

Macquarie Group Limited

Key Rating Drivers

Low Double Leverage: Fitch Ratings aligns Macquarie Group Limited's (MGL) ratings with the consolidated group Viability Rating (VR) to reflect modest common equity double leverage and sound liquidity management. We expect MGL's double leverage ratio to be managed below 120% and 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 group's 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.

Strong Growth in Banking Business: We believe MGL's business model and earnings stability will continue to improve over the next few years, driven by continued expansion of Macquarie Bank Limited's (MBL, A+/Stable) lending activities. MBL has continued to grow its Australian residential mortgage and deposit market share to about 6% and we expect this growth to continue into the medium term.

MGL's earnings profile is more diverse relative to domestic peers and has less reliance on net interest income but parts of the business could be more volatile through the cycle.

Credit Risk Well Managed: MGL's centralised risk management framework and oversight of its subsidiaries through a dedicated risk group have underpinned strong credit risk-management practices that have resulted in robust financial outcomes over a sustained period. This offsets the group's larger risk appetite than other Australian banking groups.

Impaired Loans Near Peak: We expect MGL's impaired loan ratio to improve in the financial year ending March 2026 (FY26) as interest rates fall and economic conditions improve. Losses from impaired loans are likely to remain low due to high levels of collateral and adequate levels of provisioning. MGL's impaired loan ratio is likely to be maintained at levels moderately higher than MBL due to its commercial and corporate exposures.

Diversified Earnings Profile: The diversity of MGL's operations and revenue has supported sound profitability for an extended period and we expect this will remain the case. The group's operating profit increased by 11% in FY25, assisted by growth in BFS and fee commission income. We expect a modest increase in profitability in FY26, with loan and non-interest income growth partly offset by pressure on the net interest margin.

Robust Capital Buffers: We expect capital ratios to remain sound and continue to support the 'a' capitalisation and leverage score for MGL. MGL's capital surplus to regulatory minimums was AUD9.5 billion, or about 30% above the regulatory requirement, at FYE25. 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.

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

Highest ESG Relevance Scores	
Environmental	2
Social	3
Governance	3

Applicable Criteria	
Non-Bank Financial Institutions Rating Criteria (January 2025)	
Bank Rating Criteria (March 2025)	

Related Research	
Fitch Affirms Macquarie Group at 'A' and Macquarie Bank at 'A+'; Outlook Stable (September 2025)	
Global Economic Outlook (June 2025)	
DM100 Banks Tracker (December 2024)	
Asia-Pacific Developed Market Banks Outlook 2025 (November 2024)	

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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.

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

A downgrade of MGL's Short-Term IDR to 'F2' would require the Long-Term IDR to be downgraded by at least two notches to 'BBB+' or by one notch to 'A-' combined with the funding and liquidity score also being lowered to at least 'a-'.

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. An upgrade of MBL's VR could result in upward pressure on the consolidated group rating to which MGL is aligned. The ratings between MBL and MGL could still be differentiated, as MGL has lower scores for asset quality and capitalisation and leverage relative to MBL.

Other Debt and Issuer Ratings

Rating level	Rating	Outlook
Senior unsecured: long term	A	n.a.
Senior unsecured: short term	F1	n.a.

Note: n.a. is not applicable

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

Senior Unsecured Instruments

MGL senior unsecured instrument ratings would be downgraded if their respective IDRs are downgraded. MGL's senior debt ratings are also sensitive to a significant reduction in its bank holding company senior and group junior debt buffers and there was also a material reduction in the diversity of its earnings.

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 IDRs are 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 Long-Term IDRs are 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				
		20%	10%	20%	15%	25%	10%			
aaa							aaa	aaa	aaa	AAA
aa+							aa+	aa+	aa+	AA+
aa							aa	aa	aa	AA
aa-							aa-	aa-	aa-	AA-
a+							a+	a+	a+	A+
a							a	a	a	A Sta
a-							a-	a-	a-	A-
bbb+							bbb+	bbb+	bbb+	BBB+
bbb							bbb	bbb	bbb	BBB
bbb-							bbb-	bbb-	bbb-	BBB-
bb+							bb+	bb+	bb+	BB+
bb							bb	bb	bb	BB
bb-							bb-	bb-	bb-	BB-
b+							b+	b+	b+	B+
b							b	b	b	B
b-							b-	b-	b-	B-
ccc+							ccc+	ccc+	ccc+	CCC+
ccc							ccc	ccc	ccc	CCC
ccc-							ccc-	ccc-	ccc-	CCC-
cc							cc	cc	cc	CC
c							c	c	c	C
f							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.

There is no implied range for the earnings and profitability and capitalisation and leverage KRDs because risk-weighted assets are not reported by MGL. We have assessed these KRDs based on other complementary metrics rather than the core metrics of operating profit/risk-weighted assets and the common equity Tier 1 ratio.

Company Summary and Key Qualitative Factors

Operating Environment

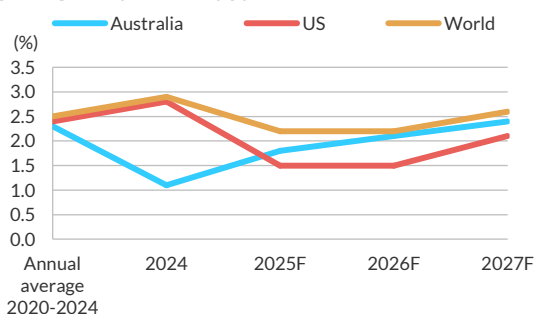
MGL is the most internationally active among the Australian banking groups that Fitch rates. Offshore revenue accounted for around 64% of total income at FYE25. North America (mainly the US), Europe and Asia are the main non-domestic markets. A large share of group earnings and assets is located in jurisdictions that Fitch assesses in the 'aa' range, supporting an operating environment score of 'aa-' for both MGL and MBL, the group's main operating subsidiary.

Prudential regulation in Australia remains focused on the protection of bank depositors rather than group creditors, which is one of the key reasons why MBL's VR is assessed on a standalone basis and may be differentiated from the group VR, although they are currently at the same level.

Easing monetary policy is likely to support a gradual improvement in operating conditions for Australian banks in 2025. Interest rates remain high compared with pre-Covid-19 pandemic-era levels and the benefits of a recent rate reduction have yet to be fully realised. Higher interest rates have reduced borrowing capacity, leading to an improvement in Australia's household debt/disposable income ratio of 182% at end-2024. However, the ratio remains high compared with most other global markets. We incorporate this factor into our operating environment assessment by placing the score at the lower end of the 'aa' category.

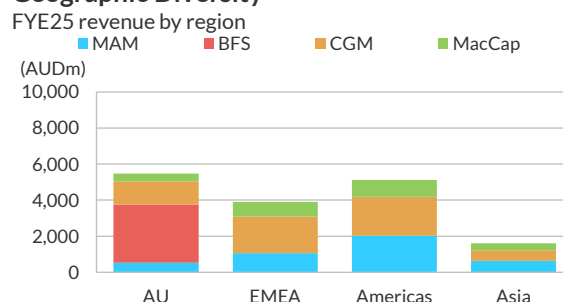
We expect Australian unemployment to peak below 4.5% in 2025. This is unlikely to result in significant asset-quality deterioration, although some borrowers may experience pressure until rates decline further. Rate reductions should support borrowers and, ultimately, bank asset quality, particularly for mortgage holders, most of whom have variable-rate loans. The rise in house prices throughout 2024 provides an additional buffer against potential losses.

GDP Growth Forecast



Source: Fitch Ratings, Fitch Solutions

Geographic Diversity



Source: Fitch Ratings, MGL

Business Profile

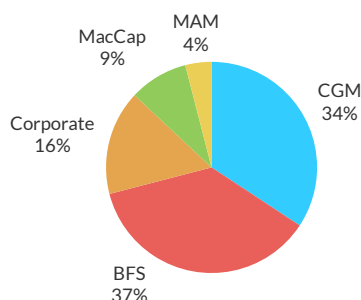
MGL is the listed non-operating holding company parent of the Macquarie group. Its four main subsidiaries are MBL, which undertakes more traditional banking operations, Macquarie Financial Pty Limited (MFL, A/Stable), Macquarie International Finance Limited (MIFL, A/Stable) and Macquarie Asset Management Holdings Pty Limited. Excluding MBL, the other entities carry out the non-banking operations. The group offers a full suite of banking services in Australia while targeting niche and non-traditional banking activities offshore.

The group's business model has remained stable, with expansion typically focused on existing areas of expertise. MGL operates through four main divisions: two capital-markets-facing businesses, Macquarie Capital (MacCap) and Commodities and Global Markets (CGM), and two businesses with more stable earnings, Macquarie Asset Management (MAM) and Banking and Financial Services (BFS). These divisions are supported by centralised risk management, treasury, IT, finance services, legal and governance functions.

Fitch considers MGL's management to be highly skilled and experienced, contributing to a consistent group culture and effective strategic execution, resulting in strong financial performance over time. MGL can at times be acquisitive but remains disciplined in transactions. Business expansion usually ties into existing operations, with significant acquisitions funded through debt and capital raisings. The group has historically shown a willingness to sell, restructure or exit businesses that do not meet return thresholds.

MGL Segment Assets

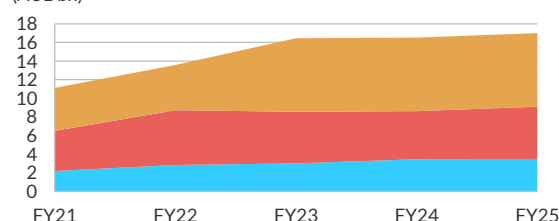
FYE25



Source: Fitch Ratings, MGL

Revenue Breakdown

(AUDbn) (FY21-FY25 CAGR: 11.2%)



CAGR: compound annual growth rate
Source: Fitch Ratings, Fitch Solutions, MGL

Risk Profile

MGL has a larger risk appetite than most Australian banking groups, which tend to be heavily oriented towards retail and traditional banking activities. Consistent and strong risk management through the years has helped to offset MGL's risk appetite, reflected in a successful record of execution. MGL's risk framework is centralised and integrated throughout the group entities.

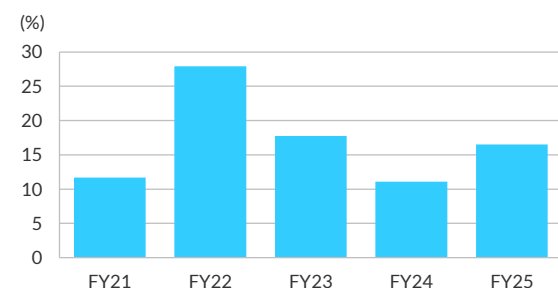
The group uses tail-risk scenarios to analyse exposures and assess proposed business decisions. MGL will manage exposures or not proceed with opportunities if potential losses can threaten the group's viability under these worst-case scenarios. This approach provides additional protection to the group in the event of another downturn or heightened volatility.

MGL reported strong loan growth over the last five years, which has largely been from the banking operations — most notably in residential mortgages. This growth has been supported by investment in technology, broker relationships, and faster processing times relative to peers, rather than weaker underwriting standards, such as high loan-to-value ratio loans or interest-only lending.

MBL has the largest balance sheet within the group, comprising the majority of MGL's risk exposure. For details on underwriting, growth, and market risk, refer to our [rating report on MBL](#).

There have been several regulatory actions taken against the group over the last 18 months, including the imposition of additional license conditions, fines and civil penalties related to compliance shortcomings or non-financial risk management. We believe the remediation programmes relating to these matters will take a few years to finalise, but the costs and associated penalties and fines are manageable. MBL has also held a AUD500 million capital overlay since 2021, and recently reported the remediation plan remains in progress.

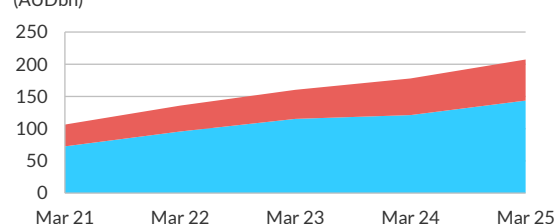
Loan Growth



Source: Fitch Ratings, Fitch Solutions, MGL

Loan Book Breakdown

(AUDbn) (Mar 21-Mar 25 CAGR: 18.2%)



CAGR: compound annual growth rate
Source: Fitch Ratings, Fitch Solutions, MGL

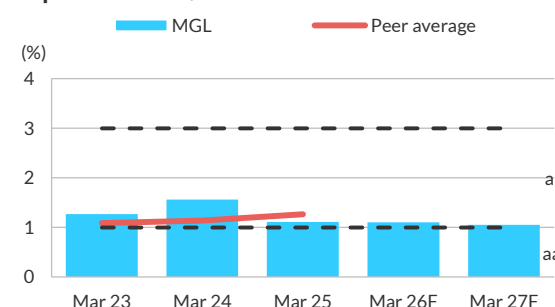
Financial Profile

Asset Quality

MGL has greater exposure to commercial and non-loan assets than most domestic peers, which may result in more volatile asset quality through the cycle. Loans made up only 46% of MGL's assets at FYE25, significantly lower than most domestic banking group peers. Asset quality tends to be stronger in MGL's non-loan financial assets (mostly investment-grade on MGL's internal scale) and residential mortgage book (69% of total loans) than in its corporate, commercial, and other lending, and we expect this remains the case.

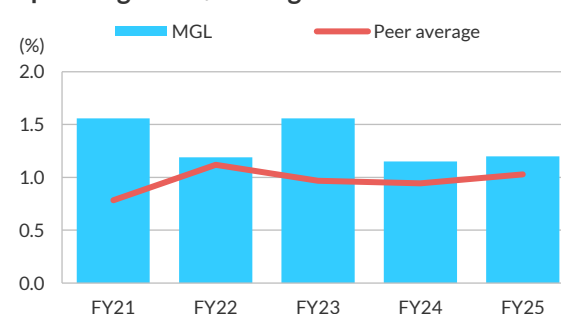
The bulk of MGL's remaining assets at FYE25 were derivative, financial investments, and trading assets. Derivative assets tend to show more volatility in terms of size on the balance sheet, depending on client activity and mark-to-market movements. Trading assets consist mainly of government debt securities, listed equities and commodities, while financial investments mostly consist of debt securities held as liquid asset holdings.

Impaired Loans/Gross Loans



Source: Fitch Ratings, Fitch Solutions, banks

Operating Profit/Average Assets



Source: Fitch Ratings, Fitch Solutions, banks

Earnings and Profitability

Relative to domestic peers, MGL generates a significant proportion of non-interest income, such as fee and commission income and net trading income, which combined accounted for above 70% of operating income at FYE25. We view some of the fee income, such as base fees from the asset management business, to be reasonably stable as they are largely tied to the volume and value of assets under management. Trading and derivatives income in CGM and deal-related fee income in MacCap have shown greater variability, although this has mostly been on the upside during periods of high commodity price volatility.

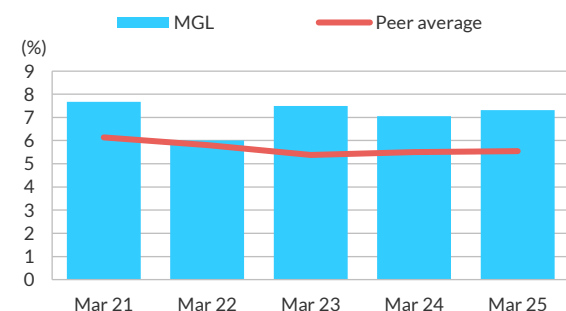
Fitch mainly focuses on the operating profit/average total assets metric when assessing MGL's earnings, as only the banking operation is required to calculate risk-weighted assets under Australia's regulatory framework. MGL also regularly generates significant non-operating revenue through the sale of assets and businesses, and Fitch also considers the return on equity metric when analysing MGL's earnings to capture this. Both these metrics compare well with similarly rated domestic and international peers with broadly comparable operating environment scores.

Capitalisation and Leverage

MGL's sound capital management over a sustain period is reflected in its robust capital surplus relative to regulatory minimums. The minimum Tier 1 requirement was AUD32.3 billion at FYE25, with the group holding around 30% surplus to this level. Fitch considers strong capital buffers appropriate, given the higher risk profile and complexity of MGL's operations, as they provide greater protection from unexpected risks relative to simpler domestic peers. MGL's capital score is lower than that of MBL due to the less stringent capital framework and reporting requirements.

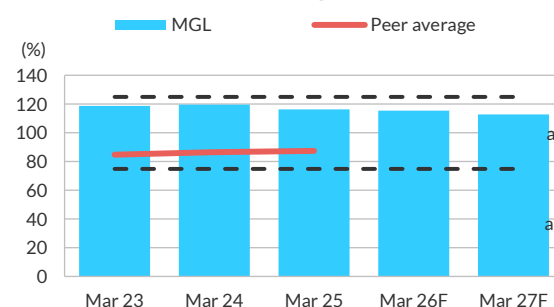
MGL is not required to calculate risk-weighted regulatory capital ratios, but is instead required to hold a nominal capital amount that is calculated by aggregating the minimum capital requirements of the group's banking and non-banking operations. In assigning MGL's factor score, we also consider un-risk-weighted capital ratios, such as tangible common equity/tangible assets, where MGL compares favourably with similarly rated international peers. Common-equity double leverage remains below MGL's internal management limits and we do not expect it to be maintained above 120% for a sustained period.

Tangible Equity/Tangible Assets



Source: Fitch Ratings, Fitch Solutions, banks

Gross Loans/Customer Deposits



Source: Fitch Ratings, Fitch Solutions, banks

Funding and Liquidity

MGL relies on wholesale funding to finance its non-banking group operations, as it does not have a banking licence and is therefore prevented from gathering deposits — this activity is undertaken by MBL. The group manages its wholesale funding well, with a suitable average maturity and, given the longer-term nature of the asset profile in the non-bank operations, there is an appropriate mix of currencies, investors and products.

MGL's liquidity management policies are set so that it can meet all its liquidity obligations over a 12-month period, assuming no access to funding markets. Policies for MBL assume limited market access. Funding for the non-bank operations is typically done through MGL, which is reliant on interest and dividend payments from its subsidiaries to meet debt repayments. MGL and MBL account for most of the debt instruments issued to external investors.

Additional Notes on Forecasts and Charts

Years denoted with an 'F' in tables and charts in this report represent Fitch's forecasts. The forecasts reflect Fitch's forward view on the bank's financial metrics per Fitch's *Bank Rating Criteria*. They are based on a combination of Fitch's macroeconomic forecasts, outlook at the sector level and company-specific considerations. As a result, Fitch's forecasts may materially differ from the guidance provided by the rated entity to the market.

To the extent Fitch is aware of material non-public information with respect to future events such as planned recapitalisations or merger and acquisition activity, Fitch will not reflect these non-public future events in its published forecasts. However, where relevant, such information is considered by Fitch as part of the rating process.

Black dashed lines represent boundaries for indicative quantitative ranges and implied scores for Fitch's core financial metrics for banks operating in the environments that Fitch scores in the 'aa' category.

Peer average includes Commonwealth Bank of Australia, Westpac Banking Corporation, Australia and New Zealand Banking Group Limited, National Australia Bank Limited, Morgan Stanley, Citigroup Inc., JPMorgan Chase & Co., Bank of America Corporation, BNP Paribas SA.

Unless otherwise stated, financial year (FY) end is 31 December for all banks in this report. Financial year end of Macquarie Group Limited is 31 March. Financial year end of Commonwealth Bank of Australia is 30 June. Financial year end of Westpac Banking Corporation, Australia and New Zealand Banking Group Limited, National Australia Bank Limited is 30 September.

Financials

Summary Financials

	31 Mar 25		31 Mar 24	31 Mar 23	31 Mar 22
	Year end (USDm)	Year end (AUDm)	Year end (AUDm)	Year end (AUDm)	Year end (AUDm)
	Audited - unqualified	Audited - unqualified	Audited - unqualified	Audited - unqualified	Audited - unqualified
Summary income statement					
Net interest and dividend income	2,202	3,507.0	3,459.0	3,028.0	2,860.0
Net fees and commissions	3,507	5,584.0	5,178.0	5,530.0	5,858.0
Other operating income	5,712	9,096.0	8,411.0	9,583.0	5,297.0
Total operating income	11,421	18,187.0	17,048.0	18,141.0	14,015.0
Operating costs	8,079	12,865.0	12,619.0	11,121.0	9,835.0
Pre-impairment operating profit	3,342	5,322.0	4,429.0	7,020.0	4,180.0
Loan and other impairment charges	167	266.0	-134.0	388.0	250.0
Operating profit	3,175	5,056.0	4,563.0	6,632.0	3,930.0
Other non-operating items (net)	8	12.0	263.0	360.0	2,609.0
Tax	833	1,326.0	1,291.0	1,824.0	1,586.0
Net income	2,350	3,742.0	3,535.0	5,168.0	4,953.0
Other comprehensive income	538	857.0	350.0	1,623.0	52.0
Fitch comprehensive income	2,888	4,599.0	3,885.0	6,791.0	5,005.0
Summary balance sheet					
Assets					
Gross loans	129,941	206,913.0	177,586.0	159,888.0	135,775.0
- Of which impaired	1,444	2,299.0	2,762.0	2,025.0	1,644.0
Loan loss allowances	794	1,265.0	1,215.0	1,316.0	1,031.0
Net loans	129,147	205,648.0	176,371.0	158,572.0	134,744.0
Interbank	n.a.	n.a.	n.a.	n.a.	n.a.
Derivatives	15,241	24,269.0	24,067.0	36,114.0	84,891.0
Other securities and earning assets	77,887	124,024.0	116,088.0	99,569.0	81,275.0
Total earning assets	222,275	353,941.0	316,526.0	294,255.0	300,910.0
Cash and due from banks	16,570	26,385.0	31,855.0	45,656.0	52,754.0
Other assets	40,754	64,895.0	55,023.0	47,961.0	45,512.0
Total assets	279,599	445,221.0	403,404.0	387,872.0	399,176.0
Liabilities					
Customer deposits	111,577	177,671.0	148,416.0	134,714.0	101,667.0
Interbank and other short-term funding	28,951	46,101.0	39,957.0	44,477.0	16,947.0
Other long-term funding	59,035	94,004.0	92,520.0	90,845.0	118,021.0
Trading liabilities and derivatives	18,350	29,219.0	30,629.0	37,600.0	89,754.0
Total funding and derivatives	217,913	346,995.0	311,522.0	307,636.0	326,389.0
Other liabilities	28,911	46,036.0	43,685.0	40,363.0	39,066.0
Preference shares and hybrid capital	10,300	16,401.0	14,201.0	5,767.0	4,915.0
Total equity	22,475	35,789.0	33,996.0	34,106.0	28,806.0
Total liabilities and equity	279,599	445,221.0	403,404.0	387,872.0	399,176.0
Exchange rate		USD1 = AUD1.592357	USD1 = AUD1.530925	USD1 = AUD1.489869	USD1 = AUD1.336541

Source: Fitch Ratings, Fitch Solutions, MGL

Key Ratios

	31 Mar 25	31 Mar 24	31 Mar 23	31 Mar 22
Ratios (annualised as appropriate)				
Profitability				
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	75.6	76.4	67.6	72.4
Net income/average equity	10.9	10.5	16.4	19.7
Asset quality				
Impaired loans ratio	1.1	1.6	1.3	1.2
Growth in gross loans	16.5	11.1	17.8	27.9
Loan loss allowances/impaired loans	55.0	44.0	65.0	62.7
Loan impairment charges/average gross loans	0.2	-0.1	0.2	0.1
Capitalisation				
Common equity Tier 1 ratio	n.a.	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	7.3	7.1	7.5	6.0
Basel leverage ratio	n.a.	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	3.2	5.5	2.5	2.6
Funding and liquidity				
Gross loans/customer deposits	116.5	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	52.3	49.5	48.0	41.2
Net stable funding ratio	n.a.	n.a.	n.a.	n.a.

Source: Fitch Ratings, Fitch Solutions, MGL

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

Government ability to support D-SIBs

Sovereign Rating	AAA/ Stable
Size of banking system	Negative
Structure of banking system	Negative
Sovereign financial flexibility (for rating level)	Positive

Government propensity to support D-SIBs

Resolution legislation	Neutral
Support stance	Neutral

Government propensity to support bank

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.

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

MGL's GSR is already at the lowest level and cannot be downgraded further.

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

MGL's GSR would only be upgraded if the regulatory focus were to change from protection of depositors to a broader group focus, which appears improbable.

Subsidiaries and Affiliates

Core and Integral Subsidiaries

MFL's and MIFL's Long-Term IDRs, which are driven by their respective Shareholder Support Rating (SSR), are equalised with that of their direct parent, MGL. MIFL's anchor rating has been changed to MGL's Long-Term IDR from MBL following a group restructure and change of parent. The SSR of the two subsidiaries reflects their status as a key and integral part of the group. Fitch views these subsidiaries as undertaking core operations and functions for the group even if their size is small. In addition, if either of these entities 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 SSRs and IDRs of MFL and MIFL, assuming no change to Fitch's assumption around the propensity of support. In addition, a reduction in the role and relevance of these entities to the group could lead to a downward revision of its SSR and therefore IDR.

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

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

Environmental, Social and Governance Considerations

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.

key driver	0	issues	5	
driver	0	issues	4	
potential driver	5	issues	3	
not a rating driver	4	issues	2	
	5	issues	1	

Environmental (E) Relevance Scores

General Issues	E Score	Sector-Specific Issues	Reference	E Relevance
GHG Emissions & Air Quality	1	n.a.	n.a.	5
Energy Management	1	n.a.	n.a.	4
Water & Wastewater Management	1	n.a.	n.a.	3
Waste & Hazardous Materials Management; Ecological Impacts	1	n.a.	n.a.	2
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	1

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.

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.

Social (S) Relevance Scores

General Issues	S Score	Sector-Specific Issues	Reference	S Relevance
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	5
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	4
Labor Relations & Practices	2	Impact of labor negotiations, including board/employee compensation and composition	Business Profile (incl. Management & governance)	3
Employee Wellbeing	1	n.a.	n.a.	2
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	1

Governance (G) Relevance Scores

General Issues	G Score	Sector-Specific Issues	Reference	G Relevance
Management Strategy	3	Operational implementation of strategy	Business Profile (incl. Management & governance)	5
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	4
Group Structure	3	Organizational structure; appropriateness relative to business model; opacity; intra-group dynamics; ownership	Business Profile (incl. Management & governance)	3
Financial Transparency	3	Quality and frequency of financial reporting and auditing processes	Business Profile (incl. Management & governance)	2
				1

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 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.

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For information on the participation status in the rating process of an issuer listed in this report, please refer to the most recent rating action commentary for the relevant issuer, available on the Fitch Ratings website.

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