

Australia  
Credit Analysis

**Macquarie Bank Ltd.**

**Ratings**

<b>Foreign Currency</b>	
Long-Term IDR	A+
Short-Term IDR	F1
Individual Rating	B
Support Rating	3
Support Rating Floor	BB
<b>Sovereign Risk</b>	
Foreign-Currency Long-Term IDR	AA+
Local-Currency Long-Term IDR	AAA

**Outlooks**

Foreign-Currency Long-Term IDR	Stable
Sovereign Foreign-Currency Long-Term IDR	Stable
Sovereign Local-Currency Long-Term IDR	Stable

**Financial Data**

	31 Mar 09	31 Mar 08
<b>Macquarie Bank Ltd.</b>		
Total assets (USDm)	89,625	135,977
Total assets (AUDm)	130,405	152,294
Total equity (AUDm)	6,019	5,994
Operating profit (AUDm)	244	549
Net income (AUDm)	579	616
Operating ROAA (%)	0.2	0.4
Operating ROAE (%)	4.1	7.0
Eligible capital/weighted risks (%)	18.3	19.4
Tier 1 ratio (%)	11.4	12.4

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**Rating Rationale**

- Macquarie Bank Ltd.'s (MBL) Long- and Short-Term Issuer Default Ratings (IDR) and Individual Rating reflect a diverse business mix, prudent risk management and strong liquidity and capitalisation. MBL's Long-Term IDR is one notch higher than its parent's, Macquarie Group Limited (MGL), reflecting MBL's lower risk profile relative to MGL.
- MBL's Individual Rating was downgraded to 'B' from 'A/B' on 9 February 2009 reflecting Fitch Ratings' view that a marked deterioration in the operating environment has increased earnings volatility. Conversely, the bank's Support Rating was upgraded to '3' from '4' on 29 September 2009 reflecting MBL's position as the sixth-largest Australian bank by domestic assets and the significant position it holds in wholesale markets.
- While MBL's operating profit fell 56% in the financial year-ended 31 March 2009 (FY09), largely due to lower revenue and higher impairment charges, the bank strengthened its balance-sheet position by exiting a number of funding intensive businesses, increasing liquid asset holdings and lengthening the average term to maturity of its wholesale funding portfolio. The bank has used this balance sheet strength to make a number of opportunistic acquisitions since FYE09.
- Asset quality deteriorated substantially during FY09: gross impaired loans increased to 2.6% of gross loans (FY08: 0.4%). In addition, significant impairment charges were taken against MBL's debt securities holdings (AUD64m) and equity investments (AUD386m).
- MBL's funding is well-diversified. Deposits grew rapidly during FY09, increasing to 30% of total funding (including equity), from 21% at FYE08. MBL has also taken advantage of the Australian government guarantee on wholesale debt to lengthen the average term to maturity of its wholesale funding – at FYE09, 61% of wholesale funding had a maturity of more than 12 months (H1E09: 30%).
- At FYE09, cash and liquid assets totalled AUD25.5bn, covering wholesale debt maturing in FY10 by 1.8x. MBL reported a Tier 1 capital ratio of 11.2% at 30 June 2009, while its core Tier 1 ratio (net Tier 1 less hybrids/risk-weighted assets; RWAs) at FYE09 was 9.0%. The recent acquisition of a US-based asset manager is expected to reduce these figures by 120bp on a pro forma basis.

**Support**

- Fitch believes there is a moderate probability of support from the authorities, if ever required. While MGL is likely to have the propensity to provide support, given the relative size of MBL within the broader group, MGL's ability to do so may be limited.

**Key Rating Drivers**

- The Stable Outlook on MBL's Long-Term IDR reflects its strong liquidity and capital position. A significant erosion of these positions along with a continued weak operating environment may place negative pressure on MBL's ratings.

**Profile**

Established in 1969, MBL is a subsidiary of MGL, Australia's largest locally owned investment banking group.

## Profile

Established in 1969 as a wholly owned subsidiary of UK-based Hill Samuel Bank Limited, MBL is part of MGL, Australia's only substantial locally owned investment banking group. MBL was listed on the Australian Stock Exchange in 1996 and was the listed parent entity of the broader Macquarie group until a restructuring in November 2007.

The restructuring involved the formation of a non-operating holding company (MGL), of which MBL became a wholly owned subsidiary. The bank's investment banking operations, as well as select portions of the equity markets and treasury and commodities divisions, were transferred into another subsidiary, Macquarie Financial Holdings Limited (MFHL). Since the restructuring, MGL has from time to time transferred businesses between the two main operating subsidiaries, although the primary distinction of a traditional banking subsidiary and an investment banking subsidiary remains; please see the structure diagram in Appendix 1 for more details.

MBL is the main operating entity within the more traditional banking activities of MGL. While the restructuring resulted in a modest reduction in business diversity, the bank has benefited from a lower risk profile following the transfer of its investment banking operations to MFHL. For this reason, Fitch rates MBL one notch higher than MFHL and MGL.

MBL operates in four of the five operating groups and both operating divisions of MGL:

- **Macquarie Securities:** Macquarie Securities is organised along geographic lines, and trades, issues, structures and makes markets in equity derivatives, as well as being a major issuer of listed warrants. Trading consists largely of client-initiated transactions – proprietary trading is only a small part of the business.
- **Treasury and Commodities:** Activities include trading and related activities in a broad range of financial and commodity markets. Again, trades are primarily client-initiated.
- **Macquarie Funds:** Distinct from the Macquarie group's infrastructure and property funds, the Macquarie Funds group focuses on more traditional investment strategies (ie investing in securities). At FYE09, the division had assets under management (AUM) of AUD49.7bn (end-FY08: AUD47.3bn).
- **Banking and Financial Services:** The banking and financial services group runs MBL's retail banking operations, as well as providing a range of wealth management products and services to financial advisers, stockbrokers, mortgage brokers, professional service industries and end-consumer.
- **Corporate and Asset Finance:** This division provides a number of services to clients, including leasing and asset finance, tailoring debt and finance to suit their needs, and asset remarketing, sourcing and trading.
- **Real Estate Banking:** This division offers a range of services, including property fund management, investment and development finance, development management, asset management, advisory and research.

Services such as risk management, treasury, IT and finance are centralised in MGL, with MBL utilising them through outsourcing arrangements.

The bank's balance sheet is used to facilitate MBL's largely client-oriented operations. A number of relatively low profit, balance-sheet intensive operations were exited during FY09 including the sale of MBL's Italian mortgage and margin lending businesses as well as a wind back of its mortgage operations in Australia and the US. MBL has used the strengthened balance sheet to make opportunistic acquisitions, including Delaware Investments, a US-based asset management

company with assets under management of USD125bn, which will significantly increase the scale and reach of its existing traditional funds management business.

There was one change to MBL's board composition during FY09 – Mr Allan Moss, the former CEO and managing director of MGL, was replaced as an executive director on MBL's board by Mr Nicholas Moore, the current CEO and managing director of MGL, when he retired from the group in May 2008. In addition, Mr David Clarke, the bank's chairman, was granted a leave of absence from 27 November 2008 due to illness, although he subsequently returned as chairman on 31 August 2009. At FYE09, MBL's board consisted of a non-executive chairman, three executive directors and six independent directors.

### Performance

Numbers in this analysis are based on Fitch's calculations and may vary from those reported by MBL. MBL restated profit for FY07 to reflect the new business structure, allowing for analysis between FY07 and later years – these figures have been adjusted in the spreadsheets attached at the end of this report. However, the FY07 balance sheet and all the FY06 figures encompass the old structure and therefore complicate any comparison with FY09 and FY08.

MBL's operating profit fell 56% in FY09 to AUD244m, largely due to a 130% increase in impairment charges and a 15% decline in operating revenue. However, net profit after tax was down a more modest 13%, reflecting a significant decline in profit share bonus payments to employees.

### Operating Revenue

As highlighted in Table 1, MBL's operating revenue fell by 15% to AUD3.2bn in FY09 – a 24% decline in net trading income was the main driver. However, this was more than offset by a 30% decline in operating expenses to AUD1.9bn following a significant fall in profit share bonus payments to employees.

**Table 1: Operating Revenue and Expense Growth and Mix**

	FY09		FY08	
	(AUDm)	(%) <sup>a</sup>	(AUDm)	(%) <sup>a</sup>
Net interest income	906	28	828	22
Net fee and commission income	486	15	522	14
Net trading income	1,545	48	2,023	54
Other operating revenue	271	9	389	10
<b>Operating revenue</b>	<b>3,208</b>	<b>100</b>	<b>3,762</b>	<b>100</b>
Personnel expenses	887	46	2,028	73
Other operating expenses	1,048	54	737	27
<b>Operating expenses</b>	<b>1,935</b>	<b>100</b>	<b>2,765</b>	<b>100</b>

<sup>a</sup> % of operating revenue and expense, respectively  
Source: MBL 2009 annual report and Fitch

### Net Interest Income

MBL's net interest income grew by 8% during FY09 – while the sale of its margin lending and Italian mortgages businesses, and the decision to wind down the Australian and US mortgage portfolios negatively affected interest income, this was more than offset by the reduced funding requirement. Net interest income is primarily derived from the bank's lending activities (and associated funding costs) including investment lending, leasing, real estate structured finance, residential mortgages and personal lending. At 28% of operating revenue, it is the second most important income stream for MBL.

### Net Fee and Commission Income

A broad decline in fee and commission revenue was partly offset by a fall in brokerage and commission expense during FY09 – nevertheless, net fee and

commission income was 7% lower. About 42% of MBL's FY09 fee and commission revenue comes from base and performance fees generated from managing funds or assets (both real estate funds and more traditional funds), down from 46% in FY08. Base fees are typically closely aligned with the level of AUM, while performance fees are achieved when funds or assets outperform pre-determined benchmarks – the relatively poor price performance of listed funds contributed to performance fees declining by 76% to AUD15m in FY09 from AUD63m in FY08.

The remaining fee and commission revenue comes from a variety of sources including (but not limited to) brokerage and commission, transactional, lending and securitisation fee income, and income from wealth management. Brokerage and commission revenue is the largest component and fell 23% during FY09 due to reduced client activity in poor market conditions.

### *Net Trading Income*

Net trading income is MBL's largest income stream, accounting for just under half of the bank's operating revenue in FY09. Nonetheless, net trading income reduced by a significant 24% over the year, driven by a 69% fall in income from equity products (AUD430m) – reduced client demand following substantial equity market volatility, hedge fund de-leveraging, redemptions and a ban on short-selling for large periods of the year were the main reasons for the fall.

Conversely, commodities trading income (AUD574m) and trading income from foreign exchange and interest rate products (AUD541m) both increased strongly, benefiting from increased demand for hedging products from clients due to market volatility. The commodities business also benefited from the exit of competitors across a number of its markets. The foreign exchange and interest rate trading income was negatively affected by AUD50m in mark-to-market write-downs on CLO and CDO investments (FY08: AUD38m).

### *Other Operating Revenue*

The 30% decline in other income during FY09 was largely due to a reduction in profit from associates and joint ventures combined with a net loss of AUD6m on the sale of AFS investment securities (FY08: AUD107m net gain).

### *Operating Expenses*

As noted previously, operating expenses fell by 30% in FY09 to AUD1.9bn. Staff costs fell by 56%, largely due to a substantial decline in profit share bonus payments as MBL's profitability reduced (there was also a modest (9%) decline in staff numbers during FY09). As a result, staff costs fell to 46% of total operating expenses in FY09 (FY08: 73%).

Other operating expenses (which are largely payments to MGL for the provision of services such as risk management, treasury and IT under outsourcing agreements) increased by 42% in FY09.

### *Impairment Charges*

Impairment charges totalled AUD1,029m (or 81% of pre-impairment operating profit) in FY09, up substantially from AUD448m (45%) in FY08.

There were four components to this charge:

- An AUD446m charge for loan impairments, primarily in specific provisions, although the charge to the collective provision also increased substantially. Industry-wise, the bulk of the charge related to real estate (38%) and resource (35%) loans, two sectors that have been heavily affected by the global financial crisis.
- An AUD189m loss on the sale of the Italian mortgage portfolio and an associated AUD4m loan provision over MBL's residual exposure to the portfolio. A further

AUD55m of restructuring and redundancy costs were recognised in trading income and operating expenses.

- Write-downs in a number of equity investments in funds, including real estate funds, totalling AUD386m. This reflects large declines in the market values of a number of these vehicles in FY09 and follows write-downs of AUD311m in FY08.
- AUD4m over trading assets.

Given the variable nature of the write-downs of the equity investments in funds, it is difficult to estimate how the impairment charge will change through FY10; however, MBL does not expect the level of the FY09 charge to be repeated in FY10. Nevertheless, negative pressure remains on asset quality which in turn means impairment charges are likely to remain elevated.

### Outlook

While there are some signs of stabilisation in the global economy, MBL's operating environment is likely to remain weak through FY10. There is considerable potential for further asset quality deterioration, which would likely result in impairment charges remaining high relative to historical numbers, although not necessarily at the same level as FY09.

Nevertheless, MBL has strengthened its balance-sheet position by exiting a number of low-margin, capital intensive businesses, increasing its holdings of liquid assets, lengthening the average term to maturity of its wholesale funding portfolio and maintaining relatively high capital ratios. This should assist MBL in weathering what is likely to be a continued difficult operating environment in FY10 and allow the bank to continue to take advantage of business opportunities as they arise.

### Risk Management

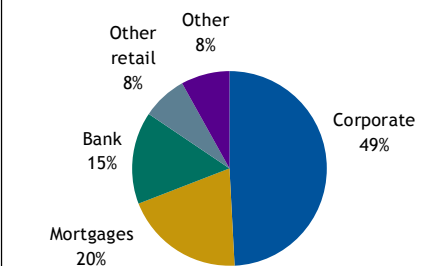
Risk management is centralised within MGL and applied consistently to all parts of the group, including MBL. Details of the framework are available in Fitch's latest credit analysis of MGL on [www.fitchratings.com](http://www.fitchratings.com).

### Credit Risk

Credit risk accounts for 74% of MBL's RWAs at FYE09 and is primarily generated through the bank's lending, trading and underwriting activities. Chart 1 provides a breakdown of MBL's gross credit exposure (which, due to differences between the consolidated accounting group and the entity for regulatory capital purposes, is not analogous to MBL's balance sheet). Its balance sheet consists of the following major asset classes.

**Chart 1: Gross Credit Exposure**

As at 31 March 2009



Source: MBL's Pillar 3 disclosures

### Loans (39% of Total Assets)

Included in this category are loans at amortised cost (AUD43.9bn), loans at fair value (AUD2.5bn) and those due from related entities (AUD4.6bn). Within the loans at amortised costs 46% were securitised at FYE09 (ie non-recourse to MBL), while an intra-group loan from MBL to MGL accounts for the majority (AUD3.8bn) of that due from related entities. The intra-group loan, initially AUD10bn, was used during the restructuring to fund the non-bank assets on a temporary basis while MGL established its own funding lines. Since FYE09, a further AUD1.9bn has been paid down, with the remaining AUD1.9bn due in 2012. At mid-September 2009, the balance outstanding had been further reduced to about AUD1.5bn.

MBL's impaired loans increased almost six-fold during FY09 to AUD1.34bn, or 2.62% of gross loans (FY08: AUD244m and 0.40%, respectively), due mainly to ongoing weakness in the UK and US real estate markets and the impact of falling commodity prices on metals and energy counterparties. Net of individual provisions, impaired loans equated to 21% of Tier 1 capital (FYE08: 3%). Further deterioration is likely in FY10.

***Securities Holdings (24% of Total Assets)***

MBL's securities holdings include trading assets (AUD8.8bn), AFS investment securities (AUD14.5bn), investment securities at fair value (AUD3.1bn) and life insurance assets (AUD4.3bn).

Trading securities consisted of the following at FYE09:

- Government securities (53%);
- Equities (34%);
- Corporate bonds (13%); and
- Certificates of deposit and bank bills (less than 1%).

MBL also had AUD171m of commodity trading assets. Trading liabilities (essentially short positions) totalled AUD2.0bn at FYE09, with about 95% listed equities and the rest almost exclusively government bonds. MBL's trading activities focus primarily on client-initiated transactions and as a result, the group aims to hedge its trading exposures. This is conducted largely through the use of repurchase agreements and derivative instruments.

The group's AFS investment securities consisted mainly of debt instruments (97%) at FYE09, of which 44% were negotiable certificates of deposit and 2% bank bills – the majority of these assets are eligible for the Reserve Bank of Australia repo-facility and constitute part of the bank's liquid asset holding. The remaining 3% was split between listed and unlisted equity. At FYE09, AUD188m, or 1.3% of debt AFS investment securities were deemed impaired, covered by AUD137m of individual provisions. MBL recorded an impairment charge of AUD64m over these exposures in FY09, with a further charge of AUD176m attributable to equity AFS investment securities.

The group's life insurance assets are largely self-funded, with the net asset position on MBL's balance sheet being immaterial.

***Other Assets***

The only other asset class that accounted for more than 10% of total assets at FYE09 was derivative assets (21%) – as mentioned previously, these are used primarily for client transactions or hedging purposes.

**Equity Risk**

MBL's equity risk stems from the bank's investment in assets and funds, including in Macquarie-managed real estate trusts. At about AUD2.1bn, or 1.6% of total assets, MBL's equity investments were a relatively small part of the bank's balance sheet at FYE09. Nonetheless, MBL reported an impairment charge of AUD386m on these exposures during FY09. It is important to note that these investments are not marked-to-market; instead, they are subject to impairment tests which should reduce volatility in impairment charges. For listed equity investments, a significant or prolonged decline in market value below carrying value is a trigger for an impairment review, while for unlisted investments the trigger is a period of asset underperformance.

**Operational Risk**

Responsibility for operational risk lies with the management of each division, with the operational risk sub-unit of the RMG providing oversight. After credit risk,

operational risk is MBL's second-largest risk category, accounting for 15% of RWAs at FYE09. MBL utilises the advanced measurement approach of Basel II, with operational risk capital calculated using a scenario based approach combined with statistical modelling of potential losses.

**Market Risk**

Market risk in MBL is generated primarily through the bank's trading activities (6% of RWAs at FYE09), although there is a level of non-traded market risk that arises due to its lending activities, foreign operations and non-trading holdings of investment securities (less than 1% of RWAs at FYE09).

Traded market risk, which is primarily generated from client-initiated trades, is managed through a series of limit structures around contingent loss, positions and value-at-risk (VaR). VaR, along with a scenario model called the macro-economic linkages model (MEL), is also used to constrain aggregate market risk. The MEL model includes large, simultaneous, 'worst case' movements across a number of different global markets.

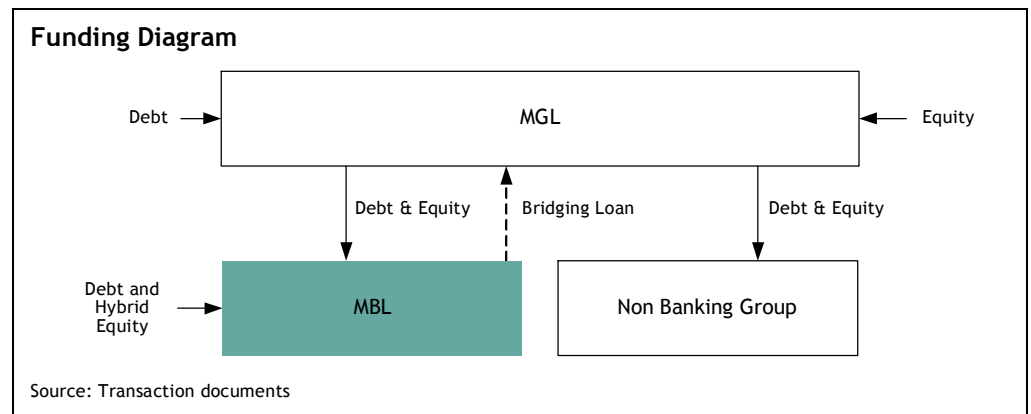
**Basel II**

Basel II was implemented in Australia on 1 January 2008. MBL utilises the foundation internal ratings-based approach for most credit risk (there are some small portfolios operating under the standardised approach) and the advanced measurement approach for operational risk.

**Funding, Liquidity and Capital**

**Funding**

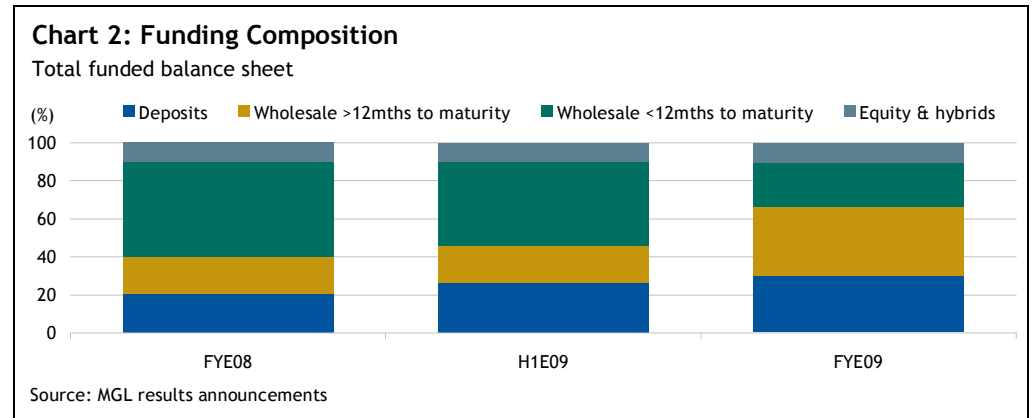
MGL provides ordinary equity to MBL, but the bank meets its own debt funding requirements: it retains its wholesale debt funding programmes as well as having the ability to raise deposits. As part of its capital management policy, MBL maintains diversified funding sources.



While MBL's on-balance-sheet assets totalled AUD130.4bn at FYE09, assets for which MBL was required to source funding were a much lower AUD61.6bn (FYE08: AUD152.3bn and AUD62.9bn respectively). The difference is explained by a relatively large proportion of assets that have matching funding with no recourse to MBL for further funding (eg securitised assets, self-funded trading assets, net derivatives positions and life insurance assets).

Chart 2 provides an overview of the change in funding composition since FYE08. There are two clear trends – firstly, the level of deposits has risen sharply (43% growth during FY09), and now accounts for 30% of total funding (up from 21% at FYE08), and secondly, the wholesale funding mix shifted markedly towards long-term funding during H209.

The growth in deposits has been a system wide phenomenon – Australian banks have almost universally increased their focus on deposit gathering at the same time as investors have looked to move into cash and away from other asset classes such as equities or property. An Australian government guarantee on deposits was implemented in October 2008 which has also helped drive growth. The guarantee is free for deposits of less than AUD1m (for deposits over AUD1m, if the guarantee is desired a fee is charged) and remains in place for three years.



In conjunction with the deposit guarantee, the Australian government implemented a guarantee on wholesale funding in November 2008 – for a fee, Australian banks can obtain a guarantee on wholesale issuance with terms to maturity of up to 60 months. MBL has taken advantage of this guarantee to strengthen its wholesale funding portfolio, issuing AUD14bn of long-term guaranteed debt since December 2008. As a result, wholesale funding maturing in FY10 accounted for just 39% of total wholesale funding at FYE09, down from 70% at H1E09.

While securitisation has been used in the past (primarily to finance mortgages and auto and equipment receivables), only a small number of deals were completed during FY09 and it remains an expensive form of funding. At FYE09, AUD20.4bn of securitised assets were included on MBL's balance sheet (FYE08: AUD21.7bn).

### Liquidity

Day-to-day liquidity management is the responsibility of the group treasury, with oversight from the group asset and liability committee. Independent oversight, including validation of liquidity models, resides with the risk management group. The liquidity policy is approved by the board and provided to the APRA, with funding diversity and stability a key priority.

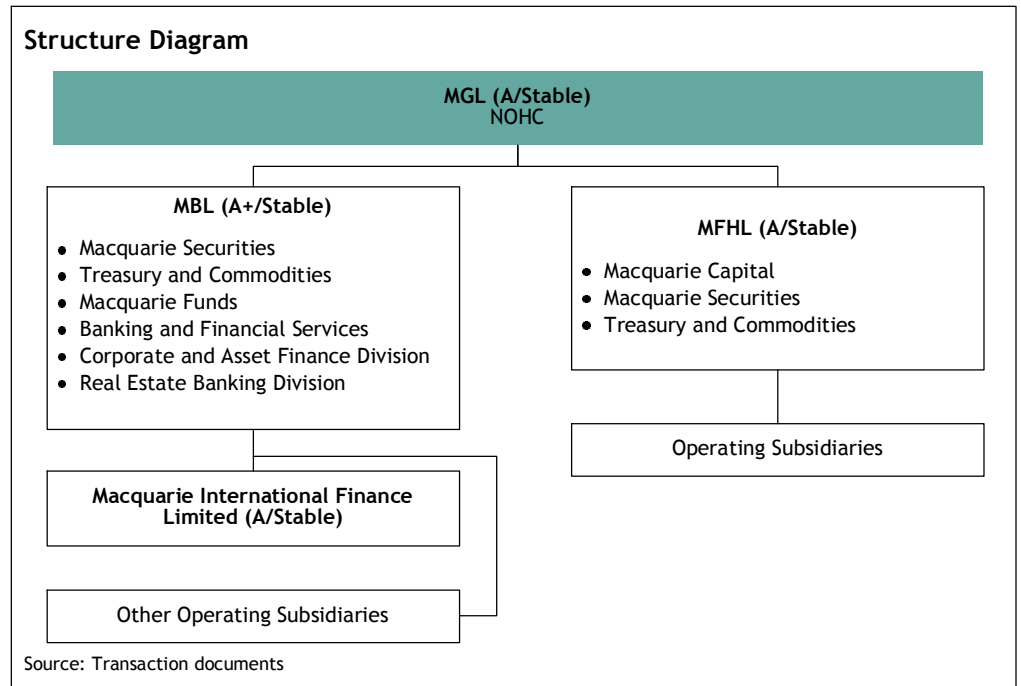
The MBL liquidity policy requires that term assets are funded with term liabilities. Scenario analysis is used to test MBL's liquidity position under various degrees of constrained capital markets access.

MBL has a very liquid balance sheet – at FYE09 liquid assets totalled AUD25.5bn, or 41% of total funded assets (FYE08: AUD18.7bn and 30%, respectively), exceeding wholesale debt maturing in FY10 of AUD14.2bn by 80%. All of these assets are highly liquefiable, either directly in the market or through repurchase agreements with central banks. While Fitch expects Australian banks to maintain high liquid asset holdings through the remainder of 2009 and into 2010, it is unlikely that MBL will increase its liquid asset holdings substantially above FYE09 levels.

### Capital

MBL reported a Tier 1 capital ratio of 11.2% and a total capital ratio of 13.8% at 30 June 2009 (if the Delaware Investments acquisition is factored in, the Tier 1 ratio would have 10.0% on a pro forma basis). Core Tier 1, which excludes hybrid instruments, equated to 9.0% of RWAs at FYE09. These ratios are high in the context of Australian banks and, given the nature of MBL's operations, Fitch expects them to remain at relatively elevated levels through FY10 and beyond.

**Appendix 1**



**MACQUARIE BANK LTD. (c.)**

**Income Statement**

	31 Mar 2009				31 Mar 2008			31 Mar 2007		31 Mar 2006	
	Year End	Year End	As % of	Average	Year End	As % of	Year End	As % of	Year End	As % of	
	USDm	AUDm	Earning Assets	AUDm	AUDm	Earning Assets	AUDm	Earning Assets	AUDm	Earning Assets	
	Original	Original	Original	Original	Original	Original	Restated	Restated	Original	Original	
<b>Income Statement</b>											
1. Interest Income on Loans	n.a.	n.a.	-	n.a.	n.a.	-	n.a.	-	2,238.0	4.50	
2. Other Interest Income	4,307.2	6,267.0	4.46	6,457.0	6,647.0	6.77	4,450.0	6.49	898.0	1.81	
3. Dividend Income	13.1	19.0	0.01	39.0	59.0	0.06	67.0	0.10	42.0	0.08	
<b>4. Gross Interest and Dividend Income</b>	<b>4,320.3</b>	<b>6,286.0</b>	<b>4.47</b>	<b>6,496.0</b>	<b>6,706.0</b>	<b>6.83</b>	<b>4,517.0</b>	<b>6.59</b>	<b>3,178.0</b>	<b>6.39</b>	
5. Interest Expense on Customer Deposits	n.a.	n.a.	-	n.a.	841.0	0.86	480.0	0.70	376.0	0.76	
6. Preferred Dividends Paid & Declared	53.6	78.0	0.06	81.0	84.0	0.09	85.0	0.12	80.0	0.16	
7. Other Interest Expense	3,644.0	5,302.0	3.77	5,127.5	4,953.0	5.04	3,359.0	4.90	2,168.0	4.36	
<b>8. Total Interest Expense</b>	<b>3,697.6</b>	<b>5,380.0</b>	<b>3.83</b>	<b>5,629.0</b>	<b>5,878.0</b>	<b>5.99</b>	<b>3,924.0</b>	<b>5.72</b>	<b>2,624.0</b>	<b>5.28</b>	
<b>9. Net Interest Income</b>	<b>622.7</b>	<b>906.0</b>	<b>0.64</b>	<b>867.0</b>	<b>828.0</b>	<b>0.84</b>	<b>593.0</b>	<b>0.86</b>	<b>554.0</b>	<b>1.11</b>	
10. Net Gains (Losses) on Trading and Derivatives	1,061.9	1,545.0	1.10	1,784.0	2,023.0	2.06	929.0	1.35	876.0	1.76	
11. Net Gains (Losses) on Other Securities	-4.1	-6.0	0.00	50.5	107.0	0.11	74.0	0.11	100.0	0.20	
12. Net Gains (Losses) on Assets at FV through Income Statement	n.a.	n.a.	-	n.a.	n.a.	-	n.a.	-	n.a.	-	
13. Net Insurance Income	n.a.	n.a.	-	n.a.	n.a.	-	n.a.	-	n.a.	-	
14. Net Fees and Commissions	334.0	486.0	0.35	504.0	522.0	0.53	520.0	0.76	2,476.0	4.98	
15. Other Operating Income	123.0	179.0	0.13	150.5	122.0	0.12	163.0	0.24	81.0	0.16	
<b>16. Total Non-Interest Operating Income</b>	<b>1,514.8</b>	<b>2,204.0</b>	<b>1.57</b>	<b>2,489.0</b>	<b>2,774.0</b>	<b>2.83</b>	<b>1,686.0</b>	<b>2.46</b>	<b>3,533.0</b>	<b>7.10</b>	
17. Personnel Expenses	609.6	887.0	0.63	1,457.5	2,028.0	2.07	1,709.0	2.49	2,407.0	4.84	
18. Other Operating Expenses	720.3	1,048.0	0.75	892.5	737.0	0.75	511.0	0.75	772.0	1.55	
<b>19. Total Non-Interest Expenses</b>	<b>1,329.9</b>	<b>1,935.0</b>	<b>1.38</b>	<b>2,350.0</b>	<b>2,765.0</b>	<b>2.82</b>	<b>2,220.0</b>	<b>3.24</b>	<b>3,179.0</b>	<b>6.39</b>	
20. Equity-accounted Profit/ Loss - Operating	67.4	98.0	0.07	129.0	160.0	0.16	198.0	0.29	172.0	0.35	
<b>21. Pre-Impairment Operating Profit</b>	<b>874.9</b>	<b>1,273.0</b>	<b>0.91</b>	<b>1,135.0</b>	<b>997.0</b>	<b>1.02</b>	<b>257.0</b>	<b>0.37</b>	<b>1,080.0</b>	<b>2.17</b>	
22. Loan Impairment Charge	296.9	432.0	0.31	258.0	84.0	0.09	35.0	0.05	36.0	0.07	
23. Other Credit Impairment Charges	410.3	597.0	0.42	480.5	364.0	0.37	5.0	0.01	25.0	0.05	
<b>24. Operating Profit</b>	<b>167.7</b>	<b>244.0</b>	<b>0.17</b>	<b>396.5</b>	<b>549.0</b>	<b>0.56</b>	<b>217.0</b>	<b>0.32</b>	<b>1,019.0</b>	<b>2.05</b>	
25. Equity-accounted Profit/ Loss - Non-operating	n.a.	n.a.	-	n.a.	n.a.	-	n.a.	-	n.a.	-	
26. Non-recurring Income	19.9	29.0	0.02	61.5	94.0	0.10	385.0	0.56	78.0	0.16	
27. Non-recurring Expense	n.a.	n.a.	-	n.a.	n.a.	-	n.a.	-	n.a.	-	
28. Change in Fair Value of Own Debt	n.a.	n.a.	-	n.a.	n.a.	-	n.a.	-	n.a.	-	
29. Other Non-operating Income and Expenses	188.3	274.0	0.20	178.5	83.0	0.08	33.0	0.05	110.0	0.22	
<b>30. Pre-tax Profit</b>	<b>375.9</b>	<b>547.0</b>	<b>0.39</b>	<b>636.5</b>	<b>726.0</b>	<b>0.74</b>	<b>635.0</b>	<b>0.93</b>	<b>1,207.0</b>	<b>2.43</b>	
31. Tax expense	-22.0	-32.0	-0.02	14.0	60.0	0.06	63.0	0.09	290.0	0.58	
<b>32. Net Income</b>	<b>397.9</b>	<b>579.0</b>	<b>0.41</b>	<b>622.5</b>	<b>666.0</b>	<b>0.68</b>	<b>572.0</b>	<b>0.83</b>	<b>917.0</b>	<b>1.84</b>	
33. Profit/Loss from Discontinued Operations	0.0	0.0	0.00	7,515.0	15,030.0	15.31	894.0	1.30	0.0	0.00	
34. Change in Value of AFS Investments	-35.7	-52.0	-0.04	-112.0	-172.0	-0.18	77.0	0.11	151.0	0.30	
35. Currency Translation Differences	7.6	11.0	0.01	-5.0	-21.0	-0.02	-3.0	0.00	4.0	0.01	
36. Remaining OCI Gains/(losses)	-235.1	-342.0	-0.24	-173.5	-5.0	-0.01	-12.0	-0.02	9.0	0.02	
<b>37. Fitch Comprehensive Income</b>	<b>134.7</b>	<b>196.0</b>	<b>0.14</b>	<b>7,847.0</b>	<b>15,498.0</b>	<b>15.78</b>	<b>1,528.0</b>	<b>2.23</b>	<b>1,081.0</b>	<b>2.17</b>	
38. Memo: Profit Allocation to Non-controlling Interests	2.1	3.0	0.00	1.5	0.0	0.00	3.0	0.00	1.0	0.00	
39. Memo: Net Income after Allocation to Non-controlling Interests	395.9	576.0	0.41	621.0	666.0	0.68	569.0	0.83	916.0	1.84	
40. Memo: Common Dividends Paid & Declared in the Period	481.1	700.0	0.50	8,908.5	17,117.0	17.43	602.0	0.88	521.0	1.05	
Exchange Rate		USD1 = AUD 1.4550			USD1 = AUD 1.1200		USD1 = AUD 1.2392		USD1 = AUD 1.3968		

**MACQUARIE BANK LTD. (c.)**  
**Assets & Off-Balance Sheet Items**

	31 Mar 2009				31 Mar 2008		31 Mar 2007		31 Mar 2006	
	Year End	Year End	As % of	Average	Year End	As % of	Year End	As % of	Year End	As % of
	USDm	AUDm	Assets	AUDm	AUDm	Assets	AUDm	Assets	AUDm	Assets
	Original	Original	Original	Original	Original	Original	Restated	Restated	Original	Original
<b>A. Loans</b>										
1. Residential Mortgage Loans	n.a.	n.a.	-	n.a.	n.a.	-	n.a.	-	n.a.	-
2. Other Consumer/ Retail Loans	n.a.	n.a.	-	n.a.	n.a.	-	n.a.	-	n.a.	-
3. Corporate & Commercial Loans	n.a.	n.a.	-	n.a.	n.a.	-	n.a.	-	n.a.	-
4. Other Loans	35,496.2	51,647.0	39.61	56,205.5	60,764.0	39.90	47,948.0	35.16	36,840.0	34.69
5. Less: Reserves for Impaired Loans/ NPLs	413.7	602.0	0.46	407.0	212.0	0.14	162.0	0.12	132.0	0.12
<b>6. Total Loans Net of Reserves</b>	<b>35,082.5</b>	<b>51,045.0</b>	<b>39.14</b>	<b>55,798.5</b>	<b>60,552.0</b>	<b>39.76</b>	<b>47,786.0</b>	<b>35.04</b>	<b>36,708.0</b>	<b>34.56</b>
7. Memo: Gross Loans	35,496.2	51,647.0	39.61	56,205.5	60,764.0	39.90	47,948.0	35.16	36,840.0	34.69
8. Memo: Impaired Loans included above	921.0	1,340.0	1.03	792.0	244.0	0.16	166.0	0.12	152.0	0.14
9. Memo: Loans at Fair Value included above	1,701.7	2,476.0	1.90	2,806.0	3,136.0	2.06	1,990.0	1.46	1,709.0	1.61
<b>B. Other Earning Assets</b>										
1. Loans and Advances to Banks	10,105.2	14,703.0	11.27	21,575.0	28,447.0	18.68	32,029.0	23.48	19,964.0	18.80
2. Trading Securities	5,911.3	8,601.0	6.60	11,861.0	15,121.0	9.93	15,431.0	11.31	14,141.0	13.31
3. Derivatives	18,786.9	27,335.0	20.96	24,143.5	20,952.0	13.76	11,913.0	8.73	10,978.0	10.34
4. Available for Sale Securities	9,995.9	14,544.0	11.15	14,640.0	14,736.0	9.68	6,060.0	4.44	3,746.0	3.53
5. Held to Maturity Securities	n.a.	n.a.	-	n.a.	n.a.	-	n.a.	-	n.a.	-
6. At-equity Investments	1,079.7	1,571.0	1.20	1,763.5	1,956.0	1.28	4,071.0	2.98	3,463.0	3.26
7. Other Securities	2,106.5	3,065.0	2.35	1,782.0	499.0	0.33	789.0	0.58	395.0	0.37
<b>8. Total Securities</b>	<b>37,880.4</b>	<b>55,116.0</b>	<b>42.27</b>	<b>54,190.0</b>	<b>53,264.0</b>	<b>34.97</b>	<b>38,264.0</b>	<b>28.06</b>	<b>32,723.0</b>	<b>30.81</b>
9. Memo: Government Securities included Above	3,108.6	4,523.0	3.47	2,922.5	1,322.0	0.87	427.0	0.31	820.0	0.77
10. Investments in Property	n.a.	n.a.	-	n.a.	n.a.	-	n.a.	-	n.a.	-
11. Insurance Assets	2,964.9	4,314.0	3.31	5,009.5	5,705.0	3.75	5,847.0	4.29	5,183.0	4.88
12. Other Earning Assets	156.0	227.0	0.17	183.0	139.0	0.09	1,081.0	0.79	2,494.0	2.35
<b>13. Total Earning Assets</b>	<b>86,189.0</b>	<b>125,405.0</b>	<b>96.17</b>	<b>136,756.0</b>	<b>148,107.0</b>	<b>97.25</b>	<b>125,007.0</b>	<b>91.65</b>	<b>97,072.0</b>	<b>91.40</b>
<b>C. Non-Earning Assets</b>										
1. Cash and Due From Banks	96.9	141.0	0.11	74.0	7.0	0.00	3.0	0.00	5.0	0.00
2. Foreclosed Real Estate	n.a.	n.a.	-	n.a.	n.a.	-	n.a.	-	n.a.	-
3. Fixed Assets	60.5	88.0	0.07	66.0	44.0	0.03	378.0	0.28	292.0	0.27
4. Goodwill	129.9	189.0	0.14	129.5	70.0	0.05	39.0	0.03	83.0	0.08
5. Other Intangibles	101.7	148.0	0.11	105.5	63.0	0.04	61.0	0.04	67.0	0.06
6. Current Tax Assets	n.a.	n.a.	-	n.a.	n.a.	-	n.a.	-	n.a.	-
7. Deferred Tax Assets	63.9	93.0	0.07	85.5	78.0	0.05	457.0	0.34	240.0	0.23
8. Discontinued Operations	n.a.	n.a.	-	n.a.	n.a.	-	n.a.	-	n.a.	-
9. Other Assets	2,983.5	4,341.0	3.33	4,133.0	3,925.0	2.58	10,444.0	7.66	8,452.0	7.96
<b>10. Total Assets</b>	<b>89,625.4</b>	<b>130,405.0</b>	<b>100.00</b>	<b>141,349.5</b>	<b>152,294.0</b>	<b>100.00</b>	<b>136,389.0</b>	<b>100.00</b>	<b>106,211.0</b>	<b>100.00</b>
<b>D. Off-Balance Sheet Items</b>										
1. Managed Securitized Assets Reported Off-Balance Sheet	n.a.	n.a.	-	n.a.	n.a.	-	n.a.	-	n.a.	-
2. Liquidity Lines to SPEs	n.a.	n.a.	-	n.a.	n.a.	-	n.a.	-	n.a.	-
3. Guarantees	589.7	858.0	0.66	569.5	281.0	0.18	321.0	0.24	n.a.	-
4. Acceptances Reported Off-Balance Sheet	n.a.	n.a.	-	n.a.	n.a.	-	n.a.	-	n.a.	-
5. Committed Credit Lines	2,246.0	3,268.0	2.51	4,409.0	5,550.0	3.64	7,850.0	5.76	6,905.0	6.50
6. Other Contingent Liabilities	450.9	656.0	0.50	934.0	1,212.0	0.80	2,052.0	1.50	2,533.0	2.38
<b>7. Total Business Volume</b>	<b>92,912.0</b>	<b>135,187.0</b>	<b>103.67</b>	<b>147,262.0</b>	<b>159,337.0</b>	<b>104.62</b>	<b>146,612.0</b>	<b>107.50</b>	<b>115,649.0</b>	<b>108.89</b>
<b>8. Memo: Total Weighted Risks</b>	<b>25,756.0</b>	<b>37,475.0</b>	<b>28.74</b>	<b>37,102.5</b>	<b>36,730.0</b>	<b>24.12</b>	<b>39,386.0</b>	<b>28.88</b>	<b>28,751.0</b>	<b>27.07</b>
Exchange Rate		USD1 = AUD 1.4550			USD1 = AUD 1.1200		USD1 = AUD 1.2392		USD1 = AUD 1.3968	

**MACQUARIE BANK LTD. (c.)**

**Liabilities and Equity**

	31 Mar 2009				31 Mar 2008		31 Mar 2007		31 Mar 2006	
	Year End	Year End	As % of	Average	Year End	As % of	Year End	As % of	Year End	As % of
	USDm	AUDm	Assets	AUDm	AUDm	Assets	AUDm	Assets	AUDm	Assets
	Original	Original	Original	Original	Original	Original	Restated	Restated	Original	Original
<b>E. Interest-Bearing Liabilities</b>										
1. Customer Deposits - Current	14,847.4	21,603.0	16.57	18,584.0	15,565.0	10.22	12,403.0	9.09	9,267.0	8.73
2. Customer Deposits - Savings	n.a.	n.a.	-	n.a.	n.a.	-	n.a.	-	n.a.	-
3. Customer Deposits - Term	n.a.	n.a.	-	n.a.	n.a.	-	n.a.	-	n.a.	-
<b>4. Total Customer Deposits</b>	<b>14,847.4</b>	<b>21,603.0</b>	<b>16.57</b>	<b>18,584.0</b>	<b>15,565.0</b>	<b>10.22</b>	<b>12,403.0</b>	<b>9.09</b>	<b>9,267.0</b>	<b>8.73</b>
5. Deposits from Banks	4,910.7	7,145.0	5.48	12,181.5	17,218.0	11.31	11,616.0	8.52	9,113.0	8.58
6. Other Deposits and Short-term Borrowings	n.a.	n.a.	-	n.a.	n.a.	-	n.a.	-	n.a.	-
<b>7. Total Deposits, Money Market and Short-term Funding</b>	<b>19,758.1</b>	<b>28,748.0</b>	<b>22.05</b>	<b>30,765.5</b>	<b>32,783.0</b>	<b>21.53</b>	<b>24,019.0</b>	<b>17.61</b>	<b>18,380.0</b>	<b>17.31</b>
8. Long-term Borrowing	35,465.3	51,602.0	39.57	57,067.0	62,532.0	41.06	51,365.0	37.66	39,022.0	36.74
9. Subordinated Borrowing	1,024.7	1,491.0	1.14	1,591.0	1,691.0	1.11	1,783.0	1.31	1,115.0	1.05
10. Other Funding	n.a.	n.a.	-	n.a.	n.a.	-	n.a.	-	n.a.	-
<b>11. Total Long Term Funding</b>	<b>36,490.0</b>	<b>53,093.0</b>	<b>40.71</b>	<b>58,658.0</b>	<b>64,223.0</b>	<b>42.17</b>	<b>53,148.0</b>	<b>38.97</b>	<b>40,137.0</b>	<b>37.79</b>
12. Derivatives	18,744.3	27,273.0	20.91	24,213.5	21,154.0	13.89	11,069.0	8.12	10,057.0	9.47
13. Trading Liabilities	1,360.8	1,980.0	1.52	6,348.0	10,716.0	7.04	15,922.0	11.67	10,057.0	9.47
<b>14. Total Interest Bearing Liabilities</b>	<b>76,353.3</b>	<b>111,094.0</b>	<b>85.19</b>	<b>119,985.0</b>	<b>128,876.0</b>	<b>84.62</b>	<b>104,158.0</b>	<b>76.37</b>	<b>78,631.0</b>	<b>74.03</b>
<b>F. Non-Interest Bearing Liabilities</b>										
1. Fair Value Portion of Debt	430.9	627.0	0.48	763.5	900.0	0.59	2,117.0	1.55	5,747.0	5.41
2. Credit impairment reserves	n.a.	n.a.	-	n.a.	n.a.	-	n.a.	-	n.a.	-
3. Reserves for Pensions and Other	52.2	76.0	0.06	81.5	87.0	0.06	153.0	0.11	132.0	0.12
4. Current Tax Liabilities	76.3	111.0	0.09	69.0	27.0	0.02	132.0	0.10	97.0	0.09
5. Deferred Tax Liabilities	49.5	72.0	0.06	132.5	193.0	0.13	78.0	0.06	157.0	0.15
6. Other Deferred Liabilities	n.a.	n.a.	-	n.a.	n.a.	-	n.a.	-	n.a.	-
7. Discontinued Operations	0.0	0.0	0.00	0.0	0.0	0.00	0.0	0.00	0.0	0.00
8. Insurance Liabilities	2,963.6	4,312.0	3.31	5,000.5	5,689.0	3.74	5,781.0	4.24	5,130.0	4.83
9. Other Non-interest Bearing Liabilities	5,294.2	7,703.0	5.91	8,920.0	10,137.0	6.66	16,451.0	12.06	10,980.0	10.34
<b>10. Total Liabilities</b>	<b>85,219.9</b>	<b>123,995.0</b>	<b>95.08</b>	<b>134,952.0</b>	<b>145,909.0</b>	<b>95.81</b>	<b>128,870.0</b>	<b>94.49</b>	<b>100,874.0</b>	<b>94.98</b>
<b>G. Hybrid Capital</b>										
1. Pref. Shares and Hybrid Capital accounted for as Debt	0.0	0.0	0.00	0.0	0.0	0.00	0.0	0.00	0.0	0.00
2. Pref. Shares and Hybrid Capital accounted for as Equity	268.7	391.0	0.30	391.0	391.0	0.26	391.0	0.29	391.0	0.37
<b>H. Equity</b>										
1. Common Equity	4,121.0	5,996.0	4.60	5,580.0	5,164.0	3.39	6,035.0	4.42	3,932.0	3.70
2. Non-controlling Interest	281.8	410.0	0.31	622.0	834.0	0.55	857.0	0.63	848.0	0.80
3. Securities Revaluation Reserves	2.7	4.0	0.00	30.0	56.0	0.04	228.0	0.17	151.0	0.14
4. Accumulated Other Comprehensive Income	-268.7	-391.0	-0.30	-225.5	-60.0	-0.04	8.0	0.01	15.0	0.01
<b>5. Total Equity</b>	<b>4,136.8</b>	<b>6,019.0</b>	<b>4.62</b>	<b>6,006.5</b>	<b>5,994.0</b>	<b>3.94</b>	<b>7,128.0</b>	<b>5.23</b>	<b>4,946.0</b>	<b>4.66</b>
<b>6. Total Liabilities and Equity</b>	<b>89,625.4</b>	<b>130,405.0</b>	<b>100.00</b>	<b>141,349.5</b>	<b>152,294.0</b>	<b>100.00</b>	<b>136,389.0</b>	<b>100.00</b>	<b>106,211.0</b>	<b>100.00</b>
7. Memo: Fitch Core Capital	4,437.8	6,457.0	4.95	6,601.5	6,746.0	4.43	8,749.0	6.41	10,370.0	9.76
8. Memo: Fitch Eligible Capital	4,706.5	6,848.0	5.25	6,992.5	7,137.0	4.69	9,140.0	6.70	10,370.0	9.76
Exchange Rate		USD1 = AUD 1.4550			USD1 = AUD 1.1200		USD1 = AUD 1.2392		USD1 = AUD 1.3968	

**MACQUARIE BANK LTD. (c.)**

**Summary Analytics**

	31 Mar 2009	31 Mar 2008	31 Mar 2007	31 Mar 2006
	Year End	Year End	Year End	Year End
	% Original	% Original	% Restated	% Original
<b>A. Interest Ratios</b>				
1. Interest Income on Loans/ Average Gross Loans	n.a.	n.a.	n.a.	n.a.
2. Interest Expense on Customer Deposits/ Average Customer Deposits	n.a.	5.07	4.61	4.35
3. Interest Income/ Average Earning Assets	4.47	6.83	6.59	6.39
4. Interest Expense/ Average Interest-bearing Liabilities	4.28	6.03	5.29	5.07
5. Net Interest Income/ Average Earning Assets	0.64	0.84	0.86	1.11
6. Net Int. Inc Less Loan Impairment Charges/ Av. Earning Assets	0.34	0.76	0.81	1.04
<b>B. Other Operating Profitability Ratios</b>				
1. Non-Interest Income/ Gross Revenues	70.87	77.01	73.98	86.44
2. Non-Interest Expense/ Gross Revenues	62.22	76.76	97.41	77.78
3. Non-Interest Expense/ Average Assets	1.33	1.90	1.86	3.49
4. Pre-impairment Op. Profit/ Average Equity	21.58	12.63	3.85	21.83
5. Pre-impairment Op. Profit/ Average Total Assets	0.88	0.69	0.21	1.19
6. Loans and securities impairment charges/ Pre-impairment Op. Profit	80.83	44.93	15.56	5.65
7. Operating Profit/ Average Equity	4.14	6.95	3.25	20.59
8. Operating Profit/ Average Total Assets	0.17	0.38	0.18	1.12
9. Taxes/ Pre-tax Profit	-5.85	8.26	9.92	24.03
<b>C. Other Profitability Ratios</b>				
1. Net Income/ Average Total Equity	9.82	8.43	21.99	18.53
2. Net Income/ Average Total Assets	0.40	0.46	1.23	1.01
3. Fitch Comprehensive Income/ Average Total Equity	3.32	196.28	36.33	21.85
4. Fitch Comprehensive Income/ Average Total Assets	0.13	10.66	2.03	1.19
5. Net Income/ Av. Total Assets plus Av. Managed Assets	n.a.	n.a.	n.a.	n.a.
<b>D. Capitalization</b>				
1. Fitch Eligible Capital/ Regulatory Weighted Risks	18.27	19.43	23.21	36.07
2. Tangible Common Equity/ Tangible Assets	4.37	3.80	4.84	4.31
3. Tangible Common Equity/ Total Business Volume	4.20	3.63	4.48	3.94
4. Tier 1 Regulatory Capital Ratio	11.40	12.38	15.00	12.40
5. Total Regulatory Capital Ratio	14.40	17.73	15.50	14.10
6. Fitch Eligible Capital/ Tier 1 Regulatory Capital	159.85	156.96	155.02	291.62
7. Equity/ Total Assets	4.62	3.94	5.23	4.66
8. Cash Dividends Paid & Declared/ Net Income	120.90	2,570.12	41.06	56.82
9. Cash Dividend Paid & Declared/ Fitch Comprehensive Income	357.14	110.45	24.86	48.20
10. Net Income - Cash Dividends/ Total Equity	-2.01	-274.46	12.12	8.01
<b>E. Loan Quality</b>				
1. Growth of Total Assets	-14.37	11.66	28.41	n.a.
2. Growth of Gross Loans	-15.00	26.73	30.15	n.a.
3. Impaired Loans(NPLs)/ Gross Loans	2.59	0.40	0.35	0.41
4. Reserves for Impaired Loans/ Gross loans	1.17	0.35	0.34	0.36
5. Reserves for Impaired Loans/ Impaired Loans	44.93	86.89	97.59	86.84
6. Impaired Loans less Reserves for Imp Loans/ Equity	12.26	0.53	0.06	0.40
7. Loan Impairment Charges/ Average Gross Loans	0.80	0.17	0.08	n.a.
8. Net Charge-offs/ Average Gross Loans	0.01	-0.05	-0.02	n.a.
9. Impaired Loans + Foreclosed Assets/ Gross Loans + Foreclosed Assets	n.a.	n.a.	n.a.	n.a.
<b>F. Funding</b>				
1. Loans/ Customer Deposits	239.07	390.39	386.58	397.54
2. Interbank Assets/ Interbank Liabilities	205.78	165.22	275.73	219.07

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