

## Management Discussion and Analysis (MD&A)

### Overview

The operating results of the SET group for the year ended December 31, 2023 are shown as follows:

| (Unit: THB million)  | For the year ended December 31 |              |                       |             |
|--|--------------------------------|--------------|-----------------------|-------------|
|  | 2023                           | 2022         | Increase / (Decrease) |             |
|  |                                |              | Amount                | %           |
| Operating revenue  | 6,850                          | 7,554        | (704)                 | (9)         |
| Other income   | 235                            | 197          | 38                    | 19          |
| <b>Total operating revenues</b>  | <b>7,085</b>                   | <b>7,751</b> | <b>(666)</b>          | <b>(9)</b>  |
| Operating expenses   | (5,226)                        | (5,134)      | 92                    | 2           |
| <b>Revenues over expenses from operation</b>                             | <b>1,859</b>                   | <b>2,617</b> | <b>(758)</b>          | <b>(29)</b> |
| Investment income (loss), net  | 206                            | (365)        | 571                   | 156         |
| Non-operating revenue  | 35                             | 29           | 6                     | 21          |
| <b>Revenues over expenses before contribution to CMDF and income tax</b> | <b>2,099</b>                   | <b>2,281</b> | <b>(182)</b>          | <b>(8)</b>  |
| Income tax expense   | (320)                          | (336)        | (16)                  | (5)         |
| <b>Revenues over expenses before contribution to CMDF</b>                | <b>1,779</b>                   | <b>1,945</b> | <b>(166)</b>          | <b>(9)</b>  |
| Contribution to CMDF   | (500)                          | (539)        | (39)                  | (7)         |
| <b>Revenues over expenses, net</b>                                       | <b>1,280</b>                   | <b>1,406</b> | <b>(126)</b>          | <b>(9)</b>  |

In 2023, the SET group had total operating revenues of THB 7,085 million, a decrease of THB 666 million or 9% from the previous year due to a decrease in revenue from securities market of THB 728 million on trading fees, clearing and settlement fees decreased in line with the decrease in average daily trading volume of equity. Revenue from derivatives market increased to THB 45 million in line with the increase of trading volume of SET50 Index Futures and Currency Futures. Total operating expenses amounted to THB 5,226 million, a 2% increase, mainly resulting from the increase in employee expenses and technology expenses increased according to the new IT system, development and maintenance. Regarding the investment performance in 2023, the net investment income was THB 206 million, an increase gained from interest income and an increase in the investment value, especially in global equity instruments and global debt instruments, resulting from the slow down of the increasing interest rates trend. Consequently, the SET group had total revenues over expenses before remittance to the CMDF and taxes of THB 2,099 million.

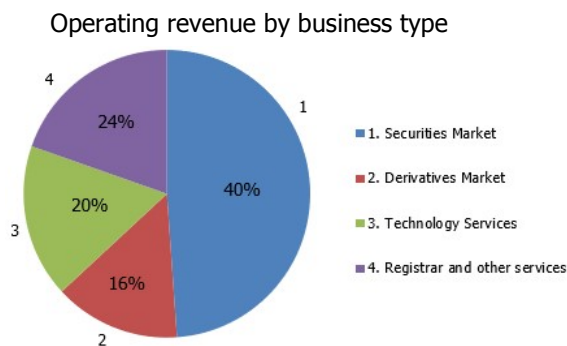
SET had provided the annual contribution to CMDF of approximately THB 500 million, accounting for 90% of the revenue after deduction of expenses, taxes and reserves, based on the SET group's 2023 consolidated financial statements. As a result, the SET group had net revenues over expenses of THB 1,280 million in 2023.

## 1. Analysis of Operating Results

### 1.1 Operating revenue

#### Operating revenue by business type

Operating revenue classified by key business type consists of Securities Market, Derivatives Market, Technology Services, and Registrar and other services.



For the year ended December 31, 2023

(Unit: THB million)

|                                      |              |
|--------------------------------------|--------------|
| <b>Securities Market</b>             |              |
| - Trading fees                       | 1,295        |
| - Clearing and settlement fees       | 372          |
| - Listing fees                       | 625          |
| - Depository fees                    | 392          |
| - Membership fees                    | 32           |
| <b>Total</b>                         | <b>2,716</b> |
| <b>Derivatives Market</b>            |              |
| - Trading fees                       | 749          |
| - Clearing fees                      | 321          |
| - Membership fees                    | 32           |
| <b>Total</b>                         | <b>1,102</b> |
| <b>Technology Services</b>           |              |
| - IT support fees                    | 454          |
| - Member services fees               | 449          |
| - Information services fees          | 474          |
| <b>Total</b>                         | <b>1,377</b> |
| <b>Registrar and other Services</b>  |              |
| - Securities registrar services fees | 1,589        |
| - Fund services fees                 | 41           |
| - Digital Gateway services fees      | 16           |
| - Payment services fees              | 9            |
| <b>Total</b>                         | <b>1,655</b> |
| <b>Total operating revenue</b>       | <b>6,850</b> |

### 1.1.1 Securities Market

| (Unit: THB million)                                | 2023         | 2022         | Increase / (Decrease) |             |
|--|--------------|--------------|-----------------------|-------------|
|  |              |              | Amount                | %           |
| <b>Revenue - Securities Market</b>                 | <b>2,716</b> | <b>3,444</b> | <b>(728)</b>          | <b>(21)</b> |
| Trading fees                                       | 1,295        | 1,850        | (555)                 | (30)        |
| Clearing and settlement fees                       | 372          | 492          | (120)                 | (24)        |
| Listing fees                                       | 625          | 668          | (43)                  | (6)         |
| Depository fees                                    | 392          | 402          | (10)                  | (2)         |
| Membership fees                                    | 32           | 32           | -                     | -           |
| <b>Key market index indicators</b>                 |              |              |                       |             |
| SET Index at the end of the year (points)          | 1,416        | 1,668        | (252)                 | (15)        |
| Average daily trading value - Equity (THB million) | 53,331       | 76,773       | (23,442)              | (31)        |
| Average market capitalization (THB trillion)       | 19.3         | 20.1         | (0.8)                 | (4)         |
| Number of listed securities (securities)           | 2,875        | 3,193        | (318)                 | (10)        |

Operating revenue from securities market decreased by THB 728 million or 21%, in correlation with the drop in average daily trading volume of equity instruments and the number of listed securities. The annual fee continued to be discounted to ease expenses for companies that issue listed securities and participate in activities to support increasing awareness of listed companies as well as managing information through the Data Platform in collaboration with the SET Group.

### 1.1.2 Derivatives Market

| (Unit: THB million)                                    | 2023         | 2022         | Increase / (Decrease) |          |
|--|--------------|--------------|-----------------------|----------|
|  |              |              | Amount                | %        |
| <b>Revenue - Derivatives Market</b>                    | <b>1,102</b> | <b>1,057</b> | <b>45</b>             | <b>4</b> |
| Trading fees   | 749          | 717          | 32                    | 4        |
| Clearing fees  | 321          | 308          | 13                    | 4        |
| Membership fees  | 32           | 32           | -                     | -        |
| <b>Key market index indicators</b>                     |              |              |                       |          |
| Average daily trading volume - Derivatives (contracts) | 532,886      | 565,627      | (32,741)              | (6)      |

Average daily trading volume: all derivatives instruments combined dropped by 6%, while the average daily trading volume of SET50 Index Futures and Currency Futures increased, resulting in an increase in operating revenue from derivatives market of THB 45 million or 4%.

### 1.1.3 Technology Services

| (Unit: THB million)                  | 2023         | 2022         | Increase / (Decrease) |            |
|--------------------------------------|--------------|--------------|-----------------------|------------|
|                                      |              |              | Amount                | %          |
| <b>Revenue - Technology services</b> | <b>1,377</b> | <b>1,397</b> | <b>(20)</b>           | <b>(1)</b> |
| IT support fees                      | 454          | 489          | (35)                  | (7)        |
| Member services fees                 | 449          | 477          | (28)                  | (6)        |
| Information services fees            | 474          | 431          | 43                    | 10         |

Operating revenue from technology services decreased by THB 20 million or 1% caused mainly by the drop in IT support fees in relation to the decrease in the number of users. Revenue from member services decreased in line with capital market conditions, while the information services fees increased driven by rising demand for SET's data & information.

### 1.1.4 Registrar and Other Services

| (Unit: THB million)                           | 2023         | 2022         | Increase / (Decrease) |              |
|---|--------------|--------------|-----------------------|--------------|
|   |              |              | Amount                | %            |
| <b>Revenue - Registrar and other services</b> | <b>1,655</b> | <b>1,656</b> | <b>(1)</b>            | <b>(0.1)</b> |
| Securities registrar fees                     | 1,589        | 1,595        | (6)                   | (0.4)        |
| Fund services                                 | 41           | 38           | 3                     | 8            |
| Digital Gateway service fees                  | 16           | 13           | 3                     | 23           |
| Payment service fees                          | 9            | 10           | (1)                   | (10)         |

Operating revenue from the registrar and other services was similar to the previous year. Securities registrar fees decreased in line with corporate actions services, while other revenue from other services increased in line with the number of services used.

## 1.2 Other income

| (Unit: THB million)                   | 2023       | 2022       | Increase / (Decrease) |           |
|---------------------------------------|------------|------------|-----------------------|-----------|
|                                       |            |            | Amount                | %         |
| <b>Total other income</b>             | <b>235</b> | <b>197</b> | <b>38</b>             | <b>19</b> |
| Funds to support projects from CMDF   | 51         | 14         | 37                    | 264       |
| Revenue from fees of funds management | 48         | 48         | -                     | -         |
| Revenue from education activities     | 36         | 29         | 7                     | 24        |
| Revenue from rental and utilities     | 13         | 10         | 3                     | 30        |
| Revenue from fines                    | 5          | 14         | (9)                   | (64)      |
| Revenue from others                   | 82         | 82         | -                     | -         |

Other income increased by THB 38 million or 19%, mainly from funds to support projects from CMDF for the development of the SME Platform, the preparation of micro learning under the education platform, and the development of the quality of sustainability data for pilot listed companies, etc. Revenue from the training on investment knowledge increased in accordance with training activities.

### 1.3 Operating expenses

| (Unit: THB million)             | 2023         | 2022         | Increase / (Decrease) |          |
|---------------------------------|--------------|--------------|-----------------------|----------|
|                                 |              |              | Amount                | %        |
| <b>Operating expenses</b>       | <b>5,226</b> | <b>5,134</b> | <b>92</b>             | <b>2</b> |
| Employee expenses               | 2,271        | 2,162        | 109                   | 5        |
| Direct service expenses         | 624          | 608          | 16                    | 3        |
| Depreciation and amortization   | 601          | 536          | 65                    | 12       |
| The SEC fees                    | 524          | 746          | (222)                 | (30)     |
| Technology expenses             | 379          | 337          | 42                    | 12       |
| Fees and compensation expenses  | 223          | 148          | 75                    | 51       |
| Marketing expenses              | 199          | 212          | (13)                  | (6)      |
| Building and office expenses    | 199          | 167          | 32                    | 19       |
| Donations and CSR expenses      | 23           | 61           | (38)                  | (62)     |
| Educational activities expenses | 53           | 48           | 5                     | 10       |
| Others                          | 130          | 109          | 21                    | 19       |

Operating expenses in 2023 amounted to THB 5,226 million, or a 2% increase significantly from employee expenses, technology expenses and depreciation expenses increased according to the development and maintenance of IT systems, whereas the SEC fees decreased due to the drop in equity trading volume.

### 1.4 Investment income (loss)

| (Unit: THB million)                           | 2023       | 2022         | Increase / (Decrease) |            |
|---|------------|--------------|-----------------------|------------|
|   |            |              | Amount                | %          |
| <b>Investment income (loss)</b>               | <b>206</b> | <b>(365)</b> | <b>571</b>            | <b>156</b> |
| Interest income                               | 329        | 206          | 123                   | 60         |
| Dividend income                               | 51         | 35           | 16                    | 46         |
| Realized loss from investments                | (220)      | (258)        | (38)                  | (15)       |
| Unrealized gain (loss) from investments       | 45         | (357)        | 402                   | 113        |
| Reversal (allowance) for expected credit loss | 1          | 9            | (8)                   | (89)       |

In 2023, the SET group recorded a net investment income of THB 206 million, or an increase of THB 571 million compared to the loss last year, equivalent to 156%. This was due to an increase from interest income and the rise in the investment value, especially in global equity instruments and global debt instruments, resulting from the slowdown of the trend of increasing interest rates.

## 2. Analysis of Financial Position

| (Unit: THB million) | Dec 31, | Dec 31, | Increase / (Decrease) |       |
|---------------------|---------|---------|-----------------------|-------|
|                     | 2023    | 2022    | Amount                | %     |
| Total assets        | 56,744  | 56,306  | 438                   | 0.8   |
| Total liabilities   | 25,226  | 25,442  | (216)                 | (0.8) |
| Funds balances      | 31,518  | 30,864  | 654                   | 2     |

Significant changes in assets, liabilities and funds of the SET group as at December 31, 2023 in comparison with the balance as at December 31, 2022, were as follows:

### 2.1 Analysis of assets

As at December 31, 2023, total assets of the SET group amounted to THB 56,744 million, an increase of THB 438 million or 0.8%. Significant details are as follows:

2.1.1 Cash and cash equivalents, cash at banks for financial benefits payable, and financial assets were THB 21,434 million or 38% of total assets. There was an increase in the total balance of THB 419 million or 2%, categorized as follows:

| (Unit: THB million)                                   | Dec 31,       | Dec 31,       | Increase / (Decrease) |             |
|---|---------------|---------------|-----------------------|-------------|
|   | 2023          | 2022          | Amount                | %           |
| <b>Cash and cash equivalents</b>                      | <b>2,828</b>  | <b>5,621</b>  | <b>(2,793)</b>        | <b>(50)</b> |
| <b>Cash at banks for financial benefits payable</b>   | <b>94</b>     | <b>84</b>     | <b>10</b>             | <b>12</b>   |
| <b>Financial assets</b>                               | <b>18,512</b> | <b>15,310</b> | <b>3,202</b>          | <b>21</b>   |
| - Investment in debt instruments measured at FVTPL    | 15,344        | 10,992        | 4,352                 | 40          |
| - Investment measured at amortized cost               | 1,206         | 1,795         | (589)                 | (33)        |
| - Investment in debt instruments measured at FVTOCI   | 1,646         | 1,612         | 34                    | 2           |
| - Investment in equity instruments measured at FVTOCI | 316           | 911           | (595)                 | (65)        |
| <b>Total</b>  | <b>21,434</b> | <b>21,015</b> | <b>419</b>            | <b>2</b>    |

The SET group invests in bank deposits, bonds, debt instruments, investment units in mutual funds, and financial instruments both domestic and international. The investment policy is formulated in accordance with the investment objectives of the investments in each segment. Total financial assets increased from investments in debt instruments. In 2023, there was a loss of THB 595 million when measuring the fair value of equity instruments, which was an investment through a subsidiary company that invests in a foreign business that operate a platform providing integrated digital securities trading centers. As a result, investments in equity instruments measured at fair value through other comprehensive income decreased in value.

2.1.2 Assets for margin deposits and benefits, and assets for clearing system protection and benefits recorded at THB 20,597 million or 36% of total assets, a decrease of THB 140 million or 0.7%. This resulted from the withdrawal of collaterals of Thailand Clearing House Co., Ltd. (TCH)'s members, who are obliged to place the assets as collateral for derivatives trading at the specified rate.

2.1.3 Property, building and equipment, and intangible assets amounted to THB 5,092 million or 9% of total assets, a THB 90 million or 2% drop, mainly from depreciation based on the useful life of IT system in 2023.

## 2.2 Analysis of liabilities

As at December 31, 2023, total liabilities of the SET group amounted to THB 25,226 million, a decrease of THB 216 million or 0.8%. Significant details are as follows:

2.2.1 Margin deposits and assets for clearing system protection and benefits payable amounted to THB 20,445 million or 81% of total liabilities, a decrease of THB 142 million or 0.7%. The decrease resulted from the lower risk from fluctuations in the price of futures contracts or the underlying securities in the market. Therefore, the withdrawal of collaterals of Thailand Clearing House Co., Ltd. (TCH)'s members was incurred.

## 2.3 Analysis of funds

As at December 31, 2023 the total funds of the SET group amounted to THB 31,518 million, an increase of THB 654 million or 2%. The SET group's revenue over expenses for 2023 reached THB 1,280 million and loss on revaluation of investment in other comprehensive income of THB 626 million.

## 3. Analysis of Liquidity

Cash flows of the SET group for the year ended December 31, 2023 and 2022 can be summarized as follows:

| (Unit: THB million)                          | 2023    | 2022    | Increase /(Decrease) |      |
|--|---------|---------|----------------------|------|
|  |         |         | Amount               | %    |
| Cash flows from operating activities         | 1,176   | 1,037   | 139                  | 13   |
| Cash flows used in investing activities      | (3,948) | (4,410) | (462)                | (10) |
| Cash flows used in financing activities      | (12)    | (16)    | (4)                  | (25) |
| Cash and cash equivalents at the end of year | 2,923   | 5,705   | (2,782)              | (49) |

Cash and cash equivalents as at December 31, 2023 amounted to THB 2,923 million, a decrease of THB 2,782 million or 49% from the year 2022. The details of the inflows and outflows are as follows:

- Net cash from operating activities totaled THB 1,176 million

- Net cash used in investing activities totaled THB 3,948 million, mainly from the purchase of financial assets of THB 20,403 million, cash received from investment of THB 16,906 million and investment in new assets amounted to THB 451 million, especially in the developing of IT system to support business operations.

#### 4. **Reserves and Contribution to the Capital Market Development Fund (“CMDF”)**

The Securities and Exchange Act (No. 6), enacted on April 16, 2019, requires the Stock Exchange of Thailand (SET) to contribute to CMDF no less than 90% of the revenue after deduction of expenses, tax and reserves. In this regard, the consolidated financial statements of SET shall be used to calculate the contribution amount. The provision of reserves shall be in accordance with the type and amount specified by the SET’s Board of Governors. Details are as follows:

##### 4.1 **Reserves**

The type, allocation principles, and reserve amount are presented as follows:

| Type of reserve   | Principles for reserve allocation to ensure adequacy of funding sources  | Reserve amount<br>(THB million) |              |
|---|--|---------------------------------|--------------|
|   |  | 2023                            | 2022         |
| 1. Reserves set aside according to law or criteria in business operation as specified, including reserve amount to accommodate special situations | 1.1 Legal reserve  | 4                               | 10           |
|   | 1.2 Reserves according to business operation such as European Market Infrastructure Regulation (EMIR), Principles for financial Market Infrastructures (PFMI) to meet an increase (decrease) of business operation each year   | (23)                            | (113)        |
|   | 1.3 Reserves allocated for specific funds such as approval of additional capital in specific funds during the year, benefit sharing of Securities Investor Protection Fund (SIPF), Derivatives Investor Protection Fund (DIPF), Clearing Fund (CLF) or other similar funds | (29)                            | 5            |
|   | 1.4 Reserves allocated to accommodate financial risks from operations including emergency supporting measures  | 565                             | 514          |
| 2. Reserves set aside to accommodate the fluctuation of investments   | According to unrealized gain (loss) during the year  | 45                              | (357)        |
| 3. Reserves set aside for investment in businesses or fixed assets  | According to the investment amount in businesses and fixed assets approved by the Board of Governors   | 662                             | 1,287        |
| <b>Total reserves</b>   |  | <b>1,224</b>                    | <b>1,346</b> |



#### 4.2 **Contribution to CMDF**

The annual contribution has been calculated as follows:

| (Unit: THB million)  | <b>2023</b> | <b>2022</b> |
|--|-------------|-------------|
| Revenue over expenses before contribution to CMDF (according to the statement of comprehensive revenue and expenses) | 2,099       | 2,281       |
| <b>Less</b> Income tax expense   | (320)       | (336)       |
| Revenue after deduction of expenses and tax before reserves  | 1,779       | 1,945       |
| <b>Less</b> Reserves   | (1,224)     | (1,346)     |
| Revenue after deduction of expenses, tax, and reserves   | 555         | 599         |
| Annual contribution amount at the rate of 90%  | 500         | 539         |

Accumulated contribution expenses to CMDF as of December 31, 2023 can be presented as follows:

|  | <b>(THB million)</b> |
|--|----------------------|
| Money transferred to CMDF in 2019              | 5,700                |
| Annual contribution amount for 2020            | 362                  |
| Annual contribution amount for 2021            | 583                  |
| Annual contribution amount for 2022            | 539                  |
| Annual contribution amount for 2023            | 500                  |
| <b>Total accumulated contribution expenses</b> | <b>7,684</b>         |