

Strategic Focus on Small-Scale Finance

Redesigning Finance

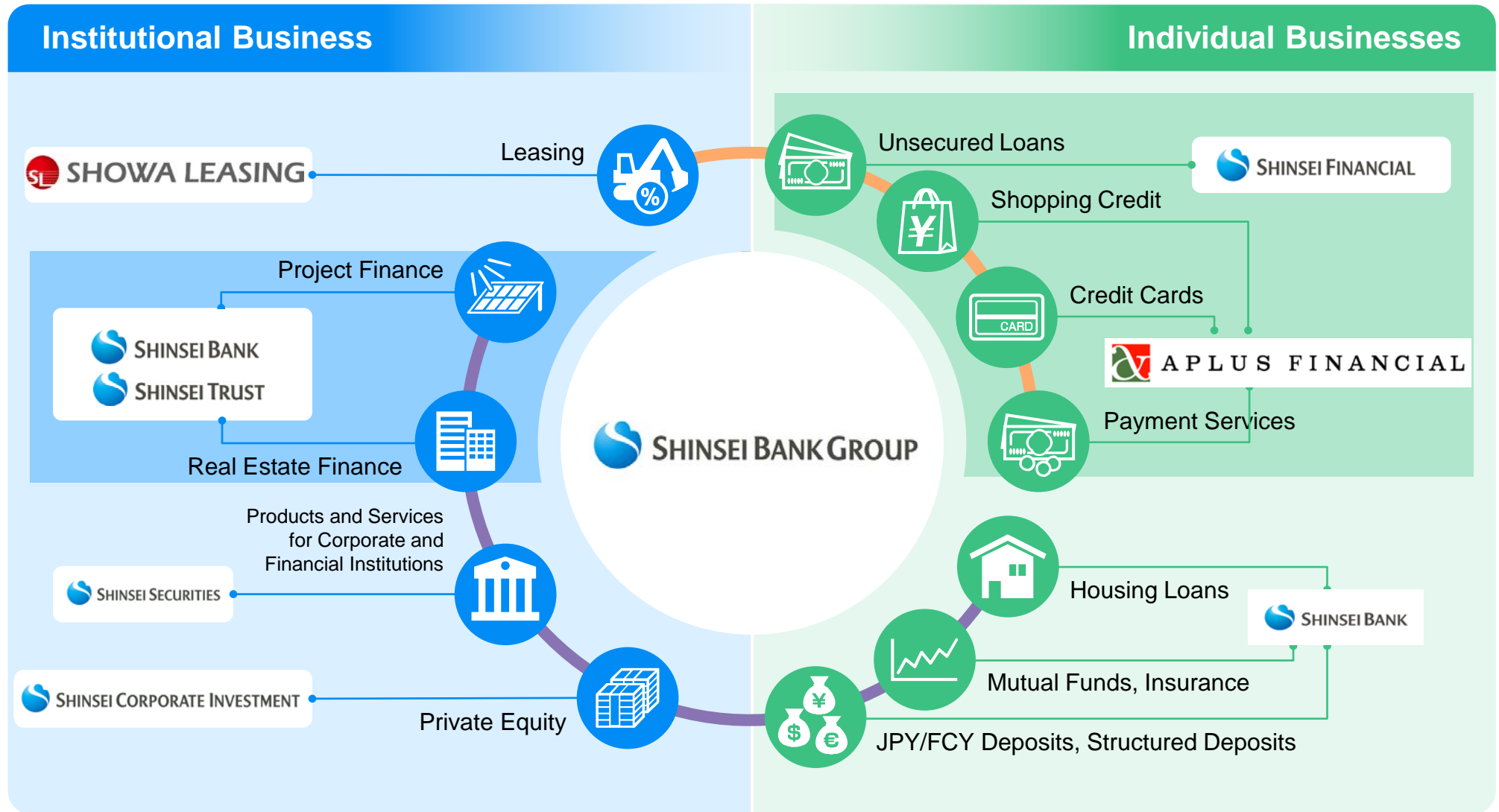
September 7th, 2020

Agenda

- **Strategies of Shinsei Bank Group ----- P 3**
- **Small-Scale Finance: Strategic Focus ----- P 7**
 - ✓ **Progress of Small-scale Finance**
 - ✓ **Value Co-creation with Partners**
 - ✓ **Provision of Neo-bank Platform**
- **Reference ----- P 15**

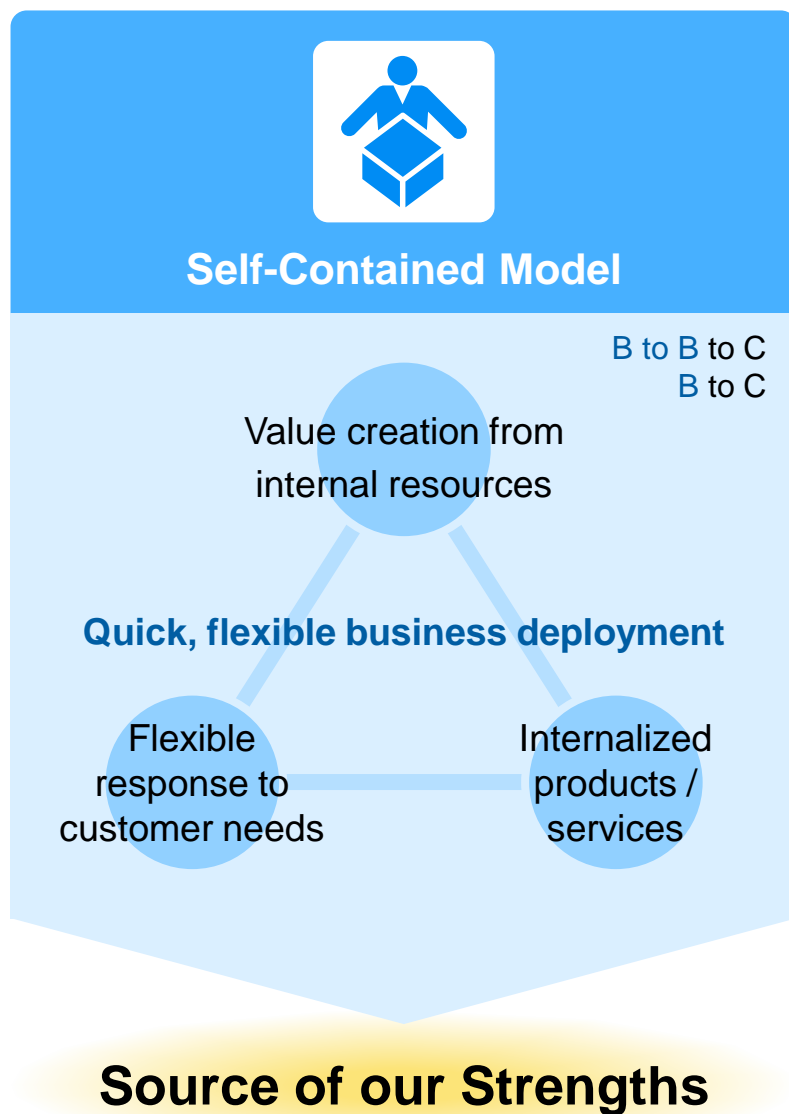
Strategies of Shinsei Bank Group

Hybrid and seamless products and services portfolio

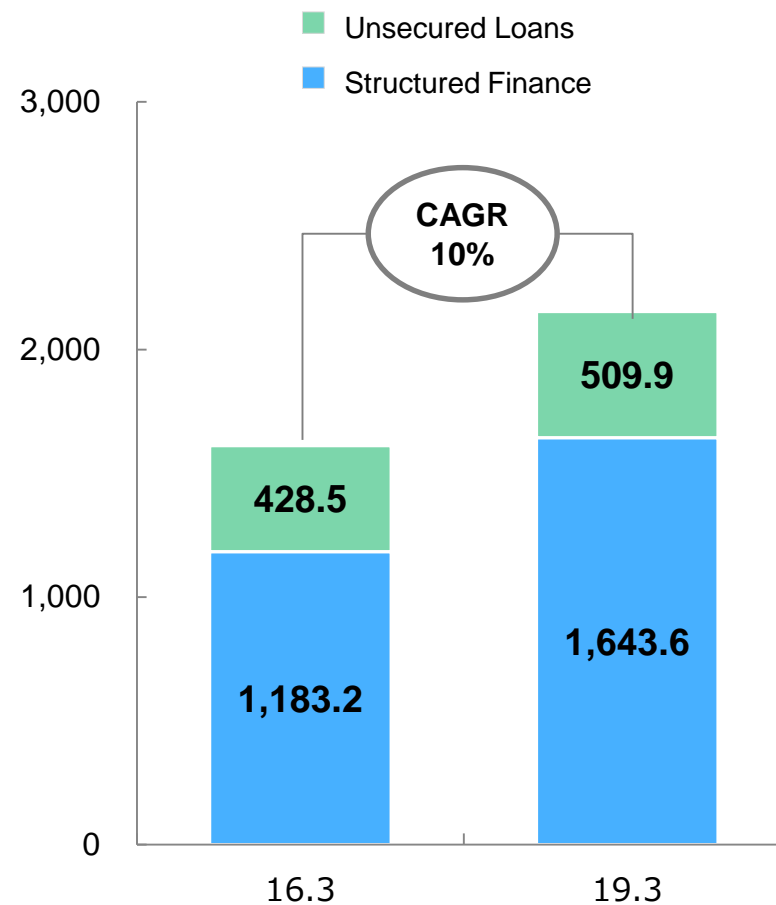


Medium-term management plan (FY16-18): Focused on leveraging our core strengths

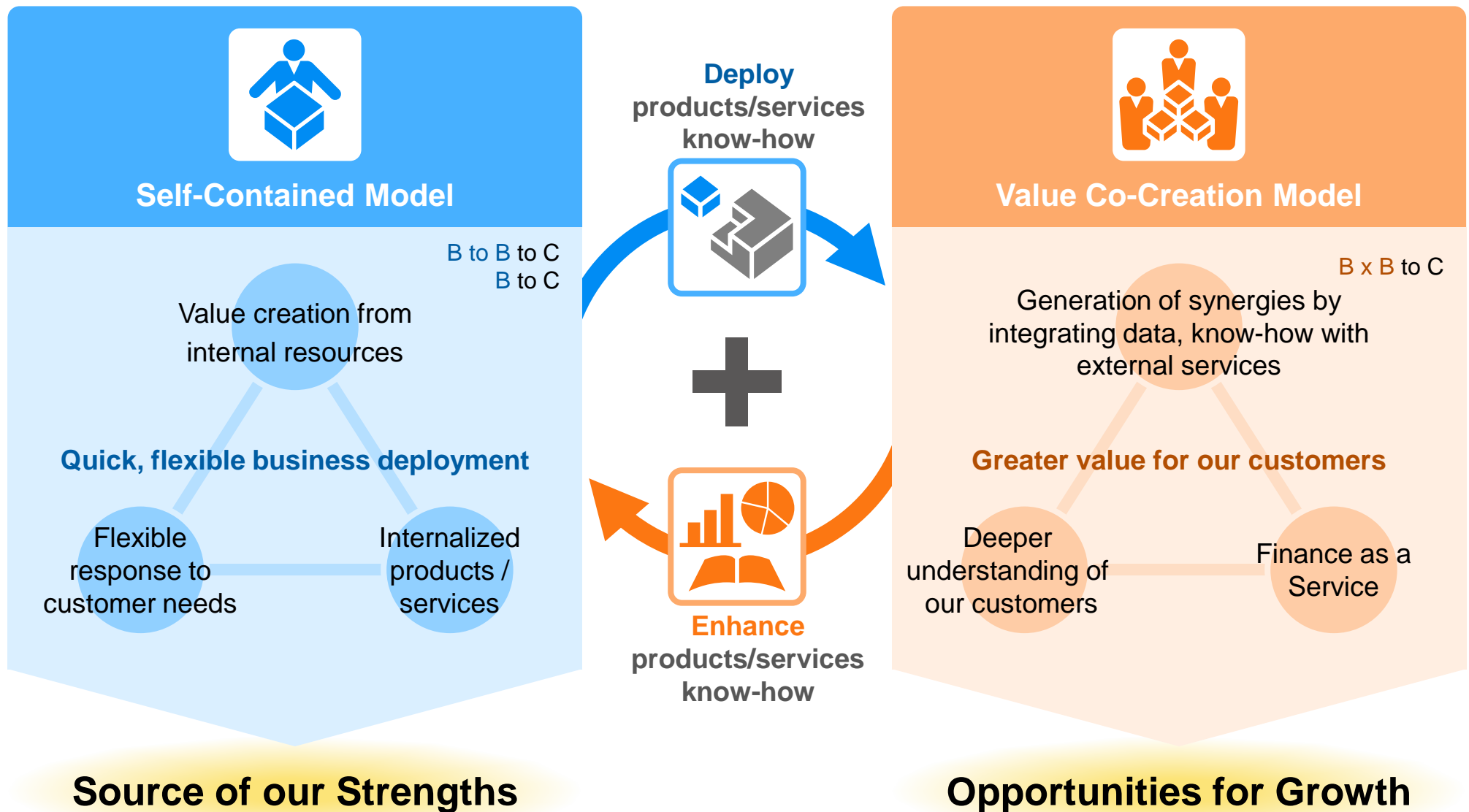
(Unit: JPY billion)



■ Growth business areas operating assets balance grew at 10% CAGR



Medium-term strategies (FY19-21): Value co-creation with partners leveraging our strengths



Small-Scale Finance: Strategic Focus

Strategies of small-scale finance:

Value co-creation with partners, leveraged by our strengths and capabilities

○ What is Small-Scale Finance?

Core Customers

Individuals and small businesses

Product / Service Lineup

Small-size, high-frequency credit and payment transactions:

- Unsecured loans, shopping credit
- Credit guarantee, rent guarantee
- Credit cards, prepaid cards
- Other cashless payments

Our Capabilities

- Data science leveraging AI including data linkage between financial data and behavioral data owned by partners
- Know-how in loan collection, operations and IT capabilities which are not easily replicated

Value Co-Creation Model

Initiatives with partners

3 **Build / participate in ecosystems, share data to better understand our customers**

- Provide loan collection, operational capabilities and IT systems as a functional part of the product based on partner needs



2 **Strengthen core capabilities, integrate with payment platforms**



Self-Contained Model

Initiatives by Shinsei Bank Group

1 **Streamline and speed-up existing processes**

- Unsecured loan business by Lake ALSA as an example

Self-contained model: Lake ALSA expands basic earnings power

■ Providing unsecured loans by using credit management know-how and digitalization



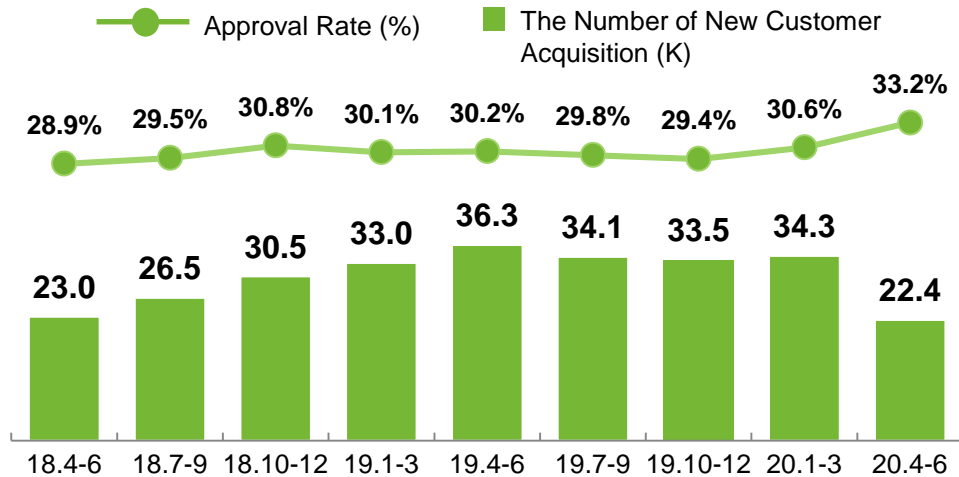
New brand called "Lake ALSA" was launched in April 2018



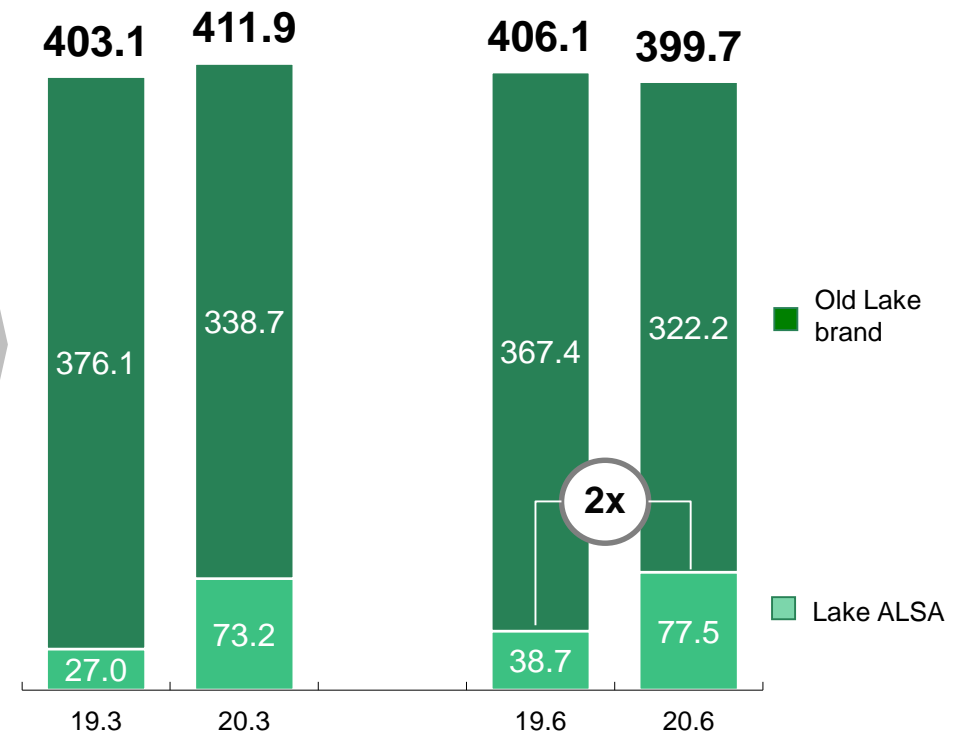
Lake ALSA increased new customers through digitalization and credit management know-how

(Unit: JPY billion)

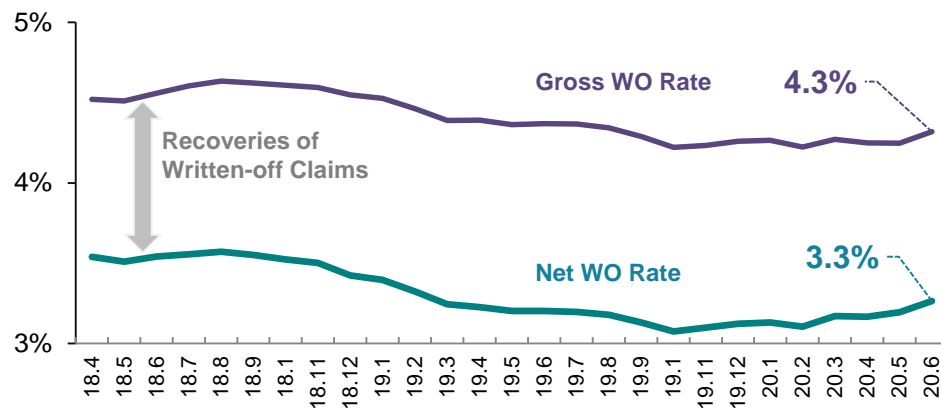
Lake ALSA New Customer Acquisition



Lake Loan Balance



Lake Portfolio Write-off (WO) Rate



✓ Lake ALSA loan balance continues to grow while total Lake loan balance decreased YoY in June 2020 reflecting COVID-19 impact

Value co-creation business: Developing initiatives with partners (1)

Lending functions for individuals

“Shinsei Bank Smart Money Lending” for Docomo Users



For **Docomo** users
Shinsei Bank Smart Money Lending

Objectives

Provide optimized financial services to Docomo users through access to a new customer segment which is different from conventional money lender segment

Capabilities

Data analytics in marketing, credit management including loan collection, based on Lake's know-how

Features

Credit scoring based on data owned by Docomo

Value co-creation business: Developing initiatives with partners (2)

Various financial services to micro and small enterprises (MSE)

A joint financial business with USEN-NEXT HOLDINGS was established to provide financial services

Objectives

- To access 750,000 customer base of USEN-NEXT GROUP
- Integration of USEN-NEXT GROUP's comprehensive store support services and Shinsei's initiatives to create value through collaboration with partners

Features

- To provide financial services such as shopping credit, vendor leasing, business credit cards and lending to the MSE customers
- Commenced shopping credit and credit card services from August 2020

Credit services to foreign residents in Japan

Credd Finance, Ltd. was established with Seven Bank, Ltd. to provide financial services

Objectives

- To access foreign residents customer base of Seven Bank, Ltd.

Features

- Jointly with Seven Bank, Ltd. provide new credit-related services such as loans and credit cards, to meet the funding needs of foreign residents in Japan
- Commenced credit card services from August 2020



Value co-creation business: Developing initiatives with partners (3)

Neo-bank platform BANKIT[®] was launched



Objectives

To collaborate with partner companies with customer bases by utilizing Shinsei's financial licensing and leveraging financial and payment systems capabilities

Capabilities

Seamlessly provide the functions and strengths of Group companies to the partner companies and their customers

Features

To provide financial services platform with "cafeteria style" in accordance with the needs of partners

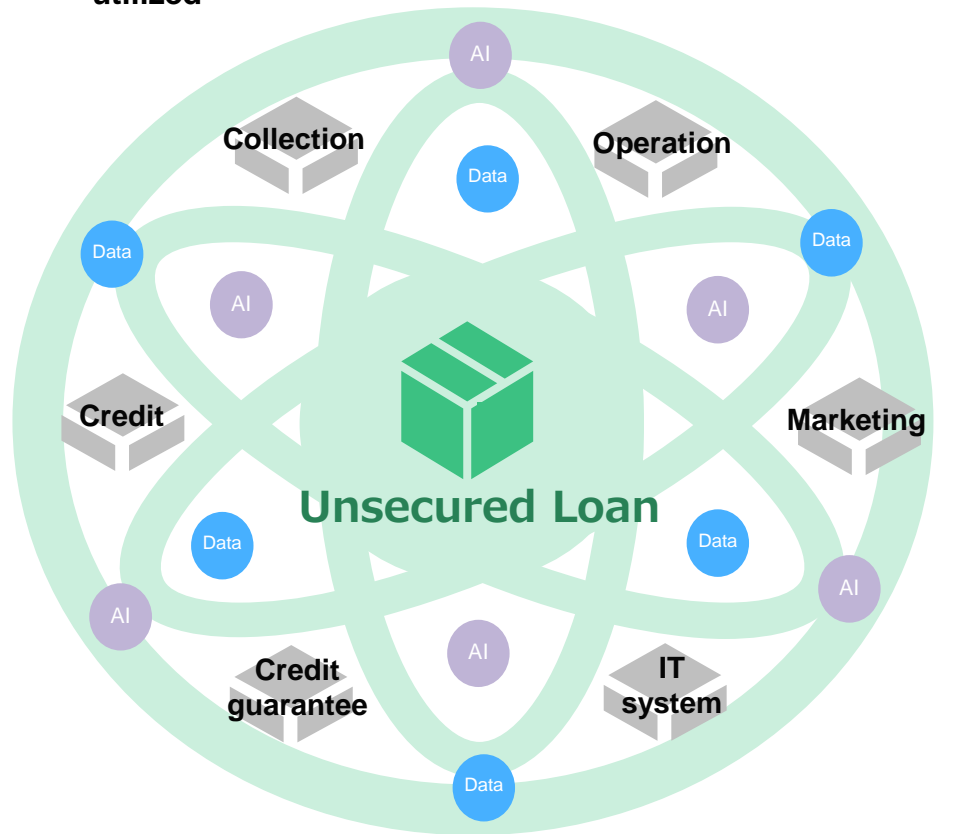
To reduce pain points for partner companies to enter the financial business




Image of cafeteria style reflecting partners' needs on the platform

Value co-creation business: Utilizing functions and technologies in small-scale finance

- Loan collection, operations, IT systems and marketing constitute indispensable functions to offer products and services. These capabilities are utilized in the value co-creation business
- To process big data AI technology and data analytics are utilized

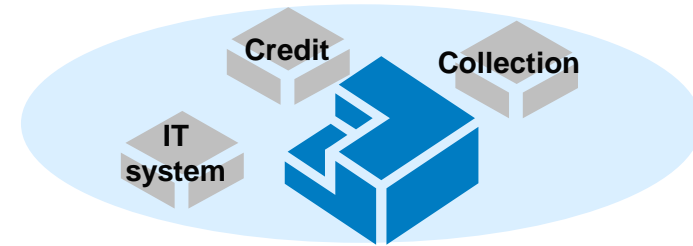


 SHINSEI BANK GROUP
Group data strategies

 SecondXight
AI technology and analytics

Pattern A

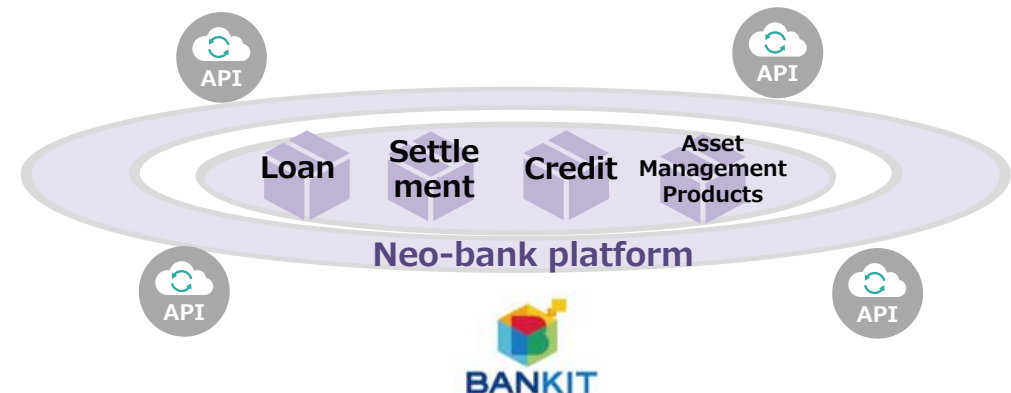
Providing necessary financial functions to compliment partners' products and services



Products and services

Pattern B

Providing a set of necessary financial functions and services with BANKIT® platform, and connecting with the partners via API



Reference

Footsteps of value co-creation business

◆ Value Co-creation with Partners



For **Docomo** users
Shinsei Bank Smart Money Lending

▶ Providing lending functions for individuals

- ✓ Aug. 2019 : Commenced “Shinsei Bank Smart Money Lending” for Docomo Users

▶ Providing credit services to foreign residents in Japan

- ✓ Jan. 2020 : Established Credd Finance, Ltd. with Seven Bank, Ltd.
- ✓ Aug. 2020 : Started issuance of credit cards

▶ Providing various financial services to micro and small enterprises (MSE)

- ✓ Dec. 2019 : Announced a joint financial business with USEN-NEXT HOLDINGS
- ✓ Aug. 2020 : Launched shopping credit and credit card services to corporate customers of USEN-NEXT GROUP

FY2016

FY2019

FY2020

◆ Development of Small-Scale Finance

▶ Commenced small-scale finance in Vietnam (m credit)

- ✓ In 2016, small-sale finance business started through a JV with a major private commercial bank in Vietnam (i.e. Military Commercial Joint Stock Bank)

▶ Acquired UDC Finance, a leading company in non-bank industry in New Zealand

- ✓ Sep. 2020 : Completed share transfer and made it a 100% owned subsidiary

▶ Financial platform BANKIT® was launched

- ✓ Mar. 2020 : Started neo-bank platform BANKIT® which enables to connect to smartphone apps and client’s system with API

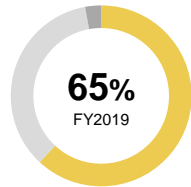


Shinsei Bank Group business at a glance

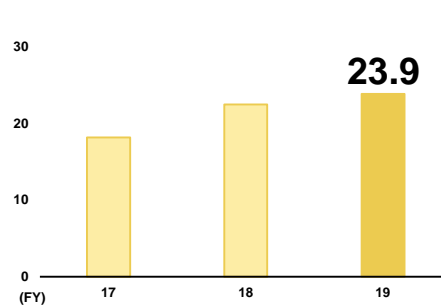
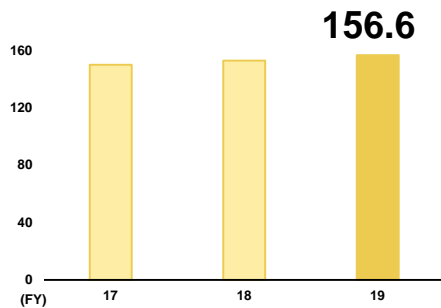
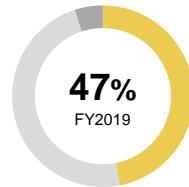
(Unit: JPY billion)

Individual Business

Total Revenue

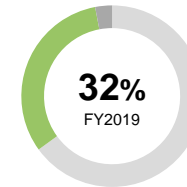


OBP¹ after Net Credit Costs

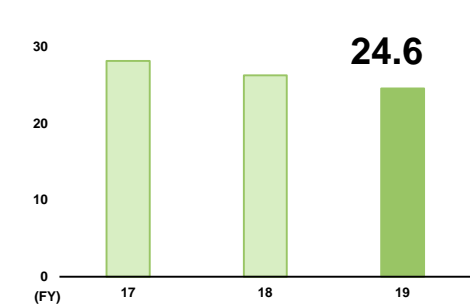
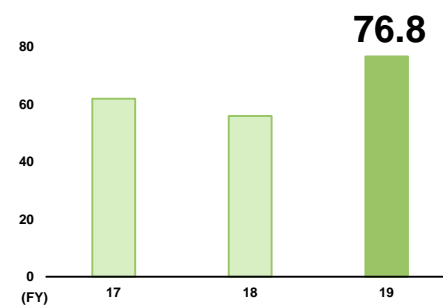
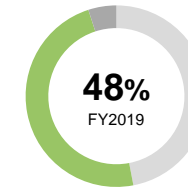


Institutional Business

Total Revenue



OBP¹ after Net Credit Costs



Major Businesses

- Retail Banking** Yen / foreign currency deposits, structured deposits, investment trusts, securities brokerage services (through a partner institution), life and nonlife insurance (through partner institutions), housing loans and other financial services for individuals
- Shinsei Financial** Unsecured loans and credit guarantees (Lake ALSA, Shinsei Financial, Shinsei Bank Card Loan L (former Shinsei Bank Lake), NOLOAN)
- APLUS FINANCIAL** Shopping credit, credit cards, loans and payment services
- Other Individual Business** Other subsidiaries

¹ Ordinary Business Profit

Major Businesses

- Corporate Business** Providing financial products, services and advisory services for corporations, public-sector entities and financial institutions, healthcare finance business, trust banking business
- Structured Finance** Real estate-related nonrecourse finance and corporate finance, project finance, specialty finance including M&A-related finance
- Principal Transaction:** Private equity, credit trading, business succession finance and asset-backed investment, etc.
- Showa Leasing** Financial products and services focused around lease finance
- Markets Business** Foreign exchange, derivatives, equity-related and other capital markets business
- Other Global Markets Businesses** Securities business, asset management business, wealth management business

Financial targets of medium-term strategies

EPS Growth Rate

Growth

Annual average
excluding the buyback effect

2% or more

Profit Share of Focus Areas

(Share of operating business profit after net credit costs, excluding one-time factors)

Growth

Small-scale finance

FY2018
45%



FY2021
50%

Businesses for institutional investors

FY2018
10%



FY2021
15%

ROE

Profitability

FY2018
6.0%



**In the medium
term**
8.0%

OHR

Efficiency

FY2018
63.0%



FY2021
Less than
50%

CET 1 Ratio

Soundness

FY2018
12.0%



**In the medium
term**
Minimum
10%

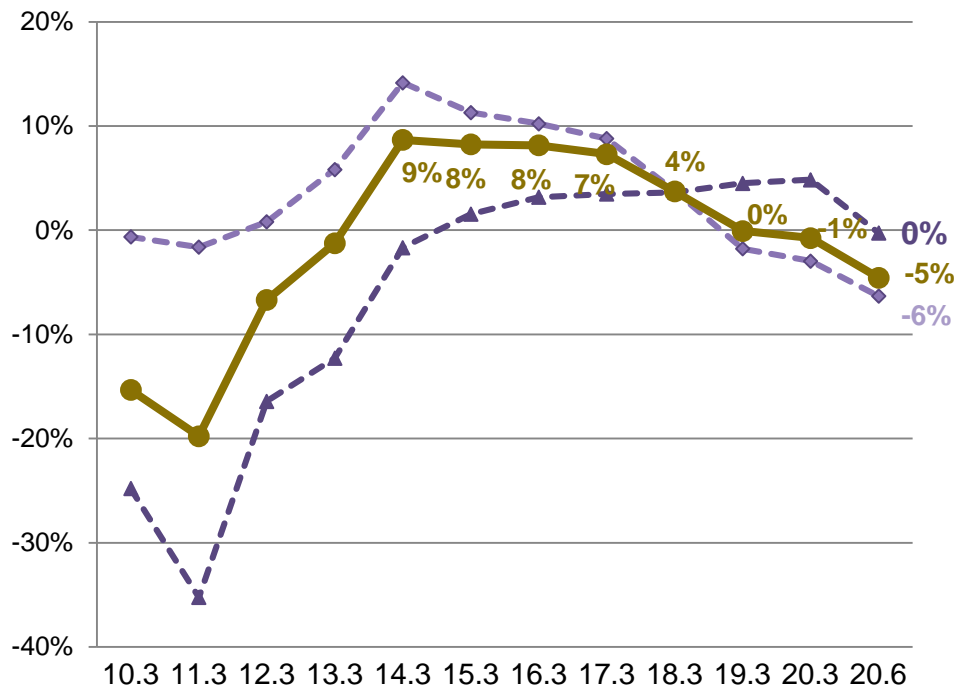
Shareholders Return

Shinsei Bank aims to maintain or improve the total payout ratio, depending on financial conditions and market environment, considering total shareholders return policy as outlined in the Revitalization Plan. (*)

* As mentioned in the Revitalization plan submitted to the Financial Services Agency on March 25, 2020, we will continue to aim to maintain and improve our shareholders return, taking into consideration the level of the general total shareholders return ratio of Japanese domestic banks.

Unsecured loan market: Nonbank market remains flat while overall market appears to decrease

Unsecured Loan Market: Growth Rate (YoY)

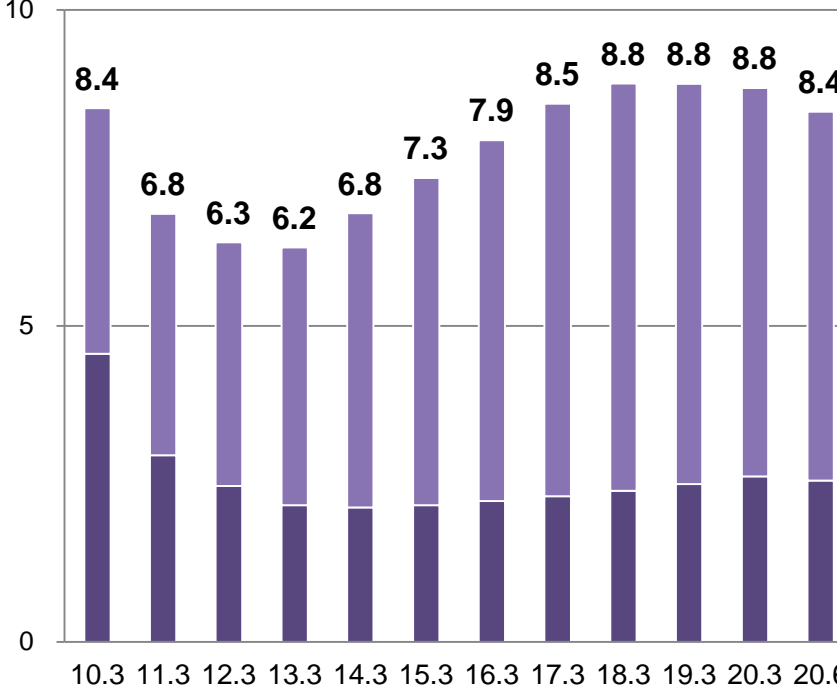


(Data Source) Bank of Japan, Japan Financial Service Association

- ◆ YoY: Bank Card Loan Growth Rate
- YoY: Unsecured Loan Market Growth Rate
- ▲ YoY: Nonbank Unsecured Loan Growth Rate

Unsecured Loan Market: Size

(Unit: JPY trillion)



(Data Source) Bank of Japan, Japan Financial Service Association

- Bank Card Loan Balance
- Nonbank Unsecured Loan Balance

"Unsecured loan market" = "Bank card loan balance" + "Nonbank unsecured loan balance"

"Bank card loan balance": Statistics aggregated by the Bank of Japan; Balance of consumer card loans extended by domestic banks and credit unions

"Nonbank unsecured loan balance": Statistics aggregated by the Japan Financial Services Association; Unsecured loans (consumer finance sector) month end balance (excludes housing loans)

Disclaimer

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