

For Immediate Release

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## **Establishment of “The Policy on Customer-Oriented Business Conduct” and its “Action Plan”**

Tokyo (Friday, June 23, 2017) --- Shinsei Bank, Limited (hereinafter, “Shinsei Bank,” “the Bank”) today announced that it has established the “The Policy on Customer-Oriented Business Conduct” (hereinafter, “the Policy”) to conduct a business focusing on providing “the best options” to its customers as the top priority, and its “Action Plan” for a solid implementation purpose.

Together with Shinsei Bank, our Group companies, namely, Shinsei Trust & Banking Co., Ltd., Shinsei Securities Co., Ltd., and Shinsei Investment Management Co., Ltd. have also established policies to pursue their customer-oriented business conducts.

The Bank and its Group companies establish the Management Principles; “to become a banking group that is sought out by customers, and contributes to the development of both domestic and international industrial economies, while maintaining stable profitability” and “to become a banking group that strives for highly transparent management and values that is trusted by all stakeholders including customers, investors, and employees”.

The Bank has provided many innovative services such as the telephone banking service (Shinsei *PowerCall*) and Internet banking service (Shinsei *PowerDirect*), the channel assuring the 24 hours a day access, as well as guarantee and prepayment charge-free housing loan services, seeking to fulfill the target of “creating the new retail banking business that can satisfy the true needs of our customers”.

With regard to the asset management consulting services for individual customers, Shinsei Bank is providing services and products based on “Shinsei Bank’s Three Asset Management Promises” (hereinafter, “three promises”). Shinsei Bank positions the Policy as our guiding principles to conduct our business through provision of “the best options” to the customers on our top priority based on three promises.

### **Shinsei Bank’s Three Asset Management Promises**

- Firstly, we will ask the purpose and needs of asset management to our customers.
- Secondly, we will suggest products that meet our customer’s purpose and needs.
- Lastly, we will explain the characteristics of each product together with its risks.

All officers and employees of Shinsei Bank and its Group companies recognize the importance of “pursuing customer-oriented business conduct and contributing to our customers’ asset formation,” and will contribute sustainable growth and development of our society and economy through achievement of the customer-oriented business conduct.

### **[Implementation of the Policy on Customer-Oriented Business Conduct]**

Shinsei Bank establishes and hereby announces “the Policy on Customer-Oriented Business Conduct” in order to ensure that all of the Group’s operations are focused on our respective customers. The Bank will regularly report on the progress of each item stated in the Policy, and will make revisions upon necessity to further improve our business operations.

### **[The Best Interests of the Customers]**

Shinsei Bank will remain to be true and fair to our customers in all its operations and contemplate their best interests while maintaining the highest standards of work practices and ethics. What Shinsei Bank considers as “the best interests of our customers” are following four points: 1) being able to provide

customers with accesses to the Bank's services in the forms they want, including services through the Bank's branches, call centers, and the Internet and social networking services (SNS); 2) providing clear and easily understandable explanations on the premise of existence of considerable differences in amount of information between the customers and the employees; 3) continuing to make efforts to reduce our handling and transaction fees, while providing customers with adequate reasons and explanations for such charges and fees; and 4) being able to offer our customers the products and services that best suit their individual life stages and needs along with necessary follow-ups and supports to ensure our customers' satisfaction and successful experiences; those should eventually result in the Bank's growth.

Shinsei Bank will continue to be elaborative by prioritizing the "best interests of the customers" through our customer-oriented business conduct and by developing such corporate culture.

#### **[Appropriate Management of Conflicts of Interest]**

Shinsei Bank is aware that the most typical case for the conflict of interests between our customers and the Bank would be a possibility for the Bank to prioritize the Bank's profit over the customers' interests when the Group companies are taking parts in origination and investments of products and services. The Bank will manage the potential conflict of interests through the followings: 1) manage conflicts of interests by adding the screening out procedures in our process of selecting the new products and services; 2) introduce a scheduled and continuous monitoring system to review the products and services those have already been sold or provided in order to confirm that they are not subject to conflicts of interests; 3) make clear and appropriate explanations of any potential conflicts of interest between the Bank and the customers to avoid the customers from having unexpected conflict of interests.

#### **[Transparency of Expense and Fee Structures]**

When providing products and services, Shinsei Bank receives the fees, such as handling charges, and commissions (hereinafter, "the fees") from customers which are sometimes separately charged to the customers from the price, or sometimes included in the price. There also are the fees those are not charged to the customers but the Bank receives from the other companies as a solicitation agent, such as consideration for insurance products sales. The fees which the Bank receives from our customers are totally calculated based on the amount of product development, the operational cost such as production of brochures and their postal expense, personnel expense, training expense and the infrastructure expense such as IT system development and maintenance cost. The Bank will provide logical explanations regarding the fees of the financial products the customers have purchased, with clear and easily understandable means.

#### **[Providing Important Information in Easily Understandable Ways]**

Shinsei Bank will provide the clear and supple explanations enough to allow our customers to choose our financial products on their own judgements.

- (1) The Bank will attempt to understand the customers' level of financial literacy and experiences and will explain about the potential losses and risks, and terms and conditions to avoid misleading our customers, especially when proposing or selling complicated and high-risk financial products.
- (2) The Bank will make full and simple explanations on reasons why the Bank is suggesting the specific products and services, and that the proposed products and services really match the customer needs. Moreover, the Bank will present products considering diversified perspectives including our customers' future cash flows, family situation, ideal future life-style, and financial stability of life after retirement.
- (3) We will provide the adequate amount of information on both positive and negative possibilities to our customers when selling or suggesting complicated financial products such as packaged products created by combining multiple financial products and services, making sure of appropriateness for each customer to purchase the products.
- (4) In case there are similar financial products and services, the Bank will make possible arrangements to facilitate our customers to make appropriate comparisons and decisions.

#### **[Providing Services Suitable for Each Customer]**

Shinsei Bank will make the best possible development of our products grasping our customers' situation of assets, transaction experiences, financial literacy, investment purpose and needs in total, and will

conduct appropriate proposals and sales. The Bank will treat the aged or the customers who needs the special cares upon the maintenance of their asset liquidity especially in careful manner, and will make conservative decisions prior to proposing or selling the financial products. The Bank may even stop providing services or products of complicated or high-risk products.

**[Frameworks for Appropriate Motivation of Employees]**

Shinsei Bank will develop our performance evaluation system for branches and employees as well as relevant compensation systems designed to enable them to pursue the best interests of the customers. The Bank will include and consider the employees' appropriate management of conflicts of interest as noted in the above section, "Appropriate Management of Conflicts of Interest," and the positive attitude to fulfill the Bank's three promises to provide financial products and services that are best suited to the customer, as part of our axes of evaluation. Furthermore, the Bank will include the both quantitative and qualitative factors in employees' performance evaluation system, such as increase in deposit assets which could be the result of employee's depth of relationship between their customers and the level of customer satisfaction. The Bank will also conduct the employee trainings to enhance their financial literacy and expertise while improving and strictly maintaining the appropriate governance system.

## Action Plan Based on “the Policy”

Shinsei Bank has formulated the following action plan in order to implement the “Policy on Customer-Oriented Business conduct.” Specific measures will be examined and implemented according to this action plan.

Implementation of the Policy on Customer-Oriented Business Conduct	<ul style="list-style-type: none"> <li>● We will develop institutional systems to periodically confirm and check the implementation status of the Action Plan based on “the Policy.”</li> <li>● The results of the periodical confirmation and checks will be compiled and disclosed on our website, etc. as “the status of implementation.”</li> <li>● We will revise not only the Action Plan but also “the Policy” itself upon necessity.</li> </ul>
The Best Interests of the Customers	<ul style="list-style-type: none"> <li>● We will further enhance the handling of financial products and services that meet our customers’ needs. Specifically for customers in their asset building stage, we will enhance handlings of long-term, diversified, and investment type financial products and services.</li> <li>● Investment trusts that contribute to the long-term asset building of our customers with lower application service fees have mainly been offered via the Internet channel. We will expand these offers to our branches and call centers.</li> </ul>
Appropriate Management of Conflicts of Interest	<ul style="list-style-type: none"> <li>● When selecting financial products and services, we will confirm and check any conflicts of interest in a committee that consists of the headquarters in charge of individual customers, and the divisions responsible for compliance and risk management.</li> <li>● The committee subsequently will continue monitoring the introduced financial products and services.</li> <li>● Whenever we provide financial products and services with potential risk of conflicts of interest, we will make that point clear to our customers and provide appropriate explanations.</li> </ul>
Transparency of Expense and Fee Structures	<ul style="list-style-type: none"> <li>● We will improve our leaflets, brochures, and websites, to make sure that the current explanations on the expense and fee structure of each financial product and service are easy to understand and that our customers can easily examine and compare them with other financial products and services.</li> <li>● We will train our employees to be able to provide even more comprehensible explanations regarding expenses and fees of the financial products and services to our customers.</li> </ul>
Providing Important Information in Easily Understandable Ways	<ul style="list-style-type: none"> <li>● We will verify whether our current provision of information and explanations to our customers are appropriate or not, and will raise our employees’ skills as needed through reviews and training.</li> <li>● We will conduct customer surveys etc. to ensure that our employees can appropriately explain the reasons for suggesting specific products and services, and that the proposed products and services really match the customer needs.</li> <li>● On top of the explanations we provide to our customers according to their knowledge, experience, asset status, and purpose of investment, we will provide easier to understand and more appropriate explanations for packaged financial products and services containing multiple products and services.</li> <li>● When suggesting financial products and services that are similar to other products and services, we will provide explanations that can facilitate our customers to make appropriate comparisons and decisions.</li> </ul>

<p>Providing Services Suitable for Each Customer</p>	<ul style="list-style-type: none"> <li>● We will continue to monitor whether our process of selecting and providing easy to understand explanations about our financial products and services according to our customers' knowledge, experience, asset status, and purpose of investment is appropriate.</li> <li>● For complex or high-risk financial products, we are sufficiently cautious about whether it is appropriate to suggest such products to our customers, especially if they are elderly; and we will continue to monitor whether we appropriately suggest financial products and services that are suitable for our customers.</li> </ul>
<p>Frameworks for Appropriate Motivation of Employees</p>	<ul style="list-style-type: none"> <li>● Our performance evaluations of our branches and employees will put weight on a good balance of whether they fulfill the criteria for the maintenance and expansion of our customer's assets, customer satisfaction, and whether they are compliant to laws and regulations, while providing suitable products and services to our customers. The performance evaluations will be reviewed as needed in light of "the Policy."</li> <li>● We will conduct surveys on customer satisfaction to encourage our branches and employees to act in line with our goal of pursuing the best interests of the customers.</li> <li>● We will consecutively plan and conduct training for our employees to improve their consulting abilities.</li> </ul>

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*Shinsei Bank is a leading diversified Japanese financial institution providing a various range of financial products and services to both institutional and individual customers. The Bank has a network of outlets throughout Japan and is committed in its pursuit of uncompromising levels of integrity and transparency in all of its activities in order to earn the trust of its customers, staff and shareholders. The Bank is committed to delivering long-term profit growth and increasing value for all its stakeholders. News and other information about Shinsei Bank is available at <http://www.shinseibank.com/corporate/en/index.html>*