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## **ASX/Media Release**

### **Macquarie Group Cleansing Notice – US dollar hybrid capital**

**8 March 2017:** Attached is a notice lodged by each of Macquarie Group Limited (“MGL”) (ASX: MQG; ADR: MQBKY) and Macquarie Bank Limited (“MBL”) (ASX: MBL), acting through its London branch, in respect of the issue of US\$750,000,000 of Macquarie Additional Capital Securities (“MACS”) to wholesale investors.

The notice is given to ASX jointly by MGL and MBL in accordance with the requirements of ASIC Corporations (Regulatory Capital Securities) Instrument 2016/71, which provides relief so that MGL ordinary shares issued on exchange of the MACS may be on-sold to retail investors without further disclosure if a notice containing disclosure required by section 708A(12I) of the Australian Corporations Act (as inserted by ASIC Corporations (Regulatory Capital Securities) Instrument 2016/71) is released in connection with the issue of the MACS.

Under the MACS terms, the Maximum Exchange Number per US\$1,000 is 75.9297 (being the most MGL ordinary shares that can be issued, per US\$1,000) based on the Issue Date VWAP of A\$86.52 and an exchange rate of 0.7611 giving an Exchange Floor Price of \$13.1701.

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#### **Disclaimer**

The information provided in this announcement 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).

This announcement does not constitute an offer of any securities (including the MACS) for sale or issue. In particular, this announcement does not constitute an offer of securities for sale in the United States. Neither the MACS nor MGL ordinary shares have been or will be registered under the US Securities Act of 1933, as amended (the “Securities Act”), or the securities laws of any state or other jurisdiction of the United States, and they may not be offered, sold or resold in the United States or to, or for the account of benefit of any “U.S. person” (as defined in Regulation S under the Securities) absent registration or an applicable exemption from the registration requirements.

## IMPORTANT NOTICE

**NOTHING IN THIS DOCUMENT CONSTITUTES AN OFFER OF SECURITIES FOR SALE IN ANY JURISDICTION. THE PRIMARY OFFER AND DISTRIBUTION OF THE MACQUARIE ADDITIONAL CAPITAL SECURITIES HAS CLOSED.**

**THIS OFFERING WAS AVAILABLE ONLY TO INVESTORS WHO ARE EITHER (1) QUALIFIED INSTITUTIONAL BUYERS (“QIBS”) (WITHIN THE MEANING OF RULE 144A UNDER THE SECURITIES ACT, AS AMENDED (THE “SECURITIES ACT”)) OR (2) NON-U.S. PERSONS IN OFFSHORE TRANSACTIONS (IN EACH CASE, WITHIN THE MEANING OF REGULATION S UNDER THE SECURITIES ACT).**

**THE MACQUARIE ADDITIONAL CAPITAL SECURITIES HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE SECURITIES ACT, OR THE SECURITIES LAWS OF ANY STATE OF THE U.S. OR OTHER JURISDICTION AND THE SECURITIES MAY NOT BE OFFERED OR SOLD WITHIN THE U.S. OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT), EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND APPLICABLE LAWS OF OTHER JURISDICTIONS.**

**THIS DOCUMENT IS GIVEN TO ASX JOINTLY BY MACQUARIE BANK LIMITED (“WE”, “US”, “OUR”, THE “BANK” OR “MBL”) AND MACQUARIE GROUP LIMITED (“MGL”) IN ACCORDANCE WITH THE REQUIREMENTS OF ASIC CORPORATIONS (REGULATORY CAPITAL SECURITIES) INSTRUMENT 2016/71, WHICH PROVIDES RELIEF SO THAT MGL ORDINARY SHARES ISSUED ON EXCHANGE OF THE MACQUARIE ADDITIONAL CAPITAL SECURITIES MAY BE ON-SOLD TO RETAIL INVESTORS WITHOUT FURTHER DISCLOSURE IF A NOTICE CONTAINING DISCLOSURE REQUIRED BY SECTION 708A(12I) OF THE AUSTRALIAN CORPORATIONS ACT (AS INSERTED BY ASIC CORPORATIONS (REGULATORY CAPITAL SECURITIES) INSTRUMENT 2016/71) IS RELEASED IN CONNECTION WITH THE ISSUE OF MACQUARIE ADDITIONAL CAPITAL SECURITIES.**



MACQUARIE  
BANK

## **Macquarie Bank Limited**

(ABN 46 008 583 542) (ACTING THROUGH ITS LONDON BRANCH)

**US\$750,000,000**

### **MACQUARIE ADDITIONAL CAPITAL SECURITIES**

(SUBJECT TO EXCHANGE UPON AN AUTOMATIC EXCHANGE EVENT OR ACQUISITION EVENT, IN EACH CASE FOR FULLY PAID ORDINARY SHARES OF MACQUARIE GROUP LIMITED (ABN 94 122 169 279))

(“Securities”)

### **EFFECT OF THE SECURITIES ON THE BANK AND MGL**

The Securities will be debt obligations of the Bank and are intended to constitute Additional Tier 1 capital of the Bank. The aggregate principal amount of the Securities to be issued is US\$750,000,000. The effect of the issue on the Bank and the MGL Group will be to increase the total liabilities of MBL and Additional Tier 1 capital by that amount.

### **WHERE YOU CAN FIND ADDITIONAL INFORMATION**

MGL is a "disclosing entity" for the purposes of the Australian Corporations Act and is subject to regular reporting and disclosure obligations under the Australian Corporations Act and the listing rules of ASX.

Copies of documents regarding MGL lodged with ASIC or ASX, may be obtained from, or inspected at, any ASIC office or the ASX, respectively.

In addition, copies of:

- MGL's annual and half-year financial reports most recently lodged with ASIC (being MGL's 2016 September Interim Financial Report, which includes the financial statements of MGL consolidated with its subsidiaries and MGL's 2016 Annual Report, which includes the audited financial statements of MGL and MGL consolidated with its subsidiaries); and
- any other notice to ASX under the continuous disclosure provisions of the listing rules of ASX and the Australian Corporations Act given by MGL after the lodgment of MGL's 2016 September Interim Financial Report with ASIC and before lodgment of this document with ASX,

may be obtained from MGL free of charge at its registered office at Level 6, 50 Martin Place, Sydney, New South Wales, Australia. These materials are also available electronically on the website of ASX, at [www.asx.com.au](http://www.asx.com.au).

## **DESCRIPTIONS OF THE SECURITIES & MGL ORDINARY SHARES**

The information included in the following sections of this document is based on material in the Offering Memorandum relating to the Securities dated March 1, 2017.

\* \* \* \* \*

## DESCRIPTION OF THE RIGHTS AND LIABILITIES ATTACHING TO SECURITIES

In this section, references to the “Bank,” “we,” “us,” “our” and similar references are to MBL only and not to MBL Group or MGL Group.

The Securities will be issued under a Second Amended and Restated Fiscal Agency Agreement, dated March 8, 2017, between MBL and The Bank of New York Mellon, as fiscal agent (the “Fiscal Agent” and the “Fiscal Agency Agreement”, respectively).

The Securities are perpetual and have no maturity date unless redeemed earlier, Exchanged for MGL Ordinary Shares or Written-Off, as described below. Interest will be payable on the Securities (i) semiannually in arrears on March 8 and September 8 of each year, beginning on 8 September, 2017 and (ii) on any Acquisition Exchange Date, in each case at an initial rate of 6.125% per annum up until the tenth anniversary of the original issue date of the Securities and thereafter, for each Interest Payment Date occurring during any Interest Period, the interest rate payable on the Securities will equal the Reference Rate applicable to the Interest Period plus the Margin. Such interest will be paid to the persons in whose names the Securities are registered at the close of business on the fifteenth day (whether or not a Business Day) next preceding such Interest Payment Date (the “Regular Record Date”). Interest will be paid on the basis of a 360-day year comprised of twelve 30-day calendar months. See “—Payment mechanics for Securities” below for further information.

The Securities will be our fully paid, perpetual, unsecured, direct, subordinated and general obligations ranking *pari passu* without any preference among themselves and, in our Winding-Up, subject to a Write-Off, will rank behind the claims of all Senior Creditors, equally with Equal Ranking Obligations and ahead of MBL Ordinary Shares, as defined and further described below under “— How the Securities rank against other debt” and “— Status and Subordination of Securities”. The following table represents MBL’s debt obligations and ordinary equity and reserves by category, including Senior Creditors, Equal Ranking Obligations and MBL Ordinary Shares and reserves as at September 30, 2016:

	As at	
	September 30, 2016	September 30, 2016
	US\$bn <sup>1</sup>	A\$bn
<b>Senior Creditors</b> <sup>2</sup> .....	<b>125.3</b>	<b>163.4</b>
Bank Capital Notes <sup>3</sup> .....	<b>0.3</b>	<b>0.4</b>
Macquarie Income Securities <sup>4</sup> .....	<b>0.3</b>	<b>0.4</b>
Perpetual Junior Subordinated Notes <sup>5</sup> .....	<b>0.3</b>	<b>0.3</b>
<b>Total Equal Ranking Obligations</b> .....	<b>0.9</b>	<b>1.1</b>
<b>MBL Ordinary Shares and reserves</b> .....	<b>9.3</b>	<b>12.1</b>
<b>TOTAL LIABILITIES AND ORDINARY EQUITY AND RESERVES</b> ....	<b>135.4</b>	<b>176.6</b>

<sup>1</sup> Conversions of Australian dollars to U.S. dollars have been made at the noon buying rate on September 30, 2016 which was US\$0.7667 per A\$1.00.

<sup>2</sup> Senior Creditors include prior ranking subordinated instruments, such instruments forming part of the Tier 2 Capital of MBL, which at September 30, 2016 totalled A\$3.0 billion outstanding.

<sup>3</sup> Bank Capital Notes (“BCNs”) means the A\$429,000,000 perpetual subordinated notes of MBL issued by MBL in 2014. BCNs are convertible subordinated notes that are included as Additional Tier 1 Capital for MBL. Subject to various conditions, BCNs are callable on March 24, 2020, September 24, 2020 and March 24, 2021, and if still in force, will be mandatorily exchanged for a variable number of MGL Ordinary Shares on March 24, 2023.

<sup>4</sup> Macquarie Income Securities are the preference shares forming part of the stapled security known as the Macquarie Income Securities issued by MBL in 1999.

<sup>5</sup> Perpetual junior subordinated notes are the US\$250,000,000 10.25% perpetual junior subordinated notes issued by the Issuer in 2012.

As at September 30, 2016, the entitlements of our Senior Creditors plus the entitlements against our subsidiaries to which the Securities are “structurally subordinated” amounted to A\$163.4 billion and we

had A\$1.1 billion of outstanding Equal Ranking Obligations and A\$12.1 billion of Ordinary Shares and reserves.

If an Automatic Exchange Event occurs prior to the redemption of the Securities, the Principal Amount (or a portion thereof) of some or all of the Securities will immediately be Exchanged for a whole number of MGL Ordinary Shares and if an Acquisition Event occurs prior to the redemption of the Securities, unless the Directors determine that an Acquisition Exchange Exception applies (in which circumstance no Exchange will occur and no other action would be required to be taken in relation to the Securities on account of that Acquisition Event), the Principal Amount (or a portion thereof) of some or all of the Securities will be Exchanged for MGL Ordinary Shares in whole. Upon such Exchange the rights of the relevant holders of such Securities in respect of the Principal Amount (or the portion thereof Exchanged) will be immediately and irrevocably terminated in respect of such amount Exchanged with effect from the Exchange Date.

A Non-Viability Event occurs when APRA (i) issues a written notice to MBL that it is necessary that Relevant Tier 1 Securities (including the Securities) be subject to Loss Absorption because, without such Loss Absorption, APRA considers that MBL would become non-viable, or (ii) notifies MBL in writing that it has determined that, without a public sector injection of capital or equivalent support, MBL would become non-viable.

A Common Equity Tier 1 Trigger Event occurs when MBL determines, or APRA has notified MBL 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%.

An Acquisition Event occurs when (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 Australian 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 Australian 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 Australian Corporations Act; (i) acquires or comes to hold beneficially more than 50% of the voting shares (as defined in the Australian Corporations Act) in the capital of MBL or MGL; or (ii) enters into an agreement to beneficially acquire more than 50% of the voting shares (as defined in the Australian Corporations Act) in the capital of MBL or MGL and the agreement to acquire is, or becomes, unconditional, subject to certain exceptions.

If the amount of our Ordinary Shares and reserves are not sufficient to satisfy APRA's capital requirements, some or all of our Relevant Tier 1 Securities, including the Securities, will be subject to Exchange or Write-Off. See "— Exchange of Securities on an Exchange Event with, in the case of an Automatic Exchange Event, a fall back to Write-Off" below. As at September 30, 2016, we had \$12.1 billion of outstanding MBL Ordinary Shares and reserves, \$1.1 billion of outstanding Relevant Tier 1 Securities and \$3.0 billion of outstanding Relevant Tier 2 Securities.

If, for any reason, Exchange has not occurred within 5 Business Days of the Automatic Exchange Date, then Exchange will not occur and each Security, or portion thereof, which would otherwise have been Exchanged, will be Written-Off. Subject to the previous sentence, if MGL Ordinary Shares are issued in connection with an Exchange but the transfer of the relevant Securities for those MGL Ordinary Shares has not occurred as described herein, in which case each Security or portion thereof which would be required to be Exchanged will be automatically terminated and written-off and the MGL Ordinary Shares shall be taken to be fully-paid in consideration of that termination and write-off. See "— Exchange of Securities on an Exchange Event with, in the case of an Automatic Exchange Event, a fall back to Write-Off" below.

The Securities may, with the prior written approval of APRA and the satisfaction of certain conditions regarding the replacement of the Securities with Tier 1 Capital of the same or better quality and maintenance of acceptable capital requirements, be redeemed at the option of the Issuer, in whole, but not in part, following the occurrence of a Regulatory Event or a Tax Event (in each case, as defined under the heading "— Redemption of Securities under certain circumstances" below), or on any Reset Date.

The Securities were offered in the Principal Amount of US\$750,000,000.

The Securities will be issued only in fully registered form and in denominations of US\$200,000 and integral multiples of US\$1,000 in excess thereof.

The Securities will be represented by one or more global certificates deposited with a custodian for DTC and registered in the name of such common depository or its nominee. A holder of a Security will hold beneficial interests in the Securities through DTC and its direct and indirect participants, and such direct and indirect participants will record that relevant holder’s beneficial interest on their books. The Agents expect to deliver the Securities through the facilities of DTC against payment in immediately available funds on or about March 8, 2017. Secondary market trading through DTC will occur in the ordinary way following the applicable rules and operating procedures of DTC, Clearstream, Luxembourg and Euroclear.

Definitive debt securities will only be issued in the limited circumstances.

Payment of principal of and interest (if any) on the Securities, so long as the Securities are represented by Global Securities, will be made in immediately available funds. Owners of book-entry interests in the Securities will receive payments relating to their Securities in U.S. dollars. Beneficial interests in the Global Securities will trade in the same-day funds settlement system of DTC, and secondary market trading activity in such interests will therefore settle in same-day funds.

**The Securities will be issued under the Fiscal Agency Agreement**

The Fiscal Agency Agreement and its associated documents, including the Securities, contain the full legal text of the matters described in this section entitled “Description of the rights and liabilities attaching to Securities”. This section is a summary only and does not describe every aspect of the Fiscal Agency Agreement and the Securities. For example, in this section, we use terms that have been given special meaning in the Fiscal Agency Agreement, but we describe the meaning of only the more important of those terms.

The Fiscal Agency Agreement and the Securities are governed by New York law, except as to authorization and execution by us and the subordination, exchange and write-off provisions, which are governed by the laws of the State of New South Wales, Australia and the Commonwealth of Australia.

The Fiscal Agent performs administrative duties for us such as sending interest payments and notices to holders. See “— Our relationship with the Fiscal Agent” below for more information about the Fiscal Agent.

**We may issue other debt securities**

The Fiscal Agency Agreement and the Securities do not limit our ability to incur other indebtedness or to issue other securities. Also, we are not subject to financial covenants or similar restrictions by the terms of the Securities or the Fiscal Agency Agreement.

**Interest**

The interest payable on the Securities in respect of a specified Principal Amount on any Interest Payment Date shall be calculated according to the following formula:

$$\text{Interest} = \frac{\text{Interest Rate} \times \text{Principal Amount}}{2}$$

and, in the case of any other date, shall be calculated in respect of each specified Principal Amount having regard to the Interest Rate and the number of days from (and including) the immediately preceding Interest Payment Date to (but excluding) that date on the basis of a 360-day year of twelve 30-day months. Interest on the Securities will be payable at an initial rate of 6.125% per annum up until the Initial Reset Date of the Securities and thereafter, for each Interest Payment Date occurring during

any Interest Period, the interest rate payable on the Securities will equal the Reference Rate applicable to the Interest Period plus the Margin.

Payments of amounts of interest and Additional Amounts (as defined in “—Payment of Additional Amounts” below) will be made unless:

- the Directors, in their absolute discretion, determine that the amount is not to be paid to holders of the Securities;
- payment of the amount would result in MBL breaching APRA’s capital adequacy requirements applicable to it;
- payment of the amount would result in MBL becoming, or being likely to become, insolvent for the purposes of the Australian Corporations Act; or
- APRA objects to the payment of the amount (collectively, the “Payment Exceptions”).

In determining not to pay any amount of interest or any Additional Amount, the Directors shall consider payments of such amounts as if they were payments of dividends on a preference share which is an Equal Ranking Obligation. If all or any part of an amount will not be paid in whole or part because of any Payment Exception, the Issuer must give notice to the Fiscal Agent promptly after determining or becoming aware that payment will not be made.

Interest amounts and Additional Amounts in respect of interest amounts, payable on the Securities are non-cumulative. If all or any part of any such amount is not paid because of any Payment Exception, the Issuer has no liability to pay the unpaid amount and holders of the Securities have no claim or entitlement in respect of any person in respect of such non-payment and such non-payment does not constitute a default or an event of default however described, determined or defined. No interest accrues or Additional Amount is payable on any unpaid amount in respect of the Securities and the holders of the Securities have no claim or entitlement in respect of interest or Additional Amounts on any unpaid amount.

If, for any reason, any amount of interest, or any Additional Amount in respect of an interest amount, has not been paid in full on the relevant Interest Payment Date (the “Missed Interest Payment Date”), a Dividend Restriction shall apply from that date until the next Interest Payment Date unless the relevant amount is paid in full within 10 Business Days of the Missed Interest Payment Date. The Dividend Restriction does not apply:

- 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 MGL Group; or
- to the extent that at the time such amount has not been paid on the relevant Interest Payment Date, MBL 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.

#### **How the Securities rank against other debt**

The Securities will not be secured by any of our property or assets. Thus, by owning a Security, a holder of a Security is one of our unsecured creditors.

The Securities are subordinated to all of our existing and future debt and other liabilities, other than MBL Ordinary Shares. See “— Status and Subordination of Securities” below for additional information on how subordination limits the ability of holders of Securities to receive payment or pursue other rights if we fail to fulfill an obligation hereunder or have certain other financial difficulties. The Securities rank, in a Winding-Up of MBL, behind the claims of all Senior Creditors (which includes MBL’s depositors, MBL’s general unsubordinated creditors (including trade creditors), prior ranking subordinated creditors (including instruments forming part of the Tier 2 Capital of MBL) and obligations of MBL that are preferred by mandatory provisions of law (including under the Australian Banking Act and Australian

Reserve Bank Act as described further below)), equally with Equal Ranking Obligations and ahead of MBL Ordinary Shares (as further described below under “— Status and Subordination of Securities”).

MBL is an ADI under the Australian Banking Act. The Australian Banking Act provides that, in the event an ADI becomes unable to meet its obligations or suspends payment, the ADI's assets in Australia are to be available to meet specified liabilities of the ADI in priority to all other liabilities of the ADI (including, the Securities). These specified liabilities include certain obligations of the ADI to APRA in respect of amounts payable by APRA to holders of protected accounts, other liabilities of the ADI in Australia in relation to protected accounts, debts to the RBA and certain other debts to APRA. A “protected account” is either (a) an account where the ADI is required to pay the account-holder, on demand or at an agreed time, the net credit balance of the account, or (b) another account or financial product prescribed by regulation.

In addition, under the Australian Reserve Bank Act, debts due to the RBA by an ADI shall, in the Winding-Up, have priority over all other debts other than debts due to the Commonwealth.

The Securities do not constitute protected accounts or deposit liabilities of MBL in Australia for the purposes of the Australian Banking Act and are not insured or guaranteed by the United States Federal Deposit Insurance Corporation or any government, governmental agency or compensation scheme of the United States, Australia, the United Kingdom or any other jurisdiction or by any other party.

The liabilities which are preferred by law to the claim of a holder in respect of a Security will be substantial and the terms and conditions of the Securities do not limit the amount of such liabilities which may be incurred or assumed by MBL from time to time.

### **Status and Subordination of Securities**

The Securities will be our fully paid, perpetual, unsecured, direct, subordinated and general obligations ranking *pari passu* without any preference among themselves.

The Securities will be Exchanged for MGL Ordinary Shares in the circumstances described in “— Exchange of Securities on an Exchange Event with, in the case of an Automatic Exchange Event, a fall back to Write-Off” below.

The rights and claims of the holders of the Securities are, in a Winding-Up of MBL, expressly subject to the conditions, and subordinated on the basis set out below.

### **Upon a Winding-Up of the Bank**

In our Winding-Up, the rights of the holders of the Securities against us to recover any sum payable in respect of the Securities:

(i) shall be subordinate and junior in right of payment to our obligations to Senior Creditors, to the extent that all claims in respect of such obligations to Senior Creditors shall be entitled to be paid in full before any payment shall be paid on account of any sums payable in respect of such Security, and any other liabilities that are preferred by mandatory provisions of law (including under the Australian Banking Act and Australian Reserve Bank Act);

(ii) shall rank *pari passu* and ratably (as to its due proportion only) with our other subordinated creditors in respect of Equal Ranking Obligations; and

(iii) shall be senior and rank ahead in right of payment to our obligations in respect of MBL Ordinary Shares.

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 our Winding-Up in Australia, we are liable to redeem each Security for its Principal Amount in accordance with the terms herein. In a Winding-Up of MBL in Australia, the holder of the Securities is entitled, subject to the terms herein, to claim on a subordinated basis in accordance with the subsequent paragraph for payment of an amount equal to the Principal Amount but has no further or other claim on MBL in the Winding-Up.



In our Winding-Up, holders shall be entitled to prove only for any sums payable in respect of the Securities as a debt which is subject to, and contingent upon prior payment in full of, the Senior Creditors and the holder of the Securities shall be entitled to claim for payment of an amount equal to the Principal Amount and that claim ranks equally with all Equal Ranking Obligations. By their purchase of or by holding interests in Securities, the holders of the Securities will be taken to have waived to the fullest extent permitted by law any right to prove in any such Winding-Up as creditors ranking for payment in any other manner.

Neither we nor a holder of the Securities shall be entitled to:

(i) set-off against any amounts owing in respect of the Securities held by such holder any amount held by the holder to our credit whether in any account, in cash or otherwise, nor any of our deposits, advances or debts, or any other amount owing by the holder of the Securities to us on any account whatsoever; or

(ii) effect any reduction of the amount due to such holder in respect of the Securities by merger of accounts or lien or the exercise of any other rights the effect of which are or may be to reduce the amount due in respect of such Securities.

Any payment, whether voluntary or in any other circumstances received by a holder of the Securities from or on our account (including by way of credit, set-off by operation of law or otherwise) or from any liquidator, receiver, manager or statutory manager in breach of the terms hereof, will be held by the relevant holder of the Securities in trust for and to the order of the Senior Creditors. Such trust shall be for a term expiring on the earlier of the date on which all Senior Creditors have been paid in full or eighty years from the date of the issue of the Securities.

The Securities are also subordinated by operation of mandatory provisions of law pursuant to the Australian Corporations Act, the Australian Banking Act and the Australian Reserve Bank Act. See “— How the Securities rank against other debt” above for further information.

As at September 30, 2016, the claims of our Senior Creditors plus claims against our subsidiaries to which the Securities are “structurally subordinated” amounted to A\$163.4 billion and we had A\$1.1 billion of outstanding Equal Ranking Obligations and A\$12.1 billion of MBL Ordinary Shares and reserves.

We expect that from time to time we will incur additional indebtedness and other obligations that will constitute claims of our Senior Creditors. The Securities do not limit the amount of our obligations that can rank ahead of the Securities that we may incur or assume in the future.

Each holder, by its purchase or holding of an interest in Securities, shall be taken to have irrevocably acknowledged and agreed that:

- the subordination provisions of the form of Securities constitute a debt subordination for the purposes of section 563C of the Australian Corporations Act;
- it does not have, and waives to the maximum extent permitted by law, any entitlement to interest under section 563B of the Australian 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;
- it will not exercise any voting or other rights as a creditor in any Winding-Up or administration of MBL in any jurisdiction:
  - (i) until and after all Senior Creditors have been paid in full; or
  - (ii) otherwise in a manner inconsistent with the ranking and subordination described in this “Description of the Securities”;
- MBL’s obligations in respect of the Securities are subordinated in the manner provided in the subordination provisions of the Securities; and

- the debt subordination effected by the subordination provisions of the Securities is not affected by any act or omission of MBL or a Senior Creditor which might otherwise affect it at law or in equity.

### **Form of Securities**

The Securities will be issued in global — *i.e.*, book-entry — form represented by a global security registered in the name of a depository, which will be the holder of all the Securities represented by the global security.

Those who own beneficial interests in a Global Note will do so through participants in the Depository's securities clearance system, and the rights of these indirect owners will be governed solely by the applicable procedures of the Depository and its participants.

### **Payment of Additional Amounts**

The Issuer will pay all amounts that we are required to pay on the Securities without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or other governmental charges imposed or levied by or on behalf of a Taxing Jurisdiction. This obligation will not apply, however, if those taxes, duties, assessments or other governmental charges are required by the Taxing Jurisdiction to be withheld or deducted. If that were to occur, the Issuer will, subject to the Payment Exceptions, pay additional amounts of, or in respect of, the principal of, and any interest amounts on, the affected Securities ("Additional Amounts") that are necessary so that the net amounts paid to the holders of those Securities, after deduction or withholding, will equal the amounts of principal and any interest that the Issuer would have had to pay on those Securities if the deduction or withholding had not been required except that no Additional Amounts are in any circumstances payable in relation to any payment in respect of the Securities:

(a) to, or to a third party on behalf of, a holder of the Securities who is liable for such taxes in respect of such Securities by reason of its having some connection with Australia other than the mere holding of an interest in such Security or receipt of principal or interest amount in respect thereof or could have lawfully avoided (but not so avoided) such liability by providing or procuring that any third party provides the holder of the Securities a Tax File Number ("TFN") and/or (if applicable) Australian Business Number ("ABN") or evidence that the holder of the Securities is not required to provide a TFN and/or ABN to us;

(b) to, or to a third party on behalf of, a holder of the Securities who could lawfully avoid (but has not so avoided) such deduction or withholding by complying or procuring that any third party complies with any statutory requirements or by making or procuring that any third party makes a declaration of non-residence or other similar claim for exemption to any tax authority in the place where the Securities are presented for payment;

(c) where it is presented for payment more than 30 days after the date on which the amount is first payable and was provided for, whichever is later, except to the extent that a holder of Securities would have been entitled to the Additional Amounts on presenting the Security for payment on any day during that 30 day period; or

(d) where it is presented for payment by or on behalf of a holder of Securities who would have been able to avoid such withholding or deduction by presenting the relevant Security to another Fiscal Agent in a Member State of the European Union.

No Additional Amounts shall in any circumstances be payable with respect to any payment of, or in respect of, the Principal Amount of, or any interest amount on, any Security to any holder who is a fiduciary or partnership or other than the sole beneficial owner of such payment to the extent that payment would, under the laws of a Taxing Jurisdiction, be treated as being derived or received for tax purposes by a beneficiary or settlor of that fiduciary or a member of that partnership or a beneficial owner who would not have been entitled to those Additional Amounts had it been the actual holder of the affected Security.

In addition, any amounts to be paid on the Securities will be paid, and any MGL Ordinary Shares to be delivered as a result of an Exchange will be delivered, net of any withholding, deduction, interest or penalty imposed or required under the Foreign Account Tax Compliance Act (a “FATCA Withholding”) pursuant to Sections 1471 through 1474 of the United States Internal Revenue Code of 1986, as amended (the “Code”), any current or future regulations or official interpretations thereof, any agreement entered into pursuant to Section 1471(b) of the Code, or any fiscal or regulatory legislation, rules or practices adopted pursuant to any intergovernmental agreement entered into in connection with the implementation of such Sections of the Code (“FATCA”), and in no circumstances will any Additional Amounts be required to be paid or additional MGL Ordinary Shares be required to be delivered on account of any such FATCA Withholding. Each holder shall be deemed to authorize the Issuer, MGL and any financial institutions or intermediaries through which payments are made, to deal with payments, MGL Ordinary Shares to be issued or delivered and the Securities in accordance with FATCA, including remitting, or otherwise dealing with, any amounts and MGL Ordinary Shares comprising a FATCA Withholding, and reporting payment or account or other information to the United States Internal Revenue Service (“IRS”) or other relevant revenue or taxing authority, in accordance with applicable requirements under FATCA. In addition, where MGL Ordinary Shares are required to be delivered to a holder of this Security upon an Exchange and the Issuer is required or entitled to make a FATCA Withholding, then the Issuer is entitled to take actions necessary to comply with that FATCA Withholding in accordance with paragraph 11 of “Description of the Securities – Exchange of Securities on an Exchange Event with, in the case of an Automatic Exchange Event, a fall back to Write-Off – Exchange Mechanics”. For additional information, see “Tax Considerations – United States Federal Income Taxation – U.S. Withholding Obligations.”

Whenever we refer in this document, in any context, to the payment of the principal of, or any interest amount on, any Security or the net proceeds received on the sale or Exchange of any Security, we mean to include the payment of Additional Amounts to the extent that, in that context, Additional Amounts are, were or would be payable.

Any Additional Amounts payable on Securities will be subordinated in right of payment, see “— Status and Subordination of Securities” below.

### **Redemption of Securities under certain circumstances**

The Securities may, with the approval of APRA and the satisfaction of certain conditions, see “— Approval of APRA” below, be redeemed at the Issuer’s option, in whole but not in part, following the occurrence of a Regulatory Event or a Tax Event (in each case, as defined below), or on any Reset Date. No Security or portion thereof can, or will, be Exchanged at the option of a holder of such Security.

Any such redemption will be made at a redemption price equal to the Redemption Price, however interest and Additional Amounts on the Securities are non-cumulative and may not be paid, even in circumstances where the Securities are redeemed.

If the Issuer chooses to redeem the Securities following a Tax Event or a Regulatory Event, then immediately prior to the giving of any notice of redemption of Securities pursuant to this section, the Issuer will deliver to the Fiscal Agent for the benefit of the holders of the Securities an officer’s certificate stating that the Issuer is entitled to effect such redemption and setting forth in reasonable detail a statement of facts showing that the conditions precedent to our right to so redeem the Securities have occurred.

If the Issuer exercises an option to redeem the Securities, the Issuer will provide holders with not less than 30 nor more than 60 days’ notice. Notices to redeem Securities shall be given by us in writing and for so long as any Securities are held in a clearing system, given to each holder in accordance with the rules and regulations of that clearing system relating to the delivery of notices, or mailed to their last addresses appearing on the register of the Securities. Notices to redeem the Securities shall specify the date fixed for redemption, the redemption price, the place or places of payment and that payment will be made upon presentation and surrender of the Securities to be redeemed. If the redemption follows the occurrence of a Regulatory Event or Tax Event, such notice shall also state that the conditions precedent to such redemption have occurred and state that the Issuer has elected to exercise its option to redeem the Securities in accordance with their terms.

If the Issuer has provided a notice of redemption in the manner described above, the Principal Amount of the Securities called for redemption shall become due on the date fixed for redemption.

### **Approval of APRA**

We cannot make any redemption or repurchase any Securities for any reason without obtaining the prior written approval of APRA and we cannot elect to redeem or repurchase the Securities unless:

(i) the Securities to be redeemed or repurchased are replaced (before or concurrently with the redemption or repurchase) with a Tier 1 Capital instrument of the same or better quality, and the replacement or repurchase of those Securities is done under conditions which are sustainable for the income capacity of the “MBL Level 1 Group” and the “MBL Level 2 Group”; or

(ii) APRA is satisfied that the capital positions of the “MBL Level 1 Group” and the “MBL Level 2 Group” are sufficient after the Securities are redeemed or repurchased.

Prospective purchasers of Securities should not expect that APRA’s approval will be given for any redemption or repurchase of Securities.

### **Redemption for taxation reasons**

Subject to the conditions set forth under “— Approval of APRA” above, we may elect to redeem the affected Securities, in whole but not in part, at a redemption price equal to the Redemption Price, upon the occurrence of any of the following (a “Tax Event”):

- there is a change in or any amendment to the laws or regulations of a Taxing Jurisdiction, or of any political subdivision or taxing authority of or in a Taxing Jurisdiction, that affects taxation; or
- there is a change or amendment in an official application or interpretation of those laws or regulations (provided, however, that, where such change or amendment relates to a Relevant Foreign Jurisdiction following a Branch Substitution, such change or amendment occurs after the date of that Branch Substitution and was not expected by MBL as at that date),

in each case, which change becomes effective on or after the Issue Date and was not expected by MBL as at the Issue Date; and

- subject to certain conditions described below, such a change or amendment causes us to become obligated to pay any Additional Amounts, see “— Payment of Additional Amounts”, or
- the Issuer, MBL or another member of the MGL Group is or will become exposed to more than a *de minimis* amount of taxes, duties, assessments, costs or other governmental charges on the Securities, including, without limitation, more than a *de minimis* adverse change in the deductibility of interest payments on the Securities under the laws of the Taxing Jurisdiction.

Before we can redeem the affected Securities, we must:

- give the holders of those Securities at least 30 and not more than 60 days’ written notice of our intention to redeem those Securities (and, at the time that notice is given, the obligation to pay those Additional Amounts or inability to deduct interest must remain in effect); and
- deliver to the holders of those Securities and the Fiscal Agent a legal opinion of our counsel confirming that the conditions that must be satisfied for redemption have occurred.

If, however, within 60 days of us becoming liable to pay any Additional Amounts on the Securities, we can eliminate the risk that we will have to pay those Additional Amounts by filing a form, making an election or taking some similar reasonable measure that in our sole judgment will not be adverse to us and will involve no material cost to us, a Tax Event will be taken not to have occurred.

### **Redemption for regulatory reasons**

Subject to the conditions set forth under “— Approval of APRA” above, we may elect to redeem the Securities, in whole but not in part, at the Redemption Price, upon the occurrence of any of the following (a “Regulatory Event”):

- a law or regulation applicable in the Commonwealth of Australia, any State or Territory of Australia or any Relevant Foreign Jurisdiction, or any directive, order, standard, requirement, guideline or statement of APRA or similar regulator in a Relevant Foreign Jurisdiction (whether or not having the force of law), which applies to MBL, MGL or any other member of MGL Group (a “Regulation”) is introduced, amended, clarified or changed or its application changed; or
- an announcement is made that a Regulation will be introduced, amended, clarified or changed or its application changed; or
- a decision is made by any court or other authority interpreting, applying or administering any Regulation,

in each case, which event occurs or is effective on or after the date we originally issued the Securities and was not expected by us as at such date (each such event a “Change in Law”) (provided, however, that, where the Change of Law relates to a Relevant Foreign Jurisdiction following a Branch Substitution, the Change of Law occurs after the date of that Branch Substitution and was not expected by MBL as at that date) and we determine that, as a result of that Change in Law:

- any of the Securities are not eligible for inclusion as Additional Tier 1 Capital of the MBL Level 1 Group or the MBL Level 2 Group; or
- that additional requirements (including regulatory, capital, financial, operational or administrative requirements) in connection with the Securities would be imposed on us, MGL or any other member of MGL Group which we determine, in our absolute discretion, might have a material adverse effect on MBL, MGL or any other member of MGL Group or otherwise be unacceptable; or
- that to have any of the Securities outstanding would be unlawful or impractical or that MBL, MGL or any other member of MGL Group would be exposed to a more than de minimis increase in its costs in connection with such Securities.

### ***Redemption on any Reset Date***

Subject to the conditions set forth under “— Approval of APRA” above, we may elect to redeem the Securities on any Reset Date, in whole but not in part, at the option of the Issuer, at the Redemption Price (but interest installments scheduled for payment on the redemption date will be payable to the holder of record of the Securities at the close of business on the relevant record dates) and subject to the notice requirements stated in the preceding paragraphs.

### **Exchange of Securities on an Exchange Event with, in the case of an Automatic Exchange Event, a fall back to Write-Off**

#### ***Automatic Exchange Event***

If an Automatic Exchange Event occurs, on the date on which such Automatic Exchange Event occurs (whether or not such date is a Business Day) (the “Automatic Exchange Date”), the Principal Amount of the Securities will be immediately Exchanged for MGL Ordinary Shares in an amount equal (following or together with any Loss Absorption in respect of other Relevant Tier 1 Securities) to:

- the aggregate face value of Relevant Tier 1 Securities that APRA has notified us must be subject to Loss Absorption; or
- if APRA has not so notified us, the Principal Amount of Securities determined by us, in the manner described below, as would satisfy APRA that (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, MBL will not become non-viable,

provided, however, that in the case of an Automatic Exchange Event where APRA notifies us in writing that it has determined that, without a public sector injection of capital or equivalent support, we would become non-viable, the Principal Amount of all Securities shall be Exchanged in full.

No Security or portion thereof can, or will, be Exchanged at the option of a holder thereof.

In determining the Principal Amount of Securities which must be Exchanged in accordance with the preceding paragraphs, the Issuer may, in its discretion, Exchange (in the case of Securities), or convert into MGL Ordinary Shares or write-off (in the case of any other Relevant Tier 1 Securities), the Securities and any Relevant Tier 1 Securities on a proportionate basis (unless the terms of any Relevant Tier 1 Security provide for any Loss Absorption to occur other than on a proportionate basis with the Securities and other Relevant Tier 1 Securities), or such other basis as the Issuer considers fair and reasonable, provided, however, that such determination must not impede or delay the immediate Exchange of the relevant Principal Amount of Securities.

On the Automatic Exchange Date, we will determine the Securities or portions thereof as to which the Exchange is to take effect and in making that determination may make any decisions with respect to the identity of the holders of Securities at that time as may be necessary or desirable to ensure Exchange occurs in an orderly manner, including disregarding any transfers of Securities that have not been settled or registered at that time.

If only some Securities are to be Exchanged in accordance with an Automatic Exchange Event, we will endeavor to treat holders of the Securities on an approximately proportionate basis, but may discriminate to take account of the effect of marketable parcels, the need to round to whole numbers, the number of MGL Ordinary Shares, and authorized denominations of any Securities or other Relevant Tier 1 Securities remaining on issue and other similar considerations and the need to effect the Exchange immediately.

For the purposes of the foregoing, where the specified currency of the principal amount of Relevant Tier 1 Securities is not the same for all Relevant Tier 1 Securities, we may treat them as if converted into a single currency of our choice at such rate of exchange as we in good faith consider reasonable.

We must give notice of our determination of the Securities or portions thereof as to which Exchange is to take effect (an "Automatic Exchange Notice") as soon as practicable to the Fiscal Agent and the holders of Securities, which must specify:

- the Automatic Exchange Date;
- the Principal Amount of the Securities that have been, or are to be, Exchanged; and
- the relevant number or principal amount of other Relevant Tier 1 Securities that have been, or are to be, subject to Loss Absorption.

Notwithstanding the above or any other term of the Securities, if for any reason an Exchange in connection with an Automatic Exchange Event has not occurred within 5 Business Days of the Automatic Exchange Date, then such Exchange will not occur and each Security or portion thereof that would otherwise be required to be Exchanged, will be Written-Off. Subject to the previous sentence, if MGL Ordinary Shares are issued in connection with an Exchange but the transfer of the relevant Securities for those MGL Ordinary Shares has not occurred as described herein, each Security or portion thereof which would be required to be Exchanged will be automatically terminated and written-off and the MGL Ordinary Shares shall be taken to be fully-paid in consideration of that termination and write-off. We will give notice to holders of affected Securities if an Exchange has not occurred (a "Failed Exchange Notice"), but failure to give such Failed Exchange Notice shall not prevent the occurrence of Write-Off in respect of the affected Securities.

Promptly following its receipt of the Automatic Exchange Notice, pursuant to the applicable rules and operating procedures of DTC currently in effect, DTC shall transmit the Automatic Exchange Notice to its direct participants holding the Securities at such time.

An Exchange on account of an Automatic Exchange Event takes place on the relevant Automatic Exchange Date and in the manner required by this section (“Automatic Exchange Event”), notwithstanding anything in the sections “Redemption of Securities under certain circumstances” or “Acquisition Event” (and any Acquisition Notice in respect of the Securities, given before the Automatic Exchange Date but in respect of which the Exchange has not completed, will be taken to be revoked and of no force or effect).

### **Acquisition Event**

If an Acquisition Event occurs then: (i) the Issuer must Exchange all outstanding Securities, unless the Directors determine that an Acquisition Exchange Exception applies, in which circumstances (subject to the following paragraph), no Exchange shall occur, and no other action is required to be taken in relation to the Securities, on account of that Acquisition Event; and (ii) if the Securities are to be Exchanged on account of an Acquisition Event, the Directors may determine, in their discretion that, all or any part of an amount not exceeding an amount equal to calculated but unpaid interest for the period from (and including) the immediately preceding Interest Payment Date to (but excluding) the Acquisition Exchange Date:

- (a) is payable to each holder of the Securities in cash on the Acquisition Exchange Date; and/or
- (b) shall be added to form part of the Exchange Amount.

The Issuer must give each holder of the Securities a notice (an “Acquisition Notice”) by no later than 5:00 pm (Sydney time) on the tenth Business Day after the occurrence of the Acquisition Event, specifying:

- (i) details of the Acquisition Event to which the notice relates; and
- (ii) if an Exchange is to occur:

(A) the date on which the Exchange pursuant to an Acquisition Event is to occur (an “Acquisition Exchange Date”), which is to be, (1) 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, (2) such other earlier date as the Issuer may reasonably determine having regard to the best interests of holders of the Securities 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 Notice), or (3) such other date as APRA may require; and

(B) whether any determination has been made by the Directors under part (ii) of the first paragraph of this section “Acquisition Event” and, if so, details of that determination; or

(C) otherwise, the reason why an Exchange is not to occur.

### **Exchange Events Generally**

Nothing shall prevent, impede or delay any Exchange or Write-Off of Relevant Tier 1 Securities as described herein, including, without limitation, the following events:

- any failure or delay in any Loss Absorption in respect of any other Relevant Tier 1 Securities;
- any failure or delay in giving an Automatic Exchange Notice or Failed Exchange Notice;
- any failure or delay in quotation of the MGL Ordinary Shares to be issued where Securities are required to be Exchanged;

- any requirement to select or adjust the Principal Amount of Securities to be Exchanged or Written-Off; and
- any failure or delay by a holder of Securities or any other party to comply with the provisions described herein.

Each holder of Securities, by its purchase or holding of an interest in any Securities irrevocably acknowledges and agrees that:

- we intend that the Securities constitute Additional Tier 1 Capital and are able to absorb losses when an Automatic Exchange Event occurs (that is, at a trigger point where Common Equity Tier 1 Ratios fall to or below 5.125% of total risk-weighted assets or at the point of non-viability as described in APRA's prudential standards and guidelines) and that the Securities are subject to Exchange or Write-Off as described herein, which is a fundamental feature of the Securities;
- Loss Absorption shall occur immediately on the Automatic Exchange Date and that may result in disruption or failures in trading or dealings in the Securities;
- no conditions or events will affect the operation of Exchange or Write-Off and the holders of the outstanding Securities shall not have any rights to vote in respect of any Securities or portions thereof that are Exchanged or Written-Off;
- any failure or delay in the completion of any procedure, formality or other matter connected with the Exchange or Writing-Off of Securities shall not prevent, impede or delay the Exchange or Write-Off of such Securities (which shall be deemed to have occurred immediately with effect on and from the Automatic Exchange Date, notwithstanding such failure or delay);
- upon an Exchange, subject to the provisions described in the paragraph of "Description of the Securities — Exchange of Securities on an Exchange Event with, in the case of an Automatic Exchange Event, a fall back to Write-Off—Exchange Mechanics" entitled "Securities held in a clearing system", such holder consents to becoming a member of MGL and agrees to be bound by the constitution of MGL;
- it agrees to the application of payments and issue of MGL Ordinary Shares in respect of its Securities upon an Exchange, notwithstanding anything which might otherwise affect the Exchange including, without limitation:
  - (i) any change in the financial position of MBL, MGL or MGL 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 the ASX; or
  - (iv) it being impossible or impracticable to sell or otherwise dispose of the MGL Ordinary Shares;
- if an Exchange does not occur for any reason within 5 Business Days of the Automatic Exchange Date, each Security or portion thereof subject to such Exchange will be Written-Off. Subject to the previous sentence, if MGL Ordinary Shares are issued in connection with an Exchange but the transfer of the relevant Securities for those MGL Ordinary Shares has not occurred as described herein, each Security or portion thereof which would be required to be Exchanged will be automatically terminated and written-off and the MGL Ordinary Shares shall be taken to be fully-paid in consideration of that termination and write-off;
- it will provide MBL and MGL with any information that MBL 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 an Exchange;



- it has no right to request an Exchange, redemption, or payment in respect of the Exchange, of a Security or any portion thereof or to determine whether (or in what circumstances) the Securities it holds are Exchanged or redeemed;
- it has no remedies on account of a failure by MGL:
  - (i) to make any payment in respect of an Exchange; or
  - (ii) to issue MGL Ordinary Shares as required in respect of an Exchange other than (and subject always to where Write-Off applies) to seek specific performance of the obligation to issue the MGL Ordinary Shares;
- prior to an Exchange, the Securities do not create or confer any voting rights in respect of any member of MGL Group; and
- subject to applicable law, it is not entitled to be provided with copies of any notices of general meetings of MBL or MGL or any other documents (including annual reports and financial statements) sent by MBL or MGL to holders of ordinary shares or other securities (if any) in MBL or MGL.

Each holder of Securities, by its purchase or holding of an interest in any Securities irrevocably:

- appoints each of MGL, MBL, any Sale Agent, their respective duly authorized officers and any liquidator, administrator, statutory manager or other similar official of MGL or MBL (each an “*Appointed Person*”) severally to be the attorney of the holder and the agents of the holder, with the power in the name and on behalf of the holder to:
  - (i) do all such acts and things (including, without limitation signing all documents, instruments or transfers or instructing CHES) as may, in the opinion of the Appointed Person, be necessary or desirable to be done in order to give effect to, record or perfect an Exchange or Write-Off (as applicable);
  - (ii) do all other things which an Appointed Person reasonably believes to be necessary or desirable to give effect to the terms of the Securities; and
  - (iii) appoint in turn its own agent or delegate; and
- authorizes and directs MBL and/or the Fiscal Agent to make such entries in the register, including amendments and additions to the register, which MBL and/or the Fiscal Agent may consider necessary or desirable to record an Exchange or Write-Off (as applicable).

The power of attorney to be given by Security holders in respect of the Securities will be given for valuable consideration and to secure the performance by the Security holder of the Security holder’s obligations under the Securities, will be irrevocable and will survive and not be affected by the subsequent disability or incapacity of the Security holder (or, if such Security holder is an entity, by its dissolution or termination). An Appointed Person will have no liability in respect of any acts duly performed in accordance with the power of attorney thereby given.

For any Security which is to be Exchanged or Written-Off only in part:

- (i) for the purposes of the transfer of that portion of that Security to MGL, the Principal Amount of that Security to be Exchanged and the Principal Amount of that Security that is not to be Exchanged shall each be deemed to be a separate Security with a denomination equal to the relevant Principal Amount; and
- (ii) in any case, such Security will be surrendered with, if we or the Fiscal Agent so requires, due endorsement by, or written instrument of transfer in the form satisfactory to us and the Fiscal Agent duly executed by, the holder thereof or its attorney duly authorized in writing; additionally, we will execute, and the Fiscal Agent will authenticate and deliver to the registered holder of such Security without service charge, a new Security or

Securities of like form and tenor, of any Principal Amount equal to and in exchange for the non-Exchanged or non-Written-Off portion of the Principal Amount of the Security so surrendered.

Where an Automatic Exchange Event takes effect, MBL must perform the obligations in respect of the relevant determination, immediately on the Exchange Date, whether or not such day is a Business Day.

Where any Securities are Exchanged or Written-Off only in part:

- the amount of interest payable in respect of that Security on each Interest Payment Date falling after that Exchange Date will be reduced and calculated on the Principal Amount, or portion thereof, of that Security as reduced on the date of the Exchange or Write-Off;
- the voting entitlement of the holder of that Security in respect of that Security shall be adjusted and calculated on the Principal Amount of that Security as reduced on the date of the Exchange or Write-Off; and
- the redemption price that may be payable on redemption of that Security on and from that date of the Exchange or Write-Off shall be adjusted and calculated on the Principal Amount of that Security as reduced on such date.

In respect of its obligations under an Exchange, MGL has entered into a deed poll ("*MGL Deed of Undertaking*") for the benefit of the holders of Securities, pursuant to which it has irrevocably undertaken:

- to perform its obligations relating to an Exchange (including in connection with the issue and delivery of MGL Ordinary Shares) as provided under the Securities (notwithstanding that it is not an obligor under the Securities);
- to use all reasonable endeavors to procure quotation of the MGL Ordinary Shares issued where Securities are required to be Exchanged on the ASX. Each holder of the Securities so Exchanged by its purchase or holding of an interest in any Securities agrees not to trade MGL Ordinary Shares issued on an Exchange (except as permitted by the Australian Corporations Act, other applicable laws and the ASX Listing Rules) until MGL has taken such steps as are required by the Australian Corporations Act, other applicable laws and the ASX Listing Rules for MGL Ordinary Shares to be freely tradable without further disclosure or other action and agrees that MGL may impose a holding lock or refuse to register a transfer in respect of MGL Ordinary Shares until such time;
- to ensure that the MGL Ordinary Shares issued where Securities are required to be Exchanged will rank equally with all other fully paid MGL Ordinary Shares;
- from the applicable Exchange Date (subject to the provisions of the Securities relating to Write-Off, the provisions described in the paragraph of "Description of the Securities — Exchange of Securities on an Exchange Event with, in the case of an Automatic Exchange Event, a fall back to Write-Off—Exchange Mechanics" entitled "Securities held in a clearing system" and that the Securities do not create or confer any voting rights in respect of any member of MGL Group prior to Exchange), to treat each holder of Securities as the holder of the applicable Exchange Number of MGL Ordinary Shares and will take all such steps, including updating any register, required to record the Exchange; and
- to otherwise comply with the terms of the Securities.

The MGL Deed of Undertaking will be governed by the laws of the State of New South Wales, Australia and the Commonwealth of Australia.

### ***Exchange Mechanics***

#### (1) Exchange

On an Exchange Date, subject to where Write-Off applies, each of the events described in this paragraph (1) shall occur in respect of any Security or portion thereof to be Exchanged.

- (a) Each relevant Security or portion thereof (including the rights of each holder of the relevant Security or portion thereof to payment of interest or any other amount owing in relation to that Security or portion thereof) will be automatically and irrevocably transferred free from any Encumbrance to MGL or an Approved Nominee for an amount payable by MGL equal to the Principal Amount of the relevant Security or portion thereof and MGL will apply that Principal Amount or portion thereof by way of payment for subscription for the MGL Ordinary Shares to be allotted and issued under paragraph 1(b). Each holder of a relevant Security or any portion thereof is taken to have irrevocably directed that any amount payable under this paragraph 1(a) is to be applied as provided for in paragraph 1(b) and no such holder (or other person claiming through a holder) has any right to payment in any other way.
- (b) MGL will allot and issue the Exchange Number of MGL Ordinary Shares to the holder of the Security (or as they may direct) for a subscription price equal to the Principal Amount of that Security or portion thereof. The “*Exchange Number*” will be calculated by MBL in accordance with the following formula:

$$\text{Exchange Number} = \frac{\text{Exchange Amount}}{(0.99 \times \text{Exchange Date VWAP})}$$

subject to the Exchange Number being no greater than the Maximum Exchange Number.

- (c) The “*Maximum Exchange Number per US\$1,000*” will be calculated by MBL on the Issue Date in accordance with the following formula:

$$\text{Maximum Exchange Number per US\$1,000} = \frac{\text{US\$1,000}}{\text{Exchange Floor Price}}$$

- (d) The “*Maximum Exchange Number*” will be calculated by MBL on the Exchange Date in accordance with the following formula:

$$\text{Maximum Exchange Number} = \frac{(\text{Exchange Amount} \times \text{Maximum Exchange Number per US\$1,000})}{\text{US\$1,000}}$$

- (e) If the total number of MGL Ordinary Shares to be allotted to a holder in respect of their aggregate holding of Securities or portions thereof upon Exchange includes a fraction of an MGL Ordinary Share, that fraction of an MGL Ordinary Share will be disregarded.
- (f) All rights of the relevant holder of that Security or portion thereof to payment of interest or any other amount owing, both in the future and unpaid as at the Exchange Date, in relation to such Security or portion thereof transferred are immediately and irrevocably terminated for no other consideration.
- (g) As agreed between, among others, MGL and MBL on or about the Issue Date, MBL, MGL and their Related Bodies Corporate will deal with the Securities or portions thereof being Exchanged so that fully paid MBL Ordinary Shares are issued to, or as directed by, MGL or to a Related Body Corporate of MGL nominated by MGL (which is a holding company of MBL and which itself issues ordinary shares to, or as directed by, MGL), for an aggregate issue price equal

to the aggregate Exchange Amount of the Securities to be Exchanged and the Securities transferred to MGL or to an Approved Nominee in accordance with this paragraph 1 shall be redeemed and cancelled (the “*Related Exchange Steps*”).

(2) Adjustments to VWAP

For the purposes of calculating VWAP under the terms of the Securities:

- (a) where, on some or all of the ASX Trading Days in the relevant VWAP Period, MGL Ordinary Shares have been quoted on the ASX as cum dividend or cum any other distribution or entitlement and the Securities or portions thereof 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 Australian 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 Section 2(a)(i) above which is traded on the ASX on any of those ASX Trading Days), the VWAP of all such entitlements sold on the 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 the ASX during the VWAP Period), the value of the entitlement as reasonably determined by MBL; and
- (b) where, on some or all of the ASX Trading Days in the VWAP Period, MGL Ordinary Shares have been quoted on the ASX as ex dividend or ex any other distribution or entitlement, and the Securities or portions thereof 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.

(3) 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 the 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:

“A” means the aggregate number of MGL Ordinary Shares immediately before the Reclassification; and

“*B*” means the aggregate number of MGL Ordinary Shares immediately after the Reclassification.

- (b) Any adjustment to VWAP made by MBL in accordance with paragraphs (2) and (3)(a) above will be effective and binding on holders of the Securities and the terms of the Securities will be construed accordingly. Any such adjustment must be notified to all holders of the Securities as soon as reasonably practicable following its determination by MBL.

(4) Adjustments to Issue Date VWAP

For the purposes of determining the Issue Date VWAP, adjustments to VWAP will be made in accordance with paragraphs (2) and (3) above 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 paragraphs (5) and (6) below; and
- (b) if so made, will cause an adjustment to the Maximum Exchange Number per US\$1,000.

(5) Adjustments to Issue Date VWAP for bonus issues

- (a) Subject to paragraph 5(b), 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:

$$v = V_o \times \frac{RD}{RD + RN}$$

where:

“*V*” means the Issue Date VWAP applying immediately after the application of this formula;

“*V<sub>o</sub>*” means the Issue Date VWAP applying immediately prior to the application of this formula;

“*RN*” means the number of MGL Ordinary Shares issued pursuant to the bonus issue; and

“*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) Paragraph (5)(a) above 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 paragraph (5)(a) above, 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 Section (5) for any offer of MGL Ordinary Shares not covered by paragraph (5)(a) above, 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 paragraph (5)(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 of any Securities or otherwise requiring any consent or concurrence.

(6) 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, MBL will 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 formula:

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

where:

“A” means the aggregate number of MGL Ordinary Shares immediately before the Reclassification; and

“B” means the aggregate number of MGL Ordinary Shares immediately after the Reclassification.

- (b) Each holder of a Security 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 of any Securities or otherwise requiring any consent or concurrence.

(7) No adjustment to Issue Date VWAP in certain circumstances

Despite the provisions of paragraphs (5) and (6) above, no adjustment shall be made to the Issue Date VWAP where such cumulative adjustment (rounded if applicable) would be less than one percent of the Issue Date VWAP then in effect. Any adjustment not made in accordance with this paragraph (7) shall be carried forward and taken into account in determining whether any subsequent adjustment shall be made.

(8) Announcement of adjustment to Issue Date VWAP

If MBL determines an adjustment to the Issue Date VWAP under paragraphs (5) and (6) above, such an adjustment will be:

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

The adjustment set out in the Adjustment Notice will be final and binding on holders of the Securities and the terms of the Securities will be construed accordingly.

(9) Failure to Exchange

Subject to where Write-Off applies and paragraph (11)(g) below, if, in respect of an Exchange of a Security or any portion thereof, MGL fails to issue the MGL Ordinary Shares to, or in accordance with the instructions of, the relevant holder of that Security on the applicable Exchange Date or to the Sale Agent where paragraph (11) below applies, the Principal Amount of that Security or portion thereof shall nonetheless be transferred and dealt with in accordance with paragraphs (1)(a), (1)(f) and (1)(g) above and the remedies of any holder of that Security in respect of that failure are limited to seeking an order for specific performance of MGL’s obligations to issue MGL Ordinary Shares.

If, in respect of an Exchange of a Security or portion thereof, that Security or portion thereof 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 Security and all rights of the relevant holder (and any person claiming through the holder) in such Security or portion thereof are taken to have ceased and that Security or portion thereof shall be cancelled.

This paragraph (9) does not affect the obligation of MGL to deliver the MGL Ordinary Shares or of the holder of a relevant Security to transfer that Security or portion thereof when required in accordance with its terms.

(10) Securities held in a clearing system

Subject to where Write-Off applies, if:

- (a) any Security or portion thereof is required to be Exchanged; and
- (b) the holder of that Security is the operator of a clearing system or a nominee for a common depository for any one or more clearing systems (such operator or nominee for a common depository acting in such capacity as is specified in the rules and regulations of the relevant clearing system or clearing systems),

then, with effect from the Exchange Date:

- (c) the holder's rights in relation to each such Security or portion thereof being Exchanged are deemed to have been immediately and irrevocably terminated in respect of such amount Exchanged;
- (d) MGL will issue the relevant aggregate Exchange Number of MGL Ordinary Shares due to such holder in uncertificated form through MGL's share registry provider to a Sale Agent in accordance with and subject to this section for no additional consideration to hold on trust for delivery or sale for the benefit of the participants in, or members of, the relevant clearing system or clearing systems who held interests in the corresponding Securities through the relevant clearing system or clearing systems immediately prior to Exchange ("*Clearing System Participants*"); and
- (e) each such Clearing System Participant will, in respect of its proportional entitlement to an interest in that Security, be entitled to receive MGL Ordinary Shares (or the proceeds of the sale of MGL Ordinary Shares) from the Sale Agent in accordance with, and subject to, this section as though references to the "holder" or "registered holder" of any Security or a portion thereof are to the Clearing System Participant and references to MGL issuing MGL Ordinary Shares to the holder are to the Sale Agent delivering to the Clearing System Participant the MGL Ordinary Shares issued to the Sale Agent under paragraph (10)(d).

(11) Holders of Securities whose MGL Ordinary Shares are to be sold

Subject to where Write-Off applies, if any Security or portion thereof is required to be Exchanged and if:

- (a) the registered holder of that Security has notified MBL 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 registered holder of that Security either has an address in the register which is a place outside Australia or is believed by MBL or MGL to not be a resident of Australia (in either case, the Security holder being a “Foreign Holder”);
- (c) for any reason (whether or not due to the fault of the holder):
  - (i) MBL or MGL does not receive any information required by it in accordance with the terms of that Security so as to impede MGL from issuing the MGL Ordinary Shares to the holder of that Security 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 registered holder of that Security is prohibited from acquiring some or all of the Exchange Number of MGL Ordinary Shares on the Exchange Date;

then, subject to paragraph (11)(e) below and without limiting paragraph (10), MBL will use reasonable endeavors to appoint a Sale Agent (which is not MBL or any Related Entity of MBL) on such terms as MBL considers reasonable, who will act in accordance with paragraph (11)(f) where MBL, MGL and the Sale Agent can be satisfied that the obligation in paragraph (11)(f) may be performed in respect of the relevant Security and the relevant MGL Ordinary Shares in accordance with all applicable laws and without MBL, MGL or the Sale Agent having to take steps which any of them regard as unacceptable or onerous.

On the Exchange Date:

- (e) where paragraph (11)(a), (11)(b), 11(c)(ii) or (11)(d) above applies, MGL will issue the Exchange Number of MGL Ordinary Shares to the holder of that Security only to the extent (if at all) that:
  - (i) where paragraph (11)(a) above applies, the holder’s notice referred to in paragraph 11(a) indicates the holder wishes to receive them;
  - (ii) where paragraph (11)(b) above applies, the Foreign Holder has notified MBL that it wishes 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, and 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 paragraph (11) (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;
  - (iii) where paragraph (11)(c)(ii) above applies, MGL, in its absolute discretion, considers that it can do so in accordance with the requirements applicable to the relevant FATCA Withholding without it having to take steps which it regards as unacceptable or onerous; or
  - (iv) where paragraph (11)(d) above 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 (11)(g) below and any other circumstances where Write-Off applies, MGL will issue the balance 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 holder of the relevant Security on a date determined by the Sale Agent a cash amount equal to the Attributable Proceeds of the holder of that Security (and, where a FATCA Withholding has been required to be made, will remit the cash amount referable to the FATCA Withholding to, or as directed by, the relevant authority or agency). 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, that Security or portion thereof will be deemed Exchanged and will be dealt with in accordance with paragraph (1) and, on and from the issue of MGL Ordinary Shares, the rights of the holder of that Security the subject of this paragraph (1) are limited to its rights in respect of the MGL Ordinary Shares or the Attributable Proceeds as provided in this paragraph (11); and

- (g) where paragraph (10) or paragraph (11)(f) above applies in respect of a holder of a Security and a Sale Agent is unable to be appointed, or any of MGL or the Sale Agent is of the opinion that the issue of MGL Ordinary Shares to the Sale Agent and subsequent delivery or sale in accordance with paragraph (10) or paragraph (11)(f) cannot be undertaken in accordance with Applicable Shareholding Law or other applicable law (or can be undertaken in accordance with Applicable Shareholding Law or applicable law only after MGL or the Sale Agent take steps which any of MBL, MGL or the Sale Agent regard as onerous) then, without in any way limiting other circumstances where Write-Off may apply as described in this document, 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 (11)(f) above or otherwise to the holder of that Security in accordance with paragraph (10), then that Security or portion thereof will be Written-Off.

Nothing in this paragraph (11) will affect the Exchange of any Security or portion thereof to any holder of that Security which is not a person to which any of paragraphs (11)(a) to (11)(d) applies.

For the purpose of this paragraph (11), none of MBL, MGL, the Sale Agent or any other person owes any obligations or duties to the Security holders in relation to the price at which MGL Ordinary Shares are sold or has any liability for any loss suffered by a Security holder as a result of the sale of MGL Ordinary Shares.

## **Mergers and Similar Transactions**

We or MGL are generally permitted to consolidate or merge with another company or firm. We or MGL are also permitted to sell substantially all of our assets to another company or firm, or to buy substantially all of the assets of another company or firm. However, neither we nor MGL may take any of these actions unless all the following conditions are met:

- Where we or MGL consolidate or merge out of existence or sell substantially all of our or MGL's assets, except as otherwise indicated below, the other company or firm must be an entity organized as a corporation, trust or partnership and:
  - (i) in respect of a consolidation, merger, sale of assets or other transaction concerning us, it must expressly accept all obligations of MBL included in the Securities; and
  - (ii) in respect of a consolidation, merger, sale of assets or other transaction concerning MGL, it or its ultimate holding company must expressly assume the performance of every covenant of MGL included in the Securities and the MGL Deed of Undertaking.
- We deliver to the holders of the Securities a certificate (signed by our chief executive or financial officer or treasurer) and opinion of counsel, each stating that the consolidation, merger, sale, lease or purchase of assets or other transaction complies with the terms of the Securities.

- The merger, sale of assets or other transaction must not cause the Issuer to be unable to make scheduled payments and comply with its obligations under the Securities, and the Issuer must not already be unable to make scheduled payments or be in breach of its obligations under the Securities, unless the consolidation, merger, sale of assets or other transaction would cure such inability or breach.
- If such company or firm is not organized and validly existing under the laws of Australia or a Relevant Foreign Jurisdiction, it must expressly agree that all payments pursuant to the Securities must be made without withholding or deduction for or on account of any tax, duty, assessment or governmental charge of whatever nature imposed or levied on behalf of the jurisdiction of organization of such company or firm, or any political subdivision or taxing authority thereof or therein, unless such tax, duty, assessment or governmental charge is required by such jurisdiction or any such subdivision or authority to be withheld or deducted, in which case such company or firm will pay such Additional Amounts in order that the net amounts received by the holders of the Securities after such withholding or deduction will equal the amount which would have been received in respect of the Securities in the absence of such withholding or deduction, subject to the same exceptions as would apply with respect to the payment by us of Additional Amounts in respect of the Securities (substituting the jurisdiction of organization of such company or firm for Australia or the Relevant Foreign Jurisdiction (as applicable)); provided, however, that this indemnity shall not apply to any deduction or withholding imposed or required pursuant to Sections 1471 through 1474 of the Code, any current or future regulations or official interpretations thereof, any agreement entered into pursuant to Section 1471(b) of the Code, or any fiscal or regulatory legislation, rules or practices adopted pursuant to any intergovernmental agreement entered into in connection with the implementation of such Sections of the Code, and shall not require the payment of Additional Amounts on account of any such withholding or deduction.

Notwithstanding the above, neither we nor MGL are prevented from consolidating with or merging into any other person or conveying, transferring or leasing our respective properties and assets substantially as an entirety to any person, or from permitting any person to consolidate with or merge into us or MGL or to convey, transfer or lease our respective properties and assets substantially as an entirety to us or MGL where such consolidation, merger, conveyance, transfer or lease is:

- required by APRA (or any statutory manager or similar official appointed by it) under law and prudential regulation applicable in the Commonwealth of Australia (including, without limitation the Australian Banking Act or the Australian FSBT Act, as used herein, and any amendments thereto, rules thereunder and any successor laws, amendments and rules)); or
- determined by us or MGL, or by APRA (or any statutory manager or similar official appointed by it) to be necessary in order for us or MGL to be managed in a sound and prudent manner or for us, MGL or APRA (or any statutory manager or similar official appointed by it) to resolve any financial difficulties affecting us or MGL, in each case in accordance with law and prudential regulation applicable in the Commonwealth of Australia.

### **Existence**

Subject to the provisions described under “— Mergers and Similar Transactions” above, we and MGL are each required to do or cause to be done all things necessary to preserve and keep in full force and effect our existence, rights (charter and statutory) and franchises; provided, however, that each of us and MGL shall not be required to preserve any such right or franchise if our respective Boards of Directors determines that the preservation thereof is no longer desirable in the conduct of our respective businesses and that the loss thereof is not disadvantageous in any material respect to the holders of the Securities or:

- required by APRA (or any statutory manager or similar official appointed by it) under law and prudential regulation applicable in the Commonwealth of Australia (including without limitation the Australian Banking Act or the Australian FSBT Act, which terms, as used herein, include any amendments thereto, rules thereunder and any successor laws, amendments and rules)); or

- determined by us or MGL, or by APRA (or any statutory manager or similar official appointed by it), to be necessary in order for MBL or MGL to be managed in a sound and prudent manner or for us or MGL, or APRA (or any statutory manager or similar official appointed by it), to resolve any financial difficulties affecting each of us, in each case in accordance with law and prudential regulation applicable in the Commonwealth of Australia.

### **Branch Substitution**

The Securities have been initially issued by MBL, acting through its London Branch. MBL or any Substitute Branch substituted as described below may, subject to APRA's prior written approval and all other necessary authorizations, regulatory and governmental approvals and consents, substitute another branch of MBL (a "Substitute Branch") as issuer of the Securities by an amendment to the terms of the Securities and the execution of such further documents (if any) and the compliance with such other formalities or requirements as may be necessary to ensure that such Substitute Branch is bound in full by all of the obligations of MBL under the Securities (a "Branch Substitution"):

- without the consent or approval of the holders of the Securities, *provided, however*, that MBL is of the opinion that the substitution does not, taken as a whole and in conjunction with all other amendments, if any, made contemporaneously with the substitution, materially adversely affect the interests of holders of the Securities as a whole; or
- with the consent of holders of at least 50% of the Principal Amount of the Securities then outstanding at a meeting duly called in accordance with the terms of the Securities or by written consent of holders of at least 50% of the Principal Amount of all Securities then outstanding.

After a Branch Substitution, the Substitute Branch may effect a further substitution (including to the Issuer or a previous Substitute Branch) in accordance with this Section (with necessary changes).

Not later than 14 days after the execution of the documents and compliance with the requirements described in this Section, the Substitute Branch shall notify the holders of the Securities of the Branch Substitution.

Upon the execution of such documents and compliance with such requirements, the terms of the Securities will be deemed to be modified in such manner as shall be necessary to give effect to the above provisions and, without limitation, references in the Securities to the Issuer will, unless the context otherwise requires, be deemed to be or include references to the Substitute Branch.

### **Modification of the Securities, the Fiscal Agency Agreement or the MGL Deed of Undertaking and Waiver of Covenants**

The prior written approval of APRA is required to modify, amend or supplement the terms of the Securities, the Fiscal Agency Agreement or MGL Deed of Undertaking, insofar as it affects the Securities, or to give consents or waivers in respect of the Securities or take other actions where such modification, amendment, supplement, consent, waiver or other action may affect the eligibility of the Securities as Tier 1 Capital of MBL.

If we are able to obtain APRA's prior written approval, there are three types of changes we can make to the Fiscal Agency Agreement, the Securities and MGL Deed of Undertaking and these changes might subject the holders to U.S. federal tax.

#### ***Changes not requiring approval***

The first type of change does not require any approval by holders of the Securities. These changes are limited to curing any ambiguity or curing, correcting or supplementing any defective provision, adding to our or MGL's covenants or surrendering our rights, or MGL surrendering its rights, or modifying the Fiscal Agency Agreement, the Securities or MGL Deed of Undertaking in any manner determined by us, MGL and the Fiscal Agent to be consistent with the Securities and not materially adverse to the interest of holders of Securities.

### ***Changes requiring majority approval***

Second, any change not described in “—Changes not requiring approval” above or “—Changes requiring each holder’s approval” below to the Fiscal Agency Agreement, the Securities and the MGL Deed of Undertaking would require the following approval (in addition to the prior written approval of APRA):

- the written consent of the holders of at least 50% of the Principal Amount of the Securities effected at the time outstanding; or
- the adoption of a resolution at a meeting at which a quorum of holders is present by 50% of the Principal Amount of the Securities effected at the time outstanding represented at the meeting.

The same 50% approval would be required for us to obtain a waiver of any of our respective covenants in the Fiscal Agency Agreement, the Securities or MGL Deed of Undertaking. Such covenants include the promises we and MGL each make about merging, which we describe above under “— Mergers and Similar Transactions”. If the holders approve a waiver of a covenant, neither we nor MGL will have to comply with it.

These defined majorities are able to bind all holders of the Securities, including holders who did not provide written consent or attend and vote at a relevant meeting and holders who voted in a manner contrary to the majority.

The quorum at any meeting called to adopt a resolution will be persons holding or representing a majority in Principal Amount of the Securities at the time outstanding and, at any reconvened meeting adjourned for lack of a quorum, 25% of the Principal Amount of the Securities outstanding. For purposes of determining whether holders of the Principal Amount of Securities required for any action or vote, or for any quorum, have taken the action or vote, or constitute a quorum, the Principal Amount of any particular Security may differ from its Principal Amount at issuance or ultimate redemption (if applicable) but will not exceed its stated face amount upon original issuance.

Unless otherwise indicated, we will be entitled to set any day as a record date for determining which holders of book-entry Securities are entitled to make, take or give requests, demands, authorizations, directions, notices, consents, waivers or other action, or to vote on actions, authorized or permitted by the Fiscal Agency Agreement. In addition, record dates for any book-entry Security may be set in accordance with procedures established by the Depositary from time to time. Therefore, record dates for book-entry Securities may differ from those for other Securities. Book-entry and other indirect owners should consult their banks or brokers for information on how approval may be granted or denied if we seek to change the Fiscal Agency Agreement or any Securities or request a waiver.

### ***Changes requiring each holder’s approval***

Finally, there are changes that cannot be made without the written consent or the affirmative vote or approval of each holder of outstanding securities. Here is a list of those types of changes:

- change the due date for the payment of principal of, or any installment of interest on any Security;
- reduce the Principal Amount of any Security, the portion of any Principal Amount that is payable according to the terms of the Securities, the interest rate payable upon redemption;
- change the subordination provisions of a Security, the Deed of Undertaking or Exchange features (other than adjustments contemplated by the terms of the Securities) in a manner adverse to the interests of any holder of the Security;
- change the currency of any payment on a Security;
- change our obligation to pay Additional Amounts, subject to the Payment Exceptions;

- shorten the period during which redemption of the Securities is not permitted or permit redemption during a period not previously permitted;
- change the place of payment on a Security;
- reduce the percentage of Principal Amount of the Securities outstanding necessary to modify, amend or supplement the Fiscal Agency Agreement or the Securities;
- reduce the percentage of Principal Amount of the Securities outstanding required to adopt a resolution or the required quorum at any meeting of holders of Securities at which a resolution is adopted; or
- change any provision in a Security with respect to redemption at the holders' option in any manner adverse to the interests of any holder of the Securities.

### ***Only outstanding Securities are eligible***

Only holders of outstanding Securities will be eligible to participate in any action by holders of Securities. Also, we will count only outstanding Securities in determining whether the various percentage requirements for taking action have been met. For these purposes, a Security will not be "outstanding":

- if it has been surrendered for cancellation;
- if it has been Written-Off in full;
- if we have called such Security for redemption or it is payable and we have deposited or set aside, in trust for its holder, money for its payment or redemption;
- if it is in lieu of or in substitution for other Securities that have been authenticated and delivered;
- if we or one of our affiliates is the owner; or
- in the case of the Securities only, if it has been Exchanged.

### **Form, exchange and transfer of Securities**

If any Securities cease to be issued in registered global form, they will be issued:

- only in fully registered form;
- without interest coupons; and
- unless we indicate otherwise, in denominations of US\$200,000 or integral multiple of US\$1,000 in excess thereof.

Holders may exchange their Securities for Securities of smaller denominations or combine them into fewer Securities of larger denominations, as long as the total Principal Amount is not changed.

Holders may exchange or transfer their Securities at the office of the Fiscal Agent. They may also replace lost, stolen, destroyed or mutilated Securities at that office. We have appointed the Fiscal Agent to act as our agent for registering Securities in the names of holders and transferring and replacing Securities. We may appoint another entity to perform these functions or perform them ourselves.

Holders will not be required to pay a service charge to transfer or exchange their Securities, but they may be required to pay for any tax or other governmental charge and certain other related expenses associated with the exchange or transfer and any other reasonable expenses (including the fees and expenses of the Fiscal Agent) in connection with the exchange or transfer. The transfer or exchange, and any replacement, will be made only if our transfer agent is satisfied with the holder's proof of legal ownership. The transfer agent may require an indemnity before replacing any Securities.

We may appoint additional transfer agents or vary or terminate the appointment of any particular transfer agent at any time and from time to time upon giving not less than ninety days' notice to such transfer agent and the Fiscal Agent. We may also approve a change in the office through which any transfer agent acts, provided that we shall at all times maintain a transfer agent in the Borough of Manhattan, The City of New York.

If a Security is issued as a Global Security, only the Depository — e.g., DTC, Euroclear or Clearstream, Luxembourg — will be entitled to transfer and exchange the Security as described in this subsection, since the Depository will be the sole holder of the Security.

The rules for exchange described above apply to exchange of Securities for other Securities of the same kind.

## **Payment mechanics for Securities**

### ***Who receives payment?***

If we pay interest on a Security on an Interest Payment Date, we will pay the interest to the person in whose name the Security is registered at the close of business on the Regular Record Date relating to the Interest Payment Date, see “— Payment and Record Dates for interest” below. If we pay interest on any payment date, we will pay the interest to the person entitled to receive the principal of the Security. If principal or another amount is to be paid, we will pay the amount to the holder of the Security against surrender of the Security at a proper place of payment or, in the case of a Global Security, in accordance with the applicable policies of the Depository, which will be DTC, Euroclear or Clearstream, Luxembourg.

### ***Payment and Record Dates for interest***

Subject to the Payment Exceptions, interest will be payable on the Securities (i) semiannually in arrears on March 8 and September 8 of each year, beginning on September 8, 2017 and (ii) on any Acquisition Exchange Date, in each case at an initial rate (until the Initial Reset Date) of 6.125% per annum to the persons in whose names the Securities are registered at the close of business on the fifteenth day (whether or not a Business Day) next preceding such Interest Payment Date (the “Regular Record Date”). Interest will be paid on the basis of a 360-day year comprised of twelve 30-day calendar months. If any payment date for the Securities falls on a day that is not a Business Day, the payment date shall be postponed to the next succeeding Business Day, and no additional amount will be payable on account of the delay. Notwithstanding the foregoing, if an Automatic Exchange Event occurs, the Issuer, MGL and any Related Body Corporate shall perform its obligations in respect of the Automatic Exchange Event immediately on the Exchange Date, irrespective of whether that date is also a Business Day.

### ***How we will make payments***

*Payments on Global Securities.* We will make payments on a Global Security in accordance with the applicable policies as in effect from time to time of the Depository, which will be DTC, Euroclear or Clearstream, Luxembourg. Under those policies, we will pay directly to the Depository, or its nominee, and not to any indirect owners who own beneficial interests in the Global Security. An indirect owner's right to receive those payments will be governed by the rules and practices of the Depository and its participants.

*Payments on non-Global Securities.* We will make payments on a Security in non-global, registered form as follows. We will pay interest that is due on an Interest Payment Date by check mailed on the Interest Payment Date to the holder at its address shown on the Fiscal Agent's records as of the close of business on the Regular Record Date. We will make all other payments by check at the office of the Paying Agent described below, against surrender of the Security. All payments by check will be made in next-day funds — *i.e.*, funds that become available on the day after the check is cashed.

Alternatively, if a non-Global Security has a face amount of at least US\$5,000,000 and the holder asks us to do so, we will pay any amount that becomes due on the Security by wire transfer of immediately available funds to an account at a bank in New York City, on the due date. To request wire

payment, the holder must give the Paying Agent appropriate wire transfer instructions at least five Business Days before the requested wire payment is due. In the case of any interest payment due on an Interest Payment Date, the instructions must be given by the person or entity who is the holder on the relevant Regular Record Date. In the case of any other payment, payment will be made only after the Security is surrendered to the Paying Agent. Any wire instructions, once properly given, will remain in effect unless and until new instructions are given in the manner described above.

Book-entry and other indirect owners should consult their banks or brokers for information on how they will receive payments on their Securities.

### **Paying Agent**

We may appoint one or more financial institutions to act as our paying agents, at whose designated offices Securities in non-global entry form may be surrendered for payment when applicable. We call each of those financial institutions a "Paying Agent". We may appoint additional Paying Agents or vary or terminate the appointment of any particular Paying Agent at any time and from time to time upon giving not less than ninety days' notice to such Paying Agent. We may also approve a change in the office through which any Paying Agent acts, provided that at all times there will be a Paying Agent in the Borough of Manhattan, The City of New York. We may also choose to act as our own Paying Agent. Initially, we have appointed The Bank of New York Mellon as the Paying Agent. We must notify the Fiscal Agent of changes in the Paying Agents.

### **Unclaimed payments**

Any entitlement for a holder of these Securities to receive payment of any amount in respect of these Securities will become void unless the holder (in the case of the Principal Amount) has presented and surrendered their applicable Securities, and has provided address or account details for the purposes of payments, in accordance with the terms hereof within 10 years from the applicable payment date or (in the case of interest amounts) has provided address or account details for the purposes of payments in accordance with the terms hereof within 5 years from the applicable payment date.

### **Notices**

Notices to be given to holders of a Global Security will be given only to the Depositary, in accordance with its applicable policies as in effect from time to time. Notices to be given to holders of Securities not in global form will be sent by mail to the respective addresses of the holders as they appear in the Fiscal Agent's records, and will be deemed given when mailed. Neither the failure to give any notice to a particular holder, nor any defect in a notice given to a particular holder, will affect the sufficiency of any notice given to another holder. Book-entry and other indirect owners should consult their banks or brokers for information on how they will receive notices.

### **Our relationship with the Fiscal Agent**

The Bank of New York Mellon is serving as the Fiscal Agent for the Securities issued under the Fiscal Agency Agreement.

### **Successor fiscal agent**

The Fiscal Agency Agreement provides that the Fiscal Agent may be removed by us at any time or may resign upon 30 days prior written notice to us or any shorter period that we accept, effective upon the acceptance by a successor fiscal agent of its appointment. The Fiscal Agency Agreement provides that any successor fiscal agent must have an established place of business in the Borough of Manhattan, The City of New York. We must notify the holders of the Securities of the appointment of a successor fiscal agent.

### **Governing law**

The Fiscal Agency Agreement and the Securities will be governed by, and construed in accordance with, the laws of the State of New York without reference to the State of New York principles regarding conflicts of laws, except that all matters governing authorization and execution of the Securities and the

Fiscal Agency Agreement by MBL, the subordination and exchange and write-off provisions of the Securities and the MGL Deed of Undertaking will be governed by the laws of the State of New South Wales, Australia and the laws of the Commonwealth of Australia. We have appointed Macquarie Holdings (USA) Inc. located at 125 West 55th Street, New York, New York 10019, as our agent for service of process in The City of New York in connection with any action arising out of the sale of the Securities or enforcement of the terms of the Fiscal Agency Agreement.

**Security identification numbers**

The following security identification numbers have been initially assigned to the Security:

ISINs: US55608XAC11 (Rule 144A Global Note); and  
US55608YAC93 (Permanent Regulation S Global Note).

CUSIPs: 55608XAC1 (Rule 144A Global Note); and  
55608YAC9 (Regulation S Global Note).

\* \* \* \* \*



## CERTAIN DEFINITIONS

In this document, unless otherwise specified or the context otherwise requires:

- “A\$” or “\$” means the Australian dollar and “US\$” means the U.S. dollar;
- “ABN” means Australian Business Number;
- “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 Australian 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 Australian 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 Australian Corporations Act;
    - (i) acquires or comes to hold beneficially more than 50% of the voting shares (as defined in the Australian Corporations Act) in the capital of MBL or MGL; or
    - (ii) enters into an agreement to beneficially acquire more than 50% of the voting shares (as defined in the Australian Corporations Act) in the capital of MBL or MGL and the agreement to acquire is, or becomes, unconditional,(for the purposes of this definition, each an “event”), other than:
  - (d) an event that occurs as part of a solvent reorganization 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 MBL 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 MBL 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 MBL’s reasonable opinion, otherwise be materially adverse to the interests of holders of the Securities as a whole; and
  - (ii) the Approved Acquirer agrees for the benefit of holders of the Securities to:
    - (A) issue listed ordinary share capital in the Approved Acquirer in all circumstances where MGL would have otherwise been obliged to issue MGL Ordinary Shares in accordance with these terms; and
    - (B) comply with the obligations and restrictions as apply to MGL in connection with the Securities as if references to MGL in this “Description of the Securities” were references to the Approved Acquirer; or
  - (e) in the case of MBL, where the person acquiring the relevant interest in or acquiring voting shares in MBL is a wholly owned subsidiary of MGL;

- “*Acquisition Exchange Date*” means the date (whether or not a Business Day) on which an Exchange pursuant to an Acquisition Event occurs;
- “*Acquisition Exchange Exceptions*” means a determination by the Directors that (A) as at the Acquisition Exchange Date, an MGL Ordinary Share Event subsists, or will likely be subsisting (except where, despite the MGL Ordinary Share Event, the Exchange would be in the best interests of holders of the Securities as a whole); or (B) the Exchange Number of MGL Ordinary Shares to be issued in Exchange for a Security (calculated in accordance with the terms of the Securities 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 of the Securities as a whole);
- “*Additional Tier 1 Capital*”, “*Tier 1 Capital*” and “*Tier 2 Capital*” each has the meaning determined for that term (or its equivalent) by APRA from time to time;
- “*ADI*” means an institution that is an authorized deposit-taking institution under the Australian Banking Act and regulated as such by APRA;
- “*Applicable Shareholding Law*” means any law in force in Australia or any relevant foreign jurisdiction which limits or restricts the number of ordinary shares in MBL, 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, including, without limitation, Chapter 6 of the Australian Corporations Act, the Foreign Acquisitions and Takeovers Act 1975 of Australia, the Financial Sector (Shareholdings) Act 1998 of Australia and Part IV of the Competition and Consumer Act 2010 of Australia;
- “*Approved Nominee*” means in connection with an Exchange, a subsidiary of MGL which is (i) nominated by MGL; and (ii) a holding company of MBL on the applicable Exchange Date, which has been approved by APRA prior to the Exchange Date to be an Approved Nominee for the purposes of the Exchange;
- “*APRA*” means the Australian Prudential Regulation Authority or any authority succeeding to its powers and responsibilities;
- “*ASIC*” means the Australian Securities and Investments Commission and its successors;
- “*ASX*” means the Australian Securities Exchange operated by ASX Limited and its successors;
- “*ASX Listing Rules*” means the listing rules of the ASX as amended, varied or waived (whether in respect of MBL, MGL or generally) from time to time;
- “*ASX Operating Rules*” means the market operating rules of the ASX as amended, varied or waived (whether in respect of MBL, 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 of a Security to whom paragraph (11)(f) of “Description of the Securities—Exchange of Securities on an Exchange Event with, in the case of an Automatic Exchange Event, a fall back to Write-Off— Exchange Mechanics” applies, an amount equal to: (i) the net proceeds of the sale of such MGL Ordinary Shares, actually received after deducting any applicable brokerage, stamp duties and other taxes (including, without limitation, any FATCA Withholding), charges and expenses, divided by the number of such MGL Ordinary Shares issued and sold; multiplied by (ii) the number of MGL Ordinary Shares issued and sold in accordance with paragraph (11)(f) of “Description of the Securities—Exchange of Securities on an Exchange Event with, in the case of an

Automatic Exchange Event, a fall back to Write-Off— Exchange Mechanics” in respect of that Security;

- “*Australian Banking Act*” means the Banking Act 1959 of Australia;
- “*Australian Corporations Act*” means the Corporations Act 2001 of Australia;
- “*Australian FSBT Act*” means the Financial Sector (Business Transfer and Group Restructure) Act 1999 of Australia;
- “*Australian Reserve Bank Act*” means the Reserve Bank Act 1959 of Australia;
- “*Automatic Exchange Date*” means the date (whether or not a Business Day) on which an Automatic Exchange Event occurs;
- “*Automatic Exchange Event*” means either a Non-Viability Event or a Common Equity Tier 1 Trigger Event;
- “*Bank*” and “*MBL*” each means Macquarie Bank Limited (ABN 46 008 583 542) (an ADI) and includes its predecessors and successors; provided that “*we*”, “*our*”, “*us*” and “*MBL Group*” each means MBL and its controlled entities and/or the Issuer, as applicable under the terms of the Securities;
- “*Banking Group*” means Banking Holdco and the group of existing and future subsidiaries of that intermediate subsidiary, including the Bank, that constitutes the Banking Group as described herein;
- “*Banking Holdco*” means Macquarie B.H. Pty Ltd (ABN 86 124 071 432), an intermediate holding company established as a subsidiary of MGL and which is the immediate parent of MBL;
- “*BCNs*” means the A\$429,000,000 perpetual subordinated notes of MBL known as the Macquarie Bank Capital Notes and issued by MBL in 2014;
- “*Branch Substitution*” has the meaning set forth under “—Branch Substitution”;
- “*Business Day*” means each Monday, Tuesday, Wednesday, Thursday and Friday that (i) is not a day on which banking institutions in the City of New York, the City of Sydney, Australia or the principal financial center of any other Relevant Foreign Jurisdiction generally are authorized or obligated by law, regulation or executive order to close and (ii) solely with respect to any payment or other action to be made or taken at any Place of Payment outside the City of New York, is a Monday, Tuesday, Wednesday, Thursday or Friday that is not a day on which banking institutions in such Place of Payment generally are authorized or obligated by law, regulation or executive order to close;
- “*Buy-Back*” means 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 Australian Corporations Act;
- “*Capital Reduction*” means 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 Australian Corporations Act;
- “*CHESS*” means the Clearing House Electronic Subregister System operated by ASX Settlement Pty Ltd (ACN 008 504 532);
- “*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: (i) 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 (ii) 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 (or its equivalent ratio) by APRA from time to time;
- “*Common Equity Tier 1 Trigger Event*” means MBL determines, or APRA has notified MBL 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%;
- “*Commonwealth*” and “*Australia*” each means the Commonwealth of Australia;
- “*controlled entities*” means those entities (including special purpose entities) over which another party has the power to govern, directly or indirectly, decision making in relation to financial and operating policies, so as to require that entity to conform with such controlling party’s objectives;
- “*Currency Conversion Date*” means: for the Exchange Floor Price, the ASX Trading Day immediately preceding the Issue Date; and for the Exchange Date VWAP, the ASX Trading Day immediately preceding the Exchange Date;
- “*Daily VWAP*” means the volume weighted average sale price of MGL Ordinary Shares sold on the 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;
- “*Determination Date*” means (i) for the initial Interest Period March 1, 2017, and (ii) for each subsequent Interest Period, the Reset Date on which that Interest Period commences;
- “*Directors*” means some or all of the Voting Directors (as defined in MBL’s constitution) of MBL acting as a board;
- “*Dividend Restriction*” means that MBL must not: (i) determine, declare or pay any MBL Ordinary Share Dividend; or (ii) undertake any Buy-Back or Capital Reduction;
- “*ECS*” means the US\$250,000,000 10.25% perpetual junior subordinated notes issued by the Issuer in 2012;
- “*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 of Australia) and any other arrangement of any kind having the same effect as any of the foregoing;
- “*Equal Ranking Obligations*” means obligation of, or claim against, MBL that exists or may arise in connection with: the BCN; the MIS Preference Shares; the ECS; and any other (i) preference share, security or capital instrument issued by MBL or (ii) obligation of, or claim against, MBL in respect of a preference share, security or capital instrument issued by a member of the MGL Group, which preference share, security, capital instrument of, or obligation or claim against, MBL ranks, or is expressed to rank, equally with the Securities or any other Equal Ranking Obligation and including each other Relevant Tier 1 Security;
- “*Exchange*” means, in respect of a Security or portion thereof and an Exchange Date, the transfer of that Security or portion thereof in connection with the allotment and issue of MGL Ordinary Shares, in accordance with the terms described herein, and the performance of the

Related Exchange Steps; and “Exchanged” and “Exchanging” have corresponding meanings;

- “*Exchange Amount*” means the Principal Amount of any Security or portion thereof that is to be Exchanged on the Exchange Date;
- “*Exchange Date*” means the date (whether or not a Business Day) on which an Exchange Event occurs;
- “*Exchange Date VWAP*” means the VWAP during the VWAP Period (expressed as a U.S. Dollar Amount);
- “*Exchange Event*” means either a Non-Viability Event, a Common Equity Tier 1 Trigger Event or an Acquisition Event;
- “*Exchange Floor Price*” means 20% of the Issue Date VWAP (expressed as a U.S. Dollar Amount);
- “*financial statements*” means our and/or MGL’s historical financial statements, as the context requires;
- “*Initial Reset Date*” means March 8, 2027;
- “*Interest Payment Date*” means the following dates: (i) March 8 and September 8 of each year, commencing on September 8, 2017 and (ii) any Acquisition Exchange Date;
- “*Interest Period*” means (i) initially, the period from (and including) the Issue Date to (but excluding) the Initial Reset Date, and (ii) thereafter, the period from (and including) a Reset Date to (but excluding) the next Reset Date;
- “*Interest Rate*” means for each Interest Payment Date occurring during an Interest Period, the Reference Rate applicable to the Interest Period plus the Margin (which for the initial Interest Period is 6.125%, being the sum of the initial Reference Rate plus the Margin);
- “*Issue Date*” means the first date on which the Securities were originally issued;
- “*Issue Date VWAP*” means the VWAP during the 20 ASX Trading Days immediately preceding (but not including) the Issue Date (as such number may be adjusted in accordance with the provisions described in paragraphs (4), (5) or (6) of “Description of the Securities— Exchange of Securities on an Exchange Event with, in the case of an Automatic Exchange Event, a fall back to Write-Off — Exchange Mechanics”);
- “*Issuer*” means MBL, acting through its London Branch;
- “*Loss Absorption*” means any exchange for or conversion into ordinary shares or writing-off in respect of any Relevant Tier 1 Securities in accordance with their terms or by operation of law on the occurrence of an Automatic Exchange Event (including an Exchange or Write-Off of Securities);
- “*Margin*” means 3.703% per annum;
- “*MBL*” means Macquarie Bank Limited (ACN 008 583 542), a company incorporated under the laws of Australia;
- “*MBL Level 1 Group*” means MBL and such other entities included from time to time in the calculation of MBL’s capital ratios on a Level 1 basis (or its equivalent, in either case, as defined by APRA from time to time);

- “*MBL Level 2 Group*” means the MBL Level 1 Group and such other entities included from time to time in the calculation of MBL’s capital ratios on a Level 2 basis (or its equivalent, in either case, as defined by APRA from time to time);
- “*MBL Ordinary Share*” means a fully paid ordinary share in the capital of MBL;
- “*MBL Ordinary Share Dividend*” means any interim, final or special dividend payable in accordance with the Australian Corporations Act and the constitution of MBL in respect of MBL Ordinary Shares;
- “*MGL*” means Macquarie Group Limited (ABN 94 122 169 279), the authorized NOHC for the Banking Group and the Non-Banking Group, and includes its predecessors and its successors, as more fully described herein;
- “*MGL Group*” means MGL and its controlled entities, including MBL Group;
- “*MGL Ordinary Share*” means a fully paid ordinary share in the capital of MGL;
- “*MGL Ordinary Share Event*” means, in respect of MGL and an Acquisition Exchange Date, 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
  - any reason (including, without limitation, any applicable law or order affecting MBL, MGL or a Related Body Corporate or holders of Securities generally) prevents the Exchange of Securities generally (including, without limitation, the performance of any Related Exchange Steps);
- “*MGL’s 2016 Annual Report*” means MGL’s 2016 annual report, which is available electronically on the website of ASX, at [www.asx.com.au](http://www.asx.com.au);
- “*MIS Preference Shares*” means the preference shares comprised in the stapled security known as the Macquarie Income Securities issued by MBL in 1999;
- “*NOHC*” means an authorized non-operating holding company of an ADI;
- “*Non-Banking Group*” means Non-Banking Holdco and the group of existing and future subsidiaries of that intermediate subsidiary that constitute the Non-Banking Group as described herein;
- “*Non-Banking Holdco*” means Macquarie Financial Holdings Pty Limited (ABN 63 124 071 398), an intermediate holding company established as a subsidiary of MGL and which is the parent of the Non-Banking Group;
- “*Non-Viability Event*” means when APRA: (i) issues a written notice to us that it is necessary that Relevant Tier 1 Securities (including the Securities) be subject to Loss Absorption because, without such Loss Absorption, APRA considers that we would become non-viable; or (ii) notifies MBL in writing that it has determined that, without a public sector injection of capital or equivalent support, MBL would become non-viable;
- “*Principal Amount*” means in respect of any Security which is outstanding at any time, the outstanding principal amount of the Security, and for such purposes: (a) the principal amount of a Security issued at a discount, at par or at a premium is at any time to be equal to its Specified Denomination; and (b) if the principal amount of a Security has at any time been Exchanged or Written-Off as described in this document, the principal amount of the Security will be reduced by the principal amount so Exchanged or Written-Off at that time;
- “*RBA*” means the Reserve Bank of Australia;

- “*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 MGL Group);
- “*Redemption Price*” means 100% of the Principal Amount of the Securities to be redeemed, together with an amount equal to calculated but unpaid interest for the period from (and including) the immediately preceding Interest Payment Date to (but excluding) the date fixed for redemption;
- “*Reference Rate*” means, in respect of an Interest Period, means the ICE Swap Rate for a swap in U.S. dollars with a designated maturity of a tenor equal to the Interest Period that appears at approximately 11:00 am (New York City time) on the Determination Date for that Interest Period, as determined by the Bank. On each Determination Date, if the relevant ICE Swap Rate cannot be determined, then the Bank will determine the relevant ICE Swap Rate for such day on the basis of the mid-market semi-annual swap rate quotations to the Bank provided by 5 leading swap dealers in the New York City interbank market (the “*Reference Banks*”) at approximately 11:00 am (New York City time), on such Determination Date, and, for this purpose, the mid-market semi-annual swap rate means the mean of the bid and offered rates for the semi-annual fixed leg, calculated on a 30/360 day count basis, of a fixed-for-floating U.S. dollar interest rate swap transaction with a term equal to the applicable Interest Period commencing on such Determination Date and in an amount, as determined by the Bank, that is representative for a single transaction in the relevant market at the relevant time (the “*Representative Amount*”) with an acknowledged dealer of good credit in the swap market, where the floating leg, calculated on an actual/360 day count basis, is equivalent to U.S. dollar LIBOR with a designated maturity of 3 months. The Bank will request the principal New York City office of each of the Reference Banks to provide a quotation of its rate. If at least 3 quotations are provided, the rate for that day will be the arithmetic mean of the quotations, eliminating the highest quotation (or, in the event of equality, one of the highest) and the lowest quotation (or, in the event of equality, one of the lowest). If fewer than 3 quotations are provided as requested, the rate will be determined by the Issuer in good faith and in a commercially reasonable manner;
- “*Regulatory Event*” has the meaning set forth under “—Redemption of Securities under certain circumstances— Redemption for regulatory reasons”;
- “*Related Body Corporate*” has the meaning given in the Australian Corporations Act;
- “*Related Entity*” has the meaning given to it by APRA from time to time;
- “*Relevant Foreign Jurisdiction*” means, at any time, (i) the United Kingdom; or (ii) any other jurisdiction (other than Australia) in which MBL has a branch or permanent establishment and to which the Securities are attributable at the relevant time as a result of the Branch Substitution, in each case, including any political subdivision or any authority thereof or therein;
- “*Relevant Tier 1 Security*” means a security forming part of the Tier 1 Capital of MBL that is capable of being subject to Loss Absorption where an Automatic Exchange Event occurs (including the BCN and the ECS);
- “*Relevant Tier 2 Security*” means a security and any other security forming part of the Tier 2 Capital of MBL that is capable of being subject to Loss Absorption where a Non-Viability Event occurs;
- “*Reset Date*” means the Initial Reset Date, the fifth anniversary of the Initial Reset Date and the fifth anniversary of each such date;
- “*Sale Agent*” means a person appointed by MBL to sell MGL Ordinary Shares, and includes an agent of that person, which is not MBL or any Related Entity of MBL;

- “*Senior Creditors*” means all present and future creditors of MBL, including its depositors, general unsecured creditors and prior ranking subordinated creditors (including instruments forming part of the Tier 2 Capital of MBL), whose claims: (A) are entitled to be admitted in a Winding-Up of MBL; and (B) are not in respect of Equal Ranking Obligations;
- “*Specified Denomination*” means denominations of US\$200,000 and integral multiples of US\$1,000 in excess thereof;
- “*Tax Event*” has the meaning set forth under “—Redemption of Securities under certain circumstances – Redemption for taxation reasons”;
- “*Taxing Jurisdiction*” means Australia or any political subdivision or taxing authority thereof or therein or a Relevant Foreign Jurisdiction, including the United Kingdom, other than the United States;
- “*U.S. Dollar Amount*” means, in relation to any amount denominated in a currency other than U.S. Dollars, the amount converted into U.S. Dollars at the spot rate of exchange for the purchase by MGL of that currency with U.S. Dollars in the Sydney foreign exchange market on the Currency Conversion Date determined by MBL in good faith having regard to the latest available market data;
- “*VWAP*” means, subject to any adjustments described in paragraphs (2) or (3) of “Description of the Securities—Exchange of Securities on an Exchange Event with, in the case of an Automatic Exchange Event, a fall back to Write-Off— Exchange Mechanics”, for a period or relevant number of days, the average of the Daily VWAPs of MGL Ordinary Shares sold on the ASX during the relevant period or on the relevant days (such average rounded to the nearest full cent);
- “*VWAP Period*” means, for the purposes of calculating the Exchange Date VWAP and the Exchange Number, the 5 ASX Trading Days immediately preceding, but not including, the Exchange Date;
- “*Winding-Up*” means, with respect to an entity, the winding-up, liquidation, termination or dissolution of the entity, but does not include any winding-up, liquidation, termination or dissolution for the purposes of a consolidation, amalgamation, merger or solvent 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 Securities; and
- “*Written-Off*” means that, in respect of a Security or portion thereof, the rights of the relevant holder of the Security or portion thereof (including to payment of any Principal Amount, interest with respect to such Principal Amount and to be issued with MGL Ordinary Shares) in relation to such Security or portion thereof are immediately and irrevocably terminated for no consideration with effect on and from the Exchange Date; and “*Write-Off*” and “*Writing-Off*” have corresponding meanings.



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## DESCRIPTION OF RIGHTS AND LIABILITIES ATTACHING TO THE MGL ORDINARY SHARES

*The rights and liabilities attaching to the MGL Ordinary Shares to be issued on Exchange of the Securities are set out in the constitution of MGL and are also regulated by the Australian Corporations Act, the listing rules of the ASX and the laws of the Commonwealth of Australia. The following summarises some, but not all of the material rights and liabilities attaching to the MGL Ordinary Shares. The following does not purport to be complete and is subject to, and qualified by reference to, all of the provisions of MGL's constitution which is incorporated by reference into this document, the Australian Corporations Act, the listing rules of the ASX and the laws of the Commonwealth of Australia.*

### General

A copy of MGL's constitution, with such amendments as were approved on December 12, 2013, is available on the website of ASX, at [www.asx.com.au](http://www.asx.com.au). MGL's constitution is largely comparable to the articles of incorporation and by-laws of a corporation organized in the United States. Under MGL's constitution there is no limit on how many shares MGL may have on issue at any time. MGL's Board of Directors is authorized to provide for the issue of fully paid Ordinary Shares on terms determined by the directors, at the issue price that the directors determine and at the time that the directors determine. The Board of Directors may also provide for the cancellation of shares, the issue of shares with any preferential, deferred or special rights, privileges or conditions, or any restrictions relating to any shares in regard to dividends, voting, return of capital or otherwise.

The rights that attach to MGL Ordinary Shares are detailed in MGL's constitution and may only be varied with the sanction of a special resolution of a meeting of the Shareholders or with the consent in writing of three-quarters of Shareholders, as described further under "– Variation of Rights" below.

### General Meetings and Voting

The Voting Directors (as such term is defined in MGL's constitution) of MGL may convene and arrange to hold a meeting of MGL's Shareholders at any time, but must do so if required to do so under the Australian Corporations Act (including that a general meeting must be convened where members with at least 5% of the votes that may be cast at the general meeting, who are entitled to vote at the general meeting, have so requested and annual general meetings must be convened at least once each calendar year and, in any event, within 5 months after the end of MGL's financial year). Each Shareholder is entitled to receive notice of, and to attend and vote at, general meetings of MGL and to receive all notices, accounts and other documents required to be furnished to Shareholders under MGL's constitution, the Australian Corporations Act and the listing rules of the ASX. Shareholders may attend in person or by proxy and vote on issues requiring a shareholders' resolution at general meetings. Such issues include the election of directors of MGL and any changes to the constitution of MGL. Notice is given to Shareholders when those meetings are to be held and of the items of business to be considered.

At a general meeting, every holder of MGL Ordinary Shares present in person or by proxy or attorney or representative has one vote on a show of hands and, on a poll, one vote per fully paid MGL Ordinary Share (and, subject to the terms on which they are issued, a proportion of a vote for shares partly paid, equal to the proportion the amount paid on the share bears to its total issue price). For more information on matters related to general meetings and voting, see Section 7 of MGL's constitution and Chapter 2G of the Australian Corporations Act.

The Securities do not create or confer any voting rights in respect of MGL Ordinary Shares, MGL or any other member of MGL Group at any time prior to Exchange.

### Dividends

It is MGL's present policy to pay dividends twice yearly on all ordinary shares of MGL. Such dividends are paid at the discretion of the Voting Directors of MGL.

Subject to the rights of holders of shares issued with any special or restricted rights, that portion of the profits of MGL which the Voting Directors of MGL may from time to time determine to distribute by way of a dividend, must be paid on all of the shares of a particular class in respect of which the dividend is paid. Dividends may only be paid by MGL in compliance with the Australian Corporations Act and APRA's prudential standards as they apply to MGL and the MGL Group. None of MGL's dividends shall carry interest as against MGL. The directors may fix the amount, the time of payment and the method for payment of the dividend. The directors may deduct from the dividend payable to an ordinary Shareholder all sums presently payable by the Shareholder to MGL on account of calls or otherwise in relation to shares. MGL also has a dividend reinvestment plan, see "– Dividend Reinvestment Plan" below.

### **Dividend Reinvestment Plan**

MGL presently operates a Dividend Reinvestment Plan ("DRP"). It is optional and offers ordinary Shareholders in Australia and New Zealand the opportunity to acquire fully paid MGL Ordinary Shares without transaction costs. A Shareholder can elect to participate in or terminate their involvement in the DRP at any time. For further information regarding the DRP, see Note 5 in MGL's reviewed consolidated financial statements for the 2017 fiscal half year included in MGL's 2016 September Interim Financial Report.

### **Changes to the rights of Shareholders**

MGL's constitution has effect as a contract between MGL and each Shareholder, between MGL and each director and company secretary, and between a Shareholder and each other Shareholder, under which each person agrees to observe and perform the constitution and rules so far as they apply to that person. In accordance with MGL's constitution and the Australian Corporations Act, MGL may modify or repeal its constitution, or a provision of its constitution, by a special resolution that has been passed by at least 75% of the votes cast by Shareholders entitled to vote on the resolution.

An ADI statutory manager appointed by APRA has power under the Australian Banking Act to, among other things, cancel shares or rights to acquire shares in MGL or vary or cancel rights attached to shares, notwithstanding the constitution, the Australian Corporations Act, the terms of any contract to which MGL is party or the listing rules of any financial market in whose list MGL is included (including the ASX).

### **Rights to Redemption**

MGL Ordinary Shares may not be redeemed at the election of MGL Shareholders.

### **Variation of Rights**

The rights attaching to shares of any class may be varied in accordance with MGL's constitution including with the sanction of a special resolution passed at a meeting of the holders of shares of that class or with the written consent of the holders of at least three quarters of the issued shares of that class.

### **Limitations on ownership and changes in control of MGL Ordinary Shares**

MGL's constitution contains limitations on the rights to own securities in MGL. In addition, there are detailed Australian laws and regulations which govern the acquisition of interests in MGL, including, without limitation:

- Chapter 6 of the Australian Corporations Act, which imposes requirements upon the acquisition of control over issued voting shares and voting power in MGL, including restrictions and procedures that will generally apply where a relevant interest of at least 20% of the total votes attaching to voting shares of MGL is required;
- the Foreign Acquisitions and Takeovers Act 1975 of Australia, which regulates foreign investment in Australia (including investments in MGL) and that may require notifications be made and/or approvals be obtained in relation to such investments;

- the Financial Sector (Shareholdings) Act 1998 of Australia, which may require prior approval be obtained for the acquisition of a stake of more than 15% in Australian financial sector companies, such as MGL; and
- Part IV of the Competition and Consumer Act 2010 of Australia, which may restrict any direct and indirect acquisition of interests in MGL where that acquisition is considered to impact competition in the sectors in Australia in which MGL operates.

The application of these requirements, and of the provisions of other laws and regulations, may depend upon the identity of the person acquiring the interest in MGL, and each investor must understand the effect that such laws and regulations may have upon any acquisition by them of interests in MGL in light of their own circumstances,

To the extent permitted by law, under the constitution, MGL has a first and paramount lien on every share for all due and unpaid calls and installments in respect of that share, all money which MGL is required by law to pay, and has paid, in respect of that share, reasonable interest on the amount due from the date it becomes due until payment, and reasonable expenses of MGL in respect of the default on payment.

### **Calls on MGL Ordinary Shares**

Holders of MGL Ordinary Shares (which will be fully-paid) have no liability for further capital calls by MGL. MGL Voting Directors may, in respect of any partly-paid shares in MGL:

- make calls on a member in respect of any money unpaid on the shares of that member, if the money is not by terms of issue of those shares made payable at fixed times;
- make a call payable by installments; and
- revoke or postpone a call.

Upon notice, each holder of partly-paid shares in MGL must pay to MGL, by the time or times and at the place specified by MGL, the amount called on that shareholder's shares. If the requirements of notice are not satisfied by the date specified in the notice, MGL may make a further call for that amount plus an amount of interest, failing satisfaction of which, the Voting Directors may, by resolution, forfeit the relevant partly-paid shares.

### **Winding Up**

In the event that MGL were ever wound up, depositors and all creditors and holders of any classes of shares or other securities issued by MGL that have a preferential right in respect of the distribution of assets in a winding up would be paid out before any distribution to Shareholders. Any surplus available after the claims of all creditors and other preferential rights were satisfied would be distributed among Shareholders in accordance with section 18 of the constitution and the Australian Corporations Act.

### **U.S. Transfer Restrictions**

The MGL Ordinary Shares to be issued upon an Exchange are subject to U.S. transfer restrictions, and may not be offered or sold except outside the United States in compliance with Regulation S, in the United States to qualified institutional buyers in compliance with Rule 144A, or in other transactions exempt from registration under the Securities Act.

### **Transfer of MGL Ordinary Shares**

Subject to the U.S. transfer restrictions described above, MGL Ordinary Shares may be transferred by written transfer instrument in any usual or common form, or any other form approved by the ASX or MGL's directors, or any manner permitted by the settlement rules of ASX Settlement Pty Limited ("ASTC Settlement Rules").

A transfer of MGL Ordinary Shares must be made in accordance with MGL's constitution, the Australian Corporations Act, the listing rules of the ASX ("ASX Listing Rules") and the ASTC Settlement Rules.

### **Share Buy-Back**

MGL is entitled to buy-back MGL Ordinary Shares in accordance with the requirements of the Australian Corporations Act and the ASX Listing Rules. MGL Ordinary Shares acquired by MGL under a buy-back must be cancelled in accordance with the Australian Corporations Act.

### **Annual Report**

Shareholders have the opportunity to receive each year a copy of MGL's annual report which provides a review of MGL Group's performance as a whole during the previous financial year.

### **CHESS**

Shareholders hold MGL Ordinary Shares through the ASX's settlement system known as the Clearing House Electronic Sub-Register System (or "CHESS"). CHESS is an automated transfer and settlement system operated by ASX Settlement Pty Limited for the paperless registration and transfer of securities. MGL does not issue share certificates to Shareholders. Instead, following transfer, MGL will provide Shareholders with a holding statement that sets out the number of MGL Ordinary Shares registered in such Shareholder's name.

### **Constitution provisions governing disclosure of shareholdings**

There are no provisions in MGL's constitution which provide an ownership threshold above which share ownership must be disclosed. However, Chapter 6 of the Australian Corporations Act requires a person to disclose certain prescribed information to MGL and the ASX if the person has or ceases to have a 'substantial holding' in the Company. The term 'substantial holding' is defined in the Australian Corporations Act as broadly, a relevant interest in 5% or more of the total number of votes attaching to voting shares and is not limited to direct shareholdings. For further information, see "Major Shareholders" below.

The Australian Corporations Act also permits MGL or ASIC to direct any Shareholder of MGL to make certain disclosures in respect of their interest in MGL's shares and the interest held by any other person in those shares.

### **Major Shareholders**

MGL is not directly or indirectly controlled by another corporation, any government or any other natural or legal persons, separately or jointly. As of March 3, 2017 no person was the beneficial owner of 5% or more of MGL Ordinary Shares.

### **Employee Share Plans and Executive Remuneration**

The principal employee share scheme operated by MGL Group is called the Macquarie Group Employee Retained Equity Plan ("MEREP"). The MEREP is used to deliver remuneration, including deferred and performance-based remuneration, in the form of MGL Ordinary Shares. The main award type under the MEREP are Restricted Share Units ("RSUs"). A RSU is a beneficial interest in a MGL Ordinary Share held on behalf of a MEREP participant by the plan trustee (Trust). A similar award type available under the MEREP are Restricted Shares, which are MGL Ordinary Shares transferred from the Trust and held by a MEREP participant subject to restrictions on disposal, vesting and forfeiture rules. Deferred Share Units ("DSUs") are also allocated under MEREP. A DSU represents the right to receive, on exercise of the DSU, either a share held in the Trust or a newly issued share (as determined by MGL in its absolute discretion) for no cash payment, subject to the vesting and forfeiture provisions of the MEREP. A MEREP participant holding a DSU has no right or interest in any share until the DSU is exercised. Remuneration for the most senior executives, known as the Executive Committee, is also comprised of Performance Share Units ("PSUs") allocated under the MEREP. PSUs are allocated to Executive Committee members based on their performance, vest in equal tranches after three and four years and are exercisable subject to the achievement of two performance indicators. For further information

regarding MEREP, see Note 32 in MGL’s audited consolidated financial statements for the 2016 fiscal year included in MGL’s 2016 Annual Report. For further information regarding performance-based remuneration in the form of PSUs allocated to MGL’s Executive Committee, see Schedule 2 in the “Directors Report — Remuneration Report” in MGL’s 2016 Annual Report.

MGL Group also presently operates an Employee Share Plan (“ESP”) whereby each fiscal year, eligible employees are offered up to A\$1,000 worth of fully paid MGL Ordinary Shares for no cash payment. MGL Ordinary Shares allocated under the ESP have sale restrictions and rank equally with all other fully paid Ordinary Shares then on issue. For further information regarding the ESP, see Note 32 in MGL’s audited consolidated financial statements for the 2016 fiscal year included in MGL’s 2016 Annual Report.

**Preference Shares**

MGL may issue preference shares (including redeemable preference shares) and issued shares may be converted into preference shares on the terms as set out in Schedule 1 of the constitution of MGL or otherwise approved by special resolution. Only in limited circumstances will preference shareholders have rights to move resolutions or vote at any general meeting of MGL. Whilst, as at the date of this document, MGL has not issued any preference shares, there is no limit on the amount of preference shares which MGL may issue in the future.

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