

- Translation -

Ref. CNS 181/2019

January 30, 2019

Subject: Management Discussion and Analysis for the year ended December 31, 2018, not yet audited by auditor.

To: President  
The Stock Exchange of Thailand

We, Capital Nomura Securities Public Company Limited (referred to as the "Company" hereinafter), in compliance with regulations and to follow the Principles of Good Corporate Governance, would like to submit our un-audited financial statements for the year ended December 31, 2018 to the Stock Exchange of Thailand. Therefore, the Company would like to provide clarifications for the major changes of the Company's operating results for the year ended December 31, 2018 compared to the corresponding period of last year as below.

Comparison of the operating results for the year ended December 31, 2018 and 2017

- 1) Total revenues decreased by Baht 267.73 million, mainly due to
  - Brokerage fees decreased by Baht 81.95 million (or 10.08 %) which was mainly driven by the decrease of brokerage fee from securities business by Baht 108.72 million, while the increase of brokerage fee from derivatives business by Baht 26.77 million.
  - Fee and service income decreased by Baht 42.64 million (or 9.95 %) which was mainly driven by the decrease of fee from selling agent business by Baht 86.49 million and financial advisory business by Baht 12.21 million, while the service fee from Nomura Group increased by Baht 41.71 million, fee from underwriting business increased by Baht 6.60 million and fee from Securities Borrowing and Lending business increased by Baht 7.51 million.
  - Interests on margin loans increased by Baht 3.16 million (or 0.87%) which was mainly driven by the increase of margin loan business based on market sentiment especially the first half of the year.
  - Gain and return on financial instruments decreased by Baht 152.15 million (or 63.33%) which was mainly driven by the gain on selling of other investment by Baht 135 million in last year. For this year, the Company has no such gain on selling of other investment but gain on Block Trade Business – Single Stock Future increased by Baht 7 million while gain from debt securities trading decreased by Baht 22 million.
  - Other incomes increased by Baht 5.85 million (or 85.64%)

- 2) Total expenses increased by Baht 104.87 million (or 8.31%), mainly from
- Personnel expenses increased by Baht 9.51 million (or 1.48%)
  - Fee and service expenses decreased by Baht 60.30 million (or 22.88%), which was in line with the decrease of service fee from selling agent business.
  - Financial costs increased by Baht 6.68 million (or 8.13%) from the increase of borrowing to support margin loan business and Block Trade Business – Single Stock Future.
  - The allowance for doubtful account was set up of Baht 106.22 million for one client whose asset was frozen by a government agency. The Company is on the legal process to claim for the whole receivable amount. As the consequence, the client counter-claimed that the Company was not entitled to file the case and exercise its right with bad faith and without good ground, however, the management considered that the counter-claim ground is groundless. Also, the Company has petitioned the court to release the collateral in accordance with relevant laws.
  - Other expenses increased by Baht 43.39 million (or 15.85%) mainly from repair and maintenance, depreciation from computer devices to align with technology changes and litigation related.
- 3) Corporate income tax expense decreased by Baht 74.68 million due to the decrease of profit before tax resulted from all factors mentioned above.

In summary, the Company generated a net income for the year ended December 31, 2018 amounting Baht 177.52 million, earnings per share of Baht 0.08 compared to the net income of Baht 475.44 million and earnings per share of Baht 0.22 for the corresponding period of last year.

Sincerely yours,

- Signed -

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(Kridsana Kulpanyalert)  
Head of Finance Division

Finance Department: Tel 0-2081-2840