

October 23, 2025

General Manager
Listing Department
BSE Limited,
Phiroze Jeejeebhoy Towers,
Dalal Street,
Mumbai 400 001

Vice President
Listing Department
National Stock Exchange of India Limited
'Exchange Plaza',
Bandra-Kurla Complex,
Bandra (East), Mumbai 400 051

Dear Sir/Madam,

Subject: Earnings Call Transcript for the quarter and half year ended September 30, 2025

In continuation to our letter(s) dated October 6, 2025, and October 14, 2025, the Company had hosted an earnings conference call with investors and analyst on Tuesday, October 14, 2025, at 3:30 p.m. IST, to discuss the performance of the Company for H1-FY2026.

Pursuant to Regulation 46 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, please be informed that the transcript of the 'earnings conference call' for H1-FY2026 has been hosted on the website of the Company at www.iciciprulife.com

A copy of the transcript is enclosed herewith for immediate reference.

Please note that no unpublished price sensitive information was shared during the meeting.

Thanking you,

Yours sincerely,

For ICICI Prudential Life Insurance Company Limited

Priya Nair
Company Secretary
ACS 17769

Encl.: As above

ICICI Prudential Life Insurance Company Limited
Earnings conference call
Half year ended September 30, 2025 (H1-FY2026)
October 14, 2025

Anup Bagchi

Good afternoon and welcome to the results call of ICICI Prudential Life Insurance Company Limited for the half year ended September 30, 2025. I have several of my senior colleagues with me on this call, Amit Palta - Chief Products & Distribution Officer; Dhiren Salian - CFO; Judhajit Das - Chief Human Resources & Operations, Deepak Kinger - Chief Risk & Governance Officer, Manish Kumar - Chief Investment Officer, Souvik Jash - Appointed Actuary and Dhiraj Chugha - Chief Investor Relations Officer.

Let me take you through the key developments during the quarter.

We welcome the Government's landmark GST reforms aimed at making life insurance affordable and accessible. With GST exemptions, customers enjoy substantial savings on premiums, making life insurance policy more accessible across income groups. The reform supports deeper insurance penetration, especially in the underserved markets, aligning with the IRDAI vision of Insurance for All. As a significant insurance company in the country, we have ensured that the benefit of GST exemption is passed on to the customers. We believe these reforms will usher in growth and be value accretive for all the stakeholders, including our customers, our distributors and our Company. We remain confident of leveraging this huge opportunity with our strong brand, product innovation and well-diversified distribution with cost efficiencies to deliver sustainable business growth and aid our objective of growing the absolute VNB.

On the regulatory front, Shri Ajay Seth has been appointed as the IRDAI Chairman with effect from September 1, 2025. We believe IRDAI and Life Insurers will continue to work towards increasing insurance penetration and achieving Government's goal of 'Insurance for all by 2047' under his new leadership.

We are pleased to inform you that Mr. Samit Upadhyay and Mr. Naveen Tahilyani have been appointed as Non-executive Additional Directors representing ICICI Bank and Prudential respectively with effect from September 13, 2025, subject to Shareholders' approval. Both come with rich experience of serving in senior leadership positions in the insurance industry. We express our sincere gratitude to the earlier representatives, Mr. Anuj Bhargava from ICICI Bank and Mr. Solmaz Altin from Prudential, for the guidance received during their tenure.

Now, let me talk about H1-FY2026 business overview.

Indian economy faced significant headwinds on account of intensifying geopolitical tensions, sanctions and tariff wars in recent times. In spite of all the challenges, the Indian economy continues to show strength and move forward. Similarly, life insurance sector was also impacted and grew at a slower pace of 2% RWRP growth as compared to 21%

growth in previous year H1. The long-term growth outlook for the insurance industry, however, continues to remain intact.

The key highlights of our H1-FY2026 performance are as follows:

- Total premium grew by 9.2% year-on-year to ₹ 212.51 billion.
- APE for H1-FY2026 was ₹ 42.86 billion, a decline of 4.1% year-on-year on a high base of 26.8% growth in previous year H1. The 2-year APE CAGR stood at 10.3%.
- Retail protection APE grew by 10.8% year-on-year, and retail new business sum assured grew by 17.2% year-on-year.
- Total new business sum assured grew by 19.3% year-on-year.
- Our customer-centric approach is reflected in the strong 13-month persistency ratio of 85.3% and claim settlement ratio of 99.3% with an average turnaround time of 1.1 days for non-investigated individual death claims.
- Cost to premium for H1-FY2026 reduced by 280 basis points to 19.2%. Cost to premium for savings line of business also reduced by 280 basis points to 12.7% in the same period.
- PAT grew by 26% year-on-year to ₹ 606.01 billion.
- VNB for the period was ₹ 10.49 billion and VNB margin stood at 24.5%.
- Embedded value grew by 9.7% year-on-year and stood at ₹ 505.01 billion as on September 30, 2025.
- AUM stood at ₹ 3.21 trillion as on September 30, 2025.

With customer-centricity at the core of everything we do, we continue to work on our strengths that is product leadership, extensive distribution network and operational efficiency. On the cost front, we have been undertaking various cost optimisation initiatives to make our cost structure leaner and aligned to the product mix demanded by our customers. All these efforts along with the conducive environment provided by the Government and the Regulator make us well positioned to deliver sustainable business growth with profitability in the future.

Thank you and I will now hand it over to Amit to take you through the business updates.

Amit Palta

Thank you, Anup. Good afternoon, everyone.

Let me start with the product performance.

The non-linked savings business grew by 11.9% year-on-year in Q2-FY2026 and 15.6% in H1 FY2026 as customers prefer to invest in non-par products to lock in high yields in the declining interest rate scenario. Linked business declined by 8.6% in Q2 and 10.7% year-on-year in H1 this year on a high base of 40% growth in Q2 and 54.5% growth in

H1 last year. 2-year CAGR for linked business stood at 13.1% in Q2 and 17.4% in H1 this year.

Overall protection business was almost flat year-on-year in Q2 FY2026 with ₹ 4.19 billion of APE done during the quarter. For H1 FY2026, the overall protection business grew by 6.7% year-on-year. Retail protection business grew by 2.4% year-on-year in Q2 this year on a high base of 30.7% growth in Q2 previous year. For H1-FY2026, retail protection grew at a healthy rate of 10.8% year-on-year.

With the recent changes in the GST regime, the retail product will become more affordable and attractive for the customers. There exists a huge protection gap in the country and we believe this move will help the life insurance industry to narrow down the gap.

The credit life business growth has been impacted primarily due to slowdown in the MFI industry. With reforms being undertaken to spur business growth, we expect credit life business to gradually recover over the coming quarters.

Group term business has grown year-on-year. We expect this business to continue to grow over long term, and our strategy remains focused on selecting businesses which meet our defined risk-reward expectations.

Annuity business declined by 46.8% in Q2 and 50.1% year-on-year in H1 this year on a high base of 73% growth in Q2 and 99.5% growth in H1 previous year. Annuity CAGR for last 4 years stood at 11.9% in H1-FY2026. Within annuity, we continue to witness demand for single premium annuity products as fixed deposit rates declined. Group funds business grew year-on-year by 87.5% in Q2 and 74.6% in H1 this year. While this business is typically lumpy in nature, it is value accretive to the Company.

Moving on to the channel-wise growth and contribution.

Proprietary channels which include Agency and Direct declined by 18% year-on-year both in Q2 and H1-FY2026. It contributed 39.2% to total and 47.7% to retail APE in H1-FY2026. The decline was primarily due to the high ULIP and annuity base of the previous year wherein the proprietary channels had grown by 40% in Q2 and 45.8% year-on-year in H1. 2-year CAGR for the channel stood at 9.2% in H1-FY2026. These channels have been agile enough to pick up and deliver strong growth year-on-year in non-linked products this year. The 5-year CAGR for our proprietary channel is 15.6% for H1-FY2026. This demonstrates the channel's ability to deliver continuous growth across various business cycles. We believe the decline in these channels is transitional and we will continue to invest in our proprietary channels to sustainably grow the business.

Bancassurance business was almost flat in Q2 and H1 this year. The channel contributed 30% to APE in H1 and 2-year CAGR for the channel stood at 13.7% in H1-FY2026. Partnership distribution business grew year-on-year by 23% in Q2 and 14.9% in H1 this year. The channel contributed 12.7% to APE mix in H1-FY2026. Group business grew year-on-year by 20.7% in Q2 and 19.8% in H1 this year. The channel contributed 17.9% to APE mix in H1-FY2026.

Our distribution reach is provided on slide 24. We strongly believe that well-diversified distribution is one of our biggest strengths. Today, we have more than 2.45 lakh agents spread across geographies, 50 bank partnerships with access to more than 24,000 bank branches and 1,400+ non-bank partnerships.

To summarise, we will continue to offer the right product to the right customer and deliver it through the right channel. With GST reforms, we anticipate volumes to go up, the early signs of which are already visible as we have witnessed increased traction from our customers both in terms of leads and conversion of leads. As we deepen our distribution channel and penetrate further into micro-markets to get more access to varied customer profiles, our ability to shift between product segments depending upon the prevailing economic environment should become even more pronounced and seamless. We believe this will help us deliver sustainable growth irrespective of the market environment over the long term.

I will now hand it over to Dhiren to talk to you through the financial update.

Dhiren Salian

Thank you, Amit. Good afternoon, everyone.

Let me start with an update on subordinated debt. The credit rating firm ICRA has reaffirmed the rating of our existing ₹ 12 billion and ₹ 14 billion subordinated debt program as [ICRA] AAA (Stable). Further, the sub debt of ₹ 12 billion that we had raised 5 years back in November 2020 is due for the first call option in November 2025 and as approved by the Board, we will be exercising the call option. Our current solvency ratio is at 213.2% and even after the exercise of the call option, our solvency ratio will remain well above the regulatory threshold of 150%. Additionally, we have approval from the Board to re-raise the ₹ 12 billion through sub-debt. Depending upon the business requirements and market environment, we will look at that subsequently.

Now, let me come to the changes in GST. Since input tax credit on individual business will no longer be available to life insurance companies, there will be some implications on the existing book and new business profitability of companies. On the existing book as disclosed earlier, our estimated impact is at about 1% on Embedded Value. To mitigate the impact on new business profitability, we have multiple levers such as

renegotiating commissions with distributors as well as continuing to optimise operating expenses.

Here, you will note that we have been seeing reduction in cost ratios across the quarters. In H1-FY2026, we saw a reduction in cost to premium ratio by 280 basis points year-on-year to 19.2%. The cost to premium for savings line of business also reduced by 280 basis points to 12.7%. So, overall while GST input tax credit being disallowed might have some short-term impact on profitability, the opportunity arising from the same in terms of market expansion is quite large. Our focus has always been on growing the absolute VNB and all our efforts will go towards the same.

Now, let me take you through the financial metrics.

The VNB for H1-FY2026 stood at ₹ 10.49 billion and the VNB margin stood at 24.5%. The relevant comparison for H1 margin is with the full year 2025 margin which was at 22.8% as that captures the impact of all assumption changes done at March 31, 2025.

The positive movement in margin is primarily due to a higher mix of protection and non-par business, improvement in product level profitability through increasing sum assured multiples, longer tenure policies and increasing rider attachment, some favorable movement in yield curve which was partly offset by estimated impact of GST on both commissions as well as operating expenses related to new business.

Moving to other financial metrics.

The Company's profit after tax for H1-FY2026 stood at ₹ 6.01 billion, an increase of 26% year-on-year that is primarily driven by higher investment income from Shareholder funds. Our Embedded Value grew by 9.7% year-on-year and stood at ₹ 505.01 billion at September 30, 2025. Within the Embedded Value, the value of in-force business grew by 18.1% year-on-year to ₹ 377.61 billion. Our AUM stood at ₹ 3.21 trillion as on September 30, 2025.

Thank you and we are now happy to take any questions that you may have.

Moderator: Thank you very much. We will now begin with the question-and-answer session. Our first question comes from the line of Shreya Shivani from Nomura. Please go ahead.

Shreya Shivani: Hi. Good afternoon. Thank you for the opportunity. I have two questions. My first question is, I am just trying to understand how the GST announcement on 15th August and eventual implementation by 22nd September impacted your business for the second quarter. So, usually your September month tends to be about 30%-40% of your second quarter APE. Historically, that's how it has been. So, if you can help us with some numbers to understand how much of a steady state volume of Q2 got impacted because

of this GST announcement and then eventual implementation. In terms of how much volumes got impacted, was it the entire 30%-40% got impacted or after 22nd September, you could, you know, a lot more got booked back so the impact was not that high. That's my first question.

My second question is on your persistency, 13th month, 61st month trends. In the last quarter, you had explained how certain products and channels have impacted the 13th month trends. Plus, the March 2023 book was a very solid book. So, that's why year-on-year basis things look weaker on the persistency side. So, can you help us understand, the trends don't seem to be improving. Is there some sustained challenge which is going on? That's my second question.

And also, I wanted to, there's another third question that I wanted to ask. It's on the agency channel and you have just given an explanation on your distribution channels. But if you can help us understand that apart from this transition away from ULIPs and the annuity products that they sell a lot more, is there anything else that is troubling them? And are these channels going to seem further troubles or challenges as we start renegotiating our commission structures with our distributors going ahead? So, those are my three questions. Thank you.

Amit Palta: Hi. Amit this side. See, on the impact of GST, well, to an extent, you can say that retail protection, which was anticipated to have the impact on GST before it was eventually announced, we did experience a bit of a slowdown in Q2 up till the day it was announced in the month of September. But apart from that, from the day of announcement to 22nd, you can say that there was a bit of confusion in terms of customers willing to wait for a few more days to eventually come and express their interest from 22nd onwards. They would not lose much by waiting for seven days. But we really can't quantify as to how much the impact would have been because last 7-8 days after the GST exemption came into play, business did pick up. It's very difficult to quantify as to how September got impacted adversely. For us, it has been not as skewed as you just mentioned, 40% of the Q2 in September is not the trend that we have witnessed at least. So, to that extent, it has been quite decent, reasonable sequential growth that we have experienced from July to August, August to September. So, from that perspective, I guess I have answered your question.

On persistency, there has been a notification on why FY2024 is probably the right time for us to compare our current levels of persistency. As you know, the last year persistency was impacted positively because of a very high proportion of non-linked savings business, which was done during tax scarcity days. And hence, there was a positive bump in terms of persistency that you would have seen last year on 13th month. So, on that base, yes, the Y-o-Y looks a little bit of stress. But however, if you were to compare it with the year before, then it is almost in the same range. So, to that extent, we do not

see much of a disturbance or much of a disequilibrium on persistency perspective. It is just that it is now coming back to the normalised level.

On agency, well, like what we have said in our opening remarks, largely the impact of a very high base of annuity and the fact that markets were very supportive for our unit-linked business. You know that we have always done very well in a buoyant market with a very strong portfolio that we have in ULIP. And we have a large number of our advisors who have a very strong ULIP customer ecosystem. And that ecosystem tends to wait while the markets are volatile and large amount of upsell that happens by the advisor sales force does take a backseat at the time when markets are volatile. So, not much to read beyond these two things, which is the impact of a very large base on a newly launched product of annuity last year and unit-linked product, which was doing very well last year. And now, it has kind of sobered down. So, from that perspective, but we are confident in the years gone by, we have seen agency as being very nimble to move from one category of products to other. It is just a transitionary phase, probably H1 because of the base, it reflected more. I think it should settle as we go deep into the year.

Shreya Shivani: So, just to follow up on that, as we do renegotiation on our commission structure, etc., should we expect the channels, particularly agency and even the other channels to continue seeing some sort of disturbance in Q3? I mean, it feels like a repeat of last year when we were renegotiating things due to surrender value regulation changes. So, should we expect a little bit of turbulence to continue into Q3?

Amit Palta: It is not a turbulence; it is just a discussion. Both our distributors are quite, it is in open domain that there is an increase in cost of doing insurance business because of input tax credit going away. So, at this stage, we are in negotiations, not just with advisors, but with all our partners and we are trying to find a middle path to see how our absolute production goes up and we are still able to deliver absolute commission earnings for them. However, it is still a process right now, which is WIP, you can say, and it will take some time before it settles. Right now, we are still in the discussion stage.

Shreya Shivani: Got it, understood. This is very useful. Thank you and all the best.

Moderator: Thank you. Our next question comes from the line of MW Kim from J.P. Morgan. Please go ahead.

MW Kim: Good afternoon and thank you for taking my question. So, I have two questions regarding the mid-term industry outlook, and also the Company's product strategy. Firstly, when you observe the development of the insurance market across the emerging countries, it is clear that government and regulators aim to expand the insurance sector and to provide a stronger safety net within the system. As a result, industry-friendly policies are often introduced. However, in recent years, we have observed a series of regulatory tightening based on my observation. So, the question perhaps would be,

looking ahead over the next five years and projecting toward 2047, what do you see the key government policies that could drive strong revival in the industry growth?

Secondly, regarding the product margin outlook, the Company already mentioned several issues and things, but broadly, I believe that the insurance companies are essentially the manufacturer and now, I believe that several product strategies might be under the consideration and also the management mentioned in previous questions. Could you please share a bit more detailed management insight on the product design and margin outlook in context of the ongoing regulatory changes and managing the macro development? Thank you.

Dhiren Salian: Hi, Kim, this is Dhiren. Thank you for your questions. I think the first question that you put up is, how do we see the government and the regulator look at developing the insurance market in India. So, actually, if you look at what's been happening over the last few years, there have been a series of regulatory measures which have opened up the market in terms of ease of doing business. So, by and large, you have seen the regulator move from, more towards a principle-based regime and therefore giving companies a lot of flexibility to be able to respond to market in different ways, depending upon their strengths and the positions that they hold. I believe that is the position that the government will also continue to take as well as with the new regulator in place, the Chairman of the new regulator in place. I think that is a direction that they would continue to push on. Very specifically, when you look at the most recent change, which is on GST, very clearly that's a positive. Well, of course, there is a short-term impact, as I mentioned earlier, on the manufacturer. But I think net-net, this is going to be a much bigger positive than most other actions that have been taken in the past. Because very clearly, at one level, with 0% GST, this elevates insurance, life insurance and health insurance from being just any other service to that of an essential. So, clearly, in the government's mind, this is a very important step that has happened. And I think it's up to us, the manufacturers as well as the ecosystem to get together to be able to take advantage of the growth that should come our way. As Amit also mentioned, we have seen some green shoots come through since the time the new regime has come about in terms of GST and it's up to us to be able to capitalise on that opportunity. Whatever little impact that we have to take at this point, these are short-term in nature, and I think we should be able to override this.

But that, of course, comes to your second question as to how do you think we can override these. Very clearly, there are a set of levers that are available. One, very clearly, is a conversation with distribution on how we could look at sharing some of the costs. Because very clearly, as Amit also pointed out, the hit is very real. And we have to be in a position to be able to come to some understanding with our distribution.

The second element is around operating expenses, where there will be some element of GST increase due to the ineligibility of the input tax credit. And in that light, you will also

note that we have been working very hard on managing our cost ratios. You have seen the results come through this quarter also as well, 280 basis point improvement. And this is an effort that we will continue in. While, of course, there may be some short-term increase as we go through the rest of the quarters, purely because of the GST ineligibility coming through. But I believe the work that we have been doing on improving cost ratios will help us as we go into the coming quarters as well. And product mix for us is, I mean, we have said this before, product mix for us is a function of where the customer demand is. We have seen that earlier as well, when unit-linked did very well, we did not stop it. When the markets were turbulent and there were certain geopolitical challenges that had come about, guaranteed products did very well. We were able to offer products on the guaranteed side as well. So, our perspective on product mix is that we continue to be agnostic of that product mix. Therefore, the next point is that how will you manage your profitability? That comes about by ensuring that your cost ratios as well as your costs are in line with the kind of products that you sell. Given that a large component of our business is savings business and the core profitability driver of savings business is managing costs, that is an area that we will continue to keep working on.

MW Kim: That's very clear. Thank you so much.

Dhiren Salian: Thanks, Kim.

Moderator: Thank you. Our next question comes from the line of Avinash Singh from Emkay Global. Please go ahead.

Avinash Singh: Hi. Good afternoon. Thanks for the opportunity. A couple of questions I have. First one, again, continuing on the cost reduction part. I mean, just wanted to understand if these cost reduction measures are sustainable, particularly in the backdrop of whatever sustainable growth we aspire. I mean, will this kind of cost reduction have no bearing on that growth? And if you can help with some sort of numbers, is this kind of cost reduction also coming because of rationalisation of headcount, if you can provide the year-on-year sort of a headcount changes? So, that is my first question.

And the second one is more on understanding this EV more particularly when I am looking at the ANW and VIF. There is a kind of, on slide 15 you have this. So, if I were to look at the March-September, March and now again, September, there is a huge volatility in terms of where ANW is moving. So, like last March to September, there's a huge jump. Then September to March is broadly stable. And then again, from this March to September, this is going down. So, if I were to look again from the gap network to ANW typically adjustment, there is a reasonable amount of MTM generally. So, is it kind of these movements happening because of the yield movement or some equity related? And is there some kind of a, if at all, any impact of this GST related impact on EV going on in this ANW here? And if you can also confirm that, okay, the 1% kind of impact on EV from GST you have taken in this H1 number? Thanks.

Dhiren Salian: Thanks, Avinash. Okay, let me address your ANW question. You're right. A large portion of this is a yield curve movement. And that's fairly significant in the period. Coming to your other question on cost ratio movement, see, frankly, this is work that has been going on. You cannot turn around cost ratios in a day. Because if you were to do that, then you would have probably gotten into an emergency situation. The key point is that you have to be able to support the business with the relevant costs, as well as the initiatives that you have to take and the investments that you have to make towards it. So, it is not something that you can turn around on a dime. This is a piece of work that we have been doing across multiple quarters now and you're starting to see the benefits of that come through. Clearly, one of the ways that you can look at it is in terms of identifying very, very closely what are your discretionary spends. And you put in a very, very sharp focus on identifying which of these are really relevant for today and which ones you can actually kick forward to.

The other bit in terms of people is very clearly, rather than focus on headcount, it is reallocation of our employees and people forced into the areas which have got the biggest bang for the buck. That is something that we had done earlier in the year, as well as in the previous quarter and this gives us the best value out because you are looking at not getting rid of people, we are clear about that. It is about reallocating people to where they are able to generate the maximum value for the Company.

The third component, which is not very well spoken of is actually on the core operating expenses, which is operations, where you are looking at creating capacity, increasing digitalisation. This becomes a very big winner along the way. And if you look at our pack towards the later pages, you will see a variety of initiatives that we have taken which help you give a perspective of how we have been able to improve operating efficiency. Last and not the least, brand awareness is important. While most of our focus in terms of brand cost has been more below the line and digital in nature, this is something that helps cement the position of the Company in customers' minds. So, it is not one activity, it is a variety of activities, things you have to do continuously to be able to deliver value on this. Having said that, like I mentioned earlier in response to Kim's question, as we get into the new era, given that we have got GST input tax unavailability, it will from our optics perspective create a short-term bump up in cost ratios as we get into the next quarter. That is something that we have to be aware of. But like I said, the elements that we have in terms of looking at granularly at all of the elements of operating expenses, we have been paying very close attention to this and determining which are the ones that we need to carry through into the coming quarters, such that we are able to sustainably deliver topline as well as VNB.

Avinash Singh: Now, if I were to look at H2, so in H1 of course, the GST hit has come for a very limited time and also the favorable bond yield moves have helped. But at the same time, you did not have enough time to take managerial action. Now, looking into H2, when you can take managerial action, but the GST input tax credit impact is going for

the entire time period, both offsetting for the GST impact and you taking actions, is it fair to assume you will be able to sort of nullify the impact of margins if the product mix were to stay as it is?

Dhiren Salian: So, that will be our endeavor, Avinash. But like I also mentioned, there are multiple levers that we will have to pull. One is, of course, renegotiating commissions, two is going to be Opex optimisation. Now, having done all of that, I do not think they will all come to a close in the coming quarter because as Amit also mentioned, these are ongoing discussions. And also in response to what Shreya had pointed out earlier, like the surrender value changes that had happened last time, these sometimes get protracted over a period of time. But I think the core focus for us as a Company has been on absolute VNB. So, I am not looking at margin, we have always been looking at absolute VNB delivery that we can get done in the period and what we are attempting to do is to take advantage of the positive news that we have got on GST to be able to drive higher volumes. That should be in a position to help us make good any potential short-term loss that we have on margins.

Avinash Singh: Thank you.

Moderator: Thank you. Our next question comes from the line of Swarnabha Mukherjee from B&K Securities. Please go ahead.

Swarnabha Mukherjee: Thank you for the opportunity. I have three questions. So, first to understand the VNB development this quarter or maybe in terms of absolute VNB or in terms of margin, whichever you would like to give some idea on. So, I just wanted to understand that this particular quarter, if I look at the product mix, vis-à-vis the product mix of first quarter, assuming that the product designs would be broadly similar between the quarters, I can see that the mix has moved in the direction of products where VNB accretion or the margin accretion might be lower, so towards linked and group fund. So, the segments where we have seen maybe ramp up is retail production. So, I just wanted to understand that our ability to keep the VNB more or less stable despite such larger categories coming up. Is this only on the back of retail protection and non-par or is there anything else to read into that? Has there been a major change in the product designs which have led to that? So, that will be the first question. Or in a different way, if I were to look at the margins between the quarters remaining flattish, how does the product mix explain that? And also, if you could highlight the par-non par mix during the quarter, so I can understand how much non-par quantified. Also, is there an impact of the GST input tax credit we could not take for the sales of the last eight days? What is the impact of that in this margin profile if you could also highlight that? That would be very useful.

Second, in terms of the persistency drop that is there, going forward and for this current quarter, is there any change of persistency assumptions expected in our VNB calculations? So, is that already baked in the margins, or should we expect it some point

going forward? If you could help understanding the same? And lastly, Sir, I did not understand the reason that you highlighted in terms of yield curve movement leading to the change in ANW and VIF. So, if you could explain why the impact of that would be different from March 2025 while ANW went down, VIF saw a very strong growth in a period where our new business growth was not that strong. So, if you could highlight why there is this different direction within the impact or is there any other factor to look into? And those will be my questions.

Dhiren Salian: Sure Swarnabh. So, let me pick up in the reverse order. The ANW point fundamentally is around the MTM on the debt and the duration of the debt that we hold in our part of ANW. So, large portion of it is explained just because of the MTM of debt. The second thing is on persistency.

Swarnabha Mukherjee: Sorry to interrupt. I mean, if you could also highlight the reason for strong growth in VIF, that would be also very helpful.

Dhiren Salian: The VIF growth if you want to explain is largely explained by way of unwind as well as VNB additions and some bit will come because of some economic variance. Those are the three large components that come as part of it.

Swarnabha Mukherjee: Sure, understood.

Dhiren Salian: Now, persistency, Amit also explained this. Well, I think the right threshold to look at is two years back because it does not have the period of March 2023. But having said that, there are a variety of product and channel combinations that we need to be able to take certain additional action on and that is in progress. So, as now, when you look at it across, when you look at from what numbers that were disclosed at last quarter to now, we have been broadly stable. But the efforts are on all the teams to improve on persistency and we hope to be able to recover whatever loss that we have through the year as well in most cohorts.

Now, you had a question on the VNB right? And I explained that earlier as well. I mean, the positive movement in margin is largely due to one of these four factors. One is the higher mix of protection. So, if I look at what the full year protection mix was to where it is now, there is a significant movement up.

The second bit is in terms of the share of non-par business. And given the fact that we had launched a product in January this year, January 2025, that has started to become a larger portion of the traditional book. So, even at this point, it stands at about 50:50 roughly in terms of the par to non-par, whereas earlier it used to be the ratio of 2:1 for the par to non-par share of the traditional business.

The second thing is in terms of underlying product level profitability, and this is something that we have been speaking about multiple quarters, where we are looking at increasing sum assured multiples, longer tenure policies, and of course, increasing rider attachments. So, this factor has started to play out now and that is helping us improve underlying product profitability. Third is in terms of the favorable movement of the yield curve across this period, that helped a bit. And the last is another offsetting impact that we have. What we have done is in terms of GST, we have taken an estimated impact of the GST disallowance on both the commissions as well as operating expenses, whatever is relevant for this half year. We have taken that hit onto the new business that we have reported for this period as well.

Swarnabha Mukherjee: Right. Would it be possible to give some quantification of how much was that impact for this quarter or first half?

Dhiren Salian: So, see the problem is that may not be relevant for the quarters going forward. Hence, I would refrain from getting into that exact quantification there. But we have to whatever extent that we could see the impact of GST, we have taken that on board at this point for the business that we have done.

Swarnabha Mukherjee: Okay. Understood. This is very helpful. Thank you so much.

Moderator: Thank you. Our next question comes from the line of Vinod Rajamani from Nirmal Bang. Please go ahead.

Vinod Rajamani: Thank you for the opportunity. I had a question related to GST, two questions actually related to GST. So, given the reduction on individual life policies, how will you treat the impact within the embedded value framework? Specifically, will the benefit flow through the expense variance or the operating assumption change line in the EV waterfall. That is the first question on GST. The other is that since group products remain taxable with input credit eligibility, is there a plan to kind of balance the trade-off between retail and group? Because on group business, you will get that input tax eligibility. So, how do you see the interplay between group and retail playing in the future? So, these are the two questions.

Dhiren Salian: Hi Vinod, thanks for those questions. On the first one, that will be an assumption change. It will not be a variance, it will be an assumption change, which we will disclose at the end of the year. And essentially, whatever expenses are directly attributed to retail business, you cannot really set that up directly against group business. Theoretically, it might make sense to say that I will play one against the other. But, practically, it is not possible because those two business lines are different, the distribution lines are different, the products are different. So, you cannot really play one against the other. Theoretically, on excel sheet does make sense, but practically, it becomes quite difficult. But at the end of the year, any case, depending upon the total

quantum, that will show that as part of an assumption change. And that is the right place to put it because that is going to be an impact of the GST change on to the way the business model will carry on into the future.

Vinod Rajamani: Understood. Thank you.

Moderator: Thank you. Our next question comes from Niraj Kumar from HDFC Life. Please go ahead.

Niraj Kumar: Hello. Okay. So, my question is the GST claim which we are getting and it will increase the cost. So, how we are discussing the commission structure? And is this discussion also with the agency where we will reduce the commission for agents as well?

Dhiren Salian: Yes, we are in the process of renegotiating commissions with all of our distribution. This conversation is on at this point.

Niraj Kumar: Okay. Fair enough.

Moderator: Thank you so much. And our next question comes from the line of Neeraj Toshniwal from UBS Securities. Please go ahead.

Neeraj Toshniwal: Hi, everyone. So, on my first question, I think on 61st month persistency, we are still yet to understand why it is contracted, if you can help with that? And the second question is, on the input tax credit, I think you have mentioned that you're not quantifying at this point. But on a year-end basis, are we looking to have some impact on our book or it will be totally transient? What's our view? And if you can also guide and help with possible product mix, we will be focusing here on new launches we will be having to drive the growth and output on annuity because that has been a bit of a laggard till now. So, that will be helpful. Thank you.

Dhiren Salian: Sure. Neeraj, the 61st month persistency, I think we have discussed earlier as well. That's due to a definition change, which allows for policies to be on the book, even though for both unit-linked as well as traditional, they are required to continue on the book, even if they are not premium paying. That's a technical definition that has caused the drop in persistency there.

Now, the second question that you mentioned is on the impact of the GST on the Embedded Value. That will be an assumption change that we will put up at the end of the year. We had given you an indicative number as part of our disclosures. That was for the FY2025 Embedded Value. And we had given an indicated number. But of course, depending upon how much, when this comes about, how we are able to manage this impact, the full impact of that will be disclosed at the end of the year. So, in terms of products, I think our philosophy has been to make sure that the entire product suite is available, we keep them refreshed at all points in time, be they on the unit-linked

platform, be it on the par as well as the non-par platform, as well as the protection platform and annuity platform. So, everything is live and in tune with the market. We continue to make new introductions. We carry a set of pages as part of our pack also, which talk about what are the new introductions that we have during the period. So, you will continue to see us work at providing different propositions for customers. I think it'll be a little premature for me to talk about all the products that we will bring out over the next six months. But we have had a couple of product launches in this quarter itself already.

Neeraj Toshniwal: And in terms of, given we have a benign base now, how should one think about, will we be having growth in line with industry, or how do we think will be towards the second half, one should think about?

Dhiren Salian: Difficult to put a number on this, Neeraj, but very clearly, as you rightly pointed out, H2 is more benign than H1 for us. So, given that we have put in a lot of underlying, the underpinnings of the business are far stronger, much more robust, I believe we should be able to deliver some decent growth into the coming half year. Additionally, given that the GST notifications have also come about, reforms I believe are expected to spur growth. Like I mentioned, we are starting to see some initial pickup, early signs are visible. We have seen that both in terms of our website traffic, which suggests that there is a demand in customers, as well as some degree of conversion also has improved. So, I believe we should be able to take advantage of the reform that the government has put out to be able to deliver growth, not just for us, but I believe the industry should be able to take advantage of this as well.

Neeraj Toshniwal: Thank you and all the best.

Moderator: Thank you. Our next question comes from Kushagra Goel from CLSA. Please go ahead.

Kushagra Goel: Hi, thank you for taking my question. Most of the questions are already answered. I just have one data keeping question. So, can you let us know what is the mix of ICICI bank channel in the total banca? And secondly, while you answer that, so expecting some improvement in growth in the second half, my question is that, if we are not able to, let's say, achieve the growth which we had expected in the starting of the year, will that impact our VNB margin as well because it's based on our expected cost absorption? Just those two questions. Thank you.

Dhiren Salian: Thank you. So, on your first question, the ICICI bank has been stable at the 100 crores per month range. It broadly stays there. That's not so much of a change in the share of ICICI bank as part of our retail mix.

Second, of course, the way that we have architected the business, I think we are quite confident to be able to deliver on growth. As I mentioned earlier in response to Neeraj's question that the H2 base is quite benign. We do have a favorable bump up that's coming out of the GST reform as well. So, I believe we should be able to deliver on growth in the second half.

Kushagra Goel: Sure. Got it. That is all. Thank you.

Moderator: Thank you. Our next question comes from Sanketh Godha from Avendus Spark. Please go ahead.

Sanketh Godha: Yes, thank you for the opportunity. Dhiren, the ₹ 505 billion EV what we have reported, it doesn't have that 1% negative impact in the numbers, right? Or it is already incorporated in that ₹ 505 billion what we reported in H1?

Dhiren Salian: Broadly with the impact of this GST on the existing book to the extent that we know has been factored in as part of the declared VNB. The full walk, we will do that at the end of the year.

Sanketh Godha: Got it. Understood. And the second thing, Dhiren, is that when we report our margins, we report it on estimated cost. So, the 24.5% what we are reporting is still based on that estimated cost or we have already incorporated that GST input credit negative impact already in the 24.5% what we reported now?

Dhiren Salian: Yes, we have taken in what we know of GST into the 24.5%.

Sanketh Godha: Got it. And maybe one more thing, just wanted to understand that GST typically, in my view, will impact largely two products, individual protection and ULIPs. So, individual protection, till the time you don't take a price hike, it will have an implication. But ULIP seems to be a permanent damage. So, when you speak about renegotiating commissions, it is predominantly a ULIP phenomenon or you will do across the products. And whether you have headroom in RIY to take that impact of ITC to still maintain the margins on ULIP. So, just wanted to understand this renegotiation bit along with the product level negotiations, what you are trying to have?

Dhiren Salian: Okay, so Sanketh, then let me put some facts on the table. See, the impact of GST input tax credit disallowance is felt most on non-par. And if I am looking at the savings line of business, and I look at the severity on the margin impact, it will be highest on the non-par. It will then come through to unit linked, which will be of small impact. And then par, of course, is a very, very small impact because it cycles through the fund. And at the end of the day, will go back and impact the customer bonuses and Shareholder portion of the bonus. This is the order of priority. So, the reason why the entire industry is renegotiating commissions with distribution is primarily because of the

varied impact that it has based on the mix that they carry. So, protection is another element. Of course, it has an impact on protection, no doubt about it. Protection in that sense will behave like a non-par because it will carry through completely to the Shareholder, any impact that you are not able to manage with the distribution. So, your order in terms of severity is going to be around non-par and protection, then to a very small degree on unit linked and a very, very small degree on participating.

Sanketh Godha: But in non-par, probably you can change the IRR if you want to renegotiate that, I mean, it's to mitigate the impact. So, is it fair to say that?

Dhiren Salian: If you want to take away customer benefit, that's a different position, Sanketh.

Sanketh Godha: Okay. Got it. And lastly, this banca slowdown, what we are seeing in the first half, though the base was not meaningfully very high last year, is it largely because of the IndusInd bank channel where probably Hinduja's has taken a little lion market share or it is in general weak demand in the banca channel?

Amit Palta: See, bancassurance is 30% of our business. Last year, growth was close to 30% and this year is flattish. So, ICICI Bank is half of 30, which is 15%. And remaining 15% is fairly distributed. You took an example of IndusInd Bank, but we have other bank partnerships as well. And it is a fact that in a multi-banca partnerships, you will have different ecosystem challenges with different partnerships at various points in time because of the cycles or unique challenges with some partnerships. But that is part of the game. That's how things operate in multi-distribution network. So, to that extent, I cannot single out any one unique issue contributing to overall banca flattish performance. All I can say is 30% growth last year was quite significant. And that business has remained flattish now. So, on a 2-year CAGR basis, it is still 13.5%-14% of growth that we have seen. And again, we need to also be cognizant of the fact that some of our banca partnerships like ICICI Bank has predominantly focused on protection and unit-linked business. And typically, unit-linked business does well in a buoyant market. To that extent, that also had an impact. So, that's what I have to say.

Sanketh Godha: Okay. Understood, Amit. So, maybe, Dhiren, can you tell on that RIY headroom which I asked you, whether we are at the threshold on most of the products what we sell or we have a still headroom to maybe if you want, we can navigate the ITC issue?

Dhiren Salian: No, we have some headroom.

Sanketh Godha: Perfect. Thanks, Dhiren.

Moderator: Thank you. Our next question comes from the line of Prayesh Jain from Motilal Oswal. Please go ahead.

Prayesh Jain: Hi, everyone. First question, from a persistency perspective, is it in line with your assumptions or it is lower than your assumptions?

Dhiren Salian: So, Prayesh, there are certain pockets that are lower than assumptions and that is what our endeavor will be to bring them back up towards the end of the year so, that there does not remain a variance.

Prayesh Jain: Got that.

Dhiren Salian: Secondly Whatever is residual, we will take that as part of the assumption change at the end of the year.

Prayesh Jain: Got that. Secondly, you mentioned that on VNB front, you have in your estimated cost workings, you have already taken the GST hit that whatever kind of comes through, right, the input tax credit not being available. So, in that sense, in case the product mix and everything remains stable, is it fair to assume that your profitability on VNB margins will not take a hit going ahead because of GST?

Dhiren Salian: So, we have taken the hit for H1 business. Now, if towards the later half of the year, which is all through Q3 and Q4, we are unable to adjust based on those levers that I spoke of, that particular H2 portion of the business will have an impact. But like I said, these are, from our perspective, we believe these are short-term impacts. So, whatever we see on margin, we hope to be able to cover that up by way of additional demand and absolute VNB, we should be in a position to therefore garner. That's the way we are looking at it, because we think that this is really going to be a big driver for business into the future.

Prayesh Jain: Okay. And another clarification, you mentioned that in the EV, you have taken the hit only on the VNB, which is on the new business, or whatever you have written so far in the first half on the GST cut. But on the back book, the impact is yet to come on the EV that you have reported, right? Is that the fair assumption?

Dhiren Salian: No, we have taken the impact on the EV as well. But like I said earlier, whatever we know, we have taken an impact on to the EV as well, the EV walk that we will disclose at the end of the year.

Prayesh Jain: Okay. And last question, any changes to the IRRs that you have done on the non-par side just to mitigate or just to kind of adjust to the yield curve, whatever has happened in the last three months?

Dhiren Salian: No, we haven't made any updates to the IRR of our non-linked products.

Prayesh Jain: Got that. That's helpful. Thank you so much.

Moderator: Thank you. Our next question comes from Nidhesh Jain from Investec. Please go ahead.

Nidhesh Jain: Thanks for the opportunity. First question again is on GST, based on your experience of previous such instances, and your discussion with distributors, how much impact do you think you will be able to pass on to the distributor in the near term? Will it be 50%, 80% or 100% will be passed on to the distributor?

Dhiren Salian: Thanks Nitesh. But it's a difficult call for us. I think what I can point you towards is the last set of such large scale conversation that had happened a year back in terms of surrender value, where we have been able to effectively move to a win-win situation for all parties involved, the distributor, the Company, and most importantly, the customer as well. So, that is the lens in which we will continue to operate, that the customer gets a fair deal. We are in a position to find a mid-ground between the distributor and us. In the short term, very difficult to call, because these are ongoing negotiations at this point. I believe the entire industry is in this set of conversations. When it comes to conclusion, we will be in a position to talk about how much finally comes through. But the key position that we have been making to our distributors is that these increased volumes that we expect, that should be clearly value accretive to distributors, because end of the day, the commission percentage is not really the number people focus on. I am sure every individual distributor, whether they are individuals or corporate are really interested in the absolute revenue that they are able to garner on their P&L. And we believe that if the industry comes together, along with the ecosystem, we should be able to make a big success out of these reforms that the government has put through.

Nidhesh Jain: Increased volume on protection is anticipated, but on savings business, because the impact is not very significant and quite invisible, do you see increased volumes in the savings business also?

Dhiren Salian: Yes, we see it on the savings business as well, because see, within the unit-linked, if you look at the benefit illustration, you should start to see a uptick in terms of the returns that you make at the standard fund growth values. Very specifically, you will see this in terms of both traditional businesses as well, both traditional businesses, which is par and non-par. Non-par, you will see uptick in IRRs, because very clearly, what the customer should ideally be looking at is the total amount of money that goes out of their pocket, which is the base price plus GST. So, now that the GST is no longer applicable, the base price itself is going to give you a better return.

Nidhesh Jain: Sure. Second question is on retail protection. There also we are seeing that the growth has slowed down, specifically in quarter two. So, anything specific to highlight in this quarter?

Dhiren Salian: Good, you made that point. I think Q2 for us last year was a fairly strong base, and we had grown at 31% in Q2 last year. So, against that base, this minor growth number clearly is something that I think we should be able to go past that into the coming quarters. Very clearly, I think the underlying are quite strong. So, in terms of absolute numbers that we have been generating quarter on quarter, that's been on the uptick. We saw very strong growth in Q1 as well, 20% plus growth in Q1. But given that last year, Q2, we had a very, very strong growth number. I think against that this falls a little short. But this does not in any way mean that we are seeing a shortage in demand. Very clearly, as I pointed out earlier also, we are seeing a lot of demand come through on our website, which is largely protection oriented. We are seeing a lot of customers come through and ask about retail protection. And now with the GST cut being applicable, protection suddenly is 18% cheaper.

Amit Patla: Also, Nidhesh, since this GST thing came into play from 22nd, we actually saw a bit of a surge towards the end of the month. And as you know, that protection is typically a longer process for issuance as it involves for medical. So, logins at the back end of the month also had an impact on the issuance numbers. Plus, like it was even before the discussion, before the announcement was made, it was expected to have a GST waiver for protection range of products, savings was announced subsequently. So, I can't rule out, of course, I can't authenticate that, but there could be a slowdown a little bit in Q2 in anticipation of change in price or change in benefit from 22nd onwards. So, these are the two reasons I would just like to add apart from the base effect that Dhiren spoke about.

Nidhesh Jain: Sure. And the last question is a slightly longer-term question. What we have seen is that whenever we have seen a growth slowdown, we have tried to tackle it through cost focus, focus on cost, etc. While in that process, I don't know how are we thinking about long-term investments, because if we are curtailing costs and have a lot of focus on cost control, at some point in time, your focus on investment for longer term will get impacted. When you are cutting your discretionary costs etc., the focus from the management team will be more on controlling costs rather than investing from a longer-term perspective. So, why we are worried too much about near term profitability, one year margins, and why don't we try to sacrifice near term margins and build investment which will give you much more sustainable growth from a 3 to 5 year perspective?

Dhiren Salian: Yes, it's a fair question. I think your point is, if I were to summarise is that, are you cutting into the muscle? And I think the answer to that is clearly no. Because what we have been doing is ensuring that there is further alignment of our resources to where we are able to drive value. Now, be that in terms of reallocation of our organisation structure, reallocation of our people into more productive areas. Along with that, we have looked at greater degree of digitalisation. And as I mentioned to in response to a question earlier, there is a set of pages at the back which talk about how we have been able to improve productivity across all parts of the business, more notably in operations and now

more in terms of the sales as well. So, the idea is that if you're in a position to deliver on the underpinnings and make them stronger and stronger. And very clearly, one of the things that we have continued to invest in, and you can see that as part of our disclosures as well, we have not stopped investing in technology. That continues. I think that will become a game changer as you look at the coming quarters and the years ahead. I hope that answers your question.

Amit Patla: Nidhesh, I just wanted to on a lighter note share with you that investment at times has been construed as only the cost incurred on people, on branches, on physical infrastructure. But also, I would like to give you a new dimension, different dimension of investment, which is on the complete strategic outlook. So, the outlook for us has now gone micro market, understanding local markets with the same resource you can actually deploy in high opportunity markets, understand the customer fabric, deploy your distribution, which has access to those customer segments. And there's been an approach which is very, very different, doesn't call for a cost or an investment from a rupee perspective, but it has a lot of mind investment when it comes to investing for future. So, we have not fallen short on any such investment in terms of our lateral thinking on strategy. And at the same time, when it comes to some of the outcomes that you see on digitalisation, that number itself will reflect that on technology, we have not fallen short on investment over a period of last few years. So, this is just something that I would like to add to what Dhiren mentioned.

Nidhesh Jain: Sure. Thank you. That's it for my side.

Dhiren Salian: Thank you, Nidhesh.

Moderator: Thank you. Our next question comes from Madhukar Ladha from Nuvama Wealth. Please go ahead.

Madhukar Ladha: Hi, thank you for taking my question. See, most of my questions have been answered. Again, coming back on topline growth. So, far, we have had the high base impact. But going into second half, do you think, growth will be much stronger? And, we have been down about 8% on individual APE. What sort of a number should we be looking at, you know, from a full year perspective? Given that now, you know, you are more confident of growth coming in with the GST cuts also. So, some sense around that will be helpful. Also, on the VNB margin will be helpful, I think this question was asked earlier also that what, in terms of how much of the ITC impact, will we be able to pass on to the distributors or to the other sort of cost centers, other partners? And how long do you think will it take for the margins to sort of normalise for you as a Company? So, yes, those would be my two questions.

Dhiren Salian: So, Madhukar, in response to your first question on growth, as rightly pointed out that we do have a much more benign base into H2 of the year. That was

relatively normal. We had about 8% growth in H2, whereas H1 was 25% plus last year. So, you're right, we expect to be able to build on this growth into the second half of this year. You will also notice that our APE in September was flattish, despite most of the business all coming in towards the later part of the month, post the GST implementation. And also in the month of September, what I can let you know is that the linked business has now started to come back to growth. This is at one level what you're seeing on the underlying business. Second, we discussed GST and the impacts and we clearly believe that there is a lot of demand that can come through. This again responds to multiple questions that we have discussed where we expect demand to come through in the short term as well as over the longer term. Early signs are visible. Like I said, the website traffic has increased and we are starting to see some improvement in conversions as well.

Now coming to your second question in terms of the impact on to VNB and when we should see some normalisation. This is 14 days into this quarter, early to call. I think through the quarter, we will get some sense of how the entire ecosystem comes together. But like I'd mentioned, I think it's fairly important to be able to keep the customer benefit on top. I think that's one of the clear reasons why customers buy our products and believe in the product that we offer. It's for the rest of the ecosystem which is the manufacturers as well as the distributors to find common ground to be able to deliver value to both.

Madhukar Ladha: Just one follow-up. See, it's been less than a month also with the GST cuts. In this three to three and a half week period, how much of the impact have we been able to pass on? I mean, I know it's a difficult thing to ask and for you to answer as well. But some sense of what has happened over the last three and a half weeks? How much of the ITC that you estimate have we been able to cut? How much of the thing have we been able to pass on to the distributors?

Dhiren Salian: No, nothing has been passed on to distributors yet. As Amit also mentioned, this is a set of renegotiations that are on at this point. Nothing has come to close.

Madhukar Ladha: Okay. So, right now, like the old terms stand and then whatever you decide, you will take a retrospective change then. Is that the way to think about it?

Dhiren Salian: See, these are multiple conversations. So, as and when they close, we will be able to take that impact, Madhukar. Same playbook that we had when we had the surrender value regulations last time. So, nothing different from that.

Madhukar Ladha: Got it.

Moderator: Okay. Thank you. Our next question comes from the line of Nischint Chawathe from Kotak. Please go ahead.

Nischint Chawathe: Hi, thanks for taking my question. Just on the MTM loss, I believe that you said that there is some investment variance in the EV walk. But I mean, if I look at the 10-year G-sec, there's hardly any movement during the last 6 months. So, I am just curious, what would be the reason for that?

Dhiren Salian: So, that's just a reference point, Nischint, that we provide. Again, this depends upon the tenure of your underlying liabilities. So, if you note that it's been quite steep into the later part of the curve, these play out differently depending upon the average tenure of each of your liabilities.

Nischint Chawathe: Sure. And maybe this is a little more academic question. But, I was looking at your P&L statement. And I was just curious, if there is going to be some ITC loss, which line items should it affect? I know there's practically no impact in this quarter, but which line items, it would affect or it would have already affected?

Dhiren Salian: So, the way we represent this input tax reversal, which we continue to have for the last few quarters and few years as well, is that we reflect across each and every element of our Schedule III expenses.

Nischint Chawathe: So, this should have some kind of an impact on change in actuarial liability, which is point number 16?

Dhiren Salian: Yes, to the extent that the GST input tax reversal comes through. But if you're looking at your P&L, then each of these Schedule III items will be inflated going forward to that extent that we get the reversal.

Nischint Chawathe: So, I am just trying to say that the actuarial liability that you have reported kind of assumes that adjust the reserves for ITC losses I believe is what it is. And probably that gets reversed as you probably have some discussions with distributors. So, you probably assume that, look, there is no discussion with distributors or whatever, other stakeholders and there is an ITC loss. And that is adjusted in the change in actuarial liability and probably that gets reversed over the next quarter as we negotiate. Is that a fair reading, it gets reflected maybe further quarter. For the renewal book, right? I am talking about the renewal book.

Dhiren Salian: Yes, to the extent that we know we have factored that as part of the reserves.

Nischint Chawathe: And have you assumed any renegotiation in this or have you assumed that?

Dhiren Salian: No.

Nischint Chawathe: Okay, so if anything, I mean, there could be some reserve release only in the later quarters, because, assuming that you probably have a middle path with the distributors, right now we assume that there's nothing and this is the P&L.

Dhiren Salian: Yes.

Nischint Chawathe: And if I look at it optically, the earnings are not distorted. I mean, there's no significant impact on earnings because of this. That's a fair reading or maybe there was something and that got set off.

Dhiren Salian: Yes, you're right.

Nischint Chawathe: Okay, sure. Thank you very much.

Moderator: Thank you. Our next question comes from Dipanjan Ghosh from Citi. Please go ahead.

Dipanjan Ghosh: Hello. Good evening. Just two questions from my side. One is when you're having this incremental discussion with the distribution fraternity in terms of realigning the commission structures, I just wanted to get some sense of across different channels, what is sort of accommodative stance being taken by different cohorts, like, for example, between proprietary or partnership distribution or banca? I mean, which channel partners do you think would be more accommodative in this discussion? And second, just a data keeping question, if you can give your credit protect growth for the quarter on an APE basis?

Dhiren Salian: So, Dipanjan, the conversation with our distribution is on at this point. I think it'll be premature for me to put some view of that. It is going to be difficult to say anything at this point. Let it come to a closure. Then I think we will be in a position to talk about it. In terms of credit life, we still continue to see declines in the MFI portion. But what I can tell you is that the sort of decline that we have seen in the earlier periods that has started to reduce. We are hopeful that as the MFI industry at large starts to pick up on growth, we should be able to capitalise on that as well.

Dipanjan Ghosh: I am sorry, just one small follow up. I mean, in line with the product mix, would it be fair to assume that non-par for the first half has grown at more than 50%-60%? I mean, given that the mix has changed from two-thirds to almost equal weightages?

Dhiren Salian: Yes, I am not hinging on the number that you're specifying, but it has seen very decent growth. For the full year, I think it was roughly about 2:1 on the par to non-par. We are now broadly at 50-50 on the par to non-par. So, you can back compute.

Dipanjan Ghosh: Got it. Thank you and all the best.

Dhiren Salian: Thank you.

Moderator: Thank you. Our next question comes from the line of Mohit from Centrum. Please go ahead.

Mohit: Thanks for the opportunity. My first question is on the retail protection. So, how has been your mortality experience and have we done any repricing for the same?

Dhiren Salian: I think we monitor the mortality experience quite continuously and repricing of contracts or other policies happens at all points in time depending upon the kind of advantage that we see in the market and the kind of benchmarking that we do on a continuous basis. So, there's nothing we haven't done.

Mohit: Yes. Business as usual, right? I mean, nothing needed.

Dhiren Salian: Yes, business as usual. You will continue to see some changes across pockets, but nothing massive or something that has to be done for the entire book at one shot. In fact, if you pay attention to our early claims, I mean, look at the ratio of early claims that has started to improve quarter after quarter and we are now at about 22% share of claims as early claims. And that gives you a sense of what we have been able to do in terms of improving the underlying mortality of the book.

Mohit: Understood. The second question is towards the Banca channel. So, I was just looking at your PPT. Basically, we added 2 new Banca partners in H1 and now we have overall 50 banks as our bancassurance partners. But if I look at the numbers, numbers look pretty flat at the end of H1. So, do we have any roadmap for the bancassurance growth?

Dhiren Salian: So, in terms of bancassurance, see, there are no large banks that are currently available that we could partner. We are open to a partnership, but of course, depends upon whether the bank themselves wants to partner with us or not. Our objective in all of this is to make sure that we are able to spread as much as possible. And any bancassurance opportunity that comes with it, we are able to add and onboard as quickly as we can. You rightly noted that we added banks, two banks in this current period. Of course, these are small banks, but we have been working with each of our banks, bringing them up to speed and working on improving the throughput as well as in terms of quality.

And also note that as part of our pack, we have got a section that talks about how we would like to integrate with our partners and our position is that through the **ICICI Pru Stack**, we'd like to be the most partnerable company in the ecosystem. In fact, now from an onboarding perspective, we are able to onboard distribution partners in less than two weeks and get them productive.

Mohit: Okay. Makes sense. So, the last question is on the agents. I was looking at your agent addition. So, we added close to around 18,000 agents on net basis from April to September. And if I compare that to the private sector, that's around 15% of the total private sector addition. Now, you're talking about rationalisation of distributor commission and I mean, I think we did at the time of surrender value as such. So, do you think the agent would be kind of a little more demotivated or as an industry, maybe agent may not be wanting to come henceforth? What are your views on that?

Amit Patla: First of all, we have made this event a little bigger. We should keep on looking at the optimism that comes with this decision on increasing the overall demand and absolute productivity going up. So, easier said than done, because on an instant basis, you will look at commissions getting impacted. But over a medium to long-term basis, we do look at absolute productivity, compensating for any change in the commission structure that may happen. Nevertheless, at this point in time, like what Dhiren mentioned, decisions on commissions are still under discussion and it will progress and get probably a logical closure over the next couple of months. So, too early to comment on that. That's how it is. I do believe that the kind of visibility that life insurance has got ever since this announcement has come is quite positive as never been like this before. Earlier, it was seen during the time when there was a tax scarcity. So, this is a big event and we are quite optimistic that it will support overall demand and absolute productivity should take care of the incremental cost, both for us as well as for the distribution.

Dhiren Salian: Like I had mentioned earlier, Mohit, I think every distributor is looking at the absolute amount of revenue. I don't think people stress so much about the percentage. If the environment is such that it's able to drive demand and they are able to generate a lot more revenue, then it is very clearly value accretive for them.

Mohit: Understood. Makes sense. Thanks and wish you all the best.

Moderator: Thank you. Our next question comes from the line of Raghvesh from JM Financial. Please go ahead.

Raghvesh: Thanks for the opportunity. I have a couple of questions. First, at what speed do we start to essentially hit customer benefits? I mean, do we have something in mind that this will be the VNB margin outcome due to the ITC or maybe if the growth is not picking up, maybe 2 or 3 quarters down the line, we can consider hitting customer benefits?

Dhiren Salian: Raghvesh, in response to a question earlier, I mentioned that it's important for us to be able to keep the customer at the center of everything that we do. Right. The rest of the ecosystem, which is the distributor and manufacturer, have to be able to manage this and ensure that whatever best for the customer can be provided has been provided. We also have to be cognizant of the fact that this is not the only avenue for

savings in the market. There are other products as well and we clearly have to keep our products competitive in that context. Of course, in the context of these being long-term savings. So, I don't think the right approach is to cut customer benefits. I think we have to find a middle ground between the ecosystem participants to be able to find an outcome. Clearly, our position on the VNB is to look at the growth in absolute VNB and believe that with the demand that is potentially going to be spurred because of the GST reform, that should enable us to meet our growth numbers on VNB.

Raghvesh: And on the renewal book, on the policy written in previous years, do we have any leverage to change the commission structure on the book, which was written say in FY2024. Can we change the renewal premiums now on that book?

Dhiren Salian: On the renewal premiums or renewal commission?

Raghvesh: The renewal commission.

Dhiren Salian: So, that is part of the conversation that we are having with distribution as well. We have no ability to change renewal premiums. But in terms of renewal commissions, this is also on the table in terms of the set of items for conversation. The other bit, like I mentioned earlier, is to be able to manage cost. And you're seeing the improvement in our cost ratios for a variety of activities that we spoke of in response to earlier questions as well, that I believe should hold us in good stead as we go through the quarters.

Raghvesh: And the last question you mentioned, GST cuts are good for others as well as the industry. So, are we looking at growing beyond the industry, even as we end this year? Or is that not, the focus remains on it?

Dhiren Salian: I don't want to make a forward-looking statement on this. I think we will do our best to be able to take advantage of the opportunity.

Raghvesh: Okay. Thanks for the answer.

Dhiren Salian: Thanks.

Moderator: Thank you. Our next question comes from Gaurav from MLP. Please go ahead.

Gaurav: Hi. Good evening. Thanks for taking my question. So, just to put into context the severity of the impact that we are speaking about, let's assume that without attributing anything passed on to the distributor, what would be the gross impact of this in any way, if you can call out? And, with better operating leverage playing out in the second half, how much do you expect to offset this organically without assuming anything passed on

to the distributor, given that that is under consideration and not yet finalised? Just to understand or just to put into context the severity of the impact on VNB.

Amit Palta: So, Gaurav, yes, the question that you're asking me is, *ceteris paribus* what is the impact? My challenge in answering this question is nothing is ever *ceteris paribus*. The entire environment moves, the ecosystem moves, and we are not the only participant in the ecosystem. Very clearly, as I mentioned in response to a question earlier, it is important that the ecosystem of both the distributor and the manufacturer get together to be able to ensure that customers get a fair deal. How this gets split up, I do not think I am in a position to answer it at this point, because there are a couple of levers that are at play at this point. One is the question on commissions, and how will the commission themselves change?

The second bit is in terms of operating expenses and the impact of GST reversal onto those operating expenses, that itself has to play out. And the larger demand that we expect to see into the coming quarters in the coming years that itself should be able to offset any particular impact that comes through. So, I do not believe it is a *ceteris paribus* situation. I think the environment will shift. We had this similar set of conversations when we had the introduction of the surrender value regulations. And you have seen how the industry and the distributor ecosystem have evolved in that period. And you have seen the growth in the industry come through as well. So, I do not believe it is a situation that is as dire that gets painted out in terms of how the margin outlooks are. I think very clearly one has to focus on how much of absolute VNB that we can bring onto the table and ensure that the growth of the sector comes through on a sustainable path.

Gaurav: Fair enough. And just the second question on this, since you mentioned the focus will be on absolute VNB and given the tailwind of the GST cut in the second half, and also a favorable base, what kind of absolute VNB growth are we looking at for let us say this financial year? You can give a range with improved outlook on growth in the second half, maybe what kind of absolute VNB growth we should be looking at?

Dhiren Salian: No, it is a little difficult to call this point, Gaurav. But very clearly, we believe there will be a spurt in demand that should help us.

Gaurav: Okay, sure.

Moderator: Thank you. Our next question comes from the line of Harshal from AMSEC. Please go ahead.

Harshal: Thank you for the opportunity, sir. Just two questions. So, first is, in case equity markets continue to remain range bound and yield come down from here on, could we see further divergence in growth between ANW and VIF? That was the first.

And secondly, just in terms of trade-off between growth and input impact on margins. So, if you can give some colour on what sort of additional growth do we require to offset the impact on margins? So, that will be quite helpful. Thank you.

Dhiren Salian: Harshal, I do not know how the final impact will come through because it is not just the equity markets, it is the question of the debt markets also. And difficult to call how that plays out in the end because part of our portfolio, we do have equity and debt. And so, difficult to see how that pans out at this point.

The second question in terms of offset, I think we are not looking at an impact on margin from that perspective. This was in response to a previous question as well. I think our focus will be on growing the absolute VNB, taking advantage of the environment that offers to us. And very clearly, this is a conversation that is live with our distribution as well because clearly the pitch to them is that if you are able to take advantage of the demand support that we see, then they should be able to make higher revenues, even if there is a shave off in commission. Very clearly, like I mentioned earlier, the focus is to make sure that the ecosystem gets together, which is the distributor as well as the manufacturer to ensure that customers do get a fair deal.

Harshal: Sure sir, thanks.

Dhiren Salian: Thank you.

Moderator: Thank you. Ladies and gentlemen, as there are no further questions, I now hand the conference over to the management for closing comments.

Anup Bagchi: Thank you all for joining. Have a good evening.

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