

# The Empire Life Insurance Company

## **Condensed Interim Consolidated Financial Statements For the six months ended June 30, 2021 Unaudited**

### NOTICE OF NO AUDITOR REVIEW OF CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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



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# Interim Consolidated Statements of Financial Position

(unaudited, in thousands of Canadian dollars)

As at	June 30, 2021	December 31, 2020
<b>Assets</b>		
Cash and cash equivalents (Note 3)	\$ 209,496	\$ 189,356
Investments		
Short-term investments (Note 3)	8,488	13,008
Bonds (Note 3)	7,731,894	8,027,780
Preferred shares (Note 3)	555,596	616,902
Common shares (Note 3)	996,279	918,700
Derivative assets (Note 3)	4,862	5,377
Mortgages (Note 3)	155,046	157,214
Loans on policies (Note 3)	56,224	56,458
Policy contract loans (Note 3)	57,288	60,407
<b>Total cash and cash equivalents and investments</b>	<b>9,775,173</b>	<b>10,045,202</b>
Accrued investment income	38,627	38,932
Insurance receivables	41,008	46,533
Current income taxes	206	38,795
Other assets	31,947	21,289
Property and equipment	16,278	18,301
Intangible assets	28,986	27,983
Investment in associate	21,824	21,301
Segregated fund assets (Note 4)	8,966,262	8,457,417
<b>Total assets</b>	<b>\$ 18,920,311</b>	<b>\$ 18,715,753</b>
<b>Liabilities</b>		
Accounts payable and other liabilities	\$ 108,713	\$ 130,971
Insurance payables	109,607	114,938
Reinsurance liabilities	352,893	384,761
Insurance contract liabilities	6,708,900	7,145,461
Investment contract liabilities	27,874	29,041
Policyholders' funds on deposit	34,869	34,817
Provision for profits to policyholders	37,344	36,124
Deferred income taxes	38,713	35,711
Subordinated debt	399,587	399,442
Segregated fund policy liabilities	8,966,262	8,457,417
<b>Total liabilities</b>	<b>16,784,762</b>	<b>16,768,683</b>
<b>Equity</b>		
Preferred shares (Note 9)	100,000	249,500
Common shares (Note 9)	985	985
Other equity instruments (Note 9)	196,664	—
Contributed surplus	19,387	19,387
Retained earnings	1,772,816	1,602,915
Accumulated other comprehensive income	45,697	74,283
<b>Total equity</b>	<b>2,135,549</b>	<b>1,947,070</b>
<b>Total liabilities and equity</b>	<b>\$ 18,920,311</b>	<b>\$ 18,715,753</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 six months ended	
	June 30, 2021	June 30, 2020	June 30, 2021	June 30, 2020
<b>Revenue</b>				
Gross premiums (Note 5)	\$ 288,443	\$ 251,698	\$ 566,693	\$ 522,400
Premiums ceded to reinsurers (Note 5)	(65,187)	(50,007)	(118,398)	(104,911)
Net premiums (Note 5)	223,256	201,691	448,295	417,489
Investment income	84,512	82,392	164,227	163,343
Fair value change in fair value through profit or loss assets	214,280	666,960	(476,637)	268,366
Realized gain (loss) on fair value through profit or loss assets sold	32,728	82,146	85,929	115,874
Realized gain (loss) on available for sale assets including impairment write downs (Note 3)	(3,917)	13,553	(1,949)	18,227
Fee income	67,212	58,108	132,949	123,393
Total revenue	618,071	1,104,850	352,814	1,106,692
<b>Benefits and expenses</b>				
Gross benefits and claims paid (Note 6)	191,586	172,322	391,188	355,322
Claims recovery from reinsurers (Note 6)	(37,920)	(41,373)	(72,568)	(69,918)
Gross change in insurance contract liabilities (Note 6)	295,424	746,952	(436,562)	563,747
Change in insurance contract liabilities ceded (Note 6)	3,528	54,209	(31,868)	24,319
Change in investment contracts provision	(56)	142	240	475
Policy dividends	9,139	8,507	17,171	15,919
Operating expenses	41,546	41,003	84,349	83,506
Commissions	68,969	49,339	136,311	106,395
Commission recovery from reinsurers	(10,112)	(5,085)	(16,631)	(13,369)
Interest expense	6,244	3,598	8,579	7,158
Total benefits and expenses	568,348	1,029,614	80,209	1,073,554
Premium tax	5,105	4,993	10,924	9,643
Investment and capital tax	907	825	1,879	1,650
<b>Net income before income taxes</b>	<b>43,711</b>	<b>69,418</b>	<b>259,802</b>	<b>21,845</b>
Income taxes	7,722	14,835	60,825	651
<b>Net income</b>	<b>\$ 35,989</b>	<b>\$ 54,583</b>	<b>\$ 198,977</b>	<b>\$ 21,194</b>
Less: net income (loss) attributable to participating policyholders	3,149	3,513	5,327	(1,676)
Shareholders' net income (loss)	32,840	51,070	193,650	22,870
Less: preferred share dividends declared (Note 10)	1,225	3,374	4,599	6,748
<b>Common shareholders' net income</b>	<b>\$ 31,615</b>	<b>\$ 47,696</b>	<b>\$ 189,051</b>	<b>\$ 16,122</b>
Earnings per share - basic and diluted (Note 8)	\$ 32.09	\$ 48.42	\$ 191.92	\$ 16.37

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

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

# Interim Consolidated Statements of Comprehensive Income

(unaudited, in thousands of Canadian dollars)

	For the three months ended		For the six months ended	
	June 30, 2021	June 30, 2020	June 30, 2021	June 30, 2020
<b>Net income</b>	\$ 35,989	\$ 54,583	\$ 198,977	\$ 21,194
<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)	18,519	86,441	(55,314)	70,260
Fair value change on available for sale investments reclassified to net income, including impairment write downs (Note 7)	2,885	(9,946)	1,467	(13,376)
Net unrealized fair value increase (decrease)	21,404	76,495	(53,847)	56,884
Items that will not be reclassified to net income:				
Remeasurements of post-employment benefit liabilities (Note 7)	2,704	(19,994)	25,261	(19,095)
Total other comprehensive income (loss)	24,108	56,501	(28,586)	37,789
<b>Comprehensive income (loss)</b>	\$ 60,097	\$ 111,084	\$ 170,391	\$ 58,983
<b>Comprehensive income (loss) attributable to:</b>				
Participating policyholders	\$ 3,695	\$ 6,111	\$ 6,395	\$ (227)
Shareholders	56,402	104,973	163,996	59,210
Total	\$ 60,097	\$ 111,084	\$ 170,391	\$ 58,983

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

# Interim Consolidated Statements of Changes in Equity

(unaudited, in thousands of Canadian dollars)

	For the six months ended June 30, 2021			For the six months ended June 30, 2020		
	Shareholders'	Policyholders'	Total	Shareholders'	Policyholders'	Total
<b>Preferred shares (Note 9)</b>	\$ 100,000	\$ —	\$ 100,000	\$ 249,500	\$ —	\$ 249,500
<b>Common shares (Note 9)</b>	985	—	985	985	—	985
<b>Other equity investments (Note 9)</b>	196,664	—	196,664	—	—	—
<b>Contributed surplus</b>	19,387	—	19,387	19,387	—	19,387
<b>Retained earnings</b>						
Retained earnings - beginning of period	1,560,384	42,531	1,602,915	1,597,668	38,484	1,636,152
Net income (loss)	193,650	5,327	198,977	22,870	(1,676)	21,194
Common share dividends declared	(24,477)	—	(24,477)	(111,743)	—	(111,743)
Preferred share dividends declared	(4,599)	—	(4,599)	(6,748)	—	(6,748)
Retained earnings - end of period	1,724,958	47,858	1,772,816	1,502,047	36,808	1,538,855
<b>Accumulated other comprehensive income (loss)</b>						
Accumulated other comprehensive income (loss) - beginning of period	72,666	1,617	74,283	32,190	1,628	33,818
Other comprehensive income (loss)	(29,654)	1,068	(28,586)	36,340	1,449	37,789
Accumulated other comprehensive income (loss) - end of period	43,012	2,685	45,697	68,530	3,077	71,607
<b>Total equity</b>	\$ 2,085,006	\$ 50,543	\$ 2,135,549	\$ 1,840,449	\$ 39,885	\$ 1,880,334
<b>Composition of accumulated other comprehensive income (loss) - end of period</b>						
Unrealized gain (loss) on available for sale financial assets	\$ 49,546	\$ 2,606	\$ 52,152	\$ 100,559	\$ 5,050	\$ 105,609
Remeasurements of post-employment benefit liabilities	(6,715)	260	(6,455)	(32,388)	(1,614)	(34,002)
Shareholder portion of policyholders' accumulated other comprehensive income	181	(181)	—	359	(359)	—
Total accumulated other comprehensive income (loss)	\$ 43,012	\$ 2,685	\$ 45,697	\$ 68,530	\$ 3,077	\$ 71,607

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

# Interim Consolidated Statements of Cash Flows

(unaudited, in thousands of Canadian dollars)

	For the six months ended	
	June 30, 2021	June 30, 2020
<b>Operating activities</b>		
Net income	\$ 198,977	\$ 21,194
Non-cash items affecting net income:		
Change in contract liabilities	(436,322)	564,222
Change in reinsurance liability	(31,868)	24,319
Fair value change in fair value through profit or loss assets	476,637	(268,366)
Realized (gain) loss on assets including impairment write downs on available for sale assets	(83,980)	(134,101)
Amortization related to discount on debt instruments	(39,002)	(41,721)
Amortization related to property and equipment and intangible assets	6,046	5,331
Deferred income taxes	(6,046)	622
Share of income from associate	(613)	—
Other items	64,209	(39,192)
Cash provided from (used for) operating activities	<b>148,038</b>	<b>132,308</b>
<b>Investing activities</b>		
Portfolio investments		
Purchases and advances	(1,426,279)	(1,248,923)
Sales and maturities	1,287,005	1,302,612
Loans on policies		
Advances	(4,088)	(4,899)
Repayments	7,441	5,209
(Increase) decrease in short-term investments	4,520	17,872
Purchase of property and equipment and intangible assets	(5,479)	(5,878)
Dividends from associate	90	—
Cash provided from (used for) investing activities	<b>(136,790)</b>	<b>65,993</b>
<b>Financing activities</b>		
Dividends paid to common shareholders (Note 10)	(24,477)	(111,743)
Dividends paid to preferred shareholders (Note 10)	(6,748)	(6,748)
Interest paid on subordinated debt	(7,047)	(7,047)
Preferred shares redeemed (Note 9)	(149,500)	—
Limited recourse capital notes issue (Note 9)	196,664	—
Cash provided from (used for) financing activities	<b>8,892</b>	<b>(125,538)</b>
<b>Net change in cash and cash equivalents</b>	<b>20,140</b>	<b>72,763</b>
<b>Cash and cash equivalents - beginning of period (Note 3)</b>	<b>189,356</b>	<b>140,333</b>
<b>Cash and cash equivalents - end of period (Note 3)</b>	<b>\$ 209,496</b>	<b>\$ 213,096</b>
Supplementary cash flow information related to operating activities:		
Income taxes paid, net of (refunds)	\$ 13,750	\$ 58,253
Interest income received	98,484	95,312
Dividend income received	28,822	25,674

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 reporting 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 July 29, 2021.

## 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, 2020.

### (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 issued but not yet effective

##### (1) IFRS 9 Financial Instruments

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

Under IFRS 9, all financial assets currently within the scope of IAS 39 will be measured at either amortized cost, FVTOCI or FVTPL. Classification will depend on the business model and the contractual cash flow characteristics of the financial asset. All equity instruments will be measured at FVTOCI or FVTPL. A debt instrument will be measured at amortized cost only if it is held to collect the contractual cash flows and the cash flows represent principal and interest. For financial liabilities

# 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)

designated as FVTPL, the change in the fair value attributable to changes in the liability's credit risk will be recognized in OCI.

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

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

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

Per the amendments to IFRS 4 Applying IFRS 9 *Financial Instruments* with IFRS 4 *Insurance Contracts*, companies applying the temporary exemption are required to disclose fair value information with respect to their investments in financial assets whose contractual cash flows reflect solely payments of principal and interest on the principal amount outstanding (SPPI), to enable users of financial statements to compare insurers applying the temporary exemption with entities applying IFRS 9. The Company's fixed income invested assets presented in Note 3(a) include cash equivalents, short-term investments, bonds, mortgages, loans on policies and policy contract loans and primarily have cash flows that qualify as SPPI. Fixed income invested assets which did not have SPPI qualifying cash flows as at December 31, 2020 and December 31, 2019 included mortgages with fair values of \$13.2 million and \$10.4 million, respectively.

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

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

In May 2017, the IASB issued IFRS 17 *Insurance Contracts*, which will replace IFRS 4. IFRS 17 establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts. In June 2020, the IASB issued amendments to IFRS 17, which include deferral of the effective date to annual periods beginning on or after January 1, 2023 from the original effective date of January 1, 2021. The deferral option of IFRS 9 for insurers was also extended to that same date. IFRS 17 will affect how we account for our insurance contracts and how we report our financial performance in our Consolidated Statements of Operations.

# 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 follow

As at	June 30, 2021			December 31, 2020		
Asset category	Fair value through profit or loss	Available for sale	Total carrying value	Fair value through profit or loss	Available for sale	Total carrying value
Cash and cash equivalents						
Cash	\$ 46,883	\$ —	\$ 46,883	\$ 35,201	\$ —	\$ 35,201
Cash equivalents	162,613	—	162,613	154,155	—	154,155
Total cash and cash equivalents	209,496	—	209,496	189,356	—	189,356
Short-term investments						
Canadian federal government	3,495	4,993	8,488	4,999	4,999	9,998
Corporate	—	—	—	3,010	—	3,010
Total short-term investments	3,495	4,993	8,488	8,009	4,999	13,008
Bonds						
Canadian federal government	6,407	312,940	319,347	8,013	252,719	260,732
Canadian provincial governments	3,120,971	541,590	3,662,561	3,554,583	543,756	4,098,339
Canadian municipal governments	108,169	89,731	197,900	117,558	95,069	212,627
Total Canadian government bonds	3,235,547	944,261	4,179,808	3,680,154	891,544	4,571,698
Canadian corporate bonds by industry sector:						
Energy	212,676	78,299	290,975	141,206	62,341	203,547
Materials	17,354	6,931	24,285	16,193	7,030	23,223
Industrials	78,757	53,408	132,165	90,584	49,751	140,335
Consumer discretionary	38,782	14,656	53,438	15,068	6,336	21,404
Consumer staples	188,805	63,977	252,782	198,407	72,255	270,662
Health care	76,776	8,862	85,638	81,884	9,319	91,203
Financial services	641,136	430,387	1,071,523	642,664	363,736	1,006,400
Information Technology	177	—	177	181	5,116	5,297
Communication services	317,092	33,094	350,186	284,443	42,202	326,645
Utilities	558,569	80,076	638,645	628,449	77,174	705,623
Real estate	40,930	7,471	48,401	42,655	18,718	61,373
Infrastructure	423,231	68,549	491,780	418,409	59,328	477,737
Total Canadian corporate bonds	2,594,285	845,710	3,439,995	2,560,143	773,306	3,333,449
Foreign bonds						
Government	101,899	—	101,899	111,399	—	111,399
Corporate	10,192	—	10,192	11,234	—	11,234
Total foreign bonds	112,091	—	112,091	122,633	—	122,633
Total bonds	5,941,923	1,789,971	7,731,894	6,362,930	1,664,850	8,027,780
Total preferred shares - Canadian	544,464	11,132	555,596	606,664	10,238	616,902
Common shares						
Canadian						
Canadian common shares	219,625	55,369	274,994	172,172	47,734	219,906
Exchange-traded funds	516,403	—	516,403	501,905	—	501,905
Canadian real estate limited partnership units	125,812	—	125,812	121,290	—	121,290
U.S.	45,508	—	45,508	42,046	—	42,046
Other	33,562	—	33,562	33,553	—	33,553
Total common shares	940,910	55,369	996,279	870,966	47,734	918,700
Total derivative assets	4,862	—	4,862	5,377	—	5,377

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

# Condensed Notes to the Interim Consolidated Financial Statements

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

As at Asset category	June 30, 2021			December 31, 2020		
	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>Loans and receivables</b>						
Mortgages	—	—	155,046	—	—	157,214
Loans on policies	—	—	56,224	—	—	56,458
Policy contract loans	—	—	57,288	—	—	60,407
<b>Total financial instruments</b>	<b>\$ 7,645,150</b>	<b>\$ 1,861,465</b>	<b>\$ 9,775,173</b>	<b>\$ 8,043,302</b>	<b>\$ 1,727,821</b>	<b>\$ 10,045,202</b>

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

As at	June 30, 2021			December 31, 2020		
	Level 1	Level 2	Total fair value	Level 1	Level 2	Total fair value
Fair value through profit or loss:						
Cash and cash equivalents	\$ 46,883	\$ 162,613	\$ 209,496	\$ 35,201	\$ 154,155	\$ 189,356
Short-term investments	—	3,495	3,495	—	8,009	8,009
Bonds	—	5,941,923	5,941,923	—	6,362,930	6,362,930
Preferred shares	544,464	—	544,464	606,664	—	606,664
Common shares	814,630	126,280	940,910	749,275	121,691	870,966
Derivative assets	4,199	663	4,862	5,358	19	5,377
Available for sale:						
Short-term investments	—	4,993	4,993	—	4,999	4,999
Bonds	—	1,789,971	1,789,971	—	1,664,850	1,664,850
Preferred shares	11,132	—	11,132	10,238	—	10,238
Common shares	55,369	—	55,369	47,734	—	47,734
Loans and Receivables						
Mortgages	—	167,671	167,671	—	170,886	170,886
Loans on policies	—	56,224	56,224	—	56,458	56,458
Policy contract loans	—	57,288	57,288	—	60,407	60,407
<b>Total</b>	<b>\$ 1,476,677</b>	<b>\$ 8,311,121</b>	<b>\$ 9,787,798</b>	<b>\$ 1,454,470</b>	<b>\$ 8,604,404</b>	<b>\$ 10,058,874</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 approximate their carrying values, due to the life insurance contracts that secure them.

The classification of a financial instrument into a level is based on the lowest level of input that is significant to the determination of the fair value. There were no transfers between Level 1 and Level 2 and there were no Level 3 investments during the period ended June 30, 2021 or during the year ended December 31, 2020.

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 six months ended June 30, 2021, the Company reclassified a pre-tax loss of \$ nil from OCI to net income due to write downs of impaired available for sale (AFS) common and preferred shares (for the six months ended June 30, 2020, \$4,252). 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.

# 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 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.

## (c) Derivative financial instruments

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

As at	June 30, 2021			December 31, 2020		
	Notional principal	Fair value assets	Fair value liabilities	Notional principal	Fair value assets	Fair value liabilities
Exchange-traded						
Equity index futures	\$ 117,557	\$ 2,640	\$ 1,115	\$ 104,315	\$ 3,325	43
Equity options	310,996	1,558	—	122,828	2,033	—
Over-the-counter						
Foreign currency forwards	33,317	535	20	34,114	16	7
Cross currency swaps	20,980	129	818	20,980	3	1,360
<b>Total</b>	<b>\$ 482,850</b>	<b>\$ 4,862</b>	<b>\$ 1,953</b>	<b>\$ 282,237</b>	<b>\$ 5,377</b>	<b>1,410</b>

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

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

For analysis of the Company's risks arising from financial instruments, refer to Note 14.

## (d) Securities Lending

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

# Condensed Notes to the Interim Consolidated Financial Statements

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

As at June 30, 2021 and December 31, 2020, the aggregate fair values of the Company's securities loaned and the collateral received were as follows:

As at	June 30, 2021			December 31, 2020		
	General Funds	Segregated Funds	Total	General Funds	Segregated Funds	Total
Value of securities loaned	\$ 1,303,417	\$ 1,291,185	\$ 2,594,602	\$ 1,307,965	\$ 1,452,978	\$ 2,760,943
Value of collateral received	\$ 1,329,633	\$ 1,317,620	\$ 2,647,253	\$ 1,334,144	\$ 1,482,183	\$ 2,816,327

## 4. Segregated Funds

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

As at	June 30, 2021	December 31, 2020
Cash and cash equivalents	\$ 29,693	\$ 34,871
Short-term investments	481,261	410,641
Bonds	1,839,779	1,866,564
Common and preferred shares	6,700,173	6,207,527
Other net assets	7,067	20,320
	<b>9,057,973</b>	<b>8,539,923</b>
Less segregated funds held within general fund investments	(91,711)	(82,506)
<b>Total</b>	<b>\$ 8,966,262</b>	<b>\$ 8,457,417</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	June 30, 2021			December 31, 2020		
	Level 1	Level 2	Total	Level 1	Level 2	Total
Cash and cash equivalents	\$ 29,693	\$ —	\$ 29,693	\$ 34,871	\$ —	\$ 34,871
Short-term investments	—	481,261	481,261	—	410,641	410,641
Bonds	—	1,839,779	1,839,779	—	1,866,564	1,866,564
Common and preferred shares	6,700,173	—	6,700,173	6,207,527	—	6,207,527
<b>Total</b>	<b>\$ 6,729,866</b>	<b>\$ 2,321,040</b>	<b>\$ 9,050,906</b>	<b>\$ 6,242,398</b>	<b>\$ 2,277,205</b>	<b>\$ 8,519,603</b>

There were no transfers between Level 1 and Level 2 during the six months ended June 30, 2021 or during the year ended December 31, 2020. There were no level 3 investments as at June 30, 2021 or December 31, 2020.

# Condensed Notes to the Interim Consolidated Financial Statements

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

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

	For the three months ended		For the six months ended	
	June 30, 2021	June 30, 2020	June 30, 2021	June 30, 2020
Segregated fund assets - beginning of period	\$ 8,654,452	\$ 7,065,012	\$ 8,457,417	\$ 8,498,583
Additions to segregated funds:				
Amount received from policyholders	222,971	138,464	504,783	368,700
Interest	14,517	14,014	28,587	31,018
Dividends	37,455	30,661	72,323	66,337
Other income	5,624	(8,130)	10,492	6,800
Net realized gains on sale of investments	89,148	—	238,624	—
Net unrealized increase in fair value of investments	263,308	833,348	421,922	—
	<b>633,023</b>	<b>1,008,357</b>	<b>1,276,731</b>	<b>472,855</b>
Deductions from segregated funds:				
Amounts withdrawn or transferred by policyholders	252,505	152,908	632,285	474,319
Net realized losses on sale of investments	—	127,693	—	129,806
Net unrealized decrease in fair value of investments	—	—	—	523,710
Management fees and other operating costs	64,576	53,092	126,396	113,633
	<b>317,081</b>	<b>333,693</b>	<b>758,681</b>	<b>1,241,468</b>
Net change in segregated funds held within general fund investments	(4,132)	(6,546)	(9,205)	3,160
Segregated fund assets - end of period	\$ 8,966,262	\$ 7,733,130	\$ 8,966,262	\$ 7,733,130

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

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

## 5. Insurance Premiums

	For the three months ended			For the three months ended		
	June 30, 2021			June 30, 2020		
	Gross	Reinsurance ceded	Net	Gross	Reinsurance ceded	Net
Life premiums	\$ 143,569	\$ (32,534)	\$ 111,035	\$ 132,409	\$ (29,091)	\$ 103,318
Health premiums	127,681	(32,619)	95,062	100,668	(20,853)	79,815
Total life and health premiums	271,250	(65,153)	206,097	233,077	(49,944)	183,133
Annuity premiums	17,193	(34)	17,159	18,621	(63)	18,558
Total insurance premiums	\$ 288,443	\$ (65,187)	\$ 223,256	\$ 251,698	\$ (50,007)	\$ 201,691

	For the six months ended			For the six months ended		
	June 30, 2021			June 30, 2020		
	Gross	Reinsurance ceded	Net	Gross	Reinsurance ceded	Net
Life premiums	\$ 282,772	\$ (61,913)	\$ 220,859	\$ 263,780	\$ (59,160)	\$ 204,620
Health premiums	243,266	(56,416)	186,850	212,686	(45,649)	167,037
Total life and health premiums	526,038	(118,329)	407,709	476,466	(104,809)	371,657
Annuity premiums	40,655	(69)	40,586	45,934	(102)	45,832
Total insurance premiums	\$ 566,693	\$ (118,398)	\$ 448,295	\$ 522,400	\$ (104,911)	\$ 417,489

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)

## 6. Benefits and Expenses

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

	For the three months ended June 30, 2021			For the three months ended June 30, 2020		
	Gross	Reinsurance ceded	Net	Gross	Reinsurance ceded	Net
Life claims	\$ 68,034	\$ (19,705)	\$ 48,329	\$ 83,295	\$ (32,609)	\$ 50,686
Health claims	83,827	(18,873)	64,954	50,135	(8,259)	41,876
Total life and health claims	151,861	(38,578)	113,283	133,430	(40,868)	92,562
Annuity benefits	39,725	658	40,383	38,892	(505)	38,387
Benefits and claims paid	\$ 191,586	\$ (37,920)	\$ 153,666	\$ 172,322	\$ (41,373)	\$ 130,949

	For the six months ended June 30, 2021			For the six months ended June 30, 2020		
	Gross	Reinsurance ceded	Net	Gross	Reinsurance ceded	Net
Life claims	\$ 137,082	\$ (39,299)	\$ 97,783	\$ 140,568	\$ (46,218)	\$ 94,350
Health claims	163,332	(33,270)	130,062	124,927	(22,493)	102,434
Total life and health claims	300,414	(72,569)	227,845	265,495	(68,711)	196,784
Annuity benefits	90,774	1	90,775	89,827	(1,207)	88,620
Benefits and claims paid	\$ 391,188	\$ (72,568)	\$ 318,620	\$ 355,322	\$ (69,918)	\$ 285,404

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

	For the three months ended June 30, 2021			For the three months ended June 30, 2020		
	Gross	Reinsurance ceded	Net	Gross	Reinsurance ceded	Net
Life	\$ 277,095	\$ 9,338	\$ 286,433	\$ 640,516	\$ 63,594	\$ 704,110
Health	23,614	(5,922)	17,692	45,960	(9,236)	36,724
Total life and health	300,709	3,416	304,125	686,476	54,358	740,834
Annuity	(5,285)	112	(5,173)	60,476	(149)	60,327
Change in insurance contract liabilities	\$ 295,424	\$ 3,528	\$ 298,952	\$ 746,952	\$ 54,209	\$ 801,161
Change attributable to:						
Normal changes - New Business	\$ (8,989)	\$ (3,468)	\$ (12,457)	\$ (25,074)	\$ (2,513)	\$ (27,587)
- In-Force Business	304,413	6,996	311,409	772,026	56,722	828,748
Change in insurance contract liabilities	\$ 295,424	\$ 3,528	\$ 298,952	\$ 746,952	\$ 54,209	\$ 801,161

	For the six months ended June 30, 2021			For the six months ended June 30, 2020		
	Gross	Reinsurance ceded	Net	Gross	Reinsurance ceded	Net
Life	\$ (249,967)	\$ (22,083)	\$ (272,050)	\$ 404,481	\$ 36,169	\$ 440,650
Health	3,892	(10,357)	(6,465)	42,316	(12,203)	30,113
Total life and health	(246,075)	(32,440)	(278,515)	446,797	23,966	470,763
Annuity	(190,487)	572	(189,915)	116,950	353	117,303
Change in insurance contract liabilities	\$ (436,562)	\$ (31,868)	\$ (468,430)	\$ 563,747	\$ 24,319	\$ 588,066
Change attributable to:						
Normal changes - New Business	\$ (27,179)	\$ (6,208)	\$ (33,387)	\$ (57,153)	\$ (231)	\$ (57,384)
- In-Force Business	(409,383)	(25,660)	(435,043)	620,900	24,550	645,450
Change in insurance contract liabilities	\$ (436,562)	\$ (31,868)	\$ (468,430)	\$ 563,747	\$ 24,319	\$ 588,066

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



# Condensed Notes to the Interim Consolidated Financial Statements

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

## 7. Income Taxes included in Other Comprehensive Income (Loss)

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

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

	For the three months ended June 30, 2021			For the three months ended June 30, 2020		
	Before tax	Tax provision (recovery)	After tax	Before tax	Tax provision (recovery)	After tax
Unrealized fair value change on available for sale investments	\$ 25,205	\$ 6,686	\$ 18,519	\$ 117,655	\$ 31,214	\$ 86,441
Fair value change on available for sale investments reclassified to net income, including impairment write downs	3,917	1,032	2,885	(13,554)	(3,608)	(9,946)
Remeasurements of post-employment benefit liabilities	3,676	972	2,704	(27,213)	(7,219)	(19,994)
<b>Total other comprehensive income (loss)</b>	<b>\$ 32,798</b>	<b>\$ 8,690</b>	<b>\$ 24,108</b>	<b>\$ 76,888</b>	<b>\$ 20,387</b>	<b>\$ 56,501</b>

	For the six months ended June 30, 2021			For the six months ended June 30, 2020		
	Before tax	Tax provision (recovery)	After tax	Before tax	Tax provision (recovery)	After tax
Unrealized fair value change on available for sale investments	\$ (75,288)	\$ (19,974)	\$ (55,314)	\$ 95,632	\$ 25,372	\$ 70,260
Fair value change on available for sale investments reclassified to net income, including impairment write downs	1,949	482	1,467	(18,227)	(4,851)	(13,376)
Remeasurements of post-employment benefit liabilities	34,314	9,053	25,261	(25,990)	(6,895)	(19,095)
<b>Total other comprehensive income (loss)</b>	<b>\$ (39,025)</b>	<b>\$ (10,439)</b>	<b>\$ (28,586)</b>	<b>\$ 51,415</b>	<b>\$ 13,626</b>	<b>\$ 37,789</b>

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

	For the three months ended June 30, 2021			For the three months ended June 30, 2020		
	Before tax	Tax provision (recovery)	After tax	Before tax	Tax provision (recovery)	After tax
Unrealized fair value change on available for sale investments	\$ 24,682	\$ 6,548	\$ 18,134	\$ 112,609	\$ 29,876	\$ 82,733
Fair value change on available for sale investments reclassified to net income, including impairment write downs	3,917	1,032	2,885	(13,661)	(3,636)	(10,025)
Remeasurements of post-employment benefit liabilities	3,421	905	2,516	(25,970)	(6,889)	(19,081)
Shareholder portion of policyholder other comprehensive income (loss)	36	9	27	375	99	276
<b>Total other comprehensive income (loss)</b>	<b>\$ 32,056</b>	<b>\$ 8,494</b>	<b>\$ 23,562</b>	<b>\$ 73,353</b>	<b>\$ 19,450</b>	<b>\$ 53,903</b>

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

# Condensed Notes to the Interim Consolidated Financial Statements

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

	For the six months ended June 30, 2021			For the six months ended June 30, 2020		
	Before tax	Tax provision (recovery)	After tax	Before tax	Tax provision (recovery)	After tax
	Unrealized fair value change on available for sale investments	\$ (74,319)	\$ (19,717)	\$ (54,602)	\$ 93,307	\$ 24,755
Fair value change on available for sale investments reclassified to net income, including impairment write downs	1,956	484	1,472	(19,357)	(5,152)	(14,205)
Remeasurements of post-employment benefit liabilities	31,960	8,432	23,528	(24,800)	(6,579)	(18,221)
Shareholder portion of policyholder other comprehensive income (loss)	(71)	(19)	(52)	291	77	214
<b>Total other comprehensive income (loss)</b>	<b>\$ (40,474)</b>	<b>\$ (10,820)</b>	<b>\$ (29,654)</b>	<b>\$ 49,441</b>	<b>\$ 13,101</b>	<b>\$ 36,340</b>

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

	For the three months ended June 30, 2021			For the three months ended June 30, 2020		
	Before tax	Tax provision (recovery)	After tax	Before tax	Tax provision (recovery)	After tax
	Unrealized fair value change on available for sale investments	\$ 523	\$ 138	\$ 385	\$ 5,046	\$ 1,338
Fair value change on available for sale investments reclassified to net income, including impairment write downs	—	—	—	107	28	79
Remeasurements of post-employment benefit liabilities	255	67	188	(1,243)	(330)	(913)
Shareholder portion of policyholder other comprehensive income (loss)	(36)	(9)	(27)	(375)	(99)	(276)
<b>Total other comprehensive income (loss)</b>	<b>\$ 742</b>	<b>\$ 196</b>	<b>\$ 546</b>	<b>\$ 3,535</b>	<b>\$ 937</b>	<b>\$ 2,598</b>

	For the six months ended June 30, 2021			For the six months ended June 30, 2020		
	Before tax	Tax provision (recovery)	After tax	Before tax	Tax provision (recovery)	After tax
	Unrealized fair value change on available for sale investments	\$ (969)	\$ (257)	\$ (712)	\$ 2,325	\$ 617
Fair value change on available for sale investments reclassified to net income, including impairment write downs	(7)	(2)	(5)	1,130	301	829
Remeasurements of post-employment benefit liabilities	2,354	621	1,733	(1,190)	(316)	(874)
Shareholder portion of policyholder other comprehensive income (loss)	71	19	52	(291)	(77)	(214)
<b>Total other comprehensive income (loss)</b>	<b>\$ 1,449</b>	<b>\$ 381</b>	<b>\$ 1,068</b>	<b>\$ 1,974</b>	<b>\$ 525</b>	<b>\$ 1,449</b>

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

# Condensed Notes to the Interim Consolidated Financial Statements

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

## 8. Earnings Per Share

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

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

	For the three months ended		For the six months ended	
	June 30, 2021	June 30, 2020	June 30, 2021	June 30, 2020
Basic and diluted EPS				
Common shareholders' net income	\$ 31,615	\$ 47,696	\$ 189,051	\$ 16,122
Weighted average number of common shares outstanding	985,076	985,076	985,076	985,076
Basic and diluted EPS	\$ 32.09	\$ 48.42	\$ 191.92	\$ 16.37

## 9. Capital Stock

As at	June 30, 2021			December 31, 2020		
	Shares authorized	Shares issued and outstanding	Amount	Shares authorized	Shares issued and outstanding	Amount
Preferred shares						
Series 1		—	\$ —	unlimited	5,980,000	\$ 149,500
Series 3	unlimited	4,000,000	\$ 100,000	unlimited	4,000,000	\$ 100,000
Limited recourse capital notes		200,000	\$ 200,000		—	\$ —
Common shares	2,000,000	985,076	\$ 985	2,000,000	985,076	\$ 985

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

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

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

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)

Thereafter, the yield will reset every five years at a rate equal to the 5-year Government of Canada bond yield plus 3.082%.

On April 17, 2021, the Company redeemed all of the outstanding Preferred Shares, Series 1 at the price of \$25.00 per share for an aggregate total of \$149.5 million plus declared dividends.

## 10. Dividends

	Dividend declaration date	Shares issued and outstanding	Dividend rate per share	Total dividend (\$ 000's)	Dividend payment date
<b>Common shareholder dividends</b>					
<b>Common shares</b>	April 29, 2021	985,076	\$ 14.212101	\$ 14,000	June 8, 2021
	February 24, 2021	985,076	\$ 10.635322	\$ 10,477	April 1, 2021
	October 29, 2020	985,076	\$ 22.072300	\$ 21,743	December 8, 2020
	July 29, 2020	985,076	\$ 44.144700	\$ 43,486	September 9, 2020
	February 26, 2020	985,076	\$ 113.435853	\$ 111,743	April 8, 2020
<b>Preferred shareholder dividends</b>					
<b>Series 1</b>	February 24, 2021	5,980,000	\$ 0.359375	\$ 2,149	April 17, 2021
	October 29, 2020	5,980,000	\$ 0.359375	\$ 2,149	January 17, 2021
	July 29, 2020	5,980,000	\$ 0.359375	\$ 2,149	October 17, 2020
	April 30, 2020	5,980,000	\$ 0.359375	\$ 2,149	July 17, 2020
	February 26, 2020	5,980,000	\$ 0.359375	\$ 2,149	April 17, 2020
<b>Series 3</b>	April 29, 2021	4,000,000	\$ 0.306250	\$ 1,225	July 17, 2021
	February 24, 2021	4,000,000	\$ 0.306250	\$ 1,225	April 17, 2021
	October 30, 2020	4,000,000	\$ 0.306250	\$ 1,225	January 17, 2021
	July 29, 2020	4,000,000	\$ 0.306250	\$ 1,225	October 17, 2020
	April 30, 2020	4,000,000	\$ 0.306250	\$ 1,225	July 17, 2020
	February 26, 2020	4,000,000	\$ 0.306250	\$ 1,225	April 17, 2020

On July 29, 2021, subsequent to the date of these Interim Consolidated Financial Statements, the Board approved the following cash dividends:

- \$14,000 (\$14.212101 per share) on the issued and outstanding Common Shares, payable on September 8, 2021.
- \$1,225 (\$0.306250 per share) on the issued and outstanding Series 3 Preferred Shares, payable on October 17, 2021.

# Condensed Notes to the Interim Consolidated Financial Statements

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

## 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 and fixed annuities.

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 June 30, 2021				
	Wealth Management	Employee Benefits	Individual Insurance	Capital & Surplus	Total
Net premiums from external customers	\$ 17,159	\$ 99,357	\$ 106,740	\$ —	\$ 223,256
Interest income	6,781	48,538	1,259	12,750	69,328
Total investment income	9,247	882	58,901	15,482	84,512
Fair value change in fair value through profit or loss assets	8,212	907	206,316	(1,155)	214,280
Realized gain (loss) on fair value through profit or loss assets	84	—	39,444	(6,800)	32,728
Realized gain (loss) on available for sale assets including impairment write downs	40	37	34	(4,028)	(3,917)
Fee income from external customers	63,665	3,452	36	59	67,212
Net benefits and claims	40,383	67,916	45,367	—	153,666
Net change in insurance contract liabilities	(5,173)	6,710	297,415	—	298,952
Change in investment contract provision	(56)	—	—	—	(56)
Policy dividends	—	—	9,139	—	9,139
Amortization of property and equipment and intangibles	460	1,064	1,464	—	2,988
Total operating expenses	12,409	13,163	15,833	141	41,546
Net commission expense	19,699	13,362	25,796	—	58,857
Interest expense	—	—	—	6,244	6,244
Premium tax	—	2,614	2,491	—	5,105
Investment and capital tax	—	—	907	—	907
Income tax expense (recovery)	7,685	219	1,368	(1,550)	7,722
Net income (loss) after tax	23,460	651	13,155	(1,277)	35,989

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

# Condensed Notes to the Interim Consolidated Financial Statements

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

	For the three months ended June 30, 2020				
	Wealth Management	Employee Benefits	Individual Insurance	Capital & Surplus	Total
Net premiums from external customers	\$ 18,558	\$ 83,585	\$ 99,548	\$ —	\$ 201,691
Interest income	7,184	1,592	44,983	13,702	67,461
Total investment income	9,709	1,120	55,025	16,538	82,392
Fair value change in fair value through profit or loss assets	53,652	7,742	606,581	(1,015)	666,960
Realized gain (loss) on fair value through profit or loss assets	804	1,668	83,068	(3,394)	82,146
Realized gain (loss) on available for sale assets including impairment write downs	12	11	12	13,518	13,553
Fee income from external customers	55,035	2,879	153	41	58,108
Net benefits and claims	38,387	44,351	48,211	—	130,949
Net change in insurance contract liabilities	60,327	10,575	730,259	—	801,161
Change in investment contract provision	142	—	—	—	142
Policy dividends	—	—	8,507	—	8,507
Amortization of property and equipment and intangibles	560	829	1,280	—	2,669
Total operating expenses	15,201	12,469	12,902	431	41,003
Net commission expense	16,102	11,147	17,005	—	44,254
Interest expense	—	—	—	3,598	3,598
Premium tax	—	2,679	2,314	—	4,993
Investment and capital tax	—	—	825	—	825
Income tax expense (recovery)	1,429	4,159	4,098	5,149	14,835
Net income (loss) after tax	6,182	11,625	20,266	16,510	54,583

	For the six months ended June 30, 2021				
	Wealth Management	Employee Benefits	Individual Insurance	Capital & Surplus	Total
Net premiums from external customers	\$ 40,586	\$ 195,190	\$ 212,519	\$ —	\$ 448,295
Interest income	13,936	93,758	2,817	25,557	136,068
Total investment income	18,872	1,461	112,890	31,004	164,227
Fair value change in fair value through profit or loss assets	(9,298)	(4,684)	(459,854)	(2,801)	(476,637)
Realized gain (loss) on fair value through profit or loss assets	84	—	98,785	(12,940)	85,929
Realized gain (loss) on available for sale assets including impairment write downs	137	119	124	(2,329)	(1,949)
Fee income from external customers	126,185	6,549	93	122	132,949
Net benefits and claims	90,775	135,392	92,453	—	318,620
Net change in insurance contract liabilities	(189,915)	8,117	(286,632)	—	(468,430)
Change in investment contract provision	240	—	—	—	240
Policy dividends	—	—	17,171	—	17,171
Amortization of property and equipment and intangibles	1,056	2,102	2,888	—	6,046
Total operating expenses	28,840	25,456	29,503	550	84,349
Net commission expense	41,145	24,146	54,389	—	119,680
Interest expense	—	—	—	8,579	8,579
Premium tax	—	5,584	5,340	—	10,924
Investment and capital tax	—	—	1,879	—	1,879
Income tax expense (recovery)	53,113	(41)	8,157	(404)	60,825
Net income (loss) after tax	152,368	(19)	42,297	4,331	198,977

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

# Condensed Notes to the Interim Consolidated Financial Statements

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

	For the six months ended June 30, 2020				
	Wealth Management	Employee Benefits	Individual Insurance	Capital & Surplus	Total
Net premiums from external customers	\$ 45,832	\$ 174,691	\$ 196,966	\$ —	\$ 417,489
Interest income	14,517	3,155	91,434	27,555	136,661
Total investment income	19,578	2,269	107,961	33,535	163,343
Fair value change in fair value through profit or loss assets	(1,417)	5,119	272,350	(7,686)	268,366
Realized gain (loss) on fair value through profit or loss assets	753	2,577	112,945	(401)	115,874
Realized gain (loss) on available for sale assets including impairment write downs	(1,130)	(944)	(987)	21,288	18,227
Fee income from external customers	116,977	6,157	198	61	123,393
Net benefits and claims	88,620	107,758	89,026	—	285,404
Net change in insurance contract liabilities	117,303	10,971	459,792	—	588,066
Change in investment contract provision	475	—	—	—	475
Policy dividends	—	—	15,919	—	15,919
Amortization of property and equipment and intangibles	1,164	1,629	2,538	—	5,331
Total operating expenses	31,673	24,663	26,369	801	83,506
Net commission expense	36,522	22,512	33,992	—	93,026
Interest expense	—	—	—	7,158	7,158
Premium tax	—	5,049	4,594	—	9,643
Investment and capital tax	—	—	1,650	—	1,650
Income tax expense (recovery)	(26,095)	4,977	12,660	9,109	651
Net income (loss) after tax	(67,905)	13,939	45,431	29,729	21,194

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

	June 30, 2021				
As at	Wealth Management	Employee Benefits	Individual Insurance	Capital & Surplus	Total
Assets excluding segregated funds	\$ 939,555	\$ 202,231	\$ 6,233,791	\$ 2,578,472	\$ 9,954,049
Segregated funds	8,946,745	—	19,517	—	8,966,262
<b>Total assets</b>	<b>\$ 9,886,300</b>	<b>\$ 202,231</b>	<b>\$ 6,253,308</b>	<b>\$ 2,578,472</b>	<b>\$ 18,920,311</b>

	December 31, 2020				
As at	Wealth Management	Employee Benefits	Individual Insurance	Capital & Surplus	Total
Assets excluding segregated funds	\$ 994,913	\$ 192,700	\$ 6,553,856	\$ 2,516,867	\$ 10,258,336
Segregated funds	8,439,229	—	18,188	—	8,457,417
<b>Total assets</b>	<b>\$ 9,434,142</b>	<b>\$ 192,700</b>	<b>\$ 6,572,044</b>	<b>\$ 2,516,867</b>	<b>\$ 18,715,753</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.

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)

## 12. Investment Commitments

In the normal course of business, outstanding investment commitments are not reflected in the Consolidated Financial Statements. There were outstanding commitments as at June 30, 2021 of \$34,393 (December 31, 2020, \$40,012). These outstanding commitments are payable at any time up to and including December 31, 2023.

## 13. Capital Management

The Company manages its regulatory capital in order to meet the regulatory capital adequacy requirements of the Insurance Companies Act (Canada) as established and monitored by OSFI. OSFI has implemented the Life Insurance Capital Adequacy Test ("LICAT") framework to monitor capital adequacy. Under this framework, the Company's capital adequacy is measured as a ratio of Available Capital plus Surplus Allowance and Eligible Deposits divided by a Base Solvency Buffer. The components of the LICAT ratio are determined in accordance with the guidelines defined by OSFI. The capital ratios as determined under the LICAT framework are not comparable to the ratios as determined under the previous capital regime. The regulator has established a Supervisory Target Total Ratio of 100% and a Supervisory Target Core Ratio of 70%. As at June 30, 2021 and December 31, 2020, the Company was in compliance with these ratios.

## 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 2020 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. Given the nature of these calculations, the Company cannot provide assurance that the actual impact will be consistent with the estimates provided. Changes in risk variables in excess of the ranges illustrated may result in other than proportionate impacts.

### (a) Market risk

The Company's most significant market risks are equity risk, interest rate risk and foreign exchange rate risk. Information related to market risk sensitivities should be read in conjunction with the information contained in the Risk Management section of the Company's 2020 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



# 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)

Empire Life's general fund equity risk economic hedging program. For segregated fund guarantees the level of sensitivity is highly dependent on the level of the stock market at the time of performing the estimate. If period end equity markets are high relative to market levels at the time that segregated fund policies were issued, the sensitivity is reduced. If period end equity markets are low relative to market levels at the time that segregated fund policies were issued, the sensitivity is increased. The amounts shown below for segregated fund guarantees represent the impact on shareholders' net income.

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

	As at June 30, 2020			
	10% Increase	10% Decrease	20% Increase	20% Decrease
Shareholders' net income (including segregated fund guarantees)*	\$ 17,319	\$ (42,825)	\$ 124,030	\$ (151,985)
Policyholders' net income	\$ nil	\$ nil	\$ nil	\$ nil
Shareholders' other comprehensive income	\$ 3,198	\$ (3,198)	\$ 6,396	\$ (6,396)
Policyholders' other comprehensive income	\$ nil	\$ nil	\$ nil	\$ nil

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

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

As at	June 30, 2021	December 31, 2020
Holdings of common equities in the 10 issuers to which the Company had the greatest exposure	\$ 707,990	\$ 675,244
Percentage of total cash and investments	7.2 %	6.7 %
Exposure to the largest single issuer of common equities	\$ 465,491	\$ 447,166
Percentage of total cash and investments	4.8 %	4.5 %

## (2) Interest rate risk

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

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

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

# Condensed Notes to the Interim Consolidated Financial Statements

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

	As at June 30, 2020			
	50 bps Increase	50 bps Decrease	100 bps Increase	100 bps Decrease
Shareholders' net income	\$ 7,010	\$ (7,820)	\$ 13,304	\$ (16,537)
Policyholders' net income	\$ 246	\$ (269)	\$ 471	\$ (561)
Shareholders' other comprehensive income	\$ (51,354)	\$ 61,100	\$ (92,960)	\$ 131,947
Policyholders' other comprehensive income	\$ (1,327)	\$ 1,464	\$ (2,518)	\$ 3,064

### (3) Foreign exchange rate risk

The Company's primary foreign currency exposure arises from portfolio investments denominated in US dollars. As at June 30, 2021, a 10% fluctuation in the US dollar would have an impact of approximately \$nil (June 30, 2020, \$nil) on net income, \$nil (June 30, 2020, \$nil) on shareholders' OCI and \$nil (June 30, 2020, \$nil) on policyholders' OCI. The Company's exposure to foreign currency risk in its financial liabilities is not material.

### (b) Credit risk

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

As at	June 30, 2021	December 31, 2020
Cash and cash equivalents	\$ 209,496	\$ 189,356
Short-term investments	8,488	13,008
Bonds	7,731,894	8,027,780
Preferred shares	555,596	616,902
Derivative assets	4,862	5,377
Mortgages	155,046	157,214
Reinsurance	152,554	141,136
Loans on policies	56,224	56,458
Policy contract loans	57,288	60,407
Accrued investment income	38,627	38,932
Insurance receivables	41,008	46,533
Trade accounts receivable	19,082	7,245
<b>Total</b>	<b>\$ 9,030,165</b>	<b>\$ 9,360,348</b>

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

### Concentration of credit risk

#### (1) Bonds and debentures

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

As at	June 30, 2021		December 31, 2020	
	Fair value	% of Fair value	Fair value	% of Fair value
AAA	\$ 441,318	6%	\$ 394,570	5%
AA	2,039,405	26%	2,289,540	28%
A	3,728,975	48%	3,910,974	49%
BBB	1,514,430	20%	1,429,025	18%
BB (and lower ratings)	7,766	—%	3,671	—%
<b>Total</b>	<b>\$ 7,731,894</b>	<b>100%</b>	<b>\$ 8,027,780</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

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)

rating assessment is documented referencing suitable comparable investments rated by recognized rating agencies and/or methodologies used by recognized rating agencies.

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

As at	June 30, 2021		December 31, 2020	
Provincial bond holdings	\$	3,662,561	\$	4,098,339
Percentage of total bond holdings		47.4 %		51.1 %

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

As at	June 30, 2021		December 31, 2020	
	Fair value	% of Fair value	Fair value	% of Fair value
1 year or less	\$ 232,196	3%	\$ 188,385	2 %
1 - 5 years	763,291	10%	678,391	8 %
5 - 10 years	711,699	9%	696,271	9 %
Over 10 years	6,024,708	78%	6,464,733	81 %
<b>Total</b>	<b>\$ 7,731,894</b>	<b>100%</b>	<b>\$ 8,027,780</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	June 30, 2021		December 31, 2020	
Holdings of fixed income securities* in the 10 issuers (excluding federal governments) to which the Company had the greatest exposure	\$	4,565,433	\$	4,886,504
Percentage of total cash and investments		46.7 %		48.6 %
Exposure to the largest single issuer of corporate bonds	\$	235,383	\$	236,086
Percentage of total cash and investments		2.4 %		2.4 %

\*Fixed income securities include 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, 2020, 1%) rated as P1, 97% rated as P2 (December 31, 2020, 97%) and the remaining 2% (December 31, 2020, 2%) rated as P3.

## (3) Mortgages

Mortgages in the province of Ontario represent the largest concentration with \$155,046 or 100% (December 31, 2020, \$156,445 or 99%) of the total mortgage portfolio.

## 15. Comparative figures

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

# Glossary of Terms

(unaudited)

## **Accumulated Other Comprehensive Income (AOCI)**

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

## **Active Market**

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

## **Available For Sale (AFS) Finance Assets**

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

## **Canadian Asset Liability Method (CALM)**

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

## **Canadian Institute of Actuaries (CIA)**

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

## **Canadian Life and Health Insurance Association (CLHIA)**

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

## **Chartered Professional Accountants of Canada (CPA Canada)**

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

## **Earnings on Surplus**

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

## **Effective Interest Method**

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

## **Expected Profit from In-Force Business**

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

# Glossary of Terms

(unaudited)

## Experience Gains and Losses

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

## Fair Value Through Profit or Loss (FVTPL)

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

## Impact on New Business

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

## International Financial Reporting Standards (IFRS)

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

## Life Insurance Capital Adequacy Test (LICAT)

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

## Management Actions and Changes in Assumptions

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

## Other Comprehensive Income (OCI)

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

## Office of the Superintendent of Financial Institutions Canada (OSFI)

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

## Participating Policies

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

## Return on Common Shareholders' Equity (ROE)

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

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# EMPIRE LIFE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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

Our mission is to make it simple, fast and easy for Canadians to build wealth, generate income, and achieve financial security. See our website for current ratings and financial results.

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

## Transfer Agent and Registrar

AST Trust Company (Canada)  
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)

## Reporting Procedure for Accounting and Auditing Matters

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

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

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

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A-0004-ENG-07/21