Drivers of Earnings

The Drivers of Earnings (DOE) is a non-International Financial Reporting Standard (IFRS) financial measure. The DOE analysis provides additional detail on the sources of earnings, primarily for protection and health businesses, and explains the actual results compared to the longer-term expectations. The underlying DOE and reported DOE are both presented on a common shareholders' basis by removing the allocations to participating policyholders.

The terminology used in the discussion of DOE is described below:

Risk adjustment release

The compensation we require for bearing uncertainty about the amount and timing of the cash flows that arises from non-financial risk.

Contractual service margin (CSM) recognized for services provided

The amount of CSM recognized as insurance revenue in each period to reflect the insurance contract services provided for a group of contracts in the period.

Expected earnings on short-term (group) insurance business

Group – Health & Protection profits recognized over a short coverage period. Excludes Administrative Services Only (ASO) business, presented in the 'Other fee income' line.

Impact of new insurance business

Represents 'onerous' new business for the period. An onerous contract does not necessarily mean it is unprofitable business.

Experience gains (losses)

Gains and losses that are due to differences between the actual results during the reporting period and management's estimate of the expected longer-term returns liabilities (i.e. expected insurance earnings) at the start of the reporting period.

Expected investment earnings

Reflects the spread between the expected investment return on general account assets and the discount rate (net of margins for credit risk) on insurance contract liabilities and crediting rate of investment contract liabilities.

Credit experience

Impact of ratings changes, and impairments (net of recoveries) on FVTPL assets. Includes changes in expected credit loss provisions on FVOCI assets. Expected credit is reflected in the 'Expected investment earnings' line.

Earnings on surplus

Represents the net income earned on a company's surplus funds. Earnings on Surplus is comprised of realized gains on fair value through other comprehensive income assets, as well as net investment returns on surplus, such as investment income, gains (losses) on seed investments and investment properties mark-to-market, and also includes impacts from derivatives, currency and other items.

Joint Ventures & Other

Joint venture earnings from India, Malaysia and China. Other includes various smaller investment-related items that may arise from period to period.

Asset management - Underlying

Represents pre-tax earnings (net of expenses) for MFS and SLC Management.

Other fee income

Includes pre-tax earnings (net of expenses) for certain wealth businesses in Canada and Asia as well as Canada & U.S. fee-based businesses (e.g. ASO from Group - Health & Protection) and fee income from Open par account in Canada.

Expenses - other

Non-directly attributable contract expenses, corporate expenses, strategic initiatives and financing charges.

Market-related impacts

Market-related impacts represent the difference between actual versus expected market movements. Except for risk free rates which are based on current rates, expected market movements are based on our medium-term outlook which is reviewed annually.

Assumption Changes and Management Actions (ACMA)

Captures the impact of method and assumption changes, and management actions on insurance and reinsurance contracts.

Other adjustments

Income impact from items that are not operational or ongoing in nature:

i. Management's ownership of MFS shares – this adjustment removes the change in fair value and other activity related to MFS common shares owned by management.

ii. Acquisition, integration, and restructuring - expense and income related to acquisition or disposal of a business. Also includes expenses related to restructuring activities.

iii. Intangible asset amortization – removes the amortization expense associated with finite life intangible assets arising from acquisitions or business combinations excluding amortization of software and distribution agreements.

iv. Other – represents items that are unusual or exceptional in nature which management believes are not representative of the long-term performance of the Company.

For the Year Ended December 31, 2024 (in millions of Canadian dollars)	**Sun Life Asset Mgmt**	**Sun Life Canada**	**Sun Life U.S.**	**Sun Life Asia**	**Corporate**	**Total**
Risk adjustment release	–	202	37	171	–	410
Contractual service margin recognized for services provided	–	373	78	470	–	921
Expected earnings on short-term (group) insurance business	–	661	1,036	–	–	1,697
Expected insurance earnings	–	1,236	1,151	641	–	3,028
Impact of new insurance business	–	(24)	–	(47)	–	(71)
Experience gains (losses)	–	153	(97)	(19)	2	39
Net insurance service result - Underlying	–	1,365	1,054	575	2	2,996
Expected investment earnings	–	720	176	60	(1)	955
Credit experience	–	(145)	(22)	(4)	2	(169)
Earnings on surplus	–	206	174	141	88	609
Joint ventures & other	–	37	14	233	(2)	282
Net investment results - Underlying	–	818	342	430	87	1,677
Asset Management - underlying	1,762	–	–	–	–	1,762
Other fee income	–	241	37	44	(1)	321
Expenses - other	–	(557)	(462)	(325)	(581)	(1,925)
Income before taxes - Underlying	1,762	1,867	971	724	(493)	4,831
Income tax (expense) or recovery	(408)	(414)	(198)	(23)	209	(834)
Dividends, distributions, NCI	(61)	–	–	–	(80)	(141)
Underlying net income	1,293	1,453	773	701	(364)	3,856
Add: Non-underlying net income adjustments (post-tax):						
Market-related impacts	(20)	(177)	(116)	(76)	16	(373)
Assumption changes and management actions (ACMA)	–	(34)	140	(54)	4	56
Other adjustments:						
Management's ownership of MFS shares	(22)	–	–	–	–	(22)
Acquisition, integration and restructuring	255	–	(79)	66	(102)	140
Intangible asset amortization	(24)	(25)	(89)	(194)	–	(332)
Other	46	–	(73)	(14)	(235)	(276)
Reported net income - Common shareholders	1,528	1,217	556	429	(681)	3,049

For the Year Ended December 31, 2023 (in millions of Canadian dollars)	Sun Life Asset Mgmt	Sun Life Canada	Sun Life U.S.	Sun Life Asia	Corporate	Total
Risk adjustment release	–	200	36	176	6	418
Contractual service margin recognized for services provided	–	346	79	354	11	790
Expected earnings on short-term (group) insurance business	–	557	964	4	–	1,525
Expected insurance earnings	–	1,103	1,079	534	17	2,733
Impact of new insurance business	–	(42)	–	(9)	–	(51)
Experience gains (losses)	–	207	143	(53)	–	297
Net insurance service result - Underlying	–	1,268	1,222	472	17	2,979
Expected investment earnings	–	673	142	66	5	886
Credit experience	–	(48)	(2)	3	–	(47)
Earnings on surplus	–	263	146	121	109	639
Joint ventures & other	–	7	13	206	6	232
Net investment results - Underlying	–	895	299	396	120	1,710
Asset Management - underlying	1,677	–	–	–	–	1,677
Other fee income	–	178	41	20	8	247
Expenses - other	–	(573)	(449)	(263)	(643)	(1,928)
Income before taxes - Underlying	1,677	1,768	1,113	625	(498)	4,685
Income tax (expense) or recovery	(371)	(392)	(223)	(25)	200	(811)
Dividends, distributions, NCI	(67)	–	–	–	(79)	(146)
Underlying net income	1,239	1,376	890	600	(377)	3,728
Add: Non-underlying net income adjustments (post-tax):						
Market-related impacts	(47)	(243)	(44)	(153)	33	(454)
Assumption changes and management actions (ACMA)	–	59	(65)	39	3	36
Other adjustments:						
Management's ownership of MFS shares	12	–	–	–	–	12
Acquisition, integration and restructuring	(114)	76	(120)	(18)	21	(155)
Intangible asset amortization	(23)	(16)	(85)	(8)	–	(132)
Other	(0)	–	–	51	–	51
Reported net income - Common shareholders	1,067	1,252	576	511	(320)	3,086

Analysis of results

Expected Insurance Earnings of $3,028 million were $295 million higher than 2023, driven by good sales momentum and in-force business growth in Asia, and business growth in Canada group health & protection business.

Impact of new insurance business $(71) million was $20 million lower than 2023.

Experience gains (losses) of $39 million were driven by:

- Favourable mortality experience primarily in Asia and Canada,
- Favourable morbidity experience primarily in Canada and U.S. group disability, largely offset by unfavourable morbidity experience in U.S. Dental and U.S. medical stop-loss
- Unfavourable expense experience largely in U.S. Dental, and
- Other experience was favourable primarily from the U.S. and Asia.

Expected Investment Earnings of $955 million were $69 million higher than 2023, reflecting higher investment results in Canada and the U.S.

Credit experience of $(169) million driven by unfavourable credit experience largely in Canada and the U.S.

Earnings on Surplus of $609 million were $30 million lower than 2023.

Joint Ventures & Other of $282 million reflecting joint venture earnings from India, Malaysia, and China and favourable Other experience primarily from Canada.

Asset management – underlying of $1,762 million was $85 million higher than 2023, reflecting higher fee income.

Other Fee Income of $321 million was $74 million higher than 2023, reflecting higher fee-related earnings driven by higher AUM in Canada and Asia.

Expenses – Other of $(1,925) million was $3 million higher than 2023, driven by lower financing costs partially offset by higher expenses largely from continued investments in the Asia business and incentive compensation in Asia.

Market-related impacts represent the difference between actual versus expected market movements[1].The 2024 market-related impacts of $(373) million primarily reflected real estate experience[2] and interest rate impacts.

The net impact of assumption changes and management actions (ACMA) was an increase of $56 million to reported net income and includes methods and assumptions changes on insurance contracts as well as related impacts.

These included favourable impacts from reinsurance in the U.S., which were partially offset by unfavourable policyholder behaviour updates in Asia, and mortality updates in Canada.

Other adjustments in 2024 decreased reported net income by $490 million, reflecting lower tax-exempt investment income in Corporate, an impairment charge on an intangible asset related to bancassurance in Vietnam reflecting updates resulting from changes in regulatory and macro-economic factors, DentaQuest integration costs and amortization of acquired intangible assets, a restructuring charge of $108 million, a non-recurring provision in U.S. Dental, and a Pillar Two global minimum tax adjustment[3], partially offset by a decrease in SLC Management's estimated acquisition-related liabilities[4], and gains on the partial sale of ABSLAMC[5] and the early termination of a distribution agreement in Asset Management.

(1) Except for risk free rates which are based on current rates, expected market movements are based on our medium-term outlook which is reviewed annually.

(2) Real estate experience reflects the difference between the actual value of real estate investments compared to management's longer-term expected returns supporting insurance contract liabilities ("real estate experience").

(3) For additional information, refer to Note 19 of our 2024 Annual Consolidated Financial Statements and the heading "Income taxes".

(4) Primarily reflects a decrease of $334 million in estimated future payments for options to purchase remaining ownership interests of SLC Management affiliates in Q3'24. For additional information, refer to Note 5 of our 2024 Annual Consolidated Financial Statements.

(5) To meet regulatory obligations, on March 21, 2024 we sold 6.3% of our ownership interest in Aditya Birla Sun Life AMC Limited ("partial sale of ABSLAMC"), generating a gain of $84 million. As a result of this transaction, our ownership interest in ABSLAMC was reduced from 36.5% to 30.2% for gross proceeds of $136 million. Subsequently, on May 31, 2024, we sold an additional 0.2% of our ownership interest.