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February 22, 2017

Subject : MD&A of financial performance for the year ended December 31, 2016

Attention : The President
The Stock Exchange of Thailand

The Board of Directors' meeting of Trinity Watthana Public Company Limited No. 2/2017, held on 22th February 2017, had approved the audited financial statements for the year ended December 31, 2016. Net profit for the year 2016 and earnings per share were Baht 159.56 million and Baht 0.81 respectively, which were higher than net profit and earnings per share for the year 2015 at Baht 146.10 million and Baht 0.74 respectively, equivalent to growth 9%.

The Company would like to explain and analyze the financial position and operating results for the year 2015 and 2016 as follows:

1) Operating Results

Income

The consolidated income of the Company and subsidiaries in 2016 was Baht 791.11 million increased from Baht 740.10 million in 2015 or increased by 6.89%. The changes in major income of the Company and subsidiaries were as follows:

- An increase in a daily average turnover of SET from Baht 44,302 million to Baht 52,526 million, or increased by 18.56% whereas the subsidiaries' market share slightly decreased from 1.95% to 1.92%, Then brokerage fee decreased from Baht 339.86 million in 2015 to Baht 316.21 million in 2016 or by 6.96% which was due to the competition in commission rate;
- An increase in a daily average trading volume of derivatives in TFEX from 199,749 contracts to 285,148 contracts or by 43% was mainly due to the increase in trading of Single Stock Futures and SET50 Index Futures. The subsidiaries' brokerage income from derivatives business slightly increased from Baht 17.31 million in 2015 to Baht 18.50 million in 2016 or by 6.90% due to the competition in commission rate;
- The subsidiaries' interest income from margin loans increased from Baht 129.81 million in 2015 to Baht 150.10 million which was consistent with the amount of margin loans during the year 2016;
- The Company's net gain from investment was Baht 138.67 million in 2016 dividing into gain on securities trading amounted to Baht 139.19 million and loss on derivatives trading amounted to Baht 0.52 million compared to net gain from investment was Baht 88.03 million in 2015 dividing into gain on securities trading amounted to Baht 6.65 million and gain on derivatives trading amounted to Baht 81.38 million;
- The subsidiaries' fee income increased from Baht 67.04 million in 2015 to Baht 73.16 million resulting from increase in underwriting fee.

Operating Expenses

In 2016, the Company and subsidiaries incurred the operating and administrative expenses in the amount of Baht 530.94 million which was increased from Baht 494.12 million in 2015. Whereas their financial expenses in 2016 slightly decreased from Baht 64.34 million in 2015 to Baht 61.30 million. The expenses which had significant changes include:

- Personnel expenses in 2016 amounted to Baht 357.53 million which was increased from Baht 326.59 million in 2015, or by 9.47%. This increase varied in relation to the Company's overall operating results.
- The Company and subsidiaries' fee and service expenses in 2016 was Baht 75.41 million which was decreased from Baht 69.14 million in 2015 or increased by 9.07%. This increase varied in relation to decrease in securities' and derivatives' trading volume.
- The Company and subsidiaries' financial expense increased from Baht 64.34 million in 2015 to Baht 61.30 million in relation to the decrease in borrowings from bank for settlement purpose and other short-term loans during the year.

Net Profit (Loss)

In 2016, the Company and subsidiaries' profits before corporate income tax was Baht 198.62 million which was increased from Baht 181.56 million in 2015 or by 9.40% due to the increase in income over the increase in operating expenses. Net profits were Baht 159.56 million and Baht 146.10 million in 2016 and 2015, respectively or increased by 9.21%.

2) Financial Position

Total Assets

As of 31 December 2016, the total assets of the Company and subsidiaries amounted to Baht 4,592.74 million increased from Baht 3,728.18 million at the end of 2015, of which significant items include investments in securities in the amount of Baht 485.91 million which was decreased from Baht 508.83 in 2014, net securities business receivables and accrued interest receivables in the amount of Baht 3,186.48 million increased from 2,336.61 million and other short-term loans amounted to Baht 437.35 million. These main items represent 10.58%, 69.38%, and 9.52% of the 2016 total assets, respectively.

Securities Business and Derivatives Receivables

As of 31 December 2016, the subsidiary's securities and derivatives business receivables and accrued interest receivables in the amount of Baht 3,186.48 million included margin loan receivables in the amount of Baht 2,346.81 million slightly increased from Baht 2,237.94 million at the end of 2015, and receivables from cash account amounted to Baht 802.51 million increased from Baht 76.98 million at the end of 2015. The decrease in receivables was mainly due to the SET daily securities trading volume in the last three business days before the end of 2016 was around Baht 38,554.83 million, compared to Baht 28,308.67 million for the same period in 2015. As required by the Notification of the Office of the Securities and Exchange Commission (SEC), the subsidiary categorized its securities business receivables and accrued interest receivables in accordance with the SEC's Notification re: Bookkeeping in relation to Sub-Standard Debtors of Securities Companies as general debt in the amount of Baht 3,186 million and doubtful debts in the amount of Baht 60 million. In this regard, the subsidiary has provided a reserve to cover all doubtful debts in accordance with the accounting standards.

Investments in Securities and Derivatives

The Company and subsidiaries' net investments in securities as of 31 December 2016 were Baht 485.91 million which was decreased from Baht 508.83 million in 2015. Out of this amount, Baht 482.46 million, or 10.50% to total assets, was the Company and subsidiaries' long-term and short-term investments in securities stated at fair value. This amount was decreased from Baht 505.28 million in 2015. The remaining investment Baht 3.45 million was the investment in affiliates which were accounted for under an equity method.

The long-term and short-term investments in securities included (i) an investment in fixed income, i.e. bills of exchange given aval by bank, debentures and government bonds, in the amount of Baht 180.85 million or 37.22% of total investment and (ii) an investment in listed securities in the amount of Baht 289.16 million. The remaining investment amount of Baht 12.45 million was other securities and mutual funds. In addition to the above investments, the Company and subsidiaries invested in derivatives. As of 31 December 2016, the off-balance sheet fair values of derivatives in long position was Baht 2 million and short position was Baht 197 million.

In 2016, the Company and subsidiaries gained a total return on investment in the amount of Baht 163.54 million increased from 88.09 million in 2015 or equal to rate of return on investment 32.88% higher than 18.76% in 2015. The total return comprised of profit from investment in securities trading at Baht 139.19 million, loss from investment in derivatives trading at Baht 0.52 million, interest and dividend from securities held for trading and available-for-sale at Baht 31.75 million and the increase in unrealized loss from investments presented in shareholders' equity amounted to Baht 7.52 million.

Liabilities

As of 31 December 2016, the Company and subsidiaries' total liabilities stood at Baht 2,992.66 million which was increased by 38.44% when compared to the total liabilities of Baht 2,161.64 million at the end of 2015. The Company's debts to equity ratio 1.87 times increased from 1.38 times at the end of 2015. The increase in the total liabilities resulted from the securities business payables and clearing house increased from Baht 181 million and Baht 0.05 million at the end of 2015 to Baht 532.56 million and Baht 279.19 million at the end of 2016. Such increase was mainly due the SET daily securities trading volume in the last three business days before the end of 2016 was around Baht 38,554.83 million, compared to Baht 28,308.67 million for the same period in 2015. Whereas the borrowings increased from Baht 1,832.13 million to Baht 1,910.91 million which was borrowed for settlement payment and an increase in margin loans at the end of 2016. In addition, the Company issued 2-year debentures amounted to Baht 100 million.

Shareholders' Equity

As of 31 December 2016, the Company and subsidiaries' shareholders' equity stood at Baht 1,600.08 million which was increased from Baht 1,566.53 million of 2015. The increase was derived from the Company and subsidiaries' earnings in 2016 amounted to Baht 159.56 million. Also, in 2016, the Company paid 2015 final dividends in the amount of Baht 69.13 million and the 2016 interim dividend in the amount of Baht 49.37 million. In addition, the increase in unrealized loss from investments presented in shareholders' equity was Baht 7.52 million. The return on equity for the year 2016 was 10.08% per annum comparing to 9.51% per annum for the year 2015.

Please be informed accordingly.

Yours faithfully,

Charnchai Kongthongluck
Director and CEO