

The Empire Life Insurance Company

Condensed Interim Consolidated Financial Statements For the six months ended June 30, 2022 Unaudited

NOTICE OF NO AUDITOR REVIEW OF CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

The Company's external auditors have not performed a review of these condensed interim unaudited consolidated financial statements of The Empire Life Insurance Company.



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Interim Consolidated Statements of Financial Position

(unaudited, in thousands of Canadian dollars)

As at	June 30, 2022	December 31, 2021
Assets		
Cash and cash equivalents (Note 3)	\$ 186,611	\$ 193,217
Investments		
Short-term investments (Note 3)	8,340	8,647
Bonds (Note 3)	6,629,796	8,149,460
Preferred shares (Note 3)	344,715	441,339
Common shares (Note 3)	852,602	1,019,434
Derivative assets (Note 3)	12,453	6,302
Mortgages (Note 3)	130,041	153,564
Loans on policies (Note 3)	57,912	56,917
Policy contract loans (Note 3)	48,680	52,808
Total cash and cash equivalents and investments	8,271,150	10,081,688
Accrued investment income	44,095	42,379
Insurance receivables	65,305	48,700
Current income taxes	91,081	15,242
Other assets	21,038	19,452
Property and equipment	14,981	14,889
Intangible assets	60,112	28,511
Goodwill	24,431	—
Investment in associates	29,008	22,504
Segregated fund assets (Note 4)	8,233,840	9,257,298
Total assets	\$ 16,855,041	\$ 19,530,663
Liabilities		
Accounts payable and other liabilities	\$ 49,448	\$ 95,583
Insurance payables	153,540	115,793
Reinsurance liabilities	162,084	253,330
Insurance contract liabilities	5,679,544	7,091,053
Investment contract liabilities	27,505	27,872
Policyholders' funds on deposit	35,604	35,094
Provision for profits to policyholders	39,990	38,665
Deferred income taxes	44,370	45,539
Subordinated debt	399,040	398,858
Segregated fund policy liabilities	8,233,840	9,257,298
Total liabilities	14,824,965	17,359,085
Equity		
Preferred shares (Note 10)	100,000	100,000
Common shares (Note 10)	985	985
Other equity instruments (Note 10)	196,664	196,664
Contributed surplus	19,387	19,387
Retained earnings	1,838,446	1,802,325
Accumulated other comprehensive income	(125,406)	52,217
Total equity	2,030,076	2,171,578
Total liabilities and equity	\$ 16,855,041	\$ 19,530,663



Duncan N. R. Jackman

Chair of the Board



Mark Sylvia

President and Chief Executive Officer

The accompanying notes are an integral part of these interim consolidated financial statements.

Interim Consolidated Statements of Operations

(unaudited, in thousands of Canadian dollars except per share amounts)

	For the three months ended		For the six months ended	
	June 30, 2022	June 30, 2021	June 30, 2022	June 30, 2021
Revenue				
Gross premiums (Note 6)	\$ 316,459	\$ 288,443	\$ 629,689	\$ 566,693
Premiums ceded to reinsurers (Note 6)	(72,846)	(65,187)	(142,810)	(118,398)
Net premiums (Note 6)	243,613	223,256	486,879	448,295
Investment income	84,604	84,512	167,206	164,227
Fair value change in fair value through profit or loss assets	(805,694)	214,280	(1,608,173)	(476,637)
Realized gain (loss) on fair value through profit or loss assets sold	(7,293)	32,728	12,214	85,929
Realized gain (loss) on available for sale assets including impairment write downs (Note 3)	(504)	(3,917)	(7,929)	(1,949)
Fee income	71,575	67,212	140,415	132,949
Total revenue	(413,699)	618,071	(809,388)	352,814
Benefits and expenses				
Gross benefits and claims paid (Note 7)	227,343	191,586	441,394	391,188
Claims recovery from reinsurers (Note 7)	(59,601)	(37,920)	(104,094)	(72,568)
Gross change in insurance contract liabilities (Note 7)	(706,550)	295,424	(1,411,509)	(436,562)
Change in insurance contract liabilities ceded (Note 7)	(51,297)	3,528	(91,246)	(31,868)
Change in investment contracts provision	413	(56)	634	240
Policy dividends	9,823	9,139	18,534	17,171
Operating expenses	51,920	41,546	97,543	84,349
Commissions	71,111	68,969	141,481	136,311
Commission recovery from reinsurers	(9,858)	(10,112)	(17,610)	(16,631)
Interest expense	4,736	6,244	9,420	8,579
Total benefits and expenses	(461,960)	568,348	(915,453)	80,209
Premium tax	5,520	5,105	11,012	10,924
Investment and capital tax	917	907	1,835	1,879
Net income (loss) before income taxes	41,824	43,711	93,218	259,802
Income taxes	7,484	7,722	18,298	60,825
Net income	\$ 34,340	\$ 35,989	\$ 74,920	\$ 198,977
Less: net income (loss) attributable to participating policyholders	(795)	3,149	446	5,327
Shareholders' net income (loss)	35,135	32,840	74,474	193,650
Less: preferred share dividends declared (Note 11)	1,225	1,225	2,450	4,599
Common shareholders' net income	\$ 33,910	\$ 31,615	\$ 72,024	\$ 189,051
Earnings per share - basic and diluted (Note 9)	\$ 34.42	\$ 32.09	\$ 73.12	\$ 191.92

(2,000,000 shares authorized; 985,076 shares outstanding)

The accompanying notes are an integral part of these interim consolidated financial statements.

Interim Consolidated Statements of Comprehensive Income

(unaudited, in thousands of Canadian dollars)

	For the three months ended		For the six months ended	
	June 30, 2022	June 30, 2021	June 30, 2022	June 30, 2021
Net income	\$ 34,340	\$ 35,989	\$ 74,920	\$ 198,977
Other comprehensive income (loss), net of income taxes:				
Items that may be reclassified subsequently to net income:				
Unrealized fair value change on available for sale investments (Note 8)	(93,062)	18,519	(203,678)	(55,314)
Fair value change on available for sale investments reclassified to net income, including impairment write downs (Note 8)	299	2,885	5,749	1,467
Net unrealized fair value increase (decrease)	(92,763)	21,404	(197,929)	(53,847)
Items that will not be reclassified to net income:				
Remeasurements of post-employment benefit liabilities (Note 8)	2,962	2,704	20,306	25,261
Total other comprehensive income (loss)	(89,801)	24,108	(177,623)	(28,586)
Comprehensive income (loss)	\$ (55,461)	\$ 60,097	\$ (102,703)	\$ 170,391
Comprehensive income (loss) attributable to:				
Participating policyholders	\$ (3,010)	\$ 3,695	\$ (3,501)	\$ 6,395
Shareholders	(52,451)	56,402	(99,202)	163,996
Total	\$ (55,461)	\$ 60,097	\$ (102,703)	\$ 170,391

The accompanying notes are an integral part of these interim consolidated financial statements.

Interim Consolidated Statements of Changes in Equity

(unaudited, in thousands of Canadian dollars)

	For the six months ended June 30, 2022			For the six months ended June 30, 2021		
	Shareholders'	Policyholders'	Total	Shareholders'	Policyholders'	Total
Preferred shares (Note 10)	\$ 100,000	\$ —	\$ 100,000	\$ 100,000	\$ —	\$ 100,000
Common shares (Note 10)	985	—	985	985	—	985
Other equity investments (Note 10)	196,664	—	196,664	196,664	—	196,664
Contributed surplus	19,387	—	19,387	19,387	—	19,387
Retained earnings						
Retained earnings - beginning of period	1,746,945	55,380	1,802,325	1,560,384	42,531	1,602,915
Net income (loss)	74,474	446	74,920	193,650	5,327	198,977
Common share dividends declared	(2,450)	—	(2,450)	(24,477)	—	(24,477)
Preferred share dividends declared	(36,349)	—	(36,349)	(4,599)	—	(4,599)
Retained earnings - end of period	1,782,620	55,826	1,838,446	1,724,958	47,858	1,772,816
Accumulated other comprehensive income (loss)						
Accumulated other comprehensive income (loss) - beginning of period	49,385	2,832	52,217	72,666	1,617	74,283
Other comprehensive income (loss)	(173,676)	(3,947)	(177,623)	(29,654)	1,068	(28,586)
Accumulated other comprehensive income (loss) - end of period	(124,291)	(1,115)	(125,406)	43,012	2,685	45,697
Total equity	\$ 1,975,365	\$ 54,711	\$ 2,030,076	\$ 2,085,006	\$ 50,543	\$ 2,135,549
Composition of accumulated other comprehensive income (loss) - end of period						
Unrealized gain (loss) on available for sale financial assets	\$ (144,394)	\$ (3,562)	\$ (147,956)	\$ 49,546	\$ 2,606	\$ 52,152
Remeasurements of post-employment benefit liabilities	20,350	2,200	22,550	(6,715)	260	(6,455)
Shareholder portion of policyholders' accumulated other comprehensive income	(247)	247	—	181	(181)	—
Total accumulated other comprehensive income (loss)	\$ (124,291)	\$ (1,115)	\$ (125,406)	\$ 43,012	\$ 2,685	\$ 45,697

The accompanying notes are an integral part of these interim consolidated financial statements.

Interim Consolidated Statements of Cash Flows

(unaudited, in thousands of Canadian dollars)

	For the six months ended	
	June 30, 2022	June 30, 2021
Operating activities		
Net income	\$ 74,920	\$ 198,977
Non-cash items affecting net income:		
Change in contract liabilities	(1,410,875)	(436,322)
Change in reinsurance liability	(91,246)	(31,868)
Fair value change in fair value through profit or loss assets	1,608,173	476,637
Realized (gain) loss on assets including impairment write downs on available for sale assets	(4,285)	(83,980)
Amortization related to discount on debt instruments	(36,355)	(39,002)
Amortization related to property and equipment and intangible assets	6,748	6,046
Deferred income taxes	(8,445)	(6,046)
Share of loss (income) of associates	(389)	(613)
Other items	(14,091)	64,209
Cash provided from (used for) operating activities	124,155	148,038
Investing activities		
Portfolio investments		
Purchases and advances	(897,838)	(1,426,279)
Sales and maturities	878,761	1,287,005
Loans on policies		
Advances	(4,683)	(4,088)
Repayments	7,816	7,441
(Increase) decrease in short-term investments	307	4,520
Purchase of property and equipment and intangible assets	(6,090)	(5,479)
Investment in associates	(6,340)	—
Dividends from associates	225	90
Acquisition of business (Note 5)	(54,808)	—
Cash provided from (used for) investing activities	(82,650)	(136,790)
Financing activities		
Dividends paid to common shareholders (Note 11)	(36,348)	(24,477)
Dividends paid to preferred shareholders (Note 11)	(2,450)	(6,748)
Interest paid on subordinated debt	(9,313)	(7,047)
Preferred shares redeemed (Note 9)	—	(149,500)
Limited recourse capital notes issue (Note 10)	—	196,664
Cash provided from (used for) financing activities	(48,111)	8,892
Net change in cash and cash equivalents	(6,606)	20,140
Cash and cash equivalents - beginning of period (Note 3)	193,217	189,356
Cash and cash equivalents - end of period (Note 3)	\$ 186,611	\$ 209,496
Supplementary cash flow information related to operating activities:		
Income taxes paid, net of (refunds)	\$ 33,197	\$ 13,750
Interest income received	107,123	98,484
Dividend income received	23,561	28,822

The accompanying notes are an integral part of these interim consolidated financial statements.

Condensed Notes to the Interim Consolidated Financial Statements

(unaudited, in thousands of Canadian dollars except for per share amounts, shares authorized and outstanding and where otherwise stated)

1. Description of Company and Summary of Operations

The Empire Life Insurance Company (the Company or Empire Life) was founded in 1923 when it was organized under a provincial charter in Toronto. Authorization to continue as a federal corporation was obtained in 1987. The Company underwrites life and health insurance policies and provides segregated funds, mutual funds and annuity products for individuals and groups across Canada. The Company is a subsidiary of E-L Financial Corporation Limited (the Parent or E-L). The head office, principal address and registered office of the Company are located at 259 King Street East, Kingston, Ontario, K7L 3A8. Empire Life is a Federally Regulated Financial Institution, regulated by the Office of the Superintendent of Financial Institutions, Canada (OSFI). Empire Life became a public company on August 5, 2015 and registered as a public issuer with the Ontario Securities Commission.

These Interim Consolidated Financial Statements were approved by the Company's Board of Directors (the Board) on July 28, 2022.

2. Significant Accounting Policies

(a) Basis of preparation

These unaudited condensed Interim Consolidated Financial Statements are prepared in accordance with International Accounting Standard (IAS) 34 *Interim Financial Reporting* as issued by the International Accounting Standards Board (IASB) and follow the same accounting policies and methods of computation as the most recent annual financial statements. These condensed Interim Consolidated Financial Statements do not include all of the disclosures required under International Financial Reporting Standards (IFRS) for annual financial statements and should be read in conjunction with the notes to the Company's audited Consolidated Financial Statements for the year ended December 31, 2021.

(b) Basis of consolidation

The Company's Consolidated Financial Statements include the assets, liabilities, results of operations and cash flows of the Company and its subsidiaries. The Company controls an entity when the Company is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Company. They are deconsolidated from the date that control ceases. The subsidiaries' financial statements are prepared for the same reporting period as the Company, using consistent accounting policies. All significant inter-company transactions, balances, income and expenses are eliminated in full on consolidation.

(c) Accounting changes

(i) New accounting pronouncements issued but not yet effective

(1) IFRS 9 Financial Instruments

IFRS 9, effective for periods beginning on or after January 1, 2018 with retrospective application replaces IAS 39 *Financial Instruments: Recognition and Measurement* with a new mixed measurement model having three measurement categories of amortized cost, fair value through other comprehensive income (FVTOCI) and FVTPL for financial assets.

Under IFRS 9, all financial assets currently within the scope of IAS 39 will be measured at either amortized cost, FVTOCI or FVTPL. Classification will depend on the business model and the contractual cash flow characteristics of the financial asset. All equity instruments will be measured at FVTOCI or FVTPL. A debt instrument will be measured at amortized cost only if it is held to collect the contractual cash flows and the cash flows represent principal and interest. For financial liabilities designated as FVTPL, the change in the fair value attributable to changes in the liability's credit risk will be recognized in OCI.

Condensed Notes to the Interim Consolidated Financial Statements

(unaudited, in thousands of Canadian dollars except for per share amounts, shares authorized and outstanding and where otherwise stated)

On September 12, 2016, the IASB published an amendment to IFRS 4 *Insurance Contracts* (which will be subsequently changed to IFRS 17 *Insurance Contracts*). The amendment provides two options for insurance companies relating to IFRS 9:

- a temporary exemption from IFRS 9 for entities that meet specific requirements (applied at the reporting entity level);
- and the 'overlay approach'.

The Company has evaluated the criteria and will apply the temporary exemption for periods beginning before January 1, 2023, which allows continued application of IAS 39 instead of adopting IFRS 9, if the Company's activities are 'predominantly connected with insurance'. OSFI has also mandated that all Federally Regulated Life Insurance Companies defer the application of IFRS 9 until IFRS 17 is adopted.

The Company is currently evaluating the impact of IFRS 9 on its Consolidated Financial Statements.

(2) IFRS 17 Insurance Contracts

In May 2017, the IASB issued IFRS 17 to establish a comprehensive global standard which provides guidance on the recognition, measurement, presentation and disclosure of insurance contracts. Amendments to IFRS 17 were issued in June 2020.

IFRS 17 is effective beginning on January 1, 2023 with a transition date of January 1, 2022. IFRS 17 will replace IFRS 4, and will change the fundamental principles used by the Company for recognizing and measuring insurance contracts. IFRS 17 will also change the presentation and related note disclosures of the Company's financial statements.

The qualitative analysis below is not exhaustive. The primary changes include:

- The deferral of profits previously recognized in equity related to insurance contracts where there is remaining service, called Contractual Service Margin (CSM); and
- Changes in the amount of Fulfilment Cash Flows (FCF) due to changes to projecting cash flows for certain products with investment features, changes in the levels of expenses considered attributable which are projected in FCFs.
- New business gains are not recognized upon initial recognition of an insurance contract, but rather deferred and amortized into profit over time via the CSM. In addition, income is expected to be generated through the amortization of the CSM related to the in-force insurance contracts written prior to the date of transition.
- Risk Adjustment (RA) under IFRS 17 is lower than IFRS 4 due to no provision for financial risk variables. Accordingly, less income from the run-off of these provisions will emerge into income.
- Discount rates under IFRS 17 are not connected to asset yields. Accordingly, the accretion on insurance contract liabilities and asset returns under IFRS 9 will emerge differently than under IFRS 4.

Presentation and disclosure

IFRS 17 introduces changes to the way in which the company will present and disclose financial results. Similar to IFRS 4, reinsurance contracts held will be presented separately from the direct insurance contracts issued. On the statement of financial position, insurance contracts and reinsurance contracts held will be presented separately from those portfolios of insurance contracts that are in an asset versus a liability position. The income statement will no longer include premiums written, instead it will include an insurance service result comprising insurance revenue and insurance service expenses. Insurance finance income or expense will be presented within investment result. There will be significant insurance contract roll-forward schedules as well as disclosure information on discount rates, new business and the expected emergence pattern of CSM.

Condensed Notes to the Interim Consolidated Financial Statements

(unaudited, in thousands of Canadian dollars except for per share amounts, shares authorized and outstanding and where otherwise stated)

3. Financial Instruments

(a) Summary of Cash and cash equivalents and investments

The carrying values of cash and cash equivalents and investments are as follows:

As at	June 30, 2022			December 31, 2021		
Asset category	Fair value through profit or loss	Available for sale	Total carrying value	Fair value through profit or loss	Available for sale	Total carrying value
Cash and cash equivalents						
Cash	\$ 48,598	\$ —	\$ 48,598	\$ 62,512	\$ —	\$ 62,512
Cash equivalents	138,013	—	138,013	130,705	—	130,705
Total cash and cash equivalents	186,611	—	186,611	193,217	—	193,217
Short-term investments						
Canadian federal government	8,340	—	8,340	3,499	4,998	8,497
Corporate	—	—	—	150	—	150
Total short-term investments	8,340	—	8,340	3,649	4,998	8,647
Bonds						
Canadian federal government	20,514	183,517	204,031	16,558	326,450	343,008
Canadian provincial governments	2,390,672	448,679	2,839,351	3,186,187	552,848	3,739,035
Canadian municipal governments	84,446	65,387	149,833	107,940	89,463	197,403
Total Canadian government bonds	2,495,632	697,583	3,193,215	3,310,685	968,761	4,279,446
Canadian corporate bonds by industry sector:						
Energy	240,237	139,738	379,975	258,757	100,759	359,516
Materials	14,298	10,608	24,906	12,999	10,898	23,897
Industrials	75,479	51,999	127,478	87,008	47,090	134,098
Consumer discretionary	30,367	17,359	47,726	24,616	13,433	38,049
Consumer staples	148,941	29,572	178,513	190,959	43,407	234,366
Health care	71,592	6,884	78,476	87,831	8,578	96,409
Financial services	654,374	484,859	1,139,233	728,328	473,799	1,202,127
Information Technology	422	3,846	4,268	469	4,424	4,893
Communication services	282,365	53,273	335,638	363,448	58,522	421,970
Utilities	466,837	77,376	544,213	589,261	80,637	669,898
Real estate	39,622	26,414	66,036	50,984	12,782	63,766
Infrastructure	365,886	58,965	424,851	448,848	68,898	517,746
Total Canadian corporate bonds	2,390,420	960,893	3,351,313	2,843,508	923,227	3,766,735
Foreign bonds						
Government	85,268	—	85,268	103,279	—	103,279
Total foreign bonds	85,268	—	85,268	103,279	—	103,279
Total bonds	4,971,320	1,658,476	6,629,796	6,257,472	1,891,988	8,149,460
Total preferred shares - Canadian	337,434	7,281	344,715	433,295	8,044	441,339
Common shares						
Canadian						
Canadian common shares	223,906	51,026	274,932	240,742	57,725	298,467
Exchange-traded funds	358,501	—	358,501	503,434	—	503,434
Canadian real estate limited partnership units	157,319	—	157,319	138,352	—	138,352
U.S.	44,445	—	44,445	50,020	—	50,020
Other	17,405	—	17,405	29,161	—	29,161
Total common shares	801,576	51,026	852,602	961,709	57,725	1,019,434

The accompanying notes are an integral part of these interim consolidated financial statements.

Condensed Notes to the Interim Consolidated Financial Statements

(unaudited, in thousands of Canadian dollars except for per share amounts, shares authorized and outstanding and where otherwise stated)

As at	June 30, 2022			December 31, 2021		
	Fair value through profit or loss	Available for sale	Total carrying value	Fair value through profit or loss	Available for sale	Total carrying value
Asset category						
Total derivative assets	12,453	—	12,453	6,302	—	6,302
Loans and receivables						
Mortgages	—	—	130,041	—	—	153,564
Loans on policies	—	—	57,912	—	—	56,917
Policy contract loans	—	—	48,680	—	—	52,808
Total financial instruments	\$ 6,317,734	\$ 1,716,783	\$ 8,271,150	\$ 7,855,644	\$ 1,962,755	\$ 10,081,688

The following table presents the fair value of cash and cash equivalents and investments classified by the fair value hierarchy:

As at	June 30, 2022			December 31, 2021		
	Level 1	Level 2	Total fair value	Level 1	Level 2	Total fair value
Fair value through profit or loss:						
Cash and cash equivalents	\$ 48,598	\$ 138,013	\$ 186,611	\$ 62,512	\$ 130,705	\$ 193,217
Short-term investments	—	8,340	8,340	—	3,649	3,649
Bonds	—	4,971,320	4,971,320	—	6,257,472	6,257,472
Preferred shares	337,434	—	337,434	433,295	—	433,295
Common shares	642,512	159,064	801,576	821,560	140,149	961,709
Derivative assets	11,735	718	12,453	6,301	1	6,302
Available for sale:						
Short-term investments	—	—	—	—	4,998	4,998
Bonds	—	1,658,476	1,658,476	—	1,891,988	1,891,988
Preferred shares	7,281	—	7,281	8,044	—	8,044
Common shares	51,026	—	51,026	57,725	—	57,725
Loans and Receivables						
Mortgages	—	124,674	124,674	—	158,658	158,658
Loans on policies	—	57,912	57,912	—	56,917	56,917
Policy contract loans	—	48,680	48,680	—	52,808	52,808
Total	\$ 1,098,586	\$ 7,167,197	\$ 8,265,783	\$ 1,389,437	\$ 8,697,345	\$ 10,086,782

The fair value of mortgages has been calculated by discounting cash flows of each mortgage at a discount rate appropriate to its remaining term to maturity. The discount rates are determined based on regular competitive rate surveys. The fair values of loans on policies and policy contract loans approximates their carrying values, due to the life insurance contracts that secure them.

The classification of a financial instrument into a level is based on the lowest level of input that is significant to the determination of the fair value. There were no transfers between Level 1 and Level 2, and there were no Level 3 investments during the period ended June 30, 2022 or during the year ended December 31, 2021.

For additional information on the composition of the Company's invested assets and analysis of the Company's risks arising from financial instruments, refer to Note 15.

Condensed Notes to the Interim Consolidated Financial Statements

(unaudited, in thousands of Canadian dollars except for per share amounts, shares authorized and outstanding and where otherwise stated)

(b) Impairments

For the six months ended June 30, 2022, the Company reclassified a pre-tax loss of \$nil from OCI to net income due to write downs of impaired available for sale (AFS) common and preferred shares (for the six months ended June 30, 2021, \$nil). Management considers assets to be impaired due to the length of time that the fair value was less than the cost and/or the extent and nature of the loss.

For additional information on the fair values of the Company's AFS investments, refer to Note 3(a). For analysis of the Company's risks arising from financial instruments, refer to Note 15.

(c) Derivative financial instruments

The values of derivative instruments are set out in the following table. The use of derivatives is measured in terms of notional principal amounts, which serve as the basis for calculating payments and are generally not actual amounts that are exchanged.

As at	June 30, 2022			December 31, 2021		
	Notional principal	Fair value assets	Fair value liabilities	Notional principal	Fair value assets	Fair value liabilities
Exchange-traded						
Equity index futures	\$ 53,478	\$ 1,213	\$ 2,717	\$ 69,166	\$ 2,669	\$ 1,170
Equity options	421,774	10,522	—	448,381	3,632	—
Over-the-counter						
Foreign currency forwards	32,134	6	100	33,158	1	663
Cross currency swaps	27,360	712	888	20,980	—	596
Total	\$ 534,746	\$ 12,453	\$ 3,705	\$ 571,685	\$ 6,302	\$ 2,429

All contracts mature in less than one year except for cross currency swaps which mature in more than five years. Fair value asset amounts are reported in the Consolidated Statements of Financial Position as Derivative assets. Fair value liability amounts are reported in the Consolidated Statements of Financial Position as part of Accounts payable and other liabilities. Fair value of exchange traded derivatives is determined based on Level 1 inputs. Foreign currency forward contracts are valued based primarily on the contract notional amount, the difference between the contract rate and the forward market rate for the same currency, interest rates and credit spreads.

Cross currency swaps are valued by discounting the future cash flows for both legs at the underlying market interest rate curves in each currency applicable at the valuation date. The sum of the cash flows denoted in the foreign currency is converted with the spot rate applicable at that time. The foreign currency leg, where Empire Life owes interest and principal, produces a negative fair value to Empire Life while the Canadian dollar leg produces a positive fair value to Empire Life. The net of these amounts represents the reported fair value of the cross currency swap. Contracts for which counterparty credit spreads are observable and reliable, or for which the credit-related inputs are determined not to be significant to fair value, are classified as Level 2.

For analysis of the Company's risks arising from financial instruments, refer to Note 15.

Condensed Notes to the Interim Consolidated Financial Statements

(unaudited, in thousands of Canadian dollars except for per share amounts, shares authorized and outstanding and where otherwise stated)

(d) Securities Lending

The Company has a securities lending agreement with its custodian. Under this agreement, the custodian may lend securities from the Company's portfolio to other institutions, as approved by the Company, for periods of time. In addition to a fee, the Company receives collateral which exceeds the market value of the loaned securities, which is retained by the Company until the underlying security has been returned to the Company. In the event that any of the loaned securities are not returned to the custodian, at its option the custodian may either restore to the Company securities identical to the loaned securities or it will pay to the Company the value of the collateral up to but not exceeding the market value of the loaned securities on the date on which the loaned securities were to have been returned ("Valuation Date") to the custodian. If the collateral is not sufficient to allow the custodian to pay such market value to the Company, the custodian shall indemnify the Company only for the difference between the market value of the securities and the value of such collateral on the Valuation Date. As a result, there is no significant exposure to credit risk associated with this securities lending agreement.

As at June 30, 2022 and December 31, 2021, the aggregate fair values of the Company's securities loaned and the collateral received were as follows:

As at	June 30, 2022			December 31, 2021		
	General Funds	Segregated Funds	Total	General Funds	Segregated Funds	Total
Value of securities loaned	\$ 1,378,954	\$ 1,507,712	\$ 2,886,666	\$ 1,514,071	\$ 1,508,807	\$ 3,022,878
Value of collateral received	\$ 1,406,668	\$ 1,538,718	\$ 2,945,386	\$ 1,544,381	\$ 1,539,045	\$ 3,083,426

4. Segregated Funds

(a) The following table identifies segregated fund assets by category of asset:

As at	June 30, 2022	December 31, 2021
Cash and cash equivalents	\$ 5,345	\$ 39,880
Short-term investments	450,801	467,829
Bonds	1,771,390	1,880,326
Common and preferred shares	6,057,472	6,935,850
Other net assets	34,636	30,271
	8,319,644	9,354,156
Less segregated funds held within general fund investments	(85,804)	(96,858)
Total	\$ 8,233,840	\$ 9,257,298

(b) The following table presents the investments of the segregated funds measured on a recurring basis at fair value classified by the fair value hierarchy:

As at	June 30, 2022			December 31, 2021		
	Level 1	Level 2	Total	Level 1	Level 2	Total
Cash and cash equivalents	\$ 5,345	\$ —	\$ 5,345	\$ 39,880	\$ —	\$ 39,880
Short-term investments	—	450,801	450,801	—	467,829	467,829
Bonds	—	1,771,390	1,771,390	—	1,880,326	1,880,326
Common and preferred shares	6,057,472	—	6,057,472	6,935,850	—	6,935,850
Total	\$ 6,062,817	\$ 2,222,191	\$ 8,285,008	\$ 6,975,730	\$ 2,348,155	\$ 9,323,885

There were no transfers between Level 1 and Level 2 during the six months ended June 30, 2022 or during the year ended December 31, 2021. There were no level 3 investments as at June 30, 2022 or December 31, 2021.

Condensed Notes to the Interim Consolidated Financial Statements

(unaudited, in thousands of Canadian dollars except for per share amounts, shares authorized and outstanding and where otherwise stated)

(c) The following table presents the change in segregated fund assets:

	For the three months ended		For the six months ended	
	June 30, 2022	June 30, 2021	June 30, 2022	June 30, 2021
Segregated fund assets - beginning of period	\$ 9,045,554	\$ 8,654,452	\$ 9,257,298	\$ 8,457,417
Additions to segregated funds:				
Amount received from policyholders	200,932	222,971	479,908	504,783
Interest	19,325	14,517	33,439	28,587
Dividends	36,879	37,455	74,924	72,323
Other income	12,243	5,624	17,422	10,492
Net realized gains on sale of investments	26,824	89,148	90,271	238,624
Net unrealized increase in fair value of investments	—	263,308	—	421,922
	296,203	633,023	695,964	1,276,731
Deductions from segregated funds:				
Amounts withdrawn or transferred by policyholders	218,580	252,505	526,443	632,285
Net unrealized decrease in fair value of investments	837,081	—	1,077,010	—
Management fees and other operating costs	60,045	64,576	127,023	126,396
	1,115,706	317,081	1,730,476	758,681
Net change in segregated funds held within general fund investments	7,789	(4,132)	11,054	(9,205)
Segregated fund assets - end of period	\$ 8,233,840	\$ 8,966,262	\$ 8,233,840	\$ 8,966,262

(d) Empire Life's exposure to segregated fund guarantee risk

Segregated fund products issued by Empire Life contain death, maturity, and withdrawal benefit guarantees. Market price fluctuations impact the Company's estimated liability for those guarantees. The impact of market risk in segregated funds on shareholders' net income is disclosed in Note 15.

5. Business Acquisition

On March 10, 2022, the Company announced it had acquired 100% of the shares of six financial services firms and amalgamated them into one wholly-owned subsidiary of Empire Life under the name TruStone Financial Inc. ("TruStone Financial"). The six purchased agencies are Life Management Financial Group Ltd., LMF Investor Services Inc., Paradigm Financial Advisors (North) Inc., Paradigm Financial Advisors Inc., Dwight Goertz & Associates Insurance Agency Limited, and Pacific Place Financial Services Inc. The acquisitions support the Company's commitment to facilitating access to independent financial advice for Canadians.

The Company has up to 12 months following the acquisition date to complete the allocation of the purchase price. The preliminary allocation of the cash purchase price of \$54,808 is allocated to cash acquired (\$1,985), intangible assets (\$32,500), goodwill (\$24,200) and the remaining portion is allocated to other assets and liabilities.

Condensed Notes to the Interim Consolidated Financial Statements

(unaudited, in thousands of Canadian dollars except for per share amounts, shares authorized and outstanding and where otherwise stated)

6. Insurance Premiums

	For the three months ended June 30, 2022			For the three months ended June 30, 2021		
	Gross	Reinsurance ceded	Net	Gross	Reinsurance ceded	Net
	Life premiums	\$ 149,720	\$ (34,541)	\$ 115,179	\$ 143,569	\$ (32,534)
Health premiums	146,771	(38,260)	108,511	127,681	(32,619)	95,062
Total life and health premiums	296,491	(72,801)	223,690	271,250	(65,153)	206,097
Annuity premiums	19,968	(45)	19,923	17,193	(34)	17,159
Total insurance premiums	\$ 316,459	\$ (72,846)	\$ 243,613	\$ 288,443	\$ (65,187)	\$ 223,256

	For the six months ended June 30, 2022			For the six months ended June 30, 2021		
	Gross	Reinsurance ceded	Net	Gross	Reinsurance ceded	Net
	Life premiums	\$ 297,440	\$ (66,847)	\$ 230,593	\$ 282,772	\$ (61,913)
Health premiums	289,261	(75,882)	213,379	243,266	(56,416)	186,850
Total life and health premiums	586,701	(142,729)	443,972	526,038	(118,329)	407,709
Annuity premiums	42,988	(81)	42,907	40,655	(69)	40,586
Total insurance premiums	\$ 629,689	\$ (142,810)	\$ 486,879	\$ 566,693	\$ (118,398)	\$ 448,295

The accompanying notes are an integral part of these interim consolidated financial statements.

Condensed Notes to the Interim Consolidated Financial Statements

(unaudited, in thousands of Canadian dollars except for per share amounts, shares authorized and outstanding and where otherwise stated)

7. Benefits and Expenses

(a) Insurance contract benefits and claims paid

	For the three months ended			For the three months ended		
	June 30, 2022			June 30, 2021		
	Gross	Reinsurance ceded	Net	Gross	Reinsurance ceded	Net
Life claims	\$ 88,603	\$ (36,619)	\$ 51,984	\$ 68,034	\$ (19,705)	\$ 48,329
Health claims	104,211	(22,612)	81,599	83,827	(18,873)	64,954
Total life and health claims	192,814	(59,231)	133,583	151,861	(38,578)	113,283
Annuity benefits	34,529	(370)	34,159	39,725	658	40,383
Benefits and claims paid	\$ 227,343	\$ (59,601)	\$ 167,742	\$ 191,586	\$ (37,920)	\$ 153,666

	For the six months ended			For the six months ended		
	June 30, 2022			June 30, 2021		
	Gross	Reinsurance ceded	Net	Gross	Reinsurance ceded	Net
Life claims	\$ 166,438	\$ (59,017)	\$ 107,421	\$ 137,082	\$ (39,299)	\$ 97,783
Health claims	202,330	(44,427)	157,903	163,332	(33,270)	130,062
Total life and health claims	368,768	(103,444)	265,324	300,414	(72,569)	227,845
Annuity benefits	72,626	(650)	71,976	90,774	1	90,775
Benefits and claims paid	\$ 441,394	\$ (104,094)	\$ 337,300	\$ 391,188	\$ (72,568)	\$ 318,620

(b) Change in insurance contract liabilities and reinsurance ceded

	For the three months ended			For the three months ended		
	June 30, 2022			June 30, 2021		
	Gross	Reinsurance ceded	Net	Gross	Reinsurance ceded	Net
Life	\$ (634,575)	\$ (47,537)	\$ (682,112)	\$ 277,095	\$ 9,338	\$ 286,433
Health	(26,417)	(4,289)	(30,706)	23,614	(5,922)	17,692
Total life and health	(660,992)	(51,826)	(712,818)	300,709	3,416	304,125
Annuity	(45,558)	529	(45,029)	(5,285)	112	(5,173)
Change in insurance contract liabilities	\$ (706,550)	\$ (51,297)	\$ (757,847)	\$ 295,424	\$ 3,528	\$ 298,952
Change attributable to:						
Normal changes - New Business	\$ 531	\$ (9,515)	\$ (8,984)	\$ (8,989)	\$ (3,468)	\$ (12,457)
- In-Force Business	(707,081)	(41,782)	(748,863)	304,413	6,996	311,409
Change in insurance contract liabilities	\$ (706,550)	\$ (51,297)	\$ (757,847)	\$ 295,424	\$ 3,528	\$ 298,952

	For the six months ended			For the six months ended		
	June 30, 2022			June 30, 2021		
	Gross	Reinsurance ceded	Net	Gross	Reinsurance ceded	Net
Life	\$ (1,256,226)	\$ (88,985)	\$ (1,345,211)	\$ (249,967)	\$ (22,083)	\$ (272,050)
Health	(54,270)	(3,503)	(57,773)	3,892	(10,357)	(6,465)
Total life and health	(1,310,496)	(92,488)	(1,402,984)	(246,075)	(32,440)	(278,515)
Annuity	(101,013)	1,242	(99,771)	(190,487)	572	(189,915)
Change in insurance contract liabilities	\$ (1,411,509)	\$ (91,246)	\$ (1,502,755)	\$ (436,562)	\$ (31,868)	\$ (468,430)
Change attributable to:						
Normal changes - New Business	\$ 1,883	\$ (13,248)	\$ (11,365)	\$ (27,179)	\$ (6,208)	\$ (33,387)
- In-Force Business	(1,413,392)	(77,998)	(1,491,390)	(409,383)	(25,660)	(435,043)
Change in insurance contract liabilities	\$ (1,411,509)	\$ (91,246)	\$ (1,502,755)	\$ (436,562)	\$ (31,868)	\$ (468,430)

The accompanying notes are an integral part of these interim consolidated financial statements.

Condensed Notes to the Interim Consolidated Financial Statements

(unaudited, in thousands of Canadian dollars except for per share amounts, shares authorized and outstanding and where otherwise stated)

8. Income Taxes included in Other Comprehensive Income (Loss)

Other comprehensive income (loss) is presented net of income taxes.

The following income tax amounts are included in each component of **total OCI**:

	For the three months ended June 30, 2022			For the three months ended June 30, 2021		
	Before tax	Tax provision (recovery)	After tax	Before tax	Tax provision (recovery)	After tax
Unrealized fair value change on available for sale investments	\$ (126,407)	\$ (33,345)	\$ (93,062)	\$ 25,205	\$ 6,686	\$ 18,519
Fair value change on available for sale investments reclassified to net income, including impairment write downs	505	206	299	3,917	1,032	2,885
Remeasurements of post-employment benefit liabilities	4,023	1,061	2,962	3,676	972	2,704
Total other comprehensive income (loss)	\$ (121,879)	\$ (32,078)	\$ (89,801)	\$ 32,798	\$ 8,690	\$ 24,108

	For the six months ended June 30, 2022			For the six months ended June 30, 2021		
	Before tax	Tax provision (recovery)	After tax	Before tax	Tax provision (recovery)	After tax
Unrealized fair value change on available for sale investments	\$ (276,660)	\$ (72,982)	\$ (203,678)	\$ (75,288)	\$ (19,974)	\$ (55,314)
Fair value change on available for sale investments reclassified to net income, including impairment write downs	\$ 7,930	2,181	5,749	1,949	482	1,467
Remeasurements of post-employment benefit liabilities	27,583	7,277	20,306	34,314	9,053	25,261
Total other comprehensive income (loss)	\$ (241,147)	\$ (63,524)	\$ (177,623)	\$ (39,025)	\$ (10,439)	\$ (28,586)

The following income tax amounts are included in each component of **shareholders' OCI**:

	For the three months ended June 30, 2022			For the three months ended June 30, 2021		
	Before tax	Tax provision (recovery)	After tax	Before tax	Tax provision (recovery)	After tax
Unrealized fair value change on available for sale investments	\$ (122,908)	\$ (32,423)	\$ (90,485)	\$ 24,682	\$ 6,548	\$ 18,134
Fair value change on available for sale investments reclassified to net income, including impairment write downs	505	206	299	3,917	1,032	2,885
Remeasurements of post-employment benefit liabilities	3,762	993	2,769	3,421	905	2,516
Shareholder portion of policyholder other comprehensive income (loss)	(230)	(61)	(169)	36	9	27
Total other comprehensive income (loss)	\$ (118,871)	\$ (31,285)	\$ (87,586)	\$ 32,056	\$ 8,494	\$ 23,562

The accompanying notes are an integral part of these interim consolidated financial statements.

Condensed Notes to the Interim Consolidated Financial Statements

(unaudited, in thousands of Canadian dollars except for per share amounts, shares authorized and outstanding and where otherwise stated)

	For the six months ended June 30, 2022			For the six months ended June 30, 2021		
	Before tax	Tax provision (recovery)	After tax	Before tax	Tax provision (recovery)	After tax
Unrealized fair value change on available for sale investments	\$ (268,928)	\$ (70,943)	\$ (197,985)	(74,319)	(19,717)	(54,602)
Fair value change on available for sale investments reclassified to net income, including impairment write downs	7,934	2,182	5,752	1,956	484	1,472
Remeasurements of post-employment benefit liabilities	25,745	6,792	18,953	31,960	8,432	23,528
Shareholder portion of policyholder other comprehensive income (loss)	(538)	(142)	(396)	(71)	(19)	(52)
Total other comprehensive income (loss)	\$ (235,787)	\$ (62,111)	\$ (173,676)	(40,474)	(10,820)	(29,654)

The following income tax amounts are included in each component of **policyholders' OCI**:

	For the three months ended June 30, 2022			For the three months ended June 30, 2021		
	Before tax	Tax provision (recovery)	After tax	Before tax	Tax provision (recovery)	After tax
Unrealized fair value change on available for sale investments	\$ (3,499)	\$ (923)	\$ (2,576)	523	138	385
Fair value change on available for sale investments reclassified to net income, including impairment write downs	—	—	—	—	—	—
Remeasurements of post-employment benefit liabilities	261	69	192	255	67	188
Shareholder portion of policyholder other comprehensive income (loss)	230	61	169	(36)	(9)	(27)
Total other comprehensive income (loss)	\$ (3,008)	\$ (793)	\$ (2,215)	742	196	546

	For the six months ended June 30, 2022			For the six months ended June 30, 2021		
	Before tax	Tax provision (recovery)	After tax	Before tax	Tax provision (recovery)	After tax
Unrealized fair value change on available for sale investments	\$ (7,732)	\$ (2,039)	\$ (5,693)	(969)	(257)	(712)
Fair value change on available for sale investments reclassified to net income, including impairment write downs	(4)	(1)	(3)	(7)	(2)	(5)
Remeasurements of post-employment benefit liabilities	1,838	485	1,353	2,354	621	1,733
Shareholder portion of policyholder other comprehensive income (loss)	538	142	396	71	19	52
Total other comprehensive income (loss)	\$ (5,360)	\$ (1,413)	\$ (3,947)	1,449	381	1,068

The accompanying notes are an integral part of these interim consolidated financial statements.

Condensed Notes to the Interim Consolidated Financial Statements

(unaudited, in thousands of Canadian dollars except for per share amounts, shares authorized and outstanding and where otherwise stated)

9. Earnings Per Share

Earnings per share (EPS) is calculated by dividing common shareholders' net income by the weighted average number of common shares outstanding. The preferred shares do not dilute EPS as the shares are not convertible into common shares.

Details of the calculation of the net income and the weighted average number of shares used in the EPS computations are as follows:

	For the three months ended		For the six months ended	
	June 30, 2022	June 30, 2021	June 30, 2022	June 30, 2021
Basic and diluted EPS				
Common shareholders' net income	\$ 33,910	\$ 31,615	\$ 72,024	\$ 189,051
Weighted average number of common shares outstanding	985,076	985,076	985,076	985,076
Basic and diluted EPS	\$ 34.42	\$ 32.09	\$ 73.12	\$ 191.92

10. Capital Stock

As at	June 30, 2022			December 31, 2021		
	Shares authorized	Shares issued and outstanding	Amount	Shares authorized	Shares issued and outstanding	Amount
Preferred shares						
Series 3	unlimited	4,000,000	\$ 100,000	unlimited	4,000,000	\$ 100,000
Limited recourse capital notes		200,000	\$ 196,664		200,000	\$ 196,664
Common shares	2,000,000	985,076	\$ 985	2,000,000	985,076	\$ 985

In the fourth quarter of 2017, Empire Life issued to E-L Financial Corporation Limited 4,000,000 Non-Cumulative Rate Reset Preferred Shares, Series 3 (Series 3 Preferred Shares) at \$25 per share. Holders of Series 3 Preferred Shares are entitled to receive fixed non-cumulative quarterly dividends yielding 4.90% annually, as and when declared by the Board of Directors of Empire Life, for the initial period ending on and including January 17, 2023. Thereafter, the dividend rate will be reset every five years at a rate equal to the 5-year Government of Canada bond yield plus 3.24%. Holders of Series 3 Preferred Shares will have the right, at their option, to convert their shares into Non-Cumulative Floating Rate Preferred Shares, Series 4 (Series 4 Preferred Shares), subject to certain conditions, on January 17, 2023 and on January 17 every five years thereafter. Holders of the Series 4 Preferred Shares will be entitled to receive non-cumulative quarterly floating dividends, as and when declared by the Board of Directors of Empire Life, at a rate equal to the three-month Government of Canada Treasury Bill yield plus 3.24%. Subject to regulatory approval, Empire Life may redeem the Series 3 Preferred Shares, in whole or in part, at par, on January 17, 2023 and every five years thereafter.

On February 17, 2021, the Company issued \$200 million of Limited Recourse Capital Notes Series 1 (LRCN Series 1), with recourse limited to assets held by a third party trustee in a trust which is consolidated in these financial statements. Payments of interest and principal in cash on the LRCN Series 1 are made at the discretion of the Company and non-payment of interest and principal in cash does not constitute an event of default. In the event of a non-payment of interest, the sole remedy of noteholders shall be the delivery of the holders' proportionate share of the trust assets. In such an event, the delivery of the trust assets will represent the full and complete extinguishment of the Company's obligations under the LRCN Series 1.

The trust assets consist of \$200 million of Empire Life Non-Cumulative 5-year Fixed Rate Reset Preferred Shares, Series 5 which were issued concurrently with the LRCN Series 1 at a rate of \$1000 per Series 5. Holders of the LRCN Series 1 are entitled to receive semi-annual payments at a rate of 3.625% per annum until April 17, 2026. Thereafter, the yield will reset every five years at a rate equal to the 5-year Government of Canada bond yield plus 3.082%.

The accompanying notes are an integral part of these interim consolidated financial statements.

Condensed Notes to the Interim Consolidated Financial Statements

(unaudited, in thousands of Canadian dollars except for per share amounts, shares authorized and outstanding and where otherwise stated)

11. Dividends

	Dividend declaration date	Shares issued and outstanding	Dividend rate per share	Total dividend (\$ 000's)	Dividend payment date
Common shareholder dividends					
Common shares	July 28, 2022	985,076	\$ 18.450000	\$ 18,175	September 7, 2022
	April 28, 2022	985,076	\$ 18.450000	\$ 18,175	June 7, 2022
	February 23, 2022	985,076	\$ 18.450000	\$ 18,175	March 31, 2022
	October 28, 2021	985,076	\$ 14.210000	\$ 13,998	December 7, 2021
	July 29, 2021	985,076	\$ 14.212101	\$ 14,000	September 8, 2021
	April 29, 2021	985,076	\$ 14.212101	\$ 14,000	June 8, 2021
	February 24, 2021	985,076	\$ 10.635322	\$ 10,477	April 1, 2021
Preferred shareholder dividends					
Series 1	February 24, 2021	5,980,000	\$ 0.359375	\$ 2,149	April 17, 2021
Series 3	July 28, 2022	4,000,000	\$ 0.306250	\$ 1,225	October 17, 2022
	April 28, 2022	4,000,000	\$ 0.306250	\$ 1,225	July 17, 2022
	February 23, 2022	4,000,000	\$ 0.306250	\$ 1,225	April 17, 2022
	October 28, 2021	4,000,000	\$ 0.306250	\$ 1,225	January 17, 2022
	July 29, 2021	4,000,000	\$ 0.306250	\$ 1,225	October 17, 2021
	April 29, 2021	4,000,000	\$ 0.306250	\$ 1,225	July 17, 2021
	February 24, 2021	4,000,000	\$ 0.306250	\$ 1,225	April 17, 2021

On July 28, 2022, subsequent to the date of these Interim Consolidated Financial Statements, the Board approved the following cash dividends:

- \$18,175 (\$18.45 per share) on the issued and outstanding Common Shares, payable on September 7, 2022.
- \$1,225 (\$0.306250 per share) on the issued and outstanding Series 3 Preferred Shares, payable on October 17, 2022.

Condensed Notes to the Interim Consolidated Financial Statements

(unaudited, in thousands of Canadian dollars except for per share amounts, shares authorized and outstanding and where otherwise stated)

12. Segmented Information

The Company operates in the Canadian life insurance industry and follows a product line management approach for internal reporting and decision making. A description of the product lines is as follows:

The Wealth Management product line includes segregated funds, mutual funds and fixed annuities.

The Group Solutions product line offers group benefit plans to employers for medical, dental, disability, and life insurance coverage of their employees.

The Individual Insurance product line includes both non-participating and participating individual life and health insurance products.

Capital and Surplus is made up of assets held in the shareholders' and participating policyholders' equity accounts and other corporate items not allocated to other segments.

Operating results are segmented into three product lines along with the Company's capital and surplus as follows:

	For the three months ended June 30, 2022				
	Wealth Management	Group Solutions	Individual Insurance	Capital & Surplus	Total
Revenue					
Gross premiums (Note 6)	\$ 19,967	\$ 152,641	\$ 143,851	\$ —	\$ 316,459
Premiums ceded to reinsurers (Note 6)	(44)	(39,605)	(33,197)	—	(72,846)
Net premiums (Note 6)	19,923	113,036	110,654	—	243,613
Investment income	7,768	1,794	59,529	15,513	84,604
Fair value change in fair value through profit or loss assets	(39,265)	(8,232)	(763,680)	5,483	(805,694)
Realized gain (loss) on fair value through profit or loss assets sold	(316)	—	(5,046)	(1,931)	(7,293)
Realized gain (loss) on available for sale assets including impairment write downs (Note 3)	114	110	81	(809)	(504)
Fee income	61,373	3,808	(1)	6,395	71,575
Total revenue	49,597	110,516	(598,463)	24,651	(413,699)
Benefits and expenses					
Gross benefits and claims paid (Note 7)	34,528	108,881	83,934	—	227,343
Claims recovery from reinsurers (Note 7)	(368)	(22,941)	(36,292)	—	(59,601)
Gross change in insurance contract liabilities (Note 7)	(45,558)	(1,358)	(659,634)	—	(706,550)
Change in insurance contract liabilities ceded (Note 7)	529	(3,795)	(48,031)	—	(51,297)
Change in investment contracts provision	413	—	—	—	413
Policy dividends	—	—	9,823	—	9,823
Operating expenses	17,155	14,993	15,579	4,193	51,920
Commissions	20,524	22,786	24,451	3,350	71,111
Commission recovery from reinsurers	—	(9,770)	(88)	—	(9,858)
Interest expense	—	—	—	4,736	4,736
Total benefits and expenses	27,223	108,796	(610,258)	12,279	(461,960)
Premium tax	—	2,949	2,571	—	5,520
Investment and capital tax	—	—	917	—	917
Net income (loss) before income taxes	22,374	(1,229)	8,307	12,372	41,824
Income taxes	3,135	(344)	(1,000)	5,693	7,484
Net income	\$ 19,239	\$ (885)	\$ 9,307	\$ 6,679	\$ 34,340

The accompanying notes are an integral part of these interim consolidated financial statements.

Condensed Notes to the Interim Consolidated Financial Statements

(unaudited, in thousands of Canadian dollars except for per share amounts, shares authorized and outstanding and where otherwise stated)

	For the three months ended June 30, 2021				
	Wealth Management	Group Solutions	Individual Insurance	Capital & Surplus	Total
Revenue					
Gross premiums (Note 6)	\$ 17,193	\$ 133,470	\$ 137,780	\$ —	\$ 288,443
Premiums ceded to reinsurers (Note 6)	(34)	(34,113)	(31,040)	—	(65,187)
Net premiums (Note 6)	17,159	99,357	106,740	—	223,256
Investment income	9,247	882	58,901	15,482	84,512
Fair value change in fair value through profit or loss assets	8,212	907	206,316	(1,155)	214,280
Realized gain (loss) on fair value through profit or loss assets sold	84	—	39,444	(6,800)	32,728
Realized gain (loss) on available for sale assets including impairment write downs (Note 3)	40	37	34	(4,028)	(3,917)
Fee income	63,665	3,452	36	59	67,212
Total revenue	98,407	104,635	411,471	3,558	618,071
Benefits and expenses					
Gross benefits and claims paid (Note 7)	39,726	87,410	64,450	—	191,586
Claims recovery from reinsurers (Note 7)	657	(19,494)	(19,083)	—	(37,920)
Gross change in insurance contract liabilities (Note 7)	(5,285)	13,371	287,338	—	295,424
Change in insurance contract liabilities ceded (Note 7)	112	(6,661)	10,077	—	3,528
Change in investment contracts provision	(56)	—	—	—	(56)
Policy dividends	—	—	9,139	—	9,139
Operating expenses	12,409	13,163	15,833	141	41,546
Commissions	19,699	23,362	25,908	—	68,969
Commission recovery from reinsurers	—	(10,000)	(112)	—	(10,112)
Interest expense	—	—	—	6,244	6,244
Total benefits and expenses	67,262	101,151	393,550	6,385	568,348
Premium tax	—	2,614	2,491	—	5,105
Investment and capital tax	—	—	907	—	907
Net income (loss) before income taxes	31,145	870	14,523	(2,827)	43,711
Income taxes	7,685	219	1,368	(1,550)	7,722
Net income	\$ 23,460	\$ 651	\$ 13,155	\$ (1,277)	\$ 35,989

The accompanying notes are an integral part of these interim consolidated financial statements.

Condensed Notes to the Interim Consolidated Financial Statements

(unaudited, in thousands of Canadian dollars except for per share amounts, shares authorized and outstanding and where otherwise stated)

	For the six months ended June 30, 2022				
	Wealth Management	Group Solutions	Individual Insurance	Capital & Surplus	Total
Revenue					
Gross premiums (Note 6)	\$ 42,988	\$ 301,385	\$ 285,316	\$ —	\$ 629,689
Premiums ceded to reinsurers (Note 6)	(81)	(78,940)	(63,789)	—	(142,810)
Net premiums (Note 6)	42,907	222,445	221,527	—	486,879
Investment income	15,574	3,231	117,176	31,225	167,206
Fair value change in fair value through profit or loss assets	(84,059)	(19,188)	(1,510,108)	5,182	(1,608,173)
Realized gain (loss) on fair value through profit or loss assets sold	(79)	—	16,979	(4,686)	12,214
Realized gain (loss) on available for sale assets including impairment write downs (Note 3)	181	173	140	(8,423)	(7,929)
Fee income	126,317	7,636	39	6,423	140,415
Total revenue	100,841	214,297	(1,154,247)	29,721	(809,388)
Benefits and expenses					
Gross benefits and claims paid (Note 7)	72,626	210,633	158,135	—	441,394
Claims recovery from reinsurers (Note 7)	(650)	(45,671)	(57,773)	—	(104,094)
Gross change in insurance contract liabilities (Note 7)	(101,013)	(2,566)	(1,307,930)	—	(1,411,509)
Change in insurance contract liabilities ceded (Note 7)	1,242	(5,015)	(87,473)	—	(91,246)
Change in investment contracts provision	634	—	—	—	634
Policy dividends	—	—	18,534	—	18,534
Operating expenses	33,020	29,459	30,362	4,702	97,543
Commissions	45,426	45,102	47,603	3,350	141,481
Commission recovery from reinsurers	—	(17,441)	(169)	—	(17,610)
Interest expense	—	—	—	9,420	9,420
Total benefits and expenses	51,285	214,501	(1,198,711)	17,472	(915,453)
Premium tax	—	5,823	5,189	—	11,012
Investment and capital tax	—	—	1,835	—	1,835
Net income (loss) before income taxes	49,556	(6,027)	37,440	12,249	93,218
Income taxes	9,903	(1,627)	4,690	5,332	18,298
Net income	\$ 39,653	\$ (4,400)	\$ 32,750	\$ 6,917	\$ 74,920

The accompanying notes are an integral part of these interim consolidated financial statements.

Condensed Notes to the Interim Consolidated Financial Statements

(unaudited, in thousands of Canadian dollars except for per share amounts, shares authorized and outstanding and where otherwise stated)

	For the six months ended June 30, 2021				
	Wealth Management	Group Solutions	Individual Insurance	Capital & Surplus	Total
Revenue					
Gross premiums (Note 6)	\$ 40,655	\$ 253,719	\$ 272,319	\$ —	\$ 566,693
Premiums ceded to reinsurers (Note 6)	(69)	(58,529)	(59,800)	—	(118,398)
Net premiums (Note 6)	40,586	195,190	212,519	—	448,295
Investment income	18,872	1,461	112,890	31,004	164,227
Fair value change in fair value through profit or loss assets	(9,298)	(4,684)	(459,854)	(2,801)	(476,637)
Realized gain (loss) on fair value through profit or loss assets sold	84	—	98,785	(12,940)	85,929
Realized gain (loss) on available for sale assets including impairment write downs (Note 3)	137	119	124	(2,329)	(1,949)
Fee income	126,185	6,549	93	122	132,949
Total revenue	176,566	198,635	(35,443)	13,056	352,814
Benefits and expenses					
Gross benefits and claims paid (Note 7)	90,775	168,817	131,596	—	391,188
Claims recovery from reinsurers (Note 7)	—	(33,425)	(39,143)	—	(72,568)
Gross change in insurance contract liabilities (Note 7)	(190,487)	20,669	(266,744)	—	(436,562)
Change in insurance contract liabilities ceded (Note 7)	572	(12,552)	(19,888)	—	(31,868)
Change in investment contracts provision	240	—	—	—	240
Policy dividends	—	—	17,171	—	17,171
Operating expenses	28,840	25,456	29,503	550	84,349
Commissions	41,145	40,571	54,595	—	136,311
Commission recovery from reinsurers	—	(16,425)	(206)	—	(16,631)
Interest expense	—	—	—	8,579	8,579
Total benefits and expenses	(28,915)	193,111	(93,116)	9,129	80,209
Premium tax	—	5,584	5,340	—	10,924
Investment and capital tax	—	—	1,879	—	1,879
Net income (loss) before income taxes	205,481	(60)	50,454	3,927	259,802
Income taxes	53,113	(41)	8,157	(404)	60,825
Net income	\$ 152,368	\$ (19)	\$ 42,297	\$ 4,331	\$ 198,977

Supplemental information:

	Wealth Management	Group Solutions	Individual Insurance	Capital & Surplus	Total
Interest income					
For the three months ended June 30, 2022	\$ 6,857	\$ 2,408	\$ 48,989	\$ 15,092	\$ 73,346
For the three months ended June 30, 2021	6,781	48,538	1,259	12,750	69,328
For the six months ended June 30, 2022	\$ 13,475	\$ 4,533	\$ 96,118	\$ 29,326	\$ 143,452
For the six months ended June 30, 2021	13,936	93,758	2,817	25,557	136,068
Amortization of property and equipment and intangibles					
For the three months ended June 30, 2022	\$ 809	\$ 1,427	\$ 1,840	\$ —	\$ 4,076
For the three months ended June 30, 2021	460	1,064	1,464	—	2,988
For the six months ended June 30, 2022	\$ 1,179	\$ 2,346	\$ 3,223	\$ —	\$ 6,748
For the six months ended June 30, 2021	1,056	2,102	2,888	—	6,046

The accompanying notes are an integral part of these interim consolidated financial statements.

Condensed Notes to the Interim Consolidated Financial Statements

(unaudited, in thousands of Canadian dollars except for per share amounts, shares authorized and outstanding and where otherwise stated)

Assets are segmented into three product lines along with the Company's capital and surplus as follows:

As at	June 30, 2022				
	Wealth Management	Group Solutions	Individual Insurance	Capital & Surplus	Total
Assets excluding segregated funds	\$ 765,903	\$ 207,579	\$ 5,170,604	\$ 2,477,115	\$ 8,621,201
Segregated funds	8,216,422		17,418		8,233,840
Total assets	\$ 8,982,325	\$ 207,579	\$ 5,188,022	\$ 2,477,115	\$ 16,855,041

As at	December 31, 2021				
	Wealth Management	Group Solutions	Individual Insurance	Capital & Surplus	Total
Assets excluding segregated funds	\$ 919,978	\$ 216,545	\$ 6,546,573	\$ 2,590,269	\$ 10,273,365
Segregated funds	9,237,282	—	20,016	—	9,257,298
Total assets	\$ 10,157,260	\$ 216,545	\$ 6,566,589	\$ 2,590,269	\$ 19,530,663

While specific general fund assets are nominally matched against specific types of general fund liabilities or held in the shareholders' and policyholders' equity accounts, all general fund assets are available to pay all general fund liabilities, if required. Segregated fund assets are not available to pay liabilities of the general fund.

13. Investment Commitments

In the normal course of business, outstanding investment commitments are not reflected in the Consolidated Financial Statements. There were outstanding commitments as at June 30, 2022 of \$20,293 (December 31, 2021, \$21,742). These outstanding commitments are payable at any time up to and including June 2025.

14. Capital Management

The Company manages its regulatory capital in order to meet the regulatory capital adequacy requirements of the Insurance Companies Act (Canada) as established and monitored by OSFI. OSFI has implemented the Life Insurance Capital Adequacy Test ("LICAT") framework to monitor capital adequacy. Under this framework, the Company's capital adequacy is measured as a ratio of Available Capital plus Surplus Allowance and Eligible Deposits divided by a Base Solvency Buffer. The components of the LICAT ratio are determined in accordance with the guidelines defined by OSFI. The capital ratios as determined under the LICAT framework are not comparable to the ratios as determined under the previous capital regime. The regulator has established a Supervisory Target Total Ratio of 100% and a Supervisory Target Core Ratio of 70%. As at June 30, 2022 and December 31, 2021, the Company was in compliance with these ratios.

15. Risk Management

The Company is exposed to risks arising from its investing activities and its insurance operations and to general reputational risk associated with these activities and its ability to manage specific risks. The 2021 Annual Report describes the Company's enterprise risk management framework including the principal risks and associated risk management strategies for the risks that management considers to be most significant in terms of likelihood and the potential adverse impact on the Company: market, liquidity, credit and product.

Condensed Notes to the Interim Consolidated Financial Statements

(unaudited, in thousands of Canadian dollars except for per share amounts, shares authorized and outstanding and where otherwise stated)

Caution related to sensitivities

In the sections that follow, the Company provides sensitivities and risk exposure measures for certain risks. These include sensitivities due to specific changes in market prices and interest rates, based on the market prices, interest rates, assets, liabilities and business mix in place as at the calculation dates. The sensitivities are calculated independently for each risk factor, assuming that all other risk variables remain constant. Actual results may differ materially from these estimates for a variety of reasons, including the interaction among these factors when more than one factor changes; changes in actuarial and investment return and future investment activity assumptions; actual experience differing from the assumptions; changes in business mix, effective tax rates and other market factors; and the general limitations of the Company's internal models used for purposes of these calculations. Changes due to new sales or maturities, asset purchases/sales, or other management actions could also result in material changes to these reported sensitivities. For these reasons, the sensitivities should only be viewed as directional estimates of the underlying sensitivities for the respective factors based on the assumptions outlined, and should not be viewed as predictors for the Company's future net income, OCI, and capital sensitivities. Given the nature of these calculations, the Company cannot provide assurance that the actual impact will be consistent with the estimates provided. Changes in risk variables in excess of the ranges illustrated may result in other than proportionate impacts.

(a) Market risk

The Company's most significant market risks are equity risk, interest rate risk and foreign exchange rate risk. Information related to market risk sensitivities should be read in conjunction with the information contained in the Risk Management section of the Company's 2021 Annual Report.

(1) Equity risk

The following table summarizes the estimated potential impact on the Company of a change in global equity markets. The Company uses a 10% increase or decrease in equity markets as a reasonably possible change in equity markets. The Company also discloses the impact of a 20% increase or decrease in its equity market sensitivity. The amounts in the following table include the effect of Empire Life's general fund equity risk economic hedging program. For segregated fund guarantees the level of sensitivity is highly dependent on the level of the stock market at the time of performing the estimate. If period end equity markets are high relative to market levels at the time that segregated fund policies were issued, the sensitivity is reduced. If period end equity markets are low relative to market levels at the time that segregated fund policies were issued, the sensitivity is increased. The amounts shown below for segregated fund guarantees represent the impact on shareholders' net income.

	As at June 30, 2022			
	10% Increase	10% Decrease	20% Increase	20% Decrease
Shareholders' net income (including segregated fund guarantees)*	\$ 9,989	\$ (15,114)	\$ 19,516	\$ (105,798)
Policyholders' net income	\$ nil	\$ nil	\$ nil	\$ nil
Shareholders' other comprehensive income	\$ 3,757	\$ (3,757)	\$ 7,513	\$ (7,513)
Policyholders' other comprehensive income	\$ nil	\$ nil	\$ nil	\$ nil

	As at June 30, 2021			
	10% Increase	10% Decrease	20% Increase	20% Decrease
Shareholders' net income (including segregated fund guarantees)*	\$ 14,365	\$ (19,517)	\$ 30,736	\$ (65,689)
Policyholders' net income	\$ nil	\$ nil	\$ nil	\$ nil
Shareholders' other comprehensive income	\$ 4,077	\$ (4,077)	\$ 8,154	\$ (8,154)
Policyholders' other comprehensive income	\$ nil	\$ nil	\$ nil	\$ nil

*Includes the estimated impact on fee income net of trailer commissions after tax for a three month period.

The accompanying notes are an integral part of these interim consolidated financial statements.

Condensed Notes to the Interim Consolidated Financial Statements

(unaudited, in thousands of Canadian dollars except for per share amounts, shares authorized and outstanding and where otherwise stated)

The following table identifies the concentration of the Company's common equity holdings in Empire Life's investment portfolios:

As at	June 30, 2022	December 31, 2021
Holdings of common equities in the 10 issuers to which the Company had the greatest exposure	\$ 581,495	\$ 709,451
Percentage of total cash and investments	7.0%	7.0%
Exposure to the largest single issuer of common equities	\$ 358,501	\$ 454,457
Percentage of total cash and investments	4.3%	4.5%

(2) Interest rate risk

The following tables summarize the estimated immediate financial impact on net income and OCI as a result of an immediate change in interest rates.

	As at June 30, 2022			
	50 bps Increase	50 bps Decrease	100 bps Increase	100 bps Decrease
Shareholders' net income	\$ 4,496	\$ (4,956)	\$ 8,582	\$ (10,427)
Policyholders' net income	\$ 197	\$ (215)	\$ 377	\$ (450)
Shareholders' other comprehensive income	\$ (39,835)	\$ 46,738	\$ (72,836)	\$ 100,381
Policyholders' other comprehensive income	\$ (1,405)	\$ 1,536	\$ (2,681)	\$ 3,208

	As at June 30, 2021			
	50 bps Increase	50 bps Decrease	100 bps Increase	100 bps Decrease
Shareholders' net income	\$ 6,187	\$ (6,878)	\$ 11,762	\$ (14,539)
Policyholders' net income	\$ 265	\$ (291)	\$ 505	\$ (613)
Shareholders' other comprehensive income	\$ (50,191)	\$ 59,253	\$ (91,321)	\$ 127,567
Policyholders' other comprehensive income	\$ (899)	\$ 945	\$ (1,753)	\$ 1,935

(3) Foreign exchange rate risk

The Company's primary foreign currency exposure arises from portfolio investments denominated in US dollars. As at June 30, 2022, a 10% fluctuation in the US dollar would have an impact of approximately \$nil (June 30, 2021, \$nil) on net income, \$nil (June 30, 2021, \$nil) on shareholders' OCI and \$nil (June 30, 2021, \$nil) on policyholders' OCI. The Company's exposure to foreign currency risk in its financial liabilities is not material.

Condensed Notes to the Interim Consolidated Financial Statements

(unaudited, in thousands of Canadian dollars except for per share amounts, shares authorized and outstanding and where otherwise stated)

(b) Credit risk

The Company has the following assets that are exposed to credit risk:

As at		June 30, 2022		December 31, 2021
Cash and cash equivalents	\$	186,611	\$	193,217
Short-term investments		8,340		8,647
Bonds		6,629,796		8,149,460
Preferred shares		344,715		441,339
Derivative assets		12,453		6,302
Mortgages		130,041		153,564
Reinsurance		178,426		175,933
Loans on policies		57,912		56,917
Policy contract loans		48,680		52,808
Accrued investment income		44,095		42,379
Insurance receivables		65,305		48,700
Trade accounts receivable		9,303		6,696
Total	\$	7,715,677	\$	9,335,962

The Company participates in a securities lending program with its custodian. For further information on the program, refer to Note 3(d).

Concentration of credit risk

(1) Bonds and debentures

The concentration of the Company's bond portfolio by investment grade is as follows:

As at	June 30, 2022		December 31, 2021	
	Fair value	% of Fair value	Fair value	% of Fair value
AAA	\$ 301,018	5 %	\$ 484,746	6 %
AA	1,567,022	24 %	2,059,678	25 %
A	3,211,409	47 %	3,879,522	47 %
BBB	1,508,852	23 %	1,681,358	21 %
BB (and lower ratings)	41,495	1 %	44,156	1 %
Total	\$ 6,629,796	100 %	\$ 8,149,460	100 %

Credit ratings are normally obtained from Standard & Poor's (S&P) and Dominion Bond Rating Service (DBRS). In the event of a split rating, the lower rating is used. Issues not rated by a recognized rating agency (i.e., S&P, DBRS, or Moody's) are rated internally by the Investment Department. The internal rating assessment is documented referencing suitable comparable investments rated by recognized rating agencies and/or methodologies used by recognized rating agencies.

Provincial bonds represent the largest concentration in the bond portfolio, as follows:

As at		June 30, 2022		December 31, 2021
Provincial bond holdings	\$	2,839,351	\$	3,739,035
Percentage of total bond holdings		42.8 %		45.9 %

The accompanying notes are an integral part of these interim consolidated financial statements.

Condensed Notes to the Interim Consolidated Financial Statements

(unaudited, in thousands of Canadian dollars except for per share amounts, shares authorized and outstanding and where otherwise stated)

The following table profiles the bond portfolio by contractual maturity, using the earliest contractual maturity date:

As at	June 30, 2022		December 31, 2021	
	Fair value	% of Fair value	Fair value	% of Fair value
1 year or less	\$ 359,909	5 %	\$ 150,713	2 %
1 - 5 years	873,421	13 %	991,282	12 %
5 - 10 years	614,992	9 %	757,588	9 %
Over 10 years	4,781,474	73 %	6,249,877	77 %
Total	\$ 6,629,796	100 %	\$ 8,149,460	100 %

The following table discloses the Company's holdings of fixed income securities in the 10 issuers (excluding the federal government) to which the Company had the greatest exposure, as well as exposure to the largest single issuer of corporate bonds.

As at	June 30, 2022	December 31, 2021
Holdings of fixed income securities* in the 10 issuers (excluding federal governments) to which the Company had the greatest exposure	\$ 3,427,845	\$ 4,416,034
Percentage of total cash and investments	41.4 %	43.8 %
Exposure to the largest single issuer of corporate bonds	\$ 230,720	\$ 269,638
Percentage of total cash and investments	2.8 %	2.7 %

*Fixed income securities includes bonds, debentures, preferred shares and short term investments.

(2) Preferred shares

The Company's preferred share investments are all issued by Canadian companies, with 1% rated as P1 (December 31, 2021, 1%), 99% rated as P2 (December 31, 2021, 96%) and the remaining 0% rated as P3 (December 31, 2021, 3%).

(3) Mortgages

Mortgages in the province of Ontario represent the largest concentration with \$130,041 or 100% (December 31, 2021, \$153,564 or 100%) of the total mortgage portfolio.

16. Comparative figures

Certain prior year figures have been reclassified to conform to the current year's presentation.

Glossary of Terms

(unaudited)

Accumulated Other Comprehensive Income (AOCI)

A separate component of shareholders' and policyholders' equity which includes net unrealized gains and losses on available for sale securities, unamortized gains and losses on cash flow hedges, unrealized foreign currency translation gains and losses and remeasurement of post-employment benefit liabilities. These items have been recognized in comprehensive income, but excluded from net income.

Active Market

An active market is a market in which the items traded are homogeneous, willing buyers and sellers can normally be found at any time and prices are available to the public.

Available For Sale (AFS) Finance Assets

Non-derivative financial assets that are designated as AFS or that are not classified as loans and receivables, held to maturity investments, or held for trading. Most financial assets supporting capital and surplus are classified as AFS.

Canadian Asset Liability Method (CALM)

The prescribed method for valuation of policy liabilities in Canada. CALM is a prospective basis of valuation which uses the full gross premium for the policy, the estimated expenses and obligations under the policy, current expected experience assumptions plus a margin for adverse deviations, and scenario testing to assess interest rate risk and market risks.

Canadian Institute of Actuaries (CIA)

As the national organization of the Canadian actuarial profession, the CIA means to serve the public through the provision by the profession of actuarial services and advice of the highest quality. The CIA ensures that the actuarial services provided by its members meet accepted professional standards; and assists actuaries in Canada in the discharge of their professional responsibilities.

Canadian Life and Health Insurance Association (CLHIA)

The Canadian Life and Health Insurance Association (CLHIA) is an organization representing life insurance and health insurance providers in Canada. The industry develops guidelines, voluntarily and proactively, to respond to emerging issues and to ensure consumer interests are protected.

Chartered Professional Accountants of Canada (CPA Canada)

Canada's not-for-profit association for Chartered Professional Accountants (CPA) provides information and guidance to its members, students and capital markets. Working in collaboration with its provincial member organizations, CPA Canada supports the setting of accounting, auditing and assurance standards for business, not-for-profit organizations and government, and develops and delivers education programs.

Earnings on Surplus

This source of earnings represents the pre-tax earnings on the shareholders' capital and surplus funds.

Effective Interest Method

The effective interest method is a method of calculating the amortized cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability.

Expected Profit from In-Force Business

This source of earnings represents the profit Empire Life expects to generate on in-force business if experience is in line with the Empire Life's best estimate assumptions for mortality, morbidity, persistency, investment returns, expenses and taxes.

Glossary of Terms

(unaudited)

Experience Gains and Losses

This source of earnings represents gains or losses due to the difference between actual experience and the best estimate assumptions.

Fair Value Through Profit or Loss (FVTPL)

Invested assets are classified as financial instruments at FVTPL if they are held for trading, or if they are designated by management under the fair value option. Most financial assets supporting insurance contract liabilities and investment contract liabilities are classified as FVTPL.

Impact on New Business

Writing new business typically adds economic value to a life insurance company. At the point of sale, new business may have a positive or negative impact on earnings. A negative impact (new business strain) will result when the provision for adverse deviation included in the actuarial liabilities at the point of sale exceeds the expected profit margin in the product pricing. The impact of new business also includes any excess acquisition expenses not covered by product pricing at the point of issue.

International Financial Reporting Standards (IFRS)

Refers to the international accounting standards that were adopted in Canada, effective January 1, 2011; these are now Canadian Generally Accepted Accounting Principles (CGAAP) for publicly accountable enterprises.

Life Insurance Capital Adequacy Test (LICAT)

The LICAT measures the capital adequacy of an insurer and is one of several indicators used by OSFI to assess an insurer's financial condition. The LICAT Ratio is the ratio of eligible capital to the base solvency buffer, each as calculated under OSFI's published guidelines.

Management Actions and Changes in Assumptions

This source of earnings component includes earnings generated by management actions during the year (e.g., acquisition or sale of a block of business, changes to product price, fees or asset mix, etc.) or the impact of changes in assumptions or methodology used for the calculation of actuarial liabilities for in-force business.

Other Comprehensive Income (OCI)

Unrealized gains and losses, primarily on financial assets backing Capital and Surplus, are recorded as Other Comprehensive Income ("OCI") or Other Comprehensive Loss ("OCL"). When these assets are sold or written down the resulting gain or loss is reclassified from OCI to net income. Remeasurements of post-employment benefit liabilities are also recorded as OCI or OCL. These remeasurements will not be reclassified to net income and will remain in AOCI.

Office of the Superintendent of Financial Institutions Canada (OSFI)

The primary regulator of federally chartered financial institutions and federally administered pension plans in Canada. OSFI's mission is to safeguard policyholders, depositors and pension plan members from undue loss.

Participating Policies

The participating account includes all policies issued by the Company that entitle its policyholders to participate in the profits of the participating account. The Company has discretion as to the amount and timing of dividend payments which take into consideration the continuing solvency of the participating account.

Return on Common Shareholders' Equity (ROE)

A profitability measure that presents the net income available to common shareholders as a percentage of the average capital deployed to earn the income.

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EMPIRE LIFE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

The Empire Life Insurance Company (Empire Life) is a proud Canadian company that has been in business since 1923. We offer individual and group life and health insurance, investment and retirement products, including mutual funds through our wholly-owned subsidiary Empire Life Investments Inc.

Our mission is to make it simple, fast and easy for Canadians to get the products and services they need to build wealth, generate income, and achieve financial security.

Follow us on social media @EmpireLife or visit empire.ca for more information, including current ratings and financial results.

Transfer Agent and Registrar

TSX Trust Company
1 Toronto Street, Suite 1200
Toronto, Ontario, M5C 2V6
Phone 416-682-3860
Toll Free 800-387-0825
www.tsxtrust.com

Reporting Procedure for Accounting and Auditing Matters

If you have a complaint regarding accounting, internal controls or auditing matters or a concern regarding questionable accounting or auditing matters, you should submit your written complaint or concern to:

Mr. John Brierley
The Empire Life Insurance Company
259 King Street East
Kingston, ON, K7L 3A8
Email: johnbrierley12@gmail.com
Phone: 705-250-3133

You may submit your complaint or concern anonymously. Your submission will be kept confidential and will be treated in accordance with the Company's policy for reporting accounting and auditing matters.

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