



Financial Corporation Limited

**FIRST QUARTER REPORT
2022**

Financial Highlights

(Millions of dollars, except per share amounts)

Three months ended March 31	2022	2021
Net Equity Value per Common Share ⁽¹⁾	\$ 1,773.43	\$ 1,787.15
Net (Loss) Income per Common Share	\$ (66.52)	\$ 127.90
Comprehensive (Loss) Income per Common Share	\$ (90.52)	\$ 114.05
Contribution to Shareholders' Net (Loss) Income:		
E-L Corporate	\$ (274)	\$ 310
Empire Life	38	156
Shareholders' Net (Loss) Income	(236)	466
Preferred Shareholder Dividends	4	5
Net (Loss) Income attributable to Common Shareholders	\$ (240)	\$ 461

E-L Corporate

Shareholders' Net (Loss) Income	\$ (274)	\$ 310
Investments - Corporate	\$ 5,884	\$ 5,973
Investments in Associates	\$ 385	\$ 346

Empire Life

Common Shareholders' Net Income	\$ 38	\$ 156
Net Premiums and Fee Income	\$ 312	\$ 291
Assets Under Management ⁽¹⁾	\$ 18,594	\$ 18,566
Life Insurance Capital Adequacy Test Total Ratio ("LICAT") (%)	142	148

⁽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 first quarter of 2022 should be read in conjunction with E-L Financial's unaudited interim condensed consolidated financial statements for the three months ended March 31, 2022, as well as the MD&A and the audited consolidated financial statements which form part of the E-L Financial 2021 Annual Report dated March 3, 2022. 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 May 9, 2022.

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 weighted 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 risk, 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 and risk relating to the COVID-19 pandemic. 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.

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 other specified 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 is not prescribed under GAAP and a comparable measure under GAAP is not available. Empire Life calculates this measure as 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>	March 31 2022	December 31 2021
General fund assets	\$ 9,440	\$ 10,274
Segregated fund assets	9,046	9,257
Total Empire Life assets	18,486	19,531
Mutual fund assets	108	114
Total assets under management	\$ 18,594	\$ 19,645

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)	First quarter	
	2022	2021
Contribution to net (loss) income		
E-L Corporate ⁽¹⁾	\$ (274)	\$ 310
Empire Life ⁽²⁾	38	156
Net (loss) income	(236)	466
Other comprehensive loss ⁽²⁾	(86)	(50)
Comprehensive (loss) income	\$ (322)	\$ 416

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

E-L Corporate (millions of dollars)	First quarter	
	2022	2021
Revenue		
Net (loss) gain on investments ⁽³⁾	\$ (462)	\$ 230
Investment and other income	26	40
Share of associates income	3	106
	(433)	376
Operating expenses	10	11
Income taxes	(59)	43
Non-controlling interests	(110)	12
	(159)	66
Net (loss) income	(274)	310
Other comprehensive income, net of taxes ⁽¹⁾	—	2
Comprehensive (loss) income	\$ (274)	\$ 312

Empire Life <i>(millions of dollars)</i>	First quarter	
	2022	2021
Revenue		
Net premiums	\$ 243	\$ 225
Net loss on investments ⁽³⁾	(790)	(636)
Investment income	82	80
Fee income	69	66
	(396)	(265)
Benefits and expenses	(453)	(486)
Income and other taxes	16	59
Non-controlling and participating policyholders' interests	3	6
	(434)	(421)
Net income	38	156
Other comprehensive loss, net of taxes ⁽²⁾	(86)	(52)
Comprehensive (loss) income	\$ (48)	\$ 104

⁽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 shareholder's net loss of \$236 million or \$66.52 per common share for the first quarter of 2022 compared to net income of \$466 million or \$127.90 per common share in 2021.

The net loss for the first quarter of 2022 is primarily due to a net loss on investments within the E-L Corporate segment of \$462 million in 2022 compared to a net gain of \$230 million in the prior year. E-L Corporate's global investment portfolio had pre-tax total return, including dividend income of negative 7% for the first quarter of 2022 compared to a pre-tax total return of positive 5% for the first quarter of 2021.

The Empire Life segment reported net income of \$38 million in the first quarter of 2022 compared to \$156 million for the first quarter of 2021. The decrease in first quarter earnings was primarily a result of a non-recurring release of segregated fund guarantee related policy liabilities which occurred in the first quarter of 2021. Excluding the impact of the release of these policy liabilities, net income in the first quarter of 2022 was lower primarily due to the unfavourable market impact on capital and surplus and lower net income from the Individual Insurance line.

Consolidated comprehensive loss was \$322 million in the first quarter of 2022 or \$90.52 per common share compared to comprehensive income of \$416 million or \$114.05 per common share for the first quarter of 2021. Other comprehensive loss ("OCL") was \$86 million in the first quarter of 2022 compared to \$50 million in 2021. OCL increased in the first quarter of 2022 primarily due to higher unrealized fair value losses on Empire's AFS investments resulting from increases in interest rates and credit spreads during the first quarter of 2022. This was partially offset by a gain on the remeasurement of the post-employment defined benefit plans.

Normal course issuer bid

On March 4, 2022, the Company obtained approval from the TSX to renew its normal course issuer bid ("NCIB") to purchase up to 184,938 common shares between March 9, 2022 and March 8, 2023. 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 quarter of 2022, 10,900 common shares were purchased under the NCIB at an average price of \$905.45 per share for a total consideration of \$10 million.

Net equity value per common share

E-L Corporate's 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>	Q1 2022	Q4 2021	Q1 2021
E-L Financial shareholders' equity	\$ 6,820	\$ 7,257	\$ 6,882
Less: First preference shares	(300)	(300)	(300)
	6,520	6,957	6,582
Adjustments for E-L Corporate's investments in associates not carried at fair value:			
Carrying value	(385)	(394)	(346)
Fair value ⁽¹⁾	414	412	403
	29	18	57
Non-controlling interest and deferred tax	(4)	(1)	(10)
	25	17	47
Net equity value	\$ 6,545	\$ 6,974	\$ 6,629
Common shares ⁽²⁾ outstanding at period end	3,690,734	3,701,634	3,708,734
Net equity value per common share^{(2) (3)}	\$ 1,773.43	\$ 1,884.08	\$ 1,787.15

⁽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 Q1 2022 are lower compared to Q4 and Q1 2021 due to shares acquired as part of the Company's NCIB program.

Growth in net equity value per common share

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 per common share and compounded annual growth in net equity value per common share is calculated as the change in net equity value per share for the respective period and includes dividends paid to common shareholders.

Annual	Net equity value per common share *	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
2021	1,884.08	17.1
Year to date		
March 31, 2022	1,773.43	(4.4)
Compounded annual growth in net equity value per common share*		
2012 - 2021 - 10 years		13.2
1969 - 2021 - 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. See non-GAAP measures.

Summary of quarterly results

The following table summarizes the quarterly results:

<i>(millions of dollars, except per share amounts)</i>	2022				2021			
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Revenue								
Net (loss) gain on investments ⁽¹⁾	\$ (1,252)	\$ 562	\$ 9	\$ 507	\$ (406)	\$ 629	\$ 221	\$ 1,273
Net premium income	243	241	227	223	225	221	221	202
Investment and other income	176	189	178	184	185	185	173	177
Associates ⁽²⁾	4	15	23	14	107	28	6	29
Total	\$ (829)	\$ 1,007	\$ 437	\$ 928	\$ 111	\$ 1,063	\$ 621	\$ 1,681
Net (loss) income ⁽³⁾	\$ (236)	\$ 278	\$ 168	\$ 241	\$ 466	\$ 510	\$ 201	\$ 452
(Loss) earnings per common share								
- basic	\$ (66.52)	\$ 75.82	\$ 45.47	\$ 65.47	\$ 127.90	\$ 136.42	\$ 52.88	\$ 119.36
- diluted	\$ (66.52)	\$ 68.55	\$ 41.50	\$ 59.33	\$ 114.96	\$ 124.11	\$ 48.71	\$ 108.83

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

⁽²⁾ Share of income 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 first quarter of 2022 decreased compared to the prior and first quarter of 2021, with fluctuations mainly due to the impact of the net (loss) gain 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 and movements in interest rates.

Net premiums were 8% higher compared to the same period in 2021, primarily due to growth in Empire Life's Group Solutions and Individual Insurance lines.

Liquidity and cash flows

The cash flow information, noted below, provides supplemental information that is considered useful in understanding the components within the cash flow statement on both a consolidated and non-consolidated basis.

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 March 31 (millions of dollars)	E-L Financial (non- consolidated)	United	Empire Life	Consolidation adjustments	E-L Financial Consolidated	
					2022	2021
Cash flows from:						
Operating activities	\$ (25)	\$ —	\$ 44	\$ (22)	\$ (3)	\$ 77
Financing activities	(22)	(5)	(23)	21	(29)	181
Investing activities	(165)	12	(75)	1	(227)	(160)
(Decrease) increase in cash and cash equivalents	(212)	7	(54)	—	(259)	98
Cash and cash equivalents, beginning of the period	381	62	193	—	636	428
Cash and cash equivalents, end of the period	\$ 169	\$ 69	\$ 139	\$ —	\$ 377	\$ 526

The decrease in cash provided from operating activities in 2022 relative to 2021 reflects the decrease in cash earnings during 2022 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.

Cash provided from financing activities was lower than the corresponding period in 2021, primarily due to Empire Life's issuance of Limited Recourse Capital Notes ("LRCN") in the first quarter of 2021.

Cash used for investment activities increased in 2022 relative to 2021 primarily due to changes made to E-L Corporate's investment managers during the first quarter of 2022 which contributed to a significant increase in the investment portfolio turnover. Investing activities for the first quarter of 2021 reflected Empire Life investing the proceeds from the issuance of the LRCN.

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).

Three months ended March 31

<i>(millions of dollars)</i>	2022	2021
Cash flows from:		
Operating activities		
Dividends from subsidiaries	\$ 20	\$ 2
Dividends and interest	18	32
Expenses and taxes, net of other income	(63)	(8)
	(25)	26
Financing activities		
Cash dividends	(13)	(9)
Share purchases	(9)	—
	(22)	(9)
Investing activities		
Purchases of investments	(435)	(200)
Proceeds from sales of investments	256	121
Dividends from associates	14	36
	(165)	(43)
Decrease in cash and cash equivalents	(212)	(26)
Cash and cash equivalents, beginning of the period	381	171
Cash and cash equivalents, end of period	\$ 169	\$ 145

During 2022, the non-consolidated cash and cash equivalents of E-L Financial decreased by \$212 million.

Operating cash flows for the first quarter of 2022 decreased compared with the prior year mainly due to higher income taxes paid in the first quarter on the 2021 realized gains.

The increase in cash used for financing activities for the first quarter of 2022 was due to a \$2.50 per common share quarterly dividend compared to \$1.25 in the prior year, as well as, an increase in the purchase of the Company's common shares under the NCIB program.

The movement in financing cash flows from the purchases and proceeds from sale of investments are due to the reasons noted above. Cash flows from dividends 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.

Significant Developments

The novel coronavirus (or COVID-19) continues to impact international business operations, supply chains, travel, commodity prices, consumer confidence and business forecasts. In addition, the outbreak of military hostilities in Ukraine poses additional risks. These factors have led to higher levels of inflation and have created increased uncertainty and volatility which will impact the performance and expected returns of the investment portfolios.

Management is monitoring the developments in equity markets generally, and in connection with the Company's investment portfolios in particular. The duration and impacts of these events cannot currently be determined. 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 March 31, 2022, investments - corporate had aggregate investments of \$5.9 billion, comprised primarily of common shares and units of investment funds, compared to aggregate investments at December 31, 2021 of \$6.4 billion. The fair value of investments - corporate is summarized in the table below:

<i>(millions of dollars)</i>	March 31 2022	December 31 2021
Preferred shares	\$ 4	\$ 3
Common shares and units		
Canada and U.S.	4,177	4,496
Europe and United Kingdom	900	852
Emerging Markets	475	722
Japan	280	293
Other	48	40
Total	5,880	6,403
Total invested assets	\$ 5,884	\$ 6,406

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

<i>(millions of dollars)</i>	2022	First quarter 2021
Revenue		
Net (loss) gain on investments	\$ (462)	\$ 230
Investment and other income	26	40
Share of associates income	3	106
	(433)	376
Operating expenses	10	11
Income taxes	(59)	43
Non-controlling interests	(110)	12
	(159)	66
Net (loss) income	(274)	310
OCI, net of taxes	—	2
Comprehensive (loss) income	\$ (274)	\$ 312

E-L Corporate reported a net loss of \$274 million in the first quarter of 2022 compared to net income of \$310 million in 2021. For the first quarter of 2022 there was a net loss on investments of \$462 million compared to a gain of \$230 million in 2021. E-L Corporate's global investment portfolio had pre-tax total return, including dividend income of negative 7% for the first quarter of 2022 compared to a positive 5% for the first quarter of 2021.

Investment and other income was lower for the first quarter of 2022 compared to 2021. 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. Dividend income has been impacted by changes in the global investment portfolio as a result of changes made to the investment portfolio managers completed during the fourth quarter of fiscal 2021.

Operating expenses were consistent for the first quarter of 2022 compared to 2021.

Share of associates income

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

<i>(millions of dollars)</i>	First quarter ⁽¹⁾	
	2022	2021
Algoma	\$ (7)	\$ 87
Economic	10	19
	\$ 3	\$ 106

⁽¹⁾ Includes a \$12 million impairment reversal (March 31, 2021 - \$103 million).

The nature of Algoma's business is such that earnings in the first quarter of each year typically reflects a loss due to the reduced level of shipping activity during the winter and the timing of maintenance spending. The net income for the first quarter of 2021 was mainly as a result of a \$95 million reversal of impairment write downs. Excluding the impairment reversal, Algoma results for the first quarter of 2022 were consistent with the prior year.

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 pre-tax total return, gross of fees, of negative 3% during the first quarter of 2022 compared to positive 4% in 2021.

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

	March 31, 2022			December 31, 2021		
	Ownership	Carrying value	Fair value	Ownership	Carrying value	Fair value
Algoma	37.4 %	\$ 216	\$ 245	37.4 %	\$ 223	\$ 241
Economic	24.1 %	169	169	24.1 %	171	171
Total		\$ 385	\$ 414		\$ 394	\$ 412

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 March 31, 2022, 60% (December 31, 2021 - 59%) of the investment - corporate including cash and cash equivalents was denominated in U.S. dollars, 8% (December 31, 2021 - 6%) in Euros and 5% (December 31, 2021 - 5%) 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 11 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 equity 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 Group Solutions 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>	First quarter	
	2022	2021
Empire Life common shareholders’ net income	\$ 38	\$ 157
Non-controlling interests	—	1
Net income, contribution to E-L Financial	\$ 38	\$ 156

	Mar 31 2022	Dec 31 2021	Sep 30 2021	Mar 31 2021
Empire Life return on common shareholders’ equity (trailing four quarters)	6.7 %	13.8 %	16.4 %	20.3 %

Empire Life reported first quarter common shareholders’ net income of \$38 million for 2022, compared to a net income of \$157 million for the first quarter of 2021. The decrease in first quarter earnings was primarily a result of a non-recurring release of segregated fund guarantee related policy liabilities which occurred in the first quarter of 2021. Excluding the impact of the release of these policy liabilities, net income in the first quarter of 2022 was lower primarily due to the unfavourable market impact on capital and surplus and lower net income from the Individual Insurance line.

The following table provides a breakdown of the sources of earnings by business for the first quarter:

For the three months ended March 31 <i>(millions of dollars)</i>	Wealth Management		Employee Benefits		Individual Insurance		Capital and Surplus		Total	
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
Expected profit on in-force business	\$ 36	\$ 29	\$ 7	\$ 6	\$ 12	\$ 13			\$ 55	\$ 48
Impact of new business	(4)	(5)	(2)	(2)	3	7			(2)	—
Experience (losses) gains	(5)	150	(10)	(5)	13	5			(1)	150
Management actions and changes in assumptions	—	(1)	—	—	1	10			1	9
Earnings (loss) on operations before income taxes	27	174	(5)	—	29	35	—	—	52	208
Earnings on surplus	—	—	—	—	—	—	—	6	—	6
Income (loss) before income tax	27	174	(5)	—	29	35	—	6	51	215
Income taxes	7	45	(1)	—	7	8	(1)	1	11	54
Empire Life’s shareholders’ net income (loss)	\$ 20	\$ 129	\$ (4)	\$ (1)	\$ 22	\$ 27	\$ —	\$ 5	\$ 39	\$ 161
Dividends on preferred shares ⁽¹⁾									(1)	(3)
Empire Life common shareholders’ net income									\$ 38	\$ 157

The expected profit on in-force business increased by 15% for the first quarter, primarily driven by higher assets under management in the Wealth Management line.

The impact of new business decreased in the first quarter of 2022, primarily due to lower profit at issue in the Individual Insurance line as a result of lower sales relative to the prior period. 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.

Experience gains (losses) were lower in the first quarter of 2022 as the comparable period in 2021 included a release of the policy liabilities associated with segregated fund guarantees. Experience losses in the first quarter of 2022 included increased expenses in the Wealth Management line from an enhanced commission program on large deposits, and the adverse experience of inflation on Group Solutions pricing, partially offset by favourable experience in the Individual Insurance line from fixed income assets backing liabilities in this line of business.

Gains from management actions and changes in assumptions were lower than the comparable quarter in 2021 as trading gains from asset liability matching improvements in the Individual Insurance line from the prior period did not recur in the current period.

Earnings on surplus declined for the first quarter, primarily due market impacts which caused realized losses on Available for Sale ("AFS") assets compared to realized gains on AFS assets for the same period in 2021, partially offset by lower realized losses on assets valued as FVTPL.

Results by major product line

The following tables provide a summary of Empire Life results by major product line for the three months ended March 31 for 2022 and 2021. A discussion of results is provided in the Product Line section of the MD&A.

Three months ended March 31 (millions of dollars)	Wealth Management		Group Solutions		Individual Insurance		Capital & Surplus		Total	
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
Revenue										
Net premiums	\$ 23	\$ 23	\$ 109	\$ 96	\$ 111	\$ 106	\$ —	\$ —	\$ 243	\$ 225
Fee income	65	63	4	3	—	—	—	—	69	66
Investment income	8	10	1	1	58	54	16	16	83	80
Net loss on investments ⁽¹⁾	(45)	(18)	(11)	(6)	(724)	(607)	(11)	(6)	(789)	(636)
	51	78	104	94	(556)	(447)	5	10	(396)	(265)
Expenses										
Benefits and expenses	24	(96)	105	91	(588)	(487)	5	3	(454)	(488)
Income and other taxes	7	45	2	3	9	11	—	1	18	60
	31	(51)	107	94	(579)	(476)	5	4	(436)	(428)
Net income (loss) after tax	\$ 20	\$ 129	\$ (3)	\$ (1)	\$ 23	\$ 29	\$ 6	\$ 6	\$ 40	\$ 163
Participating policyholders' portion									1	2
Dividends on preferred shares									1	3
Empire Life's common shareholders' net income									38	157
Non-controlling interests in net income									—	1
Net income attributable to owners of E-L Financial									\$ 38	\$ 156

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

Product line results - Wealth Management

Key Operating Results <i>(millions of dollars)</i>	First quarter	
	2022	2021
Fixed Annuities		
Assets under management	\$ 798	\$ 912
Gross sales	23	23
Net sales	(1)	(13)
Segregated Funds		
Assets under management	\$ 9,046	\$ 8,654
Gross sales	262	269
Net sales	(30)	(101)
Fee income	64	62
Net income after tax	\$ 20	\$ 129

Fixed annuities assets under management were 13% lower relative to the same period in 2021. Gross sales in the first quarter were consistent with the same period in 2021.

Segregated fund assets under management are higher relative to the same period in 2021, reflecting the contribution of sales performance and positive market performance within the funds. For the first quarter of 2022, gross sales were 2% lower than the same period in 2021.

Segregated fund fee income was 3% higher compared to the first quarter of 2021 as higher average assets impacted fee revenues. Fee income from segregated funds is calculated daily for most products.

This line had net income of \$20 million for the quarter compared to a net income of \$129 million for the first quarter in 2021, primarily as a result of the non-recurring release of segregated fund guarantee related policy liabilities in 2021. The guarantees on segregated funds are only payable if fund values are below the guaranteed values when the insurable event occurs.

Product line results - Group Solutions

Key Operating Results <i>(millions of dollars)</i>	First quarter	
	2022	2021
Core	\$ 15	\$ 19
Other	7	6
Annualized premium sales	\$ 23	\$ 26
Net premiums sales	\$ 109	\$ 96
Net loss after tax	\$ (4)	\$ (1)

Total annualized premium sales decreased in the first quarter compared to the same period in 2021, primarily due to lower sales of Empire Life's core product offerings. Empire Life continues to focus on sales of its core products in the small to medium-sized business market while also entering into strategic partnerships to expand market share.

Net premiums for the first quarter increased by 12% relative to the same period in 2021 primarily from prior 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 loss for the first quarter increased compared to 2021 primarily due to unfavourable claims experience for life and health benefits.

Product line results - Individual Insurance

Key Operating Results	First quarter	
<i>(millions of dollars)</i>	2022	2021
Shareholders'		
Annualized premium sales	\$ 6	\$ 10
Net premiums	74	73
Net income after tax	22	27
Policyholders'		
Annualized premium sales	\$ 4	\$ 5
Net premiums	37	33
Net income after tax	1	2
Net income after tax	\$ 23	\$ 29

Shareholders' annualized premium sales decreased by 38% in the first quarter compared to the same period in 2021, primarily from slower sales of Empire Life's term products. Policyholders' annualized premium sales decreased 4% in the first quarter. Shareholders' net premiums were 1% higher and policyholders' net premiums were 12% higher in the first quarter reflecting recent strength in policyholders' new premium sales.

Shareholders' net income for this product line was \$22 million for the first quarter of 2022 compared to \$27 million for the same period in 2021. In the first quarter of 2022, Individual Life sales were less than the first quarter of 2021 and there was poor mortality and lapse experience.

Results - Capital and Surplus

<i>(millions of dollars)</i>	First quarter	
	2022	2021
Income from investments	\$ 7	\$ 17
Losses on hedging instrument	(2)	(8)
Interest and other expenses	(5)	(3)
Earnings before income taxes	—	6
Income taxes	—	1
Net income after tax shareholders' portion	\$ —	\$ 5
Net income after tax	\$ —	\$ 6

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.

Net income decreased in the first quarter of 2022 in the capital and surplus segment primarily due to realized losses on sales of fixed income assets recorded as AFS in this segment and higher interest expenses related to the issuance of Limited Recourse Capital Notes in February 2021. In addition, Empire Life experienced lower losses on the hedging program (discussed in the Risk Management section) in the first quarter of 2022 compared to the first quarter of 2021, primarily related to rising Canadian equity markets in the current year.

Sources of capital

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

(millions of dollars)	Date Issued	Earliest redemption date	Yield	Face amounts as at	
				March 31 2022	December 31 2021
Series 2017-1 ⁽¹⁾	September 2017	March 15, 2023	3.664 %	\$ 200	\$ 200
Series 2021-1 ⁽²⁾	September 2021	September 24, 2026	2.024 %	\$ 200	\$ 200

⁽¹⁾ Unsecured Debentures due 2028. From March 15, 2023, interest is payable at 1.53% over the 3-month Canadian Deposit Offering Rate ("CDOR").

⁽²⁾ Unsecured Debentures due 2031. From September 24, 2026, interest is payable at 0.67% over the 3-month CDOR.

(millions of dollars)	Date Issued	Earliest redemption date	Yield	As at	
				March 31 2022	December 31 2021
Preferred shares, Series 3	November 2017	January 17, 2023	4.900 %	\$ 100	\$ 100
Limited Recourse Capital Notes, Series 1	February 2021	April 17, 2026	3.625 %	\$ 200	\$ 200

The securities issued by Empire Life 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 LICAT measures a 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%. Office of the Superintendent of Financial Institutions Canada ("OSFI") has established supervisory target levels of 70% for Core and 100% for Total capital.

As of March 31, 2022, the Total Ratio and Core Ratio decreased from December 31, 2021 primarily due to the increase in goodwill and intangible assets from Empire Life's recent acquisition and amalgamation of the companies in its new subsidiary TruStone Financial Inc.

LICAT (millions of dollars)	Mar 31 2022	Dec 31 2021	Sep 30 2021	Jun 30 2021	Mar 31 2021
Available capital					
Tier 1	\$ 1,775	\$ 1,898	\$ 1,820	\$ 1,805	\$ 1,908
Tier 2	573	591	853	658	664
Total	\$ 2,348	\$ 2,489	\$ 2,673	\$ 2,463	\$ 2,572
Surplus allowance and eligible deposits	\$ 1,074	\$ 1,115	\$ 1,162	\$ 1,170	\$ 1,121
Base solvency buffer	\$ 2,410	\$ 2,508	\$ 2,561	\$ 2,536	\$ 2,503
LICAT Total Ratio	142 %	144 %	150 %	143 %	148 %
LICAT Core Ratio	105 %	107 %	103 %	103 %	108 %

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 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

The global economy is undergoing a strong recovery supported by gradual easing and reversal of public health restrictions, accommodating central bank monetary and fiscal policies, strong household and corporate balance sheets and large amounts of consumer demand. Some challenges do remain on the supply side. These factors have led to large increases in inflation which has triggered re-assessment of policy setting in many central banks, including Canada. COVID risks remain, but many countries are now saying they will treat COVID as endemic, suggesting that further variants will be countered with far less stringent public health restrictions. Empire Life continues to adjust its operations, where necessary, as government restrictions and measures evolve.

The majority of employees continue to work from home and associated strategies continue to operate effectively. Return to office plans have been designed to be gradual and measured to ensure the health and safety of our employees. Processes are in place to monitor and maintain ongoing system availability, stability and security.

The outbreak of military hostilities in Ukraine poses a risk to the economic outlook. Empire Life is a closely held Canadian owned life insurance Empire Life that only operates in Canada. As a result, Empire Life has little direct exposure to the emerging geopolitical situation but may be impacted by the resulting volatility in financial markets.

Continued economic and political uncertainty may give rise to increased business and strategic risks. In addition, adverse economic conditions often arise in conjunction with volatile and deteriorating market conditions which may have an adverse impact on customer behaviour, sales and 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 price changes. 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, but does not have policy liabilities on the statement of financial position related to segregated fund guarantees. 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 first quarter, Empire Life experienced a loss of \$2 million after tax primarily due to rising Canadian equity markets. This compares to a hedge loss of \$6 million after tax for the comparable period in 2021.

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 March 31, 2022, Empire Life had \$9.1 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:

	March 31 2022	December 31 2021
Percentage of segregated fund liabilities with:		
75% maturity guarantee and a 75% death benefit guarantee	7 %	7 %
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")	42 %	42 %

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 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 of performing the sensitivity test. 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 March 31, 2022 and December 31, 2021, 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 March 31, 2022					
Segregated fund guarantees	\$ —	\$ —	\$ (7)	\$ (46)	\$ (163)
Other equity risk	34	16	(15)	(27)	(36)
Equity hedge	(2)	(2)	4	12	28
Total	\$ 31	\$ 15	\$ (18)	\$ (61)	\$ (172)

As at December 31, 2021

Segregated fund guarantees	\$ —	\$ —	\$ (10)	\$ (60)	\$ (189)
Other equity risk	40	19	(18)	(32)	(44)
Equity hedge	(2)	(2)	4	12	27
Total	\$ 38	\$ 18	\$ (24)	\$ (81)	\$ (206)

Sensitivity to equity risk Impact on LICAT	Increase		Decrease		
	20%	10%	10%	20%	30%
As at March 31, 2022					
Segregated fund guarantees	14%	8%	(1)%	(7)%	(15)%
Other equity risk	—%	—%	1%	1%	1%
Equity hedge	(2)%	(1)%	1%	2%	3%
Total	13%	7%	1%	(4)%	(11)%

As at December 31, 2021

Segregated fund guarantees	11%	5%	(1)%	(7)%	(16)%
Other equity risk	—%	—%	1%	1%	—%
Equity hedge	(2)%	(1)%	1%	2%	3%
Total	9%	4%	1%	(4)%	(12)%

Empire Life's equity market sensitivity in a 20% and 30% stock market decline decreased primarily as a result of the increase in interest rates during the first quarter of 2022.

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 <i>(millions of dollars)</i>	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		
March 31, 2022	\$ 2,626	\$ 823	\$ 92	\$ 4	\$ 1,781	\$ 26	\$ —	\$ 582
December 31, 2021	\$ 2,617	\$ 766	\$ 27	\$ 2	\$ 200	\$ 3	\$ —	\$ 658

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 March 31, 2022, the aggregate amount at risk for all three categories of risk was \$854 million. As at December 31, 2021, the aggregate amount at risk for these three categories of risk was \$770 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 assumed initial reinvestment rate ("IRR") for non-participating insurance business and segregated fund guarantees for March 31, 2022 and December 31, 2021, is shown in the table below. This assumes no change in the ultimate reinvestment rate ("URR").

Sensitivity to market interest rates LICAT:	Impact of 50 bps decrease
March 31, 2022 LICAT total ratio	2%
December 31, 2021 LICAT total ratio	3%

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

	March 31 2022	December 31 2021
Assets		
Cash and cash equivalents	\$ 377,117	\$ 636,101
Investments - corporate (Note 3)	5,884,056	6,405,716
Investments - insurance (Note 4)	8,996,392	9,888,471
Investments in associates (Note 5)	408,014	416,866
Insurance receivable	41,643	48,700
Other assets (Note 9)	268,565	137,470
Segregated fund assets (Note 7)	9,045,554	9,257,298
Total assets	\$ 25,021,341	\$ 26,790,622
Liabilities		
Reinsurance liabilities	\$ 213,380	\$ 253,330
Insurance contract liabilities	6,460,955	7,164,812
Investment contract liabilities	27,697	27,872
Deferred tax liabilities	310,487	373,753
Dividends payable	105,395	13,141
Other liabilities (Note 10)	210,456	503,249
Borrowings	602,370	602,158
Segregated fund liabilities (Note 7)	9,045,554	9,257,298
Total liabilities	\$ 16,976,294	\$ 18,195,613
Equity		
Capital stock (Note 13)	\$ 366,467	\$ 366,663
Retained earnings	6,501,904	6,852,884
Accumulated other comprehensive loss ("AOCL") income ("AOCL")	(48,656)	37,873
Total E-L Financial shareholders' equity	6,819,715	7,257,420
Non-controlling interests in subsidiaries ("NCI")	1,167,611	1,279,377
Participating policyholders' interests ("PAR")	57,721	58,212
Total equity	8,045,047	8,595,009
Total liabilities and equity	\$ 25,021,341	\$ 26,790,622

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 (LOSS) INCOME
UNAUDITED
(in thousands of Canadian dollars, except per share amounts)

	Three months ended	
	March 31	
	2022	2021
Revenue		
Gross premiums	\$ 313,230	\$ 278,250
Premiums ceded to reinsurers	(69,964)	(53,211)
Net premiums	243,266	225,039
Investment and other income (Note 6)	176,389	185,480
Share of income of associates	3,574	105,729
Fair value change in fair value through profit or loss investments	(1,244,977)	(407,533)
Realized (loss) gain on available for sale investments	(7,425)	1,968
	(829,173)	110,683
Expenses		
Gross claims and benefits	(482,197)	(524,352)
Claims and benefits ceded to reinsurers	(84,442)	(70,044)
Net claims and benefits	(566,639)	(594,396)
Change in investment contracts provision	221	296
Commissions	62,618	60,823
Operating	52,689	52,949
Interest expense	7,116	4,862
Premium taxes	5,492	5,819
	(438,503)	(469,647)
(Loss) income before income taxes	(390,670)	580,330
Income taxes	(47,871)	95,900
Net (loss) income	(342,799)	484,430
Less: Participating policyholders' income	1,241	2,178
Non-controlling interests in net (loss) income	(108,128)	15,896
	(106,887)	18,074
E-L Financial shareholders' net (loss) income	\$ (235,912)	\$ 466,356
(Loss) earnings per share attributable to E-L Financial shareholders		
Basic	\$ (66.52)	\$ 127.90
Diluted	\$ (66.52)	\$ 114.96

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

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

	Three months ended	
	2022	March 31 2021
Net (loss) income	\$ (342,799)	\$ 484,430
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”)	(105,166)	(75,251)
Share of OCL of associates	(1,282)	(1,167)
	(106,448)	(76,418)
Items that will not be reclassified to net income:		
Net remeasurement of defined benefit plans	14,867	22,557
Share of OCI of associates	3,001	4,375
	17,868	26,932
Total OCL	(88,580)	(49,486)
Comprehensive (loss) income	(431,379)	434,944
Less: Participating policyholders' comprehensive (loss) income	(491)	2,700
Non-controlling interests in comprehensive (loss) income	(108,447)	15,970
	(108,938)	18,670
E-L Financial shareholders' comprehensive (loss) income	\$ (322,441)	\$ 416,274

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	Retained earnings	AOCI	Total	NCI	PAR	Total equity
At January 1, 2022	\$ 366,663	\$ 6,852,884	\$ 37,873	\$ 7,257,420	\$ 1,279,377	\$ 58,212	\$ 8,595,009
Net (loss) income	—	(235,912)	—	(235,912)	(108,128)	1,241	(342,799)
OCL	—	—	(86,529)	(86,529)	(319)	(1,732)	(88,580)
Comprehensive loss	—	(235,912)	(86,529)	(322,441)	(108,447)	(491)	(431,379)
Dividends	—	(105,395)	—	(105,395)	(1,913)	—	(107,308)
Share purchases (Note 13)	(196)	(9,673)	—	(9,869)	—	—	(9,869)
Acquisition of subsidiary shares	—	—	—	—	(1,406)	—	(1,406)
At March 31, 2022	\$ 366,467	\$ 6,501,904	\$ (48,656)	\$ 6,819,715	\$ 1,167,611	\$ 57,721	\$ 8,045,047

	E-L Financial shareholders' equity						
	Capital stock	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	—	466,356	—	466,356	15,896	2,178	484,430
(OCL) OCI	—	—	(50,082)	(50,082)	74	522	(49,486)
Comprehensive income (loss)	—	466,356	(50,082)	416,274	15,970	2,700	434,944
Dividends	—	(8,523)	—	(8,523)	(4,025)	—	(12,548)
Subsidiary issuance of limited recourse capital notes (Note 14)	—	—	—	—	197,275	—	197,275
Share purchases (Note 13)	(2)	(88)	—	(90)	—	—	(90)
Acquisition of subsidiary shares	—	5	—	5	(319)	—	(314)
At March 31, 2021	\$ 366,791	\$ 6,508,545	\$ 6,329	\$ 6,881,665	\$ 1,341,241	\$ 46,848	\$ 8,269,754

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)

	Three months ended	
	March 31	
	2022	2021
Net inflow (outflow) of cash related to the following activities:		
Operating		
Net (loss) income	\$ (342,799)	\$ 484,430
Items not affecting cash resources:		
Change in insurance and investment contract liabilities	(744,687)	(767,086)
Realized loss (gain) on available for sale of investments	7,425	(1,968)
Fair value change in fair value through profit or loss investments	1,244,977	407,533
Deferred taxes	(68,851)	(524)
Share of income of associates (Note 5)	(3,574)	(105,729)
Amortization related to bond investments	(17,755)	(18,225)
Other items	(19,086)	60,123
	55,650	58,554
Net change in other assets and liabilities	(58,320)	18,746
	(2,670)	77,300
Financing		
Cash dividends to shareholders	(13,141)	(8,523)
Cash dividends by subsidiaries to non-controlling interests	(1,917)	(3,961)
Purchases of subsidiary shares	(1,406)	(314)
Share purchases (Note 13)	(9,247)	(90)
Issuance of capital instruments by Empire Life (Note 14)	—	197,275
Interest paid on borrowings	(3,674)	(3,670)
	(29,385)	180,717
Investing		
Purchases of investments	(1,576,367)	(2,368,790)
Proceeds from sale or maturity of investments	1,335,107	2,160,488
Net sales of short-term investments	286	4,508
Net purchases of other assets	(703)	(1,531)
Dividends from associates	14,748	45,768
	(226,929)	(159,557)
(Decrease) increase in cash and cash equivalents	(258,984)	98,460
Cash and cash equivalents, beginning of the period	636,101	427,757
Cash and cash equivalents, end of the period	\$ 377,117	\$ 526,217
Fair value hierarchy for cash and cash equivalents:		
Level 1	\$ 265,911	\$ 390,802
Level 2	111,206	135,415
	\$ 377,117	\$ 526,217

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 May 9, 2022.

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, 2021.

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’.

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 its subsidiary, United Corporations Limited (“United”).

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

Carrying value	March 31 2022	December 31 2021
Preferred shares	\$ 3,576	\$ 2,813
Common shares and units		
Canadian	882,572	867,980
U.S.	3,294,829	3,628,176
Europe and United Kingdom	900,496	851,578
Other	802,583	1,055,169
Total common shares and units	5,880,480	6,402,903
Total	\$ 5,884,056	\$ 6,405,716

The Company’s investment in common shares and units includes shares of public and private companies and units in pooled funds. As at March 31, 2022 and December 31, 2021 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 March 31, 2022			
Asset category	Quoted Prices (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total fair value
Preferred shares	\$ 2,518	\$ —	\$ 1,058	\$ 3,576
Common shares and units				
Canadian	46,835	—	835,737	882,572
U.S.	3,074,575	—	220,254	3,294,829
Europe and United Kingdom	827,030	—	73,466	900,496
Other	685,164	64,525	52,894	802,583
Total common shares and units	4,633,604	64,525	1,182,351	5,880,480
Total	\$ 4,636,122	\$ 64,525	\$ 1,183,409	\$ 5,884,056

Fair value	As at December 31, 2021			
	Quoted Prices (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total fair value
Preferred shares	\$ 1,755	\$ —	\$ 1,058	\$ 2,813
Common shares and units				
Canadian	37,178	2,619	828,183	867,980
U.S.	3,410,011	—	218,165	3,628,176
Europe and United Kingdom	790,443	—	61,135	851,578
Other	775,098	211,193	68,878	1,055,169
Total common shares and units	5,012,730	213,812	1,176,361	6,402,903
Total	\$ 5,014,485	\$ 213,812	\$ 1,177,419	\$ 6,405,716

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 March 31, 2022 or during the year ended December 31, 2021.

Included in Level 2 are the Company's investments in pooled funds and limited partnerships which at March 31, 2022 had a carrying value of \$64,525 (December 31, 2021 - \$213,812).

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:

	2022	2021
Balance - January 1	\$ 1,177,419	\$ 929,490
Net fair value change	(18,178)	78,401
Sales	(376)	(618)
Purchases	24,544	8,133
Balance - March 31	\$ 1,183,409	\$ 1,015,406

In the normal course of business, investment commitments are outstanding which are not reflected in the consolidated financial statements. As of March 31, 2022, E-L Corporate has \$147,327 (December 31, 2021 - \$176,489) 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 March 31, 2022 the fair value of the interest rate swap was a liability of \$196 (December 31, 2021 - \$1,032).

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 11 – 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 March 31, 2022			As at December 31, 2021		
	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	\$ 3,443	\$ 4,918	\$ 8,361	\$ 3,499	\$ 4,998	\$ 8,497
Corporate	—	—	—	150	—	150
Total short-term investments	3,443	4,918	8,361	3,649	4,998	8,647
Bonds						
Federal government	18,900	200,544	219,444	16,558	326,450	343,008
Provincial governments	2,801,654	494,635	3,296,289	3,186,187	552,848	3,739,035
Municipal governments	95,478	77,096	172,574	107,940	89,463	197,403
Total Canadian government bonds	2,916,032	772,275	3,688,307	3,310,685	968,761	4,279,446
Energy	244,886	146,853	391,739	258,757	100,759	359,516
Materials	12,619	10,712	23,331	12,999	10,898	23,897
Industrials	78,220	44,184	122,404	87,008	47,090	134,098
Consumer discretionary	30,531	17,823	48,354	24,616	13,433	38,049
Consumer staples	167,845	41,728	209,573	190,959	43,407	234,366
Health care	78,756	7,551	86,307	87,831	8,578	96,409
Financial services	686,562	473,098	1,159,660	728,328	473,799	1,202,127
Information technology	440	4,058	4,498	469	4,424	4,893
Communication services	323,777	64,653	388,430	363,448	58,522	421,970
Utilities	514,181	93,422	607,603	589,261	80,637	669,898
Real estate	44,149	16,847	60,996	50,984	12,782	63,766
Infrastructure	406,132	62,117	468,249	448,848	68,898	517,746
Total Canadian corporate bonds	2,588,098	983,046	3,571,144	2,843,508	923,227	3,766,735
Foreign government bonds	91,782	—	91,782	103,279	—	103,279
Total bonds	5,595,912	1,755,321	7,351,233	6,257,472	1,891,988	8,149,460
Preferred shares - Canadian	393,285	7,279	400,564	433,295	8,044	441,339
Common shares						
Canadian common shares	258,161	55,500	313,661	240,742	57,725	298,467
Exchange-traded funds	441,014	—	441,014	503,434	—	503,434
Canadian real estate limited partnership units	144,550	—	144,550	138,352	—	138,352
U.S.	48,133	—	48,133	50,020	—	50,020
Other	22,534	—	22,534	29,161	—	29,161
Total common shares	914,392	55,500	969,892	961,709	57,725	1,019,434
Derivative assets	5,669	—	5,669	6,302	—	6,302
Loans and receivables:						
Mortgages	—	—	152,935	—	—	153,564
Loans on policies	—	—	57,304	—	—	56,917
Policy contract loans	—	—	50,434	—	—	52,808
Total	\$ 6,912,701	\$ 1,823,018	\$ 8,996,392	\$ 7,662,427	\$ 1,962,755	\$ 9,888,471

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 March 31, 2022			As at December 31, 2021		
	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	\$ —	\$ 8,361	\$ 8,361	\$ —	\$ 8,647	\$ 8,647
Bonds	—	7,351,233	7,351,233	—	8,149,460	8,149,460
Preferred shares	400,564	—	400,564	441,339	—	441,339
Common shares	823,606	146,286	969,892	879,285	140,149	1,019,434
Derivative assets	5,668	1	5,669	6,301	1	6,302
Loans and receivables:						
Mortgages	—	151,008	151,008	—	158,658	158,658
Loans on policies	—	57,304	57,304	—	56,917	56,917
Policy contract loans	—	50,434	50,434	—	52,808	52,808
Total	\$ 1,229,838	\$ 7,764,627	\$ 8,994,465	\$ 1,326,925	\$ 8,566,640	\$ 9,893,565

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 March 31, 2022 or during the year ended December 31, 2021.

Impairment

Based on an impairment review of the AFS investments, there was no impairment at March 31, 2022 (March 31, 2021 - \$nil). 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 March 31, 2022 of \$19,307 (December 31, 2021 - \$21,742). 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.

	March 31, 2022			December 31, 2021		
	Notional Principal	Fair Value Assets	Fair Value Liabilities	Notional Principal	Fair Value Assets	Fair Value Liabilities
Exchange-traded						
Equity index futures	\$ 59,751	\$ 1,798	\$ 1,484	\$ 69,166	\$ 2,669	\$ 1,170
Equity options	422,228	3,870	—	448,381	3,632	—
Over-the-counter						
Foreign currency forwards	32,260	1	627	33,158	1	663
Cross currency swaps	27,360	—	335	20,980	—	596
Total	\$ 541,599	\$ 5,669	\$ 2,446	\$ 571,685	\$ 6,302	\$ 2,429

All contracts mature in less than one year, except for cross currency swaps which mature in more than five years.

For analysis of the risks arising from financial instruments, refer to Note 11 – Risk management.

5. Investments in associates

Investments in associates by operating segment are as follows:

	March 31 2022	December 31 2021
E-L Corporate	\$ 384,598	\$ 394,362
Empire Life	23,416	22,504
Total	\$ 408,014	\$ 416,866

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	March 31, 2022		December 31, 2021	
		Carrying value	Fair value	Carrying value	Fair value
Algoma	37.4 %	\$ 215,404	\$ 244,637	\$ 223,145	\$ 240,819
Economic	24.1 %	169,194	169,194	171,217	171,217
Total		\$ 384,598	\$ 413,831	\$ 394,362	\$ 412,036

The following table details the movement during the period:

	3 months March 31 2022	12 months December 31 2021
Balance, beginning of the period	\$ 394,362	\$ 245,269
Income recorded in the statements of income:		
Share of (loss) income	(9,265)	70,175
Net impairment reversal	12,042	87,351
	2,777	157,526
Share of other comprehensive income	1,982	8,287
	4,759	165,813
Dividends received during the period	(14,523)	(16,720)
Balance, end of the period	\$ 384,598	\$ 394,362

The E-L Corporate's associates are measured using the equity method. As at March 31, 2022, the fair value of the investments in associates was \$413,831 (December 31, 2021 - \$412,036). 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 March 31, 2022, an impairment reversal of \$12,042 (March 31, 2021 - \$103,352) 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	
	March 31 2022	December 31 2021	March 31 2022	December 31 2021
Cash and cash equivalents	\$ 83,156	\$ 108,942	\$ 3,659	\$ 46,110
Other current assets	82,635	81,632	1,096,649	1,148,435
Non-current assets	1,010,515	1,009,509	—	—
	1,176,306	1,200,083	1,100,308	1,194,545
Current liabilities	91,453	84,511	282	23,206
Non-current liabilities	465,408	475,289	69,259	73,247
	556,861	559,800	69,541	96,453
Net assets	\$ 619,445	\$ 640,283	\$ 1,030,767	\$ 1,098,092

	Algoma		Economic	
	2022	2021	2022	2021
Three months ended March 31				
Revenue	\$ 85,103	\$ 77,599	\$ (19,335)	\$ 113,821
Net (loss) income	\$ (19,571)	\$ (22,416)	\$ (16,923)	\$ 98,205
Other comprehensive income	5,300	9,884	—	—
Total comprehensive (loss) income	\$ (14,271)	\$ (12,532)	\$ (16,923)	\$ 98,205

At March 31, 2022, Algoma has capital asset commitments of \$94,329 (December 31, 2021 - \$75,728).

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

Three months ended March 31	Algoma		Economic		Total	
	2022	2021	2022	2021	2022	2021
Dividends received	\$ 2,404	\$ 2,404	\$ 12,119	\$ 5,891	\$ 14,523	\$ 8,295

6. Investment and other income

Investment and other income is comprised of the following:

	Three months ended March 31	
	2022	2021
Interest income	\$ 70,252	\$ 66,804
Fee income	68,840	65,737
Dividend income	35,966	51,362
Other	1,331	1,577
Total	\$ 176,389	\$ 185,480

	Three months ended March 31	
	2022	2021
Interest income received	\$ 43,139	\$ 39,314
Dividend income received	50,962	77,941
Total	\$ 94,101	\$ 117,255

7. Segregated funds

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

	March 31 2022	December 31 2021
Cash and cash equivalents	\$ 43,735	\$ 39,880
Short-term investments	477,264	467,829
Bonds	1,841,667	1,880,326
Common and preferred shares	6,765,837	6,935,850
Other net assets	10,644	30,271
	9,139,147	9,354,156
Less segregated funds held within general fund investments	(93,593)	(96,858)
Total	\$ 9,045,554	\$ 9,257,298

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

	March 31, 2022			December 31, 2021		
	Level 1	Level 2	Total	Level 1	Level 2	Total
Cash and cash equivalents	\$ 43,735	\$ —	\$ 43,735	\$ 39,880	\$ —	\$ 39,880
Short-term investments	—	477,264	477,264	—	467,829	467,829
Bonds	—	1,841,667	1,841,667	—	1,880,326	1,880,326
Common and preferred shares	6,765,837	—	6,765,837	6,935,850	—	6,935,850
Total	\$ 6,809,572	\$ 2,318,931	\$ 9,128,503	\$ 6,975,730	\$ 2,348,155	\$ 9,323,885

There were no transfers between Level 1 and Level 2 during the three months ended March 31, 2022 or during the year ended December 31, 2021. There were no level 3 investments as at March 31, 2022 or December 31, 2021.

The following table presents the change in segregated funds:

	Three months ended March 31	
	2022	2021
Segregated funds - beginning of the period	\$ 9,257,298	\$ 8,457,417
Additions to segregated funds:		
Amount received from policyholders	278,976	281,812
Interest	14,114	14,070
Dividends	38,045	34,868
Other income	5,179	4,868
Net realized gains on sale of investments	63,447	149,476
Net unrealized increase in fair value of investments	—	158,614
	399,761	643,708
Deductions from segregated funds:		
Amounts withdrawn or transferred by policyholders	307,863	379,780
Net unrealized decrease in fair value of investments	239,929	—
Management fees and other operating costs	66,978	61,820
	614,770	441,600
Net change in segregated funds held within general fund investments	3,265	(5,073)
Segregated funds - end of the period	\$ 9,045,554	\$ 8,654,452

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 loss

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

	Three months ended March 31	
	2022	2021
Items that may be reclassified subsequently to net income:		
Net unrealized fair value change on AFS investments		
Unrealized fair value change on AFS investments	\$ (110,616)	\$ (73,833)
Less: Realized loss (gain) on AFS investments reclassified to net income	5,450	(1,418)
	(105,166)	(75,251)
Share of OCL of associates	(1,282)	(1,167)
	(106,448)	(76,418)
Items that will not be reclassified to net income:		
Net remeasurement of defined benefit plans	14,867	22,557
Share of OCI of associates	3,001	4,375
	17,868	26,932
OCL, net of tax	\$ (88,580)	\$ (49,486)

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

	Three months ended March 31	
	2022	2021
Items that may be reclassified subsequently to net income:		
Net unrealized fair value change on AFS investments		
Unrealized fair value change on AFS investments	\$ (39,637)	\$ (26,660)
Less: Realized loss (gain) on AFS investments reclassified to net income	1,975	(550)
	(37,662)	(27,210)
Share of OCL of associates	(196)	(178)
	(37,858)	(27,388)
Items that will not be reclassified to net income:		
Net remeasurement of defined benefit plans	5,323	8,081
Share of OCI associates	459	668
	5,782	8,749
Total tax recognized in OCL	\$ (32,076)	\$ (18,639)

9. Other assets

Other assets are comprised of the following:

	March 31 2022	December 31 2021
Accrued investment income	\$ 57,448	\$ 44,368
Income taxes receivable	59,688	18,618
Property and equipment	16,359	16,810
Intangible assets	61,241	28,511
Goodwill	24,200	—
Other	49,629	29,163
Total	\$ 268,565	\$ 137,470

On March 10, 2022, Empire Life announced it had acquired 100% of the shares of six financial services firms and amalgamated them into one wholly-owned subsidiary of Empire Life under the name TruStone Financial Inc. Empire Life has up to 12 months following the acquisition date to complete the allocation of the purchase price. The preliminary allocation of the cash purchase price of \$54,808 is allocated to cash acquired (\$1,985), intangible assets (\$32,500), goodwill (\$24,200) and the remaining portion is allocated to other assets and liabilities.

10. Other liabilities

Other liabilities are comprised of the following:

	March 31 2022	December 31 2021
Accounts payable	\$ 44,322	\$ 73,326
Employee benefit liabilities	24,122	25,973
Income and other taxes payable	1,430	52,719
Insurance payables	117,482	115,793
Other ⁽¹⁾	23,100	235,438
Total	\$ 210,456	\$ 503,249

⁽¹⁾ December 31, 2021 balance includes due to brokers of \$221,658.

11. 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:

	March 31 2022	December 31 2021
Cash and cash equivalents	\$ 377,117	\$ 636,101
Short-term investments	8,361	8,647
Bonds	7,351,233	8,149,460
Preferred shares	404,140	444,152
Derivative assets	5,669	6,302
Mortgages	152,935	153,564
Reinsurance	173,895	175,933
Loans on policies	57,304	56,917
Policy contract loans	50,434	52,808
Accrued investment income	57,448	44,368
Insurance receivable	41,643	48,700
Total	\$ 8,680,179	\$ 9,776,952

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 March 31, 2022 the Company had loaned securities with a fair value of \$3,823,161 (December 31, 2021 - \$3,699,775) and received approximately \$4,181,445 (December 31, 2021 - \$3,794,179) 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	
	March 31 2022	December 31 2021
Holdings of fixed income securities* in the 10 issuers (excluding federal governments) to which the operating segments had the greatest exposure	\$ 4,110,945	\$ 4,416,034
Percentage of the segment's total cash and investments	45 %	44 %
Exposure to the largest single issuer of corporate bonds	\$ 243,789	\$ 188,630
Percentage of the segment's total cash and investments	3 %	2 %

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

a) Investments in bonds and debentures

Empire Life	March 31, 2022		December 31, 2021	
	Fair value	%	Fair value	%
AAA	\$ 335,264	5 %	\$ 484,746	6 %
AA	1,806,206	25 %	2,059,678	25 %
A	3,508,721	46 %	3,879,522	47 %
BBB	1,657,958	23 %	1,681,358	21 %
BB (and lower ratings)	43,084	1 %	44,156	1 %
Total	\$ 7,351,233	100 %	\$ 8,149,460	100 %

b) Preferred shares

Empire Life's preferred share investments are all issued by Canadian companies, with 1% of these investments rated as P1 (December 31, 2021 – 1%), 99% rated as P2 (December 31, 2021 – 96%) and the remaining 0% rated as P3 (December 31, 2021 - 3%) .

c) Mortgages

Empire Life's mortgages in the province of Ontario represent the largest concentration with \$152,935 or 100% (December 31, 2021 – \$153,564 or 100%) 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 \$237,670 in cash and cash equivalents at March 31, 2022 (December 31, 2021 - \$442,884).

Empire Life

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

	March 31, 2022		December 31, 2021	
	Fair value	%	Fair value	%
1 year or less	\$ 235,547	3 %	\$ 150,713	2 %
1 - 5 years	918,210	12 %	991,282	12 %
5 - 10 years	694,569	9 %	757,588	9 %
Over 10 years	5,502,907	76 %	6,249,877	77 %
Total	\$ 7,351,233	100 %	\$ 8,149,460	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:

March 31, 2022	50 bps increase	50 bps decrease	100 bps increase	100 bps decrease
Shareholders' net income	\$ 5,241	\$ (5,799)	\$ 9,986	\$ (12,226)
Shareholders' OCI	\$ (45,795)	\$ 54,180	\$ (83,221)	\$ 116,706
March 31, 2021	50 bps increase	50 bps decrease	100 bps increase	100 bps decrease
Shareholders' net income	\$ 5,889	\$ (6,547)	\$ 11,195	\$ (13,843)
Shareholders' OCI	\$ (46,553)	\$ 54,812	\$ (84,847)	\$ 117,883

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.

	March 31, 2022		March 31, 2021	
	Effect on shareholders' net income	Effect on shareholders' OCI	Effect on shareholders' net income	Effect on shareholders' OCI
Corporate Investments:				
Investments - corporate				
10% fluctuation	\$ 432,458	\$ nil	\$ 436,710	\$ nil
20% fluctuation	\$ 864,916	\$ nil	\$ 873,420	\$ nil
Investments in associates				
10% fluctuation	\$ 18,073	\$ nil	\$ 16,909	\$ nil
20% fluctuation	\$ 36,146	\$ nil	\$ 33,818	\$ 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 sensitivity test. 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.

	March 31, 2022		March 31, 2021	
	Effect on shareholders' net income ⁽¹⁾	Effect on shareholders' OCI	Effect on shareholders' net income ⁽¹⁾	Effect on shareholders' OCI
Empire Life				
10% increase	\$ 14,670	\$ 4,061	\$ 13,953	\$ 3,544
10% decrease	\$ (17,456)	\$ (4,061)	\$ (21,570)	\$ (3,544)
20% increase	\$ 31,720	\$ 8,123	\$ 30,164	\$ 7,084
20% decrease	\$ (60,145)	\$ (8,123)	\$ (88,193)	\$ (7,084)

⁽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 \$384,598 (December 31, 2021 – \$394,362) which represents 6% (December 31, 2021 – 6%) of E-L Corporate's total assets.

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

Empire Life	March 31 2022	December 31 2021
Exposure to the ten largest common share holdings	\$ 661,439	\$ 709,451
As a percentage of the segment's total cash and investments	7 %	7 %
Exposure to the largest single issuer of common shares	\$ 441,014	\$ 454,457
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 \$250,397 (March 31, 2021 – \$235,727) on shareholders' net income and \$10,726 (March 31, 2021 – \$10,726) on other comprehensive income.

Empire Life: Approximately \$nil (March 31, 2021 – \$nil) on shareholders' net income and \$nil (March 31, 2021 – \$nil) on other comprehensive income.

12. 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
March 31, 2022			
Revenue	\$ (433,484)	\$ (395,689)	\$ (829,173)
Shareholders' net (loss) income	\$ (273,797)	\$ 37,885	\$ (235,912)
March 31, 2021			
Revenue	\$ 375,940	\$ (265,257)	\$ 110,683
Shareholders' net income	\$ 309,865	\$ 156,491	\$ 466,356
<hr/>			
	E-L Corporate	Empire Life	Total
March 31, 2022			
Segment assets ⁽¹⁾	\$ 6,535,185	\$ 18,486,156	\$ 25,021,341
Segment liabilities	\$ 595,075	\$ 16,381,219	\$ 16,976,294
December 31, 2021			
Segment assets ⁽¹⁾	\$ 7,259,959	\$ 19,530,663	\$ 26,790,622
Segment liabilities	\$ 836,528	\$ 17,359,085	\$ 18,195,613

⁽¹⁾ Segment assets include investments in associates of \$408,014 (December 31, 2021 - \$416,866).

13. Capital stock

	March 31, 2022			December 31, 2021		
	Authorized	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	3,690,476	66,466	3,701,376	66,662	
Total			\$ 366,467			\$ 366,663

On March 4, 2022, the Company obtained approval from the TSX to renew its normal course issuer bid (“NCIB”) to purchase up to 184,938 common shares between March 9, 2022 and March 8, 2023. 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 quarter of 2022, 10,900 common shares (December 31, 2021 - 7,200) were purchased under the NCIB at an average price of \$905.45 per share (December 31, 2021 - \$917.66) for a total consideration of \$9,869 (December 31, 2021 - \$6,607).

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:

	March 31, 2022		December 31, 2021	
	Number of shares	Share capital	Number of shares	Share capital
Common Shares				
Balance, beginning of the period	3,701,376	\$ 66,662	3,708,576	\$ 66,792
Repurchase and cancellation of shares	(10,900)	(196)	(7,200)	(130)
Balance, end of the period	3,690,476	\$ 66,466	3,701,376	\$ 66,662

The following dividends were declared by the Board of Directors at their meeting on May 9, 2022, with a record and payable date of June 30 and July 15, 2022, respectively:

- First Preference Shares, Series 1, \$0.33125 per share;
- First Preference Shares, Series 2, \$0.296875 per share;
- First Preference Shares, Series 3, \$0.34375 per share;
- Series A Preference Shares, \$0.125 per share; and
- Common Shares, \$2.50 per share.

14. 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. OSFI has established a Supervisory Target Total Ratio of 100% and a Supervisory Target Core Ratio of 70%. As at March 31, 2022 and December 31, 2021 Empire Life was in compliance with the applicable regulatory capital ratios.

On February 17, 2021, Empire Life issued \$200,000 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 is 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 Empire Life's obligations under the LRCN Series 1.

The trust assets consist of \$200,000 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 \$1,000 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 the outstanding Preferred Shares, Series 1 at the price of \$25.00 per share for an aggregate total of \$149,500 plus declared dividends.

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.

