



**Macquarie Bank Limited
Hong Kong Branch**

Annual Disclosure Statement

31 March 2016

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



Basis of preparation

The Annual Disclosure Statement for the financial year ended 31 March 2016 (the “Disclosure Statement”) has been prepared in accordance with the relevant requirements of the Banking (Disclosure) Rules 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 2016	Year ended 31 March 2015
Interest income	38	7
Interest expense	(61)	(51)
Net interest expense	(23)	(44)
Fees and commission income	1,469	1,480
Fees and commission expenses	(359)	(400)
Net fees and commission Income	1,110	1,080
Net gains / (losses) arising from trading in foreign currencies	8	(14)
Net gains / (losses) arising from other trading activities	-	(70)
Net (losses) / gains arising from securities held for trading	(2)	76
Others	(159)	(531)
Other operating income	957	541
Total operating income	934	497
Staff expenses	(232)	(268)
Rental expenses	(29)	(31)
Other expenses	(859)	(731)
Total operating expenses	(1,120)	(1,030)
Loss before taxation	(186)	(533)
Taxation	(167)	84
Loss after taxation	(353)	(449)



Balance Sheet Information

Figures in HKD million	31 March 2016	30 September 2015
Assets		
Amount receivable under reverse repos	175	36
Balances with banks	1,666	1,282
Amount due from overseas offices	2,319	1,992
Government bills, notes and bonds	84	85
Securities held for trading purposes	-	29
Loans and receivables	-	-
Other receivables ¹	16,044	19,811
Total assets	20,288	23,235
Liabilities		
Deposits and balances from banks	-	-
Deposits from customers	-	-
Amount payable under repos	-	-
Amount due to overseas offices	5,405	4,479
Other payables ¹	16,197	19,823
Other accounts	(1,314)	(1,067)
Total liabilities	20,288	23,235

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 2016

Figures in HKD million	Banks	Official Sector	Non-bank private sector		Others	Total
			Non-bank financial institutions	Non-financial private sector		
Developed countries, of which						
- Australia	5,397	-	375	2	-	5,774
- United States	401	-	3,524	5	-	3,930
- United Kingdom	40	-	2,319	40	-	2,399

30 September 2015

Figures in HKD million	Banks	Official Sector	Non-bank private sector		Others	Total
			Non-bank financial institutions	Non-financial private sector		
Developed countries, of which						
- Australia	6,586	-	765	-	-	7,351
- United States	411	-	3,140	-	-	3,551
Offshore centres, of which						
- Cayman Islands	-	-	1,947	-	-	1,947

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

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 2016

	<i>USD</i>	<i>JPY</i>	<i>AUD</i>	<i>CNY</i>	<i>SGD</i>	<i>IDR</i>	<i>Total</i>
Spot assets	5,352	3,969	132	389	422	822	11,086
Spot liabilities	(3,287)	(4,778)	(163)	(198)	(691)	(853)	(9,970)
Forward purchases	2,489	1,633	41	99	522	37	4,821
Forward sales	(4,493)	(843)	(20)	(281)	(261)	-	(5,898)
Net Long / (short) position	61	(19)	(10)	9	(8)	6	39
Net structural position	-	-	-	-	-	-	-
Net option position	-	-	-	-	-	-	-

30 September 2015

	<i>AUD</i>	<i>USD</i>	<i>KRW</i>	<i>SGD</i>	<i>Total</i>
Spot assets	157	4,388	5	370	4,920
Spot liabilities	(232)	(2,908)	(28)	(598)	(3,766)
Forward purchases	3	1,129	-	426	1,558
Forward sales	(1)	(2,573)	-	(213)	(2,786)
Net Long / (short) position	(73)	36	(23)	(15)	(74)
Net structural position	-	-	-	-	-
Net option position	-	-	-	-	-



Additional information

3. Liquidity information

	31 March 2016	31 March 2015
Average Liquidity Maintenance Ratio ("LMR") for the financial year ended March 2016	333.12%	
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%

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

The average LMR for the period 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 is unable to meet its financial obligations as they fall due, which could arise due to mismatches in cash flows.

The Branch adopts the Macquarie's liquidity risk management framework that ensures that the Branch 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 ("ALCO") and Risk Management Group ("RMG"). The respective boards approve the Macquarie Group Limited ("MGL") and Macquarie Bank Limited ("MBL") liquidity policies after endorsement by ALCO 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 validating liquidity scenario assumptions, liquidity policies and the required funding maturity profile.



Additional information

4. Off-balance sheet exposures

Figures in HKD thousand	31 March 2016	30 September 2015
Derivatives		
<u>Exchange rate contracts</u> ²		
Contractual amounts	6,984,277	3,702,064
Before netting		
- Fair value assets	12,759	5,952
- Fair value liabilities	(4,190)	(2,032)
<u>Equity Futures contracts</u> ²		
Contractual amounts	-	1,325
Before netting		
- Fair value assets	-	1,325
- Fair value liabilities	-	-

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



Additional information

5. Mainland activities

Figures in HKD thousand

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:

31 March 2016

Types of Counterparties	On-balance sheet exposure	Off-balance sheet exposure	Total
Central government, central government-owned entities and their subsidiaries and JVs.	84,423	-	84,423
PRC nationals residing in Mainland China or other entities incorporated in Mainland China and their subsidiaries and JVs.	5,454	-	5,454
Total	89,877	-	89,877
Total Assets after Provision	20,287,703		
On-balance sheet exposures as percentage of total assets	0.44%		

30 September 2015

Types of Counterparties	On-balance sheet exposure	Off-balance sheet exposure	Total
Central government, central government-owned entities and their subsidiaries and JVs	85,895	-	85,895
Total	85,895	-	85,895
Total assets after provision	23,235,304		
On-balance sheet exposures as percentage of total assets	0.37%		

As at 31 March 2016 and 30 September 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 84-96 of the 2016 Pillar 3 Disclosure Document (http://static.macquarie.com/dafiles/Internet/mgl/global/shared/about/investors/regulatory-disclosures/March_2016_Pillar_3.pdf?v=2) as well as pages 19-39 of the 2016 Annual Report (http://static.macquarie.com/dafiles/Internet/mgl/global/shared/about/investors/results/2016/Macquarie_Bank_FY16_Annual_Report.pdf?v=3).



Bank information (consolidated basis)

Capital and capital adequacy

Figures in AUD million	31 March 2016	30 September 2015
Capital ratios - Tier 1 Ratio	11.8%	11.1%
- Total Ratio	14.1%	13.6%
Shareholders' funds	12,710	11,870

These capital ratios are calculated under Australian Prudential Regulation Authority (APRA) Basel III rules as applicable at the reporting date.

Other financial information

Figures in AUD million	31 March 2016	30 September 2015
Total assets	181,609	192,115
Total liabilities	168,899	180,245
Total loan and advances	78,913	75,098
Total deposits	52,228	51,899

	Year ended 31 March 2016	Year ended 31 March 2015
Pre-tax profit	1,736	1,518

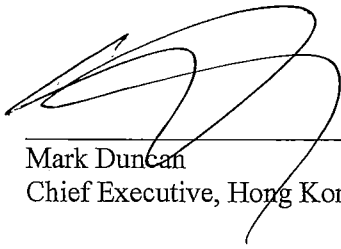
Details of the above information can be obtained from the Macquarie Bank Limited 2016 Annual Report and interim report for half year ended 30 September 2015.



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

Date: 29 JUN 2016