

Canara HSBC Life Insurance Company Limited

Reporting Actuary's Report on Indian Embedded Value as at 31 March 2025

25 September 2025

Kunj Behari Maheshwari

Partner

Willis Towers Watson Actuarial Advisory LLP

25 September 2025

The Board of Directors,
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New Delhi, Delhi, India, 110001

Re: Reporting Actuary's Report on Indian Embedded Value as at 31 March 2025

Dear Sir/Madam,

I have pleasure in enclosing my 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 31 March 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 Report on Indian Embedded Value as at 31 March 2025 (valuation date), as envisaged by the APS10. 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 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 31 March 2025 for Canara HSBC Life.
- 1.4 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.
- 1.5 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.
- 1.6 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.
- 1.7 The scope of our work 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 a selection of material products;
 - To review and report on the following results:
 - IEV comprising Adjusted Net Worth (ANW) and Value of In-Force business (VIF) as at 31 March 2025;

- Value of One year's New Business (VONB) for the period from 1 April 2024 to 31 March 2025 (prior year);
- Sensitivity results for IEV and VONB; and
- Analysis of movement in IEV over the prior year.

1.8 **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 VONB. 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.

1.9 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 31 March 2025 presented in this report.

1.10 **Professional disclosure:** I have signed off this report as a Fellow member of the Institute of Actuaries of India (membership number 3712). I hold a Certificate of Practice issued by the IAI. I am a Partner in Willis Towers Watson Actuarial Advisory LLP.

1.11 **Conflict of interest:** I have fully considered my relationship with the Company, its Board of Directors and other advisors and have concluded that I have no conflict of interest. I do not own any shares or share options in Canara HSBC Life or its promoter entities.

1.12 **Independence:** I have no prior commercial or employment relationships with the Company besides being involved in routine consulting engagements as part of the global network of WTW entities from time to time and, had undertaken peer review of annual statutory actuarial valuation as at 31 March 2022 and 31 March 2023. I have undertaken an equivalent Reporting Actuary role for the Company for current and prior valuation date(s) as required by the Company during its listing process. I have considered my prior engagements with Canara HSBC Life as well as my relationships with the parties involved in the proposed transaction related to the listing of shares of the Company, including its promoters, employees, its other advisors and the potential investors and I have concluded that my status is independent of such parties in general and Canara HSBC Life in particular.

All judgements during my work are based on my independent assessment of the underlying matters. However, I have had to place significant reliance on the accuracy and completeness of the information provided to me by Canara HSBC Life in arriving at such conclusions. Consequently, in preparing this report I have relied upon information provided to me, orally and in writing, by Canara HSBC Life and on information from a number of public sources. Whilst independent verification of the information gathered was not undertaken, I have reviewed certain information for reasonableness and consistency. Reliance is placed on but not limited to the accuracy of all information and data provided to me. A sample of such information is listed in Section 5.

1.13 **Nature of advice:** During the period of this engagement, I have not provided any guidance or opinions which were not strictly actuarial. I have provided a supplementary report on the IEV results of the Company as at 30 June 2025.

- 1.14 **Compliance with APS10:** I confirm that I have fully complied with the requirements of APS10 in preparing this report with the following exceptions:

Although my report has been reviewed by another actuary, this has not been undertaken by a Reviewing Actuary who is a Fellow of the Institute of Actuaries of India as defined within the APS10. I understand that following the introduction of the IRDAI (Issuance of Capital by Indian Insurance Companies transacting Life Insurance Business) Regulations, 2015; subsequently repealed by IRDAI (Registration, Capital Structures, Transfer of Shares and Amalgamation of Insurers) Regulations, 2024; the former requirement of a Reviewing Actuary within the IRDAI (Issuance of Capital by Life Insurance Companies) Regulations, 2011 to which APS10 refers is superseded.

For the valuation as at 31 March 2025, Canara HSBC Life has internally maintained equivalent controls and processes to ensure data integrity as those that were previously validated by an independent external audit firm during its review of the policy data used for the valuation as at 31 March 2024.

- 1.15 **Forward looking projections:** No value is placed on any new business written or expected to be written after the valuation date. For the avoidance of doubt, given the nature of the life insurance business, neither the best estimate assumptions used to determine the IEV nor any of the results presented in this report are intended to represent forward looking statements for the purpose of SEBI's listing rules.

Data

- 1.16 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.
- 1.17 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.
- 1.18 Canara HSBC Life has also provided us with an outline of the checks performed to ensure that the policy data used for IEV purposes is complete and accurate. We have reviewed the results of such data checks.
- 1.19 We have also reviewed information provided to us from multiple sources for consistency, where relevant, as well as considered external sources of data, as necessary.
- 1.20 Based on the above, we have reasonable comfort that the data used for the current valuation is appropriate and fit-for-purpose.

Opinion

- 1.21 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 31 March 2025 for Canara HSBC Life, together with the disclosures provided in the Reporting Actuary's Report, 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.

1.22 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 VONB 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.

1.23 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.

1.24 **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)' |
| Bps | Basis points |
| BVOL | Bloomberg Volatility |
| CRISIL | Credit Rating Information Services of India Limited |
| CRNHR | Cost of Residual Non-Hedgeable Risks |
| CSR | Corporate Social Responsibility |
| ESG | Economic Scenario Generator |
| EU | European Union |
| EV | Embedded Value |
| FBIL | Financial Benchmark India Private Limited |
| FCoC | Frictional Cost of Capital |
| FFA | Funds for Future Appropriation |
| FS | Free Surplus |
| FY | Financial Year, from 1 April to 31 March |
| GSec | Government Securities |
| GST | Goods and Services Tax |
| IAI | Institute of Actuaries of India |
| IALM 12-14 | Indian Assured Lives Mortality (2012-2014) Ultimate rates published by IAI |
| ICRA | Investment Information and Credit Rating Agency |
| IEV | Indian Embedded Value, calculated according to APS10 |
| INR | Indian Rupees |
| IPO | Initial Public Offering |
| IRDAI/IRDA | Insurance Regulatory and Development Authority of India |
| IRS | Interest Rate Swaps |
| LP | Limited Premium |
| LLP | Limited Liability Partnership |
| n/a | Not Applicable |
| NIFTY | National Stock Exchange Fifty |
| OIS | Overnight Index Swaps |
| OYRGTA | One Year Renewable Group Term Assurance |
| PMJJBY | Pradhan Mantri Jeevan Jyoti Bima Yojana |
| PRE | Policyholders' Reasonable Expectations |
| PVFP | Present Value of Future Profits |
| PVNB | Present Value of New Business Premium |
| RC | Required Capital |
| RN | Risk Neutral |
| RP | Regular premium |
| RSM | Required Solvency Margin |
| SEBI | Securities and Exchange Board of India |
| SP | Single premium |
| TVFOG | Time Value of Financial Options and Guarantees |
| VIF | Value of In-Force |
| VONB | Value of One year's New Business |
| ZCYC | Zero Coupon Yield Curve |

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.

Covered business

2.2 All life insurance business written by Canara HSBC Life since inception and in-force as on the valuation date (including lapsed business which still has the potential of getting revived) is included in IEV as defined under the applicable IRDAI regulations and which has been considered for assessment of actuarial liabilities by the Appointed Actuary on the date on which IEV is prepared. No exclusions have been made from the in-force business as at the valuation date as 'non-covered' business. We have undertaken a reconciliation of the covered business included within IEV against the reported actuarial liabilities as at 31 March 2025 to validate completeness of the business covered by IEV.

Components of embedded value

2.3 IEV is calculated as the sum of Adjusted Net Worth (ANW) and Value of In-Force business (VIF).

2.4 ANW comprises Free Surplus (FS) and Required Capital (RC).

2.5 VIF consists of the following components:

- Present Value of Future Profits (PVFP) expected to emerge from the covered business;
- Less Frictional Cost of Capital (FCoC);
- Less Time Value of Financial Options and Guarantees (TVFOG);
- Less Cost of Residual Non-Hedgeable Risks (CRNHR).

2.6 In addition to the embedded value, the Value of One year's New Business (VONB) is considered a key value metric and has been presented alongside the IEV results set out in this report. VONB is a measure of the value to shareholders created through the activity of writing new business during a specified period.

2.7 Further details in respect of each of the above components of IEV are set out below.

2.8 **Adjusted Net Worth:** The sum of the Free Surplus and Required Capital is the Adjusted Net Worth. This is the value of all assets allocated to the covered business that are not required to back the liabilities of the covered business.

2.9 As the starting point, statutory net shareholder equity from the balance sheet has been computed on the local accounting basis. A reconciliation of ANW with the reported balance sheet of Canara HSBC Life is provided in Section 4.

- 2.10 The ANW includes an adjustment to the statutory net shareholder equity from the statutory balance sheet to reflect the market value of assets allocated to, but not required to support, the in-force business as at the valuation date.

This is estimated as the mark-to-market adjustments, net of tax, for assets valued on a book value basis within the statutory balance sheet, to the extent attributable to shareholders. The mark-to-market adjustment also includes impact of taxation on fair value change on equities.

- 2.11 **Required Capital:** The IRDAI requires life insurance companies to maintain a statutory minimum solvency ratio of at least 150% of the Required Solvency Margin (RSM). Required Capital for Canara HSBC Life has been set at 165% of the RSM, based on the Company's internal capital target. RSM has been projected by applying the solvency margin factors prescribed by the IRDAI appropriate to each line of business. The required capital is presented from a shareholders' perspective, wherein Funds for Future Appropriation (FFA) in the participating fund serve to reduce the required capital.
- 2.12 **Free Surplus:** Free Surplus represents the market value of any assets in excess of liabilities and Required Capital, which is potentially distributable to shareholders immediately. Free Surplus has been calculated as the excess of ANW over the Required Capital.
- 2.13 **Present Value of Future Profits:** PVFP represents the present value of future post taxation shareholder cash-flows projected to emerge from the in-force covered business and the assets backing liabilities of the in-force covered business. The PVFP incorporates an allowance for the intrinsic value of financial options and guarantees.
- 2.14 In a market consistent method, the approach to reflect the risks in the business is to calibrate allowance for risk to match the market price for risk where reliably observable. However, most insurance liabilities are illiquid and not traded. Therefore, proxy methods are used to estimate an equivalent value of the shareholders' interests in the in-force business. Following an arbitrage free principle, the expected distributable shareholder earnings are projected and discounted at reference rates that are a proxy for the risk-free rate.
- 2.15 For non-participating products, distributable shareholder earnings are calculated as the sum of the net cash-flows from the in-force policies and investment return; the release of reserves held as on valuation date; less taxes.
- 2.16 For participating products, distributable shareholder earnings are calculated as the net of tax transfer to shareholders resulting from bonus distributions to policyholders (i.e., 1/9th of the total cost of bonus declared) including reversionary and terminal bonuses. Tax is assumed to be paid on distribution of profit from participating fund; only to the extent of tax on shareholder transfers. This is aligned to how the Company files its income tax returns.
- 2.17 For group fund-based products, no value has been ascribed within the embedded value assessments based on the Company's historic assessments of margins from such business.
- 2.18 **Frictional Cost of Capital:** Allowance is made for the impact of taxation on investment returns and for the impact of investment expenses (after tax) on the assets backing the projected Required Capital. The tax rate applicable on investment earnings is assumed equal to the rate for tax on surplus currently applicable to Canara HSBC Life. Required Capital,

assumed equal to 165% of the RSM, is projected over the lifetime of the underlying liabilities. Unit loading for investment expenses are based on actual historic costs, derived from expense investigations covering the costs incurred over the prior year. FFA in the participating fund serves to reduce the projected Required Capital, until distributed in the form of future bonuses to policyholders and associated shareholder transfers equal to 1/9th of the total cost of bonus declared. There are no other caps applied.

2.19 Time Value of Financial Options and Guarantees: An assessment has been made for asymmetric impact on shareholder value due to any financial options and guarantees within the covered business of Canara HSBC Life. The nature of financial options and guarantees within the covered business is summarised in the table below:

Table 2.1: Nature and description of financial options and guarantees in the covered business

| Product name and description | Description of financial options and guarantees | Approach to quantification |
|---|--|--|
| All participating products | <p>Sum assured and vested bonuses are guaranteed on death and maturity; future bonuses may not be negative; and guaranteed surrender values apply on discontinuance.</p> <p>Surplus within the participating fund is available to meet policyholder bonuses. A cost to shareholders may arise from a capital injection in possible future scenarios in case the projected surplus is insufficient to meet the guarantees accumulated under the participating products (“burn-through costs”)</p> | <p>Cost of guarantees and any residual burn-through costs to shareholders are assessed to be immaterial using risk-neutral simulations; and not considered further. Management actions consistent with policyholders’ reasonable expectations were considered when conducting this analysis.</p> |
| All unit-linked products issued from September 2013 to November 2019 | <p>As per Section 37(d) of the IRDAI (Linked Insurance Products) Regulations, 2013, in order to ensure compliance with the reduction in yield guidelines, the insurer may need to provide non-negative clawback additions at specific durations.</p> | <p>Reserves held in respect of this guarantee are based on a stochastic assessment using risk-neutral simulations. These reserves are considered sufficient to allow for the cost of the guarantees and the reserves are not released through the PVFP.</p> |
| Discontinuance policy fund for unit-linked policies | <p>Minimum rate of interest is payable on the discontinuance policy fund as prescribed by the IRDAI from time to time for discontinued policies still within their 5-year lock-in period.</p> | <p>Additional statutory provision is maintained as difference between the average expected return on backing assets (assessed based on a stochastic projection using risk-neutral simulations) and minimum guarantee at a policy level. These reserves are considered sufficient to allow for the cost of the guarantees and the reserves are not released through the PVFP.</p> |
| Secure Smart Plan | <p>Non-negative additions are applied to the sum assured based on the yield of a 5-year government security.</p> | <p>As at 31 March 2025, all policies have completed their premium-paying term, therefore, TVFOG is not applicable.</p> |
| Unit-linked Secure Bhavishya | <p>Guaranteed maturity benefit of 101% of premiums is provided.</p> | <p>Reserves held in respect of this guarantee are considered sufficient based on assessment using risk-neutral simulations at a model point level, which is then scaled up to cover the entire portfolio. These reserves are sufficient to account for the cost of the guarantees and are not released through the PVFP.</p> |

- 2.20 Based on the investigations undertaken, the cost of financial options and guarantees, where these arise, have been assessed to be fully allowed for within the statutory liabilities held by the Company; and hence captured within the ANW without any further release into PVFP considered for such reserves held. Hence, TVFOG reported for IEV is presented as nil.
- 2.21 **Cost of Residual Non-Hedgeable Risks:** A bottom-up assessment of risks has been undertaken to allow for the cost of residual non-hedgeable risks not already allowed for elsewhere.
- 2.22 CRNHR has been estimated using a so-called “cost of capital approach”. Under this approach, individual risk capital assessed at 99.5th percentile 1-year value-at-risk is computed for each non-hedgeable risk identified in the Company’s portfolio and projected until the portfolio run-off. This projected “capital at risk” is then multiplied by an annual “cost of capital charge”, representing a market participant view of the required additional compensation above risk-free rates for bearing the non-hedgeable risk(s). The present value of the projected capital charges as of the valuation date, discounted at reference rates, is considered as the relevant cost of residual non-hedgeable risks.
- 2.23 A list of risks faced by Canara HSBC Life, both financial and non-financial, were assessed for the purposes of CRNHR. Classification of each individual risk for inclusion within CRNHR was based on an assessment of the characteristics of each risk with respect to the following (as applicable to Canara HSBC Life):
- The degree to which price of the risk can be reasonably assessed based on hedging instruments available in the financial markets, including depth and liquidity of the underlying markets relative to exposure of Canara HSBC Life;
 - The extent of risk already allowed within ANW, PVFP and TVFOG;
 - The manner in which best estimate assumptions have been derived, including the degree of uncertainty in the best estimate assumptions;
 - The degree of asymmetry of experience around the best estimate;
 - The extent to which assumptions have been set in accordance with the expected mean estimate of the underlying risk variable without any margin for prudence or adverse deviations over the best estimate;
 - The degree of asymmetry of the impact of variation in experience on shareholder returns (even if the experience itself is expected to be symmetric around the best estimate assumption); and
 - The overall materiality of the risk with respect to shareholder returns in the context of the business of Canara HSBC Life.
- 2.24 Based on the above assessment, allowance for the following non-financial risks have been explicitly considered for CRNHR of Canara HSBC Life: mortality; morbidity; pandemic and catastrophe; persistency; mass lapse; expense and inflation; and operational risk. The degree of asymmetric impact on shareholder value is set out within sensitivity tests provided in this report. Additionally, pandemic and catastrophe; mass lapse and operational risks are considered asymmetric.

- 2.25 An assessment of financial non-hedgeable risks (including the necessity to extrapolate the yield curve beyond 40 years; having to place reliance on relatively sparse market data for imputing implied equity and swaption volatilities and making judgements regarding their reasonableness) have resulted in a non-material impact, therefore, have not been considered further in the CRNHR.
- 2.26 For each risk identified for inclusion within the CRNHR except morbidity, stand-alone risk capital has been computed to be consistent with a 99.5% confidence level over a one-year time horizon using the European Union (EU) Solvency II Standard Formula, broadly consistent with the Company's economic capital model.
- 2.27 Morbidity is an immaterial risk for the Company, therefore, a standalone risk capital has not been calculated separately. Morbidity risk charge has been computed alongside mortality risk whereby the combined risk capital for both mortality and morbidity has been determined using the EU Solvency II Standard Formula stress factor for mortality.
- 2.28 Diversification benefits are considered at company level using a correlation matrix approach, thereby allowing for diversification between individual risks as well as across each line of businesses. However, no diversification has been allowed between participating and non-participating lines of business. Further, no diversification benefits are allowed for in respect of operational risk. CRNHR is calculated net of tax; and from a shareholders' perspective, including any residual burn-through costs to shareholders from participating fund.
- 2.29 Risk-capital for non-hedgeable risks are projected over the lifetime of the underlying risk.
- 2.30 A cost of capital charge of 4% is used for the calculation of CRNHR of Canara HSBC Life. This is based on an estimate of the cost of capital obtained using a range of capital models. An average of the cost of capital charge obtained from these different estimates has been used, with further consideration given to:
- Weighted average cost of capital for funding sources for Canara HSBC Life (assumed to be equity);
 - Allowance for impact of taxation;
 - Exclusions from total returns of items that are out of scope of IEV (for example, expected returns on franchise value); and
 - An allowance for residual uncertainty.
- 2.31 CRNHR for VONB has been computed as a deduction to PVFP using overall allowance for non-hedgeable risk capital following a consistent methodology as that used for the in-force business.
- 2.32 Further consideration has been given to the need for any additional allowance based on the nature and quantum of entity and industry specific idiosyncratic risks, if any, as applicable to the business of Canara HSBC Life, not captured elsewhere.

- 2.33 **Value of new business:** Unless otherwise stated, VONB is calculated as at valuation date for the new business written by Canara HSBC Life during the period 1 April 2024 to 31 March 2025, using a methodology consistent with that used to determine VIF.
- 2.34 Operating assumptions used in the assessment of VONB are equivalent to those used for the assessment of VIF as at 31 March 2025. Economic assumptions are reset monthly assuming that the reference rates at point of sale are equal to the central government bond yield curve available from Financial Benchmark India Private Limited (FBIL), as at the beginning of the corresponding month. The monthly reference rates are used to accumulate the modelled VONB from point of sale to the valuation date.
- 2.35 VONB is calculated on a standalone basis for each policy, whereby it is assumed that:
- In order to be consistent with the expected long-term tax paying position of the Company, any negative tax in the initial policy year(s) is assumed to be offset against tax payable in respect of other policies;
 - For participating business, any residual surplus (or deficit) arising after considering the net cash-flows, bonus declarations and associated shareholder transfers is modelled as payable as it emerges during the projections; and
 - No interactions are assumed between new business and existing business.
- 2.36 **Present Value of New Business Premium (PVNBP):** PVNBP is calculated as the discounted value of projected premiums before reinsurance, allowing for decrements as per best estimate assumptions and using discount factors as per reference rates as at the point of sale consistent with those used in the estimate of VONB.
- 2.37 **New business margin:** New business margin is calculated as the ratio of VONB to Annualised Premium Equivalent (APE). APE is defined as 100% of annualised premium for new business non-single premiums plus 10% of single premiums. Canara HSBC Life has undertaken a reconciliation between APE provided herein and new business volumes reported within the financial statements of Canara HSBC Life. The Company has also confirmed that the classification of new business single and non-single premiums is consistent with the preparation of financial statements by the Company as well as its regulatory reporting submissions to the IRDAI.

Other methodology considerations

- 2.38 **New business and renewals:** Valuation of in-force business within VIF includes projection of premiums (net of decrements) arising from expected renewals of existing contracts. New business, for the purpose of VONB, is generally identified in a consistent manner as the classification used by Canara HSBC Life for regulatory reporting and preparation of its financial statements. Treatment for specific cases, where identification of new business and renewals is not obvious, is as follows:
- Pradhan Mantri Jeevan Jyoti Bima Yojana (PMJJBY) and One Year Renewable Group Term Assurance (OYRGTA) are one-year renewable insurance products. Policyholders can continue coverage annually by paying the required premiums. Premium rates are reviewable by the Company for OYRGTA and by the Government of India for PMJJBY.

For financial reporting and regulatory submissions to the IRDAI, all PMJJBY and OYRGTA premiums received annually are classified as single premiums and treated as new business with a contract boundary of one year, regardless of whether they come from new or renewing policyholders. This approach is adopted for Value of New Business (VONB) computations as well to maintain consistency with audited financial statements and regulatory reporting; and

- Experience for top-ups on existing unit-linked products or other alterations undertaken during the year for both individual and group business is negligible. Therefore, considering proportionality these are treated as variation in in-force business (with an assumption of future top-ups being nil) and not included within VONB.

- 2.39 **Participating business:** Allowance has been made for on-going declaration of reversionary bonuses, assuming the same reversionary bonus rates as those declared for 31 March 2025. For in-force business, residual surpluses are accumulated and distributed as terminal bonuses to policyholders in line with maturity profile of participating business, together with corresponding shareholder transfers, consistent with the Company's bonus distribution philosophy. Thereby, any residual assets in the participating fund are fully extinguished by the end of the projection period.
- 2.40 **Statutory valuation basis:** Projection of per policy mathematical reserves within the IEV and VONB computations have been performed assuming the reserving basis for statutory valuation of liabilities as at 31 March 2025, as determined by the Appointed Actuary of the Company, remains unchanged throughout the projection period.
- 2.41 **Treatment of additional statutory provisions:** Aside from policy liabilities, Canara HSBC Life maintains certain additional statutory provisions, as determined by the Appointed Actuary and required by relevant regulations and actuarial practice standards. Where appropriate, the shareholders' interest in the assets backing such additional statutory provisions have been assessed on a case-by-case basis by considering the nature of the provision and available information on the degree of prudent margins for adverse deviations within the statutory reserving basis. For reserves held within the participating fund, only 10% of the release of margins is attributable to shareholders.
- 2.42 **Products with reviewable rates and charges:** Where applicable, it is assumed that the level of rates and charges over the projection period remain unchanged from their corresponding levels as at the valuation date for both VIF and VONB. No adjustments have been made to reviewable rates and charges for sensitivity tests.
- 2.43 **Mark-to-market adjustment on assets within the participating fund:** The PVFP includes mark-to-market adjustments, net of tax, for assets in the participating fund valued on a book value basis to the extent attributable to shareholders. Where a proportion of mark-to-market gains/losses on assets valued on a book value basis on the balance sheet are attributable to policyholders and arise within future projections, the shareholders' share in such gains/losses are considered within the PVFP, alongside projection of future release of the underlying policyholder liabilities.
- 2.44 **Tax on surplus:** In determining the values presented in this report, the existing taxation rates and structure is assumed throughout the projection period. In assessing this, we have relied

on descriptions of the current approach and interpretations of applicable taxation basis adopted by the Company in determining its income tax returns.

- 2.45 The income tax rate is taken to be 14.56%, computed as the base tax rate of 12.5% plus a surcharge of 12.0% and a Health and Educational cess of 4.0%, and, unless otherwise specified, is applied at the time of taxable surplus arising within the fund. Individual pensions business is considered exempt from taxation.
- 2.46 Canara HSBC Life does not have any deferred tax asset in the form of tax losses carried forward as at 31 March 2025, therefore, no further allowance is necessary for the same.
- 2.47 For participating fund, income tax is assumed to be payable on shareholder transfers on distribution of surplus from the participating fund. We have been informed that this is aligned with the Company's interpretation of basis for taxation as determined when filing the annual income tax returns.
- 2.48 For unit-linked business, the calculation of taxable surplus in projection of profit is adjusted for expected credit from dividend pay-outs to align with the method of calculation of taxable surplus in the Company's annual income tax returns.
- 2.49 **Goods & Services tax (GST):** The GST rate is assumed to be 18.0% in line with the current taxation regime applicable as at 31 March 2025.
- 2.50 Allowance for GST has been considered as follows:
- For unit-linked business, GST payable on the charges deducted from the unit fund has been modelled explicitly in the financial projections, together with an associated outgo;
 - For all other lines of business, where GST collected from policyholders on premiums is available for set off against tax paid by Canara HSBC Life on items such as reinsurance premiums, commissions and expenses such as rent, utility bills, etc., the residual tax is paid into the Government treasury. Consequently, the modelled premiums, expenses and commissions are all considered excluding any such GST. Canara HSBC Life has confirmed that this represents its current tax position accurately and this situation is expected to persist.
- 2.51 **Effective date(s):** Except where otherwise stated, all figures quoted in this report are as at 31 March 2025 and make no allowance for any developments after that date. IEV is computed as at 31 March 2025 and VONB is provided for new business written by Canara HSBC Life during the period 1 April 2024 to 31 March 2025.
- 2.52 **Projection period:** Cash-flows have been projected until maturity for all business, covering the full lifetime of the underlying policyholder liability.
- 2.53 **Reporting basis:** Unless otherwise stated, amounts presented in this report are in Indian Rupees (INR). Values in some of the tables in this report may not be additive due to rounding.
- 2.54 **Going concern basis:** All values have been determined in accordance with a view of the expected future experience and on a "going concern" basis. In doing so, we have assumed that the future management of the Company will continue in a manner consistent with the current management of the Company.

Section 3: Assumptions

Economic assumptions

- 3.1 Economic assumptions are chosen to be internally consistent and, to the extent possible, selected such that the projected liability cash-flows of Canara HSBC Life are valued in line with the prices of similar cash-flows that are traded on the Indian capital markets as at the valuation date.

Investment returns and discount rates

- 3.2 It is assumed that all assets earn the reference rates, used as risk free rates based on central government bond spot yield curve. Liability cash-flows are also projected and discounted using reference rates, which are gross of tax and investment management expenses. The derivation of the reference rates is set out in paragraphs 3.4 to 3.11 below.
- 3.3 For assessment of TVFOG, cash-flows are projected and discounted using risk-neutral stochastic simulations as described in paragraphs 3.13 to 3.19 below.

Reference rates

- 3.4 The reference yield curve should be either the government bond yield curve or the swap yield curve, subject to the underlying assets being liquid and providing a robust basis for producing reference rates.
- 3.5 We have reviewed available daily volume statistics for market trades for INR interest rate swaps (IRS) and concluded that the swap yield curve would not provide a sufficiently robust basis for valuation of long-term life insurance liabilities of Canara HSBC Life due to the following reasons:
- Market data is available only up to ten years for IRS; and
 - Daily number of trades, even for the durations where there is market information, suggest an insufficiently deep and liquid market.
- 3.6 Spot yield curve based on central government securities issued by the Government of India has instead been used as the reference rate, following an assessment of market depth and liquidity, as relevant to the context of a market consistent valuation of the life insurance business of Canara HSBC Life.
- 3.7 The government bond spot yield curve published by FBIL has been used as the assumed reference rates, noting further that a comparison of reported market value of central government securities held by Canara HSBC Life against modelled discounted present value of coupon and maturity cash-flows demonstrated a non-material level of price errors.
- 3.8 **Interpolation:** Zero coupon spot rates are provided by FBIL at quarterly time-steps and the cash-flow projection models assume monthly projection time-steps. Monthly rates are derived by applying simple linear interpolation between the available quarterly time-steps up to 40 years.

- 3.9 **Extrapolation:** The government bond yield curve published by FBIL extends to 50 years. The last liquid point for the reference yield curve has been assessed to be 40 years. For valuation of liability cash-flows beyond 40 years, reference yield curve has been extended assuming that forward rates remain level after 40 years (at average of last 12 months forward rate) for VIF and VONB calculations.
- 3.10 **Liquidity premium:** No adjustment to reference rates is made in respect of any possible liquidity premium.
- 3.11 The market reference rates at five-year intervals used to determine the IEV as at 31 March 2025 are provided in the table below:

Table 3.1: Reference rates as at 31 March 2025

| Maturity (years) | 1 | 5 | 10 | 15 | 20 | 25 | 30 | 35 | 40 |
|--------------------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| Annualised spot rates | 6.54% | 6.60% | 6.76% | 6.87% | 7.12% | 7.23% | 7.26% | 7.31% | 7.32% |
| Annualised forward rates | 6.54% | 6.80% | 6.85% | 7.15% | 7.88% | 7.47% | 7.55% | 7.31% | 7.32% |

Inflation

- 3.12 There are no relevant market instruments for the Indian economy – whether INR inflation swaps or inflation indexed bonds – from which a market implied price inflation could be reliably derived. Expense inflation assumption for projections has been set equal to the expected general price inflation of the economy - derived by considering historic spreads between price inflation (by considering the historic consumer price inflation index) and nominal interest rates (by considering the historic government bond yield curve). Based on the analysis of historical rates for inflation and nominal interest rates, an 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 31 March 2025

| Maturity (years) | 1 | 5 | 10 | 15 | 20 | 25 | 30 | 35 | 40 |
|------------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| Inflation | 4.54% | 4.80% | 4.85% | 5.15% | 5.88% | 5.47% | 5.55% | 5.31% | 5.32% |

Stochastic models

- 3.13 For the valuation of liability cash-flows with material embedded financial options and guarantees, WTW provided Canara HSBC Life with a set of market consistent risk-neutral scenarios with monthly time-steps for interest, equity and credit returns. The scenarios were calibrated to market conditions as of 28 February 2025 and produced using WTW's economic scenario generator (ESG), STAR ESG RN.

3.14 Volatilities used to calibrate the risk neutral scenarios are based on available market data from the following sources:

Table 3.3: Capital market data used for risk neutral stochastic calibrations

| Series | Data Source | Data Range |
|---|--|---|
| Nominal yield curve | FBIL- GSec ZCYC | Terms 0.25y to 50y, quarterly |
| Implied swaption volatilities | Bloomberg: Normal volatilities (OIS) – BVOL | Terms 1y to 5y, 7y, 10y Tenors 1y to 5y, 7y, 10y |
| Implied volatilities for equity options | Bloomberg: equity volatilities for NIFTY 50 | Terms 1m to 4m monthly, 4m to 10m quarterly, 10m to 58m half-yearly, 58m to 118m yearly Moneyness: 90% to 110% |
| Credit spreads | CRISIL – Annualised spreads | Terms 6m; annually from 1y to 10y; 15y Ratings: AAA and AA |
| Credit ratings transition matrix | ICRA – Long term ratings | Term: 1y based on 10y average Ratings: AAA and AA |

- 3.15 Market quotes as available from the domestic and international financial market information sources listed above have been used for the calibration.
- 3.16 Noting that the above market data may be based on an insufficiently deep and liquid market, we have validated the available information by comparing the implied volatility from the simulated total returns index, calibrated to the available market data against the historic volatilities for corresponding economic series.
- 3.17 Based on the above checks we have concluded that the available market data is reasonable and have used it without adjustment. We further note that the choice of volatility assumptions does not have a material impact on the IEV of Canara HSBC Life.
- 3.18 Correlation parameters used in the simulations have been derived by having regard to historical data for the relevant economic series.
- 3.19 Asset allocation used for projected stochastic returns are assumed based on current asset mix of Canara HSBC Life for assets backing the corresponding liabilities. We have validated that the assumed asset mix is consistent with the strategic asset allocation as approved by Canara HSBC Life's asset-liability management committee and is as provided in other sections of Prospectus.

Smoothing

- 3.20 All asset values are considered at market value observable in investment markets and assessed on the basis prescribed by the IRDAI and have not been smoothed.
- 3.21 For products where unrealised mark-to-market gains are attributable both to policyholders and shareholders (e.g., participating products) and not distributable immediately to shareholders, the portion of unrealised gains that are attributable to shareholders are reflected in the VIF rather than Free Surplus. For fund-based group products, mark-to-market gains are assumed attributable entirely to policyholders and no impact on shareholder value is considered for the same.

Operating Assumptions

3.22 Operating assumptions are based on Canara HSBC Life's own-company experience. The best estimate assumptions have been determined by having regard to the past, current and expected future experience for Canara HSBC Life. There is a degree of judgement involved in determining the appropriate best estimate assumptions. Such judgement has been applied, for example, in cases where product design and features have changed materially over time, therefore, greater emphasis has been given to more recent experience for and/or to assumptions used at the time of pricing for recently launched products. We have assessed these assumptions based on the available experience information from Canara HSBC Life and our knowledge of the life insurance industry in India. We consider the assumptions to be a reasonable best estimate of expected future experience for the relevant parameters for Canara HSBC Life.

Mortality and morbidity

3.23 The following mortality tables published by the IAI are used as the basis for determining the best estimate mortality rates:

- Indian Assured Lives Mortality (2012-2014) Ultimate (IALM 12-14) for assurances; and
- Indian Individual Annuitants Mortality tables (2012-2015) for annuitants.

3.24 Best estimate mortality assumptions are based on experience since the inception of the Company, taking the emerging trends into consideration and excludes experience against claims tagged as those arising due to one-off adverse mortality event from COVID 19. The most recent mortality investigation undertaken by Canara HSBC Life includes claims incurred and reported up to 30 September 2024, adjusted for incurred but not reported for one year.

3.25 Mortality experience is investigated for homogenous product groups that are expected to demonstrate similar mortality experience. Mortality experience is expressed as a percentage of the reference standard mortality tables noted above, assessed on an amounts basis by considering the actual versus expected claim amounts. Best estimate mortality assumption has been derived considering such current and historic trends in experience.

3.26 No allowance has been made for mortality improvements in the case of assurances. For annuitants, allowance is made for future mortality improvements by assuming cumulative mortality improvements at a constant rate of 1.0% per annum from the date of entry of policyholder.

3.27 Canara HSBC Life has a non-material exposure to products that require morbidity assumptions. Morbidity assumptions are set with reference to reinsurance rates.

Persistency

3.28 Persistency assumptions for Canara HSBC Life are based on lapse, paid-up and surrender experience analysis undertaken by the Company. Experience has been analysed by products / product groups, and duration in-force.

- 3.29 The most recent persistency investigation undertaken by Canara HSBC Life includes premiums due up to 30 September 2024 and received up to 31 October 2024 and analyses experience by premium amounts.
- 3.30 Lapse, paid-up and surrender assumptions have been determined net of expected future revivals / reinstatements for homogenous product groups varying by policy duration. Assumed discontinuance rates for material products / product groups, together with corresponding experience for previous three calendar years is provided in Appendix A.

Expenses and commissions

- 3.31 Expense assumptions are based on an expense analysis carried out by Canara HSBC Life covering expenses incurred during the period from 1 April 2024 to 31 March 2025 (FY2024-25). Canara HSBC Life has a Board approved expense allocation policy which has been used as the basis of this expense investigation.
- 3.32 Expense allowances for both acquisition expenses (used to determine VONB) and maintenance expenses (used to determine IEV and VONB) reflect a complete allocation of the total expenses of Canara HSBC Life reported for the prior year with no exclusions for any exceptional, development or one-off costs.

The shareholder's share in the excess of actual incurred acquisition costs (determined by allocating the total expenses reported in the financial statements to new business) over modelled unit costs (based on product pricing loadings) is deducted within the reported VONB.

- 3.33 Actual expense levels for FY2024-25 and prior financial years are provided in the table below. Total outgo projected for IEV and VONB set out in this report include full allowance for the expenses incurred in FY2024-25. Acquisition and maintenance costs are projected using relevant unit loadings.
- 3.34 Corporate Social Responsibility (CSR) expenses included within the total expenses of shareholders' account are projected based on an explicit modelling of the CSR cess at a rate of 2.0% of gross profits after tax.
- 3.35 When setting the expense assumptions, no changes in productivity / cost efficiencies have been anticipated or assumed after the applicable valuation dates.

Table 3.4: Actual expense levels for previous three financial years and allowances used

| | Amounts in INR millions | | |
|---|-------------------------|-----------------|------------------|
| | FY2022-23 | FY2023-24 | FY2024-25 |
| Expenses of policyholders' account | 8,402.41 | 9,364.42 | 9,942.21 |
| Expenses of shareholder's account | 114.59 | 96.11 | 99.45 |
| Total expenses | 8,517.00 | 9,460.52 | 10,041.65 |
| ...of which: acquisition related expenses | 7,576.00 | 8,390.76 | 9,061.97 |
| ...of which: maintenance related expenses | 941.00 | 1,069.77 | 979.68 |

- 3.36 Allowance for outgo in respect of commissions and related expenses to distributors are based on applicable commission rates for each product as filed with the regulator and as per the

Board-approved commission policy. Commission rates vary by policy duration and distribution channel. Commission savings on orphan policies have been assessed to be immaterial by the Company.

Future bonus rates for participating business

- 3.37 Future bonus rates assumed in the calculation of VIF and VONB are same as the declared bonus scales as at 31 March 2025. We have assessed this assumption to be reasonable within the context of the assumed economic and operating environment implied by the best estimate projection assumptions. We have also reviewed the application of assumed bonus rates, together with treatment of residual surpluses for participating business to be consistent with the established company practice based on past and current bonus declarations; local market practice and having regard to policyholders' reasonable expectations (PRE). Validations have been undertaken that confirm the projected bonus rates are supportable at the assumed reference rate after considering the mark-to-market assets backing the participating business in the policyholders' fund.

Reinsurance

- 3.38 Canara HSBC Life does not have any inward reinsurance accepted as part of the covered business. Canara HSBC Life has several outward reinsurance arrangements to cede part of its risks to various third-party reinsurers.
- 3.39 The cost of reinsurance premiums and the benefit from ceding a proportion of risk is allowed for all businesses (excluding existing and future reduced paid-ups) within the VIF and VONB.
- 3.40 Reinsurance for traditional business is modelled within the liability projection model of Canara HSBC Life on a per policy basis. We note that actual reinsurance treaties are structured on a lives basis (as opposed to per policy basis). However, for reasons of practicability, modelling reinsurance cash-flows has been done at a policy level which we consider to be an acceptable approximation.

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 31 March 2025

| | | Amounts in INR millions |
|------------------------------|------------------|-------------------------|
| Components of IEV | | 31 March 2025 |
| ANW | | 18,503.63 |
| | Required Capital | 8,646.84 |
| | Free Surplus | 9,856.79 |
| VIF | | 42,603.77 |
| | PVFP | 45,804.97 |
| | FCoC | (498.37) |
| | TVFOG | 0.00 |
| | CRNHR | (2,702.83) |
| Indian Embedded Value | | 61,107.40 |

Value of New Business

4.3 The VONB of Canara HSBC Life for new business written during the 12-month period from 1 April 2024 to 31 March 2025 is set out in the table below:

Table 4.2: Value of new business for the 12-month period ending 31 March 2025

| | | Amounts in INR millions |
|----------------------------------|---|-------------------------|
| Components of VONB | | 31 March 2025 |
| VONB | | 4,460.84 |
| | PVFP for new business at valuation date | 5,382.52 |
| | FCoC | (256.89) |
| | TVFOG | 0.00 |
| | CRNHR | (664.80) |
| APE | | 23,393.88 |
| PVNBP | | 97,912.72 |
| VONB Margin as a % of APE | | 19.07% |

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 31 March 2025

| | Amounts in INR millions |
|---|-------------------------|
| | 31 March 2025 |
| Paid-up share capital | 9,500.00 |
| Accumulated profits to date | 5,668.63 |
| Credit balance of fair value change account | 0.00 |
| Statutory net shareholder equity | 15,168.63 |

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 |
|---|-------------------------|
| | 31 March 2025 |
| Shareholder investments | 13,746.71 |
| Policyholder investments | 226,435.10 |
| Linked assets | 171,482.31 |
| Loans | 1,008.05 |
| Fixed assets | 462.95 |
| Current assets | 16,007.77 |
| Total Assets | 429,142.89 |
| Long-term policy liability | 223,668.20 |
| Linked liability | 171,482.31 |
| Current liability and provisions | 10,622.00 |
| Credit/(Debit) Fair Value Change Account | 1,320.82 |
| Fund for Future Appropriations | 6,880.93 |
| Borrowings | 0.00 |
| Total Liabilities | 413,974.26 |
| Statutory net equity (Assets less Liabilities) | 15,168.63 |
| Mark-to-market adjustment for assets | 3,335.00 |
| Total ANW | 18,503.63 |

Cost of Residual Non-Hedgeable Risks

4.6 CRNHR of Canara HSBC Life is provided in the table below:

Table 4.5: CRNHR of Canara HSBC Life

Amounts in INR millions

| Risk | In-force business | New business |
|-------------------------------------|-------------------|---------------|
| Mortality and morbidity | 560.82 | 120.74 |
| Persistency | 2,121.63 | 423.91 |
| Expense | 304.91 | 68.95 |
| Catastrophe | 9.60 | 8.58 |
| Total before diversification | 2,996.96 | 622.18 |
| Diversification benefit | (607.67) | (130.83) |
| Operational risk | 313.54 | 173.45 |
| Total | 2,702.83 | 664.80 |

Sensitivity results

- 4.7 Sensitivity tests have been performed on the IEV and VONB for changes to a range of specified assumptions. In each test, only the specified parameters have been changed while all other assumptions remain unchanged. Unless otherwise stated, all sensitivities are carried out for best estimate assumptions only with the reserving basis unchanged.
- 4.8 Sensitivities on risk discount rates are not provided as these are not applicable.
- 4.9 The tables below summarise the results of the sensitivity tests on the IEV and VONB. For VONB, it is assumed that the sensitivity scenarios arise after point of sale of contract.

Table 4.6: Sensitivity of IEV as at 31 March 2025

Amounts in INR millions

| No. | Scenario | ANW | VIF | IEV | % change |
|----------|---|------------------|------------------|------------------|----------|
| | Base results | 18,503.63 | 42,603.77 | 61,107.40 | |
| 1 | Interest rates and assets | | | | |
| 1a | 100bps increase in interest rates and discount rates | 9,194.36 | 53,526.41 | 62,720.78 | 2.64% |
| 1b | 100bps decrease in interest rates and discount rates | 29,140.88 | 29,855.70 | 58,996.58 | -3.45% |
| 1c | 200bps increase in interest rates and discount rates | 991.73 | 62,978.71 | 63,970.45 | 4.69% |
| 1d | 200bps decrease in interest rates and discount rates | 41,388.35 | 14,977.23 | 56,365.58 | -7.76% |
| 1e | 10% decrease in equity values | 18,475.87 | 42,041.65 | 60,517.52 | -0.97% |
| 1f | 20% decrease in equity values | 18,448.10 | 41,475.40 | 59,923.50 | -1.94% |
| 1g | 25% increase in implied swaption volatilities | n/a | n/a | n/a | n/a |
| 1h | 25% increase in implied equity volatilities | n/a | n/a | n/a | n/a |
| 2 | Expenses | | | | |
| 2a | 10% increase in maintenance expenses | 18,503.63 | 42,026.76 | 60,530.39 | -0.94% |
| 2b | 10% decrease in maintenance expenses | 18,503.63 | 43,180.48 | 61,684.11 | 0.94% |
| 2c | 10% increase in acquisition expenses | n/a | n/a | n/a | n/a |
| 2d | 10% decrease in acquisition expenses | n/a | n/a | n/a | n/a |
| 3 | Policy / premium discontinuance rates | | | | |
| 3a | 10% multiplicative increase in discontinuance rates | 18,503.63 | 42,714.44 | 61,218.07 | 0.18% |
| 3b | 10% multiplicative decrease in discontinuance rates | 18,503.63 | 42,503.35 | 61,006.98 | -0.16% |
| 3c | 50% multiplicative increase in discontinuance rates | 18,503.63 | 43,174.89 | 61,678.52 | 0.93% |
| 3d | 50% multiplicative decrease in discontinuance rates | 18,503.63 | 42,445.05 | 60,948.68 | -0.26% |
| 3e | 25% mass lapsation of policies at the end of surrender penalty period for unit-linked insurance plans | 18,503.63 | 42,422.42 | 60,926.06 | -0.30% |
| 3f | 50% mass lapsation of policies at the end of surrender penalty period for unit-linked insurance plans | 18,503.63 | 41,622.92 | 60,126.55 | -1.61% |
| 3g | 50% multiplicative increase in discontinuance rates after the end of any surrender penalty period | 18,503.63 | 40,702.30 | 59,205.93 | -3.11% |
| 3h | 50% multiplicative decrease in discontinuance rates after the end of any surrender penalty period | 18,503.63 | 45,855.15 | 64,358.78 | 5.32% |
| 3i | 5% absolute increase in non-zero lapse rates | 18,503.63 | 48,470.68 | 66,974.31 | 9.60% |
| 3j | 5% absolute decrease in non-zero lapse rates | 18,503.63 | 41,544.55 | 60,048.18 | -1.73% |
| 4 | Insurance risk | | | | |
| 4a | 5% multiplicative increase in mortality and morbidity rates | 18,503.63 | 41,916.47 | 60,420.11 | -1.12% |
| 4b | 5% multiplicative decrease in mortality and morbidity rates | 18,503.63 | 43,291.82 | 61,795.45 | 1.13% |
| 5 | Required Capital | | | | |
| 5a | Required Capital set equal to 150% of the RSM | 18,503.63 | 42,758.14 | 61,261.77 | 0.25% |
| 6 | Taxation | | | | |
| 6a | Assumed income tax rate increased to 25% ¹ | 18,096.09 | 38,400.00 | 56,496.09 | -7.55% |

Note 1: Based on input from Canara HSBC Life on applicable tax rate if this was set equivalent to corporate tax rate for other industries. For participating business, the impact of higher tax is also reflected within the calculation of reserves.

Table 4.7: Sensitivity of VONB for the 12-month period ending 31 March 2025

Amounts in INR millions

| No. | Scenario | VONB | % change |
|----------|---|-----------------|----------|
| | Base results | 4,460.84 | |
| 1 | Interest rates and assets | | |
| 1a | 100bps increase in interest rates and discount rates | 4,762.23 | 6.76% |
| 1b | 100bps decrease in interest rates and discount rates | 4,050.49 | -9.20% |
| 1c | 200bps increase in interest rates and discount rates | 4,977.71 | 11.59% |
| 1d | 200bps decrease in interest rates and discount rates | 3,506.24 | -21.40% |
| 1e | 10% decrease in equity values | 4,409.04 | -1.16% |
| 1f | 20% decrease in equity values | 4,356.85 | -2.33% |
| 1g | 25% increase in implied swaption volatilities | n/a | n/a |
| 1h | 25% increase in implied equity volatilities | n/a | n/a |
| 2 | Expenses | | |
| 2a | 10% increase in maintenance expenses | 4,341.72 | -2.67% |
| 2b | 10% decrease in maintenance expenses | 4,579.89 | 2.67% |
| 2c | 10% increase in acquisition expenses | 3,827.23 | -14.20% |
| 2d | 10% decrease in acquisition expenses | 5,094.44 | 14.20% |
| 3 | Policy / premium discontinuance rates | | |
| 3a | 10% multiplicative increase in discontinuance rates | 4,303.38 | -3.53% |
| 3b | 10% multiplicative decrease in discontinuance rates | 4,623.53 | 3.65% |
| 3c | 50% multiplicative increase in discontinuance rates | 3,708.93 | -16.86% |
| 3d | 50% multiplicative decrease in discontinuance rates | 5,357.51 | 20.10% |
| 3e | 25% mass lapsation of policies at the end of surrender penalty period for unit-linked insurance plans | 4,389.26 | -1.60% |
| 3f | 50% mass lapsation of policies at the end of surrender penalty period for unit-linked insurance plans | 4,087.49 | -8.37% |
| 3g | 50% multiplicative increase in discontinuance rates after the end of any surrender penalty period | 4,188.05 | -6.12% |
| 3h | 50% multiplicative decrease in discontinuance rates after the end of any surrender penalty period | 4,905.09 | 9.96% |
| 3i | 5% absolute increase in non-zero lapse rates | 4,524.73 | 1.43% |
| 3j | 5% absolute decrease in non-zero lapse rates | 4,782.44 | 7.21% |
| 4 | Insurance risk | | |
| 4a | 5% multiplicative increase in mortality and morbidity rates | 4,259.09 | -4.52% |
| 4b | 5% multiplicative decrease in mortality and morbidity rates | 4,662.76 | 4.53% |
| 5 | Required Capital | | |
| 5a | Required Capital set equal to 150% of the RSM | 4,484.39 | 0.53% |
| 6 | Taxation | | |
| 6a | Assumed income tax rate increased to 25% ¹ | 4,021.30 | -9.85% |

Note 1: Based on input from Canara HSBC Life on applicable tax rate if this was set equivalent to corporate tax rate for other industries. For participating business, the impact of higher tax is also reflected within the calculation of reserves.

Analysis of movement in IEV

4.10 The table below sets out an analysis of movement in embedded value from 31 March 2024 to 31 March 2025.

Table 4.8: Analysis of movement in IEV from 31 March 2024 to 31 March 2025

Amounts in INR millions

| Items | FS | RC | VIF | IEV |
|--|-------------------|-----------------|------------------|------------------|
| Opening IEV as at 31 March 2024 | 6,136.64 | 8,541.71 | 37,120.25 | 51,798.61 |
| Opening adjustments | 0.00 | 0.00 | 0.00 | 0.00 |
| Adjusted opening IEV | 6,136.64 | 8,541.71 | 37,120.25 | 51,798.61 |
| Value added by new business during the period | (8,153.21) | 3,654.93 | 8,959.11 | 4,460.84 |
| Expected return on existing business | | | | |
| At reference rate | 1,521.02 | (636.54) | 2,755.01 | 3,639.49 |
| At expected real-world return in excess of reference rate | 361.35 | (35.49) | 135.02 | 460.89 |
| Transfers from VIF and RC to FS | 5,621.70 | (1,110.79) | (4,510.91) | 0.00 |
| Variance in operating experience | | | | |
| ...of which: mortality / morbidity | 170.31 | 16.61 | 26.38 | 213.30 |
| ...of which: expenses | 15.36 | 1.61 | 0.28 | 17.24 |
| ...of which: persistency | 106.13 | (574.59) | 607.23 | 138.78 |
| ...of which: change in operating assumptions | (730.32) | 392.98 | 1,511.40 | 1,174.07 |
| ...of which: other operating variance | (123.88) | 159.31 | (22.79) | 12.64 |
| IEV operating earnings | (1,211.54) | 1,868.04 | 9,460.74 | 10,117.24 |
| Economic variances | | | | |
| From actual return in excess of expected real-world return | 5,121.68 | (1,762.91) | (154.55) | 3,204.22 |
| From change in economic assumption | 0.00 | 0.00 | (3,822.67) | (3,822.67) |
| Other non-operating variances | 0.00 | 0.00 | 0.00 | 0.00 |
| Total IEV earnings | 3,910.15 | 105.13 | 5,483.52 | 9,498.79 |
| Capital contributions / dividend payouts | (190.00) | 0.00 | 0.00 | (190.00) |
| Closing adjustments | 0.00 | 0.00 | 0.00 | 0.00 |
| Closing IEV as at 31 March 2025 | 9,856.79 | 8,646.84 | 42,603.77 | 61,107.40 |

4.11 An explanation of each step of the analysis of movement set out in the table above is provided below:

Opening IEV: IEV as at 31 March 2024 is assessed using a methodology consistent with APS10. The demographic, economic and expense assumptions have been determined by the Company as at 31 March 2024.

Opening Adjustments: Opening adjustments reflect methodology and computational refinements to the IEV. There are no opening adjustments as at 31 March 2024.

Value added by new business during the period: This is the value added by new business written during the period from 1 April 2024 to 31 March 2025. VIF contribution has been determined as the VIF for new policies still in-force as at 31 March 2025, while FS captures new business strain and any distributable earnings realised over the year. RC represents the Required Capital for new policies still in-force as at 31 March 2025.

Expected return on existing business: This has been determined based on the following two steps:

Expected unwind at the reference rate: Opening ANW and VIF have been rolled-forward at the one-year reference spot rate as at 31 March 2024.

Expected return in excess of the reference rate: Expected return on ANW and VIF has been determined based on expected real world return, using the asset mix at 31 March 2024 and respective expected real world return by asset class, in excess of the reference rate as determined above.

Transfers from VIF and RC to FS: This represents the expected distributable earnings from the beginning of the year transferred from VIF during the year into the FS, together with expected release of RC over the year based on run-off of existing business. Net impact on the IEV is nil.

Variance in operating experience: This is split into current year variances which are captured in the ANW through expected versus actual profits, as well as impact of these variances on future distributable earnings as captured in the difference between actual VIF as at 31 March 2025 and expected VIF at 31 March 2025 based on best estimate projections from the start of the year using end of period projection assumptions. Such variances have been captured for each material component in the order as described below:

Mortality and morbidity: this captures the change in ANW and VIF due to actual experience in respect of mortality and morbidity over the year being different from that expected.

Expenses: this line captures the impact over the year of variance in actual expenses incurred versus expenses expected to be incurred based on the unit cost assumptions as at 31 March 2025. This line primarily affects the ANW; the impact in VIF is arising from second order impacts on change in future bonuses in participating business arising from such variance.

Policy persistency: this line captures the impact of actual persistency experience versus expected policy surrenders, paid-ups, revivals and reinstatements on the ANW and VIF.

Other operating variance: This includes other miscellaneous variances not captured above explicitly and residual miscellaneous variance.

Change in operating assumptions: This represents the impact of change in operating assumptions as at the start of the year on the ANW and VIF.

Economic variances: This has been determined based on the following two steps:

First, the impact of actual return earned over the year against the expected real-world return has been determined on ANW and VIF.

Next, the impact of economic assumption changes due to market movements at the end of the year has been determined on VIF.

Other non-operating variances: This is nil, as there are no other non-operating variances for the year.

Capital contributions / dividend pay-outs: This has been determined as the impact of the Company declaring dividend during FY2024-25.

Closing adjustments: This is nil, as there are no closing adjustments for the year.

Closing IEV: This is the IEV reported as at 31 March 2025, being the sum of opening IEV as at 31 March 2024 and movements as explained above.

Model review and checks on results

4.12 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 selected products representing over 90% of VIF and VONB. 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 VONB 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 VONB results

- 4.13 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.
- 4.14 Similar checks have been undertaken on sensitivity tests as for the base scenario to ensure that the sensitivities relative to the base case are materially accurate and reasonable.
- 4.15 Additionally, analysis of movement provides a further check with regards to overall reasonableness and internal consistency of results.

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.

For the valuation as at 31 March 2025, reliance is placed on equivalent internal controls and processes to maintain data integrity undertaken by Canara HSBC Life as validated by an independent audit firm that reviewed the policy data used for the valuation as at 31 March 2024.

- 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.

Appendix A: Persistency experience and assumptions

As required under APS10, the table below summarises the historical premium persistency rates for the past three years ending 31 March 2025:

| | M 13 | M 25 | M 37 | M 49 | M 61 |
|---------------|-------|-------|-------|-------|-------|
| 31 March 2025 | 82.5% | 71.5% | 64.1% | 61.0% | 57.7% |
| 31 March 2024 | 80.7% | 68.4% | 63.0% | 64.2% | 55.4% |
| 31 March 2023 | 75.3% | 66.0% | 65.1% | 63.2% | 52.0% |

Source: Canara HSBC Life public disclosures

The table below summarises the assumed lapse/surrender rates for material product groups:

| | Y1 | Y2 | Y3 | Y4 | Y5 | Y6 | Y7 | Y8 | Y9 | Y10 | Y11+ |
|--------------------------------|-----------|---------|-----------|-----------|-----------|---------|----------|----------|----------|----------|---------|
| Non-participating savings | 7.5%-30% | 1.6%-2% | 1.6%-2% | 1.6%-25% | 1.6%-15% | 1.6%-5% | 1.6%-2% | 1.6%-2% | 1.6%-2% | 1.6%-2% | 0.5%-2% |
| Non-participating savings (SP) | 1.6%-2% | 1.6%-2% | 1.6%-2% | 1.6%-2% | 1.6%-2% | 1.6%-2% | 1.6%-2% | 1.6%-2% | 1.6%-2% | 1.6%-2% | 1.6%-2% |
| Unit-Linked (RP/LP) | 10%-30% | 8%-25% | 5%-10% | 5%-10% | 15%-35% | 10%-20% | 7.5%-15% | 7.5%-10% | 7.5%-10% | 7.5%-10% | 5%-10% |
| Unit-Linked SP | 1% | 1% | 1% | 1% | 10%-40% | 8%-25% | 8%-10% | 8%-10% | 8%-10% | 8%-10% | 5% |
| Annuity | 0.5%-7.5% | 0.5%-5% | 0.5%-2.5% | 0.5%-2.5% | 0.5%-2.5% | 0.5%-1% | 0.5%-1% | 0.5%-1% | 0.5%-1% | 0.5%-1% | 0.5% |
| Participating savings | 10%-30% | 2% | 2% | 2% | 2% | 2% | 2% | 2% | 2% | 2% | 2% |
| Group Credit Life | 30% | 20% | 15% | 15% | 10% | 10% | 7.5% | 7.5% | 7.5% | 7.5% | 5% |

The table below summarises the assumed paid-up rates for material product groups:

| | Y1 | Y2 | Y3 | Y4 | Y5 | Y6 | Y7 | Y8 | Y9 | Y10 | Y11+ |
|---------------------------|-----|---------|---------|--------|--------|---------|---------|---------|---------|---------|---------|
| Non-participating savings | n/a | 5%-20% | 5%-15% | 2%-10% | 4%-10% | 5%-7.5% | 5%-7.5% | 5%-7.5% | 5%-7.5% | 5%-7.5% | 5%-6% |
| Unit-Linked (RP/LP) | n/a | n/a | n/a | n/a | 8%-20% | 4%-5% | 2.5%-5% | 2.5%-5% | 2.5%-5% | 2.5%-5% | 2.5%-5% |
| Annuity | n/a | 5% | 5% | 5% | 5% | 5% | 5% | 5% | 5% | 5% | n/a |
| Participating savings | n/a | 10%-15% | 10%-15% | 5% | 5% | 5% | 5% | 5% | 5% | 5% | 5% |

The table below summarises the assumed paid-up to surrender rates for material product groups:

| | Y1-2 | Y3 | Y4 | Y5 | Y6 | Y7 | Y8 | Y9 | Y10 | Y11-14 | Y15+ |
|---------------------------|------|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|
| Non-participating savings | n/a | 7.5%-10% | 7.5%-25% | 7.5%-15% | 7.5%-10% | 7.5%-10% | 7.5%-15% | 7.5%-15% | 7.5%-15% | 7.5%-10% | 7.5%-10% |
| Unit-Linked (RP/LP) | n/a | n/a | n/a | n/a | 16%-80% | 16%-50% | 16%-25% | 16%-25% | 16%-25% | 10% | 7.5%-10% |
| Annuity | n/a | 7.5% | 5.0% | 2.5% | 2.5% | 2.5% | 1.0% | 1.0% | 1.0% | 0.5% | 0.5% |
| Participating savings | n/a | 5% | 10% | 10% | 10% | 10% | 10% | 10% | 10% | 10% | 10% |

