



**Macquarie Bank Limited
Hong Kong Branch**

Annual Disclosure Statement

31 March 2017

(Accordance to the Banking (Disclosure) (Amendment) Rules 2016
made pursuant to Section 60A of the Banking Ordinance)



Basis of preparation

The Annual Disclosure Statement for the financial year ended 31 March 2017 (the “Disclosure Statement”) has been prepared in accordance with the relevant requirements of the Banking (Disclosure) (Amendment) Rules 2016 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 2017	Year ended 31 March 2016
Interest income	67	38
Interest expense	(87)	(61)
Net interest expense	(20)	(23)
Fees and commission income	1,209	1,469
Fees and commission expenses	(500)	(359)
Net fees and commission Income	709	1,110
Net (losses) /gains arising from trading in foreign currencies	(5)	8
Net losses arising from other trading activities	(2)	-
Net losses arising from securities held for trading	(18)	(2)
Others	110	(159)
Other operating income	794	957
Total operating income	774	934
Staff expenses	(171)	(232)
Rental expenses	(22)	(29)
Other expenses	(806)	(859)
Total operating expenses	(999)	(1,120)
Loss before taxation	(225)	(186)
Taxation	0	(167)
Loss after taxation	(225)	(353)



Balance Sheet Information

Figures in HKD million	31 March 2017	30 September 2016
Assets		
Amount receivable under reverse repos	483	239
Balances with banks	1,507	1,943
Amount due from overseas offices	2,643	2,606
Government bills, notes and bonds	99	81
Securities held for trading purposes	55	11
Loans and receivables	-	-
Other receivables ¹	24,231	18,758
Total assets	29,018	23,638
Liabilities		
Deposits and balances from banks	2	7
Deposits from customers	-	-
Amount payable under repos	-	-
Amount due to overseas offices	6,019	5,832
Other payables ¹	24,539	19,240
Other accounts	(1,542)	(1,441)
Total liabilities	29,018	23,638

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 2017

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	7,358	-	882	-	-	8,240
- United Kingdom	43	-	6,096	-	-	6,139
- United States	387	-	4,761	-	-	5,148
Offshore centres, of which						
- Cayman Islands	-	-	3,918	-	-	3,918

30 September 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	8,010	-	272	-	-	8,282
- United States	412	-	2,471	3	-	2,886
Offshore centres, of which						
- Cayman Islands	-	-	3,955	7	-	3,962

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 2017

	<i>AUD</i>	<i>USD</i>	<i>JPY</i>	<i>GBP</i>	<i>SGD</i>	<i>TWD</i>	<i>KRW</i>	<i>Total</i>
Spot assets	497	9,131	6,137	3,788	969	7	8	20,537
Spot liabilities	(585)	(6,402)	(7,252)	(3,855)	(1,260)	-	(2)	(19,356)
Forward purchases	91	3,175	2,210	146	558	-	-	6,180
Forward sales	(46)	(5,875)	(1,115)	(73)	(281)	-	(3)	(7,393)
Net Long / (short) position	(43)	29	(20)	6	(14)	7	3	(32)
Net structural position	-	-	-	-	-	-	-	-
Net option position	-	-	-	-	-	-	-	-

30 September 2016

	<i>AUD</i>	<i>USD</i>	<i>JPY</i>	<i>GBP</i>	<i>SGD</i>	<i>IDR</i>	<i>MYR</i>	<i>THB</i>	<i>ZAR</i>	<i>Total</i>
Spot assets	225	7,128	6,810	289	365	809	296	521	1,312	17,755
Spot liabilities	(282)	(4,947)	(7,586)	(337)	(654)	(800)	(294)	(519)	(1,247)	(16,666)
Forward purchases	55	2,528	1,466	123	573	30	-	4	-	4,779
Forward sales	-	(4,776)	(680)	(61)	(292)	(41)	-	-	-	(5,850)
Net Long / (short) position	(2)	(67)	10	14	(8)	(2)	2	6	65	18
Net structural position	-	-	-	-	-	-	-	-	-	-
Net option position	-	-	-	-	-	-	-	-	-	-



Additional information

3. Liquidity information

	31 March 2017	31 March 2016
Average Liquidity Maintenance Ratio (“LMR”) for the financial year ended	306.72%	333.12%

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.

Liquidity risk is the risk that Macquarie Bank is unable to meet its financial obligations as they fall due, which could arise due to mismatches in cash flows.

The Branch adopts Macquarie Bank'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 Bank's liquidity policies are approved by Macquarie Bank Limited (“MBL”) Boards after endorsement by the Asset and Liability Committee, and liquidity reporting is provided to the MBL Boards on a regular basis.

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

Further information can be obtained in the Liquidity Risk section (Note 37.2) in the 2017 Macquarie Bank Annual Report, p134-139.

(<http://static.macquarie.com/dafiles/Internet/mgl/global/shared/about/investors/reports/2017/Macquarie-Bank-FY17-Annual-Report.pdf?v=2>)

Additional information

4. Off-balance sheet exposures

Figures in HKD thousand	31 March 2017	30 September 2016
Derivatives		
<u>Exchange rate contracts ²</u>		
Contractual amounts	9,057,595	7,299,907
Before netting		
- Fair value assets	9,370	10,468
- Fair value liabilities	(11,216)	(4,450)
<u>Equity Options contracts ²</u>		
Notional amounts	390,000	-
Before netting		
- Fair value assets	43	-
- Fair value liabilities	-	-

² The exchange rate and equity options 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 2017

Types of Counterparties	On-balance sheet exposure	Off-balance sheet exposure	Total
Central government, central government-owned entities and their subsidiaries and JVs.	144,390	-	144,390
Local governments, local government-owned entities and their subsidiaries and JVs.	-	-	-
PRC nationals residing in Mainland China or other entities incorporated in Mainland China and their subsidiaries and JVs.	5,819	-	5,819
Other entities of central government not reported in the 1st item above	11,503	-	11,503
Total	161,712	-	161,712
Total Assets after Provision	29,017,596		
On-balance sheet exposures as percentage of total assets	0.56%		

30 September 2016

Types of Counterparties	On-balance sheet exposure	Off-balance sheet exposure	Total
Central government, central government-owned entities and their subsidiaries and JVs.	185,229	-	185,229
Local governments, local government-owned entities and their subsidiaries and JVs.	6,018	-	6,018
PRC nationals residing in Mainland China or other entities incorporated in Mainland China and their subsidiaries and JVs.	98,095	-	98,095
Total	289,342	-	289,342
Total Assets after Provision	23,637,857		
On-balance sheet exposures as percentage of total assets	1.22%		

As at 31 March 2017 and 30 September 2016, no specific provision has been made on the exposures.

Additional information

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 83-94 of the 2017 Pillar 3 Disclosure Document (<http://static.macquarie.com/dafiles/Internet/mgl/global/shared/about/investors/regulatory-disclosures/2017/March-2017-Pillar3-Disclosures.pdf?v=2>) as well as pages 27-45 of the 2017 Annual Report (<http://static.macquarie.com/dafiles/Internet/mgl/global/shared/about/investors/reports/2017/Macquarie-Bank-FY17-Annual-Report.pdf?v=2>).

Macquarie Bank Limited



Bank information (consolidated basis)

Capital and capital adequacy

Figures in AUD million	31 March 2017	30 September 2016
Capital ratios - Tier 1 Ratio	13.3%	11.5%
- Total Ratio	15.4%	13.7%
Shareholders' funds	12,588	12,495

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 2017	30 September 2016
Total assets	167,441	176,641
Total liabilities	154,853	164,146
Total loan and advances	75,550	76,672
Total deposits	57,682	55,433

	Year ended 31 March 2017	Year ended 31 March 2016
Pre-tax profit	1,733	1,736

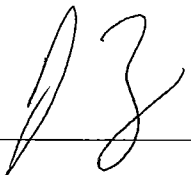
Details of the above information can be obtained from Macquarie Bank Limited 2017 Annual Report and the interim report for half year ended 30 September 2016.



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.



Adam Zaki
Chief Executive, Hong Kong Branch

Date: 28 JUN 2017