

Australia
Full Rating Report

Macquarie Bank Ltd.

Ratings

Foreign Currency	
Long-Term IDR	A+
Short-Term IDR	F1
Individual Rating	B
Support Rating	3
Support Rating Floor	BB
Sovereign Risk	
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

Macquarie Bank Ltd.

	31 Mar 10	31 Mar 09
Total assets (USDm)	119,168	89,625
Total assets (AUDm)	130,110	130,405
Total equity (AUDm)	8,043	6,019
Operating profit (AUDm)	560	301
Published net income (AUDm)	697	657
Comprehensive income (AUDm)	788	503
Operating ROAA (%)	0.43	0.21
Operating ROAE (%)	8.19	5.10
Eligible capital/ weighted risks (%)	14.20	13.20
Tier 1 ratio (%)	11.54	11.43

Analysts

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Applicable Criteria

- *Global Financial Institutions Rating Criteria (August 2010)*

Other Research

- *Macquarie Group Limited (September 2010)*

Rating Rationale

- Macquarie Bank Ltd.'s (MBL) Long- and Short-Term IDRs and Individual Rating reflect a diverse business mix, prudent risk management and strong liquidity and capitalisation while taking into account some earnings volatility. 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 undertook a number of strategic acquisitions during the financial year ended 31 March 2010 (FY10). In particular, the bank significantly increased the scale and reach of its funds management operations through the acquisition of US-based Delaware Investments. Given MBL's strong balance sheet, further opportunistic acquisitions may be undertaken during FY11.
- Deposit growth has been strong since FYE08 and was further boosted post-FYE10 with the transfer of AUD9.6bn from MBL's off-balance-sheet cash management trust to an on-balance-sheet cash management account.
- In the wholesale funding portfolio, MBL has significantly reduced its reliance on short-term issuance (27% of wholesale funding matures during FY11, down from 39% in FY10) while lengthening the average term to maturity across the portfolio, in part through the use of an Australian government guarantee.
- Guaranteed issuance was largely purchased by a different investor base to that which would normally buy MBL debt. While this may pose some challenges in refinancing the guaranteed debt, concentrations in maturities appear manageable while MBL's strong liquidity position can assist if required.
- At FYE10, cash and liquid assets totalled AUD20.1bn; while this was down 21% from FYE09, MBL still maintains a relatively liquid balance sheet. The bank reported a Tier 1 capital ratio of 11.5% at 31 March 2010, while its core Tier 1 ratio (net Tier 1 less hybrids/risk-weighted assets; RWAs) was 10.6%; both ratios are high relative to other Australian banks'.
- Operating profit grew by 86% in FY10, reflecting a substantial decline in impairment charges and growth in net interest income. Asset quality also improved, with gross impaired assets falling to 2.01% of gross loans at FYE10 (FYE09: 2.59%).

Support

- Fitch Ratings 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 the strong liquidity and capital positions of the bank. A significant erosion of these positions, combined 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

History

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.

Structure

MBL is one of two main subsidiaries of MGL, a non-operating holding company and listed parent of the Macquarie group – the other main subsidiary is Macquarie Financial Holdings Limited (MFHL; 'A'/Stable). MBL is the main operating entity within the more traditional banking activities of MGL. While the restructure in 2007 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 all operating groups and divisions of MGL except the Macquarie Capital group. Details of these businesses can be found in Fitch's latest full rating report on MGL (see *Related Research* on the front page). 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 or wound down during the global financial crisis, while its capital and liquidity positions were bolstered. MBL has used the strengthened balance sheet to make strategic acquisitions, including Delaware Investments, a US-based asset management company with assets under management of USD125bn, which has significantly increased the scale and reach of its existing funds management business. Further opportunistic acquisitions are possible during FY11.

Governance

There were several changes to MBL's board composition during FY10: an executive director retired in July 2009 and an independent director was appointed in March 2010. In addition, David Clarke returned as Chairman on 31 August 2009 after a nine-month leave of absence. At FYE10, MGL's board consisted of a non-executive chairman, two executive directors and seven 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 encompasses the previous group structure and therefore complicates any comparison with later reporting periods.

Operating profit increased by 86% to AUD560m in FY10, largely reflecting a 61% decline in impairment charges and 37% growth in net interest income. However, net profit after tax was up by a more modest 6%, reflecting a fall in non-operating items (gains on the sale of associates and joint ventures, gains on the change in ownership of businesses held for sale and gains on the repurchase of subordinated debt) and an income tax expense of AUD65m in FY10, following an income tax benefit of AUD32m in FY09.

Operating Revenues

Operating revenue grew by 1% in FY10 (see Table 1), although the composition changed somewhat: net interest income grew by 37% while net trading income fell by 20%. The following sections provide more detail on the individual components.

Table 1: Operating Revenue and Expense Growth and Mix

	FY10		FY09	
	(AUDm)	(%) ^a	(AUDm)	(%) ^a
Net interest income	1,348	41	984	30
Net fee and commission income	488	15	486	15
Net trading income	1,237	37	1,545	47
Other operating revenue	232	7	250	8
Operating revenue	3,305	100	3,265	100
Personnel expenses	1,089	46	887	46
Other operating expenses	1,253	54	1,048	54
Operating expenses	2,342	100	1,935	100

^a % of operating revenue and expense, respectively

Source: MBL 2010 annual report and Fitch

Net Interest Income

Net interest income grew by 37% in FY10 despite a 4% decline in the loan portfolio. Growth was driven by a change in the lending mix: higher-yielding corporate loans grew 64% to AUD13.6bn, offsetting a reduction in the balance of the lower-yielding Australian mortgage portfolio and the full-year impact of the sale of MBL's margin lending business in January 2009.

Net interest income was the largest contributor to operating revenue in FY10, surpassing net trading income. Given MBL's increased focus on higher-yielding lending it is likely to remain elevated in FY11.

Net Fee and Commission Income

Net fee and commission income was flat during FY10; growth of 4% in fee and commission income was offset by an 8% increase in brokerage and commission expense. Growth in fee and commission income was driven by a 22% increase in base and performance fee income from MBL's asset management operations. Base fees are highly correlated with the level of assets under management (AUM) and growth of 15% in FY10 was driven by a significant rise in AUM following the acquisition of Delaware Investments. Further strong growth is likely in FY11 given that MBL only acquired Delaware Investments in January 2010, less than three months before FYE10. Performance fees (which are paid when managed funds or assets outperform pre-determined benchmarks) tripled in FY10, although at AUD45m they were still low by historical standards.

The remaining fee and commission revenue comes from a variety of sources including (but not limited to) brokerage and commission, platform and other administration fee income, income from wealth management, and merger and acquisition, advisory and underwriting fees. Income from these sources is influenced by market performance, although some items (such as brokerage income) benefit from volatility and increased turnover.

Net Trading Income

At 37% of operating revenue, net trading income is the second-largest component following net interest income. Both equities and commodities trading income (AUD555m and AUD663m, respectively) grew solidly during FY10, reflecting greater transaction volumes in improved market conditions relative to FY09. Conversely, reduced market volatility affected income from MBL's foreign-exchange trading (AUD104m), while interest rate trading income (AUD133m) declined due to a negative fair-value adjustment on fixed-rate issued debt. In general, net trading income benefits from improved market conditions, although certain products (eg foreign exchange) profit from increased volatility and turnover.

Other Operating Revenue

Other operating revenue fell by 7% during FY10, largely due to a reduction in profit from associates and joint ventures.

Operating Expenses

Growth of 21% was driven by an increase in employee expenses of 23% during FY10. This growth largely reflected a 34% rise in employee numbers during the year, in part the result of MBL's acquisitions. Occupancy expenses also rose as a result of the increased employee numbers, while integration costs grew following a number of acquisitions during the year.

Despite the increase, staff costs remained at 46% of total expenses in FY10, which is low historically. Given recent hiring by global investment banks, staff retention is an issue for MBL, although this may ease somewhat if the slowdown in the global economic recovery continues through the remainder of 2010 and into 2011.

Impairment Charges

Impairment charges fell by 61% to AUD403m in FY10, equating to 42% of pre-impairment operating profit (FY09: AUD1,029m and 77%, respectively). They primarily consisted of loan impairment charges (AUD210m) and the impairment and write-down of equity investments (AUD186m). Loan impairment charges related mostly to leasing and lending in corporate and asset finance as well as real estate and resource exposures, while the equity impairment predominantly stemmed from MBL's investment in real-estate funds.

Impairment charges may moderate further in FY11, subject to the performance of global markets. Nevertheless, the large decline in charges during FY10 is unlikely to be repeated, given the one-off impact in FY09 of losses on the sale of MBL's Italian mortgage portfolio (AUD189m).

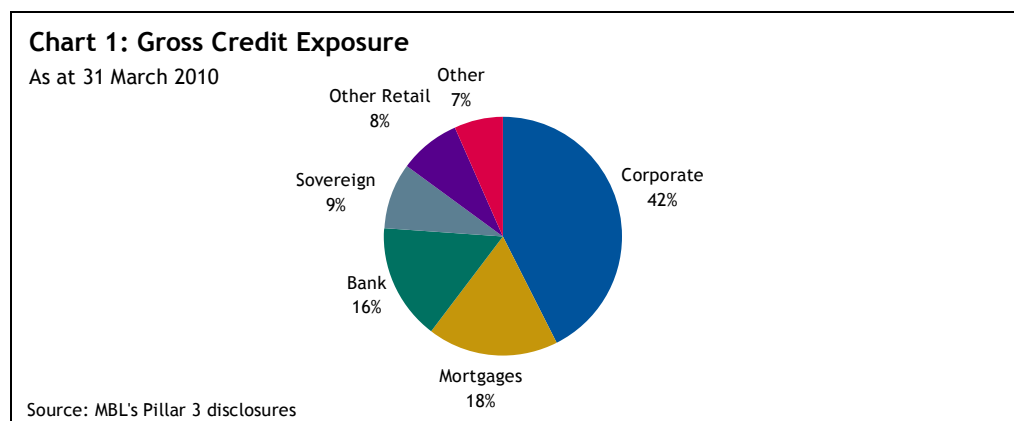
Outlook

MBL's performance is materially influenced by market conditions, although the expansion of the bank's fund management operations should increase the proportion of income from more stable base fees in FY11. Nevertheless, lower confidence in global markets affected a number of MBL's businesses in Q1FY11, although the bank has indicated that impairment and other one-off charges fell in the period.

However, MBL maintains a strong balance sheet, with strong liquidity and capital positions. This provides the bank a solid platform to weather weakening in the operating environment while allowing it to take advantage of business opportunities should they emerge.

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 full rating report on MGL (see *Related Research* on the front page).



Credit Risk

Credit risk accounted for 74% of MBL's RWAs at FYE10 and is primarily generated through MBL'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.

Loans (38% of total assets)

Included in this category are loans at amortised cost (AUD43.8bn), loans at fair value (AUD2.6bn) and those due from related entities (AUD2.4bn). Within the loans at amortised costs, 47% were securitised at FYE10 (ie non-recourse to MBL), while an intra-group loan from MBL to MGL accounts for AUD1.2bn 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.

MBL's impaired loans fell by 25% in FY10 following an almost six-fold increase in FY09 and reflected the impact of an improved operating environment on the bank's loan portfolio, particularly in the real estate and resources sectors. At AUD1.0bn, gross impaired loans equated to 2.01% of gross loans (FY09: AUD1.34bn and 2.59%, respectively). Net of individual provisions, impaired loans equated to 11% of Tier 1 capital (FYE09: 21%). The improvement in FY10 notwithstanding, further asset quality deterioration is possible during FY11 although significant declines are only likely if the global recovery stalls.

Securities Holdings (29% of total assets)

MBL's securities holdings include trading assets (AUD11.3bn), available-for-sale (AFS) investment securities (AUD16.8bn), investment securities at fair value (AUD4.5bn) and life insurance assets (AUD4.9bn).

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

AFS investment securities consisted largely of debt securities (96%), with a modest exposure to equity securities accounting for the rest. 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. At FYE10, AUD143m, or 0.9% of debt AFS investment securities were deemed impaired, covered by AUD115m of individual provisions. MBL recorded an impairment charge of AUD101m over AFS investment securities (both debt and equity) in FY10.

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

Other Assets

At 17%, derivatives were the only other asset class accounting for more than 10% of MBL's total assets at FYE10. As mentioned previously, these are used primarily for client transactions or hedging purposes.

Equity Risk

MBL's investments in Macquarie-managed funds and other equity investments give rise to equity risk. These exposures totalled AUD1.6bn at FYE10, down from AUD2.1bn at FYE09. As noted previously, MBL reported a charge of AUD186m against these exposures in FY10; this largely stemmed from fund exposures in the real-estate banking division. 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 14% of RWAs at FYE10. 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

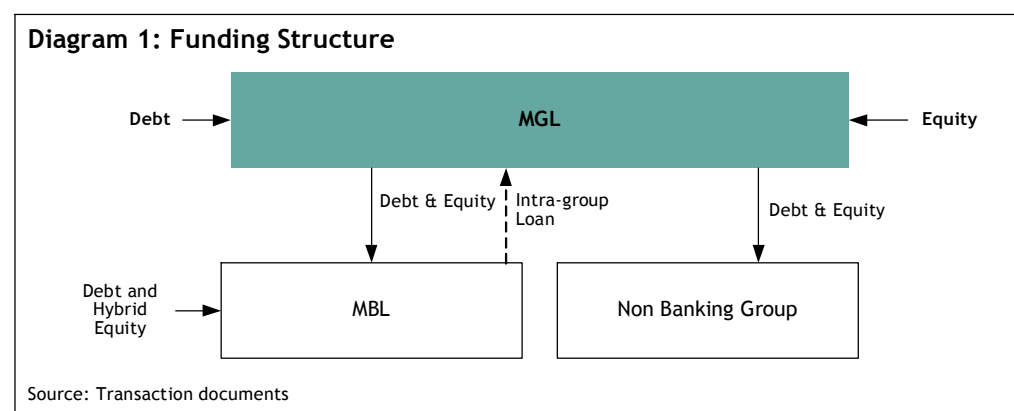
Market risk in MBL is generated primarily through the bank's trading activities (5% of RWAs at FYE10), although there is a level of non-traded market risk that arises due to its lending activities, foreign operations and non-trading holdings of investment securities (less than 1% of RWAs at FYE10).

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). MBL calculates VaR using a 99% confidence interval and 10-day holding period; on this basis, the bank's maximum aggregate VaR for FY10 was AUD21.62m, while the average was AUD13.06m (FY09: AUD18.35m and AUD11.69m, respectively). While VaR is utilised, a more severe scenario model called the macro-economic linkages model (MEL), is used to constrain aggregate market risk. The MEL model includes large, simultaneous, "worst-case" movements across a number of different global markets – MBL indicates that in most cases these movements were more severe than those observed during the global financial crisis, eg declines in global equity markets of between 20-30% and interest rate volatility of 50-200bp.

Funding, Liquidity and Capital

Funding

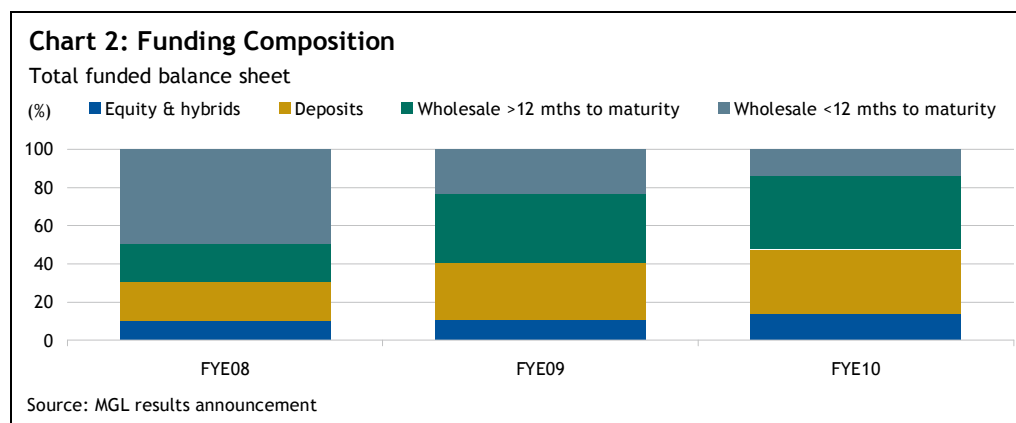
Diagram 1 highlights the funding structure of the main entities within the Macquarie group. MGL provides ordinary equity to MBL, but the bank meets its own debt funding requirements: it retains its wholesale debt funding programmes as well as having the ability to raise deposits.



While MBL's on-balance-sheet assets totalled AUD130.1bn at FYE10, assets for which MBL was required to source funding were a much lower AUD59.2bn (FYE09: AUD130.4bn and AUD61.6bn, 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).

MBL continued to reduce its reliance on short-term wholesale funding during FY10, replacing it with increased holdings of capital, long-term debt and deposits (see

Chart 2 for more detail). Retail deposits have been the main driver of deposit growth, standing at AUD15.5bn (79% of total deposits) at 31 March 2010 (FYE09: AUD13.4bn and 72%, respectively). This balance grew by a further AUD9.6bn on 31 July 2010 following the transfer of customers from MBL's off-balance-sheet cash management trust to an on-balance-sheet cash management account. Some attrition of deposit balances may occur as yields on alternative investments improve, although MBL has indicated that the 'stickiness' of its deposit book has improved substantially in recent years, with reduced average balances and a much broader customer base.



Growth in long-term debt was driven largely by government-guaranteed issuance – MBL, as an authorised deposit-taking institution in Australia, was eligible to utilise the Australian government guarantee on wholesale funding for the period it was in place (November 2008 to March 2010). The bank took advantage of the guarantee to strengthen its balance sheet; at FYE10, it had AUD12bn of guaranteed debt outstanding. The weighted average term to maturity of MBL's long-term debt has decreased to 3.8 years at FYE10 from 4.1 years at FYE09. Guaranteed debt typically attracted a different investor category to that which would buy unguaranteed Australian bank paper; while this may make refinancing guaranteed debt more challenging, concentrations in maturities appear manageable, while MBL has a significant liquidity buffer which could assist in this process.

While securitisation has been used in the past (primarily to finance mortgages and auto and equipment receivables), only AUD3.1bn of deals were completed during FY10. At FYE10, AUD14.8bn of securitised assets were included on MBL's balance sheet (FYE09: AUD20.4bn).

Liquidity

Day-to-day liquidity management is the responsibility of the group treasury, with oversight from the group assets and liabilities 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 APRA, with funding diversity and stability a key priority.

The MBL liquidity policy requires that it is able to meet all of its liquidity obligations on a daily basis during a 12-month period with no access to funding markets and only a limited reduction in the core operations of the group. As a result, MBL is largely funded through capital, long-term debt and deposits. Scenario analysis is used to test MBL's liquidity position under various degrees of constrained capital markets access.

Although the level of liquid assets declined by 21% in FY10, MBL maintains a very liquid balance sheet – at FYE10 liquid assets totalled AUD20.1bn, or 34% of total funded assets (FYE09: AUD25.5bn and 41%, respectively). All of these assets are

highly liquefiable, either directly in the market or through repurchase agreements with central banks.

Fitch expects Australian banks to maintain high liquid asset holdings through the remainder of 2010 while global regulators finalise new bank liquidity requirements. MBL appears reasonably well positioned to meet these proposals as they currently stand, although until these rules are finalised the exact impact will be unknown.

Capital

MBL reported a Tier 1 capital ratio of 11.5% and a total capital ratio of 13.3% at 31 March 2010. Core Tier 1, which excludes hybrid instruments, equated to 10.6% of RWAs at FYE10. These ratios are high in the context of Australian banks and, given the nature of MBL's operations, Fitch expects them to remain at elevated levels through FY10 and beyond.

As with liquidity, global regulators are proposing changes to the way in which banks calculate regulatory capital. The rules are yet to be finalised so the exact impact is unknown, although Fitch believes Australian banks are reasonably placed to meet more stringent rules following sizeable equity raisings over the past 24 months.

Macquarie Bank Ltd. Income Statement

	31 Mar 2010			31 Mar 2009			31 Mar 2008		31 Mar 2007	
	Year End	Year End	As % of	Year End	As % of	Year End	As % of	Year End	As % of	
	USDm	AUDm	Earning	AUDm	Earning	AUDm	Earning	AUDm	Earning	
	Unqualified	Unqualified	Assets	Unqualified	Assets	Unqualified	Assets	Unqualified	Assets	
1. Interest Income on Loans	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-	
2. Other Interest Income	3,986.9	4,353.0	3.59	6,267.0	5.00	6,647.0	4.49	4,450.0	3.56	
3. Dividend Income	21.1	23.0	0.02	19.0	0.02	59.0	0.04	67.0	0.05	
4. Gross Interest and Dividend Income	4,008.0	4,376.0	3.61	6,286.0	5.01	6,706.0	4.53	4,517.0	3.61	
5. Interest Expense on Customer Deposits	n.a.	n.a.	-	n.a.	-	841.0	0.57	480.0	0.38	
6. Other Interest Expense	2,773.4	3,028.0	2.50	5,302.0	4.23	4,953.0	3.34	3,359.0	2.69	
7. Total Interest Expense	2,773.4	3,028.0	2.50	5,302.0	4.23	5,794.0	3.91	3,839.0	3.07	
8. Net Interest Income	1,234.6	1,348.0	1.11	984.0	0.78	912.0	0.62	678.0	0.54	
9. Net Gains (Losses) on Trading and Derivatives	1,133.0	1,237.0	1.02	1,545.0	1.23	2,023.0	1.37	929.0	0.74	
10. Net Gains (Losses) on Other Securities	38.5	42.0	0.03	-6.0	0.00	107.0	0.07	74.0	0.06	
11. Net Gains (Losses) on Assets at FV through Income Statement	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-	
12. Net Insurance Income	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-	
13. Net Fees and Commissions	447.0	488.0	0.40	486.0	0.39	522.0	0.35	520.0	0.42	
14. Other Operating Income	167.6	183.0	0.15	158.0	0.13	122.0	0.08	163.0	0.13	
15. Total Non-Interest Operating Income	1,786.0	1,950.0	1.61	2,183.0	1.74	2,774.0	1.87	1,686.0	1.35	
16. Personnel Expenses	997.4	1,089.0	0.90	887.0	0.71	2,028.0	1.37	1,709.0	1.37	
17. Other Operating Expenses	1,147.6	1,253.0	1.03	1,048.0	0.84	737.0	0.50	511.0	0.41	
18. Total Non-Interest Expenses	2,145.0	2,342.0	1.93	1,935.0	1.54	2,765.0	1.87	2,220.0	1.78	
19. Equity-accounted Profit/ Loss - Operating	6.4	7.0	0.01	98.0	0.08	160.0	0.11	198.0	0.16	
20. Pre-Impairment Operating Profit	882.0	963.0	0.79	1,330.0	1.06	1,081.0	0.73	342.0	0.27	
21. Loan Impairment Charge	167.6	183.0	0.15	432.0	0.34	84.0	0.06	35.0	0.03	
22. Securities and Other Credit Impairment Charges	201.5	220.0	0.18	597.0	0.48	364.0	0.25	5.0	0.00	
23. Operating Profit	512.9	560.0	0.46	301.0	0.24	633.0	0.43	302.0	0.24	
24. Equity-accounted Profit/ Loss - Non-operating	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-	
25. Non-recurring Income	50.4	55.0	0.05	n.a.	-	94.0	0.06	385.0	0.31	
26. Non-recurring Expense	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-	
27. Change in Fair Value of Own Debt	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-	
28. Other Non-operating Income and Expenses	134.6	147.0	0.12	324.0	0.26	83.0	0.06	33.0	0.03	
29. Pre-tax Profit	697.9	762.0	0.63	625.0	0.50	810.0	0.55	720.0	0.58	
30. Tax expense	59.5	65.0	0.05	-32.0	-0.03	60.0	0.04	63.0	0.05	
31. Profit/Loss from Discontinued Operations	n.a.	n.a.	-	0.0	0.00	15,030.0	10.15	894.0	0.72	
32. Net Income	638.4	697.0	0.57	657.0	0.52	15,780.0	10.65	1,551.0	1.24	
33. Change in Value of AFS Investments	172.2	188.0	0.15	-52.0	-0.04	-172.0	-0.12	77.0	0.06	
34. Revaluation of Fixed Assets	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-	
35. Currency Translation Differences	-153.0	-167.0	-0.14	39.0	0.03	-21.0	-0.01	-3.0	0.00	
36. Remaining OCI Gains/(losses)	64.1	70.0	0.06	-141.0	-0.11	-5.0	0.00	-12.0	-0.01	
37. Fitch Comprehensive Income	721.7	788.0	0.65	503.0	0.40	15,582.0	10.52	1,613.0	1.29	
38. Memo: Profit Allocation to Non-controlling Interests	11.9	13.0	0.01	48.0	0.04	0.0	0.00	3.0	0.00	
39. Memo: Net Income after Allocation to Non-controlling Interests	626.5	684.0	0.56	609.0	0.49	666.0	0.45	1,548.0	1.24	
40. Memo: Common Dividends Relating to the Period	444.2	485.0	0.40	345.0	0.28	17,117.0	11.56	602.0	0.48	
41. Memo: Preferred Dividends Related to the Period	26.6	29.0	0.02	78.0	0.06	84.0	0.06	85.0	0.07	

Exchange rate

USD1 = AUD1.09182

USD1 = AUD1.45500

USD1 = AUD1.12000

USD1 = AUD1.23916

Macquarie Bank Ltd. Balance Sheet

	31 Mar 2010			31 Mar 2009		31 Mar 2008		31 Mar 2007	
	Year End USDm	Year End AUDm	As % of Assets	Year End AUDm	As % of Assets	Year End AUDm	As % of Assets	Year End AUDm	As % of Assets
Assets									
A. Loans									
1. Residential Mortgage Loans	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
2. Other Mortgage Loans	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
3. Other Consumer/ Retail Loans	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
4. Corporate & Commercial Loans	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
5. Other Loans	45,241.0	49,395.0	37.96	51,674.0	39.63	60,764.0	39.90	47,948.0	35.16
6. Less: Reserves for Impaired Loans/ NPLs	516.6	564.0	0.43	629.0	0.48	212.0	0.14	162.0	0.12
7. Net Loans	44,724.4	48,831.0	37.53	51,045.0	39.14	60,552.0	39.76	47,786.0	35.04
8. Gross Loans	45,241.0	49,395.0	37.96	51,674.0	39.63	60,764.0	39.90	47,948.0	35.16
9. Memo: Impaired Loans included above	910.4	994.0	0.76	1,340.0	1.03	244.0	0.16	166.0	0.12
10. Memo: Loans at Fair Value included above	2,423.5	2,646.0	2.03	2,476.0	1.90	3,136.0	2.06	1,990.0	1.46
B. Other Earning Assets									
1. Loans and Advances to Banks	11,516.6	12,574.0	9.66	14,703.0	11.27	28,447.0	18.68	32,029.0	23.48
2. Trading Securities and at FV through Income	10,251.7	11,193.0	8.60	8,601.0	6.60	15,121.0	9.93	15,431.0	11.31
3. Derivatives	19,728.5	21,540.0	16.56	27,335.0	20.96	20,952.0	13.76	11,913.0	8.73
4. Available for Sale Securities	15,351.4	16,761.0	12.88	14,544.0	11.15	14,736.0	9.68	6,060.0	4.44
5. Held to Maturity Securities	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
6. At-equity Investments in Associates	838.1	915.0	0.70	1,571.0	1.20	1,956.0	1.28	4,071.0	2.98
7. Other Securities	4,102.3	4,479.0	3.44	3,065.0	2.35	499.0	0.33	789.0	0.58
8. Total Securities	50,272.0	54,888.0	42.19	55,116.0	42.27	53,264.0	34.97	38,264.0	28.06
9. Memo: Government Securities included Above	3,501.5	3,823.0	2.94	4,523.0	3.47	1,322.0	0.87	427.0	0.31
10. Investments in Property	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
11. Insurance Assets	4,445.8	4,854.0	3.73	4,314.0	3.31	5,705.0	3.75	5,847.0	4.29
12. Other Earning Assets	166.7	182.0	0.14	227.0	0.17	139.0	0.09	1,081.0	0.79
13. Total Earning Assets	111,125.5	121,329.0	93.25	125,405.0	96.17	148,107.0	97.25	125,007.0	91.65
C. Non-Earning Assets									
1. Cash and Due From Banks	0.0	0.0	0.00	141.0	0.11	7.0	0.00	3.0	0.00
2. Memo: Mandatory Reserves included above	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
3. Foreclosed Real Estate	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
4. Fixed Assets	127.3	139.0	0.11	88.0	0.07	44.0	0.03	378.0	0.28
5. Goodwill	346.2	378.0	0.29	189.0	0.14	70.0	0.05	39.0	0.03
6. Other Intangibles	522.1	570.0	0.44	148.0	0.11	63.0	0.04	61.0	0.04
7. Current Tax Assets	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
8. Deferred Tax Assets	341.6	373.0	0.29	93.0	0.07	78.0	0.05	457.0	0.34
9. Discontinued Operations	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
10. Other Assets	6,705.3	7,321.0	5.63	4,341.0	3.33	3,925.0	2.58	10,444.0	7.66
11. Total Assets	119,168.0	130,110.0	100.00	130,405.0	100.00	152,294.0	100.00	136,389.0	100.00
Liabilities and Equity									
D. Interest-Bearing Liabilities									
1. Customer Deposits - Current	20,413.6	22,288.0	17.13	21,603.0	16.57	15,565.0	10.22	12,403.0	9.09
2. Customer Deposits - Savings	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
3. Customer Deposits - Term	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
4. Total Customer Deposits	20,413.6	22,288.0	17.13	21,603.0	16.57	15,565.0	10.22	12,403.0	9.09
5. Deposits from Banks	8,580.2	9,368.0	7.20	7,145.0	5.48	17,218.0	11.31	11,616.0	8.52
6. Other Deposits and Short-term Borrowings	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
7. Total Deposits, Money Market and Short-term Funding	28,993.8	31,656.0	24.33	28,748.0	22.05	32,783.0	21.53	24,019.0	17.61
8. Senior Debt Maturing after 1 Year	43,428.4	47,416.0	36.44	51,602.0	39.57	62,532.0	41.06	51,365.0	37.66
9. Subordinated Borrowing	1,285.9	1,404.0	1.08	1,942.0	1.49	1,691.0	1.11	1,783.0	1.31
10. Other Funding	2,412.5	2,634.0	2.02	3,878.0	2.97	n.a.	-	n.a.	-
11. Total Long Term Funding	47,126.8	51,454.0	39.55	57,422.0	44.03	64,223.0	42.17	53,148.0	38.97
12. Derivatives	19,814.6	21,634.0	16.63	27,273.0	20.91	21,154.0	13.89	11,069.0	8.12
13. Trading Liabilities	4,507.2	4,921.0	3.78	1,980.0	1.52	10,716.0	7.04	15,922.0	11.67
14. Total Funding	100,442.4	109,665.0	84.29	115,423.0	88.51	128,876.0	84.62	104,158.0	76.37
E. Non-Interest Bearing Liabilities									
1. Fair Value Portion of Debt	n.a.	n.a.	-	n.a.	-	900.0	0.59	2,117.0	1.55
2. Credit impairment reserves	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
3. Reserves for Pensions and Other	65.0	71.0	0.05	76.0	0.06	87.0	0.06	153.0	0.11
4. Current Tax Liabilities	69.6	76.0	0.06	111.0	0.09	27.0	0.02	132.0	0.10
5. Deferred Tax Liabilities	250.0	273.0	0.21	72.0	0.06	193.0	0.13	78.0	0.06
6. Other Deferred Liabilities	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
7. Discontinued Operations	0.0	0.0	0.00	0.0	0.00	0.0	0.00	0.0	0.00
8. Insurance Liabilities	4,454.9	4,864.0	3.74	4,312.0	3.31	5,689.0	3.74	5,781.0	4.24
9. Other Liabilities	6,161.3	6,727.0	5.17	4,001.0	3.07	10,137.0	6.66	16,451.0	12.06
10. Total Liabilities	111,443.3	121,676.0	93.52	123,995.0	95.08	145,909.0	95.81	128,870.0	94.49
F. Hybrid Capital									
1. Pref. Shares and Hybrid Capital accounted for as Debt	0.0	0.0	0.00	0.0	0.00	0.0	0.00	0.0	0.00
2. Pref. Shares and Hybrid Capital accounted for as Equity	358.1	391.0	0.30	391.0	0.30	391.0	0.26	391.0	0.29
G. Equity									
1. Common Equity	7,444.5	8,128.0	6.25	5,810.0	4.46	5,164.0	3.39	6,035.0	4.42
2. Non-controlling Interest	77.9	85.0	0.07	410.0	0.31	834.0	0.55	857.0	0.63
3. Securities Revaluation Reserves	175.9	192.0	0.15	4.0	0.00	56.0	0.04	228.0	0.17
4. Foreign Exchange Revaluation Reserves	-220.7	-241.0	-0.19	-9.0	-0.01	n.a.	-	n.a.	-
5. Fixed Asset Revaluations and Other Accumulated OCI	-110.8	-121.0	-0.09	-196.0	-0.15	-60.0	-0.04	8.0	0.01
6. Total Equity	7,366.6	8,043.0	6.18	6,019.0	4.62	5,994.0	3.94	7,128.0	5.23
7. Total Liabilities and Equity	119,168.0	130,110.0	100.00	130,405.0	100.00	152,294.0	100.00	136,389.0	100.00
8. Memo: Fitch Core Capital	5,799.5	6,332.0	4.87	4,557.0	3.49	n.a.	-	n.a.	-
9. Memo: Fitch Eligible Capital	6,157.6	6,723.0	5.17	4,948.0	3.79	n.a.	-	n.a.	-

Exchange rate

USD1 = AUD1.09182

USD1 = AUD1.45500

USD1 = AUD1.12000

USD1 = AUD1.23916

Macquarie Bank Ltd. Summary Analytics

	31 Mar 2010	31 Mar 2009	31 Mar 2008	31 Mar 2007
	Year End	Year End	Year End	Year End
A. Interest Ratios				
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.	n.a.	5.07	4.61
3. Interest Income/ Average Earning Assets	3.57	4.47	6.83	6.59
4. Interest Expense/ Average Interest-bearing Liabilities	2.73	4.24	5.97	5.20
5. Net Interest Income/ Average Earning Assets	1.10	0.70	0.93	0.99
6. Net Int. Inc Less Loan Impairment Charges/ Av. Earning Assets	0.95	0.39	0.84	0.94
7. Net Interest Inc Less Preferred Stock Dividend/ Average Earning Assets	1.08	0.64	0.84	0.86
B. Other Operating Profitability Ratios				
1. Non-Interest Income/ Gross Revenues	59.13	68.93	75.26	71.32
2. Non-Interest Expense/ Gross Revenues	71.01	61.10	75.01	93.91
3. Non-Interest Expense/ Average Assets	1.81	1.33	1.90	1.86
4. Pre-impairment Op. Profit/ Average Equity	14.09	22.55	13.69	5.13
5. Pre-impairment Op. Profit/ Average Total Assets	0.74	0.92	0.74	0.29
6. Loans and securities impairment charges/ Pre-impairment Op. Profit	41.85	77.37	41.44	11.70
7. Operating Profit/ Average Equity	8.19	5.10	8.02	4.53
8. Operating Profit/ Average Total Assets	0.43	0.21	0.44	0.25
9. Taxes/ Pre-tax Profit	8.53	-5.12	7.41	8.75
10. Pre-Impairment Operating Profit / Risk Weighted Assets	2.03	3.55	2.94	0.87
11. Operating Profit / Risk Weighted Assets	1.18	0.80	1.72	0.77
C. Other Profitability Ratios				
1. Net Income/ Average Total Equity	10.19	11.14	199.85	23.26
2. Net Income/ Average Total Assets	0.54	0.45	10.86	1.30
3. Fitch Comprehensive Income/ Average Total Equity	11.53	8.53	197.34	24.19
4. Fitch Comprehensive Income/ Average Total Assets	0.61	0.35	10.72	1.35
5. Net Income/ Av. Total Assets plus Av. Managed Assets	n.a.	n.a.	n.a.	n.a.
6. Net Income/ Risk Weighted Assets	1.47	1.75	42.96	3.94
7. Fitch Comprehensive Income/ Risk Weighted Assets	1.66	1.34	42.42	4.10
D. Capitalization				
1. Fitch Eligible Capital/ Fitch Adjusted Weighted Risks	14.20	13.20	n.a.	n.a.
2. Tangible Common Equity/ Tangible Assets	5.49	4.37	3.80	4.84
3. Tangible Common Equity/ Total Business Volume	5.25	4.23	3.63	4.48
4. Tier 1 Regulatory Capital Ratio	11.54	11.43	12.38	15.00
5. Total Regulatory Capital Ratio	13.27	14.37	17.73	15.50
6. Fitch Eligible Capital/ Tier 1 Regulatory Capital	123.04	115.50	n.a.	n.a.
7. Equity/ Total Assets	6.18	4.62	3.94	5.23
8. Cash Dividends Paid & Declared/ Net Income	73.74	64.38	109.01	44.29
9. Cash Dividend Paid & Declared/ Fitch Comprehensive Income	65.23	84.10	110.39	42.59
10. Net Income - Cash Dividends/ Total Equity	2.28	3.89	-23.71	12.12
E. Loan Quality				
1. Growth of Total Assets	-0.23	-14.37	11.66	28.41
2. Growth of Gross Loans	-4.41	-14.96	26.73	30.15
3. Impaired Loans(NPLs)/ Gross Loans	2.01	2.59	0.40	0.35
4. Reserves for Impaired Loans/ Gross loans	1.14	1.22	0.35	0.34
5. Reserves for Impaired Loans/ Impaired Loans	56.74	46.94	86.89	97.59
6. Impaired Loans less Reserves for Imp Loans/ Equity	5.35	11.81	0.53	0.06
7. Loan Impairment Charges/ Average Gross Loans	0.38	0.80	0.17	0.08
8. Net Charge-offs/ Average Gross Loans	0.09	0.06	-0.05	-0.02
9. Impaired Loans + Foreclosed Assets/ Gross Loans + Foreclosed Assets	2.01	2.59	0.40	0.35
F. Funding				
1. Loans/ Customer Deposits	221.62	239.20	390.39	386.58
2. Interbank Assets/ Interbank Liabilities	134.22	205.78	165.22	275.73

Macquarie Bank Ltd. Reference Data

	31 Mar 2010			31 Mar 2009		31 Mar 2008		31 Mar 2007	
	Year End USDm	Year End AUDm	As % of Assets	Year End AUDm	As % of Assets	Year End AUDm	As % of Assets	Year End AUDm	As % of Assets
A. Off-Balance Sheet Items									
1. Managed Securitised Assets Reported Off-Balance Sheet	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
2. Other off-balance sheet exposure to securitizations	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
3. Guarantees	691.5	755.0	0.58	858.0	0.66	281.0	0.18	321.0	0.24
4. Acceptances and documentary credits reported off-balance sheet	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
5. Committed Credit Lines	3,654.4	3,990.0	3.07	2,805.0	2.15	5,550.0	3.64	7,850.0	5.76
6. Other Contingent Liabilities	249.1	272.0	0.21	275.0	0.21	1,212.0	0.80	2,052.0	1.50
7. Total Business Volume	123,763.1	135,127.0	103.86	134,343.0	103.02	159,337.0	104.62	146,612.0	107.50
8. Memo: Total Weighted Risks	43,352.4	47,333.0	36.38	37,475.0	28.74	36,730.0	24.12	39,386.0	28.88
9. Fitch Adjustments to Weighted Risks.	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
10. Fitch Adjusted Weighted Risks	43,352.4	47,333.0	36.38	37,475.0	28.74	36,730.0	24.12	39,386.0	28.88
B. Average Balance Sheet									
Average Loans	43,825.0	47,849.0	36.78	54,315.3	41.65	49,407.3	32.44	44,798.3	32.85
Average Earning Assets	112,219.0	122,523.0	94.17	140,479.0	107.73	98,186.0	64.47	68,567.0	50.27
Average Assets	118,550.0	129,435.3	99.48	145,264.3	111.39	145,344.0	95.44	119,604.0	87.69
Average Managed Assets (OBS)	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Average Interest-Bearing Liabilities	101,529.3	110,851.7	85.20	125,039.0	95.89	97,073.0	63.74	73,765.0	54.08
Average Common equity	6,212.8	6,783.3	5.21	5,255.7	4.03	6,495.0	4.26	5,085.0	3.73
Average Equity	6,262.0	6,837.0	5.25	5,898.3	4.52	7,896.0	5.18	6,667.0	4.89
Average Customer Deposits	19,659.8	21,465.0	16.50	17,962.7	13.77	16,599.0	10.90	10,408.0	7.63
C. Maturities									
Asset Maturities:									
Loans & Advances < 3 months	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Loans & Advances 3 - 12 Months	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Loans and Advances 1 - 5 Years	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Loans & Advances > 5 years	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Debt Securities < 3 Months	n.a.	n.a.	-	n.a.	-	11,506.0	7.56	3,308.0	2.43
Debt Securities 3 - 12 Months	n.a.	n.a.	-	n.a.	-	1,050.0	0.69	n.a.	-
Debt Securities 1 - 5 Years	n.a.	n.a.	-	n.a.	-	2,180.0	1.43	2,752.0	2.02
Debt Securities > 5 Years	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Interbank < 3 Months	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Interbank 3 - 12 Months	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Interbank 1 - 5 Years	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Interbank > 5 Years	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Liability Maturities:									
Retail Deposits < 3 months	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Retail Deposits 3 - 12 Months	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Retail Deposits 1 - 5 Years	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Retail Deposits > 5 Years	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Other Deposits < 3 Months	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Other Deposits 3 - 12 Months	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Other Deposits 1 - 5 Years	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Other Deposits > 5 Years	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Interbank < 3 Months	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Interbank 3 - 12 Months	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Interbank 1 - 5 Years	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Interbank > 5 Years	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Senior debt maturing < 1 year	n.a.	n.a.	-	n.a.	-	27,019.0	17.74	24,331.0	17.84
Senior debt maturing > 1 year	n.a.	n.a.	-	n.a.	-	6,180.0	4.06	7,102.0	5.21
Total Senior Debt on Balance Sheet	45,840.9	50,050.0	38.47	55,480.0	42.54	68,549.0	45.01	55,688.0	40.83
Fair Value Portion of Senior Debt	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Subordinated Debt maturing < 1 year	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Subordinated Debt maturing > 1 year	n.a.	n.a.	-	n.a.	-	2,337.0	1.53	2,671.0	1.96
Total Subordinated Debt on Balance Sheet	1,285.9	1,404.0	1.08	1,942.0	1.49	1,691.0	1.11	2,671.0	1.96
Fair Value Portion of Subordinated Debt	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
D. Equity Reconciliation									
1. Equity	7,366.6	8,043.0	6.18	6,019.0	4.62	5,994.0	3.94	7,128.0	5.23
2. Add: Pref. Shares and Hybrid Capital accounted for as Equity	358.1	391.0	0.30	391.0	0.30	391.0	0.26	391.0	0.29
3. Add: Other Adjustments	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
4. Published Equity	7,724.7	8,434.0	6.48	6,410.0	4.92	n.a.	-	n.a.	-
E. Fitch Eligible Capital Reconciliation									
1. Total Equity as reported (including non-controlling interests)	7,366.6	8,043.0	6.18	6,019.0	4.62	5,994.0	3.94	7,128.0	5.23
2. Fair value effect incl in own debt/borrowings at fv on the B/S- CC only	0.0	0.0	0.00	0.0	0.00	900.0	0.59	2,117.0	1.55
3. Non-loss-absorbing non-controlling interests	61.4	67.0	0.05	398.0	0.31	n.a.	-	n.a.	-
4. Goodwill	346.2	378.0	0.29	189.0	0.14	70.0	0.05	39.0	0.03
5. Other intangibles	522.1	570.0	0.44	148.0	0.11	63.0	0.04	61.0	0.04
6. Deferred tax assets deduction	91.6	100.0	0.08	21.0	0.02	78.0	0.05	457.0	0.34
7. Net asset value of insurance subsidiaries	467.1	510.0	0.39	566.0	0.43	n.a.	-	n.a.	-
8. Embedded value of insurance business	0.0	0.0	0.00	0.0	0.00	n.a.	-	n.a.	-
9. First loss tranches of off-balance sheet securitizations	78.8	86.0	0.07	140.0	0.11	n.a.	-	n.a.	-
10. Fitch Core Capital	5,799.5	6,332.0	4.87	4,557.0	3.49	n.a.	-	n.a.	-
11. Eligible weighted Hybrid capital	358.1	391.0	0.30	391.0	0.30	391.0	0.26	391.0	0.29
12. Government held Hybrid Capital	0.0	0.0	0.00	0.0	0.00	n.a.	-	n.a.	-
13. Fitch Eligible Capital	6,157.6	6,723.0	5.17	4,948.0	3.79	n.a.	-	n.a.	-
14. Eligible Hybrid Capital Limit	2,485.5	2,713.7	2.09	1,953.0	1.50	n.a.	-	n.a.	-

Exchange Rate

USD1 = AUD1.09182

USD1 = AUD1.45500

USD1 = AUD1.12000

USD1 = AUD1.23916

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