L. Non-IFRS Financial Measures

i. 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, 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; (iii) the impacts of changes in the fair value of investment properties in the reporting period; and (iv) tax-exempt investment income[1];

(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 2022 Annual Consolidated Financial Statements. For additional information about the SLEECS, please refer to Note 13 of our 2022 Annual Consolidated Financial Statements.

[1] The removal of tax-exempt investment income differing from our best estimate has been applied prospectively, effective Q4'22.

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)	**2022**	2021
Reported net income - Common shareholders	**3,060**	3,934
Market-related impacts		
Equity market impacts		
Impacts from equity market changes	**(294)**	278
Basis risk impacts	**51**	24
Equity market impacts	**(243)**	302
Interest rate impacts[1]		
Impacts of interest rate changes	**(296)**	74
Impacts of credit spread movements	**50**	(11)
Impacts of swap spread movements	**(2)**	8
Interest rate impacts	**(248)**	71
Impacts of changes in the fair value of investment properties	**81**	254
Less: Market-related impacts	**(410)**	627
Less: Assumption changes and management actions	**62**	74
Other adjustments		
Fair value adjustments on MFS' share-based payment awards	**106**	(186)
Acquisition, integration and restructuring[2][3][4][5][6]	**(338)**	(18)
Other[7][8][9][10][11][12][13]	**(34)**	(96)
Less: Total of other adjustments	**(266)**	(300)
Underlying net income	**3,674**	3,533
Reported EPS (diluted) ($)	**5.21**	6.69
Less: Market-related impacts ($)	**(0.70)**	1.06
Assumption changes and management actions ($)	**0.10**	0.12
Fair value adjustments on MFS' share-based payment awards ($)	**0.18**	(0.32)
Acquisition, integration and restructuring ($)	**(0.56)**	(0.03)
Other ($)	**(0.06)**	(0.16)
Impact of convertible securities on diluted EPS ($)	**(0.02)**	(0.01)
Underlying EPS (diluted) ($)	**6.27**	6.03

(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 Management affiliates, BentallGreenOak, InfraRed Capital Partners and Crescent Capital Group LP, which include the unwinding of the discount for Other financial liabilities of $64 million in 2022 (2021 - $59 million).

(3) The restructuring charge of $57 million in 2021 related to our strategy for our workspace and redefining the role of the office.

(4) Reflects acquisition and integration costs associated with DentaQuest, acquired on June 1, 2022.

(5) Reflects the changes in estimated future payments for acquisition-related contingent considerations and options to purchase remaining ownership interests of SLC Management affiliates of $80 million in 2022 and $153 million in 2021.

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

(7) Q3'22 reflects an impairment charge of $170 million (£108 million) pertaining to the attributed goodwill that is not expected to be recovered through the Sun Life UK sale. For more details, see section B - Overview - 4 - Acquisitions and Other in this document.

(8) Includes a charge of $55 million in Q3'22 reflecting the resolution of a matter related to reinsurance pricing for our U.S. In-force Management business.

(9) Q2'22 reflects a gain on the sale-leaseback of our Wellesley office in the U.S.

(10) Q3'21 reflects an adjustment for investment income and expense allocations between participating policyholders and shareholders for prior years.

(11) Q2'21 reflects the UK Finance Act that was signed into law on June 10, 2021, increasing the corporate tax rate from 19% to 25%, which will take effect for future tax periods beginning April 1, 2023. As a result, reported net income decreased by $11 million.

(12) On December 15, 2022, legislation implementing an additional surtax of 1.5% applicable to banks and life insurers' taxable income in excess of $100 million was enacted in Canada ("Canada Tax Rate Change"). This legislation applies retroactively to the Federal Budget date of April 7, 2022. As a result, reported net income increased by $127 million in the fourth quarter, reflected in ACMA and Other adjustments. Refer to section D - Profitability in this document for more information.

(13) Q4'22 includes the unwinding of an internal reinsurance agreement.

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

($ millions, unless otherwise noted)	2022	2021
Reported net income - Common shareholders (after-tax)	**3,060**	3,934
Underlying net income adjustments (pre-tax):		
Less: Market-related impacts	**(401)**	849
Assumption changes and management actions	**83**	66
Other adjustments[1]	**(419)**	(320)
Total underlying net income adjustments (pre-tax)	**(737)**	595
Less: Taxes related to underlying net income adjustments[1]	**123**	(194)
Underlying net income (after-tax)	**3,674**	3,533

[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.

ii. 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 D - Profitability - 2 - Assumption changes and management actions in this document for details on ACMA.

Note 10.A of the Consolidated Financial Statements for the period ended December 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)	2022	2021
Impacts of method and assumption changes on insurance contract liabilities (pre-tax)	**57**	(273)
Less: Participating policyholders[1]	**3**	(9)
Less: Other items[2]	**(20)**	—
Impacts of method and assumption changes excluding participating policyholders (pre-tax)	**74**	(264)
Less: Tax	**19**	(93)
Impacts of method and assumption changes excluding participating policyholders (after-tax)	**55**	(171)
Add: Management actions (after-tax)[3]	**7**	247
Other (after-tax)[4]	**—**	(2)
Assumption changes and management actions (after-tax)[5][6]	**62**	74

[1] Adjustment to remove the pre-tax impacts of method and assumption changes on amounts attributed to participating policyholders.
[2] Other includes a charge reflecting the resolution of a matter related to reinsurance pricing for our U.S. In-force Management business.
[3] Adjustment to include the 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, on an after-tax basis. The pre-tax impact of management actions to Method and assumption changes on insurance contract liabilities was an increase of $9 million in 2022 (2021 - an increase of $331 million).
[4] Adjustments to include the impacts of method and assumption changes on investment contracts and other policy liabilities, on an after-tax basis. The pre-tax impact to Method and assumption changes on insurance contract liabilities was $nil in 2022 (2021 - a decrease of $2 million).
[5] 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.
[6] ACMA is included in reported net income and is excluded in calculating underlying net income, as described in section D - 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, net of loans related to acquisitions 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 December 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	**423**	2,383
Debt securities[1]	**1,408**	1,421
Equity securities[2]	**102**	861
Sub-total[3]	**1,933**	4,665
Less: Loans related to acquisitions (held at SLF Inc. and its wholly owned holding companies)[4]	**(883)**	—
Cash and other liquid assets (held at SLF Inc. and its wholly owned holding companies)[5]	**1,050**	4,665

(1) Includes publicly traded bonds.
(2) Includes ETF Investments.
(3) Q4'21 amounts included $2.0 billion of proceeds from the subordinated debt offerings completed in November 2021, of which $1.5 billion did not qualify as LICAT capital at issuance as it was subject to contractual terms requiring us to redeem the underlying securities in full if the closing of the DentaQuest acquisition did not occur. We completed the acquisition of DentaQuest on June 1, 2022.
(4) Loans related to acquisitions have been included as an adjustment to Cash and other liquid assets, as they reflect funding for the DentaQuest acquisition.
(5) Represents available funds for capital re-deployment.

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)	**2022**	2021
Fee income (per IFRS)	**1,412**	1,099
Less: Non-fee-related revenue adjustments(1)(2)	**435**	231
Fee-related revenue	**977**	868
Total expenses (per IFRS)	**1,405**	1,271
Less: Non-fee-related expense adjustments(2)(3)	**665**	600
Fee-related expenses	**740**	671
Fee-related earnings	**237**	197
Add: Investment income (loss) and performance fees(4)	**24**	34
Add: Interest and other(5)	**(50)**	(35)
Operating income	**211**	196

(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 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 as follows (amounts have been adjusted for rounding):

($ millions)	**2022**	2021
Net investment income (loss) (per IFRS)	**1**	19
Less: Other - Investment income (loss)	**(15)**	(3)
Add: Investment income (loss) and performance fees - fee income	**8**	12
Investment income (loss) and performance fees	**24**	34

(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 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.

The following table provides a reconciliation to calculate MFS' pre-tax net operating margin:

MFS	Year-to-date	
(US$ millions)	**2022**	2021
Revenue		
Fee income (per IFRS)	**3,323**	3,779
Less: Commissions	**433**	509
Less: Other(1)	**(53)**	(42)
Adjusted revenue	**2,943**	3,312
Expenses		
Expenses (per IFRS)	**2,162**	2,650
Net investment (income)/loss (per IFRS)	**(17)**	—
Less: Gross fair value adjustments on share-based payment awards(2)	**(38)**	216
Less: Commissions	**433**	509
Less: Other(1)	**(53)**	(42)
Adjusted expenses	**1,803**	1,967
Pre-tax net operating margin	**39%**	41%

(1) Other includes accounting basis differences, such as sub-advisory expenses and product allowances.
(2) For more information on this adjustment made to arrive at a non-IFRS financial measure, see the heading Underlying Net Income and Underlying EPS.

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.

Total weighted premium income ("TWPI"). This measure consists of 100% renewal premiums, 100% of first year premiums, and 10% of single premiums. In contrast to sales, which only includes premiums from new business, TWPI includes renewal premiums, reflecting the strength of the in-force block and providing a better understanding of both new and existing business.

The following table provides a reconciliation to calculate Total weighted premium income for Asia:

($ millions)	**2022**	2021
Gross premiums	**3,563**	3,595
Less: Pension premiums	**28**	31
Adjustment for single premiums	**1,268**	1,605
Add: Premiums from segregated fund deposits	**935**	997
Premiums from joint ventures	**1,696**	1,434
Other adjustments[1]	**(14)**	(28)
Total weighted premium income (TWPI)	**4,884**	4,362

[1] Other includes small presentation adjustments.

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 this document.

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.

iii. Reconciliations of Select Non-IFRS Financial Measures

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

			Q4'22			
($ millions)	**Canada**	**U.S.**	**Asset Management**	**Asia**	**Corporate**	**Total**
Reported net income (loss) - Common shareholders	**367**	**110**	**322**	**98**	**54**	**951**
Less: Market-related impacts (pre-tax)[1]	**(110)**	**(79)**	**—**	**(87)**	**3**	**(273)**
ACMA (pre-tax)	**47**	**4**	**—**	**16**	**—**	**67**
Other adjustments (pre-tax)[1][2]	**(1)**	**(96)**	**9**	**17**	**(17)**	**(88)**
Tax expense (benefit) on above items[2]	**107**	**41**	**—**	**—**	**107**	**255**
Underlying net income (loss)	**324**	**240**	**313**	**152**	**(39)**	**990**
			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

[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.

	2022					
($ millions)	**Canada**	**U.S.**	**Asset Management**	**Asia**	**Corporate**	**Total**
Reported net income (loss) - Common shareholders	**1,000**	**586**	**1,141**	**515**	**(182)**	**3,060**
Less: Market-related impacts (pre-tax)[1]	**(300)**	**2**	**—**	**(82)**	**(21)**	**(401)**
ACMA (pre-tax)	**98**	**(18)**	**—**	**(41)**	**44**	**83**
Other adjustments (pre-tax)[1][2]	**(3)**	**(172)**	**(67)**	**10**	**(187)**	**(419)**
Tax expense (benefit) on above items[2]	**(61)**	**46**	**4**	**1**	**133**	**123**
Underlying net income (loss)	**1,266**	**728**	**1,204**	**627**	**(151)**	**3,674**

	2021					
($ millions)	Canada	U.S.	Asset Management	Asia	Corporate	Total
Reported net income (loss) - Common shareholders	1,558	499	892	1,075	(90)	3,934
Less: Market-related impacts (pre-tax)[1]	669	117	—	67	(4)	849
ACMA (pre-tax)	52	(126)	—	135	5	66
Other adjustments (pre-tax)[1][2]	(118)	(14)	(470)	352	(70)	(320)
Tax expense (benefit) on above items[2]	(176)	4	16	(65)	27	(194)
Underlying net income (loss)	1,131	518	1,346	586	(48)	3,533

[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

	Q4'22		Q4'21	
($ millions)	**MFS**	**SLC Management**	MFS	SLC Management
Reported net income (loss) - Common shareholders	**303**	**19**	295	(155)
Less: Other adjustments (pre-tax)[1][2]	**33**	**(24)**	(48)	(225)
Tax expense (benefit) on above items[2]	**(5)**	**5**	1	30
Underlying net income (loss)	**275**	**38**	342	40

[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.

	2022		2021	
($ millions)	**MFS**	**SLC Management**	MFS	SLC Management
Reported net income (loss) - Common shareholders	**1,195**	**(54)**	1,049	(157)
Less: Other adjustments (pre-tax)[1][2]	**123**	**(190)**	(188)	(282)
Tax expense (benefit) on above items[2]	**(17)**	**21**	2	14
Underlying net income (loss)	**1,089**	**115**	1,235	111

[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

	Q4'22		Q4'21	
(US$ millions)	**U.S.**	**MFS**	U.S.	MFS
Reported net income (loss) - Common shareholders	**81**	**223**	68	234
Less: Market-related impacts (pre-tax)[1]	**(58)**	**—**	42	—
ACMA (pre-tax)	**3**	**—**	(19)	—
Other adjustments (pre-tax)[1][2]	**(71)**	**24**	(8)	(39)
Tax expense (benefit) on above items[2]	**30**	**(3)**	(3)	1
Underlying net income (loss)	**177**	**202**	56	272

[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.

	2022		2021	
(US$ millions)	**U.S.**	**MFS**	U.S.	MFS
Reported net income (loss) - Common shareholders	**453**	**919**	399	836
Less: Market-related impacts (pre-tax)[1]	**4**	**—**	94	—
ACMA (pre-tax)	**(13)**	**—**	(101)	—
Other adjustments (pre-tax)[1][2]	**(129)**	**94**	(11)	(150)
Tax expense (benefit) on above items[2]	**34**	**(13)**	4	1
Underlying net income (loss)	**557**	**838**	413	985

[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)	**Q4'22**	Q4'21
Reported net income (loss) - Common shareholders[1]	**110**	6
Less: Market-related impacts (pre-tax)[2]	**(5)**	8
ACMA (pre-tax)	**—**	—
Other adjustments (pre-tax)[2]	**(1)**	(1)
Tax expense (benefit) on above items	**1**	(1)
Underlying net income (loss) for U.S. Group Benefits	**115**	—

[1] Effective Q2'22, we began reporting on the performance and results of our Dental business unit, which represents our existing dental and vision business within Group Benefits together with DentaQuest, acquired on June 1, 2022. We have updated prior periods to reflect this change in presentation.
[2] For a breakdown of this adjustment made to arrive at a non-IFRS financial measure, see the heading Underlying Net Income and Underlying EPS.

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)	**2022**	2021
Reported net income (loss) - Common shareholders[1]	**347**	243
Less: Market-related impacts (pre-tax)[2]	**(12)**	17
ACMA (pre-tax)	**(8)**	(4)
Other adjustments (pre-tax)[2]	**(3)**	(4)
Tax expense (benefit) on above items	**5**	(2)
Underlying net income (loss) for U.S. Group Benefits	**365**	236

[1] Effective Q2'22, we began reporting on the performance and results of our Dental business unit, which represents our existing dental and vision business within Group Benefits together with DentaQuest, acquired on June 1, 2022. We have updated prior periods to reflect this change in presentation.
[2] For a breakdown of this adjustment made to arrive at a non-IFRS financial measure, see the heading Underlying Net Income and Underlying EPS.