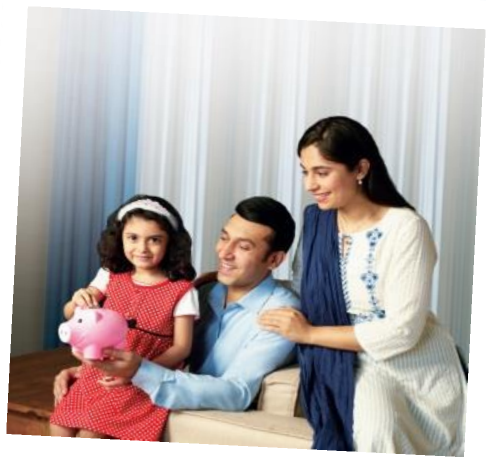
Investor Presentation – Q1 FY23



HDFC Life

Sar utha ke jiyo!

Executive summary: Q1 FY23

Revenue & Scale

Individual WRP	Growth	20%
	Market Share	14.6%
Renewal premium	Rs (Bn.)	46.2
	Growth	19%
AUM	Rs (Bn.)	2,001
	Growth	10%
IEV	Rs (Bn.)	297.1
	EVOP	16.5%

Profitability & Cost

New Business Margin (NBM)	CY	26.8%
	PY	26.2%
VNB	Rs (Bn.)	5.1
	Growth	25%
Profit After Tax (PAT)	Rs (Bn.)	3.7
	Growth	21%
Operating exp. ratio	CY	14.9%
	PY	12.5%

Customer & Capital

13th month persistency[1]	CY	88%
	PY	86%
Claim settlement ratio (FY22)	Overall	99.6%
	Individual	98.7%
Complaints per 10K policies[2]	CY	25
	PY	29
Solvency	Jun'22	178%
	Mar'22	176%

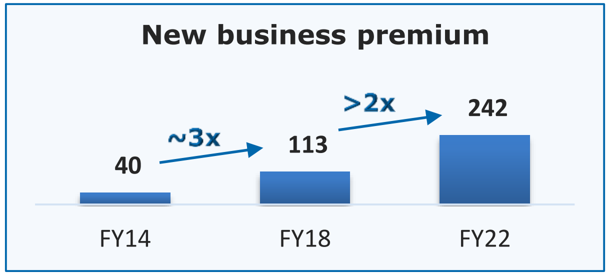
1. *Excludes single premium*
2. *Complaints data (excluding survival and death claims) for FY22 & FY21*

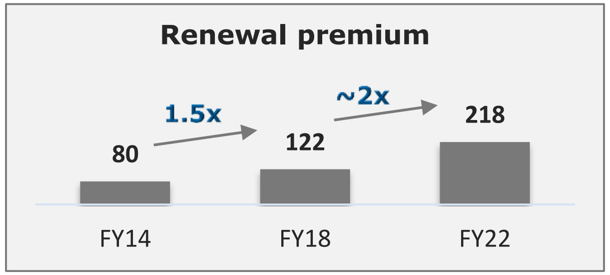
Agenda

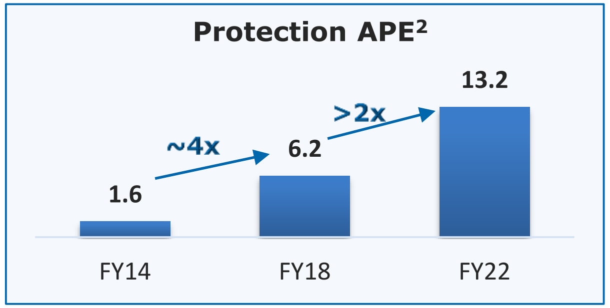
Consistent, predictable, sustained performance

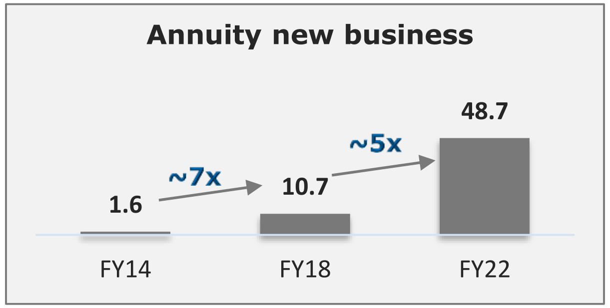
Rs bn

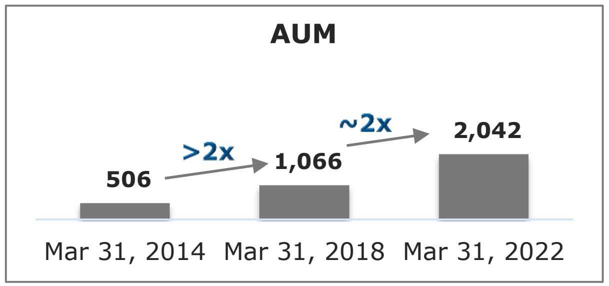
Holistic growth

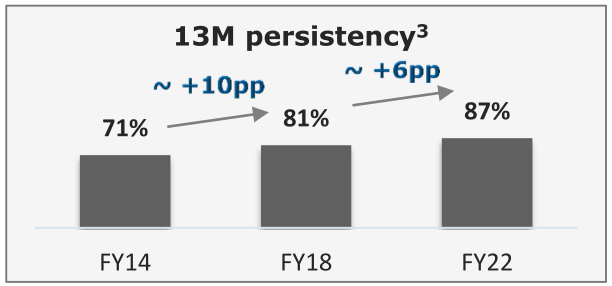




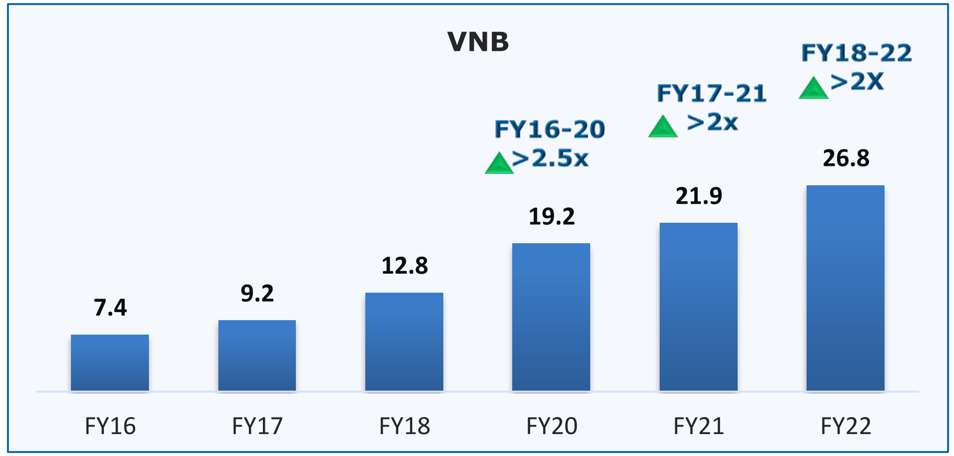


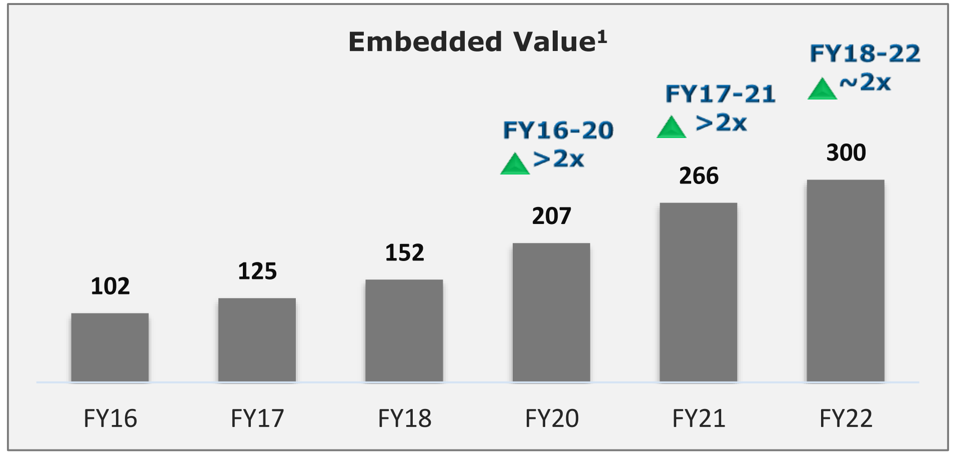






Consistent track record over multiple periods

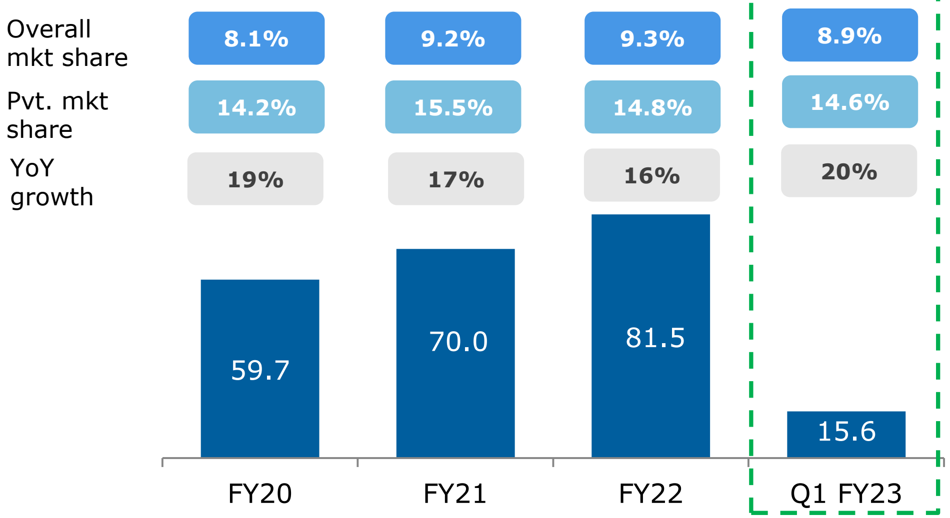




1. Including cash payout of Rs 7.3 bn for acquisition of Exide Life, but excluding Exide Life's EV of Rs 29.1 bn
2. Based on Overall APE
3. Excluding single premium

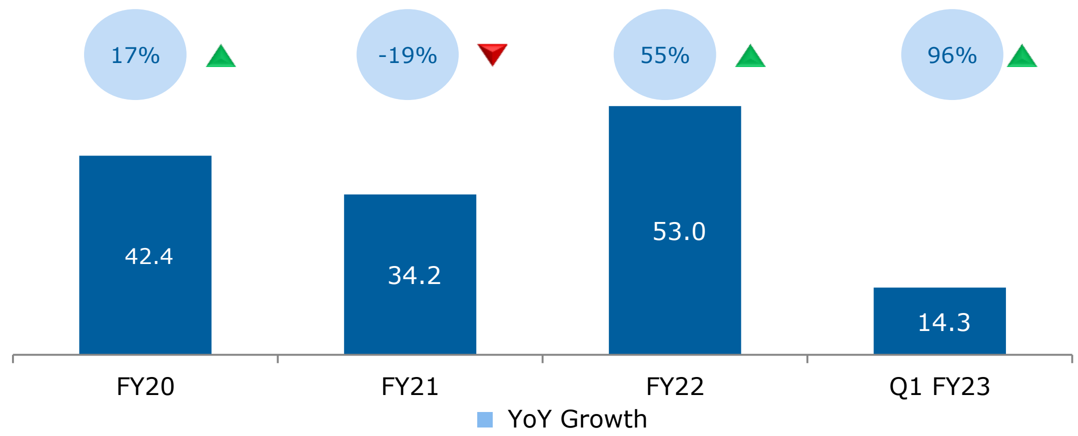
Demonstrating resilience in the current environment (1/2)

Strong, sustainable growth

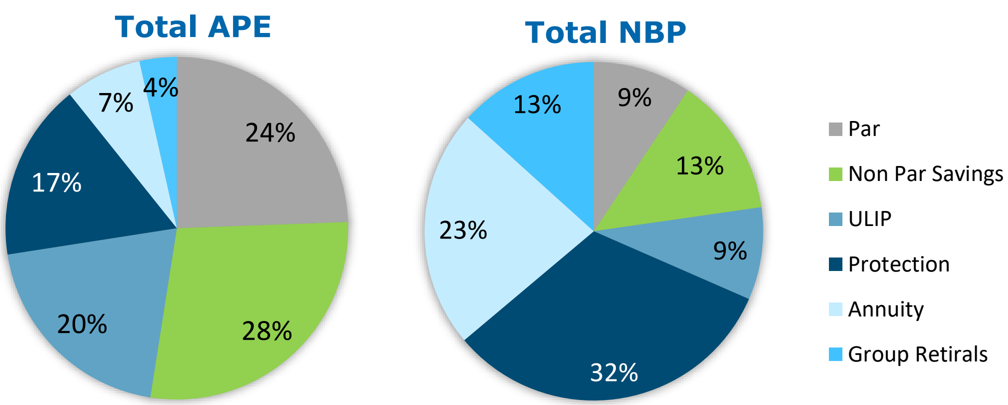


Rs bn

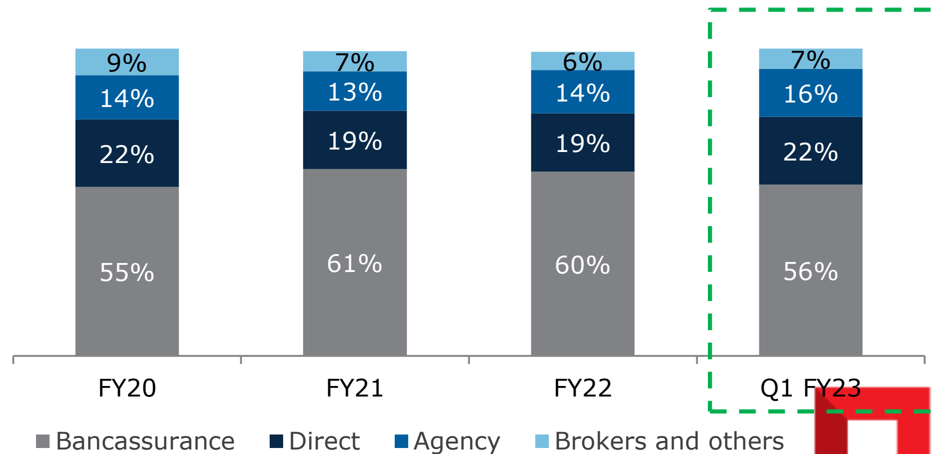
Bounce back in CP volumes on the back of higher disbursements[1]



Balanced product mix



Focus on diversified channel mix[2]

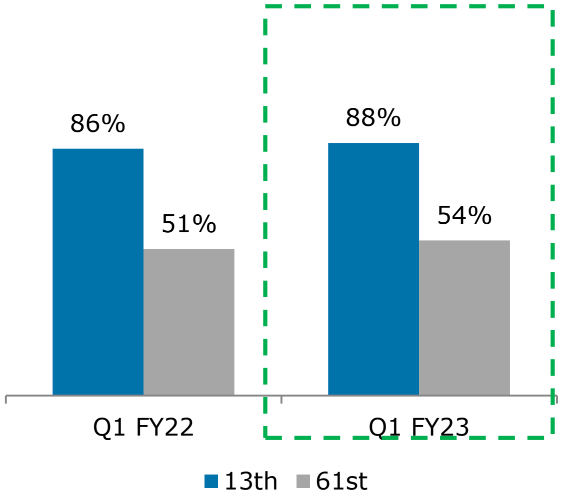


1. Based on Credit Protect new business premium 2. Based on Individual APE

Demonstrating resilience in the current environment (2/2)

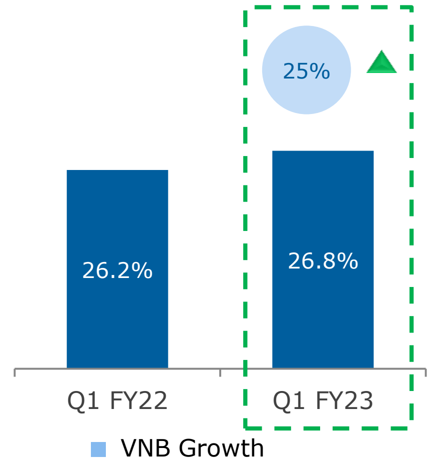
Rs bn

Improving Persistency[1]



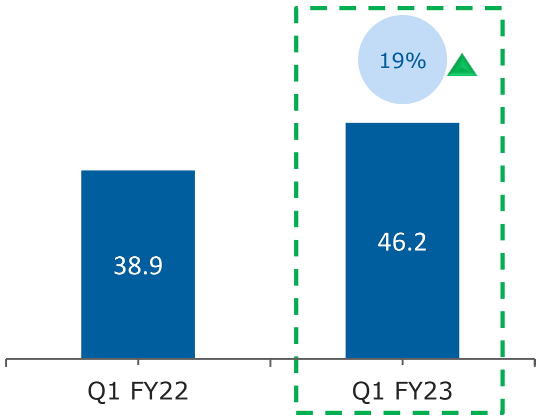
- Focus on quality of business and providing superior customer experience

Steady expansion in New Business Margins



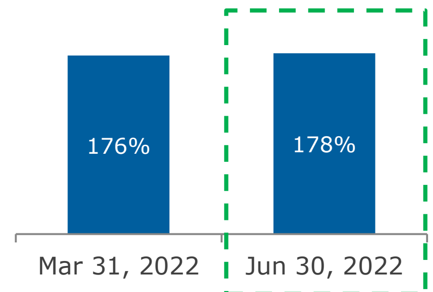
- Consistent growth in VNB on the back of topline growth and increase in margins
- VNB has grown at 24% CAGR between FY17-22

Strong growth in renewal premium



- Backed by consistent improvement in overall persistency

Stable solvency position



- Successfully raised Rs 3.5 billion of sub-debt in Q1 FY23
- Paid final dividend of Rs 1.70 per equity share

1. For individual business; Excluding single premium and fully paid up policies

Agenda

Key elements of our strategy

1

Focus on profitable growth

Ensuring **sustainable and profitable growth** by identifying and tapping new profit pools

2

Diversified distribution mix

Developing **multiple channels** of growth to drive need-based selling

3

Market-leading innovation

Creating **new product propositions** to cater to the **changing customer behaviour** and needs

4

Reimagining insurance

Market-leading **digital capabilities** that put the customer first, shaping the insurance operating model of tomorrow

5

Quality of Board and management

Seasoned leadership guided by an **independent and competent Board**; No secondees from group companies

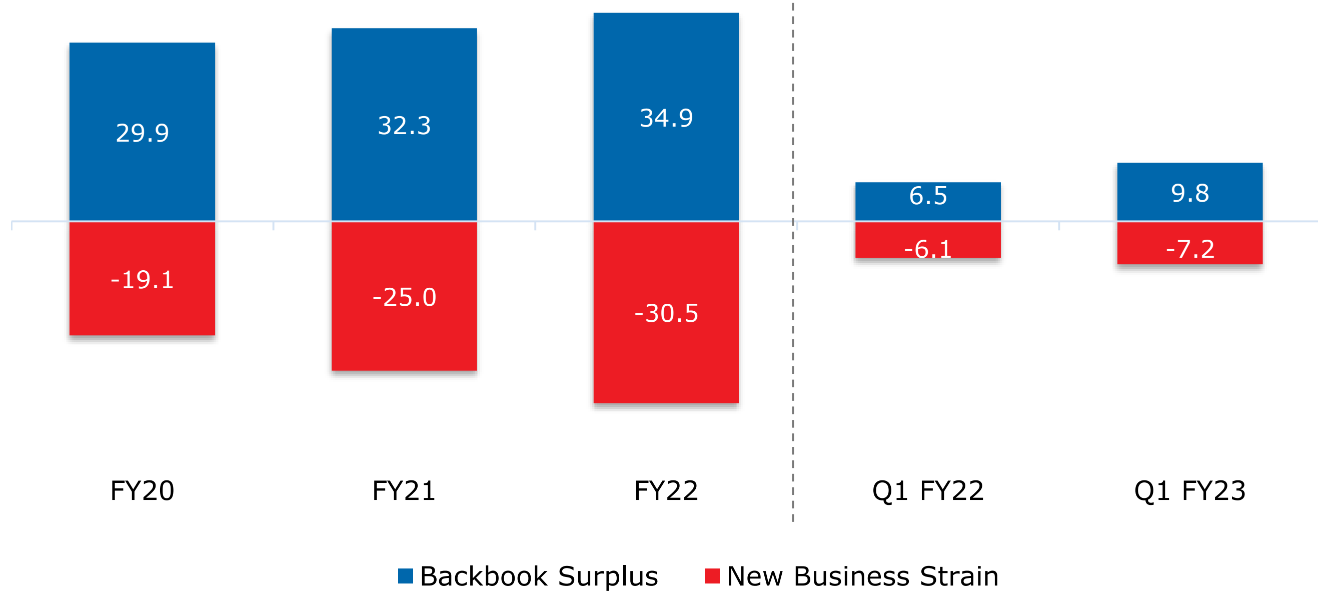
"Our continuous focus on technology and customer-centricity has enabled us to deliver consistent performance even in the most challenging times"

Focus on profitable growth

Rs bn

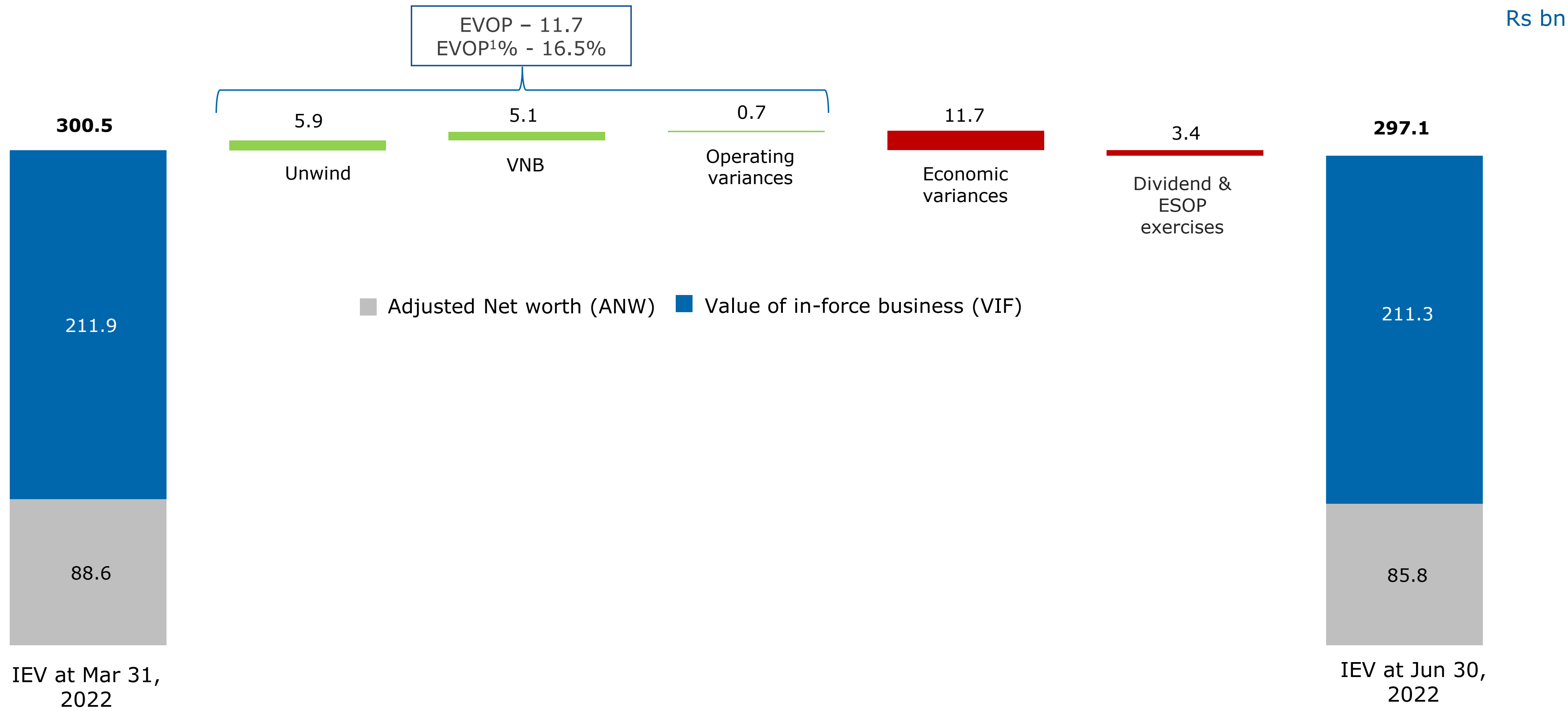
		FY20	FY21	FY22	Q1 FY22	Q1 FY23
Economic Profit	New business Margin	25.9%	26.1%	27.4%	26.2%	26.8%
	Value of new business	19.2	21.9	26.8	4.1	5.1
Accounting Profit	Profit after tax (PAT)	13.0	13.6	12.1	3.0	3.7
	Underwriting profits	10.9	7.3	4.4[1]	0.4[1]	2.6
	Shareholders' surplus	2.1	6.3	7.7	2.6	1.0

Underwriting profits breakup



1. *Post accounting for impact of excess mortality reserve (EMR)*

Analysis of change in IEV



- Operating variance continues to be positive and in line with our assumptions

1. *EVOP% calculated as annualised EVOP (Embedded Value Operating Profit) to Opening EV*

Diversified distribution mix enabled by multiple levers

Proprietary[1]

1.2L+ Agents

383 Branches
48 Digital Branches[2]

www.hdfclife.com
HDFC Life App

Banks , SFBs, Other CAs

HDFC BANK, Utkarsh Small Finance Bank, Saraswat Bank, Dhanlaxmi Bank, Bandhan Bank, Union Bank of India, South Indian Bank, IDFC FIRST Bank, Axis Bank, Equitas Small Finance Bank, RBL BANK, AU Small Finance Bank, Suryoday, YES BANK, DCB BANK, Ujjivan Small Finance Bank, Capital Small Finance Bank, TJSB Sahakari Bank Ltd.

NBFCs, MFIs

HDFC SALES, Fullerton India, HDB Financial Services, Chola, TATA CAPITAL, Asirvad, CreditAccess Grameen, VFS, pnb Housing Finance Limited, Muthoot Microfin, Manappuram Finance Limited, Chaitanya, BAJAJ FINANCE LIMITED, TATA Motors Finance, nabfins

Brokers & Aggregators

Bluechip, Integrated, policybazaar, Coverfox.com, BajajCapital, NJ Insurance Brokers, Robinhood Insurance Broker, InsuranceDekho, Centrum, Probus Insurance

Group, Pension & International Business

NPS Corporates

Group Annuity (MPH/CA)
160+ Superannuation Funds

Rep Office - NRI

Partnerships in emerging eco-systems across Health, E-commerce, Auto, Telecom, Mutual Fund, Fintech

Apollo Health and Lifestyle Ltd, PhonePe, Axis Asset Management, Home Credit, Clix Capital, fisdom, Lendingkart, realme paysa, mswipe, turtlemint, FundsIndia

Equity Brokers & Wealth

Zerodha, HDFC securities, ICICI Securities, Motilal Oswal, Edelweiss, Geojit, Angel Broking, sbi securities

1. Proprietary channels include Agency, Direct and Online
2. Digital Branches: Virtual branch for servicing customer requests remotely through dedicated app and webpage

Balanced product mix in agency enabled by technology and training

Technology

BuZZ
- **Secure** communication platform for all agency stakeholders
- Contest launch, updates, qualification, reward fulfillment process and status

FAME
- AI & ML based customer interactions and opportunities
- Theme based dossier focused on giving consumer insights
- Receive nudges to improve customer reach out

Partner Portal
- Check performance reports & commissions
- Trigger customer communication and reminders
- MIS, ranking, contest earnings, opportunities and much more

Medi Easy – Term
- Digital tool for smooth on- boarding of term customers
- Easy to fill forms and pay premiums

Training

The Selling Skills Program
In-depth program to train and groom our FLS on essential selling skills

Agency Life
Skilling and engagement platform to drive higher productivity

Analytics based distribution & activation drives & enablers

IC38 Audio Online Training
Easier and simpler way to complete IC38 training

- ✓ Available in vernacular language
- ✓ Interesting & engaging audio content

Sales Planning Simulation
First of its kind, unique sales planning simulation for branch heads enabling them to learn and practice effective sales planning in a simulated environment

HDFC Life

Bancassurance powered by innovation, technology and people

Product proposition

- Comprehensive product suite across par, non-par, term, annuity, ULIP
- Combo insurance products
- Innovative term products – limited pay, RoP[1] and riders
- Mass distribution products – POS[1] & Saral plans
- Innovative retirement Products through annuity & pension

Partner experience & engagement

- InstaPlan: Defined engagement metrics measured digitally
- CSR: Joint CSR[1] initiatives that strengthen relationships
- Dedicated HNI[1] cell
- InstA: Virtual assistant for sales & service teams

Tech & Digitization

- Insta Quote: One stop solution for generating illustration
- INSTAInsure: PASA[1] using analytics
- Cloud Telephony: Cloud based customer calling solution for sales
- Reducing need of physical presence by digitization through WISE[2] & Non Assisted PCVC[3]
- Pre-conversion Verification via Chat: Digital sales verification via WhatsApp chat, video app or calling

Distribution

- Strong presence across Metro, Urban & Rural geographies with ~7K Sales force
- Strong growth & presence in alternate channels viz. Virtual, Salary & HNI
- Strong YoY growth in Group insurance through Credit Protect
- Increasing business pie through POS products attached in assets

Capability building & resourcing

- Learning on the go: mobile nuggets for skill enhancement
- YOUNite: Comprehensive engagement and training programs for sales teams
- Structured rewards and recognition program
- Gamified learning experience through mobile app & simulations

Profitable growth
Diversified distribution mix
Market-leading innovation
Reimagining insurance
Quality of Board and management

1. *POS: Point of Sales; PASA: Pre-approved Sum Assured; RoP: Return of Premium; HNI: High Networth Individual; CSR: Corporate Social Responsibility*
2. *WISE: Frontline digital tool, enables virtual onboarding of customers in the presence of a HDFC Life representative*
3. *PCVC: Pre Conversion Verification Call*

Simplified sales ecosystem for Direct channel

Leads Management

- ✓ InstaGO
  - Lead capture
  - Lead lifecycle management
- ✓ Cloud Telephony
  - Lead assignment
  - Outgoing customer call management

Sales & Service

- ✓ TEBT; ⌛ mSD
  - Pitch products & generate quotes
  - Form filling & application submission
- ✓ InstA; ⌛ InstaServ; ✓ SimplyQlik; ⌛ Customer 360
  - Customer servicing
  - Policy servicing

Governance & Review

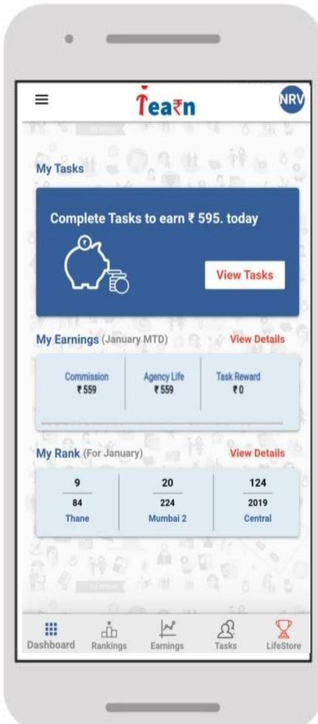
- ✓ WAR
  - Input commitment from Sales force
  - Weekly review with Manager
- ✓ Iearn; ✓ Qlik; ✓ InstaGO
  - Check performance
  - Dashboards

Profitable growth | **Diversified distribution mix** | Market-leading innovation | Reimagining insurance | Quality of Board and management

✓ Live ⌛ WIP

iEarn, HDFC Life's hyper-personalized actionable nudge engine

iEarn: ML-based mobile platform for sales



- Drive right behaviours
- Enable activation
- Maximize earnings
- Boost retention
- Better engagement

Key nudges / tasks created to work along with existing technology

- Lead generation & meeting
- Product mix
- Prospect engagement
- Sales training
- Persistency
- Document collection
- Facilitate medical tests
- Avert freelook-ins
- Rider attachment

Improved activity & productivity

Direct Channel		Agency Channel	
15x	More tasks closed by front line sales (FLS)	6.5x	More tasks closed by agents
16%	Avg. Y-o-Y increase in NoP per FLS	30%	Avg. Y-o-Y increase in NoP per agent
13%	Avg. Y-o-Y increase in EPI per FLS	20%	Avg. Y-o-Y increase in EPI per agent

Performance measured in relative terms between a Habitual iEarn User vs. Non Habitual iEarn User

Expanding market through consistent product innovation

Launched before 2015: Retirement & pension | Woman | Group Credit Protect | Click2Invest | Youngstar

FY15-18

Click 2 Protect 3D Plus (Protection)

Pension Guaranteed Plan (Annuity)

Classic One (ULIP)

Cancer Care (Health)

FY19-22

Sanchay Plus (Non-par savings)

Sanchay Par Advantage (Participating)

Group Poorna Suraksha (Group term insurance)

Sanchay Fixed Maturity Plan (Non-par savings)

HDFC Life QuickProtect (Protection)

Systematic Retirement Plan (Annuity)

FY23

Systematic Pension Plan (Par Pension)

Pension plan that offers an opportunity to participate in the profits of the participating fund of HDFC Life by way of bonuses payable at the time of vesting

Click 2 Protect Optima Secure

Comprehensive combi plan that offers life and health cover for you and your family

Click 2 Protect Corona Shield

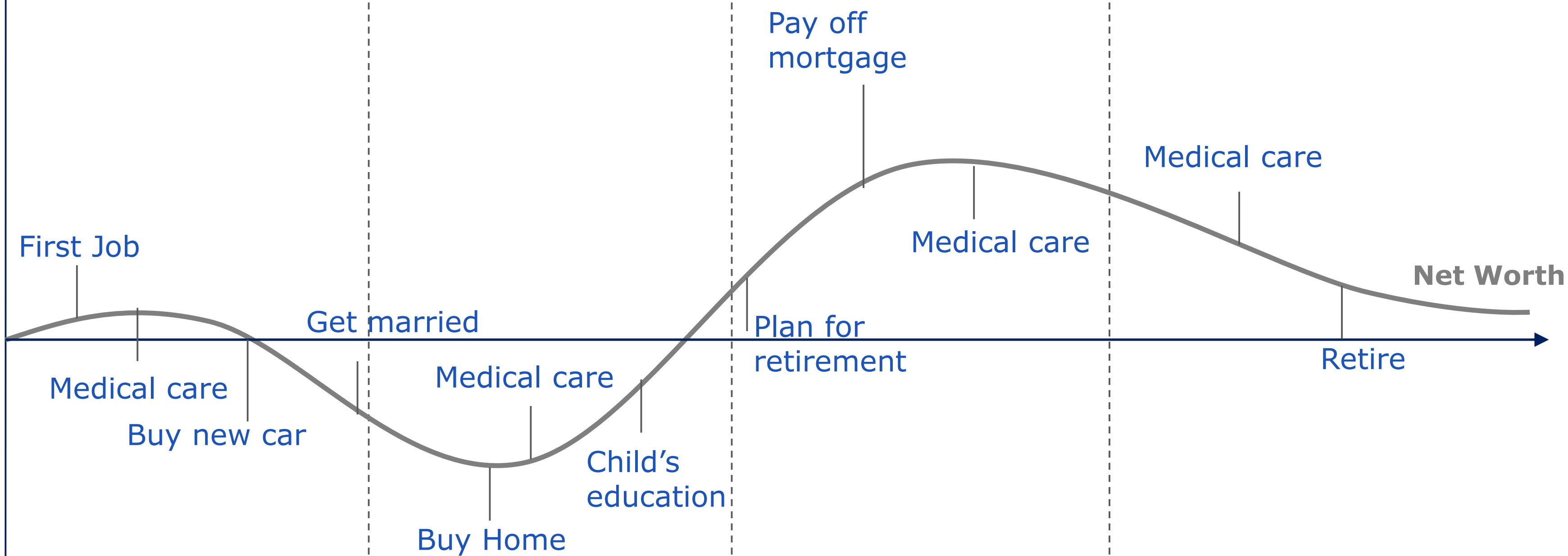
Comprehensive combi plan that offers life and health cover for Hospitalization/home care treatment in case of COVID-19

HDFC Life

Addressing customer needs at every stage of life

	<25 years	25-35 years	36 – 50 years	50+ years
Objective	Simple Savings	Borrowing	Investments	Asset Drawdown

Needs



Product Offerings

Product mix across age categories[1]

	<25 years	25-35 years	36 – 50 years	50+ years
UL	35%	28%	26%	18%
Par	33%	31%	28%	32%
Non par savings	29%	32%	39%	32%
Protection	4%	8%	5%	1%
Annuity	0%	0%	2%	17%

Risks Addressed

- Mortality
- Morbidity
- Longevity
- Interest Rate

Profitable growth

Diversified distribution mix

Market-leading innovation

Reimagining insurance

Quality of Board and management

1. *Based on Individual APE for Q1 FY23; Percentages may not add up due to rounding off effect*

HDFC Life

Our approach to retiral solutions

1. NPS

- Largest Pension Fund Manager (PFM) in Retail and Corporate NPS segment, with AUM of Rs 301 bn[1]
- Registered strong AUM growth of 61% in Q1 FY23
- Market share grew from 35% in Jun'21 to 38% in Jun'22 amongst all PFMs
- Company has over 1.2 mn customers - ~0.8 mn in retail segment and ~0.4 mn in corporate segment
- #2 POP[2] in new Corporate and Corporate Subscriber business

2. Immediate / deferred annuity

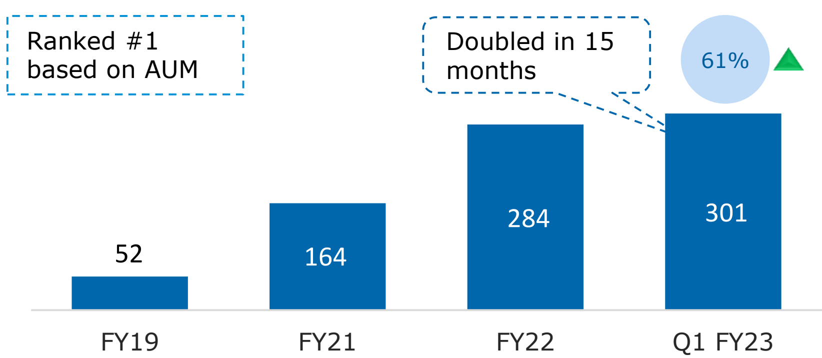
- Largest player in the private sector
- Servicing 160+ corporates and >12,000 lives covered in Q1 FY23

3. Group superannuation fund

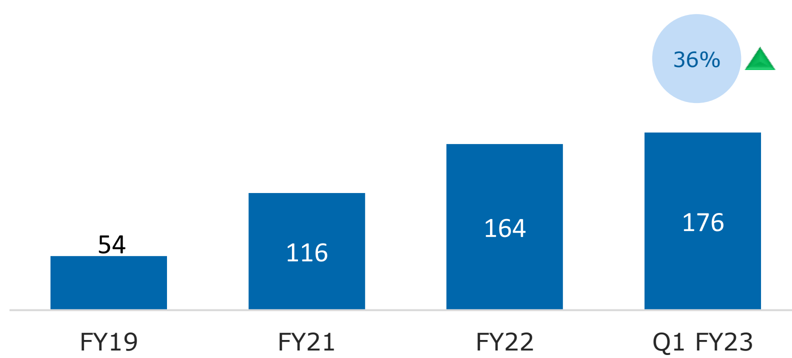
- Managing funds for 160+ corporates under superannuation scheme

Rs bn

NPS AUM



Annuity portfolio



YoY growth

1. *As on Jun 30, 2022*
2. *POP: Point of presence for enabling opening of accounts on a platform*

Profitable growth
Diversified distribution mix
Market-leading innovation
Reimagining insurance
Quality of Board and management

HDFC Life

Product mix across key channels[1]

Banca [2]

Segment	FY20	FY21	FY22	Q1 FY23
UL	32%	27%	29%	30%
Par	18%	37%	33%	30%
Non par savings	44%	30%	33%	33%
Term	4%	4%	4%	4%
Annuity	2%	2%	2%	3%

Direct

Segment	FY20	FY21	FY22	Q1 FY23
UL	33%	29%	28%	16%
Par	14%	17%	14%	19%
Non par savings	20%	16%	27%	35%
Term	4%	3%	3%	2%
Annuity	29%	35%	28%	28%

Agency

Segment	FY20	FY21	FY22	Q1 FY23
UL	12%	10%	16%	14%
Par	34%	37%	33%	36%
Non par savings	40%	39%	39%	38%
Term	12%	11%	10%	8%
Annuity	3%	3%	3%	4%

Online[3]

Segment	FY20	FY21	FY22	Q1 FY23
UL	44%	39%	46%	45%
Par	1%	1%	2%	2%
Non par savings	18%	29%	30%	40%
Term	37%	30%	20%	10%
Annuity	1%	2%	2%	3%

Company

Segment	FY20	FY21	FY22	Q1 FY23
UL	28%	24%	26%	25%
Par	19%	34%	30%	30%
Non par savings	41%	31%	33%	35%
Term	8%	7%	6%	5%
Annuity	4%	5%	5%	6%

~40% of business with policy term <=10 years; ~20% of received premium in single-pay policies for Q1 FY23

Protection

	FY20	FY21	FY22	Q1 FY23
Based on Total APE	17%	13%	14%	17%
Based on NBP	27%	20%	24%	32%

Annuity

	FY20	FY21	FY22	Q1 FY23
Based on Total APE	4%	5%	5%	7%
Based on NBP	16%	20%	20%	23%

1. Based on Individual APE, Term includes health business. Percentages are rounded off
2. Includes banks, other corporate agents and online business sourced through banks / corporate agents
3. Includes business sourced through own website and web aggregators

Aligned to make life simpler for customers

1. Accelerate **JOURNEY SIMPLIFICATION** across channels
2. Fast track **PARTNER INTEGRATION**
3. **SERVICE SIMPLIFICATION** for connect and personalization
4. **DATA LABS ECOSYSTEM** for decision making
5. **PLATFORMS** independent buying / servicing

Building resilience..

6. Connecting with startups through **Futurance**[1]
7. Create a digital scalable efficient **Architecture**
8. Enable a hybrid **Work From Home** environment
9. Strengthen **Cyber Security** for post-Covid world

1. Futurance: A program to collaborate with startups for harnessing cutting-edge technology

AI-based automated underwriting engine

Empowering a seamless customer onboarding journey

Proposal Submission

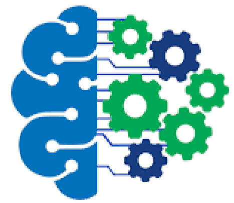
- Proposal Form
- Process Initiation

Claim Prediction Model

- Short & Long Term Claim prediction
- Red-Amber-Green segmentation

Reinsurer Rule Engine

- Questionnaires
- Reinsurer Rules
- Standard Process



AI Based AUW[1] Engine

- Industry 1st Deep Learning solution
- Enable Real Time decision making

Final UW[2] Decision

AUW engine implemented for savings applications

Enhanced risk assessment

72% **Applications Auto Underwritten**

6% **Improvement in STP[3] Rate**

2% **Additional Risk Identification**

12% **Reduction in Manual UW[2] cases**

1. *AUW: Automated Underwriting*
2. *UW: Underwriting*
3. *STP: Straight Through Processing*

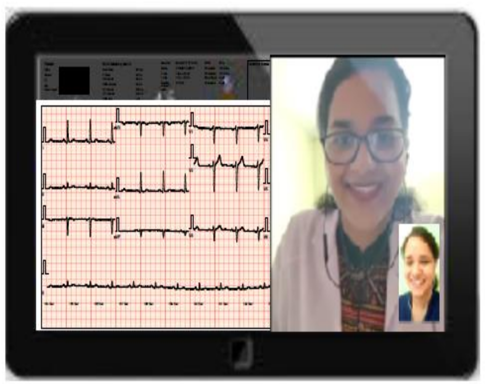
HDFC Life

Strengthening underwriting and simplifying customer journey

Cardiac risk assessment at home for medical underwriting

Cardiac risk assessment service at home promises convenience to individuals who have to undergo medicals while applying for an HDFC Life insurance policy

- Applicants / users step on a stepper with speed & resistance adjustments
- Conventional print based ECG equipment is replaced with a portable, Bluetooth and mobile connected ECG equipment for real time data recording and analysis
- Recording is transmitted to the remote physician for review and interpretation



- Instead of an onsite physician, an online consultant physician is available to monitor the progress of the stress test (incl. real-time ECG) over a video call
- The physician can talk to the site technician and the applicant / user for any instructions

**This service is currently available in Mumbai and Bengaluru*

HDFC Life

Emphasis on digital across customer touch-points

New business / purchase

- **Digital sales journey -** End-to-end digital sales, from prospecting till conversion
- eCCD — **Chat PCV[1] and AVF[1] -** 55% digital pre-conversion verification
- **Telemedicals –** 35% of the medicals done through tele-medicals
- **Uninterrupted customer assistance -** Work from home enabled across the organization; Access to Microsoft Teams, Citrix
- INSTAInsure — **InstaInsure -** Simplified insurance buying through a 3-click journey

Policy servicing

- SVAR — **Digital Renewal collections –** 87% based on renewal premiums and 97% based on NOP
- **Maturity payouts -** Email, WhatsApp and customer portal 'My Account' enabled to upload necessary docs
- **LifeEasy** - 100%[2] eligible claims settled in 1 day; Claims initiation process also enabled through WhatsApp
- **RPA –**Robotic Process automation handled 330+ processes remotely
- **Contact centres -** Branch staff replacing call centre agents

Customer interactions

- instA — **Seamless support experience –** ~9.3 mn queries handled by instA (virtual assistant)
- **Mobile app –** Significant increase in mobile app usage. 1.1 mn total users
- Insta Serv 2.0 — **InstaServe -** OTP based policy servicing tool to handle customer queries
- **24*7 self-service options –** 95% of chats are self-serve via chat-bot
- **Branches -** Daily tracking of employee and agent safety

Employee / Partner engagement

- **Physical training –** 3,500+ distributors attending training programs daily
- **Gamified contests -** Launched to drive adoption of digital engagement initiatives
- Insta PRL — **Agent on-boarding -** Insta PRL enabling digital on-boarding of agents. ~24K applications logged
- **Employee engagement –** Video conference based skill building sessions with digital partners (Twitter, Google, Facebook)
- **Partner trainings -** Conducted via digital collaboration tools

Profitable growth
Diversified distribution mix
Market-leading innovation
Reimagining insurance
Quality of Board and management

1. PCV: Pre-conversion verification; AVF: Application Verification Form
2. Claim settlement ratio through LifeEasy (online) and WhatsApp platform, as on 30 June 2022

HDFC Life

Governance framework

Board of Directors

Independent and experienced Board

Board Committees

- Audit Committee
- Risk Management Committee
- Investment Committee
- Policyholder Protection Committee
- Nomination & Remuneration Committee
- Corporate Social Responsibility Committee
- Stakeholders' Relationship Committee
- With Profits Committee
- Capital Raising Committee

Management Committees/Councils

- Whistleblower Committee
- Compliance Council
- Risk Management Council
- ALCO[1]
- Information & Cyber Security Council
- Disciplinary Panel for Malpractices
- Prevention of Sexual Harassment
- Investment Council
- Credit Council
- Claims Review Committee
- Grievance Management Committee

Board Approved Committee

- Product Management Committee

Standalone councils

Business and Innovation

- Product Council
- Technology Council
- Persistency Council

Profitable growth

Diversified distribution mix

Market-leading innovation

Reimagining insurance

Quality of Board and Management

Additional governance through Internal, Concurrent and Statutory auditors

Note:

1. Asset Liability Management Council

2. The above list of committees is illustrative and not exhaustive

Financial risk management framework

Natural hedges

- Protection and longevity businesses
- Unit linked and non par savings products

Product design & mix monitoring

- Prudent assumptions and pricing approach
- Return of premium annuity products (>95% of annuity); Average age at entry ~59 years
- Deferred as % of total annuity business < 30% with average deferment period <4 yrs
- Regular monitoring of interest rates and business mix

Managing Risk

ALM approach

- Target cash flow matching for non par savings plus group protection portfolio to manage non parallel shifts and convexity
- Immunise overall portfolio to manage parallel shifts in yield curve (duration matching)

Residual strategy

- External hedging instruments such as FRAs, IRFs, swaps amongst others
- Reinsurance

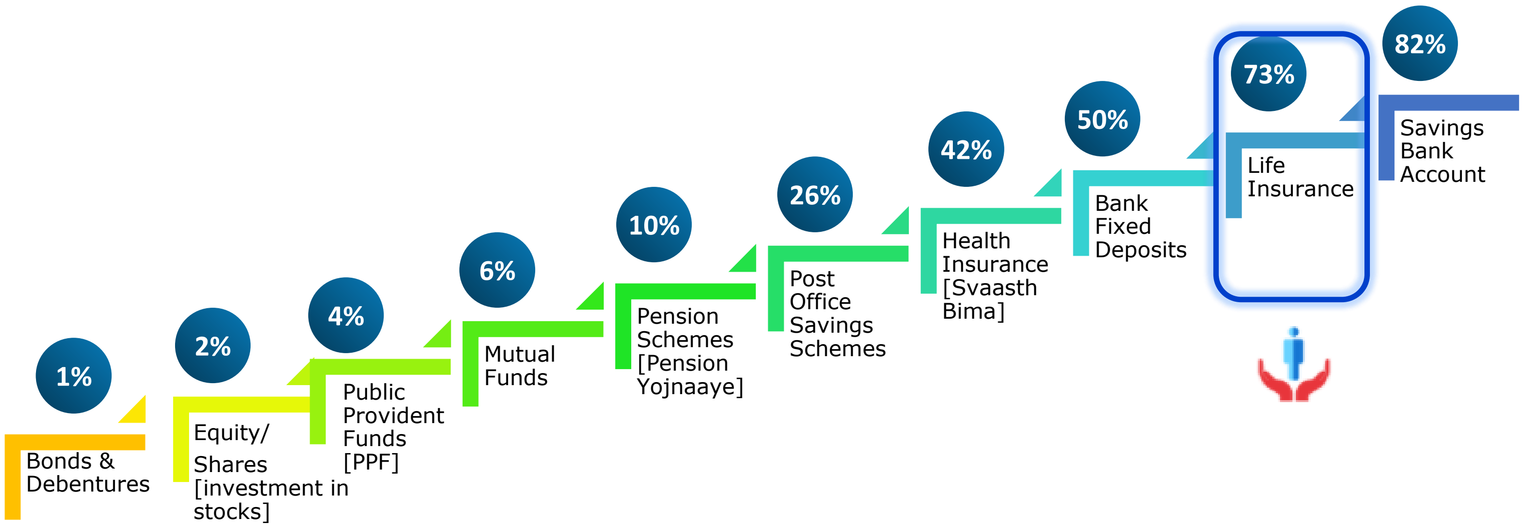
	FY22				Q1 FY23			
Sensitivity	**Overall**		**Non par [1]**		**Overall**		**Non par [1]**	
Scenario	**EV**	**VNB Margin**	**EV**	**VNB Margin**	**EV**	**VNB Margin**	**EV**	**VNB Margin**
Interest Rate +1%	(2.0%)	(1.4%)	(2.1%)	(2.5%)	(2.0%)	(1.5%)	(2.0%)	(2.6%)
Interest Rate -1%	1.6%	0.8%	1.4%	1.5%	1.6%	0.9%	1.3%	1.5%

Sensitivity remains range-bound on the back of calibrated risk management

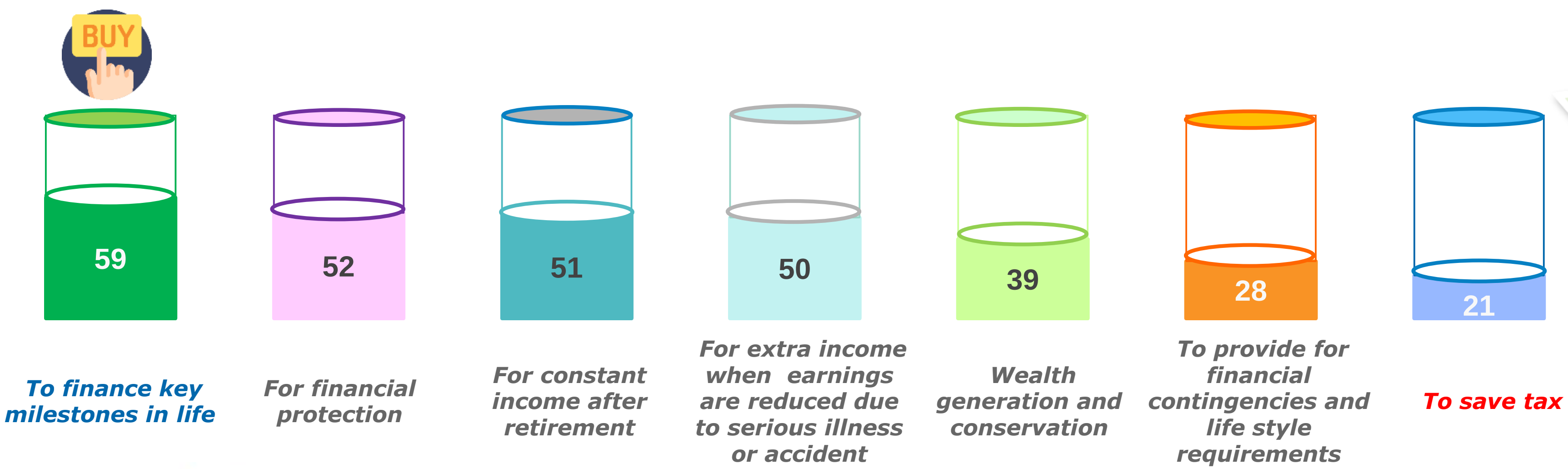
1. Comprises Non par savings (incl Annuity) plus Protection

Agenda

Importance of financial instruments and triggers to buy LI[1]



- Life insurance ranks amongst top 3 financial instruments
- Importance of life insurance as an instrument largely remains same across age groups and gender



- Across age-groups and regions, savings for key milestones in life like child's education, marriage, remains the top reason to buy insurance
- Tax savings features at bottom of the list of reasons to buy life insurance

Sabse Pehle Life Insurance

1. *Life Insurance Council IAC Study by Hansa Research, February 2022*
2. *Nos in bottom graph represent % of respondents*

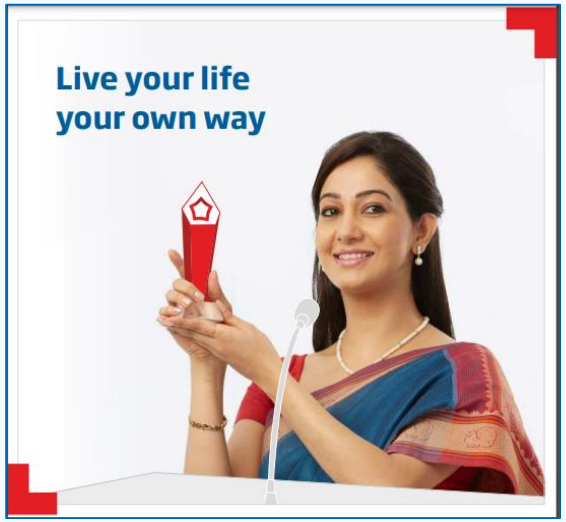
HDFC Life

Customer Insights – Women Policyholders

HDFC Life Customer Insights

3-year APE CAGR growth for women customers: **23%**

Women constitute **>30%** of policyholders, an increase of 4 percentage points over past 3 years

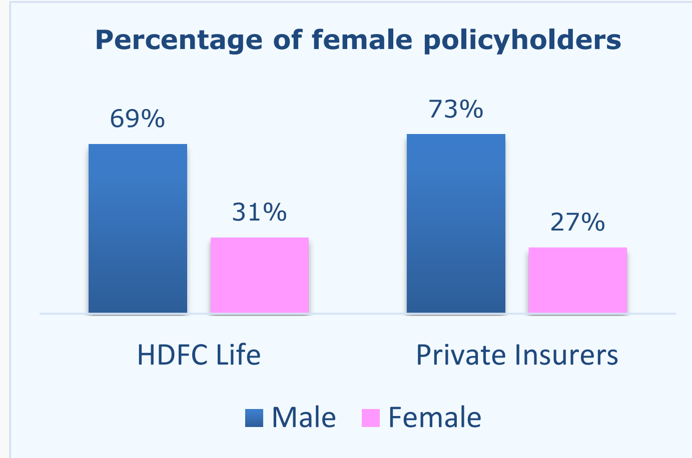


Women as a customer segment are gaining traction in Savings and Protection products

Increasingly, more women customers are opting for self assisted sales channels, indicating rise in awareness levels

Women persistency across demographics & geographies ~4% higher than organisation

Participation of Women in Life Insurance[1]



Top 5 states where % of female policyholders is higher than all-India average

State	Share(%)
Kerala	43
Sikkim	41
Andhra Pradesh	40
Lakshadweep	40
Puducherry	40
All-India average	**33**

- Women comprise roughly **49%** of the total population in India
- In 19 States/UTs[2], the share in no. of policies bought by women to the total policies sold is higher than the all-India average of **33**%

1. Insights based on IRDAI Annual Report 2020-21 and HDFC Life customer data
2. UTs: Union Territories

Agenda

Exide Life Performance Snapshot: Q1 FY23

Scale

Individual APE

Rs bn: 1.4

Growth: 41.7%

AUM

Rs bn: 206.3

Growth: 10%

Embedded Value

Mar 31, 2022 : 29.1 bn

Growth: 8%

Profitability & Cost

VNB Margin (Pre-OR)

Q1 FY23: >40%

Q1 FY22: >40%

Opex ratio

Q1 FY23: 26%

Q1 FY22: 25%

Renewal Premium(bn)

Q1 FY23: 4.0

Q1 FY22: 4.0

Customer & Capital

13M Persistency

Q1 FY23: 74%

Q1 FY22: 73%

Claim Settlement Ratio

FY22: 99.1%

FY21: 98.5%

Solvency

Jun 30, 2022: 211%

Jun 30, 2021: 219%

Others

Channel Mix[1]

Agency: 51%

Banca: 7%

Broker: 29%

Direct: 13%

Product Mix[1]

Par: 60%

Non-par: 27%

Protection: 6%

ULIP: 7%

1. *Based on Individual APE*

HDFC Life

Integration – Focus areas

Accelerating revenues …

- Augmenting proprietary growth channels
  - Scaling-up with cross-entity best practices and brand value
- Access to wider distribution network with focus on priority micro markets
- Access to wider product portfolio for sales force
- Enhancing customer experience and sales productivity through digital tools

Realizing cost savings …

- Optimizing nation-wide geographic presence (offices, branches, hubs)
- Rationalizing overlapping/ redundant spends
  - E.g. Brand spends, software maintenance, AMC
- Driving scale benefits for integrated entity
- Embedding digital operating model at scale

Aspiration to close NBM gap over 6-9 quarters

Exide Life transaction timeline

Step 1:
Announcement of transaction
(Sep 3, 2021)

Step 2:
Shareholders' approval for issuance of shares
(Sep 29, 2021)

Step 3:
Application filed with IRDAI and CCI for acquisition, ongoing interactions

Step 4:
Receipt of approvals. Exide Life becomes 100% subsidiary of HDFC Life
(Jan 1, 2022)

Step 5:
Integration Phase-1 (9-12 months)

Step 6:
Approval obtained from NCLT[1] for triggering the merger process, including intimations to various regulatory authorities and related NOCs (Jun 27, 2022)

Step 7:
Final IRDAI approval for merger (expected in H2 FY23)

Step 8:
Integration Phase-2 (12-18 months post merger)

Completed *WIP* *To be initiated*

1. *Final NCLT approval to be received post receipt of NOCs from regulatory authorities*

Agenda

1. Performance Snapshot
2. Our Strategy
3. Customer Insights
4. Exide Life Transaction Update
5. **Our approach to ESG**
6. Annexures
7. Life insurance in India

ESG at a Glance

ESG Focus Areas

Ethical Conduct & Governance → Responsible Investment → Diversity, Equity and Inclusion (DE&I) → Holistic Living → Sustainable Operations

External Validation

Active engagement with external agencies including MSCI, S&P Global (DJSI)

- MSCI rating ‘BBB’ in February 2022
- S&P Global (DJSI) score – 44 in 2021 (14 in 2019)
- CRISIL Score – 60 in 2021

1st Integrated Annual Report published in June 2022

Ethical Conduct & Governance

Governance structure & Compensation Framework

Corporate governance policy

- Commitment to ethical business practices
- Includes Corporate structure and stakeholder management

Board evaluation & independence

- Five independent directors
- 'Fit and Proper' as per regulation

Board Diversity policy

30% women as on 31st March, 2022

Remuneration policy

- Seeks to balance the fixed and incentive pay
- Disclosed in the annual report

Performance Management System

based on the principles of balanced scorecard

Corporate Governance Award

Best Governed Company in listed segment: Large category at ICSI[1] National Awards for Excellence in Corporate Governance

Risk management and BCM

- Enterprise risk management (ERM) framework
  - 'Three Lines of Defense approach'
  - Reviewed and approved by the Board

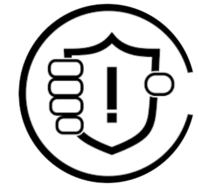
- Risk oversight by Board of Directors
- Review in multiple management forums

- Modes of Risk awareness
  - Trainings, E-mailers, Seminars, Conferences, Quizzes and Special awareness Drives
- Sensitivity analysis and stress testing

- Business Continuity Management (BCM)- Creation of a recovery plan for critical business activities

Information/Cyber Security

Information/cyber security
ISO 27001:2013 and ISMS assessment program;
Data Privacy Policy



Fraud risk management
Values program; Disciplinary Panel for Malpractices; Fraud monitoring initiatives

Business ethics and compliances

- Code of Conduct
- Whistle blower Policy
- PRSH[2]
- BRR[3] & Stewardship Code
- Anti Bribery & Corruption Policy
- Human Rights & DEI[4]
- AML[5]
- Privacy Policy

1. *ICSI: Institute of Companies Secretaries of India*
2. *PRSH: Prevention and Redressal of Sexual Harassment*
3. *BRR: Business Responsibility Report*
4. *DEI: Diversity, Equity and Inclusion*
5. *AML: Anti Money Laundering*

HDFC Life

Responsible Investment

Responsible Investment Policy

Objective

To generate optimal risk adjusted returns over the long term

RI framework

- **RI** and **stewardship policy** in place
- Applicable to all **major asset classes**
- **Head of Research** ensures that ESG is incorporated into overall Research and Investment process
- ESG issues covered **in voting process**

Bolstering commitment towards Responsible Investment

Became signatory to United Nations – supported Principles for Responsible Investment (UN-PRI)

PRI Principles for Responsible Investment

Responsible Investment Governance

A **ESG Governance Committee** at the investment team level comprises of Chief Investment Officer, Head of Fixed Income, Head of Research, Fund Manager of ESG Fund and dedicated ESG research analyst

Sustainable Equity Fund

What is Sustainable Equity fund & why invest in it?

This fund shall seek to generate returns from investing in companies with high ESG standards and commensurate score, create value for all stakeholders with lower risks & generate sustainable long-term returns.

HDFC Life

Employee Engagement & Diversity, Equity and Inclusion (DEI)

Special Recognition

- **Great Places to Work** – 39th amongst top 100 Best Places
- **Best workplaces for Women 2021**– Great Place to Work Institute
- **Avtar top 100 Places**
- **Best Workplaces for Women 2021 – Economic Times**
- Brandon Hall awards - Learning Strategy, Simulation training, & Social Talent Acquisition

Attracting talent

- **Hybrid work model** and flexi hours to attract gig workers
- Robust **employee referral schemes** (>50%)
- **Hire–train-deploy** model through tie-up with reputed learning institutions
- **HR tech**: in-house application tracking system

Training & development

- **Career coaching** and development interventions; woman mentoring
- **Mobile learning** app for self-paced learning
- **Training for all** including employees, contractors, channel partners **/ Virtual product training**
- **Skill Up: Curated online training** programs from reputed universities
- Average hours per FTE of training and development: **86 hours**

Employee engagement

- **Emotional and well being assistance** program for employees and their families
- **Doctor on Call:** Unlimited free consultation
- **E-Sparsh**: Online query & grievance platform
- Family integration programs
- Platform for employee engagement: CEO Speaks, HDFC Life Got Talent, e-appreciation cards
- **In-house fitness and wellness app** - Click2Wellness

Talent management/retention

- **Special programs for campus hires**; **Talent development** interventions for leadership
- **Career microsite, job portal**
- **Internal Career Fair** for employees
- Long term incentive plans in the form of **ESOPs**[1] and cash to attract, retain and motivate good talent
- Elaborate **succession planning** for Key Managerial Personnel, critical senior roles

Employee diversity, equity & inclusion

- Promoting **DEI ally ship**: leadership development, communication, strengthening policies, aligning workforce through **Celebrate YOU** program of the Company
- 26% **women** employees
- Promoting **diverse talent pool** (work profiles for second career women, specially-abled) - #MyJobMyRules
- Launched official DEI page on our website highlighting various initiatives
- **Gender transition surgery** covered under mediclaim policy

Gender neutral

- **Dress code policy**
- **Maternity policy –** Use of terms like primary and secondary caregiver instead of using terms like parents, mother/father, man/woman

1. *ESOPs: Employee Stock Options*

Holistic Living: Inclusive Growth

FY 2021-22

Customer Highlights

Claim settlement ratio (individual & group)
99.6%

Customer Satisfaction Score for March'22
88.9 %

Persistency ratio (13th month) **92%** (including single premium and fully paid up policies)

COVID claims (net)
Rs. 818 crore, Count 15,293

CSR Numbers

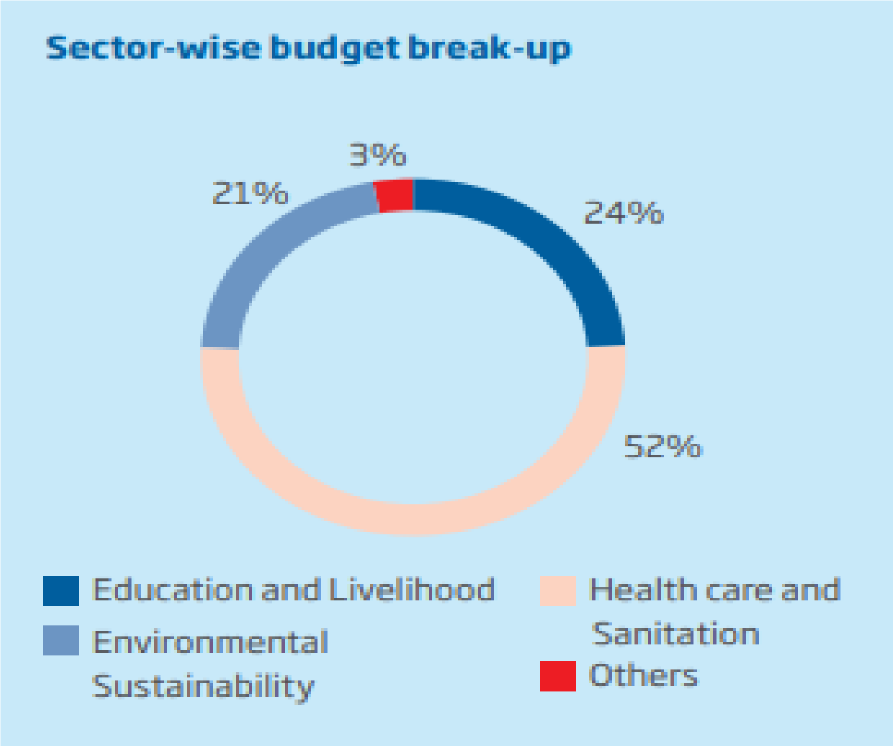
Number of lives covered
5.4 crore

Rural sector
1,89,147

Social sector
1,00,87,909

MFI lives covered under CP
3,14,55,858

States and UT's covered
23



Sustainable Development Goals covered **12**

CSR Spends
Rs. 17.4 crore

CSR beneficiaries*
4.6 lakh

***CSR beneficiaries include 1.60 lakh beneficiaries impacted in completed projects and 3.07 lakh beneficiaries from on-going projects**

Actuarial

Financial

ESG

Holistic Living: Delivering superior customer experience

Customer Centricity

Journey simplification – frictionless sales and service

- Simplifying buying journeys through **platforms** like LifeEasy (online term purchase)
- **Online claim processing** for eligible customers via EasyClaims platform

Document simplification & elimination

- **OCR:** Enabling digital document submission and verification
- **Straight through processing** of maturity payouts for verified accounts

Leveraging advanced technologies for personalization and better customer experience (CX)

- **Cognitive bots** – policy queries answered within 2-3 clicks
- **Personalization** – Pre-approved sum assured for customers based on risk profile

Contactless services- new normal

- **Digital Life Certificate** for collecting survival proof from senior citizens
- **Contactless branches** by leveraging face recognition technology

Customer Satisfaction Score (%) as on 31st March 2022 – **88.9**

Actuarial | Financial | **ESG**

1. OCR: Optical Character Recognition

Sustainable Operations

Energy and water

- Since 2014 only **3 or 5 star rating** air – conditioners used
- 94% of branches use **LED based lighting** system
- Use of **sensor based** urinals and water taps
- Total purchase of energy from **renewable** sources: **2,39,788 kWh** during FY 2021-22
- **25** new **water purifiers** installed in FY 2021-22 to replace bottled drinking water

De-carbonization roadmap and way forward

Key initiatives & action points for FY23:

- **TCFD** (Task Force on Climate-Related Financial Disclosures)
- **SBTi** (Science Based Targets initiative)
- **Carbon neutrality** strategy & roadmap

Digitization - Reduction of Paper Usage

- Introduction of **E-business cards & ID cards**
- Online /**e-forms** for customers
- Annual report FY20 & FY21 digitally communicated
- **Demat** i.e. digital policy accounts for 38% of our new business

Bio-diversity

- **11 city forests** created using **Miyawaki method**; **69,603** trees planted in total

GHG inventory

- Scope 1 emissions – **0.42** met. ton. CO_2e per FTE
- Scope 2 emissions – **0.41** met. ton. CO_2e per FTE
- Scope 3 emissions – **0.03** met. ton. CO_2e per FTE

Waste management

- **25,850 Kgs of e-waste** recycled/ refurbished/disposed in FY22
- **301.5 Kg** of paper cups & paper disposed for recycling FY 2021-22
- **No single-use plastics**
  - Bio-degradable garbage bags
  - Cafeteria with reusable plates, cutlery, wooden stirrers etc.
  - Procurement of plastic water bottles discontinued at Pan-India locations

Agenda

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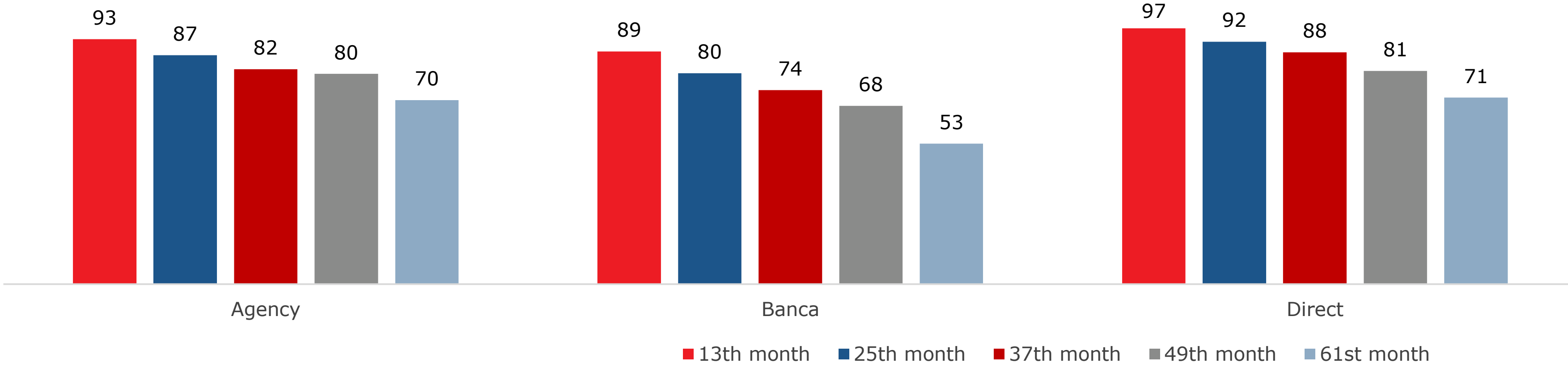
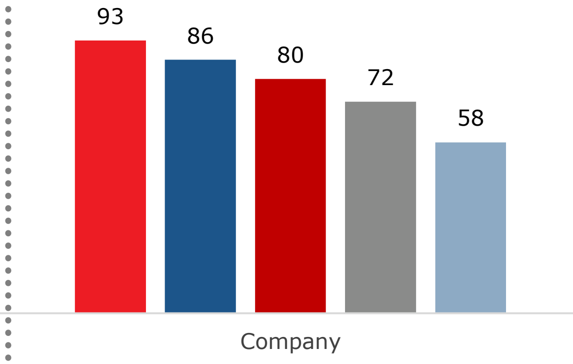
5. Our approach to ESG
6. **Annexures**
7. Life insurance in India

Improvement in overall persistency trends[1]

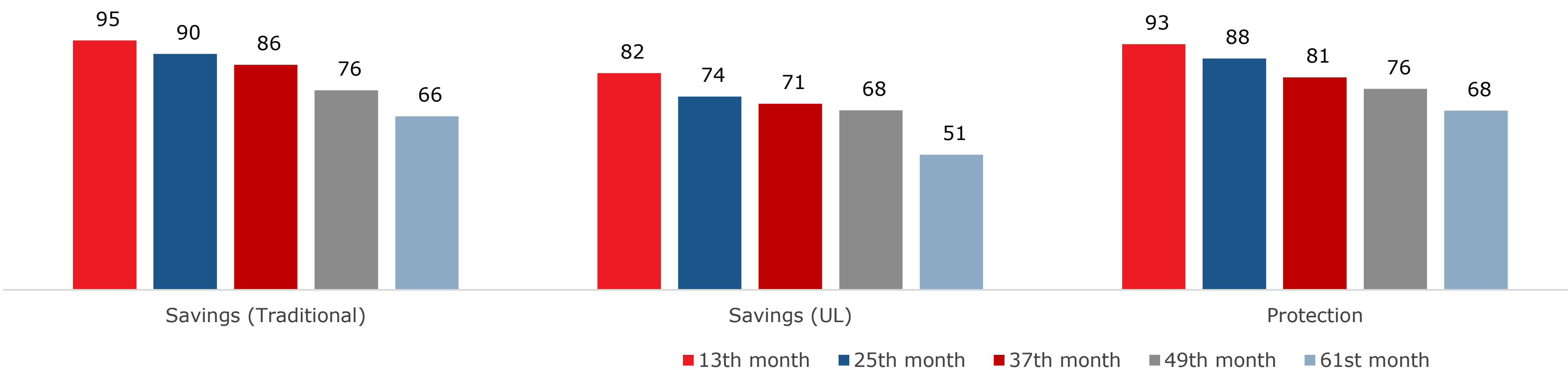
Across key channels (%)



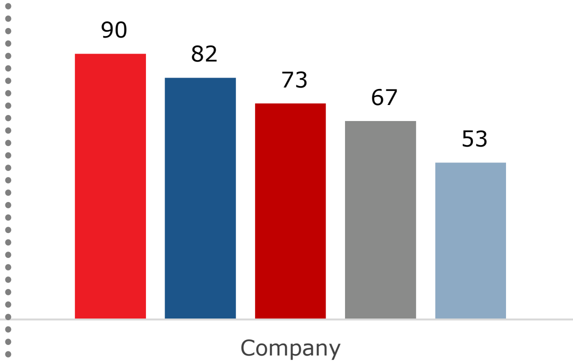
CY (Q1 FY23)



Across key segments (%)



PY (Q1 FY22)

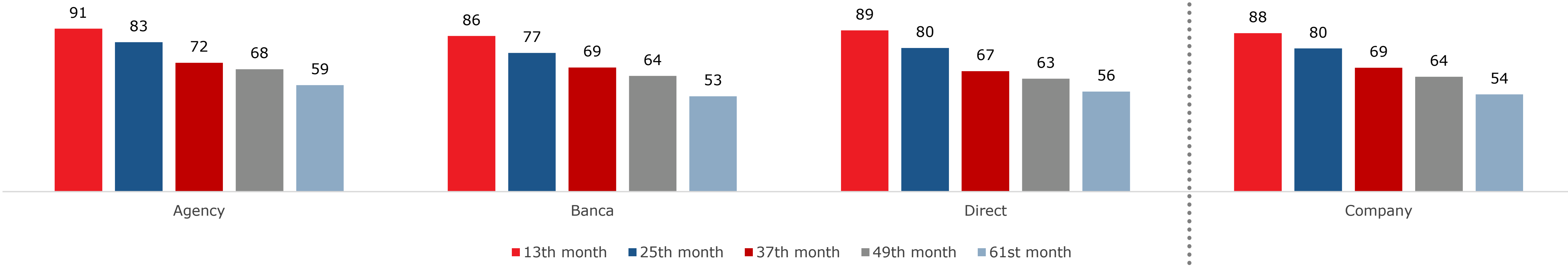


1. For individual business; Including single premium and fully paid up policies

Improvement in overall persistency trends[1]

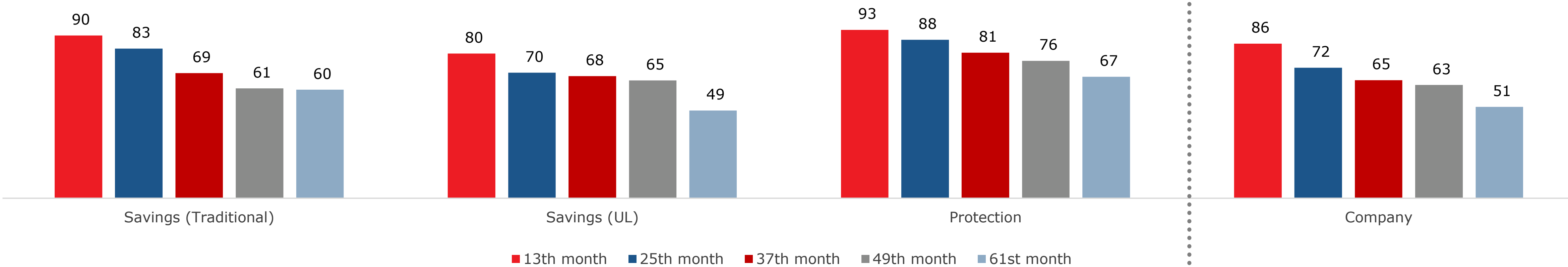
Across key channels (%)

CY (Q1 FY23)



Across key segments (%)

PY (Q1 FY22)



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Financial
ESG

1. For individual business; Excluding single premium and fully paid up policies

Improving VNB trajectory

NBM%	26.2%	-	-0.8%	2.0%	-0.6%	**26.8%**

Actuarial

Financial

ESG

1. Reflects the impact of difference in mix of segment/distribution channel/tenure/age/sum assured multiple etc

VNB – Value of New Business; NBM – New Business Margin

Sensitivity analysis – FY22

Analysis based on key metrics	Scenario	Change in VNB Margin [1]	% Change in EV
Change in			
Reference rate	Increase by 1%	-1.4%	-2.0%
	Decrease by 1%	0.8%	1.6%
Equity Market movement	Decrease by 10%	-0.1%	-1.4%
Persistency (Lapse rates)	Increase by 10%	-0.6%	-0.6%
	Decrease by 10%	0.7%	0.6%
Maintenance expenses	Increase by 10%	-0.5%	-0.8%
	Decrease by 10%	0.5%	0.8%
Acquisition Expenses	Increase by 10%	-3.4%	NA
	Decrease by 10%	3.4%	NA
Mortality / Morbidity	Increase by 5%	-1.2%	-1.0%
	Decrease by 5%	1.2%	1.0%
Tax rate[2]	Increased to 25%	-4.8%	-9.1%

Actuarial

Financial

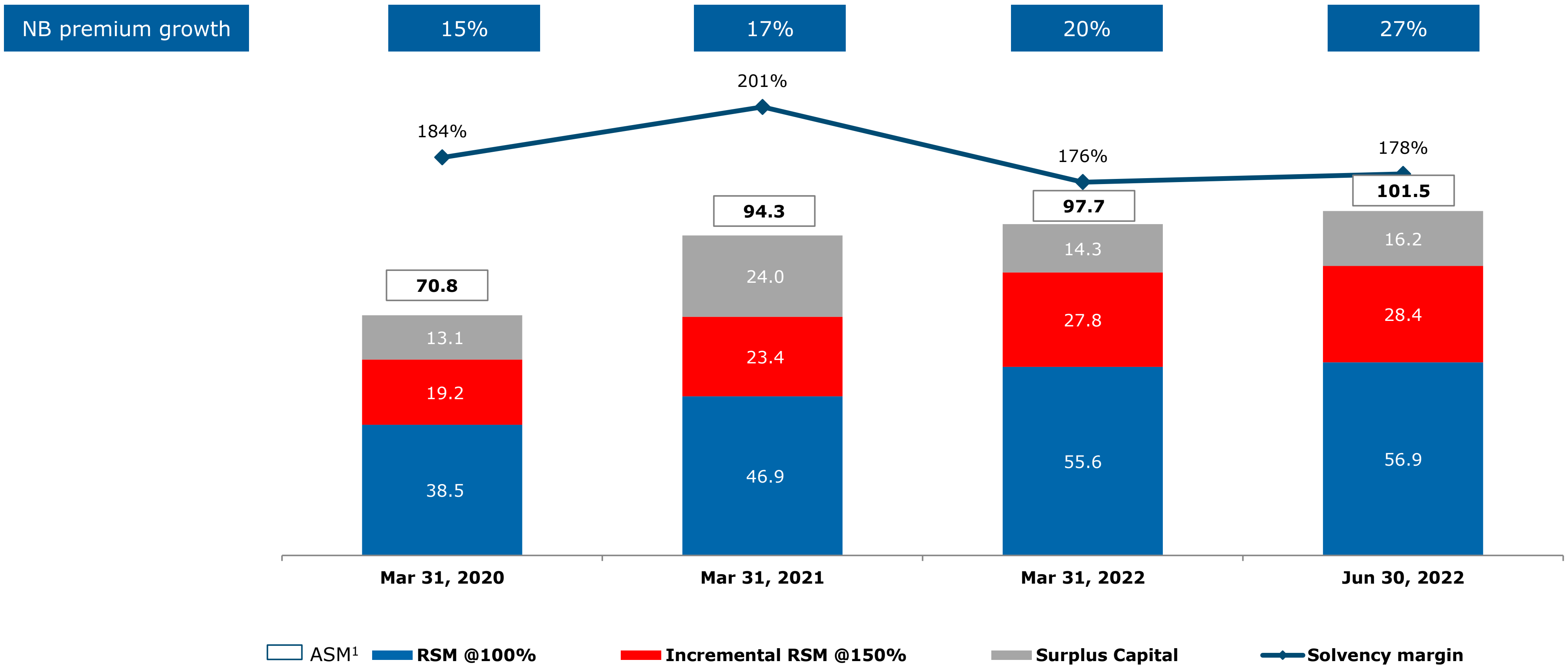
ESG

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

Capital position

Rs bn

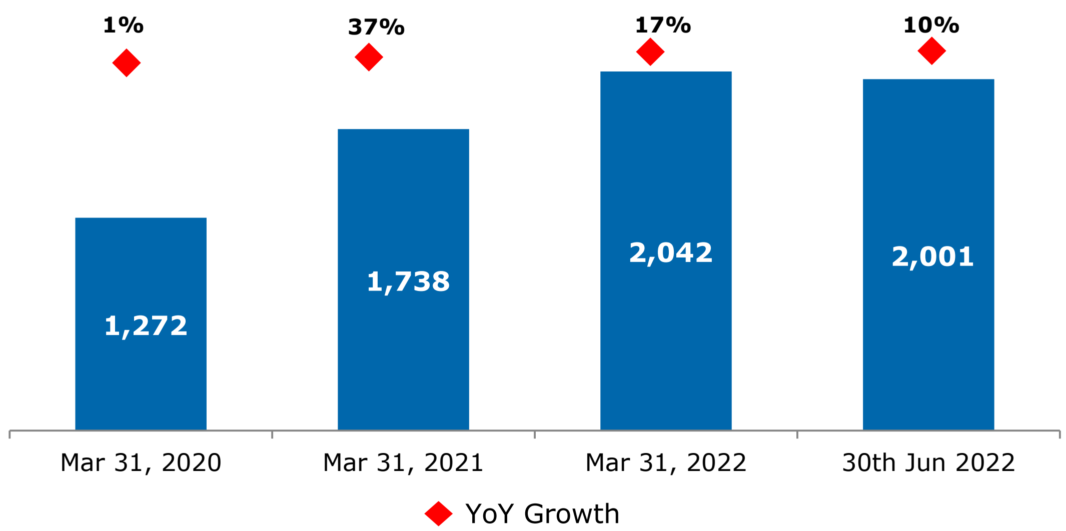


- Successfully raised Rs 3.5 billion of sub-debt in Q1 FY23
- Paid final dividend of Rs 1.70 per equity share

1. *ASM represents Available solvency margin and RSM represents Required solvency margin*

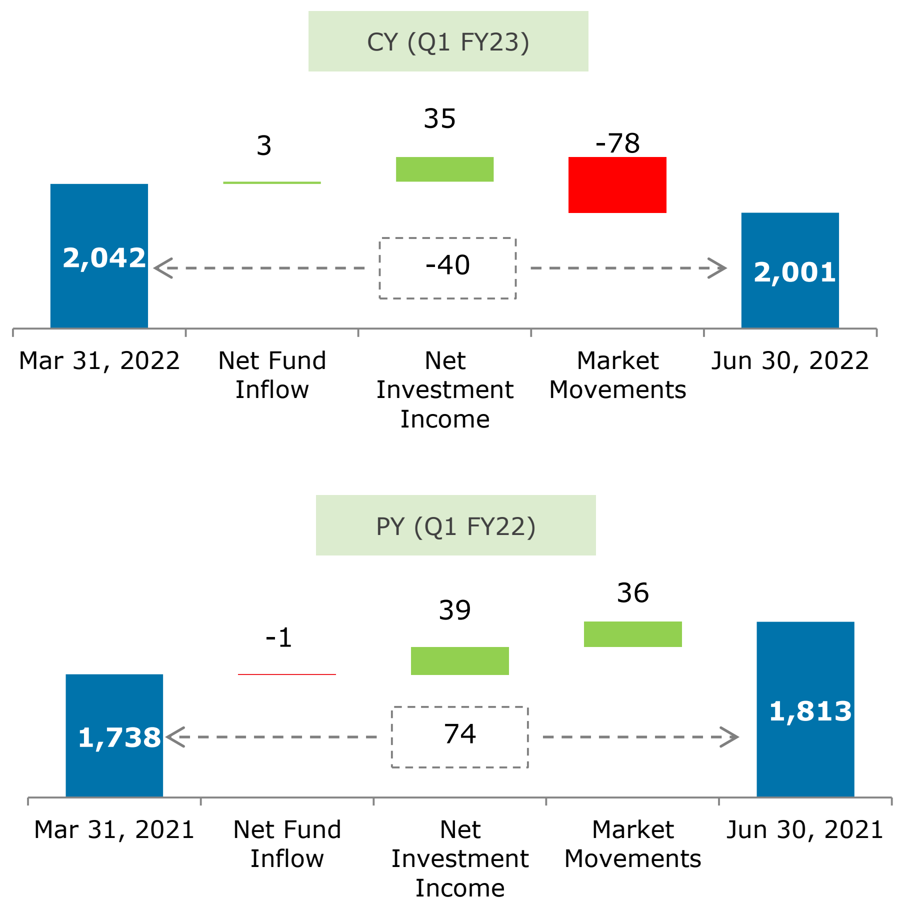
Assets under management

	Mar 31, 2020	Mar 31, 2021	Mar 31, 2022	30th Jun 2022
Debt: Equity	71:29	64:36	63:37	65:35
UL:Traditional	43:57	43:57	39:61	37:63



Change in AUM [1]

Rs bn



- Around 99% of debt investments in Government bonds and AAA rated securities as on June 30, 2022

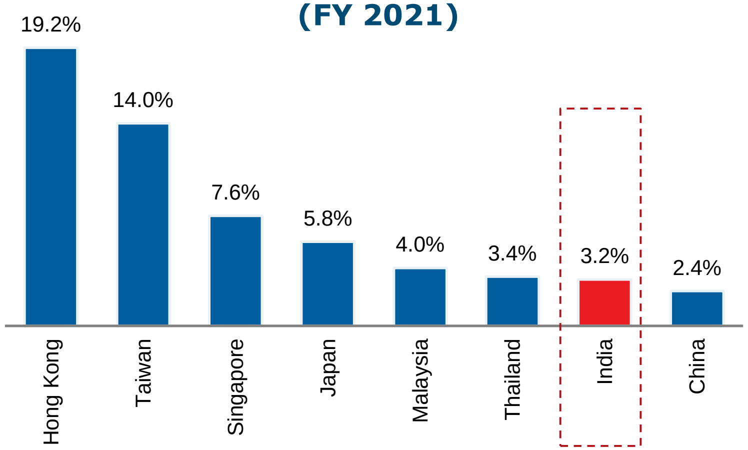
Actuarial | **Financial** | ESG

1. Calculated as difference from April to June

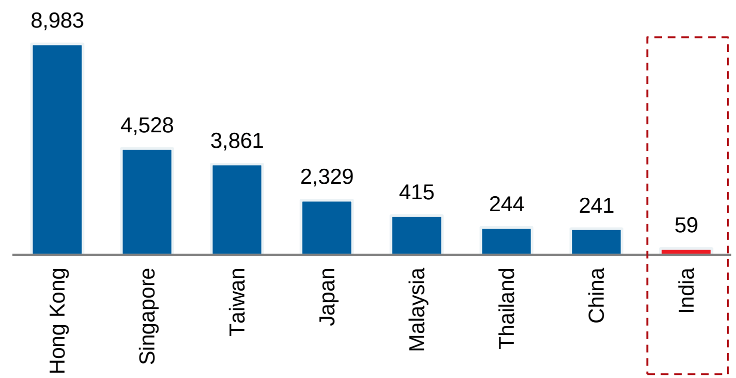
Agenda

Growth opportunity: Under-penetration and favorable demographics

Life Insurance penetration [1] (FY 2021)

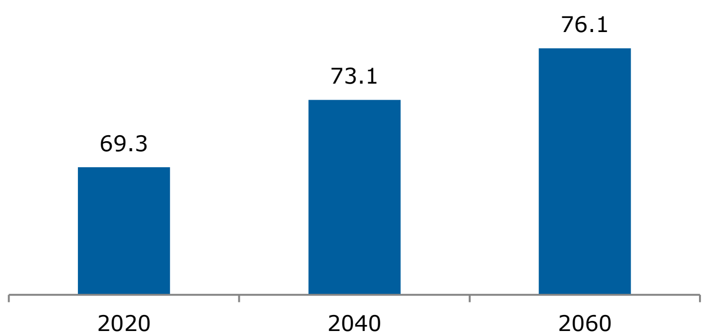


Life Insurance density US$ [2] (FY 2021)

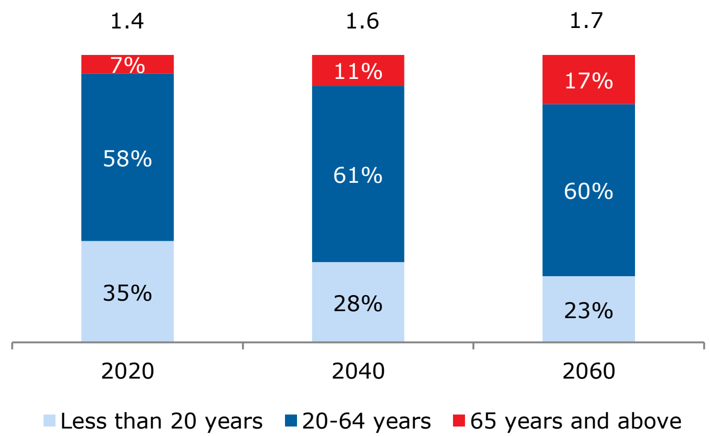


- India remains vastly under-insured, both in terms of penetration and density
- Huge opportunity to penetrate the underserviced segments, with evolution of the life insurance distribution model

Life expectancy (Years)



Population composition (bn)



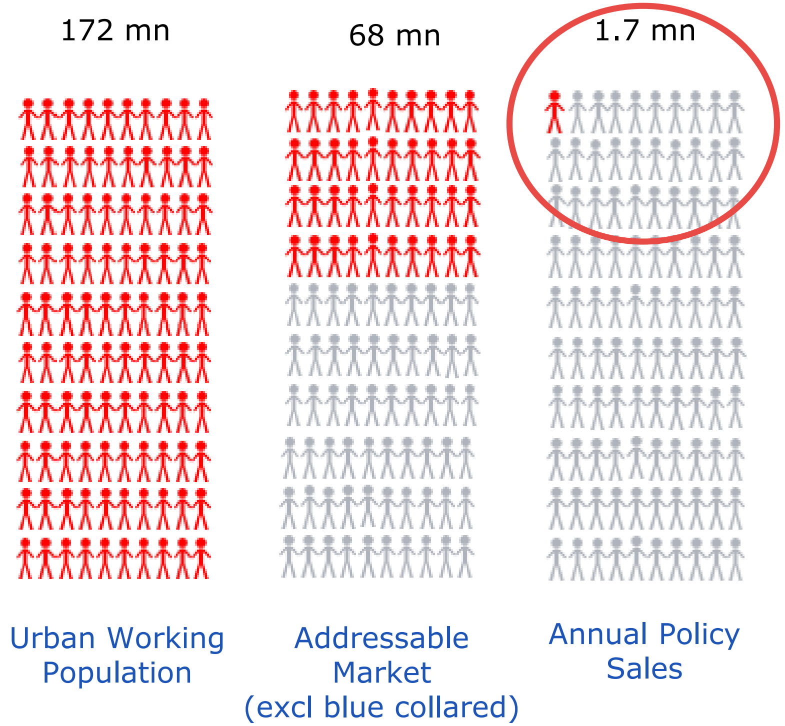
- India's insurable population estimated to be at ~1 bn by 2035
- Emergence of nuclear families and advancement in healthcare facilities lead to increase in life expectancy thus facilitating need for pension and protection based products

1. Penetration as measured by premiums as % of GDP,

2. Density defined as the ratio of premium underwritten in a given year to the total population

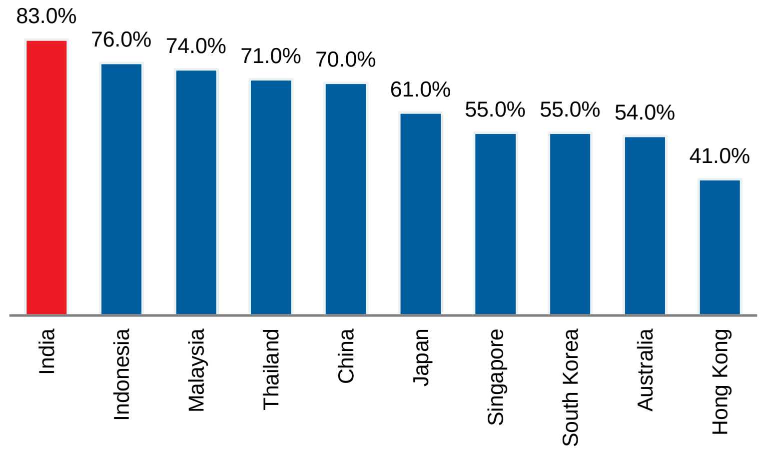
Source: Swiss Re (Based on respective financial year of the countries), MOSPI, United Nations World Populations Prospects Report (2017)

Low levels of penetration – Life protection



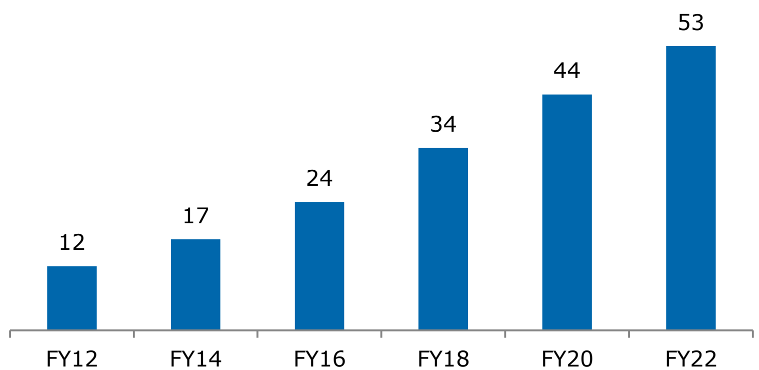
- Only 1 out of 40 people (2.5%) who can afford it, is buying a policy every year[1]
- Even within the current set, Sum Assured as a multiple of Income is <1x

Protection gap [2] (2019)



- 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 growth rate is predicted to grow at 4% per annum

Trend of retail loans [3] (Rs Tn.)



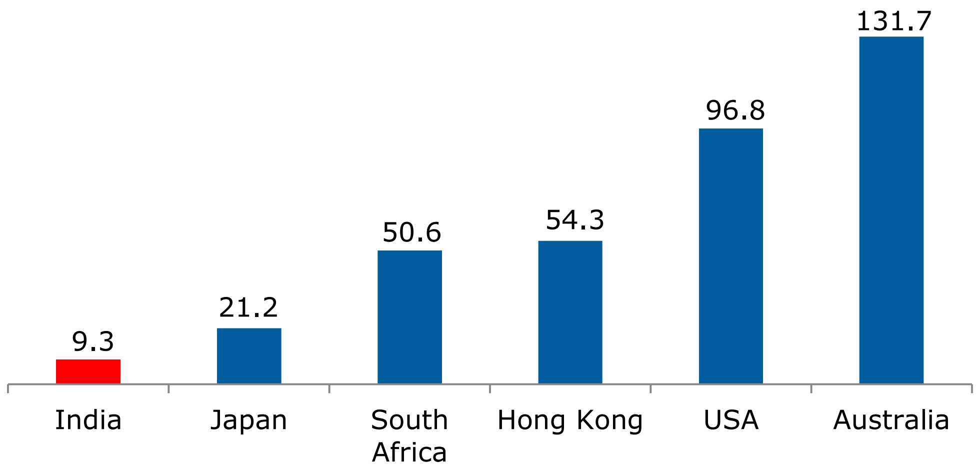
- Retail credit has grown at a CAGR of 16% over last 10 years
- Increasing retail indebtedness to spur need for credit life products
- Immense opportunity given:
  - Increasing adoption of credit
  - Enhancement of attachment rates
  - Improvement in value penetration
  - Widening lines of businesses

1. *Goldman Sachs Report, March 2019*
2. *Swiss Re (Based on respective financial year of the countries)*
3. *Kotak institutional equities*

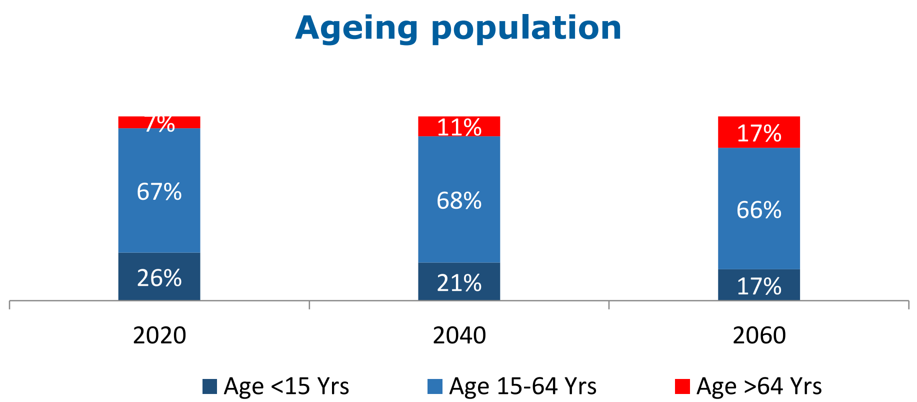
HDFC Life

Macro opportunity – Retiral solutions

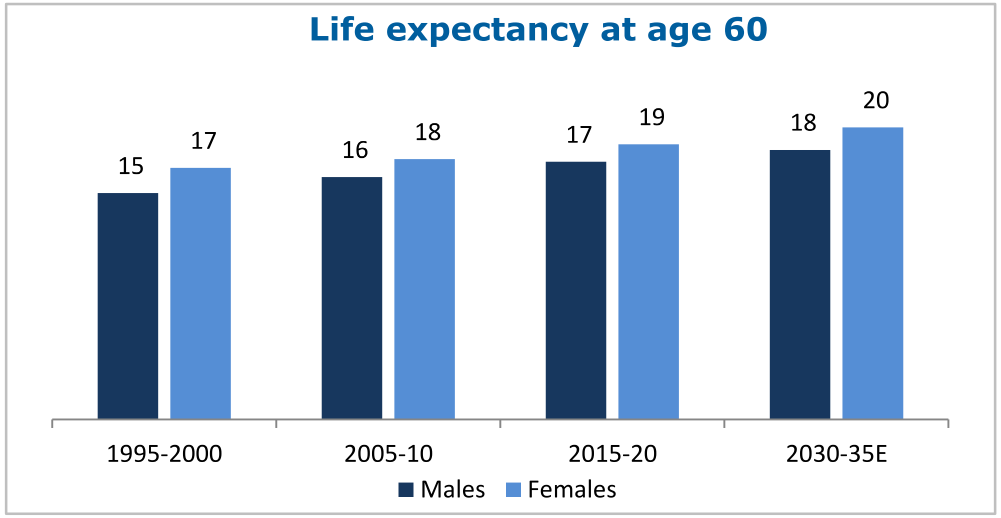
India's pension market is under-penetrated at 9.3% of GDP



Elderly population is expected to almost triple by 2060



Improvements in life expectancy will lead to an average post retirement period of 20 years



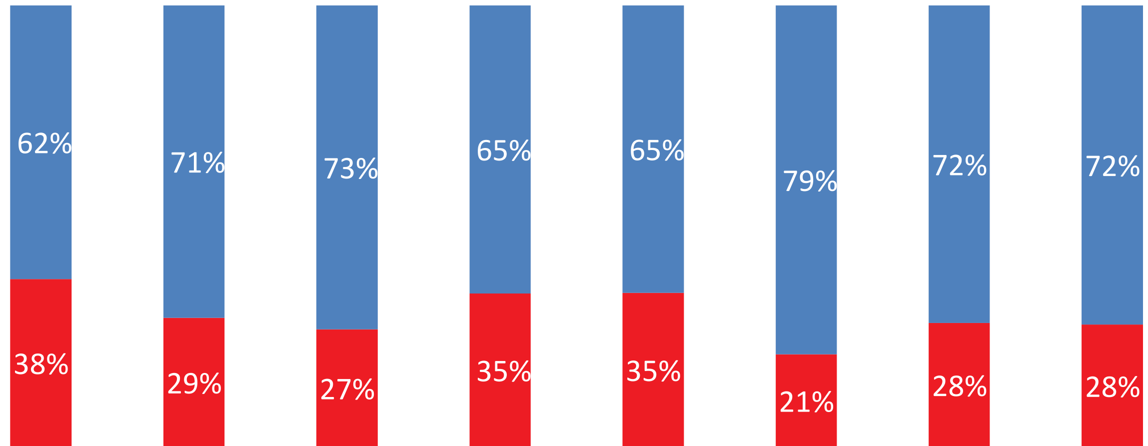
- Average household size has decreased from 4.6 in 2001 to 3.9 in 2018
- Total Pension AUM is expected to grow to Rs 118 Tn by 2030 (about 1/4th accounted by NPS)
- Mandatory schemes to increase coverage for both unorganized and organized sectors

Source: Milliman Asia Retirement Report 2017; Survey by NSSO, Ministry of statistics and Programme implementation Crisil PFRDA, Census of India, UN Population Estimates

Government bond auctions

Government Bonds – Tenorwise Issuance

Rs cr

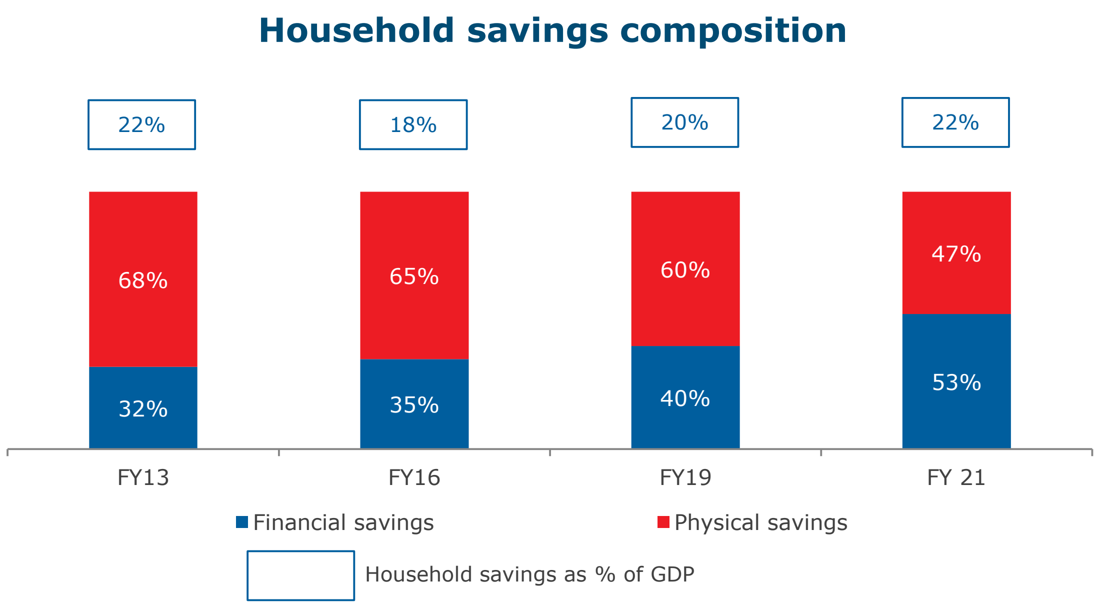


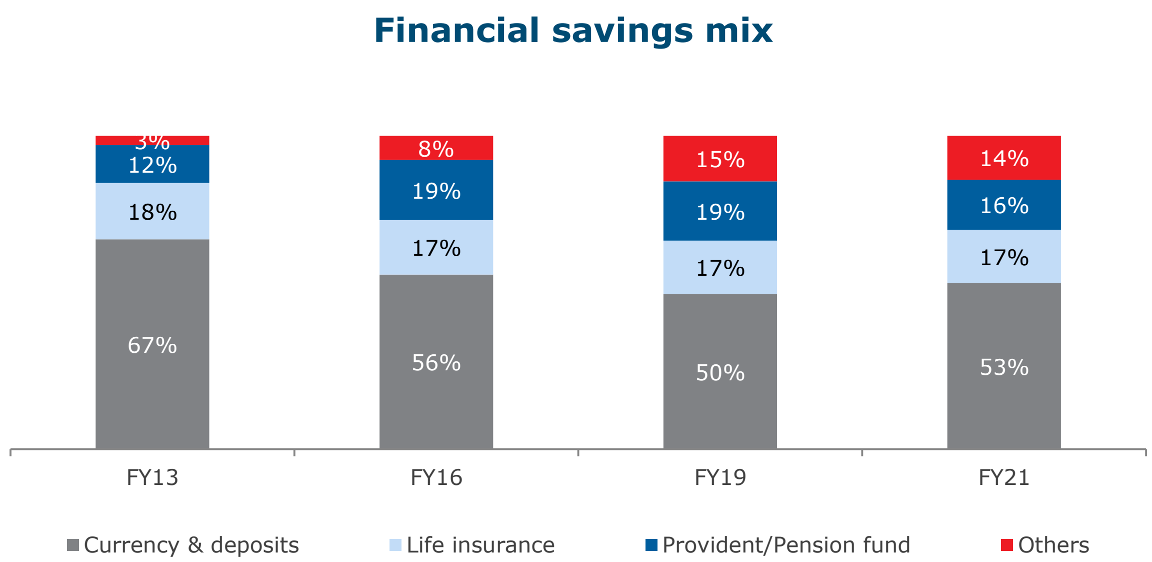
	FY16	FY17	FY18	FY19	FY20	FY21	FY22	Q1 FY23
<=15yrs	3,66,500	3,73,525	4,97,579	3,82,941	4,44,000	10,01,83	8,48,000	2,82,000
>15yrs	2,25,000	1,54,520	1,80,529	2,04,000	2,38,000	2,65,575	3,31,000	1,08,000
Total	5,91,500	5,28,045	6,78,109	5,86,941	6,82,000	12,67,41	11,79,00	3,90,000

- Auction of >15 year maturity bonds has been ~25-30% on an average facilitates writing annuity business at scale

Source: CCIL & National Statistics Office, Union Budget, RBI

Life Insurance: A preferred savings instrument

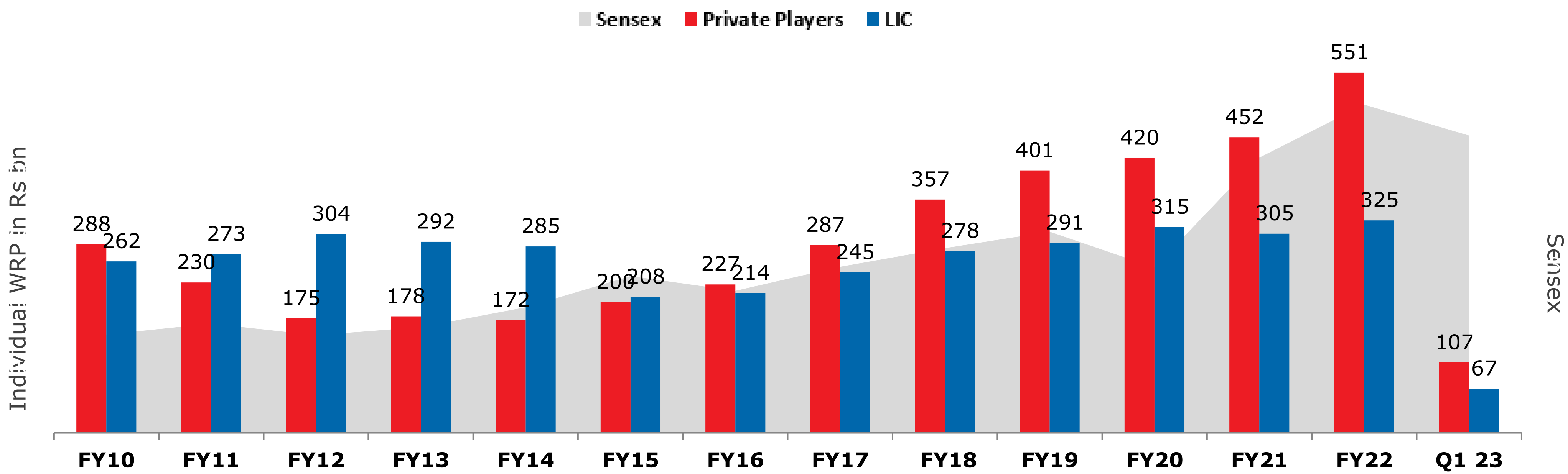




- Increasing preference towards financial savings with increasing financial literacy within the population
- Various government initiatives to promote financial inclusion:
  - Implementation of JAM trinity
  - Launch of affordable PMJJBY and PMSBY social insurance schemes
  - Atal Pension Yojana promoting pension in unorganized sector

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

Industry new business[1] trends



		FY10	FY11	FY12	FY13	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22	Q1 23
Private players Market share		52%	46%	37%	38%	38%	49%	52%	54%	56%	58%	57%	60%	63%	61%
Growth %	**Private**	*7%*	*-20%*	*-24%*	*2%*	*-3%*	*16%*	*14%*	*26%*	*24%*	*12%*	*5%*	*8%*	*22%*	*47%*
	LIC	*29%*	*4%*	*11%*	*-4%*	*-2%*	*-27%*	*3%*	*15%*	*13%*	*5%*	*8%*	*-3%*	*7%*	*35%*
	Overall	*17%*	*-9%*	*-5%*	*-2%*	*-3%*	*-11%*	*8%*	*21%*	*19%*	*9%*	*6%*	*3%*	*16%*	*42%*

- Private sector remained at higher market share than LIC FY16 onwards
- Amongst private insurers, insurers with a strong bancassurance platform continue to gain market share

1.Based on Individual Weighted Received Premium (WRP)

Source: IRDAI and Life Insurance Council

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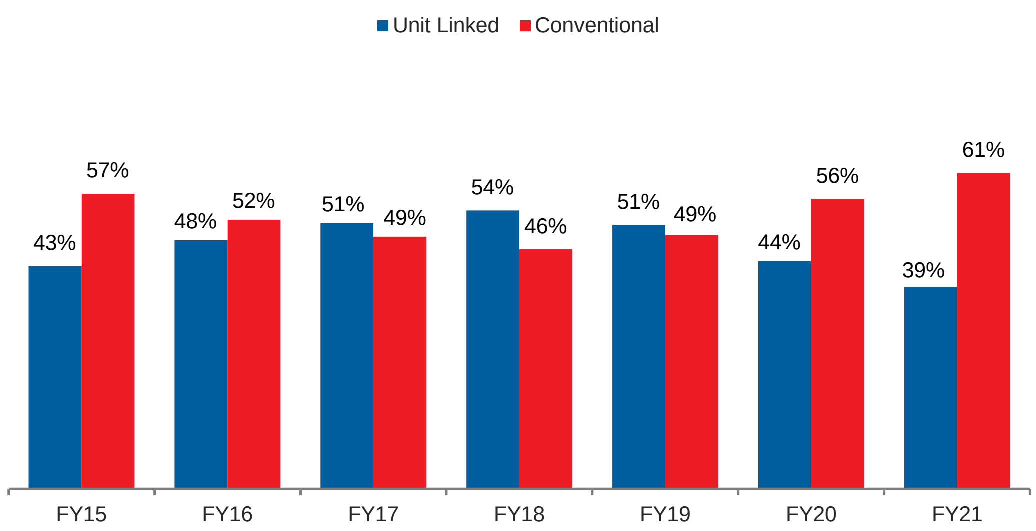
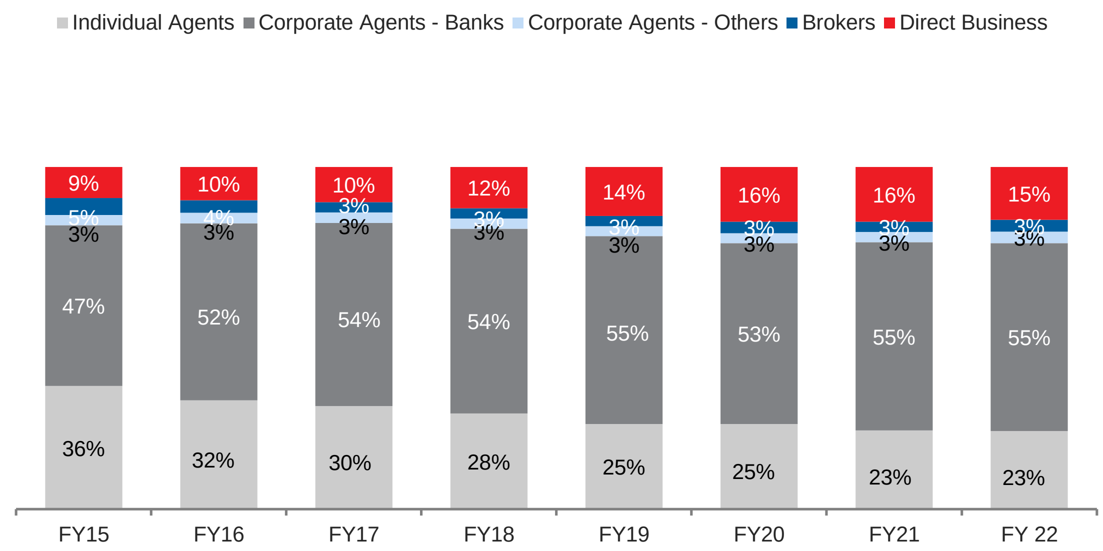
Private industry: Product and distribution mix

Product mix [1]



Distribution mix [2]



- Product mix has recently moved towards conventional business for the private players with high focus on non-par savings, protection
- Banca sourced business continues to dominate the channel mix on the back of increasing reach of banks along with increase in share of direct channel

1. Based on Overall WRP (Individual and Group);

2. Based on Individual New business premia for all private players

Source: IRDAI and Life Insurance Council

Appendix

Financial and operational snapshot (1/2)

Rs bn.

	Q1 FY23	Q1 FY22	Growth	FY22	FY21	FY20	CAGR
New Business Premium (Indl. + Group)	*47.8*	*37.7*	*27%*	*241.5*	*201.1*	*172.4*	*18%*
Renewal Premium (Indl. +Group)	*46.2*	*38.9*	*19%*	*218.1*	*184.8*	*154.7*	19%
Total Premium	94.0	76.6	23%	459.6	385.8	327.1	*19%*
Individual APE	15.5	13.1	18%	81.7	71.2	61.4	15%
Overall APE	19.0	15.6	22%	97.6	83.7	74.1	15%
Group Premium (NB)	25.2	19.0	33%	125.1	100.3	87.8	19%
Profit after Tax	3.7	3.0	21%	12.1	13.6	13.0	-4%
- Policyholder Surplus	*2.6*	*0.4*	489%	*4.4*	*7.3*	*10.9*	*-36%*
- Shareholder Surplus	*1.0*	*2.6*	-60%	*7.7*	*6.3*	*2.1*	*91%*
Dividend Paid	3.6	-	NA	4.1	-	-	NA
Assets Under Management	2,001.2	1,812.7	10%	2,041.7	1,738.4	1,272.3	27%
Indian Embedded Value	297.1	273.3	9%	300.5	266.2	206.5	21%
Net Worth [1]	154.3	87.8	76%	154.0	84.3	69.9	48%
NB (Individual and Group segment) lives insured (Mn.)	12.2	7.4	64%	54.1	39.8	61.3	-6%
No. of Individual Policies (NB) sold (In 000s)	166.3	170.5	-2%	915.3	982.0	896.3	1%

1. Comprises share capital, share premium and accumulated profits/(losses)

Financial and operational snapshot (2/2)

		Q1 FY23	Q1 FY22	FY22	FY21	FY20
Overall New Business Margins (post overrun)		26.8%	26.2%	27.4%	26.1%	25.9%
Operating Return on EV		16.5%	14.4%	16.6%	18.5%	18.1%
Operating Expenses / Total Premium		14.9%	12.5%	12.3%	12.0%	13.1%
Total Expenses (OpEx + Commission) / Total Premium		18.8%	16.4%	16.5%	16.4%	17.7%
Return on Equity	(1)	9.5%	14.1%	10.1%	17.6%	20.5%
Solvency Ratio		178%	203%	176%	201%	184%
Persistency (13M / 61M)	(2)	93%/58%	90%/53%	92%/58%	90%/53%	88%/54%
Market Share (%)						
- Individual WRP		14.6%	17.8%	14.8%	15.5%	14.2%
- Group New Business		22.2%	25.9%	27.9%	27.6%	29.0%
- Total New Business		19.0%	22.3%	21.0%	21.5%	21.5%
Business Mix (%)						
- Product (UL/Non par savings/Annuity/Non par protection/Par)	(3)	25/35/6/5/30	27/32/5/8/29	26/33/5/6/30	24/31/5/7/34	28/41/4/8/19
- Indl Distribution (CA/Agency/Broker/Direct)	(3)	56/16/7/22	56/15/6/23	60/14/6/19	61/13/7/19	55/14/9/22
- Total Distribution (CA/Agency/Broker/Direct/Group)	(4)	21/6/2/18/53	22/7/3/18/50	24/6/2/16/52	25/6/2/17/50	23/7/3/17/51
- Share of protection business (Based on Indl APE)		4.6%	8.3%	5.6%	6.8%	7.6%
- Share of protection business (Based on Overall APE)		16.9%	15.7%	13.6%	12.8%	17.2%
- Share of protection business (Based on NBP)		32.3%	22.4%	24.0%	19.6%	27.6%

1. *Calculated using net profit and average net worth for the period (Net worth comprises of Share capital, Share premium and Accumulated profits)*
2. *Individual persistency ratios including single premium (based on original premium)*
3. *Based on individual APE. UL: Unit Linked, Trad: Traditional, Par: Participating & CA: Corporate Agents. Percentages are rounded off*
4. *Based on total new business premium including group. Percentages are rounded off*

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Revenue and Profit & Loss A/c

Rs bn

Revenue A/c[1]

	Q1 FY23	Q1 FY22
Premium earned	94.0	76.6
Reinsurance ceded	(1.2)	(1.2)
Income from Investments	(34.9)	69.6
Other Income	0.4	0.2
Transfer from Shareholders' Account	-	0.8
Total Income	**58.3**	**146.0**
Commissions	3.7	3.0
Expenses	14.0	9.5
GST on UL charges	0.9	0.9
Provision for taxation	0.2	(0.0)
Provision for diminution in value of investments	0.2	(2.0)
Benefits paid	65.5	55.5
Change in valuation reserve	(31.8)	76.1
Bonuses Paid	3.2	2.6
Total Outgoings	**55.8**	**145.4**
Surplus	**2.5**	**0.6**
Transfer to Shareholders' Account	2.6	1.3
Funds for future appropriation - Par	(0.1)	(0.7)
Total Appropriations	**2.5**	**0.6**

Profit and Loss A/c[1]

	Q1 FY23	Q1 FY22
Income		
Interest and dividend income	1.2	1.2
Net profit/(loss) on sale	(0.2)	1.3
Transfer from Policyholders' Account	2.6	1.2
Other Income	-	-
Total	**3.6**	**3.8**
Outgoings		
Transfer to Policyholders' Account	-	0.8
Expenses	0.1	0.0
Interest on convertible debentures	0.1	0.1
Provision for diminution in value of investments	(0.2)	(0.2)
Provision for Taxation	0.0	0.0
Total	**(0.0)**	**0.8**
Profit for the year as per P&L Statement	**3.7**	**3.0**

1. Numbers may not add up due to rounding off effect

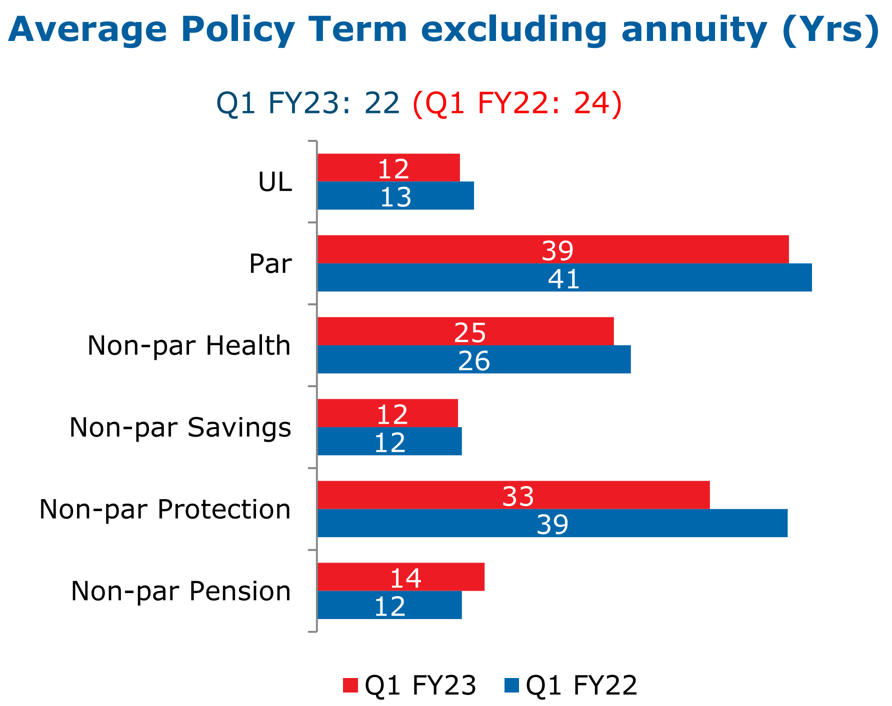
Balance sheet

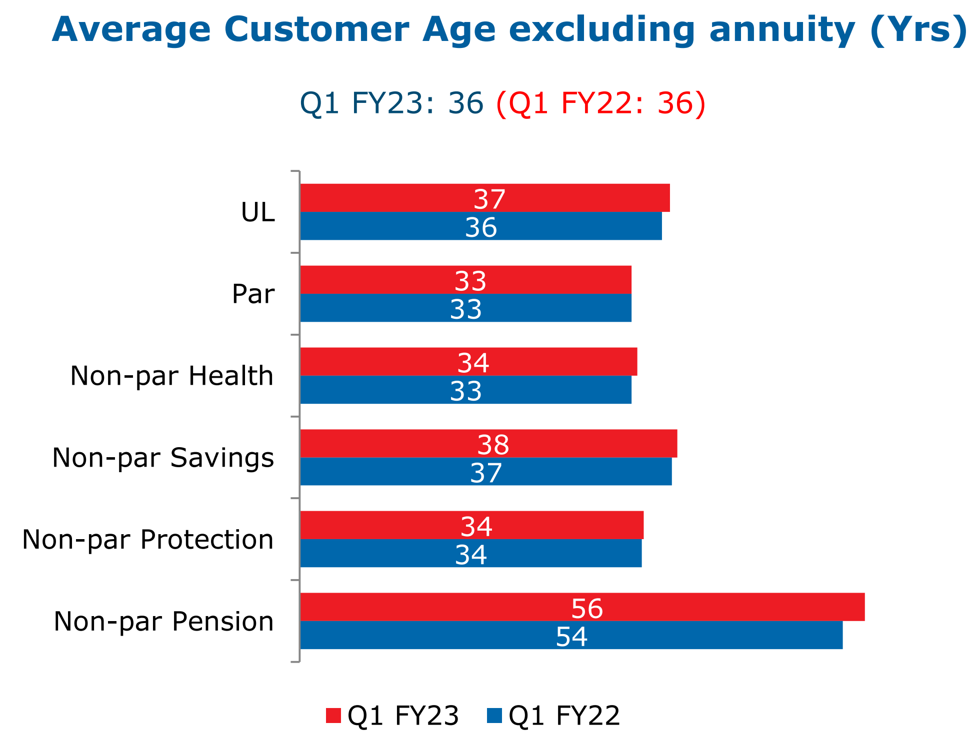
Rs bn

	Jun 30, 2022	Jun 30, 2021	March 31, 2022
Shareholders' funds			
Share capital (including Share premium)	86.9	25.4	86.7
Accumulated profits	67.3	62.3	67.3
Fair value change	(0.3)	1.8	0.8
Sub total	**154.0**	**89.5**	**154.8**
Borrowings	**9.5**	**6.0**	**6.0**
Policyholders' funds			
Fair value change	8.9	23.4	21.7
Policy Liabilities	1,081.3	897.2	1,043.4
Provision for Linked Liabilities	694.5	740.2	765.2
Funds for discontinued policies	41.9	41.5	41.0
Sub total	1,826.7	**1,702.3**	**1,871.3**
Funds for future appropriation (Par)	9.3	9.2	9.4
Total Source of funds	**1,999.5**	**1,807.1**	**2,041.6**
Shareholders' investment	157.1	89.7	152.4
Policyholders' investments: Non-linked	1,107.6	941.3	1,083.1
Policyholders' investments: Linked	736.5	781.8	806.2
Loans	7.0	4.8	6.4
Fixed assets	3.5	3.4	3.4
Net current assets	(12.3)	(13.8)	(10.0)
Total Application of funds	**1,999.5**	**1,807.1**	**2,041.6**

Note: Numbers may not add up due to rounding off effect

Segment wise average term and age[1]





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

1. *Basis individual new business policies (excluding annuity)*

Summary of Milliman report on our ALM approach – FY20

Scope of review	Portfolios reviewed
• Assess appropriateness of ALM strategy to manage interest rate risk in non-par savings business • Review sensitivity of value of assets and liabilities to changes in assumptions	▪ Portfolio 1: Savings and Protection – All non-single premium non-par savings contracts and group protection products ▪ Portfolio 2: All immediate and deferred annuities

Description	Stress scenarios tested	Net asset liability position
Interest rate scenarios	Parallel shifts/ shape changes in yield curve within +- 150 bps of March 31st 2020 Gsec yield curve	Changes by < 4.5%
Interest rate + Demographic scenarios	Interest rate variation + changes in future persistency/ mortality experience	Changes by < 7%
100% persistency and low interest rates	100% persistency with interest rates falling to 4% p.a. for next 5 years, 2% p.a for years 6 -10 and 0% thereafter	Still remains positive

Opinion and conclusion

ALM strategy adopted for Portfolios 1 and 2 is appropriate to:

- **meet policyholder liability cash flows**
- **protect net asset-liability position thereby limiting impact on shareholder value**

1. Opinion issued by Milliman Advisors LLP on ALM strategy (for non par business) based on FY20 disclosures

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.

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Indian 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. Intrinsic value of such options and guarantees is reflected in 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 Jun 30, 2021	As at Jun 30, 2022	As at Jun 30, 2021	As at Jun 30, 2022
1	3.87	5.96	3.80	5.79
2	5.40	7.38	4.53	6.46
3	6.39	7.85	5.08	6.82
4	7.01	7.98	5.51	7.04
5	7.43	8.01	5.84	7.17
10	7.99	8.02	6.72	7.44
15	7.72	8.06	7.00	7.54
20	7.43	8.10	7.07	7.60
25	7.25	8.12	7.07	7.64
30	7.15	8.14	7.04	7.67

1. Forward rates are annualised and Spot rates are continuous

Glossary (Part 1)

- **APE (Annualized Premium Equivalent)** - The sum of annualized first year regular premiums and 10% weighted single premiums and single premium top-ups
- **Backbook surplus –** Surplus accumulated from historical business written
- **Conservation ratio -** Ratio of current year renewal premiums to previous year's renewal premium and first year premium
- **Embedded Value Operating Profit ("EVOP")** – 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 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 2021, the first instalment would fall into first year premiums for 2020-21 and the remaining 11 instalments in the first year would be first year premiums in 2021-22
- **New business received premium** - The sum of first year premium and single premium.
- **New business strain** – Strain on the business created due to revenues received in the first policy year not being able to cover for expenses incurred

Glossary (Part 2)

- **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
- **Proprietary channels** – Proprietary channels include agency and direct
- **Protection Share** - Share of protection includes annuity and health
- **Persistency** – The proportion of business retained from the business underwritten. The ratio is measured in terms of number of policies and premiums underwritten.
- **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

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