

# Macquarie Group Limited

## Update

### Key Rating Drivers

**Low Double Leverage:** Fitch Ratings aligns Macquarie Group Limited's (MGL) ratings with the consolidated group assessment to reflect modest common equity double leverage and sound liquidity management. We expect MGL's double leverage ratio to be managed below 120% and for liquidity management at the operating and bank holding company level to remain strong.

**Internationally Diversified Operations:** We take a blended approach to assign operating environment scores for MGL, given the extensive international operations. MGL's score reflects the heavy weighting of its assets and exposures in jurisdictions where we score the operating environment in the 'aa' range.

**Growth in Annuity-Style Business:** MGL's business model and earnings stability have improved over the past decade, driven by growth in banking operations and Macquarie Asset Management, which generates substantial fees on assets under management.

We expect Macquarie Bank Limited (MBL, A+/Stable/a) to continue expanding market share in Australian lending and deposits, maintaining its strong position among domestic banks outside the four majors. Mortgage growth is focused on low-risk segments without compromising underwriting standards, which should support MBL's financial profile through economic cycles.

**Robust Risk-Control Framework:** MGL's centralised risk management framework and oversight of its subsidiaries through a dedicated risk group have underpinned a strong risk-management culture and robust financial outcomes over a sustained period. This offsets the group's larger risk appetite than at most other Australian banking groups.

**Moderate Asset Quality Weakening:** We expect asset quality at MGL to deteriorate modestly in 2025, driven by the impact of high interest rates, a subdued operating environment and rising unemployment. We forecast the stage 3 loans/gross loans ratio to peak at around 1.7% for MGL.

**Diversified Earnings Profile:** The diversity of MGL's operations and revenue has supported sound profitability for an extended period and we expect this trend to continue. The group's first-half earnings in the financial year ending March 2025 (FY25) were broadly consistent with our forecasts and we expect the second half to be stronger on continued loan growth and higher transaction volumes. We anticipate a moderate earnings improvement in FY25 with customer and loan and customer growth, providing an offset some margin compression.

**Robust Capital Buffers:** We expect capital ratios to remain sound and continue to support the 'a' factor score for MGL. MGL's capital surplus to regulatory minimums was AUD9.8 billion, or about 34% above the regulatory requirement, at end-1HFY25. MGL does not report a common equity Tier 1 ratio, so we place greater weight on other capitalisation metrics, such as tangible common equity/tangible assets, to assess the group's capitalisation and leverage.

**Sound Liquidity Management:** We expect funding and liquidity to remain well managed for the group over the next 12 months. This offsets some of the risk stemming from a greater reliance on wholesale funding than at international peers.

### Rating Sensitivities

#### Factors that Could, Individually or Collectively, Lead to Negative Rating Action/Downgrade

MGL's ratings may be downgraded if the common equity double leverage exceeds 120% for a sustained period, although Fitch does not expect this to occur.

### Ratings

Foreign Currency	
Long-Term IDR	A
Short-Term IDR	F1
Viability Rating	
	a
Government Support Rating	
	ns

### Sovereign Risk

Long-Term Foreign-Currency IDR	AAA
Long-Term Local-Currency IDR	AAA
Country Ceiling	AAA

### Outlooks

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

### Applicable Criteria

[Non-Bank Financial Institutions Rating Criteria \(January 2024\)](#)

[Bank Rating Criteria \(March 2024\)](#)

### Related Research

[Macquarie Group Limited \(October 2024\)](#)

[Macquarie Bank Limited \(October 2024\)](#)

[Global Economic Outlook \(September 2024\)](#)

[DM100 Banks Tracker \(July 2024\)](#)

[Fitch Upgrades Macquarie Bank Limited to 'A+'; Stable Outlook \(May 2024\)](#)

[Upgrades of Australia's Five Largest Banks Followed Build-Up of Resolution Buffers \(May 2024\)](#)

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MGL's Viability Rating (VR) and Long-Term Issuer Default Rating (IDR) are sensitive to the same factors as MBL's ratings, as a downgrade at MBL could result in an overall weaker consolidated group rating to which MGL is aligned.

**Factors that Could, Individually or Collectively, Lead to Positive Rating Action/Upgrade**

MGL's ratings are broadly sensitive to similar factors as MBL's VR, as an upgrade of MBL's VR could result in a higher consolidated group rating to which MGL is aligned.

**Other Debt and Issuer Ratings**

Rating level	Rating	Outlook
Senior Unsecured: Long Term	A	n.a.
Senior Unsecured: Short Term	F1	n.a.

Source: Fitch Ratings

**Senior Unsecured**

MGL's senior debt ratings are equalised with its IDRs, as there is a large buffer of holding company senior debt and group junior debt, which exceeds 10% of Fitch's estimated group risk-weighted assets. Moreover, MGL has highly diversified and reasonably sized subsidiaries.

**Short-Term IDR**

The Short-Term IDR of MGL is at the lower of the two options available at a Long-Term IDR of 'A', because the 'a' funding and liquidity score is lower than the minimum 'aa-' score to achieve the higher option of 'F1+'.

**Factors that Could, Individually or Collectively, Lead to Negative Rating Action/Downgrade**

**Short-Term IDR**

A downgrade of MGL's Short-Term IDR would occur if the Long-Term IDR is downgraded to 'A-' or below and the funding and liquidity score is revised to below 'a'.

**Senior Unsecured Instruments**

MGL's senior unsecured instrument ratings would be downgraded if its IDRs were downgraded. MGL's senior debt ratings are also sensitive to a significant reduction in its bank holding company senior and group junior debt buffers.

**Factors that Could, Individually or Collectively, Lead to Positive Rating Action/Upgrade**

**Short-Term IDR**

MGL's Short-Term IDR could be upgraded if the Long-Term IDR is upgraded to 'AA-', or the funding and liquidity score is revised to 'aa-' or above if there is no change to the Long-Term IDR.

**Senior Unsecured Instruments**

The long-term senior unsecured instrument ratings will be upgraded if MGL's Long-Term IDR is upgraded.

Ratings Navigator

Macquarie Group Limited							ESG Relevance:	Banks Ratings Navigator		
Operating Environment	Business Profile	Risk Profile	Financial Profile				Implied Viability Rating	Viability Rating	Government Support	Issuer Default Rating
			Asset Quality	Earnings & Profitability	Capitalisation & Leverage	Funding & Liquidity				
	20%	10%	20%	15%	25%	10%	aaa	aaa	aaa	AAA
							aa+	aa+	aa+	AA+
							aa	aa	aa	AA
							aa-	aa-	aa-	AA-
							a+	a+	a+	A+
							a	a	a	A Sta
							a-	a-	a-	A-
							bbb+	bbb+	bbb+	BBB+
							bbb	bbb	bbb	BBB
							bbb-	bbb-	bbb-	BBB-
							bb+	bb+	bb+	BB+
							bb	bb	bb	BB
							bb-	bb-	bb-	BB-
							b+	b+	b+	B+
							b	b	b	B
							b-	b-	b-	B-
							ccc+	ccc+	ccc+	CCC+
							ccc	ccc	ccc	CCC
							ccc-	ccc-	ccc-	CCC-
							cc	cc	cc	CC
							c	c	c	C
							f	f	ns	D or RD

The Key Rating Driver (KRD) weightings used to determine the implied VR are shown as percentages at the top. In cases where the implied VR is adjusted upwards or downwards to arrive at the VR, the KRD associated with the adjustment reason is highlighted in red. The shaded areas indicate the benchmark-implied scores for each KRD.

## Financials

### Summary Financials

	30 Sep 24		31 Mar 24	31 Mar 23	31 Mar 22
	6 months - interim (USDm) Reviewed - unqualified	6 months - interim (AUDm) Reviewed - unqualified	Year end (AUDm) Audited - unqualified	Year end (AUDm) Audited - unqualified	Year end (AUDm) Audited - unqualified
<b>Summary income statement</b>					
Net interest and dividend income	1,157	1,669.0	3,459.0	3,028.0	2,860.0
Net fees and commissions	2,288	3,300.0	5,178.0	5,530.0	5,858.0
Other operating income	2,303	3,322.0	6,810.0	9,583.0	5,297.0
Total operating income	5,747	8,291.0	15,447.0	18,141.0	14,015.0
Operating costs	4,122	5,947.0	11,018.0	11,121.0	9,835.0
Pre-impairment operating profit	1,625	2,344.0	4,429.0	7,020.0	4,180.0
Loan and other impairment charges	30	43.0	-134.0	388.0	250.0
Operating profit	1,595	2,301.0	4,563.0	6,632.0	3,930.0
Other non-operating items (net)	-3	-4.0	263.0	360.0	2,609.0
Tax	476	686.0	1,291.0	1,824.0	1,586.0
Net income	1,117	1,611.0	3,535.0	5,168.0	4,953.0
Other comprehensive income	-523	-755.0	350.0	1,623.0	52.0
Fitch comprehensive income	593	856.0	3,885.0	6,791.0	5,005.0
<b>Summary balance sheet</b>					
<b>Assets</b>					
Gross loans	130,469	188,213.0	177,586.0	159,888.0	135,775.0
- Of which impaired	1,345	1,940.0	2,762.0	2,025.0	1,644.0
Loan loss allowances	796	1,149.0	1,215.0	1,316.0	1,031.0
Net loans	129,673	187,064.0	176,371.0	158,572.0	134,744.0
Interbank	n.a.	n.a.	n.a.	n.a.	n.a.
Derivatives	16,536	23,855.0	24,067.0	36,114.0	84,891.0
Other securities and earning assets	89,051	128,464.0	116,088.0	99,569.0	81,275.0
Total earning assets	235,260	339,383.0	316,526.0	294,255.0	300,910.0
Cash and due from banks	13,246	19,109.0	31,855.0	45,656.0	52,754.0
Other assets	38,697	55,823.0	55,023.0	47,961.0	45,512.0
Total assets	287,203	414,315.0	403,404.0	387,872.0	399,176.0
<b>Liabilities</b>					
Customer deposits	109,853	158,472.0	148,416.0	134,714.0	101,667.0
Interbank and other short-term funding	28,084	40,513.0	39,957.0	44,477.0	16,947.0
Other long-term funding	64,545	93,111.0	100,859.0	90,845.0	118,021.0
Trading liabilities and derivatives	19,115	27,575.0	30,629.0	37,600.0	89,754.0
Total funding and derivatives	221,596	319,671.0	319,861.0	307,636.0	326,389.0
Other liabilities	31,568	45,539.0	43,685.0	40,363.0	39,066.0
Preference shares and hybrid capital	11,279	16,271.0	5,862.0	5,767.0	4,915.0
Total equity	22,761	32,834.0	33,996.0	34,106.0	28,806.0
Total liabilities and equity	287,203	414,315.0	403,404.0	387,872.0	399,176.0
Exchange rate		USD1 = AUD1.442585	USD1 = AUD1.530925	USD1 = AUD1.489869	USD1 = AUD1.336541

Source: Fitch Ratings, Fitch Solutions, Macquarie Group Limited

**Key Ratios**

	30 Sep 24	31 Mar 24	31 Mar 23	31 Mar 22
<b>Ratios (annualised as appropriate)</b>				
<b>Profitability</b>				
Operating profit/risk-weighted assets	n.a.	n.a.	n.a.	n.a.
Net interest income/average earning assets	1.0	1.1	0.9	1.1
Non-interest expense/gross revenue	74.9	73.9	67.6	72.4
Net income/average equity	9.6	10.5	16.4	19.7
<b>Asset quality</b>				
Impaired loans ratio	1.0	1.6	1.3	1.2
Growth in gross loans	6.0	11.1	17.8	27.9
Loan loss allowances/impaired loans	59.2	44.0	65.0	62.7
Loan impairment charges/average gross loans	0.1	-0.1	0.2	0.1
<b>Capitalisation</b>				
Common equity Tier 1 ratio	12.8	n.a.	n.a.	n.a.
Fully loaded common equity Tier 1 ratio	n.a.	n.a.	n.a.	n.a.
Fitch Core Capital ratio	n.a.	n.a.	n.a.	n.a.
Tangible common equity/tangible assets	6.8	7.1	7.5	6.0
Basel leverage ratio	5.0	n.a.	n.a.	n.a.
Net impaired loans/common equity Tier 1	n.a.	n.a.	n.a.	n.a.
Net impaired loans/Fitch Core Capital	n.a.	n.a.	2.5	2.6
<b>Funding and liquidity</b>				
Gross loans/customer deposits	118.8	119.7	118.7	133.6
Gross loans/customer deposits + covered bonds	n.a.	n.a.	117.8	n.a.
Liquidity coverage ratio	n.a.	n.a.	n.a.	n.a.
Customer deposits/total non-equity funding	50.5	49.5	48.0	41.2
Net stable funding ratio	n.a.	n.a.	n.a.	n.a.

Note: Impaired loan ratio for end-September 2024 uses impaired loans figure, stage 3 loans for other periods.

Source: Fitch Ratings, Fitch Solutions, Macquarie Group Limited

## Support Assessment

Commercial Banks: Government Support	
Typical D-SIB GSR for sovereign's rating level (assuming high propensity)	a+ to a-
Actual jurisdiction D-SIB GSR	a
Government Support Rating	ns
<b>Government ability to support D-SIBs</b>	
Sovereign Rating	AAA/ Stable
Size of banking system	Negative
Structure of banking system	Negative
Sovereign financial flexibility (for rating level)	Positive
<b>Government propensity to support D-SIBs</b>	
Resolution legislation	Neutral
Support stance	Neutral
<b>Government propensity to support bank</b>	
Systemic importance	Negative
Liability structure	Negative
Ownership	Neutral

The colours indicate the weighting of each KRD in the assessment.  
■ Higher influence   ■ Moderate influence   ■ Lower influence

MGL's Government Support Rating (GSR) of 'ns' (no support) reflects our view that there is no reasonable assumption that support will be forthcoming from the Australian authorities. We believe that if support were provided to the group, it would most likely be through the regulated bank, MBL.

## Subsidiaries and Affiliates

### Core and Integral Subsidiaries

Macquarie Financial Limited's (MFL, A/Stable) Long-Term IDR, which is driven by its Shareholder Support Rating (SSR) of 'a', is equalised with that of its direct parent, MGL. MFL's SSR reflects its status as a key and integral part of the group's business, undertaking core non-banking activities. In addition, if MFL were to default, it would have a huge impact on the reputation of MGL and damage the group's franchise.

### Factors that Could, Individually or Collectively, Lead to Negative Rating Action/Downgrade

A downgrade in the IDRs of MGL would be reflected in the IDRs of MFL, assuming no change to Fitch's assumption around the propensity of support. In addition, a reduction in the role and relevance of MFL to the group could lead to a downward revision of its SSR and therefore the IDRs.

### Factors that Could, Individually or Collectively, Lead to Positive Rating Action/Upgrade

An upgrade in the IDRs of MGL would be reflected in the IDRs of MFL, assuming no change to our assumption around the propensity of support.

Environmental, Social and Governance Considerations

FitchRatings Macquarie Group Limited

Banks  
Ratings Navigator

Credit-Relevant ESG Derivation

Macquarie Group Limited has 5 ESG potential rating drivers

- Macquarie Group Limited has exposure to compliance risks including fair lending practices, mis-selling, repossession/foreclosure practices, consumer data protection (data security) but this has very low impact on the rating.
- Governance is minimally relevant to the rating and is not currently a driver.

ESG Relevance to Credit Rating	Score	Issues	Relevance
5	0	issues	5
4	0	issues	4
3	5	issues	3
2	4	issues	2
1	5	issues	1

Environmental (E) Relevance Scores

General Issues	E Score	Sector-Specific Issues	Reference
GHG Emissions & Air Quality	1 n.a.	n.a.	n.a.
Energy Management	1 n.a.	n.a.	n.a.
Water & Wastewater Management	1 n.a.	n.a.	n.a.
Waste & Hazardous Materials Management; Ecological Impacts	1 n.a.	n.a.	n.a.
Exposure to Environmental Impacts	2	Impact of extreme weather events on assets and/or operations and corresponding risk appetite & management; catastrophe risk; credit concentrations	Business Profile (incl. Management & governance); Risk Profile; Asset Quality

**E Relevance**

**How to Read This Page**  
ESG relevance scores range from 1 to 5 based on a 15-level color gradation. Red (5) is most relevant to the credit rating and green (1) is least relevant.

**The Environmental (E), Social (S) and Governance (G) tables** break out the ESG general issues and the sector-specific issues that are most relevant to each industry group. Relevance scores are assigned to each sector-specific issue, signaling the credit-relevance of the sector-specific issues to the issuer's overall credit rating. The Criteria Reference column highlights the factor(s) within which the corresponding ESG issues are captured in Fitch's credit analysis. The vertical color bars are visualizations of the frequency of occurrence of the highest constituent relevance scores. They do not represent an aggregate of the relevance scores or aggregate ESG credit relevance.

**The Credit-Relevant ESG Derivation table's** far right column is a visualization of the frequency of occurrence of the highest ESG relevance scores across the combined E, S and G categories. The three columns to the left of ESG Relevance to Credit Rating summarize rating relevance and impact to credit from ESG issues. The box on the far left identifies any ESG Relevance Sub-factor issues that are drivers or potential drivers of the issuer's credit rating (corresponding with scores of 3, 4 or 5) and provides a brief explanation for the relevance score. All scores of '4' and '5' are assumed to reflect a negative impact unless indicated with a '+' sign for positive impact. Scores of 3, 4 or 5) and provides a brief explanation for the score.

Social (S) Relevance Scores

General Issues	S Score	Sector-Specific Issues	Reference
Human Rights, Community Relations, Access & Affordability	2	Services for underbanked and underserved communities; SME and community development programs; financial literacy programs	Business Profile (incl. Management & governance); Risk Profile
Customer Welfare - Fair Messaging, Privacy & Data Security	3	Compliance risks including fair lending practices, mis-selling, repossession/foreclosure practices, consumer data protection (data security)	Operating Environment; Business Profile (incl. Management & governance); Risk Profile
Labor Relations & Practices	2	Impact of labor negotiations, including board/employee compensation and composition	Business Profile (incl. Management & governance)
Employee Wellbeing	1 n.a.	n.a.	n.a.
Exposure to Social Impacts	2	Shift in social or consumer preferences as a result of an institution's social positions, or social and/or political disapproval of core banking practices	Business Profile (incl. Management & governance); Financial Profile

**S Relevance**

**Classification** of ESG issues has been developed from Fitch's sector ratings criteria. The General Issues and Sector-Specific Issues draw on the classification standards published by the United Nations Principles for Responsible Investing (PRI), the Sustainability Accounting Standards Board (SASB), and the World Bank.

Governance (G) Relevance Scores

General Issues	G Score	Sector-Specific Issues	Reference
Management Strategy	3	Operational implementation of strategy	Business Profile (incl. Management & governance)
Governance Structure	3	Board independence and effectiveness; ownership concentration; protection of creditor/stakeholder rights; legal/compliance risks; business continuity; key person risk; related party transactions	Business Profile (incl. Management & governance); Earnings & Profitability; Capitalisation & Leverage
Group Structure	3	Organizational structure; appropriateness relative to business model; opacity; intra-group dynamics; ownership	Business Profile (incl. Management & governance)
Financial Transparency	3	Quality and frequency of financial reporting and auditing processes	Business Profile (incl. Management & governance)

**CREDIT-RELEVANT ESG SCALE**  
How relevant are E, S and G issues to the overall credit rating?

5	Highly relevant, a key rating driver that has a significant impact on the rating on an individual basis. Equivalent to "higher" relative importance within Navigator.
4	Relevant to rating, not a key rating driver but has an impact on the rating in combination with other factors. Equivalent to "moderate" relative importance within Navigator.
3	Minimally relevant to rating, either very low impact or actively managed in a way that results in no impact on the entity rating. Equivalent to "lower" relative importance within Navigator.
2	Irrelevant to the entity rating but relevant to the sector.
1	Irrelevant to the entity rating and irrelevant to the sector.

The highest level of ESG credit relevance is a score of '3', unless otherwise disclosed in this section. A score of '3' means ESG issues are credit-neutral or have only a minimal credit impact on the entity, either due to their nature or the way in which they are being managed by the entity. Fitch's ESG Relevance Scores are not inputs in the rating process; they are an observation on the relevance and materiality of ESG factors in the rating decision. For more information on Fitch's ESG Relevance Scores, visit [www.fitchratings.com/topics/esg/products#esg-relevance-scores](http://www.fitchratings.com/topics/esg/products#esg-relevance-scores).



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