IndusInd Bank – Analyst Day

Presentation-6
Digital Banking
5 Key Imperatives of Digital Strategy at IndusInd to drive 3 primary Business Objectives

**Human Centred Design Principles – To Drive Differentiated Customer Experience, to build & scale Do It Yourself models**

**Embedded Finance (BaaS*) models in collaboration with ecosystem players an opportunity**

**Highly Modular, Available, Scalable, Secure by Design**

**Personalization and Decisioning driven by Data & Analytics - a key differentiator**

**Digital Centre of Excellence – a new age organization with relevant skills to drive agility**

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**Drive Better Customer Experience & Engagement**

- **Daily / Monthly Active users**
- **Customer Rating**
- **Customer retention**
- **Transactions per client**

**Transform existing lines of businesses**

- **Straight Through Processing %**
- **Cost of processing**
- **Turnaround time**
- **Employee Productivity**

**Build new DIY* and BaaS** **led business models**

- **% of digital business**
- **Cost of acquisition**
- **Number of clients**
- **Balance Sheet**

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*DIY = Do It Yourself; **BaaS = Banking as a Service*
Digital Sourcing % continues to grow and digital unassisted* business models gaining momentum

- **70,000+ Clients** on-boarded using VKYC every month
  - Live across Savings, Personal Loans, Credit Cards and Current Account

- **96% of deposits** (savings and fixed deposit) opened digitally
  - 30% of savings accounts digitally unassisted*
  - 42% of fixed deposits digitally unassisted*

- **90% of Cards** sourced digitally
  - Scaling up digitally unassisted* model with easycredit

- **54% of personal loans** opened digitally
  - Scaling up digitally unassisted* model with easycredit

- **98% of mutual funds** sourced digitally
  - 100% of life insurance sourced digitally
  - 85% of non life insurance sourced digitally

- **70% of current accounts** opened digitally

- **40% of MSME loans** (exposure upto 2 cr) originated digitally

- **57% of Retail Forex** digital via indusforex

- **96% of deposits** (savings and fixed deposit) opened digitally
  - 30% of savings accounts digitally unassisted*
  - 42% of fixed deposits digitally unassisted*

- **33% of NR business** originated digitally
Digital Engagement with clients continues to grow: Mobile transactions up 2X YoY, 92% of Bank’s transactions digital

The All In One Banking App

More than 150 services offered on the app

- Open an account & manage deposits
- Manage loans from the app
- Manage Payments – Scan & Pay, UPI, Bill Payments
- Invest and Manage Portfolio
- Manage debit & credit cards
- All account management services

Real time event based, context specific client engagement capability

Revamped payment capability

Indexed mobile transaction volumes

May’21
100

May’22
208

Source: RBI

Active users up 21% YoY

Q1 FY22
100

Q1 FY23
121

92% of Bank’s transactions are digital

70% of Bank’s service requests* processed straight through digitally via channels as self service

Comprehensive suite of 50+ services

5.1 Mn registered users

Coming Soon

100

21%

121
An integrated stack for retailers to manage and grow their business better garnered 80,000+ users within first few months of launch & growing

**Banking**
- Open a current account
- Make payments
- Manage deposits
- Statements
- Service Requests

**Payment**
- Select your POS plan
- E-sign MSA
- Accept payments via QR, POS, PG
- Maintain Digital ‘Khata’
- & send reminders
- Track sales and settlements

**Lending**
- Pre-approved collateral free small ticket loans
- Loan against receivables or advance settlement

**Multi Lingual Support**
- VKYC Enabled Current Account in <30 min
- Bill payments & more
An integrated stack for retailers to manage and grow their business better garnered 80,000+ users within first few months of launch & growing.

80,000+ users within first few months of launch

Every 2\textsuperscript{nd} user on the app is a new customer

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<thead>
<tr>
<th>Year</th>
<th>NTB</th>
<th>ETB</th>
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<tr>
<td>Dec'21</td>
<td>54</td>
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<td>Mar '22</td>
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<td>Jun '22</td>
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Driving Customer Experience, Business Transformation and Direct To Client / BaaS led Business Models with IndusEasyCredit

A case study in enabling holistic transformation of credit cards business model

**Omni Channel**

**Digital Authentication leveraging “India Stack”**

**Real Time Decisioning**

**Integrated with Enterprise Data Warehouse - BRE test & learn**

**Integrated with ‘Mar Tech’ Stack**

**Open Banking Ready / API led, cloud native**

**90% of cards business is now digital**

**~40% increase in sales productivity**

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<td>Jun'21</td>
<td>37%</td>
<td>90%</td>
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<tr>
<td>Jun'22</td>
<td>100</td>
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**2.5X growth in offline Partner led volumes post platform adoption**

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<td>Q4 FY'22</td>
<td>100</td>
<td>250</td>
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<tr>
<td>Q1 FY'23</td>
<td>260</td>
<td>650</td>
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**Processing cost per unit lower by 60-70%**

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<td>Q4 FY'22</td>
<td>100</td>
<td>40</td>
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**TAT to Decision**

|   | Instant |

**STP%**

|   | 15-20% |

**Created Direct Digital model of sourcing**

**Activated new sales force on cards – 25% of users never sold a card end to end before**

**Integrating with 10+ digital partners through API stack**

STP % implies end to end until card setup in 3-5 min with no Field Verification / Underwriting
Scaling up “Do It Yourself” led business models

**Savings Account**
- Indexed DIY Volume – Savings Account
  - Q1 FY’22: 100
  - Q1 FY’23: 214
- AUM per client: 30,000
- Income per client as a % of AUM: 1.9%
- CAC* as a % of AUM: 0.9%
- % contribution to business: 30%

**Personal Loans**
- Indexed DIY Volume – Personal Loans
  - Q2 FY’22: 100
  - Q1 FY’23: 305
- Portfolio Yield: 175 bps
- Cost of processing: 60%
- Operating Income per client

**Credit Cards**
- Indexed DIY Volume – Credit Cards
  - Q2 FY’22: 100
  - Q1 FY’23: 424
- Limit per card: 12%
Building partnership led business models leveraging the API nativeness of the platforms

**Partnership Objectives**

- Co-create new products
- Acquire new clients at scale
- Offer enriched value propositions to clients

**Partnership led business scaling up well**

- Indexed Client Base: 100 in Q1 '22 to 600 in Q1 '23 (6X)
- Indexed Balance Sheet: 100 in Q1 '22 to 700 in Q1 '23 (7X)

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**API Stack**

- **Aggregators**
  - Wish Fin
  - Paisabazaar

- **Fintechs**
  - Wealth, NBFCs
  - Groww
  - Ziploans

- **Payment Banks**
  - Airtel Payments Bank

- **Payment Service Providers**
  - Paytm
  - Fine Labs
3 Key building blocks to the Digital Strategy

1. Highly Scalable, Resilient, Secure by Design
2. Data & Analytics led Personalised Engagement and Client Lifetime Value
3. An Integrated Centre of Excellence with new age skills to drive desired agility
3 Key building blocks to the Digital Strategy

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Creating future ready, resilient, scalable technology architecture

- Agile campaign execution capabilities
- Personalization basis user behavior
- Cloud Native
- Micro-Services based
- API ready
- Highly available and scalable on demand
- API orchestration via cloudpak to ensure scalability & resilience
- “Hollowing” the core
- Accelerators, caching on cloud to drive performance on experience layer
- Moving to new age composable, cloud native payment stacks
- Storage on cloud
- Moving towards compute on cloud
3 Key building blocks to the Digital Strategy

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A strong foundation of data and analytics at the heart of creating business impact

Data Sources
- Mar Tech tools
- Client App/Platforms
- Core Banking System
- Call centre data
- Payments System
- Bureau

Data Extraction, Curation & Governance
- Raw Data
- Curated Data

Customer DNA
- Demographic
- Transaction behaviour
- Online behaviour
- Repayment behaviour
- ...

Advanced Analytics
- AI / ML based algorithms

Marketing Analytics
- Reduce customer acquisition costs
- Optimum Marketing Spend allocation

Customer Engagement
- Persona specific campaigns
- Campaign analytics to maximize impact
- Drive Transactions per client, products per client

Risk Management
- Acquisition models
- Earning Warning alerts
- Attrition Management
- Collections models
A strong foundation of data and analytics at the heart of creating business impact

Illustrative Impact

- **56% increase in transactions of cohorts with low transaction intensity**
  - Q4 FY'22: 100
  - Q1 FY'23: 156
  - Increase: 56%

- **50% Increase in personal loans pre-approved**
  - Q4 FY'22: 100
  - Q1 FY'23: 150
  - Increase: 50%

- **45% reduction in early delinquency metrics in cards**
  - Q4 FY'22: 100
  - Q1 FY'23: 55
  - Reduction: 45%

- **50% reduction in customer acquisition costs in DIY cards**
  - Indexed CAC – DIY Credit Cards

**Marketing Analytics Impact**

- **Customer Engagement Impact**
  - 56% increase in transactions of cohorts with low transaction intensity
  - Q4 FY'22: 100
  - Q1 FY'23: 156
  - Increase: 56%

- **Risk Analytics Impact**
  - 50% Increase in personal loans pre-approved
  - Q4 FY'22: 100
  - Q1 FY'23: 150
  - Increase: 50%

- **Advanced machine learning based algorithms power instant decisioning across products on easycredit**

**IndusInd Bank**
3 Key building blocks to the Digital Strategy

1. Highly Scalable, Resilient, Secure by Design

2. Data & Analytics led Personalised Engagement and Client Lifetime Value

3. An Integrated Centre of Excellence with new age skills to drive desired agility
An integrated team of 300+ created as *IndusInd Digital Centre of Excellence – Powering Business Impact and Value Creation*
A Peek Into the Future

There is a fundamental shift in the way consumers consume financial products.

- **Convenient, Intuitive, Personalized Experience**
- **Digital Ecosystems with embedded financial products**
- **New tech led Business Models driving Disruptive innovation in products & services**
**Key Themes for the Future**

**Business Model will Evolve:**
*From Tech Enabled to Tech Driven*

- 60-70% of new client acquisition will be tech driven

**Further build capabilities in Data & Analytics**
*To create differentiation*

- From Persona Specific to Hyper Personalization
- From Storage on cloud to Compute on cloud
- From Largely structured to Unstructured (speech, images, etc)

**Plan to acquire 8-10 mn clients digitally over next 3 years across Individual and MSME**

**In-house capabilities in new age skills will mature to drive the shift to being tech driven**

- Product Design
- UI/UX Research
- Engineering
- Digital Marketing
- Growth
- Content
- TeleSales
- Decision Science
- Data Engineering

DIY = Do It Yourself
THANK YOU
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