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EDELWEISS FINANCIAL SERVICES LIMITED

Q1FY16 EARNINGS UPDATE

JULY 21, 2015

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- FINANCIAL HIGHLIGHTS
- BALANCE SHEET AND ALM
- BUSINESS HIGHLIGHTS
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FINANCIAL HIGHLIGHTS

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ENVIRONMENT: IMPROVING, YET CHALLENGES REMAIN

Improving Macro-economic environment

- India GDP to grow at 7.5%
- Crude continues to be low
- CPI has stabilized at 5-6%
- Resilient currency

However,

- Poor corporate earnings
- Interest rate cuts have slowed down
- Poor investment climate
- Volatile and sideways equity markets

KEY PERFORMANCE HIGHLIGHTS

1. 17% YoY growth in consolidated profits

   Consistent profit growth; Ex Insurance PAT CAGR of 35% (4 yrs)

2. Improved capital efficiency

   Consolidated RoE 12%

   Ex Insurance RoE 17%

3. Balance sheet grew while maintaining diversified borrowings mix

   Credit book adequately collateralized

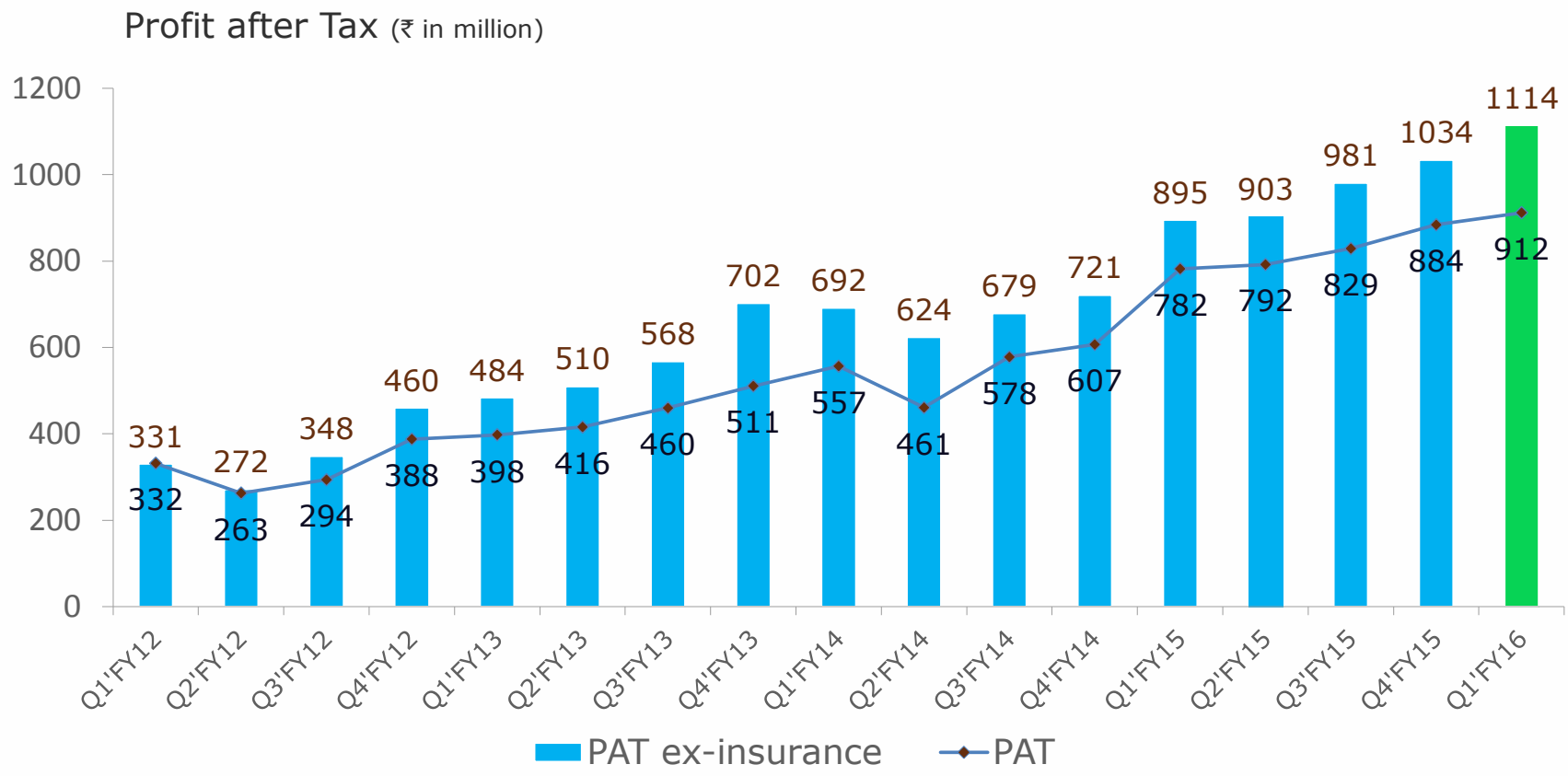
   Asset quality under control

FINANCIAL HIGHLIGHTS Q1FY16

₹ in million	Q1FY16	Q4FY15	Q1FY15	YoY Growth
Revenue	11,678	12,151	8,153	43%
Profit After Tax	912	884	782	17%
Profit After Tax – ex-ins	**1,114**	**1,034**	**895**	**24%**
Tangible RoE – ex-ins	**17.0%**	**16.2%**	**15.5%**	

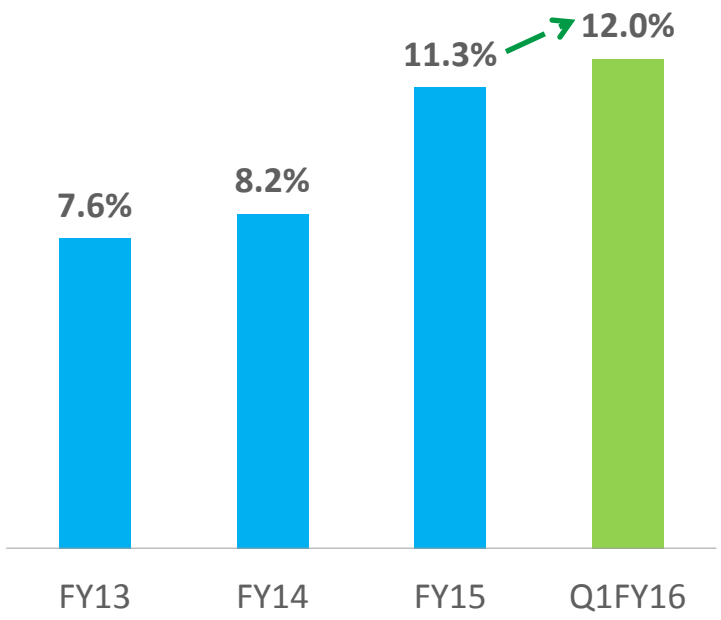
ROBUST BUSINESS MODEL DRIVING PROFITABILITY

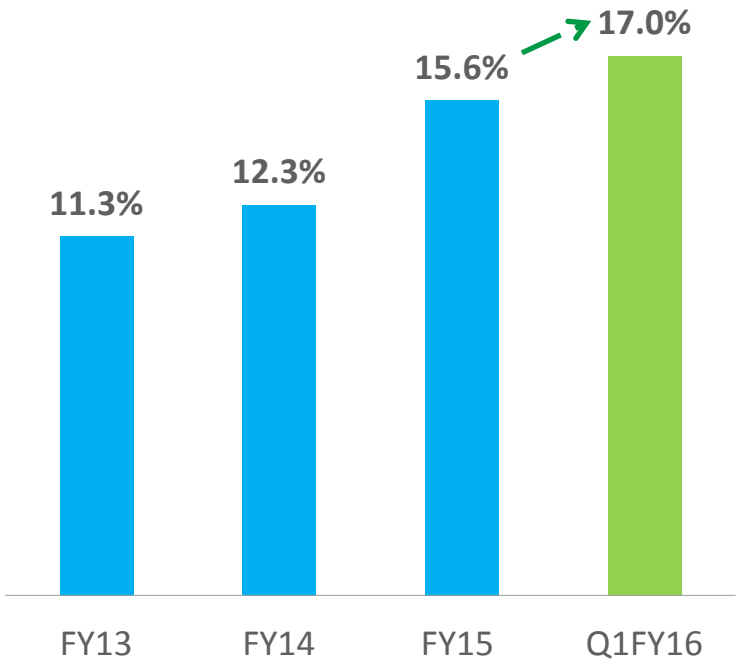
PROFITABILITY TRAJECTORY



CONSISTENT IMPROVEMENT IN PROFITABILITY SINCE Q2FY12

EX-INSURANCE ROE IMPROVED TO 17%





CONSOLIDATED RESULTS

₹ in million	FY16	FY15	FY15	FY15
	Q1	Q4	Q1	Annual
Fee and Commission Income	1,628	1,798	1,058	5,727
Fund based Income	9,561	9,241	6,812	31,001
Premium from Life Insurance Business	302	845	213	1,866
Other Operating Income	141	210	49	385
Other Income	46	57	21	140
Total Revenue	**11,678**	**12,151**	**8,153**	**39,119**
Employee Benefits Expense	2,113	2,239	1,439	7,086
Financial Costs	6,056	5,777	3,857	18,316
Depreciation & Amortization	200	198	151	716
Change in life ins. policy liability – actuarial	221	691	139	1,395
Other expenses	1,713	1,805	1,348	6,326
Total Expenses	**10,303**	**10,710**	**6,934**	**33,839**
Profit Before Tax	**1,375**	**1,441**	**1,219**	**5,280**
Tax Expenses	472	556	437	2,017
Profit After Tax	**903**	**885**	**782**	**3,263**
Share of Minority Interests in Profits	(9)	1	(0.3)	(24)
Profit After Tax and Minority Interest	**912**	**884**	**782**	**3,287**
Diluted EPS[1] (in ₹) (FV ₹ 1)	1.12	1.00	0.97	3.88
Book Value per Share (in ₹) (FV ₹ 1)	41	40	36	40

CONSOLIDATED RESULTS EX-INSURANCE

₹ in million	FY16	FY15	FY15	FY15
	Q1	Q4	Q1	Annual
Fee and Commission Income	1,628	1,798	1,058	5,727
Fund based Income	9,312	9,026	6,605	30,064
Other Operating Income	141	210	49	385
Other Income	37	49	11	104
Total Revenue	**11,118**	**11,083**	**7,723**	**36,280**
Employee Benefits Expense	1,829	1,996	1,221	6,105
Financial Costs	6,054	5,776	3,856	18,310
Depreciation & Amortization	185	178	136	635
Other expenses	1,403	1,488	1,139	5,240
Total Expenses	**9,471**	**9,438**	**6,352**	**30,290**
Profit Before Tax	**1,647**	**1,645**	**1,371**	**5,990**
Tax Expenses	472	557	437	2,017
Profit After Tax	**1,175**	**1,088**	**934**	**3,973**
Share of Minority Interests in Profits	61	54	39	160
Profit After Tax and Minority Interest	**1,114**	**1,034**	**895**	**3,813**
Diluted EPS[1] (in ₹) (FV ₹ 1)	1.33	1.26	1.14	4.65

BUSINESS OPERATIONS CONTINUE TO BE ROBUST

CAPITAL & AGENCY BASED REVENUE & ASSETS

At the end of (₹ in million)	Q1FY16	Q4FY15	Q1FY15
Revenue			
Capital based	9,748	9,508	6,882
Agency based incl Ins.	1,930	2,643	1,271
Total	**11,678**	**12,151**	**8,153**
Assets			
Capital based	233,840	215,590	144,540
Agency based incl Ins.	47,640	53,560	36,570
Total	**281,480**	**269,150**	**181,110[2]**

STABLE MIX OF CAPITAL AND AGENCY REVENUES

BALANCE SHEET AND ALM

BALANCE SHEET

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BALANCE SHEET HIGHLIGHTS

- **Focus on:**
  - Managing **Liquidity** with overnight liquidity cushion at ₹20 bn
  - Strengthening **Balance Sheet**
  - Diversifying sources of borrowings
  - Ideal mix of short and long term sources with **matched ALM profile**
  - Maintaining a comfortable **Capital Adequacy Ratio**
- BMU assets a function of business capital requirement & market opportunities
- Long-term rating upgraded to "CARE AA" and "ICRA AA"
- Highest short-term rating "CRISIL A1+", "CARE A1+" and "ICRA A1+"

MULTI-ASSET CLASS OPERATION

SUMMARY BALANCE SHEET

As on (₹ in million)	June 30'15 (Unaudited)	Mar 31 '15 (Audited)	June 30 '14 (Unaudited)
Equity and Liabilities			
Shareholders' Funds	32,845	31,606	29,632
Minority Interest	3,699	3,709	3,660
Borrowings	246,498	235,404	149,422[2]
Total	**283,042**	**270,719**	**182,714**
Assets			
Fixed & Non Current Assets	100,999	101,229	60,955
Cash and Bank Balances	16,091	23,650	22,155
Government Bonds	45,010	43,230	31,410
Other Net Current Assets	120,942	102,610	68,194
Total	**283,042**	**270,719**	**182,714**

COMFORTABLE CONSOLIDATED CAPITAL ADEQUACY RATIO 18.9%

BALANCE SHEET AND ALM

ALM

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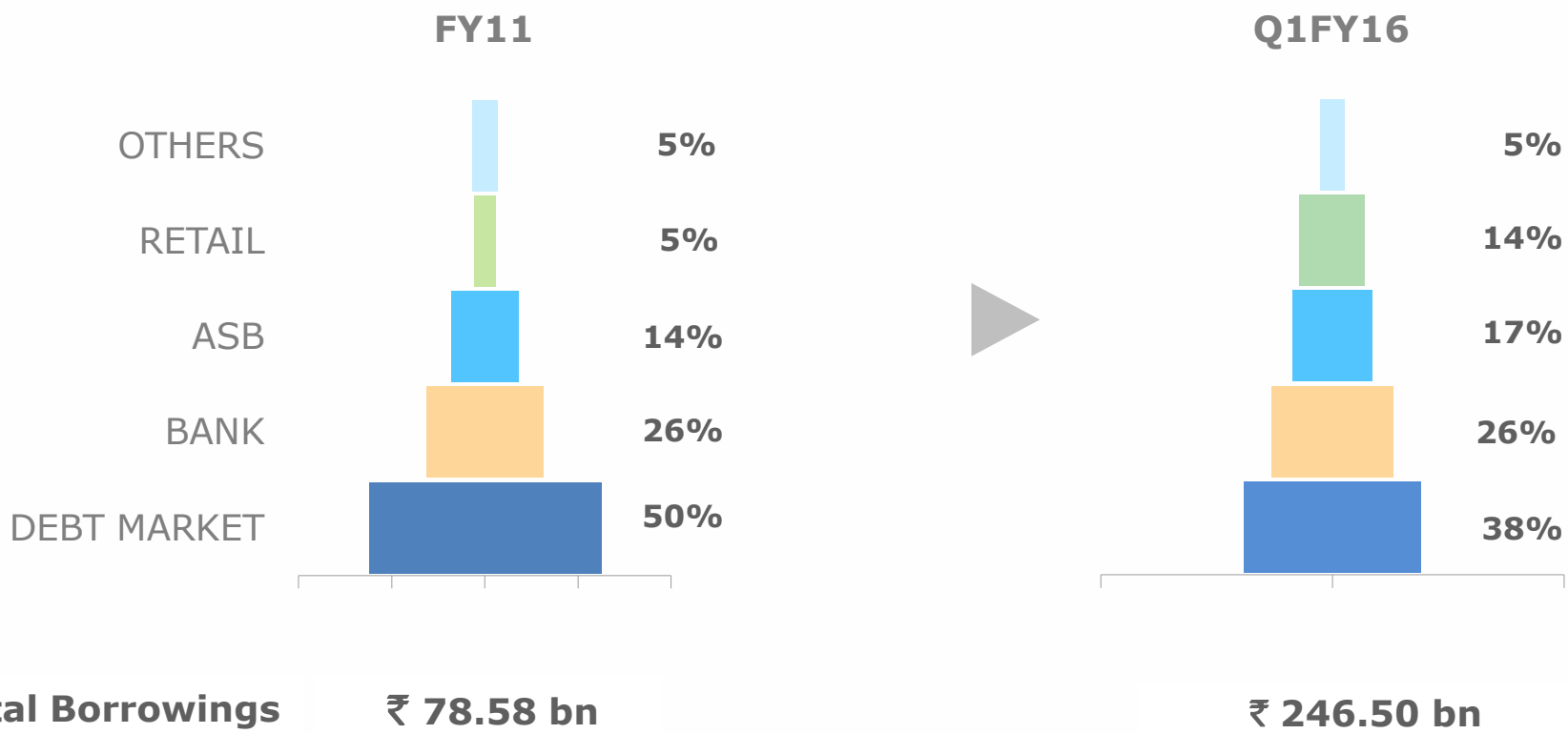
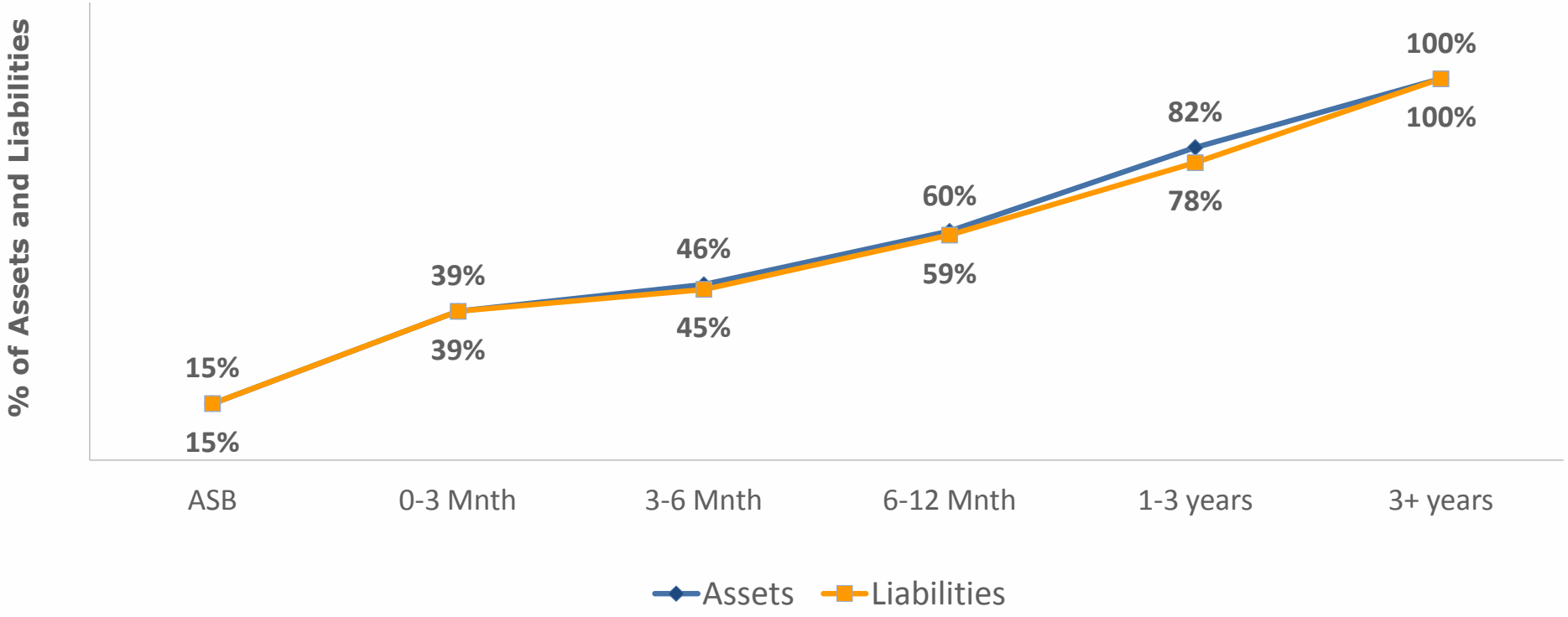
DIVERSIFIED SOURCES OF BORROWINGS



STEADY DIVERSIFICATION OF SOURCES OF BORROWINGS LEADING TO LOWER DEPENDENCE ON DEBT MARKET BORROWINGS

COMFORTABLE ALM PROFILE

June '15 - ₹ 281.48 bn [3]



ALCO MANAGES AND MONITORS ALM, INTEREST RATE RISK AND LIQUIDITY

BUSINESS HIGHLIGHTS

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EDELWEISS OPERATING STRUCTURE

Diversified Business Mix with 4 Businesses

CREDIT

Present across the spectrum of **Wholesale** and **Retail** credit

- Mortgages
- Structured Collateralized Credit
- Distressed Assets Credit
- SME & Agri Financing
- Loans Against Securities & Others

AGENCY

Strong product franchise serving diverse client needs

- Investment Banking & Advisory
- Broking
- Wealth Management
- Asset Management
- Agri & Other Commodity Services
- Financial Products Distribution & Others

BALANCE SHEET MANAGEMENT UNIT & CORPORATE

Focus on **balance sheet** and **liquidity management**

INSURANCE

One of the **fastest growing** Life Insurance companies

GROWING BUSINESS PRESENCE

MUMBAI

INDIA

GLOBAL PRESENCE

1 Strong **clients/accounts** base of over **586,000** across businesses

2 Over **288,000 Depository Participant Accounts**

3 **5,760 employees across 247 offices** in **129 cities** including **eight international offices**

4 Touch points include over **4,800 Authorised Persons** and **Sub-brokers** across India

BUSINESS HIGHLIGHTS

CREDIT BUSINESS

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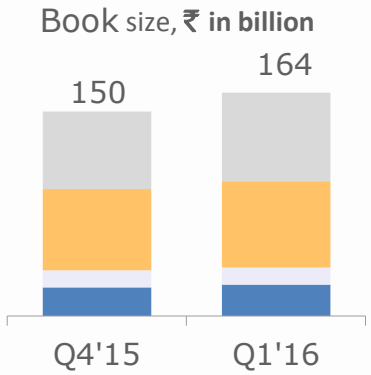
Credit: 9% QoQ growth in assets

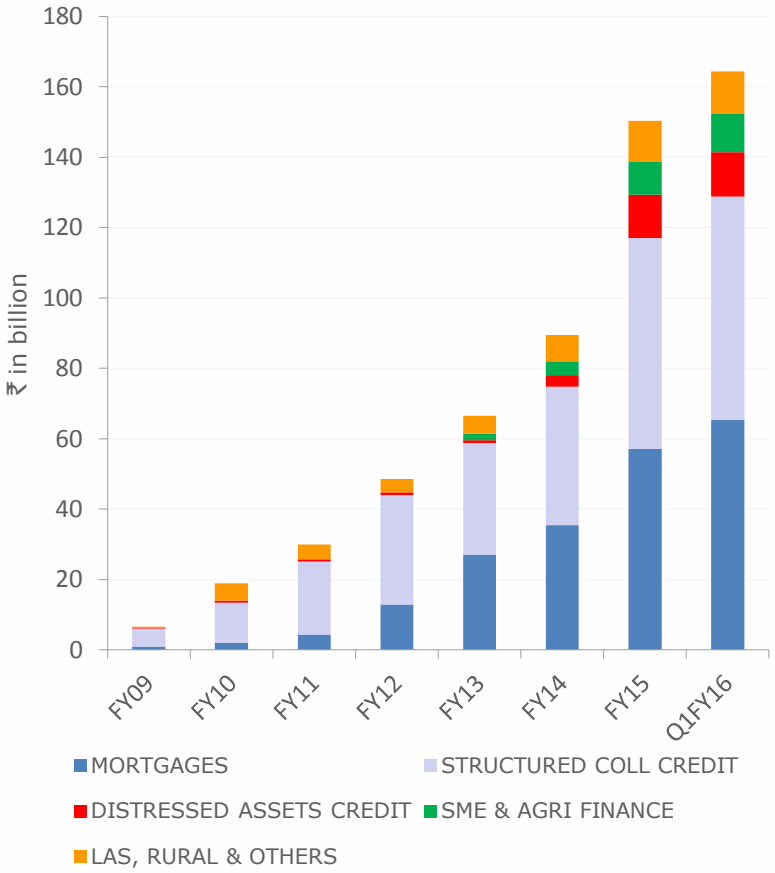


	% Growth
Mortgages	14%
Structured finance	6%
Distressed assets	3%
Others	9%

Priorities

- Creating capabilities on collections in retail, resolutions in distressed assets and sell down in structured finance
- Risk management continues to be priority

CREDIT



At the end of (₹ in billion)	Q1FY16	Q4FY15	Q1FY15
Total Credit Book	**164.31**	**150.36**	**95.54**
Mortgages	65.32	57.13	37.25
Structured Collateralised Credit	63.45	59.91	37.14
Distressed Assets Credit	12.64	12.26	7.25
SME & Agri Finance	10.83	9.44	4.68
Loans against Securities Rural Finance & others	12.07	11.62	9.22

CREDIT BOOK SCALE UP WITHOUT DILUTING UNDERWRITING STANDARDS

At the end of (₹ in billion)	Q1FY16	Q4FY15	Q1FY15
Average Interest Yield	16.1%	16.0%	15.2%
Average Cost of Borrowing	10.8%	10.8%	10.9%
Interest Spread	5.3%	5.2%	4.4%
Net Interest Margin	6.7%	6.7%	6.0%
Average collateral cover on Structured Collateralised book	2.2x	2.3x	2.9x
Retail Finance presence	41 cities & 1,400 villages	36 cities & 750 villages	25 cities & 450 villages
~Number of Retail Finance clients	50,500	41,400	23,400
Housing Finance & LAP portfolio LTV	~52%	~52%	~54%

RETAIL FINANCE SPREADING FOOTPRINT THROUGH SMALL-TICKET HOME LOANS, SME & RURAL FINANCE

CREDIT : GOOD ASSET QUALITY

At the end of (₹ in million)	Q1FY16	Q4FY15	Q1FY15
Total Credit Book	164,310	150,358	95,541
Gross NPLs	2,169	1,963	985
Gross NPL %	1.32%	1.31%	1.03%
Net NPLs %	0.39%	0.38%	0.30%
Total Provision Held[4]	2,101	1,839	993
Total Provision Cover[4]	97%	94%	101%

RISK MANAGEMENT ENSURING ASSET QUALITY REMAINS UNDER CONTROL

BUSINESS HIGHLIGHTS

AGENCY BUSINESSES

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Financial Markets: Despite volatile markets, Business gearing up to grow

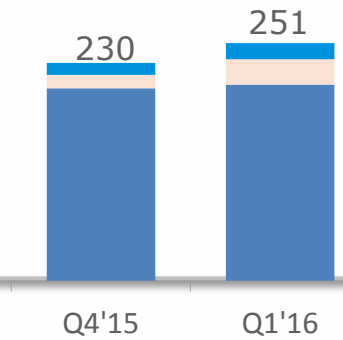
	Q4'15	Q1'16
Wealth AUM (₹ in billion)	99	102
IB & DCM deals	31	20

Priorities

- Focus on low cost online acquisition of clients
- Further developing cross-sell revenue within retail business
- Scaling up Insurance Broking and Prime Broking

Global Asset Management: Robust growth in assets (9% QoQ)

AUM (₹ in billion)



	% Growth
Equity AUM	36%
Credit Alt AUM	89%
ARC assets	2%

Priorities

- Launch of Distress/Special Opportunities Fund (ESOF-II)
- Plan to scale up ETF

FINANCIAL MARKETS

	Q1FY16	Q4FY15	Q1FY15
Investment Banking & DCM Advisory Deals	20	31	10
Average Daily Volumes[5] (₹ in billion)	150.40	151.90	85.30
Average Broking Yield (Gross)	2.5 bps	2.6 bps	2.6 bps
Stocks under IE Research Coverage	206	208	204
Stocks under Retail Research Coverage	39	54	41
Wealth Management – AuAs (₹ in billion)	102	99	70
Retail Financial Markets Clients	455,800	455,300	454,500

RETAIL FINANCIAL MARKETS BUSINESS SCALE UP CONTINUES
LEADERSHIP INVESTMENT BANKING AND INSTITUTIONAL EQUITIES

FIXED INCOME ADVISORY – LEADING PLAYER IN THE COUNTRY

- Over 400 active clients among Banks, MFs, Ins. Cos., PDs, PFs and FIIs
- Comprehensive research and analytics support to clients
- **16 transactions** across Fixed Income Advisory including:
  - NCD placements for large PSU and private sector clients like REC, PGC, IDFC, ABFL, L&T Infra Fin, Bajaj Fin, GIC Housing Fin etc.
  - Public Issue of Bonds for SREI Equipment Finance
  - Market share of over 20% in Bonds and CPs raised
- Continued to be **Ranked 1st** in Public Issues of Bonds and placement of CPs in Q1FY16 (Source: Prime Database)

BENIGN INTEREST RATES ENCOURAGING CORPORATES TO RAISE DEBT

ASSET MANAGEMENT

- **Alternatives - Illiquids**
  AuMs/AuAs over ₹26 bn equivalent through five funds; ESOF II Fund first close achieved at US$205 mn

- **Edelweiss ARC** among the leading players in India – a crucial vehicle to unlock productive assets and assist Banks

- **Mutual Fund** average AuMs of ₹11.5 bn in Q1FY16 across seven Equity and five Debt Schemes
- Over 21,600 active investors
- Over 3,300 distributors
- Focus on building investment track record and developing product portfolio

- **Alternatives – Liquids business** (Forefront Capital) manages innovative alternative strategies with AuMs of ₹5.7 bn

DIVERSE OFFERINGS UNDER GLOBAL ASSET MANAGEMENT MAJOR GROWTH POTENTIAL

AGRI & COMMODITY SERVICES

- **Commodity Services – strategic agency business**
  - **Agri Commodities**:
    - Sourcing, distribution & dealing in agri commodities
    - International sourcing for key commodities like pulses & oilseeds
    - Warehousing and Collateral Management services
      - Warehousing -143 warehouses under management with 590,000 MT warehousing capacity; capex light model
      - Collateral Management services tie-ups with banks
  - **Precious Metals**:
    - Sourcing and distribution
    - Gold refinery
- Commodities business assets ₹30.8 bn including FDs and stocks
- Focus on operations, inventory and risk management with state of the art technology

MOVING TOWARDS CREDIT & PROCESSING DRIVEN BUSINESS MODEL

BUSINESS HIGHLIGHTS

LIFE INSURANCE BUSINESS

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Life Insurance business with JV partner Tokio Marine Holdings, Inc.

- Focus on performance including achieving growth in premium and expansion of distribution footprint
- Edelweiss Tokio funds have been rated top performers by Morningstar with five of six individual ULIP funds rated "5 Star" as on 30 June 2015
- Edelweiss Tokio offers range of 23 individual products including two new products: **'GCAP'** a guaranteed benefit product with an option to take maturity benefits in lump sum or instalments and **'Triple Advantage Plan'** that provides protection upto age of 100 yrs with three payouts till the maturity of policy

At the end of	Q1FY16	Q4FY15	Q1FY15
No. of Personal Financial Advisors	11,000	10,400	7,700
No. of Branches	59 in 49 cities	59 in 49 cities	58 in 48 cities

LAUNCH OF GCAP - THOUGHT LEADERSHIP ON HEALTH

Edelweiss Tokio Life Insurance Company Limited Standalone (ETLI)				
₹ in million	Q1FY16	Q4FY15	Q1FY15	FY15
Gross Premium Income	324	864	227	1,931
Investment Income & Other Income	258	224	216	972
Total Income	**582**	**1,088**	**443**	**2,903**
Total Expenses	855	1,291	594	3,613
Profit Before Tax	(273)	(203)	(151)	(710)
Profit After Tax	**(273)**	**(203)**	**(151)**	**(710)**
Net Worth	5,393	5,691	6,184	5,691

APPLICATION MADE TO FIPB TO TAKE TOKIO MARINE'S STAKE TO 49% IN THE JV

ENTERPRISE UPDATES

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KEY HR METRICS

At the end of/During		Q1FY16	Q4FY15	Q1FY15
End of Period Head Count		5,760	5,555	4,285
Senior Attrition		9%	17%	17%
Learning & Development	Training man days	6,804	4,255	4,511
	Employees covered	2,271	1,417	1,382

BUILDING LEADERSHIP CAPABILITY THROUGH A FOUR-TIER LEADERSHIP STRUCTURE FOR FUTURE GROWTH

CORPORATE SOCIAL RESPONSIBILITY - EDELGIVE FOUNDATION

Philanthropic initiative to drive sustainable social change

Impacted over 2,60,000 lives

Financially supported over 60 organizations till date

Committed nearly ₹ 330 mn

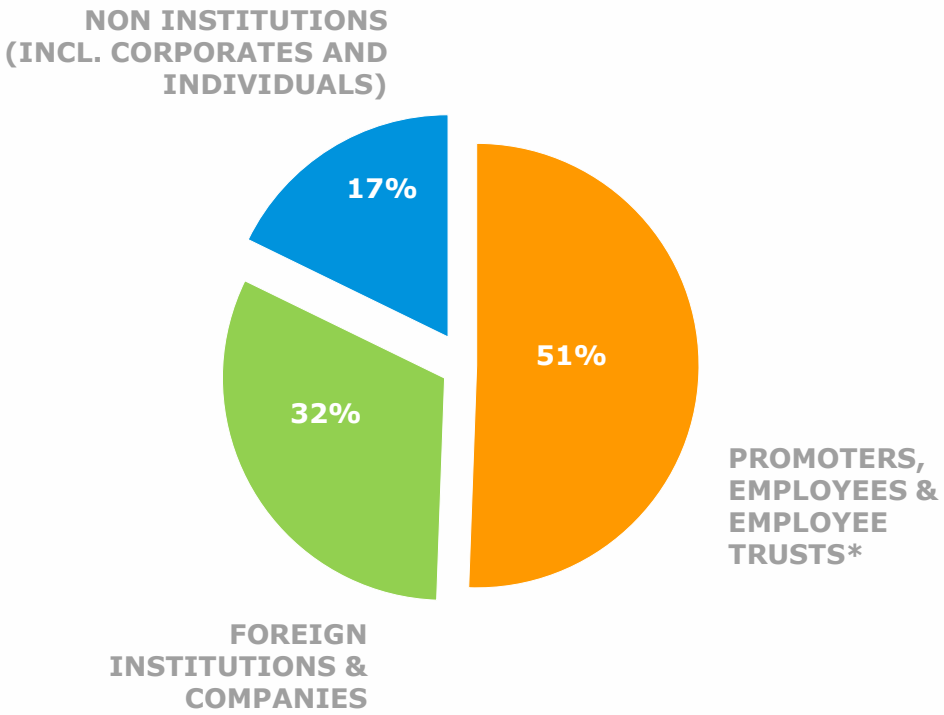
Over 10,000 hours of pro-bono support from Edelweiss employees

Over 1,900 Edelweiss employees engaged in volunteering and financial contributions

Focus on Education, Livelihoods and Women's Empowerment

Post the phenomenal success of **MC Mary Kom** at the London Olympics 2012, Edelweiss is now also supporting **P V Sindhu** (Badminton) and **Ayonika Paul** (Rifle shooting) through Olympic Gold Quest

SHAREHOLDING PATTERN



TOP INSTITUTIONAL SHAREHOLDERS ABOVE 1%[6]

AS ON JUNE 30, 2015

	Name	Percent
1	Carlyle	8.5%
2	BIH SA	5.5%
3	Fidelity	4.3%
4	Govt. of Singapore	3.9%
5	SAIF Advisors	3.2%
6	Amansa Investments	1.5%

SIGNIFICANT INSTITUTIONAL OWNERSHIP FROM ACROSS GEOGRAPHIES

ENVIRONMENT

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A MIXED ENVIRONMENT

Positive Macro Environment for India

India is growing well amidst an uncertain global economy

Weak Micro Environment

On ground conditions yet to improve

A MIXED ENVIRONMENT

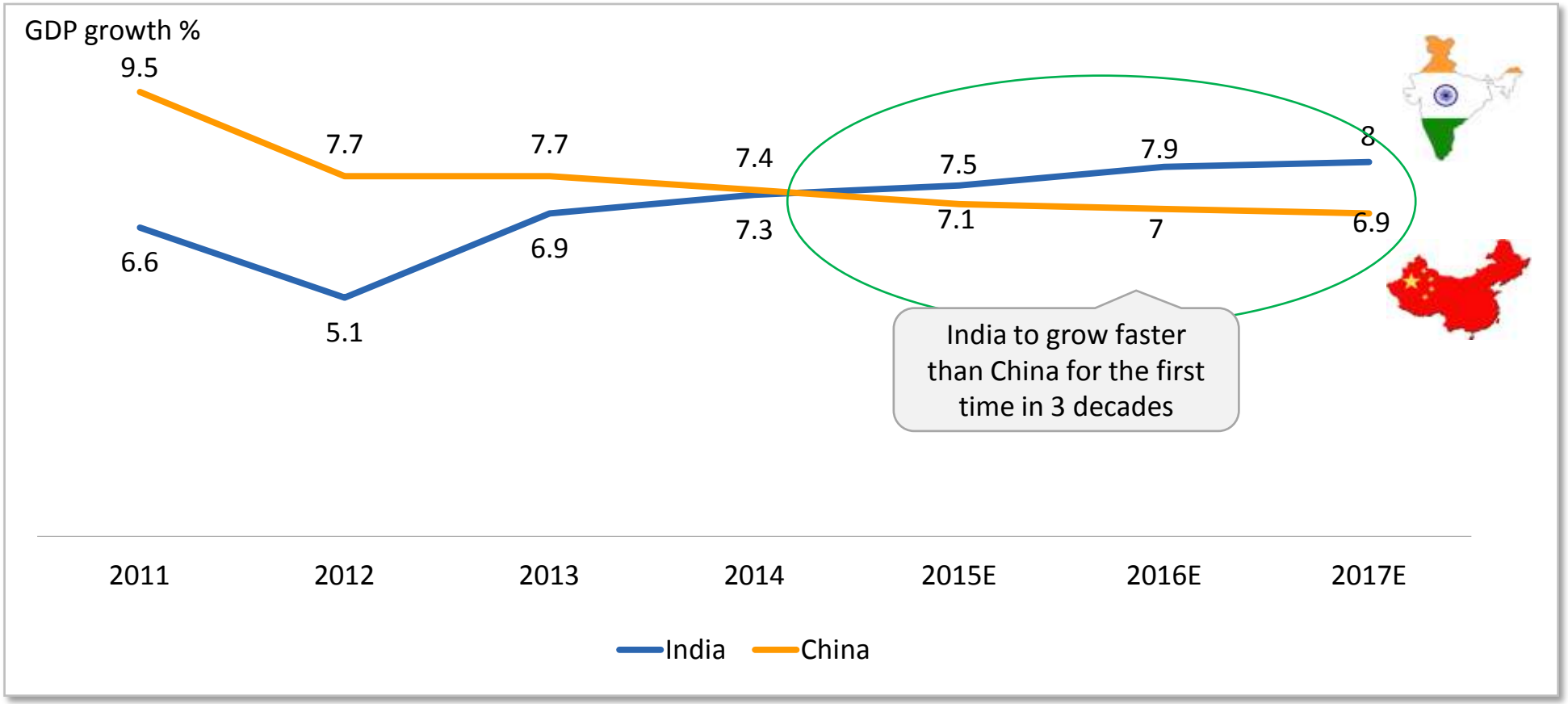
Positive Macro Environment

- India GDP to grow at 7.5%
- Crude continues to be low
- CPI has stabilized at 5-6%
- Resilient currency
- Better than expected Monsoon

Weak Micro Environment

- Poor corporate earnings
- Interest rate cuts have slowed down
- Poor investment climate
- FII flows have reduced
- Volatile and sideways equity markets

1 INDIA TO BECOME FASTEST GROWING MAJOR ECONOMY

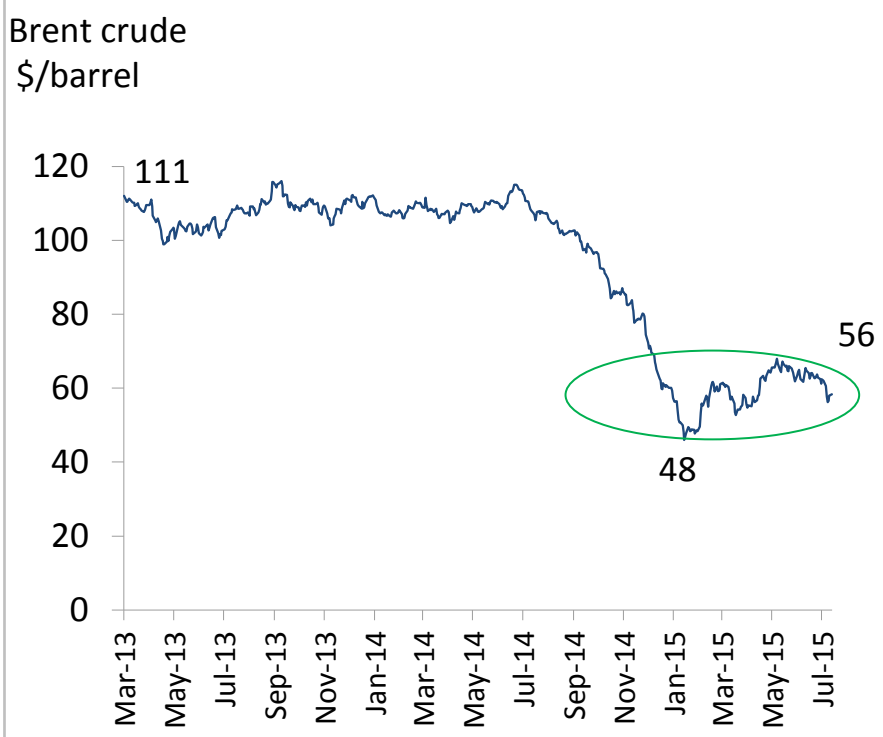


Slow down in China could lead to softening of commodity prices, which will further help India

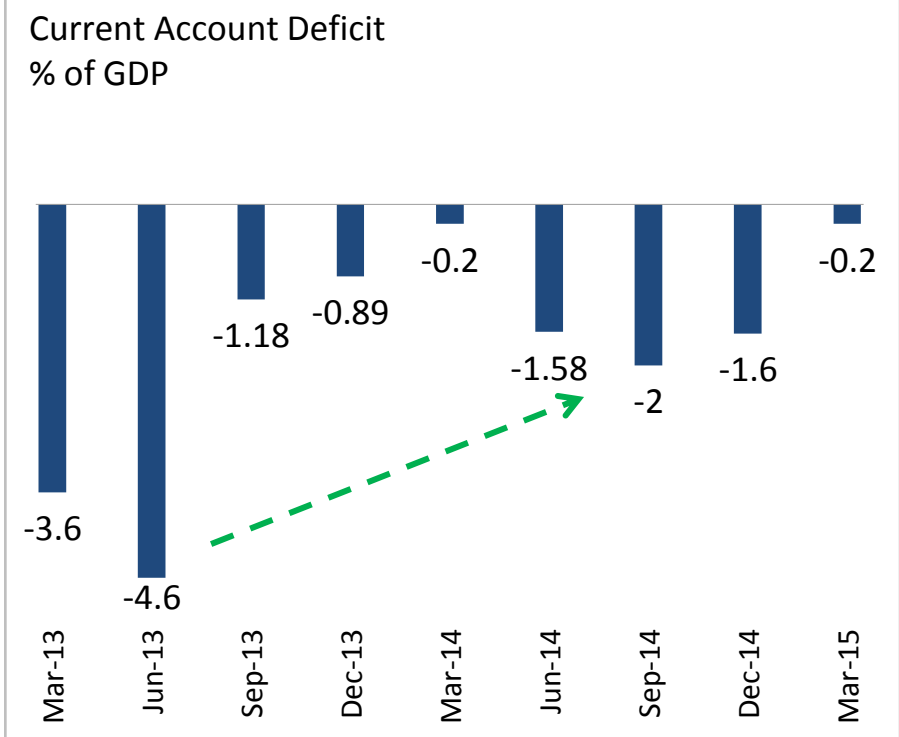
Source: World bank Report - Global Economic Prospects, June 2015

2 LOW CRUDE PRICES, A KEY POSITIVE CONTINUES

Crude prices have been at ~$60 level for past 6 months



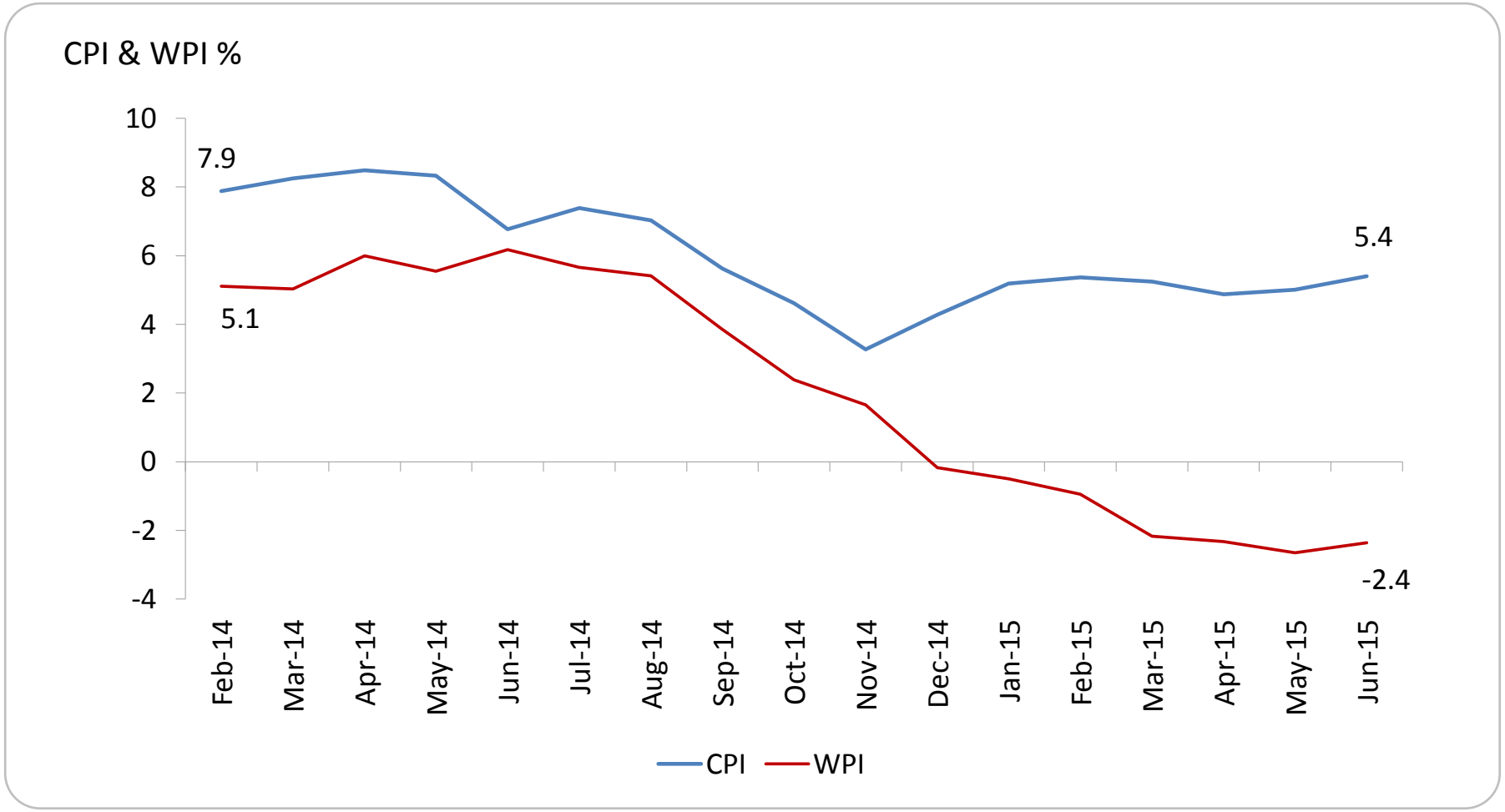
… helping India contain deficit



While low crude price is positive for India; Brazil and Russian economies are struggling due to low commodity prices

Source: Bloomberg

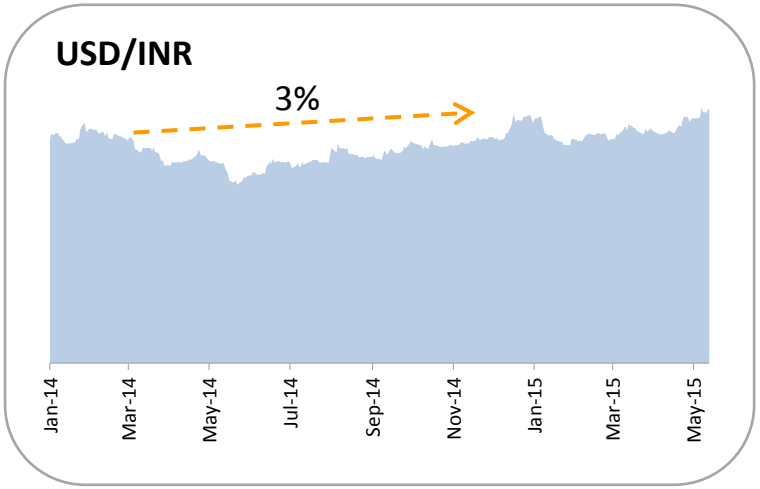
3 CPI HAS STABILIZED IN 5-6% RANGE

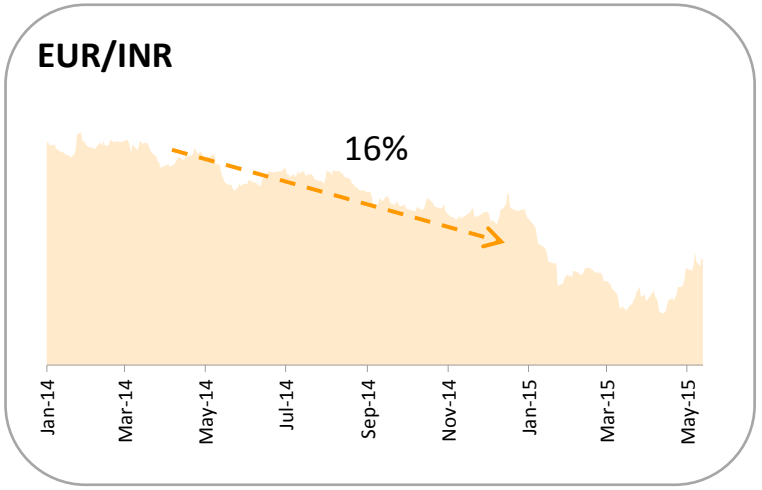


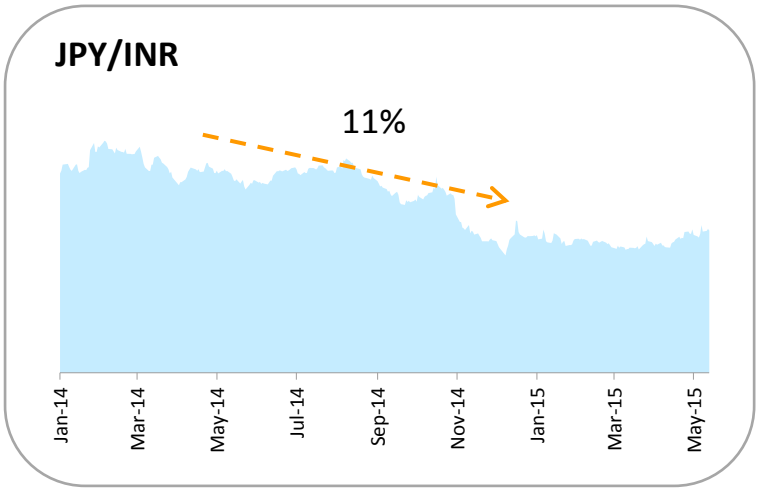
WPI has been in negative range

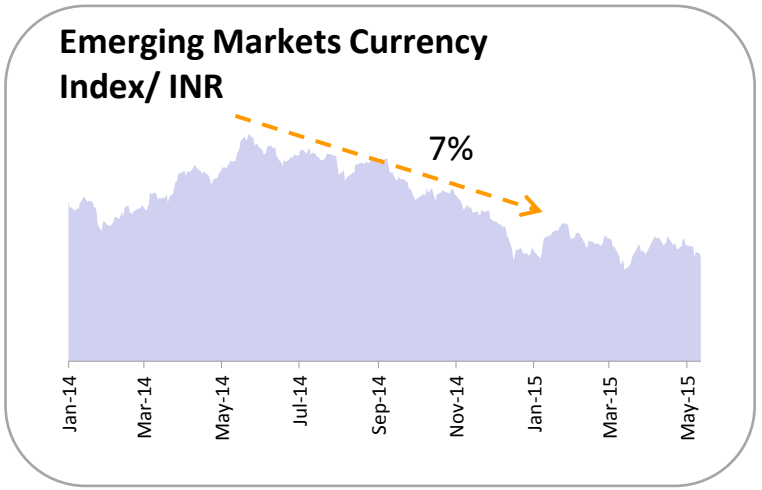
Source: Bloomberg

4 INR HAS SHOWN LOT OF RESILIENCE AGAINST USD









Rupee is stable vis-à-vis USD and has strengthened relative to other currencies

Source: Bloomberg

A MIXED ENVIRONMENT

Positive Macro Environment

- India GDP to grow at 7.5%
- Crude continues to be low
- CPI has stabilized at ~5%
- Resilient currency

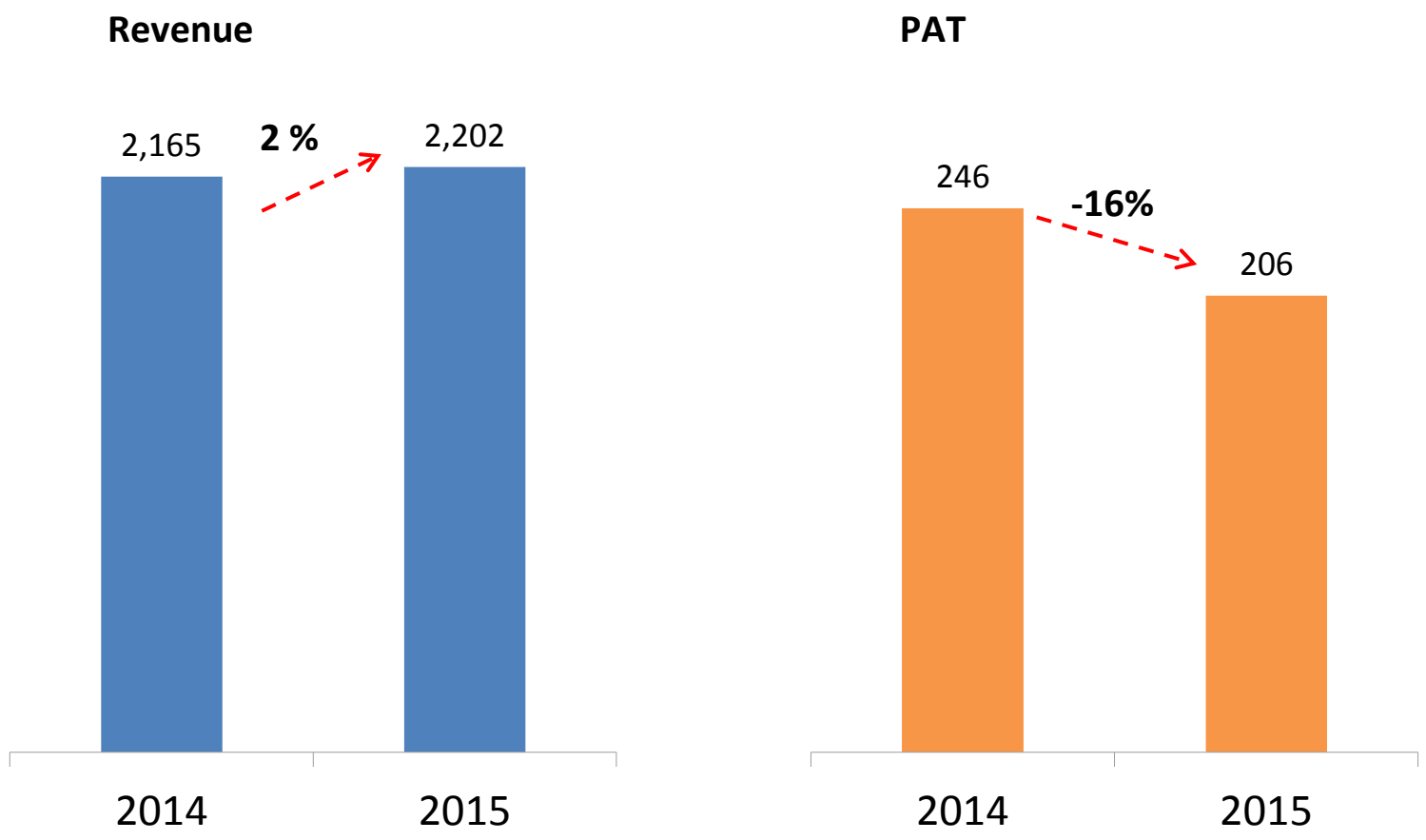
Weak Micro Environment

- Poor corporate earnings
- Interest rate cuts likely to slow down
- Poor investment climate
- FII flows have reduced
- Volatile and sideways equity markets

1 DESPITE IMPROVING MACRO, CORPORATE EARNINGS SUBDUED

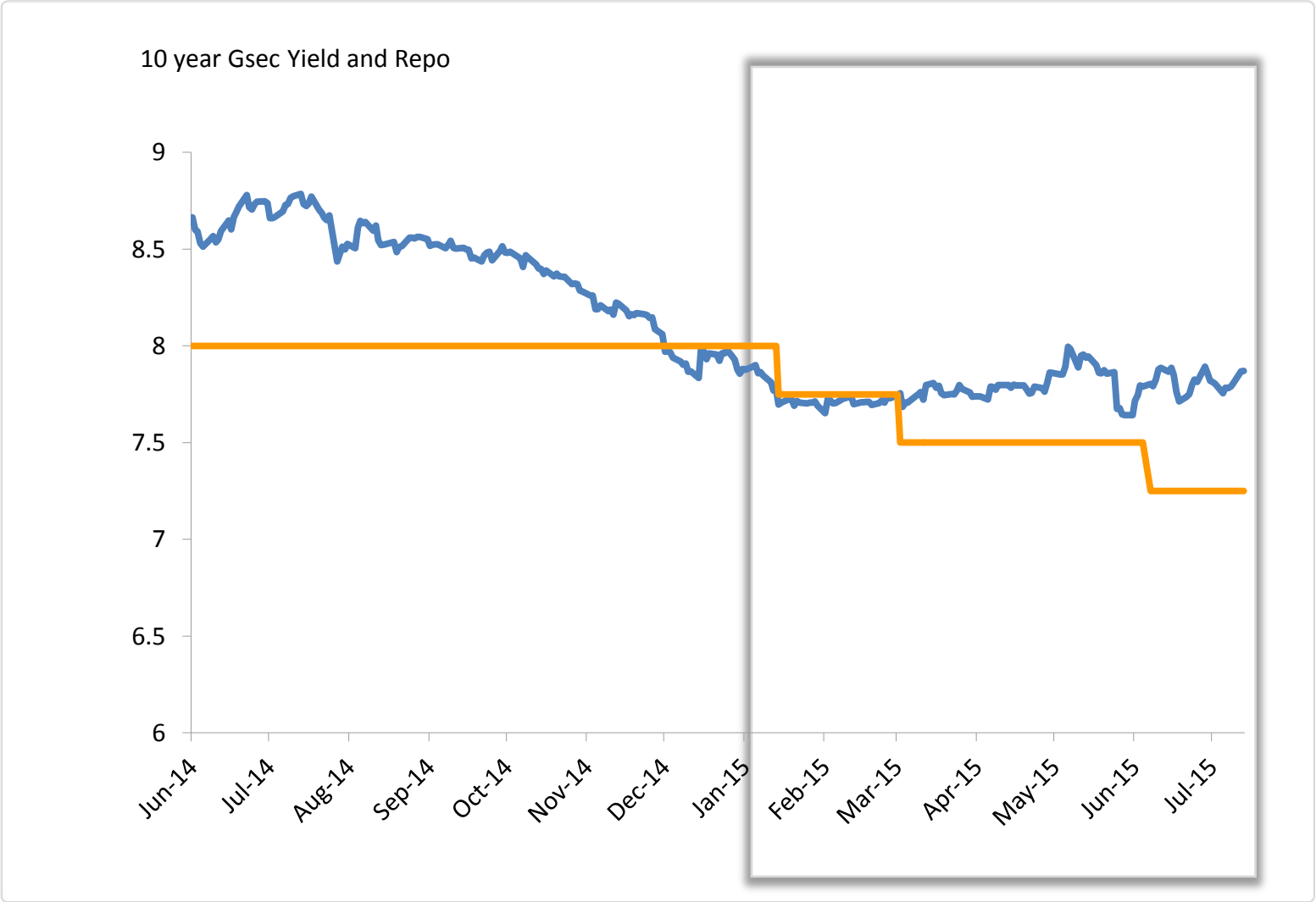
Sensex companies

INR '000 Cr



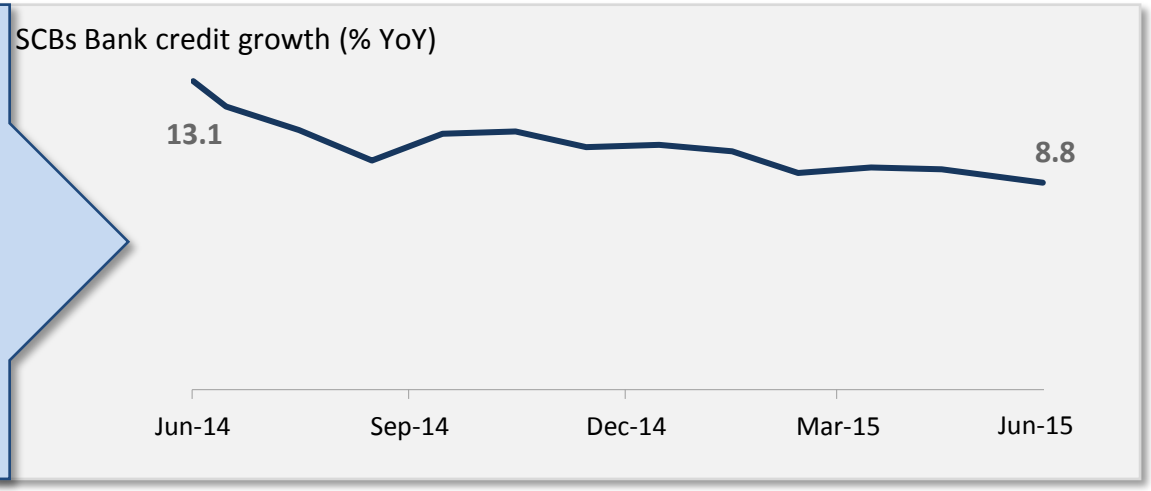
Source – Edelweiss research

Despite 75 bps rate cut in CY2015; Gsec Yields have not further corrected



Source – Bloomberg

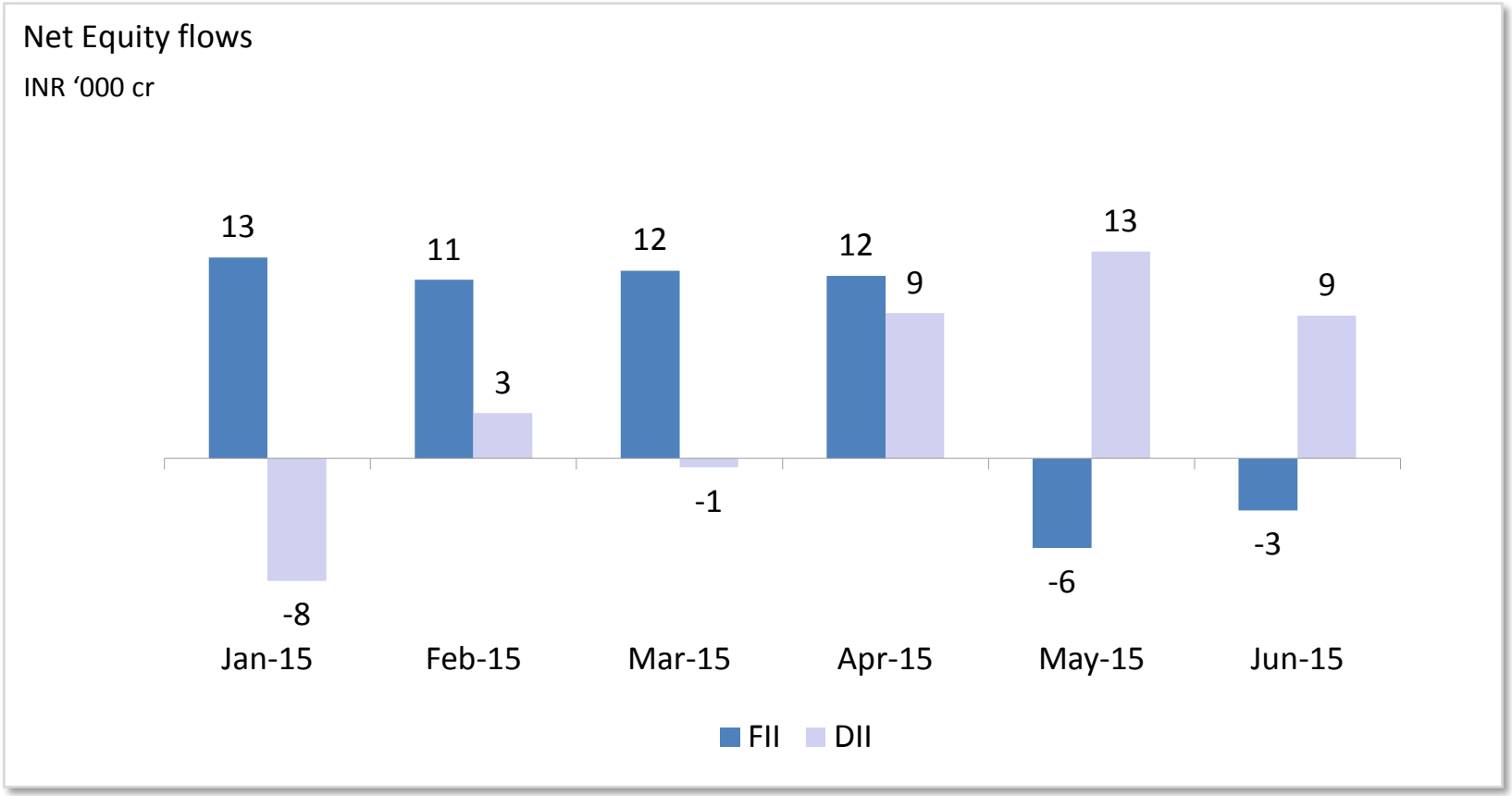
Subdued Credit off-take growth



Weak export momentum

Source – RBI, Edelweiss research

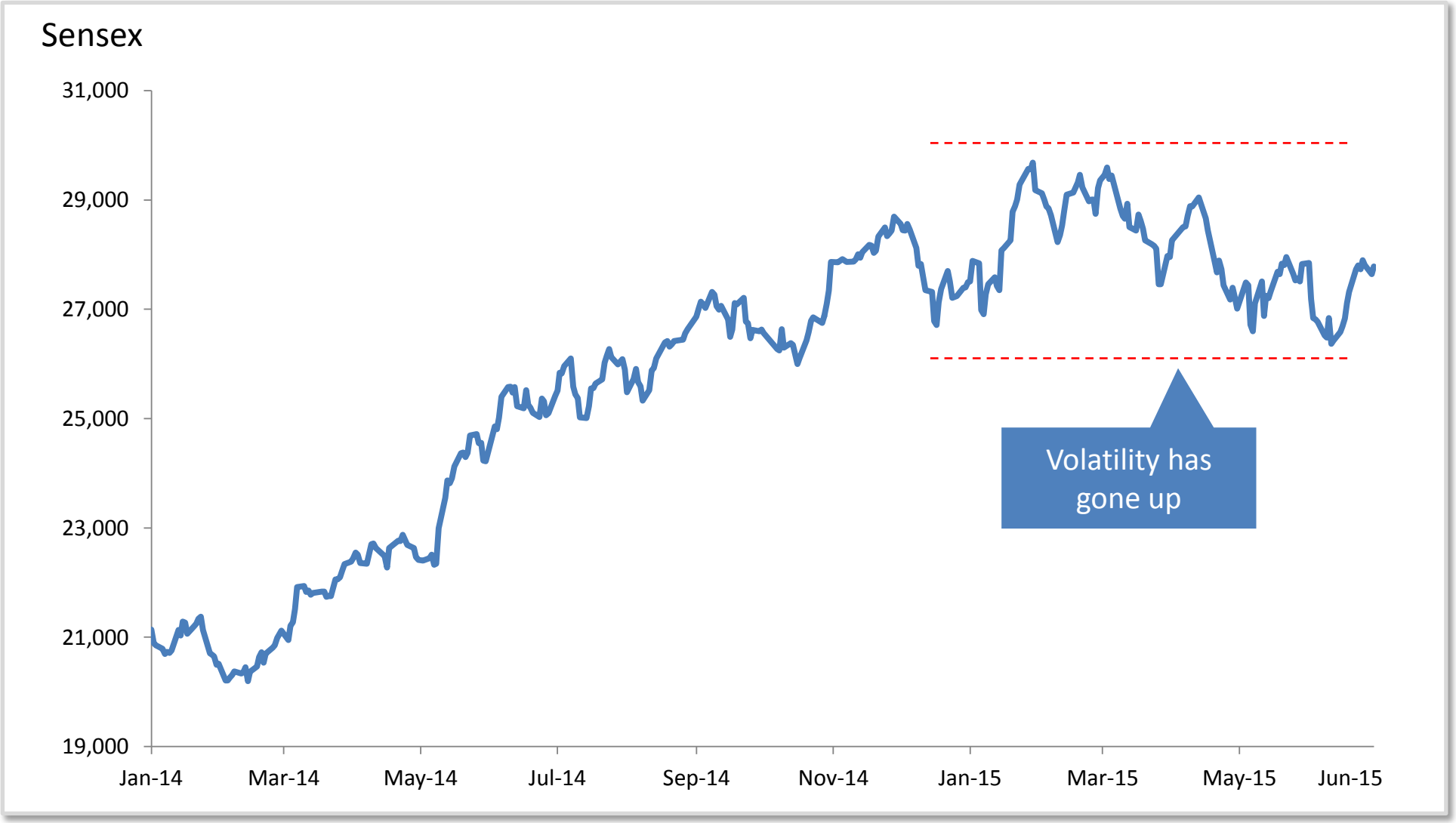
4 FII FLOWS IN EQUITY HAVE REDUCED



FIIs have been net seller while markets are being supported by DIIs

Source – Bloomberg

5 …RESULTING IN VOLATILE AND SIDEWAYS EQUITY MARKETS



Source – Bloomberg

KEY THINGS TO WATCH OUT FOR

India

- Credit growth and NPAs
- Corporate earnings
- Monsoon
- Government spending

Global

- US fed rate hike
- China slowdown
- Greece
- Crude prices

SAFE HARBOR

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NOTES:

[1] Quarterly EPS not annualised

[2] Q1FY15 Assets excluding episodic assets of ₹33,950 mn

[3] Excludes Employee Welfare Trust shares

[4] Including provision held on Standard Assets

[5] On BSE and NSE, including Clients and Treasury operations; excluding turnover under BSE Incentive Scheme

[6] Holding of known affiliates have been clubbed together for the purpose of this information

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