

Board of Directors, Audit & Supervisory Board Members

Board of Directors, Audit & Supervisory Board Members with a Full Diversity of Knowledge and Experience

The Board of Directors of SBI Shinsei Bank is composed of five outside directors and four executive directors with extensive experience and highly specialized knowledge and is well balanced. In addition, it is composed with diversity including gender and generation.

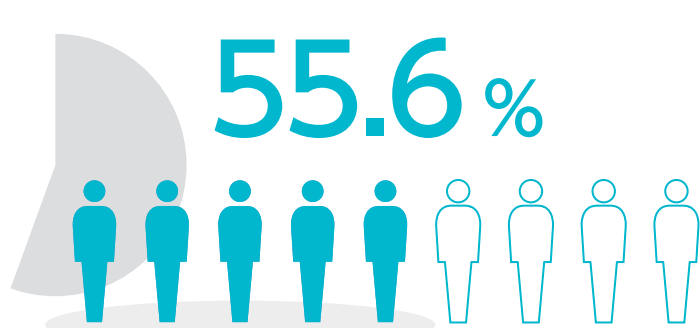
■ Diversified Experiences and Skills Required for Outside Directors

	Hirofumi Gomi	Katsuya Kawashima	Katsumi Hatao	Eisuke Terasawa	Yasuhiro Hayasaki	Ayumi Michi	Masahiro Terada	Yurina Takiguchi	Katsunori Tanizaki
Management Experience	Corporate/Association Management	○	○	○	○	○			○
	Venture Company Management		○						
Financial Experience	Investment and loans	○	○	○	○	○	○		○
	Securities/Financial Market Business		○	○	○		○		○
	Overseas Finance			○		○	○		
	Finance/Risk Management	○	○	○	○	○	○		
Other Necessary Experience	IT/Digital		○						○
	Consumer Business		○						
	Real Estate Business						○		
	Mass media							○	
Comprehensive Knowledge on Management and Finance	Legal/Governance	○		○		○	○		
	IR / Public Relations							○	
	Personnel Labor/Human Rights Protection			○			○	○	
	Diversity					○		○	
	Administration Bureau Experience	○				○			

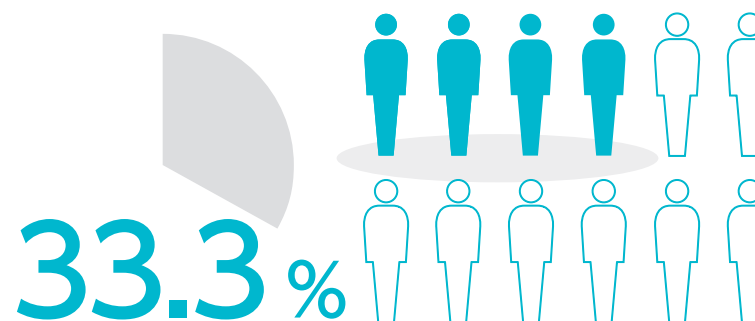
■ Audit & Supervisory Board Members' Skill Matrix

	Shinya Nagata	Ikuko Akamatsu	Miyuki Nakagawa
Finance	○		
Financial Accounting	○	○	
Legal Affairs			○

■ Ratio of Outside Directors on the Board of Director



■ Ratio of Female Board Members



Please refer to the URL below for biography of each director.

Directors

Outside Directors



Hirofumi Gomi Reappointed
 Director, Chairman of the Board

[Reasons for Nomination]
 Mr. Hirofumi Gomi has served as Commissioner of the Financial Services Agency and held various other positions and has a broad experience in the financial sector in general. In addition, he is familiar with management strategy, business revitalization, governance, and the like, and is expected to contribute to the enhancement of the corporate value of the Bank.

February 2022 Chairman of the Board (Current)

[Status of Concurrent Position]

- Outside Director, Aida Engineering, Ltd.
- Outside Director, Asteria Corporation
- Outside Director, Miroku Jyoho Service Co., Ltd.
- Outside Director, ZUU Co., Ltd.
- Special Guest Professor, Aoyama Gakuin University

Ownership: Common shares 2,541
 Attendance rate: 100%



Katsuya Kawashima Reappointed
 Director, President and Chief Executive Officer

[Reasons for Nomination]
 Mr. Katsuya Kawashima has many years of experience in the securities and banking industries and has held important positions in these industries. In addition to being familiar with the financial services business, he has extensive knowledge and broad experience in overall management and is expected to contribute to the enhancement of the corporate value of the Bank.

February 2022 Representative Director, President and CEO (Current)
 January 2022 Advisor

Ownership: Common shares 5,083
 Attendance rate: 100%



Katsumi Hatao Reappointed
 Director

[Reasons for Nomination]
 Mr. Katsumi Hatao has many years of business experience at banks in Japan and overseas and has held various important positions. He has extensive knowledge and broad experience in financial services business and corporate management in Japan and overseas and is expected to contribute to the enhancement of the corporate value of the Bank.

June 2023 Director, Senior Managing Executive Officer, Assistant to the President, Overseeing Group Human Resources and Group Risk, In charge of Group Overseas Business (Current)
 April 2022 Director, Senior Managing Executive Officer, Assistant to the President, In charge of Group Treasury and Group Overseas Business
 February 2022 Director, Senior Managing Executive Officer
 January 2022 Advisor

Ownership: Common shares 2,541
 Attendance rate: 100%



Eisuke Terasawa Reappointed
 Director

[Reasons for Nomination]
 Mr. Eisuke Terasawa has extensive knowledge and experience in overall banking business and has expertise particularly in corporate planning, organizational strategy and financial planning. He is also familiar with the Bank Group's business operational status through these business experiences, which is expected to contribute to the enhancement of the corporate value of the Bank.

June 2022 Director, Managing Executive Officer (Current)
 April 2022 Managing Executive Officer, In charge of Group Corporate Planning and General Manager, Group Corporate Planning Division (Current)
 April 2021 Senior Officer, Group Corporate Planning and Finance and GM, Group Corporate Planning Division, Executive Officer, Financing Facilitation and General Manager, Office of Financing Facilitation Management (Current)

Ownership: Common shares 3,317
 Attendance rate: 100%



Yasuhiro Hayasaki Reappointed
 Outside Director
 Chairperson, Nomination and Compensation Committee Independent
 Chairperson, Parent Company Transaction Screening Committee

[Reasons for Nomination]
 Mr. Yasuhiro Hayasaki is asked to stand as an outside director in order to reflect in the Bank's management his experience and a wide range of knowledge in the field of finance, including a career at the Bank of Japan.

February 2022 Director, SBI Shinsei Bank, Limited (Current)

[Status of Concurrent Position]

- President, Ricoh Institute of Sustainability and Business, Ricoh Company, Ltd.

Ownership: Common shares 1,016
 Attendance rate: 100%

(Ownership of common shares: As of May 31, 2023)

Please refer to the URL below for biography of each director.

Outside Directors

Audit & Supervisory Board Member



Ayumi Michi

Outside Director
Nomination and Compensation Committee Member
Parent Company Transaction Screening Committee Member

Reappointed

Independent

[Reasons for Nomination]

Ms. Ayumi Michi is asked to stand as an outside director in order to reflect in the Bank's management her expertise and experience as a lawyer as well as her broad knowledge in diversity, including gender.

February 2022 Director, SBI Shinsei Bank, Limited (Current)

[Status of Concurrent Position]

- Attorney at Law, Waseda University Legal Clinic Corporation
- Outside Audit & Supervisory Board Member, NISSIN FOODS HOLDINGS CO., LTD.

Ownership: Common shares 1,016
Attendance rate: 100%



Masahiro Terada

Outside Director
Nomination and Compensation Committee Member
Parent Company Transaction Screening Committee Member

Reappointed

Independent

[Reasons for Nomination]

Mr. Masahiro Terada is asked to stand as an outside director in order to reflect in the Bank's management his expertise and experience as a lawyer, as well as his experience such as an in-house attorney at a financial institution, an outside audit and supervisory board member at other companies.

February 2022 Director, SBI Shinsei Bank, Limited (Current)

[Status of Concurrent Position]

- Partner Attorney, Miura & Partners
- Supervisory Director, Ichigo Office REIT Investment Corporation

Ownership: Common shares 1,016
Attendance rate: 100%



Yurina Takiguchi

Outside Director
Nomination and Compensation Committee Member
Parent Company Transaction Screening Committee Member

Reappointed

Independent

[Reasons for Nomination]

Ms. Yurina Takiguchi is asked to stand as an outside director in order to reflect in the Bank's management her extensive experience in mass media including anchoring economic TV programs and broad knowledge of society and economics in general.

June 2022 Director, SBI Shinsei Bank, Limited (Current)

[Status of Concurrent Position]

- Advisory Board Member, School of Engineering, University of Tokyo
- Outside Director, TerraSky Co., Ltd.

Ownership: Common shares 1,016
Attendance rate: 100%



Katsunori Tanizaki

Outside Director
Nomination and Compensation Committee Member
Parent Company Transaction Screening Committee Member

Newly Appointed

Independent

[Reasons for Nomination]

Mr. Katsunori Tanizaki is asked to stand as an outside director in order to reflect in the Bank's management his experience and a wide range of knowledge as an executive obtained by assuming important posts at major financial institutions.

June 2023 Director, SBI Shinsei Bank, Limited (Current)

[Status of Concurrent Position]

- Representative Director, President and CEO, The Japan Research Institute, Limited
- Director, JAIS, Limited
- Director, SMBC Nikko Securities Inc.
- Outside Director, Osaka Digital Exchange Co., Ltd."

Ownership: Common shares 0
Attendance rate: -



Shinya Nagata

Audit & Supervisory Board Member

[Reasons for Nomination]

Mr. Shinya Nagata was asked to stand as an audit & supervisory board member as he is suitable as a corporate auditor who can play a central role in all areas of corporate audit. Through his long work experience at the Bank, Shinya Nagata has gained a deep understanding of the Group's businesses, and with his extensive knowledge and experience in finance and accounting, he is able to make useful remarks and suggestions at the Board of Directors meetings and the Audit & Supervisory Board meetings.

June 2012 Audit & Supervisory Board Member (Current)
September 2010 Executive Officer

Ownership: Common shares 3,500
Attendance rate: 100%

(Ownership of common shares: As of May 31, 2023)

Please refer to the URL below for biography of each director.

Outside Audit & Supervisory Board Members



Ikuko Akamatsu

Outside Audit & Supervisory Board Member

Reappointed

Independent

[Reasons for Nomination]

Ms. Ikuko Akamatsu is asked to stand as an outside audit & supervisory board member in order to reflect in the Bank's audit operations her expertise in compliance and governance, etc. and extensive experience as a consultant based on the aforementioned expertise, as well as her professional knowledge and experience as a certified public accountant and a certified fraud examiner.

June 2019 Audit & Supervisory Board Member, SBI Shinsei Bank, Limited (Current)

[Status of Concurrent Position]

- Certified Public Accountant, Certified Fraud Examiner
- Board Director, The Japanese Institute of Certified Public Accountants
- Outside Director, TOP'S Inc.
- Outside Audit & Supervisory Board Member, Toyo Seikan Group Holdings, Ltd.
- Outside Director, Mitsubishi UFJ Securities Holdings Co., Ltd.
- Outside Audit & Supervisory Board Member, iCARE Co., Ltd.
- Outside Director, Nippon Kayaku Co., Ltd.

Ownership: Common shares 0
Attendance rate: 100%



Miyuki Nakagawa

Outside Audit & Supervisory Board Member

Independent

[Reasons for Nomination]

Ms. Miyuki Nakagawa is asked to stand as an outside audit & supervisory board member in order to reflect in the Bank's audit operations her expertise and experience as a public prosecutor and lawyer, in particular her expertise in law and corporate governance and her extensive experience as outside director and outside audit & supervisory board member at listed companies.

June 2022 Audit & Supervisory Board Member, SBI Shinsei Bank, Limited (Current)

[Status of Concurrent Position]

- Attorney at Law, Kousui Law Office
- Professor, Chuo Law School, Chuo University
- Outside Director, NITTO KOGYO CORPORATION
- Outside Director, Nissan Chemical Corporation
- Outside Audit & Supervisory Board Member, FANCL CORPORATION
- Outside Audit & Supervisory Board Member, ASKUL Corporation

Ownership: Common shares 0
Attendance rate: 100%

(Ownership of common shares: As of May 31, 2023)

Message from an Outside Director



Katsunori Tanizaki

Outside Director

I am Katsunori Tanizaki, appointed as an outside director.

Currently, I serve as the Representative Director, President and CEO of The Japan Research Institute, Limited.

I have been consistently involved in banking business and bank management since joining the former Sumitomo Bank Limited 41 years ago. Recently, I have committed to promote digital innovation in the financial industry.

Along with the recent rapid and innovative advancements in information technology, technology, I think banking operations are already at a big turning point.

I think it is an important time to firmly consider the direction of how the banking function in the financial sector will change and what impact these changes will have in the future.

At any given time, the economy and financial environment is uncertain and unstable, and is transient. Under such circumstances, I will contribute to the future of the SBI Shinsei Bank to the best of my ability.

Directors and Executive Officers

As of July 1, 2023

Board of Directors (9)

Hirofumi Gomi
Chairman of the Board

Katsuya Kawashima
Representative Director, President

Katsumi Hatao
Director

Eisuke Terasawa
Director

Yasuhiro Hayasaki *1
Director
President, Ricoh Institute of Sustainability and Business, Ricoh Company, Ltd.
Former Director General of Personnel and Corporate Affairs Department, the Bank of Japan

Ayumi Michi *1
Director
Attorney at Law

Masahiro Terada *1
Director
Attorney at Law

Yurina Takiguchi *1
Director
Business and Economics Anchor

Katsunori Tanizaki *1
Director
Representative Director, President and CEO, The Japan Research Institute, Limited

*1 Outside Directors

Audit & Supervisory Board Members (3)

Shinya Nagata
Audit & Supervisory Board Member

Ikuko Akamatsu *2
Audit & Supervisory Board Member
Certified Public Accountant, Certified Fraud Examiner

Miyuki Nakagawa *2
Audit & Supervisory Board Member
Attorney at Law

*2 Outside Audit & Supervisory Board Members

Executive Officers (38)

Hirofumi Gomi
Chairman
(Managing Executive Officer)

Katsuya Kawashima
Representative Director
President and Chief Executive Officer
(Senior Managing Executive Officer)

Kei Fujisaki
Senior Managing Executive Officer, In charge of Group Treasury

Katsumi Hatao
Senior Managing Executive Officer, Assistant to the President, Overseeing Group Human Resources and Group Risk, In charge of Group Overseas Business

Akira Hirasawa
Senior Managing Executive Officer, Overseeing Corporate Planning, Group Human Resources, Group Legal and Compliance, Group General Services, Group Risk and Group IT, Head of Operations Management

Takahisa Komoda
Senior Managing Executive Officer, In charge of Group Strategy Planning, Head of Institutional Business

Tsukasa Makizumi
Senior Managing Executive Officer, Head of Credit Risk Management

Michiyuki Okano
Senior Managing Executive Officer, In charge of Group IT

Toichiro Shiomi
Senior Managing Executive Officer, In charge of Group Risk

Hiroko Adachi
Managing Executive Officer, In charge of Financial Institutional Business and Institutional Business

Kunimitsu Hayashi
Managing Executive Officer, In charge of Financial Institutional Business

Hiroyuki Kagita
Managing Executive Officer, In charge of Group Strategy Planning, Head of Individual Business

Hirofumi Kusakabe
Managing Executive Officer, Head of Group Structured Solution

Masanori Matsubara
Managing Executive Officer, Group IT, Head of IT System

Hiroki Otake
Managing Executive Officer, In charge of Retail Banking Business

Kojiro Taima
Managing Executive Officer, In charge of Group Legal and Compliance

Eisuke Terasawa
Managing Executive Officer, In charge of General Manager of Group Corporate Planning Division, Group Corporate Planning and Financing Facilitation, General Manager of Office of Financing Facilitation Management

(Executive Officer)

Tomohiro Arimatsu
Executive Officer, General Manager of Structured Risk Management Division

Yasuhiro Fujiki
Executive Officer, General Manager of Group Overseas Business Division

Koichi Hazama
Executive Officer, In charge of Retail Sales and Support

Tsuyoshi Hirokawa
Executive Officer, In charge of Retail Sales and Support and Housing Loan

Nanshu Ido
Executive Officer, General Manager of Information System Operation Division

Michihide Ito
Executive Officer, In charge of Institutional Business

Yukiko Iwasaki
Executive Officer, In charge of Institutional Business Operation and Retail Operation

Shinobu Jitsukawa
Executive Officer, In charge of Institutional Business Strategy, Financial Institutional Business and Institutional Business

Yuichiro Kawabe
Executive Officer, General Manager of Project Finance Division

Taichi Kawai
Executive Officer, In charge of Financial Institutional Business and Institutional Business, General Manager of Osaka Branch

Shuichi Kubo
Head of Group Internal Audit, General Manager of Group Internal Audit Division

Takahiro Kubo
Executive Officer, In charge of Group Structured Solution and Institutional Business

Hideki Murakami
Executive Officer, General Manager of Group Legal and Compliance Division

Yuko Nagasawa
Executive Officer, General Manager of Sustainable Impact Development Division

Junya Nakamura
Executive Officer, General Manager of Group Individual Business Planning Division

Tomoko Ogawara
Executive Officer, General Manager of Umeda Financial Center and Senri-Chuo Annex

Chikara Oguni
Executive Officer, In charge of Institutional Business and Global Markets

Arimitsu Osato
Executive Officer, General Manager of Group Strategy Planning Division, In charge of Group Corporate Planning

Mitsuhiro Tomita
Executive Director, In charge of Group Overseas Business and Group Strategy Planning
(Equivalent to Executive Officer)

Kenji Uesaka
Executive Officer, In charge of Group Structured Solution, Financial Sponsors and Institutional Business

Usei Yano
Senior Officer, Group Human Resources, Group General Service

Note: Executive Officers are listed in alphabetical order.

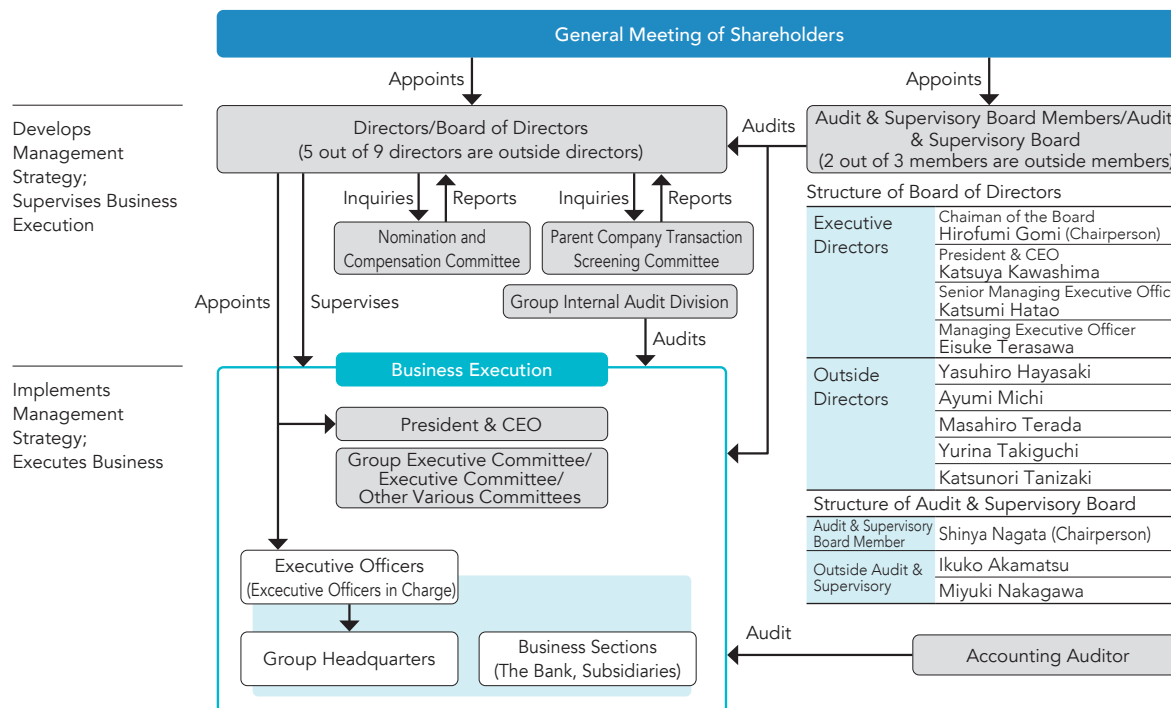
Corporate Governance

Corporate Governance of SBI Shinsei Bank

SBI Shinsei Bank recognizes the enhancement of SBI Shinsei Bank Group’s corporate governance as one of the most important management issues for realizing its management philosophy and has established a corporate governance system as a company with an Audit & Supervisory Board. Through this system, 1) the Board of Directors, the highest decision-making body for management, decides on the basic policies of the company, including the medium-term management plan and the annual plan, to demonstrate a major direction for the Bank and to create an environment that supports appropriate risk-taking by senior management and 2) the Audit & Supervisory Board Members and the Audit & Supervisory Board, which are independent from both the business execution and the Board of Directors, are responsible for auditing the Board of Directors. In this way, the Bank intends to realize effective management decision-making and business execution, as well as establish a corporate governance system that has efficient organizational checks and balances.

The Bank’s Board of Directors consists of nine directors:

■ Corporate Governance Structure (as of June 27, 2023)



four full-time directors who are directly responsible for the execution of the Bank’s businesses and five outside directors who primarily supervise the Bank’s business execution. The current outside directors are a balanced group of executives who bring to the Bank their extensive experience and expertise in a range of fields, including domestic and overseas financial businesses, legal affairs/governance, the fields of risk management,

IT and digital, real estate business, and mass media. Backed by this experience and expertise, the outside directors express their opinions independently and objectively, while fulfilling their roles providing advice and oversight for executives performing their duties.

In addition, from the perspective of governance in the ESG management philosophy, the Bank has concluded that to improve the Bank’s accountability

for stakeholders, including shareholders, it is necessary to further enhance objectivity and transparency of the Board of Directors' functions related to the appointment of candidates for directors and decisions on directors' remuneration. In March 2019, the Bank established a voluntary Nomination and Compensation Committee to further increase the objectivity and transparency of the functions of the Board of Directors. In addition, as the Bank became a consolidated subsidiary company of the SBI Group in December 2021, the Bank established the Parent Company Transaction Screening Committee in March 2022, to demonstrate a more prudent management system for conflict-of-interest transactions between the Bank or its subsidiaries and its parent company or group companies of the parent company from the viewpoint of protecting the interests of minority shareholders.

Policy for Operation of the Board of Directors

The Bank holds monthly Board of Directors' meetings, in principle, consisting of six regular Board of Directors' meetings and an extraordinary Board of Directors' meetings.

In addition, a strategy session to intensively discuss selected agenda item was held. In fiscal 2022, the Bank held strategy session that mainly discussed issues relating to the medium-term management plan, business strategies and management base strategies in November 2022. In this session, directors and Audit & Supervisory Board members posed numerous questions, comments, and suggestions from a broader perspective in relation to the explanations by executive directors.

Moreover, to ensure the sharing of their independent viewpoints as well as to share detailed information regarding business execution with each of the outside directors, the Bank holds regular meetings attended only by the outside directors themselves.

The majority of the Bank's Board of Directors are presently composed of outside directors (five of the nine directors are outside directors), ensuring objective and transparent discussions for appointment of

candidates for directors and decisions on the directors' remuneration system and their specific remuneration levels. The Nomination and Compensation Committee comprises only outside directors. The committee consults with the Board of Directors and deliberates on the content of General Meeting of Shareholders proposals regarding the appointment and dismissal of directors, on matters concerning the appointment and dismissal

Annual Schedule for the Board Meetings

May	<ul style="list-style-type: none"> Regularly scheduled Board meeting (on financial results, AGM* related materials, audit reports, etc.) Parent Company Transaction Screening Committee Nomination and Compensation Committee
June	<ul style="list-style-type: none"> Regularly scheduled Board Meeting (held after AGM ends, appointment of President, etc.) Parent Company Transaction Screening Committee Nomination and Compensation Committee
September	<ul style="list-style-type: none"> Regularly scheduled Board meeting Parent Company Transaction Screening Committee
November	<ul style="list-style-type: none"> Strategy Session Regularly scheduled Board meeting (on interim financial results, etc.) Parent Company Transaction Screening Committee Nomination and Compensation Committee
January	<ul style="list-style-type: none"> Regularly scheduled Board meeting Parent Company Transaction Screening Committee Nomination and Compensation Committee
March	<ul style="list-style-type: none"> Regularly scheduled Board meeting (on fiscal year budget and plan etc.) Parent Company Transaction Screening Committee Nomination and Compensation Committee

*Annual General Meeting of Shareholders

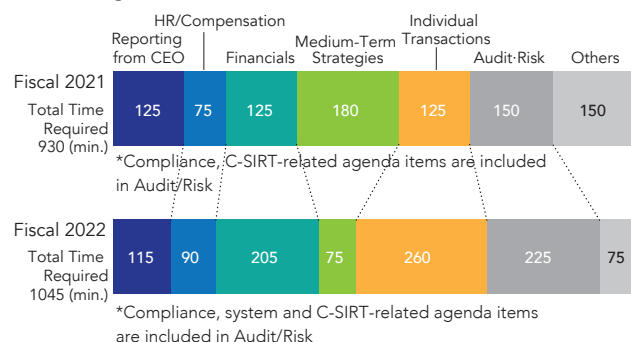
**Extraordinary General Meeting of Shareholders

Note; In addition to the above, the Extraordinary Board Meetings regarding transactions with parent companies related agenda items were held in a month in which regularly scheduled Board meeting is not held.

of representative directors, succession planning and on matters concerning the compensation of directors and reports its findings back to the Board of Directors. In addition, the Parent Company Transaction Screening Committee, similar to the Nomination and Compensation Committee is composed of all independent outside directors, are to express their opinions and refer matters to the Board of Directors, regarding any potential conflict-of-interest transactions with its Parent Company Group.

To fulfill its accountability towards stakeholders, the Bank will make efforts to continually strengthen its corporate governance framework.

Classification of Agenda and Time Required for Each Agenda



Board of Directors Evaluation Effectiveness

The Bank periodically conducts an evaluation/analysis of the effectiveness of the Board of Directors as a whole in order to improve the Board’s functionality.

An overview of the fiscal 2022 self-evaluation is as follows.

(1) Objective

To improve the function of the Board of Directors by having the Board perform a self-evaluation of whether it is fulfilling the roles and duties required of it and then implement the PDCA cycle.

Summary of questionnaire survey results

Analysis/evaluation items	Summary of Questionnaire Survey Results
Contents of Board meeting discussions	Survey respondents feel that the Bank is generally contributing to the enhancement of corporate value and sustainable growth through constructive discussions on its medium- to long-term business vision, corporate value enhancement, and business model for sustainable growth. However, it was highlighted that the time for these discussions is not necessarily sufficient and that management of Board meeting is to be improved based on the opinions that more in-depth discussions are necessary after selecting appropriate themes.
Effectiveness of the strategy session	The strategy session in fiscal 2022, discussions focused on the progress of the Medium-Term Management Plan, the business strategy and the management foundation strategy, and their progress. These themes were evaluated to some extent as appropriate with an emphasis on management issues and business models for sustainable growth. The strategy session has been assessed as helpful in considering the Bank Group’s medium- to long-term business strategy. It was confirmed that the management will continue to set appropriate themes and that the strategy sessions are to provide useful discussion opportunities.
Board composition/diversity	Regarding diversity, including gender, and internationality, it was assessed as "appropriate" and "generally appropriate" from the viewpoint of diversity in a broad sense, including skills and experience, although there were some comments that there was a bias regarding internationality.
Management of Board and strategy sessions by executives	With regard to the Board of Directors meetings, we continued to make efforts on improving the efficiency of our operations by selecting proposals requiring no additional explanation and accepting preliminary questions on materials. This fiscal year’s feedback results depicted that the meetings arrangements were highly evaluated, including the coverage of important topics and the allocation of sufficient time for important deliberations. We agreed that for the strategy sessions, it is necessary to reconsider the time required and the frequency of meeting.
Provision of information to the Board by executives	While we confirmed that meetings materials and explanations by executive officers were generally appropriate, we intend to create further opportunities and provide information to the Board of Directors, including the Board of Directors meetings and strategy sessions, to provide topics with adequate information and information beneficial to the Board of Directors.
Communication	It was confirmed that the environment for information sharing among outside directors is favorable. The effectiveness of executive sessions composed entirely of outside directors and outside audit & supervisory board members was also confirmed. On the other hand, we confirmed that approximately half of the responses for the feedback of information on major stakeholders (customers, shareholders, employees, etc.) to the Board of Directors was generally appropriate but need continuous improvement. Therefore, we decided that we will make efforts to enhance the contents.
Third-party evaluation of effectiveness	Regarding the effectiveness evaluation by a third-party, there were no responses for "need to be implemented," and the majority responded that "it is better to consider it in the medium- to long-term" or "it is not necessary to consider it." Although the necessity for implementation is not so high, it is a matter to be considered on an ongoing basis.
Parent Corporation Transaction Advisory Committee and Nomination and Compensation Committee	This fiscal year, the Parent Company Transaction Screening Committee met 14 times and the Nomination and Compensation Committee met six times till the end of January, 2023. While the Nomination and Compensation Committee was highly evaluated in terms of composition and operation, the operation of the Parent Company Transaction Screening Committee has been improving since its establishment, but the meeting time required has been long, and there is room for improvement in the materials provided. Therefore, we aim for more efficient management in conjunction with the creative use of materials.
Questions for Audit & Supervisory Board members	It was confirmed that, as a whole, Audit & Supervisory Board members feel that directors are properly executing the duties expected of them.

(2) Subjects of analysis/evaluation

The Board’s activities, as well as operation and support systems for efficiently and effectively carrying out such activities.

(3) Evaluators

Evaluation by all members attending Board meetings (Directors, Audit & Supervisory Board members – totaling 12 people). Certain questions are only asked to Audit & Supervisory Board members as in the past.

(4) Analysis/evaluation items

The content of discussions at Board meetings, the operation of the Board by the executives, the composition and diversity of members of the Board, the provision of information to the Board by the executives, the content of discussions at strategy sessions, the management of strategy sessions by executives, communication, the third-party evaluations of the Board’s effectiveness, the Parent Company Transaction Screening Committee, the Nomination and Compensation Committee, evaluations by Audit & Supervisory Board members, etc.

(5) Means of analysis/evaluation

Questionnaire survey (questions in which responses are selected including free-response questions) prepared by the secretariat for the Board of Directors based on instructions from the Chairman of the Board.

(6) Results feedback

The selected results and responses to free-response questions are reported to the Board.

The following is an overview of the key results of the survey.

Based on the results of this questionnaire, the efficiency and effectiveness of Board of Directors are secured as a whole, as it was highly evaluated to a certain extent in general. In addition, we receive proposals and opinions regarding meetings and operation. We will review and respond to these proposals while confirming the intentions of the Board of Directors, and further improve the effectiveness and functions of the Board of Directors.

Directors and Executive Officers Compensation Scheme

The Bank’s Board of Directors, which is comprised of a majority of outside directors, determines the introduction and level of executive remuneration within the total amount of executive remuneration approved at the General Meeting of Shareholders. In addition, the Nomination and Compensation Committee, which consists of all outside directors, has been voluntarily

■ Type of Compensation, Contents and Structure

Classification of Directors	Types of Compensation		
	Basic Compensation	Stock Option Compensation	Restricted Stock Compensation
Full-time Directors	Fixed compensation according to position and responsibilities	(Calculation formula) Monthly basic compensation $\times 4 \times \sqrt{\text{rate of change in the Bank's stock price} \times \text{performance of the Bank's stock price relative to the TOPIX Banking Industry} \times \text{rate of change in the Bank's net assets}}$ (within the range of 1 to 12 times of monthly basic compensation)	The amount of the compensation is determined according to position and responsibilities, and accordingly the Bank’s common stocks are granted.
	Reference of Composition of Compensation	60% of total compensation After deliberation by the Nomination and Compensation Committee, the Board of Directors determines the specific percentage.	20% to 25% of total compensation 15% to 20% of total compensation
Outside Directors	Fixed compensation according to position and responsibilities	Not applicable	The amount of the compensation is determined according to position and responsibilities, and accordingly the Bank’s common stocks are granted.
	Reference of Composition of Compensation	80% of total compensation After deliberation by the Nomination and Compensation Committee, the Board of Directors determines the specific percentage.	Not applicable 20% of total compensation

established as an advisory body to the Board of Directors. The committee deliberates matters related to the compensation of full-time and outside directors based on consultations with the Board of Directors and reports to the Board of Directors.

Policy on Determining Compensation

- Appropriate incentives are provided to advance the Group's business and realize the medium- to long-term Group management principles.
- Reflecting on the roles and responsibilities of each director and executive officer, directors and executive officers share the same view on shareholder value by holding the Company's shares over the long term.
- The scheme will curb excessive risk-taking and contribute to ongoing sound management as a financial institution.
- The plan incorporates a compensation system that provides incentive to further increase corporate value considering its share price.

Compensation System for Directors

Compensation for full-time directors is composed of basic compensation (fixed compensation), stock options and restricted stock awards as medium- to long-term incentive compensation, and the compensation for outside directors are composed of basic compensation

(fixed compensation) and restricted stock compensation.

With respect to restricted stock compensation and stock option compensation, the Bank provides for the waiver by directors and free-of-charge acquisition by the Bank in the event of certain events among directors.

On May 12, 2023, SBI Regional Bank Holdings Co., Ltd., the Bank's controlling shareholder, commenced a takeover bid (TOB) for the Bank's stocks. Following this TOB and a series of subsequent procedures, the Bank's stocks are expected to be delisted. Accordingly, the Bank is considering the future compensation structure for directors.

● Process for Determining Compensation Amount

Compensation amounts for directors and executive officers reflect on the content of the Bank's prevailing Plan for Restoring Sound Management and are determined by the Board of Directors taking into consideration the recommendations of the Nomination and Compensation Committee who deliberate on compensation amounts within the scope of compensation amounts determined at each general meeting of shareholders. In addition, the Board of Directors has an internal control system that is audited by the Audit & Supervisory Board meeting.

■ Total Amount of Compensation etc. by Category, Total Amount by Type of Compensation etc., and the Number of Eligible Persons (from April 1, 2022 to March 31, 2023)

Categories	Total amount of compensation etc. (millions of yen)	Total amounts by type of compensation etc. (millions of yen)					Number of eligible persons
		Fixed compensation	Equity remuneration type stock options	Restricted stock compensation	Retirement benefits	Non-monetary reward among the left	
Directors (excluding outside directors)	136	111	–	24	–	24	4
Audit & Supervisory Board members (excluding outside Audit & Supervisory Board members)	22	22	–	–	–	–	1
Outside directors and outside Audit & Supervisory Board members	82	72	–	9	–	9	9 (Of whom, 2 has already resigned)
Total	241	206	–	34	–	34	14 (Of whom, 2 has already resigned)

Notes: 1. Amounts have been rounded down to the nearest unit.

2. Within the categories above, there are four directors who serve concurrently as executive officers.

3. Non-monetary reward includes equity remuneration type of stock options and restricted stock compensation.

4. Based on the resolution passed at the 15th Annual General Meeting of Shareholders held on June 17, 2015, the Bank paid 8 million yen as retirement benefit to three Directors who resigned and retired on February 8, 2022.

At the Nomination and Compensation Committee is composed of all outside directors, the agenda is resolved by a majority of the members present. Audit & Supervisory Board members also attend the Nomination and Compensation Committee. The Nomination and Compensation Committee was held seven times within the fiscal year.

● **Total Amount of Compensation for Directors**

- (1) Amount of compensation for directors (including outside directors): Up to ¥230 million per year (of this amount, ¥60 million for outside directors)
- (2) Restricted Stock Compensation
 - (a) Full-time directors: Up to ¥25 million per year, within the total maximum amount in (1) above
 - (b) Outside directors: ¥15 million per year out of the total maximum amount in (1) above

The transfer restriction period is determined in advance by the Board of Directors for a period between three and five years after the allotment date of the allocated shares to fulltime and outside directors.
- (3) Equity remuneration type stock options for full-time directors: Up to ¥75 million per year, separate from the total maximum amount in (1) above

Audit & Supervisory Board Members / Audit & Supervisory Board

The Bank’s Audit & Supervisory Board has one full-time member who has extensive business experience at the Bank and is knowledgeable in finance and accounting and two outside members, one of whom is an attorney and the other is a certified public accountant.

By applying the expertise from their respective fields of specialization and their knowledge of corporate governance and diversity, the Audit & Supervisory Board, which is fully independent from the Board of Directors, audits of the performance of the business execution of directors. In addition, both outside Audit & Supervisory Board members are experienced as external directors of other companies, and, by drawing upon their experience, they are able to provide views with greater objectivity from a position of greater independence, resulting in enhanced effectiveness of the Audit & Supervisory

Board’s auditing activities. Audit & Supervisory Board members not only personally conduct audit activities such as attending key meetings, such as Executive Committee meetings, and Board of Directors’ meetings, they also review key documents and conduct interviews with directors, executive officers, and accounting auditors. Through cooperation with internal control sections such as the Group Internal Audit Division and utilizing staff of the Office of Audit & Supervisory Board Members they systematically and efficiently audit the state of the business execution of the entire SBI Shinsei Bank Group, including the Bank and all its subsidiaries.

■ **Activities of Audit & Supervisory Board Members in Fiscal 2022**

	Board of Directors meetings	Audit & Supervisory Board meetings
Number of meetings held*	13 times	12 times
Attendance rate	100%	100%

* The attendance rate of Ms. Miyuki Nakagawa, the Outside Audit & Supervisory Board Member, indicates the record of attendance of the Board of Directors meetings (11 of 11 times) and the Audit & Supervisory Board meetings (nine of nine times).

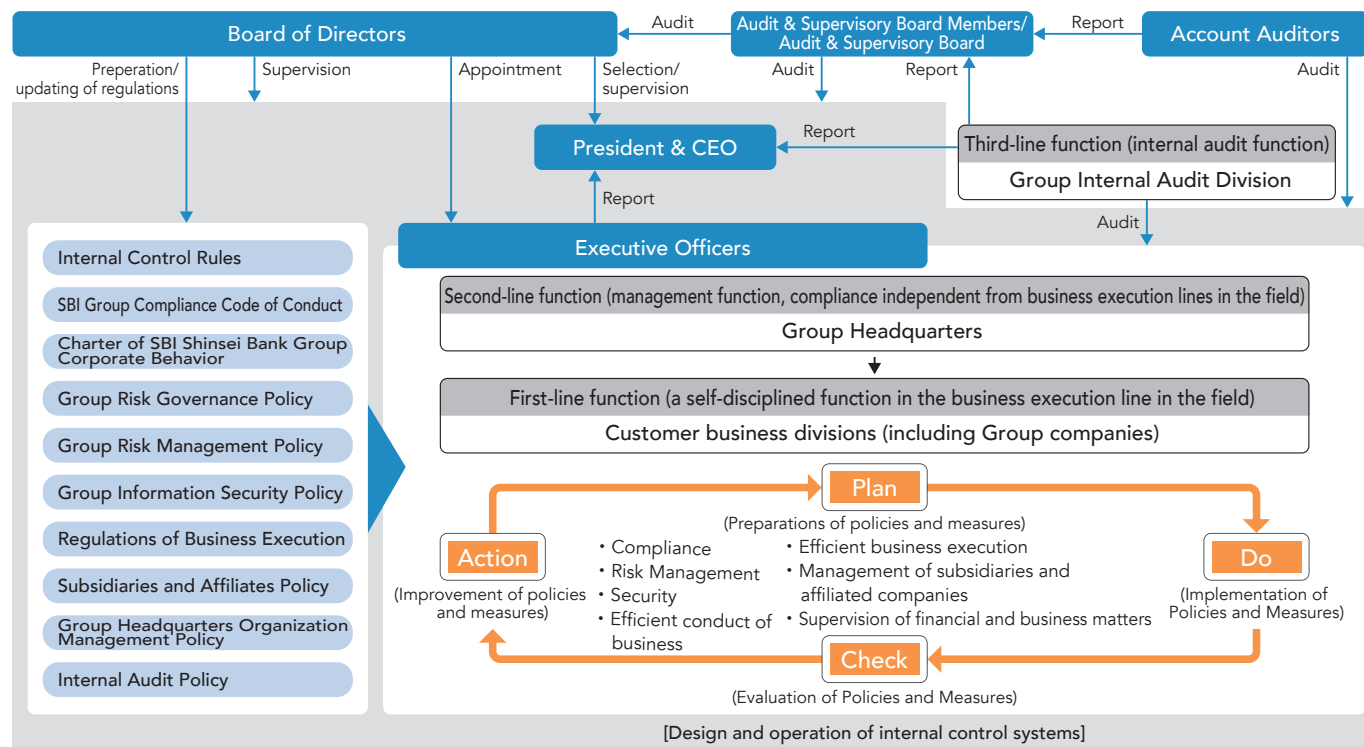
Internal Control

For corporate governance to function effectively, in addition to creating business execution oversight and decision-making frameworks around the Board of Directors, it is also necessary to put into place the framework for effective operations, such as internal audits and compliance. Additionally, the creation of internal control systems as required by the Corporation Act or internal controls that ensure the accuracy of financial reports as required by the Financial Instruments and Exchange Act is also a crucial element in a properly functioning corporate governance structure.

While the management is responsible for ensuring the implementation of such internal controls, the proper function of overall internal controls can be ensured by installing detailed internal control frameworks within the divisions executing business operations.

The Bank’s basic policy governing internal control systems has been put in place to ensure the propriety and efficiency of day-to-day operations and is defined in the Internal Control Rules determined by the Board of Directors, and, furthermore, the adequacy of internal control systems is reviewed annually by the Board of Directors. The Internal Control Rules clearly state that (1)

Internal Control Framework



the internal control system has a self-disciplined function in the business execution line in the field (first-line) a management function, such as compliance independent from business execution lines (second-line) and an internal audit function independent from these functions (third-line) (2) the Board of Directors shall receive timely and appropriate reports from the second-line and third-

line functions to grasp and deal with serious risks and problems appropriately and shall periodically review the key policies and controls.

Under this regulation, the SBI Group Compliance Code of Conduct, Group Risk Governance Policy, Risk Management Policy, Group Information Security Policy, Regulations of Business Execution, Subsidiaries and

Affiliates Policy, Group Headquarters Organization Management Policy and Internal Audit Policy are established as the underlying rules. In addition, by improving the system for ensuring the effectiveness of the audits by Audit & Supervisory Board members, we are striving to ensure the propriety, transparency, and efficiency of operations throughout the entire Group, including subsidiaries.

Furthermore, we are striving to create systems to block relationships with antisocial forces and ensure the propriety of operations, including establishing the Charter of the SBI Shinsei Bank Group Corporate Behavior to prevent relationships with antisocial forces.

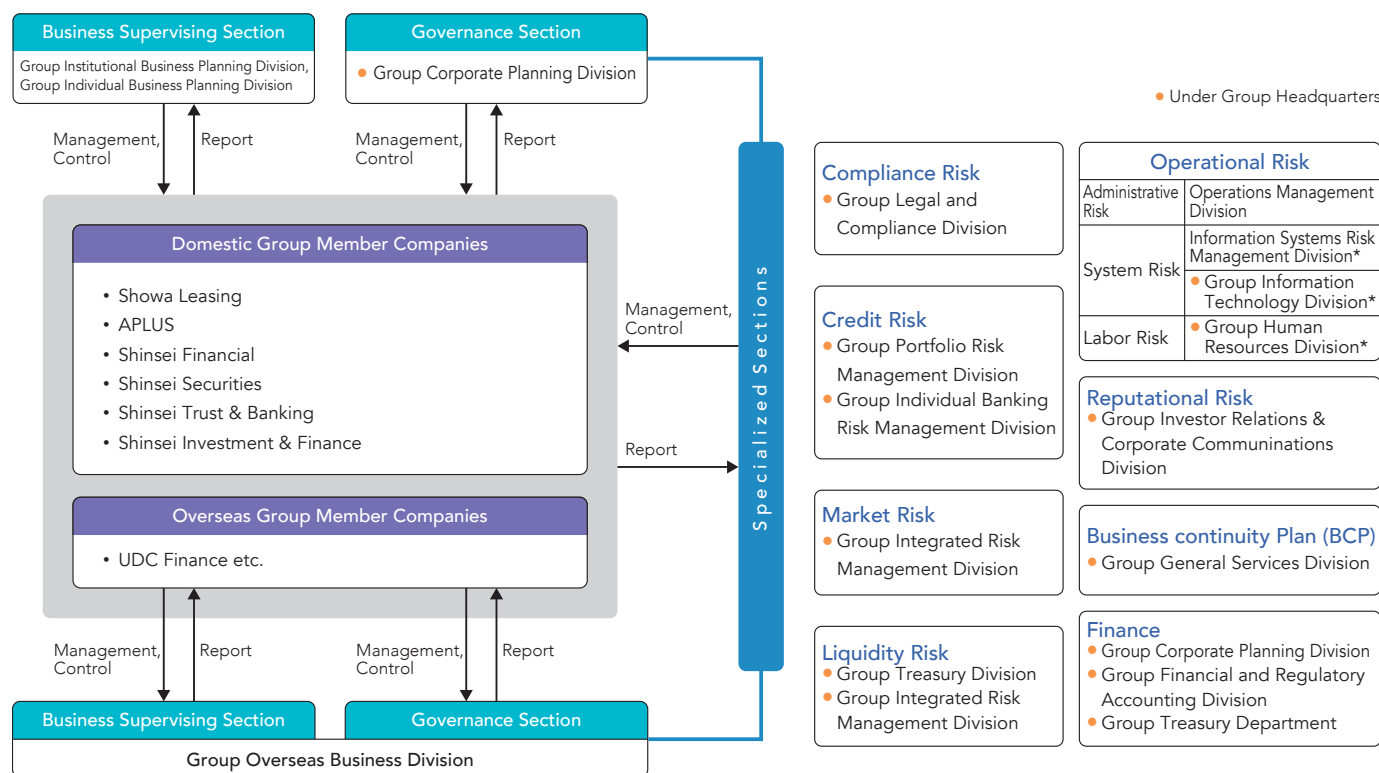
With regard to internal control over Group companies, from April 2017, the indirect functions of major Group companies have been consolidated at the Group Headquarters in the Bank and managed centrally based on the Banking Law, the Companies Act and other related laws to the fullest extent. Under this system, matters related to business activities and internal management of subsidiaries and affiliates are regularly reported to the Group Executive Committee, and important matters related to the management of subsidiaries and affiliates are discussed at and reported to the Group Executive Committee and other important committees organized by the Group Headquarters. In

April 2021, we revised the policies for subsidiaries and affiliates to ensure required management for recently increasing joint ventures and overseas Group companies, and clarified the roles and responsibilities of related departments, including business divisions and Group

Headquarters, while categorizing Group companies.

Through the development of this system, we will further enhance the management system of the entire Group, including subsidiaries and affiliates.

■ Group Internal Control Support Framework (as of June 27, 2023)



* The specialized sections of each risk area identify and measure the potential risks in corporation with the controlling division (Group Integrated Risk Management Division)

Executive Officers

To ensure agile day-to-day execution of business, the business operations are split into basic units called “divisions,” and under the direction of the President and Chief Executive Officer. Executive officers are appointed by the Board of Directors and they are responsible for the operations of respective divisions as executive officers.

We have consolidated indirect functions such as human resources and finance that had been located in each Group company within the Bank’s Group Headquarters as much as possible under the Banking Act, the Companies Act, and other laws and ordinances, and

are working to increase the level of sophistication and productivity of operations on a consolidated basis.

In addition, as bodies that support the President and Chief Executive Officer in making decisions regarding the execution of business, the Bank has established a Group Executive Committee and an Executive Committee, both comprising Executive Directors, Bank’s Group Headquarter officers, and others. In addition, by establishing various committees that handle technical matters as a complement to the Group Executive Committee and the Executive Committee, the Bank has put in place a framework for making decisions after adequate deliberation and consideration based on the nature of the matter at hand.

Internal Audit

The Group Internal Audit Division (GIAD) of the Bank makes regular direct reports regarding the results of audits and the status of GIAD activities to the President and the Audit & Supervisory Board. The GIAD supports the President in his responsibility for controlling business execution, in particular for establishing an effective system of internal controls, and also supports the Audit & Supervisory Board in their responsibilities for audit and supervisory activities in particular for monitoring the system governing internal controls and its operation. The GIAD provides independent and objective assessments of the effectiveness of risk management, control and governance processes, the reliability of information and information technology systems, and compliance with statutory, legal and regulatory requirements, as well as provides solutions to management.

The GIAD is independent of all organizations subject to internal audits, as well as being independent of day to day operational activities and control processes, including regular preventive and detective controls. The GIAD utilizes a risk-based audit approach and creates a comprehensive risk assessment by combining a macro risk assessment, assessing risk from the perspective of the Banking Group as a whole, together with a micro risk

■ Group Executive Committee, Executive Committee and Other Important Committees

Name	Main Purpose
Group Executive Committee	The President’s decision-making body for day-to-day business execution at the Group level
Executive Committee	The President’s decision-making body for day-to-day business execution for SBI Shinsei Bank, Limited
Group ALM Committee	Negotiate, formulate policies and make decisions concerning medium- and long-term Asset and Liability Management
Group Compliance Committee	Communicate, coordinate and make decisions on the Group’s compliance posture and on matters relating to compliance
Group Risk Policy Committee	Discuss the risk operation policy and management framework for the Group’s portfolios, and the Group’s approach to major portfolios, sectors, products and so forth
Group IT Committee	Discuss, coordinate and resolve the Group’s IT strategies and governance issues
Group Business Continuity Management Committee	Discuss, coordinate and make decisions across divisions to advance reforms to the Group’s business continuity structure
Group Basel Committee	Discuss, coordinate and make resolutions on matters concerning regulatory capital, with a focus on Basel regulations
Group Management Development Committee	Discuss, coordinate and make decisions about the Group’s HR system and related measures, etc.
Group New Business/ Product Committee	Conduct due diligence on each new business and service proposal across the Group and make decisions, and conduct due diligence on strategic investment proposals
Group Sustainability Committee	Discuss, coordinate and resolve the issues relating to promotion of sustainability management
Doubtful Debt Committee	Promptly inform top management about significant bad debt exposure, and make decisions on write-offs and other matters concerning sale of debts, debt forgiveness and so forth
SME Loan Committee	Through discussions on the business policy and challenges for the entire institutional banking business, take initiative in bank-wide efforts to achieve SME loan goals set in the Revitalization Plan

assessment, assessing risk from an individual business level. Audit resources are prioritized to businesses or processes perceived to have relatively higher risk.

The GIAD has enhanced its off-site monitoring activities by attending key management meetings, reviewing internal control documents and holding regular meetings with senior management.

The GIAD also takes initiatives in developing internal auditors' expertise, in particular, by strongly encouraging staff to obtain professional certifications such as the Certified Internal Auditor and Certified Information Systems Auditor qualifications. While the GIAD pursues the development and introduction of new audit techniques, it also recognizes the importance of maintaining fundamental skills necessary to perform its audit-related duties.

The GIAD has integrated internal audit functions within the Bank and major subsidiaries, and conducts internal audit activities in an integrated manner across the Bank group. By receiving regular quality assessments carried out by a third-party organization of the Group internal audit activities, we are able to identify opportunities for improvement from an objective viewpoint.

Legal and Compliance Activities

Compliance Framework and Activities

The Group Compliance Committee established in the Group Headquarters, Group Legal and Compliance Division and compliance supervisors (general managers) and compliance managers assigned to divisions, branches and departments in key Group companies, including SBI Shinsei Bank, constitute the main elements of the SBI Shinsei Bank Group's compliance framework. The Group Compliance Committee, chaired by the officer of the Group Legal and Compliance Division, reports on and discusses the basic policy for the compliance framework spanning the entire Group as well as compliance--related issues.

There are compliance officers within the Group Legal and Compliance Division, and in addition to providing support and guidance for compliance promotion activities performed by compliance supervisors and compliance managers, these compliance officers prepare an annual Group compliance program, set rules, provide training, and so on.

Anti-Corruption and Anti-Bribery Measures

SBI Shinsei Bank endorses the United Nations Global Compact (UNGC) and continues its efforts to prevent

corruption, as one of its principles. The Group Sustainable Management Policy also specifies "anti-corruption and anti-bribery."

Whistleblower System

The Bank has established a compliance hotline system. Under this system, executives and employees of the Bank can report on violations of laws or ordinances, or matters in which there are suspicions of such violations.

If a report is made, the matter is reported to senior management, a team is organized to investigate the issue, and necessary corrective and recovery measures are implemented.

The Bank prohibits whistleblowers from being subject to unfavorable treatment due to the fact that they made a report, and the Group Legal and Compliance Division later follows up to make sure that the whistleblower has not been treated unfavorably. Other Group companies have also established similar internal whistle-blowing systems.

■ Compliance Hotline

- Three investigation teams
 1. Group Legal and Compliance Division
 2. Full-Time Audit & Supervisory Board Member
 3. Outside Law Firm
- Information on the internal whistleblower system is provided through internal rules and the Company's intranet

Measures against Money Laundering and Provision of the Financing of Terrorism

The Group has “Policy on Anti-Money Laundering and Countering the Financing of Terrorism” and has positioned combating money laundering and the provision of funds to terrorist organizations as one of the most critical issues, and works to establish a Groupwide framework for doing so under the leadership of management. Using a risk-based approach outlined in Mutual Evaluations of Japan by the Financial Action Task Force (FATF), the Group is reducing risk by implementing individual measures to combat the Group’s particular risks that have been identified and evaluated and working on more effective measures. It is our top priority to eliminate risks of money laundering and the financing of terrorism by assessing the effectiveness of countermeasures and providing continuous effort on reviewing the measures.

Legal Supervision

Violations of any laws and ordinances that the Bank and each Group company are required to abide by carries the risk of severe repercussions not only to our credibility and reputation as a financial institution, but to the credibility and functionality of the overall banking

system itself. In the case of individual transactions, there exists a risk that we may become embroiled in a dispute and face unexpected claims for damages. Prevention and proper management of these legal risks are a crucial function within the day-to-day operations of today’s banking groups. The Bank has established the Legal Department within its Group Legal and Compliance Division that presides over such legal affairs, including compliance with corporate and transactional laws, legal documentation and litigation supervision, and, through this specialized support, we work with legal officers in all Group companies and, on a Group basis, aim to prevent and manage any legal risk and support our compliance posture from a legal standpoint.

Business Continuity Plan (BCP)

We have formulated Business Continuity Management Policy and Business Continuity Plan to ensure the continuity of important operations and the smooth fulfillment of our responsibilities to customers and society in the event of an earthquake, typhoon, or other disaster, damage from terrorism or crime, or an outbreak of an infectious disease.

We are taking actions on the Novel Coronavirus infection based on the Policy and the Plan. The Business Continuity Plan and its operating procedures are regularly reviewed, and employees undergo regular education and training.

■ The SBI Shinsei Bank Group Policy on Anti-Money Laundering and Countering the Financing of Terrorism (AML / CFT)

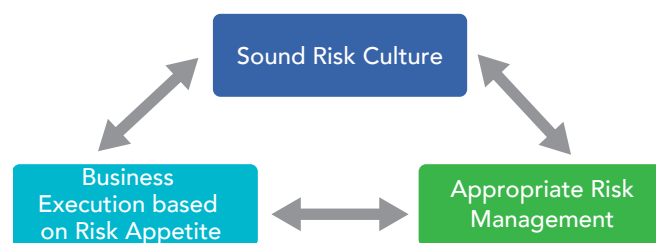
1. Risk assessment	Specify and assess the risk of money laundering and financing of terrorism at each company based on the concept of the risk-based approach, while paying attention to laws, ordinances, and other rules in Japan and documents issued by the Financial Action Task Force (FATF), the Basel Committee on Banking Supervision, and other international organizations. Take risk mitigation measures that are appropriate for the risk being addressed. Regularly examine the effectiveness of risk identification and assessment practices and risk mitigation measures and review them as needed.
2. Customer identification and due diligence	Conduct customer identification before entering into transactions pursuant to relevant laws and ordinances, practice proper customer due diligence, and endeavor to eliminate inappropriate transaction relationships with customers including those with antisocial forces.
3. Transaction monitoring, customer screening, and reporting of suspicious transactions	Give the authorities a suspicious transaction report immediately if a transaction is judged to fall under suspicious transactions based on an abnormality found in the customer identification process conducted before entering into a transaction or during transaction monitoring or customer screening or based on a report made by business promotion divisions / branches.
4. Targeted financial sanctions and assetfreezing measures	Eliminate transaction relationships with the parties that are subject to targeted financial sanctions and appropriately take assetfreezing and other measures pursuant to domestic and overseas regulations and so forth.
5. Management of customers with correspondent contract	Appropriately collect information on customers who have entered into a correspondent contract with the Bank and assess their AML / CFT frameworks. SBI Shinsei Bank and its customers who have entered into a correspondent contract with the Bank are prohibited from having transactions with shell banks and from having transactions using through accounts with a strong level of anonymity.
6. Training for officers and employees	Endeavor to provide guidance and training to officers and employees to deepen their knowledge and understanding of AML / CFT measures and to equip them with expertise and to ensure their suitability according to their roles.
7. Continuous improvement	Regularly check the effectiveness of AML / CFT frameworks and endeavor to keep improving them based on the results of such checks.

Risk Governance

Basic Concept

Risk governance is an important area of the corporate governance framework, and the SBI Shinsei Bank Group has positioned itself as a self-disciplined entity to control risk in a sustainable manner by properly defining and enforcing the supervision and execution functions of the Board of Directors and executives.

■ Conceptual Diagram of Risk Governance



The SBI Shinsei Bank Group has formulated a Group Risk Governance Policy, which outlines the concept of governance based on a sound risk culture, business execution based on risk appetite and appropriate

risk management. In order for financial institutions to secure stable profits and achieve sustainable growth, it is necessary to take on risks while clarifying their risk appetite, and to manage risks appropriately to support them. These are the aggregation of the judgments and actions of individual executives and employees and are strongly affected not only by rules and regulations, but also by the values and cultures of the organization. We believe that risk governance initiatives require a bird's-eye view of all elements.

We have worked diligently to upgrade our risk management and continue to make ongoing efforts to develop a system commensurate with the risks we face. At the same time, we have focused on building a system for appropriate business execution based on our risk appetite, and have developed an integrated management framework based on our risk appetite and consistency of financial plans. Furthermore, as a member of the SBI Group, we are continually working to foster a sound risk culture based on our management philosophy. We believe that risk governance is an important premise

as appropriate risk-taking generates returns as expected and, in turn, aims to improve financial indicators under the sound risk culture.

Risk Culture

Creating a sound risk culture is essential to establishing strong risk governance. The SBI Shinsei Bank Group has established the SBI Shinsei Bank Group Code of Conduct under the SBI Group's common management philosophies and code of conduct. Based on this charter, the SBI Shinsei Bank Group has established a risk culture based on a set of values that serve as behavioral principles for dealing with risk.

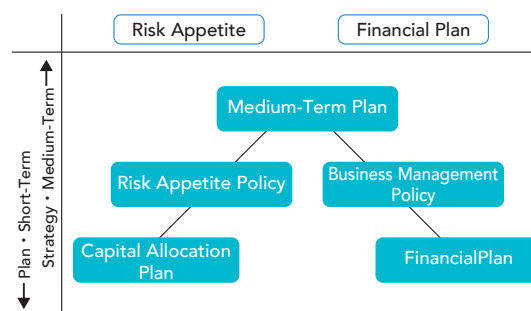
To improve corporate value, it is important not only to avoid risks, but also to take appropriate risk-taking measures. Accordingly, we have clarified the basic stance of the Board of Directors and the executives team and have implemented measures to foster a sound risk culture, including conduct of risk awareness surveys of employees.

Business Execution based on Risk Appetite

The Risk Appetite Framework is a management framework of the company’s overall risk-taking policy, generally considered as the company’s “risk appetite.” The SBI Shinsei Bank Group focuses on the consistency of risk appetite and financial planning as a key premise. By operating the existing functions related to both in an integrated manner, we have established a system that aligns the intentions of the Board of Directors with the execution by the executives on risk appetite.

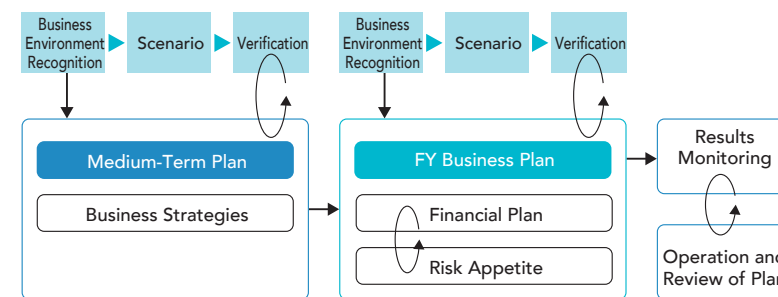
The risk appetite and financial plans are detailed and embodied based on business-line-specific strategies and tactics based on the medium-term management plan. Based on the approval of the Board of Directors,

■ Conceptual diagram of the relationship between risk appetite and financial planning



the SBI Shinsei Bank Group has formulated the Risk Preference Policy, which documents risk appetite appropriately in a detailed manner. The Group has clarified the risk appetite of the Group’s financial plan and is strengthened monitoring during the term by using quantitative indicators set for the entire SBI Shinsei Bank Group and for each risk category. Risk appetite is

■ Conceptual diagram of joint operations



quantified on a uniform basis. Risk capital is allocated to each business line, and its use is monitored regularly to ensure soundness.

In order to ensure consistency between risk appetite and financial planning, the SBI Shinsei Bank Group conducts scenario analysis (stress test) to examine the adequacy of capital, funding liquidity, and profitability. If a scenario analysis (stress test) determines that there is excessive risk taking or if there is any doubt about the feasibility of a financial plan, a system is in place to review risk appetite and financial plans. We have also established the Group Risk Policy Committee as a consultative body on management’s risk appetite. At the working level, however, we emphasize close communication between sections involved in promoting and controlling risk-taking, and it is an important concept in the integrated management framework.

■ SBI Shinsei Bank Group Risk Appetite Policy (Summary)

With the repayment of public funds in mind, we will strive to further improve assets and capital efficiency and maximize profits.

- We will strive to earn a steady profit toward repayment of public funds and receive confidence in the sustainability and growth of the SBI Shinsei Bank Group.
- In order to maintain a certain level of capital adequacy ratio, we will not rely solely on the expansion of operating assets, but will raise assets and capital efficiency more than ever before.
- In order to maximize profitability under capital constraints, we will enhance the risk-taking capacity of the Bank Group by improving asset-capital efficiency (i.e., the return on equity ratio) while maintaining and improving the quality of our portfolio.

Regarding the risk-taking capacity of the SBI Shinsei Bank Group, we will pay attention to the following two points.

- We will keep the credit concentration in mind and maintain the soundness of assets.
~In order to control fluctuations in profits due to potential bad debt losses, credit concentration (concentration of individual companies and industries) shall be carefully examined and monitored.
- We will maintain stable funding structure.
~In order to build a stable financing structure, we will implement measures to acquire sticky deposits.

(NOTE) Based on the basic policies shown in the table above, risk appetite and risk tolerance are set for each of the following four categories: capital adequacy, funding liquidity and financing, business, and operational risk.

Risk Management

The SBI Shinsei Bank Group has established an internal control system that consists of three functions: an autonomous control function (first-line function) in the business execution line on the job site, a control function (second-line function) that is independent of the business execution line on the job site, and an internal audit function (third-line function) that is independent of both of these functions. Of these, the second-line control function verifies the status of risk-taking, determines the will and ability to “take on challenges” (objection) that can be deliberated without hesitation in case there are disagreements among functions while respecting everyone’s actions. In particular, the officer of Group Risk is in principle a jury to the Board of Directors, ensuring opportunities to challenge management policies.

The basic policy for risk management is based on the Group Risk Management Policy, which is based on a management framework for each type of risk and an appropriate allocation of resources to business lines. With regard to capital allocation, which is the primary target area for resource allocation, we have developed an integrated risk management system centered on the risk capital system to comprehensively grasp the risks held by the Group as a whole and compare and contrast them with our management strength.

For more information on risk management, please refer to the Risk Management on page 7 of our Integrated Report 2023 Data Appendix.

With changes in the business environment and the pursuit of value creation both inside and outside the Group, including SBI Group companies, risks that are difficult to identify under the existing framework are increasing. The SBI Shinsei Bank Group identifies “material risk” (top risk) as a risk that is likely to have a material impact on its management. The Group Risk

Policy Committee and other committees consider the selection of such risks, including nonfinancial risks that are difficult to quantify. At present, the Group identifies risks such as increases in credit-related costs triggered by rising long-term interest rates and decrease in the value of securities held due to the emergence of geopolitical risks, as well as human resource and IT risks. To address these important risks, we are focusing on improving the management of predictive control and strengthening our ability to respond to them.

■ Important Risks of the SBI Shinsei Bank Group

Risk scenario	Risk Scenario Details / Impact
1. Increase in credit costs	<ul style="list-style-type: none"> ● Increase in credit costs due to a global economic downturn triggered by rising long-term interest rates, the emergence of geopolitical risks, and the occurrence of large-scale natural disasters and pandemics, as well as a decline in real estate prices. ● Increase in credit costs due to deterioration in the creditworthiness of large-scale investment and loan recipients and credit concentration industries.
2. Risk of rate increases	<ul style="list-style-type: none"> ● A decline in the value of securities holdings and an increase in funding costs due to a rise in interest rates triggered by a change in central banks’ monetary policy and a further rise in policy interest rates.
3. Foreign currency liquidity risk	<ul style="list-style-type: none"> ● Decrease in foreign currency liquidity and increase in foreign currency funding costs due to the financial market turmoil triggered by geopolitical risks, large-scale natural disasters, and pandemic.
4. Emergence of human resource risk (increasing difficulty in hiring new workers and increase in retirees)	<ul style="list-style-type: none"> ● Decline in competitiveness in strategic and core fields due to difficulties in recruiting new graduates and mid-career workers due to intensifying competition to acquire human resources. ● The emergence of internal management problems and the intensification of operational constraints due to the increase in the number of retirees of middle-tier and veteran employees due to the acceleration of human resource mobility.
5. IT risks (cyber attacks and system failures)	<ul style="list-style-type: none"> ● Direct losses and deterioration of reputation caused by the outflow of customer information and the suspension of settlement functions, etc. due to cyber attacks, or the occurrence of unauthorized use or transfer of funds due to cyber-financial crimes. ● Direct losses and deterioration of reputation due to leakage of customer information and stoppage of settlement function due to system failure.
6. Violations of laws and regulations or inappropriate actions by officers and employees	<ul style="list-style-type: none"> ● Direct losses and deterioration of reputation caused by inappropriate acts or omissions by officers and employees that deviate from the law or social norms. ● Administrative penalties, direct losses and deterioration of reputation due to inadequacies in money laundering, terrorist financing measures, etc.
7. Risks related to the promotion of overseas business strategies	<ul style="list-style-type: none"> ● Competitiveness deteriorated due to shortage of specialist human resources required for overseas business planning, promotion, and management. ● Due to differences in the legal system and business practices overseas and limitations in the preliminary survey, the incurrance of response costs and surcharges for unexpected events, and the increase in credit costs.
8. Risks associated with dealing with environmental and social issues	<ul style="list-style-type: none"> ● Strengthening of laws and regulations concerning responses to environmental (including climate-related) and social issues. ● Competitiveness and reputational deterioration resulting from the perceived inadequacy of the SBI Shinsei Bank Group’s response to environmental and social issues. ● Increase in credit-related expenses due to deterioration in business conditions of investment and loan companies that have not sufficiently addressed environmental and social issues.

Ensuring Cybersecurity

Fundamental financial functions, such as deposits, loans, and settlements, are a part of vital social infrastructures, and the stability of these is one of the SBI Shinsei Bank Group’s social responsibilities. However, the recent development of information and networking in society and the current situation internationally have further exacerbated the possibility of sophisticated cyber-attacks that threaten the stability of the financial system. We recognize cybersecurity risks, such as the shutdown of information systems, leaks of confidential information, and illegal trade such as illegal disbursements, as important risks, and we view cybersecurity as a social responsibility.

Cybersecurity Management System

The SBI Shinsei Bank Group has established a control system based on the Group Cybersecurity Guidelines. We are working to strengthen the management of cyber security across the group by sharing new attack techniques and vulnerability of information, inspecting the status of countermeasures for information systems, periodic education for employees, and monitoring illegal transfers. In addition to implementing measures to defend and detect cyber-attacks on information systems, we are also enhancing the security awareness and responsiveness of our employees by implementing regular cyber-attacks drills in cooperation with external specialized organizations.

State of Incident Response

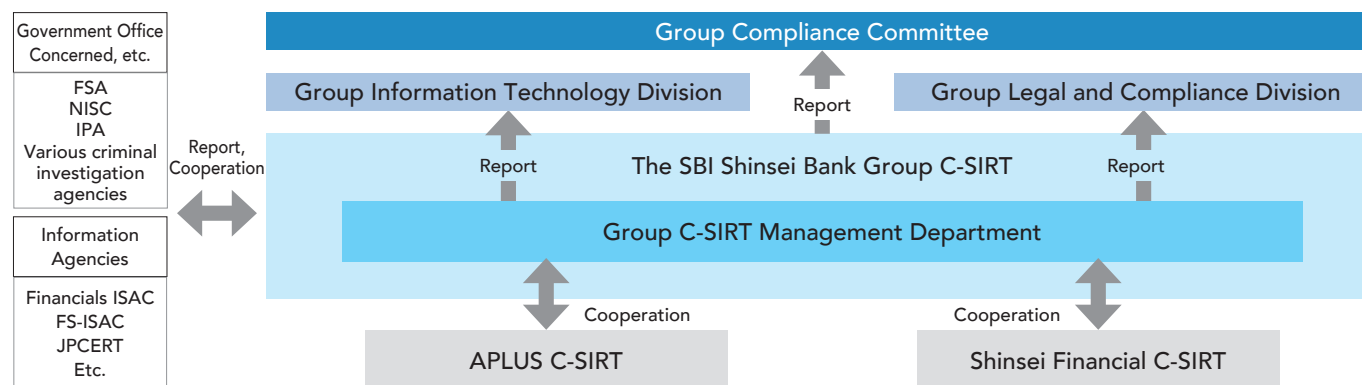
We have established the SBI Shinsei Bank Group C-SIRT (Computer Security Incident Response Team), an organization dedicated to cybersecurity within the Group’s headquarters. Through integrated management with C-SIRT of the Group companies, it is responsible for responding to cyber incidents and financial crimes on a Group basis.

Since fiscal 2021, we conducted intrusion test using a practical aggressive approach, commonly referred to as the Threat-Led Penetration Test, and began efforts to share and improve the challenges discovered throughout the entire Group.

Cybersecurity Management Declaration

Cybersecurity Management of the SBI Shinsei Bank Group declares a commitment to ensuring cybersecurity to all stakeholders, including customers and partner companies. This declaration states our determination to promote the strengthening of cybersecurity through management leadership, such as security measures in various business activities, strengthening of organizational response capabilities, and cooperation with external specialized organizations.

We will continue to contribute to strengthening the cybersecurity of society as a whole by allocating adequate budget, personnel, etc. and strengthening countermeasures.



Glossary & URL

- NISC: National center of Incident readiness and Strategy for Cybersecurity
- IPA: Information-technology Promotion Agency, Japan
- Financials ISAC: Financials ISAC Japan
- FS-ISAC: The Financial Services Information Sharing and Analysis Center (Information sharing through Financials ISAC)
- JPCERT: Japan Computer Emergency Response Team Coordination Center