

Max Financial Services Limited

Investor Presentation June 2018

“To be the most admired corporate for service excellence”



Sevabhav

- Positive social impact
- Helpfulness
- Culture of Service
- Mindfulness

Excellence

- Expertise
- Dependability
- Entrepreneurship
- Business performance

Credibility

- Transparency
- Integrity
- Respect
- Governance

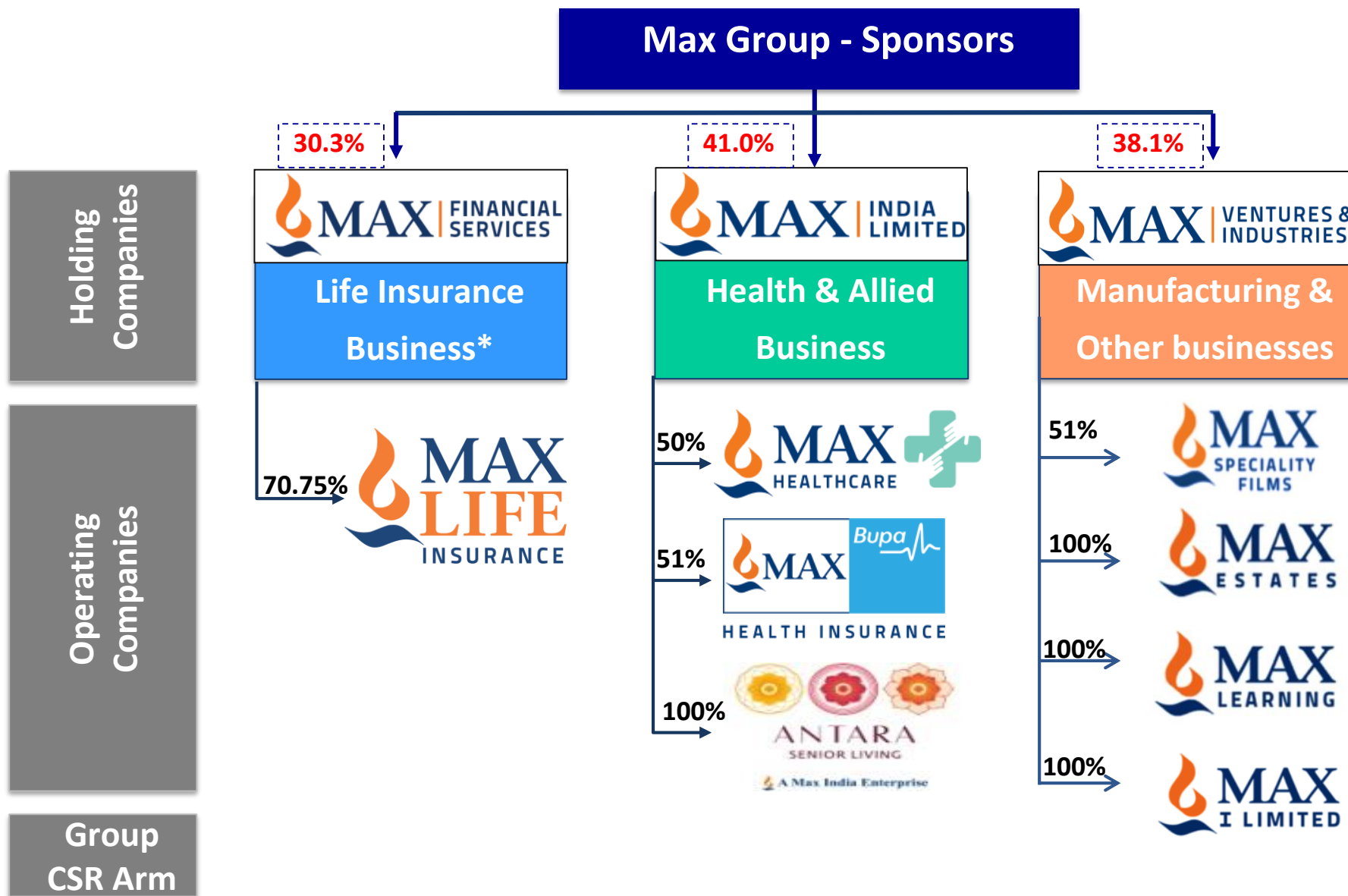
Max Way as an underlying ethos

*courtesy
transparency*

*respect/dignity
performance orientation*

*progressiveness
ethicality*





1

USD 3 billion Revenues... 10 Mn Customers... 25,000 Employees... ~70,000 Agents

2

Strong growth trajectory even in challenging times; a resilient & diversified business model

3

Steady revenue growth and cost rationalization leads to strong financial performance

4

Well established board governance....internationally acclaimed domain experts inducted

5

Diversified ownership.....marquee investor base

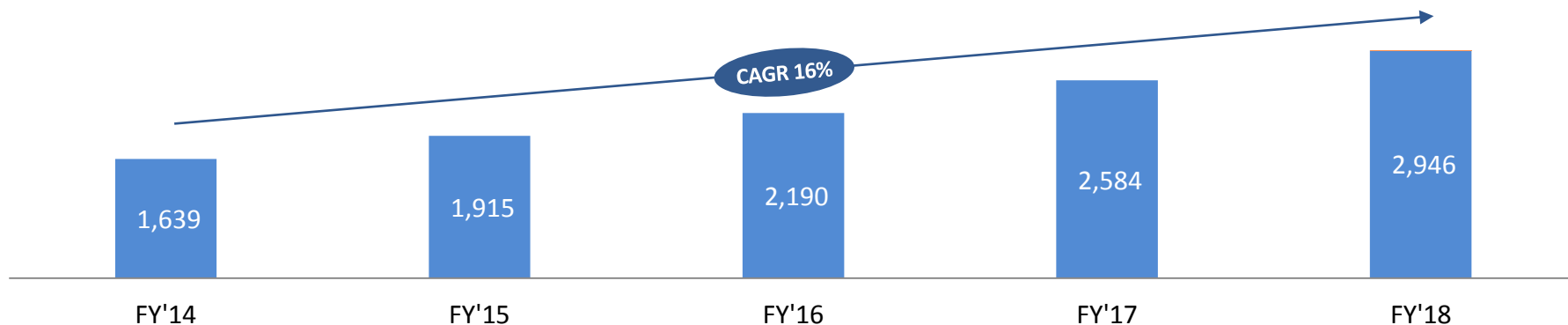
6

Superior brand recall with a proven track record of service excellence

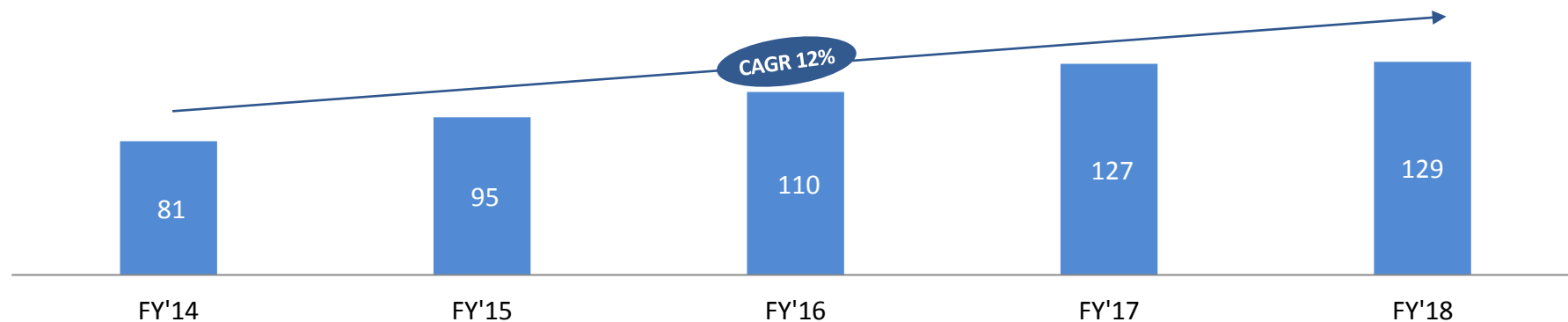
7

Strong history of entrepreneurship and nurturing successful business partnerships

Group Revenue (USD Mn)



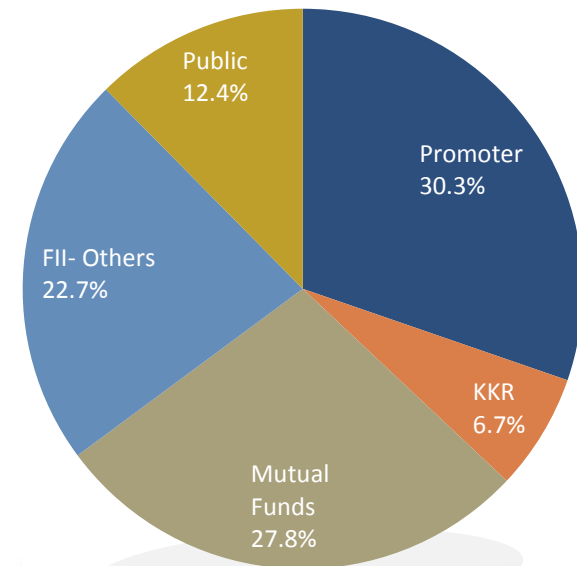
Group EBITDA (USD Mn)



Shareholding concentrated with Marquee Investors

- KKR
- Aberdeen
- Baron Emerging Market Fund
- Vanguard
- Wasatch
- Jupiter
- Norway Government Pension Fund
- Reliance Mutual Fund
- ICICI Prudential Mutual Fund
- Motilal Oswal Mutual Fund
- Aditya Birla Sunlife Mutual Fund
- HDFC Mutual Fund

Shareholding Pattern
as on 31st Mar 18



Number of outstanding shares : 26.84 Cr.

Max Life Insurance Company Limited

1 > Indian Life Insurance Industry has evolved rapidly; significant headroom still available for growth due to low penetration and favourable demographic profile

2 > Strong parentage, marquee investors, eminent Board, strong management team and robust governance framework

3 > Differentiated Life Insurer with key strengths of multi-channel distribution, balanced product mix, operational excellence and digital capabilities

4 > One of the fastest growing players with equal emphasis on profitability – Among the top quartile across the comprehensive measures of success

5 > With US 1.1 Bn+ of MCEV as at 31st March 2018, operating RoEV of 21% and new business margin at 20% are amongst the best in the industry

6 > Strength in business model recognised through several Awards and Accolades that Max Life Insurance wins every year

Phase 1

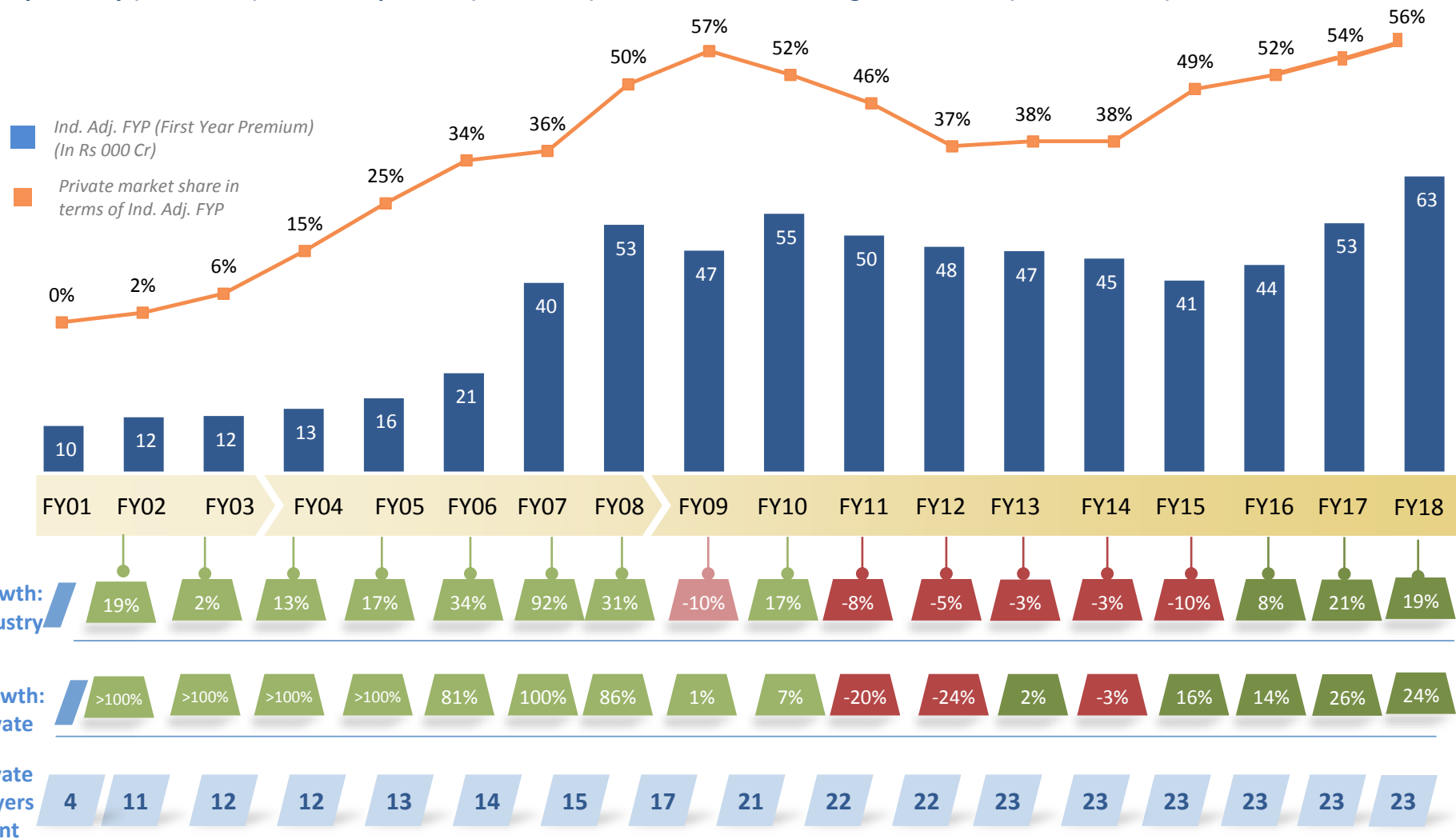
Joyful Entry (2001-2003)

Phase 2

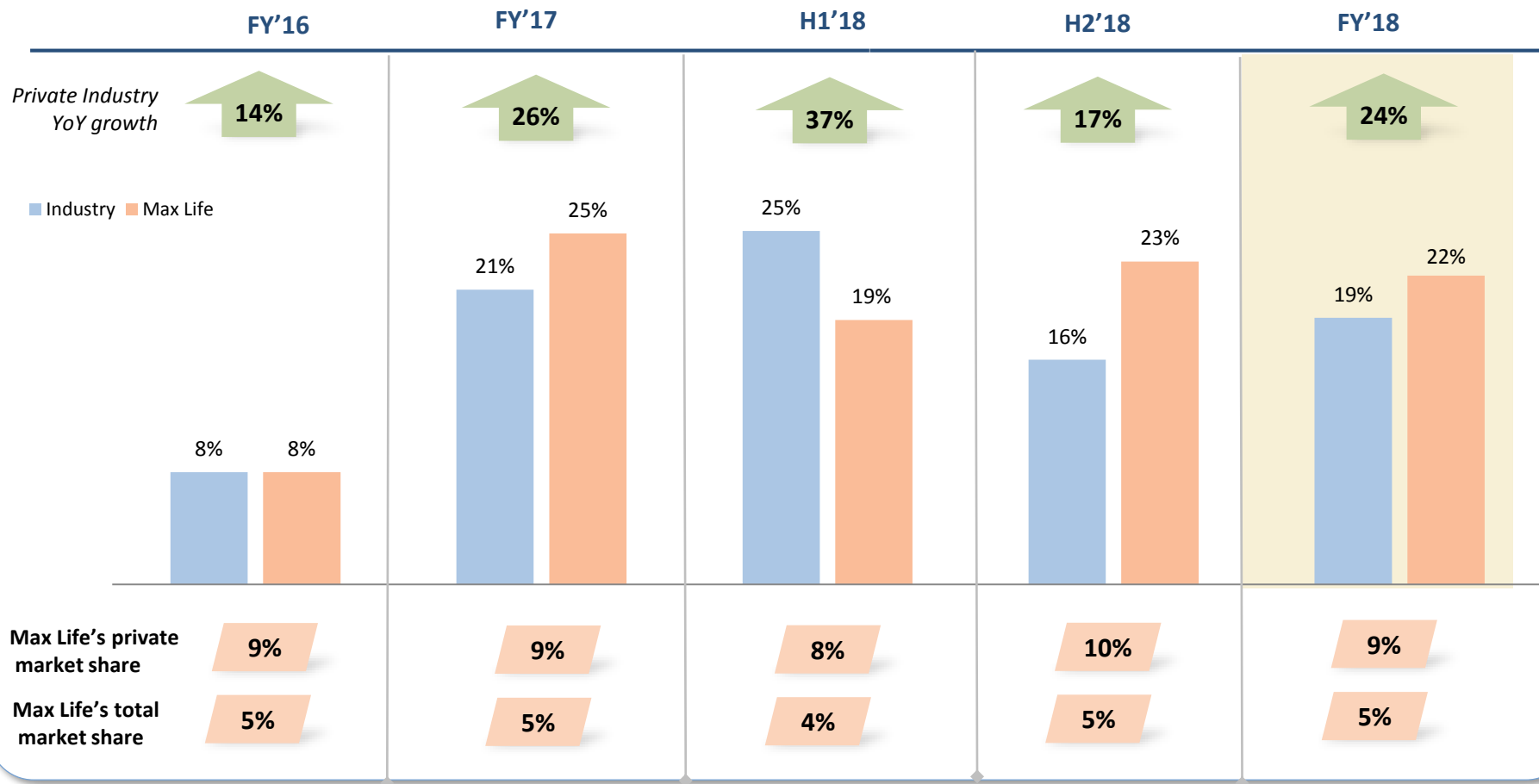
Expansion (2004-2008)

Phase 3

Discovering New Normal (2009 onwards)

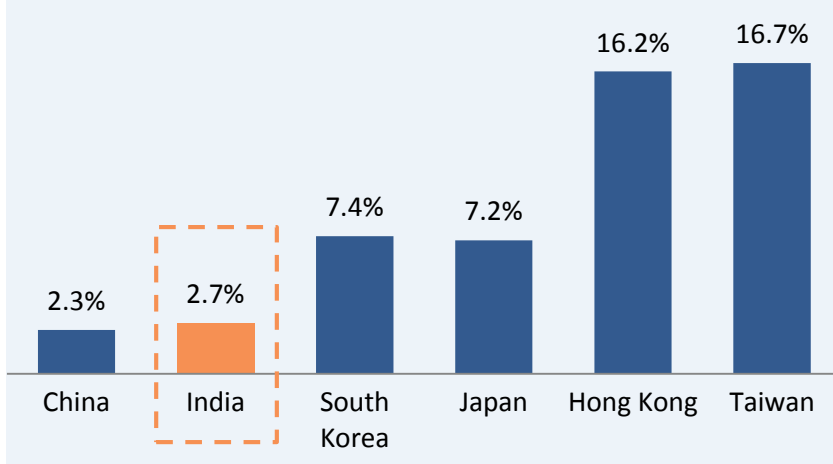


YoY Growth basis Individual Adjusted FYP

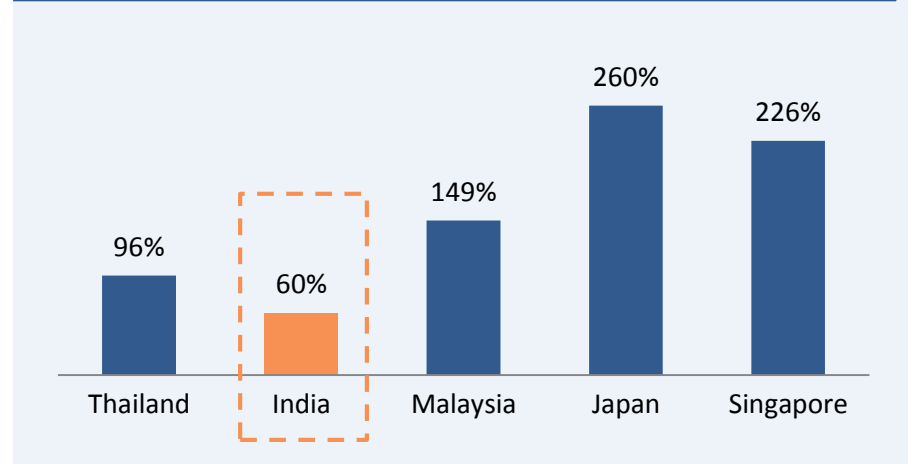


Max life with continued focus on balanced product mix has grown by 22% in FY 18 and maintained its market share. Recorded strong growth in H2'18 at 23% compared to 16% industry growth

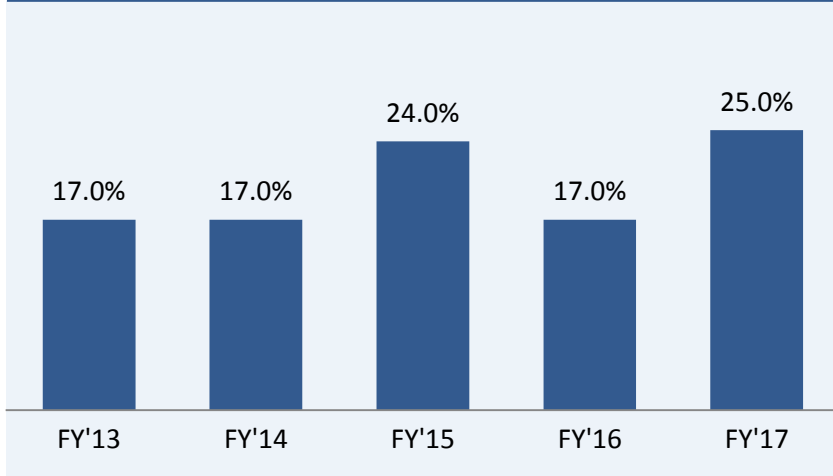
Life Insurance Penetration (Premium as % of GDP), 2016



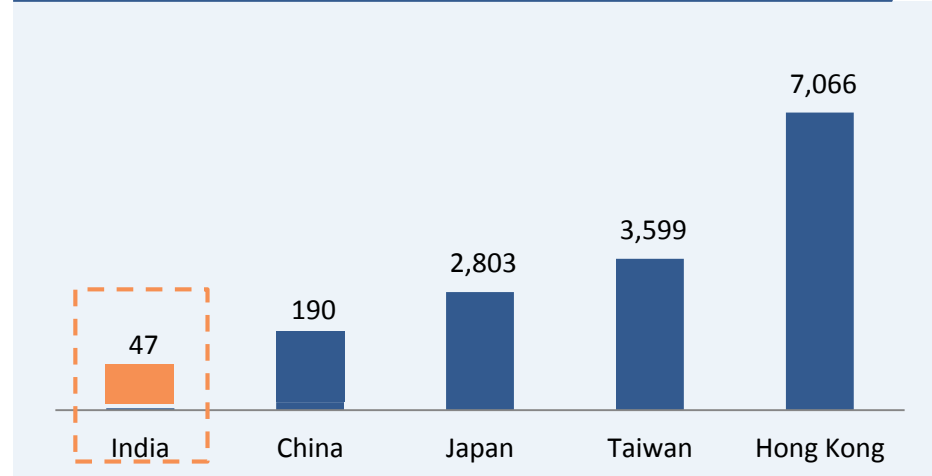
Level of Protection (Sum Assured as % of GDP), 2015



% of Life Insurance in gross household savings- India



Life Insurance Density (Premium per capita – USD), 2016





Founder and Chairman Emeritus
Mr. Analjit Singh

Founder and Chairman of Max India. Awarded with highest civilian honor, the Padma Bhushan



Exec. Vice Chairman and MD
Mr. Rajesh Sud

A founder team member. Appointed as CEO and Managing Director in November 2008



Director
Ms. Marielle Theron

Fellow of the Society of Actuary (FSA). She is a Principal of Erlen Street Corporation, Switzerland



Independent Director
Mr. K. Narasimha Murthy

Serving on the Board of Max Ventures, Srihari Management Consultants, STCI, Infiniti Retail, Max Bupa, Max Speciality Films, Saket City Hospitals and Max Healthcare



Independent Director
Mr. D. K. Mittal

Former IAS officer of 1977 batch and has served the government of India in various capacities



Director
Mr. Hideaki Nomura

Seasoned professional with 31 years experience in financial industries



Director
Mr. Sahil Vachani

Currently CEO & Managing Director of Max Ventures and Industries Limited. He has diverse experience across various sectors including consumer durables and real estate.



Chairman
Mr. Rahul Khosla

Seasoned business manager with wide domain expertise built over 27 years in financial services



Director
Mr. Mohit Talwar

Seasoned professional with 24 years of experience in Corporate Finance and Investment Banking



Director
Mr. John Poole

Fellow of the Institute and Faculty of Actuaries. Served as the AA for Max Life from 2005 till 2011



Director
Mr. Rajit Mehta

Currently the CEO and MD of Max Healthcare Institute and also the founding member of Max Life



Independent Director
Mr. Rajesh Khanna

Founder and CEO of Arka Capital Advisors. Previously served as MD and India Head at Warburg Pincus



Director
Mr. Masataka Kitagawa

Responsible for Mitsui Sumitomo overseas life insurance business with more than 30 years of experience

Max Life Management Team



Executive Vice Chairman and MD

Rajesh Sud

(17 years)

- Total Experience: 25 years
- Previous Organizations: Bank of America, ABN AMRO , ANZ Grindlays

Tenure at Max Life



Sr Director and Chief Operations Officer *(17 years)*

V Viswanand

- Total Experience: 27 years
- Previous Organizations: ANZ Grindlays Bank



Director and Appointed Actuary *(9 years)*

Jose John

- Total Experience: 19 years
- Previous Organizations: Prudential UK Metlife UK



Sr Director and Chief Financial Officer *(11 years)*

Prashant Tripathy

- Total Experience: 23 years
- Previous Organizations: Tata Steel, GE



Director & Chief Distribution Officer *(5 years)*

Aalok Bhan

- Total Experience: 25 years
- Previous Organizations: Standard Chartered Bank, ABN AMRO, RBS



Director and Chief Investment Officer *(4 years)*

Mihir Vora

- Total Experience: 24 years
- Previous Organizations: HSBC Global Asset Management, ICICI Prudential, Birla Sun Life AMC



Director and Chief People Officer *(6 years)*

Shailesh Singh

- Total Experience: 26 years
- Previous Organizations: GE, SRF Finance, Eicher Tractors



Director Marketing & Chief Digital Officer *(14 years)*

Manik Nangia

- Total Experience: 21 years
- Previous Organizations: ABN AMRO, ICICI Bank, ICICI Prudential



Director and Head - Legal , Compliance and Regulatory *(4 years)*

Amitabh Lal Das

- Total Experience: 22 years
- Previous Organizations: Yahoo, Sapient

Governance Mechanism

Shareholder

Shareholders Meeting twice a year at neutral locations

Shareholders Meeting interspersed with Board Meetings

Monthly Shareholder Calls

Board

Quarterly Board Meeting

Board Sub Committees

Executive Vice Chairman and MD

Weekly EMC Meeting

Monthly Senior Leadership Meeting

Monthly Business Reviews

Central PMO to drive Strategic Projects

Executive Mgmt. Committee

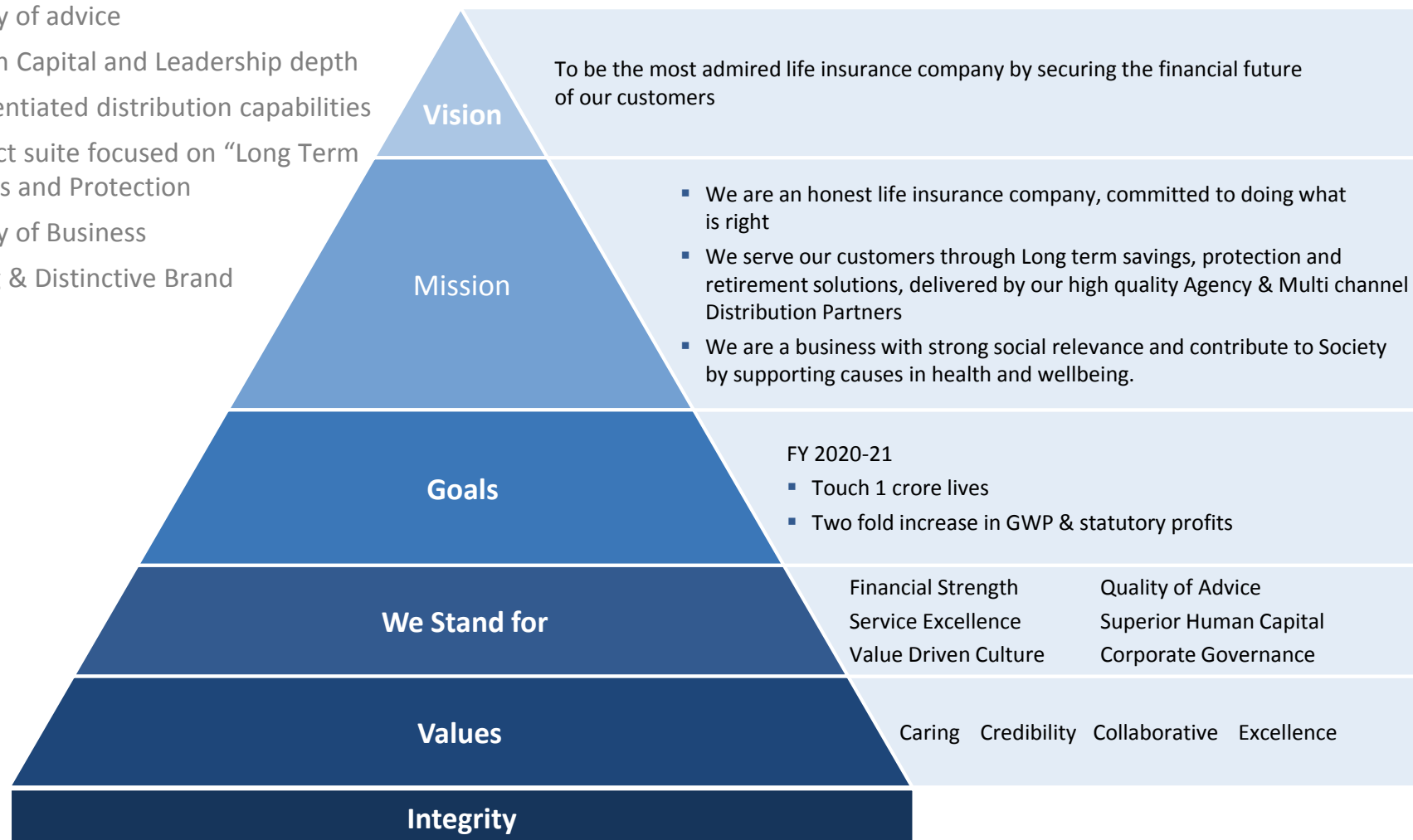
Weekly Team / Functional Meetings

Council Meetings

Cross Functional Connects

What are we known for

- » Quality of advice
- » Human Capital and Leadership depth
- » Differentiated distribution capabilities
- » Product suite focused on “Long Term Savings and Protection
- » Quality of Business
- » Strong & Distinctive Brand



1

Continue to chase profitable growth

- Superior financial performance with profitable growth
- Balanced product mix with focus on long term saving and protection proposition
- Superior customer outcomes and retention

2

Comprehensive multi-channel distribution model

















- Comprehensive multi-channel distribution model with highly efficient and productive agency channel and strong Banca relationships
- Proprietary channel of the future will work towards driving efficiencies of existing assets and variablizing costs by leveraging technology

3

Strong digital footprints

- Using digital technologies to harness data and analytics for more efficient sales processes and better customer experience
- Build a digital organization to drive efficiency across value chain

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

Market Share 9% [9%] 	Individual Sales Rs 3,215 Cr [Rs 2,639 Cr]  22%	Gross Written Premium Rs 12,501 Cr [Rs 10,780 Cr]  16%	AUM Rs 52,237 Cr [Rs 44,370 Cr]  18%
Profit Before tax* Rs 615 Cr [Rs 768 Cr]  20%	Net Worth Rs 2,699 Cr [Rs 2,509 Cr]  8%	Embedded Value^ 7,706 [6,739]  20.6%	Policyholder Expense to GWP Ratio 12.9% [14.8%]  187 bps
New Business Margin 20.2% [18.8%]  140 bps	RoEV 20.6% [19.9%]  70 bps	Solvency Ratio# 275% [309%]  Abs. 34%	Policyholder Cost to GWP Ratio 20.0% [23.5%]  341 bps
No. of Employees 10,226 [9,446]  8%	Case Size 55,836 [51,056]  9%	Claim Settlement Ratio 98.3% [97.8%]  45 bps	Protection Mix** Individual Group Total 4% 4% 8% [4%] [3%] [7%]  70 bps

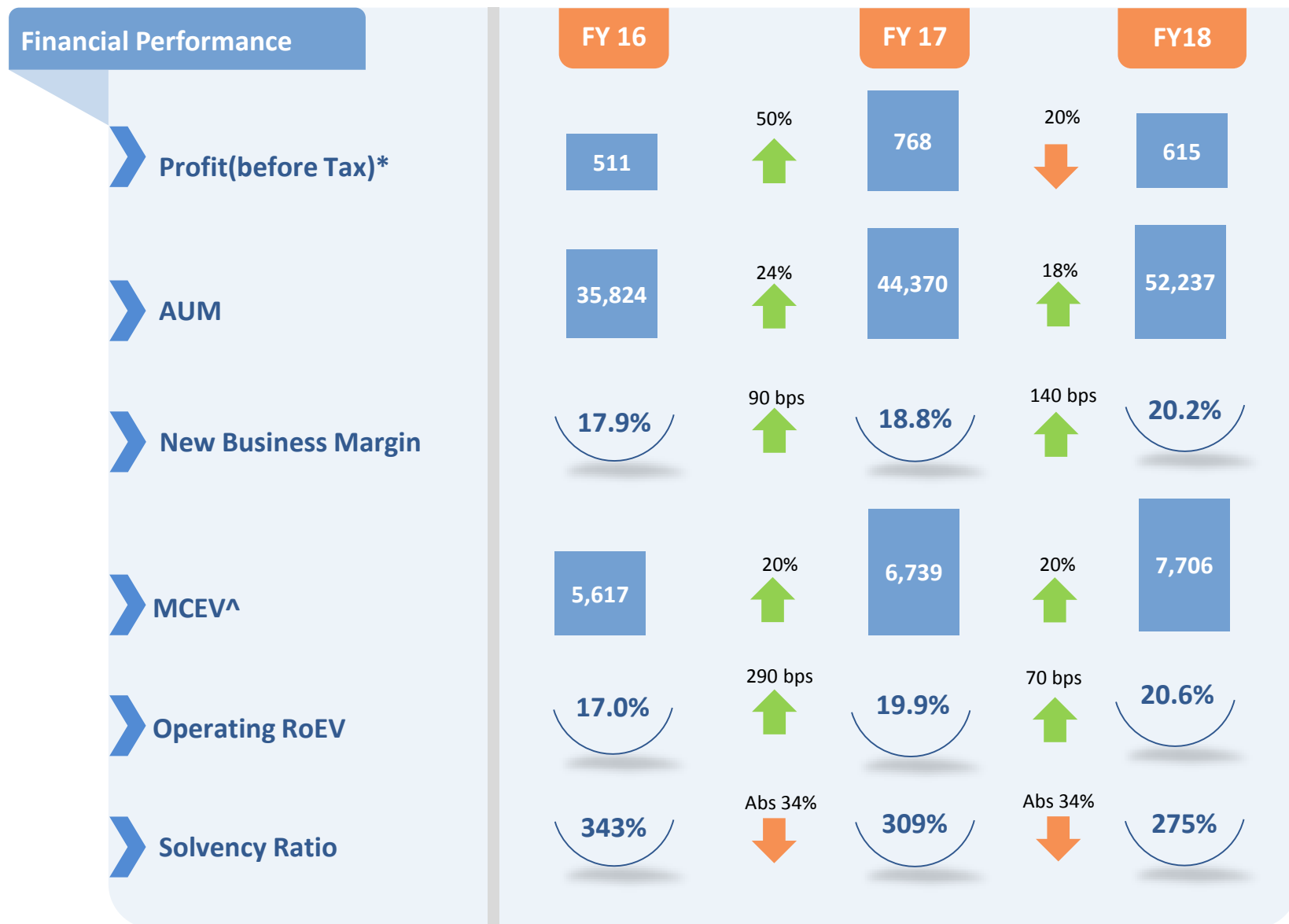
Figures in [brackets] are for previous year numbers FY17

*Profit before tax for FY17 was higher due to one-time non operating gains realization primarily from investment income, # Post proposed final dividend solvency ratio will be 263% (March 17: 298%), ^Growth on Embedded value is operating RoEV, **Group protection (incl. Group credit life adjusted for 10% for single premium and term business)

Financial Performance

Figures in Rs. Cr

	FY 16		FY 17		FY18
➤ Ind Adj. FYP	2,103	25% ↑	2,639	22% ↑	3,215
➤ Renewal Premium	6,334	12% ↑	7,114	15% ↑	8,152
➤ Gross Premium	9,216	17% ↑	10,780	16% ↑	12,501
➤ Policyholder expense to GWP Ratio	13.6%	120 bps ↑	14.8%	187 bps ↓	12.9%
➤ Policyholder Cost to GWP Ratio	22.5%	100 bps ↑	23.5%	341 bps ↓	20.0%
➤ Expense to average AUM (Policyholder)	4.0%	23 bps ↑	4.3%	70 bps ↓	3.6%

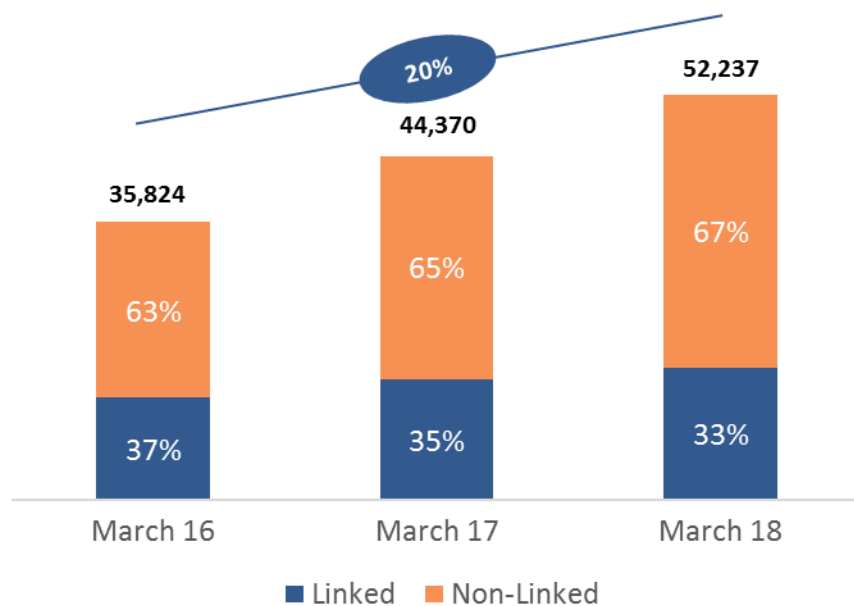


Figures in Rs. Cr.

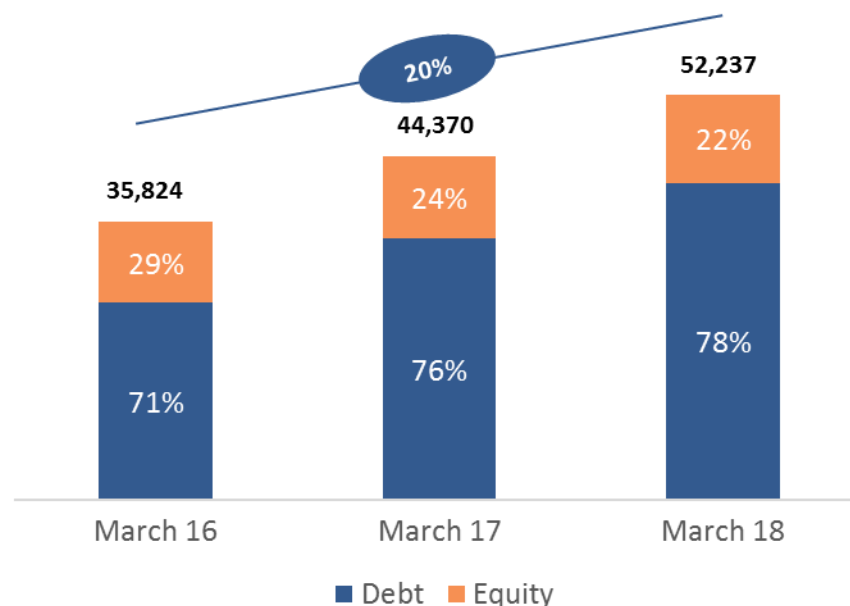
*Higher FY17 profit is due to one-time non operating gains realization primarily from investment income

^MCEV is before dividend, post-dividend MCEV is Rs 7,509 Cr, Arrow represents growth in Operating RoEV

Linked fund vs Controlled fund

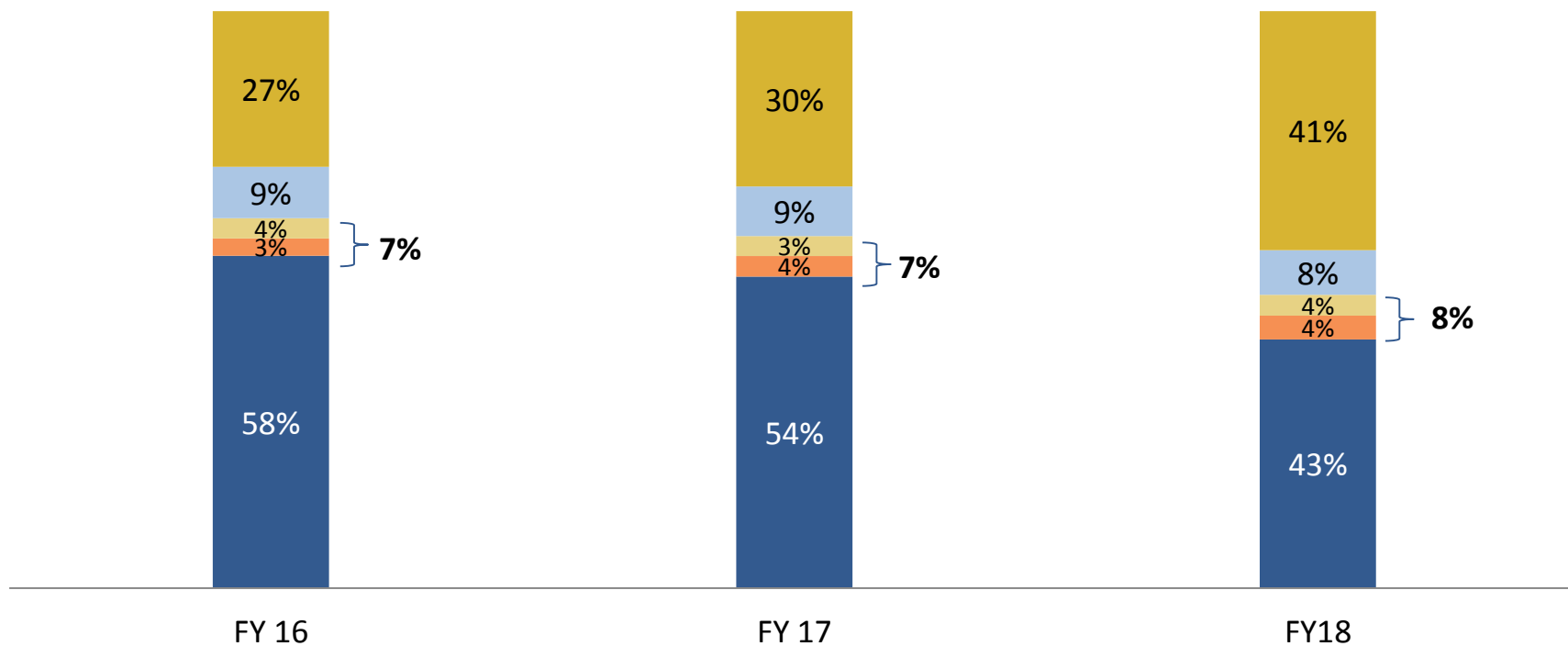


Debt vs Equity



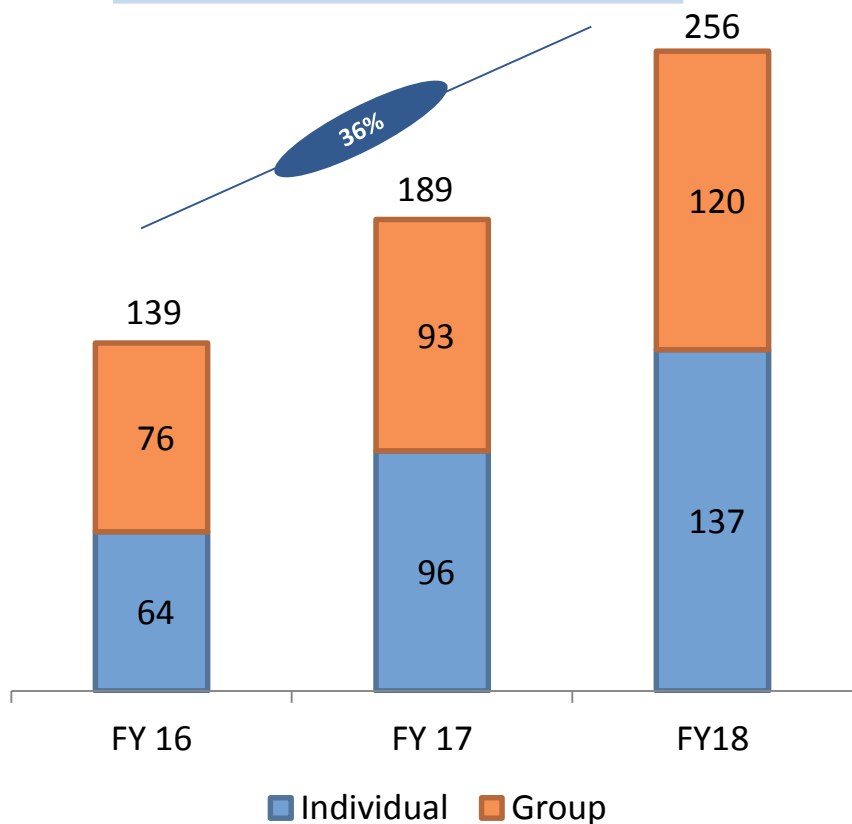
Debt portfolio exposure to AAA rated debt is well above the regulatory requirement of 75%
AUM Size has grown more than Rs 50,000 Crore

■ PAR ■ Individual Protection ■ Group Protection ■ Non PAR- Savings ■ ULIP



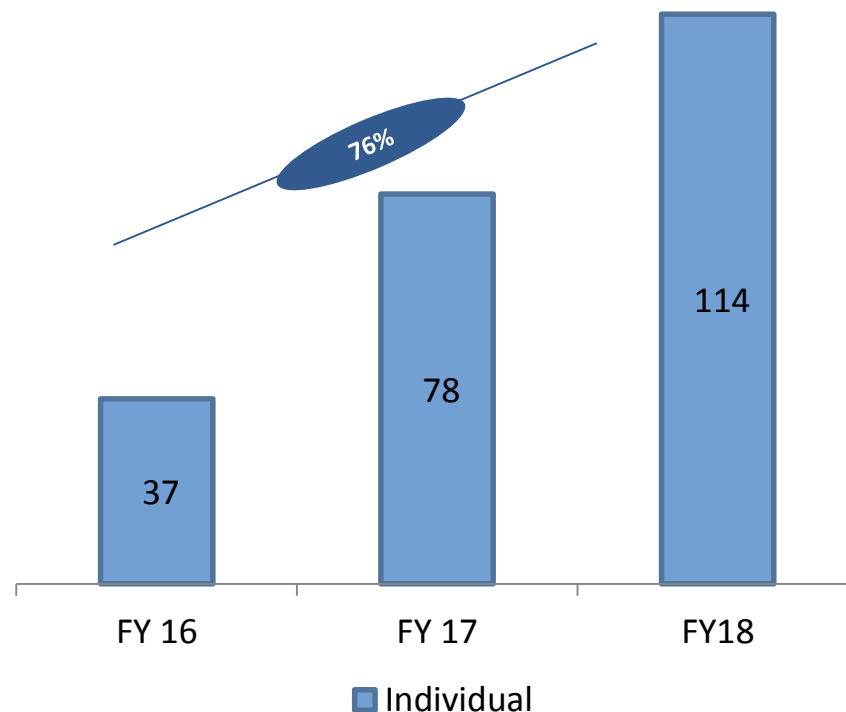
Figures in Rs. Cr.

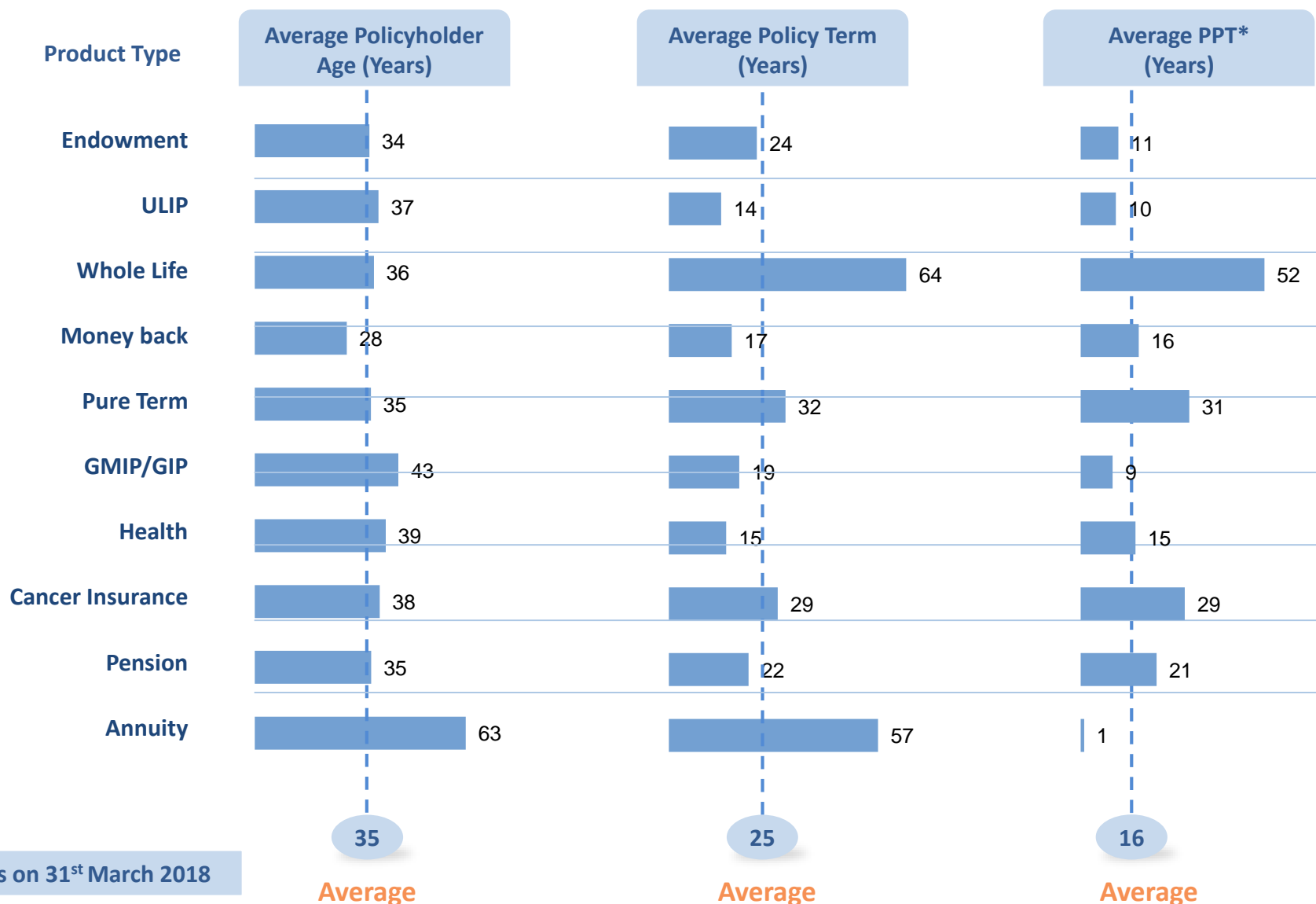
Total APE (Individual + Group)



Figures in '000.

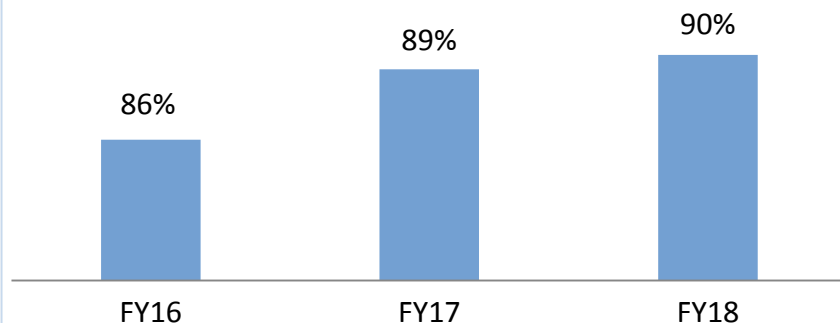
No of Policies (Individual)





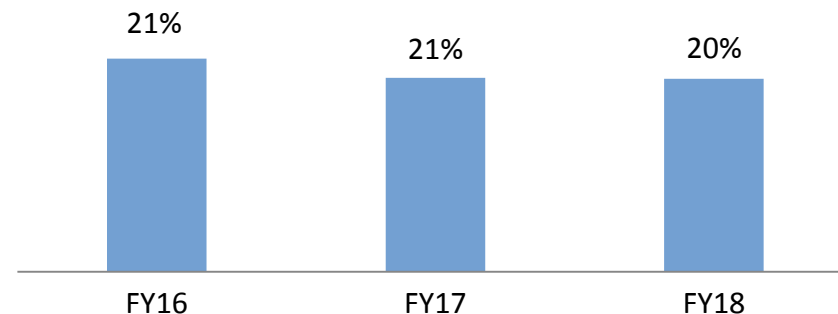
High quality business franchise

Conservation Ratio*



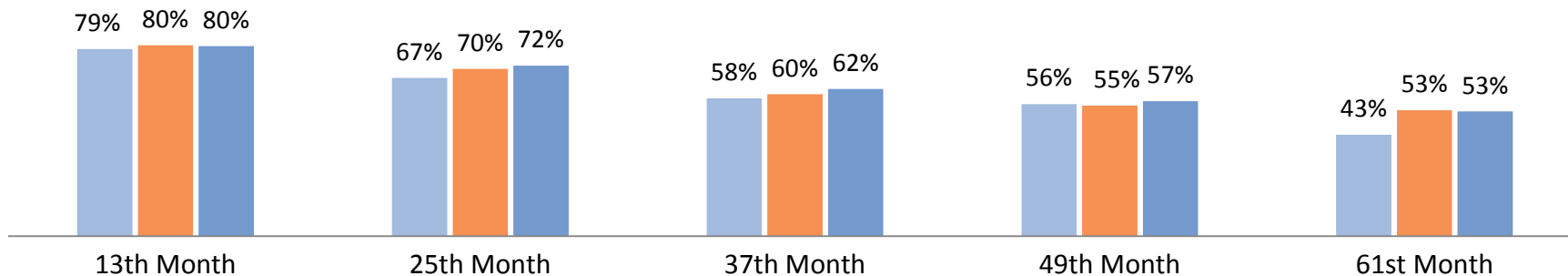
Steady retention capabilities

Surrender to GWP

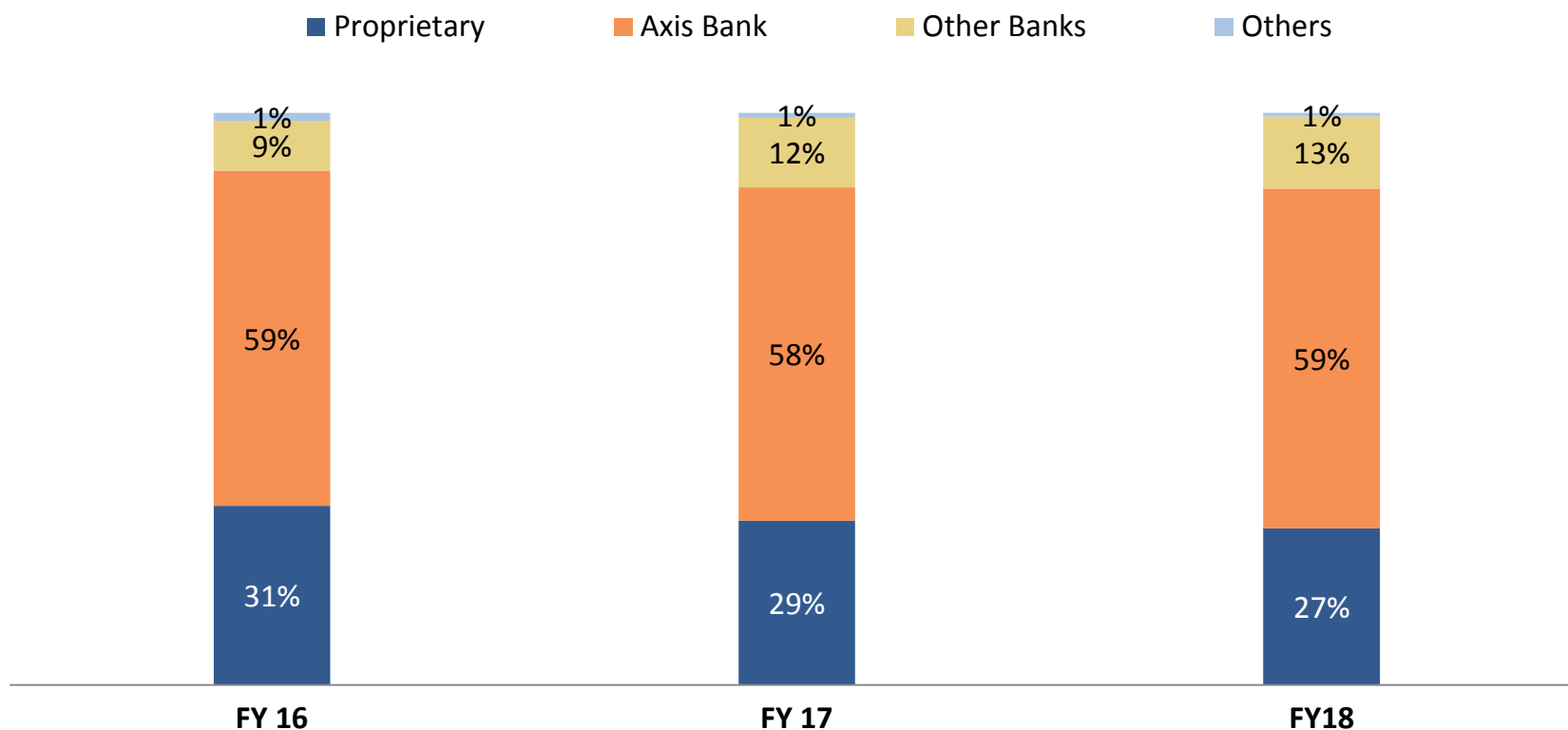


Continuous improvement in persistency

■ FY16 ■ FY17 ■ FY18



***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)



1

Agency office expansion

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

4

New service to sale initiatives

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



2

Variable agency cost model

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

3

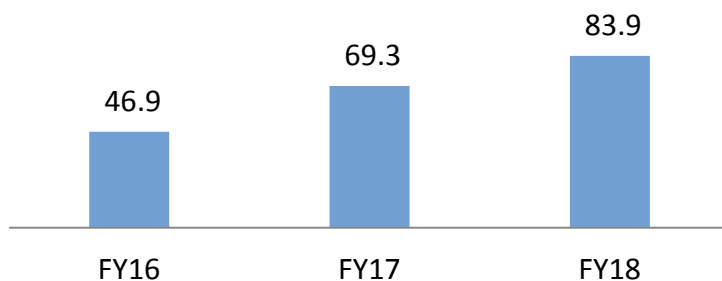
Pilot and proof of new channels/products

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

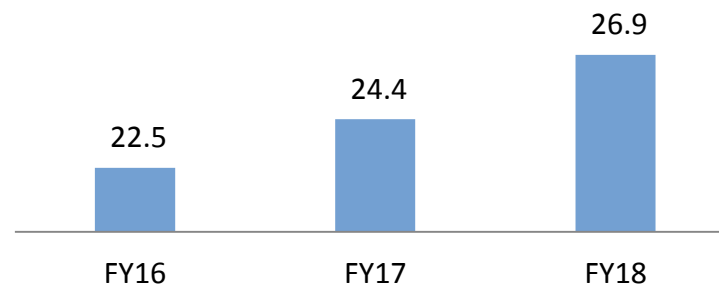
Aspiration to increase proprietary share to 35% by FY 21

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

Active Agent productivity (Rs '000 pm)

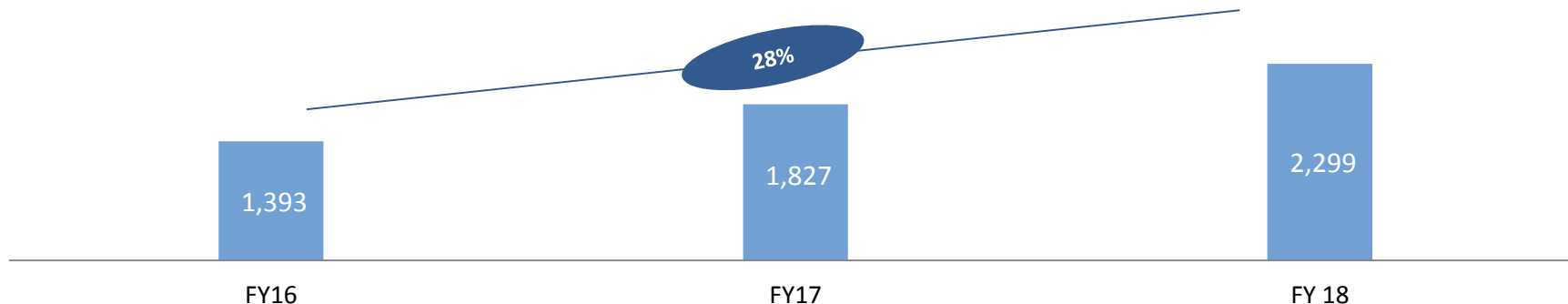


Branch productivity (Rs Lakhs pm)



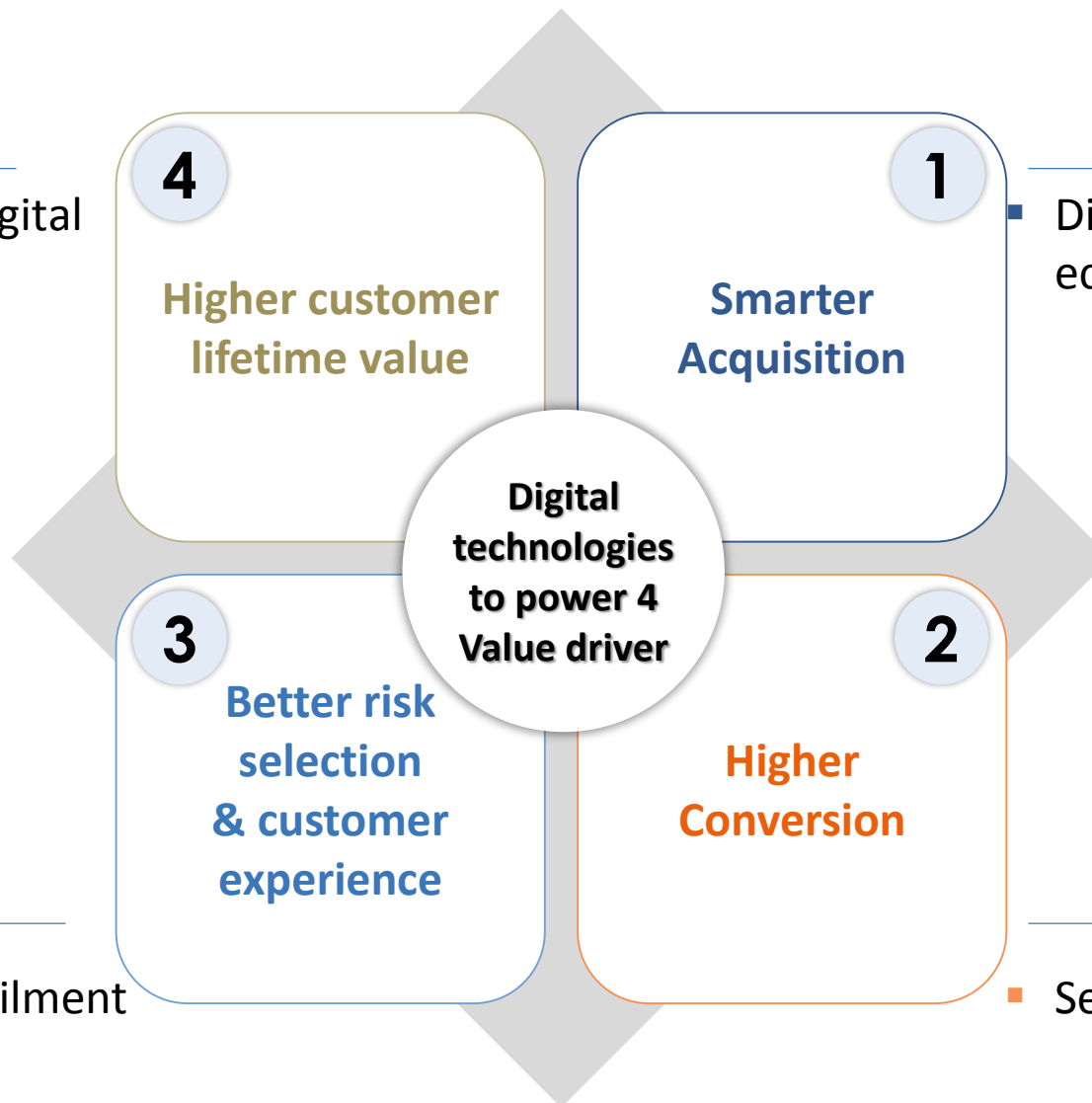
Strong Banca relationship with consistent growth

Ind. APE (Rs. Cr)



■ Transforming Digital Interface

■ Digital Marketing & ecommerce



■ Re-imagining Fulfilment

■ Seller Ecosystem



Prospecting & Solution Generation

Fulfillment

Servicing

150%

YoY growth in leads created digitally

80%

of all policies applied through automated tool

35%

of all active sellers using servicing tool within the first three months

18%

run rate growth in prospect meetings recorded digitally

44%

Improvement in average issuance time

50%

of total cases applied digitally are Insta-Issued (1 day TAT)

Digital Impact



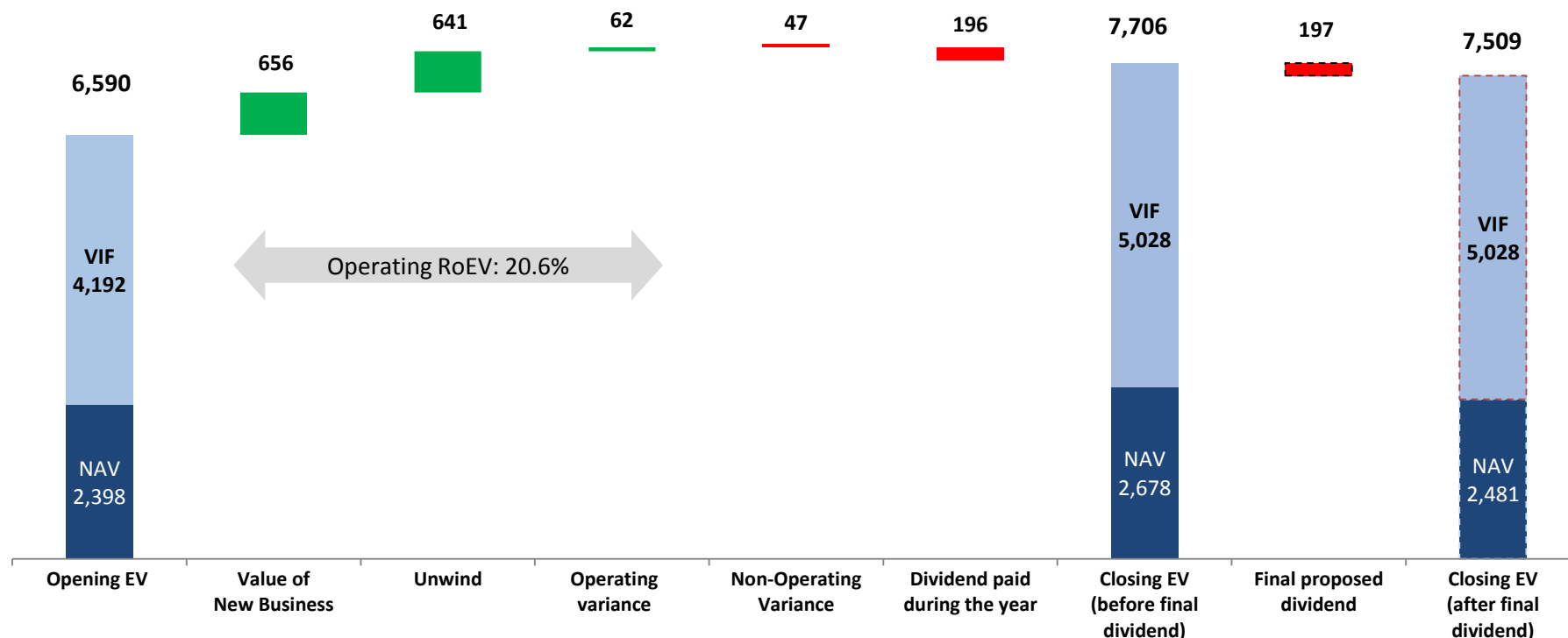
Cornerstones of our digital vision

Analytics driven decisions

True mobility

Paperless processes

Speed and convenience



- Operating return on EV of 20.6% is mainly driven by new business growth and unwind.
- Operating variances are positive due to demographic experience variances along with certain modeling enhancements.
- Non-operating variances are mainly driven by equity and interest rate movements since March 2017.
- The final shareholder dividend of Rs 197 Cr for H2 FY18 will be accounted post 31st March 2018. Post the payment of the final dividend, the closing EV will be Rs 7,509 Cr.



CELENT MODEL

INSURER AWARD in the Asia Pacific Region



Best Life Insurance
company



Best business leader –
Sumit Rai



Best use of six sigma in
banking and financial sector
- Insta claim (1 day approval)

1 Setting higher benchmark with every award

- CDO Converge Award for “Digital Excellence in Insurance”
- '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
- Recognized amongst 15 ‘Best Workplaces in BFSI’ and only life insurance company to be included in this list
- 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
- 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”



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



Thank you

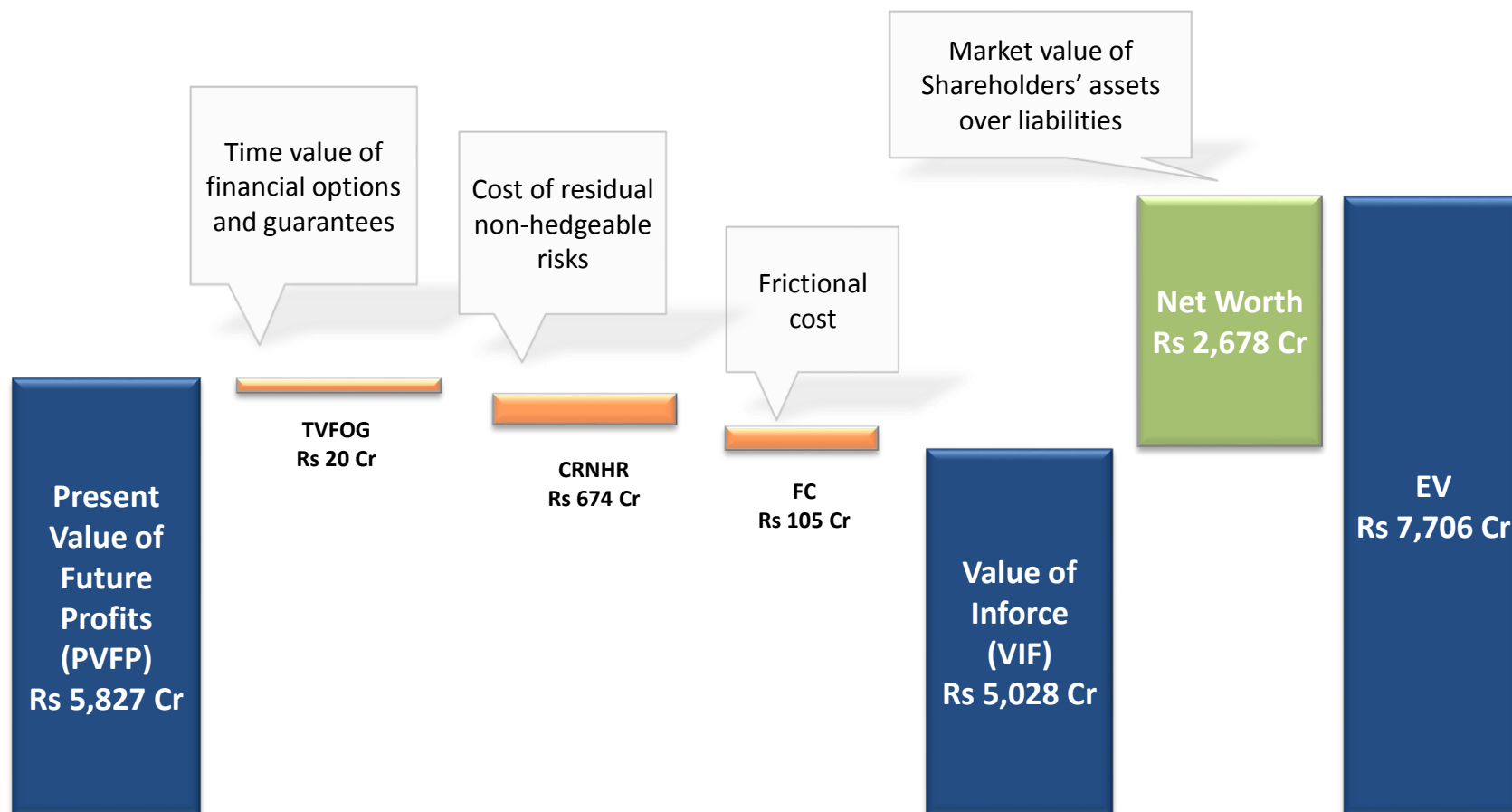
Annexure

Rank	Company	Individual new business premium (Rs Cr)			
		FY18	FY17	Growth (%)	Private Market Share (%)
1	SBI Life	7,787	5,938	31%	21.8%
2	ICICI Pru Life	7,461	6,408	16%	20.9%
3	HDFC Life	4,754	3,636	31%	13.3%
4	Max Life	3,214	2,639	22%	9.0%
5	Kotak Life	1,575	1,202	31%	4.4%
6	Tata AIA	1,397	1,048	33%	3.9%
7	Bajaj Allianz	1,397	1,010	38%	3.9%
8	PNB MetLife	1,221	1,015	20%	3.4%
9	Birla Sunlife	1,059	922	15%	3.0%
10	Canara HSBC OBC	818	613	34%	2.3%
	Others	4,985	4,269	17%	14.0%
	Private Total	35,668	28,700	24%	
	LIC	27,802	24,568	13%	
	Grand Total	63,470	53,267	19%	
	Market Share of private players	56.2%	53.9%		

Key Business Drivers	Unit	Quarter Ended		Q-o-Q Growth	Year Ended		Y-o-Y Growth
		Mar'17	Mar'18		Mar'17	Mar'18	
a) Individual Adjusted Premium	Rs. Crore	1,049	1,339	28%	2,639	3,215	22%
b) Gross written premium income	Rs. Crore	3,787	4,648	23%	10,780	12,501	16%
First year premium		1,055	1,339	27%	2,646	3,192	21%
Renewal premium		2,405	2,938	22%	7,114	8,152	15%
Single premium		327	372	14%	1,020	1,157	13%
c) Shareholder Profit (Pre Tax)	Rs. Crore	219	225	3%	768	615	-20%
d) Policy Holder Expense to Gross Premium	%	13.4%	9.8%	>100 bps	14.8%	12.9%	>100 bps
e) Conservation ratio	%	85.2%	91.4%	>100 bps	88.6%	89.6%	>100 bps
f) Average case size(Agency)	Rs.	47,674	60,053	26%	46,713	55,495	19%
g) Case rate per agent per month	No.	0.27	0.25	-6%	0.23	0.20	-11%
h) Number of agents (Agency)	No.				54,283	54,791	1%
i) Share Capital	Rs. Crore				1,919	1,919	0%
j) Individual Policies in force	No. Lacs				39.12	40.85	4%
k) Sum insured in force	Rs. Crore				377,572	511,541	35%
l) Grievance Ratio	Per Ten thousand				172	93	NA

VIF

Net worth and EV



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

Description	FY17	FY18	Y-o-Y growth
APE ¹	2,657	3,248	22%
Value of New Business (VNB) ² (actual costs)	499	656	31%
New Business Margin (NBM) (actual costs)	18.8%	20.2%	+140 bps

- The NBM has increased by circa 140 bps to 20.2% in FY18 from 18.8% in FY17. The increase in new business margin is primarily on account of increase in interest rates along with higher contribution from protection oriented products.
- The VNB of Rs 656 Cr and the NBM of 20.2% are calculated at actual costs.

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 March 2018), using the beginning of respective quarter's risk free yield curve.

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

1. Reduction in interest rate curve leads to an increase in the value of assets which offsets the loss in the value of future profits.
2. Risk free rate sensitivities allow for the change in cost of hedging due to derivative arrangements. The cost of hedging reduces under the risk free rate reduction sensitivity and increases under the risk free rate increase sensitivity.

Economic Assumptions

- The EV is calculated using risk free (government bond) spot rate yield curve taken from FIMMDA¹ as at 31st March 2018. 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 2017, 30th June 2017, 30th September 2017 and 31st December 2017).
- 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 2018 and 31st March 2017 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%
Mar 17	6.36%	6.57%	6.68%	6.88%	6.78%	7.21%	7.38%	8.14%	7.93%	7.26%
Change	+0.18%	+0.25%	+0.40%	+0.38%	+0.65%	+0.20%	+0.31%	-0.29%	-0.22%	+0.24%

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 6.0% 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. Tax deduction available on dividend income on equity is not considered
- 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.

