



Macquarie Bank Limited
(ABN 46 008 583 542)

Disclosure Report (U.S. Version)
for the half year ended September 30, 2023

Dated: November 17, 2023

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CERTAIN DEFINITIONS

In this Disclosure Report (U.S. Version) for the half year ended September 30, 2023 (this “*Report*”), unless otherwise specified or the context otherwise requires:

- “*2023 Annual U.S. Disclosure Report*” means our Disclosure Report (U.S. Version) for the fiscal year ended March 31, 2023 and the documents incorporated by reference therein;
- “*2023 Fiscal Year Management Discussion and Analysis Report*” means our Management Discussion and Analysis Report dated May 5, 2023, which includes a comparative discussion and analysis of our results of operations and financial condition for the fiscal year ended March 31, 2023 compared to the fiscal year ended March 31, 2022, along with other balance sheet, capital and liquidity disclosures as at or for the fiscal year ended March 31, 2023, and which is incorporated by reference herein and has been posted on MBL’s U.S. Investors’ Website;
- “*2024 Half Year Management Discussion and Analysis Report*” means our Management Discussion and Analysis Report dated November 3, 2023, which includes a comparative discussion and analysis of our results of operations and financial condition for the half year ended September 30, 2023 compared to the half year ended September 30, 2022, along with other balance sheet, capital and liquidity disclosures as at or for the half year ended September 30, 2023, and which is incorporated by reference herein and has been posted on MBL’s U.S. Investors’ Website;
- “*2024 Interim Directors’ Report and Financial Report*” means our 2024 Interim Directors’ Report and Financial Report; and
- “*2024 interim financial statements*” means our unaudited financial statements for the half year ended September 30, 2023 contained in our 2024 Interim Directors’ Report and Financial Report.

In addition, you should refer to “Certain Definitions” beginning on page ii of our 2023 Annual U.S. Disclosure Report, which is posted on Macquarie Bank Limited’s (“MBL”) U.S. Investors’ Website at <http://www.macquarie.com/au/en/disclosures/us-investors/macquarie-bank-limited.html> (“MBL’s U.S. Investors’ Website”).

Our fiscal year ends on March 31, so references to years such as “*2023*” or “*fiscal year*” and like references in the discussion of our financial statements, results of operations and financial condition are to the 12 months ending on March 31 of the applicable year, and, in connection with our interim financial statements, results of operations and financial condition, references such as “*half year*” and like references are to the six months ending on September 30 of the preceding year.

In this Report, prior financial period amounts that have been reported in financial statements for or contained in the discussion of a subsequent financial period may differ from the amounts reported in the financial statements for or contained in the discussion of the financial statements for that prior financial period as the prior financial period amounts may have been adjusted to conform with changes in presentation in the subsequent financial period.

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Report contains statements that constitute “*forward-looking statements*” within the meaning of Section 21E of the U.S. Securities Exchange Act of 1934. Examples of these forward-looking statements include, but are not limited to: (i) statements regarding our future results of operations and financial condition; (ii) statements of plans, objectives or goals, including those related to our products or services; and (iii) statements of assumptions underlying those statements. Words such as “*may*”, “*will*”, “*expect*”, “*intend*”, “*plan*”, “*estimate*”, “*anticipate*”, “*believe*”, “*continue*”, “*probability*”, “*risk*”, and other similar words are intended to identify forward-looking statements but are not the exclusive means of identifying those statements.

By their very nature, forward-looking statements involve inherent risks and uncertainties, both general and specific, and risks exist that the predictions, forecasts, projections and other forward-looking statements will not be achieved. We caution readers that a number of important factors could cause actual results to differ materially from the plans, objectives, expectations, estimates and intentions expressed in such forward-looking statements. These factors include:

- conditions in financial markets, global credit and other economic and geopolitical challenges generally;
- market uncertainty, volatility and investor confidence;
- our ability to deal effectively with an economic slowdown or other economic or market difficulties or disruptions;
- defaults by other large financial institutions or counterparties;
- changes in and increased volatility in currency exchange rates;
- losses due to price volatility in equity markets or other markets;
- our ability to effectively hedge our trading exposures;
- risks associated with our physical commodities activities;
- funding constraints of potential purchasers of our assets or on our clients;
- changes to the credit ratings assigned to each of MBL and Macquarie Group Limited (“*MGL*”), our indirect parent company;
- our ability to effectively manage our capital and liquidity and to adequately fund the operations of the MBL Group;
- inflationary pressures;
- losses due to climate change;
- the effect of, and changes in, laws, regulations, taxation or accounting standards or practices, or government policy, including as a result of regulatory proposals for reform of the banking and funds management industries in Australia and the other countries in which we conduct our operations or which we may enter in the future;
- our failure to comply with laws governing financial crime, including sanctions;
- increased governmental and regulatory scrutiny and negative publicity;
- litigation and regulatory actions against us;
- risks associated with the replacement of interest rate benchmarks;
- changes in the credit quality of MBL’s counterparties;

- our ability to attract and retain employees;
- inadequate or failed internal or external operational systems and risk management processes;
- the effectiveness of our risk management processes and strategies;
- increased demands on our managerial, legal, accounting, IT, risk management, operational and financial resources;
- the performance and financial condition of MGL;
- our ability to maintain appropriately staffed workforces and a healthy and safe work environment;
- the impact of cyber-attacks, technology disruption events and other information or security breaches;
- environmental and social factors;
- the impact of catastrophic events on MBL and its operations;
- the impact of the ongoing severe acute respiratory syndrome coronavirus 2 (“*COVID-19*”) pandemic on the global economy, the markets in which we operate and our businesses;
- failure of our insurance carriers or our failure to maintain adequate insurance cover;
- risks in using custodians;
- lack of control over entities in the MGL Group that are not part of the MBL Group;
- our ability to complete, integrate or process acquisitions, disposals, mergers and other significant corporate transactions;
- our ability to effectively manage our growth;
- adverse impact on our brand and reputation;
- the effects of competition in the geographic and business areas in which we conduct our operations or which we may enter in the future;
- conflicts of interest;
- the impact of potential tax liabilities;
- changes in accounting standards, policies, interpretations, estimates, assumptions and judgments; and
- various other factors beyond our control.

The foregoing list of important factors is not exhaustive. Statements that include forward-looking statements reflect our current views with respect to future events and are subject to certain risks, uncertainties and assumptions. Should one or more of the risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those described in this Report as anticipated, believed, estimated, expected or intended.

When relying on forward-looking statements to make decisions with respect to the MBL Group, investors and others should carefully consider the foregoing factors and other uncertainties and events and are cautioned not to place undue reliance on forward-looking statements.

We are under no obligation, and disclaim any obligation, to update or alter our forward-looking statements, whether as a result of new information, future events or otherwise, after the date of this Report.

Significant risk factors applicable to the MBL Group are described under “Risk Factors” and elsewhere in this Report. Other factors are discussed in our 2024 Half Year Management Discussion and Analysis Report and in our 2023 Fiscal Year Management Discussion and Analysis Report, which are incorporated by reference in our 2023 Annual U.S. Disclosure Report.

AUSTRALIAN EXCHANGE CONTROL RESTRICTIONS

The Australian dollar is convertible into U.S. dollars at freely floating rates, subject to the sanctions described below. The Autonomous Sanctions Regulations 2011 promulgated under the Autonomous Sanctions Act 2011 of Australia, the Charter of the United Nations Act 1945 of Australia and other laws and regulations in Australia restrict or prohibit payments, transactions and dealings with assets having a prescribed connection with certain countries or named individuals or entities subject to international sanctions or associated with terrorism or money laundering.

The Australian Department of Foreign Affairs and Trade (“*DFAT*”) maintains a list of all persons and entities having a prescribed connection with terrorism and a list of all persons and entities that are subject to autonomous sanctions (which include economic sanctions) which are available to the public at the Department’s website at <http://www.dfat.gov.au/international-relations/security/sanctions/consolidated-list>.

In addition and as of January 2020, DFAT has established the Australian Sanctions Office (the “*ASO*”), which is the Australian government’s sanctions regulator. The ASO sits within DFAT’s Regulatory Legal Division in the Security, Legal and Consular Group. As the sanctions regulator, the ASO:

- provides guidance to regulated entities, including government agencies, individuals, business and other organizations on Australian sanctions law;
- processes applications for, and issues, sanctions permits;
- works with individuals, business and other organizations to promote compliance and help prevent breaches of the law;
- works in partnership with other government agencies to monitor compliance with sanctions legislation; and
- supports corrective and enforcement action by law enforcement agencies in cases of suspected non-compliance.

Further information is available at <http://www.dfat.gov.au/international-relations/security/sanctions>.

FINANCIAL INFORMATION PRESENTATION

Investors should read the following discussion regarding the presentation of our financial information together with the discussion under “Financial Information Presentation” beginning on page ix of our 2023 Annual U.S. Disclosure Report, our 2024 Half Year Management Discussion and Analysis Report and our historical financial statements.

Our financial information

In addition to this section, investors should refer to the discussion of our historical financial information included elsewhere in this Report and in the following additional information posted on MBL’s U.S. Investors’ Website:

- the section of this Report under the heading “Recent Developments — Trading conditions and market update”, which includes a discussion of operating conditions during the half year ended September 30, 2023 and the impact of such operating conditions on the MBL Group;
- the section of this Report under the heading “Management’s Discussion and Analysis of Interim Results of Operations and Financial Condition”, which incorporates by reference our 2024 Half Year Management Discussion and Analysis Report, which includes a comparative discussion and analysis of our results of operations and financial condition for the half year ended September 30, 2023 compared to the half year ended September 30, 2022, along with other balance sheet, capital and liquidity disclosures as at or for the half year ended September 30, 2023;
- our Pillar 3 Disclosure Document dated June 2023, the Pillar 3 Disclosure Document dated March 2023, the Basel III Pillar 3 Restatements for the period from December 2020 to September 2022, the Pillar 3 Disclosure Document dated December 2022, the Pillar 3 Disclosure Document dated September 2022 and the Pillar 3 Restatement for the period from March 2018 to June 2021, which describe the Bank’s capital position, risk management policies and risk management framework and the measures adopted to monitor and report within this framework; and
- our historical financial statements, which are included in the extracts from our 2024 Half Year Management Discussion and Analysis Report.

Unless otherwise indicated, conversions of Australian dollars to U.S. dollars in this Report have been made at the exchange rate of US\$0.6451 per A\$1.00, which was the noon buying rate in New York City for cable transfers of Australian dollars as certified for customs purposes for the Federal Reserve Bank of New York on September 29, 2023. The noon buying rate on November 9, 2023 was US\$0.6420 per A\$1.00.

Certain differences between Australian Accounting Standards and U.S. GAAP

For information on certain differences between Australian Accounting Standards and U.S. GAAP, see “Financial Information Presentation — Certain differences between Australian Accounting Standards and U.S. GAAP” beginning on page x of our 2023 Annual U.S. Disclosure Report

Critical accounting policies and significant judgments

For information on our critical accounting policies and significant judgments, see “Financial Information Presentation — Critical accounting policies and significant judgments” beginning on page x of our 2023 Annual U.S. Disclosure Report.

Pending accounting standards changes

For a description of standards, interpretations and amendments to Australian Accounting Standards that are not yet effective but could have a significant impact on our accounting policies, see Note 1 to our 2024 interim financial statements.

Non-GAAP financial measures

We report our financial results in accordance with Australian Accounting Standards. However, we include certain financial measures and ratios that are not prepared in accordance with Australian Accounting Standards that we believe provide useful information to investors in measuring the financial performance and condition of our business for the reasons set out below. In addition, some of these non-GAAP financial measures are used by the MBL Group in respect of our financial results. These non-GAAP financial measures do not have a standardized meaning prescribed by Australian Accounting Standards and, therefore, may not be comparable to similarly titled measures presented by other entities, nor should they be construed as an alternative to other financial measures determined in accordance with Australian Accounting Standards. You are cautioned, therefore, not to place undue reliance on any non-GAAP financial measures and ratios included or incorporated by reference into this Report and in the additional information posted on MBL's U.S. Investors' Website. For further information on our non-GAAP financial measures, see "Financial Information Presentation — Non-GAAP financial measures" beginning on page xi of our 2023 Annual U.S. Disclosure Report.

RISK FACTORS

We are subject to a variety of risks that arise out of our financial services and other businesses, many of which are not within our control. We manage our ongoing business risks in accordance with our risk management policies and procedures, some of which are described in “Risk Management” in section 2 of the 2023 Annual Report of MGL and in Note 33 to our 2023 annual financial statements.

The significant risk factors applicable to the MBL Group are described under “Risk Factors” beginning on page 1 of our 2023 Annual U.S. Disclosure Report.

CAPITALIZATION AND INDEBTEDNESS

The following table sets forth our capitalization as at September 30, 2023.

The information relating to the MBL Group in the following table is based on our 2024 interim financial statements, which were prepared in accordance with Australian Accounting Standards, and should be read in conjunction therewith.

	As at Sep 30, 2023	
	US\$m ¹	A\$m
CAPITALIZATION		
Borrowings²		
Debt issued — due greater than 12 months.....	19,418	30,100
Loan capital — due greater than 12 months.....	6,128	9,499
Total borrowings³.....	25,546	39,599
Equity		
Contributed equity		
Ordinary share capital.....	6,373	9,879
Equity contribution from ultimate parent entity	174	269
Reserves	841	1,303
Retained earnings	5,616	8,705
Total equity	13,004	20,156
TOTAL CAPITALIZATION.....	38,550	59,755

¹ Conversions of Australian dollars to U.S. dollars have been made at the noon buying rate on September 29, 2023, which was US\$0.6451 per A\$1.00.

² As at September 30, 2023, we had A\$9.7 billion of secured indebtedness due in greater than 12 months compared to A\$19.4 billion as at March 31, 2023.

³ Total borrowings do not include our short-term debt securities, including the current portion of long-term debt. Short-term debt totaled A\$58.8 billion as at September 30, 2023 and security backed funding totaled nil as at September 30, 2023 compared to A\$46.7 billion and nil, respectively, as at March 31, 2023.

For details on our short-term debt position as at September 30, 2023, see section 5.4 of our 2024 Half Year Management Discussion and Analysis Report.

RECENT DEVELOPMENTS

The following are significant recent developments for the MBL Group that have occurred since the release of our 2023 Annual U.S. Disclosure Report on May 19, 2023.

Investors should be aware that the information set forth in this Report is not complete and should be read in conjunction with the discussion under “Risk Factors” beginning on page 1 and under “Macquarie Bank Limited” beginning on page 14 of our 2023 Annual U.S. Disclosure Report and other information posted on MBL’s U.S. Investors’ Website.

Ratings upgrade

On June 2, 2023, Moody’s Investors Service upgraded MBL’s long-term issuer rating from A2 to A1. MBL’s outlook is stable.

Board and management changes during the half year ended September 30, 2023

MBL Board elections and retirements:

- Nicola Wakefield Evans retired as a Non-Executive Voting Director of MBL, effective July 27, 2023.
- Susan Lloyd-Hurwitz was appointed as a Non-Executive Voting Director of MBL, effective July 28, 2023.
- David Whiteing was appointed as a Non-Executive Voting Director of MBL, effective September 27, 2023.

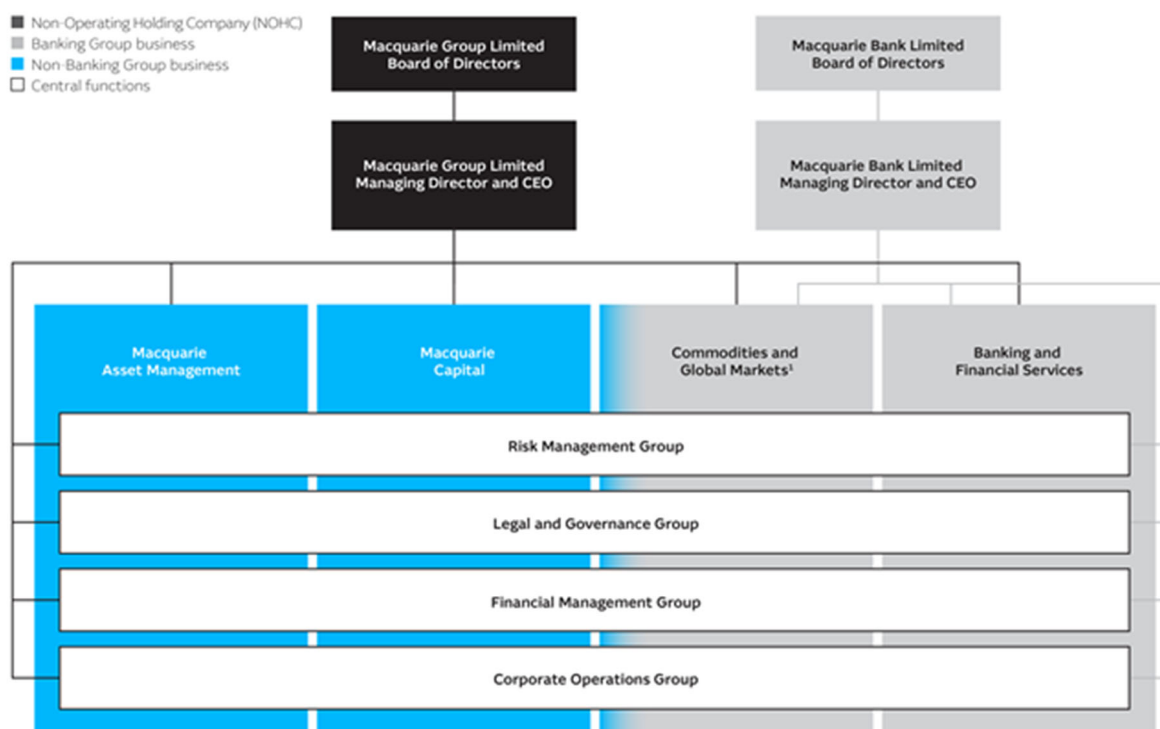
Organizational structure

MBL is an indirect wholly owned subsidiary of MGL and forms part of the Banking Group. MBL comprises two operating groups: Banking and Financial Services and Commodities and Global Markets. Certain assets of the Credit Markets business and certain activities of the Commodity Markets and Finance business, and some other less financially significant activities, are undertaken from within the Non-Banking Group.

MBL Group currently provides services to both the Banking Group and the Non-Banking Group through the Corporate segment. The Corporate segment is not considered an operating group and includes the following Central Service Groups: Corporate Operations Group, Financial Management Group, Risk Management Group, Legal and Governance Group and Central Executive. Services include: risk management, finance, technology, operations, group treasury, human resources, workplace, legal and corporate governance, corporate affairs, taxation services, strategy, operational risk management, data and transformation, business resilience and global security, central executive services, and other services as may be agreed from time to time.

MBL and MGL have corporate governance and policy frameworks that meet APRA’s requirements for ADIs and NOHCs, respectively. The Banking Group and the Non-Banking Group operate as separate sub-groups within MGL with clearly identifiable businesses, separate capital requirements and discrete funding programs. For further information on MGL and MBL’s liquidity and funding, see the discussion in section 5 of our 2024 Half Year Management Discussion and Analysis Report. Although the Banking Group and the Non-Banking Group operate as separate sub-groups, both are integral to MGL Group’s identity and strategy as they assist the MGL Group in continuing to pursue value adding and diversified business opportunities while meeting its obligations under APRA rules.

The following diagram shows our current organizational structure of the MGL Group and reflects the composition of the Banking and Non-Banking Groups.



As at November 3, 2023

¹ Certain assets of the Credit Markets business, certain activities of the Commodity Markets and Finance business, and some other less financially significant activities are undertaken from within the Non-Banking group.

MBL and MGL will continue to monitor and review the appropriateness of the MGL Group structure. From time to time, the optimal allocation of MGL’s businesses between the Banking Group and the Non-Banking Group and within the Banking Group and the Non-Banking Group may be adjusted and MGL and we may make changes in light of relevant factors including business growth, regulatory considerations, market developments and counterparty considerations.

Our key strengths

For a description of our key strengths, see “Macquarie Bank Limited — Our key strengths” on page 14 of our 2023 Annual U.S. Disclosure Report.

MBL has met all of its capital requirements throughout the half year ended September 30, 2023. As at September 30, 2023, the Banking Group had a Harmonized Basel III¹ Level 2 Common Equity Tier 1 capital ratio of 18.0%, a Tier 1 capital ratio of 20.3% and a total capital ratio of 26.9%. The Banking Group’s APRA Basel III Level 2 Common Equity Tier 1 capital ratio was 13.2%, Tier 1 capital ratio was 15.2%, and total capital ratio was 20.8%. The MBL Group continues to monitor regulatory and market developments in relation to liquidity and capital management. For further information on regulation and supervision, see “Regulatory and supervision developments — Australia — APRA” below and for further information on our regulatory capital position as at September 30, 2023, see section 6 of our 2024 Half Year Management Discussion and Analysis Report.

Our strategy

Our strategy is set out under “Macquarie Bank Limited — Our strategy” on page 17 of our 2023 Annual U.S. Disclosure Report. We expect to continue to assess strategic acquisition and merger opportunities and other corporate transactions as they arise, along with exploring opportunities for further organic growth in our existing and related businesses as an avenue of growth and diversification for the MBL Group in the medium term.

¹ “Harmonized” Basel III estimates are calculated in accordance with the Basel Committee on Banking Supervision Basel III framework, noting that MBL is not regulated by the Basel Committee on Banking Supervision and so impacts shown are indicative only.

Across our international operations, our strategy focuses on building a global platform in our key areas of expertise, through both acquisitions and organic growth, which we believe will enable us to offer a comprehensive range of MBL products to clients around the world. See “— Overview of the MBL Group — Regional activity” below for further information on MBL’s performance across its key geographical regions.

Trading conditions and market update

Banking and Financial Services in MBL generated a net profit contribution of A\$638 million for the half year ended September 30, 2023.

Commodities and Global Markets in MBL generated a net profit contribution of A\$1,368 million for the half year ended September 30, 2023.

For a discussion of the impact of trading and market conditions on our results of operations and financial condition for the half year ended September 30, 2023, see our 2024 Half Year Management Discussion and Analysis Report for further information.

Overview of the MBL Group

As at September 30, 2023, MBL had total assets of A\$337.0 billion and total equity of A\$20.2 billion. For the half year ended September 30, 2023, our net operating income was A\$5,577 million and profit after tax attributable to ordinary equity holders was A\$1,317 million. Of MBL Group’s net operating income (excluding earnings on capital and other corporate items), 50% was derived from regions outside Australia.

The tables below show the relative net operating income and profit contribution from ordinary activities of each of our operating groups for the half years ended September 30, 2023 and 2022.

Net operating income of MBL Group by operating group for the half years ended September 30, 2023 and 2022¹

	Half Year ended		Movement
	Sep 30, 2023	Sep 30, 2022	
	A\$m	A\$m	%
Banking and Financial Services	1,609	1,423	13
Commodities and Global Markets ²	2,791	3,033	(8)
Total net operating income from operating groups	4,400	4,456	(1)
Corporate ³	1,177	577	104
Total net operating income.....	5,577	5,033	11

¹ For further information on our segment reporting, see section 3 of our 2024 Half Year Management Discussion and Analysis Report and Note 3 to our 2024 interim financial statements.

² As reported for the MBL Group, the Commodities and Global Markets group excludes certain assets of the Credit Markets business; certain activities of the Commodity Markets and Finance business; and some other less financially significant activities.

³ The Corporate segment includes earnings from legacy businesses within the Bank Group, the net impact of managing liquidity for the MBL Group, earnings on capital, non-trading derivative volatility, provision for legacy matters, earnings from investments, central credit and asset related impairments, unallocated head office costs and costs of central service groups, performance-related profit share and share-based payments expense and income tax expense.

Net profit contribution of MBL Group by operating group for the half years ended September 30, 2023 and 2022¹

	Half Year ended		Movement
	Sep 30, 2023	Sep 30, 2022	
	A\$m	A\$m	%
Banking and Financial Services	638	580	10
Commodities and Global Markets ²	1,368	1,894	(28)
Total contribution to net profit from operating groups.....	2,006	2,474	(19)
Corporate ³	(689)	(1,199)	(43)
Profit attributable to the ordinary equity holders of MBL ...	1,317	1,275	3

¹ For further information on our segment reporting, see section 3 of our 2024 Half Year Management Discussion and Analysis Report and Note 3 to our 2024 interim financial statements.

² As reported for the MBL Group, the Commodities and Global Markets group excludes certain assets of the Credit Markets business; certain activities of the Commodity Markets and Finance business; and some other less financially significant activities.

³ The Corporate segment includes earnings from legacy businesses within the Bank Group, the net impact of managing liquidity for the MBL Group, earnings on capital, non-trading derivative volatility, provision for legacy matters, earnings from investments, central credit and asset related impairments, unallocated head office costs and costs of central service groups, performance-related profit share and share-based payments expense and income tax expense.

Regional activity

As at September 30, 2023, the MBL Group employed 16,722 staff globally and conducted its operations in 19 markets.

Australia. MBL Group has its origins as the merchant bank Hill Samuel Australia Limited, created in 1969 as a wholly-owned subsidiary of Hill Samuel & Co. Limited, London, and began operations in Sydney in January 1970 with only three staff. As at September 30, 2023, the MBL Group employed over 9,560 staff in Australia. In the half year ended September 30, 2023, Australia contributed A\$2,195 million (50%) of our net operating income (excluding earnings on capital and other corporate items) as compared to A\$1,982 million (44%) in the half year ended September 30, 2022.

Americas. MBL Group has been active in the Americas for over 25 years, since we established our first office in New York in 1994, and has grown rapidly over the last several years, both organically and through acquisitions. As at September 30, 2023, the MBL Group employed over 1,820 staff across 4 markets. In the half year ended September 30, 2023, the Americas contributed A\$824 million (19%) of our net operating income (excluding earnings on capital and other corporate items) as compared to A\$1,370 million (31%) in the half year ended September 30, 2022.

Asia. MBL Group has been active in Asia for more than 25 years, since we established our first office in Hong Kong in 1995. As at September 30, 2023, the MBL Group employed over 3,430 staff across 8 markets. MBL has expanded the regional investment and product platforms of Commodities and Global Markets (excluding certain assets of the Credit Markets business; certain activities of the Commodity Markets and Finance business; and some other less financially significant activities), which had established an Asian regional “hub” in Singapore in the 2011 fiscal year. In the half year ended September 30, 2023, Asia contributed A\$305 million (7%) of our net operating income (excluding earnings on capital and other corporate items) as compared to A\$348 million (8%) in the half year ended September 30, 2022.

Europe, Middle East & Africa. MBL Group has been active in Europe since the late 1980s, in Africa since 2000 and the Middle East since 2005. As at September 30, 2023, the MBL Group employed over 1,890 staff across 6 markets. In the half year ended September 30, 2023, Europe, Middle East & Africa contributed A\$1,075 million (24%) of our net operating income (excluding earnings on capital and other corporate items) as compared to A\$757 million (17%) in the half year ended September 30, 2022.

For further information on our segment reporting, see section 3 of our 2024 Half Year Management Discussion and Analysis Report and Note 3 to our 2024 interim financial statements.

Recent developments within the MBL Group

Banking and Financial Services

Banking and Financial Services (“BFS”) is in the Bank Group and is our retail banking and financial services business providing a diverse range of personal banking, wealth management and business banking products and services to retail clients, advisers, brokers and business clients. BFS’ net operating income is primarily sourced from interest income earned from the loan portfolio and fee and commission income on a range of products.

BFS comprises the following businesses:

- **Personal Banking:** Provides a diverse range of retail banking products to clients with home loans, car loans, transaction and savings accounts and credit cards.
- **Wealth Management:** Provides clients with a wide range of wrap platform and cash management services, investment and superannuation products, financial advice and private banking.
- **Business Banking:** Provides a full range of deposit, lending and payment solutions, as well as tailored services to business clients across a range of key industry segments.

BFS contributed A\$638 million to MBL Group’s net profit in the half year ended September 30, 2023 and, as at September 30, 2023, had 4,015 staff operating predominately in Australia.

For further information and a description of the businesses within BFS and their respective activities, see “Macquarie Bank Limited — Operating groups — Banking and Financial Services” beginning on page 20 of our 2023 Annual U.S. Disclosure Report.

Commodities and Global Markets (excluding certain assets of the Credit Markets business; certain activities of the Commodity Markets and Finance business; and some other less financially significant activities)

Commodities and Global Markets (“CGM”) operates both in the Bank and Non-Bank Group. CGM’s net operating income primarily comprises net interest and trading income, fee and commission income and operating lease income earned from products and services delivered within each of these areas.

CGM is a global business offering capital and financing, risk management, market access and physical execution and logistics solutions across three distinct business lines:

COMMODITIES:

- Provides capital and financing, risk management, and physical execution and logistics services across power, gas, emissions, oil, agriculture and resources sectors globally. The division also offers commodity-based index products to institutional investors.

FINANCIAL MARKETS:

Financial Markets provides clients with access to a wide range of service offerings across foreign exchange, rates, credit markets and listed derivatives markets. Our clients benefit from strong deal execution and specialist financing solutions that are underpinned by deep technical and fundamental market analysis. Our two divisions in Financial Markets are:

- **Fixed Income & Currencies:** Provides currency and fixed income trading and hedging services as well as financing via securitization, warehousing and financial solutions across a range of asset classes for corporates and institutional clients globally. The division also includes Credit Markets, which provides warehouse solutions, settlement solution financing and related trading to institutional clients globally.
- **Futures:** Provides a full range of execution, clearing and financing solutions to corporate and institutional clients, providing continuous 24-hour coverage of major markets globally.

ASSET FINANCE:

- Delivers a diverse range of tailored finance solutions globally across a variety of industries and asset classes.

CENTRAL:

- Develops and manages cross-divisional initiatives. It houses various CGM-wide services including the Chief Operating Officer (COO) teams, Chief Financial Officer (CFO) teams, data, legal and other specialist activities and encompasses non-financial risk functions. Aligned to our CFO office is our Equity Derivatives and Trading business, which issues retail derivatives in key locations and provides derivatives products and equity finance solutions to its institutional client base and conducts risk management and market making activities.

CGM contributed A\$1,368 million to MBL Group's net profit in the half year ended September 30, 2023 and, as at September 30, 2023, had 2,315 staff located in 19 markets in Australia, the Americas, Europe, Middle East and Asia.

For further information and a description of the businesses within CGM and their respective activities, see "Macquarie Bank Limited — Operating groups — Commodities and Global Markets (excluding certain assets of the Credit Markets business; certain activities of the Commodity Markets and Finance business; and some other less financially significant activities)" beginning on page 20 of our 2023 Annual U.S. Disclosure Report.

Recent developments within the Corporate segment of the MBL Group

The Corporate segment includes the net result of managing the MGL Group's liquidity and funding requirements, earnings on capital and the residual accounting volatility relating to economically hedged positions where hedge accounting is applied, as well as accounting volatility for other economically hedged positions where hedge accounting is not applicable. Other items of income and expense within the Corporate segment include earnings from investments, changes in central overlays to impairments or valuation of assets, provisions for legacy matters, unallocated head office costs and costs of Central Service Groups, MGL Group's performance-related profit share and share-based payments expense and income tax expense.

Corporate contributed a net loss of A\$689 million in the half year ended September 30, 2023.

For further information on Corporate's results of operations and financial condition for the half year ended September 30, 2023, see section 3.4 of our 2024 Half Year Management Discussion and Analysis Report.

Legal proceedings and regulatory matters

Germany

MBL was one of over 100 financial institutions involved in the German dividend trading market. Nearly a dozen criminal trials related to cum-ex have been or are being prosecuted against individuals in German courts and there have been a number of convictions. MBL's historical involvement in that market included short selling-related activities and acting as a lender to third parties who undertook dividend trading.

The Cologne Prosecutor's Office is investigating MBL's historical activities. Under German law, companies cannot be criminally prosecuted, but they can be added as ancillary parties to the trials of certain individuals. Ancillary parties may be subject to confiscation orders requiring the disgorgement of profits.

As part of their ongoing industry-wide investigation, the German authorities have designated as suspects approximately 100 current and former MGL Group staff members, including the current MGL Group CEO. Most of these individuals are no longer at the MGL Group. MGL Group has been responding to the German authorities' requests for information about its historical activities and expects former and current MGL Group employees to participate in interviews with German authorities over the coming months.

Since 2018, a number of German civil claims have been brought against MBL by investors in a group of independent investment funds financed by MBL to undertake German dividend trading in 2011, who seek total damages of approximately €59 million. The funds were trading shares around the dividend payment dates where investors were seeking to obtain the benefit of dividend withholding tax credits. The investors' credit claims were refused and there was no loss to the German revenue authority. MBL strongly disputes these claims noting that it did not arrange, advise or

otherwise engage with the investors, who were high net-worth individuals with their own advisers. Many, if not all, had previously participated in similar transactions.

MGL Group has provided for these matters.

Other legal proceedings

Revenue authorities undertake risk reviews and audits as part of their normal activities. We have assessed those matters which have been identified in such reviews and audits as well as other taxation claims and litigation, including seeking advice where appropriate.

We have contingent liabilities in respect of actual and potential claims and proceedings that have not been determined. An assessment of likely losses is made on a case-by-case basis for the purposes of our financial statements and specific provisions that we consider appropriate are made, as described in Note 15 to our 2024 interim financial statements. We do not believe that the outcome of any such liabilities, either individually or in the aggregate, are likely to have a material effect on our operations or financial condition.

Competition

For a description of the competition the MBL Group faces in the markets in which it operates, see “Macquarie Bank Limited — Competition” beginning on page 22 of our 2023 Annual U.S. Disclosure Report.

Additional financial disclosures for the half year ended September 30, 2023

MBL Group’s credit risk by country and counterparty type

The table below details the concentration of cross-border credit risk by country and counterparty type of MBL Group’s financial assets measured at amortized cost or fair value through other comprehensive income (“FVOCI”) and off-balance sheet exposures subject to the impairment requirements of AASB 9 *Financial Instruments*. AASB 9 is an equivalent standard to International Financial Reporting Standard 9 – *Financial Instruments*, as issued by the International Accounting Standards Board. The table includes MBL Group’s top thirteen credit risk exposures by country (excluding Australia), MBL Group’s total credit risk exposures in all other countries other than Australia, MBL Group’s credit exposure in Australia, and MBL Group’s total credit exposure in all countries. The country classification is determined by the country of risk to which the MBL Group is most exposed when assessing the counterparty to meet its obligations as they fall due. The counterparty type is based on APRA classifications. For the purposes of this disclosure, the gross exposure of financial assets measured at amortized cost represents the amortized cost before the expected credit loss (“ECL”) allowance and the gross exposure of financial assets measured at FVOCI represents the carrying value before fair value adjustments and ECL allowance. Accordingly, these exposures will not be equal to the amount as presented in MBL Group’s statement of financial position. This information is unaudited.

Country	As at Sep 30, 2023 ¹			
	Governments	Financial Institutions	Other	Total exposure
	A\$m	A\$m	A\$m	A\$m
United States				
Cash and bank balances.....	—	2,323	—	2,323
Cash collateralized lending and reverse repurchase agreements.....	—	6,568	—	6,568
Margin money and settlement assets.....	31	504	2,309	2,844
Financial investments.....	308	108	23	439
Held for sale and other assets.....	1	16	321	338
Loan assets.....	13	3,703	1,819	5,535
Due from other MGL Group entities ²	—	68	1	70
Off balance sheet exposures.....	31	65	1,137	1,233
Total United States.....	384	13,355	5,610	19,349

As at Sep 30, 2023¹

Country	Governments	Financial Institutions	Other	Total exposure
	A\$m	A\$m	A\$m	A\$m
United Kingdom				
Cash and bank balances.....	—	1,097	—	1,097
Cash collateralized lending and reverse repurchase agreements.....	—	3,965	—	3,965
Margin money and settlement assets.....	—	1,067	7,303	8,370
Financial investments.....	—	269	—	269
Held for sale and other assets.....	66	16	608	690
Loan assets.....	—	311	874	1,185
Due from other MGL Group entities ²	—	6	6	13
Off balance sheet exposures.....	—	20	259	279
Total United Kingdom	66	6,751	9,050	15,867
France				
Cash and bank balances.....	—	340	—	340
Cash collateralized lending and reverse repurchase agreements.....	—	7,668	—	7,668
Margin money and settlement assets.....	—	165	92	257
Financial investments.....	650	—	7	657
Held for sale and other assets.....	—	—	—	—
Loan assets.....	—	—	54	54
Due from other MGL Group entities ²	—	—	—	—
Off balance sheet exposures.....	—	—	—	—
Total France	650	8,173	153	8,976
Ireland				
Cash and bank balances.....	—	3,725	—	3,725
Cash collateralized lending and reverse repurchase agreements.....	—	1,998	—	1,998
Margin money and settlement assets.....	—	7	—	7
Financial investments.....	—	238	—	238
Held for sale and other assets.....	—	—	3	3
Loan assets.....	—	8	3	11
Due from other MGL Group entities ²	—	—	—	—
Off balance sheet exposures.....	—	—	44	44
Total Ireland	—	5,976	50	6,026
Canada				
Cash and bank balances.....	—	129	—	129
Cash collateralized lending and reverse repurchase agreements.....	—	2,879	—	2,879
Margin money and settlement assets.....	—	24	43	67
Financial investments.....	—	1,726	—	1,726
Held for sale and other assets.....	—	—	—	—
Loan assets.....	—	125	153	278
Due from other MGL Group entities ²	—	32	—	32
Off balance sheet exposures.....	—	23	182	205
Total Canada	—	4,938	378	5,316

As at Sep 30, 2023¹

Country	As at Sep 30, 2023 ¹			Total exposure
	Governments	Financial Institutions	Other	
	A\$m	A\$m	A\$m	A\$m
Hong Kong Special Administrative Region				
Cash and bank balances.....	—	84	—	84
Cash collateralized lending and reverse repurchase agreements.....	—	3,608	—	3,608
Margin money and settlement assets.....	—	181	30	211
Financial investments.....	—	—	—	—
Held for sale and other assets.....	—	—	—	—
Loan assets.....	—	—	125	125
Due from other MGL Group entities ²	—	30	1	31
Off balance sheet exposures.....	—	—	57	57
Total Hong Kong Special Administrative Region.....	—	3,903	213	4,116
Germany				
Cash and bank balances.....	—	134	—	134
Cash collateralized lending and reverse repurchase agreements.....	—	1,288	—	1,288
Margin money and settlement assets.....	—	144	863	1,007
Financial investments.....	488	—	—	488
Held for sale and other assets.....	—	—	—	—
Loan assets.....	—	—	20	20
Due from other MGL Group entities ²	—	—	—	—
Off balance sheet exposures.....	—	—	—	—
Total Germany.....	488	1,566	883	2,937
Singapore				
Cash and bank balances.....	—	127	—	127
Cash collateralized lending and reverse repurchase agreements.....	—	1,866	—	1,866
Margin money and settlement assets.....	28	29	158	215
Financial investments.....	—	57	—	57
Held for sale and other assets.....	1	—	—	1
Loan assets.....	—	—	26	26
Due from other MGL Group entities ²	—	22	1	23
Off balance sheet exposures.....	—	—	193	193
Total Singapore.....	29	2,101	378	2,508
Japan				
Cash and bank balances.....	—	642	—	642
Cash collateralized lending and reverse repurchase agreements.....	—	1,443	—	1,443
Margin money and settlement assets.....	—	61	81	142
Financial investments.....	—	—	—	—
Held for sale and other assets.....	—	—	2	2
Loan assets.....	—	—	8	8
Due from other MGL Group entities ²	—	2	—	2
Off balance sheet exposures.....	—	—	2	2
Total Japan.....	—	2,148	93	2,240

As at Sep 30, 2023¹

Country	Governments	Financial Institutions	Other	Total exposure
	A\$m	A\$m	A\$m	A\$m
Belgium				
Cash and bank balances.....	—	—	—	—
Cash collateralized lending and reverse repurchase agreements.....	—	2,189	—	2,189
Margin money and settlement assets.....	—	4	9	13
Financial investments.....	—	—	—	—
Held for sale and other assets.....	—	—	—	—
Loan assets.....	—	—	12	12
Due from other MGL Group entities ²	—	—	—	—
Off balance sheet exposures.....	—	—	—	—
Total Belgium	—	2,193	21	2,214
Spain				
Cash and bank balances.....	—	—	—	—
Cash collateralized lending and reverse repurchase agreements.....	—	1,516	—	1,516
Margin money and settlement assets.....	—	15	190	205
Financial investments.....	—	—	—	—
Held for sale and other assets.....	—	—	—	—
Loan assets.....	—	—	267	267
Due from other MGL Group entities ²	—	—	—	—
Off balance sheet exposures.....	—	—	170	170
Total Spain	—	1,531	627	2,158
United Arab Emirates				
Cash and bank balances.....	—	9	—	9
Cash collateralized lending and reverse repurchase agreements.....	—	2,066	15	2,081
Margin money and settlement assets.....	—	—	—	—
Financial investments.....	—	—	—	—
Held for sale and other assets.....	—	3	—	3
Loan assets.....	—	—	14	14
Due from other MGL Group entities ²	—	—	—	—
Off balance sheet exposures.....	—	—	6	6
Total United Arab Emirates	—	2,078	35	2,113
Netherlands				
Cash and bank balances.....	—	1	—	1
Cash collateralized lending and reverse repurchase agreements.....	—	1,463	—	1,463
Margin money and settlement assets.....	—	12	3	15
Financial investments.....	—	22	—	22
Held for sale and other assets.....	—	—	—	—
Loan assets.....	—	278	258	536
Due from other MGL Group entities ²	—	—	—	—
Off balance sheet exposures.....	—	3	3	6
Total Netherlands	—	1,779	264	2,043

As at Sep 30, 2023¹

Country	Governments	Financial Institutions	Other	Total exposure
	A\$m	A\$m	A\$m	A\$m
Top thirteen countries				
Cash and bank balances.....	—	8,611	—	8,611
Cash collateralized lending and reverse repurchase agreements.....	—	38,517	15	38,532
Margin money and settlement assets.....	59	2,213	11,081	13,353
Financial investments.....	1,446	2,420	30	3,896
Held for sale and other assets.....	68	35	934	1,037
Loan assets.....	13	4,425	3,633	8,071
Due from other MGL Group entities ²	—	161	9	170
Off balance sheet exposures.....	31	111	2,052	2,194
Total top thirteen countries³.....	1,617	56,493	17,754	75,864
Other foreign countries				
Cash and bank balances.....	—	531	—	531
Cash collateralized lending and reverse repurchase agreements.....	—	3,164	—	3,164
Margin money and settlement assets.....	—	904	1,385	2,289
Financial investments.....	—	163	5	168
Held for sale and other assets.....	—	28	806	834
Loan assets.....	—	893	3,241	4,134
Due from other MGL Group entities ²	—	156	17	173
Off balance sheet exposures.....	28	422	455	905
Total other foreign countries.....	28	6,261	5,909	12,199
Gross credit risk in foreign countries				
Cash and bank balances.....	—	9,142	—	9,142
Cash collateralized lending and reverse repurchase agreements.....	—	41,681	15	41,696
Margin money and settlement assets.....	59	3,117	12,466	15,642
Financial investments.....	1,446	2,583	35	4,064
Held for sale and other assets.....	68	63	1,740	1,871
Loan assets.....	13	5,318	6,874	12,205
Due from other MGL Group entities ²	—	317	26	343
Off balance sheet exposures.....	59	533	2,507	3,099
Total gross credit risk in foreign countries.....	1,645	62,754	23,663	88,063
Australia				
Cash and bank balances.....	—	16,402	—	16,402
Cash collateralized lending and reverse repurchase agreements.....	—	9,711	—	9,711
Margin money and settlement assets.....	1	727	413	1,141
Financial investments.....	4,975	8,161	14	13,150
Held for sale and other assets.....	17	56	483	556
Loan assets ⁴	35	2,070	135,527	137,632
Due from other MGL Group entities ²	—	339	2	341
Off balance sheet exposures.....	—	843	20,421	21,264
Total Australia.....	5,027	38,309	156,860	200,197

Country	As at Sep 30, 2023 ¹			
	Governments	Financial Institutions	Other	Total exposure
	A\$m	A\$m	A\$m	A\$m
Gross credit risk				
Cash and bank balances.....	—	25,544	—	25,544
Cash collateralized lending and reverse repurchase agreements.....	—	51,392	15	51,407
Margin money and settlement assets.....	60	3,844	12,879	16,783
Financial investments.....	6,421	10,744	49	17,214
Held for sale and other assets.....	85	119	2,223	2,427
Loan assets.....	48	7,388	142,401	149,837
Due from other MGL Group entities ²	—	656	28	684
Off balance sheet exposures.....	59	1,376	22,929	24,364
Total gross credit risk.....	6,672	101,063	180,524	288,260

¹ Totals may not foot due to rounding.

² Due from other MGL Group entities have been presented as Financial Institutions and Other based on APRA's Standard Institutional Sector Classifications of Australia classification.

³ The top thirteen countries represent 86% of MBL Group's total non-Australian credit risk exposures as at September 30, 2023.

⁴ Loan assets in the Australia region includes home loans of A\$120,790 million, asset financing of A\$5,584 million and corporate, commercial and other lending of A\$11,258 million.

Lease commitments, contingent liabilities and assets

We do not expect our lease commitments to have a significant effect on our liquidity needs. Lease commitments are disclosed in our annual financial statements each year and are not required to be disclosed under Australian Accounting Standards in interim financial statements.

As at September 30, 2023, the MBL Group had A\$25,818 million of contingent liabilities and commitments, including A\$24,364 million of credit commitments including undrawn credit facilities and debt commitments and A\$1,454 million of other contingencies and commitments. See Note 19 "Contingent liabilities and commitments" to our 2024 interim financial statements which shows MBL Group's contingent liabilities and commitments as at September 30, 2023.

Quantitative and qualitative disclosures about market risk

Each year we prepare a detailed analysis of market risk as it applies to the MBL Group and a quantitative analysis of MBL Group's value at risk for equities, interest rates, foreign exchange and bullion, and commodities, individually and in the aggregate thereof. See Note 33 "Financial risk management" to our 2023 annual financial statements for a quantitative and qualitative discussion of these risks.

Regulatory and supervision developments

A description of MBL Group's principal regulators and the regulatory regimes that MBL Group, its businesses and the funds it manages in, and outside of, Australia, are subject to is set out under "Regulation and Supervision" beginning on page 28 of our 2023 Annual U.S. Disclosure Report. Our businesses are increasingly subject to greater regulatory scrutiny as we continue to grow our businesses both organically and through acquisitions. For a description of certain regulatory risks our businesses face, see "Risk Factors — Many of our businesses are highly regulated and we could be adversely affected by temporary and permanent changes in law, regulations and regulatory policy", "Risk Factors — We may be adversely affected by increased governmental and regulatory scrutiny or negative publicity" and "Risk Factors — We may incur financial loss, adverse regulatory consequences or reputational damage due to inadequate or failure in internal or external operational systems and infrastructures, people and processes" in our 2023 Annual U.S. Disclosure Report.

Significant regulatory changes that may affect our businesses are expected in the various markets in which we operate. The following is a summary of significant regulatory and supervision developments in Australia, the United States, the United Kingdom and other jurisdictions for the MBL Group that have occurred since the release of our 2023 Annual U.S. Disclosure Report on May 19, 2023 and a summary of certain regulatory developments prior to May 19, 2023.

Australia

In Australia, the principal regulators that supervise and regulate our activities are the Australian Prudential Regulation Authority ("APRA"), the Reserve Bank of Australia ("RBA"), the Australian Securities and Investments Commission ("ASIC"), ASX Limited (as the operator of the Australian Securities Exchange ("ASX") market), Australian Securities Exchange Limited (as the operator of the ASX24 (formerly known as the Sydney Futures Exchange) market), the Australian Competition and Consumer Commission ("ACCC") and the Australian Transaction Reports and Analysis Centre ("AUSTRAC").

Set out below is a summary of certain key Australian legislative and regulatory provisions that are applicable to our operations.

APRA

APRA is the prudential regulator of the Australian financial services industry. APRA establishes and enforces prudential standards and practices designed to ensure that, under all reasonable circumstances, financial promises made by institutions under APRA's supervision are met within a stable, efficient and competitive financial system. MBL is an authorised deposit-taking institution ("ADFI"), and MGL is a non-operating holding company ("NOHC"), under the Australian Banking Act and, as such, each is subject to prudential regulation and supervision by APRA. MBL and MGL have corporate governance and policy frameworks designed to meet APRA's requirements for ADIs and NOHCs, respectively.

Under the Australian Banking Act, APRA has powers to issue directions to MGL and MBL and, in certain circumstances, to appoint a Banking Act statutory manager to take control of MBL's business. In addition, APRA may, in certain circumstances, require MBL to transfer all or part of its business to another entity under the Financial Sector (Transfer and Restructure) Act 1999 of Australia (the "*Australian FSTR Act*"). A transfer under the Australian FSTR Act overrides anything in any contract or agreement to which MBL is a party to, including the terms of its debt securities. APRA's powers under the Australian Banking Act and Australian FSTR Act are discretionary and may be more likely to be exercised by it in circumstances where MGL or MBL is in material breach of applicable banking laws and/or regulations or is in financial distress, including where MGL or MBL has contravened the Australian Banking Act (or any related regulations or other instruments made, or conditions imposed, under that Act), or where MBL has informed APRA that it is unlikely to meet its obligations or is otherwise in financial distress or that it is about to suspend its payments. In these circumstances, APRA is required to have regard to protecting the interests of MBL's depositors and to the stability of the Australian financial system, but not necessarily to the interests of other creditors of MGL and MBL. For more information regarding legislative enhancement of APRA's powers in relation to ADIs, see the "— Recovery and Exit Planning and Resolution Planning" section below.

In its supervision of ADIs, APRA focuses on capital adequacy, liquidity, market risk, credit risk, operational risk, associations with related entities, large exposures to unrelated entities and funds management, securitization, covered bonds activities and climate change financial risk. APRA also focuses on the supervision of non-financial risks including outsourcing, business continuity management, information security, governance, accountability, remuneration, and risk culture.

APRA requires ADIs to regularly provide it with reports which set forth a broad range of information, including financial and statistical information relating to their financial position and information in respect of prudential and other matters. Some of this information is not available to investors. In carrying out its supervisory role, APRA supplements its analysis of statistical data collected from each ADI with “on site” visits and formal meetings with the ADIs’ board, senior management and external auditors. The external auditors provide additional assurance to APRA that prudential standards applicable to ADIs are being complied with, statistical and financial data provided by ADIs to APRA are reliable, and that statutory and other banking requirements are being met. External auditors are also required to undertake targeted reviews of specific risk management areas as requested by APRA. APRA may also exercise certain investigative powers if an ADI fails to provide information about its financial stability or becomes unable to meet its obligations.

APRA is also responsible for the prudential regulation and supervision of Registrable Superannuation Entity (“RSE”) licensees. MGL Group has an RSE licensee (Macquarie Investment Management Limited) which is subject to APRA’s prudential framework for superannuation trustees.

The MGL Group has been working with APRA on a remediation plan that strengthens MBL’s governance, culture, structure and remuneration to ensure full and ongoing compliance with prudential standards and management of MBL-specific risks.

MBL Pillar 3 Restatement March 2018 to June 2021

As indicated by APRA’s April 1, 2021 announcement in relation to MGL’s intragroup funding arrangements, MBL was required to restate certain historical regulatory returns. This included MBL’s Level 1 capital ratios (Common Equity Tier 1, Tier 1 and Total capital) from March 31, 2018, as well as MBL’s liquidity ratios from September 30, 2019. These are set out in a restatement of our Pillar 3 disclosures, which is posted on MBL’s U.S. Investors’ Website.

Capital adequacy

APRA’s approach to the assessment of an ADI’s capital adequacy is based on the risk-based capital adequacy framework set out in the Basel Committee on Banking Supervisions’ (“Basel Committee”) publications, “*International Convergence of Capital Measurement and Capital Standards a Revised Framework*” (“*Basel II*”), originally released in 2004 and revised in June 2006 and “*A global regulatory framework for more resilient banks and banking systems*” (“*Basel III*”), released in December 2010 and revised in June 2011. APRA’s implementation of the Basel III capital framework began on January 1, 2013.

APRA has stipulated a capital adequacy framework that applies to MBL as an ADI and MGL as a NOHC. In the case of MGL Group, this framework is set out in MGL’s NOHC Authority. Pillar 3 Disclosure Documents setting out the qualitative and quantitative disclosures of risk management practices and capital adequacy required to be published by MBL Group in accordance with APRA’s Prudential Standard APS 330 Public Disclosure (“*APS 330*”) are posted on MBL’s U.S. Investors’ Website. Measurement of capital adequacy and MBL’s economic capital model is more fully described in section 4 of our Pillar 3 Disclosure Document dated March 2023, which is posted on MBL’s U.S. Investors’ Website.

On December 9, 2022, APRA released the final versions of the transitional and new APS 330. The updates to APS 330 are to align Pillar 3 disclosures with updated international standards for public disclosures as set by the Basel Committee and with APRA’s revised bank capital framework. Under the transitional APS 330, ADIs will continue to make public disclosures from January 1, 2023 that are consistent with the new capital framework until the new disclosure standard becomes effective on January 1, 2025.

Market risk

On January 14, 2019, the Basel Committee published a set of revisions to the market risk framework – “*Minimum capital requirements for market risk*”, which replaces an earlier version of the standard as published in January 2016. The standard was revised to address issues that the Basel Committee identified in the course of monitoring the implementation and impact of the framework.

Additionally, as part of Basel III reforms, APRA released a letter to all ADIs on October 27, 2021 around the review of ADI market risk standards. The policy development of these prudential standards is yet to be finalized with consultations still ongoing. Proposed revisions cover APS 117 Capital Adequacy: Interest Rate Risk in the Banking Book (“*APS 117*”), APS 116 Capital Adequacy: Market Risk (“*APS 116*”) and APS 180 Capital Adequacy: Counterparty Credit Risk (“*APS 180*”). For more information on APS 117, see the “—IRRBB” section below.

The expected changes to APS 116 and APS 180 will address the implementation of a revised Credit Valuation Adjustment risk framework and the fundamental review of the trading book in the Australian Prudential Capital framework. On August 10, 2023, APRA provided an updated schedule of policy priorities, with consultation on revisions to APS 116 and APS 180 intended in 2024 and the expected effective date in 2026.

IRRBB

In September 2019, APRA issued a response to submissions in respect of interest rate risk in the banking book (“*IRRBB*”). While only internal ratings based ADIs (including us) are subject to a capital requirement for IRRBB and therefore will be impacted by changes to the capital calculation, all ADIs will be impacted by changes to the risk management requirements. The key proposals are to:

- standardize aspects of the internal modelling approach including placing constraints on the repricing assumptions an ADI can use for non-maturity deposits according to whether or not it is a core deposit and the calculations for optionality risk;
- remove the basis risk capital add-on; and
- extend the application of risk management requirements to all ADIs.

On July 7, 2022, APRA advised it will undertake another round of industry consultation on the revised APS 117. On November 28, 2022, APRA responded to the 2019 consultation and released a consultation on new proposed revisions. These revisions aim to simplify the IRRBB framework, reduce volatility in the IRRBB capital charge calculation as well as create better incentives for ADIs in managing their IRRBB risk. On August 10, 2023, APRA released an update on its policy priorities schedule. APRA intends to finalize the revised APS 117 in late 2023 and the effective date will be moved back from January 1, 2025.

Measurement of capital

APRA, in updating its criteria for measuring an ADI’s regulatory capital, released a discussion paper on October 15, 2019 regarding proposed changes to the APRA Prudential Standard APS 111 Capital Adequacy: Measurement of Capital (“*APS 111*”), and released a detailed response to industry on this consultation in May 2021. On August 5, 2021, APRA released the final revised standard for APS 111, which came into force on January 1, 2022.

The revised capital treatment of an ADI’s equity investments in its subsidiaries is the most material change to APS 111. This revision increases the amount of capital required to support equity investments in large subsidiaries and reduces the amount required for small subsidiaries. For banking and insurance subsidiaries where the total value of the equity investment into an individual subsidiary is above 10% of an ADI’s Level 1 CET1 capital, the amount above this level is required to be treated as a CET1 deduction. The amount of the investment below this level is risk weighted at 250% (compared to the previous 400% risk weight for unlisted subsidiaries).

Other changes included in the final APS 111 include:

- incorporating into the prudential standard various rulings and technical information APRA has published since APS 111 was last substantially updated in 2013;
- promoting simple and transparent capital issuance by removing the allowance for the use of special purpose vehicles (SPVs) and stapled security structures;
- aligning APS 111 with updated guidance from the Basel Committee on Banking Supervision; and
- requiring a full deduction of total loss absorbing capital (“*TLAC*”) exposures and pari passu instruments from Tier 2 Capital. A full deduction is consistent with APRA’s existing approach to an ADI’s holdings of another ADI’s, or their own, regulatory capital instruments. APRA’s proposal adopted the Basel Committee’s framework of requiring a Tier 2 Capital deduction of TLAC instruments but did not adopt a threshold approach.

The final standard also contains further revisions including measures to clarify that CET1 capital instruments are not permitted to have any unusual features that could undermine their role as loss absorbing capital.

“Unquestionably Strong”

On July 26, 2022, APRA published “Revisions to the capital framework for authorised deposit-taking institutions” to implement “Unquestionably Strong” capital ratios and Basel III reforms. The revised capital framework seeks to strengthen the financial resilience of the Australian banking industry through embedding higher capital buffers to provide greater flexibility for periods of stress. Other key improvements include enhanced risk sensitivity through more risk-sensitive risk weights, stronger support for competition, increased proportionality and improved transparency through the alignment of Australian standards with the internationally agreed Basel III framework.

Key features of APRA’s revised bank capital framework, which became effective on January 1, 2023, include the following prudential standards: APS 110 Capital Adequacy, APS 112 Capital Adequacy: Standardised Approach to Credit Risk, APS 113 Capital Adequacy: Internal Ratings-based Approach to Credit Risk, APS 115 Capital Adequacy: Standardised Measurement Approach to Operational Risk and APS 180 Capital Adequacy: Counterparty Credit Risk.

On October 31, 2022, APRA released consequential amendments to the updated capital adequacy and credit risk capital requirements for ADIs. The consequential amendments relate mainly to cross-referencing in the ADI prudential framework and ensuring consistency of APRA’s broader prudential framework with the capital reforms. The changes took effect from January 1, 2023, in line with the effective date of the broader capital reforms.

On December 21, 2022, APRA confirmed that the countercyclical capital buffer will be set at a new default rate of 1% of risk-weighted assets from January 1, 2023. This decision was consistent with guidance first announced when APRA finalized the new regulatory capital framework for Australian banks in late 2021.

On September 11, 2023, APRA released for consultation proposed amendments to ARS 180.0 Capital Adequacy: Counterparty Credit Risk (“*ARS 180.0*”). APRA proposes to amend ARS 180.0 to only apply to significant financial institutions as part of the new capital framework’s reduction of reporting burden on smaller ADIs. The consultation closed on September 22, 2023.

Liquidity

APRA’s liquidity standard (“*APS 210*”) details the local implementation of the Basel III liquidity framework for Australian banks. In addition to a range of qualitative requirements, APS 210 incorporates the Liquidity Coverage Ratio (“*LCR*”) and the Net Stable Funding Ratio (“*NSFR*”). The LCR and NSFR apply specifically to MBL (the regulated ADI in the MGL Group). As an APRA authorized and regulated NOHC, MGL is required to manage liquidity in compliance with APS 210’s qualitative requirements.

The LCR requires unencumbered liquid assets be held to cover expected net cash outflows under a combined “idiosyncratic” and market-wide stress scenario lasting 30 calendar days. Under APS 210, the eligible stock of high-quality liquid assets (“*HQLA*”) includes notes and coin balances held with central banks, Australian dollar Commonwealth Government and semi-government securities, any Committed Liquidity Facility (“*CLF*”) allocation, as well as certain HQLA-qualifying foreign currency securities. Consistent with the industry-wide phase out of the CLF, MBL’s CLF allocation reduced to zero as at December 2022. As announced on April 1, 2021, APRA imposed a 15% add-on to the net cash outflow component of MBL’s LCR calculation. This add-on increased to 25% from May 1, 2022 onwards. MBL currently complies with the requirements of the LCR.

The NSFR is a 12-month structural funding metric, requiring that “available stable funding” be sufficient to cover “required stable funding”, where “stable” funding has an actual or assumed maturity of greater than 12 months. As announced on April 1, 2021, APRA has imposed a 1% decrease to the available stable funding component of MBL’s NSFR calculation. MBL currently complies with the requirements of the NSFR.

On June 30, 2022, APRA released an information paper detailing the findings of the post-implementation review of Basel III liquidity reforms focusing on the core measures of the LCR and NSFR. The review explores the impact of the measures and determines whether a net benefit has been achieved. APRA’s overall assessment is that the reforms have been effective in strengthening liquidity risk management and the financial resilience of the banking system. However, there are opportunities to improve the efficiency of the prudential framework. The feedback gained will be used in a broader review of APRA’s liquidity requirements in 2024.

Credit risk management

On January 1, 2022, APRA Prudential Standard APS 220 Credit Risk Management (“*APS 220*”) replaced the existing APS 220 Credit Quality. The substantial revisions to the prudential standard reflect APRA’s increased expectations of credit standards and the ongoing monitoring and management of credit portfolios by ADIs. In addition, the revised standard incorporates:

- enhanced Board oversight of credit risk and the need for ADIs to maintain prudential credit risk policies, processes, practices and controls over the full credit life-cycle;
- a more consistent classification of credit exposures, by aligning with accounting standards on loan provisioning requirements, as well as Basel Committee guidance on asset classification and sound credit risk practices; and
- recommendations from the Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry regarding the valuation of collateral.

APRA also released a finalized APG 220 guidance standard on August 19, 2021.

APRA has sought feedback on a proposed new attachment to APS 220, Attachment C – Macroprudential policy: credit measures, which embeds credit-based macroprudential standards within APS 220.

On June 14, 2022, APRA released the finalized amendments to its prudential framework to give effect to macroprudential policy measures. The final new APS 220, Attachment C – Macroprudential Policy, requires ADIs to:

- be able to limit growth in particular forms of lending (high debt-to-income multiples and high loan-to-value ratio);
- moderate higher risk lending during periods of heightened systemic risk or meet particular lending standards at levels determined by APRA; and
- ensure adequate reporting to monitor against limits.

To ensure alignment with Attachment C to APS 220, APRA updated APG 223 Residential Mortgage Lending (“*APG 223*”) to align with the new serviceability buffer and associated ARS 223 Residential Mortgage Lending (“*ARS 223*”). The new APS 220, APG 223 and ARS 223 all took effect from September 1, 2022.

Recovery and Exit Planning and Resolution Planning

As part of strengthening crisis preparedness and resolution capabilities, APRA commenced consultation on two draft prudential standards, CPS 190 Recovery and Exit Planning (“*CPS 190*”) and CPS 900 Resolution Planning (“*CPS 900*”) on December 2, 2021. APRA’s proposed new requirements aim to strengthen the preparedness of banks, insurers and superannuation entities to respond to a crisis. APRA released the final versions of CPS 190 on December 1, 2022, and CPS 900 on May 18, 2023, which both come into effect from January 1, 2024 (or January 1, 2025 for superannuation entities under CPS 190).

On May 18, 2023, APRA also released the final versions of two prudential practice guides (CPG 190 Recovery and Exit Planning and CPG 900 Resolution Planning) to accompany the two prudential standards.

APRA is in discussions with the MGL Group on resolution planning.

APRA’s proposal for increasing the loss-absorbing capacity of ADIs for resolution purposes

On November 8, 2018, APRA released a discussion paper announcing proposed changes to the application of the capital adequacy framework for ADIs to support orderly resolution in the event of failure. The announcement follows the Australian Government’s 2014 Financial System Inquiry which recommended that APRA implement a framework for minimum loss-absorbing and recapitalization capacity in line with emerging international practice.

The key elements of the proposed approach from this original discussion paper included:

- a new requirement for ADIs to maintain additional loss absorbency for resolution purposes. The requirement would be implemented by adjusting the amount of total capital that ADIs must maintain (estimated to be an additional 4 to 5% of capital), therefore using existing capital instruments rather than introducing new forms of loss-absorbing instruments (expected to be in the form of Tier 2 Capital); and
- for ADIs that are not domestic systemically important banks (“D-SIBs”) (such as MBL), the need for additional loss absorbency would be considered as part of resolution planning on an institution-by-institution basis.

During the consultation period of the proposed changes, concerns were raised about whether there would be sufficient capacity in debt markets to absorb the anticipated additional Tier 2 capital issuance. As a result, APRA announced on July 9, 2019 that there would be an interim requirement for D-SIBs to lift Total Capital by a revised threshold of 3% of risk weighted assets by January 1, 2024. On December 2, 2021, APRA released a letter finalizing LAC requirements for D-SIBs to increase Total Capital by 4.5% of risk weighted assets, which applies from January 1, 2026. APRA has confirmed that MBL will be subject to the same requirement.

Associations with Related Entities

From January 1, 2022, an updated version of Prudential Standard APS 222 Associations with Related Entities (“APS 222”) aimed at mitigating contagion risk within banking groups has applied, together with associated reporting forms. The standard incorporates:

- a broader definition of related entities that includes substantial shareholders, related individuals (including senior managers of the ADI and individuals on the board of directors) and their relatives;
- the removal of the eligibility of an ADI’s overseas subsidiaries to be regulated under APRA’s ELE framework;
- revised limits on the extent to which ADIs can be exposed to related entities;
- minimum requirements for ADIs to assess contagion risk; and
- requirements for ADIs to regularly assess and report on their exposure to step-in risk, which is the likelihood that they may need to “step-in” to support an entity to which they are not directly related.

The MGL Group restructured certain existing business activities and legal entities as a result of the new requirements, with no material impact on results.

Remuneration

On August 27, 2021, APRA released a finalized cross-industry Prudential Standard CPS 511 Remuneration (“CPS 511”) which came into effect for the MGL Group on January 1, 2023. This standard requires boards to maintain a remuneration framework that promotes effective risk management of both financial and non-financial risks including variable downward-adjustment tools and deferral periods to address poor risk and conduct outcomes.

On October 18, 2021, APRA released the finalized cross-industry Prudential Guidance CPG 511 Remuneration (“CPG 511”) to support CPS 511 and assist entities in meeting the new requirements under CPS 511 which is aligned with the Government’s Financial Accountability Regime. On December 13, 2021, the MGL Group submitted a self-assessment of its current remuneration framework against the new requirements and submitted a final board-approved Implementation Plan to APRA.

On July 6, 2022, APRA released for consultation amendments to CPS 511. These amendments include new disclosure requirements and a draft Reporting Standard CRS 511.0 Remuneration (“CRS 511.0”) to support the implementation of CPS 511. The draft CRS 511.0 proposes to require APRA-regulated entities to report specified qualitative and quantitative remuneration data four months after the end of their financial year and APRA intends to publish qualitative statistics on remuneration outcomes of all APRA-regulated entities. APRA notes that these disclosures are intended to allow entities to transparently demonstrate how their remuneration practices have strengthened under CPS 511. The consultation period closed on October 7, 2022.

On August 1, 2023, APRA released updates to CPS 511, finalizing new requirements for APRA-regulated entities to publicly disclose information on aspects of their remuneration. The new disclosure requirements commence for all entities from their first full financial year following January 1, 2024. The commencement date for the MBL Group is April 1, 2024.

Under the updates to CPS 511, entities must:

- annually publish information on their remuneration frameworks, design, governance and outcomes; and
- disclose additional qualitative information and how they have placed a material weight on non-financial risk measures.

On September 6, 2023, APRA released findings from its CPS 511 pre-implementation review. APRA found early signs of a step change in remuneration practices and improved Board engagement across all entities. However, it also observed common gaps in understanding of how selected non-financial measures drive desired behavior, risk outcomes and performance and insufficient rigor in proposed processes to ensure remuneration consequences result from poor risk outcomes. APRA will consider learnings from the review for inclusion in CPG 511.

Operational Risk

On July 28, 2022, APRA commenced consultation on a draft cross-industry prudential standard CPS 230 Operational Risk Management (“CPS 230”). CPS 230 intends to set out minimum requirements for managing operational risk and uplifts requirements in two existing prudential standards (CPS 231 Outsourcing and CPS 232 Business Continuity Management).

Consultation responses were due to APRA on October 21, 2022. On April 13, 2023, APRA released an updated timeline for the implementation of CPS 230. APRA intends to provide transitional arrangements for pre-existing contractual arrangements with service providers, with the requirements in the standard applying from the earlier of the next contract renewal date or July 1, 2026.

On July 17, 2023, APRA released the final version of the new CPS 230, which commences from July 1, 2025. CPS 230 provides a foundation for APRA-regulated entities to:

- strengthen operational risk management through new requirements to address identified weaknesses in existing controls;
- improve business continuity planning to ensure they are positioned to respond to severe disruptions; and
- enhance third-party risk management by ensuring risks from material service providers are appropriately managed.

APRA also released the draft prudential practice guide CPG 230 Operational Risk Management to accompany the new CPS 230. APRA consultation on the draft guidance concluded on October 13, 2023.

Information Security

On November 7, 2018, APRA released the final version of CPS 234 Information Security (“CPS 234”), which set out minimum standards for all APRA-regulated entities relating to information security, including (i) roles and responsibilities; (ii) information security capability; (iii) controls and the testing and assurance of its effectiveness; and (iv) prompt notification requirements for material information security incidents. CPS 234 became effective on July 1, 2019, and provides transition arrangements where information assets are managed by third party service providers.

On November 26, 2020, APRA announced its 2020-2024 Cyber Security Strategy, which included an independent assessment of a pilot set of entities’ compliance with CPS 234 that was completed in mid-2021. On July 5, 2023, APRA released the results from the assessment, highlighting several control gaps across the industry. APRA will further engage with the industry to lift the benchmark for cyber resilience.

Strengthening residential mortgage lending assessments

In response to APRA's concerns with heightened household indebtedness as a result of growing financial stability risks from ADIs' residential mortgage lending, on October 6, 2021, APRA released a letter to ADIs on loan serviceability expectations to counter rising risks in home lending. APRA's letter set forth the following expectations in relation to serviceability assessments:

- all ADIs are expected to adopt a more prudent setting for the mortgage serviceability buffer that is used to test borrowers' capacity to repay. All ADIs are expected to operate with a buffer of at least 3.0 percentage points over the loan interest rate;
- all ADIs are expected to keep the level of the buffer under review to assess whether it remains appropriate in relation to the broader risk environment; and
- all ADIs are requested to review their risk appetites for lending at high debt-to-income ratios.

On November 1, 2021, MBL increased its interest rate buffer for home loan serviceability assessments from 2.5% per annum to 3.0% per annum over the loan interest rate in accordance with APRA's expectations. APRA also published an information paper on November 11, 2021, setting out its framework for the use of macroprudential policy measures to promote the stability of the Australian financial system. On February 27, 2023, APRA published an update to its macroprudential policy settings, confirming its view that existing policy settings remain appropriate based on the current risk outlook. The operative settings are:

- a neutral level for the countercyclical capital buffer of 1% of risk weighted assets; and
- a 3% serviceability buffer to maintain prudent lending standards.

On June 9, 2023, APRA released a letter setting out its expectations for banks in managing exceptions to housing lending policy. Banks can use exceptions to policy if they are managed prudently and limited, so as not to undermine the intent of APRA's core policy.

Climate Change Financial Risk

On November 4, 2021, APRA and the RBA published a joint statement on the actions taken to ensure financial institutions and the Australian financial system were prepared to respond to climate-related financial risks. APRA considers that climate change would be a driver of change in the value of certain assets and income streams and would therefore pose a risk to financial institutions and financial stability. APRA and the RBA have worked closely with the other members of the Council of Financial Regulators ("CFR") in developing approaches to understanding and managing the financial risks of climate change.

Following consultation in April 2021, APRA finalized its Prudential Practice Guide CPG 229 on Climate Change Financial Risks on November 26, 2021. The guide imposes no new regulatory requirements, but rather assists entities to manage climate-related risks within their existing risk management and governance practices. It covers APRA's view of sound practice in governance, risk management, scenario analysis and disclosure of climate-related financial risks. MGL has included climate change risk within its *Risk Appetite Statement* and *Risk Management Strategy*.

On September 3, 2021, APRA published an information paper on the Climate Vulnerability Assessment ("CVA") which outlined the CVA's purpose, design and scope. The CVA was designed in consultation with the Australian Banking Association as well as the members of the CFR to assess the nature and extent of the financial risks that large banks in Australia may face due to climate change. At the time APRA's information paper was released, the CVA was already in progress, since June 2021, with Australia's five largest banks, including us.

The three key objectives of the CVA were to:

- assess potential financial exposure to climate risk;
- understand how banks may adjust business models and implement management actions in response to different scenarios; and
- foster improvement in climate risk management capabilities.

Following the completion and submission of the CVA in May 2022, APRA released an information paper with the aggregated CVA results from Australia's five largest banks on November 30, 2022.

Review of the prudential framework for groups

On October 24, 2022, APRA advised it will undertake a review of the prudential framework for groups including those that have a NOHC in their structure, such as MGL. The review will commence with a Discussion Paper in 2023 to seek industry feedback on five key topics related to groups: financial resilience, governance, risk management, resolution and competition issues. APRA expects to consult on any revisions to the relevant standards over 2023 and 2024, with any changes effective from 2025.

RBA

In exercising its powers, APRA works closely with the RBA. The RBA is Australia's central bank and an active participant in the financial markets. It also manages Australia's foreign reserves, issues Australian currency notes, serves as banker to the Australian government and, through the Payment Systems Board, supervises the payments system and sets the target cash rate.

ASIC

ASIC is Australia's corporate, markets and financial services regulator, which regulates Australian companies, financial markets, financial services organizations and professionals who deal and advise in investments, superannuation, insurance, deposit taking and credit. ASIC is also responsible for consumer protection, monitoring and promoting market integrity and licensing in relation to the Australian financial system.

ASIC regulates each of the entities we operate in Australia as the corporate regulator and is responsible for enforcing appropriate standards of corporate governance and conduct by directors and officers. A number of MGL Group entities hold Australian financial services ("*AFS*") licenses. ASIC licenses and monitors AFS licensees and requires AFS licensees to ensure the financial services covered by their license are provided efficiently, honestly and fairly. A number of MGL Group entities also hold Australian Credit Licenses ("*ACL*"). ASIC regulates ACL holders as the consumer credit regulator, licensing and regulating those entities to ensure they meet standards set out in the National Consumer Credit Protection Act 2009 of Australia (the "*NCCP Act*").

ASIC is also responsible for the supervision of trading on Australia's domestic licensed equity, derivatives and futures markets, including trading by MBL and other ASX and ASX24 market participants in the MBL Group.

ASX24

The ASX24 market provides exchange traded and over-the-counter services and regulates derivative trades that we execute through the ASX24 as a market participant in the ASX24. This business is conducted primarily within MBL Group.

As an authorized market participant, MBL Group is subject to the operating rules of ASX24 which contain comprehensive provisions for preventing conflicts and enforcing compliance with the operating rules. The rules cover all aspects of trading and of clearing and settling, including monitoring market conduct, disciplining of participants and suspension or termination of participation rights and market access.

ASX

ASX is Australia's primary securities market. MGL's ordinary shares are listed on ASX. MBL and MGL each have a contractual obligation to comply with ASX's listing rules, which have the statutory backing of the Australian Corporations Act. The ASX listing rules govern requirements for listing on ASX and include provisions in relation to issues of securities, disclosure to the market, executive remuneration and related-party transactions. ASX and ASIC oversee our compliance with ASX's listing rules, including any funds we manage that are listed on the ASX.

MBL Group is also an authorized market participant of ASX Settlement and ASX Clear and is subject to the operating rules which contain comprehensive provisions for preventing conflicts and enforcing compliance with the operating rules. The rules cover all aspects of clearing and settling, including monitoring market conduct, disciplining of participants and suspension or termination of participation rights and market access.

ACCC

The ACCC is Australia's competition regulator. Its key responsibilities are to ensure that corporations do not act in a way that may have the effect of eliminating or reducing competition, and to oversee product safety and liability issues, pricing practices and third-party access to facilities of national significance. The ACCC's consumer protection activities complement those of Australia's state and territory consumer affairs agencies that administer the unfair trading legislation of those jurisdictions.

AUSTRAC

AUSTRAC is Australia's anti-money laundering and counter-terrorism financing regulator and specialist financial intelligence unit. It works collaboratively with Australian industries and businesses (including certain entities of MGL Group) in their compliance with anti-money laundering and counter-terrorism financing legislation. As Australia's financial intelligence unit, AUSTRAC contributes to investigative and law enforcement work to combat money laundering, terrorism financing, organized and financial crime, tax evasion and to prosecute criminals in Australia and overseas.

The AML-CTF Act places obligations on providers of financial services and gaming services, and on bullion dealers. The AML-CTF Act affects entities who offer specific services which may be exploited to launder money or finance terrorism, for example, those relating to financial products, electronic fund transfers, designated remittance arrangements and correspondent banking relationships. The AML-CTF Act also has broad extra territorial application to overseas entities of Australian companies.

A number of entities in MGL Group are considered to be "reporting entities" for the purposes of the AML-CTF Act and are required to undertake certain obligations, including "know your customer" obligations, on-boarding and ongoing customer risk assessments, identification and verification obligations, enhanced customer due diligence, establishing an AML-CTF program to identify, mitigate and manage the risk of money laundering and terrorism financing, enhanced record-keeping and reporting on suspicious matters, cash transactions above a set threshold and international funds transfer instructions to and from Australia.

MBL Group and MGL Group continue to monitor, manage and implement changes as a result of AML-CTF legislation.

Other Australian regulators

In addition to the foregoing regulators, MBL Group and MGL Group and the businesses and funds they manage are subject to supervision by various other regulators in Australia, including but not limited to the Australian Energy Regulator, the Essential Services Commission, Economic Regulation Authority and the Department of Energy and Water in connection with activities and the management of funds in the utilities and energy sectors.

Other Australian regulatory activity

Banking Executive Accountability Regime and Financial Accountability Regime

In February 2018, the Treasury Laws Amendment (Banking Executive Accountability and Related Measures) Act 2018 was passed by the Australian Parliament introducing a new banking executive accountability regime known as "BEAR". The intention behind BEAR is to improve the operating culture of all ADIs and their subsidiaries and introduce enhanced transparency and personal accountability into the banking sector.

On September 5, 2023, the Financial Accountability Regime Act 2023 ("*FAR Act*") was passed by the Australian Parliament and received Royal Assent on September 14, 2023. The Financial Accountability Regime ("*FAR*") replaces BEAR and extends the responsibility and accountability framework established under BEAR to all prudentially regulated entities. The FAR Act commenced on September 15, 2023 and the regime will apply to the banking industry, i.e., ADIs and NOHCs, including both MBL and MGL, from March 15, 2024. It will then apply to the insurance and superannuation industries, including Macquarie Investment Management Limited ("*MIML*"), from March 15, 2025. Transitional arrangements for ADIs, such as MBL, are provided by the FAR (Consequential Amendments) Act 2023. This will involve repealing BEAR following the application of FAR to the banking sector (ADIs and their NOHCs).

FAR is intended to improve the operating culture of entities in the banking, insurance and superannuation industries and to increase transparency and accountability across these industries – both in relation to prudential and conduct related matters. The regime will be jointly administered by APRA and ASIC.

Design and distribution obligations

The design and distribution obligations which came into effect on October 5, 2021 require issuers and distributors of certain products to develop and maintain effective product governance arrangements across the life cycle of a financial product to ensure that consumers are receiving products that are likely to be consistent with their objectives, financial situation and needs.

The MGL Group has implemented controls and policies to meet the requirements of the regime. The MGL Group continues to monitor regulatory settings to ensure the MGL Group meets its obligations on an ongoing basis.

ASIC guidance on fees and costs disclosure

Legislative instruments and ASIC guides apply to fees and costs disclosures in product disclosure statements and periodic statements issued by most superannuation products and managed investment products sold to retail clients, as well as to relevant issuers of investment life insurance products and operators of investor directed portfolio services. The requirements are designed to ensure that there is a consistent and transparent approach to fees and costs disclosure. The MBL Group has updated relevant disclosure documents to comply with the requirements.

ASIC market integrity rules

ASIC has introduced market integrity rules aimed at promoting the technological and operational resilience of securities and futures market operators and participants, including the MBL Group. The new technological and operational resilience rules clarify and strengthen existing obligations for market operators and participants and providing greater domestic and international alignment in relation to issues of change management, outsourcing, information security, business continuity planning, governance and resourcing, and trading controls. The MBL Group has updated its policies and procedures to comply with these requirements.

Dispute resolution

On March 30, 2022, ASIC released the final requirements for the internal dispute resolution (“IDR”) data reporting framework including the IDR data reporting handbook, which sets out all the requirements for financial firms to submit IDR reports to ASIC. ASIC has introduced a new mandatory internal dispute resolution data reporting and reduced timeframes for responding to retail and small business complaints. The changes aim to improve the way complaints are dealt with across the financial system and bring about greater transparency in financial firms’ complaint handling procedures. The framework is being implemented in 2023 starting with a group of 11 large financial firms that have been required to report IDR data to ASIC for the first time by February 28, 2023. MGL, MBL and MIML joined the framework for IDR data reporting and made the required reports by August 31, 2023. The balance of MGL Group entities that are Australian credit licensees or AFS licensees will join the framework from February 29, 2024 and will need to report IDR data to ASIC every six-months on an ongoing basis. ASIC also released an updated IDR data reporting handbook on May 5, 2023. Public reporting on IDR from ASIC will not commence until after February 2024, though ASIC has not yet confirmed the exact date.

Breach reporting

AFSL and ACL holders, including MGL and MBL are required to report significant breaches of Australian financial services and credit laws to ASIC.

MBL has policies, processes and systems in place to comply with the reporting regime.

Unfair contract terms regime

On November 9, 2022, the Treasury Laws Amendment (More Competition, Better Prices) Bill 2022 received Royal Assent and came into effect on November 9, 2023. It establishes a civil penalty regime prohibiting the use of, and reliance on, unfair contract terms in standard form contracts. It also expands the class of contracts that are covered by the unfair contract terms regime. The new regime will apply to any standard form contract relating to financial products and services regulated under the Australian Securities and Investments Commission Act 2001, where the upfront price payable under the contract does not exceed A\$5 million and the counterparty is a consumer or business that employs less than 100 people or has a turnover for the last fiscal year of less than A\$10 million. MBL is making appropriate changes to its documentation, processes and policies as necessary. Contracts relating to the provision of financial services and supply contracts with vendors may be impacted.

International

Our businesses and the funds that we manage outside Australia are subject to various regulatory regimes.

United States

U.S. financial regulators remain active in issuing new and revised regulations, exemptive orders and interpretive guidance. This regulatory activity could have a material effect on our business, financial condition and results of operations, including with respect to the activities of MGL and its U.S. subsidiaries. See “Risk Factors — Many of our businesses are highly regulated and we could be adversely affected by temporary and permanent changes in law, regulations and regulatory policy” in our 2023 Annual U.S. Disclosure Report.

Banking regulations

In the United States, MBL operates solely through representative offices. These representative offices are generally limited to (i) soliciting business on behalf of MBL, which must then be approved and booked offshore, and (ii) performing administrative tasks as directed by MBL. Our representative offices are licensed and subject to periodic examination by the banking regulatory authorities of the individual states in which they are located, including New York and Texas. Our representative offices are also subject to periodic examination by the relevant regional Federal Reserve Bank, each of which is in turn subject to oversight by the Board of Governors of the Federal Reserve System (the “FRB”).

Securities, Commodities and Derivatives Regulations

The United States features a comprehensive financial regulatory regime that applies to many of MGL Group’s products and services, including with respect to securities, commodities, derivatives and other similar instruments. Some of these products and services are subject to the overlapping regulatory jurisdiction of multiple U.S. regulatory agencies, including the FRB, the Securities and Exchange Commission (the “SEC”) and the Commodity Futures Trading Commission (the “CFTC”). The U.S. regulatory landscape is subject to material developments as new rules or interpretive guidance are promulgated, implemented and enforced by the relevant regulator, and this may have a material effect on our U.S. operations.

In the United States, MGL Group’s securities broker-dealer subsidiaries are regulated by the SEC and by various other self-regulatory organizations of which they are members, such as the Financial Industry Regulatory Authority (“FINRA”) and the national securities exchanges, as well as by state securities regulators. We also conduct securities and corporate finance-related activities through several investment advisers and investment companies registered with the SEC under, respectively, the U.S. Investment Advisers Act of 1940 and the U.S. Investment Company Act of 1940.

We are regulated by the CFTC and the National Futures Association with respect to the trading of futures, swaps and commodity options for customers and related clearing activities. MBL is provisionally registered as a swap dealer with the CFTC and Macquarie Futures USA LLC (“MFUSA”) is registered as a futures commission merchant with the CFTC. As CFTC registrants, MBL and MFUSA are subject to comprehensive regulatory oversight by the CFTC. In addition, MBL is registered as a security-based swap dealer with the SEC.

Pursuant to the CFTC’s Comparability Determinations for Australia, MBL’s compliance with provisions and requirements under the applicable Australian regulatory regimes is sufficient to meet some CFTC swap dealer requirements to which MBL would otherwise be subject. Together, these requirements will impact MBL and MFUSA as a direct market participant that transacts in derivatives, in the case of MBL, and as an intermediary that provides access to the derivatives markets for others, in the case of MFUSA. The SEC has jurisdiction over transactions in security-based swaps, which generally include swaps on a single security or a narrow-based index of securities or on a single loan and credit default swaps on a single issuer or issuers of securities in a narrow-based security index. The SEC has adopted regulations requiring, among other things, registration of security-based swap dealers and compliance with regulations on business conduct, trade reporting, recordkeeping, financial reporting and other matters. Security-based swaps, because they are securities, are subject to the general anti-fraud and anti-manipulation provisions of the U.S. federal securities laws. MBL is registered as a security-based swap dealer with the SEC and is required to comply with the SEC’s regulations governing security-based swap dealers and security-based swaps. These registration and compliance obligations will likely result in increased costs with respect to MBL’s security-based swaps business. The SEC and CFTC share jurisdiction over “mixed swaps.” Mixed swaps are a type of derivative contract that combine elements of both securities-based swaps and commodity-based swaps, and therefore can implicate the regulatory authority of both the SEC and the CFTC. MBL engages in mixed swaps, which impose

compliance obligations under both the CFTC and SEC regimes. As part of its swap dealer and security-based swap dealer obligations, the Bank is also subject to the FRB's capital regulations, as well as the FRB's initial and variation margin requirements for uncleared swaps and security-based swaps.

Anti-money laundering regulations

The MBL representative offices, MFUSA and MGL Group's securities broker-dealers and mutual funds managed or sponsored by MGL Group's subsidiaries are subject to AML laws and regulations in the United States. Applicable regulations include those issued by the Treasury Department's Financial Crimes Enforcement Network ("*FinCEN*") to implement various AML requirements of the Bank Secrecy Act (as amended, the "*Bank Secrecy Act*"). The Bank Secrecy Act requires certain types of financial institutions (including U.S. representative offices of foreign banks and U.S. futures commission merchants, securities broker-dealers and mutual funds) to establish and maintain written AML compliance programs. The MBL representative offices, MFUSA and MGL Group's securities broker-dealers and other subsidiaries in the United States have adopted written AML compliance programs that are reasonably designed to comply with the Bank Secrecy Act, including with respect to maintenance of a customer identification program, filing of suspicious activity reports ("*SARs*") and beneficial ownership reporting. Our U.S. operations also engage in extensive "know your customer" reviews when onboarding new customers and clients, which includes verifying such parties against the Specially Designated Nationals And Blocked Persons List published by the Office of Foreign Assets Control of the U.S. Department of the Treasury. At this time, registered investment advisers are not required by SEC regulation to establish or maintain an AML compliance program or file SARs with FinCEN.

Economic sanctions

The MBL representative offices and MGL Group's other operations that are within or that involve the United States (e.g., transactions through the United States, transfers through the U.S. financial system) must also comply with the economic sanctions programs administered by the Treasury Department's Office of Foreign Assets Control ("*OFAC*"), which enforces economic sanctions against targeted foreign countries, individuals and entities. The MBL representative offices and MGL Group's U.S. futures commission merchant, securities broker-dealers and other subsidiaries in the United States have adopted and implemented procedures that are reasonably designed to ensure their compliance with the economic sanctions programs administered by OFAC. MBL operations outside the United States and that do not otherwise involve the United States also are mindful of secondary U.S. sanctions, which target non-U.S. persons' activities outside the United States that are deemed by the U.S. government to counter U.S. foreign policy or U.S. national security.

Other regulatory regimes

The Federal Energy Regulatory Commission regulates the wholesale natural gas and electricity markets in which we operate. As we continue to expand our U.S. energy trading business, our compliance with energy trading regulations will become increasingly important.

Other regulators that affect the funds and companies that we manage include, but are not limited to, the Federal Communications Commission with respect to certain media-related investments and various other applicable federal, state and local agencies. In addition, our entry into the physical commodities trading business has subjected us to further U.S. regulations, including, but not limited to, federal, state and local environmental laws.

Canada

Derivative regulations

Canada has harmonized derivatives reporting rules across its provinces and territories. MBL, as well as its subsidiary Macquarie Energy Canada Ltd ("*MEC*"), are currently operating as deemed derivative dealers in Canada for purposes of transaction reporting. Derivative dealer registration requirements and business conduct rules have not yet been finalized in Canada, but it is anticipated that MBL and MEC may be required to register as derivative dealers. Registration and compliance obligations in Canada will likely result in increased costs with respect to MBL's and its subsidiaries' Canadian derivatives business.

United Kingdom

U.K. regulators

The Financial Conduct Authority (the “*FCA*”) and the Prudential Regulation Authority (the “*PRA*”) are responsible for the regulation of financial services business in the U.K., including banking, investment business, consumer credit and insurance. Deposit-taking institutions, insurers and significant investment firms are dual-regulated, with the PRA responsible for the authorization, prudential regulation and day-to-day supervision of such firms, and the FCA responsible for regulating their conduct of business requirements.

Other U.K. regulators that may impact our business include the Office of Gas and Electricity Markets, which regulates the U.K. downstream natural gas and electricity industry, and the Information Commissioner’s Office which is responsible for regulating compliance with legislation in the U.K. governing data protection and electronic communications.

MGL Group U.K. regulated entities

MBL operates a branch, MBL LB, in the U.K. The PRA and FCA have regulatory oversight of the U.K. activities of MBL LB. APRA, however, remains its prudential regulator.

MBL operated a subsidiary in the U.K., Macquarie Bank International Ltd (“*MBIL*”), which was authorized by the PRA and regulated by the PRA and the FCA. MBIL’s U.K. regulatory license was cancelled at our request on September 15, 2021 and, since that date, MBIL no longer operates as an authorized firm in the U.K.

MGL has three regulated subsidiaries in the U.K., Macquarie Infrastructure and Real Assets (Europe) Limited (“*MIRAEEL*”), Macquarie Capital (Europe) Limited (“*MCEEL*”) and Macquarie Investment Management Europe Limited (“*MIMEL*”) authorized and regulated by the FCA. MIRAEEL is authorized as an alternative investment fund manager (“*AIFM*”) pursuant to the Financial Services and Markets Act 2000, as amended, and is able to manage qualifying alternative investment funds and market such funds to professional investors in the U.K. MCEEL and MIMEL are authorized and regulated by the FCA as investment firms.

MGL previously operated a subsidiary in the U.K., Macquarie Corporate and Asset Finance 1 Limited (“*MCAFIL*”), which was authorized and regulated by the FCA. MCAFIL’s regulatory license was cancelled at our request on January 23, 2023 and, since that date, MCAFIL no longer operates as an authorized firm in the U.K.

Similarly, MGL’s subsidiary Green Investment Group Management Limited (“*GIGML*”) was authorized and regulated by the FCA as an AIFM. GIGML’s U.K. regulatory license was cancelled at our request on August 3, 2022, and since that date, GIGML no longer operates as an authorized firm in the U.K. Funds previously managed by GIGML as an alternative investment fund manager were transferred to MIRAEEL as MGL’s AIFM regulated in the U.K., effective from December 1, 2021.

MBL LB, MIRAEEL, MCEEL and MIMEL are required to comply with certain U.K. legislation and regulatory requirements set forth by the FCA and, in the case of MBL LB, the PRA in their handbooks of rules and guidance (as amended from time to time) (collectively, the “*Rules*”). The Rules include, among others, requirements for prudential management of risks, systems and controls, corporate governance, market conduct, conduct of business and the treatment of customers.

In many cases, the Rules reflect the requirements set out in EU regulations and implemented by way of applicable EU directives and onshored in the U.K. as a result of the U.K.’s withdrawal from the EU (such as the Markets in Financial Instruments Directive 2014/65/EU (“*MiFID II*”) and the Markets in Financial Instruments Regulation (600/2014/EU) (“*MiFIR*”), which relate to the carrying on of investment business). These Rules have, in certain cases, been amended to tailor to the U.K. financial system.

U.K. prudential framework

MBL LB is prudentially regulated by its home regulator, APRA. However, certain PRA provisions, applicable to third country branches in the U.K., would apply to MBL LB.

The FCA introduced a prudential regime for investment firms that it prudentially regulates (the Investment Firm Prudential Regime, “IFPR”) with a view to reduce the potential harm to consumers and markets and capture the vulnerabilities and risks specific to these firms. The IFPR came into force on January 1, 2022, subject to certain transitional provisions. Firms within scope of the IFPR are either classed as a “small and non-interconnected” (“SNI”) firm or not (a “non-SNI”) based on whether the activities that they conduct satisfy certain thresholds.

Similar to the EU’s Regulation (EU) 2019/2033 (the Investment Firms Regulation or “IFR”) and Directive (EU) 2019/2034 (the Investment Firms Directive or “IFD”), the IFPR introduced a new approach to calculating capital requirements, the “K-factors”. The K-factor capital requirements are a mixture of activity- and exposure-based requirements. The K-factors that apply to an FCA MiFID investment firm depend on the investment services and activities that it undertakes. The IFPR also introduced (a) new rules on prudential consolidation, liquidity and concentration risk that apply to investment firms and their groups; (b) a new approach to the process for assessing the adequacy of internal capital at a firm; (c) new requirements on internal governance and remuneration policies; and (d) new reporting and disclosure requirements. The extent to which these requirements impact investment firms depends on their classification which can change over time depending upon the activities and size of a firm’s business.

MCEL and MIMEL are subject to the IFPR as is MIRAEL (as an alternative investment fund manager with top-up permissions to undertake certain investment services) and they are classified as non-SNI firms. The changes required as part of the implementation of the IFPR have been effected through a regulatory change program for the entities within scope of the regime. Ongoing monitoring of thresholds and compliance is now required as this new regime, and the FCA’s expectations around it, develops.

A liquidity contingency plan is maintained for MGL and MBL which considers the consolidated liquidity requirements of the MGL Group (including but not limited to MBL LB and other subsidiaries). In addition, MCEL, MIRAEL and MIMEL maintain their own liquidity contingency plans. See section 5.1 of our 2023 Fiscal Year Management Discussion and Analysis Report.

U.K. bank recovery and resolution

The U.K. implemented the EU Bank Recovery and Resolution Directive (2014/59/EU) (the “BRRD”) through the Banking Act 2009 (the “2009 Act”) and Bank Recovery and Resolution (No. 2) Order 2014 (the “2014 Order”). It also largely implemented the EU BRRD reform package (known as “BRRD II”) (see below) which became applicable on December 28, 2020 (although the U.K. did not implement those provisions which became applicable on or after January 1, 2021, including the revisions to MREL and certain provisions were subject to a “sunset” clause which disappplied them from January 1, 2021, including the additional moratorium power and changes to the contractual recognition of bail-in powers).

The Banking Act is applied on a differential basis in relation to the resolution of U.K. branches of third-country institutions. In any event, there remains a risk that the U.K. resolution regime applies to MBL LB. Under the regime, U.K. regulators and/or authorities can make an instrument or order that could adversely affect MBL LB and/or its related parties. The U.K. regulators may also consider the home country resolution strategy and any impacts that this may have on U.K. operations.

FCA-regulated investment firms such as MCEL, MIMEL and MIRAEL are not within scope of the U.K. resolution regime.

U.K. regulatory reform

Following Brexit, the Financial Services and Markets Act (the “FSMA”) received royal assent on June 29, 2023. The FSMA aims to implement the outcomes of the government’s future regulatory framework review and to make changes to update the U.K. regulatory regime. The FSMA implements a framework to repeal, reform or revoke onshored EU legislation in relation to financial services and to grant primary responsibility for regulation in these areas to the U.K. regulatory authorities, subject to the oversight of the U.K. Parliament. It will be followed by a program of regulatory reform, the timetable and extent of which are currently uncertain.

The Retained EU Law (Revocation and Reform) Act 2023 (the “*Brexit Freedoms Act*”), which also received royal assent on June 29, 2023, establishes a framework for the repeal of non-financial services retained EU law and provides for the abolition of the supremacy of retained EU law and general principles of EU law interpretation. This will end the special status that retained EU law (including those relating to financial services) has on the U.K. statute book. The Brexit Freedoms Act also provides and modifies a number of powers relating to the ability of a Minister of the Crown (or similar) to amend retained EU legislation. It treats all retained direct EU legislation as equivalent to domestic secondary legislation and subject to amendment in the same way as secondary legislation.

The FSMA and the Brexit Freedoms Act are framework legislation for the U.K. government to make further policy changes and diverge from EU law in the coming years. As is common with financial services regulation, the applicable changes to different firms are likely to come into effect over a long period and require a change management program to identify and implement relevant changes.

In December 2022, His Majesty’s Treasury published a policy statement on “Building a smarter financial services framework for the UK”, which set out the government’s plan to deliver the future regulatory framework through the powers established in the FSMA. It prescribes how the program of reform will be approached in phases, with retained EU law in the area of financial services split into “tranches”. Work is already underway on the first tranche, delivering the outcomes arising from the Wholesale Markets Review, Lord Hill’s Listing Review, the Securitisation Review, and the Review into the Solvency II Directive. The second tranche contains remaining implementation of the outcomes of the Wholesale Markets Review, continued work on Solvency II, the Packaged Retail and Insurance-Based Investment Products Regulation, the Short Selling Regulation, the Taxonomy Regulation, the Money Market Funds Regulation, Payment Services Directive and the E-Money Directive, Insurance Mediation and Distribution Directives, the Capital Requirements Regulation and Directive, Long-Term Investment Funds Regulation, and the consumer information rules in the Payment Accounts Regulations 2015. A number of these reforms may impact the MGL Group’s U.K. regulated entities. The government expects to make ‘significant progress’ on tranches 1 and 2 by the end of 2023.

As part of the government’s future regulatory framework review, in February 2023, the FCA published a discussion paper entitled “DP23/2: Updating and improving the U.K. regime for asset management” setting out proposals to reform the U.K. asset management regime as a result of changes proposed by the FSMA, which may impact MGL Group’s U.K. regulated entities. For example, the FCA is seeking views on reforms including the implementation of a single rulebook applicable to asset management firms and changes which take into account developments in technology and support innovation. Responses to the discussion paper were due on May 22, 2023 and the FCA is expected to publish a feedback statement on the discussion paper later in 2023. However, the timetable for consulting on and implementing any reforms and the extent of such reforms are currently uncertain as fund regulation is not included in either tranche 1 or tranche 2 of the program of reforms.

There remains a risk that the U.K. regime may diverge from the EU regime in certain respects. As is common with financial services regulation, the applicable changes to different firms will come into effect over a long period and require a change management program to identify and implement relevant changes. The impact of such changes on the MGL Group is unknown at this time.

European Union

EU Regulators

In the EU, the Single Supervisory Mechanism (the “*SSM*”) designates the European Central Bank (the “*ECB*”) as the competent authority for banking supervision across the euro area. In this context, national competent authorities (“*NCA*s”) are the financial services regulatory authorities in each individual EU member state that directly regulate banks in the relevant member state. The ECB directly regulates entities designated as “Significant Institutions” and indirectly regulates, through *NCA*s, entities designated as “Less Significant Institutions” (“*LSIs*”). Where the ECB regulates banks, it is not to the exclusion of *NCA*s.

France

The Autorité de Contrôle Prudentiel et de Résolution (the “*ACPR*”) is responsible for the supervision of the banking and insurance sectors in France and authorizes any regulated entity such as credit institutions, investment firms, insurance companies, financing companies and payment institutions. The *ACPR* is responsible for prudential supervision but is also the competent authority when it comes to clients’ protection and financial crime, more specifically *AML-CFT* matters. The Autorité des Marchés Financiers (the “*AMF*”) is the French financial markets regulator and is responsible

for regulating the market, its participants and investment products distributed via these markets and is also responsible for ensuring that investors are properly informed.

Macquarie Capital France Société Anonyme (“*MCF*”) and the French branch of Macquarie Bank Europe Designated Activity Company (“*MBE DAC*”) are regulated by both the ACPR and the AMF. They are required to comply with French legislation and regulatory requirements set out by the ACPR and AMF in the form of codes, regulations and guidance issued from time to time (collectively, the “*French Rules*”), as applicable. The French Rules include, among others, requirements as to capital adequacy, liquidity adequacy, systems and controls, corporate governance, market conduct, financial crime, conduct of business and the treatment of customers.

Macquarie Asset Management Europe S.à r.l. (“*MAMES*”) applied to the AMF for regulatory permission to open a branch in France. This application has been approved, though the operational date of the branch is not yet confirmed.

Ireland

The Central Bank of Ireland (the “*CBI*”) is responsible for the regulation of financial services business in Ireland, including banking, investment business, consumer credit and insurance. Those credit institutions that are LSIs within the SSM framework are supervised directly by the CBI with indirect supervision from the ECB.

The Irish Data Protection Commission is responsible for regulating compliance with legislation in Ireland governing data protection and electronic communications.

The MBL Group has an authorized Irish subsidiary, MBE DAC, which is authorized and regulated as a credit institution by the CBI. MBE DAC is designated as an LSI within the SSM framework.

Regulated entities in Ireland are required to comply with Irish legislation and the regulatory requirements set forth by the CBI in the form of codes, regulations and guidance issued from time to time (collectively, the “*Irish Rules*”), as applicable. The Irish Rules include, among others, requirements as to capital adequacy, liquidity adequacy, systems and controls, corporate governance, market conduct, conduct of business and the treatment of customers.

In many cases, the Irish Rules reflect the requirements set out in EU regulations (which are directly applicable in Ireland) and implement applicable EU requirements and directives (such as Regulation (EU) 2019/876 (“*CRR II*”) and CRD V, which relate to regulatory prudential requirements for banks and large investment firms and came into force on June 27, 2019; CRD V largely took effect from December 29, 2020 and CRR II came into force on June 28, 2021; and MiFID II and MiFIR, which relate to the carrying on of investment business and which came into force on July 2, 2014 and took effect on January 3, 2018). Under the Irish Rules, regulated banks and certain investment firms are required to have an adequate regulatory capital plan in place, among other requirements. MBE DAC is required to comply with the requirements set out in CRR II and CRD V.

Luxembourg

The Commission de Surveillance du Secteur Financier (the “*CSSF*”) is Luxembourg’s financial sector regulator, responsible for regulating investment business including investment fund managers, credit institutions and investment firms. The Commissariat aux Assurances (the “*CAA*”) is the Luxembourg insurance regulator responsible for regulating insurance business.

The MGL Group has the following Luxembourg regulated entities:

- Macquarie Investment Management Europe S.A. (“*MIMESA*”), which is authorized and regulated by the CSSF as an investment firm;
- MAMES, which is authorized and regulated by the CSSF as an alternative investment fund manager; and
- Macquarie Insurance Facility Luxembourg S.à r.l. (“*MIF Lux*”), which is authorized and regulated by the CAA as an investment broker.

As regulated entities, MIMESA and MAMES are required to comply with Luxembourg legislation and regulation as set out by the CSSF in the form of codes, regulations and guidance issued from time to time (collectively, the “*Luxembourg Rules*”), as applicable. The Luxembourg Rules include, among others, requirements as to capital adequacy, systems and controls, corporate governance, market conduct, conduct of business and the treatment of customers.

MIF Lux as a regulated entity is obliged to comply with Luxembourg legislation and regulation as set out by the CAA in the form of codes, circulars, regulations and guidance issued from time to time relating to the insurance sector.

Germany

The Bundesanstalt für Finanzdienstleistungsaufsicht (“*BaFin*”) is responsible for the regulation of banks, financial services providers, insurance undertakings and securities trading in Germany.

The MGL Group has an authorized German subsidiary, GLL Real Estate Partners Kapitalverwaltungsgesellschaft mbH (“*GLL KVG*”), which is authorized and regulated as an alternative investment fund manager by BaFin. As a regulated entity, GLL KVG is required to comply with German legislation and regulation as set out by BaFin in the form of codes, regulations and guidance issued from time to time (collectively, the “*German Rules*”) as applicable. The German Rules include, among others, requirements as to capital adequacy, systems and controls, corporate governance, market conduct, conduct of business and the treatment of customers.

Austria

The Austrian Financial Market Authority (the “*FMA*”) is responsible for the regulation of banks, insurance undertakings, pension companies, corporate provision funds, investment firms, investment services providers, investment funds, financial conglomerates and stock exchange companies in Austria.

The MGL Group has an authorized Austrian subsidiary, Macquarie Investment Management Austria Kapitalanlage AG (“*MIMAK*”), which is regulated by the FMA in the conduct of business in the European Economic Area (“*EEA*”). As a regulated entity, MIMAK is required to comply with Austrian legislation and regulation as set out by the FMA in the form of codes, regulations and guidance issued from time to time (collectively, the “*Austrian Rules*”) as applicable. The Austrian Rules include, among others, requirements as to capital adequacy, systems and controls, corporate governance, market conduct, conduct of business and the treatment of customers.

EU prudential framework for credit institutions – CRR and CRD

The Basel framework sets the global standards for prudential requirements for banks and was implemented in the EEA in 2013 through the Capital Requirements Regulation (“*CRR*”) and Fourth Capital Requirements Directive (“*CRD IV*”). The CRR established a single set of harmonized prudential rules which apply directly to all credit institutions in the EEA, with CRD IV containing other provisions required to be transposed into national law. These regulations are structured in line with the Basel Committee’s three pillars of supervision: Pillar 1 “minimum capital requirements”, Pillar 2 “supervisory review process” and Pillar 3 “market discipline”. The CRR and CRD IV have since been amended by CRR II and CRD V in 2019 and continue to be subject to further review, with the latest amendments expected to be implemented in the form of CRR III and CRD VI from 2025. The CRR and CRD apply to MBE DAC as implemented in Ireland by the CBI.

EU prudential framework for investment firms – IFR and IFD

The IFR and IFD establish a prudential regime tailored to investment firms authorized in the EU. Under the framework, investment firms are categorized into one of three classes according to their size and business activities, and are subject to certain capital, liquidity, governance, risk management, reporting and disclosure requirements. The IFR and IFD apply to MIMESA and MCF. The changes required as part of the new IFR and IFD regime have been implemented through a regulatory change program for the entities within scope of the regime.

BRRD and BRRD II

The Bank Recovery and Resolution Directive (“*BRRD*”) may have certain impacts on EU entities or branches of the MGL Group, including the MBE DAC. This may include the power of the resolution authority to write down or convert certain minimum requirements for own funds and eligible liabilities (“*MREL*”) and other liabilities into equity.

The European Commission proposed certain amendments to the BRRD through the BRRD II package which entered into force on June 27, 2019 and largely applied from December 28, 2020 and that contain, among others, the following provisions:

- the introduction of a new moratorium power for resolution authorities and requirements on the contractual stays in resolution;
- amendments to the Article 55 regime in respect of the contractual recognition of bail-in powers; and
- the implementation of certain requirements relating to the implementation of the total loss absorbing capacity standard applying from January 1, 2022 and additional MREL.

BRRD, as amended by BRRD II, impacts how in-scope institutions, such as MBE DAC absorb losses in certain stressed scenarios. BRRD II also seeks to harmonize the bank insolvency creditor hierarchy relating to the priority ranking of holders of certain classes of subordinated debt (which are eligible to be used to contribute to an institution's MREL requirement).

EU anti-money laundering regulation

The MGL Group's EU entities are subject to a range of measures aimed at preventing financial crime which are mandated under European wide directives which member states must legislate for at national level; the latest directive is the 6th Money Laundering Directive ("*6MLD*"). 6MLD strengthens criminal penalties and expands the scope of the existing legislation to better fight against money laundering and the financing of terrorism. Post-Brexit Money Laundering Directives do not apply to the U.K. However, the U.K.'s legislative regime already covers the scope of 6MLD.

It is anticipated that the EU anti money laundering authority ("*EUAMLA*") will be established on January 1, 2024. EUAMLA is intended to enhance cooperation among financial intelligence units and to co-ordinate national authorities in applying EU rules to counter money laundering and terrorist financing. Any such changes connected to EUAMLA are to be transposed three years after their respective texts have been finalized and officially published.

Environmental, social and governance regulation

There is increased regulatory and investor scrutiny over the environmental, social and governance ("*ESG*") impacts of the activities of financial groups such as MGL Group, including associated sustainability and greenwashing risk management, particularly in the EU and the U.K.

At the EU level, there are increased regulatory requirements regarding sustainability and greenwashing risk. The Taxonomy Regulation (EU) No. 2020/852 and Sustainable Finance Disclosure Regulation (EU) No. 2019/2088 (the "*SFDR*") were introduced to enable clients and investors to make informed investment decisions based upon standardized environmental sustainability disclosures. MAMES, MIMESA, GLL KVG and MIMAK are subject to SFDR disclosure and periodic reporting requirements at an entity and product level. MCF is subject to more limited SFDR entity-level disclosure requirements as the entity does not integrate sustainability risks into investment advice provided to clients. These entities were also impacted by legislative amendments in 2022 to the MiFID II and AIFMD frameworks which integrate sustainability risks and sustainability factors into organizational requirements and operating conditions. The European supervisory authorities have now published separate progress reports on greenwashing risks which create a new European definition of greenwashing.

In March 2023, the U.K. government published "Mobilizing green investment: 2023 green finance strategy" as an update to their earlier 2019 strategy to propose, among other things, regulation of ESG ratings providers, a review of the U.K. Stewardship Code, mandatory transition plan disclosure, and a review of Scope 3 greenhouse gas emissions reporting. A green finance taxonomy for the U.K. remains under development. Other initiatives under the U.K.'s strategy have started to impact Macquarie's U.K. entities. MIRAEL and MIMEL are required to make disclosures by the end of June 2024 under new FCA rules mandating climate-related disclosures for asset managers and asset owners which align with Taskforce on Climate-related Financial Disclosures ("*TCFD*") recommendations and build on previous rules set for premium listed companies. The FCA is also proposing to introduce Sustainability Disclosure Requirements ("*SDR*") aimed at preventing greenwashing. Firms aiming sustainable investment products or services at retail investors will be expected to either use a sustainable investment label from a range of categories and follow prescribed criteria and implementation guidance or adhere to marketing restrictions. The FCA's proposals focus on asset managers and their U.K.-based fund products and portfolio management services, though the FCA has said it may expand and evolve the

regime over time. The proposals aim to build transparency and trust within the market while mostly remaining of a voluntary nature in contrast to the EU SFDR, though firms in scope of both may have to bear duplication. The exception is a new “anti-greenwashing rule” which builds upon existing regulatory marketing principles by requiring firms to ensure that any reference to the sustainability characteristics of a product or service is consistent with the product’s profile and is not misleading. The policy statement for the implementation of these rules is currently delayed, however, the FCA expects it to be published in the fourth quarter of 2023.

The standardization of sustainability reporting has progressed significantly during the half-year ended September 30, 2023. The International Sustainability Standards Board (“ISSB”) has released its first two sustainability reporting standards (IFRS S1 General Requirements of Sustainability-related Financial Information and IFRS S2 Climate-related Disclosures). In the EU, the Corporate Sustainability Reporting Directive (EU) 2022/2464 (“CSRD”) entered into force in January 2023 and will require large European undertakings to report sustainability information under European Sustainability Reporting Standards (“ESRS”). The reporting framework will be phased in from 2024 and will impact certain Macquarie entities regulated in Europe. The ISSB has set out a potential route forward to support companies in-scope of CSRD wishing to apply both ISSB sustainability reporting standards and ESRS together. In the meantime, MGL will continue reporting against select disclosures of the Sustainability Accounting Standards Board (“SASB”) and TCFD recommendations in preparation for the adoption of more detailed ISSB and ESRS standards. The European Banking Authority has also released regulatory technical standards (the “RTS”) as templates for quantitative and qualitative prudential disclosures on ESG risks, which will apply to EU credit institutions and certain EU investment firms pursuant to the CRR framework. No Macquarie entity is currently required to disclose under the RTS.

The Australian-equivalent standards have not yet been issued. Notwithstanding, MGL acknowledges the growing importance of sustainability-related disclosures and continues to progress its established project to assess and prepare for future sustainability and climate-related reporting obligations.

Furthermore, the MGL Group is subject to modern slavery legislations under the U.K. Modern Slavery Act 2015 and the Australian Modern Slavery Act 2018 (Cth). The MGL Group annually reports its approach towards identifying and mitigating the risk of modern slavery within its supply chain and business operations.

Other regulators

Outside Australia, the United States, the EU and the U.K., MBL has branches in the Dubai International Finance Centre, and Singapore that are regulated by the Dubai Financial Services Authority, and the Monetary Authority of Singapore, respectively. MBL also has a representative office in Auckland, regulated by the Reserve Bank of New Zealand, in South Africa, regulated by the South African Reserve Bank, in Brazil, regulated by the Banco Central do Brasil, and in Switzerland, regulated by the Swiss Financial Markets Supervisory Authority, which gives MBL limited authorization to conduct marketing of its products and services to institutions, subject to local license limitations. Bank regulation varies from country to country, but generally is designed to protect depositors and the banking system as a whole, not holders of a bank’s securities. Bank regulations may cover areas such as capital adequacy, minimum levels of liquidity, and the conduct and marketing of banking services.

Other key financial regulators of our businesses include but are not limited to the Securities and Futures Commission of Hong Kong.

Financial regulation varies from country to country and may include the regulation of securities offerings, mergers and acquisitions activity, commodities and futures activities, anti-trust issues, investment advice, trading and brokerage, sales practices, and the offering of investment products and services.

In addition to the foregoing, certain businesses and assets owned or managed by the MBL Group in international jurisdictions are subject to additional laws, regulations and oversight that are specific to the industries applicable to those businesses and assets.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF INTERIM RESULTS OF OPERATIONS AND FINANCIAL CONDITION

In addition to the information included in this Report, investors should refer to our 2024 Half Year Management Discussion and Analysis Report for a comparative discussion and analysis of our results of operations and financial condition for the half year ended September 30, 2023 compared to the half year ended September 30, 2022, along with other balance sheet, capital and liquidity disclosures as at and for the half year ended September 30, 2023, which is posted on MBL's U.S. Investors' Website. Such information should be read in conjunction with the discussion under "Management's Discussion and Analysis of Results of Operations and Financial Condition" beginning on page 51 of our 2023 Annual U.S. Disclosure Report.

Recent developments post-September 30, 2023

MBL Board Announcements:

On November 3, 2023, MGL announced that, effective February 1, 2024 and subject to completion of necessary approvals, Mr. Wayne Byres will be appointed as a Non-Executive Voting Director of MBL.

Half year ended September 30, 2023 compared to half year ended September 30, 2022

See sections 1 – 7 of our 2024 Half Year Management Discussion and Analysis Report for a discussion of our results of operations and financial condition for the half years ended September 30, 2023 and 2022, which has been incorporated by reference herein.



MACQUARIE
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