



Empire Life reports record earnings for 2017

All numbers expressed in millions of dollars, except per share amounts and otherwise indicated.

Q4 2017 highlights (compared to Q4 2016)

- 8.0% decrease in common shareholders' net income to \$48.3 compared to \$52.5
- Earnings per share (basic and diluted) of \$49.03 compared to \$53.34
- Return on common shareholders' equity (ROE) of 13.8% compared to 17.1%
- Launched a new version of GMWB product with lower fees
- Issued \$100 million of preferred shares

Q4 2017 full year highlights (compared to full year 2016)

- 11.9% increase in common shareholders' net income to \$170.9 compared to \$152.7
- Earnings per share (basic and diluted) of \$173.53 per share compared to \$155.03
- Return on common shareholders' equity (ROE) of 12.8% compared to 13.1%
- Assets under management¹ increased 9.5% to reach \$17.6 billion

(Kingston, ON – February 27, 2018) – The Empire Life Insurance Company (“Empire Life”) (TSX: EML.PR.A) today reported fourth quarter (Q4 2017) common shareholders' net income of \$48.3 million for 2017, compared to \$52.5 million for 2016. Year to date common shareholders' net income was \$170.9 million compared to \$152.7 million in 2016.

Common shareholder net income decreased slightly in Q4 2017 compared to 2016 primarily as a result of significant gains realized in the Individual Insurance product line in 2016. This was offset by continued growth in the Wealth management product line in 2017. Net income for the full year was up by 11.9% compared to 2016 due to continued growth in the Wealth Management product line, improved performance of the Employee Benefits product line and lower hedge costs offset by lower gains in the Individual Insurance Product line. Despite the higher earnings for the full year, ROE was lower for Q4 2017 and for the full year compared to 2016, due to higher levels of common shareholders' equity from increased earnings in 2017 compared to 2016.

“All three of our product lines continued to perform well this quarter. We are very pleased with the progress we are making to increase our earnings while maintaining a strong capital position and high quality mix of assets,” says Mark Sylvia, President and CEO. “A continued focus on operating performance, a stable economy and a positive trend in long-term interest rates will allow Empire Life to offer competitive products and enhanced customer service and to grow profitably. ”

¹ See non-GAAP Measures

Financial charts

(millions of dollars except per share amounts)	Fourth quarter		Year	
	2017	2016	2017	2016
Common shareholders' net income	\$ 48.3	\$ 52.5	\$ 170.9	\$ 152.7
Earnings per share - basic and diluted	\$ 49.03	\$ 53.34	\$ 173.53	\$ 155.03
Return on common shareholders' equity (quarters annualized) ("ROE")	13.8%	17.1%	12.8%	13.1%

Sources of Earnings				
(millions of dollars)	Fourth quarter		Year	
	2017	2016	2017	2016
Expected profit on in-force business	\$ 53.0	\$ 39.9	\$ 182.5	\$ 159.5
Impact of new business	(7.9)	(5.5)	(22.0)	(15.2)
Experience gains (losses)	8.2	34.5	15.9	32.6
Management actions and changes in assumptions	4.4	5.5	32.2	40.3
Earnings on operations before income taxes	57.8	74.4	208.6	217.2
Earnings on surplus	8.5	(1.1)	27.5	(2.7)
Income before income tax	\$ 66.3	\$ 73.3	\$ 236.1	\$ 214.5
Income taxes	14.8	18.6	55.6	54.0
Shareholders' net income	\$ 51.5	\$ 54.7	\$ 180.5	\$ 160.6
Dividends on preferred shares	3.2	2.2	9.6	7.9
Common shareholders' net income	\$ 48.3	\$ 52.5	\$ 170.9	\$ 152.7

The growth of the expected profit on in-force business for the fourth quarter and for the year by 32.8% and 14.4% respectively is a strong indicator of business performance. We experienced higher new business expenses in the Individual insurance product line relative to 2016. The experience gains (losses) for the fourth quarter and for the full year were favourable primarily due to improved stock markets in 2017 and 2016 and rising interest rates in 2016 as well as favourable health claims results in the Employee Benefits product line in 2017. Improved matching of assets and liabilities during the fourth quarter and full year in both 2017 and 2016 in the Individual Insurance product line resulted in positive gains from management actions. Earnings on surplus increased primarily due to lower costs from Empire Life's hedging program as a result of stable Canadian market conditions in 2017 compared to rising Canadian stock prices in 2016.

Empire Life continues to maintain a strong balance sheet and capital position. Empire Life's risk-based regulatory capital ratio, as measured by MCCR, of 281.9% as at December 31, 2017, continues to be significantly above the requirements set by the Office of the Superintendent of Financial Institutions Canada ("OSFI") as well as Empire Life's minimum internal targets. The increase in the MCCR ratio in 2017 was primarily due to growth in retained earnings, a \$200 million debenture issue and a \$100 million preferred share issue.

Effective January 1, 2018, MCCR will be replaced by the Life Insurance Capital Adequacy Test (LICAT). Empire Life will report LICAT ratios beginning with the first quarter reporting period in 2018. The company has a strong capital position under MCCR and will continue to have a strong capital position under the LICAT framework.

¹ See non-GAAP Measures

Non-GAAP measures

The Company uses non-GAAP measures including source of earnings, annualized premium sales, assets under management, mutual fund gross and net sales and segregated fund gross and net sales to provide investors with supplemental measures of its operating performance and to highlight trends in its core business that may not otherwise be apparent when relying solely on International Financial Reporting Standards financial measures. The Company also believes that securities analysts, investors and other interested parties frequently use non-GAAP measures in the evaluation of issuers.

Additional information

All amounts are in Canadian dollars and are based on the audited Q4 2017 financial results of Empire Life for the period ended December 31, 2017. Additional information about Empire Life can be found in the Company's long-form non-offering prospectus dated August 5, 2015, short-form prospectus dated February 5, 2016, financial filings for the year ended December 31, 2017 and Annual Information Form. These documents are filed with the Ontario Securities Commission and are available at www.sedar.com. The Company's preferred shares are listed on the Toronto Stock Exchange as EML.PR.A (TSX: EML.PR.A).

About Empire Life

Established in 1923 and a subsidiary of E-L Financial Corporation Limited, Empire Life provides individual and group life and health insurance, investment and retirement products to Canadians. Our mission is to make it simple, fast and easy for Canadians to get the investment, insurance and group benefits coverage they need to build wealth, generate income, and achieve financial security. As of December 31, 2017 Empire Life had total assets under management of \$17.6 billion. Follow Empire Life on Twitter @EmpireLife or visit www.empire.ca for more information.

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¹ See non-GAAP Measures