

Retail Digital Payments

August 2017

Safe Harbour

Except for the historical information contained herein, statements in this release which contain words or phrases such as “will”, “aim”, “will likely result”, “would”, “believe”, “may”, “expect”, “will continue”, “anticipate”, “estimate”, “intend”, “plan”, “contemplate”, “seek to”, “future”, “objective”, “goal”, “strategy”, “philosophy”, “project”, “should”, “will pursue” and similar expressions or variations of such expressions may constitute "forward-looking statements". These forward-looking statements involve a number of risks, uncertainties and other factors that could cause actual results to differ materially from those suggested by the forward-looking statements. These risks and uncertainties include, but are not limited to our ability to successfully implement our strategy, future levels of non-performing loans, our growth and expansion, the adequacy of our allowance for credit losses, our provisioning policies, technological changes, investment income, cash flow projections, our exposure to market risks as well as other risks. Axis Bank Limited undertakes no obligation to update forward-looking statements to reflect events or circumstances after the date thereof.



Digital Payments in India



Digital Payments at Axis Bank

As the Indian economy becomes more digital...

People



Mobile Phone Users



Internet Users



Smartphone Users



2015

1,250 mn

1,000 mn

300 mn

240 mn

2020

1,350 mn

1,200 mn

650 mn

520 mn

...the Payments paradigm continues to evolve

Past Paradigms

Deposits first,
Payments offered as a by-product

Credentials: Proprietary (Card + PIN
both managed by bank)

Transactions: Low Volume, High Value

Emerging Paradigms

Payments an entry point,
to broaden banking relationship

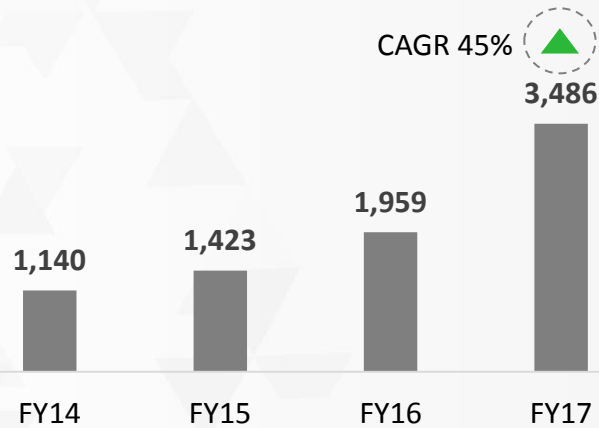
Credentials: Public (Mobile Phone +
Aadhar Authentication)

Transactions: High Volume, Low Value

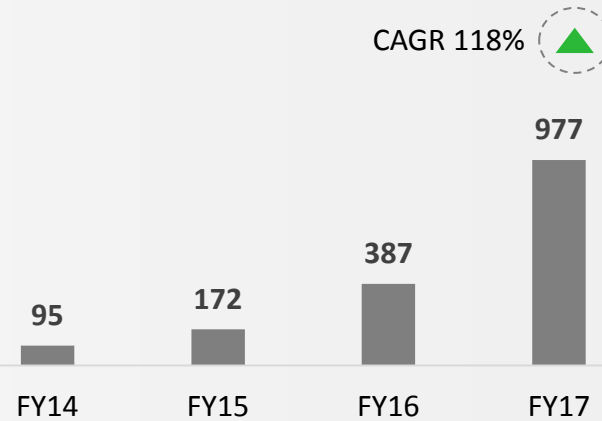
Digital Payments growth outpacing cash

Number of transactions (Mn)

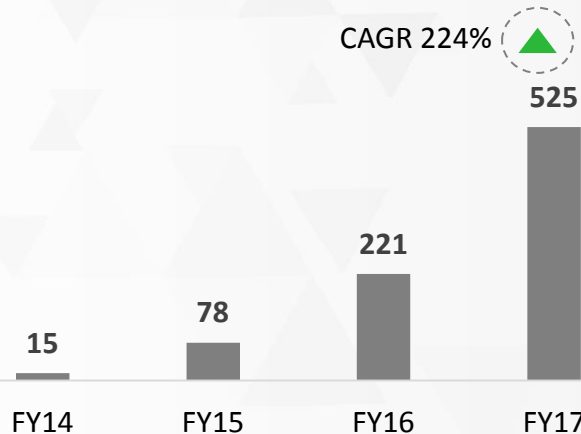
Card Transactions



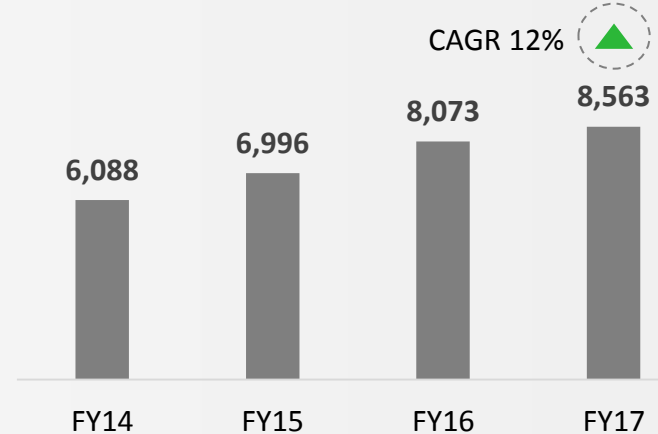
Mobile Banking



IMPS/UPI



ATM Withdrawals (Debit Cards)



Driven by convergence of Government intent, Regulatory support and Technology enablement

2009



2010



Immediate Payment Service

2012



Aadhaar Enabled Payment System



National Automated Clearing House

2014



Jan Dhan Yojana



Payment Banks

2015



DigiLocker



E-sign



QR Codes

2016



Unified Payments Interface



Bharat Bill Payment System



Demonetisation



Bharat Interface for Money

2017



• **New schemes to promote BHIM**

• **Aadhar Pay**

• **Govt. receipts beyond a limit**

• **2 million Aadhar based POS**

• **Payments Regulatory Board**

• **Tax benefits for non-cash transactions**

• **Duty Exemption on POS devices**

• **No cash transactions above ₹200,000**

Demonetisation has provided a further fillip to the already growing Digital Payments

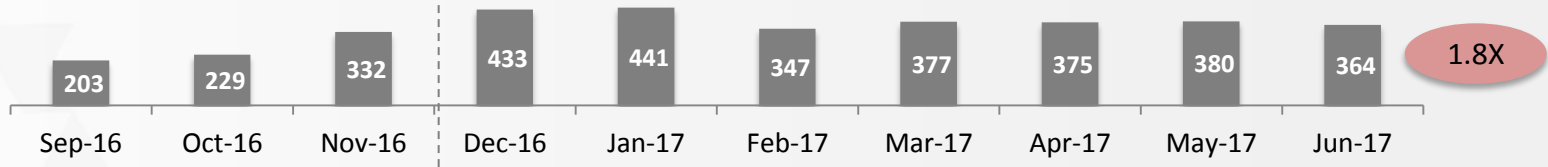
Number of transactions (in Mn), unless otherwise specified

Pre Demonetization

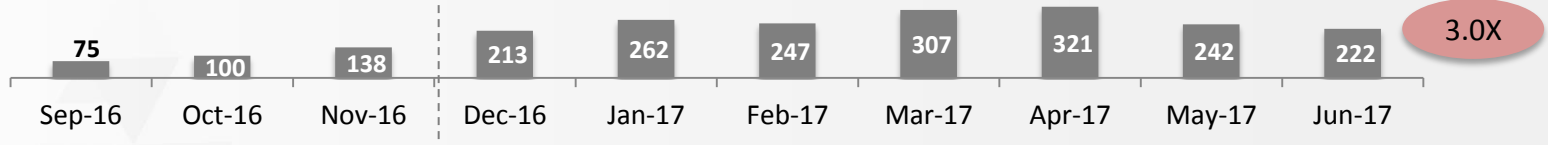
Post Demonetization

Growth in Txn – Jun'17 Over Sep'16

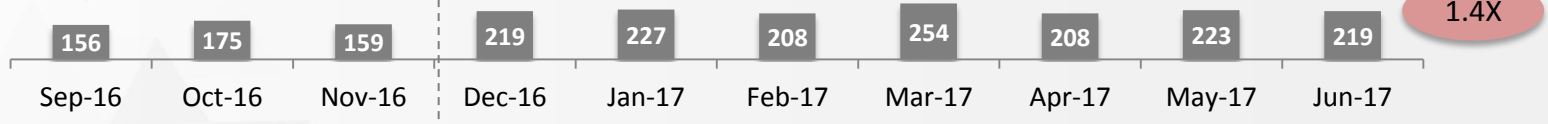
Credit/Debit Card POS



Mobile Wallet Transactions



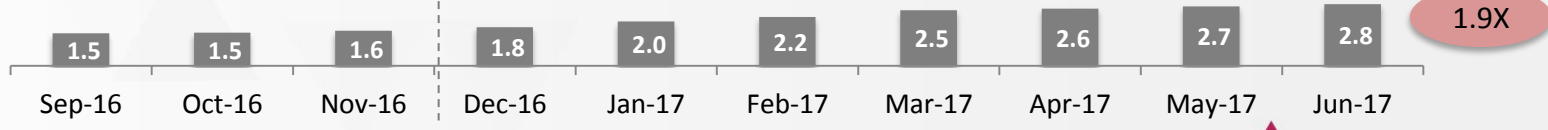
IMPS and NEFT transactions



UPI Transactions



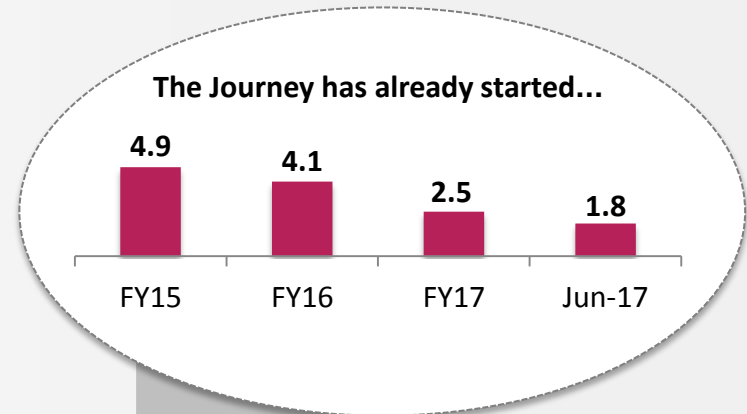
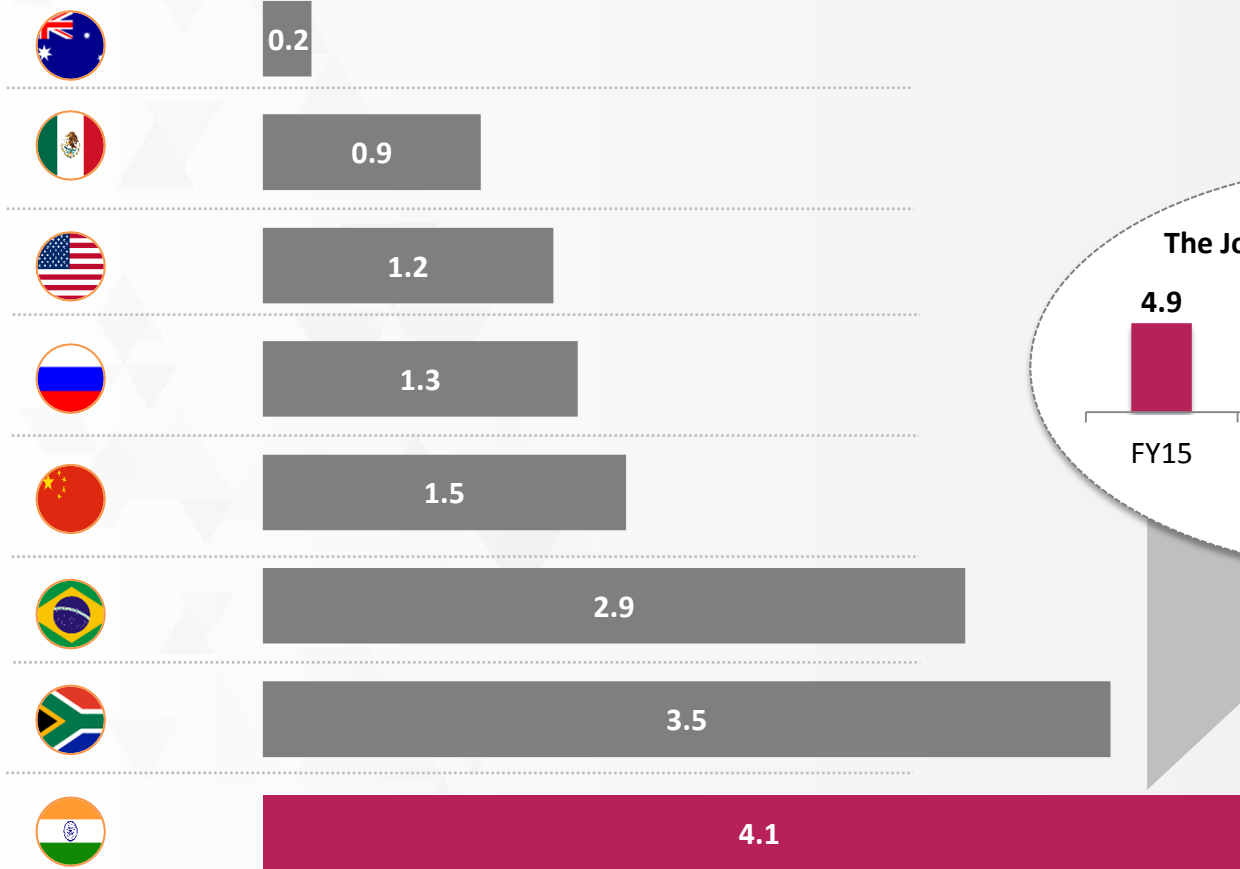
of PoS machines (Base in Mn)



Still significant opportunity for Digital Payments growth

ATM Withdrawals/ POS Transactions (Count)

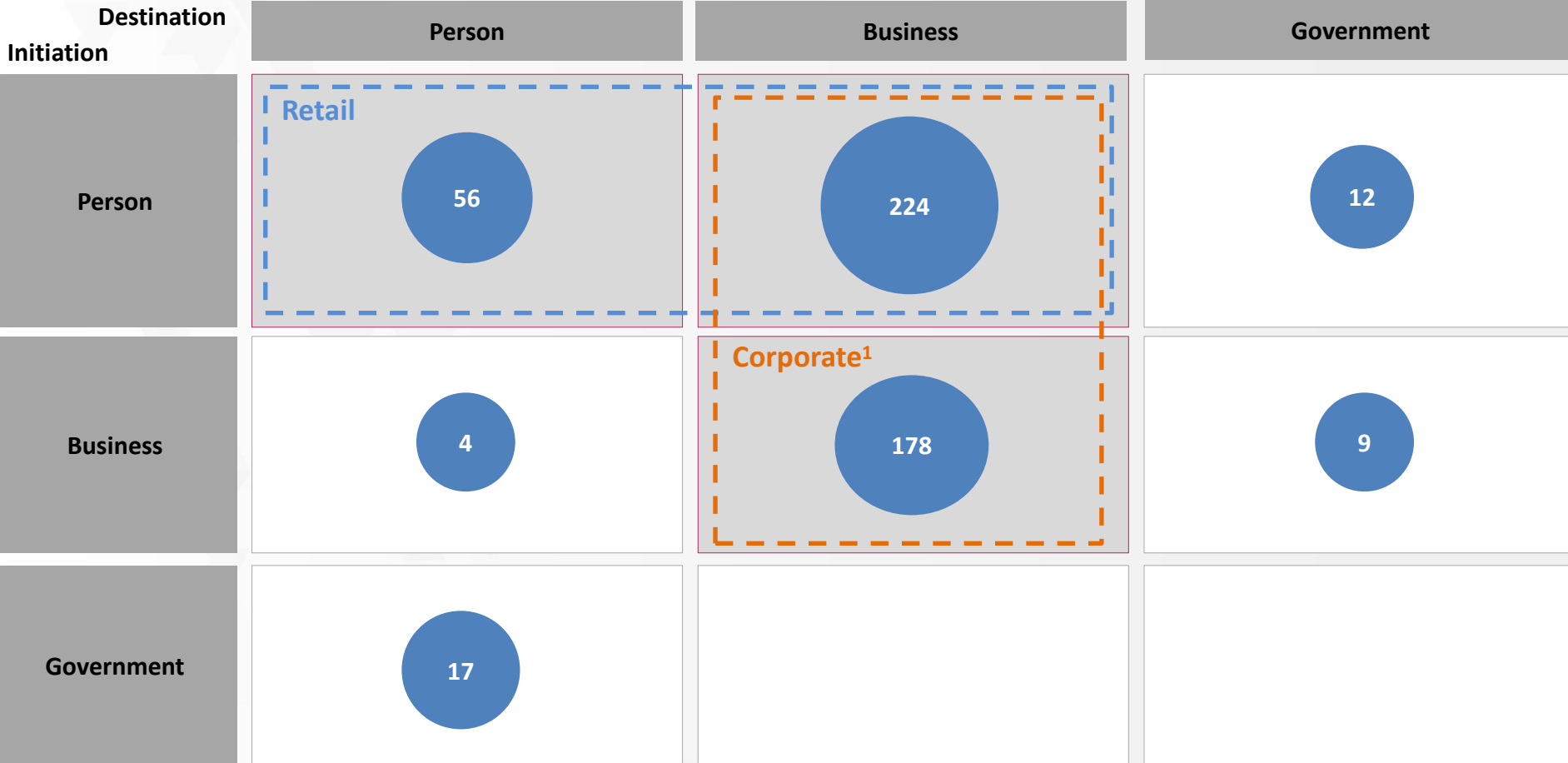
x, As of March 2016




~\$370 Bn of currency was withdrawn from ATMs in FY17

Digital Payments expected to grow to \$500 Bn by 2020, P2B the largest opportunity

2020 estimates in \$ Bn

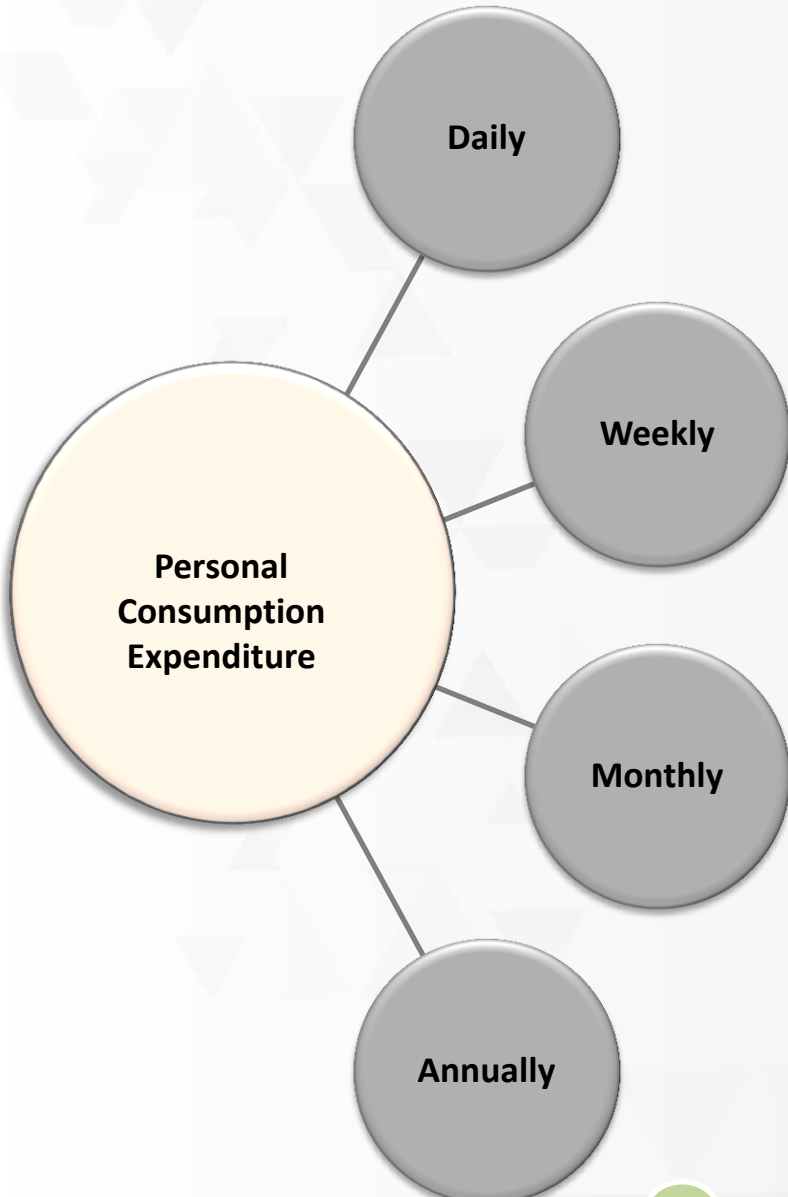


¹ Excludes large corporates and cross border payments

 Prominent payment flows



Multiple white spaces exist in P2B payments



All High frequency & Small value payments							L
Taxi	Train	Auto	Parking	Snacks	Toll	Grocery	
L				H		H	
Pocket Money	Dining	Fuel	Movie	eCommerce			
H	L		L			H	
Recharge	Utility	Gift	Maid / Driver	Education	Transfer	Travel	
		H					L
White Goods	Tax	Investment	Insurance	Health			

H High digital penetration **L** Low digital penetration

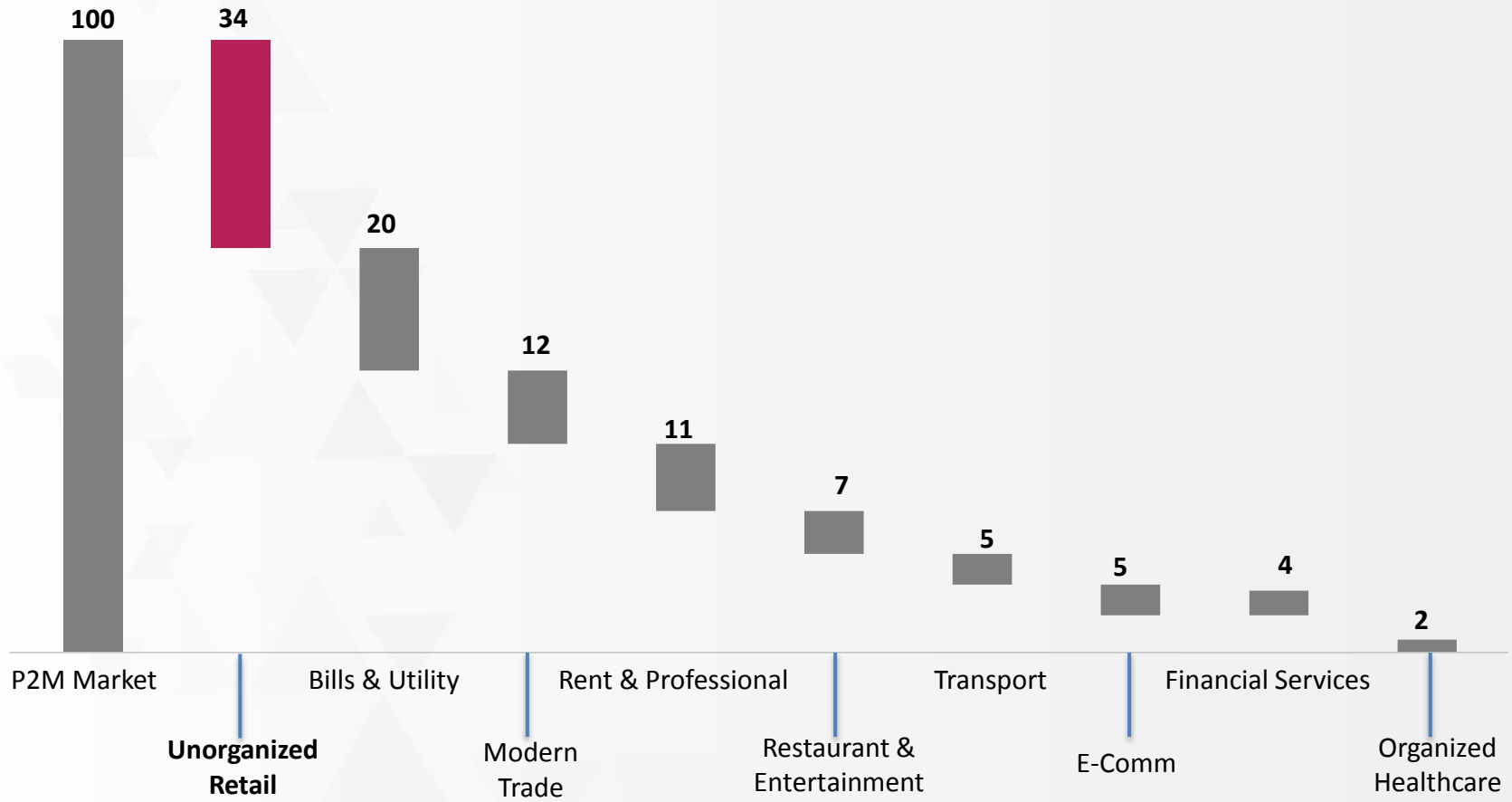


Source: BCG Report : Value of Consumer payments;

Small ticket, unorganized retail represents the largest P2B opportunity

Projected P2B Sub Segment Share (2020)

% Contribution



Source: BCG – Google Digital Payments 2020 Report July 2016

Last few years have seen multiple new entrants vying to capture share of P2B opportunity

Strategic Objective

Network Companies



Aim to increase and retain volume of payments to generate transaction revenues and scale

Technology Companies



Drive traffic on platform, additional customer data and payments revenue

Hardware Companies



Increasing sales and market share

Retailers/Travel



Aim to increase traffic, generate new sales and optimize cost (transaction fees)

Payments Specialist/Digital Platform



Become a financial marketplace/platform leveraging strength of existing platform

In the Payments transaction flow...

Customer

Merchant



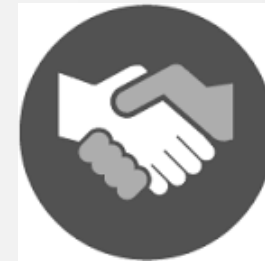
Devices/ Channels



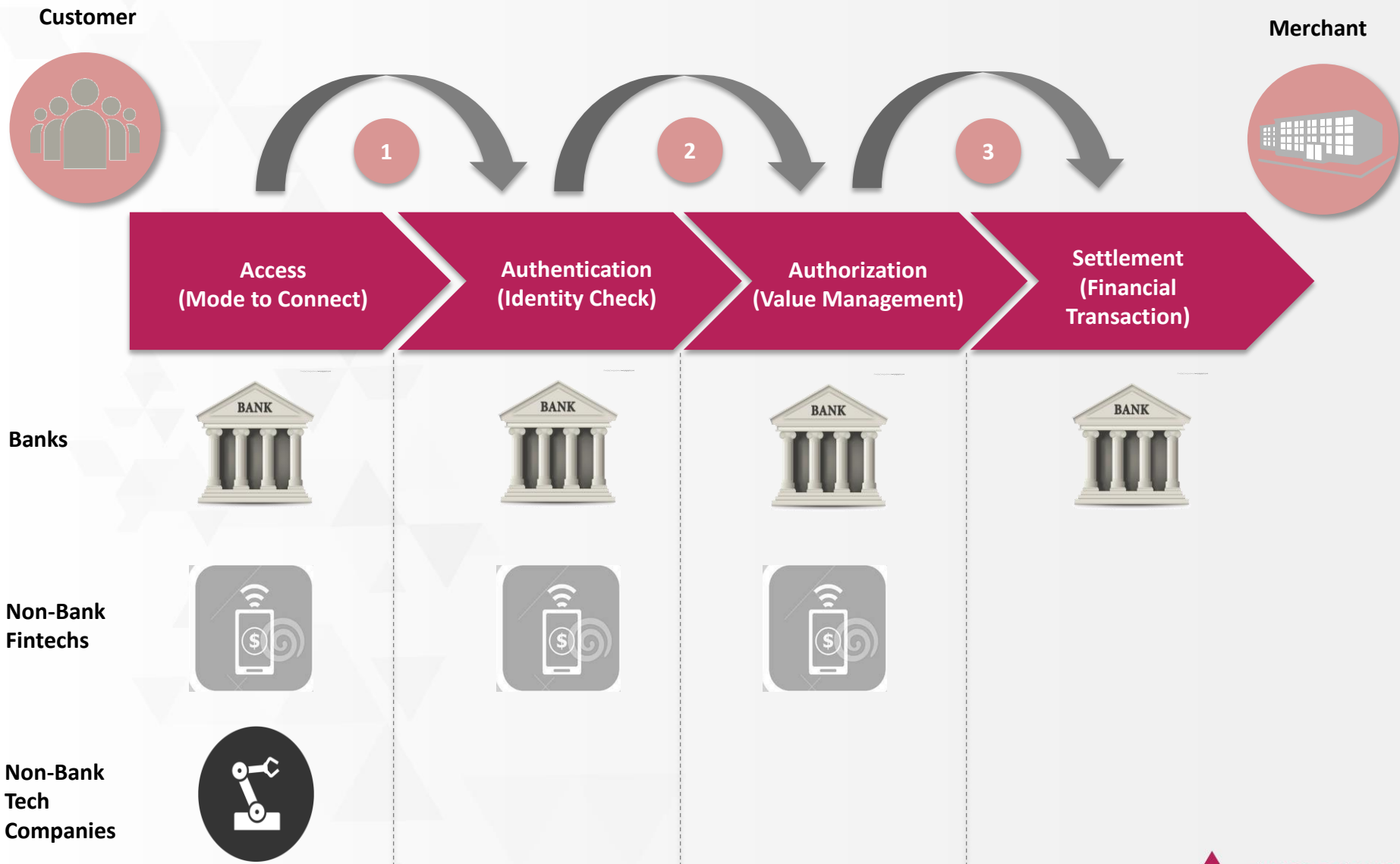
Payment Modes



Account Linked Fund Transfer – NEFT/RTGS/IMPS/UPI



...Banks with a key role across the transaction flow, have an opportunity to Partner

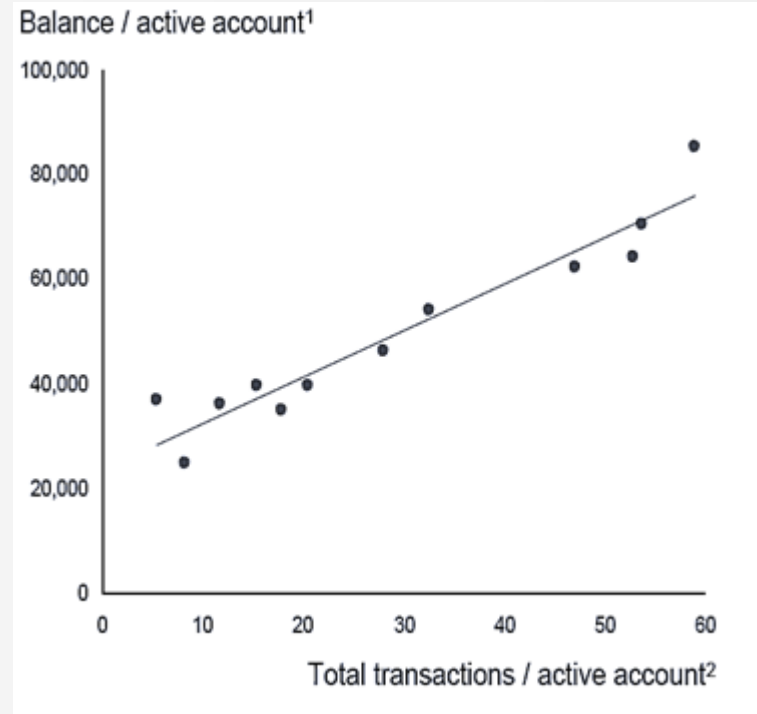
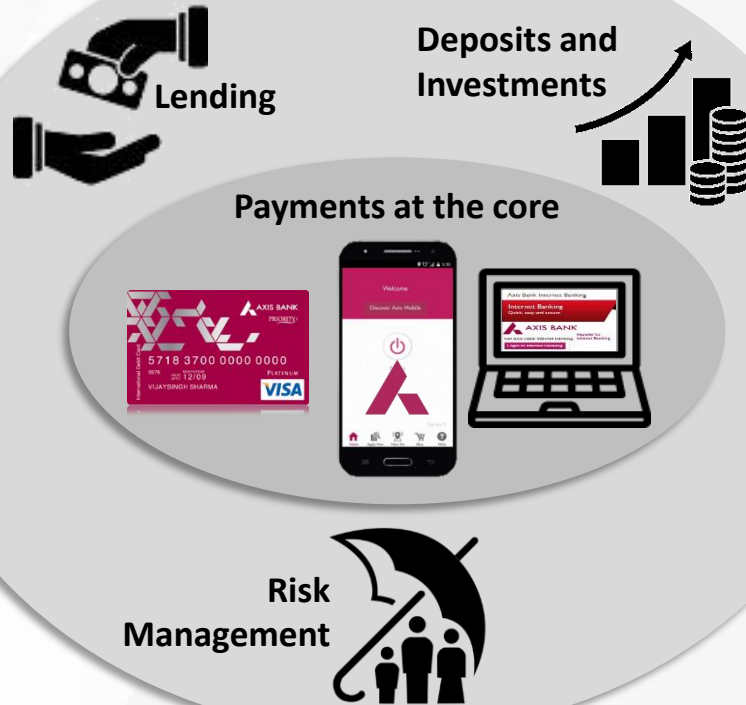


Digital Payments in India

Digital Payments at Axis Bank

Digital Payments is core to Axis Bank's strategy

Higher transaction active customers also retain higher balances



1



Analytics on Payment data enables lending, deposits and investments, and insurance cross-sell

2



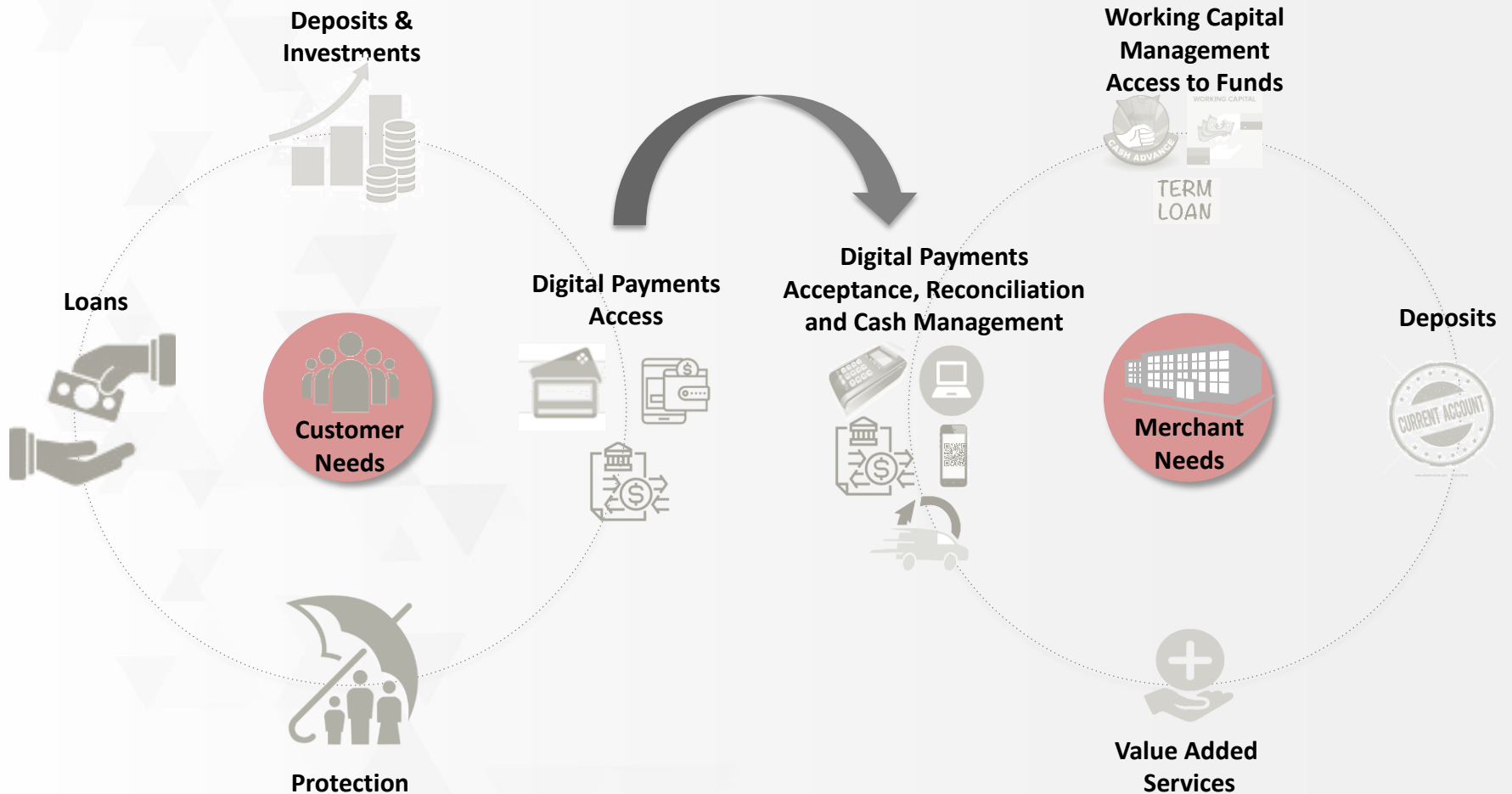
Transactions drive balances and consequently market shares

¹ Active account defined as accounts which have had a user initiated transaction in last 6 months (as of 31 Mar 2014)

² Total Transactions include: cash withdrawal, deposits at branch, cheque (inward + outward), and financial transactions over internet banking, mobile banking, POS machines, and ATMs / CDMs

We believe Digital Payments “Access” and “Acceptance” are key cogs of engagement

Customer and Merchant Needs



We have a comprehensive range of solutions to maximize on the Digital Payments opportunity

Customer



Merchant



Non-Axis Bank Customer



UPI



Wallet



Forex



Transit

Axis Bank Customer



Banking App



Cards



QR Code Based



HCE based



In-App



Wearable



Card and Application Linked

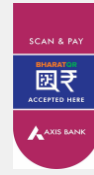
Offline Merchants

Online Merchants

Low Cost Digital Solutions



Merchant App



QR Code

Hardware Linked Solutions



POS (Enabled for Card, QR, UPI and Contactless)



Mobile POS



Smart POS



PC POS



Merchant Payment Gateway









Value Added services



We have a strong market position across Digital Payments solutions...

Axis Bank Market Standing Across Products

Product						
Market share	4%	5%	9%	11%	17%	45%
Ranking	8 th	4 th	4 th	4 th	2 nd	1 st

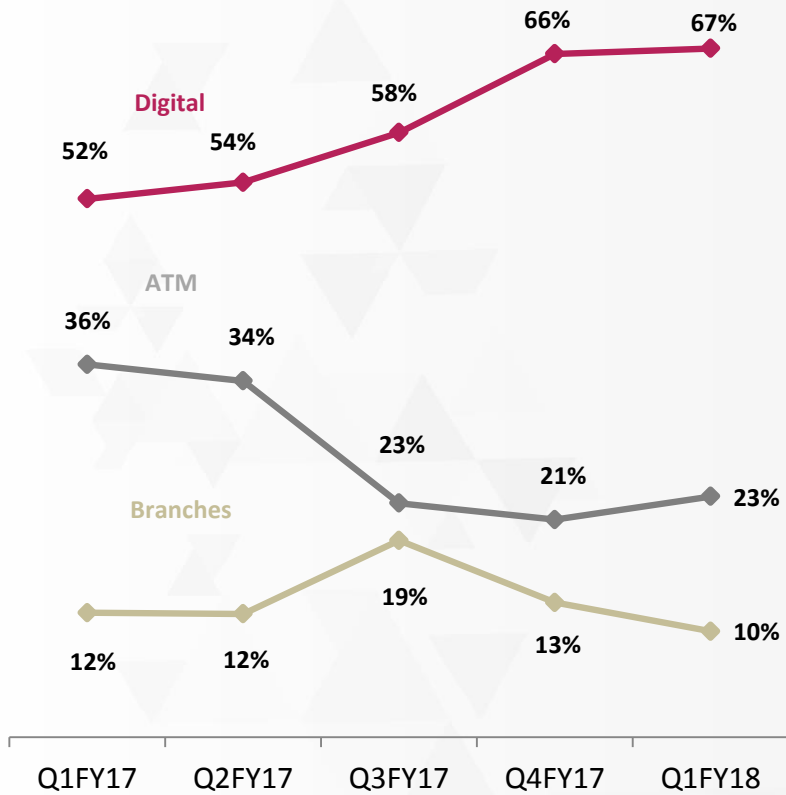
1 – based on card spends issued; 2 – based on volumes 3- based on card s issued

*Based on RBI data as on May 2017 except for Forex Cards. Savings Accounts data is based on RBI figures as on 31 March 2017

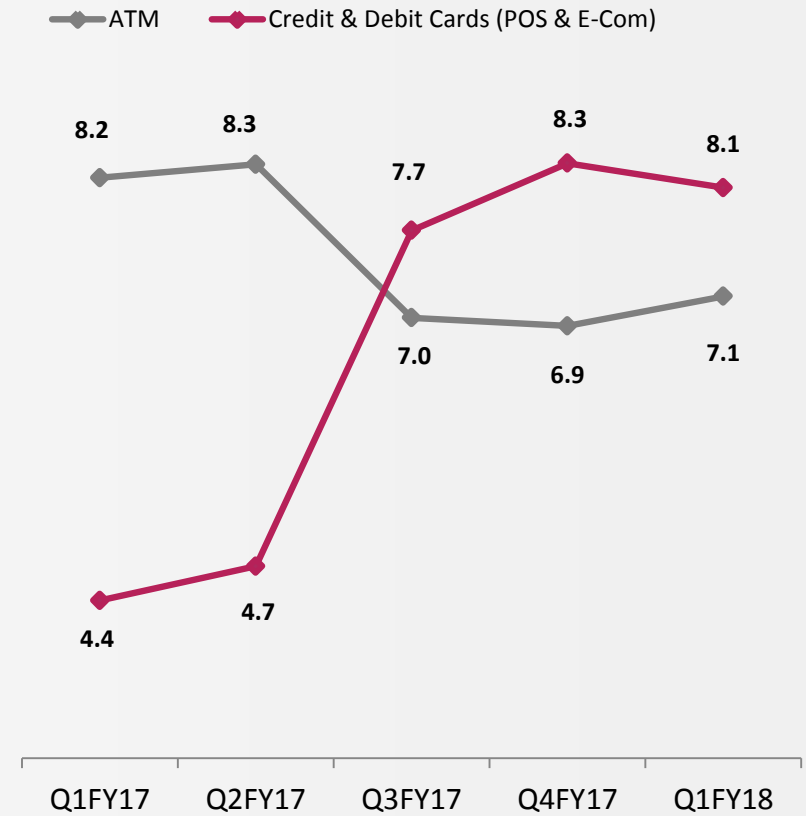
Source: RBI, Internal Data

...and adoption of Digital Payments continues to remain strong

Retail Customers Transaction Mix (%)

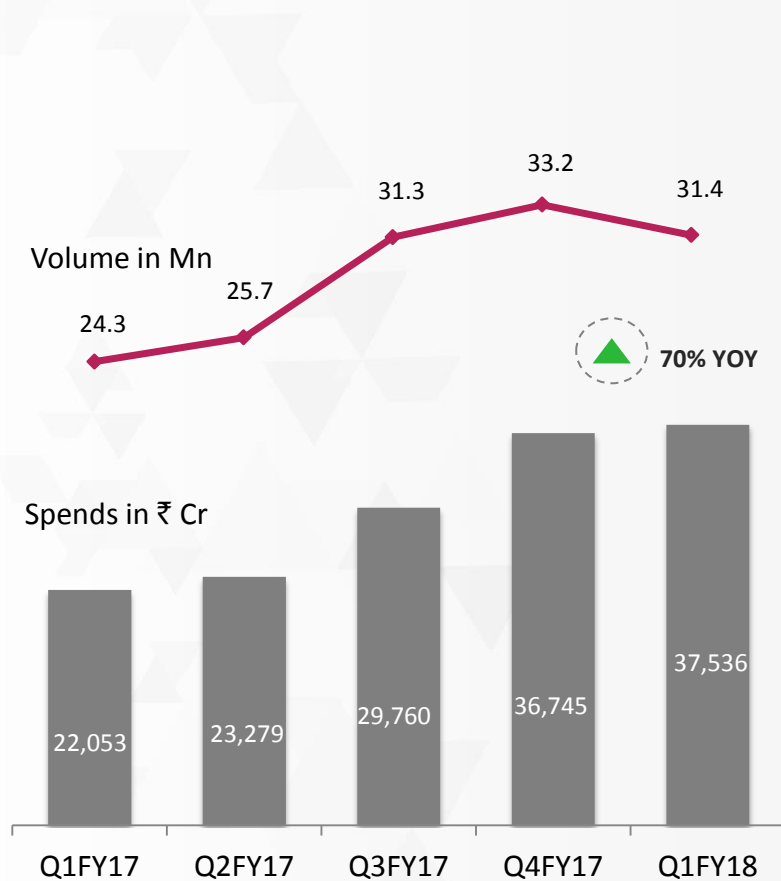


Digital and ATM Transaction Volume (In Cr)

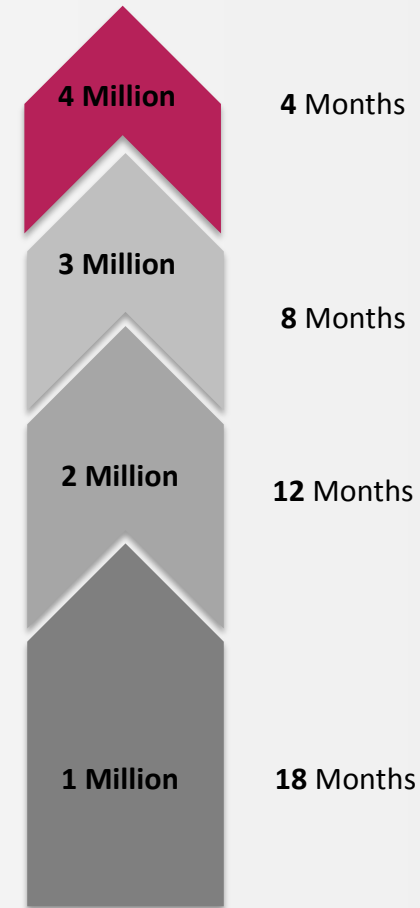


Our Mobile Banking spends are growing robustly and adoption cycles are shrinking

Growth in Mobile Banking Spends



Mobile Banking Adoption Cycles



We are leveraging UPI to attract non-Axis Bank customers and broadbase payments

Unified Payments Interface (UPI)...

India's innovation to the Payments world

Is for

Any Banked Customer

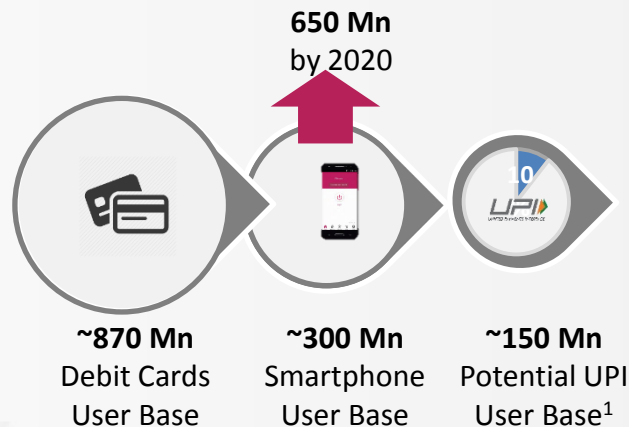


With a Smartphone

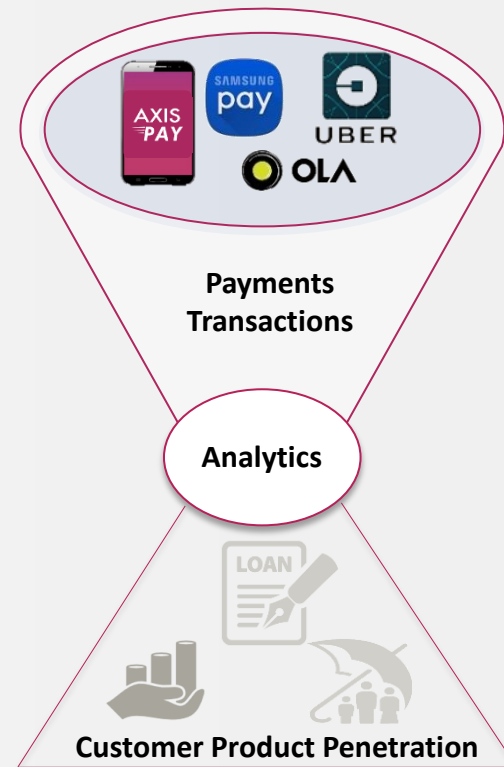


With a Unique Identifier:
As simple as an email address (Example: `ajay@axisbank`)

...Is a huge opportunity



For Axis Bank



Axis Bank's Progress So Far

1

Over 2 Million registered base

2

Over 1 Million transactions

3

Over 600 merchants on boarded

1) Assumption 50% of Smartphone base

We are also building a comprehensive merchant ecosystem with UPI

App Based Payments

- ▲ In-App Registration
- ▲ Easy checkout process



Website

- ▲ Complete set of APIs
- ▲ Faster Integration



Face to Face

- ▲ QR code, UPI@POS
- ▲ Billing System Integration



Custom Solutions

- ▲ Lean integration
- ▲ Bulk collections



1st to launch UPI@POS



Live with Reliance Retail

Small Merchant Onboarding



Business Segments

- Small Merchants
- Retail Chains
- E-Commerce
- B2B
- NBFC/Insurance
- Mobility
- Partners/Aggregators

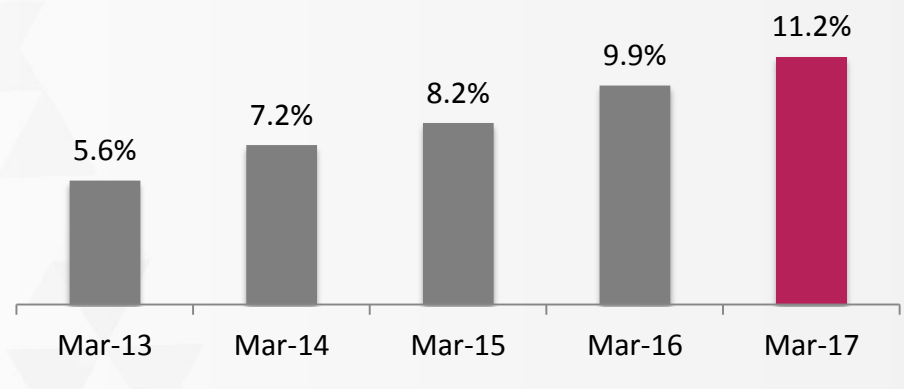
Highlights

- 3,000+ Daily Merchant Transactions
- 600+ Merchants

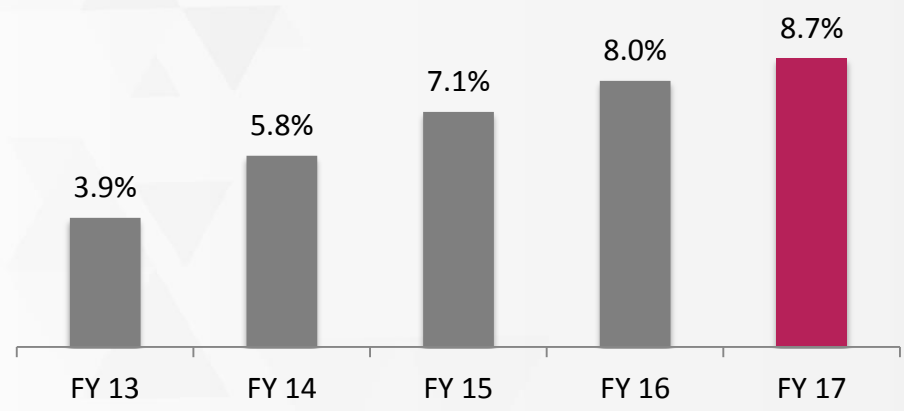
Our Cards Issuance business continues to grow and deepen the franchise...



Cards in Force – Market Share



Cards Spends – Market Share



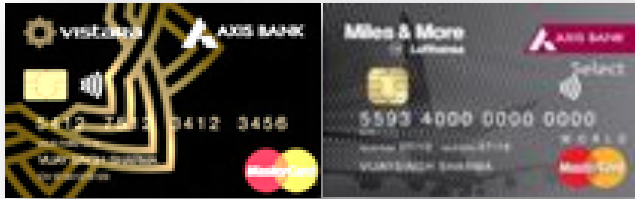
Market Share grew 2X in last 4 years

Source: RBI Data Reports

...Supported by a targeted value propositions to drive consumer engagements

Product Value Propositions

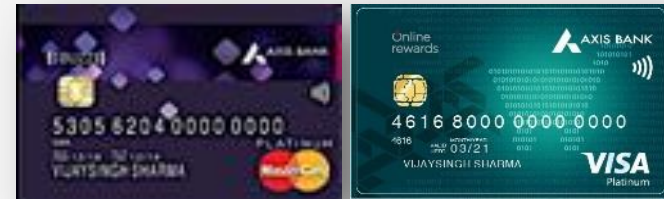
Miles Cobrand Cards



Axis Bank Vistara Card

Axis Bank Mile & More Card

Online Shopping



Axis Bank Buzz Card

Axis Bank Neo Card

Engagement value propositions

Dining Privileges program



EoS* Partnerships



* End of Season Sale

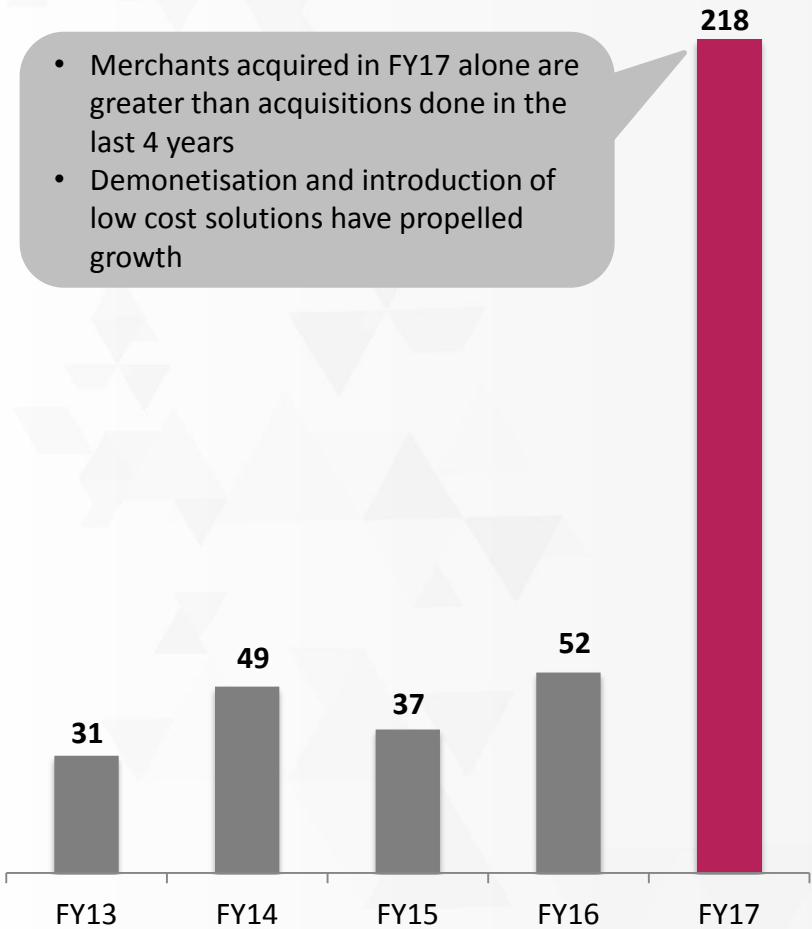


Our Acquiring business is focused on bringing new merchant segments under the digital fold - By leveraging new low cost digital technologies

Growth in Merchant Base

In Thousands

- Merchants acquired in FY17 alone are greater than acquisitions done in the last 4 years
- Demonetisation and introduction of low cost solutions have propelled growth



Bringing New Merchant Segments Under Fold

Traffic Cop Challan payment collections using Axis Bank Integrated POS



Canteens, Caterers etc. using Standalone POS solutions

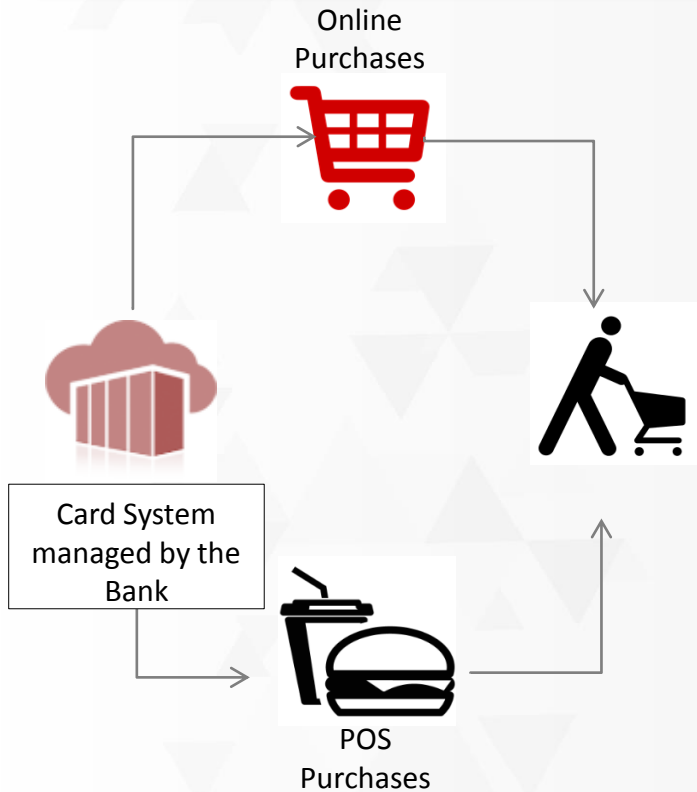


Autos, Cabs Small grocers (Tea stalls, Juice and Pan shops) using UPI and Scan & Pay solutions

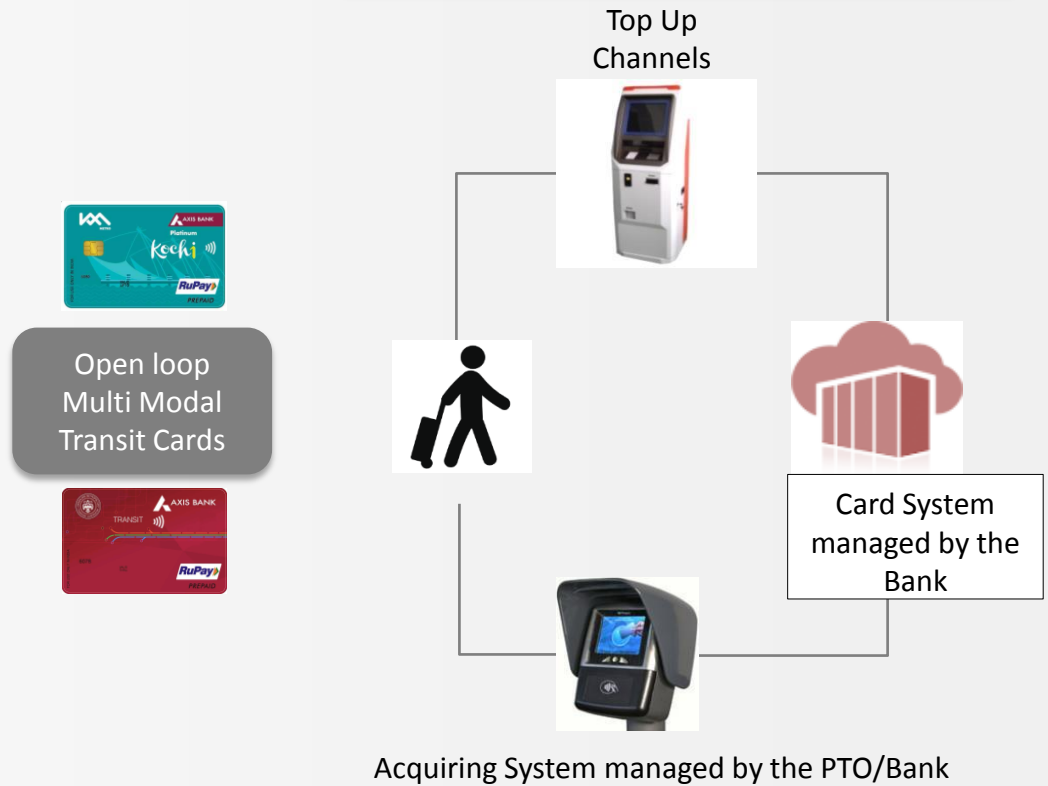


Our Transit propositions are firsts in India and are enabling convergence of Retail and Transit payments...

The Card based Payment System



The Transit Payment System



Our Propositions with Partners

1



- Automated Fare Collection system
- 1st time "open loop" smart cards used in metro

2



- India's 1st prepaid transit card with shopping at over 1.3 million merchant outlets

...Our propositions have the potential to digitize ecosystems



In Summary: We are focused on “Creating Differentiation through Digital Payments”

Enablers for Creating Differentiation through Digital Payments

Investing in Analytics



To drive higher activity and consequently higher balances

Fortify and Grow

Driving Cross-Sell



To Drive Higher PPC (Product Penetration per Customer)

Expanding Franchise



To capture payments share of non-Axis Bank customers and drive cross-sell

Capture Share and Grow

Thank you