August 6, 2018

BSE Limited
Phiroze Jeejeebhoy Towers
Dalal Street
Mumbai - 400001

National Stock Exchange of India Limited
Exchange Plaza, Bandra -Kurla Complex
Bandra (E),
Mumbai 400051

Scrip Code : 500271

Name of Scrip : MFSL

Dear Sir/Madam,

Sub: **Disclosure under Listing Regulations – Investor Release being issued by the Company**

Pursuant to the SEBI (Listing Obligations and Disclosure requirements) Regulations, 2015, please find enclosed an Investor release being issued by the Company in respect of the financial results for quarter ended June 30, 2018.

You are requested to take the aforesaid on record.

Thanking you,

Yours faithfully,
For **Max Financial Services Limited**

Sandeep Pathak
Company Secretary & Compliance Officer

Encl: As above.

Max Financial Services Investor Release

August 2018

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 : Q1FY19 Key Highlights

1. **Analjit Singh**, Founder and Chairman Emeritus of the Max Group, appointed as **Non-Executive Chairman** on the Board of Max Financial Services

2. Group Revenue* at **Rs 3,099 Cr,** grows **21% y-o-y.** Group PBT at **Rs 51** Cr, down 41% y-o-y, due to one-off expenses relating to IDBI Fed acquisition and shift in product mix

3. **MCEV** as at 30th June 2018 **at Rs 7,645 Cr;** Operating RoEV **15%.** Due to sales seasonality and investments in proprietary channels, impact of cost overrun is higher for Q1, leading to lower RoEV than full year. Full year RoEV expected to be in line with historical trends

4. NBM for Q1 expands 130 bps to **23.5%** (before cost overrun) and maintained at **18.1%** (post overrun)**.** On full year basis**, NBM** expected to be in line with historical trends

5. Max Life **Individual APE** grows by **17%** to **Rs 552 Cr** in Q1, compared to Private Players growth of **5%. Market share** improved by **77 bps** to **9%**

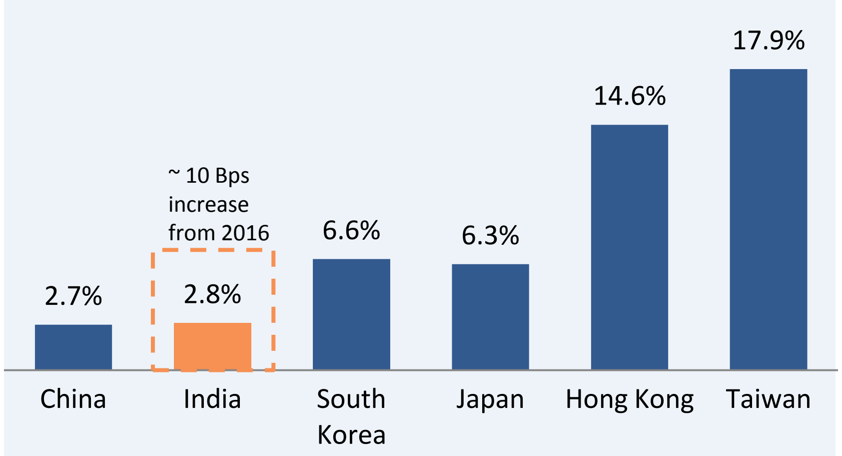
6. Protection sales (including Individual & Group) grew **48% y-o-y**, resulting in improvement in protection mix from **13%** in **Q1FY18** to **16%** in **Q1FY19**

* Excludes MLIC Unit Investment income
Note: Group numbers reported are as per IGAAP

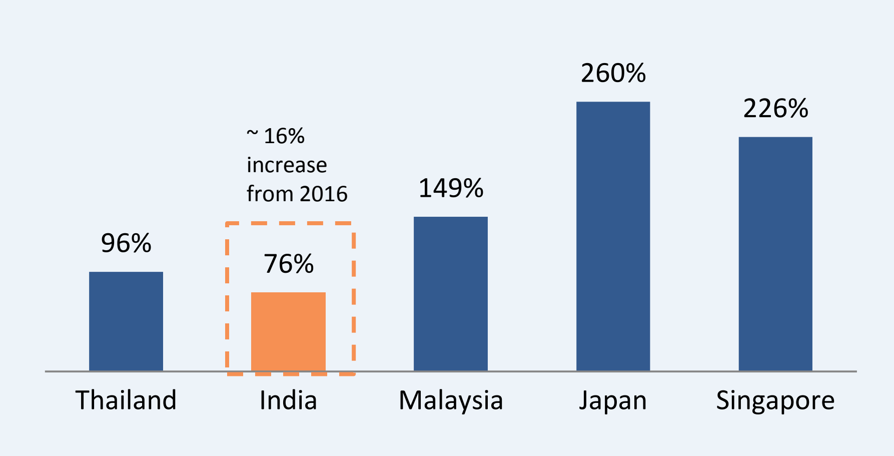
Agenda

Significant potential to expand both in savings and protection segment

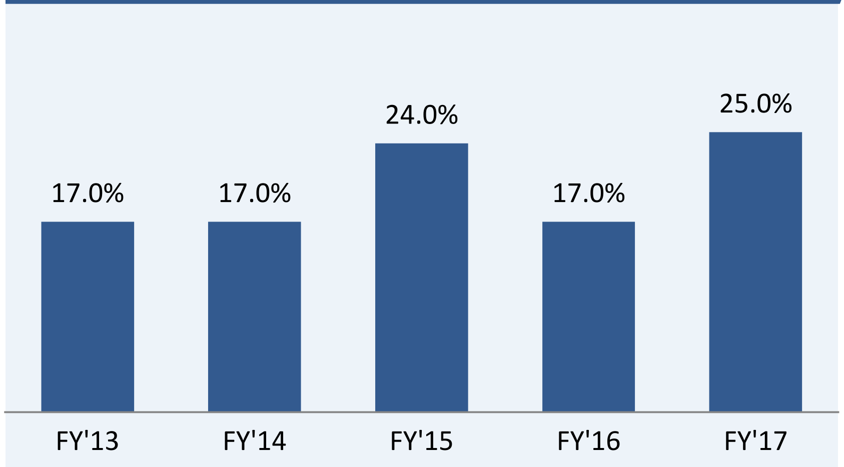
Life Insurance Penetration (Premium as % of GDP), 2017



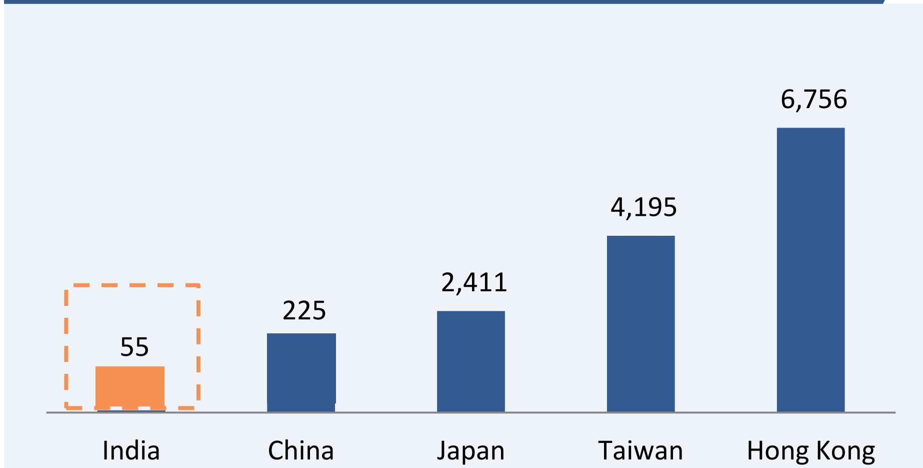
Level of Protection (Sum Assured as % of GDP), 2015*



% of Life Insurance in gross household savings- India



Life Insurance Density (Premium per capita – USD), 2017

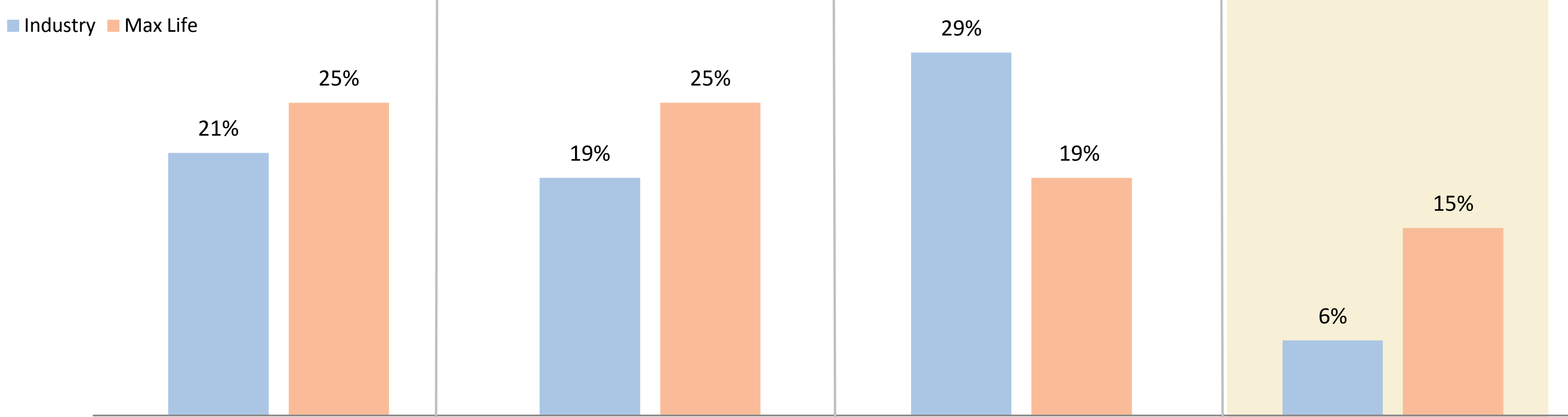


Source: "Swiss Re: World Insurance in 2016", "IRDA annual report FY 16-17", *As of FY 2018 for India and FY 2015 for others

Industry Landscape (Q1 FY'19): Max Life recorded strong growth (+15%) as compared to Industry growth (+6%) and Private growth (5%)

***YoY Growth** basis Individual Adjusted FYP*

	FY'17	FY'18	Q1' FY18	Q1' FY19
Private Industry YoY growth	26%	24%	45%	5%
Max Life's private market share	9%	9%	8%	9%
Max Life's total market share	5%	5%	4%	5%



Max life with continued focus on balanced product mix has grown by 15% in Q1 FY 19 and increased its market share.

Source: Life Insurance Council | IRDAI

Agenda

1. Industry and Economic Overview
2. **Max Life Overview**
3. EV Disclosures
4. Financial Performance
5. Awards and Accolades

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 channels to 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
- Build a digital organization to drive efficiency across value chain

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

1 Financial Performance Summary Q1' FY19

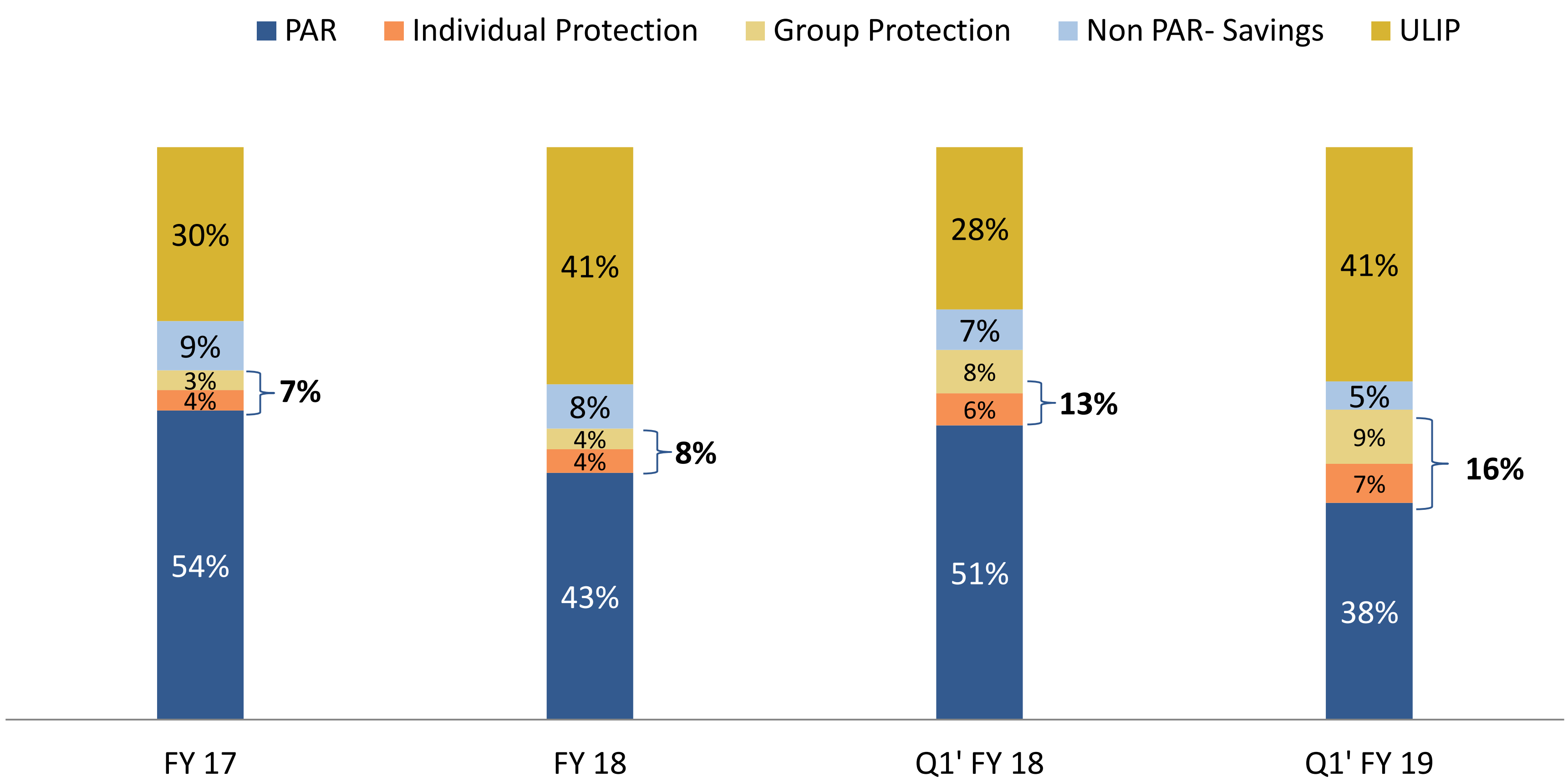
Pvt Market Share*	Individual APE	Gross Written Premium	AUM^
9% [8%] 77 bps ↑	Rs 552 Cr [Rs 472 Cr] 17% ↑	Rs 2,320 Cr [Rs 2,007 Cr] 16% ↑	Rs 53,940 Cr [Rs 52,237 Cr] 3% ↑
Profit Before tax^^	**Net Worth^**	**Embedded Value^**	**Policyholder Expense to GWP Ratio**
Rs 91 Cr [Rs 106 Cr] 14% ↓	Rs 2,581 Cr [Rs 2,699 Cr] 4% ↓	7,645 [7,706] 15.0% ↑	17.3% [18.9%] 165 bps ↓
New Business Margins **Structural Actual**	**RoEV**	**Solvency Ratio^**	**Policyholder Cost to GWP Ratio**
23.5% 18.1% 22.2% 18.0% 10 bps ↑	15.0% [N.A]	262% [263%] Abs. 1% ↓	23.6% [25.7%] 212 bps ↓
No. of Offices	**Case Size**	**Claim Settlement Ratio**	**Protection Mix**** **Individual Group Total**
257 [210] Abs 47 ↑	49,359 [45,470] 9% ↑	96.3% [94.6%] 170 bps ↑	7% 9% 16% [6%] [7%] [13] 310 bps ↑

Figures in [brackets] are for previous year Q1 numbers; ^ Represents comparison from March'18 numbers; * Basis Adj FYP

^^ Profit lower than previous year due to higher protection business and investment in proprietary channels

Growth on Embedded value is operating RoEV and March 18 EV is pre dividend, **Group protection (incl. Group credit life adjusted for 10% for single premium and term business)

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

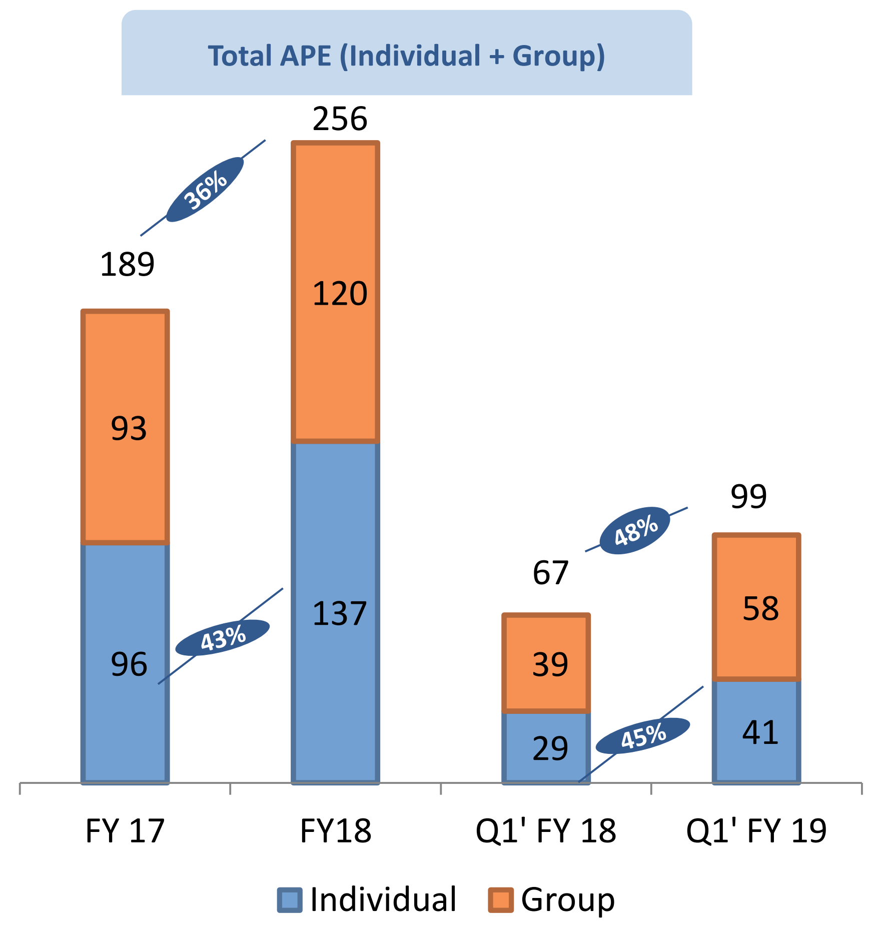


Product mix basis total APE (incl. Group credit life adjusted for 10% for single premium and term business)

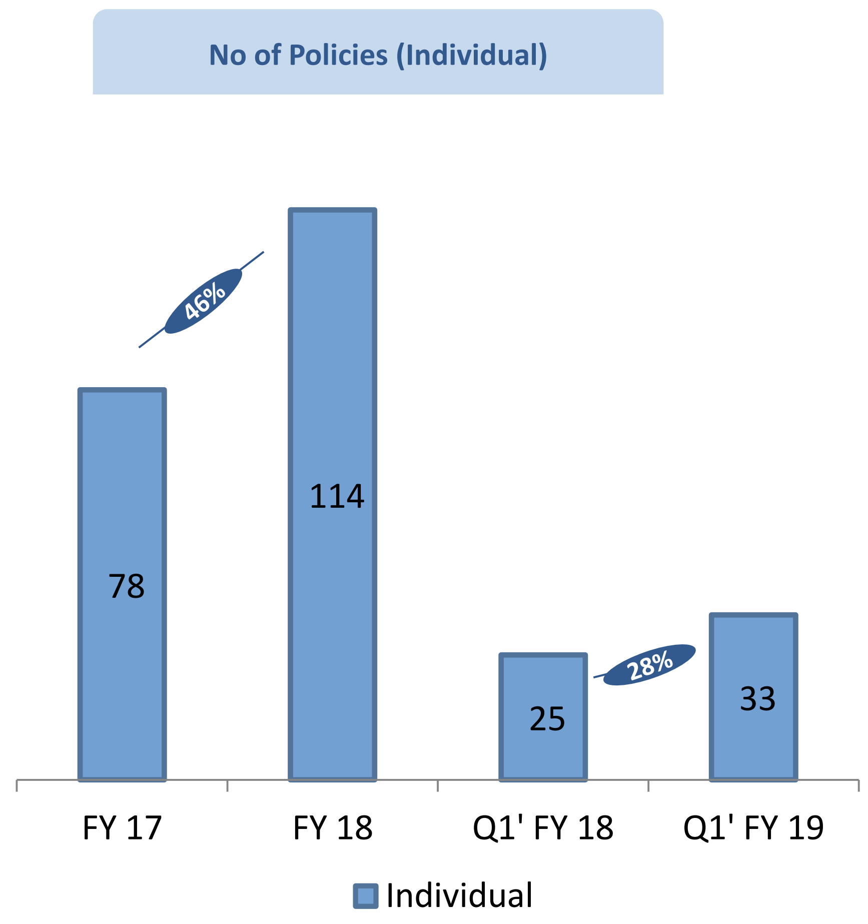
Focus on Protection

32% of total individual new business policies are protection

Figures in Rs. Cr.



Figures in '000.



Total APE (incl. Group credit life adjusted for 10% for single premium and term business)

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	35	24	11
ULIP	37	14	10
Whole Life	36	64	52
Money back	28	17	16
Pure Term	35	32	32
GMIP/GIP	43	19	9
Health	39	16	16
Cancer Insurance	38	29	29
Pension	35	22	21
Annuity	63	57	1
Average	36	25	16

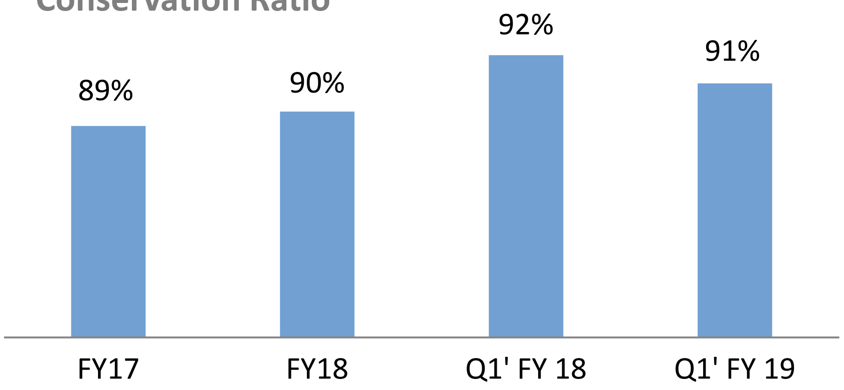
As on 30th June 2018

*PPT: Premium Payment Term

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

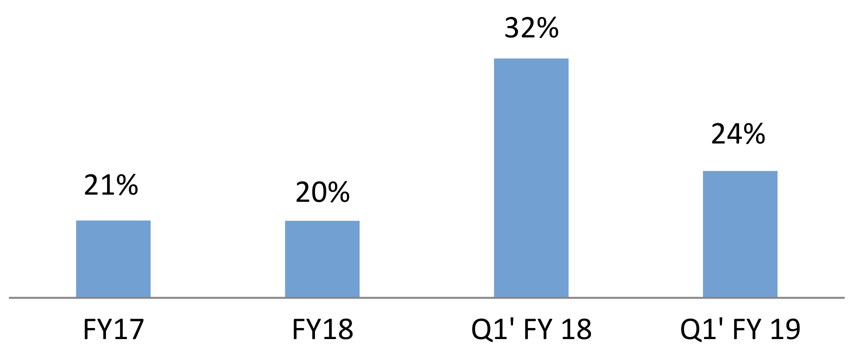
High quality business franchise

Conservation Ratio*

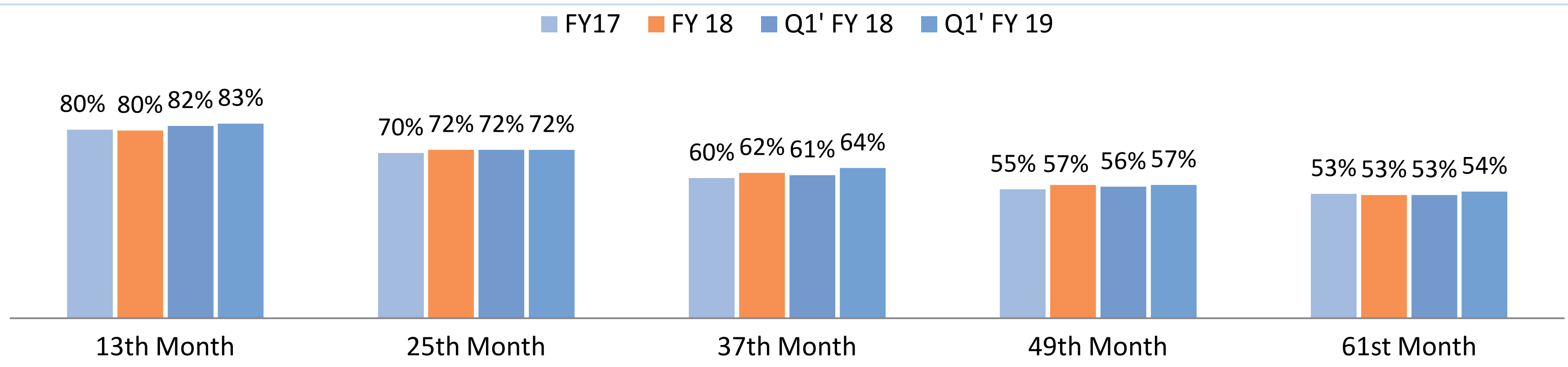


Steady retention capabilities

Surrender to GWP

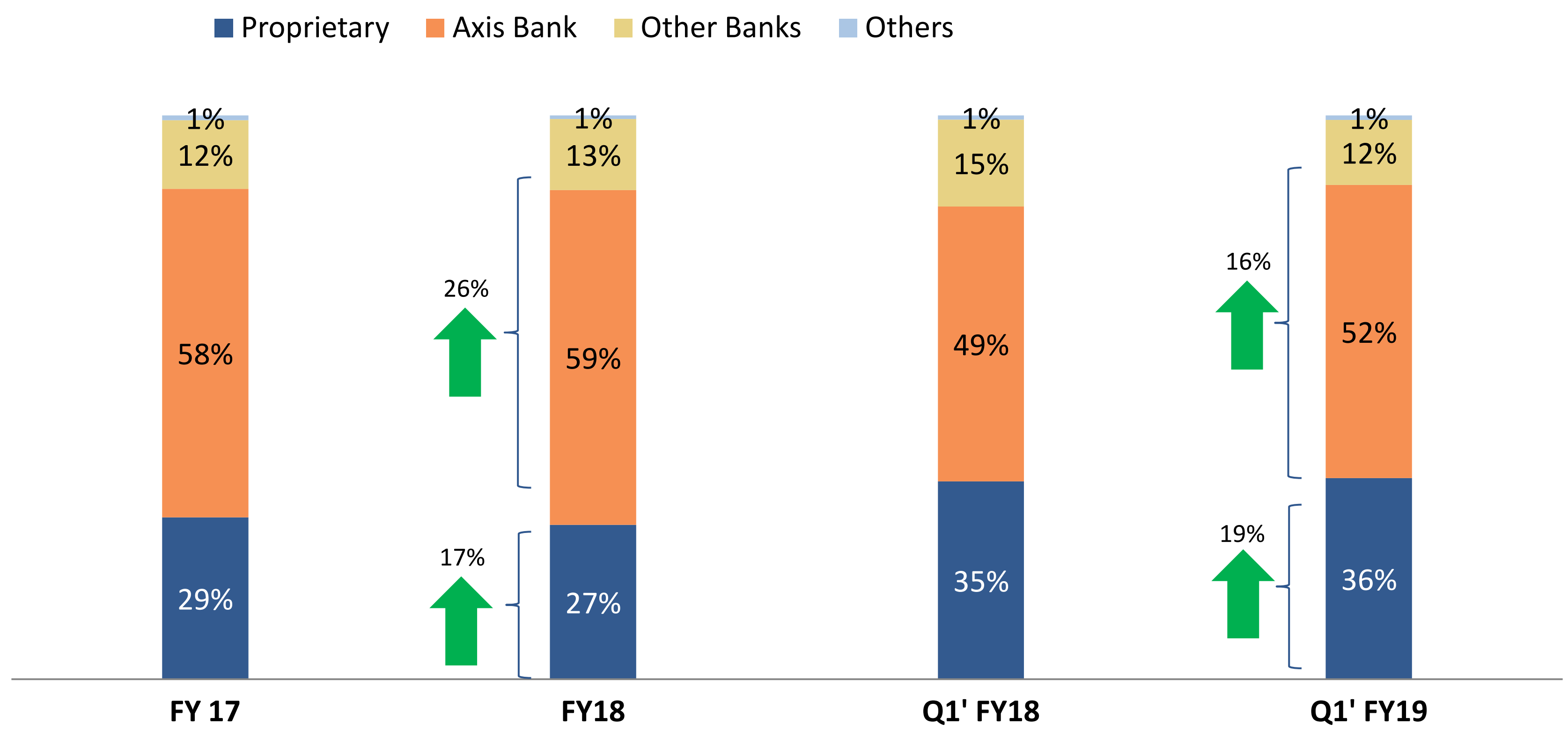


Continuous improvement in persistency



***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. APE ; Arrow represents growth

2 Channelize efforts and investments towards growth in Proprietary channel

1 Agency office expansion

- Increase in offices by leveraging existing infrastructure
- Selectively expand in higher affluent geographies utilizing low cost model

2 Variable agency cost model

- Significant expansion of IMF channel
- Drive recruitment and productivity through variable cost model

3 Pilot and proof of new channels/products

- **POS channel**: Lean cost model to drive sales of over the counter product
- **Defence channel**: New set-up to focus on defence personnel
- Participate aggressively in the online savings market

4 New service to sale initiatives

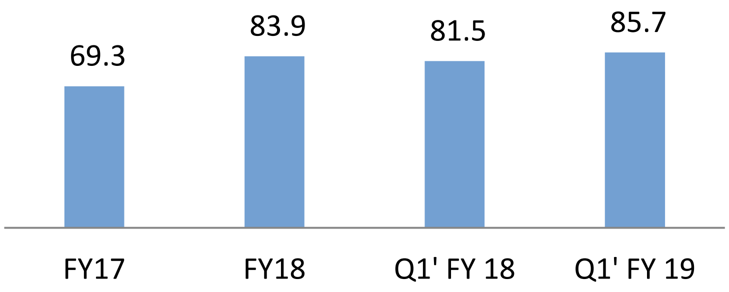
- Drive policy density via cross sell
- Leverage opportunity to drive protection

Aspiration to increase proprietary share to ~35%-40% by FY21

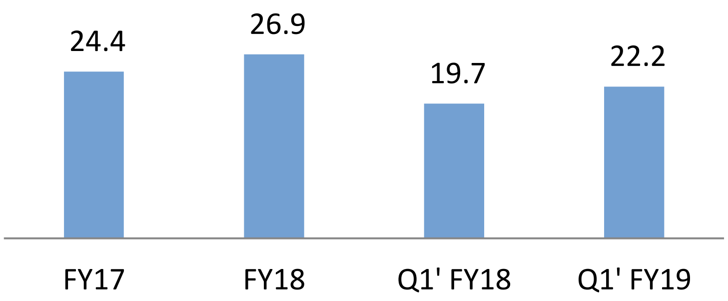
2 Highly efficient and productive agency channel and strong banca relationships with consistent growth

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. APE (Rs. Cr)

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

Digital technologies to power 4 Value driver

1 Smarter Acquisition
- Digital Marketing & ecommerce

2 Higher Conversion
- Seller Ecosystem

3 Better risk selection & customer experience
- Re-imagining Fulfilment

4 Higher customer lifetime value
- Transforming Digital Interface

3 Digital penetration growing rapidly across all customer touchpoints

Direct to Customer

	Key Business Lever	Performance Update	
1	**Online Sales through Website** (New Sales incl through Nudge models)	93%	**YoY Growth in New Business**
2	**Digital Traffic on Website**	19%	**YoY growth in customer traffic** on www.maxlifeinsurance.com
3	**Online Customer Servicing** (Post Purchase)	71%	**YoY growth in customer requests serviced online**
4	**Online Premium Collection** (Renewals)	34%	**YoY growth in renewals collected online**
5	**Paperless Renewal Premium** (Renewals)	68%	**of all Renewal Premium Payment is now paperless**
6	**New Customer Acquisition**	27%	**of customers through digital door**

Life Insurance business management retooled across the enterprise

Prospecting & Solution Generation	Fulfillment	Servicing
10K+ Agents continue using the lead generation tool every month	**85%** of all policies applied through automated tool	**40%** of all active user base are using servicing tool month on month
	50% of total cases applied digitally are Insta-Issued (1 day TAT)	

Digital Impact

Distribution digitization- Performance Update

- Closer integration with bank partners through core banking integration and access for servicing and renewal capabilities
- Centralized knowledge repository for all sellers accessible on mobile
- Combination of virtual & physical selling, device mobility & voice enabled forms planned for sellers. To result in higher insta-issued policies & enhanced customer experience

1 Industry and Economic Overview

2 Max Life Overview

3 **EV Disclosures**

4 Financial Performance

5 Awards and Accolades

Key Results

The Embedded Value[1] (EV) as at 30th June 2018 is **Rs 7,645 Cr.**

The annualized Operating Return on EV (RoEV) over Q1 FY19 is circa **15.0%**. Due to the sales being skewed towards later part of the year and investments being made by the Company in expansion of proprietary channels, the impact of cost overrun is higher for Q1 FY19 leading to lower RoEV than full year level.

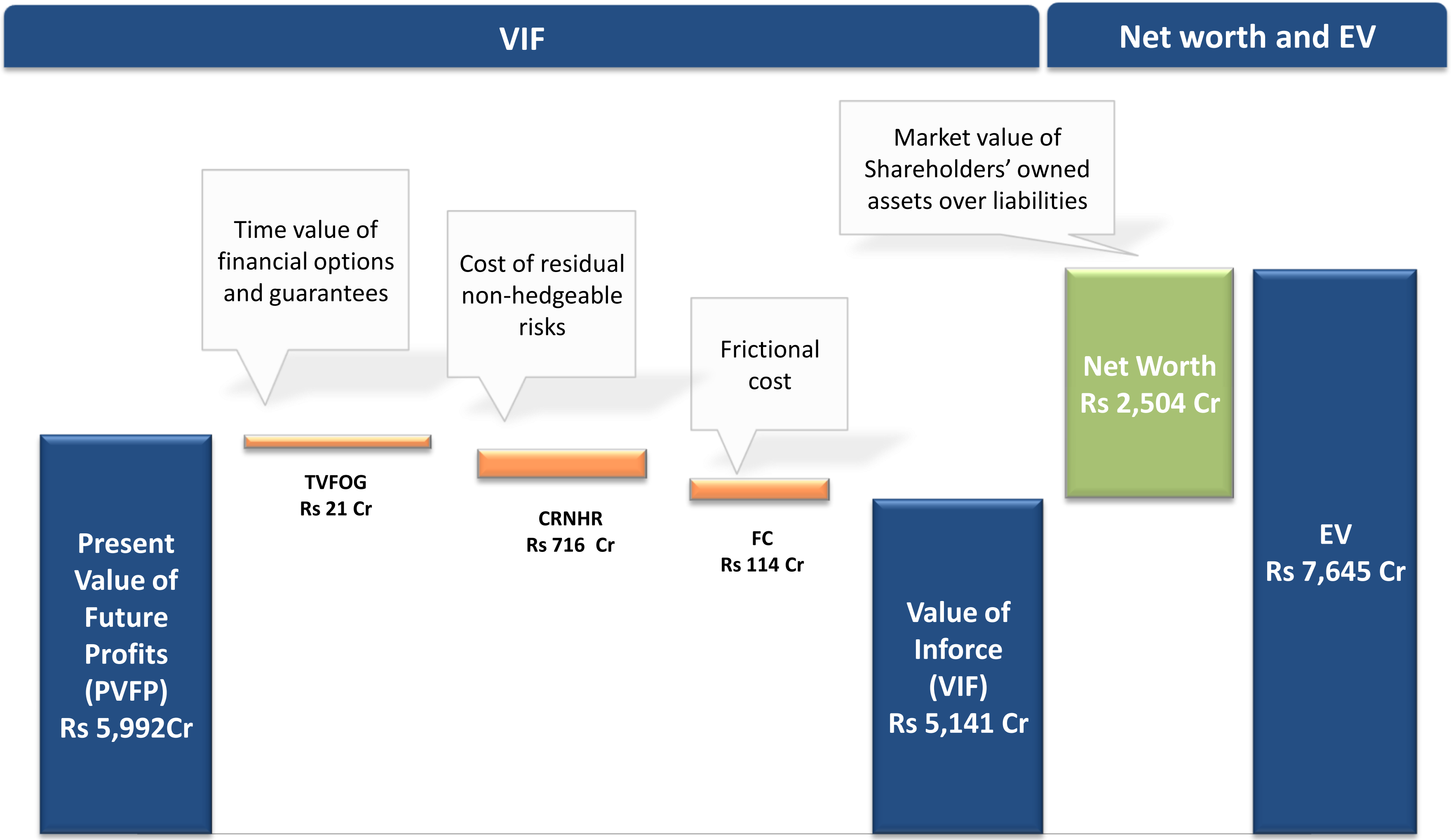
The New Business Margin (NBM) for Q1 FY19 is **23.5%** (before allowing for acquisition operating cost overrun) and **18.1%** (post overrun). The Value of New Business (VNB) written over the period is Rs 101 Cr (post overrun).

Notes:

[1] Max Life's Embedded Value (EV) is based on a market consistent methodology. However, they are not intended to be compliant with the MCEV Principles issued by the Stitching CFO Forum Foundation (CFO Forum) or the Actuarial Practice Standard 10 (APS10) as issued by the Institute of Actuaries of India.

Corporate tax rate is assumed to be 14.56% for life business and nil for pension business.

Overview of the components of the EV as at 30th June 2018



1. The deductions for risks to arrive at the VIF represent a reduction of ~14% in the PVFP, in line with last year's reduction. 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 June 2018

Description	Q1 FY18	Q1 FY19	Y-o-Y growth
APE [1]	478	558	17%
New Business Margin (NBM) (before cost overrun)	22.2%	23.5%	+130 bps
New Business Margin (NBM) (post cost overrun)	18.0%	18.1%	+10 bps
Value of New Business (VNB) (post cost overrun)	86	101	17%

- The New Business Margin (NBM) before cost overrun has increased by circa 130 bps to 23.5% for Q1 FY19 compared to 22.2% for Q1 FY18. The increase in margin is primarily driven by higher contribution of protection-oriented products.
- Post allowing for acquisition operating cost overrun chargeable to Shareholders, the NBM would reduce to 18.1% for Q1 FY19 compared to 18.0% for Q1 FY18. The impact of cost overrun is higher for Q1 FY19 for reasons mentioned earlier. For the full year FY19, based on managements' expectation of sales and costs, the NBM is likely to be in excess of 20%.

[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 June 2018), using the beginning of quarter's risk free yield curve.

Note: Figures in Rs Cr.

Sensitivity analysis as at 31st March 2018

Sensitivity	EV		New business	
	Value (Rs Cr)	% change	VNB (Rs Cr) | NBM	% change
Base Case (before final SH dividends)	**7,706**	**-**	**656 | 20.2%**	-
Lapse/Surrender - 10% increase	7,562	(2%)	620 | 19.1%	(5%)
Lapse/Surrender - 10% decrease	7,859	2%	694 | 21.4%	6%
Mortality - 10% increase	7,605	(1%)	632 | 19.5%	(4%)
Mortality - 10% decrease	7,807	1%	679 | 20.9%	4%
Expenses - 10% increase	7,640	(1%)	621 | 19.1%	(5%)
Expenses - 10% decrease	7,772	1%	691 | 21.3%	5%
Risk free rates - 1% increase	7,561	(2%)	688 | 21.2%	5%
Risk free rates - 1% reduction	7,826	2%	612 | 18.9%	(7%)
Equity values - 10% immediate rise	7,760	1%	656 | 20.2%	Negligible
Equity values - 10% immediate fall	7,652	(1%)	656 | 20.2%	Negligible
Corporate tax Rate – 2% increase	7,577	(2%)	637 | 19.6%	(3%)
Corporate tax Rate – 2% decrease	7,835	2%	675 | 20.8%	3%
Corporate tax rate increased to 25%	7,034	(9%)	559 | 17.2%	(15%)

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.

Agenda

1 Industry and Economic Overview

2 Max Life Overview

3 EV Disclosures

4 **Financial Performance**

5 Awards and Accolades

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

Financial Performance

	FY 17		FY18	Q1 FY18		Q1 FY19
Ind Adj. FYP	2,639	22% ↑	3,215	458	15% ↑	527
Renewal Premium	7,114	15% ↑	8,152	1,342	16% ↑	1,554
Gross Premium	10,780	16% ↑	12,501	2,007	16% ↑	2,320
Policyholder expense to GWP Ratio	14.8%	187 bps ↓	12.9%	18.9%	165 bps ↓	17.3%
Policyholder Cost to GWP Ratio	23.5%	341 bps ↓	20.0%	25.7%	212 bps ↓	23.6%
Expense to average AUM (Policyholder)	4.3%	70 bps ↓	3.6%	4.0%	70 bps ↓	3.3%

Figures in Rs. Cr.

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

Figures in Rs. Cr.

Financial Performance

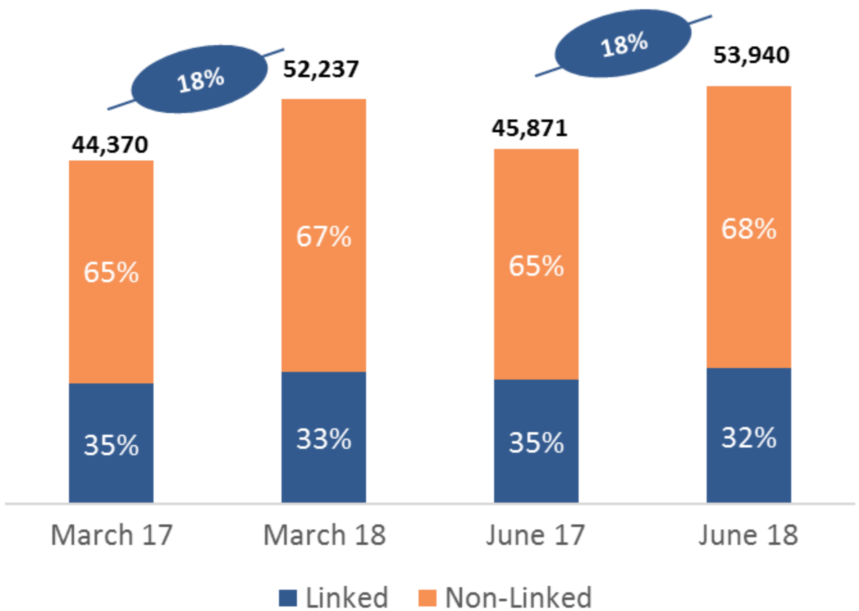
	FY 17		FY18	Q1 FY18		Q1 FY19
Profit(before Tax)	768	20% ↓	615	106	14% ↓	91
AUM	44,370	18% ↑	52,237	45,871	18% ↑	53,940
New Business Margin	18.8%	140 bps ↑	20.2%	18.0%	10 bps ↑	18.1%
MCEV	6,739	20% ↑	7,706	N.A		7,645
Operating RoEV^	19.9%	70 bps ↑	20.6%	N.A		15.0%
Solvency Ratio	309%	Abs 34% ↓	275%	295%	Abs 33% ↓	262%

^Arrow represents growth in Operating RoEV

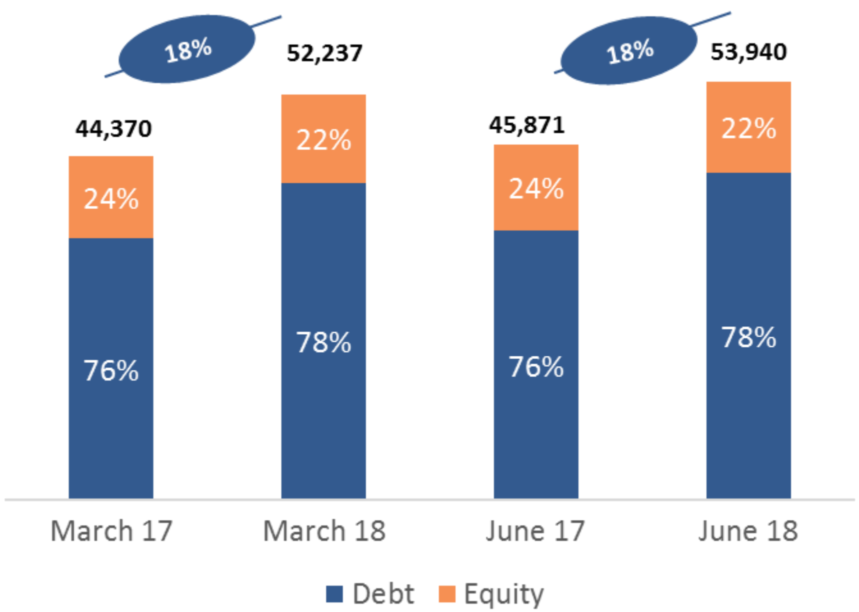
Assets under management- Y-o-Y growth at 18%

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%
AUM Size has grown more than Rs 50,000 Crore

Performance update- Q1'FY19

Key Business Drivers	Unit	Quarter Ended		Y-o-Y Growth
		Jun'17	Jun'18	
a) Individual Adjusted Premium	Rs. Crore	458	527	15%
b) Gross written premium income	Rs. Crore	**2,007**	**2,320**	16%
First year premium		453	536	18%
Renewal premium		1,342	1,554	16%
Single premium		212	230	9%
c) Shareholder Profit (Pre Tax)	Rs. Crore	106	91	-14%
d) Policy Holder Expense to Gross Premium	%	19.0%	17.3%	>100 bps
e) Conservation ratio	%	92.0%	90.8%	>100 bps
f) Average case size(Agency)	Rs.	45,965	56,235	22%
g) Case rate per agent per month	No.	0.18	0.16	-9%
h) Number of agents (Agency)	No.	53,120	55,610	5%
i) Share Capital	Rs. Crore	1,919	1,919	0%
j) Individual Policies in force	No. Lacs	39.06	40.81	4%
k) Sum insured in force	Rs. Crore	390,017	538,956	38%
l) Grievance Ratio	Per Ten thousand	174	87	NA
m) No. of offices	#	210	257	47

Awards and Accolades

1 Setting higher benchmark with every award

- Ranked 43rd amongst India's top 50 best companies appeared in list of Great Place to Work for 2018
- Recognized by Employee Engagement Leadership Award in the category of "Best use of the Employee Award". And "Best Social Responsibility"
- "ASQ Gold Award" for reduction in new business discrepancy
- CDO Converge Award for "Digital Excellence in Insurance"
- Six Sigma Black Belt Project of the Year winner "Insta Issuance" won the 1st prize in "Service category improvement" at the 2nd Lean Competition held by CII in Bangalore.
- 'Life Insurer of the year award' at the 'Outlook Money Awards 2018'
- "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
- Among India's top 50 with a high degree of employee satisfaction as per **People Capital Index 2017**
- Winner in the category of "DIGITAL AND OMNICHANNEL" by Celent Model Insurer Asia, 2017
- GOLD Award in the category of "Best Email Marketing Campaign" at India Digital Awards by Internet and Mobile Association of India (IAMAI)
- Best Big Data/Analytics Team of the Year Award at 'Big Data Analytics & Insights' conducted by Kamikaze.
- "Asia's Most Admired Brand 2016-17" in the Insurance category by White Page International, 2017
- 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"

2 "Industry First" trend setter

- First Indian financial services company ever to win Gold at the ASQ Conference for its Lean Six Sigma Green Belt project titled "Reduction in New Business Discrepancy
- 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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- The Embedded value results are developed using a market consistent methodology, they are not intended to be compliant with the MCEV Principles issued by the Stitching CFO Forum Foundation (CFO Forum) or the Actuarial Practice Standard 10 (APS10) as issued by the Institute of Actuaries of India.
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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.

1 The EV as at March 2015 was reviewed by external consultant (Milliman) and their opinion was shared along with the disclosure at March 2015. This disclosure follows the same methodology.

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 FBIL[1] as at 30th June 2018. The VNB is calculated using the beginning of respective quarter's risk free yield curve (i.e. 31st March 2018).
- 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 June 2018 and 31st March 2018 spot rate yield curves used:

Year	1	2	3	4	5	10	15	20	25	30
Mar 18	6.53%	6.83%	7.09%	7.26%	7.43%	7.41%	7.69%	7.85%	7.72%	7.51%
Jun 18	7.34%	7.79%	7.96%	8.07%	8.24%	8.13%	8.32%	8.35%	8.27%	8.16%
Change	0.81%	0.96%	0.87%	0.81%	0.81%	0.72%	0.63%	0.50%	0.55%	0.65%

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.

[1] Financial Benchmark India Pvt. Ltd.

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 14.56% 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