Max Financial Services Investor Release- 9M'FY 19

February 2019

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.

1. Group Revenue* at **Rs 11,292 Cr,** grows **16% y-o-y.** Group PBT at **Rs 253** Cr, down **27% y-o-y**, due to one off expenses relating to acquisition, expenses related to distribution expansion and change in product mix

2. **MCEV** as at 31st Dec 2018 **at Rs. 8,254 Cr;** Operating RoEV **18.8%**

3. **Structural NBMs** expands 280 bps to **22.8%** and **Actual NBMs** (post cost overrun) expands 240 bps to **20.4%.** Value of New Business (post overrun) grows **37%** to **Rs. 466 Cr**

4. Max Life **Individual Adjusted sales** grows by **21%** to **Rs 2,269 Cr** in 9M, compared to Private Players growth of **11%. Market share** improved by **65 bps** to **9%**

5. Investment in **Proprietary** channels led to a **30%** growth in **9M**, significantly higher than the Banca growth of 17%. Strategic knowledge partnership with **New York Life** and Ex-New York Life Leaders to further enhance focus on proprietary channel

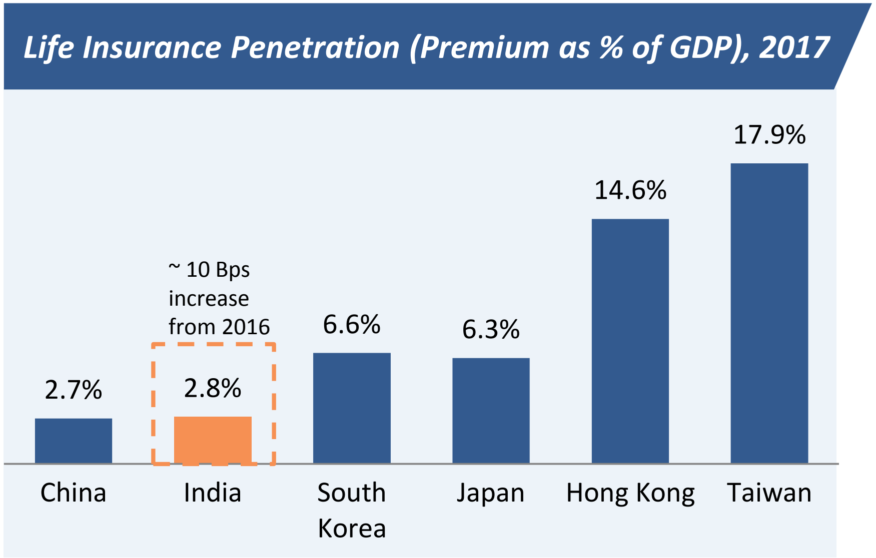
6. Protection sales (including Individual & Group) grew **65% y-o-y**, resulting in improvement in protection mix by **300 bps** from **9%** in **9MFY18** to **12%** in **9MFY19**

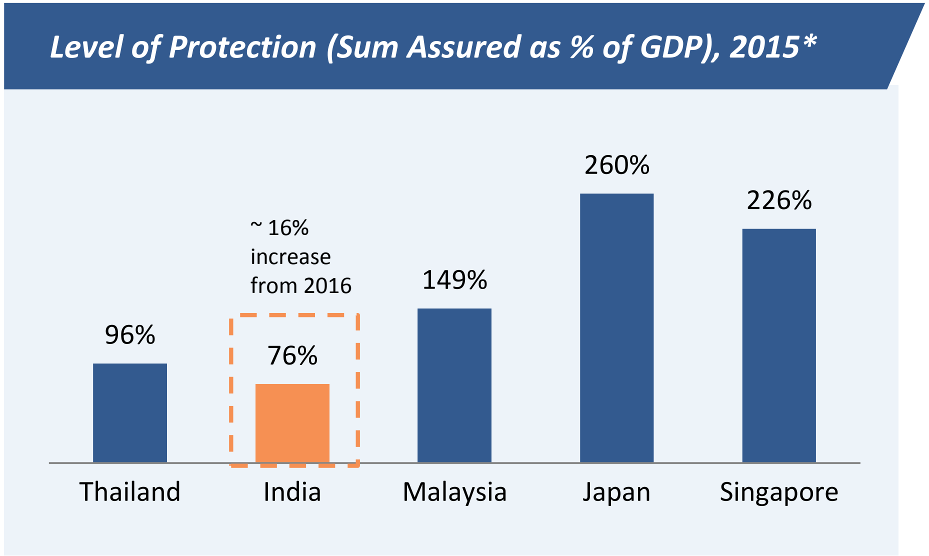
* Excludes MLIC Unit Investment income

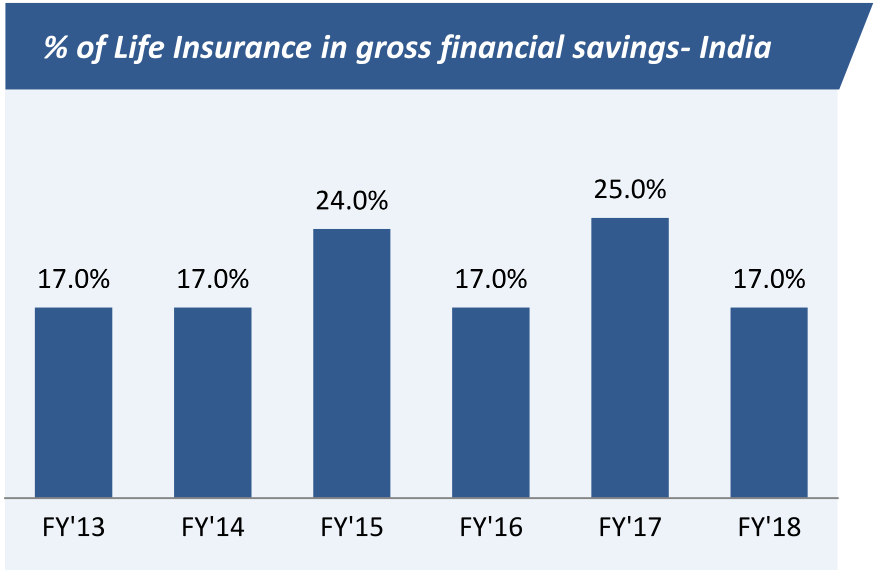
Agenda

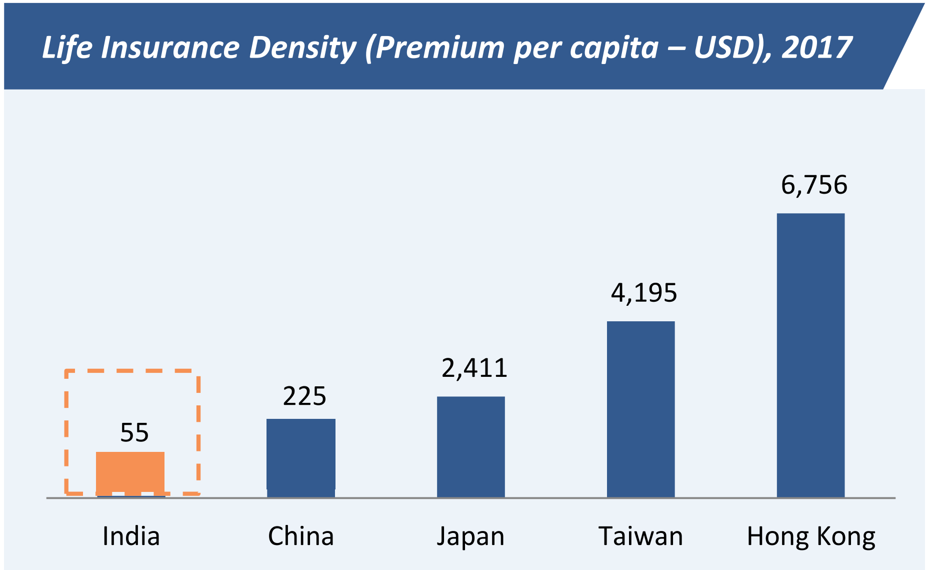
1. Industry Overview
2. Max Life Overview
3. EV Disclosures
4. Financial Performance
5. Awards and Accolades

Significant potential to expand both in savings and protection segment



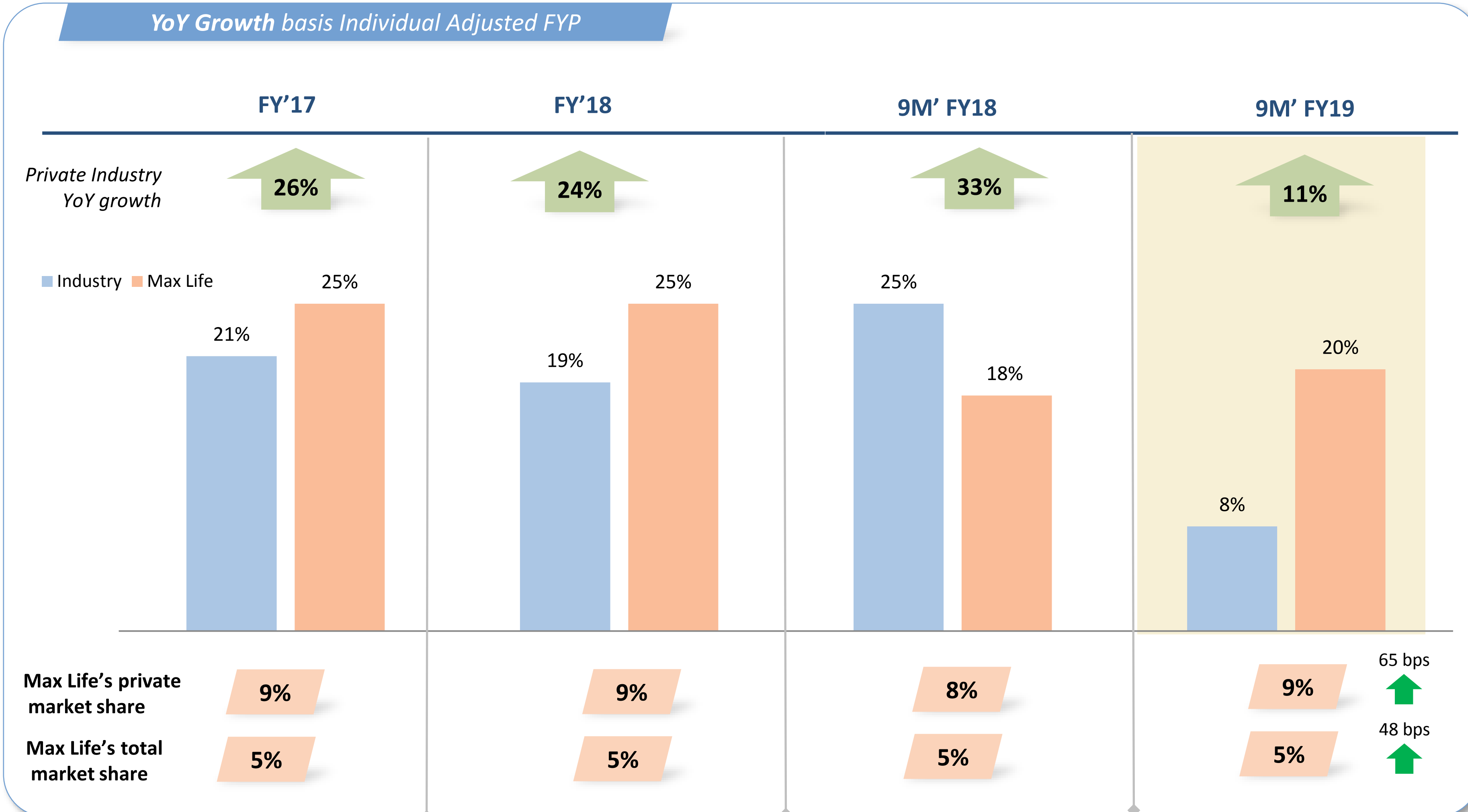






Source: "Swiss Re: World Insurance in 2016", "IRDA annual report FY 16-17", *As of FY 2018 for India and FY 2015 for others

Industry Landscape (9M FY'19): Max Life recorded strong growth (+20%) as compared to Industry growth (+8%) and Private growth (11%)



Max life with continued focus on balanced product mix has grown by 20% in 9M FY 19 and increased its private market share.

Source: Life Insurance Council | IRDAI

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2. **Max Life Overview**
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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

- Aggressively grow proprietary channels (Traditional and Digital) and increase the share of the same
- Comprehensive multi-channel distribution model with highly efficient and productive agency channel and strong Banca relationships

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

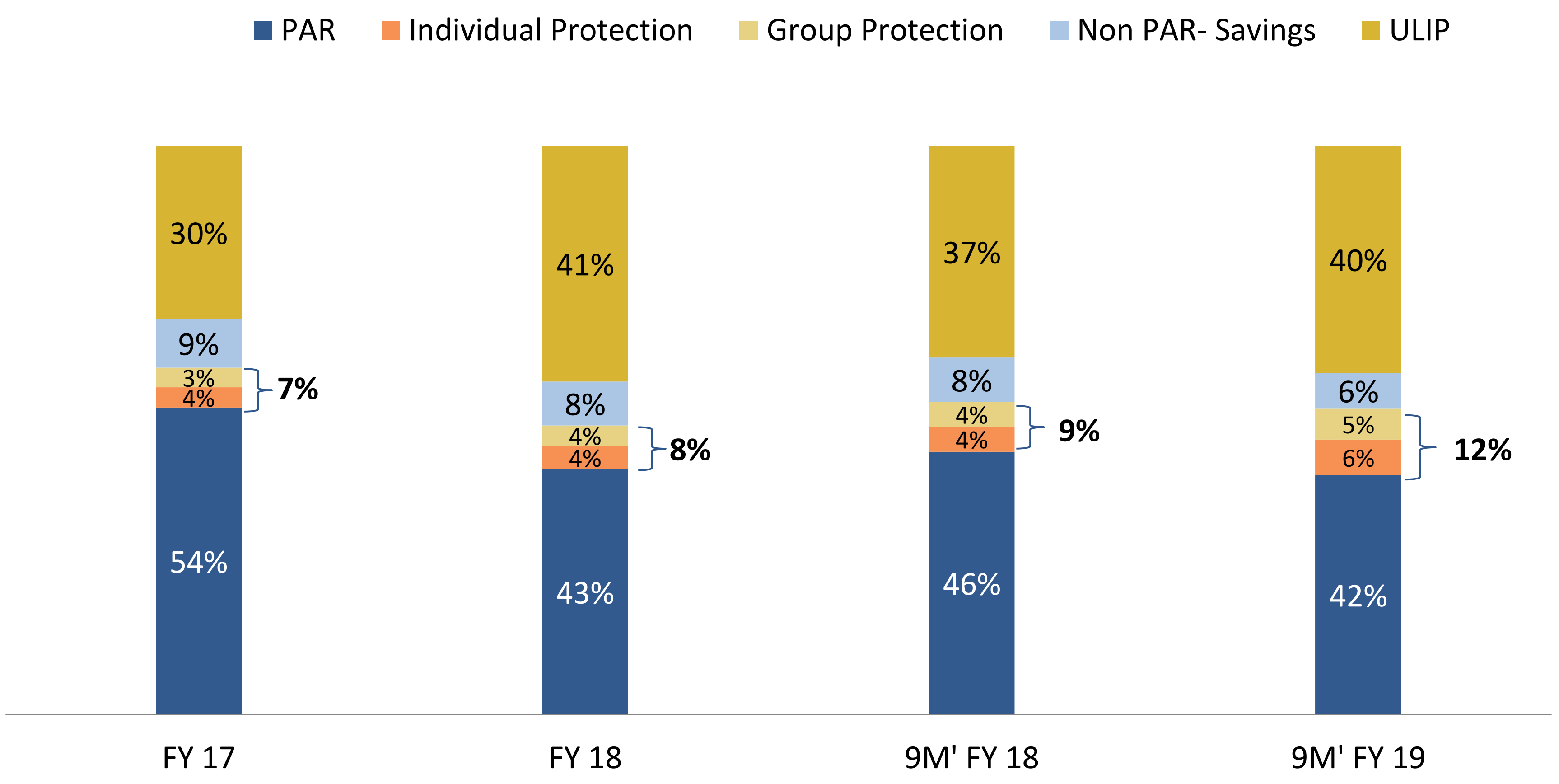
1 Financial Performance Summary 9M' FY19

Pvt Market Share	Individual APE	Gross Written Premium	AUM
9% [8%] ↑ 65 bps	Rs 2,269 Cr [Rs 1,872 Cr] ↑ 21%	Rs 9,054 Cr [Rs 7,852 Cr] ↑ 15%	Rs 58,397 Cr [Rs 50,333 Cr] ↑ 16%
Profit Before tax	**Net Worth**	**Policyholder Cost to GWP Ratio**	**Policyholder Expense to GWP Ratio**
Rs 375 Cr [Rs 390 Cr] ↓ 4%	Rs 2,514 Cr [Rs 2,502 Cr] ↑ 0%	21.1% [21.6%] ↓ 50 bps	14.5% [14.7%] ↓ 24 bps
New Business Margins	**RoEV**	**Embedded Value***	**13th Month Persistency**
Structural: 22.8% [20.0%]; Actual: 20.4% [18.0%] ↑ 240 bps	18.8% [NA]	8,254 [7,706] ↑ 18.8%	84% [81%]
VNB	**Policies Sold ('000)**	**Claim Settlement Ratio**	**Protection Mix****
466 [340] ↑ 37%	406 [350] ↑ 16%	96.46% [96.01%] ↑ 45 bps	Individual: 6% [4%]; Group: 5% [4%]; Total: 12% [9%] ↑ 300 bps

Figures in [brackets] are for previous year 9M numbers, except Embedded Value (pre dividend) where it represents Mar'FY18

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

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

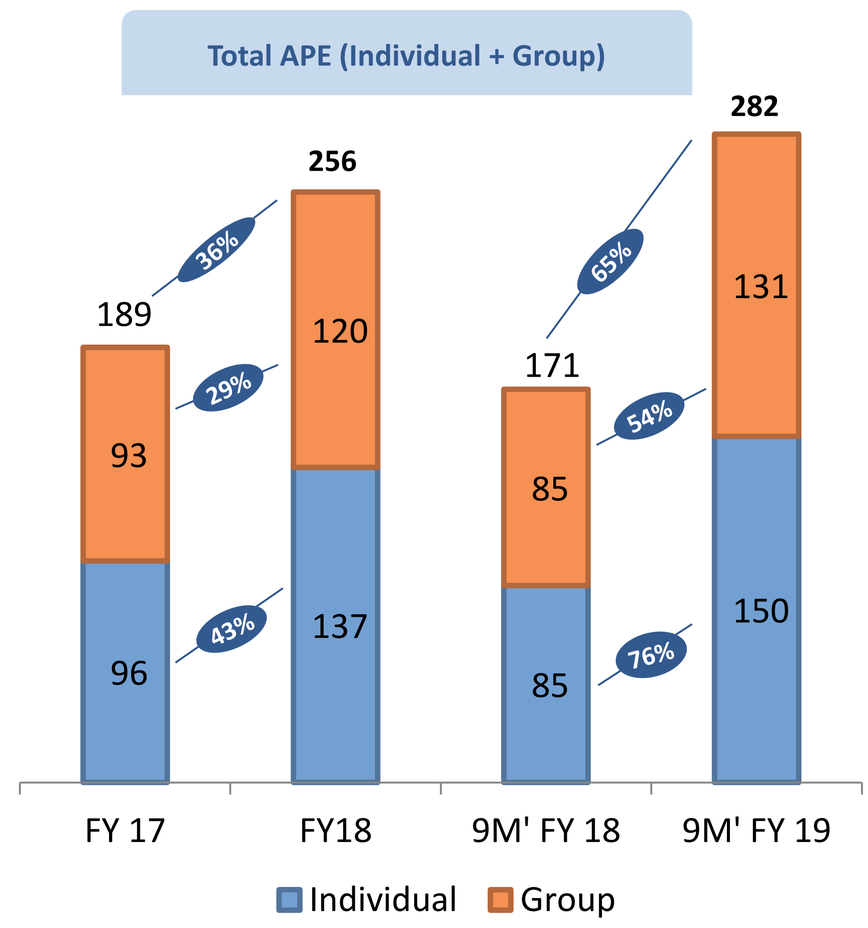


Product mix basis total APE (incl. Group credit life adjusted for 10% for single premium and term business); numbers may not add up due to rounding off

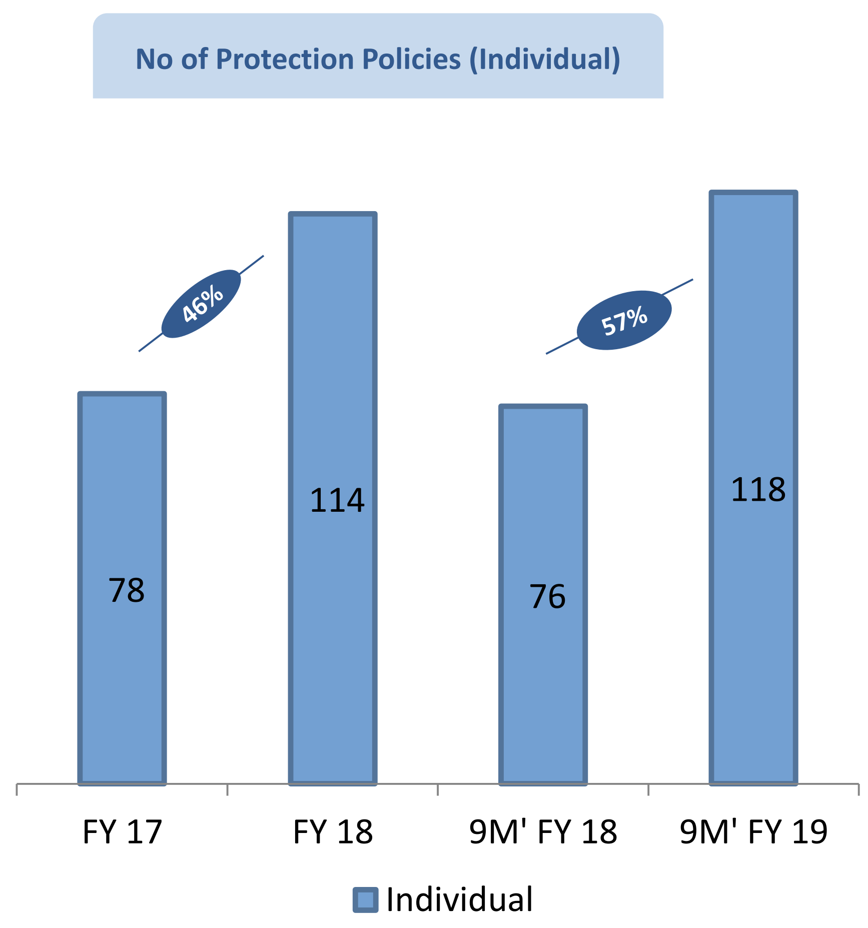
Focus on Protection

1 76% increase in individual protection APE and 57% increase in individual protection policies, 29% of total individual policies are protection

Figures in Rs. Cr.



Figures in '000.

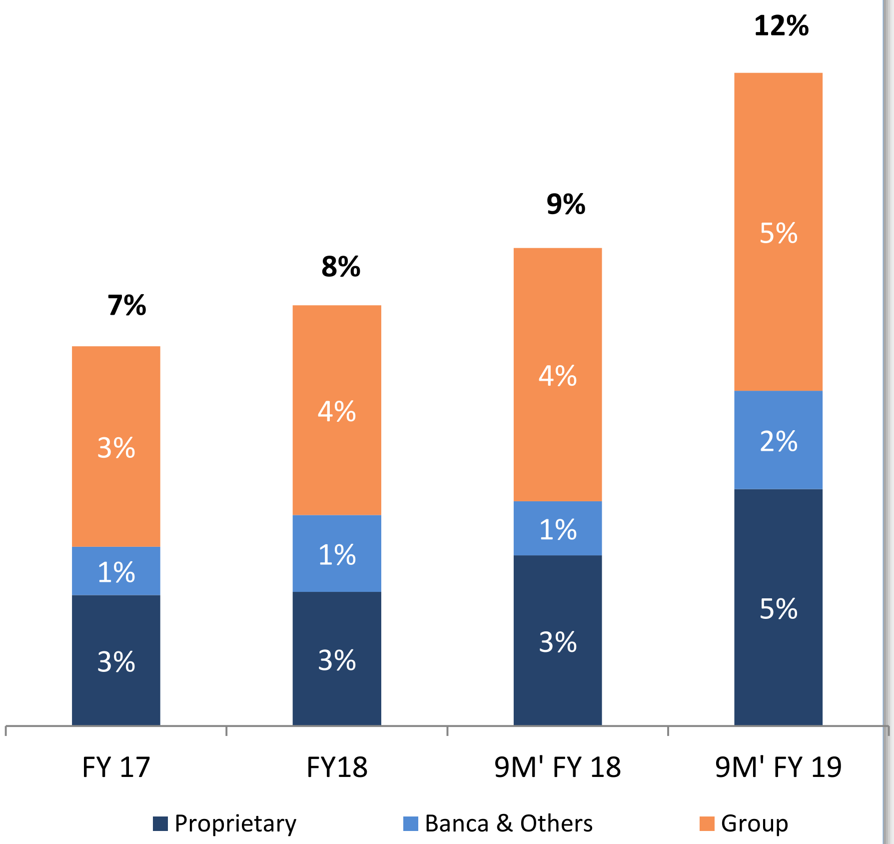


Total APE (incl. Group credit life adjusted for 10% for single premium and term business)

Focus on Protection

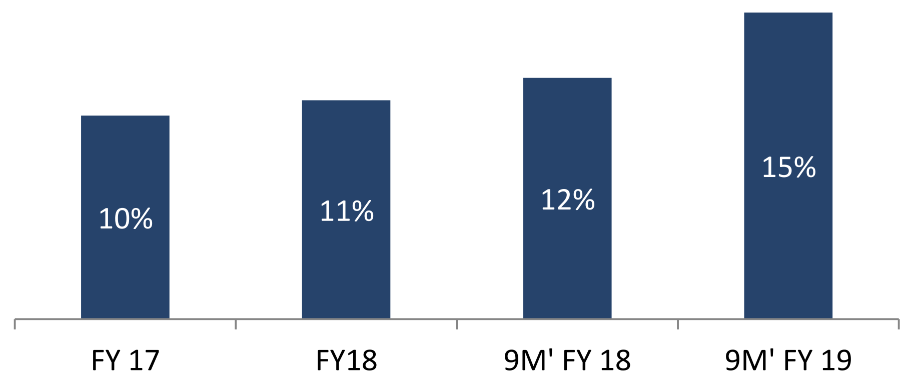
Protection growth led by proprietary channels

Total Protection APE %

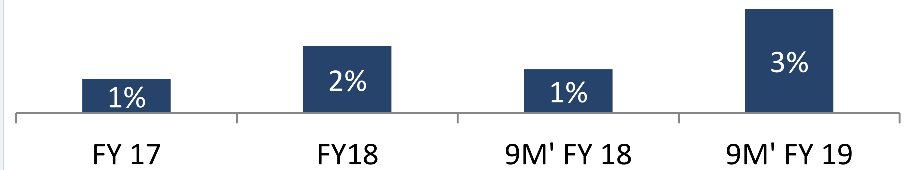


Individual protection penetration within Channels

Proprietary



Banca & others



Note: Figures in % and may not add up due to rounding

1 Balanced product mix with focus on long tenor life coverage

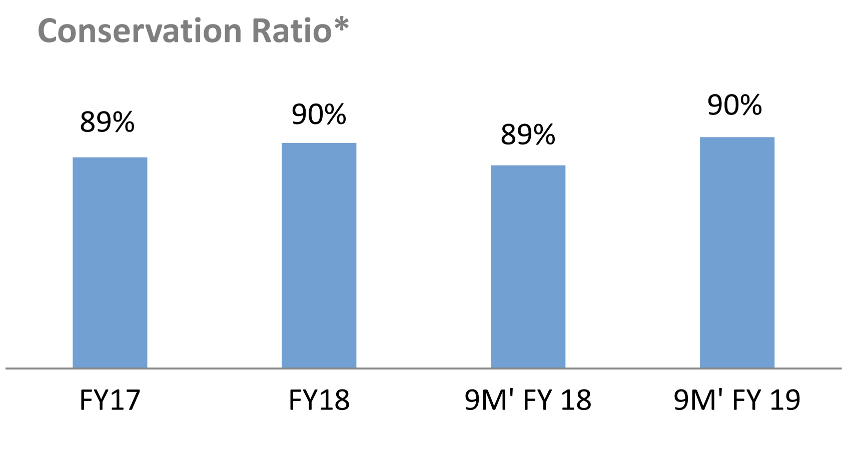
Product Type	Average Policyholder Age (Years)	Average Policy Term (Years)	Average PPT* (Years)
Endowment	35	23	10
ULIP	37	14	10
Whole Life	36	64	51
Money back	28	17	16
Pure Term	35	34	33
GMIP/GIP	43	19	9
Health	39	17	17
Cancer Insurance	38	29	29
Pension	35	22	22
Annuity	63	57	1
Average	36	25	16

As on 31st Dec 2018

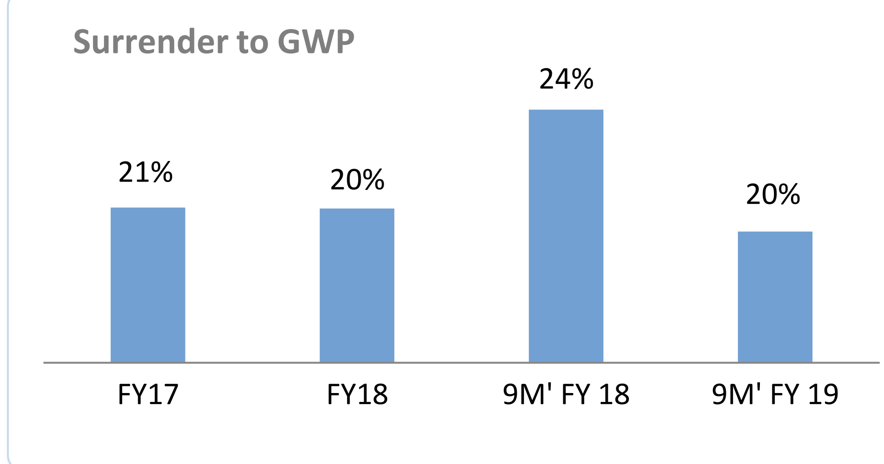
*PPT: Premium Payment Term

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

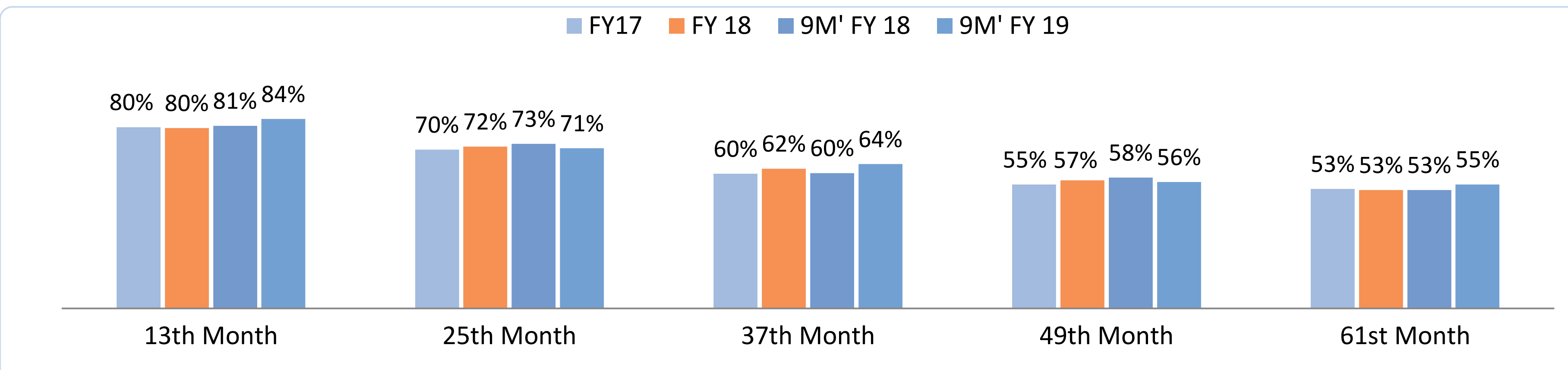
High quality business franchise



Steady retention capabilities

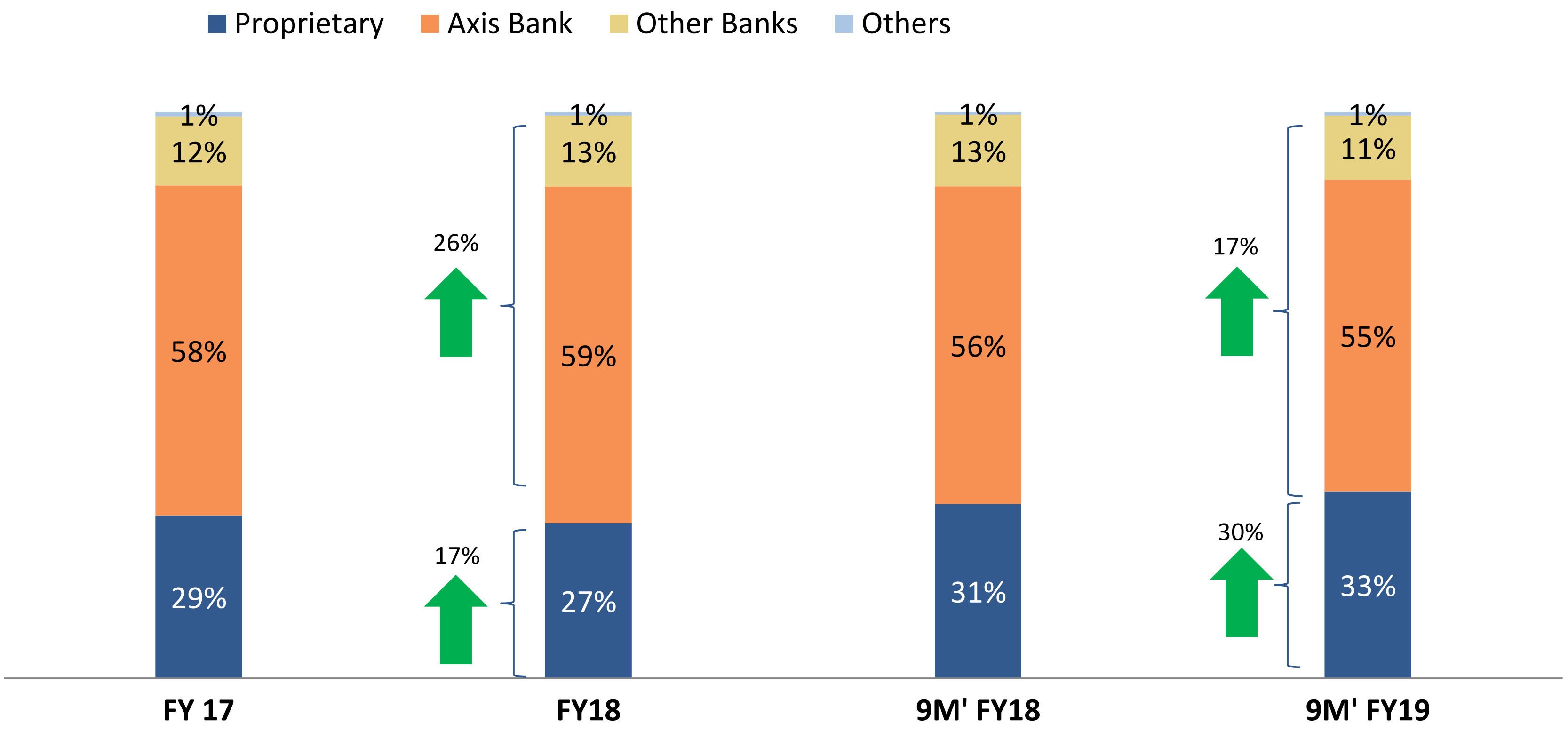


Continuous improvement in persistency



***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 , investment in proprietary aiding growth



Investment in proprietary channels and growth in agency led to a 30% proprietary growth (5% growth is from new proprietary initiatives) with 33% share.

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

- **Defence channel**: New set-up to focus on defence personnel

4 New service to sale initiatives

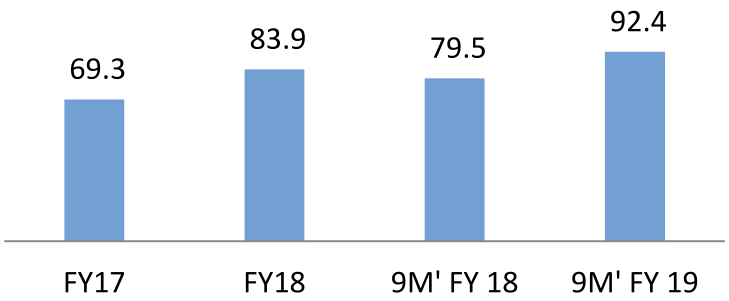
- Drive policy density via cross sell
- Leverage opportunity to drive protection

On track to open ~150 new units by end of FY 19. ~100 units operating at capacity

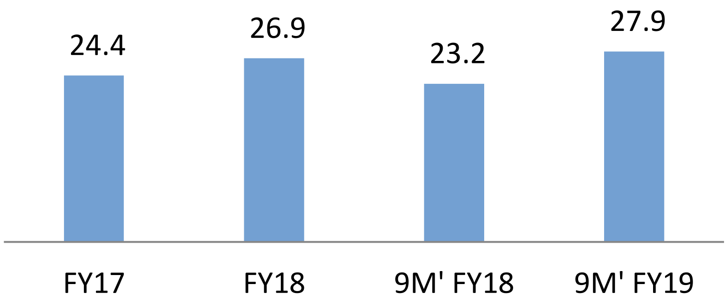
Highly efficient and productive agency channel and strong banca relationships with consistent growth

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

Active Agent productivity (Rs '000 pm)

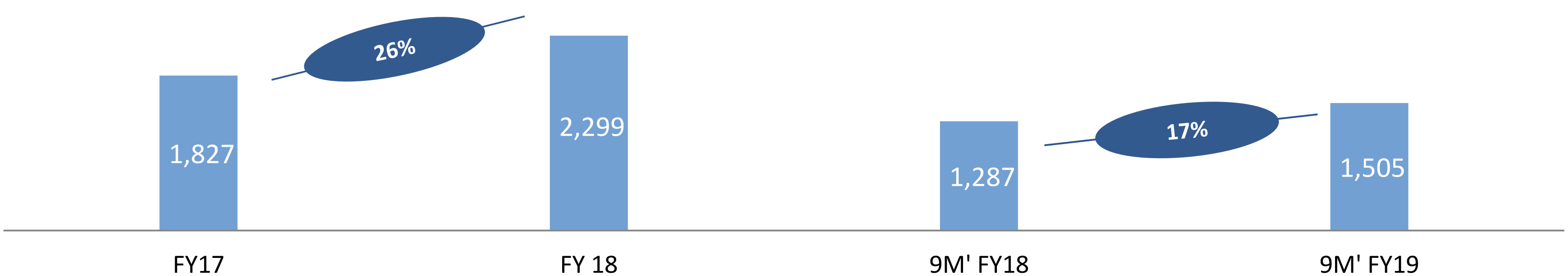


Branch productivity (Rs Lakhs pm)



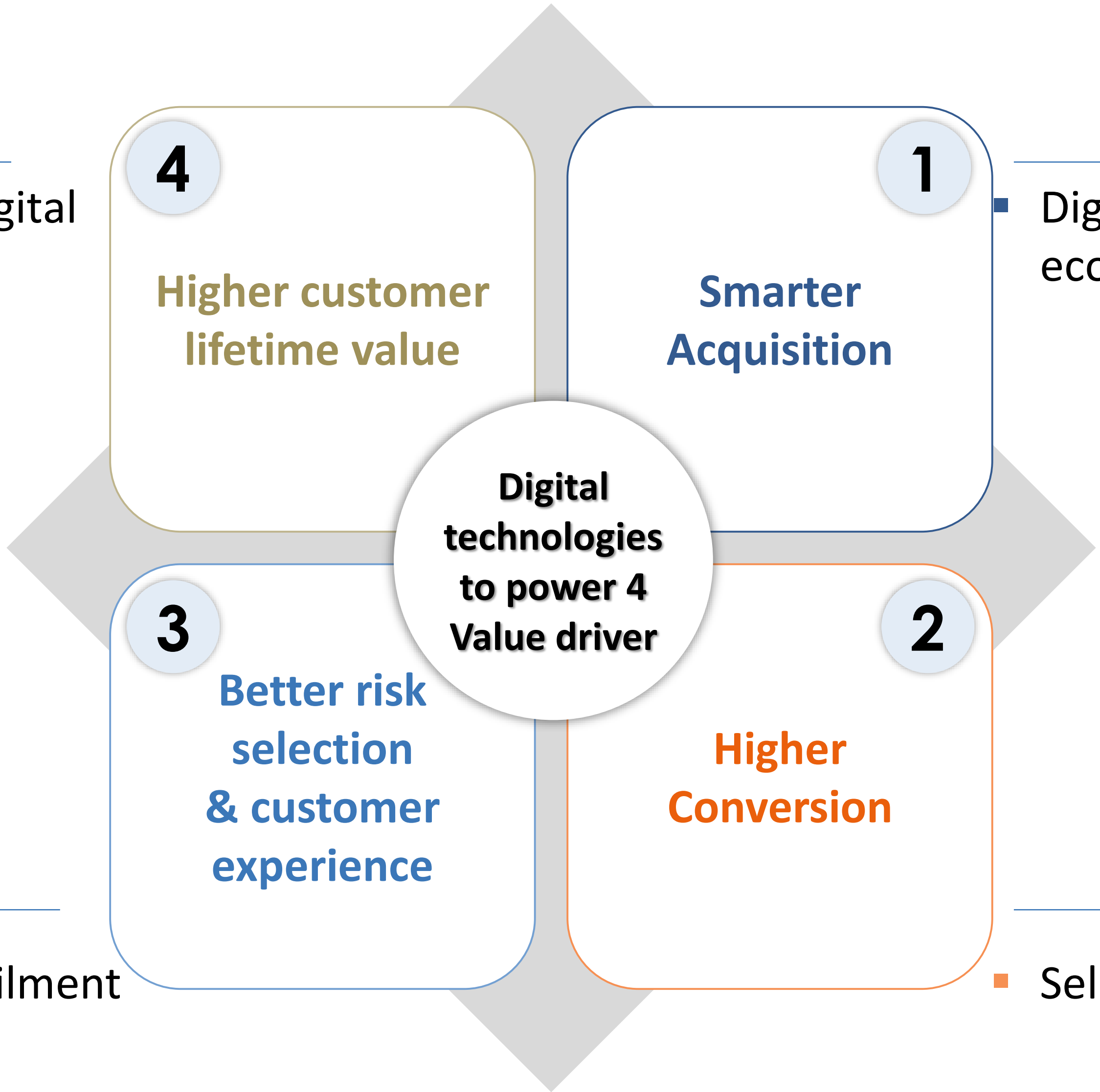
Strong Banca relationship with consistent growth

Ind. APE (Rs. Cr)



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

- Transforming Digital Interface
- Digital Marketing & ecommerce



- Re-imagining Fulfilment
- Seller Ecosystem

3 Digital Penetration Growing Rapidly Across All Customer touch points (YTD Dec'18)

Direct to Customer

	Key Business Lever	Performance Update	
1	**Online Sales through Website**	134%	**YoY Growth in New Business**
2	**Digital Traffic on Website**	63%	**YoY growth in customer traffic** on company's website
3	**Online Customer Service engagements** (Post Purchase)	101%	**YoY growth in customer service engagements online**
4	**Online Premium Collection** (Renewals)	24%	**YoY growth in renewals collected online%**
5	**Paperless Renewal Premium** (Renewals)	72%	**of all Renewal Premium Payment is now paperless**
6	**New Customer Acquisition**	26%	**of customers through digital door**

3 Life Insurance business management retooled across the enterprise

Prospecting & Solution Generation	Fulfillment	Servicing
14K+ Sellers continue using the lead generation tool every month (11k last year)	**95%** of all policies applied through automated tool (vs. 85% last year)	**40%** of all active user base are using unified servicing tool MoM
	58% of total cases applied digitally are Insta-Issued (1 day TAT)	

Digital Impact

Distribution Digitization- Performance Update

- Revamped fulfillment tool- mobile based shorter journey resulting in 25% TAT reduction for form filling
- Sales + Fulfillment tool gone LIVE for Group Business
- Offline payments' collection functionality enabled in servicing tool for sellers
- Agent recruitment process digitized and is now mobile enabled

Leveraging the latest technologies and integrations with ecosystem partners to enable a seamless, best-in-class customer experience across the entire customer life cycle.

3

Seller On-boarding
- Mobile based journey
- Automated end-to-end workflow
- Integration with credit bureaus and other databases
- OCR to replace manual scrutiny of documents
- Online payment to replace DD

Customer onboarding
- Mobile based journey
- Integration with credit bureaus, partner banks, other public databases
- OCR to replace manual scrutiny of documents

Underwriting
- Digitized medical & financial reports using OCR engines with AI, deep learning
- Automated underwriting via a proprietary rule engine
- Smarts such as facial analytics, verification against public databases

Policy Fulfillment
- Video based customer verification to replace outbound calling
- Simplified and concise policy documents
- Digitized delivery of policy document via DigiLocker, Whatsapp

Servicing
- Better customer insights via a single view of customer
- Higher self-service request resolution via chat bot, predictive IVR
- Automated responses to customer emails via Email Bot

Renewal
- Deep learning models to better predict customer propensity to renew
- New digital payment options (Google and Whatsapp pay) and ECS options (eNACH)

Claims and Maturity
- Faster claim/maturity settlement via digital back-end integration
- Deep learning models to better identify frauds

On track to deliver 2-3x improvement in TATs across processes along with spend base rationalisation of 15-20%; All the above initiatives expected to go-live in FY 20

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3 **EV Disclosures**

4 Financial Performance

5 Awards and Accolades

Key Results

The Embedded Value[1] (EV) as at 31st Dec 2018 is **Rs 8,254[2] Cr**.

The annualized Operating Return on EV (RoEV)[3] over 9M FY19 is circa **18.8%**.

The New Business Margin (NBM) over 9M FY19 is **22.8%** (before allowing for operating cost overrun) and **20.4%** (post overrun). The Value of New Business (VNB) written over the period is **Rs 466 Cr** (post overrun), representing year on year growth of **37%**.

Notes:

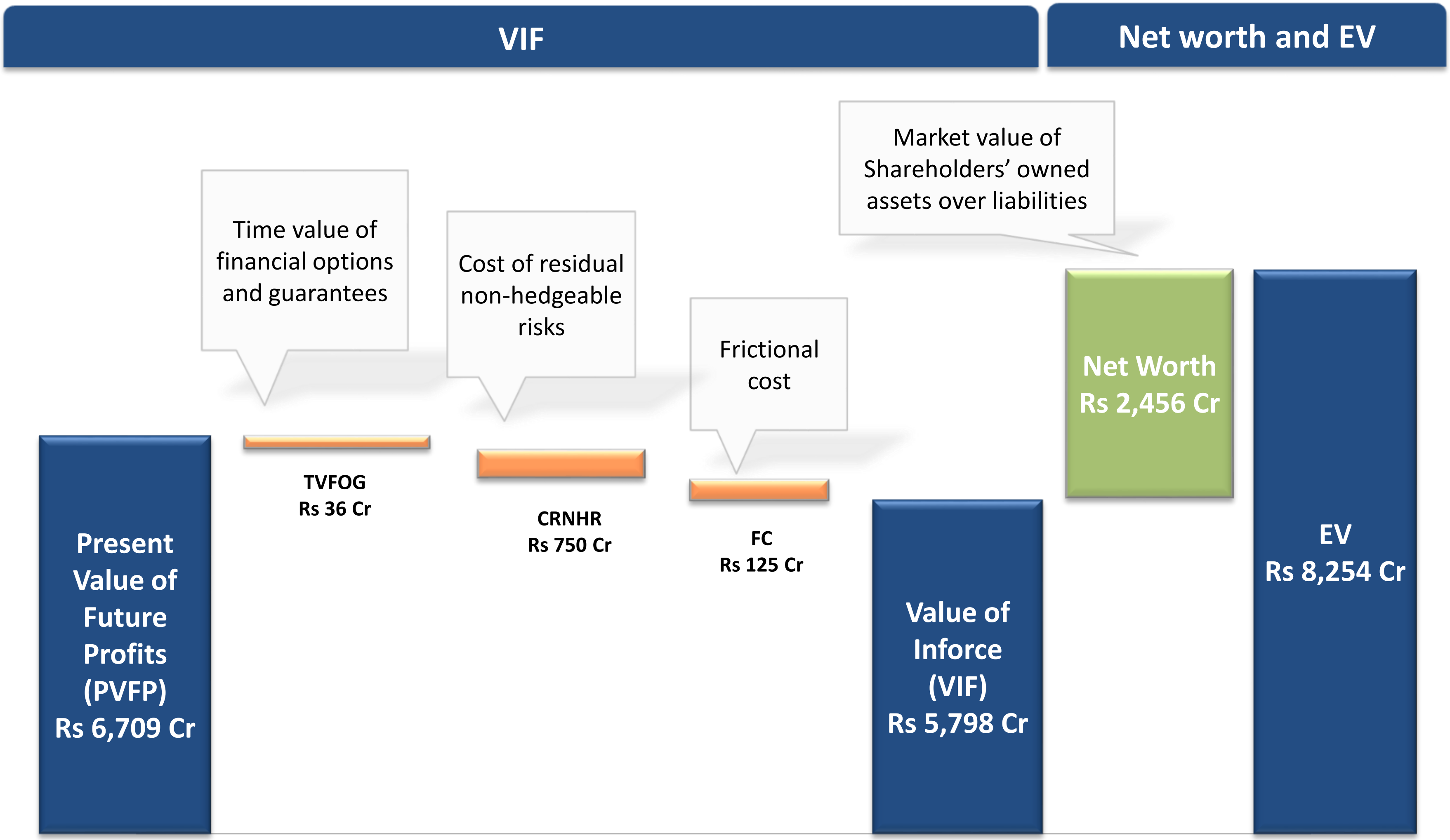
[1] Max Life's Embedded Value (EV) is based on a market consistent methodology. However, they are not intended to be compliant with the MCEV Principles issued by the Stitching CFO Forum Foundation (CFO Forum) or the Actuarial Practice Standard 10 (APS10) as issued by the Institute of Actuaries of India.

[2] EV of 8,254 Cr allows for dividend of Rs 282 Cr for H1 FY19. However, no dividend payout has been made for current quarter (Q3 FY19).

[3] The Return on EV is calculated before capital movements during the year, example dividends.

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 31st December 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 deduction. 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 31st December 2018

Description	9M FY18	9M FY19	Y-o-Y growth
APE [1]	1,893	2,291	21%
New Business Margin (NBM) (before cost overrun)	20.0%	22.8%	+280 bps
New Business Margin (NBM) (post cost overrun)	18.0%	20.4%	+240 bps
Value of New Business (VNB) (post cost overrun)	340	466	37%

- The New Business Margin (NBM) before operating cost overrun has increased by circa 280 bps to 22.8% for 9M FY19 compared to 20.0% for 9M FY18. The increase in margin is primarily driven by higher contribution of protection-oriented products.
- Post allowing for operating cost overrun, the NBM would reduce to 20.4% for 9M FY19 compared to 18.0% for 9M FY18.

[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. 31st Dec 2018), using the beginning of quarter's risk free yield curve.

Note: Figures in Rs Cr.

Sensitivity analysis as at 30th September 2018

Sensitivity	EV		New business	
	Value (Rs Cr)	% change	VNB (Rs Cr) | NBM	% change
Base Case (before final SH dividends)	**8,034**	**-**	**290 | 20.4%**	-
Lapse/Surrender - 10% increase	7,884	(2%)	277 | 19.5%	(5%)
Lapse/Surrender - 10% decrease	8,204	2%	304 | 21.4%	5%
Mortality - 10% increase	7,936	(1%)	279 | 19.6%	(4%)
Mortality - 10% decrease	8,142	1%	302 | 21.3%	4%
Expenses - 10% increase	7,971	(1%)	271 | 19.1%	(7%)
Expenses - 10% decrease	8,107	1%	309 | 21.8%	7%
Risk free rates - 1% increase	7,905	(2%)	302 | 21.2%	4%
Risk free rates - 1% reduction	8,172	2%	273 | 19.2%	(6%)
Equity values - 10% immediate rise	8,101	1%	290 | 20.4%	Negligible
Equity values - 10% immediate fall	7,977	(1%)	290 | 20.4%	Negligible
Corporate tax Rate – 2% increase	7,896	(2%)	282 | 19.8%	(3%)
Corporate tax Rate – 2% decrease	8.172	2%	299 | 21.0%	3%
Corporate tax rate increased to 25%	7,315	(9%)	245 | 17.3%	(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.

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

Financial Performance

	FY 17		FY18	9M FY18		9M FY19
Individual APE	2,657	↑ 22%	3,248	1,872	↑ 21%	2,269
Renewal Premium	7,114	↑ 15%	8,152	5,214	↑ 14%	5,956
Gross Premium	10,780	↑ 16%	12,501	7,852	↑ 15%	9,054
Policyholder expense to GWP Ratio	14.8%	↓ 187 bps	12.9%	14.7%	↓ 24 bps	14.5%
Policyholder Cost to GWP Ratio	23.5%	↓ 341 bps	20.0%	21.6%	↓ 50 bps	21.1%
Expense to average AUM (Policyholder)	4.3%	↓ 70 bps	3.6%	3.9%	↓ 50 bps	3.4%

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

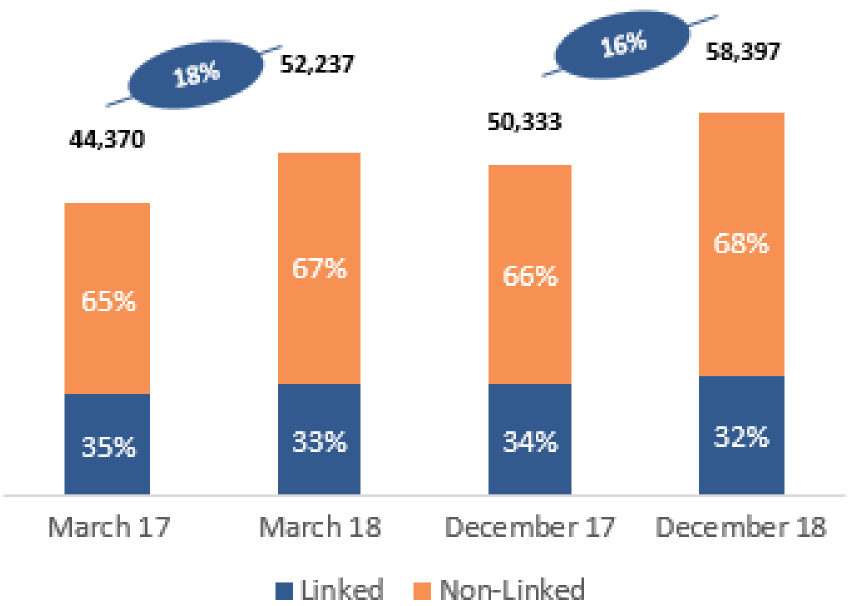
	FY 17	Growth	FY18	9M FY18	Growth	9M FY19
Profit(before Tax)	768	20% ↓	615	390	4% ↓	375
AUM	44,370	18% ↑	52,237	50,333	16% ↑	58,397
New Business Margin (Post Overrun)	18.8%	140 bps ↑	20.2%	18.0%	240 bps ↑	20.4%
MCEV (pre dividend)^	6,739	21% ↑	7,706	7,706	19% ↑	8,254
Operating RoEV	19.9%	70 bps ↑	20.6%	NA		18.8%
Solvency Ratio	309%	Abs 34% ↓	275%	275%	Abs 36% ↓	239%

^Arrow represents growth in Operating RoEV

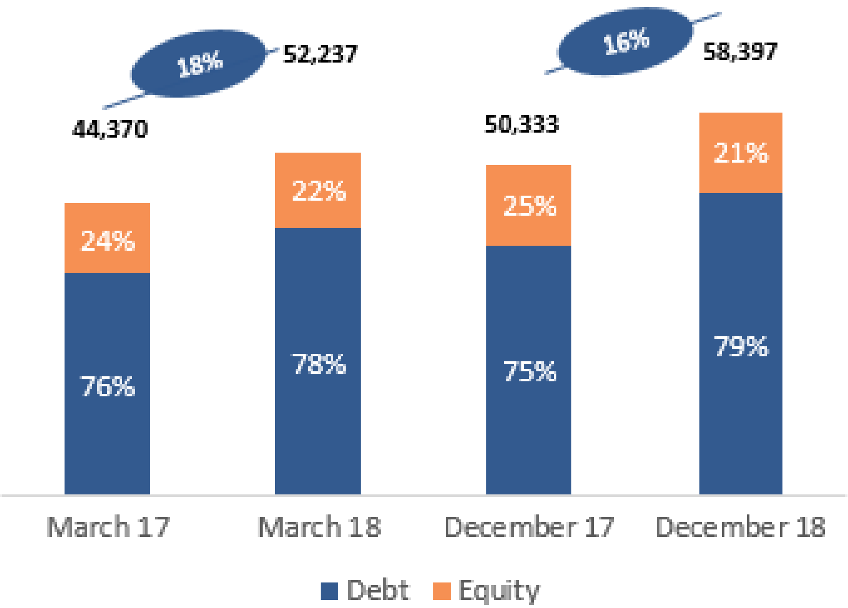
Assets under management- Y-o-Y growth at 16%

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- Q3'FY19 and 9M'FY19

Key Business Drivers	Unit	Quarter Ended		Q-o-Q Growth	9M Ended		Y-o-Y Growth
		Dec'17	Dec'18		Dec'17	Dec'18	
a) Individual adjusted premium	Rs. Crore	764	866	13%	1,876	2,245	20%
b) Gross written premium income	Rs. Crore	3,044	3,435	13%	7,852	9,054	15%
First year premium		754	860	14%	1,853	2,242	21%
Renewal premium		1,978	2,245	13%	5,214	5,956	14%
Single premium		312	330	6%	785	857	9%
c) Shareholder Profit (Pre Tax)	Rs. Crore	154	99	-36%	390	375	-4%
d) Policy Holder Expense to Gross Premium	%	13.5%	14.0%	-57 bps	14.7%	14.5%	+24 bps
e) Conservation ratio	%	84.7%	88.2%	354 bps	88.7%	89.8%	119 bps
f) Average case size(Agency)	Rs.	60,688	55,731	-8%	53,260	54,649	3%
g) Case rate per agent per month	No.	0.19	0.23	21%	0.19	0.21	9%
h) Number of agents (Agency)	No.				54,405	42,114	-23%
i) Share Capital	Rs. Crore				1,919	1,919	0%
j) Individual Policies in force	No. Lacs				39.7	41.5	5%
k) Sum insured in force	Rs. Crore				4,69,067	6,16,528	31%
l) Grievance Ratio	Per Ten thousand				121	68	NA

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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.
- Six Sigma Black Belt Project of the Year "Improve AWS Qualifier productivity of Agency channel" won the 1st prize in "New Product Development & Customer Category" in 12th Six Sigma National 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

2 "Industry First" trend setter

- Highest Claim paid ratio of 98.26% goes past LIC as per IRDAI Annual Report
- 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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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 31st Dec 2018. The VNB is calculated using the beginning of respective quarter's risk free yield curve (i.e. 31st March 2018, 30th June 2018 and 30th September 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 31st December 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%
Dec 18	6.88%	6.93%	7.12%	7.18%	7.30%	7.38%	7.70%	7.74%	7.51%	7.84%
Change	0.35%	0.10%	0.03%	-0.08%	-0.13%	-0.03%	0.01%	-0.11%	-0.21%	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.

[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