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PRESENTATION

Operator

Good morning and welcome to the Sun Life Financial Q2 2026 conference call. My name is Gaylene and I will be your conference operator today. (Operator Instructions) The conference is being recorded. (Operator Instructions)

The host of your call today is Natalie Brady, Senior Vice President, Capital Management and Investor Relations. Please go ahead, Ms. Brady.

Natalie Brady - *Sun Life Financial Inc - Senior Vice President - Capital Management & Investor Relations*

Thank you and good morning, everyone. Welcome to Sun Life's earnings call for the second quarter of 2026. Our earnings release and the slides for today's call are available on the Investor Relations section of our website at sunlife.com.

We will begin today's call with opening remarks from Kevin Strain, President and Chief Executive Officer. Following Kevin, Tim Deacon, Executive Vice President and Chief Financial Officer, will present the financial results for the quarter. After the prepared remarks, we will move to the question-and-answer portion of the call. Other members of management are also available to answer your questions this morning.

Turning to slide 2, I draw your attention to the cautionary language regarding the use of forward-looking statements and non-IFRS financial measures, which form part of today's remarks. As noted in the slides, forward-looking statements may be rendered inaccurate by subsequent events.

And with that, I'll now turn things over to Kevin.

Kevin Strain - *Sun Life Financial Inc - President, Chief Executive Officer*

Thanks, Natalie, and good morning, everyone. Turning to slide 5, we delivered strong second-quarter results with double-digit underlying EPS growth reflecting higher earnings across our businesses and continued progress against our strategic priorities. Strength in Canada, Asia and U.S. all contributed growth, while asset management continues to build momentum.

Underlying net income was $1.12 billion, up from $1.02 billion last year. Underlying EPS was $2.02, up 13% over the prior year and underlying return on equity was 19.1%. Reported net income was $1.01 billion compared with $716 million a year ago.

Strong protection earnings were driven by growth in all insurance business groups. Canada delivered record results, reflecting strong business growth and favourable experience. In Asia, earnings increased from continued business growth. In the U.S., Health & Risk Solutions continued to perform well, while In-Force Management delivered strong earnings driven by favourable investments and insurance results.

In Sun Life Asset Management, SLC Management earnings increased year-over-year, supported by improved fundraising and deployment momentum, while MFS delivered consistent earnings. We also delivered strong top-line performance across the organization. Insurance sales increased 20%, driven by growth in Asia and continued strength in the U.S. Asset Management net flows and net wealth sales improved by $16.3 billion, supported by strong private credit fundraising and a large mandate win in our Aditya Birla Sun Life Asset Management business. The scale and brand recognition from this mandate amplifies our growth strategy for asset management in India.

At MFS, outflows remain elevated, reflecting continued industry-wide pressure on active U.S. equity managers. Our capital position remains strong. We ended the quarter with a LICAT ratio of 145% and holding company cash of $2.3 billion, reflecting the strength and resilience of our business. During the quarter, we renewed our normal course issuer bid to repurchase up to 10 million common shares and began purchasing shares under the program.

Our strong capital position and cash generation continue to provide flexibility to invest in our business while returning capital to shareholders. Overall, this was a strong quarter that reflected the strength of our Purpose, our disciplined execution, our business growth across key markets, and the resilience of our diversified model.

Turn to slide 6. Let me touch on a few areas where we're seeing notable momentum. First, our digital transformation journey. We made significant progress this quarter. At an enterprise level, we recently announced our founding membership in an AI consortium alongside Scotiabank, TELUS, and Lightworks. The AI consortium is a collaborative effort to build the infrastructure, governance, and controls needed to deploy AI responsibly at scale in regulated industries. It is helping us accelerate AI adoption in a way that's consistent with the governance standards Clients and regulators expect, while sharing costs with other major regulated Canadian institutions.

In addition, to help technology architecture teams make informed decisions faster, we launched a new proprietary agentic AI platform. It has already freed up time by replacing the manual process of trade-off analysis with structured, data-driven, and scalable decision-making.

Beyond these enterprise initiatives, we're deploying AI solutions that deliver tangible benefits for Clients and advisors. In Indonesia, we launched AI in our contact centers to enhance the client experience service through using advanced routing, analytics, and monitoring capabilities to improve responsiveness and first call resolution.

More broadly across Asia, we also launched tools in our agency channel that accelerate advisor onboarding and support higher-quality service through real-time coaching, strengthening client interactions and enhancing the onboarding experience.

In Canada, we enhanced my Sun Life app with integrated health capabilities, creating a more connected digital experience and bringing health benefits, services, and support together in one place. We also launched an AI-powered concierge for SLFD advisors, enabling faster access to information and the ability to address complex inquiries, helping advisors spend more time focused on advice and Client relationships. Our responsible approach to AI is helping us improve client experiences, operate more efficiently, and scale our businesses while keeping Clients at the center.

Turning to asset and wealth management, we've now completed our first full quarter of Sun Life Asset Management operating as a unified platform. We've retained strong talent, continue to deliver strong results for our Clients, and remain focused on realizing the full potential of our combined capabilities. Our strength in alternatives and our local expertise in new markets continue to be a driver of growth for Sun Life Asset Management.

Crescent closed the largest direct lending in its history with US$10.8 billion of investable capital, reflecting the strength of its platform and investor relationships. Crescent and Pantheon also closed a US$3.2 billion private credit continuation vehicle in the first half of the year, marking the largest transaction in the private credit secondaries market. In India, Aditya Birla Sun Life Asset Management won a large, fixed income mandate for a government sponsor, doubling their assets under management to US$113 billion.

At MFS, while we continue to experience outflows, our active ETFs continue to gain traction, generating inflows more than triple the prior year, with AUM having now doubled since the start of 2026 to US$3 billion. In our Canadian business, wealth sales increased 60%, supported by record defined contribution sales, strong rollover activity, and higher mutual fund sales. These examples show the scale and momentum we're building in asset management and the breadth of solutions we're able to provide to a range of Clients.

Looking to Asia, momentum accelerated across the region. Sales increased 20% to $875 million, reflecting broad-based growth across the region. Hong Kong continued to perform well with sales increasing 20%, driven by growth across all distribution channels and a 28% increase in advisors to nearly 4,000.

Indonesia was another standout this quarter. Sales increased 69%, demonstrating the ongoing success of our expanded CIMB partnership. We also saw strong growth in India and Malaysia, reflecting attractive market conditions and solid execution by our local teams.

What stands out to me is the breadth of growth. It's coming from multiple markets and multiple channels. That's important because it creates a more resilient, higher-quality growth profile over time. As a result, total CSM now exceeds $7 billion, up over 90% since the adoption of IFRS 17 and providing a strong foundation for future earnings growth.

In the U.S., we delivered strong sales results and continue to expand services offered to our members. Medical stop-loss sales increased 86% over last year, reflecting disciplined pricing, strong underwriting, and continued success in winning attractive business. We continue to benefit from our scale and capabilities in this market, while maintaining our focus on risk-adjusted returns.

This quarter, we expanded our suite of health solutions to provide differentiated support for employers and members. Through a new partnership, we're providing access to clinical trials for people facing complex health conditions. Enhancing the solutions available to support access to care, improve health outcomes, and help people through serious health challenges remains a core part of our strategy.

In Dental, we continue to focus on improving profitability through ongoing portfolio management activities across our government business, growth in our commercial business, disciplined expense management, and continued execution. While there is still work to do, we continue to make progress.

Turning to slide 7, we are continuing to perform well against our medium-term objectives. Underlying EPS growth was 13%, above our target of 10%. Underlying ROE was 19.1%, approaching our target of 20%. And our dividend ratio was 48%, within our target range of 40% to 50%.

Supported by these strong fundamentals, our diversified business strategy strength in both asset management and insurance and our industry-leading LICAT ratio, we remain well positioned to continue delivering sustainable broad-based earnings growth over the medium term.

I'll now turn it over to Tim to go through the financials for the quarter.

Tim Deacon - *Sun Life Financial Inc - Executive Vice President, Chief Financial Officer*

Thanks, Kevin, and good morning, everyone. Turning to slide 9, we delivered strong second quarter results with underlying net income of $1.12 billion and underlying earnings per share of $2.02. Results were driven by strong contributions from Canada, Asia and the U.S. and continued momentum in Asset Management.

Reported net income was $1.01 billion. The difference between underlying and reported net income was primarily driven by acquisition and integration-related costs in SLC and the U.S., intangible asset amortization and modestly unfavourable net market impacts. Market impacts reflected yield curve movements during the quarter, real estate returns that were positive but below long-term expectations, and strong public equity market performance in the quarter.

Turning to slide 10, Sun Life Asset Management underlying net income of US$262 million increased 4% year-over-year, mainly driven by earnings growth at SLC. Favourable seed investment performance and disciplined expense management improved fee-related earnings margins in the quarter.

At MFS, higher average net assets supported earnings growth and profit margins improved by 0.6% despite continued fee rate pressure. Reported net income increased 14% from market experience at SLC and also reflects the offsetting impacts of accelerated amortization of certain compensation expenses for retirement eligible employees at MFS and a gain on the sale of a US$1.3 billion block of closed-end funds.

The compensation item reflects the timing and recognition of expenses rather than the change in total compensation costs. Capital raising of US$4.7 billion and deployment activity of US$6.2 billion remains strong across the platform, up 8% and 42% respectively, particularly within our private credit and fixed income strategies.

MFS continued to experience net outflows during Q2 from increased industry-wide pressure on active equity managers from the increasing popularity of lower tracking error strategies. In parallel, the business continues to see momentum in its ETF businesses with US$0.6 billion of retail inflows and two new ETF launches this quarter, alongside continued growth in fixed income and retail SMA products.

Turning to slide 11. Canada underlying net income of $427 million, a new record, increased 23% from the prior year. Favourable insurance experience was a significant contributor to earnings in the quarter, reflecting both seasonality and sustainable benefits from the investments we've made over time in our people, processes, and capabilities. Canada's wealth businesses increased underlying earnings by over 19%, driven by growth in AUM.

Reported net income of $443 million reflects favourable market-related impacts. Canada's wealth platform reached $286 billion in assets under management and administration, up 18% from last year as a result of record sales in the defined contribution business, increased volumes in the rollover business, and strong equity market performance. Insurance sales were broadly consistent with the prior year in both Sun Life Health and Individual Insurance, reflecting timing of large deals and sales campaigns.

Turning to slide 12, we're demonstrating solid progress and growth in our U.S. business. Underlying net income increased 15%, driven by business growth in medical stop-loss earnings and favourable investment results and insurance experience in In-Force Management. Reported net income increased 69% from the prior year, driven by a prior year intangible impairment charge in Dental and the increase in underlying net income.

In stop-loss, sales increased 86% year-over-year, reflecting strong close ratios and pricing discipline supported by our risk selection approach. Growth continues to be supported by our differentiated health and risk solutions, advanced analytics capabilities, and continued focus on risk selection.

In Dental, we continue to reposition the business by improving pricing, exiting unprofitable contracts, optimizing our expense base, and growing our commercial dental business. These actions contributed to improved loss ratios this quarter. Medicaid membership declined 9%, reflecting our deliberate actions to terminate unprofitable contracts as well as ongoing industry-wide dynamics.

Commercial dental sales increased 10% in the quarter, reflecting progress in building a stronger business mix. As we continue to execute against these priorities, we expect gradual improvement in earnings over time.

Turning to slide 13, Asia had another outstanding quarter with underlying net income increasing 21% over the prior year, driven by robust organic CSM growth, lower expenses, and improved credit experience. Reported net income increased 158% from the prior year, driven by market-related impacts and the increase in underlying net income.

Asia individual insurance sales of $875 million were up 20%, primarily from strong growth across Hong Kong and our bancassurance channels in India, Malaysia, and Indonesia. Hong Kong delivered insurance sales growth of 20% year-over-year across all channels, supported by expansion of the advisor force by 28% to nearly 4,000 advisors.

Indonesia achieved 69% sales growth, reflecting the continued momentum from our bancassurance partnership with CIMB Niaga. New business CSM declined year-over-year, primarily reflecting the competitive environment in Hong Kong. Although margins were lower than a year ago, they remain strong.

Turning to our capital position on slide 14, we ended the quarter with a LICAT ratio of 145%, which increased 2 percentage points over the prior quarter, mainly driven by a $750 million sub-debt issuance at the lowest spread for a seven-year issuance in the Canadian financial sector in the last 25 years. This is a testament to the quality of Sun Life in the debt markets.

We delivered book value per share growth of 3% to $42.49 and finished the quarter with a financial leverage ratio of 23.8%. Organic capital generation was 41%, which exceeds their 30% to 40% range of guidance. Total CSM of $15.3 billion increased 12% over Q2 last year, driven by strong insurance sales. Together, these metrics reinforce our financial strength and provide resilience in more volatile periods.

Turning to slide 15. In the quarter, we returned $0.5 billion to shareholders through common shareholder dividends, delivering a dividend yield of 3.8%. We also renewed our normal course issuer bid to repurchase up to 10 million shares in June and we purchased 0.8 million shares to date under the program.

In closing, we are very pleased with our second quarter results, which demonstrate the earnings power of our business. Our strong balance sheet and capital position provides flexibility to invest in growth, support our Clients, and return capital to shareholders. Looking ahead, we remain focused on executing our Client impact strategy and delivering sustainable long-term value for shareholders.

With that, I'll turn it back to Kevin for some closing remarks.

Kevin Strain - *Sun Life Financial Inc - President, Chief Executive Officer*

Thanks, Tim. As I mark five years as CEO, I see this quarter as another proof point of our work to build a more diversified, global, and growth-oriented Sun Life. The company delivered strong earnings growth in line with medium-term objectives. Our diversified global business, strong capital position, and disciplined execution continue to enable progress in areas that matter most for long-term value creation.

Across our organization, we remain anchored by our Purpose, helping Clients achieve lifetime financial security and live healthier lives. Broad-based growth across Canada, Asia, and U.S. Health & Risk Solutions, combined with accelerating asset management momentum, is showing up clearly in earnings growth. We remain confident in our ability to continue creating sustainable value for Clients and shareholders.

With that, I'll turn it over to Natalie for the Q&A portion of the call.

Natalie Brady - *Sun Life Financial Inc - Senior Vice President - Capital Management & Investor Relations*

Thank you, Kevin. (Event Instructions)

I will now ask the operator to poll the participants.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions)

Gabriel Dechaine, National Bank.

Gabriel Dechaine - *National Bank Financial Research - Analyst*

Hi, good morning. My question is on the U.S. business, both the stop-loss and the Dental. On stop-loss, I forget what page in the slide, it says unfavourable experience due to seasonal reserve build. The phrasing of that seems like odd. If it's seasonal, wouldn't you kind of anticipated that or is there actually a variance here versus what you normally do because everybody is focused on the stop-loss stuff?

David Healy - *Sun Life Financial Inc - President - Sun Life, U.S.*

Yes, Gabriel, thanks for the question. It's David. Yes, so the Q2 results do include known seasonality from the build-up of IBNR reserves. That is what is in that unfavourable morbidity line. It is -- you could consider it unfavourable but expected. The experience is still in line with their expectations despite this. And so morbidity in the quarter was impacted by -- it was mostly because of the IBNR build.

While we maintained our target loss ratios, the morbidity experience overall is a little bit higher in that unexpected line than a year ago, just reflecting the larger book due to the stronger growth year-over-year over the past several quarters. The loss ratios remain stable within our target range in the mid-70s, which is a very strong result. And overall, the stop-loss business continues to perform very well and in line with our expectations.

Gabriel Dechaine - *National Bank Financial Research - Analyst*

I guess you said it, didn't I? I don't quite get that. Unfavourable but expected. If it's expected, why is it unfavourable? You said like a lower, short-term insurance profit number in the quarter or something like that. Is that not how it works?

David Healy - *Sun Life Financial Inc - President - Sun Life, U.S.*

So the IBNR reserves do build over the course of the year just because claims don't pay out at the same time the premiums come in. So it's just a matter of --

Gabriel Dechaine - *National Bank Financial Research - Analyst*

I get that. It's just that you would have -- we can move on. The Dental business, I understand the strategy there. You've clearly articulated it. Just want to get a sense for, how much more business is there to shed and what's the timeline for that, like the intermediated or brokered Medicaid business?

David Healy - *Sun Life Financial Inc - President - Sun Life, U.S.*

Yeah, so as was noted, Dental results were pressured in the quarter predominantly driven by lower membership, which was down 9% year-over-year. We are making progress in Dental and our pricing discipline on new business and decisions to exit on profitable existing business are driving improvements in the loss ratio.

But as you noted, there are ongoing significant volume headwinds in our Medicaid dental business, and that's consistent with the broader market, which will suppress Dental earnings this year. We remain focused on shifting towards a more profitable mix as we reshape that government book of business and continue to grow our commercial dental.

And then our broader plans, of course, include optimizing our expense space and continue to stay focused on disciplined expense management. So we expect these actions to start to shift our business mix over to a more stable, higher quality earnings space, but over the next one to two years.

Gabriel Dechaine - *National Bank Financial Research - Analyst*

Yeah, no, I understand the strategy and you're articulating and I just -- if next quarter the Medicaid premiums drop $150 million, I'm just making up a number, but people have to kind of get a sense of the glide path here so we can avoid negative surprises. I don't know if you can give a sense of that direction or the timing of it, one or two years, sure, but how much of this business is going to be shifted away?

David Healy - *Sun Life Financial Inc - President - Sun Life, U.S.*

Yes, it's a good question. I mean, the activities that we are taking are unlikely to fully offset the Medicaid volume-related pressures we're seeing over the near term. And as a reminder, Q3 is seasonally the highest quarter for utilization of the year prior to the start of the school year, and then Q4 is relatively lower utilization.

So we do expect the membership to remain lower this year and then we're looking ahead to the broader market dynamics that are in '27.

Kevin Strain - *Sun Life Financial Inc - President, Chief Executive Officer*

It's Kevin. I want to maybe just add a quick thing on this. I watched David and his team and they're fixing the fundamentals of the State business, but it is going to be a fundamentally smaller part of what we do on the dental side and building out the commercial, which is going to take a number of years to build the commercial, but there is more and more focus on that, building out the commercial side of the dental business.

And I'd also say on the overall, U.S. results are really strong in the quarter, and it reflects what David and the team are doing to build that out. And exactly what we said would happen on stop-loss. We were seeing the pricing hardening, and we were winning more of that and it's coming in at roughly the ratios we would have thought. So I'm actually quite pleased with how the stop-loss and benefits business is doing and I'm pleased with the progress they're making on the dental side.

The State business is going to be a struggle. It's going to be a struggle for a number of years and the focus is shifting over to the commercial side. And that's very clear and it's very deliberate and I see them making progress there. And that's where you should be measuring the progress. I wouldn't have high expectations of the State business for a number of years because it's a number of years building it out.

Gabriel Dechaine - *National Bank Financial Research - Analyst*

Yeah. All right. Thanks. Enjoy the weekend.

Operator

Mike Ward, UBS.

Michael Ward - *UBS AG - Analyst*

Hi. Thank you. Good morning. I'm just wondering if you could discuss the stop-loss sales result. Just thought that was super strong and I just, I've got to imagine you guys are pretty confident on the margins on new and renewal business. So I'm just wondering if you could kind of characterize the competitive environment and is it easier to win new business given the hard market and some people are pulling back or are you being more aggressive in growth?

David Healy - *Sun Life Financial Inc - President - Sun Life, U.S.*

Yeah, Mike, it's David again. Thanks for the question. So we, first of all, remain diligent and disciplined in our pricing and underwriting approach, which has led to our scale and leading market position. And we certainly are benefiting from all the work we're doing in underwriting and advanced analytics around our risk selection and our decision making.

Our differentiated health capabilities are also notable because that focus on cost containment is increasingly resonating in the market as employers are more focused than ever on ways to manage overall medical cost increases.

We are benefiting from a continued hard market and our approach to pricing and underwriting, along with those capabilities. They really position us well over the longer-term. But in terms of margins, we remain focused on our margins and we have that disciplined approach. If you look at our performance over the last little while, the 1/1/25 cohort is now largely complete. It's 97% complete and in line with our expectations and we continue to get the pricing on our '26 business.

It's probably worth noting that sales in the first half of '25 were a little lower than our typical growth rate due to what were competitive pressures at the time. And now, as I said, the market has been hardening later in the year and into '26.

Michael Ward - *UBS AG - Analyst*

Thank you. That's helpful. And then I was wondering in Asia. Could you discuss the sustainability of the strength there and maybe any thoughts on the kind of focus on the MCV business in Hong Kong by China?

Manjit Singh - *Sun Life Financial Inc - President - Sun Life, Asia*

Good morning, Mike. It's Manjit, so maybe I'll start with your second question. So in terms of our Hong Kong business, let me just start with a bit of context on that business. As you've seen, the business has delivered exceptional performance over the last few years. In fact, we've outperformed our peers and we've gained market share over that period. And that's been supported by deliberate investments we've made in distribution, brand, talent and IT, as well as strong execution.

So the fundamentals of the business are very strong. And we have a very diversified business across all dimensions. In distribution, we sell through banca, broker and agency. We provide Client solutions to meet protections, savings, and retirement needs, and our Clients include local Hong Kong, Clients from Southeast Asia, as well as MCV.

In terms of the MCV Client base, that makes up roughly about 30% of our overall Client base in Hong Kong, and obviously that will change a little bit quarter to quarter depending on the mix. And in terms of how we serve that Client base, I mean, we really focus on providing specific needs for them and that includes higher rates of return, diversification of investments, as well as access to products to help them with legacy planning and wealth preservation needs.

So I know there's some focus on the tax element at this, but that hasn't really been the key focus of what they're looking for when they come and talk to us. So fundamentally, I think the business is in very good shape, and I feel that we have good momentum and that will continue.

Operator

Doug Young, Desjardins.

Doug Young - *Desjardins Securities Inc - Analyst*

Hi, good morning. Maybe just going to Canada, can you, Jessica, like talk a little bit about the experience this quarter, which was favourable. It's not as favourable as it has been in the past, but it's noticeably improved the PAA growth. And then, I mean, in general, Canada is generating, I think, year-to-date about a 34% ROE. Like is this division punching above its weight or just trying to get a sense of the sustainability of this because it's a big part of the Sun Life story here.

Jessica Tan - *Sun Life Financial Inc - President - Sun Life, Canada*

So maybe let me talk about the insurance experience for this particular quarter and then I'll talk a bit about more sustainability if you zoom out and look across. So I think for this quarter, you see a significant experience gains, about a third of that is from mortality and then two-thirds of that is morbidity. And I think from the morbidity standpoint, we benefit from actually sustained and very purposeful investments in people, processes, and capabilities such that not only we have actually lower claims volume shorter claims duration, but also while maintaining actually pricing discipline to be competitive as well.

So some of the things that we have taken to kind of get the sustained results would be things, for example, it's not just individual case managers, but it's actually an integrated case management team supported by actually health practitioners. We made actually a lot of significant investments in different tailored processes between different cases and that you have different nudges and digitize experience so that for the members as they navigate through this very difficult journey that they are able to do this seamlessly.

So things like digital forms with the health practitioners, we actually made a lot of investments and reduced that. We have tailored nudges helping actually help practitioners to nudge so that they will be better in the recovery journey. So these are things that we've been purposefully doing for the past few years, which is why you see this.

And then zooming out about sustainability, if you look at the past eight quarters, we've had a positive insurance experience on average about $57 million every quarter pre-tax. And I think that is something that is quite sustainable. It is reflected because we've been very disciplined. What we write in our CSM and risk adjustments are solid. And then I think while there are variations quarter to quarter, we do expect to continue every quarter to have a positive experience in the insurance side.

And then I think maybe one more point. While if you zoom out beyond the insurance experience, you hear from Tim's opening remarks that actually if you look at this half of the year, overall Canada has actually improved its earnings by 15%. Only 5% of that is actually from the insurance experience and the remaining 10% came from actually strong growth across all three parts of our businesses.

Insurance grew at 6%, you see our CSM continue strong growth. Health, if you look at the other short-term insurance line actually grew by 11%. And then most importantly, I think our wealth asset management business that Tim alluded to is now $286 billion of AUMA. The earnings actually in this half of the year went up by 26%, 18% of which is credited to both favourable market but also positive inflows. This quarter we had $1.4 billion of net inflows.

And then the other kind of remaining 7% growth is due to efficiencies and economies of scale, which you would expect as you build a wealth asset management that we benefit from the scale that we get. So I think sustainability-wise, we're very confident that Canada is punching above the 6-plus and emphasizing the plus percentage medium-term objective.

Doug Young - *Desjardins Securities Inc - Analyst*

I appreciate that. Just one quick one, Tim. The US$350 million price for Bell, I think 80% of that is being settled in stock in Q3. I assume that's at a fixed stock price, given your share price has gone up a lot, just because it will lower the amount of shares you have to issue. I'm just kind of curious as to, I assume that's a fixed stock price that, that was set at but just thought I'd clarify.

Tim Deacon - *Sun Life Financial Inc - Executive Vice President, Chief Financial Officer*

Hi Doug, this is Tim. Yeah, you're correct. The Bell acquisition, we completed that at the beginning of July, and almost 80% of that purchase price was made in shares. And it was based on the 20 days leading up to the closing price. So it was on the average share price during that period. And that was just shy of $400 million overall for the total purchase, and it was about 3.6 million shares. So that's already been issued and it's completed and the amount is fixed.

Doug Young - *Desjardins Securities Inc - Analyst*

And that's in Q3 then?

Tim Deacon - *Sun Life Financial Inc - Executive Vice President, Chief Financial Officer*

Yeah, it'll show up in Q3. It's a subsequent event in our financials, but because it closed in July, we'll start to pick up the earnings from that business in the third quarter.

Doug Young - *Desjardins Securities Inc - Analyst*

Perfect. Appreciate it. Thank you.

Operator

David Andrich, Jefferies.

David Andrich - *Jefferies LLC - Analyst*

Hey, good morning, everyone. Thank you for taking my questions. Just wanted to follow-up on Doug's question around the experience gains in Canada. And just based upon the response, it sounds like you're kind of expecting the positive trend to continue and to see that come through.

And then the second part to that was some of your peers have experienced some headwinds from long-term disability experience and just doesn't seem to be anything coming through in your results, so just wondering if you could comment on that on your experience specifically.

Jessica Tan - *Sun Life Financial Inc - President - Sun Life, Canada*

We do expect that I think the insurance experience line to continue to be positive. I mean, there will be fluctuations quarter to quarter due to season and other factors. But I think, as I mentioned, if you look at the past eight quarters, the past, it doesn't matter which period you look at, average is about $57 million pre-tax, $41 million post-tax. So I think that will be fluctuations within every quarter, but I think that we expect to continue to have that positive number.

And then I think in terms of the long-term disability trends, I think there's some of the trends in the market has been there for quite some time. For example, I think since COVID, we've already had 40% of the claims due to mental wellness and stuff. So that's not something new. And I think this is one that all of us in the industries have been diligently working on.

And I think the long-term kind of results, I think, one is about pricing discipline while remaining competitive, and that's one that we try to do. And then two, as I mentioned, because of the short-term and long-term disability, we're talking about multi-year journey. These are purposeful and sustained investments. It’s not one single thing, but it's really all the things I described about the people, the processes, and the capabilities that we've made investments across.

So for example, one of the things that I think will continue to help improve the outcomes for our members is this year, last year we had a pilot for all of Ontario on disability management for 20% of our business. There were some of the technical platform and processes and nudges I mentioned, and this year we started rollout to the whole country. So I think we'll continue to be diligent in helping our members get to better outcomes.

David Andrich - *Jefferies LLC - Analyst*

Great. Thank you very much.

Operator

Nick Liu, Evercore.

Nick Liu - *Evercore ISI - Analyst*

Good morning. Thanks for taking my question. My first one was a quick follow-up on Asia. Should I read the earlier comment as in the MCV business represent about 30% of total sales out of Hong Kong? And how have the local bancassurance partners been reacting to the updates whether on taxes or the broader cross-border capital flow? Thank you.

Manjit Singh - *Sun Life Financial Inc - President - Sun Life, Asia*

Good morning, Nick. It's Manjit. Yes, you're correct. The figure I quote was 30% of the total Hong Kong sales. I think in terms of the bancassurance partners, we have a very strong bancassurance agreement with Dah Singh. I think obviously with some of the new requirements put in place, there's sort of even more diligence that all banks are putting on in terms of account openings, and we're seeing that across the industry.

Nick Liu - *Evercore ISI - Analyst*

And my follow-up is on the stop-loss business in the U.S. Are we at a stage where you think you have an early view into what kind of rate increase is going in that you're thinking about going to 1/1/27? Some of your large U.S. peers also noted some favourable experience on '26 book relative to '24 and '25 and was wondering if you are seeing something directionally similar as well. Thank you.

David Healy - *Sun Life Financial Inc - President - Sun Life, U.S.*

Hi, Nick. It's David. Thanks for the question. Yes, so obviously, we're monitoring very carefully the emergence of experience on 1/1/26 cohort. It's still early in that process. It's about 15% complete. Our underlying technical analysis and our underlying emerging actual experience are certainly giving us a lot of confidence in terms of our pricing approach and how we're approaching that.

But we'll continue to monitor that as the dynamic can change over the course of the year, and we remain very focused and very confident based on our proprietary advanced analytics models and our risk evaluation that we'll continue to focus on as the year progresses.

Operator

Paul Holden, CIBC.

Paul Holden - *CIBC World Markets Corp - Analyst*

Thank you. Good morning. I want to continue with the line of questioning on stop-loss. So premiums are up to 25% year-over-year. You say that margins or loss ratios in line with your expectation. I would have expected, based on the top-line growth, and then listen I don't know if it's stable to improving margins, that you would have seen more of an earnings lift, right? Like that's the way the basic math should work. So unless you're getting more conservative on IBNR, I'm not really sure why we're not seeing more earnings growth out of stop-loss. Maybe you can help address that for us.

David Healy - *Sun Life Financial Inc - President - Sun Life, U.S.*

Sure. Certainly we're benefiting from the momentum we have both in sales and persistency, and we're seeing that in our solid earnings result. Obviously, in our benefits business overall, we also have our Employee Benefits business. When you look at that portion of the business, it is down from what was a record quarter in Q2 of 2025, where we saw really very favourable disability experience and consistent with broader industry trends that sort of reverted back towards more what we would expect to be normal trends for the foreseeable future and we're paying close attention to that.

But those are all in our health and benefits results overall. But we're very confident in our position and we remain very diligent in our approach with stop-loss and we continue to monitor how the year is progressing.

Paul Holden - *CIBC World Markets Corp - Analyst*

So what you're suggesting is you are seeing good earnings growth in stop-loss is just masked by lower earnings in the Employee Benefits business?

David Healy - *Sun Life Financial Inc - President - Sun Life, U.S.*

Yeah, again, we did have really a record quarter in the Employee Benefits business in Q2 of '25 and that was partially on the back of really great experience and there were some also one-time items in there that didn't recur this year.

Paul Holden - *CIBC World Markets Corp - Analyst*

Okay, got it. Wanted to ask a question on Asia, so I guess for Manjit. So another quarter, very strong APE sales, I think 19% overall, but then when I looked at the new business CSM, I think it was actually down year-over-year and down 7%, so maybe you can help us understand the disconnect there?

Manjit Singh - *Sun Life Financial Inc - President - Sun Life, Asia*

Good morning, Paul. It's Manjit. So maybe just again, I'll zoom out a bit and then go to your questions. So if you look at over the last two years, we've delivered very -- Asia has delivered very strong new business CSM growth. In fact, over that two-year period, we've delivered over $2 billion in new business CSM. And we've had exceptional performance last year, and you'll recall some of that was due to some tailwinds you were experiencing with some of the proposed regulation changes that pulled in the volumes.

And with the higher volumes, you saw an increase in new business margins, and with that behind us, those margins have evened out, which is why you're seeing a relative evening out of the new business CSM margins. At an overall nominal level, we still generated $277 million in new business CSM. I'm very pleased with those levels, and those levels will support ongoing earnings growth for Asia.

Paul Holden - *CIBC World Markets Corp - Analyst*

So I try to unpack that then it's kind of a little bit of expenses maybe catching up the volumes because volumes again still higher. I don't know if it's just expenses growing or mix changing.

Manjit Singh - *Sun Life Financial Inc - President - Sun Life, Asia*

Yes, I think it's a bit of mix, but it's also for the level we're growing our expenses as well, but we got higher volumes last year relative to the expense base that we had.

Paul Holden - *CIBC World Markets Corp - Analyst*

Okay. That makes sense. Thank you. Thanks for the time.

Operator

Tom MacKinnon, BMO Capital.

Tom MacKinnon - *Bank of Montreal - Equity Analyst*

Yeah, thanks. Two questions. First on Asia, just with respect to your High-Net-Worth business there. I mean, underlying earnings and sales were up nicely in the second quarter, maybe you can - what proportion of these High-Net-Worth Clients just maybe in terms of the dollar amount of sales would be from China, and would there be any impact as a result of some of the offshore trust implications that we're seeing out of China and offshore investments, would that have any impact on the continued momentum we're seeing here in High Net Worth sales and earnings?

Manjit Singh - *Sun Life Financial Inc - President - Sun Life, Asia*

Good morning, Tom. It's Manjit. For that business, it's actually a lower proportion than I referenced earlier for Hong Kong. For a High-Net-Worth business with an international business and including Clients from Southeast Asia, the Middle East, other parts of Asia. The MCV is really only about 10% of that business. So overall, I don't expect that to have a material impact on the contributions on the High-Net-Worth business.

Tom MacKinnon - *Bank of Montreal - Equity Analyst*

Okay, thanks. And then just with respect to SLC, you know in a transition year, I think you've talked about 20% medium-term outlook for underlying earnings growth in that business. But if I look in the quarter here, flows are better, but the fee-related revenue, fee-related earnings are kind of flat year-over-year. What would you point to, to give you confidence that the setup here is good and that we should be able to, by 2027, start to get closer to this 20% growth that you're talking about? What would you tell investors to look for with respect to SLC?

Steve Peacher - *Sun Life Financial Inc - Executive Chair - SLC Management*

Hey, Tom, it's Steve Peacher. Thanks for the question. At the end of the day, I think this business is driven by, and this is not surprising, but first and foremost, driven by having strong performance in strategies that the market wants, goes without saying, and then that manifests itself in growing positive net flows, growing AUM, and if you do that and you do a good job managing your expense base, you're going to have growing profits.

And I think - if you think about the underlying drivers, if you think about the core categories where we have strategies across real estate, real estate debt, private credit in different forms and different geographies and infrastructure, all those have tailwinds. All those are growing categories in the institutional space. And of course, we haven't raised significant money in the wealth space, but it's a big priority of ours. And we think it's going to be a huge driver of flows over the coming years in the wealth space and we've got the products and we've put the distribution in place. And we think we're going to benefit from that.

The other thing that - so we've got underlying tailwinds. We feel like we got the right products and we feel like wealth is going to kick in over the coming years. The other thing is internally, until we got to the put calls in March, SLC was really a collection of businesses side by side operating independently.

And that was very intentional, because as we bought BGO, as we bought Crescent, and as we invested in InfraRed, it was very important in my view that we demonstrate to the employees and to their Clients that we are going to let those teams manage their businesses exactly the way Sun Life has let MFS manage its business for the last 40 years.

Now that those put calls are done, all the employee incentives are aligned at the SLC level right next to Sun Life, we can now operate this as a platform and as an enterprise. And we think internally that's going to allow us to pursue expense efficiencies that we haven't spent any time pursuing until now. Also, I think as we present ourselves in the market and we present ourselves as a platform like a Blackstone or like an Apollo or like an Ares, we think that's going to be an accelerant to growth as well.

We got institutional Clients who've invested with BGO and who've invested with Crescent, and I'm not even sure they know that those two companies are connected because we haven't approached it that way, and now we can. We're four months into that. We're moving as quickly as possible, thinking about how we combine distribution systems. We're thinking about branding, etc. So I think that's going to be an accelerant to growth as well.

Tom MacKinnon - *Bank of Montreal - Equity Analyst*

So to paraphrase, it seems asset growth and that would be flows. So would you expect the second half of 2026 to be better than the $8 billion net inflows you saw in the second half of 2025? And then with respect to efficiency, should we be looking for the pre-tax net operating margin to start picking up? It's been kind of flat here over the last four quarters.

Steve Peacher - *Sun Life Financial Inc - Executive Chair - SLC Management*

Well, I would say on the quarterly flows, we would expect -- I think you've got to look at this over a multi-year basis because our business is largely institutional, which means our quarterly flows fluctuate significantly based on when you have fund closes. For example, in this quarter, I think as Kevin mentioned, we had a big close in what we call CDL IV, Crescent CDL, Crescent Direct Lending IV. That was a big factor in this quarter, and those can be lumpy.

So your flows and your fundraising change a lot quarter-to-quarter by asset class and can be lumpy. But I think if you follow us over the next, throughout this year, but also in '27, '28, I would strongly expect that you're going to see a pickup in those flows quarter-to-quarter as we grow the business and we grow AUM.

We also fully expect that margin should expand significantly, partly as we grow AUM, we should get the benefits of scale, but also now that we can operate as an enterprise, we think we can become more efficient from an expense standpoint. So I think we put in our midterm targets that we would expect margins to expand significantly over the coming years.

Tom MacKinnon - *Bank of Montreal - Equity Analyst*

Is there any margin target that you had given, if you could remind us that?

Steve Peacher - *Sun Life Financial Inc - Executive Chair - SLC Management*

We expect the operating margin to be over 30% over the coming years. If you look over the next five years, I would expect that to be in the mid-30% range or higher.

Tom MacKinnon - *Bank of Montreal - Equity Analyst*

Okay. Thanks very much.

Operator

Mario Mendonca, TD Securities.

Mario Mendonca - *TD Cowen and Company LLC - Analyst*

Manjit if we could just go back to you, I got a little distracted when you were answering one of the questions. Did you lay out the proportion of Hong Kong sales that relate to MCV?

Manjit Singh - *Sun Life Financial Inc - President - Sun Life, Asia*

Yes, Mario. It was 30%.

Mario Mendonca - *TD Cowen and Company LLC - Analyst*

30%, okay. And then in response to Paul's question, I think I understand your answer, but I want to just follow-up with something. When you see the decline in CSM generated in the quarter relative to the sales, it immediately makes me think that the pricing environment, the pricing was different this quarter from the previous year. So where I'm going with this is, were there any pricing concessions or specials on particular products in the quarter? And if there were, why did you feel the need to do that this particular quarter?

Manjit Singh - *Sun Life Financial Inc - President - Sun Life, Asia*

I think it's a year-over-year thing, so it wasn't necessarily particular to this quarter. I think our products evolve over time Mario, over the last year. We've introduced different products over that period and different products are selling with different features, and those have an impact on margins. I think if you pull back and you look at the overall margins we're generating; we're still generating mid-30% margins, which are delivering the lift in ROE you're seeing. And so we're very pleased with the product lineup that we have.

Kevin Strain - *Sun Life Financial Inc - President, Chief Executive Officer*

I just might add. Like Hong Kong is a very competitive market. You've got the world's leading insurers that Manjit and team are competing with. And we've made-up a lot of room in terms of our size in the Hong Kong market over the last few years, which means that we are sometimes, we're even a target now of competitors that are looking at it.

We have to do what it takes to continue to grow profitably there and I think Manjit has done that and the profitability is still really good. It was even better probably 12 months ago, but it's still very strong and we're still very pleased with the growth. And remember too that our growth there is quite diversified. We continue to grow our agency. We continue to grow in the bancassurance channel, and we continue to grow with brokers.

And I think that diversification of Hong Kong nationals, mainland Chinese visitors, but also people from other parts of Asia that are looking for a Hong Kong dollar or U.S. dollar product. And our reputation continues to grow there. I think we've upset a few of our competitors because in different quarters, we've been bigger than them. Some names that you'll know here, that you're probably talking to.

And I think that we have to continue to be competitive. And part of that in Hong Kong is going to be pricing. And that's okay as long as we're still continuing to make a margin that's acceptable to us, that's a good return on capital, and we believe we're doing that.

Mario Mendonca - *TD Cowen and Company LLC - Analyst*

And the reason why this is so relevant to me is, if it was the particular quarter, if there was something special about the quarter, then I'll be inclined to assume that these CSM margins return to what they have been in the past, which of course then drives your CSM and drives the earnings. So it does matter if this quarter was special in some way from a pricing perspective.

And what I can gather from what you just said, Kevin, is you did what you needed to do this quarter, but we shouldn't assume that you have to go to this extent every quarter, is that right?

Kevin Strain - *Sun Life Financial Inc - President, Chief Executive Officer*

It's not a quarter thing, I think Manjit talked about it. It's reacting to the markets as they evolve. So it wasn't specific to this quarter and we're actually in a really good -- I think we're in a really good place actually.

Mario Mendonca - *TD Cowen and Company LLC - Analyst*

No, so I interpret that to mean that the CSM margin could remain low or lower than it has been in the past because the environment's changed. I mean, that's the only way I can interpret that response. But perhaps I can go to something else.

Manjit Singh - *Sun Life Financial Inc - President - Sun Life, Asia*

Yeah, I think the levels you're seeing right now are kind of appropriate, Mario, in the current competitive environment. Obviously, that could change going forward, but I think if you were to look out for the next quarter, I think these kinds of levels are appropriate.

Mario Mendonca - *TD Cowen and Company LLC - Analyst*

That makes, that's precisely the point then. That feeds into how you grow this company's earnings. That's why I'm asking the question. So moving on to stop-loss for a moment. You're growing stop-loss at a really nice pace here. Is this the kind of business that benefits from consolidation or is it -- are you better off watching your competitors de-emphasize the business than taking share at margins you prefer? Is this an organic story or does it lend itself to deals?

David Healy - *Sun Life Financial Inc - President - Sun Life, U.S.*

Mario, it's David. Thanks for the question. So you know we are obviously very proud of our differentiated capabilities in the marketplace and we're very focused on our organic growth. We think that that is the path forward and the proprietary advanced analytic models, the underwriting discipline we have, the risk evaluation that is germane to us is really unique in the marketplace and is helping to differentiate us. It is a short-duration business, so we feel like we can write this business to continue to grow and find opportunities to take share as the market continues to evolve.

Mario Mendonca - *TD Cowen and Company LLC - Analyst*

So no, it just sounds to me that there's no point in doing deals in this space. You can just take it on your own because you're repricing it every year anyway. But that's, again, the only way I can interpret.

David Healy - *Sun Life Financial Inc - President - Sun Life, U.S.*

It's not a priority of ours.

Kevin Strain - *Sun Life Financial Inc - President, Chief Executive Officer*

It's Kevin again. That's exactly how I look at it. I think we're a big player. It's annually repriceable. We have great capabilities and we're able to win business over time and that's the focus there.

Mario Mendonca - *TD Cowen and Company LLC - Analyst*

And finally, government or Medicaid sales in Dental were zero this quarter. Is that the new number to focus on, like this business is no longer for Sun Life, is that right?

David Healy - *Sun Life Financial Inc - President - Sun Life, U.S.*

Well, as I said earlier, Mario, we just continue to focus on selling and retaining profitable business that meet our long-term earnings margin targets. Government sales have been and will continue to be lumpy, and so we do have a pipeline, of course, but we'll take a disciplined approach to make sure that anything that we do right is going to be helpful to us as we build back earnings over time.

Operator

We have no further questions at this time. This concludes today's conference call. You may disconnect your lines. Thank you for participating and have a pleasant day.
