

The Empire Life Insurance Company

Management's Discussion and Analysis
For the six months ended June 30, 2025

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Dated as of July 30, 2025

This document provides Management's Discussion and Analysis (MD&A) of the unaudited operating results and financial condition of The Empire Life Insurance Company (Empire Life or the Company) for the second quarter of 2025. This MD&A should be read in conjunction with the Company's unaudited Condensed Interim Consolidated Financial Statements for the six months ended June 30, 2025, as well as the MD&A and the audited Consolidated Financial Statements which form part of The Empire Life Insurance Company 2024 Annual Report dated February 27, 2025. Unless otherwise noted, both the Condensed Interim Consolidated Financial Statements and this MD&A are expressed in Canadian dollars. Some variances and analysis of components may not sum to the analysis for the grouped components due to rounding.

MD&A contains forward-looking information and involves numerous risks and uncertainties, including, but not limited to, those described in the "Risk Factors" section of the Annual Information Form which is available at www.sedarplus.ca. No assurance can be given that results, performance or achievement expressed in or implied by any of the forward-looking information will occur or, if they do, that any benefits may be derived from them. Actual results may differ materially from those expressed or implied by such forward-looking information. See the Forward-Looking Statements and Information section in this report.

The Condensed Interim Consolidated Financial Statements have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IASB) (IFRS Accounting Standards), and in accordance with International Accounting Standard (IAS) 34 Interim Financial Reporting. This MD&A makes reference to certain non-IFRS measures. These non-IFRS measures are not recognized measures under IFRS Accounting Standards and do not have a standardized meaning prescribed by IFRS Accounting Standards. Therefore, they are unlikely to be comparable to similar measures presented by other companies. Rather, these measures are provided as additional information and complement IFRS Accounting Standards measures by providing further understanding of the Company's results of operations from management's perspective. Accordingly, they should not be considered in isolation nor as a substitute for analysis of the Company's financial information under IFRS Accounting Standards. Refer to the Non-IFRS Measures section of this report. Note that certain comparative amounts have been reclassified and restated to conform with the presentation adopted in the current period.

Management's assessment of industry dynamics, strategy, risks and risk management, critical accounting estimates, and outlook for the Company remain consistent with the disclosures in the 2024 Annual Report dated February 27, 2025, which is available at www.sedarplus.ca.

Financial Analysis - Overview

(in millions of dollars except per share amounts)	Second Quarter		Year to Date	
	2025	2024	2025	2024
Common shareholders' net income (loss)	\$ 32	\$ 35	\$ 102	\$ 87
Earnings per share - basic and diluted	\$ 32.66	\$ 35.94	\$ 103.76	\$ 88.80

Other Financial Highlights	Jun 30 2025	Mar 31 2025	Dec 31 2024	Sep 30 2024	Jun 30 2024
Return on common shareholders' equity ⁽¹⁾	17.6 %	18.1 %	17.4 %	24.0 %	12.7 %
LICAT total ratio	142 %	140 %	151 %	154 %	152 %

⁽¹⁾ See Non-IFRS Measures section.

Empire Life reported second quarter Common shareholders' net income of \$32 million, a decrease of \$3 million compared to the second quarter of 2024. The decrease was driven by a lower Net investment and insurance finance result and a decrease in Fee and other income. These decreases were slightly offset by an improved Net insurance service result, related to favourable mortality experience in the Individual Insurance segment and improved claims experience in Group Solutions.

Results by Product Line

The following tables provide a summary of Empire Life results segmented by product line for the periods ended June 30, 2025 and June 30, 2024. A discussion of results is provided in the Product Line Results sections of the MD&A.

For the three months ended June 30, 2025 (in millions of dollars)	Wealth Management	Group Solutions	Individual Insurance	Capital & Surplus	Total
Insurance service result					
Insurance revenue	\$ 61	\$ 182	\$ 136	\$ —	379
Insurance service expenses	(37)	(176)	(93)	—	(306)
Insurance service result	24	6	43	—	73
Net recovery (expense) from reinsurance contracts held	1	—	(15)	—	(14)
Net insurance service result	25	6	28	—	59
Investment and insurance finance result					
Investment income (loss), excluding segregated fund account balances					
Investment income	(21)	—	(42)	(6)	(69)
Change in investment contracts	(4)	—	—	—	(4)
Net investment result, excluding segregated fund account balances	(25)	—	(42)	(6)	(73)
Insurance finance income (expense), excluding segregated fund account balances					
Insurance contracts	32	—	54	—	86
Reinsurance contracts held	—	—	5	—	5
Net insurance finance income (expense), excluding segregated fund account balances	32	—	59	—	91
Segregated fund account balances net investment and insurance finance result					
Investment income (loss) on investments for segregated fund account balances	409	—	(1)	—	408
Insurance finance income (expenses) segregated fund account balances	(409)	—	1	—	(408)
Segregated fund account balances net investment and insurance finance result	—	—	—	—	—
Net investment and insurance finance result	7	—	17	(6)	18
Other income (expenses)					
Fee and other income	—	2	—	7	9
Non-insurance expenses	(7)	(8)	(8)	(10)	(33)
Interest expenses	—	—	—	(5)	(5)
Total other income (expenses)	(7)	(6)	(8)	(8)	(29)
Net income (loss) before taxes	\$ 25	\$ —	\$ 37	\$ (14)	48
Income taxes					(9)
Net income (loss) after taxes					39
Less: net income (loss) attributable to the participating account					4
Shareholders' net income (loss)					35
Less: preferred share dividends declared and distributions on other equity instruments					3
Common shareholders' net income (loss)				\$	32

For the three months ended June 30, 2024 (in millions of dollars)	Wealth Management	Group Solutions	Individual Insurance	Capital & Surplus	Total
Insurance service result					
Insurance revenue	\$ 66	\$ 167	\$ 118	\$ —	351
Insurance service expenses	(39)	(166)	(94)	—	(299)
Insurance service result	27	1	24	—	52
Net recovery (expense) from reinsurance contracts held	—	(2)	(7)	—	(9)
Net insurance service result	27	(1)	17	—	43
Investment and insurance finance result					
Investment income (loss), excluding segregated fund account balances					
Investment income	21	2	35	17	75
Change in investment contracts	(5)	—	—	—	(5)
Net investment result, excluding segregated fund account balances	16	2	35	17	70
Insurance finance income (expense), excluding segregated fund account balances					
Insurance contracts	(5)	(4)	(35)	—	(44)
Reinsurance contracts held	—	2	—	—	2
Net insurance finance income (expense), excluding segregated fund account balances	(5)	(2)	(35)	—	(42)
Segregated fund account balances net investment and insurance finance result					
Investment income (loss) on investments for segregated fund account balances	17	—	—	—	17
Insurance finance income (expenses) segregated fund account balances	(17)	—	—	—	(17)
Segregated fund account balances net investment and insurance finance result	—	—	—	—	—
Net investment and insurance finance result	11	—	—	17	28
Other income (expenses)					
Fee and other income	—	2	—	13	15
Non-insurance expenses	(11)	(6)	(7)	(8)	(32)
Interest expenses	—	—	—	(4)	(4)
Total other income (expenses)	(11)	(4)	(7)	1	(21)
Net income (loss) before taxes	\$ 27	\$ (5)	\$ 10	\$ 18	50
Income taxes					(10)
Net income (loss) after taxes					40
Less: net income (loss) attributable to the participating account					2
Shareholders' net income (loss)					38
Less: preferred share dividends declared and distributions on other equity instruments					3
Common shareholders' net income (loss)				\$	35

For the six months ended June 30, 2025 (in millions of dollars)	Wealth Management	Group Solutions	Individual Insurance	Capital & Surplus	Total
Insurance service result					
Insurance revenue	\$ 124	\$ 359	\$ 269	\$ —	752
Insurance service expenses	(73)	(346)	(191)	—	(610)
Insurance service result	51	13	78	—	142
Net recovery (expense) from reinsurance contracts held	—	(4)	(30)	—	(34)
Net insurance service result	51	9	48	—	108
Investment and insurance finance result					
Investment income (loss), excluding segregated fund account balances					
Investment income	8	4	55	30	97
Change in investment contracts	(12)	—	—	—	(12)
Net investment result, excluding segregated fund account balances	(4)	4	55	30	85
Insurance finance income (expense), excluding segregated fund account balances					
Insurance contracts	13	(5)	—	—	8
Reinsurance contracts held	—	2	3	—	5
Net insurance finance income (expense), excluding segregated fund account balances	13	(3)	3	—	13
Segregated fund account balances net investment and insurance finance result					
Investment income (loss) on investments for segregated fund account balances	455	—	1	—	456
Insurance finance income (expenses) segregated fund account balances	(455)	—	(1)	—	(456)
Segregated fund account balances net investment and insurance finance result	—	—	—	—	—
Net investment and insurance finance result	9	1	58	30	98
Other income (expenses)					
Fee and other income	—	3	—	14	17
Non-insurance expenses	(15)	(18)	(16)	(20)	(69)
Interest expenses	—	—	—	(9)	(9)
Total other income (expenses)	(15)	(15)	(16)	(15)	(61)
Net income (loss) before taxes	\$ 45	\$ (5)	\$ 90	\$ 15	145
Income taxes					(32)
Net income (loss) after taxes					113
Less: net income (loss) attributable to the participating account					5
Shareholders' net income (loss)					108
Less: preferred share dividends declared and distributions on other equity instruments					6
Common shareholders' net income (loss)				\$	102

For the six months ended June 30, 2024 (in millions of dollars)	Wealth Management	Group Solutions	Individual Insurance	Capital & Surplus	Total
Insurance service result					
Insurance revenue	\$ 125	\$ 330	\$ 235	\$ —	690
Insurance service expenses	(70)	(324)	(187)	—	(581)
Insurance service result	55	6	48	—	109
Net recovery (expense) from reinsurance contracts held	(1)	(6)	(21)	—	(28)
Net insurance service result	54	—	27	—	81
Investment and insurance finance result					
Investment income (loss), excluding segregated fund account balances					
Investment income	39	2	(67)	5	(21)
Change in investment contracts	(7)	—	—	—	(7)
Net investment result, excluding segregated fund account balances	32	2	(67)	5	(28)
Insurance finance income (expense), excluding segregated fund account balances					
Insurance contracts	(3)	(5)	113	—	105
Reinsurance contracts held	—	2	4	—	6
Net insurance finance income (expense), excluding segregated fund account balances	(3)	(3)	117	—	111
Segregated fund account balances net investment and insurance finance result					
Investment income (loss) on investments for segregated fund account balances	458	—	1	—	459
Insurance finance income (expenses) segregated fund account balances	(458)	—	(1)	—	(459)
Segregated fund account balances net investment and insurance finance result	—	—	—	—	—
Net investment and insurance finance result	29	(1)	50	5	83
Other income (expenses)					
Fee and other income	1	5	—	17	23
Non-insurance expenses	(19)	(11)	(13)	(11)	(54)
Interest expenses	—	—	—	(8)	(8)
Total other income (expenses)	(18)	(6)	(13)	(2)	(39)
Net income (loss) before taxes	\$ 65	\$ (7)	\$ 64	\$ 3	125
Income taxes					(27)
Net income (loss) after taxes					98
Less: net income (loss) attributable to the participating account					5
Shareholders' net income (loss)					93
Less: preferred share dividends declared and distributions on other equity instruments					6
Common shareholders' net income (loss)				\$	87

Total Company Results - Quarterly Comparison

Empire Life reported Common shareholders' net income of \$32 million in the second quarter of 2025, a decrease of \$3 million compared to the second quarter of 2024. The period over period decrease was driven by less favourable Net investment and insurance finance results as well as an increase in Total other expenses when compared to the same period in 2024.

Net insurance service result increased by \$16 million in the second quarter compared to the same period in 2024. The period-over-period change was primarily related to improved mortality experience in the Individual Insurance segment in addition to more favourable long-term disability claims experience in the Group Solutions segment relative to the second quarter of 2024.

Net investment and insurance finance result decreased by \$10 million in the second quarter of 2025 compared to the same period in 2024 due to the moderately unfavourable effect of interest rate increases in the current period compared to interest rate movements in the second quarter in 2024.

Total other expenses were \$29 million in the second quarter compared to \$21 million in the same period in 2024. The \$8 million increase was primarily related to gains recognized during the comparative quarter within Fee and other income in the Capital and Surplus segment, related to the disposal of Property and equipment.

Total Company Results - Year-to-date Comparison

Empire Life reported year-to-date Common shareholders' net income of \$102 million, a \$15 million increase compared to 2024. The increase over prior year was primarily due to improved Net insurance service results and Net investment and insurance finance results, partially offset by increased Non-insurance operating expenses.

Net insurance service result increased by \$27 million in 2025 compared to the same period in 2024, primarily due to more favourable mortality experience in the Individual Insurance segment.

Net investment and insurance finance result increased by \$15 million in 2025 compared to the same period in 2024. This increase was primarily due to more favourable impacts from interest rate movements, which was partly offset by strong investment gains from non-fixed income assets in the second quarter of 2024 that did not repeat in the current period.

Total other expenses was \$61 million in 2025 compared to \$39 million in the same period in 2024. The unfavourable increase was primarily related to increased workforce expenses and investments in information systems, as well as gains in the comparative period within Fee and other income that did not reoccur in 2025.

Product Line Results - Wealth Management

(in millions of dollars)	Second Quarter		Year to Date	
	2025	2024	2025	2024
Fixed annuities				
Assets under management ⁽¹⁾	\$ 1,005	\$ 964	\$ 1,005	\$ 964
Gross sales ⁽¹⁾	39	48	76	116
Net sales ⁽¹⁾	12	33	17	54
Segregated funds				
Assets under management ⁽¹⁾	\$ 9,516	\$ 8,846	\$ 9,516	\$ 8,846
Gross sales ⁽¹⁾	202	204	503	433
Net sales ⁽¹⁾	(134)	(98)	(159)	(316)

⁽¹⁾ See Non-IFRS Measures section.

(in millions of dollars)	Second Quarter		Year to Date	
	2025	2024	2025	2024
Net insurance service result	\$ 25	\$ 27	\$ 51	\$ 54
Net investment and insurance finance result	7	11	9	29
Fee and other income	—	—	—	1
Non-insurance operating expenses	(7)	(11)	(15)	(19)
Net income (loss) before taxes	\$ 25	\$ 27	\$ 45	\$ 65

Fixed annuities assets under management increased 4% relative to the same period in 2024, due to the compounding effect of strong net sales achieved in the prior year. Gross sales of fixed annuities in the second quarter were 19% lower than the same period in 2024, as the Company continues to see a shift in customer demand due to the strengthening of equity markets compared to the same period in 2024.

Segregated fund assets under management were 8% higher relative to the same period in 2024, reflecting favourable market movements. For the second quarter of 2025, gross sales of segregated funds were consistent with the same period in 2024.

Net income before taxes for the second quarter decreased by \$2 million compared to the same period in 2024, due to a decrease in the Net insurance service result, primarily related to increased insurance expenses which was partially offset by favourable mortality experience.

Product Line Results - Group Solutions

(in millions of dollars)	Second Quarter		Year to Date	
	2025	2024	2025	2024
Annualized premium sales				
Core	\$ 20	\$ 18	\$ 46	\$ 33
Other	12	16	22	23
Total annualized premium sales ⁽¹⁾	\$ 32	\$ 34	\$ 68	\$ 56

⁽¹⁾ See Non-IFRS Measures section.

(in millions of dollars)	Second Quarter		Year to Date	
	2025	2024	2025	2024
Insurance revenue	\$ 182	\$ 167	\$ 359	\$ 330
Net insurance service result	\$ 6	\$ (1)	\$ 9	\$ —
Net investment and insurance finance result	—	—	1	(1)
Fee and other income	2	2	3	5
Non-insurance operating expenses	(8)	(6)	(18)	(11)
Net income (loss) before taxes	\$ —	\$ (5)	\$ (5)	\$ (7)

Total annualized premium sales in Group Solutions decreased 6% in the second quarter compared to the same period in 2024. Improved sales of core product offerings in the current quarter was offset by the non-recurrence of a single large sale from the prior year.

Insurance revenue increased 9% in the second quarter, compared to the same period in 2024, due to improved pricing execution on core business, and organic growth in specialty partnerships.

For the quarter, Net income before taxes increased \$5 million compared to the same period in 2024, which was due to an increase in our Net insurance service result, primarily related to an improvement in long-term disability claims experience as compared to the prior quarter. The increase in our Net insurance service result was partially offset by increased Non-insurance operating expenses related to increased overhead expenses.

Product Line Results - Individual Insurance

(in millions of dollars)	Second Quarter		Year to Date	
	2025	2024	2025	2024
Shareholders'				
Shareholders' annualized premium sales ⁽¹⁾	\$ 10	\$ 11	\$ 20	\$ 21
Net income (loss) before taxes	32	8	84	58
Policyholders'				
Policyholders' annualized premium sales ⁽¹⁾	\$ 4	\$ 3	\$ 7	\$ 7
Net income (loss) before taxes	5	2	6	6

⁽¹⁾ See Non-IFRS Measures section.

(in millions of dollars)	Second Quarter		Year to Date	
	2025	2024	2025	2024
Net insurance service result	\$ 28	\$ 17	\$ 48	\$ 27
Net investment and insurance finance result	17	—	58	50
Non-insurance operating expenses	(8)	(7)	(16)	(13)
Net income (loss) before taxes	\$ 37	\$ 10	\$ 90	\$ 64

Shareholders' annualized premium sales for the second quarter of 2025 decreased \$1 million compared to the same period in 2024, which can be attributed to softer term life sales.

Shareholders' net income before taxes for the second quarter of 2025 increased \$24 million compared to the same period in 2024. The Net insurance service result increased by \$11 million due to favourable mortality experience in the quarter compared to the same period in 2024. The Net investment and insurance finance result increased \$17 million due to the favourable effect of more substantial interest rate increases in the current quarter as compared to the prior quarter.

Results - Capital and Surplus

(in millions of dollars)	Second Quarter		Year to Date	
	2025	2024	2025	2024
Net investment result	\$ (6)	\$ 17	\$ 30	\$ 5
Other income (expenses)	(8)	1	(15)	(2)
Net income (loss) before taxes	\$ (14)	\$ 18	\$ 15	\$ 3

Net loss before taxes was \$14 million, which was a \$32 million decrease when compared to Net income before taxes of \$18 million in the same period in 2024. Net investment result for the period was \$23 million lower than the comparative period in 2024, due to the unfavourable effect of more substantial interest rate increases in the current period. Total other expenses were \$8 million in 2025 compared to Total other income of \$1 million in the same period in 2024, which was due to the disposal of Property and equipment that did not reoccur in the current period.

Results - Net Contractual Service Margin

(Amounts are net of reinsurance contracts held, in millions of dollars)	Second Quarter		Year to Date	
	2025	2024	2025	2024
Net contractual service margin, beginning of period	\$ 1,359	\$ 1,499	\$ 1,410	\$ 1,415
Impact of new insurance business	17	14	33	29
Interest accretion	6	6	12	12
Insurance experience ⁽¹⁾	(8)	2	(27)	(5)
Economic experience ⁽¹⁾	61	11	58	118
Assumption updates ⁽¹⁾	—	(8)	(10)	(4)
CSM recognized for services provided	(41)	(41)	(82)	(82)
Net contractual service margin, end of period	\$ 1,394	\$ 1,483	\$ 1,394	\$ 1,483

⁽¹⁾ Insurance experience, Economic experience and Assumption updates are components of our Changes in estimates that adjust the CSM. Insurance experience represents the current period impacts of insurance experience, resulting in a change in future cash flows that adjust CSM. Economic experience represents the changes in the effect of time value of money and financial risk relating to contracts measured using the Variable Fee Approach (VFA) for our Wealth Management and Individual Insurance product lines. Assumption updates represent the future period impacts of changes in fulfillment cash flows that adjust CSM.

The Net Contractual Service Margin (CSM) as at June 30, 2025 is \$1,394 million, an increase of \$35 million in the second quarter of 2025. Components driving the change in Net CSM are:

- New insurance business: A \$17 million increase to Net CSM in the second quarter of 2025, which is an improvement compared to the same quarter in 2024, due to a shift in the sales mix of non-participating life products.
- Insurance experience: The \$8 million decrease is due to policyholder behaviour and lapse experience in the Individual Insurance segment.
- Economic experience: The \$61 million increase is due to the impact of increasing interest rates on our segregated fund products and favourable equity market returns.
- Assumption updates: There were no assumption updates in the current period.
- CSM amortization: The recognition of CSM remains relatively consistent quarter to quarter.

Shareholder Dividends

The declaration and payment of common shareholder dividends and the amounts thereof are at the discretion of the Board of Directors.

Common shareholder dividends are reviewed on a quarterly basis and depend upon various factors, including the results of operations, the economic environment and the financial condition of Empire Life, taking into account regulatory restrictions on the payment of shareholder dividends, as well as any other factors deemed relevant by the Board of Directors.

On July 30, 2025, the Board of Directors declared dividends for common shareholders and series 3 preferred shareholders. The following table provides details of the amounts and dates for Empire Life's per share dividends:

	Amount of Dividend per share	Payable Date	Record Date
Common shares	\$ 21.57	September 9, 2025	August 15, 2025
Non-Cumulative Rate Reset Preferred Shares, Series 3	\$ 0.3866875	October 17, 2025	September 17, 2025

Empire Life advises that the above-referenced dividends are eligible dividends for the purposes of the Income Tax Act, Canada, and any similar provincial tax legislation.

Total Cash Flow

(in millions of dollars)	Year to Date	
	2025	2024
Cash provided from (used for)		
Operating activities	\$ (7)	\$ 162
Investing activities	\$ 47	\$ (240)
Financing activities	\$ (106)	\$ (101)
Net change in cash and cash equivalents	\$ (66)	\$ (179)

Cash provided from operating activities includes insurance premiums, net investment income and fee income. Cash used for operating activities includes policy benefit payments, commissions, operating expenses and policyholder dividends. Cash provided from investing activities primarily relates to purchases and sales of investments supporting insurance contract liabilities and the capital and surplus accounts, as well as investments in associates or acquisitions related to management's strategic objectives. Cash provided from (used for) financing activities include the issuance and redemption of capital instruments, and the related shareholder dividend and interest payments.

Over the six months ended June 30, 2025 the Company's balance of Cash and cash equivalents decreased by \$66 million. Cash used for operating activities was \$7 million during the year, which is a decrease of \$169 million compared to the first six months of 2024. Cash used for investing activities decreased by \$287 million compared to the same period in 2024, driven by significantly lower net purchase activities on our portfolio investments as well as less investments in associates relative to the prior period. Cash used for financing activities remained relatively stable year over year.

For an analysis of liquidity for Empire Life, refer to Notes 22.5 and 22.6 of our audited Consolidated Financial Statements for the year ended December 31, 2024.

Financial Instruments

Empire Life holds an investment portfolio that is actively managed to optimize yield, quality and liquidity while ensuring diversification and duration-matched to our future obligations. 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, loans and mortgages. Empire Life manages credit risk by applying its investment guidelines as established by management and approved by the Investment Committee of the Board of Directors. The investment guidelines establish minimum credit ratings for issuers of bonds, debentures and preferred share investments, and provide for concentration limits by the issuer of such debt instruments. The investment guidelines also establish minimum underwriting requirements and limits for debt financing of an advisor company or managing general agent. 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, Asset Management Committee and Investment Committee of the Board. The Investment Committee actively monitors the portfolio and asset mix. Empire Life has hedging programs in place as part of its approach to managing this risk.

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.

For additional information on our financial instruments, refer to Note 3 Financial Instruments of our Condensed Interim Consolidated Financial Statements for the six months ended June 30, 2025.

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	
	June 30, 2025	December 31, 2024
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	
				June 30, 2025	December 31, 2024
Subordinated debentures, Series 2021-1 ⁽¹⁾	September 2021	September 24, 2026	2.024%	\$ 200	\$ 200
Subordinated debentures, Series 2023-1 ⁽²⁾	January 2023	January 13, 2028	5.503%	\$ 199	\$ 200

⁽¹⁾ Series 2021-1 Subordinated 2.024% unsecured debentures due 2031. From September 24, 2026, interest is payable at 0.67% over CORRA plus 0.32138% credit adjustment spread.

⁽²⁾ 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 and other equity instruments are as follows.

(in millions of dollars)	Date Issued	Earliest Redemption Date	Yield	As at	
				June 30, 2025	December 31, 2024
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

For additional information on the number of shares issued and outstanding, refer to Note 9 Capital Stock of our Condensed Interim Consolidated Financial Statements for the six months ended June 30, 2025.

Securities Rating

The securities issued by Empire Life are rated by DBRS Limited (Morningstar DBRS). Morningstar DBRS completed the latest annual rating review of the Company in the second quarter of 2025. Morningstar DBRS upgraded all credit ratings, and updated the Company's trend to Stable.

Evaluation type	Rating	Trend	Date of last rating action
Financial strength rating	A (high)	Stable	May 22, 2025
Issuer rating	A (high)	Stable	May 22, 2025
Subordinated debt	A	Stable	May 22, 2025
Preferred shares	Pfd-2 (high)	Stable	May 22, 2025
Limited Recourse Capital Notes	A (low)	Stable	May 22, 2025

Regulatory Capital

The Life Insurance Capital Adequacy Test (LICAT) measures the capital adequacy of an insurer and is one of several indicators used by the Office of the Superintendent of Financial Institutions, Canada (OSFI) to assess an insurer's financial condition¹. 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%. OSFI has established supervisory target levels of 70% for Core and 100% for Total ratio.

LICAT (in millions of dollars)		Jun 30 2025	Mar 31 2025	Dec 31 2024	Sep 30 2024	Jun 30 2024
Available capital						
Tier 1	(A) \$	2,626	\$ 2,554	\$ 2,195	\$ 2,206	\$ 2,091
Tier 2	(B)	804	778	726	737	705
Total	(C) \$	3,430	\$ 3,332	\$ 2,921	\$ 2,943	\$ 2,796
Surplus allowance and eligible deposits	(D)	762	771	677	654	645
Base solvency buffer	(E)	2,960	2,929	2,383	2,334	2,261
LICAT total ratio	((C+D)/E * 100)	142%	140%	151%	154%	152%
LICAT core ratio	((A+70%D)/E * 100)	107%	106%	112%	114%	112%

Empire Life has continued to maintain a strong LICAT position that is well above target levels. The Company's Total and Core LICAT ratios increased in the second quarter compared to the first quarter of 2025.

Compared to fourth quarter of 2024, the Company's LICAT ratios decreased primarily due to the updated OSFI LICAT guideline, effective January 1, 2025. The new guideline contained significant changes related to capital for segregated fund guarantees and related hedging programs. LICAT ratios for periods prior to January 1, 2025 have not been restated.

Risk Management

Empire Life is a financial institution offering wealth management, group solutions and individual insurance products. The Company is exposed to a number of risks as a result of its business activities. Effective risk management is critical to the overall profitability, competitive market positioning and long-term financial viability of the Company. While all risks cannot necessarily be eliminated or known with certainty, 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, without compromising the Company's ability to pay claims and fulfil policyholder commitments.

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 respective calculation dates. The sensitivities are calculated independently for each risk variable, generally 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. The sensitivities are provided for the consolidated entity.

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 between these risk factors, model errors, or changes in other assumptions such as business mix, effective tax rates, policyholder behaviour and other market variables relative to those underlying the calculation of the sensitivities.

The sensitivities reflect the composition of the Company's assets and liabilities at the respective calculation dates. Changes in assets and liabilities due to new sales or maturities, asset purchases/sales, or other management actions could result in material changes to these reported sensitivities.

¹ Available from OSFI at: <https://www.osfi-bsif.gc.ca/en/guidance/guidance-library/life-insurance-capital-adequacy-test-guideline-2025>

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 or capital. 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.

Market Risk

Empire Life has market risk exposure related to guarantees in its segregated fund products and also related to its life insurance contract liabilities and invested assets. Empire Life maintains hedging programs intended to partially offset market impacts on its regulatory capital (LICAT) ratio. The hedging programs may employ derivatives such as forwards, swaps, options and futures. The extent of derivatives usage is monitored and managed on an ongoing basis.

There is the potential for income statement volatility from the hedging programs. Empire Life has required capital for LICAT purposes as well as liabilities on the Consolidated Statements of Financial Position related to segregated fund guarantees. Some net income volatility can potentially result from the hedging instruments, where gains or losses are not directly offset by changes in other asset or liability values. For the quarter ended June 30, 2025, Empire Life experienced a neutral outcome of \$0 million pre-tax related to the hedging programs, compared to a Net loss before taxes of \$0.9 million over the same period in 2024.

Empire Life's LICAT ratio is also sensitive to stock market volatility, primarily due to liability and capital requirements related to segregated fund guarantees. As of June 30, 2025, Empire Life had \$9.5 billion of segregated fund assets and liabilities. Of this amount, approximately \$9.3 billion have guarantees. The following table provides a percentage breakdown by type of guarantee.

	June 30 2025	December 31 2024
Percentage of segregated fund liabilities with:		
75% maturity guarantee and a 75% death benefit guarantee	13%	12%
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)	6%	6%
Guaranteed minimum withdrawal benefit	37%	38%
Total	100%	100%

For segregated fund guarantee insurance contract liabilities, the level of sensitivity can be dependent on the level of equity markets. Generally, when market levels are higher, the sensitivity is reduced, and vice-versa. The CSM 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.

As at June 30, 2025 and December 31, 2024, the sensitivity of Empire Life shareholders' net income resulting from changes in equity market prices is provided in the following table.

Sensitivity to equity risk: (in millions of dollars)	Increase		Decrease	
	20%	10%	10%	20%
As at June 30, 2025				
Net Income and Equity	\$ 24	\$ 13	\$ (10)	\$ (26)
CSM	176	91	(98)	(196)
As at December 31, 2024				
Net Income and Equity	\$ 17	\$ 8	\$ —	\$ 15
CSM	186	98	(114)	(246)

The sensitivity of Empire Life's LICAT Total ratio resulting from increases and decreases on equity markets is provided in the following table for June 30, 2025 and December 31, 2024.

As noted in the Regulatory Capital section of this MD&A, a new LICAT guideline became effective January 1, 2025. LICAT sensitivities at June 30, 2025 are calculated under the new guideline. LICAT Total ratio sensitivities for December 31, 2024 have not been recalculated.

Sensitivity to equity risk: Impact on LICAT Total ratio	Increase		Decrease	
	20%	10%	10%	20%
Segregated fund guarantees	8%	4%	(5)%	(11)%
Other equity risk	—%	—%	—%	—%
Equity hedge	(4)%	(2)%	3%	6%
As at June 30, 2025	4%	2%	(2)%	(5)%
Segregated fund guarantees	16%	8%	—%	(4)%
Other equity risk	1%	—%	—%	—%
Equity hedge	—%	—%	—%	(1)%
As at December 31, 2024	17%	8%	—%	(5)%

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

Segregated funds (in millions of dollars)	Withdrawal benefit > fund value		Maturity guarantee > fund value		Death benefit > fund value		Insurance Contract Liabilities	LICAT capital
	Fund value	Amount at risk	Fund value	Amount at risk	Fund value	Amount at risk		
June 30, 2025	\$ 2,206	\$ 652	\$ 10	\$ —	\$ 172	\$ 2	\$ 97	\$ 1,033
December 31, 2024	\$ 2,331	\$ 741	\$ 28	\$ 1	\$ 699	\$ 8	\$ 119	\$ 388

The first six columns of the above table show amounts associated with 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 June 30, 2025, the aggregate amount at risk for all three categories of risk was \$654 million. At December 31, 2024, the aggregate amount at risk for these three categories of risk was \$750 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 insurance contract 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 parallel shift in interest rates for June 30, 2025 and December 31, 2024, is shown in the table below. No change to credit spreads is assumed.

Sensitivity to market interest rates - LICAT	Impact of 50 bps Decrease
June 30, 2025 LICAT total ratio	—%
December 31, 2024 LICAT total ratio	5%

Quarterly Results

The following table summarizes various financial results on a quarterly basis for the most recent eight quarters.

Selected quarterly financial results	Jun 30	Mar 31	Dec 31	Sep 30	Jun 30	Mar 31	Dec 31	Sep 30
	2025	2025	2024	2024	2024	2024	2023	2023
<i>(in millions of dollars, except per share amounts)</i>								
Insurance revenue	\$ 379	\$ 373	\$ 358	\$ 357	\$ 351	\$ 339	\$ 335	\$ 337
Common shareholders' net income (loss)	\$ 32	\$ 70	\$ 16	\$ 177	\$ 35	\$ 52	\$ 111	\$ (5)
Earnings per share - basic and diluted	\$ 32.66	\$ 71.11	\$ 21.95	\$ 179.88	\$ 35.94	\$ 52.86	\$ 112.15	\$ (5.25)

Changes in Accounting Policies

In the six months ended June 30, 2025 the Company has not adopted any new or amended accounting standards that would have resulted in a material impact on our Condensed Interim Consolidated Financial Statements. For upcoming accounting policy changes, or changes implemented in the period, refer to Note 2.4. New and amended standards and interpretations of our Condensed Interim Consolidated Financial Statements for the six months ended June 30, 2025.

Forward-Looking Statements and Information

Certain statements in this MD&A about Empire Life'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 anticipates 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: investment risk, including market risk (including equity risk, interest rate risk, and foreign exchange rate risk), liquidity risk, credit risk (including counterparty risk), and hedging risk; product risk, including product design and pricing risk, underwriting and claims risk, and reinsurance risk; operational risk, including legal and regulatory compliance risk, model risk, human resources risk, third-party risk, technology and cyber security risk, and business continuity risk; pension risk, and risk with respect to risk management policies; business and strategic risk, including environmental and social risk, risk with respect to financial strength, capital adequacy risk, risk with respect to competition, risk with respect to distribution channels, risk with respect to changes to applicable income tax legislation, risk with respect to brand, risk with respect to intellectual property and risk with respect to significant ownership of common shares; risk relating to the securities of Empire Life, including risk with respect to market value, and risk with respect to regulatory constraints. Please see the section titled "Risk Factors" in Empire Life's Annual Information Form available at www.sedarplus.ca 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 insurance contract liabilities; and that capital markets continue to provide access to capital. These factors are not intended to represent a complete list of the factors that could affect Empire Life; 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 Empire Life'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. Empire Life 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-IFRS Measures

Empire Life uses non-IFRS measures including return on common shareholders' equity, assets under management, annualized premium sales, gross and net sales for 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 financial measures as defined in IFRS Accounting Standards. Empire Life also believes that securities analysts, investors and other interested parties frequently use non-IFRS measures in the evaluation of issuers. Empire Life's management also uses non-IFRS 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 Company's underlying financial results.

Return on common shareholders' equity is a profitability measure that is not prescribed under IFRS Accounting Standards and a comparable measure under IFRS Accounting Standards 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, on a trailing 4-quarters basis.

Annualized premium sales is used as a method of measuring sales volume. It is equal to the premium expected to be received in the first 12 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 (deposits) less the effect of redemptions and surrenders.

Assets under management is a non-IFRS measure of the assets managed by Empire Life, which includes general 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.

Reconciliation of Assets Under Management

As at (in millions of dollars)	June 30, 2025	December 31, 2024
Assets Under Management		
General fund assets	\$ 10,207	\$ 10,273
Segregated fund assets	9,535	9,394
Total assets per financial statements	\$ 19,742	\$ 19,667

Management's Discussion and Analysis Q2 2025

The Empire Life Insurance Company (Empire Life) is a proud Canadian company that has been in business since 1923. We offer individual and group life and health insurance, investment and retirement products.

Our mission is to provide expertise and intelligent solutions to help Canadians navigate life with confidence.

Follow us on social media @EmpireLife or visit empire.ca for more information, including current ratings and financial results.

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www.tsxtrust.com

Reporting Procedure for Accounting and Auditing Matters

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

Mr. Peter Levitt
The Empire Life Insurance Company
259 King Street East
Kingston, ON, K7L 3A8
Email: peter@levittadvisory.ca
Phone: 647 236-1064

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

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