Notice of 2012 Annual General Meeting

MACQUARIE GROUP LIMITED
ACN 122 169 279

MACQUARIE

10:30 am on Wednesday, 25 July 2012
Four Seasons Hotel
Grand Ballroom
199 George Street
Sydney, New South Wales

Macquarie Group Limited

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MACQUARIE

15 June 2012

Dear Shareholder

Please find enclosed notice of the 2012 Annual General Meeting of Macquarie Group Limited (Macquarie) which will be held at the Four Seasons Hotel, Grand Ballroom, 199 George Street, Sydney, New South Wales on Wednesday, 25 July 2012. The meeting is scheduled to commence at 10:30 am and will also be webcast live on Macquarie's website at www.macquarie.com.au

The Managing Director and Chief Executive Officer, Nicholas Moore, and I will comment briefly on the performance of the Macquarie Group during the year to 31 March 2012 at the meeting. You are also referred to the comments in Macquarie's 2012 Annual Review and 2012 Annual Financial Report, which are available on Macquarie's website and together comprise the 2012 Annual Report, for further information.

If you are unable to attend the meeting, we invite you to appoint a proxy to attend and vote on your behalf, either online using the share registry's website at www.investorvote.com.au or using the enclosed proxy form.

Shareholders are invited to join the Board for light refreshments at the conclusion of the meeting.

If you plan to attend the meeting, please bring the enclosed proxy form to facilitate your registration which will commence at 9:30 am. I look forward to seeing you then.

Yours faithfully

H Kevin McCann, AM
Chairman

Notice of Meeting

The 2012 Annual General Meeting of Macquarie Group Limited (ACN 122 169 279) (Macquarie) will be held at the Four Seasons Hotel, Grand Ballroom, 199 George Street, Sydney, New South Wales on Wednesday, 25 July 2012, at 10:30 am. Registration will commence at 9:30 am.

Ordinary Business

1 Financial Statements

To consider and receive the Financial Report, the Directors' Report and the Auditor's Report of Macquarie for the financial year ended 31 March 2012.

2 Re-election of Mr PH Warne as a Voting Director

To consider and, if thought fit, pass the following as an ordinary resolution:

That Mr PH Warne be re-elected as a Voting Director of Macquarie.

3 Remuneration Report

To consider and, if thought fit, pass the following as an ordinary resolution:

To adopt the Remuneration Report of Macquarie for the year ended 31 March 2012.

Special Business

4 Approval of Executive Voting Director's participation in the Macquarie Group Employee Retained Equity Plan (MEREP)

To consider and, if thought fit, pass the following as an ordinary resolution:

That the following be approved for all purposes:

a) participation in the Macquarie Group Employee Retained Equity Plan (MEREP) by Mr NW Moore, Managing Director and Chief Executive Officer; and

b) acquisition by Mr NW Moore of Restricted Share Units and Performance Share Units and the acquisition of shares in the Company in respect of those Restricted Share Units and Performance Share Units,

all in accordance with the terms of the MEREP and on the basis described in the Explanatory Notes to the Notice of Meeting convening this meeting.

5 Approval of the issue of Macquarie Exchangeable Capital Securities

To consider and, if thought fit, pass the following as an ordinary resolution:

That the issue of US$250 million of Macquarie Exchangeable Capital Securities by Macquarie Bank Limited, acting through its London Branch (Issuer), on the terms and conditions set out in the Offering Circular issued by the Issuer and lodged with ASX on 26 March 2012 and summarised in the Explanatory Notes to the Notice of Meeting convening this meeting, is approved for all ASX Listing Rule purposes.

6 Approval to extend the share buy-back

To consider and, if thought fit, pass the following as an ordinary resolution:

That, for the purposes of section 257C of the Corporations Act 2001 (Cth) and for all other purposes, the Company is authorised to conduct an on-market buy-back of ordinary fully paid shares in the Company (Shares) in the 12 month period following the approval of this resolution, provided that the number of Shares bought back does not exceed 52,022,244 (being 15 per cent of the lowest number of Shares on issue in the 12 months prior to 27 April 2012) less any Shares bought back between that date and the date of this meeting, in accordance with the terms and on the basis described in the Explanatory Notes to the Notice of Meeting convening this meeting.

Voting Exclusion Statement

Item 3

Macquarie will disregard any votes cast on Item 3 by, or on behalf of:

— a member or a former member of the key management personnel (KMP) whose remuneration details are disclosed in the 2012 Remuneration Report; and

— a closely related party of such a KMP,

unless the vote is cast by a person as proxy for a person entitled to vote in accordance with a direction on the proxy form. A closely related party includes close family members and companies the KMP controls.

Items 4 & 5

Macquarie will disregard any votes cast on:

— Item 4 by the Managing Director and any associate of the Managing Director; and

— Item 5 by any person who has participated in the issue of Exchangeable Capital Securities (ECS) and any associate of a person who has participated in the issue of ECS.

For the purpose of this voting exclusion statement for Items 4 and 5, a person in one of the above categories is an Excluded Person for the respective Item.

However, Macquarie need not disregard a vote on Item 4 or Item 5 if:

a) it is cast by an Excluded Person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or

b) it is cast by an Excluded Person who is chairing the meeting, as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

In addition, a vote must not be cast on Item 4 by a KMP, or a closely related party of a KMP, acting as proxy, if their appointment does not specify the way the proxy is to vote on Item 4. However, this voting exclusion does not apply if the KMP is the Chairman of the Meeting acting as proxy and their appointment expressly authorises the Chairman of the Meeting to exercise the proxy even if that item is connected directly or indirectly with the remuneration of a member of the KMP of the Macquarie Group.

ASX Waivers

ASX has granted a waiver allowing Macquarie to limit the application of Listing Rule 14.11 such that an Excluded Person may vote on Item 4 if they are an Excluded Person due to the application of sections 13(d) or 13(e) of the Corporations Act 2001 (Cth) (Corporations Act). Sections 13(d) and 13(e) of the Corporations Act provide that a person is an associate of an Excluded Person if they are a director of a body corporate of which the Excluded Person is also a director.

ASX has granted waivers allowing Macquarie to limit the application of ASX Listing Rule 14.11 to trustees of trusts in relation to which a relevant person benefits, or is capable of benefiting (other than a trustee of a trust in which the majority of beneficiaries or potential beneficiaries are family members of the relevant person), such that:

a) a trustee of a unit trust in which a relevant person holds less than 20 per cent of the trust units; or

b) a trustee of a fixed trust (other than a unit trust) in which a relevant person has a beneficial interest in less than 20 per cent of the trust assets,

is not excluded from voting on Items 4 or 5.

Notice of Meeting
continued

ASX has also granted a waiver allowing Macquarie to limit the application of Listing Rule 14.11 such that an unrelated nominee (Nominee) who may hold shares for underlying beneficial holders (each a Beneficiary) may vote on Item 5, subject to the following conditions:

a) the Beneficiary provides confirmation to the Nominee that they have not participated in the issue of ECS nor are they a person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, if the resolution is passed, nor an associate of those persons;

b) the Beneficiary directs the Nominee to vote for or against the resolution; and

c) the Nominee does not exercise discretion in casting a vote on behalf of the Beneficiary.

Proxy Voting by Chairman

The Chairman of the Meeting will vote undirected proxies in favour of Items 2, 4, 5 and 6. As also noted on the proxy form for the Meeting, where the Chairman of the Meeting is appointed as proxy and none of the 'For', 'Against' or 'Abstain' boxes is marked for Item 3, the appointing shareholder will be deemed to direct the Chairman to vote in favour of Item 3.

By order of the Board

Dennis Leong
Company Secretary

Sydney
15 June 2012

Notes

1 Proxies

If you cannot attend, you may appoint a proxy to attend and vote for you. If you are entitled to cast two or more votes, you may nominate two persons to vote on your behalf at the meeting. If two proxies are appointed, each proxy may be appointed to represent a specified number or proportion of your votes. Fractions of votes will be disregarded. If no such number or proportion is specified, each proxy may exercise half your votes. For shareholders receiving the Notice of Meeting by post, a proxy form and a reply paid envelope have been included with this Notice of Meeting. Proxy voting instructions are provided on the proxy form.

A proxy need not be a shareholder. Votes may be cast 'For' or 'Against' or you may 'Abstain' from voting on a resolution. If you wish to direct a proxy how to vote on any resolution, place a mark (e.g. a cross) in the appropriate box on the proxy form and your votes may only be exercised in that manner. You may split your voting direction by inserting the number of shares or percentage of shares that you wish to vote in the appropriate box. If you place a mark in the 'Abstain' box, your votes will not be counted in computing the required majority on a poll.

2 Online Proxy Facility

You may also submit your proxy appointment online at www.investorvote.com.au

To use this online proxy facility, you will need to enter your Shareholder Reference Number (SRN) or Holder Identification Number (HIN), postcode and Control Number, as shown on your proxy form. You will be taken to have signed the proxy form if you lodge it in accordance with the instructions on the website. If you wish to use this facility, you must submit your proxy appointment through the facility by **no later than 10:30 am (Sydney time) on Monday, 23 July 2012**. A proxy cannot be appointed online if they are appointed under a power of attorney or similar authority. The online proxy facility may not be suitable for some shareholders who wish to appoint two proxies with different voting directions. Please read the instructions for the online proxy facility carefully before you submit your proxy appointment using this facility. If you are a custodian and an Intermediary Online subscriber, you can log on to www.intermediaryonline.com

3 Proxy Delivery

Proxies given by post, fax or delivery must be received by Macquarie's share registry, Computershare Investor Services Pty Limited, at GPO Box 242, Melbourne, VIC, 3001 (facsimile number within Australia 1800 783 447 or from outside Australia +61 3 9473 2555) or at Level 4, 60 Carrington Street, Sydney, NSW, 2000 or at Macquarie's registered office in Sydney, by no later than 10:30 am (Sydney time) on Monday, 23 July 2012. Any revocations of proxies (including online proxy appointments) must be received at one of these places before the commencement of the meeting, or at the registration desk at the Four Seasons Hotel for the 2012 Annual General Meeting from 9:30 am on the day of the meeting and no later than the commencement of the meeting.

4 Power of Attorney

If a shareholder has appointed an attorney to attend and vote at the meeting, or if the proxy is signed by an attorney, the power of attorney (or a certified copy of the power of attorney) must be received by Macquarie's share registry, Computershare Investor Services Pty Limited, at the addresses or facsimile number in Note 3 above, or at Macquarie's registered office in Sydney, by **no later than 10:30 am (Sydney time) on Monday, 23 July 2012**, unless the power of attorney has been previously lodged with Macquarie's share registry for notation.

5 Corporate Representatives

If a corporate shareholder wishes to appoint a person to act as its representative at the meeting, that person should be provided with a letter or certificate authorising him or her as the company's representative (executed in accordance with the company's constitution) or with a copy of the resolution appointing the representative, certified by a secretary or director of the company. A form of appointment of corporate representative may be obtained from Macquarie's share registry.

6 Shareholders Eligible to Vote

Pursuant to regulation 7.11.37 of the *Corporations Regulations 2001 (Cth)*, the holders of Macquarie's ordinary shares for the purposes of the meeting, will be those registered holders of Macquarie's ordinary shares at 7:00 pm (Sydney time) on **Monday, 23 July 2012**.

7 Voting at the Meeting

In light of the large number of proxy votes which have been received from shareholders at previous meetings, it is intended that voting on each of the proposed resolutions at this meeting will be conducted by poll, rather than on a show of hands.

8 Definitions

'ASX' means Australian Securities Exchange.

The terms 'Voting Director' and 'Executive Voting Director' have the meanings given in Macquarie's Constitution.

The Voting Directors as at the date of the Notice of Meeting are: H Kevin McCann, Diane J Grady, Michael J Hawker, Peter M Kirby, Catherine B Livingstone, Nicholas W Moore, John R Niland, Helen M Nugent and Peter H Warne. Mr Moore is the only Executive Voting Director.

Explanatory Notes on Items of Business

Item 1 – Financial Statements

As required by section 317 of the *Corporations Act 2001 (Cth)* (Corporations Act), the Financial Report, Directors' Report and Auditor's Report of Macquarie Group Limited (Macquarie) and its subsidiaries (Macquarie Group) for the most recent financial year will be laid before the meeting.

Shareholders will be provided with the opportunity to ask questions about, or make comments on, the reports, management or about Macquarie Group generally but there will be no formal resolution put to the meeting.

The reports are available on Macquarie's website at www.macquarie.com.au/mqg-annualreport

Item 2 – Re-election of a Voting Director

Voting Director, Mr Peter H Warne, retires by rotation and offers himself for re-election. A brief summary of Mr Warne's qualifications and experience is provided below.

Mr Peter H Warne, BA (Macquarie), FAICD

Independent Voting Director since August 2007
Chairman of the Board Risk Committee
Member of the Board Audit Committee
Member of the Board Nominating Committee
Member of the Board Remuneration Committee

Mr Warne joined the Board of Macquarie Bank in July 2007 as an Independent Voting Director. He was Head of Bankers Trust Australia Limited's (BTAL) Financial Markets Group from 1988 to 1999. Prior to this he held a number of roles at BTAL. He was a Director and Deputy Chairman of the Sydney Futures Exchange (SFE) from 1995 to 1999 and a Director from 2000 to 2006. When the SFE merged with the Australian Securities Exchange (ASX Limited) in 2006 he became a Director of ASX Limited, a position he still holds.

Currently, Mr Warne is also Chairman of ALE Property Group, Deputy Chairman of WHK Group Limited and Deputy Chairman of Capital Markets CRC Limited. He is a Director of Securities Research Centre of Asia Pacific Limited and of New South Wales Treasury Corporation. He is also a member of the Advisory Board of the Australian Office of Financial Management and a Patron of Macquarie University Foundation.

Previously Mr Warne was a Director of Next Financial Limited, Macquarie Capital Alliance Group and a former Chairman and Director of TEYS Limited.

The Board unanimously recommends that shareholders vote in favour of Mr Warne's re-election.

Item 3 – Remuneration Report

As required by section 250R(2) of the Corporations Act, a resolution that Macquarie's Remuneration Report be adopted must be put to the vote.

Section 250R(3) of the Corporations Act provides that the vote on the resolution is advisory. However, if more than 25% of the votes are cast against two consecutive annual section 250R(2) resolutions, the Corporations Act requires a shareholder vote on whether to convene a special meeting at which all directors (other than a managing director) who were in office when the second 250R(2) resolution was passed must stand for re-election.

The Remuneration Report is contained within the Directors' Report in Macquarie's 2012 Annual Financial Report on pages 40 to 86. The Executive Summary is largely reproduced below.

Executive Summary

Macquarie's remuneration system, which has progressively evolved over time, has been designed to balance risk and return. This is reflected in the remuneration system's overarching objective which seeks to align the interests of staff with those of shareholders so as to generate superior returns over time, while having due regard to risk.

During the past year, in relation to executive remuneration, governments, regulators and shareholders have increased their focus on whether risk and return is appropriately balanced. In the financial services sector, regulators and their governments seek to protect depositors' funds and ensure the stability of the financial system. Shareholders share this concern, but also expect a return on their capital appropriate to the risk involved. In other words, there is an elevated recognition among governments, regulators and shareholders of the need to balance risk and return.

Macquarie's Board of Directors (the Board) has actively assessed such issues and reached the conclusion that Macquarie's existing remuneration approach has the inbuilt resilience to respond to the issues that have been raised by governments, regulators and shareholders, although some further incremental changes are being made. They are:

— the vesting of Executive Committee Performance Share Units (PSUs) will be extended to vest in two equal tranches after years three and four. PSUs previously vested in three equal tranches after two, three and four years

— for a limited group of staff in the UK, defined as FSA Code Staff under the Financial Services Authority (FSA) Remuneration Code (FSA Code), a greater proportion of remuneration is deferred, delivered in Macquarie shares and required to be held for a longer period. In addition, Malus[1] provisions have been expanded

— additional disclosure on past, present and future conditional remuneration has been provided for the Managing Director and Chief Executive Officer (Managing Director and CEO).

In addition, FY2012 has been a period of economic uncertainty which has seen some of Macquarie's businesses severely impacted by macroeconomic conditions, primarily the European debt crisis, the US debt downgrade and the overall risk-aversion in the market. As a result, there has been a high degree of disparity within each business' contribution to profit during the year. Macquarie's annuity style businesses have performed strongly, while some of the capital market-facing businesses have been impacted by challenging market conditions which have had an impact on client volumes and margins. Within the capital market-facing businesses, there has been a high degree of disparity in performance with some groups and teams performing well while others have operated at a loss.

Reflecting Macquarie's overall performance, total performance-based remuneration and in turn, total compensation expense, is down on the prior year, with profit share allocations being highly differentiated to reflect differences in individual and business performance.

Nonetheless, Macquarie remains committed to **a performance-based approach to remuneration**. The proportion and level of fixed remuneration for senior staff remains relatively low compared to comparable roles in other Australian corporations. The Board of Directors consider this is appropriate because it rewards performance. In 2012, fixed remuneration for Macquarie's 10 Executive Committee members comprised 13 per cent of current year awarded remuneration. The balance of their remuneration was variable, the majority of which remains at risk.

[1] Malus refers to the discretion of the Board (from 2012) to reduce or eliminate unvested profit share amounts where it determines that an employee's action or inaction has caused Macquarie significant reputational harm, caused a significant or unexpected financial loss or caused Macquarie to make a material financial restatement.

Explanatory Notes on Items of Business
continued

Performance-based remuneration is aligned with shareholders' interests. The profit share pool is created using the twin measures of net profit after tax (NPAT) and return on equity (ROE), measures which are known to be drivers of returns to shareholders. For a given level of capital employed, total profit share rises or falls with NPAT. Macquarie's total profit share pool increases with performance and no maximum ceiling is imposed. This aligns shareholder and staff interests and provides the strongest incentive to staff to continuously strive to maximise long-term profitability. No ROE component of the profit share pool was created in FY2012. However, given the difficult market conditions experienced in FY2012 and the need to retain some key staff, the Non-Executive Directors of the Board have exercised their discretion and increased the quantum of the profit share pool. In prior years, this discretion has been exercised both upwards and downwards.

Profit share is allocated to Macquarie's businesses and, in turn, to individuals working in them, based predominantly on performance. Performance is primarily assessed based on relative contribution to profits while taking into account capital usage and risk management. This results in businesses and individuals being motivated to increase earnings and to use shareholder funds efficiently, in the context of prudent risk-taking. In addition, other qualitative measures are used to assess individual performance. In some instances, retention of staff in difficult market conditions is also considered.

In the current year, for the Managing Director and CEO of Macquarie Group and the Managing Director and CEO of Macquarie Bank, the Non-Executive Directors considered financial performance measures, performance against peers, business performance and platform growth, cost management initiatives, other strategic initiatives, prudential and compliance matters, risk management, governance, staff and human resources indicators, reputation management and monitoring and community and social responsibility matters. The Board and Management also seek to ensure that remuneration for staff whose primary role is risk and financial control, including the Chief Risk Officer (CRO) and the Chief Financial Officer (CFO), preserves the independence of the function and maintains Macquarie's robust risk management framework.

Profit share is delivered in ways that encourage a longer-term perspective and ensures alignment with shareholders' longer-term interests and staff retention. In turn, this encourages staff to maximise profit without exposing Macquarie to risk or behaviours that jeopardise long-term profitability or reputation.

70 per cent of the Managing Director and CEO's annual gross profit share allocation is deferred and unvested. For Executive Committee members and Designated Executive Directors, between 50 and 70 per cent of their profit share is retained; whereas retained profit share for other Executive Directors is between 40 and 70 per cent. After PSUs are taken into account, the effective deferral rate for the Managing Director and CEO is 77 per cent.

Retained profit share for the Managing Director and CEO, other Executive Committee members and Designated Executive Directors is released on a pro-rata basis between years three and seven. In the case of other Executive Directors, it is released on a pro-rata basis between years three and five. Retained amounts are invested in a combination of Macquarie ordinary shares and notionally in Macquarie-managed fund equity, with the balance between each type reflecting an individual executive's responsibilities. Such an approach also strengthens alignment with Macquarie shareholders and security holders in Macquarie-managed funds.

All Executive Directors are subject to a minimum shareholding requirement which can be satisfied through the delivery of equity under the current remuneration arrangements.

PSUs are only allocated to the Managing Director and CEO and Executive Committee members. From 2012 onwards they will vest in two tranches after three and four years, but are exercisable only if challenging performance hurdles are met.

Macquarie prohibits staff from hedging any of the following types of securities:

— shares held to satisfy the minimum shareholding requirement

— deferred and unvested awards to be delivered under the equity plan, the Macquarie Group Employee Retained Equity Plan (MEREP), including PSUs

— unvested options.

Executives can only trade Macquarie ordinary shares and other securities during designated trading windows.

The Board has discretion to reduce or eliminate unvested profit share amounts ('Malus') where it determines that an employee's action or inaction has caused Macquarie significant reputational harm, a significant unexpected financial loss or a material financial restatement. This applies to the Executive Committee, Designated Executive Directors, Code Staff under the FSA Code, senior risk and financial control staff and any other staff as determined by the Board Remuneration Committee (BRC).

In accordance with the 2009 shareholder approval, a departing Executive Director's unvested retained profit share is only paid out in the case of genuine retirement, redundancy or in certain other limited exceptional circumstances, and is forfeited in stages if a 'disqualifying event' occurs within two years of leaving. For example, the payment of a departing Executive Director's retained profit share will be subject to forfeiture if it is found that the individual has acted in a way that damages Macquarie, including but not limited to action or inaction that leads to a material financial restatement, a significant financial loss or any significant reputational harm to Macquarie or its businesses.

The remuneration approach is managed via **strong governance structures and processes**. Conflicts of interest are managed proactively and assiduously. The BRC makes recommendations to the Non-Executive Directors of the Board on key decisions.

Non-Executive Director fees take into account market rates for relevant Australian financial organisations and reflect the time commitment and responsibilities involved within the shareholder approved aggregate limit.

This overall approach to remuneration achieves an appropriate balance between risk and return that aligns the interests of staff and shareholders.

Noting that each Voting Director has a personal interest in their own remuneration from Macquarie, as described in the Remuneration Report, the Board unanimously recommends that shareholders vote in favour of adopting the Remuneration Report.

Explanatory Notes on Items of Business
continued

The following table summarises the current performance-based remuneration arrangements:

Key Area	Executive Committee (including Managing Director and Chief Executive Officer) and Designated Executive Directors	Other Executive Directors	Staff other than Executive Directors
Amount of profit share retained	A minimum of 50 per cent up to a maximum of 70 per cent (70 per cent for the Macquarie Group Managing Director and CEO, 50 per cent for the Macquarie Bank Managing Director and CEO)	A minimum of 40 per cent up to a maximum of 70 per cent	A minimum of 25 per cent up to a maximum of 70 per cent dependent on certain thresholds
How retained profit share is invested	Invested in a combination of Macquarie shares and notionally invested in Macquarie-managed fund equity Investment mix will vary depending on an individual's role	Invested in a combination of Macquarie shares and notionally invested in Macquarie-managed fund equity Investment mix will vary depending on an individual's role	Invested in Macquarie shares[2]
Vesting and release of retained profit share	All retained amounts vest and are released from three to seven years after the year retained (see also forfeiture below)	All retained amounts vest and are released from three to five years after the year retained (see also forfeiture below)	All retained amounts vest and are released from two to four years after the year retained
Forfeiture of retained profit share while employed[3]	Board discretion to apply Malus in certain circumstances	Board discretion to apply Malus to certain Executive Directors, as identified by the BRC	Board discretion to apply Malus to certain staff, as identified by the BRC
Forfeiture of retained profit share on leaving	Unvested amounts are forfeited except in the case of death, permanent disability, genuine retirement, redundancy and other limited exceptional circumstances Retained profit share is forfeited in stages if a 'disqualifying event' occurs within two years of leaving	Unvested amounts are forfeited except in the case of death, permanent disability, genuine retirement, redundancy and other limited exceptional circumstances Retained profit share is forfeited in stages if a 'disqualifying event' occurs within two years of leaving	Unvested amounts are forfeited except in the case of death, permanent disability, genuine retirement, redundancy and other limited exceptional circumstances
PSUs	Granted to Executive Committee members only, which will vest after years three and four and are subject to achievement of performance hurdles	n/a	n/a
Minimum Shareholding Requirement	Required to hold the deemed after-tax equivalent of 10 per cent of all of their profit share allocations over the last 10 years (five years for Designated Executive Directors) in Macquarie shares (which can be satisfied by the requirements of the profit share retention policy)	Required to hold the deemed after-tax equivalent of 10 per cent of all of their profit share allocations over the last five years in Macquarie shares (which can be satisfied by the requirements of the profit share retention policy)	n/a

2 Invested in a combination of Macquarie shares and Macquarie-managed fund equity for a select group of directors whose primary role relates to the management of the funds business.
3 Malus arrangements will take effect from 2012 in respect of profit share awards for the year ended 31 March 2012 and onwards.

Item 4 – Approval of Executive Voting Director's Participation in the Macquarie Group Employee Retained Equity Plan (MEREP)

The approval of shareholders is sought to permit Nicholas Moore, Macquarie's Managing Director and Chief Executive Officer, to participate this year, with other executives in the MEREP.

Background

This approval is being sought because ASX Listing Rule 10.14 provides that a listed company may only permit a director of the company to acquire newly issued shares or rights to shares under an employee incentive scheme where that director's participation has been approved by an ordinary resolution of shareholders.

The Managing Director is eligible to receive Restricted Share Units (RSUs) under the MEREP. The shares required for this grant will be acquired on-market by the trust established to hold shares for MEREP purposes. As no shares will be issued for these RSUs, shareholder approval is not required for the grant of RSUs to the Managing Director. However, consistent with Macquarie's commitment to good corporate governance it is providing shareholders the opportunity to vote on the grant.

The Managing Director is also eligible to receive Performance Share Units (PSUs) that are exercisable subject to performance hurdles. Shareholder approval under ASX Listing Rule 10.14 is being sought so that PSUs are able to be issued to the Managing Director under the MEREP. Further information on PSUs and the performance hurdles can be found in Appendix A to these Explanatory Notes.

Restricted Share Units

Approval is sought to allocate $3.824 million of the Managing Director's retained 2012 profit share under the MEREP, in the form of RSUs.

The RSUs for which approval is sought will vest over seven years with 20 per cent of the RSUs vesting each year between years three and seven. In all other respects, the RSUs will be subject to the same terms and conditions as RSUs awarded to other Executive Directors with retained profit share allocated under the MEREP. Macquarie's 2012 Remuneration Report includes a summary of these terms and conditions.

The number of RSUs that will be allocated to the Managing Director will be determined by dividing his retained profit share amount to be invested in Macquarie shares by the average price at which Macquarie shares are acquired on-market during the Buying Period for the allocation of MEREP awards to other staff with retained profit share for the financial year ended 31 March 2012. For 2012, the Buying Period is expected to run from 7 May 2012 to mid June 2012, except during the pricing period for the Macquarie Dividend Reinvestment Plan (17 May 2012 to 23 May 2012), but may be completed sooner or later. The average price is referred to as the Conversion Price. This is consistent with the methodology used for calculating the number of MEREP awards for other staff with retained profit share for the financial year ended 31 March 2012. The number of RSUs to be allocated to the Managing Director will not be known until the Conversion Price is calculated at the end of the Buying Period. Macquarie will announce to the market the Conversion Price and the number of RSUs to be allocated to the Managing Director prior to the date of the AGM.

Performance Share Units

Approval is sought to allocate Mr Moore $1.89 million worth of PSUs vesting in two equal tranches after three and four years from the deemed vesting commencement date (1 July 2012), giving an average vesting period of three and a half years. As a general rule, unvested PSUs will lapse on termination. However, the Macquarie Board or the BRC will have the authority to accelerate the vesting of the PSUs. The Managing Director's PSUs will be structured as Deferred Share Units (DSUs) with the performance hurdles described in Appendix A to these Explanatory Notes. A DSU is a right to receive on exercise of the DSU either a share held in the MEREP Trust (Trust) or a newly issued share (as determined by Macquarie in its absolute discretion) for no cash payment, subject to the vesting and forfeiture provisions of the MEREP.

Explanatory Notes on Items of Business
continued

The number of PSUs that will be allocated to the Managing Director will be calculated by dividing $1.89 million by the fair valuation of a PSU at the date of grant. The maximum value of PSUs that may be acquired by the Managing Director is $1.89 million. The determination of the number of PSUs to be allocated will be deferred until after shareholder approval is received. The fair value per PSU is to be calculated at the date of grant and will be determined using a Monte-Carlo option pricing framework. The Monte-Carlo option pricing framework is a valuation technique that, based on input assumptions, generates thousands of possible outcomes and assigns a value to each.

The values are then averaged and discounted to the present to arrive at the value of a PSU. This valuation methodology is also designed to take account of trading period restrictions and the vesting performance hurdles and timeframes described in Appendix A to these Explanatory Notes. The following key assumptions will be adopted in estimating the value of the proposed PSUs: a risk free interest rate[4], volatility[5] and a forecast dividend yield. The market price of the Macquarie shares for the purpose of this calculation will be the closing market price preceding the date of grant, which will be no later than 31 August 2012.

The table below provides an estimate of the number of PSUs to be granted at varying prices for Macquarie shares. The following assumptions were used in estimating these values: a risk free interest rate (represented by a term structure of interest rates with yield to maturity of 4 years) of 3.93 per cent per annum, volatility of 35.3 per cent and a forecast dividend yield of 4.22 per cent per annum (paid in two instalments each year).

Macquarie Share Price	Value of PSU Award	PSU Value (per unit)	PSUs to be granted
$35	$1,890,000	$21.515	87,845
$30	$1,890,000	$18.442	102,483
$25	$1,890,000	$15.368	122,982

Further details regarding PSUs are set out in Appendix A to these Explanatory Notes.

Executive Voting Director's remuneration

Full details of the Managing Director's remuneration and Macquarie share and option holdings in respect of the 2012 financial year are shown on pages 68 to 83 in the Directors' Report and in Notes 35 – 36 (Key Management Personnel disclosure and Employee equity participation) in the 2012 Annual Financial Report.

Maximum number of RSUs and PSUs

The maximum number of RSUs for which approval is sought will be calculated as described above and will be announced to the market before the AGM, together with the Conversion Price used in the calculation.

The maximum value of PSUs that may be acquired by the Managing Director is $1.89 million. The maximum number of PSUs that may be acquired by the Managing Director for which shareholder approval is sought will be calculated by dividing the PSU allocation amount by the fair value of a PSU on the date of grant.

Price payable on grant of Restricted Share Units

The effective aggregate price payable by the Managing Director for the RSUs for which shareholder approval is sought is approximately $3.824 million, being the amount of Mr Moore's 2012 retained profit share to be allocated under the MEREP.

Price payable on grant of Performance Share Units

The Managing Director will not make any cash payment for the PSUs for which shareholder approval is sought. The PSUs are an incentive mechanism for future performance and can only be exercised subject to satisfaction of the performance hurdles described in Appendix A to these Explanatory Notes.

Participants under previous approvals

The Managing Director is the only person referred to in ASX Listing Rule 10.14 entitled to participate in the MEREP.

4 Being the four year yield to maturity from the zero coupon yield curve derived from the inter-bank interest rate swap curve as per industry practice for a Monte-Carlo simulation.
5 Being the actual three year historical volatility of the Macquarie share price.

The Managing Director was granted 152,602 RSUs with a conversion price of $33.06 per share and 159,981 PSUs for nil cash consideration following shareholder approval at the 2011 Macquarie Group Annual General Meeting.

Terms of any loan relating to the acquisition of shares

No loan is being provided to the Managing Director in relation to the acquisition of shares under the MEREP.

Date by which grants will be made

The proposed grant of RSUs and PSUs to the Managing Director will be made by no later than 31 August 2012, subject to shareholder approval of Item 4 in the Notice of Meeting.

Consequences if approval not obtained

If shareholders do not approve the proposed issue of RSUs and PSUs to the Managing Director under Item 4, the proposed grant of RSUs and issue of PSUs to him will not proceed. This may impact Macquarie's ability to incentivise the Managing Director and align his interests with those of shareholders and with the remuneration arrangements of the other Executive Directors. The Board will need to consider alternative remuneration arrangements, which are consistent with Macquarie's remuneration principles, including cash payment.

The Non-Executive Voting Directors of the Board unanimously recommend that shareholders approve Item 4 in the Notice of Meeting. Mr Moore, being the Managing Director and Chief Executive Officer, has a material personal interest in the resolution and therefore has abstained from providing a recommendation.

Item 5 – Approval of the issue of Macquarie Exchangeable Capital Securities

On 26 March 2012, Macquarie and Macquarie Bank Limited (MBL or the Issuer) announced the issue by MBL of US$250 million Exchangeable Capital Securities (ECS). The ECS are listed and quoted on the official list of Singapore Exchange Securities Trading Limited (SGX-ST). The ECS are traded in minimum lots of US$200,000 (or equivalent in another currency) for so long as the ECS are listed on SGX-ST.

The ECS are unsecured and junior subordinated notes of MBL, acting through its London Branch. Subject to the satisfaction of certain conditions, the ECS will be exchanged for fully paid ordinary shares in Macquarie on 20 June 2057, or earlier in certain circumstances. The ECS may be redeemed by the Issuer prior to exchange, only following certain tax or regulatory events. The ECS may, in certain circumstances be resold by the Issuer instead of being exchanged or redeemed. ECS holders have no right to request that an ECS be redeemed, exchanged or resold.

Reason for seeking approval

The exchange feature of the ECS means that ECS are 'equity securities' of Macquarie for the purposes of the ASX Listing Rules, meaning that ASX Listing Rule 7.1 applied to the issue of ECS. Under ASX Listing Rule 7.1, Macquarie is not permitted to issue more than 15 per cent of its issued capital in any 12 month period ('placement capacity') unless the issue is approved by Macquarie shareholders or an exemption applies to the issue. ASX has confirmed that for the purposes of ASX Listing Rule 7.1.4(c) the maximum number of ordinary shares into which the ECS may be converted was to be calculated using the market price of Macquarie ordinary shares and the prevailing USD:AUD exchange rate at the time of issuing the ECS. At the time of issue, the Macquarie share price was $A28.58 and the USD:AUD exchange rate was 1.045:1.00. Therefore, for the purpose of determining the amount of Macquarie's placement capacity used by the ECS issue, the $US250 million ECS issuance was treated as the equivalent of 8,809,782 Macquarie ordinary shares (or approximately 2.5 per cent of Macquarie's issued capital).

Explanatory Notes on Items of Business
continued

Under ASX Listing Rule 7.4, an issue of equity securities made without shareholder approval under Listing Rule 7.1 is treated as having been made with approval, if:

- the issue did not exceed the 15 per cent placement capacity under ASX Listing Rule 7.1, and
- the issue is subsequently approved by shareholders.

Macquarie was able to issue all of the ECS within the 15 per cent limit of its placement capacity and accordingly no shareholder approval was required in respect of the issue of the ECS. However, the issue will reduce Macquarie's future placement capacity by approximately 2.5 per cent, unless shareholders approve the ECS issue. If shareholders approve the ECS issue, it will not be included as part of the 15 per cent limit on Macquarie's placement capacity referred to above, and Macquarie will have more flexibility to make future placements of Macquarie shares and to raise funds for any future needs.

A summary of the terms and conditions of the ECS are set out in Appendix B to these Explanatory Notes.

Additional information

The following additional information is provided in connection with the ECS:

- $US250 million of ECS were issued on 26 March 2012, represented by a global certificate which was registered in the name of a nominee of, and deposited with a common depositary for, Euroclear Bank S.A./N.V. and Clearstream Banking, societé anonyme.
- Investors were issued ECS in denominations of US$200,000 and integral multiples of US$1,000 above that amount.
- ECS were issued in respect of institutional and sophisticated investors as determined by a bookbuild process undertaken in March 2012. The Offer of ECS has closed.
- The ECS were structured to be Basel III compliant and also to raise foreign currency capital to assist in hedging Macquarie's capital requirements. It was considered appropriate to offer the ECS predominantly to offshore wholesale investors as the ECS are unsecured and subordinated notes, denominated in US dollars.
- The Issuer used the proceeds (net of costs) from the issue of the ECS to return funds to MBL head office, which will use the funds for general corporate purposes. The Issuer undertakes to manage certain eligible investments with a view to generating income to put towards the payment of interest payable on the ECS. The Issuer undertakes to dispose of or redeem these investments prior to any redemption of the ECS and use the proceeds towards payment of the redemption price. ECS holders have no rights or interests in any such eligible investments. The ECS will be eligible for inclusion as Innovative Tier 1 regulatory capital of MBL and eligible hybrid capital of the Macquarie Group (for the purposes of APRA's prudential guidelines as they apply to MBL and MGL), to strengthen the capital position of the Macquarie Group.

A copy of the Offering Circular containing the full terms of the ECS can be obtained from the Macquarie website at www.macquarie.com.au

The Board unanimously recommends that shareholders vote in favour of this Item.

Item 6 – Approval to extend the share buy-back

On 27 April 2012 Macquarie announced that it would conduct an on-market buy-back of up to $500 million of ordinary fully paid Macquarie shares, subject to market conditions and the Macquarie share price. Macquarie also announced its intention, subject to regulatory approval and to changes in market conditions and the Macquarie share price, to continue the buy-back beyond $500 million and up to 10 per cent of shares.

Macquarie is now seeking approval to allow the extension of the buy-back up to 15 per cent of its shares (including any shares bought back prior to the meeting under Macquarie's current buy-back) over the 12 months to 25 July 2013.

This will give Macquarie flexibility in the conduct of its capital management initiatives should Macquarie decide that extending the buy-back is in the best interests of shareholders. Approval to extend the buy-back under Item 6 does not oblige Macquarie to undertake any buy-backs. At this stage no decision has been taken to buy-back shares beyond the initial target of up to $500 million. As noted above, any increase in the buy-back beyond this initial target is subject to regulatory approval, market conditions and the Macquarie share price.

The Corporations Act permits a company to buy back shares in itself, provided the buy-back does not materially prejudice the company's ability to pay its creditors and provided also that the company complies with the procedures specified in the Corporations Act. A company is entitled to buy back shares on-market without shareholder approval, provided that the total number of shares bought back does not exceed 10 per cent of the smallest number of votes attaching to voting shares on issue during the previous 12 months ("10/12 Limit"). On-market buy-backs exceeding the 10/12 Limit require shareholder approval.

As at 4 June 2012 (the last practicable day prior to the finalisation of this Notice), Macquarie had yet to commence the announced initial buy-back of up to $500 million in shares. As announced by Macquarie on 27 April 2012, other recent capital actions have included the purchase of shares on-market to satisfy the Macquarie Group Employee Retained Equity Plan requirements of approximately $A275 million. In addition, 1,176,028 shares have been purchased on-market for the allocation under the Macquarie Dividend Reinvestment Plan in respect of the 2012 final dividend. Once these capital management actions are completed, the buy-back of up to an initial $500 million in shares can commence.

Approval sought

Without approval under Item 6, Macquarie's entitlement to buy back shares on-market would be capped at 34,681,496 shares, being 10 per cent of the lowest number of Macquarie shares on issue in the 12 months to 27 April 2012. If approval is granted under Item 6, Macquarie will be authorised by shareholders to undertake further on-market buy-backs of its shares should it wish to do so during the 12 month period after approval is granted. The approval sought is subject to the total number of shares bought back on-market during that 12 month period plus any shares bought back prior to the meeting not exceeding 52,022,244. This cap on any further buy-backs is equal to 15 per cent of the lowest number of Macquarie shares on issue in the 12 months prior to 27 April 2012 (being the date on which Macquarie's current buy-back was announced).

Reasons for seeking approval

The ability to extend the buy-back would provide Macquarie with an expanded capability to return surplus capital to shareholders, subject to regulatory approval.

Effect on Macquarie and shareholders

Macquarie will proceed with buy-backs beyond the 10/12 Limit under this approval only if it believes that this could be undertaken in the best interests of shareholders and is consistent with Macquarie's long standing, conservative policies and approach to liquidity, funding and capital.

Extending the buy-back is not expected to pose any significant disadvantage to shareholders. Further, Macquarie's ability to pay its creditors will not be materially prejudiced by Macquarie undertaking the extended buy-back.

Explanatory Notes on Items of Business
continued

In making their decision on how to vote on Item 6, shareholders should be aware that any shares bought back by Macquarie would result in a reduction in the number of ordinary shares on issue. As at 4 June 2012 (the last practicable day prior to the finalisation of this Notice), Macquarie had 348,631,269 shares on issue. Given the maximum number of shares that could be bought back under the extended buy-back, it is not expected that the buy-back will result in a material change in the control of or liquidity in Macquarie shares.

The consideration paid under any buy-backs undertaken would be cash and all shares bought back would be cancelled, thus reducing Macquarie's share capital. Any buy-backs will be funded from existing liquid sources at the time. Depending on the price paid (see below), Macquarie intends to debit the payment for shares purchased under any buy-backs first to its contributed equity with any excess to reserves/retained profits. As shares will be purchased on-market under any buy-backs, no part of the buy-back price would be treated as a dividend for taxation purposes in the hands of a shareholder and there will be no franking credits attached to the payment of the buy-back price. Provided that Macquarie is not franking its ordinary share dividends in the six month period in which any buy-back occurs, the buy-back will not have an impact on Macquarie's franking account.

Share price information

The price payable for any shares to be bought back will be determined by Macquarie from time to time in light of the then current price of Macquarie shares trading on ASX. In accordance with Listing Rule 7.33, the purchase price will not be more than 5 per cent above the average market price (as that term is defined in the Listing Rules) of Macquarie shares over the last 5 trading days on which sales were recorded on ASX before the day on which the particular shares are to be bought back.

As an indication of the recent market price of Macquarie shares, the closing price of Macquarie shares traded on ASX on 4 June 2012, being the last practicable trading day prior to the date of this Notice, was A$26.05.

Directors may not participate

The Board has determined that Voting Directors may not participate in the buy-back.

Financial statements

The most recent set of financial statements for Macquarie was for the financial year ending 31 March 2012. These financial statements are contained in Macquarie's 2012 Annual Financial Report, which was released on 27 April 2012. The 2012 Annual Financial Report is available on Macquarie's website.

The Board unanimously recommends that shareholders vote in favour of this Item.

Appendix A
Performance Share Units (PSUs)

Executive Committee members are the only group of staff eligible to receive PSUs. Since their introduction, PSUs have been structured as DSUs with performance hurdles. Holders have no right to dividend equivalent payments before the PSUs vest. In all other respects, holders of these PSUs will have the same rights as holders of DSUs.

Unlike options, there is no exercise price for PSUs.

Determination and allocation of the PSUs

The Board approves the number of PSUs to be allocated to Executive Committee members each year as part of the annual remuneration review process. This determination has regard to Macquarie's overall performance, the extent to which the Executive Committee members have fulfilled their roles, and the long-term value delivered to shareholders. The allocation to individual executives is broadly in the same manner as annual profit share allocations i.e. it is performance based. The allocation of PSUs to the Managing Director and CEO, who is an Executive Voting Director, is subject to shareholder approval at the Annual General Meeting.

Vesting schedule

In the past, PSUs have vested in three equal tranches after two, three and four years from the deemed vesting commencement date (typically 1 July in the year of grant), giving an average vesting period of three years. For grants in respect of the 2012 performance year, PSUs will vest in two equal tranches after years three and four.

As a general rule, unvested PSUs will lapse on termination. However, the Board or the BRC has the authority to accelerate the vesting of PSUs. The Board or the BRC may consider exercising this authority where, for example, a staff member dies, is totally and permanently disabled, gives notice of their intention to enter into genuine retirement or a staff member's employment ends on the grounds of redundancy, illness or in other limited exceptional circumstances, such as hardship or where business efficacy justifies exercising the discretion. To date, the discretion to accelerate vesting has not been exercised.

Performance hurdles

Vested PSUs issued under the MEREP become exercisable upon the achievement of certain performance hurdles. There are two performance hurdles and each applies individually to 50 per cent of the total number of PSUs awarded.

The BRC periodically reviews the performance hurdles, including the reference group, and has discretion to change the performance hurdles in line with regulatory and remuneration trends. No change has been made to the performance hurdles for the past year. The section below describes these hurdles and their rationale.

Description of performance hurdles:

Hurdle 1— *50 per cent of the PSUs, based solely on the relative average annual return on ordinary equity (ROE) over the vesting period compared to a reference group of domestic and international financial institutions.* A sliding scale applies with 50 per cent becoming exercisable above the 50th percentile and 100 per cent at the 75th percentile. For example, if ROE achievement is at the 60th percentile, 70 per cent of the award would become exercisable.

The reference group comprises significant Australian financial companies within the ASX100 as well as Macquarie's major international investment banking peers with whom Macquarie competes and frequently compares its performance. The reference group comprises ANZ Group, Commonwealth Bank, National Australia Bank, Westpac, Suncorp, Bank of America, Citigroup, Credit Suisse, Deutsche Bank, Goldman Sachs, JP Morgan, Morgan Stanley and UBS.

Hurdle 2 — *50 per cent of the PSUs, based solely on compound annual growth rate (CAGR) in earnings per share (EPS) over the vesting period.* A sliding scale applies with 50 per cent becoming exercisable at EPS CAGR of 9 per cent and 100 per cent at EPS CAGR of 13 per cent. For example, if EPS CAGR was 11 per cent, 75 per cent of the award would become exercisable.

Under both performance hurdles, the objective is examined once only, effectively at the calendar quarter end immediately before vesting. If the condition is not met when examined, the PSUs due to vest expire.

Appendix A
Performance Share Units (PSUs) continued

Rationale for selection of performance hurdles:

— ROE and EPS are considered appropriate measures of performance as they are regarded as the drivers of longer term shareholder returns and are broadly similar to the performance measures Macquarie uses for determining annual profit share.

— EPS provides closer alignment with shareholders who are concerned about this measure and it is particularly appropriate for the Executive Committee who are at a level within Macquarie where they can affect its achievement. Total Shareholder Return (TSR), on the other hand is influenced by many external factors, including market sentiment, over which executives have limited control.

— ROE and EPS can be substantiated using information that is disclosed in audited financial statements, providing confidence in the integrity of the remuneration system from the perspective of both shareholders and staff.

— The use of a sliding scale diversifies the risk of not achieving the hurdle for executives, provides rewards proportional to performance for shareholders and replaces the all-or-nothing test which some have argued could, in the current climate, promote excessive risk taking. Sliding scales are also more widely used and supported by governance agencies.

— Use of a reference group of significant Australian financial companies and international peers provides an appropriate reference. This also recognises that, following the significant changes in global financial markets, regulated financial institutions will likely face increased regulatory requirements, which other companies will not. The inclusion of international peers recognises the extent of Macquarie's internationalisation and its identified peer group. At 31 March 2012, over half of Macquarie's income and over half of Macquarie's staff were offshore. Also, international ownership of Macquarie's shares remains significant with non-Australian ownership averaging approximately 33 per cent over the three years to 31 March 2012.

— The approach is consistent with that advocated by APRA in not using TSR as a measure.

Performance level required to meet hurdles:

— Being three and four year average measures, from 2012, aligned with the vesting period, Macquarie's performance hurdles reward sustained strong performance and are relatively well insulated from short-term fluctuations.

— PSUs linked to the ROE hurdle can only be exercised if the mid-point of peers' performance has been exceeded and 100 per cent exercisability is only achieved if the 75th percentile has been reached.

— The use of an absolute EPS hurdle requires Macquarie to deliver increased business results before awards are exercisable, lessening the chance that awards could be exercised when results are negative as with the use of a relative measure.

— The chosen EPS CAGR hurdle is considered appropriate having regard to a range of factors including historical average market EPS CAGR figures. The table below shows the five year historical mean and 75th percentile EPS CAGRs for some relevant market sectors.

5 year EPS CAGR (per cent per annum)[6]

	S&P/ASX 100 ex Resources	S&P/ASX Banks	S&P/ASX Financials ex Property Trusts	MSCI Financials
Mean	4.87	5.33	1.89	(2.99)
75th percentile	14.05	8.46	8.46	6.58

[6] Data provided by Macquarie Research Equities as at 31 March 2012. MSCI refers to the MSCI All Countries World Index.

Macquarie's EPS CAGR over the same five year period was (18.7) per cent per annum and since listing in 1996 has been 8.0 per cent per annum.

Appendix B
Summary of the ECS Terms and Conditions

Summary of the terms of the ECS

The following is a summary only of the terms and conditions of the ECS (ECS Terms). Defined terms used in this summary have the meaning given to them in the ECS Terms. The ECS Terms are set out in full in the ECS Offering Circular issued by the Issuer and lodged with ASX on 26 March 2012. A copy of the Offering Circular is available on Macquarie's website.

Interest

Interest on the ECS is payable semi-annually in arrears on 20 June and 20 December of each year commencing 20 June 2012, until the ECS have been Redeemed or Exchanged. Interest is also payable on the Redemption Date or, subject to certain conditions, the Resale Date or on an Exchange Date (except where the Exchange occurs as a result of a Common Equity Tier 1 Trigger Event or a Non-Viability Event).

The Interest Rate is 10.25 per cent per annum. The Interest Rate will be adjusted on 20 June 2017 and, to the extent not Exchanged or Redeemed, on each fifth anniversary of this date in accordance with the ECS Terms.

Interest payments are discretionary and may not always be paid. The payment of Interest is subject to:

— the Directors of MBL, in their absolute discretion, not determining that Interest should not be paid to ECS Holders

— unless APRA otherwise agrees in writing, MBL having sufficient distributable profits available to pay the Interest

— unless APRA otherwise agrees in writing, payment of the Interest not resulting in MBL breaching APRA's capital adequacy requirements applicable to it

— payment of the Interest not resulting in MBL becoming or being likely to become, insolvent, and

— APRA not otherwise objecting to the payment of the Interest.

Macquarie Dividend Restriction

Subject to certain exceptions described in the ECS Terms, Macquarie and the Issuer have undertaken for the benefit of ECS Holders that, if for any reason the Issuer fails to pay an amount of Interest in full within 20 business days of the relevant Interest Payment Date, a Dividend Restriction will apply. So long as a Dividend Restriction applies, Macquarie and the Issuer will not, without prior approval of a Special Resolution of ECS Holders:

— declare or pay a dividend or make any other distribution on any Macquarie Ordinary Shares or ordinary shares of the Issuer, or

— redeem, reduce capital in respect of, cancel or buy-back any Macquarie Ordinary Shares, or ordinary shares of the Issuer.

Mandatory Exchange into Ordinary Shares

Subject to the Mandatory Exchange Conditions, the ECS will be exchanged for fully paid ordinary shares (Ordinary Shares) in Macquarie on the first to occur of the following dates on which certain conditions relevant to those dates are satisfied, unless the ECS have been Redeemed or Exchanged before such time:

— 20 June 2017 (the Scheduled Mandatory Exchange Date)

— any Interest Payment Date up to and including 20 December 2056 (a Deferred Mandatory Exchange Date), and

— 20 June 2057 (Final Mandatory Exchange Date).

The Mandatory Exchange Conditions are:

— in the case of the Scheduled Mandatory Exchange Date and any Deferred Mandatory Exchange Date:

(i) on the Preliminary Test Date, the Exchange Number must be less than or equal to 90.91% of the Maximum Exchange Number (**First Mandatory Exchange Condition**),

Appendix B
Summary of the ECS Terms and Conditions continued

(ii) on the Mandatory Exchange Date, the Exchange Number is less than or equal to the Maximum Exchange Number (**Second Mandatory Exchange Condition**),

(iii) no Suspension Event applies in respect of the Mandatory Exchange Date (**Third Mandatory Exchange Condition**),

(iv) Macquarie is not delisted as at the Mandatory Exchange Date (**Fourth Mandatory Exchange Condition**), and

(v) an MGL Inability Event does not apply in respect of the Mandatory Exchange Date (**Fifth Mandatory Exchange Condition**), and

— in the case of the Final Mandatory Exchange Date, the Fourth Mandatory Exchange Condition and the Fifth Mandatory Exchange Condition. If either or both of the Fourth or Fifth Mandatory Exchange Conditions are not satisfied on the Final Mandatory Exchange Date, Exchange will not occur and instead on that date each ECS will automatically transfer to MBL or, subject to APRA's prior written approval, to a Related Body Corporate of MBL nominated by the Issuer, in each case for no consideration and then cancelled.

The number of Ordinary Shares that an ECS will be convertible into (Exchange Number) on an Exchange Date will be calculated using the following formula:

$$\frac{\textbf{US\$1,000}}{\textbf{(1-Exchange Discount) x Exchange Date VWAP x Exchange Date USD rate}}$$

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

The Maximum Exchange Number will be calculated using the following formula:

$$\frac{\textbf{US\$1,000 x Issue Date AUD Rate}}{\textbf{Issue Date VWAP x 0.5}}$$

Redemption

By notice to the ECS Holders, the Issuer may in its sole discretion, but with APRA's approval, elect to Redeem all (but not some) of the ECS following the occurrence of a Tax Event or Regulatory Event (but not otherwise).

ECS Holders have no right to request Redemption.

On the Redemption Date, the ECS will be Redeemed by payment of the Redemption Price. Interest from (and including) the immediately preceding Interest Payment Date up to (but excluding) the Redemption Date will be paid in respect of the ECS being Redeemed on the Redemption Date, to the extent the Interest Payment Conditions are met.

Redemption of the ECS must not occur unless either:

— the ECS are replaced (either concurrently or beforehand) with Tier 1 Capital of the same or better quality, and the replacement is sustainable for the income capacity of the MBL Level 1 Group, the MBL Level 2 Group and the MGL Level 3 Group, or

— APRA is satisfied that the capital position of the MBL Level 1 Group, the MBL Level 2 Group and the MGL Level 3 Group will be well above their minimum capital requirements after the ECS are Redeemed.

Resale

The Issuer may, in certain circumstances including the occurrence of a Tax Event or a Regulatory Event, issue a notice (Resale Notice) to each ECS Holder specifying that all (but not some) of each ECS Holder's holding of ECS will be transferred to one or more Nominated Parties.

If a Resale Notice is issued and does not subsequently become void (as a result of a failure to satisfy any of the Mandatory Exchange Conditions), then the ECS specified will be transferred on the date specified in the Resale Notice at a purchase price equal to:

— in the case of a Resale on account of a Regulatory Event, 101 per cent of the principal amount of that ECS, and

— in all other cases, the principal amount of that ECS.

ECS Holders have no right to request Resale.

Winding-up

If an order is made or a resolution passed for the winding up of MBL (unless the ECS have been exchanged before such winding up commences), MBL will be obliged to Redeem each ECS for its Redemption Price. In a winding up of MBL, ECS holders' claims will rank for payment behind all senior creditors of MBL, but before holders of MBL ordinary shares.

No voting rights in Macquarie

Holders of ECS do not have any voting rights in Macquarie.

Investor information

Enquiries

Investors who wish to enquire about any matter relating to their Macquarie Group Limited shareholding are invited to contact the share registry:

Computershare Investor Services Pty Limited
GPO Box 2975
Melbourne VIC 8060 Australia
Telephone: +61 3 9415 4137
Freecall: 1300 554 096
Facsimile: +61 3 9473 2500
Online: www.investorcentre.com/contact
Website: www.computershare.com/au

All other enquiries relating to a Macquarie Group Limited share investment can be directed to:

Investor Relations
Macquarie Group Limited
Level 7, No.1 Martin Place
Sydney NSW 2000 Australia
Telephone: +61 2 8232 5006
Facsimile: +61 2 8232 4330
Email: macquarie.shareholders@macquarie.com
Website: www.macquarie.com.au/investorrelations

Website

Macquarie's 2012 Annual Review and 2012 Annual Financial Report, which together comprise the 2012 Annual Report, are available on Macquarie's website at:
www.macquarie.com.au/mqg-annualreport

MGL – 197MAN0010