

Management discussion and analysis

Overview

The operating results of the SET group for the years ended December 31, 2014 and 2013 were:

(Unit: THB million)	For the year ended December 31			
	2014	2013	Increase/(Decrease)	
			Amount	%
Operating revenue	4,201	4,309	(108)	(2.51)
Other income	165	172	(7)	(4.07)
Investment income	871	821	50	6.09
Operating expenses	(3,082)	(2,976)	106	3.56
Contributions to The Stock Exchange of Thailand Foundation (Foundation)	(547)	(562)	(15)	(2.67)
Income tax expense	(113)	(132)	(19)	(14.39)
Revenues over expenses	1,535	1,661	(126)	(7.59)

Revenues over expenses for the year ended December 31, 2014 decreased by THB 126 million, or 7.59% in comparison with 2013. Operating revenues dropped by THB 108 million or 2.51%, mainly due to daily average trading volume of equity decrease and revenue from derivatives decrease. Investment income increased by THB 50 million, or 6.09%, mainly due to the better return from investment in equity fund. Operating expenses rose by THB 106 million, or 3.56%, mainly due to the rise in registrar expenses, linked to the number of corporate action services transactions. Technology expenses and depreciation increased from new IT system development, i.e., new trading system and clearing system. Contributions to Foundation decreased by THB 15 million, or 2.67%, as revenues over expenses decreased, therefore, one-third of that amount appropriated to Foundation decreased.

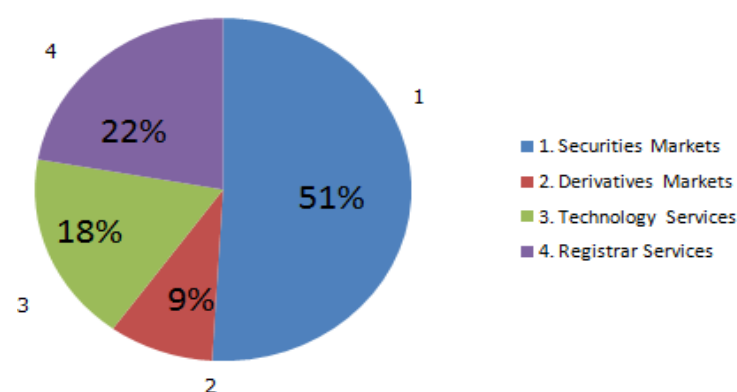
1. Analysis of operating results

1.1 Operating revenues

Operating revenues by segment

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

Operating revenues by segment



For the year ended December 31, 2014 (Unit: THB million)

Securities Markets	
- Trading	1,114
- Clearing and settlement	300
- Listing	435
- Depository	260
- Membership	31
Total	2,140
Derivatives Markets	
- Trading	230
- Clearing	99
- Membership	51
Total	380
Technology Services	
- Member services	420
- Information services	238
- IT support	91
Total	749
Registrar Services	
- Securities registrar	868
- Fund registrar	64
Total	932
Total operating revenues	4,201

1.1.1 Securities Markets

(Unit: THB million)	2014	2013	Increase/(Decrease)	
			Amount	%
Revenue - Securities Markets	2,140	2,195	(55)	(2.51)
Trading fees	1,114	1,233	(119)	(9.65)
Clearing and settlement fees	300	336	(36)	(10.71)
Listing fees	435	361	74	14.97
Depository fees	260	234	26	20.50
Membership fees	31	31	-	-
Key market indicators				
SET Index (Point)	1,497.67	1,298.71	198.96	15.32
Daily average trading value - Equity (THB million)	45,466	50,329	(4,863)	(9.66)
Average market capitalization (THB trillion)	13.50	12.71	0.79	6.22
No. of listed Securities (Securities)	1,742	1,268	474	37.38

Operating revenues from securities markets dropped by THB 55 million, or 2.51%, in comparison with 2013. This was mainly due to the decrease in trading and clearing and settlement fees because daily average trading value decreased. On the other hand, listing fees increased as the number of listed securities rose. In addition, depository fees increased as average market capitalization went up.

1.1.2 Derivatives Markets

(Unit: THB million)	2014	2013	Increase/(Decrease)	
			Amount	%
Revenue - Derivatives Markets	380	577	(68)	(11.79)
Trading fees	230	355	(34)	(9.58)
Clearing fees	99	152	(15)	(9.87)
Membership fees	51	70	(19)	(27.14)
Key market indicators				
Daily average trading volume - Derivatives (Contracts)	147,025	68,017	79,008	116.16
Daily average trading volume - Derivatives (Contracts)*	169,363	160,889	8,474	5.27

* 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 6 May 2014)

Operating revenues from derivatives markets dropped by THB 68 million, or 11.79%, in comparison with 2013. Though overall trading volume was higher, trading volume of SET50 Index Futures and Gold Futures which had a higher fee than the others, decreased. In addition, the fees of those products were reduced since May 2013.

1.1.3 Technology services

(Unit: THB million)	2014	2013	Increase/(Decrease)	
			Amount	%
Revenue - Technology Services	749	701	48	6.85
Member services fees	420	416	4	0.96
Information service fees	238	216	22	10.19
Customization and IT support fees	91	69	22	31.88

Operating revenues from technology services went up by THB 48 million, or 6.85%, in comparison with 2013. This was mainly because of the increase in information service fees and market access fee resulted from the increase in the number of users.

1.1.4 Registrar services

(Unit: THB million)	2014	2013	Increase/(Decrease)	
			Amount	%
Revenue - Registrar services	932	836	96	11.48
Securities registrar fees	868	770	98	12.73
Fund registrar fees	64	66	(2)	(3.03)

Operating revenues from registrar services rose by THB 96 million, or 11.48%, in comparison with 2013. This was mainly because of the rise in number of corporate action services and listed securities.

1.2 Other income

(Unit: THB million)	2014	2013	Increase/(Decrease)	
			Amount	%
Other income	165	172	(7)	(4.07)
Educational activities income	44	36	8	22.22
Revenue from marketing events	35	34	1	2.94
Revenue from fund management	25	23	2	8.70
Revenue from fines	15	17	(2)	(11.76)
Revenue from rental and utility	11	14	(3)	(21.43)
Revenue from securities borrowing & lending	7	14	(7)	(50.00)
Others	28	34	(6)	(17.65)

Other income decreased by THB 7 million, or 4.07%, in comparison with 2013. This was mainly from the decrease in securities borrowing & lending revenue.

1.3 Investment income

(Unit: THB million)	2014	2013	Increase/(Decrease)	
			Amount	%
Investment income	871	821	50	6.09
Interest income	423	460	(37)	(8.04)
Dividend income	442	298	144	48.32
Realized gain (loss) from investments	(18)	59	(77)	(130.51)
Others	24	4	20	500.00

Investment income rose by THB 50 million, or 6.09%, in comparison with 2013. This was mainly from the better return from investment in equity fund.

1.4 Operating expenses

(Unit: THB million)	2014	2013	Increase/(Decrease)	
			Amount	%
Operating expenses	3,082	2,976	106	3.56
Employee benefit expenses	1,260	1,240	20	1.61
SEC fees	470	517	(47)	(9.09)
Direct service expenses	271	238	33	13.87
Depreciation and amortization	208	189	19	10.05
Educational activities expenses	192	157	35	22.29
Technology expenses	186	157	29	18.47
Marketing expenses	143	136	7	5.15
Fees and compensation expenses	63	60	3	5.00
Others	289	282	7	2.48

In 2014, the SET group had operating expenses of THB 3,082 million, increasing 3.56% from 2013. This was mainly from the increase in employee benefit expenses. Direct service expenses, which are normally linked to the number of corporate action services, rose. Educational activities expenses which are generally linked to the number of event, rose. Technology and depreciation expenses increased as new IT system development, i.e., trading system, clearing system. While the total SEC fees decreased, as linked to the trading value of equity securities.

2. Analysis of financial position

(Unit: THB million)	Dec 31, 2014	Dec 31, 2013	Increase/(Decrease)	
			Amount	%
Total assets	34,452	34,039	413	1.21
Total liabilities	12,213	13,386	(1,173)	(8.76)
Fund balances	22,239	20,653	1,586	7.68

Significant movements in assets, liabilities and funds of the SET group as at December 31, 2014 when compared with balances as at December 31, 2013 were as follows:

2.1 Analysis of assets

As at December 31, 2014, total assets of the SET group amounted to THB 34,452 million, an increase of THB 413 million, or 1.21%, in comparison with the balance as at December 31, 2013. Details are as follows:

- 2.1.1 Cash and cash equivalents, cash at banks for financial benefits payable and investments were THB 17,947 million or 52.09% of total assets, up by THB 318 million, or 1.80% as follows:

(Unit: THB million)	Dec 31, 2014	Dec 31, 2013	Increase/(Decrease)	
			Amount	%
Cash and cash equivalents	1,361	1,795	(434)	(24.18)
Cash at banks for financial benefits payable	58	75	(17)	(22.67)
Investment portfolio	16,528	15,759	769	4.88
Trading	3,265	2,877	388	13.49
Available-for-sale	5,183	3,527	1,656	46.95
Hold-to-maturity	8,020	9,286	(1,266)	(13.63)
General investments	60	69	(9)	(13.04)
Total	17,947	17,629	318	1.80

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 2014, the SET group reduced the investment proportion of Hold-to-maturity and increased that of Available-for-sale securities by investing in infrastructure fund in order to enhance returns.

- 2.1.2 Assets for margin deposits and benefits, and assets for clearing system protection and benefits were THB 9,573 million or 27.79% of total assets, dropped by THB 1,332 million or 12.21%. This represents margin deposits and benefits of Thailand Clearing House which decreased as the withdrawal of collateral deposit exceeding the minimum requirement.

- 2.1.3 Securities Investor Protection Fund (SIPF) and Derivatives Investor Protection Fund (DIPF) were THB 763 million or 2.21% of total assets. This included the following:

- 2.1.3.1 SIPF of THB 698 million, up by THB 33 million or 4.96% from the contribution of members of THB 3 million and increase of benefits of THB 30 million.
- 2.1.3.2 DIPF of THB 65 million, up by THB 6 million or 10.17% from the contribution of member of THB 5 million, increase of benefits of THB 1 million.

- 2.1.4 Property and equipment and intangible assets were THB 4,519 million, or 13.12% of total assets, up by THB 1,410 million or 45.35%. This was mainly from the construction of SET's new office building and development of new IT system.

2.1.5 Other current assets were THB 233 million or 0.68% of total assets, dropped by THB 352 million or 60.17%. This was mainly from the decrease of dividend to unit holders of THB 133 million, clearing collateral of THB 115 million and other receivables from disposals of investments of THB 106 million.

2.2 Analysis of liabilities

As at December 31, 2014, total liabilities of the SET group amounted to THB 12,213 million, up by THB 1,173 million, or 8.76%, in comparison with the balance as at December 31, 2013. Significant details are:

2.2.1 Margin deposits and assets for clearing system protection and benefits payable were THB 9,438 million, or 77.28% of total liabilities, decreased by THB 1,336 million, or 12.40%, due to the decrease of collateral deposit which was exceeding the minimum requirement.

2.2.2 Accounts payable and accrued expenses were THB 1,601 million, or 13.11% of total liabilities, up by THB 450 million or 39.10%. This rise was mainly from payable of the construction cost of SET's new office building of THB 285 million and the SEC fee of THB 54 million.

2.2.3 Other current liabilities were THB 436 million or 3.57% of total liabilities, decreased by THB 320 million or 42.33%. This decrease was mainly from the decrease of withholding tax payable of THB 137 million, dividend payable of registrar services of THB 133 million and clearing collateral payable of THB 115 million.

2.3 Analysis of funds

As at December 31, 2014, total funds of the SET group amounted to THB 22,239 million, up by THB 1,586 million, or 7.68%, in comparison with the balance as at December 31, 2013. This resulted from revenues over expenses for 2014 reaching THB 1,535 million, and the market price of available-for-sale securities, consisting of SET equity securities funds' increase of THB 46 million, and SIPF's increase of THB 5 million.

3. Analysis of liquidity

Cash flows of the SET group for the year ended December 31, 2014 and 2013 can be summarized as follows:

(Unit: THB million)	2014	2013	Increase/(Decrease)	
			Amount	%
Cash flows from operating activities	1,051	1,096	(45)	(4.11)
Cash flows from investing activities	(1,503)	(329)	(1,174)	356.84
Cash and cash equivalents at the end of year	1,419	1,870	(451)	(24.12)

Cash and cash equivalents as at December 31, 2014 amounted to THB 1,419 million, decreased by THB 451 million, or 24.12%, in comparison with 2013. The details of the sources and uses of funds are as follows:

- Net cash receipts from operating activities were THB 1,051 million.
- Net cash used in investing activities were THB 1,503 million. This was mainly from the construction of SET's new office building of THB 1,292 million, new system development of THB 135 million, investments purchase of THB 720 million, and purchase of additional shares in associate of THB 379 million. The interest income received and proceeds from sales of available-for-sale totaled THB 533 million, including dividends received of THB 444 million.