Hema Singh
+1 212 806 3275
hsingh@dbrs.com

Marcos Alvarez
+1 416 597 7553
malvarez@dbrs.com

MORNINGSTAR | DBRS

Rating Report

Sun Life Financial Inc. and Affiliates

Ratings

Issuer	Obligation	Rating	Rating Action	Trend
Sun Life Financial Inc.	Issuer Rating	A (high)	Upgraded Oct '19	Stable
Sun Life Assurance Company of Canada	Financial Strength Rating	AA	Upgraded Oct '19	Stable

See back of report for complete rating list.

Rating Drivers

Factors with Positive Rating Implications

- Positive ratings pressure could arise from continued progress with Sun Life Financial Inc.'s (SLF or the Company) business diversification strategy and
- An improvement in asset quality, including having a higher proportion of higher-rated bonds in its investment portfolio.

Factors with Negative Rating Implications

- Negative ratings pressure could arise if the Canadian business, a strong contributor to overall results, were to report a sustained decline in earnings indicating a weakened franchise.
- An adverse event that causes regulatory capital to decline substantially or a sustained deterioration in financial leverage over 30% could also have negative rating implications.

Rating Considerations

Franchise Strength: SLF has an extensive operation in Canada, the United States and multiple countries in Asia. It is one of the top three dominant life insurers in the Canadian life insurance market. SLF has positive brand recognition, a diversified business model both by product and geography, while having strong product distribution capabilities.	**Excellent**
Risk Profile: SLF has a comprehensive and well-developed risk management framework that encompasses its diverse businesses. The risk score also considers the SLF's exposure to operational risk arising from operating in multiple jurisdictions, its guaranteed products in Canada, the higher proportion of mortgages and BBB-rated bonds in its investment portfolio.	**Excellent / Good**
Earnings Ability: SLF's earnings stability benefits from its diversified insurance as well as its asset management businesses. The Canadian and asset management operations are expected to remain the top profit contributors for the near term.	**Excellent**
Liquidity: SLF's investment portfolio comprises a high proportion of cash and readily marketable public bonds and equities to meet its financial obligations.	**Excellent**
Capitalization: SLF maintains a healthy capital cushion above the required level of regulatory capital, which increases SLF's capacity to deal with adverse scenarios. Financial leverage remains conservative at below 25%.	**Exceptional / Excellent**

Financial Information

	6 Months to June 30						
	2019	**2018**	**YE2018**	**YE2017**	**YE2016**	**YE2015**	**YE2014**
Net premium income	8,850	8,960	18,642	15,281	15,048	10,395	9,996
Fee income	2,989	2,983	5,966	5,842	5,580	5,324	4,453
Return on equity	11.4%	13.4%	12.2%	10.8%	12.8%	12.3%	11.3%
Total debt, hybrids and preferred shares	5,748	5,994	5,995	6,393	6,791	5,446	5,122
Financial leverage ratio	20.4%	21.8%	21.2%	23.6%	25.2%	22.1%	23.6%
Fixed charge coverage ratio	9.0X`	10.3X	10.7X	8.4X	10.0X	9.3X	7.2X

Source: DBRS Morningstar Analysis;

Issuer Description

Headquartered in Toronto, Canada, SLF is a leading financial services company with extensive operations in Canada, the United States and multiple countries in Asia. SLF offers abroad array of products to individuals, businesses and institutions. Insurance products include life, health, wellness, disability, critical illness, stop-loss and long-term care insurance. Wealth products and services include Investments (mutual funds, segregated funds, annuities and guaranteed investment products), Financial Advice (financial planning and retirement planning services) and Asset Management (pooled funds, institutional portfolios, and pension funds).

SLF's major insurance operating subsidiary, Sun Life Assurance Company of Canada (Sun Life Assurance or SLA), provides insurance protection products. Sun Life Global Investments (Canada) Inc., houses wealth products and services, largely conducted by two asset management subsidiaries, MFS Investment Management (MFS) and SLC Management.

Rating Rationale

DBRS, Inc. (DBRS Morningstar) upgraded SLF's Issuer Rating and Senior Unsecured Debentures rating to A (high) from "A," its Subordinated Unsecured Debentures rating to "A" from A (low) and its Preferred Shares rating to Pfd-2 (high) from Pfd-2. DBRS Morningstar also upgraded Sun Life Assurance Financial Strength Rating and Issuer Rating to AA from AA (low) and its Subordinated Debt rating to AA (low) from A (high). At the same time, DBRS Morningstar upgraded Sun Life Capital Trust's SLEECS Series B rating and Sun Life Capital Trust II's SLEECS Series 2009-1 rating to A (high) from "A." The trends on all ratings are Stable.

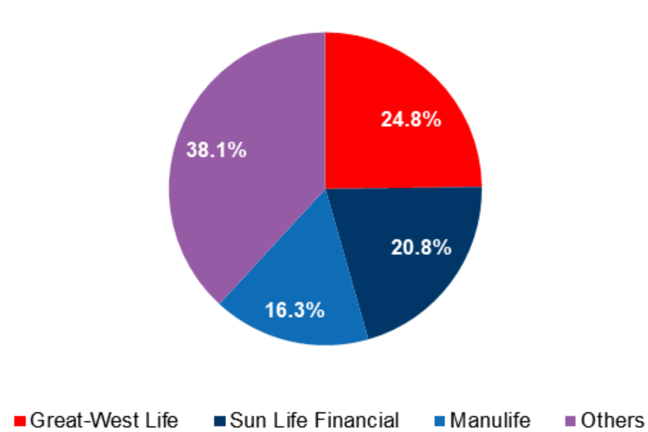
The ratings upgrade recognizes the Company's improved franchise strength, the increasing diversification of earnings across its four core business segments and its excellent capitalization. Furthermore, DBRS Morningstar has gained comfort from management's actions over the past year to turn around the performance of SLF's legacy U.S. individual life block that is in run-off, including the reserve strengthening, which should reduce the probability of the block adversely affecting results. The ratings also consider the Company's exposure to operational risk arising from operating in multiple jurisdictions with varying degrees of geopolitical risk in Asia, as well as its guaranteed products in Canada that can result in profit volatility. Another ratings constraint is SLF's higher proportion of mortgages, BBB-rated bonds and corporate loans in the Company's investment portfolio relative to those of similarly rated peers.

Franchise Strength

Grid Grade: Excellent

Supportive of the ratings, SLF is one of the top three dominant life insurers in the Canadian life insurance market. Overall, the Company has positive brand recognition, a diversified business model both by product and geography, while having strong product distribution capabilities. To better leverage its product capabilities and manage operational complexity, SLF centralizes some of its areas of expertise, such as risk management, asset management, compliance oversight and actuarial.

Exhibit 1: 2018 Market Share – Canada (based on 2018 gross written premiums)

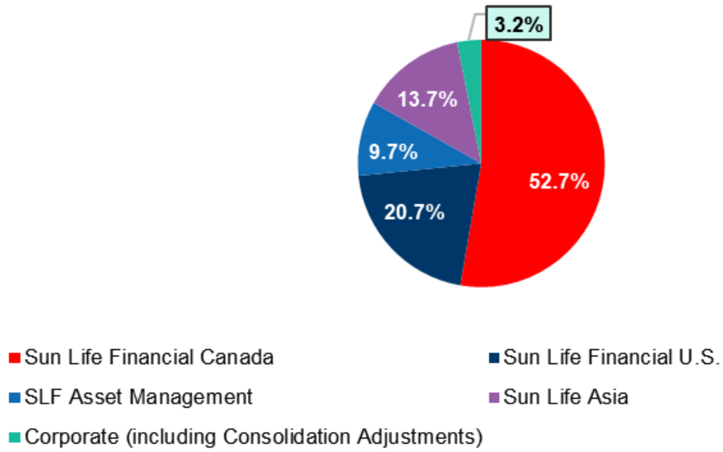


Sources: DBRS Morningstar; MSA Research, Inc.

Business Segments

SLF continues to make good progress in realizing benefits from its four-pillar strategy. Specifically, SLF remains focused on further building out its market-leading positions in Canada, growing the Company's market presence in several segments of the U.S. employee benefits market, expanding in Asia and growing its already substantial asset management businesses organically or through acquisitions. SLF's overall business mix balance and future growth of earnings contribution from each business segment remains an important consideration for the ratings. An over-dependence on asset management earnings could turn into a negative if it becomes a substantial component of the group's income. Furthermore, a significant increase in the exposure to Asia may apply negative pressure on the Company's ratings depending on which individual countries are given more focus in this strategy and the component of SLF Asia's earning to the group earnings.

Exhibit 2: Summary of Operating Segments – Revenue Contribution (YTD Q2 2019)



Sources: DBRS Morningstar; Company Reports.

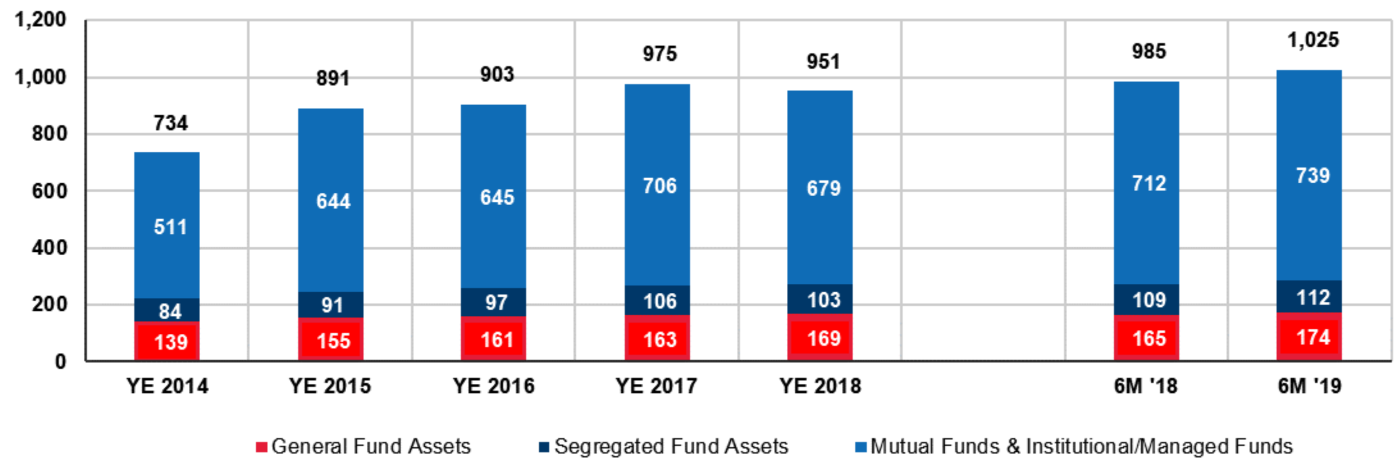
SLF Canada: SLF Canada maintains a top-two position among Canadian life insurers with a 21% market share based on 2018 gross written premiums. The Company has a well-established leadership position in each of its business segments. In recent years, the Company has advanced its leadership position and is ranked number one in the group benefit, group retirement services, as well as in the individual life segment. The Company offers individual life and health insurance, group life and health insurance, wealth products and services such as mutual funds and segregated funds and pension fund administration. Representing about one-third of SLF's earnings, the Canadian operations form a solid platform for earnings and cash flow. The Company has the scale and market presence to provide a distribution and service cost advantage, especially with its benefit analytic tools and client-facing platforms with digital capabilities across the group protection and wealth management lines of business. A weakening of its position in Canada, resulting in loss of market share, would place negative pressure on the ratings, given the large proportion of earnings generated from the Canadian operations. While the Sun Life brand has one of the larger exclusive sales forces in the Canadian industry, the Company is increasing its use of wholesale distribution in Canada to broaden its market coverage by including investment dealers, insurance brokers, consultants and managing general agents (MGAs).

SLF Asset Management: Representing close to about a third of SLF's earnings in the last three years, the asset management business segment is an important slice of the Company's four-pillar enterprise strategy to diversify its non-insurance business. These asset management businesses provide an unrestricted source of dividends (without regulatory capital restrictions) to the holding company and increasing the diversification of earnings. Sun Life Global Investments (Canada) Inc., houses wealth products and services and its businesses are largely conducted by two asset management subsidiaries, MFS and SLC Management. SLF Asset Management has a global investment platform with solid long-term performance in a variety of investment management styles, including real estate investment. SLF segregated fund general account assets are managed in-house under the asset management segment. Total assets under management (AUM) and assets under administration grew to $1.1 trillion, primarily driven by favorable equity valuations in Q2 2019. Though total net flows remained negative at about $8.1 billion due to lower gross flows from MFS, SLF Asset Management continued to deliver strong bottom-line results, contributing $229 million of the $595 million of net income in Q2 2019.

The U.S. asset management subsidiary, MFS, has $739 billion in AUM as of Q2 2019. MFS has achieved good fund performance and fee income despite net outflows and pricing pressures. However, the operating environment for mutual fund managers remains challenging as money continues to flow into passive exchange-traded funds from active funds in pursuit of lower fees. The Company is investing in marketing/brand awareness and technology infrastructure, increasing its wholesaling capabilities on a global basis as well as developing a fixed-income product suite and more competitively priced offerings to improve net sales and adapt to changing markets to counter the outflow of funds.

The SLC Management platform aims to provide investment solutions to institutional investors, including liability-driven and alternative fixed-income investments as well as real estate. As of June 30, 2019, SLC Management had AUM of $68.2billion. SLC Management also manages the Company's general account assets.

Exhibit 3: AUM Breakdown, Net of Consolidation Adjustments ($Billions)



Source: DBRS Morningstar; Company Reports.

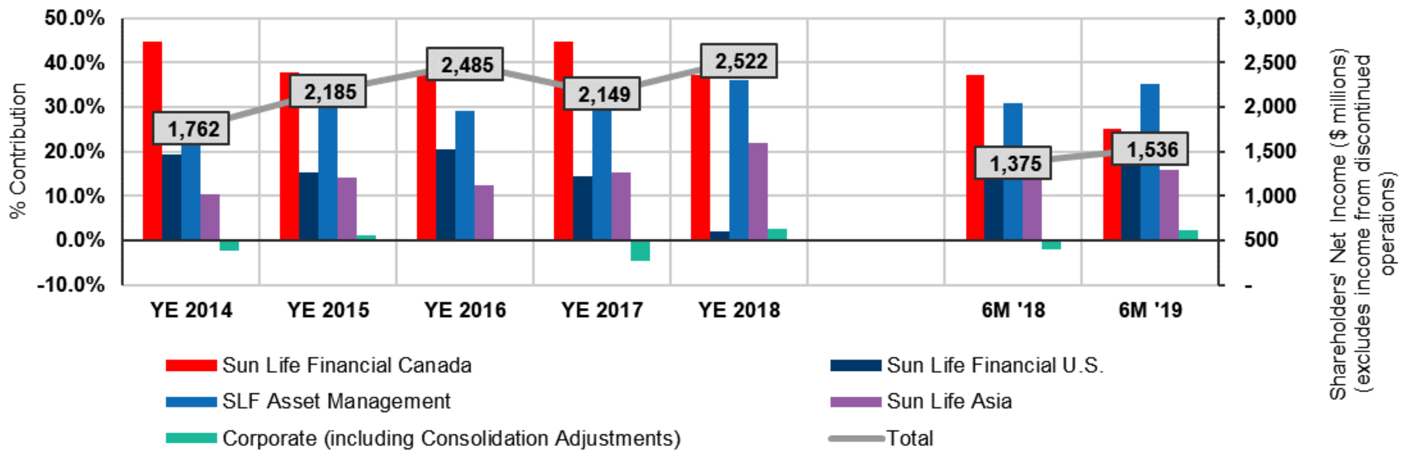
SLF U.S. segment continues to successfully execute on its growth initiatives to advance the Company's market presence in several segments of the U.S. employee benefits market. Over the past several years, the company has achieved significant profitable growth in the health insurance stop-loss segment and now has a leading market position as one of the top-five stop-loss insurers. The acquisition of Assurant, Inc.'s Employee Benefits (AEB) segment in 2016 resulted in a material boost to SLF's presence in the group benefits business, which now comprises a complete suite of group products, including life and disability, medical stop-loss, dental and vision and voluntary benefits. The growing stop-loss and the group benefits segments represent a significant portion of the U.S. segment earnings.

DBRS Morningstar notes that the overall contribution to net income to SLF from the U.S. segment over the last few years experienced some earnings volatility driven by the U.S. individual life (including universal life) placed in a run-off block in December 2011. Management has taken several actions over the past two years to turn around the performance of this block, including significant reserve strengthening, which should reduce the probability of the block adversely impacting results materially, on an ongoing basis.

SLF Asia represents an attractive growth market with good long-term earnings potential, especially considering North America's highly fragmented and competitive insurance and wealth management markets. The Company is expanding its footprint with growth in its distribution channels in Hong Kong, the Philippines, Indonesia, India, China, Vietnam and Malaysia. Asian life insurance sales are mainly driven by Hong Kong and the Philippines with the other countries providing lower, but consistent sales revenue. DBRS Morningstar views the expansion of SLF's distribution channels as vital to its future success in Asia. Organic growth opportunities, combined with fewer market opportunities in North America, mean that the Company's Asian businesses may generate an increasing percentage of its revenues and earnings in the future, although Canada and the United States still generate the majority of earnings. With its strong capital position, SLF is in a good position to make further acquisitions to build scale should it choose to do so, although finding good value may prove to be difficult in the competitive environment.

SLF U.K. (included in Corporate) is in runoff but is expected to provide a steady stream of earnings benefiting from no business development costs. In-force products include individual annuities and pensions as well as individual life insurance totaling over 590,000 policies. Retaining qualified staff and effectively managing key outsourcing activities, maintaining low or declining expense growth, maintaining portfolio investment returns to meet or exceed liability assumptions, managing longevity risks and managing capital requirements are key factors in sustaining profitability in this block.

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



Source: DBRS Morningstar; Company Reports.

Risk Profile

Grid Grade: Excellent / Good

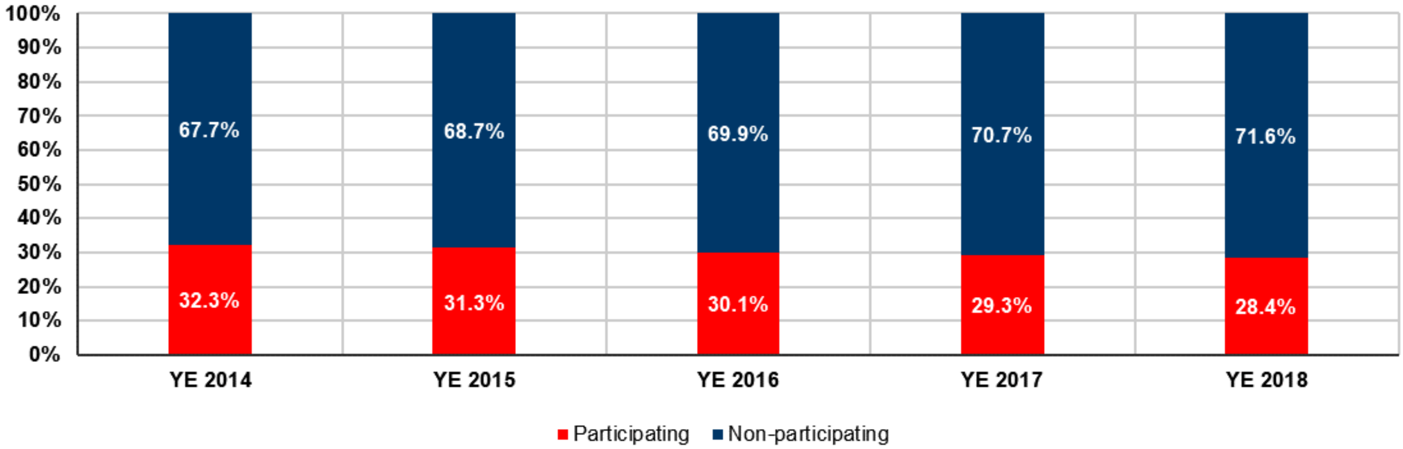
The ratings also benefit from the Company's comprehensive and well-developed risk management framework that encompasses its diverse businesses, operations in multiple countries and investment risks, which ensure that risks are well understood and mitigated. SLF has sophisticated capabilities to analyze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

Management is concerned about identifying and assuming risks only when these risks are consistent with the Company's earnings and capital risk targets. Risks are mitigated through product design, pricing and hedging activities. Business lines and products are tested for sensitivity to changes in interest rate, equity-price movements and hedged where necessary to maintain risks within tolerance targets. Product pricing and design are driven by extensive risk analysis and are manufactured to mitigate these risks as much as possible while remaining competitive in chosen markets.

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

SLF's exposure to equity-market and interest-rate risks is tied to its product pricing and the performance guarantees embedded in many of its insurance and wealth management product liabilities, including variable universal life and segregated funds. Additionally, the Company is indirectly exposed to equity-market risk through its investments in asset management businesses, such as its asset management businesses and its Canadian Group Retirement Services, where management fees are tied to the market valuations of AUM. The potential earnings and capital volatility in certain individual insurance products has been dampened by hedging activities that are prompted by SLF's risk management processes and procedures.

Exhibit 5: Insurance and Investment Contract Liabilities, Net of Reinsurance



Sources: DBRS Morningstar; Company Reports.

DBRS Morningstar observes that SLF's investment portfolio has generally been balanced across asset classes, except for a somewhat elevated exposure to BBB-rated bonds and corporate loans in its bond portfolio. This exposure is partly mitigated by the Company's strong credit risk management approach to its privately placed bond holdings. The investment portfolio is delivering good investment yields that have contributed to SLF's strong and stable earnings performance in the last several years and impairments remain low. The enterprise risk management and investment policy framework also ensure that the investment portfolio's asset mix supports the asset/liability management requirements for the duration and cash-flow matching. General account assets are mainly investment grade and broadly diversified by issuer, industry and geography.

Though the general account assets are mainly investment grade, as of YE2018, bonds and corporate loans rated BBB and lower comprised approximately 33.3% (or $34.9 billion) of the bonds and corporate loans portfolio. Over the last five years, this ratio has remained constant in the 30% to 33% range. SLF has also invested in markets in which it has operations by purchasing sovereign BBB-rated debt under the rationale that it is investing the accumulating premiums locally. Investing in the BBB category is focused on an up-in-quality position that is supported by very strong internal credit controls and a robust credit rating system. Impairments remain low in the portfolio.

Over 20% of the Company's total invested assets have exposure to real estate through its holdings of direct mortgages, asset-backed securities (including commercial mortgage-backed securities and residential mortgage-backed securities) and direct real estate holdings. SLF's loans (including mortgages) have excellent characteristics that display prudent underwriting, including low impairment and loan-to-value ratio levels. The mortgage portfolio comprises entirely commercial mortgages with the Company's real estate holdings with exposure to retail and the suburban office market, presenting some manageable risk.

The Company currently has negligible levels of impaired assets. In the past few years, SLF has made efforts to de-risk the investment portfolio, where it deems there to be an emerging risk such as in a specific industry, sector or country. The net value of the total impaired mortgages and loans was $85 million as of June 30, 2019.

Fixed Income (Public Bonds Only) Portfolio

	As at June 30						
Bonds Rated (CAD millions)	**2019**	**2018**	**YE2018**	**YE2017**	**YE2016**	**YE2015**	**YE2014**
AAA	15,960	14,531	15,647	13,449	12,695	12,967	11,292
AA	12,134	16,236	16,252	15,815	13,632	11,235	11,821
A	29,241	22,113	21,536	22,603	23,712	23,235	21,854
BBB	20,561	18,845	20,129	19,568	20,125	20,290	19,477
BB and below	781	982	879	1,184	1,723	2,169	1,770

Total Bonds	**78,677**	**72,707**	**74,443**	**72,619**	**71,887**	**69,896**	**66,214**

	As at June 30						
Bonds Rated (%)	**2018**	**2017**	**YE2018**	**YE2017**	**YE2016**	**YE2015**	**YE2014**
AAA	20.3%	20.0%	21.0%	18.5%	17.7%	18.6%	17.1%
AA	15.4%	22.3%	21.8%	21.8%	19.0%	16.1%	17.9%
A	37.2%	30.4%	28.9%	31.1%	33.0%	33.2%	33.0%
BBB	26.1%	25.9%	27.0%	26.9%	28.0%	29.0%	29.4%
BB and below	1.0%	1.4%	1.2%	1.6%	2.4%	3.1%	2.7%
Total Bonds	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**

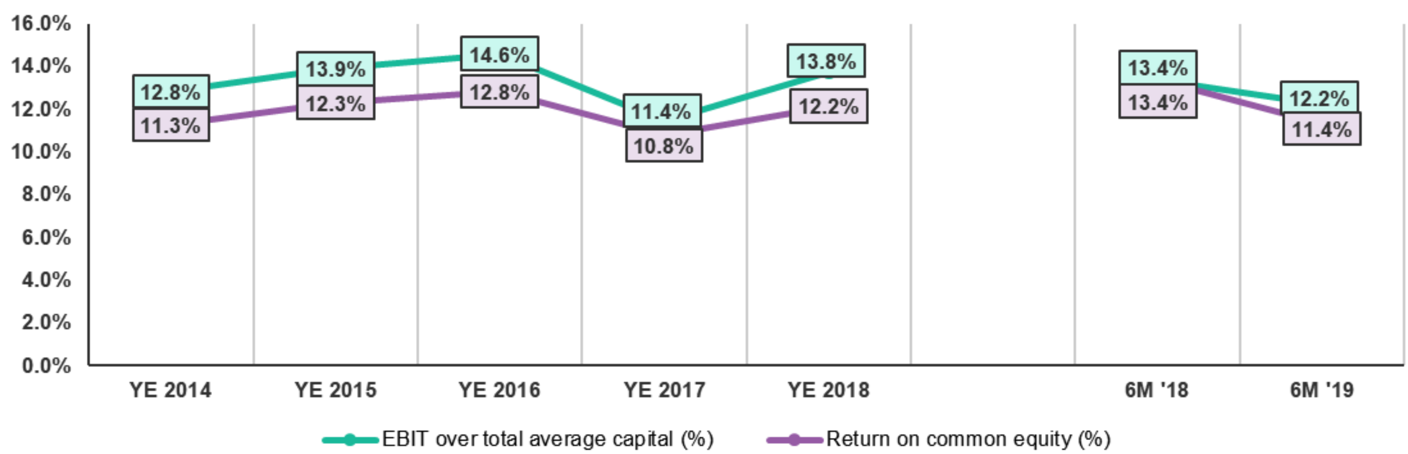
Sources: DBRS Morningstar; Company Reports.

Earnings Ability

Grid Grade: Excellent

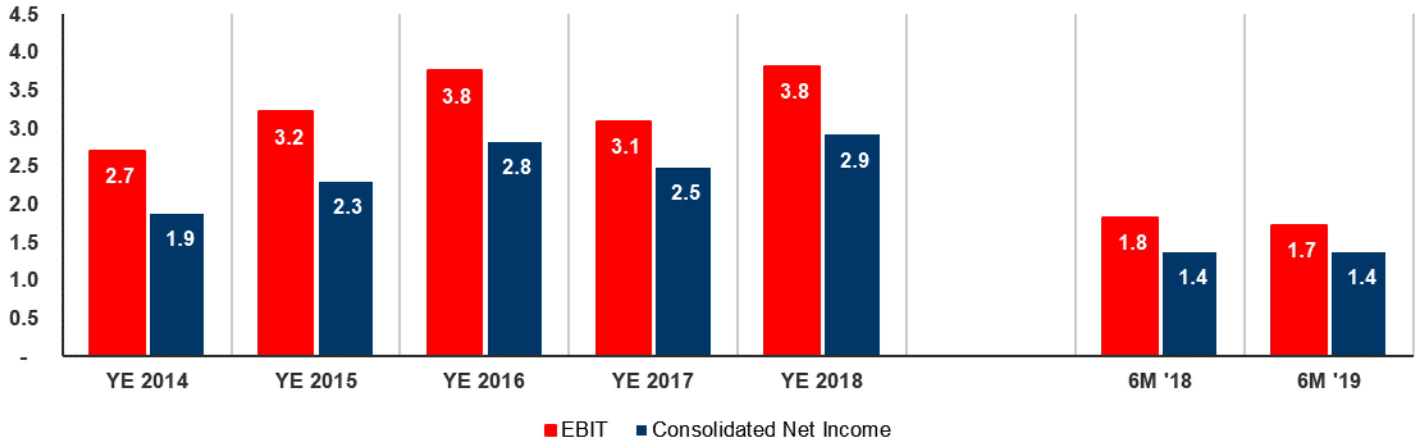
DBRS Morningstar views SLF as having excellent earnings ability from its multiple business segments. Positively, the Company has made progress with the diversification of its four-pillar enterprise strategy. SLF's asset management segment is now generating about 30% of common shareholders' net income and is an important component in diversifying SLF's earnings in non-insurance business. At Q2 2019, total AUM and assets under administration reached a substantial $1.1 trillion. Meanwhile, the Canadian operations are generating over 35% common shareholders' net income. These two segments are expected to remain the larger profit contributors in the near term, providing considerable earnings stability. SLF Asia and the U.S. businesses are each contributing about 15% to 20% of common shareholders' net income with some manageable volatility. Growth-related expenses are pressuring earnings in Asia, while SLF's U.S. individual life block operating performance has adversely affected the U.S. segment earnings. Overall, SLF generates a good return on equity with a three-year weighted average of 11.9%, which is in line with peers.

Exhibit 6: Profitability Metrics



Sources: DBRS Morningstar; Company Reports.

Exhibit 7: EBIT & Net Income Results ($Billions)



Sources: DBRS Morningstar; Company Reports.

DBRS Morningstar sees the Company as well positioned to take advantage of demographic trends through its suite of wealth and insurance products as the aging global population focuses on retirement and wealth management needs. As SLF remains focused on less capital-intensive products than previous products with the long-tailed guarantee features traditionally associated with life insurance and annuity products, DBRS Morningstar notes that the Company will be more vulnerable to competition from other financial service providers, such as banks and investment management companies. Maintaining its market share will continue to be a challenge, requiring the Company to focus on enhancing its customer services interaction, cost efficiencies, distribution and product innovations. Maintaining added value in its asset management businesses – for example, through relatively strong fund performance and excellent customer service and advice – is key to the long-term success of those segments. This is especially important, given increasing competition from alternative investment products in both the retail and institutional markets as well as lower-cost forms of distribution and products than the traditional advisor-sold model.

The Company's U.S. group benefits operations overall earnings have turned around in the last three years, driven by good loss ratio improvements in stop-loss segment and benefits from the AEB acquisition in 2016. SLF has focused on improving profitability in the stop-loss segment by repricing large portions of the business, which has recently suffered from increased competition as well as poor experience partially because of higher drug costs. The scale achieved in group benefits as a result of the AEB acquisition could likely allow the Company to improve its earnings as synergies are realized. Offsetting good growth in income for its group benefits is the continued reserve strengthening in SLF's large, closed block of individual life insurance products resulting from unfavorable policyholder behavior experience in this segment in recent years.

The Company's MFS segment continues to perform well with revenue generated primarily through stable fee income and asset appreciation. Future earnings will depend partly on consumer preferences and general economic conditions as well as the Company's product innovation. Headwinds remain in terms of fee pressure, increasing compliance costs and emerging competitors, such as robo advisors.

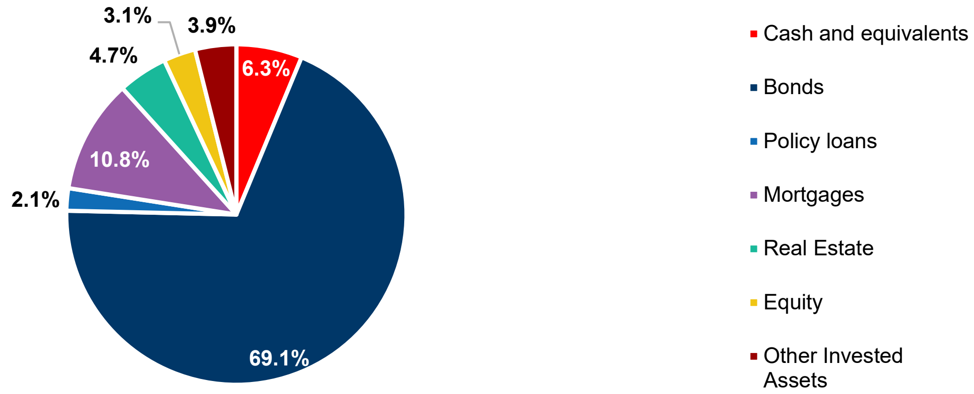
Earnings contribution from SLF Asia has grown in the past few years as the Company increases scale in its chosen markets by increasing interests in its existing subsidiaries. Earnings in Asia depend largely on the strength of distribution channels with price competition of secondary importance as a driver of sales. Growth has been driven by the increasing volume of sales in well-established markets, such as Hong Kong and the Philippines, as well as growing sales in nearly all less-established markets. Sales growth in 2017–2019 has been driven primarily by a growing product mix in the health and accident segment. As local and foreign insurance competitors are also interested in expanding in Asian markets, the Company must selectively expand its profitable products while resisting the competitive pressures to match low-priced competitors. While earnings on the Asian business have been relatively good, it has not kept pace with the high rate of sales growth; DBRS Morningstar expects these returns to steadily improve over time and translate into a higher contribution to total company earnings as SLF's investments in the region pay off.

Liquidity

Grid Grade: Excellent

DBRS Morningstar views the Company as having excellent liquidity supported by its investment portfolio that comprises a high proportion of marketable bonds and equities with about 58% of its portfolio consisting of cash, public bonds and equities. As of Q2 2019, the Company had ample resources, including $2.2 billion in cash at the holding-company level, as well as standby credit facilities, to meet financial obligations under adverse stress scenarios. The Company has a USD 400 million committed bank syndicated credit facility maturing in 2021.

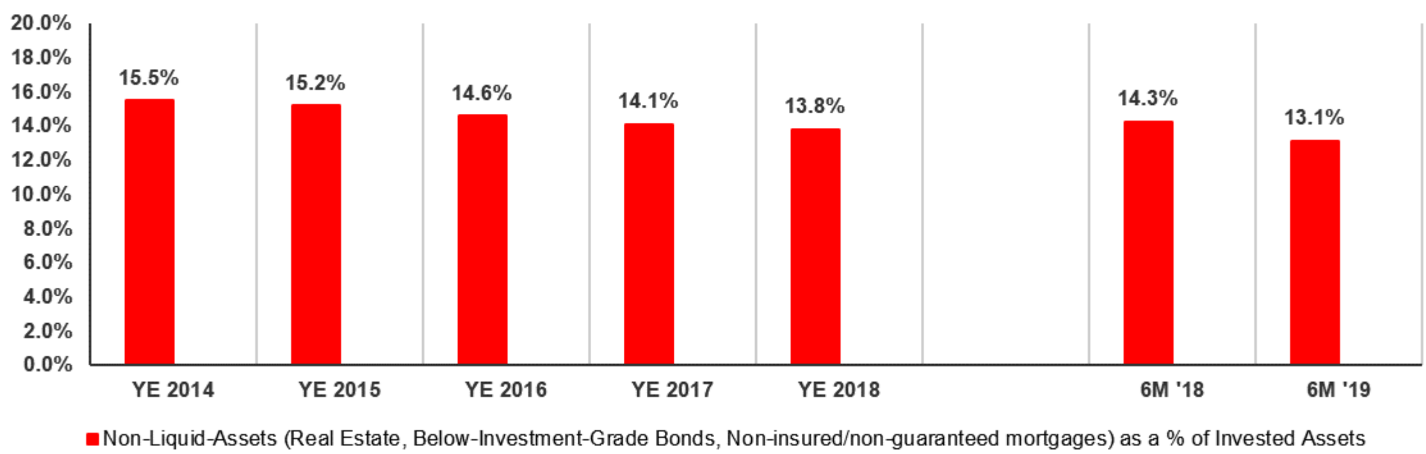
Exhibit 8: Investment Portfolio Asset Class Mix



Sources: DBRS Morningstar; Company Reports.

Positively, SLF has only a limited proportion of non-liquid assets in its investment portfolio. SLF has reduced its ratio of non-liquid assets to total invested assets to 13.8% at YE2018, which is a favorable level. The Company performs regular stress tests that assess the potential impact of various economic stressors, including adverse movements in equity markets and interest rates, on earnings and regulatory ratios. Additionally, the Company's hedging programs — while beneficial in managing interest-rate, equity-market and foreign-currency risks — also present some counterparty risk that can affect liquidity needs.

Exhibit 9: Non-Liquid Assets Concentration



Sources: DBRS Morningstar; Company Reports.

Capitalization

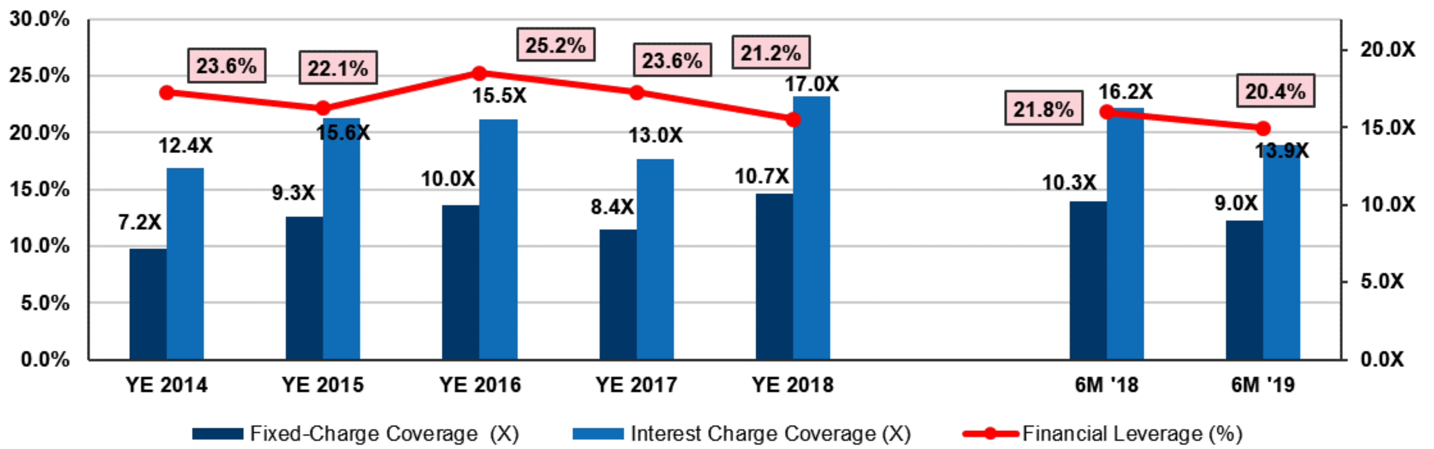
Grid Grade: Exceptional / Excellent

SLF and its main operating insurance subsidiary, SLA, are maintaining strong regulatory capital ratios. Indeed, with sizable cushions over regulatory minimums under the Life Insurance Capital Adequacy Test (LICAT) framework that was implemented in 2018, DBRS Morningstar views the Company as very well positioned to navigate adverse scenarios. As of Q2 2019, the LICAT for the consolidated holding company was 144%, higher than SLA's LICAT of 133%, as the holding company held $2.2 billion of additional assets comprising cash and other liquid assets. Solid earnings in the last five years have also contributed to the Company's strong capitalization level, which supports the Company's ratings and Stable trends.

SLF has stayed focused on its prudent deployment of capital, focusing on acquisition activity in areas aligned with its risk appetite, such as the asset management sphere, the U.S. group benefits market or emerging markets in Asia. Additionally, SLF has also taken actions to de-risk its businesses in recent years, which include selling the U.S. annuity business in 2013, placing other U.S. individual life businesses into runoff, implementing hedging programs and focusing on growth in less capital-intensive products.

The Company has consistently maintained its financial leverage ratio below 25% for the last five years. The Q2 2019 ratio was about 20.4%, considerably reduced from a high of 29.7% in 2012. This measure is the ratio of debt plus hybrids plus preferred to capitalization. DBRS Morningstar regards a financial leverage ratio above 30% as limiting on financial flexibility. Under SLF's current strategy, DBRS Morningstar expects SLF to maintain its financial leverage ratio below this 30% threshold for the intermediate term. DBRS Morningstar does not include $600 million of SLF's senior debt outstanding as at Q2 2019 in its calculation of the Company's financial leverage ratio but treats it as operating debt instead.

Exhibit 10: Leverage & Coverage



Sources: DBRS Morningstar; Company Documents.

Earnings stability and stable debt levels have contributed to the Company's improved fixed-charge ratios in the last three years. SLF has a three-year weighted average fixed-charge coverage ratio of 9.9x for 2016–2018 and 10.7x as of YE2018, a value more in line with its current ratings than lower historical values (7.2x as at YE2014).

Capitalization (CAD Millions)

	As at June 30						
	2019	**2018**	**YE2018**	**YE2017**	**YE2016**	**YE2015**	**YE2014**
Regulatory Capital Strength							
Required Capital (Sun Life Assurance Company of Canada)	N/A	N/A	N/A	7,242	7,062	6,819	6,056
Available capital – Tier 1	N/A	N/A	N/A	11,786	11,846	12,513	10,550
Available capital – Tier	N/A	N/A	N/A	4,216	4,107	3,874	2,591
Total available capital	N/A	N/A	N/A	16,002	15,953	16,387	13,141
MCCSR ratio %	N/A	N/A	N/A	221%	226%	240%	217%
Risk-based capital ratio (U.S. Branch of SLA) %	N/A	N/A	195%	260%	240%	379%	200%
LICAT (Sun Life Assurance Company of Canada) (%)	133%	134%	131%	N/A	N/A	N/A	N/A
Total Capital	28,149	27,470	28,308	27,107	26,902	24,607	21,737
Goodwill & Intangibles/Common Equity	33.0%	33.6%	33.5%	34.1%	35.6%	32.2%	30.4%
Tangible Common Equity/Total Capital	51.0%	50.6%	50.4%	48.7%	47.1%	52.3%	52.7%
Tangible Non-Par Capital/Non-Par	N/A	N/A	23.4%	23.7%	24.7%	24.7%	24.5%
Par Capital/Par Liabilities	N/A	N/A	2.5%	1.9%	1.2%	0.5%	0.4%
Total Capital/Net Policyholder Liabilities	22.2%	23.2%	23.4%	23.2%	23.8%	22.8%	21.7%
Protection Ratios							
Quality Assets/Non-Capital Liabilities	51.7%	51.2%	51.8%	51.5%	51.0%	50.6%	51.0%

Total Capital/Riskier Assets	76.2%	75.4%	78.9%	74.2%	73.5%	68.7%	65.7%

Sources: DBRS Morningstar; Company Reports.

Sun Life Financial Inc. (TSX: SLF)
Balance Sheet (As Reported)
(CAD Millions)

	As at June 30						
	2019	2018	YE2018	YE2017	YE2016	YE2015	YE2014
Assets							
Cash, cash equivalents and short-term securities	8,188	8,128	9,506	8,890	8,642	8,983	6,818
Debt securities	78,677	72,707	74,443	72,619	71,887	69,896	66,214
Equity securities	4,850	5,608	4,634	6,020	5,774	5,313	5,223
Mortgages and loans	47,485	44,917	46,822	42,805	40,775	39,103	33,679
Derivative assets	1,914	1,182	1,112	1,478	1,608	1,866	1,839
Other invested assets	5,095	4,415	4,830	4,154	3,931	3,111	2,375
Policy loans	3,196	3,164	3,222	3,106	3,141	3,151	2,895
Investment properties	7,229	7,337	7,157	7,067	6,592	6,540	6,108
Invested assets	156,634	147,458	151,726	146,139	142,350	137,963	125,151
Other assets	5,114	4,598	4,498	4,408	5,109	4,567	3,429
Reinsurance assets	4,210	4,273	4,141	4,028	5,144	5,386	4,042
Deferred tax assets	1,305	1,332	1,209	1,295	1,448	1,372	1,230
Property and equipment	N/A	N/A	N/A	NA	NA	NA	555
Intangible assets	1,753	1,725	1,779	1,667	1,703	1,479	895
Goodwill	5,309	5,323	5,412	5,183	5,317	4,646	4,117
Total general fund assets	174,325	164,709	168,765	162,720	161,071	155,413	139,419
Investments for account of segregated fundholders	111,684	108,692	103,062	106,392	97,167	91,440	83,938
Total Assets	**286,009**	**273,401**	**271,827**	**269,112**	**258,238**	**246,853**	**223,357**
Liabilities and Equity							
Liabilities							
Insurance contract liabilities	127,728	119,374	121,923	117,785	115,057	110,227	101,228
Investment contract liabilities	3,145	3,169	3,164	3,082	2,913	2,913	2,819
Derivative liabilities	1,804	1,929	2,295	1,756	2,512	3,378	1,603
Deferred tax liabilities	393	470	322	403	687	405	155
Other liabilities	12,506	11,697	12,153	11,987	12,399	12,332	9,725
Senior debentures	1,300	1,299	1,299	1,299	1,299	2,248	2,849
Subordinated debt	2,791	3,038	3,039	3,437	3,836	2,492	2,168
Total general fund liabilities	149,667	140,976	144,195	139,749	138,703	133,995	120,547
Insurance contracts for account of segregated fundholders	105,168	101,496	96,663	99,121	90,388	83,670	76,736
Investment contracts for account of segregated fundholders	6,516	7,196	6,399	7,271	6,779	7,770	7,202
Total Liabilities	**261,351**	**249,668**	**247,257**	**246,141**	**235,870**	**225,435**	**204,485**
Equity							
Issued share capital and contributed surplus	10,659	10,873	10,749	10,911	10,943	10,900	10,805
Shareholders' retained earnings and accumulated other comprehensive income	13,025	12,343	12,957	11,410	11,013	10,350	8,067
Total shareholders' equity	23,684	23,216	23,706	22,321	21,956	21,250	NA
Participating policyholders' equity	974	517	864	650	412	168	NA
Total Equity	**24,658**	**23,733**	**24,570**	**22,971**	**22,368**	**21,418**	**18,872**
Total Liabilities and Equity	**286,009**	**273,401**	**271,827**	**269,112**	**258,238**	**246,853**	**223,357**

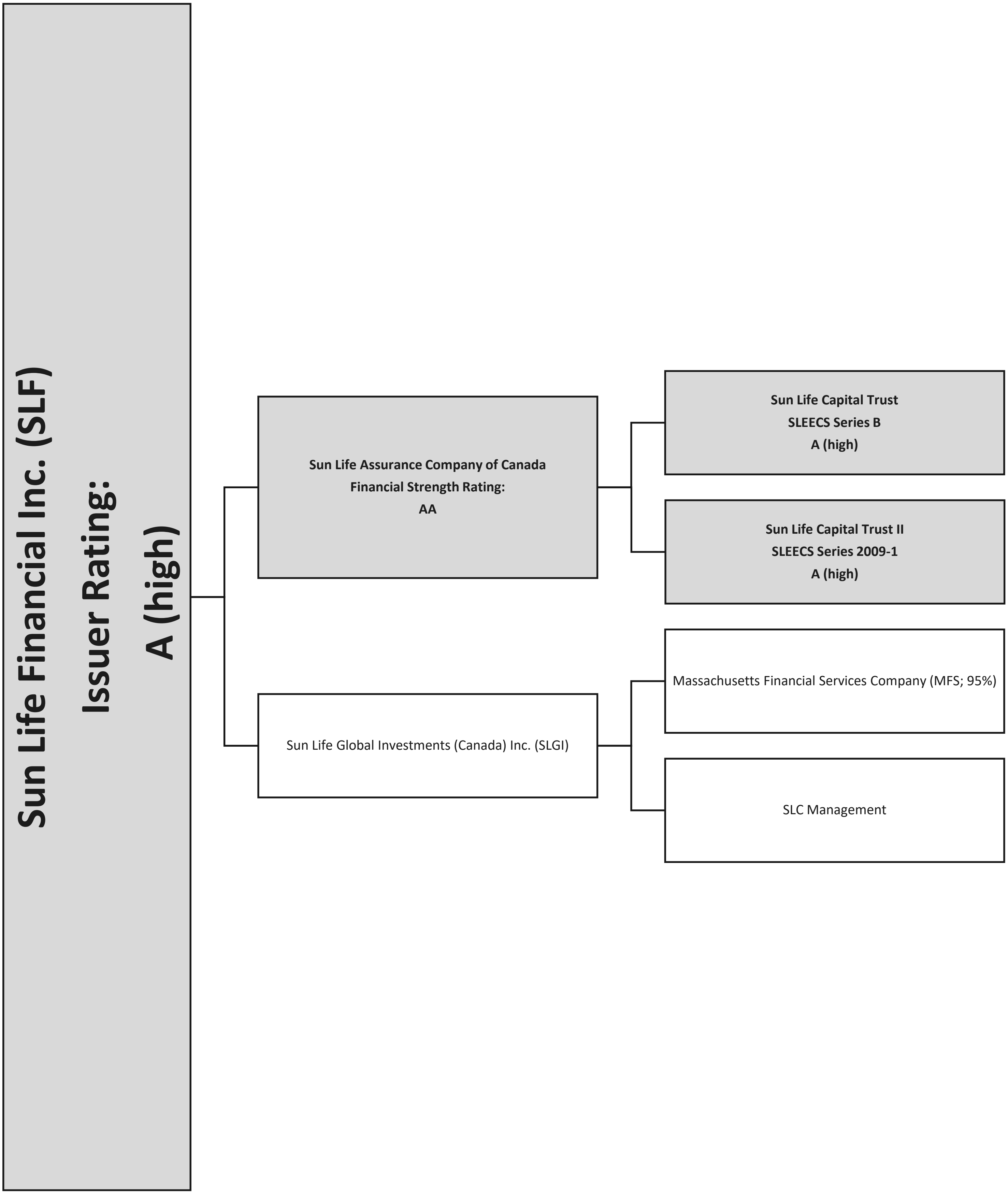
Sources: DBRS Morningstar Analysis, Copyright © 2019, S&P Global Market Intelligence*.

Sun Life Financial Inc. (TSX: SLF)
Income Statement (As Reported)
(CAD Millions)

	6 Mos. to June 30						
	2019	**2018**	**YE2018**	**YE2017**	**YE2016**	**YE2015**	**YE2014**
Revenue							
Premiums							
Gross	10,030	10,118	20,981	19,838	19,427	16,824	15,499
Less – Ceded	1,180	1,158	2,339	4,557	4,379	6,429	5,503
Net premiums	8,850	8,960	18,642	15,281	15,048	10,395	9,996
Net investment income (loss)							
Interest and other investment income	2,863	2,752	5,641	5,413	5,489	5,288	4,941
Fair value and foreign-currency changes on assets and liabilities	6,780	(1,953)	(3,373)	2,603	2,233	(1,961)	6,172
Net gains (losses) on available-for-sale assets	56	77	121	195	223	228	202
Net investment income (loss)	9,699	876	2,389	8,211	7,945	3,555	11,315
Fee income	2,989	2,983	5,966	5,842	5,580	5,324	4,453
Total Revenue	**21,538**	**12,819**	**26,997**	**29,334**	**28,573**	**19,274**	**25,764**
Benefits and Expenses							
Gross claims and benefits paid	8,473	7,976	15,986	15,353	15,210	14,086	12,816
Increase (decrease) in insurance contract liabilities	7,908	(387)	312	5,327	5,391	1,261	8,920
Decrease (increase) in reinsurance assets	(140)	(45)	97	821	133	(505)	13
Increase (decrease) in investment contract liabilities	42	(9)	(31)	41	(13)	(29)	70
Reinsurance expenses (recoveries)	(1,011)	(1,047)	(2,021)	(4,373)	(4,313)	(6,146)	(5,411)
Commissions	1,150	1,162	2,339	2,403	2,372	2,100	1,889
Net transfer to (from) segregated funds	(181)	(91)	(308)	(119)	(307)	(43)	(30)
Operating expenses	3,365	3,244	6,432	6,410	6,000	5,037	4,537
Premium taxes	204	187	375	379	339	292	251
Interest expense	172	153	305	303	316	322	336
Total Benefits and Expenses	**19,982**	**11,143**	**23,486**	**26,545**	**25,128**	**16,375**	**23,391**
Income (loss) before income taxes	1,556	1,676	3,511	2,789	3,445	2,899	2,373
Less – Income tax expense (benefit)	178	301	597	302	619	599	491
Total net income (loss) from continuing operations	NA	NA	NA	NA	NA	NA	NA
Total Net Income (loss)	1,378	1,375	2,914	**2,487**	**2,826**	**2,300**	**1,882**
Less – Net income (loss) attributable to participating policyholders	112	(47)	298	245	245	15	9
Shareholders' net income (loss) from continuing	NA	NA	NA	NA	NA	NA	NA
Shareholders' Net Income (loss)	**1,266**	**1,422**	**2,616**	**2,242**	**2,581**	**2,285**	**1,873**
Less – Preferred shareholders' dividends	48	47	94	93	96	100	111
Common shareholders' net income (loss) from continuing operations	NA	NA	NA	NA	NA	NA	NA
Common shareholders' net income (loss) from discontinued operation	NA	NA	NA	NA	NA	NA	NA
Common shareholders' net income (loss)	1,218	1,375	2,522	2,149	2,485	2,185	1,762

Sources: DBRS Morningstar Analysis, Copyright © 2019, S&P Global Market Intelligence*.

Simplified Corporate Organizational Chart (June 30, 2019)



Peer Group Comparison - FY 2018

	Sun Life Financial Inc.	Manulife Financial Corporation	Great-West Lifeco Inc.	Industrial Alliance Insurance and Financial Services Inc.
Operating Company Financial Strength Rating:	**AA**	**AA (low)**	**AA**	**A (high)**
Holding Company Issuer Rating:	**A (high)**	**A**	**A (high)**	**n/a**
Trend:	**Stable**	**Positive**	**Stable**	**Stable**
Period Ended:	12/31/2018	12/31/2018	12/31/2018	12/31/2018
Financial Data (CAD millions)				
Net Premium Income	18,642	24,012	35,461	7,849
Fee Income & Other Revenue	5,966	10,428	5,819	1,752
Total Assets	271,827	750,271	427,689	63,540
Assets Under Management	951,143	959,073	709,353	89,094
Assets Under Administration (only)	-	124,449	689,520	79,678
Total Common Equity	21,449	42,142	21,809	5,148
Total Equity	24,570	47,151	27,398	5,718
Total Capital	23,808	60,652	33,857	6,619
Earnings Ability Ratios				
Return on Common Equity (levered returns)	12.2%	11.6%	14.2%	12.4%
Return on Common Equity (levered returns) (3-year weighted average)	11.9%	8.8%	13.1%	12.3%
EBIT/Total Capitalization	13.8%	10.5%	11.5%	13.8%
EBIT/Total Capitalization (3-year weighted average)	13.2%	6.9%	10.9%	13.5%
Non-Liquid Asset Concentration	13.8%	15.9%	14.8%	7.6%
Capitalization & Asset Quality Ratios				
LICAT/CARLI (Q2 2019)	133%	144%	136%	127%
RBC (YE2018)	195%	400%	480%	NA
Intangibles & Goodwill/Common Equity	33.5%	24.0%	48.3%	33.1%
Tangible Common Equity/Total Capital	50.4%	52.8%	33.3%	52.0%
Par Capital/Par Liabilities	2.5%	0.2%	5.3%	0.8%
Tangible Non-Par Capital/Non-Par Liabilities	23.4%	21.8%	18.5%	24.1%
Financial Leverage	21.2%	28.6%	27.1%	21.5%
Fixed Charge Coverage (Current Period)	10.7X	7.7X	9.1X	9.6X
Fixed Charge Coverage (3-year weighted average)	9.9X	6.0X	8.0X	9.0X
Interest Charge Coverage (Current Period)	17.0X	10.9X	16.7X	14.0X
Interest Charge Coverage (3-year weighted average)	15.5X	8.3X	13.8X	12.5X
Quality Assets/Non-Capital Liabilities	51.8%	46.8%	64.3%	71.7%
Total Capital/Riskier Assets	78.9%	54.9%	82.6%	94.2%
BBB and Lower Bonds/Total Bonds (including private placements)	33.3%	25.1%	21.2%	17.5%

Sources: DBRS Morningstar Analysis; Company Reports.

Holding Company Notching

The senior-most debt of the holding company, Sun Life Financial Inc., is two notches below the Financial Strength Rating of its major operating subsidiary, SLA. The notching reflects that the holding company's investment in subsidiaries is primarily equity based, which creates a structural subordination for holding company debtholders.

Rating Methodology

The applicable methodology is the *Global Methodology for Rating Life and P&C Insurance Companies and Insurance Organizations* (September 2019), which can be found on our website under Methodologies & Criteria.

Ratings

Issuer	Obligation	Rating Action	Rating	Trend
Sun Life Assurance Company of Canada	Financial Strength Rating	Upgraded	AA	Stable
Sun Life Assurance Company of Canada	Issuer Rating	Upgraded	AA	Stable
Sun Life Assurance Company of Canada	Subordinated Debt	Upgraded	AA (low)	Stable
Sun Life Capital Trust	SLEECS Series B	Upgraded	A (high)	Stable
Sun Life Capital Trust II	SLEECS Series 2009-1	Upgraded	A (high)	Stable
Sun Life Financial Inc.	Issuer Rating	Upgraded	A (high)	Stable
Sun Life Financial Inc.	Senior Unsecured Debentures	Upgraded	A (high)	Stable
Sun Life Financial Inc.	Subordinated Unsecured Debentures	Upgraded	A	Stable
Sun Life Financial Inc.	Preferred Shares	Upgraded	Pfd-2 (high)	Stable

Ratings History

Issuer	Obligation	Current	2018	2017	2016
Sun Life Assurance Company of Canada	Financial Strength Rating	AA	AA (low)	AA (low)	AA (low)
Sun Life Assurance Company of Canada	Issuer Rating	AA	AA (low)	AA (low)	AA (low)
Sun Life Assurance Company of Canada	Subordinated Debt	AA (low)	A (high)	A (high)	A (high)
Sun Life Capital Trust	SLEECS Series B	A (high)	A	A	A
Sun Life Capital Trust II	SLEECS Series 2009-1	A (high)	A	A	A
Sun Life Financial Inc.	Issuer Rating	A (high)	A	A	A
Sun Life Financial Inc.	Senior Unsecured Debentures	A (high)	A	A	A
Sun Life Financial Inc.	Subordinated Unsecured Debentures	A	A (low)	A (low)	A (low)
Sun Life Financial Inc.	Preferred Shares	Pfd-2 (high)	Pfd-2	Pfd-2	Pfd-2

Previous Actions

- DBRS Places the Ratings of Sun Life Financial Inc. Under Review with Positive Implications, July 22, 2019.
- DBRS Confirms Ratings of Sun Life Financial Inc. at "A" and Sun Life Assurance at AA (low), Stable, December 5, 2018.
- DBRS Confirms Ratings of Sun Life Financial Inc. and Affiliates, December 13, 2017.

Related Research

- DBRS: Stable Prognosis for Canadian Life Insurance Sector, August 8, 2019.
- DBRS: SLF's Q2 2019 Results Solid with Continued Business Growth, August 1, 2019.
- DBRS: Sun Life Financial Inc.'s Strong Q1 2019 Results Supported by Double-Digit Sales Growth, May 10, 2019.

Previous Reports

- Sun Life Financial Inc. and Affiliates: Rating Report, December 18, 2018.
- Sun Life Financial Inc. and Affiliates: Rating Report, January 23, 2018.
- Sun Life Financial Inc. and Affiliates: Rating Report, January 23, 2017.

Notes:
All figures are in Canadian dollars unless otherwise noted.

For the definition of Issuer Rating, please refer to the Credit Rating Global Policy on www.dbrs.com.

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

The DBRS group of companies consists of DBRS, Inc. (Delaware, U.S.)(NRSRO, DRO affiliate); DBRS Limited (Ontario, Canada)(DRO, NRSRO affiliate); DBRS Ratings GmbH (Frankfurt, Germany)(CRA, NRSRO affiliate, DRO affiliate); and DBRS Ratings Limited (England and Wales)(CRA, NRSRO affiliate, DRO affiliate). For more information on regulatory registrations, recognitions and approvals, please see: http://www.dbrs.com/research/highlights.pdf. The DBRS group and Morningstar Credit Ratings, LLC are wholly-owned subsidiaries of Morningstar, Inc.