



Empire Life reports second quarter 2018 results

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

Q2 2018 highlights (compared to Q2 2017)

- 71% increase in common shareholders' net income of \$57.3 compared to \$33.4
- Earnings per share (basic and diluted) of \$58.14 compared to \$33.91
- Return on common shareholders' equity¹ ("ROE") of 15.6% compared to 10.1%

Q2 2018 year to date highlights (compared to YTD 2017)

- 15% increase in common shareholders' net income of \$96.0 compared to \$83.6
- Earnings per share (basic and diluted) of \$97.44 compared to \$84.82
- Return on common shareholders' equity¹ ("ROE") of 13.2% compared to 12.8%
- Assets under management¹ increased 4% to reach \$17.3 billion

(Kingston, ON – August 2, 2018) – The Empire Life Insurance Company ("Empire Life") (TSX: EML.PR.A) today reported common shareholders' net income of \$57.3 million for the second quarter of 2018, compared to \$33.4 million in 2017. Year to date common shareholders' net income was \$96.0 million compared to \$83.6 million in 2017.

The increase in earnings for the second quarter of 2018 compared to 2017 was primarily a result of higher gains realized from management actions, higher investment gains in the Individual Insurance product line and improved operating performance across all product lines. Year to date common shareholders' net income increased by 15%, primarily due to improved operating performance across all product lines and higher experience gains in the Individual Insurance and Employee Benefits product lines, partially offset by lower gains realized from management actions in the Individual Insurance product line.

"All three of our product lines have performed well with return on equity at 15.6% for Q2 and 13.2% year to date. In Q1, we implemented the LICAT framework and we continued to have a very strong capital position through the second quarter," says Mark Sylvia, President and CEO.

Financial highlights

(in millions of dollars except per share amounts)	Second quarter		Year to date	
	2018	2017	2018	2017
Common shareholders' net income	\$ 57.3	\$ 33.4	\$ 96.0	\$ 83.6
Earnings per share - basic and diluted	\$ 58.14	\$ 33.91	\$ 97.44	\$ 84.82
Return on common shareholders' equity (quarterly annualized) ¹	15.6%	10.1%	13.2%	12.8%

¹ See non-IFRS Measures

Sources of Earnings ¹ (in millions of dollars)	Second quarter		Year to date	
	2018	2017	2018	2017
Expected profit on in-force business	\$ 52.0	\$ 40.3	\$ 101.7	\$ 83.6
Impact of new business	(0.5)	(3.2)	(4.0)	(8.0)
Experience gains (losses)	7.8	(6.4)	10.2	(6.8)
Management actions and changes in assumptions	9.9	0.9	11.1	30.5
Earnings on operations before income taxes	69.2	31.6	119.0	99.3
Earnings on surplus	10.6	13.8	15.2	15.6
Income before income tax	\$ 79.8	\$ 45.4	\$ 134.1	\$ 114.9
Income taxes	19.1	9.8	31.4	27.0
Shareholders' net income	\$ 60.7	\$ 35.6	\$ 102.7	\$ 87.9
Dividends on preferred shares	3.4	2.2	6.7	4.3
Common shareholders' net income	\$ 57.3	\$ 33.4	\$ 96.0	\$ 83.6

The expected profit on in-force business for the second quarter and year to date increased by 29% and 22% respectively, primarily due to growth in the Individual Insurance product line and higher fee income in the Wealth Management product line.

The impact of new business for the second quarter of 2018 and year to date was primarily driven by lower new business expenses related to the Individual Insurance and Employee Benefits product lines, partially offset by the sales mix for segregated fund business in the Wealth Management product line relative to 2017.

The experience gains for the second quarter of 2018 were mainly driven by investment gains in the Individual Insurance and Wealth Management product lines. The experience gains for year to date 2018 were mainly due to improved health and long-term disability claims in the Employee Benefits product line, favourable annuitant mortality experience in the Wealth Management product line, and favourable mortality, surrender and lapse experience in the Individual Insurance product line.

Management actions in the second quarter and year to date of 2018 and 2017 related to the Individual Insurance product line primarily resulted from improved matching of assets and liabilities. During the second quarter of 2018 and first quarter of 2017, there was an increase of investment in real estate limited partnership units which resulted in a gain from updating insurance contract liabilities.

Earnings on surplus decreased for the second quarter of 2018, mainly driven by higher expenses on Empire Life's hedging program primarily due to the rising Canadian stock prices in 2018 compared to a decline in 2017 and higher interest expenses related to subordinated debt, partially offset by higher assets in surplus.

Effective January 1, 2018, MCCSR has been replaced by the Life Insurance Capital Adequacy Test (LICAT). The LICAT is intended to improve the quality of available capital and provide a better alignment of the risk measures with the long-term economics of the life insurance business. The LICAT will behave differently under various economic scenarios when compared to MCCSR. As a result, LICAT ratios are not comparable to the MCCSR ratio. Empire Life's LICAT total ratio was 161% at June 30, 2018, well above the requirements set by the Office of the Superintendent of Financial Institutions Canada ("OSFI") as well as Empire Life's minimum internal targets.

Non-IFRS measures

Empire Life uses non-IFRS measures including return on common shareholders' equity, source of earnings, assets under management, annualized premium sales, gross and net sales for mutual funds, segregated funds and fixed annuities 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. Empire Life also believes that securities analysts, investors and other interested parties frequently use non-IFRS measures in the evaluation of issuers.

¹ See non-IFRS Measures

Additional information

All amounts are in Canadian dollars and are based on the unaudited Q2 2018 consolidated financial results of Empire Life for the period ended June 30, 2018. Additional information about Empire Life can be found in Empire Life's latest Management's Discussion & Analysis and Annual Information Form. These documents are filed on Empire Life's profile available at www.sedar.com. Empire Life'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 June 30, 2018 Empire Life had total assets under management of \$17.3 billion. Follow Empire Life on Twitter @EmpireLife or visit www.empire.ca for more information.

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¹ See non-IFRS Measures