

# The Empire Life Insurance Company

## **Condensed Interim Consolidated Financial Statements For the nine months ended September 30, 2017 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	September 30, 2017	December 31, 2016
<b>Assets</b>		
Cash and cash equivalents (Note 3)	\$ 366,853	\$ 368,873
Investments		
Short-term investments (Note 3)	153,621	102,874
Bonds (Note 3)	5,964,283	5,521,172
Preferred shares (Note 3)	349,821	285,184
Common shares (Note 3)	898,481	929,611
Derivative assets (Note 3)	1,764	3,855
Mortgages (Note 3)	235,338	264,309
Loans on policies (Note 3)	50,282	47,969
Policy contract loans (Note 3)	77,942	80,944
<b>Total cash and cash equivalents and investments</b>	<b>8,098,385</b>	<b>7,604,791</b>
Accrued investment income	44,538	40,551
Insurance receivables	38,186	53,097
Current income taxes	6,692	—
Other assets	23,945	39,680
Property and equipment	28,147	27,683
Intangible assets	17,222	14,341
Segregated fund assets (Note 4)	8,379,726	8,082,033
<b>Total assets</b>	<b>\$ 16,636,841</b>	<b>\$ 15,862,176</b>
<b>Liabilities</b>		
Accounts payable and other liabilities	\$ 139,371	\$ 79,600
Insurance payables	77,150	97,135
Current income taxes payable	—	32,536
Reinsurance liabilities	535,115	533,357
Insurance contract liabilities	5,162,453	5,003,450
Investment contract liabilities	15,372	13,903
Policyholders' funds on deposit	33,322	32,957
Provision for profits to policyholders	30,733	29,555
Deferred income taxes	10,983	8,989
Subordinated debt	698,301	498,603
Segregated fund policy liabilities	8,379,726	8,082,033
<b>Total liabilities</b>	<b>15,082,526</b>	<b>14,412,118</b>
<b>Equity</b>		
Preferred shares (Note 9)	149,500	149,500
Common shares (Note 9)	985	985
Contributed surplus	19,387	19,387
Retained earnings	1,382,715	1,267,049
Accumulated other comprehensive income	1,728	13,137
<b>Total equity</b>	<b>1,554,315</b>	<b>1,450,058</b>
<b>Total liabilities and equity</b>	<b>\$ 16,636,841</b>	<b>\$ 15,862,176</b>



**Duncan N. R. Jackman**  
Chairman 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 nine months ended	
	September 30, 2017	September 30, 2016	September 30, 2017	September 30, 2016
<b>Revenue</b>				
Gross premiums (Note 5)	\$ 249,434	\$ 248,504	\$ 718,915	\$ 747,561
Premiums ceded to reinsurers (Note 5)	(32,056)	(29,853)	(94,682)	(88,554)
Net premiums (Note 5)	217,378	218,651	624,233	659,007
Investment income	69,828	60,050	204,033	186,178
Fair value change in fair value through profit or loss assets	(228,498)	107,895	(20,169)	380,519
Realized gain (loss) on fair value through profit or loss assets sold	14,606	706	51,579	22,824
Realized gain (loss) on available for sale assets including impairment write downs (Note 3)	(1,050)	6,523	1,442	14,780
Fee income	62,205	59,050	186,672	170,143
Total revenue	134,469	452,875	1,047,790	1,433,451
<b>Benefits and expenses</b>				
Gross benefits and claims paid (Note 6)	155,393	156,909	482,282	490,281
Claims recovery from reinsurers (Note 6)	(19,529)	(14,745)	(53,636)	(49,124)
Gross change in insurance contract liabilities (Note 6)	(131,463)	153,353	159,003	526,399
Change in insurance contract liabilities ceded (Note 6)	(20,564)	4,502	1,758	38,357
Change in investment contracts provision	72	887	217	1,010
Policy dividends	7,211	6,784	21,635	20,348
Operating expenses	37,585	34,312	114,441	104,926
Commissions	44,890	47,528	136,802	140,758
Commission recovery from reinsurers	(598)	(588)	(1,842)	(1,878)
Interest expense	4,011	2,261	11,941	6,732
Total benefits and expenses	77,008	391,203	872,601	1,277,809
Premium tax	4,904	5,044	14,644	14,316
Investment and capital tax	999	999	2,997	2,997
<b>Net income before income taxes</b>	<b>51,558</b>	<b>55,629</b>	<b>157,548</b>	<b>138,329</b>
Income taxes	12,102	13,371	35,435	32,999
<b>Net income</b>	<b>\$ 39,456</b>	<b>\$ 42,258</b>	<b>\$ 122,113</b>	<b>\$ 105,330</b>
Less: net income (loss) attributable to participating policyholders	(1,771)	2,015	(6,969)	(578)
Shareholders' net income (loss)	41,227	40,243	129,082	105,908
Less: preferred share dividends declared (Note 10)	2,149	2,150	6,447	5,735
Common shareholders' net income	39,078	38,093	122,635	100,173
Earnings per share attributable to common shareholders (Note 8)	\$ 39.67	\$ 38.67	\$ 124.49	\$ 101.69

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 nine months ended	
	September 30, 2017	September 30, 2016	September 30, 2017	September 30, 2016
<b>Net income</b>	\$ 39,456	\$ 42,258	\$ 122,113	\$ 105,330
<b>Other comprehensive income (loss), net of income taxes:</b>				
Items that may be reclassified subsequently to net income:				
Unrealized fair value change on available for sale investments (Note 7)	(27,426)	17,212	(9,414)	44,564
Fair value change on available for sale investments reclassified to net income, including impairment write downs (Note 7)	818	(4,756)	(978)	(10,776)
Net unrealized fair value increase (decrease)	(26,608)	12,456	(10,392)	33,788
Items that will not be reclassified to net income:				
Remeasurements of post-employment benefit liabilities (Note 7)	7,804	(325)	(1,017)	(14,883)
Total other comprehensive income (loss)	(18,804)	12,131	(11,409)	18,905
<b>Comprehensive income (loss)</b>	\$ 20,652	\$ 54,389	\$ 110,704	\$ 124,235
<b>Comprehensive income (loss) attributable to:</b>				
Participating policyholders	\$ (2,693)	\$ 2,913	\$ (8,902)	\$ 814
Shareholders	23,345	51,476	119,606	123,421
Total	\$ 20,652	\$ 54,389	\$ 110,704	\$ 124,235

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 nine months ended September 30, 2017			For the nine months ended September 30, 2016		
	Shareholders'	Policyholders'	Total	Shareholders'	Policyholders'	Total
<b>Preferred shares (Note 9)</b>	\$ 149,500	\$ —	\$ 149,500	\$ 149,500	\$ —	\$ 149,500
<b>Common shares (Note 9)</b>	985	—	985	985	—	985
<b>Contributed surplus</b>	19,387	—	19,387	19,387	—	19,387
<b>Retained earnings</b>						
Retained earnings - beginning of year	1,224,066	42,983	1,267,049	1,075,120	46,422	1,121,542
Net income (loss)	129,082	(6,969)	122,113	105,908	(578)	105,330
Preferred share dividends declared	(6,447)	—	(6,447)	(5,735)	—	(5,735)
Preferred share issue costs net of income tax (Note 9)	—	—	—	(3,775)	—	(3,775)
Retained earnings - end of period	1,346,701	36,014	1,382,715	1,171,518	45,844	1,217,362
<b>Accumulated other comprehensive income (loss)</b>						
Accumulated other comprehensive income (loss) - beginning of year	4,993	8,144	13,137	3,588	6,415	10,003
Other comprehensive income (loss)	(9,476)	(1,933)	(11,409)	17,513	1,392	18,905
Accumulated other comprehensive income (loss) - end of period	(4,483)	6,211	1,728	21,101	7,807	28,908
<b>Total equity</b>	\$ 1,512,090	\$ 42,225	\$ 1,554,315	\$ 1,362,491	\$ 53,651	\$ 1,416,142
<b>Composition of accumulated other comprehensive income (loss) - end of period</b>						
Unrealized gain (loss) on available for sale financial assets	\$ 2,942	\$ 7,193	\$ 10,135	\$ 46,697	\$ 9,883	\$ 56,580
Remeasurements of post-employment benefit liabilities	(7,985)	(422)	(8,407)	(26,366)	(1,306)	(27,672)
Shareholder portion of policyholders' accumulated other comprehensive income	560	(560)	—	770	(770)	—
Total accumulated other comprehensive income (loss)	\$ (4,483)	\$ 6,211	\$ 1,728	\$ 21,101	\$ 7,807	\$ 28,908

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 nine months ended	
	September 30, 2017	September 30, 2016
<b>Operating activities</b>		
Net income	\$ 122,113	\$ 105,330
Non-cash items affecting net income:		
Change in contract liabilities	159,220	527,409
Change in reinsurance liability	1,758	38,357
Fair value change in fair value through profit or loss assets	20,169	(380,519)
Realized (gain) loss on assets including impairment write downs on available for sale assets	(53,021)	(37,604)
Amortization related to discount on debt instruments	(57,003)	(58,856)
Amortization related to property and equipment and intangible assets	5,406	3,295
Deferred income taxes	2,411	(546)
Other items	40,191	25,930
Cash provided from (used for) operating activities	241,244	222,796
<b>Investing activities</b>		
Portfolio investments		
Purchases and advances	(2,007,958)	(1,827,503)
Sales and maturities	1,638,203	1,542,785
Loans on policies		
Advances	(6,901)	(6,034)
Repayments	7,725	8,779
(Increase) decrease in short-term investments	(50,747)	(99,015)
Purchase of property and equipment and intangible assets	(8,751)	(9,547)
Cash provided from (used for) investing activities	(428,429)	(390,535)
<b>Financing activities</b>		
Dividends paid to preferred shareholders (Note 10)	(6,447)	(3,585)
Interest paid on subordinated debt	(7,688)	(4,305)
Debt issue (Note 15)	199,300	—
Preferred share issue (Note 9)	—	149,500
Preferred share issue costs net of income tax (Note 9)	—	(3,775)
Cash provided from (used for) financing activities	185,165	137,835
<b>Net change in cash and cash equivalents</b>	<b>(2,020)</b>	<b>(29,904)</b>
<b>Cash and cash equivalents - beginning of period (Note 3)</b>	<b>368,873</b>	<b>199,770</b>
<b>Cash and cash equivalents - end of period (Note 3)</b>	<b>\$ 366,853</b>	<b>\$ 169,866</b>
Supplementary cash flow information related to operating activities:		
Income taxes paid, net of (refunds)	\$ 67,727	\$ 7,641
Interest income received	115,989	97,998
Dividend income received	29,968	26,145

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. The Company established a mutual fund subsidiary in 2011, Empire Life Investments Inc. (ELII). ELII became a registered Investment Funds Manager on January 5, 2012. The head office for ELII is located at 165 University Avenue, 9th Floor, Toronto, Ontario, M5H 3B8.

These Interim Consolidated Financial Statements were approved by the Company's Board of Directors (the Board) on October 26, 2017.

## 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, 2016.

### (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 wholly-owned and controlled subsidiary, ELII. The Company owns 100% of the voting shares and maintains control of its subsidiary. 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 financial statements of ELII 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 adopted in 2017

##### (1) Amendments to IAS 12 Income Taxes ("IAS 12")

In January 2016, the IASB issued amendments to clarify the requirements for recognizing deferred tax assets on unrealized losses. The amendments clarify the accounting for deferred tax where an asset is measured at fair value and that fair value is below the asset's tax base. They also clarify certain other aspects of accounting for deferred tax assets. Adoption of the amendment on January 1, 2017 did not have a significant impact on the 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)

## **(2) Amendments to IAS 7 Statement of Cash Flows (“IAS 7”)**

In January 2016, the IASB issued an amendment to IAS 7 introducing an additional disclosure that will enable users of financial statements to evaluate changes in liabilities arising from financing activities. The amendment is part of the IASB’s Disclosure Initiative, which continues to explore how financial statement disclosure can be improved. Adoption of the amendment on January 1, 2017 did not have a significant impact on the Consolidated Financial Statements.

## **(ii) New accounting pronouncements issued but not yet effective**

### **(1) IFRS 15 Revenue from Contracts with Customers**

In May 2014, the IASB published IFRS 15 which introduces a single model for recognizing revenue from contracts with customers. IFRS 15 excludes insurance contracts from its scope and is primarily applicable to the Company’s non-insurance revenue. In April 2016, IASB issued amendments to IFRS 15 clarifying the guidance on identifying performance obligations, accounting for licences of intellectual property and the principal versus agent assessment, and to provide additional practical expedients on transition. The standard and the amendments are effective for annual periods beginning on or after January 1, 2018, with retrospective application. The Company is evaluating the impact of IFRS 15 on its consolidated financial statements.

### **(2) IFRS 16 Leases**

In January 2016, the IASB published IFRS 16 which is effective January 1, 2019. The new standard requires the capitalization of all leases by recognizing the present value of the lease payments and showing them as lease assets, and recognizing a financial liability representing an obligation to make future lease payments. The Company is evaluating the impact of IFRS 16 on its consolidated financial statements.

### **(3) IFRS 9 Financial Instruments**

In July 2014, the IASB published the complete version of IFRS 9 which is effective for annual periods beginning on or after January 1, 2018, with retrospective application. The new standard includes requirements on the classification and measurement of financial assets and liabilities, an expected credit loss model that replaces the existing incurred loss impairment model and new hedge accounting guidance. The Company is currently evaluating the impact of IFRS 9 on its Consolidated Financial Statements as well as the implementation options for insurers set out in the September 2016 amendment to IFRS 4 Insurance Contracts which allows eligible insurers to defer the adoption of IFRS 9 until the new insurance contracts standard is adopted, or 2021 at the latest.

### **(4) IFRS 17 Insurance Contracts**

In May 2017, the IASB issued IFRS 17 *Insurance Contracts* which is effective for annual periods beginning on or after January 1, 2021, to be applied retrospectively. IFRS 17 replaces IFRS 4 *Insurance Contracts* and will change the fundamental principles used by the Company for recognizing and measuring insurance contract liabilities. It will also change the presentation and disclosures of the Company’s Consolidated Financial Statements. The Company is currently assessing the impact of IFRS 17 and expects that it will have a significant impact on the 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)

## 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 Asset category	September 30, 2017			December 31, 2016		
	Fair value through profit or loss	Available for sale	Total carrying value	Fair value through profit or loss	Available for sale	Total carrying value
<b>Cash and cash equivalents</b>						
Cash	\$ 13,684	\$ —	\$ 13,684	\$ 14,278	\$ —	\$ 14,278
Cash equivalents	353,169	—	353,169	354,595	—	354,595
<b>Total cash and cash equivalents</b>	<b>366,853</b>	<b>—</b>	<b>366,853</b>	<b>368,873</b>	<b>—</b>	<b>368,873</b>
<b>Short-term investments</b>						
Canadian federal government	7,970	114,650	122,620	4,983	69,883	74,866
Canadian municipal governments	—	—	—	3,963	—	3,963
Corporate	31,001	—	31,001	24,045	—	24,045
<b>Total short-term investments</b>	<b>38,971</b>	<b>114,650</b>	<b>153,621</b>	<b>32,991</b>	<b>69,883</b>	<b>102,874</b>
<b>Bonds</b>						
Canadian federal government	87,874	349,580	437,454	81,516	288,200	369,716
Canadian provincial governments	2,736,084	382,922	3,119,006	2,614,635	310,369	2,925,004
Canadian municipal governments	91,447	94,358	185,805	78,743	72,819	151,562
<b>Total Canadian government bonds</b>	<b>2,915,405</b>	<b>826,860</b>	<b>3,742,265</b>	<b>2,774,894</b>	<b>671,388</b>	<b>3,446,282</b>
<b>Canadian corporate bonds by industry sector:</b>						
Energy	60,837	57,654	118,491	50,679	43,649	94,328
Materials	10,330	—	10,330	10,716	—	10,716
Industrials	57,897	42,151	100,048	54,162	33,343	87,505
Consumer discretionary	21,979	28,823	50,802	17,037	27,028	44,065
Consumer staples	86,389	64,485	150,874	78,747	65,110	143,857
Health care	74,624	22,119	96,743	69,543	22,084	91,627
Financial services	535,866	346,786	882,652	504,027	343,255	847,282
Communications	69,235	42,633	111,868	45,101	28,148	73,249
Utilities	327,149	67,167	394,316	317,114	42,408	359,522
Real estate	1,000	—	1,000	6,726	—	6,726
Infrastructure	273,733	31,161	304,894	278,675	37,338	316,013
<b>Total Canadian corporate bonds</b>	<b>1,519,039</b>	<b>702,979</b>	<b>2,222,018</b>	<b>1,432,527</b>	<b>642,363</b>	<b>2,074,890</b>
<b>Total bonds</b>	<b>4,434,444</b>	<b>1,529,839</b>	<b>5,964,283</b>	<b>4,207,421</b>	<b>1,313,751</b>	<b>5,521,172</b>
<b>Total preferred shares - Canadian</b>	<b>338,162</b>	<b>11,659</b>	<b>349,821</b>	<b>274,871</b>	<b>10,313</b>	<b>285,184</b>
<b>Common shares</b>						
<b>Canadian</b>						
Common shares	674,380	68,028	742,408	582,582	66,969	649,551
Real estate limited partnership units	88,065	—	88,065	75,594	—	75,594
<b>U.S.</b>	<b>38,350</b>	<b>23</b>	<b>38,373</b>	<b>181,600</b>	<b>—</b>	<b>181,600</b>
<b>Other</b>	<b>28,910</b>	<b>725</b>	<b>29,635</b>	<b>22,866</b>	<b>—</b>	<b>22,866</b>
<b>Total common shares</b>	<b>829,705</b>	<b>68,776</b>	<b>898,481</b>	<b>862,642</b>	<b>66,969</b>	<b>929,611</b>
<b>Total derivative assets</b>	<b>1,764</b>	<b>—</b>	<b>1,764</b>	<b>3,855</b>	<b>—</b>	<b>3,855</b>
<b>Loans and receivables</b>						
Mortgages	—	—	235,338	—	—	264,309
Loans on policies	—	—	50,282	—	—	47,969
Policy contract loans	—	—	77,942	—	—	80,944
<b>Total financial instruments</b>	<b>\$ 6,009,899</b>	<b>\$ 1,724,924</b>	<b>\$ 8,098,385</b>	<b>\$ 5,750,653</b>	<b>\$ 1,460,916</b>	<b>\$ 7,604,791</b>

# 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 presents the fair value of cash and cash equivalents and investments classified by the fair value hierarchy:

As at	September 30, 2017			December 31, 2016		
	Level 1	Level 2	Total fair value	Level 1	Level 2	Total fair value
Fair value through profit or loss:						
Cash and cash equivalents	\$ 13,684	353,169	\$ 366,853	\$ 14,278	\$ 354,595	\$ 368,873
Short-term investments	—	38,971	38,971	—	32,991	32,991
Bonds	—	4,434,444	4,434,444	—	4,207,421	4,207,421
Preferred shares	338,162	—	338,162	274,871	—	274,871
Common shares	741,640	88,065	829,705	787,048	75,594	862,642
Derivative assets	1,113	651	1,764	3,265	590	3,855
Available for sale:						
Cash and cash equivalents	—	—	—	—	—	—
Short-term investments	—	114,650	114,650	—	69,883	69,883
Bonds	—	1,529,839	1,529,839	—	1,313,751	1,313,751
Preferred shares	11,659	—	11,659	10,313	—	10,313
Common shares	68,776	—	68,776	66,969	—	66,969
Derivative assets	—	—	—	—	—	—
Loans and Receivables						
Mortgages	—	236,809	236,809	—	269,171	269,171
Loans on policies	—	50,282	50,282	—	47,969	47,969
Policy contract loans	—	77,942	77,942	—	80,944	80,944
<b>Total</b>	<b>\$ 1,175,034</b>	<b>\$ 6,924,822</b>	<b>\$ 8,099,856</b>	<b>\$ 1,156,744</b>	<b>\$ 6,452,909</b>	<b>\$ 7,609,653</b>

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 September 30, 2017 or during the year ended December 31, 2016.

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 14.

## (b) Impairments

For the nine months ended September 30, 2017, the Company reclassified a pre-tax loss of \$686 from OCI to Net income due to write downs of impaired AFS common and preferred shares (for the nine months ended September 30, 2016, \$777). Management considers these 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 14.

# 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) 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	September 30, 2017			December 31, 2016		
	Notional principal	Fair value assets	Fair value liabilities	Notional principal	Fair value assets	Fair value liabilities
Exchange-traded						
Equity index futures	\$ 76,740	\$ 834	\$ 109	\$ 128,708	\$ 1,471	\$ 213
Equity options	128,053	279	—	325,348	1,794	—
Over-the-counter						
Foreign currency forwards	28,689	651	21	28,247	590	25
Total	\$ 233,482	\$ 1,764	\$ 130	\$ 482,303	\$ 3,855	\$ 238

All contracts mature in less than one year. Fair value asset amounts are reported on the Consolidated Statements of Financial Position as Derivative assets. Fair value liability amounts are reported on 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. 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 14.

## (d) Securities Lending

During March 2017, the Company entered into a securities lending agreement with its custodian, RBC Investor Services Trust ("RBC IS"). 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 RBC IS, at its option RBC IS 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 RBC IS. If the collateral is not sufficient to allow RBC IS to pay such market value to the Company, RBC IS 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.

Income recognized from securities lending activities was as follows:

	For the three months ended		For the nine months ended	
	September 30, 2017	September 30, 2016	September 30, 2017	September 30, 2016
Empire Life General funds	\$ 169	n/a	\$ 269	n/a
Empire Life Segregated funds	381	n/a	696	n/a
Total	\$ 550	n/a	\$ 965	n/a

# 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 September 30, 2017 and December 31, 2016, the aggregate fair values of the Company's securities loaned and the collateral received were as follows:

As at	September 30, 2017	December 31, 2016
<b>Empire Life General Funds</b>		
Value of securities loaned	\$ 684,848	\$ n/a
Value of collateral received	\$ 700,722	\$ n/a
<b>Empire Life Segregated Funds</b>		
Value of securities loaned	\$ 1,443,879	\$ n/a
Value of collateral received	\$ 1,475,685	\$ n/a
<b>Total</b>		
Value of securities loaned	\$ 2,128,727	\$ n/a
Value of collateral received	\$ 2,176,407	\$ n/a

## 4. Segregated Funds

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

As at	September 30, 2017	December 31, 2016
Cash and cash equivalents	\$ 213,858	\$ 262,838
Short-term investments	448,265	142,710
Bonds	1,531,674	1,668,044
Common and preferred shares	6,208,010	5,990,431
Other net assets	15,938	54,212
	8,417,745	8,118,235
Less segregated funds held within general fund investments	(38,019)	(36,202)
<b>Total</b>	<b>\$ 8,379,726</b>	<b>\$ 8,082,033</b>

(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	September 30, 2017			December 31, 2016		
	Level 1	Level 2	Total	Level 1	Level 2	Total
Cash and cash equivalents	\$ 15,751	\$ 198,107	\$ 213,858	\$ 60,370	\$ 202,468	\$ 262,838
Short-term investments	—	448,265	448,265	—	142,710	142,710
Bonds	—	1,531,674	1,531,674	—	1,668,044	1,668,044
Common and preferred shares	6,208,010	—	6,208,010	5,990,431	—	5,990,431
<b>Total</b>	<b>\$ 6,223,761</b>	<b>\$ 2,178,046</b>	<b>\$ 8,401,807</b>	<b>\$ 6,050,801</b>	<b>\$ 2,013,222</b>	<b>\$ 8,064,023</b>

There were no transfers between Level 1 and Level 2, and there were no Level 3 investments during the nine month period ended September 30, 2017 or during the year ended December 31, 2016.

# 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 nine months ended	
	September 30, 2017	September 30, 2016	September 30, 2017	September 30, 2016
Segregated fund assets - beginning of period	\$ 8,313,102	\$ 7,491,598	\$ 8,082,033	\$ 7,367,823
Additions to segregated funds:				
Amount received from policyholders	425,345	258,057	1,021,719	940,114
Interest	12,956	15,016	41,704	41,336
Dividends	30,925	28,361	105,175	93,519
Other income	8,009	7,598	22,558	22,044
Net realized gains on sale of investments	114,900	104,508	355,029	177,383
Net unrealized increase in fair value of investments	—	228,861	—	225,210
	592,135	642,401	1,546,185	1,499,606
Deductions from segregated funds:				
Amounts withdrawn or transferred by policyholders	410,174	252,363	937,950	877,377
Net unrealized decrease in fair value of investments	50,485	—	121,314	—
Management fees and other operating costs	64,296	57,187	187,411	166,827
	524,955	309,550	1,246,675	1,044,204
Net change in segregated funds held within general fund investments	(556)	(1,379)	(1,817)	(155)
Segregated fund assets - end of period	\$ 8,379,726	\$ 7,823,070	\$ 8,379,726	\$ 7,823,070

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

Segregated fund products issued by Empire Life contain death, maturity, and withdrawal benefit guarantees. Changes in global equity markets impact Empire Life's estimated liability for those guarantees. The impact of market risk in segregated funds on shareholders' net income is disclosed in Note 14.

## 5. Insurance Premiums

	For the three months ended			For the three months ended		
	September 30, 2017			September 30, 2016		
	Gross	Reinsurance ceded	Net	Gross	Reinsurance ceded	Net
Life premiums	\$ 119,242	\$ (24,900)	\$ 94,342	\$ 114,293	\$ (22,889)	\$ 91,404
Health premiums	87,274	(7,112)	80,162	89,627	(6,908)	82,719
Total life and health premiums	206,516	(32,012)	174,504	203,920	(29,797)	174,123
Annuity premiums	42,918	(44)	42,874	44,584	(56)	44,528
Total insurance premiums	\$ 249,434	\$ (32,056)	\$ 217,378	\$ 248,504	\$ (29,853)	\$ 218,651

	For the nine months ended			For the nine months ended		
	September 30, 2017			September 30, 2016		
	Gross	Reinsurance ceded	Net	Gross	Reinsurance ceded	Net
Life premiums	\$ 352,627	\$ (73,434)	\$ 279,193	\$ 344,040	\$ (68,082)	\$ 275,958
Health premiums	264,016	(21,087)	242,929	266,504	(20,284)	246,220
Total life and health premiums	616,643	(94,521)	522,122	610,544	(88,366)	522,178
Annuity premiums	102,272	(161)	102,111	137,017	(188)	136,829
Total insurance premiums	\$ 718,915	\$ (94,682)	\$ 624,233	\$ 747,561	\$ (88,554)	\$ 659,007

# 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. Benefits and Expenses

### (a) Insurance contract benefits and claims paid

	For the three months ended September 30, 2017			For the three months ended September 30, 2016		
	Gross	Reinsurance ceded	Net	Gross	Reinsurance ceded	Net
Life claims	\$ 48,083	\$ (14,721)	\$ 33,362	\$ 44,206	\$ (11,088)	\$ 33,118
Health claims	56,424	(4,107)	52,317	61,114	(3,115)	57,999
Total life and health claims	104,507	(18,828)	85,679	105,320	(14,203)	91,117
Annuity benefits	50,886	(701)	50,185	51,589	(542)	51,047
Benefits and claims paid	\$ 155,393	\$ (19,529)	\$ 135,864	\$ 156,909	\$ (14,745)	\$ 142,164

	For the nine months ended September 30, 2017			For the nine months ended September 30, 2016		
	Gross	Reinsurance ceded	Net	Gross	Reinsurance ceded	Net
Life claims	\$ 141,995	\$ (39,163)	\$ 102,832	\$ 131,859	\$ (36,160)	\$ 95,699
Health claims	184,380	(12,664)	171,716	197,716	(11,438)	186,278
Total life and health claims	326,375	(51,827)	274,548	329,575	(47,598)	281,977
Annuity benefits	155,907	(1,809)	154,098	160,706	(1,526)	159,180
Benefits and claims paid	\$ 482,282	\$ (53,636)	\$ 428,646	\$ 490,281	\$ (49,124)	\$ 441,157

### (b) Change in insurance contract liabilities and reinsurance ceded

	For the three months ended September 30, 2017			For the three months ended September 30, 2016		
	Gross	Reinsurance ceded	Net	Gross	Reinsurance ceded	Net
Life	\$ (119,991)	\$ (19,703)	\$ (139,694)	\$ 128,602	\$ 8,396	\$ 136,998
Health	(1,183)	(960)	(2,143)	16,324	(4,632)	11,692
Total life and health	(121,174)	(20,663)	(141,837)	144,926	3,764	148,690
Annuity	(10,289)	99	(10,190)	8,427	738	9,165
Change in Insurance Contract Liabilities	\$ (131,463)	\$ (20,564)	\$ (152,027)	\$ 153,353	\$ 4,502	\$ 157,855
Change attributable to:						
Normal changes - New Business	\$ 19,391	\$ (2,917)	\$ 16,474	\$ 18,690	\$ (3,639)	\$ 15,051
- In-Force Business	(150,854)	(17,647)	(168,501)	134,663	8,141	142,804
Change in Insurance Contract Liabilities	\$ (131,463)	\$ (20,564)	\$ (152,027)	\$ 153,353	\$ 4,502	\$ 157,855

	For the nine months ended September 30, 2017			For the nine months ended September 30, 2016		
	Gross	Reinsurance ceded	Net	Gross	Reinsurance ceded	Net
Life	\$ 173,757	\$ 669	\$ 174,426	\$ 477,625	\$ 44,568	\$ 522,193
Health	11,602	246	11,848	40,542	(7,950)	32,592
Total life and health	185,359	915	186,274	518,167	36,618	554,785
Annuity	(26,356)	843	(25,513)	8,232	1,739	9,971
Change in Insurance Contract Liabilities	\$ 159,003	\$ 1,758	\$ 160,761	\$ 526,399	\$ 38,357	\$ 564,756
Change attributable to:						
Normal changes - New Business	\$ 31,932	\$ (9,607)	\$ 22,325	\$ 65,609	\$ (9,453)	\$ 56,156
- In-Force Business	127,071	11,365	138,436	460,790	47,810	508,600
Change in Insurance Contract Liabilities	\$ 159,003	\$ 1,758	\$ 160,761	\$ 526,399	\$ 38,357	\$ 564,756



# 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. Income Taxes included on 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 September 30, 2017			For the three months ended September 30, 2016		
	Before tax	Tax provision (recovery)	After tax	Before tax	Tax provision (recovery)	After tax
Unrealized fair value change on available for sale investments	\$ (37,396)	\$ (9,970)	\$ (27,426)	\$ 23,478	\$ 6,266	\$ 17,212
Fair value change on available for sale investments reclassified to net income, including impairment write downs	1,049	231	818	(6,524)	(1,768)	(4,756)
Remeasurements of post-employment benefit liabilities	10,640	2,836	7,804	(444)	(119)	(325)
<b>Total other comprehensive income (loss)</b>	<b>\$ (25,707)</b>	<b>\$ (6,903)</b>	<b>\$ (18,804)</b>	<b>\$ 16,510</b>	<b>\$ 4,379</b>	<b>\$ 12,131</b>

	For the nine months ended September 30, 2017			For the nine months ended September 30, 2016		
	Before tax	Tax provision (recovery)	After tax	Before tax	Tax provision (recovery)	After tax
Unrealized fair value change on available for sale investments	\$ (12,836)	\$ (3,422)	\$ (9,414)	\$ 60,789	\$ 16,225	\$ 44,564
Fair value change on available for sale investments reclassified to net income, including impairment write downs	(1,443)	(465)	(978)	(14,780)	(4,004)	(10,776)
Remeasurements of post-employment benefit liabilities	(1,387)	(370)	(1,017)	(20,302)	(5,419)	(14,883)
<b>Total other comprehensive income (loss)</b>	<b>\$ (15,666)</b>	<b>\$ (4,257)</b>	<b>\$ (11,409)</b>	<b>\$ 25,707</b>	<b>\$ 6,802</b>	<b>\$ 18,905</b>

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

	For the three months ended September 30, 2017			For the three months ended September 30, 2016		
	Before tax	Tax provision (recovery)	After tax	Before tax	Tax provision (recovery)	After tax
Unrealized fair value change on available for sale investments	\$ (36,658)	\$ (9,773)	\$ (26,885)	\$ 20,807	\$ 5,553	\$ 15,254
Fair value change on available for sale investments reclassified to net income, including impairment write downs	2,223	558	1,665	(5,183)	(1,395)	(3,788)
Remeasurements of post-employment benefit liabilities	10,154	2,707	7,447	(424)	(113)	(311)
Shareholder portion of policyholder other comprehensive income (loss)	(149)	(41)	(108)	104	26	78
<b>Total other comprehensive income (loss)</b>	<b>\$ (24,430)</b>	<b>\$ (6,549)</b>	<b>\$ (17,881)</b>	<b>\$ 15,304</b>	<b>\$ 4,071</b>	<b>\$ 11,233</b>

	For the nine months ended September 30, 2017			For the nine months ended September 30, 2016		
	Before tax	Tax provision (recovery)	After tax	Before tax	Tax provision (recovery)	After tax
Unrealized fair value change on available for sale investments	\$ (11,944)	\$ (3,184)	\$ (8,760)	\$ 54,976	\$ 14,673	\$ 40,303
Fair value change on available for sale investments reclassified to net income, including impairment write downs	504	89	415	(11,974)	(3,220)	(8,754)
Remeasurements of post-employment benefit liabilities	(1,324)	(353)	(971)	(19,374)	(5,171)	(14,203)
Shareholder portion of policyholder other comprehensive income (loss)	(221)	(62)	(159)	224	57	167
<b>Total other comprehensive income (loss)</b>	<b>\$ (12,985)</b>	<b>\$ (3,510)</b>	<b>\$ (9,475)</b>	<b>\$ 23,852</b>	<b>\$ 6,339</b>	<b>\$ 17,513</b>

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

	For the three months ended September 30, 2017			For the three months ended September 30, 2016		
	Before tax	Tax provision (recovery)	After tax	Before tax	Tax provision (recovery)	After tax
Unrealized fair value change on available for sale investments	\$ (738)	\$ (197)	\$ (541)	2,671	713	1,958
Fair value change on available for sale investments reclassified to net income, including impairment write downs	(1,174)	(327)	(847)	(1,341)	(373)	(968)
Remeasurements of post-employment benefit liabilities	486	129	357	(20)	(6)	(14)
Shareholder portion of policyholder other comprehensive income (loss)	149	41	108	(104)	(26)	(78)
<b>Total other comprehensive income (loss)</b>	<b>\$ (1,277)</b>	<b>\$ (354)</b>	<b>\$ (923)</b>	<b>1,206</b>	<b>308</b>	<b>898</b>

	For the nine months ended September 30, 2017			For the nine months ended September 30, 2016		
	Before tax	Tax provision (recovery)	After tax	Before tax	Tax provision (recovery)	After tax
Unrealized fair value change on available for sale investments	\$ (892)	\$ (238)	\$ (654)	5,813	1,552	4,261
Fair value change on available for sale investments reclassified to net income, including impairment write downs	(1,947)	(554)	(1,393)	(2,806)	(784)	(2,022)
Remeasurements of post-employment benefit liabilities	(63)	(17)	(46)	(928)	(248)	(680)
Shareholder portion of policyholder other comprehensive income (loss)	221	62	159	(224)	(57)	(167)
<b>Total other comprehensive income (loss)</b>	<b>\$ (2,681)</b>	<b>\$ (747)</b>	<b>\$ (1,934)</b>	<b>1,855</b>	<b>463</b>	<b>1,392</b>

## 8. 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 nine months ended	
	September 30, 2017	September 30, 2016	September 30, 2017	September 30, 2016
Basic and diluted EPS				
Common shareholders' net income	\$ 39,078	\$ 38,093	\$ 122,635	100,173
Weighted average number of common shares outstanding	985,076	985,076	985,076	985,076
<b>Basic and diluted EPS</b>	<b>\$ 39.67</b>	<b>\$ 38.67</b>	<b>\$ 124.49</b>	<b>101.69</b>

# 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. Capital Stock

As at	September 30, 2017			December 31, 2016		
	Shares authorized	Shares issued and outstanding	Amount	Shares authorized	Shares issued and outstanding	Amount
Preferred shares						
Series 1	unlimited	5,980,000	\$ 149,500	unlimited	5,980,000	\$ 149,500
Common shares	2,000,000	985,076	\$ 985	2,000,000	985,076	\$ 985

In the first quarter of 2016, Empire Life issued to the public 5,980,000 Non-Cumulative Rate Reset Preferred Shares, Series 1 (Series 1 Preferred Shares) at \$25 per share. Holders of Series 1 Preferred Shares are entitled to receive fixed non-cumulative quarterly dividends yielding 5.75% annually, as and when declared by the Board of Directors of Empire Life, for the initial period ending on and including April 17, 2021. Thereafter, the dividend rate will be reset every five years at a rate equal to the 5-year Government of Canada bond yield plus 4.99%. Holders of Series 1 Preferred Shares will have the right, at their option, to convert their shares into Non-Cumulative Floating Rate Preferred Shares, Series 2 (Series 2 Preferred Shares), subject to certain conditions, on April 17, 2021 and on April 17 every five years thereafter. Holders of the Series 2 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 4.99%.

The cost of issuance of the Series 1 Preferred Shares, \$5,150 less \$1,375 of income tax, was charged to retained earnings.

## 10. Dividends

### Common shareholder dividends

There were no common shareholder dividends paid in 2017 or 2016.

### Preferred shareholder dividends

On February 25, 2016 the Board approved a cash dividend of \$0.2402 per share on the issued and outstanding Series 1 Preferred Shares, payable on the 17th day of April, 2016.

On April 28, 2016 the Board approved a cash dividend of \$0.359375 per share on the issued and outstanding Series 1 Preferred Shares, payable on the 17th day of July, 2016.

On July 28, 2016 the Board approved a cash dividend of \$0.359375 per share on the issued and outstanding Series 1 Preferred Shares, payable on the 17th day of October, 2016.

On October 27, 2016 the Board approved a cash dividend of \$0.359375 per share on the issued and outstanding Series 1 Preferred Shares, payable on the 17<sup>th</sup> day of January, 2017.

On February 24, 2017 the Board approved a cash dividend of \$0.359375 per share on the issued and outstanding Series 1 Preferred Shares, payable on the 17<sup>th</sup> day of April, 2017.

On April 26, 2017 the Board approved a cash dividend of \$0.359375 per share on the issued and outstanding Series 1 Preferred Shares, payable on the 17<sup>th</sup> day of July, 2017.

On July 27, 2017 the Board approved a cash dividend of \$0.359375 per share on the issued and outstanding Series 1 Preferred Shares, payable on the 17<sup>th</sup> day of October, 2017.

On October 26, 2017, subsequent to the date of these Condensed Interim Consolidated Financial Statements, the Board approved a cash dividend of \$0.359375 per share on the issued and outstanding Series 1 Preferred Shares, payable on the 17<sup>th</sup> day of January, 2018.

# 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. 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, guaranteed interest rate annuities and annuities providing income for life.

The Employee Benefits 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 September 30, 2017				
	Wealth Management	Employee Benefits	Individual Insurance	Capital & Surplus	Total
Net premiums from external customers	\$ 42,871	\$ 81,975	\$ 92,532	\$ —	\$ 217,378
Interest income	7,686	1,553	38,998	11,534	59,771
Total investment income	9,633	921	46,165	13,109	69,828
Fair value change in fair value through profit or loss assets	(13,108)	(1,958)	(213,162)	(270)	(228,498)
Realized gain (loss) on fair value through profit or loss assets	257	—	16,770	(2,421)	14,606
Realized gain (loss) on available for sale assets including impairment write downs	18	21	22	(1,111)	(1,050)
Fee income from external customers	59,673	2,536	(16)	12	62,205
Net benefits and claims	50,190	53,971	31,703	—	135,864
Net change in insurance contract liabilities	(10,193)	1,019	(142,853)	—	(152,027)
Change in investment contract provision	72	—	—	—	72
Policy dividends	—	—	7,211	—	7,211
Amortization of property and equipment and intangibles	651	145	822	—	1,618
Total operating expenses	14,386	10,127	12,614	458	37,585
Net commission expense	19,602	8,349	16,341	—	44,292
Interest expense	—	—	—	4,011	4,011
Premium tax	—	2,080	2,824	—	4,904
Investment and capital tax	—	—	999	—	999
Income tax expense (recovery)	6,155	2,028	2,954	965	12,102
Net income (loss) after tax	19,132	5,921	10,518	3,885	39,456

# 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 September 30, 2016				
	Wealth Management	Employee Benefits	Individual Insurance	Capital & Surplus	Total
Net premiums from external customers	\$ 44,528	\$ 85,006	\$ 89,117	\$ —	\$ 218,651
Interest income	7,961	1,562	41,183	310	51,016
Total investment income	10,097	926	47,316	1,711	60,050
Fair value change in fair value through profit or loss assets	6,308	669	99,530	1,388	107,895
Realized gain (loss) on fair value through profit or loss assets	1,569	—	9,107	(9,970)	706
Realized gain (loss) on available for sale assets including impairment write downs	—	—	—	6,523	6,523
Fee income from external customers	56,214	2,445	381	10	59,050
Net benefits and claims	51,047	59,634	31,483	—	142,164
Net change in insurance contract liabilities	9,165	6,574	142,116	—	157,855
Change in investment contract provision	887	—	—	—	887
Policy dividends	—	—	6,784	—	6,784
Amortization of property and equipment and intangibles	375	260	539	—	1,174
Total operating expenses	11,090	9,837	13,121	264	34,312
Net commission expense	19,249	8,289	19,402	—	46,940
Interest expense	—	—	—	2,261	2,261
Premium tax	—	2,504	2,540	—	5,044
Investment and capital tax	—	—	999	—	999
Income tax expense (recovery)	6,639	942	6,854	(1,064)	13,371
Net income (loss) after tax	20,639	1,266	22,152	(1,799)	42,258

	For the nine months ended September 30, 2017				
	Wealth Management	Employee Benefits	Individual Insurance	Capital & Surplus	Total
Net premiums from external customers	\$ 102,108	\$ 248,656	\$ 273,469	\$ —	\$ 624,233
Interest income	22,596	4,467	115,428	33,595	176,086
Total investment income	29,440	2,645	133,424	38,524	204,033
Fair value change in fair value through profit or loss assets	5,940	(1,530)	(31,611)	7,032	(20,169)
Realized gain (loss) on fair value through profit or loss assets	2,115	316	60,995	(11,847)	51,579
Realized gain (loss) on available for sale assets including impairment write downs	26	28	(120)	1,508	1,442
Fee income from external customers	178,714	7,653	267	38	186,672
Net benefits and claims	154,103	175,945	98,598	—	428,646
Net change in insurance contract liabilities	(25,516)	789	185,488	—	160,761
Change in investment contract provision	217	—	—	—	217
Policy dividends	—	—	21,635	—	21,635
Amortization of property and equipment and intangibles	1,857	1,043	2,506	—	5,406
Total operating expenses	42,464	31,209	39,568	1,200	114,441
Net commission expense	64,043	25,216	45,701	—	134,960
Interest expense	—	—	—	11,941	11,941
Premium tax	—	6,314	8,330	—	14,644
Investment and capital tax	—	—	2,997	—	2,997
Income tax expense (recovery)	20,539	4,892	5,175	4,829	35,435
Net income (loss) after tax	62,493	13,403	28,932	17,285	122,113

# 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 nine months ended September 30, 2016				
	Wealth Management	Employee Benefits	Individual Insurance	Capital & Surplus	Total
Net premiums from external customers	\$ 136,829	\$ 253,656	\$ 268,522	\$ —	\$ 659,007
Interest income	24,118	4,568	112,557	20,059	161,302
Total investment income	30,652	2,804	129,969	22,753	186,178
Fair value change in fair value through profit or loss assets	5,880	3,200	379,783	(8,344)	380,519
Realized gain (loss) on fair value through profit or loss assets	2,166	647	39,660	(19,649)	22,824
Realized gain (loss) on available for sale assets including impairment write downs	(188)	(188)	(25)	15,181	14,780
Fee income from external customers	161,977	7,299	837	30	170,143
Net benefits and claims	159,180	191,387	90,590	—	441,157
Net change in insurance contract liabilities	9,971	11,430	543,355	—	564,756
Change in investment contract provision	1,010	—	—	—	1,010
Policy dividends	—	—	20,348	—	20,348
Amortization of property and equipment and intangibles	1,050	763	1,482	—	3,295
Total operating expenses	34,988	29,622	39,473	843	104,926
Net commission expense	60,785	25,482	52,613	—	138,880
Interest expense	—	—	—	6,732	6,732
Premium tax	—	7,120	7,196	—	14,316
Investment and capital tax	—	—	2,997	—	2,997
Income tax expense (recovery)	17,821	1,061	13,997	120	32,999
Net income (loss) after tax	53,561	1,316	48,177	2,276	105,330

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

As at	September 30, 2017				
	Wealth Management	Employee Benefits	Individual Insurance	Capital & Surplus	Total
Assets excluding segregated funds	\$ 957,002	\$ 153,486	\$ 4,803,050	\$ 2,343,577	\$ 8,257,115
Segregated funds	8,359,401	—	20,325	—	8,379,726
<b>Total assets</b>	<b>\$ 9,316,403</b>	<b>\$ 153,486</b>	<b>\$ 4,823,375</b>	<b>\$ 2,343,577</b>	<b>\$ 16,636,841</b>

As at	December 31, 2016				
	Wealth Management	Employee Benefits	Individual Insurance	Capital & Surplus	Total
Assets excluding segregated funds	\$ 969,991	\$ 152,586	\$ 4,613,014	\$ 2,044,552	\$ 7,780,143
Segregated funds	8,061,128	—	20,905	—	8,082,033
<b>Total assets</b>	<b>\$ 9,031,119</b>	<b>\$ 152,586</b>	<b>\$ 4,633,919</b>	<b>\$ 2,044,552</b>	<b>\$ 15,862,176</b>

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.

# 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. Investment Commitments

In the normal course of business, outstanding investment commitments are not reflected in the Consolidated Financial Statements. In January 2016 the Company made a \$20,000 commitment to purchase additional units in a real estate limited partnership. Draws on this commitment are payable on demand up to and including July 31, 2018.

In February 2017, there was a capital call of \$1,094 in this real estate limited partnership.

In March 2017, there was a capital call of \$6,288 in this real estate limited partnership.

At September 30, 2017 there remained \$2,285 (December 31, 2016, \$9,667) of outstanding capital calls to purchase units in the real estate limited partnership.

## 13. Capital Management

The Company aims to manage its regulatory capital in order to meet the regulatory capital adequacy requirements of the *Insurance Companies Act (Canada)* as established and monitored by OSFI. Under the guidelines established by OSFI, the Company's regulatory capital consists of two tiers. The Company's Tier 1 regulatory capital includes common shares, contributed surplus, retained earnings and participating policyholders' equity. Tier 2 regulatory capital includes the accumulated unrealized gains on AFS equity securities, net of tax, negative reserves on insurance contract liabilities and subordinated debt. OSFI's target Tier 1 and total regulatory capital ratios for Canadian life insurance companies are 105% and 150% respectively. As at September 30, 2017 and December 31, 2016 the Company was in compliance with these ratios.

As at	September 30, 2017	December 31, 2016
Tier 1 Regulatory Capital	\$ 1,310,500	\$ 1,206,134
Tier 2 Regulatory Capital	877,073	707,205
Total Regulatory Capital	\$ 2,187,573	\$ 1,913,339

# 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)

## 14. 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 2016 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 insurance.

### 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. 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 2016 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 has also disclosed 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 September 30, 2017			
	10% Increase	10% Decrease	20% Increase	20% Decrease
Shareholders' net income (including segregated fund guarantees)*	\$ 20,775	\$ (20,008)	\$ 41,792	\$ (64,286)
Policyholders' net income	\$ nil	\$ nil	\$ nil	\$ nil
Shareholders' other comprehensive income	\$ 2,423	\$ (2,423)	\$ 4,846	\$ (4,846)
Policyholders' other comprehensive income	\$ 2,615	\$ (2,615)	\$ 5,230	\$ (5,230)



# 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 September 30, 2016			
	10% Increase	10% Decrease	20% Increase	20% Decrease
Shareholders' net income (including segregated fund guarantees)*	\$ 16,728	\$ (14,003)	\$ 34,312	\$ (21,534)
Policyholders' net income	\$ nil	\$ nil	\$ nil	\$ nil
Shareholders' other comprehensive income	\$ 2,276	\$ (2,276)	\$ 4,552	\$ (4,552)
Policyholders' other comprehensive income	\$ 2,377	\$ (2,377)	\$ 4,754	\$ (4,754)

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

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

As at	September 30, 2017	December 31, 2016
Holdings of common equities in the 10 issuers to which the Company had the greatest exposure	\$ 371,143	\$ 330,213
Percentage of total cash and investments	4.6%	4.5%
Exposure to the largest single issuer of common equities	\$ 88,065	\$ 75,594
Percentage of total cash and investments	1.1%	1.0%

## (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 September 30, 2017			
	50 bps Increase	50 bps Decrease	100 bps Increase	100 bps Decrease
Shareholders' net income	\$ 8,745	\$ (9,749)	\$ 16,601	\$ (20,634)
Policyholders' net income	\$ 179	\$ (195)	\$ 343	\$ (408)
Shareholders' other comprehensive income	\$ (40,889)	\$ 48,253	\$ (74,413)	\$ 103,869
Policyholders' other comprehensive income	\$ (1,651)	\$ 1,833	\$ (3,119)	\$ 3,849

	As at September 30, 2016			
	50 bps Increase	50 bps Decrease	100 bps Increase	100 bps Decrease
Shareholders' net income	\$ 10,549	\$ (11,844)	\$ 19,960	\$ (25,163)
Policyholders' net income	\$ 566	\$ (621)	\$ 1,084	\$ (1,302)
Shareholders' other comprehensive income	\$ (34,491)	\$ 40,373	\$ (63,102)	\$ 86,626
Policyholders' other comprehensive income	\$ (1,568)	\$ 1,710	\$ (2,993)	\$ 3,562

## (3) Foreign exchange rate risk

The Company's primary foreign currency exposure arises from portfolio investments denominated in US dollars. As at September 30, 2017, a 10% fluctuation in the US dollar would have an impact of approximately \$ nil (September 30, 2016, \$ nil) on Net income, \$ nil (September 30, 2016, \$ nil) on shareholders' OCI and \$ nil (September 30, 2016, \$ 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	September 30, 2017		December 31, 2016	
Cash and cash equivalents	\$	366,853	\$	368,873
Short-term investments		153,621		102,874
Bonds		5,964,283		5,521,172
Preferred shares		349,821		285,184
Derivative assets		1,764		3,855
Mortgages		235,338		264,309
Reinsurance		93,996		95,473
Loans on policies		50,282		47,969
Policy contract loans		77,942		80,944
Accrued investment income		44,538		40,551
Insurance receivables		38,186		53,097
Trade accounts receivable		18,681		33,731
<b>Total</b>	<b>\$</b>	<b>7,395,305</b>	<b>\$</b>	<b>6,898,032</b>

The Company participates in a securities lending program with its custodian, RBC IS. 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	September 30, 2017		December 31, 2016	
	Fair value	% of Fair value	Fair value	% of Fair value
AAA	\$ 438,601	7%	\$ 380,423	7%
AA	639,710	11%	591,132	11%
A	3,998,220	67%	3,689,809	66%
BBB (and lower ratings)	887,752	15%	859,808	16%
<b>Total</b>	<b>\$ 5,964,283</b>	<b>100%</b>	<b>\$ 5,521,172</b>	<b>100%</b>

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	September 30, 2017		December 31, 2016	
Provincial bond holdings	\$	3,119,006	\$	2,925,004
Percentage of total bond holdings		52.3%		53.0%

# 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	September 30, 2017		December 31, 2016	
	Fair value	% of Fair value	Fair value	% of Fair value
1 year or less	\$ 213,217	4%	\$ 59,872	1%
1 - 5 years	536,319	9%	586,444	11%
5 - 10 years	707,818	12%	637,529	12%
Over 10 years	4,506,929	75%	4,237,327	76%
<b>Total</b>	<b>\$ 5,964,283</b>	<b>100%</b>	<b>\$ 5,521,172</b>	<b>100%</b>

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	September 30, 2017	December 31, 2016
Holdings of fixed income securities* in the 10 issuers (excluding federal governments) to which the Company had the greatest exposure	\$ 4,072,410	\$ 3,534,308
Percentage of total cash and investments	50.3%	46.5%
Exposure to the largest single issuer of corporate bonds	\$ 174,767	\$ 154,112
Percentage of total cash and investments	2.2%	2.0%

\*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% (December 31, 2016, 1%) of these investments rated as P1 and the remaining 99% (December 31, 2016, 99%) rated as P2.

## (3) Mortgages

Mortgages in the province of Ontario represent the largest concentration with \$235,338 or 100% (December 31, 2016, \$264,309 or 100%) of the total mortgage portfolio.

# 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)

## 15. Subordinated Debt

On September 15, 2017, the Company issued \$200,000 principal amount of unsecured subordinated debentures with a maturity date of March 15, 2028. The interest rate from September 15, 2017 until March 15, 2023 is 3.664%, and the rate from March 15, 2023 until March 15, 2028 is equal to the 3-month Canadian Deposit Offering Rate plus 1.53%. Interest is payable semi-annually at September 15 and March 15 until March 15, 2023, quarterly thereafter with the first such payment on June 15, 2023. The Company may call for redemption of the debentures on or after March 15, 2023 subject to the approval of OSFI. The holders have no right of redemption. The fair value of these debentures is \$201,444 as of September 30, 2017 (as of December 31, 2016 \$ na), and is within level 2 of the fair value hierarchy. The fair value is provided by a third party bond pricing service.

On December 16, 2016, the Company issued \$200,000 principal amount of unsecured subordinated debentures with a maturity date of December 16, 2026. The interest rate from December 16, 2016 until December 16, 2021 is 3.383%, and the rate from December 16, 2021 until December 16, 2026 is equal to the 3-month Canadian Deposit Offering Rate plus 1.95%. Interest is payable semi-annually at December 16 and June 16 until December 16, 2021, quarterly thereafter with the first such payment on March 16, 2022. The Company may call for redemption of the debentures on or after December 16, 2021 subject to the approval of OSFI. The holders have no right of redemption. The fair value of these debentures is \$200,864 as of September 30, 2017 (as of December 31, 2016 \$199,870), and is within level 2 of the fair value hierarchy. The fair value is provided by a third party bond pricing service.

On May 31, 2013, the Company issued \$300,000 principal amount of unsecured subordinated debentures with a maturity date of May 31, 2023. The interest rate from May 31, 2013 until May 31, 2018 is 2.870%, and the rate from May 31, 2018 until May 31, 2023 is equal to the 3-month Canadian Deposit Offering Rate plus 1.05%. Interest is payable semi-annually at May 31 and November 30 until May 31, 2018, quarterly thereafter with the first such payment on August 31, 2018. The Company may call for redemption of the debentures on or after May 31, 2018 subject to the approval of OSFI. The holders have no right of redemption. The fair value of these debentures is \$300,912 as of September 30, 2017 (as of December 31, 2016 \$301,062), and is within level 2 of the fair value hierarchy. The fair value is provided by a third party bond pricing service.

The debentures are subordinated in right of payment to all policy contract liabilities of the Company and all other senior indebtedness of the Company.

# Glossary of Terms

(unaudited)

## Accumulated Other Comprehensive Income (AOCI)

A separate component of shareholders' and policyholders' equity that 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 that 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 Canadian life and health insurance industry provides a wide range of financial security products to more than 26 million Canadians and their dependents. 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.

## 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.

## Minimum Continuing Capital and Surplus Requirements (MCCSR)

The ratio of the available regulatory capital of a life insurance company to its required regulatory capital, each as calculated under OSFI's published guidelines.

## 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 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.

Empire Life is among the top 10 life insurance companies in Canada<sup>1</sup> and is rated A (Excellent) by A.M. Best Company<sup>2</sup>. 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.

Follow Empire Life on Twitter @EmpireLife or visit our website, [www.empire.ca](http://www.empire.ca) for more information.

<sup>1</sup> Based on general fund and segregated fund assets in Canada as at December 31, 2016 as reported in regulatory filings

<sup>2</sup> As at June 1, 2017

## Transfer Agent and Registrar

AST Trust Company (Canada) (formerly known as CST Trust Company)

1 Toronto Street, Suite 1200

Toronto, Ontario, M5C 2V6

Phone 416-682-3860

Toll Free 800-387-0825

[www.astfinancial.com/ca-en](http://www.astfinancial.com/ca-en)

## Stock Exchange Listing

Preferred Shares, Series 1 EML.PR.A

## 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: [jfbrierley@sympatico.ca](mailto:jfbrierley@sympatico.ca)

Phone: 905-338-7290

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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A-0004-ENG-10/17