Canara HSBC Life Insurance Company Limited

Reporting Actuary's Supplementary Report on Indian Embedded Value as at 30 June 2025

25 September 2025

Kunj Behari Maheshwari
Partner
Willis Towers Watson Actuarial Advisory LLP

25 September 2025

The Board of Directors,
8th Floor, Unit No. 808-814,
Ambadeep Building, Kasturba Gandhi Marg,
Connaught Place, Central Delhi,
New Delhi, Delhi, India, 110001

Re: Reporting Actuary's Supplementary Report on Indian Embedded Value as at 30 June 2025

Dear Sir/Madam,

I have pleasure in enclosing my supplementary report on the Indian Embedded Value of Canara HSBC Life Insurance Company Limited. The embedded value results provided in this report are assessed as at 30 June 2025 and computed to be in compliance with the standards issued by the Institute of Actuaries of India within the Actuarial Practice Standard 10 titled 'Determination of the Embedded Value (EV) of life insurance companies incorporated in India and regulated by IRDA for the purpose of Initial Public Offering (IPO)'.

This report has been prepared in accordance with the terms of a signed Addendum dated 22 July 2025 to the engagement letter dated 28 January 2025, for the purpose set out in Section 1 of this report. I would also draw your attention to the reliances and limitations set out in Section 5.

Yours faithfully,

Kunj Behari Maheshwari
Partner
Willis Towers Watson Actuarial Advisory LLP

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Section 1: Introduction

Preface

1.1 The Institute of Actuaries of India (IAI) has issued Actuarial Practice Standard 10, version 1.02 dated 28 March 2015 titled ‘Determination of the Embedded Value (EV) of life insurance companies incorporated in India and regulated by IRDA for the purpose of Initial Public Offering (IPO)’ (APS10). Embedded value of a life insurance company calculated in compliance with this practice standard is known as Indian Embedded Value (IEV).

1.2 Willis Towers Watson Actuarial Advisory LLP (“**WTW**”, “**we**”, “**our**” or “**us**”) has been engaged by Canara HSBC Life Insurance Company Limited (“**Canara HSBC Life**”, **“the Company”**, **“you”** or **“your”**) to prepare a Reporting Actuary’s Supplementary Report on Indian Embedded Value as at 30 June 2025 (valuation date), as envisaged by the APS10 (“the Reporting Actuary’s Supplementary Report”). The terms of reference are set out in a signed Addendum dated 22 July 2025 to the engagement letter dated 28 January 2025.

1.3 This Supplementary Report must be considered in its entirety, together with the Reporting Actuary’s Report on Indian Embedded Value as at 31 March 2025, dated 25 September 2025 (“the **Reporting Actuary’s Report**”) as this report stand-alone or individual sections of this report, if considered in isolation, may be misleading.

1.4 I, Kunj Behari Maheshwari (“**I**”, “**me**” or “**my**”) have prepared this report as per the engagement. This report provides my opinion on the Indian Embedded Value as at 30 June 2025 for Canara HSBC Life.

1.5 This report has been prepared for inclusion in the Updated Draft Red Herring Prospectus, Red Herring Prospectus and Prospectus (“Prospectus”) of Canara HSBC Life and sets out the scope of the work that we have been engaged to undertake and summarises the conclusion of our work. The reader’s attention is drawn to the reliances and limitations set out in Section 5 of this report.

1.6 This report should be read in conjunction with the rest of the Prospectus which provides a more complete description of the business and related risk factors of Canara HSBC Life.

1.7 This report is addressed to the Board of Directors of Canara HSBC Life in accordance with the terms of reference. To the fullest extent permitted by applicable law or regulation, we do not accept or assume any responsibility, duty of care or liability to anyone other than Canara HSBC Life for or in connection with this report.

1.8 The scope of our work addressed in this supplementary report comprised the following elements:

- To review and report on the methodology, economic and operating assumptions used to determine the components of IEV;
- To review the calculations undertaken within the embedded value models developed by Canara HSBC Life for material new products launched after 31 March 2025, in addition to the products reviewed for the Reporting Actuary's Report; and
- To review and report on the following results:
  - IEV comprising Adjusted Net Worth (ANW) and Value of In-Force business (VIF) as at 30 June 2025; and
  - Value of New Business (VNB) for the period from 1 April 2025 to 30 June 2025.

1.9 **Materiality**: Our work has been performed to materiality criteria as approved by the Board of Directors of Canara HSBC Life. Materiality limits have been set individually for ANW, VIF and VNB. The aggregate of all such judgements made is such that the IEV prepared should be within 3% of IEV at an aggregate level, should the IEV be derived based on the requirements of APS10 in entirety.

1.10 Based on the work undertaken, it is estimated that the overall impact of known limitations and approximations applied would be less than 1% of the IEV as at 30 June 2025 presented in this report.

1.11 Professional disclosures and related statutory statements and considerations underpinning the IEV results are set out in the Reporting Actuary's report.

Data

1.12 Unless otherwise stated, we have relied on the data and information provided to us by Canara HSBC Life in carrying out this valuation, as described in Section 5.

1.13 Canara HSBC Life has provided us with a letter of representation confirming that all data and information (including policy data, asset information, financial statements and experience investigations among others) provided to us is accurate and complete for the purpose of computing the results set out in this report.

Opinion

1.14 Based on the scope of work set out above, I have concluded that the methodology and assumptions used to determine Indian Embedded Value as at 30 June 2025 for Canara HSBC Life, comply with the requirements of APS10, and in particular that:

- the economic assumptions used are internally consistent and result in the projected cash-flows being valued in line with the prices of similar cash-flows that are traded on the capital markets;

- the operating assumptions have been set with appropriate regard to the past, current and expected future experience;
- the Required Capital has been determined and projected on the basis of Canara HSBC Life's internal capital target of 165% of the Required Solvency Margin and has been assessed from a shareholders' perspective;
- allowance has been made for the Cost of Residual Non-Hedgeable Risks; and
- for participating business, the assumed bonus rates, and allocation of profit between policyholders and shareholders, are consistent with the projection assumptions, established company practice and local market practice.

1.15 Based on a review of the cash-flows for representative model points obtained from the projection models of Canara HSBC Life for products representing over 90% of VIF and VNB and further reasonableness checks undertaken, I am satisfied that the results presented in this report have been prepared, in all material respects, in accordance with the methodology and assumptions set out in this report.

1.16 Disclosure requirements of APS10 are fully addressed in the Reporting Actuary's Report and are not considered further beyond the information provided in this Supplementary Report.

1.17 In arriving at these conclusions, I have relied on data and information provided by the Company. To the fullest extent permitted by applicable law, I do not accept or assume any responsibility, duty of care or liability to anyone other than Canara HSBC Life for or in connection with this work, the opinion I have reached or for any statement set forth in this opinion.

1.18 **Disclosures and consents:** This opinion is made solely to the Board of Directors of Canara HSBC Life in accordance with the terms of the Addendum dated 22 July 2025 to our engagement letter dated 28 January 2025. I have given, and not withdrawn, my written consent to the inclusion of this report and my name within the Prospectus in the form and context in which they are included. I do not authorise or cause the issue of such Prospectus and take no responsibility for its contents other than this report to the extent stated herein.

List of abbreviations used in the report

ANW	Adjusted Net Worth
APE	Annualised Premium Equivalent, defined as 100% of annualised non-single premium for new business plus 10% of single premium
APS10	Actuarial Practice Standard 10 issued by the Institute of Actuaries of India titled 'Determination of the Embedded Value of life insurance companies incorporated in India and Regulated by IRDA for the purpose of Initial Public Offering (IPO)'
CRNHR	Cost of Residual Non-Hedgeable Risks
EV	Embedded Value
FBIL	Financial Benchmark India Private Limited
FCoC	Frictional Cost of Capital
IAI	Institute of Actuaries of India
IEV	Indian Embedded Value, calculated according to APS10
INR	Indian Rupees
IPO	Initial Public Offering
IRDAI/IRDA	Insurance Regulatory and Development Authority of India
LLP	Limited Liability Partnership
PVFP	Present Value of Future Profits
PVNBP	Present Value of New Business Premium
TVFOG	Time Value of Financial Options and Guarantees
VIF	Value of In-Force
VNB	Value of New Business

Section 2: Methodology

2.1 Embedded Value is a measure of the consolidated value of shareholders' interest in the covered life insurance business. The embedded value of Canara HSBC Life has been determined by following a market consistent methodology, as per the requirements and principles set forth by the IAI within the APS10.

2.2 Details in respect of the methodology adopted for individual components of IEV and related considerations are set out in Section 2 of the Reporting Actuary's Report. For the supplementary assessment of IEV as at 30 June 2025, consistent methodology and approach has been adopted as that adopted as at 31 March 2025 with the following exceptions:

– For the assessment of Cost of Residual Non-Hedgeable Risks (CRNHR), risk drivers used for calibration as of 31 March 2025 have been used to project individual risk capital for interim reporting as of 30 June 2025 without requiring a separate recalibration.

2.3 This approach is assessed in the context of the current supplementary nature of reporting and generally accepted actuarial practice for such non-annual reporting periods.

Section 3: Assumptions

3.1 Details in respect of the assumptions adopted for individual components of IEV and related considerations are set out in Section 3 of the Reporting Actuary's Report. For the supplementary assessment of IEV as at 30 June 2025, consistent assumptions have been adopted as those adopted as at 31 March 2025 with the following exceptions as described below.

3.2 **Reference rates**: the market reference rates at five-year intervals used to determine the IEV as at 30 June 2025 are provided in the table below. The government bond spot yield curve published by FBIL has been used as the assumed reference rates.

Table 3.1: Reference rates as at 30 June 2025

Maturity (years)	1	5	10	15	20	25	30	35	40
Annualised spot rates	5.60%	6.25%	6.48%	6.98%	7.25%	7.57%	7.49%	7.74%	7.91%
Annualised forward rates	5.60%	6.81%	5.67%	7.40%	8.59%	9.02%	5.20%	11.55%	6.75%

3.3 **Inflation rate**: Average spread of negative 2% to nominal forward rates is applied to estimate the projected price inflation as set out in the table below.

Table 3.2: Annual inflation rates as at 30 June 2025

Maturity (years)	1	5	10	15	20	25	30	35	40
Inflation	3.60%	4.81%	3.67%	5.40%	6.59%	7.02%	3.20%	9.55%	4.75%

3.4 **Expenses**: expense assumptions are based on an expense analysis carried out by Canara HSBC Life and has been assessed as follows:

- Allowance for acquisition expenses within the VNB for new business written during 1 April 2025 to 30 June 2025 is based on an allocation from the actual expenses incurred over the 3-month period from 1 April 2025 to 30 June 2025.
- Allowance for future expected maintenance expenses within the EV and VNB cashflow projection are the same as those derived as at 31 March 2025, after allowing for applicable inflation.

  Canara HSBC Life has a Board approved expense allocation policy which has been used as the basis of allocation between acquisition and maintenance expenses.

Section 4: Results

4.1 The results of the valuation based on the methodology and assumptions described in this report are set out below:

Embedded Value

4.2 The IEV of Canara HSBC Life is set out in the table below:

Table 4.1: Indian Embedded Value as at 30 June 2025

Amounts in INR millions

Components of IEV	30 June 2025
ANW	**18,863.63**
Required Capital	8,646.19
Free Surplus	10,217.44
VIF	**44,662.77**
PVFP	48,318.13
FCoC	(585.88)
TVFOG	0.00
CRNHR	(3,069.47)
Indian Embedded Value	**63,526.41**

Value of New Business

4.3 The VNB of Canara HSBC Life for new business written during the 3-month period from 1 April 2025 to 30 June 2025 is set out in the table below:

Table 4.2: Value of new business for the 3-month period ending 30 June 2025

Amounts in INR millions

Components of VNB	30 June 2025
VNB	**959.67**
PVFP for new business at valuation date	1,356.14
FCoC	(54.43)
TVFOG	0.00
CRNHR	(342.04)
APE	**4,927.54**
PVNBP	**21,434.10**
VNB Margin as a % of APE	**19.48%**

Derivation of ANW

4.4 The statutory net shareholder equity from the balance sheet of Canara HSBC Life used to compute the ANW is set out in the table below:

Table 4.3: Statutory net shareholder equity of Canara HSBC Life as at 30 June 2025

Amounts in INR millions

	30 June 2025
Paid-up share capital	9,500.00
Accumulated profits to date	5,902.76
Credit balance of fair value change account	0.00
Statutory net shareholder equity	**15,402.76**

4.5 The derivation of ANW along with a reconciliation of the statutory net shareholder equity against the excess of assets over liabilities within the balance sheet is shown in the table below:

Table 4.4: Derivation of ANW of Canara HSBC Life

Amounts in INR millions

	30 June 2025
Shareholder investments	15,601.85
Policyholder investments	234,425.29
Linked assets	186,367.84
Loans	1,169.33
Fixed assets	413.29
Current assets	10,731.07
Total Assets	**448,708.67**
Long-term policy liability	230,290.10
Linked liability	186,367.84
Current liability and provisions	8,228.84
Credit/(Debit) Fair Value Change Account	1,663.83
Fund for Future Appropriations	6,755.29
Borrowings	0.00
Total Liabilities	**433,305.90**
Statutory net equity (Assets less Liabilities)	**15,402.76**
Mark-to-market adjustment for assets	3,460.87
Total ANW	**18,863.63**

Model review and checks on results

4.6 All calculations have been undertaken by Canara HSBC Life within models developed by the Company. We have performed detailed checks on the deterministic cash-flows for representative model points of material new products launched during the 3-month period 1 April 2025 to 30 June 2025. In addition, we have placed reliance on our prior review as described in the Reporting Actuary's Report for the products representing over 90% of VIF and VNB, as at 31 March 2025. Our review of the cash-flow outputs from Canara HSBC Life's actuarial software has provided us assurance on the following aspects of the IEV and VNB cash-flows for the products covered in our review:

- that the model captures the material product features as set out in the respective product literature;
- that inputs to the model (data and assumptions) are reflected in the model calculations as intended;
- that calculations in the model are performed in accordance with the intended IEV methodology as set out in this report;
- that all relevant calculations performed in the model are materially reasonable and fit-for-purpose;
- our review of the detailed calculations included computations of the benefit and other amounts (before application of probabilities); modelling of decrements; projections of policy cash-flows (such as premiums, expenses, commissions, policyholder benefits and any other material incomes and outgoes; aggregation of individual cash-flows as well as determination of relevant present values and the agreed reporting metrics); and
- that expert judgement incorporated with respect to any modelling approximations and simplifications are reasonable and materially proportionate.

Review of IEV and VNB results

4.7 In addition to the detailed review of model point cash-flows above, we have performed a range of checks on the aggregate cash-flow outputs and results to assess reasonableness of the results. We have also performed static validations on the model outputs for policy counts and reserves to validate all intended data has been captured within the IEV.

Section 5: Reliances and limitations

Reliances

5.1 In carrying out the review and producing this report we have relied without independent verification upon the accuracy and completeness of the data and information provided to us, both in written and oral form, by Canara HSBC Life. We have not independently audited or verified this information, however, where possible, we have reviewed certain information provided for reasonableness and consistency with our knowledge of the Indian life insurance industry. We have adopted, without review, the financial statement information regarding asset values as this falls outside our area of expertise. We have relied on advice received by Canara HSBC Life in respect of allowance for taxation as communicated to us by the Company as we are not experts on taxation matters.

5.2 We have relied upon the accuracy and completeness of the policy data and other inputs made to the actuarial cash-flow projection models by Canara HSBC Life, used in the calculations of the embedded value and value of new business presented in this report.

5.3 Reliance was placed on, but not limited to, the accuracy of the information provided to us by Canara HSBC Life, including:

- financial statements and supporting documentation to those statements;
- descriptions of products and other features of Canara HSBC Life's business, including product documentation, and other written and oral description;
- valuation summaries setting out in-force and new business volumes, mathematical reserves and capital requirement;
- the Actuarial Report and Abstract and the Appointed Actuaries report on the statutory liability valuation of the Company;
- information on the asset values and regulatory liabilities of Canara HSBC Life at the valuation date and the basis used to calculate the regulatory liabilities;
- information on reinsurance arrangements;
- statistical data and experience studies, together with explanations provided to us as to interpretation of such studies relating to the current and recent operating experience, such as expenses, mortality, investment performance and discontinuance rates which were used in determining the best estimate assumptions;
- board approved expense allocation policy;
- practices of determining bonuses on participating business;
- information as to the value and nature of the invested assets and asset adjustments; and
- responses to queries and clarifications, both in written and oral form received throughout the assignment from Canara HSBC Life.

5.4 I have relied on Canara HSBC Life having brought to my attention any other information or data which ought to have been made available to me that might materially affect my opinion set out herein. Canara HSBC Life has provided us with a letter of representation verifying the accuracy and completeness of the information provided to us for the purpose of this report.

5.5 This report was authored by me and save to the extent set out herein and as may be provided by the law and by contract I take responsibility for the contents of this report.

Limitations

5.6 This report and the opinions and conclusions contained within are for the sole use of Canara HSBC Life and are not intended for use by any third party and may not address their needs, concerns or objectives. The report has been prepared by us on an agreed basis to meet the specific purposes of Canara HSBC Life and must not be relied upon for any other purpose.

5.7 This report has been prepared for use by persons technically competent in the areas covered. This report must be considered in its entirety as individual sections of this report, if considered in isolation, may be misleading. Draft versions of the report must not be relied upon by any person for any purpose. No reliance should be placed on any advice not given in writing. If reliance is placed contrary to the guidelines set out herein, we disclaim any and all liability which may arise. Furthermore, we are available to explain and/or amplify any matter presented herein, and it is assumed that the user of this note will seek such explanation and/or amplification as to any matter in question.

5.8 In preparing the results shown in this report, assumptions have been made about future experience, including economic and investment experience, tax regime, expenses, discontinuance rates, mortality, reinsurance and legislation. These assumptions have been made on the basis of reasonable estimates. However, actual future experience is likely to differ from these assumptions, due to random fluctuations, changes in the operating environment and other factors. Such variations in experience could have a significant effect on the results and conclusions of this report. No warranty is given by us that the assumptions made in this report will be reflected in actual future experience.

5.9 Although Canara HSBC Life has developed the model projections in conformity with what is believed to be the current and proposed operating environments of Canara HSBC Life, and with a view of the expected future experience within such environments, it should be recognized that actual future results will vary from those projected. Deviations in the parameters used to reflect the environment could alter the projected results substantially. These parameters include reinsurance practices, management direction, insurance regulations, court interpretations of coverage and liability, accounting practices, taxation and external economic factors such as inflation rates and available investment yields.

5.10 The projections and values developed have been determined on a “going concern” basis and assume a continuation of the current economic, regulatory and legal environment prevailing in India. These projections, therefore, have the inherent assumptions that the environment in India will remain stable. The user of this report should be aware that any political or economic instability in India would add a high degree of uncertainty to the values calculated and reported herein. In particular, in the absence of any definitive date for adoption of changes in accounting or solvency assessments for insurers as well as due to lack of clarity on any future legislative changes for taxation of life insurers, the embedded value results assume a continuation of the current framework as applicable to life insurers in India.

5.11 No allowance has been made for any expected taxes incurred in the hands of the shareholders or as a consequence of distributions to shareholders. Furthermore, no adjustments have been made in respect of any tax implications arising as a result of a potential transfer of interest in Canara HSBC Life.

5.12 We have not attempted to determine the quality of the asset portfolios, nor have we reviewed the adequacy of the balance sheet provisions held or the solvency capital requirements. No warranty regarding the adequacy of the reserves or solvency capital requirements of Canara HSBC Life is provided by us.

5.13 The embedded value results shown in this report are not intended to represent an opinion of market value and should not be interpreted in that manner. This report does not purport to encompass all of the many factors that may bear upon a market value.

5.14 The scope of this engagement does not include rendering an opinion regarding the fairness of any proposed transaction.

5.15 The embedded value results only consider claims by policyholders in the normal course of business under the terms of the policies issued to them. No attempt has been made to determine the effect upon the results of any other claims for or against Canara HSBC Life.

5.16 We have assumed that all of Canara HSBC Life’s reinsurance protection will be valid and collectible. Contingent liability may exist for any reinsurance recoveries that may prove to be uncollectible.

5.17 Our work on this project is from the perspective of actuarial advisors. In particular, we are not providing you with accountancy, audit, legal or tax advice, which are outside the normal scope of our services. Accordingly, should you require definitive advice in these areas, you should consult with appropriate professional advisors and inform us if a matter of material relevance to our work should arise.

5.18 This report was based on data available to us at, or prior to, 25 September 2025, and takes no account of any data or information available after that date. We are under no obligation to update or correct inaccuracies which may become apparent in the report due to any such additional information.