



Empire Life reports third quarter 2017 results

Q3 2017 highlights (compared to Q3 2016)

- 2.6% increase in common shareholders' net income to \$39.1 compared to \$38.1
- Earnings per share (basic and diluted) of \$39.67 compared to \$38.67
- Return on common shareholders' equity (ROE) of 11.6% compared to 12.8%

Q3 2017 year to date highlights (compared to YTD 2016)

- 22.4% increase in common shareholders' net income to \$122.6 compared to \$100.2
- Earnings per share (basic and diluted) of \$124.49 compared to \$101.69
- Return on common shareholders' equity (ROE) of 12.4% compared to 11.6%
- Assets under management¹ increased 5.6% over September 30, 2016 levels to reach \$16.8 billion

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

KINGSTON, Ontario, Oct. 26, 2017 -- The Empire Life Insurance Company ("Empire Life") today reported third quarter (Q3 2017) common shareholders' net income of \$39.1 million for 2017, compared to \$38.1 million for 2016. Year to date common shareholders' net income was \$122.6 million compared to \$100.2 million in 2016.

The increase in earnings for Q3 2017 compared to 2016 is a result of improved operating performance in the Employee Benefits product line and lower hedge costs, partially offset by lower gains in the Individual Insurance product lines. The increase in earnings for the year to date was primarily due to the above-mentioned items and improved operating performance in the Wealth Management product line. Despite the higher earnings, ROE was lower for Q3 2017 due to higher levels of common shareholders' equity on September 30, 2017 compared to September 30, 2016. ROE for 2017 year to date was higher than 2016 due to the strong increase in common shareholders' earnings.

"We continued to make progress in increasing our earnings while maintaining a strong capital position and high quality mix of assets. We are pleased with the performance of all three of our product lines this quarter," says Mark Sylvia, President and CEO. "A stable economy and a positive trend in long-term interest rates will allow Empire Life to continue to offer competitive products and enhanced services to our customers."

Financial charts

(millions of dollars except per share amounts)	Third quarter		Year to date	
	2017	2016	2017	2016
Common shareholders' net income	\$ 39.1	\$ 38.1	\$ 122.6	\$ 100.2
Earnings per share - basic and diluted	\$ 39.67	\$ 38.67	\$124.49	\$ 101.69
Return on common shareholders' equity (annualized) ("ROE")	11.6%	12.8%	12.4%	11.6%

Sources of Earnings				
(millions of dollars)	Third quarter		Year to date	
	2017	2016	2017	2016
Expected profit on in-force business	\$ 43.6	\$ 42.2	\$ 129.5	\$ 119.6
Impact of new business	(3.8)	(1.7)	(14.1)	(9.6)
Experience gains (losses)	14.5	9.7	7.7	(1.9)
Management actions and changes in assumptions	(2.7)	7.7	27.8	34.8
Earnings on operations before income taxes	51.6	57.9	150.8	142.9
Earnings on surplus	3.4	(4.6)	19.0	(1.6)
Income before income tax	\$ 55.0	\$ 53.3	\$ 169.8	\$ 141.3
Income taxes	13.7	13.1	40.7	35.4
Shareholders' net income	\$ 41.2	\$ 40.2	\$ 129.0	\$ 105.9
Dividends on preferred shares	2.1	2.1	6.4	5.7

Common shareholders' net income	\$ 39.1	\$ 38.1	\$ 122.6	\$ 100.2
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The expected profit on in-force business for Q3 2017 and year to date increased by 3.3% and 8.3% respectively. The growth for the year to date was primarily from growth in management and guarantee fees in the Wealth Management product line. The impact of new business was primarily driven by higher segregated fund gross sales in the third quarter and year to date of 2017. Experience gains (losses) improved in Q3 2017 and year to date primarily due to improved health and long term disability claim results in the Employee Benefits product line. Gains from management actions in the Individual Insurance line were as a result of improved matching of assets and liabilities during the year to date in 2017 and during the third quarter and year to date in 2016. Earnings on surplus increased primarily due to lower costs from Empire Life's hedging program due to stable Canadian stock prices 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 274.2% as at September 30, 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 for Q3 2017 was primarily due to growth in retained earnings and the \$200 million debenture issue on September 15, 2017. The increase in capital since the third quarter 2016 was primarily due to the growth in retained earnings and Empire Life's issuance of \$200 million principal amount of unsecured subordinated debentures on December 16, 2016, and \$200 million of debentures issued in Q3. The debentures issued Q3 have a maturity date of March 15, 2028, interest rate of 3.664% paid semi-annually until March 15, 2023. After that the interest rate will be the 3-month Canada deposit offer rate plus 1.53% from March 15, 2023 to March 15, 2028.

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 unaudited Q3 2017 financial results of Empire Life for the period ended September 30, 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, 2016 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 September 30, 2017 Empire Life had total assets under management of \$16.8 billion. Follow Empire Life on Twitter @EmpireLife or visit www.empire.ca for more information.

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¹ See non-GAAP Measures