

Australia
Full Rating Report

Macquarie Group Limited

Ratings

Foreign Currency	
Long-Term IDR	A
Short-Term IDR	F1
Individual Rating	
Support Rating	B
Support Rating Floor	5
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 Group Limited		
	31 Mar 10	31 Mar 09
Total assets (USDm)	133,667	102,504
Total assets (AUDm)	145,940	149,144
Total equity (AUDm)	11,632	9,444
Operating profit (AUDm)	368	494
Published net income (AUDm)	1,093	974
Comprehensive income (AUDm)	1,194	460
Operating ROAA (%)	0.24	0.29
Operating ROAE (%)	3.36	4.97

Analysts

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Related Research

Applicable Criteria

- [Global Financial Institutions Rating Criteria \(August 2010\)](#)

Other Research

- [Macquarie Bank Ltd. \(September 2010\)](#)

Rating Rationale

- Macquarie Group Limited's (MGL) Long-Term IDR, Short-Term IDR and Individual Rating reflect a diverse business mix, a prudent risk management framework, and strong liquidity and capital positions while taking into account some earnings volatility. The Long-Term IDR of the group's banking subsidiary, Macquarie Bank Ltd. (MBL), is one notch higher than MGL's, reflecting MBL's lower risk profile relative to MGL.
- MGL was somewhat acquisitive during the financial year ended 31 March 2010 (FY10), using its relatively strong balance sheet to take advantage of opportunities in a number of business segments; further opportunistic acquisitions may be undertaken during FY11.
- As per Fitch Ratings' calculations, operating profit fell by 26% during FY10, reflecting some weakness in fees from MGL's investment banking operations, increased staff costs and equity-accounted losses, partially offset by a significant fall in impairment charges. Revenues may come under some pressure in FY11, particularly if the operating environment remains subdued, although MGL should benefit from a full-year contribution from its FY10 acquisitions.
- Asset quality improved during FY10, with impaired loans falling to 2.20% of gross loans (FY09: 2.85%), while impairment charges fell by 62% to AUD686m.
- The group's funding profile has been strengthened during the crisis, with an increased focus on deposits and long-term wholesale funding at the expense of short-term wholesale funding; just 28% of MGL's wholesale funding matures during FY11.
- MGL's liquidity remains sound, despite a 27% decline in the group's liquid assets to AUD22bn during FY10. MGL's liquid asset pool was boosted post-FYE10 following the transfer of AUD9.6bn from an off-balance-sheet cash management trust into on-balance-sheet deposit accounts in July 2010.
- MGL's capital position remains sound – at FYE10, the group had capital surplus to its minimum regulatory requirements of AUD4.0bn or 50%, although this had declined to AUD3.1bn at 30 June 2010 due to asset growth (FYE09: AUD3.1bn and 44% respectively).

Support

- Fitch believes that as a bank holding company, support for MGL from the Australian authorities, although possible, cannot be relied upon should it be required. Fitch believes there is a moderate probability of external support for its banking subsidiary, MBL, should it encounter difficulties.

Key Rating Drivers

- The strong liquidity and capital positions of MGL are the key drivers of the Stable Outlook on its Long-Term IDR. Any significant erosion of these positions, combined with a sustained weak operating environment, could place negative pressure on the ratings.

Profile

MGL is the holding company of Australia's largest locally owned investment banking group. Operations span markets in Australia, the UK, Europe, Asia and the US.

Profile

History

MGL was established in 2007, becoming the listed parent and non-operating holding company of the Macquarie group. The group itself was established in 1969 as a wholly owned subsidiary of UK-based Hill Samuel Bank Limited and is Australia's only substantial locally owned investment banking group. It was listed on the Australian stock exchange in 1996.

Structure

MGL has two main subsidiaries: MBL and Macquarie Financial Holdings Limited (MFHL; 'A'/Outlook Stable). MBL undertakes the group's more traditional banking activities (the bank group), while the group's investment banking operations are conducted by MFHL (the non-bank group). Fitch rates MBL (the regulated bank) one notch above MGL and MFHL, reflecting the agency's view that the standalone risk profile of MBL is lower than that of MFHL.

Table 1: Contribution to Profit – Divisions

(%)	FY10	FY09
Macquarie securities	23	40
Macquarie capital	26	36
Macquarie funds	4	6
Fixed Income, currencies and commodities	33	74
Banking and financial services	10	-14
Corporate and asset finance division	10	10
Real-estate banking division	-6	-52
Total contribution to profit by operating groups^a	100	100

^a Differs from net profit after tax due to corporate costs and one-off gains
Source: MGL FY10 annual report

MGL operates six broad business groups and one broad business division (each containing numerous sub-businesses), with their contribution to MGL's profit shown in Table 1.

- **Macquarie securities:** this group operates an institutional cash equities broker (full service in Asia Pacific and specialised service elsewhere) as well as offering clients equity-linked investments, trading and risk management products and services, equity finance and synthetic products.
- **Macquarie capital:** this group comprises MGL's corporate advisory and equity underwriting businesses. The specialised funds management business, which was previously a part of Macquarie capital, was merged into Macquarie funds in July 2010.
- **Macquarie funds:** the Macquarie funds group encompasses all of MGL's fund management activities, ranging from traditional investment strategies (ie investing in securities) to specialised infrastructure and real-estate funds. The specialised funds include listed and unlisted funds that are independent vehicles, although they typically carry the Macquarie name, which engenders a level of reputation risk. Following the Delaware Investments acquisition in January 2010 (see below) and the transfer of Macquarie capital's funds management business in July 2010, the group had total assets under management of AUD306bn.
- **Fixed-income, currencies & commodities:** previously known as treasury and commodities, activities include trading and related activities in a broad range of financial and commodity markets. Again, trades are primarily client-initiated.
- **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 the end-consumer.

- Corporate and asset finance: 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, encompassing real estate investment, development, management and asset management.

Throughout the global financial crisis, MGL focused on improving the strength of its balance sheet, exiting or winding down a number of businesses that were relatively low-yielding and balance-sheet-intensive. In addition, as investors increasingly shifted their focus away from MGL's listed specialist funds model, the group and the funds have pursued a number of different options to maximise unit-holder value including privatisation and the purchase by some funds of MGL's management rights. On the other hand, the unlisted specialist funds business continues to grow.

Using its strengthened balance sheet, MGL was somewhat acquisitive in FY10, undertaking a number of purchases in the leasing, advisory and funds management sectors. The largest acquisition was Delaware Investments, a US-based funds manager, which was completed January 2010 – this nearly doubled the assets under management within MGL's funds operations. Asset management appears to be a key growth area at MGL and Fitch believes further acquisitions in the sector are possible should opportunities arise.

Governance

There were several changes to MGL'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, one executive director and seven independent directors. MGL is a listed company and its shares are widely held.

Performance

Numbers in this analysis are based on Fitch's calculations and may vary from those reported by MGL. As MGL only began operations in FY08, the prior comparative numbers are based on the pre-restructure MBL.

Table 2: Operating Revenue and Expense Growth and Mix

	FY10		FY09	
	(AUDm)	(%) ^a	(AUDm)	(%) ^a
Net interest income	1,102	19.2	987	16.1
Net fee and commission income	3,076	53.5	3,360	54.8
Net trading income	1,299	22.6	1,157	18.9
Other operating revenue	276	4.8	630	10.3
Operating revenue	5,753	100.0	6,134	100.0
Personnel expenses	3,101	66.0	2,359	61.2
Other operating expenses	1,598	34.0	1,493	38.8
Operating expenses	4,699	100.0	3,852	100.0

^a % of operating revenue and expense, respectively
Source: MGL FY09 annual report and Fitch

MGL's operating profit declined by 26% in FY10, reflecting declining operating revenue (down 6%) and strong growth in operating expenses (up 22%), partially offset by a 62% fall in impairment charges. Nevertheless, solid growth in non-operating income contributed to a 12% increase in net profit after tax – non-operating income in FY10 consisted primarily of gains on sale or acquisition of subsidiaries and joint ventures (AUD443m), the sale of management rights to a

number of former Macquarie managed infrastructure funds (AUD428m) and a gain on the repurchase of MGL subordinated debt (AUD55m). Non-operating income can be volatile due to the one-off nature of many of these items.

Operating Revenues

Net Interest Income

Net interest income is derived primarily from MGL's lending activities, most of which are conducted within MBL. Growth of 12% in FY10 was driven by a shift in the lending mix toward higher-margin corporate loans. Conversely, the balance of lower-margin mortgage loans declined during the year, resulting in a slight reduction in net loans in FY10.

Further growth in net interest income is possible in FY11, particularly given MGL's increased focus on higher-yielding corporate lending.

Net Fee and Commission Income

Primarily derived in the non-banking group, three areas account for most of MGL's net fee and commission income: funds management, advisory and other traditional investment banking work, and brokerage and commissions. Net fee and commission income was down 8% in FY10, driven by falls in performance fee income and fees from MGL's mergers and acquisitions, advisory and underwriting business.

Base and performance fees are generated through MGL's management of funds and assets. Base fees, which are closely aligned to assets under management (AUM) levels, rose by 1% during FY10 to AUD926m. MGL's focus on growth in its asset management operations should lead to further increases in more stable base fee income, particularly in FY11 as the group gets the full year benefit from its January 2010 acquisition of Delaware Investments. On the other hand, performance fees, which are paid only when managed funds and assets exceed predetermined benchmarks, fell by 76% in FY10; while there is some upside potential, particularly if market performance improves, performance fees tend to be volatile from year to year.

M&As and advisory and underwriting fee income was down 12% to AUD1.1bn due to lower average deal sizes – total deal numbers rose significantly to 448 in FY10 from 299 in FY09. This revenue stream is reliant on positive market conditions for growth and subdued global market conditions early in FY11 have had a negative impact.

Net brokerage and commission income, which is largely derived from client-initiated cash equities transactions, grew by 4% in FY10. This was largely the result of several investments in US and Europe cash equities businesses, partially offset by a shift by clients toward lower margin electronic trading platforms in Australia. Unlike some other revenue streams, net brokerage and commission income benefits from a certain level of market volatility, in particular increased stock market turnover.

Net Trading Income

Net trading income, which is derived primarily in the banking group, was up 12% to AUD1.3bn in FY10. Strong growth in income from equities, commodities and foreign-exchange products was partially offset by a decline in income from interest rate products 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

MGL's other operating revenue fell by 56% during FY10, driven by net losses of AUD230m from associates and joint ventures.

Operating Expenses

A 22% increase in operating expenses during FY10 was the result of 31% growth in staff costs, reflecting not only a 15% rise in headcount but also increased profit share payments and higher recruitment costs. Occupancy costs were up 23%, reflecting the new office space in London, New York and Sydney. As a result, MGL's cost/income ratio rose to 79% in FY10 (FY09: 64%); this ratio has been volatile historically and is likely to remain so as staff profit share payments fall when the operating environment (and subsequently profit) deteriorates and increase during periods in which MGL performs well.

Impairment Charges

MGL's impairment charges fell 62% to AUD686m in FY10. This equated to 65% of pre-impairment operating profit, a higher level than other Australian banks' but down on the previous year (FY09: 78%).

There were two components to this charge as follows.

- MGL's equity and debt investments (including investments in Macquarie managed infrastructure and real estate funds) were written down by AUD470m; these impairments are recognised when there has been a significant or prolonged reduction in the fair value of the asset below its carrying value and are not mark-to-market losses.
- AUD216m relates to loan impairments, down from AUD501m in FY09. Growth was largely in individual provisions – there was a AUD2m release from the collective provision.

Charges in FY11 may again be sizeable, particularly if the global recovery stalls, although they are unlikely to reach the high levels experienced in FY09.

Outlook

As with most investment banking groups, MGL's profitability is sensitive to market conditions, although with two-thirds of its income sourced in Asia/Australia it is somewhat insulated from weaker environments in the US and Europe. In addition, the group's expansion in funds management should increase the contribution from more stable base fees (eg Delaware Investments, which accounted for 46% of AUM at 31 March 2010, contributed less than three months of income in FY10). Nevertheless, MGL indicated that a reduction in global market confidence negatively affected a number of its businesses in Q1FY11.

However, the group has significantly strengthened its balance sheet over the past three years; this should leave MGL well-placed to withstand further global volatility, should it arise.

Risk Management

MGL employs a robust, diligent and proven approach to risk management. Nevertheless, the group seeks to take advantage of suitable opportunities and could not be described as risk-averse: risks are considered thoroughly and carefully, and appropriate limits are set.

An economic capital framework is used to assist in setting risk appetite and measuring risk-adjusted performance. In addition, it is used for capital adequacy assessment, particularly in MGL's non-banking business, where it has been approved by the regulator for this purpose (see *Capital* below).

Day-to-day ownership and management of risks resides with the individual business units. Oversight is provided by the risk management group (RMG), while a board risk committee, which meets quarterly, is responsible for monitoring risk profiles and approving changes to risk policies.

While there are risk resources within each business, risk acceptance decisions must be validated by the RMG. Business areas cannot establish new businesses, activities or products or enter new markets without first obtaining approval from the RMG.

As part of the risk management framework, MGL seeks to understand the consequences of worst-case outcomes and to determine if the risks are acceptable. This is conducted through the application of numerous different stress tests – very few of the worst-case loss scenarios have been exceeded over the last 30 months despite severe market volatility.

Credit Risk

Credit risk resides largely within the bank group as most of MGL's lending and trading activities are conducted by MBL. On a consolidated basis, MGL's balance sheet consisted of the following major asset classes at FYE10.

Loans (33% of Total Assets)

Included in this category are loans at amortised cost (AUD44.3bn) and loans at fair value (AUD4.6bn). Almost all of these assets reside in MBL. Securitised assets accounted for 33% of the portfolio at FYE10.

MGL's impaired loans declined by 24% to AUD1.1bn, or 2.20% of gross loans, in FY10 (FY09: AUD1.4bn and 2.85% respectively), reflecting improved operating environment during the year, particularly in relation to the real estate banking division. Nevertheless, deterioration is possible in FY11, although a significant downturn is only likely if the global economic recovery stalls.

Securities Holdings (27% of Total Assets)

MGL's securities holdings include trading assets (AUD12.1bn), AFS investment securities (AUD18.2bn), investment securities at fair value (AUD4.6bn) and life insurance assets (AUD4.8bn).

MGL's trading activities focus primarily on client-initiated transactions and, as such, the group aims to hedge its trading exposures. This is conducted largely through the use of repurchase agreements and derivative instruments.

Debt securities accounted for 93% of MGL's AFS investment securities at FYE10, with the remainder split between listed and unlisted equities. Just AUD143m (or 0.8%) of debt AFS investment securities were deemed impaired, covered by AUD115m of individual provisions. MGL recorded an impairment charge of AUD77m 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 MGL's balance sheet being immaterial.

Other Assets

The only other asset class that accounted for more than 10% of total assets at FYE10 was derivative assets (15%) – as mentioned previously, these are used primarily for client transactions or hedging purposes.

Equity Risk

MGL manages equity risk within a board imposed limit, which is reviewed semi-annually by the RMG. Additional limits around the level of exposure to the property and resource sectors, as well as lease residuals and co-investments, are also employed. Minimum capital to be set aside for these exposures is determined using the group's economic capital model (please see *Capital* below). At FYE10, the model required, on average, 51% of the face value of equity investments to be held in capital – this is above the maximum charge of 50% under the Basel II framework (for investments deducted 50/50 from Tier 1 and Tier 2).

The group's equity investments consist of exposures to assets and funds, including infrastructure and real-estate funds managed by MGL, and totalled AUD5.6bn (3.8%

of total assets) at FYE10, including investments in Macquarie managed funds of AUD1.2bn. MGL reported an impairment charge of AUD357m on these exposures during FY10 (FY09: AUD906m); it is important to note that MGL's equity investments are not marked-to-market but instead tested annually for impairment.

Operational Risk

Responsibility for operational risk lies with the management of each division, with the operational risk sub-unit of the RMG providing oversight. The group has a board-approved operational risk capital framework that meets the requirements of the advanced measurement approach under Basel II. As part of the framework all divisions within MGL conduct annual scenario assessment with statistical modelling of potential losses at the 99.9th percentile over a one-year holding period. A scorecard analysis is used on a quarterly basis to update operational risk capital between scenario analyses. Operational risk incidents (including gains and near misses) are recorded in a central database and are analysed to identify trends and determine the effectiveness of controls.

Market Risk

Traded market risk is MGL's main form of market risk, although the group is also exposed to interest rate risk in its banking book. Where possible, MGL transfers interest rate risk to its trading portfolio, with the residual exposure monitored and controlled by RMG and reported to senior management regularly.

Traded market risk is managed within three complementary limit structures. Contingent loss limits are implemented and tested using a range of rigorous price and volatility stress tests on a daily basis, including comprehensive worst-case scenarios, with findings reported to senior management. Multiple scenarios are set for each market, with the worst-case multi-market scenario analysis used as the basis for calculating the total capital requirement for market risk in MGL's economic capital model. MGL has stated that the assumptions in this scenario are considerably more severe than the conditions that prevailed during the recent crisis eg declines in global equity markets of between 20-30%, interest rate volatility of 50-200bp.

Volume, maturity and open position limits are used to constrain concentration risk and to avoid the accumulation of risky, illiquid positions. Value-at-risk (VaR) limits are set based on Monte Carlo simulations; a one-day holding period and 99% confidence interval is used for statutory reporting, although the bank adheres to more stringent internal limits. Daily VaR averaged just AUD14m during FY09, with a maximum of AUD27m.

Trading is undertaken primarily on behalf of clients, with only relatively small proprietary positions recorded. All positions are marked-to-market and reported to senior management on a daily basis. This has typically led to low volatility in trading revenue, with MGL reporting net trading profit on 217 of the 260 trading days in FY10.

From time to time, MGL can also accept significant underwriting risk. This is generally short-term (ie less than a few days) and is often supported by sub-underwriting agreements with third parties.

Funding, Liquidity and Capital

Funding

Two entities within the Macquarie group are principally responsible for external funding – MGL and MBL. MGL provides equity to MBL and the non-bank group, as well as providing debt funding to the non-bank group (MBL raises debt in its own name).

MGL splits its balance sheet into assets that require funding and those that are self-funding – at FYE10, assets that required funding totalled AUD75bn, well below the group’s total statutory balance-sheet asset level of AUD146bn (FYE09: AUD75bn and AUD149bn, respectively). The difference is explained by a relatively large proportion of assets that have matching funding, with no recourse to MGL for further funding (eg securitised assets, self-funded trading assets, net derivatives positions and life insurance assets).

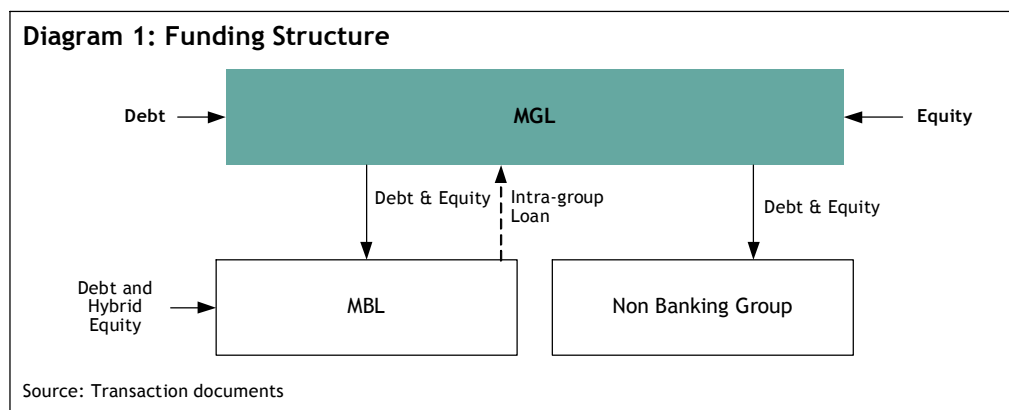
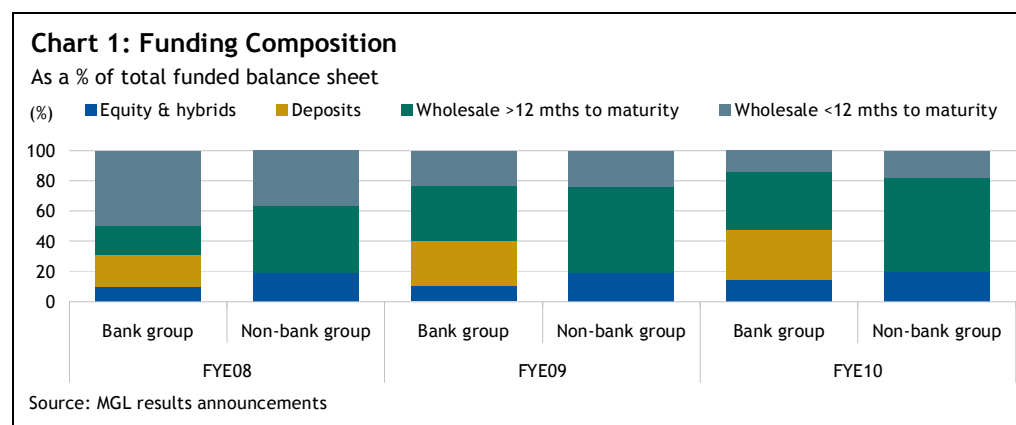


Chart 1 shows the funding positions of both the bank and non-bank groups, illustrating the shift toward longer-term wholesale funding and, in MBL, deposits at the expense of short-term wholesale funding. At FYE10, MGL’s long-term wholesale funding had a weighted average term to maturity of 3.9 years.



MGL (and by proxy the non-bank group) has several sources of debt funding: an AUD7.6bn senior facility, an intra-group loan from MBL and two wholesale funding programmes with a limit of USD10bn each (USD3.1bn had been issued under these programmes as at FYE10).

At FYE10 the senior facility had a total limit of AUD7.6bn comprising three revolving credit facilities totalling AUD2.4bn (maturing November 2010, November 2011 and November 2012) and four term facilities totalling AUD5.2bn (maturing November 2010, May 2011, November 2011 and November 2012). At FYE10, MGL had drawn down approximately AUD6.9bn of this facility.

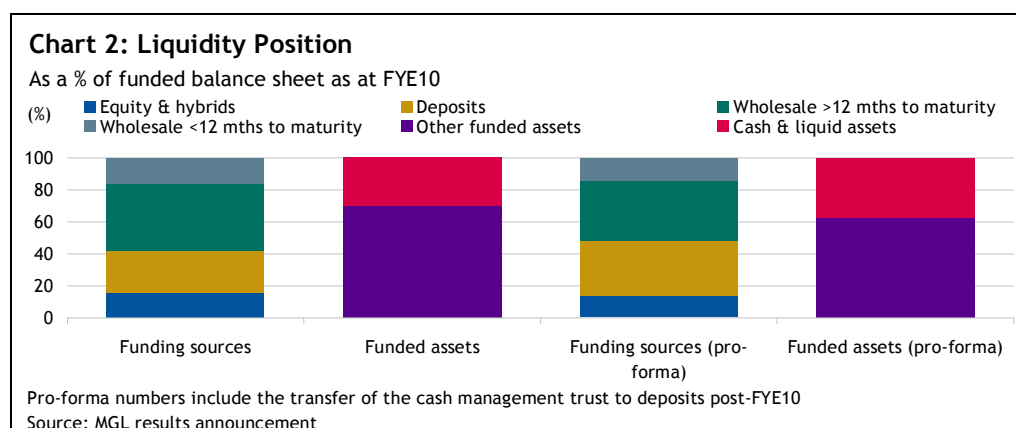
As part of the group restructure in 2007, MBL provided an intra-group loan of AUD10bn to MGL to fund the non-bank assets; at FYE10, AUD1.2bn was outstanding and is due to mature in 2012.

Liquidity

Liquidity management is conducted centrally by group treasury, with oversight (including validation of liquidity scenario assumptions, liquidity policies and the required funding maturity profile) performed by the group Asset and Liability

committee and RMG.

As MGL provides funding mainly to the non-bank group, its liquidity policy outlines the requirements for the non-bank group, stating that it be able to meet all of its repayment obligations for the next 12 months with no access to wholesale funding markets and that all long-term assets must be funded with long-term liabilities. A number of liquidity scenarios are employed to determine MGL's ability to operate under a range of market conditions.



At FYE10, MGL had AUD22.2bn of cash and unencumbered liquid assets, most of which (AUD20.1bn) resided in MBL. This equated to 30% of funded assets and was double the level of wholesale liabilities that mature during FY11. The transfer of AUD9.6bn off-balance-sheet trust funds to on-balance-sheet deposits in MBL during July 2010 would increase this buffer to almost three times on a pro-forma basis, as shown in Chart 2. MGL requires that at least 90% of its liquid asset portfolio be repo-eligible with central banks; at FYE10, 98% of the portfolio met this criterion.

Capital

MGL appears well capitalised, reporting a capital surplus to the minimum regulatory requirement of AUD4.0bn, or about 50%, at FYE10; this had declined to AUD3.1bn at 30 June 2010, mainly due to asset growth. Double leverage at FYE10 was 105% (FYE09: 105%). MGL has indicated that this ratio is limited to a maximum of 110%.

As a bank holding company, MGL is subject to prudential regulation by the Australian Prudential Regulation Authority. While this regulation is not as extensive as that applied to its banking subsidiary, MBL, MGL is required to hold a minimum level of capital, calculated as the sum of the minimum capital required to be held in each of its operating subsidiaries; at FYE10, this was AUD7.8bn, made up of AUD2.1bn attributable to the non-bank group and AUD5.8bn attributable to the bank group.

MBL has been accredited to use the foundation internal-ratings based approach for credit risk and the advanced measurement approach for operational risk under Basel II. At FYE10, MBL's Tier 1 capital ratio was 11.5%, while its total capital ratio was 13.3%. Core Tier 1, which excludes hybrid instruments, equated to 10.6% of risk-weighted assets. While it is too early to determine the exact impact of global regulatory changes to bank capital measurement, MBL appears to be in a reasonable position to address these requirements.

An internal economic capital adequacy model (ECAM, part of the group's economic capital model) is used to determine the minimum capital requirement for the non-bank group. The ECAM is based on similar principles and models as Basel II specifications and calculates potential losses using a 99.9% confidence interval where statistical tests are used. Economic capital requirements are calculated across a broad spectrum of risks, including equity, credit, operational and market risk.

Macquarie Group Limited Income Statement

	31 Mar 2010			31 Mar 2009		31 Mar 2008		31 Mar 2007	
	Year End USDm	Year End AUDm	As % of Earning Assets	Year End AUDm	As % of Earning Assets	Year End AUDm	As % of Earning Assets	Year End AUDm	As % of Earning Assets
	Unqualified	Unqualified		Unqualified		Unqualified		Unqualified	
1. Interest Income on Loans	2,562.7	2,798.0	2.16	3,862.0	2.84	3,874.0	2.50	2,986.0	2.39
2. Other Interest Income	1,642.2	1,793.0	1.38	2,558.0	1.88	2,824.0	1.82	1,646.0	1.32
3. Dividend Income	20.1	22.0	0.02	49.0	0.04	91.0	0.06	84.0	0.07
4. Gross Interest and Dividend Income	4,225.1	4,613.0	3.56	6,469.0	4.76	6,789.0	4.38	4,716.0	3.77
5. Interest Expense on Customer Deposits	549.5	600.0	0.46	970.0	0.71	861.0	0.56	498.0	0.40
6. Other Interest Expense	2,666.2	2,911.0	2.25	4,512.0	3.32	5,020.0	3.24	3,406.0	2.72
7. Total Interest Expense	3,215.7	3,511.0	2.71	5,482.0	4.04	5,881.0	3.79	3,904.0	3.12
8. Net Interest Income	1,009.3	1,102.0	0.85	987.0	0.73	908.0	0.59	812.0	0.65
9. Net Gains (Losses) on Trading and Derivatives	1,189.8	1,299.0	1.00	1,157.0	0.85	1,835.0	1.18	1,047.0	0.84
10. Net Gains (Losses) on Other Securities	87.9	96.0	0.07	143.0	0.11	123.0	0.08	160.0	0.13
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	2,817.3	3,076.0	2.37	3,360.0	2.47	3,943.0	2.54	3,119.0	2.50
14. Other Operating Income	375.5	410.0	0.32	413.0	0.30	284.0	0.18	272.0	0.22
15. Total Non-Interest Operating Income	4,470.5	4,881.0	3.76	5,073.0	3.74	6,185.0	3.99	4,598.0	3.68
16. Personnel Expenses	2,840.2	3,101.0	2.39	2,359.0	1.74	4,177.0	2.69	3,733.0	2.99
17. Other Operating Expenses	1,463.6	1,598.0	1.23	1,493.0	1.10	1,164.0	0.75	1,099.0	0.88
18. Total Non-Interest Expenses	4,303.8	4,699.0	3.62	3,852.0	2.84	5,341.0	3.44	4,832.0	3.87
19. Equity-accounted Profit/ Loss - Operating	-210.7	-230.0	-0.18	74.0	0.05	156.0	0.10	242.0	0.19
20. Pre-Impairment Operating Profit	965.4	1,054.0	0.81	2,282.0	1.68	1,908.0	1.23	820.0	0.66
21. Loan Impairment Charge	197.8	216.0	0.17	501.0	0.37	108.0	0.07	40.0	0.03
22. Securities and Other Credit Impairment Charges	430.5	470.0	0.36	1,287.0	0.95	420.0	0.27	12.0	0.01
23. Operating Profit	337.1	368.0	0.28	494.0	0.36	1,380.0	0.89	768.0	0.61
24. Equity-accounted Profit/ Loss - Non-operating	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
25. Non-recurring Income	442.4	483.0	0.37	n.a.	-	560.0	0.36	650.0	0.52
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	405.7	443.0	0.34	495.0	0.36	265.0	0.17	510.0	0.41
29. Pre-tax Profit	1,185.2	1,294.0	1.00	989.0	0.73	2,205.0	1.42	1,928.0	1.54
30. Tax expense	184.1	201.0	0.16	15.0	0.01	317.0	0.20	377.0	0.30
31. Profit/Loss from Discontinued Operations	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
32. Net Income	1,001.1	1,093.0	0.84	974.0	0.72	1,888.0	1.22	1,551.0	1.24
33. Change in Value of AFS Investments	118.2	129.0	0.10	-226.0	-0.17	-5.0	0.00	228.0	0.18
34. Revaluation of Fixed Assets	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
35. Currency Translation Differences	-221.6	-242.0	-0.19	21.0	0.02	-20.0	-0.01	1.0	0.00
36. Remaining OCI Gains/(losses)	196.0	214.0	0.17	-309.0	-0.23	101.0	0.07	-3.0	0.00
37. Fitch Comprehensive Income	1,093.6	1,194.0	0.92	460.0	0.34	1,964.0	1.27	1,777.0	1.42
38. Memo: Profit Allocation to Non-controlling Interests	39.4	43.0	0.03	103.0	0.08	1.0	0.00	3.0	0.00
39. Memo: Net Income after Allocation to Non-controlling Interests	961.7	1,050.0	0.81	871.0	0.64	1,887.0	1.22	1,548.0	1.24
40. Memo: Common Dividends Related to the Period	580.7	634.0	0.49	524.0	0.39	950.0	0.61	794.0	0.64
41. Memo: Preferred Dividends Related to the Period	26.6	29.0	0.02	78.0	0.06	84.0	0.05	85.0	0.07

Exchange rate

USD1 = AUD1.09182

USD1 = AUD1.45500

USD1 = AUD1.12000

USD1 = AUD1.23916

Macquarie Group Limited 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	45,307.8	49,468.0	33.90	50,069.0	33.57	56,093.0	33.54	47,948.0	35.16
6. Less: Reserves for Impaired Loans/ NPLs	532.1	581.0	0.40	656.0	0.44	239.0	0.14	162.0	0.12
7. Net Loans	44,775.7	48,887.0	33.50	49,413.0	33.13	55,854.0	33.40	47,786.0	35.04
8. Gross Loans	45,307.8	49,468.0	33.90	50,069.0	33.57	56,093.0	33.54	47,948.0	35.16
9. Memo: Impaired Loans included above	998.3	1,090.0	0.75	1,428.0	0.96	285.0	0.17	166.0	0.12
10. Memo: Loans at Fair Value included above	4,231.5	4,620.0	3.17	4,662.0	3.13	3,447.0	2.06	1,990.0	1.46
B. Other Earning Assets									
1. Loans and Advances to Banks	14,104.9	15,400.0	10.55	17,367.0	11.64	33,016.0	19.74	32,029.0	23.48
2. Trading Securities and at FV through Income	10,997.2	12,007.0	8.23	9,089.0	6.09	15,703.0	9.39	15,431.0	11.31
3. Derivatives	19,747.8	21,561.0	14.77	27,428.0	18.39	21,136.0	12.64	11,913.0	8.73
4. Available for Sale Securities	16,688.6	18,221.0	12.49	18,123.0	12.15	16,454.0	9.84	6,060.0	4.44
5. Held to Maturity Securities	0.0	0.0	0.00	0.0	0.00	0.0	0.00	0.0	0.00
6. At-equity Investments in Associates	3,596.7	3,927.0	2.69	6,123.0	4.11	5,500.0	3.29	4,071.0	2.98
7. Other Securities	4,169.2	4,552.0	3.12	3,248.0	2.18	684.0	0.41	789.0	0.58
8. Total Securities	55,199.6	60,268.0	41.30	64,011.0	42.92	59,477.0	35.56	38,264.0	28.06
9. Memo: Government Securities included Above	3,501.5	3,823.0	2.62	4,522.0	3.03	1,321.0	0.79	427.0	0.31
10. Investments in Property	0.0	0.0	0.00	0.0	0.00	0.0	0.00	0.0	0.00
11. Insurance Assets	4,438.5	4,846.0	3.32	4,314.0	2.89	5,699.0	3.41	5,847.0	4.29
12. Other Earning Assets	236.3	258.0	0.18	708.0	0.47	1,071.0	0.64	1,081.0	0.79
13. Total Earning Assets	118,754.9	129,659.0	88.84	135,813.0	91.06	155,117.0	92.75	125,007.0	91.65
C. Non-Earning Assets									
1. Cash and Due From Banks	0.0	0.0	0.00	141.0	0.09	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	0.0	0.0	0.00	0.0	0.00	0.0	0.00	0.0	0.00
4. Fixed Assets	554.1	605.0	0.41	605.0	0.41	375.0	0.22	378.0	0.28
5. Goodwill	702.5	767.0	0.53	495.0	0.33	376.0	0.22	39.0	0.03
6. Other Intangibles	631.1	689.0	0.47	264.0	0.18	118.0	0.07	61.0	0.04
7. Current Tax Assets	0.0	0.0	0.00	0.0	0.00	0.0	0.00	0.0	0.00
8. Deferred Tax Assets	1,029.5	1,124.0	0.77	1,186.0	0.80	718.0	0.43	457.0	0.34
9. Discontinued Operations	0.0	0.0	0.00	0.0	0.00	0.0	0.00	0.0	0.00
10. Other Assets	11,994.7	13,096.0	8.97	10,640.0	7.13	10,539.0	6.30	10,444.0	7.66
11. Total Assets	133,666.7	145,940.0	100.00	149,144.0	100.00	167,250.0	100.00	136,389.0	100.00
Liabilities and Equity									
D. Interest-Bearing Liabilities									
1. Customer Deposits - Current	20,593.1	22,484.0	15.41	21,868.0	14.66	15,783.0	9.44	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	20,593.1	22,484.0	15.41	21,868.0	14.66	15,783.0	9.44	12,403.0	9.09
5. Deposits from Banks	15,952.3	17,417.0	11.93	15,811.0	10.60	23,822.0	14.24	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	36,545.4	39,901.0	27.34	37,679.0	25.26	39,605.0	23.68	24,019.0	17.61
8. Senior Debt Maturing after 1 Year	39,030.2	42,614.0	29.20	48,270.0	32.36	57,115.0	34.15	51,365.0	37.66
9. Subordinated Borrowing	1,296.0	1,415.0	0.97	1,947.0	1.31	1,704.0	1.02	1,783.0	1.31
10. Other Funding	4,041.9	4,413.0	3.02	6,203.0	4.16	n.a.	-	n.a.	-
11. Total Long Term Funding	44,368.1	48,442.0	33.19	56,420.0	37.83	58,819.0	35.17	53,148.0	38.97
12. Derivatives	19,880.6	21,706.0	14.87	27,371.0	18.35	21,399.0	12.79	11,069.0	8.12
13. Trading Liabilities	4,975.2	5,432.0	3.72	2,161.0	1.45	11,825.0	7.07	15,922.0	11.67
14. Total Funding	105,769.3	115,481.0	79.13	123,631.0	82.89	131,648.0	78.71	104,158.0	76.37
E. Non-Interest Bearing Liabilities									
1. Fair Value Portion of Debt	n.a.	n.a.	-	n.a.	-	6,934.0	4.15	6,440.0	4.72
2. Credit impairment reserves	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
3. Reserves for Pensions and Other	174.9	191.0	0.13	189.0	0.13	179.0	0.11	153.0	0.11
4. Current Tax Liabilities	109.0	119.0	0.08	187.0	0.13	193.0	0.12	132.0	0.10
5. Deferred Tax Liabilities	215.2	235.0	0.16	4.0	0.00	121.0	0.07	78.0	0.06
6. Other Deferred Liabilities	0.0	0.0	0.00	0.0	0.00	0.0	0.00	0.0	0.00
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	3.33	4,312.0	2.89	5,689.0	3.40	5,781.0	4.24
9. Other Liabilities	11,621.0	12,688.0	8.69	10,670.0	7.15	12,425.0	7.43	12,128.0	8.89
10. Total Liabilities	122,344.3	133,578.0	91.53	138,993.0	93.19	157,189.0	93.98	128,870.0	94.49
F. Hybrid Capital									
1. Pref. Shares and Hybrid Capital accounted for as Debt	543.1	593.0	0.41	591.0	0.40	n.a.	-	n.a.	-
2. Pref. Shares and Hybrid Capital accounted for as Equity	125.5	137.0	0.09	116.0	0.08	133.0	0.08	n.a.	-
G. Equity									
1. Common Equity	9,905.5	10,815.0	7.41	8,531.0	5.72	8,467.0	5.06	6,035.0	4.42
2. Non-controlling Interest	491.8	537.0	0.37	896.0	0.60	1,232.0	0.74	1,248.0	0.92
3. Securities Revaluation Reserves	115.4	126.0	0.09	-3.0	0.00	223.0	0.13	228.0	0.17
4. Foreign Exchange Revaluation Reserves	-293.1	-320.0	-0.22	-34.0	-0.02	n.a.	-	n.a.	-
5. Fixed Asset Revaluations and Other Accumulated OCI	434.1	474.0	0.32	54.0	0.04	6.0	0.00	8.0	0.01
6. Total Equity	10,653.8	11,632.0	7.97	9,444.0	6.33	9,928.0	5.94	7,519.0	5.51
7. Total Liabilities and Equity	133,666.7	145,940.0	100.00	149,144.0	100.00	167,250.0	100.00	136,389.0	100.00
8. Memo: Fitch Core Capital	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
9. Memo: Fitch Eligible Capital	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-

Exchange rate

USD1 = AUD1.09182

USD1 = AUD1.45500

USD1 = AUD1.12000

USD1 = AUD1.23916

Macquarie Group Limited 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	6.07	7.64	7.73	7.24
2. Interest Expense on Customer Deposits/ Average Customer Deposits	2.93	5.08	5.07	4.65
3. Interest Income/ Average Earning Assets	4.95	6.30	6.64	6.60
4. Interest Expense/ Average Interest-bearing Liabilities	3.77	5.52	5.97	5.23
5. Net Interest Income/ Average Earning Assets	1.18	0.96	0.89	1.14
6. Net Int. Inc Less Loan Impairment Charges/ Av. Earning Assets	0.95	0.47	0.78	1.08
7. Net Interest Inc Less Preferred Stock Dividend/ Average Earning Assets	1.15	0.89	0.81	1.02
B. Other Operating Profitability Ratios				
1. Non-Interest Income/ Gross Revenues	81.58	83.71	87.20	84.99
2. Non-Interest Expense/ Gross Revenues	78.54	63.56	75.30	89.32
3. Non-Interest Expense/ Average Assets	3.13	2.24	3.30	4.04
4. Pre-impairment Op. Profit/ Average Equity	9.62	22.97	20.92	12.30
5. Pre-impairment Op. Profit/ Average Total Assets	0.70	1.33	1.18	0.69
6. Loans and securities impairment charges/ Pre-impairment Op. Profit	65.09	78.35	27.67	6.34
7. Operating Profit/ Average Equity	3.36	4.97	15.13	11.52
8. Operating Profit/ Average Total Assets	0.24	0.29	0.85	0.64
9. Taxes/ Pre-tax Profit	15.53	1.52	14.38	19.55
10. Pre-Impairment Operating Profit / Risk Weighted Assets	n.a.	n.a.	n.a.	n.a.
11. Operating Profit / Risk Weighted Assets	n.a.	n.a.	n.a.	n.a.
C. Other Profitability Ratios				
1. Net Income/ Average Total Equity	9.98	9.80	20.70	23.26
2. Net Income/ Average Total Assets	0.73	0.57	1.17	1.30
3. Fitch Comprehensive Income/ Average Total Equity	10.90	4.63	21.53	26.65
4. Fitch Comprehensive Income/ Average Total Assets	0.79	0.27	1.21	1.49
5. Net Income/ Av. Total Assets plus Av. Managed Assets	n.a.	n.a.	n.a.	n.a.
6. Net Income/ Risk Weighted Assets	n.a.	n.a.	n.a.	n.a.
7. Fitch Comprehensive Income/ Risk Weighted Assets	n.a.	n.a.	n.a.	n.a.
D. Capitalization				
1. Fitch Eligible Capital/ Fitch Adjusted Weighted Risks	n.a.	n.a.	n.a.	n.a.
2. Tangible Common Equity/ Tangible Assets	7.04	5.85	5.25	5.13
3. Tangible Common Equity/ Total Business Volume	6.64	5.59	4.96	4.75
4. Tier 1 Regulatory Capital Ratio	n.a.	n.a.	n.a.	n.a.
5. Total Regulatory Capital Ratio	n.a.	n.a.	n.a.	n.a.
6. Fitch Eligible Capital/ Tier 1 Regulatory Capital	n.a.	n.a.	n.a.	n.a.
7. Equity/ Total Assets	7.97	6.33	5.94	5.51
8. Cash Dividends Paid & Declared/ Net Income	60.66	61.81	54.77	56.67
9. Cash Dividend Paid & Declared/ Fitch Comprehensive Income	55.53	130.87	52.65	49.47
10. Net Income - Cash Dividends/ Total Equity	3.70	3.94	8.60	8.94
E. Loan Quality				
1. Growth of Total Assets	-2.15	-10.83	22.63	n.a.
2. Growth of Gross Loans	-1.20	-10.74	16.99	n.a.
3. Impaired Loans(NPLs)/ Gross Loans	2.20	2.85	0.51	0.35
4. Reserves for Impaired Loans/ Gross loans	1.17	1.31	0.43	0.34
5. Reserves for Impaired Loans/ Impaired Loans	53.30	45.94	83.86	97.59
6. Impaired Loans less Reserves for Imp Loans/ Equity	4.38	8.17	0.46	0.05
7. Loan Impairment Charges/ Average Gross Loans	0.47	0.99	0.22	0.10
8. Net Charge-offs/ Average Gross Loans	0.11	0.09	0.04	0.01
9. Impaired Loans + Foreclosed Assets/ Gross Loans + Foreclosed Assets	2.20	2.85	0.51	0.35
F. Funding				
1. Loans/ Customer Deposits	220.01	228.96	355.40	386.58
2. Interbank Assets/ Interbank Liabilities	88.42	109.84	138.59	275.73

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