



**Macquarie Bank Limited
Hong Kong Branch**

Interim Disclosure Statement

**Half-year ended
30 September 2017**

Macquarie Bank Limited, Hong Kong Branch



Basis of preparation

The Interim Disclosure Statement for the six months period ended 30 September 2017 (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	Half-year ended 30 September 2017	Half-year ended 30 September 2016
Interest income	35	29
Interest expense	<u>(46)</u>	<u>(39)</u>
Net interest expense	(11)	(10)
Fees and commission income	610	608
Fees and commission expenses	<u>(206)</u>	<u>(284)</u>
Net fees and commission Income	404	324
Net gains / (losses) arising from trading in foreign currencies	1	(6)
Net losses arising from other trading activities	(4)	(2)
Net gains / (losses) arising from securities held for trading	5	(3)
Others	<u>109</u>	<u>132</u>
Other operating income	<u>515</u>	<u>445</u>
Total operating income	504	435
Staff expenses	(55)	(116)
Rental expenses	(7)	(14)
Other expenses	<u>(327)</u>	<u>(432)</u>
Total operating expenses	(389)	(562)
Profit / (Loss) before taxation	115	(127)
Taxation	<u>(1)</u>	<u>0</u>
Profit / (Loss) after taxation	114	(127)

Macquarie Bank Limited, Hong Kong Branch



Balance Sheet Information

Figures in HKD million	30 September 2017	31 March 2017
Assets		
Amount receivable under reverse repos	1,016	483
Balances with banks	1,246	1,507
Amount due from overseas offices	2,601	2,643
Government bills, notes and bonds	712	99
Securities held for trading purposes	426	55
Loans and receivables	-	-
Other receivables ¹	24,378	24,231
Total assets	30,379	29,018
Liabilities		
Deposits and balances from banks	-	2
Deposits from customers	-	-
Amount payable under repos	-	-
Amount due to overseas offices	7,235	6,019
Other payables ¹	24,570	24,539
Other accounts	(1,426)	(1,542)
Total liabilities	30,379	29,018

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

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:

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

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

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:

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	-	-	-	-	-	-	-	-	-	-

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	-	-	-	-	-	-	-	-

Additional information

3. Liquidity information

	Half-year ended 30 Sep 2017	Half-year ended 30 Sep 2016
Average Liquidity Maintenance Ratio (“LMR”)	265.83%	319.02%

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 is designed to ensure 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”) Board 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 validating 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	30 September 2017	31 March 2017
Derivatives		
<u>Exchange rate contracts ²</u>		
Contractual amounts	6,886,391	9,057,595
Before netting		
- Fair value assets	19,596	9,370
- Fair value liabilities	(5,875)	(11,216)
<u>Equity Futures / Options contracts ²</u>		
Notional amounts	81,604	390,000
Before netting		
- Fair value assets	-	43
- Fair value liabilities	81,604	-

² 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:

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%		

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%		

As at 30 September 2017 and 31 March 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 83-94 of the 2017 Pillar 3 Disclosure Document (<https://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 (<https://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 ratio

Figures in AUD million	30 September 2017	31 March 2017
Capital ratios - Tier 1 Ratio	12.9%	13.3%
- Total Ratio	14.9%	15.4%
Shareholders' funds	12,561	12,588

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	30 September 2017	31 March 2017
Total assets	171,217	167,441
Total liabilities	158,656	154,853
Total loan and advances	75,833	75,550
Total deposits	58,987	57,682

	Half-year ended 30 September 2017	Half-year ended 30 September 2016
Pre-tax profit	855	838

Details of the above information can be obtained from the interim report for half year ended 30 September 2017.

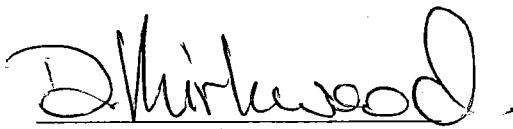
Macquarie Bank Limited, Hong Kong Branch



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: 21/12/2017.