

PRESS RELEASE

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Performance for the year ended Mar 31, 2018

Mumbai, Apr 18, 2018: The Board of Directors of HDFC Life approved and adopted today its consolidated and standalone audited financial results for the year ended Mar 31, 2018. Below is the summary of our standalone results:

Key Financial Summary

₹ Bn	FY18	FY17	YoY
Key Financial and Actuarial Metrics			
New Business Premium	113.5	86.2	32%
Renewal Premium	122.1	108.2	13%
Total Premium	235.6	194.5	21%
Individual APE	48.9	37.4	31%
Total APE	55.3	41.9	32%
Group Premium (NB + Renewal)	54.9	45.0	22%
Premium Less Benefit Payouts (1)	104.7	94.8	10%
Profit After Tax	11.1	8.9	24%
Assets Under Management (AUM)	1,066.0	917.4	16%
Value of new business (VNB)	12.8	9.2	39%
Embedded Value	152.2	124.7	22%
Net Worth (2)	47.2	38.1	24%

	FY18	FY17
Key Financial Ratios		
New Business Margins (post overrun)	23.2%	22.0%
Operating Return on EV	21.5%	21.7%
Operating Expenses / Total Premium	13.5%	12.6%
Return on Equity (3)	26.0%	25.7%
Solvency Ratio	192%	192%
13M / 61M Persistency (4)	87%/51%	84%/59%
Conservation Ratio (5)	85%	82%
Business Mix (%)		

UL / Non par savings / Non par protection / Par	(6)	57/9/5/28	52/9/4/35
Protection business share (basis APE)		11.3%	7.8%
Protection business share (basis NBP)		25.9%	21.8%
Individual Distribution (CA/Agency/Broker/Direct)	(6)	71/11/5/14	72/12/5/11
Total Distribution (CA/Agency/Broker/Direct/Group)	(7)	33/7/2/10/48	32/8/2/7/51

Notes:

1. Gross of reinsurance for both individual and group business
2. Net worth comprises of Share capital (including share application money received, but pending allotment), Share premium and Accumulated profits/(losses)
3. Calculated using net profit and average net worth for the period
4. Persistency ratios (based on original premium) as per methodology specified in IRDA circular no. IRDA/ACT/CIR/MISC/035/01/2014 dated January 23, 2014. Group business, where persistency is measurable, has been included in the calculations.
5. Conservation ratio is based on individual business
6. Based on individual APE excluding GST. UL: Unit Linked, Trad: Traditional, Par: Participating & CA: Corporate Agents. Percentages are rounded off
7. On total new business premium including Group. Percentages are rounded off

Snapshot for the full year ending Mar 31, 2018:

- **Private Market Share:** Consistently ranked amongst the top 3 private players in individual and group business category with market share of 13.2% based on Individual WRP and 29.5% based on Group business (*on received premium*) during 11M FY18. Market share of 19.0% based on overall new business received premium during 11M FY18;
- **Total Premium:** Registered strong growth of 21% to ₹ 235.6 Bn, aided by healthy new business growth of 32% and stable growth of 13% in renewal business;
- **Persistency Ratio:** The persistency ratios continue to trend strongly across various cohorts. While 13th month persistency increased to 87% (FY17: 84%), 61st month persistency was at 51% compared to 59% last year. This reduction was primarily due to the impact of specific cohort of business written in FY13;
- **Assets Under Management:** Robust growth of 16% to ₹ 1,066.0 Bn, with underlying Debt: Equity mix of 61:39;
- **Embedded Value:** Embedded Value (*IEV methodology*) at ₹ 152.2 Bn as on Mar 31, 2018. Operating return on Embedded Value (*EVOP/Opening Embedded value*) at 21.5%;
- **New Business Margins:** The value of new business (VNB) grew by 39% to ₹ 12.8 Bn. New business margins (*post overrun*) grew to 23.2% for the year ended Mar 31, 2018;
- **Profit After Tax (PAT):** PAT showcased strong growth of 24% to ₹ 11.1 Bn. Insurance profit (Policyholder surplus) comprised of 76% of the total PAT for the year ended Mar 31, 2018;
- **Dividend:** Paid interim dividend (₹ 1.36 / share) amounting to ₹ 3.3 Bn including Dividend Distribution Tax (*DDT*), implying dividend payout ratio of 30% in FY18;

- **Networth and Solvency ratio:** Networth increased by 24% to ₹ 47.2 Bn as at Mar 31, 2018. Maintained stable solvency ratio at 192%;
- **Product Portfolio:** Maintained a balanced product mix with ULIPs contributing 57% and Conventional products forming 43% of the Individual APE. Continued focus on protection business, thereby contributing 26% of total new business premium (FY17: 22%). 25% of our individual policies sold during FY18 were protection business policies (FY17: 25%);
- **Distribution Mix:** The Company has a diversified distribution mix, backed by strong presence across the country through 414 HDFC Life offices, along with wide access to the branches of our 149 bancassurance and 22 non-traditional ecosystem partnerships as on Mar 31, 2018. Cross-selling to group customers formed 6.2% of the individual new business policies sold during FY18.

Update on Q4 FY18 Performance:

- Registered healthy growth in Individual APE of 11%;
- Total group business grew by 24%
- Total premium grew by 24% during Q4 FY18;
- Profit after tax grew by 40% to ₹ 3.5 Bn for the quarter;
- Operating Expenses / Total Premium of 12.3%

Commenting on the performance, Mr. Amitabh Chaudhry, MD & CEO, HDFC Life said “The Company continues to harness the long term growth potential of the sector, with specific focus on protection. The Company had a robust year with strong growth and it continued to deliver consistent performance across all metrics. The balanced product mix, diversified distribution network and customer centric approach has helped deliver profitable growth and thereby adding to shareholder value. In line with the stated strategy, the Company will continue to work hard and invest in leveraging technology and re-imagine the life insurance business.”

Definitions and abbreviations

- **Annualized Premium Equivalent (APE)** - The sum of annualized first year regular premiums and 10% weighted single premiums and single premium top-ups
- **Assets under Management (AUM)** - The total value of Shareholders’ & Policyholders’ investments managed by the insurance company. AUM includes investments disclosed in the Balance sheet under Schedule 8, 8A, 8B & loans in the nature of investments included in Schedule 9
- **Conservation ratio** - Ratio of current year renewal premiums to previous year's renewal premium and first year premium
- **Embedded Value Operating Profit (EVOP)** - Embedded Value Operating Profit (“EVOP”) is a measure of the increase in the EV during any given period, excluding the impact on EV due to external factors like changes in economic variables and shareholder-related actions like capital injection or dividend pay-outs

- **First year premium** - Premiums due in the first policy year of regular premiums received during the financial year. For example, for a monthly mode policy sold in March 2018, the first monthly instalment received would be reflected as First year premiums for 2017-18 and the remaining 11 instalments due in the first policy year would be reflected as first year premiums in 2018-19, when received
- **New business received premium** - The sum of first year premium and single premium, reflecting the total premiums received from the new business written
- **Operating expense** - It includes all expenses that are incurred for the purposes of sourcing new business and expenses incurred for policy servicing (which are known as maintenance costs) including shareholders' expenses. It does not include commission.
- **Operating expense ratio** - Ratio of operating expense (including shareholders' expenses) to total premium
- **Operating return on EV** - Operating Return on EV is the ratio of EVOP (Embedded Value Operating Profit) for any given period to the EV at the beginning of that period
- **Persistency** - The proportion of business renewed from the business underwritten. The ratio is measured in terms of number of policies and premiums underwritten
- **Premium less benefits payouts** - The difference between total premium received and benefits paid (gross of reinsurance)
- **Renewal premium** - Regular recurring premiums received after the first policy year
- **Solvency ratio** - Ratio of available solvency margin to required solvency margin
- **Total premium** - Total received premiums during the year including first year, single and renewal premiums for individual and group business
- **Weighted received premium (WRP)** - The sum of first year premium received during the year and 10% of single premiums including top-up premiums

About HDFC Life

HDFC Standard Life Insurance Company Limited ('HDFC Life' / 'Company') is a joint venture between HDFC Ltd., India's leading housing finance institution and Standard Life Aberdeen, a global investment company.

Established in 2000, HDFC Life is a leading long-term life insurance solutions provider in India, offering a range of individual and group insurance solutions that meet various customer needs such as Protection, Pension, Savings, Investment, and Health. As on Mar 31, 2018, the Company had 30 individual and 10 group products in its portfolio, along with 8 optional rider benefits, catering to a diverse range of customer needs.

HDFC Life continues to benefit from its increased presence across the country having a wide reach with 414 branches and additional distribution touch-points through several new tie-ups and partnerships

comprising 149 bancassurance partners including NBFCs, MFIs, SFBs, etc and 22 partnerships within non-traditional ecosystems. The Company has a strong base of financial consultants.

For more information, please visit our website, www.hdfclife.com. You may also connect with us on Facebook, Twitter, YouTube and LinkedIn.

Disclaimer

Except for the historical information contained herein, statements in this release which contain words or phrases such as 'will', 'would', 'indicating', 'expected to' etc., and similar expressions or variations of such expressions may constitute 'forward-looking statements'. These forward-looking statements involve a number of risks, uncertainties and other factors that could cause actual results to differ materially from those suggested by the forward-looking statements. These risks and uncertainties include, but are not limited to our ability to successfully implement our strategy, our growth and expansion in business, the impact of any acquisitions, technological implementation and changes, the actual growth in demand for insurance products and services, investment income, cash flow projections, our exposure to market risks, policies and actions of regulatory authorities; impact of competition; experience with regard to mortality and morbidity trends, lapse rates and policy renewal rates; the impact of changes in capital, solvency or accounting standards, tax and other legislations and regulations in the jurisdictions as well as other risks detailed in the reports filed by HDFC Limited, our holding company, with the United States Securities and Exchange Commission. HDFC Life undertakes no obligation to update forward-looking statements to reflect events or circumstances after the date thereof.

None of Company or any of its directors, officers, employees, agents or advisers, or any of their respective affiliates, advisers or representatives, undertake to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise and none of them shall have any liability (in negligence or otherwise) for any loss howsoever arising from any use of this press release or its contents or otherwise arising in connection. Further, nothing in this press release should be construed as constituting legal, business, tax or financial advice or a recommendation regarding the securities. Although Company believes that such forward-looking statements are based on reasonable assumptions, it can give no assurance that such expectations will be met. You are cautioned not to place undue reliance on these forward-looking statements, which are based on current view of Company's management on future events. Forecasts and hypothetical examples are subject to uncertainty and contingencies outside Company's control. Past performance is not a reliable indication of future performance.

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