



**Macquarie Bank Limited
Hong Kong Branch**

Annual Disclosure Statement

31 March 2015

(Accordance to the Banking (Disclosure) (Amendment) Rules 2014
made pursuant to Section 60A of the Banking Ordinance)

Basis of preparation

The Annual Disclosure Statement for the financial year ended 31 March 2015 (the “Disclosure Statement”) has been prepared in accordance with the relevant requirements of the Banking (Disclosure) (Amendment) Rules 2014 made under section 60A of the Banking Ordinance.

The International Financial Reporting Standards were applied to the Disclosure Statement. The information in the Disclosure Statement is not audited and does not constitute statutory accounts.

Principal activities

Macquarie Bank Limited, Hong Kong Branch (the “Branch”) is a licensed bank under the Banking Ordinance (Cap. 155). The Branch principally engages in cash equities brokerage business.

Profit and Loss Information

Figures in HKD million	Year ended 31 March 2015	Year ended 31 March 2014
Interest income	7	2
Interest expense	(51)	(21)
Net interest expense	(44)	(19)
Fees and commission income	1,480	1,619
Fees and commission expenses	(400)	(304)
Net fees and commission Income	1,080	1,315
Net (losses) / gains arising from trading in foreign currencies	(14)	34
Net (losses) / gains arising from other trading activities	(70)	75
Net gains / (losses) arising from securities held for trading	76	(70)
Others	(531)	(530)
Other operating income	541	824
Total operating income	497	805
Staff expenses	(268)	(348)
Rental expenses	(31)	(39)
Other expenses	(731)	(714)
Total operating expenses	(1,030)	(1,101)
Loss before taxation	(533)	(296)
Taxation	84	50
Loss after taxation	(449)	(246)

Balance Sheet Information

Figures in HKD million	31 March 2015	30 September 2014
Assets		
Balances with banks	1,740	1,091
Amount due from overseas offices	1,396	1,118
Government bills, notes and bonds	87	88
Securities held for trading purposes	3	223
Loans and receivables	-	-
Other receivables ¹	25,713	22,563
Total assets	28,939	25,083
Liabilities		
Deposits and balances from banks	-	6
Deposits from customers	-	-
Amount payable under repos	27	27
Amount due to overseas offices	3,863	3,505
Other payables ¹	26,009	22,383
Other accounts	(960)	(838)
Total liabilities	28,939	25,083

¹ Major balances represent amounts receivable / payable in respect of dealing in securities for the cash equities brokerage business.

Additional information

1. International claims

Geographical segments and individual countries constituting 10% or more of the aggregate international claims are summarised as follows:

31 March 2015

Figures in HKD million	Non-bank private sector					Total
	Banks	Official Sector	Non-bank financial institutions	Non-financial private sector	Others	
Developed countries of which Australia	5,725	-	315	-	-	6,040
Developed countries of which United Kingdom	48	-	4,172	15	-	4,235
Developed countries of which United States	513	-	3,074	-	-	3,587
Offshore centres of which Cayman Islands	-	-	2,976	7	-	2,983
Offshore centres of which Hong Kong	1,353	-	1,004	32	-	2,389

The above country/geographical segment classification is based on the head office location of the counterparties and is derived according to the location of the counterparties after taking into account any risk transfer.

The counterparty classifications are identified in accordance with the definitions set out in the banking return of “Return of International Banking Statistics” (the “Return”) issued by the HKMA.

Additional information

Cross-border claims

Geographical areas and individual countries constituting 10% or more of the aggregate cross-border claims but excluding claims to head office, branches and subsidiaries:

30 September 2014

Figures in HKD million	Banks and other financial institutions	Public sector entities	Others	Total
Caribbean				
Cayman Islands	-	-	3,225	3,225
North America				
United States	376	-	3,233	3,609
Western Europe				
United Kingdom	72	-	3,075	3,147

The above country/geographical segment classification is based on the head office location of the counterparties, (excluding amount due from head office, branches and subsidiaries), and is derived according to the location of the counterparties after taking into account any risk transfer.

Note: Comparatives are not directly comparable due to adoption of different reporting basis in line with new disclosure standards.

Additional information

2. Currency risk

Figures in HKD million

Foreign currency exposures arising from trading, non-trading and structural positions, where an individual foreign currency net position constitutes 10% or more of the total net position in all foreign currencies:

31 March 2015

	<i>AUD</i>	<i>USD</i>	<i>JPY</i>	<i>KRW</i>	<i>MYR</i>	<i>SGD</i>	<i>Total</i>
Spot assets	1,229	4,336	6,367	7	1,163	816	13,918
Spot liabilities	(1,306)	(3,205)	(6,848)	(25)	(1,180)	(1,015)	(13,579)
Forward purchases	-	1,415	898	-	-	374	2,687
Forward sales	-	(2,503)	(449)	-	-	(187)	(3,139)
Net Long / (short) position	(77)	43	(32)	(18)	(17)	(12)	(113)
Net structural position	-	-	-	-	-	-	-
Net option position	-	-	-	-	-	-	-

30 September 2014

	<i>AUD</i>	<i>USD</i>	<i>JPY</i>	<i>Total</i>
Spot assets	234	4,461	6,342	11,037
Spot liabilities	(307)	(3,670)	(6,759)	(10,736)
Forward purchases	-	856	325	1,181
Forward sales	-	(1,749)	(63)	(1,812)
Net Long / (short) position	(73)	(102)	(155)	(330)
Net structural position	-	-	-	-
Net option position	-	-	-	-

Additional information

3. Liquidity information

	31 March 2015	31 March 2014
Average Liquidity Maintenance Ratio (“LMR”) for the three months period January 2015 to March 2015	360.02%	
Average Liquidity Ratio (“LR”) for the period April 2014 to December 2014	588.39%	
Average Liquidity Ratio (“LR”) for the financial period ended		632.14%

Note: Comparatives are not directly comparable due to the implementation of the Banking (Liquidity) Rules in January 2015.

The average LMR for the period from January to March 2015 is the arithmetic mean of each calendar month's average LMR calculated in accordance with the Banking (Liquidity) Rules.

The average LR for the period is the arithmetic mean of each calendar month's average liquidity ratio calculated in accordance with the Fourth Schedule to the Banking Ordinance, prior to January 2015.

Liquidity risk is the risk of the Branch encountering difficulty in meeting obligations with financial liabilities.

The Branch adopts the Macquarie Group's liquidity risk management framework which ensures that it is able to meet its funding requirements as they fall due under a range of market conditions.

Liquidity management is performed centrally by Group Treasury, with oversight from the Asset and Liability Committee and Risk Management Group (“RMG”). Macquarie Group's liquidity policies are approved by the Macquarie Group Limited (“MGL”) and Macquarie Bank Limited (“MBL”) Boards after endorsement by the Asset and Liability Committee, and liquidity reporting is provided to the MGL and MBL Boards on a monthly basis.

RMG provides independent prudential oversight of liquidity risk management, including the independent validation of liquidity scenario assumptions, liquidity policies, and the required funding maturity profile.

Additional information

4. Off-balance sheet exposures

Figures in HKD thousand	31 March 2015	30 September 2014
<u>Derivatives</u>		
<u>Exchange rate contracts ²</u>		
Contractual amounts	3,970,632	2,466,004
Before netting		
- Fair value assets	4,577	23,172
- Fair value liabilities	(5,014)	(9,842)
<u>Equity Futures contracts ²</u>		
Contractual amounts	-	165,335
Before netting		
- Fair value assets	-	62,013
- Fair value liabilities	-	(227,348)

² The exchange rate and equity futures contracts were carried out for both trading and hedging purposes.

5. Mainland activities

Non-bank counterparties are identified in accordance with the definitions set out in the banking return of “Return of Mainland Activities” issued by the HKMA. Exposures in Mainland China arising from non-bank counterparties are summarised as follows:

Figures in HKD thousand	31 March 2015	30 September 2014
<u>On-balance sheet exposures</u>		
Central government, central government-owned entities and their subsidiaries and JVs	87,929	89,174

As at 31 March 2015, no specific provision has been made on the exposures.

6. Disclosure on remuneration

Pursuant to section 3 of Supervisory Policy Manual (CG-5) Guideline on a Sound Remuneration System issued by the HKMA, Macquarie Bank Limited, Hong Kong Branch complies with the requirements and has adopted the remuneration systems of Macquarie Bank Limited, Head Office. For details on Macquarie Bank Limited Head Office's remuneration systems, please refer to pages 80-90 of the 2015 Pillar 3 Disclosure Document (<http://static.macquarie.com/dafiles/Internet/mgl/global/shared/about/investors/aps-330-report-final.pdf?v=2>) as well as pages 20-39 of the 2015 Annual Report (<http://static.macquarie.com/dafiles/Internet/mgl/global/shared/about/investors/results/2015/Macquarie Bank FY15 Annual Report.PDF?v=3>).

Bank information (consolidated basis)**Capital and capital adequacy**

Figures in AUD million	31 March 2015	30 September 2014
Capital ratios - Tier 1 Ratio	11.0%	9.7%
- Total Ratio	12.4%	11.6%
Shareholders' funds	11,599	9,435

The figures have been calculated in accordance with the Basel Capital Accord and incorporated market risk associated with trading portfolios.

Other financial information

Figures in AUD million	31 March 2015	30 September 2014
Total assets	172,580	146,583
Total liabilities	160,981	137,148
Total loan and advances	71,206	62,800
Total deposits	47,333	44,122

	Year ended 31 March 2015	Year ended 31 March 2014
Pre-tax profit	1,518	1,395

Details of the above information can be obtained from the Macquarie Bank Limited 2015 Annual Report and interim report for half year ended 30 September 2014.



Statement of Compliance

This information in this statement is not false or misleading in any material respect.

A copy of the Disclosure Statement has been lodged with the Hong Kong Monetary Authority's Public Registry for public inspection.

Mark Duncan
Chief Executive, Hong Kong Branch

30 June 2015