# SCBX Strategy Day

21 October 2022, 13:30-15:30

MC: A very good afternoon executives, distinguished guests, ladies and gentlemen. And welcome to SCBX Strategy Day 2022.

I'm Veenarat Laohapakakul, and I'm very pleased to be your MC today.

As we all know, 2022 has been a very turbulent year, with a lot of changes and uncertainties that impact the global economy and investments. So how will SCBX move forward from this point? We'll be hearing from four executives today. So let me introduce each of them to you.

Our first executive is Khun Arthid Nanthawithaya, CEO of SCB X Public Company Limited.

Our second executive is Dr. Arak Sutivong, Deputy Chief Executive Officer, SCB X Public Company Limited.

Our third executive is Khun Manop Sangiambut, Chief Finance and Strategy Officer at SCBX.

And last but not least, we have Khun Dennis Thorsten Trawnitschek, Chief Technology Officer of SCBX.

These are the four executives that will be answering all questions that you might have today. So any question that you have later on, you will definitely have a chance to ask the four executives who are here with us today. But before we move on into that, let's take a look first of all at the strategy presentation. This video will be 13 minutes long. After the video presentation, we will move on to the interactive discussion. So for now, please enjoy the video.

[Video presentation, 13 minutes, not transcribed]

MC: So that is the exciting journey that SCBX is going to embark on.

From the video about strategy, Khun Manop will now tell us about the highlights of the financial outlook.

Manop: Thank you. Let me now share with you the three-year financial outlook for the group. First at the consolidated level, we expect revenue growth to average at least 10% per year between now and 2025.

With significant contribution from the new growth businesses under the Gen 2 and Gen 3 portfolios, earnings growth will be higher than revenue growth. This will be driven by a combination of an improved business mix from the high-margin businesses and cost management. Moreover, we plan to unlock value through equity transactions of our portfolio companies. And this would be an additional uplift to our growth and our return profile.

Let me now quickly turn to the outlook of key companies under SCBX:

CardX is a turnaround story based on improvement in business efficiencies and customer base expansion. So we set the net profit target by 2025 at 9 billion baht, and the company has plans to go for an IPO in the same year.

AutoX is our new business. But nonetheless our management are all seasoned executives in the industry. We believe we will be able to offer a differentiated customer experience — very localized, and no "price war" strategy. And the business progress so far, since the launch of the business just a few months ago, has been quite encouraging. So the net profit target in the next three years is 3 billion baht, and the company has plans to go for IPO in the year 2027.

InnovestX will totally transform the future of investment and become a leader in the digital asset ecosystem. We believe we should be able to create a unique advantage based on the experience that we have built over the years. The company has plans to go for IPO in the year 2025. And the ROE should be around 25%.

Robinhood has now become a complete lifestyle super-app. The next phase of our strategy is to focus on monetization. We set a target for operating profit break-even by the year 2026, with a GMV (gross merchandise value) to more than triple to 30 billion baht, and revenue of at least 4 billion baht.

Last but not least, the banking business will continue to be a core foundation for our group. Our strategy is to continue to optimize our business portfolio for the bank and focus on digitization, as well as growing our fee income. We see significant room to drive our cost-to-income ratio down to below 40%. And the ROE targets for the bank in the next three years would be in the low teens range.

Finally, we should see that our total ROE will be on an upward trend trajectory to achieve a mid-to-high teens ROE target in the long run. And the contribution from the Gen 2 and Gen 3 businesses should be at least 1/3 of the business. So that will be my highlights for the financial outlooks. Thank you.

MC: Thank you very much, Khun Manop.

So now I will open up the floor for any questions that you might have. There are two ways for you to ask your questions. One is for you to press the "raise hand" button and ask the question yourself, or you can write it into the chat box. Write your question, and I'll ask the question on your behalf.

Please be so kind as to give us your name and your affiliation as well. So let's get started with the Q&A session. We have plenty of time here. You have plenty of time to ask your questions. And our four executives are ready to answer your questions as well.

So we'll start with the first question from the chat box. And the first question that I have is:

**"One of your visions is to expand into the regional markets. So can you please tell us more about this? Which country? Which segments? And when are you going to do with this?"**

Arthid: Hi, good afternoon investors. I thank you for joining our session today. So for the first question, I think actually our expansion into the region has already started. And our target at the moment will be on Gen 2, which is more on the digital lending. And the main focus country will be Indonesia at this stage. We already have invested in this country and are expanding into this country. But please bear in mind that our business model will not be to expand into the region with commercial banking or a traditional commercial banking model, but will be more of the digital native and trying to use inorganic solutions to work with partners, to find collaborations or joint ventures with local experts or local startups who are experienced and have been doing work in the country for quite some time. And I think this is good timing for SCBX to actually go and explore the opportunities in the region.

MC: Thank you very much. Another question that I have coming in here is:

**"It seems that SCBX is targeting to become a tech company, a tech holding company. So can you please tell us about the earnings contribution or the ratio between traditional banking business and all the other earnings from being a FinTech or digital platform? What's the earnings ratio or contribution?"**

Arthid: We target in the next five years, the shift, from today at around 90% and 10%, we intend to be at 70% and 30%. In the next five years.

MC: The next question:

**"There are some market participants comment that your targeted segments seem to focus on retail products, especially consumer loans, which are regarded as increasingly becoming a red ocean. Do you agree with this view? And is there any change of plan at all on your part?"**

Arthid: I think we have seen some of our competitors or newcomers, who also look at where we see the opportunities for SCBX. In some of the areas, I think the competition is getting more severe. But in terms of risk return, our strategy for every company that will be a player in this segment, we have no plan to use the price war, or try to compete from the pricing perspective. We hope that the risk return for this particular segment will be okay. And I believe that there are a lot of opportunities, not only in the segment or the business, or the product that we have seen so far, I think there's a lot of requirements or demand from this segment where we can increase our capability using technology, using AI, using our technology foundation, to help support our portfolio companies to be competing and successful in this segment.

MC: Thank you very much for the answer. Once again, I would like to encourage participants to ask questions. Either you can raise your hand or you can type into the chat box. OK, because seriously, it's not easy to have the four executives here together at the same time. But they are very willing to be here to answer your questions. So this is your golden time, your golden opportunity to ask any questions that you might have. All right, coming in the chat box, I still have more questions here. And the question is:

**"How will you determine capital allocation between group companies?"**

Arthid: Yes, we set that process around the end of the year. First of all, we look at the footprint that we have, we start from being in banking business and expand into full financial market. So the scope that we target for capital allocation at this stage will be a majority of around 70% into Gen 3, and around 15 to 20% into Gen 2, and around 10% to the climate and some of our capital expenditure.

MC: Thank you. We do have a question from the floor. We have a question from Khun Peach of UBS.

**"In the three-phase growth strategy, the first phase looks to be an investment year. So the 10% CAGR growth in income and above, so for profits over 2022 to 2025 seem to be back-loaded. For instance, the growth could be very small next year and then rise further. Is this a fair statement or assessment of what you just said?"**

Arthid: I think so. As you all know, for this year, we started the full operation quite a bit delayed from our plan, because of the way we deal with the Bank of Thailand or regulators and the way we manage ourselves in terms of setting up very clear and good governance and operating model and communication within our group. I think we have just started for just a few months.

So next year will be the real start for us. But anyhow, some of our strategic portfolio companies have been working since the beginning of the year. And some of them already address and work on the foundation. I think most of them should be ready to doing real business next year. And regarding the budget or the target that we've been talking to them, I think you will start to see a good trajectory. And we will start to see good momentum from the second half of next year onward. Of course, next year, the growth momentum or quantum will be not very, very high. But we should expect to see it pick up significantly in 2024.

MC: The next question is from Khun Chalie of KGI Securities.

**"Can you explain more about growing loans into untapped areas? As I think the country is already occupied by banks and non-banks?"**

Arthid: What I'd like to explain is based on our experience for the bank. If you look at customer segments, we have been serving the upper mass and up. That's the main product for the bank, because we are taking deposits. The paradigm that we are operating on is more or less low-risk, low-return. So we are focusing on the medium- and high-income for the secured lending products.

That the first part. But the nonbank player is basically focusing on mass and lower segment. I think if you look at the players, if you look at the coverage, if you look at the number of people who are still unserved in the mass and lower segment, I think it's not because they have low income. I think the correlation between low income and high NPLs may be true. But if we can do it right, if we can use technology, if we can pick the best ones among a very big, very large-scale customer base. I think that's how we see the opportunities.

MC: The next question would be on the path to profitability for the various businesses.

**"There will be an increase in costs. But what is the ROI path? Can you please tell us about ROI?"**

Manop: Yes, let me take this question. In each of the investments that we make, we have a return threshold, and we will be very strict on this return threshold. So essentially, our IRR threshold for each of the new investment would be at least 15%. It could vary. It could be higher, depending on the business and the nature of the investment that we'll be making.

But now, on the existing business, as I already explained in the Outlook presentation, each new business does have an ROE target in the next three years of at least 20%. So if you combine and sum up all of these targets, you should see that, on the overall group basis, overall ROE should be on a trajectory to achieve at least a mid-teen ROE in the long term.

MC: Thank you. We have a question from Khun Peach, UBS Securities.

Peach: Thank you. **"One question from me regarding the AutoX strategy. Could you please share how much potential this business can grow in terms of the size in the future? In my view, the industry has been kind of red ocean already. But somebody needs to lend to poor people or underbanked anyway. Therefore, the demand will continue to grow. Today, the size of the non-bank in my view, the balance sheets are quite stretched, and they all don't have a lot of reserve buffer. Therefore, I think it's funny for a big-size bank to come into play in this field as you have a 4 trillion baht balance sheet, much higher loan loss reserve coverage. But can you share any idea on how to make the collection model work to make this model sustainable? Because when we talk to non-banks today, they all still believe that banks will not be able to do a right collection model."** Thank you.

Arthid: You're talking about the collection model? I think that's why at the moment, you need to change your perception on what we are presenting here. Collection will not be done by the bank anymore, and that's one of the reasons why we spin off. The collection part is one of the key highlights for the companies like

CardX or AutoX to create their own capabilities to compete and be in line with their competitors.

If we are sitting and using the bank — the concern on reputation, the concern on the brand I think would, in the past, create some concerns that we cannot use the approach or solution on the same level as non-bank competitors.

MC: Thank you. We'll go to the next question from Khun Jhoanne from CLSA.

**"Aside from the key pillars, on CardX, AutoX, InnovestX, Robinhood and SCB bank, can you please help guide through the other subsidiaries to see what will be the outlook in the next three to five years please?"**

Arthid: I think the list of the existing companies that we have set up at the initial phase, it's just a set of Gen 2 and Gen 3. And some of them are the strategic companies under Gen 3 and Gen 2. Going forward, as we explained and shared with you about how we can redeploy the capital, from the cash cow business into the SCBX, and SCBX will be the one who tries to search for new opportunities, based on existing new business in Gen 2 and Gen 3.

Around the end of the year, we'll look around and try to make comparison and make decisions on how much we want to deploy capital into both existing ones and the future businesses. We have a plan. As I just mentioned earlier, Gen 3 will be our main focus. We will continue to look for opportunities in terms of collaboration, JV, or even M&A. And by doing so, I think we'll create a good synergy for the existing ones that we have created. I think there will be more to come on the digital asset. More to come on the climate. More to come on the platform. But we will not limit ourselves in just local markets. We'll be looking for opportunities to expand on this category in the region and in the international market.

MC: Alright. We'll move on to the next question. It's a question from Khun Weerapat, CLSA Securities. He'll be asking the question himself.

Weerapat: Sawasdee krub. Thank you for taking my question. I have one question.

**"As SCBX tries to expand to digital lending business, digital financial services and digital assets, do you foresee that there will be more regulatory risks or concerns from the regulator, like Bank of Thailand, that may interrupt your financial targets over the next five years?"**

Arthid: I'm sure all the analysts and investors have heard about the plan on the virtual bank. I think if you look at the objective of the virtual bank that the Bank of Thailand has been working on, I think the main objective is to help the income inequality issue. We have been talking about the K-shape. We have been thinking about how to deal with this problem. So financial inclusion is one of the top agendas of our regulator and our country. SCBX believes that, and we share the same vision. That's why we believe that we will get more support if we try to do and help the country, help the economy, in this area. I think it should be more support from the regulators than limitations or obstacles from the regulators.

MC: Next question is also a live question from Khun Worawat, Credit Suisse

Worawat: Thanks very much for giving me an opportunity to ask some questions.

**"So I think for all these things I heard, from management's plan and story, I think it looks pretty good, very intuitive, to create a business and grow profitability. But I have a very difficult time pushing the story of SCB to investors, because it's actually all coming down to execution and the competitive advantage you have.**

**So from investors' point of view, how can they have confidence to invest in SCB now, without a track record? And all the promise is in three years? And I want to start with this. Can you address, number one: For regional strategies, competitive advantage, going into the regional market, 200 million customers? How are you going to compete with the big players in each market? If you'll be able to highlight your competitive advantage, why you're going to be promising, with all this competition that we've seen. That will help, I think, people to have a vision going forward.**

**And also, similar to maybe Gen 2 or the subsidiary businesses, you have been talking about maybe only a few things. You have a lot of subsidiaries right now. Maybe three names: CardX, AutoX and InnovestX. What is the competitive advantage right now? What kind of pain point will each company start a journey to fix and differentiate itself? People have seen that this is coming and that could be promising. Now it's more about convincing people to believe in execution and seeing the plan. So, please help address this competitive advantage question, and how you're going to be differentiated in these two areas."**

Arthid: Thank you for your question. I think I like to address the first one. And for the first one and the second one, I think your main point is the kind of track record on execution in areas that we may not have been doing in the past. I think we are fully aware of that. And we prepared ourselves even before we announced the SCBX plan. We know what are the key foundations, i.e., DataX, which is ability to create a data pool, the ability to utilize our pooling data, our ability to create AI capability to support all the portfolio companies.

Second, on the tech technology on SCB TechX, I think that's another one of the key pillars of the capability foundation that we have prepared for quite some time before we announced SCBX. In terms of the talent, and the new management, I think, you can see that for the Gen 2, we have managed our group in a way that we can spread and be able to pull in the talent, the top talent, the top leaders, who have been working in those particular areas.

To give you an example, on CardX we have a full team who have been working on the card business and personal loan business. The leaders in AutoX and other companies, most of them have been working in that particular business, but not exactly the new business that they start. But the experience and the learning curve that most of them have seen, and comparing ourselves when we are at the bank, we know that there's some weak points. And it's very critical that if we can be a standalone, we can fix it, and we can improve it. I think that will be a new business model for each of them to be able to make the implementation and execution compared to, or in line with, the existing competitors.

So back to the first question on the regional. I think, yes, the concern is quite valid. But as I mentioned earlier, we are not planning to do commercial banking. We're not trying to compete with the big giants. What we have been trying to do is start with acquiring or finding small startups who are actually not very small, but who have been doing business in the country, and try to co-invest, and even become a partner with them.

I think that's how we start with setting up, creating a new pool of talent. We try to work with them in a way that they see opportunities to work with us. They see opportunities to work as a group with us to expand and to compete on a much bigger scale. We will not try to bring people from the bank or the existing talent pool in the region. In fact, we try to create a new pool, and through the inorganic, through the JV, or the M&A transactions that we have done. And I think by next year, we should be able to come back and share with you about what we have done so far.

Arak: If I could add a little bit on this one, to answer the questions on competitive advantage for regional expansion. Over the past few years SCBX just got started but we have been doing this for a number of reasons. In terms of preparation, we have built a relatively extensive network of partners. And they've been particularly technology partners, as we are becoming a technology company. So we have relationships with large tech companies, and also importantly, the more innovative startups and younger companies.

I can give an example. For instance, we are working with a kind of startup in the digital asset area as well as digital lending from around the world. And the proposition for us is to be able to actually help navigate the local landscape both in Thailand as well as in the region. And that is actually an important aspect from the perspective of partners. They see us as the local person who actually can navigate. In the local market, we actually bring in capabilities that are otherwise not available, not possible. So that's already happening. And we have a few companies already active, and also in the process of doing so. And you know, some of the companies I have not mentioned. For instance, MONIX has been around for a couple of years, and is actually doing quite well. And during the Strategy Day on MONIX, please feel free to ask deeper questions, and you'll see the attractions that we have. So those are examples of how we bring in technology, global capabilities, plus local understanding of the market. And, you know, admittedly, when going into regional markets, one cannot go alone. One needs to find a local partner. And the investments that we've made over the years, both strategic investment as well as VC investments, start to have local partnerships within each country. And there's already some discussion and alignment, that we can actually bridge, bring the best of both worlds in terms of the global capabilities and local insights to do so. And we're hopeful that the attractions that we've had over the past few years should start to materialize in the next one to two years.

MC: Thank you very much. We'll move on to the next question. This is from the chat box, from Khun Gaurav, J.P. Morgan.

**"Thanks for the presentation. My question is for the portfolio companies, will this strategy be run from the SCBX top team? Or would it be rather bottom up? Who will be the key business decision maker?"**

Arthid: For the portfolio companies, our governance and our design is to create the sense of ownership for the whole company, starting from the board and the CEO and the management of the company. I think, their strategy and SCBX set long-term direction. And we also create financial criteria for the company to move in the direction that we set. But in terms of strategy, in terms of tactics, in terms of how they are fighting, how they navigate their own company — it will be the top management and the board of that particular portfolio company.

MC: Thank you. So we'll move on to the next question from Khun Sarachada, Thanachart Securities.

**"Now given the valuation of consumer finance companies are being debated along with their structurally declining ROEs, how are you confident with the ROE targets of the X subsidiaries in Gen 2 and the plan to unlock the values in the future?"**

Arthid: I think the target that we set is not super ambitious. But to start with, I think we will try to be realistic and factor in, that when we get ourselves into this area, that should create more competition. But I think the scope is actually big enough, and we have a base to start with. We know how to fix it. We know that what we have been doing in the past, what are the areas that we should fix first. And that, to me, I call it low-hanging fruit.

I think we will try to work on those particular areas and capture the low-hanging fruit for the first few years. In the meantime, try to allow the new technology capability that the group has been building to provide more support, more capability, to those companies.

Something I also like to share is, you cannot imagine just one company doing it. Of course, for their particular day-to-day running the company, it will be the company itself. But the group is trying to create more dots, create more ecosystem, create more technology capability, both AI and data. I think that will be something you can expect in Phase 2. That will be a real capability to differentiate our portfolio companies, when they are competing to serve with the client. Whether they call it red ocean or blue ocean, I think that what we are confident to deliver from even Phase 1 and Phase 2.

Arak: If I can add to our CEO a little bit: you are asking about ROEs. So, while we agree that structurally, the yield is actually coming down, because of the competition, because of many factors, that is true, right. But at the same time, I think what we are doing, if you look at the components, we believe that our structure would actually have a competitive cost advantage as well as the credit cost.

If you look at the cost, we believe that we will actually have lower cost of acquisition because of the network of customers within the group that we can actually try to create some synergy from. So, lower cost of customer acquisition. The fact that it is primarily digital business. The marginal cost of operating in the business should be lower. Therefore, the cost-to-income ratio should be lower. And therefore allow us to be able to still maintain a wider margin, even in when it is being depressed.

At the same time, the credit underwriting, the AI analytics, is something that would allow us to be able to create better underwriting and therefore, better credit decision-making, leading to lower provision. So net declining yield. But we should be able to still maintain reasonable net interest margin (NIM) from better underwriting. And then the operating expense control through digital, as well as lower marginal cost of acquisition, for instance, that should be able to maintain or stabilized and even uplift ROEs in the future.

MC: Thank you. Next question is from Khun Nathapol of CGS-CIMB Securities.

**"Could you please share with us about the journey of Robinhood from food delivery platform to hotel booking? And what are the next steps in order to engage customer experience. And also, how will SCBX will monetize from this platform?"**

Arthid: For Robinhood, I think this is something we are very excited. And we have been learning and building quite a successful platform from zero. So from the food delivery, I think, in Bangkok and vicinity, we have been becoming one of the top players in the hotel business or travel.

We are trying to create more of a supplement, create more lifestyle, and more purpose. So that the Robinhood to become a super app. But the concept of the travel, is to help the ecosystem of tourism starting from hotels, airlines, tourism, including transportation, will be become more and more, and bigger ecosystem. And there is a linkage or ecosystem that we try to create.

For the next step, I think that's also linked to how we are going to monetize. Starting from food, we are moving into hotels and travel, then we are adding more services, which we called Mart. It is helping our customer to order or get delivery from the supermarket, from the convenience store, from the hypermarket, when they want to buy some consumer product.

That's the add-on product that we add to the Robinhood. And you can see that the scale of riders that we have is growing the plan for SCBX. Because we are focusing on the sustainability and climate change. That's one of our core beliefs to convert our motorcycles from traditional combustion engines to electric vehicles, that is the starting point. Robinhood going forward is going to move into the area of EV subscription platforms. We believe that for the sharing economy, for the EV coming, the subscription platform, it's a different type of platform. We give financing to the consumer, or the user, that will be one of the key focus for Robinhood. And that will be a concept to do business. Not kind of burning money, but it will be real monetization for Robinhood.

The last one is, once we grow the ecosystem in many ways, we believe and we start working on monetization of trying to provide lending products, provide wealth management or insurance products, through the Robinhood platform. That will be another story of how we plan to monetize.

MC: Thank you. The next question is from Khun Tanawat, TISCO Securities.

**"Setting up several subsidiaries within a short period of time. Do you find it difficult to hire talented people? Some subsidiaries seem to need a set of specific skills, such as collateral valuation skills in car collateral loans, or high-end computer programming, which probably is not easy to find. So is it difficult to hire talented people?"**

Arthid: We have to admit that this is a big issue. And that is linked to how we execute or implement our plan. Luckily, for the Gen 2 business, because we know we planned way, way ahead before we launched SCBX, our top leader for each company had a chance to prepare themselves to pick and choose the top experts or key talent from the market in their own field.

I think that created the opportunity for us to be ready. But I think the challenge is more on tech talent. Tech talent for Tech X, for Data X. We need to admit that if will try to keep stealing people or talent from each other. I think that will end up being not sustainable. I think the price will jack up, the cost will be up to the roof.

So we are now trying to come up with the support of our global partner, we are trying to set up a way to create in-house tech talent. We believe that we will create more supply in the market, to make sure that we can get benefits to support our portfolio companies.

Dennis: If I may add a little bit to what the CEO just said, one other key component in helping us to manage our talent strategy is also the COEs (centers of excellence) that we have put in place. As we mentioned earlier, one of the key drivers is access to capabilities. Our COEs are there basically to help the group companies to get access to capabilities that would be difficult for them to do by themselves. But also us to help bundle up skills and capabilities together.

So the first three areas that we picked, are data and AI; cloud; and cybersecurity. All of these are areas where demand for talent is very high. It's difficult to find people. So we from the group perspective, are trying to support the individual subsidiaries with access to these capabilities by setting up the centers of excellence. In the future, we might move and add more to them. But I think this is important help us to address the capability or talent challenge that everybody is facing in the moment at in the market around technology.

MC: Thank you. The next question is a question from Worawat, Credit Suisse.

Worawat: "**So thank you for a chance for a second question. I would like to ask about: this is the key question I've been getting from investors, as one of their concerns to invest in SCB. Let's say if they believe in the strategy and everything. It looks very nice. What about the cost side? I think this year, when people start to realize how much SCB is going to spend on reorganization, major reorganization, we have learned a lot more, and the cost-to-income guidance has been on the rise. So I think the question is how long the investor has to bear with the pain going through these heavy spending investments before they're seeing profitability coming through? Maybe they just to be exact, maybe this year I think investors are aware of investment and extra costs that will incur. Khun Manop did a very good job of explaining that. And now the market starts to price it in. So what about next year? You are spending heavily this year, there'll be a lot of tax charges, a lot of spending that you're laying out — is it right to assume that next year the cost will be a lot less. Or is that not the case? And if there will be any major investment coming through, can you highlight it, so people can have a right expectation on this**?" Thank you.

Arthid: I have the CFO to address this. I like to share, with a conservative and humble view, I think we take in the concern of investors and we know what is in your mind. But as a top leader, I think we try our best to keep a good balance. We try our best to make sure that we do not go extreme with big confidence that it will pay off. As we put in our key messages, we will continue to keep discipline, we will continue to execute prudently, even though the dream, the vision where we want to go to is very high, very far, very bold.

But I think we will not try to go off track. We will not try to create a negative surprise for our shareholders or investors. I believe that we have been preparing, working, doing all the preparation. I think back over the past two years to before we launched SCBX, you can see our cost-to-income. We continue to manage the level of cost-to-income.

One of my core beliefs is that the company, to be sustainable and to be very competitive, needs to address this, needs to be very disciplined and focus on the cost structure. And to make sure to balance between what you invest and what you expect to get the return. You need to be very realistic, disciplined and make sure that you take care of every single small thing in your organization, to be in good shape all along your journey, I think that that there is no excuse for management to say, "It will go up to the roof for the next two years. Bear with us. It will come back." I think that is not our strategy.

Manop: Let me express our intention, for this year, we have been saying that the cost-to-income ratio target for us would be in the range of low-to-mid 40s. And we just released our third quarter results. And we're already halfway through our second half, we still managed our cost-to-income ratio well within that range.

Yes, there are some additional costs associated with the setup, or the new businesses, restructuring costs, and so forth. But we are very disciplined. We streamline our cost structure where possible. And as I also highlighted, in the long-term, three-year outlook that we see room for us to bring down the CI ratio for the bank to be below 40%. And we will continue to streamline our cost structure. So if you ask about the cost structure, CI ratio, for next year, we don't have a definite target for you right now. We typically release the next year target when we release the full year results. But it is our intention to maintain our cost structure at the current level. It may be up and down a little bit. But this is more or less the trend that we should expect over the next few years.

Arthid: I think I have something to add on what the CFO just shared. If you look at the size of SCBX group, you will see that at the moment the bank is the largest one by far. We have a clear mandate for the bank to be a better bank. I think that one of the key themes for us. That we're not trying to make the bank keep trying or keep doing new things, keep experimenting and investing in so many things like in the past. In fact, we have seen the way to bring down the cost-to-income of the bank very clearly. And the new leaders of the bank will take over and continue to focus on this plan very strictly. And I think with the plan for the bank to address, particularly on costs, will provide headroom for us to continue to invest for the Gen 2 and Gen 3 and deliver the result of a CI ratio in the same target that we shared with you in the past.

MC: Thank you. Our next question is from Khun Nick Lord, Morgan Stanley.

**"Can you please explain to us how the different Gen 2 businesses will segment the market? Or will there be overlap?"**

Arthid: There will be overlap in the customers. But there are different purposes, different services and different products. Of course, there could be some areas where there will be some overlapping. We like to let them compete. We like to allow some flexibility for each of them to see who will be the winner. It will take a few more years to see who will be the stronger, who will be the winner. And we will monitor this part closely and cautiously.

MC: Next question. The next question is from Khun Gaurav at J.P. Morgan.

**"Why do we need to have different companies within the group offering similar types of digital loans? We have SCB Abacus. We have MONIX. Ultimately Robinhood will also get into financial services. What is the rationale to offer digital loans through multiple subsidiaries, rather than just having one?"**

Arthid: I think I already addressed this. For these particular areas, we like to experiment, and each of them will find a way to start and build their own business. Of course, there could be some overlap. You never know with a different group of talent. For MONIX, we have a whole Chinese startup who are our partners sitting here working 24/7 with our Thai team, and also have the tech from China for wide support. I think that's what MONIX has been doing.

SCB Abacus is more of a spin-off from our internal talent. I think that the real focus for SCB Abacus will not only be digital lending, but will be more on the data company, and AI company and in other areas as well. So, at this stage, it seems to be quite an overlap between the two companies. But I think, let them try and see who will deliver good results. For Robinhood, I think we try to do more on the data, on the way to create customer engagement. But to use the Robinhood platform to monetize and provide or give lending products to Robinhood customers, I think it's a natural way to capture the benefit, or to monetize from a large-scale platform. I think this is one of the key experiments that we would like to test.

Arak: And also the if you look at Gen 2, you see that for capital-intensive businesses, we actually segment and set them up in such a way that there's not an overlap. As Khun Arthid mentioned, the customers may be overlapping, but the businesses are not overlapping with AutoX, CardX and Alpha X, these are relatively capital-intensive, so we sort of coordinate them well.

But more for smaller companies, where we also use the philosophy of survival of the fittest. Before you actually see logos on this page. There I see many more companies that actually require much smaller capital to get started. And it's a way or process for us to find talent as well. They will come in as entrepreneurs, they try different business models. And as they become successful, a lot of these companies actually go get funding from outside venture capital, as PE funds are starting to fund them. We believe in the startup founders, we believe in the business models.

And also, for instance, MONIX and SCB Abacus, both of them have actually been growing at double-digit rates over the past few years. The market is huge, it's significant. One can say that it's red ocean, but at the same time, if you think about the informal economy, loan sharks and these types of activities still happening, we can actually formalize these. And these companies are growing very fast. We have not heard one bit that they're saying, no, they're competing for the same set of customers. There are so many opportunities out there.

And yes, over time, they'll need to probably pivot themselves to find the right sweet spot for long-term value creation. Because, keep in mind, they actually have investors from outside to also steer and guide them to toward long-term value creation. And that's part of the journey for us to actually find these companies, these founders and investors who support us. That's a learning process but so far, it's been encouraging.

MC: Thank you. Next we have a question from Weerapat, CLSA.

Weerapat: **"I have one more question about dividend payout policy. I notice that SCBX will have minimum dividend payout policy at 30% of the group net profit. How do you balance to achieve this minimum dividend payout policy, given that the group will grow in high-risk areas, i.e, digital lending business or digital asset business? Do you see what will be the appropriate capital level over the next five years based on this payout policy?"**

Arthid: I think, first of all, I like to confirm that the payout policy, the 30% minimum, will continue to be our policy. I think the upside for that depends on how we balance between the opportunities we see. And if we can't find good opportunities to invest, we don't need to invest at the same pace, or in the same amount or very big amount every year. It depends on how we see the market timing and opportunities. And that will be the equation of how we're going to set up the dividend payout every year.

Arak: In the past, essentially, we usually hold subsidiary 100%. Right. And that is a quite capital consuming. So, in a way, for a lot of companies now, going forward, you see us willing to actually give up some ownership in return for capital, as well as strategic support from the new partners coming in.

So, in that case, we believe we can still honor the dividend while still being able to grow. And if we are short on capital, we of course can also always tap capital markets through PE (Private Equity) investment or strategic investment to allow us to grow. And in return, we don't need to be always 100%. But over time, we'll be able to create value through partners as well.

MC: Next question is from the chat box, from Khun Sarachada from Thanachart Securities. It's a follow-up question on cost advantage.

**"What would be the funding plans for those portfolio companies?"**

Manop: Yes, our portfolio companies will have diverse channels to get funding. So, the first channel is equity investment, equity injection from SCBX. So that will be the first channel to receive funding. And then of course, our portfolio companies will need external leverage, in particular, the lending subsidiaries will need to leverage up their balance sheet to scale up the business. So, intra-group borrowing from the bank is another channel. But that will be subject to overall regulatory limits that we have.

Many of them will need external borrowing. This can be bank borrowing or bonds in the market. And eventually, many companies will also do equity raising. So, there will be a lot of ways for them to secure funding. SCBX, as the mothership, will coordinate to make sure that our portfolio companies will get enough funding to support the business growth.

But I think for this particular question, the question is really more the cost advantage when you go outside, to borrow externally. Yes. Specifically, on the funding costs, it could be higher than using deposit cost. But we believe having a proper business structure, with proper governance, would way outweigh the benefit of funding costs.

MC: We'll go on to our next question, from Khun Yafei, from Citi.

Yafei: Thank you for taking my question. I think the direction to invest in technology is the right thing to do. And that's exactly what a lot of financial companies are heading toward, too.

**“I just wanted to understand, from a very high-level vision, why did SCBX choose this structure, as opposed to the traditional structure that many other banks are pursuing? So, for instance, the Gen 3 looks extremely like a venture division that many other banks have. And then the Gen 2 looks like many non-bank subsidiaries that a lot of financial holding companies have. I just want to understand with the SCBX structure, what kind of synergy does it create versus the traditional "financial holding company plus" venture?”** Thank you.

Arthid: I would like to start with a couple of key themes for why we believe that we need to create SCBX as the mothership. As I have shared with investors and analysts many times, what we have been doing under the bank umbrella, as you know, we are in a highly regulated industry— in the most regulated industry in the world — the way that the bank does business by taking deposits, it's actually shaped the thinking of the regulators, at least in Thailand, to make sure that we are operating our business in a low-risk, low-return way. But our experience in the past credit cycle, at least in the past five years — and if we even look ahead — the geopolitical factors, a lot more external factors, actually are a big threat, and create high risk for this "low-risk, low-return" business. Because the risk that we have experienced and seen, have never been as low as what we desire and try to do.

On the other hand, because banking is pretty much a commodity business, we have seen, because of the revenue pool, especially in Thailand, the banking business has been stabilized or even lower some time. So, the way competition is happening in this market is to cut, leading to a lower return. So, that's where we are coming from. That's why we believe that we need to look at other blue ocean. We need to look at other things. We cannot be just a bank.

And, while we want to do something else, we need to ask ourselves, can we do it within the bank? Or is it more effective to do it outside the bank. And as I explained earlier, the way the regulators shape the core components of the bank will actually shape the mindset of people — the team, the risk appetite, the balance between risk management, and the new business, the high-risk, high-return business that used to sit within the bank.

I think we were pretty clear that if we want to do something outside a low-risk, low-return business, we need to go outside the bank. And that's how we figure out what should be the new governance and structure. For other ideas, how we create a new business, i.e., digital assets and other things, I think it will be more much more effective to do it outside the bank. As I explained, the reason, is the regulatory control. That's how I like to address your question.

Arak: Also, the fact that you are asking why not under the bank, it's because we don't see ourselves as a bank anymore. Yes, we still have to prove it to the investors. We have to prove it to you guys that we can do it. But the structure is also signaling to the market, to the partners, and to the talent that we are out to do something different. The bank will remain an important part of our business. You know, we're still regulated by Bank of Thailand. But at the same time, the structure — for which we won't be able to go into details — it does give us more flexibility to do a few other things otherwise not possible if done under a bank construct.

But importantly, over time, we'd like to see ourselves as a technology group, where we actually have a portfolio of companies. And maybe a few years from now, you'll ask us less about the bank, but more about the technology component of the portfolio. That is the journey and the right of passage, we need to earn from you. Hopefully, that what we've done over the past few years, it starts to show something. But there's more to be done. And then this structure would allow us to be able to do that most effectively.

MC: Next question is from the chat box, from Khun Chattra of Macquarie.

**"With a 10% top line growth, CAGR, compound annual growth rate, 2022 to 2025, can you break down the growth rate, for the Gen 1 through Gen 3, that you're expecting to see?"**

Manop: Definitely, much faster growth from Gen 2 and Gen 3. The way you can think of this is that for the Gen 1 business, which is the commercial banking business, we will basically be looking to optimize our business structure. We will continue to grow, but the growth rate will be more in line with the overall macro growth rate in the country. So, if you talk about loan growth, we are talking about a low single-digit loan growth rate over the coming few years.

At least in the short term, the interest rate gives us a good tailwind, and then may be some pickup in the NIM (net interest margin) in the near term. And fee income growth is also our focus over the next few years. So, I think that you should expect for our Gen 1 business. Now, Gen 2 business should also be quite robust. Over the next few years, it certainly should be in the range of double-digit growth rates, high double-digit growth rates. Gen 3, then we are talking about quite a number of new businesses. But nonetheless, the core business that we have right now is the SCB 10X, InnovestX, and also Robinhood, the growth momentum in the top line should also be quite strong coming from a small base.

MC: We'll now move on to our last question of the day, from Khun Nathapol CGS-CIMB Securities.

**"Could you please share with us your investment frameworks for SCB 10X and ways to enhance the value from investments in SCB 10X."**

Arak: As former CEO of SCB 10X, I'll try to answer that. It's important to recognize that SCB 10X is set out as a venture arm for the group. It actually has two components: venture capital investing as well as venture building. But here I'll talk about the venture capital investment. We have focus areas, such as FinTech, blockchain and these things, and we focus on early-stage investment, as in traditional venture capital focus areas, Series A into Series C. Inherently, we are corporate venture cap. You probably saw some announcements that last year we were recognized as the number two global CVC in FinTech and number eight global overall in corporate venture cap. So that's a testament to the track record that we've done.

So far, the return has been very good in that sense. Now, importantly, we are looking at SCB 10X as a strategic vehicle as well. It's not only creating a return. It's actually creating not only a financial return, but also strategic value to the group. In order to do that we see SCB 10X as a vehicle to connect the global capabilities to actually help enhance the businesses that we want to do.

So many of the relationships, many partnerships that we've done through investment in early-stage investment are now our business partners. So that's how we add value to our portfolio companies, by helping them grow in Thailand as well as in Southeast Asia, which links to the point I mentioned earlier: how we bring global capabilities onshore.

At the same time, these companies augment existing businesses with new capabilities. We bring the partner from offshore to onshore. We bring the capabilities to help enhance our current business. So far, a lot of new capabilities actually have been driven from what SCB 10X has invested over the past few years. And you know, when we get into SCB 10X Strategy Day, we can get into that a little bit more, and we'll invite the new CEO of SCB 10X to talk about that.

MC: Thank you very much for all the questions. And thank you all, our four executives for joining us, and answering all the questions that everyone has in mind today. I hope you find this session beneficial. And may I remind you to not forget to sign up for more online sessions with senior executives with the portfolio companies of SCBX. There will be seven more sessions over the coming two weeks so please don't forget to sign up for the sessions. And again, thank you very much for joining today's session. Have a good evening.