

CHIEF EXECUTIVE OFFICER'S REVIEW

Dear Shareholders,

2019 was a challenging year for Bursa Malaysia where we saw our market performance impacted by both global and domestic developments. On the back of lingering uncertainties, market activity remained subdued as investors sat on the sidelines. We, nevertheless, remained focused and took the opportunity to re-organise ourselves to enhance the delivery of our prime role as a market operator, front-line regulator and a catalyst for sustainable and long-term capital market growth. We actively engaged our stakeholders and took steps to review, among others, our cost structures, areas for efficiency improvements, collaboration opportunities, ecosystem gaps and technology requirements.

Bursa Malaysia's initiatives in 2019 reflect our efforts to consolidate and lay the building blocks for our next stage of growth. Our goal is to create a more dynamic marketplace, offering greater choices, value, and a seamless experience for all.

As we continue our journey, we are mindful of the need to create a vibrant and attractive marketplace within ASEAN. Our focus remains on our mission to:

Provide easy access to diversified, impactful products and services for global market participants

Be a high-performance organisation with a data-driven culture, fuelled by innovation and technology, and powered by strategic partnerships

Foster sustainable development in the marketplace by promoting responsible growth, while facilitating fundraising, value and wealth creation for all

With this mission in mind, we sharpened our focus on three core areas – to elevate organisational effectiveness, to leverage on technology and innovation as well as to forge strategic partnerships to drive growth.

Improve organisational effectiveness

In 2019, we embarked on efforts to reshape the organisation to drive greater business agility and accelerate growth. In short, we wanted a flatter, more open organisation that is empowered to respond swiftly to market needs. Firstly, it was necessary to establish an optimal organisational structure – one with the necessary talent and construct to nimbly navigate the evolving industry landscape and customer needs.

Secondly, reshaping the culture was another key priority. We want to promote an agile culture – one that embraces and can quickly adapt to changes, new technologies and disruptive



Securities Market Capitalisation

RM1.7 trillion

Profit After Tax and Minority Interest

RM185.9 million

Total Dividend

20.8 sen per share



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forces. Encouraging fresh mindsets and challenging status quo can pave the way for novel and creative methods to resolve issues and seize opportunities.

Thirdly, a thorough review of our business and operational processes was warranted. We needed to determine areas that could be improved, automated and optimised. The review is also an opportunity to identify areas where we may have underinvested in but have great potential to drive greater growth. There are opportunities to re-engineer processes, partly enabled through investments in technology, to improve our cost structure and elevate the quality of services.

Moving forward, we will take a pragmatic approach justified by strong cost-benefit analysis to ensure optimal usage of our resources, both from human and financial perspectives. We want to deliver on customer needs, whilst remaining focused on profits and expansion of income streams.

Leveraging on technology and innovation

Technology and innovation can also help deliver the agility needed to respond quickly to emerging patterns and trends, as well as serve as important levers of growth. Beyond process improvement and automation, we have invested and are investing in upgrading and modernising our core systems and digital touchpoints. Based on feedback received from our stakeholders at various forums, we improved our digital touch points by building new interfaces or enhancing existing platforms, to better serve our users.

- In June 2019, we launched our Bursa Anywhere app, the first mobile central depository services electronic platform in ASEAN. This is a prime example of our efforts to create seamless and efficient experiences for our investors. Investors can now view their CDS account balances in a consolidated manner and conduct several CDS transactions electronically, anytime, anywhere. We will continue to enhance this app, for example by enabling electronic CDS account opening later this year.

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- We revamped the Bursa Malaysia corporate website with a fresh look and to be device responsive. These enhancements aim to improve readability and facilitate access to information while users are on the go.
- In 2019, the BursaMKTPLC website was also made available in the Malay language, to better serve investors according to their unique preferences.
- We also launched the Mirror, Learn & Trade (MLT) program in 2019. This is a first-of-its-kind virtual education programme in Malaysia, developed in collaboration with some of the country's leading analysts. It aims to provide a platform for both potential and current investors to learn and build their investment knowledge and strategies to invest in the stock market.

We will continue to improve on our various digital touchpoints to allow our investors and stakeholders to conduct transactions and access information more efficiently.

During the year, we have also completed our first securities borrowing and lending Proof-of-Concept (POC) blockchain technology solution designed to improve operational efficiency in the securities lending supply and borrowing demand. The POC, conducted in partnership with a fintech specialist and industry collaborators, brought in new knowledge, insights and practical experience in harnessing blockchain technology and innovation.

Moving forward, we will continue our efforts to strengthen our organisation, business, and market through innovation and technology.

Forging strategic partnerships to drive growth

Cementing our relationship with our regulators, policy makers, our regional peers and ecosystem partners is pivotal to the long-term success of the Exchange and the overall marketplace. To this end, we continued to engage closely with our stakeholders to build on the capital market by identifying issues, resolving inefficiencies, and creating solutions. Ultimately, working together with our regulators and industry players, we aim to promote a facilitative and market-friendly ecosystem.

We have been engaging closely with our issuers to bring to the market more exciting investment products. For example, Malaysia's first leveraged and inverse ETFs were listed on the Main Market of Bursa Malaysia on 29 November 2019. These innovative new products provide investors the opportunity to profit from both bull and bear market trends. This is consistent with our approach to offer investors more products to capitalise on different market environments.

The launch of our Mirror, Learn & Trade (MLT), which was executed in collaboration with some of the country's leading analysts, is a showcase of what a marketplace can offer as a collective effort, to build market participation.

We renewed our partnerships with the Chicago Mercantile Exchange Inc (CME) to host Bursa Malaysia Derivatives Berhad's (BMD) products on CME Globex for five years. In parallel, we acquired the 25% equity interest in BMD previously held by CME. Following the acquisition, BMD became a wholly owned subsidiary of Bursa Malaysia, which will enable us to streamline our operations and expand our offerings in the derivatives business.

We also continued to build on the established relationship with China's Dalian Commodity Exchange (DCE) through the jointly organised China International Oils and Oilseeds Conference (CIOC) which was held in Guangzhou, China on 7 November 2019.

Moving forward, we will continue to broaden our collaborations with industry players as well as with innovators within the fintech industry to fast-track our efforts to deliver enhanced customer experiences whilst achieving cost reductions. These collaborations should enable us to tap into new opportunities across the capital market value chain to better serve industry needs. For example, a partnership approach can augment our capacity to leverage on our rich data assets to garner current and predictive insights to identify opportunities.

Bursa Malaysia will also continue to partner with brokers, investment banks and asset managers to bring a broader array of participants and products to our marketplace.

Bursa Malaysia is also in conversation with several exchanges in Asia on matters pertaining to cross border collaboration efforts. Focus will be accorded on initiatives to drive greater cross-border connectivity, international product offerings, and human capital development support.

All our efforts serve to achieve a very simple objective. We want to be customer-centric – be it in offering the right products and services, or improving engagement experiences with Bursa Malaysia. We see these steps as necessary to grow our investor and market participants base and ultimately, our trade revenue, particularly in the retail segment. A strong pool of partners is important to accelerate our progress in adopting cutting edge technology. In this regard, we will actively explore new partnership opportunities and will consider targeted investments in innovation and technology in partnership with our strategic collaborators.

Operational Review

In a year marked by major macroeconomic headwinds that depressed trading, Bursa Malaysia achieved a Profit After Tax and Minority Interest (PATAMI) of RM185.9 million. This marks a 17.0% decline from the RM224.0 million achieved the previous year. This result reflects a decline in Operating Revenue from RM523.3 million in 2018 to RM480.1 million in 2019 and a 2% rise in Operating Expenses to RM246.2 million as we maintained our investment in the company's future growth drivers.

A combination of soft domestic corporate earnings and risk aversion amongst some investors dampened trading activity in the Securities Market. Trading revenue for 2019 fell to RM232.8 million, down by 12.4% from RM265.8 million the previous year. Trading volumes were visibly lower, with the average daily value traded (ADV) for the Securities Market's On-Market Transactions (OMT) falling by 19.3% to RM1.9 billion in 2019, down from RM2.4 billion in 2018. Non-trading revenue declined to RM161.0 million, down by 2.9% from RM165.9 million the year before. However, revenue from the sale of market data continued to grow in 2019, rising by 6.5% to RM38.6 million from RM36.2 million in 2018. Revenue from market data has remained robust and is expected to be a key source of future revenue growth as we continue our efforts in broadening access to our market information to investors.

The Derivatives Market was negatively impacted by lower volatility in the equities market, which led to fewer contracts in the benchmark FKL1 being traded. Trading in crude palm oil futures remained strong despite lower crude palm oil (CPO) prices, which moderated the impact of lower FKL1 trades. Overall, Average Daily Contracts (ADC) in the Derivatives Market declined by 2.0% to 55,372 contracts, down from 56,488 in 2018, with a total of 13.5 million contracts traded in 2019 compared to 13.7 million in the preceding year. This translated to a 5.8% decline in trading revenue to RM72.3 million compared to RM76.7 million in 2018. However, the Exchange registered the highest ADC for FCPO in the fourth quarter of 2019 as volatility in crude palm oil prices increased with the rally in crude palm oil prices.

The Islamic Capital Market saw another year of growth, with both the number of trade participants and trade volumes on the Bursa Suq Al-Sila' (BSAS) commodities platform rising in 2019. The BSAS ADV grew by 25.5% to RM30.6 billion, driven by higher domestic participants. Trading revenue, however, declined by 6.3% to RM14.0 million mainly due to the volume-based pricing scheme. Trading on BSAS is expected to sustain its growth momentum through further system improvements as well as the continuous onboarding of new domestic and foreign participants onto its platforms.

It is worth noting that despite the challenging and volatile environment, Bursa Malaysia saw 30 new listings, the second highest in ASEAN, and raised RM2.02 billion in 2019, compared to 22 listings in 2018 with a total of RM0.66 billion raised. This achievement represents Bursa Malaysia's highest number of IPOs since 2006 and reinforces the continued investor confidence in the Exchange as a key destination to raise and access capital. It is also worth highlighting that in 2019, retail participation grew to 24.5% of total market value traded, the highest level in the last five years.

Moving Forward

Looking ahead, initial expectations for a better 2020 have been revised downwards on the back of uncertainties surrounding the Covid-19 outbreak in early 2020. Major equity markets trended downwards as concerns over contagion risks weighed on sentiments, resulting in some shift in investors' demand.

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Recognising the high degree of inter-linkages between the global and local market conditions, which directly impact especially our trading revenue from the securities market, we will be actively exploring ways to diversify our income and create more revenue sources. We believe there is much room for growth in revenue especially in the Derivatives and Islamic Capital Markets, as well as our data business. Our intensified focus in these areas will bear fruits in the coming years. We have made strides in 2019 and in early 2020 in these markets. In January 2020, Bursa Malaysia Derivatives achieved five historical trading-related all-time highs, and introduced the world's first options contract on palm olein. In February 2020, we welcomed two additional Islamic brokers that can offer Islamic stockbroking services on Bursa Malaysia-i.

Bursa Malaysia is optimistic that our investments and optimisation efforts will equip our workforce to meet market challenges and seize opportunities. We will continue to execute our plans to improve our productivity and market responsiveness, leverage on technology and innovation, and establish the necessary partnerships to enable us to create a seamless and efficient experience for investors in an attractive marketplace.

Acknowledgements

On behalf of Bursa Malaysia's Management, I would like to extend our appreciation to our stakeholders and regulators for their support, without which, much of what we have accomplished in 2019 would not have materialised.

I wish to also take this opportunity to express my gratitude to the former CEO, Datuk Seri Tajuddin Atan as well as the former Chief Commercial Officer, Ms Selvarany Rasiah, Chief Operating Officer, Datin Azalina Adham and Chief Regulatory Officer, Ms Yew Yee Tee, for their contributions during their tenure at the Exchange.

Finally, I would like to thank our Chairman and the Board of Directors for their counsel and guidance as well as acknowledge the contributions from the Management team and the entire staff of Bursa Malaysia. It has been a privilege to work alongside a highly committed team. Despite the challenging and unpredictable operating environment, 2019 has been a productive year with several noteworthy achievements and milestones. This performance is indeed reflective of the effort of the team.

2019 was a period of transition at Bursa Malaysia. We are now focused on moving forward with the plans for our next stage of growth. We cannot afford to be complacent. We will be more agile. We will continue to evolve where necessary, to meet market needs or reap opportunities.

I look forward to working with all stakeholders to create a vibrant, facilitative and attractive capital market.



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Chief Executive Officer