



**Macquarie Bank Limited
Hong Kong Branch**

Annual Disclosure Statement

31 March 2018



Basis of preparation

The Annual Disclosure Statement for the financial year ended 31 March 2018 (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.

Macquarie Bank Limited, Hong Kong Branch



Profit and Loss Information

Figures in HKD million	Year ended 31 March 2018	Year ended 31 March 2017
Interest income	69	67
Interest expense	<u>(102)</u>	<u>(87)</u>
Net interest expense	(33)	(20)
Fees and commission income	1,237	1,209
Fees and commission expenses	<u>(329)</u>	<u>(500)</u>
Net fees and commission Income	908	709
Net gains /(losses) arising from trading in foreign currencies	2	(5)
Net losses arising from other trading activities	(4)	(2)
Net losses arising from securities held for trading	(4)	(18)
Others	<u>(188)</u>	<u>110</u>
Other operating income	<u>714</u>	<u>794</u>
Total operating income	681	774
Staff expenses	(129)	(171)
Rental expenses	(13)	(22)
Other expenses	<u>(672)</u>	<u>(806)</u>
Total operating expenses	(814)	(999)
Impairment losses and provisions for impaired loans and receivables	-	-
(Loss) before taxation	(133)	(225)
Taxation	<u>(2)</u>	<u>-</u>
(Loss) after taxation	<u>(135)</u>	<u>(225)</u>



Balance Sheet Information

Figures in HKD million	31 March 2018	30 September 2017
Assets		
Amount receivable under reverse repos	828	1,016
Balances with banks	1,362	1,246
Amount due from overseas offices	3,376	2,601
Government bills, notes and bonds	757	712
Securities held for trading purposes	368	426
Loans and receivables	-	-
Other receivables ¹	28,374	24,378
Total assets ²	35,065	30,379
Liabilities		
Deposits and balances from banks	-	-
Deposits from customers	-	-
Amount payable under repos	-	-
Amount due to overseas offices	7,567	7,235
Other payables ¹	29,174	24,570
Other accounts	(1,676)	(1,426)
Total liabilities	35,065	30,379

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

² As at 31 March 2018 and 30 September 2017, no impaired, rescheduled or overdue assets.

Macquarie Bank Limited, Hong Kong Branch



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 2018

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	8,682	-	1,769	2	-	10,453
- United Kingdom	106	-	6,718	-	-	6,824
- United States	334	-	4,623	64	-	5,021

30 September 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	8,455	-	1,754	17	-	10,226
- United Kingdom	40	-	4,780	-	-	4,820
- United States	382	-	3,192	116	-	3,690
Offshore centres, of which						
- Cayman Islands	-	-	4,361	-	-	4,361

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.

Macquarie Bank Limited, Hong Kong Branch



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 2018

	<i>AUD</i>	<i>USD</i>	<i>MYR</i>	<i>CNH</i>	<i>SGD</i>	<i>KRW</i>	<i>IDR</i>	<i>THB</i>	<i>Total</i>
Spot assets	362	11,647	905	279	1,250	25	1,109	501	16,078
Spot liabilities	(457)	(8,875)	(900)	(11)	(1,675)	(20)	(898)	(464)	(13,300)
Forward purchases	54	1,314	4	-	417	-	24	-	1,813
Forward sales	-	(4,136)	-	(262)	(2)	-	(214)	(21)	(4,635)
Net Long / (short) position	(41)	(50)	9	6	(10)	5	21	16	(44)
Net structural position	-	-	-	-	-	-	-	-	-
Net option position	-	-	-	-	-	-	-	-	-

30 September 2017

	<i>AUD</i>	<i>USD</i>	<i>JPY</i>	<i>GBP</i>	<i>CNH</i>	<i>SGD</i>	<i>KRW</i>	<i>THB</i>	<i>TWD</i>	<i>Total</i>
Spot assets	217	7,403	8,789	1,039	304	420	5	598	2	18,777
Spot liabilities	(301)	(4,917)	(9,232)	(1,109)	(140)	(729)	(13)	(573)	-	(17,014)
Forward purchases	58	2,262	2,178	173	-	410	-	-	-	5,081
Forward sales	-	(4,620)	(1,800)	(87)	(158)	(123)	-	-	(11)	(6,799)
Net Long / (short) position	(26)	128	(65)	16	6	(22)	(8)	25	(9)	45
Net structural position	-	-	-	-	-	-	-	-	-	-
Net option position	-	-	-	-	-	-	-	-	-	-



Additional information

3. Liquidity information

	31 March 2018	31 March 2017
Average Liquidity Maintenance Ratio ("LMR")	401.61%	306.72%

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 and when they fall due.

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 policy is 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 Boards on a regular basis.

RMG provides independent prudential oversight of liquidity risk management, including ownership of liquidity policies and key limits and approval of material liquidity assumptions.

Further information can be obtained in the Liquidity Risk section (Note 36.2) in the 2018 Macquarie Bank Annual Report, p112-117.

<https://static.macquarie.com/dafiles/Internet/mgl/global/shared/about/investors/results/2018/Macquarie-Bank-FY18-Annual-Report.pdf?v=4>



Additional information

4. Off-balance sheet exposures

Figures in HKD thousand	31 March 2018	30 September 2017
Derivatives		
<u>Exchange rate contracts</u> ³		
Contractual amounts	5,435,179	6,886,391
Before netting		
- Fair value assets	1,663	19,596
- Fair value liabilities	(27,508)	(5,875)
<u>Equity Futures / Options contracts</u> ³		
Notional amounts	198,538	81,604
Before netting		
- Fair value assets	2,063	-
- Fair value liabilities	(22,538)	81,604

³ The exchange rate and equity futures / 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 2018

Types of Counterparties	On-balance sheet exposure	Off-balance sheet exposure	Total
Central government, central government-owned entities and their subsidiaries and JVs.	279,831	-	279,831
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.	181,951	-	181,951
Total	461,782	-	461,782
Total Assets after Provision	35,065,403		
On-balance sheet exposures as percentage of total assets	1.32%		

30 September 2017

Types of Counterparties	On-balance sheet exposure	Off-balance sheet exposure	Total
Central government, central government-owned entities and their subsidiaries and JVs.	139,860	-	139,860
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.	151,438	-	151,438
Total	291,298	-	291,298
Total Assets after Provision	30,378,844		
On-balance sheet exposures as percentage of total assets	0.96%		

As at 31 March 2018 and 30 September 2017, 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 81-93 of the 2018 Pillar 3 Disclosure Document (<https://static.macquarie.com/dafiles/Internet/mgl/global/shared/about/investors/regulatory-disclosures/2018/Macquarie-Mar-2018-Pillar-3.pdf?v=2>) as well as pages 24-40 of the 2018 Annual Report (<https://static.macquarie.com/dafiles/Internet/mgl/global/shared/about/investors/results/2018/Macquarie-Bank-FY18-Annual-Report.pdf?v=4>)

Macquarie Bank Limited



Bank information (consolidated basis)

Capital and capital adequacy ratio

Figures in AUD million	31 March 2018	30 September 2017
Capital ratios - Tier 1 Ratio	12.8%	12.9%
- Total Ratio	14.6%	14.9%
Shareholders' funds	13,103	12,561

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 2018	30 September 2017
Total assets	173,218	171,217
Total liabilities	160,115	158,656
Total loan and advances	80,143	75,833
Total deposits	59,379	58,987

	Year ended 31 March 2018	Year ended 31 March 2017
Pre-tax profit	2,153	1,733

Details of the above information can be obtained from Macquarie Bank Limited 2018 Annual Report and the interim report for half year ended 30 September 2017.

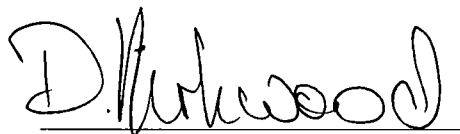
Macquarie Bank Limited, Hong Kong Branch



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.



Daniel Kirkwood
Chief Executive, Hong Kong Branch

Date: 22 JUN 2018