

Sun Life Financial Inc.

Management's Discussion and Analysis

For the period ended March 31, 2022

Dated May 11, 2022

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About Sun Life

Sun Life is a leading international financial services organization providing asset management, wealth, insurance and health solutions to individual and institutional Clients. Sun Life has operations in a number of markets worldwide, including Canada, the United States, the United Kingdom, Ireland, Hong Kong, the Philippines, Japan, Indonesia, India, China, Australia, Singapore, Vietnam, Malaysia and Bermuda. As of March 31, 2022, Sun Life had total assets under management ("AUM") of \$1.35 trillion. For more information please visit www.sunlife.com.

Sun Life Financial Inc. trades on the Toronto (TSX), New York (NYSE) and Philippine (PSE) stock exchanges under the ticker symbol SLF.

A. How We Report Our Results

Sun Life Financial Inc. ("SLF Inc."), its subsidiaries and, where applicable, its joint ventures and associates are collectively referred to as "the Company", "Sun Life", "we", "our", and "us". We manage our operations and report our financial results in five business segments: Canada, United States ("U.S."), Asset Management, Asia, and Corporate. Information concerning these segments is included in our annual and interim consolidated financial statements and accompanying notes ("Annual Consolidated Financial Statements" and "Interim Consolidated Financial Statements", respectively, and "Consolidated Financial Statements" collectively) and interim and annual management's discussion and analysis ("MD&A"). We prepare our unaudited Interim Consolidated Financial Statements using International Financial Reporting Standards ("IFRS"), the accounting requirements of the Office of the Superintendent of Financial Institutions ("OSFI") and in accordance with the International Accounting Standard ("IAS") 34 *Interim Financial Reporting*. Reported net income (loss) refers to Common shareholders' net income (loss) determined in accordance with IFRS.

Unless otherwise noted, all amounts are in Canadian dollars.

1. 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 in this document and the Supplementary Financial Information package that is available on www.sunlife.com under Investors - Financial results and reports.

2. Forward-looking Statements

Certain statements in this document are 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. Additional information concerning forward-looking statements and important risk factors that could cause our assumptions, estimates, expectations and projections to be inaccurate and our actual results or events to differ materially from those expressed in or implied by such forward-looking statements can be found in section N - Forward-looking Statements in this document.

3. Additional Information

Additional information about SLF Inc. can be found in the Consolidated Financial Statements, the annual and interim MD&A, and SLF Inc.'s Annual Information Form ("AIF") for the year ended December 31, 2021. These documents are filed with securities regulators in Canada and are available at www.sedar.com. SLF Inc.'s Annual Consolidated Financial Statements, annual MD&A and AIF are filed with the United States Securities and Exchange Commission ("SEC") in SLF Inc.'s annual report on Form 40-F and SLF Inc.'s interim MD&A and Interim Consolidated Financial Statements are furnished to the SEC on Form 6-Ks and are available at www.sec.gov.

4. COVID-19 Pandemic Considerations

In early 2020, the world was impacted by COVID-19, which was declared a pandemic by the World Health Organization. The overall impact of the COVID-19 pandemic is still uncertain and dependent on the progression of the virus and on actions taken by governments, businesses and individuals, which could vary by country and result in differing outcomes. Given the extent of the circumstances, it is difficult to reliably measure or predict the potential impact of this uncertainty on our future financial results.

For additional information, refer to sections B - Overview - 5 - COVID-19 and J - Risk Management - 9 - Risks relating to the COVID-19 pandemic in the 2021 annual MD&A.

B. Financial Summary

(\$ millions, unless otherwise noted)

Quarterly results

Profitability		Q1'22	Q4'21	Q1'21
Net income (loss)				
	Reported net income (loss) - Common shareholders	858	1,078	937
	Underlying net income (loss) ⁽¹⁾	843	898	850
Diluted earnings per share ("EPS") (\$)				
	Reported EPS (diluted)	1.46	1.83	1.59
	Underlying EPS (diluted) ⁽¹⁾	1.44	1.53	1.45
Reported basic EPS (\$)		1.46	1.84	1.60
Return on equity ("ROE") (%)				
	Reported ROE ⁽¹⁾	14.3%	18.0%	16.9%
	Underlying ROE ⁽¹⁾	14.0%	15.0%	15.3%
Growth		Q1'22	Q4'21	Q1'21
Sales				
	Insurance sales ⁽¹⁾	799	1,606	730
	Wealth sales and asset management gross flows ⁽¹⁾	57,887	56,708	65,962
Value of new business ("VNB")⁽¹⁾		258	494	278
Assets under management⁽¹⁾				
	General fund assets	196,685	205,374	190,072
	Segregated funds	133,496	139,996	127,341
	Other AUM ⁽¹⁾	1,021,972	1,099,358	986,833
	Total AUM⁽¹⁾	1,352,153	1,444,728	1,304,246
Financial Strength		Q1'22	Q4'21	Q1'21
LICAT ratios⁽²⁾				
	Sun Life Financial Inc.	143%	145%	141%
	Sun Life Assurance ⁽³⁾	123%	124%	124%
Financial leverage ratio⁽¹⁾⁽⁴⁾		25.9%	25.5%	22.7%
Dividend				
	Dividend payout ratio ⁽¹⁾	46%	43%	38%
	Dividends per common share (\$)	0.660	0.660	0.550
Capital				
	Subordinated debt ⁽⁴⁾	6,426	6,425	4,432
	Innovative capital instruments ⁽⁵⁾	200	200	200
	Participating policyholders' equity	1,704	1,700	1,418
	Non-controlling interest equity	62	59	56
	Preferred shares and other equity instruments	2,239	2,239	2,257
	Common shareholders' equity ⁽⁶⁾	23,659	24,075	22,016
	Total capital⁽⁴⁾	34,290	34,698	30,379
	Weighted average common shares outstanding for basic EPS (millions)	586	586	585
	Closing common shares outstanding (millions)	586	586	585

⁽¹⁾ Represents a non-IFRS financial measure. For more details, see section M - Non-IFRS Financial Measures in this document.

⁽²⁾ Life Insurance Capital Adequacy Test ("LICAT") ratio. Our LICAT ratios are calculated in accordance with OSFI-mandated guideline, Life Insurance Capital Adequacy Test.

⁽³⁾ Sun Life Assurance Company of Canada ("Sun Life Assurance") is SLF Inc.'s principal operating life insurance subsidiary.

⁽⁴⁾ Includes \$2.0 billion of proceeds from the subordinated debt offerings completed in November 2021, of which \$1.5 billion is subject to contractual terms requiring us to redeem the underlying securities, in full, if the closing of the DentaQuest acquisition does not occur. These amounts will not qualify as LICAT capital until the acquisition closes.

⁽⁵⁾ Innovative capital instruments consist of Sun Life Exchangeable Capital Securities ("SLEECs"), which qualify as regulatory capital. However, under IFRS they are reported as Senior debentures in the Consolidated Financial Statements. For additional information, see section I - Capital and Liquidity Management in our 2021 annual MD&A.

⁽⁶⁾ Common shareholders' equity is equal to Total shareholders' equity less Preferred shares and other equity instruments.

C. Profitability

The following table reconciles our Common shareholders' net income ("reported net income") and underlying net income. The table also sets out the impacts that other notable items had on our reported net income and underlying net income. All factors discussed in this document that impact our underlying net income are also applicable to reported net income.

(\$ millions, after-tax)	Quarterly results		
	Q1'22	Q4'21	Q1'21
Reported net income - Common shareholders	858	1,078	937
Less: Market-related impacts ⁽¹⁾	38	156	209
Assumption changes and management actions ⁽¹⁾	1	(19)	(4)
Other adjustments ⁽¹⁾	(24)	43	(118)
Underlying net income⁽²⁾	843	898	850
Reported ROE⁽²⁾	14.3%	18.0%	16.9%
Underlying ROE⁽²⁾	14.0%	15.0%	15.3%
Experience-related items attributable to reported and underlying net income⁽²⁾⁽³⁾			
Impacts of investment activity on insurance contract liabilities ("investing activity")	89	14	74
Credit	3	32	15
Mortality	(79)	(71)	(15)
Morbidity	(11)	(34)	39
Lapse and other policyholder behaviour ("policyholder behaviour")	(5)	(10)	(14)
Expenses	13	(47)	(21)
Other experience	(20)	(1)	(33)
Total of experience-related items⁽²⁾⁽³⁾	(10)	(117)	45

⁽¹⁾ Represents an adjustment made to arrive at a non-IFRS financial measure. For more details, see section M - Non-IFRS Financial Measures in this document for a breakdown of components within this adjustment, including pre-tax amounts.

⁽²⁾ Represents a non-IFRS financial measure. For more details, see section M - Non-IFRS Financial Measures in this document.

⁽³⁾ Experience-related items reflect the difference between actual experience during the reporting period and best estimate assumptions used in the determination of our insurance contract liabilities. Experience-related items are a part of the Sources of Earnings framework, and are calculated in accordance with OSFI Guideline D-9, Sources of Earnings Disclosures. Experience-related items from our India, China and Malaysia joint ventures and associates are recorded within other experience.

Quarterly Comparison - Q1 2022 vs. Q1 2021

Reported net income of \$858 million decreased \$79 million or 8%, driven by less favourable market-related impacts, partially offset by a Q1'21 restructuring charge and lower fair value changes on MFS' share-based payment awards.⁽¹⁾ Underlying net income of \$843 million⁽²⁾ was down slightly, driven by broad-based business growth, favourable expense experience and investment gains, offset by unfavourable mortality and morbidity experience, and lower AFS gains.

Impacts from COVID-19 were reflected in mortality and morbidity experience in the U.S., Canada and Asia, as well as new business strain in Hong Kong driven by lower sales. Foreign exchange translation led to a \$6 million decline in reported net income and underlying net income.

Reported ROE was 14.3% and underlying ROE was 14.0% (Q1'21 - 16.9% and 15.3%, respectively).

1. Market-related impacts

Market-related impacts resulted in an increase of \$38 million to reported net income, primarily driven by an increase in the value of real estate investments, partially offset by rising interest rates and equity markets. See section M - Non-IFRS Financial Measures in this document for more information of the components of market-related impacts.

2. Assumption changes and management actions

Due to the long-term nature of our business, we make certain judgments involving assumptions and estimates to value our obligations to policyholders. The valuation of these obligations is recorded in our financial statements as insurance contract liabilities and investment contract liabilities and requires us to make assumptions about equity market performance, interest rates, asset default, mortality and morbidity rates, policyholder behaviour, expenses and inflation and other factors over the life of our products. We review assumptions each year, generally in the third quarter, and revise these assumptions if appropriate. We consider our actual experience in current and past periods relative to our assumptions as part of our annual review.

The net impact of assumption changes and management actions was an increase of \$1 million to reported net income (Q1'21 - a decrease of \$4 million).

⁽¹⁾ MFS Investment Management ("MFS").

⁽²⁾ Refer to section M - Non-IFRS Financial Measures in this document for a reconciliation between reported net income and underlying net income.

3. Other adjustments

Other adjustments decreased reported net income \$24 million, compared to a decrease of \$118 million in the prior year, reflecting lower fair value changes on MFS' share-based payment awards in Asset Management. Q1'21 also included a restructuring charge of \$57 million in Corporate related to our strategy for our workspace and redefining the role of the office.

4. Experience-related items

The notable experience-related items for Q1'22 are as follows:

- Favourable investing activity gains reflecting wider credit spreads;
- Unfavourable mortality which included COVID-19-related experience;
- Unfavourable morbidity related to disability in Canada and the U.S., partially offset by U.S. medical stop-loss;
- Favourable expense experience, including lower long-term incentive compensation costs in Corporate; and
- Other experience was unfavourable and mainly included project spend in Corporate.

5. Income taxes

Our statutory tax rate is impacted by various tax benefits, such as lower taxes on income subject to tax in foreign jurisdictions, a range of tax-exempt investment income, and other sustainable tax benefits.

Our Q1'22 effective income tax rate⁽¹⁾ on reported net income and underlying net income was 23.1% and 15.4%, respectively (Q1'21 - 24.3% and 18.1%, respectively). Our effective tax rate on underlying net income in both periods was within our expected range of 15% to 20%. For additional information, refer to Note 9 in our Interim Consolidated Financial Statements for the period ended March 31, 2022.

6. Impacts of foreign exchange translation

The impacts of foreign exchange translation led to a \$6 million decline in reported net income and underlying net income.

D. Growth

1. Sales, Gross Flows and Value of New Business

(\$ millions)	Quarterly results		
	Q1'22	Q4'21	Q1'21
Insurance sales by business segment⁽¹⁾			
Canada	332	241	233
U.S.	148	1,020	154
Asia	319	345	343
Total insurance sales ⁽¹⁾	799	1,606	730
Wealth sales and gross flows by business segment⁽¹⁾			
Canada	4,939	5,676	4,435
Asia	3,521	4,046	3,296
Total wealth sales	8,460	9,722	7,731
Asset Management gross flows ⁽¹⁾	49,427	46,986	58,231
Total wealth sales and asset management gross flows ⁽¹⁾	57,887	56,708	65,962
Value of New Business⁽¹⁾	258	494	278

⁽¹⁾ Represents a non-IFRS financial measure. For more details, see section M - Non-IFRS Financial Measures in this document.

Total insurance sales increased \$69 million or 9% from prior year (\$75 million or 10%⁽²⁾, excluding foreign exchange translation).

- Canada insurance sales increased 42%, driven by large case group benefits sales in Sun Life Health.
- U.S. insurance sales decreased 4%⁽²⁾, reflecting a large employee benefits case sale in the prior year, largely offset by a 56% increase in medical stop-loss sales.
- Asia insurance sales decreased 5%⁽²⁾, reflecting lower sales in Hong Kong due to COVID-19 restrictions, partially offset by sales growth in India and Singapore.

⁽¹⁾ Our effective income tax rate on reported net income is calculated using Total income (loss) before income taxes, as detailed in Note 9 in our Interim Consolidated Financial Statements for the period ended March 31, 2022. Our effective income tax rate on underlying net income is calculated using pre-tax underlying net income, as detailed in section M - Non-IFRS Financial Measures, and the associated income tax expense.

⁽²⁾ This percentage change excludes the impacts of foreign exchange translation. For more information about these non-IFRS financial measures, see section M - Non-IFRS Financial Measures in this document.

Total wealth sales and asset management gross flows decreased \$8,075 million or 12% year-over-year (\$7,945 million or 12%, excluding foreign exchange translation).

- Canada wealth sales increased 11%, driven by defined contribution sales in Group Retirement Services ("GRS"), partially offset by individual wealth sales.
- Asia wealth sales increased 11%⁽¹⁾, driven by higher sales in the Philippines and India, partially offset by lower sales in Hong Kong from COVID-19-related impacts.
- Asset Management gross flows decreased 15%⁽¹⁾, reflecting lower retail gross flows in MFS and institutional gross flows in SLC Management.

Total VNB of \$258 million decreased 7% from prior year, driven by lower sales in Hong Kong, partially offset by strong sales and more profitable mix in Canada.

2. Assets Under Management

AUM consists of general funds, the investments for account of segregated fund holders ("segregated funds") and other AUM, which is comprised of other third-party assets managed by the Company.

(\$ millions)	Quarterly results				
	Q1'22	Q4'21	Q3'21	Q2'21	Q1'21
Assets under management⁽¹⁾					
General fund assets	196,685	205,374	197,948	195,689	190,072
Segregated funds	133,496	139,996	133,305	133,249	127,341
Other assets under management⁽¹⁾					
Retail ⁽²⁾	503,216	553,943	534,178	521,400	495,480
Institutional and managed funds ⁽²⁾	558,442	587,259	561,904	549,848	529,186
Consolidation adjustments and other	(39,686)	(41,844)	(41,016)	(39,495)	(37,833)
Total other AUM ⁽¹⁾	1,021,972	1,099,358	1,055,066	1,031,753	986,833
Total assets under management ⁽¹⁾	1,352,153	1,444,728	1,386,319	1,360,691	1,304,246

⁽¹⁾ Represents a non-IFRS financial measure. See section M - Non-IFRS Financial Measures in this document.

⁽²⁾ Effective January 1, 2022, these components were renamed to Retail and Institutional and managed funds. Previously, these components of Other AUM were referred to as Mutual funds and Managed funds, respectively, in our interim and annual MD&A.

AUM decreased \$92.6 billion or 6% from December 31, 2021, primarily driven by:

- unfavourable market movements on the value of segregated, retail, institutional and managed funds of \$72.9 billion;
- a decrease of \$11.9 billion from foreign exchange translation (excluding the impacts from general fund assets); and
- a decrease in AUM of general fund assets of \$8.7 billion.

General fund assets decreased \$8.7 billion or 4%, and segregated fund assets decreased \$6.5 billion or 5% from December 31, 2021.

Segregated, retail, institutional and managed fund net outflows of \$0.6 billion in Q1'22 were driven by net outflows of \$6.9 billion in MFS, partially offset by net inflows of \$4.9 billion in SLC Management and \$1.2 billion in Canada.

⁽¹⁾ This percentage change excludes the impacts of foreign exchange translation. For more information about these non-IFRS financial measures, see section M - Non-IFRS Financial Measures in this document.

E. Financial Strength

(\$ millions, unless otherwise stated)	Quarterly results				
	Q1'22	Q4'21	Q3'21	Q2'21	Q1'21
LICAT ratio⁽¹⁾					
Sun Life Financial Inc.	143%	145%	143%	147%	141%
Sun Life Assurance	123%	124%	124%	125%	124%
Financial leverage ratio⁽²⁾⁽³⁾	25.9%	25.5%	22.2%	24.7%	22.7%
Dividend					
Underlying dividend payout ratio ⁽²⁾	46%	43%	36%	37%	38%
Dividends per common share (\$)	0.660	0.660	0.550	0.550	0.550
Capital					
Subordinated debt ⁽³⁾	6,426	6,425	4,434	4,433	4,432
Innovative capital instruments ⁽⁴⁾	200	200	200	200	200
Participating policyholders' equity	1,704	1,700	1,596	1,535	1,418
Non-controlling interests	62	59	56	62	56
Preferred shares and other equity instruments	2,239	2,239	2,531	3,244	2,257
Common shareholders' equity ⁽⁵⁾	23,659	24,075	23,412	22,468	22,016
Total capital⁽³⁾	34,290	34,698	32,229	31,942	30,379

⁽¹⁾ Our LICAT ratios are calculated in accordance with OSFI-mandated guideline, Life Insurance Capital Adequacy Test.

⁽²⁾ Represents a non-IFRS financial measure. For more details, see section M - Non-IFRS Financial Measures in this document.

⁽³⁾ Includes \$2.0 billion of proceeds from the subordinated debt offerings completed in November 2021, of which \$1.5 billion is subject to contractual terms requiring us to redeem the underlying securities, in full, if the closing of the DentaQuest acquisition does not occur. These amounts will not qualify as LICAT capital until the acquisition closes.

⁽⁴⁾ Innovative capital instruments consist of SLEECs and qualify as regulatory capital. However, under IFRS they are reported as Senior debentures in our Consolidated Financial Statements. For additional information, see section I - Capital and Liquidity Management - 1 - Capital in our 2021 annual MD&A.

⁽⁵⁾ Common shareholders' equity is equal to Total shareholders' equity less Preferred shares and other equity instruments.

Life Insurance Capital Adequacy Test

The Office of the Superintendent of Financial Institutions has developed the regulatory capital framework referred to as the Life Insurance Capital Adequacy Test for Canada. LICAT measures the capital adequacy of an insurer using a risk-based approach and includes elements that contribute to financial strength through periods when an insurer is under stress as well as elements that contribute to policyholder and creditor protection wind-up.

SLF Inc. is a non-operating insurance company and is subject to the LICAT guideline. As of March 31, 2022, SLF Inc.'s LICAT ratio was 143%, 2% lower than December 31, 2021, reflecting unfavourable impacts from market movements and dividend payments, partially offset by reported net income and the favourable smoothing impact of the interest rate scenario switch in North America for participating businesses.

Sun Life Assurance, SLF Inc.'s principal operating life insurance subsidiary, is also subject to the LICAT guideline. As of March 31, 2022, Sun Life Assurance's LICAT ratio was 123%, 1% lower than December 31, 2021, reflecting dividend payments to SLF Inc. and unfavourable impacts from market movements, partially offset by reported net income and the favourable smoothing impact of the interest rate scenario switch in North America for participating businesses.

The Sun Life Assurance LICAT ratios in both periods are well above OSFI's supervisory ratio of 100% and regulatory minimum ratio of 90%.

Capital

Our total capital consists of subordinated debt and other capital instruments, participating policyholders' equity and total shareholders' equity which includes common shareholders' equity, preferred shares and other equity instruments, and non-controlling interests. As at March 31, 2022, our total capital was \$34.3 billion, in line with December 31, 2021.

Our capital and liquidity positions remain strong with a LICAT ratio of 143% at SLF Inc., a financial leverage ratio of 25.9%⁽¹⁾⁽²⁾ and \$4.7 billion in cash and other liquid assets⁽¹⁾⁽²⁾ as at March 31, 2022 in SLF Inc. (the ultimate parent company), and its wholly-owned holding companies (December 31, 2021- \$4.7 billion).

Subsequent Transactions

On April 5, 2022, we announced an expansion to our existing bancassurance partnership with PT Bank CIMB Niaga Tbk ("CIMB Niaga") in Indonesia, which also extends our existing agreement by six years to 2039. Under the new agreement, effective January 2025, Sun Life will be the provider of insurance solutions to CIMB Niaga customers across all distribution channels, accelerating our growth ambitions in the country.

⁽¹⁾ This is a non-IFRS financial measure. For more details, see section M - Non-IFRS Financial Measures in this document.

⁽²⁾ Includes \$2.0 billion of proceeds from the subordinated debt offerings completed in November 2021, of which \$1.5 billion is subject to contractual terms requiring us to redeem the underlying securities, in full, if the closing of the DentaQuest acquisition does not occur. These amounts will not qualify as LICAT capital until the acquisition closes.

F. Performance by Business Segment

(\$ millions)	Quarterly results		
	Q1'22	Q4'21	Q1'21
Reported net income (loss) - Common shareholders			
Canada	263	356	405
U.S.	169	85	211
Asset Management	308	140	230
Asia	161	446	198
Corporate	(43)	51	(107)
Total reported net income (loss) - Common shareholders	858	1,078	937
Underlying net income (loss)⁽¹⁾			
Canada	298	266	285
U.S.	118	72	171
Asset Management	326	382	291
Asia	152	130	159
Corporate	(51)	48	(56)
Total underlying net income (loss)⁽¹⁾	843	898	850

⁽¹⁾ Represents a non-IFRS financial measure. For more details, see section M - Non-IFRS Financial Measures in this document.

All factors discussed in this document that impact our underlying net income are also applicable to reported net income.

1. Canada

(\$ millions)	Quarterly results		
	Q1'22	Q4'21	Q1'21
Individual Insurance & Wealth	126	217	240
Sun Life Health ⁽¹⁾	56	65	57
Group Retirement Services	81	74	108
Reported net income - Common shareholders	263	356	405
Less: Market-related impacts ⁽²⁾	(26)	90	124
Assumption changes and management actions ⁽²⁾	(9)	2	(4)
Other ⁽²⁾⁽³⁾	—	(2)	—
Underlying net income⁽⁴⁾	298	266	285
Reported ROE (%)⁽⁴⁾	13.0%	17.5%	21.8%
Underlying ROE (%)⁽⁴⁾	14.8%	13.1%	15.3%
Insurance sales ⁽⁴⁾	332	241	233
Wealth sales ⁽⁴⁾	4,939	5,676	4,435

⁽¹⁾ Effective Q4 2021, we began reporting on the performance and results of Sun Life Health, which brings our Group Benefits business and Lumino Health platform together.

⁽²⁾ Represents an adjustment made to arrive at a non-IFRS financial measure. For more details, see section M - Non-IFRS Financial Measures in this document for a breakdown of components within this adjustment, including pre-tax adjustments.

⁽³⁾ Other adjustments to arrive at a non-IFRS financial measure include other items that are unusual or exceptional in nature. For more details, see section M - Non-IFRS Financial Measures in this document.

⁽⁴⁾ Represents a non-IFRS financial measure. For more details, see section M - Non-IFRS Financial Measures in this document.

Profitability

Quarterly Comparison - Q1 2022 vs. Q1 2021

Canada reported net income of \$263 million decreased \$142 million or 35%, primarily reflecting changes in interest rates and lower equity markets, partially offset by an increase in the value of real estate investments and an increase in underlying net income of \$13 million. Underlying net income of \$298 million increased 5%, driven by business growth and new business gains.

Experience in the quarter consisted of higher investment gains, partially offset by morbidity reflecting longer durations for disability claims, and unfavourable credit impacts.

Growth

Quarterly Comparison - Q1 2022 vs. Q1 2021

Canada insurance sales increased \$99 million or 42%. Individual insurance sales were \$112 million, an increase of \$7 million or 7%. Sun Life Health sales were \$220 million, an increase of \$92 million or 72%, driven by large case group benefits sales.

Canada wealth sales increased \$0.5 billion or 11%, driven by higher defined contribution sales in GRS, partially offset by lower individual wealth sales.

2. U.S.

(US\$ millions)	Quarterly results		
	Q1'22	Q4'21	Q1'21
Group Benefits	61	9	88
In-force Management	72	59	79
Reported net income - Common shareholders	133	68	167
Less: Market-related impacts ⁽¹⁾	37	33	34
Assumption changes and management actions ⁽¹⁾	7	(15)	(3)
Acquisition, integration and restructuring ⁽¹⁾	(4)	(6)	—
Underlying net income ⁽²⁾	93	56	136
Reported ROE (%) ⁽²⁾	17.6%	8.9%	24.0 %
Underlying ROE (%) ⁽²⁾	12.3%	7.3%	19.6%
After-tax profit margin for Group Benefits (%) ⁽²⁾⁽³⁾	4.9%	5.7%	8.1%
Insurance sales ⁽²⁾	116	809	121
(C\$ millions)			
Reported net income - Common shareholders	169	85	211
Less: Market-related impacts ⁽¹⁾	47	40	44
Assumption changes and management actions ⁽¹⁾	9	(19)	(4)
Acquisition, integration and restructuring ⁽¹⁾	(5)	(8)	—
Underlying net income ⁽²⁾	118	72	171

⁽¹⁾ Represents an adjustment made to arrive at a non-IFRS financial measure. For more details, see section M - Non-IFRS Financial Measures in this document for a breakdown of components within this adjustment, including pre-tax amounts.

⁽²⁾ Represents a non-IFRS financial measure. For more details, see section M - Non-IFRS Financial Measures in this document.

⁽³⁾ Based on underlying net income, on a trailing four-quarter basis. For more details, see section M - Non-IFRS Financial Measures in this document.

Profitability

Quarterly Comparison - Q1 2022 vs. Q1 2021

U.S. reported net income of US\$133 million (\$169 million) decreased US\$34 million (\$42 million) or 20%, reflecting a US\$43 million (\$53 million) decrease in underlying net income. Underlying net income of US\$93 million (\$118 million) decreased 32% (31%), driven by mortality and morbidity experience, partially offset by business growth.

In the first quarter, COVID-19 impacts of US\$30 million (\$39 million) were largely driven by elevated group life mortality. Earnings for the quarter also reflected higher long-term disability claims in Group Benefits, offset by higher medical stop-loss margins and investment gains.

The trailing four-quarter after-tax profit margin for Group Benefits was 4.9% as of Q1'22 (Q1'21 - 8.1%).

Growth

Quarterly Comparison - Q1 2022 vs. Q1 2021

U.S. insurance sales declined by US\$5 million or 4%, reflecting a large employee benefits case sale in the prior year, largely offset by a 56% increase in medical stop-loss sales.

3. Asset Management

	Quarterly results		
Asset Management (C\$ millions)	Q1'22	Q4'21	Q1'21
Reported net income - Common shareholders	308	140	230
Less: Fair value adjustments on MFS' share-based payment awards ⁽¹⁾	(3)	(47)	(44)
Acquisition, integration and restructuring ⁽¹⁾⁽²⁾⁽³⁾	(15)	(195)	(17)
Underlying net income ⁽⁴⁾	326	382	291
Assets under management (C\$ billions) ⁽⁴⁾	980.8	1,059.2	946.4
Gross flows (C\$ billions) ⁽⁴⁾	49.4	47.0	58.2
Net flows (C\$ billions) ⁽⁴⁾	(2.0)	8.3	10.3
MFS (C\$ millions)			
Reported net income - Common shareholders	289	295	236
Less: Fair value adjustments on MFS' share-based payment awards ⁽¹⁾	(3)	(47)	(44)
Underlying net income ⁽⁴⁾	292	342	280
Assets under management (C\$ billions) ⁽⁴⁾	796.1	875.2	786.5
Gross flows (C\$ billions) ⁽⁴⁾	40.7	34.9	45.4
Net flows (C\$ billions) ⁽⁴⁾	(6.9)	(1.5)	(0.4)
MFS (US\$ millions)			
Reported net income - Common shareholders	228	234	186
Less: Fair value adjustments on MFS' share-based payment awards ⁽¹⁾	(2)	(38)	(35)
Underlying net income ⁽⁴⁾	230	272	221
Pre-tax net operating margin ⁽⁴⁾	39%	43%	39%
Average net assets (US\$ billions) ⁽⁴⁾	647.1	680.6	619.3
Assets under management (US\$ billions) ⁽⁴⁾⁽⁵⁾	636.9	692.8	626.3
Gross flows (US\$ billions) ⁽⁴⁾	32.1	27.7	35.9
Net flows (US\$ billions) ⁽⁴⁾	(5.4)	(1.2)	(0.3)
Asset appreciation (depreciation) (US\$ billions)	(50.4)	36.9	16.3
S&P 500 Index (daily average)	4,467	4,596	3,861
MSCI EAFE Index (daily average)	2,214	2,309	2,200
SLC Management (C\$ millions)			
Reported net income - Common shareholders	19	(155)	(6)
Less: Acquisition, integration and restructuring ⁽¹⁾⁽²⁾⁽³⁾	(15)	(195)	(17)
Underlying net income ⁽⁴⁾	34	40	11
Fee-related earnings ⁽⁴⁾	54	60	39
Pre-tax fee-related earnings margin ⁽⁴⁾⁽⁶⁾	23%	22%	26%
Pre-tax net operating margin ⁽⁴⁾⁽⁶⁾	24%	22%	23%
Assets under management (C\$ billions) ⁽⁴⁾	184.7	183.9	159.9
Fee earning assets under management ("FE AUM") (C\$ billions) ⁽⁴⁾	146.1	147.9	125.9
Gross FE AUM inflows ⁽⁴⁾	8.2	13.5	7.8
Net FE AUM flows ⁽⁴⁾	5.6	11.5	5.8
Capital raising (C\$ billions) ⁽⁴⁾	5.7	6.6	9.4
Deployment (C\$ billions) ⁽⁴⁾	6.9	10.9	9.9

⁽¹⁾ Represents an adjustment made to arrive at a non-IFRS financial measure. For more details, see section M - Non-IFRS Financial Measures in this document for a breakdown of components within this adjustment, including pre-tax adjustments.

⁽²⁾ Amounts relate to acquisition costs for our SLC affiliates, BentallGreenOak, InfraRed Capital Partners and Crescent Capital Group LP, which include the unwinding of the discount for Other financial liabilities of \$16 million in Q1'22 (Q4'21 - \$15 million; Q1'21 - \$14 million).

⁽³⁾ Reflects the changes in estimated future payments for acquisition-related contingent considerations and options to purchase remaining ownership interests of SLC Management affiliates of \$153 million in Q4'21.

⁽⁴⁾ Represents a non-IFRS financial measure. For more details, see section M - Non-IFRS Financial Measures in this document.

⁽⁵⁾ Monthly information on AUM is provided by MFS in its Corporate Fact Sheet, which can be found at www.mfs.com/CorpFact. The Corporate Fact Sheet also provides MFS' U.S. GAAP assets and liabilities as at December 31, 2021.

⁽⁶⁾ Based on a trailing 12-month basis.

Profitability

Quarterly Comparison - Q1 2022 vs. Q1 2021

Asset Management reported net income of \$308 million increased \$78 million or 34%, driven by lower fair value changes on MFS' share-based payment awards and an increase in underlying net income of \$35 million. Underlying net income of \$326 million increased 12%, driven by higher results in MFS and SLC Management.

MFS reported net income of US\$228 million increased US\$42 million or 23%, driven by lower fair value changes on MFS' share-based payment awards. Underlying net income of US\$230 million increased US\$9 million or 4%, driven by higher ANA, partially offset by higher variable compensation expenses. Pre-tax net operating margin was 39%, consistent with prior year.

SLC Management reported net income of \$19 million increased \$25 million, largely reflecting an increase in underlying net income. Underlying net income of \$34 million increased \$23 million, mainly driven by higher fee-related earnings as a result of higher AUM, reflecting strong capital raising and deployment across the platform. The fee-related earnings margin⁽¹⁾ and the pre-tax net operating profit margin⁽¹⁾ for Q1'22 was 23% and 24%, respectively (Q1'21 - 26% and 23%, respectively).

Growth

Asset Management AUM decreased \$78.4 billion or 7% from December 31, 2021, reflecting asset value changes of \$75.5 billion, of which \$10.3 billion related to unfavourable foreign exchange translation.

MFS AUM decreased US\$55.9 billion or 8% from December 31, 2021, reflecting asset value changes of US\$50.4 billion and net outflows of US\$5.4 billion. In Q1'22, 97%, 72%, and 39% of MFS' U.S. retail fund assets ranked in the top half of their Morningstar categories based on ten-, five- and three-year performance, respectively.

SLC Management AUM was in line with December 31, 2021, as net inflows of \$4.9 billion were offset by asset value changes of \$3.3 billion and Client distributions of \$0.9 billion. Net inflows were comprised of capital raising and Client contributions, totaling \$8.8 billion, partially offset by outflows of \$3.8 billion.

SLC Management FE AUM was in line with December 31, 2021, as asset value changes of \$6.3 billion and Client distributions of \$1.2 billion, were largely offset by net inflows of \$5.6 billion. Net inflows were comprised of capital deployment and Client contributions, totaling \$8.2 billion, partially offset by outflows of \$2.6 billion.

4. Asia

(\$ millions)	Quarterly results		
	Q1'22	Q4'21	Q1'21
Local Markets	73	374	87
International Hubs	88	72	111
Reported net income - Common shareholders	161	446	198
Less: Market-related impacts ⁽¹⁾	9	23	36
Assumption changes and management actions ⁽¹⁾	1	(2)	3
Acquisition, integration and restructuring ⁽¹⁾⁽²⁾	(1)	295	—
Underlying net income (loss) ⁽³⁾	152	130	159
Reported ROE (%) ⁽³⁾	10.1%	27.7%	13.0%
Underlying ROE (%) ⁽³⁾	9.5%	8.0%	10.5%
Insurance sales ⁽³⁾	319	345	343
Wealth sales ⁽³⁾	3,521	4,046	3,296

⁽¹⁾ Represents an adjustment made to arrive at a non-IFRS financial measure. For more details, see section M - Non-IFRS Financial Measures in this document for a breakdown of components within this adjustment, including pre-tax amounts.

⁽²⁾ Reflects a realized gain of \$297 million on the Initial Public Offering of Aditya Birla Sun Life Asset Management Company in Q4'21.

⁽³⁾ Represents a non-IFRS financial measure. For more details, see section M - Non-IFRS Financial Measures in this document.

Profitability

Quarterly Comparison - Q1 2022 vs. Q1 2021

Asia reported net income of \$161 million decreased \$37 million or 19%, reflecting less favourable market-related impacts. Underlying net income of \$152 million decreased \$7 million or 4%, reflecting new business strain in Hong Kong largely driven by lower sales as a result of COVID-19 restrictions, partially offset by experience-related items.

Experience in the quarter included higher investment gains, partially offset by higher mortality mainly in International related to a small number of large claims. Foreign exchange translation led to a \$5 million decline in reported net income and underlying net income.

⁽¹⁾ Based on a trailing 12-month basis.

Growth

Quarterly Comparison - Q1 2022 vs. Q1 2021

Asia insurance sales decreased \$24 million or 7%⁽¹⁾, reflecting lower sales in Hong Kong due to COVID-19 restrictions, partially offset by sales growth in India and Singapore.

Asia wealth sales increased \$225 million or 7%⁽¹⁾, driven by higher sales in the Philippines and India, partially offset by lower sales in Hong Kong from COVID-19-related impacts.

5. Corporate

(\$ millions)	Quarterly results		
	Q1'22	Q4'21	Q1'21
UK	40	23	63
Corporate Support	(83)	28	(170)
Reported net income (loss) - Common shareholders	(43)	51	(107)
Less: Market-related impacts ⁽¹⁾	8	3	5
Assumption changes and management actions ⁽¹⁾	—	—	1
Acquisition, integration and restructuring ⁽¹⁾	—	—	(57)
Underlying net income (loss) ⁽²⁾	(51)	48	(56)

⁽¹⁾ Represents an adjustment made to arrive at a non-IFRS financial measure. For more details, see section M - Non-IFRS Financial Measures in this document for a breakdown of components within this adjustment, including pre-tax amounts.

⁽²⁾ Represents a non-IFRS financial measure. For more details, see section M - Non-IFRS Financial Measures in this document.

Profitability

Quarterly Comparison - Q1 2022 vs. Q1 2021

Corporate reported net loss of \$43 million improved \$64 million, as Q1'21 included a restructuring charge of \$57 million. Underlying net loss of \$51 million improved by \$5 million.

G. Investments

Total general fund invested assets of \$174.8 billion as at March 31, 2022, were down \$9.7 billion from December 31, 2021. The decrease was primarily due to declines in net fair value from rising interest rates, widening credit spreads, and impacts of foreign exchange translation. Our general fund invested assets are well-diversified across investment types, geographies and sectors with the majority of our portfolio invested in fixed income high-quality assets.

The following table sets out the composition of our general fund invested assets.⁽¹⁾

(\$ millions)	March 31, 2022		December 31, 2021	
	Carrying value	% of Total carrying value	Carrying value	% of Total carrying value
Cash, cash equivalents and short-term securities	10,525	6%	12,278	6%
Debt securities	81,203	46%	88,727	48%
Equity securities	8,289	5%	9,113	5%
Mortgages and loans	51,732	30%	51,692	28%
Derivative assets	1,451	1%	1,583	1%
Other invested assets	8,937	5%	8,759	5%
Policy loans	3,249	2%	3,261	2%
Investment properties	9,431	5%	9,109	5%
Total invested assets	174,817	100%	184,522	100%

⁽¹⁾ The values and ratios presented are based on the fair value of the respective asset categories. Generally, the carrying values for invested assets are equal to their fair values; however our mortgages and loans are generally carried at amortized cost. For invested assets supporting insurance contracts, in the event of default, if the amounts recovered are insufficient to satisfy the related insurance contract liability cash flows that the assets are intended to support, credit exposure may be greater than the carrying value of the assets.

⁽¹⁾ This percentage change excludes the impacts of foreign exchange translation. For more information about these non-IFRS financial measures, see section M - Non-IFRS Financial Measures in this document.

1. Debt Securities

Our debt securities portfolio is actively managed through a regular program of purchases and sales aimed at optimizing yield, quality and liquidity, while ensuring that it remains well-diversified and duration-matched to insurance contract liabilities. As at March 31, 2022, with the exception of certain countries where we have business operations, including Canada, the United States, the United Kingdom and the Philippines, our exposure to debt securities from any single country did not exceed 1% of total invested assets.

Debt Securities by Geography

The carrying value of fair value through profit or loss and AFS debt securities by geographic location is presented in the following table.

(\$ millions)	March 31, 2022				December 31, 2021			
	FVTPL debt securities	AFS debt securities	Total	% of Total	FVTPL debt securities	AFS debt securities	Total	% of Total
Debt securities by geography:								
Canada	29,859	5,303	35,162	43%	33,028	5,135	38,163	43%
United States	23,637	4,577	28,214	35%	26,678	4,552	31,230	35%
Europe	7,317	1,375	8,692	11%	8,289	1,337	9,626	11%
Asia	4,854	697	5,551	7%	5,249	622	5,871	7%
Other	2,531	1,053	3,584	4%	2,754	1,083	3,837	4%
Total debt securities	68,198	13,005	81,203	100%	75,998	12,729	88,727	100%

Our gross unrealized losses as at March 31, 2022 for FVTPL and AFS debt securities were \$3,030 million and \$606 million, respectively (December 31, 2021 - \$405 million and \$122 million, respectively). The increase in gross unrealized losses was largely due to the impact from rising interest rates.

Debt Securities by Credit Rating

Debt securities with a credit rating of "A" or higher represented 72% of the total debt securities as at March 31, 2022 (December 31, 2021 - 73%). Debt securities with a credit rating of "BBB" or higher represented 99% of total debt securities as at March 31, 2022, consistent with December 31, 2021.

2. Mortgages and Loans

Mortgages and loans are presented at their carrying value in our Interim Consolidated Financial Statements. Our mortgage portfolio consisted almost entirely of first mortgages and our loan portfolio consisted of private placement loans.

Mortgages and Loans by Geography

The carrying value of mortgages and loans by geographic location is presented in the following table.⁽¹⁾

(\$ millions)	March 31, 2022			December 31, 2021		
	Mortgages	Loans	Total	Mortgages	Loans	Total
Canada	9,732	12,804	22,536	9,569	12,885	22,454
United States	5,349	15,001	20,350	5,907	14,596	20,503
Europe	9	6,075	6,084	9	6,093	6,102
Asia	—	564	564	—	532	532
Other	—	2,198	2,198	—	2,101	2,101
Total mortgages and loans	15,090	36,642	51,732	15,485	36,207	51,692
% of Total Invested Assets	9%	21%	30%	8%	20%	28%

⁽¹⁾ The geographic location for mortgages is based on the location of the property and for loans it is based on the country of the creditor's parent.

As at March 31, 2022, we held \$15.1 billion of mortgages (December 31, 2021 - \$15.5 billion). Our mortgage portfolio consists entirely of commercial mortgages, including retail, office, multi-family, industrial and land properties. As at March 31, 2022, 37% of our commercial mortgage portfolio consisted of multi-family residential mortgages; there are no single-family residential mortgages. Our uninsured commercial portfolio had a weighted average loan-to-value ratio of approximately 57% as at March 31, 2022, consistent to December 31, 2021. While we generally limit the maximum loan-to-value ratio to 75% at issuance, we may invest in mortgages with a higher loan-to-value ratio in Canada if the mortgage is insured by the Canada Mortgage and Housing Corporation ("CMHC"). The estimated weighted average debt service coverage for our uninsured commercial portfolio is 1.74 times. Of the \$4.2 billion of multi-family residential mortgages in the Canadian commercial mortgage portfolio, 93% were insured by the CMHC.

As at March 31, 2022, we held \$36.6 billion of loans (December 31, 2021 - \$36.2 billion). Private placement loans provide diversification by type of loan, industry segment and borrower credit quality. The private placement loan portfolio consists of senior secured and unsecured loans to large- and mid-market corporate borrowers, securitized lease/loan obligations secured by a variety of assets, and project finance loans in sectors such as power and infrastructure.

Mortgages and Loans Past Due or Impaired

The gross carrying value and allowance for mortgages and loans past due or impaired are presented in the following table.

March 31, 2022						
(\$ millions)	Gross carrying value			Allowance for losses		
	Mortgages	Loans	Total	Mortgages	Loans	Total
Not past due	15,079	36,585	51,664	—	—	—
Past due:						
Past due less than 90 days	—	—	—	—	—	—
Past due 90 days or more	—	—	—	—	—	—
Impaired	91	140	231	80	83	163
Total	15,170	36,725	51,895	80	83	163

December 31, 2021						
(\$ millions)	Gross carrying value			Allowance for losses		
	Mortgages	Loans	Total	Mortgages	Loans	Total
Not past due	15,473	36,188	51,661	—	—	—
Past due:						
Past due less than 90 days	—	—	—	—	—	—
Past due 90 days or more	—	—	—	—	—	—
Impaired	92	71	163	80	52	132
Total	15,565	36,259	51,824	80	52	132

As at March 31, 2022, our impaired mortgages and loans, net of allowances for losses, were \$68 million (December 31, 2021 - \$31 million).

3. Derivative Financial Instruments

The values associated with our derivative instruments are presented in the following table. Notional amounts serve as the basis for payments calculated under derivatives contracts and are generally not exchanged.

(\$ millions)	March 31, 2022	December 31, 2021
Net fair value asset (liability)	(361)	191
Total notional amount	67,507	65,966
Credit equivalent amount ⁽¹⁾	1,111	1,179
Risk-weighted credit equivalent amount ⁽¹⁾	25	28

⁽¹⁾ Amounts presented are net of collateral received.

The net fair value of derivatives was a liability of \$361 million as at March 31, 2022 (December 31, 2021 - asset of \$191 million). The decrease in net fair value was primarily due to the impact from upward shifts in yield curves, partially offset by the strengthening of the Canadian dollar against the U.S. dollar on foreign exchange contracts.

The total notional amount of our derivatives increased to \$67.5 billion as at March 31, 2022 (December 31, 2021 - \$66.0 billion). The change in notional amount is mainly attributable to an increase in foreign exchange contracts used for hedging foreign currency assets.

4. Asset Default Provision

We make provisions for possible future credit events in the determination of our insurance contract liabilities. The amount of the provision for asset default included in insurance contract liabilities is based on possible reductions in future investment yields that vary by factors such as type of asset, asset credit quality (rating), duration and country of origin. To the extent that an asset is written off, or disposed of, any amounts that were set aside in our insurance contract liabilities for possible future asset defaults in respect of that asset are released.

Our asset default provision reflects the provision relating to future credit events for fixed income assets currently held by the Company that support our insurance contract liabilities. Our asset default provision as at March 31, 2022 was \$2,699 million (December 31, 2021 - \$2,992 million). The decrease of \$293 million was primarily due to yield curve movements and the release of provisions on fixed income assets supporting our insurance contract liabilities, partially offset by increases in the provisions for assets purchased net of dispositions.

A one-notch downgrade of 25% of our fixed income investment portfolio⁽¹⁾ would result in an increase in insurance contract liabilities from the changes in ratings of \$125 million post-tax and a decrease to our common shareholders' net income. This excludes the impact from the release of best estimate credit provision and fixed income investments not impacting shareholders net income, for example assets supporting participating policyholders. Of this total amount, approximately 60% related to our BBB portfolio.

⁽¹⁾ Excluding federal and provincial securities, asset-backed securities, mortgage-backed securities, and CMHC mortgages.

H. Risk Management

This section includes our disclosure on market risks and should be read in conjunction with our unaudited Interim Consolidated Financial Statements for the quarter ended March 31, 2022.

We have established a Risk Management Framework to assist in identifying, measuring, managing, monitoring and reporting risks. The Risk Management Framework covers all risks and these have been grouped into six major categories: market, insurance, credit, business and strategic, operational and liquidity risks. The impact of the COVID-19 pandemic is resulting in the potential for simultaneous adverse impacts across all six major risk categories, though the time horizon and magnitude of these impacts is uncertain at this time. For additional information, refer to sections B - Overview - 5 - COVID-19 and J - Risk Management - 9 - Risks relating to the COVID-19 Pandemic in the 2021 Annual MD&A.

Through our enterprise risk management processes, we oversee the various risk factors identified in the Risk Management Framework and provide reports to senior management and to the Board Committees at least quarterly. Our enterprise risk management processes and risk factors are described in our annual MD&A and AIF.

When referring to segregated funds in this section, it is inclusive of segregated fund guarantees, variable annuities and investment products and includes Run-off reinsurance in Corporate.

Market Risk Sensitivities

Our net income⁽¹⁾ is affected by the determination of policyholder obligations under our annuity and insurance contracts. These amounts are determined using internal valuation models and are recorded in our Consolidated Financial Statements, primarily as Insurance contract liabilities. The determination of these obligations requires management to make assumptions about the future level of equity market performance, interest rates, credit and swap spreads and other factors over the life of our products. Differences between our actual experience and our best estimate assumptions are reflected in our Consolidated Financial Statements. Refer to Additional Cautionary Language and Key Assumptions Related to Sensitivities in this section for important additional information regarding these estimates.

The market value of our investments in fixed income and equity securities fluctuates based on movements in interest rates and equity markets. The market value of fixed income assets designated as AFS that are held primarily in our surplus segment increases with declining interest rates and decreases with rising interest rates. The market value of equities designated as AFS and held primarily in our surplus segment increases with rising equity markets and decreases with declining equity markets. Changes in the market value of AFS assets flow through OCI and are only recognized in net income when realized upon sale, or when considered impaired. The sale or impairment of AFS assets held in surplus can therefore have the effect of modifying our net income sensitivity.

In Q1'22, we realized \$30 million (pre-tax), in net gains on the sale of AFS assets (Q1'21 - \$54 million). The net unrealized gains (losses) within our Accumulated OCI position on AFS fixed income and equity assets were \$(443) million and \$80 million, respectively, net of tax, as at March 31, 2022 (December 31, 2021 - \$137 million and \$129 million, respectively).

⁽¹⁾ Net income in section H - Risk Management in this document refers to common shareholders' net income.

1. Equity Market Sensitivities

The following table sets out the estimated immediate impact on, or sensitivity of, our net income and OCI and Sun Life Assurance's LICAT ratio to certain instantaneous changes in equity market prices as at March 31, 2022 and December 31, 2021.

It is important to note that these estimates are illustrative and performance of our segregated fund dynamic hedging program may differ as actual equity-related exposures vary from broad market indices (the impact of active management, basis risk, and other factors) and higher or lower volatility level than assumed.

(\$ millions, unless otherwise noted)		As at March 31, 2022			
Change in Equity Markets ⁽¹⁾	25% decrease	10% decrease	10% increase	25% increase	
Potential impact on net income ⁽²⁾⁽³⁾	\$ (450)	\$ (150)	\$ 150	\$ 350	
Potential impact on OCI ⁽³⁾	\$ (50)	\$ (50)	\$ 50	\$ 50	
Potential impact on LICAT ⁽²⁾⁽⁴⁾	1.0% point decrease	0.0% point change	0.0% point change	0.5% point increase	

(\$ millions, unless otherwise noted)		As at December 31, 2021			
Change in Equity Markets ⁽¹⁾	25% decrease	10% decrease	10% increase	25% increase	
Potential impact on net income ⁽²⁾⁽³⁾	\$ (400)	\$ (150)	\$ 150	\$ 350	
Potential impact on OCI ⁽³⁾	\$ (150)	\$ (50)	\$ 50	\$ 150	
Potential impact on LICAT ⁽²⁾⁽⁴⁾	0.5% point decrease	0.0% point change	0.0% point change	0.5% point increase	

⁽¹⁾ Represents the respective change across all equity markets as at March 31, 2022 and December 31, 2021. Assumes that actual equity exposures consistently and precisely track the broader equity markets. Since in actual practice equity-related exposures generally differ from broad market indices (due to the impact of active management, basis risk, and other factors), realized sensitivities may differ significantly from those illustrated above. Sensitivities include the impact of re-balancing equity hedges for dynamic hedging programs at 2% intervals (for 10% changes in equity markets) and at 5% intervals (for 25% changes in equity markets).

⁽²⁾ The market risk sensitivities include the estimated mitigation impact of our hedging programs in effect as at March 31, 2022 and December 31, 2021, and include new business added and product changes implemented prior to such dates.

⁽³⁾ Net income and OCI sensitivities have been rounded in increments of \$50 million. The sensitivities exclude the market impacts on the income from our joint ventures and associates, which we account for on an equity basis.

⁽⁴⁾ The LICAT sensitivities illustrate the impact on Sun Life Assurance as at March 31, 2022 and December 31, 2021. The sensitivities assume that a scenario switch does not occur in the quarter. LICAT ratios are rounded in increments of 0.5%.

2. Interest Rate Sensitivities

The following table sets out the estimated immediate impact on, or sensitivity of, our net income and OCI and Sun Life Assurance's LICAT ratio to certain instantaneous changes in interest rates as at March 31, 2022 and December 31, 2021.

Our LICAT sensitivities may be non-linear and can change due to the interrelationship between market rates and spreads, actuarial assumptions and our LICAT calculations.

(\$ millions, unless otherwise noted)		As at March 31, 2022		As at December 31, 2021	
Change in Interest Rates ⁽¹⁾	50 basis point decrease	50 basis point increase	50 basis point decrease	50 basis point increase	
Potential impact on net income ⁽²⁾⁽³⁾⁽⁴⁾	\$ (50)	\$ —	\$ (50)	\$ 50	
Potential impact on OCI ⁽³⁾	\$ 250	\$ (250)	\$ 250	\$ (250)	
Potential impact on LICAT ⁽²⁾⁽⁵⁾	1.5% point increase	2.0% point decrease	1.5% point increase	0.5% point decrease	

⁽¹⁾ Interest rate sensitivities assume a parallel shift in assumed interest rates across the entire yield curve as at March 31, 2022 and December 31, 2021 with no change to the Actuarial Standards Board ("ASB") promulgated URR. Variations in realized yields based on factors such as different terms to maturity and geographies may result in realized sensitivities being significantly different from those illustrated above. Sensitivities include the impact of re-balancing interest rate hedges for dynamic hedging programs at 10 basis point intervals (for 50 basis point changes in interest rates).

⁽²⁾ The market risk sensitivities include the estimated mitigation impact of our hedging programs in effect as at March 31, 2022 and December 31, 2021, and include new business added and product changes implemented prior to such dates.

⁽³⁾ Net income and OCI sensitivities have been rounded in increments of \$50 million. The sensitivities exclude the market impacts on the income from our joint ventures and associates, which we account for on an equity basis.

⁽⁴⁾ The majority of interest rate sensitivity, after hedging, is attributed to individual insurance products. We also have interest rate sensitivity, after hedging, from our fixed annuity and segregated funds products.

⁽⁵⁾ The LICAT sensitivities illustrate the impact on Sun Life Assurance as at March 31, 2022 and December 31, 2021. The sensitivities assume that a scenario switch does not occur in the quarter. LICAT ratios are rounded in increments of 0.5%.

The above sensitivities were determined using a 50 basis point change in interest rates and a 10% change in our equity markets because we believe that these market shocks were reasonably possible as at March 31, 2022. We have also disclosed the impact of a 25% change in equity markets to illustrate that significant changes in equity market levels may result in other than proportionate impacts on our sensitivities.

3. Credit Spread and Swap Spread Sensitivities

The credit spread sensitivities reflect the impact of changes in credit spreads on our asset and liability valuations (including non-sovereign fixed income assets, provincial governments, corporate bonds, and other fixed income assets). The swap spread sensitivities reflect the impact of changes in swap spreads on swap-based derivative positions and liability valuations.

The following table sets out the estimated immediate impact on, or sensitivity of, our net income and Sun Life Assurance's LICAT ratio attributable to certain instantaneous changes in credit and swap spreads as at March 31, 2022 and December 31, 2021.

(\$ millions, unless otherwise noted)	As at March 31, 2022		As at December 31, 2021	
	50 basis point decrease	50 basis point increase	50 basis point decrease	50 basis point increase
Change in Credit Spreads ⁽¹⁾				
Potential impact on net income ⁽²⁾	\$ (50)	\$ 25	\$ (75)	\$ 50
Potential impact on LICAT ⁽³⁾	0.5% point increase	0.5% point decrease	0.5% point decrease	0.5% point increase

⁽¹⁾ In most instances, credit spreads are assumed to revert to long-term insurance contract liability assumptions generally over a five-year period.

⁽²⁾ Sensitivities have been rounded in increments of \$25 million.

⁽³⁾ The LICAT sensitivities illustrate the impact on Sun Life Assurance as at March 31, 2022 and December 31, 2021. The sensitivities assume that a scenario switch does not occur in the quarter. LICAT ratios are rounded in increments of 0.5%.

(\$ millions, unless otherwise noted)	As at March 31, 2022		As at December 31, 2021	
	20 basis point decrease	20 basis point increase	20 basis point decrease	20 basis point increase
Change in Swap Spreads				
Potential impact on net income ⁽¹⁾	\$ 25	\$ (25)	\$ 25	\$ (25)

⁽¹⁾ Sensitivities have been rounded in increments of \$25 million.

The credit and swap spread sensitivities assume a parallel shift in the indicated spreads across the entire term structure. Variations in realized spread changes based on different terms to maturity, geographies, asset classes and derivative types, underlying interest rate movements, and ratings may result in realized sensitivities being significantly different from those provided above. The credit spread sensitivity estimates exclude any credit spread impact that may arise in connection with asset positions held in segregated funds. Spread sensitivities are provided for the consolidated entity and may not be proportional across all reporting segments. Refer to Additional Cautionary Language and Key Assumptions Related to Sensitivities in this section for important additional information regarding these estimates.

LICAT Interest Rate Scenario Switch

The LICAT interest rate risk is assessed under four different interest rate scenarios, and the scenario leading to the highest capital requirement is chosen as the worst scenario for each geographic region as defined by the LICAT guideline. Changes and interaction between the level and term movements in interest rates and credit spreads can shift the interest rate scenario applied in the LICAT calculation causing a discontinuity where capital requirements change materially. In 2020, OSFI updated the LICAT guideline for interest rate risk requirements for participating businesses to be smoothed over six quarters. As a result, the actual impact to the LICAT ratio from participating businesses in any quarter will reflect the scenarios from current quarter as well as the prior five quarters and switching between the scenarios would have the effect of offsetting the previous impacts over time. As per OSFI's communication, this new treatment will remain in place until at least December 31, 2023. It should be noted that switching of the scenario can also change the direction of credit spread sensitivities.

This quarter, Sun Life Assurance experienced a scenario switch, resulting in an increase in the LICAT ratio of approximately one percentage point. The remaining impact of three percentage points is expected to increase the LICAT ratio over the next five quarters, assuming no further scenario switches.

SLF Inc. did not switch interest rate scenario this quarter. The six-quarter smoothing resulted in an increase in the LICAT ratio of approximately one percentage point this quarter. The remaining impact of one percentage point is expected to increase the LICAT ratio over the next four quarters, assuming no further scenario switches.

4. General Account Insurance and Annuity Products

Most of our expected sensitivity to changes in interest rates and about three-quarters of our expected sensitivity to changes in equity markets are derived from our general account insurance and annuity products. We have implemented market risk management strategies to mitigate a portion of the market risk related to our general account insurance and annuity products.

Individual insurance products include universal life and other long-term life and health insurance products. Major sources of market risk exposure for individual insurance products include the reinvestment risk related to future premiums on regular premium policies, asset reinvestment risk on both regular premium and single premium policies and the guaranteed cost of insurance. Interest rate risk for individual insurance products is typically managed on a duration basis, within tolerance ranges set out in the applicable investment policy or guidelines. Targets and limits are established so that the level of residual exposure is commensurate with our risk appetite. Exposures are monitored frequently, and assets are re-balanced as necessary to maintain compliance within prescribed tolerances using a combination of assets and derivative instruments. A portion of the longer-term cash flows are backed with equities and real estate.

For participating insurance products and other insurance products with adjustability features, the investment strategy objective is to provide a total rate of return given a constant risk profile over the long term.

Fixed annuity products generally provide the policyholder with a guaranteed investment return or crediting rate. Interest rate risk for these products is typically managed on a duration basis, within tolerance ranges set out in the applicable investment guidelines. Targets and limits are established

so that the level of residual exposure is commensurate with our risk appetite. Exposures are monitored frequently, and assets are re-balanced as necessary to maintain compliance within prescribed tolerances using a combination of fixed income assets and derivative instruments.

Certain insurance and annuity products contain minimum interest rate guarantees. Market risk management strategies are implemented to limit potential financial loss due to reductions in asset earned rates relative to contract guarantees. These typically involve the use of hedging strategies utilizing interest rate derivatives such as interest rate floors, swaps and swaptions.

Certain insurance and annuity products contain features which allow the policyholders to surrender their policy at book value. Market risk management strategies are implemented to limit the potential financial loss due to changes in interest rate levels and policyholder behaviour. These typically involve the use of dynamic hedging strategies and the purchase of interest rate swaptions.

Certain products have guaranteed minimum annuitization rates. Market risk management strategies are implemented to limit the potential financial loss and typically involve the use of fixed income assets, interest rate swaps, and swaptions.

5. Segregated Fund Guarantees

Approximately one-quarter of our equity market sensitivity and a small amount of interest rate risk sensitivity as at March 31, 2022 are derived from segregated fund products. These products provide benefit guarantees, which are linked to underlying fund performance and may be triggered upon death, maturity, withdrawal or annuitization. The cost of providing these guarantees is uncertain and depends upon a number of factors including general capital market conditions, our hedging strategies, policyholder behaviour and mortality experience, each of which may result in negative impacts on net income and capital.

The following table provides information with respect to the guarantees provided for our segregated fund products by business group.

Segregated Fund Risk Exposures

As at March 31, 2022

(\$ millions)	Fund value	Amount at Risk ⁽¹⁾	Value of guarantees ⁽²⁾	Insurance contract liabilities ⁽³⁾
Canada	13,044	325	11,137	141
Asia	1,532	204	1,606	57
Corporate ⁽⁴⁾	2,472	151	867	168
Total	17,048	680	13,610	366

As at December 31, 2021

(\$ millions)	Fund value	Amount at Risk ⁽¹⁾	Value of guarantees ⁽²⁾	Insurance contract liabilities ⁽³⁾
Canada	13,751	183	11,210	350
Asia	1,728	166	1,711	69
Corporate ⁽⁴⁾	2,672	137	892	184
Total	18,151	486	13,813	603

⁽¹⁾ The Amount at Risk represents the excess of the value of the guarantees over fund values on all policies where the value of the guarantees exceeds the fund value. The Amount at Risk is not currently payable as the guarantees are only payable upon death, maturity, withdrawal or annuitization if fund values remain below guaranteed values.

⁽²⁾ For guaranteed lifetime withdrawal benefits, the value of guarantees is calculated as the present value of the maximum future withdrawals assuming market conditions remain unchanged from current levels. For all other benefits, the value of guarantees is determined assuming 100% of the claims are made at the valuation date.

⁽³⁾ The insurance contract liabilities represent management's provision for future costs associated with these guarantees and include a provision for adverse deviation in accordance with Canadian actuarial standards of practice.

⁽⁴⁾ Corporate includes Run-off reinsurance, a closed block of reinsurance. The Run-off reinsurance business includes risks assumed through reinsurance of variable annuity products issued by various North American insurance companies between 1997 and 2001.

The movement of the items in the table above from December 31, 2021 to March 31, 2022 primarily resulted from the following factors:

- (i) the total fund values decreased due to increases in interest rates and decreases in equity markets;
- (ii) the total amount at risk increased due to decreases in equity markets;
- (iii) the total value of guarantees decreased due to net redemptions from products closed to new business; and
- (iv) the total insurance contract liabilities decreased due to increases in interest rates.

6. Segregated Fund Hedging

Our hedging programs use derivative instruments to mitigate the interest and equity related exposure of our segregated fund contracts. As at March 31, 2022, over 90% of our segregated fund contracts, as measured by associated fund values, were included in a hedging program. While a large percentage of contracts are included in the hedging program, not all of our market risk exposure related to these contracts is hedged. For those segregated fund contracts included in the hedging program, we generally hedge the value of expected future net claims costs and associated margins.

The following table illustrates the impact of our hedging program related to our sensitivity to a 50 basis point decrease in interest rates and a 10% and 25% decrease in equity markets for segregated fund contracts as at March 31, 2022 and December 31, 2021.

It is important to note that these estimates are illustrative and performance of our segregated fund dynamic hedging program may differ as actual equity-related exposures vary from broad market indices (the impact of active management, basis risk, and other factors) and higher or lower volatility level than assumed.

Impact of Segregated Fund Hedging

March 31, 2022

(\$ millions)	Changes in interest rates ⁽³⁾		Changes in equity markets ⁽⁴⁾	
	50 basis point decrease	10% decrease	25% decrease	
Net income sensitivity ⁽¹⁾⁽²⁾				
Before hedging	(100)	(150)	(350)	
Hedging impact	100	100	250	
Net of hedging	—	(50)	(100)	

December 31, 2021

(\$ millions)	Changes in interest rates ⁽³⁾		Changes in equity markets ⁽⁴⁾	
	50 basis point decrease	10% decrease	25% decrease	
Net income sensitivity ⁽¹⁾⁽²⁾				
Before hedging	(150)	(150)	(350)	
Hedging impact	150	100	250	
Net of hedging	—	(50)	(100)	

⁽¹⁾ Net income sensitivities have been rounded in increments of \$50 million.

⁽²⁾ Since the fair value of benefits being hedged will generally differ from the financial statement value, this will result in residual volatility to interest rate and equity market shocks in net income and capital. The general availability and cost of these hedging instruments may be adversely impacted by a number of factors, including volatile and declining equity and interest rate market conditions.

⁽³⁾ Represents a parallel shift in assumed interest rates across the entire yield curve as at March 31, 2022 and December 31, 2021, with no change to the ASB promulgated URR. Variations in realized yields based on factors such as different terms to maturity and geographies may result in realized sensitivities being significantly different from those illustrated above. Sensitivities include the impact of re-balancing interest rate hedges for dynamic hedging programs at 10 basis point intervals (for 50 basis point changes in interest rates).

⁽⁴⁾ Represents the change across all equity markets as at March 31, 2022 and December 31, 2021. Assumes that actual equity exposures consistently and precisely track the broader equity markets. Since in actual practice equity-related exposures generally differ from broad market indices (due to the impact of active management, basis risk, and other factors), realized sensitivities may differ significantly from those illustrated above. Sensitivities include the impact of re-balancing equity hedges for dynamic hedging programs at 2% intervals (for 10% changes in equity markets) and at 5% intervals (for 25% changes in equity markets).

Our hedging strategy is applied both at the line of business or product level and at the Company level using a combination of dynamic hedging techniques (i.e., frequent re-balancing of short-dated interest rate and equity derivative contracts) and longer-dated put options. We actively monitor our overall market exposure and may implement tactical hedge overlay strategies in order to align expected earnings sensitivities with risk management objectives.

7. Real Estate Risk

Real estate risk is the potential for financial loss arising from fluctuations in the value of, or future cash flows from, our investments in real estate. We are exposed to real estate risk and may experience financial losses resulting from the direct ownership of real estate investments or indirectly through fixed income investments secured by real estate property, leasehold interests, ground rents, and purchase and leaseback transactions. Real estate price risk may arise from external market conditions, inadequate property analysis, inadequate insurance coverage, inappropriate real estate appraisals, or from environmental risk exposures. We hold direct real estate investments that support general account liabilities and surplus, and fluctuations in value will impact our profitability and financial position. A material and sustained increase in interest rates may lead to deterioration in real estate values. An instantaneous 10% decrease in the value of our direct real estate investments as at March 31, 2022 would decrease net income⁽¹⁾ by approximately \$375 million (December 31, 2021 - decrease of \$375 million). Conversely, an instantaneous 10% increase in the value of our direct real estate investments as at March 31, 2022 would increase net income by approximately \$375 million (December 31, 2021 - increase of \$350 million).

⁽¹⁾ Sensitivities have been rounded in increments of \$25 million.

8. Additional Cautionary Language and Key Assumptions Related to Sensitivities

The market risk sensitivities are measures of estimated changes in net income and OCI for changes in interest rates and equity market price levels described above, based on interest rates, equity market prices and business mix in place as at the respective calculation dates. These sensitivities are calculated independently for each risk factor, generally assuming that all other risk variables stay constant. The sensitivities do not take into account indirect effects such as potential impacts on goodwill impairment or valuation allowances on deferred tax assets. The sensitivities are provided for the consolidated entity and may not be proportional across all reporting segments. Actual results can differ materially from these estimates for a variety of reasons, including differences in the pattern or distribution of the market shocks, the interaction between these risk factors, model error, or changes in other assumptions such as business mix, effective tax rates, policyholder behaviour, currency exchange rates and other market variables relative to those underlying the calculation of these sensitivities. The extent to which actual results may differ from the indicative ranges will generally increase with larger capital market movements. Our sensitivities as at December 31, 2021 have been included for comparative purposes only.

We have also provided measures of our net income sensitivity to instantaneous changes in credit spreads, swap spreads, real estate price levels, and capital sensitivities to changes in interest rates and equity price levels. The real estate sensitivities are non-IFRS financial measures. For additional information, see section M - Non-IFRS Financial Measures in this document. The cautionary language which appears in this section is also applicable to the credit spread, swap spread, real estate, and LICAT ratio sensitivities. In particular, these sensitivities are based on interest rates, credit and swap spreads, equity market, and real estate price levels as at the respective calculation dates and assume that all other risk variables remain constant. Changes in interest rates, credit and swap spreads, equity market, and real estate prices in excess of the ranges illustrated may result in other-than-proportionate impacts.

As these market risk sensitivities reflect an instantaneous impact on net income, OCI and Sun Life Assurance's LICAT ratio, they do not include impacts over time such as the effect on fee income in our asset management businesses.

The sensitivities reflect the composition of our assets and liabilities as at March 31, 2022 and December 31, 2021, respectively. Changes in these positions due to new sales or maturities, asset purchases/sales, or other management actions could result in material changes to these reported sensitivities. In particular, these sensitivities reflect the expected impact of hedging activities based on the hedge programs in place as at the respective calculation dates. The actual impact of hedging activity can differ materially from that assumed in the determination of these indicative sensitivities due to ongoing hedge re-balancing activities, changes in the scale or scope of hedging activities, changes in the cost or general availability of hedging instruments, basis risk (i.e., the risk that hedges do not exactly replicate the underlying portfolio experience), model risk, and other operational risks in the ongoing management of the hedge programs or the potential failure of hedge counterparties to perform in accordance with expectations.

The sensitivities are based on methods and assumptions in effect as at March 31, 2022 and December 31, 2021, as applicable. Changes in the regulatory environment, accounting or actuarial valuation methods, models, or assumptions (including changes to the ASB promulgated URR) after those dates could result in material changes to these reported sensitivities. Changes in interest rates and equity market prices in excess of the ranges illustrated may result in other than proportionate impacts.

Our hedging programs may themselves expose us to other risks, including basis risk, volatility risk, and increased levels of derivative counterparty credit risk, liquidity risk, model risk and other operational risks. These factors may adversely impact the net effectiveness, costs, and financial viability of maintaining these hedging programs and therefore adversely impact our profitability and financial position. While our hedging programs are intended to mitigate these effects, residual risk, potential reported earnings and capital volatility remain. Hedge counterparty credit risk is managed by maintaining broad diversification, dealing primarily with highly-rated counterparties, and transacting through over-the-counter ("OTC") contracts cleared through central clearing houses, exchange-traded contracts or bilateral OTC contracts negotiated directly between counterparties that include credit support annexes.

For the reasons outlined above, our sensitivities should only be viewed as directional estimates of the underlying sensitivities of each factor under these specialized assumptions, and should not be viewed as predictors of our future net income, OCI, and capital. Given the nature of these calculations, we cannot provide assurance that actual impacts will be consistent with the estimates provided.

Information related to market risk sensitivities and guarantees related to segregated fund products should be read in conjunction with the information contained in section M - Accounting and Control Matters - 1 - Critical Accounting Policies and Estimates in our 2021 annual MD&A. Additional information on market risk can be found in Note 6 of our 2021 Annual Consolidated Financial Statements and the Risk Factors section in the 2021 AIF.

I. Additional Financial Disclosure

1. Revenue

(\$ millions)	Quarterly results		
	Q1'22	Q4'21	Q1'21
Premiums			
Gross	5,910	6,994	5,731
Less: Ceded	619	618	605
Net premiums	5,291	6,376	5,126
Net investment income (loss)			
Interest and other investment income	1,391	1,959	1,395
Fair value ⁽¹⁾ and foreign currency changes on assets and liabilities	(8,312)	2,525	(6,946)
Net gains (losses) on available-for-sale assets	30	5	54
Net Investment income (loss)	(6,891)	4,489	(5,497)
Fee income	1,980	2,130	1,885
Total revenue	380	12,995	1,514

⁽¹⁾ Represents the change in FVTPL assets and liabilities.

Revenue decreased \$1,134 million or 75% in Q1'22 compared to Q1'21, primarily due to higher net investment losses driven by rising interest rates and widening credit spreads. Foreign exchange translation led to a \$6 million increase in revenue.

2. Changes in the Statements of Financial Position and in Shareholders' Equity

Total general fund assets of \$196.7 billion were down \$8.7 billion from December 31, 2021, largely reflecting a decline in the fair value of assets.

Insurance contract liabilities balances before Other policy liabilities of \$131.3 billion were down \$8.4 billion from December 31, 2021, mainly due to changes in balances on in-force policies (which include fair value changes on FVTPL assets supporting insurance contract liabilities).

Total shareholders' equity, including preferred share capital of \$25.9 billion was down \$0.4 billion from December 31, 2021, reflecting:

- (i) net unrealized losses on AFS assets in OCI of \$628 million;
- (ii) common share dividend payments of \$387 million; and
- (iii) a decrease of \$272 million from the impacts of foreign exchange translation; partially offset by
- (iv) total shareholders' net income of \$876 million, before preferred share dividends of \$18 million.

As at April 29, 2022, SLF Inc. had 586,072,647 common shares, 3,673,118 options to acquire SLF Inc. common shares, and 52,200,000 Class A Shares outstanding.

3. Cash Flows

(\$ millions)	Quarterly results		
	Q1'22	Q4'21	Q1'21
Net cash and cash equivalents, beginning of period	7,693	8,237	10,648
Cash flows provided by (used in):			
Operating activities	(471)	(2,000)	(1,013)
Investing activities	(52)	267	(813)
Financing activities	(354)	1,202	(555)
Changes due to fluctuations in exchange rates	(64)	(13)	(63)
Increase (decrease) in cash and cash equivalents	(941)	(544)	(2,444)
Net cash and cash equivalents, end of period	6,752	7,693	8,204
Short-term securities, end of period	3,767	4,452	2,614
Net cash, cash equivalents and short-term securities, end of period	10,519	12,145	10,818

Our operating activities generate cash flows which include net premium revenue, net investment income, fee income, and the sale and maturity of investments. They are the principal source of funds to pay for policyholder claims and benefits, commissions, operating expenses, and the purchase of investments. Cash flows used in investing activities primarily include transactions related to associates, joint ventures and acquisitions. Cash flows provided by and used in financing activities largely reflect capital transactions including payments of dividends, the issuance and repurchase of shares, as well as the issuance and retirement of debt instruments and preferred shares.

Q1'22 cash outflows provided by financing activities decreased year-over-year, as Q1'21 included the redemption of senior debentures.

4. Quarterly Financial Results

The following table provides a summary of our results for the eight most recently completed quarters. A more complete discussion of our historical quarterly results can be found in our Interim and Annual MD&A for the relevant periods.

(\$ millions, unless otherwise noted)	Quarterly results							
	Q1'22	Q4'21	Q3'21	Q2'21	Q1'21	Q4'20	Q3'20	Q2'20
Total revenue	380	12,995	8,510	12,669	1,514	11,649	10,032	15,186
Common shareholders' net income (loss)								
Reported net income	858	1,078	1,019	900	937	744	750	519
Less: Market-related impacts ⁽¹⁾	38	156	171	91	209	20	(1)	(187)
Assumption changes and management actions ⁽¹⁾	1	(19)	95	2	(4)	(42)	(53)	5
Other adjustments ⁽¹⁾	(24)	43	(149)	(76)	(118)	(96)	(38)	(38)
Underlying net income ⁽²⁾	843	898	902	883	850	862	842	739
Diluted EPS (\$)								
Reported	1.46	1.83	1.74	1.53	1.59	1.27	1.28	0.88
Underlying ⁽²⁾	1.44	1.53	1.54	1.50	1.45	1.47	1.44	1.26
Basic reported EPS (\$)								
Reported	1.46	1.84	1.74	1.54	1.60	1.27	1.28	0.89
Reported net income (loss) by segment - Common shareholders								
Canada	263	356	393	404	405	255	387	117
U.S.	169	85	46	157	211	88	(113)	118
Asset Management	308	140	301	221	230	267	251	223
Asia	161	446	288	143	198	132	236	126
Corporate	(43)	51	(9)	(25)	(107)	2	(11)	(65)
Total reported net income (loss) - Common shareholders	858	1,078	1,019	900	937	744	750	519
Less: Market-related impacts (pre-tax) ⁽¹⁾	193	153	231	85	380	(65)	(49)	(436)
ACMA (pre-tax) ⁽¹⁾	1	(23)	93	2	(6)	(60)	(91)	3
Other adjustments (pre-tax) ⁽¹⁾⁽³⁾	(26)	67	(179)	(64)	(144)	(109)	(42)	(37)
Tax expense (benefit) on above items ⁽³⁾	(153)	(17)	(28)	(6)	(143)	116	90	250
Underlying net income (loss) by segment⁽²⁾								
Canada	298	266	290	290	285	243	293	281
U.S.	118	72	110	165	171	148	136	123
Asset Management	326	382	362	311	291	333	294	259
Asia	152	130	145	152	159	116	164	144
Corporate	(51)	48	(5)	(35)	(56)	22	(45)	(68)
Total underlying net income (loss) ⁽²⁾	843	898	902	883	850	862	842	739

⁽¹⁾ Represents an adjustment made to arrive at a non-IFRS financial measure. For more details, see section M - Non-IFRS Financial Measures in this document for a breakdown of components within this adjustment.

⁽²⁾ Represents a non-IFRS financial measure. For more details, see section M - Non-IFRS Financial Measures in this document.

⁽³⁾ Effective January 1, 2022, there was a change in presentation for the fair value adjustments on MFS' share-based payment awards. We have updated prior periods to reflect this change in presentation. The post-tax basis presentation was not affected.

Fourth Quarter 2021

Q4'21 reported net income of \$1,078 million increased \$334 million or 45% compared to the prior year, driven by a \$297 million gain on the Initial Public Offering of our India asset management joint venture and an increase in the value of our real estate investments, partially offset by a \$153 million increase in SLC Management's acquisition-related liabilities. Underlying net income of \$898 million increased \$36 million or 4%, driven by broad-based business growth across our pillars, with particular strength in asset management and wealth. Underlying net income also benefited from a lower effective tax rate in the quarter, largely offset by \$113 million of ongoing COVID-19-related mortality and morbidity experience. Foreign exchange translation led to a decline of \$33 million in reported net income and \$22 million in underlying net income.

Third Quarter 2021

Q3'21 reported net income of \$1,019 million increased \$269 million or 36% compared to the prior year, driven by favourable market-related impacts from changes in the fair value of investment properties, and ACMA, partially offset by a par allocation adjustment. Underlying net income of \$902 million increased by \$60 million or 7%, driven by business growth, favourable credit experience and higher tax-exempt investment income. This was partially offset by morbidity and expense experience, and the unfavourable impacts of foreign exchange translation. Mortality experience was elevated in the U.S. and Asia, but relatively in line with the prior year. During the Q3'21, the impacts of foreign exchange translation led to a decline of \$41 million in reported net income and \$36 million in underlying net income.

Second Quarter 2021

Q2'21 reported net income increased by \$381 million compared to the prior year, driven by favourable market-related impacts, primarily from changes in interest rates. Underlying net income increased by \$144 million or 19%, driven by business growth, a lower effective tax rate, and favourable credit experience. These factors were partially offset by the unfavourable impacts of foreign exchange translation, lower investing activity and unfavourable expense experience. During Q2'21, the impacts of foreign exchange translation decreased reported net income and underlying net income by \$70 million and \$75 million, respectively.

First Quarter 2021

Q1'21 reported net income increased by \$546 million compared to the prior year, driven by market-related impacts, reflecting favourable equity markets and interest rate changes, partially offset by unfavourable credit spread movements. This was partially offset by higher fair value adjustments on MFS' share-based payment awards and higher restructuring costs. An after-tax restructuring charge of \$57 million was recorded in Q1'21 that related to our strategy for our workspace and redefining the role of the office. Underlying net income increased by \$80 million or 10%, driven by business growth, favourable morbidity experience in the U.S. and favourable credit experience in Canada, partially offset by lower investing activity gains in Canada and the U.S. During Q1'21, the impacts of foreign exchange translation decreased reported net income and underlying net income by \$33 million and \$31 million, respectively.

Fourth Quarter 2020

Q4'20 reported net income increased by \$25 million or 3% compared to the prior year, driven by the change in underlying net income of \$70 million, partially offset by unfavourable ACMA impacts in the U.S. and higher fair value adjustments on MFS' share-based payment awards. Underlying net income increased driven by business growth, favourable morbidity experience related to Canada and the U.S., partially offset by lower investing activity reflecting losses in Canada in the current quarter due to asset repositioning, lower AFS gains reflecting an impairment in Asia, and less favourable credit experience in Asia and the U.S. Across the Company, mortality experience was in line with the prior year, as unfavourable experience in Canada was offset by favourable experience in Corporate. Furthermore, in the U.S., the unfavourable impact of COVID-19 claims in 2020 was comparable to the impacts of large case claims in In-force Management in Q4'19.

Third Quarter 2020

Q3'20 reported net income was \$750 million increased by \$69 million or 10% compared to the prior year, driven by favourable market-related impacts and lower acquisition costs, partially offset by unfavourable ACMA and fair value adjustments on MFS' share-based payment awards. Favourable market-related impacts were predominantly driven by interest rates and the rise in equity markets, partially offset by changes in the fair value of investment properties. Underlying net income was \$842 million in Q3'20, an increase of \$33 million or 4%, driven by business growth, favourable results in GB in Canada, favourable morbidity experience in the U.S., higher new business gains and higher investing activity, partially offset by tax matters that were favourable in Q3'19, unfavourable credit experience, lower net investment returns on surplus, unfavourable mortality experience and lower available-for-sale gains.

Second Quarter 2020

Q2'20 reported net income decreased by \$76 million or 13% compared to the prior year, reflecting unfavourable market-related impacts and impacts from fair value adjustments on MFS' share-based payments, partially offset by ACMA. Unfavourable market-related impacts reflected interest rate impacts and changes in the fair value of investment properties, partially offset by equity market impacts. Underlying net income was in line with the prior year, with positive impacts from business growth, investing activity, morbidity experience and higher net investment returns on surplus, largely offset by unfavourable tax impacts, credit experience and expense experience.

J. Legal and Regulatory Proceedings

Information concerning legal and regulatory matters is provided in our Annual Consolidated Financial Statements, our annual MD&A, and the AIF, in each case for the year ended December 31, 2021, and in our Interim Consolidated Financial Statements for the period ended March 31, 2022.

Sun Life is subject to regulation and supervision by government authorities in the jurisdictions in which it does business. Various regulators have introduced new measures or adjustments to respond to the evolving situation with the COVID-19 pandemic. OSFI, which supervises the activities of Sun Life, has announced various measures to support the resilience of the financial institutions that it regulates. On March 13, 2020, OSFI set an expectation for all federally regulated financial institutions that dividend increases and share buybacks should be halted for the time being. On November 4, 2021, OSFI lifted this restriction on the basis that these restrictions were no longer considered necessary and Sun Life has subsequently increased its dividend. On April 9, 2020, OSFI announced a smoothing mechanism to LICAT interest rate risk requirements to reduce increased and unwarranted volatility in required capital. As per OSFI's communication, this new treatment will remain in place until at least December 31, 2023.

In the U.S., the National Association of Insurance Commissioners issued guidance to U.S. insurers on March 27, 2020 encouraging insurers to work with borrowers who may be unable to meet obligations because of the effects of the COVID-19 pandemic and on April 15, 2020 adopted interpretations of statutory accounting principles applicable to U.S. insurers related to, among other things, direct mortgage loans and Schedule BA mortgages. This guidance expired at the end of the December 31, 2021 reporting period and no longer has an impact on Sun Life for the 2022 reporting period.

K. Changes in Accounting Policies

We have adopted several amended IFRS standards in the current year. The adoption of these amendments had no material impact on our Consolidated Financial Statements. For additional information, refer to Note 2 in our Interim Consolidated Financial Statements for the period ended March 31, 2022.

L. Internal Control Over Financial Reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting to provide reasonable assurance regarding the reliability of the Company's financial reporting and the preparation of its financial statements in accordance with IFRS.

There were no changes in the Company's internal control over financial reporting during the period, which began on January 1, 2022 and ended on March 31, 2022 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

M. Non-IFRS Financial Measures

1. Underlying Net Income and Underlying EPS

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 document refer to fully diluted EPS, unless otherwise stated. As noted below, underlying EPS excludes the dilutive impacts of convertible instruments.

Underlying EPS (diluted). This measure is used in comparing the profitability across multiple periods and is calculated by dividing underlying net income by weighted average common shares outstanding for diluted EPS, excluding the dilutive impact of convertible instruments. For additional information about the underlying net income, see above. For additional information about the composition of the EPS, please refer to Note 26 of our 2021 Annual Consolidated Financial Statements. For additional information about the SLEECs, please refer to Note 13 of our 2021 Annual Consolidated Financial Statements.

The following table sets out the post-tax amounts that were excluded from our underlying net income (loss) and underlying EPS and provides a reconciliation to our reported net income (loss) and EPS based on IFRS.

Reconciliations of Select Net Income Measures

(\$ millions, unless otherwise noted)	Quarterly results		
	Q1'22	Q4'21	Q1'21
Reported net income - Common shareholders	858	1,078	937
Market-related impacts			
Equity market impacts			
Impacts from equity market changes	(24)	97	67
Basis risk impacts	22	10	5
Equity market impacts	(2)	107	72
Interest rate impacts ⁽¹⁾			
Impacts of interest rate changes	(57)	(35)	161
Impacts of credit spread movements	40	3	(8)
Impacts of swap spread movements	(13)	(4)	(12)
Interest rate impacts	(30)	(36)	141
Impacts of changes in the fair value of investment properties	70	85	(4)
Less: Market-related impacts	38	156	209
Less: Assumption changes and management actions	1	(19)	(4)
Other adjustments			
Fair value adjustments on MFS' share-based payment awards	(3)	(47)	(44)
Acquisition, integration and restructuring ⁽²⁾⁽³⁾⁽⁴⁾⁽⁵⁾	(21)	90	(74)
Less: Total of other adjustments	(24)	43	(118)
Underlying net income	843	898	850
Reported EPS (diluted) (\$)	1.46	1.83	1.59
Less: Market-related impacts (\$)	0.06	0.26	0.37
Assumption changes and management actions (\$)	—	(0.03)	(0.01)
Fair value adjustments on MFS' share-based payment awards (\$)	—	(0.08)	(0.08)
Acquisition, integration and restructuring (\$)	(0.04)	0.15	(0.13)
Impact of convertible securities on diluted EPS (\$)	—	—	(0.01)
Underlying EPS (diluted) (\$)	1.44	1.53	1.45

⁽¹⁾ Our exposure to interest rates varies by product type, line of business, and geography. Given the long-term nature of our business, we have a higher degree of sensitivity in respect of interest rates at long durations.

⁽²⁾ Amounts relate to acquisition costs for our SLC affiliates, BentallGreenOak, InfraRed Capital Partners and Crescent Capital Group LP, which include the unwinding of the discount for Other financial liabilities of \$16 million in Q1'22 (Q4'21 - \$15 million; Q1'21 - \$14 million).

⁽³⁾ The restructuring charge of \$57 million in Q1'21 related to our strategy for our workspace and redefining the role of the office.

⁽⁴⁾ Reflects the changes in estimated future payments for acquisition-related contingent considerations and options to purchase remaining ownership interests of SLC Management affiliates of \$153 million in Q4'21.

⁽⁵⁾ Reflects a realized gain of \$297 million on the Initial Public Offering of Aditya Birla Sun Life Asset Management Company in Q4'21.

The following table shows the pre-tax amount of underlying net income adjustments:

(\$ millions, unless otherwise noted)	Quarterly results		
	Q1'22	Q4'21	Q1'21
Reported net income - Common shareholders (after-tax)	858	1,078	937
Underlying net income adjustments (pre-tax):			
Less: Market-related impacts	193	153	380
Assumption changes and management actions	1	(23)	(6)
Other adjustments ⁽¹⁾	(26)	67	(144)
Total underlying net income adjustments (pre-tax)	168	197	230
Less: Taxes related to underlying net income adjustments ⁽¹⁾	(153)	(17)	(143)
Underlying net income (after-tax)	843	898	850

⁽¹⁾ Effective January 1, 2022, there was a change in presentation for the fair value adjustments on MFS' share-based payment awards. We have updated prior periods to reflect this change in presentation. The post-tax basis presentation was not affected.

Taxes related to underlying net income adjustments may vary from the expected effective tax rate range reflecting the mix of business based on the Company's international operations.

2. Additional Non-IFRS Financial Measures

Management also uses the following non-IFRS financial measures:

After-tax profit margin for U.S. Group Benefits. This ratio expresses U.S. Group Benefits underlying net income as a percentage of net premiums. It assists in explaining our results from period to period and measures profitability. This ratio is calculated by dividing underlying net income (loss) by net premiums for the trailing four quarters. There is no directly comparable IFRS measure.

Assets under management. AUM is a non-IFRS financial measure that indicates the size of our company's asset management, wealth, and insurance assets. There is no standardized financial measure under IFRS. In addition to the most directly comparable IFRS measures, which are the balance of General funds and Segregated funds on our Statements of Financial Position, AUM also includes Other AUM.

Assumption changes and management actions. In this document the impacts of ACMA on shareholders' net income (after-tax) is included in reported net income and is excluded from underlying net income, as described in section C - Profitability in this document. See section D - Profitability - 2 - Assumption changes and management actions in the 2021 Annual MD&A for details on ACMA.

Note 5.A of the Interim Consolidated Financial Statements for the period ended March 31, 2022 shows the pre-tax impacts of method and assumption changes on shareholders' and participating policyholders' insurance contract liabilities net of reinsurance assets, excluding changes in other policy liabilities and assets. The view in this document of ACMA is the impacts on shareholders' reported net income (after-tax). The Consolidated Financial Statements view is a component of the change in total company liabilities.

The following table provides a reconciliation of the differences between the two measures.

(\$ millions)	Quarterly results		
	Q1'22	Q4'21	Q1'21
Impacts of method and assumption changes on insurance contract liabilities (pre-tax)	5	1	(8)
Less: Participating policyholders ⁽¹⁾	4	—	(4)
Impacts of method and assumption changes excluding participating policyholders (pre-tax)	1	1	(4)
Less: Tax	—	—	(2)
Impacts of method and assumption changes excluding participating policyholders (after-tax)	1	1	(2)
Add: Management actions (after-tax) ⁽²⁾	—	(20)	(2)
Other (after-tax) ⁽³⁾	—	—	—
Assumption changes and management actions (after-tax) ⁽⁴⁾⁽⁵⁾	1	(19)	(4)

⁽¹⁾ Adjustment to remove the pre-tax impacts of method and assumption changes on amounts attributed to participating policyholders.

⁽²⁾ Adjustment to include the after-tax impacts of management actions on insurance contract liabilities and investment contract liabilities 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. The pre-tax impact of management actions to Method and assumption changes on insurance contract liabilities was \$nil in Q1'22 (Q4'21 - a decrease of \$25 million; Q1'21 - a decrease of \$2 million).

⁽³⁾ Adjustments to include the after-tax impacts of method and assumption changes on investment contracts and other policy liabilities, and the pre-tax impact to Method and assumption changes on insurance contract liabilities was \$nil in Q1'22 (Q4'21 - \$nil; Q1'21 - \$nil).

⁽⁴⁾ Includes the tax impacts of ACMA on insurance contract liabilities and investment contract liabilities, reflecting the tax rates in the jurisdictions in which we do business.

⁽⁵⁾ ACMA is included in reported net income and is excluded in calculating underlying net income, as described in section C - Profitability in this document

AUM not yet earning fees. This measure represents the committed uninvested capital portion of total AUM not currently earning management fees. The amount depends on the specific terms and conditions of each fund. There is no directly comparable IFRS measure.

Capital raising. This measure consists of increases in SLC Management's commitments from fund raising activities for all real estate, infrastructure and alternative credit Clients excluding leverage. Investment-grade fixed income capital raising consists of sales made to new Clients. There is no directly comparable IFRS measure.

Cash and other liquid assets. This measure is comprised of cash, cash equivalents, short-term investments, and publicly traded securities that are held at SLF Inc. (the ultimate parent company), and its wholly owned holding companies. This measure represents available funds for capital re-deployment to support business growth.

(\$ millions)	As at March 31, 2022	As at December 31, 2021
Cash and other liquid assets (held at SLF Inc. and its wholly owned holding companies)		
Cash, cash equivalents & short-term securities	2,310	2,383
Debt securities ⁽¹⁾	1,576	1,421
Equity securities ⁽²⁾	834	861
Cash and other liquid assets (held at SLF Inc. and its wholly owned holding companies) ⁽³⁾	4,720	4,665

⁽¹⁾ Includes publicly traded bonds.

⁽²⁾ Includes ETF Investments.

⁽³⁾ Includes \$2.0 billion of proceeds from the subordinated debt offerings completed in November 2021, of which \$1.5 billion is subject to contractual terms requiring us to redeem the underlying securities, in full, if the closing of the DentaQuest acquisition does not occur. These amounts will not qualify as LICAT capital until the acquisition closes.

Constant currency. We remove the impacts of foreign exchange translation from certain IFRS and non-IFRS measures to assist in comparing our results from period to period. The impacts of foreign exchange translation is approximated by using the foreign exchange rates in effect during the comparative period, using the average or period end foreign exchange rates, as appropriate.

Deployment. This measure represents the amount of capital that has been invested in the period, including leverage where applicable. Deployment also includes capital committed in infrastructure deals to be invested in specific assets. There is no directly comparable IFRS measure.

Earnings on Surplus. This component of the Sources of Earnings ("SOE") represents the net income earned on a company's surplus funds. Earnings on Surplus is comprised of realized gains on available-for-sale assets, as well as net investment returns on surplus, such as investment income, gains (losses) on seed investments, investment properties mark-to-market, and interest on debt.

Expected profit. The portion of the consolidated pre-tax net income on business in-force at the start of the reporting period that was expected to be realized based on the achievement of the best estimate assumptions made at the beginning of the reporting period. Expected profit for asset management companies is set equal to their pre-tax net income.

Experience-related items attributable to reported net income and underlying net income. Pre-tax gains and losses that are due to differences between the actual experience during the reporting period and the best estimate assumptions at the start of the reporting period. Experience-related items are a part of the Sources of Earnings framework, and are calculated in accordance with OSFI Guideline D-9, Sources of Earnings Disclosures.

Fee earning AUM. FE AUM consists of assets managed by SLC Management, which are beneficially owned by Clients, to which we provide investment management, property management or advisory-related services on the basis of which we earn management fees pursuant to management or other fee agreements. There is no directly comparable IFRS measure.

Fee-related earnings and Operating income. **Fee-related earnings** represent profitability of SLC Management's fee-related portfolios, and is calculated as Fee-related revenue less Fee-related expenses. **Operating income** represents profit realized from our business operations, and is calculated as the sum of Fee-related earnings, Investment income (loss) and performance fees, and Interest and other. **Fee-related revenue** represents all fee income, with the exception of performance fees, generated from third-party investors. **Fee-related expenses** represent all expenses directly related to generating fee revenue from third-party investors. **Investment income (loss) and performance fees** represent total income or loss from our seed investments, net of the related expenses. **Interest and other** represents performance fee compensation, our net interest income or expense and income from managing the General Account assets.

Fee-related earnings and Operating income are non-IFRS financial measures within SLC Management's Supplemental Income Statement, which enhances the comparability of SLC Management's results with publicly traded alternative asset managers. For more details, see our Supplementary Financial Information package for the quarter

The following table provides a reconciliation from Fee-related earnings and Operating income to SLC Management's Fee income and Total expenses based on IFRS.

SLC Management (\$ millions)	Quarterly results		
	Q1'22	Q4'21	Q1'21
Fee income (per IFRS)	294	300	252
Less: Non-fee-related revenue adjustments ⁽¹⁾⁽²⁾	68	59	60
Fee-related revenue	226	241	192
Total expenses (per IFRS)	272	470	262
Less: Non-fee-related expense adjustments ⁽²⁾⁽³⁾	100	289	109
Fee-related expenses	172	181	153
Fee-related earnings	54	60	39
Add: Investment income (loss) and performance fees ⁽⁴⁾	11	15	(2)
Add: Interest and other ⁽⁵⁾	(6)	(11)	(13)
Operating income	59	64	24

⁽¹⁾ Includes Interest and other - fee income, Investment income (loss) and performance fees - fee income, and Other - fee income.

⁽²⁾ Excludes the income and related expenses for certain property management agreements to provide more accurate metrics on our fee-related business.

⁽³⁾ Includes Interest and other, Placement fees - other, Amortization of intangibles, Acquisition, integration and restructuring, and Other - expenses.

⁽⁴⁾ Investment income (loss) and performance fee in SLC's Management's Supplemental Income Statement relates to our seed investments, and as such, we have excluded the gains or losses of certain non-seed hedges that are reported under Net investment income (loss) under IFRS.

(\$ millions)	Quarterly results		
	Q1'22	Q4'21	Q1'21
Net investment income (loss) (per IFRS)	10	(1)	(2)
Less: Other - Investment income (loss)	2	(4)	—
Add: Investment income (loss) and performance fees - fee income	3	11	1
Investment income (loss) and performance fees	11	15	(2)

⁽⁵⁾ Includes Interest and other reported under Fee income under IFRS, net of Interest and other reported under Total expenses under IFRS.

Financial leverage ratio. This total debt to total capital ratio is ratio of debt plus preferred shares to total capital, where debt consists of all capital qualifying debt securities. Capital qualifying debt securities consist of subordinated debt and innovative capital instruments. The ratio is an indicator of the Company's capital adequacy measured by its proportion of capital qualifying debt in accordance with OSFI guidelines.

Impacts of foreign exchange translation. To assist in comparing our results from period-to-period, the favourable or unfavourable impacts of foreign exchange translation are approximated using the foreign exchange rates, in effect during the comparative period, for several IFRS and Non-IFRS financial measures using the average or period end foreign exchange rates, as appropriate. Items impacting a reporting period, such as Revenue, Benefits and expenses, and Reported net income (loss) in our Consolidated Statements of Operations, as well as underlying net income (loss), and sales, are translated into Canadian dollars using average exchange rates for the appropriate daily, monthly, or quarterly period. For items as at a point in time, such as Assets and Liabilities in our Consolidated Statements of Financial Position, as well as the AUM and Expected profit component of our Sources of Earnings disclosure, period-end rates are used for currency translation purposes.

Impact of new business. The point-of-sale impact on pre-tax net income of writing new business during the reporting period. Issuing new business may produce a gain or loss at the point-of sale, primarily because valuation assumptions are different than pricing assumptions and/or actual acquisition expenses may differ from those assumed in pricing.

Other AUM. Other AUM is composed of retail, institutional and other-third party assets, as well as general fund and segregated fund assets managed by our joint ventures. In Canada, other AUM includes Client assets in retail mutual fund products of Sun Life Global Investments. In Asia, other AUM includes Client assets in Hong Kong managed fund products, International wealth products, Philippines mutual and managed fund products, Aditya Birla Sun Life AMC Limited equity and fixed income mutual fund products, Sun Life Everbright Asset Management products and our joint ventures' general fund and segregated fund assets based on our proportionate equity interest. In Asset Management, other AUM includes Client assets for retail and institutional Clients, as well as capital raising, such as uncalled commitments and fund leverage in SLC Management. There is no directly comparable IFRS financial measure.

Effective January 1, 2022, certain components of Other AUM were renamed to "Retail" and "Institutional and managed funds" to align with market naming conventions. Previously, these components were referred to as Mutual funds and Managed funds, respectively, in our interim and annual MD&A. While labeling changes have modified certain terminology, the composition of these components has not been affected.

Pre-tax fee related earnings margin. This ratio is a measure of SLC Management's profitability in relation to funds that earn recurring fee revenues, while excluding investment income and performance fees. The ratio is calculated by dividing fee-related earnings by fee-related revenues and is based on the last twelve months. There is no directly comparable IFRS measure.

Pre-tax net operating margin. This ratio is a measure of the profitability and there is no directly comparable IFRS measure. For MFS, this ratio is calculated by excluding the impact of fair value adjustments on MFS' share-based payment awards, investment income, and certain commission expenses that are offsetting. These commission expenses are excluded in order to neutralize the impact these items have on the pre-tax net operating margin and have no impact on the profitability of MFS. For SLC Management, the ratio is calculated by dividing the total operating income by fee-related revenue plus investment Income (loss) and performance fees, and is based on the last twelve months.

Effective January 1, 2022, this measure was renamed to "Pre-tax net operating margin" to improve naming consistency within our Asset Management business. Previously, this measure was referred to as "Pre-tax net operating profit margin ratio for MFS" in our interim and annual MD&A. While labeling changes has modified certain terminology, the composition of the measure has not been affected.

Real estate market sensitivities. Real estate market sensitivities are non-IFRS financial measures for which there are no directly comparable measures under IFRS so it is not possible to provide a reconciliation of these amounts to the most directly comparable IFRS measures.

Return on equity. IFRS does not prescribe the calculation of ROE and therefore a comparable measure under IFRS is not available. To determine reported ROE and underlying ROE, respectively, reported net income (loss) and underlying net income (loss) is divided by the total weighted average common shareholders' equity for the period. The ROE provides an indication of the overall profitability of the Company. The quarterly ROE is annualized.

Sales and gross flows. In Canada, insurance sales consist of sales of individual insurance and Sun Life Health products; wealth sales consist of sales of individual wealth products and sales in GRS. In the U.S., insurance sales consist of sales by Group Benefits. In Asia, insurance sales consist of the individual and group insurance sales by our subsidiaries and joint ventures and associates, based on our proportionate equity interest, in the Philippines, Indonesia, India, China, Malaysia, Vietnam, International, Hong Kong and Singapore; wealth sales consist of Hong Kong wealth sales, Philippines mutual fund sales, wealth sales by our India and China insurance joint ventures and associates, and Aditya Birla Sun Life AMC Limited's equity and fixed income mutual fund sales based on our proportionate equity interest, including sales as reported by our bank distribution partners. Asset Management gross flows includes funds from retail and institutional Clients; SLC Management gross flows include capital raising, such as uncalled capital commitments and fund leverage. In Canada and in Asia, net sales consist of gross wealth sales less redemptions. Asset Management net flows consist of gross flows less gross outflows; SLC Management's net flows do not include Client distributions from the sale of underlying assets in closed-end funds. To provide greater comparability across reporting periods, we exclude the impacts of foreign exchange translation from sales and gross flows. There is no directly comparable IFRS measure.

Sources of Earnings ("SOE"). The SOE is prepared in accordance with the OSFI Guideline D-9, *Sources of Earnings Disclosures* and is therefore not prescribed under IFRS. The preparation for the document and its components does not have a standard for preparation as it depends on the methodology, estimates, and assumptions used. The components of the SOE are: expected profit, impact of new business, experience gains and losses, management actions and changes in assumptions, and earnings on surplus. On a comparative period-over-period basis, this document refers to the change in expected profit as business growth.

Underlying dividend payout ratio. This is the ratio of dividends paid per share to diluted underlying EPS for the period. The ratio is utilized during the capital budgeting process to ensure that we are able to achieve our payout targets after factoring in our planned capital initiatives. We target an underlying dividend payout ratio of between 40% and 50% based on underlying EPS. For more information, see Section I - Capital and Liquidity Management in our 2021 annual MD&A.

Underlying effective tax rate. This measure is calculated using the pre-tax underlying net income and the income tax expense associated with it. Our statutory tax rate is normally reduced by various tax benefits, such as lower taxes on income subject to tax in foreign jurisdictions, a range of tax-exempt investment income, and other sustainable tax benefits. Our effective tax rate helps in the analysis of the income tax impacts in the period.

Value of New Business. VNB represents the present value of our best estimate of future distributable earnings, net of the cost of capital, from new business contracts written in a particular time period, except new business in our Asset Management pillar. The assumptions used in the calculations are generally consistent with those used in the valuation of our insurance contract liabilities except that discount rates used approximate theoretical return expectations of an equity investor. Capital required is based on the higher of Sun Life Assurance's LICAT operating target and local (country specific) operating target capital. VNB is a useful metric to evaluate the present value created from new business contracts. There is no directly comparable IFRS measure.

3. Reconciliations of Select Non-IFRS Financial Measures

Reported Net Income to Underlying Net Income Reconciliation - Pre-tax by Business Group

(\$ millions, after-tax)	Q1'22					
	Canada	U.S.	Asset Management	Asia	Corporate	Total
Reported net income (loss) - Common shareholders	263	169	308	161	(43)	858
Less: Market-related impacts (pre-tax) ⁽¹⁾	123	60	—	9	1	193
ACMA (pre-tax)	(11)	11	—	1	—	1
Other adjustments (pre-tax) ⁽¹⁾⁽²⁾	—	(6)	(19)	(1)	—	(26)
Tax expense (benefit) on above items ⁽²⁾	(147)	(14)	1	—	7	(153)
Underlying net income (loss)	298	118	326	152	(51)	843
	Q4'21					
Reported net income (loss) - Common shareholders	356	85	140	446	51	1,078
Less: Market-related impacts (pre-tax) ⁽¹⁾	71	51	—	29	2	153
ACMA (pre-tax)	2	(23)	—	(2)	—	(23)
Other adjustments (pre-tax) ⁽¹⁾⁽²⁾	(3)	(10)	(273)	353	—	67
Tax expense (benefit) on above items ⁽²⁾	20	(5)	31	(64)	1	(17)
Underlying net income (loss)	266	72	382	130	48	898
	Q1'21					
Reported net income (loss) - Common shareholders	405	211	230	198	(107)	937
Less: Market-related impacts (pre-tax) ⁽¹⁾	288	55	—	36	1	380
ACMA (pre-tax)	(6)	(5)	—	3	2	(6)
Other adjustments (pre-tax) ⁽¹⁾⁽²⁾	—	—	(66)	—	(78)	(144)
Tax expense (benefit) on above items ⁽²⁾	(162)	(10)	5	—	24	(143)
Underlying net income (loss)	285	171	291	159	(56)	850

⁽¹⁾ For a breakdown of this adjustment made to arrive at a non-IFRS financial measure, see the heading Underlying Net Income and Underlying EPS.

⁽²⁾ Effective January 1, 2022, there was a change in presentation for the fair value adjustments on MFS' share-based payment awards. We have updated prior periods to reflect this change in presentation. The post-tax basis presentation was not affected.

Reported Net Income to Underlying Net Income Reconciliation - Pre-tax by Business Unit - Asset Management

(\$ millions, after-tax)	Q1'22		Q4'21		Q1'21	
	MFS	SLC Management	MFS	SLC Management	MFS	SLC Management
Reported net income (loss) - Common shareholders	289	19	295	(155)	236	(6)
Less: Other adjustments (pre-tax) ⁽¹⁾⁽²⁾	(2)	(17)	(48)	(225)	(46)	(20)
Tax expense (benefit) on above items ⁽²⁾	(1)	2	1	30	2	3
Underlying net income (loss)	292	34	342	40	280	11

⁽¹⁾ For a breakdown of this adjustment made to arrive at a non-IFRS financial measure, see the heading Underlying Net Income and Underlying EPS.

⁽²⁾ Effective January 1, 2022, there was a change in presentation for the fair value adjustments on MFS' share-based payment awards. We have updated prior periods to reflect this change in presentation. The post-tax basis presentation was not affected.

Reported Net Income to Underlying Net Income Reconciliation - Pre-tax in U.S. dollars

(US\$ millions)	Q1'22		Q4'21		Q1'21	
	U.S.	MFS	U.S.	MFS	U.S.	MFS
Reported net income (loss) - Common shareholders	133	228	68	234	167	186
Less: Market-related impacts (pre-tax) ⁽¹⁾	47	—	42	—	43	—
ACMA (pre-tax)	9	—	(19)	—	(4)	—
Other adjustments (pre-tax) ⁽¹⁾⁽²⁾	(5)	(1)	(8)	(39)	—	(36)
Tax expense (benefit) on above items ⁽²⁾	(11)	(1)	(3)	1	(8)	1
Underlying net income (loss)	93	230	56	272	136	221

⁽¹⁾ For a breakdown of this adjustment made to arrive at a non-IFRS financial measure, see the heading Underlying Net Income and Underlying EPS.

⁽²⁾ Effective January 1, 2022, there was a change in presentation for the fair value adjustments on MFS' share-based payment awards. We have updated prior periods to reflect this change in presentation. The post-tax basis presentation was not affected.

Reported Net Income to Underlying Net Income Reconciliation - U.S. Group Benefits - Pre-tax in U.S. dollars

The following table sets out the amounts that were excluded from our underlying net income (loss) for U.S. Group Benefits, which is used to calculate the trailing four-quarter after-tax profit margin for U.S. Group Benefits.

(US\$ millions)	Q1'22	Q4'21	Q3'21	Q2'21	Q1'21	Q4'20	Q3'20	Q2'20
Reported net income (loss) - Common shareholders	61	9	50	100	88	76	97	80
Less: Market-related impacts (pre-tax) ⁽¹⁾	2	8	4	2	3	1	1	6
ACMA (pre-tax)	—	—	(1)	—	(3)	(6)	24	—
Other adjustments (pre-tax) ⁽¹⁾	(1)	(1)	(2)	(1)	—	(1)	(1)	(1)
Tax expense (benefit) on above items	—	(1)	(1)	—	—	1	(5)	(1)
Underlying net income (loss) for U.S. Group Benefits	60	3	50	99	88	81	78	76

⁽¹⁾ For a breakdown of this adjustment made to arrive at a non-IFRS financial measure, see the heading Underlying Net Income and Underlying EPS.

N. 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 expansion of our bancassurance partnership with CIMB Niaga; (iii) relating to our intention to acquire DentaQuest; (iv) relating to our growth initiatives and other business objectives; (v) relating to the plans we have implemented in response to the COVID-19 pandemic and related economic conditions and their impact on the Company; (vi) relating to our expected tax range for future years; (vii) set out in this document under the heading H - Risk Management - Market Risk Sensitivities - Interest Rate Sensitivities; (viii) that are predictive in nature or that depend upon or refer to future events or conditions; and (ix) 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 this document under the headings C - Profitability - 5 - 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 and www.sec.gov, respectively.

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; 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 following risk factors are related to our intention to purchase DentaQuest that could have a material adverse effect on our forward-looking statements: (1) the ability of the parties to complete the transaction; (2) failure of the parties to obtain necessary consents and approvals or to otherwise satisfy the conditions to the completion of the transaction in a timely manner, or at all; (3) our ability to realize the financial and strategic benefits of the transaction; and (4) the impact of the announcement of the relevant transaction on us and DentaQuest. These risks all could have an impact on our business relationships (including with future and prospective employees, Clients, distributors and partners) and could have a material adverse effect on our current and future operations, financial conditions and prospects.

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.