



Financial Summary – December 2023

Financial Results

ICBC's corporate net income for the third quarter of the 2023/24 fiscal year (April 1, 2023 to December 31, 2023) was \$617 million.

This statement of operations report reflects the new insurance and investments accounting standards and financial statements presentation prescribed by the International Accounting Standards Board ("IASB") for insurance entities that ICBC began using on April 1, 2023. For comparability, the IASB requires that the new standards be applied to the 2022/23 published results and those results are restated. The most notable change is the inclusion of unrealized investment gains and losses in net income. Under the previous rules, unrealized investment gains and losses were included outside of net income (in other comprehensive income). This change has resulted in a better match of all investment results with claims results as they are both included in net income.

This table illustrates the impact to the prior year net income (loss) from applying the new accounting rules:

For the Nine Months Ended December 31, 2022

(\$ M)	Actual	
	Increase/(Decrease)	
Reported net income under the old accounting standards	\$	189
Unrealized (losses) gains now included in net income (loss)		(562)
Impact of change in rules for accounting for insurance contracts		4
Restated net loss under the new accounting standards	\$	(369)

ICBC's third quarter net income of \$617 million was \$986 million better than our restated net loss for the same period last fiscal year (2022/23), mostly due to higher investment income resulting from stronger financial markets this fiscal year.

Similarly to last fiscal year, claims costs continue to be impacted by inflationary pressures along with more sophisticated vehicle technology contributing to an increase in the cost of repairing vehicles (material damage claims).

ICBC's capital levels are measured by the Minimum Capital Test (MCT) ratio. MCT is an important industry measurement used to determine whether a company has sufficient capital to absorb unexpected losses.

We have made significant progress on rebuilding our capital levels over the past two fiscal years and we have a positive MCT ratio that is higher than prior year due to higher net income year to date.



Statement of Operations

For the Nine Months Ended December 31, 2023 and 2022¹

(\$ Millions)	Basic		Optional		Corporate	
	2023/24	2022/23 ²	2023/24	2022/23 ²	2023/24	2022/23 ²
Premiums written	\$ 2,539	\$ 2,498	\$ 2,017	\$ 1,706	\$ 4,556	\$ 4,204
Insurance revenues						
Premiums earned	2,468	2,431	1,807	1,594	4,275	4,025
Service fees	86	51	58	32	144	83
Total insurance revenues	2,554	2,482	1,865	1,626	4,419	4,108
Insurance service expenses						
Current year claims	1,936	1,871	1,462	1,212	3,398	3,083
Prior years' claims adjustments	(239)	(155)	(78)	60	(317)	(95)
Total claims incurred	1,697	1,716	1,384	1,272	3,081	2,988
Claims services, road safety and loss management services	242	237	127	112	369	349
Total claims and related costs	1,939	1,953	1,511	1,384	3,450	3,337
Operating expenses	39	36	41	36	80	72
Transformation Program	-	-	15	16	15	16
Premium taxes, commissions and other acquisition costs	190	185	407	344	597	529
Total insurance service expenses	2,168	2,174	1,974	1,780	4,142	3,954
Net expenses (recovery) from reinsurance contracts	2	2	3	11	5	13
Insurance service result	384	306	(112)	(165)	272	141
Realized investment income (loss)	338	307	170	141	508	448
Unrealized gains (losses) on financial investments	212	(415)	108	(191)	320	(606)
Unrealized gains (losses) on derivatives	52	(56)	26	(26)	78	(82)
Net investment income (loss)	602	(164)	304	(76)	906	(240)
Net insurance finance expenses	256	52	102	19	358	71
Other operating expenses (income), non-attributable ³	36	43	38	40	74	83
Net insurance and investment result	694	47	52	(300)	746	(253)
Non-insurance expenses						
Administrative and other	27	26	-	-	27	26
Driver licensing	81	69	-	-	81	69
Commissions	31	28	-	-	31	28
Non-insurance other income	(10)	(7)	-	-	(10)	(7)
Total non-insurance expenses	129	116	-	-	129	116
Loss - non-insurance operations	(129)	(116)	-	-	(129)	(116)
Net income (loss)	\$ 565	\$ (69)	\$ 52	\$ (300)	\$ 617	\$ (369)
Net income (loss) attributable to:						
Non-controlling interest ⁴	\$ -	\$ 2	\$ -	\$ 1	\$ -	\$ 3
Owner of the corporation	565	(71)	52	(301)	617	(372)
	\$ 565	\$ (69)	\$ 52	\$ (300)	\$ 617	\$ (369)
Insurance Industry Ratios						
%	2023/24	2022/23 ²	2023/24	2022/23 ²	2023/24	2022/23 ²
Loss ratio	89.0	82.6	89.4	88.6	89.1	84.9
Expense ratio	16.9	16.2	28.4	28.0	21.8	20.9
Combined ratio	105.9	98.8	117.8	116.6	110.9	105.8

¹ The financial results are unaudited and contain a number of estimates and assumptions regarding claims costs and savings. Final year end results will be subject to audit.

² 2022/23 actuals are restated to reflect the new accounting standards; the new accounting adjustments are unaudited and final year end results will be subject to audit.

³ Expenses and income not directly related to ICBC providing insurance coverage.

⁴ Non-controlling interest net income is income that is attributable to the minority shareholder of a joint venture who has no control over decisions. Under IFRS, ICBC, as the parent, has to reflect 100% of the net income and disclose separately the portion related to non-controlling interest.



Statement of Financial Position

As at December 31, 2023¹ and March 31, 2023

(\$ Millions)	December 31 2023	March 31 2023 ²
Assets		
Cash and cash equivalents	\$ 14	\$ 26
Accrued interest	30	47
Assets held for sale	58	41
Financial investments	17,404	19,158
Other receivables	220	179
Reinsurance contract assets	36	37
Investment properties	250	306
Property, equipment, intangible and lease assets	343	366
Accrued pension benefits	199	203
Deferred premium acquisition costs and prepaids	35	43
	<u>\$ 18,589</u>	<u>\$ 20,406</u>
Liabilities and Equity		
Liabilities		
Current liabilities	\$ 383	\$ 385
Bond repurchase agreements and investment-related liabilities	93	1,977
Premiums and fees received in advance	45	66
Lease liabilities	55	53
Insurance contract liabilities ³	13,176	13,710
Pension and post-retirement benefits	169	163
	<u>13,921</u>	<u>16,354</u>
Equity		
Retained earnings	4,166	3,549
Other components of equity	497	497
Equity attributable to parent corporation	4,663	4,046
Non-controlling interest	5	6
	<u>4,668</u>	<u>4,052</u>
	<u>\$ 18,589</u>	<u>\$ 20,406</u>

Minimum Capital Test ("MCT") ratio

Corporate	139%	110%
Basic	170%	129%
Optional	79%	70%

¹ The financial results are unaudited and contain a number of estimates and assumptions regarding claims costs and savings. Final year end results will be subject to audit.

² March 31, 2023 actuals are restated to reflect IFRS 9/17; the IFRS 9/17 adjustments are unaudited.

³ Insurance contract liabilities is made up of:

Provision for unpaid claims	\$ 11,823	\$ 12,430
Unearned premiums	2,862	2,582
Claims related payables	140	143
Premiums receivable	(1,649)	(1,445)
	<u>\$ 13,176</u>	<u>\$ 13,710</u>



Glossary – December 2023

Current year claims

Current year claims expense is the total costs (paid and expected) to settle claims occurring in the current year, regardless of whether or not the loss event has been reported to ICBC. The amount recognized as expense is discounted to reflect present value, as required by the accounting standards for insurance entities.

Prior years' claims adjustments

Prior years' claims adjustments are the change in the reserve to settle claims that occurred in prior years.

Unrealized gains (losses)

Unrealized gains (losses) are the increase (decrease) in the value of an investment asset that is not yet sold ("paper" gains/losses).

Net insurance finance expenses

Net insurance finance expense represents changes in the amount of discount applied to show future payments on claims at their present value. This change can occur for two reasons: a reduction due to the passage of time, known as discount unwinding; and an update in the rate used for discounting. Prior to the change in accounting rules for insurance entities that ICBC began using on April 1, 2023, these amounts were included as part of total claims incurred.

Non-controlling interest

ICBC's financial reporting standards attribute the total comprehensive income of investment partnerships between the majority and minority partners based on their respective ownership interests. Non-controlling interest represents the portion of ICBC's net income and assets that are attributable to minority partners.

Expense ratio

The ratio of operating expenses (excluding claims costs and claims-related costs), premium taxes and commissions to premiums earned. A lower expense ratio is better.

Loss ratio

The loss ratio is an industry measure of claims and claims-related costs (claims services, road safety and loss management services) to premiums earned. The lower the percentage, the more profitable the product is.

Combined ratio

A key measure of overall profitability within the insurance industry. It is the ratio of all costs (claims, claims-related costs, operating expenses, premium taxes and commissions, and deferred premium acquisition costs adjustment) to premiums earned. A lower combined ratio is better.

Minimum Capital Test ("MCT") ratio

An industry measure used to determine whether a company has sufficient capital levels, commensurate with the risks within its business. The measure is based on guidelines set by the Office of the Superintendent of Financial Institutions.