

Rating Report

Sun Life Financial Inc.

DBRS Morningstar

November 27, 2023

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Credit Ratings

Issuer	Obligation	Credit Rating	Credit Rating Action	Trend
Sun Life Assurance Company of Canada	Financial Strength Rating	AA	Confirmed Oct. '23	Stable
Sun Life Financial Inc.	Issuer Rating	A (high)	Confirmed Oct. '23	Stable

Note: A complete list of ratings is found on page 22 of this report.

Credit Rating Drivers

Factors With Positive Credit Rating Implications

- The credit ratings for Sun Life Financial Inc. (SLF or the Company) are well placed in their current credit rating category. Over the longer term, DBRS Limited (DBRS Morningstar) would upgrade the credit ratings if the Company improves its overall profitability and risk profile while strengthening capitalization buffers.

Factors With Negative Credit Rating Implications

- Conversely, DBRS Morningstar would downgrade the credit ratings if the Canadian business, a strong contributor to overall results, were to report a persistent decline in earnings and a weakened franchise.
- A sustained decline in regulatory capital levels combined with a significant deterioration in financial leverage would also result in a credit rating downgrade.

Credit Rating Considerations

Franchise Strength (Very Strong/Strong)

- SLF has extensive operations in Canada (where it is one of the top three life insurers), the U.S., and multiple countries in Asia. The Company's franchise is underpinned by a well-articulated strategy and good operational capabilities. SLF has a well-diversified business model supported by very strong product distribution capabilities.

Risk Profile (Strong/Good)

- SLF has a comprehensive risk management framework with well-defined risk appetites and limits. The risk score also considers SLF's exposure to operational risk arising from operating in multiple jurisdictions and business lines, its guaranteed products in Canada, and SLF's investments in mortgages and BBB-rated bonds.

Earnings Ability (Strong)

- SLF's earnings benefit from its diversified insurance, wealth management, and asset management businesses, further strengthened by the acquisition of DentaQuest. The Canadian and asset management operations are expected to remain the largest contributors to earnings for the near term, even as Asian operations continue to grow at a good pace.

Liquidity (Very Strong)

- SLF's investment portfolio comprises a high proportion of cash and readily marketable public bonds and equities to meet its financial obligations under various stress scenarios. SLF generally maintains a conservative liquidity position that exceeds all liabilities payable on demand.

Capitalization (Strong/Good)

- SLF maintains a healthy capital cushion above the required level of regulatory capital, which increases SLF's capacity to deal with adverse scenarios. Financial leverage remains conservative at below the average for the Company's peers.

Financial Information

	For the Year Ended December 31 (IFRS)						
	9M 2023	9M 2022	2022	2021	2020	2019	2018
Net Premium Income (CAD Millions)	N/A	18,737	26,863	23,053	23,738	20,288	18,642
Fee Income (CAD Millions)	5,767	5,852	8,046	8,002	6,881	6,251	5,966
Return on Equity* (%)	15.1	11.5	12.4	17.0	11.1	12.3	12.2
Total Debt, Hybrids, Preferred Shares, & Other Equity Instruments (CAD Millions)	8,616	9,514	9,115	8,864	7,238	5,995	5,996
Financial Leverage Ratio (%)	28.6	26.4	25.1	25.5	23.5	21.2	21.2
Financial Leverage Ratio (%) - 4Q Rolling Average	28.5	25.9	25.8	23.8	22.2	21.4	21.8
Fixed-Charge Coverage Ratio (times)	7.0	8.3	8.1	11.9	8.2	9.3	10.7

*As calculated by DBRS Morningstar.

Note: Reporting follows IFRS 17 as of Q1 2023, while 2022 and prior year results are based on IFRS 4.

Sources: DBRS Morningstar, Company documents.

Issuer Description

Headquartered in Toronto, SLF is a leading financial services company with extensive operations in Canada, the U.S., and multiple countries in Asia. SLF offers an array of products to individuals, businesses, and institutions. Insurance products include life, dental, health, wellness, disability, critical illness, stop-loss, and long-term care insurance. Wealth products and services include investments (mutual funds, segregated funds, annuities, and guaranteed investment products), financial advice (financial planning and retirement planning services), and asset management (pooled funds, institutional portfolios, and pension funds). The Company's major insurance operating subsidiary, Sun Life Assurance, provides insurance protection products. Sun Life Global Investments Inc. houses wealth products and services, largely conducted by two asset management subsidiaries, MFS Investment Management (MFS) and SLC Management.

Credit Rating Rationale

The credit ratings and Stable trends reflect the Company's well-established global franchise, across Canada, the U.S., and multiple countries in Asia, underpinned by significant market shares in many of its business lines. SLF has demonstrated consistent profitability in recent years, with earnings benefitting from the Company's diversified business model as well as good expense and claims management. SLF has a strong/good risk management profile, very strong liquidity, and excellent product and geographic diversification. The Company has an expanding footprint in the Asian life insurance market and in wealth management globally. SLF maintains appropriate regulatory capital levels and has manageable leverage, enhancing its financial flexibility. The Company's credit ratings also consider the complexities of operating a global insurance organization with an increasing exposure to emerging markets.

Franchise Strength

Grid Grade: Very Strong/Strong

Overall, SLF benefits from its strong global brand recognition, a well-diversified business model both by geography and by product, and extensive product distribution capacity. The Company is one of Canada's top three life insurers, a market leader in the Philippines and in the Hong Kong Mandatory Provident Fund market, and a top 10 player in most of the other Asian countries that it operates in. Additionally,

SLF has a strong presence in the U.S. group benefits market where it is a leading independent stop-loss insurance provider and a strong competitor in group life and disability. The Company's presence in the U.S. has been further strengthened by the completion of the Company's acquisition of DentaQuest, a leader in dental benefits in the U.S. market.

The Company continues to make good progress in its four-pillar strategy. Specifically, SLF remains focused on further building out its market-leading positions in Canada, growing the Company's market presence in several segments of the U.S. employee benefits market, expanding in Asia, and growing its already substantial asset management businesses organically or through acquisitions. SLF centralizes some of its areas of expertise, such as risk management, asset management, compliance oversight, and actuarial functions to better leverage its product capabilities and manage operational complexity.

The Company has accelerated its digital strategy in recent years. SLF is continuing to substantially invest in digital advisor tools, client-facing apps, and data analytics across all business lines. Through its investments, the Company intends to further digitize and streamline the sales process, increase advisor productivity, increase client engagement, and reduce claims and administration expenses. SLF's overall business mix balance and future growth of earnings contribution from each business segment remains an important consideration for the credit ratings. An overdependence on asset management earnings could be viewed negatively if it becomes a substantial component of the group's income.

Exhibit 1 Canadian Life & Health Insurance Market Share*

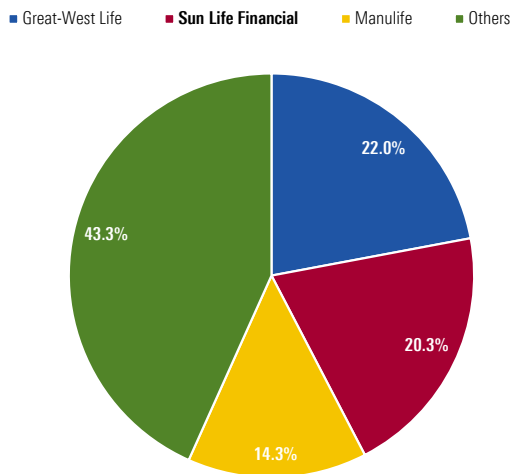
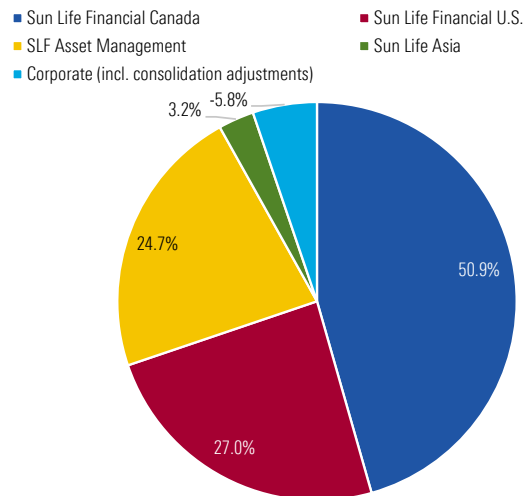


Exhibit 2 Summary of Operating Segments – Revenue Contribution (2022)



* Based on 2022 gross written premiums.
 Note: Reporting follows IFRS 17 as of Q1 2023, while 2022 and prior year results are based on IFRS 4.
 Sources: DBRS Morningstar, MSA Research, Company documents.

Business Segments

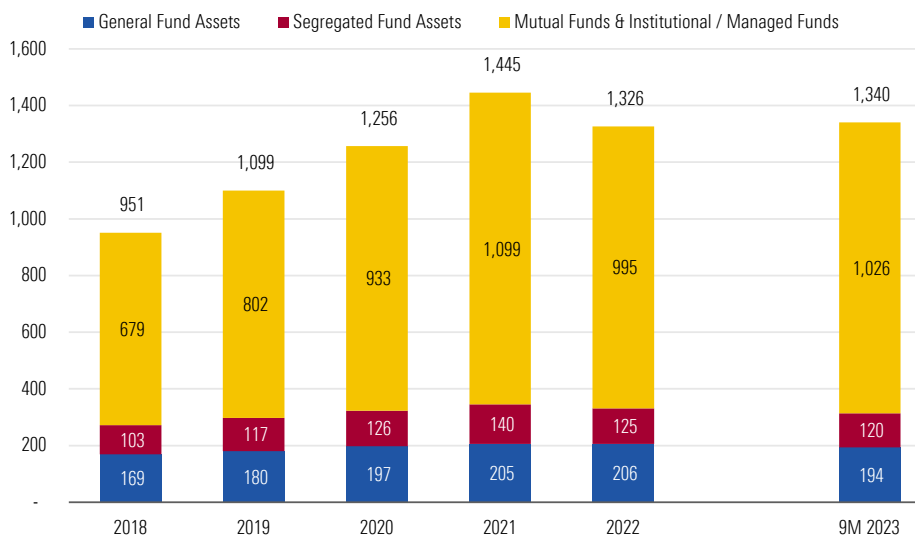
SLF Canada: SLF Canada shares a leading market position with Great-West Lifeco Inc. and Manulife Financial Corporation as one of the three largest Canadian life insurers. The Company has a well-established and long-standing strong position in each of its core business segments. SLF is a top-ranked group benefit and group retirement services provider, and is also number one in the individual life segment. SLF Canada offers individual life and health insurance; group life and health insurance; wealth products and services, such as mutual funds and segregated funds; and pension fund administration. The Canadian operations form a solid platform for earnings and cash flow generation, contributing about half of SLF's revenue for 2022. The Company has the scale and market presence to generate a distribution and service cost advantage, especially with its data analytics tools and client-facing platforms with digital capabilities across the group protection and wealth management lines of business. On October 3, 2023, SLF acquired Dialogue Health Technologies Inc. (Dialogue) for cash proceeds of approximately \$272 million. As a result of this acquisition, the Company's ownership interest in Dialogue increased from approximately 23% to approximately 95%. Dialogue is a Canadian based health and wellness virtual care platform.

A weakening of its position in Canada, resulting in a material loss of market share, would place negative pressure on the credit ratings, given the large proportion of earnings generated from the Canadian operations. Although the Sun Life brand has one of the larger exclusive sales forces in the Canadian industry, the Company also uses other channels of distribution in Canada to broaden its market coverage by including investment dealers, insurance brokers, consultants, and managing general agents.

SLF Asset Management: On February 1, 2023, SLF completed the acquisition of a majority stake interest in Advisors Asset Management, Inc., a leading independent U.S. retail distribution firm, with the option to acquire the remaining interest starting in 2028. The Company's asset management businesses provide an unrestricted source of dividends (without regulatory capital restrictions) to the holding company and increase the diversification of earnings. SLF Asset Management has a global investment platform with resilient long-term performance in a variety of investment management categories, including real estate investment. SLF's segregated fund general account assets are managed in-house under the asset management segment. Total assets under management (AUM) was approximately \$1.3 trillion as at September 30, 2023, with the U.S. asset management subsidiary, MFS, reporting USD \$555.9 billion in AUM as at September 30, 2023.

MFS has been investing in both marketing/brand awareness and technology infrastructure, increasing its wholesaling capabilities globally, and the development of a fixed income product suite with more competitively priced offerings to improve net sales and adapt to changing markets to counter the outflow of funds.

The SLC Management platform aims to provide alternative investment solutions to institutional investors, including liability-driven and alternative fixed income investments, real estate as well as infrastructure and below investment-grade credit. As at September 30, 2023, SLC Management had AUM of \$219.5 billion. SLC Management also manages the Company's general account assets.

Exhibit 3 AUM Breakdown, Net of Consolidation Adjustments (CAD billions)

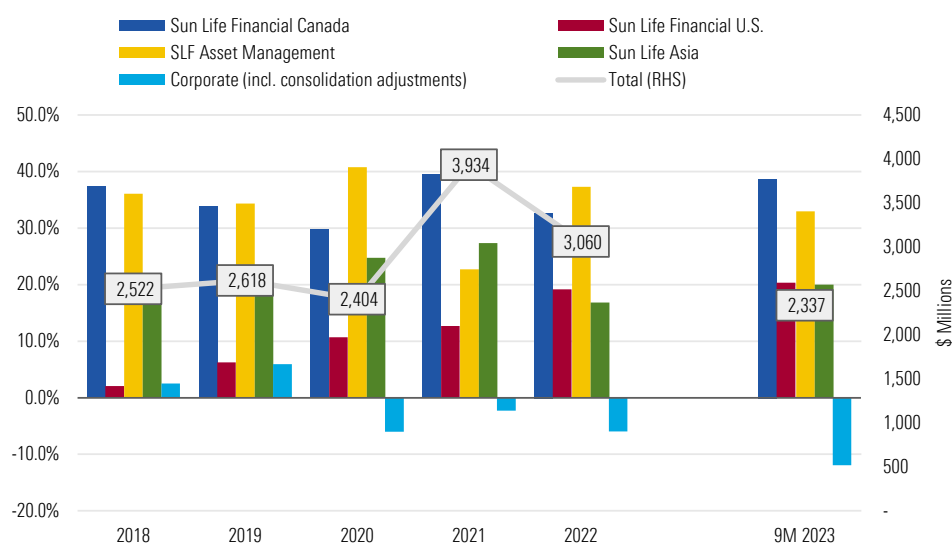
Note: Reporting follows IFRS 17 as of Q1 2023, while 2022 and prior year results are based on IFRS 4.
Sources: DBRS Morningstar, Company documents.

SLF U.S.: This segment continues to successfully execute on its growth initiatives to advance the Company's presence in several segments of the U.S. employee benefits market. With the acquisition of DentaQuest, SLF has created a leading U.S. dental business. Over the past several years, the Company has achieved significant profitable growth in the health insurance stop-loss segment and is the largest independent medical stop-loss provider in the U.S. SLF's group benefits business is composed of a complete suite of group products, including life and disability, medical stop-loss, dental and vision, and voluntary benefits. The growing stop-loss and the group benefits segments represent a significant portion of the U.S. segment earnings. The remainder of SLF's U.S. insurance operations comprise individual life insurance, including universal life. This block was placed in a runoff in 2011 but still contributes to earnings for the U.S. segment. SLF U.S. now manages the UK payout annuities business that was retained following the sale of SLF UK as part of the In-Force Management segment.

SLF Asia: SLF's Asian operations are organized as follows: ASEAN (Philippines, Indonesia, and Vietnam), Hong Kong, Joint Ventures (India, China, and Malaysia), and High-Net-Worth (International and Singapore). Singapore was added in 2021. Overall, Asia represents an attractive growth market with good long-term earnings potential, especially considering North America's highly fragmented and competitive insurance and wealth management markets. The Company is expanding its footprint with growth in its distribution channels in nearly all regions. Asian life insurance sales are mainly driven by Hong Kong and the Philippines with the other countries providing lower, but consistent, sales revenue. DBRS Morningstar views the expansion of SLF's distribution channels as vital to its future success in Asia.

SLF UK: On April 3, 2023, SLF announced that it had completed the sale the Company's UK business to Phoenix Group Holdings plc (Phoenix Group). Sun Life UK was sold to Phoenix Group for a closing price of GBP 248 million. As part of the sale, SLF will form a long-term partnership to become a strategic asset management partner to Phoenix Group. SLF's asset management companies, MFS and SLC Management, will continue to manage approximately \$8 billion of SLF UK's general account upon the close of the sale.

Exhibit 4 Summary of Operating Segments—Contribution to Shareholders' Net Income



Note: Reporting follows IFRS 17 as of Q1 2023, while 2022 and prior year results are based on IFRS 4.
Sources: DBRS Morningstar, Company documents.

Risk Profile

Grid Grade: Strong/Good

DBRS Morningstar assessed SLF's risk profile as strong/good. The Company has sophisticated capabilities to analyze its economic capital and the sensitivities of its capital to various stress scenarios. SLF's credit ratings benefit from the Company's comprehensive and well-developed risk management framework that encompasses its diverse businesses, operations in multiple countries, and investment risk categories that ensures risk exposures are well understood and mitigated. Additionally, SLF's extensive hedging programs help to mitigate most of the volatility in earnings and regulatory ratios that may arise from adverse movements in equity markets or interest rates.

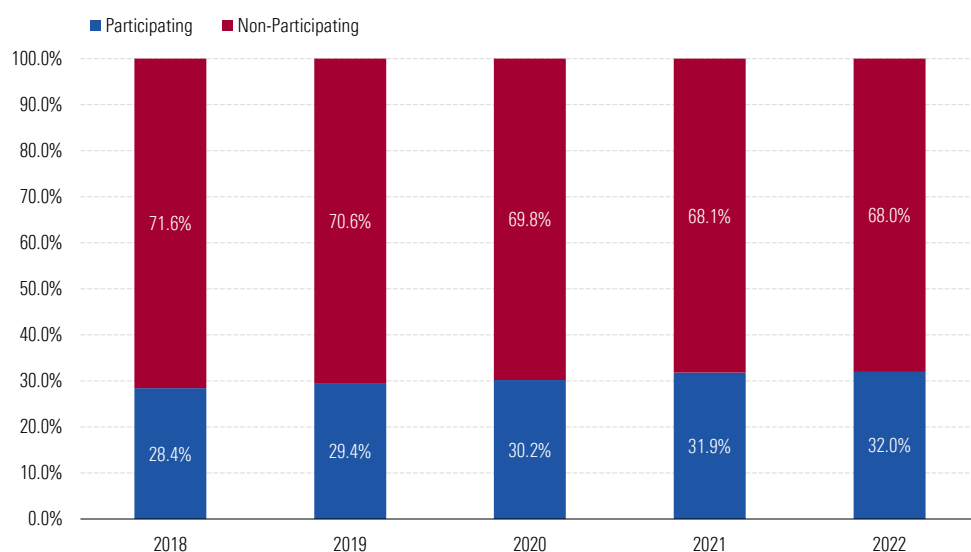
Over the past few years, the Company has further strengthened its risk management practices, shifted toward a lower-risk product portfolio, and exited unprofitable or capital-intensive businesses, while reducing its market and credit risk exposures. Management is focused on identifying and assuming risks only when these risks are consistent with SLF's earnings and capital risk targets. Risks are mitigated through product design, pricing, and hedging activities. The Company's business lines and products are tested for sensitivity to changes in interest rates and equity-price movements. Hedging is used where necessary to maintain risks within tolerance limits. Product pricing and design are driven by extensive

risk analysis. The product development process is designed to mitigate risks exposures as much as possible while remaining competitive in SLF's chosen markets.

The Company's highly developed risk management policies and procedures include adherence to risk limits and tolerances that put SLF in a good position to (1) avoid writing businesses that may present undue risk, (2) mitigate the risk that it does undertake, and (3) identify areas of growth opportunities within its risk appetite. The Company continues to expand its market leadership in the defined benefit solutions pension market in Canada where it is executing large annuity and longevity transactions, which has SLA assuming more long-tail longevity risk. Some of this longevity risk can be offset with death benefit mortality risk and reinsurance programs.

SLF's exposure to equity-market and interest rate risks is tied to its product pricing and the performance guarantees embedded in many of its insurance and wealth management product liabilities, including variable universal life and segregated funds. Additionally, the Company is indirectly exposed to equity-market risk through its investments in asset management businesses, where management fees are tied to the market valuations of AUM.

Exhibit 5 Insurance and Investment Contract Liabilities, Net of Reinsurance



Note: Reporting follows IFRS 17 as of Q1 2023, while 2022 and prior year results are based on IFRS 4.
Sources: DBRS Morningstar, Company documents.

DBRS Morningstar observes that SLF's investment portfolio has generally been balanced across asset classes, except for a somewhat elevated exposure to lower-rated bonds in its bond portfolio. This exposure is partly mitigated by the Company's strong credit risk management approach to its privately placed bond holdings where it focuses on companies in stable industries and loans that have strong covenants. The general account assets are mainly investment grade, as of September 30, 2023, the bonds rated BBB and lower comprised approximately 29.3% (or \$20.1 billion) of the bond portfolio. The Company has invested in markets in which it has operations by purchasing sovereign BBB-rated debt

under the rationale that it is investing the accumulating premiums generated from various regions locally.

SLF's total invested assets have exposure to real estate through holdings of direct mortgages, asset-backed securities (including commercial mortgage-backed securities and residential mortgage-backed securities), and direct real estate holdings. SLF's loans (including mortgages) have excellent characteristics that display prudent underwriting, including low impairment and loan-to-value ratio levels. A significant portion of SLF's mortgage portfolio is insured by the Canada Mortgage and Housing Corporation which mitigates the Company's credit risk exposure. The mortgage portfolio comprises entirely commercial mortgages with the Company's real estate holdings with exposure to retail and the suburban office market presenting some manageable risk. The Company currently has negligible levels of impaired assets. In the past few years, SLF has made efforts to de-risk the investment portfolio where it deems there to be an emerging risk such as in a specific industry, sector, or country.

Exhibit 6: Fixed Income Portfolio

Bonds Rated (CAD Millions)	As at December 31 (IFRS)						
	9M 2023	9M 2022	2022	2021	2020	2019	2018
AAA	13,582	15,471	15,262	18,105	17,604	17,727	15,647
AA	9,769	11,056	11,310	13,012	13,456	12,173	16,252
A	25,386	27,814	27,696	33,266	33,412	30,378	21,536
BBB	19,200	20,228	20,668	23,194	23,294	20,587	20,129
BB and Below	942	957	966	1,150	1,323	741	879
Total Bonds	68,879	75,526	75,902	88,727	89,089	81,606	74,443

Bonds Rated (%)	As at December 31 (IFRS)						
	9M 2023	9M 2022	2022	2021	2020	2019	2018
AAA	19.7	20.5	20.1	20.4	19.8	21.7	21.0
AA	14.2	14.6	14.9	14.7	15.1	14.9	21.8
A	36.9	36.8	36.5	37.5	37.5	37.2	28.9
BBB	27.9	26.8	27.2	26.1	26.1	25.2	27.0
BB and Below	1.4	1.3	1.3	1.3	1.5	0.9	1.2
Total Bonds	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Sources: DBRS Morningstar, Company documents.

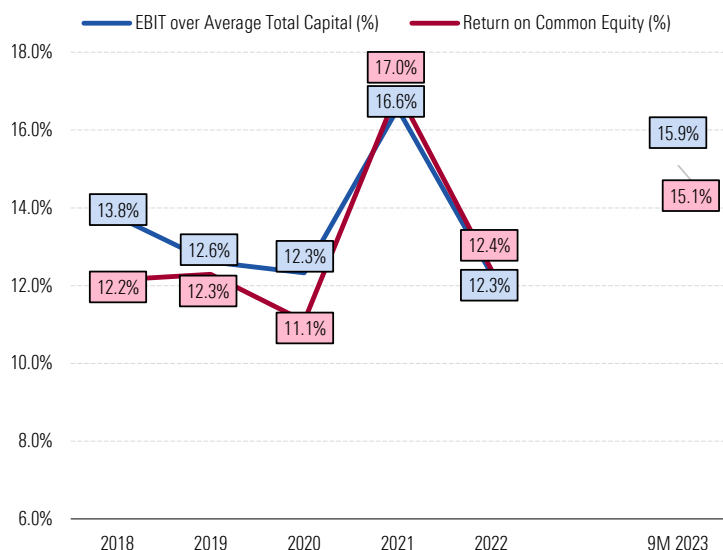
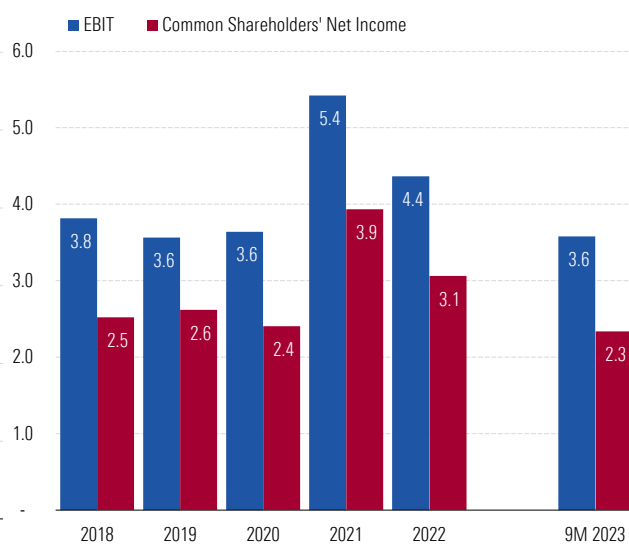
Earnings Ability

Grid Grade: Strong

DBRS Morningstar views SLF as having strong earnings ability from its multiple business segments. The Company's continued progress on its four-pillar enterprise strategy has increased the diversity of earnings, positioning SLF well for future growth, while maintaining resilient earnings stability. The Company's asset management segment is an important component in diversifying SLF's earnings in noninsurance business, generating about a third on average over the last three years (2020–22) of common shareholders' net income.

The asset management segment and the Canadian operations are expected to remain the larger profit contributors in the near term, providing considerable earnings stability. Meanwhile, the contributions from SLF Asia and the U.S. businesses to common shareholders' net income have been consistently

positive. Overall, SLF generates a good return on equity with a three-year (ended 2022) weighted-average of 13.5% (as calculated by DBRS Morningstar), which compares favourably with peers.

Exhibit 7 Profitability Metrics**Exhibit 8** EBIT & Net Income Results (CAD billions)

Note: Reporting follows IFRS 17 as of Q1 2023, while 2022 and prior year results are based on IFRS 4.
Sources: DBRS Morningstar, Company documents.

SLF's asset management operations continue to perform very well, providing a source of steady fee income. DBRS Morningstar views the Company as being well positioned to take advantage of demographic trends through its suite of wealth and insurance products as the aging global population focuses on retirement and wealth management needs. However, some headwinds remain for the Company's asset management operations, as this sector is more vulnerable to competition from other financial service providers, such as banks and investment management companies and market volatility. Maintaining its market share will continue to be a challenge, requiring the Company to focus on strengthening its cost efficiencies, distribution, and product innovations as well as increasing its value proposition through strong fund performance, customer service and advice. Maintaining added value in its asset management businesses is especially important given increasing fee pressure and compliance costs, financial market volatility and a continuing shift toward lower-cost passive products.

SLF's U.S. group benefits operations overall earnings have improved in recent years. The positive trend has continued in 2023 with good net earnings driven by premium growth, contribution from DentaQuest, favourable morbidity, and credit experience and higher investing activity. Earnings contribution from SLF Asia has grown in the past few years as SLF increases scale in its chosen markets by consistent organic growth and disciplined merger and acquisition activity. Earnings in Asia depend largely on the strength of distribution channels with price competition of secondary importance as a driver of sales. Growth has been driven by the increasing volume of sales in nearly all markets, particularly in the health and accident segment. As local and foreign insurance competitors are also interested in expanding in Asian

markets, the Company must selectively expand its profitable products while resisting the competitive pressures to match low-priced competitors. DBRS Morningstar expects returns on the Asian businesses to continue improve steadily over time, which will translate into a higher contribution to SLF's total earnings as the Company's strategic investments in the region continue to pay off.

Liquidity

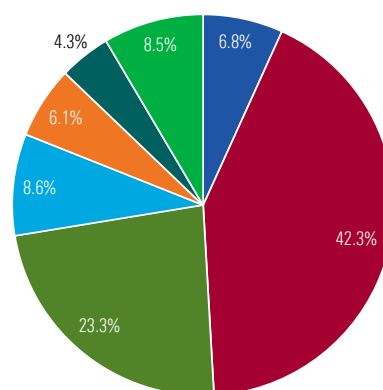
Grid Grade: Very Strong

DBRS Morningstar views the Company as having very strong liquidity. SLF's liquidity profile is supported by the significant amount of cash, cash equivalents, and short-term securities on its balance sheet. The Company's investment portfolio comprises a high proportion of marketable bonds and equities with about 19.7% of its bond portfolio rated AAA. As at September 30, 2023, the Company has appropriate liquidity resources, and also maintains substantial cash at the holding-company level. SLF has standby credit facilities, to meet financial obligations under adverse stress scenarios. The Company has sufficient resources to pay its near-term debt maturities without relying on raising additional debt to do so.

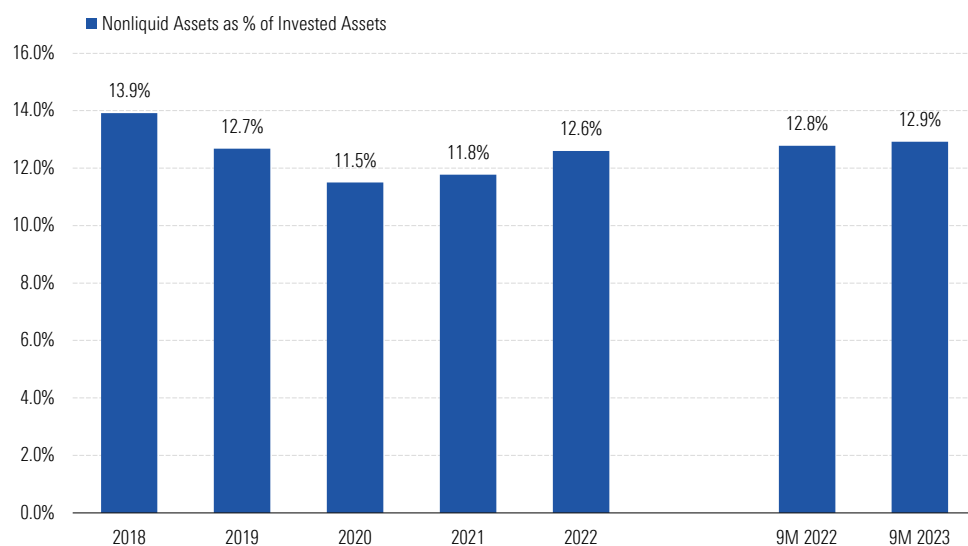
Positively, SLF has only a limited proportion of nonliquid assets in its investment portfolio. The Company invests a small amount of seed capital in its alternative asset managers in funds that invest in largely illiquid assets such as real estate, private equity, and infrastructure. SLF performs regular stress tests that assess the potential impact of various economic stressors, including adverse movements in equity markets and interest rates on earnings and regulatory ratios. The Company's claims profile is relatively predictable, with a very low probability of claims arising to a level that would cause a liquidity problem especially with SLF using reinsurance as appropriate. Many of the Company's premium revenues are recurring, which provides a steady stream of cash flow. Some liquidity risk may arise from the SLF's hedging programs, which, while beneficial in managing interest rate, equity-market, and foreign-currency risks, may present some collateral posting requirements that can affect liquidity needs.

Exhibit 9 Investment Portfolio Asset Class Mix as at September 30, 2023

■ Cash and Cash Equivalents ■ Bonds ■ Other Loans ■ Mortgages ■ Real Estate ■ Equity ■ Other Invested Assets



Note: Reporting follows IFRS 17 as of Q1 2023, while 2022 and prior year results are based on IFRS 4.
Sources: DBRS Morningstar, Company documents.

Exhibit 10 Nonliquid Asset Concentration

Note: Reporting follows IFRS 17 as of Q1 2023, while 2022 and prior year results are based on IFRS 4.
Sources: DBRS Morningstar, Company documents.

Capitalization**Grid Grade: Strong/Good**

SLF and its main operating insurance subsidiary, Sun Life Assurance Company (SLA), have maintained appropriate regulatory capital ratios. With sizable cushions over regulatory targets under the Life Insurance Capital Adequacy Test (LICAT) framework. DBRS Morningstar views the Company's capitalization as very well positioned to navigate adverse scenarios. As of September 30, 2023, SLA's LICAT was 138%, and the LICAT ratio for the consolidated holding company was appropriate at 147%. The strong LICAT ratios for both SLF and SLA was partly driven by the transition from IFRS 4 to IFRS 17. Solid earnings in the last five years have also contributed to the Company's capitalization level, supporting SLF's credit ratings and Stable trends. The Company's foreign subsidiaries are capitalized to meet local regulatory capital rules of the jurisdictions where they operate.

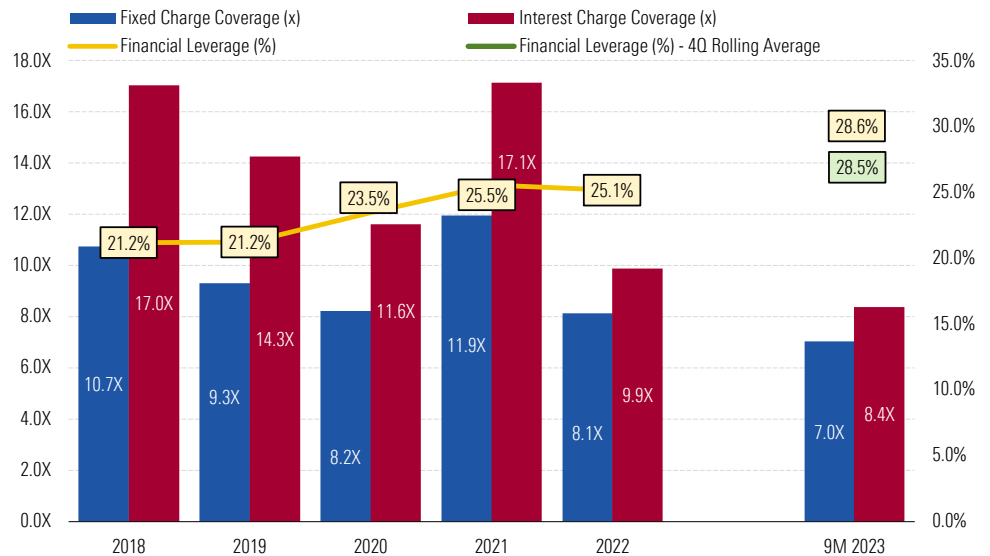
The Company has stayed focused on its prudent deployment of capital, concentrating on acquisition activities in areas aligned with its risk appetite, such as the asset management sphere, the U.S. group benefits market, or emerging markets in Asia. To further improve its capital position, the Company has also taken actions to de-risk its businesses in recent years, which include selling or placing into runoff some of its capital-intensive businesses, implementing hedging programs, and focusing on growth in less capital-intensive products.

The Company's financial leverage ratio (including preferred shares and hybrids) as calculated by DBRS Morningstar under IFRS 17, was 28.5% based on the four-quarter rolling average as at September 30 2023. The increase in leverage is driven in part by the adoption of IFRS 17 which led to the

establishment of a contractual service margin (CSM). DBRS Morningstar does not include the CSM as part of total capital for the calculation of leverage. The Company's leverage position remains conservative, and has been consistently below its peers supporting DBRS Morningstar's view that SLF has strong financial flexibility. The Company has sound capital management capabilities, demonstrated by well-staggered debt maturities, and high financial flexibility.

Earnings stability and stable debt levels have contributed to the SLF's good fixed-charge coverage ratios in the last three years. The Company has a three-year weighted-average fixed-charge coverage ratio of 9.3 times (x) from YE2020 to YE2022 (8.1x as at YE2022). The ratio declined as at September 30, 2023, to 7.0x, because of lower net earnings so far in 2023 compared to the prior year partly driven by market volatility and higher corporate costs. SLF did not manage its business under IFRS 17 in 2022.

Exhibit 11 Leverage & Coverage*



* DBRS Morningstar has recalculated the fixed-charge coverage ratio using the recalculated EBIT to only include the coupon interest on outstanding capital debt and dividends paid on preferred shares.
 Note: Reporting follows IFRS 17 as of Q1 2023, while 2022 and prior year results are based on IFRS 4.
 Sources: DBRS Morningstar, Company documents.

Capitalization

	As at December 31						
(CAD millions)	9M 2023	9M 2022	2022	2021	2020	2019	2018
Regulatory Capital Strength (Sun Life Assurance)							
Required Capital	NA	23,627	23,491	23,960	22,265	19,849	19,136
Available Capital — Tier 1	NA	14,405	15,527	14,011	12,652	11,274	11,526
Available Capital — Tier 2	NA	5,699	5,243	5,425	5,156	5,242	4,727
Total Available Capital	NA	29,156	29,907	29,819	28,383	25,875	25,052
LICAT/MCCSR Ratio (SLA) (%)	138.0	123.4	127.3	124.5	127.5	130.4	130.9
LICAT/MCCSR Ratio (SLF) (%)	147.0	129.0	130.0	145.0	147.0	143.0	144.0
Leverage (SLF)							
Total Capital	30,144	36,060	36,253	34,698	30,843	28,246	28,308
Financial Leverage (%)	28.6	26.4	25.1	25.5	23.5	21.2	21.2
Financial Leverage Ratio (%)—4Q Rolling Average	28.5	25.9	25.8	23.8	22.2	21.4	21.8
Intangibles/Common Equity (%)	67.2	55.5	53.3	41.1	38.5	37.4	33.5
Tangible Common Equity/Total Capital (%)	22.8	30.5	32.5	40.9	44.3	46.8	50.4
Tangible Nonpar Capital/Nonpar Liabilities (%)	n/a	n/a	22.1	22.9	20.6	20.9	23.4
Par Capital/Par Liabilities (%)	n/a	n/a	4.3	3.7	3.2	2.9	2.5
Total Capital/Policyholder Liabilities (%)	n/a	n/a	26.1	23.5	21.3	21.7	23.4
Protection Ratios							
Quality Assets/Noncapital Liabilities (%)	41.2	45.6	45.3	51.1	53.3	52.8	51.8
Total Capital/Riskier Assets (%)	68.2	77.3	77.1	75.6	77.3	77.2	78.5

MCCSR = Minimum Continuing Capital and Surplus Requirements

Note: Reporting follows IFRS 17 as of Q1 2023, while 2022 and prior year results are based on IFRS 4.

Sources: DBRS Morningstar, Company documents.

Sun Life Financial Inc. ESG Checklist

ESG Factor	ESG Credit Consideration Applicable to the Credit Analysis: Y/N	Extent of the Effect on the ESG Factor on the Credit Analysis: Relevant (R) or Significant (S)*		
Environmental		Overall:	N	N
Emissions, Effluents, and Waste	Do we consider that the costs or risks for the issuer or its clients result, or could result, in changes to an issuer's financial, operational, and/or reputational standing?	N	N	N
Carbon and GHG Costs	Does the issuer face increased regulatory pressure relating to the carbon impact of its or its clients' operations resulting in additional costs and/or will such costs increase over time affecting the long-term credit profile?	N	N	N
Climate and Weather Risks	In the long term, will the issuer's or client's business activities and infrastructure be materially affected financially under key IPCC climate scenarios up to a 2°C rise in temperature by 2050?	N	N	N
	In the long term, will the issuer's or client's business activities and infrastructure be materially affected financially by a 2°C rise in temperature?	N	N	N
Climate and Weather Risks		N	N	N
Passed-through Environmental credit considerations	Does this rating depend to a large extent on the creditworthiness of another rated issuer which is impacted by environmental factors (see respective ESG checklist for such issuer)?	N	N	N
Social		Overall:	N	N
Social Impact of Products and Services	Do we consider that the social impact of the issuer's products and services could pose a financial or regulatory risk to the issuer?	N	N	N
Human Capital and Human Rights	Is the issuer exposed to staffing risks, such as the scarcity of skilled labour, uncompetitive wages, or frequent labour relations conflicts, that could result in a material financial or operational impact?	N	N	N
	Do violations of rights create a potential liability that could negatively affect the issuer's financial wellbeing or reputation?	N	N	N
Human Capital and Human Rights		N	N	N
Product Governance	Does failure in delivering quality products and services cause damage to customers and expose the issuer to financial and legal liability?	N	N	N
Data Privacy and Security	Has misuse or negligence in maintaining private client or stakeholder data resulted, or could it result, in financial penalties or client attrition to the issuer?	N	N	N
Community Relations	Does engagement, or lack of engagement, with local communities pose a financial or reputational risk to the issuer?	N	N	N
Access to Basic Services	Does a failure to provide or protect with respect to essential products or services have the potential to result in any significant negative financial impact on the issuer?	N	N	N
Passed-through Social credit considerations	Does this rating depend to a large extent on the creditworthiness of another rated issuer which is impacted by social factors (see respective ESG checklist for such issuer)?	N	N	N
Governance		Overall:	N	N
Bribery, Corruption, and Political Risks	Are there any political risks that could impact the issuer's financial position or its reputation?	N	N	N
	Do alleged or actual illicit payments pose a financial or reputational risk to the issuer?	N	N	N
	Are there any political risks that could affect the issuer's financial position or its reputation?	N	N	N
Bribery, Corruption, and Political Risks		N	N	N
Business Ethics	Do general professional ethics pose a financial or reputational risk to the issuer?	N	N	N
Corporate / Transaction Governance	Does the issuer's corporate structure allow for appropriate board and audit independence?	N	N	N
	Have there been significant governance failures that could negatively affect the issuer's financial wellbeing or reputation?	N	N	N
	Does the board and/or management have a formal framework to assess climate-related financial risks to the issuer?	N	N	N
Corporate / Transaction Governance		N	N	N
Passed-through Governance credit considerations	Does this rating depend to a large extent on the creditworthiness of another rated issuer which is impacted by governance factors (see respective ESG checklist for such issuer)?	N	N	N
Consolidated ESG Criteria Output:		N	N	N

* A Relevant Effect means that the impact of the applicable ESG risk factor has not changed the rating or rating trend on the issuer.

A Significant Effect means that the impact of the applicable ESG risk factor has changed the rating or trend on the issuer.

ESG Considerations**Environmental**

This factor does not affect the credit ratings or trends assigned to the Company. SLF does not directly sell any products that contribute to the emissions of carbon or greenhouse gases. Any impact from exposure to climate and weather risks is expected to be indirect in nature. The Company has adopted the processes of the Task Force on Climate-Related Financial Disclosures and Principles of Responsible Investment.

Social

Product governance and data privacy and security are important considerations for the Company. However, these factors did not have an impact on the assigned credit ratings or trends for SLF. The Company has not reported cases where it has been exposed to product governance or data privacy and security-related issues. However, shortcomings associated with these factors (should they manifest in the future) could damage SLF's reputation and its risk profile, potentially leading to future expenses, particularly given SLF's exposure to sensitive client information.

Governance

This factor does not affect the credit ratings or trends assigned to the Company. There have been no reported cases of failures in corporate governance. SLF has various board committees with complementary roles and responsibilities. These committees provide independent corporate governance oversight to the executive leadership. The board of directors consists of 12 individuals including the chief executive officer (CEO). All directors are independent except for the CEO. The Company has adopted the three lines of defense model to managing corporate risk.

Sun Life Financial Inc.
Balance Sheet (As Reported)

(CAD millions)	As at December 31 (IFRS)						
	9M 2023	9M 2022	2022	2021	2020	2019	2018
ASSETS							
Cash, Cash Equivalents, and Short-Term Securities	11,026	11,386	11,219	12,278	13,527	9,575	9,506
Debt Securities	68,879	75,526	75,902	88,727	89,089	81,606	74,443
Equity Securities	7,080	6,740	7,148	9,113	6,631	4,787	4,634
Mortgages and Loans	51,994	55,430	56,261	51,692	49,946	48,222	46,822
Derivative Assets	1,878	2,632	2,095	1,583	2,160	1,548	1,112
Other Invested Assets	10,203	10,661	11,215	8,759	5,778	5,357	4,830
Policy Loans	-	3,339	3,350	3,261	3,265	3,218	3,222
Investment Properties	9,952	10,149	10,102	9,109	7,516	7,306	7,157
Other Nonfinancial Invested Assets	1,752	-	-	-	-	-	-
Total Invested Assets	162,764	175,863	177,292	184,522	177,912	161,619	151,726
Other Assets	7,601	8,071	7,810	5,434	5,152	5,216	4,498
Reinsurance Assets	5,766	3,750	4,801	3,683	3,843	4,024	4,141
Insurance Contract Assets	208	-	-	-	-	-	-
Deferred Tax Assets	3,421	2,159	2,282	1,848	1,634	1,455	1,209
Intangible Assets	5,161	5,150	4,724	3,370	2,477	2,083	1,779
Goodwill	8,937	8,574	8,705	6,517	6,072	5,832	5,412
Total General Fund Assets	193,858	203,567	205,614	205,374	197,090	180,229	168,765
Investment for Account of Segregated Fund Holders	119,988	118,564	125,292	139,996	125,921	116,973	103,062
Total Assets	313,846	322,131	330,906	345,370	323,011	297,202	271,827
Liabilities							
Insurance Contract Liabilities	124,873	137,929	140,418	147,811	145,773	131,184	121,923
Reinsurance Contract Held Liabilities	1,543	-	-	-	-	-	-
Investment Contract Liabilities	11,344	3,302	3,314	3,368	3,189	3,116	3,164
Derivative Liabilities	2,541	3,186	2,351	1,392	1,744	2,040	2,295
Deferred Tax Liabilities	305	748	630	322	383	406	322
Other Liabilities	23,108	22,342	22,648	17,783	14,858	14,937	12,153
Senior Debentures	-	-	-	-	300	300	599
Senior Debentures—Innovative Capital Instruments	200	200	200	200	200	200	700
Subordinated Debt	6,177	7,075	6,676	6,425	4,781	3,538	3,039
Total General Fund Liabilities	170,091	174,782	176,237	177,301	171,228	155,721	144,195
Insurance Contracts for Account of Segregated Fund Holders	18,377	118,564	125,292	139,996	125,921	110,269	96,663
Investment Contracts for Account of Segregated Fund Holders	101,611	-	-	-	-	6,704	6,399
Total Liabilities	290,079	293,346	301,529	317,297	297,149	272,694	247,257
Equity							
Participating Policyholders' Equity and Noncontrolling Interest	544	1,828	1,927	1,759	1,393	1,110	864
Preferred Shareholders' Equity	2,239	2,239	2,239	2,239	2,257	2,257	2,257
Common Shareholders' Equity	20,984	24,718	25,211	24,075	22,212	21,141	21,449
Total Equity	23,767	28,785	29,377	28,073	25,862	24,508	24,570

Total Liabilities and Equity	313,846	322,131	330,906	345,370	323,011	297,202	271,827
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Sources: DBRS Morningstar, Company documents.

Sun Life Financial Inc.
Income Statement (As Reported)

(CAD millions)	For the Year Ended December 31 (IFRS)					
	9M 2022	2022	2021	2020	2019	2018
Premiums—Life Insurance	8,137	11,395	10,925	11,812	9,470	8,677
Premiums—Health Insurance	9,868	13,820	10,664	10,649	9,908	9,121
Premiums—Annuities	2,374	3,945	3,917	3,729	3,302	3,183
Gross Premiums	20,379	29,160	25,506	26,190	22,680	20,981
Ceded Premiums	(1,642)	(2,297)	(2,453)	(2,452)	(2,392)	(2,339)
Net Premiums	18,737	26,863	23,053	23,738	20,288	18,642
Net Investment Income (Loss)	(13,568)	(11,587)	4,633	12,718	13,140	2,389
Fee Income	5,852	8,046	8,002	6,881	6,251	5,966
Total Revenue	11,021	23,322	35,688	43,337	39,679	26,997
Gross Claims & Benefits Paid	15,822	22,044	18,722	18,307	17,421	15,986
Change in Investment/Insurance Contract Liabilities & Reinsurance Assets	(15,295)	(13,314)	2,150	13,300	10,967	70
Operating Expenses, Commissions, and Other Expenses	8,928	12,364	11,817	10,441	10,189	9,451
Interest Expense	318	445	327	355	-	-
Reinsurance Expenses (Recoveries)	(1,611)	(2,140)	(2,425)	(2,353)	(2,131)	(2,021)
Total Policy Benefits and Expenses	8,162	19,399	30,591	40,050	36,446	23,486
Income (Loss) Before Income Taxes	2,859	3,923	5,097	3,287	3,233	3,511
Income Tax Expense (Benefit)	632	621	727	495	286	597
Participating Policyholders' Net Income (Loss) and Noncontrolling Interest	68	172	335	294	234	298
Preferred Shareholder Dividends	50	70	101	94	95	94
Common Shareholders' Reported Net Income (Loss)	2,109	3,060	3,934	2,404	2,618	2,522

Sources: DBRS Morningstar, Company documents.

Income Statement (IFRS17)

(CAD millions)	9M 2023
Insurance service result	
Insurance revenue	15,898
Insurance service expenses	(13,647)
Reinsurance contract held net income (expenses)	(76)
Net insurance service result	2,175
Net investment result	
Investment result excluding result for account of segregated fund holders:	
Net investment income (loss)	425
Insurance finance income (expenses) from insurance contracts issued	1,307
Insurance finance income (expenses) from reinsurance contracts held	(119)
Decrease (increase) in investment contract liabilities	
Net investment result excluding result for account of segregated fund holders	1,378
Investment income (loss) on investments for account of segregated fund holders	684
Insurance finance income (expenses)	(684)
Net investment result for insurance contracts for account of segregated fund holders	-
Net investment result	1,378
Fee income	5,767
Other expenses (income)	-
Other income	(169)
Operating expenses and commissions	5,909
Interest expenses	437
Total other expenses (income)	6,177
Income (loss) before income taxes	3,143
Income tax expense (benefit)	548
Net income (loss) allocated to participating account	121
Net income attributable to noncontrolling interest	78
Preferred shareholder dividends	59
Common shareholders' reported net income (loss)	2,337

Sources: DBRS Morningstar, Company documents.

Peer Group Comparison — F2022

	Sun Life Financial Inc.	Manulife Financial Corporation	Great-West Lifeco Inc.	iA Financial Corporation Inc.
Operating Company Financial Strength Rating	AA	AA	AA	AA (low)
Holding Company Issuer Rating	A (high)	A (high)	A (high)	A
Trend	Stable	Stable	Stable	Stable
Period Ended	12/31/2022	12/31/2022	12/31/2022	12/31/2022
Financial Data (CAD millions)				
Net Income to Common Shareholders	3,060	7,034	3,219	817
Net Premium Income	26,863	37,853	52,821	13,109
Fee Income & Other Revenue	8,046	9,164	7,598	2,086
Total Assets	330,906	848,941	701,455	87,425
AUM	1,325,859	1,144,342	1,033,189	102,706
Assets Under Administration (Only)	43,866	170,224	1,464,523	97,717
Total Common Equity	25,211	49,401	24,790	6,609
Total Equity	29,377	56,379	32,318	7,140
Total Capital	36,253	68,735	42,827	8,640
Earnings Ability Ratios (%)				
Return on Common Equity (Leveraged Returns)	12.4	13.9	13.5	12.3
Return on Common Equity (Leveraged Returns) (Three-Year WA)	13.5	13.5	13.8	12.2
EBIT/Total Capitalization	12.3	13.2	10.1	12.1
EBIT/Total Capitalization (Three-Year WA)	13.6	12.6	10.4	12.6
Liquidity Ratios (%)				
Nonliquid Asset Concentration	12.6	15.7	19.6	6.4
Capitalization & Asset Quality Ratios (%)				
LICAT/CARLI	127.3	131.0	120.0	118.0
Intangibles & Goodwill/Common Equity	53.3	21.3	67.8	46.9
Tangible Common Equity/Total Capital	32.5	56.6	18.6	40.6
Par Capital/Par Liabilities	NA	(1.6)	5.5	0.1
Tangible Nonpar Capital/Nonpar Liabilities	NA	24.8	13.8	24.5
Financial Leverage	25.1	27.7	34.4	23.4
Financial Leverage — 4Q Rolling Average	25.8	27.8	34.5	23.5
Fixed-Charge Coverage (Current Period; x)	8.1	12.0	7.2	8.0
Fixed-Charge Coverage (Three-Year WA; x)	9.3	11.6	7.5	9.0
Interest Charge Coverage (Current Period; x)	9.9	19.7	10.5	10.9
Interest Charge Coverage (Three-Year WA; x)	12.4	18.7	11.4	12.4
Quality Assets/Noncapital Liabilities	43.1	43.3	48.7	60.2
Total Capital/Riskier Assets	76.9	48.8	61.3	91.2
BBB and Lower Bonds/Total Bonds (Including Private Placements)	28.5	29.1	29.4	24.9

WA = weighted-average.

CARLI = Capital Adequacy Requirements Guideline

Sources: DBRS Morningstar, Company documents.

Peer Group Comparison – 9M 2023

	Sun Life Financial Inc.	Manulife Financial Corporation	Great-West Lifeco Inc.	iA Financial Corporation Inc.
Operating Company Financial Strength Rating	AA	AA	AA	AA (low)
Holding Company Issuer Rating	A (high)	A (high)	A (high)	A
Trend	Stable	Stable	Stable	Stable
Period Ended	9/30/2023	9/30/2023	9/30/2023	9/30/2023

Financial Data (CAD millions)

Net Income to Common Shareholders	2,337	3,240	1,998	521
Fee Income & Other Revenue	5,767	5,027	4,316	1,128
Total Assets	313,846	835,874	680,010	87,853
AUM	1,340,141	1,147,830	1,032,857	103,413
Assets Under Administration (Only)	94,600	173,897	1,595,507	102,196
Total Common Equity	20,984	40,747	22,387	6,629
Total Equity	23,767	49,035	29,529	7,004
Total Capital	30,144	61,961	38,736	8,503

Earnings Ability Ratios (%)

Return on Common Equity (Leveraged Returns)	15.1	10.7	12.1	10.5
EBIT/Total Capitalization	15.9	10.0	9.1	11.2

Liquidity Ratios (%)

Nonliquid Asset Concentration	12.9	15.7	20.3	5.8
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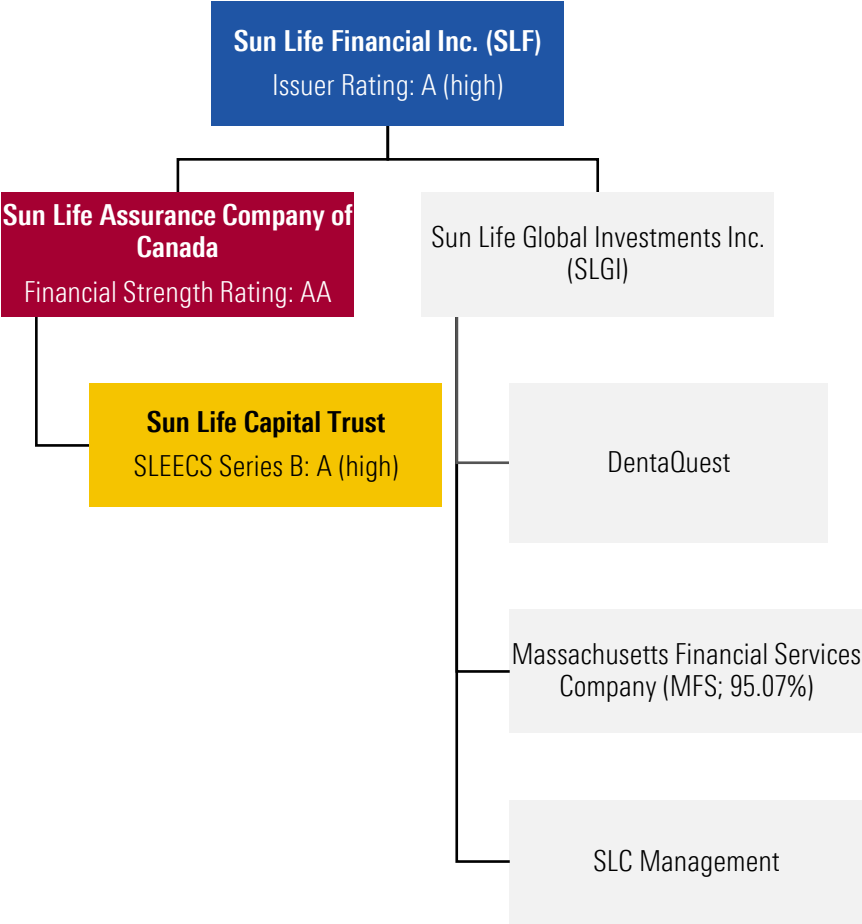
Capitalization & Asset Quality Ratios (%)

LICAT/CARLI	138.0	137.0	128.0	139.8
Intangibles & Goodwill/Common Equity	67.2	25.6	68.6	47.9
Tangible Common Equity/Total Capital	22.8	48.9	18.2	40.6
Financial Leverage	28.6	31.6	34.7	22.0
Financial Leverage—4Q Rolling Average	28.5	31.0	35.3	23.2
Fixed-Charge Coverage (Current Period; x)	7.0	NA	5.8	10.6
Interest Charge Coverage (Current Period; x)	8.4	17.5	8.3	14.1
Quality Assets/Noncapital Liabilities	41.2	42.2	48.4	59.8
Total Capital/Riskier Assets	68.2	43.8	57.4	90.1
BBB and Lower Bonds/Total Bonds (Including Private Placements)	29.2	29.9	29.5	25.2

CARLI = Capital Adequacy Requirements Guideline

Sources: DBRS Morningstar, Company documents.

Simplified Corporation Organization Chart



Sources: Company documents; DBRS Morningstar.

Credit Rating Methodology

The applicable methodologies are the *Global Methodology for Rating Insurance Companies and Insurance Organizations* (July 14, 2023); *DBRS Morningstar Global Criteria: Guarantees and Other Forms of Support* (March 28, 2023); and *DBRS Morningstar Criteria: Approach to Environmental, Social, and Governance Risk Factors in Credit Ratings* (July 4, 2023), which can be found on DBRS Morningstar's website under Methodologies & Criteria.

Credit Ratings

Issuer	Obligation	Credit Rating Action	Credit Rating	Trend
Sun Life Assurance Company of Canada	Financial Strength Rating	Confirmed	AA	Stable
Sun Life Assurance Company of Canada	Issuer Rating	Confirmed	AA	Stable
Sun Life Assurance Company of Canada	Subordinated Debt	Confirmed	AA (low)	Stable
Sun Life Capital Trust	SLEECs Series B	Confirmed	A (high)	Stable
Sun Life Financial Inc.	Issuer Rating	Confirmed	A (high)	Stable
Sun Life Financial Inc.	Senior Unsecured Debentures	Confirmed	A (high)	Stable
Sun Life Financial Inc.	Subordinated Unsecured Debentures	Confirmed	A	Stable
Sun Life Financial Inc.	Limited Recourse Capital Notes	Confirmed	A (low)	Stable
Sun Life Financial Inc.	Preferred Shares	Confirmed	Pfd-2 (high)	Stable

Source: DBRS Morningstar.

Credit Rating History

Issuer	Obligation	Current	2022	2021	2020
Sun Life Assurance Company of Canada	Financial Strength Rating	AA	AA	AA	AA
Sun Life Assurance Company of Canada	Issuer Rating	AA	AA	AA	AA
Sun Life Assurance Company of Canada	Subordinated Debt	AA (low)	AA (low)	AA (low)	AA (low)
Sun Life Capital Trust	SLEECs Series B	A (high)	A (high)	A (high)	A (high)
Sun Life Capital Trust II	SLEECs Series 2009-1	Discontinued	Discontinued	Discontinued	Discontinued
Sun Life Financial Inc.	Issuer Rating	A (high)	A (high)	A (high)	A (high)
Sun Life Financial Inc.	Senior Unsecured Debentures	A (high)	A (high)	A (high)	A (high)
Sun Life Financial Inc.	Subordinated Unsecured Debentures	A	A	A	A
Sun Life Financial Inc.	Limited Recourse Capital Notes	A (low)	A (low)	A (low)	N/A
Sun Life Financial Inc.	Preferred Shares	Pfd-2 (high)	Pfd-2 (high)	Pfd-2 (high)	Pfd-2 (high)

Source: DBRS Morningstar.

Previous Actions

- ["DBRS Morningstar Confirms Sun Life Financial Inc. at A \(high\) and Sun Life Assurance Company of Canada at AA, Stable Trends,"](#) October 24, 2023.
- ["DBRS Morningstar Confirms Sun Life Financial Inc. at A \(high\) and Sun Life Assurance Company of Canada at AA, Stable Trends,"](#) October 27, 2022.
- ["DBRS Morningstar Confirms Sun Life Financial Inc. at A \(high\) and Sun Life Assurance Company of Canada at AA, Stable Trends,"](#) October 29, 2021.
- ["DBRS Morningstar Confirms Sun Life Financial Inc.'s Issuer Rating at A \(high\), Stable Trend, Following DentaQuest Acquisition Announcement,"](#) October 4, 2021.
- ["DBRS Morningstar Finalizes Provisional Rating of A \(low\), Stable Trend, on Sun Life Financial Inc.'s Limited Recourse Capital Notes,"](#) June 25, 2021.
- ["DBRS Morningstar Confirms Sun Life Financial Inc. at A \(high\) and Sun Life Assurance at AA; Stable Trends,"](#) October 15, 2020.
- ["DBRS Morningstar Upgrades Sun Life Financial Inc. to A \(high\) and Sun Life Assurance to AA,"](#) October 16, 2019.

Related Research

- [Resilient Results for Canadian Life Insurers After Adoption of IFRS 17](#), August 21, 2023.
- [DBRS Morningstar Updates Its Global Insurance Methodology Following the Implementation of IFRS 17](#), August 8, 2023.
- [Bank Run Scenario Unlikely To Hit Canada's Lifecos But Impacts May Arise From Broader Market Panic](#), March 21, 2023.
- [Canadian Life Insurers Finish 2022 in Good Shape as the Insurance Business Benefits from Higher Interest Rates](#), March 7, 2023.
- [Canadian Insurance Debt Issuances More Than Halved in 2022 but Expected to Regain Traction in 2023](#), February 28, 2023.
- [Canadian Life Insurance: Stable 2023 Outlook Despite Elevated Inflation And Slowing Growth](#), January 18, 2023.

Previous Reports

- [Sun Life Financial Inc. & Related Entities: Rating Report](#), November 21, 2022.
- [Sun Life Financial Inc. & Related Entities: Rating Report](#), November 11, 2021.
- [Sun Life Financial Inc.: Rating Report](#), October 29, 2020.
- [Sun Life Financial Inc. and Affiliates: Rating Report](#), October 24, 2019.
- [Sun Life Financial Inc. and Affiliates: Rating Report](#), December 18, 2018.

Notes:

All figures are in Canadian dollars unless otherwise noted.

For the definition of Issuer Rating, please refer to Rating Definitions under Rating Policy on www.dbrsmorningstar.com.

Generally, Issuer Ratings apply to all senior unsecured obligations of an applicable issuer, except when an issuer has a significant or unique level of secured debt.

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