



Financial Summary – September 2023

Financial Results

ICBC's corporate net loss for the second quarter of the 2023/24 fiscal year (April 1, 2023 to September 30, 2023) was \$11 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 Six Months Ended September 30, 2022

(\$ M)	Actual	
	Increase/(Decrease)	
Reported net income under the old accounting standards	\$	117
Unrealized (losses) gains now included in net income (loss)		(913)
Impact of change in rules for accounting for insurance contracts		28
Restated net loss under the new accounting standards	\$	(768)

Our second quarter net loss of \$11 million was \$757 million better than our restated net loss for the same period last fiscal year (2022/23), mostly due to the higher investment income resulting from the gradual recovery of the 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). Legal-based injury claims from before the launch of the Enhanced Care insurance model also continue to put pressure on claims costs. This negative impact is offset by the positive impact from an increase in the discount rate this fiscal year.

At the end of Q2, ICBC is projecting to meet their year-end forecast by the end of the fiscal year.

Our 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.

While we have made significant progress on rebuilding our capital levels over the past two fiscal years, and still have a positive MCT ratio, it is lower than our target due to several years of cumulative net losses in the years prior to fiscal 2020/21, which deteriorated capital levels.



Statement of Operations

For the Six Months Ended September 30, 2023 and 2022¹

(\$ Millions)	Basic		Optional		Corporate	
	2023/24	2022/23 ²	2023/24	2022/23 ²	2023/24	2022/23 ²
Premiums written	\$ 1,756	\$ 1,730	\$ 1,378	\$ 1,182	\$ 3,134	\$ 2,912
Insurance revenues						
Premiums earned	1,651	1,623	1,180	1,052	2,831	2,675
Service fees	54	32	37	20	91	52
Total insurance revenues	1,705	1,655	1,217	1,072	2,922	2,727
Insurance service expenses						
Current year claims	1,200	1,195	930	753	2,130	1,948
Prior years' claims adjustments	(151)	(149)	(37)	45	(188)	(104)
Total claims incurred	1,049	1,046	893	798	1,942	1,844
Claims services, road safety and loss management services	160	159	84	74	244	233
Total claims and related costs	1,209	1,205	977	872	2,186	2,077
Operating expenses	26	24	27	24	53	48
Transformation Program	-	-	11	11	11	11
Premium taxes, commissions and other acquisition costs	132	131	275	236	407	367
Total insurance service expenses	1,367	1,360	1,290	1,143	2,657	2,503
Net expenses (recovery) from reinsurance contracts	1	2	3	9	4	11
Insurance service result	337	293	(76)	(80)	261	213
Realized investment income (loss)	117	214	59	99	176	313
Unrealized (losses) gains on financial investments	(135)	(687)	(68)	(316)	(203)	(1,003)
Unrealized gains (losses) on derivatives	23	(73)	12	(33)	35	(106)
Net investment income (loss)	5	(546)	3	(250)	8	(796)
Net insurance finance expenses	88	40	46	16	134	56
Other operating expenses (income), non-attributable ³	29	26	30	27	59	53
Net insurance and investment result	225	(319)	(149)	(373)	76	(692)
Non-insurance expenses						
Administrative and other	18	17	-	-	18	17
Driver licensing	54	45	-	-	54	45
Commissions	22	19	-	-	22	19
Non-insurance other income	(7)	(5)	-	-	(7)	(5)
Total non-insurance expenses	87	76	-	-	87	76
Loss - non-insurance operations	(87)	(76)	-	-	(87)	(76)
Net income (loss)	\$ 138	\$ (395)	\$ (149)	\$ (373)	\$ (11)	\$ (768)
Net income (loss) attributable to:						
Non-controlling interest ⁴	\$ -	\$ 2	\$ -	\$ 1	\$ -	\$ 3
Owner of the corporation	138	(397)	(149)	(374)	(11)	(771)
	\$ 138	\$ (395)	\$ (149)	\$ (373)	\$ (11)	\$ (768)
Insurance Industry Ratios						
%	2023/24	2022/23 ²	2023/24	2022/23 ²	2023/24	2022/23 ²
Loss ratio	78.7	76.9	86.7	85.2	82.0	80.1
Expense ratio	17.5	16.4	29.9	28.8	22.7	21.3
Combined ratio	96.2	93.3	116.6	114.0	104.7	101.4

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 September 30, 2023¹ and March 31, 2023

(\$ Millions)	September 30 2023	March 31 2023 ²
Assets		
Cash and cash equivalents	\$ 21	\$ 26
Accrued interest	37	47
Assets held for sale	56	41
Financial investments	17,463	19,158
Other receivables	226	179
Reinsurance contract assets	34	37
Investment properties	255	306
Property, equipment, intangible and lease assets	353	366
Accrued pension benefits	207	203
Deferred premium acquisition costs and prepaids	44	43
	<u>\$ 18,696</u>	<u>\$ 20,406</u>
Liabilities and Equity		
Liabilities		
Current liabilities	\$ 371	\$ 385
Bond repurchase agreements and investment-related liabilities	731	1,977
Premiums and fees received in advance	68	66
Lease liabilities	60	53
Insurance contract liabilities ³	13,259	13,710
Pension and post-retirement benefits	167	163
	<u>14,656</u>	<u>16,354</u>
Equity		
Retained earnings	3,538	3,549
Other components of equity	497	497
Equity attributable to parent corporation	4,035	4,046
Non-controlling interest	5	6
	<u>4,040</u>	<u>4,052</u>
	<u>\$ 18,696</u>	<u>\$ 20,406</u>
Minimum Capital Test ("MCT")		
Corporate	115%	110%
Basic	144%	129%
Optional	58%	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	\$ 11,828	\$ 12,430
Unearned premiums	2,885	2,582
Claims related payables	185	143
Premiums receivable	(1,639)	(1,445)
	<u>\$ 13,259</u>	<u>\$ 13,710</u>



Glossary – September 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.

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).

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.