

CHIEF EXECUTIVE OFFICER'S REVIEW

I AM CONFIDENT THAT AT THE END OF OUR 10-YEAR DEVELOPMENT JOURNEY IN 2020, WE WILL BE IN A MUCH STRONGER POSITION TOWARDS REALISING OUR VISION OF BECOMING ASEAN'S LEADING, RESPONSIBLE AND GLOBALLY CONNECTED MARKETPLACE.



DATUK SERI TAJUDDIN ATAN

Chief Executive Officer, **BURSA MALAYSIA BERHAD**

Dear Shareholders,

Bursa Malaysia is now in the final leg of our 10-year development journey, which began in 2011 with a business plan to unlock the vast potential of our marketplace through strategic measures that bring us closer to our aspiration to become a developed market. I am confident that at the end of this development journey in 2020, we will also be in a much stronger position towards realising our vision of becoming ASEAN's leading, responsible and globally connected marketplace, with the mission to:

- I Provide easy access to diversified, impactful products and services for global market participants.
- II Build a high-performance organisation with a data-driven culture, fuelled by innovation and technology, and powered by strategic partnerships.
- III Foster sustainable development in the marketplace by promoting responsible growth, while facilitating fundraising, value and wealth creation for all.

Over the years, we have worked on strengthening our core market fundamentals, enhancing our ecosystem and transforming ourselves into a High-Performance Organisation (HPO). Our initiatives have built greater market vibrancy and fostered a more diverse investor base, as well as developed our capacities in the niche areas of Islamic capital markets and sustainability. In addition, we have expanded our ASEAN footprint and made regional thinking a central part of our corporate culture.

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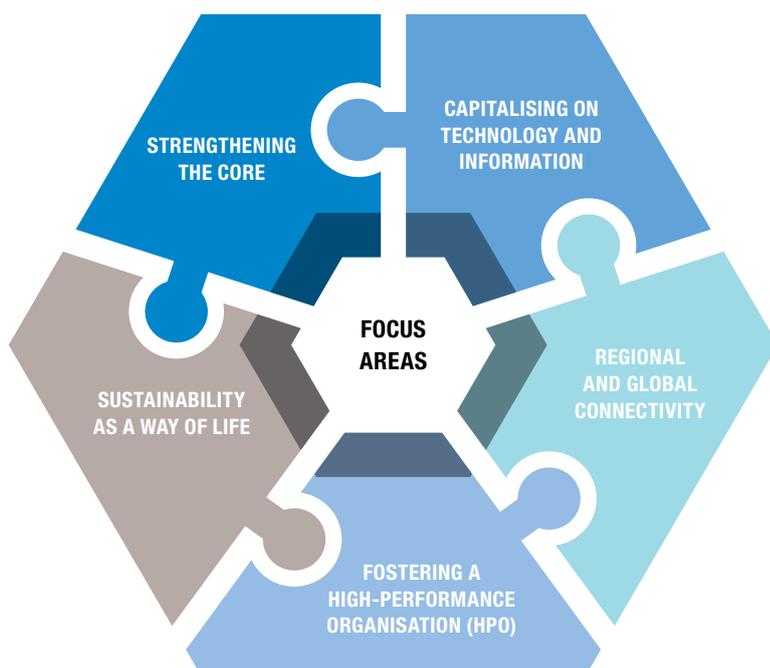
To further reinforce this sense of purpose in our organisation, we conducted a brand sharpening exercise in 2018 that clearly and distinctly articulated the Bursa Malaysia brand and the aspirations that we have set for ourselves. Through this exercise, our people are reminded of what it means to be part of Bursa Malaysia and of our commitments to our stakeholders.

A new tagline has been developed for the Exchange following this exercise: "Creating Opportunities, Growing Value". This tagline reinforces the essence of who we are and what we do, and of our commitment to lead, create opportunities for market participants, and grow and achieve the value that they seek. It also captures our commitment to deliver value to our shareholders in the form of capital appreciation and dividends, and our promise of sustainable development for our business, market and community.

Towards this end, we are actively engaging the policy and decision makers of the new Malaysian Government and working with them to develop our capital market. A key driver of economic growth, the capital market plays a unique role as a fundraising platform for our companies and also attracts foreign investment which can then be channelled towards development. It is therefore in the national interest that we move forward together to steer capital market development in a direction that is aligned with national goals.

EXECUTING OUR STRATEGY

Our initiatives are guided by our strategy, which anchors our five Focus Areas. These Focus Areas represent key loci of development where targeted initiatives will take the Exchange to the next level. These five Focus Areas are:



WITH GREATER MARKET RESILIENCE IN 2018, WE DELIVERED A PERFORMANCE THAT MATCHED THE PERFORMANCE OF OUR PREVIOUS RECORD YEAR IN 2017 DESPITE A MORE CHALLENGING OPERATING ENVIRONMENT.

STRENGTHENING THE CORE

Initiatives under this Focus Area strengthen the core by creating a more efficient and facilitative market framework, and by injecting greater dynamism and vibrancy into our capital market. These in turn foster greater market participation, market liquidity and depth, thereby making our market more resilient to changes in the operating environment.

We have already seen evidence of our greater market resilience in 2018 where we delivered a performance that matched the performance of our previous record year in 2017 despite the presence of a more challenging operating environment. This is further borne out by our status as second-best performing market in ASEAN based on benchmark indices, and by the performance of FBMKLCI benchmarked against the MSCI Emerging Markets Index and FTSE Emerging Index (FBMKLCI: -5.9% vs MSCI EM: -16.6% vs FTSE Emerging Index: -15.5%).

A complete list of our core-strengthening initiatives is available in other sections of this report, but there is one initiative that is particularly meaningful to us, namely the Leading Entrepreneur Accelerator Platform (LEAP) Market which was launched for SMEs in July 2017. The LEAP Market is a milestone achievement for Bursa Malaysia not only because it is the first of its kind in ASEAN, but because it also recognises and forwards a crucial component of the national economy, namely the SMEs.



A detailed discussion of our initiatives implemented under each operating segment is available from Pages 52 to 72.

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SINCE LAUNCHING THE LEAP MARKET IN JULY 2017, A TOTAL OF 13 COMPANIES HAVE BEEN LISTED ON THE PLATFORM AS AT END 2018, WHICH IS A POSITIVE SHOWING FOR A NEW PLATFORM, AND FURTHER EVIDENCE OF SMEs' AND INVESTORS' DEMAND.

The LEAP Market, which accelerates the development of SMEs' by providing an alternative platform for fundraising to accelerate growth, is unique in that it fulfils both our commitment to enrich our marketplace and the national agenda to spur SME growth. Since launching the LEAP Market in July 2017, a total of 13 companies have been listed on the platform as at end 2018, which is a positive showing for a new platform, and further evidence of SMEs' and investors' demand.

In our engagements with SMEs during our LEAP Market awareness and advocacy roadshows in 2018, we were made aware of several areas of the LEAP Market that could be further refined, and these will be addressed in 2019. In the meantime, we expect to see growing interest in the LEAP Market from both issuers and potential investors alike, and are presently collaborating with, among others, the Ministry of Entrepreneur Development to further promote and market the platform to potential SME issuers.

CAPITALISING ON TECHNOLOGY AND INFORMATION

In recent years, we have seen technology evolve quickly to disrupt business models, threaten the security of information and create additional competitive pressure on companies. Our investment in technology keeps us on top of these developments, and ensures that Bursa Malaysia remains competitive, operates at peak efficiency and is protected from unauthorised access or cyberattacks.

As cyberattacks are expected to intensify globally moving forward, we have invested substantial resources to protect the integrity of our digital infrastructure. In addition to these cyber security measures, we have introduced a number of technological upgrades that make our market more accessible, efficient and facilitative for our market participants. Some of these features introduced in 2018 include:

Enhancing the Securities Market BTS2 trading platform in November 2018, enabling market participants to improve order execution through the application of different trading strategies

Enhancing the Bursa Suq Al-Sila' (BSAS) systems to allow for straight-through processing of orders from market participants to reduce the processing time

Implementing Bursa Malaysia's New Market Surveillance System (MSS) on 24 December 2018 to facilitate market surveillance, monitoring and control, and data analytics

Driving our investment in technology further is our objective of building a data-driven culture at Bursa Malaysia. In this age of Big Data, efficient and accurate analytics is crucial to help us remain agile and respond strategically to emerging patterns and trends.

REGIONAL AND GLOBAL CONNECTIVITY

Our regional and global connectivity initiatives aim to position Bursa Malaysia as ASEAN's market leader with global connectivity. These initiatives seek to establish strategic alliances with key markets while raising the profile of our capital markets and PLCs with foreign investors.

We aggressively marketed and promoted the Bursa Suq Al-Sila' (BSAS) Islamic commodities platform and the Bursa Malaysia-*i* (BM-*i*) securities trading platform to grow awareness and interest in these platforms. To this end, we have engaged with investors and brokers in key countries within ASEAN (Brunei, Thailand, Singapore, Indonesia), the Gulf states (Saudi Arabia, Bahrain, Kuwait, Jordan, Palestine, the United Arab Emirates, Qatar) and Africa (Kenya, Tanzania, Mauritania), as well as major economic powerhouses including China and the United Kingdom.

Meanwhile, our flagship 'Invest Malaysia' programme held in January attracted over 2,000 delegates, including more than 1,000 local and regional fund managers from Taiwan, Thailand, Singapore, Hong Kong, the United States of America, and the United Kingdom with Assets Under Management totalling USD18.3 trillion. Also held in London and Tokyo in June and July respectively, Invest Malaysia is an important tool to promote Malaysian PLCs and showcase the unique value proposition that Bursa Malaysia offers to the global trading fraternity.

Attracting foreign investors not only improves our market vibrancy, but also contributes to the national growth agenda by drawing higher levels of foreign investment onto Malaysian shores.

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FOSTERING A HIGH-PERFORMANCE ORGANISATION

Building a High-Performance Organisation (HPO) is critical in supporting our efforts of becoming ASEAN's leading marketplace. As our market grows increasingly sophisticated and caters to a wider investor base, different capabilities and talents will be called upon to support our business activities and play mission-critical roles. We will also need a stable succession of leaders who are capable and who fully subscribe to the vision that we have outlined for the Exchange.

Towards this end, we have started building a talent base with the depth and experience necessary to support our business activities at the present time and also in the future. There are five thrusts to our talent development programme:

BUILDING LEADERSHIP BENCH STRENGTH	DEVELOPING CAPACITY	ENHANCING REWARDS	ENHANCING PRODUCTIVITY	TRANSFORMING CULTURE
<p>We are grooming and assembling a stable of qualified and capable leaders who are ready to step into leadership roles as and when called upon by the Exchange. This secures a succession of leaders who share the same vision and have the experience necessary to achieve our strategic goals which stretch over the long-term.</p>	<p>Bursa Malaysia's value creation role will change as we evolve into a developed market. While some core functions may remain the same, we recognise that there will be a need for new competencies as we develop our global linkages and deploy new technological innovations. We therefore develop our staffing capacities to support our core functions and in anticipation of future needs, particularly with respect to our strategic aim of leveraging new technology to improve performance and expand our capabilities.</p>	<p>Bursa Malaysia operates in a globalised economy where demand greatly outstrips the supply of talent. With businesses vying to build a talented workforce, Bursa Malaysia is enhancing its rewards system to attract employees who will support the achievement of business goals and to provide fair and equitable pay for all employees in our organisation.</p>	<p>Technological advances, especially automation, coupled with rising stakeholder expectations and competitiveness in the face of globalisation, have greatly increased the need for better productivity. In achieving a more objective assessment of our people's efficiency and effectiveness in their roles, baseline metrics are being established to enable greater comparability of employee performance, and identify areas of the workforce that can be improved.</p>	<p>We are inculcating a transformation towards a data-driven, high-performance mindset and culture from the very top levels of leadership cascaded down to all levels of the organisation. By leveraging data and analytics to realise our full business intelligence potential, we will be able to unlock latent efficiencies and increase our agility in identifying challenges, grasping opportunities, making strategic business decisions and adapting to change.</p>

EMBRACING SUSTAINABILITY AS A WAY OF LIFE

At Bursa Malaysia, sustainability is an integral part of business and key to building a resilient marketplace. In addition to ensuring that our own sustainability practice adheres to global best practices, we have made championing sustainability as one of our strategic missions and as a defining feature that reinforces our position as a leading, responsible marketplace in the region.

Over the last few years, we have taken a number of steps to accelerate the development of sustainability in our marketplace. This includes making sustainability reporting mandatory for our PLCs

as well as launching the FTSE4Good Bursa Malaysia Index - an index comprising PLCs with strong corporate governance track records and robust sustainable practices. Our PLCs have responded positively to this clarion call to improve their sustainability practices, leading to an increase in the number of FTSE4Good constituents to 56 companies in 2018 from 24 when the index was first launched in 2014.

Supporting our efforts to elevate sustainability in the marketplace is our BURSASUSTAIN web portal which was launched in April 2018. Designed to be a one-stop repository for all matters related to sustainability and corporate governance, BURSASUSTAIN,

which is among the first to be launched by an exchange, provides Malaysian PLCs the information they need to bring their disclosures up to international standards. BURSASUSTAIN is a reflection of our commitment to sustainability and is the latest addition to our roster of sustainability-related initiatives.

As the national stock exchange, Bursa Malaysia is committed to leading by example in practising the highest levels of corporate governance and sustainability. To this end, we incorporate best international practice in our reporting standards, in assessing the material impact of our activities, and in encouraging sustainability-focused thinking in our people.

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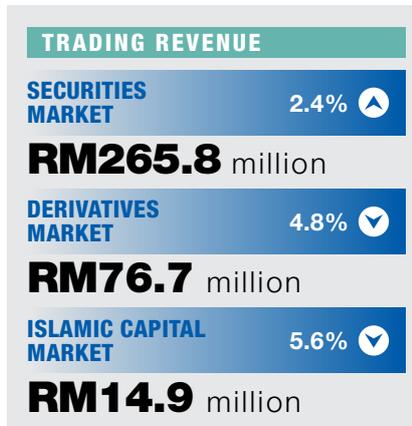
OPERATIONAL REVIEW

Bursa Malaysia put in a commendable performance for the financial year ended 31 December 2018 within a challenging operating climate marked by growing market volatility and challenging external developments. Our Profit After Tax and Minority Interest (PATAMI) increased 0.4% to RM224.0 million from RM223.0 million registered a year ago, testifying to the growing resilience of our marketplace and the efficacy of our previous initiatives.

While investor sentiment became increasingly muted in the second half of the year, we saw robust trading activity in the Securities Market where trading revenue rose 2.4% to RM265.8 million from RM259.6 million in 2017. Within this context, the average daily value traded (ADV) for the Securities Market's On-Market Trades (OMT) grew 3.4% to RM2.4 billion from RM2.3 billion while non-trading revenue fell a marginal 0.1% to RM165.9 million from RM166.1 million. Higher market data revenue, up 4.9% to RM36.2 million from RM34.5 million, partially offset the fall in non-trading revenue.

The Derivatives Market, meanwhile, was affected mainly by the weakening of crude palm oil (CPO) prices and the strengthening of the Ringgit against the currencies of importing countries. As a result, the Average Daily Contracts (ADC) decreased 2.1% from 57,677 contracts a year ago causing a decline in trading revenue of 4.8% to RM76.7 million from RM80.6 million. A total of 13.7 million contracts were traded in 2018 compared to 14.0 million contracts in 2017.

On the Islamic Capital Market, we saw positive signs of growth with trade volume on the Bursa Suq Al-Sila' (BSAS) platform rising substantially during the year. ADV grew 24.4% to RM24.3 billion on the Islamic commodity platform due to higher participation from both domestic and foreign participants. Trading revenue, however, decreased 5.6% to RM14.9 million because more trades were conducted under our volume-based pricing scheme, which has lower margins.



MOVING FORWARD

Bursa Malaysia is staying on its strategic course in the coming year to keep pace with our agenda in building a developed and sustainable market. Top on our priority list for 2019 will be people development, a robust data strategy and systems refresh to support the growth of our capital market.

These initiatives will not only keep us on track with our development schedule, but will also help us address the greater competitive pressure arising from peer exchanges, from the development of new technologies such as blockchain and artificial intelligence, and from the emergence of non-traditional fundraising platforms such as equity crowdfunding and peer-to-peer lending.

These developments were not unforeseen and we have already prepared for them with our initiatives to strengthen our market ecosystem and deploy technological innovations of our own. We will further fortify our position by developing our niche capabilities in Islamic capital markets and sustainability, which will create value propositions that will take Bursa Malaysia up to the next level. These features of our market will draw new classes of investors, particularly those with a socially responsible investment (SRI) mandate, and will position our market alongside other global champions of sustainability.

Finally, it must be noted that 2018 showed that we are operating in a volatile environment where market

conditions and investor sentiment can change suddenly and with little warning. We cannot predict with absolute accuracy when and how the market will react, but what we can do is build up our marketplace to ensure it remains vibrant, and have sufficient liquidity and good quality companies that can weather uncertainties. 2018 is evidence that such a strategy works, and the Exchange will be doing more to further build up resilience in our marketplace.

ACKNOWLEDGEMENTS

On behalf of Bursa Malaysia's Management, I would like to extend our appreciation to our stakeholders and regulators for their support and cooperation which have helped us come this far. I would also like to thank employees for their tireless efforts and commitment to the achievement of our goals and mission. Finally, I would like to express my gratitude to the Board of Directors for their counsel.

I would like to conclude by noting that despite our achievements thus far, there remains work to be done. The evidence suggests that our marketplace is now far more resilient than in the past, and we have shown ourselves to be a sustainable creator of value and an exemplary PLC that others can emulate. Although we have made significant ground in transforming Bursa Malaysia into ASEAN's leading, responsible and globally connected marketplace, we must press on to ensure that the work we have done so far achieves the desired outcomes.

It is my sincere hope that Bursa Malaysia will continue to grow from strength to strength in these next two critical years and beyond.



DATUK SERI TAJUDDIN ATAN
Chief Executive Officer