

Date: 30th October, 2025

To, National Stock Exchange of India Limited ("NSE") Listing Department, Exchange Plaza, C-1 Block G, Bandra Kurla Complex Bandra [East], Mumbai – 400051 NSE Scrip Symbol: CANHLIFE	To, BSE Limited ("BSE") Listing Department, Corporate Relationship Department, Phiroze Jeejeebhoy Towers, Dalal Street, Fort, Mumbai - 400 001 BSE Scrip Code: 544583
ISIN: INE01TY01017	ISIN: INE01TY01017

Subject: Disclosure under Regulation 30 read with Schedule III of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015- Transcript

Dear Sir/Ma'am,

As per Regulation 30 read with Schedule III of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, transcript of the discussion on the Unaudited Financial Results of the Company for the quarter and half year ended 30th September 2025, at the analyst meet held on 27th October 2025 is available on the website of the Company at www.canarahsbclife.com.

The analyst meet, conducted through Audio means concluded at 7.00 p.m.(IST) on 27th October 2025.

This is for your information and records.

Thanking You,

For **Canara HSBC Life Insurance Company Limited**

Vatsala Sameer
Company Secretary and Compliance Officer
Membership No: A14813

Encl.: As above

“Canara HSBC Life Insurance Limited Q2 FY'26 Earnings Conference Call”

October 27, 2025

MANAGEMENT: **MR. ANUJ MATHUR - MANAGING DIRECTOR & CHIEF EXECUTIVE OFFICER, CANARA HSBC LIFE INSURANCE LIMITED**
MR. TARUN RUSTAGI - CHIEF FINANCIAL OFFICER, CANARA HSBC LIFE INSURANCE LIMITED
MR. SOLY THOMAS - CHIEF DISTRIBUTION OFFICER, CANARA HSBC LIFE INSURANCE LIMITED
MR. NITIN AGARWAL - APPOINTED ACTUARY, CANARA HSBC LIFE INSURANCE LIMITED
MR. AMIT JAIN - HEAD INVESTOR RELATIONS, CANARA HSBC LIFE INSURANCE LIMITED

MODERATOR: **MR. PRAYESH JAIN - MOTILAL OSWAL FINANCIAL SERVICES LIMITED**

Moderator: Ladies and gentlemen, good day and welcome to the Canara HSBC Life Insurance Limited Q2 FY'26 Earnings Conference Call Hosted by Motilal Oswal.

As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing '*' and then '0' on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Prayesh Jain from Motilal Oswal. Thank you and over to you, sir.

Prayesh Jain: Thank you, Sagar. Good evening, everyone, and welcome to the Q2 FY'26 Earnings Call of Canara HSBC Life Insurance.

Today from the Company, we have with us Mr. Anuj Mathur – MD & CEO, Mr. Tarun Rustagi – CFO, Mr. Nitin Agarwal – the Appointed Actuary and Mr. Amit Jain, who is the head IR.

I would now hand over the call to Anuj for his opening remarks, which will be followed up by a Q&A session. Thank you and over to you, Anuj.

Anuj Mathur: Thanks, Prayesh, and good evening, everyone. A very warm welcome to the first earnings call of Canara HSBC Life Insurance for the half-year ended 30th of September 2025. My apologies for a bit delay in starting the conversation, which was because of technical issue. But sincerely thank all of you for your time and thoughtful analysis of our results. Your continued engagement and insights are deeply valued.

The financial results update is available on our website as well as on the websites of both the stock exchanges. We have also circulated deck containing key business highlights and happy to share some of them in this call. As Prayesh mentioned, I have got my colleagues from the top Management Team. They are here with me. In fact, I also have Soly Thomas, who is the Chief Distribution Officer, Bancassurance, in addition to Tarun, Nitin and Amit.

Let me begin by extending my best wishes for this Festival Season and a Prosperous New Year ahead.

This half-year marks a significant milestone in our journey. Our listing on the Indian stock exchanges represent a pivotal moment, signaling our transition into the next phase of growth, more transparency and governance, and long-term value creation. This listing is not the culmination of our journey, but rather the foundation upon which we will build scale, diversification and deeper customer penetration.

First, I will give you a brief overview of the sector, which will be followed by key highlights about the results.

The GST exemption on life insurance premium is a landmark reform that has arrived at a very crucial juncture for the industry. It addresses not only affordability but also long-term customer behaviour by improving persistency, deepening adoption and expanding the base of first-time buyers. In principle, it reinforces life insurance as a core savings and protection need rather than just a discretionary purchase. We believe this reform will significantly extend the industry's growth trajectory over the coming years. It also aligns well with the government's vision of insurance for all by 2047. Also, given our strong back-insurance network, we are well positioned to capitalize on opportunities arising from GST rationalization and increased demand which we are going to witness from Tier-2 and Tier-3 cities.

On the macroeconomic front:

The global environment remains volatile due to ongoing tariff and trade uncertainties and prolonged geopolitical tensions, which pose some downward risk to global growth. However, the Indian economy continues to demonstrate structural resilience, reflected in stable GDP growth and a benign inflationary environment. High frequency indicators suggest that domestic economic activity should remain robust.

Now, I would like to discuss the highlights of the business performance for H1 FY'26:

Our individual weighted premium income, WPI, which is regular first-year premium, plus 10% of single premium, grew at a steady pace of 14% year-on-year growth, driven by disciplined execution and a balanced product mix. We continue to outperform both the overall private player's growth of 8% and industry growth of 2% during this period. This performance is a continuation of our outperformance on a 3-year, 5-year and 10-year basis CAGR. Our market share in private life insurance space has also improved by 20 basis points over the previous year. And if I talk about private sector industry growth, our growth vis-à-vis private sector, our market share is 2.6%. And at the overall industry level, our market share is 1.8% for the financial year 2025.

Total APE grew by 11% year-on-year, remaining range-bound. However, our renewal premium grew by a healthy 29% year-on-year, as a result of improved persistency across most cohorts. Our 13-month and 61-month persistency has been improving consistently and stands at 84.4% and 58.4% as of 30th September 2025 respectively. We have seen a jump of 1.9% in 13-month persistency over financial year 2025. We continue to see strong growth in our credit life business, which has grown by over 40% year-on-year.

Now, I'd like to touch upon the product mix:

So, our product mix is trending towards more of traditional mix compared to last year. The non-linked business grew at a healthy pace, reflecting a gradual shift in customer preference towards non-PAR products in a benign interest rate environment. As a result, the share of traditional business stood at 50%, improved by 3% from FY'25 mix. Within traditional products, we

continue to focus on the annuity segment, which now constitutes roughly 16% of our overall business. Despite volatility in equity markets, customer preference toward linked products continues, which is reflected in our share of linked business remaining steady at 50%, though it has declined by 4% versus FY'25. Our ULIP products are not only ensuring wealth creation but as we have started offering riders. along with the ULIP products, also providing policyholders to have enhanced protection cover through various options. This is also helping us in enhancing our margins on ULIP products. Share of protection is now at 8% versus 4% in FY'25, with growth visible in both individual as well as the group credit life segment.

I will now move to channel-wise performance:

Canara Bank channel continues to show robust growth, supported by increased branch activation and strategic efforts to penetrate deeper into Tier-3 and tier 4 markets, driven through customer segmentation and data analytics into high-propensity customers. Our partnership with HSBC gives us access to niche customer segment where persistency is better than overall persistency rates. We have also launched agency business in this month and we have planned for gradual ramp-up of agency channels.

I will now cover the financial and operating performance:

Our value of new business, VNB, for H1 stood at Rs. 214 crores, which is a growth of 21% year-on-year. The new business margin, or the VNB margin, stood at 19.6%, reflecting a 150 basis points improvement year-on-year, 1.5% improvement year-on-year. The margin expansion was combination of rising volumes with increased rider attachments. However, this was partially offset by 50 basis points impact on account of GST. Of this, only 10 basis points impact pertains to policies written after September 2025. Basis this, we expect an annualized impact of approximately 2.25% on our margins. This is without management action. And our endeavor will be to keep our margins similar to FY'25 levels. With the withdrawal of input tax credit under the new GST regime, we may see some short-term implications. But as a company, we are well prepared to navigate this transition. We are actively implementing a series of measures to mitigate the impact. As part of our strategic review, we are optimizing our product mix, with a clear focus on enhancing product level profitability. This will be driven by targeted initiatives aimed at improving margins across key offerings. Structurally, we believe this reform will strengthen the industry over the long term and there are going to be real benefits for the industry from long-term perspective.

Talking of operational efficiency:

The expense ratio improved to 19% for the half-year ended September 2025 versus 20.5% for similar period last year. So, there is a reduction of 1.5%. Our embedded value, EV, grew by 17% year-on-year, reaching Rs. 6,543 crores with an operating ROEV of 17.4% on a rolling 12-month basis. There is going to be approximately 30 basis point impact on EV due to GST.

I will also touch upon some other financial metrics:

Our profit after tax for H1 stood at Rs. 64 crores, which is an increase of 16% year-on-year. Our assets under management stood at roughly Rs. 44,000 crores, growing 11% year-on-year.

So, just to conclude, we remain very confident in the long-term growth potential of the Indian life insurance sector and particularly our growth trajectory and sound and improving financials. The recent GST reform is a step in the right direction and reflects the Government's commitment to expand insurance coverage across the country. And we are well poised to take full advantage of the same because of access to customers in Tier-2, Tier-3, tier 4 cities as well. We will continue to capitalize on our strong banca distribution to deepen penetration driven by a team of seasoned professionals. In parallel, we continue to invest in advanced digital and GenAI capabilities to elevate customer experience, expand our value proposition and drive operational efficiency.

So, thanks a lot for your time and happy to take questions. Over to you guys. Thank you.

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

Mohit Mangal: Thanks for the opportunity and congratulations on successful listing. My first question is basically the impact of GST. You said that it's 0.5%. So, if you can just bifurcate between, what was the new business premium impact that is basically the business procured after 22nd September and the renewal premium and how do you see the impact on annual basis? Will it be 0.5% or how do you kind of foresee this?

Anuj Mathur: Right. So, thanks Mohit for asking that question. So, I think I partially covered this in my earlier discussion where I mentioned that for the full year and this is without taking any management action, it will be about 2.25%. But we have taken a couple of measures and through that, we are confident that we will be able to kind of retain our current new business margins going forward. There will be short-term impact, but because of various initiatives which we have taken, we will be able to kind of go back to the numbers which we had earlier envisaged.

Mohit Mangal: Understood. That's helpful. My second question is on the product mix. So, ULIP is still 50% odd. Do you think that we go to around 37% which was there in financial year '24 or should we see ULIP at elevated levels?

Anuj Mathur: See, I think it's basically the customer demand which is quite evident in the market. It was evident last year also and currently also we are seeing that customer preference is actually, particularly in metro cities, is moving towards Unit Linked and as such, see there's no problem with the Unit Linked business as long as you can protect your margins. And we have taken a number of measures to kind of protect our VNB margins. So, first of all, our cost is kind of cost-base is very low. We are quite efficient that way. In terms of our total cost ratio, you will see

that we are in top quartile, which helps us to optimize VNB margins. Number two, through new products launches which we are going to do and various other measures including further sustainable saves, further OpEx savings, we will be able to kind of protect. Also, I would like to mention that along with the Unit Linked products, now we are also attaching riders. So, that's something which we have started about three months back and we are already seeing a good amount of premium coming from riders. attachment. So, that also helps in improving the VNB margins, plus our focus on protection business. So, there also, now we are looking at both retail protection as well as the group trade and as I already mentioned, we have seen growth of more than 40% in our credit life portfolio. So, all these measures will help us to kind of recoup whatever loss is there on account of input credit. So, we are fairly confident that we will be able to maintain our VNB margins to the levels which I have already spoken about.

- Mohit Mangal:** Right. Just one clarification. So, looking at your PPT, basically the product mix on the basis of APE. So, a non-PAR is basically the savings component which is 17%. Is that understanding right?
- Anuj Mathur:** Yes. 17% is non-PAR savings, traditional.
- Mohit Mangal:** Okay. I will join back in the queue. Thanks and wish you all the best.
- Anuj Mathur:** Thank you very much.
- Moderator:** Thank you. Our next question comes from the line of Swarnabh Mukherjee from B&K Securities. Please go ahead.
- Swarnabh Mukherjee:** Hi, sir. Good evening. Thank you for the opportunity. So, sir, I think, I mean, my first question was in terms of your cost ratio. So, you have highlighted that there is a 100 business points kind of improvement in the cost ratio. I wanted to understand, sir, that as we set up our agency business, what will be the impact on the cost ratios and subsequently on the margins because of that? And if you could give us some guidance related to the margins going forward, because I think these are the two key events. One is basically your investment in the business primarily on the agency side, as well as the GST impact, which you were saying that you are trying to mitigate. But if you could give some glide path on how do you see factoring in these two events, it would be very useful. That is the first one. And I will ask the other questions later, sir.
- Anuj Mathur:** Right So, first of all, actually, what we have seen in our expense ratio is improvement of 1.5%. So, it was 20.5% last year. It has improved to 19% as of now. As far as agency is concerned, I mentioned that earlier also that we will go for phased.... First of all, apologies for this problem, for the disconnection. And I don't know till what stage people were able to hear us.
- Moderator:** Mr. Swarnabh sir, may we request you repeat your question once again so that we can continue?

- Swarnabh Mukherjee:** Sir. I think you were responding to the question on agency setup and the cost implications of that.
- Anuj Mathur:** Right. So, as I had mentioned that agency we are ramping up in a phased manner. And that will actually help us to kind of maintain our margins. And maybe I will request Tarun, our CFO to give exact numbers.
- Tarun Rustagi:** So, as we are ramping up agency this year in a phased manner, so we don't expect any impact, significant impact on the various parameters. One is the cost. Second one is, your VNB margin and other financial parameters. And therefore, and in the first, generally what we have seen also, the agency is expected to sell most of the **(Inaudible) 17.28**, so that will also maintain the margin. And as we will generate more and more cushion from the profitability over next month, few months, we will start ramping up the agency accordingly. So, we don't expect significant impact coming from agency channel.
- Anuj Mathur:** In fact, just to add, I think the agency model also over a period of time has got evolved. And of late, we are also seeing that the distributor payouts are also kind of forgetting kind of rationalized to some extent. So, I think this new environment will help us to kind of continue with agency business. But as I mentioned, in a phased manner.
- Swarnabh Mukherjee:** Understood, sir. And in terms of, sir, basically mitigating the impact of GST on our margins. So, just wanted to understand what all steps we are taking and if there is any negotiation going on with our distributors. What stages are we? If you could, basically highlight the levers. that you have at hand, which gives you confidence that you will be able to mitigate most of the impact?
- Tarun Rustagi:** That's a really good question. And so, there are three things which we are doing with respect to minimizing the impact. The first one is rationalizing rationalization of our operating expenses. We have been doing this and that's why we are able to maintain our cost ratios at such a low percentage. So, we have identified various levers. and areas where we can further rationalize the cost, which is operating costs. So, this has already been actioned and we are confident that we will be able to complete those actions. The second part is, basically, the product mix shift. Basically, as Anuj mentioned, the group credit life is already doing very well. So, that is helping us in terms of increasing the margin. And therefore, some of these product mix shift is helping us to improve the margin and taking care of some of the impact of GST. And the third parameter is, basically, is the commission rationalization. Now, the commission rationalization is depending upon the various distribution types we are having. And we are assessing each and every one as per the kind of scale and the kind of commission rate which we pay. So, in terms of these actions, we have already discussed and negotiated. I will not use negotiated, but we have already agreed to the agreement with most of the distributors. that the impact will be neutralized on the commission side.
- Anuj Mathur:** And I would just like to add that in our case, particularly with our bank partners, our commission rates were already lower than the industry. So, we do not want to further cut in terms of the new

business. But in terms of renewable business, we are assessing if there is a need for adjustment. But because our costs are low, including commission rates, which are low, the impact is going to be much lesser compared to the competition.

Swarnabh Mukherjee: Right, understood. So, would it be fair to assume that as we move to the second half of the year, we will not see any major impact of this coming through? Or if you could quantify, if you assess that some impact might come through in Q3 and then normalize?

Tarun Rustagi: So, like we mentioned that we are targeting to maintain the VNB margin at the current level after taking the impact in this second half. Second half is going to be in terms of the business volume also is going to be higher than the first month, only the month impact, which you have seen. But we will, we are confident that we will be able to maintain this level of margin and show the growth over the previous year. And next year onward, which is FY'26-'27, the impact will be almost minimized. And there are many, many steps which we have already initiated. Some of them have already been actioned and agreed, like I mentioned. So, it will continue to help us in terms of maintaining the healthy margin.

Swarnabh Mukherjee: Sure, sir. Very helpful. Just a couple of quick data keeping kind of questions. One is on your protection mix. So, if you could split that up between individual products and credit life. I think right now it is showing 8% on the basis of APE. So, what would be the mix between individual and group in that? That is the first one. And secondly, if I look at your persistency disclosure, I mean, on a half year to half year basis, there is an improvement. But if I look at the numbers. basis say 3 months ended June and 3 months ended September, there seems to be a drop in the numbers. So, I just wanted to understand how to read this?

Tarun Rustagi: So, out of 8%, the protection, majority of the businesses, the contribution is done by the group credit life, which is also very profitable. And individual protection business is now picking up because we have, like we mentioned, there is the demand which is coming up now. For basically asking for more and more protection business, there is a direct 18% saving, which is happening there. So, as of now, this is mainly coming from almost 75% is coming from group protection, which is group credit life.

Swarnabh Mukherjee: Got it, sir. And on the persistency query?

Tarun Rustagi: Q2 versus Q1. So, overall, H1, there is a decent increase in 13-month persistency, but quarter and quarter, there is, I think, some decrease, which they are talking about. So, just let us come back on this particular point.

Anuj Mathur: We will revert, but just one thing I would like to mention that this change which happened in GST, many customers. actually decided to kind of, the clarification also came, that there was deferment of premium payment by customers. So, if you are taking, if you look at very, very short term, quarter-on-quarter, partly it could be on account of this clarity which came around GST for existing customers, which came actually on the last day of the quarter.

- Swarnabh Mukherjee:** Okay, sir. Understood, sir. Thank you so much, sir. Thank you and all the best.
- Tarun Rustagi:** Thank you.
- Moderator:** Thank you. Our next question comes from the line of Nidhesh from Investec. Please go ahead.
- Nidhesh:** Thanks for the opportunity. The first question is on product mix. The share of annuity is pretty high for us versus our listed peers. So, what is driving it? And if you can share some details about the product structure within annuity, how much is regular pay annuity and how much is single premium annuity and which specific channel is driving that, because that is a quite commendable share of annuity that you have achieved.
- Anuj Mathur:** Right. So, I am requesting our appointed actually, Nitin, to kind of provide these details.
- Nitin Agarwal:** Right. So, on the annuity side, so we have seen a potential of annuity in terms of the market and there is good margin. So, I think annuity again, from a VNB margin perspective, it provides margin similar to our non-PAR savings business, which is the reason we have increased focus on annuity. And in terms of the split, most of our, about 80% to 90% of the annuity portfolio comes from actually the regular pay before the annuity.
- Tarun Rustagi:** Just adding, there is a clear segmentation which we have and that's why you see an increase in the annuity business both in Canara, in terms of customer segmentation, and that's the work of outcome or a result of our deeper analytics, along with these distributors, that we are able to identify the need of customers. who are actually looking for annuity products, both in Canara and HSBC. Especially in HSBC, you can see that there is a clear segment, customer segment, which is looking for it. And therefore, you see that this annuity proportion is actually improving over a period of time. And as Nitin mentioned, mostly it is deferred annuity, which is profitable for us.
- Anuj Mathur:** And just to add, my long-term view is that this particular segment, which is retirement, solutions, pension products, I think that we are seeing increased demand coming in. That is because of the longevity of customers. and all that. And we see this as a segment where I think there's good revenue opportunity, which is there, and we are going to capitalize on it.
- Nidhesh:** Sure. So, on annuity, what is the average deferment period and how are we hedging it?
- Nitin Agarwal:** So, the average deferment period on annuity is about 4 to 5 years. That is the maximum one which we sell, while it goes up to up to 10 to 11 years. as well. The maximum proportion that we are selling is up to 4 to 5 years. And what is the second question, sorry?
- Nidhesh:** How we are hedging.

- Nitin Agarwal:** So, we are also investing in derivatives for our annuity book as well. So, we are hedging, as we sell, we are hedging most of this book through forward rates--
- Nidhesh:** Sure. Secondly, on distribution mix, if you can share data on the distribution mix for H1, how much is Canara Bank, how much is HSBC, and how much is other channels on an overall APE basis?
- Anuj Mathur:** Right. So, I think this we covered in our RHP also. So, broadly, 70% of the business comes from Canara. And another 14% to 15% comes from HSBC. And remaining is alternate channels. And as we grow agency, we expect that in percentage terms, the contribution from the banks may come down and overall alternate channels will grow. But that's a broad composition. It may vary month-to-month, quarter-to-quarter, but broadly this is how the current mix is, channel mix.
- Nidhesh:** Sure. And lastly, around VNB margin, are you guiding for around 20% VNB margin for the full year? Is that the guidance, despite GST impact?
- Anuj Mathur:** Inching towards that, we can say that.
- Nidhesh:** Okay. Thank you, sir. That's it from my side.
- Moderator:** Thank you. Our next question comes from the line of Vinod Rajamani from Nirmal Bang. Please go ahead.
- Vinod Rajamani:** Thank you for taking my question. Just wanted some more details on this agency rollout. If you can provide some kind of color on that? That would be question number one. Question number two would be on how many riders, what is the attachment ratio in terms of the policies that you have and the riders that are attached? How many policies currently have a rider attached and what is the aspiration in terms of the rider attachment ratio? These are two questions that I have.
- Anuj Mathur:** So, I will go first on the agency. So, as I mentioned, we are going to ramp up in a phased manner. And we are going to use our current infrastructure. We have 104 branches which are there throughout India. So, we are increasing our agency presence in these locations first. And there's a ramp-up plan as part of our long-term strategy which has been agreed by the board and we will be gradually increasing. But at the same time, I would like to mention that we would not like to see any VNB compression on account of agency. So, the agency ramp-up will be gradual and diversification over a period of time. We are in no rush actually to scale up agency to levels which can impact our margins. So, I hope that answers the question.
- Vinod Rajamani:** Yes, sir. That is very clear.
- Nitin Agarwal:** On the rider attachment, so I just want to highlight that, we have only introduced rider last year. So, it's been steadily picking up. And in the recent business that we are selling this year, it's about 65% to 70% already and we are only looking to increase this further.

- Vinod Rajamani:** Okay. Noted. Thanks so much. All the best.
- Nitin Agarwal:** Thank you.
- Moderator:** Thank you. Our next question comes from the line of Sucrit D. Patil from Eyesight Fintrade Pvt. Ltd. Please go ahead.
- Sucrit D. Patil:** Good evening to the team and congratulations on a successful quarter. I have a specific question for Mr. Anuj, a forward-looking question. You have briefly explained about the margins and all the books and everything. Just my question is, as customer expectations shift and digital adoption deepens, what long-term changes do you foresee in how Canara HSBC Life Insurance builds trust and relevance across different customer segments?
- Anuj Mathur:** Yes. Thank you. So, very good question. And I am glad you asked about the long-term strategy also as to how we are going to grow the business. So, as I mentioned earlier, also see the space we are in, wherein we have very good Bancassurance presence, our penetration in current customer base, which we have, the captive customers we have, is less than 2%. So, our focus will continue to be on the Bancassurance business, along with ramping up the agency. We are fully committed to agency business, and you will see ramp-up happening over a period of time. But Banca will continue to kind of lead in terms of growth. As I mentioned, less than 2% penetration. What we are also seeing, and you touched upon the digitalization, which is a very important aspect, we are seeing that demand is coming from Tier-3, tier 4 cities also. So, we are fully equipped. And just to mention a few numbers, because as a Company, we have always invested in technology, and we have achieved a very high level of digitization. Roughly 99% of our business, we acquired digitally. When I say we acquired digitally, even with banks, we have got digital assets to which the customer is onboarded, making sure that onboarding can happen very, very smoothly, and location is not a constraint. So, I think that's something very positive about us, that 99% of our business is digitally onboarded. Number two, on servicing also, roughly 85% of customer service requests are on DIY journeys. So, that way, we have achieved a very high level of digitization and these channels will grow. They are underpenetrated right now. We are also focusing in terms of growing our digital business. So, that's also on the cards. We are already having decent, I will say, reasonable kind of business, which is coming from digital only also. But yes, overall digitalization, we have a clear strategy to use that to our advantage, both for banca business, agency business, as well as alternate channels. And overall, we continue to outgrow the industry performance. If you see our growth rate in the past has been much superior compared to the industry. You take any time frame, 3 years, 5 years, 10 years, we have always overachieved the industry growth. And we are very confident that in years. to come also, because of our superior business model, which we have and a strong support, we will continue to deliver good numbers.
- Sucrit D. Patil:** Thank you. My final question is to Mr. Rustagi. Looking ahead, what kind of internal levers. or any strategic choices do you see as most important for balancing growth with disciplined risk and say capital efficiency?

- Tarun Rustagi:** So, one is the product mix play a very important role in terms of the capital requirement and also risk. And if you actually see, we have been able to manage the balanced product mix. Obviously, we are trying to shift the product mix and expect that product mix will move as per the customer demand towards more traditional business. And for that, we have a very robust hedging strategy, which is able to help us in terms of protecting the interest rate risk. Apart from that, the cost management is another lever, which we are constantly working and able to rationalize or maintain our cost ratios. Not only operating expenses, but also basis the arrangement or agreement, which we are having with our distribution partners, we are able to maintain the cost ratios very well. Also, another thing which you can clearly see in terms of outcome is our persistency, which is basically a right sale, need-based sale. And need-based sale is resulting into higher persistent customer and a satisfied customer, which is helping us to improve the persistency renewal book, which is further helping us improving the VNB margin and embedded value. So, these three things are very, very critical. And keeping in mind, keeping all these three, we will continue to outperform industry basis the distribution model, which we are having, the reach which we are having. So, all these things are helping us in terms of outperforming industry on all the financial parameters, including topline. And cost efficiency is a USP. We are at a competitive edge there with our cost ratios, both OpEx as well as commission ratio being very, very reasonable.
- Sucrit D. Patil:** I think that is a very detailed guidance on your part. And I wish the entire team best of luck for the Q3.
- Tarun Rustagi:** Thank you.
- Moderator:** Thank you. Our next question comes from the line of Mr. Prayesh Jain. Please go ahead.
- Prayesh Jain:** I am just looking at the interest rate sensitivity. What we disclosed in the RHP and the presentation that we have disclosed, the sensitivities have gone down. And so what's kind of driven that? And do we see further improvement there? Or how should we think about this? That would be my first question.
- Nitin Agarwal:** Hi. Thanks, Prayesh, for this question. So, we have been constantly working on this. So, I think two of the main reasons how we managed to get our interest rates sensitivity down is, obviously, to increase hedging. We have been constantly increasing our hedging, not in more new business, more new business we write on tradition, as well as the annuity. We have been hedging that business. And secondly, we have also been constantly working on the duration of our assets. So, increasing the duration of our assets. So, these are the two reasons how we managed to reduce and we have been seeing this constant. And yes, we should expect to see further reduction in this in the coming months.
- Prayesh Jain:** What percentage of our non-PAR book will be hedged?
- Nitin Agarwal:** About 70%.

- Prayesh Jain:** And do you expect this to go to about 85%, 90%?
- Nitin Agarwal:** Yes. That is the intention.
- Prayesh Jain:** Got that.
- Nitin Agarwal:** To go upwards of 20% of that. And also, just to add, we also have agile repricing framework. So, we are also looking to keep repricing as per the interest rate movements to ensure that the VNB margins are maintained. So, they are not adversely impacted by the interest rate movements.
- Prayesh Jain:** Got that. Second question is on the efficiency in the Canara bank channel. What are the medium term plans to kind of increase the efficiency there in order to kind of drive more growth there?
- Tarun Rustagi:** So, in terms of efficiency, what I am understanding is you're talking about the productivity, right? In the Canara channel.
- Prayesh Jain:** Yes, productivity.
- Tarun Rustagi:** Can I request Soly Thomas, our CDO, to just provide a response?
- Soly Thomas:** So, if we look at, we have almost 6,000 touch points in Tier-2 and Tier-3 and that's one of the strategies which is in leveraging our distribution expansion. And currently, we are having just less than 2% penetration. So, we will keep on focusing on these Tier-2 and Tier-3 cities where we have more than 6,000 touch points, to increase our productivity.
- Tarun Rustagi:** Yes, this is in addition to the tech usage. Like you all are covering the bank which you're talking about. And the kind of enhancement and advancement they're doing on the technology side, which is analytics plus also the segmentation is another thing. They are also working very hard and very positively and very effectively on the digitization of their, one is process and also the touch point from the customer like app is there, website is there. So, all these things are going to help us in terms of reaching to the last customer, each and every customer of the Canara Bank, which is going to help us in terms of improving the productivity and in each of the branches and also enhance the sales in this channel.
- Prayesh Jain:** I got that. The other question was on the commission discussion that you are having. You mentioned that you are looking to cut commissions. So, is it also in the discussions are on with both Canara and HSBC as partners. or is just about the remaining 15% is where you would look to cut down commissions?
- Tarun Rustagi:** I think we covered that in case of Canara and HSBC we are already having a very reasonable first year commission rate. What we are discussing is mainly on the renewal, which is having a basically a longer impact in terms of the other financial parameters. That discussion is going in

a positive direction for balance 15% is definitely on both front. That discussion is also going in a positive direction.

Prayesh Jain: Got that. Yes, that's all from my side. Thanks.

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

Harshal Mehta: Thank you for the opportunity and congratulations for listening. Just have two questions. First in terms of agency channels, so like given that we are now expecting a phased reimburse of the channel. If I can give some current out of numbers, like what type of number of agents, agency APE, their productivity, and how we see agency APE chair moving over the next few years. And the new initiatives that we are taking in the channel, so that will be helpful. And secondly, in terms of our product-wise lapse and surrender rates, what we assume, so how to read those in line with the persistency for each products? And if you can give some comfort on assumed lapse or surrender rates, that will be my second question.

Anuj Mathur: So, I will answer your first question, which is on the agency. And then I will request our appointed actually to talk about the lapse and surrender rate. So, see, in terms of agency, as I mentioned, we are going to ramp up in a phased manner. I will not like to give any forward-looking kind of in terms of numbers. I will not like to give any statement, but yes, over a period of time, you'll see the growth there. And in agency also, see, at times there are benefits of starting late. So, now when we are starting agency, we are also evaluating various models within agency, which will help us in terms of cost optimization and also generating more business with maybe not very high number of agents. So, that's what we are looking at, that we will look for hybrid kind of model, different models which are existing, which is variable agency model, tied agency model. And we will try to achieve a balanced mix between the two and we are going to grow this channel over a period of time. I will not like to make any statement in terms of number of agents and all that. But as long as we are protecting the VNB margin and kind of diversifying, I think you guys should be all okay.

Harshal Mehta: Sure.

Nitin Agarwal: On the lapse and surrender rates, so as you are aware that, the lapse and surrender rates vary by product. So, there's not one product, depending on the channel, depending on the features, it does vary. So, there's not one single rate which will apply to all products. But yes, we are seeing it, we are seeing continuous improvement in our lapse and surrender rates. And typically persistency on the unit-linked side is slightly better, which is even better from the overall profitability perspective. But we are seeing an improvement, we are seeing further improvement both on unit linked as well as the traditional business side on lapse and surrender rates.

Harshal Mehta: Thank you, sir. And all the best.

Nitin Agarwal: Thank you.

Moderator: There are no questions at the moment. As there are no further questions, I now hand the conference over to the management for closing comments.

Anuj Mathur: First of all, thanks a lot to all the participants for joining in for this late evening discussion, but very insightful and very interesting one. And now since we are listed, I am looking forward to this engagement on a regular basis. Every quarter we will be publishing our results and look forward to kind of inputs coming from all of you. And please feel free to ask questions as we move forward in this journey. So, thanks once again. Thanks a lot.

Moderator: Thank you. On behalf of Motilal Oswal, that concludes this conference. Thank you all for joining us and you may now disconnect your lines.