HDFC Life Insurance

Investor presentation – H1 FY19

SELECTED Superbrand INDIA Consumer Validated 2017

HDFC Life

Agenda

A Performance Snapshot

Key Differentiators

Additional Business Information

India Life Insurance

Annexures

Company overview

Financial and Actuarial snapshot

Total premium	Total NB	VNB[1]	IEV[2]	AUM	PAT	13M Persistency[5]
Growth %	Growth %	NB margin (Post overrun)[1]	EVOP[3] %	Growth %	ROE[4]	61M Persistency[5]
Rs 119.0 bn	Rs 62.9 bn	Rs 6.1 bn	Rs 163.8 bn	Rs 1,132.3 bn	Rs 6.7 bn	87%
30%	43%	24.3%	19.6%	14%	26.4%	50%

Operational snapshot

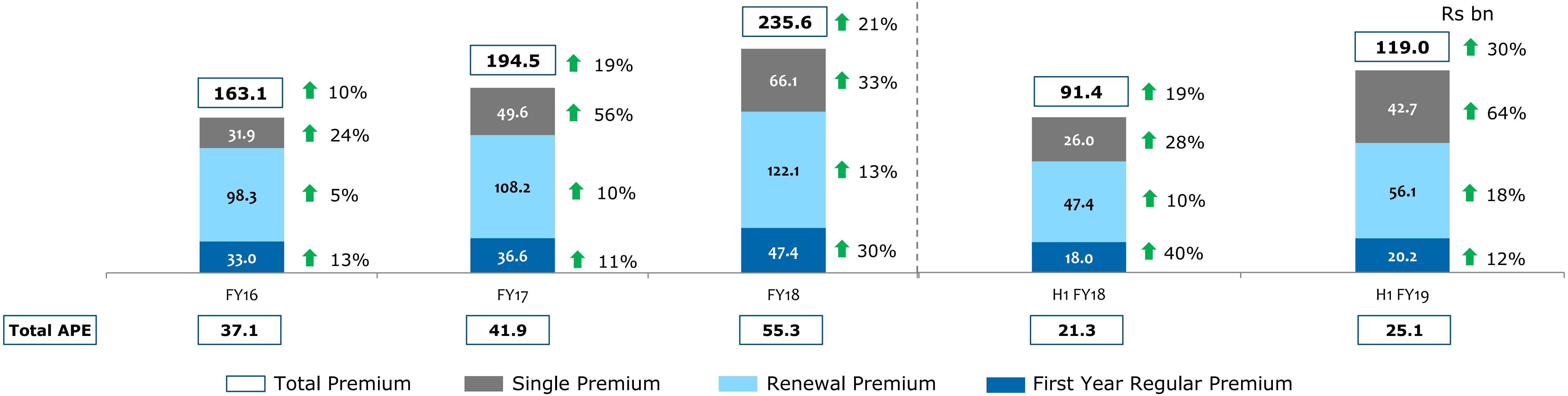
21.6 mn	Rs 2,618 bn	18,500+	170	31	413	15,000+
NB (Individual and Group segment) lives insured	New business sum assured	Employee headcount	Bancassurance partners	Non-traditional distribution partners	Offices[6]	Partner branches[7]

Notes: [1] VNB: Value of New business; [2] IEV: Indian Embedded value; [3] Operating return on EV – Annualised EVOP (Embedded value operating profit)/Opening EV; [4] Calculated using net profit and average net worth for the period (Net worth comprises of Share capital, Share premium and Accumulated profits/(losses)); [5] Calculated as per IRDAI circular (based on original premium). Group business, where persistency is measurable, has been included in the calculations; [6] Including corporate office in Mumbai and 2 hub operations; [7] For top 15 bancassurance partners

PS: The numbers throughout the presentation are based on standalone financial results of the Company

Strong premium growth and market positioning

Consistent growth across premium categories



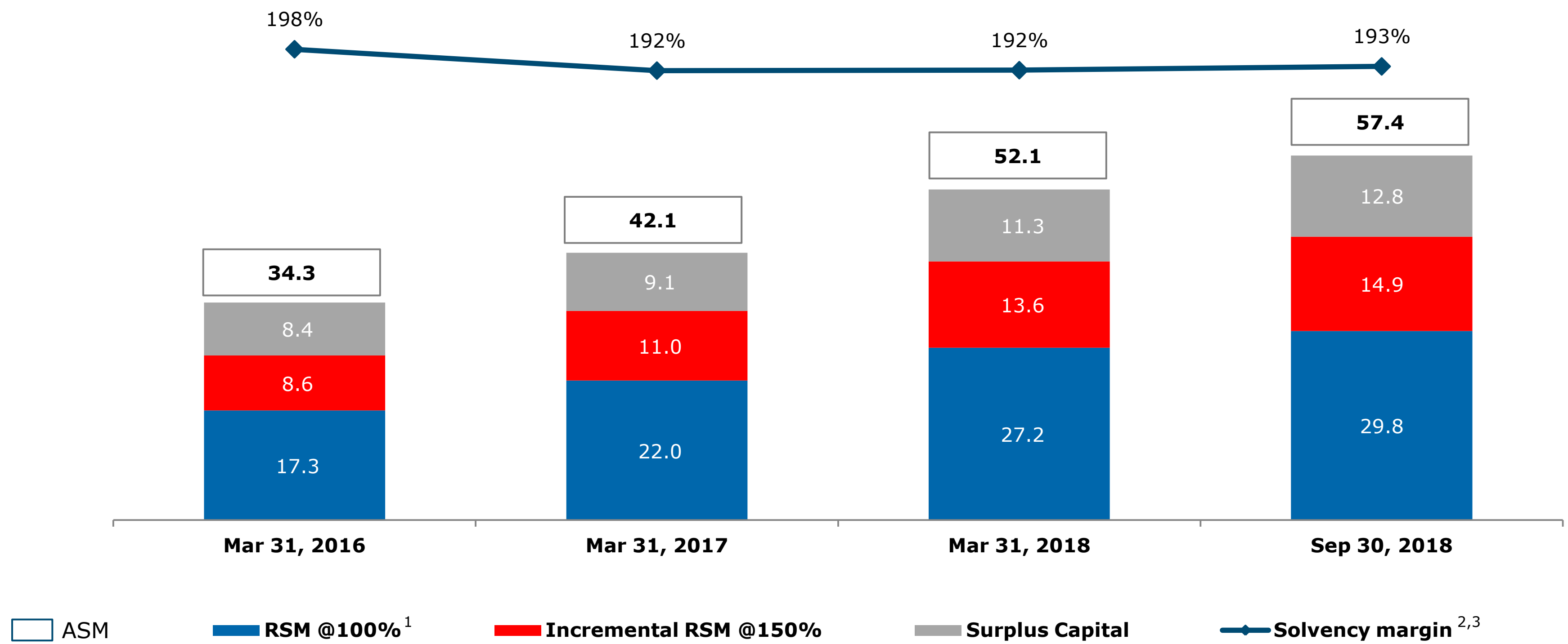
Private Market share / Ranking	FY16	FY17	FY18	H1 FY18	H1 FY19
Individual WRP	14.7% / 3	12.7% / 3	13.3% / 3	12.7% / 3	13.0%/ 3
Group premium	18.3% / 1	24.3% / 1	28.5% / 1	28.6% / 1	28.0%/ 1
Total new business received premium	15.8% / 3	17.2% / 2	19.1% / 1	18.5% / 1	21.2%/ 1

HDFC Life

Stable capital position

Rs bn

	Mar 31, 2016	Mar 31, 2017	Mar 31, 2018	Sep 30, 2018
Dividend paid	2.2	2.6	3.3	-
New business growth	18%	33%	32%	43%



- Internal accrual of surplus from backbook has supported the capital requirement for robust new business growth
- Track record of healthy dividend payouts
- No capital infused in last seven years *(except through issuance of ESOPs)*

Notes:
1. *RSM represents Required solvency margin*
2. *Investment in subsidiaries not considered in solvency margin.*
3. *No capital infusion required even if NB APE grows at CAGR of 50% in the next 3 years*

Financial and operational snapshot (1/2)

	FY16	FY17	FY18	CAGR	H1 FY18	H1 FY19	Growth
Key Metrics (Rs bn)							
New Business Premium (Indl+Group)	*64.9*	*86.2*	*113.5*	*32%*	*44.0*	*62.9*	*43%*
Renewal Premium (Indl+Group)	*98.3*	*108.2*	*122.1*	*11%*	*47.4*	*56.1*	*18%*
Total Premium	163.1	194.5	235.6	20%	91.4	119.0	30%
Individual APE	34.3	37.4	48.9	19%	18.5	21.0	13%
Group Premium (NB)	28.3	44.2	54.1	38%	23.4	32.0	36%
Profit after Tax	8.2	8.9	11.1	16%	5.5	6.7	20%
- Policyholder Surplus	*6.8*	*7.5*	*8.5*	*11%*	*4.5*	*5.4*	20%
- Shareholder Surplus	*1.4*	*1.4*	*2.6*	*38%*	*1.1*	*1.3*	23%
Dividend Paid (1)	2.2	2.6	3.3	23%	NA	NA	NA
Assets Under Management	742.5	917.4	1,066.0	20%	995.3	1,132.3	14%
Indian Embedded Value (2)	102.3	124.7	152.2	22%	140.1	163.8	17%
Net Worth (3)	31.5	38.1	47.2	22%	44.3	54.1	22%
New Business Sum Assured (4)	2,714.9	3,887.6	4,734.5	32%	1,965.5	2,618.2	33%
No. of Individual Policies (NB) sold (In 000s) (5)	1,150.3	1,082.3	1,049.6	-4%	430.1	439.3	2%

Notes:
1. *Including dividend distribution tax (DDT)*
2. *Based on internal company analysis. IEV excluding investment variance has grown at a CAGR of 19% between FY16-18 and by 20% during H1 FY19 (on an annualised basis)*
3. *Comprises share capital, share premium and accumulated profits/(losses)*
4. *Comprises individual and group business*
5. *Including rural policies*
6. *Previous year group numbers have not been reclassified based on current year numbers for FY16 and FY17*

Financial and operational snapshot (2/2)

	FY16	FY17	FY18	H1 FY18	H1 FY19
Key Ratios					
Overall New Business Margins (post overrun)	19.9%	22.0%	23.2%	22.4%	24.3%
Operating Return on EV (1)	20.7%	21.7%	21.5%	21.2%	19.6%
Operating Expenses / Total Premium	11.6%	12.6%	13.5%	14.2%	14.1%
Total Expenses (Opex + Commission) / Total Premium	15.9%	16.7%	18.0%	18.6%	18.0%
Return on Invested Capital (2)	37.9%	41.0%	49.1%	49.9%	57.2%
Return on Equity (3)	28.7%	25.7%	26.0%	27.0%	26.4%
Solvency Ratio	198%	192%	192%	201%	193%
Persistency (13M / 61M) (4)	81%/50%	84%/59%	87%/51%	86%/55%	87%/50%
Indl Conservation Ratio	80%	82%	85%	85%	86%
Business Mix (%)					
- Product (UL/Non par savings/Non par protection/Par) (5)	56/9/5/30	52/9/4/35	57/9/5/28	58/8/5/29	59/11/7/23
- Indl Distribution (CA/Agency/Broker/Direct) (5)	75/12/4/9	72/12/5/11	71/11/5/14	69/10/6/14	67/11/4/17
- Total Distribution (CA/Agency/Broker/Direct/Group) (6)	40/8/2/7/43	32/7/2/7/52	33/7/2/10/48	30/6/2/8/53	27/7/2/14/51
- Share of protection business (Basis APE)	7.3%	7.8%	11.3%	11.8%	16.2%
- Share of protection business (Basis NBP)	17.2%	21.8%	25.9%	26.4%	28.7%

Notes:

1. *During H1 FY18, there was a one time operating assumption change of positive Rs 1.4 bn based on review by Milliman as part of the IPO process. Excluding this one time adjustment, Operating return on EV would have been 18.7% for H1 FY18*
2. *Calculated using net profit and average share capital including share premium*
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). Group business, where persistency is measurable, has been included in the calculations.*
5. *Based on individual APE. UL: Unit Linked, Trad: Traditional, Par: Participating & CA: Corporate Agents. Percentages are rounded off*
6. *Based on total new business premium including group. Percentages are rounded off*
7. *Previous year group numbers have not been reclassified based on current year numbers for FY16 and FY17*

HDFC Life

Agenda

Performance Snapshot

B Key Differentiators

Additional Business Information

India Life Insurance

Annexures

Key Differentiators

1

Balanced distribution mix

Developing multiple channels of growth to drive contextual, need-based product distribution

2

Market-leading product innovation

Effective risk management driving product designs that cater to innate and latent customer needs, setting benchmarks in the life insurance industry

3

Focus on profitable growth

Leveraging emerging profit pools to achieve the fine balance between sales growth and profitability

4

Reimagining insurance

Market-leading digital capabilities to shape the insurance operating model of tomorrow

5

Quality of Board and management

Seasoned leadership guided by an independent and competent Board

HDFC Life

Balanced distribution mix

Wide access through our 170 bancassurance and 31 non-traditional ecosystem partnerships provides us with well diversified distribution

Bancassurance

- Continue to ring-fence partnerships by providing superior value propositions
- Focused on forging new partnerships with PSU banks like Vijaya bank to gain access to incremental customer base
- HDFC group entities sourced 13% of total group business and 32% of total new business in H1 FY19
- 7 bancassurance partners added in Q2 FY19

Agency

- "Agency LIFE" program with focus on recruiting quality agents is underway; 75% of branches covered under the program
- The channel registered a growth of 26% YoY
- Agent activation increased by 17% in H1 FY19 with 37% increase in the number of agents as on 30th Sep

Alliance & Ecosystems

- High engagement with non-traditional partners across various eco-system verticals including fintech, education, e-commerce, transportation and health verticals
- Ability to customize insurance buying journeys that can embed seamlessly in partner journeys
- Tie-ups with most of the marquee insurance brokers

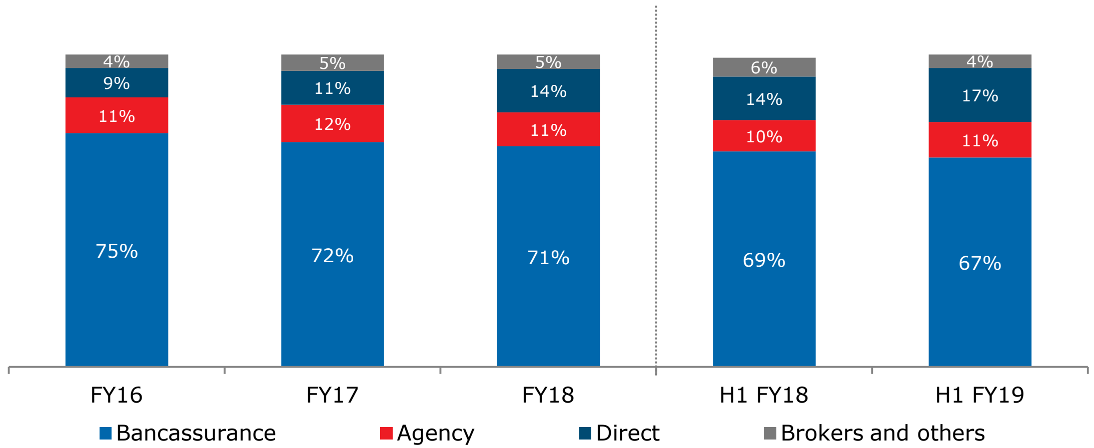
Direct (incl. Online)

- Enhanced focus on proprietary channels has resulted in 35% CAGR growth (FY14-18) in direct channel business over the last five years
- Online and digital sub-channel contributed 7% of the individual APE

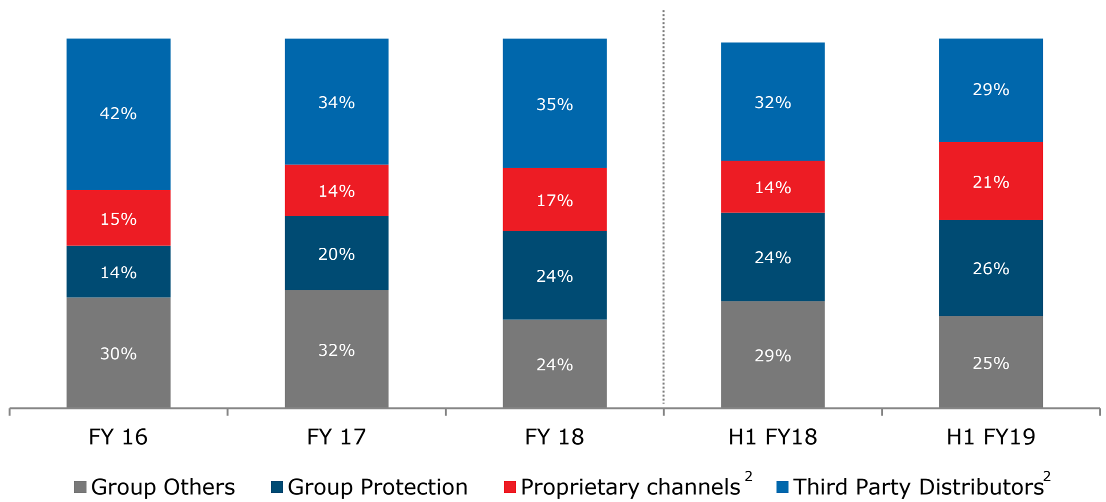
Note: All growth numbers are basis Individual APE

Constant endeavour to diversify distribution mix

Stable distribution mix (based on Individual APE)



Stable distribution mix (based on total NBP)



Select distribution partners

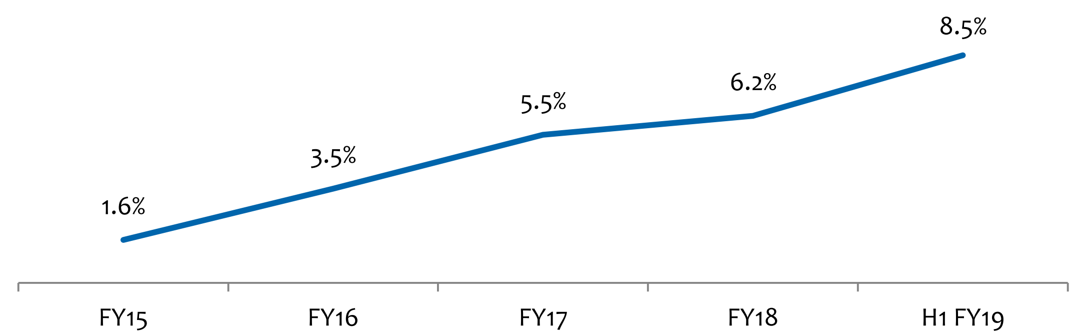
23 Banks: HDFC BANK, RBL BANK, Saraswat Bank, IDFC BANK, VIJAYA BANK (NEW)

119 NBFCs, 19 MFIs: BAJAJ FINANCE LIMITED, Muthoot Finance, Chola, pnb Housing Finance Limited, HDFC securities, HDFC SALES, Indiabulls Housing Finance, Fullerton India (NEW)

9 SFBs: equitas Small Finance Bank, SURYODAY A Bank of Smiles, Capital Small Finance Bank

31 Ecosystems: Uber (NEW), HEALTHSPRING Family Health Experts (NEW), JetPrivilege, ETMONEY, PAYBACK

Optimizing cross-sell opportunities[1]



Balanced distribution mix ···· Product innovation ···· Profitable growth ···· Reimagining insurance ···· Quality of Board and management

Note: 1. Calculated as Number of policies from existing group customers / Total number of individual new business policies
2. Third party distributors include bancassurance and broker; Proprietary channels include agency and direct

HDFC Life

Our continued protection focus

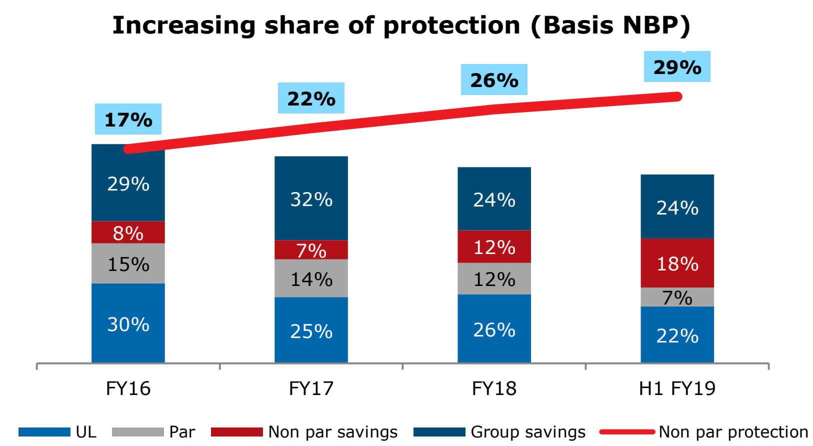
Mortality

Individual protection:

- Industry-first products meeting latent needs of customers
- Comprehensive protection at competitive prices

Group protection:

- Diversified portfolio across loan segments
- 201 distribution partners are testament to our strong reputation as preferred business partner
- Extensive manpower and support, with dedicated niche technology platforms offered to the partners

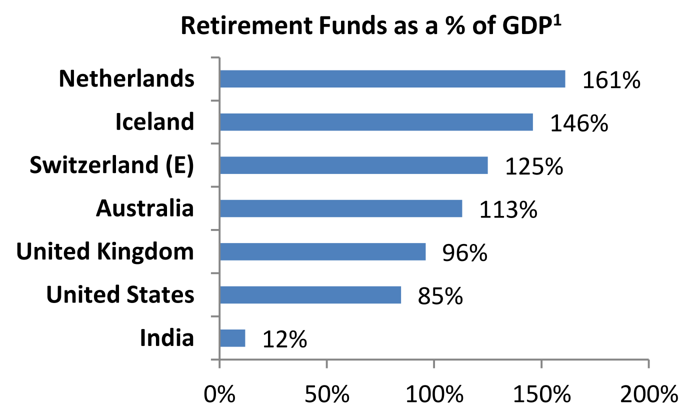


Morbidity

- High medical inflation coupled with increase in the incidence of lifestyle diseases leaves families with big financial exposures in case of illnesses
- Our health suite comprises defined benefit products across individual and group platforms life-health combination product propositions

Longevity

- Proportion of India's elderly population (> 65 yrs of age) will increase by ~50% to 120 Mn by 2030
- With competitive annuity rates, deferred annuity guaranteeing payouts for a life time, we are positioned well to attend to the retirement opportunity



Balanced distribution mix · · · Product innovation · · · Profitable growth · · · Reimagining insurance · · · Quality of Board and management

HDFC Life

Note: 1. OECD Study 2015

Expanding market through constant product innovation

2011 – HDFC Life Group Credit Protect
Protection term insurance coverage for loans

2014 – HDFC Life Click 2 Invest
ULIP with minimal charges; only cost of protection and fund management

2015 – HDFC Life Cancer Care
Tiered-benefit product focused on cancer; cover from early stage

2017 – HDFC Life Click 2 Protect 3D Plus
Online protection product that covers death, disease and disability

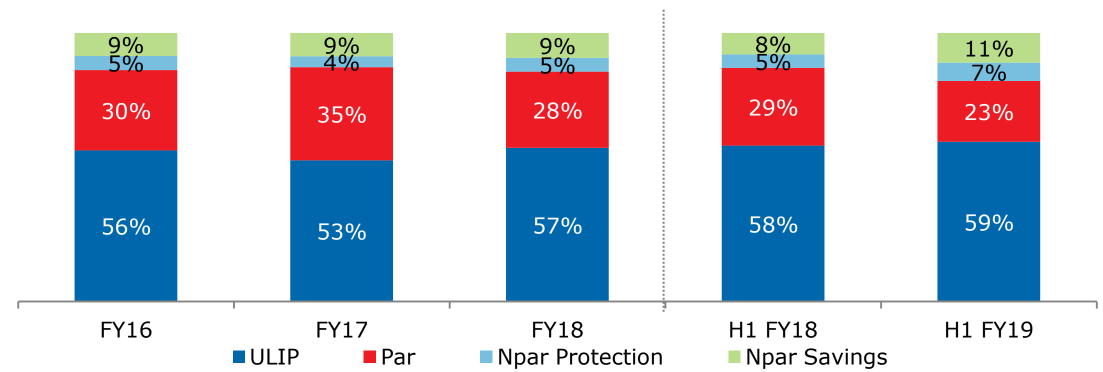
2018 – HDFC Life Pension Guaranteed Plan
Assured annuity rates from a pre-determined date

New Launch

HDFC Life Classic One
A Unit Linked Non Participating Single Premium Life Insurance Plan

Joint-life single-premium ULIP with low cost structure

Balanced product mix[1]



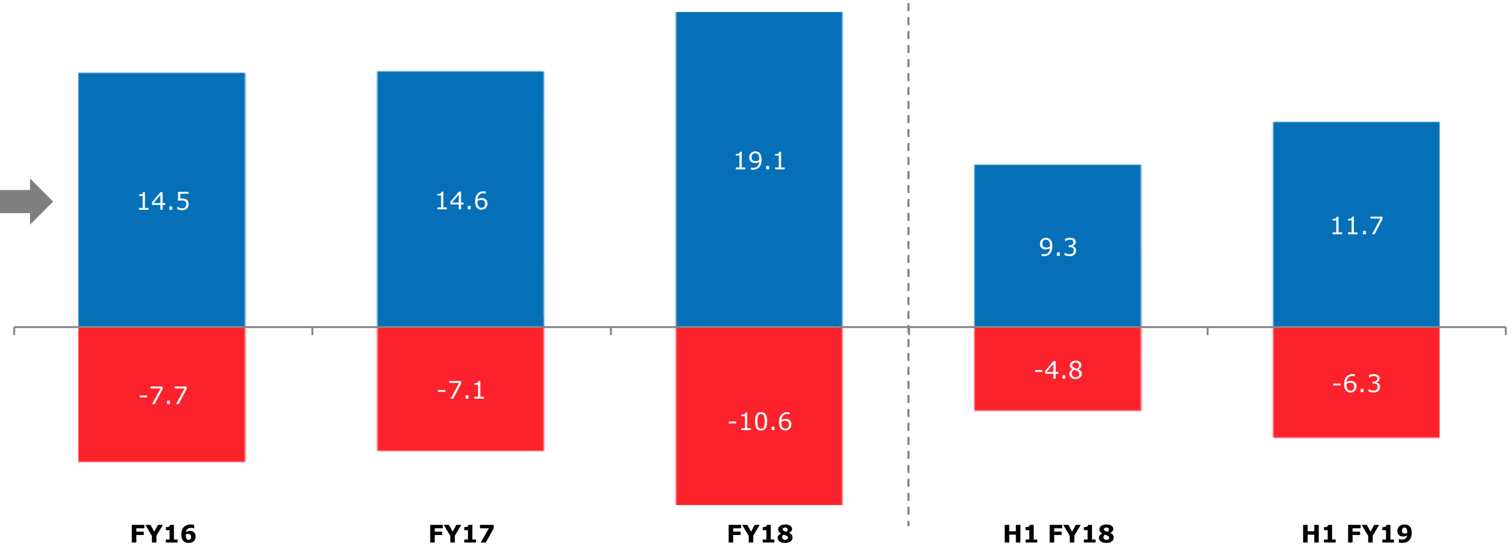
Note: 1. As a % of individual APE

Focus on profitable growth

Rs bn

	FY16	FY17	FY18	H1 FY18	H1 FY19
New business margins	19.9%	22.0%	23.2%	22.4%	24.3%
Profit after tax (PAT)	**8.2**	**8.9**	**11.1**	**5.5**	**6.7**
Shareholder's surplus	1.4	1.4	2.6	1.1	1.3
Underwriting profits	6.8	7.5	8.5	4.5	5.4

Underwriting profits breakup[1]



- Steady unwind of profits from the back book significantly higher than the new business strain caused by growth in business, resulting in healthy underwriting profits

Balanced distribution mix · Product innovation · Profitable growth · Reimagining insurance · Quality of Board and management

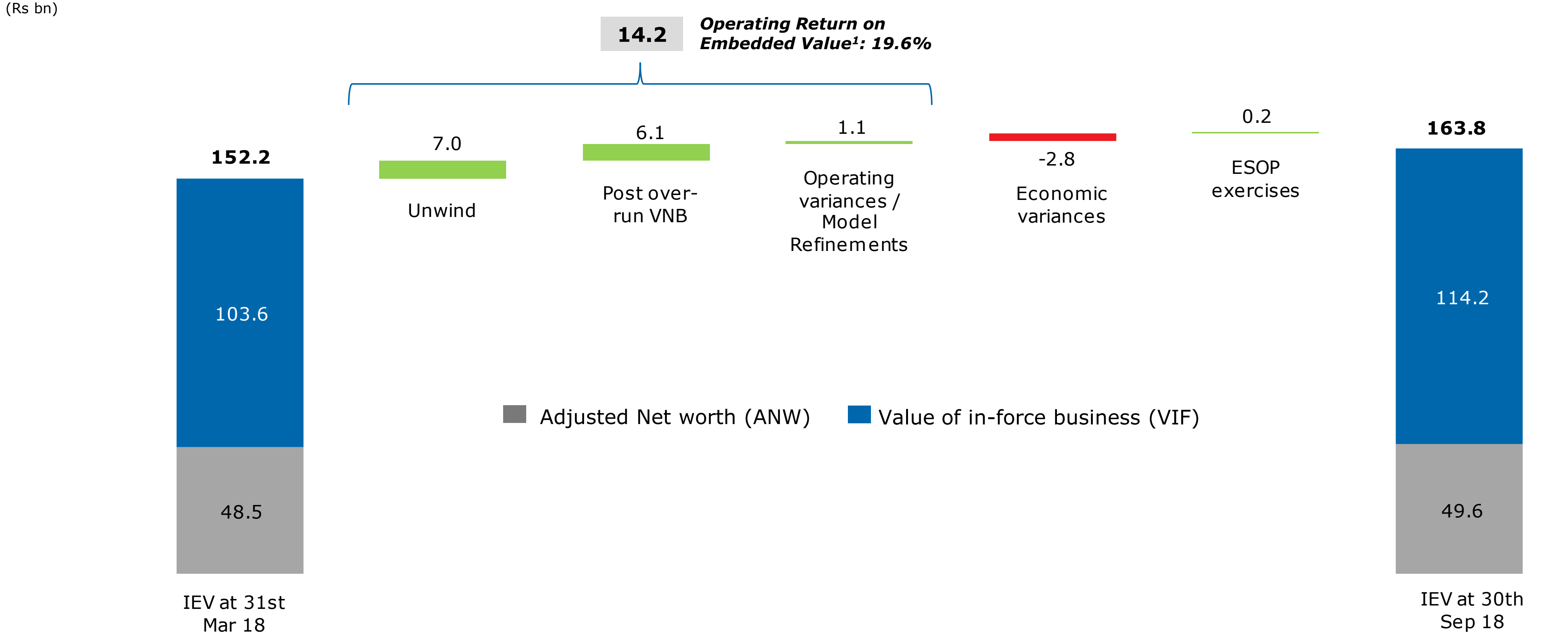
Note:
1. Based on internal Company analysis, numbers may not add up to rounding off

HDFC Life

Analysis of change in IEV

Analysis of change in EV

(Rs bn)



- Continue to deliver healthy operating returns on EV
- Positive persistency, mortality and expense variances, reflecting favourable experience compared to assumptions

Note: 1. Operating Return on Embedded Value calculated as annualised EVOP (Embedded Value Operating Profit) to Opening EV

Reimagining insurance

Real-time fulfillment

- Faster processing through instant data flow, e-KYC integration
- Robotics-led optimization has led to efficient processes

- **97%** policy servicing requests fulfilled in less than 8 hours
- **127 processes** till date automated using Robotics leading to significant reduction in man-hours

Ensuring suitability

- Video-enabled confirmation of customer understanding (pre-issuance)
- Automated suitability matrix to mitigate mis-selling

- **~ 56% of verification** done through the video-based app
- Customer complaints **reduced by 24%** in H1 FY19

Capability to customize

- Pre-approved sum assured on partner website/ mobile apps
- Customized new business and renewal collection process

- **99.9%** applications submitted via digital medium
- **~78% of renewal** payments via online modes

HDFC Life

Quality of Board and Management

Experienced senior management

Seasoned senior management team with rich experience in financial services enabled a seamless leadership transition

Track record of delivering consistent results across business cycles

Independent and illustrious Board

Active, well-informed and independent Board oversees how the management serves and protects the interests of all stakeholders

Encouragement from Board to calibrate business strategies to harness new pools of profitability

Key Governance forums

More than 25 governance forums run within the company

- Risk management
- Disciplinary Panel for Malpractices
- POSH
- Whistle-blower Committee
- Compliance Council
- Policyholder protection
- Claims Review
- Information and Cyber Security Council
- Product Council

Agenda

Performance Snapshot

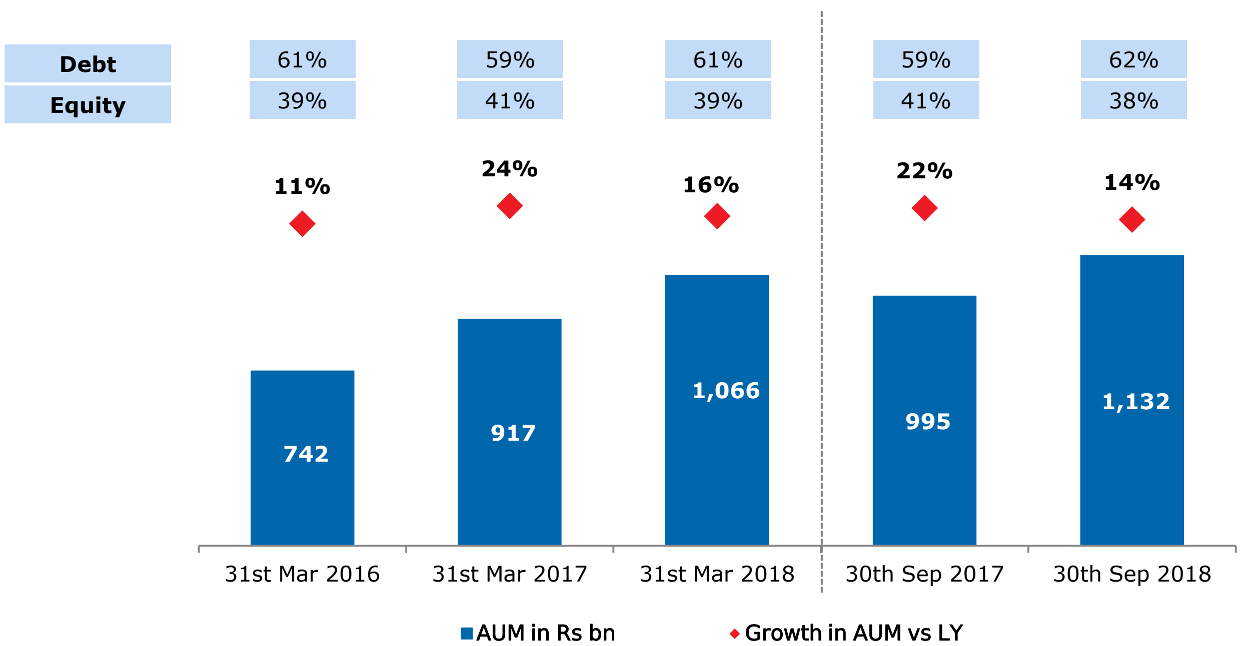
Key Differentiators

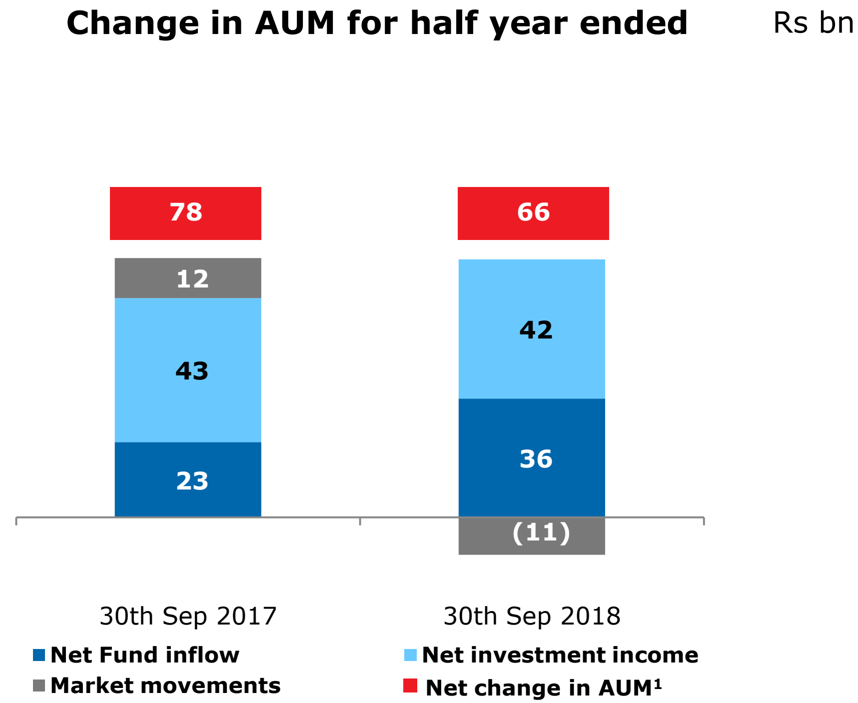
C Additional Business Information

India Life Insurance

Annexures

Assets under management





- Continue to rank amongst top 3 private players, in terms of assets under management[2]
- Over 96% of debt investments in AAA rated and Government bonds as on Sep 30, 2018
- Accretion to the AUM has been marginally impacted by the decline in the value of the investments due to volatile debt and equity markets

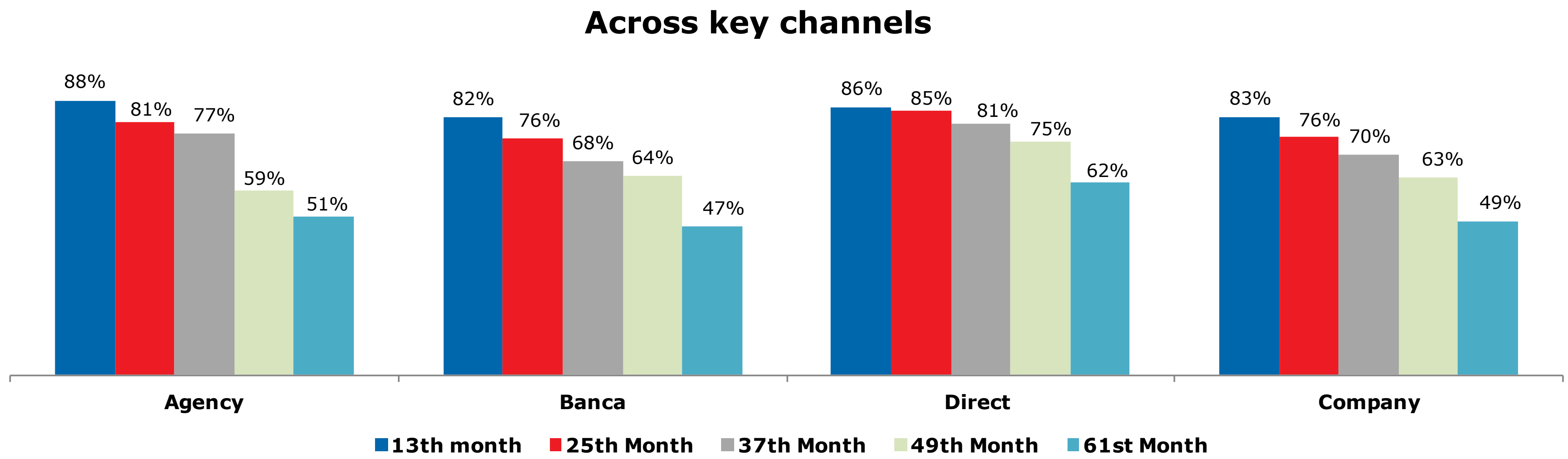
Notes:
1. *Calculated as difference from April to September*
2. *Based on Asset under Management as on Jun 30, 2018*

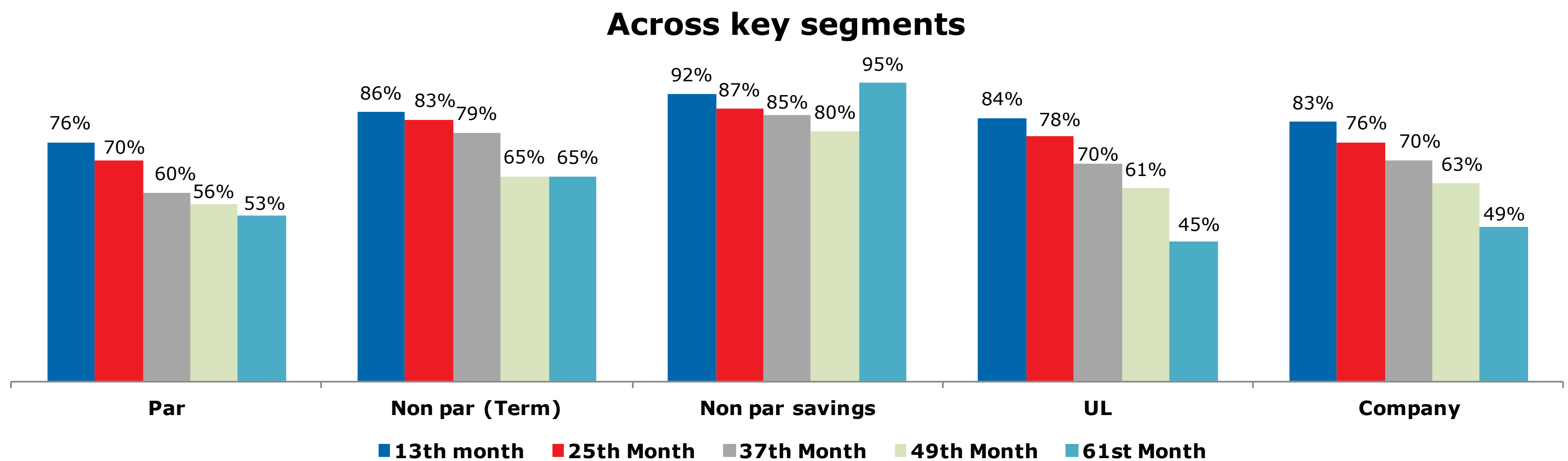
Product mix across key channels

Channel summary[1]	Segment	FY16	FY17	FY18	H1 FY18	H1 FY19
Banca[2]	UL	66%	61%	64%	66%	72%
	Par	24%	30%	26%	25%	18%
	Non par protection	2%	1%	1%	1%	2%
	Non par others	9%	8%	9%	8%	8%
Agency	UL	25%	26%	33%	26%	23%
	Par	56%	57%	48%	54%	52%
	Non par protection	13%	11%	11%	13%	12%
	Non par others	6%	7%	8%	8%	12%
Direct	UL	45%	48%	54%	56%	47%
	Par	24%	22%	12%	12%	8%
	Non par protection	23%	18%	21%	22%	23%
	Non par others	8%	13%	13%	9%	22%
Company	UL	56%	52%	57%	58%	59%
	Par	30%	35%	28%	29%	23%
	Non par protection	5%	4%	5%	5%	7%
	Non par others	9%	9%	9%	8%	11%
Protection mix (Basis Indl + Group APE)		7%	8%	11%	12%	16%
Protection mix (Basis Indl + Group NBP)[3]		17%	22%	26%	26%	29%

Notes:
1. *Basis Individual APE*
2. *Includes banks and other corporate agents*
3. *Previous year group numbers have not been reclassified based on current year numbers*

Individual persistency for key channels and segments

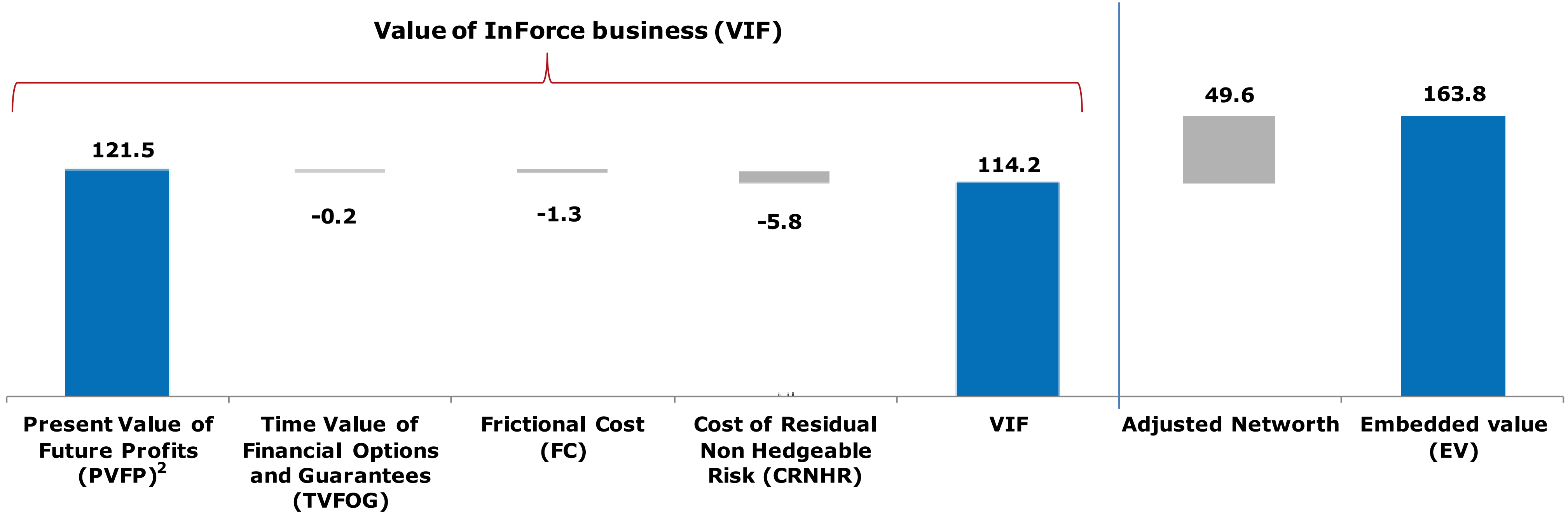




Note: 1. Calculated as per IRDAI circular (based on original premium) for period ended Sep 30, 2018 for individual business

Indian Embedded Value (IEV)[1]

Rs bn

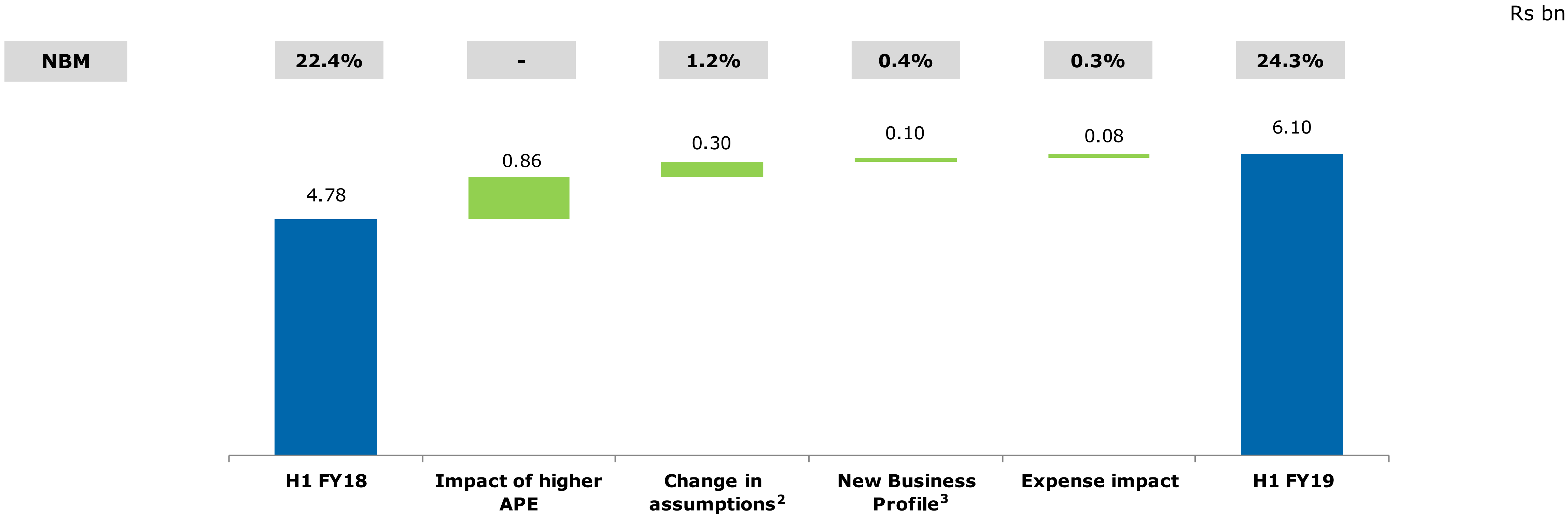


- Significant proportion of VIF at 70% of the total Embedded value
- TVFOG includes cost of guarantees for conventional participating and unit linked products

Notes:

1. *Based on internal analysis, detailed explanation of components provided in the Appendix to the presentation*
2. *PVFP pertains to Overall (Individual + Group) business*

Value of new business (VNB) and NBM walkthrough[1]



- Higher VNB driven by growth in new business and favourable product mix

Note:
1. *Based on internal Company analysis*
2. *Impact of change in mainly persistency and mortality assumptions revised during annual review in March'18*
3. *Reflects the impact of difference in mix of segment/distribution channel/tenure/age/sum assured multiple etc*

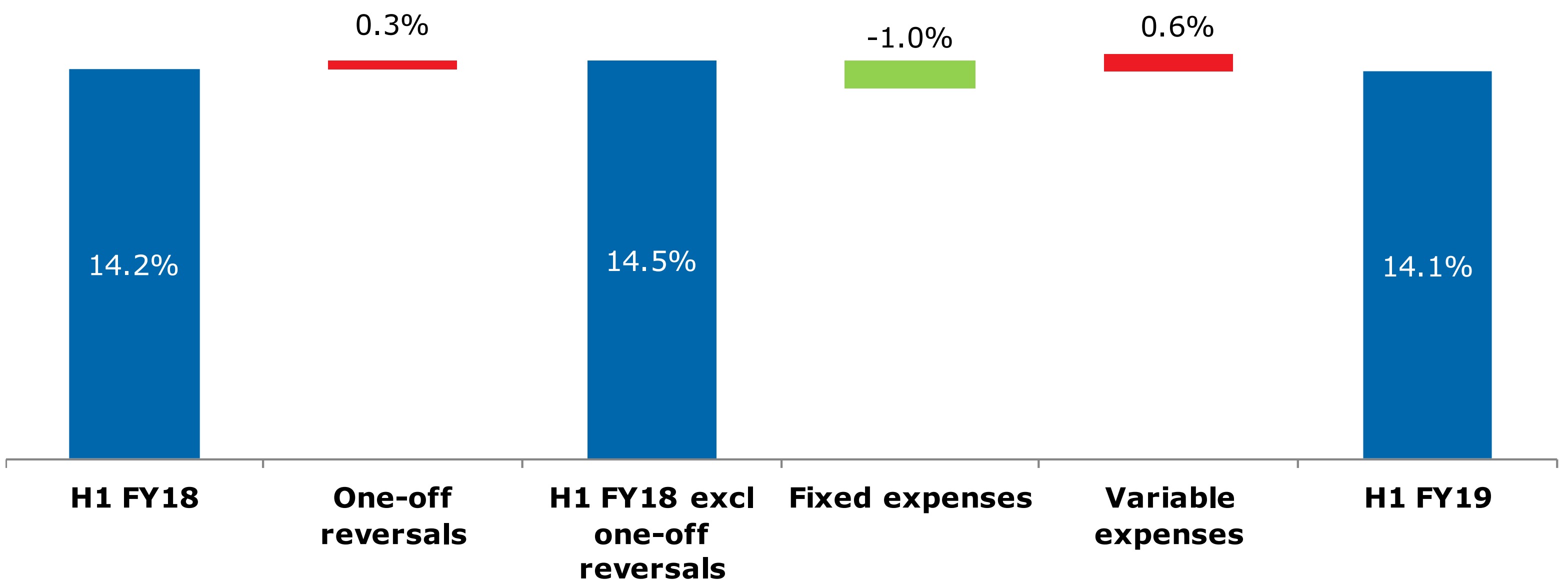
Sensitivity analysis – H1 FY19

Analysis based on key metrics	Scenario	% Change in VNB[1]	Change in VNB Margin[1]	% Change in EV
Change in				
Reference rate	Increase by 1%	0.85%	0.21%	-2.00%
	Decrease by 1%	-2.30%	-0.56%	2.10%
Equity market movement	Decrease by 10%	-1.03%	-0.25%	-1.60%
Persistency (Lapse rates)	Increase by 10%	-3.47%	-0.84%	-1.60%
	Decrease by 10%	3.67%	0.89%	1.70%
Maintenance expenses	Increase by 10%	-2.19%	-0.53%	-0.60%
	Decrease by 10%	2.19%	0.53%	0.60%
Acquisition Expenses	Increase by 10%	-15.27%	-3.71%	NA
	Decrease by 10%	15.27%	3.71%	NA
Mortality / Morbidity	Increase by 5%	-5.99%	-1.46%	-0.90%
	Decrease by 5%	5.99%	1.46%	0.90%
Tax rate[2]	Increased to 25%	-13.96%	-3.39%	-6.40%

Notes:
1. *Post overrun total VNB for Individual and Group business*
2. *The tax rate is assumed to increase from 14.56% to 25% and hence all the currently taxed profits in policyholder/shareholder segments are taxed at a higher rate. It does not allow for the benefit of policyholder surplus being tax-exempt as was envisaged in the DTC Bill.*

HDFC Life

Operating expense trend



- Continue to focus our efforts in improving efficiency and rationalising costs through our various internal initiatives
  - Vendor negotiations and branch cost rationalisation
  - Process improvements through implementation of AI and robotics
  - Leveraging technology and automation to improve efficiency

Notes:
1. *One-off reversals comprise of reversal of previous year provisions in H1 FY18 with regards to IPO / Merger costs*
2. *Fixed costs include employee, infrastructure, information technology costs and any other costs which are fixed in nature*
3. *Variable costs include stamp duty, medical fees, sales incentives, brand awareness, operations support and any other costs which are linked to business*

Performance of wholly-owned subsidiary[1] companies

HDFC Pension

- HDFC Pension market share grew from 21.4% in Mar’18 to 24.0% in Sep’18 amongst all Pension Fund Managers (PFM)
- HDFC Pension ranks #1 in Corporate subscribers base, #2 amongst all PFMs in Net Fund Flow, Retail subscriber base and AUM
- Total subscriber base is slightly over 272,000 as on 30th Sept 2018

HDFC International Life and Re

- HDFC International Life and Re Company, our Dubai based subsidiary continues to work with reputable cedants
- Revenue lines consist of reinsurance of individual life products and group life & credit schemes from GCC and MENA based ceding insurers
- HDFC International also recorded its second consecutive profitable quarter in Q2 FY19

Note: 1. Investment in subsidiaries not considered in solvency margin

Agenda

Performance Snapshot

Key Differentiators

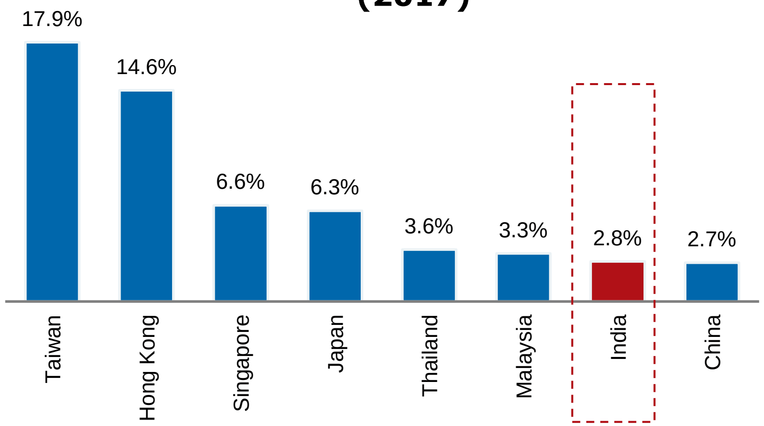
Additional Business Information

D India Life Insurance

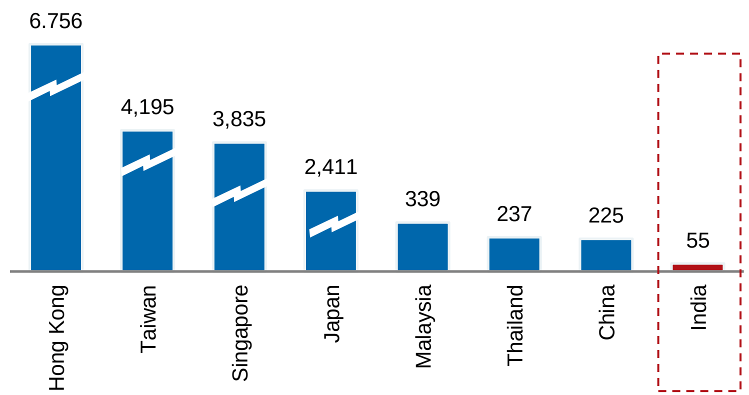
Annexures

Growth opportunity – Under-penetration vs global benchmarks

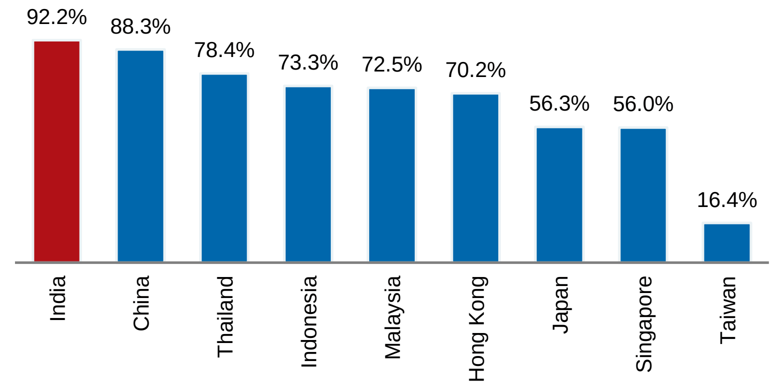
Life insurance penetration (2017)



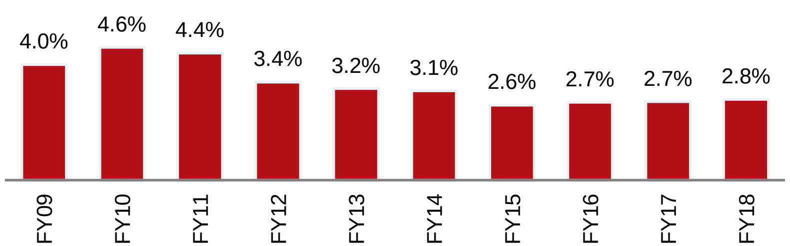
Life insurance density US$ (2017)



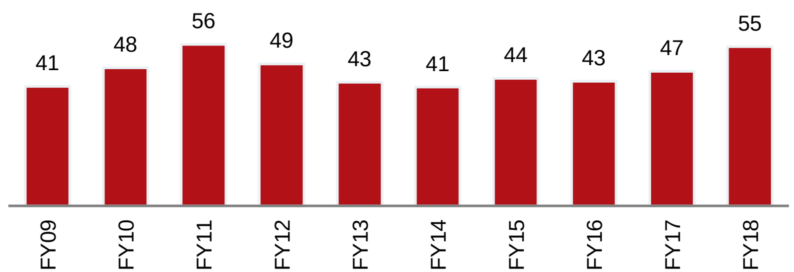
Protection gap (2014)



India life insurance penetration (FY09-18)



India life insurance density US$ (FY09-18)

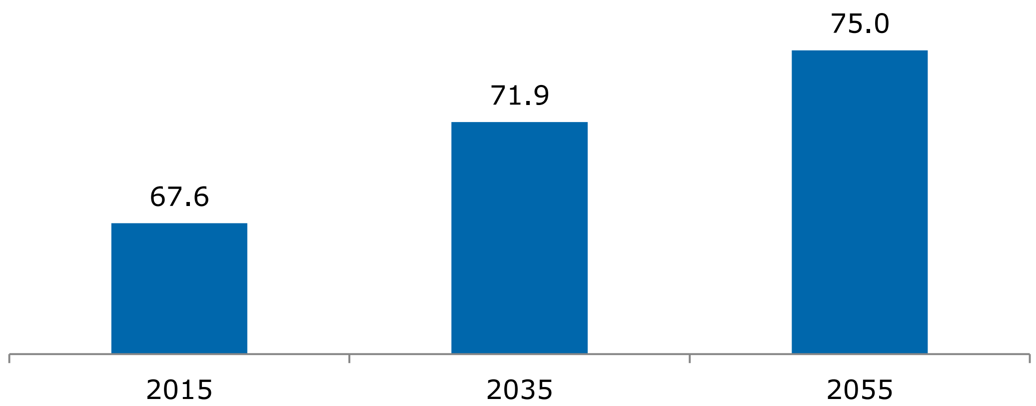


- India has the highest protection gap in the region, as growth in savings and life insurance coverage has lagged behind economic and wage growth
- Protection gap has increased over 4x in last 15 years with significantly low insurance penetration and density

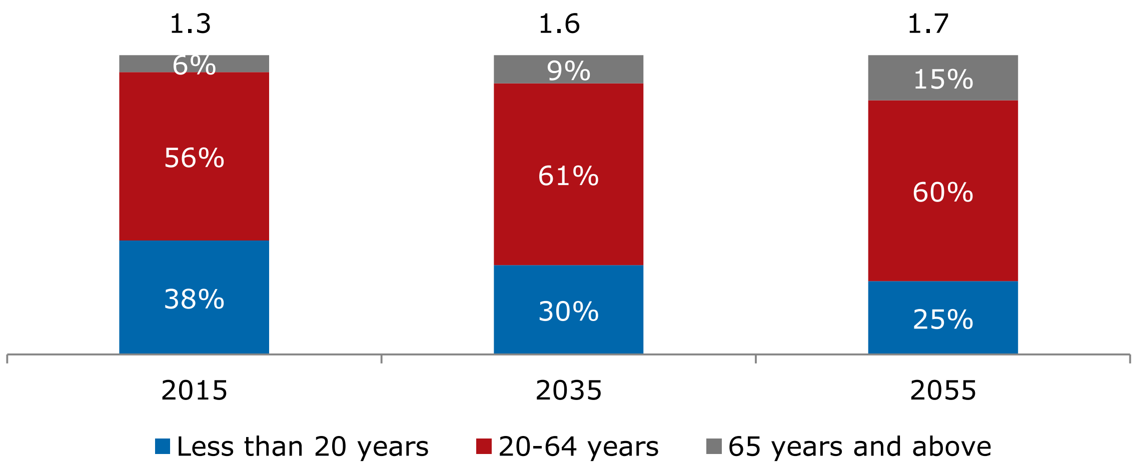
Note: Penetration as measured by premiums as % of GDP, Density defined as the ratio of premium underwritten in a given year to the total population
Source: Swiss Re (Based on respective financial year of the countries), MOSPI

Growth opportunity – Favourable demographics

Life expectancy (Years)[1]



Population composition (bn)[1]

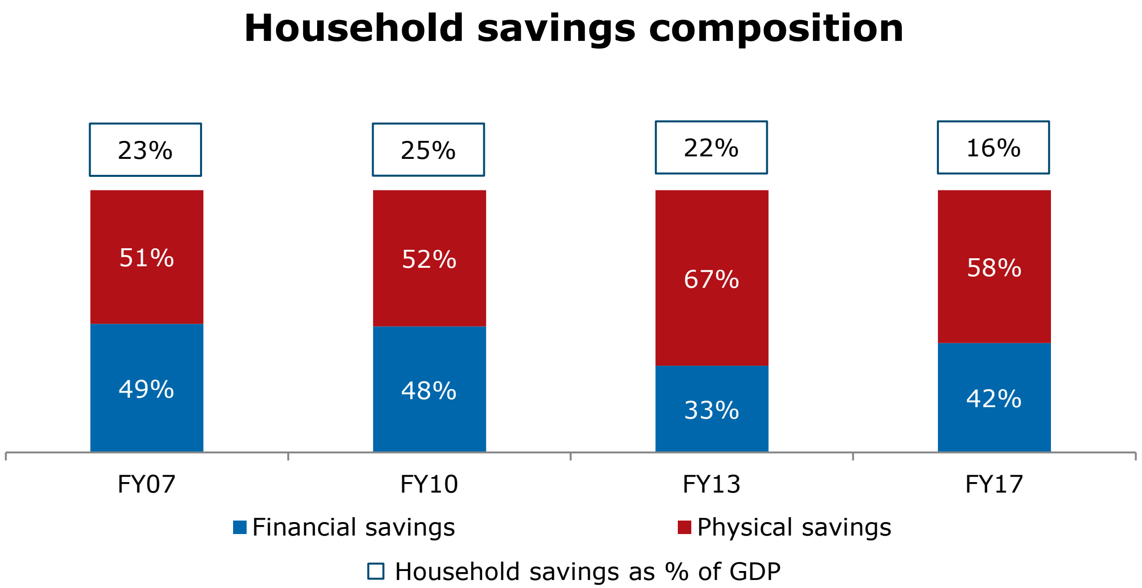


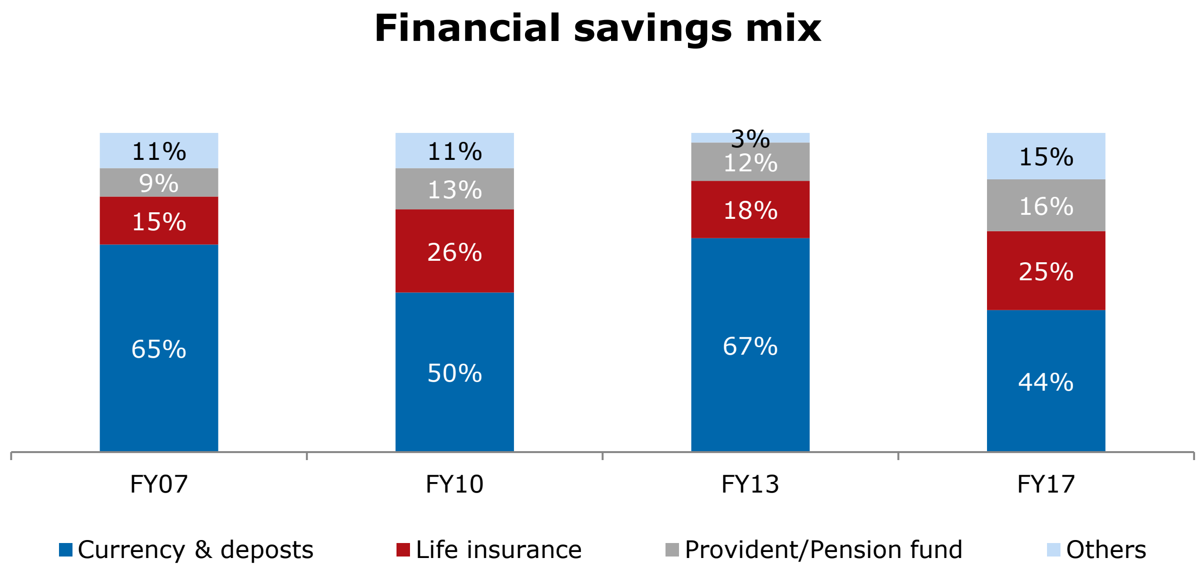
- India's insurable population is anticipated to touch 750 million by 2020
- India is currently one of the world's youngest nation, offering great opportunity for long term savings and investment plans
- Demand for retirement policies to rise with increasing life expectancy, declining birth-rates and proportion of India's elderly population expected to increase by almost 100% by 2035 (as compared to 2015)
- Emergence of nuclear families and increasing life expectancy to facilitate need for pension and protection based products

Source:

1. United Nations World Populations Prospects Report (2017)

Life insurance – A preferred savings instrument

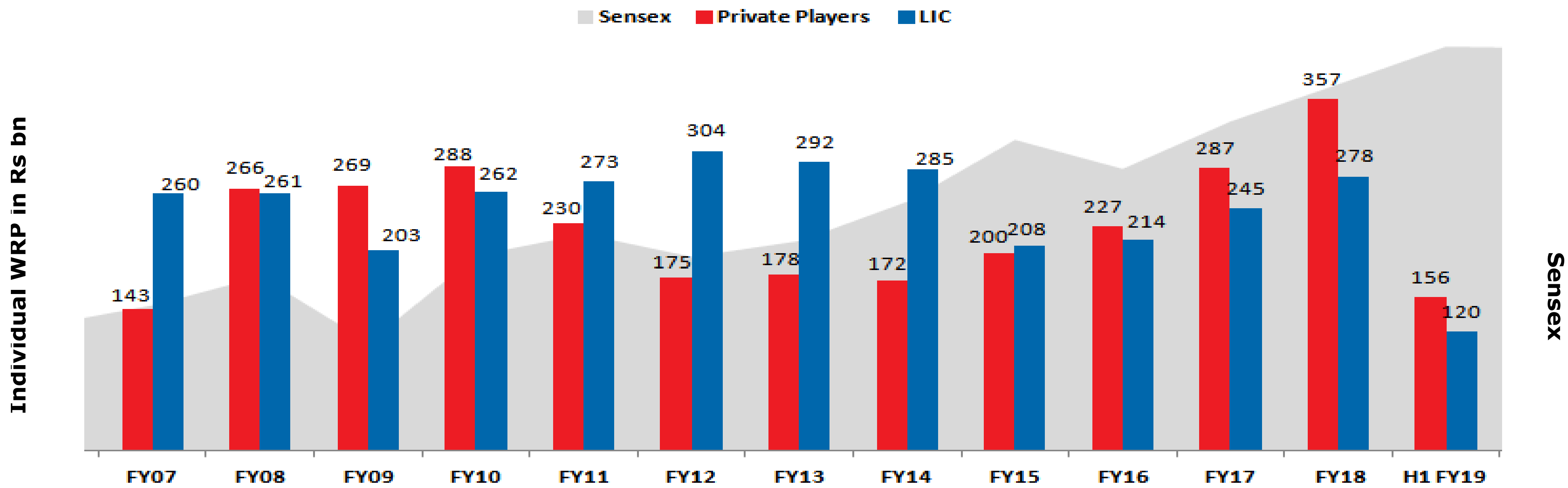




- Increasing preference towards financial savings with buoyant equity market returns, along with impact of demonetisation on physical assets return profile
- Increasing share of life insurance within financial assets, as it caters to long-term saving and protection needs
- Various government initiatives to promote financial inclusion:
  - Implementation of JAM trinity – around 329 mn new savings bank accounts opened till date
  - Launch of affordable PMJJBY and PMSBY social insurance schemes
  - Atal Pension Yojana promoting pension in unorganized sector
  - Set up of Small Finance Banks and Payment Banks to increase financial inclusion

Source: DBIE-RBI Statistics, RBI Annual Report, Economic Survey, CSO, www.pmjdy.gov.in

Industry new business[1] trends



		FY07	FY08	FY09	FY10	FY11	FY12	FY13	FY14	FY15	FY16	FY17	FY18	H1 FY19
Private players market share		35%	50%	57%	52%	46%	37%	38%	38%	49%	52%	54%	56%	56%
Growth %	**Private**	*99%*	*86%*	*1%*	*7%*	*-20%*	*-24%*	*2%*	*-3%*	*16%*	*14%*	*26%*	*24%*	*11%*
	LIC	*88%*	*0%*	*-22%*	*29%*	*4%*	*11%*	*-4%*	*-2%*	*-27%*	*3%*	*15%*	*13%*	*8%*
	Overall	*92%*	*31%*	*-10%*	*17%*	*-9%*	*-5%*	*-2%*	*-3%*	*-11%*	*8%*	*21%*	*19%*	*10%*

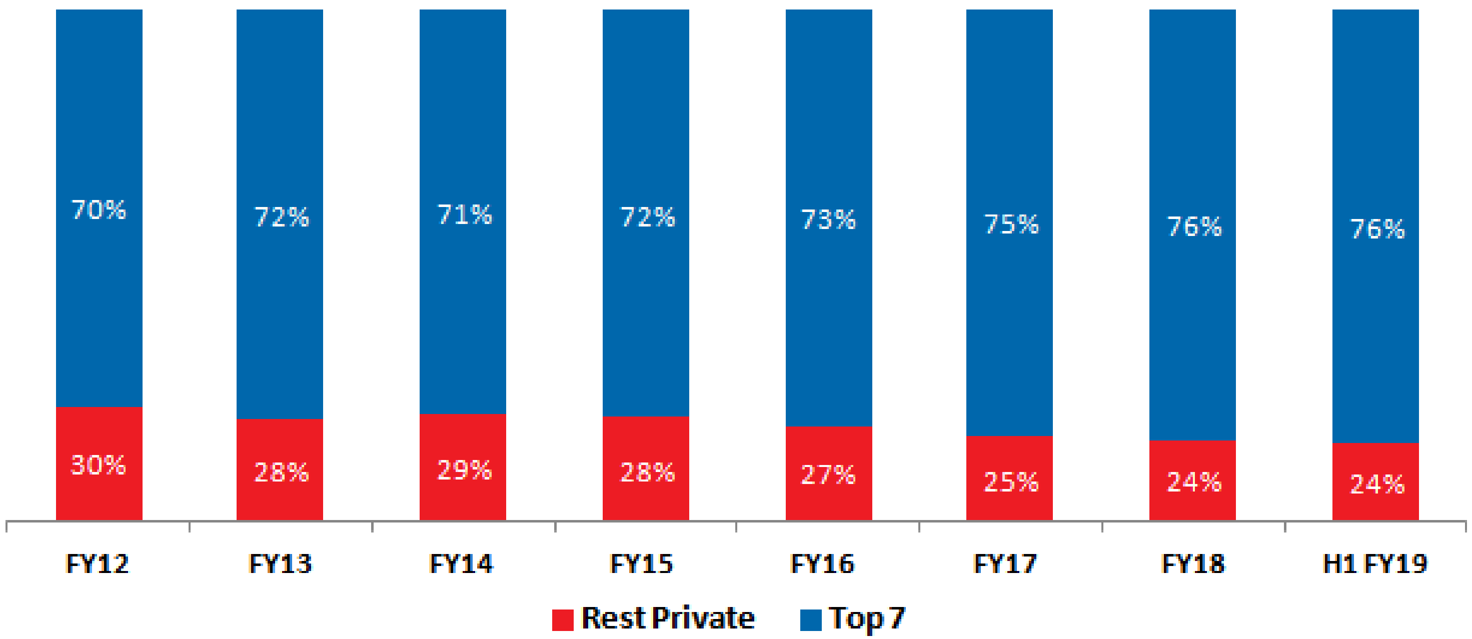
- Private sector gained higher market share than LIC for the first time in FY16, post FY11 regulatory changes
- Based on individual WRP private sector has outpaced LIC in last 3 years (FY16-18)

Note: 1.Basis Individual Weighted Received Premium (WRP)
Source: IRDAI and Life Insurance Council

HDFC Life

Private industry – Market share trends

Top 7 private players vs other players



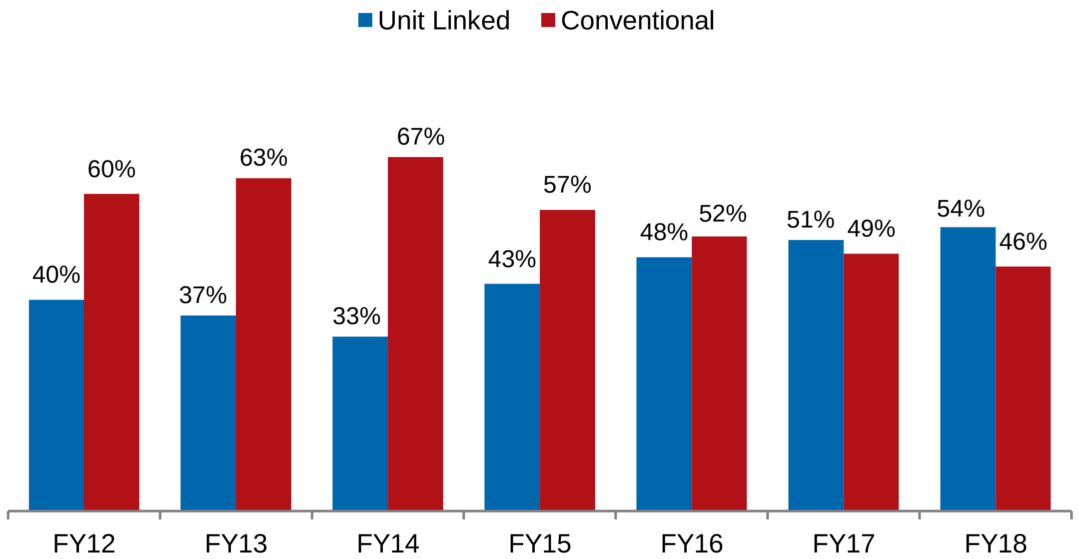
- Amongst private insurers, insurers with a strong bancassurance platform continue to dominate with increasing market share of the total private individual new business

Notes:

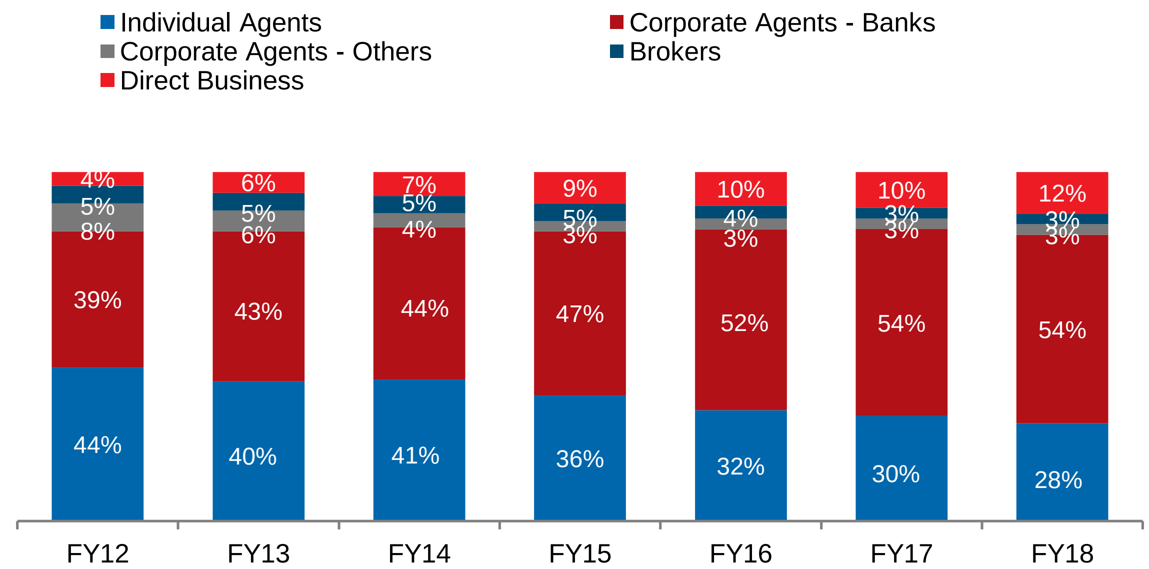
1. *Basis Individual Weighted Received Premium (WRP) as disclosed by IRDAI, Life Insurance Council*
2. *Top 7 players based on H1 FY19 business numbers, comprising of ICICI Pru, SBI Life, HDFC Life, Max Life, Birla Sun Life, Bajaj Allianz and Tata AIA*

Private industry – Product and distribution mix

Product mix[1]



Distribution mix[2]



- Reduced distributors' payout and high expense structure led many players to move to traditional products over last few years, however the focus is changing towards linked products with improved equity market performance and increase in share of Banca
- Increasing thrust on protection business to help improve the new business margins
- Banca sourced business has consistently increased on the back of increasing reach of banks while share of Agency has declined post regulatory changes in FY11

Notes:
1. Basis Overall WRP (Individual and Group);
2. Basis Individual New business premia
Source: IRDAI and Life Insurance Council

Annexures

Revenue and Profit & Loss A/c

Rs bn

Particulars	FY17	FY18	H1 FY18	H1 FY19
Gross Premium Income	194.4	235.6	91.4	119.0
Reinsurance (net)	(1.7)	(1.9)	(0.9)	(1.2)
Net Premium Income (A)	**192.7**	**233.7**	**90.5**	**117.8**
Income from Investments				
Policyholders	111.4	86.0	52.8	28.9
Shareholders	2.3	2.8	1.2	1.5
Total Income from Investments (B)	**113.7**	**88.8**	**54.0**	**30.4**
Other Income (C)	1.0	1.2	0.9	0.8
Total Income (D=A+B+C)	**307.4**	**323.7**	**145.4**	**149.0**
Expenses and Outflow				
Commission	7.9	10.8	4.0	4.6
Operating expenses	24.5	31.7	12.9	16.8
GST / Service tax on UL charges	2.2	3.0	1.3	1.6
Benefits Paid[1]	100.0	131.1	55.8	63.0
Provision for diminution in value of investments	0.0	(0.0)	(0.1)	0.8
Change in Valuation Reserves (net)	160.5	133.2	64.8	55.3
Change in funds for future appropriations	1.6	0.9	0.6	(0.2)
Provision for tax	1.7	1.9	0.4	0.4
Total Expenses and Outflow (E)	**298.5**	**312.6**	**139.9**	**142.3**
Profit after tax (D-E)	**8.9**	**11.1**	**5.5**	**6.7**

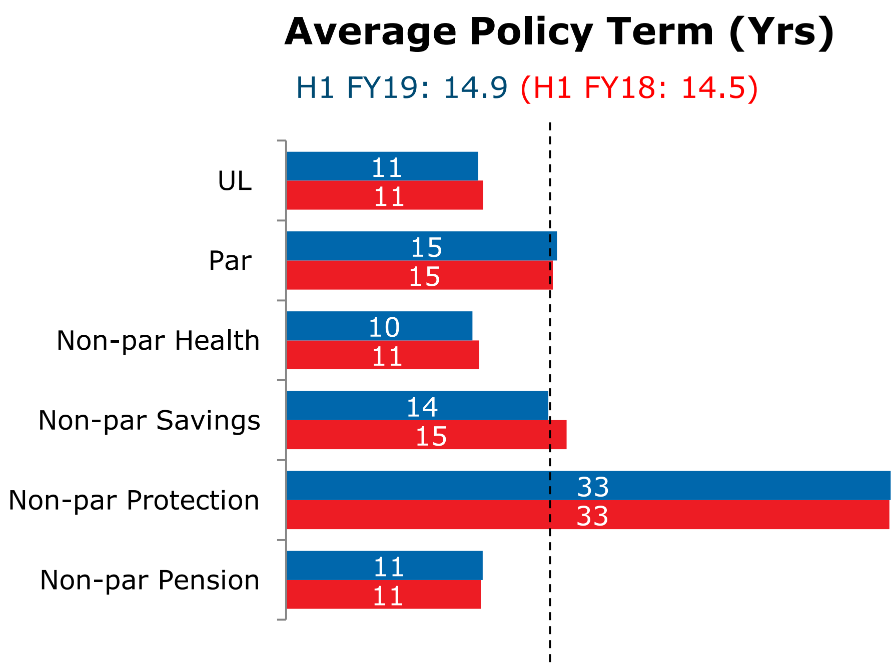
Note: 1. Benefits paid comprises of benefits paid (net), interim bonus and terminal bonuses paid

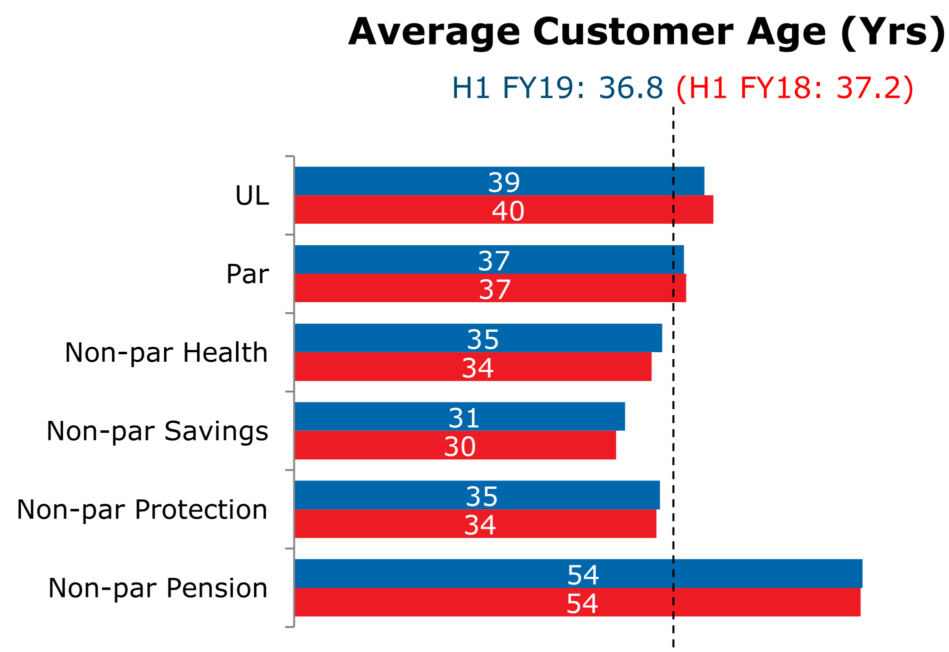
Balance Sheet

Rs bn

Particulars	31st Mar 2017	31st Mar 2018	30th Sep 2018
SOURCES OF FUNDS			
Capital invested (Share capital + Premium)	21.9	23.3	23.5
Reserves and Surplus	16.2	23.9	30.6
Credit / (Debit) Fair Value Change Account	0.3	0.3	(0.0)
Sub-Total	**38.4**	**47.5**	**54.1**
Policy Liabilities	323.8	423.2	472.9
Provision for Linked Liabilities	508.1	546.0	548.6
Funds for discontinued policies	29.9	25.9	28.8
Funds for Future Appropriations	8.7	9.6	9.4
Change in fair value account	4.0	6.2	8.2
Current Liabilities & Provisions	38.2	46.4	47.6
Total Liabilities	**951.1**	**1,104.8**	**1,169.6**
APPLICATION OF FUNDS			
Investments			
Shareholders	32.5	40.7	44.4
Policyholders' assets	346.9	453.5	510.5
Assets held to cover linked liabilities	538.0	571.8	577.4
Loans	0.5	0.2	0.3
Fixed Assets	3.5	3.4	3.4
Cash & Bank Balances	8.0	11.1	5.2
Advances & Other Assets	21.7	24.1	28.4
Total Assets	**951.1**	**1,104.8**	**1,169.6**

Segment wise average term and age[1]





- Focus on long term insurance solutions, reflected in longer policy tenure
- Extensive product solutions catering customer needs across life cycles from young age to relatively older population

Note: 1. Basis individual new business policies (excluding annuity) sold in H1 FY19

Indian Embedded value: Methodology and Approach (1/2)

Overview

Indian Embedded Value (IEV) consists of:

- **Adjusted Net Worth (ANW),** consisting of:
  - Free surplus (FS);
  - Required capital (RC); and
- **Value of in-force covered business (VIF)**: Present value of the shareholders' interest in the earnings distributable from assets allocated to the covered business, after making sufficient allowance for the aggregate risks in the covered business.

Components of Adjusted Net Worth (ANW)

- **Free surplus (FS):** FS is the market value of any assets allocated to, but not required to support, the in-force covered business as at the valuation date. The FS has been determined as the adjusted net worth of the Company (being the net shareholders' funds adjusted to revalue assets to market value), less the RC as defined below.
- **Required capital (RC):** RC is the amount of assets attributed to the covered business over and above that required to back liabilities for the covered business. The distribution of this to shareholders is restricted. RC is set equal to the internal target level of capital equal to 170% of the factor-based regulatory solvency requirements, less the funds for future appropriations ("FFA") in the participating funds.

Embedded Value: Methodology and Approach (2/2)

Components of Value in-force covered business (VIF)

- **Present value of future profits (PVFP):** PVFP is the present value of projected distributable profits to shareholders arising from the in-force covered business determined by projecting the shareholder cash flows from the in-force covered business and the assets backing the associated liabilities.

- **Time Value of Financial Options and Guarantees (TVFOG):** TVFOG reflects the value of the additional cost to shareholders that may arise from the embedded financial options and guarantees attaching to the covered business in the event of future adverse market movements. The intrinsic value of such options and guarantees is reflected in the PVFP.

- **Frictional costs of required capital (FC):** FC represents the investment management expenses and taxation costs associated with holding the RC. VIF includes an allowance for FC of holding RC for the covered business. VIF also includes an allowance for FC in respect of the encumbered capital in the Company's holdings in its subsidiaries.

- **Cost of residual non-hedgeable risks (CRNHR):** CRNHR is an allowance for risks to shareholder value to the extent that these are not already allowed for in the TVFOG or the PVFP. In particular, the CRNHR makes allowance for:
  – asymmetries in the impact of the risks on shareholder value; and
  – risks that are not allowed for in the TVFOG or the PVFP.

  CRNHR has been determined using a cost of capital approach. CRNHR is the present value of the cost of capital charge levied on the projected capital in respect of the material risks identified.

Embedded Value: Economic assumptions[1]

Years	Forward rates %		Spot rates %	
	As at Sep 30, 2018	As at Sep 30, 2017	As at Sep 30, 2018	As at Sep 30, 2017
1	7.69	6.29	7.41	6.10
2	8.33	6.57	7.70	6.23
3	8.57	6.93	7.88	6.39
4	8.67	7.23	7.99	6.53
5	8.72	7.44	8.06	6.66
10	8.73	7.77	8.22	7.04
15	8.62	7.80	8.25	7.19
20	8.52	7.80	8.24	7.27
25	8.45	7.80	8.22	7.32
30+	8.41	7.80	8.20	7.35

Note: 1. Forward rates are annualised and Spot rates are continuous

HDFC Life

Glossary

- **APE (Annualized Premium Equivalent)** - The sum of annualized first year regular premiums and 10% weighted single premiums and single premium top-ups
- **Conservation ratio -** Ratio of current year renewal premiums to previous year's renewal premium and first year premium
- **First year premiums** - Regular premiums received during the year for all modes of payments chosen by the customer which are still in the first year. For example, for a monthly mode policy sold in March 2018, the first instalment would fall into first year premiums for 2017-18 and the remaining 11 instalments in the first year would be first year premiums in 2018-19
- **New business received premium** - The sum of first year premium and single premium.
- **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
- **Renewal premiums** - Regular recurring premiums received after the first year
- **Solvency ratio** - Ratio of available solvency margin to required solvency margins
- **Total premiums** - 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 and 10% weighted single premiums and single premium top-ups
- **13th month persistency** - Percentage of contracts measured by premium, still in force, 13 months after they have been issued, based on reducing balance approach

HDFC Life

Disclaimer

This presentation is for information purposes only and does not constitute an offer or invitation to sell or the solicitation of an offer or invitation to purchase any securities ("Securities") of HDFC Standard Life Insurance Company Limited ("HDFC Life" or the "Company") in India, the United States, Canada, the People's Republic of China, Japan or any other jurisdiction. This presentation is not for publication or distribution, directly or indirectly, in or into the United States (including its territories and possessions, any state of the United States and the District of Columbia). The securities of the Company may not be offered or sold in the United States in the absence of registration or an exemption from registration under the U.S. Securities Act of 1933, as amended. The Company does not intend to register any securities in the United States. You confirm that you are either: (i) a "qualified institutional buyer" as defined in Rule 144A under the U.S. Securities Act of 1933, as amended, or (ii) outside the United States. By receiving this presentation, you are agreeing to be bound by the foregoing and below restrictions. Any failure to comply with these restrictions will constitute a violation of applicable securities laws.

This presentation should not, nor should anything contained in it, form the basis of, or be relied upon in any connection with any contract or commitment whatsoever. The information contained in this presentation is strictly confidential and is intended solely for your reference and shall not be reproduced (in whole or in part), retransmitted, summarized or distributed to any other persons without Company's prior written consent.

The Company may alter, modify or otherwise change in any manner the contents of this presentation, without obligation to notify you or any person of such revision or changes. This presentation may contain forward-looking statements that involve risks and uncertainties. Forward-looking statements are based on certain assumptions and expectations of future events. Actual future performance, outcomes and results may differ materially from those expressed in forward-looking statements as a result of a number of risks, uncertainties and assumptions. Although Company believes that such forward-looking statements are based on reasonable assumptions, it can give no assurance that your expectations will be met. Representative examples of factors that could affect the accuracy of forward-looking statements include (without limitation) the condition of and changes in India's political and economic status, government policies, applicable laws, the insurance sector in India, international and domestic events having a bearing on Company's business, particularly in regard to the regulatory changes that are applicable to the life insurance sector in India, and such other factors beyond our control. You are cautioned not to place undue reliance on these forward-looking statements, which are based on knowledge, experience and current view of Company's management based on relevant facts and circumstances.

The data herein with respect to HDFC Life is based on a number of assumptions, and is subject to a number of known and unknown risks, which may cause HDFC Life's actual results or performance to differ materially from any projected future results or performance expressed or implied by such statements. Forecasts and hypothetical examples are subject to uncertainty and contingencies outside Company's control. Past performance is not a reliable indication of future performance.

This presentation has been prepared by the Company. No representation, warranty, express or implied, is made as to, and no reliance should be placed on, the fairness, accuracy , completeness or correctness of the information and opinions in this presentation. 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 presentation or its contents or otherwise arising in connection with this presentation. Further, nothing in this presentation should be construed as constituting legal, business, tax or financial advice or a recommendation regarding the securities. 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.

Thank you

SELECTED Superbrand INDIA Consumer Validated 2017

HDFC Life