

Chief Executive Officer's Message



Tajuddin Atan

Dato' Tajuddin Atan
Chief Executive Officer

Dear Shareholders,

As a “market on the move”, Bursa Malaysia steadfastly positioned itself to make the most of 2013’s abundant opportunities. Our 2011-2013 Strategic Blueprint helped us stay the course and turn in a stronger financial and operational performance. As we brought to fruition the many initiatives outlined in the Blueprint, we made robust strides forward. Today, Bursa Malaysia’s role as an integrated exchange and catalyst of growth for the Malaysian capital market has been strengthened. Moreover, the building blocks are now in place to further unlock our potential.

2011- 2013: A MARKED SHIFT IN GROWTH TRAJECTORY

As we set our sights on unlocking our future potential, allow me to put in perspective the efforts undertaken these last three years under our 2011-2013 Strategic Blueprint to strengthen our foundations and position us for future growth.

The Blueprint we introduced in 2011 brought about these results:

- It laid out new areas of focus and gave the Exchange a new impetus that clearly brought about a steep change in our overall performance;
- It led to improvements in the quality and efficiency of our services, enhancements to our regulatory framework and an expansion of our product offering;
- It also saw us increasing our investments in people and technology as well as strengthening stakeholder ties.

As a result, Bursa Malaysia today has a more facilitative trading environment, an enhanced exchange ecosystem and an improved competitive edge. Moreover, we have drawn closer towards realising our ambition of becoming a High Performance Organisation (HPO).

Our efforts to date have reinforced our position as the second largest exchange in ASEAN and propelled us closer towards our ambition of becoming the preferred exchange in the region. Not one to sit on our laurels, we will continue to leverage on the good foundations laid to further realise our potential.

2013 ACHIEVEMENTS

- ✓ **BEST FINANCIAL PERFORMANCE SINCE 2008 WITH HIGHEST PATAMI OF RM173 MILLION**
- ✓ **IMPROVED INFRASTRUCTURE WITH THE LAUNCH OF NEW TRADING ENGINE**
- ✓ **ENHANCED MARKET MICRO STRUCTURE WITH REGULATED SHORT SELLING AND SECURITIES BORROWING AND LENDING ENHANCEMENTS, eRIGHTS, eCDS STATEMENTS AND GREEN LANE POLICY**
- ✓ **EXPANDED PRODUCT RANGE WITH INTRODUCTION OF GOLD FUTURES CONTRACT, EXCHANGE TRADED BONDS/SUKUK AND STAPLED SECURITIES**
- ✓ **STRENGTHENED CORPORATE GOVERNANCE PRACTICES**

AS WE SOUGHT TO REDEFINE OURSELVES AND STRENGTHEN OUR CAPABILITIES,

WE EXPERIENCED A MARKED SHIFT IN GROWTH TRAJECTORY:

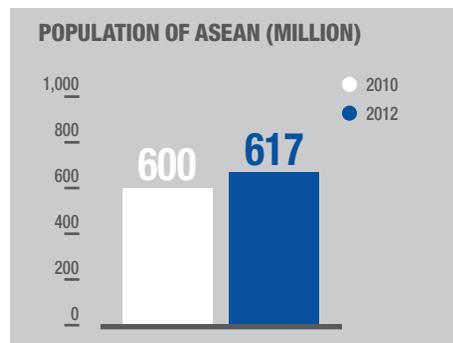
- Average three-year **PATAMI IMPROVED 48%** from RM105.0 million (2008-2010) to RM155.6 million (2011-2013)
- Average three-year **COST TO INCOME RATIO IMPROVED BY 6 PERCENTAGE POINTS** from 56% (2008-2010) to 50% (2011-2013)

THE BEST IS YET TO COME

Several exciting developments are already happening in our favour to ensure we make the most of our potential as an exchange.

ASEAN RISING

The dynamic growth of ASEAN for one augurs well for Bursa Malaysia. Today, all 10 of ASEAN's high-growth and resilient economies are in the midst of a golden period. Together, these nations boast a combined population of more than 600 million people - larger than the population of the US and Japan put together.



Source: ASEANstats

In 2012, the ASEAN nations registered a combined GDP of more than US\$2.3 trillion and the region's economic performance continues to outpace the rest of the world. The Asian Development Bank predicts that GDP in ASEAN countries will grow 5.3% in 2013 and 5.6% in 2014.

Come 31 December 2015, things are really set to take off when ASEAN's disparate economies integrate into a singular market with a common trade, investment and production base under the ASEAN Economic Community (AEC) concept. Given the region's impressive 5.5% annual average growth rate over the last 13 years, the AEC is shaping up as a key investment opportunity.

OUR POSITION AS ASEAN'S MULTINATIONAL MARKETPLACE

We have spent the last few years establishing ourselves as a relevant, innovative and attractive investment proposition. As "ASEAN's Multinational Marketplace", Bursa Malaysia is essentially positioned as the preferred entry point and

prime marketplace for the international investing community buying into the growth opportunities offered by ASEAN.

Investors who buy into Bursa Malaysia today are really investing in the future growth of ASEAN. Given investor interest thus far we are confident of making further inroads here.

Another phenomenon in our favour is the rising number of Malaysian public listed companies (PLCs) who are transforming into multinationals with a strong presence across ASEAN. For some time now, these listed companies have been harnessing the abundant opportunities and efficiencies of our marketplace to expand their reach to the regional investors.

Today, Malaysia's listed companies account for 24% of the FTSE ASEAN 40 market cap while our FBM KLCI companies now generate 45% of their revenue from overseas and provide one of the highest dividend yield in ASEAN at 3.3%.

A DIVERSE MARKETPLACE

The diversity of our marketplace too continues to attract investors. Bursa Malaysia today encompasses a broad base of listed companies and products that offer investors balanced exposure to the global economy. Many of our largest multinational companies whom are ASEAN market leaders and top performers are spread out across 60 key economic sectors such as Plantation, Finance, Oil & Gas and Construction. The diversity of this offering provides global investors looking to take advantage of ASEAN's growth a spread of unique investment options.

With a market capitalisation to gross domestic product ratio of 154%, Malaysia has the second-highest such ratio among its ASEAN peers reflecting the breadth, depth and quality of our listed companies. With approximately 218 or 23% of the total number of our PLCs having a market capitalisation greater than RM500 million, the investable universe for international fund managers too is growing.

A SUSTAINABLE MARKETPLACE

Malaysia is today experiencing a revitalisation of investment and this is expected to increase. The Government Transformation Programme (GTP) and Economic Transformation Programme (ETP) continue to generate a robust investment pipeline, fuel domestic demand growth and create an even more conducive business environment for Malaysian PLCs to grow.

Domestic demand is also expected to thrive until 2020 on the back of consumer spending by Malaysian baby boomers born between 1979 and 1989. Malaysia will have one of the fastest-growing working populations in the world between now and 2020. To add, Malaysia's savings rate is amongst the highest in the world and we have a sustainable pool of capital to fund domestic growth.

By instilling strong corporate governance measures, developing innovative product and service offerings, as well as fostering a healthy IPO pipeline, among a throng of other initiatives, Bursa Malaysia is complementing efforts to ensure a robust and sustainable Malaysian marketplace.

We believe that as the developments within ASEAN and our marketplace unfold, Bursa Malaysia's position as a diverse and sustainable multinational marketplace will strengthen.

Our good performance in 2013 is certainly helping to reinforce our standing as a relevant, innovative and attractive "market on the move".

SOUND PERFORMANCE

2013 was by all accounts a year of many achievements for Bursa Malaysia. At a profit after tax and minority interest (PATAMI) of RM173.1 million, a cost to income ratio of 48.3% and a return on equity (ROE) of 20.7%, we delivered our best ever financial performance since 2008. Trade volumes on our Securities and Derivatives Markets, as well as Bursa Suq Al-Sila' (BSAS), saw double digit growth from the preceding year and provided the uplift in PATAMI of 15% as compared to a PATAMI of RM150.6 million in 2012. Over the course of 2013, we also strengthened our infrastructure and rolled out several new products. On top of this, we made strong strides forward and are now near completion of the refresh of our core systems.

Financial Highlights

	2013	2012	
Financial Results	RM million	RM million	% Change
Operating Revenue	439.8	388.5	+13%
Other Income	35.2	36.1	-3%
Operating Expenses	(229.4)	(209.2)	+10%
Profit Before Tax	245.6	215.3	+14%
Income Tax Expense	(66.2)	(58.5)	+13%
Profit After Tax	179.4	156.9	+14%
Minority Interest	(6.3)	(6.3)	-
PATAMI	173.1	150.6	+15%
Financial Ratios			
Cost to Income Ratio	48.3%	49.3%	-2%
Return on Equity	20.7%	17.7%	+17%

13% GROWTH IN OPERATING REVENUE; HIGHER TRADING ON ALL MARKETS

Bursa Malaysia's operating revenue grew to RM439.8 million in 2013 from RM388.5 million in 2012. This was primarily attributable to the increase in securities, derivatives and BSAS trading revenue.

The year saw our securities trading revenue improving by 22% to RM217.3 million in 2013. Trading activity was high as investors reacted to news on the local political arena and uncertainties in the global sphere. There was increased participation by both domestic and foreign institutions in our marketplace with trade value growing by 22% and 27% respectively. Meanwhile, retail participation grew by 21%.

Derivatives trading revenue improved by 11% to RM70.3 million in 2013. The growth in trades was largely due to higher foreign interest in our market. Volume traded by foreign institutions grew by 32% in 2013, while their participation in the market improved to 42% in 2013 from 36% in 2012.

BSAS trading revenue too rose by 70% to RM5.8 million in 2013. Domestic trades grew by 77%, while foreign trades grew by 56%.

FINANCIAL HIGHLIGHTS

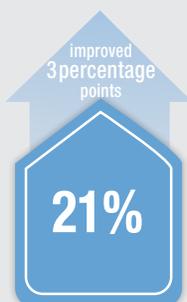
PATAMI



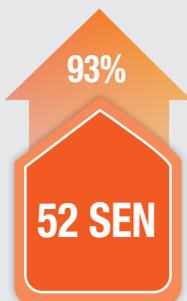
COST TO INCOME RATIO



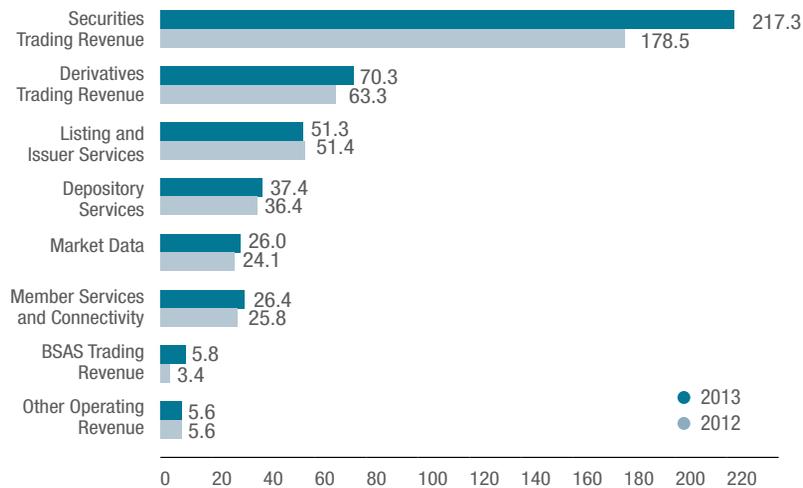
ROE



DIVIDEND



Operating Revenue (RM million)



10% GROWTH IN OPERATING EXPENSES; INVESTMENTS FOR THE FUTURE

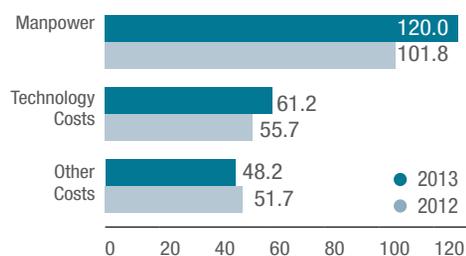
The year saw our operating expenses rising to RM229.4 million from RM209.2 million in 2012. The year's expenditure focused on strengthening our talent pool in order to elevate the Exchange to a HPO. To this end, we invested in competitive remuneration packages to retain top talent and brought in new talent to close skill gaps. As a result, our manpower costs rose by 18% to RM120.0 million.

Our technology costs comprise system depreciation and maintenance, as well as Globex service fees. The enhancements to our core systems in 2013 increased depreciation and maintenance costs by 8% to RM45.4 million, while the higher volume of derivatives contracts traded on Globex increased service fees by 16% to RM15.8 million.

TECHNOLOGY REFRESH SUCCESSFULLY COMPLETED

In 2011, we commenced the refresh of our core trading, clearing and regulatory systems. The replacement of our old securities trading engine with Bursa Trade Securities 2 in December 2013 marked a significant milestone towards the completion of the technology refresh programme.

Operating Expenses (RM million)



RETURNING VALUE TO SHAREHOLDERS WITH A 52 SEN DIVIDEND

To celebrate 2013's commendable financial performance and with our technology refresh drawing to a close, we have proposed to return 98.5% of 2013's PATAMI to our shareholders. On top of this, we have also paid out a special dividend of 20 sen per share in August 2013. If the final dividend of 16 sen per share is approved at the Company's AGM in March 2014, our shareholders will be rewarded with a total dividend of 52 sen per share, representing a 6.3% dividend yield.

SEGMENTAL PERFORMANCE

In the year under review, our key Securities and Derivatives Market segments made good progress, while our Islamic and Alternative Markets started to make positive contributions to our profit.

Segmental Profit

	2013 RM million	2012 RM million	% Change
Segmental Profit From:			
Securities Market	256.8	223.2	+15%
Derivatives Market	44.6	42.2	+6%
Islamic and Alternative Markets	0.9	(0.6)	+253%
Exchange Holding	3.7	5.8	-36%
Total Segmental Profit	306.0	270.7	+13%
Overheads	(60.4)	(55.3)	+9%
Profit Before Tax	245.6	215.3	+14%

UPHOLDING MARKET INTEGRITY

Bursa Malaysia is duty bound to ensure an orderly and fair market with regard to the securities and derivatives contracts traded through our facilities, as well as the securities deposited or lodged with a central depository. We are also duty-bound to ensure orderly and efficient clearing and settlement arrangements for any transactions in securities and derivatives contracts cleared or settled through our facilities. In all that we undertake, we are obliged to act in the public's best interest, having particular regard for the need to protect investors.

In 2013, we continued to implement various measures to uphold market integrity and ensure our markets operate in a fair, orderly and transparent manner. In the way of enhancing our regulatory framework, we continue to adopt a five-pronged approach that involves regulatory development, supervision, engagement, enforcement and stakeholder education. By proactively strengthening these areas, we are promoting efficiency, growth and transparency within our marketplace.

ENSURING A SECURE INFRASTRUCTURE

Various policies and controls are in place within the Exchange to uphold system security and protection of data. These include an IT Security Policy as well as policies pertaining to email, internet and data confidentiality. Other initiatives such as restricted physical access to confidential areas as well as logical access for password and user-IDs too form part of our system and data protection measures. On top of this, we exercise control over privilege ID to access systems and change control procedures to manage data changes in our systems.

We have also implemented a number of cyber-attack mitigation measures. These security tools to detect and prevent cyber threats serve as added protection against Distributed Denial of Service (DDOS) attacks and help strengthen our Internet access vulnerability points. Their ultimate aim is to prevent business interruptions to Bursa Malaysia's Internet services as well as to mitigate loss of critical data and potential downtime or reduced availability of our critical systems following a cyber-attack.

In 2013, our securities trading system achieved 100% uptime as we switched over to our new trading engine, BTS2 on 2 December. Similarly for the Derivatives Market, the Globex trading system achieved 100% uptime for all our derivatives products.

COMMITTED TO ORDERLY AND EFFICIENT CLEARING, SETTLEMENT AND DEPOSITORY ARRANGEMENTS

We are committed to meeting the international standards of risk management as set out in the Principles for Financial Market Infrastructures (PFMI) developed by the International Organisation of Securities Commissions (IOSCO). These standards ensure a robust risk management framework that reduces settlement risk and thereby reinforces the ability of the clearing house to guarantee the settlement of trades.

By firmly embedding PFMI standards into the risk management framework, we are reinforcing Malaysia's reputation as a safe destination for investment (Malaysia was ranked 4th in Investor Protection by the World Bank and the World Economic Forum). This in turn will help ensure the Exchange is well positioned to avail itself of the wealth of potential opportunities whilst meeting the challenges of cross-border trading posed by the ASEAN Trading Link.

An overview of the risk management functions at Bursa Malaysia in accordance with PFMI standards to manage systemic risk is illustrated below.



In 2013, we further enhanced our risk management capabilities by working on several fronts to meet the rigorous international risk management standards for clearing infrastructure set by the IOSCO, particularly in the areas of liquidity risk framework and Clearing Guarantee Fund adequacy. The SC and the Malaysian capital market were among the first in the world to be assessed by the International Monetary Fund and World Bank under these stringent global standards which included the IOSCO principles, PFMI best practices and an extensively revised assessment methodology. The final assessment report was published in March 2013.

The Financial Sector Assessment Programme (FSAP) reported that Bursa Malaysia Securities Clearing had generally met all of the PFMI standards, with the exception of Principle Six (Margining) which is still under development. In relation to Bursa Malaysia Depository, FSAP confirmed that the latter had observed all of the PFMI principles. Bursa Malaysia Derivatives Clearing (BMDC) was rated to have observed 17 principles and broadly observed the other four, while the remaining three principles were not applicable to BMDC.

Chief Executive Officer's Message

TOWARDS BECOMING A HIGH PERFORMANCE ORGANISATION

In line with our vision of becoming ASEAN's Multinational Marketplace, we have set our sights on transforming ourselves into a HPO. To this end, we continue to attract, retain and develop a talented high performance workforce to capitalise on existing and future opportunities.

Our drive towards becoming a HPO has certainly had a significant impact on project delivery, with the total number of projects completed reaching 43 over 2011-2013 in comparison to 18 over the 2008-2010 period.

We have successfully bolstered our execution capabilities on the back of higher standards in governance as well as the institutionalisation of standards and methods with projects completed on time and within budget.

Aside from our project delivery achievements, we have completed a number of other initiatives aimed at transforming the Exchange into a HPO. These include the implementation of an enhanced Business Planning and Performance Management Framework, improved Human Capital Management Framework and our 3D values (i.e. Dynamic, Driven and Dependable). We have also undertaken steps to strengthen our corporate identity.

To ensure our people perform at an optimum level and are aware of the rapid developments taking place within the Exchange, we are constantly engaging them via various platforms. One such platform is the CEO's Conversation platform which involves a series of townhall sessions to keep employees updated on our progress. Two sessions were conducted in 2013 in which we shared the company's performance and aspirations as well as reinforced the importance of our core values and the need to adopt a global mindset.

MOVING FORWARD

We are a market on the move, and as we advance forward into a new financial year, we have raised the bar with our 2014-2016 Business Plan. At the core of the Business Plan is a focus on ensuring a fair and orderly market driven by a high performance organisation as well as a focus on ensuring the Exchange reinforces its position as ASEAN's Multinational Marketplace.

Our Business Plan calls for "Value Extraction" of our inherent strengths and continued transformation over a three-year period. These, combined with investments in new industry-changing opportunities, will enable us to "Build for the Future."

Through our Value Extraction initiative, we will work to derive value from completed projects and leverage domestic liquidity, ASEAN growth and improving microstructures.

Through our Build for the Future initiative, we will invest in and implement new projects that will firstly escalate our relevance in the fast changing ASEAN financial and regulatory landscape and secondly involve our entering into new marketplaces leveraging on our growth areas.

All our markets have been tasked with specific goals going forward:

- The Securities Market's focus will be on improving market vibrancy whilst providing varied investable products to the market;
- The Derivatives Market will focus on growing volumes through product diversification and further internationalising the market; and

- The Islamic and Alternative Markets will focus on enhancing our position as a leader in the Islamic capital market.

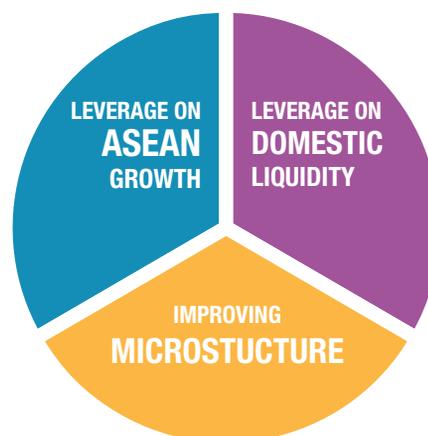
The many initiatives that we have undertaken these past three years have done much to bolster our performance. As we set our sights on rolling out our 2014-2016 Business Plan, we will leverage on our strong Performance and Human Capital Management Frameworks to further improve our financial and operational performance as well as deliver consistent shareholder value.

Several other initiatives in the pipeline will help us strengthen our position as an attractive investment destination.

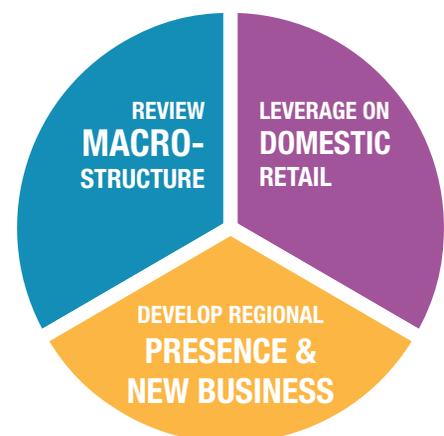
As we look to enhance the quality and quantity of our retail engagements, we are focusing on innovative and practical channels such as digital platforms to expand our reach. The launch of our new eCommunity platform in the first half of 2014 will enable us to reach a wider span of retail investors, in a quicker and more effective manner. The retail market will be able to interact with us in a convenient and engaging manner while taking advantage of a host of attractive online features designed to educate new and existing retail investors.

Products like the Environmental, Social and Governance (ESG) Index have vast potential and are set to attract Socially Responsible Investments (estimated at USD34 trillion) from around the world. While the ESG Index is still a work-in-progress, we believe the market is ready to embrace this initiative following years of Shari'ah-compliant screening and corporate responsibility reporting requirements, as well as profiling through the FTSE Bursa Malaysia Shari'ah Index Series.

Focus 1: Value Extraction



Focus 2: Build for the Future



A NOTE OF THANKS

In my time on board Bursa Malaysia these last three years, I have seen the Exchange undergo a marked transformation and make significant progress on both the financial and organisational fronts. The Exchange has grown from strength to strength and today we once again stand tall among our peers as a marketplace that is diverse, sustainable and consistently delivering value to our investors.

On behalf of the Exchange's Management, I would like to express our utmost gratitude to our many stakeholders - our shareholders, regulators, the Malaysian Government, investors, partners and friends - for their unwavering support and confidence in us. My sincere appreciation also goes to our Board of Directors for their wise counsel in steering Bursa Malaysia forward.

Much of our success thus far is owing to the remarkable men and women of the Exchange who have worked tirelessly to get us where we are today. These talented and committed individuals continue to drive the Exchange closer towards realising its ambition of becoming the region's leading exchange and we applaud their efforts.

As the team at Bursa Malaysia works hard to unlock the potential within the Malaysian capital market by focusing on extracting value from past initiatives and driving growth from new opportunities, I trust our many stakeholders will continue to lend us their unswerving support.

We are a market on the move and our team will continue to commit our minds and energies to fulfil our worthy mission and vision. Thank you and we look forward to another promising year.