

SECOND SUPPLEMENT TO THE PROSPECTUS DATED 12 JUNE 2020

MACQUARIE BANK LIMITED

(incorporated with limited liability in the Commonwealth of Australia and having Australian Business Number 46 008 583 542)



AUD \$5,000,000,000 MBL Covered Bond Programme

unconditionally and irrevocably guaranteed as to payments of interest and principal by

PERPETUAL LIMITED

(incorporated with limited liability in the Commonwealth of Australia and having Australian Business Number 86 000 431 827)

as trustee of the MBL Covered Bond Trust

The date of this Supplement is 27 November 2020

Second Supplementary Prospectus

This supplement (the “**Second Supplementary Prospectus**”) is supplemental to, and must be read in conjunction with, the prospectus of Macquarie Bank Limited (ABN 46 008 583 542) (“**Bank**”, “**Issuer**” or “**Macquarie Bank**”) dated 12 June 2020, as supplemented by the First Supplementary prospectus dated 28 July 2020 (the “**Prospectus**”), under Regulation (EU) 2017/1129 (the “**Prospectus Regulation**”) in respect of the MBL Covered Bond Programme established by the Issuer and unconditionally and irrevocably guaranteed as to payments of principal and interest by Perpetual Limited ABN 86 000 431 827 in its capacity as trustee of the MBL Covered Bond Trust (the “**Trust**”, and in such capacity, the “**Covered Bond Guarantor**”). The Prospectus was approved by the Financial Conduct Authority (the “**FCA**”) in its capacity as competent authority under the Financial Services and Markets Act 2000 (UK) (the “**FSMA**”) under the Prospectus Regulation on 12 June 2020. This Second Supplementary Prospectus constitutes a supplementary prospectus for the purposes of Section 87G of the FSMA. Unless specified otherwise, terms used herein shall be deemed to have the meanings given to them in the Prospectus.

Macquarie Bank accepts responsibility for the information contained in this Second Supplementary Prospectus. To the best of Macquarie Bank’s knowledge, the information contained in this Second Supplementary Prospectus is in accordance with the facts and this Second Supplementary Prospectus makes no omission likely to affect its import.

Purpose of the Second Supplementary Prospectus

The purpose of this Second Supplementary Prospectus is to (a) incorporate by reference the information included in the Macquarie Bank Interim Financial Report for the half-year ended 30 September 2020 (“**H1 2021 Interim Financial Report**”) into the Prospectus; (b) confirm that, since 30 September 2020, being the end date of the last financial period for which unaudited financial statements of Macquarie Bank consolidated with its controlled entities have been published, there has been no significant change in the financial performance or financial position of the Bank and the Bank consolidated with its controlled entities, and no material adverse change in the in the prospects, of the Bank or the Bank consolidated with its controlled entities since 31 March 2020, being the end date for the financial period for which audited financial statements of Macquarie Bank consolidated with its controlled entities have been published; (c) incorporate by reference specified pages of the Investor Report (as defined below) into the Prospectus; (d) amend the risk factor titled “*The Banking Group is subject to global economic, market and business risks with respect to the COVID-19 pandemic*”; (e) insert a new risk factor titled “*The Banking Group may not manage risks associated with the replacement of benchmark indices effectively*”; and (f) amend the risk factor titled “*The Bank and the Banking Group may experience write-downs of their funds management assets, investments, loans and other assets*” .

(a) *Additional Financial Information*

Macquarie Bank Interim Financial Report for the Half-year ended 30 September 2020

On 6 November 2020, Macquarie Bank published its H1 2021 Interim Financial Report, which includes the unaudited financial statements of Macquarie Bank consolidated with its controlled entities for the half years ended 30 September 2019, 31 March 2020 and 30 September 2020 and the Independent Auditor’s Review Report in respect of such financial statements. The information in the H1 2021 Interim Financial Report specified below shall be deemed to be incorporated in, and to form part of, the Prospectus. A copy of the H1 2021 Interim Financial Report has been filed with the FCA as is available for viewing at <https://www.macquarie.com/assets/macq/investor/reports/2021/mbl-2021-half-year-interim-financial-report.pdf>.

The unaudited financial statements of Macquarie Bank Limited consolidated with its controlled entities for the half years ended 30 September 2019, 31 March 2020 and 30 September 2020 include the Consolidated Income Statement, Consolidated Statement of Comprehensive Income, Consolidated Statement of Financial Position, Consolidated Statement of Changes in Equity, Consolidated Statement of Cash Flows, Notes to the Consolidated Financial Statements, Directors’ Declaration and the Independent Auditor’s Review Report. These can be located in the H1 2021 Interim Financial Report on the following pages:

H1 2021 Interim Financial Report (page)

Consolidated Income Statement	19
Consolidated Statement of Comprehensive Income	20

Consolidated Statement of Financial Position	21
Consolidated Statement of Changes in Equity	22
Consolidated Statement of Cash Flows	23
Notes to the Consolidated Financial Statements	24 - 70
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If any information listed in the table above itself incorporates any information or other documents therein, either expressly or implicitly, such information or other documents will not form part of the Prospectus, except where such information or other documents are specifically incorporated by reference in, or attached to, the Prospectus by virtue of this Second Supplementary Prospectus. Any information not listed in the table above but contained in the H1 2021 Interim Annual Report is not incorporated in, and does not form part of, the Prospectus and is given for information only. The non-incorporated parts of the H1 2021 Interim Financial Report are either not relevant or are covered elsewhere in the Prospectus to which this Second Supplementary Prospectus relates.

No significant change since 30 September 2020

There has been no significant change in the financial performance or financial position of the Bank or the Bank consolidated with its controlled entities since 30 September 2020, being the end date for the last financial period for which unaudited financial statements of the Bank consolidated with its controlled entities have been published, and no material adverse change in the prospects of the Bank or the Bank consolidated with its controlled entities since 31 March 2020, being the end date for the last financial period for which audited financial statements of the Bank consolidated with its controlled entities have been published.

Investor Report

The Issuer issued a new Investor Report (the “**Investor Report**”) dated 30 September 2020 with updated cover pool information. A copy of the Investor Report has been filed with the FCA and is available for viewing at <https://www.macquarie.com/assets/macq/investor/debt-investors/secured-funding/20200930-covered-bond-investor-report.pdf>.

Accordingly, the cover pool information set out on pages 3 to 8 (inclusive) of the Investor Report shall be deemed to be incorporated in, and form part of, the Prospectus. The non-incorporated parts of the Investor Report are either not relevant or are covered elsewhere in the Prospectus to which this Second Supplementary Prospectus relates.

(b) Amendment to risk factor titled “The Banking Group is subject to global economic, market and business risks with respect to the COVID-19 pandemic”

The risk factor titled “*The Banking Group is subject to global economic, market and business risks with respect to the COVID-19 pandemic*” as set out on pages 46-47 of the Prospectus is deleted in its entirety and replaced with the following:

The Banking Group is subject to global economic, market and business risks with respect to the COVID-19 pandemic. The COVID-19 pandemic has caused, and will likely continue to cause, severe impact on global, regional and national economies and disruptions to international trade and business activity. The COVID-19 pandemic has already caused increased unemployment and the levels of equity and other financial markets to decline sharply and to become volatile, and such effects may continue or worsen in the future. This may in turn reduce the level of activity in sectors in which certain of the Banking Group's businesses operate and thus have a negative impact on such businesses' ability to generate revenues or profits. Governments and central banks around the world have reacted to the economic crisis caused by the pandemic by implementing stimulus and liquidity programs and cutting interest rates, however it is unclear whether these actions or any future actions taken by governments and central banks will be successful in mitigating the economic disruption. Additionally, any such fiscal and monetary actions are subject to withdrawal by the relevant governments or central banks or may lapse without renewal. If the COVID-19 pandemic is prolonged and/or actions of governments and central banks are unsuccessful in mitigating the economic disruption, the negative impact on global growth and global financial markets could be amplified, and may lead to recessions in national, regional or global economies.

The Banking Group has implemented a range of support measures to provide short term financial assistance to customers who are facing difficulties as a consequence of COVID-19. For example, In March 2020, as part of financial accommodation measures announced by the APRA, the Banking Group provided various individual and business customers of the Banking Group's Personal and Banking businesses who were experiencing financial difficulties due to COVID-19 the ability to defer their loan repayments for an initial six-month period until 30 September 2020. In July 2020, APRA announced the ability for ADI's to extend this deferral for a further four months to cover a maximum period of 10 months from the start of a repayment deferral, or

until 31 March 2021, whichever comes first. The Macquarie Group has implemented, and may continue to implement, a range of other support measures, including short term deferrals and payment plans for some of its other businesses.

The impact of COVID-19 has and may lead to further reduced client activity and demand for the Banking Group's products and services, higher credit and valuation losses in Banking Group loan and investment portfolios, impairments of financial assets, trading losses and other negative impacts on the Banking Group's financial position, including possible constraints on capital and liquidity, as well as higher costs of capital, and possible changes or downgrades to the Bank's credit ratings. If conditions deteriorate or remain uncertain for a prolonged period, the Banking Group's funding costs may increase and its ability to replace maturing liabilities may be limited, which could adversely affect the Banking Group's ability to fund and grow its business. Please refer to the financial statements in the H1 2021 Interim Financial Report of the Bank incorporated by reference into this Base Prospectus, for further information on the financial statement impact of COVID-19, including, but not limited to, Note 11 which discusses its impact on the Bank's expected credit losses.

Additionally, despite the business continuity and crisis management policies currently in place, travel restrictions or potential impacts on personnel and operations may disrupt the Banking Group's business and increase operational risk losses. The expected duration and magnitude of the COVID-19 pandemic and its potential impacts on the economy and the Banking Group's personnel and operations are unclear. Should the impact of COVID-19 be prolonged or increasingly widespread and severe and the actions taken to control its spread be unsuccessful, the Banking Group's results of operations and financial condition may be adversely affected.

(c) Insertion of a new risk factor titled "The Banking Group may not manage risks associated with the replacement of benchmark indices effectively"

A new risk factor titled "*The Banking Group may not manage risks associated with the replacement of benchmark indices effectively*" as set out below is to be inserted to immediately follow the risk factor titled "*Litigation and regulatory actions may adversely impact the Bank's and the Banking Group's results of operations*" as appearing on page 48 of the Prospectus:

"The Banking Group may not manage risks associated with the replacement of benchmark indices effectively

The expected discontinuation of LIBOR or any other interest rate benchmarks (collectively, the "IBORs") and the adoption of "risk-free" rates ("RFR") by the market introduce a number of risks for the Banking Group, its clients, and the financial services industry more widely. These include, but are not limited to:

- *Conduct risks*: where, by undertaking actions to transition away from using the IBORs, the Banking Group faces conduct risks which may lead to customer complaints, regulatory sanctions or reputational impact if the Banking Group is (i) considered to be undertaking market activities that are manipulative or create a false or misleading impression, (ii) misusing sensitive information or not identifying or appropriately managing or mitigating conflicts of interest, (iii) not taking an appropriate or consistent response to remediation activity or customer complaints or (iv) providing regulators with inaccurate regulatory reporting;
- *Legal and execution risks*, relating to documentation changes required for new RFR products and for the transition of legacy contracts to RFRs, which transition will, in turn, depend, to a certain extent, on the availability of RFR products and on the participation of customers and third-party market participants in the transition process; legal proceedings or other actions regarding the interpretation and enforceability of provisions in IBOR-based contracts and regulatory investigations or reviews in respect of the Banking Group's preparation and readiness for the replacement of IBOR with alternative reference rates;
- *Financial risks and pricing risks* arising from:
 - any changes in the pricing mechanism of financial instruments linked to RFRs could impact the valuations of these instruments; and
 - the implementation of the International Swaps and Derivatives Association's protocol for the transition of derivatives contracts and similar guidance for cash products, which could cause earnings volatility depending on the nature of contract modifications and changes in hedge accounting; and
- *Operational risks*, due to the potential need for the Banking Group, its customers and the market to adapt IT systems, operational processes and controls to accommodate one or more RFRs.

Any of these factors may have a material adverse effect on Banking Group's business, results of operations, financial condition and prospects."

(d) Amendment to risk factor titled “The Bank and the Banking Group may experience write-downs of their funds management assets, investments, loans and other assets”

The risk factor titled “*The Bank and the Banking Group may experience write-downs of their funds management assets, investments, loans and other assets*” as set out on pages 49 of the Prospectus is deleted in its entirety and replaced with the following:

“The Bank and the Banking Group may experience write-downs of their funds management assets, investments, loans and other assets

The Bank and its controlled entities recorded A\$262 million of credit and other impairment charges for the half year ended September 30, 2020, including A\$241 million for net credit impairment charges, and A\$21 million for other impairment charges on interests in associates and joint ventures, intangible assets and other non-financial assets. Further credit and other impairments may be required in future periods if the market value of assets similar to those held were to decline or with any change to the inputs or forward looking information used in the determination of expected credit losses (ECL). Please refer to Note 11 of the H1 2021 Interim Financial Report for further information on the determination of ECL.

Sudden declines and significant volatility in the prices of assets may substantially curtail or eliminate the trading markets for certain assets, which may make it very difficult to sell, hedge or value such assets. The inability to sell or effectively hedge assets reduces the Bank’s and the Banking Group’s ability to limit losses in such positions and the difficulty in valuing assets may negatively affect their capital, liquidity or leverage ratios, increase their funding costs and generally require them to maintain additional capital.”

Additional General Information

To the extent that there is any inconsistency between (a) any statement in this Second Supplementary Prospectus or any statement incorporated by reference into the Prospectus by this Second Supplementary Prospectus and (b) any other statement in, or incorporated by reference in the Prospectus, the statements in (a) above will prevail.

Macquarie Bank will provide, without charge, upon the written request of any person, a copy of this Second Supplementary Prospectus and the information which is incorporated in the Prospectus by reference. Written requests should be directed to Macquarie Bank at its office at Level 6, 50 Martin Place, Sydney NSW 2000, Australia, for attention of the Group Treasurer. Copies of this Second Supplementary Prospectus and the Investor Report will also be published on the internet site <https://www.macquarie.com/au/en/investors/debt-investors/secured-funding.html>.

All information which Macquarie Bank has published or made available to the public in compliance with its obligations under the laws of the Commonwealth of Australia dealing with the regulation of securities, issuers of securities and securities markets has been released to ASX Limited (“ASX”) in compliance with the continuous disclosure requirements of the ASX Listing Rules. Announcements made by Macquarie Bank under such rules are available on the ASX’s internet site (www.asx.com.au) (Macquarie Bank’s ASX code is “MBL”).

Other than in relation to the documents which are deemed to be incorporated by reference in the Prospectus by virtue of this Second Supplementary Prospectus, the information on the websites to which this Second Supplementary Prospectus refers does not form part of this Second Supplementary Prospectus and has not been scrutinised or approved by the FCA.

Save as disclosed in this Second Supplementary Prospectus and the information which is incorporated in the Prospectus by reference, no other significant new factor, material mistake or inaccuracy relating to information included in the Prospectus has arisen or been noted, as the case may be, since the publication of the Prospectus.