Intact Financial Corporation reports Q4-2021 results

(in Canadian dollars except as otherwise noted)

Highlights

- **Net operating income per share of $3.78 in Q4-2021 and $12.41 for the full year** increased 19% and 25%, respectively, driven by robust underwriting and distribution income, and meaningful accretion from RSA
- **EPS growth of 51% in the quarter and 72% in 2021** reflected strong operating results and investment gains
- **Operating DPW[1] grew 75% in the quarter and 45% in 2021,** mainly due to RSA, with healthy organic growth in commercial lines
- **Operating combined ratio of 87.8% in Q4-2021** as strong underlying performance outweighed elevated catastrophe losses
- **OROE of 17.8% and ROE of 17.0%,** with BVPS growth of 40% to $82.34
- **Quarterly dividend increased by 10% to $1.00** per common share and initiating share buyback program

TORONTO, Feb. 8, 2022 /CNW/ - (TSX: IFC)

Charles Brindamour, Chief Executive Officer, said:

"We had a milestone year, successfully closing our largest acquisition to date, and delivering strong results for both the fourth quarter and full year. We achieved mid-teens organic growth in net operating income per share, while RSA delivered 12% accretion in the seven months since the transaction closed. The acquisition has clearly enhanced our leadership position in Canada, and we are focused on achieving outperformance in the UK&I. The RSA integration remains on track thanks to our people, who have shown extraordinary commitment in supporting our customers amid a new wave of the COVID-19 pandemic. With momentum across all segments, we are pleased to increase dividends to common shareholders for the seventeenth consecutive year."

Consolidated Highlights						
(in millions of Canadian dollars except as otherwise noted)	**Q4-2021**	**Q4-2020**	**Change**	**2021**	**2020**	**Change**
Operating direct premiums written[1]	**5,017**	2,872	75%	**17,283**	12,039	45%
Direct premiums written	**5,318**	2,928	82%	**17,994**	12,143	48%
Operating combined ratio[1]	**87.8%**	85.6%	2.2 pts	**88.8%**	89.1%	(0.3) pts
Underwriting income [1]	**600**	415	45%	**1,787**	1,227	46%
Net investment income	**220**	143	54%	**706**	577	22%
Distribution income[1]	**77**	72	7%	**362**	275	32%
Net operating income[1]	**679**	467	46%	**2,070**	1,471	41%
Net income	**701**	378	85%	**2,088**	1,082	93%
Per share measures (in dollars)						
Net operating income per share (NOIPS)[1]	**$3.78**	$3.18	19%	**$12.41**	$9.92	25%
Earnings per share (EPS)	**$3.85**	$2.55	51%	**$12.40**	$7.20	72%
Return on equity for the last 12 months						
Operating ROE[1]	**17.8%**	18.4%	(0.6) pts			
ROE	**17.0%**	12.8%	4.2 pts			
Book value per share (in dollars)[1]	**$82.34**	$58.79	40%			
Total capital margin	**2,891**	2,729	6%			
Adjusted debt-to-total capital ratio[1]	**23.0%**	24.1%	(1.1) pts			

[1] This press release contains non-GAAP financial measures and other specified financial measures under National Instrument 52-112, including NOIPS, Operating combined ratio, Underwriting income, Distribution income, Net operating income, Operating ROE, BVPS, and adjusted debt-to-total capital ratio. See "Non-IFRS financial measures" below in this press release and refer to Section 38 – Non-GAAP and other financial measures and Section 42 – Glossary and definitions in the Q4-2021 Management's Discussion and Analysis for further details, which sections are incorporated by reference herein. DPW change (growth) and Operating DPW change (growth) is presented in constant currency. Non-GAAP financial measures and Non-GAAP ratios do not have a standardized meaning under IFRS and may not be comparable to similar financial measures disclosed by other issuers.

Common Share Dividend

- The Board of Directors approved a $0.09 per share increase in the quarterly dividend to $1.00 per share on the Company's outstanding common shares. This represents a 10% increase and marks the 17th consecutive annual increase in our dividend since our IPO in 2004.

Normal Course Issuer Bid

- The Board has authorized a normal course issuer bid ("NCIB"). Subject to TSX approval, the Company may purchase for cancellation up to 5,282,458 common shares during the 12-month period following approval, or until the maximum amount of shares have been repurchased. This represents approximately 3% of the Company's issued and outstanding common shares as at February 8, 2022.

Industry Outlook

- Canadian industry profitability improved in the twelve months to September 30, 2021, helped in part by favourable PYD and reduced driving activity during the pandemic. However, high pre-pandemic combined ratios, emerging inflation, and the still relatively low interest rate environment support continuation of favourable market conditions.
- In Canada, we expect firm market conditions to continue in personal property, while personal auto rates remain tempered in the pandemic environment.
- In commercial lines in both US and Canada, hard market conditions are expected to continue.
- In the UK&I, hard market conditions are expected to continue across commercial lines. In personal lines, near term industry growth levels are uncertain as companies navigate the recently introduced pricing reforms in the UK.

Segment Results

(in millions of Canadian dollars except as otherwise noted)	Q4-2021	Q4-2020	Change	2021	2020	Change
Operating direct premiums written						
Canada	3,283	2,471	33%	12,023	10,216	18%
UK&I	1,274	n/a	nm	2,538	n/a	nm
U.S.	460	401	19%	1,988	1,823	17%
Corporate (RSA for June 2021)	n/a	n/a	nm	734	n/a	nm
Total	**5,017**	2,872	75%	**17,283**	12,039	45%
Operating combined ratio						
Canada	84.4%	84.0%	0.4 pts	86.7%	88.0%	(1.3) pts
UK&I	93.0%	n/a	nm	93.4%	n/a	nm
U.S.	92.5%	92.0%	0.5 pts	92.9%	94.9%	(2.0) pts
Corporate (RSA for June 2021)	n/a	n/a	nm	90.7%	n/a	nm
Total	**87.8%**	85.6%	2.2 pts	**88.8%**	89.1%	(0.3) pts
Underwriting income						
Canada	**513**	392	121	**1,525**	1,154	371
UK&I	**80**	n/a	nm	**152**	n/a	nm
U.S.	**36**	35	1	**117**	81	36
RSA – June 2021	**n/a**	n/a	nm	**57**	n/a	nm

Group Reinsurance, Corporate and Other	**(29)**	(12)	(17)	**(64)**	(8)	(56)
Total	**600**	415	185	**1,787**	1,227	560

Q4-2021 Insurance Business Performance

- **Operating DPW growth of75% in constant currency** mainly reflected the RSA acquisition, which contributed 69 points of growth. Commercial lines organic growth was healthy across all segments.
- **Operating combined ratio of 87.8%** was solid and included $186 million (3.8 points) of catastrophe losses, which exceeded expectations. The operating combined ratio in Canada was a strong 84.4%, reflecting solid underlying performance across the business. In the UK&I, the operating combined ratio was a solid 93.0%, despite including 3.5 points of CAT losses. In the U.S., the operating combined ratio of 92.5% reflected solid underlying performance.

Lines of Business

P&C Canada (includes RSA Canada results)

- **Personal auto** premiums grew by 25%, driven by RSA, while we continue to operate in a muted rate environment. The operating combined ratio was very strong at 87.5%, reflecting strong underlying performance and higher prior year development. Although up from the prior year, driving activity remains below pre-pandemic levels.
- **Personal property** premiums grew by 33%, mainly driven by RSA and 5 points of organic growth due to firm market conditions. The operating combined ratio remained very strong at 79.5%, but was 6.3 points higher than last year, reflecting 4.4 points of higher CAT losses.
- **Commercial lines** premium growth of 41% was mainly driven by RSA. Strong organic growth of 11% reflected continued profitability actions in hard market conditions. The operating combined ratio was strong at 84.3%, improving 11 points from a year ago. This was driven by higher PYD and solid underlying performance, with an estimated 6-point impact from customer relief measures offered last year.
- **Distribution income** grew by 7% compared to a strong prior-year quarter, driven by accretive acquisitions.

P&C UK&I

- **Personal lines** operating DPW was $517 million, with continued rate momentum and high retention levels in personal property and pet. The personal auto market remained very competitive, muting premium growth ahead of recent pricing reforms. The operating combined ratio of 96.1% reflected solid underlying performance and strong prior year development.
- **Commercial lines** operating DPW was $757 million in hard market conditions. The operating combined ratio was a strong 90.4%, driven by strong underlying performance and favourable prior year development, tempered by elevated catastrophe losses.

P&C U.S.

- **US Commercial** premium growth was strong at 19% on a constant currency basis, driven by a combination of new business growth, new products, and hard market conditions. The operating combined ratio was stable at 92.5% as strong underlying performance was offset by higher catastrophe losses.

Investments

- **Net investment income of $ 220 million** for the quarter increased 54% year-over-year, mainly driven by the RSA acquisition and a special dividend of $23 million from one of our investments.
- **Net gains excluding FVTPL bonds** of $262 million primarily reflected realized gains resulting from favourable equity markets and unrealized gains on Venture investments.

Net Operating Income, EPS and ROE

- **Net operating income** of $679 million is up 45% from a year ago, reflecting the contribution of RSA, as well as strong growth in underwriting and investment income.
- **Earnings per share** of $3.85 in Q4-2021 grew 51%, driven by strong operating results and investment gains, partly offset by the net cost of adverse development cover for the UK&I segment.
- **Operating ROE** of 17.8% and **ROE** of 17.0% for the 12 months to December 31, 2021 reflected strong performance

across the business.

Balance Sheet

- The Company ended the year in a strong financial position, with a **total capital margin of $2.9 billion**.
- IFC's **book value per share** (BVPS) of $82.34 as at December 31, 2021 increased 40% since December 31, 2020, driven by strong earnings and the RSA financing.
- **The adjusted debt-to-total capital ratio of 23.0%** as at December 31, 2021 reflects the financing and closing of the RSA acquisition. With proceeds from the sale of Codan Denmark expected in H1-2022, we expect the adjusted debt-to-total-capital ratio to return to 20%.

RSA Acquisition

- **RSA contributed close to 16% accretion to Q4-2021 NOIPS** and 12% for the seven-month period since closing. Given the overall strength of Intact's results, double-digit accretion for the first seven months is evidence of the quality of the acquired businesses.
- We remain on track to realize at least **$250 million of pre-tax annual run-rate synergies within 36 months of closing.** As at December 31, 2021 we have delivered $85 million in run-rate synergies.
- Ken Norgrove was appointed to the role of CEO of UK&I, subject to regulatory approval. He was formerly CEO of RSA Scandinavia from 2019 until deal completion, and led the very successful turnaround of the Irish business as CEO of RSA Ireland from 2014 to 2019. Ken brings more than 35 years of experience in the insurance industry, with 30 years at RSA.
- Integration activities are progressing as planned. In Canada, policy conversion in the broker channel is well underway. Over 40% of Personal Lines broker policies, and nearly 40% of Commercial Lines small business and fleet policies have converted to Intact systems to date.
- Closing of the announced sale of Codan Forsikring A/S's P&C business to Alm. brand A/S Group is on track for H1-2022. This represents proceeds of DKK 6.3 billion (~$1.26 billion) for Intact's 50% stake.
- On October 6, 2021, we entered into a reinsurance agreement to provide protection for adverse development in UK&I claims liabilities for 2020 and prior years. The associated expense of $71 million was included in Acquisition, integration and restructuring costs in Q4-2021.

Preferred Share Dividends

- The Board of Directors also approved a quarterly dividend of 21.225 cents per share on the Company's Class A Series 1 preferred shares, 21.60625 cents per share on the Class A Series 3 preferred shares, 32.5 cents per share on the Class A Series 5 preferred shares, 33.125 cents per share on the Class A Series 6 preferred shares, 30.625 cents per share on the Class A Series 7 preferred shares and 33.75 cents per share on the Class A Series 9 preferred shares. The dividends are payable on March 31, 2022, to shareholders of record on March 15, 2022.

Analysts' Estimates

- The average estimate of **earnings per share** and **net operating income per share** for the quarter among the analysts who follow the Company was $1.73 and $2.58, respectively.

Management's Discussion and Analysis (MD&A) and Consolidated Financial Statements

This Press Release, which was approved by the Company's Board of Directors on the Audit Committee's recommendation, should be read in conjunction with the Q4-2021 MD&A as well as the Q4-2021 Consolidated Financial Statements, which are available on the Company's website at www.intactfc.com and later today on SEDAR at www.sedar.com.

For the definitions of measures and other insurance-related terms used in this Press Release, please refer to the MD&A and to the glossary available in the "Investors" section of the Company's website at www.intactfc.com.

Conference Call Details

Intact Financial Corporation will host a conference call to review its earnings results tomorrow at 11:00 a.m. ET. To listen to the call via live audio webcast and to view the Company's Financial Statements, MD&A, presentation slides, Supplementary financial information and other information not included in this press release, visit the Company's website at www.intactfc.com and link to "Investors". The conference call is also available by dialing 416-764-8659 or 1-888-664-6392 (toll-free in North America). Please call 10 minutes before the start of the call. A replay of the call will be available on February 9, 2022 at 2:00 p.m. ET until midnight on February 16, 2022. To listen to the replay, call 416-764-8677 or 1-888-390-0541 (toll-

free in North America), entry code 501798. A transcript of the call will also be made available on Intact Financial Corporation's website.

About Intact Financial Corporation

Intact Financial Corporation (TSX: IFC) is the largest provider of property and casualty (P&C) insurance in Canada, a leading provider of global specialty insurance, and, with RSA, a leader in the U.K. and Ireland. Our business has grown organically and through acquisitions to over $20 billion of total annual premiums.

In Canada, Intact distributes insurance under the Intact Insurance brand through a wide network of brokers, including its wholly-owned subsidiary BrokerLink, and directly to consumers through belairdirect. Intact also provides affinity insurance solutions through the Johnson Affinity Groups.

In the U.S., Intact Insurance Specialty Solutions provides a range of specialty insurance products and services through independent agencies, regional and national brokers, and wholesalers and managing general agencies.

Outside of North America, the Company provides personal, commercial and specialty insurance solutions across the U.K., Ireland, Europe and the Middle East through the RSA brands.

Non-GAAP and other financial measures

Non-GAAP financial measures and Non-GAAP ratios (which are calculated using non-GAAP financial measures) do not have standardized meanings prescribed by IFRS (or GAAP) and may not be comparable to similar measures used by other companies in our industry. Non-GAAP and other financial measures are used by management and financial analysts to assess our performance. Further, they provide users with an enhanced understanding of our financial results and related trends, and increase transparency and clarity into the core results of the business.

Non-GAAP financial measures and Non-GAAP ratios used in this Press Release and other Company's financial reports include measures related to our consolidated performance, our underwriting performance and our financial strength.

Operating performance

NOIPS, OROE, NOI and PTOI

- **Our operating performance** is measured based on NOIPS and OROE, which are non-GAAP ratios. These ratios are calculated using Non-GAAP financial measures that exclude elements that are not representative of our operating performance (referred to as "Non-operating results"). Non-operating results include elements that arise mostly from changes in market conditions, relate to acquisition-related items or special items, or that are not part of our normal activities (see Non-operating results hereafter). We believe that analyzing our consolidated performance excluding these elements reflect more accurately our underlying business performance over time.
- We note that investors, financial analysts, rating agencies and media organizations use NOIPS, OROE and other components of operating income (such as underwriting income, net investment income and distribution income) to evaluate and report our financial performance, and make investment decisions and recommendations. These measures are widely used as they represent a reliable, representative and consistent measure of our financial performance over time.
- NOIPS is also used in incentive compensation as one of our financial objectives is to grow NOIPS by 10% yearly over time.

NOIPS and OROE are calculated as follows, using the following non-GAAP financial measures (marked with an asterix*).

NOIPS for a specific period	NOI* attributable to common shareholders / WANSO[1]	**OROE** for a 12-month period	NOI* attributable to common shareholders / Adjusted average common shareholders' equity (excluding AOCI)*

[1] Weighted-average number of common shares outstanding on a daily basis during the period.

- **Net operating income (NOI)*** represents the Net income attributable to shareholders (most directly comparable GAAP measure), excluding the after-tax impact of Non-operating results. NOI is net of net income (loss) attributable to non-controlling interests.

- **Pre-tax operating income (PTOI)***, which is used in the calculation of NOI, represents the Income before income taxes (most directly comparable GAAP measure), including the Share of income tax expense (benefit) of broker associates (accounted for using the equity method – net of tax – under IFRS), and excluding the pre-tax impact of Non-operating results. PTOI is comprised of the following items:
    - **Underwriting income (loss)*** is an operating measure calculated as Operating NEP* less Operating net claims*, less Operating net underwriting expenses*. Underwriting income (loss) represents Net earned premiums, Other underwriting revenues, Net claims incurred and Underwriting expenses, all of which are reported under IFRS, excluding the impact of MYA on underwriting results, non-operating pension expense and underwriting results from exited lines
    - **Net investment income** – calculated as Investment income less Investment expenses, as reported under IFRS
    - **Distribution income*** is the measure used to report the performance of our distribution channel, which includes operating income before interest and taxes from our consolidated brokers, broker associates, Intact Public Entities, On Side, Coast Underwriters and Johnson Group Benefits. Distribution income is calculated using components of Other income and Other expenses (for our consolidated entities) and Share of profit from investments in associates and joint ventures (for those that we do not consolidate) under IFRS.
    - **Total financing costs*** are comprised of Finance costs (most directly comparable GAAP measure), adjusted to include finance costs from our broker associates, which are accounted for using the equity method under IFRS (included in Share of profit from investments in associates and joint ventures under IFRS).
    - **Other operating income (expense)*** includes general corporate expenses related to the operation of the group and our public company status, consolidation adjustments, and other operating items. Other income (expense) is calculated using components of Other income and Other expenses under IFRS.
    - PTOI on a segment basis, which is determined in the same manner as PTOI, increases transparency and clarity of the core results of the business.

Non-operating results

- **Non-operating results*** include elements that arise mostly from changes in market conditions, relate to acquisition-related items or special items, or that are not part of our normal activities. They are comprised of the following items:
    - **Net gains (losses)**, as reported under IFRS, arise mostly from changes in market conditions and investment decisions, which can be volatile to earnings.
    - **Positive (negative) impact of MYA on underwriting** arise mostly from movements in interest rates, which can be volatile to earnings. Claims liabilities are discounted at the estimated market yield of the assets backing these liabilities. The impact of changes in the discount rate used to discount claims liabilities based on the change in the market-based yield of the underlying assets is referred to as **MYA**. MYA is included in Net claims incurred under IFRS.
    - The **non-operating pension expense** represents the difference between the asset return (interest income on plan assets) calculated using the expected return on plan assets versus the IFRS discount rate on Intact's Canadian pension plan assets. The expected return better reflects our operating performance given our internal investment management expertise and the composition of our pension asset portfolio. The non-operating pension expense is included in Net claims incurred and Underwriting expenses under IFRS
    - **Acquisition, integration and restructuring costs**, as reported under IFRS. Acquisition and integration costs incurred in connection with an acquired business do not represent an ongoing operating expense of the business.
        - **Acquisition costs** include professional fees and stamp duties related to the closing of an acquisition.
        - **Integration costs** include restructuring costs related to an acquisition such as severances, retention bonuses and system integration, the initial net impact of a reinsurance coverage for the purpose of an acquisition, as well as changes in the fair value of the contingent considerations. With respect to the RSA Acquisition, ADC costs represent the net impact of a reinsurance coverage pursuant to which a third-party reinsurer will assume 50% of negative reserve development in excess of an agreed retention with respect to certain of RSA's UK&I and other claims liabilities for accident years 2020 and prior.
        - **Restructuring** and other costs include restructuring costs not related to an acquisition and expenses related to the implementation of significant new accounting standards.
    - **Gain on the RSA Acquisition** (gain on bargain purchase), as reported under IFRS, is non-taxable and represents

the difference between the purchase price paid for RSA and the fair value of the identifiable net assets acquired less the amount of NCI. It is reported in non-operating results, consistent with other gains and losses, and given its special nature.

- **Underwriting results from exited lines** included the underwriting results of the US Commercial's business Programs, Architects and Engineers, Healthcare (effective July 1, 2019), BC auto exit (effective in Q4-2020), as well as UK&I exited lines as of the closing date. Underwriting results from exited lines are included in NEP, Net claims incurred and Underwriting expenses under IFRS. We believe that such results could obscure the ability to compare period over period results for our ongoing businesses.

Table 1 Reconciliation of NOI, NOIPS and OROE to Net income attributable to shareholders, as reported under IFRS

	Q4-2021	Q4-2020	2021	2020
Net income attributable to shareholders, as reported under IFRS	**692**	378	**2,067**	1,082
Remove: Pre-tax non-operating losses (gains)	**(17)**	125	**70**	535
Remove: Non-operating tax expense (benefit)[1]	**4**	(36)	**(67)**	(146)
NOI	**679**	467	**2,070**	1,471
Remove: preferred share dividends	**(13)**	(13)	**(53)**	(52)
NOI attributable to common shareholders	**666**	454	**2,017**	1,419
Divided by weighted-average number of common shares (in millions)	**176.1**	143.0	**162.4**	143.0
NOIPS, basic and diluted (in dollars)	**3.78**	3.18	**12.41**	9.92
NOI to common shareholders for the last 12 months	**2,017**	1,419		
Adjusted average common shareholders' equity, excluding AOCI	**11,357**	7,697		
OROE for the last 12 months	**17.8%**	18.4%		

Table 2 Reconciliation of PTOI to Income before income taxes, as reported under IFRS

	Q4-2021	Q4-2020	2021	2020
Income before income taxes, as reported under IFRS	**871**	470	**2,568**	1,359
Add: share of income tax expense of broker associates	**4**	5	**30**	22
Remove: Pre-tax non-operating losses (gains)	**(17)**	125	**70**	535
PTOI	**858**	600	**2,668**	1,916
PTOI	**858**	600	**2,668**	1,916
Add: operating income tax expense	**(170)**	(133)	**(577)**	(445)
Netted with: net income (loss) attributable to NCI	**(9)**	-	**(21)**	-
NOI	**679**	467	**2,070**	1,471

Table 3 Reconciliation of Distribution income, Total finance costs, Other operating income (expense), Total income taxes and Underwriting income with the Consolidated financial statements

MD&A captions					**Pre-tax**		
As presented in the Financial statements	**Distribution income**	**Total finance costs**	**Other operating income (expense)[1]**	**Total income taxes**	**Non-operating losses**	**Underwriting income**	**Total F/S caption**
For the quarter ended December 31, 2021							
Underwriting income[1]	**-**	**-**	**-**	**-**	**21**	**600**	**621**

Other revenues	**98**	**-**	**10**	**-**	**-**	**-**	**108**
Net gains (losses)	**-**	**-**	**-**	**-**	**194**	**-**	**194**
Gain on bargain purchase	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Share of profits from invest. in ass. & JV	**27**	**(1)**	**-**	**(4)**	**(6)**	**-**	**16**
Finance costs	**-**	**(42)**	**-**	**-**	**-**	**-**	**(42)**
Acquisition, integration and restructuring costs	**-**	**-**	**-**	**-**	**(133)**	**-**	**(133)**
Other expenses	**(48)**	**-**	**(6)**	**-**	**(59)**	**-**	**(113)**
Income tax benefit (expense)	**-**	**-**	**-**	**(170)**	**-**	**-**	**(170)**
Total, as reported in MD&A	**77**	**(43)**	**4**	**(174)**	**17**	**600**	
For the quarter ended December 31, 2020							
Underwriting income[1]	-	-	-	-	(75)	415	340
Other revenues	82	-	9	-	-	-	91
Net gains (losses)	-	-	-	-	46	-	46
Share of profits from invest. in ass. & JV	32	(3)	-	(5)	(7)	-	17
Finance costs	-	(29)	-	-	-	-	(29)
Acquisition, integration and restructuring costs	-	-	-	-	(53)	-	(53)
Other expenses	(42)	-	(7)	-	(36)	-	(85)
Income tax benefit (expense)	-	-	-	(92)	-	-	(92)
Total, as reported in MD&A	72	(32)	2	(97)	(125)	415	
For the year ended December 31, 2021							
Underwriting income[1]	**-**	**-**	**-**	**-**	**109**	**1,787**	**1,896**
Other revenues	**389**	**-**	**32**	**-**	**-**	**-**	**421**
Net gains (losses)	**-**	**-**	**-**	**-**	**249**	**-**	**249**
Gain on bargain purchase	**-**	**-**	**-**	**-**	**204**	**-**	**204**
Share of profits from invest. in ass. & JV	**146**	**(9)**	**-**	**(30)**	**(20)**	**-**	**87**
Finance costs	**-**	**(153)**	**-**	**-**	**-**	**-**	**(153)**
Acquisition, integration and restructuring costs	**-**	**-**	**-**	**-**	**(429)**	**-**	**(429)**
Other expenses	**(173)**	**-**	**(57)**	**-**	**(183)**	**-**	**(413)**
Income tax benefit (expense)	**-**	**-**	**-**	**(480)**	**-**	**-**	**(480)**
Total, as reported in MD&A	**362**	**(162)**	**(25)**	**(510)**	**(70)**	**1,787**	
For the year ended December 31, 2020							
Underwriting income[1]	-	-	-	-	(430)	1,227	797
Other revenues	309	-	18	-	-	-	327
Net gains (losses)	-	-	-	-	182	-	182
Share of profits from invest. in ass. & JV	121	(11)	-	(22)	(36)	-	52
Finance costs	-	(115)	-	-	-	-	(115)
Acquisition, integration and restructuring costs	-	-	-	-	(115)	-	(115)
Other expenses	(155)	-	(55)	-	(136)	-	(346)
Income tax benefit (expense)	-	-	-	(277)	-	-	(277)
Total, as reported in MD&A	275	(126)	(37)	(299)	(535)	1,227	

[1] Comprised of the following captions in the Consolidated statements of income: Net earned premiums, Other underwriting revenues, Net claims incurred and Underwriting expenses.

Relative performance

Acquisition-related items

- **Acquisition-related items, which are reported in Non-operating results*,**include amortization of intangible assets recognized in business combinations, as well as acquisition and integration costs.

The following table provides the breakdown of non-operating results between acquisition-related items and other non-operating results, showing the pre-tax and after-tax amount by line item.

Table 4 Acquisition-related gains (losses) and other non-operating gains (losses)

	Q4-2021		Q4-2020		2021		2020	
	Pre-tax	After-tax	Pre-tax	After-tax	Pre-tax	After-tax	Pre-tax	After-tax
Amortization of intangible assets recognized in business combinations	**(63)**	**(48)**	(40)	(30)	**(199)**	**(151)**	(154)	(117)
Acquisition and integration costs	**(117)**	**(93)**	(48)	(41)	**(375)**	**(297)**	(97)	(79)
Net gain (loss) on currency derivative hedges (acquisitions)	**(34)**	**(25)**	19	16	**(31)**	**(23)**	19	16
Tax adjustment on acquisition-related items	**-**	**13**	-	-	**-**	**(1)**	-	(3)
Acquisition-related gains (losses)	**(214)**	**(153)**	(69)	(55)	**(605)**	**(472)**	(232)	(183)
Other net gains (losses)	**228**	**164**	27	31	**280**	**232**	163	148
Positive (negative) impact of MYA on underwriting	**72**	**55**	(23)	(18)	**226**	**169**	(315)	(235)
Non-operating pension expense	**(16)**	**(12)**	(13)	(10)	**(64)**	**(47)**	(53)	(39)
Gain on the RSA Acquisition	**-**	**-**	-	-	**204**	**204**	-	-
Underwriting income (loss) from exited lines	**(35)**	**(28)**	(39)	(30)	**(53)**	**(43)**	(62)	(49)
Restructuring and other non-operating costs	**(18)**	**(13)**	(8)	(7)	**(58)**	**(46)**	(36)	(31)
Other non-operating gains (losses)	**231**	**166**	(56)	(34)	**535**	**469**	(303)	(206)
Non-operating gains (losses)	**17**	**13**	(125)	(89)	**(70)**	**(3)**	(535)	(389)

Consolidated performance

ROE and Adjusted average common shareholder's equity

- Our **consolidated performance** is measured based on EPS (GAAP measure) and ROE, a Non-GAAP ratio. ROE is the closest GAAP-based measure, as it is based on Net income attributable to common shareholders. However, the denominator is adjusted to reflect the weighted-impact of significant capital transactions, when appropriate.
- EPS and ROE are calculated as follows. Non-GAAP financial measures are marked with an asterix*.

EPS for a specific period	**As reported in the accompanying Consolidated statements of income** Net income attributable to common shareholders ——————————— WANSO	**ROE** for a 12-month period	Net income attributable to common shareholders ——————————— Adjusted average common shareholders' equity*

- **Net income attributable to common shareholders** is determined in accordance with IFRS excludes the dividends declared on preferred shares.

Table 5 Reconciliation of ROE to Net income attributable to shareholders, as reported under IFRS

	Q4-2021	Q4-2020	2021	2020
Net income attributable to shareholders	**692**	378	**2,067**	1,082
Remove: preferred share dividends	**(13)**	(13)	**(53)**	(52)

Net income attributable to common shareholders	**679**	365	**2,014**	1,030
Divided by weighted-average number of common shares (in millions)	**176.1**	143.0	**162.4**	143.0
EPS, basic and diluted (in dollars)	**3.85**	2.55	**12.40**	7.20
Net income attributable to common shareholders for the last 12 months	**2,014**	1,030		
Adjusted average common shareholders' equity	**11,826**	8,064		
ROE for the last 12 months	**17.0%**	12.8%		

Table 6 Reconciliation of AEPS and NOIPS to EPS, as reported under IFRS

	Q4-2021		Q4-2020		2021		2020	
	After-tax	Per share	After-tax	Per share	After-tax	Per share	After-tax	Per share
Net income attributable to common shareholders (EPS)	**679**	**3.85**	365	2.55	**2,014**	**12.40**	1,030	7.20
Add back: acquisition-related losses (gains)	**153**	**0.87**	55	0.39	**472**	**2.92**	183	1.28
Adjusted net income attributable to common shareholders (AEPS)	**832**	**4.72**	420	2.94	**2,486**	**15.32**	1,213	8.48
Add back: Other non-operating losses (gains)	**(166)**	**(0.94)**	34	0.24	**(469)**	**(2.91)**	206	1.44
NOI attributable to common shareholders (NOIPS)	**666**	**3.78**	454	3.18	**2,017**	**12.41**	1,419	9.92

Effective income tax rates

- Our **effective income tax rates** are measured based on **Total effective income tax rate** and **Operating effective income tax rate**, which are Non-GAAP ratios. These ratios take into account the impact of income taxes from our broker associates, which are accounted for using the equity method (net of tax) under IFRS.

Total effective income tax rate and Operating effective income tax rate are calculated using the following non-GAAP financial measures (marked with an asterix*).

Total effective income tax rate for a specific period	Total income tax expense (benefit)* / Pre-tax income*	**Operating effective income tax rate** for a specific period	Operating income tax expense (benefit)* / PTOI*

- **Total income tax expense (benefit) and Operating income tax expense (benefit)** include the impact of income taxes from our broker associates, which are accounted for using the equity method (net of tax) under IFRS. **Pre-tax income and PTOI** are presented on a consistent basis. These Non-GAAP financial measures are aligned with how management analyzes the operating performance of our broker associates (recorded in Distribution income), which is on a pre-tax basis.

Table 7 Reconciliation of effective income tax rates

	Q4-2021	Q4-2020	2021	2020
Income before income taxes, as reported under IFRS	**871**	470	**2,568**	1,359
Add: share of income tax expense of broker associates	**4**	5	**30**	22
Pre-tax income, as reported in the MD&A	**875**	475	**2,598**	1,381
Total income tax benefit (expense)	**(174)**	(97)	**(510)**	(299)
Net income	**701**	378	**2,088**	1,082
Total effective income tax rate, as reported in the MD&A	**20.1%**	20.4%	**19.6%**	21.7%
Pre-tax operating income (PTOI)	**858**	600	**2,668**	1,916

Operating income tax benefit (expense)	**(170)**	(133)	**(577)**	(445)
NOI	**688**	467	**2,091**	1,471
Operating effective income tax rate	**19.8%**	22.1%	**21.6%**	23.2%

Premiums volume

Change in operating DPW and Change in operating DPW in constant currency

- Our **top line consolidated performance(in terms of premiums written)** is measured based on **Change in operating DPW in constant currency**, which is a non-GAAP ratio. This ratio represents the growth (or decline) in Operating DPW calculated by applying the exchange rate in effect for the current year to the Operating DPW of the previous year.
- With the RSA Acquisition, approximately 65% of our operating DPW are denominated in CAD, 19% in GBP, 10% in USD, and the remaining, mainly in Euro. Constant currency is widely used by multinational companies to highlight the economic performance. Like our peers, we believe that this measure enhances the analysis of our top line performance with comparative periods as it excludes the impact of foreign exchange fluctuations.
- The **top line segmented performance** of our non-Canadian operating segments, as applicable, is also measured based on the Change in operating DPW in constant currency**,** which reflects the Operating DPW growth, as reported and managed at the segment level (in the functional currency).
- In our MD&A or other financial reports, we also present**Change in operating DPW,** which is a Non-GAAP ratio. This ratio represents the growth or decline in Operating DPW calculated by applying the respective exchange rates in effect for the current year and previous year. When relevant, we disclose both ratios to highlight the impact of foreign currency fluctuations on our top line performance.

Change in operating DPW	Operating DPW for a specified period ÷ Operating DPW for the previous year _____ Operating DPW for the previous year	**Change in operating DPW** in constant currency	Operating DPW (in CAD) for a specified period ÷ Operating DPW (in CAD) for the previous year, using the current foreign exchange rate _____ DPW (in CAD) for the previous year, using the current foreign exchange rate

Change in operating DPW in constant currency and Change in operating DPW are calculated using**Operating DPW**, a non-GAAP financial measure.

- **Operating DPW** represents the total amount of premiums for new and renewal policies written during the reporting period, normalized for the effect of multi-year policies, excluding industry pools, fronting and exited lines. This measure matches premiums written to the year in which coverage is provided, whereas under IFRS, the full value of multi-year policies is recognized in the year the policy is written. DPW is the most comparable GAAP measure to Operating DPW.
- We consider that this measure better reflects the operating performance of our core operations, and that it is the most useful measure in terms of measuring growth and volume of business.
- To calculate the Company's performance relative to the Canadian industry for incentive compensation purposes, our DPW growth is based on financial statements presentation.

Table 8 Reconciliation of Operating DPW to DPW

	Q4-2021	Q4-2020	2021	2020
DPW, as reported under IFRS	**5,318**	2,930	**17,994**	12,143
Remove: impact of industry pools and fronting	**(260)**	(41)	**(605)**	(119)
Remove: DPW from exited lines	**(70)**	(17)	**(161)**	(21)
Add: impact of the normalization for multi-year policies	**29**	-	**55**	36
Operating DPW, as reported in the MD&A	**5,017**	2,872	**17,283**	12,039
Operating DPW growth	**75%**	8%	**44%**	9%
Operating DPW growth (in constant currency)	**75%**	8%	**45%**	9%

Change in operating NEP and Change in operating NEP in constant currency

- Our **consolidated operating NEP growth** is measured based on **Change in operating NEP**, which is a non-GAAP ratio.
- The **segmented operating NEP growth** of our non-Canadian operating segments, as applicable, is measured based on **Change in operating NEP in constant currency,** which is a non-GAAP ratio, that reflect the Operating NEP growth, as reported and managed at the segment level (in the functional currency). We believe that this ratio enhances the analysis of our financial performance with comparative periods as it excludes the impact of foreign currency fluctuations. When relevant, as we do for Operating DPW, we disclose both ratios to highlight the impact of foreign currency fluctuations on our Operating NEP growth.
- Change in operating NEP and Change in operating NEP in constant currency are calculated using the same methodology as for Change in operating DPW and Change in operating DPW (in constant currency) but using Operating NEP, a non-GAAP financial measure.
- **Operating NEP** represents NEP (most directly comparable GAAP measure), excluding those from exited lines. We believe that this measure better reflects the operating performance of our core operations.

Table 9 Reconciliation of Operating NEP to NEP, as reported under IFRS

	Q4-2021	Q4-2020	2021	2020
NEP, as reported under IFRS	**5,003**	2,899	**16,238**	11,241
Remove: NEP from exited lines	**(72)**	(20)	**(195)**	(21)
Operating NEP, as reported in the MD&A	**4,931**	2,879	**16,043**	11,220
Operating NEP growth	**71%**	7%	**43%**	10%

Underwriting profitability

Underwriting income (loss) and Operating combined ratio

- **Our underwriting performance** is measured based on Operating combined ratio, Claims ratio (including underlying current year loss ratio, CAT loss ratio and PYD ratio) and Expense ratio (including commissions ratio, general expenses ratio and premium taxes ratio), which are non-GAAP ratios ***(as defined below)***.
- Our underwriting performance is consistently managed and measured on an **operating basis**, in line with how we report NOI and NOIPS**.** Non-operating items excluded from our underwriting performance icomprised the underwriting results from exited lines, the non-operating pension expense and the impact of MYA on underwriting results**.** We believe that this basis provides investors and financial analysts with a valuable measure of our ongoing underwriting performance in terms of underwriting discipline and profitability.
- While the Operating combined ratio and components of underwriting performance are commonly used across the industry, they do not have standardized meanings prescribed by IFRS (or GAAP) and may not be comparable to similar measures used by other companies in our industry.
- Our underwriting ratios are calculated are calculated using the following Non-GAAP financial measures (marked with an asterix*).

Operating combined ratio	
An operating combined ratio below 100% indicates a profitable underwriting result. An operating combined ratio over 100% indicates an unprofitable underwriting result.	
• **Claims ratio (see below) + Expense ratio (see below)**	
Claims ratio	**Expense ratio**
Operating net claims*	Operating net underwriting expenses*
Operating NEP*	Operating NEP*

Underlying current year loss ratio	Operating net claims excluding current year CAT losses and PYD[1] _____ Operating NEP* before the impact of reinstatement premiums	**Commissions ratio**	Commissions[1] _____ Operating NEP*
CAT loss ratio	Net current year CAT losses plus net reinstatement premiums _____ Operating NEP* before the impact of reinstatement premiums	**General expenses ratio**	General expenses[1] _____ Operating NEP*
PYD ratio	PYD[1] _____ Operating NEP*	**Premium taxes ratio**	Premium taxes[1] _____ Operating NEP*

[1] These supplementary measures, which are defined hereafter, are disclosed on a quarterly basis in our MD&A and other financial reports to provide more details on claims ratio and expense ratio.

- **Underwriting income (loss)*** which is used in the calculation of the Operating combined ratio, is an operating measure calculated as Operating NEP, less Operating net claims and Operating net underwriting expenses. The most directly comparable GAAP measure is Underwriting income comprised of the following captions in the Consolidated statements of income: Net earned premiums, Other underwriting revenues, Net claims incurred and Underwriting expenses.

Operating net claims are used in the calculation of the Claims ratio. Operating net claims represent Net claims incurred (most comparable GAAP measure), excluding the impact of MYA on underwriting results, an adjustment for Non-operating pension expense and Net claims from exited lines.

- To provide more insight into our underlying current year performance, the impact of CAT losses (which can be volatile), and PYD, we further analyse Operating net claims as follows in our MD&A and other financial reports.
  - **Operating net claims excluding current year CAT losses and PYD** are used in the calculation of the Underlying current year loss ratio. CAT losses and PYD are not predictable and subject to volatility, and as such, excluding them provides clearer insight into our analysis of underlying current year performance.
  - **Net current year CAT losses** are used in the calculation of the CAT loss ratio. A CAT loss represents any one claim, or group of claims, equal to or greater than a predetermined CAT threshold, before reinsurance, related to a single event for the current accident year. Effective July 1, 2021, our CAT threshold is as follows by segment: P&C Canada: $10 million, P&C UK&I: £7.5 million and P&C US: US$5 million. Reported CAT losses can either be weather-related or not weather-related and exclude those from exited lines.
  - **Prior year claims development (PYD)** is used in the calculation of the PYD ratio. PYD represents the change in total prior year claims liabilities during the period, net of reinsurance, excluding the PYD related to exited lines. A decrease to claims liabilities is referred to as favourable prior year claims development. An increase in claims liabilities is referred to as unfavourable prior year claims development.
- **Operating net underwriting expenses** are comprised of commissions (including regular and variable commissions), premium taxes and general expenses related to underwriting activities, net of other underwriting revenues. Operating net underwriting expenses are used in the calculation of the Expense ratio (including commissions ratio, general expenses ratio and premium taxes ratio).
  - Operating net underwriting expenses represent Underwriting expenses (most comparable GAAP measure), net of other underwriting revenues and excluding an adjustment for non-operating pension expense and underwriting expenses from exited lines.
  - Other underwriting revenues include fees collected from policyholders in connection with the costs incurred for the Company's yearly billing plans, as well as fees received for the administration of a portion of the Facility Association and other policies.

Table 10 Reconciliation of Underwriting income to Underwriting income as reported under IFRS

	Q4-2021	**Q4-2020**	**2021**	**2020**
Net earned premiums, as reported under IFRS	**5,003**	2,899	**16,238**	11,241
Other underwriting revenues, as reported under IFRS	**79**	36	**236**	135
Net claims incurred, as reported under IFRS	**(2,796)**	(1,663)	**(8,967)**	(6,883)

Underwriting expenses, as reported under IFRS	**(1,665)**	(932)	**(5,611)**	(3,696)
Underwriting income (loss), as calculated under IFRS	**621**	340	**1,896**	797
Remove: impact of MYA on underwriting results	**(72)**	23	**(226)**	315
Remove: non-operating pension expense	**16**	13	**64**	53
Remove: underwriting loss of exited lines	**35**	39	**53**	62
Underwriting income (loss), as reported in the MD&A	**600**	415	**1,787**	1,227
Operating NEP	**4,931**	2,879	**16,043**	11,220
Operating combined ratio	**87.8%**	85.6%	**88.8%**	89.1%

Table 11 Reconciliation of Operating net claims to net claims incurred, as reported under IFRS

	Q4-2021	Q4-2020	2021	2020
Net claims incurred, as reported under IFRS	**2,796**	1,664	**8,967**	6,883
Remove: positive (negative) impact of MYA on underwriting results	**72**	(23)	**226**	(315)
Remove: adjustment for non-operating pension expense	**(6)**	(5)	**(24)**	(20)
Remove: net claims from exited lines	**(83)**	(51)	**(172)**	(71)
Net with: other underwriting revenues	**(6)**	-	**(24)**	-
Operating net claims, as reported in the MD&A	**2,773**	1,585	**8,973**	6,477
Remove: net current year CAT losses	**(186)**	(74)	**(676)**	(359)
Remove: favourable (unfavourable) PYD	**160**	28	**594**	100
Operating net claims excluding current year CAT losses and PYD	**2,747**	1,539	**8,891**	6,218
Operating NEP	**4,931**	2,879	**16,043**	11,220
Remove: reinstatement premiums ceded (recovered)	**-**	-	**1**	1
Operating NEP before reinstatement premiums	**4,931**	2,879	**16,044**	11,221
Underlying current year loss ratio[1]	**55.7%**	53.5%	**55.5%**	55.5%
CAT loss ratio (including reinstatement premiums) [1]	**3.8%**	2.6%	**4.2%**	3.2%
(Favourable) unfavourable PYD ratio[2]	**(3.3)%**	(1.0)%	**(3.8)%**	(0.9)%
Claims ratio [2]	**56.2%**	55.1%	**55.9%**	57.8%

[1] Calculated using Operating NEP before reinstatement premiums.

[2] Calculated using Operating NEP.

Table 12 Reconciliation of Operating net underwriting expenses to Underwriting expenses as reported under IFRS

	Q4-2021	Q4-2020	2021	2020
Underwriting expenses, as reported under IFRS	**1,665**	932	**5,611**	3,696
Net with: other underwriting revenues	**(73)**	(36)	**(212)**	(135)
Remove: adjustment for non-operating pension expense	**(10)**	(8)	**(40)**	(33)
Remove: underwriting expenses from exited lines	**(24)**	(9)	**(76)**	(12)
Operating net underwriting expenses	**1,558**	879	**5,283**	3,516
Commissions	**829**	461	**2,885**	1,842
General expenses	**591**	330	**1,914**	1,289
Premium taxes	**138**	88	**484**	385

Operating NEP	**4,931**	2,879	**16,043**	11,220
Commissions ratio	**16.8%**	16.0%	**18.0%**	16.4%
General expenses ratio	**12.0%**	11.4%	**11.9%**	11.5%
Premium taxes ratio	**2.8%**	3.1%	**3.0%**	3.4%
Expense ratio	**31.6%**	30.5%	**32.9%**	31.3%

Financial strength

Total capital margin and regulatory capital ratios

- The **capital strength of the group is measured by the Total capital margin**
- Each regulated insurance jurisdiction has its own supervisory capital ratio that is used to evaluate the ability of insurance companies to meet all policyholder liabilities.

Total capital margin *as at the end of a specific period*	Total capital margin includes capital in excess of the internal CALs[1] for regulated insurance entities in Canadian, US, UK and other internationally regulated jurisdictions and the funds held in non-regulated entities, less any ancillary own funds committed by the Company.	***Regulatory capital ratios*** *as at the end of a specific period*	*Minimum capital test (as defined by OSFI and the AMF in Canada), Risk-based capital (as defined by the NAIC in the US) and Solvency Capital Requirement (as defined by the PRA in the UK&I)*

[1] The average CAL for all regulated Canadian insurance entities is 173% MCT. The CAL varies by legal Canadian entity. The CAL is 200% RBC for regulated insurance entities in the US and 120% SCR for those in the UK.

Book value per share (BVPS)

- The evolution of our book value is measured using BVPS (as defined below), which is calculated using GAAP measures. BVPS is an important valuation measure used by investors and is consistently disclosed in our MD&A and other financial reports.

BVPS as at the end of a specific period	Common shareholders' equity / Number of common shares outstanding at the same date

Table 13 Calculation of BVPS

As at December 31,	**2021**	**2020**
Equity attributable to shareholders, as reported under IFRS	**15,674**	9,583
Remove: Preferred shares, as reported under IFRS	**(1,175)**	(1,175)
Common shareholders' equity	**14,499**	8,408
Number of common shares outstanding at the same date (in millions)	**176.082**	143.018
BVPS	**82.34**	58.79

Adjusted average common shareholders' equity

- **Adjusted average common shareholders' equity***is a Non-GAAP financial measure used in the calculation of ROE and AROE. It is the mean of the shareholders' equity at the beginning and the end of the period, adjusted on a prorata basis (number of days) for significant capital transactions. Equity attributable to shareholders and Preferred shares are determined in accordance with IFRS.

- We believe that adjusting for common share issuance on prorata basis based on the number of days is a better reflection of our average common shareholders' equity base used to calculate ROE and OROE.

Table 14 Adjusted average common shareholders' equity and Adjusted average common shareholders' equity (excluding AOCI)

	2021	2020
Ending common shareholders' equity	**14,499**	8,408
Remove: common shares issued during the year	**(4,311)**	-
Ending common shareholders' equity, excluding common shares issued during the year	**10,188**	8,408
Beginning common shareholders' equity	**8,408**	7,719
Average common shareholders' equity, excluding common shares issued during the year	**9,298**	8,064
Weighted impact of June 1, 2021 common shares issuance	**2,528**	-
Adjusted average common shareholders' equity	**11,826**	8,064
Ending common shareholders' equity (excluding AOCI)	**13,970**	7,999
Remove: common shares issued during the year	**(4,311)**	-
Ending common shareholders' equity, excluding AOCI and common shares issued during the year	**9,659**	7,999
Beginning common shareholders' equity, excluding AOCI	**7,999**	7,394
Average common shareholders' equity, excluding AOCI and common shares issued during the year	**8,829**	7,697
Weighted impact of June 1, 2021 common shares issuance	**2,528**	-
Adjusted average common shareholders' equity, excluding AOCI	**11,357**	7,697

Adjusted total capital and Adjusted debt-to-total capital ratio

Adjusted debt-to-capital ratio and Total leverage ratio, which are Non-GAAP ratios, are calculated using the following non-GAAP financial measures (marked with an asterix*).

Adjusted debt-to-capital ratio as at the end of a specific period	Debt outstanding (excluding hybrid debt)* / Adjusted total capital*	**Total leverage ratio** as at the end of a specific period	Debt outstanding and preferred shares (including NCI)* / Adjusted total capital*

- **Debt outstanding (excluding hybrid debt)** represents the debt outstanding (most comparable GAAP measure), excluding hybrid subordinated notes**.** We classify hybrids with the preferred shares since they are convertible to preferred shares pari passu to our existing preferred shares in case of default or bankruptcy.
- **Adjusted total capital*** represents the sum of Debt outstanding, Equity attributable to shareholders, Restricted Tier 1 notes and preferred shares instruments held by subsidiaries, at the same date. The restricted Tier 1 notes and preferred shares instruments held by subsidiaries are included in Equity attributable to NCI.

Table 15 Reconciliation of Debt outstanding (excluding hybrid debt) and Adjusted total capital to Debt outstanding, Equity attributable to shareholders and Equity attributable to NCI, as reported under IFRS

As at	Dec. 31, 2021	Sept. 30, 2021	Dec. 31, 2020
Debt outstanding, as reported under IFRS	**5,229**	5,323	3,041
Remove: hybrid subordinated notes	**(247)**	(247)	-
Debt outstanding (excluding hybrid debt)	**4,982**	5,076	3,041
Debt outstanding, as reported under IFRS	**5,229**	5,323	3,041
Equity attributable to shareholders, as reported under IFRS	**15,674**	15,122	9,583

Equity attributable to NCI, as reported under IFRS			
Include: RSA Insurance Group plc, as reported under IFRS			
Tier 1 notes	**510**	510	-
Preferred shares	**285**	285	-
Adjusted total capital	**21,698**	21,240	12,624
Debt outstanding (excluding hybrid debt)	**4,982**	5,076	3,041
Adjusted total capital	**21,698**	21,240	12,624
Adjusted debt-to-total capital ratio	**23.0%**	23.9%	24.1%
Debt outstanding, as reported under IFRS	**5,229**	5,323	3,041
Preferred shares, as reported under IFRS	**1,175**	1,175	1,175
Equity attributable to NCI: RSA Insurance Group plc, as reported under IFRS			
Tier 1 notes	**510**	510	-
Preferred shares	**285**	285	-
Debt outstanding and preferred shares (including NCI)	**7,199**	7,293	4,216
Adjusted total capital ***(see above)***	**21,698**	21,240	12,624
Total leverage ratio	**33.2%**	34.3%	33.4%
Adjusted debt-to-total capital ratio	**23.0%**	23.9%	24.1%
Preferred shares and hybrids	**10.2%**	10.4%	9.3%

Consolidated financial statements
For the year ended December 31, 2021

Consolidated balance sheets
(in millions of Canadian dollars, except as otherwise noted)

As at December 31,	**2021**	**2020**
Assets		
Investments		
Cash and cash equivalents	**$2,276**	$917
Debt securities	**25,307**	14,098
Preferred shares	**1,847**	1,552
Common shares	**5,686**	3,779
Investment property	**634**	-
Loans	**930**	284
Total investments	**36,680**	20,630
Premiums receivable	**7,838**	3,822
Reinsurance assets	**5,616**	1,533
Income taxes receivable	**198**	7
Deferred tax assets	**584**	179
Deferred acquisition costs	**2,024**	1,089
Investments in associates and joint ventures	**760**	811
Property and equipment	**774**	520
Intangible assets	**4,636**	2,514
Goodwill	**3,066**	2,813
Other assets	**3,331**	1,201

Total assets	**$66,349**	$35,119
Liabilities		
Claims liabilities	**$25,116**	$12,780
Unearned premiums	**11,703**	6,256
Financial liabilities related to investments	**265**	89
Income taxes payable	**131**	149
Deferred tax liabilities	**698**	279
Debt outstanding	**5,229**	3,041
Other liabilities	**6,424**	2,942
Total liabilities	**49,566**	25,536
Equity		
Common shares	**7,576**	3,265
Preferred shares	**1,175**	1,175
Contributed surplus	**211**	187
Retained earnings	**6,183**	4,547
Accumulated other comprehensive income (loss)		
Available-for-sale securities	**513**	412
Translation of foreign operations, net of hedges	**1**	(2)
Other	**15**	(1)
Equity attributable to shareholders	**15,674**	9,583
Equity attributable to non-controlling interests	**1,109**	-
Total equity	**16,783**	9,583
Total liabilities and equity	**$66,349**	$35,119

Consolidated statements of income

(in millions of Canadian dollars, except as otherwise noted)

For the years ended December 31,	**2021**	**2020**
Direct premiums written	**$17,994**	$12,143
Premiums ceded	**(1,322)**	(527)
Net premiums written	**16,672**	11,616
Changes in unearned premiums	**(434)**	(375)
Net earned premiums	**16,238**	11,241
Other underwriting revenues	**236**	135
Investment income	**740**	600
Other revenues	**421**	327
Total revenues	**17,635**	12,303
Net claims incurred	**(8,967)**	(6,883)
Underwriting expenses	**(5,611)**	(3,696)
Investment expenses	**(34)**	(23)
Net gains (losses)	**249**	182
Gain on bargain purchase	**204**	-
Share of profit from investments in associates and joint ventures	**87**	52
Finance costs	**(153)**	(115)

Acquisition, integration and restructuring costs	**(429)**	(115)
Other expenses	**(413)**	(346)
Income before income taxes	**2,568**	1,359
Income tax benefit (expense)	**(480)**	(277)
Net income	**$2,088**	$1,082
Net income attributable to:		
Shareholders	**2,067**	1,082
Non-controlling interests	**21**	-
	$2,088	$1,082
Weighted-average number of common shares outstanding (in millions)	**162.4**	143.0
Earnings per common share, basic and diluted (in dollars)	**$12.40**	$7.20
Dividends paid per common share (in dollars)	**$3.40**	$3.32

Consolidated statements of comprehensive income
(in millions of Canadian dollars, except as otherwise noted)

For the years ended December 31,	**2021**	**2020**
Net income	**$2,088**	$1,082
Other comprehensive income (loss)		
Available-for-sale securities:		
net changes in unrealized gains (losses)	**445**	204
income tax benefit (expense)	**(154)**	(41)
reclassification of net losses (gains)	**(289)**	(27)
income tax (benefit) expense	**99**	1
	101	137
Cash flow hedges:		
net changes in unrealized gains (losses)	**(26)**	-
reclassification of net losses (gains)	**32**	-
	6	-
Foreign exchange gains (losses) on:		
translation of foreign operations	**(11)**	(105)
net investment hedges	**23**	55
income tax benefit (expense)	**(1)**	2
	11	(48)
Other, net of tax	**16**	(5)
Items that may be reclassified subsequently to net income	**134**	84
Actuarial gains (losses) on employee future benefits, net of other surplus remeasurement	**352**	59
income tax benefit (expense)	**(80)**	(15)
Items that will not be reclassified subsequently to net income	**272**	44
Other comprehensive income (loss)	**406**	128

Total comprehensive income	**$2,494**	$1,210
Total comprehensive income attributable to:		
Shareholders	**2,459**	1,210
Non-controlling interests	**35**	-
	$2,494	$1,210

Consolidated statements of changes in equity
(in millions of Canadian dollars, except as otherwise noted)

	Equity attributable to shareholders						
	Common shares	**Preferred shares**	**Contributed surplus**	**Retained earnings**	**Accumulated other compre-hensive income (loss)**	**Equity attributable to non-controlling interests**	**Total Equity**
Balance as at January 1, 2021	**$ 3,265**	**$ 1,175**	**$ 187**	**$ 4,547**	**$ 409**	**$ -**	**$9,583**
Net income	**-**	**-**	**-**	**2,067**	**-**	**21**	**2,088**
Other comprehensive income (loss)	**-**	**-**	**-**	**272**	**120**	**14**	**406**
Total comprehensive income (loss)	**-**	**-**	**-**	**2,339**	**120**	**35**	**2,494**
Common shares issued	**4,311**	**-**	**-**	**-**	**-**	**-**	**4,311**
Dividends declared on:							
common shares	**-**	**-**	**-**	**(626)**	**-**	**-**	**(626)**
preferred shares	**-**	**-**	**-**	**(53)**	**-**	**-**	**(53)**
Share-based payments	**-**	**-**	**24**	**(22)**	**-**	**-**	**2**
Non-controlling interests:							
dividends	**-**	**-**	**-**	**-**	**-**	**(27)**	**(27)**
business combination	**-**	**-**	**-**	**-**	**-**	**1,101**	**1,101**
Other	**-**	**-**	**-**	**(2)**	**-**	**-**	**(2)**
Balance as at December 31, 2021	**$ 7,576**	**$ 1,175**	**$ 211**	**$ 6,183**	**$ 529**	**$ 1,109**	**$16,783**
Balance as at January 1, 2020	$ 3,265	$ 1,028	$ 170	$ 3,959	$ 325	$ -	$8,747
Net income	-	-	-	1,082	-	-	1,082
Other comprehensive income (loss)	-	-	-	44	84	-	128
Total comprehensive income (loss)	-	-	-	1,126	84	-	1,210
Preferred shares issued	-	147	-	-	-	-	147
Dividends declared on:							
common shares	-	-	-	(475)	-	-	(475)
preferred shares	-	-	-	(52)	-	-	(52)
Share-based payments	-	-	17	(11)	-	-	6
Balance as at December 31, 2020	$ 3,265	$ 1,175	$ 187	$ 4,547	$ 409	$ -	$9,583

Consolidated statements of cash flows
(in millions of Canadian dollars, except as otherwise noted)

For the years ended December 31,	2021	2020
Operating activities		
Income before income taxes	**$2,568**	$1,359
Income taxes received (paid), net	**(783)**	(348)
Adjustments for non-cash items	**191**	255
Changes in other operating assets and liabilities	**1,153**	1,086
Net cash flows provided by (used in) operating activities	**3,129**	2,352
Investing activities		
Business combination, net of cash acquired	**(11,076)**	-
Proceeds from the disposal of certain RSA assets	**7,209**	-
Proceeds from sale of investments	**16,442**	11,170
Purchases of investments	**(18,118)**	(13,262)
Purchases of brokerages and other equity investments, net	**(102)**	(187)
Purchases of intangibles and property and equipment, net	**(327)**	(163)
Net cash flows provided by (used in) investing activities	**(5,972)**	(2,442)
Financing activities		
Payment of lease liabilities	**(97)**	(59)
Proceeds from (repurchase of) securities sold under repurchase agreements	**-**	(20)
Payment of contingent consideration related to a business combination	**(15)**	(94)
Proceeds from issuance of debt, net	**1,815**	894
Repayment of debt	**(1,429)**	(47)
Borrowing (repayment) on the credit facility and commercial paper, net	**439**	(165)
Proceeds from issuance of common shares and preferred shares, net	**4,263**	146
Repurchase of common shares for share-based payments	**(64)**	(49)
Payment of dividends on common shares and preferred shares	**(679)**	(527)
Payment of dividends to non-controlling interests	**(27)**	-
Net cash flows provided by (used in) financing activities	**4,206**	79
Net increase (decrease) in cash and cash equivalents	**1,363**	(11)
Cash and cash equivalents, beginning of year	**917**	936
Exchange rate differences on cash and cash equivalents	**(4)**	(8)
Cash and cash equivalents, end of year	**$2,276**	$917
Composition of cash and cash equivalents		
Cash	**901**	844
Cash equivalents	**1,375**	73
Cash and cash equivalents, end of year	**2,276**	917
Other relevant cash flow disclosures – operating activities		
Interest paid	**191**	115
Interest received	**445**	353
Dividends received	**323**	268

Forward Looking Statements

Certain statements made in this news release are forward-looking statements. These statements include, without limitation, statements relating to the outlook for the property and casualty insurance industry in Canada, the U.S. and the UK, the Company's business outlook, the Company's growth prospects, the impact on the Company of the occurrence of and response to the coronavirus (COVID-19) pandemic and ensuing events, the acquisition and integration of RSA, and the completion of and timing for completion of the sale of Codan Forsikring A/S's Danish business (the "Sale"). All such forward-looking statements

are made pursuant to the 'safe harbour' provisions of applicable Canadian securities laws.

Forward-looking statements, by their very nature, are subject to inherent risks and uncertainties and are based on several assumptions, both general and specific, which give rise to the possibility that actual results or events could differ materially from our expectations expressed in or implied by such forward-looking statements as a result of various factors, including those discussed in the Company's most recently filed Annual Information Form dated February 8, 2022 and available on SEDAR at www.sedar.com. As a result, we cannot guarantee that any forward-looking statement will materialize and we caution you against relying on any of these forward-looking statements. Except as may be required by Canadian securities laws, we do not undertake any obligation to update or revise any forward-looking statements contained in this news release, whether as a result of new information, future events or otherwise. Please read the cautionary note at the beginning of the Q4-2021 MD&A.

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