



Financial Corporation Limited

SECOND QUARTER REPORT

June 30, 2021

Financial Highlights

(Millions of dollars, except per share amounts)

| Six months ended June 30 | 2021 | 2020 |
|--|--------------------|-------------|
| Net Equity Value per Common Share ⁽¹⁾ | \$ 1,849.61 | \$ 1,459.32 |
| Net Income (Loss) per Common Share | \$ 193.37 | \$ (57.00) |
| Comprehensive Income (Loss) per Common Share | \$ 185.35 | \$ (48.55) |
| Contribution to Shareholders' Net Income (Loss): | | |
| E-L Corporate | \$ 519 | \$ (227) |
| Empire Life | 188 | 16 |
| Shareholders' Net Income (Loss) | 707 | (211) |
| Preferred Shareholder Dividends | 8 | 8 |
| Net Income (Loss) attributable to Common Shareholders | \$ 699 | \$ (219) |

E-L Corporate

| | | |
|---------------------------------|----------|----------|
| Shareholders' Net Income (Loss) | \$ 519 | \$ (227) |
| Investments - Corporate | \$ 6,247 | \$ 4,981 |
| Investments in Associates | \$ 356 | \$ 260 |

Empire Life

| | | |
|--|-----------|-----------|
| Common Shareholders' Net Income | \$ 188 | \$ 16 |
| Net Premiums and Fee Income | \$ 581 | \$ 540 |
| Assets Under Management ⁽¹⁾ | \$ 19,037 | \$ 17,870 |
| Life Insurance Capital Adequacy Test Total Ratio ("LICAT") (%) | 143 | 133 |

⁽¹⁾ See Non-GAAP measures within the Management's Discussion and Analysis

NOTICE OF NO AUDITOR REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The Company's external auditors have not performed a review of these unaudited interim condensed consolidated financial statements of E-L Financial Corporation Limited.

REPORT ON E-L FINANCIAL CORPORATION LIMITED

The following Management's Discussion and Analysis ("MD&A") of the operating results and financial condition of E-L Financial Corporation Limited ("E-L Financial" or the "Company") for the second quarter of 2021 should be read in conjunction with the MD&A for the year ended December 31, 2020, the Company's annual audited consolidated financial statements and the notes related thereto, the quarterly unaudited interim condensed consolidated financial statements and notes contained in this report, as well as, the Company's MD&A and unaudited interim condensed financial statements for the quarters of 2020 and the previous quarter of 2021. The unaudited interim condensed consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). Unless otherwise noted, both the consolidated financial statements and this MD&A are expressed in Canadian dollars. Figures in MD&A may differ due to rounding. This MD&A is dated August 5, 2021.

This MD&A contains certain forward-looking statements that are subject to risks and uncertainties that may cause the results or events mentioned in this discussion to differ materially from actual results or events. No assurance can be given that results, performance or achievement expressed in, or implied by, any forward-looking statements within this discussion will occur, or if they do, that any benefits may be derived from them.

Unless otherwise stated, all per share amounts are based on the average number of Common Shares and Series A Convertible Preference Shares outstanding for the period, adjusted for the Company's proportionate interest in its own common shares held indirectly through investments in associates.

Additional information relating to the Company, including its Annual Information Form, may be found at www.sedar.com.

Forward-looking statements and information

Certain statements in this MD&A about the Company's current and future plans, expectations and intentions, results, market share growth and profitability, strategic objectives or any other future events or developments constitute forward-looking statements and information within the meaning of applicable securities laws. The words "may", "will", "would", "should", "could", "expects", "plans", "intends", "trends", "indications", "anticipates", "believes", "estimates", "predicts", "likely" or "potential" or the negative or other variations of these words or other comparable words or phrases, are intended to identify forward-looking statements and information. Although management believes that the expectations and assumptions on which such forward-looking statements and information are based are reasonable, undue reliance should not be placed on the forward-looking statements and information because there can be no assurance that they will prove to be correct. By their nature, such forward-looking statements and information are subject to various risks and uncertainties, which could cause the actual results and expectations to differ materially from the anticipated results or expectations expressed. These risks and uncertainties include, but are not limited to, market risk including equity risk, hedging risk, interest rate risk, foreign exchange rate risk; liquidity risk; credit risk including counterparty risk; insurance risk including mortality risk, policyholder behaviour risk, expense risk, morbidity risk, product design and pricing risk, underwriting and claims risk, reinsurance risk; operational risk, including legal and regulatory risk, model risk, human resources risk, third party risk, technology, information security and business continuity risk; and business risk and strategic, including risk with respect to competition, risk with respect to financial strength, capital adequacy risk, risk with respect to distribution channels, risk with respect to changes to applicable income tax legislation, risk with respect to litigation, risk with respect to reputation, risk with respect to risk management policies, risk with respect to intellectual property, risk with respect to significant ownership of common shares. Please see the section titled "Description of the Business" in E-L Financial's Annual Information Form available at www.sedar.com for more details on these risks.

Material factors or assumptions that were applied in drawing a conclusion or making an estimate set out in the forward-looking statements and information include that the general economy remains stable; assumptions on interest rates, mortality rates and policy liabilities; and capital markets continue to provide access to capital. These factors are not intended to represent a complete list of the factors that could affect the Company; however, these factors should be considered carefully, and readers should not place undue reliance on forward-looking statements made herein or in the documents reproduced herein.

To the extent any forward-looking information in this MD&A constitutes future-oriented financial information or financial outlooks within the meaning of securities laws, such information is being provided to demonstrate potential benefits and readers are cautioned that this information may not be appropriate for any other purpose. Future-oriented financial information and financial outlooks are, without limitation, based on the assumptions and subject to the risks set out above.

The forward-looking information contained herein is expressly qualified in its entirety by this cautionary statement. When relying on the Company's forward-looking statements and information to make decisions, investors and others should carefully consider the foregoing factors, assumptions and other uncertainties and potential events. Readers are cautioned not to place undue reliance on this forward-looking information, which is given as of the date hereof or the date indicated, and to not use such forward-looking information for anything other than its intended purpose. The Company undertakes no obligation to update publicly or revise any forward-looking statements and information, whether as a result of new information, future events or otherwise after the date of this document, except as required by law.

Non-GAAP measures

The MD&A contains information using non-GAAP measures. Current Canadian GAAP is IFRS for the Company's consolidated financial statements. The Company believes that these measures provide useful information to its shareholders in evaluating the Company's financial results. Where non-GAAP measures are used, descriptions have been provided as to the nature of the adjustments made.

The MD&A contains reference to net equity value, net equity value per common share and growth in net equity value per common share. Net equity value per common share is described and reconciled to shareholders' equity on page 7. These terms do not have any standardized meaning according to IFRS and therefore may not be comparable to similar measures presented by other companies.

The MD&A also contains non-consolidated cash flow information of E-L Financial which is a non-GAAP presentation. The information is useful as it separates the Company's cash flows from the cash flows of its subsidiaries. This information is reconciled to the consolidated cash flows on page 9.

Other non-GAAP measures are also used in The Empire Life Insurance Company ("Empire" or "Empire Life") section of the MD&A. These include references to return on common shareholders' equity, source of earnings, assets under management, annualized premium sales, gross and net sales for mutual funds, segregated funds and fixed annuities. These provide investors with supplemental measures of its operating performance and to highlight trends in its core business that may not otherwise be apparent when relying solely on GAAP financial measures. Empire Life also believes that securities analysts, investors and other interested parties frequently use non-GAAP measures in the evaluation of issuers. Empire Life's management also uses non-GAAP measures in order to facilitate operating performance comparisons from period to period, to prepare annual operating budgets and to determine components of management compensation.

Return on Empire Life's common shareholders' equity is a profitability measure that presents the net income available to common shareholders as a percentage of the average capital deployed to earn the income.

Sources of earnings breaks down Empire Life's earnings into several categories which are useful to assess the performance of the business. These categories include expected profit from in-force business,

impact of new business, experience gains and losses, management actions and changes in assumptions, and earnings on surplus. The sources of earnings components are reconciled to Empire Life's net income on page 15 of this report.

Annualized premium sales are used as a method of measuring sales volume. It is equal to the premium expected to be received in the first twelve months for all new individual insurance and employee benefit policies sold during the period. Mutual fund gross and net sales and segregated fund gross and net sales are also used as measures of sales volume. Empire Life believes that these measures provide information useful to its shareholders and policyholders in evaluating Empire Life's underlying financial results.

Assets under management is a non-GAAP measure of the assets managed by Empire Life, which includes general fund assets, mutual fund assets and segregated fund assets. They represent the total assets of Empire Life and the assets its customers invest in. Empire Life believes that these measures provide information useful to its shareholders and policyholders in evaluating Empire Life's underlying financial results.

The following table provides a reconciliation of assets under management to total assets in Empire Life's financial statements:

| <i>(in millions of dollars)</i> | June 30 | December 31 |
|--------------------------------------|------------------|------------------|
| | 2021 | 2020 |
| General fund assets | \$ 9,954 | \$ 10,259 |
| Segregated fund assets | 8,966 | 8,457 |
| Total Empire Life assets | 18,920 | 18,716 |
| Mutual fund assets | 117 | 120 |
| Total assets under management | \$ 19,037 | \$ 18,836 |

The Company

E-L Financial operates as an investment and insurance holding company. In managing its operations, the Company distinguishes between two operating segments, E-L Corporate and Empire Life.

E-L Corporate's operations include the oversight of investments in global equities held through direct and indirect holdings of common shares, investment funds, closed-end investment companies and other private companies. E-L Financial holds a 52.7% interest in a closed-end investment corporation, United Corporations Limited ("United") which is listed on the Toronto Stock Exchange. United is an investment vehicle for long-term growth through investments in common equities. The invested assets and operations of United are consolidated and included in the E-L Corporate segment. In addition, E-L Corporate has two significant investments in associates which includes a 37.4% interest in Algoma Central Corporation ("Algoma") and a 24.1% interest in Economic Investment Trust Limited ("Economic"). Algoma and Economic are accounted for using the equity method.

The Company's investment in Empire Life (99.4% interest) is consolidated by E-L Financial. The Empire Life operating segment underwrites life and health insurance policies and provides segregated funds, mutual funds and annuity products.

The Company's strategy is to accumulate shareholder value through long-term capital appreciation and dividend and interest income from its investments. E-L Financial oversees its investments through representation on the Boards of Directors of the subsidiaries and the other companies in which the Company has significant shareholdings.

Overview of results attributable to shareholders of E-L Financial

| E-L Financial consolidated (millions of dollars) | Second quarter | | Year to date | |
|---|----------------|---------------|---------------|-----------------|
| | 2021 | 2020 | 2021 | 2020 |
| Contribution to net income (loss) | | | | |
| E-L Corporate ⁽¹⁾ | \$ 210 | \$ 405 | \$ 519 | \$ (227) |
| Empire Life ⁽²⁾ | 31 | 47 | 188 | 16 |
| Net income (loss) | 241 | 452 | 707 | (211) |
| Other comprehensive income (loss) ⁽²⁾ | 21 | 48 | (29) | 33 |
| Comprehensive income (loss) | \$ 262 | \$ 500 | \$ 678 | \$ (178) |

The following tables summarize the results of the Company's business segments:

| E-L Corporate (millions of dollars) | Second quarter | | Year to date | |
|--|----------------|---------------|---------------|-----------------|
| | 2021 | 2020 | 2021 | 2020 |
| Revenue | | | | |
| Net gain (loss) on investments ⁽³⁾ | \$ 264 | \$ 510 | \$ 494 | \$ (258) |
| Investment and other income | 33 | 37 | 73 | 66 |
| Share of associates income (loss) | 14 | 29 | 119 | (62) |
| | 311 | 576 | 686 | (254) |
| Operating expenses | 14 | 10 | 25 | 19 |
| Income taxes | 41 | 77 | 84 | (34) |
| Non-controlling interests | 46 | 84 | 58 | (12) |
| | 101 | 171 | 167 | (27) |
| Net income (loss) | 210 | 405 | 519 | (227) |
| Other comprehensive (loss) income, net of taxes ⁽¹⁾ | (3) | (6) | 1 | (4) |
| Comprehensive income (loss) | \$ 207 | \$ 399 | \$ 520 | \$ (231) |

| Empire Life <i>(millions of dollars)</i> | Second quarter | | Year to date | |
|--|-----------------------|---------------|---------------------|--------------|
| | 2021 | 2020 | 2021 | 2020 |
| Revenue | | | | |
| Net premiums | \$ 223 | \$ 202 | \$ 448 | \$ 417 |
| Net gain (loss) on investments ⁽³⁾ | 243 | 763 | (392) | 404 |
| Investment income | 85 | 82 | 164 | 163 |
| Fee income | 67 | 58 | 133 | 123 |
| | 618 | 1,105 | 353 | 1,107 |
| Benefits and expenses | 569 | 1,031 | 82 | 1,076 |
| Income and other taxes | 13 | 20 | 72 | 10 |
| Non-controlling and participating policyholders' interests | 5 | 7 | 11 | 5 |
| | 587 | 1,058 | 165 | 1,091 |
| Net income | 31 | 47 | 188 | 16 |
| Other comprehensive income (loss), net of taxes ⁽²⁾ | 24 | 54 | (30) | 37 |
| Comprehensive income | \$ 55 | \$ 101 | \$ 158 | \$ 53 |

⁽¹⁾ Net of non-controlling interests

⁽²⁾ Net of non-controlling interests and participating policyholders' amounts

⁽³⁾ Includes fair value change in fair value through profit and loss ("FVTPL") investments and realized gain on available for sale ("AFS") investments

E-L Financial reported a consolidated net income of \$241 million for the second quarter of 2021 or \$65.47 per common share compared to \$452 million or \$119.36 per common share in 2020. The decrease in net income for the second quarter of 2021 is primarily due to a net gain on investments within the E-L Corporate segment of \$264 million compared to \$510 million in 2020. The second quarter of 2020 experienced stronger investment returns reflecting the partial recovery of global equity market losses experienced during the first quarter of 2020. The pre-tax total return on E-L Corporate's global investment portfolio for the second quarter of 2021 was 5% compared to 12% in the prior year.

The Empire Life segment reported net income of \$31 million in the second quarter of 2021 compared to \$47 million for the second quarter of 2020. The decrease in second quarter earnings was primarily due to less favourable claims results in the Employee Benefits line and losses on assets classified as Available for Sale ("AFS") in the Capital & Surplus segment compared to gains for the same period in 2020.

E-L Financial reported a consolidated net income of \$707 million or \$193.37 per common share for the first six months of 2021 compared to a net loss of \$211 million or \$57.00 per common share in 2020.

E-L Corporate reported net income of \$519 million for the first six months of 2021 compared to a net loss of \$227 million for the comparable period in 2020. The increase in earnings was primarily due to a higher net gain on investments of \$494 million in 2021 compared to a net loss of \$258 million in 2020. E-L Corporate's global investment portfolio had a pre-tax total return, including dividend income, of 9% in the first six months of 2021 compared to a pre-tax total return of negative 4% in 2020. The international emergence and spread of COVID-19 in 2020 resulted in a significant decline in global stock markets in the first quarter of 2020.

Empire Life reported net income of \$188 million for the first six months of 2021 compared to \$16 million for the comparable period in 2020. The increase in year to date earnings was primarily due to the release of segregated fund guarantee reserves in the first quarter of 2021.

Consolidated comprehensive income was \$262 million in the second quarter of 2021 or \$71.30 per common share compared to \$500 million or \$132.02 per common share for the second quarter of 2020. Other comprehensive income ("OCI") was \$21 million in the second quarter of 2021 compared to \$48 million in 2020. The decrease in OCI was primarily due to lower unrealized fair value increases on

Empire's AFS investments partially offset by a gain on the remeasurement of the post-employment defined benefit plans in the second quarter of 2021 compared to a loss in the prior year.

Consolidated comprehensive income for the first six months of 2021 was \$678 million or \$185.35 per common share compared to a net loss of \$178 million or \$48.55 per common share for 2020. Other comprehensive loss ("OCL") was \$29 million in 2021 compared to OCI of \$33 million in 2020. The decrease in OCI is primarily due to unrealized losses on Empire's AFS assets compared to a year to date gain on AFS assets for the same period in 2020. This was partially offset by a gain on the remeasurement of the post-employment defined benefit plans compared to a loss in the prior year.

Normal course issuer bid

On March 4, 2021, the Company obtained approval from the TSX to renew its normal course issuer bid ("NCIB") to purchase up to 185,428 Common Shares between March 9, 2021 and March 8, 2022. Daily purchases (other than pursuant to a block purchase exemption) on the TSX under the NCIB are limited to 1,000 Common Shares. The price that the Company pays for the Common Shares is the prevailing market price at the time of acquisition.

During the six months of 2021, 100 Common Shares were purchased under the NCIB at a price of \$987.00 per share.

Net equity value per common share

Investments in Algoma and Economic are accounted for using the equity method and are not carried at fair value. Therefore, to provide an indication of the accumulated shareholder value, the following table adjusts shareholders' equity to reflect investments in associates at fair value:

| <i>(millions of dollars, except per share amounts)</i> | Q2 2021 | Q4 2020 | Q2 2020 |
|--|--------------------|-------------|-------------|
| E-L Financial shareholders' equity | \$ 7,130 | \$ 6,474 | \$ 5,860 |
| Less: First preference shares | (300) | (300) | (300) |
| | 6,830 | 6,174 | 5,560 |
| Adjustments for investments in associates not carried at fair value: | | | |
| Carrying value | (356) | (245) | (260) |
| Fair value ⁽¹⁾ | 390 | 344 | 276 |
| | 34 | 99 | 16 |
| Non-controlling interest and deferred tax | (5) | (23) | (4) |
| | 29 | 76 | 12 |
| Net equity value | \$ 6,859 | \$ 6,250 | \$ 5,572 |
| Common Shares ⁽²⁾ outstanding at period end | 3,708,734 | 3,708,834 | 3,818,697 |
| Net equity value per common share^{(2) (3)} | \$ 1,849.61 | \$ 1,684.93 | \$ 1,459.32 |

⁽¹⁾ Based on quoted market prices

⁽²⁾ Common Shares includes Series A Convertible Preference Shares

⁽³⁾ See non-GAAP measures

The Common Shares outstanding for Q2 2021 and Q4 2020 are lower compared to Q2 2020 amounts due to shares acquired as part of the Company's NCIB and the substantial issuer bid completed in December of 2020.

Growth in net equity value

The Company's objective is to build long-term shareholder value by compounding growth in net equity value per common share over the long term. Set out below is a table that shows the net equity value per common share and growth for the respective fiscal periods. The growth in net equity value includes dividends paid to common shareholders.

| Annual | Net equity value* | Growth* |
|--|-------------------|---------|
| | \$ | % |
| 2011 | 642.98 | (13.9) |
| 2012 | 740.49 | 15.2 |
| 2013 | 872.45 | 28.0 |
| 2014 | 970.65 | 11.3 |
| 2015 | 1,089.23 | 12.3 |
| 2016 | 1,159.26 | 6.8 |
| 2017 | 1,316.64 | 14.0 |
| 2018 | 1,295.65 | (1.2) |
| 2019 | 1,486.19 | 15.1 |
| 2020 | 1,684.93 | 15.4 |
| Year to date | | |
| June 30, 2021 | 1,849.61 | 10.0 |
| Compounded annual growth in net equity value* | | |
| 2011 - 2020 - 10 years | | 9.3 |
| 1969 - 2020 - Since inception | | 12.8 |

* This chart was drawn from the individual annual reports and has not been restated for any subsequent changes in accounting policies. Net equity value amounts are reduced by deferred income tax liabilities on net unrealized investment gains.

Summary of quarterly results

The following table summarizes the quarterly results:

| <i>(millions of dollars, except per share amounts)</i> | 2021 | | | | 2020 | | | |
|--|----------|-----------|-----------|----------|-----------|-------------|----------|----------|
| | Q2 | Q1 | Q4 | Q3 | Q2 | Q1 | Q4 | Q3 |
| Revenue | | | | | | | | |
| Net gain (loss) on investments ⁽¹⁾ | \$ 507 | \$ (406) | \$ 629 | \$ 221 | \$ 1,273 | \$ (1,129) | \$ 139 | \$ 163 |
| Net premium income | 223 | 225 | 221 | 221 | 202 | 216 | 229 | 218 |
| Investment and other income | 184 | 185 | 185 | 173 | 177 | 176 | 178 | 186 |
| Associates ⁽²⁾ | 14 | 107 | 28 | 6 | 29 | (92) | 10 | 4 |
| Total | \$ 928 | \$ 111 | \$ 1,063 | \$ 621 | \$ 1,681 | \$ (829) | \$ 556 | \$ 571 |
| Net income (loss) ⁽³⁾ | \$ 241 | \$ 466 | \$ 510 | \$ 201 | \$ 452 | \$ (663) | \$ 293 | \$ 101 |
| Earnings (loss) per common share | | | | | | | | |
| - basic | \$ 65.47 | \$ 127.90 | \$ 136.42 | \$ 52.88 | \$ 119.36 | \$ (170.26) | \$ 73.68 | \$ 24.61 |
| - diluted | \$ 59.33 | \$ 114.96 | \$ 124.11 | \$ 48.71 | \$ 108.83 | \$ (170.26) | \$ 67.58 | \$ 23.26 |

⁽¹⁾ Fair value change on FVTPL investments and realized gain (loss) on AFS investments

⁽²⁾ Share of income (loss) of associates

⁽³⁾ Attributable to shareholders

Quarterly trend analysis

The consolidated revenue and consolidated net income of the Company are expected to fluctuate on a quarterly basis given its two segments. In particular, equity market movements, changes in interest rates, underwriting results, policy liability discount rates and policy reserve adjustments are likely to cause

fluctuations. Investment income includes dividend income earned by the Company. In general, dividends earned on investments outside North America peak in the second and fourth quarters of the year.

Revenue for the second quarter of 2021 increased compared to the prior quarter but decreased compared to the second quarter of 2020, with fluctuations mainly due to the impact of the net gain (loss) on investments. The fair value change in fair value through profit and loss ("FVTPL") investments have experienced significant movement over the past year, reflecting volatility in both the bond and equity markets.

Net premiums increased in the second quarter compared to the second quarter of 2020, primarily due to strong growth in the Employee Benefits and Individual Insurance lines compared to the same period in 2020. This was partially offset by lower net premiums in the fixed annuity portion of the Wealth Management line.

Liquidity and cash flows

Consolidated cash flows

The condensed cash flows of United and Empire Life, as well as E-L Financial non-consolidated and consolidated are presented below:

| Period ended June 30 (millions of dollars) | E-L Financial (non- consolidated) | United | Empire Life | Consolidation adjustments | E-L Financial Consolidated | |
|---|---|---------|-------------|------------------------------|----------------------------|--------|
| | | | | | 2021 | 2020 |
| Cash flows from: | | | | | | |
| Operating activities | \$ 74 | \$ (33) | \$ 148 | \$ (49) | \$ 140 | \$ 168 |
| Financing activities | (21) | (22) | 9 | 38 | 4 | (128) |
| Investing activities | (63) | 26 | (137) | 10 | (164) | 106 |
| (Decrease) increase in cash and cash equivalents | (10) | (29) | 20 | (1) | (20) | 146 |
| Cash and cash equivalents, beginning of the period | 171 | 68 | 189 | — | 428 | 303 |
| Cash and cash equivalents, end of the period | \$ 161 | \$ 39 | \$ 209 | \$ (1) | \$ 408 | \$ 449 |

The decrease in cash provided from operating activities in 2021 relative to 2020 reflects the decrease in cash earnings during 2021 compared to the prior year. For Empire Life, cash flows from operating activities include insurance premiums, net investment income and fee income. These funds are primarily used to pay policy benefits, commissions, operating expenses and policyholder dividends.

The increase in cash provided from financing activities in 2021 was primarily due to Empire Life's issuance of Limited Recourse Capital Notes ("LRCN") in the first quarter of 2021 partially offset by the redemption of Empire Life's Series 1 preferred shares during the second quarter of the year. In 2020 the cash used for financing activities was due to the payment of a special cash dividend of \$25.00 per Common share in the second quarter, purchases of the Company's common shares under the NCIB program, a \$60 million repayment of the margin loan offset by the issuance of 4% senior unsecured notes.

Cash used for investing activities increased in 2021 relative to 2020 primarily due to Empire Life investing the proceeds from the issuance of the LRCN during the first quarter of 2021 combined with changes made to E-L Corporate's investment managers during January of 2021 which contributed to a significant increase in the investment portfolio turnover.

Non-consolidated cash flows of E-L Financial

E-L Financial's corporate cash flows from operating activities, before payment of dividends, are primarily comprised of dividends and interest received, less operating expenses and income taxes.

The following table details the non-consolidated cash flows of the Company on a direct basis, excluding the cash flows of the subsidiaries. This table has been prepared to assist the reader in isolating the cash flows of E-L Financial (non-consolidated).

| Six months ended June 30 | 2021 | 2020 |
|--|---------------|---------------|
| <i>(millions of dollars)</i> | | |
| Cash flows from: | | |
| Operating activities | | |
| Dividends from subsidiaries | \$ 35 | \$ 122 |
| Dividends and interest | 52 | 38 |
| Expenses and taxes, net of other income | (13) | (9) |
| | 74 | 151 |
| Financing activities | | |
| Cash dividends | (17) | (116) |
| Share purchases | — | (120) |
| Issuance of 4% unsecured notes | — | 198 |
| Repayment of margin loan | — | (60) |
| Interest paid on borrowings | (4) | (2) |
| | (21) | (100) |
| Investing activities | | |
| Purchases of investments | (290) | (263) |
| Proceeds from sales of investments | 189 | 270 |
| Net sales of short-term investments | — | 13 |
| Dividends from associates | 38 | 5 |
| | (63) | 25 |
| (Decrease) increase in cash and cash equivalents | (10) | 76 |
| Cash and cash equivalents, beginning of the period | 171 | 125 |
| Cash and cash equivalents, end of the period | \$ 161 | \$ 201 |

During 2021, the non-consolidated cash and cash equivalents of E-L Financial decreased by \$10 million.

Operating cash flows for 2021 decreased compared with the prior period due to lower dividends received in the six months ended June 30, 2021 compared to the same period in 2020. The decrease in dividends was primarily due to an additional dividend received from Empire Life in 2020.

The movement in financing cash flows are due to the reasons noted above. Cash flows from investment activities and dividends received from associates in 2021 included a special dividend paid by Algoma.

E-L Financial maintains sufficient liquidity through holding cash equivalents and a sufficient amount of marketable investments that may be sold, if necessary, to fund new investment opportunities and to meet any operating cash flow requirements.

Novel Coronavirus (or COVID-19)

The continued worldwide spread of novel coronavirus (or COVID-19) continues to impact international business operations, supply chains, travel, commodity prices, consumer confidence and business forecasts. This has created increased uncertainty and volatility which will impact the performance and expected returns of the investment portfolios.

The Company continues to adjust operations as government restrictions and measures evolve. As the impacts of the COVID-19 pandemic continue to materialize, management is monitoring the developments in equity markets generally, and in connection with the Company's investment portfolios in particular.

To date, the Company has taken proactive measures through business continuity plans, carefully planning the return to premises for some employees. Processes supporting ongoing systems availability, stability and security are operating effectively and the Company continues to monitor the threat landscape.

The duration and impacts of the COVID-19 outbreak cannot currently be determined. If the COVID-19 pandemic is prolonged, or further diseases emerge that give rise to similar effects, there may be further negative effects on economies as well as increased volatility in equity markets. Unexpected developments in financial markets, regulatory environments, may also have adverse impacts on the Company's financial results.

Analysis of business segments

The remainder of this MD&A discusses the individual results of operations and financial condition of the Company's business segments: E-L Corporate and Empire Life.

E-L CORPORATE

E-L Corporate's operations includes the oversight of investments in global equities held through direct and indirect holdings of common shares, investment funds, closed-end investment companies, a limited partnership and other private companies.

Investments in Economic and Algoma are reported as investments in associates and are discussed below. Investments in equities and fixed income securities held directly by E-L Financial and through United are combined to form "Investments – corporate".

Investments - corporate

Investments - corporate includes investments in equities and short-term fixed-income investments. At June 30, 2021, investments - corporate had aggregate investments of \$6.2 billion, comprised primarily of common shares and units of investment funds, compared to aggregate investments at December 31, 2020 of \$5.7 billion. The fair value of investments - corporate is summarized in the table below:

| <i>(millions of dollars)</i> | June 30 2021 | December 31 2020 |
|------------------------------|-------------------------|---------------------|
| Preferred shares | \$ 1 | \$ 1 |
| Common shares and units | | |
| Canada and U.S. | 4,250 | 3,491 |
| Europe and United Kingdom | 761 | 1,171 |
| Emerging Markets | 757 | 501 |
| Japan | 426 | 488 |
| Other | 52 | 37 |
| Total | 6,246 | 5,688 |
| Total invested assets | \$ 6,247 | \$ 5,689 |

The following table provides a summary of E-L Corporate's results:

| <i>(millions of dollars)</i> | Second quarter | | Year to date | |
|------------------------------------|-----------------------|--------|---------------------|----------|
| | 2021 | 2020 | 2021 | 2020 |
| Revenue | | | | |
| Net gain (loss) on investments | \$ 264 | \$ 510 | \$ 494 | \$ (258) |
| Investment and other income | 33 | 37 | 73 | 66 |
| Share of associates income (loss) | 14 | 29 | 119 | (62) |
| | 311 | 576 | 686 | (254) |
| Operating expenses | 14 | 10 | 25 | 19 |
| Income taxes | 41 | 77 | 84 | (34) |
| Non-controlling interests | 46 | 84 | 58 | (12) |
| | 101 | 171 | 167 | (27) |
| Net income (loss) | 210 | 405 | 519 | (227) |
| (OCL) OCI, net of taxes | (3) | (6) | 1 | (4) |
| Comprehensive income (loss) | \$ 207 | \$ 399 | \$ 520 | \$ (231) |

E-L Corporate reported a net income of \$210 million in the second quarter of 2021 compared to \$405 million in 2020. For the second quarter of 2021 there was a net gain on investments of \$264 million compared to \$510 million in 2020. The second quarter of 2020 experienced stronger investment returns reflecting the partial recovery of global equity market losses experienced during the first quarter of 2020. The pre-tax total return on investments including dividend income was 5% for the second quarter of 2021 compared to a pre-tax total return on investments of 12% for the second quarter of 2020.

During the six months ended June 30, 2021, E-L Corporate reported a net gain on investments of \$494 million compared to a net loss of \$258 million in 2020. The Company's year to date pre-tax total return on investments including dividend income was 9% compared to a pre-tax total return on investments of negative 4% in the prior year.

Investment and other income was lower for the second quarter of 2021 compared to 2020, and 10% higher on a year to date basis compared to the prior period. Investment and other income consists primarily of dividend income received from E-L Corporate's investment portfolio. In general, dividend income is impacted by the composition of the investment portfolio and foreign exchange rates.

Expenses increased during the quarter and on a year to date basis compared to the prior year primarily due to management fees related to the net increase in average investment balances and an increase in interest paid on the 4% unsecured notes issued during the second quarter of 2020.

Share of associates income

The details of E-L Corporate's share of income (loss) of associates are as follows:

| <i>(millions of dollars)</i> | Second quarter | | Year to date ⁽¹⁾ | |
|------------------------------|----------------|-------|-----------------------------|---------|
| | 2021 | 2020 | 2021 | 2020 |
| Algoma | \$ 14 | \$ 7 | \$ 101 | \$ (52) |
| Economic | (1) | 22 | 18 | (10) |
| | \$ 13 | \$ 29 | \$ 119 | \$ (62) |

⁽¹⁾ Year to date includes a \$97 million impairment reversal (June 30, 2020 - an impairment write down of \$52 million).

Algoma's net income for the second quarter of 2021 increased over 2020 due to improved performance in the Domestic Dry-Bulk and Ocean Self-Unloader fleets and strong earnings from Global Short Sea Shipping, partially offset by weak demand in the Product Tanker segment.

On a year to date basis, Algoma's net earnings increased compared to the prior period largely due to significantly higher earnings from joint ventures for the six months ended June 30, 2021, compared to a loss in 2020, and strong earnings in the Domestic Dry-Bulk segment as overall base freight rates improved in addition to increased volumes.

Economic owns, directly and indirectly, long-term investments in the common shares of some publicly-traded Canadian companies, and a managed global investment portfolio of common shares of publicly-traded global companies.

Economic's global investment portfolio had a quarterly pre-tax total return, gross of fees, of 5% in the second quarter of 2021 compared to 11% in the second quarter of 2020. On a year to date basis, Economic's global investment portfolio had a pre-tax total return, gross of fees, of 9% during 2021 compared to a negative return of 4% in 2020.

The ownership interests, carrying value and fair value of E-L Corporate's investment in associates is summarized in the table below:

| | June 30, 2021 | | | December 31, 2020 | | |
|----------|---------------|----------------|------------|-------------------|----------------|------------|
| | Ownership | Carrying value | Fair value | Ownership | Carrying value | Fair value |
| Algoma | 37.4 % | \$ 198 | \$ 232 | 37.4 % | \$ 98 | \$ 197 |
| Economic | 24.1 % | 158 | 158 | 24.1 % | 147 | 147 |
| Total | | \$ 356 | \$ 390 | | \$ 245 | \$ 344 |

Algoma and Economic are Canadian public companies for which further information is publicly available.

Risk management

The objective of the Company's risk management process is to ensure that the operations of the Company encompassing risk are consistent with the Company's objectives and risk tolerance, while maintaining an appropriate risk/reward balance.

Market risk

Market risk is the most significant risk impacting E-L Corporate as its investing activities are influenced by market price, foreign currency and interest rate risk. As the Company's investment portfolio is represented by Canadian and global equities, the value of its investments will vary from day to day depending on a number of market factors including economic conditions, global events, market news, and on the performance of the issuers of the securities in which the Company invests. Changes in foreign currency exchange rates will also affect the value of investments of non-Canadian dollar securities. As of June 30, 2021, 58% (December 31, 2020 - 50%) of the investment - corporate including cash and cash equivalents was denominated in U.S. dollars, 6% (December 31, 2020 - 10%) in Euros and 7% (December 31, 2020 - 9%) in the Japanese Yen representing the largest foreign currency exposures. The Company also holds investments within emerging markets. Investments in emerging markets are more likely to experience political, economic and social instability, which may result in higher levels of market value volatility.

Credit risk

In addition to the discussion of risks included in this MD&A, a comprehensive discussion of the material risks that impact the Company is included in the Annual Information Form which is available at www.sedar.com. Disclosures regarding E-L Corporate's financial instruments, including financial risk management, are included in Notes 3, 5 and 9 to the consolidated financial statements.

Outlook

The Company's future earning prospects are dependent on the successful management of its E-L Corporate portfolio and on the continued profitability of its insurance company subsidiary. The performance of the E-L Corporate portfolio is impacted by global securities markets and the selection of equity and fixed income investments. The Company continues to maintain its strategy of accumulating shareholder value through long-term capital appreciation and dividend and interest income.

REPORT ON EMPIRE LIFE

Empire Life provides a broad range of life insurance and wealth management products, employee benefit plans and financial services to meet the needs of individuals, professionals and businesses through a network of Independent Financial Advisors (“IFA”), Managing General Agents (“MGA”), National Account firms, Mutual Fund Dealers and Employee Benefits brokers and representatives.

Empire Life’s net income attributable to the owners of E-L Financial, after adjustment for non-controlling interests, is shown in the following table:

| <i>(millions of dollars)</i> | Second quarter | | Year to date | |
|---|------------------------|------------------------|------------------------|------------------------|
| | 2021 | 2020 | 2021 | 2020 |
| Empire Life common shareholders’ net income | \$ 32 | \$ 48 | \$ 189 | \$ 16 |
| Non-controlling interests | 1 | 1 | 1 | — |
| Net income, contribution to E-L Financial | \$ 31 | \$ 47 | \$ 188 | \$ 16 |
| | Jun 30 2021 | Mar 31 2021 | Dec 31 2020 | Jun 30 2020 |
| Empire Life return on common shareholders’ equity (trailing four quarters) | 18.5 % | 20.3 % | 8.5 % | 8.0 % |

Empire Life reported second quarter common shareholders’ net income of \$32 million for 2021, compared to net income of \$48 million for the second quarter of 2020. The decrease in second quarter earnings was primarily due to less favourable claims results in the Employee Benefits line and losses on assets classified as AFS in the Capital and Surplus segment compared to gains for the same period in 2020. Year to date common shareholders net income was \$189 million compared to \$16 million in 2020, primarily due to the release of segregated fund guarantee reserves in the first quarter of 2021.

The impact of COVID-19 on Canadian and international business operations, supply chains, travel, consumer confidence and business forecasts, and domestic and international securities markets, is expected to continue through 2021 and potentially beyond. Empire Life continues to monitor developments in equity and fixed income markets generally, and in connection with Empire Life’s investment portfolios in particular. While the impact of COVID-19 related factors on Empire Life’s financial results is described in the sections that follow, during a time of increased uncertainty and volatility we expect these events will continue to have an impact on Empire Life’s performance in the near term.

The following table provides a breakdown of the sources of earnings by business for the second quarter and year to date:

| Three months ended June 30 2020 (millions of dollars) | Wealth Management | | Employee Benefits | | Individual Insurance | | Capital and Surplus | | Total | |
|--|-------------------|-------|-------------------|-------|----------------------|-------|---------------------|-------|--------------|--------------|
| | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 |
| Expected profit on in-force business | \$ 29 | \$ 33 | \$ 6 | \$ 6 | \$ 14 | \$ 12 | | | \$ 49 | \$ 51 |
| Impact of new business | (3) | (2) | (4) | (2) | — | — | | | (6) | (4) |
| Experience gains (losses) | 6 | (23) | (2) | 12 | (8) | 7 | | | (4) | (5) |
| Management actions and changes in assumptions | — | — | — | — | 5 | 2 | | | 5 | 2 |
| Earnings on operations before income taxes | 31 | 8 | 1 | 16 | 11 | 21 | — | — | 43 | 44 |
| Earnings on surplus | — | — | — | — | — | — | (3) | 21 | (3) | 21 |
| Income (loss) before income tax | 31 | 8 | 1 | 16 | 11 | 21 | (3) | 21 | 40 | 66 |
| Income taxes | 8 | 1 | — | 4 | 1 | 4 | (2) | 5 | 7 | 14 |
| Empire Life's shareholders' net income (loss) | \$ 23 | \$ 6 | \$ 1 | \$ 12 | \$ 10 | \$ 17 | \$ (2) | \$ 16 | \$ 33 | \$ 51 |
| Dividends on preferred shares ⁽¹⁾ | | | | | | | | | (1) | (3) |
| Empire Life common shareholders' net income | | | | | | | | | \$ 32 | \$ 48 |

| Six months ended June 30 (millions of dollars) | Wealth Management | | Employee Benefits | | Individual Insurance | | Capital and Surplus | | Total | |
|--|-------------------|---------|-------------------|-------|----------------------|-------|---------------------|-------|---------------|--------------|
| | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 |
| Expected profit on in-force business | \$ 58 | \$ 66 | \$ 13 | \$ 13 | \$ 27 | \$ 28 | | | \$ 98 | \$ 107 |
| Impact of new business | (8) | (5) | (6) | (5) | 7 | (1) | | | (7) | (11) |
| Experience gains (losses) | 156 | (155) | (7) | 11 | (3) | 11 | | | 146 | (133) |
| Management actions and changes in assumptions | — | — | — | — | 15 | 25 | | | 15 | 25 |
| Earnings (loss) on operations before income taxes | 206 | (94) | — | 19 | 46 | 62 | — | — | 252 | (13) |
| Earnings on surplus | — | — | — | — | — | — | 3 | 39 | 3 | 39 |
| Income (loss) before income tax | 206 | (94) | — | 19 | 46 | 62 | 3 | 39 | 255 | 26 |
| Income taxes | 53 | (26) | — | 5 | 9 | 15 | (1) | 9 | 62 | 3 |
| Empire Life's shareholders' net income (loss) | \$ 152 | \$ (68) | \$ — | \$ 14 | \$ 38 | \$ 47 | \$ 4 | \$ 30 | \$ 194 | \$ 23 |
| Dividends on preferred shares ⁽¹⁾ | | | | | | | | | (5) | (7) |
| Empire Life common shareholders' net income | | | | | | | | | \$ 189 | \$ 16 |

⁽¹⁾ Includes preference share dividends to E-L Financial

The expected profit on in-force business decreased by 4% for the second quarter and by 9% for the year to date, primarily driven by the Wealth Management line.

The impact of new business increased in the second quarter of 2021 primarily due to increased strain from sales growth in the Employee Benefits line. For the year to date, the impact of new business improved relative to the same period in 2020, primarily due to profit at issue in the Individual Insurance line, partially offset by increased strain at issue in the Wealth Management line. The impact of new business on the Individual Insurance line is positive, creating profit at issue, when the present value of future profits from the new business exceeds the sum of the margins in the initial policy liabilities for that business plus the expenses incurred at the point of sale.

Lower experience losses in the second quarter of 2021 were primarily driven by experience gains in the Wealth Management line partially offset by experience losses in the Individual Insurance and Employee Benefits line. For the year to date, experience gains were primarily driven by a reduction in policy

liabilities for segregated fund benefit guarantees, compared to an experience loss from a strengthening of these guarantee liabilities in the first half of 2020.

Management actions and changes in assumptions were driven by management's ongoing activities to improve the matching of assets of liabilities contributing to positive net income gains in the Individual Insurance line.

Earnings on surplus declined for the second quarter and year to date, primarily due to realized losses on assets valued as AFS in this segment compared to realized gains for the comparable periods in 2020.

Results by major product line

The following tables provide a summary of Empire Life results by major product line for the three months ended June 30 and year to date for 2021 and 2020. A discussion of results is provided in the Product Line section of the MD&A.

| Three months ended June 30 (millions of dollars) | Wealth Management | | Employee Benefits | | Individual Insurance | | Capital & Surplus | | Total | |
|---|-------------------|-------------|-------------------|--------------|----------------------|--------------|-------------------|--------------|--------------|--------------|
| | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 |
| Revenue | | | | | | | | | | |
| Net premiums | \$ 17 | \$ 19 | \$ 99 | \$ 84 | \$ 107 | \$ 100 | \$ — | \$ — | \$ 223 | \$ 202 |
| Fee income | 64 | 55 | 3 | 3 | — | — | — | — | 67 | 58 |
| Investment income | 9 | 10 | 1 | 1 | 59 | 55 | 15 | 17 | 85 | 82 |
| Net gains (losses) on investments ⁽¹⁾ | 8 | 55 | 1 | 10 | 245 | 690 | (12) | 10 | 243 | 763 |
| | 98 | 138 | 105 | 97 | 411 | 844 | 4 | 26 | 618 | 1,105 |
| Expenses | | | | | | | | | | |
| Benefits and expenses | 67 | 130 | 101 | 79 | 393 | 817 | 7 | 4 | 568 | 1,031 |
| Income and other taxes | 8 | 1 | 3 | 7 | 5 | 7 | (2) | 5 | 14 | 21 |
| | 75 | 132 | 104 | 85 | 398 | 824 | 5 | 9 | 582 | 1,051 |
| Net income (loss) after tax | \$ 23 | \$ 6 | \$ 1 | \$ 12 | \$ 13 | \$ 20 | \$ (1) | \$ 16 | \$ 36 | \$ 54 |
| Participating policyholders' portion | | | | | | | | | 3 | 4 |
| Dividends on preferred shares | | | | | | | | | 1 | 3 |
| Empire Life's common shareholders' net income | | | | | | | | | 32 | 48 |
| Non-controlling interests in net income | | | | | | | | | 1 | 1 |
| Net income attributable to owners of E-L Financial | | | | | | | | | \$ 31 | \$ 47 |

⁽¹⁾ Includes fair value change on FVTPL investments and realized gains on AFS investments

| Six months ended June 30 (millions of dollars) | Wealth Management | | Employee Benefits | | Individual Insurance | | Capital & Surplus | | Total | |
|--|-------------------|----------------|-------------------|--------------|----------------------|--------------|-------------------|--------------|---------------|--------------|
| | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 |
| Revenue | | | | | | | | | | |
| Net premiums | \$ 41 | \$ 46 | \$ 195 | \$ 175 | \$ 213 | \$ 197 | \$ — | \$ — | \$ 448 | \$ 417 |
| Fee income | 126 | 117 | 7 | 6 | — | — | — | — | 133 | 123 |
| Investment income | 19 | 20 | 1 | 2 | 113 | 108 | 31 | 34 | 164 | 163 |
| Net (losses) gains on investments ⁽¹⁾ | (9) | — | (5) | 7 | (361) | 384 | (18) | 13 | (393) | 402 |
| | 177 | 181 | 199 | 190 | (35) | 689 | 13 | 47 | 353 | 1,107 |
| Expenses | | | | | | | | | | |
| Benefits and expenses | (29) | 275 | 193 | 166 | (93) | 625 | 9 | 8 | 80 | 1,074 |
| Income and other taxes | 53 | (26) | 6 | 10 | 15 | 19 | — | 9 | 74 | 12 |
| | 24 | 248 | 199 | 176 | (78) | 644 | 9 | 17 | 154 | 1,085 |
| Net income (loss) after tax | \$ 152 | \$ (68) | \$ — | \$ 14 | \$ 42 | \$ 45 | \$ 4 | \$ 30 | \$ 199 | \$ 21 |
| Participating policyholders' portion | | | | | | | | | 5 | (2) |
| Dividends on preferred shares | | | | | | | | | 5 | 7 |
| Empire Life's common shareholders' net income | | | | | | | | | 189 | 16 |
| Non-controlling interests in net income | | | | | | | | | 1 | — |
| Net income attributable to owners of E-L Financial | | | | | | | | | \$ 188 | \$ 16 |

⁽¹⁾ Includes fair value change on FVTPL investments and realized gains on AFS investments

Product line results - Wealth Management

| Key Operating Results (millions of dollars) | Second quarter | | Year to date | |
|--|----------------|--------------|---------------|----------------|
| | 2021 | 2020 | 2021 | 2020 |
| Fixed Annuities | | | | |
| Assets under management | \$ 905 | \$ 964 | \$ 905 | \$ 964 |
| Gross sales | 17 | 19 | 41 | 46 |
| Net sales | (8) | (5) | (21) | (13) |
| Segregated Funds | | | | |
| Assets under management | 8,966 | 7,717 | 8,966 | 7,717 |
| Gross sales | 212 | 131 | 481 | 374 |
| Net sales | (30) | (25) | (132) | (105) |
| Fee income | 63 | 54 | 125 | 116 |
| Net Premiums | \$ 17 | \$ 19 | \$ 41 | \$ 46 |
| Net income (loss) after tax | \$ 23 | \$ 6 | \$ 152 | \$ (68) |

Fixed annuities assets under management were 6% lower relative to the same period in 2020. Gross sales for the second quarter were lower by 8% and 11% on a year to date basis compared to the same periods in 2020.

Segregated fund assets under management are higher relative to the same period in 2020, reflecting the rebound in equity markets from the lows experienced in the first half of 2020. For the second quarter of 2021, gross sales were 61% higher than the same period in 2020. For the year to date, gross sales are 29% higher than the same period in 2020.

Segregated fund fee income was 16% and 8% higher for the second quarter and year to date, compared to the same periods in 2020 as higher average assets impacted fee revenues. Fee income from segregated funds is calculated daily for most products.

This line had net income of \$23 million for the quarter compared to a net income of \$6 million for the second quarter in 2020, primarily as a result of increases in policy liabilities for segregated fund guarantees recorded in the comparative period. For the year to date, the Wealth Management line had a net income of \$152 million compared to a net loss of \$68 million as the policy liability increases that were booked in the first half of 2020 were released in the first quarter of 2021. These guarantees are only payable if fund values are below the guaranteed values when the insurable event occurs.

Product line results - Employee Benefits

| Key Operating Results (millions of dollars) | Second quarter | | Year to date | |
|--|----------------|--------------|--------------|--------------|
| | 2021 | 2020 | 2021 | 2020 |
| Core | \$ 24 | \$ 8 | \$ 43 | \$ 22 |
| Other | \$ 7 | \$ 7 | \$ 13 | \$ 24 |
| Annualized premium sales | \$ 31 | \$ 15 | \$ 57 | \$ 45 |
| Net premiums | 99 | 84 | 195 | 175 |
| Net income after tax | \$ 1 | \$ 12 | \$ — | \$ 14 |

Total annualized premium sales increased in the second quarter and year to date compared to the same periods in 2020, primarily due to strong growth in the line's core and strategic sales channels. For the comparative periods in 2020, sales in the first half of the year slowed significantly as the effects of the COVID-19 pandemic were still being absorbed by the small business sector. Empire Life continues to focus sales of its core products in the small to medium-sized business market and to enter into strategic partnerships to expand market share.

Net premiums for the second quarter increased by 19% relative to the same period in 2020 and by 12% for the year to date, primarily from growth in Empire Life's core group benefits offerings. Empire Life continues to focus on profitable sales in the employee benefits market where price competition continues for all major product lines.

Net income for the second quarter and year to date declined primarily due unfavourable claims experience for long-term disability benefits and an increase in dental and extended health benefit claims compared to the same periods in 2020.

Product line results - Individual Insurance

| Key Operating Results (millions of dollars) | Second quarter | | Year to date | |
|--|----------------|--------------|--------------|--------------|
| | 2021 | 2020 | 2021 | 2020 |
| Shareholders' | | | | |
| Annualized premium sales | \$ 9 | \$ 5 | \$ 20 | \$ 10 |
| Net premiums | 72 | 69 | 145 | 136 |
| Net income after tax | 10 | 17 | 38 | 47 |
| Policyholders' | | | | |
| Annualized premium sales | 4 | 3 | 9 | 6 |
| Net premiums | 35 | 31 | 68 | 61 |
| Net income (loss) after tax | 3 | 3 | 5 | (1) |
| Net income after tax | \$ 13 | \$ 20 | \$ 42 | \$ 45 |

Shareholders' annualized premium sales increased by 79% in the second quarter and 96% for the year to date, compared to the same periods in 2020, primarily from increases in sales of Empire Life's term products. Policyholders' annualized premium sales increased 47% in the second quarter and 42% for the year to date. Shareholders' net premiums were 5% higher in the quarter and 6% for the year to date compared to the prior periods. Policyholders' net premiums increased by 12% in the second quarter and year to date, reflecting recent strength in new premium sales.

Shareholders' net income for this product line declined to \$10 million for the second quarter of 2021 and \$38 million for the year to date, compared to \$17 million and \$47 million for the same periods in 2020.

Results - Capital and Surplus

| <i>(millions of dollars)</i> | Second quarter | | Year to date | |
|---|----------------|--------------|--------------|--------------|
| | 2021 | 2020 | 2021 | 2020 |
| Income from investments | \$ 10 | \$ 52 | \$ 27 | \$ 40 |
| (Losses) gains on hedging instrument | (7) | (26) | (15) | 7 |
| Interest and other expenses | (6) | (4) | (9) | (8) |
| (Losses) earnings before income taxes | (3) | 21 | 3 | 39 |
| Income taxes | (2) | 5 | (1) | 9 |
| Net (loss) income after tax shareholders' portion | \$ (2) | \$ 16 | \$ 4 | \$ 30 |
| Net income after tax policyholders' portion | — | — | 1 | — |
| Net (loss) income after tax | \$ (1) | \$ 16 | \$ 4 | \$ 30 |

In addition to the three major lines of business, Empire Life maintains distinct accounts for the investment income attributable to Shareholders' Capital and Surplus and to Policyholders' Surplus.

Income from investments for the second quarter of 2021 and year to date decreased primarily due to lower realized losses on assets classified as Available for sale and lower unrealized gains on assets valued as FVTPL in this segment. Losses on the hedging program (discussed in the Risk Management section) for the second quarter of 2021 and year to date, compared to a loss in the second quarter and a gain for the year to date in 2020, were primarily related to rising Canadian equity markets beginning in the second quarter of 2020 and continuing through the second quarter of 2021.

Sources of capital

Empire Life has issued private and public securities to strengthen its capital position and fund new business growth. Details of the Empire Life's outstanding subordinated debt, preferred shares and limited recourse capital notes are as follows:

| <i>(millions of dollars)</i> | Date Issued | Earliest redemption date | Interest rate | Face amounts as at | |
|------------------------------|----------------|--------------------------|---------------|--------------------|------------------|
| | | | | June 30 2021 | December 31 2020 |
| Subordinated debentures | | | | | |
| Series 2016-1 ⁽¹⁾ | December 2016 | December 16, 2021 | 3.383 % | \$ 200 | \$ 200 |
| Series 2017-1 ⁽²⁾ | September 2017 | March 15, 2023 | 3.664 % | \$ 200 | \$ 200 |

⁽¹⁾ Unsecured Debentures due 2026. From December 16, 2021, interest is payable at 1.95% over the 3-month Canadian Deposit Offering Rate ("CDOR").

⁽²⁾ Unsecured Debentures due 2028. From March 15, 2023, interest is payable at 1.53% over the 3-month CDOR.

| (millions of dollars) | Date Issued | Earliest redemption date | Yield | As at | |
|--|---------------|--------------------------|---------|--------------|------------------|
| | | | | June 30 2021 | December 31 2020 |
| Preferred shares, Series 1 | January 2016 | April 17, 2021 | 5.75 % | \$ — | \$ 150 |
| Preferred shares, Series 3 | November 2017 | January 17, 2023 | 4.90 % | \$ 100 | \$ 100 |
| Limited Recourse Capital Notes, Series 1 | February 2021 | April 17, 2026 | 3.625 % | \$ 200 | \$ — |

On February 17, 2021, Empire Life completed an offering of \$200 million aggregate principal 3.625% Limited Recourse Capital Notes Series 1 ("Notes"). In connection with the issuance of the Notes, Empire Life issued Non-Cumulative 5-Year Fixed Rate Reset Preferred Shares, Series 5 ("Preferred Shares Series 5") to be held by a trustee for a newly formed trust. In case of non-payment of interest on or principal of the Notes when due, the recourse of each Note holder will be limited to that holder's proportionate share of the Limited Recourse Trust's assets, which will consist of the Preferred Shares Series 5, except in limited circumstances. The purpose of the sale of the Notes is to enlarge Empire Life's Tier 1 capital base with a view to optimizing Empire Life's capital structure within the parameters prescribed by the Office of the Superintendent of Financial Institutions for regulatory capital requirements.

On April 17, 2021, Empire Life 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.

Empire Life's debentures and preferred shares are rated by DBRS Limited ("DBRS"). DBRS has assigned the following ratings to Empire Life's securities:

| Evaluation Type | Rating | Trend | Date of last rating action |
|--------------------------------|-----------|--------|----------------------------|
| Financial Strength Rating | A | Stable | June 3 2021 |
| Issuer Rating | A | Stable | June 3 2021 |
| Subordinated Debt | A(low) | Stable | June 3 2021 |
| Preferred Shares | Pfd-2 | Stable | June 3 2021 |
| Limited Recourse Capital Notes | BBB(high) | Stable | June 3 2021 |

Regulatory capital

The Life Insurance Capital Adequacy Test ("LICAT") is intended to improve the measurement of the life insurer's solvency position by recognizing the long-term economics of the life insurance business. Empire Life continues to have a strong capital position under the LICAT framework. Empire Life is required to maintain a minimum Core Ratio of 55% and a Total Ratio of 90%. OSFI has established supervisory target levels of 70% for Core and 100% for Total capital.

As of June 30, 2021, the Total Ratio and Core Ratio declined from the March 31, 2021 value, as a result of the redemption of Empire Life's Series 1 Preferred Shares.

| LICAT (millions of dollars) | Jun 30 2021 | Mar 31 2021 | Dec 31 2020 | Sep 30 2020 | Jun 30 2020 |
|--|-----------------|-----------------|-----------------|-----------------|-----------------|
| Available capital | | | | | |
| Tier 1 | \$ 1,805 | \$ 1,908 | \$ 1,623 | \$ 1,544 | \$ 1,527 |
| Tier 2 | 658 | 664 | 677 | 703 | 710 |
| Total | \$ 2,463 | \$ 2,572 | \$ 2,300 | \$ 2,247 | \$ 2,237 |
| Surplus allowance and eligible deposits | \$ 1,170 | \$ 1,121 | \$ 1,156 | \$ 1,111 | \$ 1,094 |
| Base solvency buffer | \$ 2,536 | \$ 2,503 | \$ 2,541 | \$ 2,542 | \$ 2,510 |
| LICAT Total Ratio | 143 % | 148 % | 136 % | 132 % | 133 % |
| LICAT Core Ratio | 103 % | 108 % | 96 % | 91 % | 91 % |

Risk management

Caution related to sensitivities

In the sections that follow, Empire Life provides sensitivities and risk exposure measures for certain risks. These include sensitivities due to specific changes in market prices and interest rates, based on 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 can 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 Empire Life'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 Empire Life's future net income, OCI, and capital sensitivities. Given the nature of these calculations, Empire Life 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.

Significant developments

In early 2020, the world was impacted by the spread of the COVID-19 pandemic. The duration and impact of the COVID-19 outbreak remains uncertain. If the COVID-19 pandemic is prolonged, or further diseases, including variants, emerge that give rise to similar effects, there may be further negative effects on the Canadian economy as well as increased volatility in equity and fixed income markets which in turn may affect Empire Life's business and some of our clients. Unexpected developments in financial markets, regulatory environments, or consumer behaviour and confidence may also have adverse impacts on Empire Life's financial results and condition, and business. It is difficult to reliably measure, or predict, the potential impact of this uncertainty on our future financial results.

Market risk

Empire Life has equity market risk related to its segregated fund products and from equity assets backing life insurance liabilities. Empire Life has a semi-static hedging program. The objective of the hedging program is to partially protect Empire Life from future regulatory (LICAT) ratio declines that might result from adverse stock market prices. The hedging program may employ derivative positions including put options and futures. The extent of derivatives used is monitored and managed on an ongoing basis, giving consideration to equity risk and the level of available capital.

There is income statement volatility from this hedging program. Based on current equity market levels, Empire Life has required capital for LICAT purposes related to segregated fund guarantees whereas policy liabilities are currently negative and therefore floored at zero (as described further in the sections that follow). Therefore, a by-product of hedging LICAT exposure is net income volatility, as the gains or losses from hedging instruments are not necessarily offset by changes in policy liabilities related to segregated fund guarantee risk. The equity risk hedging program provides some relief in adverse scenarios, but may incur losses in positive scenarios. For the second quarter and year to date, Empire Life experienced a loss of \$5 million and \$11 million after tax primarily due to rising Canadian equity markets. This compares to a second quarter hedge loss of \$19 million and a year to date gain of \$5 million after tax in 2020.

Empire Life's LICAT ratio is also sensitive to stock market volatility, due primarily to liability and capital requirements related to segregated fund guarantees. As of June 30, 2021, Empire Life had \$9.0 billion of

segregated fund assets and liabilities. Of this amount, approximately \$8.7 billion have guarantees. The following table provides a percentage breakdown by type of guarantee:

| | June 30 2021 | December 31 2020 |
|--|-----------------|---------------------|
| Percentage of segregated fund liabilities with: | | |
| 75% maturity guarantee and a 75% death benefit guarantee | 6 % | 6 % |
| 75% maturity guarantee and a 100% death benefit guarantee | 44 % | 44 % |
| 100% maturity and death benefit guarantee (with a minimum of 15 years between deposit and maturity date) | 7 % | 7 % |
| Guaranteed minimum withdrawal benefit ("GMWB") | 43 % | 43 % |

All Empire Life segregated fund guarantees are policy-based (not deposit-based), thereby generally lowering Empire Life's stock market sensitivity relative to products with deposit-based guarantees. Policy-based guarantees consider all of the deposits in the customer's policy (whether the fund value is below or above the guaranteed amount) to arrive at an overall net guarantee payment, whereas deposit-based guarantees consider only the deposits where the fund value is below the guaranteed amount and ignore all the deposits in the customer's policy where the fund value is above the guaranteed amount. Therefore, policy-based guarantees generally pay less than deposit-based guarantees. For segregated fund guarantee insurance contract liabilities, the level of sensitivity is highly dependent on the level of the stock market at the time the estimate is calculated. If period-end stock markets are high relative to market levels at the time that segregated fund policies are issued, the sensitivity is reduced. If period-end stock markets are low relative to market levels at the time that segregated fund policies are issued, the sensitivity is increased.

The segregated fund regulatory capital and liability framework includes the use of "zero floors" (i.e., negative liability amounts are not permitted so zero is used instead, as described below) and other regulatory constraints, and this often makes the sensitivity impacts non-linear. The liabilities are the greater of: (i) the average of the amounts determined by averaging the results from adverse economic scenarios; and (ii) zero.

Empire Life also has equity market risk related to its equity assets backing life insurance liabilities. Based on stock market levels as at June 30, 2021 and December 31, 2020, the sensitivity of Empire Life shareholders' net income and LICAT ratio resulting from stock market increases and decreases is provided in the following table.

| Sensitivity to equity risk Impact on net income (<i>millions of dollars after tax</i>) | Increase | | Decrease | | |
|---|---------------|---------------|----------------|-----------------|-----------------|
| | 20% | 10% | 10% | 20% | 30% |
| As at June 30, 2021 | | | | | |
| Segregated fund guarantees | \$ — | \$ — | \$ (8) | \$ (49) | \$ (170) |
| Other equity risk | 40 | 19 | (17) | (33) | (44) |
| Equity hedge | (10) | (5) | 6 | 16 | 31 |
| Total | \$ 30 | \$ 14 | \$ (20) | \$ (66) | \$ (184) |
| As at December 31, 2020 | | | | | |
| Segregated fund guarantees | \$ 108 | \$ 104 | \$ (13) | \$ (86) | \$ (220) |
| Other equity risk | 37 | 18 | (16) | (29) | (78) |
| Equity hedge | (8) | (4) | 5 | 12 | 20 |
| Total | \$ 137 | \$ 117 | \$ (23) | \$ (103) | \$ (278) |

| Sensitivity to equity risk | Increase | | Decrease | | |
|--------------------------------|------------|-----------|-----------|-------------|--------------|
| | 20% | 10% | 10% | 20% | 30% |
| Impact on LICAT | | | | | |
| As at June 30, 2021 | | | | | |
| Segregated fund guarantees | 12% | 7% | (1)% | (5)% | (13)% |
| Other equity risk | 1% | 1% | 1% | 1% | 1% |
| Equity hedge | (2)% | (1)% | 1% | 2% | 3% |
| Total | 11% | 6% | 1% | (2)% | (10)% |
| As at December 31, 2020 | | | | | |
| Segregated fund guarantees | 6% | 5% | (1)% | (8)% | (16)% |
| Other equity risk | —% | —% | —% | —% | (1)% |
| Equity hedge | (1)% | —% | —% | 1% | 1% |
| Total | 6% | 5% | —% | (7)% | (16)% |

Empire Life's equity market sensitivity in a 20% and 30% stock market decline decreased primarily as a result of the improvement in equity markets and the increase in bond yields during the first quarter of 2020. The segregated fund guarantee liability was reduced during the quarter as the value of withdrawal and guarantee benefits decrease when there is an increase in equity markets. This decreases net income sensitivity as any changes to the liability when it is above the zero floor will flow through net income.

Empire Life also has a reinsurance agreement to cede a portion of Empire Life's segregated fund death benefit exposure. All Empire Life segregated fund policyholders with death benefit guarantees of at least \$2 million are included in this agreement. Empire Life does not reinsure any other insurer's segregated fund products.

The amount at risk related to segregated fund maturity guarantees and segregated fund death benefit guarantees, and the resulting policy liabilities and LICAT base solvency buffer for Empire Life's segregated funds, is provided in the following table.

| Segregated Funds | Withdrawal Benefit > Fund Value | | Maturity Guarantee > Fund Value | | Death Benefit > Fund Value | | Policy Liabilities | LICAT Capital |
|-----------------------|---------------------------------|----------------|---------------------------------|----------------|----------------------------|----------------|--------------------|---------------|
| | Fund Value | Amount at Risk | Fund Value | Amount at Risk | Fund Value | Amount at Risk | | |
| (millions of dollars) | | | | | | | | |
| June 30, 2021 | \$ 2,589 | \$ 731 | \$ 26 | \$ 2 | \$ 136 | \$ 3 | \$ — | \$ 657 |
| December 31, 2020 | \$ 2,687 | \$ 931 | \$ 52 | \$ 2 | \$ 654 | \$ 12 | \$ 147 | \$ 682 |

The first six columns of the above table show all segregated fund policies where the future withdrawal benefit, future maturity guarantee, or future death benefit guarantee is greater than the fund value. The amount at risk represents the excess of the future withdrawal benefit, future maturity guarantee or future death benefit guarantee amount over the fund value for these policies. The withdrawal benefit amounts in the above table relate to guaranteed minimum withdrawal benefit ("GMWB") products. The GMWB withdrawal benefit amount at risk represents the amount that could be paid by Empire Life to GMWB policyholders if the net return on each GMWB policyholder's assets is zero for the remainder of each GMWB policyholder's life, based on life expectancy. As at June 30, 2021, the aggregate amount at risk for all three categories of risk was \$736 million. As at December 31, 2020, the aggregate amount at risk for these three categories of risk was \$946 million. For these three categories of risk, the amount at risk is not currently payable. Payment is contingent on future outcomes, including fund performance, deaths, deposits, withdrawals and maturity dates.

The level of policy liabilities and required regulatory capital in the above table is calculated based on the probability that Empire Life will ultimately have to make payment to the segregated fund policyholders for

any fund value deficiency that may exist on future payments to GMWB policyholders, or upon future maturity of the segregated fund policies, or upon future death of the segregated fund policyholders.

In addition, Empire Life considers the sensitivity of its LICAT ratio to changes in market interest rates. The impact of an immediate 50 basis point decrease in interest rates and a 50 basis point decrease in the assumed initial reinvestment rate ("IRR") for non-participating insurance business and segregated fund guarantees for June 30, 2021 and December 31, 2020, is shown in the table below. This assumes no change in the ultimate reinvestment rate ("URR"). The AFS bonds provide a natural economic offset to the interest rate risk attributable to Empire Life's product liabilities.

| Sensitivity to market interest rates LICAT: | Impact of 50 bps decrease |
|--|--------------------------------------|
| June 30, 2021 LICAT total ratio | 2% |
| December 31, 2020 LICAT total ratio | 3% |

E-L Financial Corporation Limited
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
UNAUDITED
(in thousands of Canadian dollars)

| | June 30 2021 | December 31 2020 |
|---|----------------------|----------------------|
| Assets | | |
| Cash and cash equivalents | \$ 409,121 | \$ 427,757 |
| Investments - corporate (Note 3) | 6,247,227 | 5,688,889 |
| Investments - insurance (Note 4) | 9,565,677 | 9,855,846 |
| Investments in associates (Note 5) | 377,694 | 266,570 |
| Insurance receivable | 41,008 | 46,533 |
| Other assets | 148,361 | 202,211 |
| Segregated fund assets (Note 7) | 8,966,262 | 8,457,417 |
| Total assets | \$ 25,755,350 | \$ 24,945,223 |
| Liabilities | | |
| Reinsurance liabilities | \$ 352,893 | \$ 384,761 |
| Insurance contract liabilities | 6,781,113 | 7,216,402 |
| Investment contract liabilities | 27,874 | 29,041 |
| Deferred tax liabilities | 360,458 | 321,587 |
| Dividends payable | 13,159 | 8,523 |
| Other liabilities | 239,653 | 274,737 |
| Borrowings | 602,645 | 602,268 |
| Segregated fund liabilities (Note 7) | 8,966,262 | 8,457,417 |
| Total liabilities | \$ 17,344,057 | \$ 17,294,736 |
| Equity | | |
| Capital stock | \$ 366,791 | \$ 366,793 |
| Retained earnings | 6,735,979 | 6,050,795 |
| Accumulated other comprehensive income ("AOCI") | 27,412 | 56,411 |
| Total E-L Financial shareholders' equity | 7,130,182 | 6,473,999 |
| Non-controlling interests in subsidiaries ("NCI") | 1,230,568 | 1,132,340 |
| Participating policyholders' interests ("PAR") | 50,543 | 44,148 |
| Total equity | 8,411,293 | 7,650,487 |
| Total liabilities and equity | \$ 25,755,350 | \$ 24,945,223 |

Approved by the Board

Duncan N.R. Jackman, Director

James F. Billett, Director

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

E-L Financial Corporation Limited
CONSOLIDATED STATEMENTS OF INCOME (LOSS)
UNAUDITED
(in thousands of Canadian dollars, except per share amounts)

| | Three months ended | | Six months ended | |
|---|--------------------|-------------------|-------------------|---------------------|
| | June 30 | | June 30 | |
| | 2021 | 2020 | 2021 | 2020 |
| Revenue | | | | |
| Gross premiums | \$ 288,443 | \$ 251,698 | \$ 566,693 | \$ 522,400 |
| Premiums ceded to reinsurers | (65,187) | (50,007) | (118,398) | (104,911) |
| Net premiums | 223,256 | 201,691 | 448,295 | 417,489 |
| Investment and other income (Note 6) | 184,281 | 177,097 | 369,761 | 352,801 |
| Share of income (loss) of associates (Note 5) | 13,718 | 29,394 | 119,447 | (62,124) |
| Fair value change in fair value through profit or loss investments | 510,669 | 1,259,335 | 103,136 | 125,765 |
| Realized (loss) gain on available for sale investments | (3,917) | 13,553 | (1,949) | 18,227 |
| | 928,007 | 1,681,070 | 1,038,690 | 852,158 |
| Expenses | | | | |
| Gross claims and benefits | 496,149 | 927,781 | (28,203) | 934,988 |
| Claims and benefits ceded to reinsurers | (34,392) | 12,836 | (104,436) | (45,599) |
| Net claims and benefits | 461,757 | 940,617 | (132,639) | 889,389 |
| Change in investment contracts provision | (56) | 142 | 240 | 475 |
| Commissions | 58,857 | 44,254 | 119,680 | 93,026 |
| Operating | 53,021 | 51,316 | 105,970 | 102,408 |
| Interest expense | 8,818 | 4,148 | 13,680 | 8,165 |
| Premium taxes | 5,105 | 4,993 | 10,924 | 9,643 |
| | 587,502 | 1,045,470 | 117,855 | 1,103,106 |
| Income (loss) before income taxes | 340,505 | 635,600 | 920,835 | (250,948) |
| Income taxes | 48,984 | 91,860 | 144,884 | (33,500) |
| Net income (loss) | 291,521 | 543,740 | 775,951 | (217,448) |
| Less: Participating policyholders' income (loss) | 3,149 | 3,513 | 5,327 | (1,676) |
| Non-controlling interests in net income (loss) | 47,779 | 88,082 | 63,675 | (4,861) |
| | 50,928 | 91,595 | 69,002 | (6,537) |
| E-L Financial shareholders' net income (loss) | \$ 240,593 | \$ 452,145 | \$ 706,949 | \$ (210,911) |
| Earnings (loss) per share attributable to E-L Financial shareholders | | | | |
| Basic | \$ 65.47 | \$ 119.36 | \$ 193.37 | \$ (57.00) |
| Diluted | \$ 59.33 | \$ 108.83 | \$ 174.33 | \$ (57.00) |

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

E-L Financial Corporation Limited
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
UNAUDITED
(in thousands of Canadian dollars)

| | Three months ended June 30 | | Six months ended June 30 | |
|---|-------------------------------|-------------------|-----------------------------|--------------------|
| | 2021 | 2020 | 2021 | 2020 |
| Net income (loss) | \$ 291,521 | \$ 543,740 | \$ 775,951 | \$(217,448) |
| Other comprehensive (loss) (“OCL”) income (“OCI”), net of taxes (Note 8) | | | | |
| Items that may be reclassified subsequently to net income: | | | | |
| Net unrealized fair value change on available for sale investments (“AFS”) | 21,404 | 76,495 | (53,847) | 56,884 |
| Share of (OCL) OCI of associates | (1,059) | (3,581) | (2,226) | 4,812 |
| | 20,345 | 72,914 | (56,073) | 61,696 |
| Items that will not be reclassified to net income: | | | | |
| Net remeasurement of defined benefit plans | 998 | (20,334) | 23,555 | (19,435) |
| Share of OCI (OCL) of associates | 342 | (2,898) | 4,717 | (8,624) |
| | 1,340 | (23,232) | 28,272 | (28,059) |
| Total OCI (OCL) | 21,685 | 49,682 | (27,801) | 33,637 |
| Comprehensive income (loss) | 313,206 | 593,422 | 748,150 | (183,811) |
| Less: Participating policyholders' comprehensive income (loss) | 3,695 | 6,111 | 6,395 | (227) |
| Non-controlling interests in comprehensive income (loss) | 47,835 | 87,634 | 63,805 | (5,097) |
| | 51,530 | 93,745 | 70,200 | (5,324) |
| E-L Financial shareholders' comprehensive income (loss) | \$ 261,676 | \$ 499,677 | \$ 677,950 | \$(178,487) |

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

E-L Financial Corporation Limited
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
UNAUDITED
(in thousands of Canadian dollars)

| | E-L Financial shareholders' equity | | | | | | |
|---|------------------------------------|-------------------|-----------|--------------|--------------|-----------|--------------|
| | Capital stock (Note 11) | Retained earnings | AOCI | Total | NCI | PAR | Total equity |
| At January 1, 2021 | \$ 366,793 | \$ 6,050,795 | \$ 56,411 | \$ 6,473,999 | \$ 1,132,340 | \$ 44,148 | \$ 7,650,487 |
| Net income | — | 706,949 | — | 706,949 | 63,675 | 5,327 | 775,951 |
| (OCL) OCI | — | — | (28,999) | (28,999) | 130 | 1,068 | (27,801) |
| Comprehensive income (loss) | — | 706,949 | (28,999) | 677,950 | 63,805 | 6,395 | 748,150 |
| Dividends | — | (21,682) | — | (21,682) | (12,272) | — | (33,954) |
| Share purchase (Note 11) | (2) | (88) | — | (90) | — | — | (90) |
| Subsidiary preferred share redemption (Note 12) | — | — | — | — | (149,500) | — | (149,500) |
| Subsidiary issuance of limited recourse capital notes (Note 12) | — | — | — | — | 196,664 | — | 196,664 |
| Acquisition of subsidiary shares | — | 5 | — | 5 | (469) | — | (464) |
| At June 30, 2021 | \$ 366,791 | \$ 6,735,979 | \$ 27,412 | \$ 7,130,182 | \$ 1,230,568 | \$ 50,543 | \$ 8,411,293 |

| | E-L Financial shareholders' equity | | | | | | |
|----------------------------------|------------------------------------|-------------------|-------------|--------------|--------------|-----------|--------------|
| | Capital stock (Note 11) | Retained earnings | (AOCL) AOCI | Total | NCI | PAR | Total equity |
| At January 1, 2020 | \$ 372,388 | \$ 5,878,228 | \$ 24,156 | \$ 6,274,772 | \$ 1,067,961 | \$ 40,112 | \$ 7,382,845 |
| Net loss | — | (210,911) | — | (210,911) | (4,861) | (1,676) | (217,448) |
| OCI (OCL) | — | — | 32,424 | 32,424 | (236) | 1,449 | 33,637 |
| Comprehensive (loss) income | — | (210,911) | 32,424 | (178,487) | (5,097) | (227) | (183,811) |
| Dividends | — | (115,791) | — | (115,791) | (14,903) | — | (130,694) |
| Share purchases | (3,620) | (116,797) | — | (120,417) | — | — | (120,417) |
| Acquisition of subsidiary shares | — | 18 | — | 18 | (7,042) | — | (7,024) |
| At June 30, 2020 | \$ 368,768 | \$ 5,434,747 | \$ 56,580 | \$ 5,860,095 | \$ 1,040,919 | \$ 39,885 | \$ 6,940,899 |

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

E-L Financial Corporation Limited
CONSOLIDATED STATEMENTS OF CASH FLOWS
UNAUDITED
(in thousands of Canadian dollars)

| | Six months ended | |
|--|-------------------------|-------------------|
| | June 30 | |
| | 2021 | 2020 |
| Net inflow (outflow) of cash related to the following activities: | | |
| Operating | | |
| Net income (loss) | \$ 775,951 | \$ (217,448) |
| Items not affecting cash resources: | | |
| Change in insurance and investment contract liabilities | (468,190) | 588,541 |
| Realized loss (gain) on available for sale of investments | 1,949 | (18,227) |
| Fair value change in fair value through profit or loss investments | (103,136) | (125,765) |
| Deferred taxes | 30,058 | (47,359) |
| Share of (income) loss of associates (Note 5) | (119,447) | 62,124 |
| Amortization related to bond investments | (39,002) | (41,721) |
| Other items | 75,017 | (32,857) |
| | 153,200 | 167,288 |
| Net change in other assets and liabilities | (11,758) | 893 |
| | 141,442 | 168,181 |
| Financing | | |
| Cash dividends to shareholders | (17,046) | (116,042) |
| Cash dividends by subsidiaries to non-controlling interests | (14,423) | (14,927) |
| Purchases of subsidiary shares | (464) | (7,024) |
| Share purchases (Note 11) | (90) | (120,417) |
| Repayment of margin loan | — | (60,000) |
| Redemption of preferred shares by Empire Life (Note 12) | (149,500) | — |
| Issuance of limited recourse capital notes (Note 12) | 196,664 | — |
| Issuance of 4.0% senior unsecured notes | — | 197,773 |
| Interest paid on borrowings | (11,064) | (7,523) |
| | 4,077 | (128,160) |
| Investing | | |
| Purchases of investments | (3,305,304) | (1,770,533) |
| Proceeds from sale or maturity of investments | 3,090,088 | 1,844,403 |
| Net sales of short-term investments | 4,520 | 31,061 |
| Net purchases of other assets | (2,126) | (5,568) |
| Dividends from associates | 48,667 | 6,253 |
| | (164,155) | 105,616 |
| (Decrease) increase in cash and cash equivalents | (18,636) | 145,637 |
| Cash and cash equivalents, beginning of the period | 427,757 | 303,085 |
| Cash and cash equivalents, end of the period | \$ 409,121 | \$ 448,722 |
| Fair value hierarchy for cash and cash equivalents: | | |
| Level 1 | \$ 246,508 | \$ 283,322 |
| Level 2 | 162,613 | 165,400 |
| | \$ 409,121 | \$ 448,722 |

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

1. Business operations

E-L Financial Corporation Limited (the “Company”) is an investment and insurance holding company, publicly traded on the Toronto Stock Exchange and incorporated under the laws of Ontario.

The head office, principal address and registered office of the Company is located at 165 University Avenue, Toronto, Ontario, M5H 3B8.

The interim condensed consolidated financial statements were approved by the Company’s Board of Directors on August 5, 2021.

2. Significant accounting policies

(a) Basis of preparation

These unaudited interim condensed consolidated financial statements are prepared in accordance with International Accounting Standard 34 Interim Financial Reporting as issued by the International Accounting Standards Board (“IASB”) and follow the same accounting policies and methods as the most recent annual financial statements. These unaudited interim condensed 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.

All figures included in the interim consolidated financial statements are presented in thousands of Canadian dollars, except per share amounts and where otherwise stated.

(b) Accounting changes

New accounting pronouncements issued but not yet effective

IFRS 9 Financial Instruments

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

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

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 4 and 5 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 do not have SPPI qualifying cash flows as at December 31, 2020 and December 31, 2019 include mortgages with fair values of \$13,200 and \$10,400, respectively.

The Company has considered the total insurance liabilities, which include segregated fund liabilities, against total liabilities and have concluded that the Company meets both criteria noted above.

The Company is currently evaluating the impact of IFRS 9 on its consolidated financial statements.

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.

3. Investments – corporate

Invested assets

Investments – corporate includes the investments held at the corporate level of E-L Financial and the investment holdings of it’s subsidiary, United Corporations Limited (“United”).

The following table provides a comparison of carrying values by class of asset:

| Carrying value | June 30 2021 | December 31 2020 |
|-------------------------------|-----------------|---------------------|
| Preferred shares | \$ 1,058 | \$ 1,058 |
| Common shares and units | | |
| Canadian | 865,130 | 741,352 |
| U.S. | 3,384,420 | 2,750,146 |
| Europe and United Kingdom | 761,573 | 1,170,713 |
| Other | 1,235,046 | 1,025,620 |
| Total common shares and units | 6,246,169 | 5,687,831 |
| Total | \$ 6,247,227 | \$ 5,688,889 |

The Company’s investment in common shares and units includes shares of public and private companies and units in pooled funds. As at June 30, 2021 and December 31, 2020 all of the invested assets have been designated FVTPL.

Investments – measured at fair value

The table below provides a comparison of the fair values by class of asset:

| Fair value | | As at June 30, 2021 | | | |
|-------------------------------|----------------------------|--|--|---------------------|--|
| Asset category | Quoted Prices (Level 1) | Significant other observable inputs (Level 2) | Significant unobservable inputs (Level 3) | Total fair value | |
| Preferred shares | \$ — | \$ — | \$ 1,058 | \$ 1,058 | |
| Common shares and units | | | | | |
| Canadian | 22,098 | 98,903 | 744,129 | 865,130 | |
| U.S. | 3,026,865 | 173,666 | 183,889 | 3,384,420 | |
| Europe and United Kingdom | 626,736 | 85,775 | 49,062 | 761,573 | |
| Other | 771,122 | 395,060 | 68,864 | 1,235,046 | |
| Total common shares and units | 4,446,821 | 753,404 | 1,045,944 | 6,246,169 | |
| Total | \$ 4,446,821 | \$ 753,404 | \$ 1,047,002 | \$ 6,247,227 | |

| Fair value | | As at December 31, 2020 | | | |
|-------------------------------|----------------------------|--|--|---------------------|--|
| Asset category | Quoted Prices (Level 1) | Significant other observable inputs (Level 2) | Significant unobservable inputs (Level 3) | Total fair value | |
| Preferred shares | \$ — | \$ — | \$ 1,058 | \$ 1,058 | |
| Common shares and units | | | | | |
| Canadian | 14,621 | 78,426 | 648,305 | 741,352 | |
| U.S. | 2,472,958 | 150,900 | 126,288 | 2,750,146 | |
| Europe and United Kingdom | 989,339 | 81,645 | 99,729 | 1,170,713 | |
| Other | 531,454 | 440,056 | 54,110 | 1,025,620 | |
| Total common shares and units | 4,008,372 | 751,027 | 928,432 | 5,687,831 | |
| Total | \$ 4,008,372 | \$ 751,027 | \$ 929,490 | \$ 5,688,889 | |

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. Transfers between fair value hierarchy levels are considered effective from the beginning of the reporting period in which the transfer is identified. There were no transfers of financial instruments between Level 1, Level 2 or Level 3 for the period ended June 30, 2021 or during the year ended December 31, 2020.

Included in Level 2 are the Company's investments in pooled funds and limited partnerships which at June 30, 2021 had a carrying value of \$753,404 (December 31, 2020 - \$751,027).

Included in Level 3 are investments in common and preferred shares in private companies. A summary of changes in the fair values of Level 3 financial instruments measured at FVTPL for the period:

| | 2021 | 2020 |
|--------------------------|---------------------|-------------------|
| Balance - January 1 | \$ 929,490 | \$ 868,860 |
| Net fair value change | 101,155 | (97,530) |
| Sales | (618) | — |
| Purchases | 16,975 | 8,800 |
| Balance - June 30 | \$ 1,047,002 | \$ 780,130 |

In the normal course of business, investment commitments are outstanding which are not reflected in the consolidated financial statements. As of June 30, 2021, E-L Corporate has \$123,013 (December 31, 2020 - \$144,321) in unfunded commitments in limited partnerships.

Derivative financial instrument

On November 1, 2017, the Company entered into an interest rate swap with a \$100,000 notional principal. The use of derivatives is measured in terms of notional principal amounts, which serve as the basis for calculating payments but is not the actual amount that is exchanged. At June 30, 2021 the fair value of the interest rate swap was a liability of \$2,187 (December 31, 2020 - \$3,263).

The contract matures on November 1, 2022. The interest rate swap is valued based on the contract notional amount and changes in underlying interest rates, calculating the difference between the fixed and floating interest rates at the end of a given period. The interest rate swap is classified as Level 2 as the interest rates between the two parties are observable and reliable.

For analysis of the Company's risks arising from financial instruments, refer to Note 9 – Risk management.

4. Investments – insurance

The Empire Life Insurance Company (“Empire Life”) invested assets

The following table provides a comparison of carrying values by class of asset:

| Carrying Value Asset category | As at June 30, 2021 | | | As at 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 |
| 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 | | | | | | |
| Federal government | 6,407 | 312,940 | 319,347 | 8,013 | 252,719 | 260,732 |
| Provincial governments | 3,120,971 | 541,590 | 3,662,561 | 3,554,583 | 543,756 | 4,098,339 |
| 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 |
| 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 |
| Preferred shares - Canadian | 544,464 | 11,132 | 555,596 | 606,664 | 10,238 | 616,902 |
| Common shares | | | | | | |
| 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 |
| Derivative assets | 4,862 | — | 4,862 | 5,377 | — | 5,377 |
| Loans and receivables: | | | | | | |
| Mortgages | — | — | 155,046 | — | — | 157,214 |
| Loans on policies | — | — | 56,224 | — | — | 56,458 |
| Policy contract loans | — | — | 57,288 | — | — | 60,407 |
| Total | \$ 7,435,654 | \$ 1,861,465 | \$ 9,565,677 | \$ 7,853,946 | \$ 1,727,821 | \$ 9,855,846 |

Empire Life investments – measured at fair value

The table below provides a comparison of the fair values by class of asset:

| Fair value Asset category | As at June 30, 2021 | | | As at December 31, 2020 | | |
|------------------------------|-------------------------|---|---------------------|-------------------------|---|---------------------|
| | Quoted Prices (Level 1) | Significant other observable inputs (Level 2) | Total fair value | Quoted Prices (Level 1) | Significant other observable inputs (Level 2) | Total fair value |
| Short-term investments | \$ — | \$ 8,488 | \$ 8,488 | \$ — | \$ 13,008 | \$ 13,008 |
| Bonds | — | 7,731,894 | 7,731,894 | — | 8,027,780 | 8,027,780 |
| Preferred shares | 555,596 | — | 555,596 | 616,902 | — | 616,902 |
| Common shares | 869,999 | 126,280 | 996,279 | 797,009 | 121,691 | 918,700 |
| Derivative assets | 4,199 | 663 | 4,862 | 5,358 | 19 | 5,377 |
| 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 |
| Total | \$ 1,429,794 | \$ 8,148,508 | \$ 9,578,302 | \$ 1,419,269 | \$ 8,450,249 | \$ 9,869,518 |

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 of financial instruments between Level 1, Level 2 or Level 3 during the period ended June 30, 2021 or during the year ended December 31, 2020.

Impairment

Based on an impairment review of the AFS investments, there was no impairment at June 30, 2021 (June 30, 2020 - \$4,252). Impairment was assessed on these investments due to a number of factors, including the severity of the unrealized loss compared to the cost and the amount of time the investment had an unrealized loss.

Investment commitments

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

Empire Life 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.

| | 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 |
| Total | \$ 482,850 | \$ 4,862 | \$ 1,953 | \$ 282,237 | \$ 5,377 | \$ 1,410 |

All contracts mature in less than one year.

For analysis of the risks arising from financial instruments, refer to Note 9 – Risk management.

5. Investments in associates

Investments in associates by operating segment are as follows:

| | June 30 2021 | December 31 2020 |
|---------------|-------------------|---------------------|
| E-L Corporate | \$ 355,871 | \$ 245,269 |
| Empire Life | 21,823 | 21,301 |
| Total | \$ 377,694 | \$ 266,570 |

The E-L Corporate segment has two investments in associates, Algoma Central Corporation (“Algoma”) and Economic Investment Trust Limited (“Economic”).

Algoma is incorporated in Canada and is listed on the Toronto Stock Exchange under the symbol “ALC”. Algoma owns and operates the largest Canadian flag fleet of dry and liquid bulk carriers operating on the Great Lakes - St. Lawrence Waterway.

Economic is a closed-end investment corporation incorporated in Canada and is listed on the Toronto Stock Exchange under the symbol “EVT”. Economic is an investment vehicle for long-term growth through investments in common equities.

| | Ownership | June 30, 2021 | | December 31, 2020 | |
|--------------|-----------|-------------------|-------------------|-------------------|-------------------|
| | | Carrying value | Fair value | Carrying value | Fair value |
| Algoma | 37.4 % | \$ 197,462 | \$ 231,911 | \$ 98,306 | \$ 196,841 |
| Economic | 24.1 % | 158,409 | 158,409 | 146,963 | 146,963 |
| Total | | \$ 355,871 | \$ 390,320 | \$ 245,269 | \$ 343,804 |

The following table details the movement during the period:

| | 6 months June 30 2021 | 12 months December 31 2020 |
|--|-----------------------------|----------------------------------|
| Balance, beginning of the period | \$ 245,269 | \$ 332,359 |
| Income recorded in the statements of income: | | |
| Share of income | 22,138 | 29,552 |
| Net impairment reversal (loss) | 96,696 | (58,410) |
| | 118,834 | (28,858) |
| Share of other comprehensive income (loss) | 2,872 | (10,020) |
| | 121,706 | (38,878) |
| Dividends received during the period | (11,104) | (48,212) |
| Balance, end of the period | \$ 355,871 | \$ 245,269 |

The E-L Corporate's associates are measured using the equity method. As at June 30, 2021, the fair value of the investments in associates was \$390,320 (December 31, 2020 - \$343,804). Fair value is based on the close price for each investment multiplied by the corresponding number of common shares held.

Impairment

Based on an impairment review of the investments in associates at June 30, 2021, an impairment reversal of \$96,696 (June 30, 2020 - an impairment loss of \$52,172) has been recorded in net income. The previously recognized impairment write downs were reversed as the investment's recoverable amount subsequently increased and there was a significant indication that the circumstances that led to the initial recognition of the impairment loss had improved. The recoverable amount was based on quoted market prices, which are classified as Level 1 in the fair value measurement hierarchy.

Financial information

Summarized below are the assets, liabilities, revenue, net income and comprehensive income of E-L Corporate's associates.

| | Algoma | | Economic | |
|---------------------------|-----------------|---------------------|-----------------|---------------------|
| | June 30 2021 | December 31 2020 | June 30 2021 | December 31 2020 |
| Cash and cash equivalents | \$ 42,992 | \$ 103,910 | \$ 2,970 | \$ 11,246 |
| Other current assets | 100,710 | 84,866 | 1,105,761 | 980,608 |
| Non-current assets | 1,021,092 | 1,034,320 | — | — |
| | 1,164,794 | 1,223,096 | 1,108,731 | 991,854 |
| Current liabilities | 73,715 | 179,323 | 1,526 | 817 |
| Non-current liabilities | 524,826 | 483,157 | 90,619 | 75,046 |
| | 598,541 | 662,480 | 92,145 | 75,863 |
| Net assets | \$ 566,253 | \$ 560,616 | \$ 1,016,586 | \$ 915,991 |

| | Algoma | | Economic | |
|-----------------------------------|---------------|-------------|-----------------|-------------|
| | 2021 | 2020 | 2021 | 2020 |
| Six months ended June 30 | | | | |
| Revenue | \$ 245,286 | \$ 236,367 | \$ 147,956 | \$ (93,385) |
| Net income (loss) | \$ 9,899 | \$ (5,884) | \$ 126,901 | \$ (81,828) |
| Other comprehensive income (loss) | 8,683 | (11,752) | — | — |
| Total comprehensive income (loss) | \$ 18,582 | \$ (17,636) | \$ 126,901 | \$ (81,828) |

At June 30, 2021, Algoma has capital asset commitments of \$66,289 (December 31, 2020 - \$38,807).

E-L Corporate received the following dividends during the period from the associates:

| Six months ended June 30 | Algoma | | Economic | | Total | |
|--------------------------|----------|----------|----------|----------|-----------|----------|
| | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 |
| Dividends received | \$ 4,808 | \$ 3,394 | \$ 6,296 | \$ 2,859 | \$ 11,104 | \$ 6,253 |

6. Investment and other income

Investment and other income is comprised of the following:

| | Three months ended June 30 | | Six months ended June 30 | |
|-----------------|----------------------------|------------|--------------------------|------------|
| | 2021 | 2020 | 2021 | 2020 |
| Interest income | \$ 69,556 | \$ 67,681 | \$ 136,360 | \$ 137,476 |
| Fee income | 67,212 | 58,108 | 132,949 | 123,393 |
| Dividend income | 46,516 | 49,678 | 97,878 | 88,284 |
| Other | 997 | 1,630 | 2,574 | 3,648 |
| Total | \$ 184,281 | \$ 177,097 | \$ 369,761 | \$ 352,801 |

| | Three months ended June 30 | | Six months ended June 30 | |
|--------------------------|----------------------------|------------|--------------------------|------------|
| | 2021 | 2020 | 2021 | 2020 |
| Interest income received | \$ 59,519 | \$ 59,229 | \$ 98,833 | \$ 96,617 |
| Dividend income received | 39,531 | 44,685 | 93,766 | 79,431 |
| Total | \$ 99,050 | \$ 103,914 | \$ 192,599 | \$ 176,048 |

7. Segregated funds

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

| | 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 assets | 7,067 | 20,320 |
| | 9,057,973 | 8,539,923 |
| Less segregated funds held within general fund investments | (91,711) | (82,506) |
| Total | \$ 8,966,262 | \$ 8,457,417 |

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

| | 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 |
| Total | \$ 6,729,866 | \$ 2,321,040 | \$ 9,050,906 | \$ 6,242,398 | \$ 2,277,205 | \$ 8,519,603 |

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

The following table presents the change in segregated funds:

| | Three months ended June 30 | | Six months ended June 30 | |
|---|----------------------------|--------------|--------------------------|--------------|
| | 2021 | 2020 | 2021 | 2020 |
| Segregated funds - beginning of the 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 (loss) | 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 | — |
| | 633,023 | 1,008,357 | 1,276,731 | 472,855 |
| 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 |
| | 317,081 | 333,693 | 758,681 | 1,241,468 |
| Net change in segregated funds held within general fund investments | (4,132) | (6,546) | (9,205) | 3,160 |
| Segregated funds - end of the period | \$ 8,966,262 | \$ 7,733,130 | \$ 8,966,262 | \$ 7,733,130 |

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 Empire Life's estimated liability for those guarantees.

8. Other comprehensive income (loss)

The following table summarizes the changes in the components of OCI (OCL), net of tax:

| | Three months ended June 30 | | Six months ended June 30 | |
|--|----------------------------|-----------|--------------------------|-----------|
| | 2021 | 2020 | 2021 | 2020 |
| Items that may be reclassified subsequently to net income: | | | | |
| Net unrealized fair value change on AFS investments | | | | |
| Unrealized fair value change on AFS investments | \$ 18,519 | \$ 86,441 | \$ (55,314) | \$ 70,260 |
| Less: Realized loss (gain) on AFS investments reclassified to net income | 2,885 | (9,946) | 1,467 | (13,376) |
| | 21,404 | 76,495 | (53,847) | 56,884 |
| Share of (OCL) OCI of associates | (1,059) | (3,581) | (2,226) | 4,812 |
| | 20,345 | 72,914 | (56,073) | 61,696 |
| Items that will not be reclassified to net income: | | | | |
| Net remeasurement of defined benefit plans | | | | |
| | 998 | (20,334) | 23,555 | (19,435) |
| Share of OCI (OCL) of associates | 342 | (2,898) | 4,717 | (8,624) |
| | 1,340 | (23,232) | 28,272 | (28,059) |
| OCI (OCL), net of tax | \$ 21,685 | \$ 49,682 | \$ (27,801) | \$ 33,637 |

The following tax amounts are included in each component of OCI (OCL):

| | Three months ended June 30 | | Six months ended June 30 | |
|--|----------------------------|-----------|--------------------------|-----------|
| | 2021 | 2020 | 2021 | 2020 |
| Items that may be reclassified subsequently to net income: | | | | |
| Net unrealized fair value change on AFS investments | | | | |
| Unrealized fair value change on AFS investments | \$ 6,686 | \$ 31,214 | \$ (19,974) | \$ 25,372 |
| Less: Realized loss (gain) on AFS investments reclassified to net income | 1,032 | (3,608) | 482 | (4,851) |
| | 7,718 | 27,606 | (19,492) | 20,521 |
| Share of (OCL) OCI of associates | (162) | (548) | (340) | 734 |
| | 7,556 | 27,058 | (19,832) | 21,255 |
| Items that will not be reclassified to net income: | | | | |
| Net remeasurement of defined benefit plans | | | | |
| | 357 | (7,341) | 8,438 | (7,017) |
| Share of OCI (OCL) of associates | 53 | (444) | 721 | (1,318) |
| | 410 | (7,785) | 9,159 | (8,335) |
| Total tax recognized in OCI (OCL) | \$ 7,966 | \$ 19,273 | \$ (10,673) | \$ 12,920 |

9. Risk management

The objective of the Company's risk management process is to ensure that the operations of the Company encompassing risk are consistent with the Company's objectives and risk tolerance, while maintaining an appropriate risk/reward balance. The Company is exposed to financial risks arising from its investing activities. For investment risks, the Company is exposed to credit risk, liquidity risk and various market risks including interest rate risk, equity risk and foreign currency risk.

The disclosures in Notes 3, 4 and 5 provide the breakdown of investments by type and by geographic region based on the underlying risk. The fair values of these investments are inherently volatile and frequently change in value as a result of factors beyond the Company's control, including general economic and capital market conditions.

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.

Credit risk

Credit risk is the risk that one party to a financial instrument fails to discharge an obligation and causes a financial loss to another party.

The gross credit risk exposure for the Company related to its financial instruments is as follows:

| | June 30 2021 | December 31 2020 |
|---------------------------|---------------------|---------------------|
| Cash and cash equivalents | \$ 409,121 | \$ 427,757 |
| Short-term investments | 8,488 | 13,008 |
| Bonds | 7,731,894 | 8,027,780 |
| Preferred shares | 556,654 | 617,960 |
| 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 | 44,903 | 79,140 |
| Insurance receivable | 41,008 | 46,533 |
| Total | \$ 9,218,042 | \$ 9,632,770 |

The Company has securities lending agreements with its custodian. Under these agreements, the custodian may lend securities from the Company's portfolio to other institutions, as approved by the Company, for periods of time. The custodian receives collateral which exceeds the market value of the loaned securities. 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 these securities lending agreements.

At June 30, 2021 the Company had loaned securities with a fair value of \$3,459,304 (December 31, 2020 - \$3,285,748) and received approximately \$3,555,197 (December 31, 2020 - \$3,367,380) in collateral.

Concentration of credit risk

The following table discloses the holdings of fixed income securities in the ten issuers, excluding the federal governments, to which the operating segments had the greatest exposure, as well as exposure to the largest single issuer of corporate bonds:

| | Empire Life | |
|--|-----------------|---------------------|
| | June 30 2021 | December 31 2020 |
| Holdings of fixed income securities* in the 10 issuers (excluding federal governments) to which the operating segments had the greatest exposure | \$ 4,565,433 | \$ 4,886,504 |
| Percentage of the segment's total cash and investments | 47 % | 49 % |
| Exposure to the largest single issuer of corporate bonds | \$ 235,383 | \$ 236,086 |
| Percentage of the segment's total cash and investments | 2 % | 2 % |

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

a) Investments in bonds and debentures

| Empire Life | June 30, 2021 | | December 31, 2020 | |
|------------------------|---------------|-------|-------------------|-------|
| | Fair value | % | 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 | — % |
| Total | \$ 7,731,894 | 100 % | \$ 8,027,780 | 100 % |

b) Preferred shares

Empire Life's preferred share investments are all issued by Canadian companies with 1% (December 31, 2020 – 1%) of these investments rated as P1 as at June 30, 2021, 97% (December 31, 2020 – 97%) rated as P2 and the remaining 2% (December 31, 2020 - 2%) rated as P3.

c) Mortgages

Empire Life's 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.

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's liquidity risk management strategy is to ensure that there will be sufficient cash to meet all financial commitments and obligations as they become due.

E-L Corporate's liquidity is comprised of \$199,625 in cash and cash equivalents at June 30, 2021 (December 31, 2020 - \$238,401).

Empire Life

The following table provides bonds by contractual maturity (using the earliest contractual maturity date):

| | June 30, 2021 | | December 31, 2020 | |
|----------------|---------------------|--------------|---------------------|--------------|
| | Fair value | % | 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 % |
| Total | \$ 7,731,894 | 100 % | \$ 8,027,780 | 100 % |

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk is directly influenced by the volatility and liquidity in the markets in which the related financial instruments are traded, expectations of future price and yield movements and the composition of the Company's investment portfolio. For the Company, the most significant market risks are interest rate risk, equity risk and foreign currency risk.

a) Interest rate risk

The following tables summarize the estimated immediate financial impact on shareholder's net income and OCI of a result of an immediate change in interest rates:

| June 30, 2021 | 50 bps increase | 50 bps decrease | 100 bps increase | 100 bps decrease |
|--------------------------|--------------------|--------------------|---------------------|---------------------|
| Shareholders' net income | \$ 6,150 | \$ (6,837) | \$ 11,691 | \$ (14,452) |
| Shareholders' OCI | \$ (49,890) | \$ 58,897 | \$ (90,773) | \$ 126,802 |
| June 30, 2020 | 50 bps increase | 50 bps decrease | 100 bps increase | 100 bps decrease |
| Shareholders' net income | \$ 6,968 | \$ (7,773) | \$ 13,224 | \$ (16,438) |
| Shareholders' OCI | \$ (51,046) | \$ 60,733 | \$ (92,402) | \$ 131,155 |

b) Equity risk

E-L Corporate

The following table summarizes the potential impact on E-L Corporate of a change in global equity markets. E-L Corporate used a 10% increase or decrease in equity markets as such a change is considered to be a reasonably possible change in equity markets based on historic results and is a useful comparator as it is commonly used. E-L Corporate used a 20% increase or decrease in its equity market sensitivity to illustrate that changes in equity markets in excess of 10% may result in both linear and non-linear impacts, and a 20% change in equity markets is a commonly used additional sensitivity factor.

The calculations below assume that all other variables are held constant and that all of E-L Corporate's equities move according to a one-to-one correlation with the equity markets.

| | June 30, 2021 | | June 30, 2020 | |
|---------------------------|------------------------------------|-----------------------------|------------------------------------|-----------------------------|
| | Effect on shareholders' net income | Effect on shareholders' OCI | Effect on shareholders' net income | Effect on shareholders' OCI |
| Corporate Investments: | | | | |
| Investments - corporate | | | | |
| 10% fluctuation | \$ 456,160 | \$ nil | \$ 353,264 | \$ nil |
| 20% fluctuation | \$ 912,320 | \$ nil | \$ 706,528 | \$ nil |
| Investments in associates | | | | |
| 10% fluctuation | \$ 17,370 | \$ nil | \$ 14,833 | \$ nil |
| 20% fluctuation | \$ 34,740 | \$ nil | \$ 29,666 | \$ nil |

Empire Life

The following table summarizes the estimated potential impact on Empire Life of a change in global equity markets. Empire Life 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 Empire Life's 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 represent the impact on shareholders' net income, including segregated fund guarantees.

| | June 30, 2021 | | June 30, 2020 | |
|--------------|---|-----------------------------|---|-----------------------------|
| | Effect on shareholders' net income ⁽¹⁾ | Effect on shareholders' OCI | Effect on shareholders' net income ⁽¹⁾ | Effect on shareholders' OCI |
| Empire Life | | | | |
| 10% increase | \$ 14,279 | \$ 4,053 | \$ 17,215 | \$ 3,179 |
| 10% decrease | \$ (19,400) | \$ (4,053) | \$ (42,568) | \$ (3,179) |
| 20% increase | \$ 30,552 | \$ 8,105 | \$ 123,286 | \$ 6,358 |
| 20% decrease | \$ (65,295) | \$ (8,105) | \$ (151,073) | \$ (6,358) |

⁽¹⁾ Includes the estimated impact on fee income net of trailer commissions after tax for a three month period.

Concentration of common equity holdings

E-L Corporate's largest exposure to common equities relates to its investment in associates of \$355,871 (December 31, 2020 – \$245,269) which represents 6% (December 31, 2020 – 4%) of E-L Corporate's total assets.

The following table identifies the concentration of common equity holdings within investments - insurance:

| Empire Life | June 30 2021 | December 31 2020 |
|---|-----------------|---------------------|
| Exposure to the ten largest common share holdings | \$ 707,990 | \$ 675,244 |
| As a percentage of the segment's total cash and investments | 7 % | 7 % |
| Exposure to the largest single issuer of common shares | \$ 465,491 | \$ 447,166 |
| As a percentage of the segment's total cash and investments | 5 % | 5 % |

c) Foreign currency risk

Foreign currency risk is the risk that the fair value or cash flows of a financial instrument will fluctuate because of changes in exchange rates and create an adverse effect on earnings and equity when measured in the Company's functional currency.

A 10% fluctuation in the U.S. dollar would have the following impact:

E-L Corporate: Approximately \$252,528 (June 30, 2020 – \$182,563) on shareholders' net income and \$10,726 (June 30, 2020 – \$11,884) on other comprehensive income.

Empire Life: Approximately \$nil (June 30, 2020 – \$nil) on shareholders' net income and \$nil (June 30, 2020 – \$nil) on other comprehensive income.

10. Operating segments

In managing its investments, the Company distinguishes between E-L Corporate and its investment in Empire Life. The Company's E-L Corporate segment includes United, the Company's closed-end investment subsidiary, investments in associates and investments - corporate. Empire Life underwrites life and health insurance policies and provides segregated funds, mutual funds and annuity products.

The following is an analysis of significant items of profit and loss by operating segment, operating segment assets and operating segment liabilities, reconciled to the Company's consolidated financial statements. The accounting policies applied by the operating segments are the same as those for the Company as a whole.

| Three months ended | E-L Corporate | Empire Life | Total |
|---|---------------|---------------|---------------|
| June 30, 2021 | | | |
| Revenue | \$ 309,936 | \$ 618,071 | \$ 928,007 |
| Shareholders' net income | \$ 209,167 | \$ 31,426 | \$ 240,593 |
| June 30, 2020 | | | |
| Revenue | \$ 576,220 | \$ 1,104,850 | \$ 1,681,070 |
| Shareholders' net income | \$ 404,735 | \$ 47,410 | \$ 452,145 |
| Six months ended | | | |
| June 30, 2021 | | | |
| Revenue | \$ 685,876 | \$ 352,814 | \$ 1,038,690 |
| Shareholders' net income | \$ 519,032 | \$ 187,917 | \$ 706,949 |
| June 30, 2020 | | | |
| Revenue | \$ (254,534) | \$ 1,106,692 | \$ 852,158 |
| Shareholders' net (loss) income | \$ (226,936) | \$ 16,025 | \$ (210,911) |
| Operating segment assets and liabilities | | | |
| June 30, 2021 | | | |
| Segment assets ⁽¹⁾ | \$ 6,835,039 | \$ 18,920,311 | \$ 25,755,350 |
| Segment liabilities | \$ 559,295 | \$ 16,784,762 | \$ 17,344,057 |
| December 31, 2020 | | | |
| Segment assets ⁽¹⁾ | \$ 6,229,470 | \$ 18,715,753 | \$ 24,945,223 |
| Segment liabilities | \$ 526,053 | \$ 16,768,683 | \$ 17,294,736 |
| Operating segment assets and liabilities | | | |
| June 30, 2021 | | | |
| Segment assets ⁽¹⁾ | \$ 6,835,039 | \$ 18,920,311 | \$ 25,755,350 |
| Segment liabilities | \$ 559,295 | \$ 16,784,762 | \$ 17,344,057 |
| December 31, 2020 | | | |
| Segment assets ⁽¹⁾ | \$ 6,229,470 | \$ 18,715,753 | \$ 24,945,223 |
| Segment liabilities | \$ 526,053 | \$ 16,768,683 | \$ 17,294,736 |

⁽¹⁾ Segment assets for E-L Corporate include investments in associates of \$355,871 (December 31, 2020 - \$245,269).

11. Capital stock

| | Authorized | June 30, 2021 | | June 30, 2020 | |
|-----------------------------------|------------|------------------------|-------------------|------------------------|-------------------|
| | | Issued and outstanding | | Issued and outstanding | |
| Preferred shares | | | | | |
| Series A Preference Shares | 402,733 | 258 | \$ 1 | 258 | \$ 1 |
| First Preference Shares, Series 1 | unlimited | 4,000,000 | 100,000 | 4,000,000 | 100,000 |
| First Preference Shares, Series 2 | unlimited | 4,000,000 | 100,000 | 4,000,000 | 100,000 |
| First Preference Shares, Series 3 | unlimited | 4,000,000 | 100,000 | 4,000,000 | 100,000 |
| Common Shares | unlimited | 3,708,476 | 66,790 | 4,019,409 | 68,767 |
| Total | | | \$ 366,791 | | \$ 368,768 |

On March 4, 2021, the Company obtained approval from the TSX to renew its normal course issuer bid (“NCIB”) to purchase up to 185,428 Common Shares between March 9, 2021 and March 8, 2022. Daily purchases (other than pursuant to a block purchase exemption) on the TSX under the NCIB are limited to 1,000 Common Shares. The price that the Company pays for the Common Shares is the prevailing market price at the time of acquisition.

During the first six months of 2021, 100 Common Shares were purchased under the NCIB at an average price of \$987.00 per share for a total consideration of \$90. The total amount paid to purchase the shares is allocated to share capital and retained earnings in the statements of changes in equity. The amount allocated to share capital is based on the average cost per Common Share and amounts paid above the average cost are allocated to retained earnings.

The movement in share capital is as follows:

| | June 30, 2021 | | June 30, 2020 | |
|---------------------------------------|------------------|---------------|------------------|---------------|
| | Number of shares | Share capital | Number of shares | Share capital |
| Common Shares | | | | |
| Balance, beginning of the period | 3,708,576 | \$ 66,792 | 4,019,409 | \$ 72,387 |
| Repurchase and cancellation of shares | (100) | (2) | (140,732) | (3,620) |
| Balance, end of the period | 3,708,476 | \$ 66,790 | 3,878,677 | \$ 68,767 |

On August 5, 2021, subsequent to the date of the interim consolidated financial statements, the Board declared a quarterly dividend of \$2.50 per Common Share payable on October 15, 2021.

12. Capital management

Empire Life 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, Empire Life’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 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 Empire Life was in compliance with the applicable regulatory capital ratios.

On February 17, 2021, Empire Life 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 Empire Life 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 note holders shall be the delivery of the holders’ proportionate share of the trust assets. In such an event, the delivery of the trust assets will represent the full and complete extinguishment of the Company’s obligations under the LRCN Series 1.

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

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

13. COVID-19 pandemic

The continued worldwide spread of novel coronavirus (or COVID-19) continues to impact international business operations, supply chains, travel, commodity prices, consumer confidence and business forecasts. This has created increased uncertainty and volatility which will impact the performance and expected returns of the portfolio and the Company in the near term.

Glossary of Terms

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 the Company’s share of AOCI from its associates. 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”) Financial Assets

Non-derivative financial assets that are designated as available for sale or that are not classified as loans and receivables, held to maturity investments, or held for trading.

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 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.

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.

Impact of 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.

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”) Loss (“OCL”)

Unrealized gains and losses, primarily on financial assets backing Capital and Surplus, are recorded as OCI or 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 (“PAR”)

The participating account includes all policies issued by Empire Life that entitle its policyholders to participate in the profits of the participating account. Empire Life 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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STOCK EXCHANGE LISTINGS:

| | |
|-----------------------------------|----------|
| Common Shares | ELF |
| First Preference Shares, Series 1 | ELF.PR.F |
| First Preference Shares, Series 2 | ELF.PR.G |
| First Preference Shares, Series 3 | ELF.PR.H |

WEBSITE:

www.e-lfinancial.ca

REPORTING PROCEDURE FOR ACCOUNTING MATTERS

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

Mr. James Billett
E-L Financial Corporation Limited
165 University Avenue, 10th Floor
Toronto, Ontario
M5H 3B8
Email: jfbillett@rogers.com
Phone: 416-284-6440

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 or auditing matters.

