Issuer Filing Information

Macquarie Bank Limited
(ABN 46 008 583 542)

ISSUER FILING INFORMATION

Type of Information:	Issuer Filing Information
Date of Announcement	23 May 2017
Issuer Name:	Macquarie Bank Limited
Name and Title of Representative:	Stuart Green Group Treasurer and Executive Director
Address of Head Office:	No. 50 Martin Place, Sydney, New South Wales 2000, Australia
Telephone:	+612 8232 3333
Liaison Contact:	Attorney-in-Fact: Shinji Nakamura, Attorney-at-law Anderson Mori & Tomotsune Address: Akasaka K-Tower 2-7, Motoakasaka 1-chome Minato-ku, Tokyo Telephone: +813 6888-1000
Matters related to Financial Instruments Exchange Market, etc.:	Not Applicable.
Address of Website for Announcement:	http://www.jpx.co.jp/english/equities/products/tpbm/announcement/index.html

Notes to Investors:

1. TOKYO PRO-BOND Market is a market for professional investors, etc. Bonds listed on the market ("**Listed Bonds**") may involve high investment risk. Investors should be aware of the listing eligibility and timely disclosure requirements that apply to issuers of Listed Bonds on the TOKYO PRO-BOND Market and associated risks such as the fluctuation of market prices and shall bear responsibility for their investments. Prospective investors should make investment decisions only after having carefully considered the contents of this Issuer Filing Information.

2. Where this Issuer Filing Information contains (a) any false statement on important matters, or (b) lacks information on: (i) important matters that should be announced or (ii) a material fact that is necessary to avoid misleading content, a person who, at the time of announcement of this Issuer Filing Information, is an officer (meaning an officer stipulated in Article 21, Paragraph 1 of the Financial Instruments and Exchange Act of Japan (the "**Act**")) of the issuer that announced this Issuer Filing Information shall be liable to compensate persons who acquired the securities for any damage or loss arising from the false statement or lack of information in accordance with the provision of Article 22 of the Act applied mutatis mutandis in Article 27-34 of the Act. However, this shall not apply to cases where the person who acquired the securities was aware of the existence of the false statement or the lack of information at the time of subscription for acquisition of the securities. Additionally, the officer shall not be required to assume the liability prescribed above, where he/she proves that he /she was not aware of, and was unable to obtain knowledge of, even with reasonable care, the existence of the false statement or the lack of information.

3. The regulatory framework for TOKYO PRO-BOND Market is different in fundamental aspects from the regulatory framework applicable to other exchange markets in Japan. Investors should be aware of the rules and regulations of the TOKYO PRO-BOND Market, which are available on the Tokyo Stock Exchange website.

4. Tokyo Stock Exchange does not express opinions or issues guarantees regarding the content of the Issuer Filing Information (including, but not limited to, whether the Issuer Filing Information contains (a) a false statement or (b) lacks information on: (i) important matters that should be announced or (ii) a material fact that is necessary

to avoid misleading content) and shall not be liable for any damage or loss including that described above.

5. All prospective investors who consider purchasing the notes of the Macquarie Bank Limited (the "**Issuer**") issued or to be issued under the Program Information dated 24 February 2017 (the "**Notes**") should read the relevant Specified Securities Information before making an investment decision. Among other things, all prospective investors should be aware that the Notes are subject to certain selling restriction as set forth in the relevant Specified Securities Information.

MACQUARIE BANK

2017 Annual Report

Macquarie Bank

Year ended 31 March 2017

MACQUARIE BANK LIMITED ACN 008 583 542

2017 Annual General Meeting

Macquarie Bank Limited's 2017 Annual General Meeting (AGM) will be held in the Conference Room of Macquarie's Melbourne Office, Level 23, 101 Collins Street, Melbourne VIC 3000, after the Macquarie Group Limited AGM, but not earlier than 2:00pm on Thursday, 27 July 2017.

Details of the business of the meeting will be contained in the Notice of Annual General Meeting, to be sent to securityholders separately.

Cover Image

The migration of people from rural to urban areas has transformed society and is a major driver of productivity, economic growth and improved living standards across the globe. With 70% of the world's population expected to live in urban centres by 2050, the challenge for authorities in developed and emerging economies is to plan cities that embrace connection and allow for the easy movement of people, goods and ideas.

Making dollars from cents

Macquarie sees opportunity when others don't – and seizes the moment to create new value for clients.

It was a quality found in our namesake, Governor Lachlan Macquarie. Faced with an acute currency shortage in 1813, he purchased Spanish silver dollars, punched out their centres and created two new coins. The 'Holey Dollar' was born. This brilliant solution not only doubled the number of coins in circulation, it increased their total worth by 25%.

To this day, Macquarie still draws on this innovation and pragmatism to identify new opportunities and unlock their potential.

Contents

Macquarie Bank Limited is a subsidiary of Macquarie Group Limited ACN 122 169 279 and is regulated by the Australian Prudential Regulation Authority (APRA) as an authorised deposit-taking institution (ADI). Macquarie Group Limited is regulated by APRA as a non-operating holding company of an ADI.

OPERATING AND FINANCIAL REVIEW

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OPERATING AND FINANCIAL REVIEW
REVIEW OF PERFORMANCE AND FINANCIAL POSITION

PERFORMANCE

Macquarie Bank's consolidated net profit attributable to ordinary equity holders of $A1,221 million for the year ended 31 March 2017 decreased 42% from $A2,090 million, which included a profit from discontinued operations of $A1,040 million, in the prior year. The net profit this year from continuing operations was up 16% on the prior year.

	Full year to 31 Mar 2017 $A million	Full year to 31 Mar 2016 $A million	Movement %
Net operating income	**5,821**	5,643	3
Total operating expenses	**(4,088)**	(3,907)	5
Income tax expense	**(509)**	(681)	(25)
Profit from continuing operations (net of income tax)	**1,224**	1,055	16
Profit from discontinued operations (net of income tax)	**–**	1,040	(100)
Loss attributable to non-controlling interests	**12**	11	9
Distribution on Macquarie Income Securities	**(15)**	(16)	(6)
Profit attributable to ordinary equity holders	**1,221**	2,090	(42)

Discontinued Operations

Profit from discontinued operations (net of income tax) in the prior year of $A1,040 million represents profit from the sale of the Macquarie Investment Management (MIM) business to Macquarie Financial Holdings Pty Limited and its subsidiaries on 15 April 2015, as well as profit earned by MIM up until the sale date.

Continuing Operations

Macquarie Bank's annuity-style businesses

Macquarie Asset Management (MAM), Corporate and Asset Finance (CAF) and Banking and Financial Services (BFS) generated a combined net profit contribution for the year ended 31 March 2017 of $A1,752 million, up 13% on the prior year. The key performance drivers included:

MAM ↓ **28% on FY2016**

- strong performance from the MSIS business
- prior year benefited from a gain on the sale of the almond orchard.

CAF ↑ **6% on FY2016**

- full year profit contribution from the AWAS aircraft operating lease portfolio and the Esanda dealer finance portfolio that were acquired during the prior year
- lower charges for provisions and impairments
- income from prepayments and realisations broadly in line with the prior year.

Partially offset by:
- reduced income from lower volumes in the Lending portfolio
- unfavourable impact of foreign currency movements, particularly for those businesses with activities and portfolios denominated in British Pounds.

BFS ↑ **47% on FY2016**

- growth in Australian lending, deposit and platform average volumes
- sale of Macquarie Life's risk insurance business.

Partially offset by:
- disposal of the US mortgages portfolio
- increased impairment charges predominately on equity investments and intangible assets
- change in approach to the capitalisation of software expenses in relation to the Core Banking platform
- prior year included a performance fee and dividend in respect of the sale of a UK asset.

Macquarie Bank's capital markets facing businesses

Commodities and Global Markets (CGM) delivered a net profit contribution for the year ended 31 March 2017 of $A875 million, up 20% on the prior year. The key performance drivers included:

CGM(1) ↑ **20% on FY2016**

- strong client flows and revenues from fixed income, credit and futures businesses
- increased investment-related income from the sale of a number of investments, mainly in energy and related sectors
- lower provisions and impairment charges compared to the prior year.

Partially offset by:
- challenging market conditions and limited trading opportunities in equities compared to the prior year, which benefited from strong activity, particularly in China
- reduced trading opportunities across the commodities platform compared to a strong prior year
- equity capital markets income impacted by subdued market conditions in Australia.

(1) Formerly Macquarie Securities Group and Commodities and Financial Markets.

Net operating income

Net operating income of $A5,821 million for the year ended 31 March 2017 increased 3% from $A5,643 million in the prior year. Decreases across net interest and trading income and fee and commission income were offset by an increase in net gains on sale of investments and businesses, and lower provisions for impairment. Key performance drivers included:

Net interest and trading income

Full year to	
31 Mar 2017 $A million	31 Mar 2016 $A million
3,837	4,296

↓ 11% on prior year

- CGM had limited trading opportunities in equity markets compared to the prior year which benefited from strong activity, particularly in China
- lower loan volumes in CAF's Lending portfolio and increased funding costs due to the full-year impact of funding the AWAS portfolio
- reduced trading opportunities across CGM's commodities platform compared to a strong prior year.

Partially offset by:

- growth in average volumes and improved margins across the Australian loan portfolios in BFS; and higher deposit volumes
- ongoing volatility in CGM's foreign exchange and interest rates markets, combined with improved performance of high yield debt markets and specialty lending products
- the full-year contribution from CAF's Esanda dealer finance portfolio.

Fee and commission income

Full year to	
31 Mar 2017 $A million	31 Mar 2016 $A million
820	930

↓ 12% on prior year

- CGM's brokerage and commissions income down on the prior year, mainly in equities markets due to reduced client trading activity.

Net operating lease income

Full year to	
31 Mar 2017 $A million	31 Mar 2016 $A million
922	881

↑ 5% on prior year

- full year contribution of CAF's AWAS portfolio acquisition during the prior year.

Partially offset by:

- unfavourable foreign currency movements in CAF
- sale of nine aircraft from CAF's portfolio during the year.

Share of net (losses)/profits of associates and joint ventures accounted for using the equity method

Full year to	
31 Mar 2017 $A million	31 Mar 2016 $A million
(19)	22

↓ on prior year

- non-recurrence of prior year equity accounted gains on certain legacy real estate related investments in Corporate.

Other operating income and charges

Full year to	
31 Mar 2017 $A million	31 Mar 2016 $A million
261	(486)

↑ on prior year

- sale of Macquarie Life's risk insurance business to Zurich Australia Limited by BFS
- sale of an interest in a US toll road by CAF's Lending business
- sale of a number of investments in the energy and related sectors in CGM
- lower charges for provisions and impairments across most Operating Groups; largest decrease in CGM as a result of reduced exposures to underperforming commodity-related loans.

OPERATING AND FINANCIAL REVIEW
REVIEW OF PERFORMANCE AND FINANCIAL POSITION
CONTINUED

Operating expenses

Total operating expenses increased 5% to $A4,088 million for the year ended 31 March 2017 from $A3,907 million in the prior year. Key performance drivers included:

Employment expenses

Full year to	
31 Mar 2017 $A million	31 Mar 2016 $A million
1,487	1,428

↑ **4%** on prior year

- increased share-based payments expense relating to increased retained equity awards granted in previous years
- higher performance-related remuneration expense, largely driven by the improved overall performance of the Operating Groups
- fixed remuneration up due to a small increase in average headcount mainly driven by the acquisition of Esanda by CAF in the prior year, and pay increases, largely offset by headcount reductions across most other Operating Groups.

Partially offset by:

- favourable foreign currency movements.

Brokerage, commission and trading-related expenses

Full year to	
31 Mar 2017 $A million	31 Mar 2016 $A million
626	640

↓ **2%** on prior year

- reduced equities and commodities-related trading activity in CGM.

Occupancy expenses

Full year to	
31 Mar 2017 $A million	31 Mar 2016 $A million
118	112

↑ **5%** on prior year

- full year impact of additional premises associated with business acquisitions and offshore growth.

Partially offset by:

- favourable foreign currency movements.

Non-salary technology expenses

Full year to	
31 Mar 2017 $A million	31 Mar 2016 $A million
158	151

↑ **5%** on prior year

- elevated project activity in BFS.

Other operating expenses

Full year to	
31 Mar 2017 $A million	31 Mar 2016 $A million
1,699	1,576

↑ **8%** on prior year

- a change in approach to the capitalisation of software expenses in relation to the Core Banking platform in BFS.

Income tax expense

Income tax expense for the year ended 31 March 2017 was $A509 million, a 25% decrease from $A681 million in the prior year. The decrease was mainly due to changes in the geographic composition of earnings, with increased income being generated in Australia and the UK, and lower income in the US, combined with reduced tax uncertainties.

The effective tax rate for the year ended 31 March 2017 was 29.2%, down from 39.0% in the prior year.

FINANCIAL POSITION

Balance sheet

Macquarie Bank's balance sheet has been impacted by changes in business activities and Treasury management initiatives during the year ended 31 March 2017.

Total Assets

Full year to	
31 Mar 2017 $A billion	31 Mar 2016 $A billion
167.4	181.6

↓ **8%** on prior year

- Receivables from financial institutions of $A25.6 billion at 31 March 2017 decreased 17% from $A31.0 billion at 31 March 2016 mainly due to the maturity of reverse repurchase positions held by Treasury, with the proceeds utilised to extinguish short and long term debt of the Consolidated Entity
- Derivative assets at 31 March 2017 of $A12.1 billion (down 33% from $A18.0 billion at 31 March 2016) and Derivative liabilities of $A11.1 billion (down 25% from $A14.7 billion at 31 March 2016) both decreased mainly as a result of settlements and price movements in underlying physical commodities, particularly energy-related commodities, as well as the revaluation of interest rate and foreign exchange derivatives
- Investment securities available for sale of $A5.2 billion at 31 March 2017 decreased 42% from $A9.0 billion at 31 March 2016 mainly due to Treasury's funding and liquidity management activities during the year
- Loan assets held at amortised cost of $A75.6 billion at 31 March 2017 decreased 4% from $A78.9 billion at 31 March 2016. Most businesses saw a reduction in volumes, including:
  - CAF's loan and finance lease portfolio decreased 8% to $A26.3 billion at 31 March 2017 from $A28.7 billion at 31 March 2016 mainly driven by repayments and realisations in the Lending loan portfolio and the impact of unfavourable foreign currency movements on year end balances
  - BFS' disposal of the US mortgage portfolio and the run down of the Canadian mortgage portfolio, partially offset by increased Australian loan volumes
- Property, plant and equipment of $A10.7 billion at 31 March 2017 decreased 5.0% from $A11.3 billion at 31 March 2016 mainly due to the depreciation of the aviation portfolio and the sale of nine aircraft by CAF
- Trading portfolio assets of $A26.6 billion at 31 March 2017 increased 16% from $A23.1 billion at 31 March 2016 mainly due to increased equities-related trading activities, additional holdings of physical commodities, particularly oil, and an increase in holdings of government and corporate bonds within CGM
- Other assets of $A8.6 billion (up 25% from $A6.9 billion at 31 March 2016) and Other liabilities of $A9.4 billion (up 32% from $A7.1 billion at 31 March 2016) increased mainly as a result of an increase in unsettled trade balances in CGM.

Total Liabilities

Full year to	
31 Mar 2017 $A billion	31 Mar 2016 $A billion
154.8	168.9

↓ **8%** on prior year

- Impacted by Treasury's funding and liquidity management activities during the year, including the repayment of short and long term Debt issued at amortised cost (down 22% to $A43.1 billion at 31 March 2017 from $A55.1 billion at 31 March 2016)
- Deposits increased 10% to $A57.7 billion at 31 March 2017 from $A52.2 billion at 31 March 2016, while Payables to financial institutions of $A14.2 billion at 31 March 2017 decreased 31% from $A20.6 billion at 31 March 2016 mainly due to the repayment of the Esanda syndicated facility
- Loan capital of $A4.6 billion increased 13% from $A4.1 billion mainly due to the issuance of $US750 million of Macquarie Additional Capital Securities in March 2017, partially offset by the buy-back of subordinated debt during the year.

Total Equity

Full year to	
31 Mar 2017 $A billion	31 Mar 2016 $A billion
12.6	12.7

↓ **1%** on prior year

- Lower Reserves, including a reduction in the Foreign currency translation reserve driven by the appreciation of the Australian Dollar against major currencies since 31 March 2016
- Retained earnings generated during the year were offset by dividends paid.

OPERATING AND FINANCIAL REVIEW
REVIEW OF PERFORMANCE AND FINANCIAL POSITION
CONTINUED

Funding

Macquarie Bank's liquidity risk management framework is designed to ensure that it is able to meet its funding requirements as they fall due under a range of market conditions.

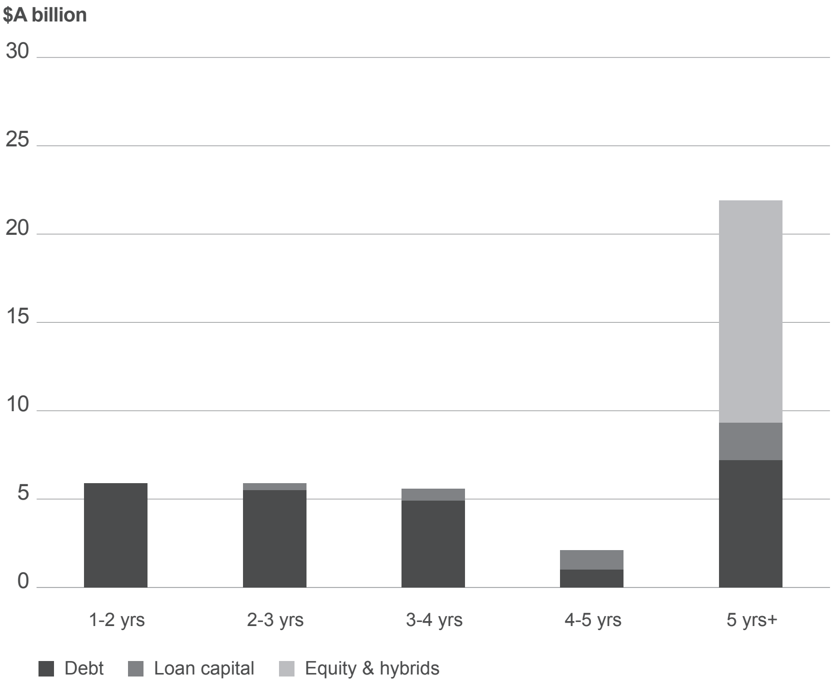
Macquarie Bank has diversity of funding by both source and maturity. The weighted average term to maturity of term funding maturing beyond one year (excluding equity which is a permanent source of funding) was 4.6 years at 31 March 2017.

4.6yrs

The weighted average term to maturity of term funding maturing beyond one year at 31 March 2017

Term funding profile

Detail of drawn term funding maturing beyond one year



Macquarie Bank has a liability driven approach to balance sheet management, where funding is raised prior to assets being taken on to the balance sheet. Since 1 April 2016, Macquarie Bank has continued to raise term wholesale funding across various products and currencies.

Details of term funding raised between 1 April 2016 and 31 March 2017:

		Total $A billion
Secured Funding	Term securitisation and other secured finance	2.9
Term Loan	AWAS term loan	2.4
Issued paper	Senior and subordinated	0.5
Macquarie Additional Capital Securities (MACS)	Perpetual subordinated capital securities	1.0
Loan facilities	MGL and MBL loan facilities	0.3
Total		**7.1**

Macquarie Bank has continued to develop and expand its major funding markets and products during the year ended 31 March 2017.

Capital

Under Basel III rules, APRA requires authorised deposit-taking institutions (ADIs) to have a minimum ratio of Tier 1 capital to risk-weighted assets of 8.5% including the 2.5% capital conservation buffer, with at least 7.0% in the form of Common Equity Tier 1 capital. In addition, APRA may impose ADI-specific minimum capital ratios which may be higher than these levels. The minimum BCBS Basel III leverage ratio requirement of 3% is effective from 1 Jan 2018(1).

Macquarie Bank is well capitalised, with the following capital adequacy ratios as at 31 March 2017.

Bank Group Basel III ratios as at 31 Mar 2017	Harmonised Basel III(2)	APRA Basel III
Common Equity Tier 1 Capital Ratio	13.3%	11.1%
Tier 1 Capital Ratio	15.6%	13.3%
Leverage Ratio	7.3%	6.4%

For further information relating to the capital adequacy of Macquarie Bank, refer to section 6.0 Capital of the Management Discussion and Analysis available at macq.co/FY17MDA

Macquarie Bank's capital management strategy is outlined in Note 25 to the financial statements in the Financial Report.

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(1) APRA has not yet prescribed a minimum capital requirement for the leverage ratio.
(2) 'Harmonised' Basel III estimates are calculated in accordance with the BCBS Basel III framework.

OPERATING AND FINANCIAL REVIEW
BUSINESS STRATEGY

Consistent with our *What We Stand For* principles Macquarie Group (MGL and its subsidiaries), including Banking Group entities, adopts a business strategy focused on the medium-term with the following key aspects:

Risk management approach

Adopting a conservative approach to risk management. Macquarie Group's robust risk management framework is embedded across all Operating and Central Service Groups. This equips the business for unanticipated disruptions and ensures that both the relevant business and Macquarie Group can survive a worst-case outcome from any new or existing activity.

Strong balance sheet

Maintaining a strong and conservative balance sheet. This is consistent with Macquarie Group's longstanding policy of holding a level of capital which supports its business and managing its capital base ahead of ordinary business requirements. Macquarie Group remains well funded, with diversified funding sources. It continues to pursue its strategy of diversifying funding sources by growing its deposit base and accessing different funding markets.

Business mix

Conducting a mix of annuity-style and capital markets facing businesses that deliver solid returns in a range of market conditions. Macquarie Group has dynamically developed its annuity-style businesses, providing steady returns to the business and Macquarie Group shareholders and certainty to clients.

Diversification

Operating a diversified set of businesses across different locations and service offerings including banking and financial services. Macquarie Group offers a range of services to government, institutional, corporate and retail clients. This diversity mitigates concentration risk and provides resilience to Macquarie Group, as highlighted in the challenging global markets of recent years.

Proven expertise

Utilising proven deep expertise has allowed Macquarie Group to establish leading market positions as a global specialist in sectors including infrastructure, resources and commodities, energy, financial institutions and real estate. This is coupled with a deep knowledge of Asia-Pacific financial markets.

Adjacencies

Expanding progressively by pursuing adjacencies through organic opportunities and selective acquisitions. These include products and geographies adjacent to Macquarie Group's established areas of expertise. This results in sustainable evolutionary growth.

Pursuit of growth opportunities

Targeting continued evolution and growth through innovation. Macquarie Group starts with real knowledge and skill, and encourages ingenuity and entrepreneurial spirit coupled with accountability. Ideas for new businesses are typically generated in the Operating businesses. Additionally, there are no specific businesses, markets, or regions in which Macquarie Group's strategy demands it operates. This means it retains operational flexibility and can adapt the portfolio mix to changing market conditions within the boundaries of the *Risk Appetite Statement (RAS)* approved by the Board.

OPERATING AND FINANCIAL REVIEW
RISK MANAGEMENT

Macquarie Group recognises that a sound risk culture is a fundamental requirement of an effective risk management framework. Macquarie Group's risk culture is well established and the risk management framework is embedded across all operations.

Opportunity	Accountability	Integrity

The long-held foundations of Macquarie Group's risk culture are the principles of *What We Stand For* – Opportunity, Accountability and Integrity. Staff are made aware that these principles are expected to form the basis of all day-to-day behaviours and actions.

The acceptance of risk is an integral part of Macquarie Group's businesses. Strong independent prudential management has been a key to Macquarie Group's success and stability over many years. The assumption of risk is made within a calculated and controlled framework that assigns clear risk roles and responsibilities.

Refer to the Risk Management Report in the MGL Annual Report for details on Macquarie Group's risk management framework, risk culture and conduct risk management.

Macroeconomic factors

The key macroeconomic risks to Macquarie Bank's short and medium-term financial outlook noted on page 12 are;

Market conditions

The general condition of markets, driven mainly by macroeconomic factors, will influence the volume of transactions that businesses experience. For example, an increase in market volatility may increase the income CGM derives from hedging transactions performed on behalf of clients. Market conditions can also influence the value of various equity, credit and market risk exposures held by Macquarie Bank on its balance sheet.

The value of the Australian dollar

A significant proportion of Macquarie Bank's net income is denominated in foreign currency. Therefore, net income will be lower in Australian dollar terms if it appreciates against these currencies.

Potential regulatory changes

Macquarie Bank, like all financial institutions, is affected by changes in regulation. Regulatory change continues to be developed at both the global and Australian levels and has the potential to affect the capital adequacy, funding and profitability of businesses.

Funding and liquidity

Macquarie Bank uses deposit and debt markets to fund its assets. Macquarie Bank is therefore exposed to the risk of an increase in the cost of funding, or of reduced access to funding sources, which could affect the volume of income earning assets and the margin earned on those assets.

In addition, there are specific risks which relate to the nature of Macquarie Group's operations. These include conduct, credit, cyber, environmental and social (including climate change), equity, legal, liquidity, market, model, operational, regulatory and compliance, reputation and tax risks. All of these risks, including those mentioned above are monitored, mitigated and managed under Macquarie Group's risk management framework.

Further details on the management of these risks are available at macquarie.com/risk-management

The risk management framework has been established on the premise that a disciplined approach to risk management is best maintained with a single risk management framework located within Macquarie Group that applies to all Macquarie businesses (including Banking Group entities). The framework is supported by a Macquarie-wide approach to policies and procedures. The Risk Management Group (RMG) consistently adopts the same level of rigour in relation to risk acceptance, monitoring and reporting for all Macquarie entities.

OPERATING AND FINANCIAL REVIEW
RISK MANAGEMENT
CONTINUED

The core risk management principles underlying the framework have remained stable and continue to be effective.

- **ownership of risk at the business level:** Group Heads are responsible for identifying risks within their businesses and ensuring appropriate management. Before taking decisions, clear analysis of the risks is sought to ensure risks taken are consistent with the risk appetite and strategy of Macquarie Group.
- **understanding worst case outcomes:** Highly experienced professionals at Macquarie Group use both quantitative and qualitative inputs to examine the consequences of worst case outcomes and determine whether these are acceptable. This approach is adopted for all material risk types and is often achieved by stress testing. In particular, the market risk management framework is based primarily on the application of stress tests, rather than statistical models. Macquarie Group applies limits to contingent losses from worst case scenarios that include market movements larger than have occurred historically, for example, an instantaneous 40% gap move in stock prices. These limits effectively constrain position taking by divisions trading in products where the current risk appears low but potential risk exists in extreme loss events. Macquarie Group has over 14,000 contingent loss limits that consider a variety of worst case scenarios.
- **requirement for an independent sign-off by risk management:** Macquarie Group places significant importance on having a strong, independent RMG charged with signing off all material risk acceptance decisions. It is essential that RMG has the capability to do this effectively. RMG has invested in recruiting skilled professionals, many with previous trading or investment banking experience. For all material proposals, RMG's opinion is sought at an early stage in the decision-making process. The approval document submitted to Senior Management includes independent input from RMG on risk and return.

OUTLOOK

Macquarie Bank currently expects that the combined net profit contribution from Operating Groups for the financial year ending 31 March 2018 will be broadly in line with the financial year ended 31 March 2017.

The tax rate for the financial year ending 31 March 2018 is currently expected to be broadly in line with the financial year ended 31 March 2017.

Macquarie Bank's short-term outlook remains subject to market conditions, the impact of foreign exchange and potential regulatory changes and tax uncertainties.

Macquarie Bank remains well positioned to deliver superior performance in the medium-term due to: its deep expertise in major markets; strength in diversity and ability to adapt its portfolio mix to changing market conditions; the ongoing benefits of continued cost initiatives; a strong and conservative balance sheet; and a proven risk management framework and culture.

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DIRECTORS’ REPORT

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DIRECTORS’ REPORT
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2017

The Directors of MBL submit their report with the financial report of the Consolidated Entity and the Company for the year ended 31 March 2017.

DIRECTORS

At the date of this report, the Directors of MBL are:

Independent Directors

P.H. Warne, Chairman

G.R. Banks AO

G.M. Cairns

M.J. Coleman

P.A. Cross

D.J. Grady AM

M.J. Hawker AM

N.M Wakefield Evans

Executive Voting Directors

M.J. Reemst, Managing Director and Chief Executive Officer

N.W. Moore

The Directors listed above each held office as a Director of MBL throughout the financial year ended 31 March 2017. Those Directors listed as Independent Directors have been independent throughout the period of their appointment.

Details of the qualifications, experience and special responsibilities of the Directors and qualifications and experience of the Company Secretaries at the date of this report are set out in Schedule 1 at the end of this report.

PRINCIPAL ACTIVITIES

The principal activity of MBL during the financial year ended 31 March 2017 was to act as a full service financial services provider offering a range of commercial banking and retail financial services in Australia and selected financial services offshore. MBL is a subsidiary of MGL and is regulated by the APRA as an authorised deposit-taking institution (ADI). In the opinion of the Directors, there were no significant changes to the principal activities of the Consolidated Entity during the financial year under review that are not otherwise disclosed in this report.

RESULT

The financial report for the financial years ended 31 March 2017 and 31 March 2016, and the results have been prepared in accordance with Australian Accounting Standards.

The consolidated profit after income tax attributable to ordinary equity holders for the financial year ended 31 March 2017 was $A1,221 million (2016: $A2,090 million). This result represents profit from continuing operations of $A1,221 million (2016:$A1,050 million) and profit from discontinued operations of $A nil (2016:$A1,040 million).

DIVIDENDS AND DISTRIBUTIONS

MBL paid dividends and paid or provided distributions during the financial year as set out in the table below:

Security	Payment Date	Payment Type	$A million	In respect of financial year ended/period	
Ordinary Shares	11 May 2016	Final	**644.0**	31 March 2016	Paid
	9 November 2016	Interim	**582.0**	31 March 2017	Paid
Macquarie Income Securities (MIS) (1)	15 April 2016	Periodic	**4.0**	15 January 2016 to 14 April 2016	Paid
	15 July 2016	Periodic	**4.0**	15 April 2016 to 14 July 2016	Paid
	17 October 2016	Periodic	**3.7**	15 July to 14 October 2016	Paid
	16 January 2017	Periodic	**3.5**	15 October 2016 to 14 January 2017	Paid
	17 April 2017	Periodic	**2.9**	15 January 2017 to 31 March 2017	Provided

Subsequent to the year ended 31 March 2017 the Directors have resolved to pay a final ordinary dividend of $A607 million on 11 May 2017.

No other dividends or distributions were declared or paid during the financial year.

STATE OF AFFAIRS

There were no other significant changes in the state of affairs of the Consolidated Entity that occurred during the financial year under review that are not otherwise disclosed in this report.

OPERATING AND FINANCIAL REVIEW

Please refer to Section 1 of this Annual Report for the following in respect of the Consolidated Entity, which includes:

– a review of the operations during the year and the results of those operations
– likely developments in the operations in future financial years and the expected results of those operations
– comments on the financial position
– comments on business strategies and prospects for future financial years.

In respect of likely developments, business strategies and prospects for future financial years, material which if included would be likely to result in unreasonable prejudice to the Consolidated Entity, has been omitted.

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(1) MIS are stapled securities comprising an interest in a note, being an unsecured debt obligation of Macquarie Finance Limited (MFL), issued to a trustee on behalf of the holders of the MIS (MFL note), and a preference share in MBL. The MIS are quoted on the ASX. The MIS distributions set out above represent payment as made, or to be made, by MBL to its members. The MIS are classified as equity under Australian Accounting Standards – see Note 27 and Note 28 to the financial statements in the Financial Report for further information on the MIS and MIS distributions.

DIRECTORS' REPORT
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2017
CONTINUED

DIRECTORS' RELEVANT INTERESTS

At the date of this report, none of the Directors held a relevant interest, as required to be notified by the Directors to the Australian Securities Exchange (ASX) in accordance with the *Corporations Act 2001 (Cth)* (the Act), in ordinary shares or share options of MBL. The relevant interests of Directors in MBL securities, managed investment schemes made available by related companies of MBL and other disclosable relevant interests are listed in the table below:

Name and position	Direct and indirect interests	Number held
Executive Voting Directors		
M.J. Reemst	Macquarie ordinary shares (MQG)	**10,850**
	Macquarie Group Retained Equity Plan (MEREP) Restricted Share Units (RSUs)	**88,177**
	MEREP Performance Share Units (PSUs)	**52,708**
N.W. Moore	MQG	**2,109,147**
	MEREP RSUs	**613,701**
	MEREP PSUs	**229,762**
	2004 Macquarie Timber Land Trust units	**50**
	2006 Macquarie Timber Land Trust units	**75**
	Macquarie Global Infrastructure Fund III (B) units	**2,163,106**
Independent Directors		
G.R. Banks	MQG	**6,416**
G.M. Cairns	MQG	**12,734**
	MIS	**900**
M.J. Coleman	MQG	**7,199**
	Macquarie Group Capital Notes 2 (MCN2)	**2,000**
P.A. Cross	MQG	**7,636**
D.J. Grady	MQG	**8,003**
	Macquarie Group Capital Notes (MCN)	**400**
	MCN2	**100**
M.J. Hawker	MQG	**7,335**
	MCN2	**500**
N.M. Wakefield Evans	MQG	**4,411**
P.H. Warne	MQG	**14,933**

MEETING ATTENDANCE

Board and Board Committee meetings and attendance

The number of meetings of the Board of Directors (the Board) and of the Committees of the Board and the individual attendance by Directors at those meetings which they were eligible to attend during the financial year is summarised in the table below:

	Regular Board Meetings(2)	BAC meetings(2)	BRiC meetings(2)	Special Board Meetings(2)
Number of Meetings	10	7	6	2
P.H. Warne	**10/10**	**–**	**6/6**	**2/2**
M.J. Reemst	**10/10**	**–**	**–**	**2/2**
N.W. Moore	**10/10**	**–**	**–**	**2/2**
G.R. Banks	**10/10**	**–**	**6/6**	**2/2**
G.M. Cairns	**9/10**	**–**	**5/6**	**2/2**
M.J. Coleman	**10/10**	**7/7**	**6/6**	**2/2**
P.A. Cross	**10/10**	**7/7**	**6/6**	**2/2**
D.J. Grady	**10/10**	**–**	**6/6**	**2/2**
M.J. Hawker	**10/10**	**7/7**	**5/6**	**2/2**
N.M. Wakefield Evans	**10/10**	**7/7**	**6/6**	**2/2**

The Macquarie Board Audit Committee (BAC) is a joint committee of MGL and MBL. The BAC assists the Boards of MGL and MBL in fulfilling the responsibility for oversight of the quality and integrity of the accounting and financial reporting practices of Macquarie.

The Macquarie Board Risk Committee (BRiC) is a joint committee of MGL and MBL. The membership of the Committee consists of all the Non-Executive Voting Directors (NEDs) of Macquarie. The BRiC assists the Boards of MGL and MBL by providing oversight of the implementation and operation of Macquarie's risk management framework and advising the Boards on Macquarie's risk position, risk appetite, risk culture and risk management strategy.

There was one Board sub-committee convened during the period, with two meetings held. Both meetings were attended by all the eligible sub-committee members, being Mr Warne, Mr Moore, Ms Reemst, Mr Coleman and the Chief Financial Officer, Mr Upfold.

All Board members are sent Board Committee meeting agendas and may attend any meeting.

The Chairman of the Board, Macquarie CEO and the MBL CEO, attend BAC meetings by invitation as a matter of course. The Macquarie CEO and MBL CEO attend BRiC meetings as a matter of course.

DIRECTORS' AND OFFICERS' INDEMNIFICATION AND INSURANCE

Under MBL's Constitution, MBL indemnifies all past and present Directors and Secretaries of MBL (including at this time the Directors named in this report and the Secretaries) and its wholly-owned subsidiaries, against every liability incurred by them, and all legal costs incurred, in defending or resisting (or otherwise in connection with) proceedings in which they become involved because of their respective capacities unless:

- the liability is owed to MBL or to a related body corporate
- the liability did not arise out of conduct in good faith
- the liability is for a pecuniary penalty order or a compensation order under the Act
- in the case of legal costs: the costs are incurred in defending or resisting a liability excluded above, criminal proceedings in which the person is found guilty or proceedings brought by the Australian Securities & Investments Commission (ASIC) or a liquidator where grounds for a court order are established (but excluding costs relating to investigations before commencement of proceedings for the court order), or the costs incurred in relation to proceedings for relief to the person under the Act in which the court denies relief
- MBL is forbidden by statute to indemnify the person against the liability or legal costs, or
- an indemnity by MBL of the person against the liability or legal costs would, if given, be made void by law.

Following approval by shareholders at the 1998 Annual General Meeting (AGM), MBL entered into a Deed of Indemnity, Access and Insurance dated 4 August 1998 (Deed), which protects Directors acting as Directors during their term of office and after their resignation (except where an individual engages in conduct involving a lack of good faith). Minor changes were made to the Deed under approvals obtained from shareholders at the 2000 AGM.

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(2) Number of meetings attended by the member / total number of meetings eligible to attend as a member.