



Asian Bankers Association (ABA) Policy Advocacy Committee Session 2021

Opportunities and Challenges of Digital Transformation

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Agenda

01

Digital transformation background

02

Internal challenges

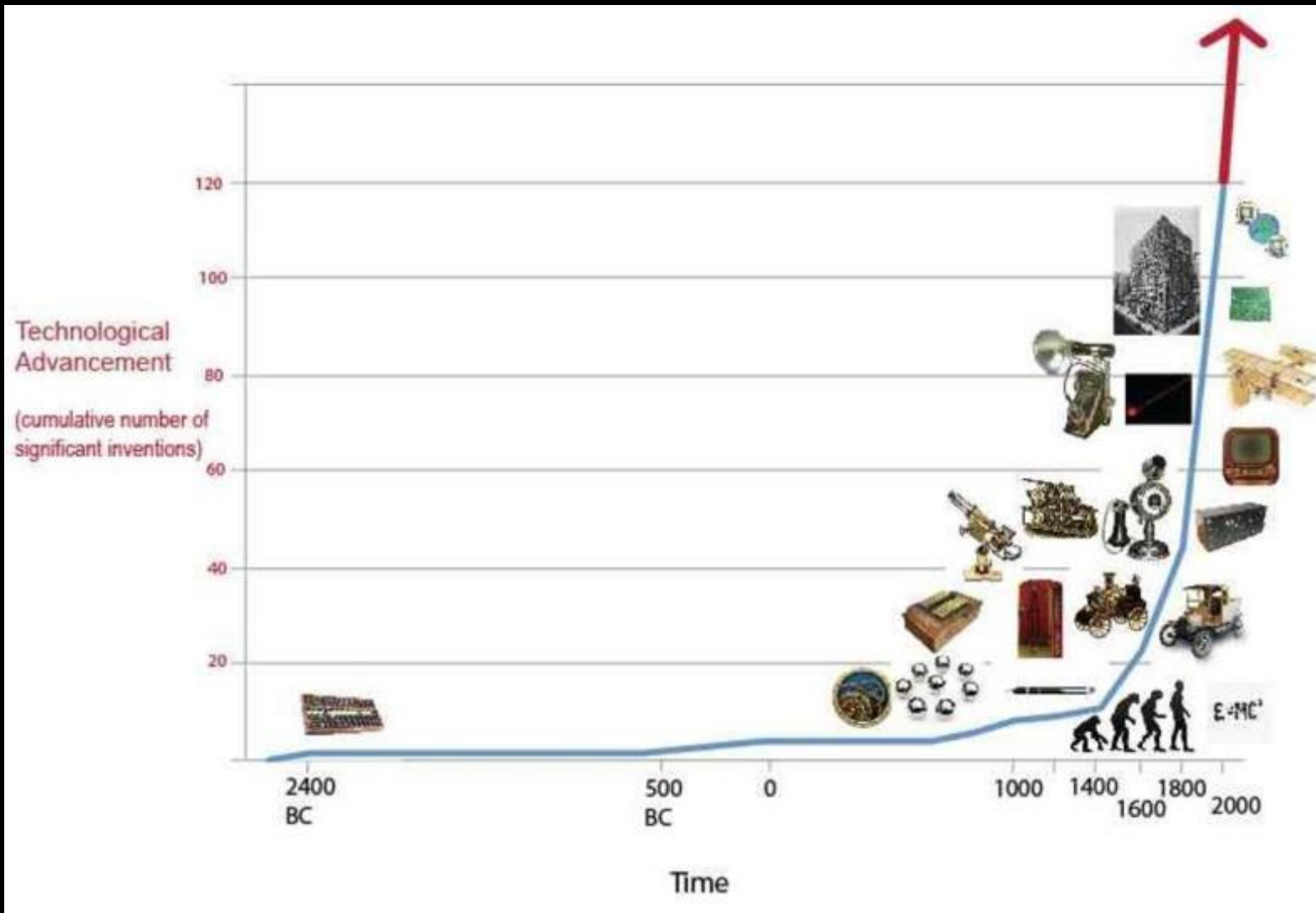
03

External challenges

04

Opportunities of CTBC

Technology advancement grows exponentially



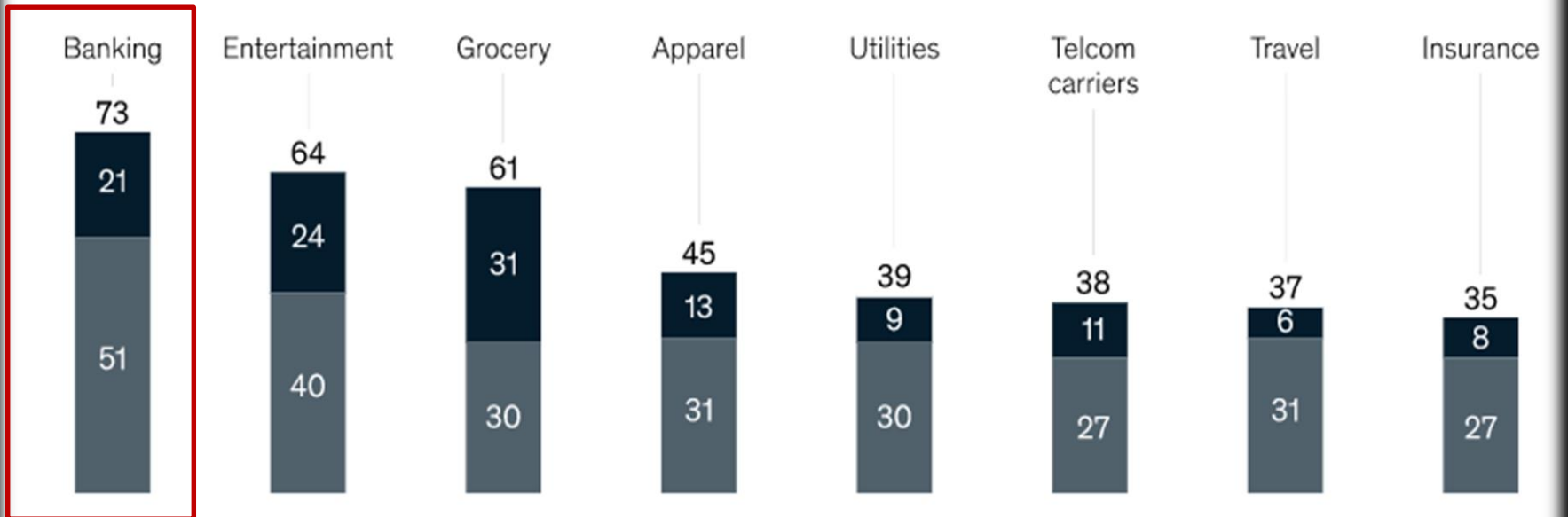
73% of banking customers adopt digital

- Digital transformation is no longer a choice for the bank to operate better, but the key to survive.

US consumers are accelerating adoption of digital channels, a trend seen across global regions.

Digital adoption, by industry, % of digital access

■ Regular users ■ First-time users



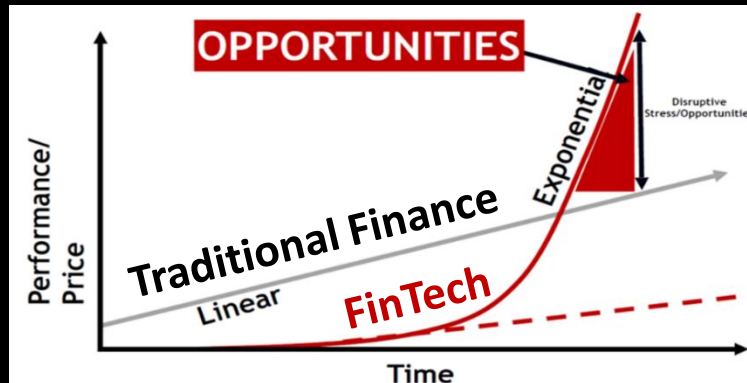
Note: Figures may not sum to listed totals, because of rounding.

Source: McKinsey COVID-19 US Digital Sentiment Survey, Apr 25–28, 2020

Internal challenges of digital transformation in banking

1. Strategy of the company

As resources and budgets are limited, should we choose to **change the bank or run the bank?**



2. Organizational baggage

- **The silo effect**

The lack of horizontal communication makes traditional banks difficult to push forward digital transformation.

- **Complicated system infrastructure**

Outdated system that is hard to quickly iterate can't keep up with customers' changing needs.

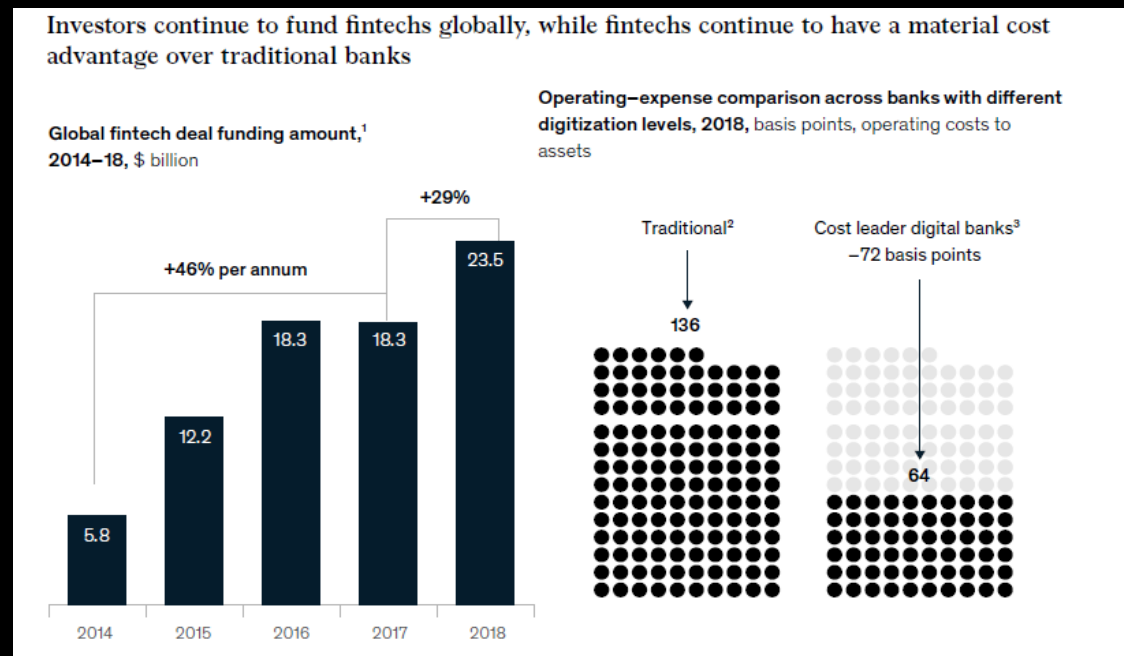
3. Talents

The ever-evolving manpower requirements have forced financial institutions to rethink how to acquire and retain tech talents.

External challenges of digital transformation in banking

1. Emerging FinTech startups

The financial industry must embrace ecosystem strategy if it wants to enhance its competitiveness and profitability, and fight against emerging rivals such as technology companies and internet-only banks. (McKinsey, Winning in a world of ecosystems, 2019)



Investors continue to fund FinTech startups which have lower operating cost than traditional banks.

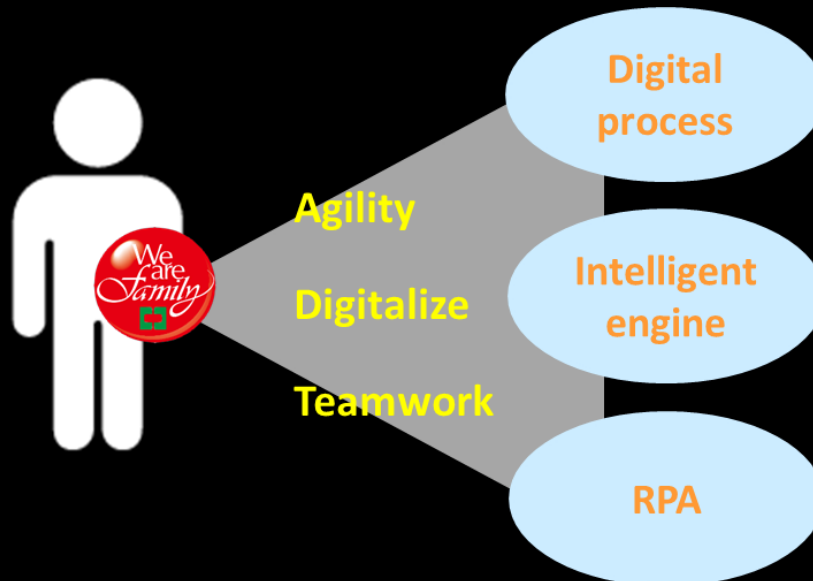
Source: McKinsey-Global banking annual review 2019

2. Customers that are highly digitalized due to emerging technologies

Banks need to change from product-centric to situation-centric, focus on customers' needs.

Opportunities of digital transformation in CTBC

- Due to the impact of COVID-19, digital financial services have been highly accepted.
 - ✓ 35.3% of Taiwanese customers use mobile payment, while 33.9% use physical credit/debit cards.
 - ✓ 70% of CTBC's customers use financial service at least once a week.
- Customer-centric digital culture and agile mindset promote bailout loan approval.
 - ✓ 26% of Taiwan's bailout loan was undertaken by CTBC during COVID-19.
 - ✓ Key success factors:



Opportunities of digital transformation in CTBC

- **Lower the investment threshold and realize inclusive financing.**
 - ✓ From 100 USD to just 1 USD.
- **Catch customer preferences and create hyper-personalization.**
 - ✓ CTBC has 9 million customers and 3.6 million of them use mobile banking.
 - ✓ 69% of our customers use multi-channel, 31% of them use single-channel.
 - ✓ Satisfaction of multi-channel is 83% which is 13% higher than single-channel.
- **Embracing ecosystem strategy to access to customers that can't be served.**
 - ✓ There are around 8 million of Taiwanese adults without a credit card.
 - ✓ CTBC collaborates with LINE has created 10 billion points of circulation value.

