

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 2023 should be read in conjunction with E-L Financial's unaudited interim condensed consolidated financial statements for the three months ended March 31, 2023, as well as the MD&A and the audited consolidated financial statements which form part of the E-L Financial 2022 Annual Report dated March 2, 2023. 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 12, 2023.

The Company has adopted IFRS 17 Insurance Contracts ("IFRS 17") and IFRS 9 Financial Instruments ("IFRS 9") and has restated comparative information for 2022 applying these accounting standards. The comparative figures in this MD&A, to the extent applicable, have been restated for these accounting changes.

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; product 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 compliance risk, model risk, human resources risk, third party risk, technology, information security and business continuity risk; and business and strategic risk, including environmental and social risk, 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 pandemic risk. 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, assets under management, annualized premium sales, gross and net sales for mutual funds, segregated funds and fixed annuities to provide investors with supplemental measures of its operating performance and to highlight trends in its core business that may not otherwise be apparent when relying solely on IFRS 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 to facilitate operating performance comparisons from period to period, to prepare annual operating budgets and to determine components of management compensation. Empire Life believes that these measures provide information useful to its shareholders and policyholders in evaluating the Empire's underlying financial results.

Return on Empire Life's common shareholders' equity is a profitability measure that is not prescribed under IFRS and a comparable measure under IFRS 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.

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. For segregated funds and annuity contracts, sales include new and renewal deposits to policy contracts. Net sales in the Wealth Management line reflect the gross sales less the effect of redemptions and surrenders.

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. It represents the total assets of Empire Life and the assets its customers invest in.

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	December 31
	2023	2022
		restated ⁽¹⁾
General fund assets	\$ 9,288	\$ 8,992
Segregated fund assets	8,725	8,566
Total Empire Life assets	18,013	17,558
Mutual fund assets	—	16
Total assets under management	\$ 18,013	\$ 17,574

⁽¹⁾ Amounts have been restated to reflect the adoption of the IFRS 17 and IFRS 9 accounting standards, refer to note 2 of the interim condensed consolidated financial statements

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 54.9% (December 31, 2022 - 54.9%) 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 36.6% (December 31, 2022 - 37.2%) interest in Algoma Central Corporation ("Algoma") and a 24.7% (December 31, 2022 - 24.7%) 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	
	2023	2022 restated ⁽¹⁾
Contribution to net income (loss)		
E-L Corporate ⁽²⁾	\$ 253	\$ (274)
Empire Life ⁽²⁾	52	47
Net income (loss)	305	(227)
Other comprehensive income ⁽²⁾	3	16
Comprehensive income (loss)	\$ 308	\$ (211)

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

E-L Corporate (millions of dollars)	First quarter	
	2023	2022 restated ⁽¹⁾
Net gain (loss) on investments	\$ 323	\$ (462)
Investment and other income	38	25
Share of associates income	10	4
	371	(433)
Operating expenses	14	10
Income taxes	44	(59)
Non-controlling interests	60	(110)
	118	(159)
Net income (loss)	253	(274)
Other comprehensive income (loss), net of taxes ⁽²⁾	2	(1)
Comprehensive income (loss)	\$ 255	\$ (275)

Empire Life <i>(millions of dollars)</i>	First quarter	
	2023	2022 restated ⁽¹⁾
Insurance service result	\$ 44	\$ 41
Insurance investment result	33	33
Fee and other income ⁽³⁾	22	1
	99	75
Expenses	30	16
Income and other taxes	13	13
Non-controlling interests and net income (loss) attributable to the participating account	4	(1)
	47	28
Net income	52	47
Other comprehensive income, net of taxes ⁽²⁾	1	17
Comprehensive income	\$ 53	\$ 64

⁽¹⁾ Amounts have been restated to reflect the adoption of the IFRS 17 and IFRS 9 accounting standards, refer to note 2 of the interim condensed consolidated financial statements

⁽²⁾ Net of non-controlling interests and net income attributable to the participating account

⁽³⁾ Included in non-insurance investment results

E-L Financial reported a consolidated 2023 net income of \$305 million or \$86.96 per common share for the first quarter of 2023 compared to a net loss of \$227 million or \$64.03 per common share in 2022.

E-L Corporate reported net income of \$253 million for the first quarter ended March 31, 2023 compared to a net loss of \$274 million in 2022. The increase in earnings was due to a net gain on investments of \$323 million in 2023 compared to a net loss of \$462 million in 2022. E-L Corporate's global investment portfolio had a pre-tax total return, including dividend income, of 8% in 2023 compared to a pre-tax total return of negative 7% in the prior year.

Empire Life reported net income of \$52 million for the for the first quarter of 2023 compared to \$47 million for the first quarter of 2022. The increase in first quarter earnings over prior year was primarily a result of a more neutral economic environment.

Normal course issuer bid

On March 6, 2023, the Company obtained approval from the TSX to renew its normal course issuer bid ("NCIB") to purchase up to 177,854 common shares between March 9, 2023 and March 8, 2024. 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.

No shares were purchased under the NCIB for the three months ended March 31, 2023. For the 12 month period ended December 31, 2022, 40,660 were purchased under the NCIB at an average price of \$872.05 for a total consideration of \$35 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 2023	Q4 2022	Q1 2022
E-L Financial shareholders' equity	\$ 6,628	\$ 6,657	\$ 6,820
Less: First preference shares	(300)	(300)	(300)
	6,328	6,357	6,520
Adjustments for E-L Corporate's investments in associates not carried at fair value:			
Carrying value	(425)	(443)	(385)
Fair value ⁽¹⁾	405	433	414
	(20)	(10)	29
Non-controlling interest and deferred tax	8	6	(4)
	(12)	(4)	25
Net equity value	\$ 6,316	\$ 6,353	\$ 6,545
Common shares ⁽²⁾ outstanding at year end	3,557,348	3,557,348	3,690,734
Net equity value per common share^{(2) (3)}	\$ 1,775.42	\$ 1,785.66	\$ 1,773.43

⁽¹⁾ Based on quoted market prices

⁽²⁾ Common shares includes Series A Convertible Preference Shares

⁽³⁾ See non-GAAP measures

The Q4 2022 and Q1 2022 net equity value amounts per common share presented in the table above, have not been restated for the adoption of IFRS 17 and IFRS 9 reporting standards. However, these accounting changes did result in a \$319 million reduction in shareholders' equity as of December 31, 2022 as presented in the interim consolidated financial statements as of March 31, 2023. The Q1 2023 net equity value per common share of \$1,775.42 has reflected the reduction in shareholders' equity as a result of the adoption of IFRS 17 and IFRS 9.

The common shares outstanding for Q1 2023 and Q4 2022 are lower compared Q1 2022 due to common shares acquired as part of the Company's NCIB and substantial issuer bid.

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*
	\$	%
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
2022	1,785.66	(3.4)
Year to date		
March 31, 2023	1,775.42	(0.4)
Compounded annual growth in net equity value per common share*		
2013 - 2022 - 10 years		11.2
1969 - 2022 - Since inception		12.5

* 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.

The net equity value per common share as at December 31, 2022 has not been adjusted to reflect the adoption of IFRS 17 and IFRS 9. These accounting changes resulted in a reduction to common shareholders' equity of \$319 million as at December 31, 2022. Excluding the impact of this accounting change, the growth in net equity value per common share including dividends, would have been 4.9% for the first quarter of 2023.

Summary of quarterly results

The following table summarizes the quarterly results:

<i>(millions of dollars, except per share amounts)</i>	2023			2022 - restated		2021 ⁽⁴⁾		
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Net insurance and investment result	\$ 77	\$ (3)	\$ 50	\$ (36)	\$ 74			
Net premium income						\$ 241	\$ 227	\$ 223
Net gain (loss) on investments ⁽¹⁾	323	451	(60)	(697)	(462)	562	9	507
Investment and other income	60	63	50	37	26	189	178	184
Associates ⁽²⁾	10	24	30	2	4	15	23	14
Total revenue	\$ 470	\$ 535	\$ 70	\$ (694)	\$ (358)	\$ 1,007	\$ 437	\$ 928
Net income (loss) ⁽³⁾	\$ 305	\$ 384	\$ 29	\$ (506)	\$ (227)	\$ 278	\$ 168	\$ 241
Earnings (loss) per common share								
- basic	\$ 86.96	\$ 109.81	\$ 6.94	\$ (138.87)	\$ (64.03)	\$ 75.82	\$ 45.47	\$ 65.47
- diluted	\$ 80.00	\$ 100.80	\$ 6.94	\$ (138.87)	\$ (64.03)	\$ 68.55	\$ 41.50	\$ 59.33

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

⁽²⁾ Share of income of associates

⁽³⁾ Attributable to shareholders

⁽⁴⁾ As previously reported

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 2023 decreased compared to the prior quarter but increased compared to the first quarter of 2022, with fluctuations mainly due to the impact of the net gain (loss) on investments. The fair value change in fair value through profit and loss ("FVTPL") investments have experienced significant movement over the past year, reflecting volatility in both the bond and equity markets and movements in interest rates.

Net insurance and investment result increased for the first quarter of 2023 compared to both the prior quarter and the first quarter of 2022. The increase in first quarter of 2023 compared to the prior quarter is due to improvement in the insurance investment results.

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	
					2023	2022 restated ⁽¹⁾
Cash flows from:						
Operating activities	\$ 18	\$ 7	\$ 60	\$ (9)	\$ 76	\$ (1)
Financing activities	(33)	(54)	(8)	3	(92)	(29)
Investing activities	(6)	56	(62)	6	(6)	(229)
(Decrease) increase in cash and cash equivalents	(21)	9	(10)	—	(22)	(259)
Cash and cash equivalents, beginning of the period	70	57	176	—	303	636
Cash and cash equivalents, end of the period	\$ 49	\$ 66	\$ 166	\$ —	\$ 281	\$ 377

⁽¹⁾ Amounts restated for the IFRS 17 and IFRS 9 accounting change

The increase in cash provided from operating activities in 2023 relative to 2022 reflects the increase in cash earnings during 2023 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 used for financing activities during the first quarter of 2023 was primarily due to United repaying the \$50 million operating credit facility combined with E-L Financial (non-consolidated) repaying \$20 million of the margin loan.

Cash used for investment activities was lower in 2023 compared to the prior year. During the first quarter of 2022 changes were made to E-L Corporate's investment managers which contributed to a significant increase in the investment portfolio turnover.

Non-consolidated cash flows of E-L Financial

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

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

Three months ended March 31

<i>(millions of dollars)</i>	2023	2022
Cash flows from:		
Operating activities		
Dividends from subsidiaries	\$ 2	\$ 20
Dividends and interest	27	18
Expenses and taxes, net of other income	(11)	(63)
	18	(25)
Financing activities		
Cash dividends	(13)	(13)
Common share purchases	—	(9)
Decrease in margin loan	(20)	—
	(33)	(22)
Investing activities		
Purchases of investments	(111)	(435)
Proceeds from sales of investments	82	256
Dividends from associates	23	14
	(6)	(165)
(Decrease) increase in cash and cash equivalents	(21)	(212)
Cash and cash equivalents, beginning of the period	70	381
Cash and cash equivalents, end of the period	\$ 49	\$ 169

During the first quarter of 2023, the non-consolidated cash and cash equivalents of E-L Financial decreased by \$21 million.

Operating cash flows for the first quarter of 2023 increased compared with the prior year mainly due to a decrease in the expenses and taxes balance resulting from higher income taxes paid in the first quarter of 2022 relating to realized investment gains in 2021.

The increase in cash used for financing activities for the first quarter of 2023 are due to the reasons described under the consolidated cash flows narrative above.

The movement in investing 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 2023 included a special dividend paid by Algoma during the first quarter of 2023.

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 Russian war with Ukraine and the resulting sanctions have negatively impacted global economic growth forecasts. Further, the novel coronavirus (or COVID-19) continues to impact international business operations, supply chains, travel, commodity prices, consumer confidence and business forecasts. These

factors have led to higher levels of inflation and have created increased uncertainty and volatility, which impact the Company's investment portfolios.

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, 2023, 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, 2022 of \$5.6 billion. The fair value of investments - corporate is summarized in the table below:

<i>(millions of dollars)</i>	March 31 2023	December 31 2022
Preferred shares	\$ 3	\$ 3
Common shares and units		
Canada and U.S.	4,050	3,906
Europe and United Kingdom	1,074	945
Emerging Markets	456	433
Japan	275	251
Other	48	41
Total	5,903	5,576
Total invested assets	\$ 5,906	\$ 5,579

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

<i>(millions of dollars)</i>	2023	First quarter 2022
Net gain (loss) on investments	\$ 323	\$ (462)
Investment and other income	38	25
Share of associates income	10	4
	371	(433)
Operating expenses	14	10
Income taxes	44	(59)
Non-controlling interests	60	(110)
	118	(159)
Net income (loss)	253	(274)
OCI, net of taxes	2	(1)
Comprehensive income (loss)	\$ 255	\$ (275)

E-L Corporate reported a net income of \$253 million in the first quarter of 2023 compared to a loss of \$274 million in 2022. For the first quarter of 2023 there was a net gain on investments of \$323 million compared to a loss of \$462 million in 2022. E-L Corporate's global investment portfolio had pre-tax total return, including dividend income of 8% for the first quarter of 2023 compared to negative 7% for the first quarter of 2022.

Investment and other income was higher for the first quarter of 2023 compared to 2022. 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 during the first quarter of 2023 increased compared to the prior year mainly due to increased dividends from Canadian investments.

Operating expenses increased for the first quarter compared to 2022.

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⁾	
	2023	2022
Algoma	\$ (3)	\$ (7)
Economic	13	10
	\$ 10	\$ 3

⁽¹⁾ Includes an \$8 million impairment reversal (March 31, 2022 - \$12 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.

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 5% during the first quarter of 2023 compared to negative 3% in 2022.

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

	March 31, 2023			December 31, 2022		
	Ownership	Carrying value	Fair value	Ownership	Carrying value	Fair value
Algoma	36.6 %	\$ 243	\$ 223	37.2 %	\$ 268	\$ 258
Economic	24.7 %	182	182	24.7 %	175	175
Total		\$ 425	\$ 405		\$ 443	\$ 433

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, 2023, 58% (December 31, 2022 - 58%) of the investment - corporate including cash and cash equivalents was denominated in U.S. dollars, 10% (December 31, 2022 - 9%) in Euros and 5% (December 31, 2022 - 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:

Financial analysis overview

<i>(millions of dollars)</i>	2023	First quarter 2022
		restated
Common shareholders’ net income	\$ 52	\$ 47

Empire Life reported first quarter common shareholders’ net income of \$52 million for 2023, compared to a net income of \$47 million for the first quarter of 2022. The increase in first quarter earnings over prior year was primarily a result of a more neutral economic environment.

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, 2023 and 2022. A discussion of results is provided in the Product Line section of the MD&A.

For the three months ended March 31, 2023					
(in millions of dollars)					
	Wealth Management	Group Solutions	Individual Insurance	Capital & Surplus	Total
Insurance revenue	\$ 58	\$ 157	\$ 111	\$ —	\$ 326
Insurance service expenses	(30)	(154)	(83)	—	(267)
Insurance service results	28	3	28	—	59
Net expense from reinsurance contracts held	—	(2)	(13)	—	(15)
Net insurance service result	28	1	15	—	44
Insurance finance income (expense) from insurance contracts issued, excluding segregated funds	(14)	(9)	(231)	—	(254)
Reinsurance finance income (expense) from reinsurance contracts held	—	4	(13)	—	(9)
Insurance finance result	(14)	(5)	(244)	—	(263)
Investment income, excluding segregated funds	15	5	250	50	320
Change in investment contracts	(24)	—	—	—	(24)
Net investment income, excluding segregated funds	(9)	5	250	50	296
Changes in underlying items of the segregated funds	(281)	—	—	—	(281)
Investment income (loss) related to segregated fund net assets	281	—	—	—	281
Segregated funds net finance and investment result	—	—	—	—	—
Net investment result	(23)	—	6	50	33
Fee and other income	15	2	—	5	22
Non-insurance operating expenses	(8)	(4)	(5)	(7)	(24)
Interest expenses (subordinated debt)	—	—	—	(7)	(7)
Total other income and expenses	7	(2)	(5)	(9)	(9)
Net income (loss) before taxes	12	(1)	16	41	68
Total income taxes	(3)	—	(3)	(7)	(13)
Net income (loss) after taxes	\$ 9	\$ (1)	\$ 13	\$ 34	\$ 55
Net income attributable to the participating account					2
Dividends on preferred shares					1
Empire Life's common shareholder's net income					52
Non-controlling interests in net income					—
Net income attributable to owners of E-L Financial				\$	52

For the three months ended March 31, 2022						
restated						
(in millions of dollars)						
	Wealth Management	Group Solutions	Individual Insurance	Capital & Surplus	Total	
Insurance revenue	\$ 57	\$ 146	\$ 101	\$ —	\$ 304	
Insurance service expenses	(27)	(151)	(75)	—	(253)	
Insurance service results	30	(5)	26	—	51	
Net expense from reinsurance contracts held	—	1	(11)	—	(10)	
Net insurance service result	30	(4)	15	—	41	
Insurance finance income (expense) from insurance contracts issued, excluding segregated funds	35	15	790	—	840	
Reinsurance finance income (expense) from reinsurance contracts held	(1)	(6)	48	—	41	
Insurance finance result	34	9	838	—	881	
Investment income, excluding segregated funds	(42)	(9)	(668)	(138)	(857)	
Change in investment contracts	9	—	—	—	9	
Net investment income, excluding segregated funds	(33)	(9)	(668)	(138)	(848)	
Changes in underlying items of the segregated funds	119	—	—	—	119	
Investment income (loss) related to segregated fund net assets	(119)	—	—	—	(119)	
Segregated funds net finance and investment result	—	—	—	—	—	
Net investment result	1	—	170	(138)	33	
Fee and other income	(1)	1	—	1	1	
Non-insurance operating expenses	(5)	(2)	(2)	(1)	(10)	
Interest expenses (subordinated debt)	—	—	—	(5)	(5)	
Total other income and expenses	(6)	(1)	(2)	(5)	(14)	
Net income (loss) before taxes	25	(5)	183	(143)	60	
Income taxes	(5)	1	(46)	36	(14)	
Net income (loss) after taxes	\$ 20	\$ (4)	\$ 137	\$ (107)	\$ 46	
Net income attributable to the participating account						(2)
Dividends on preferred shares						1
Empire Life's common shareholder's net income						47
Non-controlling interests in net income						—
Net income attributable to owners of E-L Financial						\$ 47

Net insurance service result increased \$3 million or 8% compared to the same period in 2022, primarily due to improved long-term disability (“LTD”) experience and growth in the Group Solutions line. This growth was driven by higher premium earned in our specialty and specialty reinsurance partnerships, partially offset by an increase in claims.

Net investment result was consistent with the same period in 2022. The economic environment in the two quarters was very different, primarily due to significant yield curve increases in Q1 2022, which were not repeated in 2023. In addition, while strong equity markets drove net income gains in both quarters, the impact was greater in Q1 2023.

Total other income and expenses improved \$5 million or 37% compared to the same period in 2022 due to higher net deposits on annuities in Wealth Management and net earnings from TruStone Financial Inc, which was acquired on March 10, 2022.

Net Contractual Service Margin

(in millions of dollars)	First quarter	
	2023	2022
Net contractual service margin, beginning of period	\$ 1,544	\$ 1,358
Impact of new insurance business	21	17
Insurance experience	10	6
Economic experience	6	166
CSM recognized for services provided	(41)	(43)
Net contractual service margin, end of period	\$ 1,540	\$ 1,504

The contractual service margin ("CSM") in the first quarter of 2023 was relatively flat, compared to an increase of \$146 million for the same period in 2022. The prior year's increase related mainly to segregated funds in the Wealth line of business, driven by increases in interest rates and credit spreads, which did not recur in the first quarter of 2023. The new insurance business CSM increased in the first quarter of 2023 primarily due to higher sales in the individual insurance line and higher margins from our Segregated fund products due to higher interest rates.

Product Line Results - Wealth Management

(in millions of dollars)	First quarter	
	2023	2022 restated
Fixed annuities		
Assets under management ⁽¹⁾	\$ 811	\$ 798
Gross sales ⁽¹⁾	45	23
Net sales ⁽¹⁾	8	(1)
Segregated funds		
Assets under management ⁽¹⁾	\$ 8,707	9,046
Gross sales ⁽¹⁾	244	262
Net sales ⁽¹⁾	(52)	(30)
Net insurance service result	28	30
Net investment result	(23)	1
Fee and other income	15	(1)
Non-insurance operating expenses	(8)	(5)
Total income taxes	(3)	(5)
Net income (loss) after taxes	\$ 9	\$ 20

(1) See Non-IFRS Measures section.

Fixed annuities assets under management were 2% higher relative to the same period in 2022. Gross sales in the first quarter were 96% higher than the same period in 2022, due to strong demand for the product, continuing since the latter half of 2022.

Segregated fund assets under management are lower relative to the same period in 2022, reflecting a decline in equity market performance within the funds, partially offset by the net inflows. For the first quarter of 2023, gross sales were 7% lower than the same period in 2022.

Although, net insurance service result held relatively stable year over year with a decrease of 3%, net income of \$9 million decreased \$11 million or 55% compared to the first quarter in 2022, primarily driven by interest rate movements and model refinements.

Product line results - Group Solutions

(in millions of dollars)	First quarter	
	2023	2022 restated
Selected financial information		
Core	\$ 11	\$ 15
Other	7	7
Annualized premium sales ⁽¹⁾	\$ 18	\$ 22
Insurance revenue, gross	\$ 156	\$ 146
Net insurance service result	\$ 1	\$ (4)
Fee and other income	2	1
Non-insurance operating expenses	(4)	(2)
Total income taxes	—	1
Net income (loss) after taxes	\$ (1)	\$ (4)

⁽¹⁾ See Non-IFRS Measures section.

Total annualized premium sales decreased in the first quarter compared to the same period in 2022, primarily due to lower sales of the Company's core product offerings. The Company 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.

Total insurance revenue increased 7% in the first quarter compared to the same period in 2022, primarily due to growth in existing specialty partnerships and maintenance of the Company's core group benefit offerings.

Net loss for the first quarter improved compared to the same period in 2022 due to the growth in our specialty and specialty reinsurance partnerships and improvements in long-term disability claims experience, partially offset by an increase in claims driven by utilization of health and dental benefits and inflationary pressures.

Product line results - Individual Insurance

(in millions of dollars)	First quarter	
	2023	2022 restated
Shareholders'		
Shareholders' annualized premium sales ⁽¹⁾	\$ 10	\$ 6
Net income (loss) after taxes	11	139
Policyholders'		
Policyholders' annualized premium sales ⁽¹⁾	\$ 4	\$ 4
Net income (loss) after taxes	2	(2)
Net insurance service result	\$ 15	\$ 15
Net investment result	6	170
Non-insurance operating expenses	(5)	(2)
Income taxes	(3)	(46)
Net income after taxes	\$ 13	\$ 137

⁽¹⁾ See Non-IFRS Measures section.

Shareholders' annualized premium sales increased by 67% in the first quarter compared to the same period in 2022, primarily from stronger sales on our term insurance products. Policyholders' annualized premium sales was consistent with the prior year.

Shareholders' net income decreased \$128 million or 92% compared to the first quarter of 2022. Although net insurance service result was consistent with the prior year, Shareholder' net income was impacted from large interest rate increases experienced in the first quarter of 2022 which were not experienced in 2023.

Results - Capital and Surplus

(in millions of dollars)	First quarter	
	2023	2022 restated
Net finance and investment results	\$ 50	\$ (138)
Other income and expenses	(9)	(5)
Net income (loss) before taxes	41	(143)
Income taxes	(7)	36
Net income (loss) after taxes	\$ 34	\$ (107)

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.

Compared to the prior year, net income improved in the Capital and Surplus segment as the first quarter of 2023 included investment gains driven by the impact from decreasing interest rates. Net losses in the first quarter of 2022 were mainly due to the impact from rising interest rates and credit spreads on our investment portfolio.

Financial Instruments

Empire Life buys investment quality bonds to support, to a very large extent, the liabilities under the insurance and investment contracts of the Company. Empire Life's investment strategy also includes the use of publicly listed common stocks or exchange-traded funds ("ETFs") to support the liabilities under its insurance contracts. Cash flows arising from these financial instruments are intended to match the liquidity requirements of Empire Life's insurance and investment contract liabilities, within the limits prescribed by the Company. Empire Life is subject to credit and market risk on these financial instruments.

Credit risk on these financial instruments could result in a financial loss should the other party fail to discharge an obligation. This credit risk is derived primarily from investments in bonds, debentures, preferred shares, short-term investments and mortgages. The investment guidelines establish minimum credit ratings for issuers of bonds, debentures and preferred share investments, and provide for concentration limits by issuer of such debt instruments. Management reviews credit quality relative to investment purchases and monitors the credit quality of invested assets over time. Management reports regularly to the Investment Committee of Empire Life's Board on the credit risk to which the portfolio is exposed.

Empire Life manages market risk exposure mainly through investment limits and oversight of its in-house investment managers and external investment firms by the Chief Investment Officer, Chief Actuary, Asset Management Committee and Investment Committee of the Board. The Investment Committee actively monitors the portfolio and asset mix. Empire Life has a semi-static hedging program as part of its approach to managing this risk. Empire Life manages credit risk by applying its investment guidelines established by the Investment Committee of the Board of Directors.

Empire Life manages credit risk with respect to derivatives by applying limits and credit rating restrictions established by the Investment Committee in its investment guidelines, which set out permitted derivatives and permitted uses for derivatives, as well as limits to the use of these instruments. In particular, no leverage is permitted in the use of derivatives and strict counterparty credit restrictions are imposed. Effective January 1, 2023, we adopted IFRS 9 Financial Instruments. Except for assets impacted by the overlay approach, results from periods prior to January 1, 2023 are reported in accordance with IAS 39

Financial Instruments: Recognition and Measurement. For further details on the impacts of the adoption of IFRS 9, including the description of accounting policies selected, refer to note 2 of the interim condensed consolidated financial statements.

Sources of capital

Empire Life has issued private and public securities to strengthen its capital position and fund new business growth. The securities outstanding are summarized in the following table:

(in millions of dollars)	As at	
	March 31 2023	December 31 2022
Subordinated debentures	\$ 399	\$ 399
Equity		
Preferred shares and other equity instruments	297	297
Common shares	1	1
Total Equity	\$ 298	\$ 298

Details of the Company's outstanding subordinated debentures are as follows:

(in millions of dollars)	Date Issued	Earliest Redemption Date	Yield	As at	
				March 31 2023	December 31 2022
Series 2017-1 ⁽¹⁾	September 2017	March 15, 2023	3.664%	\$ —	\$ 200
Series 2021-1 ⁽²⁾	September 2021	September 24, 2026	2.024%	\$ 199	\$ 199
Series 2023-1 ⁽³⁾	January 2023	January 13, 2028	5.503%	\$ 200	\$ —

⁽¹⁾ All of the outstanding Series 2017-1 Subordinated 3.664% Unsecured Debentures were redeemed on March 15, 2023.

⁽²⁾ Series 2021-1 Subordinated 2.024% Unsecured Debentures due 2031. From September 24, 2026, interest is payable at 0.67% over CDOR.

⁽³⁾ Series 2023-1 Subordinated 5.503% Unsecured Debentures due 2033. From January 13, 2028, interest is payable at 2.26% over CORRA.

Details of the Company's outstanding preferred shares are as follows:

(in millions of dollars)	Date Issued	Earliest		As at	
		Redemption Date	Yield	March 31 2023	December 31 2022
Preferred shares, Series 3	November 2017	January 17, 2028	6.187%	\$ 100	\$ 100
Limited Recourse Capital Notes, Series 1	February 2021	April 17, 2026	3.625%	\$ 197	\$ 197

The securities issued by Empire Life are rated by DBRS Limited (DBRS). DBRS has assigned the following ratings to the Company's securities:

Evaluation type	Rating	Trend	Date of last rating action
Financial strength rating	A	Stable	May 30, 2022
Issuer rating	A	Stable	May 30, 2022
Subordinated debt	A(low)	Stable	May 30, 2022
Preferred shares	Pfd-2	Stable	May 30, 2022
Limited Recourse Capital Notes	BBB(high)	Stable	May 30, 2022

In the fourth quarter of 2022, Empire Life provided notice to E-L Financial Corporation Limited that it did not intend to exercise its right to redeem all or any part of the currently outstanding 4,000,000 Series 3 Preferred Shares of Empire Life on January 17, 2023 and, as a result and subject to certain conditions, the holders of the Series 3 Preferred Shares had the right, at their option on the Series 3 Conversion Date, to convert all or part of their Series 3 Preferred Shares on a one-for-one basis into Series 4 Preferred Shares. In early 2023, E-L Financial irrevocably elected not to exercise this right. Effective January 18, 2023, holders of Series 3 Preferred Shares are entitled to receive fixed non-cumulative quarterly dividends yielding 6.187% annually, as and when declared by the Board of Directors of Empire Life, for the renewal period ending on and including January 17, 2028. Thereafter, the dividend rate will be reset every five years at a rate equal to the 5-year Government of Canada bond yield plus 3.24%.

Debenture Issue

On January 13, 2023, the Company issued \$200 million principal amount of unsecured debentures with a maturity date of January 13, 2033. The net proceeds of the issue will be used for regulatory capital purposes and for general corporate purposes which may include the redemption of outstanding debt.

The interest rate from January 13, 2023 to January 13, 2028 is 5.503% payable semi-annually until the interest reset date, which is January 13, 2028. The interest rate from January 13, 2028 until January 13, 2033 is the daily compounded Canadian Overnight Repo Rate Average (CORRA) plus 2.26%, payable quarterly.

The Company may call for redemption of the debentures any time after January 13, 2028 subject to the prior written approval of OSFI.

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

Debenture Redemption

On February 7, 2023, the Company announced that it intends to redeem, on March 15, 2023 (the "Redemption Date"), all of its outstanding \$200 million 3.664% Unsecured Subordinated Debentures, Series 2017-1 due March 15, 2028 (the "Notes"). Notice will be delivered to the Note holders in accordance with the terms and conditions set forth in the related trust indenture. Interest on the Notes will cease to accrue from and after the Redemption Date.

The redemption has been approved by the OSFI.

Regulatory capital

The Life Insurance Capital Adequacy Test ("LICAT") is intended to measure a life insurer's solvency position by recognizing the long-term economics of the life insurance business. The Company 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%. The Office of the Superintendent of Financial Institutions ("OSFI") has established supervisory target levels of 70% for Core and 100% for Total ratio.

LICAT (in millions of dollars)	Mar 31 2023	Dec 31 2022 ⁽¹⁾	Sep 30 2022 ⁽¹⁾	Jun 30 2022 ⁽¹⁾	Mar 31 2022 ⁽¹⁾
Available capital					
Tier 1	\$ 2,213	\$ 1,776	\$ 1,729	\$ 1,695	\$ 1,775
Tier 2	647	600	587	576	573
Total	\$ 2,860	\$ 2,376	\$ 2,316	\$ 2,271	\$ 2,348
Surplus allowance and eligible deposits	598	916	933	1,001	1,074
Base solvency buffer	2,276	2,393	2,366	2,363	2,410
LICAT total ratio	152%	138%	137%	139%	142%
LICAT core ratio	116%	101%	101%	101%	105%

(1) Amounts prior to January 1, 2023 have not been adjusted for the impacts from the adoption of IFRS 17 and IFRS 9. See Note 2 in the interim condensed consolidated financial statements for additional details.

The increase in the LICAT ratio in the first quarter of 2023 is due to the adoption of IFRS 17 and IFRS 9 as well as changes to OSFI's regulatory capital calculations. Significant drivers of the change include OSFI's changes to the base solvency buffer ("BSB") scalar from 105% to 100%, as well as the impact of revised valuation treatment for segregated fund contracts.

IFRS 17 *Insurance Contracts* (IFRS 17) and IFRS 9 *Financial Instruments* (IFRS 9) adopted in 2023

For periods beginning on or after January 1, 2023, the Company has adopted IFRS 17, which replaces IFRS 4 *Insurance Contracts*, and has restated comparative information for 2022 applying the transition provisions in IFRS 17. IFRS 17 establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts. Effective January 1, 2023, we have also adopted IFRS 9, which replaces IAS 39 *Financial Instruments: Recognition and Measurement*.

IFRS 17

The adoption of IFRS 17 did not change the classification of the majority of the Company's insurance or investment contract liabilities. Up to and including December 31, 2022, the insurance industry has been permitted to continue using IFRS 4 and the Canadian Asset Liability Method ("CALM") as prescribed by the CIA to measure insurance and investment contract liabilities. The exception is deferred annuities which were classified as insurance contracts under IFRS 4 and are now classified as investment contracts under IFRS 9. IFRS 17 establishes specific principles for the recognition and measurement of insurance contracts issued and reinsurance contracts held by the Company.

The primary principles of IFRS 17 are that the Company:

- Identifies insurance contracts as those under which the Company accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder.
- Divides the insurance and reinsurance contracts held into groups of either assets or liabilities that it will recognize and measure.
- Recognizes profit from a group of insurance contracts over the period that insurance coverage is provided and as the Company is released from risk. If a group of insurance contracts is expected

to be onerous (loss making, exclusive of ceded risks) over the remaining coverage period, losses are recognized immediately.

- Measures insurance contract liabilities as the total of the following measurement components:
 - probability weighted, discounted, future cash flows;
 - a risk adjustment (RA); and
 - CSM.

Transition

Changes in accounting policies resulting from the adoption of IFRS 17 will be applied using a full retrospective approach where practicable. If it is impracticable to apply the full retrospective approach, then the Company is permitted to choose between the modified retrospective approach and the fair value approach. For group insurance contracts, the full retrospective approach was applied. For all other insurance business, the fair value approach was applied.

For additional information on IFRS 17 refer to note 2 in the interim condensed consolidated financial statements.

IFRS 9

Financial asset classification is based on the cash flow characteristics and the business model in which an asset is held. The classification determines how a financial instrument is accounted for and measured. IFRS 9 includes three measurement categories for financial assets:

1. Measured at amortized cost
2. Fair Value Other Comprehensive Income (FVOCI)
3. Fair Value Through Profit and Loss (FVTPL)

Most financial assets are designated as FVTPL under IAS 39 and will continue to be measured at FVTPL under IFRS 9.

Equity investments that are classified as available for sale under IAS 39 will be measured at FVTPL under IFRS 9.

Mortgages and loans measured at amortized cost under IAS 39 will be designated as FVTPL under IFRS 9. Some investment contracts that were treated as insurance under IFRS 4 will be treated as financial liabilities under IFRS 9. Investment contracts will be designated as FVTPL under IFRS 9.

Because the majority of financial assets are measured at fair value both before and after the transition to IFRS 9, the new classification requirements will not have a material impact on total equity upon adoption.

IFRS 9 replaces the incurred loss impairment model in IAS 39 with a forward-looking expected credit loss impairment model. After adoption of IFRS 9, the majority of financial assets will be reported at FVTPL, so the expected credit loss model will not have a significant impact.

Overlay approach

As permitted, the Company has elected to apply the overlay approach, which allows the classification and remeasurement requirements of IFRS 9 to be applied to all financial assets held in comparative periods, including those that were derecognized during that period, in order to reduce the volatility in profit or loss arising from the different effective dates of IFRS 9, "Financial Instruments", and IFRS 17, "Insurance Contracts".

Transition

Changes in accounting policies resulting from the adoption of IFRS 9 was initially applied on January 1, 2023 without restatement of comparatives. For additional information on the impact of the Overlay

approach and the IFRS 9 transition, refer to note 2 of the interim condensed consolidated financial statements.

Risk Management

Empire Life is a financial institution offering wealth management, employee benefits and individual insurance products. The Company is exposed to a number of risks as a result of its business activities. The goal of the Company's risk management program is to ensure that risk-taking activities are aligned with its strategy, in order to achieve business goals and deliver acceptable shareholder returns.

Caution Related to Sensitivities

In the sections that follow, the Company provides sensitivities and risk exposure measures for certain risks. These include sensitivities due to specific changes in market prices and interest rates, based on the market prices, interest rates, assets, liabilities and business mix in place as at the calculation dates. The sensitivities are calculated independently for each risk factor, assuming that all other risk variables remain constant. The sensitivities do not take into account indirect effects such as potential impacts on goodwill impairments or valuation allowances on deferred tax assets. Actual results can differ materially from these estimates for a variety of reasons, including differences in the pattern or distribution of market shocks, 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, CSM, Equity 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.

Significant Developments

Similar to the latter half of 2022, the first part of 2023 has continued to see significant volatility across global markets. While COVID risks continue to linger, many countries are treating it as endemic, countering it with far less stringent measures. The economic outlook is still uncertain due to global inflation, recessionary pressures and geopolitical tensions. In addition, the banking crisis experienced in the U.S. and collapse of Credit Suisse have added to the market volatility. In many countries, growth has slowed.

Continued economic and political uncertainty, including international conflicts, 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.

The Company has considered these events and their effects when applying the measurement techniques for critical accounting estimates and judgments provided in Note 2. The potential effects on the Company's financial results due to fluctuations in equity markets and interest rates are provided in Note 11.

Market Risk

Empire Life has equity market risk related to its segregated fund products and from equity assets supporting its life insurance and investment contract liabilities. Empire Life maintains a semi-static hedging program. The objective of the hedging program is to partially protect the Company from regulatory capital (LICAT) ratio declines that might result from adverse stock market price changes. The

hedging program may employ derivatives positions including put options and futures. The extent of derivatives used is monitored and managed on an ongoing basis, giving consideration to equity market 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 as well as liabilities on the statement of financial position related to segregated fund guarantees. Some net income volatility can result from the hedging instruments, as gains or losses are not directly offset by changes in the value of other assets and liabilities exposed to equity risk. For the quarter, Empire Life experienced a loss of \$6.1 million after tax, due to realized and unrealized fair value losses. This compares to a hedge loss of \$1.9 million after tax over the same period in 2022.

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, 2023, Empire Life had \$8.7 billion of segregated fund assets and liabilities. Of this amount, approximately \$8.4 billion have guarantees. The following table provides a percentage breakdown by type of guarantee.

	March 31 2023	December 31 2022
Percentage of segregated fund liabilities with:		
75% maturity guarantee and a 75% death benefit guarantee	8 %	8 %
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")	41 %	41 %
Total	100 %	100 %

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 framework includes the use of various constraints that provide a partial cushion against impacts. As a result, the sensitivity impacts are often non-linear or asymmetric. In addition, the contractual service margin provides a significant offset to potential impacts in the segregated fund guarantee liability. This significantly reduces the net income impacts from changes in interest rates or stock market levels.

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, 2023 and December 31, 2022, the sensitivity of Empire Life shareholders' net income 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, 2023					
Segregated fund guarantees	\$ —	\$ —	\$ (2)	\$ (4)	\$ (17)
Other equity risk	61	30	(30)	(61)	(92)
Equity hedge	(3)	(2)	6	20	44
Total	\$ 58	\$ 28	\$ (26)	\$ (45)	\$ (65)

As at December 31, 2022 - restated

Segregated fund guarantees	\$ —	\$ —	\$ (2)	\$ (4)	\$ (17)
Other equity risk	66	34	(28)	(60)	(92)
Equity hedge	(4)	(3)	6	20	40
Total	\$ 62	\$ 31	\$ (24)	\$ (44)	\$ (69)

Based on stock market levels as at March 31, 2023, the sensitivity of Empire Life LICAT Total ratio resulting from stock market increases and decreases is provided in the following table:

Sensitivity to equity risk Impact on LICAT	Increase		Decrease		
	20%	10%	10%	20%	30%
As at March 31, 2023					
Segregated fund guarantees	15%	7%	(2)%	(11)%	(22)%
Other equity risk	1%	1%	—%	(1)%	(2)%
Equity hedge	(2)%	(1)%	1%	1%	1%
Total	14%	7%	(1)%	(11)%	(23)%

⁽¹⁾ LICAT ratios prior to January 1, 2023 have not been adjusted for the impacts from the adoption of IFRS 17 and IFRS 9. For additional details on the 2022 amounts, please refer to the audited Consolidated Financial Statements which form part of the Empire Life 2022 Annual Report dated February 24, 2023.

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 ⁽²⁾	LICAT capital ⁽¹⁾
	Fund value	Amount at risk	Fund value	Amount at risk	Fund value	Amount at risk		
March 31, 2023	\$ 2,639	\$ 987	\$ 128	\$ 6	\$ 2,698	\$ 58	\$ 81	\$ 480
December 31, 2022	\$ 2,651	\$ 1,048	\$ 160	\$ 10	\$ 3,073	\$ 104	\$ 79	\$

⁽¹⁾ LICAT ratios prior to January 1, 2023 have not been adjusted for the impacts from the adoption of IFRS 17 and IFRS 9. For additional details on the 2022 amounts, please refer to the audited Consolidated Financial Statements which form part of the Empire Life 2022 Annual Report dated February 24, 2023.

⁽²⁾ December 31, 2022 amount has been adjusted to reflect the impacts from the adoption of IFRS 17.

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 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. At March 31, 2023, the aggregate amount at risk for all three categories of risk was \$1,051 million. At December 31, 2022, the aggregate amount at risk for these three categories of risk was \$1,163 million. For these three categories of risk, the amount at risk is not currently payable, as 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 a 50 basis point decrease in interest rates for non-participating insurance business and segregated fund guarantees for March 31, 2023 and December 31, 2022, is shown in the table below:

Sensitivity to market interest rates LICAT	Impact of 50 bps decrease
March 31, 2023 LICAT total ratio	2%

Empire Life has some policy liabilities that are linked to measures of inflation. Certain group long-term disability contracts and a small closed block of annuity contracts have benefit payments that are linked to an indexing formula containing an inflation price index. These exposures are considered as part of the Empire Life's asset/liability management activities and are not material.

Internal Controls Over Financial Reporting

As a result of the adoption of IFRS 17 on January 1, 2023, the Company revised its internal controls over financial reporting. The revisions were principally for implementation governance and controls over the initial implementation of IFRS 17 and ongoing controls in the Company's actuarial and financial reporting processes, including the adoption of IFRS 17 accounting policies and significant judgements and estimates, the use of new information technology systems and the reconciliation of financial data between existing reporting processes and IFRS 17.