HDFC Life Insurance

Investor Presentation – 9M FY21

Agenda

1 Performance Snapshot

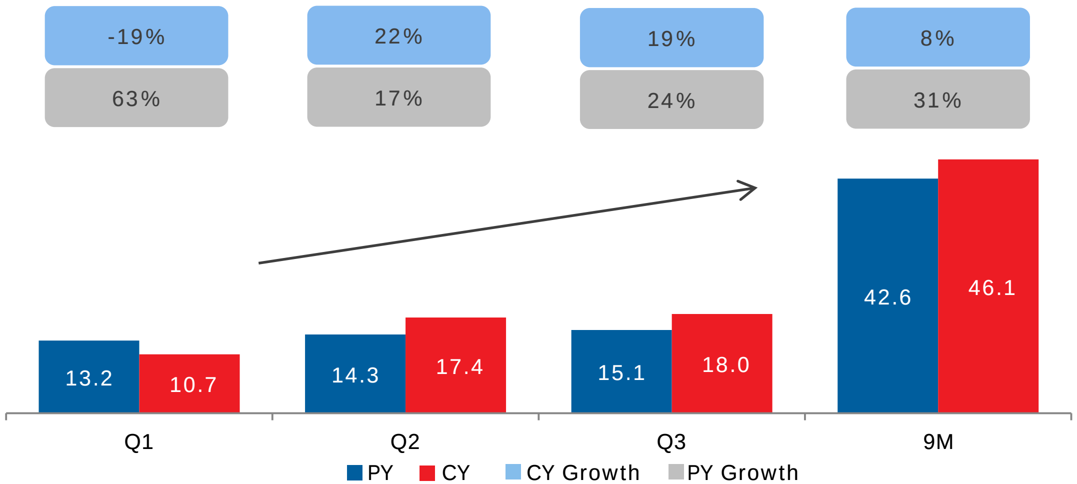
Executive summary: 9M FY21

Revenue growth and Market share	▪ Expansion in market share[1] by 214 bps from 14.3% to 16.4% ▪ Individual WRP grew by 19% in Q3. 8% growth in 9M FY21 v/s private industry de-growth of 6%
Product mix	▪ Balanced product mix[2] (UL: 23%, Par: 35%, Non-par savings: 30%, Protection: 7%, Annuity: 5%) ▪ 17% growth in retail protection and 42% growth in Annuity
Renewal collection	▪ Renewal premium growth of 22% with stable 13th month persistency
Cost management	▪ Opex ratio at 12.1% for 9M FY21 compared to 13.7% in 9M FY20
New business margins	▪ Improvement in sequential new business margins ▪ NBM of 25.6%, on the back of higher growth and favourable product mix
Profit after tax	▪ PAT of Rs 10.4 bn, with growth of 6%
Capital position	▪ Solvency ratio healthy at 202%

1. Based on Individual WRP; 2. Based on Indl APE
The numbers throughout the presentation are based on standalone financial results of the Company

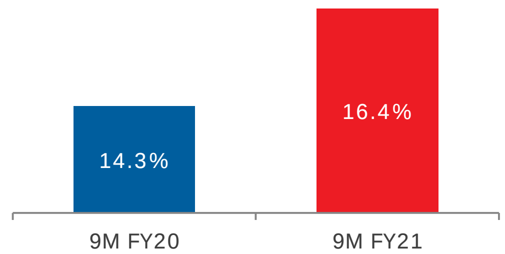
Demonstrating resilience in the current environment (1/2)

Improving MoM business trends[1]



Expanding market share[1]

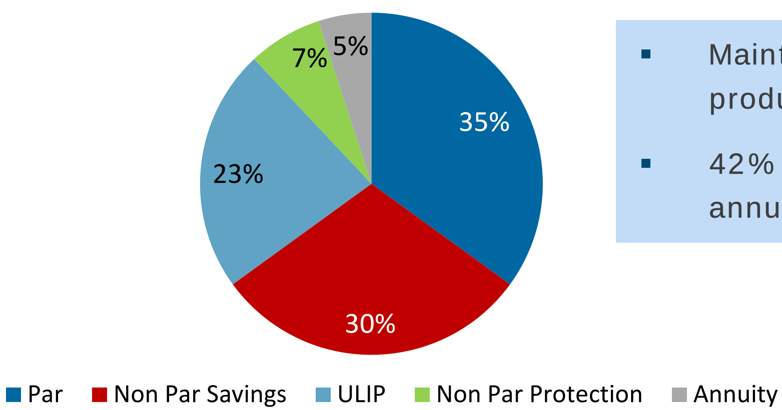
Rs Bn.



Growth	HDFC Life	Pvt sector	Industry
9M FY21	8%	-6%	-8%
9M FY20	31%	16%	17%
2 year CAGR	19%	5%	4%

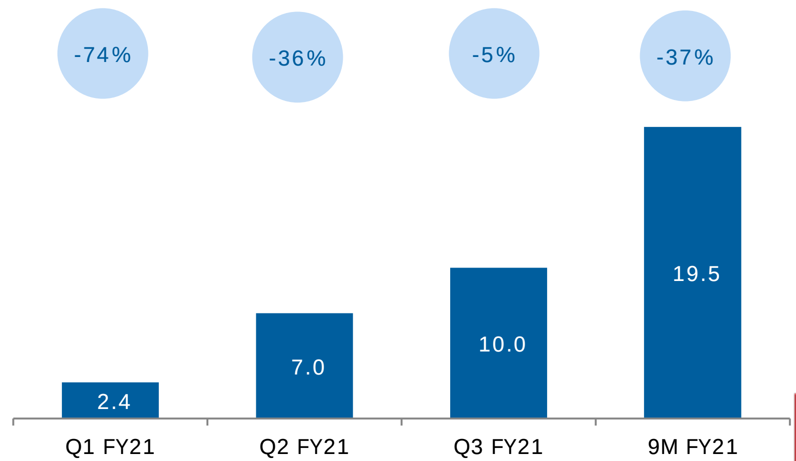
Optimizing product mix

Individual APE



- Maintained balanced product mix
- 42% growth in annuity

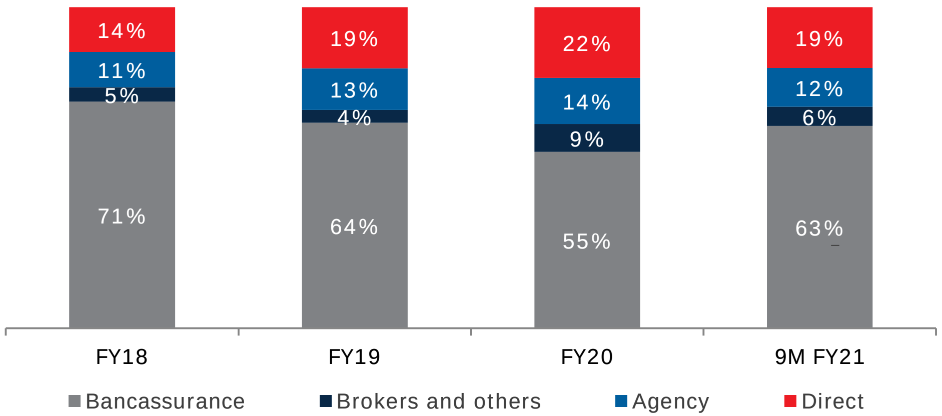
Improvement in CP[2] volumes with pickup in disbursements



1. Based on Individual WRP; 2. Based on Credit Protect NBP

Demonstrating resilience in the current environment (2/2)

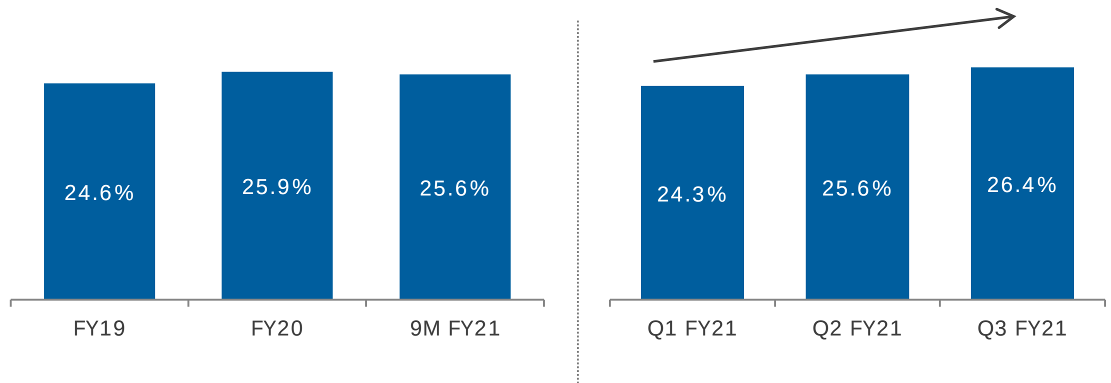
Focus on diversified channel mix[1]



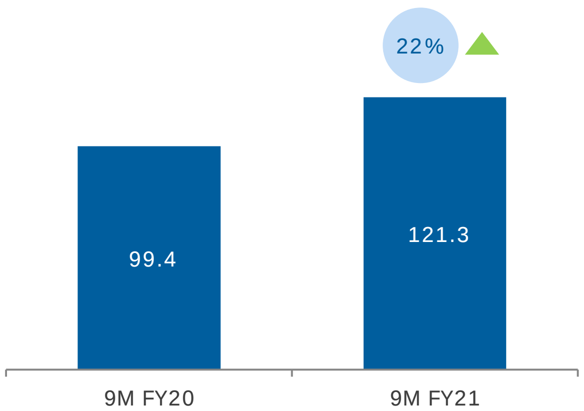
Steady expansion in VNB margin

Rs Bn.

New Business Margins (NBM)



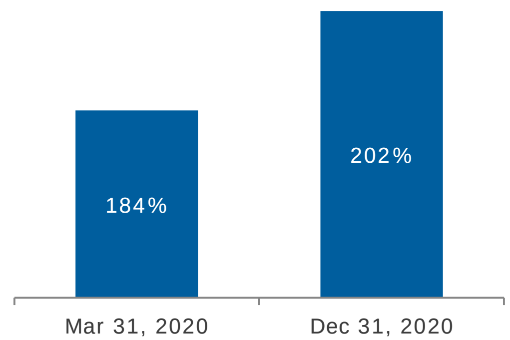
Strong growth in renewal premium



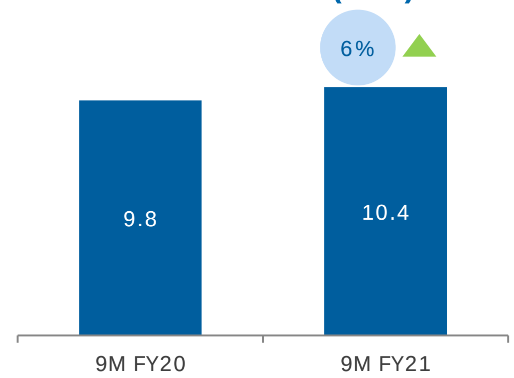
- Improving MoM collection
- Continue to remain cautious on UL persistency

Healthy solvency position and consistent growth in PAT

Solvency margin



Profit after tax(PAT)



1. *Basis Individual APE*

2 Our Strategy

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

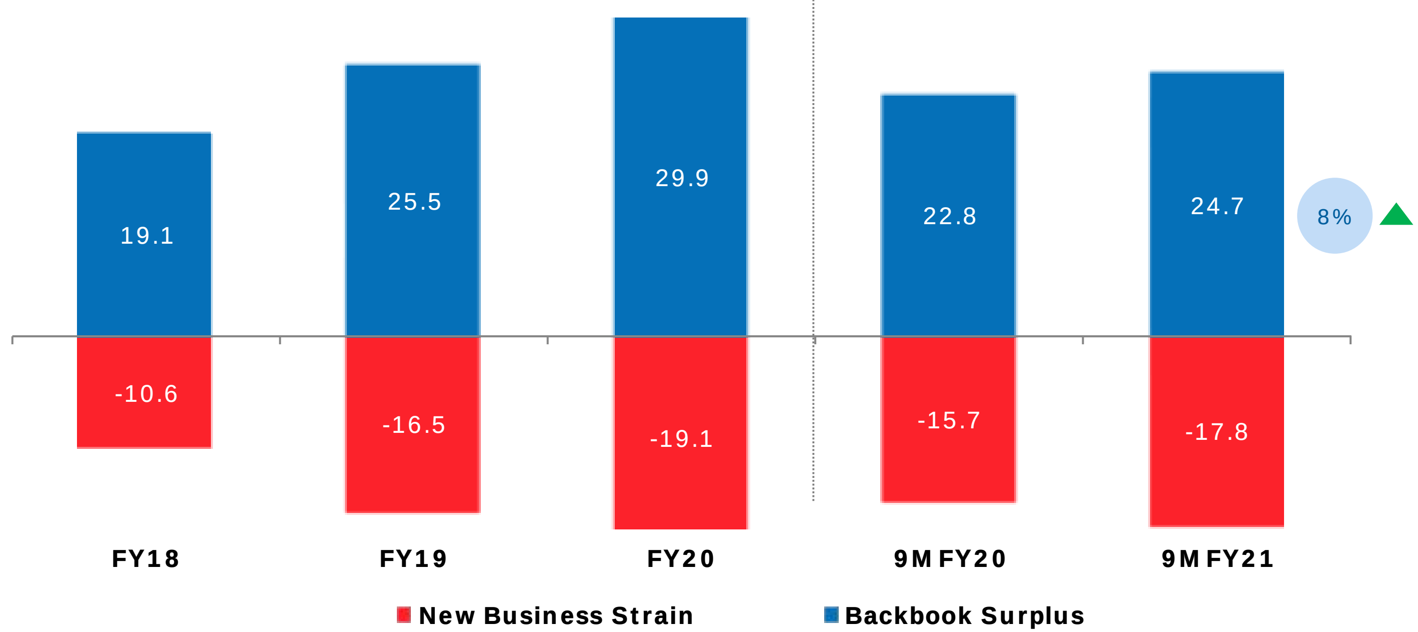
Our continuous focus on technology and customer-centricity has enabled us to maintain business continuity during the COVID-19 outbreak

Focus on profitable growth

Rs Bn.

		FY18	FY19	FY20	9M FY20	9M FY21
Economic Profit	New business Margin	23.2%	24.6%	25.9%	26.6%	25.6%
	Value of new business	12.8	15.4	19.2	14.1	14.1
Accounting Profit	Profit after tax (PAT)	11.1	12.8	13.0	9.8	10.4
	Underwriting profits	8.5	9.0	10.9	7.1	6.9
	Shareholders' surplus	2.6	3.8	2.1	2.7	3.6

Underwriting profits breakup



Profitable growth

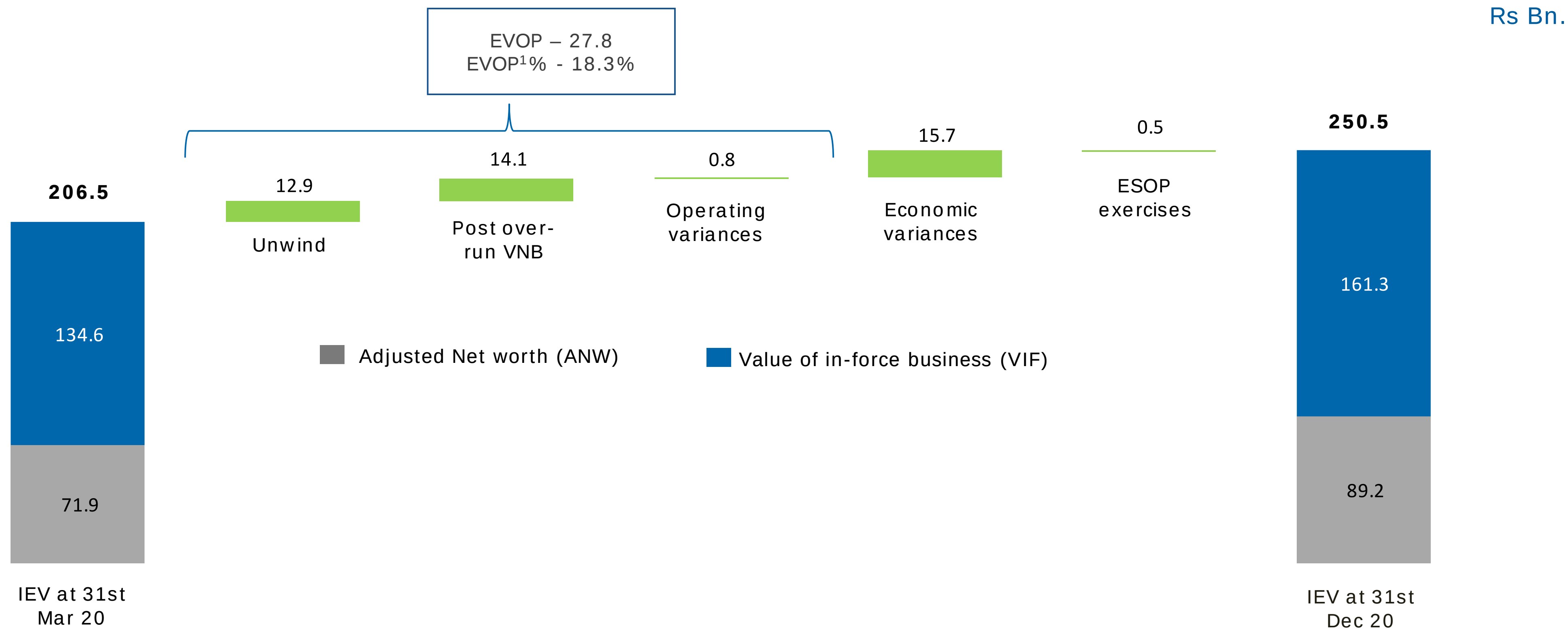
Diversified distribution mix

Market-leading innovation

Reimagining insurance

Quality of Board and management

Analysis of change in IEV[1]



- Operating experience continue to be positive and in line with our assumptions
- Covid reserve adequate for current mortality trends; to be reviewed periodically

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

Diversified distribution mix enabled by

Strong partnerships

– Strong network of 250+ traditional partners and brokers

Focus on proprietary channels

- *Building a structurally solid agency channel:* focus on building a strong and quality workforce along with increasing FLS productivity
- Tapping new generation of customers through *online channel*; expanding geographical presence

Engage-Enable-Earn

Explore new opportunities

- Platform to tap the growing pension and retiral space (https://life99.in/)
- Point of Sale products

Tap emerging eco-systems

– 50+ partnerships across health, auto, telecom, mutual funds, fintech firms

Profitable growth

Diversified distribution mix

Market-leading innovation

Reimagining insurance

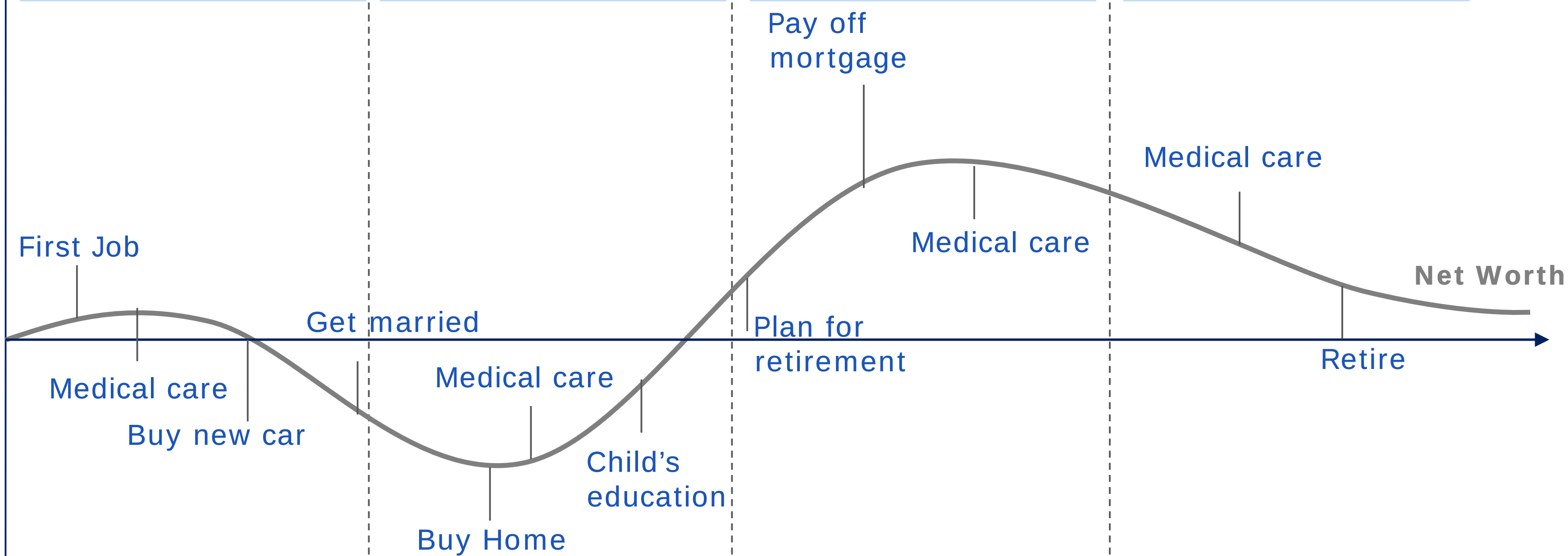
Quality of Board and management

1. Basis Individual APE; 2. Direct includes online channel

Addressing customer needs at every stage of life

	<25 years	26-35 years	36 – 50 years	50+ years
Objective	Simple Savings	Borrowing	Investments	Asset Drawdown

Needs



Product mix across age categories[1]

Product Offerings	<25 years	26-35 years	36 – 50 years	50+ years
UL	30%	26%	24%	19%
Par	37%	31%	31%	41%
Non par savings	26%	29%	35%	26%
Protection	7%	14%	9%	1%
Annuity	0%	0%	2%	14%

Risks Addressed

- Mortality
- Morbidity
- Longevity
- Interest Rate

Profitable growth

Diversified distribution mix

Market-leading innovation

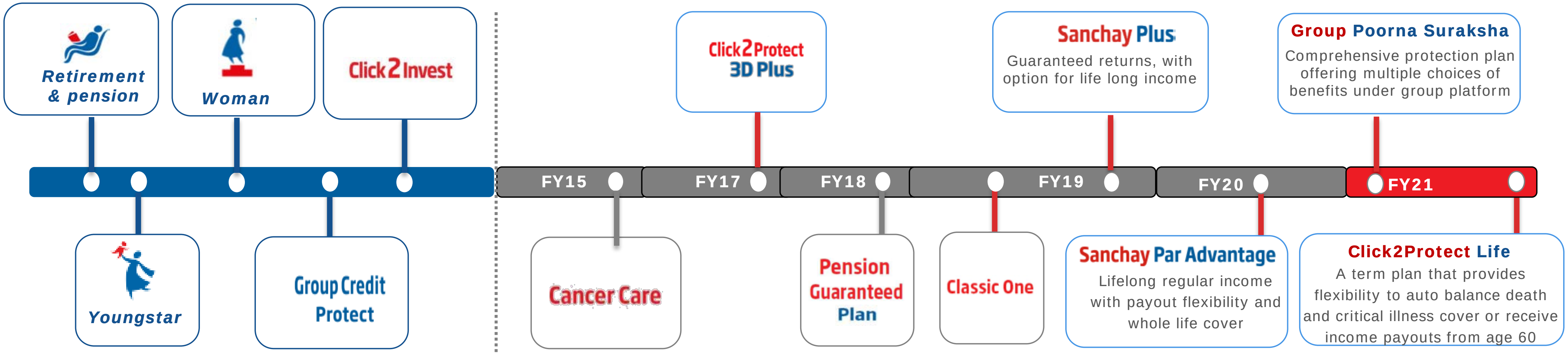
Reimagining insurance

Quality of Board and management

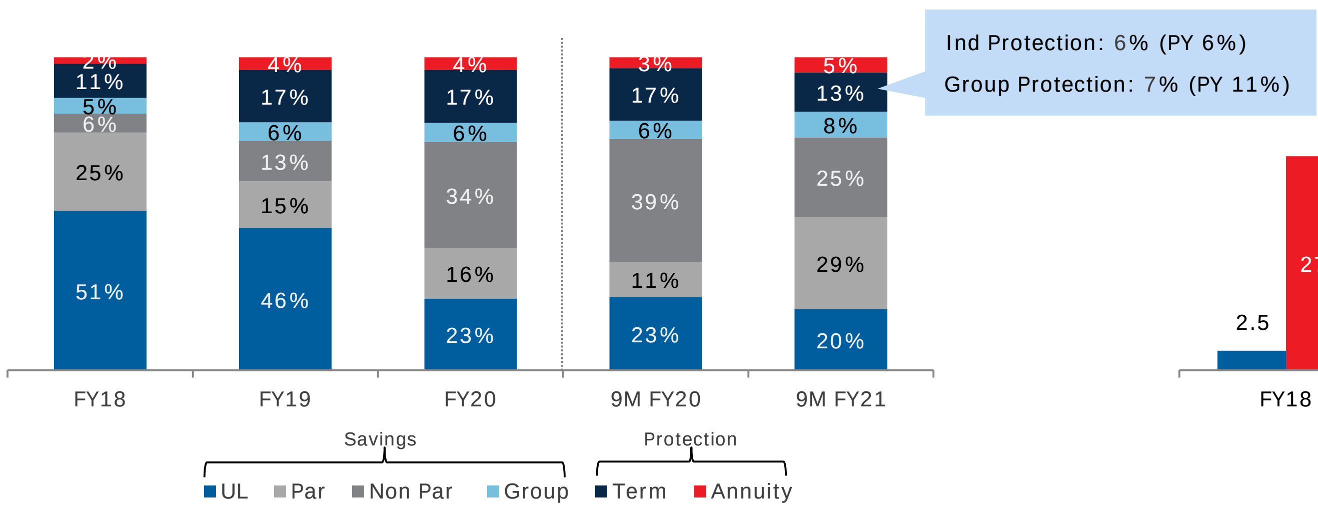
HDFC Life

1. *Based on Individual WRP for 9M FY21*

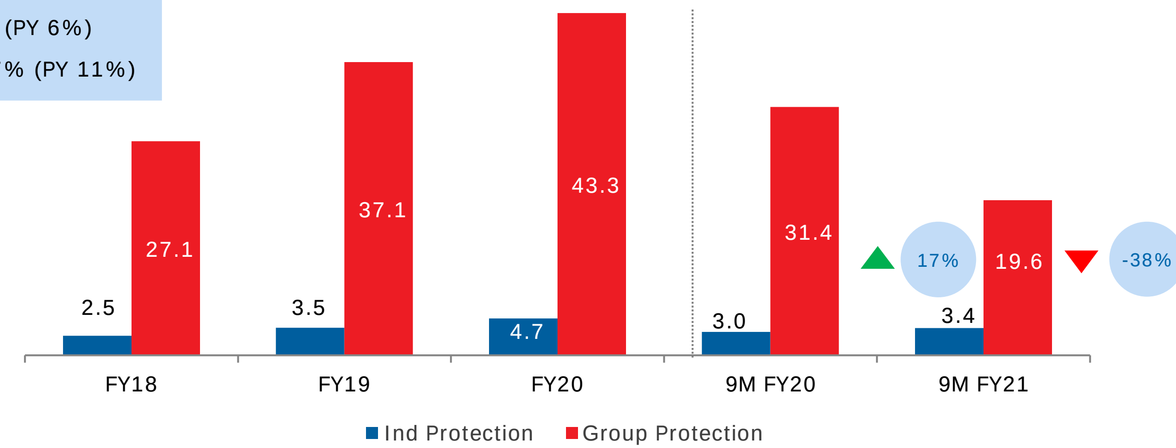
Expanding market through consistent product innovation



Balanced product suite helps in managing business cycles [1]



Sustained growth in individual protection [2] (Rs Bn.)



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

1. As a % of Total APE
2. Individual protection numbers are based on APE and group protection numbers based on NBP. Group protection includes Credit protect, GTI, GPS and Group Health

HDFC Life

Our approach to retiral solutions

Opportunity to grow the retiral corpus[1] by 3x between FY20-25

1. NPS

- Ranked #1 with AUM of Rs 139 bn amongst private owned Pension Fund Managers
- Registered strong AUM growth of 81% in 9M FY21

2. Individual income plans [2]

- Providing long term retiral solutions
- Catering across age brackets & premium frequencies

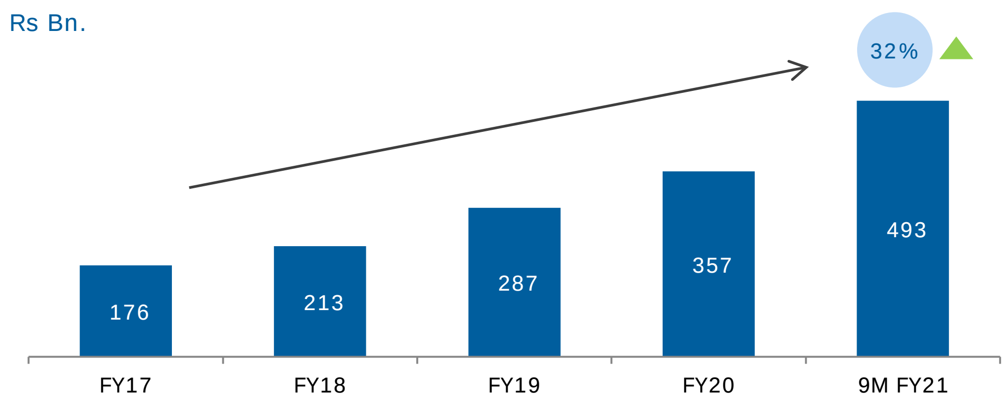
3. Immediate / deferred annuity

- Largest player in the private sector
- Servicing 100+ corporates and >26,000 lives covered in 9M FY21

4. Group superannuation fund

- Managing funds for about 150+ corporates under superannuation scheme

Increasing retiral corpus[1]



Preferred long-term retail service providers across corporates

1. Includes NPS, Annuity, Group superannuation fund and long term variants of Sanchay Plus and Sanchay Par Advantage

Product mix across key channels[1]

Banca [2]

Segment	FY18	FY19	FY20	9M FY21
UL	64%	64%	32%	26%
Par	25%	13%	18%	37%
Non par savings	8%	17%	44%	30%
Term	3%	4%	4%	5%
Annuity	1%	3%	2%	2%

Direct

Segment	FY18	FY19	FY20	9M FY21
UL	58%	50%	33%	26%
Par	17%	8%	14%	17%
Non par savings	9%	12%	20%	13%
Term	5%	6%	4%	4%
Annuity	11%	24%	29%	40%

Agency

Segment	FY18	FY19	FY20	9M FY21
UL	33%	26%	12%	9%
Par	48%	40%	34%	38%
Non par savings	5%	17%	40%	36%
Term	11%	12%	12%	13%
Annuity	3%	5%	3%	3%

Online[3]

Segment	FY18	FY19	FY20	9M FY21
UL	57%	62%	44%	36%
Par	1%	2%	1%	1%
Non par savings	0%	1%	18%	29%
Term	42%	35%	37%	33%
Annuity	0%	1%	1%	2%

Company

Segment	FY18	FY19	FY20	9M FY21
UL	57%	55%	28%	23%
Par	28%	18%	19%	35%
Non par savings	7%	15%	41%	30%
Term	5%	7%	8%	7%
Annuity	2%	5%	4%	5%

Protection

Total APE	FY18	FY19	FY20	9M FY21
Term	11%	17%	17%	13%
Annuity	2%	4%	4%	5%
Total	**13%**	**21%**	**21%**	**18%**

Total NBP	FY18	FY19	FY20	9M FY21
Term	26%	27%	27%	17%
Annuity	9%	17%	16%	19%
Total	**35%**	**44%**	**43%**	**36%**

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

1. Basis Individual APE, Term includes health business
2. Includes banks, other corporate agents and online business sourced through banks / corporate agents. Nos for previous years have been restated in line with revised classification
3. Includes business sourced through own website and web aggregators. Nos for previous years have been restated in line with revised classification

HDFC Life

Simplifying the customer journey using 5 building blocks

Journey Simplification

Customer sales journeys simplified via mobility applications for sales force

Insta Suite

- Bringing our technological capabilities on the mobile platform in order to empower sales force

Insta Mix, Insta mSD, Insta FR, Insta Verify, Insta Serv 2.0, Insta GO

InstaQuote!

HelloSelfie

Partner Integration

Products and services built on API for ease of partner integration

InstaInsure

- **Pre-approved sum assured:** Partner integrated KYC and income verification
- **Quick easy to understand form filling:** Seamless and customer friendly user interface
- **3-step buying journey:** End-to-end digital journey enabling partner's customers to buy the policy

Insta PRL

- Mobile app for on-boarding of prospective agents

Service Simplification

Simplified solutions for customers across the value chain

- **Online payments & services:** ~87% of renewal via online / debit mode

Chat bot ELLE | **WhatsApp bot ETTY**

~90% of chats are self-serviced via chat-bot

- **Robotic Process Automation:** more than 260+ bots deployed

InstA

Virtual Assist for Sales & Service, current usage at ~1.65 million+ queries p.m.

Life.ai

An omni-channel conversational AI engine

Data Enrichment and Analytics

Continuous improvement in raw data by gaining deeper insight into our customers' lives

- **Artificial Intelligence:** Use of predictive analysis for persistency, underwriting and claims (fraud prevention)
- **Big Data / Customer 360:** Brings all customer data – interactions, transactions & relationships in one place, in real time
- **Cloud Storage:** Data Lake (repository for entire enterprise data management)

  Lead Lake (For effective lead storage & enrichment)

Platforms and Ecosystems

Insurance beyond digital: allow multiple participants to connect, create & exchange value

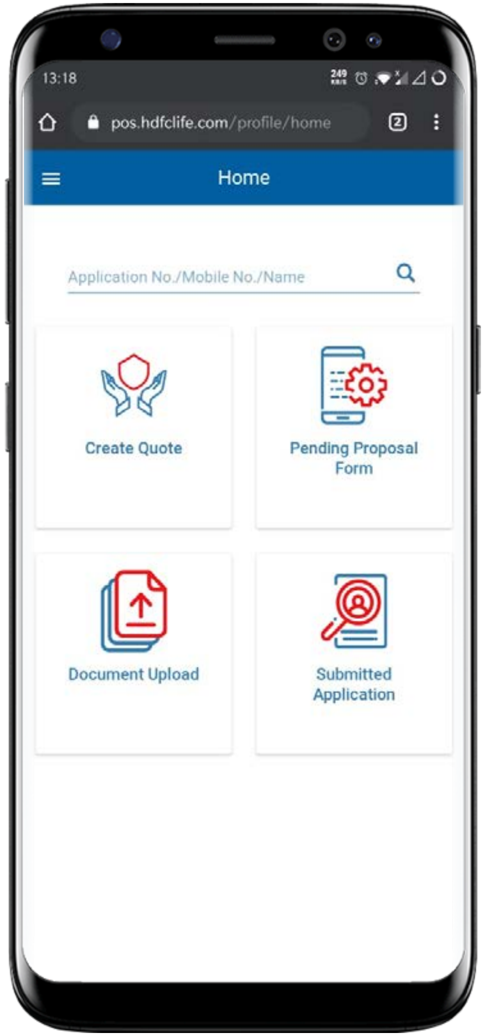
Life99 Retire with pride

- One stop shop for retirement planning

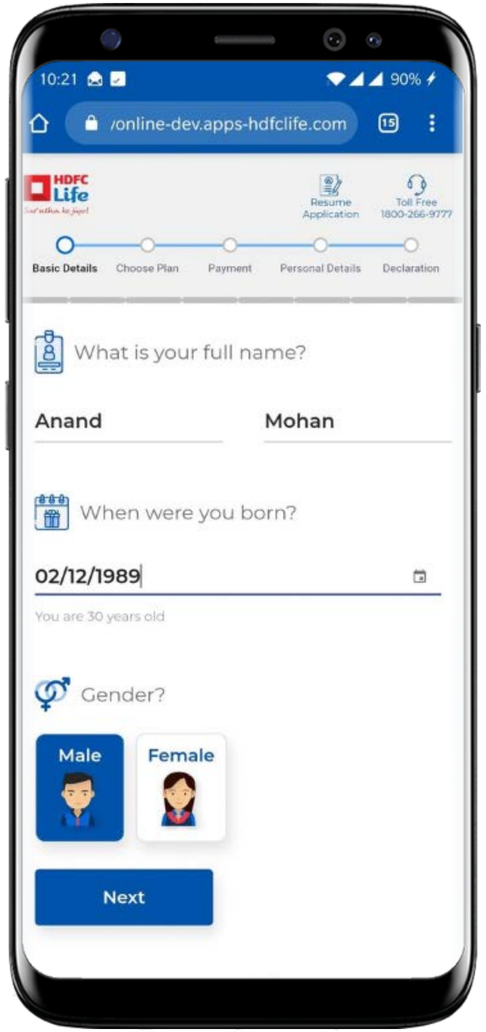
Profitable growth | Diversified distribution mix | Market-leading innovation | **Reimagining insurance** | Quality of Board and management

HDFC Life

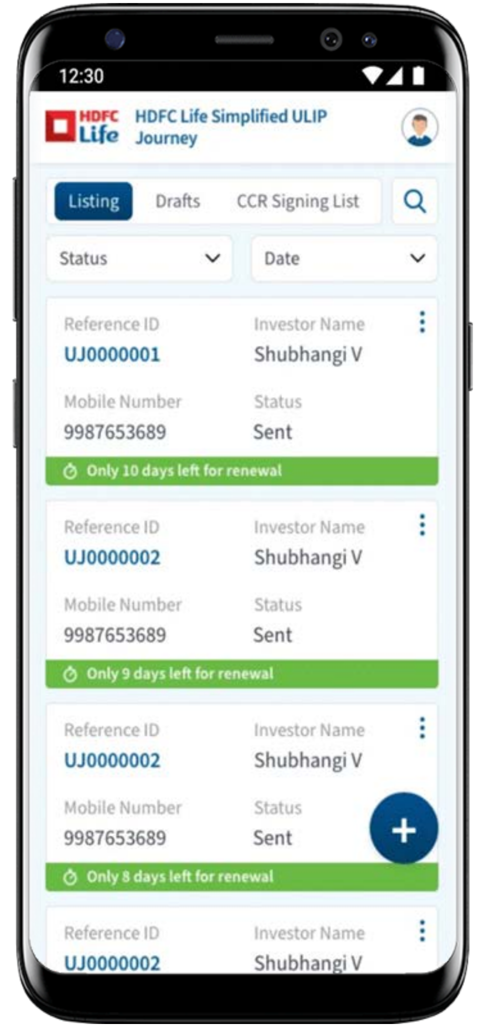
Journey simplification - short journeys for specific requirements



POSP Journey

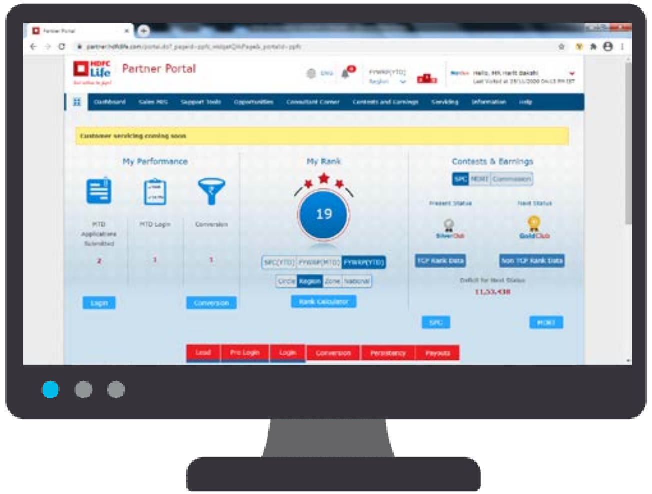


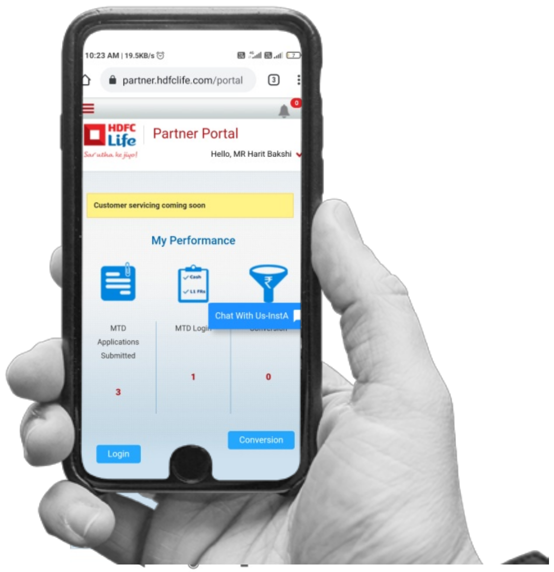
LifeEasy – Protection Journey



InstaSIP – ULIP Journey

Partner & Corporate Portals to ensure smooth partner integration





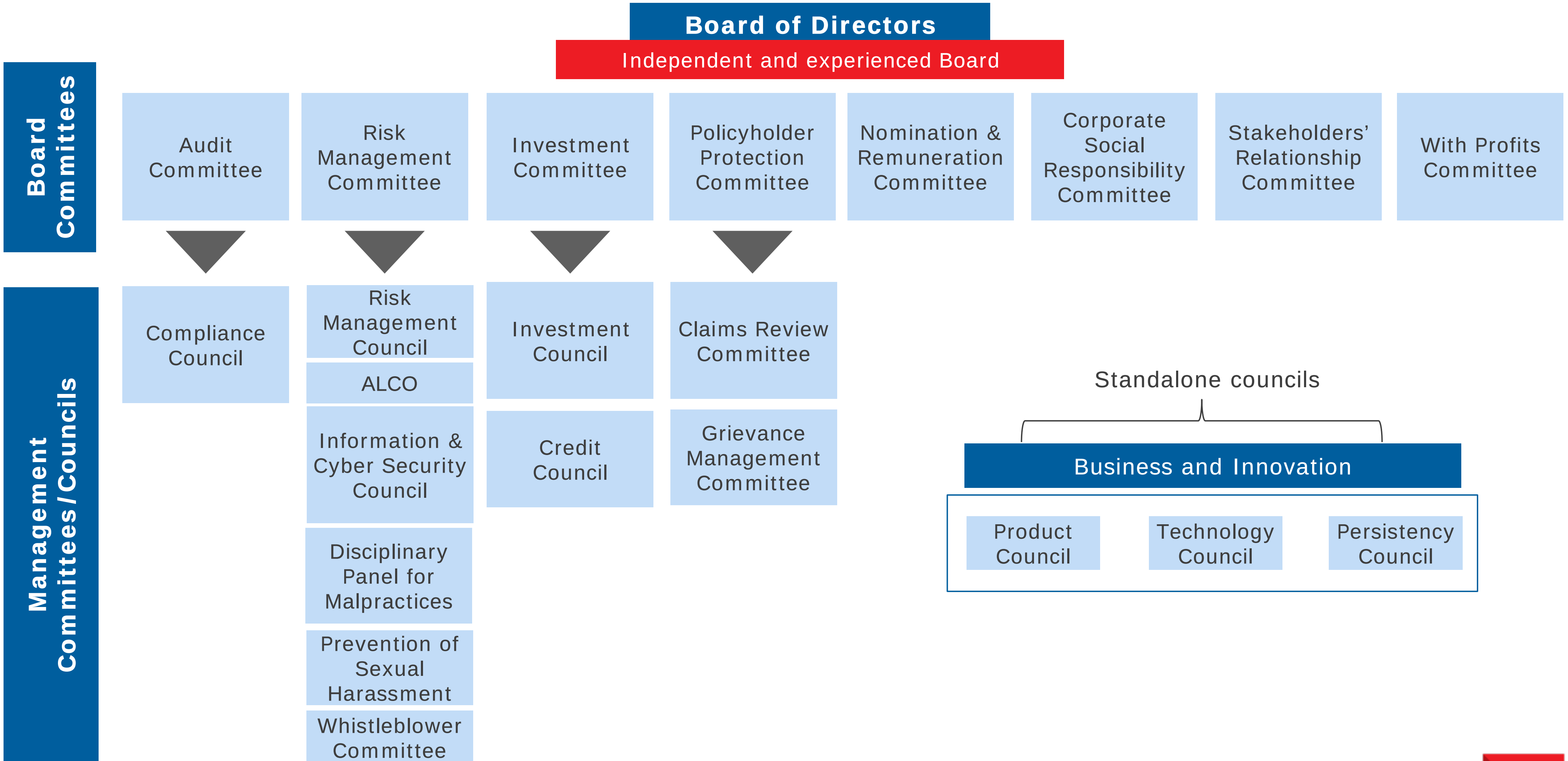
Customer servicing: Availability of servicing tools on the portal to ensure service on the go

MIS and dashboard integration: Quick view of logins, payouts, persistency

Value added services: Access to Chatbots for real time query resolution

Automatic redirection to tools of HDFC Life Seamless access to HDFC Life applications

Governance framework



Additional governance through Internal, Concurrent and Statutory auditors

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

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 ~60 years
- Deferred as % of total annuity business < 30%, with limited 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

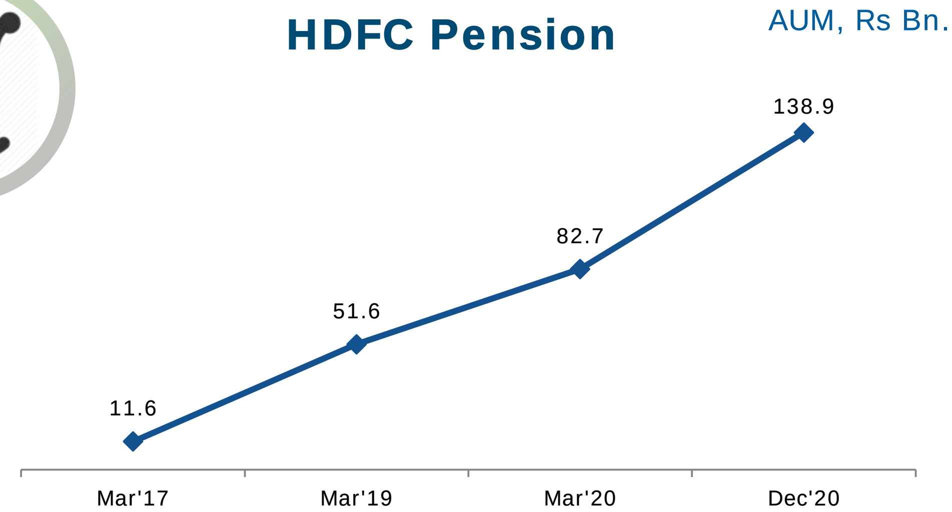
	FY20				9M FY21			
Sensitivity	**Overall**		**Non par [1]**		**Overall**		**Non par [1]**	
Scenario	**EV**	**VNB Margin**	**EV**	**VNB Margin**	**EV**	**VNB Margin**	**EV**	**VNB Margin**
Interest Rate +1%	(1.2%)	(0.7%)	(1.3%)	(2.0%)	(2.0%)	(1.2%)	(1.7%)	(2.7%)
Interest Rate -1%	0.6%	0.2%	0.0%	1.7%	1.4%	0.6%	0.3%	1.9%

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

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

Performance of wholly-owned subsidiary[1] companies

HDFC Pension



- Fastest growing PFM (Pension Fund Manager) under the NPS architecture (YoY growth of 81% in AUM)
- Market share grew from 30% in Dec'19 to 34% in Dec'20 amongst all PFMs
- Company has over 6.5 lakh customers - ~4.2 lakh in retail segment and ~ 2.3 lakh in corporate segment
- POP operations commenced in FY20 with enrolling of both retail and corporate subscribers; #1 POP in Corporate NPS business

HDFC International Life and Re

- Registered growth of 109% in gross reinsurance premium in 9M FY21
- Forayed into Kingdom of Saudi Arabia (KSA) and Qatar, both being strategically important (re)insurance markets
- Despite challenging external environment, momentum of growth trends and new opportunities remains positive
- S&P Global Ratings continues to reaffirm its long-term public insurer financial strength rating of "BBB" with "Stable" outlook

1. Investment in subsidiaries not considered in Solvency Margin

HDFC Life

3 Managing Covid-19

Dynamic approach to manage impact of the COVID-19 outbreak

Accelerated digital selling

Focus on selling products with end to end digital customer journeys

Digital servicing

Communication to customers about digital touch-points for claims, renewal collection and customer queries

Employee engagement / facilitation

Initiatives to keep employee morale high; infrastructure enablement and collaboration tools for WFH option

Prioritizing areas of focus

Dynamic review and assessment, strengthening operating assumptions, heightened focus on cost

Responsive operating measures

Regular branch operations started (100% branches operational), daily tracking of employee and agent safety

Emphasis on 'digital' across customer touch-points

New business / purchase

Digital sales journey - End-to-end digital sales, from prospecting till conversion, including customer interactions

eCCD

Chat PCV and eCCD - No dependence on salesperson or call center. ~55% verifications through Chat PCV; 64% adoption of eCCD ★

Telemedicals – 42% of the medicals done through tele-medicals

Uninterrupted customer assistance - Work from home enabled across the organization, Microsoft Meet, Citrix ★

InstaInsure - Simplified insurance buying through a 3-click journey

Policy servicing

Renewal collections - ~87% of renewal payments (95% of policies) made digitally; SVAR (voice bot for renewal calling) and use of Cloud telephony

Maturity payouts - Email, Whatsapp and customer portal 'My Account' enabled to upload necessary docs

LifeEasy - Simple '3 click claim' process (~99% claims settled in 1 day). Claims initiation process also enabled through Whatsapp

RPA –Robotic Process automation handled more than 260 processes remotely

Contact centres - Branch staff replacing Call centre agents servicing customers

Customer interactions

Seamless support experience - 1.65 mn+ monthly queries handled by InstA (virtual assistant)

Use of mobile app – Over 10x increase in mobile app usage

InstaServe - OTP based policy servicing tool to handle customer queries ★

24*7 self-service options - ~90% of chats are self-serve via chat-bot

Branches - Daily tracking of employee and agent safety (100% branches operational)

Employee / Partner engagement

e-learning platform – 7,000+ agents attending training programs daily through mLearn / VC Platform ★

Gamified contests - Launched to drive adoption of digital engagement initiatives ★

Agent on-boarding - Insta PRL enabling digital on-boarding of agents – 75,000+ applicants since launch in mid March

Employee engagement - VC based skill building sessions with digital partners (Twitter, Google, Facebook) ★

Partner trainings - Conducted via digital collaboration tools

★ New initiatives launched to manage volatile business environment due to the Covid-19 outbreak

HDFC Life

4 Customer Insights

Customer Insights – A shift towards digital platforms

Pandemic induced awareness around well-being has led to rise in insurance purchases via digital platform

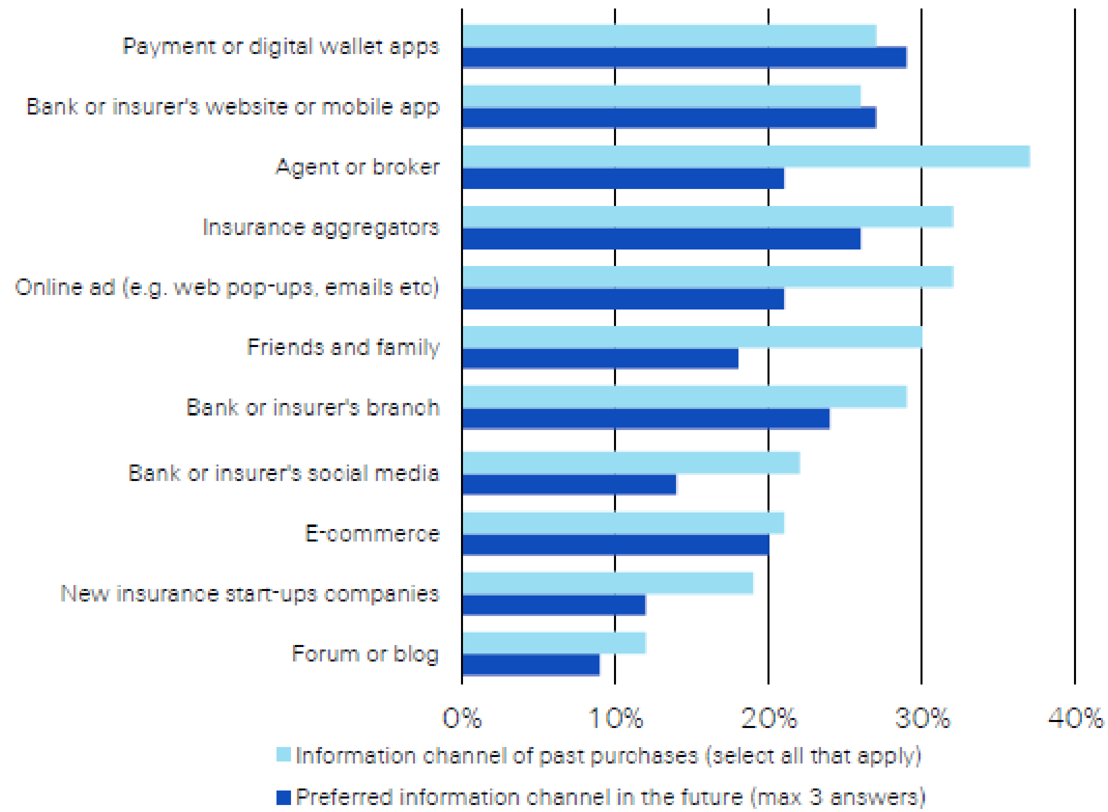
70% customers surveyed for a study, across age groups, showed **increased confidence** in **purchasing policy via digital platform**

Digital purchase channels, i.e. **website / app, payment app / e-wallets** remain top 2 choices for more than **65% of the customers** in the coming future

Key reason for buying online is **product simplicity and quality of user experience** (ease of making application, simple Underwriting and filing claims)

Around **40%** customers are willing to share personal data on digital platforms, for **customized offerings and better rates**

Rising consumer confidence in digital platforms is reflected in terms of preferred channels for insurance-related information



Source: Swiss Re Study, Nov'20, across Indian markets

HDFC Life

Customer Insights – Customer Behaviour/Preferences

Top reasons to buy Life insurance

	2019 rank	2013 rank
Protect family in case of death	1	1
To secure child’s education / marriage	2	2
Old age security / retirement	3	3
For disciplined saving	4	8
Good returns	5	4
Safe investment option	6	7
Additional investment option	7	4
Dual benefit of investment and insurance	8	9
Tax Saving	9	4
To meet additional life cover	10	10

- Major reasons to buy Life Insurance continue to be protection for family, securing child’s needs and retirement planning over last 6 years
- Tax saving is the 9th reason to buy Life Insurance, compared to 4th in 2013

Customer behaviour / trend

- The future intent to buy Life Insurance is the highest amongst financial products driven primarily by 21-40 year olds
- Within LI, the intent to buy **traditional policies** was highest**,** particularly by people in the ages of **41-50**

- The intent to buy **term insurance** was driven primarily by people in the age group of **22-30**
- The key differentiating factors for consumers were **safety of investment** and **maturity value**

- There has been significant pickup in intention to buy **term products** in metros
- **Online mode** for premium collection shows an increasing trend across geographies

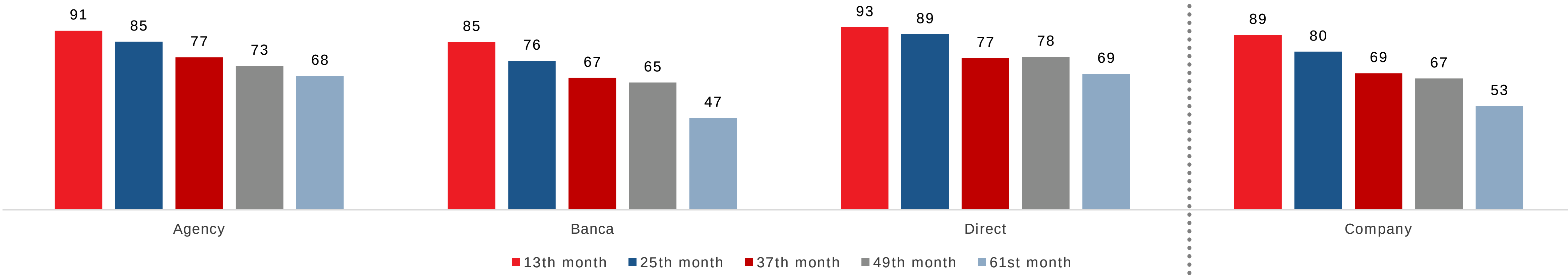
Source: Nielsen Syndicated U&A

5 Annexures

Individual persistency for key channels and segments[1]

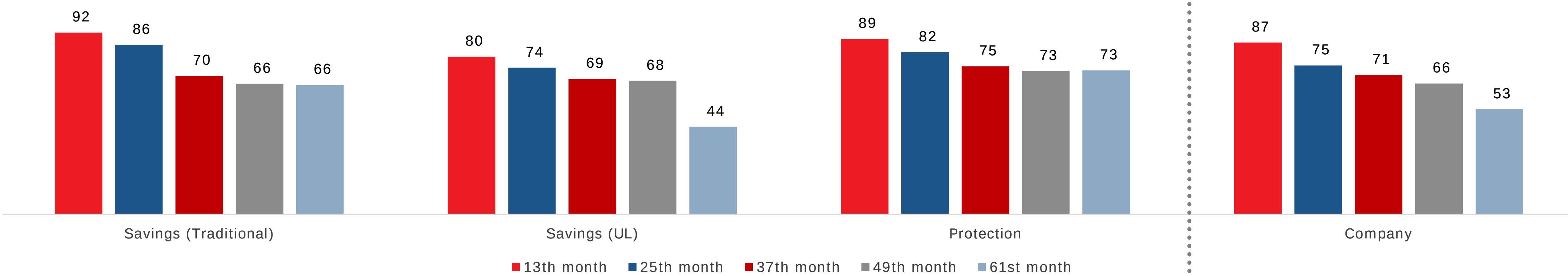
Across key channels (%)

CY (9M FY21)



Across key segments (%)

PY (9M FY20)



1. *Calculated as per IRDAI circular (based on original premium) for individual business*

VNB and NBM walkthrough

Rs Bn.

	9M FY20	Impact of higher APE	Change in assumptions	New Business Profile	Fixed cost absorption	9M FY21
NBM%	26.6%	0.0%	-0.6%	0.1%	-0.5%	25.6%

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 – H1 FY21

Analysis based on key metrics	Scenario	Change in VNB Margin [1]	% Change in EV
Change in			
Reference rate	Increase by 1%	-0.9%	-1.5%
	Decrease by 1%	0.2%	0.7%
Equity Market movement	Decrease by 10%	-0.1%	-1.3%
Persistency (Lapse rates)	Increase by 10%	-0.3%	-0.7%
	Decrease by 10%	0.2%	0.7%
Maintenance expenses	Increase by 10%	-0.6%	-0.8%
	Decrease by 10%	0.6%	0.8%
Acquisition Expenses	Increase by 10%	-2.9%	NA
	Decrease by 10%	2.9%	NA
Mortality / Morbidity	Increase by 5%	-0.7%	-0.8%
	Decrease by 5%	0.7%	0.8%
Tax rate[2]	Increased to 25%	-5.0%	-7.9%

Actuarial

Financial

ESG

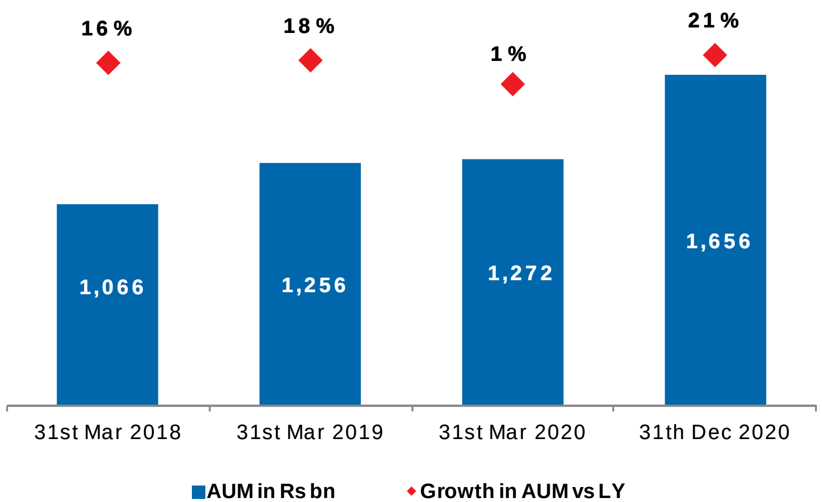
1. Post overrun total VNB for Individual and Group business

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.

Assets under management

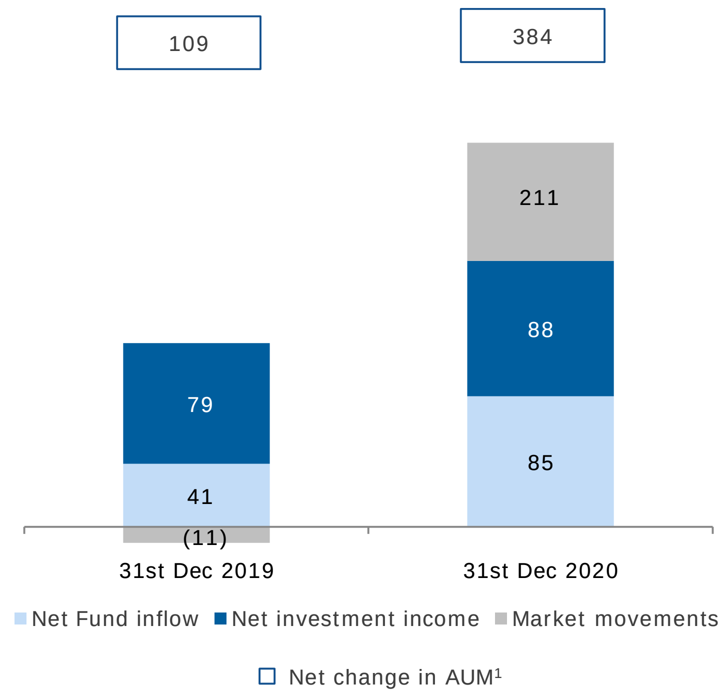
Assets Under Management

Debt:Equity	61:39	62:38	71:29	64:36
UL:Traditional	54:46	50:50	43:57	44:56



Change in AUM [1]

Rs Bn.



- Continue to rank amongst top 3 private players, in terms of assets under management [2]
- Over 98% of debt investments in Government bonds and AAA rated securities as on Dec 31, 2020

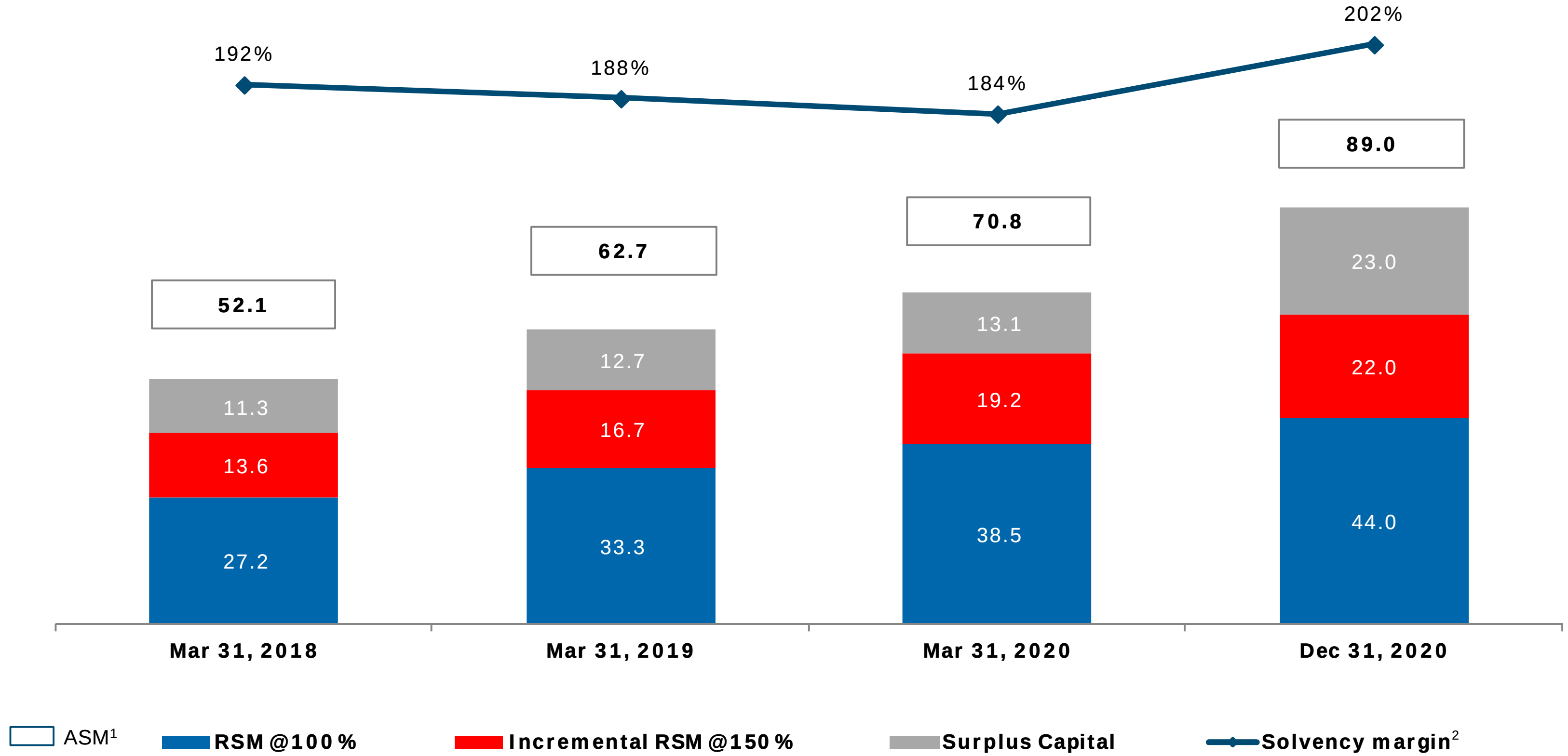
Actuarial
Financial
ESG

1. Calculated as difference from April to December
2. Based on Assets under Management as on Sep 30, 2020

Stable capital position

Rs Bn.

Dividend paid	3.3	4.0	-	-
NB premium growth	32%	32%	15%	11%



- Stable solvency ratio, augmented by steady accretion to backbook

1. ASM represents Available solvency margin and RSM represents Required solvency margin
2. Investment in subsidiaries not considered in solvency margin

Governance - Promoting responsible behavior

Governance structure

- Corporate governance policy
- Board diversity policy
  - 30% women occupancy in the Board
  - Multiple nationalities and varied ethnicities
- Board evaluation and independence
  - Self-assessment of Board performance
  - 50% independent directors
  - Regulatory norm as per 'Fit and Proper'
  - Average Board experience is >30 yrs
- Board members are elected independently

Information / Cyber Security

- ISO 27001:2013 and ISMS assessment program;
  - Independent auditors and IRDAI auditors validated and certified the controls implemented
- Data Privacy Policy
  - Applicable to customers, employees and service providers
  - Any disciplinary action is in line with the malpractice matrix

Risk Management and BCM

- Risk management policy
- Risk oversight by Senior Management & Board of Directors, via Risk Management Council and Risk Management Committee respectively
- Enterprise risk management (ERM) framework
  - 'Three Lines of Defense approach'
  - Reviewed and approved by the Board
- Modes of Risk awareness
  - Trainings, Workshops, 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 of a function or process

Compensation Framework

- Remuneration policy recommended by Nomination and Remuneration Committee
- Performance Management System based on the principles of balanced scorecard
- Detailed disclosure of managerial remuneration in the annual report

Compliances/ Policies

- Code of Conduct Policy
- Vigil Mechanism/ Whistle Blower Policy
- Prevention of sexual harassment to women at workplace policy
- Business Responsibility Reporting(BRR)
- Stewardship Code

HDFC Life

Social initiatives - Culture of care and giving

Inclusive growth

- **Swabhimaan,** the Corporate Social Responsibility wing is aligned with the UN Sustainable Development Goals (SDGs) with focus on Education, Health, Environment, Livelihood & Disaster Relief
  - FY 2020-21: 20 CSR projects across 22 states and 3 UTs impacting >239K beneficiaries in India
  - FY 2019-20: 22 CSR projects across 25 states and 3 UTs impacting >280K beneficiaries in India
- **Financial Inclusion**: Insured >40 million lives through microfinance institutions in FY20
- **COVID-19 Response**:
  - Contribution to PM Cares Fund
  - Medical supplies, nutritional meals for frontline healthcare workers
  - Distribution of Happiness Box consisting of immunity boosting supplements, hygiene support material and educational workbooks for underprivileged school children

Customer centricity

- Improve lives with products designed to suit the different life stage needs
- Focus on leveraging technology to simplify life insurance for customers through their journey across issuance, claims, servicing, or any other engagement
  - Artificial Intelligence (AI) for text and speech recognition;
  - Machine Learning (ML) to improve persistency;
  - Cognitive bots (software robots) for 24x7 customer service; and
  - Alternate data to enhance underwriting
- Grievance Redressal Policy
- Overachieved on Voice of Customers (VOC) study in FY20

HDFC Life

Social initiatives – Human Capital Development

Attracting talent

- Virtual hiring and on-boarding process without compromising on quality
- Robust employee referral schemes (>50% of the hiring through referrals)
- Flexi job program and flexi hours to promote WFH, attract gig workers
- Hire–train-deploy model through tie-up with reputed learning institutions

Employee engagement

- Online yoga, mindfulness / meditation sessions, fitness challenges (Walkathon, Fit by Bit)
- Emotional and mental well being assistance program for employees
- Engagement programs for employees and their families
- Carpool app as a green initiative to provide safe transport for employees dependent on public transport
- Strong Reward and Recognition framework

Talent management / retention

- Fast track growth path for special categories of employees - Management Trainees & Graduate Trainees, etc.
- Potential review and talent development interventions for leadership
- Robust, transparent and objective performance management system
- Career microsite, job portal to educate employees on career opportunities within the company
- Higher increments, bonuses for those exceeding expectations
- Long term incentive plans in the form of ESOPs and Cash to attract, retain and motivate good talent
- Elaborate succession planning for Key Managerial Personnel, critical senior roles

Focus on training and development

- Mandatory and optional learning programs for employees, contractors, channel partners
- Mobile learning app for self-paced learning
- Virtual training of employees during Covid
- Access to curated online training programs from reputed universities
- Career coaching and development interventions for high potential talent

Employee diversity

- Actively promoting diversity and inclusion
- 24% women employees (creche facility, maternity transition program)
- Promoting diverse talent pool (work profiles designed for second career women, freelancers, specially-abled)
- LGBTQ - friendly organisation

HDFC Life

Environmental initiatives - Creating a better environment

Energy and Water

- Energy efficiency and water conservation initiatives
  - Use of 3/5 star rated appliances with regular maintenance
  - Use of LED based lighting system
  - Use of sensor based urinals and water taps

Digitization

- Reduction of Paper Usage
  - Online /e-forms for customers
  - Annual report FY'20 was digitally communicated to all stakeholders
  - Printers configured with default double side printing

Waste Management

- Segregation and proper disposal of waste - dry and wet
- No single-use plastics
  - Use of bio-degradable garbage bags
  - Cafeteria with reusable plates, cutlery, wooden stirrers etc
  - Conference / meetings rooms with glass bottles and cups
  - Employees encouraged to bring their own mugs/glass
- Compliant under the Hazardous and Other Wastes (Management and Tran-boundary Movement) Rules, 2016 and E-waste (Management), Rules, 2016

CSR initiatives

- Reducing operational footprint through CSR activities
  - 12 water ATMs installed in villages to provide clean drinking water
  - 13 city forests consisting of 16,239 trees across 33,250 sq.ft. created using Miyawaki method

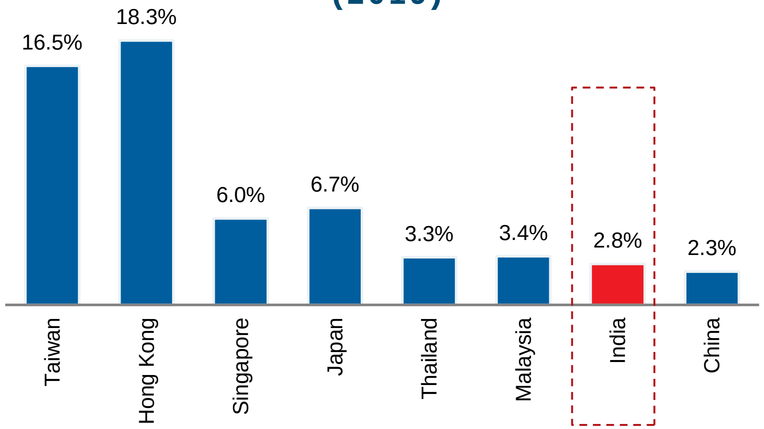
Business Travel

- 40+ video conferencing rooms setup to reduce travel

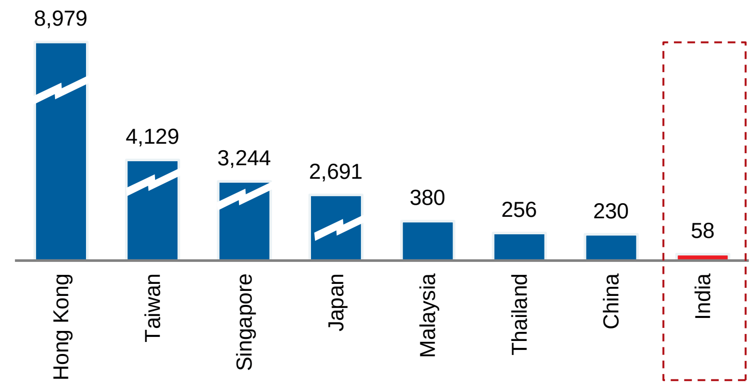
6 India Life Insurance

Growth opportunity: Under-penetration and favourable demographics

Life Insurance penetration [1] (2019)

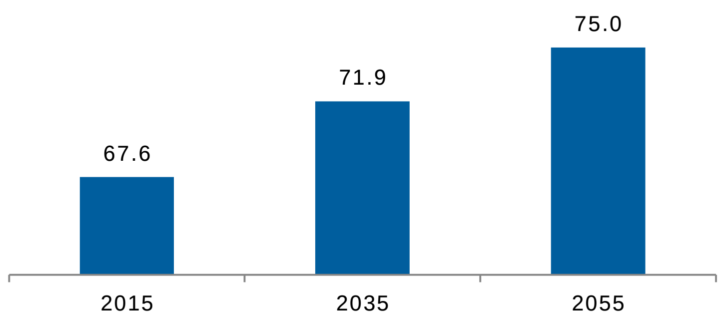


Life Insurance density US$ [2] (2019)

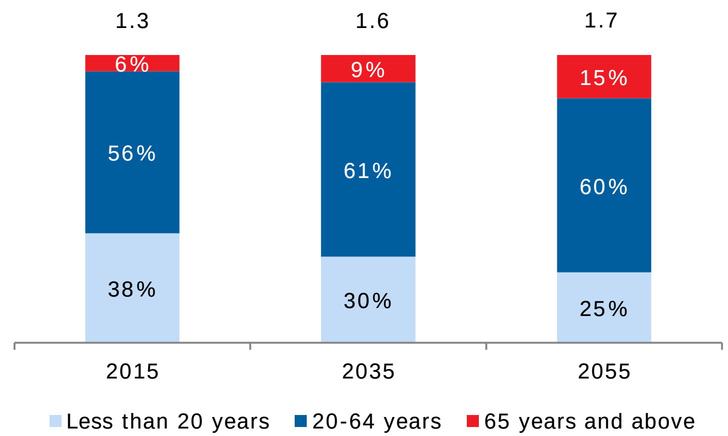


- India remains vastly under-insured, both in terms of penetration and density
- Huge opportunity to penetrate the underserviced segments, with evolution of the life insurance distribution model

Life expectancy (Years)



Population composition (Bn.)

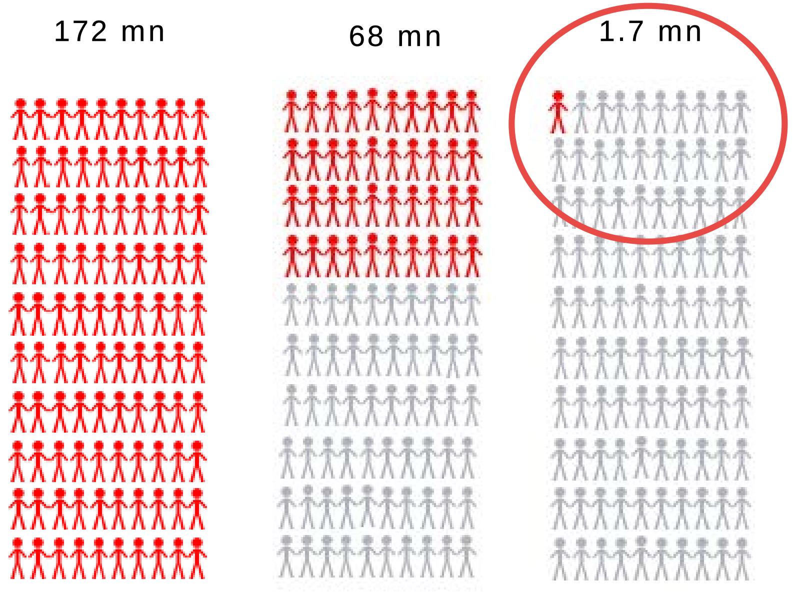


- India's insurable population is expected to touch 750 million by 2020
- India's elderly population is expected to double by 2035 (as compared to 2015)
- Emergence of nuclear families and advancement in healthcare facilities lead to increase in life expectancy thus facilitating need for pension and 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



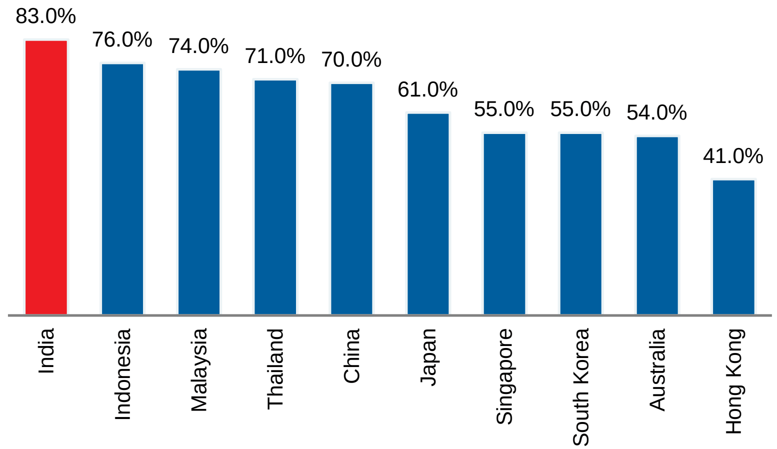
Urban Working Population

Addressable Market (excl blue collared)

Annual Policy Sales

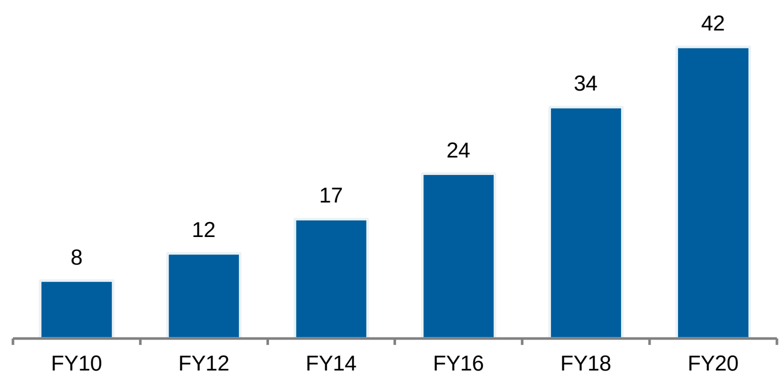
- Only 1 out of 40 people (2.5%) who can afford it is buying a policy every year [1]
- Even within the current set, Sum Assured as a multiple of Income is <1x

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.)

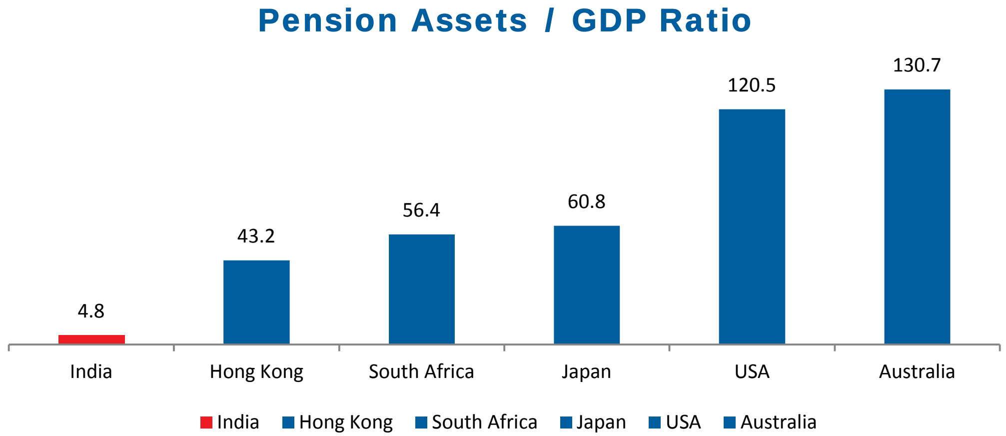


- Retail credit has grown at a CAGR of 18% over last 10 years
- Increasing retail indebtedness to spur need for credit life products
- Immense opportunity given:
  - Increasing adoption of credit
  - Enhancement of attachment rates
  - Improvement in value penetration
  - Widening lines of businesses

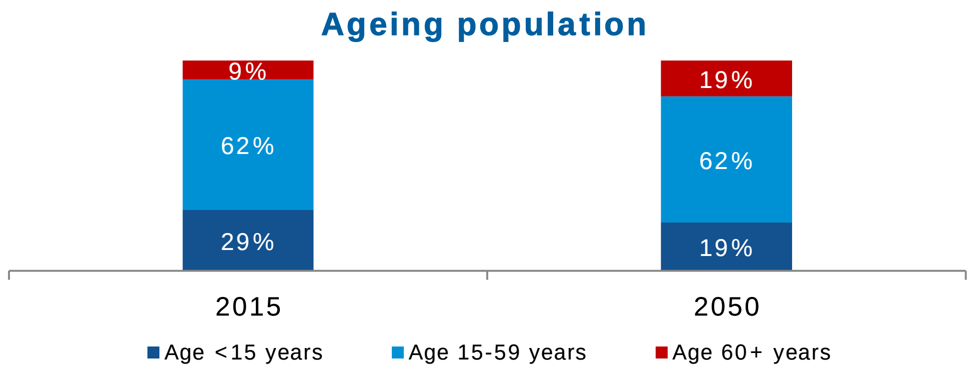
1. Goldman Sachs Report, March 2019
2. Swiss Re (Based on respective financial year of the countries)
3. Kotak institutional equities

Macro opportunity – Retiral solutions

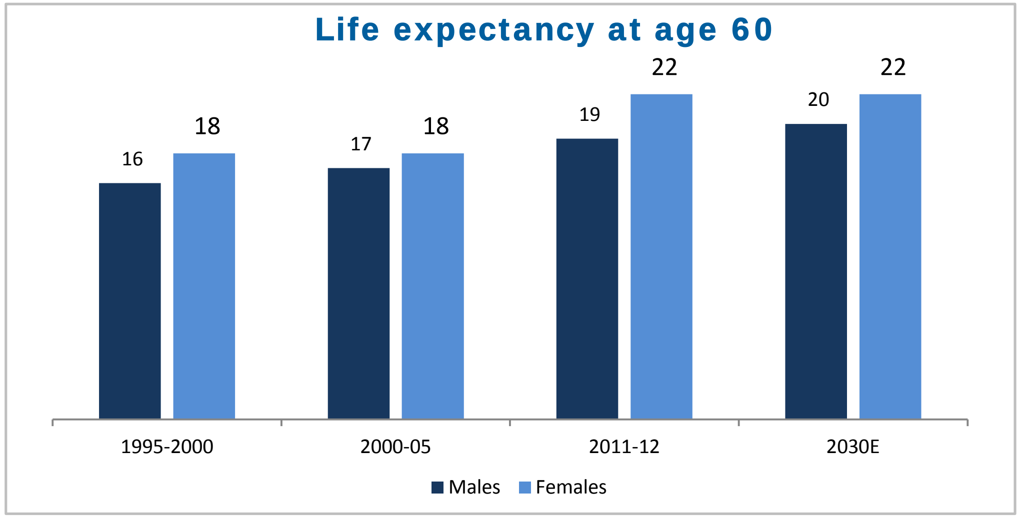
India's pension market is under-penetrated at 4.8% of GDP



60+ population is expected to almost triple by 2050



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



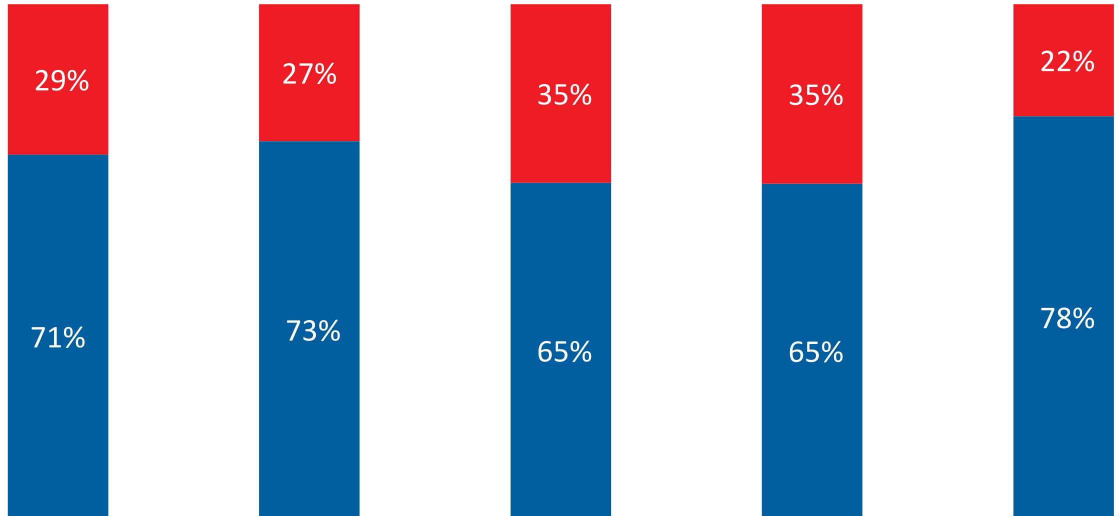
- Average household size has decreased from 4.6 in 2001 to 3.9 in 2018
- Total Pension AUM is expected to grow to Rs 47 Tn by 2025 (more than 1/3rd accounted for by NPS)
- Mandatory schemes to increase coverage for both unorganized and organized sectors

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

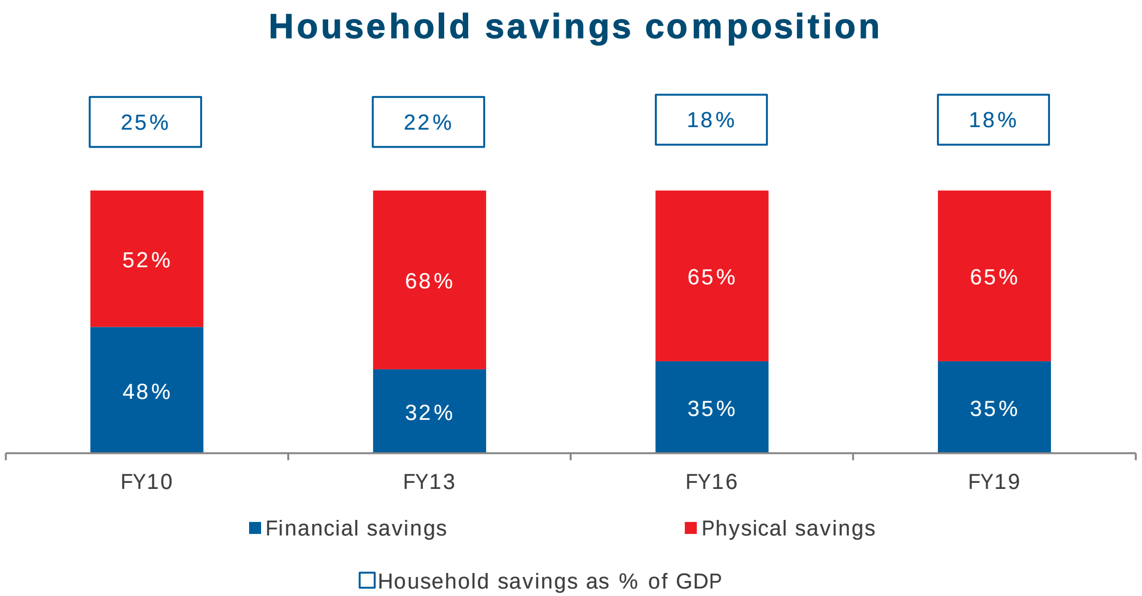


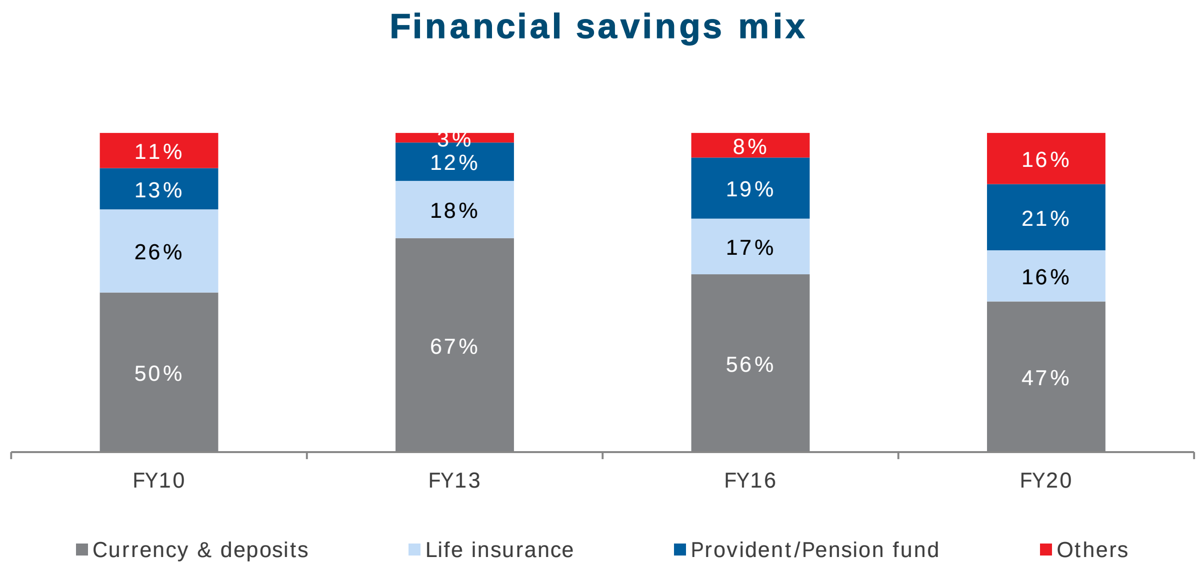
	FY17	FY18	FY19	FY20	9MFY21
>15yrs	1,54,520	1,80,529	2,04,000	2,38,000	2,02,575
<=15yrs	3,73,525	4,97,579	3,82,941	4,44,000	7,27,835
Total	5,28,045	6,78,109	5,86,941	6,82,000	9,30,410

- Auction of >15 year maturity bonds has been ~25-30% on an average facilitates writing annuity business at scale
- Budget estimate plan for government borrowing for FY21 at Rs. 12 trillion on gross basis
- The actual borrowing till 9M is 77.5% of the budget

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

Life Insurance: A preferred savings instrument

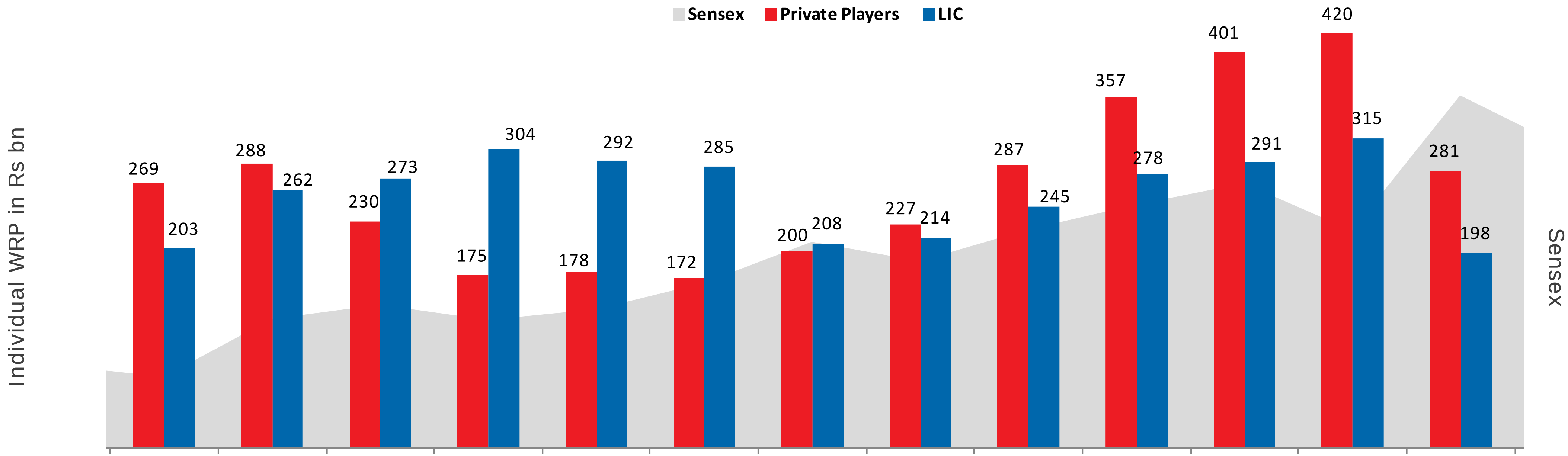




- Increasing preference towards financial savings with increasing financial literacy within the population
- Various government initiatives to promote financial inclusion:
  - Implementation of JAM trinity
  - Launch of affordable PMJJBY and PMSBY social insurance schemes
  - Atal Pension Yojana promoting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

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

Industry new business[1] trends



	FY09	FY10	FY11	FY12	FY13	FY14	FY15	FY16	FY17	FY18	FY19	FY20	9M FY21
Private players Market share	57%	52%	46%	37%	38%	38%	49%	52%	54%	56%	58%	57%	59%
Growth % **Private**	*1%*	*7%*	*-20%*	*-24%*	*2%*	*-3%*	*16%*	*14%*	*26%*	*24%*	*12%*	*5%*	*-6%*
LIC	*-22%*	*29%*	*4%*	*11%*	*-4%*	*-2%*	*-27%*	*3%*	*15%*	*13%*	*5%*	*8%*	*-11%*
Overall	*-10%*	*17%*	*-9%*	*-5%*	*-2%*	*-3%*	*-11%*	*8%*	*21%*	*19%*	*9%*	*6%*	*-8%*

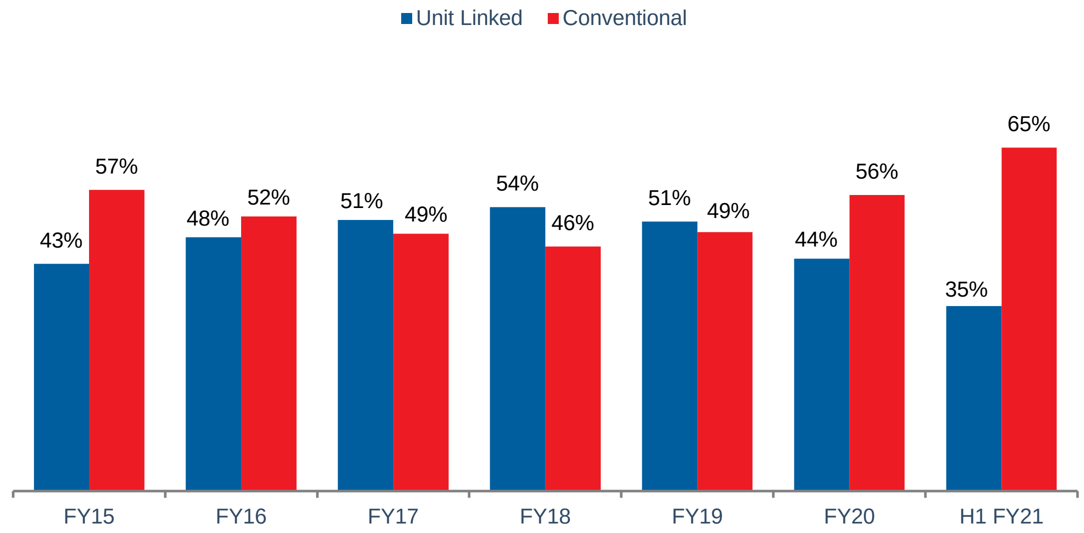
- Private sector gained higher Market share than LIC for the first time in FY16, post FY11 regulatory changes
- Amongst private insurers, insurers with a strong bancassurance platform continue to gain market share

1.Basis Individual Weighted Received Premium (WRP)

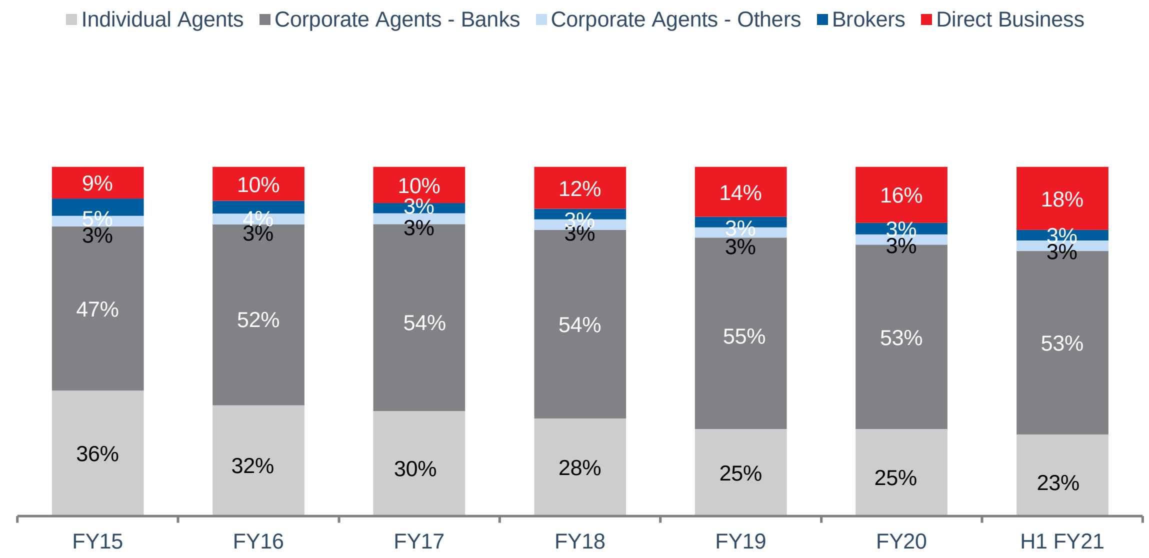
Source: IRDAI and Life Insurance Council

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
- Increasing thrust on protection business by top players has helped improve the new business margins
- 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, while share of Agency has been constant in the last few years

1. Basis Overall WRP (Individual and Group);

2. Basis Individual New business premia for all private players

Source: IRDAI and Life Insurance Council

HDFC Life

Appendix

Financial and operational snapshot (1/2)

Rs Bn.

	9M FY21	9M FY20	Growth	FY20	FY19	FY18	CAGR
New Business Premium (Indl. + Group)	*135.5*	121.5	*11%*	*172.4*	*149.7*	*113.5*	*23%*
Renewal Premium (Indl. +Group)	*121.3*	99.4	*22%*	*154.7*	*142.1*	*122.1*	13%
Total Premium	256.7	220.9	16%	327.1	291.9	235.6	*18%*
Individual APE	46.6	43.9	6%	61.4	52.0	48.9	12%
Overall APE	54.9	53.0	4%	74.1	62.6	55.3	16%
Group Premium (NB)	67.6	61.5	10%	87.8	73.3	54.1	27%
Profit after Tax	10.4	9.8	6%	13.0	12.8	11.1	8%
- Policyholder Surplus	*6.9*	7.1	-3%	*10.9*	*9.0*	*8.5*	*13%*
- Shareholder Surplus	*3.6*	2.7	30%	*2.1*	*3.8*	*2.6*	*-11%*
Dividend Paid [(1)]	-	-	NA	-	4.0	3.3	NA
Assets Under Management	1,656.2	1,364.5	21%	1,272.3	1,255.5	1,066.0	9%
Indian Embedded Value	250.5	208.4	20%	206.5	183.0	152.2	16%
Net Worth [(2)]	80.9	66.7	21%	69.9	56.6	47.2	22%
NB (Individual and Group segment) lives insured (Mn.)	21.3	44.8	-53%	61.3	51.4	33.2	36%
No. of Individual Policies (NB) sold (In 000s)	675.5	639.5	6%	896.3	995.0	1,049.6	-7%

1. Including dividend distribution tax (DDT)

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

Financial and operational snapshot (2/2)

		9M FY21	9M FY20	FY20	FY19	FY18
Overall New Business Margins (post overrun)		25.6%	26.6%	25.9%	24.6%	23.2%
Operating Return on EV	(1)	18.3%	19.0%	18.1%	20.1%	21.5%
Operating Expenses / Total Premium		12.1%	13.7%	13.1%	13.1%	13.5%
Total Expenses (OpEx + Commission) / Total Premium		16.4%	18.5%	17.7%	17.0%	18.0%
Return on Equity	(2)	18.4%	21.3%	20.5%	24.6%	26.0%
Solvency Ratio		202%	195%	184%	188%	192%
Persistency (13M / 61M)	(3)	89%/53%	87%/53%	88%/54%	84%/51%	83%/50%
Market Share (%)						
- Individual WRP		16.4%	14.3%	14.2%	12.5%	13.3%
- Group New Business		27.3%	28.6%	29.0%	28.4%	28.5%
- Total New Business		22.3%	21.4%	21.5%	20.7%	19.1%
Business Mix (%)						
- Product (UL/Non par savings/Non par protection/Par)	(4)	23/35/7/35	28/52/7/13	28/45/8/19	55/20/7/18	57/9/5/28
- Indl Distribution (CA/Agency/Broker/Direct)	(4)	63/12/6/19	55/14/9/21	55/14/9/22	64/13/4/19	71/11/5/14
- Total Distribution (CA/Agency/Broker/Direct/Group)	(5)	25/6/2/17/50	23/7/3/17/51	23/7/3/17/51	26/7/2/16/49	33/7/2/10/48
- Share of protection business (Basis Indl APE)		7.4%	6.7%	7.6%	6.7%	5.1%
- Share of protection business (Basis Overall APE)		12.6%	16.7%	17.2%	16.7%	11.3%
- Share of protection business (Basis NBP)		17.1%	28.1%	27.6%	27.0%	25.9%

1. *During FY18, there was a one time positive operating assumption change of Rs 1.4 bn based on review by an external actuary as part of the IPO process. Excluding this one time adjustment, Operating return on EV would have been 20.4% for FY18*
2. *Calculated using net profit and average net worth for the period (Net worth comprises of Share capital, Share premium and Accumulated profits)*
3. *Persistency ratios (based on original premium)*
4. *Based on individual APE. UL: Unit Linked, Trad: Traditional, Par: Participating & CA: Corporate Agents. Percentages are rounded off*
5. *Based on total new business premium including group. Percentages are rounded off*

Revenue and Profit & Loss A/c

Rs Bn.

Revenue A/c

	9M FY21	9M FY20
Premium earned	256.7	220.9
Reinsurance ceded	(4.2)	(3.3)
Income from Investments	266.6	69.2
Other Income	1.0	1.1
Transfer from Shareholders' Account	0.2	0.3
Total Income	**520.3**	**288.1**
Commissions	11.1	10.6
Expenses	30.8	30.1
GST on UL charges	2.6	2.6
Provision for taxation	0.9	0.3
Provision for diminution in value of investments	(1.0)	1.9
Benefits paid	132.6	130.6
Change in valuation reserve	332.1	97.6
Bonuses Paid	4.5	6.1
Total Outgoings	**513.6**	**280.0**
Surplus	**6.6**	**8.4**
Transfer to Shareholders' Account	7.0	7.4
Funds for future appropriation - Par	(0.4)	1.0
Total Appropriations	**6.6**	**8.4**

Profit and Loss A/c

	9M FY21	9M FY20
Income		
Interest and dividend income	3.2	2.7
Net profit/(loss) on sale	0.6	0.9
Transfer from Policyholders' Account	7.0	7.4
Other Income	0.0	0.0
Total	**10.8**	**10.9**
Outgoings		
Transfer to Policyholders' Account	0.2	0.3
Expenses	0.2	0.2
Interest on Non-convertible debenture	0.2	-
Provision for diminution in value of investments	(0.2)	0.2
Provision for Taxation	0.0	0.4
Total	**0.4**	**1.1**
Profit for the year	**10.4**	**9.8**

HDFC Life

Balance sheet

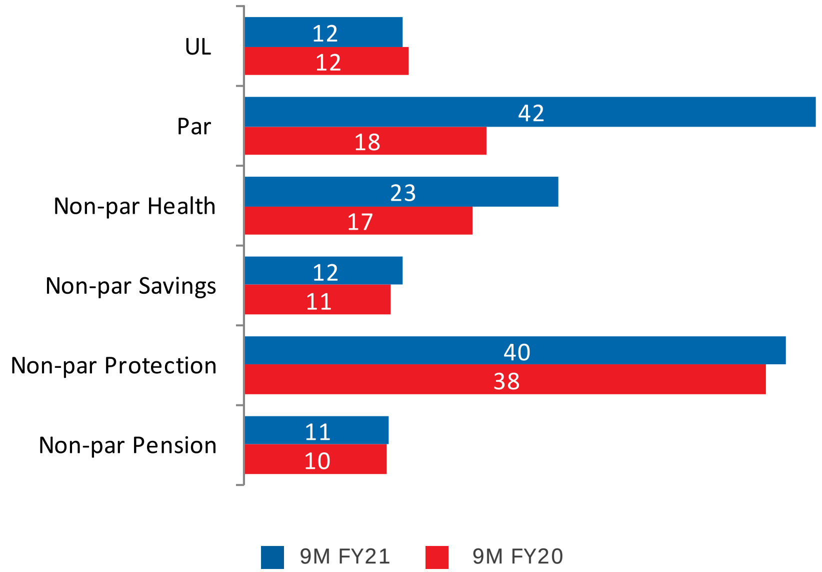
Rs Bn.

	Dec 31, 2020	Dec 31, 2019	Mar 31, 2020
Shareholders' funds			
Share capital (including Share premium)	24.8	24.1	24.2
Accumulated profits	56.1	42.6	45.7
Fair value change	2.3	(0.1)	(1.9)
Sub total	**83.2**	**66.6**	**68.0**
Borrowings	**6.0**	**-**	**-**
Policyholders' funds			
Fair value change	27.4	9.7	0.5
Policy Liabilities	793.6	619.6	652.7
Provision for Linked Liabilities	694.9	613.5	508.4
Funds for discontinued policies	38.1	34.6	33.4
Sub total	**1,554.0**	**1,277.4**	**1,195.0**
Funds for future appropriation (Par)	8.4	12.0	8.8
Total Source of funds	**1651.6**	**1,355.9**	**1,271.9**
Shareholders' investment	82.1	60.4	58.6
Policyholders' investments: Non-linked	841.1	655.9	671.9
Policyholders' investments: Linked	733.0	648.1	541.8
Loans	3.8	2.6	3.0
Fixed assets	3.3	3.4	3.3
Net current assets	(11.7)	(14.5)	(6.7)
Total Application of funds	**1651.6**	**1,355.9**	**1,271.9**

Segment wise average term and age[1]

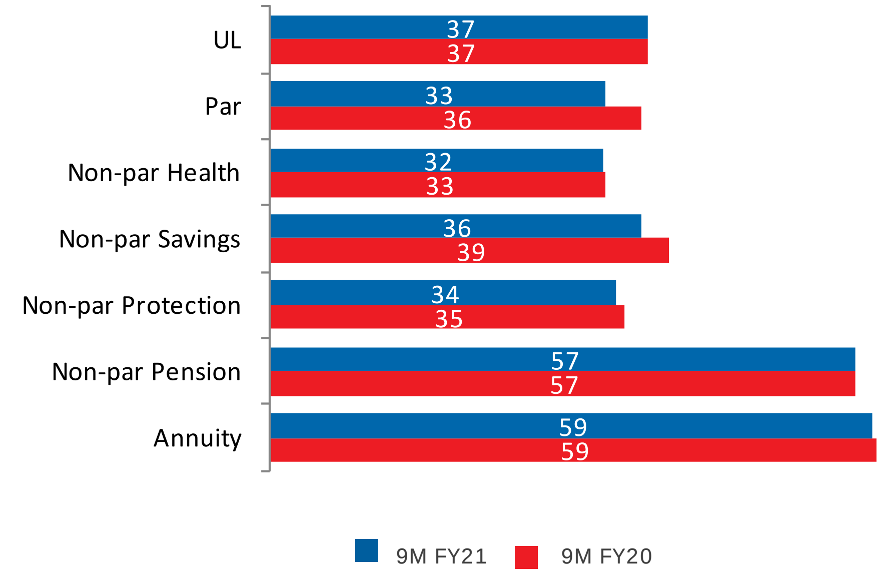
Average Policy Term excluding annuity (Yrs)

9M FY21: 25.1 (9M FY20: 17.0)



Average Customer Age excluding annuity (Yrs)

9M FY21: 35.7 (9M FY20: 37.5)



- 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

1. Basis individual new business policies (excluding annuity)

Summary of Milliman report on our ALM approach

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) basis 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.

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.

HDFC Life

Embedded Value: Economic assumptions[1]

Years	Forward rates %		Spot rates %	
	As at Dec 31, 2020	As at Dec 31, 2019	As at Dec 31, 2020	As at Dec 31, 2019
1	3.54	5.55	3.48	5.40
2	4.63	6.30	4.00	5.75
3	5.55	6.87	4.47	6.05
4	6.26	7.23	4.87	6.28
5	6.79	7.43	5.21	6.46
10	7.80	7.52	6.25	6.86
15	7.65	7.47	6.65	6.98
20	7.28	7.45	6.78	7.03
25	6.97	7.45	6.80	7.06
30+	6.76	7.45	6.77	7.08

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

HDFC Life

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