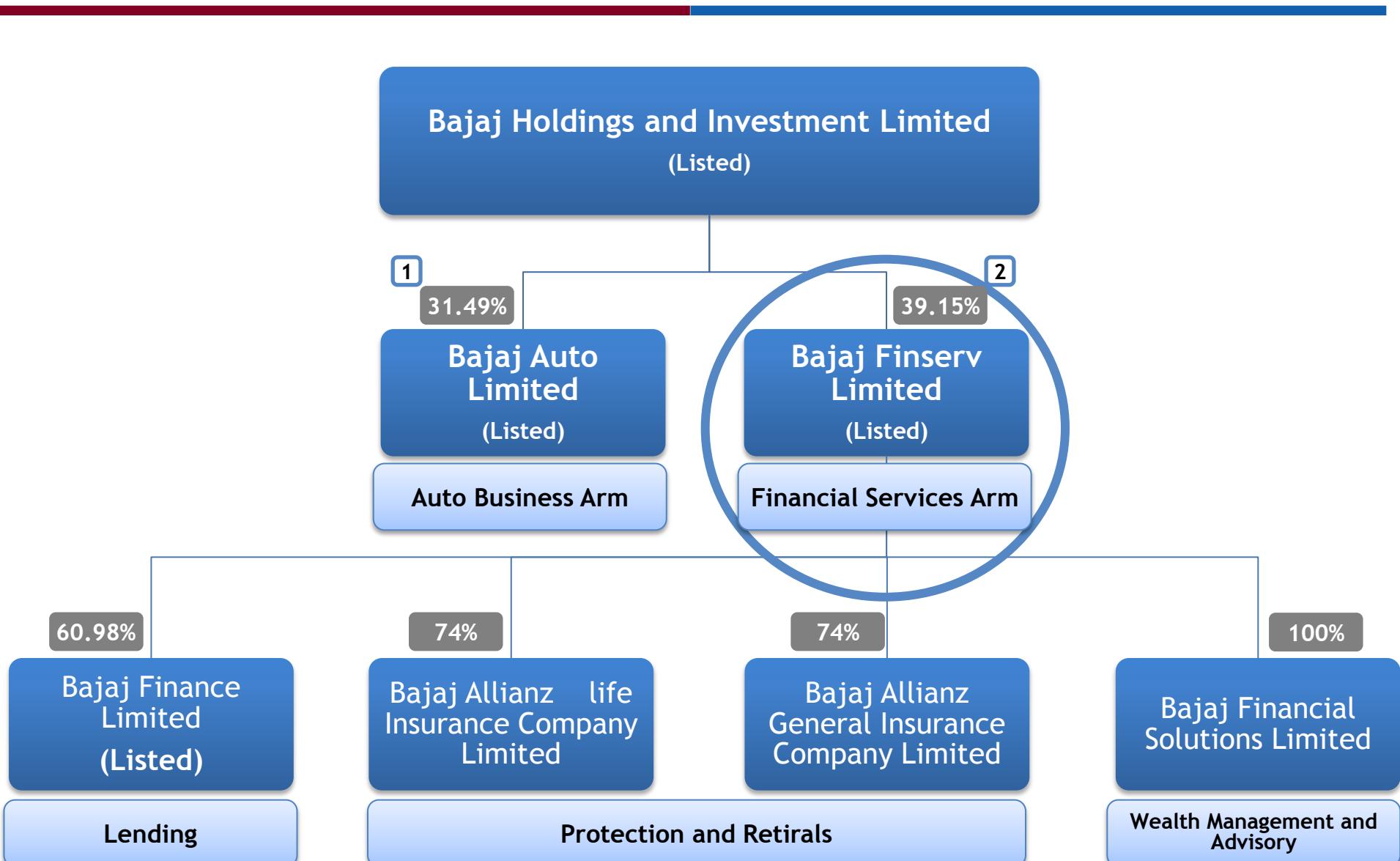


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# Bajaj Finserv Limited

## June 20<sup>th</sup>-30<sup>th</sup> 2012



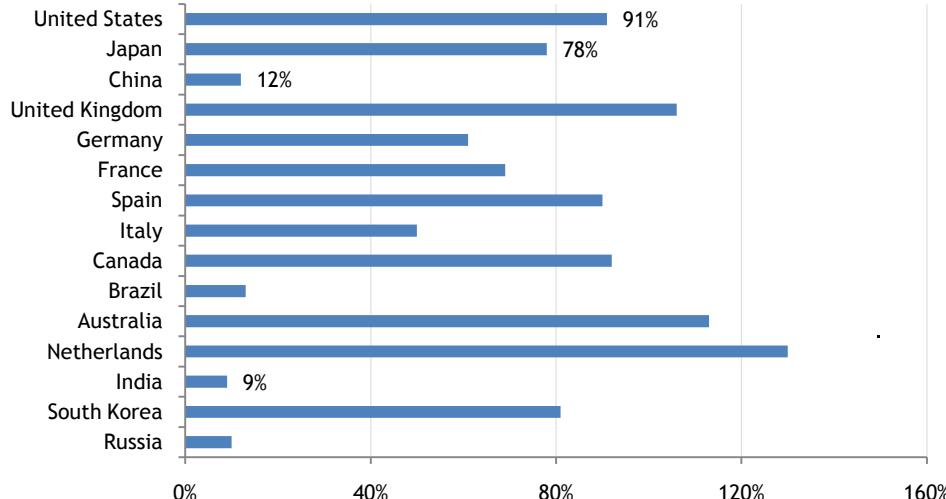
1. 50.02% holding through promoter holding company & promoter group
2. 58.88% holding through promoter holding company & promoter group

- Bajaj is a 100 year old Indian industrial conglomerate started by shri Jamnalal Bajaj.
- Bajaj Group has a solid track record of building profitable and sustainable businesses.
- Bajaj Finserv came into existence as “Financial Services Arm” of the group post the demerger of Bajaj Auto Limited in FY06.
- Bajaj Finserv in a short span of six years is now a diversified financial services company with presence across Lending, Insurance and Wealth management.
- Bajaj Finserv pursues subsidiary structure for its businesses with independent companies focused on building large and scalable retail businesses.
- Bajaj Finserv provides brand, capital & drives synergies across subsidiaries to build businesses.
- Bajaj Finserv is a listed entity providing an opportunity to participate in India’s retail financial services story.

# Lending & Wealth management - Opportunity

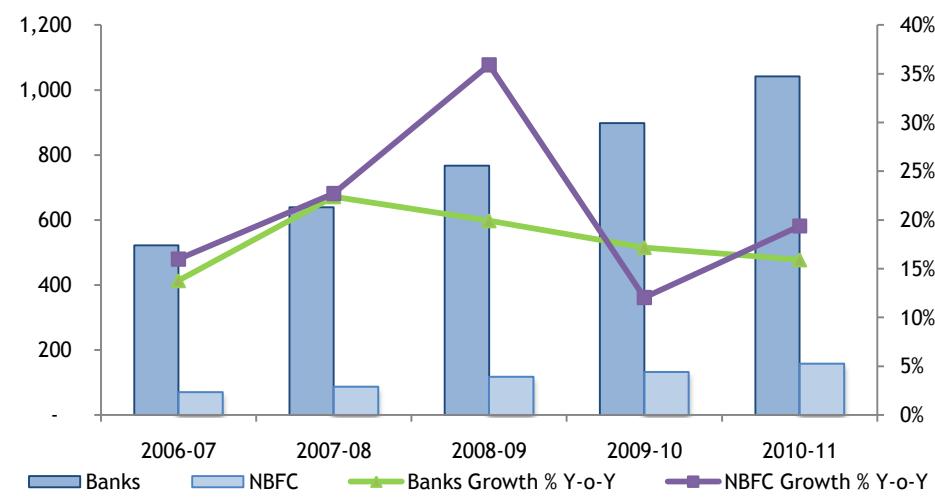


## India vs. Advanced Economies - Consumer Debt/GDP(%)



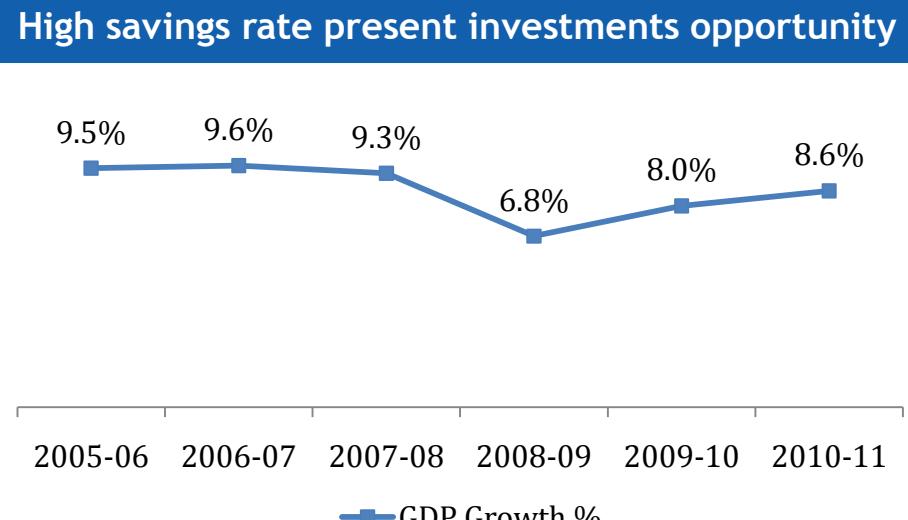
Source: International Monetary Fund

## India - Banks & NBFC Assets (US\$ Bn)

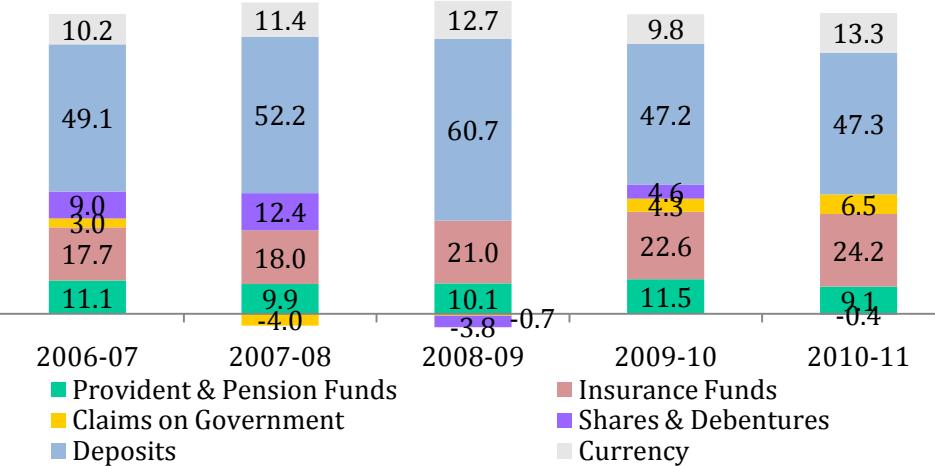


Source: Reserve Bank of India

## Savings largely invested in low yield investments

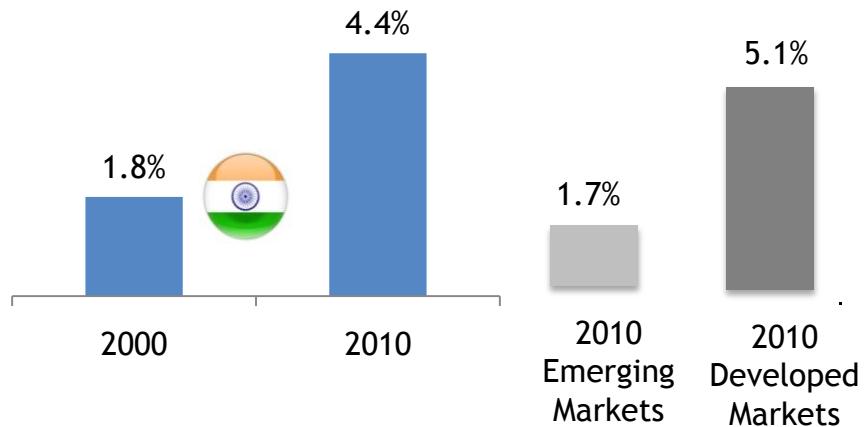


Source: Economic Survey 2010-11

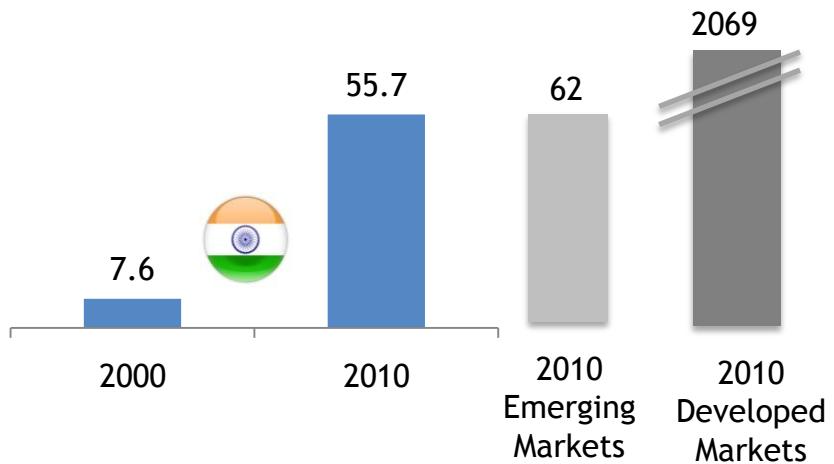


# Life Insurance industry - Opportunity

## Insurance Penetration to GDP



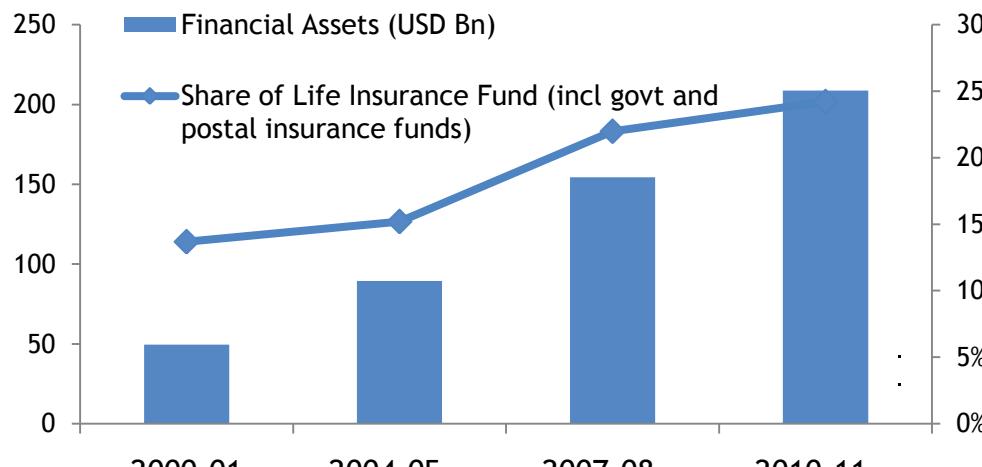
## Insurance Density (USD/Capita)



Swiss Re Report, IRDA Annual Report 2011

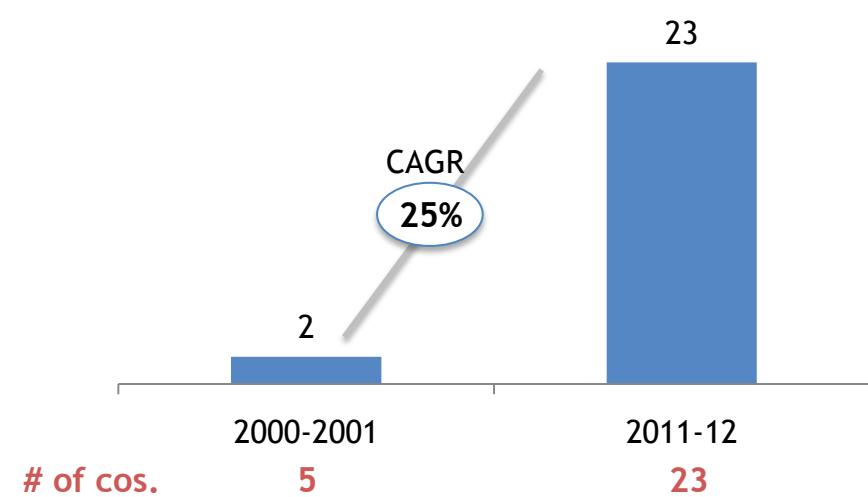
Emerging Markets – Asia, Latin Am, Africa, Middle East, Eastern Europe

## Growing Share of Life Insurance in Financial Assets



RBI - Changes in Financial Assets/Liabilities of Household Sector

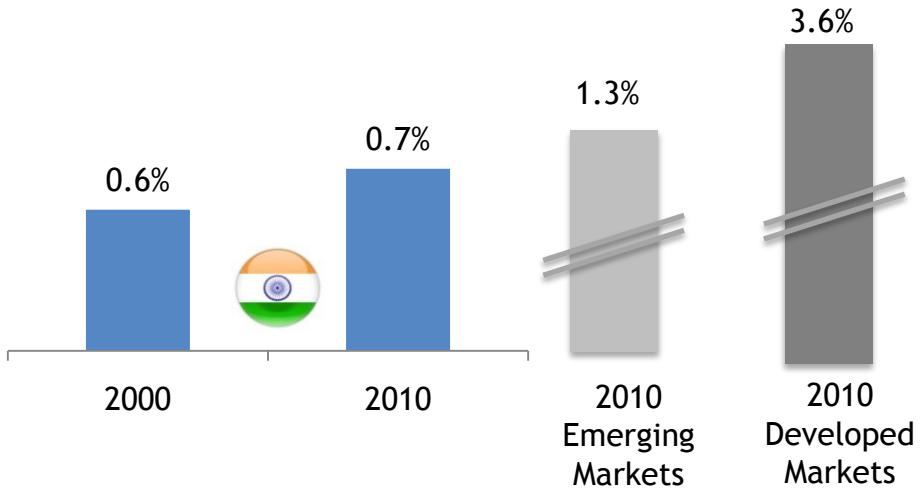
## First Year Premium (USD Billion)



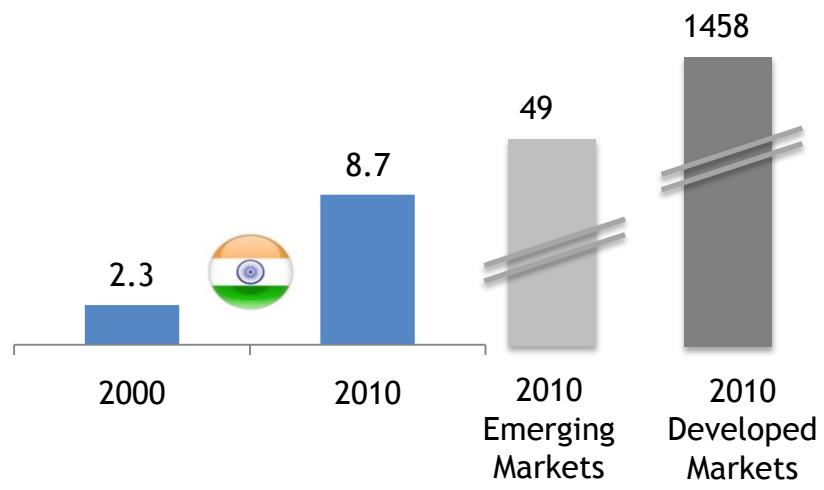
Source: IRDA

# General Insurance industry - Opportunity

## Insurance Penetration to GDP



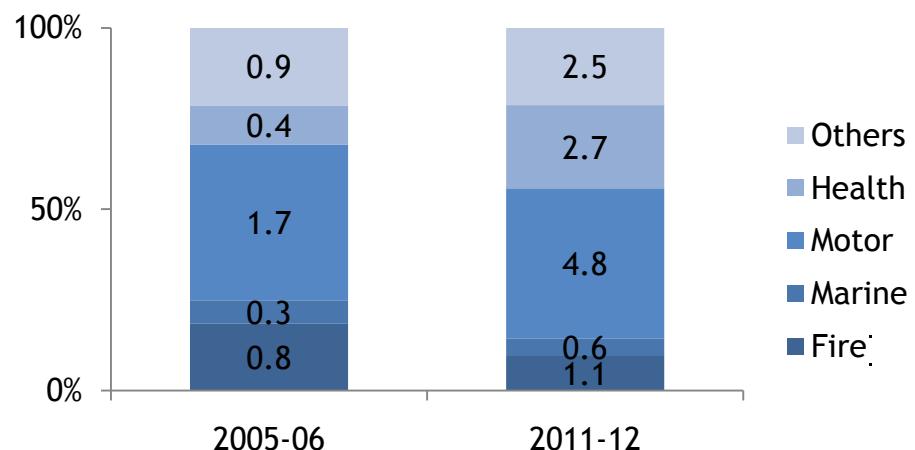
## Insurance Density (USD/Capita)



Swiss Re Report, IRDA Annual Report 2011

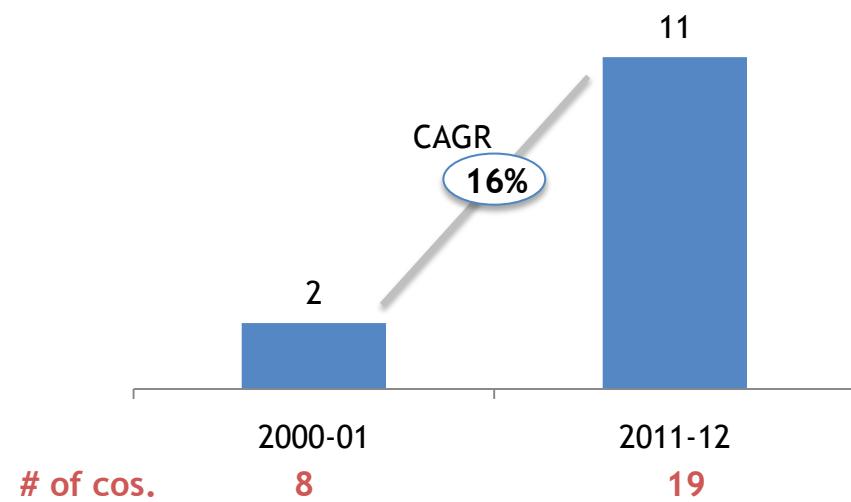
Emerging Markets – Asia, Latin Am, Africa, Middle East, Eastern Europe

## Product Mix changing in favor of Health



Source: IRDA, Includes specialized health players

## First Year Premium (USD Billion)



Source: IRDA, Excludes specialized players 6

BAJAJ  
FINSERV | LENDING

- A 25 year old non bank finance company
- Diversified consumer, SME & commercial lender in India.
- Credit rating of AA+ with (+) outlook by S&P & Moody for over 6 years.
- 82 cities presence with over 4,200 distribution franchise .
- Large customer franchise with 2.2 million clients acquired in FY12.

BAJAJ | Allianz 

- 2<sup>nd</sup> largest policy acquirer amongst private insurers. 1.05 MM policies in FY12
- 4<sup>th</sup> largest private sector life insurer in India on new business & gross premium.
- 2<sup>nd</sup> highest AUM amongst private players. AUM of \$ 7.9 billion as of FY12
- 2<sup>nd</sup> largest profitable life insurer in private sector in FY12.
- 1,044 Branches with over 173K agents.

BAJAJ  
FINSERV

Bajaj Finserv is the financial services arm of the Bajaj group with business interest in “Lending”, “Protection”, and “Wealth management” through its various subsidiaries

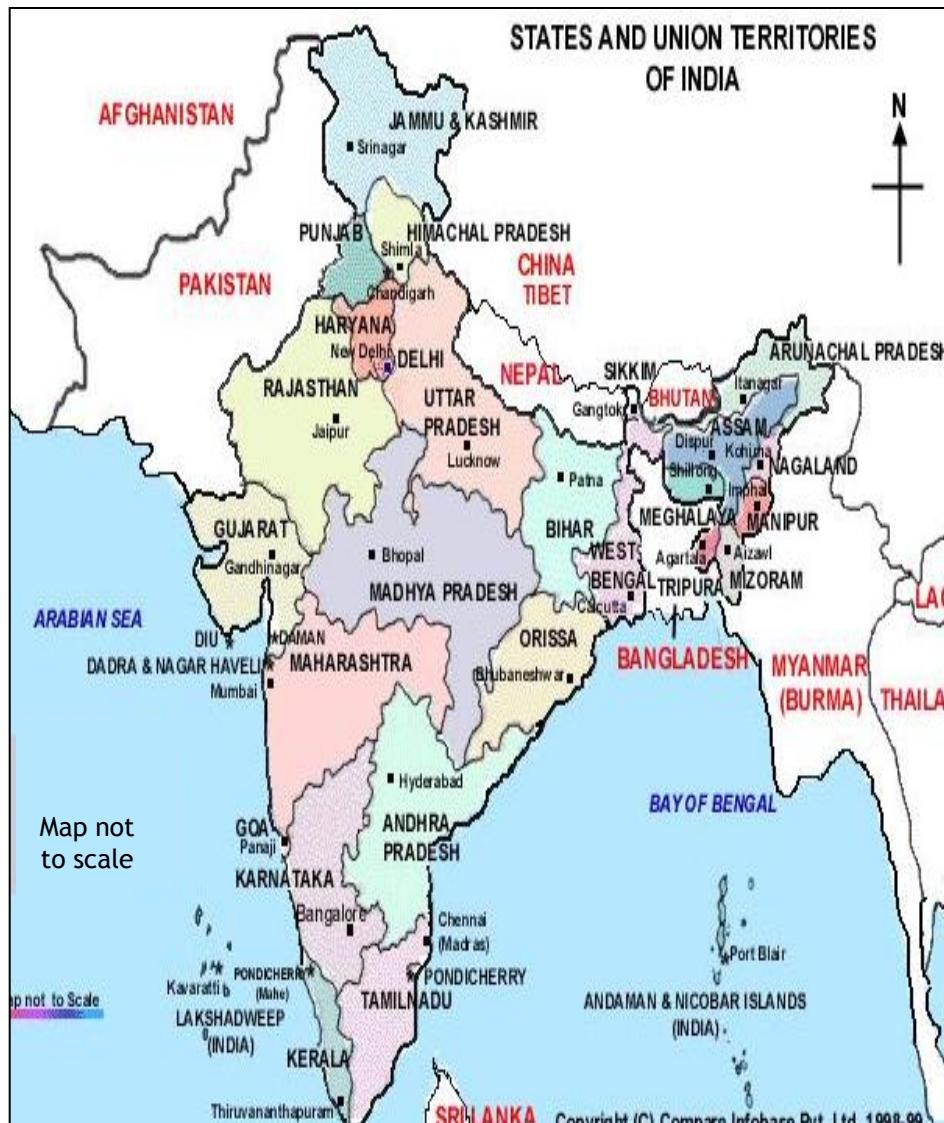
BAJAJ | Allianz 

- 2<sup>nd</sup> largest private General insurer in India.
- Offer wide range of General insurance viz. Motor, Health & Corporate in India.
- Profitable non-life insurer since its first full year of operation.
- Best combined ratio in the industry.
- Strong franchise built on fast & efficient customer service.

BAJAJ  
FINSERV | WEALTH  
MANAGEMENT

- A new business diversification for BFS.
- Launched retail financial advisory business in 04 cities in FY11.
- Retail financial advisory business intends to build on a key client need gap of providing financial planning to retail clients in a profitable way.
- Received SEBI approval to launch mutual fund business. Proposed JV with Allianz.

# Strong distribution reach



Geographic presence			
Business Line	FY10	FY11	FY12
Lending	79	79	82
Life Insurance	1,151	1,092	1,044
General Insurance	225	219	192
Wealth Management	0	4	4

# of New clients / policy acquired (in million)			
Business Line	FY10	FY11	FY12
Lending	0.9	1.56	2.22
Life Insurance	2.23	1.54	1.05
General Insurance	6.0	6.4	5.9
Wealth Management	0.0	0.0	0.001

Assets under management (\$ million)			
Business Line	FY10	FY11	FY12
Lending	806	1,514	2,621
Life Insurance	6,684	7,866	7,883
General Insurance	549	770	910
Wealth Management	0	0	0.6

Pan India footprint, sizeable acquisition engine and growing balance sheet

# Bajaj Finserv - Financial snapshot



Bajaj Finance	FY 10	FY 11	FY 12	CAGR %
# New Clients	0.9	1.6	2.2	57
Disbursement	917	1,887	3,160	86
AUM	806	1,514	2,621	80
Profit after tax	18	49	81	41
ROE (%)	8.0	19.7	23.5	
Financial consolidation @ 60.98%				



General Insurance	FY 10	FY 11	FY 12	CAGR %
# New Policies	6.0	6.4	5.9	-1
Gross premium	503	581	668	15
AUM	549	770	910	29
Profit after tax	24	9	25	2
ROE (%)	16	5	14	
Financial consolidation @ 74%				



Bajaj Finserv	FY 10	FY 11	FY 12	CAGR %
# New Clients	9.1	9.5	9.1	0
New business	3,704	4,390	5,325	20
AUM - Lending	806	1,514	2,621	80
AUM - Investment	7,233	8,636	8,793	10
Profit after tax	150	268	367	56
Franchise value without carving out minority interest				

\$ million / # Million

1\$ = INR 50



Life Insurance	FY 10	FY 11	FY 12	CAGR %
# New Policies	2.2	1.5	1.1	-31
Gross premium	2,284	1,922	1,497	-19
AUM	6,684	7,866	7,883	9
Profit after tax	108	211	262	56
ROE (%)	45	61	45	
Financial consolidation @ 74%				



Bajaj Financial Solutions	FY 10	FY 11	FY 12	CAGR %
# New Clients	0	0	0.001	
Disbursement	0	0	0.6	
AUM	0	0	0.6	
Profit after tax	-0.4	1.4	-1.7	
ROE	NA	NA	NA	
Financial consolidation @ 100%				

# Bajaj Finserv - Consolidated Financials



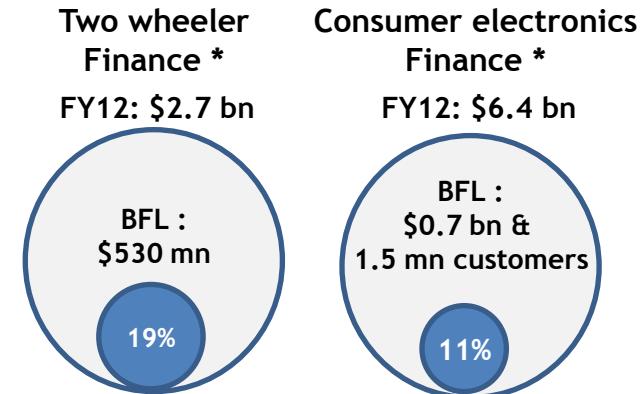
	\$ in million					
	FY08	FY09	FY10	FY11	FY12	CAGR
Consolidated Revenue						
Insurance	2424	1946	2765	2487	2185	-3%
Windmill	7	8	9	8	17	25%
Retail Finance *	NA	NA	NA	222	434	NA
Investment & Others	14	19	25	28	24	14%
Consolidated Revenue	2445	1974	2800	2739	2655	2%
Consolidated profit						
Insurance	-9	16	147	231	309	142%
Windmill	-1	0	-1	32	14	93%
Retail Finance *	2	3	8	62	114	174%
Investment & Others	13	12	12	9	8	-11%
Consolidated profit before tax	4	31	166	334	445	224%
Tax expense	17	15	20	36	67	41%
Minority Interest	6	1	34	75	110	107%
Group profit after tax	-7	14	112	223	268	149%
Ratios						
Shareholders fund	114	134	525	745	1020	
Earning per share (cents)	-5	10	77	154	185	
Return on Equity (%)	-1.6	3.4	21.1	29.9	31.2	

\* Bajaj Finance (Retail finance) was a associate company of Bajaj Finserv until Q1 of FY11.

- Strategy is to focus on cross sell, customer experience, product & process innovations to create a differentiated & profitable business model.
- Strategic business unit organization design supported by horizontal common utility support functions to drive domain expertise, scalability and operating leverage.
- As at the end of FY12, the company has \$ 2.62 billion of Asset under management with a net NPA of 0.12% and a capital adequacy of 17.5%. The company in FY12 has delivered a post tax profit of \$ 81 million at a ROE of 23.5%.

## Consumer lines of businesses :

- Largest Two wheeler lender in India focused on semi-urban & rural markets. We contribute 24% of Bajaj Auto's domestic sales. (chart depicts finance market size and our market share )
- Largest Consumer electronics lender in India. Focused on affluent consumers. LCD industry market share at 20% and LED industry market share at 30% of units sold in India. (chart depicts market size and our market share)



- Amongst a few non banks with an active co-branded Credit Card.
- Amongst the largest new client acquirers in India, 2.22 million in FY12.



## SME lines of business :

- Focused on high net worth SMEs with an average annual sales of \$ 5 million with established financials & demonstrated borrowing track records.
- Offer a range of working capital and growth capital products. 85% of the business is secured by mortgages and marketable securities .

Small Business  
Loans \*

FY12E : \$2.6 Bn

BFL :  
\$180 Mn

7%

Loans Against  
Property \*

FY12E : \$4.0 Bn

BFL :  
\$420 Mn

10%

## Commercial lines of business:

- Focused on high growth infrastructure sector in India with a mix of asset backed financing and corporate financing solutions.
- Offer wholesale lending products covering short, medium and long term needs of top 50 vendors of Bajaj Auto Limited.

## Asset liability management:

- Strategy is to borrow wholesale and lend retail. Current mix of bank & debt markets at 58:42.

## Credit Quality :

- Net NPA of 0.12% is amongst the lowest in banking & non banking space. Gross NPA as 1.16%.

Financials snapshot	\$ in million					
	FY08	FY09	FY10	FY11	FY12	CAGR
Deployments	605	490	917	1,887	3,159	51%
Assets under management	496	508	806	1,515	2,621	52%
Income from operations	101	120	183	281	434	44%
Interest expenses	34	33	40	74	149	45%
Net Interest Income (NII)	66	87	143	207	285	44%
Operating Expenses	39	44	64	92	134	36%
Loan Losses & Provision	22	33	52	41	31	9%
Profit before tax	1	10	27	74	120	112%
Profit after tax	4	7	18	49	81	110%
Ratios						
Net NPA	FY08	FY09	FY10	FY11	FY12	
	7.0%	5.5%	2.2%	0.8%	0.1%	
NPA provisioning coverage	30%	32%	55%	79%	89%	
	0.9%	1.3%	2.8%	4.3%	4.2%	
Return on assets	2.0%	3.2%	8.0%	19.7%	23.5%	

## Business strategy:

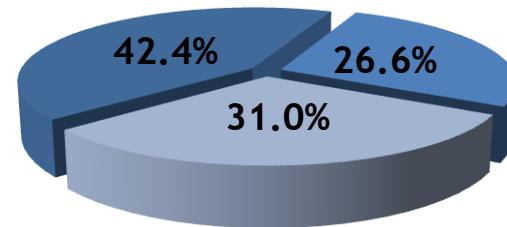
- Strategy is to build an efficient operating cost model, diversified distribution channels and grow market share with a focus on profitability and shareholder's return.

## Multi-channel sales engine:

- Over 173K Individual agents contributed 44.1% of new business in FY12.
- Over 250 Corporate agents including banc assurance partners contributed 30.5% in FY 12.
- 13,829 Number of employees as at 31 March 2012 operating from 1044 branches.

## Diversified product mix (FY12):

- Participating
- Non-participating
- Unit linked



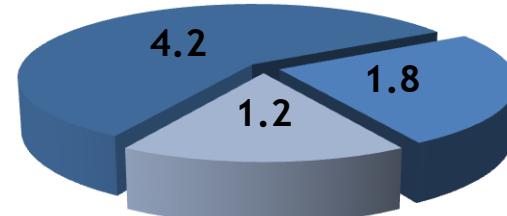
## Strong cost focus:

- Create strong price & value proposition through efficient cost & claim management.

## Assets under Management:

- Assets under management of \$ 7.9 billion as at FY12.

- Unit linked - Equity
- Unit linked - Others
- Traditional



## Profit and capital efficiency:

- One of the highest profits in the private sector with \$262 million post tax profit in FY12.
- Amongst the most capital efficient insurers in India with return on equity of 45% in FY12.
- Solvency ratio of 516% against 150% as required by regulator is amongst the best in the private life insurance industry.

## Regulatory and external environment:

- In September 2010, regulator capped the commissions payable to agents & distributors resulting in significant reduction in contribution of ULIP schemes from 84% in FY10 to 31% in FY12. This also caused large scale exit of distribution partners due to uneconomic model for them.
- Life insurance business is undergoing structural shift in customer preference for security over return.

## Key focus areas for foreseeable future:

- Return to growth in new business premiums. In Q4 FY 12, we have begun to witness momentum towards growth.
- Build a more balanced portfolio with higher contribution of ULIP products.
- Create and push simple saving cum protection products.
- Invest in improving agency productivity.
- Continue to remain focused on operating costs -acquisition and management.
- Investment performance both in Unit linked and traditional funds.

# Bajaj Finserv - Life Insurance Financials



Particulars	\$ in million					
	FY08	FY09	FY10	FY11	FY12	CAGR
Shareholders fund	144	130	238	450	712	49%
Assets under management	2714	3431	6684	7866	7883	31%
Gross premium	1945	2125	2284	1922	1497	-6%
Total income	2144	1533	4284	2706	1481	-9%
Total expenses	702	589	560	483	396	-13%
Payment to policy holder	170	151	526	997	1099	59%
Movement in actuarial liability	1232	770	3116	1057	-215	NA
Surplus/ Deficit from operations	40	23	82	168	201	50%
Income under shareholders a/c	16	18	22	36	58	38%
Provision for tax	0	0	3	5	8	732%
Profit after tax	-43	-14	108	211	262	149%
Ratios	FY08	FY09	FY10	FY11	FY12	CAGR
Earning per share (cents)	-28	-9	72	140	174	
Return on Equity (%)	NA	NA	45	61	45	

## Business strategy:

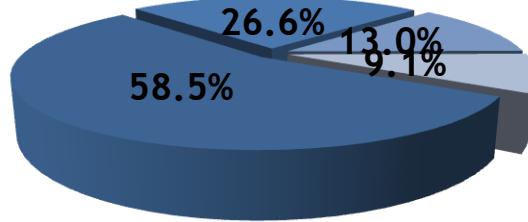
- Strategy is to build a differentiated model based on robust underwriting capability, efficient operating cost model, diversified distribution channels, excellent customer service with a focus on profitability and shareholder's return.

## Multi-channel sales engine:

- Over 9K agents, 23 bancassurance partners & 3,473 employees as of FY12.

## Diversified product mix (FY12):

- Motor
- Corp excl. health
- Health
- Others



## Strong cost focus:

- Create strong price & value proposition through efficient cost & claim management.

## Strong underwriting focus:

- Strong underwriting discipline with a focus on combined ratio. The business has one of the lowest combined ratios in the industry recording 96.1% and 107.2% before & after absorbing commercial vehicle motor pool losses respectively.

## Assets under Management:

- Assets under management of \$ 959 million as at 31<sup>st</sup> March 2012 at 4.7 times of net worth.

## Profit and capital efficiency:

- Consistent profits since inception.
- Delivered profit after tax of \$ 25 million in FY12, despite higher losses in motor business.
- Amongst the most capital efficient insurers in India with return of equity of 13.8% in FY12.
- Solvency ratio 156% against 130% as per IRDA norms.

## Regulatory environment:

- Commercial Vehicles business was a non economical due to large third party claims.
- Disbanding of commercial vehicle motor pool and commencement of “Declined Pool” now provides an opportunity to private general insurance companies to underwrite their business well.
- Writing minimum quota of commercial vehicles third party business, share of losses from the declined pool will now be reduced resulting in higher profitability.

## Key focus areas for foreseeable future:

- Balance business mix towards increasing contribution from health products.
- Grow direct business, especially online business.
- Build minimum required commercial vehicles third party business to avoid share of losses from the new Declined motor pool.

Particulars	\$ in million					
	FY08	FY09	FY10	FY11	FY12	CAGR
Shareholders fund	115	135	159	167	192	14%
Assets under management	402	474	549	770	910	23%
Gross premium	481	530	503	581	668	9%
Total income	381	440	436	509	599	12%
Total expenses	100	126	117	137	150	11%
Payment to policy holder	189	272	277	340	382	19%
Change in Unexpired Risk Reserve	67	23	18	32	44	-10%
Surplus/ Deficit from operations	25	19	25	0	24	-1%
Income under shareholders a/c	9	11	11	13	15	15%
Provision for tax	12	11	12	4	14	3%
Profit after tax	21	19	24	9	25	4%
Ratios	FY08	FY09	FY10	FY11	FY12	CAGR
Earning per share (cents)	19	17	22	8	22	
Return on Equity (%)	21	15	17	5	14	

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**Bajaj Finserv Limited**  
**June 20<sup>th</sup>-30<sup>th</sup> 2012**  
**Thank you**