SBI Life Insurance Company Ltd

Issue Snapshot:

Issue Open: Sep 20 – Sep 22 2017

Price Band: Rs. 685 – 700

Issue Size: 120,000,000 Equity Shares (Entirely Offer for sale) including Employee Reservation and SBI Bank Shareholders reservation)

Offer Size: Rs.8220 – 8400 crs

QIB	upto	53,000,000 eq sh
Retail	atleast	37,100,000 eq sh
Non Institu	atleast	15,900,000 eq sh
SBI Shareholder	upto	12,000,000 eq sh
Employee	upto	2,000,000 eq sh

Face Value: Rs 10

Book value: Rs 58.79 (June 30, 2017)

Bid size: - 21 equity shares and in multiples thereof

100% Book built Issue

Capital Structure:

Pre Issue Equity: Rs. 1000.0 cr

Post issue Equity: Rs.1000.0 cr

Listing: BSE & NSE

Book Running Lead Manager: JM Financial Institutional Securities Ltd, Axis Capital Ltd, BNP Paribas, Citigroup Global Markets India Private Limited, Deutsche Equities India Private Limited, ICICI Securities Limited, Kotak Mahindra Capital Company Limited, SBI Capital Markets Limited.

Registrar to issue: Karvy Computershare Pvt Ltd

Shareholding Pattern

Shareholding Pattern	Pre issue %	Post issue %
Promoters & Promoter Group	96.10	84.10
Public (incl institutions & employees)	3.90	15.90
Total	**100.0**	**100.0**

Background & Operations:

SBI Life Insurance Company Ltd (SBI Life) is India's largest private life insurer, in terms of New Business Premium generated in each fiscal year, since Fiscal 2010. It has increased its market share of New Business Premium generated among private life insurers in India, from 15.87% in Fiscal 2015 to 20.04% in Fiscal 2017. In Fiscal 2017, it enjoyed a market share of Individual Rated Premium of 20.69% among private life insurers in India and 11.16% of the entire life insurance industry in India

SBI Life was established as a joint venture between the State Bank and BNPPC in 2001. As of March 31, 2017, State Bank was India's largest commercial bank in terms of deposits, advances and number of branches. Following its recent merger with certain of its associate banks and a non-affiliate bank, with effect from April 1, 2017, State Bank had 24,017 branches and 195 international offices in 36 countries and more than 420 million customers. BNPPC, an insurance subsidiary of BNP Paribas, with operations across 36 jurisdictions internationally, is among the leading credit life insurance businesses globally. BNP Paribas was a top 10 global financial institution in terms of revenues in 2016. Its relationship with State Bank and BNPPC has enabled to enhance its brand, access specialist industry expertise, grow business and consolidate market position

As of July 31, 2017, SBI Life had a comprehensive product portfolio of 37 individual and group products (of which eight products are group products), including a range of protection and savings products to address the insurance needs of diverse customer segments. Its individual products include participating products, non-participating protection products, other non-participating products and unit-linked products. It has developed a multi-channel distribution network comprising an expansive bancassurance channel, including State Bank, the largest bancassurance partner in India, a large and productive individual agent network comprising 95,177 agents as of July 31, 2017, as well as other distribution channels including direct sales and sales through corporate agents, brokers, insurance marketing firms and other intermediaries. In Fiscal 2017, it collected the highest amount of New Business Premium generated by private life insurers in India both through the bancassurance channel as well as through an individual agent network The company has also developed long standing institutional relationships with large corporates with respect to its group life insurance products.

In Fiscal 2017, SBI Life had 13th month and 61st month Persistency Ratios of 81.07% and 67.18%, respectively, with its 61st month Persistency Ratio being the highest among the top five private life insurers (in terms of total premium in Fiscal 2017) in India. Its Death Claims Settlement Ratio improved from 92.33% in Fiscal 2015 to 97.98% in Fiscal 2017, and was 89.61% for the three months ended June 30, 2017. It has consistently maintained its Solvency Ratio at over 2.00 in each of the last five fiscal years, and at 2.11 as of June 30, 2017, compared to the IRDAI mandated minimum Solvency Ratio of at least 1.50.

SBI Life's New Business Premium, Gross Written Premium and New Business Annualized Premium Equivalent increased at a CAGR of 35.45%, 27.80% and 36.59%, respectively, between Fiscal 2015 & Fiscal 2017, while Individual Rated Premium increased at a CAGR of 37.90% in the same period. Assets under management ("AUM") increased from Rs. 713,389.30 million as of March 31, 2015 to Rs. 977,366.03 million as of March 31, 2017, & was Rs. 1,012,260.34 million as of June 30, 2017. Its AUM was the second highest among top five private life insurers (in terms of total premium in Fiscal 2017) in India as of March 31, 2017. Its PAT increased at a CAGR of 8.24% from Rs. 8,148.67 million in Fiscal 2015 to Rs. 9,546.53 million in Fiscal 2017 & was Rs. 3,134.48 million for the three months ended June 30, 2017. It turned profitable within the first five years of its operations, and has declared dividends every year since Fiscal 2012.

Objects of Issue:

The objects of the Offer are to achieve the benefits of listing the Equity Shares on the Stock Exchanges and to carry out the sale of up to 120,000,000 Equity Shares by the Promoter Selling Shareholder. The listing of the Equity Shares will enhance the "SBI Life" brand name and provide liquidity to the existing shareholders. The listing will also provide a public market for the Equity Shares in India. The Company will not receive any proceeds from the Offer. The Allotment of Equity Shares to Eligible Employees under the Employee Reservation Portion would not result in an increase, directly or indirectly, in the shareholding of its Promoters.

Competitive Strengths:

One of the largest private life insurers with a consistent track record of rapid growth: SBI life is India's largest private life insurer, in terms of New Business Premium generated in each fiscal year, since Fiscal 2010. It increased its market share of New Business Premium generated among private life insurers in India, from 15.87% in Fiscal 2015 to 20.04% in Fiscal 2017, and market share of New Business Premium in the entire life insurance industry, from 4.89% in Fiscal 2015 to 5.80% in Fiscal 2017. It is able to leverage its diversified product portfolio to capitalize on favourable industry opportunities, as a result of which Gross Written Premium and New Business Annualized Premium Equivalent increased at a CAGR of 27.80% and 36.59%, respectively, between Fiscal 2015 and Fiscal 2017. The company has also issued the highest number of individual life policies annually among private life insurers in India since Fiscal 2014. It has consistently increased its market share of Individual Rated Premium among private life insurers in India from 15.61% in Fiscal 2015, to 18.83% in Fiscal 2016 and to 20.69% in Fiscal 2017. Its Return on Infused Capital is the highest among the top five private life insurers (in terms of total premium in Fiscal 2017) in India. AUM increased from Rs. 713,389.30 million as of March 31, 2015 to Rs. 977,366.03 million as of March 31, 2017 and was Rs. 1,012,260.34 million as of June 30, 2017, and was also the second highest as of March 31, 2017 among top five private life insurers (in terms of total premium in Fiscal 2017) in India

Significant brand equity and pre-eminent Promoters*:* SBI life was established as a joint venture between State Bank and BNPPC in 2001. It was recognized as among the Most Trusted Brands by The Economic Times Brand Equity – Nielsen survey in Fiscal 2017 for the sixth consecutive year. SBI life was jointly top-ranked for customer loyalty in the life insurance category across more than 15 cities in India. In addition, the established brand, market leading position and stability of operations of its shareholders, State Bank and BNPPC has enabled to significantly enhance its brand and market reputation. Its relationship with State Bank and BNPPC has also enabled it to access specialist industry expertise, grow its business and consolidate its market position. As life insurance products are typically long term in nature, its customers are able to better identify with its long and stable operating history, financial strength and high financial credit ratings, established business reputation and market leadership position. SBI life similarly benefit from the brand and market reputation of BNPPC, the insurance subsidiary of BNP Paribas with operations across 36 jurisdictions, BNPPC is among the global leaders in credit life insurance business and BNP Paribas was a top 10 global financial institution in terms of revenues in 2016. Its promoters with established reputations and significant customer goodwill in India and globally, together with its diversified and innovative product portfolio, multi-channel distribution network, extensive geographic coverage and trained agents and other intermediaries, has enabled it to strengthen its business reputation and enhance the brand equity.

Expansive multi-channel distribution with pan-India bancassurance channel and high agent productivity*:* SBI Life has over the years developed one of the largest multi-channel distribution networks among private life insurers in India, with the largest bancassurance channel, including with State Bank, the largest bancassurance partner in India. It has the largest market share of Individual New Business Premium generated by private life insurers through bancassurance channels in Fiscal 2017 and also has a large and productive individual agent network comprising 95,177 agents as of July 31, 2017. SBI Life's other distribution channels include direct sales and sales through corporate agents, brokers, insurance marketing firms and other intermediaries. Its diversified distribution network enables it to reduce the risk of dependence on any particular channel, leverage economies of scale, and allows to access to a wide range of customer segments. Its bancassurance network provides with a strong presence across rural and urban areas, including metropolitan cities, tier I, tier II and tier III cities and towns across India. As of July 31, 2017, it engaged with more than 42,000 CIFs at bancassurance partner branches to sell its products, and continue to provide effective technology support and training on product features, customer requirements and sales techniques. SBI life also makes significant direct sales, primarily comprising sale of group products, as well as standardized individual products sold through its online offerings. It has also developed strong institutional relationships with large corporate groups, in particular with respect to its group life insurance products. It has supported its various distribution channels by investing in additional branches, from 750 offices as of March 31, 2015 to 801 offices as of March 31, 2017, and increasing the number of sales and customer support employees to support its sales channels. As of July 31, 2017, it had 803 offices, located across 29 States and seven Union Territories, and 12,647 employees.

Sustainable business model driven by robust financial position, superior investment performance, diversified product portfolio and effective risk management:

Robust financial position supported by high operating efficiencies: SBI Life has developed a strong capital base, and is adequately capitalized. It turned profitable within the first five years of its operations, has demonstrated consistent profitability since Fiscal 2010 and has declared dividends every year since Fiscal 2012. It has maintained its Solvency Ratio at over 2.00 during the last five fiscal years, and its Solvency Ratio was 2.11 as of June 30, 2017. While it has made significant investments to support growth, it also ensured high levels of operating efficiencies reflected in low Operating Expense Ratios. Its Operating Expense Ratio was the lowest among top five private life insurers (in terms of total premium in Fiscal 2017) in India for Fiscal 2017.

Superior investment performance: SBI Life manage the second largest AUM among top five private life insurers. As of March 31, 2015, 2016 and 2017, and June 30, 2017, its AUM was Rs.713,389.30 million, Rs.798,275.78 million, Rs.977,366.03 million and Rs.1,012,260.34 million, respectively. As of June 30, 2017, most of its unit-linked funds that are benchmarked to independent indices have out-performed the benchmark over the last 5 year, 3 year and 1 year horizons. The average realized returns for its traditional portfolio in Fiscal 2017 was 9.00%.

Diversified product portfolio: SBI Life's diversified product portfolio is an important contributing factor to the growth of its business. In its group products business, group protection (credit life) has been a key focus area and New Business Premium from these products has increased by 15.06% from Rs. 2,396.22 million in Fiscal 2016 to Rs. 2,757.09 million in Fiscal 2017 and was Rs. 524.21 million for the three months ended June 30, 2017. Its liability profile also reflects its diversified individual product portfolio with participating products, non-participating protection products, other non-participating products and unit-linked products accounting for 23.42%, 2.25%, 9.60% and 64.73%, respectively, of its individual policyholders' reserves as of March 31, 2017, and 23.53%, 2.24%, 9.45% and 64.78%, respectively, of its individual policyholders' reserves as of June 30, 2017. SBI Life's focus on maintaining a diversified product mix has resulted in its Value of New Business Margin of 15.4% in Fiscal 2017. Its Renewal Premium grew at 24.69% from Fiscal 2016 to Fiscal 2017 which was the highest growth among the top five private life insurers (in terms of total premium in Fiscal 2017) in India. *Its* high renewal composition brings stability to Gross Written Premium growth, which has increased at CAGR of 27.80% from Fiscal 2015 to Fiscal 2017.

Effective risk management: SBI Life's robust risk management practices have been an important contributing factor to its sustainable growth. Its comprehensive risk management policy specifies the process for identification, measurement and analysis of risk exposures, monitors risk management strategies, and is coordinated with its operational policies, including those relating to compliance, outsourcing, fraud management risks and business continuity management. It has also established effective sales quality management, as well as strategic asset liability management processes and effective capital budgeting activities. It undertake an economic capital assessment process periodically, quantify various risks, and allocate capital for each risk to assess capital adequacy on an economic basis and monitor concentration of risk in specific areas. Its widespread operations across metropolitan cities, tier I, tier II and tier III cities, as well as semi urban and rural parts of India reduce any geographic concentration risk as well as dependence on any particular customer segment.

Strong focus on customer service standards: SBI Life's strong focus on customer service is a key factor for its sustained growth and that its customer-centric approach to growing its business and developing its product portfolio and distribution channels is a key competitive strength. It offers a diverse and comprehensive range of products that cover various customer segments. Its widespread operations enable it to address customer needs effectively and efficiently. It also provides customer support through its call centres, website and mobile application, *SBI Life –Easy Access.* SBI Life has leveraged its strong IT infrastructure to introduce superior customer service initiatives, including business generation through tablets, payment collection through mobile devices and provision of alternate payment gateways. Its stringent customer on-boarding process, consistent customer service through call centres, and regular customer engagement through agents, calls, email communication and text messages has enabled it to maintain customer satisfaction levels. SBI Life's focus on continuously improving customer satisfaction parameters has enabled it to maintain its leadership position among private life insurers in India.

Professional and Highly Experienced Board of Directors and Senior Management Team: SBI Life has a distinguished Board comprising of industry professionals with extensive executive leadership experience across various industries and business domains. Its Board includes senior members of State Bank and BNPPC who are able to provide effective guidance on its operations and risk management measures. The experience of its Board and senior management allows it to make strategic decisions to address changing market conditions and evolving customer needs and implement global best practices in its operations. Large number of its senior management personnel has worked with the company for a significant period of time, resulting in effective operational coordination and continuity of business strategies. The significant experience of its management team has enabled SBI Life to effectively innovate, grow business and consistently deliver strong financial performance.

Business Strategy:

Capitalize on insurance industry growth opportunities*:* SBI life is well positioned to capitalize on opportunities arising out of the growing life insurance market in India. It is focused on maintaining leadership position in the private sector life insurance market by increasing penetration and proliferation of its life insurance products in untapped/ relatively under-penetrated markets. SBI Life propose to expand its branch network based on a particular region's business potential and implement customized regional strategies to address the requirements of local customers. It also plans to develop and introduce additional individual products to add to its product portfolio of 29 individual products as of July 31, 2017. Further, it intends to diversify into other strategic business segments such as health by launching products that cater to this underpenetrated segment. SBI Life will continue to focus on further growing its credit life protection business offering coverage for loans by working more closely with its bancassurance partners and entering into strategic distribution arrangements with other financial services institutions.

Ensure profitable growth through balanced product portfolio and expansive distribution network SBI Life will continue to focus on ensuring profitability of its business by maintaining a diversified product portfolio. It continues to undertake market assessment studies to strategically evaluate additional product offerings. As part of its efforts to enhance Value of New Business, Embedded Value and improve margins, its strategy is to further optimize its product portfolio by maintaining a balance between unit-linked, participating and non-participating products. It also intend to expand protection product portfolio, with a particular emphasis on credit life protection products and to gradually reduce focus on group products due to the inherently competitive nature of this business and the high guarantee obligations related to such products. Further it will also continue to periodically revaluate pricing considerations based on customer feedback with a focus on profitable growth while maintaining market share. It intends to continue to leverage strong multi-channel distribution network to ensure profitable growth and to continue to strategically grow a highly productive individual agent network, by recruiting additional agents and sales managers to support them, focusing on regions and customer segments with significant business potential. It intends to market and sell additional products online by customizing products to meet requirements of specific customer segments through its website. SBI Life further intends to continue to explore opportunities to expand its operations in South Asia including in Nepal and Bangladesh and has obtained all regulatory approvals for starting operations in Bahrain. SBI life shall increase its focus on targeting customers through social media and digital platforms such as mobile applications and undertake digital marketing campaigns and data analytics to improve its brand equity and sales.

Enhance brand equity and continue to focus on customer satisfaction: The insurance business is substantially dependent on reputation. In order to maintain leadership position across various geographies and different customer segments, SBI life continues to focus on further strengthening its brand by augmenting customer relationships, maintaining stakeholder expectations and improving claims management processes. It continues to build on its existing corporate culture and strengthen image as a socially responsible insurance company through various corporate social responsibility and insurance awareness initiatives with the intent to pursue sustainable, value-enhancing long-term growth and profitability. Its strategy is to maintain and enhance brand value by ensuring best in class risk management practices and implementing global best practices. It intends to deploy specialised teams within various distribution channels to identify, engage with and manage specific customer segments. SBI Life continues to cultivate a strong customer service ethos across all its customer interfaces, across its distribution channels and customer support services including call centres. Its call centres provides customers with an efficient means to gain access to information about their insurance policies. SBI Life continues to engage with customers and revise operational policies and processes to ensure superior customer satisfaction, including prompt grievance redressal.

Leverage technology to improve operating efficiencies and support growth*:* SBI Life will continue to leverage its robust IT infrastructure to further its strategic objective of delivering strong customer service and help ensure business growth. It continues to improve its sales processes and operational efficiencies through automation and digitization efforts to ensure increased customer retention. SBI Life continuously upgrade its IT infrastructure to reduce operating costs across its business processes including sourcing, claims management and claims settlement. It has also initiated measures to upgrade its core policy management systems, and to introduce automated claims processing and settlement mechanisms. SBI Life will continue to leverage technology for training programs for its employees and its frontline sales force. It is also focusing its efforts on geographically mapping areas to identify, and increase its operations in areas with significant potential for sales of its products. As a part of the company's operations, it has recently introduced robotics driven self-service portals to facilitate various customer services more efficiently.

Industry:

Global Life Insurance Industry

Growth in the global life insurance industry has been almost stagnant after the financial crisis in 2008. Before the crisis, the total premium of the industry grew at 4% CAGR (in nominal dollar terms) during 2003 to 2007. However, there was a revival in growth from 2014 onwards, as the global life insurance industry recorded 3.5% CAGR growth during 2013-2016 on real premium basis. Growth was primarily driven by China, where premium grew over 15% CAGR during the period. (Source: CRISIL Report) Growth in the post-crisis era has been primarily driven by emerging markets, where premiums grew 6.6% CAGR during 2009 to 2016. Growth in the Indian life insurance industry has been in-line with the emerging market average during the period. (Source: CRISIL Report) Asia is the largest market for life insurance, accounting for 38% of the premium collected. India's share in the global market was 2%. (Source: CRISIL Report) When it comes to the global insurance industry, 55% of the premium comes from life insurance (and the rest from non-life), compared with 78% for India and 50% for other emerging markets. At 3.5%, the global life insurance industry's penetration is 80 basis points more than that of India's. China's life insurance penetration was low and stagnant at 1.7% from 2006 to 2014. However, the industry's growth has been stupendous over the past decade, with insurance density quadrupling from US$ 34.1 in 2006 to US$ 127 in 2014. China was in a high economic growth phase during this period, with its nominal GDP growing at 18% CAGR, according to the International Monetary Fund (IMF). (Source: CRISIL Report) In purchasing-power parity (PPP) terms, China's per-capita GDP increased from US$ 5,800 in 2006 to US$ 13,130 by 2014. China's scorching growth subsequently led to soaring insurance density. Therefore, the life insurance industry grew 4x during 2006 to 2014 on a total-premium basis. (Source: CRISIL Report)

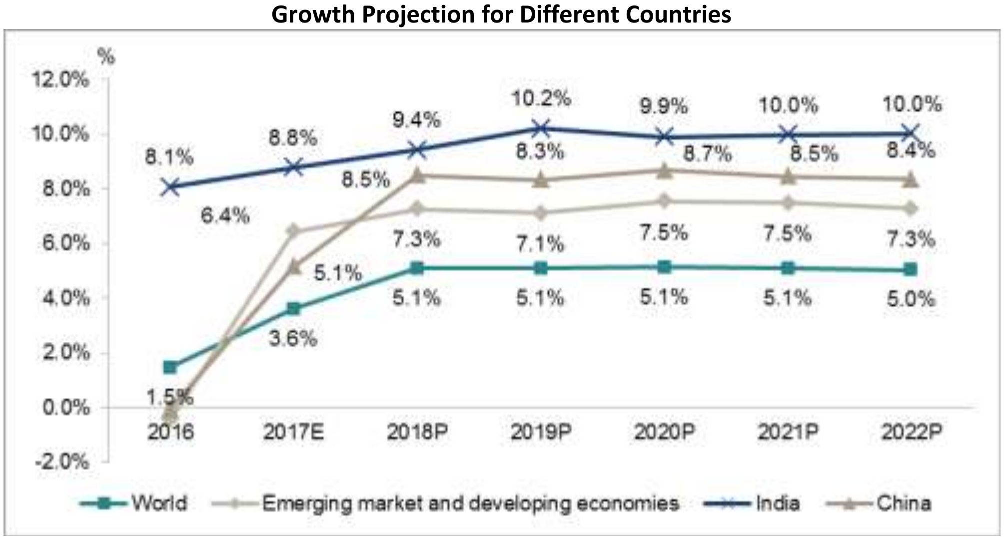
Indian Life Insurance Industry

The size of the Indian life insurance industry is Rs. 4.2 trillion on a total-premium basis as of fiscal 2017. In terms of total premium, the Indian life insurance industry is the 10th largest market in the world and the fifth largest in Asia based on Swiss Re, sigma No 3/2017 report. New premium constituted 42% of the total premium as of fiscal 2017. The industry's assets under management (AUM) grew at a compound annual rate (CAGR) of 19% during fiscal 2001 to fiscal 2017 to Rs. 30 trillion. Total premium has grown at a stupendous 17% CAGR during fiscal 2001 to fiscal 2017, after the privatisation in 2000. (Source: CRISIL Report) Within the premium bucket, new business premium (NBP) grew at 9% CAGR during fiscals 2007 to 2017 to ~ Rs. 1.8 trillion, with fiscal 2017 seeing a sharp 26% year-on-year rise. Group business premium grew at ~22% CAGR during the period over a relatively low base, whereas individual premium rose at a tepid ~2% CAGR. (Source: CRISIL Report). The industry provides individual and group policies, and premium payments can be made at the outset in one go, (called single premium) or on a regular basis. Individual policies accounted for 44% of the new premium collected in fiscal 2017. (Source: CRISIL Report)

Penetration of Insurance in India

At current prices, India's GDP was Rs.151.9 trillion as of fiscal 2017. India's life insurance penetration stood at 2.7% in 2016, compared with 4.4% in 2010. Among Asian countries, life insurance penetration in Thailand, Singapore and South Korea were at 3.7%, 5.5%, and 7.4%, respectively, in 2016. Hence this suggests the untapped potential of the Indian life insurance market. The protection gap for India stood at US$ 8.5 trillion as of 2014, which was much higher compared with its Asian counterparts. The protection margin for India was highest among all the countries at 92% in Asia Pacific. *(Source: CRISIL Report)* With India expected to be the fastest-growing Asian economy – GDP increasing at 10% CAGR in the next five years (in dollars, current prices), according to IMF forecasts (published in April 2016) – the Indian life insurance industry seems poised for strong growth in the years to come. *(Source: CRISIL Report)* As per IMF data, India is expected to grow at a significantly faster rate as compared with China and the rest of the world. Therefore, increasing per-capita GDP will fuel growth in the life insurance industry, evidenced in China's scenario. The per-capita GDP for India over the next five years (2017 – 2022) is expected to grow at 8.5% CAGR as compared with 4.7% in the previous five years. Further, the prevailing low insurance density and penetration in the country will also support stronggrowth in the life insurance sector on account of the low base. *(Source: CRISIL Report)*

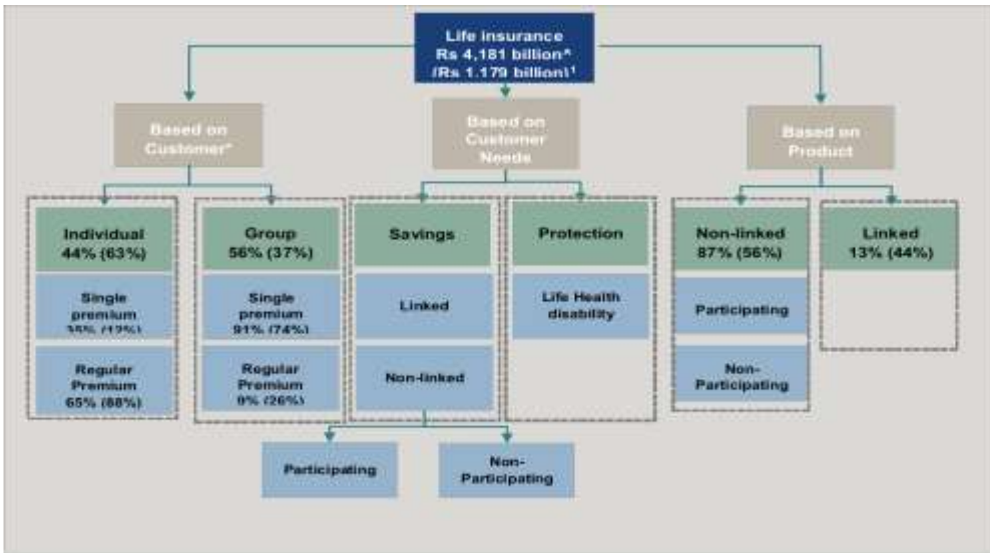
Growth Projection for Different Countries



The industry, which is regulated by the Insurance Regulatory and Development Authority of India (IRDAI), an autonomous body set up in in 1999 (received statutory status in April 2000), has gained considerable traction with the entry of private players in 2000. The number of life insurance companies increased from a mere five in fiscal 2001 to 24 in fiscal 2017. Life Insurance Corporation (LIC) is the sole public player. *(Source: CRISIL Report)* Private sector players have made substantial investments, in terms of capital, which is reflected in the industry's net worth leaping from Rs. 47 billion in fiscal 2005 to Rs. 486 billion in fiscal 2016. With the passage of the Insurance Laws (Amendment) Act in 2015, which increased the foreign direct investment (FDI) limit in the insurance sector from 26% to 49%, FDI in the sector has grown exponentially - during April – December 2016, FDI increased 764% on-year to US$ 2.8 billion. *(Source: CRISIL Report)*

Life Insurance Products

The life insurance sector can be classified on the basis of products and customer segments. Historically, life insurance products were savings-oriented, i.e. non-linked products, but after 2000 there was a shift from largely tax savings-based participating product sales to multiple products. *(Source: CRISIL Report)* Non-linked products are traditional products with a protection and savings element built in or only pure-protection products. Non-linked savings products can be further divided into participating products and non-participating products. Participating products have variable returns, as it is linked to the performance of the insurance company. Linked products' returns, on the other hand, are tied to the performance of debt and equity markets. Linked products started gaining traction from fiscal 2007. *(Source: CRISIL Report)* As of fiscal 2017, non-linked products, though, were more popular, accounting for 87% of the total premium collected. However, the share was much lower for private players, constituting 56% of the total premium. *(Source: CRISIL Report)*



History of Life Insurance Development in India

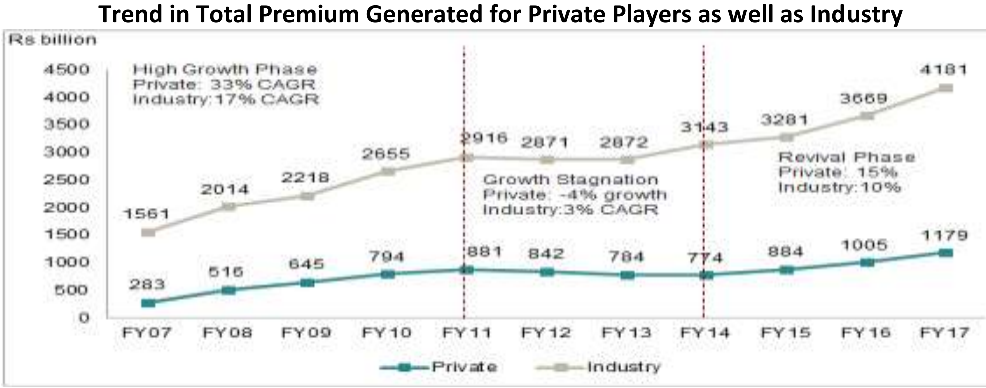
The Indian life insurance industry consisted of only one player –LIC–during 1956 to 2000. Post privatisation in 2000, 10 private players entered the life insurance industry during 2000 to 2001. Among the current top five players in the industry, HDFC Standard Life was the first private company to register in 2000, followed by ICICI Prudential Life and MaxLife Insurance in the same year. SBI Life and Bajaj Allianz entered the industry in 2001. Only four new private players entered between 2002 to 2005, post which there was a surge again, with eight players setting up businesses till 2009. Edelweiss Tokio Life Insurance was the last entrant in the industry in 2011. Out of the 23 private players registered with the IRDAI, 20 players have joint ventures (JVs) with foreign partners. *(Source: CRISIL Report)* Total premium rose a sharp 17% CAGR between fiscals 2007 and 2011, owing to aggressive foray by private players. Growth for private players was driven by ULIP sales amid capital-market performance. Also, a favourable commission structure because of high upfront commission to intermediaries led to higher sales of linked products. Therefore, the total premium on linked products grew 18% CAGR during the period. Hence, the share of private players in total premium increased from 18% in fiscal 2007 to 30% in fiscal 2011. The share of banking corporate agents in the individual new business premium increased from 6% to 13% over the period, as private players looked at alternative channels to market their products and increase reach. As of fiscal 2011, private players comprised 64% market share in the linked products segment. *(Source: CRISIL Report)*

After the sharp growth during fiscals 2007 to 2011, the industry saw a sudden slowdown over the subsequent three years. Regulatory changes by the IRDAI with respect to linked products, decline in financial savings rate coupled with weak performance of the equity markets led to the slowdown. The IRDAI's new regulation capping products charges resulted, in decline in the commission for linked products, thereby making sales of these products less lucrative for intermediaries. The move had a more adverse impact on private players because of their high exposure to linked products. *(Source: CRISIL Report)* Private players relooked at their product offerings, distribution channel mix, and operational efficiency. The focus on traditional products increased, as reflected in the share of linked products in the product mix declining from 71% in fiscal 2011 to 45% in fiscal 2014. The use of the banking channel was enhanced and the industry went slow on branch rollouts, given the significant branch expansion before 2010; these moves reduced upfront infrastructure costs and selling expenses. Additionally, the focus on technology increased. All these moves resulted in the industry's return on equity (RoE) rising from -3% in fiscal 2011 to 17% in fiscal 2014. *(Source: CRISIL Report)*

Trend in IRP for Private Players and Industry

The overall industry saw revival on NBP basis in fiscal 2016, which is a lag of a year as compared to total premium, as growth in renewal premium had primarily driven growth in fiscal 2015. However, revival for private players was visible even in fiscal 2015, as both NBP and renewal premium grew ~18% and ~12% on-year, respectively. During fiscals 2015 to 2017, NBP for LIC and private players posted CAGRs of ~26% and ~21%, respectively. During fiscals2011 to 2014, the NBP of private players declined 9% CAGR, which was a significant underperformance as compared to industry, which fell 2% CAGR. *(Source: CRISIL Report)*

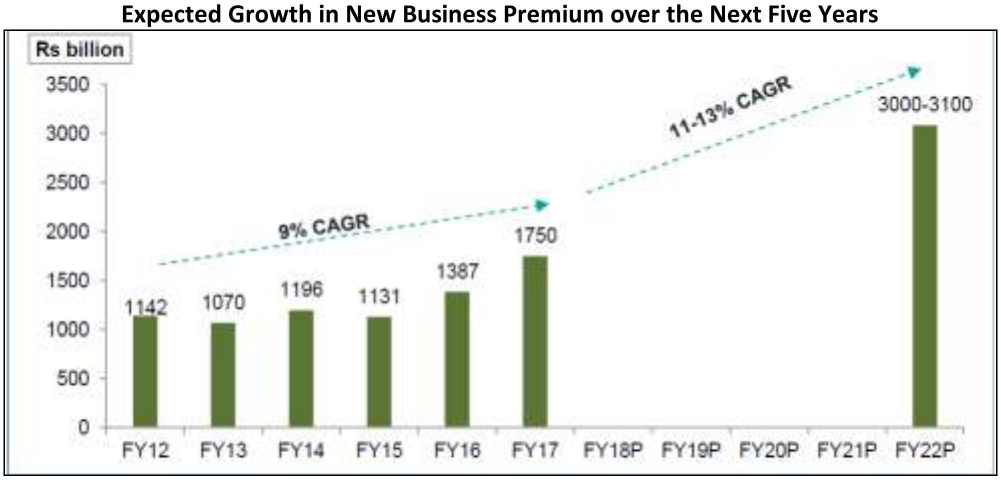
Trend in Total Premium Generated for Private Players as well as Industry



Outlook

CRISIL Research forecasts new business premium for life insurers to grow at 11-13% CAGR from fiscals 2017 to 2022, compared with 9% CAGR between fiscals 2012 and 2017. CRISIL Research expects total premium to grow at 13-15% CAGR over the next five years, from Rs. 4,181 billion in fiscal 2017 to Rs. 7,900 - Rs. 8,100 billion by fiscal 2022. Improving economic growth, low inflation, and increase in financial savings, along with rising awareness of insurance, would be the key catalysts. *(Source: CRISIL Report)*

Expected Growth in New Business Premium over the Next Five Years



With economic growth gradually picking up and structural drivers in place (rising life expectancy, healthcare spending, pension needs), it expects the growth trajectory of life insurance products to be markedly stronger in the next five years. Furthermore, the higher FDI limit of 49% will help private players unlock value in their insurance subsidiaries and strengthen their financial position. *(Source: CRISIL Report)*

Factors Contributing to Growth of Indian Life Insurance Industry

Strong GDP growth

CRISIL Research forecasts India's economy to grow at 7.4% (in real terms) in fiscal 2018, up from 7.1% in the previous fiscal, assuming normal monsoon and supported by improved consumption demand. Softer interest rates and inflation will also likely aid consumption. In the next five years, growth should be ~8% annually. Faster growth in GDP should translate into rising income, which, in turn, is favourable for growth in life insurance. (Source: CRISIL Report)

Increase in Savings

While GDP growth in India is projected to improve compared with the preceding five-year period, control over inflation is another key structural positive. When the country witnessed 23% deficient monsoon in fiscal 2010, the consumer price index-linked (CPI) inflation had climbed to 12.4%. However, despite two successive deficient monsoons in 2014 and 2015, CPI inflation averaged 6% in fiscal 2015 and dropped to 5% in fiscals 2016 and 2017. It is expected that CPI inflation to remain stable at around these levels in fiscal 2018 as well. Over the long term too, the Reserve Bank of India (RBI) is committed to keep inflation low and range-bound. Lower inflation gives an impetus to overall savings, as people can save more. (Source: CRISIL Report)

Therefore, the increased financial savings, coupled with the expected increase in the share of insurance as a percentage of financial savings, due to a significant improvement in product proposition and delivery mechanisms, are expected to drive growth for the life insurance sector. (Source: CRISIL Report)

Increasing awareness among rural population to increase geographical reach and penetration

The share of new business premium from Maharashtra increased from 15% in fiscal 2011 to 18.7% in fiscal 2017. The share of Uttar Pradesh and Tamil Nadu in individual premium decreased 80 bps and 70 bps, respectively during the period, whereas the share of West Bengal was stagnant at 9.2%. It is expected the geographical reach of players to expand with the increase in bank branches in the hinterland, the government's focus on financial inclusion, and increasing awareness of insurance with schemes such as the Pradhan Mantri Jeevan Jyoti Bima Yojana.

Rise in Healthcare Spending

As per IRDAI data, only 359 million people (or 27% of the total population) have health insurance coverage as of fiscal 2016. Only ~20% of this health insurance coverage is provided by commercial insurance providers (life and non-life included), with the remaining covered under Central or state government-sponsored schemes such as Central Government Health Scheme and Employee State Insurance Scheme. Several factors underscore the massive opportunity in health insurance for commercial insurance providers. These are (i) low penetration, (ii) rising cost of healthcare, (iii) constraints for government spending, (iv) limited coverage (currently provided only for hospitalisation), and (v) increasing demand for quality healthcare with rising incomes. (Source: CRISIL Report) India's total expenditure on health was 4.7% of GDP in 2014. As per the World Health Organization (WHO), the per-capita health spending increased from $20 in 2000 to $75 in 2014, with public expenditure constituting 30%, and private expenses constituting the remaining. Among its Asian peers, India has one of the highest share of out-of-pocket expenses in its overall healthcare spending mix. Therefore, this poses a significant opportunity for insurance players to tap this segment. (Source: CRISIL Report)

Pension Funds

As of 2014, only ~8% of retirees within the private sector receive a pension; therefore, a multi-fold increase in pension coverage to the private sector workforce is an imperative. If 70% of private sector retirees are adequately covered by 2030, their retirement assets will rise to ~26% of GDP in 2030. If the entire private sector workforce, which will be over 60 in 2030, has an adequate retirement cover, the size of the retirement corpus will rise to nearly Rs. 276 trillion (or 38% of GDP) by 2030 and Rs. 3,626 trillion (or 74% of GDP) by 2050. The provision of additional tax benefits to the extent of employers' contribution in the New Pension Scheme is expected to provide an opportunity for the growth of pension premium.

Protection Gap

The protection gap for India stood at US$ 8.5 trillion as of 2014, which was much higher compared to its Asian counterparts. The protection margin for India was the highest amongst all the countries at 92% in Asia Pacific, as per a Swiss Re report. This means that for US$ 100 of insurance protection requirement, only US$ 8 was actually insured as of 2014. This indicates the absence or inadequacy of pure protection coverage (term insurance) for a large part of the population. Further, with the penetration of retail products being low in India; financiers are aggressively focusing on retail credit, the growth of which will support insurance off take. (Source: CRISIL Report)

Increasing Insurable Population

Currently, India is one of the nations with the highest young populations, with a median age of 28 years. 90% of Indians will still be below the age of 60 by 2020 and 63% are expected to be between the age of 15-59. Comparatively, the US, China and Brazil had 74%, 62% and 78% of the population below the age of 60 (as of 2012). The number of individuals in the age of 25-49, which is the target population for the industry, is increasing in India and would boost industry growth. A large share of the working population, coupled with rapid urbanisation and rising affluence, is expected to propel Indian life insurance sector growth. (Source: CRISIL Report)

Rise in urbanization

India has a very low urbanisation rate as compared to its Asian peers like China, Japan and Thailand. The share of the urban population rose steadily from 28.8% in 2004 to an estimated 33.5% in 2017. CRISIL Research expects urbanisation to

Focus on Financial Inclusion

With a focus on financial inclusion, the Union Government launched the Pradhan Mantri Jan-Dhan Yojana. As much as 286 million accounts were opened under this scheme as of May 30, 2017, with total deposits of Rs. 643 billion. The inclusion of so many people in the financial system opens avenues for investments in insurance and other savings products. (Source: CRISIL Report). Concurrently, the government launched Pradhan Mantri Jeevan Jyoti Bima Yojana in March 2015 with the aim of providing life cover at a nominal cost to anyone in the age group of 18-50 having a bank account. Under the scheme, a life insurance cover of Rs. 200,000 is provided on payment of premium of Rs. 330 per annum. As the adoption of insurance cover under this scheme gains traction, so will the awareness about insurance as a product and its associated benefits. (Source: CRISIL Report)

Competition from Other Avenues

Insurance faces competition from other modes of financial savings, such as mutual funds, bank deposits, and small-savings instruments, besides physical savings. Similar to the trend of the life insurance industry, the AUM of the mutual fund industry grew at 35% CAGR from fiscals 2006 to 2010, and then saw a sudden slowdown at 10% CAGR from fiscals 2010 to 2016. However, growth revived in fiscals 2015 and 2016, as the AUM increased 31% and 14%, respectively. In fiscal 2017 as well, the mutual fund industry witnessed a strong 42% jump in AUM and surge in inflows. Insurance companies will have to focus on increasing customer awareness, improving the value proposition, increasing transparency, and keeping costs competitive to make their products a vital part of the customers' financial plans. (Source: CRISIL Report) accelerate, translating into 2.0-2.5% CAGR in the urban population between 2017 and 2022, compared with overall population growth of 1.2% during the same period. Further, the increase in urbanisation will also aid the increase in GDP per capita as also suggested during the previous five years. Also, increasing urbanisation will enhance financial literacy among consumers, thereby supporting the growth of the life insurance industry. (Source: CRISIL Report) Comparing the increase in urban population to rise in GDP per capita for India and its other Asian peers also highlights the strong positive correlation between urbanisation % and GDP per capita. (Source: CRISIL Report)

Life Insurance Industry Parameters

Sum Assured and Number of Policies

The total sum assured under the individual life insurance business was Rs. 96 trillion as of fiscal 2017 in India. The sum assured for the individual insurance is estimated to have increased at a CAGR of 16% from fiscals 2011 to 2017. The total number of individual policies in force was 322 million as of fiscal 2017. (Source: CRISIL Report)

Premium

The average premium (new business premium / total policies) for the industry increased at a CAGR of 8% from fiscal 2007 to fiscal 2017. Growth of private players was slightly higher at 9% CAGR during the period, despite the higher base. The average premium of ULIPs is higher than the average ticket size of traditional policies. The increase in tax exemption from investment in life insurance policies (and other investment products as mentioned in Section 80C of Income Tax Act, 1961) from Rs. 100,000 to Rs. 150,000 in fiscal 2015 led to increase in the ticket size even on traditional investment policies, as insurance is viewed more as a savings-cum-protection product than a pure protection product in India. The higher ticket size from linked insurance products was due to buoyant capital market performance. (Source: CRISIL Report)

As of fiscal 2017, SBI Life was ranked second on Individual Rated Premium and enjoyed a market share of 20.69% among private life insurers and 11.16% in overall industry. Between fiscal 2014 to fiscal 2017, SBI Life grew at a CAGR of 28.31%, which was the fastest among the top five private players. Only SBI Life and ICICI Prudential, gained market share in the private life insurance industry during this three-year period. SBI Life's market share increased from 15.61% in fiscal 2015, to 18.83% in fiscal 2016 and 20.69% in fiscal 2017. (Source: CRISIL Report)

New Business Premium (NBP)

The overall industry saw revival on NBP basis in fiscal 2016, which is a lag of a year as compared to total premium, as growth in renewal premium had primarily driven growth in fiscal 2015. However, revival for private players was visible even in fiscal 2015, as both NBP and renewal premium grew ~18% and ~12% on-year, respectively. During fiscals 2015 to 2017, NBP for LIC and private players posted CAGRs of ~26% and ~21%, respectively. During fiscals 2011 to 2014, the NBP of private players declined 9% CAGR, which was a significant underperformance as compared to industry, which fell 2% CAGR. (Source: CRISIL Report)

Distribution Channels

With IRDAI permitting bank agents to sell insurance products, private insurance players leveraged banking channels to market their products. This gradually led to an increase in the share of banking corporate agents and a decline in the share of individual agents in the distribution of individual life insurance products. The share of corporate agents (banks) increased from 6% in fiscal 2007 to 24% in fiscal 2017 in the individual business, driven by private players. For private players, new business from banking corporate agents increased from 16.6% to 53.9% during the period. The share of new business premium from individual agents for the industry decreased from 90.5% to 68.9%. The NBP for private life insurers grew at a CAGR of 9.39% between fiscal 2015 to fiscal 2017. In fiscal 2017, SBI Life's individual agent network generated 22.88% of the individual NBP generated by the private life insurance industry, enjoying the largest market share in the channel. (Source: CRISIL Report). The share of corporate-banking agents has significantly increased for the top-five players, as life insurance companies have been leveraging banking channels to sell their products. The share of premium (based on individual NBP) through banking corporate agents was the highest for SBI Life at 64.71%, followed by Max Life at 61.79% in fiscal 2017. Therefore, SBI Life had the largest market share of NBP (Individual and total) generated by all private life insurers through bancassurance channel in the year. Between fiscal 2014 and fiscal 2017, SBI Life recorded the highest growth rate of 40.04% CAGR for the individual NBP generated through its bancassurance channel, as compared to 27.04% growth for the private life insurance industry. Also, individual NBP contributed by SBI Life's bancassurance channel increased at a CAGR of 46.72% from Rs. 19,442.74 million in fiscal 2015 to Rs. 41,853.08 million in fiscal 2017, compared to CAGR of 27.20% for private life insurers in India during such period. (Source: CRISIL Report)

New Insurance Products

705 products were in-force in the life industry as of March 2017, with 536 products in the individual segment and 169 products in the group business segment. In fiscal 2017, 74 new products were introduced, with 13 in the group business segment and 61 in the individual business segment. HDFC Standard Life provides the highest numbers of products in the individual segment, followed by SBI Life and Tata AIA Life. In the group business, Kotak Mahindra Old Mutual Life provides the maximum number of products in the industry, followed by LIC. (Source: CRISIL Report)

Commission-Expense Ratio

The commission-expense ratio on a total premium basis has declined considerably, due to the drop in commission on linked products post fiscal 2010. Before fiscal 2010, the commission was very high with significant upfront costs. However, due to the IRDAI regulations in 2010, which capped the commission on linked products, there was a substantial decline in commission. But, with LIC sourcing a significant amount of individual business through individual agents (96% in fiscal 2017), its commission ratio is high compared with private players. (Source: CRISIL Report)

Claims

Claims settled by private players increased at 19% CAGR during fiscals 2011 to 2016, whereas the total premium increased at 3% CAGR. On the other hand, the claims for LIC increased at ~10%CAGR, compared with ~6% CAGR in total premium. Despite increase in claims, the individual claim settlement ratio (claims settled/claims received) consistently improved – from 95.6% to 97.4%. (Source: CRISIL Report)

Key Concerns:

An inability to maintain market share, implement growth strategies may materially and adversely affect the business operations: SBI Life develops and distributes a range of participating, non-participating and unit-linked individual products as well as group products. Since its capital requirement, pricing assumptions, level of reserves, profitability, and the profit period patterns vary from product to product, changes in the product mix for new business may affect the financial condition and results of operations. As part of its growth strategy, it may undertake investments, acquire certain assets and technologies, and develop new business verticals, products and distribution channels. SBI Life's future growth may place significant demands on its managerial, operational and capital resources. Its ability to develop and distribute appropriate insurance products for specific customer segments through multiple distribution channels on a timely basis affects the business prospects and financial performance. The Indian life insurance sector is highly competitive, and it may not be able to sustain growth amidst intense competitive pressures, consolidation among competitors, or due to macroeconomic and other factors beyond its control. In particular, the company may not be able to rapidly recruit and effectively train and retain a sufficient number of agents and employees to keep pace with the growth of its business operations. Any decrease in growth rates, whether in absolute terms or relative to industry standards, could adversely affect its market share and future prospects. Any of the foregoing events may materially and adversely affect the business, financial condition and results of operations.

Any termination of, or adverse change in, bancassurance arrangements may have a material adverse effect on the business*:* SBI Life has an extensive multi-channel distribution network across India, and bancassurance represents its largest distribution channel. It has in recent years experienced a significant increase in sales through bancassurance channels, supported by the expansive distribution network of bancassurance partners and significant access to potential customers. In particular, the company has entered into bancassurance arrangements with its Promoter, State Bank, which was India's largest commercial bank in terms of deposits, advances and number of branches as of March 31, 2017. It has historically relied and expects to continue to rely primarily on State Bank for generation of its New Business Premium in bancassurance channel. While it has also entered into bancassurance arrangements with 17 Regional Rural Banks in India and with Punjab and Sind Bank and South Indian Bank as of the three months ended June 30, 2017, these arrangements are also not exclusive in nature, and they currently do not, and may not in the future, contribute a significant proportion of its bancassurance channel business. Any termination of, disruption to, or any other adverse change affecting, relationship with bancassurance partners, and in particular State Bank, could materially and adversely affect the product sales and the growth of its business. Its bancassurance partners are subject to the RBI master directions dated May 26, 2016, which are distinct from the regulatory regime applicable to insurance companies in India. Any regulatory changes affecting the bancassurance business and distribution of insurance products by banks could adversely affect arrangements with bancassurance partners or restrict the ability to further grow its business through the bancassurance channel.

Significant proportion of New Business Premiums are generated by a certain category of products: The Indian life insurance industry has witnessed significant changes driven by changes in customer preferences and regulations, in both products and distribution since the opening up of the insurance sector in India to private companies. These changes include the emergence of unit-linked insurance products and the emergence of the bancassurance channel. In Fiscal 2017 and for the three months ended June 30, 2017, unit-linked products represented 78.97% and 73.37%, respectively, of its New Business Premium earned from individual product business in such period, and 79.20% and 72.93%, respectively of New Business Annualized Premium Equivalent from individual products in such periods. Further, certain of SBI Life's products, in particular its unit-linked products are also subject to pricing restrictions prescribed by the IRDAI. In addition, it may not be able to develop a new product strategy to replace or support sales of any unit-linked products or work around any applicable regulatory restriction or market perception relating to such products. If SBI Life is unable to anticipate market developments and design new products to capture market opportunities, it may not be able to compete with more attractive products offered by its competitors in case of any such shift in customer preference or other market development. If its unit-linked funds underperform their respective benchmarks, it may not be able to market these products in the future and may be in a disadvantageous position as compared to its competitors. Such changes in product categories that are currently significant for it or are likely to become significant to its business in future, could have a material adverse effect on its business, financial condition and results of operations.

Any adverse change in relationship with individual agents and other distribution intermediaries may have a material adverse effect on the business: In addition to the bancassurance channel, SBI Life distributes its products through a large number of individual agents and other financial intermediaries. It typically enters into exclusive arrangements with its individual agents. It competes with other insurance companies and financial institutions to attract and retain individual agents. Its success is dependent on the sales commissions and other rewards and recognition programs extended by it subject to applicable regulatory restrictions, the wide range of its product offering, its established brand and business reputation, market and customer perception regarding the stability of its financial condition, its financial performance, marketing and related support services SBI Life provides its agents and other intermediaries, as well as its longstanding relationship with individual agents. If the company is unable to attract or retain productive sales agents, it could have a material adverse effect on its business, financial condition and results of operations

Investment portfolio is subject to liquidity risk: As a large institutional investor in India, SBI Life may also hold significant positions in many of the listed stocks that it directly invest in, and any decision to sell or any perception in the market that it intends to sell such investments could adversely affect the liquidity and market price of these securities and, in turn, its return on investment in such securities. Some of its investments may not have sufficient liquidity as a result of a lack of market makers, market sentiment and volatility, and the availability and cost of credit. In the event that any particular asset class in which SBI Life has a significant asset allocation experiences adverse developments, such developments could have a material adverse effect on its business, financial condition and results of operations. If there is an increase in interest rates or a change in the prevailing market yields on its investments, or an unfavourable change in the liquidity of an investment, or an unfavourable change in the financial prospects, or a downgrade in the credit rating of an issuer of its investment securities, it could adversely affect the value of its investments, as well as the value of unit-linked products.

Changes in interest rates may have a material adverse effect on business and results of operations*:* The profitability of certain of SBI Life's insurance products and its return on investment are particularly sensitive to interest rate fluctuations. Changes in prevailing interest rates (including changes in the difference between the levels of prevailing short-term and long-term rates) could reduce investment returns and spread and thus materially and adversely affect company's business and investment returns, financial condition and results of operations. Its spread, which is the difference between the actual investment returns of its insurance products' reserves and the rate that needs to be earned to cover the benefits and expenses, is a key measure of its profitability. Interest rates are highly sensitive to various factors, including governmental, monetary and taxation policies, Indian and international economic and political considerations, balance of payments, regulatory requirements and other factors beyond its control. The RBI or the Government of India may implement measures in response to changes in the macroeconomic environment, which may have a material adverse effect on its business, prospects, financial condition and results of operations.

Operates in a regulated industry: SB I life is subject to various insurance laws and regulations. The laws and regulations or the regulatory or enforcement environment may change at any time which may have an adverse effect on the products, or services it offers, or its business in general. Further, the laws and regulations governing the insurance industry has over a period become increasingly complex governing a wide range of issues. In particular, any change in IRDAI policies, including with respect to investment or provisioning or rural and social sector obligations or norms, may result in its inability to meet such increased or modified regulatory requirements or could require it to increase coverage to relatively riskier segments. SBI Life has in the past received several requests for information and clarification by the IRDAI with respect to the distribution of its products. An inability to satisfactorily address such queries in a timely manner or at all may result in it being subject to regulatory action by the IRDAI, including penalties and / or sanctions. In addition, its intermediaries are also subject to regulatory oversight of the IRDAI, in addition to other regulators specific to the respective intermediaries. Any regulatory action against such channel partners or other intermediaries could reduce the ability to distribute its products through them.

An inability to effectively manage risks related to business operations may materially and adversely affect the business, prospects, financial condition and results of operations*:* As an insurance company, SBI Life's operations are exposed to various operational risks, and there can be no assurance that it will not incur losses as a result of, or that its reputation will not be adversely affected by such operational risks in the future. SBI life has, in the past, been subject to penalties by the IRDAI and other applicable regulatory authorities in connection with operational lapses. There can be no assurance that it will not be subject to similar penalties in the future resulting from similar operational lapses or operational risks beyond its control

Risk management policies and procedures may not be adequate or effective in identifying or mitigating significant operational and other risks applicable to it, which could have an adverse effect on business and financial performance: While SBI life has established stringent risk management policies and procedures that are periodically reviewed for effectiveness, and implemented enterprise risk management processes to identify risks in each of its functional areas, its risk management systems may not be adequate or effective in identifying or addressing risk exposure under various market environments or all kinds of operational risks. The management of its operational, legal and regulatory risks requires it to, among other matters, develop and implement policies and procedures to properly record and verify a large number of transactions, and such policies and procedures may not be entirely effective. Any failure of such systems and policies may have a material and adverse effect on its business, financial condition and results of operations. An inability to implement and continuously upgrade effective risk management procedures or non-availability of adequate information to respond to such risks in a timely manner may result in significant operational risks including non-compliance with applicable regulations which may adversely affect the business and financial performance. As the Indian insurance market continues to evolve rapidly, SBI Life expects to introduce additional products to address customer needs and invest in a broader range of asset classes. An inability to timely adapt risk management policies and procedures to such new business developments could have a material adverse effect on its business, results of operations and financial condition.

An inability to verify the accuracy and completeness of information provided by or on behalf of customers and counterparties may subject SBI Life to fraud, misrepresentation and other similar risks: In the course of SBI Life's business operations, including any decision to issue policies, pay out claims or enter into other transactions with counterparties, it rely on information furnished to it by or on behalf of its customers and counterparties, including but not limited to, personal details, medical histories, business operations and relevant financial information. An inability to verify the accuracy and completeness of such information and reliance on any incorrect, misleading or incomplete information received from customers and counterparties may subject to it to fraud, misrepresentation and other similar risks. Such information could involve non-disclosure of pre-existing medical conditions, inaccurate, incomplete or forged income and financial statements, asset ownership documents, know your customer documents, thereby leading to non-compliance with various applicable regulations including anti-money laundering laws. In the event SBI life is unable to timely detect or address any such misrepresentation or fraudulent misconduct, it could adversely affect its reputation, lead to further regulatory action, and have a material adverse effect on its business, financial condition and results of operations.

SBI Life's business reputation is critical to maintaining market share and growing business and any adverse publicity may have a material adverse effect on the business, prospects, financial condition and results of operations*:* SBI Life's brand equity, business reputation and market perception is critical in maintaining its market share and growing its business. While it has developed its brand and business reputation over the years, any negative incident or adverse publicity could rapidly erode customer trust and confidence in it, particularly if such incidents receive widespread adverse mainstream and social media publicity, or attract regulatory investigation or litigation. In addition, its brand and business reputation will be adversely affected in the event of any adverse publicity relating to State Bank and its operations, irrespective of whether such development relates to factors within State Bank's control. Any damage to SBI's brand or business reputation may result in loss of existing and potential customers, and inability to maintain existing or enter into additional distribution arrangements. Furthermore, negative publicity may result in an increase in regulatory scrutiny of its operations, and an increase in claims litigation, which may further increase the cost of operations and adversely affect its profitability. Negative publicity may also influence market perception of its business and affect the ability to maintain credit ratings. Accordingly, any adverse impact on its brand and business reputation may have a material adverse effect on its business, prospects, financial condition and results of operations.

Any significant variation from the various assumptions and estimates used in the pricing of, and maintaining reserves for, its wide range of products, could have a material adverse effect on the business, financial condition and results of operations: SBI Life offers a wide range of individual life insurance products including participating products, non-participating protection products, other non-participating products and unit-linked products, as well as a range of group life insurance products. It price its products based on various assumptions and estimates relating to, among other factors, benefits, claim patterns, and Persistency Ratios. It determines liabilities that provides for future obligations relating to its products, and earnings therefore are dependent on the extent to which actual benefits, claims and Persistency Ratios are consistent with the assumptions and estimates it has used in the pricing of its products and the determination of the appropriate amount of policy reserves. The pricing of its products, and the estimation of reserves, involves various assumptions and estimates based on management's assessment of the information available to the company, historical data, probable forecast of future events that could affect its policyholders or the insurance industry in general, as well as anticipated estimates of future claims severity and frequency, loss trends in claim frequency and severity experienced by it, its loss history and loss history in the Indian life insurance industry and information regarding claims. Based on SBI Life's risk assessment, if it under price its products, its profitability could be adversely affected, while if it overprice its products, its competitiveness, sales, market share and business prospects may be materially and adversely affected. In addition, various assumptions related to future investment returns are used in pricing its products and setting of reserves. Actual investment returns that are lower than those projected could result in significant losses on particular products, thereby causing it to increase the price of its products, thereby affecting future business. An inability to accurately price insurance products may adversely affect its profitability, results of operations and financial condition.

Any catastrophic event, including any major natural disaster, could result in significant claims which could have a material adverse effect on the business, prospects, financial condition and results of operations: The incidence and severity of unpredictable events such as hurricanes, windstorms, monsoons, earthquakes, fires, industrial explosions, floods, riots and other natural or man-made disasters, including acts of terrorism, catastrophes within any particular period are inherently unpredictable. These events could materially and adversely affect SBI Life's business and prospects, including resulting in a number of policy surrenders, claims and policy lapses. Further, the frequency of such catastrophic events may also have an adverse effect on its business, prospects, financial condition and result of operations. SBI Life is also exposed to any major outbreak of infectious disease / pandemic resulting in large scale loss of life, resulting in significant claims over a short period.

An inability to ensure the security of confidential information or ensure any breach of privacy rights, it could have a material adverse effect on business, prospects, financial condition and results of operations: In the course of SBI Life's business operations, it collect, process, store, use, transmit and otherwise have access to a large volume of confidential information belonging to its customers. Its computer networks and IT infrastructure and those of its distribution intermediaries may be vulnerable to computer hackers, computer viruses, worms, malicious applications and other security problems resulting from unauthorized access to, or improper use of, such networks and IT infrastructure by its employees, third-party service providers or even independent third parties. Any security breach, data theft, unauthorized access, unauthorized usage, virus or similar breach or disruption could result in loss or disclosure of confidential information, damage to its reputation, litigation, regulatory investigation or other liabilities. Its attempts to comply with applicable legal requirements may not be successful, and may also lead to increased costs for compliance, which may materially and adversely affect the business, financial condition and results of operations. SBI Life could be adversely affected if additional legislation or amendments to existing regulations are introduced to require changes in its business practices or if such legislation or regulations are interpreted or implemented in ways that adversely affect its business, financial condition and results of operations.

An inability to meet Solvency Ratios or other regulatory requirements relating to financial condition could lead to regulatory action : Indian laws and regulations require SBI Life to maintain a control level of solvency. Solvency Ratio is the ratio of the excess of assets over liabilities to the required capital. An inability to maintain the relevant control level of solvency requirements may result in regulatory action from the IRDAI that could affect its ability to continue operations, acquire new business or implement growth strategies. Its ability to raise additional capital from external sources in the future is subject to a variety of uncertainties, including but not limited to, its future financial condition, results of operations, cash flows, regulatory approvals, changes in regulations relating to capital raising activities by insurance companies, its credit rating, general market conditions for capital raising activities, and other economic and political conditions in India and globally. SBI Life may not be able to raise additional capital in a timely manner or on acceptable terms or at all. An inability to meet the

Solvency Ratio requirements may therefore have a material adverse effect on its business, prospects, financial condition and results of operations.

Embedded Value is based on various assumptions and estimates, and may vary: In order to provide potential investors with additional information to understand business and financial performance and economic value, SBI Life has included Embedded Value Report issued by the Independent Actuary which provides certain information regarding its Embedded Value. There is significant technical complexity involved in and various assumptions and estimates used in calculation of Embedded Value, and consequently Embedded Value calculations may vary significantly if key assumptions or estimates are modified or if its actual experience is different from such assumptions and estimates. In addition, the methodology for calculation of Embedded Value followed may itself be inaccurate, and any modification in such methodology may also result in variation in Embedded Value calculation even if similar assumptions and estimates are used. Further, its Promoter, BNPPC, through the consolidated supplementary financial information of its ultimate parent company, BNP Paribas, may publish information relating to its Embedded Value or other information relating to various assumptions and estimates used in the calculation of its Embedded Value. Therefore, care must be exercised when reading and interpreting the Embedded Value Report of the Independent Actuary included in Red Herring Prospectus and potential investors are cautioned against placing undue reliance on such information.

An inability to reduce risks and increase underwriting capacity through adequate reinsurance arrangements may adversely affect the business*:* Like other major insurance companies in the world, SBI Life transfers some of the risk it assume under the life insurance policies it underwrites to reinsurance companies in exchange for a portion of the premiums it receives in connection with the underwriting of these policies. Although reinsurance makes the reinsurer liable to the company for the risk transferred, it does not discharge its liability to the policyholders. Its ability to obtain reinsurance on a timely basis and at a reasonable cost is subject to a number of factors, including prevailing market conditions that are beyond its control. The availability and cost of reinsurance may affect the volume of its business as well as its profitability. In particular, SBI life may be unable to maintain its current reinsurance coverage or to obtain other reinsurance coverage in adequate amounts or at favourable rates. If it is unable to renew its expiring coverage or to obtain new reinsurance coverage, either its net risk exposure would increase or, if it is unwilling to bear an increase in net risk exposures, its overall underwriting capacity and the amount of risk SBI Life is able to underwrite would decrease. To the extent it is not able to obtain reinsurance on a timely basis and at a reasonable cost, or at all, its business, financial condition and results of operations would be materially and adversely affected.

A downgrade or a potential downgrade in claims paying ability rating could have a material adverse effect on the business, financial condition, results of operations and prospects: SBI Life is not required by IRDAI to obtain a financial strength rating. As a measure of good governance as well as independent certification of its financial performance, it has subscribed to ICRA Limited's surveillance on claims paying ability rating that measures an insurance company's ability to meet policyholder obligations and to CRISIL Ratings surveillance on its financial strength. It has been rated iAAA since Fiscal 2009 by ICRA Limited with respect to its claims paying ability, while CRISIL has rated AAA/Stable with respect to financial strength rating since Fiscal 2007. Any downgrade in its claims paying ability ratings, or financial strength ratings, or any announcement of a potential downgrade, could have a material adverse effect on the business, financial condition and results of operations.

Benefit from relationship with State Bank and BNPPC, in particular drawing from their established brand equity and goodwill among customers. Any adverse change in these relationships may adversely affect the business and financial performance: SBI Life benefit from its relationship with State Bank and BNPPC, in particular drawing from their established brand equity and goodwill among customers. Its relationship with State Bank and BNPPC has enabled it to enhance its brand, access specialist industry expertise, grow business and maintain market position. State Bank is the largest bancassurance partner in India and provides it with a large distribution network and significant technology support. It has also been licensed the use of the "SBI" logo pursuant to the SBI Trademark Licensing Agreement. Any adverse change in its continuing relationship with State Bank and BNPPC may adversely affect the business and financial performance.

Rely on independent contractors and service providers for various services: SBI Life outsource some of its operations, including data entry, printing of policies, software development, security, housekeeping services and IT infrastructure maintenance, to independent contractors and service providers in compliance with applicable regulations. However, there can be no assurance that such independent contractors and service providers will comply with all applicable regulatory requirements or meet their contractual obligations to it in a timely manner, or at all. Third-party service providers may not comply with the terms of their respective agreements with it, including because of their own financial difficulties or business priorities or other factors beyond its control. Its business operations could be adversely affected due to any such event despite having continuity plans in place as required by applicable regulations. In addition, if any third-party service provider is unable to comply with applicable regulations, confidentiality or other ethical business standards, it could suffer reputational harm, which could result in a material adverse effect on its business prospects, financial condition and results of operations.

An inability to effectively compete in the highly competitive insurance industry could have a material adverse effect on the business, results of operations and financial condition: SBI Life compete with a number of other companies in the life insurance business, and face intense competition from public and private sector life insurance companies in India. It compete for business on the basis of various factors, including product features, price, coverage offered, quality of customer service, distribution network, relationships with agents, bancassurance partners and other intermediaries, brand recognition, size of operations, financial strength and credit ratings. In addition, life insurance products also compete with certain other financial services products. The life insurance industry in India may also experience increased consolidation. Such consolidation among competitors may result in its competitors attaining increased financial strength, management capabilities, resources, operational experience, market share, distribution channels and capabilities in pricing, underwriting and claims settlement. An inability to effectively respond to these various competitive pressures could result in a decrease of market share, decrease in its margins and spreads, reduced customer base, increase in pricing of its products, increase in operating expenses, as well as higher attrition rates among management and sales staff, a decline in market share, lower growth rates, or even losses. An inability to effectively compete in the highly competitive insurance industry could have a material adverse effect on its business, results of operations and financial condition.

Any significant shift in demographic trends and consumer preferences towards life insurance products may have a material and adverse effect on the business: SBI Life's business and profitability are affected by general economic and demographic conditions in India. India's economic growth trends, household savings rate, consumer attitudes towards financial savings, demographic profile, and life insurance penetration rates are some of the key factors affecting the performance of its life insurance industry. However, if the economic or demographic conditions in India deteriorate or are not in line with its expectations, or the impact on its business is different from what it expect, its financial condition and results of operations may be materially and adversely affected.

Profit & Loss Account (Policy Holders / Technical Account)

Rs in million

Particulars	Q1FY18	FY17	FY16	FY15
Premiums earned - Net	37625.9	208524.5	156654.5	127800.0
Income from investments				
Interest, dividend & rent - Gross	14714.5	51114.7	41611.0	33262.0
Profit on sale/redemption of investments	7987.1	30467.6	29625.8	52199.8
(Loss) on sale/redemption of investments	-1761.3	-5678.7	-11423.6	-3919.5
Transfer /Gain on revaluation /Change in fair value	4767.3	15200.6	-29930.1	17860.6
Accretion of discount/(amortisation of premium) (Net)	362.1	1845.7	3526.0	3026.2
Other income	188.1	1300.8	1133.6	1635.7
Total A	**63883.7**	**302775.1**	**191197.2**	**231864.9**
Commission	1651.3	7833.4	7142.6	6037.1
Operating expenses related to Insurance Business	3718.4	16464.9	14808.5	11675.3
Provision for Doubtful Debts	0.9	0.6	0.8	0.9
Bad Debts written off	0.4	3.2	4.7	3.8
Provision for Taxation	**1215.4**	**1798.3**	**1518.8**	**1097.8**
Current tax credit/(charge)	*1215.4*	*1798.3*	*1532.8*	*1092.3*
Deferred tax credit/(charge)	*0.0*	*0.0*	*-14.1*	*5.5*
Provisions (other than taxation)	**11.2**	**-46.3**	**45.7**	**-111.3**
For diminution in the value of investments	*11.4*	*-48.3*	*41.0*	*-111.3*
For standard assets	*-0.2*	*2.0*	*4.8*	*0.0*
Service Tax on charges	563.0	2265.8	1702.0	1290.1
Total B	**7160.6**	**28319.9**	**25223.1**	**19993.7**
Benefits paid	26225.0	95261.4	79585.5	81976.9
Interim & terminal bonuses paid	55.1	240.6	73.7	26.8
Change in valuation of liability in respect of life policies	**27847.9**	**172409.6**	**79868.6**	**122840.8**
Gross	11586.2	85917.4	67585.2	60655.5
(Amount ceded in Re-insurance)	-489.2	-33.8	-303.7	-8.5
Amount accepted in Re-insurance				
Fund reserve	12880.0	82770.7	12315.4	53811.9
Funds for discontinued policies	3870.8	3755.4	271.6	8382.0
Total C	**54127.9**	**267911.6**	**159527.8**	**204844.4**
SURPLUS/ (DEFICIT) (D) = (A) - (B) - (C)	**2595.3**	**6543.6**	**6446.3**	**7026.7**
Balance of previous year	0.0	2.3	73.3	119.2
Balance available for appropriation	2595.3	6545.9	6519.5	7145.9
APPROPRIATIONS				
Transfer to Shareholders' account	2180.3	6545.9	6517.2	7072.7
Balance being funds for future appropriations	415.0	0.0	2.3	73.3
Total (D)	**2595.3**	**6545.9**	**6519.5**	**7145.9**

Details of Total Surplus :-				
a) Interim & Terminal Bonuses Paid	55.1	240.6	73.7	26.8
b) Allocation of bonus to policyholders	0.0	7407.8	6221.9	4573.3
c) Surplus shown in the revenue account	2595.3	6543.6	6446.3	7026.7
Total Surplus: [(a) + (b) + (c)]	**2650.3**	**14192.0**	**12741.9**	**11626.8**

Profit &Loss: (Shareholders account/Non Technical account)

Rs in million

Particulars	Q1FY18	FY17	FY16	FY15
Amounts transferred from Policyholders' account (Technical account)	2180.3	6545.9	6517.2	7072.7
Income from investments				
Interest, dividend & rent - Gross	814.9	3143.6	2756.9	2316.2
Profit on sale/redemption of investments	278.0	843.6	368.7	343.5
(Loss) on sale/redemption of investments	-16.6	-30.4	-84.6	-14.1
Accretion of discount/(amortisation of premium) (Net)	-6.8	58.8	136.9	115.7
Other income	34.8	82.1	79.3	74.6
Total	**3284.6**	**10643.7**	**9774.4**	**9908.4**
Expenses other than those directly related to the insurance business	41.3	147.2	112.5	93.1
Other Expenses	21.3	128.0	170.1	35.8
For diminution in value of investments (Net)	0.0	-4.1	4.1	-10.5
Contribution to Policyholders' account (Technical account)	0.0	626.8	936.7	1496.8
Profit before Tax	**3222.1**	**9745.7**	**8551.1**	**8293.3**
Provision for Taxation	**87.6**	**199.2**	**110.0**	**144.6**
Current tax credit/(charge)	87.6	199.2	127.5	144.3
Deferred tax credit/(charge)	0.0	0.0	-17.5	0.3
Profit after Tax	**3134.5**	**9546.5**	**8441.0**	**8148.7**
EPS (Rs.)	3.1	9.5	8.4	8.1
Equity	10000.0	10000.0	10000.0	10000.0
Face Value	10.0	10.0	10.0	10.0

Balance Sheet:

Rs in million

Particulars	As at June 30, 2017	FY17	FY16	FY15
Sources of funds				
Shareholders Funds	**58788.0**	**55520.8**	**47331.0**	**40563.4**
Share Capital	10000.0	10000.0	10000.0	10000.0
Reserves and surplus	47782.3	44647.8	36906.7	29909.9
Credit/[debit] fair value change account	1005.7	873.0	424.4	653.5
Borrowings				
Deferred tax liability	0.0	0.0	0.0	31.5
Credit/[debit] fair value change account	8086.3	7763.8	3354.0	5008.2
Policy liabilities (A)+(B)+(C)	494962.5	483237.6	396341.7	328603.6
a) Provision for linked liabilities	396671.9	388559.1	320989.1	278743.6
(b) Credit/[debit] fair value change account (Linked	42668.9	37901.6	22701.0	52631.1
(a) Discontinued on account of non-payment of premium	22153.4	18967.3	16393.8	16456.6
(b) Other discontinuance	359.1	302.3	132.7	254.9
Total linked liabilities (B)+(C)	461853.2	445730.3	360216.6	348086.1
Sub - total	**964902.1**	**936731.7**	**759912.3**	**681729.4**
Funds for Future Appropriation - Linked	**0.0**	**0.0**	**2.3**	**14.6**
Funds for Future Appropriation - Other	415.0	0.0	0.0	58.6
Total	**1024105.0**	**992252.5**	**807245.6**	**722366.0**
Application of funds				
Investments	**1001797.8**	**965469.6**	**784135.0**	**696849.8**
Shareholders’	52407.6	42955.1	35649.0	30702.4
Policyholders’	480178.5	469617.5	382559.0	315044.7
Asset held to cover linked liabilities	461853.2	445730.3	360218.9	348100.7
Loans	1774.8	1782.0	1235.6	17.7
Fixed assets	5583.6	5384.8	4472.5	2984.3
Current assets				
Cash and Bank balances	18848.1	24298.4	26167.6	25237.8

Advances and Other assets	29046.5	32627.7	23988.1	19117.7
Sub-Total (A)	**47,894.59**	**56,926.07**	**50,155.71**	**44,355.43**
Current liabilities	23313.2	27640.7	25025.9	16765.9
Provisions	2274.2	2502.5	2019.2	2073.3
Sub-Total (B)	**25587.3**	**30143.2**	**27045.1**	**18839.2**
Net Current Assets (C) = (A-B)	**22307.3**	**26782.9**	**23110.6**	**25516.2**
Total	**1024105.0**	**992252.5**	**807245.6**	**722366.0**

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