

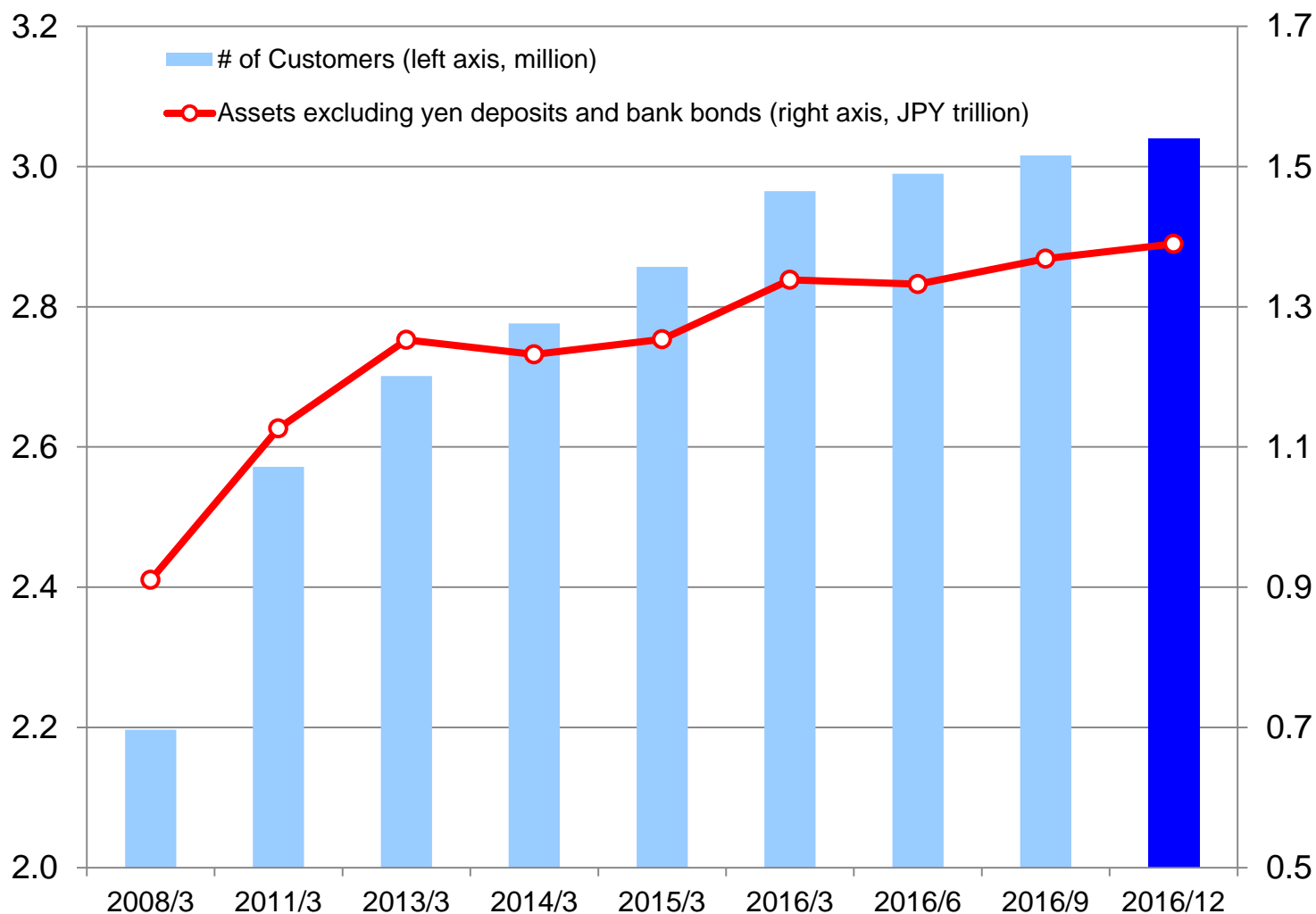
Shinsei IR Day

Retail Banking Business

Shinsei Bank, Limited
February 2017

Number of Individual Customer Accounts

- Total number of retail accounts surpassed 3 million in August 2016
- Achieving high customer satisfaction ratings in outside surveys



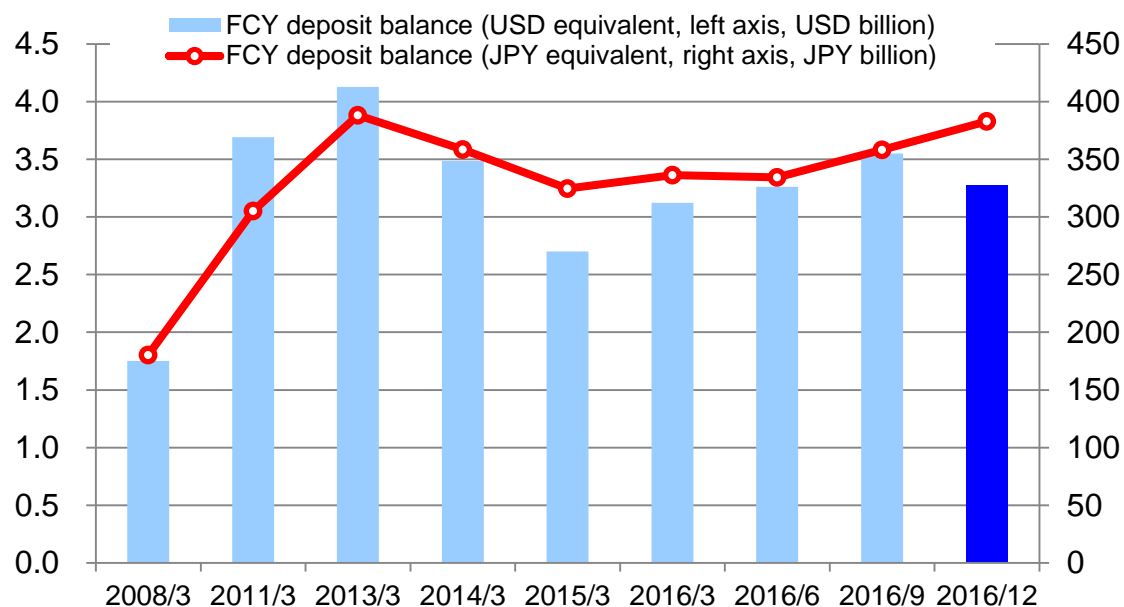
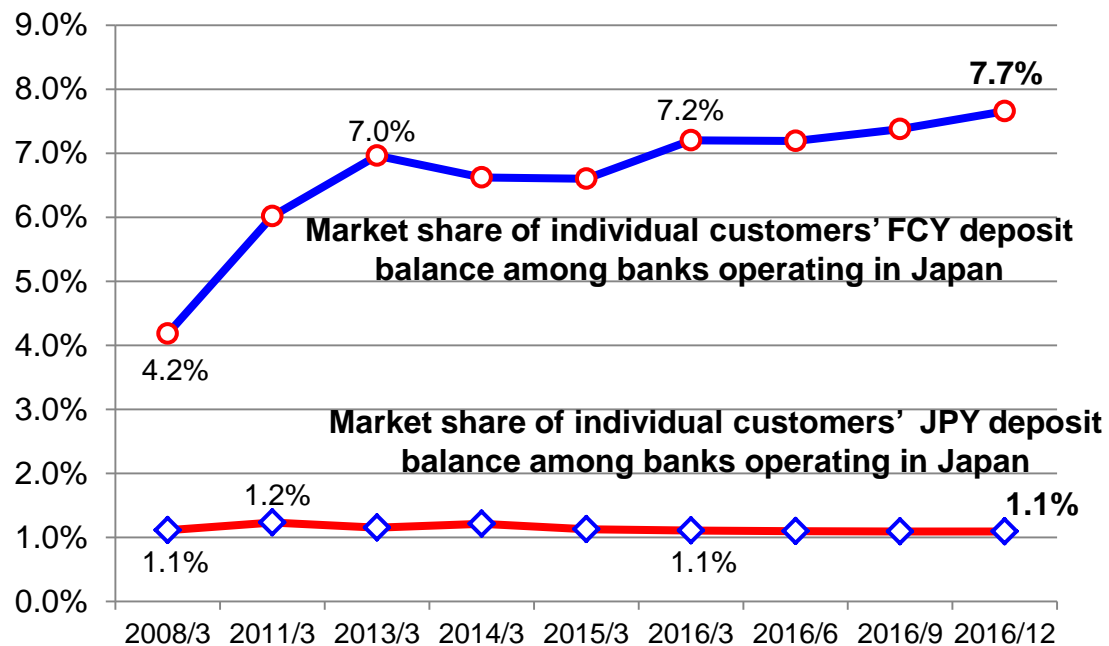
1st place in the “Internet Banking” category of the 2016 Oricon Japan Customer Satisfaction Survey



1st place in the “Banking Service” category of the 2016 Customer Satisfaction Index Survey conducted by the Service Productivity & Innovation for Growth



Market Share: Balance of Individual Customer Deposits



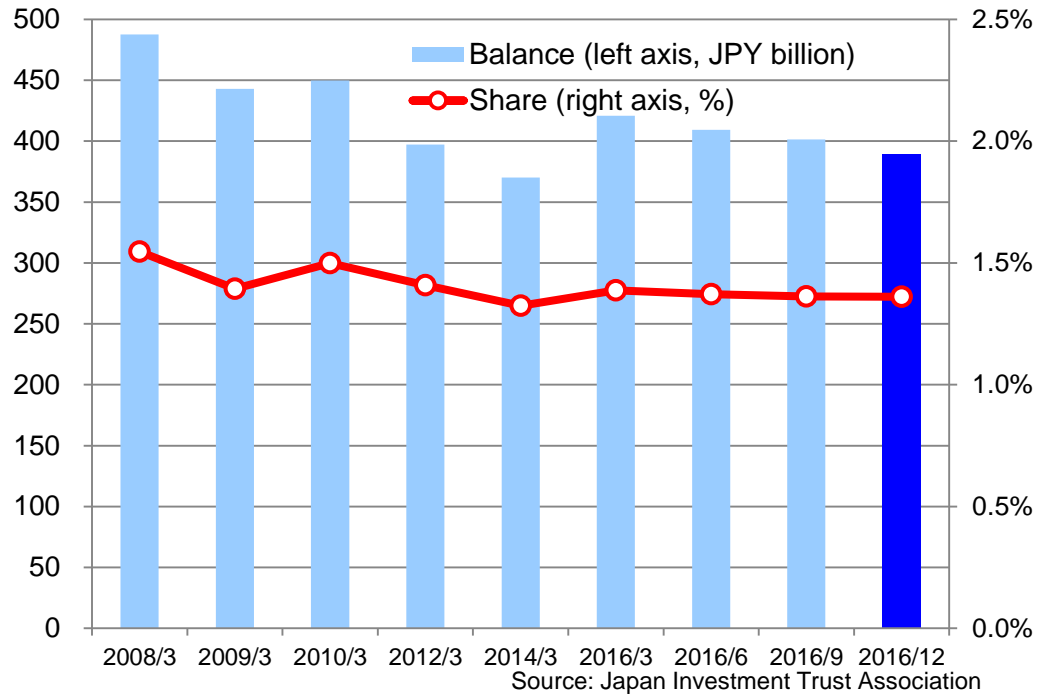
- Deposits from individual customers serve as the core of the Shinsei Group's low cost, stable funding.
- Balance of yen deposits remains stable at approx. JPY 4.8 trillion. No significant changes in market share.
- Foreign currency (FCY) deposit balance of USD-equivalent 3.2 billion (approx. JPY 380.0 billion) as of Dec 2016.
- Significantly larger market share of FCY deposits compared to JPY deposit market share. Realizing stable funding from retail banking customers.

Source: Deposits: Statistics of the Bank of Japan, Domestic banks Individual deposits

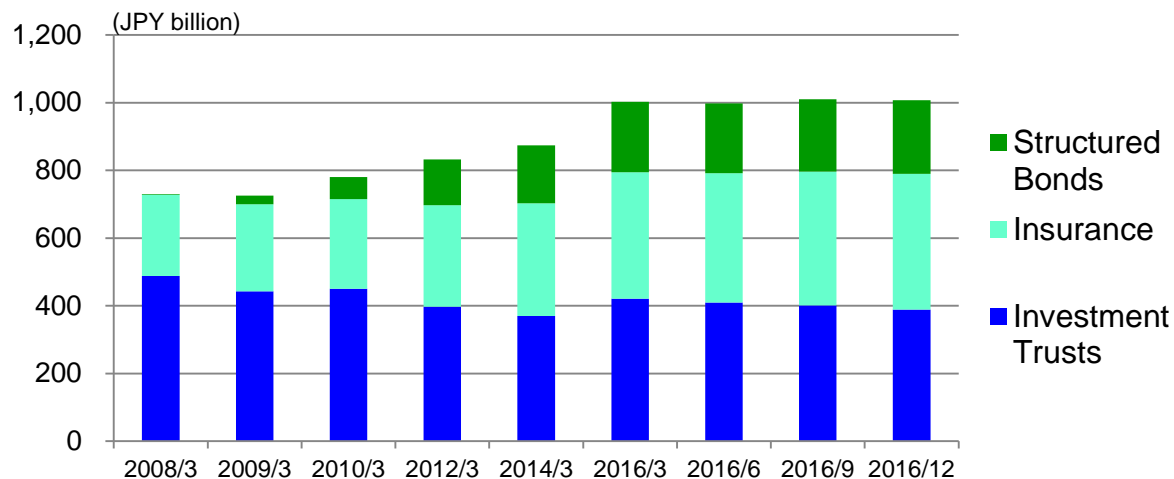


Market Share: Investment Trusts

【Investment Trust Balance Market Share】



【Asset Management Product Balance Trend】



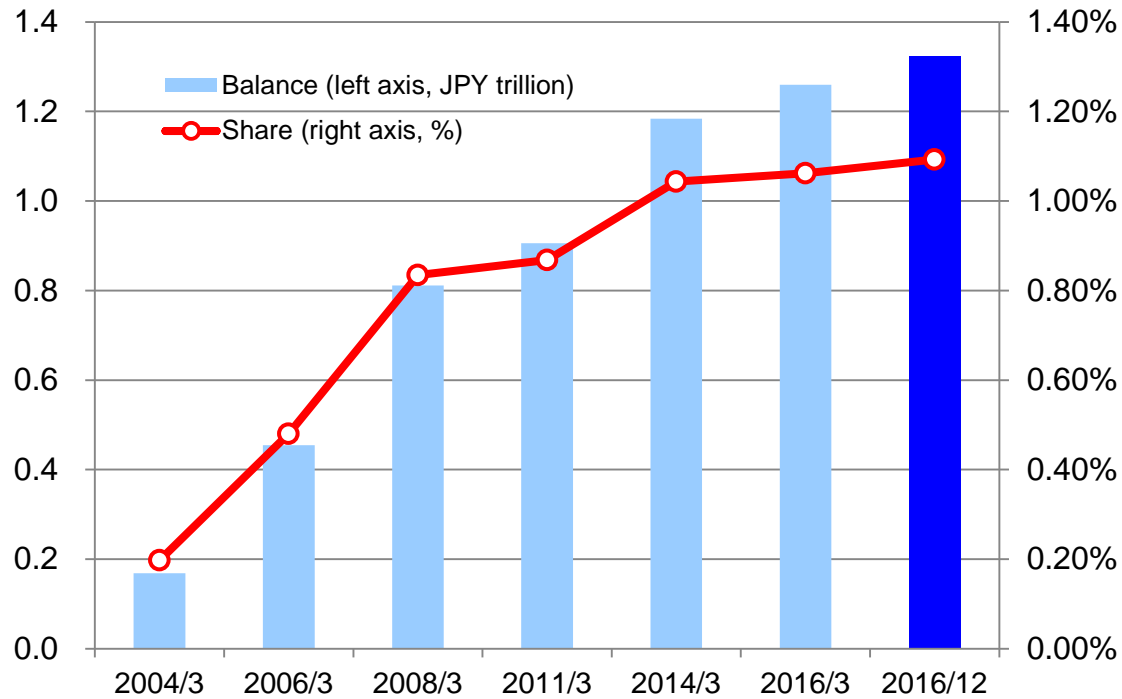
【Investment Trusts】

- A remarkable reduction in customers' investment appetite has resulted from the Bank of Japan's negative interest rate policy.
- Despite fund redemptions and the shelving of the establishment of new funds, resulting in a reduced deal-basis balance, market share maintained.

【Asset Management Product Sales】

- Shifted focus of operations to supporting the medium to long-term asset building and management of current customers.
- Expanded services and product offerings, particularly mutual funds and insurance, in order to meet a diverse range of investment objectives and management needs
 - ◆ Provide novice investors and the asset-accumulation generation with an approachable investment environment.
 - ◆ Expanded target customer base through the offering of fixed premium insurance products in addition to providing product features suited for inheritance purposes which facilitate a multi-generation transaction relationship.

Market Share: Housing Loans



(Customer interest rates as of Dec. 31, 2016, bps)

	Variable	Initial 3 Years Fixed	Initial 5 Years Fixed	Initial 10 Years Fixed	Initial 20 Years Fixed	35 Year Fixed
Shinsei Bank	60.0	85.0	85.0	105.0	120.0	185.0
Maximum	72.5	120.0	125.0	105.0	240.0	212.0
Minimum	49.7	35.0	38.0	45.0	90.0	110.0

- Recently saw strong sales results by capturing refinancing needs after the Bank of Japan introduced the negative interest rate policy (NIRP).
- Customer focus has shifted to costs other than interest rates due to low interest rate environment, and in regard to social issues such as the social advancement of women and becoming unable to work as before Our unique housing loan features (sick child care services, etc.) are well received by customers and differentiates Shinsei Bank from other banks.
- Maintained a certain level of profitability even after the NIRP was introduced.

Sources:

Balances – Statistics of the Bank of Japan, Domestic banks and *Shinkin* banks housing loans for individual customers

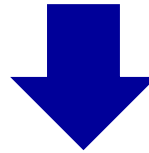
Interest rates – Data surveyed by Shinsei Bank

Three mega banks, Resona, Sumitomo-Mitsui Trust Bank, Mitsubishi-UFJ Trust Bank, Yokohama Bank, Chiba Bank, Sony Bank, Sumishin SBI, Jibun Bank, ARUHI

Awareness of Retail Banking Business Issues

Recognized Issues

- Lack of new customers and the aging of existing customers in the sale of asset management products
- Investing opportunity needs increasing in the asset-accumulation generation and younger demographics
- Changes in product profitability influenced by economic and financial markets conditions



Countermeasures

Need to maximize customer base in terms of both quality and quantity

- ◆ Activation of existing customers (wide range of age groups and geographic areas)
- ◆ Utilization of the Group customer base
- ◆ Utilization of ex-Shinsei membership bases

Work on deepening relationship and expanding customer base by optimizing communication, touch points and messages

Initiatives Implemented

■ Channel

◆ Facilities

- New branches (Shibuya, Nagoya, and Tama plaza) ⇒
- Partner ATM network expanded ⇒
- Creation of the customer service space “Beans” ⇒

Touch points and consulting opportunities increased

Touch points increased

Floor space for serving customers enlarged in branches

◆ Operations

- Revision of over-the-counter operations ⇒
- Tablet based document entry ⇒
- Outbound calling consolidated in the “Direct Banking Team” ⇒

More time to interact with customers

Operations centralized and outsourced

More time to interact with customers

Operations centralized and outsourced

More time to interact with customers

■ Customer service

- *Omotenashi* project ⇒

Improving customer service skills and morale

■ Product; Service

- ### ◆ Low minimum investment products, reduction of minimum investment on existing products ⇒

Message optimized and consulting opportunity increased

- Expanded offerings of fixed premium insurance products
- Minimum investment amounts reduced for investing in investment trusts
- Minimum investment amounts reduced for structured bonds

- ### ◆ Attracting Customers ⇒

Message optimization and consulting opportunities increased

- Birthday JPY time deposit
- Offering of higher interest rates on time deposits in branch locations

Further develop relationships with customers through the use of a new CRM system going forward and expand the customer base by introducing new online banking services equipped with communication functions

Connecting Customers, Channels, Staff and Systems Through CRM

Seeking to expand the business base by strengthening the relationships between customers and the Bank through the optimization of customer touch points by appropriately compiling and using customer information and maximizing the number of customer contacts through the integration of business functions

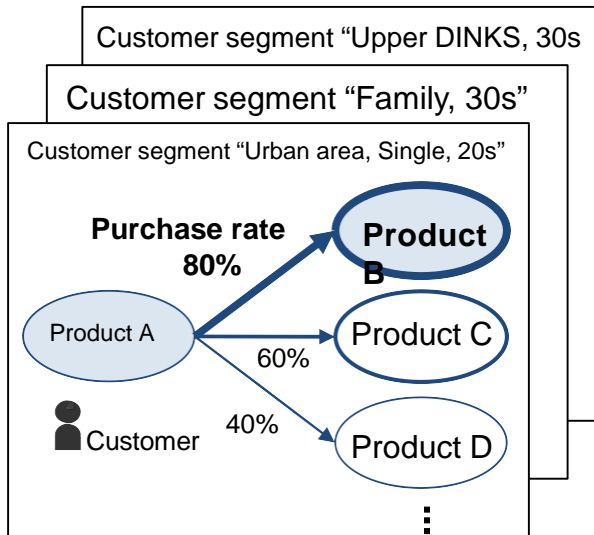


High-level Use of Customer Information Through the Application of AI (1)

- Use AI to analyze customer information in order to deepen relationships with customers
- Commenced test marketing based upon “Pin Point Cross Selling” model
- Develop the above-mentioned marketing to establish a higher-level marketing model in the future in order to offer products to customers via the most appropriate channel and at the best timing
- Outsourced to SecondXight Inc. to analyze a large amount of data & info using scientific & statistical techniques and to develop a highly accurate forecasting model in a shorter period of time

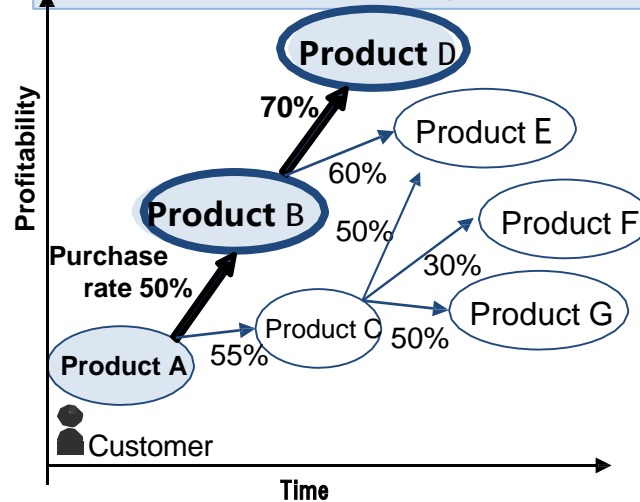
Current

Pinpoint Type Cross Selling



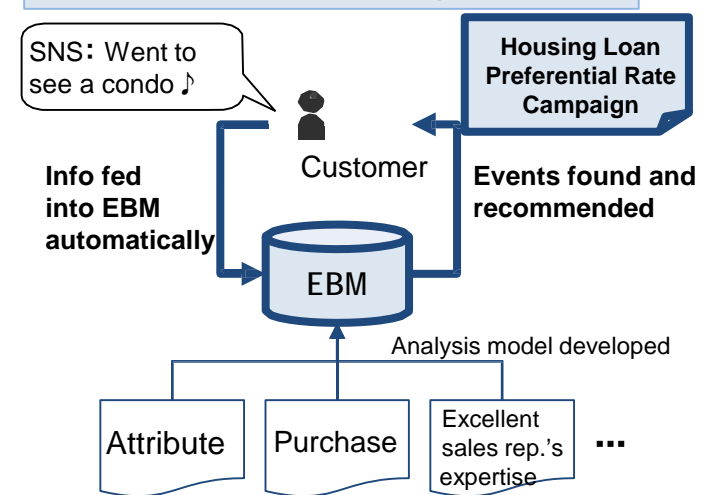
- Segment customers by attribute
 - “Urban area, Single, 20s”, “Family, 30s”, etc.
- Purchase rate to be calculated for each segment to make cross-selling
 - Product B: 80%, Product C: 60%

Customer Enlightenment Type Cross Selling



- Identify purchase pattern/history of profitable customers
 - Profitable customers: Product A → B → D
 - Unprofitable customers: Product A → C → G
- Follow the identified flow to make cross-selling
 - Purchase rate of Product B is lower than Product C, but a purchaser of Product B ended up being a profitable customer. Therefore, Product B should be offered as a cross-selling product.

Event Based Type Cross Selling



- Event detection model & Appropriate product advice model to be developed based on attribute, account/transaction info, and excellent sales rep.'s know-how. (Event Based Marketing)
- Various big data to be automatically fed into EBM to cross sell most suitable products for life events, etc.
 - SNS message, etc. to be fed and analyzed to offer housing loan preferential interest rates, etc.

High-level Use of Customer Information Through the Application of AI (2)

Current Operation

- Measures implemented according to Forecasting Model in response to a business which is promoted at the time
- Analysis conducted by mainly classical statistics “White Box” method (logistic regression analysis, decision tree)
- Data to use:
Attribute, Transaction, Month-end balance by product, Withdrawal/Deposit history, Interaction over the counter, by phone, etc.

Matters Currently Not Being Addressed

- Financial advice for customers about suitable products via suitable channel
- Proposals for the Bank to draw up customer-activation measures

Objectives of Collaboration with SecondXight Inc.

A. Increase Utilized Data

- Analysis using data across multiple products, e.g. loans, investment products, various financial cards, etc.
- Broader usage of web behavioral data such as blogs

B. One-To-One Basis

- Accurate forecasting of suitable products & channels based upon individual customer characteristics
→ Clearly identify “which product” should be recommended to “whom” “at which time” and in “what manner”

C. Analytical Technique Enhancement

- Establishment of Forecasting Model with higher-level machine learning methods (Black Box model such as Deep learning, Ensemble learning, etc.)
- Continual improvement/adjustment of the Model by learning from feedback about implemented measures

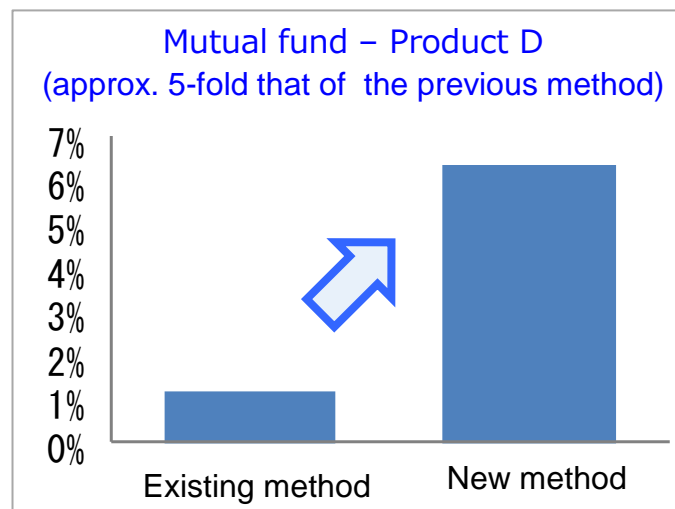
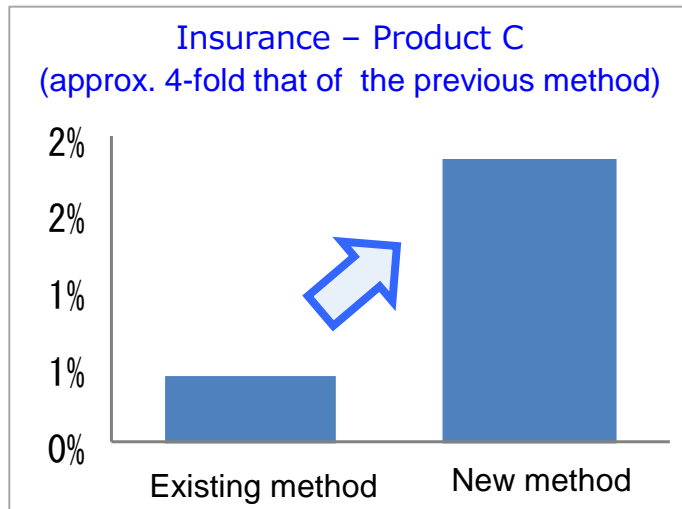
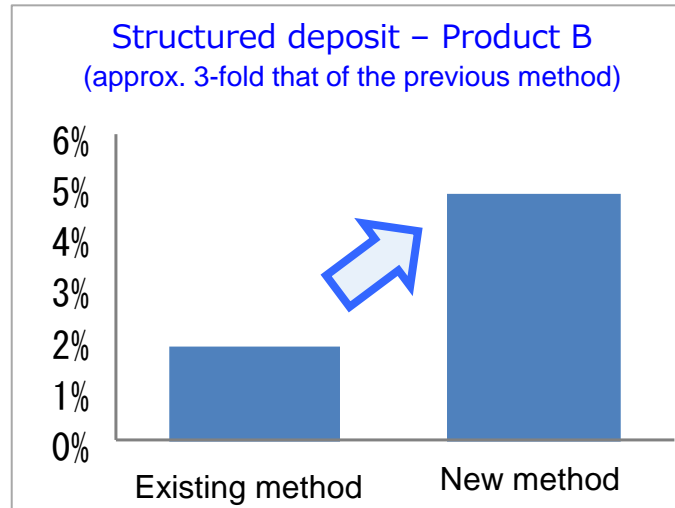
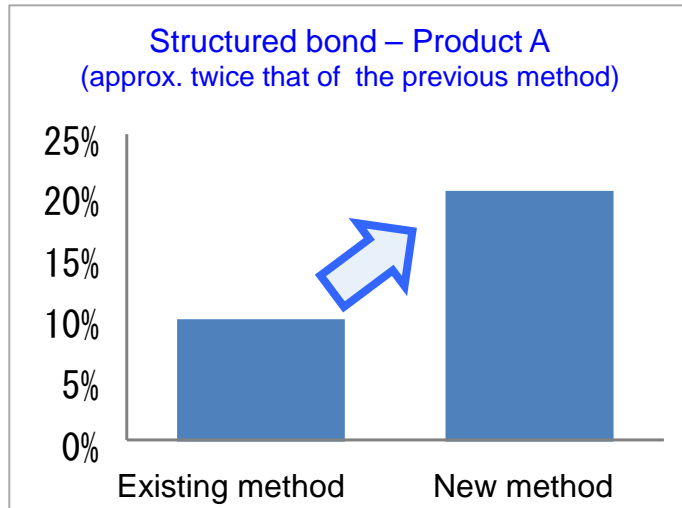
High-level Use of Customer Information Through the Application of AI (3)

Expected Effectiveness

- A) Increase in data utilization
- B) Forecasting Model enhancement
- C) Analytical technique enhancement



Expected effectiveness approx. 2 to 6 times for all products



Provide approx. 3 million customers with score, pick up top 5,000 customers ranked in “probability of forecasting”, and compare their response results in 2 months

Existing method: White box model
New method: Black box model

Concept of New PowerDirect

- Conversion to a communication tool from a transaction tool (with a next generation CRM)
- Customer-friendly online banking, easy to view and easy to use
- High-level security to protect customers' assets (prevent customers' assets from being stolen by crime groups)
- Excellent maintainability and extendibility system


Next Generation Online Banking – Website Screen Image

Important info retrieved from CRM to display here

重要 Please update your address.
重要 Email address is not yet registered with us.

Event notice for individual customer (Recommend)


[<Seminar which interest you scheduled>](#)
[【Urgent Seminar】Brexit influence → Seminar Sing up](#)

Online seminar starts soon

[<Today's Seminar>](#)
 What happens to US employment data.

Online seminars through CRM or another system

Status retrieved from SF to display here, and induce to & coordinate with the next action

Incomplete procedures:
 Mutual fund a/c opening Please return documents by post. →Material request
 NISA A/c opening My Number registration is not completed. →Doc. upload



Face-to-face communication with the Bank rep

Individualized message entered by the Bank rep after a sales session at the Bank branch

<Message from the Bank rep>
 Thank you for your visiting our branch.
 Feel free to contact me if you have any question. Kudo

Account details retrieved from core system to display here

Ms. --- -- branch (Branch code 123) A/C # 1234567

Account balance (JPY equivalent) mm dd, yyyy hh:mm

Total	999,999,999,999 yen		
JPY savings	999,999,999,999 yen	→ Trx history	→ Fund transfer
JPY time deposit	999,999,999,999 yen	→ Trx	
FCY savings	999,999,999,999 yen	→ Buy	→ Sell
FCY time deposit	999,999,999,999 yen	→ Trx	
Structured deposit	999,999,999,999 yen	→ Balance inquiry	→ Trx
Mutual fund	999,999,999,999 yen	→ Trx (Mutual fund Top)	

→ A/C info TOP

Phone: → XXX-XXXX-XXXX
Chat: → [Ask now](#)
Videophone: → [Connect now](#)
※ It may take time to connect

New communication beyond time and space

Recent 5 transactions JPY savings

Date	Code	Credit	Debit
m/d	123456789012345	123,456,789,123円	123,456,789,123円
m/d	123456789012345	123,456,789,123円	123,456,789,123円
m/d	123456789012345	123,456,789,123円	123,456,789,123円
m/d	123456789012345	123,456,789,123円	123,456,789,123円
m/d	123456789012345	123,456,789,123円	123,456,789,123円

[Request for Application forms or Product brochures](#)
[Reservation for Consultation at branch](#)

Seamless collaboration with sales-force workflow

Smartphone Banking

Timeline Establishing Smartphone-banking Environment & Functions

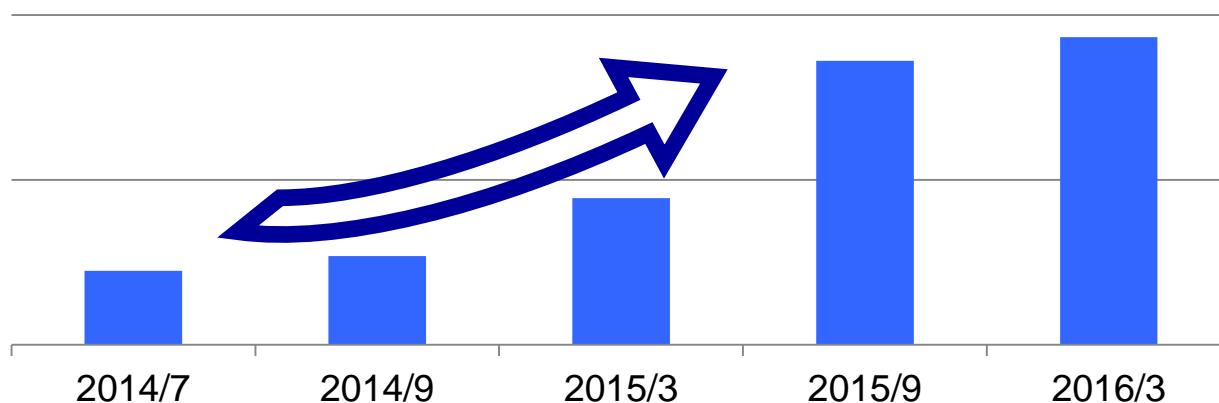
- ◆ Nov 2013 Homepage smartphone compatibility upgraded
- ◆ Feb 2014 Smartphone specific banking website launched
- ◆ Mar 2014 Account opening application software provided for Smartphone users
- ◆ May 2014 Application software provided for Smartphones (support app)



Timeline of Improving Smartphone-banking Functions

- ◆ Aug 2015 Foreign currency transaction application software provided for Smartphones 【A/C opening app】 【Support app】
- ◆ Apr 2016 Mutual fund transaction via Smartphones started
- ◆ Sep 2016 FX transaction application software provided for Smartphones

Number of PowerDirect Logins via Smartphone (monthly total)



【FCY deposit app】

【FX app】

- **The preceding description of Shinsei Bank Group’s Medium-Term Management Plan contains forward-looking statements regarding the intent, belief and current expectations of our management with respect to our financial condition and future results of operations. These statements reflect our current views with respect to future events that are subject to risks, uncertainties and assumptions. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, our actual results may vary materially from those we currently anticipate. Potential risks include those described in our annual securities report filed with the Kanto Local Finance Bureau, and you are cautioned not to place undue reliance on forward-looking statements.**
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