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3.2.2 Digital Transformation and Innovation

CUB prioritizes customer-centric values and remains dedicated to providing innovative financial services that are flexible, autonomous, and digitally empowered. Through digital transformation, data analysis, technological applications, and cross-departmental collaboration, we strive to develop more advanced, convenient, and customer-oriented financial services and products. Our overarching goal is to evolve into a "technology company offering financial services," which underscores not only technological innovation but also emphasizes delivering exceptional user experiences for our customers. We firmly believe that integrating digital technology with financial services enables us to better cater to customer needs and offer them more convenient, efficient, and satisfactory financial experiences.

In recent years, driven by the inexorable trend of digital finance, CUB has embraced the brand ethos of the new CUBE, "Making Financial Life Safer and Simpler with Technology." Addressing the everyday needs of the public and starting from customer demands and scenarios, we have developed autonomous and flexible financial products. We have introduced innovative financial products such as "Instant Protection," "iSmart Variable Life Insurance," and "Flexible Loan Principal and Interest Payment," providing customers with a richer and more autonomous financial experience. In 2023, we were honored with awards such as "Best Digital Smart System" at the Wealth Management Award by Wealth Magazine and "FINTECH INNOVATION AND ESG INTEGRATION" by The Asset.

By the end of 2023, CUB had launched a diverse range of innovative products including the CUBE App, CUBE Online Banking, and Financial Service Stations, acquiring 13 invention patents. These initiatives aim to provide personalized digital financial experiences for customers of all backgrounds, empowering them to achieve their individual financial goals and take control of their future.

Digital Transformation and Innovation Management Approach

 Management Policies and Commitments	<p>CUB's digital banking services prioritize "customer experience" as the core focus. It actively participates in financial innovation policies and Fintech development, continuously playing an active role. In addition to consistently introducing diverse innovative digital services and products, it also collaborates with internal and external partners to develop various scenario-based services. This aims to create the best online and offline experiences while committing to enhancing digital security, making digital channels an indispensable part of customers' lives.</p>
 Corresponding to SDGs	
 Specific Performance	<p>CUB has launched a variety of innovative products such as the CUBE App, CUBE Online Banking, and Financial Service Stations, obtaining 13 invention patents. These initiatives empower customers from all walks of life to achieve their personal financial goals through personalized digital banking experiences, enabling them to take control of their future. The Bank's digital and data-related talents now exceed 700 individuals, spanning across departments such as digital, data, and platform, bringing positive impacts to the Bank's digital transformation efforts.</p>
 Management Assessment Mechanisms	<p>The board of directors of CUB encourages all relevant units to carry out business digital transformation. In addition to providing necessary assistance, they also regularly supervise the development progress and implementation status of the aforementioned projects.</p>
 Optimization Measures	<p>Continue digital transformation to maintain uninterrupted financial services; make full use of the abundant resources of the Bank and Cathay FHC to launch new financial products and services. Through cross-device/cross-platform virtual and real integration, it provides digital cash flow services, strengthens account collection and payment functions, and becomes the main bank account of customers.</p>

3.2.2.1 All-in-One Digital Financial Service Platform: CUBE App

The CUBE App integrates various financial services to provide users with a convenient one-stop digital financial experience. Through the CUBE App, users can enjoy a variety of convenient and secure money transfer services, apply for a Taiwan dollar/foreign currency/securities account online, switch CUBE Card privileges, set up exchange rate alerts for online currency exchange, set up regular investments (funds/Taiwan/U.S. stocks/Smart Investments), inquire about insurance, and apply for loans, etc. With one app, users can enjoy the convenience of CUB, Cathay Securities, Cathay Life and Cathay Century in one convenient digital financial service.

CUBE App is the first in the industry to introduce the international security standard Fast Identity Online (FIDO), which allows users to experience a secure and convenient login method. The CUBE Card Privilege Program and Flex Credit, which can be customized according to users' needs, provide users with greater autonomy in arranging the use of products that meet their individual needs.

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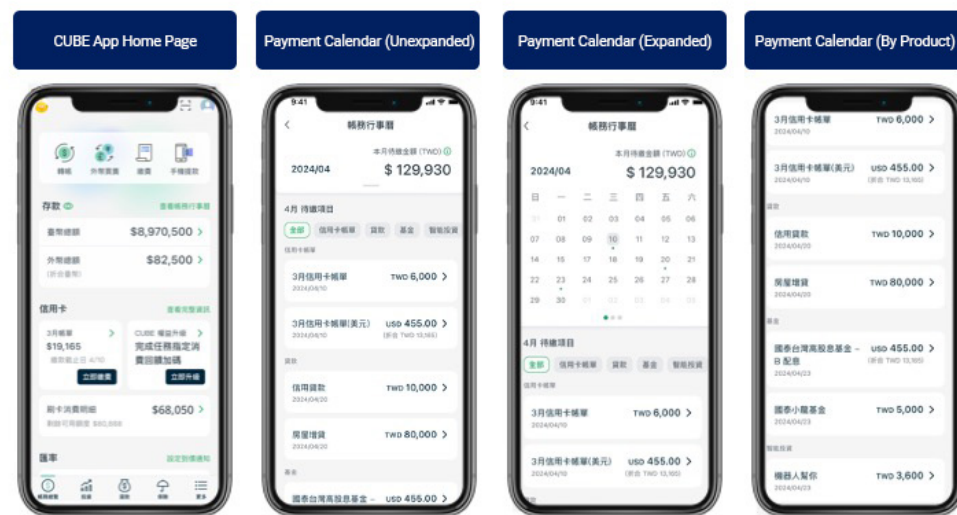
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The CUBE Credit Card Privilege Program switching mechanism is the first of its kind in the Bank. Users can switch their privileges once a day through the CUBE App and enjoy rewards at designated merchants within the privileges. In addition, CUBE will also introduce personalized coupons from time to time, creating a win-win situation for the Bank, the store and the customer.

The "FlexiLoan" is an exclusive product for CUBE App users, offering a fully digital process that is not constrained by the operating hours of physical branches. Users can get approval in as fast as 5 minutes, completing the application, disbursement, and repayment in just 3 easy steps. With features like no face-to-face meetings, no binding contracts, flexible borrowing and repayment terms, and interest calculation based on actual usage, the FlexiLoan caters to the personalized loan needs of different customers. CUB is committed to alleviating the financial burden of young professionals and meeting various financial needs. Additionally, the Bank offers flexible fund utilization plans, including the "Principal and Interest Amortization Plan" and "Extension of Loan Contract Term Service." The Principal and Interest Amortization Plan provides a fixed monthly repayment amount, making it easy for customers to plan their budgets and manage their finances effectively. The Extension of Loan Contract Term Service allows FlexiLoan customers to apply online to extend the loan term, meeting the requirements for medium-term loans and better addressing customers' needs for flexible fund utilization. As of the end of 2023, FlexiLoan has served 67,163 customers, with a total loan amount of 7.66 billion.

By December 2023, the number of CUB's digital users has exceeded 7 million, and the number of monthly users of financial services through CUBE App and CUBE Web has reached 38 million, with the number of CUBE App users and transactions increasing twofold over the past three years, leading to a sixfold increase in digital revenue. CUBE App and CUBE Web have been widely recognized and awarded for their efficiency and convenience.



CUBE App's "innovative Payment Calendar" function turns your phone into a personal account manager

In 2023, CUB actively launched new features such as the "Payment Calendar," "Balance Sheet" (which refers to a personalized asset management dashboard), "Convert money wisely," "Video Services," and "Insurance Zone." Additionally, by strengthening mechanisms such as two-step login, security checks, and security guards, the Bank continues to safeguard digital security. For detailed feature descriptions, please refer to the table below.



Colleagues from CUB Financial Service Station serve people who come for consultation

New Features to Be Launched in 2023 for CUBE App and CUBE Web

<p>Payment Calendar</p>	<p>The accounting calendar is the first of its kind in the industry, integrating cross-commodity withholding information within the Bank, including: credit card statements, fund withholding, intelligent investment including management fee withholding, loan withholding and other information. In the future, we will further improve the financial products to be withheld by the whole bank and the whole group, and help customers grasp their daily consumption expenses and become a personal account manager for users.</p>
<p>Balance Sheet</p>	<p>The personalized asset management service dashboard integrates cross-product information such as local currency, foreign currency, investment, credit card, loan, etc., and integrates asset allocation in real time through new visual charts. In the future, it is expected to add a chart of asset level changes in the past year to help users grasp the changes in assets, combine personalized cross-product analysis and personalized recommendations of the most suitable products and services, increase the sticking between customers and the Bank, and enhance the overall contribution.</p>
<p>Convert Money Wisely</p>	<p>The functions of "Personal Average Exchange Cost and Exchange Rate Trend Chart" and "Extend Online Exchange Time to 2 a.m." allow users to grasp the trend and personal exchange cost, help control financial management or travel costs, and have the opportunity to enjoy a variety of discounts if they can take advantage of irregular task activities.</p>
<p>Video Services</p>	<p>The 365-day uninterrupted "Video Appointment of Foreign Currency Account of Other Banks" service enables users to complete the foreign currency account service through the CUBE App, allowing customers to open the CUBE App as if they walked into a branch, just like the user journey of the service desk in the air.</p>
<p>Insurance Zone</p>	<p>The "Insurance Zone" integrates Cathay FHC and its subsidiaries' individual insurance policies and related information, and simultaneously provides personalized online insurance services, recommending suitable property and casualty insurance products according to the needs of customers in different periods.</p>

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3.2.2.2 Financial Service Station that Breaks Traditional Time and Space Limitation

In line with the original intention of bringing financial services into people's lives and promoting financial inclusion, CUB partnered with PX Mart in 2020 to launch "CUB Financial Service Stations". Breaking away from traditional banking hours and locations, these stations extended service hours until 9 p.m., setting a precedent for banks to provide services outside of branch locations. They offer a range of physical services including account opening, digital service promotion and consultation, credit card application and promotion, as well as guidance on automated equipment. Starting from the trial phase, they ventured into residential, industrial, and commercial areas to observe differences in financial needs among different communities. After their official launch, they actively expanded into areas with lower branch density. By the end of 2023, these financial service stations had reached 163 towns and cities across Taiwan, including 38 areas identified by the Banking Bureau as needing additional financial services, thus bridging gaps in financial service provision. Customers at these stations expressed satisfaction, particularly appreciating the convenience of accessing financial services near their homes after work hours, and they hope to see more "CUB Financial Service Stations" in more areas. People have transformed from being curious passersby to actively seeking information on opening accounts and understanding various ATM functions.

Embracing the Cathay FHC's "What if We Could" brand spirit, the Bank has been driven by curiosity to explore and courage to create possibilities. Through a highly flexible service model, it has extended financial services to areas in Taiwan with lower financial institution penetration rates, ensuring more people have access to equal, friendly, practical, and innovative digital financial services. By the end of 2023, these financial service stations had served more than 120,000 people and received recognition from the 11th Taiwan Banking and Finance Best Practice Awards for promoting financial inclusion and the TSAA Taiwan Sustainable Action Award.

3.2.2.3 Trust for Happiness and Security

Through physical seminars and 24-hour online trust consultation, CUB's trust business professional team reaches out to enterprises, hospitals, caregivers and neighborhoods to promote the concept of financial security through trusts. In 2023, CUB's insurance claims trust business accounted for nearly 30% of the domestic insurance claims trust business market share, leading the industry, and is the only five-time winner of the "Best Trust Financial Awards" of the Elite Awards. CUB has won the "Best Wealth Management" award from Wealth Magazine for eight consecutive years.

With an innovative mindset, CUB has developed a wide range of customized trust products to meet the needs of different customer segments through the three strategies of "Service Scenario, Product Diversification and Contract Modularization". For example, we have launched Insurance Claims Trust and Children's Protection Trust for the young segment, which can help manage and protect their assets such as insurance Claims, money, securities and real estate; for the senior segment, we have also launched products such as Micro Elder Care Trust, Easy Living Retirement Trust, Disability & Retirement Trust, Foreign Bond Reservation Trust and Testamentary Trust, etc.

The contents of the trusts range from simple to complex, and the types of assets delivered range from money to stocks, real estate or foreign bonds, etc. The scope of trust management ranges from fixed deposits, funds and bond investments to real estate leasing, etc. In addition, CUB and Cathay Life jointly launched the "mutual promotion of insurance claims trust", becoming the first financial institution in Taiwan to integrate the resources of a financial control group to provide "mutual promotion of insurance claims trust" services, so as to enable the trust to give full play to its universal value, and help the people to advance their life and realize their wishes of taking care of themselves, protecting family members and passing on wealth.

Lists of Diverse Trust Products

<p>Disability & Retirement Trust</p>	<p>To protect the property and happiness of the elderly and disabled, allowing people to entrust different types of property to trust and ensuring that diversified assets are earmarked.</p> <p>By the end of 2023, there were 296 effective beneficiaries and trust property totaling \$2.451 billion for the elderly and the disabled trust. Among every 10,000 individuals who have opened various deposit accounts, an average of 0.64 people have set up the trust.</p>
<p>Insurance Claims Trust</p>	<p>Insurance products provide policyholders with a fundamental net, and insurance claims trusts further strengthen this safety net, making it more secure. Through these trusts, we plan the use of insurance claims, with the Bank disbursing funds for living and education expenses according to the contract. This ensures that the compensation is used exclusively for the designated purposes, effectively taking care of the family's needs.</p>
<p>Foreign Bond Reservation Trust</p>	<p>Customers can now deliver stable dividend foreign bonds to Annuity Trusts, ensuring a worry-free retirement. This product not only adopts a pre-open trust model, allowing customers to deliver foreign bonds to the trust until they reach old age, but also innovatively introduces the nation's first foreign bond reservation delivery trust mechanism.</p> <p>This means that when the settlor experiences guardianship declaration, severe disability, dementia, or accidental coma, the foreign bonds held by them can be delivered to the trust as agreed, activating the caregiving payment mechanism. In terms of trust management fees, discounted rates are set based on the nature of the delivered assets and whether the trust payment is activated, allowing customers to plan for their annuity trusts most conveniently and affordably, making these trusts their best asset guardians.</p>

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CPBL Anti-Gambling Trust

In 2009, CUB pioneered the "CPBL Anti-Gambling Trust" and the "CPBL Player Signing Bonus Trust" to help players prevent gambling and plan for retirement, to improve the professional baseball environment in Taiwan. During the trust period, if the player needs to withdraw funds temporarily, the Bank will only allocate the funds with the consent of the union, and after the player retires, the trust property will be fully returned to him for daily use, to ensure the quality of life in his retirement. A total of 243 active players participated in the program, with the trust property exceeding NT\$162 million as of the end of 2023.

3.2.3 Financial Inclusion

In April 2013, the UNSGSA noted that "Financial inclusion is therefore an enabler and accelerator of broad-based economic growth and resilience, improved financial health, job creation and development." and that finance is for everyone, not just the rich. Recognizing the critical role of financial inclusion in promoting the overall development of a society and enhancing its economic vitality, CUB commit to introducing a variety of financial products and services that meet the needs of different sectors of society or different ethnic groups and tailor to meet the needs of the community. Therefore, through innovative and inclusive strategies, we are committed to introducing a wide range of financial products and services that meet the needs of different sectors of society and different ethnic groups, with a view to shaping a "people-centered" financial system that promotes the well-being of the public. We are constantly innovating to enhance the accessibility and convenience of our financial services, and we are committed to providing a more friendly and convenient financial environment for customers with different backgrounds and needs. The Bank firmly believes that through continuous innovation and inclusiveness, we can realize true financial inclusion, which in turn will promote the overall harmonious development of society and the economy, and create a better future together with our customers and all sectors of the community.

3.2.3.1 Support the Development of Social Enterprises and Small and Medium-sized Enterprises

CUB has joined forces with the Taipei City Government on the "Social Enterprise Preferential Financing Project" since 2017. Through cooperation with the Small and Medium Enterprises Credit Guarantee Fund, it provides direct guarantees and low-interest loans to qualified social enterprises to help these enterprises. Businesses obtain necessary working capital. This project not only encourages social enterprises to actively solve social problems with business models, strengthens their social influence, but also demonstrates the active practice of social responsibilities of financial institutions.

In addition, the Bank launched a series of micro-finance preferential loan programs for small enterprises, covering supplier financing and franchisee loans, etc., to meet the diversified development and operational needs of enterprises. These loan programs specifically designed for small businesses not only provide more favorable loan terms, but also effectively reduce the financial burden of small businesses, thereby supporting their growth and development.

By the end of 2023, the cumulative amount of loans approved under the Social Enterprise

Preferential Financing Project reached \$84 million, benefiting 16 social enterprises. Meanwhile, the results of the Supplier Financing Program were also remarkable, with a cumulative total of 198 loans approved and a loan balance of 360 million. These achievements fully demonstrate CUB's active role in promoting financial inclusion and supporting the development of social enterprises and SMEs.

Meanwhile, to support the development of cultural and creative activities or industries in China, we successfully assisted an entrepreneur to apply for the "Loan for Strengthening the Upgrading and Restructuring of Cultural and Creative Industries" in 2023, which was reviewed and approved by the Academy of Cultural Content Policy, met the eligibility criteria and completed the application process for the relevant grant.

Through the successful implementation of these projects, CUB has not only deepened its support for enterprise development, but also demonstrated through practical actions that financial institutions can play a key role in promoting economic growth and social progress. We look forward to exploring and developing more innovative financial solutions in the future to meet a wider range of societal needs and further promote the development of financial inclusion.

Social Enterprise Preferential Financing Project Results

	2021	2022	2023
Cumulative Amount of Approved Loans for Preferential Financing Projects of Social Enterprises (unit: 10 thousand)	7,460	8,100	8,400
Cumulative Approved Enterprises for Preferential Financing Projects of Social Enterprises	14	15	16

3.2.3.2 Promoting Innovative and Customer-Friendly Financial Services

The Bank demonstrates foresight and creativity in advancing its strategies for financial innovation and sustainable development, particularly through collaborative projects with Cathay Life Insurance, such as the "Swipe to Insurance" initiative, and the deepening of practices in sustainable and elderly financial planning, successfully providing tailored financial solutions for diverse customer segments.

The "Swipe to Insurance" initiative allows young customers to accumulate accidental insurance coverage through their daily consumption without additional burden, providing coverage of up to 300 thousand. This not only reduces the psychological barrier for young people to purchase insurance but also introduces innovative model of combining finance with insurance, enhancing customer trust and satisfaction.

In order to promote the concept of sustainable investment, the Bank has specially designed ESG funds and themed webpages, aiming to cultivate sustainable investors. With detailed website content guidance, the number of investors in ESG funds has exceeded 20 thousand with a total investment scale of 5.8 billion. Additionally, the number of users using our target-based financial planning tools for retirement planning has reached 200 thousand times. On the website, we em-