

## Management discussion and analysis

### Overview

The operating results of the SET group for the years ended December 31, 2013 and 2012 were:

(Unit: THB million)	For the year ended December 31			
	2013	(Restated) 2012	Increase/(decrease)	
			Amount	%
Operating revenue	4,309	3,365	944	28.05
Other income	172	152	20	13.15
Investment income	821	982	(161)	(16.39)
Operating expenses	(2,976)	(2,599)	377	14.51
Contributions to The Stock Exchange of Thailand Foundation (Foundation)	(562)	(454)	108	23.79
Income tax expense	(132)	(124)	8	6.45
Revenues over expenses	1,661	1,365	296	21.68

Revenues over expenses for the year ended December 31, 2013 increased by THB 296 million, or 21.68% in comparison with 2012. Operating revenues rose by THB 944 million or 28.05%, mainly due to the rise in daily average trading value and market capitalization of equity instruments and the increase in registrar services and technology services. Investment income decreased by THB 161 million, or 16.39%, mainly due to the decrease in profit from sales of investment, as in the first half of 2013 SET adjusted its portfolio to increase investment in equity securities. Operating expenses rose by THB 377 million, or 14.51%, mainly due to the rise in total SEC fees, which are linked to trading value of equity instruments, and the rise in registrar expenses, linked to the number of corporate action services transactions. Contributions to Foundation increased by THB 108 million, or 23.79%, because one-third of revenues over expenses were appropriated to Foundation as profit increased.

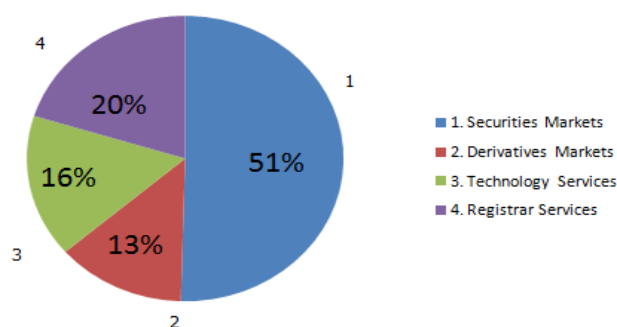
### 1. Analysis of operating results

#### 1.1 Operating revenues

##### Operating revenues by segment

Operating revenues are classified by segment as following: Securities markets, Derivatives markets, Technology services and Registrar services.

##### Operating revenues by segment



Note

SEC : The Securities and Exchange Commission

For the year ended December 31, 2013 (unit: THB million)	
<b>Securities Markets</b>	
- Trading	1,233
- Clearing and settlement	336
- Listing	361
- Depository	234
- Membership	31
<b>Total</b>	<b>2,195</b>
<b>Derivatives Markets</b>	
- Trading	355
- Clearing	152
- Membership	70
<b>Total</b>	<b>577</b>
<b>Technology Services</b>	
- Member services	416
- Information services	216
- IT support	69
<b>Total</b>	<b>701</b>
<b>Registrar Services</b>	
- Stock registrar	770
- Fund registrar	66
<b>Total</b>	<b>836</b>
<b>Total operating revenues</b>	<b>4,309</b>

### 1.1.1 Securities Markets

(unit: THB million)	2013	2012	Increase/(decrease)	
			Amount	%
<b>Revenue - Securities Markets</b>	<b>2,195</b>	<b>1,520</b>	<b>675</b>	<b>44.41</b>
Trading fees	1,233	792	441	55.68
Clearing and settlement fees	336	194	142	73.20
Listing fees	361	314	47	14.97
Depository fees	234	189	45	23.81
Membership fees	31	31	-	-
<b>Key market indicators</b>				
SET Index (Point)	1,298.71	1,391.93	(93.22)	(6.70)
Daily average trading value - Equity (THB million)	50,329	32,304	18,025	55.80
Average market capitalization (THB trillion)	12.8	10.1	2.7	26.7
No. of listed Securities (Securities)	1,268	1,048	220	20.99

Operating revenues from securities markets went up by THB 675 million, or 44.41%, in comparison with 2012. This was mainly due to the rise in trading and clearing and settlement fees because daily average trading value went up. Listing fees increased as the number of listed companies and derivative warrants traded rose. In addition, depository fees rose as average market capitalization went up.

### 1.1.2 Derivatives Markets

(unit: THB million)	2013	2012	Increase/(decrease)	
			Amount	%
<b>Revenue - Derivatives Markets</b>	<b>577</b>	<b>541</b>	<b>36</b>	<b>6.65</b>
Trading fees	355	321	34	10.74
Clearing fees	152	138	14	10.74
Membership fees	70	82	(12)	(14.63)
<b>Key market indicators</b>				
Daily average trading volume - Derivatives (Contracts)	68,017	43,823	24,194	55.21

Operating revenues from derivatives markets went up by THB 36 million, or 6.65%, in comparison with 2012. This was mainly due to the rise in daily average trading volume, especially with SET50 Index Futures rising from 16,467 contracts per day in 2012 to 23,218 contracts per day in 2013 and Single Stock Futures rising from 8,849 contracts per day in 2012 to 34,351 in 2013. Though average trading volume per day as a whole increased, the volume of gold futures decreased. This drop was because gold price volatility declined in 2013, so investors' interest in gold futures lessened. In addition, during 2013, SET reduced the fees on SET50 Index Futures and Gold Futures by 30%.

### 1.1.3 Technology services

(Unit: THB million)	2013	2012	Increase/(decrease)	
			Amount	%
<b>Revenue - Technology Services</b>	<b>701</b>	<b>605</b>	<b>96</b>	<b>15.87</b>
Member services fees	416	372	44	11.83
Information service fees	216	184	32	17.39
Customization and IT support fees	69	49	20	40.82

Operating revenues from technology services went up by THB 96 million, or 15.87%, in comparison with 2012. This was mainly because revenues from internet trading of equity securities through SETTRADE.COM rose as trading value of equities went up. Information service fees increased because the number of users rose.

### 1.1.4 Registrar services

(Unit: THB million)	2013	2012	Increase/(decrease)	
			Amount	%
<b>Revenue - Registrar services</b>	<b>836</b>	<b>699</b>	<b>137</b>	<b>19.60</b>
Stock registrar fees	770	645	125	19.38
Fund registrar fees	66	54	12	22.22

Operating revenues from registrar services rose by THB 137 million, or 19.60%, in comparison with 2012. This was mainly because of the increase in transactions for dividend payment, as well as the capital of listed companies.

## 1.2 Other income

(Unit: THB million)	2013	2012	Increase/(decrease)	
			Amount	%
<b>Other income</b>	<b>172</b>	<b>152</b>	<b>20</b>	<b>13.16</b>
Educational activities income	36	32	4	12.50
Revenue from marketing events	34	26	8	30.77
Revenue from fund management	23	21	2	9.52
Revenue from fines	17	10	7	70.00
Others	62	63	(1)	(1.59)

Other income rose by THB 20 million, or 13.16%, in comparison with 2012. This was mainly from higher revenues from marketing events, such as SET in the City and educational activities. In addition, revenues from fund management for margin deposits and clearing funds of the Thailand Clearing House increased.

## 1.3 Investment income

(Unit: THB million)	2013	2012	Increase/(decrease)	
			Amount	%
<b>Investment income</b>	<b>831</b>	<b>982</b>	<b>(151)</b>	<b>(15.38)</b>
Interest income	460	440	20	4.55
Dividend income	298	338	(40)	(11.83)
Realized gain from investments	59	181	(122)	(67.40)
Others	14	23	(9)	(39.13)

Investment income dropped by THB 151 million, or 15.38%, in comparison with 2012. This was mainly from the decrease in profit from sales of investment, as in the first half of 2013 SET adjusted its portfolio to increase investment in equity securities.

## 1.4 Operating expenses

(Unit: THB million)	2013	2012	Increase/(decrease)	
			Amount	%
<b>Operating expenses</b>	<b>2,976</b>	<b>2,599</b>	<b>377</b>	<b>14.51</b>
Employee benefit expenses	1,240	1,084	156	14.39
SEC fees	517	334	183	54.79
Registrar expenses	238	185	53	28.65
Depreciation and amortization	189	185	4	2.16
Technology expenses	157	149	8	5.37
Marketing expenses	136	134	2	1.49
Fees and compensation expenses	60	76	(16)	(21.05)
Others	439	452	(13)	(2.88)

The SET group had operating expenses in 2013 of THB 2,976 million, increasing 14.51% from 2012. This was mainly from rises in total SEC fees, which were linked to the trading value of equity securities. Employee benefit expenses increased. Registrar expenses, which are linked to the number of corporate action services, rose. Fees and compensation expenses decreased due to the one-time expense of the Operations Master Plan consultancy in 2012.

## 2. Analysis of financial position

(Unit: THB million)	Dec 31, 2013	(Restated) Dec 31, 2012	Increase/(decrease)	
			Amount	%
Total assets	34,039	29,937	4,102	13.70
Total liabilities	13,386	10,451	2,935	28.08
Fund balances	20,653	19,486	1,167	5.99

Significant movements in assets, liabilities and funds of SET group as at December 31, 2013 when compared with balances as at December 31, 2012 were as follows:

### 2.1 Analysis of assets

As at December 31, 2013, total assets of SET group amounted to THB 34,039 million, an increase of THB 4,102 million, or 13.70%, in comparison with the balance as at December 31, 2012. Details are:

- 2.1.1 Cash and cash equivalents, cash at banks for financial benefits payable and investments were THB 17,629 million or 51.79% of total assets, up by THB 935 million, or 5.60% as follows:

(Unit: THB million)	Dec 31, 2013	Dec 31, 2012	Increase/(decrease)	
			Amount	%
<b>Cash and cash equivalents</b>	<b>1,795</b>	<b>1,046</b>	<b>749</b>	<b>71.61</b>
<b>Cash at banks for financial benefits payable</b>	<b>75</b>	<b>58</b>	<b>17</b>	<b>29.31</b>
<b>Investment portfolio</b>	<b>15,759</b>	<b>15,590</b>	<b>169</b>	<b>1.08</b>
Trading	2,877	1,438	1,439	100.07
Available-for-sale	3,527	3,356	171	5.10
Hold-to-maturity	9,286	10,694	(1,408)	(13.17)
General investments	69	102	(33)	(32.35)
<b>Total</b>	<b>17,629</b>	<b>16,694</b>	<b>935</b>	<b>5.60</b>

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 2013, SET group reduced the investment proportion of Hold-to-maturity and increased that of Trading for private fund management in order to maximize returns.

- 2.1.2 Assets for margin deposits and benefits and assets for clearing system protection and benefits were THB 10,905 million or 32.04% of total assets, up by THB 2,547 million or 30.47%. This represents margin deposits and benefits of Thailand Clearing House, which rose as futures derivatives transactions went up.
- 2.1.3 Securities Investor Protection Fund (SIPF) and Derivatives Investor Protection Fund (DIPF) were THB 724 million or 2.13% of total assets. This included SIPF of THB 665 million and DIPF of THB 59 million, which collected contributions in 2013 from Thailand Futures Exchange of THB 50 million and contribution and benefits from members of THB 9 million.
- 2.1.4 Property and equipment and intangible assets were THB 3,109 million, or 9.13% of total assets, up by THB 341 million or 12.32%. This was mainly from the construction of SET's new office building.
- 2.1.5 Other current assets were THB 585 million or 1.72% of total assets, up by THB 130 million or 28.57%. This was mainly from the increase of other receivables from disposals of investments of THB 127 million.

## 2.2 Analysis of liabilities

As at December 31, 2013, total liabilities of SET group amounted to THB 13,386 million, up by THB 2,935 million, or 28.08%, in comparison with the balance as at December 31, 2012. Significant details are:

- 2.2.1 Margin deposits and assets for clearing system protection and benefits payable were THB 10,774 million, or 80.49% of total liabilities, up by THB 2,543 million, or 30.90%, due to the increase of futures derivatives transactions.
- 2.2.2 Accounts payable and accrued expenses were THB 1,151 million, or 8.60% of total liabilities, up by THB 275 million or 31.40%. This rise was mainly from the increase in assets purchased of THB 167 million and rise in contributions to Foundation by THB 108 million from 2012.
- 2.2.3 Other current liabilities were THB 756 million or 5.65% of total liabilities, up by THB 86 million or 12.84%. This rise was mainly from the increase of withholding tax payable of THB 48 million and financial benefits payable of THB 17 million.

## 2.3 Analysis of funds

As at December 31, 2013, total funds of SET group amounted to THB 20,653 million, up by THB 1,167 million, or 5.99%, in comparison with the balance as at December 31, 2012. This resulted from revenues over expenses for 2013 reaching THB 1,661 million, while the market price of available-for-sale securities, those are, equity securities funds and property funds, decreases.

## 3. Analysis of liquidity

Cash flows of SET group for the year ended December 31, 2013 and 2012 can be summarized as:

(Unit: THB million)	2013	2012	Increase/(decrease)	
			Amount	%
Cash flows from operating activities	1,096	621	475	76.49
Cash flows from investing activities	(329)	118	(447)	(378.81)
Cash and cash equivalents at the end of year	1,870	1,104	766	69.38

Cash and cash equivalents at December 31, 2013 amounted to THB 1,870 million, up by THB 766 million, or 69.38%. in comparison with 2012. The details of the sources and uses of funds are as follows:

- Net cash receipts from operating activities were THB 1,096 million. This was from cash received from operating activities of THB 1,171 million and cash used in working capital of THB 75 million.
- Net cash used in investing activities were THB 329 million. This was mainly from the construction of SET's new office building of THB 269 million, new system development of THB 113 million, and investments purchased amounting to THB 663 million, while interest income received and proceeds from sales of available-for-sale totaled THB 424 million and dividends received of THB 302 million.