

PRESS RELEASE

HDFC Life, Max Group Entities finalize merger of Life Insurance Businesses

- *Proposed Transaction creates a Rs 255 Bn annual premium company¹, with scale, differentiated portfolio and wider reach to expand in a growing life insurance sector*
- *Delivers attractive value proposition for HDFC Life and Max Group shareholders, with significant operating leverage and synergies*
- *Policyholders to benefit from enhanced product portfolio and touch points*
- *Employees will have greater opportunities across functions and geographies*
- *Agents and corporate agents (including HDFC Bank and Axis Bank) will continue their strategic distribution partnership with HDFC Life the merged insurance entity*
- *After completion of the proposed Transaction, HDFC Life would be listed on the NSE and BSE*

Mumbai, August 8, 2016: The Board of Directors of HDFC Standard Life Insurance Company Ltd. (“HDFC Life”), Max Life Insurance Company Ltd. (“Max Life”), Max Financial Services Ltd. (“Max Financial Services”) and Max India Ltd. (“Max India”) at their respective meetings held today, approved entering into definitive agreements for amalgamation of business between the entities through a composite Scheme of Arrangement. As a part of the proposed transaction, the life insurance business of Max Financial Services, currently held in Max Life, would demerge into HDFC Life.

As per the agreed valuation and exchange ratio, the relative valuation of HDFC Life and Max Life would be 69% and 31% respectively.

For the merger of Max Life into Max Financial Services, shareholders of Max Life will get one share of Max Financial Services for approximately five shares of Max Life. For the demerger of the life insurance undertaking from Max Financial Services into HDFC Life, shareholders of Max Financial Services (post the amalgamation with Max Life), will get 2.33 shares of HDFC Life for each share of Max Financial Services.

As a part of the proposed transaction, in consideration of the non-compete and non-solicitation obligations undertaken by the Promoter Group of Max Financial Services, and for the goodwill attached to the life insurance products and the business of Max Life, the merged insurance entity will be paying a non-compete fee to the Promoter Group of Max Financial Services. The term of Non-Compete would be 4 years since the payment of an upfront fee of Rs 501 crore which will be payable post completion of the proposed transaction. This will be followed by three equal annual installments totaling Rs 349 crore.

HDFC Life has also entered into a Trademark License Agreement to use the ‘Max’ brand as part of life products that will transition from Max Life, for seven years post completion of the proposed transaction.

¹ FY 2015-16 Basis

HDFC Ltd. and Standard Life (Mauritius Holdings) 2006 Ltd. will be the promoters of HDFC Life the merged entity, post completion of the proposed transaction. HDFC Ltd. will cease to be the holding company of HDFC Life post completion of the proposed transaction and will hold ~42.5% of HDFC Life (based on shareholding as on June 30, 2016).

The proposed transaction brings together two large life insurance players with complementary capabilities. The merged insurance entity on pro-forma basis has a combined market share of 10.8%², in an extremely competitive life insurance market. The product mix of HDFC Life and Max Life complements each other. The merged insurance entity will also have a diversified distribution mix with the contribution (excluding group segment) based on FY16 new business premium being agency 19%, bancassurance 64%, direct 11% and others 5%. On completion, HDFC Life is expected to have bancassurance partnerships with leading banks including HDFC Bank and Axis Bank. The proposed transaction is expected to result in a wider product suite and enhanced service touch points for customers.

The merger is expected to result in significant financial benefits to shareholders and policy holders of the merged insurance entity, through revenue enhancements from a wider customer base and product suite, additional upsell & cross sell opportunities, enhanced distribution capacity and productivity, as also via scale based synergies. Revenue synergies will accrue due to a wider customer base and product suite providing additional upsell & cross sell opportunities, to compete more effectively in the market.

Max Financial Services will seek an upfront approval of their public shareholders (greater than 50% of the votes cast) for payment of the non-compete fee and Max Life will seek consent from its shareholders holding more than 75% stake for the proposed transaction. Separately, Max India will also seek an upfront approval of its public shareholders for the proposed transaction.

The proposed transaction will also need approval by a majority of shareholders present and voting at the Court convened shareholder meetings of each of HDFC Life, Max Life, Max Financial Services and Max India.

The closing of the proposed transaction will also be subject to certain conditions precedent, including regulatory approvals such as approval by the Insurance Regulatory and Development Authority of India, Competition Commission of India, The Securities and Exchange Board of India, stock exchanges and Hon'ble High Courts amongst others.

Upon obtaining all approvals, when the scheme becomes effective, the following steps will occur in that order:

- Max Life will merge into Max Financial Services
- Demerger of the life insurance undertaking from Max Financial Services into HDFC Life (ie, the merged insurance entity)
- Merger of Max Financial Services (holding the residual business) into Max India

² FY16 individual new business received premium basis

- HDFC Life, ie the merged insurance entity, would become a listed company, with HDFC Ltd. and Standard Life (Mauritius Holdings) 2006 Ltd. as the promoters

The proposed transaction is expected to become effective in the next 12-15 months.

Commenting on the proposed transaction, Mr. Deepak Parekh, Chairman of HDFC Ltd. said “We are proud to announce our association with the Max Group and the strategic nature of this transaction. We view this merger as long term value creation for shareholders of HDFC Life.”

Mr. Analjit Singh, Founder & Chairman Emeritus of Max Group said “Max Life and HDFC Life have complementary strengths which would make this merger hugely beneficial for all stakeholders including customers, employees, distribution partners and investors.”

Mr. Amitabh Chaudhry, CEO & MD of HDFC Life said “We are extremely excited about the proposed transaction. The combination will give us a much larger scale of operations. We are looking forward to work closely with Max Life employees and customers and build a strong franchise.”

Mr. Rahul Khosla, President of Max Group and Chairman, Max Life said, “This transaction is testimony to the reputation that Max Life has built over the years, for being a well-run, well-managed company with strong fundamentals.”

Mr. Mohit Talwar, Managing Director, Max Financial Services and Max India, said, “This transaction would create an entity that will bring all-round and significant benefits to customers and employees alike and will prove to be a truly value-accretive business for investors from the very beginning.”

Transaction Advisors

Arpwood Capital acted as the lead financial advisor and Morgan Stanley acted as the financial advisor to HDFC Life. Shardul Amarchand Mangaldas acted as the legal advisor to HDFC Life. AZB & Partners (Mumbai team) advised HDFC Ltd. and Cyril Amarchand Mangaldas (Mumbai team) represented Standard Life (Mauritius Holdings) 2006 Ltd.

Ambit acted as the financial advisor to Max Life. AZB & Partners (Delhi team) acted as legal advisor to Max Life and Max Financial Services and Cyril Amarchand Mangaldas (Bangalore team) advised MSI, Japan.

S.R. Batliboi & Co. LLP recommended the share exchange ratio for the merger of Max Life into Max Financial Services. Haribhakti & Co. LLP and S.R. Batliboi & Co. LLP, appointed by HDFC Life and Max Financial Services respectively, recommended the share exchange ratio for the demerger of the life insurance undertaking from Max Financial Services into HDFC Life.

Citigroup Global Markets India Private Limited and Kotak Mahindra Capital Company Limited provided fairness opinion to the Board of HDFC Life and CLSA India Private Limited provided fairness opinion to the Board of Max Financial Services.

About HDFC Life

HDFC Life is one of the leading life insurance companies in India offering a range of individual and group insurance solutions that meet various customer needs such as Protection, Pension, Savings & Investment and Health, along with Children's & Women's Plan. The total premiums for the year ending March 31, 2016 were Rs. 16,313 crores and total AUM as of March 31, 2016 was Rs. 74,247 crores.

About Max Life

Max Life, the leading non-bank promoted private life insurer, is a joint venture between Max Financial Services and Mitsui Sumitomo Insurance Co. Ltd. Max Life offers comprehensive long term savings, protection and retirement solutions through its high quality agency distribution and multi-channel distribution partners. The total premiums for the year ending March 31, 2016 were Rs. 9,216 crores and total AUM as of March 31, 2016 was Rs. 35,824 crores.

About Max Financial Services

Max Financial Services, a part of the US\$ 2 billion Max Group, is the parent company of Max Life, India's largest non-bank, private life insurance company. Max Financial Services actively manages a 69% stake in Max Life, making it India's first listed company focused exclusively on life insurance.