

CEO'S MESSAGE AND MANAGEMENT DISCUSSION AND ANALYSIS



Tajuddin Atan

**DATO'
TAJUDDIN ATAN**
Chief Executive Officer

CEO'S MESSAGE AND MANAGEMENT DISCUSSION AND ANALYSIS

Dear Shareholders,

The financial year under review saw us take a significant step forward in realising value from our latent potential to turn in our best financial performance since 2008. However, this is but the tip of the iceberg as we continue to further expand our capabilities to set the pace for the remaining two years of our strategic blueprint. Our performance in FY2014 has created significant value for our shareholders as we continued to build our investing base by reaching out to new investors and enhancing services for existing ones.

2014: BUILDING COMMUNITIES AND CAPABILITIES

With the completion of our technology revamp in 2013, we embarked on our journey forward anchored on two focal points: value extraction and building for the future. Towards these ends, we have implemented outreach initiatives that go beyond the traditional means of communication while at the same time enhancing our market structure.

As a result of these initiatives, we now have a more accessible market, a wider product range and a more facilitative trading environment, all of which encourage greater retail participation in our markets. Some highlights of the year include:

- Creating the dynamic BursaMKTPLC eCommunity to reach out to our new generation of retail investors.
- Introducing the Environmental, Social and Governance (ESG) Index to enhance market sustainability.
- Expanding our range of products to broaden our appeal to investors both new and old.
- Streamlining our policies to make our market more accessible and efficient.
- Being the first Exchange amongst all ASEAN Trading Link participants to offer ASEAN post trade services.

These achievements have increased our relevance as a market for both domestic and regional investors, and taken us closer to our goal of becoming a High Performance Organisation (HPO) and a leading exchange within the ASEAN region.

Today, Bursa Malaysia is a more competitive and facilitative market poised to capitalise on the opportunities that ASEAN has to offer. While we continue to build on our achievements in 2014, particularly in reaching out to the community, the initiatives to attain our long-term sustainability are ongoing.

2014 ACHIEVEMENTS

- ✓ Best financial performance since 2008 with PATAMI of RM198.2 million
- ✓ Leveraged on digital communications through the launch of BursaMKTPLC
- ✓ Championed sustainable practices by introducing Environmental, Social and Governance (ESG) Index - FTSE4Good Bursa Malaysia (F4GBM)
- ✓ Expanded market offerings with the addition of USD denominated refined bleached deodorised palm olein futures contract and MyETF MSCI Malaysia Islamic Dividend Fund
- ✓ Revamped derivatives participantship structure to reduce cost of entry
- ✓ Introduced new guide for Independent Advisers and issued framework to accord flexibility for client trading account opening
- ✓ Launched ASEAN post trade services to support our regional investors

CEO'S MESSAGE AND MANAGEMENT DISCUSSION AND ANALYSIS

DEVELOPING CAPABILITIES

Key to our future success and sustainability is the creation of a robust investing community. From digital media innovations to new market structure enhancements, our initiatives in 2014 have created value for our stakeholders while strengthening market integrity and efficiency. These initiatives in 2014 were focused on three core areas:

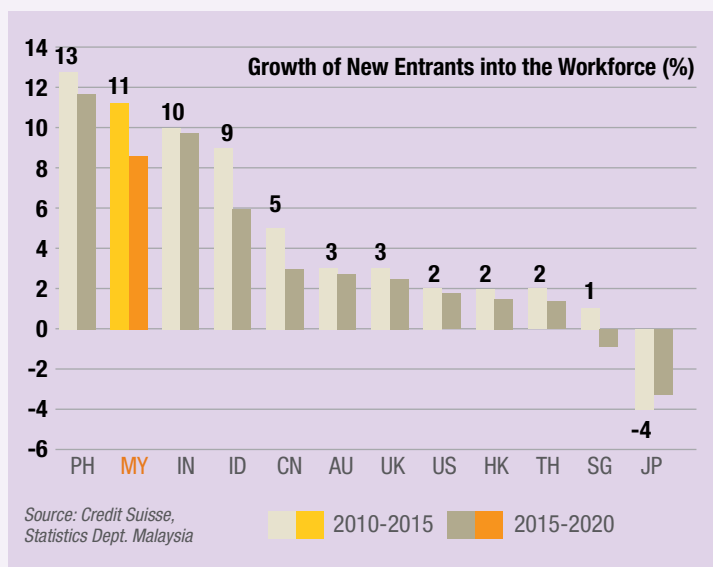
1. Reaching out and building communities
2. Enhancing our market structure and maintaining fair, orderly and efficient markets
3. Further enhancing our transformation into a HPO

These achievements have set us upon the right path towards becoming ASEAN's Multinational Marketplace and towards long-term sustainability.

REACHING OUT AND BUILDING COMMUNITIES

Just as we have spent the past few years redefining ourselves as a stock exchange, our activities between 2014 and 2016 will see us make a strong statement about our value proposition to both regional and global investors—namely as an interwoven community of our partners, customers, issuers and investors working together to drive the Malaysian capital market forward.

We made community building a key point in 2014, enabling Bursa Malaysia to expand its capabilities and reach out to all stakeholders, particularly to new retail investors and to young working professionals. According to Credit Suisse and the Malaysian Department of Statistics, Malaysia will have one of the fastest growing working population in the world between now and 2020. The demographic group that will be coming into the workforce represents the future core of our retail investor base, and we must start now to encourage their participation in our market.



REACHING OUT TO THE DIGITAL GENERATION

The flagship programme under our digital outreach initiative is the BursaMKTPLC, a one-stop online portal for all traders and investors that we launched on 28 April 2014. BursaMKTPLC is a first-of-its-kind virtual marketplace that creates a completely unique user experience designed to provide market insights, rich online pricing information and investor education. Our aim is to create an active and vibrant eCommunity focusing on enhancing trading and developing financial literacy.

STEPPING UP INVESTOR EDUCATION AND AWARENESS

In 2014, we conducted a number of education and engagement programmes via advocacy sessions and workshops to communicate our core messages to our various stakeholders such as issuers, financial intermediaries and retail investors. To create awareness of the level and quality of disclosures by listed issuers in relation to the Malaysia Code of Corporate Governance, we also issued Findings of Corporate Governance Disclosures in Annual Reports. On the youth front, we stepped up our engagement with this demographic group through our Bursa Young Investors' Club (BYIC) and Young Corporate Malaysians (YCM) programmes. I am grateful to have been given the chance to speak directly to some of our programme participants and the feedback I received during the question and answer session has convinced me that we will see continuous growth in our capital market.

LAUNCHING NEW PRODUCTS AND SERVICES

We continue to expand our range of products and services to offer greater choice to our existing customers and to attract new customers. While innovation is a priority for us, we take prudent measures to ensure our new offerings fall within an acceptable range of risks and that they add value to our role as the Exchange. We also introduced a host of new trading products for our securities and derivatives markets. Information on these products and the ESG are detailed in the respective sections of this annual report.

COLLABORATING WITH EXTERNAL MARKETS

To further extend the reach of our market outside our borders, we signed a Memorandum of Understanding (MoU) with the Saudi Stock Exchange (Tadawul) to develop cross-border activities in developing both capital markets. The MoU will enhance the financial and economic linkages between Malaysia and Saudi Arabia, whilst facilitating the exchange of knowledge and capital market expertise.

CEO'S MESSAGE AND MANAGEMENT DISCUSSION AND ANALYSIS

ENHANCING OUR MARKET STRUCTURE

We are constantly looking at ways to develop our market structure to secure long-term sustainability. One of our core initiatives designed to enhance our market structure is the implementation of ASEAN Post Trade services. We are the first exchange participating in the ASEAN Trading Link to implement the service and we believe that it represents an important value add for our market traders.

We have also taken steps to ease access to our markets by streamlining entry requirements through policy changes such as the revamp in the derivatives market participantship structure. These measures are in line with our overall drive to make us a more efficient and effective market.

MAINTAINING A FAIR, ORDERLY AND EFFICIENT MARKET

Bursa Malaysia has a regulatory duty to uphold market integrity by ensuring a fair, orderly and efficient market. To this end, we are continuously looking at new developments in best practices for markets and to champion these practices to our PLCs.

Our efforts in this area have helped propel the overall level of corporate governance (CG) in Malaysian PLCs - an improvement that has been recognised by international CG watchdogs.

TRANSFORMING INTO A HPO

We took another step forward in 2014 towards transforming Bursa Malaysia into a HPO. Talent recruitment and management reform remain key enablers of this transformation and we have continued to drive the development of our talent bench by implementing aggressive employee recruitment and retention strategies.

We have bolstered our capabilities in line with our demand for higher standards of governance, and we continued the process of institutionalising the new performance benchmarks into our corporate culture.

To support our journey towards becoming a HPO organisation, our Group Human Resources (GHR) has instituted a number of talent management programmes designed to secure our long-term sustainability and meet our future talent requirements.

BEST PERFORMANCE SINCE 2008

Our financial performance in 2014 is the best since 2008 and is trending in the right direction. Bursa Malaysia posted a record profit after tax and minority interest (PATAMI) of RM198.2 million (+15% y-o-y), an improved cost-to-income ratio of 46.1% (-2 percentage points y-o-y) and a higher return on equity (ROE) of 25.4% (+5 percentage points y-o-y). Financial performance for the year under review was driven by higher trade volumes in all three of our markets due to higher domestic participation.

FINANCIAL HIGHLIGHTS

Financial Results	2014	2013	% change
	RM million	RM million	
Operating Revenue	471.3	439.8	+7%
Other Income	32.5	35.2	-8%
Operating Expenses	(232.0)	(229.4)	+1%
Profit Before Tax	271.8	245.6	+11%
Income Tax Expense	(67.8)	(66.2)	+2%
Profit After Tax	204.0	179.4	+14%
Minority Interest	(5.8)	(6.3)	-8%
PATAMI	198.2	173.1	+15%
Financial Ratios			
Cost to Income Ratio	46.1%	48.3%	2 percentage points
Return on Equity	25.4%	20.7%	5 percentage points

7% GROWTH IN OPERATING REVENUE

Operating revenue rose to RM471.3 million in 2014 from RM439.8 million in 2013, which represents a growth of 7%. Apart from higher trading revenue from all three markets, the greater number of new structured warrant listings and secondary issues in 2014 also improved revenue growth.

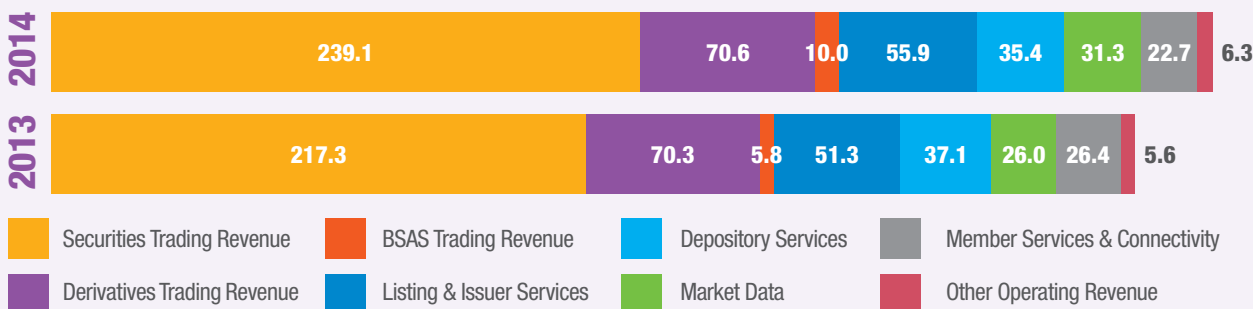
Revenue from our securities trading activities rose 10% to RM239.1 million in 2014 from RM217.3 million in 2013. Revenue growth was supported by higher domestic participation, particularly in the retail segment.

Our Derivatives Market saw a marginal increase in trading revenue of RM70.6 million from RM70.3 million in 2013. Although volume traded showed a healthy 16% increase, lower guarantee and collateral management fees offset the increase.

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Meanwhile, Bursa Suq Al-Sila' (BSAS) trading continued its upward trend with revenue growing by 72% to RM10.0 million in 2014. The continuous revenue growth in BSAS trading over the last few years is a positive indication of the growing acceptance of BSAS by domestic banks and sukuk issuers, which bodes well for us as our strategy calls for us to leverage on Malaysia's status as a leading Islamic capital market.

OPERATING REVENUE (RM million)

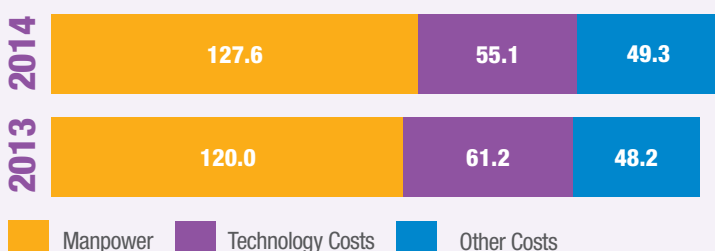


OPERATING EXPENSE STABILISED; TECHNOLOGY INVESTMENT YIELDING SAVINGS

Total operating expenses grew by 1% to RM232.0 million in 2014 compared to RM229.4 million in 2013. Our expenses for the year continued to focus on talent building and development to support our vision of transforming into a HPO. Staff costs rose 6% to RM127.6 million in 2014 from RM120.0 million in 2013.

Other operating expenses, which include marketing and development, professional fees and administrative expenses, continued to grow as we expanded our capabilities and our reach into the region. However, the overall growth in our operating expenses was offset by lower depreciation costs as we had successfully replaced our previous trading system with a higher capacity but more cost efficient Bursa Trade Securities 2 (BTS 2).

OPERATING EXPENSES (RM million)



REWARDING OUR SHAREHOLDERS

Bursa Malaysia's Board of Directors has recommended a final dividend of 18 sen subject to shareholders' approval at our Annual General Meeting to be held in March 2015. If approved, the total dividend paid by Bursa Malaysia in 2014 will amount to 54 sen per share, which includes a 20 sen special dividend and a 16 sen interim dividend paid in August 2014. The total dividend paid of RM288.1 million represents a 6.7% dividend yield.

SEGMENTAL PERFORMANCE

The Securities Market, as well as the Islamic and Alternative Markets (IAM), continued to make good progress, while the Derivatives Market was affected by lower guarantee and collateral management fees earned. Exchange Holding was affected by lower broker services from the rationalisation effort undertaken by Bursa Malaysia to enable brokers to use their own network, and lower interest income earned subsequent to the distribution of a special dividend in 2013 and 2014 respectively.

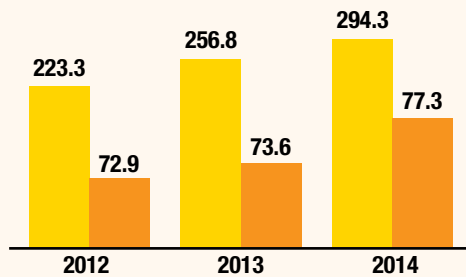
Segmental Review	2014	2013	% change
	RM million	RM million	
Segmental Profit/(Loss) From:			
Securities Market	294.3	256.8	+15%
Derivatives Market	40.8	44.1	-7%
Islamic & Alternative Markets	5.4	0.9	+500%
Exchange Holding	(8.9)	3.1	-387%
Total Segmental Profit	331.6	304.9	+9%
Overheads	(59.8)	(59.3)	+1%
Profit Before Tax	271.8	245.6	+11%

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SECURITIES MARKET

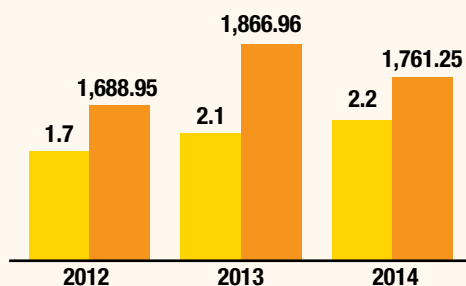
SEGMENT PROFIT AND OPERATING MARGIN

■ Segment Profit (RM million)
■ Operating Margin (%)



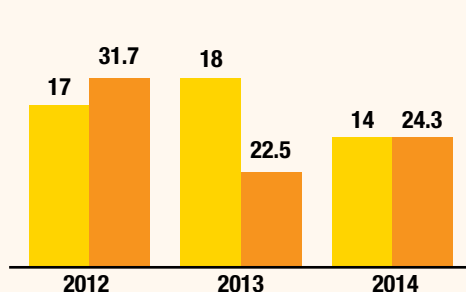
ADV AND FBM KLCI

■ ADV (RM billion)
■ FBM KLCI



NO. OF NEW LISTINGS AND FUNDS RAISED

■ No. of New Listings
■ Funds Raised for IPOs & Secondary Market (RM billion)



MARKET AND FINANCIAL HIGHLIGHTS

The FBM KLCI hit an all-time high of 1,892.65 points on 8 July 2014 but moderated to close the year at 1,761.25 points, 5.7% lower than the preceding year end's 1,866.96 points.

SECURITIES TRADING MAINTAINS MOMENTUM

The Securities Market continued its upward trend, reporting a profit contribution increase of 15% to RM294.3 million from RM256.8 million in 2013. Total operating revenue rose 9% to RM368.1 million from RM338.8 million in 2013.

Trading revenue continued to grow, increasing 10% to RM239.1 million from RM217.3 million in 2013 as a result of higher ADV for on-market trades (OMT) of RM2.1 billion from RM1.9 billion in 2013. Domestic participation ADV for OMT grew 11% to RM1.6 billion in 2014 from RM1.4 billion in 2013, while foreign participation ADV for OMT declined 3% to RM0.5 billion in 2014.

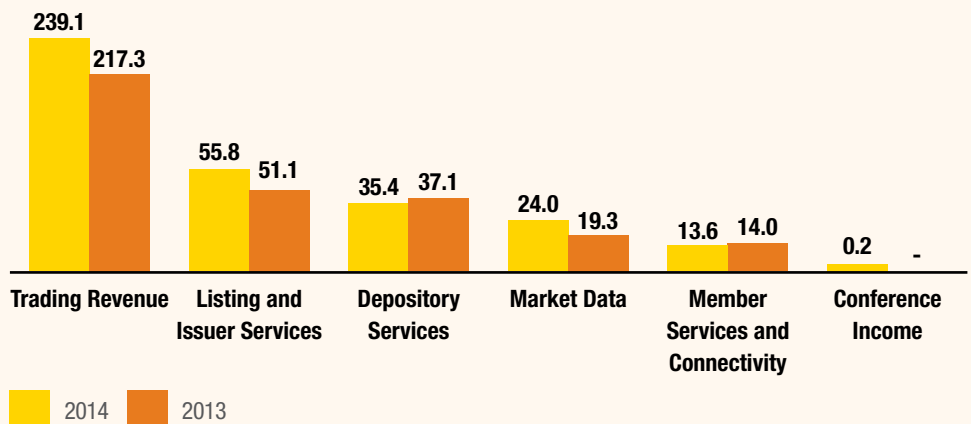
Other factors contributing to the upward trend of the Securities Market include the higher number of corporate exercises as well as a higher number of structured warrants listings. The Market Data segment also posted higher revenues of RM24.0 million, up 24% from RM19.3 million in 2013, contributing to the overall growth in Securities Market revenue. Growth in the Market Data segment is attributed to the introduction of new information packages such as non-display usage data and corporate announcements.

RETAIL INVESTORS KEY DRIVERS OF GROWTH

Improvements in the Securities Market trading revenue contributions were mainly driven by higher ADV for OMT of RM2.05 billion, up 7% from RM1.92 billion in 2013, as well as higher effective clearing fee rate.

We saw an increase in market activity by retail investors due primarily to global uncertainties, which spurred active trading. The greater retail investors participation was achieved through our constant outreach activities over the last few years. In 2014, retail participation in the Securities Market rose 4 percentage points to represent 26% of total activity (from 22% in 2013).

OPERATING REVENUE (RM million)



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SECURITIES MARKET

BURSA MALAYSIA MAINTAINS POSITION AS LARGEST ASEAN FUNDRAISING MARKET

Despite fewer IPOs in 2014 compared to 2013, we retained our position as the largest fundraising destination in ASEAN for the third consecutive year, having raised RM24.3 billion through IPOs and the secondary market. The total represents an 8% increase from the RM22.5 billion raised in 2013. It is also a sign that companies are growing more bullish in our ability as an exchange to raise the capital they need.

In terms of listings, Bursa Malaysia saw a total of 14 new companies added to our Securities Market, raising a total of RM5.9 billion, down 28% from the RM8.2 billion raised in 2013. The listing of IOI Properties Group Bhd was the first and largest IPO exercise for 2014, raising RM1.9 billion.

We also saw the continuation of a trend to list Special Purpose Acquisition Companies (SPAC) with Reach Energy Bhd raising RM750 million from its IPO last August.

OUTREACH INITIATIVES

2014 was a busy year for our outreach team, which engaged with over 30,000 retail investors. We leveraged on established platforms while introducing new ones as we sought to strengthen and build communities in line with our overall strategic plan.

1. Invest Malaysia Programme

The annual Invest Malaysia (IM) programme, which is our flagship platform for engaging fund managers and institutional investors, continued to set new records in 2014. Investors and fund managers with total assets under management (AUM) worth a record of almost USD55 trillion attended our IM events held in Kuala Lumpur, Tokyo, New York, London and Hong Kong.

2. Capital Market and PLC Profiling

In addition to our engagement activities held under the IM banner, we had a number of initiatives to promote our capital markets and PLCs in Malaysia, Singapore, Thailand and Japan. The choice of engagement channels/platforms used differed with each country. In The Spotlight events in 2014, PLCs were profiled under two themes - 2013 IPO Review and Property & REITs - to fund managers, investment advisers and remisiers in Kuala Lumpur.

We promoted our market to retail investors in Singapore via weekly profile of PLCs on the Sharesinv.com website and social media. Through the Spotlight On Malaysia events, we worked with various partners in each country for on-ground profiling of market and PLCs. To extend our outreach, we also invited ASEAN media practitioners to Kuala Lumpur to showcase the diversity of our marketplace and PLCs to share their stories.

In Thailand, Bursa Malaysia collaborated with Money Channel to raise Thai retail investors' awareness of investment opportunities in Malaysia via two programmes, i.e. Good Morning Bursa Malaysia and Stocks Around Us. Good Morning Bursa Malaysia features live phone-in interviews with licensed research analysts, while Stocks Around Us showcases video clips of selected PLCs recorded at the PLCs' business premises/factory. The programmes are aired on Money Channel's network platforms, which include satellite television channels and internet TV.

3. Engaging Youth

Our youth engagement activities focused on increasing financial literacy amongst Gen Y and on better familiarising them with the operations, products and services of the Exchange. In 2014, 10 Bursa Young Investors' Clubs (BYICs) were established in public and private universities in four states across the nation. We supported the BYICs by holding several investor education activities including a leadership boot camp, investment seminars, hosting talks by PLCs and organising field trips to Bursa Malaysia. Some 2,400 students from these universities participated in the clubs. In 2014, the total number of students visiting Bursa Malaysia rose 52% to 5,066 students from 3,343 students in 2013.

4. Engaging Financial Intermediaries

We held numerous activities over the past year to recognise and support financial intermediaries including brokers, dealers and remisiers. Workshops and engagement sessions held in 2014 included Dealers Representative Engagement Sessions, a CPE Accredited Product workshop, an Exchange Traded Fund (ETF) Incentive Programme and the Broker Awards Appreciation Dinner.

5. Online Trading Games and Competition

To further expand our outreach to young investors, we held a unique Fantasy FTBL.TRADR competition in conjunction with World Cup 2014 to give them a taste of trading. The Fantasy FTBL.TRADR competition made use of the same stock portfolio management tools available on BursaMKTPLC, and allowed users to analyse and trade football players much in the same way that traders would analyse and trade stocks. We also held the inaugural Great Bursa Bull Hunt online competition in 2014, which was designed to raise investment awareness in retail investors nationwide.

6. Engaging Institutional Investors

We held the Enhancing Portfolio Returns Using ETF and Securities Borrowing and Lending (SBL) Conference 2014 to help our institutional investors better understand the way that ETF and SBL products can enhance their investment returns.

With respect to ETF, the event was structured to entice domestic and global players to consider Bursa Malaysia as an ETF listing destination. As for the SBL space, the conference served as a platform to attract new players, especially local institutions and investment banks, to participate in our growing SBL/Regulated Short Selling (RSS) market. The conference also served as a networking avenue to both local and foreign institutional players.

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SECURITIES MARKET

ENHANCING OUR MARKET STRUCTURE

We continued to work on strengthening the Securities Market infrastructure through our activities in 2014. Our activities in this area included the following:

1. Introduction of ASEAN Post Trade Services

The ASEAN Post Trade services allows any Participating Organisation (PO) performing outbound trades into any of the participating exchanges in the ASEAN Trading Link to clear, settle and hold the securities listed at those exchanges. The introduction of this new service reduces settlement risk while streamlining the post trade procedures pertaining to outbound trades of securities. In effect, this reduces the turnaround time while improving the efficiency of cross-border clearing and settlement. We are the first of the three participating exchanges to offer post trade services for all outbound trades to our POs.

2. Closure of dormant CDS accounts

We have instituted the automatic closure of CDS accounts that have been designated as dormant, i.e. those that contain no securities and have had no credit or debit entries for the past seven years. The closure of the dormant CDS accounts has optimised our use of resources and mitigated the risk of unauthorised use of these accounts. We closed approximately two million dormant CDS accounts in 2014.

3. Enhancing the Bursa Trade Securities 2 (BTS2) engine

Our initiatives to further enhance our trading engine saw the introduction of additional trading and market control features, including the Good-Till-Date, Fill-Or-Kill and Last Price Limits. These enhancements expand the trading features available on our exchange that facilitate trading by our participants.

4. Non-Trade Matching Service

The introduction of the Non-Trade Matching Service facilitates matching for non-trade related instructions during the book building exercise for an IPO. This service offers a more efficient and effective method to move securities and funds on a Delivery Versus Payment basis and expedites book entry transfer of securities between book builders and their clients.

5. Increasing the number of securities eligible for securities borrowing and lending

We updated the list of eligible securities for SBL increasing the size of the pool to 227 stocks from 171 previously. The widened pool will further increase the breadth and depth of the SBL market as well as facilitate better price discovery through more RSS activities. Outstanding SBL loans grew to RM2.4 billion by the end of 2014 from RM1.7 billion in 2013.

MOVING FORWARD

The Securities Market is making a strong push towards sustainability, and this is best encapsulated in our launch of our FTSE4GOOD Bursa Malaysia ESG Index. The ESG Index, which rates PLCs based on their adherence to internationally benchmarked criteria, adds a new dimension to securities investing in our market. The inclusion of the index will draw a new segment of sustainability-conscious investors, while at the same time provide a new reference point for our PLCs.

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DERIVATIVES MARKET

MARKET AND FINANCIAL HIGHLIGHTS

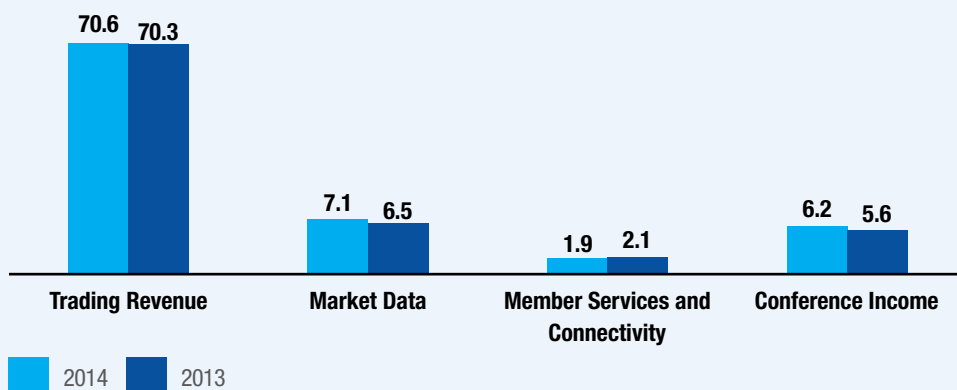
Trading volumes hit an all-time record high with ADC for all contracts coming in at 50,654 in 2014, registering a 16% growth from 2013's 43,490 contracts.

DERIVATIVES MARKET MAINLY NEUTRAL

We recorded a greater domestic and foreign institutional participation in Crude Palm Oil Futures (FCPO) and higher average daily contracts. Total operating revenue rose marginally by 2% to RM85.8 million from RM84.4 million in 2013.

Despite strong improvements in trading activity, derivatives trading revenue increased marginally to RM70.6 million from RM70.3 million in 2013 as a result of lower guarantee and collateral management fees. This resulted from lower margin requirements and higher non-cash collaterals lodged as margin by participants.

OPERATING REVENUE (RM million)



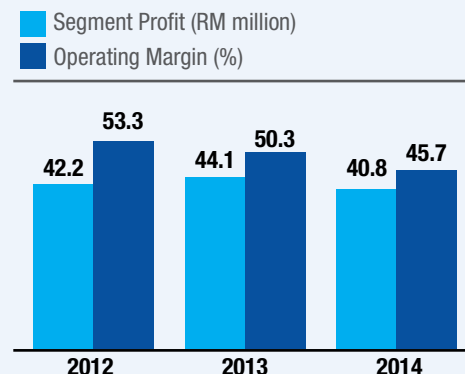
DERIVATIVES TRADING FUNDAMENTALS SHOW IMPROVEMENT

The marked improvement in trading fundamentals for the Derivatives Market in 2014 is an encouraging sign. The number of FCPO contracts struck in 2014 rose 27% to 10.2 million from 8.0 million contracts a year ago. However, the number of FTSE Bursa Malaysia KLCI Futures (FKLI) contracts fell 19% to 2.2 million from 2.7 million in 2013.

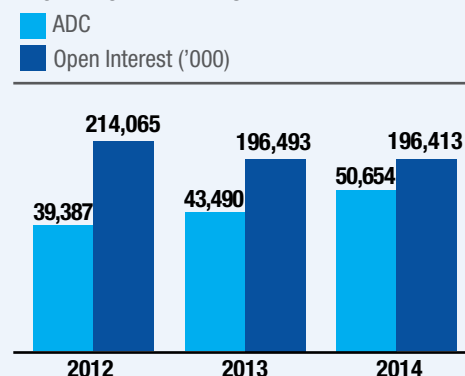
Key achievements of the Derivatives Market in 2014 include:

- A historical month high in the traded volume of FCPO contracts which totalled 1,083,141 contracts in September 2014. The total volume breached the one million contract mark for the first time.
- Open Interest for FCPO rose to an all-time high of 287,859 contracts on 10 September 2014. This also led to a record high (321,077 contracts) for total open interest for all derivative products on the same day.

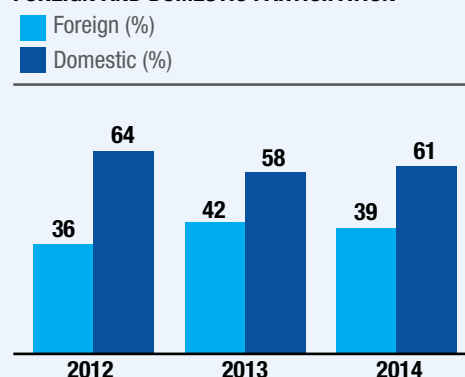
SEGMENT PROFIT AND OPERATING MARGIN



ADC AND OPEN INTEREST



FOREIGN AND DOMESTIC PARTICIPATION



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DERIVATIVES MARKET

OUTREACH INITIATIVES

Developing the Derivatives Market is a key priority for Bursa Malaysia and we continued to expand our marketing activities to reach out to more potential market participants in 2014. Apart from domestic initiatives designed to create greater awareness of derivative products, we also focused our efforts on recruiting clients from foreign countries such as India and China through their intermediary brokers based amongst others in Hong Kong, Singapore and Dubai. These brokers are existing clients of Chicago Mercantile Exchange, which makes it easy for them to connect and trade within our existing infrastructure.

Our activities implemented last year to strengthen our Derivatives Market trading community included the following:

1. Palm and Lauric Oils Conference and Exhibition (POC) 2014

Bursa Malaysia's annual POC conference held annually in Kuala Lumpur, Malaysia has developed a strong global reputation and is well attended by international players from the oils and fats industry from over 50 countries. In 2014, POC marked its Silver Jubilee, celebrating the development of the palm and lauric oils industry over the last 25 years. The POC continues to lead discussions on the future of the edible oil industry and provides an excellent base for networking among its delegates. The event included palm estate visits and a Bursa Malaysia Derivatives Workshop for more than 2,000 participants.

2. Gold & Precious Metals - Price Outlook Symposium (GOC 2014)

The inaugural GOC 2014, themed "Will Gold Still Glitter in 2014?", was attended by 500 participants. The GOC functioned as a platform to educate retail participants about the use of gold as an alternative investment asset, and created awareness about the benefits of trading in the gold futures market over physical gold. We expect the GOC to drive interest in gold futures on our Derivatives Market and build an active trading community around this asset class.

3. Derivatives Education and Awareness Programme

We held our annual Derivatives Day in collaboration with six trading partners to educate the investing public about opportunities available in futures trading. The programme comprised a full range of sessions related to derivatives trading including career information for fresh graduates, information on becoming a full-time trader and information for retirees. As 31% of the trades on the exchange are transacted by Local participants, there is a need to create a new pipeline of new Local participants to replace the ones who will be retiring.

4. Local Participants and Incentives

Incentive programmes specially tailored for Local participants were conducted in 2014 to encourage them to trade and hence increase liquidity of newly launched contracts such as the Refined Bleached and Deodorised (RBD) Palm Olein Futures Contract (FPOL). Increased liquidity entices more institutions and traders to participate in these contracts thus creating a greater interest in these products. As a result of our engagement sessions, we saw 34 new Local participants in the market in 2014.

ENHANCING OUR MARKET STRUCTURE

In 2014, we revamped derivatives participation structure into a single trading right. The revamp replaced the different classes of Preference shares with a single trading right across all classes of derivatives products thus making the cost of entry as a Trading Participant cheaper and comparable with regional futures exchanges. As a result of the revamp, all brokers are now able to offer all products listed on Derivatives Markets to their clients. On that note, we are pleased to welcome Credit Suisse as our full-fledged Trading Participant and Clearing Participant.

NEW PRODUCTS FOR THE DERIVATIVES MARKET

In addition to the market enhancements, we recognise the need for us to further broaden the range of products on offer and we continue to make regular innovations in this area. A broader range of products will draw greater participation from the investing public, and help us reach out to a new set of investors both within and outside our borders in line with our overall strategic plan. We introduced two new derivatives products in 2014:

1. Refined Bleached and Deodorised (RBD) Palm Olein Futures Contract:

The FPOL contract is a USD denominated palm olein futures contract trading on our Derivatives Market. FPOL is a complete solution allowing market participants, particularly refiners and palm olein end users, to manage refining margin risk and hedge against unfavourable price movements in the crude palm oil and palm olein markets. The introduction of the FPOL contract is aligned with our ambition to become the global marketplace and benchmark for all palm oil derivatives.

2. Enhanced Five Year Malaysian Government Securities Futures (FGM5):

The enhanced FGM5 extended the selection of bonds to those with between four and six years of maturity, and has an extended trading time until 6.00pm. The enhancement of the FGM5 aims to make our bond-based products more attractive to retail customers and also to draw new customers to the Exchange.

MOVING FORWARD

On 23 January 2015, Bursa Malaysia Derivatives was granted registration as a Foreign Board of Trade by the U.S. Commodity Futures Trading Commission (CFTC) pursuant to Section 4(b)(1) of the Commodity Exchange Act and Part 48 of the CFTC's regulations. This permits identified members and other participants located in the US to enter trades directly into its electronic order entry and trade matching system on CME's GLOBEX trading platform to trade our derivatives products. It augurs well for the Malaysian derivatives market as it attracts US based Commodity Trading Advisers, hedge funds, high volume traders and commercials who are actively involved in global trades.

CEO'S MESSAGE AND MANAGEMENT DISCUSSION AND ANALYSIS

ISLAMIC AND ALTERNATIVE MARKETS

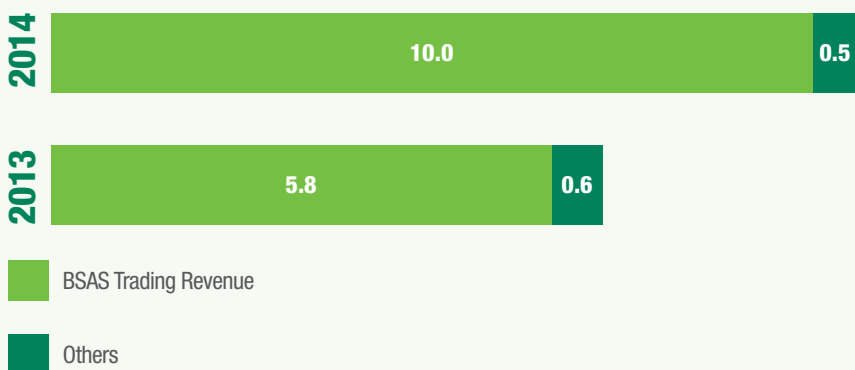
MARKET AND FINANCIAL HIGHLIGHTS

ADV for BSAS trades increased 77% in 2014 to total RM6.9 billion from RM3.9 billion a year ago, which is a strong endorsement of the market's growing popularity.

ISLAMIC AND ALTERNATIVE MARKETS EXPANDS REACH

Profit contribution from IAM surged, growing six-fold, contributing RM5.4 million in profits in 2014 compared to RM0.9 million in 2013. Operating revenue showed strong growth, increasing 64% to RM10.5 million from RM6.4 million in 2013. Higher revenue from BSAS was the main contributor to this segment, with an increase of 72% to total RM10.0 million in 2014.

OPERATING REVENUE (RM million)



GROWTH DRIVEN BY BETTER RECOGNITION, INTEREST IN ISLAMIC FINANCE

Since BSAS inception in 2009, trades on the platform have recorded annual double-digit growth due to the growing acceptance of Murabahah and BSAS by domestic banks and sukuk issuers. In 2014, the total commodity trade value on BSAS was RM1.7 trillion, up 76% from RM958.9 billion in 2013.

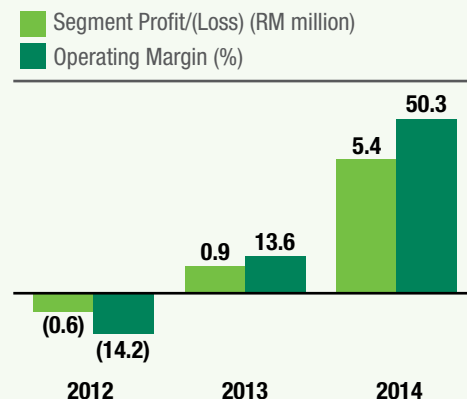
The improved trading activity is indicative of growing interest in Islamic investing and finance, which has grown in stature as a relatively safer avenue of investment post the financial crisis. Malaysia's reputation as a leading Islamic finance hub has also been a key lever for the development of IAM to enhance and innovate our market to better serve the Islamic investing community.

IAM SHOWS IMPROVING FUNDAMENTALS

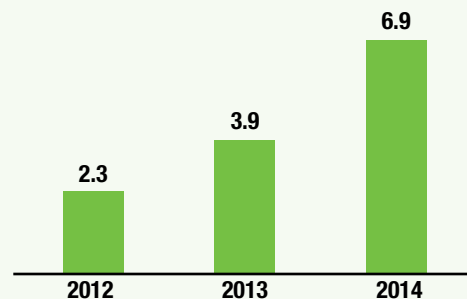
Key achievements in the IAM:

- Posted largest trade in a day on BSAS of RM16.3 billion on 8 December 2014
- Number of BSAS participants continued to rise with the addition of 15 new participants (from 78 in 2013). In 2014, domestic participants accounted for 79% of total trades and foreign participants accounted for the remaining 21%.

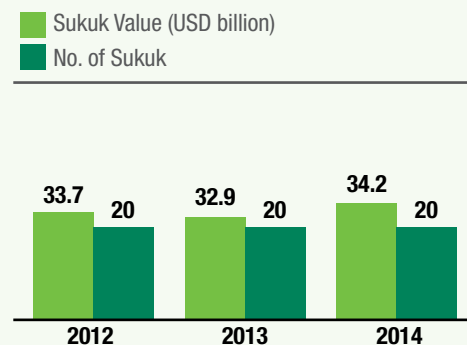
SEGMENT PROFIT AND OPERATING MARGIN



BSAS ADV (RM billion)



SUKUK LISTED ON LABUAN INTERNATIONAL FINANCIAL EXCHANGE



CEO'S MESSAGE AND MANAGEMENT DISCUSSION AND ANALYSIS

ISLAMIC AND ALTERNATIVE MARKETS

OUTREACH INITIATIVES

IAM leverages on Malaysia's strength as a world leader in Islamic Finance and aims to be the capital market of choice for global investors. As BSAS is a relatively new trading platform, outreach programmes designed to educate and reach out to participants are critical for its sustained development. To this end, we have leveraged on Islamic finance and palm oil conferences, and workshops as well as hosted our own events to get our message out. Our outreach initiatives in 2014 included the following:

1. Engaging Islamic Finance practitioners

We have made our presence felt in various Islamic conferences and events throughout the year. Our goals at these events are to raise awareness about IAM's products and services, discuss strategy for enhancing Islamic capital markets, explore new opportunities and solicit feedback from other practitioners. Representatives from Bursa Malaysia were given opportunities to speak at these events, among others:

- 5th World Islamic Banking Conference – Asia Summit in Singapore
- 1st International Conference on Islamic Wealth Management and Financial Planning
- IFN Asia Forum 2014
- 4th Global Islamic Finance Forum
- 11th Kuala Lumpur Islamic Finance Forum
- 21st Annual World Islamic Banking Conference in Bahrain.

As previously mentioned, Bursa Malaysia has signed an MoU with the Saudi Stock Exchange (Tadawul) and we are excited with this development, which is aimed at helping cement the relationship and linkages of our markets while enhancing the profile of Islamic finance.

2. Engaging Retail Investors

Retail investors are one of the focus groups for all of our outreach activities and the same is true for IAM. In 2014, we attended and hosted special events for retail investors designed to educate them about IAM offerings as well as the advantages of Islamic investing. Our objectives are largely guided by our vision to build a strong and vibrant Islamic capital market that is relevant and actively participated in by the retail community.

Meanwhile, we organised workshops specific to the theme of Islamic investing in 2014. These workshops also served to drive the country's Islamic Finance agenda forward by promoting Islamic financial management.

3. Engaging Institutional Investors and Intermediaries

IAM worked together with the Derivatives Market to sponsor events held by the Palm Oil Refiners Association of Malaysia (PORAM) to further enhance BSAS role in the palm oil industry. As BSAS is a commodities trading platform, stronger linkages must be built with associations such as PORAM to raise our relevance in the commodities industry.

We also worked on building linkages with intermediaries by recognising our top BSAS trading participants at our Broker Awards Appreciation Dinner.

ENHANCING OUR MARKET STRUCTURE

We are constantly looking at ways to expand the role of our Islamic Capital Market to support the growth of Islamic finance. We continued to make adjustments throughout the year to provide industry players a regulated framework with defined codes of conduct governing commodity trade in support of Islamic interbank placements, client deposits and financing as well as sukuk issuances using the concept of Murabahah and Tawaruq.

NEW PRODUCTS FOR IAM

1. Exempt Regime Sukuk

IAM listed two new exempt regime sukuks including Hong Kong's maiden sovereign sukuk of USD1 billion. The Hong Kong sukuk is based on the Ijarah Structure and issued by Hong Kong Sukuk 2014 Ltd, which is wholly-owned by the Government of the Hong Kong Special Administrative Region. Hong Kong's choice of Malaysia as the listing destination for its inaugural sukuk is a strong vote of confidence in our market's ability to raise the necessary funds, and further reinforces Malaysia's position as the global sukuk leader.

Meanwhile, Malaysia's state investment arm Khazanah Nasional Bhd, via its independent special purpose company Cahaya Capital Ltd, listed a USD500 million Mudharabah-Murabahah exchangeable sukuk, which is the first exchangeable sukuk to be based on the two combined Islamic principles. Through its listing, the sukuk has set a benchmark for exchangeable sukuk offerings, providing future issuers with greater options in structuring their Islamic papers.

2. MyETF MSCI Malaysia Islamic Dividend Fund (MyETF-MMID)

In line with our goal to grow the ETF space in Bursa Malaysia, MyETF-MMID, the second Shariah-compliant ETF, was launched. The listing of MyETF-MMID gives our investors greater choice in ETF investments to further diversify their portfolio. By the end of 2014, there were six ETFs listed on Bursa Malaysia.

3. Third Government Guaranteed Danalinfra Nasional Bhd (DINB) Exchange Traded Bonds and Sukuk (ETBS)

We launched the third series of the government guaranteed DINB ETBS in 2014, which is targeted at retail investors. The product allows investors to benefit from the ongoing development of the MRT project, and functions as a relatively safe investment asset due to the government guarantee. ETBS is a relatively new asset class for us and we hope that the launch of this product will encourage others to follow suit in future.

MOVING FORWARD

The government-led proposal to trade Malaysian Government Securities and Government Investment Issues on the Exchange aims to strengthen the Islamic financial market. The proposal is expected to promote domestic sukuk and bond issuance and trading. Based on the Prime Minister's announcement, the government papers will be traded as ETBS if the proposal is approved. This move will spur interest among retail investors keen on diversifying their portfolio by investing in a relatively less risky asset with a constant yield.

CEO'S MESSAGE AND MANAGEMENT DISCUSSION AND ANALYSIS

UPHOLD MARKET INTEGRITY

Bursa Malaysia has always strived to fulfil its key regulatory role in ensuring a fair, orderly and efficient market. This commitment is the key enabler of all that we do as an organisation, and we are duty-bound to ensure that these obligations are dispensed to the best of our ability. To this end, we are continuously looking at new developments in best practices for markets, and ensuring that these practices are observed by Malaysian public listed companies.

In 2014, to address the International Organisation of Securities Commissions' Principles for Financial Market Infrastructures Principle 4, we restructured the Clearing Guarantee Fund, by replacing the RM60 million Standby Credit Facility from Bursa Malaysia with cash allocated from Bursa Malaysia Securities Clearing. This initiative was part of recommended best practices, published in February 2013, jointly undertaken by World Bank and the International Monetary Fund in relation to the Financial Sector Assessment Program on Principles for Financial Market Infrastructures. The restructure effectively strengthens our credit risk management framework and provides greater clarity on the accessibility and availability of funds in the event of a default. We also took proactive actions to manage the wide variety of risks that could affect our business and the markets.

To ensure that our markets operate in a fair, orderly and efficient manner, and that market integrity is upheld, we implemented mitigation measures and controls to manage business interruption, market regulation and systemic risks. We are pleased to report that both our securities and derivatives trading systems posted a 100% uptime in 2014.

Apart from the usual risks, we are also watchful of any emerging risks that could pose a threat to Bursa Malaysia. For example, we made cyber security a priority in 2014, and have subscribed to a Securities Operations Centre service to address potential digital threats to our systems. We have also received ISO27001 certification from Cyber Security Malaysia, which certifies that our system meets the required data and information protection metrics.

Last year we implemented Last Price Limits to control price aberrations during the last 15 minutes of trading. As part of our mandate to maintain a fair and orderly market, this market control feature complements our current Static Price Limits and Dynamic Price Limits to prevent wild fluctuations in securities prices owing to erroneous trades and other aberrations at market close.

LEVERAGING ON THE GLOBAL PULSE

As a regional and global player, we keep a finger on the pulse of global trends to ensure that our plans make the most of the opportunities presented by a dynamic investing environment.

Changing global trends represent both challenges and opportunities for us, and we must remain agile to leverage on new developments to remain sustainable. We have already adjusted some of our priorities in response to global developments and been rewarded in doing so. The following are some key trends with respect to the industry and our responses to them.

1. Accelerated growth in the derivatives business:

Over the last few years, the exchange industry has witnessed the increasing importance and rapid growth of the derivatives business. This trend continued in 2014, evidenced by continued mergers and acquisitions activity involving derivatives exchanges and the signing of MoUs aimed at strengthening collaboration and relationships between various exchanges.

We are cognisant of the increasing interest in derivatives products, particularly by the retail segment, and have embarked on a number of initiatives including education and awareness programmes to ensure that our retail participants are equipped to trade in derivatives products. We have also made the cost of entry cheaper for Trading Participants to take advantage of the growing interest in derivatives trading.

2. Growing importance of market data and information:

Market Data and Information Services have in recent years been acknowledged as a key area of growth for exchanges going forward, and are now being viewed as a significant revenue line in their own right. 2014 saw exchanges working to improve in this area by expanding their service offerings and holding cross-border collaborations.

As we have seen in the financial analysis of the Securities Market, contributions from the Market Data segment showed the highest revenue percentage increase as compared to the other segments. This is due largely to our investments in new information packages. We believe that demand for our market data will only continue to grow, especially as ASEAN continues to gain prominence as a major investment destination.

3. Increasing globalisation of trading and investment:

While the globalisation of trading and investment has been a common feature of the exchange industry over the last few decades, 2014 saw further development in this area as countries such as China, Thailand and Saudi Arabia sought regulatory approval for greater cross border trading and listing. The formation of the AEC by the end of 2015 and its expected lifting of barriers are further evidence of this trend.

In addition to our outreach activities conducted in regional countries, we have also expanded our targets to set sights on other strategic partners such as the Saudi Stock Exchange (Tadawul), with whom we have signed an MoU. We remain selective about our partners as we need to be convinced of mutual benefit in terms of value creation.

It is important to note that global trends are dynamic and that they do have both direct and indirect consequences on our business. To ensure our long-term sustainability as a business, we must continue to keep a watchful eye on market trends and changing regulatory requirements, and adjust our position in relation to developments.

CEO'S MESSAGE AND MANAGEMENT DISCUSSION AND ANALYSIS

MOVING FORWARD

OUTLOOK OPTIMISTIC DESPITE CHALLENGING 2015

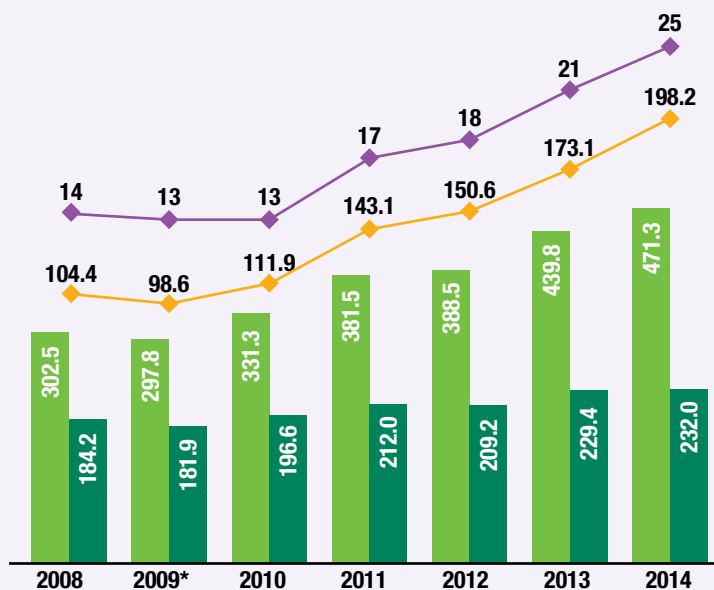
2015 is shaping up to be another challenging year as global markets have remained volatile. We believe that we will continue to see challenges in the form of pressure on commodity prices and volatility in currency prices. However, we remain confident that the initiatives that we have undertaken and planned will enable us to sustain the momentum we have created for ourselves.

Upward-trending PATAMI and operating revenue coupled with managed operating expenses over the past six years are evidence that the building blocks and processes we have put in place have served us well despite challenging operating conditions. With strong fundamentals in place, we believe that we will be able to face 2015 with similarly optimistic expectations.

Aside from the global economy, we also face challenges in the form of greater competition from other exchanges in the region and in navigating changing regulatory requirements. However, we believe that Malaysia's track record of being a resilient market due to its strength in investor protection and robust corporate governance framework will continue to be a draw for investors, hence supporting the growth agenda whilst maintaining market confidence and integrity.

GROWING REVENUE AND PROFITS; MANAGED EXPENSES

- Operating Revenue (RM million)
- Operating Expenses (RM million)
- ◆ PATAMI (RM million)
- ◆ ROE



* PATAMI for 2009 excludes the gain on disposal of a subsidiary.

TAKING THE NEXT STEP IN REALISING SHAREHOLDER VALUE

We take continuous steps to transform our latent potential into value for our stakeholders. This can be seen from our healthy dividend yield of 6.7% in 2014 and other key financial ratios. Our return to shareholders has been trending in the right direction since 2008. Return on Equity improved to 25.4% in 2014 from 20.7% in 2013.

The additional resources we have put in place over the last few years which include human capital and infrastructure development, and the streamlining of processes, will continue to enhance our returns as an exchange operator to our shareholders, as we keep our focus trained on our role as a market regulator.

We are confident that we have most of the components in place necessary for us to become ASEAN's Multinational Marketplace, and it is now a matter of reaching out to the investing community to determine how we can best serve their needs.

At the same time, we are aware that Bursa Malaysia plays a unique role in serving as a benchmark for other PLCs. Indeed, our theme for action in 2015 is "Open Skies, Driving Sustainability", which puts governance and sustainability within a newly integrated AEC at the centre of our activities.

APPRECIATION

Over the last few years, we have worked hard to transform Bursa Malaysia into an entity that is capable of competing with leading exchanges in the region, but our work is not yet complete. Now is the time for us to show that we are not an exchange with mere potential, but an exchange capable of delivering value to all stakeholders, from our shareholders to the general public.

On behalf of Bursa Malaysia's management, I would like to express our thanks and appreciation to all our stakeholders who have worked hard together with us to put the Exchange in our current enviable position. I would like to make special mention of appreciation to the staff of Bursa Malaysia without whom our plans would have remained just that: plans. Execution is everything, and I believe that the progress we have made over the past few years is testament to the success of their execution.

Nonetheless, I would like to take this opportunity to remind all of us that the hard work has only just begun. The challenges we will face in the new ASEAN landscape will be unlike anything that we have experienced before, and there will be difficult obstacles ahead of us. But with challenges come opportunity, and I relish the opportunities that will doubtless be presented to us.

I am hopeful that we will continue to enjoy the support of our many stakeholders even as we chart our way through this heretofore new territory and I look forward to the years to come.