Macquarie Bank Limited

(ABN 46 008 583 542)

Disclosure Report (U.S. Version)
for the half year ended September 30, 2022

Dated: November 11, 2022

TABLE OF CONTENTS

CERTAIN DEFINITIONS ii

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS iii

AUSTRALIAN EXCHANGE CONTROL RESTRICTIONS vi

FINANCIAL INFORMATION PRESENTATION vii

RISK FACTORS 1

CAPITALIZATION AND INDEBTEDNESS 2

RECENT DEVELOPMENTS 3

MANAGEMENT'S DISCUSSION AND ANALYSIS OF INTERIM RESULTS OF OPERATIONS AND FINANCIAL CONDITION 38

CERTAIN DEFINITIONS

In this Disclosure Report (U.S. Version) for the half year ended September 30, 2022 (this "*Report*"), unless otherwise specified or the context otherwise requires:

- "*2022 Annual U.S. Disclosure Report*" means our Disclosure Report (U.S. Version) for the fiscal year ended March 31, 2022 and the documents incorporated by reference therein;

- "*2022 Fiscal Year Management Discussion and Analysis Report*" means our Management Discussion and Analysis Report dated May 6, 2022, which includes a comparative discussion and analysis of our results of operations and financial condition for the fiscal year ended March 31, 2022 compared to the fiscal year ended March 31, 2021, along with other balance sheet, capital and liquidity disclosures as at or for the fiscal year ended March 31, 2022, and which is incorporated by reference herein and has been posted on MBL's U.S. Investors' Website;

- "*2023 Half Year Management Discussion and Analysis Report*" means our Management Discussion and Analysis Report dated October 28, 2022, which includes a comparative discussion and analysis of our results of operations and financial condition for the half year ended September 30, 2022 compared to the half year ended September 30, 2021, along with other balance sheet, capital and liquidity disclosures as at or for the half year ended September 30, 2022, and which is incorporated by reference herein and has been posted on MBL's U.S. Investors' Website;

- "*2023 Interim Directors' Report and Financial Report*" means our 2023 Interim Directors' Report and Financial Report; and

- "*2023 interim financial statements*" means our unaudited financial statements for the half year ended September 30, 2022 contained in our 2023 Interim Directors' Report and Financial Report.

In addition, you should refer to "Certain Definitions" beginning on page ii of our 2022 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 "*2022*" 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 United States Securities Exchange Act of 1934, as amended (the "*Exchange Act*"). 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 conditions 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 or other markets;
- 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;
- 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;
- 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;
- losses due to climate change;
- litigation and regulatory actions against us;
- risks associated with the replacement of benchmark indices;
- 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 failures and other information or security breaches;
- environmental and social factors;
- the impact of catastrophic events on MBL and its operations;
- 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 2023 Half Year Management Discussion and Analysis Report and in our 2022 Fiscal Year Management Discussion and Analysis Report, which is incorporated by reference in our 2022 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 2022 Annual U.S. Disclosure Report, our 2023 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 additional information posted on MBL's U.S. Investors' Website, including:

- 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, 2022 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 Results of Operations and Financial Condition", which incorporates by reference our 2023 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, 2022 compared to the half year ended September 30, 2021, along with other balance sheet, capital and liquidity disclosures as at or for the half year ended September 30, 2022, and which has been posted on MBL's U.S. Investors' Website;

- our Pillar 3 Restatement for the period from March 2018 to June 2021, the Pillar 3 Disclosure Document dated June 2022, the Pillar 3 Disclosure Document dated March 2022, the Pillar 3 Disclosure Document dated December 2021 and the Pillar 3 Disclosure Document dated September 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 which is posted on MBL's U.S. Investors' Website; and

- our historical financial statements, which are included in the extracts from our 2023 Half Year Management Discussion and Analysis Report posted on MBL's U.S. Investors' Website.

Unless otherwise indicated, conversions of Australian dollars to U.S. dollars in this Report have been made at the exchange rate of US$0.6437 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 30, 2022. The noon buying rate on November 4, 2022 was US$0.6435 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 2022 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 xi of our 2022 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 2023 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 2022 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 2022 Annual Report of MGL and in Note 33 to our 2022 annual financial statements.

The significant risk factors applicable to MBL Group are described under "Risk Factors" beginning on page 1 of our 2022 Annual U.S. Disclosure Report.

CAPITALIZATION AND INDEBTEDNESS

The following table sets forth our capitalization as at September 30, 2022.

The information relating to the MBL Group in the following table is based on our 2023 interim financial statements, which were prepared in accordance with Australian Accounting Standards, and should be read in conjunction therewith.

	As at Sep 30, 2022	
	US$m[1]	**A$m**
CAPITALIZATION		
Borrowings[2]		
Debt issued — due greater than 12 months	25,137	39,051
Loan capital — due greater than 12 months	5,186	8,057
Total borrowings[3]	**30,323**	**47,108**
Equity		
Contributed equity		
Ordinary share capital	6,359	9,879
Equity contribution from ultimate parent entity	169	262
Reserves	847	1,315
Retained earnings	5,954	9,250
Total equity	**13,329**	**20,706**
TOTAL CAPITALIZATION	**43,652**	**67,814**

[1] Conversions of Australian dollars to U.S. dollars have been made at the noon buying rate on September 30, 2022, which was US$0.6437 per A$1.00.

[2] As at September 30, 2022, we had A$20.4 billion of secured indebtedness due in greater than 12 months compared to A$21.7 billion as at March 31, 2022.

[3] Total borrowings do not include our short-term debt securities, including the current portion of long-term debt. Short-term debt totaled A$56.7 billion as at September 30, 2022 compared to A$49.3 billion as at March 31, 2022.

For details on our short-term debt position as at September 30, 2022, see section 5.5 of our 2023 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 2022 Annual U.S. Disclosure Report on May 20, 2022.

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 2022 Annual U.S. Disclosure Report and other information posted on MBL's U.S. Investors' Website.

Issuance of A$850 million of MBL Subordinated Notes

On June 7, 2022, MBL issued A$850 million of additional subordinated notes. The subordinated notes constitute regulatory capital of MBL that satisfies the Australian Prudential Regulation Authority's ("*APRA*") regulatory capital requirements for Tier 2 Capital.

Board and management changes announced during the half year ended September 30, 2022

MBL Board elections and retirements:

- Ian Saines has been appointed as the first of three MBL-only non-executive Voting Directors proposed to be added to the MBL Board, as part of the MGL Group's initiatives to strengthen the voice of MBL within the MGL Group and enhance MBL's governance on June 1, 2022. Mr. Saines commenced from June 1, 2022.

- As previously announced, Michael Coleman stepped down as a non-executive Voting Director of MGL effective at the conclusion of MGL's 2022 Annual General Meeting on July 28, 2022. Mr. Coleman has agreed to remain on the MBL Board as the second MBL-only non-executive Voting Director for one further two-year term.

- As previously announced, Peter Warne stepped down as Chairman of the MBL Board and retired as a non-executive Voting Director of MBL on May 9, 2022. Glenn Stevens has succeeded Mr. Warne as Chairman of the MBL Board from May 10, 2022.

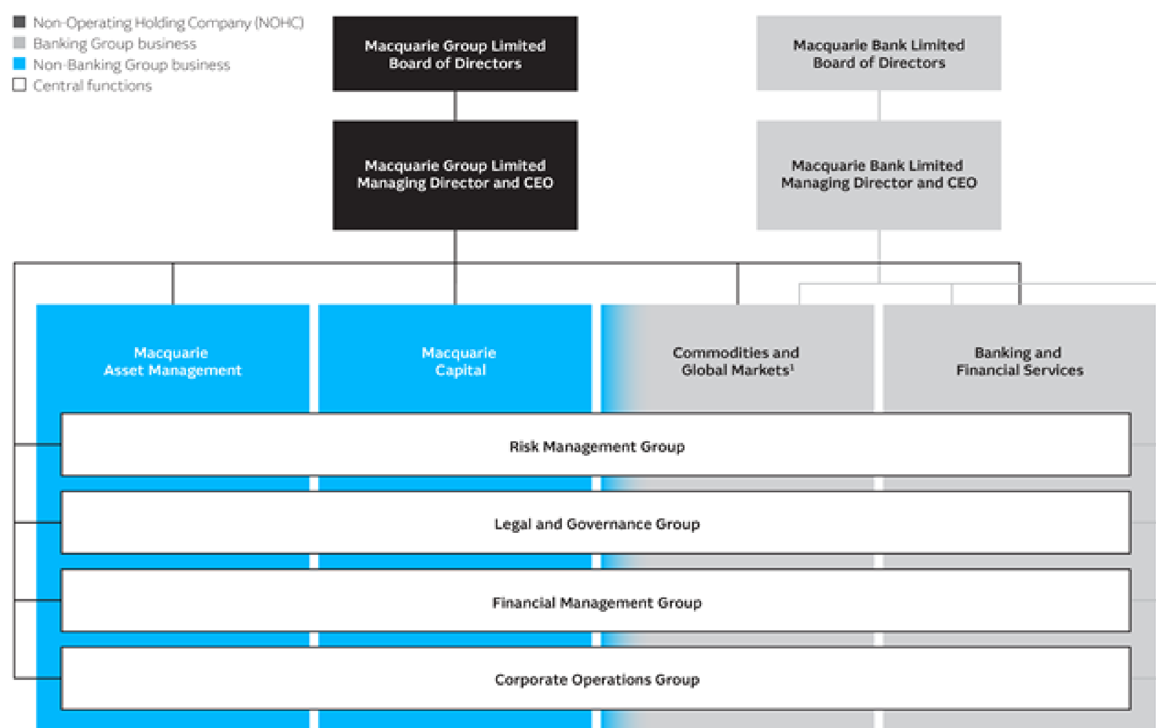
Organizational structure

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, 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 2023 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 9 June 2022

[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 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 15 of our 2022 Annual U.S. Disclosure Report.

MBL has met all of its capital requirements throughout the half year ended September 30, 2022. As at September 30, 2022, the Banking Group had a Harmonized Basel III Common Equity Tier 1 capital ratio of 15.9%, a Tier 1 capital ratio of 17.9% and a total capital ratio of 22.5%. The Banking Group's APRA Basel III Common Equity Tier 1 capital ratio was 12.8%, Tier 1 capital ratio was 14.6% and total capital ratio was 18.8%. 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, 2022, see section 6 of our 2023 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 2022 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.

Across our international operations, the 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 contributed a net profit contribution of A$580 million for the half year ended September 30, 2022.

Commodities and Global Markets in MBL contributed a net profit contribution of A$1,894 million for the half year ended September 30, 2022.

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, 2022, see our 2023 Half Year Management Discussion and Analysis Report for further information.

Overview of the MBL Group

As at September 30, 2022, MBL had total assets of A$433.1 billion and total equity of A$20.7 billion. For the half year ended September 30, 2022, our net operating income was A$5,050 million and profit after tax attributable to the ordinary equity holder was A$1,275 million. Of MBL Group's revenues from external customers, 53% were derived from regions outside Australia.

The tables below show the relative net operating income and profit contribution of each of our operating groups for the half years ended September 30, 2022 and 2021.

Net operating income of MBL Group by operating group for the half years ended September 30, 2022 and 2021[1]

	Half Year ended		
	Sep 30, 2022	**Sep 30, 2021**	**Movement**[4]
	A$m	**A$m**	**%**
Banking and Financial Services	1,423	1,163	22
Commodities and Global Markets[2]	3,050	2,720	12
Total net operating income from operating groups	**4,473**	**3,883**	**15**
Corporate[3]	577	529	9
Total net operating income	**5,050**	**4,412**	**14**

1 For further information on our segment reporting, see section 3 of our 2023 Half Year Management Discussion and Analysis Report and Note 3 to our 2023 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, 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.

4 "*" indicates that actual movement was greater than 300%, that the movement was positive to negative, or that the movement was negative to positive.

Net profit contribution of MBL Group by operating group for the half years ended September 30, 2022 and 2021[1]

	Half Year ended		
	Sep 30, 2022	**Sep 30, 2021**	**Movement**[4]
	A$m	**A$m**	**%**
Banking and Financial Services	580	482	20
Commodities and Global Markets[2]	1,894	1,772	7
Total contribution to net profit from operating groups	**2,474**	**2,254**	**10**
Corporate[3]	(1,199)	(1,011)	19
Profit attributable to the ordinary equity holder of MBL	**1,275**	**1,243**	**3**

[1] For further information on our segment reporting, see section 3 of our 2023 Half Year Management Discussion and Analysis Report and Note 3 to our 2023 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, 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.

[4] "*" indicates that actual movement was greater than 300%, that the movement was positive to negative, or that the movement was negative to positive.

Regional activity

As at September 30, 2022, the MBL Group employed 14,646 staff globally and conducted its operations in 20 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, 2022, the MBL Group employed 8,107 staff in Australia. In the half year ended September 30, 2022, Australia contributed A$3,293 million (47%) of our revenues from external customers as compared to A$2,270 million (42%) in the half year ended September 30, 2021.

Americas. MBL Group has been active in the Americas for over 25 years, when 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, 2022, the MBL Group employed 1,663 staff across four markets. In the half year ended September 30, 2022, the Americas contributed A$1,929 million (27%) of our revenues from external customers as compared to A$1,323 million (25%) in the half year ended September 30, 2021.

Asia. MBL Group has been active in Asia for more than 25 years, when we established our first office in Hong Kong in 1995. As at September 30, 2022, the MBL Group employed 3,220 staff across nine 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, 2022, Asia contributed A$454 million (6%) of our revenues from external customers as compared to A$418 million (8%) in the half year ended September 30, 2021.

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, 2022, the MBL Group employed 1,656 staff across six markets. In the half year ended September 30, 2022, Europe, Middle East & Africa contributed A$1,446 million (20%) of our revenues from external customers as compared to A$1,333 million (25%) in the half year ended September 30, 2021.

For further information on our segment reporting, see section 3 of our 2023 Half Year Management Discussion and Analysis Report and Note 3 to our 2023 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, ranging from sole practitioners to corporate professional firms.

BFS contributed A$580 million to MBL Group's net profit in the half year ended September 30, 2022 and, as at September 30, 2022, had over 3,510 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 2022 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 in the Bank and Non-Bank Groups. 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 comprises the following businesses in the Bank Group:

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

- Credit Markets: Operates in the United States and provides asset backed financing solutions for credit originators and credit investors across commercial and residential mortgages, consumer loans, syndicated corporate loans and middle market corporate loans.

- Equity Derivatives and Trading: 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. Generally, the Equity Derivatives and Trading division's activities, which include sales of retail derivatives, trading, equity finance and capital management are in the Banking Group.

- Fixed Income & Currencies: Provides currency and fixed income trading and hedging services as well as financing via securitization, warehousing, seasoning and term financing facilities to a range of corporate and 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 non-business specific, early stage and CGM-wide initiatives including the Chief Operating Officer, Chief Financial Officer, data, legal and operational, specialist and non-financial risk teams.

CGM contributed A$1,894 million to MBL Group's net profit in the half year ended September 30, 2022 and, as at September 30, 2022, had over 2,100 staff located in 20 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 21 of our 2022 Annual U.S. Disclosure Report.

Recent developments within the Corporate segment of the MBL Group

The Corporate segment includes earnings from 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 expenses include earnings from investments, changes in central overlays to impairments or valuation of assets, unallocated head office costs and costs of Central Service Groups, MGL Group's performance-related profit share and share-based payments expense, income tax expense and certain distributions attributable to certain non-controlling interests.

Corporate contributed a net loss of A$1,199 million in the half year ended September 30, 2022.

For further information on Corporate's results of operations and financial condition for the half year ended September 30, 2022, see section 3.4 of our 2023 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. 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. 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 will continue to respond to the German authorities' requests for information about its historical activities. MGL Group notes that it has already resolved its two other matters involving German dividend trading that took place between 2006 and 2009, where the authorities noted the MGL Group's "unreserved cooperation".

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.

The total amount at issue is not considered to be material and MGL Group has provided for the matter.

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 18 to our 2023 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 2022 Annual U.S. Disclosure Report.

Additional financial disclosures for the half year ended September 30, 2022

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 Statements*, as issued by the International Accounting Standards Board. The table includes MBL Group's top ten 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 classification. For 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 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 statements of financial position. This information is unaudited.

	As at Sep 30, 2022[1]			
Country	**Governments**	**Financial Institutions**	**Other**	**Total exposure**
	A$m	**A$m**	**A$m**	**A$m**
United States				
Cash and bank balances	—	5,423	—	5,423
Cash collateralized lending and reverse repurchase agreements	—	9,064	—	9,064
Margin money and settlement assets	106	517	2,505	3,128
Financial investments	701	156	—	857
Held for sale and other assets	—	14	247	261
Loan assets	9	3,551	1,424	4,984
Due from related body corporate entities[2]	—	43	—	43
Off balance sheet exposures	31	262	1,127	1,420
Total United States	**847**	**19,030**	**5,303**	**25,180**
United Kingdom				
Cash and bank balances	—	793	—	793
Cash collateralized lending and reverse repurchase agreements	—	5,351	—	5,351
Margin money and settlement assets	—	2,500	8,265	10,765
Financial investments	—	745	—	745
Held for sale and other assets	55	8	138	201
Loan assets	—	563	1,050	1,613
Due from related body corporate entities[2]	—	64	7	71
Off balance sheet exposures	—	85	289	374

Country	As at Sep 30, 2022[1]			
	Governments	Financial Institutions	Other	Total exposure
	A$m	A$m	A$m	A$m
Total United Kingdom	**55**	**10,109**	**9,749**	**19,913**
France				
Cash and bank balances	—	576	—	576
Cash collateralized lending and reverse repurchase agreements	—	10,153	—	10,153
Margin money and settlement assets	—	124	314	438
Financial investments	—	2,513	—	2,513
Held for sale and other assets	—	—	—	—
Loan assets	—	—	66	66
Due from related body corporate entities[2]	—	—	—	—
Off balance sheet exposures	—	40	—	40
Total France	—	**13,406**	**380**	**13,786**
Germany				
Cash and bank balances	—	387	—	387
Cash collateralized lending and reverse repurchase agreements	—	2,625	—	2,625
Margin money and settlement assets	—	82	2,250	2,332
Financial investments	—	132	—	132
Held for sale and other assets	—	—	—	—
Loan assets	—	—	36	36
Due from related body corporate entities[2]	—	—	—	—
Off balance sheet exposures	—	—	—	—
Total Germany	—	**3,226**	**2,286**	**5,511**
Canada				
Cash and bank balances	—	287	—	287
Cash collateralized lending and reverse repurchase agreements	—	3,526	—	3,526
Margin money and settlement assets	—	26	175	201
Financial investments	—	209	—	209
Held for sale and other assets	—	—	2	2
Loan assets	—	48	61	109
Due from related body corporate entities[2]	—	2	—	2
Off balance sheet exposures	—	98	349	446
Total Canada	—	**4,196**	**587**	**4,783**
United Arab Emirates				
Cash and bank balances	—	8	—	8
Cash collateralized lending and reverse repurchase agreements	—	3,151	—	3,151
Margin money and settlement assets	—	4	15	19
Financial investments	—	—	—	—
Held for sale and other assets	—	—	—	—
Loan assets	—	—	13	13
Due from related body corporate entities[2]	—	—	—	—
Off balance sheet exposures	—	—	—	—
Total United Arab Emirates	—	**3,163**	**28**	**3,191**

Country	As at Sep 30, 2022[1]			
	Governments	Financial Institutions	Other	Total exposure
	A$m	A$m	A$m	A$m
Netherlands				
Cash and bank balances	—	2,667	—	2,667
Cash collateralized lending and reverse repurchase agreements	—	36	3	39
Margin money and settlement assets	—	—	—	—
Financial investments	—	—	—	—
Held for sale and other assets	—	—	2	2
Loan assets	—	211	250	461
Due from related body corporate entities[2]	—	—	—	—
Off balance sheet exposures	—	—	—	—
Total Netherlands	**—**	**2,914**	**255**	**3,169**
Belgium				
Cash and bank balances	—	—	—	—
Cash collateralized lending and reverse repurchase agreements	—	1,556	—	1,556
Margin money and settlement assets	—	12	1,365	1,377
Financial investments	—	—	—	—
Held for sale and other assets	—	—	—	—
Loan assets	—	—	13	13
Due from related body corporate entities[2]	—	—	—	—
Off balance sheet exposures	—	—	—	—
Total Belgium	**—**	**1,568**	**1,378**	**2,946**
Singapore				
Cash and bank balances	—	26	—	26
Cash collateralized lending and reverse repurchase agreements	—	933	—	933
Margin money and settlement assets	—	259	146	405
Financial investments	—	130	—	130
Held for sale and other assets	—	—	—	—
Loan assets	—	4	270	274
Due from related body corporate entities[2]	—	25	—	25
Off balance sheet exposures	—	—	—	—
Total Singapore	**—**	**1,377**	**416**	**1,793**
China				
Cash and bank balances	—	293	—	293
Cash collateralized lending and reverse repurchase agreements	—	747	—	747
Margin money and settlement assets	—	216	69	285
Financial investments	—	90	—	90
Held for sale and other assets	—	9	5	14
Loan assets	—	—	46	46
Due from related body corporate entities[2]	—	31	1	32
Off balance sheet exposures	—	—	19	19
Total China	**—**	**1,386**	**140**	**1,526**
Top ten countries				
Cash and bank balances	—	7,793	—	7,793

Country	Governments	Financial Institutions	Other	Total exposure
	As at Sep 30, 2022[1]			
	A$m	A$m	A$m	A$m
Cash collateralized lending and reverse repurchase agreements	—	39,774	—	39,774
Margin money and settlement assets	106	3,776	15,107	18,989
Financial investments	701	3,974	—	4,675
Held for sale and other assets	55	31	394	480
Loan assets	9	4,377	3,229	7,615
Due from related body corporate entities[2]	—	165	8	173
Off balance sheet exposures	31	484	1,784	2,299
Total top ten countries[3]	**902**	**60,374**	**20,522**	**81,798**
Other foreign countries				
Cash and bank balances	—	2,896	—	2,896
Cash collateralized lending and reverse repurchase agreements	657	4,802	—	5,459
Margin money and settlement assets	25	800	2,520	3,346
Financial investments	—	743	—	743
Held for sale and other assets	1	2	822	825
Loan assets	—	184	512	696
Due from related body corporate entities[2]	—	195	26	221
Off balance sheet exposures	—	1	359	360
Total other foreign countries	**683**	**9,622**	**4,239**	**14,545**
Gross credit risk in foreign countries				
Cash and bank balances	—	10,689	—	10,689
Cash collateralized lending and reverse repurchase agreements	657	44,576	—	45,233
Margin money and settlement assets	131	4,576	17,627	22,335
Financial investments	701	4,717	—	5,418
Held for sale and other assets	56	33	1,216	1,305
Loan assets	9	4,561	3,741	8,311
Due from related body corporate entities[2]	—	360	34	394
Off balance sheet exposures	31	485	2,143	2,659
Total gross credit risk in foreign countries	**1,585**	**69,996**	**24,761**	**96,343**
Australia				
Cash and bank balances	—	39,114	—	39,114
Cash collateralized lending and reverse repurchase agreements	—	11,774	—	11,774
Margin money and settlement assets	15	1,647	832	2,494
Financial investments	1,933	7,701	204	9,838
Held for sale and other assets	15	56	834	904
Loan assets	37	3,176	122,947	126,160
Due from related body corporate entities[2]	—	252	3	255
Off balance sheet exposures	26	425	4,121	4,572
Total Australia	**2,027**	**64,143**	**128,940**	**195,110**
Gross credit risk				
Cash and bank balances	—	49,803	—	49,803
Cash collateralized lending and reverse repurchase agreements	657	56,349	—	57,007

Country	As at Sep 30, 2022[1]			
	Governments	Financial Institutions	Other	Total exposure
	A$m	A$m	A$m	A$m
Margin money and settlement assets	146	6,223	18,460	24,829
Financial investments	2,634	12,418	204	15,256
Held for sale and other assets	71	89	2,050	2,209
Loan assets	46	7,737	126,688	134,471
Due from related body corporate entities[2]	—	612	37	649
Off balance sheet exposures	57	910	6,264	7,231
Total gross credit risk	**3,612**	**134,140**	**153,701**	**291,453**

1 Totals may not foot due to rounding.

2 Due from related body corporates and subsidiaries have been presented as Financial Institutions and Other based on APRA's Standard Institutional Sector Classifications of Australia classification.

3 The top ten countries represent 84.9% of MBL Group's total non-Australian credit risk exposures as at September 30, 2022.

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, 2022, the MBL Group had A$10,572 million of contingent liabilities and commitments, including A$3,031 million of contingent liabilities and A$7,541 million of commitments including undrawn credit facilities and securities commitments. See Note 18 "Contingent liabilities and commitments" to our 2023 interim financial statements which shows MBL Group's contingent liabilities and commitments as at September 30, 2022.

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 2022 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 2022 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 2022 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 2022 Annual U.S. Disclosure Report on May 20, 2022 and a summary of certain regulatory developments prior to May 20, 2022.

Australia

In Australia, the principal regulators that supervise and regulate our activities are 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 ("*ADI*"), 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 "— Financial Contingency 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 and life insurance companies. MGL Group has an RSE licensee (Macquarie Investment Management Limited) and a life company (Macquarie Life Limited), which are subject to APRA's prudential framework for superannuation trustees and life insurance companies respectively.

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 MBL's Pillar 3 disclosures, which is posted on MGL's U.S. Investors' Website.

APRA's prudential supervision – 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 the MBL Pillar 3 Disclosure Document dated March 2022, which is posted on MBL's U.S. Investors' Website.

On July 6, 2022, APRA launched a consultation relating to its proposal to update bank prudential disclosures to align with international standards and the new bank capital framework.

As part of the proposed revisions to *APS 330*, APRA is seeking to introduce a centralized publication of key prudential risk metrics to facilitate the comparison and analysis of the capital positions and risk profiles of local banks. The consultation period closed on October 7, 2022.

APRA is proposing to have the new standard finalized by late 2022, allowing 12 months for ADIs to implement before the effective date of January 1, 2024.

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 – the fundamental review of the trading book ("*APS 116*") and APS 180 Capital Adequacy: Counterparty Credit Risk ("*APS 180*").

For APS 117, APRA's focus is to reduce volatility and variation in interest rate risk in the banking book capital charge calculations across ADIs. Key amendments include the removal of the basis risk capital add-on and partial standardization of the internal modelling approach (e.g., utilizing repricing assumption constraints on non-maturity deposits).

The expected changes to APS 116 and APS 180 will address the implementation of a revised Credit Valuation Adjustment risk framework and a fundamental review of the trading book in the Australian Prudential Capital framework.

On July 7, 2022, APRA advised it will undertake another round of industry consultation on the revised APS 117. This will delay the release of the final standard to 2023. APRA will also allow more implementation time for the industry by pushing out the effective date for the revised APS 117. APRA also noted that delaying the revised APS 117 may also delay the implementation of APS 116 which is currently set for January 1, 2025.

IRRBB

In September 2019, APRA issued a response to submissions in respect of interest rate risk in the banking book ("*IRRBB*"). While only IRB (Internal Ratings Based) ADIs (including MBL) 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.

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 APS 111, "Revisions to APS 111 Capital Adequacy: Measurement of Capital", 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 reduce 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 current 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 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 CET1 capital instruments are not permitted to have any unusual features that could undermine their role as loss absorbing capital.

"Unquestionably Strong"

Following the Basel Committee's Basel III announcement on December 7, 2017 ("*Basel III: Finalising post-crisis reforms*"), on February 14, 2018, APRA published two discussion papers on proposed changes to the ADI capital framework for Australian ADIs to incorporate both the Basel Committee's standards and to deliver "Unquestionably Strong" capital ratios, fulfilling a recommendation from the 2014 Financial System Inquiry (FSI). Draft standards for APS 112, part of APS 113 and APS 115 were published for consultation on June 12, 2019. On December 11, 2019, APRA released the final standard for the calculation of operational risk, APS 115, with the current Advanced Measurement Approach to be replaced with the Standardised Measurement Approach, excluding the loss component.

On November 29, 2021, APRA finalized its new bank capital framework, designed to embed "Unquestionably Strong" levels of capital and released the final capital adequacy and credit risk capital requirements for ADIs, contained in APS 110, APS 112, and APS 113. As Australian ADIs already meet the "Unquestionably Strong" benchmark, the new framework does not require ADIs to raise additional capital. Instead, it strengthens financial resilience by:

- ensuring existing high levels of capital adequacy are maintained;
- providing more flexibility and responsiveness to risks in the operating environment;
- having a more risk sensitive capital framework, through increasing capital requirements for higher risk lending and decreasing it for lower risks; and
- improving the comparability of bank capital ratios, both domestically and with global peers.

Based on current information available, the estimated pro forma impact on MGL's capital surplus above regulatory minimums as at March 31, 2022 is a reduction of approximately A$2.3 billion, largely on account of the increases to regulatory capital buffers. MGL's capital surplus has included a provision for these regulatory changes for some time.

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 the "Unquestionably Strong" capital framework, which will be effective on January 1, 2023, include the following prudential standards:

- APS 110 Capital Adequacy – increases regulatory capital buffers through increases in the capital conservation buffer for ADIs using the internal ratings-based ("*IRB*") approach and a higher default setting in calculating the countercyclical capital buffer; requires IRB ADIs to maintain a minimum leverage ratio of 3.5%; and requires that IRB ADIs calculate and disclose risk weighted assets under the standardized approach, with a newly introduced capital floor at 72.5% of standardized risk weighted assets.
- APS 112 Capital Adequacy: Standardised Approach to Credit Risk – among other changes, APRA proposes amending mortgage risk weights to differentiate between owner-occupied, principal-and-interest mortgages as compared to other mortgages, apply more granular risk weightings for small- and medium-sized enterprise exposures and recognize that collateral (motor vehicles, commercial property and plant, equipment and machinery) may mitigate losses in default.
- APS 113 Capital Adequacy: Internal Ratings-based Approach to Credit Risk – amends the treatment of residential mortgages, including to more narrowly define the scope of residential mortgages and to simplify the method for calculating capital requirements for residential mortgages.
- APS 115 Capital Adequacy: Standardised Measurement Approach to Operational Risk – includes revisions to replace the Advanced Measurement Approach and reflect the requirements of the Standardised Measurement Approach, excluding the loss component.

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 will take effect from January 1, 2023, in line with the effective date of the broader capital reforms.

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, liquid assets include cash, balances held with central banks, Australian dollar Commonwealth Government and semi-government securities, any Committed Liquidity Facility (*"CLF"*) allocation, as well as foreign currency High Quality Liquid Assets ("*HQLA*") securities. 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. On September 10, 2021, APRA wrote to all ADIs advising that no ADI should rely on the CLF to meet their minimum 100% LCR requirements from the beginning of 2022 and that ADIs should reduce their usage of the CLF to zero by the end of 2022, subject to financial market conditions. MBL is managing the CLF removal in accordance with APRA's requirement. MBL currently complies with the requirements of the LCR.

The NSFR is a 12-month structural funding metric, requiring that "available stable funding" (ASF) 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, which will culminate in a draft revision to APS 210 in 2023.

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 to align with the new serviceability buffer and associated ARS 223 Residential Mortgage Lending. The new APS 220, APG 223 and ARS 223 all took effect from September 1, 2022.

Financial Contingency Planning and Resolution Planning

As part of strengthening crisis preparedness and resolution capabilities, APRA commenced consultation on two draft prudential standards, CPS 190 Financial Contingency Planning ("*CPS 190*") and CPS 900 Resolution Planning ("*CPS 900*") on December 2, 2021. APRA's proposed new requirements aim to ensure that regulated entities are better prepared for situations that may threaten their viability. The consultation period closed on April 29, 2022. APRA is in the process of finalizing the standards, with the final version of CPS 190 expected later in 2022 and the final version of CPS 900 in the first half of 2023. Both prudential standards are expected to come into effect from the beginning of 2024.

On September 6, 2022, APRA released for consultation two draft prudential practice guides (*CPG 190 Financial Contingency Planning* and *CPG 900 Resolution Planning*) to accompany the two draft prudential standards. After a three-month consultation period, the prudential practice guides will be finalized in the first half of 2023.

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

In August 2019, APRA finalized revisions to Prudential Standard APS 222 Associations with Related Entities ("*APS 222*") aimed at mitigating contagion risk within banking groups. 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;

- removes 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.

APRA had initially intended for the finalized framework to apply from January 1, 2021. However, on April 16, 2020, APRA revised the commencement date for the updated APS 222 and associated reporting forms to January 1, 2022.

In November 2021, APRA confirmed it would grant MBL a 12-month transition to January 1, 2023, in respect of a number of new APS 222 requirements. The MGL Group undertook restructuring of certain existing business activities and legal entities as a result of the new requirements, with no material impact on results. MBL has been compliant with relevant new APS 222 requirements since January 1, 2022.

Remuneration

On August 27, 2021, APRA released a finalized cross-industry Prudential Standard CPS 511 Remuneration ("*CPS 511"*) which comes into effect for the MGL Group on January 1, 2023. The new 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 proposed 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 the following proposals to support CPS 511, which would require institutions to disclose:

- their remuneration arrangements, and how risk is factored into the remuneration outcomes for key executives; and
- how they have placed material weight on non-financial metrics and remuneration outcomes for the chief executive officer and other key executives.

APRA is also proposing to publish centralized statistics to provide greater comparability of remuneration outcomes and to have the new standard finalized by the end of the year, allowing 12 months for ADI's to implement before the effective date of January 1, 2024. The consultation period closed on October 7, 2022.

Work is underway to implement changes required to the MGL Group's remuneration framework and the MGL Group maintains regular dialogue with APRA on this topic. The Board undertook a review of the various components of remuneration to address certain aspects of CPS 511 (including the deferral arrangements for senior executives), as well as the evolving expectations of MGL Group's stakeholders. As part of this review, the Board considered diverse perspectives, including those of shareholders and regulators, as well as global peer group benchmarking and increased global competition for talent in many of MGL Group's areas of activity. These changes will be implemented in a phased approach from the 2022 fiscal year.

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).

Key new or uplifted requirements include:

- maintaining and testing internal controls to ensure they are effective in managing key operational risks;
- improving business continuity planning to ensure that regulated entities are ready to respond to severe business disruptions, maintain critical operations and set clear tolerances for the maximum level of disruption to critical operations; and
- enhancing third party risk management by extending requirements to cover all material service providers that the regulated entities rely on for critical operations or that expose them to material operational risk (rather than just material activities that have been outsourced).

Consultation responses were due to APRA on October 21, 2022, with the standard to be finalized in early 2023 and effective from January 1, 2024.

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.

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 Services ("*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*.

In March and April 2022, APRA conducted a voluntary climate risk self-assessment survey of medium-to-large entities across the banking, insurance and superannuation industries. The survey was intended to improve APRA's understanding of the approaches being taken by APRA-regulated entities to identify, assess and manage climate-related financial risks, using CPG 229 as a benchmark. On August 4, 2022, APRA published the findings of the survey. The responses from 64 medium to large institutions suggest climate risk remains an emerging discipline compared to other traditional risk areas, with only a small portion of respondents indicating that they have fully embedded climate risk across their risk management framework.

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 major 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 announced they will be publishing a report around November 2022 with the aggregated CVA results from the five major banks.

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 the first half of 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.

The Financial Accountability Regime ("*FAR*") will replace BEAR and extend the responsibility and accountability framework established under BEAR to all prudentially regulated entities. In addition to MBL, this will extend to MGL, Macquarie Investment Management Limited ("*MIML*") and Macquarie Life Limited ("*MLL*") for the MGL Group. FAR is intended to strengthen the transparency and accountability of these entities and improve risk culture and governance for both prudential and conduct purposes. The regime will be jointly administered by APRA and ASIC.

The FAR (Consequential Amendments and Transitional Provisions) Bill 2021 and the Financial Accountability Regime Bill 2021 (together, the "*Initial FAR Bills*"), which were introduced into Federal Parliament in 2021, lapsed on dissolution of the Federal Parliament in April 2022.

On September 8, 2022, the Financial Accountability Regime Bill 2022 ("*FAR Bill*") and the Financial Sector Reform Bill 2022 (together, the "*2022 Bills*") were introduced into Federal Parliament. The 2022 Bills, which have yet to be passed by the Federal Parliament, provide for the introduction of FAR on similar terms to the Initial FAR Bills.

If passed, the FAR Bill will commence the day after Royal Assent and the regime will apply to the banking industry, i.e. ADIs and NOHCs, six months after commencement of the FAR Bill. It will then apply to the insurance and superannuation industries 18 months after commencement of the FAR Bill. Transitional arrangements for ADIs, such as MBL, are provided by the Financial Sector Reform Bill 2022. This will involve repealing BEAR following the application of FAR to the banking sector (ADIs and their NOHCs).

On September 12, 2022, the exposure draft Financial Accountability Regime Minister Rules 2022, which support the FAR Bill, was released by the Australian Treasury to formally consult on prescribed responsibilities and positions that cause a person to be an accountable person under FAR.

Design and distribution obligations

On April 3, 2019, the Treasury Laws Amendment (Design and Distribution Obligations and Product Intervention Powers) Act 2019 was passed by Federal Parliament introducing a legislative framework for issuers and distributors to develop and maintain effective product governance processes across the lifecycle of financial products, focused on the design and distribution of products that are consistent with the likely objectives, financial situation and needs of consumers in an identified target market. On December 11, 2020, ASIC released its new Regulatory Guide 274 *Product design and distribution obligations* ("*RG 274*"), placing a greater emphasis on the effectiveness of product governance arrangements and providing greater clarity on how requirements could be met.

The MGL Group implemented the new design and distribution obligations (DDO) for the commencement date of October 5, 2021 in line with RG 274. This was deferred for six months from the original commencement date of April 5, 2021, due to the impact of COVID-19 on the economy.

On September 14, 2021, the Australian government announced its intention to make a number of legislative amendments to achieve its intended operation of these reforms. *ASIC Corporations (Design and Distribution Obligations Interim measures) Instrument 2021/784* implemented these changes and they came into effect on October 5, 2021 and will last until October 5, 2023. The instrument removes the requirement for all distributors to report to issuers whether they have received a complaint, including where they have received no complaints, amongst other amendments. The MGL Group will monitor these changes as they are formally announced by the government and any interim relief is provided by ASIC.

ASIC guidance on fees and costs disclosure

In November 2019, ASIC released its updated Regulatory Guide 97 *Disclosing fees and costs in PDSs and periodic statements* ("*RG 97*") and legislative instrument relating to fees and costs disclosure in product disclosure statements ("*PDSs*") and periodic statements. The release of the updated regulatory guide followed a period of consultation, an external expert review of the guide as well as consumer testing of proposed changes. ASIC reissued RG 97 again in July and September 2020 with minor amendments.

The requirements apply to most superannuation products and managed investment products issued to retail clients and is relevant to issuers of investment life insurance products and operators of investor directed portfolio services ("*IDPSs*"). The requirements are designed to ensure that there is a consistent and transparent approach to fees and costs disclosure. Transition arrangements for the new disclosure regime commenced on September 30, 2020 for issuers who have elected to apply the new requirements.

MBL Group has updated relevant disclosure documents to comply with the requirements. The new rules apply to periodic and exit statements for reporting periods commencing on or after July 1, 2021 and PDSs given from September 30, 2022.

ASIC market integrity rules

On March 10, 2022, ASIC announced that it has introduced new market integrity rules aimed at promoting the technological and operational resilience of securities and futures market operators and participants. The new technological and operational resilience rules apply from March 10, 2023, clarifying and strengthening 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.

In addition, ASIC has extended the existing prohibition on payment for order flow in Part 5.4B of the Securities Markets Rules to cover, from June 10, 2022, when a market participant sells client order flow and payment for order flow that occurs amongst other market intermediaries. These amendments are a proactive measure to avoid the emergence of payment for order flow arrangements in Australia.

ASIC has also made a number of other changes including introducing a good fame and character test and suspicious activity reporting to the Futures Market Rules.

On August 2, 2022, ASIC released its Regulatory Guide 265 *Guidance on ASIC market integrity rules for participants of securities markets* ("*RG 265*") and Regulatory Guide 266 *Guidance on ASIC market integrity rules for participants of futures markets* ("*RG 266*"). RG 265 and RG 266 provide guidance on how market participants can comply with their obligations under market integrity rules.

Responsible lending

On February 14, 2019, ASIC released a consultation paper to update its Regulatory Guide 209 *Credit licensing: Responsible lending conduct* ("*RG 209*"). RG 209 contains ASIC's expectations for meeting the responsible lending obligations in Chapter 3 of the NCCP Act. Changes in the regulatory environment, technology and the release of the Royal Commission's Final Report have led to the review of ASIC's guidance on responsible lending for consumer credit.

In response to the submissions received during the consultation process, ASIC published an updated RG 209 on December 9, 2019. The updated RG 209 seeks to provide greater clarity to lenders and brokers by providing:

- a stronger focus on the legislative purpose of the obligations and clarity around areas that are not subject to the obligations;
- more guidance and examples to illustrate where a licensee might undertake more, or less, detailed inquiries and verification steps based on different consumer circumstances and the type of credit that is being sought;
- more detailed guidance about the use of benchmarks, the Household Expenditure Method ("*HEM*") and how spending reductions may be considered as part of the licensee's consideration of the consumer's financial situation, requirements and objectives;
- greater clarity about certain complex situations for some consumers; and
- further guidance around technological developments including Open Banking and digital data capture services.

On September 25, 2020, the Australian government announced its intention to reform responsible lending obligations in order to reduce barriers to credit. Key elements of the reforms include removing the responsible lending obligations for most credit contracts, applying parts of APRA's ADI lending standards to non-ADIs and allowing lenders to rely on the information provided by consumers in relation to credit applications. The Australian government proposed that the reforms commence from March 1, 2021, subject to the passing of legislation.

The National Consumer Credit Protection Amendment (Supporting Economic Recovery) Bill 2020 (the "*Responsible Lending Bill*"), which was introduced into Federal Parliament on December 9, 2020, lapsed on dissolution of the Federal Parliament in April 2022. As at the date of this offering memorandum, the Responsible Lending Bill has not been re-introduced to the Federal Parliament. The status of the Responsible Lending Bill and ASIC's review of RG 209 remains uncertain.

MBL is monitoring developments and will make appropriate changes to processes and policies following the passage of legislation.

Open Banking

On February 9, 2018, the Australian government released a review into open banking entitled *Open Banking: customers, choice, convenience, confidence*, which provides guidance on the design and implementation of Australia's open banking regime.

On August 1, 2019, legislation to establish the Consumer Data Right ("*CDR*") was passed by Australian parliament. The CDR framework gives consumers control over their consumer data, enabling them to (among other things) direct the dataholder to provide their data, in a CDR compliant format, to accredited data recipients including other banks, fintechs or companies providing comparison services. The CDR Bill primarily amends the Competition and Consumer Act 2010 and also consequentially amends the Privacy Act 1988 and the Australian Information Commissioner Act 2010.

The CDR Rules, which set out details of how the consumer data right works, came into effect on February 6, 2020. Minor amendments were made to the rules in June, October, and December 2020. The rule-making function transferred from the ACCC to Treasury on February 28, 2021. Version 3 of the CDR Rules was registered on October 5, 2021, and Version 4 was proposed but lapsed when the Federal Parliament was prorogued. Version 3 of the CDR Rules was subject to a Motion to Disallow, but that period has passed and Version 3 of the CDR Rules are in force.

The Open Banking regime forms the first component of the Australian government's CDR. All Australian deposit taking institutions must comply with Open Banking. Following an updated timeline announced by the ACCC, the commencement date for major banks was July 1, 2020 to provide CDR data on credit and debit card, deposit and transaction accounts, November 1, 2020 for mortgage and personal loan data, and February 1, 2021 to provide CDR data on various products including business finance, asset finance and trust account products. The commencement date for non-major banks (including MBL) to share product reference data (e.g., fees and charges, terms and conditions and eligibility criteria) for phase one products (TSA, credit cards, CMA and business deposit accounts) was October 1, 2020 (previously July 1, 2020) following a three month exemption provided by the ACCC due to the COVID-19 pandemic. Non-major banks were required to facilitate data sharing for joint accounts from October 1, 2022 and were required to facilitate data sharing by businesses, partnerships and secondary users from November 1, 2022. MBL has largely met its commitments from October 2020 to date, and has provided a rectification schedule to the ACCC in relation to all identified implementation gaps or delays (including in relation to certain November 1, 2022 deliverables) in line with ACCC guidance. These are made publicly available on the ACCC's website.

On May 6, 2021, the ACCC granted an exemption to MBL deferring the commencement dates of its consumer data sharing obligations (all phases) and its direct-to-consumer obligations, for specific business banking account products, until November 1, 2022. MBL is applying to the ACCC for a further extension of the commencement date exemption for certain business banking account products until August 2023, and MBL has included this on the rectification schedule provided to the ACCC for website publication. The exemption also provides MBL with permanent exemption for specific grandfathered product portfolios.

Dispute resolution

On May 15, 2019, ASIC released a consultation paper to update its Regulatory Guide 165 *Internal Dispute Resolution* ("*RG 165*"). The proposed standards, which include new mandatory data reporting and reduced timeframes for responding to retail and small business complaints, aims to improve the way complaints are dealt with across the financial system and bring about greater transparency in financial firms' complaint handling procedures. ASIC intends to issue a legislative instrument that will have the effect of making the core IDR requirements set out in RG 165 enforceable. As part of the consultation process, ASIC held stakeholder meetings in September 2019 to further discuss issues raised in the consultation paper as well as those raised in submissions. RG 165 was reissued on July 30, 2020.

On July 30, 2020, ASIC released updated requirements, and associated legislative instrument, on complaints handling ("*RG 271*"). RG 271 replaced RG 165 on October 5, 2021 for complaints received subsequent to this date. ASIC will formally withdraw RG 165 on October 5, 2022. MBL amended policies and processes to comply with RG 271 from October 5, 2021.

On March 30, 2022, ASIC released the final requirements for the IDR data reporting framework. The framework will be implemented in 2023 starting with a group of 11 large financial firms that will have to report IDR data to ASIC for the first time by February 28, 2023. The remainder of the approximately 10,500 financial firms (including a number of MGL Group entities that are Australian credit licensees or AFS licensees) will join the framework and be required to report IDR data to ASIC by August 31, 2023. From that point, all relevant financial firms will need to report IDR data

to ASIC every six-months on an ongoing basis. RG 271 sets out how financial firms that are required to comply with IDR requirements can meet their obligations.

Breach reporting

In December 2020, the Australian Federal Parliament passed legislation endorsing several reforms recommended by the Financial Services Royal Commission, including reforms to the current regime for reporting significant breaches of financial services laws to ASIC. Key changes to the regime include introducing a comparable breach reporting regime for Australian credit licensees under the NCCP Act, expanding the significance test to require reports in a broader range of circumstances, extending the timeframe for reporting breaches, and mandating licensees to report serious compliance concerns about other licensees (targeted at misconduct by mortgage brokers or individual financial advisers). Following a period of consultation, the government released the final regulations specifying the civil penalty provisions excluded from "deemed significance" on August 5, 2021. In September 2021, the government announced its intention to make a number of technical amendments to achieve the intended operation of these reforms. In February 2022, the Corporations Act and the NCCP Act were amended to add core obligations on representatives of licensees to ensure that breaches of these obligations by representatives of licensees are reportable. ASIC has already provided administrative relief to exclude non-compliance with IDR standards in RG 271 from deemed significance and also to limit the reporting of breaches of non-specified Commonwealth legislation relating to credit activities. The MGL Group will monitor these changes as they are formally announced by the government and any further interim relief is provided by ASIC.

ASIC released its updated Regulatory Guide 78 *Breach reporting by AFS licensees and credit licensees* ("*RG 78*") on September 7, 2021. RG 78 sets out ASIC's interpretation of key concepts of the breach reporting obligation, its general approach to administering the obligation, and how licensees can demonstrate compliance with the breach reporting obligation. Information Sheet 259 outlining the new notify, investigate, and remediate obligations applicable to AFS licensees who are financial advisers and credit licensees who are mortgage brokers was likewise issued on September 7, 2021.

MGL amended policies, processes and systems to comply with the new regime from October 1, 2021. ASIC commenced public reporting on breach reports lodged by AFS licensees and credit licensees in October 2022. The first public report did not identify individual licensees. ASIC will consult on more comprehensive public reporting in 2023.

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 the business, financial condition, and results of operations of financial institutions operating in the United States, including 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 2022 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, Illinois and Texas. Our representative offices are 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*").

Derivatives regulations

The commodities and securities laws in the United States create a comprehensive regulatory regime for swaps and other derivatives, subject to the jurisdiction and regulations of multiple U.S. regulatory agencies, including the FRB, the Commodity Futures Trading Commission (the "*CFTC*") and the Securities and Exchange Commission

(the "*SEC*"). The regulatory landscape for derivatives continues to change as new rules are adopted, implemented and enforced by the CFTC and SEC. These regulations, which vary by jurisdiction, may have a significant impact on the derivatives markets, and entities that participate in those markets.

MBL is provisionally registered as a swap dealer with the CFTC. 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. The CFTC and SEC continue to propose significant new or revised regulatory requirements which, if adopted, may have effects across the transaction lifecycle and apply to MBL and its subsidiaries.

As part of its swap dealer and security-based swap dealer obligations, MBL is 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. MBL is also subject to additional margin requirements imposed by APRA and regulators in the European Union and the United Kingdom.

MBL's and MFUSA's businesses have been and will continue to be affected by a variety of regulations under the U.S. Commodity Exchange Act, as amended, and CFTC regulations including, but not limited to, mandatory trade execution and clearing requirements for certain classes of derivatives, reporting obligations, recordkeeping, business conduct requirements, prohibitions on market manipulation and disruptive trading, prohibitions on the use of certain nonpublic information, treatment of separate accounts by futures commission merchants, registration and heightened supervision of MBL as a swap dealer, and more stringent and extensive position limits and aggregation requirements on derivatives on certain physical commodities. 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.

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. Depending on the institution, the AML compliance program must be approved in writing by the board of directors, board of trustees or senior management and must include the following components: (i) a system of internal controls to assure ongoing compliance with applicable AML laws and regulations; (ii) independent compliance testing conducted by the institution's personnel or by a qualified outside party; (iii) designation of an individual or individuals responsible for coordinating and monitoring day-to-day compliance; (iv) training of personnel; and (v) the establishment of a risk-based customer due diligence procedure, including procedures designed to identify and verify the identities of the beneficial owners of legal entity customers (the "*Beneficial Ownership Rule*"). In order to comply with the Beneficial Ownership Rule, financial institutions are required to establish and maintain written procedures reasonably designed to identify and verify for each legal entity customer: (i) the identity of any individual who owns 25% or more of the legal entity customer, and (ii) one individual who controls the legal entity customer. These requirements only apply to accounts opened on or after May 11, 2018 by a legal entity customer.

U.S. representative offices of foreign banks and U.S. futures commission merchants, securities broker-dealers and mutual funds are also required to establish and maintain a customer identification program and, as necessary, to file suspicious activity reports ("*SARs*") with appropriate federal regulatory agencies and FinCEN.

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.

In 2015, FinCEN published a notice of proposed rulemaking that would require investment advisers registered, or required to be registered, with the SEC to establish an AML compliance program and file SARs with FinCEN, and subject those advisers to additional Bank Secrecy Act requirements, such as the requirement to file currency transaction reports. If adopted as proposed, the rule would apply to MGL's subsidiaries that are registered, or required to be registered, with the SEC as investment advisers. The rulemaking has not been adopted as of the date of this Report.

In January 2021, the Anti-Money Laundering Act of 2020 (the "*AMLA*") amended the Bank Secrecy Act. Among other things, the AMLA codified a risk-based approach to anti-money laundering compliance for financial institutions; required the development of standards by the Treasury Department for evaluating technology and internal processes for Bank Secrecy Act compliance; and expanded enforcement- and investigation-related authority, including significant expansions in the available sanctions for certain Bank Secrecy Act violations and in Bank Secrecy Act whistleblower incentives and protections.

In September 2022, FinCEN issued a final rule to implement some of the AMLA's "Corporate Transparency Act" provisions, and it imposes new beneficial ownership information reporting requirements ("*Beneficial Ownership Reporting Rule*"). In order to comply with the Beneficial Ownership Reporting Rule, both domestic reporting companies and foreign reporting companies registered to do business in the United States generally will be required to report information regarding themselves, their beneficial owners, and their company applicants. The Beneficial Ownership Reporting Rule exempts twenty-three types of entities from the reporting requirements.

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.

Securities, commodities and other regulations

In the United States, MGL Group's securities broker-dealer subsidiaries are regulated by the SEC, by the Financial Industry Regulatory Authority ("*FINRA*"), various other self-regulatory organizations of which they are members and state securities regulators with respect to securities and corporate finance-related activities. 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, as amended, and the U.S. Investment Company Act of 1940, as amended. We will be subject to ever greater oversight and regulation by the SEC and FINRA as our business grows in the United States. For example, on March 11, 2022, MAM completed the acquisition of Central Park Group, LLC, a U.S.-based asset manager.

In addition, 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. The CFTC continues to issue final and proposed regulations, statements of guidance and no-action letters that may affect certain members of the MGL Group, including MBL.

The Federal Energy Regulatory Commission also 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 United Kingdom, 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 United Kingdom governing data protection, electronic communications, freedom of information and environmental information.

MGL Group U.K. regulated entities

MBL operates a branch, MBL LB, in the United Kingdom. The PRA and FCA have regulatory oversight of the U.K. activities of MBL LB. APRA, however, remains its prudential regulator. MBL LB is required to comply with certain U.K. legislation and regulatory requirements set forth by the FCA and the PRA in their handbooks of rules and guidance (as amended from time to time, including European Union legislation onshored in the United Kingdom as a result of Brexit, collectively, the "*Rules*"), as applicable. The Rules include, among others, requirements as to systems and controls, corporate governance, market conduct, conduct of business and the treatment of customers.

MBL operated a subsidiary in the United Kingdom, Macquarie Bank International Ltd ("*MBIL*"), which was authorized by the PRA and regulated by the PRA and the FCA. MBIL's U.K. regulatory permissions were withdrawn on September 15, 2021 and, since that date, MBIL no longer operates as an authorized firm in the United Kingdom.

MGL also has four regulated subsidiaries in the United Kingdom, Macquarie Infrastructure and Real Assets (Europe) Limited ("*MIRAEL*"), Macquarie Capital (Europe) Limited ("*MCEL*"), Macquarie Investment Management Europe Limited ("*MIMEL*") and Macquarie Corporate and Asset Finance 1 Limited ("*MCAF1L*") authorized and regulated by the FCA. MIRAEL 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 United Kingdom. MCEL and MIMEL are authorized and regulated by the FCA as investment firms. MCAF1L is authorized and regulated by the FCA as a consumer credit firm.

MGL's subsidiary Green Investment Group Management Limited ("*GIGML*") was authorized and regulated by the FCA as an AIFM. GIGML's U.K. regulatory permissions were withdrawn on August 3, 2022, and since that date, GIGML no longer operates as an authorized firm in the United Kingdom. Funds previously managed by GIGML as an

alternative investment fund manager were transferred to MIRAEL as MGL's AIFM regulated in the United Kingdom, effective from December 1, 2021.

In many cases, the Rules reflect the requirements set out in European Union regulations and implemented by way of applicable European Union directives (such as (i) the Capital Requirements Regulation (575/2013/EU) ("*CRR*") and the Capital Requirements Directive (2013/36/EU) ("*CRD IV*"), each as subsequently amended, which relate to regulatory capital requirements for banks and certain investment firms and (ii) 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 in light of the U.K.'s withdrawal from the European Union.

Under the Rules, U.K. banks and certain U.K. investment firms are required, among other things, to have an adequate liquidity contingency plan in place to deal with a liquidity crisis. 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 standalone liquidity contingency plans. See section 5.1 of our 2022 Fiscal Year Management Discussion and Analysis Report.

U.K. prudential framework

CRR and CRD IV continued to apply in the United Kingdom until December 31, 2020 at 11:00 p.m. U.K. time (the "*IPCD*"). Since the IPCD, entities operating in the United Kingdom have been subject to the modified or "onshored" versions of CRR and CRD IV that the United Kingdom has put in place as a result of Brexit. The United Kingdom was required to transpose CRD V into national law, given that the application date (December, 29, 2020) fell before the Brexit transition period ended. This directive, with some exceptions, now forms part of retained or onshored European Union law in the United Kingdom. The majority of CRR II came into force after IPCD and as such was not transposed into its domestic legislation, however.

The U.K. Parliament passed the Financial Services Act 2021 in April 2021 (the "*2021 Act*"). The 2021 Act provided U.K. financial services regulators with powers to, among other things, amend and introduce other rules pertaining to CRR, CRR II and the Basel III international standards. HM Treasury has revoked a number of existing CRR articles and the PRA published a policy statement in July 2021 which outlined how it would implement such requirements. These amendments to the U.K. regime, known as "*U.K. CRR*", began to be implemented on January 1, 2022. There is currently limited divergence between the requirements of the European Union and U.K. prudential regimes. However, the extent of such divergence is expected to increase as the U.K. government proposes further reforms to its prudential framework. See the section titled "U.K. regulatory reform" below.

The MGL Group has ongoing programs to implement changes required to ensure compliance with the CRD V legislation, noting that certain elements are subject to phased implementation.

IFPR

The FCA has introduced a new prudential regime for investment firms that it regulates ("*IFPR*") with a view to reducing the potential harm to consumers and markets and capturing vulnerabilities and risks specific to these firms. The IFPR came into force on January 1, 2022, subject to certain transitional provisions, and replaced the classification of investment firms with two broader categories. Firms are either treated as a "small and non-interconnected" ("*SNI*") firm or not (a "*non SNI*") based on whether the activities that they conduct satisfy certain thresholds. SNI firms are prohibited from carrying out activities that are deemed to carry the greatest potential to harm customers (e.g., holding client money or safeguarding client assets) and restricted in the manner in which they undertake other activities (e.g., dealing on own account or underwriting). SNI firms are prohibited from carrying out any activities on such a scale that the FCA considers would cause significant harm to customers or the markets in which such firms operate.

In a similar manner to the European Union's IFR and IFD (as defined below), the IFPR introduces 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 introduces (a) new rules on prudential consolidation, liquidity and concentration risk that will apply to investment firms and their groups; (b) a new approach to the Internal Capital Adequacy Assessment Process; (c) new requirements on internal governance and remuneration policies; and (d) extensive reporting and disclosure requirements. The extent to which these changes impact investment firms will depend on their categorization.

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). 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.

U.K. bank recovery and resolution

The United Kingdom 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 disapplied them from January 1, 2021, including an additional moratorium power and changes to the contractual recognition of bail-in powers).

In the United Kingdom, BRRD II may affect the exercise of the special resolution regime powers under the 2009 Act and the 2014 Order.

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

U.K. anti-money laundering legislation

Directive (EU) 2018/843 ("*5MLD*") was implemented in the United Kingdom in January 2020 by way of amendments to the Money Laundering, Terrorist Financing and the Transfer of Funds (Information on the Payer) Regulations 2017 (the "*2017 Regulations*"). The U.K. Proceeds of Crime Act 2002 also establishes requirements for firms in relation to money laundering controls. Although it required implementation prior to IPCD, the United Kingdom chose not to transpose the Sixth Money Laundering Directive (Directive (EU) 2018/1673) ("*6MLD*") on the basis that its money laundering regime already implemented a number of its provisions.

There remains a risk that the U.K. regime may diverge from the European Union regime in certain respects.

U.K. regulatory reform

Following a consultation on the optimal structure for U.K. financial services post-Brexit, the Financial Services and Markets Bill (the "*FSMB*") was introduced to Parliament on July 20, 2022 and 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 FSMB intends to move away from the onshored EU legislation towards the historical approach taken under the Financial Services and Markets Act 2000 ("*FSMA*"), whereby primary responsibility for regulation is delegated to the U.K. regulatory authorities, subject to the oversight of the U.K. Parliament. The FSMB will establish a framework to revoke EU law relating to financial services, and will enable HM Treasury, the FCA and PRA to replace it with legislation and regulatory rule sets to deliver a comprehensive FSMA model of regulation.

Furthermore, on March 1, 2022, HM Treasury published its response to a consultation on wholesale markets review, which proposed wide-scale changes to the onshored U.K. MiFID regime, primarily for the commodity derivatives markets. The FSMB would implement the results of the wholesale markets review, and provisions in respect of digital settlement assets, direct supervision of critical third-party service providers, changes to the financial promotions regime and insurers in financial difficulties, among other things.

The PRA published a press release on March 21, 2022 noting that they are yet to finalise proposals for the implementation of the final Basel standards, and intend to publish a Consultation Paper in the fourth quarter of 2022, which may lead to changes in requirements. Taking into account the publicly-announced implementation timetables in other major jurisdictions, and the need to provide firms with sufficient time to implement the final policies, the PRA's stated intention is to consult on a proposal that these changes will become effective on January 1, 2025.

There remains a risk that the U.K. regime may diverge from the European Union 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 programme to identify and implement relevant changes.

European Union

European Union Regulators

In the European Union, the Single Supervisory Mechanism (the "*SSM*") designates the European Central Bank (the "*ECB*") the competent authority for banking supervision across the euro area.

France

The Autorité de Contrôle Prudentiel et de Resolution (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 competent 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.

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 less significant institutions ("*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.

Along with two Non-Banking Group regulated subsidiaries, the MGL Group has an authorized 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.

These regulated entities 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 directives (such as CRR II and CRD V, which relate to regulatory capital requirements for banks and investment firms and came into force on June 27, 2019; CRD V largely took effect from December 29, 2020 and CRR II will largely take effect from 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.

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.

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;

- Macquarie Asset Management Europe S.à r.l. ("*MAMES*"), which is authorized and regulated by the CSSF 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, regulations and guidance issued from time to time relating to the insurance sector.

EU prudential framework

The original components of the Basel III package were implemented in the European Economic Area ("*EEA*") through CRD IV and CRR, which were published in the Official Journal of the European Union on June 27, 2013. 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 Basel Committee's three pillars of supervision: Pillar 1 "minimum capital requirements", Pillar 2 "supervisory review process" and Pillar 3 "market discipline". CRR directly applies to in-scope firms operating in the EEA whereas CRD IV was subject to local implementation in each individual EEA country.

In November 2016, the European Commission (the "*EC*") published a package of proposed amendments to CRD IV/CRR ("*CRD V*" and "*CRR II*", respectively). Following the EC's proposals, CRD V and CRR II entered into force on June 27, 2019 as Directive 2019/878/EU and Regulation 2019/876/EU respectively. Transposition by EU Member States of the requirements contained in Directive 2019/878/EU was supposed to take place by December 29, 2020. A significant number of the requirements of Regulation 2019/876/EU applied from June 28, 2021 although there was a differentiated implementation (with certain provisions applying from June 27, 2019 or December 28, 2020).

The amendments contained in the CRD V and CRR II package seek to implement aspects of Basel III reforms. The key changes under CRD V and CRR II include new market risk rules, a standardized approach to counterparty risk, implementation of the leverage ratio and the net stable funding requirements as well as the tightening of the large exposures limits.

MBE DAC is required to comply with the provisions of CRD V and CRR II.

Further amendments to CRD V/CRR II are expected in order to give effect to the Basel Committee's December 2017 changes to the Basel III framework, which include amendments to the standardized approaches to credit risk and operational risk and the introduction of a capital floor. The Basel Committee had recommended implementation commencing in 2022 but on March 27, 2020, a deferral of the recommended implementation date to 2023 was announced in response to the COVID-19 pandemic. On October 26, 2021, the EU Commission adopted a review of CRD V and CRR II and proposes that banks will start implementing the requirements of the review from January 1, 2025. The amendments remain subject to negotiations between the European Parliament and the Council.

IFR and IFD

On November 27 2019, the European Union adopted Regulation (EU) 2019/2033 (the "*IFR*") and Directive (EU) 2019/2034 (the "*IFD*"). The IFR and IFD establish a prudential regime designed specifically for investment firms authorized in the European Union. By contrast many of the existing prudential rules, for example those contained in CRD IV, were developed largely with deposit-taking institutions in mind. IFR/IFD came into force on June 26, 2021.

Under the new regime, investment firms fall into one of three categories: (i) systemically important investment firms (also referred to as "*Class 1 investment firms*"); (ii) investment firms which exceed certain size and risk thresholds, but are not systemically important (referred to as "*Class 2 investment firms*"); and (iii) small and non-interconnected firms, that are subject to limited requirements ("*Class 3 investment firms*"). The impact of the IFR and IFD on investment firms is wide-ranging and includes: (a) the introduction of new capital requirements (to be calculated using the "K-factor" methodology designed to reflect the risks presented by investment firms); (b) new rules on prudential consolidation, liquidity and concentration risk that will apply to investment firms and their groups; (c) a replacement for the Internal Capital Adequacy Assessment Process; (d) new requirements on internal governance and remuneration policies; and (e) extensive reporting and disclosure requirements. The extent to which these changes impact investment firms will depend on their categorization.

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 BRRD may have certain impacts on European Union entities or branches of the MGL Group. 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 minimum requirements for eligible liabilities and own funds ("*MREL*").

The effects of BRRD II are wide-ranging and, in particular, it will impact 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 European Union entities are subject to a range of measures aimed at preventing financial crime. 5MLD came into force in July 2018 with the aim of enhancing processes to counter money laundering and terrorist financing (including certain activities related to cryptocurrencies). 6MLD establishes additional requirements in relation to criminal offences and penalties for money laundering. 6MLD was required to have been transposed into the national law of EU Member States by December 3, 2020.

Environmental, social and governance regulation

There is also increased regulatory and investor scrutiny of the environmental, social and governance ("*ESG*") impacts of the activities of financial groups such as MGL Group.

At a European Union level, Regulation (EU) No. 2020/852 (the "*Taxonomy Regulation*") and Regulation (EU) No. 2019/2088 (the "*SFDR*") were introduced to increase transparency in relation to environmental impacts, including among financial institutions and market participants. A key goal of the regulations, in relation to in-scope financial

services firms, was to enable clients and investors to make informed investment decisions. The SFDR consists of disclosure requirements at a firm and service and/or product level to standardize environmental sustainability disclosures (which aims to improve industry-wide comparability and help prevent greenwashing (i.e. the creation of a false impression about a firm or product's environmental sustainability)).

The European Banking Authority has also released draft regulatory technical standards (the "*RTS*") on prudential disclosures on ESG risks, which will apply to EU credit institutions and certain EU investment firms pursuant to the CRR framework. The RTS provide uniform templates for both quantitative and qualitative disclosures on ESG risks.

Following the UN Climate Change Conference held in Glasgow in late 2021 (COP 26), the U.K. government published "Greening Finance: A Roadmap to Sustainable Investing", containing proposals to introduce environmental sustainability disclosure requirements across the economy, a sustainable labelling regime for investment products and a U.K.-specific green taxonomy. The FCA subsequently published new rules mandating climate-related disclosures for asset managers, asset owners, life insurers, FCA-regulated pension providers and standard listed companies, aligning with recommendations made by the Taskforce on Climate-related Financial Disclosures and building on previous rules set for premium listed companies. The regime also applies an extended meaning of "portfolio management" to include private equity and other private market activities, where a relevant firm advises on investments on a recurring or ongoing basis in connection with an arrangement the predominant purpose of which is investment in unlisted securities.

The new rules for asset managers and asset owners come into effect in a phased approach, applying to the largest firms from January 1, 2022 and smaller firms falling in scope from January 1, 2023.

In October 2022, the FCA issued its consultation paper titled "Sustainability Disclosure Requirements (SDR) and investment labels". The consultation paper sets out the details of the FCA's new sustainable investment labelling regime and sustainability disclosure requirements ("*SDR*"), and represents the first proposed phase in the roll out of SDR for the U.K. financial services industry. The proposals are mainly aimed at products and services provided to retail investors, termed "consumers" in the consultation paper, and aim to build transparency and trust by introducing labels to help consumers navigate the market for sustainable investment products. The bulk of the provisions in the consultation paper are aimed at U.K. asset and fund managers, with some provisions potentially applicable to advisers. Certain detailed disclosure requirements may potentially apply to products and services provided to institutional investors, and information requirements may potentially apply to distributors of investment products to retail investors in the U.K. A new "anti-greenwashing rule" would apply to all UK firms regulated by the FCA if it remains in the form proposed in the consultation paper, requiring firms to ensure that any reference to the sustainability characteristics of a product or service is consistent with the sustainability profile of that product or service, is clear, fair and not misleading. The FCA intends to use this rule "to challenge firms that we consider to be potentially greenwashing their products or services, and take enforcement action against them as appropriate". FCA general commentary combined with the consultation paper indicates greenwashing risk will represent a regulatory priority for the FCA going forward.

The proposed labelling regime starts from the premise that in-scope firms can decide if they wish to use an SDR label with any new or existing funds and portfolio clients. If a label is used, prescribed criteria and implementation guidance would need to be met. If a label is not used, product naming and marketing restrictions are proposed to instead apply where a product or service is aimed at retail investors. The SDR proposes disclosure requirements comprising four strands: (1) consumer-facing product level disclosures, (2) detailed product level and pre-contractual product level disclosures, (3) ongoing product level disclosures, and (4) entity level disclosures. The fourth element will apply to all asset and fund managers, whether they use labels or not, subject to a size threshold.

The decision-based premise of the proposed labelling rules is a different starting point to the SFDR and Taxonomy Regulation, which involve a hierarchical categorization of sustainable finance products and services offered to retail and professional investors in the EU. The FCA actively acknowledges the various differences between the regimes in the consultation paper and accordingly, firms in scope of both may have to bear duplication, with overlapping but different disclosure regimes.

In the United States, on March 21, 2022, the SEC proposed rules mandating climate-related disclosures in annual reports and registration statements filed by SEC reporting companies. The proposed rules would add extensive and prescriptive disclosure items requiring SEC reporting companies, including foreign private issuers, to disclose climate-related risks and greenhouse gas emissions. In addition, the proposed rules would require the inclusion of certain climate-related financial metrics in a note to audited financial statements filed by SEC reporting companies.

Other regulators

Outside Australia, the United States, the European Union and the United Kingdom, 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 Financial Sector Conduct Authority, 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 (and, in Switzerland, high net worth individuals), 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.

Outside Australia, the United States, the United Kingdom and the European Union, some of the other key financial regulators of our businesses include but are not limited to:

- the Securities and Futures Commission of Hong Kong and the Hong Kong Exchanges and Clearing Limited;
- the Investment Industry Regulation Organization of Canada, the TMX and the various provincial and territorial securities regulatory authorities in Canada;
- the Monetary Authority of Singapore and the Singapore Exchange Regulation Pte Ltd; and
- the Financial Sector Conduct Authority of South Africa.

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 2023 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, 2022 compared to the half year ended September 30, 2021, along with other balance sheet, capital and liquidity disclosures as at and for the half year ended September 30, 2022, 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 49 of our 2022 Annual U.S. Disclosure Report.

Recent developments post-September 30, 2022

Company Secretary update:

Dennis Leong has indicated his intention to retire and will step down as MBL Company Secretary and be replaced by Simone Kovacic on December 1, 2022.

Half year ended September 30, 2022 compared to half year ended September 30, 2021

See sections 1 – 7 of our 2023 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, 2022 and 2021, which has been incorporated by reference herein.

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