

- Translation -

Ref. CNS 228/2020

January 30, 2020

Subject: Management Discussion and Analysis for the year ended December 31, 2019, 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, 2019 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, 2019 compared to the corresponding period of last year as below.

Comparison of the operating results for the year ended December 31, 2019 and 2018

- 1) Total revenues of Baht 1,283.47 million decreased by Baht 301.16 million (or 19.00%), mainly from
 - o Brokerage fee from securities business and derivative business decreased by Baht 186.10 million (or 25.46%) which was mainly driven by the decrease of the average daily trading volume of stock market from Baht 50,593 million per day in last year to Baht 45,987 million per day in this year.
 - o Fee and service income decreased by Baht 23.67 million (or 6.03%) which was mainly driven by the decrease of selling agent fee and fee from Nomura.
 - o Interest on margin loans decreased by Baht 80.56 million (or 21.95%) which was mainly driven by the decrease of margin loan business based on market sentiment.
 - o Gain and return on financial instruments decreased by Baht 13.21 million (or 14.99%) which was mainly driven by the decrease of Block Trade – Single Stock Future business based on market sentiment and the decrease of gain from trading debt securities.
 - o Other income increased by Baht 2.39 million (or 37.96%).

- 2) Total expenses of Baht 1,126.13 million decreased by Baht 240.74 million (or 17.61%), mainly from
- Personnel expenses decreased by Baht 8.69 million (or 1.33%), mainly due to the decrease of personnel expenses aligning with income from brokerage business and other personnel expenses total by Baht 42 million. However, the Company set the provision of additional legal severance pay by Baht 33 million affected from the Labor Protection Act (No.7) B.E.2562 which was announced in the Royal Gazette on 5 April 2019. This stipulates additional legal severance pay rates for employees who have worked for an uninterrupted period of twenty years or more, to be entitled to receive not less than 400 days compensation at the latest wage rate.
 - Fees and service expenses decreased by Baht 49.23 million (or 24.22%), which was mainly resulted from the decrease of service fee paid, aligning with the decrease of selling agent business and the decrease of trading volume of securities business.
 - Financial costs decreased by Baht 38.08 million (or 42.90%), which was resulted from the decrease of borrowings to support the margin loan business and Block Trade – Single Stock Future business.
 - Bad debt and Doubtful decreased by Baht 106.33 million (or 100.10%), due to the allowance for doubtful account amount of Baht 106 million was set up in last year regarding one client whose asset was frozen by a government agency. There was no other provision for the doubtful account in this year.
 - Other expenses decreased by Baht 38.41 million (or 12.11%) mainly resulted from the decrease of litigation related expenses.
- 3) Corporate income tax expense decreased by Baht 11.72 million was resulted from factors mentioned above.

In summary, the Company generated a net income for the year 2019 amounting Baht 128.81 million and earnings per share of Baht 0.06 compared to the net income of Baht 177.52 million and earnings per share of Baht 0.08 for the last year.

Sincerely yours,

- Signed -

(Kridsana Kulpanyalert)
Head of Finance Division

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