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Macquarie Bank Ltd.

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Related Criteria

Note:

Macquarie Bank Ltd.

SACP	bbb+	
Anchor	bbb+	
Business Position	Adequate	0
Capital and Earnings	Strong	+1
Risk Position	Moderate	-1
Funding	Average	0
Liquidity	Adequate	

+

Support	+2
ALAC Support	0
GRE Support	0
Group Support	0
Sovereign Support	+2

+

Additional Factors	0

Issuer Credit Rating
A/Developing/A-1

Major Rating Factors

Strengths:

- A well-diversified business across different assets classes and geographies
- Strong level of capitalization
- A potential recipient of extraordinary Australian government support

Weaknesses:

- More complex nature of credit, market, and operational risks relative to local and international peers
- Capital markets facing businesses focused on volatile markets and products

Outlook: Developing

The developing outlook on Macquarie Bank Ltd. (MBL) reflects both the downside scenario of the chance of a reduction in Australia's tendency to support systemically important banks and the upside scenario that MBL's risk profile could improve if it continues to deliver good risk management outcomes. The timeframe for these changes are not necessarily synchronized. For example, we could raise the ratings on the bank and revise the outlook to negative if we are of the view that the bank's risk profile has improved. Similarly, we could lower the ratings on the bank and revise the outlook to positive if we concluded that overall government support for systemically important banks has weakened. Alternatively, we could affirm the ratings on MBL and revise the outlook to positive if we concluded that overall government support for systemically important banks remains unchanged. Lastly, if the two scenarios (government support and risk profile) played out in tandem, we could affirm the ratings on MBL and revise the outlook on the bank to stable.

Downside scenario

Our downside scenario reflects a one-in-three chance that we would lower our long-term issuer credit rating on MBL in the next two years if we revised the government's tendency to support private-sector commercial banks in Australia to supportive from highly supportive. We are likely to review our assessment of government supportiveness if government or regulatory announcements indicate a possible decrease in the government's appetite to support a failing bank or the development of a bank resolution framework that envisages statutory bail-in of senior debt, introduction of a total loss absorbing capacity framework. That said, we note that early in November 2018, the Australian Prudential Regulation Authority (APRA) released a discussion paper on the total loss absorbing capacity framework and we expect that the uncertainties that exists around the government's tendency to support systemically important banks will be resolved soon.

If the downside scenario occurs, and all other things remaining equal, we would expect to lower our issuer credit ratings on MBL and its senior debt by one notch to 'A-/A-2' from 'A/A-1', and keep our ratings on hybrid and subordinated debt issued by MBL unchanged because these ratings do not incorporate any uplift from government support. As discussed above, we would revise the outlook to positive.

Upside scenario

Our upside scenario reflects a one-in-three chance of us revising upward our assessment of the bank's risk position to adequate from moderate in the next two years. Triggers that would consider could include: 1) the finalization of the group internal restructure; 2) the ability of the bank to deal with global credit headwinds; and 3) no signs that the bank's risk appetite is increasing. In this scenario, and all other things remaining equal, we would expect to raise our issuer credit ratings on MBL and its senior debt by one notch to 'A+/A-1' from 'A/A-1', as well as raise our ratings on hybrid and subordinated debt issued by MBL to reflect the improvement in our assessment of the bank's stand-alone credit quality. As discussed above, we would revise the outlook to negative.

Rationale

Our ratings on MBL reflect the anchor stand-alone credit profile (SACP) for a financial institution operating mainly in Australia. We are of the view that the bank has a well-diversified business position across different asset classes and geographies. MBL also has a strong capital and liquidity position relative to peers globally. In our view, as a moderately systemically important bank, MBL, is a potential recipient of extraordinary Australian government support, in the unlikely event it were required. The group's risk exposures are slightly elevated relative to traditional mainstream banks due to the unique and wide range of the group's exposures and complex nature of credit, market, and operational risks these exposures introduce. That said, we are of the view that the risk-management capabilities and track record of the group is very good.

Anchor: Diversified financial institution with the majority of its exposures in Australia

Our bank criteria use the BICRA economic risk and industry risk scores to determine a bank's anchor SACP, the starting point in assigning an issuer credit rating. The anchor SACP for a bank operating only in Australia is 'bbb+'.

MBL is as a diversified financial institution that conducts approximately 55% of its exposures in its Australian home market, 16% in the U.K., 13% in the U.S., and the remainder broadly spread across a range of jurisdictions. The economic risk score of '4' is based on the weighted average of these geographic loan exposures on an exposure at default (EAD) basis.

We view Australia (55% of the bank's exposure at default) as having a diversified, high-income, flexible, and resilient economy--factors that reduce the risk of significant and sustained downturns. Australian banks benefit from conservative regulation and disciplined regulatory supervision. The financial sector is supported by a stable, orderly industry structure that is characterized by an overall low risk appetite, with banking activities tending to be centered on "vanilla"-type retail and commercial banking.

Offsetting these positive features is the sector's exposure to risks related to economic imbalances, including high external debt, persistent current account deficits, and recent strong growth in house prices and private sector debt, though we expect the growth rate to abate. The banking system is also materially dependent on net external borrowings because core customer deposits are insufficient to meet long-term funding needs.

The SACP for MBL is 'bbb+'.

Table 1

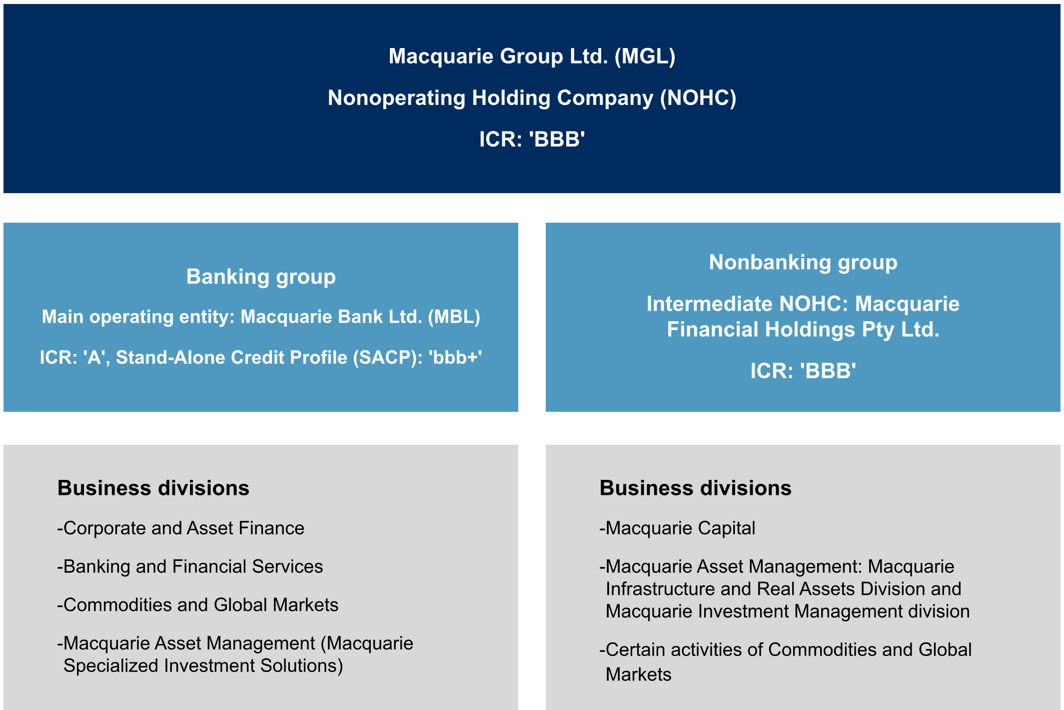
Macquarie Bank Ltd. Key Figures

		--Year-ended March 31--			
(Mil. A$)	**2019***	**2018**	**2017**	**2016**	**2015**
Adjusted assets	184,058	172,356	166,526	180,535	171,290
Customer loans (gross)	75,874	80,806	76,586	79,819	72,392
Adjusted common equity	12,335	11,244	10,924	11,301	10,352
Operating revenues	3,297	6,040	5,726	6,156	5,327
Noninterest expenses	2,166	3,989	4,077	3,879	3,756
Core earnings	749	1,492	987	1,339	765

*Data as of Sept. 30.

Chart 1

Macquarie Group Structure

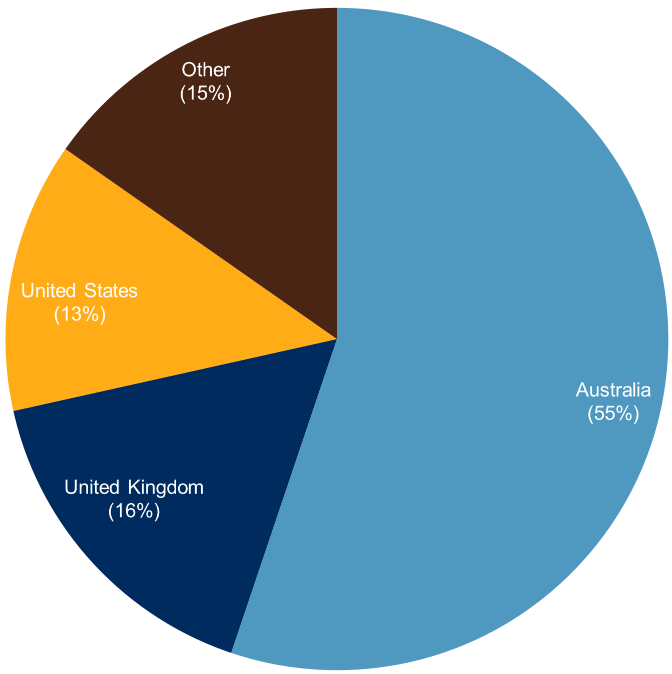


Business position: Well-diversified across different assets classes and geographies

MBL is the registered bank in the group and primarily houses the group's corporate and asset finance, retail banking, business banking, wealth management, risk management, and trading businesses. Asset management and investment banking activities are housed in the nonbanking group.

Chart 2

Distribution Of Exposure At Default Is Mainly To Australia



Source: S&P Global Ratings.

The bank's revenue streams are well-diversified across products, and given the niche focus on various sectors, product concentration compares favorably with peers. Similarly, the bank's geographic diversification is also significant with about 55% of its income generated outside Australia and spread across the Americas, Asia, and Europe.

MBL's business position also benefits from its strong market position and market share in its Australian home market and its identified niches across a range of standard and specialized commercial banking, asset finance, retail banking, business banking, broking, advisory and financial markets business lines. Over a long timeframe (20 years +), Macquarie has successfully fended off competition in most core business lines from foreign international financial institutions and investment banks that have that have persistently made aggressive forays into the Australian market.

While MBL's business position is diverse relative to its size, by international standards it is smaller than some highly rated financial institutions with corporate and commodities and financial markets business lines; as well as compared with the strong market positions of Australia's four major banking groups in domestic retail and commercial banking. We also believe that some of the markets in which MBL operates are complex and volatile compared to the relatively vanilla retail and commercial banking activities of the Australian major banks, which act as a further counterbalance to our view of MBL's business stability.

During the year, MBL agreed to transfer its corporate and asset finance division's principal finance and transportation finance businesses to the nonbanking group. The transfers are intended to simplify the structure of the Macquarie Group by better reflecting activities of the individual part of the group. Although businesses transferred are material in nature, we are of the view that their transfer would leave our business position assessment of the bank unchanged, as MBL still benefits from the diversified nature of its income streams and its strong market position in Australia.

A strategic focus area of the group (and the bank's) is on increasing income from repeatable stable income sources (which the group terms as "annuity style businesses") and is supportive of our current business position assessment.

We are also of the view that the bank will continue to pursue growth opportunities as they present themselves. Looking ahead, we believe that MBL will continue to target continued evolution and growth through innovation. We also observe that the bank encourages ingenuity and an entrepreneurial spirit coupled with accountability to generate new business opportunities. In addition, there are no specific businesses, markets, or regions in which Macquarie's strategy demands it operates. This means it retains operational flexibility and can adapt its portfolio mix to changing market conditions within the boundaries of the risk appetite and limits set by the board.

On Dec. 1, 2018, Shemara Wikramanayake replaced Nicholas Moore as Managing Director and CEO of Macquarie Group Ltd. (MGL) and MBL after his 10 years of service to the group. We do not expect the change in CEO will alter the strategic direction of the group significantly.

The interim report of The Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry (The Royal Commission) was released on Sept. 28, 2018. Compared to the Australian major banks, no adverse conduct issues emerged to impact the bank and the group's brand or reputation. Amongst other things we note that two enforceable undertakings that the Australian corporate regulator (ASIC) imposed on the group in 2013 was the catalyst for bringing about changes in the group.

Table 2

Macquarie Bank Ltd. Business Position

		--Year-ended March 31--			
(%)	**2019***	**2018**	**2017**	**2016**	**2015**
Total revenues from business line (currency in millions)	3,300	6,208	6,119	7,204	5,892
Commercial banking/total revenues from business line	31.2	28.2	23.3	23.1	24.7
Commercial & retail banking/total revenues from business line	31.2	28.2	23.3	23.1	24.7
Trading and sales income/total revenues from business line	45.1	37.5	40.3	26.7	34.9
Corporate finance/total revenues from business line	20.4	24.8	27.1	25.2	29.5
Asset management/total revenues from business line	2.4	2.8	3.0	2.6	3.8
Other revenues/total revenues from business line	0.9	6.6	6.3	13.4	0.7
Investment banking/total revenues from business line	65.5	62.4	67.4	51.9	64.4
Return on average common equity	11.6	12.6	10.0	17.8	10.8

*Data as of Sept. 30.

Capital and earnings: Strong level of capitalization

Capital and earnings is a strength to the rating because we believe that the bank will manage its risk-adjusted capital (RAC) ratio in the 10.75% to 11.25% range over the short to medium term.

In the event that the bank's RAC ratio comes under pressure due to a rise in unexpected losses, we are of the view that the bank and management has the willingness to defend its RAC ratio above 10%. Potential capital management actions that the bank may choose to deploy include revising its dividend payout ratio, divesting stand-alone assets, businesses, and investments, or raising external capital.

We considered the impact of the transfer of MBL's corporate and asset finance division's principal finance and transportation finance businesses to the nonbanking group on the bank's capital position as well as the proposed return of up to A$2 billion in capital from MBL to MGL. We consider the impact of these moves would be neutral to our assessment of MBL's capital and earnings.

We view the quality of MBL's capital as good by international standards. In our projections, we estimate that MBL's use of hybrid debt instruments remains limited and would not exceed 15% of its total capital base (S&P Global Ratings' definition of total adjusted capital).

The bank's earnings capacity is better than international peers to which we compare MBL. We measure the bank's earnings capacity in terms of its earnings buffer, which we estimate is at around 1.26% (the international peer average is 1.13%).

In arriving at our forecast RAC ratio, the key assumptions underpinning our base case include:

- No material acquisitions over the forecast period by the bank. In the event that they occur, we are of the view that any such acquisition would be accompanied by a capital raising to restore the bank's overall capital position within our forecast range. In our view, that capital raising would also leave the quality of the bank's capital base intact.
- Continued growth in stable repeatable income sources reflecting the focus of the bank and the continued strengthening of the Macquarie franchise.
- The net interest margin to flatten out over the forecasting period reflecting the impact of increasing competition in the local market (Australia) as well as internationally as well as the impact of the sale of the Corporate and Asset Finance division assets.
- Credit loss provisions to remain flat.
- We estimate MBL's dividend payout ratio will be toward the lower end of the targeted range of 60% to 80%.

We note that the Australian economic risk trend is on positive reflecting the unwinding of housing-related risks in the economy. We note that if the Australian economic risk score improves to '3' from '4', MBL's RAC ratio would increase by about 70 basis points; remaining comfortably within the strong range of our assessment.

We believe that MBL's profitability prospects remain strong by international standards, and its historical profitability track record over recent years--despite very difficult markets in the aftermath of the GFC--has been good by international standards.

Table 3

Macquarie Bank Ltd. Capital And Earnings					
		--Year-ended March 31--			
(%)	2019*	2018	2017	2016	2015
Tier 1 capital ratio	N/A	12.8	13.3	11.8	11.0
Adjusted common equity/total adjusted capital	96.9	87.6	84.7	91.6	90.9
Net interest income/operating revenues	32.9	33.4	37.9	35.3	37.8
Fee income/operating revenues	17.4	14.7	14.3	15.1	16.8
Market-sensitive income/operating revenues	35.5	32.5	31.1	34.4	34.5
Noninterest expenses/operating revenues	65.7	66.0	71.2	63.0	70.5
Preprovision operating income/average assets	1.3	1.2	0.9	1.3	1.0
Core earnings/average managed assets	0.8	0.9	0.6	0.8	0.5

*Data as of Sept. 30.

Risk Position: Historically strong risk management outcomes despite wide range and complex nature of credit, market, and operational risks

We are of the view that the bank manages a wide and complex range of credit and noncredit risks across various businesses and geographies relative to traditional mainstream banks. It is our view that the nature of the bank's activities are still more complex, especially in so far as legal and compliance risks are concerned given the groups geographic and industry reach.

That said, there are signs pointing toward gradual improvement in the bank's risk profile that leads us to conclude that the risk profile of the bank is transitioning. The key factors that are pointing towards this transitioning are the following:

- The reorientation of the bank's earnings toward repeatable and sustainable income sources, which will benefit the group and bank's future earnings profile as well as risk management outcomes relative to international peer banks, which are more capital-markets focused.
- The bank's performance pre and post the global financial crisis. Compared to a peer group of international investment banks, the volatility of the group's earnings has been lower for a sustained period.
- The activities of the bank is significantly more diversified in terms of geography and product relative to the Australian major banks, which are largely Australian focused residential mortgage banks and which we assess at one notch stronger.
- The bank's trading activities are largely client driven and proprietary trading positions are not out of kilter relative to international peers whose risk positions we assess a notch higher. We are also of the view that the bank has a lower risk appetite for proprietary trading positions relative to international peers.

The group is also currently undertaking an internal group restructure. The aim of the restructure would be to simplify the group and the bank structure, better reflecting the activities of the individual parts of the groups business. It is our view that the completion of the internal restructure would improve the visibility of individual businesses and alleviate some of the complexities associated with the group.

We also note that to date, no material adverse findings have emerged from the Royal Commission, the final report of which is due Feb. 1, 2019. In our view, the group's conduct risk management framework appears to be sound relative to Australian major banks. We note that in the past, the group has effectively dealt with enforceable undertakings and made the necessary changes in line with expectations.

In our view, the bank's risk-management philosophy is sound and we believe that the group's approach that focusses on the ownership of risk at the business unit level, understanding worst-case outcomes, and the requirement for the independent sign-off by risk management somewhat offsets the complex nature of the business model. We also note the bank's resourcing of its risk management group, with staff levels having nearly doubled over the last eight years. The group's risk appetite framework is well developed and sets out groupwide risk appetite principles that ensure that the group only accepts risks that comply with key criteria and the group's risk limits and policies.

Table 4

Macquarie Bank Ltd. Risk Position

		--Year-ended March 31--			
(%)	**2019***	**2018**	**2017**	**2016**	**2015**
Growth in customer loans	(12.2)	5.5	(4.1)	10.3	24.0
Total managed assets/adjusted common equity (x)	15.0	15.4	15.3	16.1	16.7
New loan loss provisions/average customer loans	0.1	0.0	0.3	0.6	0.6
Net charge-offs/average customer loans	0.6	0.5	0.2	0.9	0.1
Gross nonperforming assets/customer loans + other real estate owned	N/A	1.2	1.9	1.9	3.0
Loan loss reserves/gross nonperforming assets	N/A	37.6	50.8	47.4	41.1

*Data as of Sept. 30.

Funding and liquidity: Funding profile does not materially differ from the funding profile represented in the industry risk score.

We assess MBL's funding as average and liquidity as adequate.

While we consider MBL to be partly reliant on wholesale funding, we do not consider MBL as materially differing from the funding profile represented in the industry risk score, because, on balance, funding exhibits broadly similar metrics when compared to banks in Australia, taking into account idiosyncratic features associated with MBL's business base compared with retail and commercial banks. We retain our view that the Australian major banks demonstrate some qualitative funding strengths compared with MBL and all other Australian financial institutions such as superior deposit-gathering capabilities, branch coverage, and inculcation of its brand in the Australian retail sector.

MBL's net stable funding ratio (NSFR) was 110% as of Sept. 30, 2018, and is on par with that of the other major banks.

The group prepares a funding strategy on an annual basis and monitors the progress against the strategy throughout the year. The funding strategy is reviewed by the asset and liability committee (ALCO) and approved by the board of the bank. The aim of the funding strategy is to maintain the group's diversity of its current and projected funding sources.

We believe that MBL has good liquidity-management capabilities. The main development concerning MBL compared with last year was the transition to a liquidity coverage ratio (LCR) framework by MBL. MBL had 159% average LCR as of the quarter ended Sept. 30, 2018, which is well above regulatory minimums and includes MBL's APRA-approved

Australian dollar committed liquidity facility (CLF) allocation of A$7.7 billion for the 2018 calendar year (the allocation increased to A$8.4 billion for the 2019 calendar year). We believe that the LCR is supportive of our adequate assessment under our rating criteria for MBL.

MBL's broad liquid assets to short-term wholesale funding ratio was 1.57x and higher than the peer average of the Australian major banks at 1.16x but on par with the international peer banks, which measured at around 1.51x.

Scenario analysis is central to the bank's liquidity management framework and the group models a number of liquidity scenarios covering both market-wide and name-specific crises. Macquarie's liquidity policy stipulates that both the bank and group be able to meet all obligations on a daily basis and during a period of stress for a 12 month period with constrained or no access to funding markets. As an example, one scenario projects the expected cash and liquid assets position during a combined market-wide and group name crisis over a 12-month period. The scenario also assumes no access to new funding sources, a significant loss of customer deposits and contingent funding outflows from undrawn commitments, market movements impacting derivatives positions, or a multipole notch credit rating downgrade.

Table 5

Macquarie Bank Ltd. Funding And Liquidity

		--Year-ended March 31--			
(%)	**2019***	**2018**	**2017**	**2016**	**2015**
Core deposits/funding base	46.0	48.0	46.2	37.7	38.1
Customer loans (net)/customer deposits	143.3	135.5	131.5	151.4	151.1
Long-term funding ratio	76.8	75.5	78.2	75.4	70.1
Stable funding ratio	81.2	94.7	96.5	100.4	87.3
Short-term wholesale funding/funding base	25.9	27.3	24.2	26.9	32.8
Broad liquid assets/short-term wholesale funding (x)	1.6	1.5	1.4	1.3	1.0
Net broad liquid assets/short-term customer deposits	32.1	27.6	20.8	22.8	3.8
Short-term wholesale funding/total wholesale funding	47.6	51.2	43.7	42.7	52.3

*Data as of Sept. 30.

Support: A potential recipient of extraordinary Australian government support

Our issuer credit rating on MBL is two notches higher than the group credit profile, reflecting our opinion that MBL is a moderately systemically important institution and, as such, is a potential recipient of government support in a crisis in the unlikely event that support were ever required.

A key factor that could affect our ratings on MBL is if we revised the government's tendency to support private-sector commercial banks to supportive from highly supportive, based on our views around the reduced tendency for the government to support systemically important banks (please refer to the downside scenario for triggers). In this scenario, we would expect to lower our issuer credit ratings on MBL and its senior debt issued by one notch to 'A-/A-2' from 'A/A-1', and keep our ratings on hybrid and subordinated debt issued by MBL unchanged because these ratings do not incorporate any uplift from government support.

We base our opinion concerning MBL's moderate systemic importance on factors including that:

- Unlike for Australian regional banks and other predominately retail Australian financial institutions, we believe that the government may have additional incentives to support MBL--in particular including Australian stakeholders in MBL. This is because, in the unlikely and hypothetical event that MBL was at risk of failing, there would likely be fewer market-based workout solutions for MBL's rescue. Our opinion is that MBL is unlikely to be a natural fit for one of Australia's four major banks--which have a retail and commercial banking orientation--and that some parts of its business profile are not likely to be of interest to a potential foreign acquirer.

- MBL has a somewhat unique role in Australia as the only Australian bank with some specialized commercial and investment banking business lines that we consider important to Australia's economic prosperity.
- MBL is highly interconnected with Australia's financial sector infrastructure, including as a major counterparty to other Australian institutions in the derivatives markets. We believe that if MBL were to falter there could be a material adverse impact on the Australian economy.

Additional Rating Factors

Hybrid debt instruments

We rate the Macquarie Additional Capital Securities (MACS) issued by MBL's branch in London four notches below our SACP MBL of 'bbb+'. The following factors reflect the difference:

- MACS subordinated status (one notch);
- MACS risk of partial or untimely payment of coupons (two notches); and
- MACS contingent capital clauses for mandatory conversion into common equity or write-down (one notch).

In our view, financial support from the Australian government is unlikely to extend to hybrid capital instruments issued by MBL.

We have assess MACS issues as having intermediate equity content. In our view, MACS would be able to absorb losses on a going-concern basis through nonpayment of coupons. Loss absorption would also take place in a nonviability event that would result in exchange or write-down, or conversion into common equity.

Subordinated debt instruments

We note that MBL's Basel III subordinated debt is rated two notches from the SACP--one notch for subordination and the second notch for the contractual conversion or write-down feature. The issue ratings on MBL's Basel II legacy nondeferrable senior subordinated debt are 'BBB', which is one notch below MBL's SACP. We notch these issue ratings from MBL's SACP because we believe that Australia's legal and regulatory framework could allow authorities to instigate restructuring of a failing bank to the detriment of nondeferrable subordinated debt. We note, however, that the short-to-medium term prospect for MBL experiencing financial distress of this magnitude is low.

Table 6

Macquarie Bank Ltd. Risk-Adjusted Capital Framework Data

(Mil. A$)	Exposure*	Basel III RWA	Average Basel III RW (%)	S&P Global RWA	Average S&P Global RW (%)
Credit risk					
Government and central banks	2,583	0	0	117	5

Table 6

Macquarie Bank Ltd. Risk-Adjusted Capital Framework Data (cont.)					
Of which regional governments and local authorities	465	0	0	18	4
Institutions and CCPs	25,718	0	0	5,569	22
Corporate	44,036	0	0	36,006	82
Retail	60,451	0	0	28,461	47
Of which mortgage	43,739	0	0	16,921	39
Securitization§	2,308	0	0	3,277	142
Other assets†	7,259	0	0	9,402	130
Total credit risk	142,355	0	0	82,833	58
Credit valuation adjustment					
Total credit valuation adjustment	--	3,712	--	4,825	--
Market risk					
Equity in the banking book	868	0	0	6,757	778
Trading book market risk	--	3,303	--	4,315	--
Total market risk	--	3,303	--	11,072	--
Operational risk					
Total operational risk	--	0	--	15,531	--
(Mil. A$)		**Basel III RWA**		**S&P Global RWA**	**% of S&P Global RWA**
Diversification adjustments					
RWA before diversification		7,015		114,261	100
Total Diversification/Concentration Adjustments		--		(200)	(0)
RWA after diversification		7,015		114,060	100
(Mil. A$)		**Tier 1 capital**	**Tier 1 ratio (%)**	**Total adjusted capital**	**S&P Global RAC ratio (%)**
Capital ratio					
Capital ratio before adjustments		0	0.0	12,836	11.2
Capital ratio after adjustments‡		0	0.0	12,836	11.3

*Exposure at default. §Securitisation Exposure includes the securitisation tranches deducted from capital in the regulatory framework. †Other assets includes Deferred Tax Assets (DTAs) not deducted from ACE. ‡Adjustments to Tier 1 ratio are additional regulatory requirements (e.g. transitional floor or Pillar 2 add-ons). RWA--Risk-weighted assets. RW--Risk weight. RAC--Risk-adjusted capital. Sources: Company data as of March. 31, 2018, S&P Global.

Related Criteria

- General Criteria: Methodology For National And Regional Scale Credit Ratings, June 25, 2018
- Criteria - Financial Institutions - General: Risk-Adjusted Capital Framework Methodology, July 20, 2017
- General Criteria: Methodology For Linking Long-Term And Short-Term Ratings, April 7, 2017
- General Criteria: Guarantee Criteria, Oct. 21, 2016
- Criteria - Financial Institutions - Banks: Bank Hybrid Capital And Nondeferrable Subordinated Debt Methodology

And Assumptions, Jan. 29, 2015

- Criteria - Corporates - General: Methodology And Assumptions: Liquidity Descriptors For Global Corporate Issuers, Dec. 16, 2014
- Criteria - Financial Institutions - General: Key Credit Factors For Asset Managers, Dec. 9, 2014
- Criteria - Corporates - General: The Treatment Of Non-Common Equity Financing In Nonfinancial Corporate Entities, April 29, 2014
- Criteria - Corporates - General: Corporate Methodology, Nov. 19, 2013
- Criteria - Corporates - General: Corporate Methodology: Ratios And Adjustments, Nov. 19, 2013
- General Criteria: Ratings Above The Sovereign--Corporate And Government Ratings: Methodology And Assumptions, Nov. 19, 2013
- General Criteria: Group Rating Methodology, Nov. 19, 2013
- Criteria - Financial Institutions - Banks: Quantitative Metrics For Rating Banks Globally: Methodology And Assumptions, July 17, 2013
- Criteria - Financial Institutions - Banks: Banks: Rating Methodology And Assumptions, Nov. 9, 2011
- Criteria - Financial Institutions - Banks: Banking Industry Country Risk Assessment Methodology And Assumptions, Nov. 9, 2011
- General Criteria: Use Of CreditWatch And Outlooks, Sept. 14, 2009
- Criteria - Financial Institutions - General: Update: Intermediate Equity Content For Certain Mandatory Convertible Preferred Stock Hybrids, Nov. 26, 2008
- Criteria - Financial Institutions - Banks: Commercial Paper I: Banks, March 23, 2004

Note:

The below Ratings Detail section should also include:

Macquarie Securities South Africa Ltd.

Senior Unsecured BBB

Senior Unsecured zaAAA

Short-Term Debt A-2

Short-Term Debt zaA-1+

Anchor Matrix

Industry Risk	Economic Risk									
	1	2	3	**4**	5	6	7	8	9	10
1	a	a	a-	bbb+	bbb+	bbb	-	-	-	-
2	a	a-	a-	bbb+	bbb	bbb	bbb-	-	-	-
3	a-	a-	bbb+	**bbb+**	bbb	bbb-	bbb-	bb+	-	-
4	bbb+	bbb+	bbb+	bbb	bbb	bbb-	bb+	bb	bb	-
5	bbb+	bbb	bbb	bbb	bbb-	bbb-	bb+	bb	bb-	b+
6	bbb	bbb	bbb-	bbb-	bbb-	bb+	bb	bb	bb-	b+
7	-	bbb-	bbb-	bb+	bb+	bb	bb	bb-	b+	b+
8	-	-	bb+	bb	bb	bb	bb-	bb-	b+	b
9	-	-	-	bb	bb-	bb-	b+	b+	b+	b
10	-	-	-	-	b+	b+	b+	b	b	b-

Ratings Detail (As Of December 21, 2018)

Macquarie Bank Ltd.		
Issuer Credit Rating		A/Developing/A-1
Commercial Paper		
Foreign Currency		A/A-1
Junior Subordinated		BB
Preference Stock		BB+
Senior Unsecured		A
Short-Term Debt		A-1
Subordinated		BBB
Subordinated		BBB-
Issuer Credit Ratings History		
10-Dec-2018	*Foreign Currency*	A/Developing/A-1
30-Oct-2016		A/Negative/A-1
17-Feb-2010		A/Stable/A-1
10-Dec-2018	*Local Currency*	A/Developing/A-1
30-Oct-2016		A/Negative/A-1
17-Feb-2010		A/Stable/A-1
Sovereign Rating		
Australia		AAA/Stable/A-1+
Related Entities		
Macquarie Bank Ltd. (London Branch)		
Senior Unsecured		A
Macquarie Finance Ltd.		
Junior Subordinated		BB+
Macquarie Financial Holdings Pty Ltd		
Issuer Credit Rating		BBB/Positive/A-2

Ratings Detail (As Of December 21, 2018) (cont.)	
Macquarie Group Ltd.	
Issuer Credit Rating	BBB/Positive/A-2
Senior Unsecured	BBB
Short-Term Debt	A-2
Subordinated	BBB-
Macquarie International Finance Ltd.	
Issuer Credit Rating	A-/Developing/A-2

*Unless otherwise noted, all ratings in this report are global scale ratings. S&P Global Ratings' credit ratings on the global scale are comparable across countries. S&P Global Ratings' credit ratings on a national scale are relative to obligors or obligations within that specific country. Issue and debt ratings could include debt guaranteed by another entity, and rated debt that an entity guarantees.