

Macquarie Deposit plus Access 200



Important Dates

Close Date	Periodically each Wednesday from 15 April 2009
Issue Date	Each Friday following a Close Date
Maturity	5 years from the Issue Date

Key Information

Issuer Macquarie Bank Limited (Macquarie).

Investment Type Macquarie Deposit plus Access 200 (Macquarie DPA 200) is made up of 2 parts:

- a deposit with Macquarie Bank Limited (Deposit Amount).
- a deferred purchase agreement between investors and Macquarie (Access 200 Investment).

Access 200 Investment Amount 10% of the application amount.

Access 200 Investment Investors receive gains at maturity (if any) based on the performance of the S&P/ASX 200 between the ASX Hurdle and the ASX Cap.

ASX Hurdle* 100% - 150% of the S&P/ASX 200 Index on the Issue Date (120% as at 9 Mar 2009).

ASX Cap* 130% - 180% of the S&P/ASX 200 Index on the Issue Date (150% as at 9 Mar 2009).

Deposit Amount 90% of the application amount.

Fixed Interest Amount Investors receive annual fixed interest payments of the Fixed Interest Rate x Deposit Amount on the anniversary of the Issue Date.

Fixed Interest Rate* 4.45% on the Deposit Amount (as at 5 Feb 2009).

Government Guarantee** Deposits with Macquarie of up to \$1million per investor are covered under the recently announced Government guarantee for 3 years only to 12 October 2011.

Capital Protection Access 200 Investment is capital protected at maturity only.

Minimum \$10,000.

Liquidity Annual redemptions are available, subject to break costs.

Fees & Commissions

Establishment Fee 2.2% of the Deposit Amount.

Break Costs Annual redemptions are available subject to break costs in the case of Access 200 Investment and break costs (or benefits) in the case of the Deposit. (Refer PDS).

Adviser Commissions Upfront commission of 2.2% (plus GST) of Deposit Amount payable from the Issuer's own funds.
Trailing commission of up to 0.275% p.a (plus GST) of the Deposit Amount paid out of Issuer's own funds.

* Subject to change.

** Investors need to consider whether they have any other deposits with Macquarie and determine whether total deposits exceed \$1 million as part or all deposits above this threshold will not be guaranteed.

What this Rating means

The Recommended rating indicates that Lonsec has conviction that the fund or product can achieve its objectives and, if applicable, outperform peers over an appropriate investment timeframe. The manager or product has a number of competitive advantages (and has few material weaknesses) in people, process and product design. The investment is a recommended entry point to access this asset class or strategy.

Lonsec Opinion of this Product

➤ An investment in Macquarie Deposit plus Access 200 (Macquarie DPA 200) provides investors with an annual fixed interest amount and a potential value at maturity linked to the outperformance of the S&P/ASX 200 Index. Lonsec considers the product to be a relatively simple and transparent income-style product offering potential upside at maturity to the price performance of the Australian equity market.

➤ Whilst superior 5 year fixed interest returns may be available from other authorised deposit-taking institutions, these products do not offer investors the potential of a pay-off at maturity linked to the performance of the S&P/ASX 200. Investors should note that following the introduction of the government guarantee on bank deposits in October 2008 there is a greater number and wider variance of government guaranteed rates on offer.

➤ Investors should note that in order to receive value at maturity from the Access 200 Investment, the S&P/ASX 200 Index must increase between pre-determined levels known as the ASX Hurdle and ASX Cap. These levels are quoted as ranges with the final levels set on the Issue Date. If the ASX Hurdle level is set at 120%, then investors will receive value at maturity only if the S&P/ASX 200 Index increases by more than 20% from its start level over the investment term. If the ASX Cap is set at 150%, then value at maturity will be capped at 50%.

➤ Investors should note the calculation to determine the Access 200 Investment Value at maturity is a point-to-point calculation and not averaged over the investment term. This means investors receive the full benefit (subject to the ASX Hurdle and ASX Cap) of any increase if the S&P/ASX 200 Index increases strongly towards maturity. However, any sharp fall close to maturity has the potential to erode earlier gains.

- Lonsec has reviewed several structured products offered by Macquarie and considers them to have significant experience and resources in structuring investment products both in Australia and abroad.
- Fees for this product are low, although break costs apply in the case of early redemption and may be substantial. Investors should have the intention of holding any investment in Macquarie DPA 200 until maturity.

Using this Product

This is General Advice only and should be read in conjunction with the Disclaimer, Disclosure and Warning on the final page.

- Macquarie has increased the Fixed Interest Rate from an earlier version of this product. The trade-off for the higher rate is a **cap** on potential returns of the ASX 200 Investment.
- Macquarie DPA 200 incorporates capital protection elements that may provide additional comfort to more risk averse investors. Lonsec considers this product to be most suited to some conservative and balanced risk profile investors.
- Macquarie DPA 200 is best suited to investors requiring a regular income stream who believe the current Australian share market provides a good opportunity for capital growth over the medium term. Investors should also be prepared to trade-off some capital growth potential for certainty of income.

Issuer Profile

The Deposit in Macquarie DPA 200 is with Macquarie Bank Limited (Macquarie) and the deferred purchase agreement (Access 200 Investment) is issued by Macquarie, holder of Australian Financial Service Licence No.237502.

Macquarie is an authorised deposit taking institution under s9 of the Banking Act 1959 (Commonwealth) and has long term credit ratings of A+ by Fitch, A by S&P and A1 by Moody's.

How does the Product Work?

Macquarie DPA 200 is made up of 2 parts:

- **Deposit Amount** - a deposit with Macquarie Bank Limited
- **Access 200 Investment** - a deferred purchase agreement (DPA) between investors and Macquarie

90% of the application amount will be placed on deposit with Macquarie and the remaining 10% will be used to enter a DPA with Macquarie.

Investors receive annual Fixed Interest Amounts in arrears on the Deposit Amount. The Access 200 Investment provides a possible value at maturity which is linked to the performance of the S&P/ASX 200 Index. The Index must increase between pre-determined levels known as the ASX Hurdle and ASX Cap for investors to receive this value. The ASX Hurdle is 100% - 150% of the S&P/ASX 200 Index level on the Issue Date. The ASX Cap is 130% - 180% of the S&P/ASX 200 Index level on the Issue Date. The final levels are set on the Issue Date. If the final levels are 120% and 150% respectively then investors receive the benefit of any increases in the S&P/ASX 200 Index between 20% and 50% over the investment term.

ASX 200 Investment at maturity

Investors receive an amount equal to:

Total application amount x the % increase in the S&P/ASX 200 Index between the ASX Hurdle and ASX Cap.

Note that the Fixed Interest Rate and ASX Hurdle amount will be available on the website each Monday prior to each Issue Date.

The Access 200 Investment is capital protected at maturity. This means the amount returned to investors at maturity will be at least equal to the Access 200 Investment Amount. Capital protection does not apply prior to maturity.

Examples of the Macquarie DPA 200 cash flows under various scenarios are outlined in Section 2 of the PDS.

Redemption Prior to Maturity

Investors are able to redeem annually. In the event of early redemption break costs (or benefits) may be applicable on the Deposit Amount. Further to this, prior to maturity the value of the Access 200 Investment is the greater of the Realisable Value and a scheduled value which is the Access 200 Investment multiplied by 30% at the end of year 1, 40% at the end of year 2 and 50% at the end of years 3 and 4. The Realisable Value is determined by Macquarie after accounting for any costs and expenses associated with early redemption.

What Happens at Maturity?

Approximately 20 business days before maturity, the Issuer will notify investors of the upcoming maturity. Investors have the choice of taking physical delivery of the delivery asset (shares in the largest, by market capitalisation, stock included in the S&P/ASX 200 Index at maturity – the default if no election is made) or

instructing Macquarie to sell the delivery asset and receive a cash settlement.

S&P/ASX 200 Index

The following table outlines the performance of the S&P/ASX 200 Index over the various periods ending February 2009.

S&P/ASX 200 Index				
	1 Yr	3 Yrs	5 Yrs	7 yrs
Performance (% pa)	-40.0	-12.1	-0.1	-0.3
Standard Deviation (% pa)	18.2	16.2	14.1	13.0
Worst Drawdown (%)	-40.9	-50.5	-50.5	-50.5

Source: Morningstar, Lonsec

In the 5 year period to February 2009, the Index produced an annualised return of -0.1% with a volatility of 14.1%. The worst cumulative loss experienced over the assessed period was -50.5%.

Risks

An investment in Macquarie DPA 200 carries a number of standard investment risks associated with domestic investment markets. These include economic, political, legal, tax and regulatory risks. These and other risks are outlined in Section 3 of the PDS and should be read in full and understood by investors. Lonsec considers the major risks to be:

- Counterparty risk** – Investors are exposed to the creditworthiness of Macquarie, as Macquarie DPA 200 returns are dependent on Macquarie performing its obligations as they fall due. The obligations under the Deposit are deposit liabilities of Macquarie. Macquarie currently has a long term credit ratings of A+ by Fitch, A by S&P and A1 by Moody's. Deposits with Macquarie are guaranteed by the Government for 3 years until 12 October 2011 up to \$1million per investor. The obligations under the Access 200 Investment are unsecured contractual obligations of Macquarie and rank equally with other unsecured debt liabilities of Macquarie.
- Performance risk** – The value of the Access 200 Investment is dependent on the performance of the underlying index. The underlying index is not actively managed and can be affected by many different factors including but not limited to interest rates, economic policies, political events, war and

natural events. There is no guarantee investors will receive a value at maturity from the Access 200 Investment. The value at maturity is also capped.

- Loss of Capital Protection** – Capital protection is only provided at maturity. In certain circumstances, such as changes in the law or where an index can no longer be used, an early maturity could ensue. Early maturity can also result from an early redemption request from an investor. An investor can receive proceeds on the ASX 200 Investment Amount less than their application amount in the event of an early withdrawal and in certain other circumstances as listed in the PDS.
- Exercise of discretion by the Issuer** – Macquarie has wide powers under the terms of the Macquarie DPA 200 and the exercise of those powers may negatively impact the value of Macquarie DPA 200. For example, this can occur where there is an adjustment event such as the cancellation of an index or where an index sponsor makes a material change to the method of calculation. Given the index used in Macquarie DPA 200, this risk is perceived as low.

Taxation

Deposit

Annual fixed interest payments received by investors should be assessable when received by investors.

Investors should generally be entitled to a deduction in respect of any break costs incurred where an investor withdraws the deposit prior to maturity.

Access 200 Investment

Discount CGT treatment should be available for any capital gain arising at maturity.

Where investors redeem the Access 200 Investment prior to maturity, this may result in a capital loss if the Access 200 Investment Value is less than the Access 200 Investment Amount.

These comments constitute 'General Advice' only and Lonsec advises potential investors to consult a taxation specialist before making a decision to invest (or not to invest) based upon these taxation considerations. Investors should refer to Section 5 of the PDS.

Liquidity

Macquarie DPA 200 is not listed on the Australian Securities Exchange or any other exchange. Investors should have the intention of holding any investment in Macquarie DPA 200 to the maturity date. However

redemption requests can be made subject to break costs as outlined in the PDS.

Fees

Establishment Fee: 2.2% of the Deposit Amount.

Break costs (or benefits) in the case of the Deposit may apply (Refer PDS). Factors that may affect the value of the break costs include:

- the application amount;
- the Fixed Interest Rate;
- time remaining to maturity; and
- movement in interest rates since the Issue Date.

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Date Prepared: March 2009

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Release Authorised by: Michael Elsworth

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