Max Financial Services Investor Release

November 2017

Disclaimer

This release is a compilation of financial and other information all of which has not been subjected to audit and is not a statutory release. This may also contain statements that are forward looking. These statements are based on current expectations and assumptions that are subject to risks and uncertainties. Actual results could differ materially from our expectations and assumptions. We do not undertake any responsibility to update any forward looking statements nor should this be constituted as a guidance of future performance.

Max Financial Services : H1FY18 Key Highlights

1. H1FY18 Group revenue* at Rs 6,002 Cr, grows 13% y-o-y

2. Max Life : Individual Adjusted FYP grows by 19% to Rs 1,112 Cr

3. H1FY18 Group PBT at Rs 197 Cr, down 37%y-o-y, due to one-off gains from investment income and reserve release in last year

4. MCEV as at 30th Sep 2017 at Rs. 6,946 Cr; operating RoEV 17%

5. Value of New Business increased to Rs. 204 Cr, grows 16% y-o-y; New business margin at 18.1%

6. New business margin for H1FY18 on managements’ expectation of sales and costs for full year FY18 would be close to 20% compared to 18.8% for FY17

* Excludes MLIC Unit Investment income

Agenda

1 **Industry Overview**

2 Max Life Overview

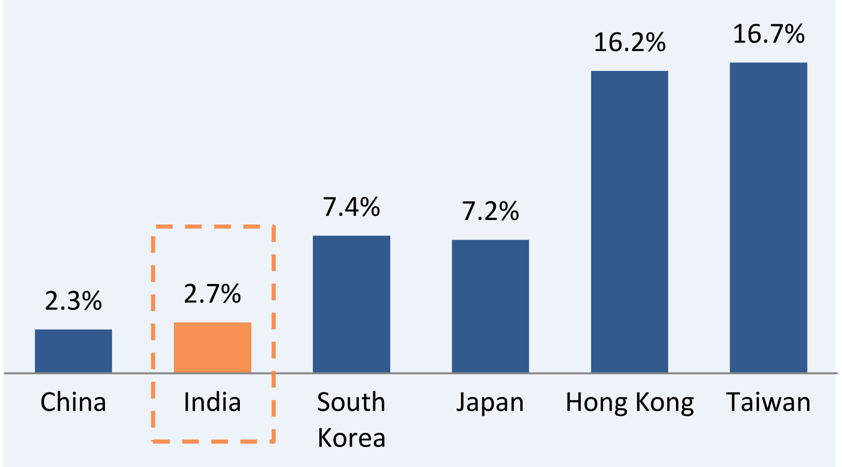
3 EV Disclosures

4 Financial Performance

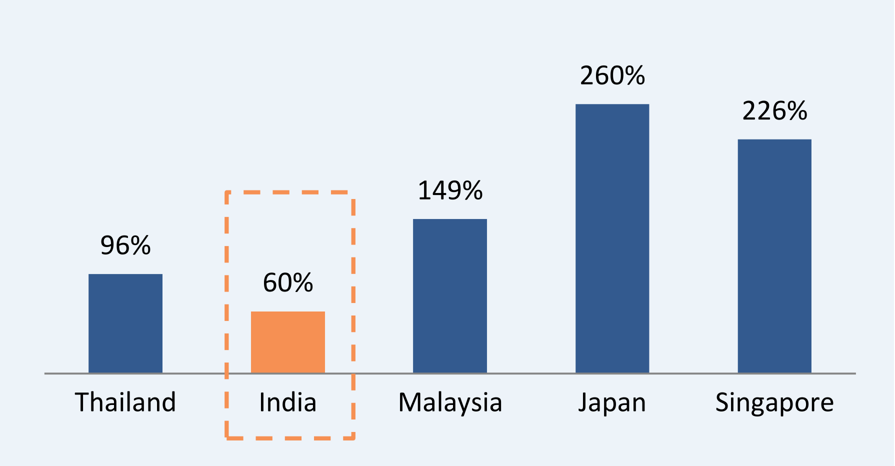
5 Awards and Accolades

Significant potential to expand both in savings and protection segment

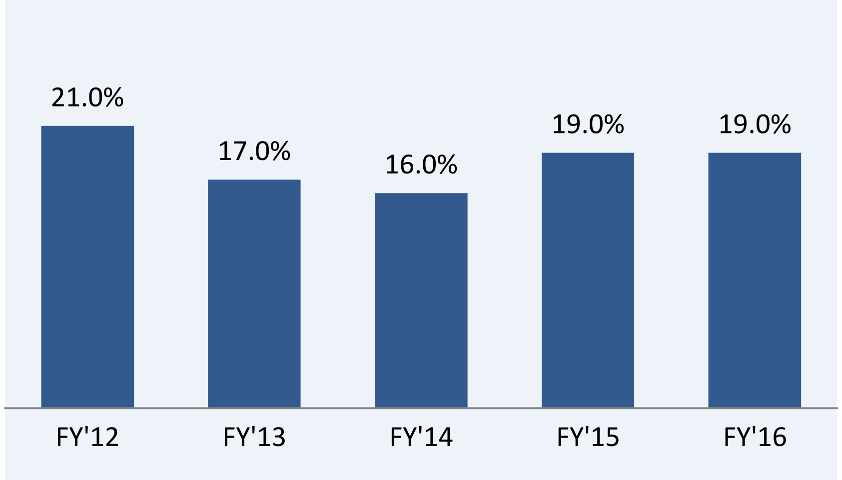
Life Insurance Penetration (Premium as % of GDP), 2016



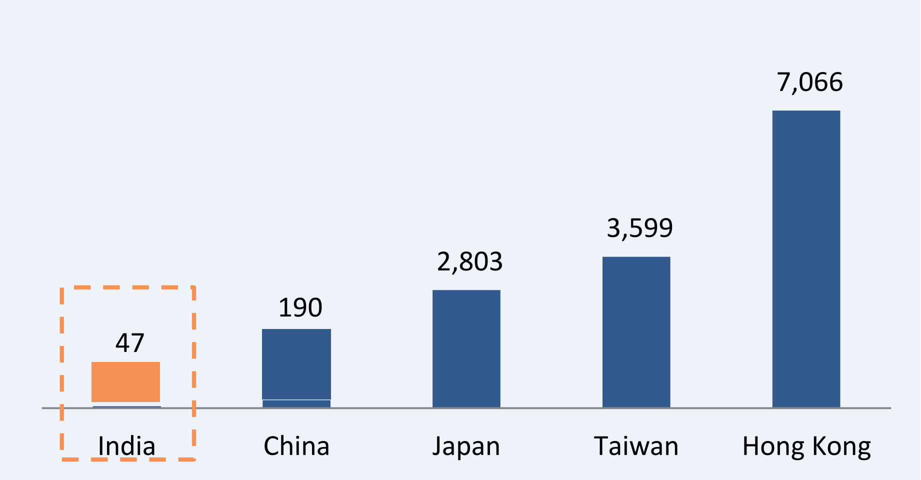
Level of Protection (Sum Assured as % of GDP), 2015



% of Life Insurance in household savings- India



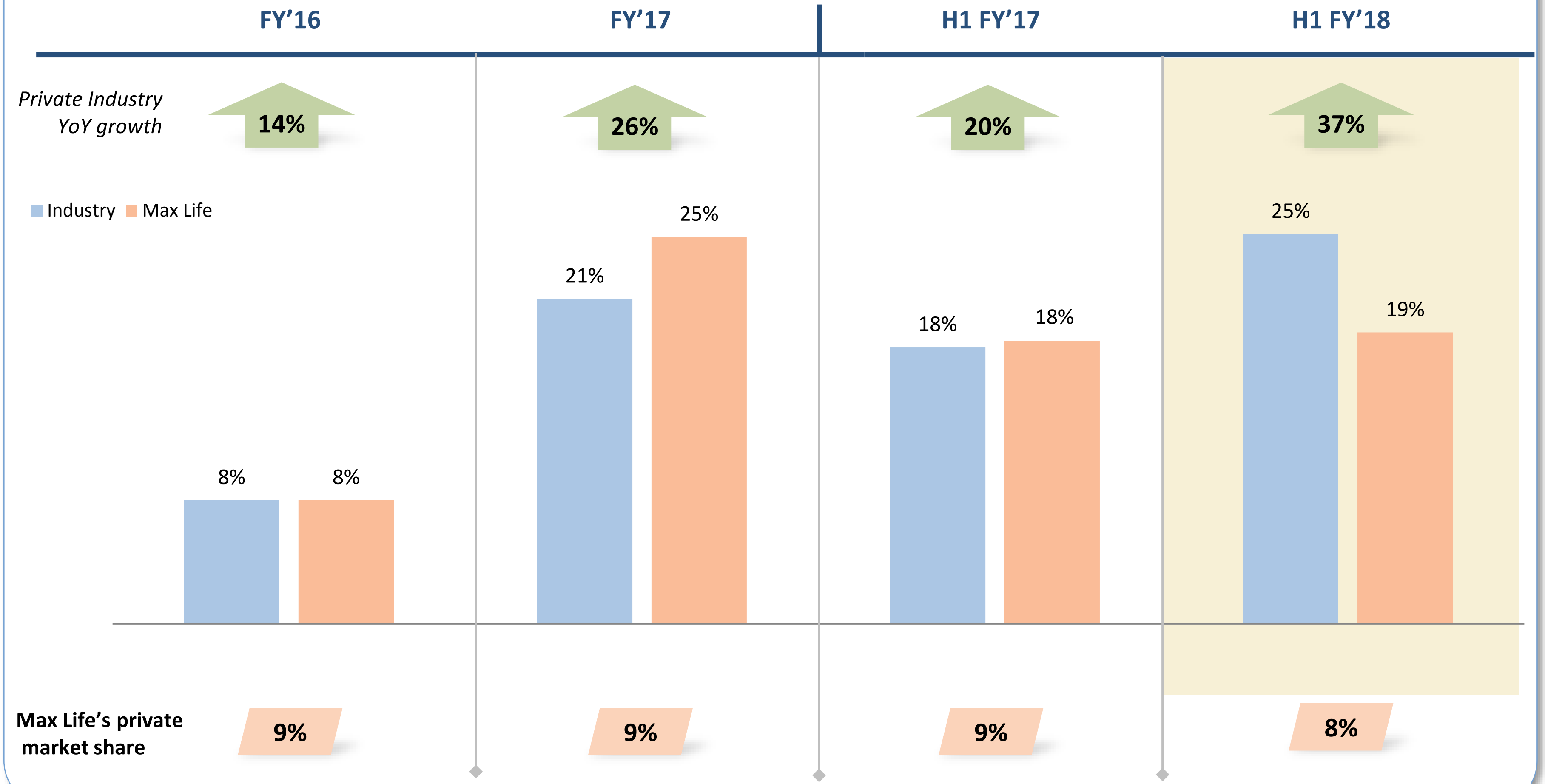
Life Insurance Density (Premium per capita – USD), 2016



Source: "Swiss Re: World Insurance in 2016"

Industry Landscape (H1 FY'18): Industry grew by 25% driven by strong performance of the private players (+37%) and LIC (+13%)

YoY growth Individual Adjusted FYP



	FY'16	FY'17	H1 FY'17	H1 FY'18
Private Industry YoY growth	14%	26%	20%	37%
Industry	8%	21%	18%	25%
Max Life	8%	25%	18%	19%
Max Life's private market share	9%	9%	9%	8%

Significant proportion of the private industry's growth driven by higher ULIP contribution and low base effect. During this period Max life has continued to focus on balanced product mix

Source: Life Insurance Council | IRDAI

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Our Strategy: Strengthen multi-channel architecture and leverage technology to continue profitable growth

1

Continue to chase profitable growth

- Superior financial performance with profitable growth
- Balanced product mix with focus on long term saving and protection proposition
- Superior customer outcomes and retention

2

Comprehensive multi-channel distribution model

- Comprehensive multi-channel distribution model with highly efficient and productive agency channel and strong Banca relationships
- Proprietary channel of the future will work towards driving efficiencies of existing assets and variablizing costs by leveraging technology

3

Strong digital footprints

- Using digital technologies to harness data and analytics for more efficient sales processes and better customer experience
- Digitization of backend infrastructure for driving operational efficiencies

Supported by eminent Board, strong management team and robust governance framework

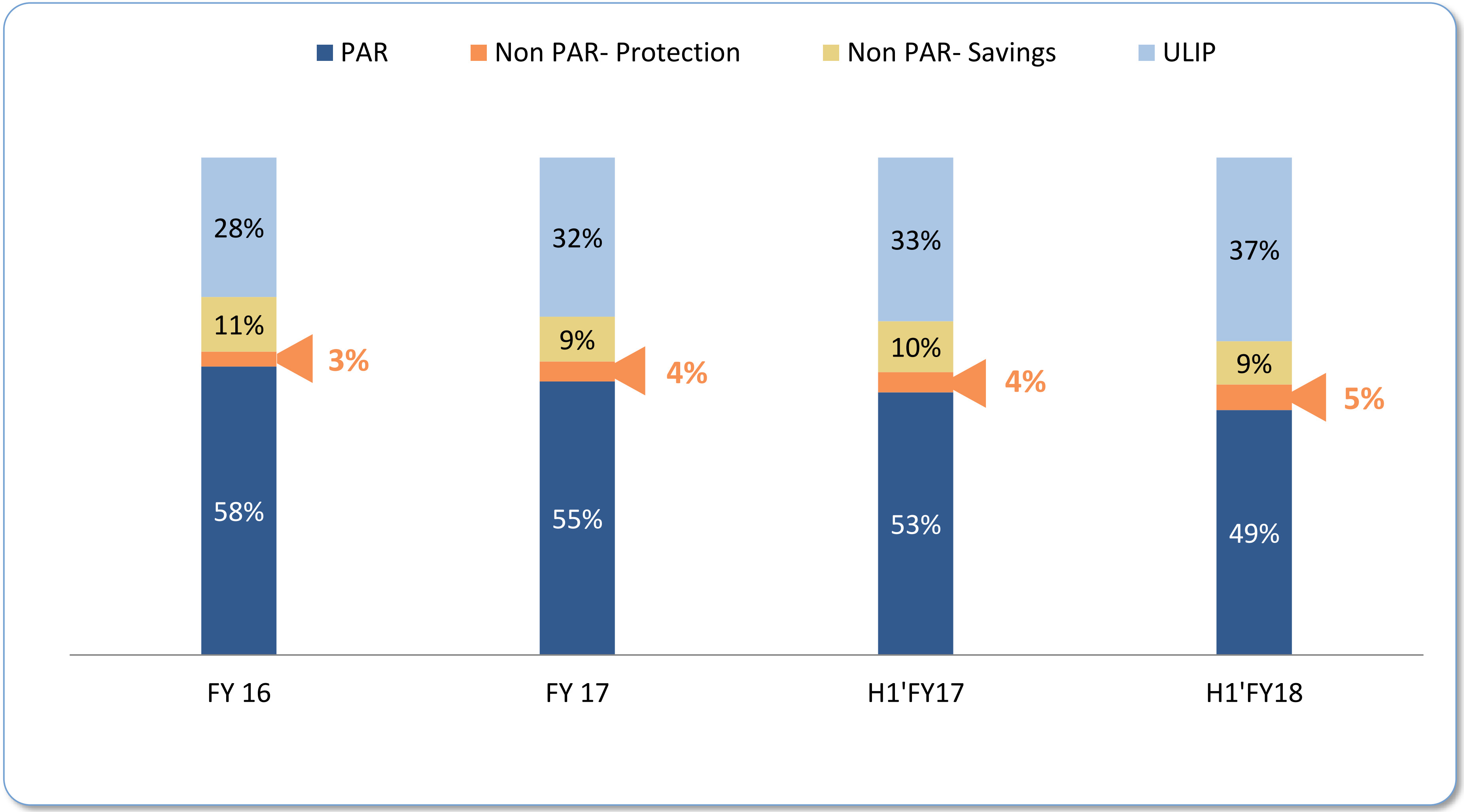
1 Financial Performance Summary H1’ FY 18

Market Share	**Individual Sales**	**Gross Written Premium**	**AUM**
8% [9%] 118 bps ↓	Rs 1,112 Cr [Rs 936 Cr] 19% ↑	Rs 4,808 Cr [Rs 4,218 Cr] 14% ↑	Rs 47,756 Cr [Rs 39,647 Cr] 20% ↑
Profit Before tax*	**Net Worth**	**Embedded Value^**	**Policyholder Expense Ratio**
Rs 236 Cr [Rs 344 Cr] 31% ↓	Rs 2,562 Cr [Rs 2,309 Cr] 11% ↑	6,946 [6,590] 17% ↑	15.5% [17.3%] 184 bps ↓
Sum Assured	**Policies in force (Individual)**	**Solvency Ratio#**	**Case Size**
4,35,524 Cr [3,52,756 Cr] 23% ↑	39,32,738 [37,44,586] 5% ↑	295% [343%] Abs. 48% ↓	49,553 [48,666] 2% ↑
No. of Employees	**No. of Agents**	**Claim Settlement Ratio**	**Protection Mix**
9,744 [9,081] 7% ↑	54,619 [50,055] 9% ↑	95.12% [94.70%] 42 bps ↑	5% [4%] 1% ↑

Figures in [brackets] are for previous year numbers (H1’FY17), except Embedded Value where it represents Mar’FY17

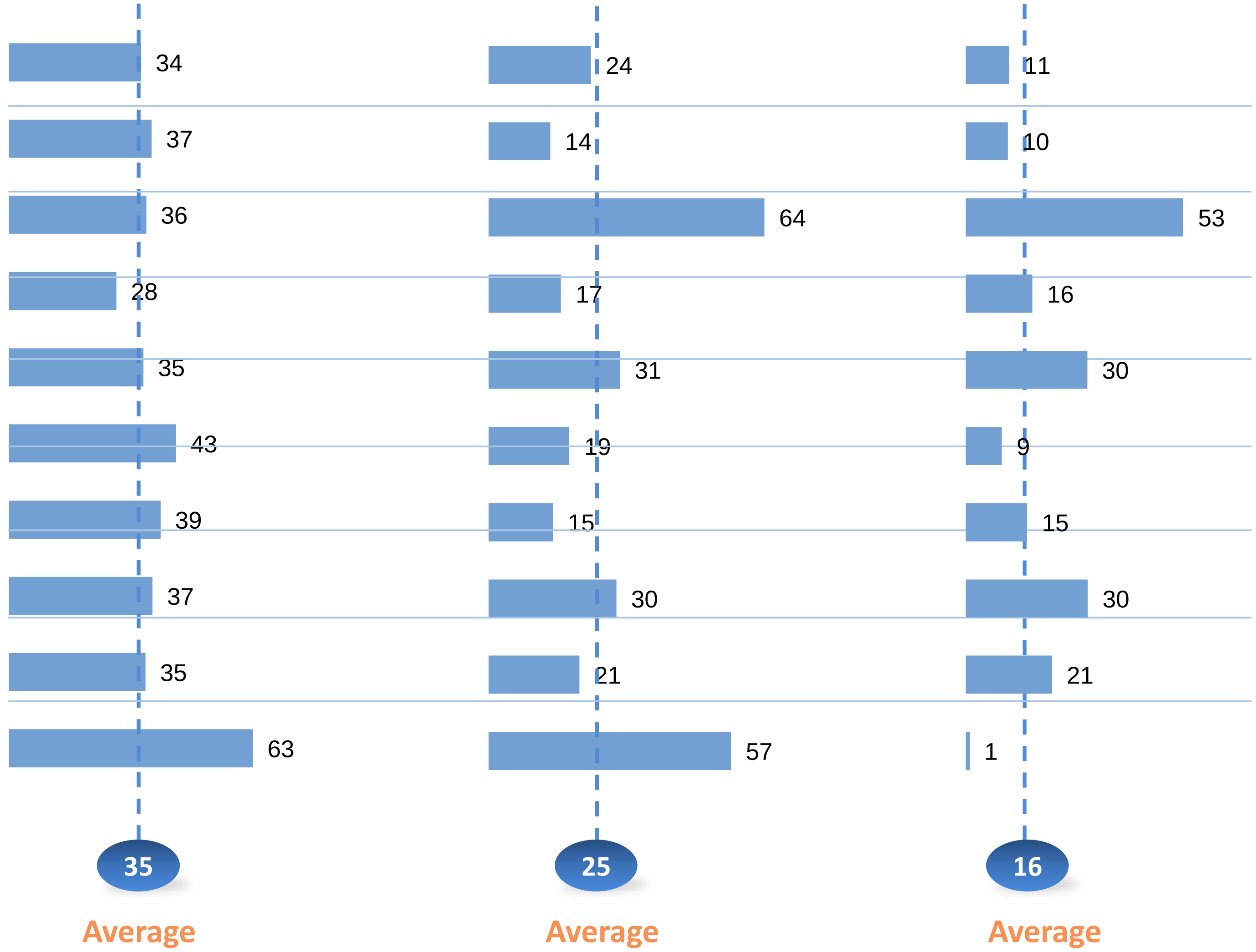
*Profit before tax for H1’FY17 was higher due to one-time non operating gains realization primarily from investment income, # Post proposed interim dividend solvency ratio will be 282% (March 17: 298%), ^Growth on Embedded value is operating RoEV

1 Balanced product mix with enhanced focus on long term saving and protection contribution



Product mix basis Ind. AFYP

1 Balanced product mix with focus on long tenor life coverage



Product Type	Average Policyholder Age (Years)	Average Policy Term (Years)	Average PPT* (Years)
Endowment	34	24	11
ULIP	37	14	10
Whole Life	36	64	53
Money back	28	17	16
Pure Term	35	31	30
GMIP/GIP	43	19	9
Health	39	15	15
Cancer Insurance	37	30	30
Pension	35	21	21
Annuity	63	57	1
Average	35	25	16

As on 30th Sep 2017

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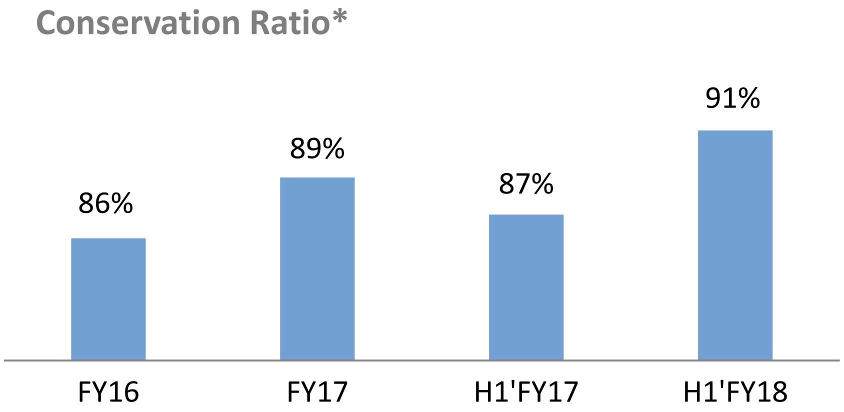
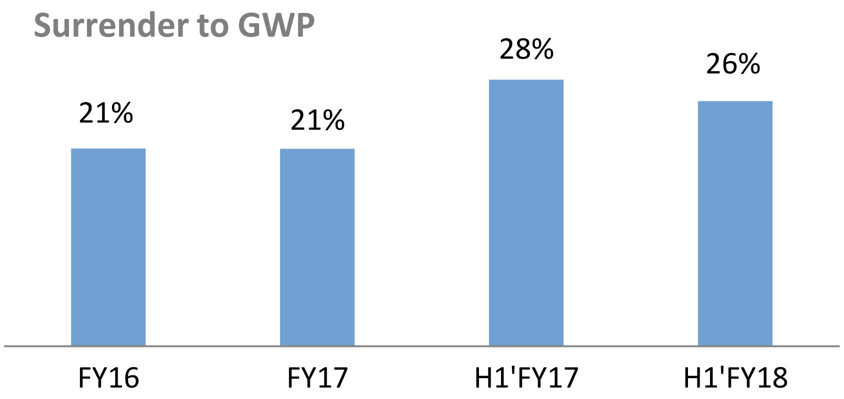
*PPT: Premium Payment Term

1 Superior customer outcomes and retention with continuous improvement across all quality parameters

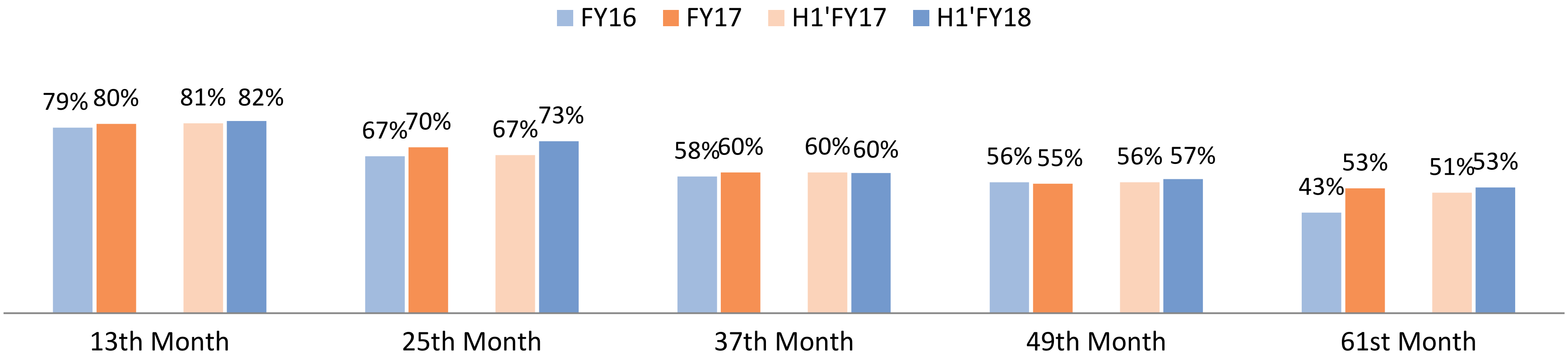
High quality business franchise



Steady retention capabilities

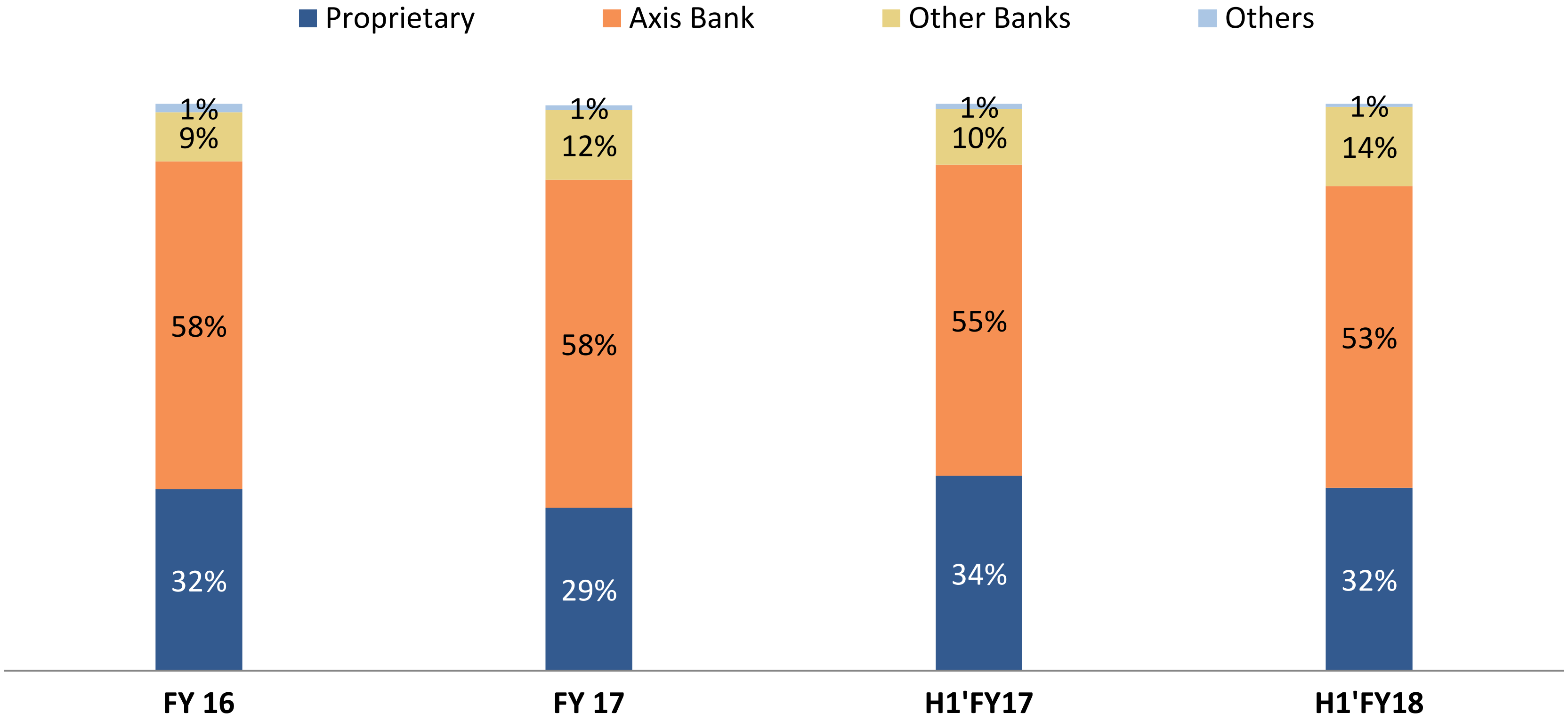


Continuous improvement in persistency



****Conservation Ratio :*** Current year total renewal premium(excluding Group)/(total first year individual regular premium of previous year+ renewal premium (excluding group) of previous year-previous year premium from term completed policies, matured policies and policies which has ceased to exist due to death)

2 Comprehensive multi-channel distribution with consistent contribution from proprietary channels

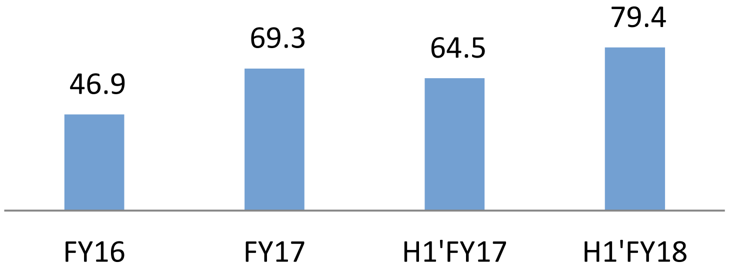


Distribution mix basis Ind. AFYP

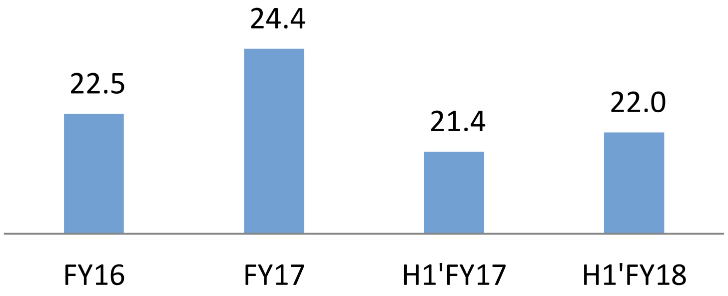
2 Highly efficient and productive agency channel and strong banca relationships with consistent growth

Highly efficient and productive agency channel with focus on quality of advice

Active Agent productivity (Rs '000 pm)

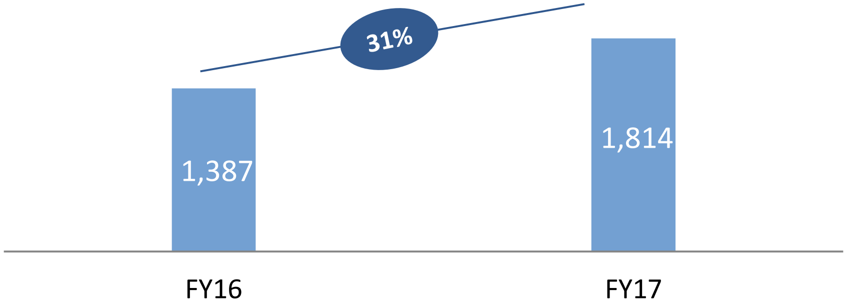


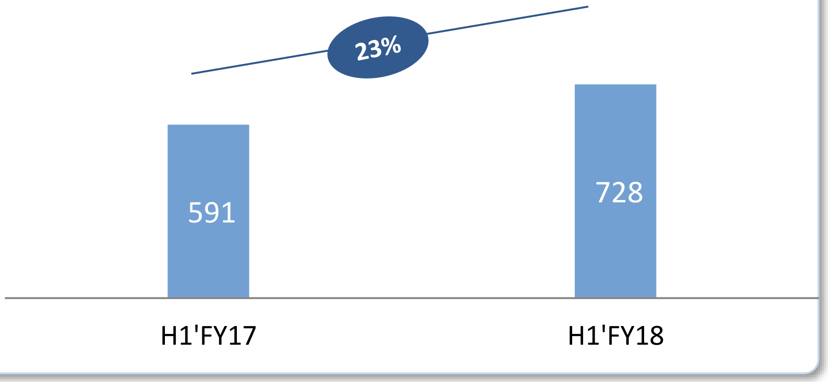
Branch productivity (Rs Lakhs pm)



Strong Banca relationship with consistent growth

Ind. Adj. FYP (Rs. Cr)





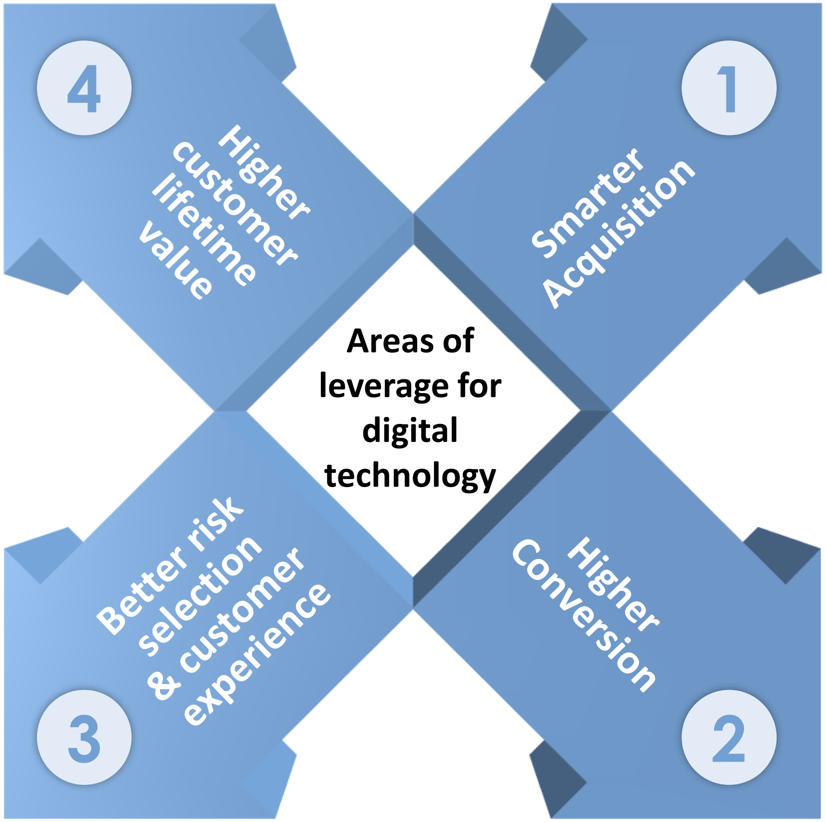
3 Using digital technologies to harness data and analytics for more efficient sales processes and better customer experience

Transforming Digital Interface

- Sales – New intuitive journey- best in class "traffic to lead" ratio
- Integrated phone based sales assistance for high "lead to sale" ratio
- Frictionless proposals*(1 in 6 cases is now being processed with 0 physical documents)*
- Persuasive and personalised communication - Technology led and analytics based
- Conversational interfaces for sellers and customers, planned in Q3- Cost optimization on service

Re-imagining Fulfillment

- Predictive models to gauge insurability to provide frictionless journey
- Digital proposals at 95% - reduction in issuance TAT.



Areas of leverage for digital technology

Digital Marketing and E Commerce

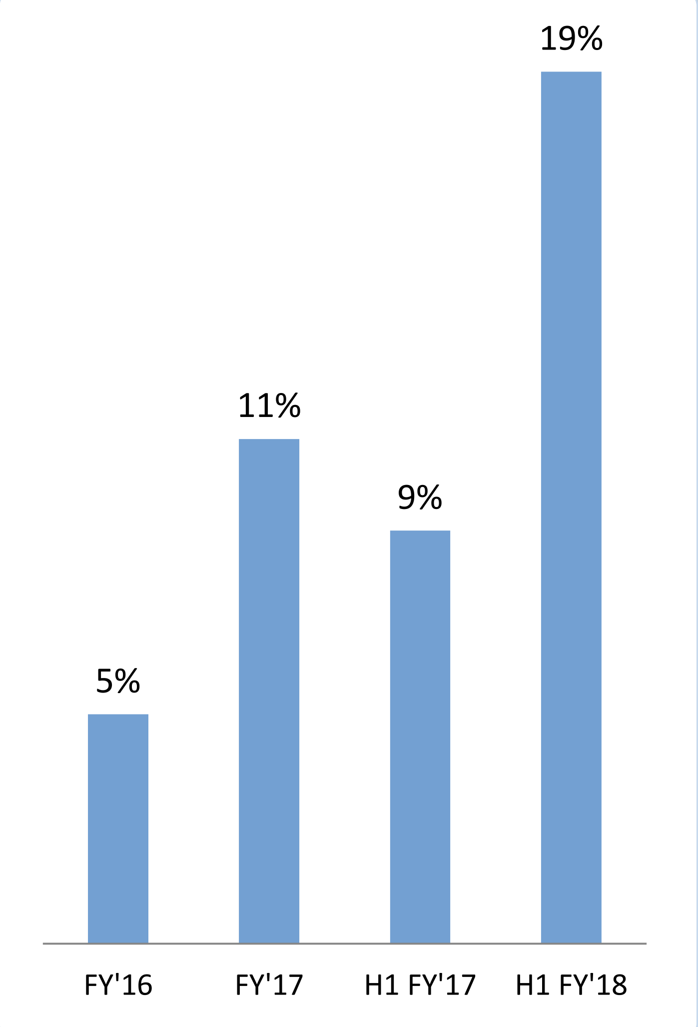
- In Q2 FY18, E-commerce delivered 28% YoY growth in business; New product launch in Sep'17 showing early positive trends (Case size up by 16%)
- 16% of Max Life customers entered through the digital door contributing 54% of total Sum Assured

Seller Ecosystem

- Digital Sales funnel – All active advisors on mobile based tool for effective sales conversations and predictable revenues
- Productivity lifts expected from next generation of Smart analytics like lead propensity analysis for agency distribution
- Launching a unified seller and customer servicing tool (mPower) for agents, RAs and Banca sellers to increase productivity & persistency

3 New Customer Acquisition through the digital channel

Percentage of customers through digital door



16%

of customers are on boarded without a single document

49%

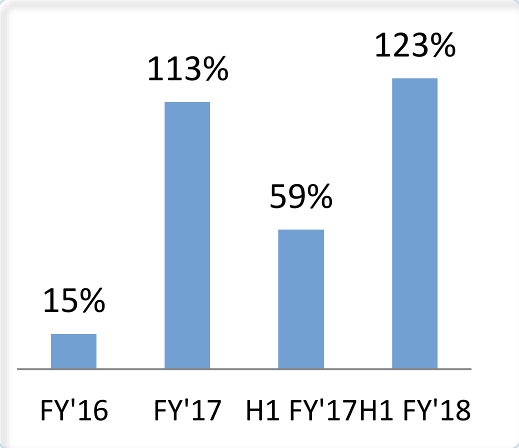
of all Customer Servicing Transactions are undertaken through our website

70% of all Renewal Premium Payment is now paperless (Online and ECS)

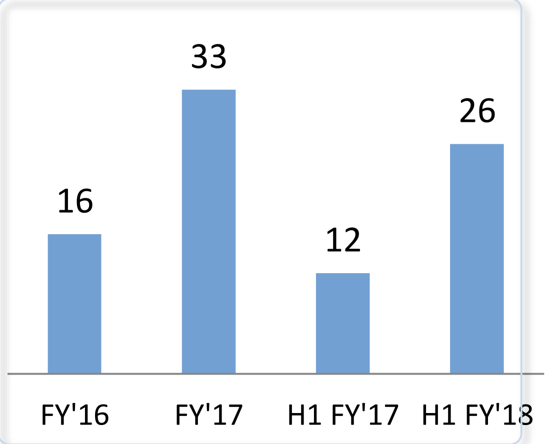
30% YoY growth in Online Renewal Premium

Fulfillment: Growth in direct to customer ecommerce sales

YoY Growth in Sales



NOP's ('000)



3 Analytics center of excellence - Predictive models deployed across the value chain

Revenue Enhancement		Superior Quality of Book		Revenue Enhancement
Sales Force Management	**Customer Acquisition**	**UW Risk and Policy Issuance**	**Lapse Risk & Retention**	**Cross-Sell**
✓	✓	✓	✓	✓
Using a recruitment model to identify quality seller pool	Lead scoring model to predict propensity of leads	Filtering high fraud, high risk policies using predictive analytics	Predictive modelling to identify risky policies for lapse and plan targeted intervention	Targeted customer engagement strategy for cross sell

Business Impact

Improvement in quality hiring	**Improvement in lead conversion from 3% (Pre-model) to 5% (Post-model)**	**Crude Death Rate reduction from 3.6 to 1.7**	**Highest conservation ratio**	**Analytical campaigns account for more than 10% of agency generated sales**

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Key Results

EV as at 30th September 2017 (post allowing for proposed interim shareholder dividend) is **Rs 6,946 Cr.** Before allowing for proposed interim shareholder dividend, the EV is **Rs 7,142 Cr**.

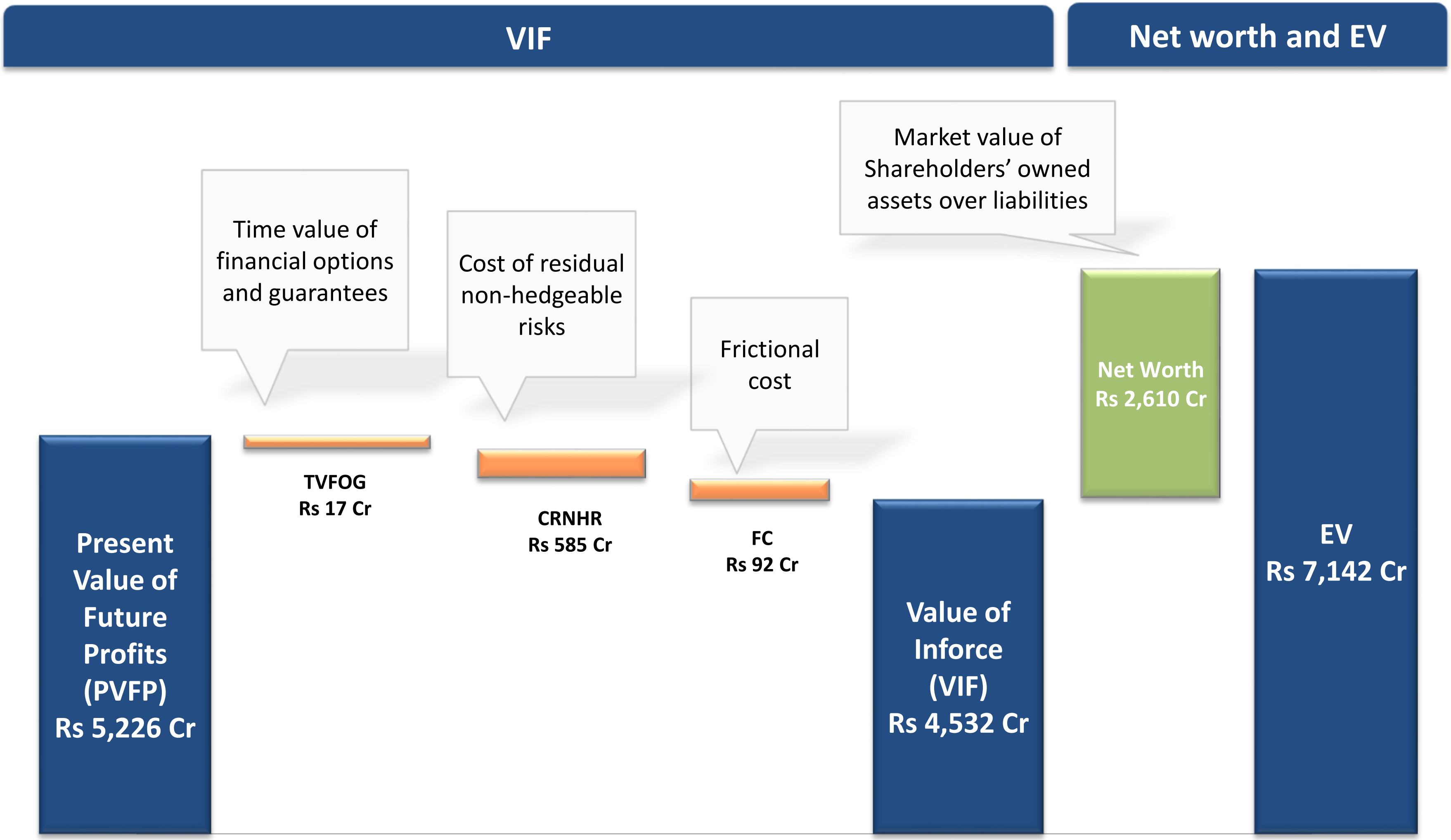
The Operating Return on EV[1] (RoEV) over H1 FY18 is 16.8%. Including non-operating variances, the RoEV is 17.4%.

The Value of New Business (VNB) written during H1 FY18 is Rs 204 Cr and the portfolio new business margin is 18.1%, calculated on actual costs.

Notes:

[1] The Return on EV is calculated before capital movements during the year e.g. interim dividends.

Overview of the components of the EV as at 30th September 2017



1. The deductions for risks to arrive at the VIF represent a reduction of 13% in the PVFP. The largest deduction is in respect of CRNHR.
2. Within CRNHR, persistency risk constitutes the largest risk component.

Note: Figures in Rs Cr. And may not add up due to rounding

Value of New Business and New Business Margins as at 30th September 2017

Description	H1 FY17	H1 FY18	Y-o-Y growth
APE [1]	951	1,131	19%
Value of New Business (VNB)[2] (actual costs)	176	204	16%
New Business Margin (actual costs)	18.5%	18.1%	

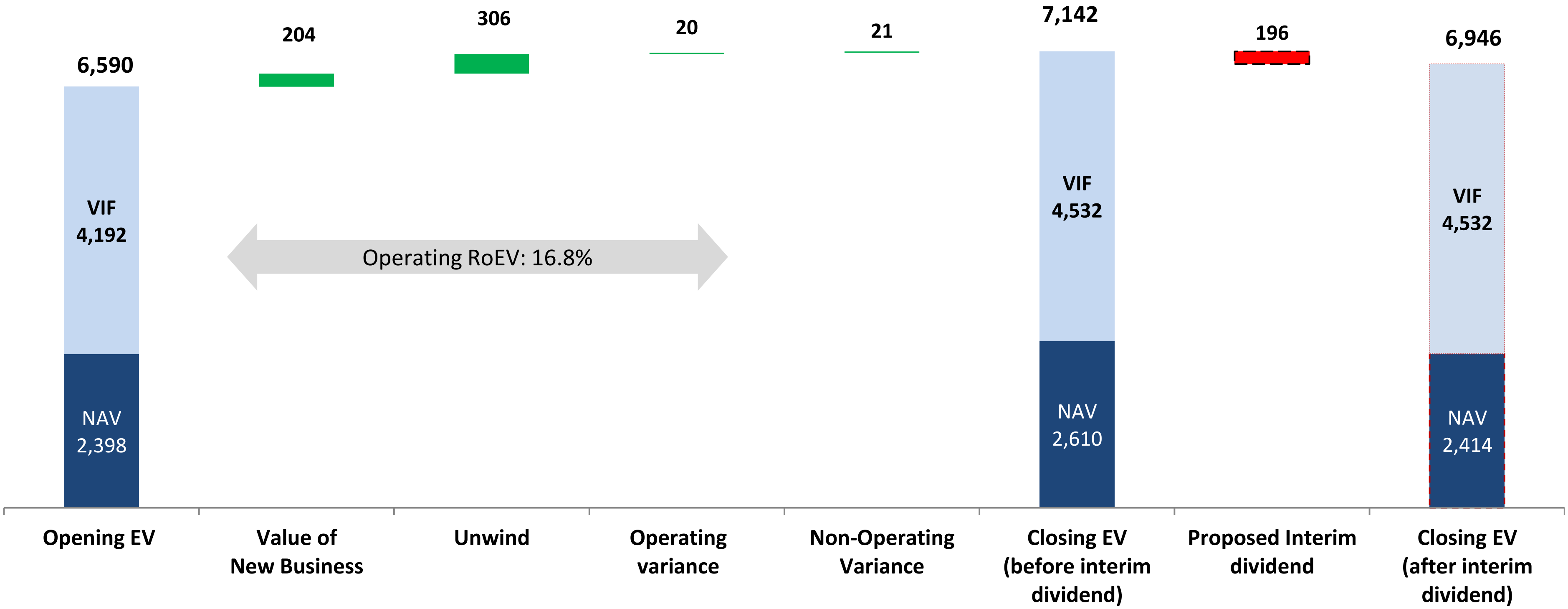
- The new business margin remained stable y-o-y with negative impact due to reduction in interest rates being compensated by shift in product mix towards protection oriented products.
- Due to the sales being skewed towards second half of the year, the impact of cost overrun on new business margin is more pronounced during H1 leading to lower new business margin on actual costs. The new business margin for H1 FY18 on managements' expectation of sales and costs for full year FY18 would be close to **20%** compared to 18.8% for full year FY17.

[1] Annual Premium Equivalent (APE) is calculated as 100% of regular premium + 10% of single premium.

[2] The VNB is accumulated from the point of sale to the end of the reporting period (i.e. 30th September 2017), using the beginning of respective quarter's risk free yield curve.

Note: Figures in Rs Cr.

EV movement analysis: March 2017 to September 2017



- Operating return on EV of 16.8% is mainly driven by new business growth and unwind.
- Operating variances are marginally positive due to change in demographic assumptions and certain modeling enhancements.
- Non-operating variances are mainly driven by equity and interest rate movements since March 2017.
- The proposed interim shareholder dividend of Rs 196 Cr for H1 FY18 will be accounted post 30th September 2017. Post the payment of the interim dividend, the closing EV will be Rs 6,946 Cr.

Note: Figures in Rs Cr.

Sensitivity analysis as at 30th September 2017

Sensitivity	EV		VNB	
	Value (Rs Cr)	% change	Value (Rs Cr)	% change
Base Case	**7,142**	**-**	**204**	-
Lapse/Surrender - 10% increase	7,015	(2%)	192	(6%)
Lapse/Surrender - 10% decrease	7,278	2%	217	6%
Mortality - 10% increase	7,053	(1%)	195	(5%)
Mortality - 10% decrease	7,232	1%	214	5%
Expenses - 10% increase	7,085	(1%)	193	(6%)
Expenses - 10% decrease	7,200	1%	215	5%
Risk free rates - 1% increase	6,965	(2%)	216	6%
Risk free rates - 1% reduction	7,305	2%	189	(8%)
Equity values - 10% immediate rise	7,194	1%	204	Negligible
Equity values - 10% immediate fall	7,091	(1%)	204	Negligible

1. Reduction in interest rate curve leads to an increase in the value of assets which offsets the loss in the value of future profits.
2. Risk free rate sensitivities allow for the change in cost of hedging due to derivative arrangements. The cost of hedging reduces under the risk free rate reduction sensitivity and increases under the risk free rate increase sensitivity.

Note: Figures in Rs Cr.

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Delivering consistent growth in top line and renewals coupled with driving cost efficiencies

Figures in Rs. Cr

Financial Performance	FY 16		FY 17	H1'FY17		H1'FY18
Ind Adj. FYP	2,103	25% ↑	2,639	936	19% ↑	1,112
Renewal Premium	6,334	12% ↑	7,114	2,857	13% ↑	3,236
Gross Premium	9,216	17% ↑	10,780	4,218	14% ↑	4,808
Policyholder expense to GWP Ratio	13.6%	120 bps ↑	14.8%	17.3%	184 bps ↓	15.5%
Expense to average AUM (Policyholder)	4.0%	23 bps ↑	4.3%	4.2%	25 bps ↓	3.9%

Healthy and consistent profitability creating value to all the stakeholders while maintaining solvency above required levels

Figures in Rs. Cr.

Financial Performance	FY 16		FY 17	H1'FY17		H1'FY18
Profit(before Tax)*	511	↑ 50%	768	344	↓ 31%	236
AUM	35,824	↑ 24%	44,370	39,647	↑ 20%	47,756
New Business Margin	17.9%	↑ 90 bps	18.8%	18.5%	↓ 40 bps	18.1%
MCEV^	5,617	↑ 20%	6,739	6,035	↑ 17%	7,142
Operating RoEV	17.0%	↑ 290 bps	19.9%	17.0%	↓ 20 bps	16.8%
Solvency Ratio	343%	↓ Abs 34%	309%	343%	↓ Abs 48%	295%

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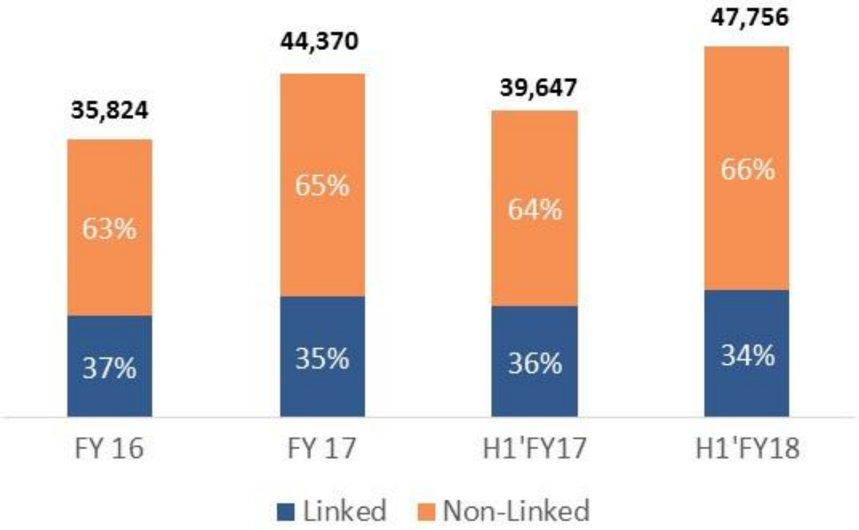
*Higher H1'FY17 profit is due to one-time non operating gains realization primarily from investment income

^MCEV is before dividend, post-dividend MCEV is Rs 6,946 Cr, Arrow represents growth in Operating RoEV

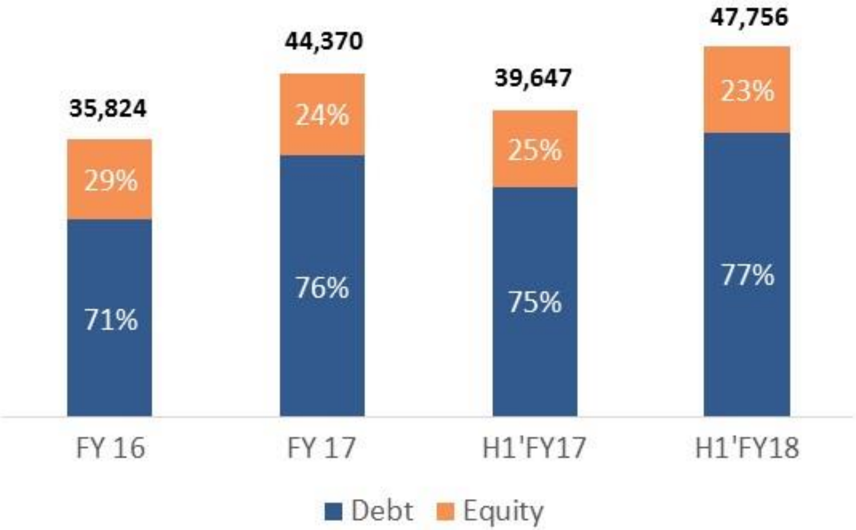
Assets under management- 20% increase Y-o-Y

Rs in Cr

Linked fund vs Controlled fund



Debt vs Equity



Debt portfolio exposure to AAA rated debt is well above the regulatory requirement of 75%

Performance update- Q2'FY18 and H1'FY18

Key Business Drivers	Unit	Quarter Ended		Q-o-Q Growth	Half year Ended		Y-o-Y Growth
		Sep'16	Sep'17		Sepr'16	Sep'17	
a) Individual Adjusted Premium	Rs. Crore	552	654	18%	936	1,112	19%
b) Gross written premium income	Rs. Crore	**2,473**	**2,801**	**13%**	**4,218**	**4,808**	**14%**
First year premium		550	646	17%	932	1,099	18%
Renewal premium		1,682	1,894	13%	2,857	3,236	13%
Single premium		240	261	9%	429	473	10%
c) Shareholder Profit (Pre Tax)	Rs. Crore	188	130	-31%	344	236	-31%
d) Policy Holder Expense to Gross Premium	%	17.1%	13.0%	>100 bps	17.3%	15.5%	>100 bps
e) Conservation ratio	%	87.6%	90.9%	>100 bps	87.1%	91.3%	>100 bps
f) Average case size(Agency)	Rs.	45,632	52,535	15%	44,280	49,383	12%
g) Case rate per agent per month	No.	0.22	0.19	(14%)	0.21	0.18	(13%)
h) Number of agents (Agency)	No.				50,055	54,619	9%
i) Share Capital	Rs. Crore				1,919	1,919	-
j) Individual Policies in force	No. Lacs				37.4	39.3	5%
k) Sum insured in force	Rs. Crore				3,52,756	4,35,524	23%
l) Grievance Ratio	Per Ten thousand				294	138	NA

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Awards and Accolades

1 Setting higher benchmark with every award

- “ASSOCHAM award 2016” for excellence in corporate governance
- “e-Business Leader” 2017 at the ‘Finteleket Insurance Awards 2017’
- Project "Instaclaims - Claims approval in 1 day" won the Best project for use of Six Sigma in Banking and Finance Industry at World Quality Congress - Global Awards
- "Enhancing “Service to Recruitment" (S2R) Business Contribution %: PAN India (Replication Project)" won 1st Prize in Service, IT and ITES category at the 11th edition of CII - National Competition on Six Sigma
- “Golden Peacock Award 2016” for excellence in corporate governance
- “ Best compliance team award 2016” at the compliance 10/10 awards organized by Legasis
- “IDC Insights award 2016” for Tech Excellence in Revenue Generation for developing innovative mobility apps
- Celent Asia award for best technology insurer
- Recognized as “Best BFSI Brand 2016” by Economic Times
- Recognized as “Best Life Insurer” 2016 by Outlook Money
- “Asia’s Most Admired Brand 2016“ in the Insurance category by White Page International, 2016
- Ranked 46th amongst India's top 100 best companies to work for 2016; featured for 5th consecutive year
- Bronze in ASQ-International Team Excellence Awards for quality project “ Reducing 7 days POS TAT”
- Bronze in ASQ-South East Asia Team Excellence Awards for black belt project “ Enhancing NACH*registration ratios”
- “Asia Pacific Quality Organization award, 2016” for global performance excellence
- “India Insurance awards 2016” in the category of E-business leader, Agency Efficiency and Claim service leader

2 “Industry First” trend setter

- First company to provide freelook period of 15 days to the customer
- First company to start toll free line for agent service
- First life insurance company in India to implement lean methodology of service excellence in service industry
- First Indian life insurance company to start service center at the regional level
- First life insurance company in India to be awarded ISO 9001:2008 certification

* NACH: National Automated Clearing House ; POS TAT: Policy Operations servicing turnaround time

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Annexure

Definitions of the EV and VNB

Market consistent methodology

- The EV and VNB have been determined using a market consistent methodology which differs from the traditional EV approach in respect of the way in which allowance for the risks in the business is made.[1]
- For the market consistent methodology, an explicit allowance for the risks is made through the estimation of the Time Value of Financial Options and Guarantees (TVFOG), Cost of Residual Non-Hedgeable Risks (CRNHR) and Frictional Cost (FC) whereas for the traditional EV approach, the allowance for the risk is made through the Risk Discount Rate (RDR).

Components of EV

The EV is calculated to be the sum of:

- Net Asset value (NAV) or Net Worth: It represents the market value of assets attributable to shareholders and is calculated as the adjusted net worth of the company (being the net shareholders' funds as shown in the audited financial statements adjusted to allow for all shareholder assets on a market value basis, net of tax).
- Value of In-force (VIF): This component represents the Present Value of Future expected post-tax Profits (PVFP) attributable to shareholders from the in-force business as at the valuation date, after deducting allowances for TVFOG, CRNHR and FC. Thus, VIF = PVFP – TVFOG – CRNHR – FC.

Covered Business

- All business of Max Life is covered in the assessment except one-year renewable group term business and group fund business which are excluded due to their immateriality to the overall EV.

Components of VIF (1/2)

Present Value of Future Profits (PVFP)

- Best estimate cash flows are projected and discounted at risk free investment returns.
- PVFP for all lines of business except participating business is derived as the present value of post-tax shareholder profits from the in-force covered business.
- PVFP for participating business is derived as the present value of shareholder transfers arising from the policyholder bonuses *plus* one-tenth of the present value of future transfers to the participating fund estate and one-tenth of the participating fund estate as at the valuation date.
- Appropriate allowance for mark-to-market adjustments to policyholders' assets (net of tax) have been made in PVFP calculations to ensure that the market value of assets is taken into account.
- PVFP is also adjusted for the cost of derivative arrangements in place as at the valuation date.

Cost of Residual Non-Hedgeable Risks (CRNHR)

- The CRNHR is calculated based on a cost of capital approach as the discounted value of an annual charge applied to the projected risk bearing capital for all non-hedgeable risks.
- The risk bearing capital has been calculated based on 99.5 percentile stress events for all non-hedgeable risks over a one-year time horizon. The cost of capital charge applied is 5% per annum. The approach adopted is approximate.
- The stress factors applied in calculating the projected risk capital in the future are based on the latest EU Solvency II directives recalibrated for Indian and Company specific conditions.

Components of VIF (2/2)

Time Value Of Options and Guarantees (TVFOG)

- The TVFOG for participating business is calculated using stochastic simulations which are based on 1,000 stochastic scenarios provided by Moody's Analytics.
- Given that the shareholder payout is likely to be symmetrical for guaranteed non-participating products in both positive and negative scenarios, the TVFOG for these products is taken as zero.
- The cost associated with investment guarantees in the interest sensitive life non-participating products are allowed for in the PVFP calculation and hence an explicit TVFOG allowance has not been calculated.
- For all unit-linked products with investment guarantees, extra statutory reserves have been kept for which no release has been taken in PVFP and hence an explicit TVFOG allowance has not been calculated.

Frictional Cost (FC)

- The FC is calculated as the discounted value of tax on investment returns and dealing costs on assets backing the required capital over the lifetime of the in-force business. Required capital has been set at 170% of the Required Solvency Margin (RSM) which is the internal target level of capital, which is higher than the regulatory minimum requirement of 150%.
- While calculating the FC, the required capital for non-participating products is funded from the shareholders’ fund and is not lowered by other sources of funding available such as the excess capital in the participating business (i.e. participating fund estate).

Key Assumptions for the EV and VNB (1/2)

Economic Assumptions

- The EV is calculated using risk free (government bond) spot rate yield curve taken from FIMMDA[1] as at 30th September 2017. The spot rates beyond the longest available term of 30 years are assumed to remain at 30 year term spot rate level. The VNB is calculated using the beginning of respective quarter's risk free yield curve (i.e. 31st March 2017 and 30th June 2017).
- No allowance has been made for liquidity premium because of lack of credible information on liquidity spreads in the Indian market.
- A flat rate adjustment is made to the yield curve such that the market value of government bonds is equal to discounted value of future cash flows of those bonds.
- Samples from the un-adjusted 30th September 2017 spot rate yield curve used:

Year	1	2	3	4	5	10	15	20	25	30 +
Sep 17	6.36%	6.45%	6.64%	6.70%	6.75%	6.97%	7.44%	7.64%	7.62%	7.59%
Mar 17	6.36%	6.57%	6.68%	6.88%	6.78%	7.21%	7.38%	8.14%	7.93%	7.26%
Change	0.01%	-0.12%	-0.04%	-0.18%	-0.03%	-0.24%	0.06%	-0.50%	-0.31%	0.33%

Demographic Assumptions

The lapse and mortality assumptions are approved by a Board committee and are set by product line and distribution channel on a best estimate basis, based on the following principles:

- Assumptions are based on last one year experience and expectations of future experience given the likely impact of current and proposed management actions on such assumptions.
- Aims to avoid arbitrary changes, discontinuities and volatility where it can be justified.
- Aims to exclude the impacts of non-recurring factors.

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[1] Fixed Income Money Market and Derivatives Association of India

Key Assumptions for the EV and VNB (2/2)

Expense and Inflation

- Maintenance expenses are based on the recent expense studies performed internally by the Company. The VIF is reduced for the value of any maintenance expense overrun in the future. The overrun represents the excess maintenance expenses expected to be incurred by the Company over the expense loadings assumed in the calculation of PVFP.
- Future CSR related expenses have been taken to be 2% of post tax (risk adjusted) profits emerging each year.
- Expenses denominated in fixed rupee terms are inflated at 6.0% per annum.
- The commission rates are based on the actual commission payable, if any.

Tax

- The corporate tax rate is assumed to be 14.42% for life business and nil for pension business.
- For participating business, the transfers to shareholders resulting from surplus distribution are not taxed as tax is assumed to be deducted before surplus is distributed to policyholders and shareholders.
- Goods and Service tax is assumed to be 18%.
- The mark to market adjustments are also adjusted for tax.

Thank you