

Drivers of Earnings

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

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

Risk adjustment release

For insurance contracts issued, represents the compensation we require for bearing uncertainty about the amount and timing of the cash flows that arises from non-financial risk.

Contractual service margin (CSM) recognized for services provided

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

Expected earnings on short-term (group) insurance business

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

Impact of new insurance business

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

Experience gains (losses):

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

Expected investment earnings

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

Credit experience

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

Earnings on surplus

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

Joint Ventures & Other

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

Asset management – Underlying

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

Other fee income

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

Expenses – other

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

Market-related impacts

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

Assumption Changes and Management Actions (ACMA)

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

Other adjustments

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

- i. Management's ownership of MFS shares – this adjustment removes the change in fair value and other activity related to MFS common shares owned by management.
- ii. Acquisition, integration, and restructuring – expense and income related to acquisition or disposal of a business. Also includes expenses related to restructuring activities.
- iii. Intangible asset amortization – removes the amortization expense associated with finite life intangible assets arising from acquisitions or business combinations excluding amortization of software and distribution agreements.
- iv. Other – represents items that are unusual or exceptional in nature which management believes are not representative of the long-term performance of the Company.

For the Year Ended December 31, 2025 (in millions of Canadian dollars)	Sun Life Asset Mgmt	Sun Life Canada	Sun Life U.S.	Sun Life Asia	Corporate	Total
Risk adjustment release	-	202	36	182	-	420
Contractual service margin recognized for services provided	-	392	64	557	-	1,013
Expected earnings on short-term (group) insurance business	-	706	1,080	(1)	-	1,785
Expected insurance earnings	-	1,300	1,180	738	-	3,218
Impact of new insurance business	-	(28)	-	(27)	-	(55)
Experience gains (losses)	-	240	(159)	9	-	90
Net insurance service result - Underlying	-	1,512	1,021	720	-	3,253
Expected investment earnings	-	736	210	93	-	1,039
Credit experience	-	(73)	(21)	(36)	-	(130)
Earnings on surplus	-	153	172	133	76	534
Joint ventures & other	-	10	14	247	1	272
Net investment results - Underlying	-	826	375	437	77	1,715
Asset Management - underlying	1,906	-	-	-	-	1,906
Other fee income	-	288	66	68	-	422
Expenses - other	-	(539)	(499)	(338)	(526)	(1,902)
Income before taxes - Underlying	1,906	2,087	963	887	(449)	5,394
Income tax (expense) or recovery	(472)	(493)	(193)	(51)	158	(1,051)
Dividends, distributions, NCI	(63)	-	-	0	(79)	(142)
Underlying net income	1,371	1,594	770	836	(370)	4,201
Add: Non-underlying net income adjustments (post-tax):						
Market-related impacts	(47)	(151)	41	(210)	(14)	(381)
Assumption changes and management actions (ACMA)	-	-	(58)	13	-	(45)
Other adjustments:						
Management's ownership of MFS shares	2	-	-	-	-	2
Acquisition, integration and restructuring	(72)	(11)	(85)	145	(4)	(27)
Intangible asset amortization	(29)	(25)	(148)	(13)	-	(215)
Other	(11)	(5)	-	(3)	(44)	(63)
Reported net income - Common shareholders	1,214	1,402	520	768	(432)	3,472

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

Analysis of results

Expected Insurance Earnings of \$3,218 million were \$190 million higher than 2024, driven by strong sales momentum and in-force business growth across most markets in Asia, and business growth in Canada Sun Life Health.

Impact of new insurance business \$(55) million was \$16 million higher than 2024.

Experience gains (losses) of \$90 million were driven by:

- Favourable mortality experience primarily in Canada, Asia, and the U.S.
- Unfavourable morbidity experience in the U.S., largely offset by favourable morbidity experience in Canada
- Unfavourable expense experience largely in the U.S., Canada, and Asia; and
- Other experience was favourable primarily from the U.S., Canada, and Asia.

Expected Investment Earnings of \$1,039 million were \$84 million higher than 2024, reflecting higher investment results in the U.S., Asia, and Canada.

Credit experience of \$(130) million was driven by unfavourable credit experience in Canada, Asia, and the U.S.

Earnings on Surplus of \$534 million was \$75 million lower than 2024, primarily reflecting lower net interest income from lower surplus asset balances and rates in Canada and realized losses in Asia.

Joint Ventures & Other of \$272 million reflecting joint venture earnings from India, Malaysia, and China and favourable Other experience from Asia, the U.S. and Canada.

Asset management – underlying of \$1,906 million was \$144 million higher than 2024, reflecting higher fee-related earnings and strong performance of net seed investment income in SLC Management and higher fee income in MFS, partially offset by lower net investment income in MFS.

Other Fee Income of \$422 million was \$101 million higher than 2024, reflecting higher fee-related earnings primarily driven by higher AUM in Canada and Asia, and higher fee income in the U.S.

Expenses – Other of \$(1,902) million was \$23 million higher than 2024, driven by lower expenses in Corporate and Canada, partially offset by higher financing costs supporting the acquisition of our remaining interests in SLC Management affiliates in Corporate, higher expenses in the U.S., and continued investments in the Asia business.

Market-related impacts represent the difference between actual versus expected market movements. The 2025 market-related impacts of \$(381) million reflected unfavourable real estate experience¹ and unfavourable other market-related impacts primarily from Asia and Canada, partially offset by favourable interest rate impacts.

The net impact of assumption changes and management actions (ACMA) was a decrease of \$45 million to reported net income and includes methods and assumptions changes on insurance contracts as well as related impacts².

These included unfavourable impacts from model refinements across all business groups, expense updates mainly in Asia, and policyholder behaviour updates in Canada, partially offset by favourable financial updates in Canada and Asia, and mortality updates in Canada.

Other adjustments in 2025 decreased reported net income by \$303 million, driven by:

- DentaQuest acquisition, integration and restructuring costs and amortization of acquired intangible assets
- Changes in SLC Management's acquisition-related liabilities³
- An impairment charge of \$61 million on a customer relationship intangible asset from the early termination of a U.S. group dental contract; and
- Lower than expected tax-exempt investment income primarily in Corporate⁴; partially offset by a gain from increased ownership interest in Bowtie.

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

2 For additional details refer to "Assumption Changes and Management Actions by Type" in section E - Contractual Service Margin in the 2025 Annual Management's Discussion and Analysis.

3 Amounts primarily relate to acquisition costs for our SLC Management affiliates, BentallGreenOak, Crescent Capital Group LP and Advisors Asset Management, Inc, which include the unwinding of the discount for Other financial liabilities.

4 Q4'25 results reflect lower than expected tax-exempt investment income of \$49 million (Q4'24 - lower than expected tax-exempt investment income of \$234 million).