

CONSOLIDATED STATEMENTS OF OPERATIONS

For the three months ended

(unaudited, in millions of Canadian dollars, except for per share amounts)	March 31, 2024	March 31, 2023
Insurance service result		
Insurance revenue (Note 7)	\$ 5,540	\$ 5,282
Insurance service expenses	(4,840)	(4,564)
Reinsurance contract held net income (expenses)	61	(30)
Net insurance service result	761	688
Investment result		
Investment result excluding result for account of segregated fund holders:		
Net investment income (loss) (Note 5)	(677)	4,800
Insurance finance income (expenses) from insurance contracts issued	1,376	(4,371)
Insurance finance income (expenses) from reinsurance contracts held	9	63
Decrease (increase) in investment contract liabilities	(99)	(71)
Net investment result excluding result for account of segregated fund holders	609	421
Investment result for insurance contracts for account of segregated fund holders:		
Investment income (loss) on investments for account of segregated fund holders	1,056	812
Insurance finance income (expenses) (Note 11)	(1,056)	(812)
Net investment result for insurance contracts for account of segregated fund holders	—	—
Net investment result	609	421
Fee income (Note 8)	2,012	1,901
Other expenses (income)		
Other income	(161)	(102)
Operating expenses and commissions	2,187	1,882
Interest expenses	159	135
Total other expenses (income)	2,185	1,915
Income (loss) before income taxes	1,197	1,095
Less: Income tax expense (benefit) (Note 9)	261	177
Total net income (loss)	936	918
Less: Net income (loss) allocated to the participating account	55	33
Net income (loss) attributable to non-controlling interests	43	59
Shareholders' net income (loss)	838	826
Less: Dividends on preferred shares and distributions on other equity instruments	20	20
Common shareholders' net income (loss)	\$ 818	\$ 806
Average exchange rates during the reporting periods:	U.S. dollars	1.35
		1.35
Earnings (loss) per share (Note 13)		
Basic	\$ 1.40	\$ 1.37
Diluted	\$ 1.40	\$ 1.37
Dividends per common share	\$ 0.780	\$ 0.720

The attached notes form part of these Interim Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

For the three months ended

(unaudited, in millions of Canadian dollars)	March 31, 2024	March 31, 2023
Total net income (loss)	\$ 936	\$ 918
Other comprehensive income (loss), net of taxes:		
Items that may be reclassified subsequently to income:		
Change in unrealized foreign currency translation gains (losses):		
Unrealized gains (losses)	292	(2)
Change in unrealized gains (losses) on investments at fair value through other comprehensive income:		
Unrealized gains (losses)	(31)	259
Reclassifications to net income (loss) and provision for credit losses recognized into income	(17)	(31)
Change in unrealized gains (losses) on cash flow hedges:		
Unrealized gains (losses)	27	(10)
Reclassifications to net income (loss)	(25)	4
Share of other comprehensive income (loss) in joint ventures and associates:		
Unrealized gains (losses)	115	1
Total items that may be reclassified subsequently to income	361	221
Items that will not be reclassified subsequently to income:		
Remeasurement of defined benefit plans	7	(37)
Share of other comprehensive income (loss) in joint ventures and associates	(9)	8
Revaluation of property, plant and equipment	—	1
Total items that will not be reclassified subsequently to income	(2)	(28)
Total other comprehensive income (loss)	359	193
Total comprehensive income (loss)	1,295	1,111
Less: Comprehensive income (loss) allocated to the participating account	53	33
Non-controlling interests' comprehensive income (loss)	48	55
Shareholders' comprehensive income (loss)	\$ 1,194	\$ 1,023

INCOME TAXES INCLUDED IN OTHER COMPREHENSIVE INCOME (LOSS)

For the three months ended

(unaudited, in millions of Canadian dollars)	March 31, 2024	March 31, 2023
Income tax benefit (expense):		
Items that may be reclassified subsequently to income:		
Unrealized foreign currency translation gains (losses)	\$ (2)	\$ —
Change in unrealized gains (losses) on investments at fair value through other comprehensive income:		
Unrealized gains (losses)	12	(35)
Reclassifications to net income (loss) and provision for credit losses recognized into income	3	5
Unrealized gains (losses) on cash flow hedges	(3)	4
Reclassifications to net income for cash flow hedges	3	(1)
Total items that may be reclassified subsequently to income	13	(27)
Items that will not be reclassified subsequently to income:		
Remeasurement of defined benefit plans	(3)	14
Total items that will not be reclassified subsequently to income	(3)	14
Total income tax benefit (expense) included in other comprehensive income (loss)	\$ 10	\$ (13)

The attached notes form part of these Interim Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As at

(unaudited, in millions of Canadian dollars)

March 31, 2024 December 31, 2023

Assets

Cash, cash equivalents and short-term securities (Note 5)	\$ 11,265	\$ 13,173
Debt securities (Note 5)	75,887	75,493
Equity securities (Note 5)	7,750	7,138
Mortgages and loans (Note 5)	54,798	54,600
Derivative assets	1,504	2,183
Other financial invested assets (Note 5)	10,943	10,361
<hr/>		
Financial assets	162,147	162,948
Investment properties (Note 5)	9,555	9,723
Other non-financial invested assets (Note 5)	1,713	1,657
<hr/>		
Invested assets	173,415	174,328
Other assets	7,475	6,462
Reinsurance contract held assets (Note 7)	5,745	5,794
Insurance contract assets (Note 7)	180	184
Deferred tax assets	3,939	3,878
Intangible assets	5,142	5,174
Goodwill	9,090	8,969
<hr/>		
Total general fund assets	204,986	204,789
Investments for account of segregated fund holders (Note 11)	135,541	128,452
<hr/>		
Total assets	\$ 340,527	\$ 333,241

Liabilities and equity

Liabilities

Insurance contract liabilities excluding those for account of segregated fund holders (Note 7)	\$ 134,909	\$ 135,669
Reinsurance contract held liabilities (Note 7)	1,536	1,623
Investment contract liabilities (Note 5)	11,757	11,672
Derivative liabilities	1,703	1,311
Deferred tax liabilities	278	281
Other liabilities	23,779	23,655
Senior debentures	200	200
Subordinated debt	6,179	6,178
<hr/>		
Total general fund liabilities	180,341	180,589
Insurance contract liabilities for account of segregated fund holders (Note 11)	19,654	19,041
Investment contract liabilities for account of segregated fund holders (Note 11)	115,887	109,411
<hr/>		
Total liabilities	\$ 315,882	\$ 309,041

Equity

Issued share capital and contributed surplus	\$ 10,643	\$ 10,660
Shareholders' retained earnings and accumulated other comprehensive income	13,386	12,922
<hr/>		
Total shareholders' equity	24,029	23,582
Equity in the participating account	510	457
Non-controlling interests' equity	106	161
<hr/>		
Total equity	\$ 24,645	\$ 24,200
<hr/>		
Total liabilities and equity	\$ 340,527	\$ 333,241

Exchange rates at the end of the reporting periods:

U.S. dollars

1.35

1.32

The attached notes form part of these Interim Consolidated Financial Statements.

Approved on behalf of the Board of Directors on May 9, 2024.



Kevin Strain
Chief Executive Officer



Barbara G. Stymiest
Director

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the three months ended

(unaudited, in millions of Canadian dollars)

March 31, 2024 March 31, 2023

Shareholders:

Preferred shares and other equity instruments		
Balance, beginning and end of period	\$ 2,239	\$ 2,239
Common shares (Note 10)		
Balance, beginning of period	8,327	8,311
Stock options exercised	12	20
Common shares purchased for cancellation	(34)	—
Balance, end of period	8,305	8,331
Contributed surplus		
Balance, beginning of period	94	90
Share-based payments	6	6
Stock options exercised	(1)	(2)
Balance, end of period	99	94
Retained earnings		
Balance, beginning of period	12,157	11,729
Transition adjustment — IFRS 9	—	(553)
Balance, beginning of period, after changes in accounting policies	12,157	11,176
Net income (loss)	838	826
Dividends on common shares	(456)	(424)
Dividends on preferred shares and distributions on other equity instruments	(20)	(20)
Common shares purchased for cancellation and other (Note 10)	(254)	—
Changes attributable to acquisition	—	(158)
Balance, end of period	12,265	11,400
Accumulated other comprehensive income (loss), net of taxes (Note 14)		
Balance, beginning of period	765	160
Transition adjustment — IFRS 9	—	553
Balance, beginning of period, after changes in accounting policies	765	713
Total other comprehensive income (loss) for the period	356	197
Balance, end of period	1,121	910
Total shareholders' equity, end of period	\$ 24,029	\$ 22,974
Equity in the participating account:		
Balance, beginning of period	\$ 457	\$ 268
Transition adjustment — IFRS 9	—	2
Balance, beginning of period, after changes in accounting policies	457	270
Net income (loss)	55	33
Total other comprehensive income (loss) for the period (Note 14)	(2)	—
Total equity in the participating account, end of period	\$ 510	\$ 303
Non-controlling interests:		
Balance, beginning of period	\$ 161	\$ 90
Net income (loss)	43	59
Total other comprehensive income (loss) for the period (Note 14)	5	(4)
Distribution to non-controlling interests	(103)	(12)
Total non-controlling interests' equity, end of period	\$ 106	\$ 133
Total equity	\$ 24,645	\$ 23,410

The attached notes form part of these Interim Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the three months ended

(unaudited, in millions of Canadian dollars)	March 31, 2024	March 31, 2023
Cash flows provided by (used in) operating activities		
Income (loss) before income taxes	\$ 1,197	\$ 1,095
Adjustments:		
Interest expense related to financing activities	99	97
(Decrease) increase in investment contract liabilities	99	71
Changes in insurance contract liabilities and assets	(2,076)	3,653
Changes in reinsurance contract held assets and liabilities	(70)	(33)
Realized and unrealized (gains) losses and foreign currency changes on invested assets	2,510	(3,156)
Sales, maturities and repayments of invested assets	11,896	14,723
Purchases of invested assets	(15,035)	(15,139)
Income taxes received (paid)	(257)	(263)
Mortgage securitization (Note 5)	(2)	—
Other operating activities	(848)	(1,028)
Net cash provided by (used in) operating activities	(2,487)	20
Cash flows provided by (used in) investing activities		
Net (purchase) sale of property and equipment	(44)	(68)
Investment in and transactions with joint ventures and associates	3	2
Dividends and other proceeds related to joint ventures and associates	121	—
Acquisitions, net of cash and cash equivalents acquired ⁽¹⁾	—	(232)
Dispositions	—	98
Other investing activities	(64)	(44)
Net cash provided by (used in) investing activities	16	(244)
Cash flows provided by (used in) financing activities		
Increase in (repayment of) borrowed funds	9	—
Increase in (repayment of) borrowings from credit facility	(76)	295
Issuance of common shares on exercise of stock options	11	20
Transactions with non-controlling interests	(103)	(12)
Common shares purchased for cancellation	(174)	—
Dividends paid on common and preferred shares	(467)	(436)
Payment of lease liabilities	(42)	(50)
Interest expense paid	(83)	(81)
Net cash provided by (used in) financing activities	(925)	(264)
Changes due to fluctuations in exchange rates	134	(33)
Increase (decrease) in cash and cash equivalents	(3,262)	(521)
Net cash and cash equivalents, beginning of period	11,170	9,372
Net cash and cash equivalents, end of period	7,908	8,851
Short-term securities, end of period	3,215	1,981
Net cash, cash equivalents and short-term securities, end of period (Note 5)	\$ 11,123	\$ 10,832

⁽¹⁾ Consists of total cash consideration paid of \$nil, less cash and cash equivalents acquired of \$nil for the three months ended March 31, 2024 (March 31, 2023 — \$248, less cash and cash equivalents acquired of \$16).

The attached notes form part of these Interim Consolidated Financial Statements.

Condensed Notes to the Interim Consolidated Financial Statements

(Unaudited, in millions of Canadian dollars, except for per share amounts and where otherwise stated. All amounts stated in U.S. dollars are in millions.)

1. General Information

Description of Business

Sun Life Financial Inc. ("SLF Inc.") is a publicly traded company domiciled in Canada and is the holding company of Sun Life Assurance Company of Canada ("Sun Life Assurance"). SLF Inc. and its subsidiaries are collectively referred to as "us", "our", "ours", "we", or "the Company".

Our Interim Consolidated Financial Statements have been prepared in accordance with International Accounting Standard ("IAS") 34 *Interim Financial Reporting* as issued by the International Accounting Standards Board ("IASB"). We have used accounting policies which are consistent with our accounting policies in our 2023 Annual Consolidated Financial Statements, except as updated in Note 2 below. Our Interim Consolidated Financial Statements should be read in conjunction with our 2023 Annual Consolidated Financial Statements, as interim financial statements do not include all the information incorporated in annual consolidated financial statements prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the IASB.

2. Changes in Accounting Policies

Our material accounting policies and future changes in accounting policies that are not yet effective for us are disclosed in Notes 1 and 2 of our 2023 Annual Consolidated Financial Statements.

2.A New and Amended International Financial Reporting Standards Adopted in 2024

In September 2022, the IASB issued amendments to IFRS 16 *Leases* to add subsequent measurement requirements for sale and leaseback transactions that satisfy the requirements in IFRS 15 *Revenue from Contracts with Customers* to be accounted for as a sale. The amendments require a seller-lessee to subsequently measure lease liabilities arising from a leaseback in a way that it does not recognize any amount of the gain or loss that relates to the right of use it retains. The adoption of this amendment, effective January 1, 2024, did not have a material impact on our Consolidated Financial Statements.

2.B New and Amended International Financial Reporting Standards to be Adopted in 2025 or Later

In April 2024, the IASB issued IFRS 18 *Presentation and Disclosure in Financial Statements* ("IFRS 18") which replaces IAS 1 *Presentation of Financial Statements*. IFRS 18 introduces new requirements on presentation within the statement of profit or loss, disclosure of management-defined performance measures, and principles for aggregation and disaggregation of financial information in the financial statements and the notes. IFRS 18 will be effective for annual reporting periods beginning on or after January 1, 2027. IFRS 18 is to be applied retrospectively. We are currently assessing the impact that IFRS 18 will have on our Consolidated Financial Statements.

3. Disposition

On March 21, 2024, we completed the partial disposition of our investment in Aditya Birla Sun Life AMC Limited ("ABSLAMC"). As a result of the disposition, our ownership interest was reduced by 6.3% and we generated gross proceeds of \$136, which included a realized gain of approximately \$98 (pre-tax). After the disposition, we retained ownership of the listed entity of 30.2%.

4. Segmented Information

We have five reportable business segments: Canada, United States ("U.S."), Asset Management, Asia, and Corporate. These business segments operate in the financial services industry and reflect our management structure and internal financial reporting. Asset Management includes the results of our MFS Investment Management and SLC Management business units. Corporate includes the results of our United Kingdom ("UK") business unit and our Corporate Support operations, which include run-off reinsurance operations, as well as investment income, expenses, capital and other items not allocated to our other business groups. In the second quarter of 2023, we completed the sale of our UK Business unit and have retained our economic interest in the annuity business via a reinsurance arrangement that is reported under the U.S. reportable segment. Effective the third quarter of 2023, the run-off reinsurance operations is reported under the U.S. reportable segment.

Revenues from our business segments are derived primarily from life and health insurance, investment management and annuities, and mutual funds. Revenues not attributed to the strategic business units are derived primarily from Corporate investments and earnings on capital. Transactions between segments are executed and priced at an arm's-length basis in a manner similar to transactions with third parties.

The expenses in each business segment may include costs or services directly incurred or provided on their behalf at the enterprise level. For other costs not directly attributable to one of our business segments, we use a management reporting framework that uses assumptions, judgments, and methodologies for allocating overhead costs and indirect expenses to our business segments.

Intersegment transactions consist primarily of internal financing agreements which are measured at fair values prevailing when the arrangements are negotiated. Intersegment investment income consists primarily of interest paid by U.S. to Corporate. Intersegment fee income is primarily asset management fees paid by our business segments to Asset Management. SLC Management collects fee income and incurs the operational expenses associated with the management of the general fund assets. Intersegment transactions are eliminated in the Consolidation adjustments column in the following tables.

Management considers its external Clients to be individuals and corporations. We are not reliant on any individual Client as none is individually significant to our operations.

For the three months ended	Canada	U.S.	Asset Management	Asia	Corporate	Consolidation adjustments	Total
March 31, 2024							
Insurance revenue:							
Annuities	\$ 499	\$ 75	\$ —	\$ 7	\$ —	\$ —	\$ 581
Life insurance	570	501	—	289	—	—	1,360
Health insurance	1,064	2,478	—	57	—	—	3,599
Total Insurance revenue	2,133	3,054	—	353	—	—	5,540
Net investment income (loss)	(1,006)	(102)	67	327	63	(26)	(677)
Fee income	407	116	1,513	71	39	(134)	2,012
Segment revenue ⁽¹⁾	1,534	3,068	1,580	751	102	(160)	6,875
Expenses:							
Insurance service expenses	1,819	2,833	—	188	—	—	4,840
Reinsurance contract held net (income) expenses	1	(69)	—	7	—	—	(61)
Insurance finance (income) expenses from insurance contracts issued	(1,356)	(150)	—	130	—	—	(1,376)
Reinsurance finance (income) expenses	(28)	25	—	(6)	—	—	(9)
(Decrease) increase in investment contract liabilities	97	—	—	2	—	—	99
Other income ⁽²⁾	—	—	(161)	—	—	—	(161)
Interest expenses	57	27	47	27	29	(28)	159
Operating expenses and commissions	484	275	1,253	116	191	(132)	2,187
Total expenses ⁽¹⁾	1,074	2,941	1,139	464	220	(160)	5,678
Income (loss) before income taxes	460	127	441	287	(118)	—	1,197
Less: Income tax expense (benefit)	144	25	114	28	(50)	—	261
Total net income (loss)	316	102	327	259	(68)	—	936
Less:							
Net income (loss) allocated to the participating account	26	5	—	24	—	—	55
Net income (loss) attributable to non-controlling interests	—	—	43	—	—	—	43
Shareholders' net income (loss)	\$ 290	\$ 97	\$ 284	\$ 235	\$ (68)	\$ —	\$ 838
March 31, 2023							
Insurance revenue:							
Annuities	\$ 472	\$ —	\$ —	\$ 6	\$ 90	\$ —	\$ 568
Life insurance	534	460	—	284	12	—	1,290
Health insurance	1,040	2,359	—	22	3	—	3,424
Total Insurance revenue	2,046	2,819	—	312	105	—	5,282
Net investment income (loss)	2,870	698	36	1,021	197	(22)	4,800
Fee income	366	111	1,433	77	40	(126)	1,901
Segment revenue ⁽¹⁾	5,282	3,628	1,469	1,410	342	(148)	11,983
Expenses:							
Insurance service expenses	1,734	2,498	—	238	94	—	4,564
Reinsurance contract held net (income) expenses	47	(11)	—	(6)	—	—	30
Insurance finance (income) expenses from insurance contracts issued	2,633	733	—	874	131	—	4,371
Reinsurance finance (income) expenses	14	(84)	—	6	1	—	(63)
(Decrease) increase in investment contract liabilities	71	—	—	1	(1)	—	71
Other income	(102)	—	—	—	—	—	(102)
Interest expenses	44	24	36	15	37	(21)	135
Operating expenses and commissions	420	253	1,037	110	189	(127)	1,882
Total expenses ⁽¹⁾	4,861	3,413	1,073	1,238	451	(148)	10,888
Income (loss) before income taxes	421	215	396	172	(109)	—	1,095
Less: Income tax expense (benefit)	76	42	83	26	(50)	—	177
Total net income (loss)	345	173	313	146	(59)	—	918
Less:							
Net income (loss) allocated to the participating account	16	5	—	12	—	—	33
Net income (loss) attributable to non-controlling interests	—	—	59	—	—	—	59
Shareholders' net income (loss)	\$ 329	\$ 168	\$ 254	\$ 134	\$ (59)	\$ —	\$ 826

⁽¹⁾ Total revenue and Total expenses exclude Investment result for insurance contracts for account of segregated fund holders.

⁽²⁾ Relates to the early termination of a distribution agreement. We recognized income of \$161 (pre-tax) and \$46 (net of taxes, NCI impact and others).

5. Total Invested Assets and Related Net Investment Income

5.A Fair Value of Financial Instruments

5.A.i Carrying Value and Fair Value of Financial Assets and Financial Liabilities

The carrying values and fair values of our financial assets and liabilities are shown in the following table:

As at	March 31, 2024		December 31, 2023	
	Carrying value	Fair value	Carrying value	Fair value
Financial assets				
Cash, cash equivalents and short-term securities – FVTPL	\$ 11,265	\$ 11,265	\$ 13,173	\$ 13,173
Debt securities – FVTPL ⁽¹⁾	61,598	61,598	61,180	61,180
Debt securities – FVOCI	14,289	14,289	14,313	14,313
Equity securities – FVTPL	7,680	7,680	7,070	7,070
Equity securities – FVOCI	70	70	68	68
Mortgages and loans – FVTPL ⁽²⁾	50,665	50,665	50,552	50,552
Mortgages and loans – FVOCI	2,056	2,056	1,948	1,948
Mortgages and loans – Amortized cost ⁽³⁾	2,077	1,978	2,100	2,006
Derivative assets – FVTPL	1,504	1,504	2,183	2,183
Other financial invested assets (excluding CLOs) – FVTPL ⁽⁴⁾	7,159	7,159	6,883	6,883
Other financial invested assets (CLOs) – FVTPL ⁽⁷⁾	3,784	3,784	3,478	3,478
Total⁽⁵⁾	\$ 162,147	\$ 162,048	\$ 162,948	\$ 162,854
Financial liabilities				
Investment contract liabilities – Amortized cost	\$ 11,757	\$ 11,757	\$ 11,672	\$ 11,672
Obligations for securities borrowing – FVTPL	125	125	223	223
Derivative liabilities – FVTPL	1,703	1,703	1,311	1,311
Other financial liabilities – Amortized cost ⁽⁶⁾	2,527	2,412	2,449	2,348
Other financial liabilities (CLOs) – FVTPL ⁽⁷⁾	3,545	3,545	3,247	3,247
Total⁽⁸⁾	\$ 19,657	\$ 19,542	\$ 18,902	\$ 18,801

⁽¹⁾ Includes primarily debt securities that are designated at fair value through profit or loss ("FVTPL").

⁽²⁾ Includes primarily mortgages and loans that are designated at FVTPL.

⁽³⁾ Certain mortgages and loans are carried at amortized cost. The fair value of these mortgages and loans, for disclosure purposes, is determined based on the methodology and assumptions described in Note 5.A.iii. As at March 31, 2024, \$1,952 and \$26 are categorized in Level 2 and Level 3, respectively, of the fair value hierarchy described in this Note (December 31, 2023 — \$1,994 and \$12, respectively).

⁽⁴⁾ Other financial invested assets include our investments in segregated funds, mutual funds, and limited partnerships.

⁽⁵⁾ Invested assets on our Consolidated Statements of Financial Position of \$173,415 (December 31, 2023 — \$174,328) includes Total financial assets in this table, Investment properties of \$9,555 (December 31, 2023 — \$9,723), and Other non-financial invested assets of \$1,713 (December 31, 2023 — \$1,657). Other non-financial invested assets consists of investment in associates, subsidiaries and joint ventures which are not consolidated.

⁽⁶⁾ Amount reflects the obligations to purchase outstanding shares of certain SLC Management subsidiaries.

⁽⁷⁾ See below for details on Collateralized Loan Obligations ("CLOs").

⁽⁸⁾ Total financial liabilities excluding Senior debentures and Subordinated debt.

Collateralized Loan Obligations Structure

Crescent, a subsidiary within our Asset Management business segment, issues and manages CLOs. Each CLO is a special purpose vehicle that owns a portfolio of investments, consisting primarily of senior secured loans, and issues various tranches of senior and subordinated notes to third parties for the purpose of financing the purchase of those investments. Assets of the special purpose vehicle, the senior secured loans, are included in Other financial invested assets and the associated liabilities, the senior and subordinated notes issued to third parties, are included in Other liabilities in our Consolidated Statements of Financial Position.

As at March 31, 2024, the carrying value of the assets related to CLOs are \$3,784 (December 31, 2023 — \$3,478), which consists of cash and accounts receivable of \$268 (December 31, 2023 — \$251) and loans of \$3,516 (December 31, 2023 — \$3,227). These underlying loans are mainly below investment grade.

As at March 31, 2024, the carrying value of the liabilities related to CLOs are \$3,545 (December 31, 2023 — \$3,247). Our maximum contractual exposure to loss related to the CLOs is limited to our investment of \$215 (December 31, 2023 — \$192) in the most subordinated tranche. The net unrealized loss incurred to date is \$41.

5.A.ii Non-Financial Invested Assets

Non-financial invested assets consist of investment properties, investment in associates, subsidiaries and joint ventures which are not consolidated. As at March 31, 2024, the carrying value and fair value of investment properties was \$9,555 (December 31, 2023 — \$9,723) and \$9,555 (December 31, 2023 — \$9,723), respectively. The carrying value of other non-financial invested assets which were measured using the equity method of accounting was \$1,713 as at March 31, 2024 (December 31, 2023 — \$1,657).

5.A.iii Fair Value Hierarchy

The fair value methodologies and assumptions for assets and liabilities carried at fair value, as well as disclosures on unobservable inputs, sensitivities and valuation processes for Level 3 assets can be found in Note 5 of our 2023 Annual Consolidated Financial Statements.

Our assets and liabilities that are carried at fair value on a recurring basis by hierarchy level are as follows:

As at	March 31, 2024				December 31, 2023			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Assets								
Cash, cash equivalents and short-term securities – FVTPL	\$ 10,447	\$ 818	\$ —	\$ 11,265	\$ 12,316	\$ 857	\$ —	\$ 13,173
Debt securities – FVTPL	581	60,535	482	61,598	564	60,214	402	61,180
Debt securities – FVOCI	502	13,611	176	14,289	651	13,475	187	14,313
Equity securities – FVTPL	4,627	2,937	116	7,680	4,220	2,737	113	7,070
Equity securities – FVOCI	—	—	70	70	—	—	68	68
Mortgages and loans – FVTPL	—	48,573	2,092	50,665	—	48,496	2,056	50,552
Mortgages and loans – FVOCI	—	2,055	1	2,056	—	1,948	—	1,948
Derivative assets – FVTPL	27	1,477	—	1,504	23	2,160	—	2,183
Other financial invested assets (excluding CLOs) – FVTPL ⁽¹⁾	647	200	6,312	7,159	608	201	6,074	6,883
Other financial invested assets (CLOs) – FVTPL ⁽²⁾	—	3,784	—	3,784	—	3,478	—	3,478
Investment properties – FVTPL	—	—	9,555	9,555	—	—	9,723	9,723
Total invested assets measured at fair value	\$ 16,831	\$ 133,990	\$ 18,804	\$ 169,625	\$ 18,382	\$ 133,566	\$ 18,623	\$ 170,571
Investments for account of segregated fund holders – FVTPL	17,205	117,971	365	135,541	16,614	111,497	341	128,452
Total assets measured at fair value	\$ 34,036	\$ 251,961	\$ 19,169	\$ 305,166	\$ 34,996	\$ 245,063	\$ 18,964	\$ 299,023
Liabilities								
Obligations for securities borrowing – FVTPL	\$ 3	\$ 122	\$ —	\$ 125	\$ 3	\$ 220	\$ —	\$ 223
Derivative liabilities – FVTPL	5	1,698	—	1,703	10	1,301	—	1,311
Investment contract liabilities for account of segregated fund holders – FVTPL	—	—	115,887	115,887	—	—	109,411	109,411
Other financial liabilities (CLOs) – FVTPL ⁽²⁾	—	3,545	—	3,545	—	3,247	—	3,247
Total liabilities measured at fair value	\$ 8	\$ 5,365	\$ 115,887	\$ 121,260	\$ 13	\$ 4,768	\$ 109,411	\$ 114,192

⁽¹⁾ Other financial invested assets (excluding CLOs) – FVTPL include our investments in segregated funds, mutual funds, and limited partnerships.

⁽²⁾ For details on CLOs, refer to Note 5.A.i.

Debt securities at FVTPL consist of the following:

As at	March 31, 2024				December 31, 2023			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Canadian federal government	\$ —	\$ 5,107	\$ 14	\$ 5,121	\$ —	\$ 5,147	\$ 14	\$ 5,161
Canadian provincial and municipal government	—	13,593	—	13,593	—	13,694	—	13,694
U.S. government and agency	581	159	—	740	564	148	—	712
Other foreign government	—	3,345	—	3,345	—	3,329	—	3,329
Corporate	—	31,519	384	31,903	—	31,809	340	32,149
Asset-backed securities:								
Commercial mortgage-backed securities	—	2,199	—	2,199	—	2,029	5	2,034
Residential mortgage-backed securities	—	2,715	—	2,715	—	2,335	—	2,335
Collateralized debt obligations	—	211	—	211	—	188	—	188
Other	—	1,687	84	1,771	—	1,535	43	1,578
Total debt securities at FVTPL	\$ 581	\$ 60,535	\$ 482	\$ 61,598	\$ 564	\$ 60,214	\$ 402	\$ 61,180

Debt securities at fair value through other comprehensive income ("FVOCI") consist of the following:

As at	March 31, 2024				December 31, 2023			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Canadian federal government	\$ —	\$ 1,041	\$ —	\$ 1,041	\$ —	\$ 849	\$ —	\$ 849
Canadian provincial and municipal government	—	466	—	466	—	557	—	557
U.S. government and agency	502	8	—	510	651	7	—	658
Other foreign government	—	471	11	482	—	462	11	473
Corporate	—	7,836	75	7,911	—	7,905	75	7,980
Asset-backed securities:								
Commercial mortgage-backed securities	—	995	—	995	—	1,017	—	1,017
Residential mortgage-backed securities	—	955	—	955	—	944	—	944
Collateralized debt obligations	—	651	11	662	—	767	13	780
Other	—	1,188	79	1,267	—	967	88	1,055
Total debt securities at FVOCI	\$ 502	\$ 13,611	\$ 176	\$ 14,289	\$ 651	\$ 13,475	\$ 187	\$ 14,313

Mortgages and loans at FVTPL consist of the following:

As at	March 31, 2024				December 31, 2023			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Mortgages:								
Retail	\$ —	\$ 2,476	\$ 12	\$ 2,488	\$ —	\$ 2,524	\$ 12	\$ 2,536
Office	—	2,705	—	2,705	—	2,717	—	2,717
Multi-family residential	—	2,918	—	2,918	—	2,986	—	2,986
Industrial	—	2,826	—	2,826	—	2,804	—	2,804
Other	—	1,043	—	1,043	—	1,017	—	1,017
Corporate loans	—	36,605	2,080	38,685	—	36,448	2,044	38,492
Total mortgages and loans at FVTPL	\$ —	\$ 48,573	\$ 2,092	\$ 50,665	\$ —	\$ 48,496	\$ 2,056	\$ 50,552

Mortgages and loans at FVOCI consist of the following:

As at	March 31, 2024				December 31, 2023			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Mortgages:								
Retail	\$ —	\$ 42	\$ —	\$ 42	\$ —	\$ 22	\$ —	\$ 22
Office	—	19	—	19	—	37	—	37
Multi-family residential	—	69	—	69	—	83	—	83
Industrial	—	157	—	157	—	149	—	149
Corporate loans	—	1,768	1	1,769	—	1,657	—	1,657
Total mortgages and loans at FVOCI	\$ —	\$ 2,055	\$ 1	\$ 2,056	\$ —	\$ 1,948	\$ —	\$ 1,948

There were no significant transfers between Level 1 and Level 2 for the three months ended March 31, 2024 and March 31, 2023.

The following table provides a reconciliation of the beginning and ending balances for assets that are categorized in Level 3:

For the three months ended	Debt securities at FVTPL	Debt securities at FVOCI	Equity securities at FVTPL	Equity Securities at FVOCI	Mortgages & loans at FVTPL	Mortgages & loans at FVOCI	Other financial invested assets at FVTPL	Investment properties at FVTPL	Total invested assets measured at fair value	Investments for account of segregated fund holders	Total assets measured at fair value
March 31, 2024											
Beginning balance	\$ 402	\$ 187	\$ 113	\$ 68	\$ 2,056	\$ —	\$ 6,074	\$ 9,723	\$ 18,623	\$ 341	\$ 18,964
Included in net income ⁽¹⁾⁽²⁾⁽³⁾	—	—	1	—	(90)	—	81	(166)	(174)	3	(171)
Purchases / Issuances	125	39	2	—	57	—	189	27	439	18	457
Sales / Payments	(14)	—	—	—	(34)	—	(52)	(68)	(168)	(1)	(169)
Settlements	(4)	(8)	—	—	(2)	—	—	—	(14)	—	(14)
Transfers into Level 3 ⁽⁴⁾	—	—	—	—	104	1	—	—	105	—	105
Transfers (out) of Level 3 ⁽⁴⁾	(30)	(42)	—	—	—	—	(15)	—	(87)	—	(87)
Foreign currency translation ⁽⁵⁾	3	—	—	2	1	—	35	39	80	4	84
Ending balance	\$ 482	\$ 176	\$ 116	\$ 70	\$ 2,092	\$ 1	\$ 6,312	\$ 9,555	\$ 18,804	\$ 365	\$ 19,169
Unrealized gains (losses) included in earnings relating to instruments still held ⁽¹⁾	\$ —	\$ —	\$ 1	\$ —	\$ (106)	\$ —	\$ 57	\$ (166)	\$ (214)	\$ —	\$ (214)
March 31, 2023											
Beginning balance	\$ 394	\$ 52	\$ 101	\$ 70	\$ 2,054	\$ 16	\$ 5,555	\$ 10,102	\$ 18,344	\$ 631	\$ 18,975
Included in net income ⁽¹⁾⁽²⁾⁽³⁾	8	—	(4)	—	78	(5)	(55)	(17)	5	(14)	(9)
Included in OCI ⁽²⁾	—	3	—	—	—	—	—	—	3	—	3
Purchases / Issuances	51	7	14	—	189	—	331	67	659	16	675
Sales / Payments	(8)	(6)	—	(1)	(26)	—	(64)	—	(105)	(3)	(108)
Settlements	—	—	—	—	(1)	—	—	—	(1)	—	(1)
Transfers into Level 3 ⁽⁴⁾	—	—	—	—	63	—	—	—	63	—	63
Transfers (out) of Level 3 ⁽⁴⁾	(75)	(8)	—	—	(158)	—	—	—	(241)	—	(241)
Foreign currency translation ⁽⁵⁾	5	1	—	—	—	—	(3)	(4)	(1)	11	10
Ending balance	\$ 375	\$ 49	\$ 111	\$ 69	\$ 2,199	\$ 11	\$ 5,764	\$ 10,148	\$ 18,726	\$ 641	\$ 19,367
Unrealized gains (losses) included in earnings relating to instruments still held ⁽¹⁾	\$ 8	\$ —	\$ (4)	\$ —	\$ 76	\$ (5)	\$ (59)	\$ (17)	\$ (1)	\$ (18)	\$ (19)

(1) Included in Net investment income (loss) in our Consolidated Statements of Operations for Total invested assets measured at fair value.

(2) Total gains and losses in net income (loss) and other comprehensive income ("OCI") are calculated assuming transfers into or out of Level 3 occur at the beginning of the period. For an asset or liability that transfers into Level 3 during the reporting period, the entire change in fair value for the period is included in the table above. For transfers out of Level 3 during the reporting period, the change in fair value for the period is excluded from the table above.

(3) Investment properties included in net income is comprised of fair value changes on investment properties of \$(157) for the three months ended March 31, 2024, (March 31, 2023 — \$(11)), net of amortization of leasing commissions and tenant inducements of \$9 for the three months ended March 31, 2024, (March 31, 2023 — \$6). As at March 31, 2024, we have used assumptions that reflect known changes in the property values including changes in expected future cash flows.

(4) Transfers into Level 3 occur when the inputs used to price the assets and liabilities lack observable market data, and as a result, no longer meet the Level 1 or 2 definitions at the reporting date. Transfers out of Level 3 occur when the pricing inputs become more transparent and satisfy the Level 1 or 2 criteria and are primarily the result of observable market data being available at the reporting date, thus removing the requirement to rely on inputs that lack observability.

(5) Foreign currency translation relates to the foreign exchange impact of translating Level 3 assets and liabilities of foreign subsidiaries from their functional currencies to Canadian dollars.

5.B Net Investment Income (Loss)

	March 31, 2024				March 31, 2023			
	Financial Instruments at Amortized Cost	Financial Instruments at FVOCI	Financial Instruments at FVTPL	Total	Financial Instruments at Amortized Cost	Financial Instruments at FVOCI	Financial Instruments at FVTPL	Total
Interest income (expense):								
Cash, cash equivalents and short-term investments	\$ —	\$ —	\$ 146	\$ 146	\$ —	\$ —	\$ 102	\$ 102
Debt securities	—	151	666	817	—	115	674	789
Mortgages and loans	17	33	648	698	20	23	588	631
Derivative investments	—	—	18	18	—	—	20	20
Other financial invested assets	—	—	76	76	—	55	—	55
Other financial liabilities	(44)	—	(69)	(113)	(80)	—	—	(80)
Total interest income (expense)	(27)	184	1,485	1,642	(60)	193	1,384	1,517
Dividend & other investment income:								
Equity securities	—	—	23	23	—	—	20	20
Other financial invested assets	—	—	59	59	—	—	55	55
Total dividend & other investment income	—	—	82	82	—	—	75	75
Net realized and unrealized gains (losses):								
Cash, cash equivalents and short-term investments	—	—	3	3	—	—	2	2
Debt securities	—	(55)	(1,399)	(1,454)	—	217	1,833	2,050
Equity securities	—	—	373	373	—	—	300	300
Mortgages and loans	—	—	(414)	(414)	—	17	902	919
Derivative investments	—	—	(1,039)	(1,039)	—	—	161	161
Other financial invested assets	—	1	95	96	—	42	(11)	31
Other financial liabilities	—	—	(32)	(32)	—	—	(4)	(4)
Total net realized and unrealized gains (losses)	—	(54)	(2,413)	(2,467)	—	276	3,183	3,459
Provision for credit losses	—	5	—	5	—	(8)	—	(8)
Net investment income (loss) from financial instruments	\$ (27)	\$ 135	\$ (846)	\$ (738)	\$ (60)	\$ 461	\$ 4,642	\$ 5,043
Net Investment income (loss) from non-financial instruments:								
Investment properties rental income				\$ 164				\$ 159
Investment properties expenses				(66)				(66)
Investment expenses and taxes				(71)				(74)
Fair value changes on investment properties				(157)				(11)
Other investment income (loss)				199				32
Foreign exchange gains (losses)				46				(33)
Net investment income (loss) from non-financial instruments				\$ 115				\$ 7
Total Net investment income (loss)				\$ (623)				\$ 5,050
Net investment income (loss) recognized in income				\$ (677)				\$ 4,800
Net investment income (loss) recognized in OCI				\$ 54				\$ 250

5.C Cash, Cash Equivalents and Short-Term Securities

Cash, cash equivalents and short-term securities presented in our Consolidated Statements of Financial Position and Net cash, cash equivalents and short-term securities presented in our Consolidated Statements of Cash Flows consist of the following:

As at	March 31, 2024	December 31, 2023	March 31, 2023
Cash	\$ 1,893	\$ 2,001	\$ 2,613
Cash equivalents	6,157	9,169	6,418
Short-term securities	3,215	2,003	1,981
Cash, cash equivalents and short-term securities	11,265	13,173	11,012
Less: Bank overdraft, recorded in Other liabilities	142	—	180
Net cash, cash equivalents and short-term securities	\$ 11,123	\$ 13,173	\$ 10,832

5.D Mortgage Securitization

We securitize certain insured fixed rate commercial mortgages as described in Note 5 of our 2023 Annual Consolidated Financial Statements.

The carrying value and fair value of the securitized mortgages as at March 31, 2024 are \$1,766 and \$1,667, respectively (December 31, 2023 — \$1,792 and \$1,697, respectively). The carrying value and fair value of the associated liabilities as at March 31, 2024 are \$2,117 and \$2,008, respectively (December 31, 2023 — \$2,119 and \$2,021, respectively). The carrying value of securities in the principal reinvestment account ("PRA") as at March 31, 2024 is \$359 (December 31, 2023 — \$335). There are \$1 cash and cash equivalents in the PRA as at March 31, 2024 (December 31, 2023 — \$57).

The fair value of the secured borrowings from mortgage securitization is based on the methodologies and assumptions for asset-backed securities described in Note 5 of our 2023 Annual Consolidated Financial Statements. The fair value of these liabilities is categorized in Level 2 of the fair value hierarchy as at March 31, 2024 and December 31, 2023.

6. Financial Instrument Risk Management

The significant risks related to financial instruments are credit risk, market risk (including equity risk, real estate risk, interest rate and spread risk, foreign currency risk, and inflation risk) and liquidity risk. Further details on our financial instrument risk management, including methodologies and assumptions, are described in Notes 1 and 6 of our 2023 Annual Consolidated Financial Statements.

The allowance for ECL was \$84 as at March 31, 2024 (December 31, 2023 — \$89) and the provision for credit losses was \$(5) for the three months ended March 31, 2024 (March 31, 2023 — \$8). There were no significant transfers between Stage 1, Stage 2, and Stage 3 for the three months ended March 31, 2024 and March 31, 2023.

7. Insurance Contracts

7.A Changes in Insurance Contracts

7.A.i Changes in Insurance Contracts Issued and Reinsurance Contracts Held Net Asset or Liability

Insurance Contracts Issued By Measurement Component

The following table shows the changes in net liabilities for insurance contracts issued by measurement component, including estimates of present value ("PV") of future cash flows, risk adjustment, and Contractual Service Margin ("CSM"). Changes in the liabilities for insurance contract liabilities for account of segregated fund holders are provided in Note 11. Further details of our measurement approach, including the premium allocation approach ("PAA"), can be found in Note 1 of our 2023 Annual Consolidated Financial Statements.

	For the three months ended and as at March 31, 2024				For the year ended and as at December 31, 2023			
	Estimates of PV of future cash flows	Risk adjustment	CSM	Total	Estimates of PV of future cash flows	Risk adjustment	CSM	Total
Insurance contract liabilities — non-PAA, beginning of period	\$ 99,420	\$ 7,388	\$ 11,597	\$ 118,405	\$ 96,623	\$ 6,847	\$ 10,901	\$ 114,371
Insurance contract liabilities — PAA, beginning of period	16,436	828		17,264	16,087	836		16,923
Insurance contract assets — non-PAA, beginning of period	(578)	146	248	(184)	(195)	51	69	(75)
Net balances, beginning of period	\$ 115,278	\$ 8,362	\$ 11,845	\$ 135,485	\$ 112,515	\$ 7,734	\$ 10,970	\$ 131,219
CSM recognized for services provided			(269)	(269)			(923)	(923)
Risk adjustment recognized for non- financial risk expired		(150)		(150)		(545)		(545)
Changes in estimates that adjust CSM	(262)	(30)	292	—	(1,206)	292	914	—
Contracts initially recognized in the period	(424)	108	340	24	(1,702)	513	1,259	70
Other	40	(89)	(24)	(73)	5,322	376	(375)	5,323
Changes in PAA balance	(289)	1		(288)	349	(8)		341
Net balances, end of period	\$ 114,343	\$ 8,202	\$ 12,184	\$ 134,729	\$ 115,278	\$ 8,362	\$ 11,845	\$ 135,485
Insurance contract liabilities — non-PAA, end of period ⁽¹⁾	\$ 98,777	\$ 7,230	\$ 11,926	\$ 117,933	\$ 99,420	\$ 7,388	\$ 11,597	\$ 118,405
Insurance contract liabilities — PAA, end of period	16,147	829		16,976	16,436	828		17,264
Insurance contract assets — non-PAA, end of period	(581)	143	258	(180)	(578)	146	248	(184)
Net balances, end of period	\$ 114,343	\$ 8,202	\$ 12,184	\$ 134,729	\$ 115,278	\$ 8,362	\$ 11,845	\$ 135,485

⁽¹⁾ Includes liabilities of \$(258) (December 31, 2023 — \$(105)) for segregated fund insurance contracts that are not backed by the related Investments for account of segregated fund holders.

Reinsurance Contracts Held By Measurement Component

The following table shows the ending balances for reinsurance contracts held by measurement component:

As at	March 31, 2024				December 31, 2023			
	Estimates of PV of future cash flows	Risk adjustment	CSM	Total	Estimates of PV of future cash flows	Risk adjustment	CSM	Total
Reinsurance contract held assets — non-PAA, end of period	\$ 3,827	\$ 1,409	\$ 163	\$ 5,399	\$ 3,848	\$ 1,431	\$ 174	\$ 5,453
Reinsurance contract held assets — PAA, end of period	333	13		346	324	17		341
Reinsurance contract held liabilities — non- PAA, end of period	(2,226)	810	(120)	(1,536)	(2,355)	847	(115)	(1,623)
Net balances, end of period	\$ 1,934	\$ 2,232	\$ 43	\$ 4,209	\$ 1,817	\$ 2,295	\$ 59	\$ 4,171

7.A.ii Analysis of Insurance Revenue

Insurance revenue in the Consolidated Statements of Operations consists of the following:

	For the three months ended	
	March 31, 2024	March 31, 2023
For contracts not measured using the PAA:		
Amounts relating to changes in liabilities for remaining coverage:		
Expected claims and other expenses ⁽¹⁾	\$ 1,165	\$ 1,162
Release of risk adjustment ⁽¹⁾	150	122
CSM recognized for services provided	269	225
Income taxes specifically chargeable to the policyholder	—	1
Amortization of insurance acquisition cash flows	87	30
Total insurance revenue for contracts not measured using the PAA	1,671	1,540
For contracts measured using the PAA:		
Insurance revenue	3,869	3,742
Total insurance revenue	\$ 5,540	\$ 5,282

⁽¹⁾ Expected claims and other expenses excludes investment components and amounts allocated to the loss component. Release of risk adjustment excludes amounts allocated to the loss component and amounts related to changes in the time value of money, which are recognized in Insurance finance income (expenses).

8. Fee Income

	For the three months ended	
	March 31, 2024	March 31, 2023
Fee income from service contracts:		
Distribution fees	\$ 255	\$ 232
Fund management and other asset-based fees	1,427	1,365
Administrative service and other fees	330	304
Total fee income	\$ 2,012	\$ 1,901

Distribution fees and Fund management and other asset-based fees are primarily earned in the Asset Management segment. Administrative service and other fees are primarily earned in the Canada and U.S. segments. The fee income by business segment is presented in Note 4.

9. Income Taxes

The Company's effective income tax rate is generally lower than our statutory income tax rate of 27.8% due to various tax benefits, such as lower taxes on income subject to tax in foreign jurisdictions and a range of tax-exempt investment income.

Our effective income tax rate for the three months ended March 31, 2024 was 21.8% compared to 16.2% for the three months ended March 31, 2023. The effective income tax rate for the three months ended March 31, 2024 was higher than the effective income tax rate for the three months ended March 31, 2023 primarily due to the impact of lower tax-exempt investment income earned in 2024.

In our Consolidated Statements of Operations, Income tax expense (benefit) has the following components:

	For the three months ended	
	March 31, 2024	March 31, 2023
Current income tax expense (benefit)	\$ 307	\$ 300
Deferred income tax expense (benefit)	(46)	(123)
Total income tax expense (benefit)	\$ 261	\$ 177

Recent amendments to IAS 12 *Income Taxes* provide a mandatory temporary exception to the recognition and disclosure of information about deferred taxes arising from Pillar Two, and we have applied this temporary exception. Our deferred taxes will not reflect impacts of Pillar Two while the mandatory exception is applicable. The global minimum tax rules apply to Sun Life effective January 1, 2024 and have been substantively enacted in several jurisdictions in which Sun Life operates, including the UK, Ireland, Luxembourg and Vietnam, however the rules are not yet substantively enacted in Canada. The Current income tax expense (benefit) for the three months ended March 31, 2024 includes tax expense related to Pillar Two income taxes of \$2.

10. Capital Management

10.A Capital

Our capital base is structured to exceed minimum regulatory and internal capital targets and maintain strong credit and financial strength ratings, while maintaining a capital efficient structure. We strive to achieve an optimal capital structure by balancing the use of debt and equity financing. Capital is managed both on a consolidated basis under the principles that consider all the risks associated with the business, as well as at the business group level under the principles appropriate to the jurisdiction in which each operates. We manage the capital for all of our international subsidiaries on a local statutory basis in a manner commensurate with their individual risk profiles. Further details on our capital, and how it is managed, are included in Note 20 of our 2023 Annual Consolidated Financial Statements.

SLF Inc. is a non-operating insurance company and is subject to the Life Insurance Capital Adequacy Test ("LICAT") guideline. As at March 31, 2024, SLF Inc.'s LICAT ratio exceeded the regulatory minimum target as set out by the Office of the Superintendent of Financial Institutions, Canada ("OSFI").

Sun Life Assurance, SLF Inc.'s principal operating life insurance subsidiary in Canada, is also subject to the LICAT guideline. As at March 31, 2024, Sun Life Assurance's LICAT ratio exceeded OSFI's minimum regulatory target; as well as OSFI's supervisory target applicable to operating life insurance companies.

In the U.S., Sun Life Assurance operates through a branch which is subject to U.S. regulatory supervision and it exceeded the levels under which regulatory action would be required as at March 31, 2024. In addition, other subsidiaries of SLF Inc. that must comply with local capital or solvency requirements in the jurisdiction in which they operate maintained capital levels above minimum local requirements as at March 31, 2024.

Our capital base consists mainly of common shareholders' equity, preferred shareholders' equity, equity in the participating account, non-controlling interest's equity, CSM, and certain other capital securities that qualify as regulatory capital.

10.B Significant Capital Transactions

10.B.i Common Shares

Changes in common shares issued and outstanding were as follows:

For the three months ended	March 31, 2024		March 31, 2023	
	Number of shares	Amount	Number of shares	Amount
Common shares (in millions of shares)				
Balance, beginning of period	584.6	\$ 8,327	586.4	\$ 8,311
Stock options exercised	0.3	12	0.3	20
Common shares purchased for cancellation	(2.4)	(34)	—	—
Balance, end of period	582.5	\$ 8,305	586.7	\$ 8,331

On August 29, 2023, we launched a normal course issuer bid (the "NCIB") to purchase up to 17 million of our common shares between August 29, 2023 and, at the latest, August 28, 2024. We implemented an automatic repurchase plan with our designated broker in order to facilitate purchases of common shares under the NCIB. Under the automatic repurchase plan, our designated broker is able to purchase common shares pursuant to the NCIB at times when we ordinarily would not be active in the market due to applicable securities laws or self-imposed blackout periods. Any common shares purchased by us pursuant to the NCIB will be cancelled or used in connection with certain equity settled incentive arrangements.

For the three months ended March 31, 2024, we purchased and cancelled approximately 2.4 million common shares at an average price per share of \$73.34 for a total amount of \$174 under the NCIB. The total amount paid to purchase the shares pursuant to the NCIB is allocated to Common shares and Retained earnings in our Consolidated Statements of Changes in Equity. The amount allocated to Common shares is based on the average cost per common share and amounts paid above the average cost are allocated to Retained earnings.

11. Segregated Funds

11.A Segregated Funds Classified as Investment Contracts

11.A.i Investments for Account of Segregated Fund Holders — Investment Contracts

The carrying value of investments for account of segregated fund holders for contracts classified as investment contracts are as follows:

As at	March 31, 2024	December 31, 2023
Segregated and mutual fund units	\$ 113,763	\$ 107,239
Equity securities	1,217	1,280
Debt securities	797	862
Cash, cash equivalents and short-term securities	23	4
Other assets	88	30
Total assets	115,888	109,415
Less: Liabilities arising from investing activities	1	4
Total investments for account of segregated fund holders	\$ 115,887	\$ 109,411

11.A.ii Changes in Account of Segregated Fund Holders — Investment Contracts

	For the three months ended and as at March 31, 2024	For the year ended and as at December 31, 2023
Balance, beginning of period	\$ 109,411	\$ 102,153
Additions to segregated funds:		
Deposits	3,540	11,510
Net realized and unrealized gains (losses)	6,321	3,995
Other investment income	81	7,854
Total additions	9,942	23,359
Deductions from segregated funds:		
Payments to policyholders and their beneficiaries	3,273	10,793
Management fees	182	687
Taxes and other expenses	13	49
Foreign exchange rate movements	(2)	(76)
Total deductions	3,466	11,453
Net additions (deductions)	6,476	11,906
Dispositions	—	(4,648)
Balance, end of period	\$ 115,887	\$ 109,411

11.B Segregated Funds Classified as Insurance Contracts

11.B.i Investments for Account of Segregated Fund Holders — Insurance Contracts

The carrying value of investments for account of segregated fund holders for contracts classified as insurance contracts, which are the underlying items for the insurance contracts, are as follows:

As at	March 31, 2024	December 31, 2023
Segregated and mutual fund units	\$ 14,520	\$ 14,240
Equity securities	3,147	2,908
Debt securities	1,468	1,427
Cash, cash equivalents and short-term securities	482	483
Mortgages	16	16
Other assets	76	45
Total assets	19,709	19,119
Less: Liabilities arising from investing activities	55	78
Total investments for account of segregated fund holders	\$ 19,654	\$ 19,041

11.B.ii Changes in Account of Segregated Fund Holders — Insurance Contracts

Changes by Measurement Component

The following reconciliation illustrates the insurance contract liabilities for account of segregated fund holders by measurement component. For insurance contract liabilities for account of segregated fund holders, the entire amount is included in the present value of estimates of future cash flows. Reconciliations for the net liabilities of segregated fund insurance contracts that are not backed by investments for account of segregated fund holders are included as part of the insurance contract liabilities in Note 7.A.i.

	For the three months ended and as at March 31, 2024	For the year ended and as at December 31, 2023
Balance, beginning of period	\$ 19,041	\$ 23,139
Insurance finance (income) expenses	1,056	1,793
Foreign currency translation	63	(201)
Cash flows:		
Premiums received	480	1,969
Amounts paid to policyholders and other insurance service expenses paid	(771)	(2,583)
Management fees, taxes and other expenses	(215)	(822)
Total cash flows	(506)	(1,436)
Dispositions	—	(4,254)
Balance, end of period	\$ 19,654	\$ 19,041

12. Commitments, Guarantees and Contingencies

Guarantees of Sun Life Assurance Preferred Shares and Subordinated Debentures

SLF Inc. has provided a guarantee on the \$150 of 6.30% subordinated debentures due 2028 issued by Sun Life Assurance. Claims under this guarantee will rank equally with all other subordinated indebtedness of SLF Inc. SLF Inc. has also provided a subordinated guarantee of preferred shares issued from time to time by Sun Life Assurance, other than such preferred shares which are held by SLF Inc. and its affiliates. Sun Life Assurance has no outstanding preferred shares subject to the guarantee. As a result of these guarantees, Sun Life Assurance is entitled to rely on exemptive relief from most continuous disclosure and the certification requirements of Canadian securities laws.

The following tables set forth certain consolidating summary financial information for SLF Inc. and Sun Life Assurance (consolidated):

For the three months ended	SLF Inc. (unconsolidated)	Sun Life Assurance (consolidated)	Other subsidiaries of SLF Inc. (combined)	Consolidation adjustments	SLF Inc. (consolidated)
March 31, 2024					
Insurance revenue	\$ —	\$ 4,690	\$ 1,223	\$ (373)	\$ 5,540
Net investment income (loss) excluding result for segregated fund holders	79	(685)	47	(118)	(677)
Fee income	—	450	1,690	(128)	2,012
Other income	—	—	161	—	161
Total revenue	\$ 79	\$ 4,455	\$ 3,121	\$ (619)	\$ 7,036
Shareholders' net income (loss)	\$ 838	\$ 510	\$ 324	\$ (834)	\$ 838
March 31, 2023					
Insurance revenue	\$ —	\$ 4,388	\$ 1,190	\$ (296)	\$ 5,282
Net investment income (loss) excluding result for segregated fund holders	119	4,545	256	(120)	4,800
Fee income	—	424	1,594	(117)	1,901
Other income	—	102	—	—	102
Total revenue	\$ 119	\$ 9,459	\$ 3,040	\$ (533)	\$ 12,085
Shareholders' net income (loss)	\$ 826	\$ 597	\$ 184	\$ (781)	\$ 826

Assets and liabilities as at	SLF Inc. (unconsolidated)	Sun Life Assurance (consolidated)	Other subsidiaries of SLF Inc. (combined)	Consolidation adjustments	SLF Inc. (consolidated)
March 31, 2024					
Invested assets	\$ 26,861	\$ 161,658	\$ 10,962	\$ (26,066)	\$ 173,415
Reinsurance contract held assets	\$ —	\$ 5,745	\$ 3	\$ (3)	\$ 5,745
Insurance contract assets	\$ —	\$ 180	\$ 772	\$ (772)	\$ 180
Total other general fund assets	\$ 4,587	\$ 14,349	\$ 9,915	\$ (3,205)	\$ 25,646
Investments for account of segregated fund holders	\$ —	\$ 135,484	\$ 57	\$ —	\$ 135,541
Insurance contract liabilities excluding those for account of segregated fund holders	\$ —	\$ 134,778	\$ 134	\$ (3)	\$ 134,909
Reinsurance contract held liabilities	\$ —	\$ 2,308	\$ —	\$ (772)	\$ 1,536
Investment contract liabilities	\$ —	\$ 11,757	\$ —	\$ —	\$ 11,757
Total other general fund liabilities	\$ 7,419	\$ 15,653	\$ 14,506	\$ (5,439)	\$ 32,139
Insurance contract liabilities for account of segregated fund holders	\$ —	\$ 19,597	\$ 57	\$ —	\$ 19,654
Investment contract liabilities for account of segregated fund holders	\$ —	\$ 115,887	\$ —	\$ —	\$ 115,887
December 31, 2023					
Invested assets	\$ 26,239	\$ 164,557	\$ 13,913	\$ (30,381)	\$ 174,328
Reinsurance contract held assets	\$ —	\$ 5,858	\$ 3	\$ (67)	\$ 5,794
Insurance contract assets	\$ —	\$ 184	\$ 637	\$ (637)	\$ 184
Total other general fund assets	\$ 4,547	\$ 13,302	\$ 9,805	\$ (3,171)	\$ 24,483
Investments for account of segregated fund holders	\$ —	\$ 128,396	\$ 56	\$ —	\$ 128,452
Insurance contract liabilities excluding those for account of segregated fund holders	\$ —	\$ 135,445	\$ 291	\$ (67)	\$ 135,669
Reinsurance contract held liabilities	\$ —	\$ 2,260	\$ —	\$ (637)	\$ 1,623
Investment contract liabilities	\$ —	\$ 11,672	\$ —	\$ —	\$ 11,672
Total other general fund liabilities	\$ 7,300	\$ 15,041	\$ 14,880	\$ (5,596)	\$ 31,625
Insurance contract liabilities for account of segregated fund holders	\$ —	\$ 18,985	\$ 56	\$ —	\$ 19,041
Investment contract liabilities for account of segregated fund holders	\$ —	\$ 109,411	\$ —	\$ —	\$ 109,411

13. Earnings (Loss) Per Share

Details of the calculation of the net income (loss) and the weighted average number of shares used in the earnings per share computations are as follows:

	For the three months ended	
	March 31, 2024	March 31, 2023
Common shareholders' net income (loss) for basic earnings per share	\$ 818	\$ 806
Add: Increase in income due to convertible instruments ⁽¹⁾	3	3
Common shareholders' net income (loss) on a diluted basis	\$ 821	\$ 809
Weighted average number of common shares outstanding for basic earnings per share (in millions)	584	587
Add: Dilutive impact of stock options ⁽²⁾ (in millions)	—	—
Dilutive impact of convertible instruments ⁽¹⁾ (in millions)	3	3
Weighted average number of common shares outstanding on a diluted basis (in millions)	587	590
Basic earnings (loss) per share	\$ 1.40	\$ 1.37
Diluted earnings (loss) per share	\$ 1.40	\$ 1.37

⁽¹⁾ The convertible instruments are the Sun Life Exchangeable Capital Securities ("SLEECs") — Series B issued by Sun Life Capital Trust.

⁽²⁾ Excludes the impact of 1 million stock options for the three months ended March 31, 2024 (March 31, 2023 — 2 million, respectively) because these stock options were anti-dilutive for the period.

14. Accumulated Other Comprehensive Income (Loss)

Changes in accumulated other comprehensive income (loss), net of taxes, are as follows:

For the three months ended,	March 31, 2024						March 31, 2023			
	Balance, beginning of period	Other comprehensive income (loss)	Balance, end of period	Balance, beginning of period	Transition adjustment	Balance, beginning of period (adjusted)	Other comprehensive income (loss)	Balance, end of period		
Items that may be reclassified subsequently to income:										
Unrealized foreign currency translation gains (losses), net of hedging activities	\$ 1,350	\$ 292	\$ 1,642	\$ 1,630	\$ 59	\$ 1,689	\$ (2)	\$ 1,687		
Unrealized gains (losses) on FVOCI assets	(354)	(48)	(402)	(1,333)	494	(839)	228	(611)		
Unrealized gains (losses) on cash flow hedges	(1)	2	1	(18)	—	(18)	(6)	(24)		
Share of other comprehensive income (loss) in joint ventures and associates	(151)	115	(36)	(107)	—	(107)	1	(106)		
Items that will not be reclassified subsequently to income:										
Remeasurement of defined benefit plans	(217)	7	(210)	(149)	—	(149)	(37)	(186)		
Share of other comprehensive income (loss) in joint ventures and associates	2	(9)	(7)	(5)	—	(5)	8	3		
Revaluation surplus on transfers to investment properties	143	—	143	143	—	143	1	144		
Total	\$ 772	\$ 359	\$ 1,131	\$ 161	\$ 553	\$ 714	\$ 193	\$ 907		
Total attributable to:										
Participating account	\$ 6	\$ (2)	\$ 4	\$ (3)	\$ —	\$ (3)	\$ —	\$ (3)		
Non-controlling interests	1	5	6	4	—	4	(4)	—		
Shareholders	765	356	1,121	160	553	713	197	910		
Total	\$ 772	\$ 359	\$ 1,131	\$ 161	\$ 553	\$ 714	\$ 193	\$ 907		

15. Legal and Regulatory Proceedings

We are regularly involved in legal actions, both as a defendant and as a plaintiff. Legal actions naming us as a defendant ordinarily involve our activities as a provider of insurance protection and wealth management products, as an investor and investment advisor, and as an employer. In addition, government and regulatory bodies in Canada, the U.S., the UK, and Asia, including federal, provincial, and state securities and insurance regulators, tax authorities, and other government authorities, from time to time, make inquiries and require the production of information or conduct examinations or investigations concerning our compliance with tax, insurance, securities, and other laws.

Provisions for legal proceedings related to insurance contracts, such as for disability and life insurance claims and the cost of litigation, are included in Insurance contract liabilities in our Consolidated Statements of Financial Position. Other provisions are established outside of the Insurance contract liabilities if, in the opinion of management, it is both probable that a payment will be required and a reliable estimate can be made of the amount of the obligation. Management reviews the status of all proceedings on an ongoing basis and exercises judgment in resolving them in such manner as management believes to be in our best interest.

Our significant legal proceedings and regulatory matters are disclosed in Note 22.G of our 2023 Annual Consolidated Financial Statements. There have been no significant updates to such legal and regulatory proceedings.

Corporate and Shareholder Information

For information about Sun Life, corporate news and financial results, please visit sunlife.com

Corporate office

Sun Life Financial Inc.
1 York Street
Toronto, Ontario
Canada M5J 0B6
Tel: 416-979-9966
Website: www.sunlife.com

Investor Relations

For financial analysts, portfolio managers and institutional investors requiring information, please contact:

Investor Relations
Tel: 416-979-6496
Email: investor_relations@sunlife.com
Please note that financial information can also be obtained from www.sunlife.com.

Transfer agent

For information about your shareholdings, dividends, change in share registration or address, estate transfers, lost certificates, or to advise of duplicate mailings, please contact the Transfer Agent in the country where you reside. If you do not live in any of the countries listed, please contact the Canadian Transfer Agent.

Canada

TSX Trust Company
301 - 100 Adelaide Street West
Toronto, ON
M5H 4H1
Within North America:
Tel: 1-877-224-1760

Outside of North America:

Tel: 416-682-3865
Fax: 1-888-249-6189
Email: sunlifeinquiries@tmx.com
Website: <https://tsxtrust.com/sun-life>
Shareholders can view their account details using TSX Trust Company's Internet service, Investor Central.
Register at <https://tsxtrust.com/sun-life>.

United States
Equiniti Trust Company, LLC
PO Box 860
Newark, NJ 07101
Tel: 1-877-224-1760
Email: sunlifeinquiries@tmx.com

United Kingdom
Link Group
Central Square
29 Wellington Street
Leeds LS1 4DL
Tel: +44 (0) 345-602-1587
Email: shareholderenquiries@linkgroup.co.uk

Philippines
RCBC TRUST CORPORATION
Stock Transfer Processing Section
Ground Floor, West Wing,
GPL (Grepalife) Building,
221 Senator Gil Puyat Avenue
Makati City, 1200,
Philippines
From Metro Manila: 632-5318-8567
From the Provinces: 1-800-1-888-2422
Email: rbcstocktransfer@rbc.com

Hong Kong, SAR
Computershare Hong Kong Investor Services Limited
17M Floor, Hopewell Centre
183 Queen's Road East
Wanchai, Hong Kong
Tel: 852-2862-8555
Shareholders can submit inquiries online at:
https://www.computershare.com/hk/en/online_feedback

Shareholder services

For shareholder account inquiries, please contact the Transfer Agent in the country where you reside, or Shareholder Services: English Email: shareholderservices@sunlife.com
French Email: servicesauxactionnaires@sunlife.com

2024 dividend dates

Common Shares

Record dates

February 28, 2024
May 29, 2024
August 28, 2024*
November 27, 2024*

Payment dates

March 28, 2024
June 28, 2024
September 27, 2024*
December 31, 2024*

*Subject to approval by the Board of Directors

Direct deposit of dividends
Common shareholders residing in Canada, or the U.S. may have their dividend payments deposited directly into their bank account.

The Request for Electronic Payment of Dividends Form is available for downloading from the TSX Trust Company website, <https://tsxtrust.com/sun-life/forms>, or you can contact TSX Trust Company have a form sent to you.

Canadian dividend reinvestment and share purchase plan

Canadian-resident common shareholders can enroll in the Dividend Reinvestment and Share Purchase Plan. For details visit our website at sunlife.com or contact the Plan Agent, TSX Trust Company at sunlifeinquiries@tmx.com.

Stock exchange listings

Sun Life Financial Inc. common shares are listed on the Toronto (TSX), New York (NYSE) and Philippine (PSE) stock exchanges. Ticker Symbol: SLF

Sun Life Financial Inc. Class A Preferred Shares are listed on the Toronto Stock Exchange (TSX).

Ticker Symbols: Series 3 - SLF.PR.C
Series 4 - SLF.PR.D
Series 5 - SLF.PR.E
Series 8R - SLF.PR.G
Series 9QR - SLF.PR.J
Series 10R - SLF.PR.H
Series 11QR - SLF.PR.K