

# Q2 2022

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## Financial & Operating Results

For the period ended June 30, 2022



Life's brighter under the sun

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".

#### **Forward-looking statements**

Certain statements in this presentation and certain oral statements made by senior management during the earnings conference call on August 4, 2022 (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.

#### **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 23 and in our MD&A for the period ended June 30, 2022 ("Q2 2022 MD&A").

#### **Sources of earnings**

Sources of earnings is based on the requirements of the Office of the Superintendent of Financial Institutions, Canada and guidelines of the Canadian Institute of Actuaries. It is used to identify the primary sources of gains or losses in each reporting period and is not based on IFRS. Additional information concerning our sources of earnings is included in the Company's Annual Report.

#### **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

# Second quarter financial highlights

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

## Earnings Growth

Reported net income  
**\$785M** (13)%

Underlying net income<sup>1</sup>  
**\$892M** +1%

Reported EPS  
**\$1.34** (12)%

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

## Financial Strength

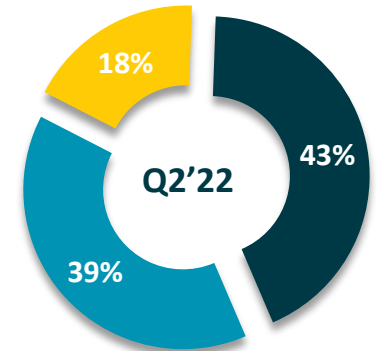
SLF Inc. LICAT ratio<sup>2</sup>  
**128%** (19) pp

Reported ROE<sup>1</sup>  
**13.1%** (3.2) pp

Underlying ROE<sup>1</sup>  
**14.9%** (1.1) pp

Financial leverage ratio<sup>1</sup>  
**25.7%** +1.0 pp

## Diversified Business Mix<sup>3</sup>



- Wealth & Asset Management
- Group & Shorter Duration Insurance
- Traditional Insurance

**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

## Progress on our Client Impact strategy

- Generated strong sales growth across our global markets, **reflecting our focus on meeting our Clients' needs**
- Launched the **first Shariah-compliant, investment-linked Takaful ESG Fund** for the Malaysian market, enabling Clients to incorporate ESG factors into their investments
- MFS deepened **commitment to integrating climate strategies** by setting an interim target to align 90% of in-scope assets<sup>1</sup> with the **Net Zero Asset Managers ("NZAM")**<sup>2</sup> initiative's net zero carbon goals by 2030
- SLC Management **expanded its commitment to sustainability**, announcing that its fixed income business **joined the NZAM**<sup>2</sup> initiative
- In the Philippines, **renewed our bancassurance partnership for an additional 10 years with RCBC**<sup>3</sup>, one of the leading commercial banks in the country
- SLC Management **generated strong capital raising of \$5.7 billion**, driven by solid Client demand across all asset classes
- Sun Life was recognized as **one of Canada's Best 50 Corporate Citizens**, ranking 21<sup>st</sup> on the list, up 7 spots from prior year<sup>4</sup>
- Appointed **Chris Wei** to Executive Team in the newly created role of **Executive Vice-President and Chief Client and Innovation Officer**

<sup>1</sup> Approximately 92% of MFS' AUM balance as at June 30, 2022.

<sup>2</sup> An international group of asset managers committed to supporting the goal of achieving net zero carbon emissions by 2050 or sooner.

<sup>3</sup> Rizal Commercial Banking Corporation.

<sup>4</sup> Ranked by Corporate Knights.

# Digital Leadership

Thinking and acting like a digital company

DIGITAL EXPERIENCES

*Amazing Client, employee, advisor, and partner experiences*

DIGITAL CAPABILITIES

*Enable our experiences and improve our digital maturity*

DIGITAL WAYS OF WORKING

*Empowering our people to support our digital journey*

Strong, resilient and trusted technology foundation

## Digital achievements across our businesses

CANADA

- Our digital coach, **Ella**, supported over **\$550 million in wealth deposits and \$1 billion in insurance coverage** year-to-date, an increase of 14% and 64%, respectively, over prior year
- 85% of applications processed digitally**, up 4% over prior year

U.S.

- Launched **Sun Life Onboard**, a new, **fully digital way** for employees and brokers to **simplify their benefits setup process**
- 76% of claims submitted digitally**, up 3 percentage points from Q1 2022

ASIA

- 83% of new business applications submitted digitally** in Q2 2022<sup>1</sup>, up from 70% in Q2 2021
- Claims submitted digitally up 15 percentage points** from Q2 2021



# Dan Fishbein

President, Sun Life U.S.

# DentaQuest acquisition closed on June 1, 2022



## Financially and strategically attractive transaction

- Sun Life is now the **second-largest dental benefits provider by membership, serving more than 50 million Americans** across all our benefits products
- **Advances Sun Life’s strategy** of being a leader in U.S. health and benefits; positions Sun Life as a leader in the growing U.S. government programs space
- **70%+ of Sun Life U.S. benefits revenues now generated from capital-light, cash-generative healthcare businesses**
- **DentaQuest business is strong** – performance in line with October 2021 announcement, including Sun Life accretion estimates
- **Highly engaged employees** with a mission of delivering “oral health to all” and “helping people live healthier lives” aligning with Sun Life’s purpose and culture

## Integration well underway

- **Strong partnership and collaboration** to achieve a smooth transition
- **Leadership team for Dental business**, a blend of Sun Life and DentaQuest. Focused on **new market strategies** to optimize performance
- In process of **migrating Sun Life dental benefits** to the DentaQuest claims platform
- On track to achieve estimated run-rate expense **synergies of US\$60 million (by 2024)**<sup>1</sup>

## Sun Life U.S. Operating Model

### Dental

Government and commercial product segments

### Group Benefits

Group disability, absence, life and supplemental health

### Health & Risk Solutions

Stop-Loss, PinnacleCare and other health products

### In-Force Management (IFM)

Individual life insurance (closed for new business)





# Manjit Singh

Executive Vice President &  
Chief Financial Officer

# Q2 2022 results

PROFITABILITY	Q2'22	Q2'21	Change
Reported net income (\$ millions)	785	900	(13)%
Underlying net income (\$ millions) <sup>1</sup>	892	883	+1%
Reported EPS (\$) <sup>2</sup>	1.34	1.53	(12)%
Underlying EPS (\$) <sup>1,2</sup>	1.52	1.50	+1%
Reported ROE <sup>1</sup>	13.1%	16.3%	(3.2) pp
Underlying ROE <sup>1</sup>	14.9%	16.0%	(1.1) pp
GROWTH	Q2'22	Q2'21	Change
Insurance sales (\$ millions) <sup>1</sup>	736	710	+4%
Wealth sales & Asset Management flows (\$ millions) <sup>1</sup>	57,376	55,013	+4%
Value of new business (\$ millions) <sup>1</sup>	271	284	(5)%
Assets under management (\$ billions) <sup>1</sup>	1,261	1,361	(7)%
FINANCIAL STRENGTH	Q2'22	Q2'21	Change
SLF Inc. LICAT ratio <sup>3</sup>	128%	147%	(19) pp
SLA LICAT ratio <sup>3,4</sup>	124%	125%	(1) pp
Financial leverage ratio <sup>1</sup>	25.7%	24.7%	+1 pp

## Results Highlights

### Results reflect strength of diversified business mix

- Solid insurance business growth
- Moderating COVID-related experience
- Strong investment-driven earnings
- Asset Management headwinds in challenging macro-economic environment

### Insurance sales<sup>1</sup> growth across Canada, the U.S., and Asia of 4% year-over-year

### Net Asset Management flows<sup>1</sup> of \$0.3 billion:

- \$7.3 billion net flows<sup>1</sup> in SLC Management
- US\$(5.5) billion net flows<sup>1</sup> in MFS

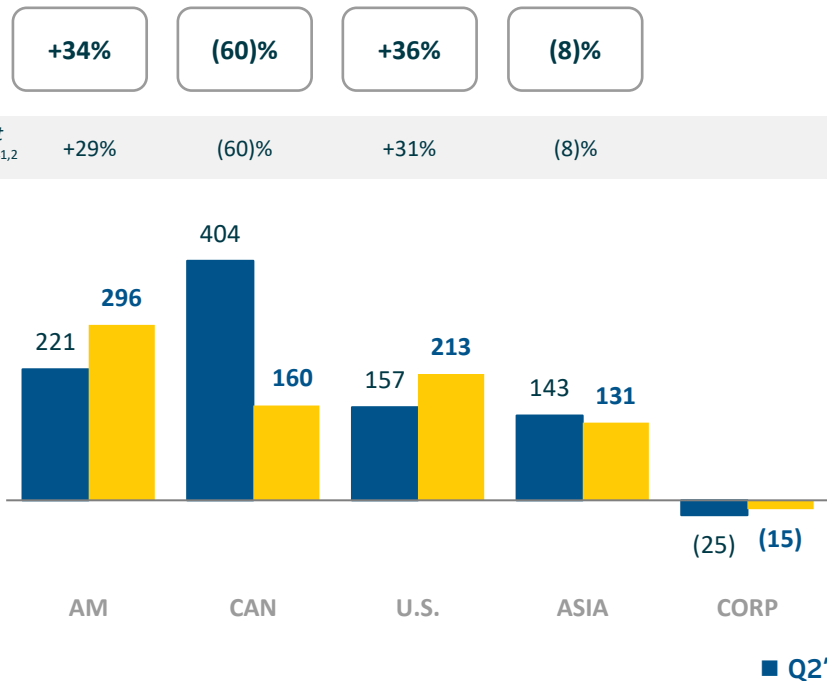
### Maintain strong balance sheet position

- SLF LICAT reflects impact of DentaQuest acquisition
- \$1 billion in holdco cash and other liquid assets<sup>1,5,6</sup>
- Stable leverage ratio

# Second quarter business group performance

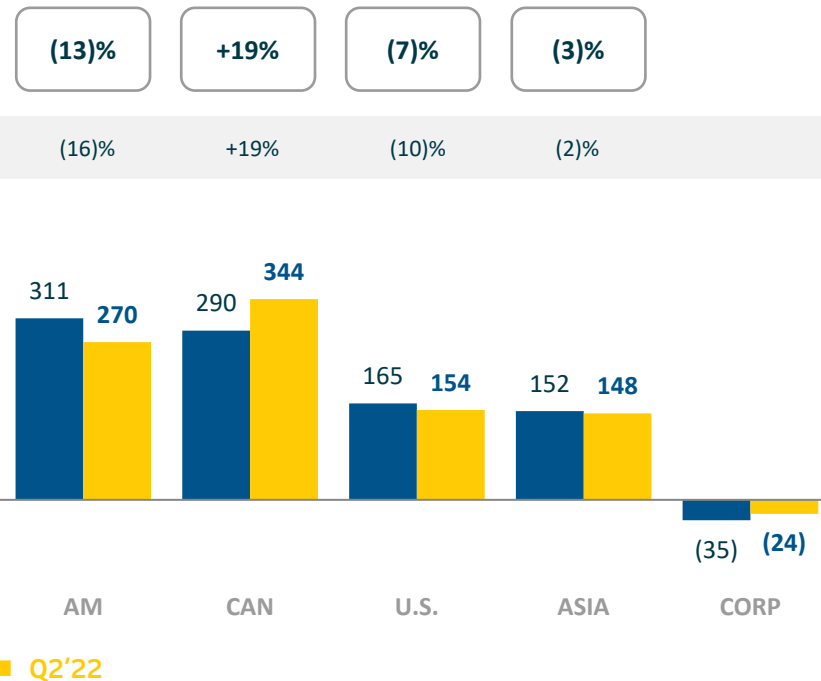
## Reported net income (\$ millions)

Impact of currency translation increased reported net income by \$16M<sup>1</sup>



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

Impact of currency translation increased underlying net income by \$12M<sup>1</sup>



# MFS: A global leader in public asset management

## Business Group Results

PROFITABILITY (US\$ millions)	Q2'22	Q2'21	Change
Reported net income	228	191	+19%
Underlying net income <sup>1</sup>	194	233	(17)%
Pre-tax net operating margin (%) <sup>1,2</sup>	36	39	(3) pp

GROWTH (US\$ billions)	Q2'22	Q2'21	Change
Total net flows <sup>1</sup>	(5.5)	(5.6)	nm
Institutional net flows <sup>1</sup>	1.5	(7.4)	nm
Retail net flows <sup>1</sup>	(7.0)	1.8	nm
Total AUM <sup>1</sup>	552.9	661.6	(16)%
Institutional AUM <sup>1</sup>	229.8	272.8	(16)%
Retail AUM <sup>1</sup>	323.1	388.9	(17)%
Average Net Assets (ANA) <sup>1</sup>	592.1	655.1	(10)%

## Quarterly Highlights (US\$)

- Underlying net income down 17% y/y driven by lower average net assets, largely due to declines in global equity markets
- Pre-tax net operating profit margin of 36%, down from 39% in Q2'21 and Q1'22 due to lower ANA, partially offset by lower variable compensation
- Total AUM of \$553 billion lower by 16% y/y
  - Total AUM declined 13% from Q1'22, reflecting lower equity markets and net outflows of \$(5.5) billion
  - Net outflows driven by \$(7) billion of retail outflows, partially offset by \$1.5 billion of institutional inflows
- Deepened commitment to integrating climate strategies by setting an interim target to align 90% of in-scope assets<sup>3</sup> with the Net Zero Asset Managers<sup>4</sup> initiative's net zero carbon goals by 2030

# SLC Management: Growing a premier alternatives platform

## Business Group Results

PROFITABILITY (\$ millions)	Q2'22	Q2'21	Change
Fee-related earnings <sup>1</sup>	52	46	+13%
Pre-tax fee-related earnings margin (%) <sup>1</sup>	23	25	(2) pp
Pre-tax net operating margin (%) <sup>1</sup>	24	21	+3 pp
Reported net income	5	(13)	nm
Underlying net income <sup>1</sup>	23	25	(8)%

GROWTH (\$ billions)	Q2'22	Q2'21	Change
Total AUM <sup>1,2</sup>	193.6	168.6	+15%
Fee-earning AUM <sup>1</sup>	150.1	133.6	+12%
AUM not yet earning fees <sup>1</sup>	20.8	17.3	+20%
Capital raising <sup>1</sup>	5.7	6.4	(11)%
Deployment <sup>1</sup>	7.0	9.3	(25)%

## Quarterly Highlights

- Fee-related earnings (FRE) up 13% y/y, reflecting strong capital raising and growth in fee-earning AUM
- FRE margin down y/y on higher business investments
- Underlying net income reflects growth in FRE, offset by real estate mark-to-market loss
- AUM not yet earning fees can generate annualized fee revenue of \$175m+, once invested<sup>3</sup>
- Capital raising continues to reflect the strength and diversification of the platform:
  - Increased real estate debt fund capital raising in Europe
  - Continued fundraising in a flagship alternative credit fund
  - Good traction in U.S. based infrastructure energy transition fund
- BGO awarded 2022 ENERGY STAR Partner of the Year – Sustained Excellence Award for the 12th consecutive year<sup>4</sup>

# Canada: A leader in insurance and asset management

## Business Group Results

PROFITABILITY (\$ millions)		Q2'22	Q2'21	Change
Reported net income		160	404	(60)%
Underlying net income <sup>1</sup>		344	290	+19%
Insurance underlying net income <sup>1,2</sup>		215	171	+26%
Wealth underlying net income <sup>1,2</sup>		129	119	+8%
Reported ROE (%) <sup>1</sup>		7.9	20.8	(12.9) pp
Underlying ROE (%) <sup>1</sup>		17.2	14.9	+2.3 pp

GROWTH (\$ millions)		Q2'22	Q2'21	Change
Insurance	Individual Insurance sales <sup>1</sup>	126	122	+3%
	Sun Life Health (GB) sales <sup>1</sup>	92	74	+24%
Wealth	Individual Wealth sales <sup>1</sup>	1,799	2,177	(17)%
	Group Retirement sales <sup>1,3</sup>	2,639	1,648	+60%
	Wealth net flows <sup>1,4</sup>	320	155	+106%
	Wealth AUM (\$ billions) <sup>1,5</sup>	145.0	156.8	(8)%

## Quarterly Highlights

- Underlying net income growth of 19% y/y driven by business growth and favourable experience
  - Insurance earnings reflect business growth and improved disability experience
  - Wealth earnings driven by strong Group Retirement sales growth, partially offset by lower fee income reflecting equity market declines
- Reported net income down 60% y/y on market-related impacts
- Insurance sales growth driven by large case group benefits sales
- Strong wealth net flows driven by Defined Benefit Solutions sales, where Sun Life Canada has been the market leader<sup>6</sup>
- Continue to make it easier for Clients to do business with us:
  - Launched Sun Life Crescent Specialty Credit Private Pool fund, providing Clients access to an alternative yield source
  - Group Retirement Services launched its first Shariah-based pool fund<sup>7</sup>, giving Canadian plan members an investment option that reflects Islamic principles while providing diversified exposure to equity markets

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

## Business Group Results

PROFITABILITY (US\$ millions)	Q2'22	Q2'21	Change
Reported net income	167	127	+31%
Underlying net income <sup>1</sup>	121	133	(9)%
Reported ROE (%) <sup>1</sup>	16.2	17.4	(1.2) pp
Underlying ROE (%) <sup>1</sup>	11.7	18.3	(6.6) pp
GB after-tax profit margin (%) <sup>1,2,3</sup>	4.7	9.2	(4.5) pp

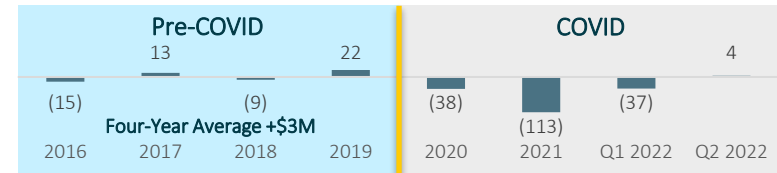
  

GROWTH (US\$ millions)	Q2'22	Q2'21	Change
Net premiums – GB & Dental	1,369	1,051	+30%
Fee Income – GB & Dental	54	24	+125%
Employee Benefits sales <sup>1,3</sup>	54	57	(5)%
Medical Stop-Loss sales <sup>1</sup>	95	88	+8%
Dental sales <sup>1</sup>	19	11	+73%

## Quarterly Highlights (US\$)

- Underlying net income of \$121 million reflects moderating COVID impacts and one month contribution from DentaQuest
- Reported net income up 31% y/y driven by real estate gains
- COVID-19 related updates:
  - Working age population deaths were down 89% from Q1'22<sup>4</sup>; improved group life mortality experience in Q2
  - Moderating medical disruption favourability
- Business fundamentals remain strong, with growth in premiums and fee income reflecting strong sales and Client persistency
- On June 1, completed acquisition of DentaQuest, the second largest dental benefits provider in the U.S. by membership
- Sun Life U.S. now serving more than 50 million plan members with more than 70% of revenue on benefits business coming from healthcare<sup>5</sup>

## Group Life Mortality (US\$ million, after-tax)



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

## Business Group Results

PROFITABILITY (\$ millions)		Q2'22	Q2'21	Change	CC <sup>1</sup>
Reported net income		131	143	(8)%	(8)%
Underlying net income <sup>2</sup>		148	152	(3)%	(2)%
Insurance underlying net income <sup>2,3</sup>		135	124	+9%	+9%
Wealth underlying net income <sup>2,3</sup>		13	28	(54)%	(54)%
Reported ROE (%) <sup>2</sup>		8.0	9.4	(1.4) pp	N/A
Underlying ROE (%) <sup>2</sup>		9.1	10.1	(1.0) pp	N/A

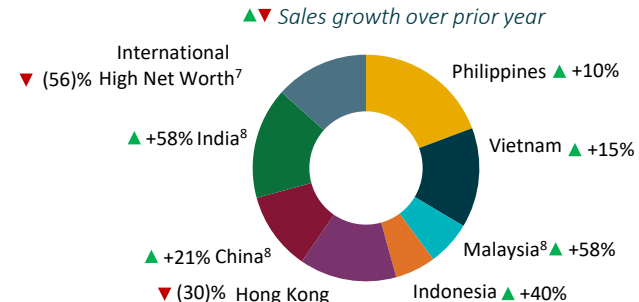
GROWTH (\$ millions)		Q2'22	Q2'21	Change	CC <sup>1</sup>
Insurance sales <sup>2</sup>		305	323	(6)%	(6)%
Total Weighted Premium Income ('TWPI') <sup>2,4</sup>		1,122	1,060	6%	6%
Wealth net flows <sup>2,5</sup>		65	906	(93)%	(94)%
Wealth AUM <sup>2,5</sup>		34,575	40,799	(15)%	(15)%

Insurance  
Wealth

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

- Underlying net income down 2% y/y
  - In Hong Kong, COVID-related restrictions drove lower sales and higher new business strain
  - Wealth underlying net income decline driven by lower fee income reflecting market declines
  - Strong new business gains in International reflecting profitable sales
- Insurance sales grew double-digits in 6 of 8 markets, as pandemic restrictions eased
- In the Philippines, where Sun Life is the market leader<sup>6</sup>, renewed bancassurance partnership with RCBC for an additional 10 years, enabling nearly 2 million bank Clients to access financial protection products

### Q2 2022 Insurance Sales<sup>1</sup> by Market





# | Appendix

# Sources of earnings

Sources of earnings (SOE) <sup>1</sup> Common shareholders \$ millions, pre-tax	Reported		Underlying	
	Q2'22	Q2'21	Q2'22	Q2'21
<b>Expected profit on in-force business excluding Asset Mgmt.</b>	<b>547</b>	<b>529</b>	<b>547</b>	<b>529</b>
Impact of new business	40	15	40	15
Experience gains/(losses)	(51)	99	101	21
Assumption changes and management actions (ACMA)	0	2	-	-
Earnings on surplus <sup>2</sup>	92	118	49	111
Other <sup>3</sup>	25	6	-	-
<b>Pre-tax earnings excluding Asset Mgmt.</b>	<b>653</b>	<b>769</b>	<b>737</b>	<b>676</b>
Asset Management	388	331	356	401
<b>Earnings before income taxes</b>	<b>1,041</b>	<b>1,100</b>	<b>1,093</b>	<b>1,077</b>
Income tax (expense) or recovery <sup>4</sup>	(233)	(178)	(178)	(172)
Dividends on preferred shares and distributions on other equity instruments; and non-controlling interest	(23)	(22)	(23)	(22)
<b>Total Company net income – Common shareholders</b>	<b>785</b>	<b>900</b>	<b>892</b>	<b>883</b>

## SOE highlights

- Expected profit up 5% in constant currency<sup>5</sup>, driven by business growth, partially offset by lower fee income reflecting market declines
- Impact of new business reflects strong insurance and wealth sales in Canada
- Reported experience driven by market-related impacts
- Underlying experience driven by favourable credit, investing gains, and expense experience
- Earnings on surplus down, primarily due to lower AFS contribution and higher debt costs, mostly offset by real estate gains
- Asset Management underlying net income down on lower asset levels at MFS

# SOE<sup>1</sup> experience gains/ (losses) - details

\$ millions	Q2'22 Pre-tax	Q2'21 Pre-tax	Q2'22 Post-tax	Q2'21 Post-tax
Net equity market impact <sup>2</sup>	(212)	136	(160)	99
Net interest rate impact <sup>2</sup>	16	(80)	(69)	(36)
Impact of changes in the fair value of investment properties <sup>2</sup>	44	22	43	22
<b>Market-related Impacts<sup>2</sup></b>	<b>(152)</b>	<b>78</b>	<b>(186)</b>	<b>85</b>
Impact of investment activity on insurance contract liabilities	43	50	36	40
Credit	48	39	38	32
Mortality	21	4	19	3
Morbidity	30	44	24	37
Lapse and other policyholder behaviour	(20)	(9)	(19)	(8)
Expenses	44	(77)	32	(62)
Other	(65)	(30)	(37)	(11)
<b>Other notable Items</b>	<b>101</b>	<b>21</b>	<b>93</b>	<b>31</b>
<b>Experience gains/(losses)</b>	<b>(51)</b>	<b>99</b>	<b>(93)</b>	<b>116</b>

<sup>1</sup> Sources of earnings are prepared in accordance with the OSFI Guideline D-9, Sources of Earnings Disclosures. For an explanation of the SOE components, refer to Non-IFRS Financial Measures section in the appendix to these slides and in our Q2 2022 MD&A.

<sup>2</sup> Excluding amounts in earnings on surplus shown in market related impacts on slide 18. Pre-tax: Q2'22 excludes \$42m impact for changes in the fair value of investment properties and \$1m equity held in surplus; Q2'21 excludes \$7m impact for changes in the fair value of investment properties held in surplus. Post-tax: Q2'22 \$32m impact for changes in the fair value of investment properties, \$1m equity and \$1m fixed income held in surplus; Q2'21 excludes \$6m impact for changes in the fair value of investment properties held in surplus.

# Reconciliation of underlying net income

\$ millions	Q2'22 Pre-tax	Q2'22 Post-tax
<b>Reported net income</b>		<b>785</b>
Net equity market impact (including basis risk impact of \$10 million) <sup>1</sup>	(211)	(159)
Net interest rate impact (including credit spread impact of \$20 million and swap spread impact of \$5 million) <sup>1</sup>	16	(68)
Impact of changes in the fair value of investment properties	86	75
<b>Market-related impacts</b>	<b>(109)</b>	<b>(152)</b>
Assumption changes and management actions <sup>2</sup>	-	-
Other <sup>3</sup>	57	45
<b>Underlying net income<sup>2</sup></b>		<b>892</b>

Differences between pre- and post-tax results reflect mix of business based on the Company's global operations, and the impact of tax efficient assets in investment strategies

<sup>1</sup> Amounts provided for basis risk, credit spread, and swap spread are after-tax.

<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 Q2 2022 MD&A.

<sup>3</sup> Represents MFS' fair value adjustments on share-based payment awards, a gain on the sale-leaseback of our Wellesley property in the U.S., acquisition, integration and restructuring costs, and other items that are unusual or exceptional in nature.

# Market movements and impacts in the quarter

Market Movements	Q2'22	Q2'21
S&P/ TSX	<b>(13.8)%</b>	+7.8%
S&P 500	<b>(16.4)%</b>	+8.2%
CA 10 - year	<b>+82 bps</b>	(17) bps
CA 30 - year	<b>+75 bps</b>	(14) bps
US 10 - year	<b>+67 bps</b>	(27) bps

Earnings on Surplus (\$millions, pre-tax)	Q2'22	Q2'21
Investment income	122	99
AFS gains	(2)	42
Seed investment gains/ (losses)	(10)	10
Investment properties mark-to market	42	7
Interest on debt	(60)	(40)
<b>Total</b>	<b>92</b>	<b>118</b>

Equity Market Impacts (\$millions, post-tax)	Q2'22	Q2'21
Equity market movement and volatility	<b>(169)</b>	95
Basis risk	<b>10</b>	4
<b>Total</b>	<b>(159)</b>	<b>99</b>

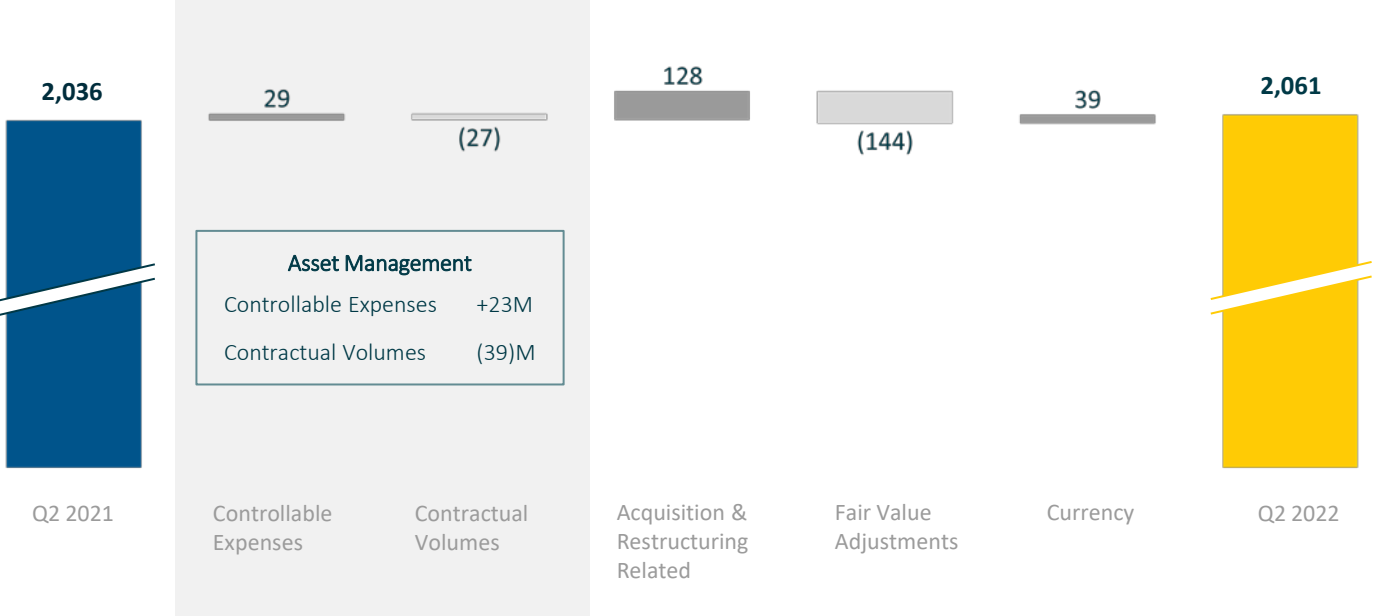
Interest Impacts (\$millions, post-tax)	Q2'22	Q2'21
Interest rate changes	<b>(93)</b>	(50)
Credit spread movements	<b>20</b>	(10)
Swap spread movements	<b>5</b>	24
<b>Total</b>	<b>(68)</b>	<b>(36)</b>

Credit-Related Impacts (\$millions, post-tax)	Q2'22	Q2'21
Changes in ratings	<b>12</b>	5
Impairments, net of recoveries	<b>(2)</b>	(2)
Release of best estimate credit	<b>28</b>	29
<b>Total</b>	<b>38</b>	<b>32</b>

# Operating expenses

*Increase driven by investments and the impact of acquisitions, offset by lower fair value adjustments and productivity*

(\$ millions)



Net increases in controllable expenses and contractual volumes driven by:

- Insurance business growth and continued investment in strategic initiatives

Partially offset by:

- Productivity gains
- Lower variable incentive compensation in Asset Management from lower earnings

Higher run-rate and acquisition-related costs from the close of DentaQuest

Lower fair value adjustments on share-based compensation

## 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 M - Non-IFRS Financial Measures of our MD&A for the period ended June 30, 2022 ("Q2 2022 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 (loss) and financial measures based on underlying net income (loss), including underlying EPS or underlying loss per share, and underlying ROE, are non-IFRS financial measures. Underlying net income (loss) removes from reported net income (loss) the impacts of the following items in our results under IFRS and when removed assist in explaining our results from period to period:

- (a) market-related impacts that differ from our best estimate assumptions, which include: (i) impacts of returns in equity markets, net of hedging, for which our best estimate assumptions are approximately 2% per quarter. This also includes the impact of the basis risk inherent in our hedging program, which is the difference between the return on underlying funds of products that provide benefit guarantees and the return on the derivative assets used to hedge those benefit guarantees; (ii) the impacts of changes in interest rates in the reporting period and on the value of derivative instruments used in our hedging programs including changes in credit and swap spreads, and any changes to the assumed fixed income reinvestment rates in determining the actuarial liabilities; and (iii) the impacts of changes in the fair value of investment properties in the reporting period;
- (b) assumption changes and management actions, which include: (i) the impacts of revisions to the methods and assumptions used in determining our liabilities for insurance contracts and investment contracts; and (ii) the impacts on insurance contracts and investment contracts of actions taken by management in the current reporting period, referred to as management actions which include, for example, changes in the prices of in-force products, new or revised reinsurance on in-force business, and material changes to investment policies for assets supporting our liabilities; and
- (c) other adjustments:
  - (i) fair value adjustments on MFS' share-based payment awards that are settled with MFS' own shares and accounted for as liabilities and measured at fair value each reporting period until they are vested, exercised and repurchased - this adjustment enhances the comparability of MFS' results with publicly traded asset managers in the United States;
  - (ii) acquisition, integration and restructuring costs - this adjustment enhances comparability of our results from period to period, by removing the impacts of costs, including the unwinding of the discount for certain liabilities related to acquisitions, that are not ongoing in nature and are incurred with the intent to generate benefits in future periods;
  - (iii) certain hedges in Canada that do not qualify for hedge accounting - this adjustment enhances the comparability of our results from period to period, as it reduces volatility to the extent it will be offset over the duration of the hedges; and
  - (iv) other items that are unusual or exceptional in nature.

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 reported ROE, administrative services only ("ASO") premium and deposit equivalents, retail fund assets and sales, institutional fund assets and sales, insurance and health sales, assets under management ("AUM"), assets under administration, average net assets, pre-tax net operating margin, measures based on a currency adjusted basis, financial leverage ratio, underlying dividend payout ratio, impacts of foreign exchange translation, real estate market sensitivities, assumption changes and management actions, value of new business, after-tax profit margin for U.S. Group Benefits, fee-related earnings, pre-tax fee-related earnings margin, fee-earning AUM, AUM not yet earning fees, capital raising, deployment and effective income tax rate on an underlying net income basis.

## 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 our growth initiatives and other business objectives; (iii) relating to our targets and commitments (including with respect to net zero emissions); (iv) relating to the plans we have implemented in response to the COVID-19 pandemic and related economic conditions and their impact on the Company; (v) relating to our expected tax range for future years; (vi) set out in our Q2 2022 MD&A under the heading H - 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, particularly in light of the ongoing and developing COVID-19 pandemic and its impact on the global economy and its uncertain impact on our business.

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 due to, among other factors, 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 Q2 2022 MD&A under the headings C - Profitability - S - Income taxes, E - Financial Strength and H - Risk Management and in SLF Inc.'s 2021 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, which have been further heightened with the current COVID-19 pandemic given the uncertainty of its duration and impact. 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; and fluctuations in foreign currency exchange rates; **insurance risks** - related to policyholder behaviour; mortality experience, morbidity experience and longevity; 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 the severity, duration and spread of COVID-19; its impact on the global economy, and its impact on Sun Life's business, financial condition and or results; risks associated with IFRS 17 Insurance Contracts and IFRS 9 Financial Instruments; 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> 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>3</sup> Business Mix based on underlying net income, excluding corporate support and business group support functions. Wealth & Asset Management includes Canada individual wealth, Group Retirement Services and Sun Life Global Investments (SLGI), Asia wealth, and Asset Management; Group & Shorter Duration Insurance includes Canada Sun Life Health and U.S. Group Benefits, U.S. Dental, UK, and Asia insurance (excluding International). Refer to the reconciliation of underlying to reported net income below:

	Traditional Insurance	Wealth & Asset Management	Group & Shorter Duration Insurance	Subtotal	Other*	Total
<b>Q2'22 Reported net income (loss)</b>	50	386	299	735	50	785
Items excluded from underlying net income	(116)	(22)	(72)	(209)	102	(107)
<b>Q2'22 Underlying net income (loss)</b>	<b>166</b>	<b>408</b>	<b>370</b>	<b>944</b>	<b>(52)</b>	<b>892</b>
<b>Percentage of underlying net income (excluding Other)</b>	<b>18%</b>	<b>43%</b>	<b>39%</b>	<b>100%</b>		

\*Includes Corporate Support and Business Group support functions

### From slide 10

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

<sup>3</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>4</sup> SLA is SLF Inc.'s principal operating life insurance subsidiary.

<sup>5</sup> Loans related to acquisitions have been included as an adjustment to Cash and other liquid assets, as they reflect funding for the DentaQuest acquisition.

<sup>6</sup> Represents available funds for capital re-deployment.

### From slide 12

<sup>2</sup> Pre-tax gross operating margin was 32% in Q2 2022 and 34% in Q2 2021.

<sup>3</sup> Approximately 92% of MFS' AUM balance as at June 30, 2022.

<sup>4</sup> An international group of asset managers committed to supporting the goal of achieving net zero carbon emissions by 2050 or sooner.



Footnotes continued

From slide 13

<sup>2</sup> Total AUM including the General Account was \$335 billion.

<sup>3</sup> See “Forward-looking Statements” and “Risk Factors” on slides 23 and 24.

<sup>4</sup> Awarded by the U.S. Environmental Protection Agency and the U.S. Department of Energy.

From slide 14

<sup>2</sup> Wealth & Insurance Underlying Net Income reconciliation:

(\$ millions, after-tax)	Q2 22			Q2 21		
	Insurance - Canada	Wealth - Canada	Total Canada	Insurance - Canada	Wealth - Canada	Total Canada
<b>Reported net income (loss) - Common shareholders</b>	67	92	160	261	143	404
Less: Market-related impacts (pre-tax)	(208)	65	(143)	116	(10)	106
ACMA (pre-tax)	-	-	-	-	0	0
Other adjustments (pre-tax)	(0)	-	(1)	-	-	-
Tax expense (benefit) on above items	61	(102)	(40)	(26)	34	8
<b>Underlying net income (loss)</b>	<b>215</b>	<b>129</b>	<b>344</b>	<b>171</b>	<b>119</b>	<b>290</b>

<sup>3</sup> Group Retirement Services sales including Retained sales (Q2 2022: \$1,097 million, Q2 2021: \$402 million).

<sup>4</sup> Wealth net flows includes flows in Individual Wealth and GRS business AUM.

<sup>5</sup> Wealth AUM includes General Fund assets, Segregated Fund assets, and Other AUM associated with Individual Wealth and GRS business units. Reconciliation:

(\$ billions)	Q2 22	Q2 21
<b>Wealth assets under management</b>		
<b>Segregated funds</b>	<b>104.4</b>	<b>114.9</b>
General funds	104.6	105.2
Less general funds - insurance	70.2	70.4
<b>General funds - Wealth</b>	<b>34.4</b>	<b>34.8</b>
<b>Other assets under management</b>	<b>6.2</b>	<b>7.1</b>
<b>Total wealth assets under management</b>	<b>145.0</b>	<b>156.8</b>

<sup>6</sup> Based on Defined Benefits Solutions sales for the year ended December 2021 from LIMRA

<sup>7</sup> BlackRock MSCI ACWI Islamic Equity Index Fund

From slide 15

<sup>2</sup> The after-tax profit margin is a non-IFRS financial measure and is calculated on underlying net income as a percentage of net premiums on a trailing four-quarters basis.

<sup>3</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. (“DentaQuest”), acquired on June 1, 2022. We have updated prior periods to reflect this change in presentation.

<sup>4</sup> CDC data as adjusted by The Smith Group for reporting lags.

<sup>5</sup> Benefits business excludes In Force Management.

Footnotes continued

From slide 16

<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 Q2 2022 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 Q2 2022 MD&A.

<sup>3</sup> Wealth & Insurance underlying net income reconciliation:

(\$ millions, after-tax)	Q2'22			Q2'21		
	Insurance - Asia	Wealth - Asia	Total Asia	Insurance - Asia	Wealth - Asia	Total Asia
<b>Reported net income (loss) - Common shareholders</b>	128	3	131	110	33	143
Less: Market-related impacts (pre-tax)	(1)	(10)	(12)	(16)	5	(11)
ACMA (pre-tax)	-	-	-	2	-	2
Other adjustments (pre-tax)	(6)	-	(6)	-	-	-
Tax expense (benefit) on above items	-	-	1	-	-	-
<b>Underlying net income (loss)</b>	<b>135</b>	<b>13</b>	<b>148</b>	<b>124</b>	<b>28</b>	<b>152</b>

<sup>4</sup> Total Weighted Premium Income consists of 100% renewal premiums, 100% of first year premiums, and 10% of single premium. TWPI reconciliation:

(\$ millions)	Q2'22	Q2'21
<b>Gross Premiums</b>	<b>869</b>	<b>1,365</b>
Less: Pension premiums	(7)	(8)
Adjustment for single premiums	(345)	(853)
<b>Add:</b> Premiums from segregated fund deposits	223	224
Premiums from joint ventures	404	336
Other adjustments	(22)	(4)
<b>Total Weighted Premium Income (TWPI)</b>	<b>1,122</b>	<b>1,060</b>

<sup>5</sup> Wealth net flows and Wealth AUM includes net flows and assets under management of Hong Kong Wealth, Philippines mutual and managed funds, China individual wealth and Aditya Birla Sun Life AMC Limited equity and fixed income mutual funds based on our proportionate equity interest.

<sup>6</sup> In the Philippines, Sun Life is the #1 ranked insurance company based on total premiums according to the Insurance Commission of the Philippines, based on Q4 2021 year-to-date total premium income for Sun Life of Canada (Philippines). Sun Life is the largest mutual fund provider based on AUM according to Philippine Investment Funds Association, based on March 2022 ending assets under management.

<sup>7</sup> Includes International and Singapore.

<sup>8</sup> Sales for China, India, and Malaysia joint ventures based on our proportionate equity interest.

From slide 18

<sup>1</sup> Sources of earnings are prepared in accordance with the OSFI Guideline D-9, Sources of Earnings Disclosures. For an explanation of the SOE components, refer to the Non-IFRS Financial Measures section in the appendix to these slides and in our Q2 2022 MD&A.

<sup>2</sup> Reported Earnings on surplus: Q2 2022 includes \$42m impact for changes in the fair value of investment properties and \$1m equity held in surplus held in surplus; Q2 2021 includes \$7m impact for changes in the fair value of investment properties held in surplus.

<sup>3</sup> Represents acquisition, integration and restructuring amounts, and other items that are unusual or exceptional in nature.

<sup>4</sup> Effective tax rate on reported net income was 21.3% in Q2 2022 (14.7% in Q2 2021) and underlying net income was 16.3% in Q2 2022 (15.9% in Q2 2021).

<sup>5</sup> Percentage change is reported on a constant currency basis, which excludes the impacts of foreign exchange translation. For more information about these non-IFRS financial measures, refer to the Non-IFRS Financial Measures section in the appendix to these slides and in our Q2 2022 MD&A.