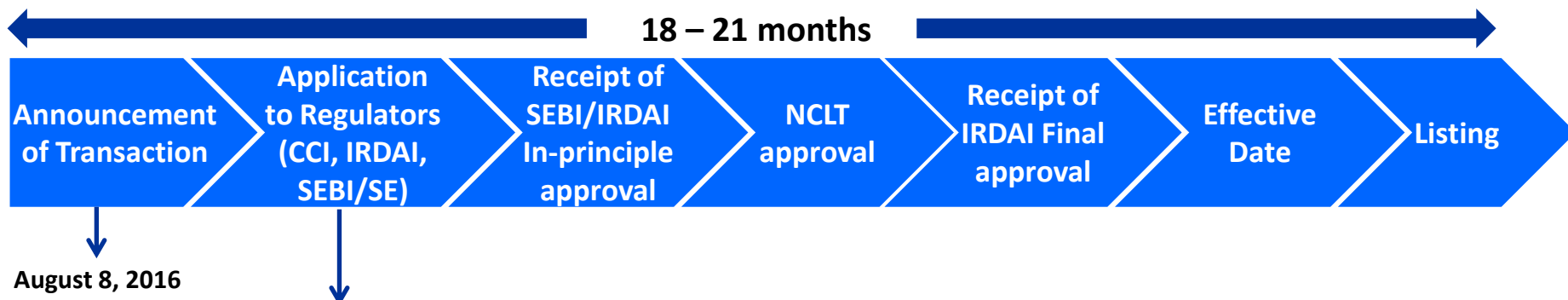


Max Financial Services Investor Release

Financial Year 2016-17

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.



Status update - IRDAI application

- Expressed reservations on MFSL merger with Life insurance companies
- Represented to IRDAI that structure is fully compliant
- Response from IRDAI is awaited

Status update – SEBI & CCI application

- Approvals to be progressed post IRDAI approval

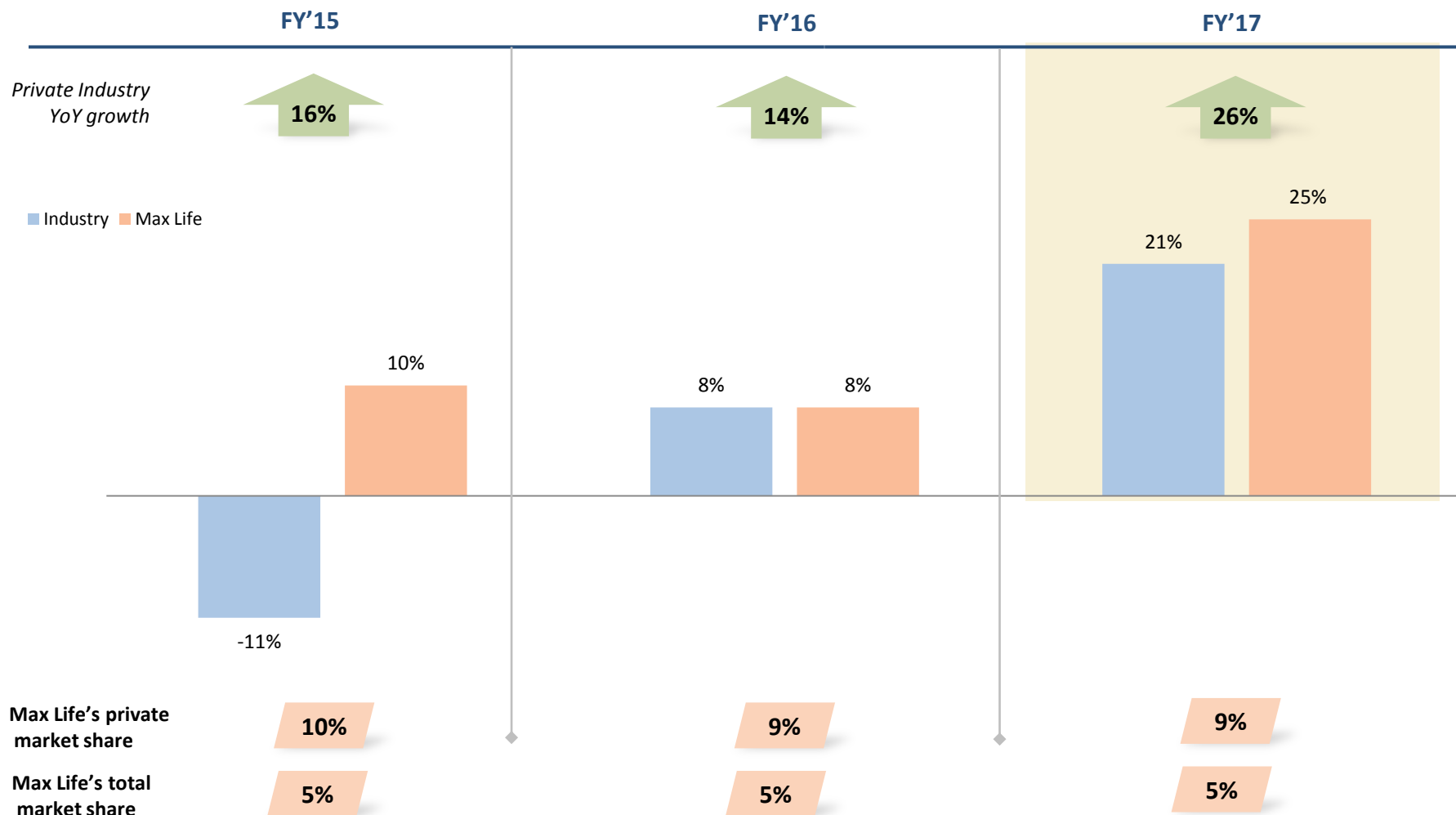
Merger to go through National Company Law Tribunal (NCLT)

- Provisions relating to merger under Companies Act, 2013 notified in Dec'16
- Net effect, merger to be processed via a NCLT as opposed to High Court
- In view of aforesaid, likely completion of merger in Q4FY18

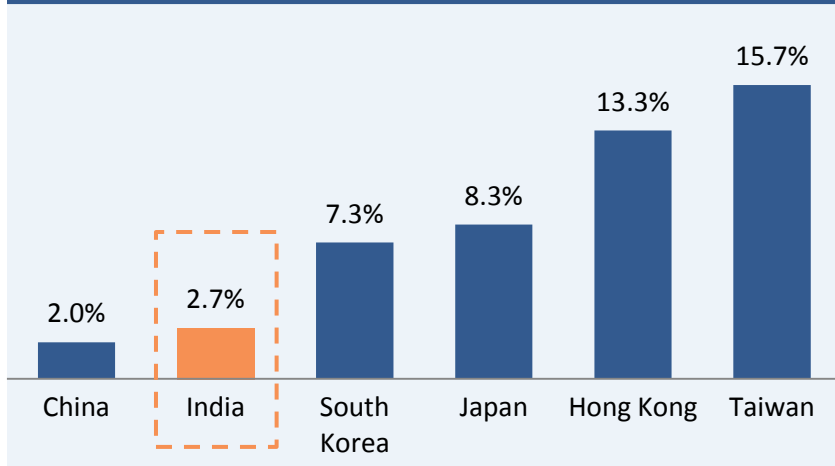
- 1 > **FY17 Group revenue* at Rs 12,971 Cr, grows 19% y-o-y**
- 2 > **FY17 Group PBT at Rs 702 Cr, grows 51% y-o-y**
- 3 > **MCEV as at 31st March 2017 at Rs. 6,590 Cr; operating RoEV 20%**
- 4 > **Value of New Business increased to Rs. 499 Cr, grows 29% y-o-y; New business margin also improves by 90 bps to 18.8%**
- 5 > **IRDA response awaited on the representation made regarding structure being fully compliant**
- 6 > **Merger completion may take another 9-12 months from IRDA approving the structure**



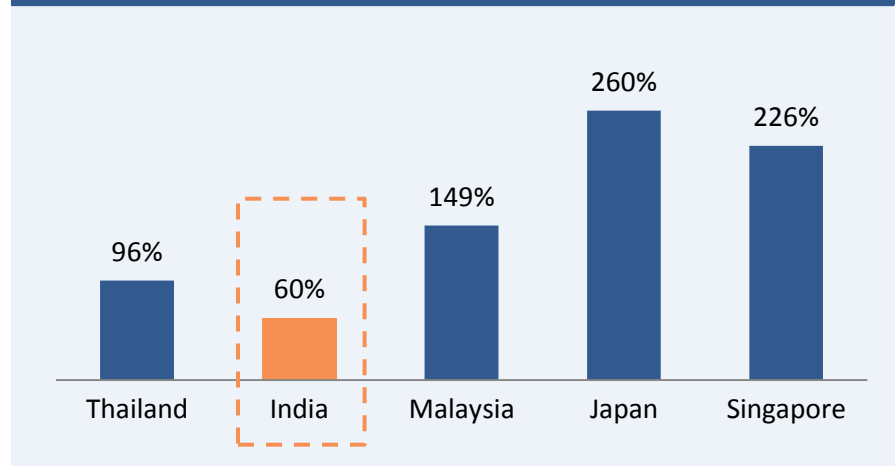
YoY Growth basis Individual Adjusted FYP



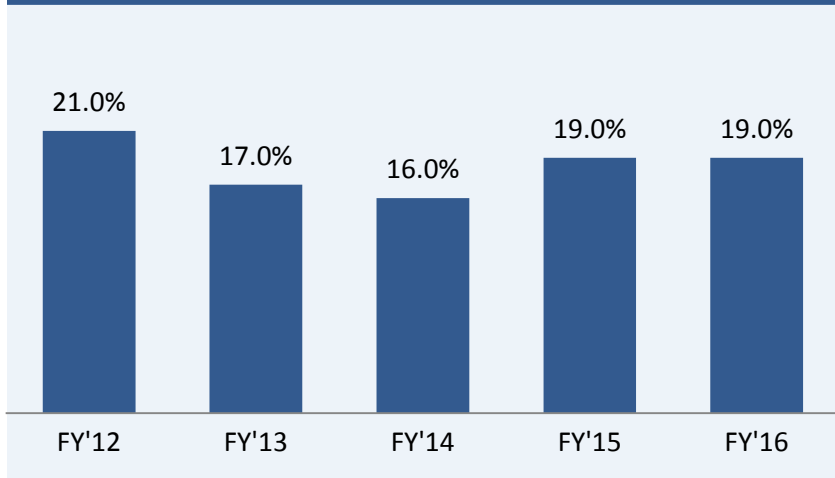
Life Insurance Penetration (Premium as % of GDP), 2015



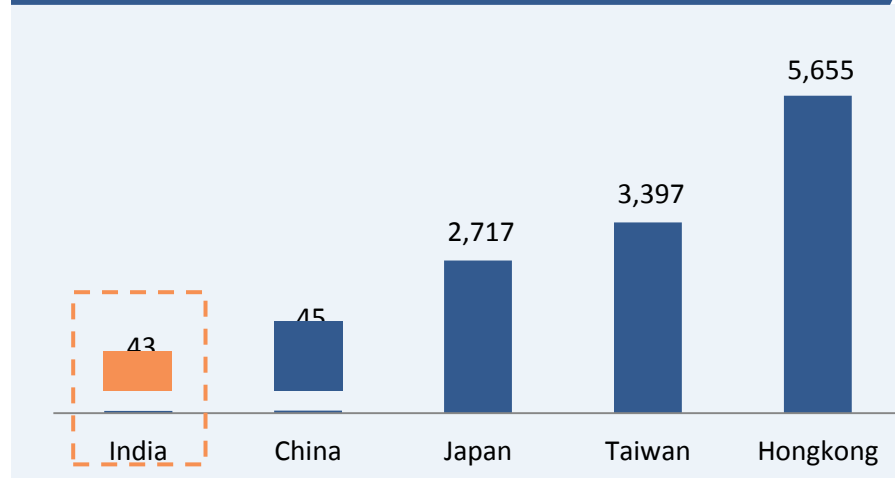
Level of Protection (Sum Assured as % of GDP), 2015



% of Life Insurance in household savings- India



Life Insurance Density (Premium per capita – USD), 2015





1

Comprehensive multi-channel distribution model with highly efficient and productive agency channel and strong Banca relationships

2

Balanced product mix with focus on long term saving and protection proposition

3

Superior customer outcomes and retention

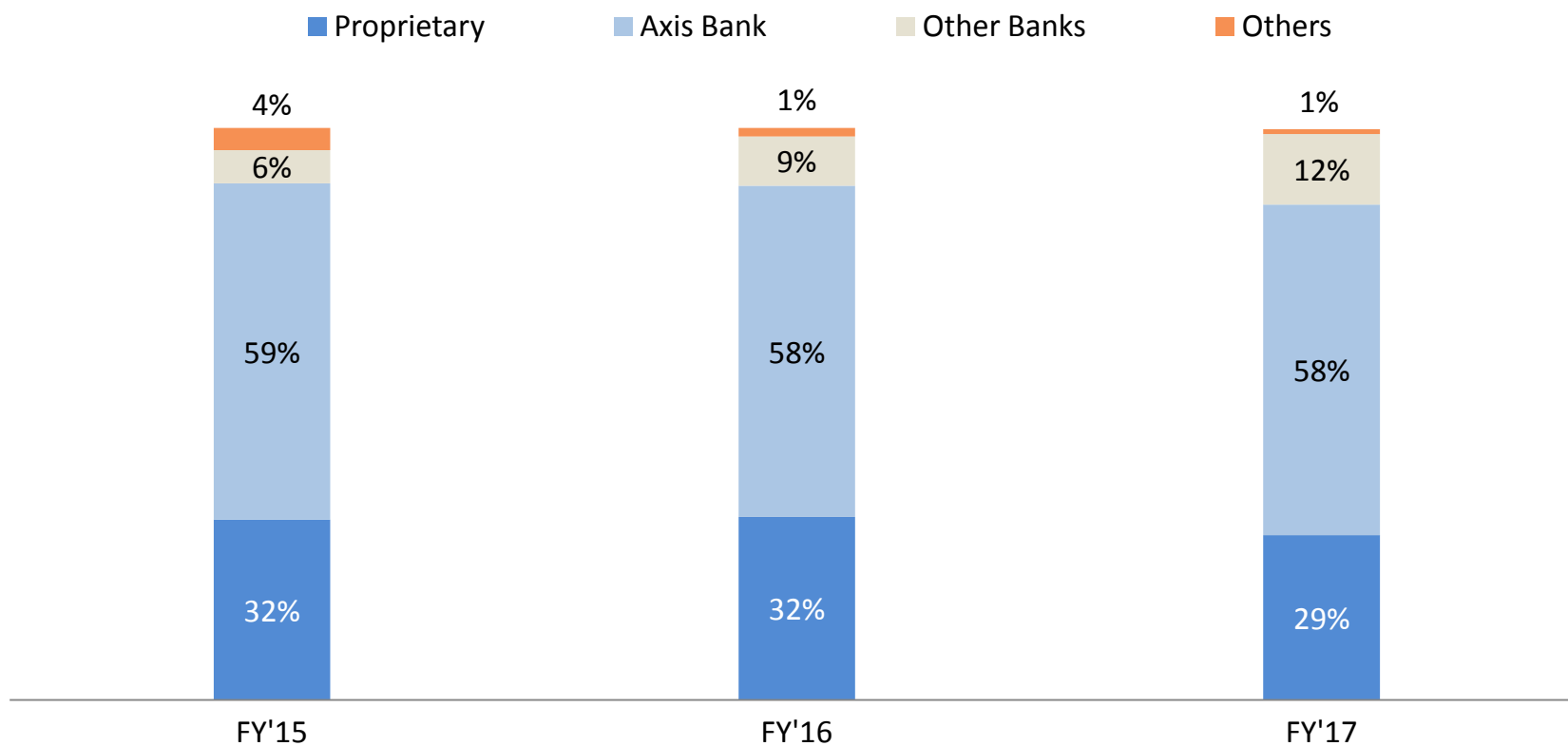
4

Strong digital footprints

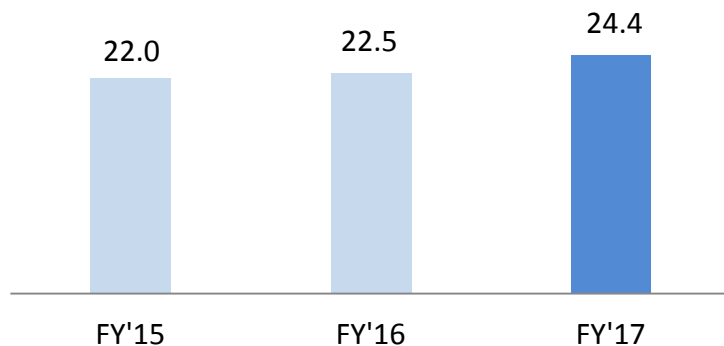
5

Superior financial performance with profitable growth

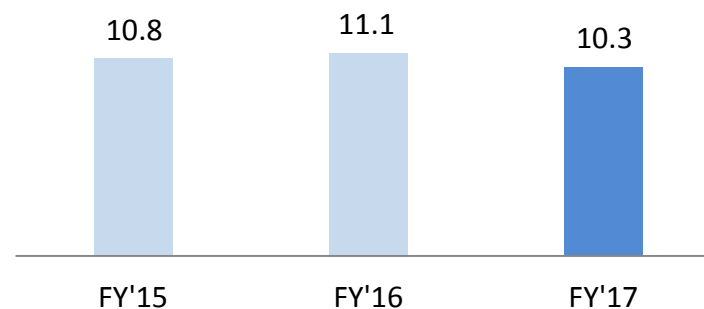
Supported by eminent Board, strong management team and robust governance framework



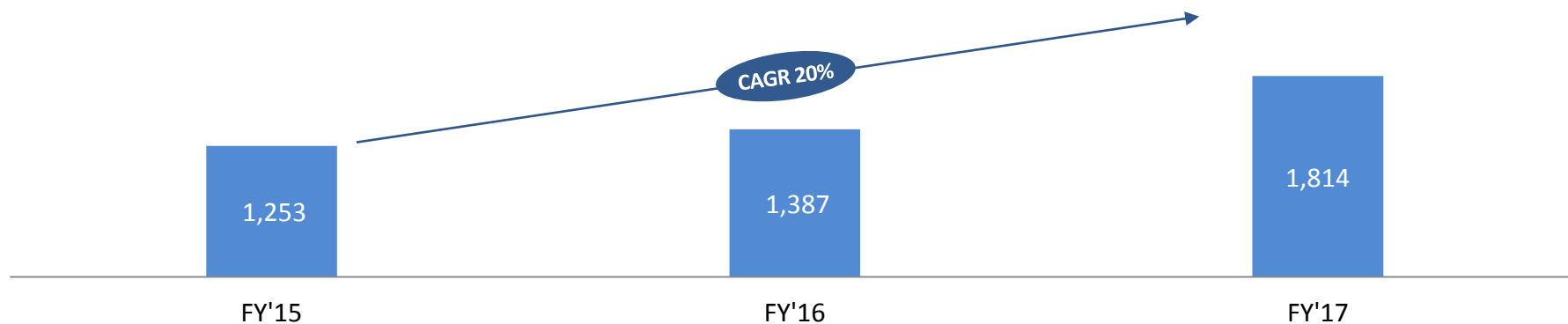
Branch productivity (Rs Lakhs pm)

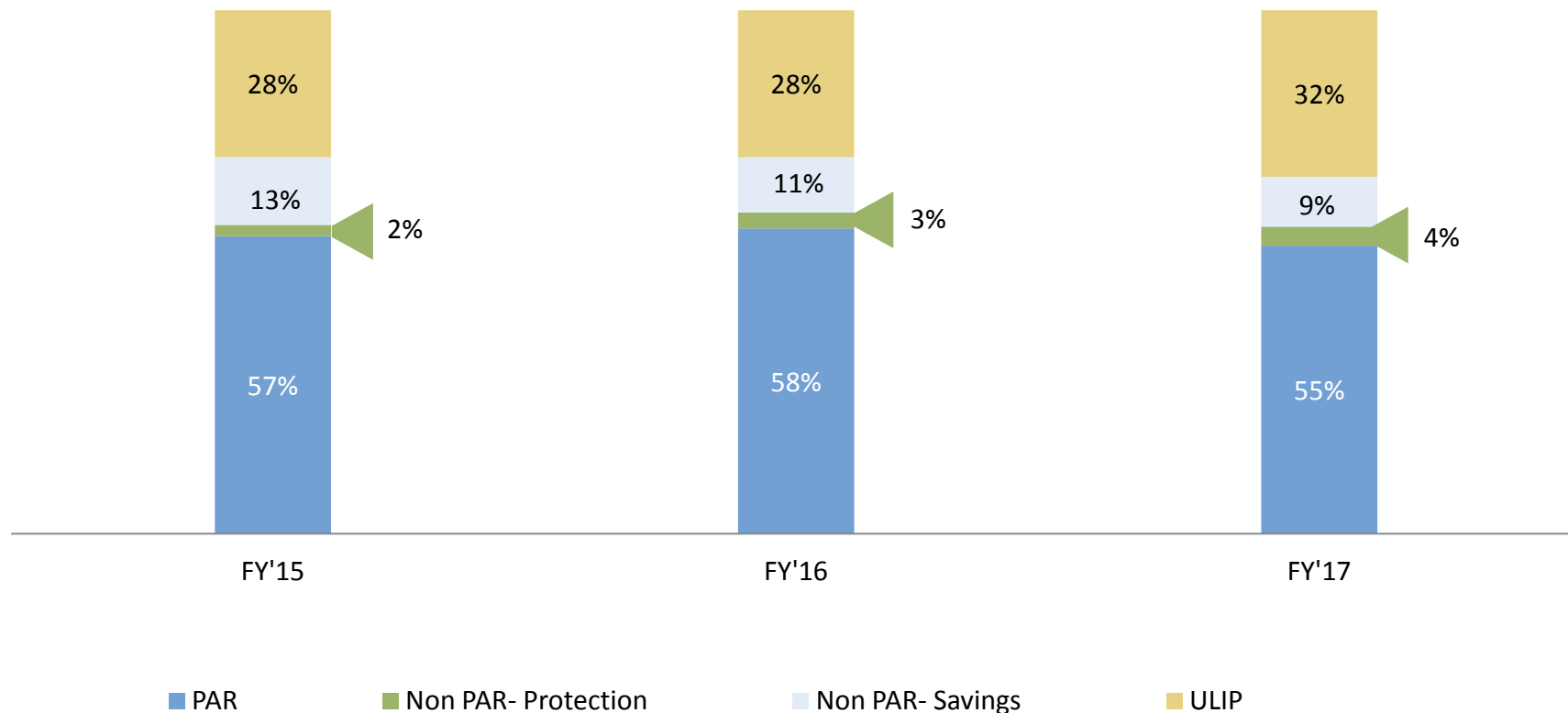


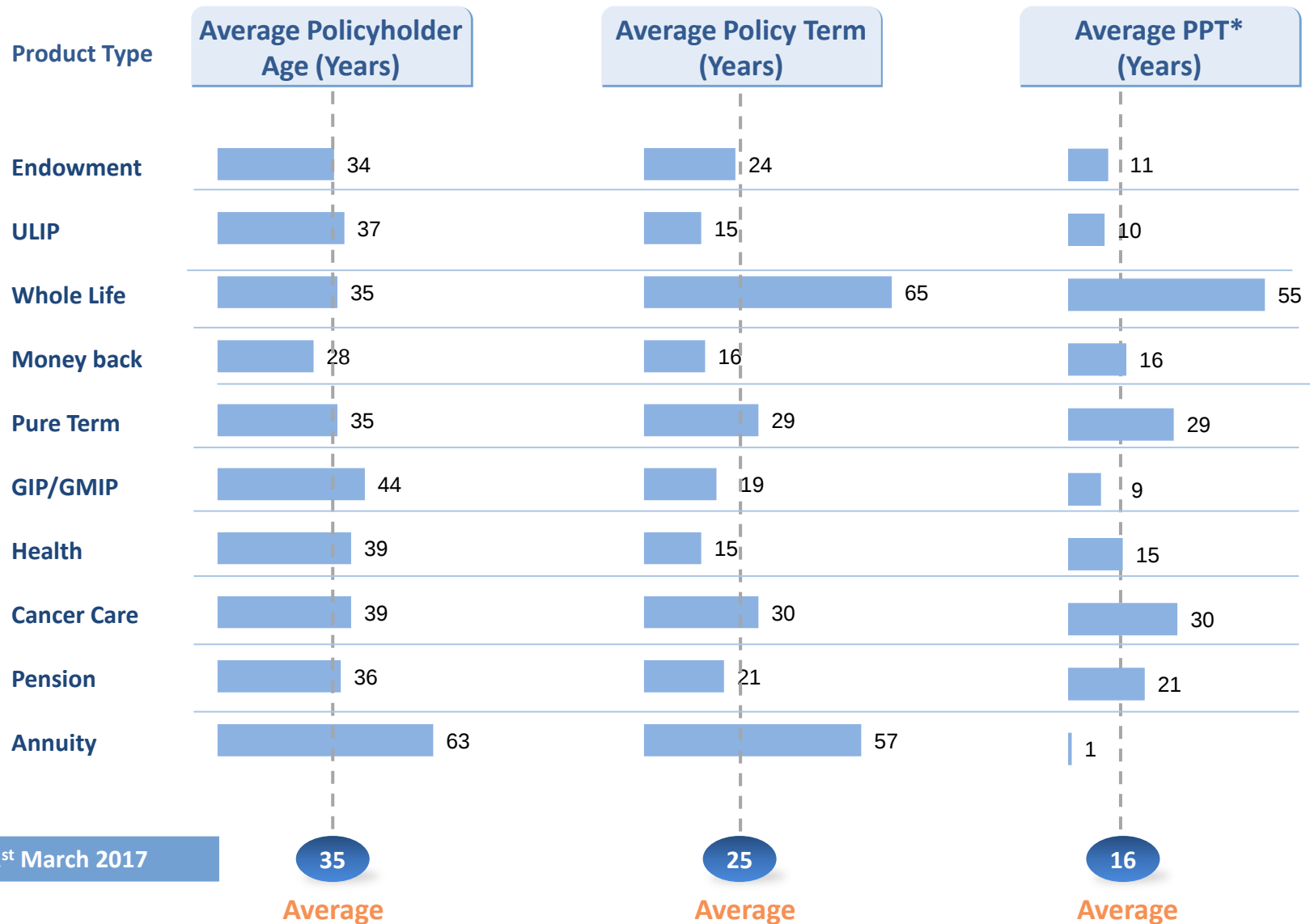
Agent productivity (Rs '000 pm)



Banca individual Adj FYP (Rs Cr)

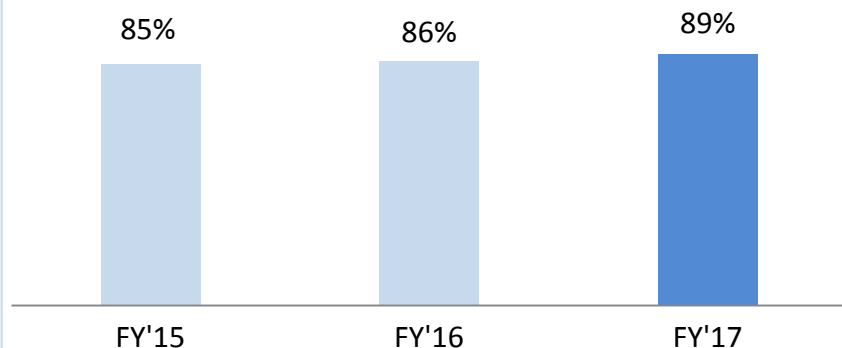






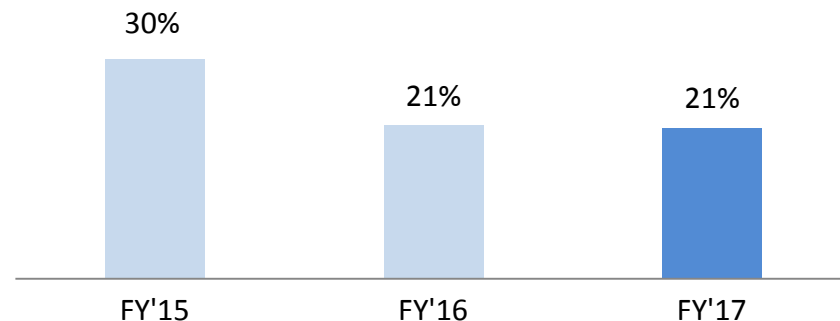
High quality business franchise

Conservation Ratio



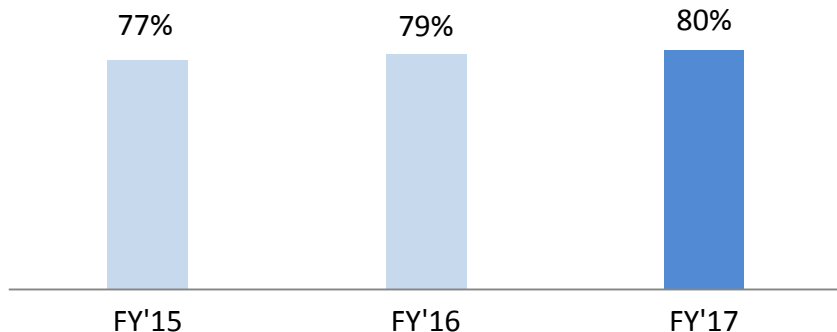
Customer retention: Surrenders

Surrender to GWP

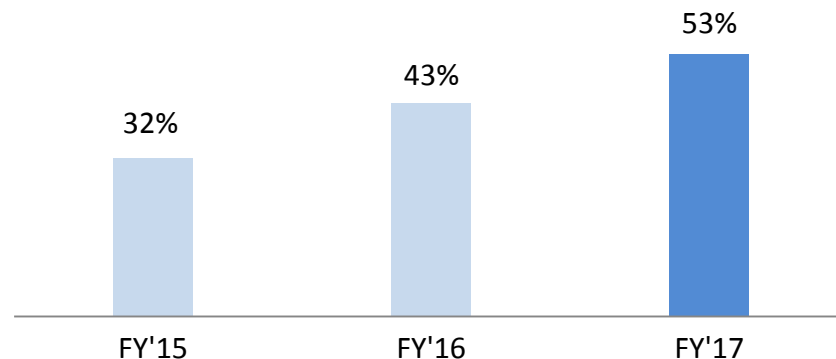


Continuous improvement in persistency

13th month persistency ratio



61st month persistency ratio



Digital Marketing and E Commerce

- Shifted orbit from being a 'Challenger' (~10% market share in FY16) to a 'Leader' with 30% market share (Q4 FY'17) in online term sales
- 164% YoY growth delivered by attracting new audiences & converting with smart chase & conversion strategies

1

Smarter
Acquisition

Transforming Digital Interface

- Launched an intuitive, simplified purchase journey; best in class customer experience
- Persuasive design principles resulting in best in class rider attachment through the journey

Higher customer
lifetime value

4

Areas of
leverage for
digital
technology

Higher
Conversion

2

Seller Ecosystem

- Prospecting and solution generation tool being used pan-India for Agency by over 13,000 advisors and is enhancing Agency Performance
- Smart analytics from the data giving business insights to sales teams
- End to end sales process eSales adopted 99.9% in Axis channel
- New mobile based CRM introduced for lead management in bancaassurance channels

Better risk selection
& customer experience

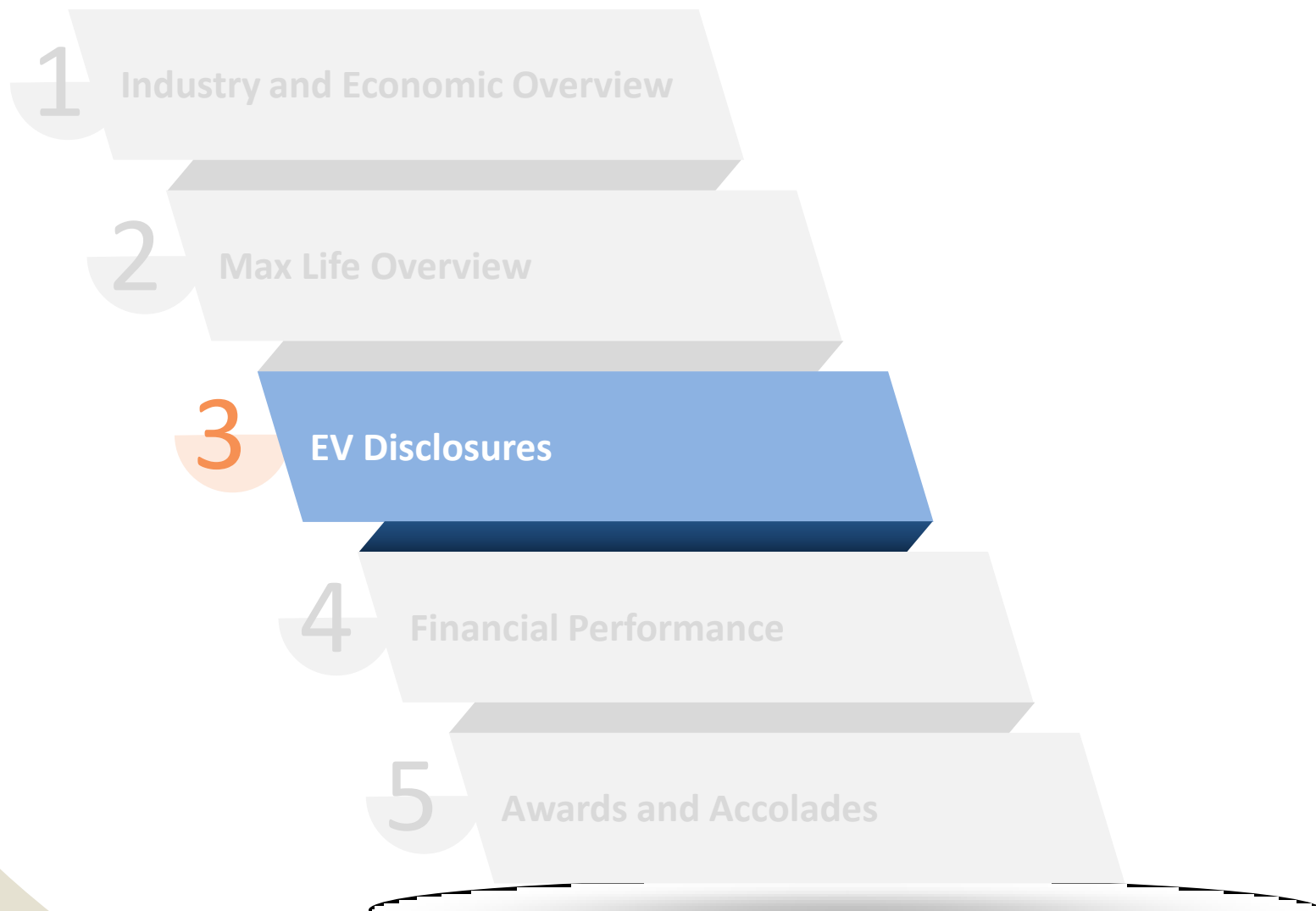
Re-imagining Fulfillment

- Use of external data sources to avoid paper submission for financial underwriting
- Predictive models to gauge insurability to provide frictionless journey
- Upto 90% reduction in policy issuance TAT being achieved with digital proposals
- Widest range of digital payment models for fresh premium and renewals

3

~75% of policies are fulfilled digitally and ~55% of renewals are managed digitally; all of this leads cost efficiency and faster turnaround time

Private Market Share 9% [9%] 	Individual Sales Rs 2,639 Cr  25% [Rs 2,103 Cr]	Gross Written Premium Rs 10,780 Cr  17% [Rs 9,216 Cr]	AUM Rs 44,370 Cr  24% [Rs 35,824Cr]
Profit Before tax Rs 768 Cr  50% [Rs 511 Cr]	Net Worth Rs 2,509 Cr  24% [Rs 2,024 Cr]	Embedded Value* 6,739  20% [5,617]	Policyholder Expense Ratio 14.8%  120 bps [13.6%]
Sum Assured 3,77,572 Cr  39% [2,71,633 Cr]	Policies in force (Individual in Lakhs) 39.12  4% [37.60]	Solvency Ratio 309%  Abs. 34% [343%]	Case Size 51,056  15% [44,566]
No. of Employees 9,446  2% [9,259]	No. of Agents 54,283  20% [45,275]	Claim Settlement Ratio 97.1%  20 bps [96.9%]	Protection Mix 4%  60 bps [3%]



Max Life's Embedded Value (EV) is based on a market consistent methodology.

A market consistent methodology better reflects the embedded value of an insurance company by explicitly allowing for insurance and economic risks rather than using an implicit overall allowance for risks through a Risk Discount Rate (RDR) in the traditional approach.

Although the 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.

The valuation does not take into account any changes in the future cash flow projections as a result of the proposed merger between HDFC Life and Max Life.

EV (post final shareholder dividend) as at 31st March 2017 is **Rs 6,590 Cr.** EV before allowing for final shareholder dividend payout is Rs 6,739 Cr.

The Operating Return on EV¹ (RoEV) over FY17 is 19.9%. Including non-operating variances, the RoEV is 23.0%.

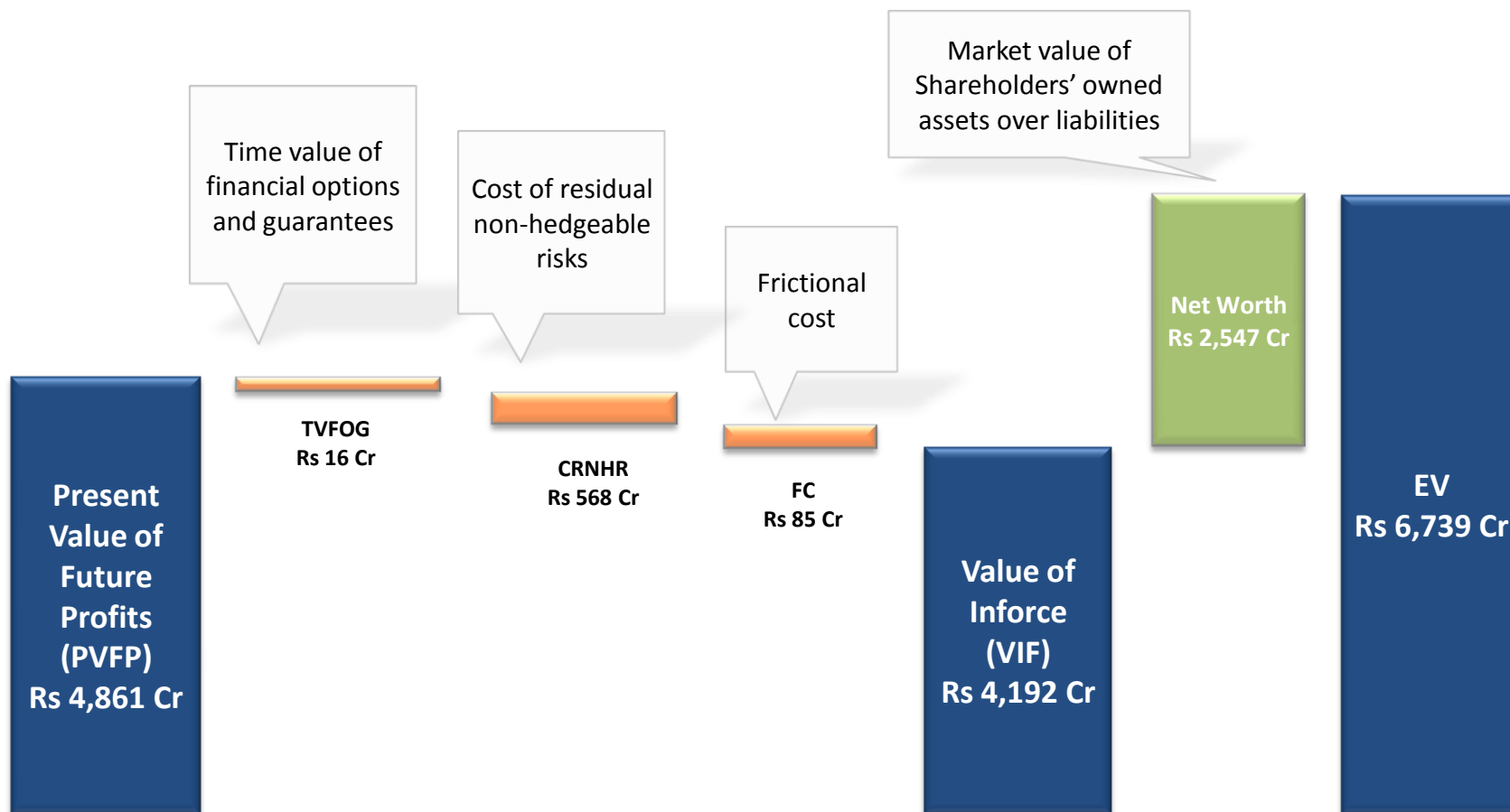
The Value of New Business (VNB) written during FY17 is Rs 499 Cr, grows 29% y-o-y and the portfolio new business margin is 18.8%, calculated on actual costs.

Notes:

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

VIF

Net worth and EV

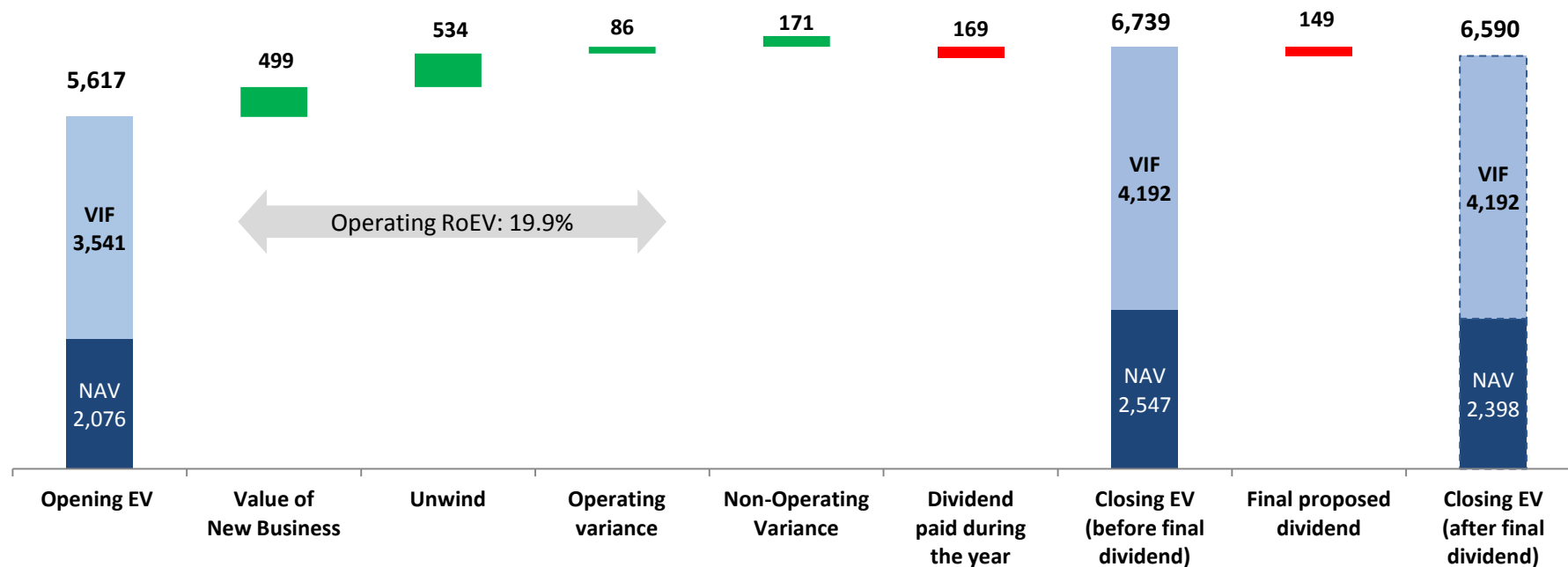


1. The deductions for risks to arrive at the VIF represent a reduction of 14% in the PVFP. The largest deduction is in respect of CRNHR.
2. Within CRNHR, persistency risk constitutes the largest risk component.

Description	FY'17
APE ¹	2,657
Value of New Business (VNB)	499
New Business Margin (on actual costs)	18.8%

- The VNB is accumulated from the point of sale to the end of the reporting period (i.e. 31st March 2017), using the beginning of respective quarter's risk free yield curve.
- VNB of Rs 499 Cr and a new business margin of 18.8% is calculated at actual costs. There was no cost overrun during the year.
- The negative impact on new business margin due to reduction in interest rates during the year is compensated by shift in product mix towards protection oriented products.

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



- Operating return on EV of 19.9% is mainly driven by new business growth and unwind of discounting.
- Operating variance mainly constitutes the positive impact of mortality and persistency experience variance and modeling enhancements.
- Non-operating variances are mainly driven by equity and interest rate movements since March 2016.
- The interim shareholder dividend of Rs 169 Cr has been paid during the year and a final dividend of Rs 149 Cr will be accounted post 31st March 2017. Post the payment of the final dividend, the closing EV will be Rs 6,590 Cr.

Sensitivity	EV		VNB	
	Value (Rs Cr)	% change	Value (Rs Cr)	% change
Base Case	6,739	-	499	-
Lapse/Surrender -10% increase	6,614	-2%	471	-6%
Lapse/Surrender -10% decrease	6,873	2%	530	6%
Mortality -10% increase	6,656	-1%	482	-3%
Mortality -10% decrease	6,823	1%	517	4%
Expenses-10% increase	6,683	-1%	475	-5%
Expenses -10% decrease	6,795	1%	523	5%
Risk free rates -1% increase	6,578	-2%	529	6%
Risk free rates -1% reduction	6,882	2%	460	-8%
Equity values- 10% immediate rise	6,790	1%	499	negligible
Equity values- 10% immediate fall	6,689	-1%	499	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.

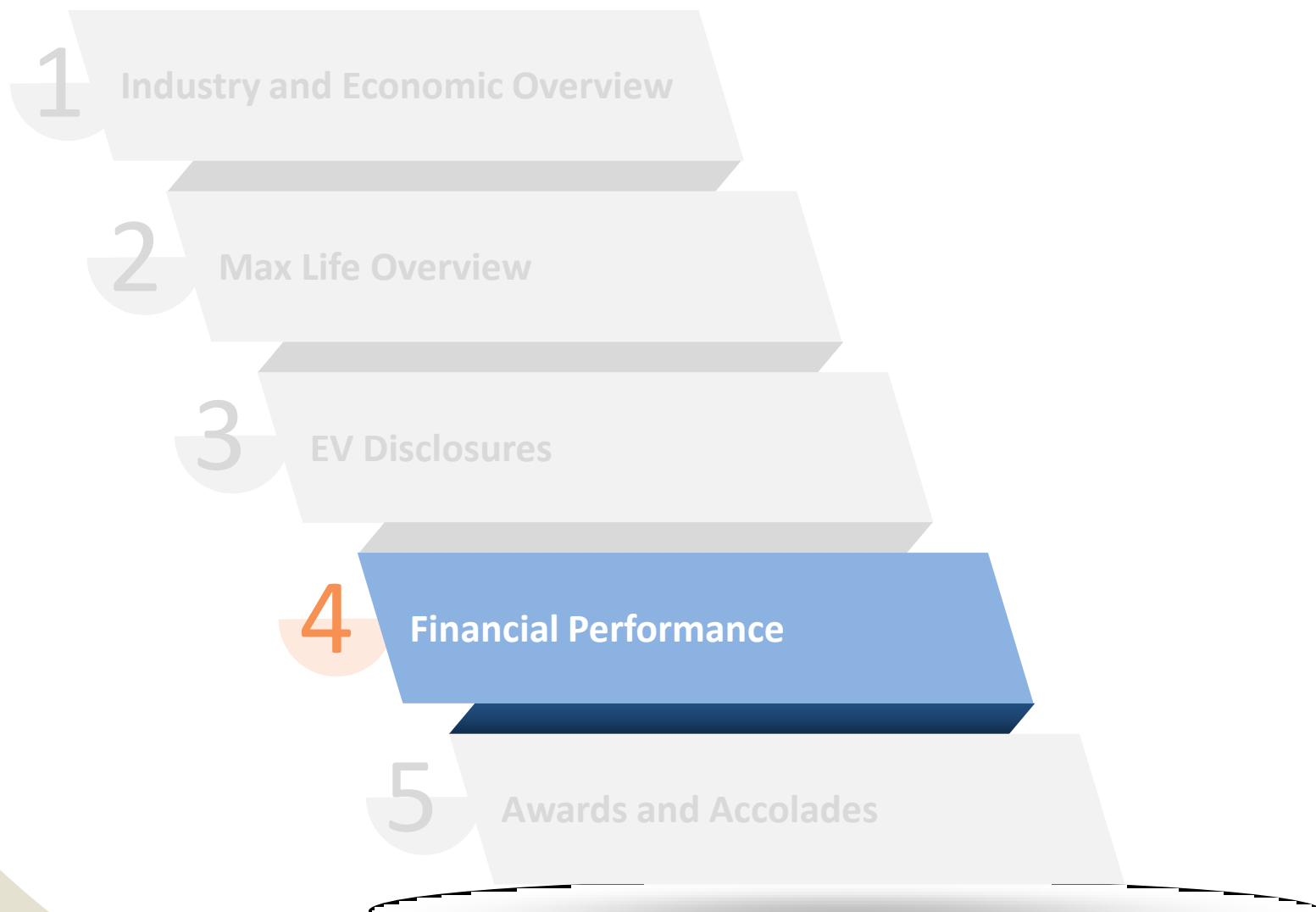
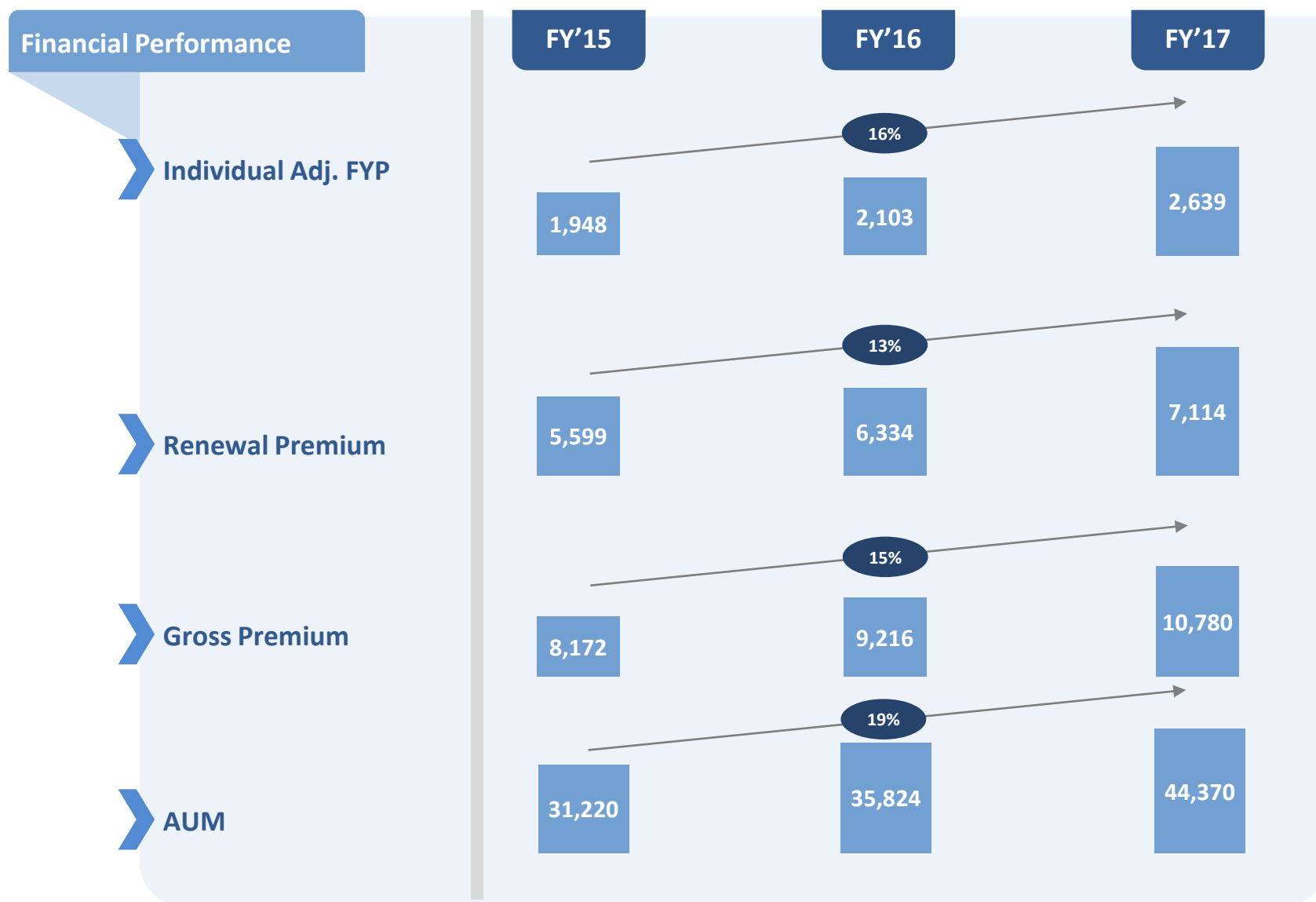


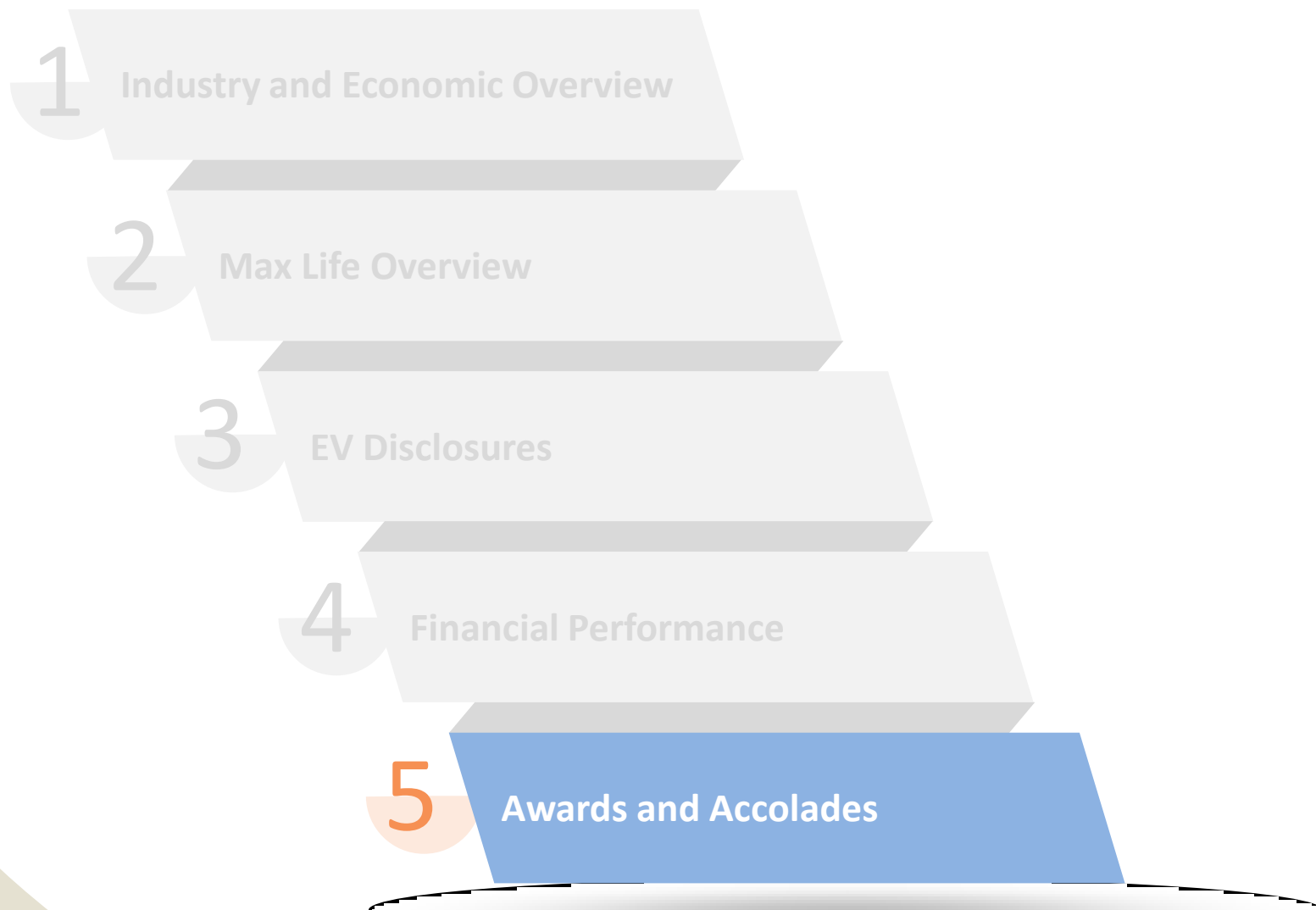
Fig in Rs Cr.



Financial Performance	FY'15	FY'16	FY'17
New Business Margin	21.5%	17.9%	18.8%
Profitability (before Tax)	478	511	768
MCEV	5,232	5,617	6,739
Operating RoEV	22.3%	17.0%	19.9%
Solvency Ratio	425%	343%	309%

Fig in Rs Cr.

Key Business Drivers	Unit	Quarter Ended		Q-o-Q Growth	Year Ended		Y-o-Y Growth
		Mar'16	Mar'17		FY'16	FY'17	
a) Individual Adjusted Premium	Rs. Crore	846	1,049	24%	2,103	2,639	25%
b) Gross written premium income	Rs. Crore	3,267	3,787	16%	9,216	10,780	17%
First year premium		840	1,055	26%	2,083	2,646	27%
Renewal premium		2,148	2,405	12%	6,334	7,114	12%
Single premium		279	327	17%	799	1,020	28%
c) Shareholder Profit (Pre Tax)	Rs. Crore	110	219	100%	511	768	50%
d) Policy Holder Expense to Gross Premium	%	11.1%	13.5%	(>100 bps)	13.6%	14.8%	(>100 bps)
e) Conservation ratio	%	87.0%	85.2%	(>100 bps)	85.9%	88.6%	>100 bps
f) Average case size(Agency)	Rs.	39,000	47,674	22%	36,747	46,713	27%
g) Number of agents (Agency)	No.				45,275	54,283	20%
h) Share Capital	Rs. Crore				1,919	1,919	-
i) Individual Policies in force	No. Lacs				37.60	39.12	4%
j) Sum insured in force	Rs. Crore				2,71,633	3,77,572	39%



1 Setting higher benchmark with every award (2016-2017)

- "ASSOCHAM award 2016" for excellence in corporate governance
- "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"
- "Silver award" at 10th QCI-DL Shah Quality award 2016
- "Asia Pacific Quality Organization award, 2016" for global performance excellence
- First runner up trophy at "CII Lean and Six Sigma national competition, 2016"
- "Ramakrishna Bajaj National Quality" award-winner in service category
- "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



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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 .

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.

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).

Economic Assumptions

- The EV is calculated using risk free (government bond) spot rate yield curve taken from FIMMDA¹ as at 31st March 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 2016, 30th June 2016, 30th September 2016 and 31st December 2016).
- 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 March 2017 spot rate yield curve used:

Year	1	2	3	4	5	10	15	20	25	30 +
Mar17	6.36%	6.57%	6.68%	6.88%	6.78%	7.21%	7.38%	8.14%	7.93%	7.26%
Mar16	7.29%	7.39%	7.49%	7.55%	7.77%	7.48%	8.22%	8.00%	8.30%	8.13%
Change	(0.94%)	(0.81%)	(0.81%)	(0.67%)	(0.98%)	(0.27%)	(0.84%)	0.14%	(0.36%)	(0.86%)

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 Fixed Income Money Market and Derivatives Association of India

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 6.25% 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.
- Service tax is assumed to be 15% (including all relevant cess).
- The mark to market adjustments are also adjusted for tax.

Thank you