



HDFC Life and Max Life Merger

8 August 2016

Disclaimer

The proposed transaction is subject to approval of various regulatory and other authorities, including without limitation, the Insurance Regulatory and Development Authority of India, Competition Commission of India, Securities and Exchange Board of India (Stock Exchanges), and the relevant High Courts having jurisdiction over the companies which are parties to the proposed transaction. Estimates, expectations, and business plans in this press release are forward-looking statements based on currently available information and the management's current views and assumptions. Such statements are naturally subject to risks and uncertainties. In addition to statements which are forward-looking by reason of context, the words "will", "expects", "plans", "intends", "anticipates", "believes", "estimates", "predicts", "potential", or "continue" and similar expressions identify forward-looking statements. Factors such as changes in applicable laws and regulations, including in regard to the life insurance sector, the development of general economic conditions, future market conditions, unusual catastrophic loss events, changes in the capital markets and other circumstances may cause the actual events or results to be materially different from those anticipated by such statements. HDFC Life, Max Life, Max FS and Max India ("Parties") do not make any representation or warranty, express or implied, as to the accuracy, completeness or updated status of the statements contained in this press release. Therefore, in no case whatsoever will the Parties be liable to anyone for any decision made or action taken in conjunction with the information and/or statements in this press release or for any related damages.

HDFC Life	HDFC Standard Life Insurance Company Limited
Max Life	Max Life Insurance Company Limited
Max FS	Max Financial Service Limited
Max India	Max India Limited
MSI	Mitsui Sumitomo Insurance Limited
HDFC Ltd.	Housing Development Finance Corporation Limited
Standard Life	Standard Life (Mauritius Holdings) 2006 Limited
Max Sponsors	Promoter Group of Max FS

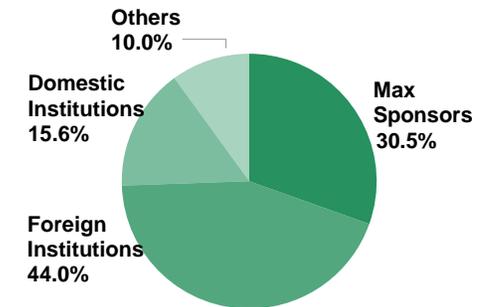
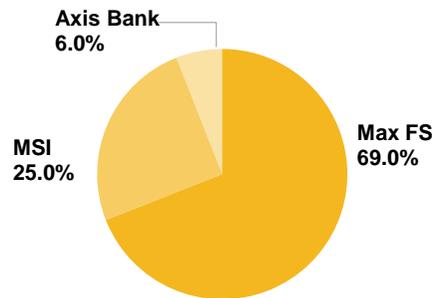
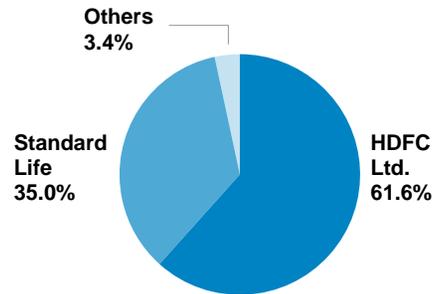
Merger of life insurance businesses of two strong business houses



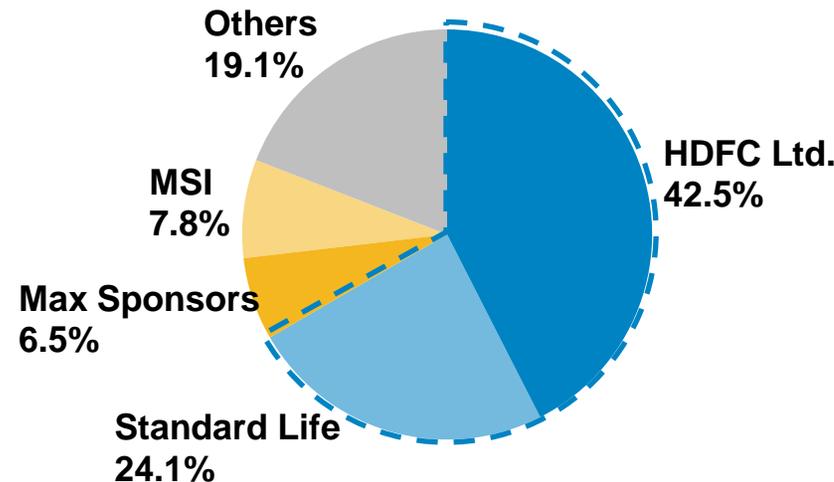
Single Composite Scheme of Arrangement

- **Step #1: Max Life merges into Max FS (listed entity)**
- **Step #2: Merged entity in Step#1 demerges life insurance undertaking into HDFC Life (Entity referred to as MergeCo subsequently)**
- **Step#3: Max FS (holding non-life insurance business) merges with Max India (listed entity)**

Indicative shareholding post the transaction (1)



Promoters of the resultant entity would be HDFC Ltd. and Standard Life



- Promoter holding: 66.6%
- Domestic holding: 58.5%
- Foreign holding: 41.5%

Final shareholding of MergeCo will depend on shareholding of each entity as on the record date of the transaction

Notes

1. Based on shareholding as of Jun 30, 2016

Key transaction details

Relative Valuation

- Based on agreed commercials, relative valuation of HDFC Life and Max Life is 69% and 31% respectively

Non Compete and Non Solicitation

- Term: 4 years from the payout of first tranche
- Consideration: An upfront payment of Rs 501 crore payable immediately post completion of merger, followed by three equal annual installments totaling Rs 349 crore
- Payment to be made by MergeCo from Shareholders' account
- Payment is subject to receipt of upfront majority approval from minority shareholders of Max FS. Max Life will seek consent from its shareholders holding more than 75% stake for the proposed transaction

Brand

- Trademark license agreement to use 'Max' brand as part of life insurance products transitioning from Max Life for 7 years post merger completion

Axis Bank Arrangement

- Axis Bank corporate agency agreement to continue till September 2021

Key transaction details (cont'd.)

Board

- Board of HDFC Life to continue

Integration Planning Committee

- Will provide integration roadmap and resolve integration related issues
- Joint Max Group and HDFC Life committee with majority representation from HDFC Life

Policyholder Safeguards

- Existing policies will continue on an “as is” basis with the same terms until their tenure

Final Structure at Effective Date

- Max Life’s insurance business to demerge into HDFC Life
- Non insurance business of Max FS to merge into Max India
- HDFC Life to issue shares to shareholders of Max Life and Max FS
- **HDFC Life would become a listed company with HDFC Ltd. and Standard Life (Mauritius Holdings) 2006 Limited as Promoters**

Transaction rationale and objectives

1

Increased market share with diversified distribution network

- Market share of ~10.8%⁽¹⁾ and 3.85%⁽²⁾ in individual and group segment respectively
- Increased number of service touch points for the customers
- Distribution mix ⁽³⁾ (excluding Group) – Agency (19%), Banca (64%), Direct (11%), Others (5%)

2

Wider product basket with a balanced portfolio

- Wider product suite across categories
- Product mix ⁽³⁾ – PAR (41%), Non-PAR (15%), ULIP (45%)

3

Enhanced access to bancassurance channels



Notes

1. Proforma, based on FY16 individual new business received premiums
2. Proforma, based on FY16 group new business received premiums
3. Proforma, based on FY16 individual new business received premiums

Transaction rationale and objectives (cont'd.)

4

Revenue and cost synergies to enhance shareholder value

- Integrated platforms – technology, digital, mobility, analytics, operations and underwriting
- Higher cross sell opportunities
- Best practices to enhance distribution productivity
- Savings due to value engineering

5

Improved employee value proposition

- Better opportunities for employees across geographies and functions
- Access to a larger talent pool with intent to retain talent across the two companies
- Employer of choice to attract and retain talent

Financial overview of the MergeCo

Rs Crore

	FY16			Q1FY17		
						
Total Premiums	16,313	9,216	25,529	3,217	1,746	4,963
Individual Premiums	13,483	8,921	22,404	2,507	1,659	4,166
Group Premiums	2,830	295	3,125	710	87	797
AUM	74,230	35,824	110,054	78,326	37,701	116,027
Solvency	198%	343%	252%	204%	347%	257%
EV	10,233	5,617	15,850	-	-	-
Overall Post Overrun NBM	19.9%	17.9%	19.2%	-	-	-

Operational overview of the MergeCo

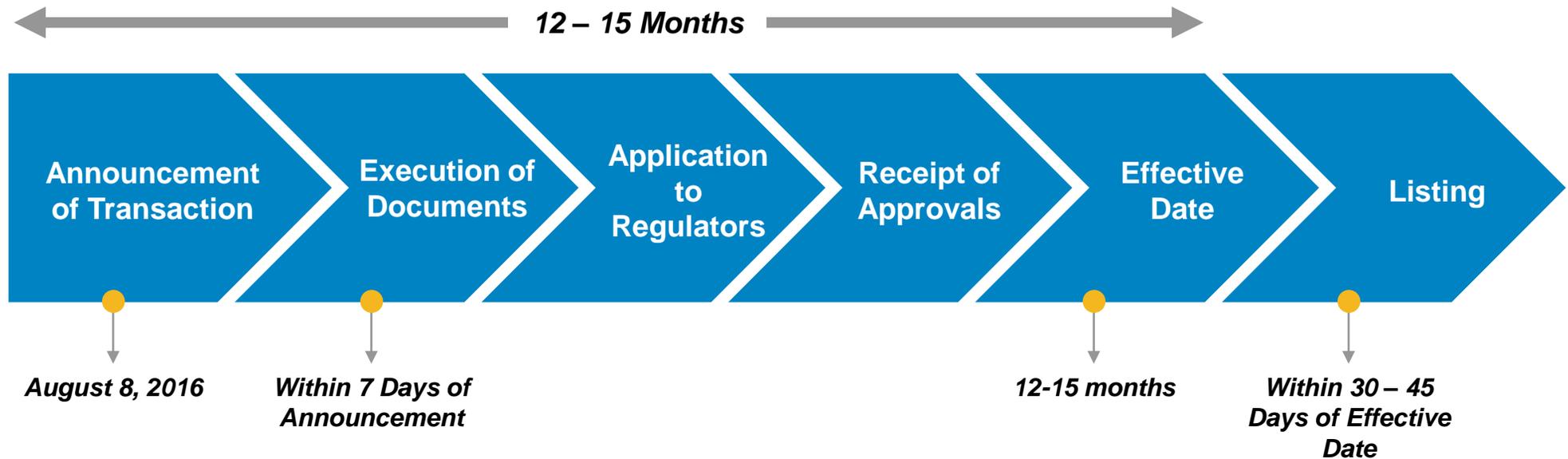


	HDFC Life	MAX LIFE	MergeCo
Employees	14,610	9,010	23,620
Branches	396	205	601
Customers (1)	4.1 MM	2.9MM	7.0 MM
Agents	85,760	48,611	134,371
Key Bancassurance Partners	5	3	8

As of June 30, 2016

Notes
 1. Excludes Group customers

Way forward....



Regulatory Approvals

- CCI: On or before Sep 7, 2016. Approval expected in 4 – 5 months
- IRDAI: Notice of intent and application for in-principle approval expected to be made within 30 – 45 days. In principle approval expected in 3 - 4 months
- SEBI: Within 2 - 3 weeks (by Max FS and Max India). In principle approval expected in 30 days
- High Court: After receipt of in-principle approval from SEBI and IRDAI. Approval expected in 8 – 10 months



Thank You
