



Performance update: 9M-FY2019

January 22, 2019

Agenda

- Company strategy and performance
- Opportunity
- Industry overview



Agenda

- **Company strategy and performance**
- Opportunity
- Industry overview



Strategic elements



**Customer centricity
continues to be at the core**

Strategic elements (1/4)

Premium growth

- Focus on retail for long term sustainability
- Diversification of distribution
- Customer centric products
- Unmatched on-boarding experience

- APE¹ declined by 4.2% in 9M-FY2019
 - Q3-FY2019 APE declined by 2.1%
- Market share of 10.8%² for 9M-FY2019

Premium growth

₹ billion	H1- FY2018	H1- FY2019	Oct- FY2019	Nov- FY2019	Dec- FY2019	9M- FY2018	9M- FY2019
APE	35.74	33.81	5.09	6.87	7.66	55.79	53.43
YoY growth	36.8%	(5.4%)	(11.8%)	0.3%	3.0%	25.1%	(4.2%)
RWRP	34.42	31.48	4.69	5.11	6.88	54.01	48.15
YoY growth	38.8%	(8.5%)	(17.2%)	(23.9%)	(4.7%)	26.3%	(10.8%)

Strategic elements (2/4)

Protection focus

- Meeting the needs of both income replacement and liability cover
- Comprehensive suite of products
- New partnerships
- Leveraging technology for risk calibrated superior underwriting

9M-FY2019 update:

- Protection APE growth of 100.4%
- Growth across all segments of protection

Partnered with CNBC-TV18: “Mission Insure India” campaign

Strategic elements (3/4)

Persistency

- Drive renewal premium with the same rigor as new business
- Offer convenience of multiple payment options
- The single most important indicator of business quality

9M-FY2019 update:

- Total premium growth of 13.2%
- Retail renewal premium growth of 18.5%
- Decline in 13th month persistency; improvement in other durations
- Retail linked surrenders reduced by 30.3%

Strategic elements (4/4)

Productivity

- Leverage technology for process re-engineering and drive productivity
- Tablet as a virtual office
- Derive value from every rupee spent

9M-FY2019 update:

- Cost/TWRP (savings LOB) at 12.0%

- Technology initiative
 - First life insurance company to have verified business account on Whatsapp
 - AI¹ powered OCR² for instant classification and verification of documents

VNB growth

₹ billion	FY2017	FY2018	9M-FY2018	9M-FY2019
Value of New Business (VNB) ¹	6.66	12.86	7.67	9.10
VNB margin	10.1%	16.5%	13.7%	17.0%
VNB growth	61.7%	93.1%	82.2%	18.6%

Outlook

Premium growth

- Strong growth potential for industry
- Savings premium growth expected to be higher than nominal GDP growth

Protection

- Protection business can grow at a higher rate than savings

Persistency

- Continued improvement in persistency and quality parameters

Productivity

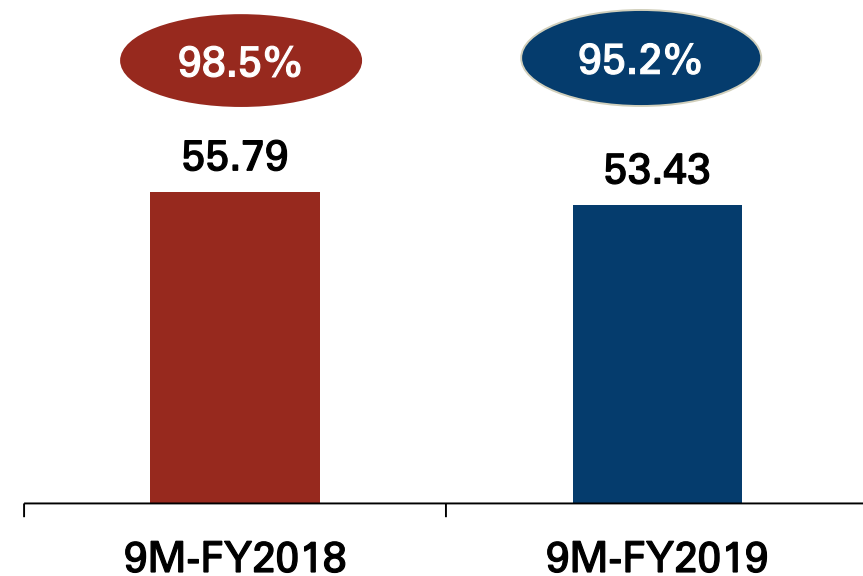
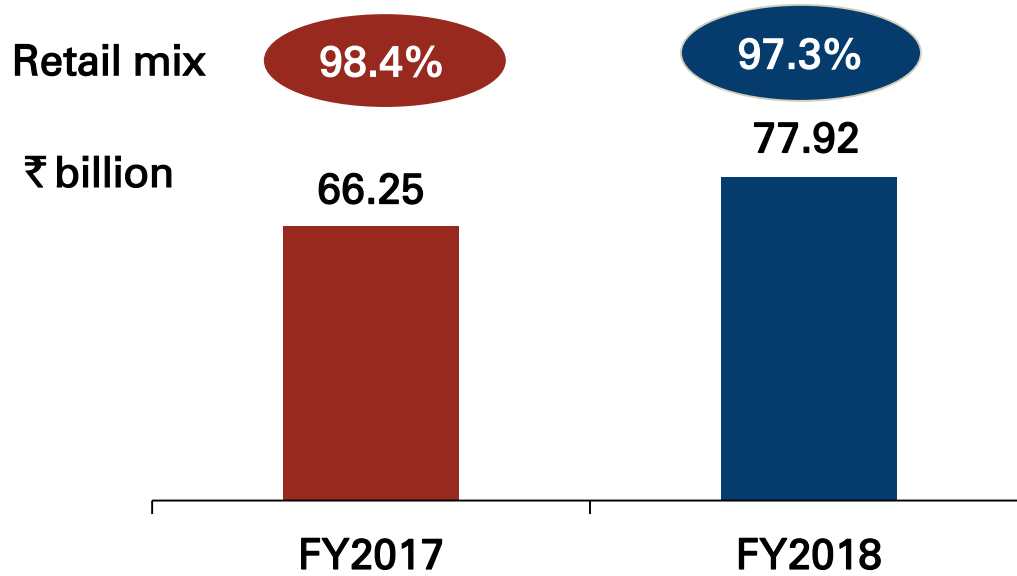
- Productivity improvement through digital initiatives

Strategic elements



**Customer centricity
continues to be at the core**

Premium growth¹



Market share (RWRP)	FY2018	9M-FY2019
Total industry	11.8%	10.8%
Private sector	20.9%	18.7%

- APE declined by 2.1% for Q3-FY2019
- Retail AUM at 89.3% of total AUM²

1. Based on APE
2. At December 31, 2018

Premium growth

₹ billion	H1- FY2018	H1- FY2019	Oct- FY2019	Nov- FY2019	Dec- FY2019	9M- FY2018	9M- FY2019
APE	35.74	33.81	5.09	6.87	7.66	55.79	53.43
YoY growth	36.8%	(5.4%)	(11.8%)	0.3%	3.0%	25.1%	(4.2%)
RWRP	34.42	31.48	4.69	5.11	6.88	54.01	48.15
YoY growth	38.8%	(8.5%)	(17.2%)	(23.9%)	(4.7%)	26.3%	(10.8%)

Customer centric products

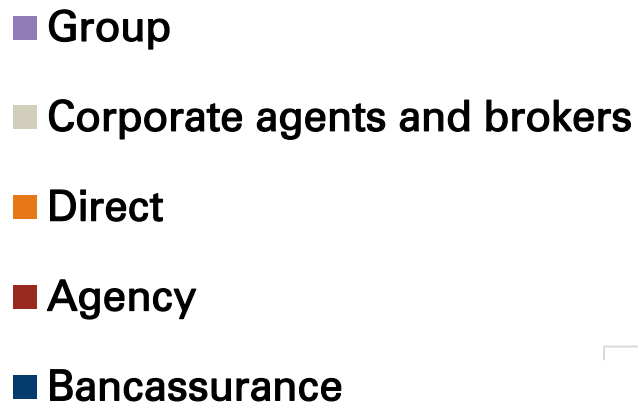
₹ billion	FY2017	FY2018	9M-FY2018	9M-FY2019
Savings	63.64	73.45	53.49	48.82
ULIP	55.69	63.81	46.25	43.25
Par	6.38	8.46	6.43	4.43
Non Par	0.72	0.40	0.21	0.41
Group	0.86	0.78	0.60	0.73
Protection ¹	2.60	4.46	2.30	4.61
Total APE	66.25	77.92	55.79	53.43

Protection mix at 8.6%

Multi-channel distribution¹

₹ billion	FY2017	FY2018	9M-FY2018	9M-FY2019
Bancassurance	37.72	40.75	29.07	30.20
Agency	15.41	19.79	14.70	11.48
Direct	7.98	10.54	8.08	6.20
Corporate agents and brokers	4.07	4.70	3.09	3.01
Group ²	1.07	2.13	0.85	2.54

Channel mix (%)



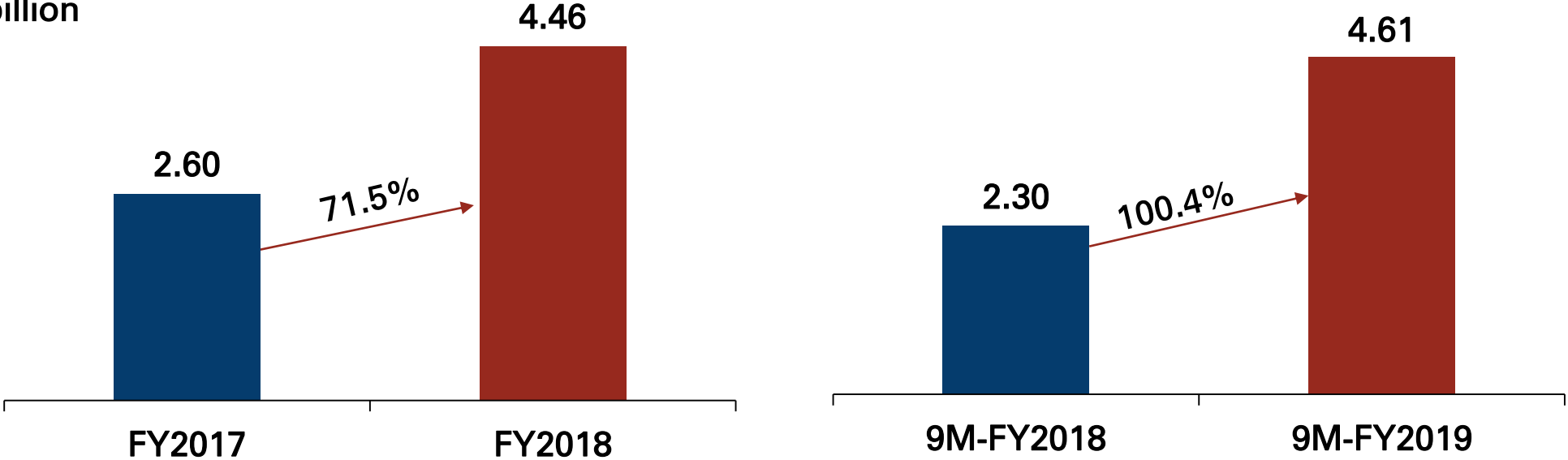
Diversified multi-channel distribution



1. Based on APE
2. Including group protection

Protection¹

₹ billion



- 42.9% of retail new business policies are protection
- New business sum assured grew by 38.7% to ₹ 3,009.89 billion

1. Based on APE

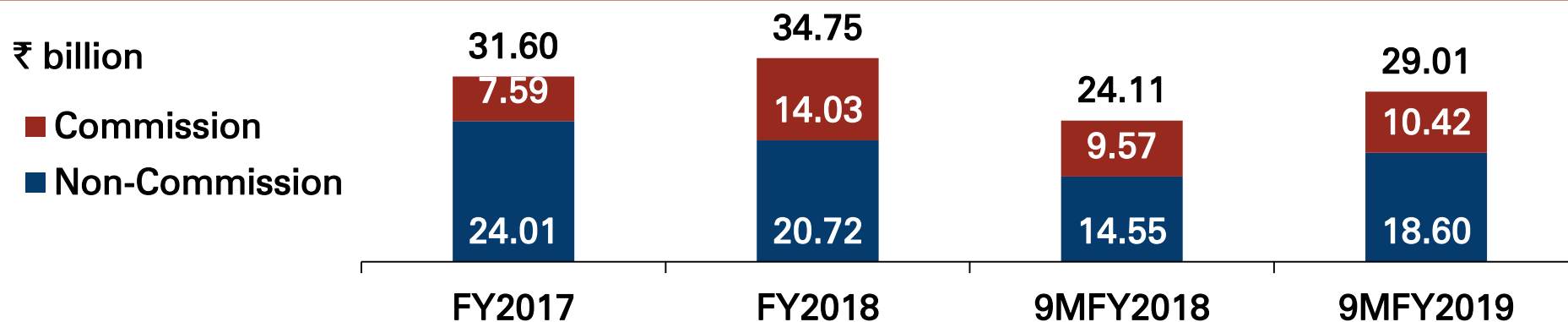
Persistency¹ (retail excluding single premium)

Month	FY2017	FY2018	9M-FY2018	8M-FY2019
13 th month	84.7%	85.8%	85.5%	84.1%
25 th month	73.0%	77.0%	75.4%	76.7%
37 th month	65.5%	67.6%	66.6%	68.7%
49 th month	58.3%	62.8%	61.1%	63.2%
61 st month	53.8%	53.7%	53.6%	55.6%
₹ billion	FY2017	FY2018	9M-FY2018	9M-FY2019
Retail renewal premium	142.19	174.97	114.89	136.09
YOY growth	18.5%	23.1%	23.9%	18.5%
Retail surrender (linked)	105.35	116.86	89.67	62.48

- Linked surrenders reduced by 30.3%
- 63.6% of renewal premium receipted through electronic mediums²

Productivity: Cost efficiency

₹ billion	FY2017	FY2018	9M-FY2018	9M-FY2019
Expense ratio (excl. commission) ¹	11.4%	8.2%	8.5%	9.9%
Commission ratio ²	3.6%	5.5%	5.6%	5.5%
Cost/TWRP ³	15.1%	13.7%	14.0%	15.4%
Cost/Average AUM ⁴	2.8%	2.6%	2.5%	2.7%
Cost/TWRP (Savings LOB)	13.3%	11.8%	12.3%	12.0%



- 65% of new business policies issued within 2 days
- 94% of new business applications initiated via digital platform

Financial update



Financial metrics

₹ billion	FY2017	FY2018	9M-FY2018	9M-FY2019	Growth
Retail new business premium	70.66	84.02	59.97	54.77	(8.7%)
Retail renewal premium	142.19	174.97	114.89	136.09	18.5%
Group premium	10.69	11.70	8.54	16.80	96.7%
Total premium	223.54	270.69	183.40	207.66	13.2%
Value of New Business (VNB) ¹	6.66	12.86	7.67	9.10	18.6%
Profit after Tax	16.82	16.20	12.79	8.79	(31.3%)
Solvency ratio	281%	252%	252%	224%	
AUM	1,229.19	1,395.32	1,383.04	1,499.81	

VNB growth levers update (4P's)

₹ billion	FY2017	FY2018	9M-FY2018	9M-FY2019	Growth
Premium growth (APE) ¹	66.25	77.92	55.79	53.43	(4.2%)
Protection APE	2.60	4.46	2.30	4.61	100.4%
Persistency ² (13 th month excluding single premium)	84.7%	85.8%	85.5%	84.1%	NA
Productivity (Cost/TWRP – Savings LOB)	13.3%	11.8%	12.3%	12.0%	NA
VNB ³	6.66	12.86	7.67	9.10	18.6%
VNB Margin ³	10.1%	16.5%	13.7%	17.0%	NA

Agenda

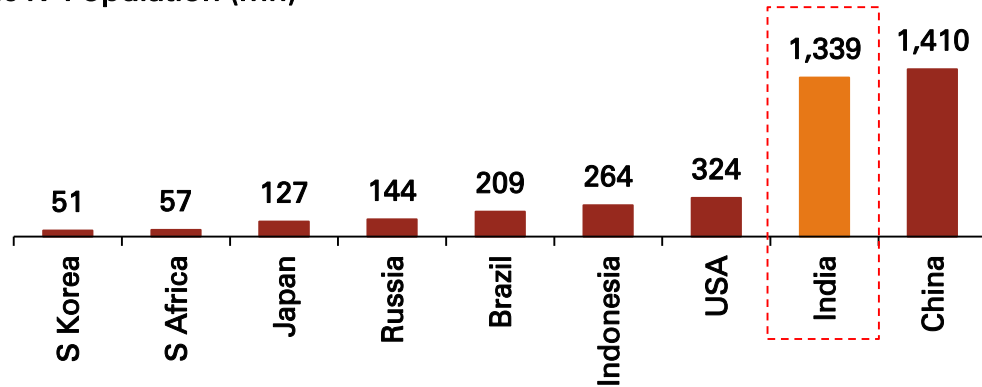
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Favorable demography

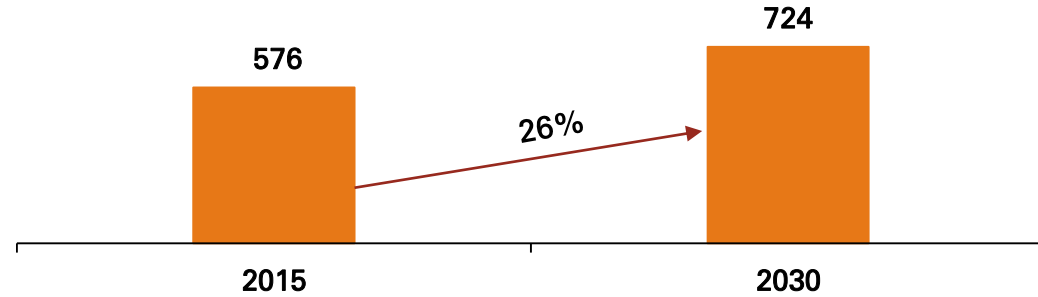
Large and growing population base¹

2017 Population (mn)

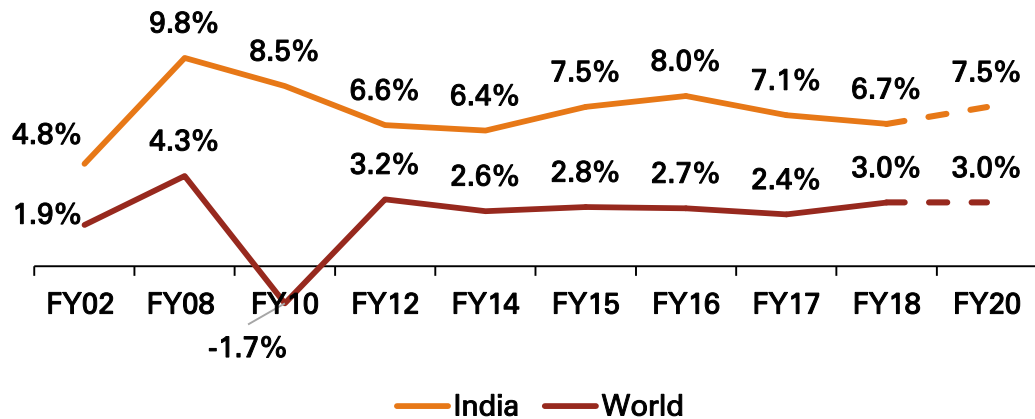


High share of working population¹

Population of age 25-59 years: India (mn)

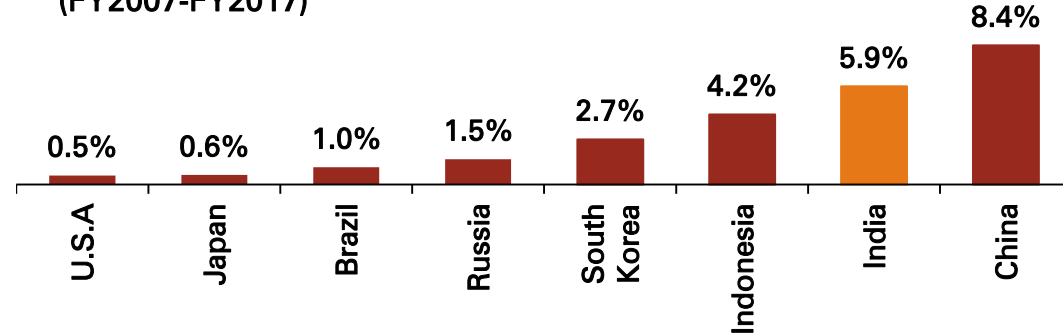


Driving GDP growth²



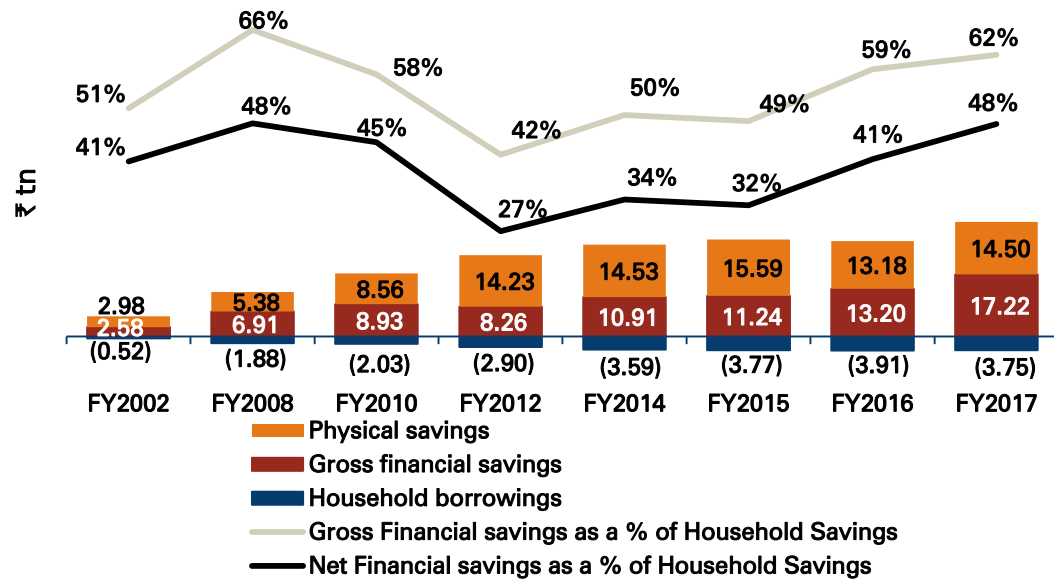
Rising affluence²

GDP per capita CAGR (FY2007-FY2017)

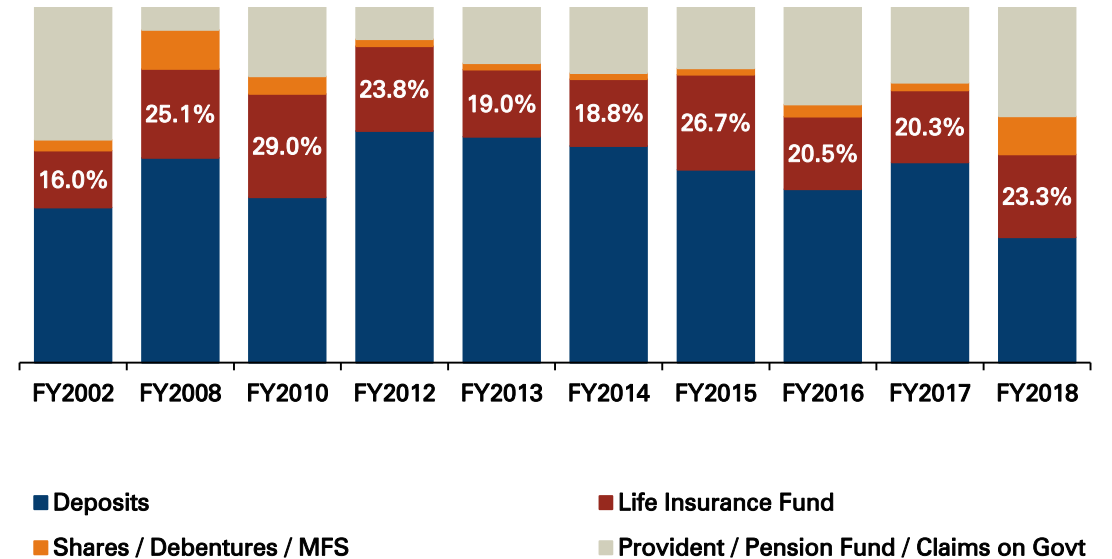


Financialisation of savings: Opportunity for insurance

Household savings (excl. currency)¹



Distribution of financial savings (excl. currency)²



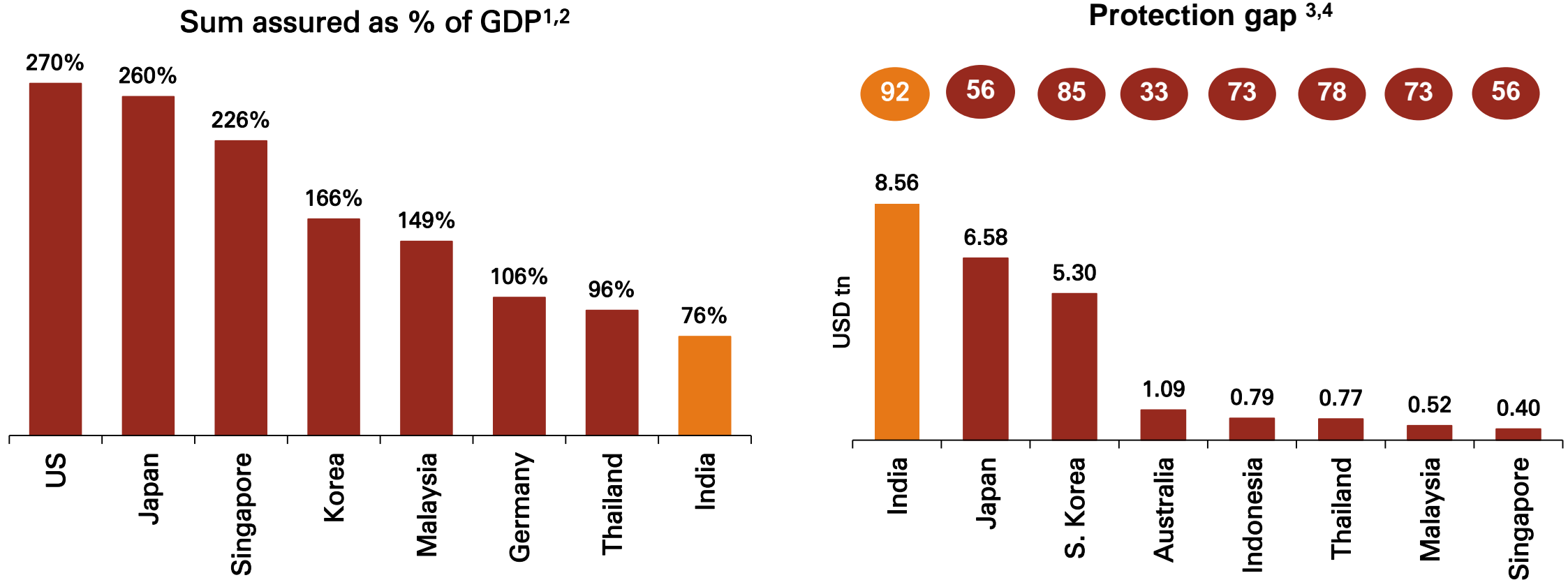
₹ billion	FY2002	FY2008	FY2010	FY2012	FY2014	FY2015	FY2017	FY2018
Life insurance premium ³ as % of GDP	2.1%	4.0%	4.1%	3.3%	2.8%	2.6%	2.7%	2.7%

- Financialisation of savings aided by Direct Benefit Transfer, RERA and GST



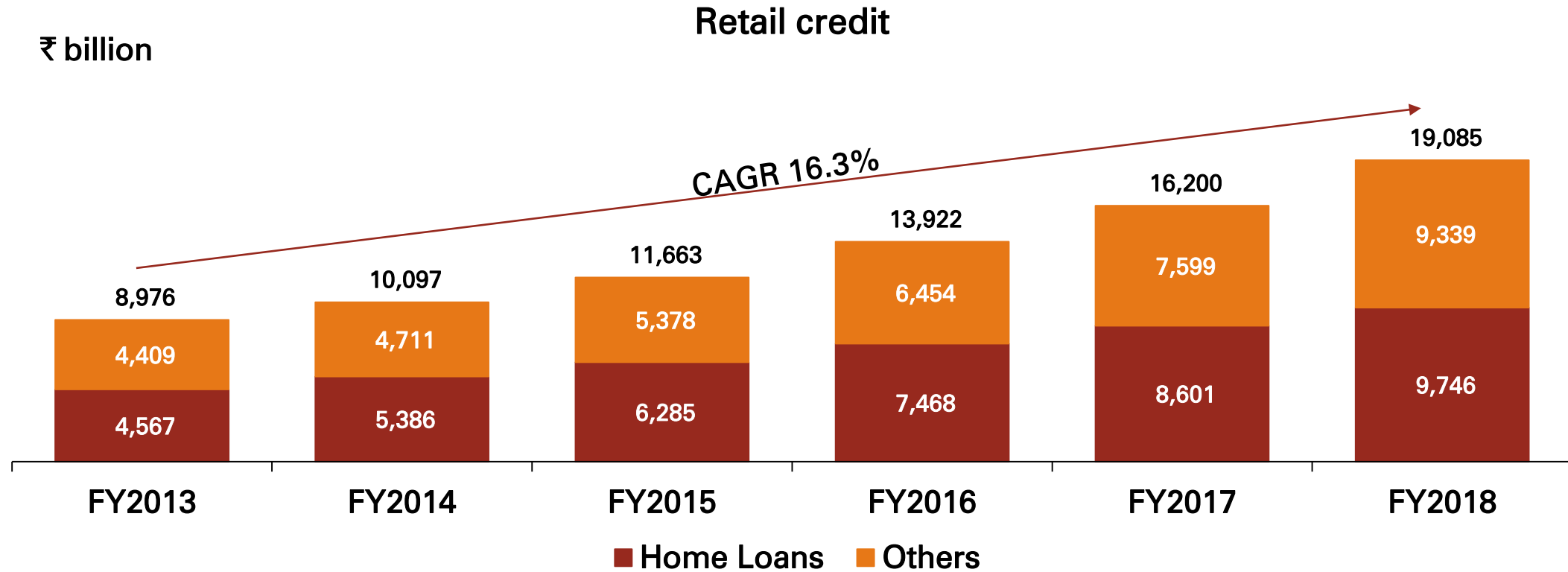
1. Source: RBI and CSO
 2. Source: RBI
 3. Total life insurance industry premium including renewal; Source: IRDAI

Protection opportunity: Income replacement



- Sum assured as % of GDP low compared to other countries
- Protection gap for India US \$ 8.56 trillion

Protection opportunity: Liability cover



- Retail credit has been growing at a healthy pace
- Credit life is voluntary

Protection opportunity

Gross direct premium (₹ billion)	FY2008	FY2018	CAGR
Health	50.45	378.97	22.3%
Motor	130.63	593.14	16.3%
- Motor Own Damage (OD)	84.19	263.59	12.1%
- Motor Third Party (TP)	46.44	329.55	21.6%

- Protection premium ~ ₹ 100 billion for life insurance industry in FY2018

Agenda

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- Opportunity
- **Industry overview**



Evolution of life insurance industry in India

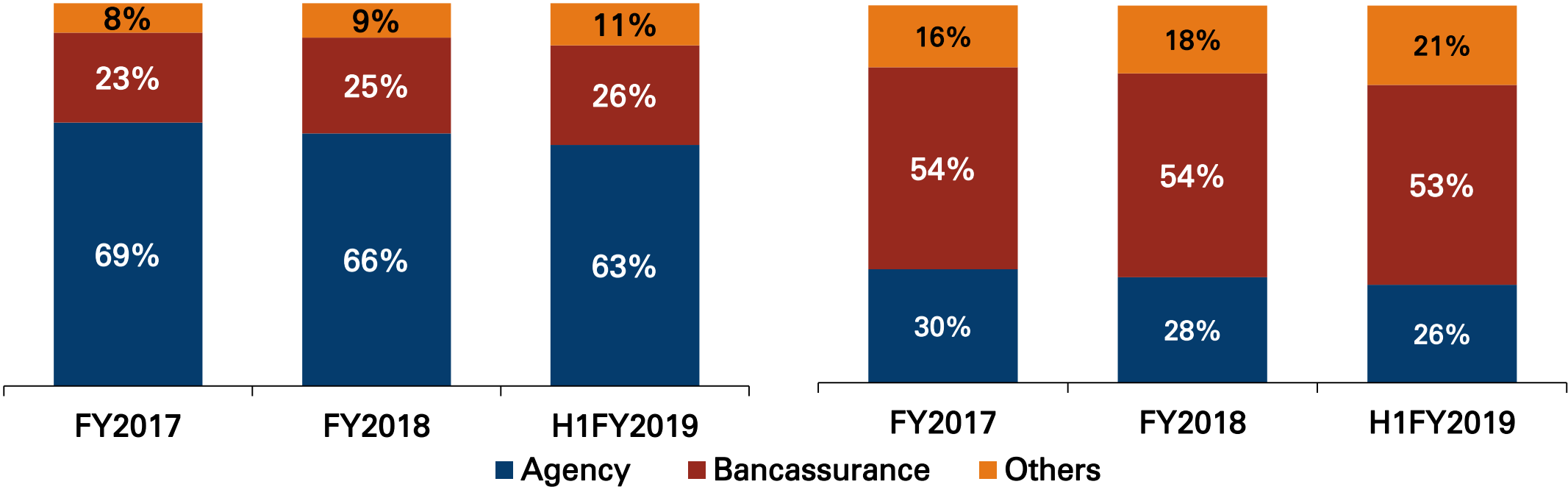
	FY2002		FY2010		FY2015		FY2018
New business premium ¹ (₹ bn)	116	21.5%	550	-5.8%	408	15.9%	635
Total premium (₹ bn)	501	23.2%	2,654	4.3%	3,281	11.8%	4,583
Penetration (as a % to GDP)	2.1%		4.1%		2.6%		2.7%
Assets under management (₹ bn)	2,304	24.0%	12,899	12.6%	23,361	12.4%	33,130
<hr/>							
In-force sum assured ² (₹ bn)	11,812*	15.5%	37,505	15.8%	78,091	17.6%	126,989
In-force sum assured (as % to GDP)	50.1%		57.9%		62.7%		75.7%

Industry is back to growth trajectory

Channel mix¹

Industry

Private players

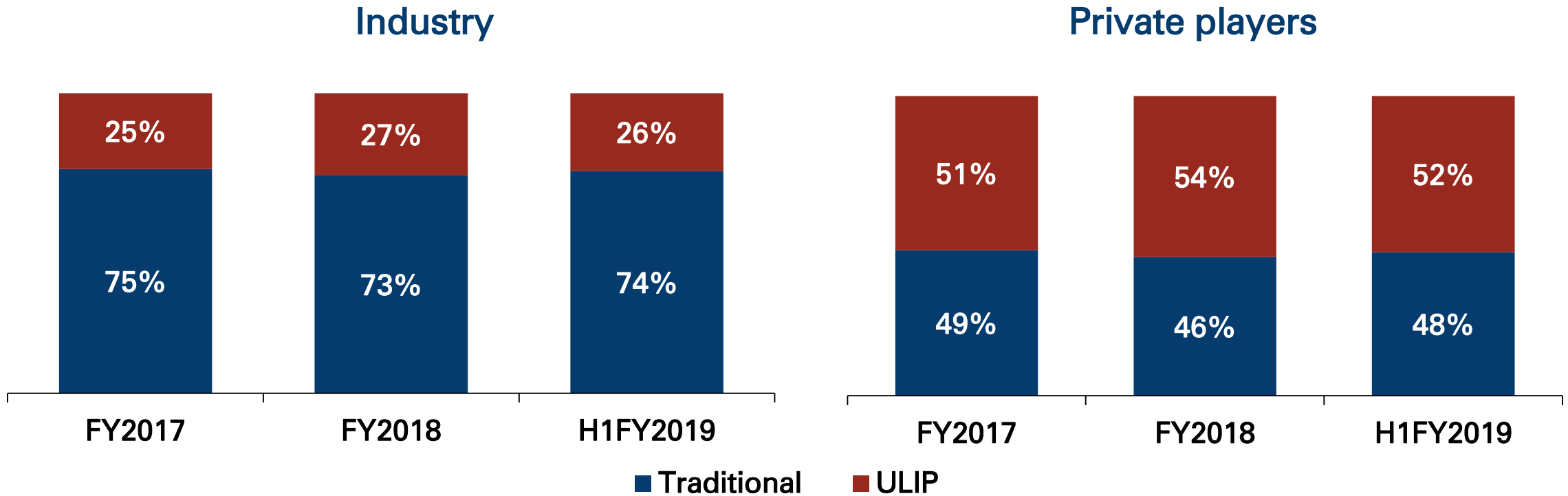


Given a well developed banking sector, bancassurance continues to be the largest channel for private players



1. Individual new business premium basis
Source: Life Insurance Council

Product mix¹



- Strong customer value proposition of ULIPs
 - Transparent and low charges
 - Lower discontinuance charges compared to other savings products
 - Choice and flexibility of asset allocation



1. New business weighted premium basis;
Source: IRDAI, Life Insurance Council

Annexures



Categories of products

Savings

Linked	<ul style="list-style-type: none">• Transparent• Choice of asset class• Low charges and minimum lapse risk for customers
Par	<ul style="list-style-type: none">• Return upside through segment surplus¹ i.e. income net expense/reserve• High lapse risk for customers
Non-Par Savings	<ul style="list-style-type: none">• Guaranteed returns• High lapse risk for customers

Protection

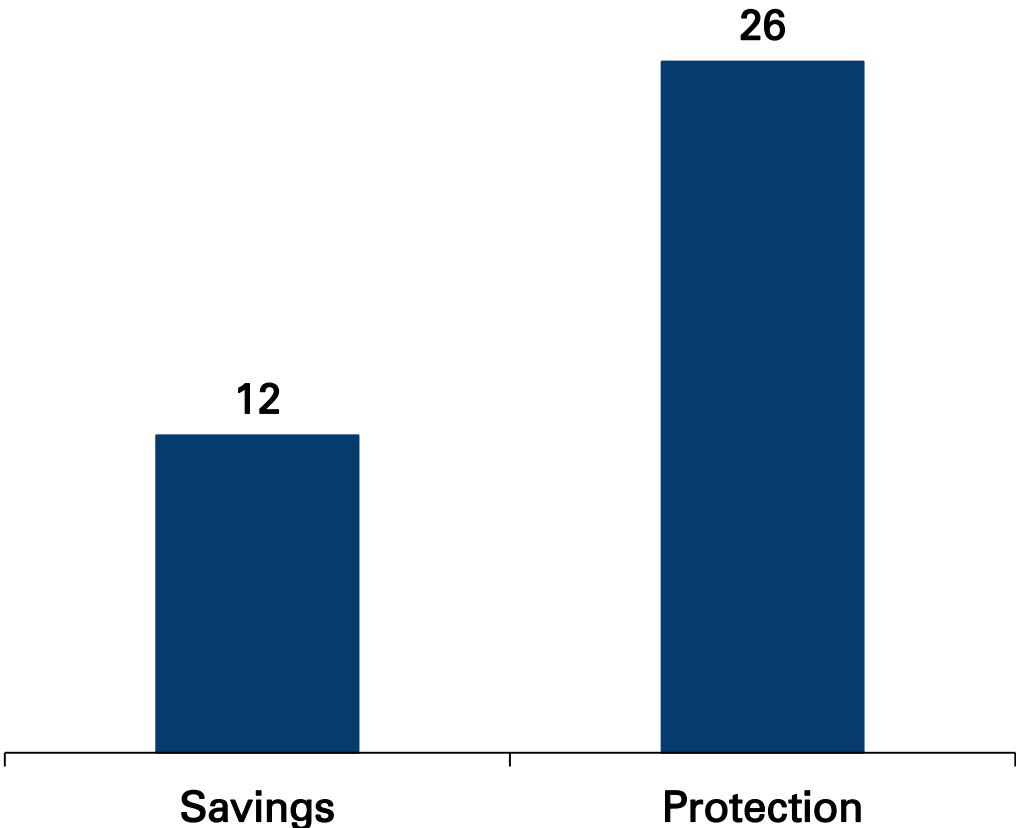
Individual life/health	<ul style="list-style-type: none">• Pure mortality/morbidity risk cover
Credit cover	<ul style="list-style-type: none">• Pure mortality/morbidity cover to borrowers
Group life	<ul style="list-style-type: none">• Pure mortality cover for formal/informal groups

Average APE by product categories

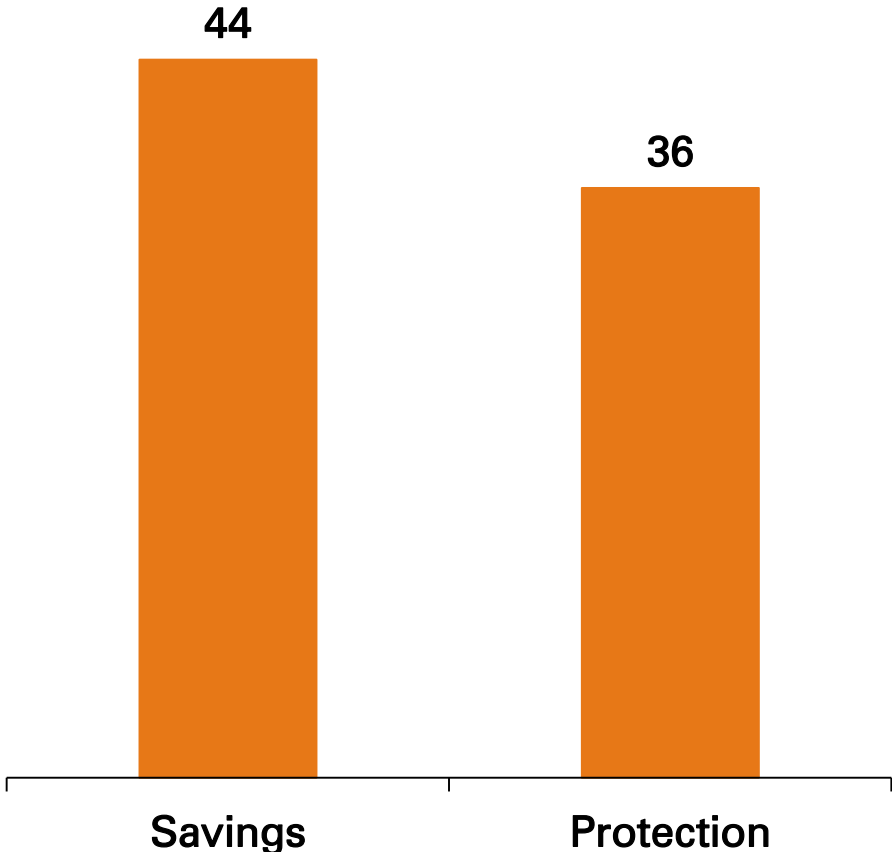
Average retail APE per policy (₹)	FY2015	FY2016	FY2017	FY2018
ULIP	129,087	149,777	169,701	180,746
Par	38,480	44,533	56,325	62,379
Non Par	25,233	23,656	39,153	54,187
Protection	4,408	10,284	9,815	9,123
Total	73,047	87,194	92,735	90,620

Policy term and customer age¹

Average policy term (years)



Average customer age (years)

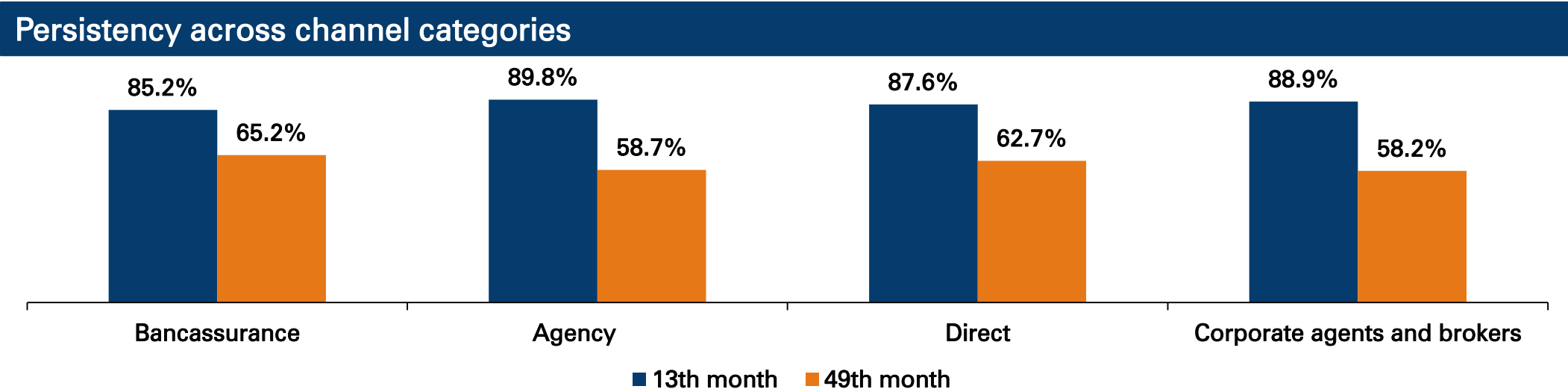
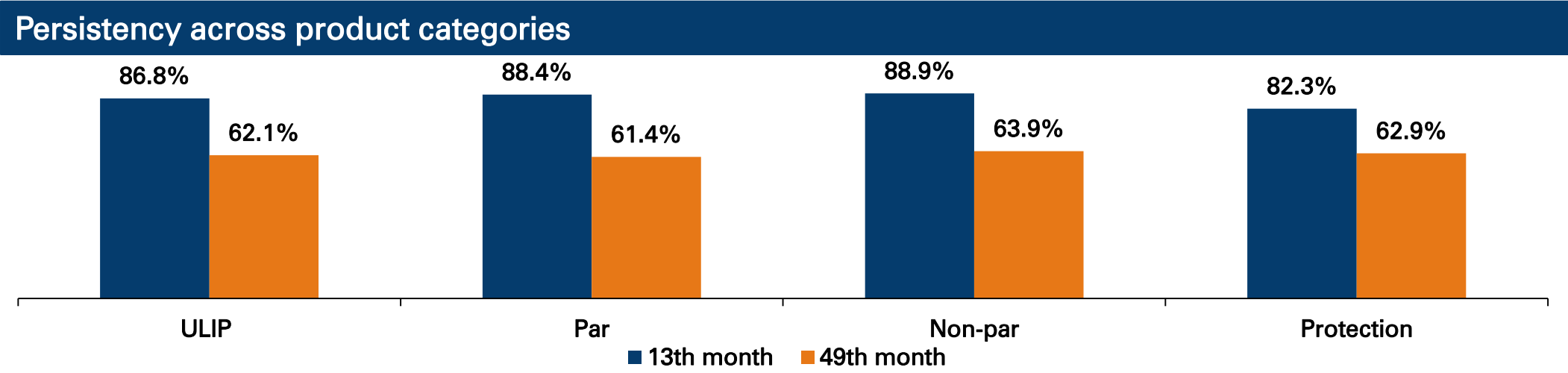


1. For FY2018; protection excludes credit life

Channel wise product mix¹

Channel category	Product category	FY2015	FY2016	FY2017	FY2018
Bancassurance	ULIP	88.4%	88.9%	92.1%	89.8%
	Par	10.0%	9.1%	5.3%	7.3%
	Non par	0.0%	0.0%	0.4%	0.1%
	Protection	1.5%	2.0%	2.2%	2.7%
	Total	100.0%	100.0%	100.0%	100.0%
Agency	ULIP	78.5%	76.4%	79.5%	81.8%
	Par	19.2%	19.6%	14.2%	13.5%
	Non par	1.0%	0.8%	2.0%	0.4%
	Protection	1.3%	3.2%	4.3%	4.3%
	Total	100.0%	100.0%	100.0%	100.0%
Direct	ULIP	90.5%	84.3%	85.3%	88.0%
	Par	2.8%	7.7%	5.0%	4.3%
	Non par	4.7%	3.6%	3.1%	2.4%
	Protection	2.0%	4.4%	6.5%	5.3%
	Total	100.0%	100.0%	100.0%	100.0%
Corporate agents and brokers	ULIP	62.0%	47.4%	46.5%	36.8%
	Par	34.4%	49.0%	44.1%	49.9%
	Non par	2.4%	0.5%	0.4%	0.5%
	Protection	1.2%	3.1%	9.0%	12.8%
	Total	100.0%	100.0%	100.0%	100.0%

Retail persistency excluding single premium¹

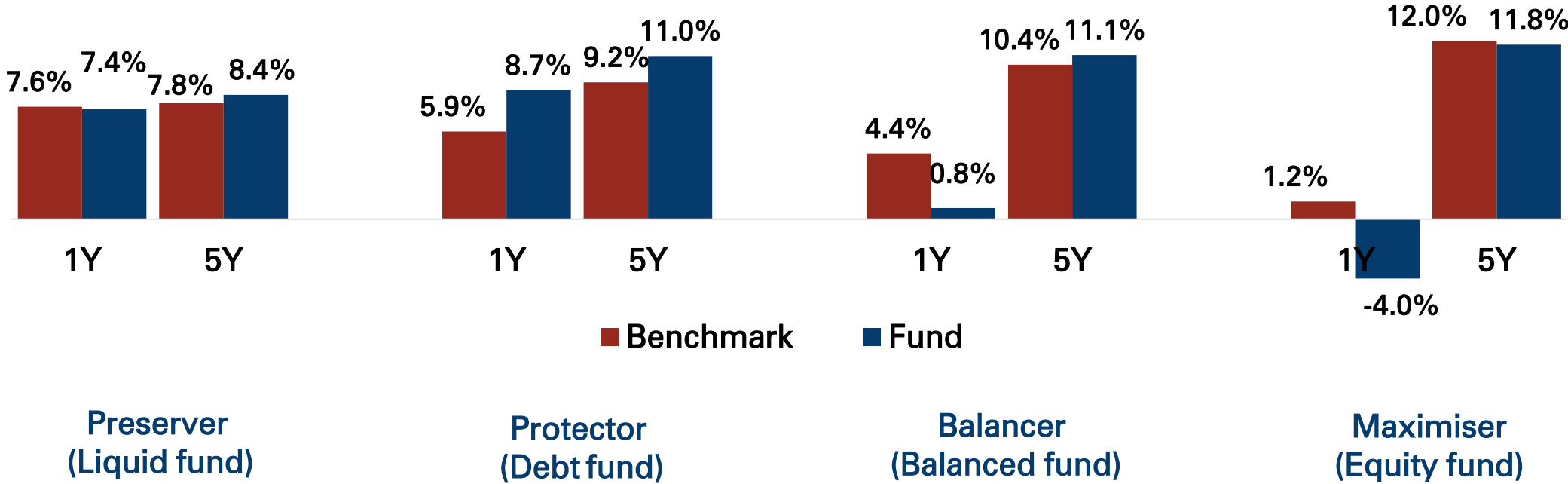


1. 11M-FY2018 persistency
As per IRDA circular dated January 23,2014; excluding group and single premium policies

Retail persistency (including single premium)

Month	FY2016	FY2017	FY2018	8M-FY2019
13 th month	82.4%	85.7%	86.8%	85.4%
25 th month	71.2%	73.9%	78.3%	78.4%
37 th month	61.6%	66.8%	68.8%	69.9%
49 th month	62.2%	59.3%	64.2%	64.6%
61 st month	46.0%	56.2%	54.5%	56.6%

Fund performance



83.9% of linked portfolio out performed benchmark indices since inception



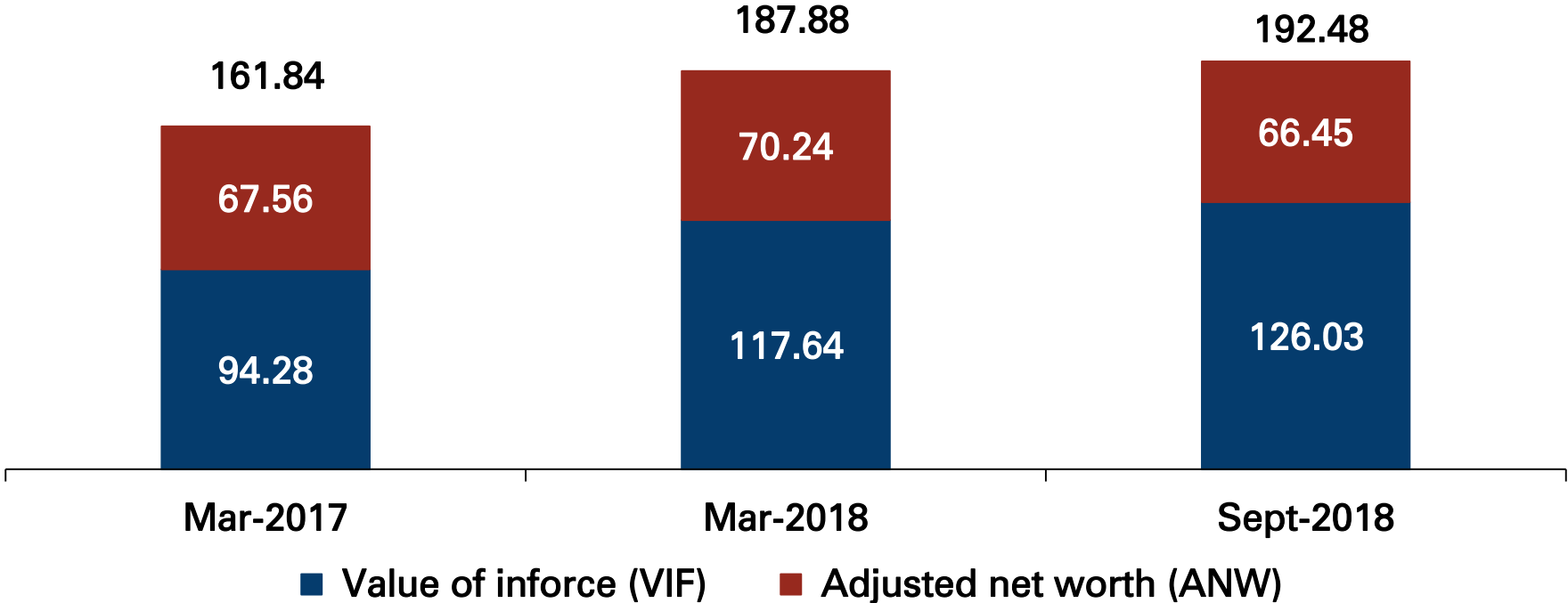
At December 31, 2018

Embedded value



Embedded Value (EV)¹

₹ billion



VIF grew by 7.1% in H1-FY2019



1. As per Indian Embedded value (IEV) method
Components may not add up to the totals due to rounding off

Embedded value growth

₹ billion	FY2015	FY2016	FY2017	FY2018
Value of In force (VIF)	82.88	84.25	94.28	117.64
Adjusted Net worth	54.33	55.14	67.56	70.24
Embedded value¹	137.21	139.39	161.84	187.88
Return on Embedded Value (ROEV) ²	15.4%	16.2%	16.5%	22.7%
EV growth-pre dividend	24.8%	12.1%	20.6%	23.4%
EV growth-post dividend	16.5%	1.6%	16.1%	16.1%
VNB as % of opening EV ²	2.3%	3.0%	4.8%	7.9%
Operating assumption changes and variance as % of opening EV ²	3.2%	4.0%	2.9%	6.3%

Analysis of movement in EV¹

₹ billion	FY2015	FY2016	FY2017	FY2018
Opening EV	117.75	137.21²	139.39	161.84
Unwind	11.70	12.58	12.21	13.72
Value of New Business (VNB)	2.70	4.12	6.66	12.86
Operating assumption changes	1.60	1.04 ²	1.00	7.64
Persistency variance		2.01	0.99	1.53
Mortality and morbidity variance		0.79	0.98	0.78
Expense variance	2.12 ³	0.59	0.35	0.27
Other variance		1.09	0.76	0.00
EVOP	18.12	22.23	22.95	36.80
Return on embedded value (ROEV)	15.4%	16.2%	16.5%	22.7%
Economic assumption change and investment variance	11.11	(5.64)	5.82	1.13
Net capital injection	(9.77)	(14.41)	(6.32)	(11.88)
Closing EV	137.21	139.39	161.84	187.88



1. As per Indian Embedded Value (IEV) method
2. Difference of FY2015 closing EV and FY2016 opening EV shown as operating assumption changes in FY2016; Components may not add up to the totals due to rounding off
3. Includes persistency, mortality and morbidity, expense and other variance

EV methodology

- EV results prepared based on the Indian Embedded Value (IEV) methodology and principles as set out in Actuarial Practice Standard 10 (APS10) issued by the Institute of Actuaries of India (IAI)
- EV consists of Adjusted Net Worth (ANW) and Value of in-force covered business (VIF)
 - ANW is market value of assets attributable to shareholders, consisting of
 - Required capital
 - Free surplus
 - Value of in-force covered business (VIF) is
 - Present value of future profits; adjusted for
 - Time value of financial options and guarantees;
 - Frictional costs of required capital; and
 - Cost of residual non-hedgeable risks

Components of ANW

- Required capital (RC)
 - The level of required capital is set equal to the amount required to be held to meet supervisory requirements.
 - It is net of the funds for future appropriation (FFAs)
- Free surplus (FS)
 - Market value of any assets allocated to, but not required to support, the in-force covered business

Components of VIF (1/2)

- Present value of future profits (PVFP)
 - Present value of projected distributable profits to shareholders arising from in-force covered business
 - Projection carried out using 'best estimate' non-economic assumptions and market consistent economic assumptions
 - Distributable profits are determined by reference to statutory liabilities
- Frictional Cost of required capital (FC)
 - FCs represent investment management expenses and taxation costs associated with holding the Required capital
 - Investment costs reflected as an explicit reduction to the gross investment return

Components of VIF (2/2)

- Time value of financial options and guarantees (TVFOG)
 - Represents additional cost to shareholders that may arise from the embedded financial options and guarantees
 - Stochastic approach is adopted with methods and assumptions consistent with the underlying embedded value
- Cost of residual non-hedgeable risk (CRNHR)
 - An allowance for risks to shareholder value to the extent not already allowed for in the TVFOG or the PVFP
 - Allowance for asymmetric risks of operational, catastrophe mortality/morbidity and mass lapsation risk
 - Determined using a cost-of-capital approach
 - Allowance for diversification benefits among the non-hedgeable risks, other than the operational risk
 - 4% annual charge applied to capital required

Components of EV movement (1/2)

- Expected return on existing business (unwind)
 - Expected investment income at opening reference rate on VIF and ANW
 - Expected excess 'real world' investment return over the opening reference rate on VIF and ANW
- Operating assumption changes
 - Impact of the update of non-economic assumptions both on best estimate and statutory bases to those adopted in the closing EV
- Value of new business
 - Additional value to shareholders created through new business during the period

Components of EV movement (2/2)

- Operating experience variance
 - Captures impact of any deviation of actual experience from assumed in the opening EV during the inter-valuation period
- Economic assumption changes and Investment variance
 - Impact of the update of the reference rate yield curve, inflation and valuation economic assumptions from opening EV to closing EV
 - Captures the difference between the actual investment return and the expected 'real world' assumed return
- Net capital injection
 - Reflects any capital injected less any dividends paid out

Key assumptions underlying EV (1/2)

- Discount rate and Fund earning rates
 - Set equal to reference rates which is proxy for risk free rates
 - Reference rates derived on the basis of zero coupon yield curve published by the Clearing Corporation of India Limited
- Expenses and commission
 - Based on the Company's actual expenses during FY2018 with no anticipation for productivity gains or cost efficiencies
 - Commission rates are based on the actual commission payable to the distributors

Key assumptions underlying EV (2/2)

- Mortality and morbidity
 - Based on company's experience with an allowance for future improvements in respect of annuities
- Persistency
 - Based on company's experience
- Taxation
 - Taxation costs reflect the reduction in costs due to dividend income being tax exempt

Sensitivity analysis (FY2018)

Scenario	% change in EV	% change in VNB
Increase in 100 bps in the reference rates	(2.1)	(4.9)
Decrease in 100 bps in the reference rates	2.2	5.2
10% increase in the discontinuance rates	(1.3)	(8.6)
10% decrease in the discontinuance rates	1.4	9.1
10% increase in mortality/morbidity rates	(1.0)	(5.4)
10% decrease in mortality/morbidity rates	1.0	5.5
10% increase in acquisition expenses	Nil	(9.2)
10% decrease in acquisition expenses	Nil	9.2
10% increase in maintenance expenses	(1.0)	(3.5)
10% decrease in maintenance expenses	1.0	3.5
Tax rates increased to 25%	(4.6)	(7.9)

Economic assumptions underlying EV

Tenor (years)	References Rates		
	March 31, 2017	March 31, 2018	December 31, 2018
1	6.35%	6.57%	6.94%
5	7.78%	8.21%	7.87%
10	8.02%	8.31%	7.97%
15	8.03%	8.11%	7.90%
20	8.03%	7.97%	7.89%
25	8.03%	7.91%	7.92%
30	8.03%	7.88%	7.98%

Glossary

- **Annualized Premium Equivalent (APE)** – Annualized Premium Equivalent (APE) is the sum of the annualized first year premiums on regular premium policies, and ten percent of single premiums, from both individual and group customers
- **Assets under management (AUM)** - AUM refers to the carrying value of investments managed by the company and includes loans against policies and net current assets pertaining to investments
- **Embedded Value (EV)** - Embedded Value (EV) represents the present value of shareholders' interests in the earnings distributable from the assets allocated to the business after sufficient allowance for the aggregate risks in the business
- **Embedded Value Operating Profit (EVOP)** - Embedded Value Operating Profit (EVOP) is a measure of the increase in the EV during any given period due to matters that can be influenced by management
- **Retail Weighted Received Premium (RWRP)** - Premiums actually received by the insurers under individual products and weighted at the rate of ten percent for single premiums
- **Total weighted received premium (TWRP)** - Measure of premiums received on both retail and group products and is the sum of first year and renewal premiums on regular premium policies and ten percent of single premiums received during any given period
- **Persistency Ratio** - Persistency ratio is the percentage of policies that have not lapsed and is expressed as 13th month, 49th month persistency etc. depicting the persistency level at 13th month (2nd year) and 49th month (5th year) respectively, after issuance of contract

Safe harbor

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 ICICI Bank Limited, our holding company, with the United States Securities and Exchange Commission. ICICI Prudential Life Insurance undertakes no obligation to update forward-looking statements to reflect events or circumstances after the date thereof.



Thank you