



Drive the growth of our U.S. business by providing new value through Jenius Bank

See page 102 for practical examples of the FIVE VALUES of the project members.

In 2023, SMBC Group launched Jenius Bank, its U.S. digital retail bank. John Rosenfeld, President of Jenius Bank, and Daisuke Tanaka, Managing Director and Joint General Manager, Strategic Planning Department, The Americas Division, discussed the background, current initiatives, and future plans for Jenius Bank.

John Rosenfeld

Jenius Bank
President

Daisuke Tanaka

Head of Corporate Development, Deputy Head,
Strategic Planning Dept., Americas Division

Tanaka: In 2018, I was appointed to the Strategic Planning Department, Americas Division, and the topic of growth opportunities in the U.S. market was already the subject of much discussion across the team. During such discussions, we gradually turned our attention to the idea of establishing a digital retail bank knowing that in order to realize future growth, we needed to expand into new business areas while also diversifying our USD funding capabilities.

At first, we considered the possibility of investing in a U.S. regional bank. However, we recognized that the importance of physical bank branches to consumers was decreasing due to digitalization. The concept of a digital bank was born based on our recognition of such issues, which in turn led to the Jenius Bank project.

By positioning Jenius Bank as a division of Manufacturers Bank, a U.S. subsidiary of SMBC Group, we were able to launch Jenius Bank in a relatively short period of time by leveraging existing licenses. Furthermore, being able to work with John on the project, especially given his experience in leading the digital bank of a major U.S. bank, was a big plus.

Rosenfeld: Thank you. While I have worked in U.S. consumer banking for over twenty years, I really was not familiar with Sumitomo Mitsui Banking Corporation. When Tanaka-san first approached me about joining the Jenius Bank project, I did some quick research, and I was quite impressed. I also realized that SMBC Group's lack of presence in the U.S. consumer market could actually create some exciting competitive advantages. Tanaka-san and I discussed how we could build the digital bank business truly from scratch, leverage some of the latest technology, and grow SMBC into a stronger bank.

We would not be hampered by various obstacles and challenges that typically plague traditional banks. Traditional banks have aging infrastructure and technology, extensive manual processing, and high cost branch and ATM networks, that really impede their ability to implement new digital technology. Additionally, traditional banks rely heavily upon punitive fee income to offset the high cost of their physical infrastructure, which impacts their customer experience negatively.

Furthermore, the COVID-19 pandemic



accelerated the introduction of digital services in all business sectors throughout the world. The banking sector was no exception, and consumers selecting to substitute trips to physical bank branches with digital services acted as a tailwind for the establishment of Jenius Bank.

These challenges, combined with the accelerated adoption of digital services we saw during the pandemic, have created an opportune time to enter the market with a new and innovative value proposition. Since our business model does not include the high cost of a traditional bank, we can pass on that saving to our customers with more favorable pricing and no fees, creating a very competitive offering while preserving our margins.

Tanaka: Leveraging its strengths as a digital bank, Jenius Bank has hired talent from throughout the U.S. and its approximately 270 employees perform the majority of their duties remotely. We developed new ways of working remotely, which has proven to be a very compelling employee benefit, while many other companies were forcing their employees back into their offices. We had to be flexible in our approach to ensure that our diverse talent pool could perform their duties in an efficient and effective manner. As the project head, John always took great care to reflect employees' views in our plans and operations.

Rosenfeld: As we worked on the project, efficient consensus building between employees who were working remotely was the first key issue we had to overcome. We had brought in so many new employ-

ees with such diverse backgrounds that everyone seemed to have different ways of doing things. At first, this created some inefficiency and challenges, but we recognized the benefits of diverse experience. We resolved this issue by creating "The Jenius Way." We encouraged our team to share how they had done things in the past and then we discussed the advantages and disadvantages of the various approaches. Together, we then decided how we would do things as a newly combined team and called it "The Jenius Way". It allowed us to expedite internal decision making. I am confident that by leveraging the diversity of our talent pool, we were able to produce optimal solutions that made good use of a wide range of ideas and opinions.

The team became very skilled in utilizing online meeting and collaboration tools, but we recognized the importance of face-to-face engagements and how they led to stronger working relationships. Once a month, our management team conducts meetings in Jenius Bank's U.S. offices. In addition, we conduct biannual meetings in which approximately 100 employees in leadership positions take part to reaffirm the direction of strategies and strengthen existing initiatives. Additionally, we started an all-employee call to wrap up every week and recognize great work across the team. This became a very popular meeting and we have maintained it to this day, now with about 270 people attending each week to celebrate each other's successes.

Key Measures to Drive SMBC Group's Future Growth

Tanaka: Many employees decided to join Jenius Bank because it was part of SMBC Group. They felt that Jenius Bank presented a unique opportunity to work in the digital bank sector using cutting-edge technology while being backed by the stable capital base of SMBC Group. The history and strength of SMBC, combined with its focus on long-term sustainable growth is distinct from many U.S. companies that focus more on the short-term. John, how do you feel about SMBC Group's corporate culture?

Rosenfeld: SMBC Group's Five Values resonated very strongly with me. "Customer First" and "Proactive & Innovative" play a key role in bringing the team together through a common mindset. These values align perfectly with Agile ways of working and customer-driven iterative design processes, which have become foundational in many of the most successful digital companies in the world. We create a prototype of an idea, test it with consumers, refine our approach based on their feedback and then continually repeat that process.

I've always liked to interact with people from other countries and experience different cultures. I've read books regarding Japanese business culture, and I was fascinated by how some of these cultural differences have driven such strong employee work ethics and loyalty. Additionally, the approaches to build consensus, to drive sustainable growth, and to prioritize strength in compliance and risk management over speed to market or short-term returns, are very compelling.

Tanaka: You brought up the key word "Customer," and at Jenius Bank our target customers are individuals that regularly use digital products and services as part of their everyday lives.

Our vision is to become a platform that can meet the banking needs of our customers throughout all their respective life stages. In the future, we will offer various products such as home loans, automobile loans, and student loans to meet the needs of customers for marriage,



childbirth, children's education, and the purchase of homes and automobiles. We also plan to expand our product line-up to meet the wealth management needs of customers that very often arise in later life stages. We have invested considerable time in conducting preliminary research so that we are able to properly address such needs. Our designs are driven by the "Voice of our Customers."

Rosenfeld: Consumers have told us that they want to feel more confident in the choices they have made regarding their finances. As we dove deeper, we heard that people struggle simply to keep track of all of their financial activities. On average, American consumers maintain accounts at 5.3 different banks or financial services companies, which is different than many other parts of the world. This is driven by the fact that there are more than 4,500 different banks in the U.S., more than any other country. This highly competitive market makes it more compelling for consumers to shop around for different financial needs, but it also leads to far more complex financial lives. Managing transactions with multiple banks can be cumbersome and make it difficult to obtain a clear picture of one's financial situation.

Tanaka: As we want to be our customers' long-term partner, we have placed considerable focus on our mobile app as it will be the primary channel with most of our customers. We are building a "hub" for our customers that will allow them to see all of their accounts across multiple banks in one place. We can then leverage this wealth of data and advanced analytics to help our customers analyze their spending, refinance their high-interest debt, and optimize their savings. This all ties back to our Jenius Bank purpose, "to help you live a richer life."

Rosenfeld: While we all agree on the enormous power of data and the future potential of AI and machine learning, we must not forget the significance of direct human interactions with customers. Some digital banks today do not even list a phone number on their website, instead they steer their customers to automated services and chatbots. Once again, we see this as an opportunity to differentiate from competitors by “humanizing digital banking”. We have established a contact center where customers can contact a Jenius Bank expert 24 hours a day, 365 days a year by phone or chat. While this is more costly than most digital and traditional banks are willing to accept, we can afford to offer this level of service based on the lower cost of our infrastructure.

Tanaka: With the backing of SMBC Group, Jenius Bank was able to receive significant investments from the very beginning. Through such investments, we are attempting to launch multiple products by establishing the necessary business foundations in a short period of time. The start-up model followed by Jenius Bank was made possible because we are part of a major corporation. With the finance sector currently experiencing turbulence, the backing of SMBC Group is a source of reassurance for Jenius Bank customers.

Rosenfeld: Technology will be one of our core strengths, as we are building Jenius Bank on one of the most modern and proven core platforms in the world. Our new real-time banking core is constructed such that different capabilities are provided as compartmentalized micro-services that communicate with each other through a standardized set of API messages. This allows us to “plug-and-play” new capabilities far faster and more efficiently than almost any other bank today. In traditional banking platforms, systems are generally siloed and hard-wired to one another, making it very difficult and costly to implement changes or take advantage of new innovation. In contrast, Jenius Bank’s new platform and architecture enable us to rapidly refine our offerings as customers’ needs continue to evolve.

Tanaka: The U.S. market is enormous, and its growth exceeds that of Japan in terms of both deposits held by traditional banks with physical branches and deposits held by digital banks. While many U.S. consumers remain loyal to the larger bank brands due to their perception of stability, there is a tectonic shift happening that is driving consumers to investigate alternatives. As we have discussed, consumers are accepting more digital-only services than ever before. They are also finding that the lower-cost business models may offer different capabilities and far more competitive rates. We intend to capitalize on those growing trends, but it may prove to be a hard nut to crack. As such, rather than focusing on winning market share directly from major banks given the fluid market conditions, we will focus on our target client base, present an innovative new value proposition, and develop a niche market.

Rosenfeld: I agree with Tanaka-san. It is important to maintain a long-term perspective and ensure that we remain consistent with our strategy. Specifically speaking, in terms of services, we will start by offering individual loans and then expand to include savings accounts, checking accounts, debit cards, and access to ATMs. We also plan on further expanding our product line-up to include credit cards, automobile loans, home equity loans, and student loans. We will bring all of this together in an integrated customer experience leveraging our capabilities, which will create a network effect that continually increases the value our customers realize with every new service they accept from Jenius Bank.

Tanaka: Jenius Bank is not a project to drive SMBC Group’s growth just in the U.S. Rather, it is a key project in SMBC Group’s global strategy. We will enhance the value of the entire SMBC Group by sharing the know-how and expertise we obtain from the Jenius Project with other business units.

Jenius Bank is a division of Manufacturers Bank. Member FDIC.