

Credit Analysis

Moody's Insurance Diversified Companies

May 2009

Sun Life Financial, Inc.

Toronto, Ontario, Canada

Summary Rating Rationale

SLF's Ratings Underpinned by Canadian Franchise

Sun Life Financial, Inc. (NYSE: SLF) is a life insurance and wealth management holding company that offers individual and group life & health insurance, fixed and variable annuities, and mutual funds in Canada, the United States, Hong Kong, the Philippines, Indonesia, India and China. SLF has two primary life insurance operating companies: (1) Sun Life Assurance Company of Canada (SLA; insurance financial strength at Aa3) - the company's Canadian and international operating subsidiary; and (2) Sun Life Assurance Company of Canada (U.S.) (Sun Life US; insurance financial strength at Aa3) - the company's U.S. life insurance operating company. SLF also has substantial equity positions in several U.S. and Canadian investment management companies. It owns 96% of U.S.-based Massachusetts Financial Services Company (MFS) and 67% of Canada-based McLean Budden Limited (MB).

Moody's recently downgraded: the IFS ratings of both SLA and Sun Life US to Aa3 from Aa2, the preferred stock ratings of SLF to Baa2 from Baa1; and the ratings of its other subsidiaries. The rating outlook for SLF and its affiliates is stable, with the exception of Sun Life US, where the outlook is negative. The action followed the release of the company's fourth quarter results and reflected several issues facing the company: first, the diminished stand-alone credit profile of Sun Life US; second, the actual and potential strain on SLA associated with supporting the US life insurance operations; and third, the extent to which SLF's earnings capacity and capitalization are hurt by the impact of lower equity markets.

SLF has considerable latitude to upstream dividends from its life insurance operating companies, particularly from Canadian-based SLA, because the dividend regulations are fairly liberal in relation to those imposed on its U.S. subsidiary. The company also receives dividends from its intermediate holding company Sun Life Global Investments Inc. (SLGI; unrated; see below for more detail), though these will diminish in 2009 due to: (1) lower dividend capacity at Sun Life US; (2) the sale of its sizable stake in CI; and (3) lower profitability at its asset management subsidiaries due to depressed equity markets.

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This Credit Analysis provides an in-depth discussion of credit rating(s) for Sun Life Financial, Inc. and should be read in conjunction with Moody's most recent Credit Opinion and rating information available on Moody's website. [Click here to link.](#)



Moody's Investors Service

Sun Life Financial, Inc.

Moody's rates one issue of SLF's preferred stock at Baa2 but does not rate the senior or subordinate obligations of this holding company. The preferred stock rating implies standard notching for SLF between its operating companies' IFS and senior debt ratings at the holding company. This notching reflects: (1) the subordination of parent company creditors to policyholders with respect to claims on the assets of the insurance subsidiaries in the event of liquidation; and (2) the fact that SLF's life insurance operating subsidiaries have different underlying credit profiles. Moody's does not apply narrower notching because it views the earnings from SLF's U.S. and Canadian life insurance and investment management businesses (which contribute approximately 80-85% of total earnings) as highly correlated.

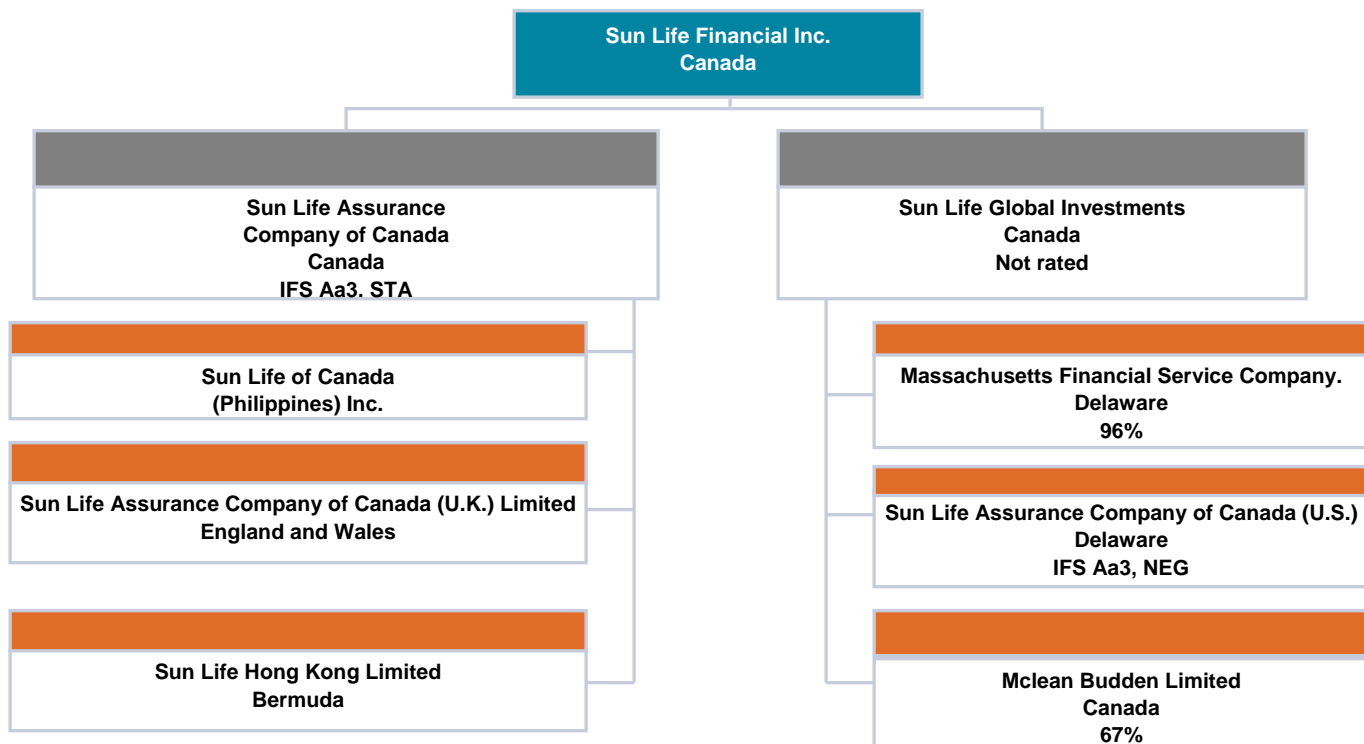
Group Overview

SLF's corporate structure is made up of two major operating entities:

1. Sun Life Assurance Company of Canada (SLA; Aa3 for insurance financial strength). This entity houses the life, health and annuities businesses of the Company's Canadian operations, the majority of its protection businesses in the United States, and all of its operations in the United Kingdom and Asia.
2. Sun Life Global Investments (SLGI; unrated). Under this entity, SLF has placed most of its investment management businesses in Canada and the United States. This includes its U.S. annuities business, which is booked at the company's main U.S. life insurance operating company, Sun Life US. Also owned by SLGI, either directly or indirectly, are MFS and MB.

Moody's estimates that SLA provides approximately 61% of SLF's consolidated earnings and houses 57% of its equity base. For SLGI those statistics are 39% for earnings and 43% for equity.

Exhibit 1 – Sun Life Financial, Inc. Simplified Organization Chart



Notwithstanding the aforementioned legal structure – which is important to understand when analyzing the financial flexibility of SLF (see Holding Company Analysis below) – the company segments its earnings into five key business segments (please see Exhibit 2 for a breakout of earnings contribution by segment). A brief synopsis of each unit follows.

Sun Life Financial, Inc.

Sun Life Canada

In Canada, SLF competes in all major life insurance markets, including individual life insurance, annuities, and group benefits and retirement services, and holds the number one, two, or three market share positions in all major product areas. The company also competes in the investment management industry via MB. SLF distributes its individual protection and wealth management products through its exclusive sales force, which comprises approximately 3,500 sales advisors, managers, and product specialists and through the wholesale channel which sells through IDAs, MGAs and PPGAs. Group Life and health products are distributed through sales representatives in co-operation with independent brokers and benefit consultants and group retirement products are distributed primarily through pension consultants, the Company's in-house sales force and brokers and advisors. Sun Life Canada is the central pillar supporting the Aa3 insurance financial strength rating at the company's two primary operating companies, Sun Life Assurance Company of Canada (SLA) and Sun Life Assurance Company of Canada (U.S.) (SLUS).

Sun Life United States

In the United States, SLF competes in four core markets – annuities, individual life insurance for affluent clients, group life and health insurance for small- to medium-sized companies, and investment management – via two operating companies: Sun Life Assurance Company of Canada (U.S.) and the U.S. branch of Sun Life Assurance Company of Canada. SLF has a more targeted niche strategy in the U.S., and does not enjoy the same level of market clout as it does in Canada. It is a middle-tier provider that holds top 20 positions in some markets and typically 1%-3% market shares. SLUS executes a "wholesale-centric" strategy, distributing its products primarily through third-parties.

Moody's rates Sun Life US Aa3 for insurance financial strength, which is three notches higher than the adjusted rating indicated by the Moody's insurance financial strength rating scorecard. The reason for the higher rating is the ownership and implied support from the parent company, SLF, and sister company, Sun Life Assurance Company of Canada.

Massachusetts Financial Services Company (MFS)

SLF is the majority owner of MFS, the 12th largest mutual fund manager in the U.S. MFS manufactures a variety of investment products for individual investors including mutual funds, variable annuities, college and retirement savings plans, and offshore investment products, all of which are distributed through third-party financial intermediaries. MFS also provides institutional clients investment management services via a direct sales force and a network of independent consultants. MFS has delivered consistent profitability and positive cash flow to the SLF holding company, which is a source of support for SLF's preferred stock rating.

Asia

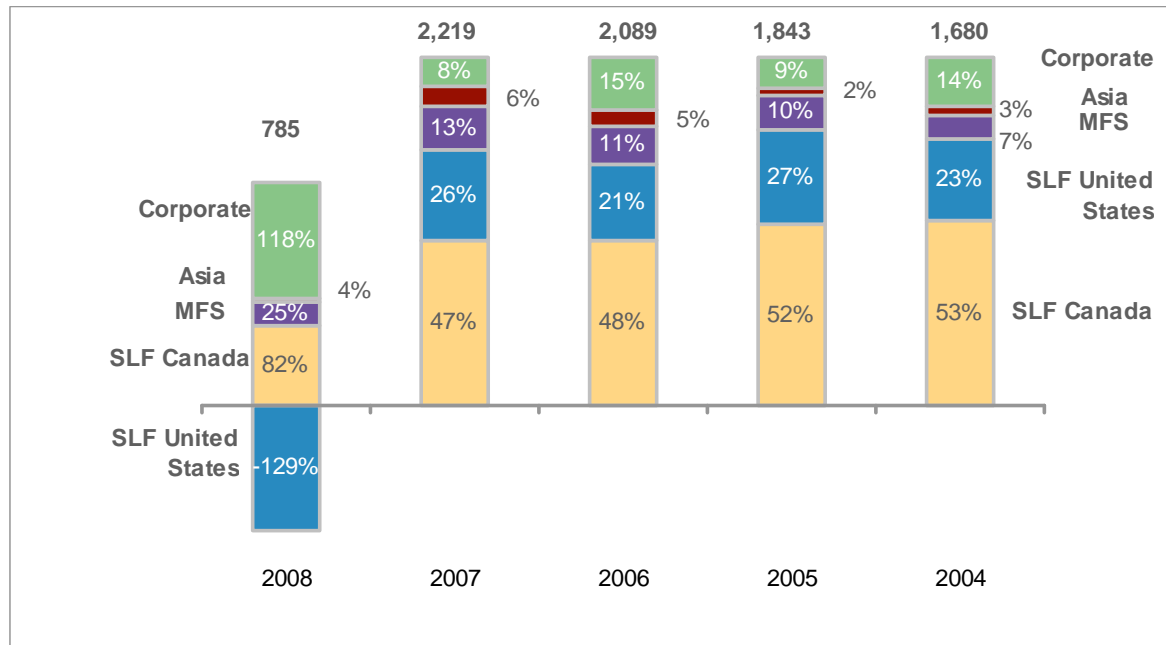
In Asia, SLF provides individual insurance to consumers in the Philippines, Hong Kong, India, China and Indonesia; group insurance in Hong Kong, the Philippines, India and China; and wealth management in the Philippines and India. The company distributes products via proprietary and third-party channels. SLF is the number two provider of individual life insurance in the Philippines – a business which generates a return on equity in excess of 20%. Meanwhile, in Hong Kong, SLF's acquisition of CMG Asia and CommServe Financial vaulted the company to the number seven position in life insurance. In other Asian countries, SLF has small, growing franchises that do not contribute much in the way of earnings but do offer long-term potential. SLF's Asian businesses do not contribute enough profitability, as yet, to influence the company's ratings. To the extent the company builds market presence in individual countries and grows its Asian earnings to over 25% of consolidated earnings, then this business could provide sufficient earnings diversification to produce upward rating pressure.

Sun Life Financial, Inc.

Corporate

SLF's corporate segment is comprised of its UK run-off subsidiary, Sun Life Assurance Company of Canada (U.K.) Limited, its reinsurance business, and corporate support operations. In the United Kingdom, SLF manages a run-off block of annuity and insurance policies. SLF's reinsurance unit provided life retrocession solutions primarily to North American clients. The reinsurance business was placed into run-off in the fourth quarter of 2008.

Exhibit 2 – Sun Life Financial, Inc. Net Income Available to Common Shareholders (C\$ Million, % by Segment)



Analysis of Rating Considerations

Business Profile Drivers

Strategy and Positioning

Overall

Over the past eight years, SLF has transformed itself from a moderate sized player in a relatively fragmented Canadian market to a dominant firm in a three-player oligopoly in Canada with significant continuing operations in the United States and Asia. To do this, the company levered up, sacrificing a measure of its financial flexibility for a period, to do two major acquisitions in the early 2000s¹ – one in Canada and one in the U.S.

The central strategic challenge the company faces, in Moody's view, is how to bolster its U.S. platform. SLF is already a dominant player in the mature Canadian marketplace and, outside the possibility of bolt-on acquisition opportunities, there aren't any further opportunities to materially impact the franchise. In Asia, the markets in which SLF operates are still maturing and the most promising mode of growth is organic with, perhaps, an occasional opportunity for a bolt-on acquisition.

¹ In 2001, the company expanded significantly its platform in the United States, via the acquisition of the Keyport Life Insurance Company – a medium-sized annuity provider. In 2002, SLF acquired a major domestic competitor, the Clarica Life Insurance Company.

Sun Life Financial, Inc.

U.S. Franchise a Source of Downward Rating Pressure

The performance of SLF's U.S. operations was a key driver of the recent downgrade, as continuing deterioration in the U.S. business has strained the overall enterprise's earnings and financial flexibility. Though Moody's believes that the strength of the Canadian life and wealth management franchises will provide enough of a buffer from further deterioration in SLUS to maintain ratings at their current level, the U.S. operations remain a source of downward rating pressure.

The U.S. franchise has deteriorated due to its sizable exposure to individual annuities, including variable, equity-indexed, and market value-adjusted annuities, which have substantial equity market, reserving, and hedging risks. While SLUS faces ongoing challenges in its fixed annuities business, it must also manage through a period of surrenders on older blocks of business. Over the latter two quarters of 2008 and the first quarter of 2009, SLF suffered over C\$776 million pre-tax in asset impairments, a significant portion of which is related to its U.S. investment portfolio. Profitability and regulatory capital ratios have weakened at SLUS, resulting in significant capital injections by the Canadian parent aimed at supporting the entity - US\$1.35 billion in 2008 and an additional US\$624 through the first quarter of 2009.

Moody's believes that SLUS' earnings capacity and capital generation will be constrained given the likely continuation of the weak equity market, depressed economic environment, and additional investment losses from real estate related assets (CMBS, RMBS, and commercial mortgage loans) as well as from corporate bonds as default rates rise. This underpins our view of SLUS as a negative rating driver for SLF overall.

Sun Life US's IFS rating of Aa3 is higher than its stand-alone rating of A3 as a result of the strong implied support and financial strength of SLA. Moody's maintains a negative outlook on Sun Life US' IFS rating due to the concern that Sun Life US's stand-alone credit profile could weaken further and that the extent to which its IFS rating is uplifted -- due to the implicit support from SLA -- would be unlikely to increase.

SLF could address its strategic challenge in the United States via a transformational acquisition of a large peer. The timing for such a transaction would seem to be favorable given the significant increase in the value of SLF's acquisition currency. The company's relative valuation performance through the recent credit market turmoil compares favorably to some U.S. peers. To the extent such an acquisition was debt-financed, financial flexibility would lessen and, perhaps, lead to negative rating pressure.

Equity Market Exposure Another Source of Negative Rating Pressure

A further source of downward pressure on SLF's ratings comes from the company's exposure to equity markets, which impacts not only its capital position, but also the fee revenues gained from its investment subsidiaries.

As equity markets declined in the second half of 2008 and early 2009, the reserves and capital required against SLF's variable annuity and segregated fund guarantees rose substantially. Although the company's primary regulator, the Office of the Superintendent of Financial Institutions (OSFI), eased those requirements for SLA, they will rise with further equity market declines. In addition, regulatory capital requirements at SLUS would also rise with falling equity markets.

At 1Q09, SLF reported that SLA's MCCR ratio would decline by 8% for every 10% decline in equity markets. A 10% decline in equity markets would also produce an estimated decrease in net income of C\$250-325 million. Though less sensitive than some peers, these estimates demonstrate SLF's exposure to equity markets generally.

A further impact of declining equity markets can be observed in SLF's fee-based businesses. Revenues and earnings of SLF's fee-based businesses, including the segregated funds and variable annuities, as well as the asset management business of MFS and MB, have been adversely impacted and will continue to be constrained over the next several quarters given the fall in equity markets. As of the first quarter of 2009, fee income at MFS dropped 35% year-over-year while fee income in the company's Canadian Individual Insurance and Investments and Group Wealth lines declined 37% and 20% respectively during the same time period.

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Moody's notes that the sale of CI generated a significant amount of capital for SLF, while also reducing a small measure of overall equity market exposure.

Risk Management

In Moody's view, SLF's consolidated approach to enterprise-wide risk management is a strength relative to some of its peers. Each year, the company identifies the top 10 risks it faces, puts in place rigorous monitoring of these risks, and ensures they are key part of senior management and the board of directors' regular agenda. The company has also put in place a sophisticated dynamic hedging program to manage the risks associated with its variable, fixed, and equity-indexed annuity products in the U.S. and Canada. This hedging program has shielded SLF's earnings from the more severe losses endured by the company's peers.

Financial Profile Drivers

Consolidated Financial Fundamentals

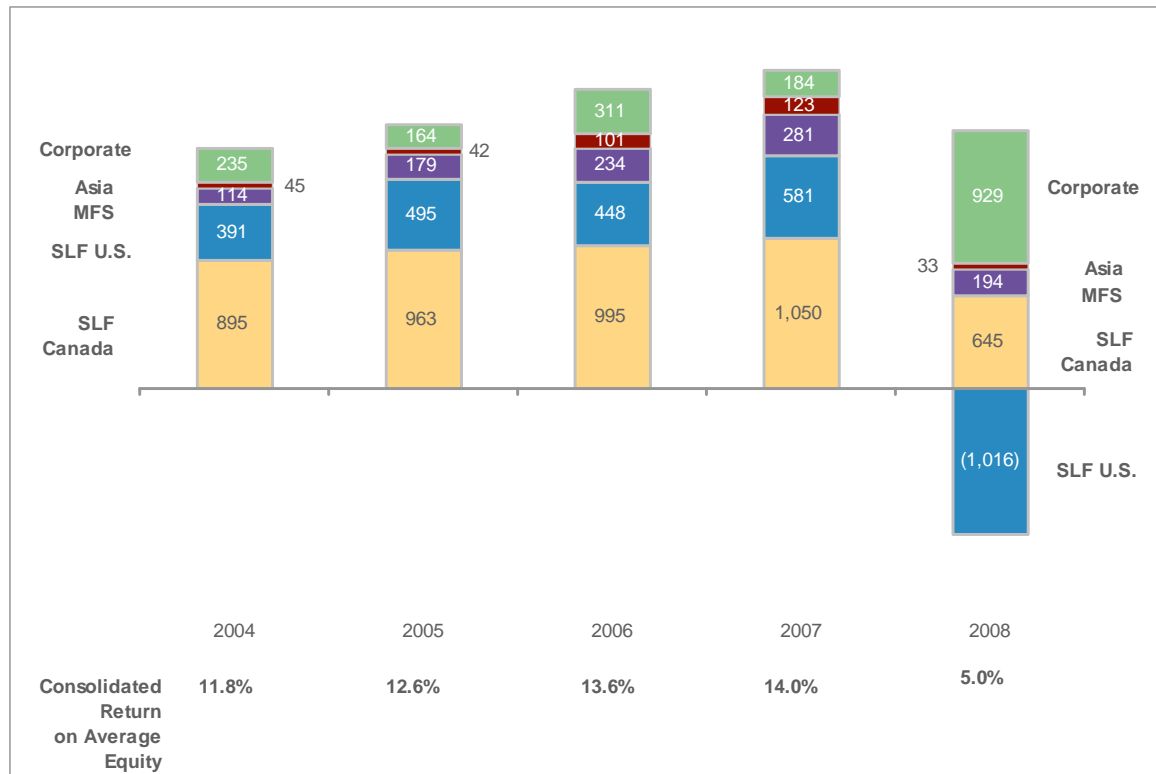
Consolidated Earnings

Equity market declines in 2008 considerably affected SLF's earnings profile. The declines not only strained earnings through additional reserves for variable annuity and segregated fund guarantees, but also by driving asset-based fee revenues lower. Credit writedowns in the company's investment portfolio further impacted earnings. Though earnings declined in every segment, the Canadian franchise still produced positive net income of C\$645 million in 2008, while SLUS lost C\$1.02 billion in 2008. Earnings from MFS and Asia also declined measurably in 2008, to C\$194 million and C\$33 million, respectively, from C\$281 million and C\$123 million in 2007.

The Canadian segment's earnings profile is supported by SLF's position as one of the major players in the Canadian life insurance market, which can be characterized as a three-player oligopoly. While earnings from Canada are stable and defensible, we expect earnings growth to be limited because the Canadian life insurance market is a mature, oligopolistic market. The company's Asian segment showed positive earnings momentum for several years prior to 2008 via organic growth and one bolt-on acquisition. This segment should return to a growth position as the cycle turns, but will still generate a small proportion of overall earnings. The maturity of the Canadian market and the relative lack of scale in Asia underline the strategic imperative we believe SLF faces – that is, how to bolster its U.S. franchise without overly straining the company's financial flexibility.

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Exhibit 3 - SLF's Consolidated Net Income by LOB, 2004-2008
C\$ Millions



Holding Company Analysis

Financial Flexibility

SLF's financial flexibility, as measured by Moody's adjusted financial leverage and earnings coverage ratios, has been impacted by the severe earnings strain of recent quarters. As of March 31, 2009, SLF's 26% adjusted debt-to-capital ratio remains in line with our Aa expectation, though negative rating pressure would emerge if the ratio were to approach 30%.

The rise in SLF's financial leverage ratio is due to the issuance of C\$850 million in subordinated debt over the last year, in addition to the impact of three consecutive quarterly operating losses. The calculation of earnings coverage for fixed payments is not meaningful, given the aforementioned losses. Moody's expects coverage ratios to normalize in the mid-single digits down from the high single digits levels of the past several years.

The company has ceased repurchasing common shares and kept the amount of dividends paid out stable in 2008. In previous years, share buybacks and dividend increases were more than offset by growth in earnings, and as a result adjusted financial leverage improved to 21% in 2007 from 24% in 2003. However, the recent earnings decline has had a material impact, raising the ratio of adjusted debt to adjusted capital (total capital less goodwill and intangibles) over 40% for the first time since 2003.

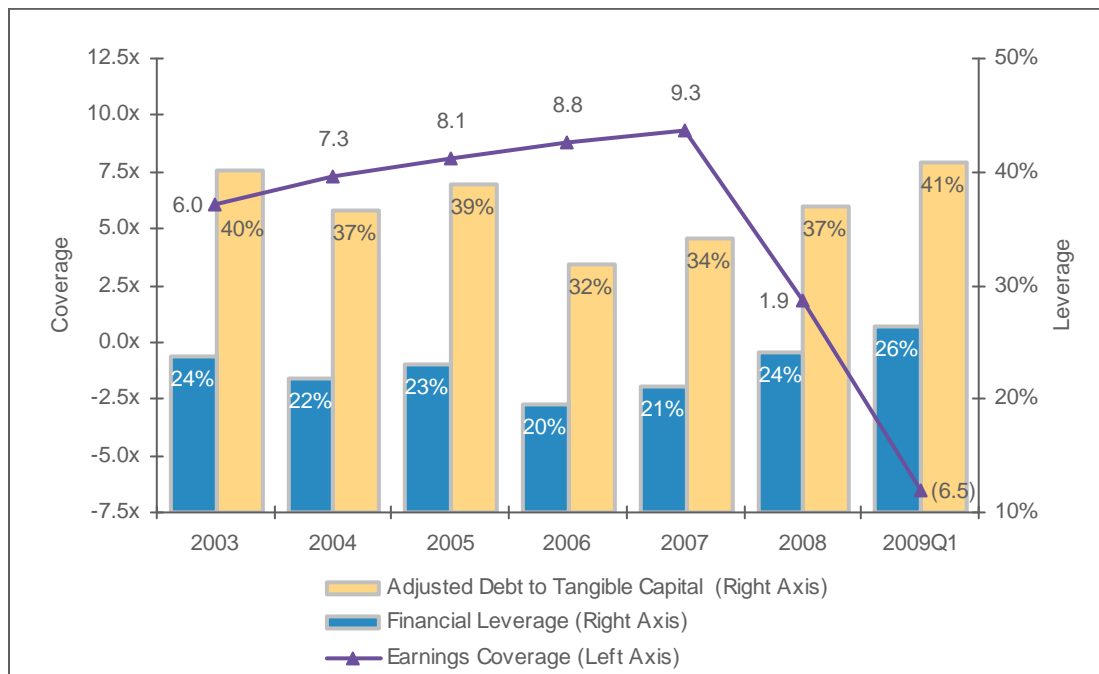
In 2007, the Canadian regulator rescinded its dividend capacity calculation for Canadian life insurance operating companies. Thus, SLA does not have a formal dividend capacity number from which to calculate a cash coverage ratio. The regulator, however, requires that all Canadian life insurance companies remain well-capitalized, which Moody's interprets as an MCCR ratio in the 200% range.

On that assumption, we calculate a cash coverage ratio at the 11.0x level. However, dividend capacity from SLA will most likely be challenged through 2009. CI has been an important contributor to the amount of dividends up-streamed to SLF from its operating subsidiaries, while SLUS is not expected to generate

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dividend income for SLF in the near term. We thus expect SLF's cash coverage ratio to be in the mid to high single digits for the foreseeable future.

Exhibit 4 – SLF's Financial Flexibility



Holding Company Debt and Hybrid Obligations

Holding company debt has increased significantly over the past year. As of March 31, 2009, SLF, the holding company, has C\$1,650 million of subordinated debt outstanding, having issued C\$1,250 million of subordinated debt since the start of 2008. Of note, SLF has issued C\$1.9 billion in senior debt since November 2005, but Moody's views these instruments as operating debt backed by duration-matched, segregated blocks of liquid assets.

The largest component of leverage at the holding company is the C\$1.5 billion in non-cumulative, perpetual preferred shares which are, in fact, treated as 50% equity per Moody's hybrid assessment methodology. Most of SLF's debt and other capital instruments reside at the operating company level. SLA has C\$2.4 billion in debt outstanding while SLGI's subsidiaries, on a consolidated basis, have just US\$183 million.

Holding Company Liquidity

SLF's major sources of liquidity provided approximately C\$1.5 billion in cash flow to the holding company in 2008. SLA contributed C\$1,099 million in common and preferred share dividends. On the SLGI side, getting a dividend figure is difficult as disclosure is limited for its non-public subsidiaries, MFS and MB. Moody's estimates that SLGI's subsidiaries provided over C\$400 million in dividends in 2008. In term of dividend capacity going forward, SLGI's 2008 dividends are likely to be higher than in future periods, as CI will no longer be a contributor. Moody's estimates that SLGI's dividends for 2009 will be in the C\$100-150 million range. Dividend capacity for SLA, however, is much higher due to the Canadian regulator's looser dividend policies. We estimate SLA's dividend capacity is approximately C\$2-2.5 billion.

These sources, in total, exceeded the 2008 major uses of cash at the holding company of C\$1.1 billion, which included C\$809 million in common share dividends, C\$70 million in preferred share dividends, and C\$217 million in common share repurchases. Moreover, SLF has adequate resources to meet the annual obligations of the C\$1,650 million in subordinated debt issued by SLF since 2007, which are estimated to be C\$100 million. SLF has no commercial paper outstanding.

Sun Life Financial, Inc.

Moody's estimates that SLF has approximately C\$1 billion of cash at the holding company as a result of the sale of CI, as well as from other sources.

Key Operating Unit Analysis

Sun Life Assurance Company of Canada

Headquartered in Toronto, Ontario, Sun Life Assurance Company of Canada (SLA) is SLF's largest operating company, encompassing the Canadian and Asian business units. SLF also books its U.S.-based individual and group life insurance business through the U.S. branch of SLA.

Moody's rates SLA Aa3 for insurance financial strength (IFS). The rating is based on its exceptional market position in Canada, strong product risk and diversification, good financial flexibility, and solid capitalization. The strong and predictable profitability generated by the company in Canada is the central pillar supporting SLF's high IFS rating. SLA holds the number one, two, or three market share positions in virtually all its market segments which gives it the pricing power to maintain attractive margins.

These strengths are tempered by a business mix that has a pronounced weighting in "wealth management" products. These products - which include fixed annuities and segregated funds (i.e., variable annuities) - expose SLA to equity market and interest rate risks and drive a higher degree of earnings volatility than protection products. The group's acquisition activity has led to a high level of goodwill relative to its equity base which strains its overall asset quality and financial flexibility to some extent.

Moody's expects SLA to continue to support SLUS, and as such, the deterioration of that entity's credit profile strains the credit profile of SLA. Much of the strain on SLA comes from having to deploy capital and funds to bolster a weak franchise, as opposed to investing, for example, in the strong Canadian franchise or growing Asian business (owned by SLA). In addition, the sizable losses at SLUS weaken the enterprise's consolidated financial flexibility.

Further downward pressure on SLA has been exerted by the potential for additional strain on the company's asset management franchises from the weakening economy and equity markets.

For further discussion of the credit fundamentals of SLA, please refer to its credit opinion.

Sun Life Assurance Company of Canada (U.S.)

Headquartered in Wellesley Hills, Massachusetts, Sun Life Assurance Company of Canada (U.S.) (SLUS) is SLF's primary U.S. operating company. SLUS and its New York subsidiary, Sun Life Assurance Company of New York, focus on the sale of individual and group life insurance (including COLI and BOLI), individual fixed and variable annuities, institutional investment products (primarily funding agreement-backed notes), and certain group health products (i.e., group disability income, stop loss medical coverage). The company also offers third-party asset management services.

Moody's Aa3 insurance financial strength (IFS) rating of SLUS is based primarily on its ownership by, and the implied financial support and good financial flexibility of SLF, which ranks among Canada's leading financial services and life insurance groups. The rating also reflects SLUS' established positions in the U.S. markets for individual annuities, bank-owned life insurance (BOLI), as well as the individual life and group benefits (the latter sold through the Sun Life Assurance Company U.S. branch - referred to as "Sun Life US Operations" when combined with Sun Life US). The rating outlook on SLUS is negative, in contrast to SLA's stable outlook.

These strengths are tempered by the company's significant exposure to equity market risk through its variable annuity (VA) guarantees. Rising reserves (and regulatory capital requirements) for these VA guarantees, statutory unrealized losses on derivative contracts for hedging, and asset impairments, largely of troubled financial sector securities, caused significant statutory losses (and reduction in regulatory capital ratios) in 2008, constraining capital adequacy, and requiring a capital infusion from its Canadian parent company. The company also faces the challenge of rebuilding annuity distribution and sales, stemming significant annuity

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surrenders on older blocks of business (albeit declining), and managing maturities of its complex institutional investment structures that mature in the coming years.

To address these challenges, SLF has changed the management at SLUS. We would expect changes in the strategy to take place going forward.

On a stand-alone basis, without financial and capital support from its much stronger Canadian parent company, Sun Life US' standalone credit profile is A3.

For further discussion of the credit fundamentals of SLUS, please refer to its credit opinion.

Sun Life Financial, Inc.

Company Annual Statistics

Sun Life Financial, Inc.					
Consolidated GAAP Financials	2008	2007	2006	2005	2004
Company Fundamentals					
Total Assets Under Management	381,092	425,264	441,432	390,889	362,650
General Fund Assets	119,833	114,291	117,831	110,866	107,803
Segregated Fund Net Assets	65,762	73,205	70,789	60,984	56,564
Mutual Funds and Other Assets Under Management	195,497	237,768	252,812	219,039	198,283
Actuarial Liabilities and Other Policy Liabilities	81,411	79,830	81,036	77,489	76,056
Total Common Shareholders' Equity	15,914	15,722	15,934	14,749	14,412
Tangible Shareholders' Equity	9,186	8,534	8,696	7,287	7,051
Total Revenue					
Total Revenue	15,563	21,188	24,287	21,918	21,730
Premiums	13,587	13,124	14,609	12,940	12,903
Annuities	3,592	3,530	5,380	4,556	4,588
Life Insurance	5,928	6,010	6,168	5,683	5,948
Health Insurance	4,067	3,584	3,061	2,701	2,367
Net Investment Income	(767)	4,852	6,664	6,079	5,924
Fee Income	2,743	3,212	3,014	2,899	2,903
Net Income	785	2,219	2,089	1,843	1,680
Net Operating Cash Flow	1,737	1,068	4,469	2,777	3,225
Asset Quality					
Investment Mix					
Bonds	55.3%	58.0%	65.2%	67.1%	66.5%
Mortgages	20.9%	20.1%	15.1%	14.8%	14.3%
Equities	4.2%	5.1%	4.6%	3.9%	3.6%
Real Estate	4.6%	4.2%	3.6%	3.3%	3.2%
Policy Loans and Other invested Assets	6.8%	7.3%	5.7%	5.8%	6.2%
Cash and Equivalents	8.3%	5.3%	5.9%	5.2%	6.2%
Bond Asset Quality					
Aaa	19.7%	20.3%	19.4%	21.6%	26.2%
Aa	18.3%	18.5%	17.4%	15.3%	13.5%
A	30.7%	30.1%	32.0%	32.0%	29.7%
Baa	28.3%	28.7%	28.7%	27.6%	27.4%
< Baa	3.0%	2.4%	2.5%	3.4%	3.1%

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Sun Life Financial, Inc.					
Consolidated GAAP Financials	2008	2007	2006	2005	2004
Other					
Goodwill % Adjusted Shareholders' Equity	40%	39%	39%	42%	41%
Goodwill & Intangibles % Adjusted Shareholders' Equity	46%	49%	48%	53%	52%
Profitability					
Net Income	785	2,219	2,089	1,843	1,680
Annual Growth in Net Income	-64.6%	6.2%	13.3%	9.7%	28.5%
Return on Average Common Equity	5.0%	14.0%	13.6%	12.6%	11.8%
Moody's Sharpe Ratio of Net Income Growth	-4%	156%			
Sources of Earnings					
Expected Profit on In-Force Business	2,018	2,091	1,824	1,540	1,433
Impact of New Business	(321)	(258)	(313)	(160)	(117)
Experience Gains and Losses	(2,271)	233	311	367	224
Management Actions and Changes in Assumptions	(288)	215	189	131	(7)
Earnings on Operations (pre-tax)	(862)	2,236	2,011	1,878	1,533
Earnings on Surplus	384	611	607	552	451
Earnings before Income Taxes	(478)	2,892	2,618	2,430	1,984
Income Taxes	(533)	(567)	(447)	(531)	(263)
Earnings before Non-controlling Interests, Par Income and Preferred Share Dividends	55	2,325	2,171	1,899	1,721
Less: Non-controlling Interests, Par Policyholders' Income, Preferred Share Dividends	(95)	(106)	(82)	(56)	(41)
Common Shareholders' Net Income	785	2,219	2,089	1,843	1,680
Financial Flexibility					
Capital Structure (adjusted for pension and leases)					
Total Debt	4,481	3,617	3,328	4,081	3,967
Total Hybrids - Basket C	1,495	1,495	1,250	712	-
Shareholders' Equity	15,657	15,554	15,677	14,424	14,235
Total Adjusted Debt	5,228	4,365	3,953	4,437	3,967
Total Adjusted Shareholders' Equity	16,405	16,302	16,302	14,780	14,235
Financial Leverage Ratio	24.2%	21.1%	19.5%	23.1%	21.8%
Earnings Coverage (adjusted for pensions and leases)					
Earnings Before Interest and Taxes	618	3,196	2,878	2,670	2,234
Fixed Charges	332	342	328	331	305
Earnings Coverage Ratio	1.9x	9.3x	8.8x	8.1x	7.3x

(Source: Company Financials)

Sun Life Financial, Inc.

Sun Life Assurance Company of Canada

	2007	2006	2005	2004	2003
Operating Statistics (C \$mil) [1]					
Insurance revenues	10,025	10,249	9,299	12,676	13,350
Net investment income	3,995	5,176	4,947	6,174	6,026
Total revenues	15,153	16,423	15,070	21,849	22,371
Benefits paid	8,735	8,131	7,989	11,408	11,909
Reserve increases	(40)	2,156	1,172	1,666	1,916
Insurance benefits	8,695	10,287	9,161	13,075	13,825
General expense and comm.	3,109	2,986	2,673	4,889	5,036
Gain fr. ops. pre-tax & divs & experience rfd.	2,815	2,600	2,678	3,067	2,730
Policyholder dividends and experience rfd.	1,214	963	991	980	876
Income taxes	211	219	366	297	386
Net Income	1,389	1,411	1,319	1,717	1,410
Balance Sheet Statistics (C \$mil)[1]					
Cash and invested assets	80,901	79,836	74,477	96,402	95,635
General account assets	87,434	87,076	82,189	107,757	104,096
Total assets	136,172	133,719	121,246	165,925	159,747
Policy reserves	67,948	63,548	60,274	77,641	78,602
Debt	2,409	2,732	2,442	2,343	2,665
Capital	9,978	9,848	8,975	10,562	10,213
Capitalization (%)	11.4	11.3	10.9	9.8	9.8
Consolidated Data [1]					
Segment Analysis - As % policy reserves (2005 data is Canada and USA only)					
Life Insurance : Individual [4]	13.9	15.7	14.4	53.4	51.4
Group [4]	2.5	2.3	2.3	3.0	3.2
Annuities : Individual [4]	18.6	18.8	20.1	22.7	22.9
Group [4]	12.0	11.6	12.4	12.7	14.5
Settlement & Disabil.					
(Deductions)	-	-	-	0.0	0.0
Accident & Sickness [4]	12.6	11.8	11.4	8.2	8.0
Participating	39	39	38		
Premium Profile (C \$mil)					
Direct	9,672	9,647	8,793	8,910	9,274
Assumed	1,067	648	600	540	702
Total premium income	10,738	10,295	9,393	9,450	9,976
Ceded premiums	10,626	1,397	1,099	1,182	1,023
Net premium income	113	8,899	8,294	8,268	8,953

Sun Life Financial, Inc.

Sun Life Assurance Company of Canada					
	2007	2006	2005	2004	2003
As % of total individual direct premiums					
Single premium (%) [2]	16.4	18.3	15.7	32.5	35.4
First year (%) [2]	9.5	10.1	8.0	7.3	8.0
Renewal (%) [2]	74.0	71.6	76.3	60.2	56.6
Avg. policy size in force [2]					
Avg. policy size in force [2]	118,197	116,229	108,304	104,556	101,704
Avg. policy size issued [2]					
Avg. policy size issued [2]	304,424	334,330	265,120	251,727	268,052
Individual life only [2]					
Profitability (C \$mil) - As % of total revenues					
Premiums	66.2	62.4	61.7	63.7	68.7
Investment Income	26.4	31.5	32.8	30.1	27.4
Benefits incurred	56.9	48.8	52.3	60.0	63.3
Policyholder Dividends and Experience Rating Refunds	8.0	5.9	6.6	6.5	5.9
Insurance general expenses					
Insurance general expenses	2,038	1,855	1,821	1,408	1,399
Investment general expenses					
Investment general expenses	299	278	271	259	265
Total general expenses					
Total general expenses	2,337	2,133	2,092	1,666	1,664
Expense growth (%)					
Expense growth (%)	10.6	4.6	-35.2	0.1	(12.9)
Lapse ratio (%) [2]					
Lapse ratio (%) [2]	1.1	1.2	1.4	5.2	5.6
Renewal premium persistency [2]					
Renewal premium persistency [2]	n.a.	n.a.	n.a.	87.8	86.6
ROA (%)					
ROA (%)	1.8	1.9	1.8	1.6	1.3
ROE (%)					
ROE (%)	16.39	18.34	18.13	16.5	13.3
Individual life only [2]					
LIFE INSURANCE COMPANY ONLY					
Asset Composition - As % cash and invested assets					
Bonds	44.9	46.8	49.5	50.1	49.7
Stocks	6.1	4.6	3.1	2.8	2.7
Mortgage loans	17.8	18.0	17.6	16.7	16.9
Real estate	5.5	4.3	3.8	3.6	3.6
Policy loans	3.0	2.7	2.7	2.6	2.6
Cash & short term investments	3.1	4.6	4.5	5.5	4.6
Other invested assets	6.9	7.4	8.1	7.4	8.7
Subtotal					
Subtotal	87.3	88.4	89.3	88.6	88.7
Investments in subsidiaries					
Investments in subsidiaries	12.0	10.8	9.8	10.4	10.4
Accrued investment income					
Accrued investment income	0.7	0.7	0.9	0.9	0.9
Total cash & invested assets					
Total cash & invested assets	100.0	100.0	100.0	100.0	100.0

Sun Life Financial, Inc.

Sun Life Assurance Company of Canada					
	2007	2006	2005	2004	2003
Investment Results - As % mean assets					
Gross investment yield	6.88	6.92	6.03	7.08	6.66
Investment expense	0.48	0.35	0.31	0.44	0.46
Net investment yield	6.40	6.57	5.72	6.64	6.20
Capitalization 1] (C \$mil)					
Contributed surplus	531	396	305	238	208
Unappropriated surplus	-	-	-	-	-
Share Capital	1,447	1,447	1,447	1,233.1	1,233.1
Total free surplus	-	-	-	-	-
Appropriated surplus	-	-	-	-	-
Total capital	9,978	9,848	8,975	10,562.0	10,212.9
Capitalization (%)	11.4	11.3	10.9	9.8	9.8
Adjusted capitalization (%)	11.7	11.6	11.2	10.1	10.1
Debt / capital (%)	24.1	27.7	27.2	22.2	26.1
Surplus relief (%) [3]	1.0	0.4	0.3	0.1	0.1
Reins recoverable / capital (%) [3]	90.6	9.2	8.8	12.7	10.0
Inv. in affiliates / capital (%) [3]	76.5	78.4	74.2	67.7	69.5
Real Estate/ capital (%)	40.0	35.5	32.7	29.8	29.0
Mortgages/ capital (%)	131.2	134.6	138.3	131.2	130.9

[1] Consolidated Data

[2] Life Insurance Only

[3] Combined Consolidated and Non-consolidated Data

[4] Non-Participating data only in 2005

Sun Life Financial, Inc.

Sun Life Assurance Company of Canada (U.S.)

	12/31/2007	12/31/2006	12/31/2005	12/31/2004	12/31/2003
Fundamentals (\$mil)					
General account assets	16,215	19,287	18,181	17,703	16,821
Total assets	44,701	42,552	40,294	39,174	37,126
Surplus	1,174	1,426	1,543	1,585	1,457
Investment reserve	252	240	206	203	190
50% of dividend reserve liab.	0	0	0	0	0
Total capital	1,426	1,667	1,748	1,788	1,647
Insurance revenues	6,518	3,845	3,014	3,940	2,929
Net investment income	831	899	729	721	664
Total revenues	7,911	7,008	5,086	5,082	4,031
Gain fr ops pre - tax & div	23	208	138	174	163
Gain Before Real Capital Gains	-7	171	144	206	212
Real Cap Gains bef IMR transfer	-75	-36	-6	102	31
Real Cap Gains after IMR transfer	-48	1	2	25	-6
Net Income	-55	172	147	231	206
Segment Analysis (as % policy reserves & liabilities)					
Individual life	3.9	3.5	3.4	2.5	2.2
Individual health	0	0	0	0	0
Individual annuities	57.3	59	70.5	73.4	71.8
Group life	-0.1	0	0	0	0
Group health	0	0	0	0	0
Group pension	8.8	7.2	7.4	7.5	8.6
Deposit-type contracts	30.1	30.4	18.8	16.7	17.4
Other	0	0	0	0	0
Segment Analysis (as % of total net premiums & deposits)					
Individual life	5.8	5.9	6.2	3.6	2.8
Individual health	0	0	0	0	0
Individual annuities	19	23.6	36.7	53.4	50.1
Group life	32.4	8.7	0.4	8.3	3.6
Group health	0	0	0	0	0
Group pension	42.4	29.6	33.1	34	42
Deposit-type contracts	0.4	32.2	23.5	0.7	1.5
Other	0	0	0	0	0
Investment Profile (as % of cash and invested assets)					
Bonds	75.3	74	78.8	80.5	83.8
Common & preferred stock	2.6	2.2	1.8	1.9	2
Mortgage loans	10.8	9.2	7.2	6.1	3.6
Real estate	1	0.8	0.8	0.8	0.5
Policy loans	4.4	3.5	3.7	3.8	4
Cash & short term investment	1.4	1	0.7	2	1.6
Other invested assets	4.6	9.2	7	5	4.5

Sun Life Financial, Inc.

Sun Life Assurance Company of Canada (U.S.)

	12/31/2007	12/31/2006	12/31/2005	12/31/2004	12/31/2003
Asset Quality					
Below Inv Grade Bonds as % of Invested Assets	3.1	3.5	4.2	4.4	6.2
Risk Assets as % of Capital	82.1	84.8	86.5	87.1	106.5
Underperf Mtgs+Fclsd RE as % of Total Mtgs+Fclsd RE	0	2.7	1	0.8	1.5
Profitability					
Net gain bef PH div & tax/avg assets	0.05	0.5	0.35	0.46	0.57
Net gain bef PH div & tax/avg capital	1.49	12.18	7.79	10.12	13.65
Operating return on avg assets (%)	-0.02	0.41	0.36	0.54	0.75
Operating return on avg capital (%)	-0.47	10.03	8.16	12.01	17.81
Ordinary life lapse ratio (%)	5	5.1	2.6	2.9	4
Net investment yield	5.02	5.13	4.31	4.42	6.85
Total investment return	3.32	5.44	4.61	4.85	7.11
Commissions/Premiums & Deposit-type funds	4.77	4.63	6.54	8.55	7.69
Tot general expenses/Premiums & Deposit-type funds	3.25	3.31	4.13	4.33	5.14
Total general expenses/Avg assets	0.49	0.45	0.41	0.45	0.54
Gain (loss) from operations (\$mil):					
Individual life	-39	-17	-4	-20	2
Individual health	0	0	0	0	0
Individual annuities	15	170	65	101	142
Group life	-6	0	4	-5	-5
Group health	0	0	0	0	0
Group pension	23	18	79	131	73
Other	0	0	0	0	0
Capitalization (%)					
Capital/Assets	8.8	8.6	9.6	10.1	9.8
Moody's Risk adjusted capital ratio	134.3	131	144.4	150.7	144.1
NAIC Risk based capital ratio	357.9	338.9	407.4	405.4	312.9
Growth of statutory surplus	-17.7	-7.5	-2.7	8.8	112.2
Below inv grade bonds/Capital	34.7	40.3	42.9	42.6	61.8
Residential MBS/Capital	325.6	237.6	314.8	253.9	165.8
Commercial MBS & ABS/Capital	76.7	78	94.2	87.6	115.1
Mortgages + RE/Capital	129.5	114.5	81.3	66.6	41.1
Total Underperforming Assets/Capital	0.5	5.6	2.5	2	5
Total Affiliated Inv/Capital	20.1	15.8	17.5	25.8	24.6

Sun Life Financial, Inc.

Moody's Related Research

Credit Opinions:

- Sun Life Financial, Inc., February 2009
- Sun Life Assurance Company of Canada, February 2009
- Sun Life Assurance Company of Canada (U.S.), February 2009

Industry Outlook:

- Canadian Life Insurance Outlook, December 2008 (113736)

Special Comments:

- Moody's Approach to Stress Testing Life Insurers (117454)
- Moody's Highlights Risks of Securities Lending by U.S. Life Insurers, April 2008 (108282)
- Bird Flu Risk for U.S. Life Insurers: A Tail Event, April 2007 (101525)
- 2006 Credit Issues and Trends for U.S. Life Insurance, September 2006 (98849)
- Variable Annuity Writers Improve Hedging For Embedded Options: Moody's Releases Results of VA Hedging Survey, March 2006 (96761)
- Hedging the Bet: Variable Annuity "Bells and Whistles", October 2005 (94553)
- Most UL Writers Weather Tougher UL Reserve Standards; Aggressive Issuers Court Growing Risks, February 2005 (91452)
- Beware of What You Price For: Credit Implications of UL Secondary Guarantees for U.S. Life Insurers, July 2004 (87150)

Rating Methodology:

- Moody's Global Rating Methodology for Life Insurers, September 2006 (98207)

To access any of these reports, click on the entry above. Note that these references are current as of the date of publication of this report and that more recent reports may be available. All research may not be available to all clients.

Sun Life Financial, Inc.

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