

## Management discussion and analysis

### Overview

The operating results of the SET group for the years ended December 31, 2015 were:

(Unit: THB million)	For the year ended December 31			
	2015	2014	Increase / (Decrease)	
			Amount	%
Operating revenue	4,518	4,201	317	7.55
Other income	205	165	40	24.24
Investment income	492	871	(379)	(43.51)
Operating expenses	(3,335)	(3,082)	253	8.21
Contributions to The Stock Exchange of Thailand Foundation (Foundation)	(401)	(547)	(146)	(26.69)
Income tax expense	(140)	(113)	27	23.89
Revenues over expenses	1,382	1,535	(153)	(9.97)

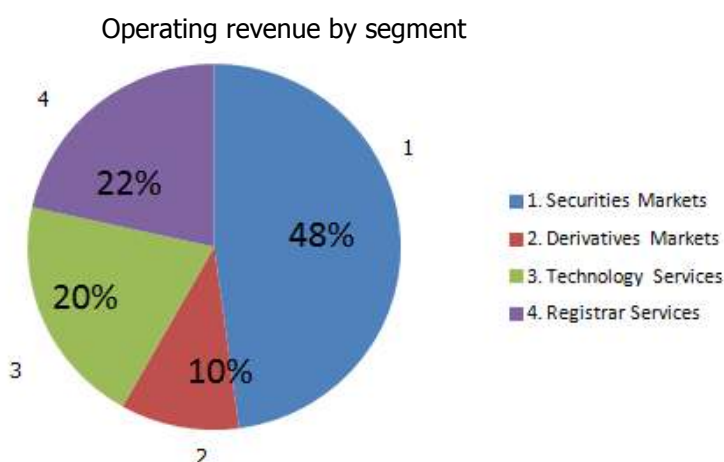
Revenues over expenses for the year ended December 31, 2015 of THB 1,382 million decreased by THB 153 million, or 9.97%, in comparison with 2014. Investment income decreased by THB 379 million, or 43.51%, due to the low return from investment in debt and equity fund. However, the operating revenue rose by THB 317 million, or 7.55%, mainly from daily average trading volume of derivatives increase as well as higher listing fee and registrar fee from the rise in number of listed securities and corporate action services. Operating expenses rose by THB 253 million, or 8.21%, mainly due to the higher depreciation from SET's new systems and new office building, including the increase in marketing expenses for promoting sustainable development of listed companies, the cost of hosting of International Capital Markets Conference (ICMC) 2015 and the dissemination of information via various media channels. Contributions to the Foundation decreased by THB 146 million, or 26.69%, as revenues over expenses decreased, resulting in the decrease of one-third of that amount to be appropriated to the Foundation.

### 1. Analysis of operating results

#### 1.1 Operating revenue

##### Operating revenue by segment

Operating revenue is classified by segment as follows: Securities market, Derivatives market, Technology services and Registrar services.



For the year ended December 31, 2015

(Unit: THB million)

<b>Securities Market</b>	
- Trading	1,077
- Clearing and settlement	293
- Listing	494
- Depository	283
- Membership	37
<b>Total</b>	<b>2,184</b>
<b>Derivatives Market</b>	
- Trading	295
- Clearing	127
- Membership	50
<b>Total</b>	<b>472</b>
<b>Technology Services</b>	
- Member services	466
- Information services	307
- IT support	106
<b>Total</b>	<b>879</b>
<b>Registrar Services</b>	
- Securities registrar	982
- Fund registrar	1
<b>Total</b>	<b>983</b>
<b>Total operating revenue</b>	<b>4,518</b>

### 1.1.1 Securities Market

(Unit: THB million)	2015	2014	Increase / (Decrease)	
			Amount	%
<b>Revenue - Securities Market</b>	<b>2,184</b>	<b>2,140</b>	<b>44</b>	<b>2.06</b>
Trading fees	1,077	1,114	(37)	(3.32)
Clearing and settlement fees	293	300	(7)	(2.33)
Listing fees	494	435	59	13.56
Depository fees	283	260	23	14.38
Membership fees	37	31	6	19.35
<b>Key market indicators</b>				
SET Index (point)	1,288	1,498	(210)	(14.02)
Daily average trading value - Equity (THB million)	44,302	45,466	(1,164)	(2.56)
Average market capitalization (THB trillion)	14.04	13.50	0.54	4.00
No. of listed securities (securities)	1,812	1,742	70	4.02

Operating revenue from securities market rose by THB 44 million, or 2.06%, compared to 2014. This resulted from the rise in listing fees as the number of listed securities rose. In addition, depository fees increased according to the increased in average market capitalization. On the other hand, trading as well as clearing and settlement fees decreased because daily average trading value decreased.

### 1.1.2 Derivatives Market

(Unit: THB million)	2015	2014	Increase / (Decrease)	
			Amount	%
<b>Revenue - Derivatives Market</b>	<b>472</b>	<b>380</b>	<b>92</b>	<b>24.21</b>
Trading fees	295	230	65	28.26
Clearing fees	127	99	28	28.28
Membership fees	50	51	(1)	(1.96)
<b>Key market indicators</b>				
Daily average trading volume - Derivatives (contracts)*	199,749	169,363	30,386	19.74

\* For comparison purpose, rebased of SET50 Index Futures to mini SET50 Index Futures (a multiplier was reduced from THB 1,000 to THB 200 Baht since May 6, 2014)

Operating revenue from derivatives market rose by THB 92 million, or 24.21%, compared to 2014, resulting from the rise in daily average trading volume of derivatives, especially from SET50 Index Futures, which increased to an average of 110,842 contracts per day in 2015 (from 81,129\* contracts per day in 2014).

### 1.1.3 Technology Services

(Unit: THB million)	2015	2014	Increase / (Decrease)	
			Amount	%
<b>Revenue - Technology Services</b>	<b>879</b>	<b>749</b>	<b>130</b>	<b>17.36</b>
Member services fees	466	420	46	14.38
Information service fees	307	238	69	28.99
Customization and IT support fees	106	91	15	16.48

Operating revenue from technology services rose by THB 130 million, or 17.36%, compared to 2014. This was mainly because of the increase in information service fees and market access fee resulted from the increasing number of users.

### 1.1.4 Registrar Services

(Unit: THB million)	2015	2014	Increase / (Decrease)	
			Amount	%
<b>Revenue - Registrar Services</b>	<b>983</b>	<b>932</b>	<b>51</b>	<b>5.47%</b>
Securities registrar fees	982	868	114	13.13%
Fund registrar fees	1	64	(63)	(98.44%)

Operating revenue from registrar services rose by THB 51 million, or 5.47%, compared to 2014. This was contributed by the rise in number of corporate action services and listed securities. However, the fund registrar service was terminated during 2015.

## 1.2 Other income

(Unit: THB million)	2015	2014	Increase / (Decrease)	
			Amount	%
<b>Other income</b>	<b>205</b>	<b>165</b>	<b>40</b>	<b>24.24</b>
Educational activities income	54	44	10	22.73
Revenue from marketing events	34	35	(1)	(2.86)
Revenue from fund management	22	25	(3)	(12.00)
Revenue from membership rights transfer	19	-	19	100.00
Revenue from fines	11	15	(4)	(26.67)
Revenue from rental and utilities	11	11	-	-
Revenue from securities borrowing & lending	5	7	(2)	(28.57)
Others	49	28	21	75.00

Other income increased by THB 40 million, or 24.24%, compared to 2014. This resulted from the increase of revenue from examination and training courses for professionals in the capital market. In addition, in 2015 there was also the fee from membership rights transfer.

### 1.3 Investment income

(Unit: THB million)	2015	2014	Increase / (Decrease)	
			Amount	%
<b>Investment income</b>	<b>492</b>	<b>871</b>	<b>(379)</b>	<b>(43.51)</b>
Interest income	300	423	(123)	(29.08)
Dividend income	114	442	(328)	(74.21)
Realized gain (loss) from investments	67	(18)	85	472.22
Others	11	24	(13)	(54.17)

Investment income dropped by THB 379 million, or 43.51%, in comparison with 2014. This was mainly from the low return on investment, both in debt and equity funds.

### 1.4 Operating expenses

(Unit: THB million)	2015	2014	Increase / (Decrease)	
			Amount	%
<b>Operating expenses</b>	<b>3,335</b>	<b>3,082</b>	<b>253</b>	<b>8.21</b>
Employee benefit expenses	1,372	1,260	112	8.89
The SEC fees	456	470	(14)	(2.98)
Depreciation and amortization	295	208	87	41.83
Direct service expenses	281	271	10	3.69
Educational activities expenses	196	192	4	2.08
Marketing expenses	195	143	52	36.36
Technology expenses	184	186	(2)	(1.08)
Fees and compensation expenses	59	63	(4)	(6.35)
Others	297	289	8	2.77

In 2015, the SET group had operating expenses of THB 3,335 million, an 8.21% increase from 2014. This was mainly from the increase in employee benefit expenses, higher depreciation expenses from SET's new systems and new office building, including the increase in marketing expenses for promoting sustainable development of listed companies, the cost of hosting International Capital Markets Conference (ICMC) 2015 and the dissemination of information via various media channels.

## 2. Analysis of financial position

(Unit: THB million)	Dec 31, 2015	Dec 31, 2014	Increase / (Decrease)	
			Amount	%
Total assets	36,136	34,452	1,684	4.89
Total liabilities	12,747	12,213	534	4.37
Fund balances	23,389	22,239	1,150	5.17

Significant movements in assets, liabilities and funds of the SET group as at December 31, 2015 when compared with the balance as at December 31, 2014, were as follows:

### 2.1 Analysis of assets

As at December 31, 2015, total assets of the SET group amounted to THB 36,136 million, an increase of THB 1,684 million, or 4.89%, in comparison with the balance as at December 31, 2014. Details are as follows:

- 2.1.1 Cash and cash equivalents, cash at banks for financial benefits payable and investments were THB 17,073 million or 47.24% of total assets, dropped by THB 874 million, or 4.87% as follows:

(Unit: THB million)	Dec 31, 2015	Dec 31, 2014	Increase / (Decrease)	
			Amount	%
<b>Cash and cash equivalents</b>	<b>1,661</b>	<b>1,361</b>	<b>300</b>	<b>22.04</b>
<b>Cash at banks for financial benefits payable</b>	<b>62</b>	<b>58</b>	<b>4</b>	<b>6.90</b>
<b>Investment portfolio</b>	<b>15,349</b>	<b>16,528</b>	<b>(1,179)</b>	<b>(7.13)</b>
Trading	2,798	3,265	(467)	(14.30)
Available-for-sale	7,903	5,183	2,720	52.48
Held-to-maturity	4,611	8,020	(3,409)	(42.51)
General investments	37	60	(23)	(38.33)
<b>Total</b>	<b>17,073</b>	<b>17,947</b>	<b>(874)</b>	<b>(4.87)</b>

The SET group maintains a policy to invest in several types of investments such as debt (fixed deposits, government bonds, corporate debentures) and other instruments through mutual funds. In 2015, the SET group reduced the investment proportion of held-to-maturity and increased that of available-for-sale securities by investing in global equity funds in order to enhance returns in the long run.

- 2.1.2 Assets for margin deposits and benefits, and assets for clearing system protection and benefits were THB 10,429 million or 28.86% of total assets, up by THB 857 million or 8.21%. This margin deposits and benefits of Thailand Clearing House increased in accordance with the increase in trading volume of derivatives.
- 2.1.3 Property and equipment and intangible assets were THB 6,186 million, or 17.12% of total assets, up by THB 1,667 million or 36.89%. This was mainly from SET's new office building and new systems development.

## 2.2 Analysis of liabilities

As at December 31, 2015, total liabilities of the SET group amounted to THB 12,747 million, up by THB 534 million, or 4.37%, in comparison with the balance as at December 31, 2014. Significant details are:

- 2.2.1 Margin deposits and assets for clearing system protection and benefits payable were THB 10,291 million, or 80.74% of total liabilities, increased by THB 853 million, or 9.04%, in accordance with the increase in trading volume of derivatives.
- 2.2.2 Accounts payable and accrued expenses were THB 1,226 million, or 9.62% of total liabilities, dropped by THB 374 million or 23.39%. The drop was mainly from the payment of construction costs of SET's new office building in 2015.

## 2.3 Analysis of funds

As at December 31, 2015, total funds of the SET group amounted to THB 23,369 million, up by THB 1,150 million, or 5.17%, in comparison with the balance as at December 31, 2014. This resulted from revenues over expenses for 2015 reaching THB 1,382 million. However, there was a decrease in the market price of available-for-sale securities of THB 218 million, and the loss from remeasurement of post-employment benefits obligations of THB 14 million.

### 3. Analysis of liquidity

Cash flows of the SET group for the year ended December 31, 2015 and 2014 can be summarized as follows:

(Unit: THB million)	2015	2014	Increase / (Decrease)	
			Amount	%
Cash flows from operating activities	636	1,051	(415)	(43.64)
Cash flows from investing activities	(332)	(1,503)	(1,171)	(77.91)
Cash and cash equivalents at the end of year	1,723	1,419	304	21.42

Cash and cash equivalents as at December 31, 2015 amounted to THB 1,723 million, decreased by THB 304 million, or 21.42%, in comparison with 2014. The details of the sources and uses of funds are as follows:

- Net cash receipts from operating activities were THB 636 million.
- Net cash used in investing activities were THB 332 million. This was mainly from the construction of SET's new office building of THB 1,715 million, new operating systems development of THB 97 million. However, there were receipts from the sale of investment of THB 963 million, interest income and proceeds from sales of investment units totaled THB 382 million, and dividends of THB 110 million.