

The contribution from the **Cash Division** was 44 per cent down on the prior year as investor confidence continued to negatively impact market volumes. Secondary market commissions were in line with the prior year. Increased contributions from the US, Canadian and European platforms were offset by lower contributions from Australia and Asia while South Africa was flat. Total ECM fees were down significantly on the prior year with reduced activity in Australia and Europe. However, revenue from the US was up on the prior year and revenue from Asia was in line with the prior year. The result also reflects continued investment by the business in the build out of its cash equities platform globally.

The **Derivatives DeltaOne Trading Division** result was 149 per cent down on the prior year, primarily due to limited retail and institutional demand and difficult trading conditions. Despite subdued market volumes, the business continues to maintain its strong market share positions in key listed warrants markets: 1st in Singapore and Korea, 2nd in Australia and 3rd in Hong Kong. The business is also well positioned to benefit from a new derivatives platform in Europe following the acquisition of the Sal Oppenheim business (refer below). The result also reflects the investment by the business during the year in support infrastructure and the development and integration of new business activities.

During the year, MSG's global platform development focused on the integration of the two businesses it acquired from German private bank Sal. Oppenheim jr. & Cie. KGaA (Sal Oppenheim) and organic growth across its other businesses.

The Sal Oppenheim acquisitions were completed on 6 April 2010. The cash equities business comprises equities research, sales, trading and execution functions focused on continental Europe, with particular strength in Germany. The acquisition broadens MSG's pan-European business, bolstering its presence in key European markets and complementing existing operations. It expands the group's Euro stock coverage to over 400 stocks, 73 per cent of the Euro Stoxx 600, and continues MSG's growth in research coverage to more than 2,400 stocks globally, placing Macquarie in ninth position in terms of global research coverage.

The equity derivatives and structured products business complements Macquarie's existing Asian derivatives operation and adds a wider set of products to its growing European business. The business has market making and issuance operations on exchanges in Germany, Switzerland and Italy and provides MSG with access to one of the world's largest derivative markets. A significant amount of effort went into integrating the platform in the first half of the year. The platform now has more than 40,000 listed products on issue and continues to build market share.

## Outlook

MSG currently expects its result for the year ending 31 March 2012 to be up on the prior year, subject to market conditions improving.

The Cash Division is well positioned to capitalise as market conditions improve. The division sees good growth opportunities in the medium to long term across all regions and in particular Europe and the US. MSG will seek to maintain or improve its client rankings across all regions. It continues to invest in electronic execution across key markets globally to enable continued expansion in its client offering.

The group expects conditions for Derivatives DeltaOne to remain challenging as investor demand remains subdued. The business maintains its strong presence in listed warrants and continues to develop its capabilities in new markets such as Germany and India. It will continue to invest in developing the institutional derivatives and DeltaOne product platform.

## About Macquarie Securities Group

### Cash Division

Operates as a full-service institutional cash equities broker in the Asia-Pacific region, South Africa and Canada. In the rest of the world it operates as a specialised institutional cash equities broker. It provides ECM products and services through a joint venture with Macquarie Capital Advisers.

### Derivatives DeltaOne Trading Division

Combines the group's institutional and retail derivatives, structured equity finance, arbitrage trading, synthetic product businesses and global securities finance. Global securities finance includes capital management, collateral management and securities borrowing and lending.