

# Q3 2021

## Building Sustainable Shareholder Value



Life's brighter under the sun





*Business overview*



Business group results & highlights



Capital management



Asset portfolio



Sustainability

# A \$41.2 billion leading global financial services organization<sup>1</sup>



42,100  
Employees\*

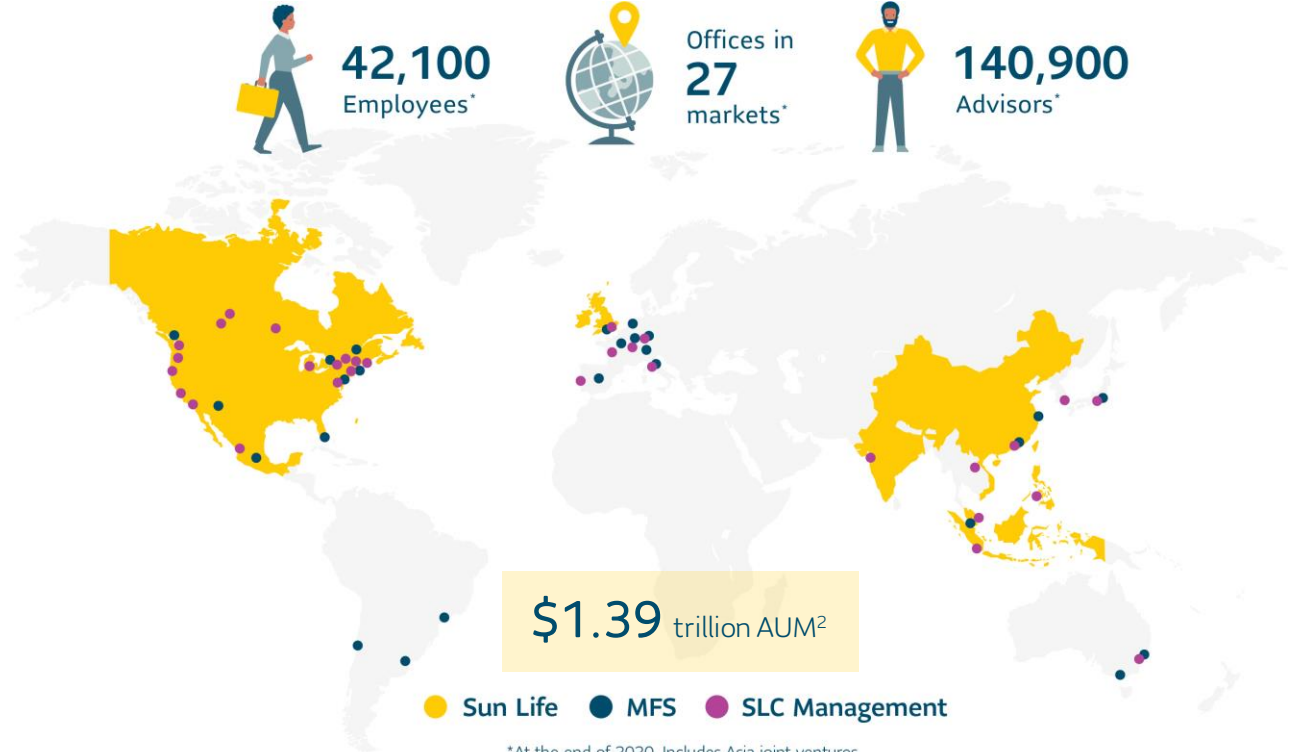


Offices in  
27  
markets\*



140,900  
Advisors\*

Operating through a **balanced** and **diversified** model and focused on creating **shareholder value** now and in the future



\*At the end of 2020. Includes Asia joint ventures.

Map is as of March 31, 2021.

<sup>1</sup> Market capitalization (CS) as at October 29, 2021

<sup>2</sup> Assets Under Management ("AUM") is a Non-IFRS financial measure; see "Use of Non-IFRS Financial Measures" and "Reconciliation of Select Net Income Measures" in the appendix to these slides

# The Sun Life story

- A **diversified business model**, with four strong pillars that can each compete, win and grow in their respective markets and that leverage each other
- Bound together by a **strong balance sheet** and **risk culture**, including no U.S. Variable Annuity or U.S. Long-Term Care
- Building on momentum created by past **organic investments and acquisitions** that will help drive earnings growth
- **Digital transformation** that is deeply embedded throughout the organization
- **Purpose-driven sustainability plan** focused on what we know best to maximize our contribution to society



# Executing on our ambition to be one of the best **asset management and insurance** companies globally

Our Purpose: Help Clients achieve lifetime financial security and live healthier lives

## Four Pillar Strategy

- AM** A global leader in both public and alternative asset classes through MFS and SLC Management
- CAN** A leader in insurance and asset management
- US** A leader in health and benefits
- ASIA** A regional leader focused on fast-growing markets

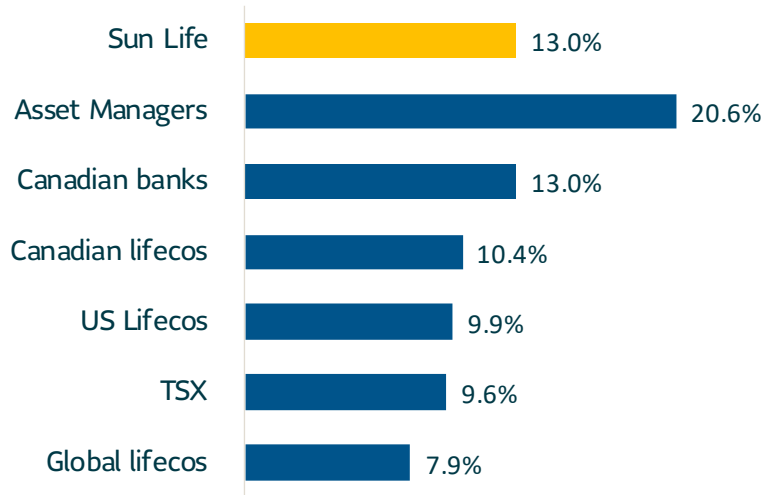


## Key Priorities

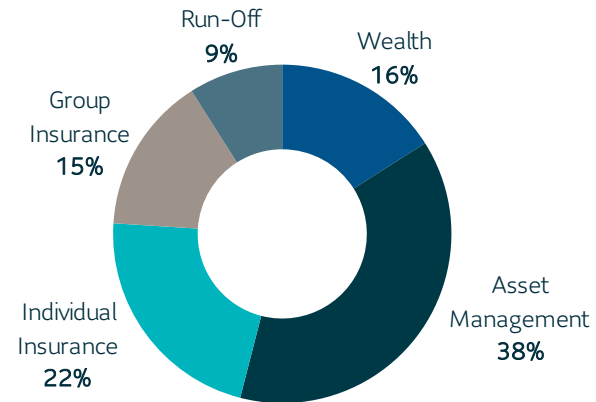
- 1 Think and act like a **digital company**
- 2 Realize **synergies** between Asset Management and Insurance businesses
- 3 Build scale and capabilities through **M&A and strategic partnerships**
- 4 Deliver on our **Health strategy** in Canada, the U.S., and Asia

# Consistently delivering value to shareholders through our balanced and diversified business mix

5-year total shareholder return <sup>1</sup>  
September 30, 2021



Business type diversification  
Q3 2021 underlying net income <sup>2,3</sup>



<sup>1</sup> Source: Bloomberg; Companies included in these peer groups are listed in the appendix

<sup>2</sup> Excludes Corporate Support

<sup>3</sup> Represents a non-IFRS financial measure; see "Use of Non-IFRS Financial Measures" and "Reconciliation of Select Net Income Measures" in the appendix to these slides

# Business mix shift and strong execution support an increase in our underlying ROE<sup>1,5</sup> objective

We've shifted our mix to capital-light and lower interest sensitive businesses

Mix as % of Underlying Net Income <sup>1</sup>	2012	2020 <sup>2</sup>
Wealth & Asset Management	35%	44%
Group & shorter duration insurance	30%	38%
Traditional insurance	35%	18%

Strong track-record of execution on our medium-term financial objectives

Medium-term objective	5-year 2020 <sup>3</sup>	2021 YTD
Underlying ROE <sup>1</sup> 12-14%	13.5%	15.4%
Underlying EPS growth <sup>1</sup> 8-10%	8%	11.9%
Dividend payout ratio <sup>1,4</sup> 40-50%	41%	37%

**16%+**  
Underlying ROE<sup>1,5</sup>  
medium-term objective

# Digital leadership

## Building new digital models and a partnership ecosystem

- New digital partnerships in **Asia**, including Cermati, Moneygment and TheBank.vn
- Lumino Health and Sun Life GO in **Canada**
- Partnering with Conquest Planning Inc. in **Canada** to provide a digital financial planning tool
- Turnkey absence capabilities through FullscopeRMS in **U.S. Group Benefits**
- Building digital expertise and ecosystems
- Making equity investments in early-stage partners
- Investing in key technologies to drive global growth
- Exploring strategic collaborations with start-ups, accelerators and established networks
- Continuing to enhance connectivity into the benefits ecosystem, including APIs with key benefits and HR platforms

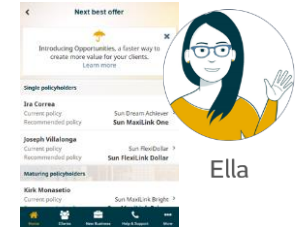


moneygment



## Using digital to be personal, predictive, and proactive

- Exclusive experiences for Clients in **Asia** including personalized videos and prospect videos
- Digital coach Ella in **Canada**
- Accelerated underwriting capabilities to reduce the need for lab tests for life insurance products in **Canada**
- Leverage Maxwell and predictive analytics that proactively nudge members to close coverage gaps in **U.S.**



Ella

## Digitizing current interactions and processes

- Launched digital onboarding capabilities for Clients and a new productivity suite for advisors in **Asia**
- Web and mobile functionality in **Canada** and **Asia**
- Expanded web and mobile capabilities and streamlined claims experience in the **U.S.**
- End-to-end virtual enrollment solutions with text and chat capabilities in the **U.S.**
- In **Canada**, Investment GIF e-App and Sun e-App continue to streamline and digitize end-to-end Client processes





# Leveraging global trends



Individual and employer attention on physical and mental health



Demographic shifts



Growing prosperity in Asia



Gig economy and shift in nature of work



Digital acceleration



Sustainability and DE&I expectations



Continued growth of alternative asset classes



Future of work and rising competition for talent



Business overview



*Business group results & highlights*



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# Business group performance

## Reported net income (\$ millions)

Impact of currency translation decreased reported net income by \$41M

+2%

+141%

+20%

+22%

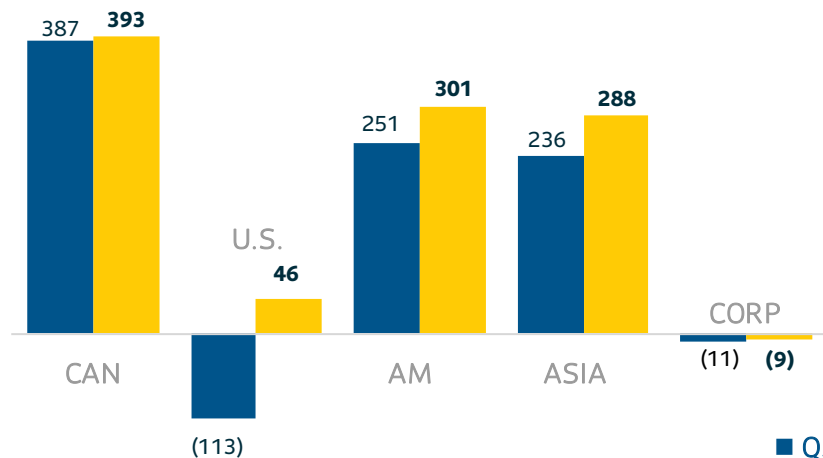
Constant  
currency

+2%

+143%

+27%

+31%



## Underlying net income<sup>1</sup> (\$ millions)

Impact of currency translation decreased underlying net income by \$36M

(1)%

(19)%

+23%

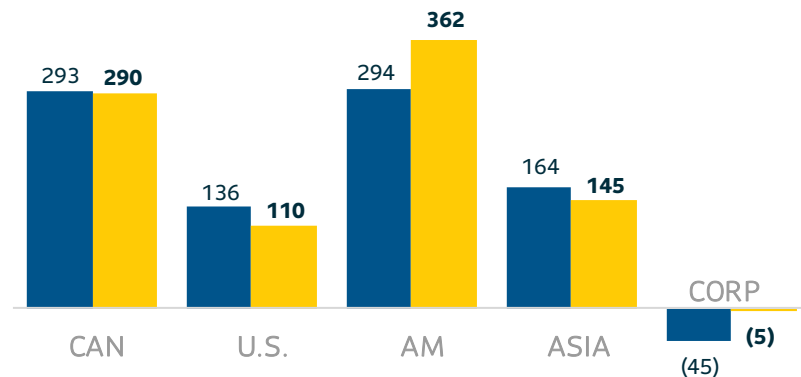
(12)%

(1)%

(14)%

+30%

(5)%



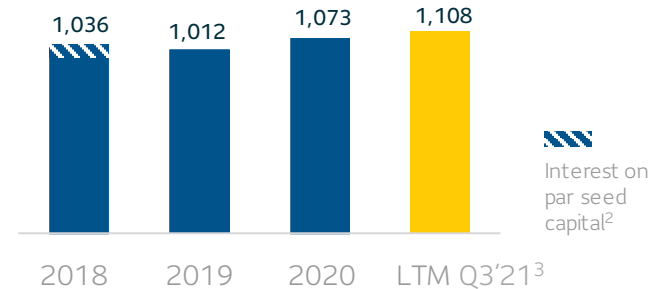
■ Q3'20 ■ Q3'21

# Canada is a growth market for Sun Life

## Q3'21 highlights

- Ella, our digital coach, proactively connected with Clients over 13 million times in 2021 YTD, driving an additional \$582 million in wealth deposits, and \$800 million in insurance coverage
- Partnered with Conquest Planning Inc. to roll out a digital financial planning tool to empower all Clients with personalized financial plans, complementing our holistic advice model
- Over 1.4 million digital searches on *Lumino Health*, with more than double the number of paramedical provider connections versus prior year
- In Q3, digitally processed 92% of retail insurance applications, 84% of retail wealth transactions, and 96% of Group Benefits health and dental claims

## Underlying net income<sup>1</sup> (\$ millions)



## Market position by business

- 1<sup>st</sup> Individual insurance<sup>4</sup>
- 1<sup>st</sup> Group Benefits<sup>5</sup>
- 1<sup>st</sup> Group Retirement Services<sup>6</sup>

<sup>1</sup> Represents a non-IFRS financial measure; see "Use of Non-IFRS Financial Measures" in the appendix

<sup>2</sup> \$75 million of interest on seed capital transferred from the participating account to the shareholder account

<sup>3</sup> Last twelve months at September 30, 2021

<sup>4</sup> LIMRA Market Share by premiums within individual life and health market as of second quarter 2021

<sup>5</sup> Based on revenue for year ended December 2020 from 2021 Group Benefits Provider Report

<sup>6</sup> Based on total Capital Accumulation Plan assets for the year ended December 2020 from 2021 Fraser Pension Universe Report

# Shaping the industry and capitalizing on opportunities in Canada



Shaping the market as a leader in our Canadian home market

- Leveraging our **worksite advantage**
- Expanding **our role in health and well-being**, including increasing our focus on **mental health**
- A leader in the growing pension risk transfer market with **Defined Benefits Solutions**
- Accelerating our **wealth presence** through Sun Life Global Investments and Sun Life's Guaranteed Investment Funds



Making it easier for Clients to do business with us

- Creating a **One Sun Life digital experience**
- Expanding our Client reach through our digital coach, **Ella**
- Building **Lumino Health** capabilities, including partnerships with Dialogue, GoRendezVous, and OnCall Health



Executing with financial discipline and putting Clients at the centre

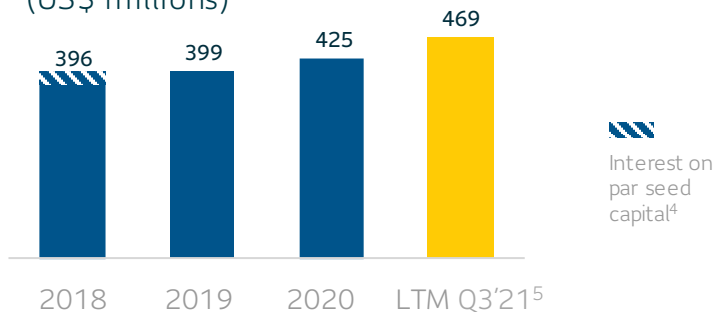
- Creating **proactive, predictive and personal contact** with Clients
- Balancing **top and bottom-line growth**
- **Optimizing our portfolio** of businesses
- Attracting and engaging **diverse top talent**

# Deepening Client relationships in U.S. Group Benefits

## Q3'21 highlights

- On October 3, 2021, announced intention to **acquire DentaQuest Group, Inc.**<sup>1</sup>, which will position Sun Life as a **leading dental benefits provider**
- Launched **Health Navigator** powered by PinnacleCare; helping **guide members to ensure they get the right care and improve health outcomes**
- Helping employers manage regulatory compliance with expanded absence management capabilities through **AbsenceTech Bundle<sup>SM</sup>**
- **After-tax profit margin** for U.S. Group Benefits of **7.7%**<sup>1,3</sup>

## Underlying net income<sup>2</sup> (US\$ millions)



## Market position by business

**#1** Independent medical stop-loss provider<sup>6</sup>

**#1** Turnkey disability provider<sup>7</sup>

**Top 10** Group life and disability benefits provider<sup>8</sup>

# Key trends and opportunities in the U.S.

## Improving health outcomes and costs

**Large, complex U.S. benefits ecosystem**, anchored by the \$3.8T healthcare market<sup>1</sup>



Most U.S. employees are covered by a self-insured plan<sup>2</sup>



Health care costs, particularly prescription drug costs continue to rise<sup>3</sup>



Medicaid program and Medicare expansion bills (including dental) could positively impact Dental business

## Helping Clients get the coverage they need

Many **Americans are underinsured for key financial risks**



Growing life insurance coverage gap, and many working Americans not covered by a disability policy<sup>4</sup>



Employees responsible for more health and benefits costs



Federal and state paid family and medical leave legislation driving absence requirements

We are focused on making things easier for **Clients** while improving **health outcomes and reducing costs**

- ✓ Acquired **PinnacleCare**, expanding further into the health care space
- ✓ Launched **Health Navigator** to drive better health outcomes
- ✓ Intend to **acquire DentaQuest**<sup>5</sup>, the largest provider of Medicaid dental benefits
- ✓ Leveraging **Industry-leading Clinical 360 program** to analyze data to reduce costs for employers and members

We continue to deliver **digital capabilities**, making it easier for **Clients to get the coverage they need**, while continuing to lead industry advocacy on key regulatory and legislative issues

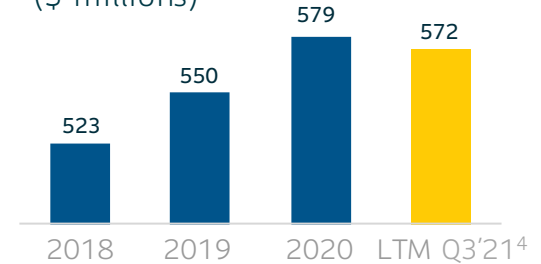
- ✓ Expanded **Maxwell Health**
- ✓ Launched **Stitch**, providing supplemental health coverage directly online
- ✓ Offering **virtual enrollment**
- ✓ Building **APIs and digital connectivity** with benefits platforms
- ✓ Introduced new **absence management offerings** with single claim intake, digital and automated capabilities

# Positioned in Asia's largest and fastest growing markets

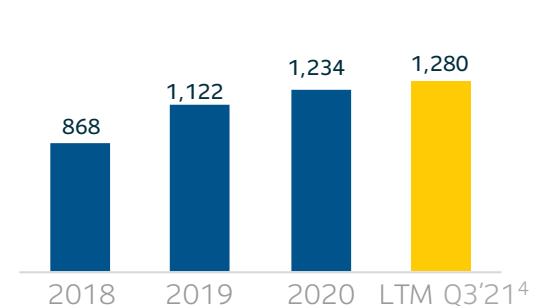
## Q3'21 highlights

- In Singapore, we launched our first High Net Worth life insurance product, extending our presence to eight markets in Asia and reinforcing our position among the global leaders in the international High Net Worth life insurance market
- Local Markets individual insurance sales<sup>1</sup> up 7% (13% on a constant currency basis), enabled by digital tools and solutions
- 69% of new business applications were submitted digitally<sup>2</sup> (2021 YTD), up 51 percentage points from the same period in 2020
- In the Philippines, we established SLIMTC<sup>3</sup> to provide multi-strategy, local and global portfolio management services to deliver superior risk-adjusted returns for both individual and institutional investors

Underlying net income<sup>1</sup>  
(\$ millions)



Individual life sales<sup>1</sup>  
(\$ millions)





# Capturing growth opportunities in Asia

## Local Markets



### Philippines

- Ranked **1<sup>st</sup>** in insurance sales<sup>1,2</sup>
- **#1 largest mutual fund provider** based on AUM<sup>1,3</sup>



### Indonesia

- **12<sup>th</sup>** in insurance sales<sup>1,4</sup>
- Overall market share of **3%**<sup>1,4</sup>



### China

- **7<sup>th</sup>** in insurance gross premium among foreign JVs<sup>1,5</sup>



### Vietnam

- **6<sup>th</sup>** in insurance sales and **4<sup>th</sup>** in bancassurance sales<sup>1,6</sup>
- Up from **13<sup>th</sup>** in insurance sales<sup>1,7</sup> in Q4 2020, supported by partnership with Asia Commercial Bank



### India

- **8<sup>th</sup>** in individual insurance, with an overall market share of 4%<sup>1,8</sup>
- **4<sup>th</sup>** largest mutual fund provider in the country based on AUM<sup>1,9</sup>



### Malaysia

- **7<sup>th</sup>** in insurance sales<sup>1,10</sup>
- **4<sup>th</sup>** in bancassurance, with a bancassurance market share of **12%**<sup>1,10</sup>

## International Hubs



### International

- Leverages the high-net-worth opportunities in Asia to offer Clients and distribution partners best-in-class products and services across all geographies



### Hong Kong

- Ranked **top 2** in MPF net inflows and **3<sup>rd</sup>** based on AUM<sup>1,11</sup>
- **13<sup>th</sup>** in insurance sales, with a market share of 2%<sup>1,12</sup>



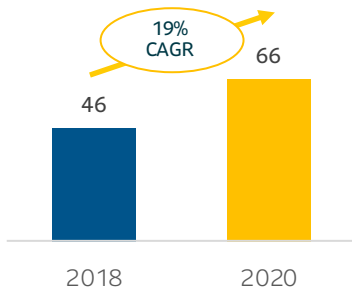
### Singapore

- Well-positioned amongst the high-net-worth players in Singapore after starting operations in 2021

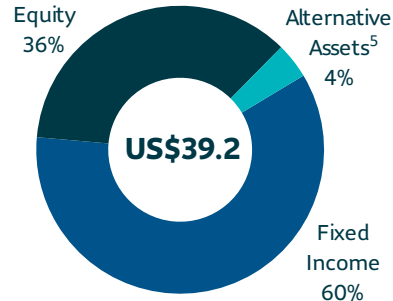
# Unlocking value through listing of India Asset Management Joint Venture

One of the largest Asset Managers in India<sup>1</sup> with a strong track record of performance  
**ABSLAMC's initial valuation<sup>2</sup>: approximately C\$3.4 billion**

Net income<sup>3</sup>  
 (US\$ millions)



Assets Under Management<sup>4</sup>  
 June 30, 2021 (US\$ billions)



Offering of Sun Life's indirect **12.5% holdings** in ABSLAMC generated **proceeds of ~ C\$430 million<sup>2</sup>** following a successful Initial Public Offering (IPO)

- ✓ Sun Life expects to record a **gain of ~ C\$300 million** in the fourth quarter of 2021<sup>6</sup>
- ✓ After the IPO, Sun Life holds a 36.5% indirect ownership of the listed entity
- ✓ Strong partnership with Aditya Birla Capital, part of the Aditya Birla Group

<sup>1</sup> By assets under management

<sup>2</sup> Aditya Birla Sun Life AMC Limited (ABSLAMC) based on the IPO subscription, which included a three day offer period between September 29 and October 1, 2021

<sup>3</sup> Source: company filing; Sun Life had 49% ownership during this period

<sup>4</sup> Assets Under Management is a Non-IFRS financial measure; see "Use of Non-IFRS Financial Measures" and "Reconciliation of Select Net Income measures" in the appendix to these slides

<sup>5</sup> Alternative assets include Offshore, Portfolio Management Services, and Real Estate

<sup>6</sup> Net of taxes and IPO transaction costs; see "Forward-looking Statements" in the appendix to these slides

# Expanding asset management capabilities

## Q3'21 highlights

- 92%, 84% and 83% of MFS's U.S. retail mutual fund assets ranked in the top half of their Morningstar categories based on ten-, five- and three-year performance, respectively
- Q3 pre-tax net operating profit margin ratio<sup>1</sup> for MFS of 42%, and 11<sup>th</sup> consecutive quarter with positive U.S. retail flows
- Our Asset Management businesses continued to build on their commitment to sustainable investing, as MFS, InfraRed Capital Partners, and BentallGreenOak joined the *Net Zero Asset Managers initiative*, pledging to achieve net-zero emissions for their portfolios by 2050<sup>2</sup>
- SLC Management net flows<sup>1</sup> of \$4.6 billion

Underlying net income<sup>1</sup>  
(\$ millions)



<sup>1</sup> Represents a non-IFRS financial measure; see "Use of Non-IFRS Financial Measures" in the appendix

<sup>2</sup> See "Forward-looking Statements" in the appendix

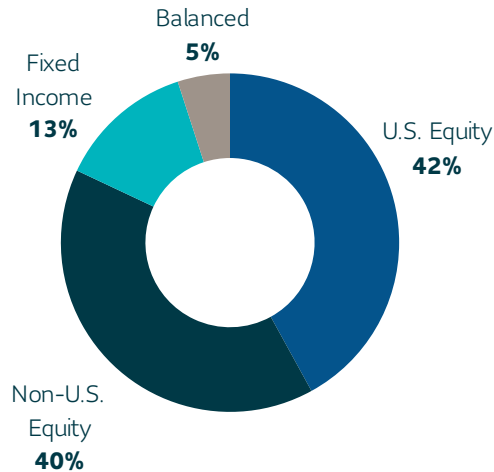
<sup>3</sup> Last twelve months at September 30, 2021

<sup>4</sup> Excludes assets managed on behalf of the Insurance businesses for the General Fund; Effective January 1, 2021, the methodology for gross flows and net flows was updated for SLC Management. Prior period amounts have not been updated. For more details, see Q3 2021 MD&A, section M - Non-IFRS Financial Measures

# MFS: diversification of assets under management<sup>1</sup>

## Asset class mix

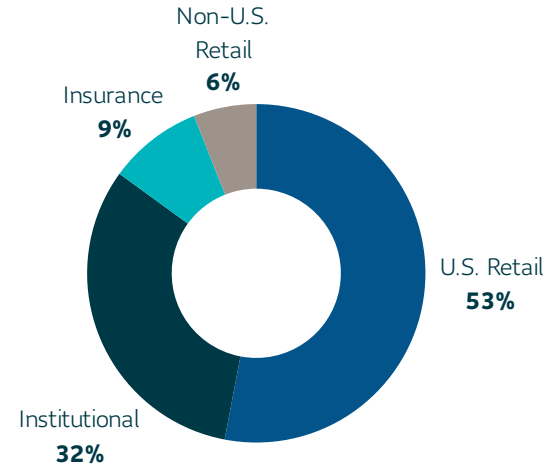
US\$, as at September 30, 2021



**US\$657**  
billion AUM<sup>1</sup>

## Investor type

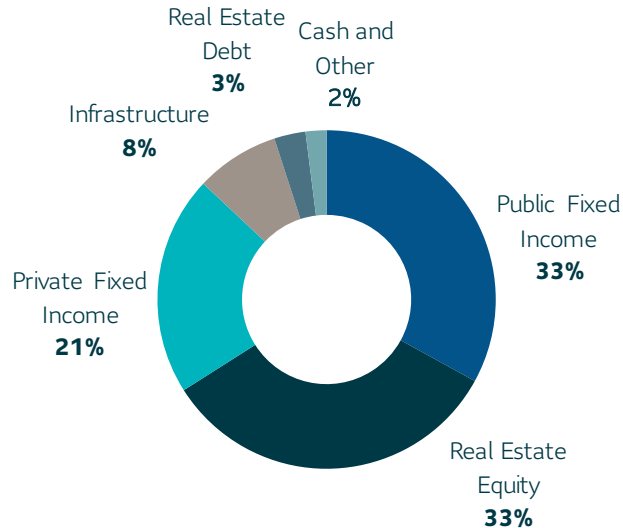
US\$, as at September 30, 2021



# SLC Management: diversification of assets under management<sup>1</sup>

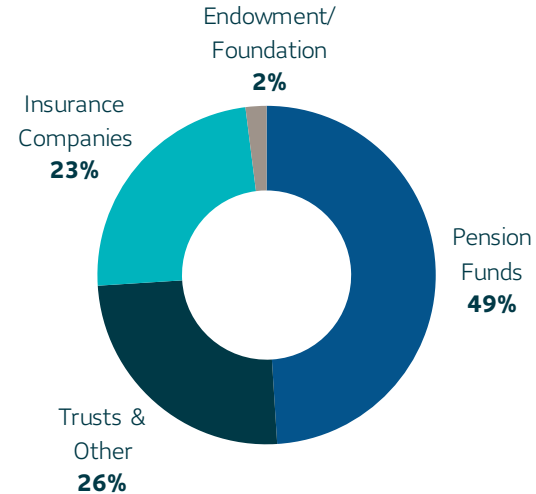
## Asset class mix

\$, as at September 30, 2021



## Investor type

\$, as at September 30, 2021



<sup>1</sup> Represents a non-IFRS financial measure. See "Use of Non-IFRS Financial Measures" and "Reconciliation of Select Net Income Measures" in the appendix; Excludes assets managed on behalf of the Insurance businesses for the General Fund. Effective January 1, 2021, the methodology for gross flows and outflows was updated for SLC Management. Prior period amounts have not been updated. For more details, see Q3 2021 MD&A, section M - Non-IFRS Financial Measures



Business overview



Business group results & highlights



*Capital management*



Asset portfolio



Sustainability

# Capital generation provides good capital flexibility

Capital deployment priorities:



Funding organic growth



Target dividend payout ratio of 40-50%<sup>1,2</sup>



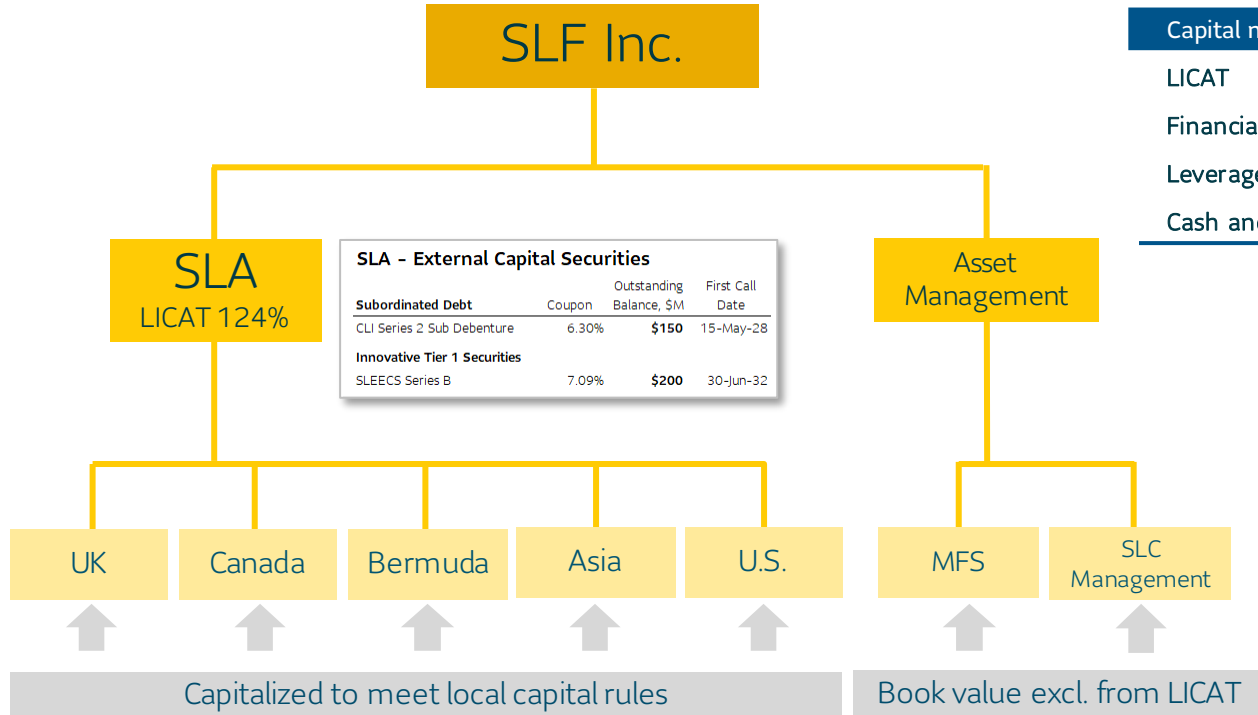
M&A opportunities and strategic investments



Share buybacks<sup>3</sup>

Target minimum cash at the holding company of **\$500 million<sup>2</sup>**

# Capital model provides financial flexibility



SLA - External Capital Securities			
Subordinated Debt	Coupon	Outstanding Balance, \$M	First Call Date
CLI Series 2 Sub Debenture	6.30%	\$150	15-May-28
Innovative Tier 1 Securities			
SLEECs Series B	7.09%	\$200	30-Jun-32

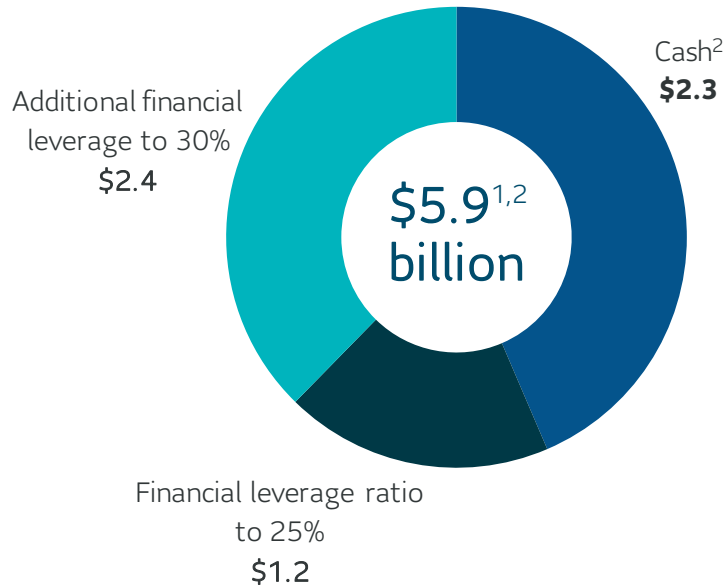
Capital metric	SLF Inc.
LICAT	143%
Financial leverage ratio	22.2%
Leverage capacity to 25/30%	~\$1.2B/\$3.6B
Cash and other liquid assets	\$2.8B

SLF Inc. - External Capital Securities			
Subordinated Debt	Coupon	Outstanding Balance, \$M	First Call Date
SLF Series 2007-1	5.40%	\$398	29-May-37
SLF Series 2016-2	3.05%	\$998	19-Sep-23
SLF Series 2017-1	2.75%	\$399	23-Nov-22
SLF Series 2019-1 Sustainability Bond	2.38%	\$748	13-Aug-24
SLF Series 2020-1	2.58%	\$995	10-May-27
SLF Series 2020-2	2.06%	\$745	1-Oct-30
		<b>\$4,284</b>	
Preferred Shareholders' Equity & Other Equity Instruments			
SLF Series 3	4.45%	\$245	31-Mar-15
SLF Series 4	4.45%	\$293	31-Dec-15
SLF Series 5	4.50%	\$245	31-Mar-16
SLF Class A, Series 8R	1.83%	\$152	30-Jun-25
SLF Class A, Series 9QR	Floating	\$122	30-Jun-25
SLF Class A, Series 10R	2.84%	\$167	30-Sep-21
SLF Class A, Series 11QR	Floating	\$28	30-Sep-21
SLF Class A, Series 12R	3.81%	\$293	31-Dec-21
SLF LRCN, Series 2021-1	3.60%	\$987	30-Jun-26
		<b>\$2,531</b>	



# Strong capital position with significant deployment potential<sup>1</sup>

## Capital deployment potential (\$ billions, at September 30, 2021)



## Deployment opportunities

Type	Considerations
<b>Organic investments</b>	Making further investments in building out new business models and advancing our leading digital capabilities
<b>Mergers &amp; acquisitions</b>	Actively seeking potential targets aligned with our strategic goals and meeting financial hurdles
<b>Share buybacks</b>	Utilize excess capital build up for share repurchases in the near term, when appropriate <sup>3</sup>
<b>Reinsurance transactions</b>	Repatriating certain reinsurance arrangements with potential to increase earnings

<sup>1</sup> See "Forward-looking Statements" in the appendix

<sup>2</sup> Excludes target minimum cash at the holding company of \$500 million

<sup>3</sup> On March 13, 2020, OSFI set the expectation for all federally regulated financial institutions that share buybacks should be halted for the time being

# Low leverage ratios and strong ratings

## Q3 2021 capital (\$ millions)

Subordinated debt	4,434	Tier 2
SLEECs (innovative tier 1 securities)	200	Tier 1
Preferred shareholders' equity and other equity instruments <sup>1</sup>	2,531	
<b>Total capital securities</b>	<b>7,165</b>	
Common shareholders' equity and par <sup>2</sup>	25,064	Tier 1
<b>Total capital</b>	<b>32,229</b>	
<b>Financial leverage ratio<sup>3</sup></b>	<b>22.2%</b>	



Sun Life Assurance Company of Canada Financial Strength Ratings	
<b>A.M. Best</b>	A+
<b>DBRS</b>	AA
<b>Moody's</b>	Aa3
<b>S&amp;P</b>	AA

<sup>1</sup> On December 31, 2021, we intend to redeem all of the \$300 million principal amount of Class A Non-Cumulative Rate Reset Preferred Shares Series 12R issued by SLF Inc. on November 10, 2011; subject to regulatory approval

<sup>2</sup> Participating policyholders' equity and non-controlling interest

<sup>3</sup> Represents a non-IFRS financial measure; see "Use of Non-IFRS Financial Measures" and "Reconciliation of Net Income measures" in the appendix to these slides



Business overview



Business group results & highlights



Capital management



*Asset portfolio*

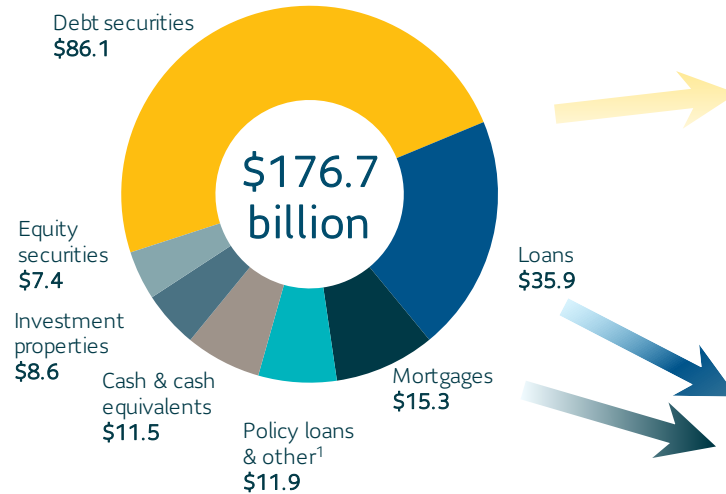


Sustainability

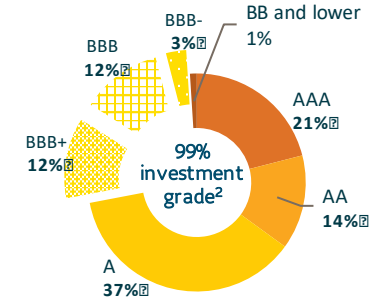
# High quality, well-diversified investment portfolio

- Highly diversified with the largest non government related exposure of 0.4% of total fixed income
- 97% of fixed income rated investment grade<sup>2</sup>
- Only 5% of fixed income rated BBB-; skewed BBBs to private loans with collateral and covenant protection
- Commercial mortgages 27% CMHC; well protected with 57% LTV and 1.69 DSCR<sup>4</sup>
- Repositioned real estate debt and equity portfolios to increase durability of cash flows

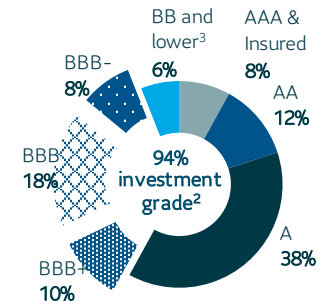
## Investment profile As of September 30, 2021



## Debt securities by credit rating As of September 30, 2021



## Mortgages & loans by credit rating As of September 30, 2021



<sup>1</sup> Consists of: Other invested assets (\$7.4), Policy loans (\$3.3), Derivative assets (\$1.2)

<sup>2</sup> BBB and higher

<sup>3</sup> BB and higher

<sup>4</sup> LTV: Loan-to-Value; DSCR: Debt-service coverage ratio



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*Sustainability*

# Our sustainability plan brings our Purpose to life

Focused on areas of expertise where we can have the most positive impact:



## Financial Security

- Provide innovative financial products and services
- Proactive financial education
- Expand access to insurance and wealth products

### Goals<sup>1</sup>

- Help Clients take positive financial actions (working towards setting a target)



## Healthier Lives

- Offer products and tools to help Clients and employees live healthier lives
- Invest in community health
- Improve access to health and disability insurance

- Help Clients take positive health actions (working towards setting a target)
- Address regional health issues<sup>2</sup>



## Sustainable Investing

- Manage capital with sustainability embedded in our investment processes
- Offer our Clients sustainable investing opportunities
- Invest our assets to encourage a low-carbon and more inclusive economy

- Rigorous incorporation of ESG considerations in all investment processes and decisions
- \$20B<sup>3</sup> in new sustainable investments from 2021-2025

### Goals<sup>1</sup>

- Net-zero greenhouse gas emissions by 2050 for investments and operations; interim targets to be announced in 2022
- 50% women in Vice-President (VP)+ roles globally and 25% underrepresented ethnicities in VP+ roles in North America by 2025
- Minimum representation of at least 30% women directors on the Board, with an aim towards balanced gender representation



## Building on our foundation as a **Trusted and Responsible Business:**

- Focus on meeting Client needs
- Build a talented and diverse workforce
- Advance diversity, equity and inclusion
- Mitigate climate change, build climate resilience and demonstrate environmental stewardship
- Safeguard data with robust security and privacy practices
- Identify, measure, manage, monitor and report risks
- Ensure strong governance and an ethical culture

<sup>1</sup> See "Forward-looking Statements" in the appendix

<sup>2</sup> Mental health in Canada, health care costs in U.S., diabetes in Asia

<sup>3</sup> Criteria for investments based on market standards

# Strong sustainability achievements and recognition



## Financial Security

- \$1B of insurance coverage and \$700M of savings products driven by Ella nudges in 2020
- ~120,000 microinsurance policies issued since 2018



## Healthier Lives

- \$38M committed to diabetes globally since 2012
- 20M ratings on 150K health-care providers on Lumino
- Active role and advocacy for workplace mental health in Canada, reaching 100+ Canadian c-suite leaders in 2021



## Sustainable Investing

- \$60.1B sustainable investment AUM
- Sun Life and its asset management businesses scored "A" or higher on all PRI modules for asset classes that represent 10% or more of AUM



## Trusted and Responsible Business

- Appointed Chief Sustainability Officer reporting directly to CEO
- SLC Management appointed a Global Head of ESG (Environmental, Social and Governance)
- DE&I focus and progress: 34% women in senior roles (VP+); 15% underrepresented ethnicities in senior roles
- Announced goal of net zero greenhouse gas emissions by 2050 across investments and operations



(12 years in a row)



(top 15% in industry)



(15 years in a row)



(3 years in a row)



(13 years in a row)



(10 years in a row)



(4 years in a row)



FTSE4Good  
(20 years in a row)



# *Appendix*



# Market movements and impacts in the quarter

Market Movements	Q3'21	Q2'21	Q3'20
S&P/ TSX	(0.5)%	+7.8%	+3.9%
S&P 500	+0.2%	+8.2%	+8.5%
CA 10 - year	+12 bps	(17) bps	+3 bps
CA 30 - year	+15 bps	(14) bps	+12 bps
US 10 - year	+2 bps	(27) bps	+3 bps

Earnings on Surplus (\$millions, pre-tax)	Q3'21	Q2'21	Q3'20
Investment income	112	99	113
AFS gains	36	42	26
Seed investment gains/(losses)	(4)	10	2
Investment properties mark-to-market	10	7	(4)
Interest on debt	(39)	(40)	(41)
<b>Total</b>	<b>115</b>	<b>118</b>	<b>96</b>

Equity Market Impacts (\$millions, post-tax)	Q3'21	Q2'21	Q3'20
Equity market movement and volatility	19	95	42
Basis risk	5	4	8
<b>Total</b>	<b>24</b>	<b>99</b>	<b>50</b>

Interest Impacts (\$millions, post-tax)	Q3'21	Q2'21	Q3'20
Interest rate changes	(2)	(50)	18
Credit spread movements	4	(10)	(27)
Swap spread movements	-	24	(5)
<b>Total</b>	<b>2</b>	<b>(36)</b>	<b>(14)</b>

Credit-Related Impacts (\$millions, post-tax)	Q3'21	Q2'21	Q3'20
Changes in ratings	6	5	(33)
Impairments, net of recoveries	-	(2)	3
Release of best estimate credit	29	29	28
<b>Total</b>	<b>35</b>	<b>32</b>	<b>(2)</b>

# Market sensitivities

## Change in Equity Markets<sup>1</sup>

As at September 30, 2021 (\$ millions, unless otherwise noted)	25% decrease	10% decrease	10% increase	25% increase
Potential impact on net income <sup>2,3</sup>	\$(400)	\$(150)	\$150	\$350
Potential impact on OCI <sup>3</sup>	\$(50)	\$(50)	\$50	\$50
Potential impact on LICAT <sup>2,4</sup>	0.5% point decrease	0.5% point decrease	0.0% point change	0.5% point increase
As at December 31, 2020 (\$ millions, unless otherwise noted)	25% decrease	10% decrease	10% increase	25% increase
Potential impact on net income <sup>2,3</sup>	\$(400)	\$(150)	\$150	\$300
Potential impact on OCI <sup>3</sup>	\$(50)	-	-	\$50
Potential impact on LICAT <sup>2,4</sup>	0.0% point change	0.0% point change	0.0% point change	0.5% point decrease

## Change in Interest Rates<sup>5</sup>

	As at September 30, 2021		As at December 31, 2020	
(\$ millions, unless otherwise noted)	50 basis point decrease	50 basis point increase	50 basis point decrease	50 basis point increase
Potential impact on net income <sup>2,3,6</sup>	\$(50)	\$50	\$(100)	\$100
Potential impact on OCI <sup>3</sup>	\$250	\$(250)	\$250	\$(250)
Potential impact on LICAT <sup>2,4</sup>	1.0% point increase	0.5% point decrease	3.5% point increase	1.5% point decrease

## Change in Credit Spreads<sup>7,8</sup>

	As at September 30, 2021		As at December 31, 2020	
(\$ millions, unless otherwise noted)	50 basis point decrease	50 basis point increase	50 basis point decrease	50 basis point increase
Potential impact on net income <sup>8</sup>	\$(75)	\$50	\$(125)	\$75
Potential impact on LICAT <sup>4</sup>	1.0% point decrease	1.0% point increase	0.5% point decrease	0.5% point increase

## Change in Swap Spreads<sup>8</sup>

	As at September 30, 2021		As at December 31, 2020	
(\$ millions, unless otherwise noted)	20 basis point decrease	20 basis point increase	20 basis point decrease	20 basis point increase
Potential impact on net income <sup>9</sup>	\$25	\$(25)	\$50	\$(50)

# LICAT capital framework

Total ratio (SLF Inc.)  
**143%**

Total ratio (SLA)  
**124%**



## Available capital

- Similar to MCCSR
- Retained earnings / common and preferred equity continue to be the largest components
- Main changes relate to adjustments and deductions to Tier 1 capital
  - (+) Accumulated OCI
  - (+) Value of Joint Ventures
  - (-) Non-temporary DTAs



## Surplus allowance + eligible deposits

- Essentially the provisions for adverse deviation (PfADs) for non-economic risks
  - Insurance (mortality, morbidity, lapse) + interest
- Discounted at the rate used in the valuation of actuarial liabilities



## Base solvency buffer

- Sum of aggregate capital required for:
  - credit, market, insurance, segregated fund and operational risk
- Total solvency requirements for a 1:200 year tail event, with some allowance for diversification
- Discounted on a basis prescribed by OSFI, then grossed up by a scalar of 1.05

### Use of Non-IFRS Financial Measures

We report certain financial information using non-IFRS financial measures, as we believe that these measures provide information that is useful to investors in understanding our performance and facilitate a comparison of our quarterly and full year results from period to period. Non-IFRS financial measures do not have any standardized meaning and may not be comparable with similar measures used by other companies. For certain non-IFRS financial measures, there are no directly comparable amounts under IFRS. Non-IFRS financial measures should not be viewed in isolation from or as alternatives to measures of financial performance determined in accordance with IFRS. Additional information concerning non-IFRS financial measures and reconciliations to the closest IFRS measures are available in the Q3 2021 MD&A under the heading M - Non-IFRS Financial Measures, our annual MD&A and the Supplementary Financial Information packages that are available on [www.sunlife.com](http://www.sunlife.com) under Investors – Financial results and reports.

### Non-IFRS measures

Underlying net income (loss) and financial measures based on underlying net income (loss), including underlying EPS or underlying loss per share, and underlying ROE, are non-IFRS financial measures. Underlying net income (loss) removes from reported net income (loss) the impacts of the following items in our results under IFRS and when removed assist in explaining our results from period to period:

- (a) market-related impacts that differ from our best estimate assumptions, which include: (i) impacts of returns in equity markets, net of hedging for which our best estimate assumptions are approximately 2% per quarter. This also includes the impact of the basis risk inherent in our hedging program, which is the difference between the return on underlying funds of products that provide benefit guarantees and the return on the derivative assets used to hedge those benefit guarantees; (ii) the impacts of changes in interest rates in the reporting period and on the value of derivative instruments used in our hedging programs including changes in credit and swap spreads, and any changes to the assumed fixed income reinvestment rates in determining the actuarial liabilities; and (iii) the impacts of changes in the fair value of investment properties in the reporting period;
- (b) assumption changes and management actions, which include: (i) the impacts of revisions to the methods and assumptions used in determining our liabilities for insurance contracts and investment contracts; and (ii) the impacts on insurance contracts and investment contracts of actions taken by management in the current reporting period, referred to as management actions which include, for example, changes in the prices of in-force products, new or revised reinsurance on in-force business, and material changes to investment policies for assets supporting our liabilities; and
- (c) other adjustments:
  - (i) certain hedges in Canada that do not qualify for hedge accounting - this adjustment enhances the comparability of our net income from period to period, as it reduces volatility to the extent it will be offset over the duration of the hedges;
  - (ii) fair value adjustments on MFS's share-based payment awards that are settled with MFS's own shares and accounted for as liabilities and measured at fair value each reporting period until they are vested, exercised and repurchased - this adjustment enhances the comparability of MFS's results with publicly traded asset managers in the United States;
  - (iii) acquisition, integration and restructuring costs; and
  - (iv) other items that are unusual or exceptional in nature.

All factors discussed in this presentation that impact our underlying net income are also applicable to reported net income.

All EPS measures in this presentation refer to fully diluted EPS, unless otherwise stated. Underlying EPS exclude the dilutive impact of convertible instruments.

Other non-IFRS financial measures that we use include reported ROE, administrative services only ("ASO") premium and deposit equivalents, mutual fund assets and sales, managed fund assets and sales, insurance and health sales, premiums and deposits, assets under management ("AUM"), assets under administration, pre-tax net operating profit margin for MFS, measures based on a currency adjusted basis, financial leverage ratio, dividend payout ratio, impact of foreign exchange, real estate market sensitivities, assumption changes and management actions, value of new business, after-tax profit margin for U.S. Group Benefits and effective income tax rate on an underlying net income basis.

### Use of Names and Logos of Third Parties

Names and logos of third parties are used for identification purposes and do not imply any relationship with, or endorsement by, them. Third party trade-marks are the property of their respective owners.

Reconciliation of Select Net Income Measures	Q3'21	Q2'21	Q3'20
Common shareholders' reported net income (loss)	1,019	900	750
Less:			
Fair value adjustments on share-based payment awards at MFS	(43)	(52)	(32)
Acquisition, integration and restructuring	(21)	(13)	(11)
Other <sup>1</sup>	(85)	(11)	5
Net equity market impact	24	99	50
Net interest rate impact	2	(36)	(14)
Net increases (decrease) in the fair value of real estate	145	28	(37)
Assumption changes and management actions	95	2	(53)
Common shareholders' underlying net income (loss)	902	883	842

<sup>1</sup> In Q3 2021, there was an adjustment of investment income and expense allocations between participating policyholders and shareholders in Canada for prior years ("par allocation adjustment"). On June 10, 2021, the UK Finance Act was signed into law, increasing the corporate tax rate from 19% to 25%, which will take effect for future tax periods beginning April 1, 2023 ("UK Tax Rate Change"). As a result, reported net income decreased by \$11 million in the second quarter. Refer to section C - Profitability - 5 - Income taxes in the Q2 2021 MD&A for additional details. In Q3 2020, other reflects certain hedges in Canada that do not qualify for hedge accounting.

## Forward-Looking Statements

From time to time, the Company makes written or oral forward-looking statements within the meaning of certain securities laws, including the “safe harbour” provisions of the United States Private Securities Litigation Reform Act of 1995 and applicable Canadian securities legislation. Forward-looking statements contained in this document include statements (i) relating to our strategies; (ii) relating to our sustainable investment commitments (iii) relating to the increase in our medium-term financial objectives for underlying return on equity; (iv) relating to our intention to acquire DentaQuest; (v) relating to our intention to redeem on December 31, 2021, all of the \$300 million principal amount of Class A Non-Cumulative Rate Reset Preferred Shares Series 12R issued by SLF Inc. on November 10, 2011, including the related change to SLF Inc.’s LICAT ratio; (vi) relating to our growth initiatives and other business objectives; (vii) relating to the plans we have implemented in response to the COVID-19 pandemic and related economic conditions and their impact on the Company; (viii) relating to our expected tax range for future years; (ix) set out in this document under the heading H - Risk Management - Market Risk Sensitivities - Interest Rate Sensitivities, (x) that are predictive in nature or that depend upon or refer to future events or conditions; and (xi) that include words such as “achieve”, “aim”, “ambition”, “anticipate”, “aspiration”, “assumption”, “believe”, “could”, “estimate”, “expect”, “goal”, “initiatives”, “intend”, “may”, “objective”, “outlook”, “plan”, “project”, “seek”, “should”, “strategy”, “strive”, “target”, “will”, and similar expressions. Forward-looking statements include the information concerning our possible or assumed future results of operations. These statements represent our current expectations, estimates, and projections regarding future events and are not historical facts, and remain subject to change, particularly in light of the ongoing and developing COVID-19 pandemic and its impact on the global economy and its uncertain impact on our business.

Forward-looking statements are not a guarantee of future performance and involve risks and uncertainties that are difficult to predict. Future results and shareholder value may differ materially from those expressed in these forward-looking statements due to, among other factors, the impact of the COVID-19 pandemic and related economic conditions on our operations, liquidity, financial conditions or results and the matters set out in the Q3 2021 MD&A under the headings C - Profitability - Income taxes, E - Financial Strength and H - Risk Management and in SLF Inc.’s 2020 AIF under the heading Risk Factors, and the factors detailed in SLF Inc.’s other filings with Canadian and U.S. securities regulators, which are available for review at [www.sedar.com](http://www.sedar.com) and [www.sec.gov](http://www.sec.gov), respectively.

## Risk Factors

Important risk factors that could cause our assumptions and estimates, and expectations and projections to be inaccurate and our actual results or events to differ materially from those expressed in or implied by the forward-looking statements contained in this document, are set out below. The realization of our forward-looking statements, essentially depends on our business performance which, in turn, is subject to many risks, which have been further heightened with the current COVID-19 pandemic given the uncertainty of its duration and impact. Factors that could cause actual results to differ materially from expectations include, but are not limited to: **market risks** - related to the performance of equity markets; changes or volatility in interest rates or credit spreads or swap spreads; real estate investments; and fluctuations in foreign currency exchange rates; **insurance risks** - related to policyholder behaviour; mortality experience; morbidity experience and longevity; product design and pricing; the impact of higher-than-expected future expenses; and the availability, cost and effectiveness of reinsurance; **credit risks** - related to issuers of securities held in our investment portfolio, debtors, structured securities, reinsurers, counterparties, other financial institutions and other entities; **business and strategic risks** - related to global economic and political conditions; the design and implementation of business strategies; changes in distribution channels or Client behaviour including risks relating to market conduct by intermediaries and agents; the impact of competition; the performance of our investments and investment portfolios managed for Clients such as segregated and mutual funds; changes in the legal or regulatory environment, including capital requirements and tax laws; the environment, environmental laws and regulations; **operational risks** - related to breaches or failure of information system security and privacy, including cyber-attacks; our ability to attract and retain employees; legal, regulatory compliance and market conduct, including the impact of regulatory inquiries and investigations; the execution and integration of mergers, acquisitions, strategic investments and divestitures; our information technology infrastructure; a failure of information systems and Internet-enabled technology; dependence on third-party relationships, including outsourcing arrangements; business continuity, model errors; information management; liquidity risks - the possibility that we will not be able to fund all cash outflow commitments as they fall due; and **other risks** - COVID-19 matters, including the severity, duration and spread of COVID-19; its impact on the global economy, and its impact on Sun Life’s business, financial condition and or results; risks associated with IFRS 17 Insurance Contracts and IFRS 9 Financial Instruments; our international operations, including our joint ventures; market conditions that affect our capital position or ability to raise capital; downgrades in financial strength or credit ratings; and tax matters, including estimates and judgements used in calculating taxes.

The Company does not undertake any obligation to update or revise its forward-looking statements to reflect events or circumstances after the date of this document or to reflect the occurrence of unanticipated events, except as required by law.

## Currency

All amounts are in Canadian dollars unless otherwise noted

## Peer Groups included in TSR chart for slide 6

Canadian Lifecosts – Manulife Financial Corporation, Great-West Life, and Industrial Alliance

Global Lifecosts – AXA SA, Prudential PLC, Allianz SE, Aviva PLC, Assicurazioni Generali SpA, AIA Group Ltd., China Life Insurance Co. Ltd, Great Eastern Holdings, and Ping An Insurance Group

U.S. Insurers – Hartford Financial Services Group, Lincoln National Corporation, MetLife Inc., Principal Financial Group, Inc., Prudential Financial, Inc., Unum Group, and Voya

Asset Managers – T Rowe Price, Franklin Resources, AllianceBernstein, Ameriprise, and BlackRock

Canadian Banks – RBC, TD, Scotiabank, BMO, CIBC, and National Bank

## Source Information for slide 7

<sup>1</sup> Underlying ROE, underlying net income, and dividend payout ratio are non-IFRS financial measures; see “Use of Non-IFRS Financial Measures” and “Reconciliation of Select Net Income Measures” in the appendix

<sup>2</sup> Excludes corporate support. Wealth & Asset Management includes Canada individual wealth, Group Retirement Services and Sun Life Global Investments (SLGI), Asia wealth, and Asset Management; Group & shorter duration insurance includes Canada and U.S. Group Benefits, UK, and Asia insurance (excluding International)

<sup>3</sup> 5-year progress on medium-term objectives as at year-end 2020; underlying EPS growth is calculated using a 5-year compound annual growth rate, and underlying ROE and dividend payout ratio are calculated using a 5-year average

<sup>4</sup> On March 13, 2020, OSFI set the expectation for all federally regulated financial institutions that dividend increases should be halted for the time being

<sup>5</sup> The underlying ROE objective is a forward-looking non-IFRS financial measure and is not earnings guidance. See “Forward-looking Statements” in the appendix

#### Source Information for slide 14

- <sup>1</sup> See "Forward-looking Statements" in the appendix
- <sup>2</sup> Represents a non-IFRS financial measure; see "Use of Non-IFRS Financial Measures" in the appendix
- <sup>3</sup> After-tax profit margin for U.S. Group Benefits calculated on underlying net income as a percentage of net premiums on a trailing four quarters basis
- <sup>4</sup> \$35 million of interest on seed capital transferred from the participating account to the shareholder account
- <sup>5</sup> Last twelve months at September 30, 2021
- <sup>6</sup> Ranking compiled by Sun Life based on data contained in the 2020 Accident and Health Policy Experience Report from the National Association of Insurance Commissioners ("NAIC"). An independent stop-loss carrier is defined as a stop-loss carrier that does not sell medical claim administration services
- <sup>7</sup> Based on annual 2020 NAIC Accident and Health Policy Experience Report and DRMS market expertise
- <sup>8</sup> Based on LIMRA 2020 Annual U.S. Sales & In-Force Reports for group term life, group short-term disability and long-term disability insurance

#### Source Information for slide 16

- <sup>1</sup> Represents Non-IFRS financial measures; see "Use of Non-IFRS Financial Measures" in the appendix
- <sup>2</sup> Includes Hong Kong insurance, Indonesia, Malaysia, Philippines, and Vietnam
- <sup>3</sup> Sun Life Investment Management and Trust Corporation ("SLIMTC")
- <sup>4</sup> Last twelve months at September 30, 2021

#### Source Information for slide 17

- <sup>1</sup> Represents a non-IFRS financial measure; see "Use of Non-IFRS Financial Measures" in the appendix
- <sup>2</sup> Ranking for Sun Life of Canada (Philippines) and Sun Life Grepa Financial, Inc. (@49% ownership). Based on unofficial data from the Insurance Commission of the Philippines, at Mar 31, 2021
- <sup>3</sup> Philippine Investment Funds Association, based on July 31, 2021 ending assets under management
- <sup>4</sup> Indonesia Life Insurance Association industry report, based on year-to-date annualized first year premiums at Jun 30, 2021
- <sup>5</sup> Jun 30, 2021 year-to-date gross premiums, based on data shared among China industry players
- <sup>6</sup> Aug 31, 2021 year-to-date annualized first year premiums, based on data shared among Vietnam industry players
- <sup>7</sup> Dec 31, 2020 year-to-date annualized first year premiums, based on data shared among Vietnam industry players
- <sup>8</sup> Insurance Regulatory Authority of India, based on annualized first year premiums among private players on calendar year basis at Jun 30, 2021
- <sup>9</sup> Association of Mutual Funds in India, based on average assets under management for the quarter ended at Sep 30, 2021
- <sup>10</sup> Life Insurance Association of Malaysia Insurance Services Malaysia Berhad, based on Jun 30, 2021 year-to-date annualized first year premium for Conventional and Takaful business
- <sup>11</sup> MPP Ratings Ltd as at Jun 30, 2021
- <sup>12</sup> Insurance Authority of Hong Kong, Provisional Statistics on Hong Kong Long Term Insurance Business, based on Jun 30, 2021 year-to-date annualized first year premiums

#### Footnotes for slide 34

- <sup>1</sup> Represents the respective change across all equity markets as at September 30, 2021 and December 31, 2020. Assumes that actual equity exposures consistently and precisely track the broader equity markets. Since in actual practice equity-related exposures generally differ from broad market indices (due to the impact of active management, basis risk, and other factors), realized sensitivities may differ significantly from those illustrated. Sensitivities include the impact of re-balancing equity hedges for dynamic hedging programs at 2% intervals (for 10% changes in equity markets) and at 5% intervals (for 25% changes in equity markets)
- <sup>2</sup> The market risk sensitivities include the estimated mitigation impact of our hedging programs in effect as at September 30, 2021 and December 31, 2020, and include new business added and product changes implemented prior to such dates
- <sup>3</sup> Net income and OCI sensitivities have been rounded in increments of \$50 million. The sensitivities exclude the market impact on the income from our joint ventures and associates, which we account for on an equity basis
- <sup>4</sup> The LICAT sensitivities illustrate the impact on Sun Life Assurance as at September 30, 2021 and December 31, 2020. The sensitivities assume that a scenario switch does not occur in the quarter. LICAT ratios are rounded to the nearest 0.5%.
- <sup>5</sup> Interest rate sensitivities assume a parallel shift in assumed interest rates across the entire yield curve as at September 30, 2021 and December 31, 2020 with no change to the Actuarial Standards Board ("ASB") promulgated Ultimate Reinvestment Rate ("URR"). Variations in realized yields based on factors such as different terms to maturity and geographies may result in realized sensitivities being significantly different from those illustrated. Sensitivities include the impact of re-balancing interest rate hedges for dynamic hedging programs at 10 basis point intervals (for 50 basis point changes in interest rates)
- <sup>6</sup> The majority of interest rate sensitivity, after hedging, is attributed to individual insurance products. We also have interest rate sensitivity, after hedging, from our fixed annuity and segregated funds products
- <sup>7</sup> In most instances, credit spreads are assumed to revert to long-term insurance contract liability assumptions generally over a five-year period
- <sup>8</sup> The credit and swap spread sensitivities assume a parallel shift in the indicated spreads across the entire term structure. Variations in realized spread changes based on different terms to maturity, geographies, asset classes and derivative types, underlying interest rate movements, and ratings may result in realized sensitivities being significantly different from those provided. The credit spread sensitivity estimates exclude any credit spread impact that may arise in connection with asset positions held in segregated funds. Spread sensitivities are provided for the consolidated entity and may not be proportional across all reporting segments
- <sup>9</sup> Sensitivities have been rounded to the nearest \$25 million

# Sun Life Investor Relations

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