



## Q1'23 financial & operating results

For the period ended March 31, 2023

Sun Life Financial Inc. (unaudited)



In this presentation, Sun Life Financial Inc. (“SLF” or “SLF Inc.”), its subsidiaries and, where applicable, its joint ventures and associates are referred to as “we”, “us”, “our”, “Sun Life” and the “Company”. Reported net income (loss) refers to Common shareholders’ net income (loss) determined in accordance with IFRS.

### **Forward-looking statements**

Certain statements in this presentation and certain oral statements made by senior management during the earnings conference call on May 12, 2023 (collectively, this “presentation”), including, but not limited to, statements that are not historical facts, are forward-looking and are subject to inherent risks, uncertainties and assumptions. The results or events predicted in these forward-looking statements may differ materially from actual results or events and we cannot guarantee that any forward-looking statement will materialize. Except as may be required by law, we do not undertake any obligation to update or revise any forward-looking statements made in this presentation.

### **Note to Readers: 2022 Restated Results on Adoption of IFRS 17 and IFRS 9**

2022 results have been restated for the adoption of IFRS 17 and the related IFRS 9 classification overlay (“the new standards”). The restated results may not be fully representative of our future earnings profile, as we were not managing our asset and liability portfolios under the new standards. The majority of the actions taken to re-balance asset portfolios and transition asset-liability management execution to an IFRS 17 basis occurred in Q1’23. Accordingly, analysis based on 2022 comparative results may not necessarily be indicative of future trends, and should be interpreted with this context. Using sensitivities to analyze the outlook for market risk and related impacts (e.g., interest rate sensitivities) will be more representative starting with the sensitivities disclosed for Q1’23 in section I - Risk Management in the Management’s Discussion & Analysis for the period ended March 31, 2023 (“Q1 2023 MD&A”). Certain 2022 restated results are not audited, or have not yet been audited, and may be subject to change.

### **Non-IFRS financial measures**

The Company prepares its financial statements in accordance with international financial reporting standards (“IFRS”). This presentation includes financial measures that are not based on IFRS (“non-IFRS financial measures”). The Company believes that these non-IFRS financial measures provide information that is useful to investors in understanding the Company’s performance and facilitate the comparison of the quarterly and full year results from period to period. These non-IFRS financial measures do not have any standardized meaning and may not be comparable with similar measures used by other companies. For certain non-IFRS financial measures, there are no directly comparable amounts under IFRS. These non-IFRS financial measures should not be viewed as alternatives to measures of financial performance determined in accordance with IFRS. For more information about these non-IFRS financial measures, refer to the Non-IFRS Financial Measures section on slide 19 and in our Q1 2023 MD&A in section N – Non-IFRS Financial Measures.

### **Drivers of earnings**

Drivers of earnings is used to identify the primary sources of gains or losses in each reporting period and is not an IFRS financial measure. Additional information concerning our driver of earnings is included in our Q1 2023 MD&A in section N – Non-IFRS Financial Measures.

### **Additional information**

Additional information concerning forward-looking statements and non-IFRS financial measures is included at the end of this presentation.

### **Currency**

Unless otherwise noted, all amounts are in Canadian dollars.

### **Rounding**

Amounts in this presentation are impacted by rounding.



# Kevin Strain

President and Chief Executive Officer

# Q1 2023 financial highlights

*Delivering on our Purpose to help Clients achieve lifetime financial security and live healthier lives*

*Executing on our ambition to be one of the best asset management and insurance companies globally*

## Profitability

*Underlying net income<sup>1</sup>*  
**\$895 M** +24%

*Reported net income*  
**\$806 M** +21%

*Underlying EPS<sup>1</sup>*  
**\$1.52** +24%

*Reported EPS*  
**\$1.37** +21%

*New Business CSM<sup>2</sup>*  
**\$257 M** +49%

## Financial Strength

*SLF Inc. LICAT ratio<sup>3</sup>*  
**148%** +6 pp

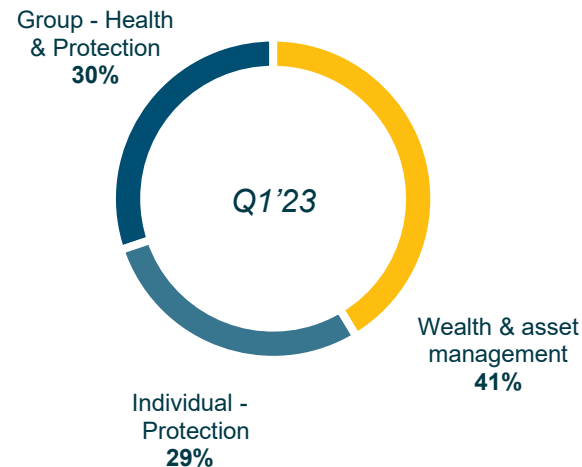
*Underlying ROE<sup>1</sup>*  
**17.3%** +2.6 pp

*Reported ROE<sup>1</sup>*  
**15.6%** +2.0 pp

*Financial leverage ratio<sup>1</sup>*  
**23.2%** (0.5) pp

*Total CSM*  
**\$11.2 B** +14%

## Diversified Business Mix<sup>4</sup>



➤ *Announced 3 cent increase to quarterly common shareholder dividend*

All results compared to Q1'22 on a restated basis except for SLF LICAT ratio and Financial leverage ratio, which are compared to January 1, 2023 pro-forma amounts.

<sup>1</sup> Represents a non-IFRS financial measure. Refer to the Non-IFRS Financial Measures section in the appendix to these slides and in our Q1 2023 MD&A.

Footnotes 2-4: Refer to slide 22

# Progress on our Client Impact strategy

**Our Purpose:** Help Clients achieve lifetime financial security and live healthier lives



**Our Ambition:** To be one of the best asset management and insurance companies globally

## Delivering positive Client Impact by improving access to healthcare

- Expanded our partnership in the U.S. with AbleTo to offer an on-demand wellness program for our life insurance members and added services from GoodPath to provide digital personalized care services to improve treatments for members with certain disability diagnoses

## Leveraging digital and product innovation to establish long-term financial security

- Extended Sun Life One Plan digital tool to over 750,000 Canadian GRS Clients in Q1 2023; Nearly 100,000 financial roadmaps created to-date for retail Clients in Canada using tools including Sun Life One Plan
- Launched two new products<sup>1</sup> in Hong Kong designed to offer long-term financial growth potential, which actively integrate ESG concepts into investment strategies

## Building scale and capabilities through M&A and strategic partnerships

- Announced banca partnership with Dah Sing Bank, increasing the distribution reach of our life and health insurance solutions in Hong Kong
- Completed the acquisition of a 51%<sup>2</sup> interest in Advisors Asset Management

## Embracing our responsibility to create a more sustainable future

- Published interim net-zero targets for Sun Life's General Account which include 2030 targets relative to a 2019 baseline<sup>3</sup>, reinforcing our commitment to reducing the climate impacts of investments we own and manage
- Recognized in the Globe and Mail's 2023 Report on Business – Women Lead Here list for the fourth consecutive year, for our commitment to helping women thrive in corporate Canada; Sun Life U.S. also recognized among America's Best Employers for Diversity by Forbes magazine

## Maintaining our brand leadership

- Sun Life Philippines received the Platinum Award in the Life Insurance category in the Trusted Brand Awards for the 13<sup>th</sup> consecutive year, demonstrating our ability to make a difference in Clients' lives

Footnotes 1-3: Refer to slide 22



# Manjit Singh

Executive Vice President &  
Chief Financial Officer

# Q1 2023 results – Strong underlying ROE<sup>1</sup> of 17.3%

Profitability	Q1'23	Q1'22	Change
Underlying net income <sup>1</sup> (\$ millions)	895	720	+24%
Reported net income (\$ millions)	806	665	+21%
Underlying EPS <sup>1,2</sup> (\$)	1.52	1.23	+24%
Reported EPS <sup>2</sup> (\$)	1.37	1.13	+21%
Underlying ROE <sup>1</sup> (%)	17.3	14.7	+2.6 pp
Reported ROE <sup>1</sup> (%)	15.6	13.6	+2.0 pp

Growth	Q1'23	Q1'22	Change
Wealth & asset management net flows <sup>1</sup> (\$ billions)	(1.8)	(1.1)	\$(0.7)
Total AUM <sup>1</sup> (\$ billions)	1,364	1,352	+1%
Group sales <sup>1</sup> (\$ millions)	543	390	+39%
Individual sales <sup>1</sup> (\$ millions)	511	409	+25%
New business CSM <sup>3</sup> (\$ millions)	257	173	+49%

Financial strength	Q1'23	1/1/23	Change
SLF Inc. LICAT ratio <sup>4</sup> (%)	148	142	+6 pp
SLA LICAT ratio <sup>4,5</sup> (%)	144	139	+5 pp
Financial leverage ratio <sup>1</sup> (%)	23.2	23.7	(0.5) pp
Book value per share (\$)	35.34	34.60	+2%

## Results Highlights

### Earnings reflect strong business fundamentals and diversified business mix<sup>6</sup>

- **Wealth & asset management (\$11 million):** lower fee-based earnings from equity market declines, mostly offset by an increase in investment income reflecting higher volumes and yields
- **Group - Health & Protection (+\$180 million):** strong premium growth, contribution from DentaQuest, and favourable experience
- **Individual - Protection (+\$42 million):** good sales momentum over the past year, improved insurance experience, and higher investment contributions
- **Corporate expenses & other (\$36 million):** includes higher debt and compensation expenses

### Net Wealth & asset management flows of \$(1.8) billion

- AUM<sup>1</sup> up 1% reflecting market growth, partially offset by net outflows

### Strong Group & Individual sales across Canada, U.S., and Asia

- Group sales up 39% y/y driven by U.S. Dental and Employee Benefits
- Individual sales up 25% y/y on strong par sales in Canada and growth in Hong Kong and Asia High Net Worth

### Strong capital position

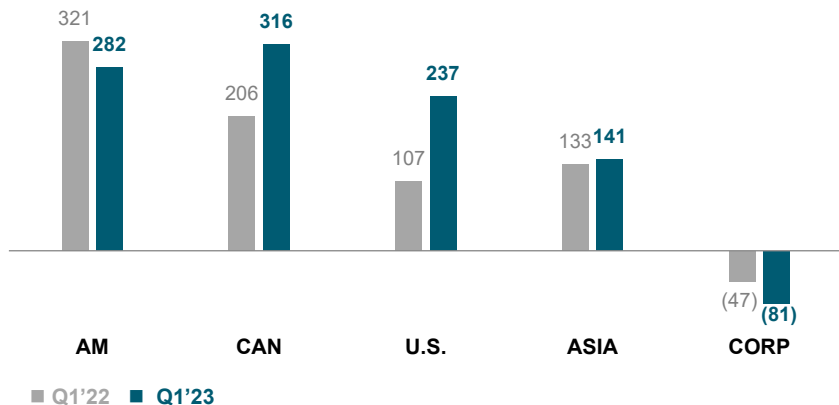
- SLF LICAT of 148%; low financial leverage ratio of 23.2%
- \$1.1 billion in holdco cash; Q2'23 pro-forma holdco cash over \$2 billion<sup>1,7</sup>

<sup>1</sup> Represents a non-IFRS financial measure. Refer to the Non-IFRS Financial Measures section in the appendix to these slides and in our Q1 2023 MD&A.  
Footnotes 2-7: Refer to slide 22

# Q1 2023 results

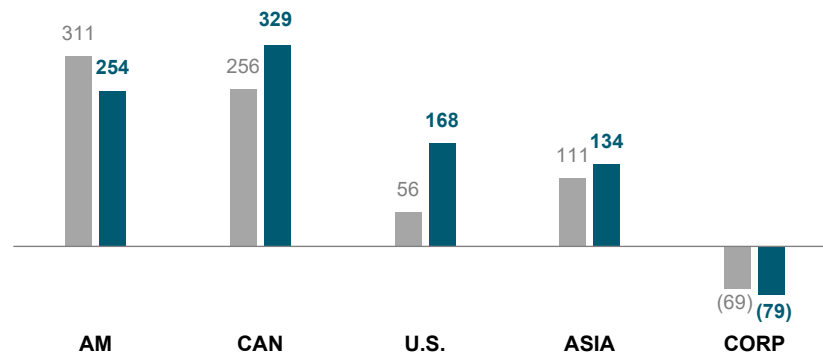
## Underlying net income<sup>1</sup> (\$ millions)

Impact of currency translation increased underlying net income by **\$32M**<sup>2</sup>



## Reported net income (\$ millions)

Impact of currency translation increased reported net income by **\$28M**<sup>2</sup>



### Year-over-year growth<sup>3</sup>

(12)%	+53%	+121%	+6%	(17)%	+29%	+200%	+21%
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### Constant currency<sup>2,3</sup> year-over-year growth

(17)%	+53%	+107%	+4%	(23)%	+29%	+179%	+14%
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<sup>1</sup> Represents a non-IFRS financial measure. Refer to the Non-IFRS Financial Measures section in the appendix to these slides and in our Q1 2023 MD&A.

<sup>2</sup> Percentage changes are reported on a constant currency basis, which excludes the impacts of foreign exchange translation.

<sup>3</sup> Refer to Note to Readers: 2022 Restated Results on Adoption of IFRS 17 and IFRS 9 on slide 2.



# MFS: A global leader in public asset management

## Business Group Results (US\$)

Profitability	Q1'23	Q1'22	Change
Underlying net income <sup>1</sup> (\$ millions)	188	221	(15)%
Reported net income (\$ millions)	200	228	(12)%
Pre-tax net operating margin <sup>1,2</sup> (%)	37	39	(2) pp
Growth	Q1'23	Q1'22	Change
Total net flows <sup>1</sup> (\$ billions)	(4.3)	(5.4)	+\$1.2
Institutional net flows <sup>1</sup> (\$ billions)	(2.4)	(2.5)	+\$0.1
Retail net flows <sup>1</sup> (\$ billions)	(1.8)	(3.0)	+\$1.1
Total assets under management <sup>1</sup> (\$ billions)	570	637	(10)%
Institutional AUM <sup>1</sup> (\$ billions)	190	209	(9)%
Retail AUM <sup>1</sup> (\$ billions)	381	428	(11)%
Average net assets (ANA) <sup>1</sup> (\$ billions)	566	647	(12)%

## Quarterly Highlights (US\$)

- Underlying net income down 15% y/y mostly reflecting lower ANA driven by lower equity markets and net outflows
  - Pre-tax net operating profit margin of 37% down two points y/y
- Reported net income down 12% y/y
- Total AUM of \$570 billion down 10% y/y; up 4% from Q4'22, reflecting market appreciation partially offset by net outflows
- Long-term retail fund performance remains strong with 96% and 93% of fund assets ranked in the top half of their respective Morningstar categories based on 10- and 5-year performance, respectively
- MFS ranked in the top 10 for five-and ten-year performance categories across U.S. retail funds, marking the 14<sup>th</sup> time in the last 15 years that MFS has achieved this recognition<sup>3</sup>

<sup>1</sup> Represents a non-IFRS financial measure. Refer to the Non-IFRS Financial Measures section in the appendix to these slides and in our Q1 2023 MD&A.

<sup>2</sup> Pre-tax gross operating margin was 33% in Q1 2023 and 34% in Q1 2022.

<sup>3</sup> Barron's 2022 Fund Family Rankings as of February 2023.

# SLC Management: Growing a premier alternatives platform

## Business Group Results

Profitability	Q1'23	Q1'22	Change
Fee-related earnings <sup>1</sup> (\$ millions)	68	54	+26%
Pre-tax fee-related earnings margin <sup>1,2</sup> (%)	24	23	+1 pp
Pre-tax net operating margin <sup>1,2</sup> (%)	21	24	(3) pp
Underlying net income <sup>1</sup> (\$ millions)	28	40	(30)%
Reported net income (\$ millions)	(17)	21	nm

Growth	Q1'23	Q1'22	Change
Total assets under management <sup>1,3</sup> (\$ billions)	218	185	+18%
Total AUM net flows <sup>1</sup> (\$ billions)	3.2	4.9	\$(1.7)
Assets under administration <sup>1</sup> (\$ billions)	50.1	n/a	n/a
Fee-earning AUM <sup>1</sup> (\$ billions)	172	146	+18%
Fee-earning AUM net flows <sup>1</sup> (\$ billions)	2.5	5.6	\$(3.0)
AUM not yet earnings fees <sup>1</sup> (\$ billions)	20.8	18.3	+14%
Capital raising <sup>1</sup> (\$ billions)	2.3	5.7	\$(3.4)
Deployment <sup>1</sup> (\$ billions)	6.0	6.9	\$(0.9)

## Quarterly Highlights

- Fee-related earnings up 26% y/y on higher fee-earning AUM, reflecting strong capital raising and deployment across the platform over the past year
- Underlying net income down \$12 million y/y as fee-related earnings growth was more than offset by lower seed income and higher compensation expenses
- Reported net income largely reflects the impact of acquisition-related costs<sup>4</sup>
- Total AUM of \$218 billion, up 18% y/y, primarily driven by market appreciation and net inflows
- AUM not yet earning fees can generate annualized fee-related revenue of more than \$180 million, once invested<sup>5</sup>
- “Denominator effect” and challenging economic environment impacted capital raising in the quarter
- Advisors Asset Management commencing development of alternatives products focused on the U.S. retail high-net-worth channel

<sup>1</sup> Represents a non-IFRS financial measure. Refer to the Non-IFRS Financial Measures section in the appendix to these slides and in our Q1 2023 MD&A.

<sup>5</sup> This statement is a forward-looking statement within the meaning of applicable securities laws. For more information, refer to “Forward-looking Statements” and “Risk Factors” on slide 21.

Footnotes 2-4, 6: refer to slide 22

# Canada: A leader in health, wealth, and insurance

## Business Group Results

Profitability	Q1'23	Q1'22	Change
Wealth & asset management (\$ millions)	114	80	+43%
Group - Health & Protection (\$ millions)	95	59	+61%
Individual - Protection (\$ millions)	107	67	+60%
Underlying net income <sup>1</sup> (\$ millions)	316	206	+53%
Reported net income (\$ millions)	329	256	+29%
Underlying ROE <sup>1</sup> (%)	18.3	13.4	+4.9 pp
Reported ROE <sup>1</sup> (%)	19.1	16.6	+2.5 pp

Growth	Q1'23	Q1'22	Change
Wealth & asset management net flows <sup>1</sup> (\$ millions)	76	485	\$(409)
Wealth & asset management AUM <sup>1</sup> (\$ billions)	159	159	(0)%
Sun Life Health sales <sup>1</sup> (\$ millions)	145	220	(34)%
Sun Life Health net premiums <sup>1</sup> (\$ billions)	1.6	1.5	+5%
Sun Life Health fee income <sup>1</sup> (\$ millions)	93	72	+29%
Individual Insurance sales <sup>1</sup> (\$ millions)	136	112	+21%

## Quarterly Highlights

- Underlying net income up 53% y/y; Reported net income up 29% y/y including a gain on sale of the sponsored markets business, partially offset by market-related impacts
- Wealth & asset management earnings driven by an increase in investment income reflecting higher volumes and yields, partially offset by lower fee-based earnings
- Group - Health & Protection earnings reflect improved disability experience
  - Strong premium and fee growth reflecting stronger renewals and member growth
  - Sun Life Health sales reflect higher large case volumes in the prior year
- Individual - Protection earnings benefitted from premium growth and higher investment contributions
  - Individual sales up on strong demand for par products
- Earnings on surplus up y/y across businesses reflecting higher realized investment gains and net interest income

<sup>1</sup> Represents a non-IFRS financial measure. Refer to the Non-IFRS Financial Measures section in the appendix to these slides and in our Q1 2023 MD&A.

# U.S.: A leader in health & benefits

## Business Group Results (US\$)

Profitability	Q1'23	Q1'22	Change
Group - Health & Protection (\$ millions)	154	51	+202%
Individual - Protection (\$ millions)	22	32	(31)%
Underlying net income <sup>1</sup> (\$ millions)	176	83	+112%
Reported net income (\$ millions)	125	44	+184%
Underlying ROE <sup>1</sup> (%)	14.8	12.7	+2.1 pp
Reported ROE <sup>1</sup> (%)	10.5	6.8	+3.7 pp
Growth	Q1'23	Q1'22	Change
Employee Benefits sales <sup>1,2</sup> (\$ millions)	70	53	+32%
Medical Stop-Loss sales <sup>1</sup> (\$ millions)	42	53	(21)%
Dental sales <sup>1,2</sup> (\$ millions)	163	10	nm
Net premiums <sup>1</sup> – GB & Dental (\$ billions)	1.9	1.1	+67%
Fee Income – GB & Dental (\$ millions)	80	19	+321%

## Quarterly Highlights (US\$)

- Underlying net income up 112% y/y; Reported net income of \$125 million includes market-related impacts and DentaQuest integration costs
- Group - Health & Protection earnings tripled, reflecting strong premium growth, contribution from DentaQuest, and significant improvement in mortality and disability experience
  - Strong margins in Health and Risk Solutions reflect continued medical stop-loss pricing discipline and lower utilization
  - Fee income growth driven by DentaQuest acquisition
- Integration of Sun Life and DentaQuest driving sales growth
  - Contract awards and other sales in Q1 expected to add ~650k dental members over the next year
- Individual - Protection continues to generate good earnings and returns; Q1 results impacted by higher claim amounts

<sup>1</sup> Represents a non-IFRS financial measure. Refer to the Non-IFRS Financial Measures section in the appendix to these slides and in our Q1 2023 MD&A.

<sup>2</sup> Effective Q2 2022, we began reporting on the performance and results of our Dental business unit, which represents our existing dental and vision business within Group Benefits together with DentaQuest Group, Inc.

# Asia: A regional leader focused on fast-growing markets

## Business Group Results

Profitability	Q1'23	Q1'22	Change	CC <sup>1</sup>
Wealth & asset management (\$ millions)	15	21	(29)%	(29)%
Individual - Protection (\$ millions)	130	119	+9%	+7%
Regional Office and other (\$ millions)	(4)	(7)	+43%	+43%
Underlying net income <sup>2</sup> (\$ millions)	141	133	+6%	+4%
Reported net income (\$ millions)	134	111	+21%	+14%
Underlying ROE <sup>2</sup> (%)	10.4	11.7	(1.3) pp	n/a
Reported ROE <sup>2</sup> (%)	9.9	9.8	+0.1 pp	n/a

Growth	Q1'23	Q1'22	Change	CC <sup>1</sup>
Wealth & asset management net flows <sup>2</sup> (\$ millions)	665	353	+\$312	+\$305
Wealth & asset management AUM <sup>2</sup> (\$ billions)	35.8	36.0	(0)%	(5)%
Individual sales <sup>2</sup> (\$ millions)	375	297	+26%	+25%
Total weighted premium income (TWPI) <sup>2</sup> (\$ billions)	1.4	1.2	+14%	+12%
New business CSM <sup>3</sup> (\$ millions)	102 <sup>3</sup>	51	+100%	n/a

## Quarterly Highlights (% in constant currency<sup>1</sup>)

- Underlying net income up 4% y/y; Reported net income of \$134 million includes favourable market-related impacts
- Individual - Protection earnings up 7% y/y, driven by sales momentum over the past year and improved mortality experience
  - Individual sales up 25% y/y, supported by the border reopening in Hong Kong and higher sales in High-Net-Worth
  - New business CSM doubled y/y reflecting higher new business margins and sales growth
  - Total Weighted Premium Income up 12% y/y, including 14% y/y growth in renewal premiums reflecting strong Client retention
  - Sun Life Philippines ranked #1 for new business and total premiums in 2022
- Wealth & asset management earnings down 29% y/y reflecting lower fee-based earnings from equity market declines

<sup>1</sup> Percentage change is reported on a constant currency basis, which excludes the impacts of foreign exchange translation. Refer to the Non-IFRS Financial Measures section in the appendix to these slides and in our Q1 2023 MD&A.

<sup>2</sup> Represents a non-IFRS financial measure. Refer to the Non-IFRS Financial Measures section in the appendix to these slides and in our Q1 2023 MD&A.

<sup>3</sup> New business CSM represents growth from sales activity in the period, including individual protection sales (excluding joint ventures).



## Appendix

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# IFRS 17 transition – Strong capital position and underlying ROE<sup>1</sup> objective of 18%+

## Transition impacts in-line with estimates<sup>2</sup>

IFRS 17 transition impacts	Estimated impact	Actual result
Common shareholders' equity impact on transition <sup>3</sup>	15-20% decrease	<b>(18.1)%</b>
2022 IFRS 17 Underlying Net Income <sup>1</sup> vs. IFRS 4 <sup>4</sup>	High single-digit decrease	<b>(8.3)%</b>
SLF Inc. LICAT increase on Jan 1, 2023 <sup>5</sup>	High single-digit increase	<b>12%</b>

## Re-affirming medium-term financial objectives<sup>6</sup>

### Medium-term financial objective

Underlying ROE <sup>1</sup>	<b>18%+</b>
Underlying EPS growth <sup>1</sup>	<b>8-10%</b>
Underlying dividend payout ratio <sup>1,7</sup>	<b>40-50%</b>

<sup>1</sup> Represents a non-IFRS financial measure. Refer to the Non-IFRS Financial Measures section in the appendix to these slides and in our Q1 2023 MD&A. Footnotes 2-7: Refer to Slide 22

# Drivers of earnings

Drivers of earnings (DOE) <sup>1</sup> \$millions, pre-tax	Reported <sup>1</sup>		Underlying <sup>1</sup>	
	Q1'23	Q1'22	Q1'23	Q1'22
Risk adjustment release	95	94	95	94
Contractual service margin recognized for services provided	199	200	199	200
Expected earnings on short-term insurance business	378	276	378	276
<b>Expected insurance earnings</b>	<b>672</b>	<b>570</b>	<b>672</b>	<b>570</b>
Impact of new insurance business	(12)	(23)	(12)	(23)
Experience gains (losses) & Other	16	(133)	16	(133)
ACMA (Non-financial)	(12)	(15)	-	-
<b>Total net insurance service result</b>	<b>664</b>	<b>399</b>	<b>676</b>	<b>414</b>
Expected investment earnings	217	158	217	158
Market-related impacts	(90)	172	-	-
Credit experience	(10)	(20)	(10)	(20)
ACMA (Financial)	5	(15)	-	-
Earnings on surplus	171	94	171	94
Joint ventures & other	69	18	69	18
<b>Total net investment result</b>	<b>362</b>	<b>407</b>	<b>447</b>	<b>250</b>
Other fee income <sup>2</sup>	93	107	93	107
Expenses – other <sup>3</sup>	(465)	(385)	(478)	(366)
<b>Asset management<sup>2</sup></b>	<b>332</b>	<b>415</b>	<b>362</b>	<b>425</b>
<b>Earnings before income taxes</b>	<b>986</b>	<b>943</b>	<b>1,100</b>	<b>830</b>
Income tax (expense) or recovery	(166)	(251)	(191)	(83)
Dividends, distributions, NCI <sup>4</sup>	(14)	(27)	(14)	(27)
<b>Common shareholders' net income (loss)</b>	<b>806</b>	<b>665</b>	<b>895</b>	<b>720</b>

## Q1'23 DOE Highlights

### Total net insurance service result:

- **Expected insurance earnings** reflect Group business growth in the U.S. and Canada and the contribution of DentaQuest

### Total net investment result:

- **Expected investment earnings** include an increase in investment income reflecting higher volumes and yields in Canada and higher fixed income returns
- **Earnings on surplus** include higher realized investment gains and net interest income from higher rates

### Experience:

- **Insurance experience** for the quarter includes favourable morbidity in Canada and the U.S., partially offset by unfavourable mortality in the U.S.
- **Market-related impacts** reflect lower than expected returns on real estate

**Asset management** results reflect lower ANA levels at MFS; lower seed income and higher compensation expenses at SLC Management



## DOE experience gains/(losses)<sup>1</sup> – details<sup>2</sup>

\$millions	Pre-tax		Post-tax	
	Q1'23	Q1'22	Q1'23	Q1'22
Net equity market impact <sup>2</sup>	15	(34)	13	(29)
Net interest rate impact <sup>2,3</sup>	(7)	135	16	(41)
Impact of changes in the fair value of investment properties <sup>2,3</sup>	(98)	71	(86)	68
<b>Market-related impacts<sup>2</sup></b>	<b>(90)</b>	<b>172</b>	<b>(57)</b>	<b>(2)</b>
Mortality	(33)	(128)	(26)	(110)
Morbidity	76	(22)	61	(15)
Policyholder behaviour	(8)	(4)	(8)	(4)
Expenses	(10)	9	(5)	8
<b>Insurance experience excluding Other</b>	<b>25</b>	<b>(145)</b>	<b>22</b>	<b>(121)</b>
<b>Credit experience (investments)</b>	<b>(10)</b>	<b>(20)</b>	<b>(6)</b>	<b>(18)</b>
Other experience <sup>4</sup>	23	(6)	32	2
<b>Insurance &amp; Investment experience gains/(losses)</b>	<b>(52)</b>	<b>1</b>	<b>(9)</b>	<b>(139)</b>

<sup>1</sup> Represents a non-IFRS financial measure. Refer to the Non-IFRS Financial Measures section in the appendix to these slides and in our Q1 2023 MD&A.

<sup>2</sup> 2022 results restated for the new standards may not be fully representative of our market risk profile. See the heading "Note to Readers: 2022 Restated Results on Adoption of IFRS 17 and IFRS 9" in this document.

<sup>3</sup> Excludes market impacts in SLC Management, which are reflected in the Asset management line on slide 16. Pre-tax: Q1'23 excludes \$(2)m impact for changes in the fair value of investment properties and \$(5)m interest impact. Post-tax: Q1'23 excludes \$(2)m impact for changes in the fair value of investment properties and \$(5)m interest impacts.

<sup>4</sup> Other experience includes Insurance and Investment results.

# Contractual service margin movement analysis

\$millions, pre-tax	Q1'23	FY'22
<b>CSM at beginning of period</b>	<b>10,865</b>	<b>9,797</b>
Impact of new insurance business <sup>1</sup>	257	929
Expected movements from asset returns & locked-in rates <sup>2,3</sup>	125	362
Insurance experience gains/(losses) <sup>3</sup>	68	(44)
CSM recognized for services provided	(223)	(861)
<b>Organic CSM Movement<sup>3</sup></b>	<b>227</b>	<b>386</b>
Impact of markets & other <sup>3</sup>	87	3
Impact of change in assumptions <sup>3</sup>	46	431
Currency impact	18	248
<b>Total CSM Movement</b>	<b>378</b>	<b>1,068</b>
<b>CSM at end of period</b>	<b>11,243</b>	<b>10,865</b>

## CSM Highlights

- **Total CSM ended Q1'23 at \$11.2 billion, an increase of \$0.4 billion or 3% in the quarter, reflecting:**
  - **Organic CSM driven by the impact of new insurance business**, reflecting individual protection sales in Canada and Asia
  - **Favourable insurance experience** in Canada and Asia
  - **Impact of markets was favourable to CSM**, as equity market and fixed income returns were higher than the expected returns on assets supporting VFA contracts
  - **Favourable changes in assumptions** from various small enhancements

<sup>1</sup> Impact of new insurance business on CSM, also referred to as "new business CSM, represents growth from sales activity in the period, including individual protection sales (excluding joint ventures), and defined benefit solutions and segregated fund wealth sales in Canada

<sup>2</sup> Expected movements from asset returns & locked-in rates primarily reflects: i) the expected returns on assets supporting VFA contracts and ii) the increase in average locked-in rates from the passage of time on in-force business and new business added at higher rates. Locked-in rates refer to the term structure associated with locked-in discount rates, set when the insurance contract was sold, or on transition to IFRS 17. VFA contracts include Participating life insurance, Segregated funds, and Variable Universal Life (VUL).

<sup>3</sup> Certain measures in the CSM Movement Analysis are non-IFRS financial measures. Refer to the Non-IFRS Financial Measures section in the appendix to these slides and in our Q1 2023 MD&A.

# Earnings on surplus – Supplemental details

## Earnings on surplus – supplemental details

\$millions, pre-tax	Q1'23	Q1'22
Core investment income	134	105
Realized investment gains / (losses)	22	3
Other <sup>1</sup>	15	(14)
<b>Earnings on surplus</b>	<b>171</b>	<b>94</b>
Interest on debt	(80)	(52)
<b>Earnings on surplus net of debt cost</b>	<b>91</b>	<b>42</b>

<sup>1</sup> Includes timing differences on derivatives, currency and other items.

## Use of Non-IFRS Financial Measures

We report certain financial information using non-IFRS financial measures, as we believe that these measures provide information that is useful to investors in understanding our performance and facilitate a comparison of our quarterly and full year results from period to period. These non-IFRS financial measures do not have any standardized meaning and may not be comparable with similar measures used by other companies. For certain non-IFRS financial measures, there are no directly comparable amounts under IFRS. These non-IFRS financial measures should not be viewed in isolation from or as alternatives to measures of financial performance determined in accordance with IFRS. Additional information concerning non-IFRS financial measures and, if applicable, reconciliations to the closest IFRS measures are available in section N - Non-IFRS Financial Measures of our MD&A for the period ended March 31, 2023 ("Q1 2023 MD&A") and the Supplementary Financial Information packages that are available on [www.sunlife.com](http://www.sunlife.com) under Investors – Financial results and reports.

## Non-IFRS Financial Measures

Underlying net income is a non-IFRS financial measure that assists in understanding Sun Life's business performance by making certain adjustments to IFRS income. Underlying net income, along with common shareholders' net income (Reported net income), is used as a basis for management planning, and is also a key measure in our employee incentive compensation programs. This measure reflects management's view of the underlying business performance of the company and long-term earnings potential. For example, due to the longer term nature of our individual protection businesses, market movements related to interest rates, equity markets and investment properties can have a significant impact on reported net income in the reporting period. However, these impacts are not necessarily realized, and may never be realized, if markets move in the opposite direction in subsequent periods or in the case of interest rates, the fixed income investment is held to maturity.

Effective January 1, 2023, we refined the definition of underlying net income as follows, and have updated prior period comparative figures to reflect these changes: (i) Market-related impacts were updated to reflect the adoption of IFRS 17 and IFRS 9; (ii) The adjustment for management's ownership of MFS shares was updated to better reflect Sun Life's interest in MFS' earnings; and (iii) Removal of intangible asset amortization on acquired finite-life intangibles. Additional detail on these adjustments is provided below.

Underlying net income removes the impact of the following items from reported net income:

- i. Market-related impacts reflecting the after-tax difference in actual versus expected market movements, including: Net interest impact from risk-free rate, credit spread, and swap spread movements, reflecting accounting mismatches between assets and liabilities:
  - a) Differences arising from fair value changes<sup>1</sup> of fixed income assets (including derivatives) measured at Fair Value Through Profit or Loss (FVTPL) supporting insurance contracts, compared to fair value changes of the liabilities<sup>2</sup>
  - b) Fair value changes of fixed income assets (including derivatives) measured at FVTPL supporting our investment contract liability and surplus portfolios<sup>3</sup>; and
  - c) Tax-exempt investment income above or below expected long-term tax savings relating to our Canadian multi-national insurance operations.
- ii. Non-fixed income investments where the weighted average expected return is approximately 2% per quarter, including:
  - a) Equity investments (including derivatives) supporting insurance contracts and surplus portfolios; and
  - b) Investment properties supporting insurance contracts and surplus portfolios.

All factors discussed in this document that impact our underlying net income are also applicable to reported net income. All EPS measures in this presentation refer to fully diluted EPS, unless otherwise stated. Underlying EPS excludes the dilutive impacts of convertible instruments.

Other non-IFRS financial measures that we use include after-tax profit margin for U.S. Group Benefits, assets under management ("AUM"), assets under administration, AUM not yet earning fees, capital raising, cash and other liquid assets, measures based on a currency adjusted basis, organic CSM movement, expected movements from asset returns & locked-in rates, impact of markets & other, insurance experience gains/losses, impact of change in assumptions, CSM market sensitivities, deployment, driver of earnings, earnings on surplus, experience-related items attributable to reported net income and underlying net income, fee-earning AUM, fee-related earnings, financial leverage ratio, impacts of foreign exchange translation, LICAT market sensitivities, pre-tax fee-related earnings margin, pre-tax net operating margin, return on equity, sales and flows, third-party AUM, total weighted premium income, underlying dividend payout ratio, and effective income tax rate on an underlying net income basis.

<sup>1</sup> For fixed income assets, Underlying Net Income includes credit experience from rating changes on assets measured at FVTPL, and the Expected credit loss (ECL) impact for assets measured at Fair value through other comprehensive income (FVOCI).

<sup>2</sup> Underlying net income is based on observable discount curves and exchange rates at the beginning of the period.

<sup>3</sup> Underlying net income for earnings on surplus includes realized gains (losses) on fixed income assets classified as FVOCI.

## Forward-Looking Statements

From time to time, the Company makes written or oral forward-looking statements within the meaning of certain securities laws, including the “safe harbour” provisions of the United States Private Securities Litigation Reform Act of 1995 and applicable Canadian securities legislation. Forward-looking statements contained in this document include statements (i) relating to our strategies; (ii) relating to the distribution of our products under our bancassurance partnership in Hong Kong with Dah Sing Bank; (iii) relating to the timing of and expected benefits of state contracts for the provision and management of dental benefits; (iv) relating to our growth initiatives and other business objectives; (v) relating to our targets and commitments (including with respect to our sustainability plan and net zero emissions); (vi) set out in our Q1 2023 MD&A under the heading I - Risk Management - Market Risk Sensitivities - Interest Rate Sensitivities; (vii) that are predictive in nature or that depend upon or refer to future events or conditions; and (viii) that include words such as “achieve”, “aim”, “ambition”, “anticipate”, “aspiration”, “assumption”, “believe”, “could”, “estimate”, “expect”, “goal”, “initiatives”, “intend”, “may”, “objective”, “outlook”, “plan”, “project”, “seek”, “should”, “strategy”, “strive”, “target”, “will”, and similar expressions. Forward-looking statements include the information concerning our possible or assumed future results of operations. These statements represent our current expectations, estimates, and projections regarding future events and are not historical facts, and remain subject to change.

Forward-looking statements are not a guarantee of future performance and involve risks and uncertainties that are difficult to predict. Future results and shareholder value may differ materially from those expressed in these forward-looking statements. In addition, as Sun Life works to advance its climate goals, external factors outside of Sun Life’s reasonable control may act as constraints on their achievement, including varying decarbonization efforts across economies, the need for thoughtful climate policies around the world, more and better data, reasonably supported methodologies, technological advancements, the evolution of consumer behaviour, the challenges of balancing interim emissions goals with an orderly and just transition, and other significant considerations such as legal and regulatory obligations. Other factors that may cause actual results and shareholder value to differ materially from those expressed in the forward-looking statements include the impact of the COVID-19 pandemic and related economic conditions on our operations, liquidity, financial conditions or results and the matters set out in our Q1 2023 MD&A under the headings C - Profitability - 5 - Income taxes, F - Financial Strength and I - Risk Management and in SLF Inc.’s 2022 AIF under the heading Risk Factors, and the factors detailed in SLF Inc.’s other filings with Canadian and U.S. securities regulators, which are available for review at [www.sedar.com](http://www.sedar.com) and [www.sec.gov](http://www.sec.gov), respectively.

## Risk Factors

Important risk factors that could cause our assumptions and estimates, and expectations and projections to be inaccurate and our actual results or events to differ materially from those expressed in or implied by the forward-looking statements contained in this document, are set out below. The realization of our forward-looking statements, essentially depends on our business performance which, in turn, is subject to many risks. Factors that could cause actual results to differ materially from expectations include, but are not limited to: **market risks** - related to the performance of equity markets; changes or volatility in interest rates or credit spreads or swap spreads; real estate investments; fluctuations in foreign currency exchange rates; and inflation; **insurance risks** - related to mortality experience, morbidity experience and longevity; policyholder behaviour; product design and pricing; the impact of higher-than-expected future expenses; and the availability, cost and effectiveness of reinsurance; **credit risks** - related to issuers of securities held in our investment portfolio, debtors, structured securities, reinsurers, counterparties, other financial institutions and other entities; **business and strategic risks** - related to global economic and political conditions; the design and implementation of business strategies; changes in distribution channels or Client behaviour including risks relating to market conduct by intermediaries and agents; the impact of competition; the performance of our investments and investment portfolios managed for Clients such as segregated and mutual funds; shifts in investing trends and Client preference towards products that differ from our investment products and strategies; changes in the legal or regulatory environment, including capital requirements and tax laws; the environment, environmental laws and regulations; **operational risks** - related to breaches or failure of information system security and privacy, including cyber-attacks; our ability to attract and retain employees; legal, regulatory compliance and market conduct, including the impact of regulatory inquiries and investigations; the execution and integration of mergers, acquisitions, strategic investments and divestitures; our information technology infrastructure; a failure of information systems and Internet-enabled technology; dependence on third-party relationships, including outsourcing arrangements; business continuity; model errors; information management; **liquidity risks** - the possibility that we will not be able to fund all cash outflow commitments as they fall due; and **other risks** - COVID-19 matters, including its impact on the global economy, and its impact on Sun Life’s business, financial condition and or results; ongoing risks associated with IFRS 17 *Insurance Contracts* and IFRS 9 *Financial Instruments*; risks associated with our international operations, including our joint ventures; market conditions that affect our capital position or ability to raise capital; downgrades in financial strength or credit ratings; and tax matters, including estimates and judgements used in calculating taxes.

The Company does not undertake any obligation to update or revise its forward-looking statements to reflect events or circumstances after the date of this document or to reflect the occurrence of unanticipated events, except as required by law.

## Footnotes

### From slide 4

<sup>2</sup> New business CSM represents growth from sales activity in the period, including individual protection sales (excluding joint ventures), and defined benefit solutions and segregated fund wealth sales in Canada.

<sup>3</sup> Life Insurance Capital Adequacy Test ("LICAT") ratio of SLF Inc.; our LICAT ratios are calculated in accordance with OSFI-mandated guideline, Life Insurance Capital Adequacy Test.

<sup>4</sup> Business Mix based on underlying net income, excluding Corporate Expenses and Other. Wealth & asset management includes MFS Investment Management, SLC Management, Canada Individual Wealth, Group Retirement Services, Asia Wealth & asset management. Group – Health & Protection includes Canada Sun Life Health, U.S. Group Benefits (Employee Benefits and Health and Risk Solutions) and U.S. Dental. Individual – Protection includes Canada Individual Insurance, U.S. In-force Management and Asia Individual – Protection.

### From slide 5

<sup>1</sup> SunJoy and SunGift.

<sup>2</sup> On a fully diluted basis.

<sup>3</sup> 2030 interim net zero targets for Sun Life's General Account include a minimum 40% reduction in carbon intensity for listed corporate bonds, a 50% reduction in carbon intensity for directly managed listed equities, and a 50% reduction in carbon intensity for commercial real estate. Refer to our [Net Zero by 2050](#) report for further details on target setting methodology.

### From slide 7

<sup>2</sup> All EPS measures refer to fully diluted EPS, unless otherwise stated.

<sup>3</sup> Impact of new insurance business on CSM, also referred to as "new business CSM", represents growth from sales activity in the period, including individual protection sales (excluding joint ventures), and defined benefit solutions and segregated fund wealth sales in Canada

<sup>4</sup> LICAT ratio of SLF and of Sun Life Assurance Company of Canada ("SLA"). Our LICAT ratios are calculated in accordance with OSFI-mandated guideline, Life Insurance Capital Adequacy Test.

<sup>5</sup> SLA is SLF Inc.'s principal operating life insurance subsidiary.

<sup>6</sup> Variances vs. prior year quarter.

<sup>7</sup> This statement is a forward-looking statement within the meaning of applicable securities laws. For more information, refer to "Forward-looking Statements" and "Risk Factors" on slide 20.

### From slide 10

<sup>2</sup> Calculated on a last twelve-month basis.

<sup>3</sup> Total AUM including the General Account was \$365 billion.

<sup>4</sup> Acquisition-related costs are primarily related to the acquisition of Advisors Asset Management and the impact of interest accretion on put liabilities.

<sup>6</sup> On a fully diluted basis.

### From slide 15

<sup>2</sup> As disclosed on February 8, 2023 in our 2022 Annual MD&A.

<sup>3</sup> As at January 1, 2022.

<sup>4</sup> 8.3% decrease in restated 2022 results includes refinements to the Underlying Net Income (UNI) definition, effective January 1, 2023. Excluding this change, the decline in restated underlying net income was approximately 10%.

<sup>5</sup> OSFI's 2023 LICAT Guideline, effective January 1, 2023, specifies that available capital for LICAT purposes includes the Contractual Service Margin. Prior period restatement and resubmissions are not mandated. Pro-forma January 1, 2023 LICAT ratios are disclosed to illustrate transition impact. These pro-forma calculations will not be formally submitted to OSFI. Additionally, effective January 1, 2023, total capital was updated to include the CSM balance

<sup>6</sup> Although considered reasonable, we may not be able to achieve our medium-term financial objectives as our assumptions may prove to be inaccurate. Accordingly, our actual results could differ materially from our medium-term financial objectives as described. Our medium-term financial objectives do not constitute guidance. Our medium-term financial objectives are forward-looking non-IFRS financial measures and additional information is provided in section O – Forward-looking Statements in our 2022 Annual MD&A and in section O – Forward-looking Statements in our Q1 2023 MD&A.

<sup>7</sup> Underlying dividend payout ratio is the ratio of dividends paid per share to diluted underlying EPS for the period. Refer to the Non-IFRS Financial Measures section in the appendix to these slides and in our Q1 2023 MD&A.

### From slide 16

<sup>1</sup> The Drivers of Earnings ("DOE") is a non-IFRS financial measure. Refer to the reconciliation of the Statements of Operations Total net income to the DOE on Section N. Non-IFRS Financial Measures, 1. Common Shareholders' View of Reported Net Income. For more information on the DOE, also see Section N. Non-IFRS Financial Measures, 3. Additional Non-IFRS Financial Measures under the heading Driver of Earnings of the Company's Q1 2023 MD&A.

<sup>2</sup> The DOE presents certain amounts on a net basis to reflect management's view of the economic impact. These amounts would otherwise be included on separate Statement of Operations lines under IFRS, including: i) Results of the Asset Management operating segment within Fee Income, Net investment result and Other expenses; ii) Income for fee-based businesses with the associated expenses; and iii) Other offsetting items.

<sup>3</sup> Expenses - other removes non-underlying Other adjustments, including Management's ownership of MFS shares, Acquisition, integration and restructuring, and Intangible asset amortization. Certain Other adjustments - other may also be removed from Other expenses. Further, this measure excludes the associated expenses related to Other fee income and Asset Management - underlying to assist with the understanding of the profitability of fee income and Asset Management businesses.

<sup>4</sup> Dividends on preferred shares, distributions on other equity instruments, and non-controlling interests (Dividends, distributions, NCI).