation, as well as laws, regulations and oversight specific to the industries applicable to the Macquarie Group's businesses and assets.

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, including fiscal policies. 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 the Macquarie Group offers or the value of their assets, or have unintended consequences or impacts across the Macquarie Group's 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, as well as changes to prudential regulatory requirements.

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. Health, safety and environmental laws and regulations can also change rapidly and significantly. The occurrence of any adverse health, safety or environmental event, or any changes, additions to, or more rigorous enforcement of, health, safety and environmental standards could have a significant impact on operations and/or result in material unforeseen expenditures.

In some countries in which Macquarie Group does business or may in the future do business, in particular in emerging markets, the laws and regulations applicable to the financial services industry are uncertain and evolving, and it may be difficult for the Macquarie Group 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 not only on its businesses in that market but also on its reputation generally.

In addition, regulation is becoming increasingly extensive and complex and some areas of regulatory change involve multiple jurisdictions seeking to adopt a coordinated approach or even an inconsistent approach or certain jurisdictions seeking to expand the territorial reach of their regulation. The nature and impact of future changes are unpredictable, beyond the Macquarie Group's control and may result in potentially conflicting requirements, resulting in additional legal and compliance expenses and changes to their business practices that adversely affect their profitability.

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

#### 4.2.2.2. Financial crime risk

The Macquarie Group is also subject in its operations worldwide to laws and regulations relating to corrupt and illegal payments, counter-terrorism financing, anti-bribery and corruption- and adherence to anti-money laundering obligations, as well as laws, sanctions and economic trade restrictions relating to doing business with certain individuals, groups and countries ("AML/CTF laws"). The geographical diversity of its 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 AML/CTF laws. Emerging technologies, such as cryptocurrencies, could also limit the Macquarie Group's ability to track the movement of funds thereby heightening the risk of breaching AML/CTF laws. The Macquarie Group's ability to comply with AML/CTF laws is dependent on its detection and reporting capabilities, control processes and oversight accountability.

Any violation of AML/CTF laws could subject the Macquarie Group to significant penalties, revocation, suspension, restriction or variation of conditions of operating licenses, adverse reputational consequences, litigation by third parties (including potentially class actions) or limitations on its ability to do business.

#### 4.2.2.3. Increased governmental and regulatory scrutiny or negative publicity

Governmental scrutiny from regulators, legislative bodies and law enforcement agencies with respect to matters relating to the financial services sector generally, and Macquarie Group's business 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 have resulted in a significant amount of adverse press coverage, as well as adverse statements or charges by regulators or other government officials, and in some cases, to 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 (including senior management) from their business.

Investigations, inquiries, penalties and fines sought by regulatory authorities have increased substantially over the last several years, and regulators have become assertive in commencing enforcement actions or with advancing or supporting 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 its 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.

#### 4.2.2.4. Litigation and regulatory actions

The Macquarie Group may, from time to time, be subject to material litigation and regulatory actions, for example, as a result of inadequate documentation of contractual relationships, class actions or regulatory violations, which, if settled or determined adversely to the Macquarie Group, may adversely impact upon its results of operations and financial condition in future periods or its reputation. The Macquarie Group entities regularly obtain 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. Furthermore, even where monetary damages may be relatively small, an adverse finding in a regulatory or litigation matter could harm the Macquarie Group's reputation or brand, thereby adversely affecting its business.

#### 4.2.3. Counterparty credit risks

Failure of third parties to honour their commitments in connection with the Macquarie Group's trading, lending and other activities, including funds that it manages, may adversely impact its business.

The Macquarie Group is exposed to the potential for credit related losses as a result of an individual, counterparty or issuer being unable or unwilling to honour its contractual obligations. The Macquarie Group is also exposed to potential concentration risk arising from large individual exposures or groups of exposures. Like any financial services organisation, the Macquarie Group assumes counterparty risk in connection with its lending, trading, derivatives and other businesses where it relies on the ability of third parties to satisfy their financial obligations to it on a timely basis. The Macquarie Group's recovery of the value of the resulting credit exposure may be adversely affected by a number of factors, including declines in the financial condition of the counterparty, the value of property it may hold as collateral and the market value of the counterparty instruments and obligations it holds. Credit losses can and have resulted in financial services organisations realising significant losses and in some cases failing altogether. The Macquarie Group is also subject to the risk that its rights against third

parties may not be enforceable in all circumstances. The Macquarie Group's inability to enforce its rights may result in losses.

#### 4.2.3.1. Impairments in loans, investments, funds management assets and other assets

The Macquarie Group may experience write-downs of their funds management assets, impairments in loans, investments other assets. Further credit and other impairments and provisions may be required in future periods if the market value of assets similar to those held were to decline. Credit and other impairment charges may also vary following a change to the inputs or forward looking information used in the determination of expected credit losses.

Sudden declines and significant volatility in the prices of assets may substantially curtail or eliminate the trading markets for certain assets, which may make it very difficult to sell, hedge or value such assets. The inability to sell or effectively hedge assets reduces the Macquarie Group's ability to limit losses in such positions and the difficulty in valuing assets may negatively affect their capital, liquidity or leverage ratios, increase their funding costs and generally require them to maintain additional capital.

In addition, market volatility impacts the value of the Macquarie Group's funds. Future valuations, in light of factors then prevailing, may result in further impairments to the Macquarie Group's investments in its funds. At the time of any sale of the Macquarie Group's investments in its funds, the price it ultimately realises will depend on the demand in the market at the time and may be materially lower than their current market value. Any of these factors could require the Macquarie Group to make further write-downs on their investments in their funds management assets and other investments and assets, which may be significant and may have an adverse effect on their businesses, prospects, results of operations and financial condition in future periods.

#### 4.2.4. Operational risks

##### 4.2.4.1. Staff recruitment and retention

The Macquarie Group's ability to retain and attract qualified employees is critical to the success of its business and the failure to do so may materially adversely affect its performance.

The Macquarie Group's employees are its 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 business and to expand into new business areas and geographic regions depends on its ability to retain and motivate its existing employees and attract new employees. Competition from within the financial services industry and from businesses outside the financial services industry, such as professional service firms, hedge funds,

private equity funds and venture capital funds, 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. Typically, those levels have caused employee remuneration to be the Macquarie Group's greatest expense as its performance-based remuneration has historically been cash and equity based and highly variable. 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 (or MGL) may be subject to limitations on remuneration practices (which may or may not affect its competitors). These limitations may require the Macquarie Group to further alter its remuneration practices in ways that could adversely affect its 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 the Macquarie Group's ability to take advantage of business and growth opportunities or potential efficiencies.

#### **4.2.4.2. Risk associated with failures in processes, systems and infrastructures**

The Macquarie Group may incur financial loss, adverse regulatory consequences or reputational damage due to inadequate or failed internal or external operational systems 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. While the Macquarie Group employs a range 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. As such, the Macquarie Group may, in the course of its activities, incur losses. 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.

As the Macquarie Group's client base, business activities and geographical reach expands, developing and maintaining their operational systems and infrastructure becomes increasingly challenging. The Macquarie Group must continuously update these systems to support its operations and growth, which may entail significant costs and risks of successful integration. The Macquarie Group's financial, accounting, data processing or other operating systems and facilities

may fail to operate properly or become disabled as a result of events that are wholly or partially beyond their control, such as a spike in transaction volume or disruption in internet services provided by third parties.

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. Such operational risks may include theft and fraud, failure to effectively implement employment practices and inadequate workplace safety, improper business practices, mishandling of client moneys 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 their internal policies and regulations. There is increasing regulatory and public scrutiny concerning outsourced and offshore activities and their associated risks, including, for example, the appropriate management and control of confidential data. If the Macquarie Group fails to manage these risks appropriately, 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.

There have been a number of highly publicised cases around the world involving actual or alleged fraud or other misconduct by employees in the financial services industry in recent years, and the Macquarie Group runs the risk that employee, contractor and external service provider misconduct could occur. Human errors, malfeasance and other misconduct, including the intentional misuse of client information in connection with insider trading or for other purposes, even if promptly discovered and remediated, can result in reputational damage and material losses and liabilities for the Macquarie Group. It is not always possible to deter or prevent employee misconduct and the precautions the Macquarie Group takes to prevent and detect this activity may not be effective in all cases, which could result in financial losses, regulatory intervention and reputational damage.

The Macquarie Group also faces the risk of operational failure, termination or capacity constraints of any of the counterparties, clearing agents, exchanges, clearing houses or other financial intermediaries the Macquarie Group uses to facilitate its securities or derivatives transactions, and as the Macquarie Group's interconnectivity with their clients and counterparties grows, the risk to the Macquarie Group of failures in its clients' and counterparties' systems also grows. Any such failure, termination or constraint could adversely affect the Macquarie Group's ability to effect or settle transactions, service its clients, manage its exposure to risk, meet its obligations to counterparties or expand its business or result in financial loss or liability to its clients and counterparties, impairment of its liquidity, disruption of its businesses, regulatory intervention or reputational damage.

#### 4.2.4.3. Cyber and information security risk

A cyber attack, information or security breach, or a technology failure of MBL or the Macquarie Group or of a third party could adversely affect their ability to conduct their business, manage their exposure to risk or expand their businesses, result in the disclosure or misuse of confidential or proprietary information and increase their costs to maintain and update their operational and security controls and infrastructure.

The Macquarie Group's businesses depend on the security and efficacy of its data management systems and technology systems, as well as those of third parties with whom it interacts or on whom it relies. Macquarie Group's businesses rely on the secure processing, transmission, storage and retrieval of confidential, proprietary and other information in their data management systems and technology, and in those managed, processed and stored by third parties on behalf of the Macquarie Group. Inadequate data management and data quality could lead to poor decision making in the provision of credit as well as affecting the Macquarie Group's data management regulatory obligations, all of which may cause it to incur losses or lead to regulatory actions.

To access its network, products and services, its customers and other third parties may use personal mobile devices or computing devices that are outside of its network environment and are subject to their own cybersecurity risks. While the Macquarie Group seeks to operate in a control environment that limits the likelihood of a cyber and information security incident, and to ensure that the impact of a cyber and information security incident can be minimised by information security capability and incident response, there can be no assurances that the Macquarie Group's security controls will provide absolute security.

Cyber and 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 (including hackers, organised criminals, terrorist organisations, hostile foreign governments, disgruntled employees or vendors, activists and other external parties, including those involved in corporate espionage). Targeted social engineering attacks are becoming more sophisticated and are extremely difficult to prevent. The techniques used by hackers change frequently, may not be recognised until launched and may not be recognised until well after a breach has occurred. Additionally, the existence of cyber attacks or security breaches at third parties with access to Macquarie Group's data, such as vendors, may not be disclosed to it in a timely manner.

Despite efforts to protect the integrity of the Macquarie Group's systems and implement controls, processes, policies and other protective measures, it may not be able to anticipate all security breaches or implement preventive measures against such security breaches.

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. This consolidation, interconnectivity and complexity increases the risk of operational failure, on both individual and industry-wide bases, as disparate systems need to be integrated, often on an accelerated basis. Any third-party technology failure, cyber attack or other information or security breach, termination or constraint could, among other things, adversely affect the Macquarie Group's ability to effect transactions, service its clients, manage its exposure to risk or expand its businesses.

It is possible that the Macquarie Group may not be able to anticipate or to implement effective measures to prevent or minimise damage that may be caused by all information security threats, because the techniques used can be highly sophisticated and can evolve rapidly, and perpetrators can be well resourced. Cyber attacks or other information or security breaches, whether directed at the Macquarie Group or third parties, may result in a material loss or have adverse consequences for the Macquarie Group, including operational disruption, financial losses, reputational damage, theft of intellectual property and customer data, violations of applicable privacy laws and other laws, litigation exposure, regulatory fines, penalties or intervention, loss of confidence in its security measures and additional compliance costs, all of which could have a material adverse impact on the Macquarie Group.

#### 4.2.4.4. Environmental and social risk

The Macquarie Group's businesses could suffer losses due to environmental and social factors.

The Macquarie Group is subject to the risk of unforeseen, hostile or catastrophic events, many of which are outside of its control, including natural disasters, extreme weather events (such as persistent winter storms or protracted droughts), leaks, spills, explosions, release of toxic substances, fires, accidents on land or at sea, terrorist attacks or other hostile or catastrophic events. Any significant environmental change or external event (including increased frequency and severity of storms, floods and other catastrophic events such as earthquake, pandemic (such as COVID-19), other widespread health emergencies, civil unrest or terrorism events) has the potential to disrupt business activities, impact the Macquarie Group's operations or reputation, increase credit risk and other credit exposures, damage property and otherwise affect the value of assets held in the affected locations and the Macquarie Group's ability to recover amounts owing to it.

The occurrence of any such events may prevent the Macquarie Group from performing under agreements with clients, may impair operations or financial results, and may result in litigation, regulatory action, negative publicity or other reputational harm. The Macquarie Group may also not be able to obtain insurance to cover some of these risks and the insurance that we have may be inadequate to cover any losses.

Any such long-term, adverse environmental or social consequences could prompt the Macquarie Group to exit certain businesses altogether. In addition, such an event or environmental change (as the case may be) could have an adverse impact on economic activity, consumer and investor confidence, or the levels of volatility in financial markets.

The Macquarie Group also face increasing public scrutiny, laws and regulations related to environmental and social factors. The Macquarie Group risk damage to its brand and reputation if it fails to act responsibly in a number of areas, such as diversity and inclusion, environmental stewardship, support for local communities, corporate governance and transparency and considering environmental and social factors (including human rights breaches such as modern slavery) in its investment and procurement processes. Failure to effectively manage these risks may result in breaches of the Macquarie Group's statutory obligations and could adversely affect its business, prospects, reputation, financial performance or financial condition.

#### 4.2.4.5. Insurance risk

Failure of the Macquarie Group's insurance carriers or its failure to maintain adequate insurance cover could adversely impact its results of operations. The Macquarie Group maintains insurance that it considers to be prudent for the scope and scale of its activities. If the Macquarie Group's carriers fail to perform their obligations to the Macquarie Group and/or its third-party cover is insufficient for a particular matter or group of related matters, its net loss exposure could adversely impact its results of operations.

#### 4.2.4.6. Custodian Risk

Certain products we manage depend on the services of custodians to carry out certain securities transactions. In the event of the insolvency of a custodian, we might not be able to recover equivalent assets in full as they will rank among the custodian's unsecured creditors. In addition, the cash held with a custodian in connection with these products will not be segregated from the custodian's own cash, and the creditors of these products will therefore rank as unsecured creditors in relation to the cash they have deposited.

#### 4.2.5. Strategic risks

The Macquarie Group's business may be adversely affected by a failure to adequately manage the risks associated with strategic opportunities and new businesses, including acquisitions, and the exiting or restructuring of existing businesses.

Entities in the Macquarie Group are continually evaluating strategic opportunities and undertaking acquisitions of businesses, some of which may be material to their operations. The Macquarie Group's completed and prospective acquisitions and growth initiatives may cause it to become subject to unknown liabilities of the acquired or new business, and additional or different regulations.

Future growth, including through acquisitions, mergers and other corporate transactions, may place significant demands on the Macquarie Group's legal, accounting, IT, risk management and operational infrastructure and result in increased expenses. A number of the Macquarie Group's recent and planned business initiatives and further expansions of existing businesses are likely to bring it into contact with new clients, new asset classes and other new products or new markets. These business activities 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 the manner in which these businesses are being operated or conducted.

Any time Macquarie Group entities make an acquisition, they may over-value the acquisition, they may not achieve expected synergies, they may achieve lower than expected cost savings or otherwise incur losses, they may lose customers and market share, they may face disruptions to their operations resulting from integrating the systems, processes and personnel (including in respect of risk management) of the acquired business into the Macquarie Group or their management's time may be diverted to facilitate the integration of the acquired business into the relevant Macquarie Group entity. Entities in 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, or are in emerging or growth economies in particular, they may be exposed to heightened levels of regulatory scrutiny and political, social or economic disruption and sovereign risk in emerging and growth markets.

## 4.2.5.1. Reputation risk

The Macquarie Group believes that its 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 Bank Group, but their actions may reflect directly on its reputation.

The Macquarie Group may be adversely affected by the negative publicity or poor financial performance in relation to any of the entities using the Macquarie name, including any Macquarie-managed fund or funds that Macquarie has promoted or is associated with. Investors and lenders may associate such entities and funds with the name, brand and reputation of the Macquarie Group and other Macquarie-managed funds. If funds that use the Macquarie name or are otherwise associated with Macquarie-managed infrastructure assets, such as roads, airports, utilities and water distribution facilities that people view as community assets, are perceived to be managed inappropriately, those managing entities could be subject to criticism and negative publicity, harming the Macquarie Group's reputation and the reputation of other entities that use the Macquarie name.

## 4.2.5.2 Competitive pressure

The competitive pressure, both in the financial services industry, as well as in the other industries in which the Macquarie Group operates, could adversely impact its business.

The Macquarie Group faces significant competition from local and international competitors, which compete vigorously in the 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 they manage and services they provide. 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. In addition, 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 challenge, and could potentially disrupt, traditional financial services. The Macquarie Group faces competition from established providers of financial services as well as from businesses developed

by non-financial services companies. The Macquarie Group believes that it will continue to experience pricing pressures in the future as some of its competitors seek to obtain or increase market share.

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 the Macquarie Group's competitors. The effect of competitive market conditions, especially in the Macquarie Group's main markets, products and services, may lead to an erosion in its market share or margins.

## 4.2.5.3. Conflicts of interest

Conflicts of interest could limit the Macquarie Group's current and future business opportunities. 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, as well as 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, and its reputation could be damaged and the willingness of clients or counterparties to enter into transactions may be adversely affected if 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.

## 4.2.5.4. Fund Performance

The Non-Banking Group and the Macquarie Group's dependence on the revenue they generate from managing funds and transacting with the assets they manage exposes them to risks. The Macquarie Group's financial condition and results of operations are directly and indirectly affected by the results of the funds or the assets it manages. The Macquarie Group's revenue from Assets under Management is derived principally from three sources: (i) management fees, based on the size of its funds; (ii) incentive income, based on the performance of its funds; and (iii) investment income based on its investments in the funds, which are referred to as their "principal investments". If any of the Macquarie Group's funds perform poorly due to market conditions or the Macquarie Group's underperformance, the Macquarie Group's revenue and results of operations may decline. If the return of a fund is negative in any

period, this may also have a long-term effect on incentive income. This is because a deficit against a performance benchmark will usually be carried forward until the deficit has been eliminated. In some cases investors may withdraw their investments in these funds or may decline to invest in future funds the Macquarie Group establishes.

#### 4.2.6. Tax risk

The Macquarie Group's business operations expose it to potential tax liabilities that could have an adverse impact on their results of operation and reputation.

The Macquarie Group is exposed to risks arising from the manner in which the Australian and international tax regimes may be applied and enforced, both in terms of its own tax compliance and the tax aspects of transactions on which it works 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 and affected business areas, significantly increase its own tax liability and expose it to legal, regulatory and other actions.

#### 4.2.7. Accounting Standards

Changes in accounting standard, policies, interpretations, estimates, assumptions and judgments that could have a material impact on the financial results of the Macquarie Group. The Macquarie Group's accounting policies are fundamental to how it records and reports its financial position and results of operations. These policies require the use of estimates, assumptions and judgements that affect the reported value of the Macquarie Group's assets or liabilities and results of operations. Management is required to determine estimates and apply subjective and complex assumptions and judgements about matters that are inherently uncertain. Changes in those estimates, assumptions and judgements are accounted for prospectively as a change in accounting estimate unless it is determined that either (i) the determination thereof was in error or (ii) the accounting policy which sets out the application of those estimates, assumptions and judgements has changed, in which case the previous reported financial information is re-presented.

Accounting standard setting bodies issue new accounting standards and interpretations in response to outreach activities, evolving interpretations, application of accounting principles as well as changes in market developments. In addition, changes in interpretations by accounting standard setting bodies; regulators; and the Macquarie Group's independent external auditor may also arise from time to time. The nature and timing of these changes may be difficult to predict. The application of new requirements and interpretations may impact how the Macquarie Group prepares and report its financial statements. In some cases, the Macquarie Group may be required to apply a new or revised standard or change in interpretation retrospectively, resulting in a requirement to represent its previously reported financial information.

**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 BCN3.**

For personal use only

# 05

## Taxation Summary



## 5.1. Summary of Australian tax consequences for BCN3 Holders

The following is a summary of the Australian tax consequences for certain Australian resident BCN3 Holders who subscribe for BCN3 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 BCN3. In particular, this summary does not consider the consequences for BCN3 Holders who:

- are not Australian residents for tax purposes;
- are Australian residents but acquire and/or hold the BCN3 through a permanent establishment outside Australia;
- acquire BCN3 otherwise than under the Offer;
- hold BCN3 in their business of share trading or dealing in securities, or who otherwise hold their BCN3 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 BCN3.

This summary is not intended to be, nor should it be constituted as being, investment, legal or tax advice to any particular BCN3 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.

### 5.1.1. Class ruling sought on BCN3

MBL has applied to the ATO for a Class Ruling to confirm certain Australian tax consequences for Australian resident BCN3 Holders. The ATO will only issue a Class Ruling after the issue of the BCN3.

When issued, copies of the Class Ruling will be available from [www.macquarie.com](http://www.macquarie.com) and on the ATO website.

### 5.1.2. Distributions on BCN3

BCN3 should constitute non-share equity interests and Distributions under the BCN3 Terms should constitute non-share dividends that are frankable.

BCN3 Holders should include such Distributions in their assessable income. Generally, provided that a BCN3 Holder is a “qualified person” (see below) and the ATO does not make a determination under certain anti-avoidance rules (see below), a BCN3 Holder should include any franking credits in their assessable income and be entitled to a tax offset equal to the franking credits received.

A BCN3 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 BCN3 Holder’s total taxable income.

A BCN3 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 BCN3 Holder satisfying certain loss carry forward rules).

BCN3 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 BCN3 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 BCN3 Holders are required to hold their BCN3 “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 BCN3 is acquired and ending on the 90th day after the day that the BCN3 becomes ex-distribution (commonly referred to as the “primary qualification period”).

If a BCN3 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 BCN3 Holder will also be required to hold their BCN3 “at risk” for at least 90 days during the period from 90 days before to 90 days after BCN3 become ex-distribution.

To be held “at risk”, a BCN3 Holder must effectively retain 30% or more of the risks and benefits associated with holding BCN3. This may be affected by any risk management strategies undertaken by a BCN3 Holder in relation to their BCN3 (for example, by the use of limited recourse loans, options or other derivatives).

A BCN3 Holder that holds their BCN3 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 BCN3 Holders that are individuals if the total amount of the tax offsets in respect of franked distributions to which the BCN3 Holder is entitled, 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 BCN3 Holder should be entitled to the benefit of franking credits whether or not their BCN3 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 BCN3 Holders.

One such rule, being the so called “anti-hybrid” rule in subsection 207-158(1) of the Tax Act (“Anti-hybrid Rule”), 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. An exception applies to distributions made in respect of certain regulatory capital under the prudential standards (this should include the Distributions under BCN3). As such, the Anti hybrid Rule should not apply to deny a BCN3 Holder 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 BCN3.

MBL also does not expect any other anti-avoidance provisions to apply to Distributions on BCN3, subject to the particular circumstances of a BCN3 Holder.

### 5.1.3. CGT cost base and acquisition date for BCN3

The cost base (or reduced cost base) of each BCN3 acquired by a BCN3 Holder should include \$100 (being the Issue Price of each BCN3) and any non-deductible incidental costs (e.g. broker fees, adviser fees) associated with the acquisition and disposal of BCN3. This will be relevant in determining the capital gain or capital loss arising on a disposal of BCN3 (discussed further below).

For BCN3 Holders who subscribe for BCN3 under this Prospectus, each BCN3 will be taken to have been acquired by a BCN3 Holder on the Issue Date.

### 5.1.4. Exchange of BCN3 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 BCN3 into MGL Ordinary Shares such that the gain or loss is effectively deferred.

As a consequence, the BCN3 Holder’s cost base in the MGL Ordinary Shares acquired on Exchange should be equal to their cost base in BCN3. 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).

### 5.1.5. Write-Off of BCN3

If Exchange has not occurred, for any reason, within 5 Business Days of an Automatic Exchange Event, a BCN3 Holder’s rights under the BCN3 will be Written-Off and they will terminate for no consideration.

A CGT event will happen for BCN3 Holders if and when BCN3 are Written-Off. As no consideration will be received by BCN3 Holders for their Written-Off BCN3, where the BCN3 have no market value for tax purposes, BCN3 Holders should make a capital loss equal to the reduced cost base of their Written-Off BCN3.

### 5.1.6. Sale of BCN3 on ASX

Any gain or loss on the sale of BCN3 on ASX by a BCN3 Holder should be included in the calculation of the BCN3 Holder’s taxable income.

The Class Ruling application has requested that the ATO confirm that BCN3 should not constitute “traditional securities” and MBL expects that the Class Ruling will conclude that BCN3 are not “traditional securities”. On this basis, any gains or losses made by BCN3 Holders on the sale of BCN3 should be taxed under the CGT rules.

## CGT Discount Concession

Where a BCN3 Holder realises a capital gain on disposal of BCN3, certain BCN3 Holders who have held their BCN3 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 33⅓% CGT discount (for complying superannuation funds) on any capital gain made on disposal.

The Government has announced that “managed investment trusts” (MITs) and “attribution MITs” (AMITs) will no longer be entitled to the CGT discount at the trust level. This change was previously scheduled to apply from 1 July 2020, but has now been delayed and will instead apply for income years commencing on or after the date that is three months from the date of Royal Assent of the enabling legislation. While there can be no certainty at this time in relation to when this change will come into effect, the Government has indicated that it is committed to legislating this measure. Once this change comes into effect, 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. Investors should monitor any potential changes on an ongoing basis.

Where a capital loss is realised on the sale of BCN3, the capital loss is generally only deductible against capital gains but can be carried forward for use in a later year.

**5.1.7. Resale of BCN3**

MBL may elect to Resell BCN3 in certain circumstances. For each BCN3 subject to a Resale, a BCN3 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 BCN3 by the BCN3 Holder for CGT purposes. Accordingly, a BCN3 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 BCN3 Holder's cost base or reduced cost base for the BCN3.

If BCN3 have been held for at least 12 months prior to the Resale (excluding the days of acquisition and disposal), a qualifying BCN3 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 5.1.6 above.

**5.1.8. Redemption of BCN3**

MBL may also elect to Redeem BCN3 in certain circumstances, in which case MBL must pay a cash amount equal to the Redemption Price in respect of each BCN3.

Redemption of BCN3 will be a CGT event and give rise to a capital gain if the proceeds exceed the BCN3 Holder's CGT cost base of the BCN3. Conversely, a capital loss will result if the proceeds are less than the BCN3 Holder's reduced cost base.

The Redemption proceeds will be an amount equal to the Issue Price of each BCN3, unless the market value of a BCN3 on the Redemption Date (determined as if Redemption of the BCN3 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 BCN3 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 5.1.6 above.

**5.1.9. MGL Ordinary Shares following Exchange**

The dividends received on MGL Ordinary Shares should give rise to similar tax consequences outlined in section 5.1.2 in relation to Distributions on BCN3.

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 BCN3 Holders (individuals, qualifying trusts and complying superannuation funds) to qualify for the CGT discount concession on the disposal of MGL Ordinary Shares.

**5.1.10. Provision of TFN and/or ABN**

BCN3 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%.

**5.1.11. GST**


GST should not be payable on the issue, receipt, disposal, Exchange, Redemption or Resale of BCN3.

**5.1.12. Stamp duty**

Under current law, no stamp duty should be payable by a BCN3 Holder:

- on the issue, transfer, Redemption, Exchange or Resale of BCN3, as long as no BCN3 Holder (alone or with associates) will acquire or hold a 50% 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 BCN3 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.

A modern office interior with a multi-level staircase. A man in a white shirt and dark trousers is walking down the stairs, and a woman in a dark dress is walking up. The office has glass railings and modern lighting. The number '06' is prominently displayed in the top right corner.

# 06

## Additional Information

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

For personal use only

## 6.1. BCN3 Deed Poll

MBL and MGL have entered into the BCN3 Deed Poll which will constitute the obligations of MBL and MGL under BCN3. The BCN3 Terms are set out as a schedule to the BCN3 Deed Poll. A copy of the BCN3 Deed Poll can be obtained from [www.BCN3Offer.com.au](http://www.BCN3Offer.com.au).

The following is a summary of the principal provisions of the BCN3 Deed Poll.

### 6.1.1. Undertakings

Under the BCN3 Deed Poll:

- MBL undertakes with each BCN3 Holder to pay any amounts due and payable in respect of BCN3, and to comply with the BCN3 Terms; and
- MGL undertakes with each BCN3 Holder to Exchange BCN3 for MGL Ordinary Shares when required to do so, and to comply with the BCN3 Terms.

### 6.1.2. Meetings

The BCN3 Deed Poll includes provisions for convening meetings of the BCN3 Holders to consider any matter affecting their interests, including any variation of the BCN3 Terms. Any action which affects the eligibility of BCN3 as Additional Tier 1 Capital of MBL cannot be sanctioned or approved by BCN3 Holders without the prior written approval of APRA.

An Ordinary Resolution or a Special Resolution passed at a meeting of the BCN3 Holders duly called and held under the meeting provisions will be binding on all the BCN3 Holders whether or not present at the meeting. Each BCN3 Holder will be entitled to one vote on a show of hands. On a poll, each BCN3 Holder will be entitled to one vote for each BCN3 with respect to which it is the registered holder.

A BCN3 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 ordinary shares or other securities issued by MBL or MGL Ordinary Shares.

## 6.2. 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 BCN3 being Exchanged. These steps are referred to as “Related Exchange Steps”.

## 6.3. 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.

### 6.3.1. Fees

The fees payable to the Joint Lead Managers are set out in section 6.7.

### 6.3.2. Representations, warranties and undertakings under the OMA

MBL makes various representations and warranties in relation to this Prospectus and conduct of the Offer in accordance with this Prospectus, 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 perform transactions and agreements in connection with the OMA and the Offer.

### 6.3.3. 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 by two or more notches or withdrawn; 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 BCN3; or
- 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 war, or a major terrorist attack is perpetrated on any of those countries; or
  - the declaration of a national emergency by any of the United Kingdom, Hong Kong, China, any member of the European Union, Japan or Singapore, 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, excluding where any of these events occur or escalate in connection with the COVID-19 pandemic; or
- a warranty granted by MBL contained in the OMA is not true or correct.

### 6.3.4. 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.

## 6.4. Summary of rights attaching to MGL Ordinary Shares

MGL Ordinary Shares will be issued to BCN3 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 include:

- subject to any rights or restrictions for the time being attached to any class or classes of shares and to the constitution, 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.

## 6.5. 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 Remuneration Committee and Board Governance and Compliance Committee assist the Directors of MGL and MBL in their oversight role. The Board Nominating Committee assists the Directors of MGL. MBL's Directors as at the date of this Prospectus are:

### Director & Experience

#### 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 Remuneration Committee*

*Member of the Board Risk 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 held to 2020. Mr Warne has previously served as Chairman of ALE Property Group from 2003 to 2017. He was a Director of New South Wales Treasury Corporation from 2012 to 2020, where he served as interim Chairman from 2019 to 2020.

#### Other current positions

Mr Warne is a Board member of Allens and a Member of the ASIC Corporate Governance Consultative Panel.

#### Stuart Green

*BA (Hons)(UCL), MBA (CUL Business School), FCA, AMCT*

*Managing Director and Chief Executive Officer since July 2021*

#### Experience

Stuart Green joined Macquarie Group in 2001 and was appointed Group Treasurer in August 2013, a role he held until July 2021.

On joining Macquarie, Mr Green worked in the Corporate & Asset Finance group, responsible for originating asset financing transactions for Macquarie. In 2002, Mr Green assumed responsibility for investor relations for Macquarie's listed airport fund, Macquarie Airports, before moving to become Global Head of Investor Relations for Macquarie's portfolio of listed funds. In 2008 he was appointed Macquarie Group's Head of Corporate Communications and Investor Relations, responsible for managing the Group's relationships with investors and analysts, government and media.

Prior to joining Macquarie, Mr Green worked in the UK as a Chartered Accountant in public practice for BDO Binder, where he obtained his professional qualifications, and later in a number of corporate roles as head of finance and corporate strategy.

From 2010 to 2020, Mr Green served on the Board of the Juvenile Diabetes Research Foundation (JDRF) where he was the Treasurer and Chair of the Finance & Audit Committee.

#### Other current positions

Mr Green is a member of the Macquarie Group Foundation Committee.

## Director & Experience

---

### **Shemara R Wikramanayake** **BCom, LLB (UNSW)**

*Executive Voting Director since August 2018*

*Managing Director and Chief Executive Officer of MGL since December 2018*

#### **Experience**

Shemara Wikramanayake has been Macquarie Group's Managing Director and CEO since late 2018.

Ms Wikramanayake joined Macquarie in 1987 in Macquarie Capital in Sydney. In her time at Macquarie, Ms Wikramanayake has worked 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. Ms Wikramanayake has also served as Chair of the Macquarie Group Foundation.

As Head of Macquarie Asset Management for 10 years before her appointment as CEO, Ms Wikramanayake led a team of 1,600 staff in 24 markets. Macquarie Asset Management grew to become a world-leading manager of infrastructure and real assets and a top 50 global public securities manager.

In 2018, Ms Wikramanayake was appointed a Commissioner of the Global Commission on Adaptation, a World Bank-led initiative to accelerate climate adaptation action and create concrete solutions which enhance resilience.

In 2019, Ms Wikramanayake was appointed by the UN's Special Envoy for Climate Action, Michael Bloomberg, to the Climate Finance Leadership Initiative which seeks a six-fold increase in climate mitigation investment from the private sector.

#### **Other current positions**

Ms Wikramanayake is a Board member of the Institute of International Finance, and a member of the Australian Government's University Research Commercialisation Scheme Taskforce and Technology Investment Advisory Council.

### **Jillian R Broadbent AC** **BA (Maths & Economics) (Sydney)**

*Independent Voting Director since November 2018*

*Chair of the Board Remuneration Committee*

*Member of the Board Nominating Committee*

*Member of the Board Risk 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 an 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 Limited, Woodside Petroleum Limited, Qantas Airways Limited, Westfield Management Limited and Woolworths Group Limited.

#### **Other current positions**

Ms Broadbent is a director of the National Portrait Gallery of Australia and the Sydney Dance Company.

---



## Director & Experience

### 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 Nominating Committee*

*Member of the Board Remuneration Committee*

*Member of the Board Risk 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, the United States, 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 Director of the Clean Energy Finance Corporation.

### Michael J Coleman

*MCom (UNSW), FCA, FCPA, FAICD*

*Independent Voting Director since November 2012*

*Chair of the Board Audit Committee*

*Member of the Board Governance and Compliance Committee*

*Member of the Board Nominating Committee*

*Member of the Board Risk Committee*

### Experience

After a career as a senior audit partner with KPMG for 30 years, Mr Coleman has been a professional Non-Executive Director since 2011. 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.

## Director & Experience

---

### **Diane J Grady AO**

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

*Independent Voting Director since May 2011*

*Member of the Board Governance and Compliance Committee*

*Member of the Board Nominating Committee*

*Member of the Board Remuneration Committee*

*Member of the Board Risk 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.

---

### **Rebecca J McGrath**

**BTP (Hons) (UNSW), MAppSc (ProjMgt) (RMIT), FAICD**

*Independent Voting Director since January 2021*

*Member of the Board Governance and Compliance Committee*

*Member of the Board Nominating Committee*

*Member of the Board Risk Committee*

### **Experience**

Rebecca McGrath is an experienced professional company director and Chairman, with substantial international business experience. She spent 25 years at BP plc. where she held various executive positions, including Chief Financial Officer Australasia and served as a member of BP's Executive Management Board for Australia and New Zealand.

Ms McGrath has served as a director of CSR Limited, Big Sky Credit Union and Incitec Pivot Ltd, and as Chairman of Kilfinan Australia. She is a former member of the JP Morgan Advisory Council. She has attended executive management programmes at Harvard Business School, Cambridge University and MIT in Boston.

### **Other current positions**

Ms McGrath is Chairman of Oz Minerals Limited and Scania Australia Pty Limited, and is a Non-Executive Director of Goodman Group, and Investa Wholesale Funds Management Limited.

She is the President of the Victorian Council of the Australian Institute of Company Directors and a member of the national Board. She is an Ambassador for Menzies School of Health Research and the National Association of Women in Operations. She is also a member of the ASIC Corporate Governance Consultative Panel.

---

## Director & Experience

---

### Mike Roche

*BSc (UQ), GAICD, FIA (London), FIAA*

*Independent Voting Director since January 2021*

*Member of the Board Nominating Committee*

*Member of the Board Remuneration Committee*

*Member of the Board Risk Committee*

### Experience

Mike Roche has over 40 years' experience in the finance sector as a highly skilled and experienced provider of strategic, financial, mergers and acquisitions, and capital advice to major corporate, private equity and government clients. He held senior positions with AXA Australia as a qualified actuary and Capel Court/ANZ Capel Court.

Mr Roche spent more than 20 years at Deutsche Bank and was Head of Mergers and Acquisitions (Australia and New Zealand) for 10 years where he advised on major takeovers, acquisitions, privatisations, and divestments. He stepped down as Deutsche Bank's Chairman of Mergers and Acquisitions (Australia and New Zealand) in 2016. He was a member of the Takeovers Panel for two terms from 2008 to 2014.

### Other current positions

Mr Roche is a Non-Executive Director of Wesfarmers Limited, Six Park Asset Management Pty Ltd, MaxCap Group Pty Ltd, and Te Pahau Management Limited, a Trustee Director of Energy Industries Superannuation Scheme Pty Limited and Managing Director of M R Advisory Pty Ltd.

He is a member of the ADARA Partners Corporate Advisory Wise Counsel Panel, a small business mentor for Many Rivers Microfinance Limited and co-founder, and a director of, the Sally Foundation.

### 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 serves on the Board of NSW Treasury Corporation and on the Investment Committee of NWQ Capital Management. 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.

## Director & Experience

---

### **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 Nominating Committee*

*Member of the Board Risk Committee*

### **Experience**

Nicola Wakefield Evans is an experienced non-executive director and corporate finance lawyer. As a lawyer, Ms Wakefield Evans 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 Viva Energy Group Limited, 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.

---

**Directors' relevant interests**

The interests of Directors on 20 July 2021 in MGL Ordinary Shares are listed in the table below:

Name & Position	Equity Participation			Other relevant interests	
	MGL Ordinary Shares	RSUs held in MEREP <sup>1</sup>	PSUs held in MEREP <sup>1</sup>	Direct & Indirect Interests	Number held
<b>Executive Voting Director</b>					
S.D. Green	10	27,951		Macquarie Private Infrastructure Fund (MPIF) units	90,000
S.R. Wikramanayake	992,881	303,329	92,832	MAFCA Investments Pty Limited ordinary shares	2,000,000
<b>Independent Directors</b>					
J.R. Broadbent	16,250	-	-	MCN4	4,000
				MCN3	7,177
				BCN2	1,500
				-	-
P.M. Coffey	8,739	-	-	Walter Scott Global Equity Fund units	408,699.89
M.J. Coleman	7,324	-	-	MCN5	2,000
D.J. Grady	10,117	-	-		
				MCN3	390
				MCN4	500
				MCN5	100
				BCN2	366
R. McGrath	1,024	-	-		
M. Roche	2,000	-	-		
G.R. Stevens	4,847	-	-		
N.M. Wakefield Evans	7,111	-	-		
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 2021 Annual Report.

Other than as set out in the Original 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 \$9,000 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 BCN3 offered under the Offer (subject to certain conditions) – see section 6.9.

## 6.6. Consents to be named

MGL has consented to the inclusion of information about Macquarie Group in sections 3 and 4 including to the inclusion of MGL's consolidated income statement and consolidated statement of financial position from MGL's 2021 financial statements as the basis for the financial information about MGL and to the inclusion of MGL's regulatory capital surplus calculation in section 3.8 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
- Link Market Services 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.

## 6.7. Interests and benefits of advisers

Macquarie Capital (Australia) Limited has acted as Arranger and 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, Morgans Financial Limited, National Australia Bank, Ord Minnett Limited 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 Arranger and Joint Lead Managers are \$8 million (exclusive of GST), making certain assumptions as to the allocation of BCN3 between the Institutional Offer, Broker Firm 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 \$55,000 (excluding disbursements and GST) to Greenwoods & Herbert Smith Freehills for work up to the date of the Original 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 the Original 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 BCN3 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 \$240,000 (excluding disbursements and GST) to King & Wood Mallesons for work up to the date of the Original 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.

## 6.8. Expenses of the Offer

The total expenses of the Offer will be paid out of the proceeds of the Offer. Assuming the Offer raises \$500 million, then the net proceeds of the Offer are expected to be \$490 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 \$10 million. All of these expenses have been, or will be, borne by MBL.

## 6.9. ASX relief

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

- confirmation that the BCN3 Terms are appropriate and equitable for the purposes of ASX Listing Rule 6.1;
- confirmation that ASX does not consider BCN3 preference securities for the purposes of ASX Listing Rules 6.4 – 6.7;
- confirmation that Exchange, Resale, Redemption or Write-Off of BCN3 is appropriate and equitable for the purposes of ASX Listing Rule 6.12; and
- waiver from ASX Listing Rule 10.11 to permit the issue of BCN3 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 BCN3 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.

## 6.10. 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 BCN3 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 BCN3, will have represented, agreed and acknowledged that:

- BCN3 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 BCN3 it acquires in the 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 BCN3 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 BCN3 it acquires in the Offer at any time; or (ii) any BCN3 it acquires other than in the Offer until 40 days after the settlement of the BCN3, 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 BCN3 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 BCN3 will have sent to each distributor, dealer or person receiving a selling concession, fee or other remuneration that purchases any BCN3 from it or them until 40 days after the date on which the BCN3 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 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 BCN3 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.



## 6.11. Acknowledgements

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

- acknowledge having personally received an electronic copy of this Prospectus accompanying the Application Form (and any supplementary or replacement Prospectus);
- acknowledge they understand the BCN3 Terms and have had opportunity to consider the suitability of an investment in BCN3 with their professional advisers;
- agree to be bound by the BCN3 Terms;
- agree to the terms of the Offer and provided authorisation to be registered as the holder of BCN3 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 BCN3;
- where the Applicant is an Eligible Securityholder who is a registered holder of MGL Ordinary Shares, MCN3, MCN4 or MCN5, acknowledge that MGL may provide their registered shareholding details, including any instructions relating to communication preference, Tax File Number or Australian Business Number (TFN/ABN) or Bank Account details to MBL for the purposes of allotting BCN3 to the Applicant;
- apply for, and agreed to being allocated, the number of BCN3 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 BCN3 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 Application Payment is insufficient to pay for the number of BCN3 that the Applicant has applied for, then MBL may, in consultation with the Joint Lead Managers determine that the Applicant has applied for such lower number of BCN3 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 BCN3 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 BCN3 issued, in accordance with all applicable foreign securities laws and section 6.10;
- acknowledge that any Application may be rejected without giving any reason, including where the Application Form is not properly completed; and
- acknowledge that BCN3 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 BCN3.

## 6.12. Directors consent to lodgement

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

# 07

How to Apply

For personal use only

## 7.1. The Offer

The Offer is for the issue of BCN3 with a face value of \$100 per BCN3 to raise approximately \$500 million, with the ability to raise more or less.

All BCN3 will be issued under and subject to the disclosure in this Prospectus.

## 7.2. 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; and
- a Securityholder Offer made to Eligible Securityholders.

BCN3 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.

## 7.3. Obtaining a Prospectus and Application Form

During the Offer Period, an electronic copy of this Prospectus with an Application Form will be available at [www.BCN3Offer.com.au](http://www.BCN3Offer.com.au). By lodging an online Application, you declare that you were given access to the electronic Prospectus together with the Application Form.

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 copy of this Prospectus in full.

Applications under the Securityholder Offer will be valid where Applicants have completed an Application Form that was attached to, or accompanied, the electronic Prospectus.

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.

No cooling off rights apply to an Application for BCN3. You cannot withdraw your Application once it has been lodged, except as permitted under the Corporations Act.

## 7.4. Applying for BCN3

You may apply for BCN3 under one or more of:

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

If you wish to participate under the Securityholder Offer you can apply by completing the electronic Application Form available at [www.BCN3Offer.com.au](http://www.BCN3Offer.com.au) and pay the Application Payment by BPAY®.

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.

The instructions for lodging your Application and accompanying Application Payment vary depending on whether you apply under the Broker Firm Offer or the Securityholder Offer. The Closing Dates set out overleaf 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.

## Broker Firm Offer

<b>Who can apply?</b>	Broker Firm Applicants
<b>When to apply</b>	<ul style="list-style-type: none"><li>• Applications will only be accepted during the Offer Period, which opens on Wednesday, 11 August 2021.</li><li>• The Closing Date for the Broker Firm Offer is expected to be 5:00pm (AEST) on Tuesday, 24 August 2021.</li><li>• 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.</li><li>• No cooling off rights apply to an Application for BCN3. You cannot withdraw your Application once it has been lodged, except as permitted under the Corporations Act.</li></ul>
<b>How to apply</b>	<ul style="list-style-type: none"><li>• Contact your Syndicate Broker for instructions.</li></ul>

## Securityholder Offer

<b>Who can apply?</b>	<ul style="list-style-type: none"><li>• Eligible Securityholders</li></ul>
<b>When to apply</b>	<ul style="list-style-type: none"><li>• Applications will only be accepted during the Offer Period, which opens on Wednesday, 11 August 2021.</li><li>• The Closing Date for the Securityholder Offer is expected to be 5:00pm (AEST) on Tuesday, 24 August 2021.</li><li>• Your completed online Application Form and Application Payment must be received by the Registrar by the Closing Date for the Securityholder Offer.</li><li>• No cooling off rights apply to an Application for BCN3. You cannot withdraw your Application once it has been lodged, except as permitted under the Corporations Act.</li></ul>
<b>How to apply online</b>	<ul style="list-style-type: none"><li>• Please complete the Securityholder Offer Application Form through <a href="http://www.BCN3Offer.com.au">www.BCN3Offer.com.au</a> and follow the instructions to apply online after the Securityholder Offer opens. You will need your SRN, HIN or Unique Priority Code (UPC) and the postcode of your relevant holding.</li><li>• When applying, you will be required to pay for BCN3 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®.</li></ul> <p>Application Payments can only be made using BPAY®. Payments by cash or cheque will not be accepted for this Offer.</p>

### 7.4.1. BPAY® payments

Application Payments can only be made by BPAY®. 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.

### 7.4.2. Applications by Institutional Investors

If you are an Institutional Investor, you must have received an allocation of BCN3 from a Joint Lead Manager prior to the close of the Bookbuild. 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.

### 7.4.3. Brokerage, commission and stamp duty

You do not have to pay brokerage on your Application for BCN3. You do not have to pay stamp duty on your Application for BCN3. However, you may have to pay brokerage (and applicable GST) on any subsequent purchases or sales of BCN3 on ASX.

**7.4.4. Application Payments held on trust**

All Application Payments received before BCN3 are issued will be held by MBL on trust in an account established solely for the purpose of depositing Application Payments received. After BCN3 are issued to successful Applicants, the Application Payments held on trust will be payable to MBL.

**7.4.5. Refunds**

Applicants who are not allotted any BCN3, or are allotted fewer BCN3 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 on file.

**7.4.6. Minimum Application**

The amount you have to pay for each BCN3 is \$100. You must apply for a minimum of 50 BCN3, which is a minimum investment of \$5,000.

**7.5. Bookbuild and allocation policy****7.5.1. Bookbuild**

The Bookbuild was a process conducted by the Joint Lead Managers before the Opening Date. In this process, the Bookbuild participants were invited to lodge bids for a number of BCN3. On the basis of those bids, MBL and the Joint Lead Managers determined the Margin and the allocations to Bookbuild participants (being Syndicate Brokers and Institutional Investors).

**7.5.2. What is the allocation policy?****Broker Firm Offer and Institutional Offer**

- Allocations to Syndicate Brokers and Institutional Investors were 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.

**Securityholder Offer**

- Allocations for the Securityholder Offer will be determined by MBL. Allocations under the Securityholder Offer may be scaled.
- MBL has absolute discretion to determine the method and extent of the allocations.
- MBL reserves the right to scale back Applications from Securityholder Applicants. Any scale back will be announced on ASX on the Issue Date – expected to be 27 August 2021.
- MBL reserves the right to:
  - allocate to any Securityholder Applicant all BCN3 for which they have applied;
  - reject any Application by a Securityholder Applicant; or
  - allocate to any Securityholder Applicant a lesser number of BCN3 than that applied for, including less than the minimum Application of BCN3, or none at all.
- No assurance is given that any Securityholder Applicant will receive an allocation of BCN3.
- If the 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.

## 7.5.3. How will the final allocation policy be announced?

### Broker Firm Offer and Institutional Offer

- Allocations to Syndicate Brokers and Institutional Investors were 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 BCN3 before receiving a Holding Statement, you do so at your own risk, even if you confirmed your firm allocation through a Syndicate Broker.

### Securityholder Offer

- Applicants in the Securityholder Offer will be able to email the Registrar at BCN3Offer@linkmarketservices.com.au or telephone the BCN3 Offer Information Line on 1300 963 991 (within Australia) or on +61 1300 963 991 (International) (Monday to Friday 8:30am – 5:30pm, AEST) to confirm their allocation.
  - However, if you sell BCN3 before receiving a Holding Statement, you do so at your own risk, even if you obtained details of your holding by telephoning the BCN3 Offer Information Line.
- 

## 7.6. Other information

### 7.6.1. Restrictions on distribution

No action has been taken to register or qualify this Prospectus, BCN3 or the Offer or otherwise to permit a public offering of BCN3 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 BCN3 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 7.6.1 and to have represented and warranted that they are able to apply for and acquire BCN3 in compliance with those restrictions.

### 7.6.2. Application to ASX for quotation of BCN3

ASX has granted permission for BCN3 to be quoted on ASX.

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

### 7.6.3. CHESS and issuer sponsored holdings

MBL has applied for BCN3 to participate in CHESS. No certificates will be issued for BCN3. MBL expects that Holding Statements for issuer sponsored holders and confirmations for CHESS holders will be despatched to successful Applicants by Thursday, 2 September 2021.

#### 7.6.4. Normal settlement trading and selling BCN3 on market

It is expected that BCN3 will begin trading on ASX on a normal settlement basis on Monday, 30 August 2021 under ASX Code MBLPD. Deferred settlement will not occur.

You are responsible for confirming your holding before trading in BCN3. If you are a successful Applicant and sell your BCN3 before receiving your Holding Statement, you do so at your own risk.

You may email the Registrar at [BCN3Offer@linkmarketservices.com.au](mailto:BCN3Offer@linkmarketservices.com.au) or call the BCN3 Offer Information Line on 1300 963 991 (within Australia) or on +61 1300 963 991 (International) (Monday to Friday 8:30am – 5:30pm, AEST) or your Syndicate Broker after the Issue Date to enquire about your allocation.

#### 7.6.5. 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 5).

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).

#### 7.6.6. 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 BCN3 to Australian investors by cheque. Investors who are not Australian residents may be eligible to opt in to receive payments converted into foreign currency and paid to their local bank account through OFX Limited. Those investors who are not Australian residents who do not wish to opt in to the service may receive Distributions via cheque.

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 the 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 BCN3 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.

#### 7.6.7. Discretion regarding the Offer

MBL reserves the right not to proceed with, and may withdraw, the Offer, or any part of it, at any time before the issue of BCN3 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 on file.

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 BCN3 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 BCN3. This means that, in most circumstances, Applicants may not withdraw their Applications once submitted.

## 7.7. 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 BCN3, service your needs as a BCN3 Holder, provide facilities and services that you request, provide you with marketing materials, carry out appropriate administration in relation to your BCN3 holding and to comply with legislative and regulatory requirements, including complaint handling, crime prevention and investigation.

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. Please contact the Registrar on +61 1800 502 355 if you do not consent to the use and disclosure of your personal information for these purposes.

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 BCN3 Holder, the Corporations Act requires MBL to include information about BCN3 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 BCN3 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 BCN3 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.

For details about the personal information handling process of the Registrar, including collection, use, disclosure and how you may access and correct your personal information and raise privacy concerns, visit Link Market Services Limited ("**Link**") at <http://www.linkmarketservices.com.au> for a copy of the Link Group condensed privacy statement, or contact Link by phone on +61 1800 502 355 (free call within Australia), 9:00 am to 5:00 pm (Sydney time), Monday to Friday to request a copy of Link's complete privacy policy.

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](http://www.macquarie.com).

## 7.8. Enquiries

### 7.8.1. Securityholder Applicants

You can email the Registrar at [BCN3Offer@linkmarketservices.com.au](mailto:BCN3Offer@linkmarketservices.com.au) or call the BCN3 Offer Information Line on 1300 963 991 (within Australia) or on +61 1300 963 991 (International) (Monday to Friday 8:30am - 5:30pm, AEST, during the Offer Period) if you:

- have further questions on how to apply for BCN3;
- require assistance to complete your Application Form; 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 BCN3 are a suitable investment for you, you should consult your stockbroker, solicitor, accountant or other independent and qualified professional adviser.

### 7.8.2. Broker Firm Applicants

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



For personal use only

# A

Terms and  
conditions  
of the BCN3

# Macquarie Bank Capital Notes 3

Prospectus

---

*These Terms have been established pursuant to, and are incorporated by reference into, the BCN3 Deed Poll. In the event of any inconsistency between the BCN3 Deed Poll and these Terms, the provisions of these Terms shall prevail.*

## 1. Form and ranking

### 1.1. Issue Price

Each Macquarie Bank Capital Note (“**BCN3**”) is issued fully paid for an issue price of A\$100 (“**Issue Price**”).

### 1.2. Form

- (a) The BCN3 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 BCN3 may be:
  - (i) Redeemed or Resold by the Issuer; or
  - (ii) Exchanged for MGL Ordinary Shares, in accordance with these Terms.
- (c) The BCN3 cannot be Redeemed, Resold or Exchanged at the option of a Holder.
- (d) The BCN3 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 BCN3 held by that Holder.
- (f) The BCN3 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 BCN3 are constituted by the BCN3 Deed Poll of which these Terms form part.

### 1.3. Entries in the Register

The BCN3 are issued when they are entered in the Register.

### 1.4. CHESS

The BCN3 will be lodged into and dealt with in CHESS. While the BCN3 remain in CHESS:

- (a) the rights and obligations of a person holding the BCN3; and
  - (b) all dealings (including transfers and payments) in relation to the BCN3 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 BCN3 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 BCN3 Deed Poll, and except to the extent mandatorily provided by law, each BCN3 ranks for payment, and ranks in a Winding Up of the Issuer:

- (a) senior to MBL Ordinary Shares;
- (b) equally with all other BCN3 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 BCN3; 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 BCN3.

# 2. Distributions

## 2.1. Distributions

Subject to these Terms, each BCN3 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 BCN3:

- (a) each 7 March, 7 June, 7 September and 7 December, commencing on 7 December 2021 until (but not including) the date on which that BCN3 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:

(Reference Rate + Margin) × 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 BCN3 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 BCN3; 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 BCN3; 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.

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 BCN3 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) 8 September 2031 (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 BCN3 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 BCN3 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 BCN3; 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 BCN3 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 BCN3 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 BCN3 must be Exchanged).

### 4.3. Determination of number of BCN3 to be Exchanged

In determining the number of the BCN3 which must be Exchanged in accordance with this clause 4, the Issuer may in its discretion, Exchange (in the case of the BCN3), or convert into MGL Ordinary Shares or write-off (in the case of any other Relevant Tier 1 Securities), the BCN3 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 BCN3 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 BCN3 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 BCN3 on the Automatic Exchange Date.

### 4.4. Treatment of Holders

- (a) If, in accordance with clauses 4.2 and 4.3, only some BCN3 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 BCN3 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 BCN3 are required to be Exchanged in accordance with clause 4.2 then, subject to clause 4.6:

- (a) Exchange of the relevant BCN3 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 BCN3 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;
  - (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 BCN3 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 BCN3 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 BCN3 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 BCN3 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 BCN3 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 BCN3 on any Scheduled Optional Exchange Date; and
- (b) Exchange all or some of the BCN3 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) 7 September 2028 (the "**First Scheduled Optional Exchange Date**");
  - (b) 7 March 2029 (the "**Second Scheduled Optional Exchange Date**"); and
  - (c) 7 September 2029 (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
  - (iii) 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 BCN3 on the Deferred Exchange Date (unless the BCN3 are Exchanged or Redeemed earlier in accordance with these Terms); and
- (c) until the Deferred Exchange Date, all rights attaching to the BCN3 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 BCN3 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 BCN3 (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 5:00 pm (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 BCN3 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 BCN3 on a Scheduled Optional Exchange Date; or
- (b) Redeem all or some of the BCN3 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 BCN3.

## 7.2. Redemption conditions

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

- (a) the BCN3 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 BCN3 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 BCN3 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 BCN3 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 BCN3 being Redeemed will be Redeemed by payment of the Issue Price of that BCN3 (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 BCN3 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 BCN3 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 BCN3 being Redeemed on that date will no longer have effect and that BCN3 will be cancelled.

## 7.7. Partial Redemption or Resale

If some but not all of the outstanding BCN3 are Redeemed in accordance with this clause 7 or Resold in accordance with clause 8, the Issuer must select the BCN3 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, issue to each Holder a notice (a "**Resale Notice**") specifying that all or some of each Holder's holding of the BCN3 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 BCN3 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.

### 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 BCN3 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 BCN3 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 BCN3 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 BCN3 that are the subject of the Resale Notice to the Nominated Party or Nominated Parties on the Resale Date for a purchase price per BCN3 equal to the Issue Price of that BCN3 (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 BCN3 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 BCN3 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 BCN3 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 BCN3 entitled to such amounts as otherwise provided in these Terms.

#### 8.5. Terms after Resale

If any BCN3 are Resold in accordance with these Terms, these Terms will apply in all respects to the BCN3 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 BCN3 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 BCN3 that is the subject of the Resale Notice will terminate;
- (b) the Holder will continue to hold the BCN3 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 BCN3 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 BCN3 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 BCN3 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 BCN3 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;
  - (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 BCN3 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 BCN3 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 BCN3 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 BCN3 to be Exchanged and the BCN3 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 BCN3 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 BCN3 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) **V<sub>0</sub>** 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.

## 9.12. Failure to Exchange

- (a) Subject to clauses 9.13(g) and 9.16, if, in respect of an Exchange of a BCN3, MGL fails to issue the MGL Ordinary Shares in respect of a BCN3 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 BCN3 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 BCN3 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 BCN3, the BCN3 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 BCN3 and all rights of the relevant Holder (and any person claiming through the Holder) in such BCN3 are taken to have ceased and the BCN3 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 BCN3 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 BCN3 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 BCN3 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 BCN3 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 BCN3 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 BCN3 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 BCN3 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 BCN3 at that date and such BCN3 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 BCN3, such BCN3 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 BCN3 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 BCN3 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 BCN3 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 BCN3 will not occur and that BCN3 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 BCN3:

- (a) is taken to have notice of, and irrevocably agrees to be bound by, the terms of the BCN3 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 BCN3 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 BCN3;
- (f) acknowledges and agrees that:
- (i) if Exchange does not occur in the circumstances contemplated in clauses 9.13(g) or 9.16, each BCN3 will be Written-Off; and
  - (ii) each of clauses 9.13(g) and 9.16 is a fundamental term of the BCN3 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
    - (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 BCN3 except as expressly provided in these Terms and under the BCN3 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 CHESS) 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 the 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 BCN3 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 BCN3, 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 BCN3 (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 MGL 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 MGL 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 BCN3 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 BCN3 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 BCN3 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 BCN3 is void unless made within 5 years from the date on which payment first became due.

## 12. Title and transfer of BCN3

### 12.1. Title

Title to a BCN3 passes when details of the transfer are recorded in the Register.

### 12.2. Effect of entries in the Register

Each entry in the Register for a BCN3 constitutes an entitlement to the benefits given to the Holder under these Terms and the BCN3 Deed Poll in respect of the BCN3.

### 12.3. Register conclusive as to ownership

An entry in the Register in relation to a BCN3 constitutes conclusive evidence that the person so entered is the absolute owner of that BCN3, 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 BCN3 as the absolute owner of that BCN3.
- (b) No notice of any trust, Encumbrance or other interest in, or claim to, any BCN3 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 BCN3, 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 BCN3 and despite any notice of ownership, trust, Encumbrance or other interest in the BCN3.

### 12.5. Joint holders

Where two or more persons are entered in the Register as joint Holders of a BCN3 then they are taken to hold the BCN3 jointly, but the Registrar is not bound to register more than four persons as joint holders of a BCN3.

### 12.6. Transfers

A Holder may transfer a BCN3:

- (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 BCN3.

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 BCN3.

### 12.7. Transferee takes subject to terms

A transferee of, or any person claiming, an interest in a BCN3 takes subject to these Terms and the BCN3 Deed Poll.

### 12.8. Other transfers void

A purported transfer otherwise than in accordance with these Terms and the BCN3 Deed Poll or grant of an interest in a BCN3 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 BCN3 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 BCN3 approved by and registered on the CS Facility's electronic subregister or any BCN3 registered on an issuer-sponsored subregister, as the case may be; or
- (b) refuse to register a transfer of any BCN3.

**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 BCN3 approved by and registered on the CS Facility's electronic subregister or BCN3 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 BCN3 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 BCN3 or refuses to register a transfer of BCN3, 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 BCN3 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 BCN3.

**12.13. Refusal to register**

- (a) A transferor of a BCN3 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 BCN3 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 BCN3 in connection with that BCN3 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 BCN3 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 email 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 email 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 BCN3 Deed Poll, with the prior written approval of APRA (to the extent any such amendment may affect the eligibility of the BCN3 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 BCN3 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;
  - (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
  - (vi) made to:
    - (A) alter the terms of any BCN3:
      - (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 BCN3; or
    - (B) alter the definition of Relevant Tier 1 Securities on account of the issue (after the date of any BCN3) of any other Relevant Tier 1 Securities; or
    - (C) give effect to any agreement with the Nominated Party to which BCN3 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 BCN3 Deed Poll, with the prior written approval of APRA (to the extent any such amendment may affect the eligibility of the BCN3 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 BCN3 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 BCN3 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 BCN3 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 BCN3;
- (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 BCN3 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 BCN3 as Additional Tier 1 Capital of the MBL Level 1 Group or of the MBL Level 2 Group), amend these Terms or the BCN3 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 BCN3 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 BCN3 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 BCN3 on ASX on or as soon as possible after the Issue Date and maintain quotation on ASX until all BCN3 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 BCN3 at any time and at any price. Such BCN3 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 BCN3.

# 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 BCN3 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 BCN3 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 BCN3 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 BCN3 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 BCN3; 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 BCN3, 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 BCN3 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;
- (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 BCN3 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 BCN3 on a Stock Exchange; and
    - (C) comply with the obligations and restrictions as apply to MGL in connection with the BCN3 (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;

# Macquarie Bank Capital Notes 3

Prospectus

---

**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;

**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;

**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;

**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:
  - (i) is not published by midday (or such other time that the Issuer considers appropriate on that day); or
  - (ii) 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.

**BCN2** means the fully paid unsecured subordinated non-cumulative mandatorily convertible notes issued by the Issuer on 2 June 2020;

**BCN3** has the meaning given in clause 1.1;

**BCN3 Deed Poll** means the deed poll entitled "Macquarie Bank Capital Notes 3 Deed Poll" executed by the Issuer and MGL in respect of the BCN3 dated on or about 3 August 2021;

**Bookbuild** means the process conducted prior to the opening of the Offer where brokers and investors bid for the BCN3 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;

**CHESS** 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 BCN3 (including in respect of the transfer or Exchange of BCN3);

**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 BCN3 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;

# Macquarie Bank Capital Notes 3

Prospectus

---

**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 Macquarie Additional Capital Securities;
- (b) the BCN2; and
- (c) 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 BCN3 or any other Equal Ranking Obligation;

**Exchange** means, in respect of a BCN3, the transfer of that BCN3 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 BCN3 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 BCN3;

**Implementation Deed** means the deed titled “Macquarie Bank Capital Notes 3 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 BCN3 are issued, expected to be on or about 27 August 2021;

**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;

**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 BCN3;

**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 BCN3, the BCN3 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;

**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 BCN3 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 BCN3 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 BCN3 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 BCN3;

**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 the 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 BCN2 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 BCN3 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 BCN3 then on issue;

**Stock Exchange** means ASX or such other stock or securities exchange on which the BCN3 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 BCN3:

- (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 BCN3,

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 BCN3; and

**Written-Off** means, in respect of a BCN3, that the Holder's rights under that BCN3 (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 BCN3 are quoted on ASX and in CHESS, these Terms as they relate to those BCN3 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 BCN3 as Tier 1 Capital for the MBL Level 1 Group or the MBL Level 2 Group.

# 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 BCN3 Terms immediately prior to this glossary commencing on page 131.

# Macquarie Bank Capital Notes 3

Prospectus

Term	Meaning
<b>ABN</b>	Australian Business Number as defined in <i>A New Tax System (Australian Business Number) Act 1999</i> (Cth).
<b>ACN</b>	Australian Company Number as defined in the Corporations Act.
<b>Acquisition Event</b>	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 BCN3 Terms.
<b>Acquisition Exchange Date</b>	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 BCN3 Terms.
<b>Additional Tier 1 Capital</b>	“Additional Tier 1 Capital” or its equivalent, in either case, as defined by APRA from time to time.
<b>ADI</b>	Authorised deposit-taking institution as defined in the Banking Act.
<b>Applicant</b>	A person who lodges an Application Form in accordance with this Prospectus.
<b>Application</b>	A valid application for BCN3 made through a completed Application Form in accordance with this Prospectus.
<b>Application Form</b>	Each of the application forms accompanying this Prospectus upon which an Application may be made, being: <ul style="list-style-type: none"><li>• the Application Form which Syndicate Brokers may require Broker Firm Applicants under the Broker Firm Offer to complete; and</li><li>• the electronic Application Form provided for online applications under the Securityholder Offer.</li></ul>
<b>Application Payment</b>	The amount payable on each Application, being the Issue Price multiplied by the number of BCN3 applied for.
<b>Approved Acquirer</b>	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 BCN3 Holders to issue listed ordinary share capital in all circumstances where MGL would otherwise have been obliged to issue MGL Ordinary Shares under the BCN3 Terms. See further section 2.11.9. For the full definition, see clause 18.2 of the BCN3 Terms.
<b>APRA</b>	Australian Prudential Regulation Authority or any authority succeeding to its powers and responsibilities.
<b>Arranger</b>	Macquarie Capital (Australia) Limited.
<b>ASIC</b>	Australian Securities & Investments Commission.
<b>ASX</b>	ASX Limited (ABN 98 008 624 691) or the Australian Securities Exchange operated by it, as the context requires.
<b>ASX Listing Rules</b>	The listing rules of ASX as amended, varied or waived (whether in respect of MBL, MGL or generally) from time to time.
<b>ASX Trading Day</b>	A business day within the meaning of the ASX Listing Rules on which trading in MGL Ordinary Shares takes place.
<b>ATO</b>	The Australian Taxation Office.
<b>Automatic Exchange Date</b>	The date of occurrence of an Automatic Exchange Event.
<b>Automatic Exchange Event</b>	Either the occurrence of a Common Equity Tier 1 Trigger Event or a Non-Viability Event.
<b>Banking Act</b>	<i>Banking Act 1959</i> (Cth).
<b>Bank Group</b>	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.

Term	Meaning
<b>Banking Group</b>	The Banking Group comprises BFS and some activities of CGM.
<b>Basel III</b>	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.
<b>BBSW</b>	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 BCN3 Terms.
<b>BCN2</b>	The subordinated notes described as the “Macquarie Bank Capital Notes 2” issued by MBL in 2020.
<b>BCN3</b>	Macquarie Bank Capital Notes 3, being fully paid, subordinated, non-cumulative, unsecured, mandatorily convertible notes of MBL which are to be issued under this Prospectus.
<b>BCN3 Deed Poll</b>	The deed poll made by MBL and MGL in respect of the BCN3 as amended from time to time.
<b>BCN3 Holder</b>	A person registered as the holder of a BCN3.
<b>BCN3 Terms</b>	The terms of BCN3 attached as a schedule to the BCN3 Deed Poll, and as also set out in Appendix A.
<b>BFS</b>	Banking and Financial Services, one of Macquarie’s four operating groups.
<b>Bookbuild</b>	The process described in section 7.5.1 to determine the Margin.
<b>Broker Firm Applicant</b>	An Australian resident retail or high net worth client of a Syndicate Broker invited to participate through the Broker Firm Offer.
<b>Broker Firm Application</b>	The application made by a Broker Firm Applicant.
<b>Broker Firm Offer</b>	The offer of BCN3 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.
<b>Business Day</b>	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.
<b>Buy-Back</b>	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.
<b>Capital Reduction</b>	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.
<b>CGM</b>	Commodities and Global Markets, one of Macquarie’s four operating groups.
<b>CHESS</b>	Clearing House Electronic Subregister System operated by ASX Settlement Pty Ltd (ACN 008 504 532) or any system that replaces it relevant to the BCN3 (including in respect of the transfer or Exchange of such BCN3).
<b>Closing Date</b>	The last date by which Applications will be accepted, which is expected to be: <ul style="list-style-type: none"> <li>• for the Securityholder Offer, 5:00pm (AEST) on Tuesday, 24 August 2021; and</li> <li>• for the Broker Firm Offer, 5:00pm (AEST) on Tuesday, 24 August 2021.</li> </ul>
<b>Co-Managers</b>	Macquarie Equities Limited, Bell Potter Securities Limited, Crestone Wealth Management Limited and JBWere Limited.
<b>Common Equity Tier 1 Capital</b>	Common Equity Tier 1 Capital as defined by APRA from time to time.
<b>Common Equity Tier 1 Ratio</b>	Broadly, the ratio of MBL’s Common Equity Tier 1 Capital to its risk weighted assets as calculated in accordance with APRA’s requirements.

# Macquarie Bank Capital Notes 3

Prospectus

Term	Meaning
<b>Common Equity Tier 1 Trigger Event</b>	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 BCN3 Terms.
<b>Corporations Act</b>	<i>Corporations Act 2001</i> (Cth).
<b>Daily VWAP</b>	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 BCN3 Terms.
<b>DDO Legislation</b>	Parts 7.8A and 7.9A of the Corporations Act.
<b>Deferred Mandatory Exchange Date</b>	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 BCN3 Terms.
<b>Delisted</b>	Broadly occurs in respect of MGL and an Exchange Date where: <ul style="list-style-type: none"><li>• MGL Ordinary Shares have ceased to be listed or admitted to trading on ASX and the cessation is continuing on the relevant date; or</li><li>• an Inability Event applies on the relevant date preventing Exchange.</li></ul> For the full definition, see clause 18.2 of the BCN3 Terms.
<b>Determination Date</b>	Generally, the first day of the Distribution Period. For the full definition, see clause 2.1 of the BCN3 Terms.
<b>Directors</b>	Some or all of the Voting Directors (as defined in the MBL Constitution) of MBL acting as a board.
<b>Distribution</b>	Broadly, a cash distribution payable on BCN3. For the full definition, see clause 2.1 of the BCN3 Terms.
<b>Distribution Payment Date</b>	<p>Broadly, in respect of a BCN3, (a) each 7 March, 7 June, 7 September and 7 December commencing 7 December 2021 until (but not including) the date on which that BCN3 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).</p> <p>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 BCN3 Terms.</p>
<b>Distribution Period</b>	<p>Each period commencing on (and including) a Distribution Payment Date and ending on (but excluding) the next Distribution Payment Date. However:</p> <ul style="list-style-type: none"><li>• the first Distribution Period commences on (and includes) the Issue Date; and</li><li>• the Distribution Period ends on (and excludes) the Exchange Date, Redemption Date or Resale Date, as applicable.</li></ul>
<b>Distribution Rate</b>	$(\text{Reference Rate} + \text{Margin}) \times \text{Franking Adjustment Factor}$ .
<b>Dividend Restriction</b>	The restrictions summarised in section 2.1.9 and set out in clause 2.5 of the BCN3 Terms.
<b>Eligible Securityholder</b>	<p>A person who:</p> <ul style="list-style-type: none"><li>• is a registered holder of MGL Ordinary Shares, BCN2, MCN3, MCN4, or MCN5 (as applicable) at 7:00pm (AEST) on Wednesday, 28 July 2021; and</li><li>• is shown on the relevant register as having an address in Australia (or another jurisdiction to which MBL determines to extend the Offer); and</li><li>• is not otherwise prevented from receiving the Offer or the BCN3 under the securities laws of another jurisdiction, as determined by MBL.</li></ul> <p>Holders of Macquarie American Depository Receipts (MQBKY) are not eligible to participate in the Securityholder Offer.</p>



Term	Meaning
<b>Equal Ranking Obligations</b>	<p>Any present or future obligation of, or claim against, MBL that exists or may arise in connection with:</p> <ul style="list-style-type: none"> <li>• the Macquarie Additional Capital Securities;</li> <li>• the BCN2; and</li> <li>• any other <ul style="list-style-type: none"> <li>- preference share, security or capital instrument issued by MBL; or</li> <li>- obligation of, or claim against, MBL in respect of a preference share, security or capital instrument issued by a member of the Macquarie Group,</li> </ul> </li> </ul> <p>which preference share, security, capital instrument of, or obligation or claim against MBL ranks, or is expressed to rank, equally with the BCN3 or any other Equal Ranking Obligation.</p> <p>For the full definition, see clause 18.2 of the BCN3 Terms.</p>
<b>Exchange</b>	<p>Broadly, the allotment and issue of MGL Ordinary Shares in exchange for a BCN3. “Exchangeable”, “Exchanged” and “Exchanging” have corresponding meanings. For the full definition, see clauses 9 and 18.2 of the BCN3 Terms.</p>
<b>Exchange Conditions</b>	<p>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 BCN3 Terms.</p>
<b>Exchange Date</b>	<p>A Mandatory Exchange Date, Automatic Exchange Date, Optional Exchange Date or Acquisition Exchange Date on which the BCN3 must be Exchanged (any relevant Exchange Conditions applicable to that date having been met).</p>
<b>Exchange Number</b>	<p>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 BCN3 Terms.</p>
<b>FATCA</b>	<p>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 BCN3 Terms.</p>
<b>FATCA Withholding</b>	<p>Any withholding or deduction of taxes, interest or penalties required under FATCA.</p>
<b>First Exchange Condition</b>	<p>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 BCN3 Terms.</p>
<b>First Optional Exchange Restriction</b>	<p>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 BCN3 Terms.</p>
<b>Foreign Holder</b>	<p>A BCN3 Holder whose address on the Register is a place outside Australia, or who MBL otherwise believes may not be a resident of Australia.</p>
<b>Fourth Exchange Condition</b>	<p>In summary, MGL is not Delisted as at the possible Mandatory Exchange Date. For the full definition, see clause 3.3 of the BCN3 Terms.</p>
<b>Franking Adjustment Factor</b>	<p><math>(1 - \text{Tax Rate}) / [1 - \text{Tax Rate} \times (1 - \text{Franking Rate})]</math></p> <p>For the full definition, see clause 2.1 of the BCN3 Terms.</p>
<b>Franking Rate</b>	<p>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.</p>
<b>GST</b>	<p>Has the meaning given in section 195-1 of the <i>A New Tax System (Goods and Services Tax) Act 1999</i> (Cth).</p>
<b>Holding Statement</b>	<p>A statement issued to issuer sponsored BCN3 Holders by the Registrar which sets out the number of BCN3 issued to that BCN3 Holder.</p>

# Macquarie Bank Capital Notes 3

Prospectus

Term	Meaning
<b>Implementation Deed</b>	A deed entered into between MGL, MBL and MBHPL, which sets out the intragroup steps for Exchange of BCN3.
<b>Inability Event</b>	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).
<b>Institutional Investors</b>	An investor to whom the Joint Lead Managers reasonably believe BCN3 are able to be offered under applicable laws without the need for any lodged product disclosure statement, registration or other formality (other than a registration or formality required of MBL which MBL is willing to comply with).
<b>Institutional Offer</b>	The offer of BCN3 under this Prospectus to Institutional Investors who have received a firm allocation from the Joint Lead Managers.
<b>Issue Date</b>	The date the BCN3 are issued, expected to be 27 August 2021.
<b>Issue Date VWAP</b>	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 BCN3 Terms.
<b>Issue Price</b>	\$100.
<b>Joint Lead Managers</b>	Macquarie Capital (Australia) Limited, ANZ Securities Limited, Citigroup Global Markets Australia Pty Limited, Commonwealth Bank of Australia, E&P Corporate Advisory Pty Limited, Morgans Financial Limited, National Australia Bank, Ord Minnett Limited and Westpac Institutional Bank (a division of Westpac Banking Corporation).
<b>Liquidation Amount</b>	An amount equal to the Issue Price.
<b>MacCap</b>	Macquarie Capital, one of Macquarie's four operating groups.
<b>Macquarie Additional Capital Securities</b>	The unsecured subordinated non-cumulative securities issued by the Issuer, acting through its London branch, on 8 March 2017.
<b>Macquarie Group</b>	MGL and its subsidiaries.
<b>MAM</b>	Macquarie Asset Management, one of Macquarie's four operating groups.
<b>Mandatory Exchange</b>	An Exchange in accordance with clause 3 of the BCN3 Terms.
<b>Mandatory Exchange Date</b>	Broadly, 8 September 2031 <sup>20</sup> 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 BCN3 Terms.
<b>Margin</b>	2.90% per annum.
<b>Maximum Exchange Number</b>	The number of MGL Ordinary Shares calculated in accordance with the formula in clause 9.1 of the BCN3 Terms.
<b>MBHPL</b>	Macquarie B.H. Pty Limited (ABN 86 124 071 432).
<b>MBL Level 1 Group</b>	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).
<b>MBL Level 2 Group</b>	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).
<b>MBL or Issuer</b>	Macquarie Bank Limited (ABN 46 008 583 542).
<b>MBL Board</b>	All or some of the Voting Directors (as defined in the MBL Constitution) of MBL acting as a board.
<b>MBL Constitution</b>	The constitution of MBL as amended from time to time.
<b>MBL Ordinary Share</b>	A fully paid ordinary share in the capital of MBL.

20. Due to the Business Day convention, the Scheduled Mandatory Exchange Date is deferred from 7 September 2031 to 8 September 2031.

<b>Term</b>	<b>Meaning</b>
<b>MCN3</b>	The subordinated notes described as the “Macquarie Group Capital Notes 3” issued by MGL in 2018.
<b>MCN4</b>	The subordinated notes described as the “Macquarie Group Capital Notes 4” issued by MGL in 2019.
<b>MCN5</b>	The subordinated notes described as the “Macquarie Group Capital Notes 5” issued by MGL in 2021.
<b>MGL</b>	Macquarie Group Limited (ABN 94 122 169 279).
<b>MGL Board</b>	All or some of the Voting Directors (as defined in the MGL Constitution) of MGL acting as a board.
<b>MGL Constitution</b>	The constitution of MGL as amended from time to time.
<b>MGL Ordinary Share</b>	A fully paid ordinary share in the capital of MGL.
<b>MGL Shareholder</b>	A registered holder of MGL Ordinary Shares.
<b>NOHC</b>	Non-operating holding company.
<b>Nominated Party</b>	Broadly, one or more third parties nominated by MBL to purchase some or all BCN3 under a Resale process. For the full definition, see clauses 8.2 and 18.2 of the BCN3 Terms.
<b>Non-Bank Group</b>	All entities in the Macquarie Group other than the entities in the Bank Group.
<b>Non-Banking Group</b>	The Non-Banking Group comprises MacCap, MAM and some activities of CGM that use certain offshore regulated entities of the Non-Bank Group.
<b>Non-Exchange Test Date</b>	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 BCN3 Terms.
<b>Non-Viability Event</b>	A Non-Viability Event will occur if APRA: <ul style="list-style-type: none"> <li>(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</li> <li>(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.</li> </ul>
<b>Offer</b>	The invitation made under this Prospectus by MBL for persons to subscribe for BCN3.
<b>Offer Management Agreement or OMA</b>	The offer management agreement between the Joint Lead Managers and MBL in relation to the Offer as described in section 6.3.
<b>Offer Period</b>	The period from the Opening Date to the applicable Closing Date.
<b>Opening Date</b>	The opening date of the Offer, being 11 August 2021.
<b>Optional Exchange</b>	An Exchange at the option of MBL under clause 5 of the BCN3 Terms.
<b>Optional Exchange Date</b>	The date on which an Exchange at the option of MBL may occur. For the full definition, see clause 5.3 of the BCN3 Terms.
<b>Optional Exchange Notice</b>	In summary, a notice issued to BCN3 Holders by which an Exchange at the option of MBL is effected. For the full definition, see clause 5.1 of the BCN3 Terms.
<b>Optional Exchange Restrictions</b>	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 BCN3 Terms.
<b>Ordinary Resolution</b>	Broadly, a resolution passed at a meeting of BCN3 Holders (or by way of postal ballot) by a majority of at least 50% of the votes cast, or the consent in writing of BCN3 Holders holding at least 50% of the BCN3 then on issue.
<b>Original Prospectus</b>	The Prospectus dated 3 August 2021 and lodged with ASIC on that date, which this Prospectus replaces.

# Macquarie Bank Capital Notes 3

Prospectus

Term	Meaning
<b>Payment Conditions</b>	The conditions which must be satisfied before the payment of Distributions on BCN3. These are outlined in section 2.1.2.
<b>Product Intervention Power</b>	Has the meaning given in section 4.1.29.
<b>Prospectus</b>	This prospectus for the Offer.
<b>Redemption</b>	Broadly, the process through which MBL repays the Issue Price and a BCN3 is redeemed under the BCN3 Terms. “ <b>Redeem</b> ” and “ <b>Redeemed</b> ” have corresponding meanings. For the full definition, see clause 18.2 of the BCN3 Terms.
<b>Reference Rate</b>	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 BCN3 Terms.
<b>Reference Rate Disruption Event</b>	Broadly, where BBSW has been discontinued or has ceased to be generally accepted in the Australian market for securities such as BCN3. For the full definition, see clause 2.1 of the BCN3 Terms.
<b>Register</b>	The register, including any branch register, of BCN3 Holders established and maintained by, or on behalf of, MBL.
<b>Registrar</b>	A person appointed by MBL to maintain the Register, currently Link Market Services Limited.
<b>Regulatory Event</b>	<p>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:</p> <ul style="list-style-type: none"><li>• any of the BCN3 are not eligible for inclusion as Additional Tier 1 Capital of MBL;</li><li>• additional requirements 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 or MGL or the Macquarie Group; or</li><li>• to have the BCN3 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 BCN3.</li></ul> <p>For the full definition, see clause 18.2 of the BCN3 Terms.</p>
<b>Related Exchange Steps</b>	Broadly, the steps by which MGL will subscribe for ordinary shares in MBHPL and MBHPL will subscribe for MBL Ordinary Shares if an Exchange Occurs. For the full definition, see clause 9.1(e) of the BCN3 Terms.
<b>Related Bodies Corporate</b>	Has the meaning given in clause 18.2 of the BCN Terms.
<b>Relevant Mandatory Exchange Date</b>	Broadly, the Scheduled Mandatory Exchange Date, and each Deferred Mandatory Exchange Date. For the full definition, see clause 3.2 of the BCN3 Terms.
<b>Relevant Percentage</b>	When calculating the Maximum Exchange Number, if the relevant Exchange is occurring on a Relevant Mandatory Exchange Date, 50%, otherwise 20%.
<b>Relevant Security</b>	A security of 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).
<b>Relevant Tier 1 Security</b>	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 BCN3 Terms.
<b>Resale</b>	Broadly, the compulsory transfer of BCN3 by BCN3 Holders following the issue by MBL of a Resale Notice to BCN3 Holders, to one or more third parties under the BCN3 Terms. Resold and Resell have corresponding meanings. For the full definition, see clauses 8.1 and 18.2 of the BCN3 Terms.
<b>Resale Date</b>	The date on which a Resale is to occur. For the full definition, see clause 8.1 of the BCN3 Terms.

Term	Meaning
<b>Resale Notice</b>	A notice given in accordance with the BCN3 Terms specifying that all or some of a BCN3 Holder's holding of the BCN3 will be Resold.
<b>Resale Price</b>	With respect to a BCN3, a purchase price equal to the Issue Price of that BCN3. For the full definition, see clause 8.3 of the BCN3 Terms.
<b>Sale Agent</b>	A person appointed by MBL to sell MGL Ordinary Shares in accordance with clause 9.13 of the BCN3 Terms, and includes an agent of that person. See clause 9.13 of the BCN3 Terms for further detail.
<b>Scheduled Mandatory Exchange Date</b>	Broadly, 8 September 2031, <sup>21</sup> 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 BCN3 Terms.
<b>Scheduled Optional Exchange Date</b>	Broadly, 7 September 2028, 7 March 2029 or 7 September 2029. For the full definition, see clause 5.2 of the BCN3 Terms.
<b>Second Exchange Condition</b>	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 BCN3 Terms.
<b>Second Optional Exchange Restriction</b>	MGL is Delisted as at the Non-Exchange Test Date. For the full definition, see clauses 5.4 and 18.2 of the BCN3 Terms.
<b>Securityholder Applicant</b>	An Eligible Securityholder who applies under the Securityholder Offer.
<b>Securityholder Offer</b>	The invitation to Eligible Securityholders to apply for BCN3 under this Prospectus.
<b>Senior Creditors</b>	All present and future creditors of MBL whose claims are: <ul style="list-style-type: none"> <li>(a) entitled to be admitted in the Winding Up of MBL; and</li> <li>(b) not expressed to rank equally with, or subordinate to, the claims of the BCN3 Holders under the BCN3 Terms.</li> </ul>
<b>Shareholding Laws</b>	Any of the following: <ul style="list-style-type: none"> <li>(a) the <i>Financial Sector (Shareholdings) Act 1998</i> (Cth);</li> <li>(b) the <i>Foreign Acquisitions and Takeovers Act 1975</i> (Cth); or</li> <li>(c) Chapter 6 of the Corporations Act.</li> </ul>
<b>Special Resolution</b>	Broadly, a resolution passed at a meeting of BCN3 Holders (or by way of postal ballot) by a majority of at least 75% of the votes validly cast by BCN3 Holders in person or by proxy and entitled to vote on the resolution. For the full definition, see clause 18.2 of the BCN3 Terms.
<b>Suspension Event</b>	In respect of a date, trading of MGL Ordinary Shares on ASX is suspended for a period of consecutive days which includes: <ul style="list-style-type: none"> <li>(a) at least 5 consecutive Business Days prior to that date; and</li> <li>(b) that date.</li> </ul>
<b>Syndicate Broker</b>	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.
<b>Tax Act</b>	The <i>Income Tax Assessment Act 1936</i> (Cth) or the <i>Income Tax Assessment Act 1997</i> (Cth), as the context requires.

21. Due to the Business Day convention, the Scheduled Mandatory Exchange Date is deferred from 7 September 2031 to 8 September 2031.

# Macquarie Bank Capital Notes 3

Prospectus

Term	Meaning
<b>Tax Event</b>	<p>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 BCN3:</p> <ul style="list-style-type: none"><li>• an additional franking debit will arise in the franking account of MGL in respect of any Distribution;</li><li>• 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</li><li>• any Distribution would not be frankable.</li></ul> <p>For the full definition and the related definition of “Tax Event Trigger”, see clause 18.2 of the BCN3 Terms.</p>
<b>Tax Rate</b>	<p>The Australian corporate tax rate applicable to the franking account of MGL on the relevant Distribution Payment Date (expressed as a decimal).</p>
<b>TFN</b>	<p>Tax File Number as defined in the Tax Act.</p>
<b>Third Exchange Condition</b>	<p>No Suspension Event applies in respect of the Relevant Mandatory Exchange Date. For the full definition, see clause 3.3 of the BCN3 Terms.</p>
<b>Tier 1 Capital</b>	<p>Has the meaning determined for that term (or its equivalent) by APRA from time to time.</p>
<b>Tier 1 Capital Ratio</b>	<p>That ratio (or its equivalent) as defined by APRA from time to time.</p>
<b>United States or U.S.</b>	<p>United States of America.</p>
<b>U.S. Person</b>	<p>Has the meaning given to that term in Rule 902(k) under the U.S. Securities Act.</p>
<b>U.S. Securities Act</b>	<p>U.S. Securities Act of 1933, as amended from time to time.</p>
<b>VWAP</b>	<p>Broadly, the average of the Daily VWAPs during the VWAP Period, subject to adjustments. For the full definition, see clause 9.1 of the BCN3 Terms.</p>
<b>VWAP Period</b>	<p>Broadly, the period for which the VWAP is calculated. For the full definition, see clause 9.1 of the BCN3 Terms.</p>
<b>Winding Up</b>	<p>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 BCN3 Terms.</p>
<b>Written-Off</b>	<p>In respect of a BCN3, the BCN3 Holder’s rights under that BCN3 (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.</p>

## 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 27, Collins Arch  
447 Collins 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

#### Link Market Services Limited

Level 12, 680 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 VIC 3008

### Citigroup Global Markets Australia Pty Limited

Level 23, Citigroup Centre  
2 Park Street  
Sydney NSW 2000

### Commonwealth Bank of Australia

Level 23, Darling Park, Tower 1  
201 Sussex Street  
Sydney NSW 2000

### E&P Corporate Advisory Pty Limited

Mayfair Building  
171 Collins Street  
Melbourne VIC 3000

### Morgans Financial Limited

Level 29, Riverside Centre  
123 Eagle Street  
Brisbane QLD 4000

### National Australia Bank Limited

Level 6, 2 Carrington Street  
Sydney NSW 2000

### Ord Minnett Limited

Level 8, 255 George Street  
Sydney NSW 2000

### Westpac Institutional Bank (a division of Westpac Banking Corporation)

Level 2, 275 Kent Street  
Sydney NSW 2000

For personal use only