November 14, 2018

The Manager
Department of Corporate Services
BSE Limited
Phiroze Jeejeebhoy Towers
Dalal Street
Mumbai - 400 021.

The Secretary
National Stock Exchange of India Ltd.
Exchange Plaza
Bandra -Kurla Complex
Bandra (E),
Mumbai 400 051

Scrip Code : 500271

Name of Scrip : MFSL

Dear Sir/Madam,

Sub : Disclosure under Listing Regulations – Investor Release

Please find enclosed the Investor Release being issued by the Company in respect of Financial Results of the Company for H1-FY 2019.

You are requested to take the aforesaid on record.

Thanking you,

Yours faithfully
For **Max Financial Services Limited**

Sandeep Pathak

Sandeep Pathak
Company Secretary & Compliance Officer

Encl: As Above

MAX FINANCIAL SERVICES LIMITED (Formerly Max India Limited)
CIN: L24223PB1988PLC008031
Max House, 1, Dr. Jha Marg, Okhla, New Delhi - 110 020 | P +91 11 26933610, 42598000 | F +91 11 26324126 | www.maxfinancialservices.com
Regd. Office: 419, Bhai Mohan Singh Nagar, Village Railmajra, Tehsil Balachaur, Dist. Nawanshahr, Punjab - 144 533, India

Max Financial Services Investor Release- H1'FY 19

November 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 : H1FY19 Key Highlights

1 Group Revenue* at **Rs 7,168 Cr,** grows **19% y-o-y.** Group PBT at **Rs 180** Cr, down **12% y-o-y**, due to one-off expenses relating to acquisition and shift in product mix

2 **MCEV** as at 30th Sep 2018 **at Rs. 7,752 Cr;** Operating RoEV **18.5%,** improves 170 bps y-o-y

3 **Structural NBMs** expands 260 bps to **22.9%** and **Actual NBMs** (post cost overrun) expands 230 bps to **20.4%.** Value of New Business (post overrun) grows **42%** to **Rs. 290 Cr**

4 Max Life **Individual Adjusted sales** grows by **26%** to **Rs 1,405 Cr** in H1, compared to Private Players growth of **11%. Market share** improved by **90 bps** to **9%**

5 Investment in **Proprietary** channels led to a **33%** growth in H1, significantly higher than the Banca growth of 21%. 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 **63% y-o-y**, resulting in improvement in protection mix by **300 bps** from **10%** in **H1FY18** to **13%** in **H1FY19**

* Excludes MLIC Unit Investment income

Agenda

1 Industry Overview

2 Max Life Overview

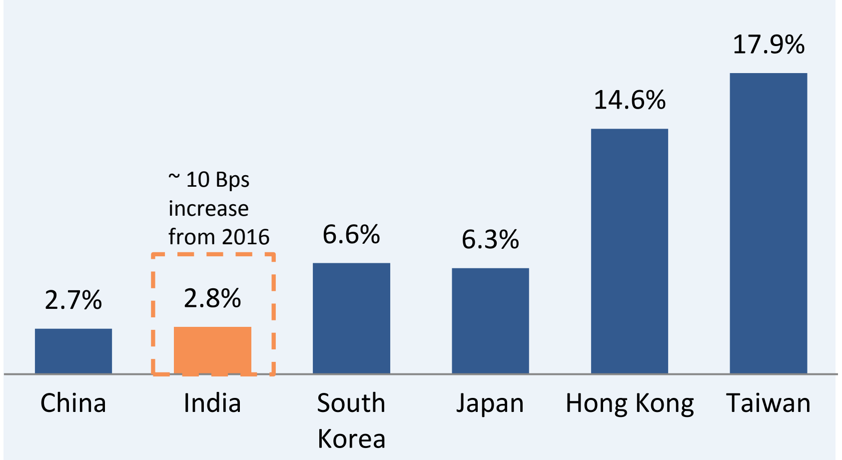
3 EV Disclosures

4 Financial Performance

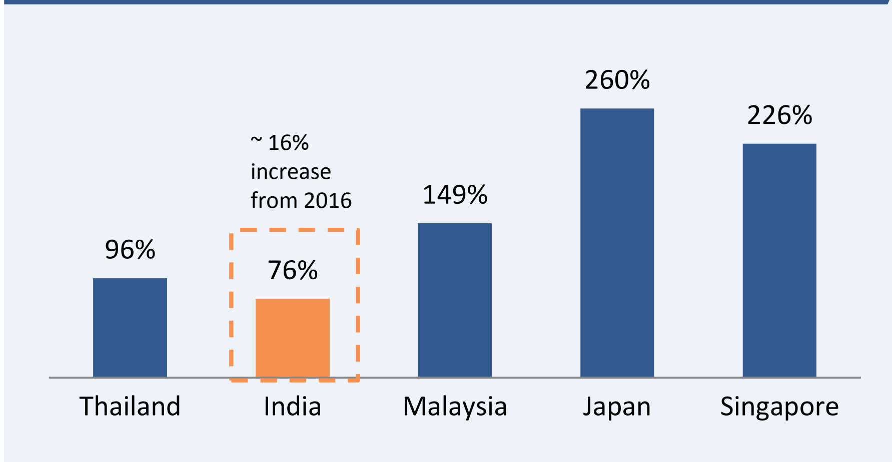
5 Awards and Accolades

Significant potential to expand both in savings and protection segment

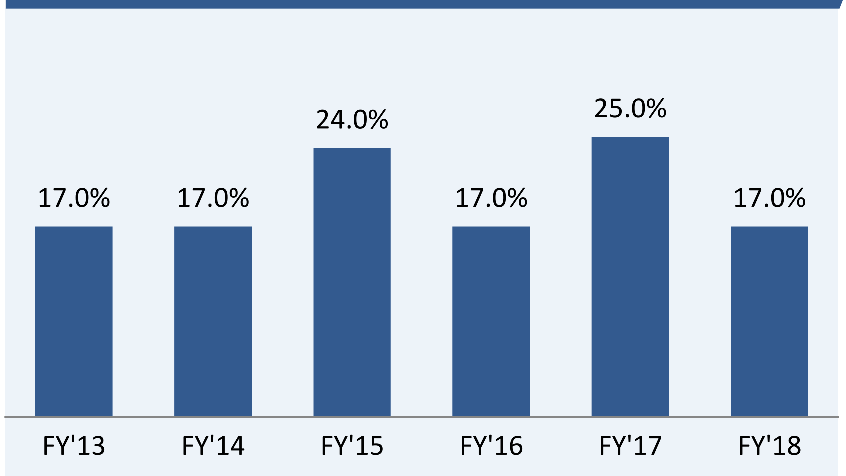
Life Insurance Penetration (Premium as % of GDP), 2017



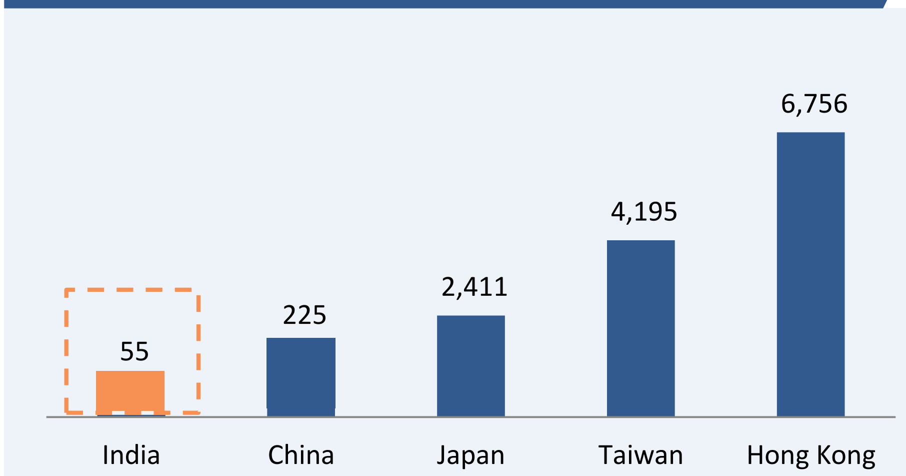
*Level of Protection (Sum Assured as % of GDP), 2015**



% of Life Insurance in gross household savings- India



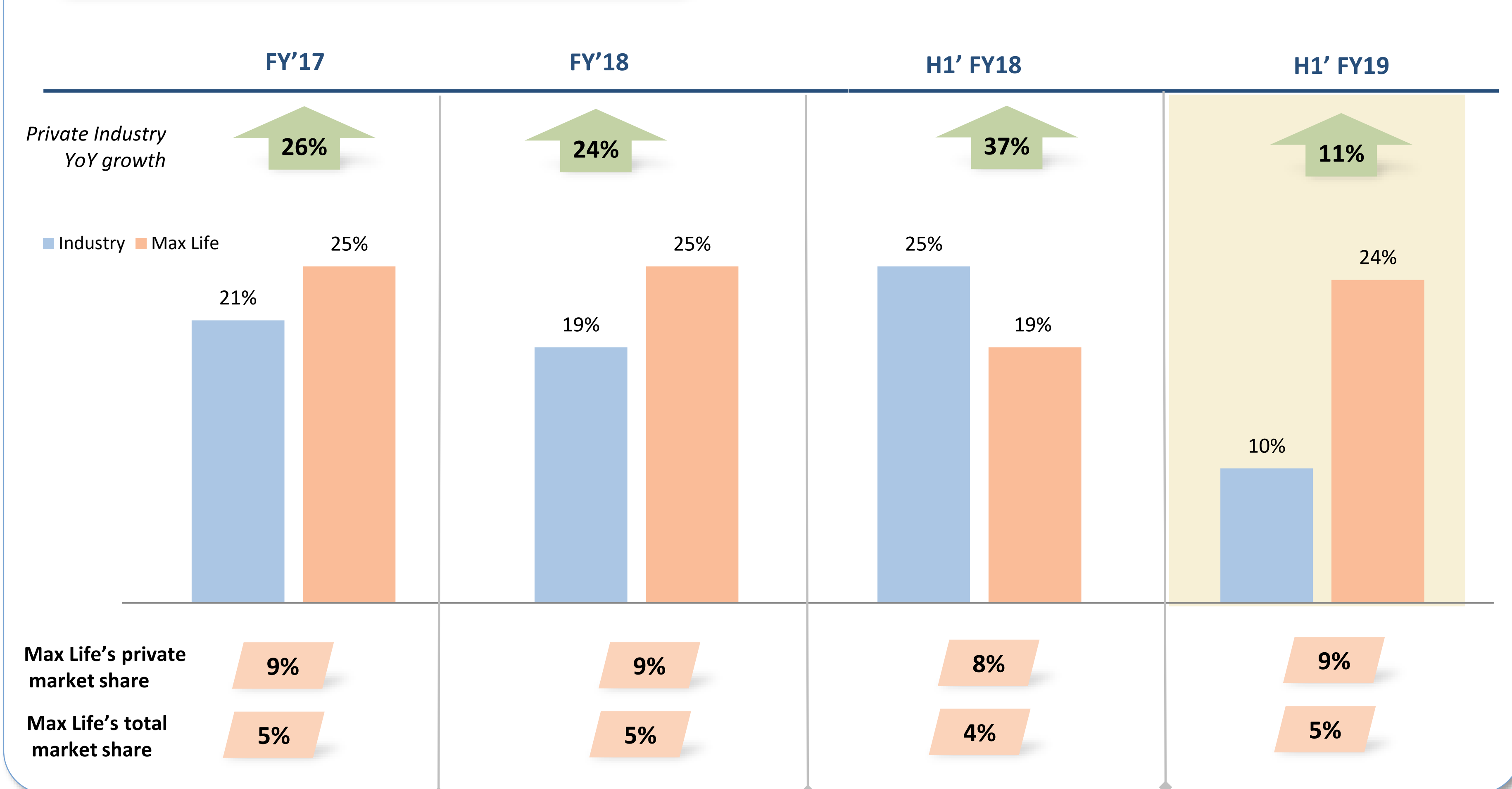
Life Insurance Density (Premium per capita – USD), 2017



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 (H1 FY'19): Max Life recorded strong growth (+24%) as compared to Industry growth (+10%) and Private growth (11%)

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



Max life with continued focus on balanced product mix has grown by 24% in H1 FY 19 and increased its market share.

Source: Life Insurance Council | IRDAI

Agenda

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 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

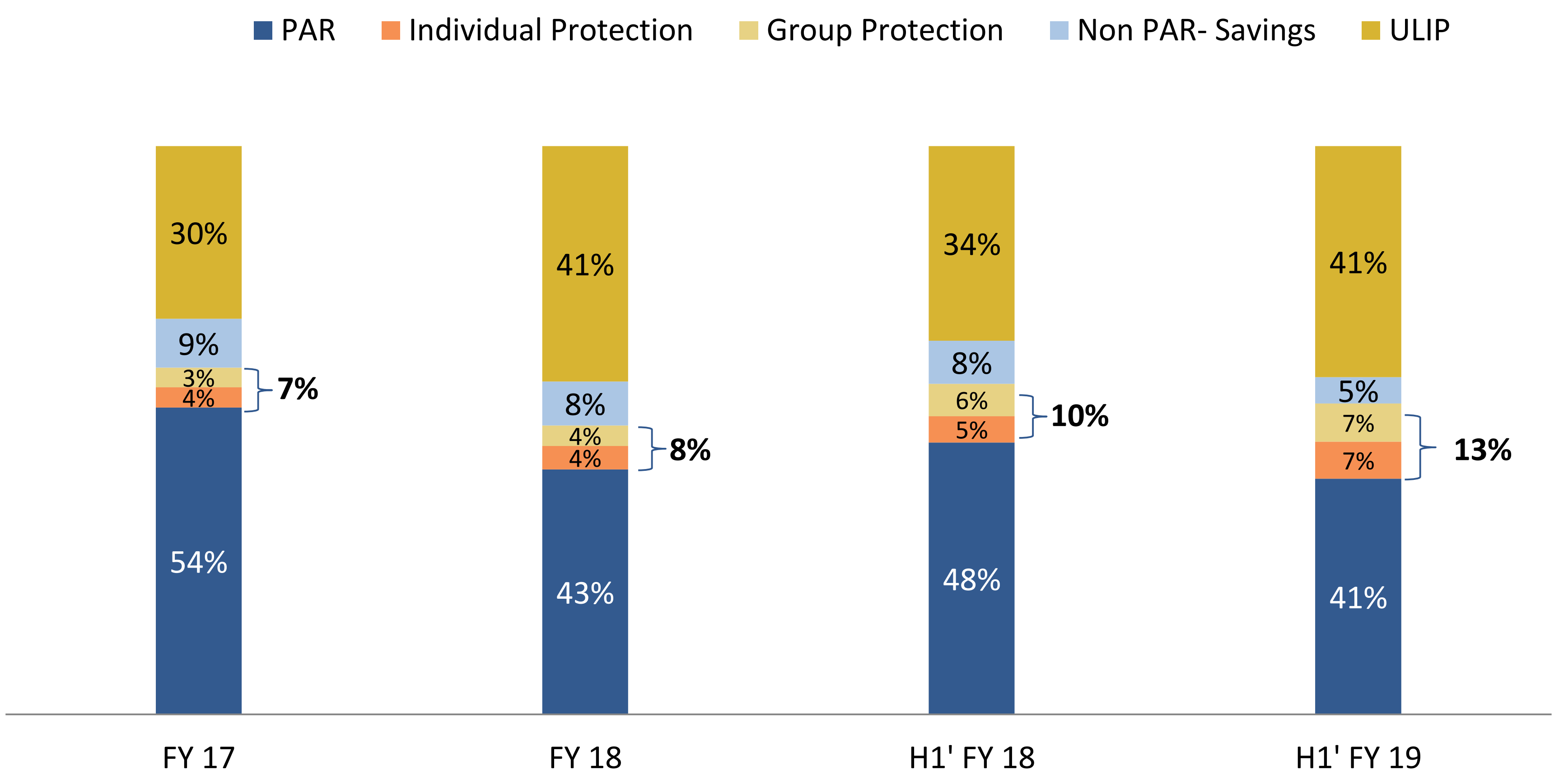
1 Financial Performance Summary H1’ FY19

Pvt Market Share	Individual APE	Gross Written Premium	AUM
9% [8%] ↑ 90 bps	Rs 1405 Cr [Rs 1,118 Cr] ↑ 26%	Rs 5,619 Cr [Rs 4,808 Cr] ↑ 17%	Rs 56,070 Cr [Rs 47,756 Cr] ↑ 17%
Profit Before tax	**Net Worth**	**Policyholder Cost to GWP Ratio**	**Policyholder Expense to GWP Ratio**
Rs 276 Cr [Rs 236 Cr] ↑ 17%	Rs 2,723 Cr [Rs 2,562 Cr] ↑ 6%	21.3% [22.2%] ↓ 92 bps	14.7% [15.5%] ↓ 76 bps
New Business Margins	**RoEV**	**Embedded Value***	**13th Month Persistency**
Structural: 22.9% [20.3%]; Actual: 20.4% [18.1%] ↑ 230 bps	18.5% [16.8%]	8,034 [7,706] ↑ 18.5%	84% [82%]
No. of Offices	**Case Size**	**Claim Settlement Ratio**	**Protection Mix****
289 [210] ↑ Abs 79	52,083 [49,553] ↑ 5%	96.1% [95.1%] ↑ 96 bps	Individual: 7% [5%]; Group: 7% [6%]; Total: 13% [10%] ↑ 300 bps

Figures in [brackets] are for previous year H1 numbers, except Embedded Value where it represents Mar’FY18

*EV is pre-dividend and 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

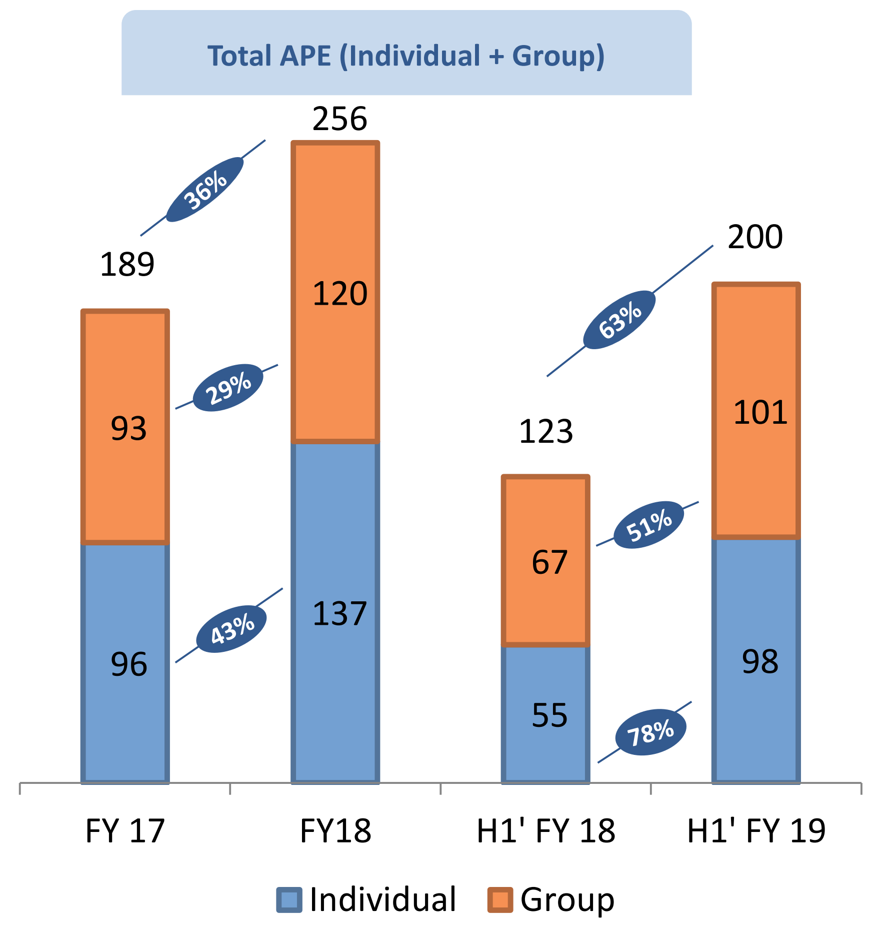


Product mix basis total APE (incl. Group credit life adjusted for 10% for single premium and term business); numbers may not add up due to rounding off

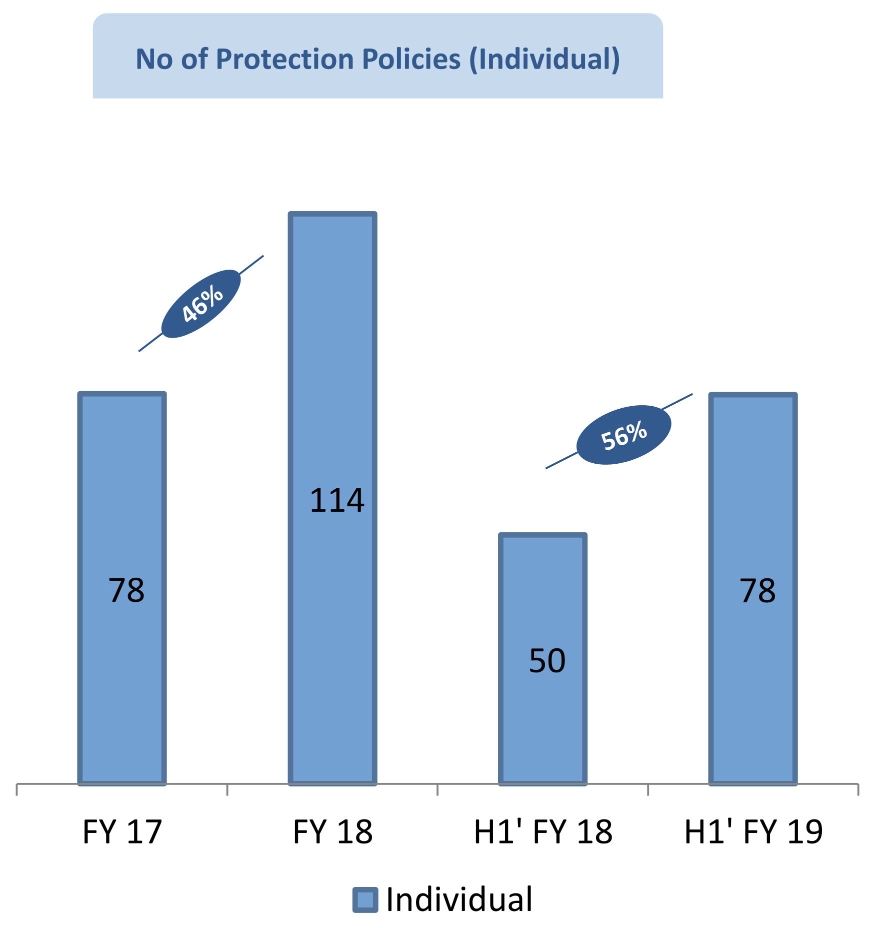
Focus on Protection

78% increase in individual protection APE and 56% increase in individual protection policies, 30% 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)

Balanced product mix with focus on long tenor life coverage

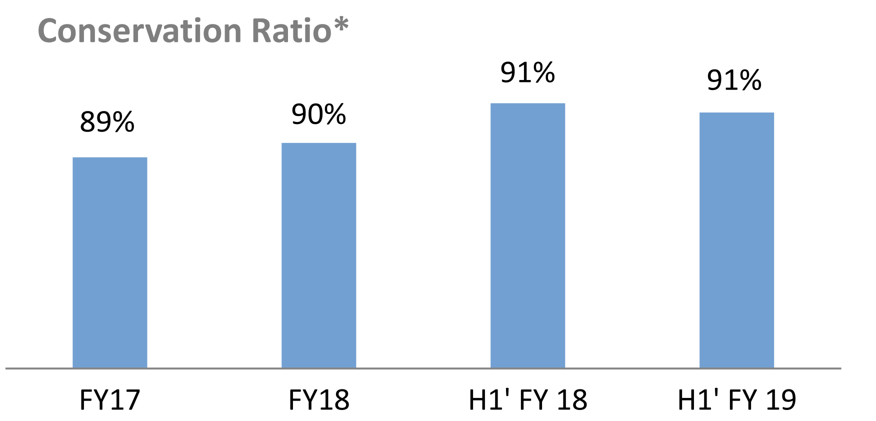
Product Type	Average Policyholder Age (Years)	Average Policy Term (Years)	Average PPT* (Years)
Endowment	35	24	11
ULIP	37	14	10
Whole Life	36	64	51
Money back	28	17	16
Pure Term	35	33	32
GMIP/GIP	43	19	9
Health	39	16	16
Cancer Insurance	38	29	29
Pension	35	22	22
Annuity	63	57	1
Average	36	25	16

As on 30th Sep 2018

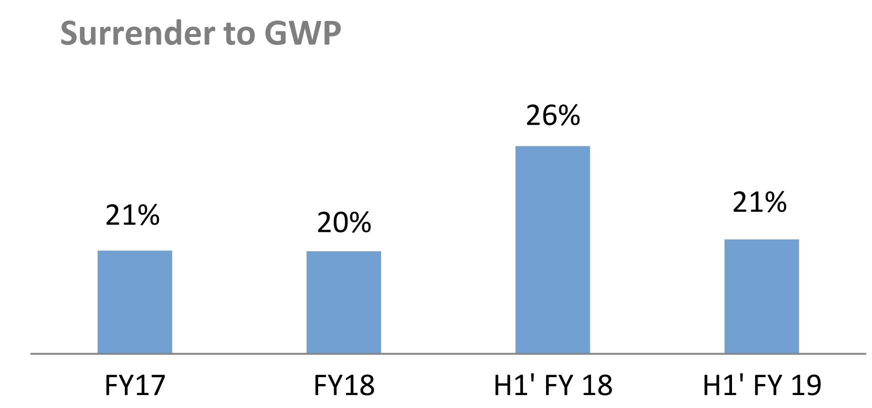
*PPT: Premium Payment Term

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

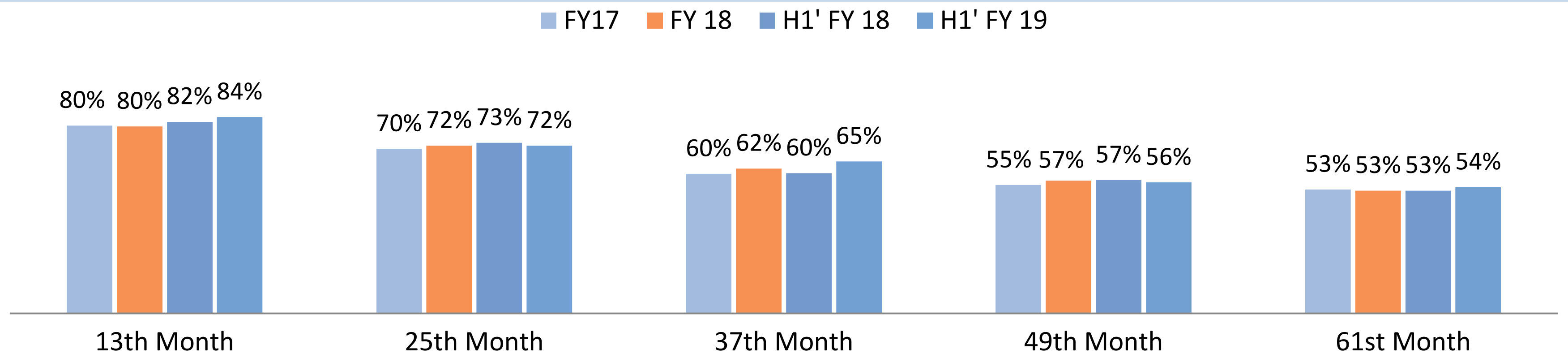
High quality business franchise



Steady retention capabilities

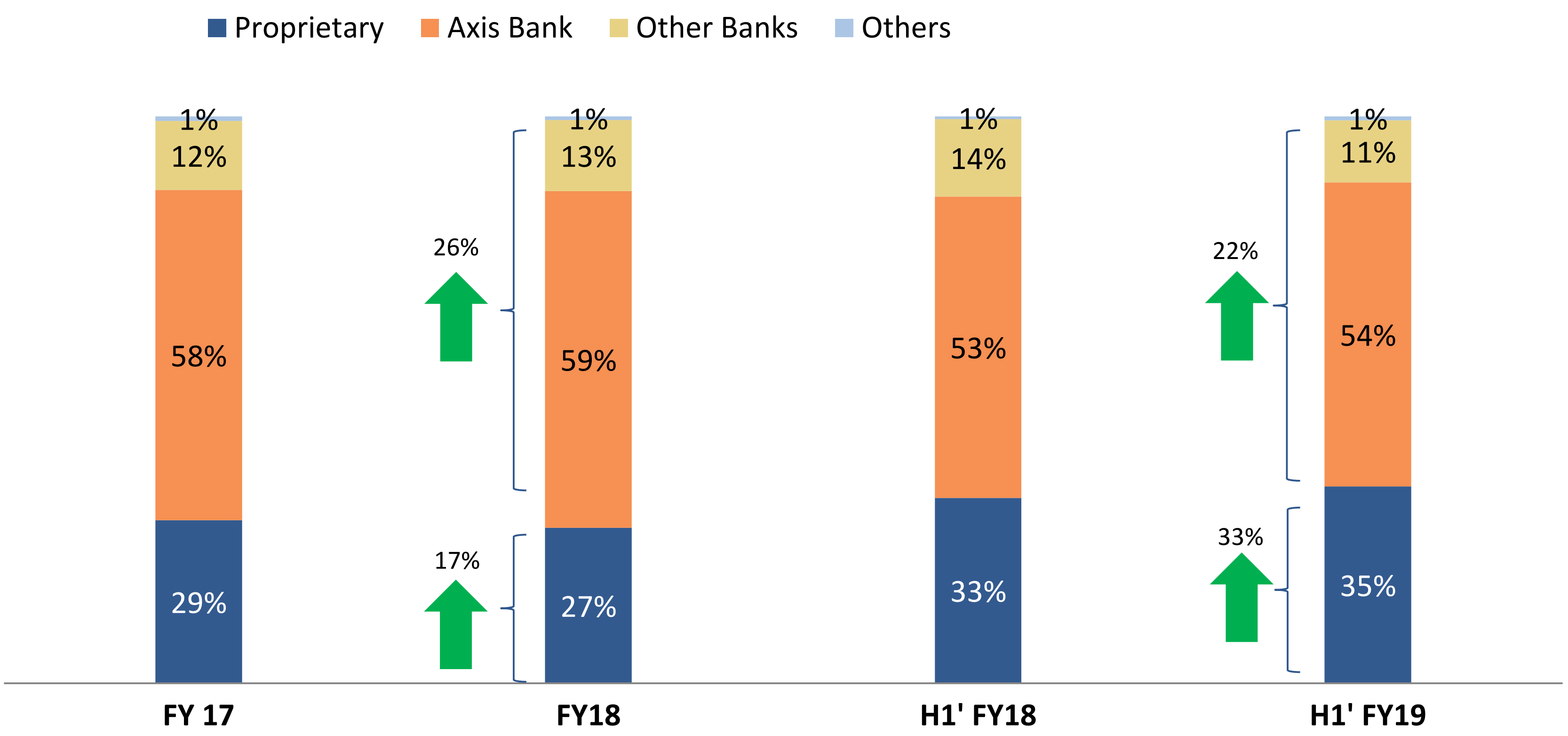


Continuous improvement in persistency



***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)

Comprehensive multi-channel distribution with consistent contribution from proprietary channels



Investment in proprietary channels and growth in agency led to a 33% proprietary growth with 35% 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

Accelerated Investments in Proprietary Channel

3

Pilot and proof of new channels/products

- **Defence channel**: New set-up to focus on defence personnel
- Participate aggressively in the online savings market

4

New service to sale initiatives

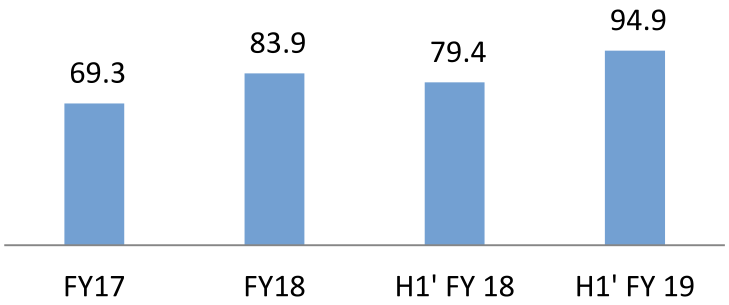
- Drive policy density via cross sell
- Leverage opportunity to drive protection

Aspiration to increase proprietary share to ~35%-40% by FY21; Max Life has entered into a strategic knowledge partnership with New York Life and Ex-New York Life Leaders to further enhance focus on proprietary channel (agency distribution) by leveraging best practices in the agency distribution channel via co-branded selling tools like Training Manuals & Literature (manual & digital).

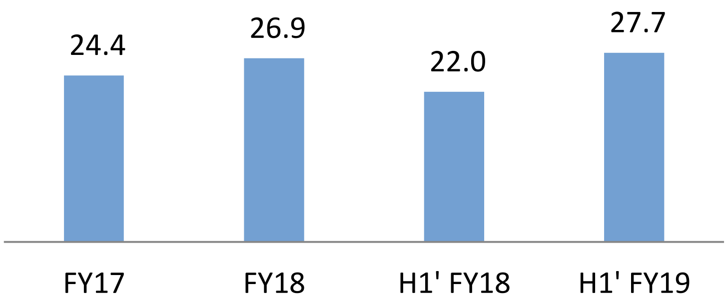
Highly efficient and productive agency channel and strong banca relationships with consistent growth

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

Active Agent productivity (Rs '000 pm)

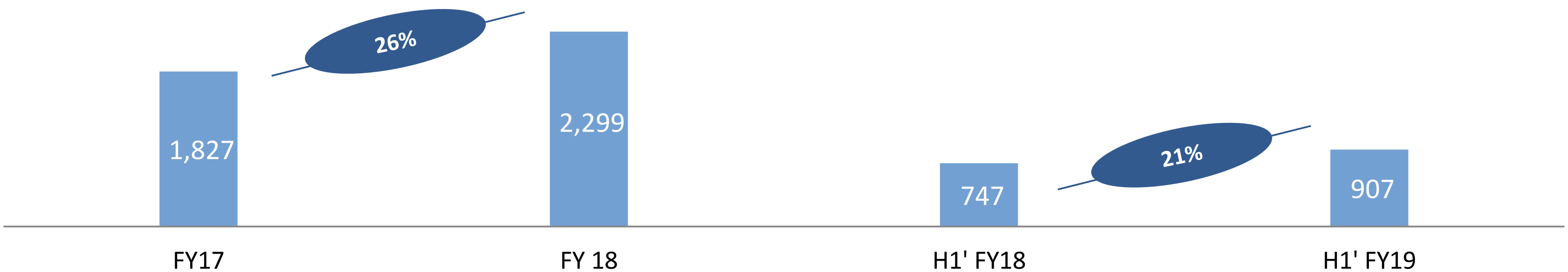


Branch productivity (Rs Lakhs pm)



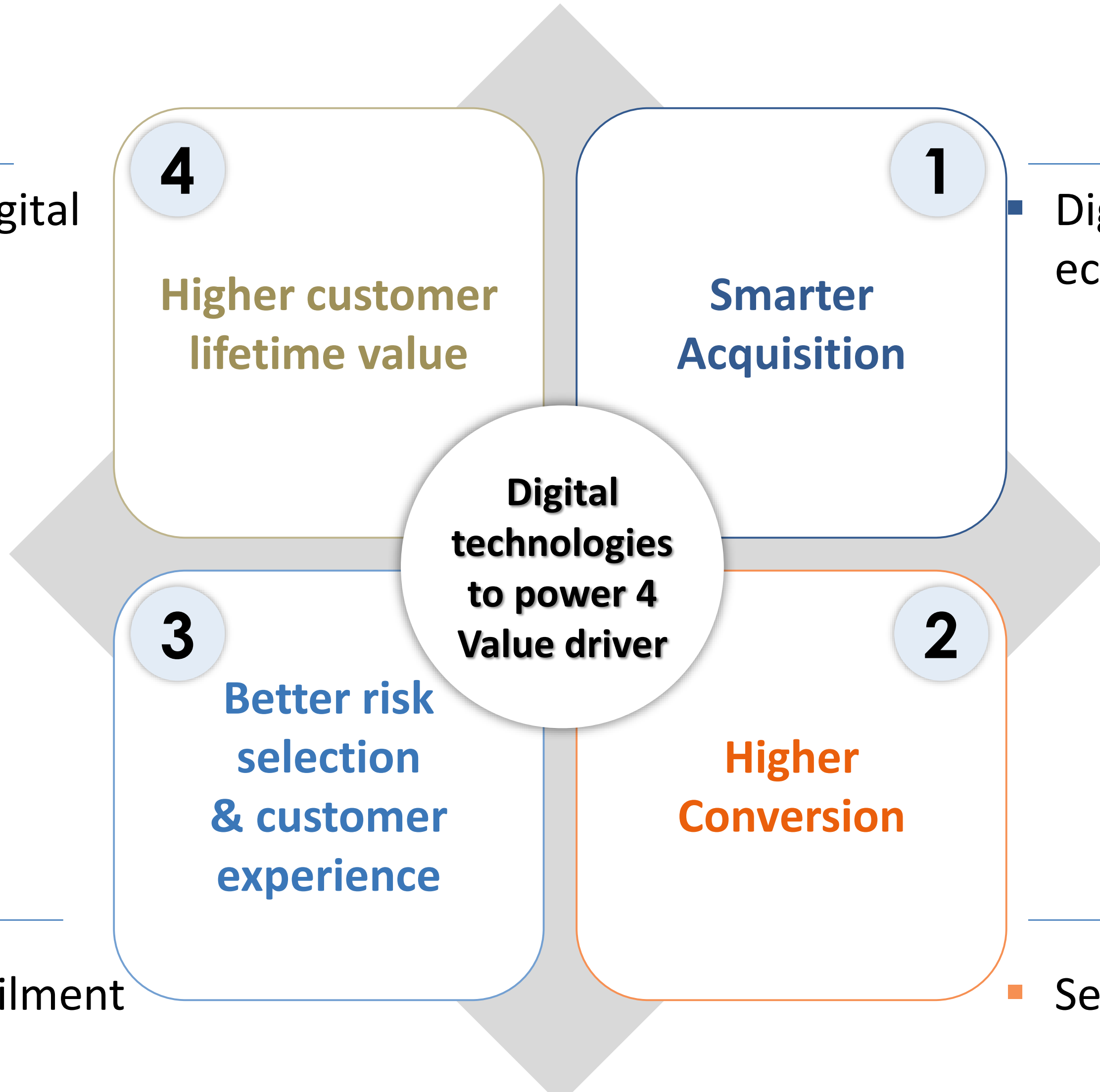
Strong Banca relationship with consistent growth

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 touchpoints

Direct to Customer

#	Key Business Lever	Performance Update	
1	**Online Sales through Website** (including nudge model)	158%	**YoY Growth in New Business**
2	**Digital Traffic on Website**	34%	**YoY growth in customer traffic** on www.maxlifeinsurance.com
3	**Online Customer Service engagements** (Post Purchase)	99%	**YoY growth in customer service engagements online**
4	**Online Premium Collection** (Renewals)	35%	**YoY growth in renewals collected online**
5	**Paperless Renewal Premium** (Renewals)	72%	**of all Renewal Premium Payment is now paperless**
6	**New Customer Acquisition**	35%	**of customers through digital door**

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
	55% 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

Agenda

Key Results

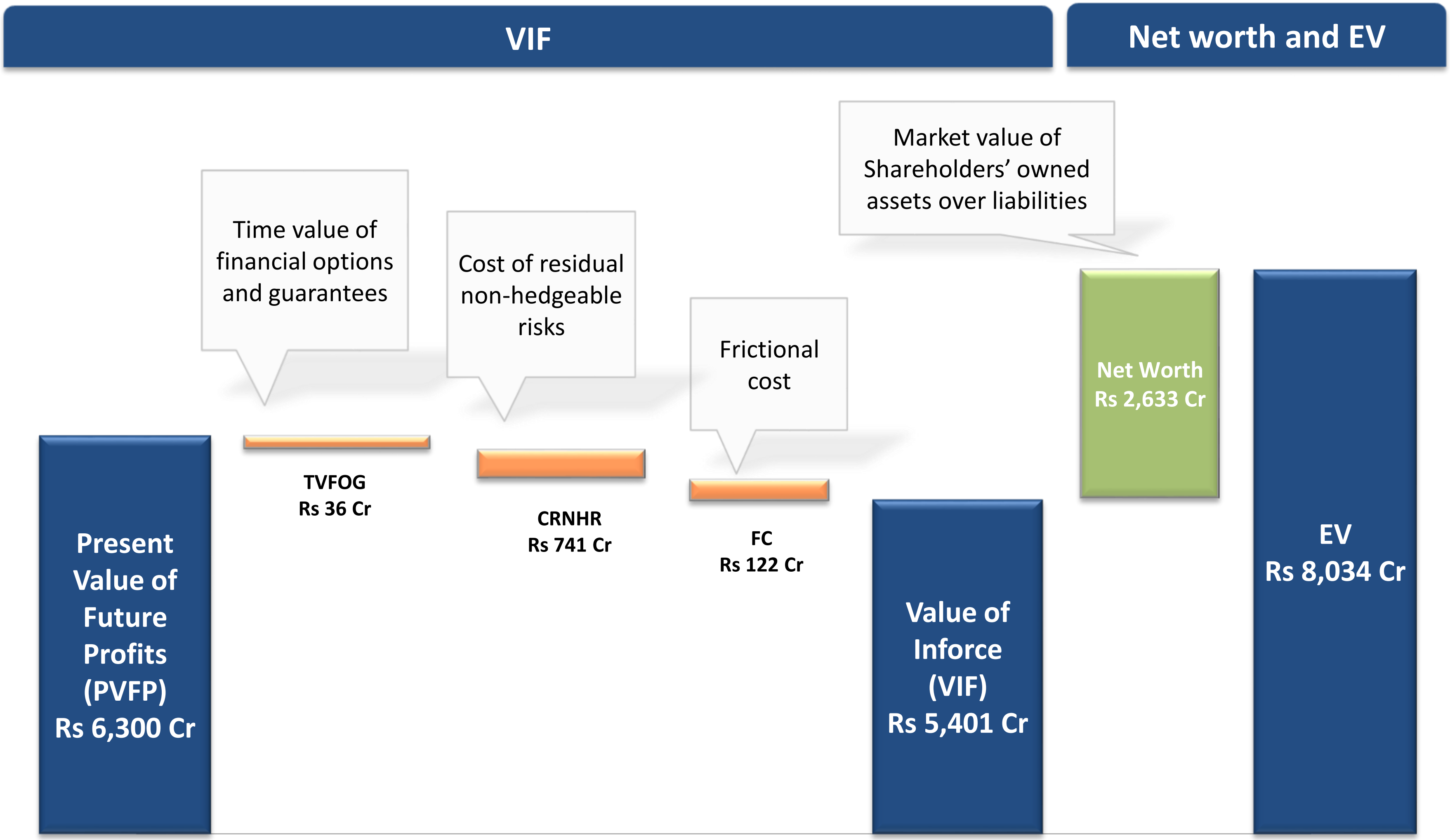
The Embedded Value[1] (EV) as at 30th September 2018 (post allowing for proposed interim shareholder dividend) is **Rs 7,752 Cr.** Before allowing for proposed interim shareholder dividend, the EV is **Rs 8,034 Cr**.

The Operating Return on EV[2] (RoEV) over H1 FY19 is **18.5%**. Including non-operating variances, the growth in EV is 14.5%.

The New Business Margin (NBM) for H1 FY19 is **22.9%** (before allowing for acquisition operating cost overrun) and **20.4%** (post overrun). The Value of New Business (VNB) written over the period is Rs 290 Cr (post overrun), representing year on year growth of 42%.

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

Overview of the components of the EV as at 30th September 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 may not add up due to rounding

Value of New Business and New Business Margins as at 30th September 2018

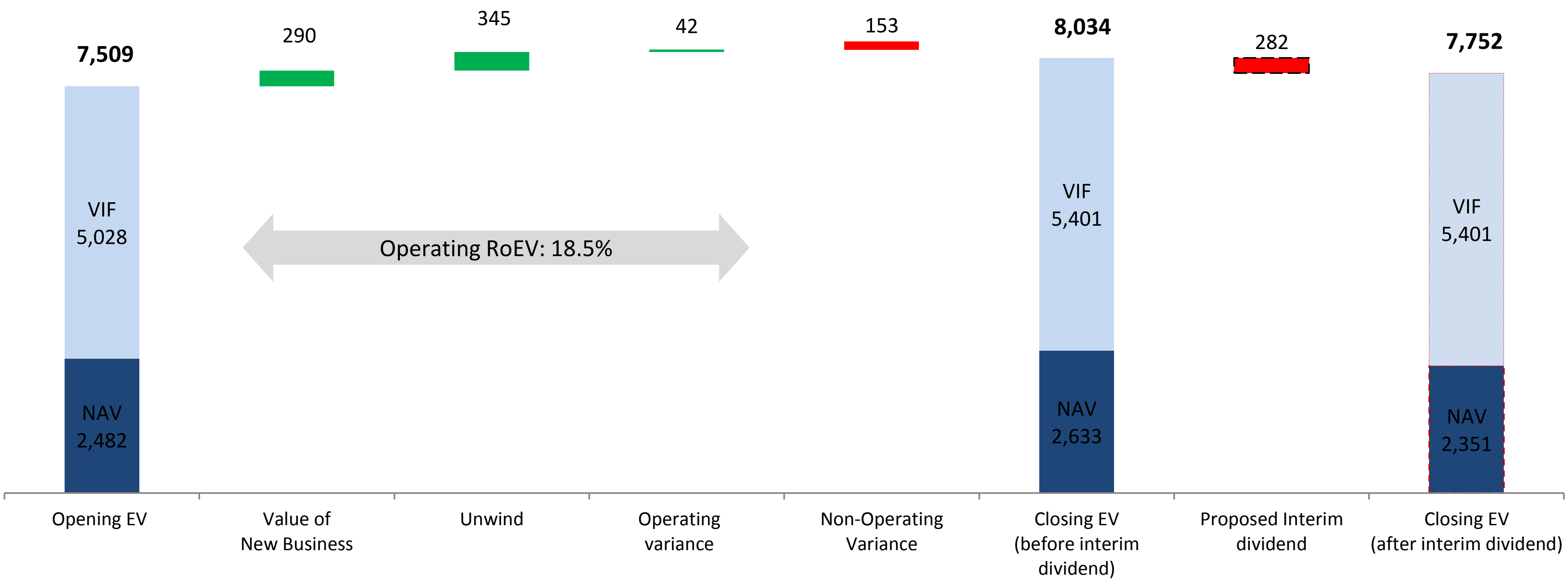
Description	H1 FY18	H1 FY19	Y-o-Y growth
APE [1]	1,131	1,420	26%
New Business Margin (NBM) (before cost overrun)	20.3%	22.9%	+260 bps
New Business Margin (NBM) (post cost overrun)	18.1%	20.4%	+230 bps
Value of New Business[2] (VNB) (post cost overrun)	204	290	42%

- The New Business Margin (NBM) before cost overrun has increased by circa 260 bps to 22.9% for H1 FY19 compared to 20.3% for H1 FY18. The increase in margin is primarily driven by higher contribution of protection-oriented products along with increase in interest rates.
- Post allowing for acquisition operating cost overrun chargeable to Shareholders, the NBM reduces to 20.4% for H1 FY19 compared to 18.1% for H1 FY18.
- 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. Based on management's expectation, the full year FY19 margin on actual costs is expected to be around 21%.

[1] Annual Premium Equivalent (APE) is calculated as 100% of regular premium + 10% of single premium. (includes individual & group credit life)
[2] The VNB is accumulated from the point of sale to the end of the reporting period (i.e. 30th September 2018), using the beginning of quarters' risk free yield curve.

Note: Figures in Rs Cr.

EV movement analysis: March 2018 to September 2018



- Operating return on EV of 18.5% is mainly driven by new business growth and unwind.
- Operating variances are marginally positive due to positive demographic experience variance and change in demographic assumptions.
- Non-operating variances are mainly driven by equity and interest rate movements since March 2018.
- The proposed interim shareholder dividend of Rs 282 Cr for H1 FY19 will be accounted post 30th September 2018. Post the payment of the interim dividend, the closing EV will be Rs 7,752 Cr.

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.

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	H1 FY18		H1 FY19
Individual APE	2,657	22% ↑	3,248	1,118	26% ↑	1,405
Renewal Premium	7,114	15% ↑	8,152	3,236	15% ↑	3,711
Gross Premium	10,780	16% ↑	12,501	4,808	17% ↑	5,619
Policyholder expense to GWP Ratio	14.8%	187 bps ↓	12.9%	15.5%	76 bps ↓	14.7%
Policyholder Cost to GWP Ratio	23.5%	341 bps ↓	20.0%	22.2%	92 bps ↓	21.3%
Expense to average AUM (Policyholder)	4.3%	70 bps ↓	3.6%	3.9%	40 bps ↓	3.5%

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

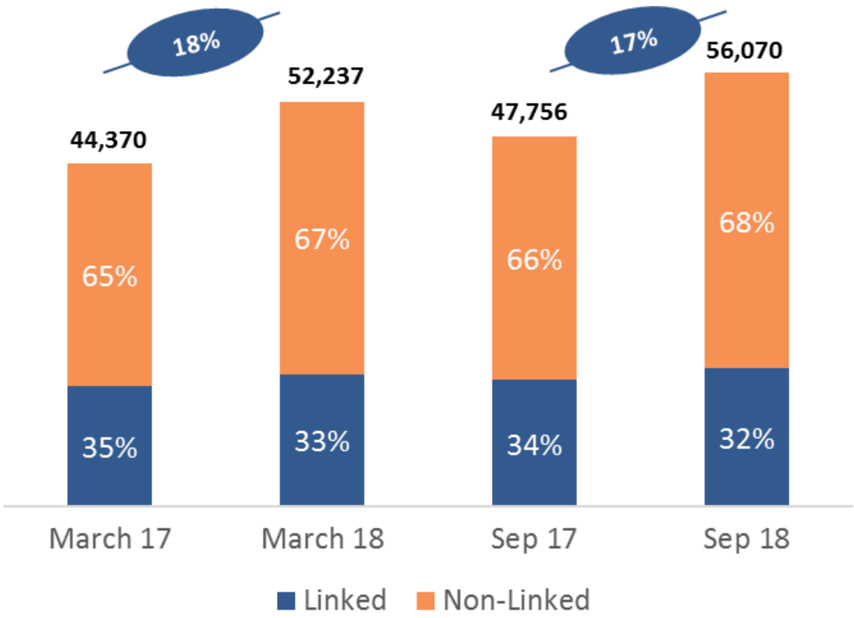
	FY 17		FY18	H1 FY18		H1 FY19
Profit(before Tax)	768	20%	615	236	17%	276
AUM	44,370	18%	52,237	47,756	17%	56,070
New Business Margin (Post Overrun)	18.8%	140 bps	20.2%	18.1%	230 bps	20.4%
MCEV (pre dividend)^	6,739	21%	7,706	7,142	19%	8,034
Operating RoEV	19.9%	70 bps	20.6%	16.8%	170 bps	18.5%
Solvency Ratio (pre-dividend)*	309%	Abs 34%	275%	295%	Abs 33%	262%

^MCEV is before dividend, post-dividend MCEV is Rs 7,752 Cr, Arrow represents growth in Operating RoEV, *Post proposed interim dividend solvency ratio will be 246%

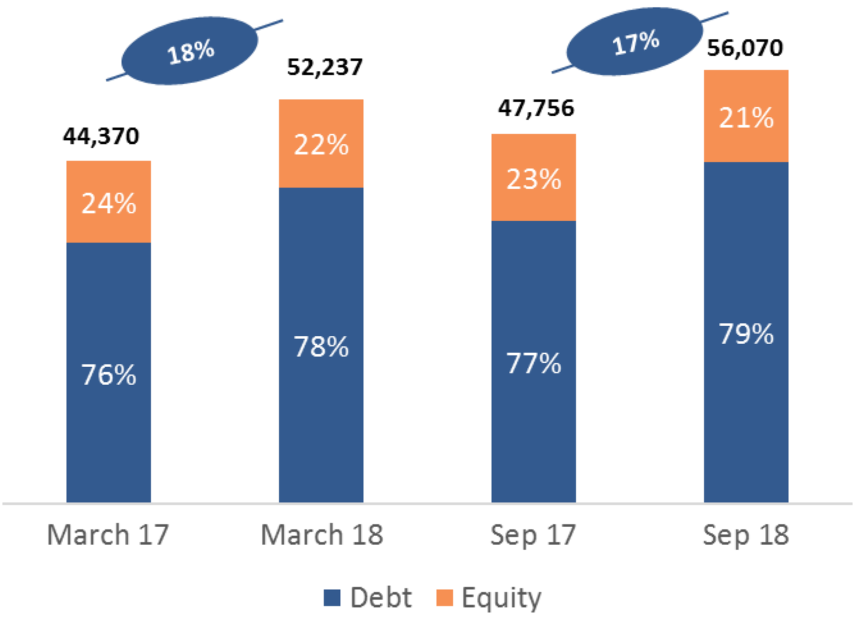
Assets under management- Y-o-Y growth at 17%

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'FY19 and H1'FY19

Key Business Drivers	Unit	Quarter Ended		Q-o-Q Growth	Half year Ended		Y-o-Y Growth
		Sep'17	Sep'18		Sepr'17	Sep'18	
a) Individual APE	Rs. Crore	647	853	32%	1,118	1,405	26%
b) Gross written premium income	Rs. Crore	2,801	3,299	18%	4,808	5,619	17%
First year premium		646	846	31%	1,099	1,382	26%
Renewal premium		1,894	2,157	14%	3,236	3,711	15%
Single premium		261	296	13%	473	526	11%
c) Shareholder Profit (Pre Tax)	Rs. Crore	130	185	42%	236	276	17%
d) Policy Holder Expense to Gross Premium	%	13.0%	12.9%	8 bps	15.5%	14.7%	76 bps
e) Conservation ratio	%	90.9%	90.9%	-	91.3%	90.9%	(40) bps
f) Average case size(Agency)	Rs.	52,535	53,322	1%	49,383	54,482	10%
g) Case rate per agent per month	No.	0.19	0.22	15%	0.18	0.19	7%
h) Number of agents (Agency)	No.				54,619	62,246	14%
i) Share Capital	Rs. Crore				1,919	1,919	0%
j) Individual Policies in force	No. Lacs				39.3	41.5	6%
k) Sum insured in force	Rs. Crore				435,524	616,528	42%
l) Grievance Ratio	Per Ten thousand				138	72	NA

Agenda

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 Yea "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

- 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 30th September 2018. The VNB is calculated using the beginning of respective quarter's risk free yield curve (i.e. 31st March 2018 and 30th June 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 September 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%
Sep 18	7.67%	7.94%	7.99%	8.01%	8.13%	7.97%	8.43%	8.43%	8.25%	8.29%
Change	1.14%	1.11%	0.90%	0.75%	0.71%	0.55%	0.73%	0.58%	0.54%	0.78%

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