

PRESS RELEASE

BSE Code: 540777

NSE Code: HDFCLIFE

Performance for the nine months ended Dec 31, 2017

Mumbai, Jan 19, 2018: The Board of Directors of HDFC Life today approved and adopted its Standalone Audited Financial Results for the nine months ended Dec 31, 2017.

Key Financial Summary

₹ Bn	FY17	FY16	YoY	9M FY18	9M FY17	YoY
Key Financial and Actuarial Metrics						
New Business Premium	87.0	64.9	34%	70.7	53.3	33%
Renewal Premium	107.5	98.3	9%	75.4	68.9	9%
Total Premium	194.5	163.1	19%	146.1	122.2	20%
Individual APE	37.4	34.3	9%	30.8	21.1	46%
Group Premium	45.0	28.3	59%	35.8	29.3	22%
Premium Less Benefit Payouts (1)	94.8	80.6	18%	59.1	50.8	16%
IGAAP Profit After Tax	8.9	8.2	9%	7.6	6.5	18%
Assets Under Management (AUM)	917.4	742.5	24%	1,044.3	825.4	27%
Embedded Value	124.7	102.3	22%	144.7	114.6	26%
Net Worth (2)	38.1	31.5	21%	43.6	35.5	23%

	FY17	FY16	9M FY18	9M FY17
Key Financial Ratios				
Overall New Business Margins (post overrun)	22.0%	19.9%	22.2%	22.0%
Operating Return on EV	21.7%	20.7%	20.4%	18.4%
Operating Expenses / Total Premium	12.6%	11.6%	14.2%	13.3%
Return on Equity (3)	25.7%	28.7%	24.9%	25.7%
Solvency Ratio	192%	198%	191%	195%
13M / 61M Persistency (4)	84%/57%	81%/50%	86%/53%	83%/60%
Conservation Ratio (5)	82%	80%	85%	82%
Business Mix (%)				
Product (UL / Non par savings / Non par protection / Par) (6)	52/9/4/35	56/9/5/30	59/8/5/28	50/8/5/37

Indl Distribution (CA/Agency/Broker/Direct)	(6)	72/12/5/11	75/12/4/9	70/11/5/14	69/13/6/12
Total Distribution (CA/Agency/Broker/Direct/Group)	(7)	32/7/2/7/52	40/8/2/7/43	32/6/2/9/51	28/8/2/7/55

Notes:

1. Gross of reinsurance for both individual and group business
2. Net worth comprises of Share capital (including share application money received, but pending allotment), Share premium and Accumulated profits/(losses)
3. Calculated using net profit and average net worth for the period (Net worth comprises of Share capital, Share premium and Accumulated profits/(losses))
4. Persistency ratios (based on original premium) as per methodology specified in IRDAI circular. Group business, where persistency is measurable, has been included in the calculations
5. Conservation ratio for individual business
6. Based on individual APE excluding service tax. UL: Unit Linked, Trad: Traditional, Par: Participating & CA: Corporate Agents. Percentages are rounded off
7. On total new business premium including Group. Percentages are rounded off

Snapshot for the nine months ending Dec 31, 2017:

- **Private Market share:** Ranked #2 in terms of overall new business received premium with market share of 18.4%. Ranked #3 in terms of Individual WRP with market share of 12.8% and ranked #1 in Group business (*on received premium*), with market share of 28.6%;
- **Total premium:** Robust growth of 20% to ₹ 146.1 Bn, aided by strong new business growth of 33% and healthy renewal business growth of 9%;
- **Persistency ratio:** Steady improvement in persistency (*Original premium basis, for data till Nov 2017, with 1 month lag as per the IRDAI definition*), with 13th month persistency at 86% and 61st month persistency at 53%;
- **Assets Under Management:** Showcased consistent growth of 27% to ₹ 1,044.3 Bn, with underlying Debt: Equity mix of 57:43;
- **Embedded Value:** Embedded Value (*IEV methodology*) at ₹ 144.7 Bn (post dividend) and ₹ 148.0 Bn (pre dividend) as on Dec 31, 2017. Annualised Operating return on Embedded Value (*EVOP/Opening Embedded value*) at 20.4% (post dividend);
- **New business margins:** New business margins based on actual expenses (post overrun) at 22.2% for the period ended Dec 31, 2017;
- **Profit after tax (PAT):** PAT witnessed stable growth of 18% to ₹ 7.6 Bn;
- **Dividend:** Paid 14% interim dividend (₹ 1.36 / share) amounting to ₹ 3.3 Bn including Dividend Distribution Tax (*DDT*);
- **Networth and Solvency ratio:** The networth increased by 23% to ₹ 43.6 Bn as at Dec 31, 2017. The solvency ratio was at 191% as against the regulatory requirement of 150%;
- **Product portfolio:** Maintained a balanced product mix with ULIPs contributing 59% and Conventional products forming 41% of the Individual APE (Annual Premium Equivalent). Continued focus on protection business, thereby contributing 27.3% based on total new business premium (9M FY17: 24.2%). 26.2% of our individual policies sold during 9M FY18 were protection business policies (9M FY17: 20.6%);

- **Distribution mix:** Have a diversified distribution mix, with presence across the country through 414 HDFC Life offices along with wide access to partner branches of our 139 banca relationships as on Dec 31, 2017. Cross-selling formed 6.8% of the individual new business policies sold during 9M FY18.

Update on Q3 FY18 performance:

- Registered strong growth in Individual WRP of 60% in Q3 FY18;
- Total premium grew by 20% during Q3 FY18;
- For Q3 FY18, market share was 13.0% in terms of Individual WRP with #3 rank and continued to lead in terms of group business with a market share of 28.6% amongst private players;
- Profit after tax grew by 15% to ₹ 2.1 Bn for the quarter;
- Operating Expenses / Total Premium at 14.2%;
- Declared dividend amounting to ₹ 3.3 Bn including DDT

Commenting on the performance, Mr. Amitabh Chaudhry, MD & CEO, HDFC Life said “We had a robust quarter and continued to deliver a consistent performance across all metrics. Our balanced product mix, diversified distribution network and customer centric approach has helped deliver profitable growth and shareholder value. In line with our stated strategy, we will continue to work hard and invest in leveraging technology and re-imagine the life insurance business.”

Definitions and abbreviations

- **APE (Annualized Premium Equivalent)** - The sum of annualized first year regular premiums and 10% weighted single premiums and single premium top-ups
- **Assets under Management (AUM)** - The total value of Shareholders’ & Policyholders’ investments managed by the insurance company. AUM includes investments disclosed in the Balance sheet under Schedule 8, 8A, 8B & loans in the nature of investments included in Schedule 9
- **Conservation ratio** - Ratio of current year renewal premiums to previous year's renewal premium and first year premium
- **Embedded Value Operating Profit (EVOP)** - Embedded Value Operating Profit (“EVOP”) is a measure of the increase in the EV during any given period, excluding the impact on EV due to external factors like changes in economic variables and shareholder-related actions like capital injection or dividend pay-outs
- **First year premium** - Premiums due in the first policy year of regular premiums received during the financial year. For example, for a monthly mode policy sold in March 2016, the first monthly instalment received would be reflected as First year premiums for 2015-16 and the remaining 11 instalments due in the first policy year would be reflected as first year premiums in 2016-17, when received
- **New business received premium** - The sum of first year premium and single premium, reflecting the total premiums received from the new business written

- **Operating expense** - It includes all expenses that are incurred for the purposes of sourcing new business and expenses incurred for policy servicing (which are known as maintenance costs) including shareholders' expenses. It does not include commission.
- **Operating expense ratio** - Ratio of operating expense (including shareholders' expenses) to total premium
- **Operating return on EV** - Operating Return on EV is the ratio of EVOP (Embedded Value Operating Profit) for any given period to the EV at the beginning of that period
- **Persistency** - The proportion of business renewed from the business underwritten. The ratio is measured in terms of number of policies and premiums underwritten
- **Premium less benefits payouts** - The difference between total premium received and benefits paid (gross of reinsurance)
- **Renewal premium** - Regular recurring premiums received after the first policy year
- **Solvency ratio** - Ratio of available solvency margin to required solvency margin
- **Total premium** - Total received premiums during the year including first year, single and renewal premiums for individual and group business
- **Weighted received premium (WRP)** - The sum of first year premium received during the year and 10% of single premiums including top-up premiums

About HDFC Life

HDFC Standard Life Insurance Company Limited ('HDFC Life' / 'Company') is a joint venture between HDFC Ltd., India's leading housing finance institution and Standard Life Aberdeen, a global investment company.

Established in 2000, HDFC Life is a leading long-term life insurance solutions provider in India, offering a range of individual and group insurance solutions that meet various customer needs such as Protection, Pension, Savings, Investment, and Health. As on Dec 31, 2017, the Company had 33 individual and 11 group products in its portfolio, along with 8 optional rider benefits, catering to a diverse range of customer needs.

HDFC Life continues to benefit from its increased presence across the country having a wide reach with 414 branches and additional distribution touch-points through several new tie-ups and partnerships comprising 139 partners across traditional and non-traditional channels including NBFCs, MFIs, SFBs, etc. The Company has a strong base of financial consultants.

For more information, please visit our website, www.hdfclife.com. You may also connect with us on Facebook, Twitter, YouTube and LinkedIn.

Disclaimer

Except for the historical information contained herein, statements in this release which contain words or phrases such as 'will', 'would', 'indicating', 'expected to' etc., 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, our growth and expansion in business, the impact of any acquisitions, technological implementation and changes, the actual growth in demand for insurance products and services, investment income, cash flow projections, our exposure to market risks, policies and actions of regulatory authorities; impact of competition; experience with regard to mortality and morbidity trends, lapse rates and policy renewal rates; the impact of changes in capital, solvency or accounting standards, tax and other legislations and regulations in the jurisdictions as well as other risks detailed in the reports filed by HDFC Limited, our holding company, with the United States Securities and Exchange Commission. HDFC Life undertakes no obligation to update forward-looking statements to reflect events or circumstances after the date thereof.

None of Company or any of its directors, officers, employees, agents or advisers, or any of their respective affiliates, advisers or representatives, undertake to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise and none of them shall have any liability (in negligence or otherwise) for any loss howsoever arising from any use of this press release or its contents or otherwise arising in connection. Further, nothing in this press release should be construed as constituting legal, business, tax or financial advice or a recommendation regarding the securities. Although Company believes that such forward-looking statements are based on reasonable assumptions, it can give no assurance that such expectations will be met. You are cautioned not to place undue reliance on these forward-looking statements, which are based on current view of Company's management on future events. Forecasts and hypothetical examples are subject to uncertainty and contingencies outside Company's control. Past performance is not a reliable indication of future performance.

Before acting on any information you should consider the appropriateness of the information having regard to these matters, and in particular, you should seek independent financial advice.