Rating Report
Sun Life Financial Inc.

DBRS Morningstar
October 29, 2020

Ratings

Issuer	Obligation	Rating	Rating Action	Trend
Sun Life Assurance Company of Canada	Financial Strength Rating	AA	Confirmed Oct. '20	Stable
Sun Life Financial Inc.	Issuer Rating	A (high)	Confirmed Oct. '20	Stable

Contents

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Rating Drivers

Factors with Positive Rating Implications

- Given the already high rating level and uncertain macroeconomic environment, a ratings upgrade is unlikely in the near term.
- In the longer term, an upgrade could arise from continued progress with SLF's business diversification strategy while maintaining a conservative risk profile.
- An improvement in asset quality, including having a larger proportion of higher-rated bonds (rated 'A' or higher) in its investment portfolio, would also lead to an upgrade.

Factors with Negative Rating Implications

- The ratings would be downgraded if the Canadian business, a strong contributor to overall results, were to report a sustained decline in earnings, indicating a weakened franchise.
- Moreover, a substantial decline in regulatory capital levels or a sustained deterioration in financial leverage over 30% would result in a downgrade.

Rating Considerations

Franchise Strength (Strong)

- SLF has extensive operations in Canada (where it is one of the top three life insurers), the United States, and multiple countries in Asia. SLF has positive brand recognition, a diversified business model both by product and geography, and strong product distribution capabilities. The Company's expansive franchise is underpinned by a well-articulated strategy and good operational capabilities.

Risk Profile (Strong/Good)

- SLF has a comprehensive risk management framework with well-defined risk appetites and limits. The risk score also considers SLF's exposure to operational risk arising from operating in multiple jurisdictions, its guaranteed products in Canada, and the higher proportion of mortgages and BBB-rated bonds in its investment portfolio.

Earnings Ability (Strong)

- SLF's earnings benefit from its diversified insurance, wealth management, and asset management businesses. The Canadian and asset management operations are expected to remain the top profit contributors for the near term even as Asian operations continue to grow at a good pace. Earnings volatility can arise from market movements.

Liquidity (Very Strong)

- SLF's investment portfolio comprises a high proportion of cash and readily marketable public bonds and equities to meet its financial obligations. As a life insurer, immediate liquidity concerns are low.

Capitalization (Strong)

- 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%.

Financial Information

	Period Ended June 30		For the Year Ended December 31 (IFRS)				
(In $ millions, except for % or otherwise stated)	**H1 2020**	**H1 2019**	**2019**	**2018**	**2017**	**2016**	**2015**
Net premium income	10,667	8,850	20,288	18,642	15,281	15,048	10,395
Fee income	3,235	2,989	6,251	5,966	5,842	5,580	5,324
Return on equity (%)	8.4	11.4	12.3	12.2	10.8	12.8	12.3
Total debt, hybrids, and preferred shares	6,991	5,748	5,995	5,996	6,394	6,793	5,449
Financial leverage ratio (%)	23.2	20.4	21.2	21.2	23.6	25.2	22.1
Fixed charge coverage ratio (x)	7.2	9.0	9.3	10.7	8.4	10.0	9.3

Source: DBRS Morningstar, Company Documents.

Issuer Description

Headquartered in Toronto, Canada, Sun Life Financial Inc. (SLF or the Company) is a leading financial services company with extensive operations in Canada, the United States, and multiple countries in Asia. SLF offers a broad 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

On October 15, 2020, DBRS Morningstar confirmed SLF's Issuer Rating and Senior Unsecured Debentures rating at A (high) as well as its Subordinated Unsecured Debentures rating at "A" and Preferred Shares rating at Pfd-2 (high). DBRS Morningstar also confirmed SLA's Financial Strength Rating and Issuer Rating at AA and its Subordinated Debt rating at AA (low). At the same time, DBRS Morningstar confirmed Sun Life Capital Trust's SLEECS Series B rating at A (high). All trends are Stable. The confirmations reflects SLF's global franchise, encompassing Canada, the U.S., and multiple countries in Asia, and its sizable market shares in many of the business lines that it operates in. SLF's operations are expansive and diversified, with the Company's product suite including individual and group insurance products as well as wealth and asset management. The Company utilizes multiple distribution channels, including both captive and independent agents, bancassurance, and direct to consumer, all of which have contributed to growth. SLF has demonstrated consistent profitability in recent years, with earnings benefitting from good expense and claims management. The Company's risk management practices are thorough and conservative, with SLF having taken several actions in the past few years to derisk its product portfolio, further improve the quality of its invested assets, and reduce its exposure to market and credit risks. Measures to improve the risk profile are particularly important, given the Company's sizable books of closed life insurance businesses that can lend volatility to earnings as well as an invested assets portfolio that has a higher proportion of BBB-rated bonds. SLF has abundant liquidity in the form of a highly marketable investment portfolio, recurring premium inflows, and the availability of contingent liquidity sources. The Company also maintains good regulatory capital levels and utilizes relatively low leverage, enhancing its financial flexibility.

Franchise Strength

Grid Grade: Strong

Supportive of the ratings, SLF is one of the top three life insurers in the Canadian life insurance market. SLF is also a market leader in the Philippines and in the Hong Kong Mandatory Provident Fund (MPF) market and a top 10 player in most of the other Asian countries that it operates in. Additionally, SLF has strong presence in the U.S. group benefits market where it is a leading independent stop-loss insurance provider and a strong competitor in group life and disability. Overall, the Company has positive brand recognition, a diversified business model both by product and geography, and strong product distribution capabilities. SLF continues to make good progress in 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. 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.

SLF's digital strategy has accelerated in the wake of the Coronavirus Disease (COVID-19) pandemic. The Company is continuing to substantially invest in digital advisor tools, client-facing apps, and data analytics across all business lines. Through its investments, SLF's aim is to digitize and streamline the sales process, increase advisor productivity, increase client engagement, and reduce claims and administration expenses.

SLF's overall business mix balance and future growth of earnings contribution from each business segment remains an important consideration for the ratings. An overdependence 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 1 Canadian Life & Health Insurance Market Share*

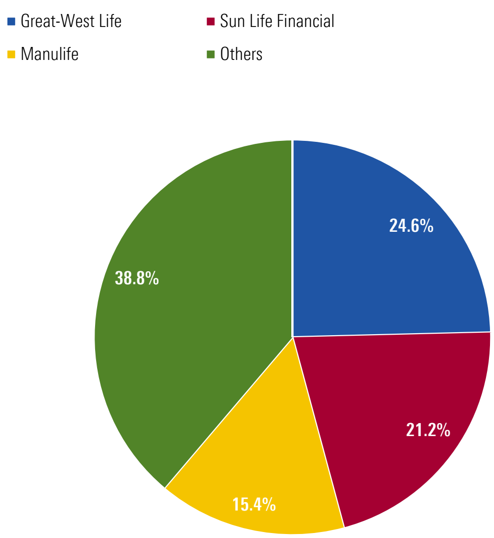
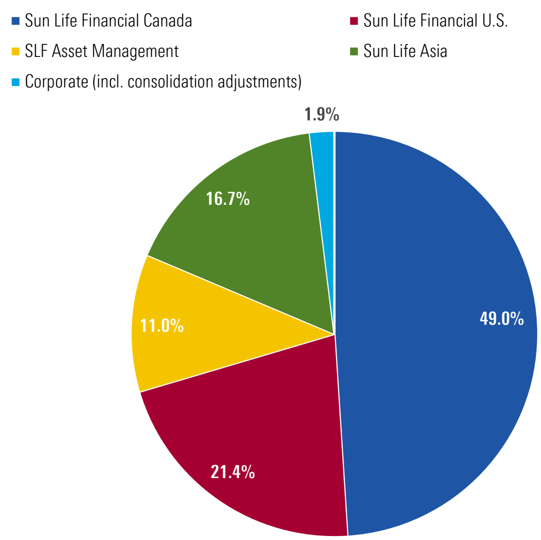


Exhibit 2 Summary of Operating Segments - Revenue Contribution (YTD H1 2020)



* Based on 2019 gross written premiums.
Source: DBRS Morningstar, MSA Research, Company Documents.

Business Segments

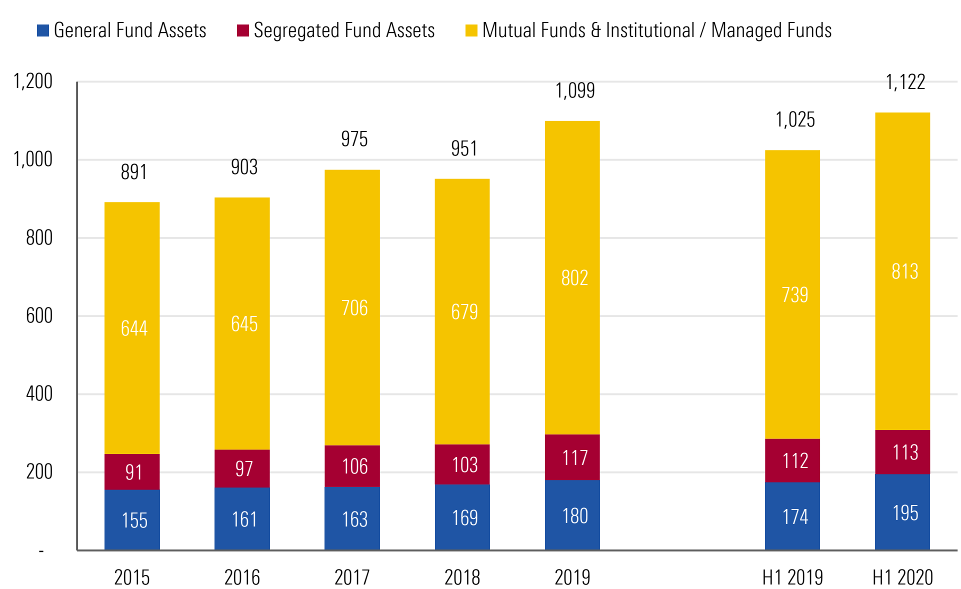
SLF Canada: SLF Canada maintains a leading market position among Canadian life insurers with a 21% market share based on 2019 gross written premiums. The Company has a well-established leadership position in each of its business segments. In recent years, the Company has advanced its leadership position and is ranked number one in the group benefit and 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 data analytics tools and client-facing platforms with digital capabilities across the group protection and wealth management lines of businesses. 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 part of the Company's four-pillar enterprise strategy to diversify its noninsurance business. These asset management businesses provide an unrestricted source of dividends (without regulatory capital restrictions) to the holding company and increase the diversification of earnings. Sun Life Global Investments (Canada) Inc. houses wealth products and services; 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 (excluding consolidation adjustments) grew to $1.2 trillion at Q2 2020, demonstrating steady growth over the past few years, with the U.S. asset management subsidiary, MFS, reaching USD 509 billion in AUM.

MFS is investing in marketing/brand awareness and technology infrastructure, increasing its wholesaling capabilities on a global basis, and 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 alternative investment solutions to institutional investors, including liability-driven and alternative fixed-income investments as well as real estate. As of June 30, 2020, SLC Management had AUM of $89 billion. SLC Management also manages the Company's general account assets. In July 2020, SLC Management added InfraRed Capital Partners, a global infrastructure manager with approximately USD 12 billion in AUM, to its portfolio of investments, followed by the October 2020 intent to acquire a majority stake in Crescent Capital Group LP, an alternative credit manager with USD 28 billion in AUM .

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



Source: DBRS Morningstar, Company Documents.

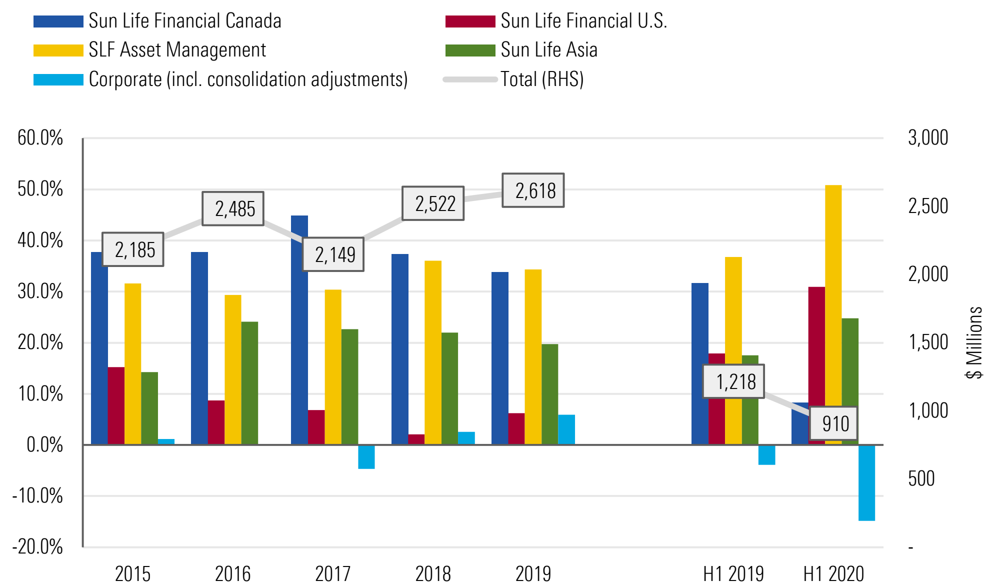
SLF U.S.: This segment continues to successfully execute on its growth initiatives to advance the Company's presence in several segments of the U.S. employee benefits market. Over the past several years, the Company has achieved significant profitable growth in the health insurance stop-loss segment and now has a leading market position as one of the top-five stop-loss insurers. SLF's group benefits business is comprised of a complete suite of group products, including life and disability, medical stop-loss, dental and vision, and voluntary benefits, with the acquisition of Assurant Employee Benefits in 2016 enabling the Company to significantly improve its product offerings in this space. The growing stop-loss and the group benefits segments represent a significant portion of the U.S. segment earnings.

The remainder of SLF's U.S. insurance operations comprise individual life insurance, including universal life. This block was placed in a runoff in 2011 but is still a meaningful contributor to earnings from the U.S. segment.

SLF Asia: SLF's Asian operations comprise of 1. Local Markets, which includes insurance and wealth operations in the Philippines, Indonesia, India, China, Vietnam, and Malaysia, and 2. International Hubs, which includes Hong Kong and the International business, and more recently, Singapore. Overall, 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 nearly all regions. 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 will likely 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.: This segment 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. 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 Documents.

Risk Profile

Grid Grade: Strong/Good

SLF's ratings benefit from the Company's comprehensive and well-developed risk management framework that encompasses its diverse businesses, operations in multiple countries, and investment risks and that ensures 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.

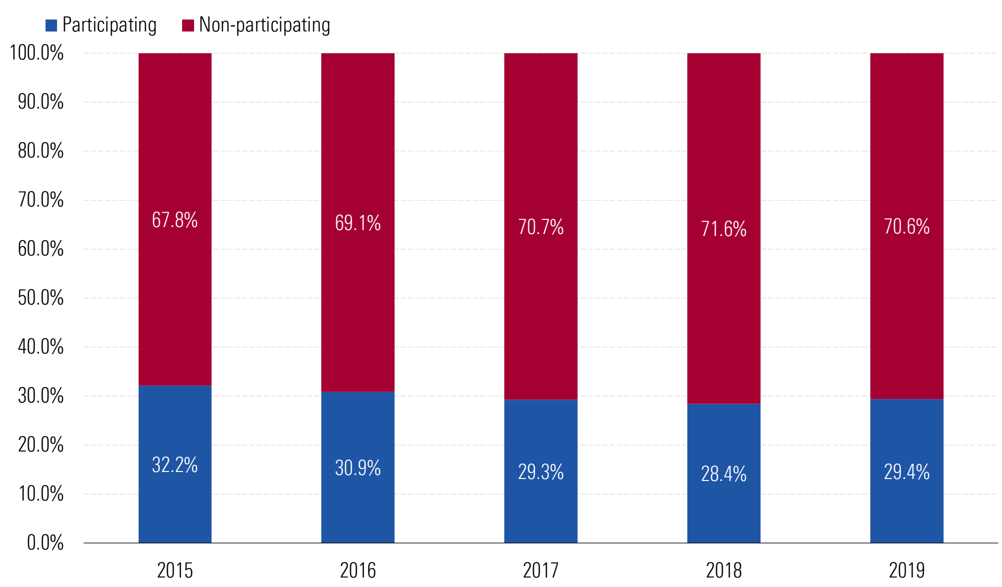
SLF entered the coronavirus pandemic from a position of strength, owing partially to the Company's sizable efforts in improving its risk profile in the past decade. Over the past few years, the Company has strengthened its risk management practices, shifted towards a lower-risk product portfolio, exited unprofitable or capital-intensive businesses, and reduced its market and credit risk exposures. An overall reduction in the Company's risk profile was also useful in enabling SLF to navigate a volatile market environment and softening some of the adverse effects on net income and regulatory ratios. Nonetheless, risks remain in the current environment, particularly if there is a slower-than-expected recovery from the coronavirus pandemic, which could affect economic growth and create uncertainties.

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 rates and equity-price movements and are 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 businesses 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.

Exhibit 5 Insurance and Investment Contract Liabilities, Net of Reinsurance



Source: DBRS Morningstar, Company Documents.

DBRS Morningstar observes that SLF's investment portfolio has generally been balanced across asset classes, except for a somewhat elevated exposure to lower-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 where it focuses on companies in stable industries and loans that have strong covenants. The investment portfolio has delivered good investment yields that have contributed to SLF's strong and stable earnings performance in the last several years although future yields may decline as a result of a declining interest rate environment.

Though the general account assets are mainly investment grade, as of the first half of 2020 (H1 2020), bonds and corporate loans rated BBB and lower comprised approximately 27.3% (or $24.6 billion) of the bonds and corporate loans portfolio. This ratio is declining as the Company continues to make strides in positioning its portfolio and improving its quality. SLF has 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.

Over 20% of the Company's total invested assets have exposure to real estate through 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 derisk 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 $117 million as of June 30, 2020. Impairments may be expected to increase given that uncertainties remain regarding the extent of the economic recovery from the coronavirus pandemic.

Fixed Income Portfolio

	Period Ended June 30		For the Year Ended December 31 (IFRS)				
Bonds Rated - In $ millions	**H1 2020**	**H1 2019**	**2019**	**2018**	**2017**	**2016**	**2015**
AAA	17,528	15,960	17,727	15,647	13,449	12,695	12,967
AA	13,819	12,134	12,173	16,252	15,815	13,632	11,235
A	34,093	29,241	30,378	21,536	22,603	23,712	23,235
BBB	23,260	20,561	20,587	20,129	19,568	20,125	20,290
BB and below	1,338	781	741	879	1,184	1,723	2,169
Total Bonds	**90,038**	**78,677**	**81,606**	**74,443**	**72,619**	**71,887**	**69,896**

	Period Ended June 30		For the Year Ended December 31 (IFRS)				
Bonds Rated - %	**H1 2020**	**H1 2019**	**2019**	**2018**	**2017**	**2016**	**2015**
AAA	19.5	20.3	21.7	21.0	18.5	17.7	18.6
AA	15.3	15.4	14.9	21.8	21.8	19.0	16.1
A	37.9	37.2	37.2	28.9	31.1	33.0	33.2
BBB	25.8	26.1	25.2	27.0	26.9	28.0	29.0
BB and below	1.5	1.0	0.9	1.2	1.6	2.4	3.1
Total Bonds	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**

Source: DBRS Morningstar, Company Documents.

Earnings Ability

Grid Grade: Strong

DBRS Morningstar views SLF as having excellent earnings ability from its multiple business segments. The Company's continued progress on its four-pillar enterprise strategy has increased the diversity of earnings, positioning the Company well for future growth, as well as increasing earnings stability. The Company's asset management segment is an important component in diversifying SLF’s earnings in noninsurance business, generating about 30% of common shareholders' net income in most years. At Q2 2020, total AUM and assets under administration reached a substantial $1.2 trillion. The asset management segment and the Canadian operations are expected to remain the larger profit contributors in the near term, providing considerable earnings stability. Meanwhile, the contributions from SLF Asia and the U.S. businesses to common shareholders’ net income have been growing, even with some manageable volatility in recent years. Overall, SLF generates a good return on equity (ROE) with a three-year weighted average (WA) of 12% on a reported basis, which compares favorably to peers.

Exhibit 6 Profitability Metrics

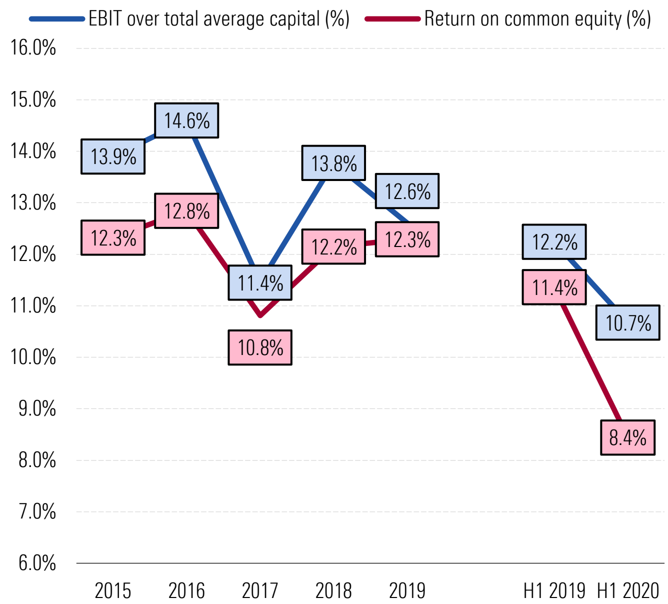
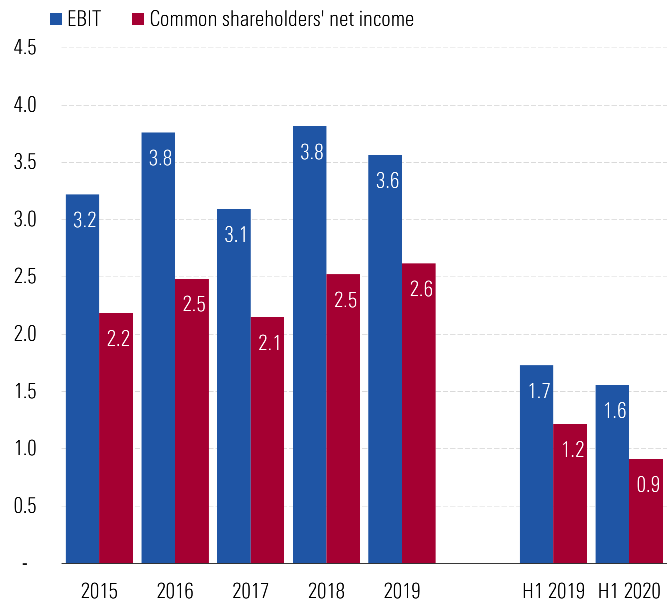


Exhibit 7 EBIT & Net Income Results ($ billions)



Source: DBRS Morningstar, Company Documents.

Earnings in 2020 have declined from prior years as a result of the coronavirus pandemic, even as common shareholder net income remained positive at $0.9 billion at H1 2020 with a reported ROE of 8.4%. The impact on sales has been lower than expected, despite several countries implementing lockdowns and strict social distancing measures, and with SLF allowing many policyholders to defer premium payments if necessary. SLF's prior investments in digital tools, its remote working capabilities, as well as the willingness of regulators in Asia to relax rules requiring face-to-face selling of insurance, has allowed the Company to continue operating with minimal disruption. On the profitability side, while there have been some slight increases in mortality and morbidity claims, other claims in areas such as dental have declined significantly. Earnings impacts related to the coronavirus pandemic have been largely market-related, with volatility from both equity markets and interest rate movements adversely affecting profitability, particularly for the Canadian business.

There is the risk that future revenue generation may decline given high unemployment levels and a weaker global GDP outlook. For SLF's group benefit businesses in particular, a decline in job creation can translate into lower premium volumes, particularly if job losses start skewing more towards larger, white-collar employees, who so far haven't been affected as much as smaller, service-oriented businesses. Positively, while revenues may decrease depending on the extent of an economic slowdown, profitability may be more resilient, as people can be expected to file fewer claims due to social distancing and lockdown measures.

The unprecedented amount of government support has helped bolster the global economy and, so far, has allowed it to avoid a potentially deep recession like the 2008 financial crisis. Government support has been crucial in softening the economic impacts of the coronavirus pandemic, with various well-timed measures giving individuals a financial buffer and allowing businesses to continue providing benefits to employees, which in turn helps SLF's policyholders. Policyholders have also largely maintained their policies in 2020. Like many other insurers, SLF allowed policyholders to defer payments if necessary in order that they may not lapse their policies due to unexpected financial straits. These deferred policyholders have, to a large extent, resumed their payments. Government support has also been instrumental in preventing a sharp increase in impairments and defaults in the investment portfolio.

In the longer term, 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. Some headwinds remain for the Company's asset management operations, as this sector is 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 cost efficiencies, distribution, and product innovations as well as increasing its value proposition through strong fund performance and customer service and advice. Maintaining added value in its asset management businesses is especially important given increasing fee pressure and compliance costs, and a sustained shift towards lower-cost passive products. Nonetheless, the Company’s asset management operations continue to perform well, providing a source of steady fee income. Positively, MFS generated positive net flows in 2020 after two years of negative net flows.

The Company’s U.S. group benefits operations overall earnings have improved in recent years, driven by good loss ratio improvements in stop-loss segment and benefits. SLF has focused on improving profitability in the stop-loss segment by repricing large portions of the business, which has suffered from increased competition as well as poor experience partially because of higher drug costs. The Company's sizable scale in group benefits 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.

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 nearly all markets, particularly 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. DBRS Morningstar expects returns on the Asian businesses to steadily improve over time and translate into a higher contribution to total company earnings as SLF’s investments in the region pay off.

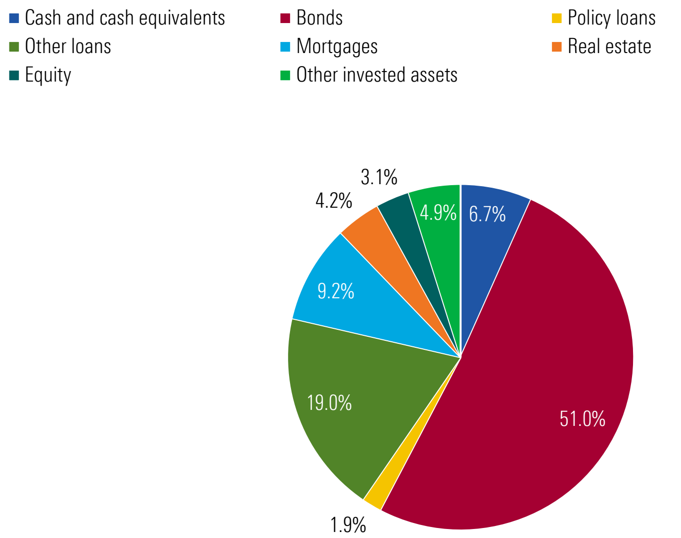
Liquidity

Grid Grade: Very Strong

DBRS Morningstar views the Company as having excellent liquidity. SLF's liquidity profile is supported by its investment portfolio that comprises a high proportion of marketable bonds and equities with about 61% of its portfolio consisting of cash, public bonds, and equities. As of Q2 2020, the Company had ample resources, including $3.5 billion in cash at the holding-company level, as well as standby credit facilities, to meet financial obligations under adverse stress scenarios. SLF aims to keep a minimum of $500 million at the holding company level at all times. The Company also has a USD 400 million committed bank syndicated credit facility maturing in 2021. SLF has sufficient resources to pay its near-term debt maturities without relying on raising additional debt to do so.

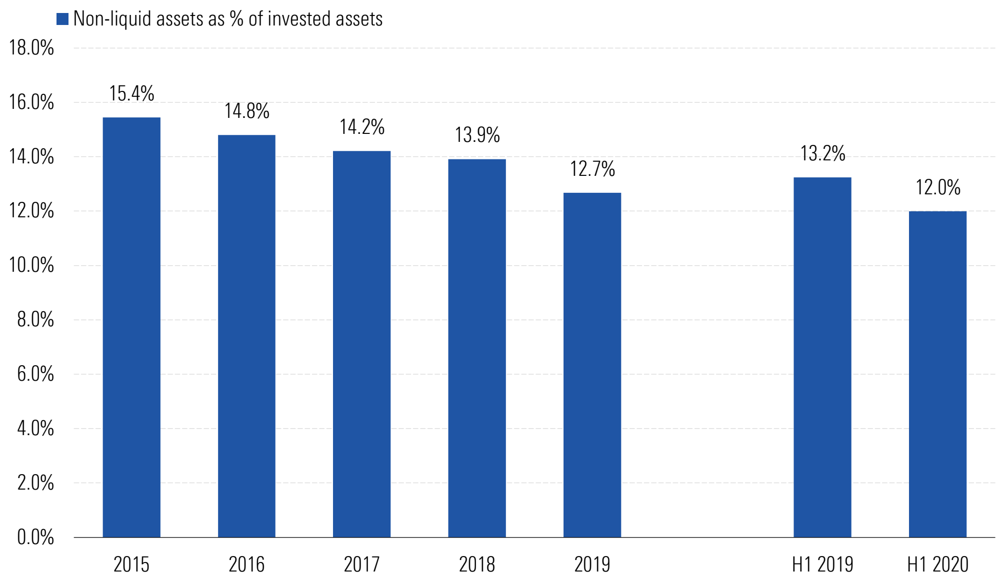
Positively, SLF has only a limited proportion of nonliquid assets in its investment portfolio. SLF has reduced its ratio of nonliquid assets to total invested assets to just about 12% at H1 2020, which is a favourable level. SLF invests a small amount of seed capital in its alternative asset managers in funds that invest in largely illiquid assets such as real estate, private equity, and infrastructure. 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. As is typical for a life insurer, the Company's claims profile is relatively predictable, with a very low probability of claims arising to a level that would cause a liquidity problem especially with the Company utilizing reinsurance as appropriate. Many of the Company's premium revenues are recurring, which provides a steady cash stream. Some liquidity risk may arise from the Company’s hedging programs, which, while beneficial in managing interest-rate, equity-market, and foreign-currency risks, present some collateral posting requirements that can affect liquidity needs.

Exhibit 8 Investment Portfolio Asset Class Mix



Source: DBRS Morningstar, Company Documents.

Exhibit 9 Nonliquid Assets Concentration



Source: DBRS Morningstar, Company Documents.

Capitalization

Grid Grade: Strong

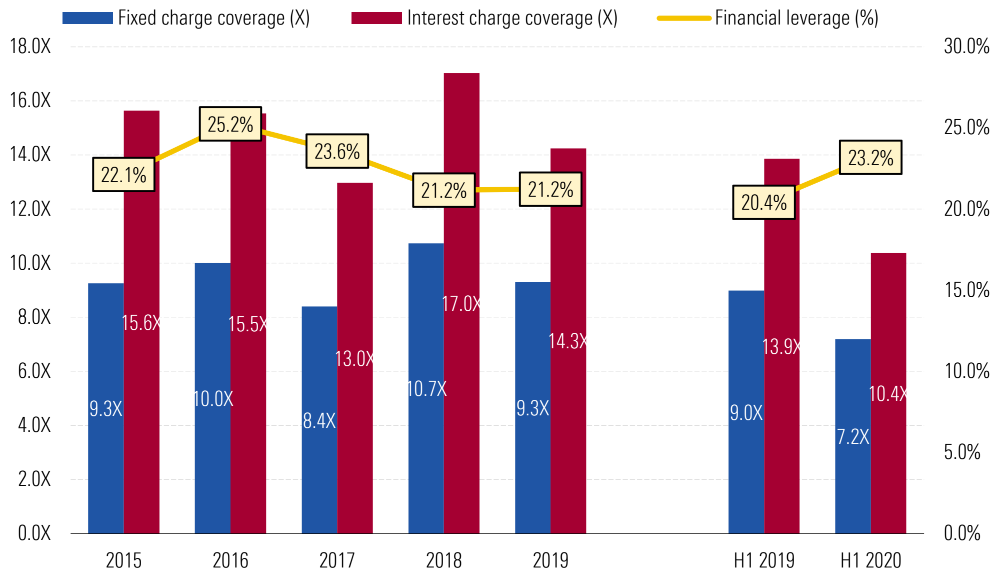
SLF and its main operating insurance subsidiary, SLA, are maintaining strong regulatory capital ratios. With sizable cushions over regulatory minimums under the Life Insurance Capital Adequacy Test (LICAT) framework, DBRS Morningstar views the Company as very well positioned to navigate adverse scenarios. As of Q2 2020, SLA's LICAT was 126%. LICAT for the consolidated holding company was very high at 146% due to $3.5 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. Additionally, OSFI is currently restricting federally regulated insurance companies from doing share repurchases or dividend increases, which can serve to further improve the capital position.

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. SLF is conservative in capital deployment through merger and acquisitions, seeking value and a strategic fit and remaining comfortable with maintaining an excess capital position. To further improve its capital position, SLF has also taken actions to derisk its businesses in recent years, which include selling or placing into runoff some of its capital intensive businesses, 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, with the Q2 2020 ratio at 23.2%. The ratio, measured as debt plus hybrids plus preferred to capitalization, can be expected to increase slightly due to the issuance of $750 million of subordinated debt in October 2020, which was partially offset by the redemption of $500 million of subordinated debt in September. 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 $300 million of SLF's senior debt outstanding as at Q2 2020 in its calculation of the Company's financial leverage ratio but treats it as operating debt instead. SLF has good capital management capabilities, demonstrated by well-staggered debt maturities, an appropriate dividend payout ratio, and high financial flexibility.

Earnings stability and stable debt levels have contributed to the Company's excellent fixed-charge ratios in the last three years. SLF has a three-year WA fixed-charge coverage ratio of 9.6 times (x) for 2017–19 and 9.3x as of YE2019, a value in line with prior years. The ratio has declined slightly in H1 2020 to 7.2x, resulting from lower earnings in 2020 combined with higher debt levels.

Exhibit 10 Leverage & Coverage*



Source: DBRS Morningstar, Company Documents.
* DBRS Morningstar has recalculated the fixed-charge coverage ratio using the recalculated EBIT to only include the coupon interest on outstanding capital debt and dividends paid on preferred shares.

Capitalization

	Period Ended June 30		For the Year Ended December 31 (IFRS)				
(In $ millions, except for % or otherwise stated)	**H1 2020**	**H1 2019**	**2019**	**2018**	**2017**	**2016**	**2015**
Regulatory Capital Strength (Sun Life Assurance)							
Required capital	21,578	19,608	19,849	19,136	7,242	7,062	6,819
Available capital - Tier 1	11,578	12,089	11,274	11,526	11,786	11,846	12,513
Available capital - Tier 2	5,278	4,507	5,242	4,727	4,216	4,107	3,874
Total available capital	27,195	26,116	25,875	25,052	16,002	15,953	16,387
LICAT/ MCCSR ratio (%)	126.0	133.2	130.4	130.9	221.0	225.9	240.3
LICAT/ MCCSR ratio (Sun Life Financial Inc.) (%)	146.0	144.0	143.0	144.0			
Risk-based capital ratio (CAL %, U.S. Branch of SLA)	NA	NA	193.4	195.0	260.0	239.7	378.5
Leverage							
Total capital	30,153	28,149	28,246	28,308	27,107	26,904	24,610
Financial Leverage (%)	23.2	20.4	21.2	21.2	23.6	25.2	22.1
Intangibles / Common Equity (%)	36.8	33.0	37.4	33.5	34.1	35.6	32.2
Tangible Common Equity / Total Capital (%)	46.0	51.0	46.8	50.4	48.7	47.1	52.3
Tangible Non-Par Capital / Nonpar Liabilities (%)	NA	NA	20.9	23.4	28.2	24.7	24.7
Par Capital / Par Liabilities (%)	NA	NA	2.9	2.5	1.9	1.2	0.5
Total Capital / Policyholder Liabilities (%)	21.3	22.2	21.7	23.4	26.2	23.8	22.8
Protection Ratios							
Quality Assets / Noncapital Liabilities (%)	53.1	51.7	52.8	51.8	51.5	51.0	50.6
Total Capital / Riskier Assets (%)	75.0	75.9	77.2	78.5	73.8	72.9	68.1

Source: DBRS Morningstar, Company Documents.

Sun Life Financial Inc. Financial (TSX: SLF)

Balance Sheet (As Reported)

	Period Ended June 30		For the Year Ended December 31 (IFRS)				
(In $ millions, except for % or otherwise stated)	**H1 2020**	**H1 2019**	**2019**	**2018**	**2017**	**2016**	**2015**
ASSETS							
Cash, cash equivalents and short-term securities	11,792	8,188	9,575	9,506	8,890	8,642	8,983
Debt securities	90,038	78,677	81,606	74,443	72,619	71,887	69,896
Equity securities	5,530	4,850	4,787	4,634	6,020	5,774	5,313
Mortgages and loans	49,858	47,485	48,222	46,822	42,805	40,775	39,103
Derivative assets	2,914	1,914	1,548	1,112	1,478	1,608	1,866
Other invested assets	5,658	5,095	5,357	4,830	4,154	3,931	3,111
Policy loans	3,308	3,196	3,218	3,222	3,106	3,141	3,151
Investment properties	7,404	7,229	7,306	7,157	7,067	6,592	6,540
Total invested assets	**176,502**	**156,634**	**161,619**	**151,726**	**146,139**	**142,350**	**137,963**
Other assets	5,049	5,114	5,216	4,498	4,408	5,109	4,567
Reinsurance assets	4,315	4,210	4,024	4,141	4,028	5,144	5,386
Deferred tax assets	1,534	1,305	1,455	1,209	1,295	1,448	1,372
Intangible assets	2,142	1,753	2,083	1,779	1,667	1,703	1,479
Goodwill	5,947	5,309	5,832	5,412	5,183	5,317	4,646
Total general fund assets	**195,489**	**174,325**	**180,229**	**168,765**	**162,720**	**161,071**	**155,413**
Investment for account of segregated fund holders	112,944	111,684	116,973	103,062	106,392	97,167	91,440
Total assets	**308,433**	**286,009**	**297,202**	**271,827**	**269,112**	**258,238**	**246,853**
LIABILITIES							
Insurance contract liabilities	142,501	127,728	131,184	121,923	117,785	115,057	110,227
Investment contract liabilities	3,198	3,145	3,116	3,164	3,082	2,913	2,913
Derivative liabilities	3,313	1,804	2,040	2,295	1,756	2,512	3,378
Deferred tax liabilities	391	393	406	322	403	687	-
Other liabilities	15,633	12,506	14,937	12,153	11,987	12,399	12,737
Senior debentures	300	600	300	599	599	599	1,548
Senior debentures - Innovative capital instruments	200	700	200	700	700	700	700
Subordinated debt	4,534	2,791	3,538	3,039	3,437	3,836	2,492
Total general fund liabilities	170,070	149,667	155,721	144,195	139,749	138,703	133,995
Insurance contracts for account of segregated fund holders	106,776	105,168	110,269	96,663	99,121	90,388	83,670
Investment contracts for account of segregated fund holders	6,168	6,516	6,704	6,399	7,271	6,779	7,770
Total liabilities	**283,014**	**261,351**	**272,694**	**247,257**	**246,141**	**235,870**	**225,435**
EQUITY							
Participating policyholders' equity and non-controlling interest	1,200	974	1,110	864	650	412	168
Preferred shareholders' equity	2,257	2,257	2,257	2,257	2,257	2,257	2,257
Common shareholders' equity	21,962	21,427	21,141	21,449	20,064	19,699	18,993
Total equity	**25,419**	**24,658**	**24,508**	**24,570**	**22,971**	**22,368**	**21,418**
Total liabilities and equity	**308,433**	**286,009**	**297,202**	**271,827**	**269,112**	**258,238**	**246,853**

Source: DBRS Morningstar, Company Documents.

Sun Life Financial Inc. Financial (TSX: SLF)

Income Statement (As Reported)

	Period Ended June 30		For the Year Ended December 31 (IFRS)				
(In $ millions, except for % or otherwise stated)	**H1 2020**	**H1 2019**	**2019**	**2018**	**2017**	**2016**	**2015**
Premiums - life insurance	5,402	4,284	9,470	8,677	8,831	8,894	7,462
Premiums - health insurance	5,466	4,945	9,908	9,121	8,519	7,909	6,474
Premiums - annuities	1,031	801	3,302	3,183	2,488	2,624	2,888
Gross premiums	**11,899**	**10,030**	**22,680**	**20,981**	**19,838**	**19,427**	**16,824**
Ceded premiums	(1,232)	(1,180)	(2,392)	(2,339)	(4,557)	(4,379)	(6,429)
Net premiums	**10,667**	**8,850**	**20,288**	**18,642**	**15,281**	**15,048**	**10,395**
Net investment income (loss)	7,754	9,699	13,140	2,389	8,211	7,945	3,555
Fee income	3,235	2,989	6,251	5,966	5,842	5,580	5,324
Total revenue	**21,656**	**21,538**	**39,679**	**26,997**	**29,334**	**28,573**	**19,274**
Gross claims & benefits paid	9,196	8,473	17,421	15,986	15,353	15,210	14,086
Change in investment/insurance contract liabilities & reinsurance assets	7,051	7,629	10,967	70	6,070	5,204	684
Operating expenses, commissions and other expenses	5,171	4,891	10,189	9,451	9,495	9,027	7,751
Reinsurance expenses (recoveries)	(1,140)	(1,011)	(2,131)	(2,021)	(4,373)	(4,313)	(6,146)
Total policy benefits and expenses	**20,278**	**19,982**	**36,446**	**23,486**	**26,545**	**25,128**	**16,375**
Income (loss) before income taxes	**1,378**	**1,556**	**3,233**	**3,511**	**2,789**	**3,445**	**2,899**
Income tax expense (benefit)	340	178	286	597	302	619	599
Participating policyholders' net income (loss) and non-controlling interest	80	112	234	298	245	245	15
Preferred shareholder dividends	48	48	95	94	93	96	100
Common shareholders' reported net income (loss)	**910**	**1,218**	**2,618**	**2,522**	**2,149**	**2,485**	**2,185**

Source: DBRS Morningstar, Company Documents.

Peer Group Comparison - F2019

	Sun Life Financial Inc.	Manulife Financial Corporation	Great-West Lifeco Inc.	iA Financial Corporation
Operating Company Financial Strength Rating:	AA	AA	AA	A (high)
Holding Company Issuer Rating:	A (high)	A (high)	A (high)	A (low)
Trend:	Stable	Stable	Stable	Stable
Period Ended:	12/31/2019	12/31/2019	12/31/2019	12/31/2019
Financial Data ($ millions)				
Net Premium Income	20,288	35,578	24,510	8,944
Fee Income & Other Revenue	6,251	10,399	7,081	1,680
Total Assets	297,202	809,130	451,167	73,148
Assets Under Management	1,099,347	1,043,461	771,715	100,242
Assets Under Administration (only)	34,997	145,397	857,966	89,246
Total Common Equity	21,141	45,316	19,963	5,563
Total Equity	24,508	50,106	25,543	6,130
Total Capital	28,246	61,769	31,536	7,180
Earnings Ability Ratios (%)				
Return on Common Equity (leveraged returns)	12.29	12.42	11.29	12.84
Return on Common Equity (leveraged returns) (3-year weighted average)	11.95	10.73	12.09	12.45
EBIT/Total Capitalization	12.61	11.04	9.68	13.72
EBIT/Total Capitalization (three-year weighted average)	12.73	9.80	10.17	13.55
Liquidity Ratios (%)				
Non-Liquid Asset Concentration	12.67	15.39	15.56	7.82
Capitalization & Asset Quality Ratios (%)				
LICAT/CARLI	130.36	140.00	135.00	132.82
Risk-Based Capital (RBC)	193.37	422.27	626.85	430.48
Intangibles & Goodwill/Common Equity	37.44	22.01	52.02	30.84
Tangible Common Equity/Total Capital	46.82	57.21	30.37	53.59
Par Capital/Par Liabilities	2.90	(0.36)	5.03	NA
Tangible Non-Par Capital/Nonpar Liabilities	20.89	21.15	18.28	23.72
Financial Leverage	21.22	25.07	27.61	21.93
Fixed-Charge Coverage (Current Period) (x)	9.30	8.75	6.78	10.54
Fixed-Charge Coverage (three-year weighted average) (x)	9.55	7.42	7.41	9.90
Interest Charge Coverage (Current Period) (x)	14.25	12.58	11.10	15.91
Interest Charge Coverage (three-year weighted average) (x)	14.83	10.54	12.57	14.49
Quality Assets/Noncapital Liabilities	52.81	46.59	58.44	72.94
Total Capital/Riskier Assets	77.18	52.25	76.75	18.54
BBB and Lower Bonds/Total Bonds (including private placements)	26.14	25.66	19.51	16.66

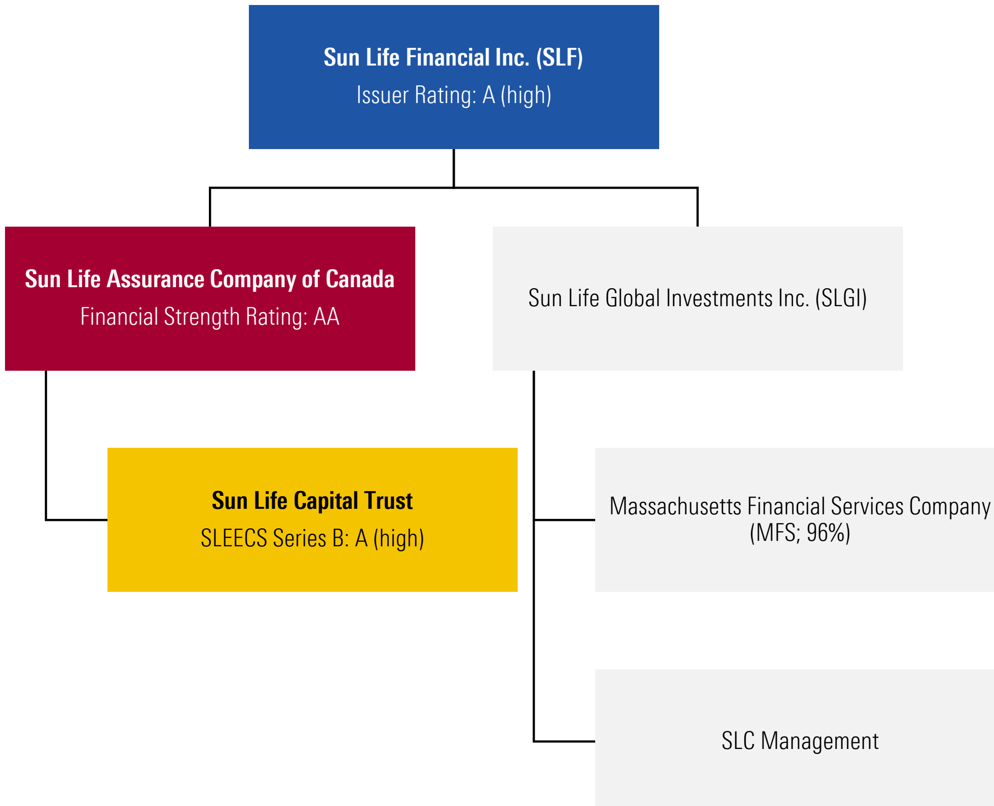
Source: DBRS Morningstar, Company Documents.

Peer Group Comparison - H1 2020

	Sun Life Financial Inc.	Manulife Financial Corporation	Great-West Lifeco Inc.	iA Financial Corporation
Operating Company Financial Strength Rating:	AA	AA	AA	A (high)
Holding Company Issuer Rating:	A (high)	A (high)	A (high)	A (low)
Trend:	Stable	Stable	Stable	Stable
Period Ended:	6/30/2020	6/30/2020	6/30/2020	6/30/2020
Financial Data ($ millions)				
Net Premium Income	10,667	17,588	21,296	4,869
Fee Income & Other Revenue	3,235	5,345	2,847	856
Total Assets	308,433	865,898	457,996	80,004
Assets Under Management	1,121,573	1,086,790	773,322	95,340
Assets Under Administration (only)	34,024	149,511	889,929	85,683
Total Common Equity	21,962	48,756	20,393	5,696
Total Equity	25,419	53,476	26,109	6,271
Total Capital	30,153	67,142	32,711	7,719
Earnings Ability Ratios (%)				
Return on Common Equity (leveraged returns)	8.44	8.24	11.94	7.88
EBIT/Total Capitalization	10.67	8.62	9.63	8.79
Liquidity Ratios (%)				
Nonliquid Asset Concentration	12.00	14.84	15.50	6.97
Capitalization & Asset Quality Ratios (%)				
LICAT/CARLI	126.03	155.00	132.00	123.66
Intangibles & Goodwill/Common Equity	36.83	21.08	51.97	52.32
Tangible Common Equity/Total Capital	46.01	57.31	29.94	35.18
Financial Leverage	23.19	26.05	28.48	25.56
Fixed-Charge Coverage (Current Period) (x)	7.18	8.10	6.86	6.35
Interest Charge Coverage (Current Period) (x)	10.37	12.35	11.54	9.02
Quality Assets/Noncapital Liabilities	53.08	46.91	58.10	68.30
Total Capital/Riskier Assets	75.03	55.88	77.24	83.55
BBB and Lower Bonds/Total Bonds (including private placements)	27.32	26.17	21.01	17.43

Source: DBRS Morningstar, Company Documents.

Simplified Corporation Organization Chart



Source: Company Documents; DBRS Morningstar.

The applicable methodology is the *Global Methodology for Rating Life and P&C Insurance Companies and Insurance Organizations* (July 21, 2020), which can be found on dbrsmorningstar.com under Methodologies.

Ratings

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

Source: DBRS Morningstar.

Ratings History

Issuer	Obligation	Current	2019	2018	2017
Sun Life Assurance Company of Canada	Financial Strength Rating	AA	AA	AA (low)	AA (low)
Sun Life Assurance Company of Canada	Issuer Rating	AA	AA	AA (low)	AA (low)
Sun Life Assurance Company of Canada	Subordinated Debt	AA (low)	AA (low)	A (high)	A (high)
Sun Life Capital Trust	SLEECS Series B	A (high)	A (high)	A	A
Sun Life Capital Trust II	SLEECS Series 2009-1	Discontinued	A (high)	A	A
Sun Life Financial Inc.	Issuer Rating	A (high)	A (high)	A	A
Sun Life Financial Inc.	Senior Unsecured Debentures	A (high)	A (high)	A	A
Sun Life Financial Inc.	Subordinated Unsecured Debentures	A	A	A (low)	A (low)
Sun Life Financial Inc.	Preferred Shares	Pfd-2 (high)	Pfd-2 (high)	Pfd-2	Pfd-2

Source: DBRS Morningstar.

Previous Actions

- DBRS Morningstar Upgrades Sun Life Financial Inc. to A (high) and Sun Life Assurance to AA, October 16, 2019.
- 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.

Related Research

- Canadian Insurance Companies Further Access Debt Capital Markets in 2020, August 25, 2020.
- Manulife's Q2 2020 Strong Core Earnings Pressured by Financial Markets' Volatility, August 6, 2020.
- Low Interest Rates to Remain a Challenge for Life Insurers' Profitability, July 30, 2020.

- Life Insurers' Fixed-Income Investment Portfolios Are Diversified, but Exposed to Asset Quality Erosion, June 10, 2020.
- Evaluating the Impact of Weak Economic Conditions on Group Life and Health Insurers in Canada, May 27, 2020.
- Canadian Insurance Companies Maintain Strong Access to Debt Markets Despite the Coronavirus Pandemic, May 20, 2020.
- Manulife's Credit Profile Remains Resilient, However Q1 2020 Earnings Affected by Market Volatility, May 8, 2020.
- Large Canadian Life Insurers: Strong Performance in 2019, but Coronavirus Weighs on 2020 Outlook, March 11, 2020.
- Coronavirus Disease (COVID-19) Impact on Life Insurers More Likely to Result from Adverse Market Movements than Increased Claims, March 5, 2020.
- DBRS Morningstar: Manulife's Solid New Business Growth Bolsters Earnings, February 14, 2020.
- DBRS Morningstar: Manulife's Q3 2019 Results Show Neutral Impact on Its LTC Reserves Following Triennial Review, November 7, 2019.

Previous Reports

- Sun Life Financial Inc., Rating Report, October 24, 2019.
- Sun Life Financial Inc., Rating Report, December 18, 2018.

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

For the definition of Issuer Rating, please refer to Rating Definitions under Rating Policy on www.dbrsmorningstar.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.

About DBRS Morningstar

DBRS Morningstar is a global credit ratings business with approximately 700 employees in eight offices globally.

On July 2, 2019, Morningstar, Inc. completed its acquisition of DBRS. Combining DBRS' strong market presence in Canada, the U.S., and Europe with Morningstar Credit Ratings' U.S. footprint has expanded global asset class coverage and provided investors with an enhanced platform featuring thought leadership, analysis, and research. DBRS and Morningstar Credit Ratings are committed to empowering investor success, serving the market through leading-edge technology and raising the bar for the industry.

Together as DBRS Morningstar, we are the world's fourth-largest credit ratings agency and a market leader in Canada, the U.S., and Europe in multiple asset classes. We rate more than 2,600 issuers and 54,000 securities worldwide and are driven to bring more clarity, diversity, and responsiveness to the ratings process. Our approach and size provide the agility to respond to customers' needs, while being large enough to provide the necessary expertise and resources.