



Q3 2020

Financial & Operating Results

For the period ended September 30, 2020



Life's brighter under the sun

Sun Life Financial Inc. (unaudited)

In this presentation, Sun Life Financial Inc. (“SLF” or “SLF Inc.”), its subsidiaries and, where applicable, its joint ventures and associates are referred to as “we”, “us”, “our”, “Sun Life” and the “Company”.

Forward-looking statements

Certain statements in this presentation and certain oral statements made by senior management during the earnings conference call on November 5, 2020 (collectively, this “presentation”), including, but not limited to, statements that are not historical facts, are forward-looking and are subject to inherent risks, uncertainties and assumptions. The results or events predicted in these forward-looking statements may differ materially from actual results or events and we cannot guarantee that any forward-looking statement will materialize. Except as may be required by law, we do not undertake any obligation to update or revise any forward-looking statements made in this presentation.

Non-IFRS Financial Measures

The Company prepares its financial statements in accordance with international financial reporting standards (“IFRS”). This presentation includes financial measures that are not based on IFRS (“non-IFRS financial measures”). The Company believes that these non-IFRS financial measures provide information that is useful to investors in understanding the Company’s performance and facilitate the comparison of the quarterly and full year results from period to period. These non-IFRS financial measures do not have any standardized meaning and may not be comparable with similar measures used by other companies. For certain non-IFRS financial measures, there are no directly comparable amounts under IFRS. These non-IFRS financial measures should not be viewed as alternatives to measures of financial performance determined in accordance with IFRS.

Sources of earnings

Sources of earnings is based on the requirements of the Office of the Superintendent of Financial Institutions, Canada and guidelines of the Canadian Institute of Actuaries. It is used to identify the primary sources of gains or losses in each reporting period and is not based on IFRS. Additional information concerning our sources of earnings is included in the Company’s Annual Report.

Additional information

Additional information concerning forward-looking statements and non-IFRS financial measures is included at the end of this presentation.

Currency

Unless otherwise noted, all amounts are in Canadian dollars.

Dean Connor

President and Chief Executive Officer

Key highlights

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

Financial (vs. Q3 2019)

\$750M +10%

Reported net income

\$842M +4%

Underlying net income⁽¹⁾

\$681M (1)%

Insurance sales⁽¹⁾

\$1.44 +5%

Underlying EPS⁽¹⁾

\$52.7B +28%

Wealth sales⁽¹⁾

15.1% (40)bps

Underlying ROE⁽¹⁾

\$261M +4%

Value of new business⁽¹⁾

144%

SLF LICAT ratio⁽²⁾

Accomplishments

**SLC Management:
InfraRed & Crescent bring
pro forma AUM to \$145B^(1,2)**

Closed on the InfraRed acquisition, and announced intention to acquire a majority stake in Crescent Capital, adding new capabilities to SLC Management

MFS US\$4.5B net flows

Seventh consecutive quarter of positive U.S. retail flows

**100% of U.S. enrollment
events done virtually**

All benefits enrollments we manage on behalf of our Clients were completed virtually, up from 19% in 2019⁽³⁾

**Digitally processed 91%
of applications in Canada**

Majority of retail insurance applications were processed digitally in the quarter, including support from our Sun eApp tool for third party advisors and their Clients

**Remote Online Medical
Exam in the Philippines**

A first in the market where health professionals perform online medical exams for prospective Clients

- (1) Underlying net income, Earnings per Share (EPS), Return on Equity (ROE), Sales, Value of New Business, and Assets Under Management (AUM) are Non-IFRS financial measures. See "Use of Non-IFRS Financial Measures" and "Reconciliation of Select Net Income measures" in the appendix to these slides.
- (2) On October 21, we announced our intention to acquire a majority stake in Crescent Capital Group LP and the transaction is subject to regulatory approvals and the satisfaction of closing conditions. InfraRed Capital Partners closed on July 1. See "Forward-Looking Statements" and "Risk Factors" in the appendix to these slides.
- (3) Based on U.S. Group Benefits/National Accounts enrollments since mid-March, compared to the same period prior year.

KEVIN STRAIN

Executive Vice President & Chief Financial Officer

Q3 2020 results

\$ millions (except EPS, ROE, AUM, Book value per share)	Q3'20	Q2'20	Q3'19	YoY Change
Reported net income	750	519	681	10%
Underlying net income ⁽¹⁾	842	739	809	4%
Reported EPS ⁽²⁾	1.28	0.88	1.15	11%
Underlying EPS ⁽¹⁾⁽²⁾	1.44	1.26	1.37	5%
Reported ROE ⁽¹⁾	13.5%	9.4%	13.0%	50 bps
Underlying ROE ⁽¹⁾	15.1%	13.4%	15.5%	(40) bps
Value of New Business ⁽¹⁾	261	206	252	4%
Assets Under Management ⁽¹⁾	1,186B	1,122B	1,063B	12%
Book value per share	38.17	37.56	35.56	7%

(1) Underlying net income, EPS, ROE, value of new business, assets under management and financial leverage ratio are Non-IFRS financial measures. See "Use of Non-IFRS Financial Measures" and "Reconciliation of Select Net Income measures" in the appendix to these slides.

(2) Fully diluted basis.

(3) Life Insurance Capital Adequacy Test ("LICAT") ratio of SLF and of Sun Life Assurance Company of Canada ("SLA").

(4) \$750 million principal amount of subordinated principal amount of Series 2020-2 Subordinated Unsecured 2.06% Fixed/Floating Debentures due 2035.

(5) See "Forward-Looking Statements" in the appendix to these slides.



Capital management

144%
127%

SLF LICAT ratio⁽³⁾

SLA LICAT ratio⁽³⁾

21.5%

Financial leverage ratio⁽¹⁾

\$2.4 B

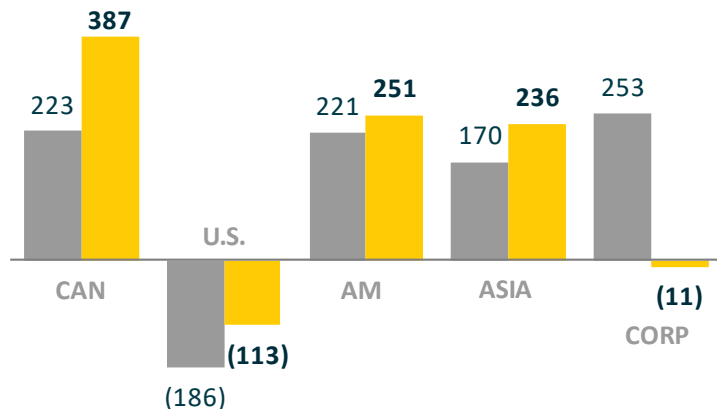
Cash and other liquid assets at SLF and its wholly-owned holding companies

- On October 1, SLF issued \$750 million of subordinated debt⁽⁴⁾
- Proforma: SLF LICAT ratio increases by over 3 percentage points and financial leverage ratio increases to 23.5%⁽⁵⁾

Business group performance

Reported net income (\$ millions)

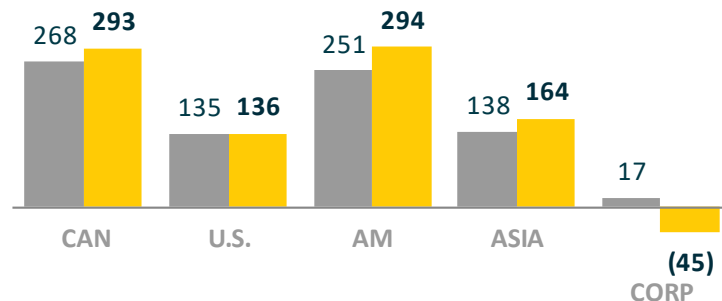
Impact of currency increased reported net income by \$11M



■ Q3'19 ■ Q3'20

Underlying net income⁽¹⁾ (\$ millions)

Impact of currency increased underlying net income by \$9M



Sources of earnings

Sources of earnings Common shareholders \$ millions	Q3'20	Q3'19
Expected profit on in-force business	924	816
Impact of new business	8	(22)
Experience gains/(losses)	(13)	(86)
Assumption changes and management actions (ACMA) ⁽¹⁾	(91)	(74)
Other ⁽²⁾	(60)	(58)
Earnings from operations	768	576
Earnings on surplus	96	137
Earnings before income taxes	864	713
Income tax (expense) or recovery ⁽³⁾	(93)	(9)
Preferred share dividends and non-controlling interest	(21)	(23)
Reported net income	750	681

Highlights

Expected profit: continued growth in all business groups, with particular strength across Asset Management, Canada, and U.S.

Impact of new business: benefiting from repricing of individual insurance products in Canada; higher sales and repricing in International Hubs

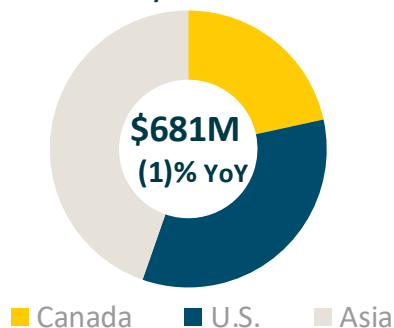
Q3 2020 ACMA updates to:

- unfavourable lapse and policyholder behaviour (mostly in U.S. In-Force Management [IFM])
- unfavourable mortality in Canada Individual Life and Health and U.S. IFM
- favourable morbidity experience in Canada Group and the UK
- favourable enhancements and methodology changes across all jurisdictions
- favourable investment-related assumptions across the Company

Earnings on surplus: lower investment income and lower AFS gains

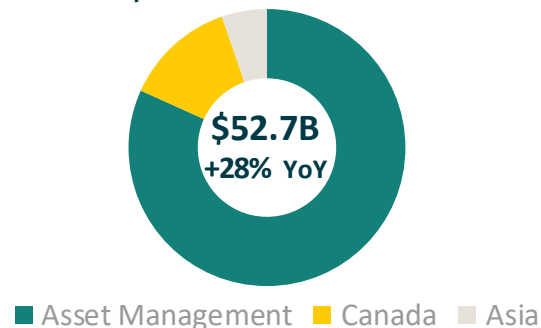
Sales results by business group

Insurance sales by business⁽¹⁾



- Canada insurance sales decreased by 28%, reflecting lower sales in Group Benefits due to lower market activity
- U.S. insurance sales increased by 24%, driven by higher sales in all businesses
- Asia insurance sales were in line with the prior period, as increases in International Hubs were largely offset by decreases in the Philippines as a result of the impact of COVID-19

Wealth sales by business⁽¹⁾



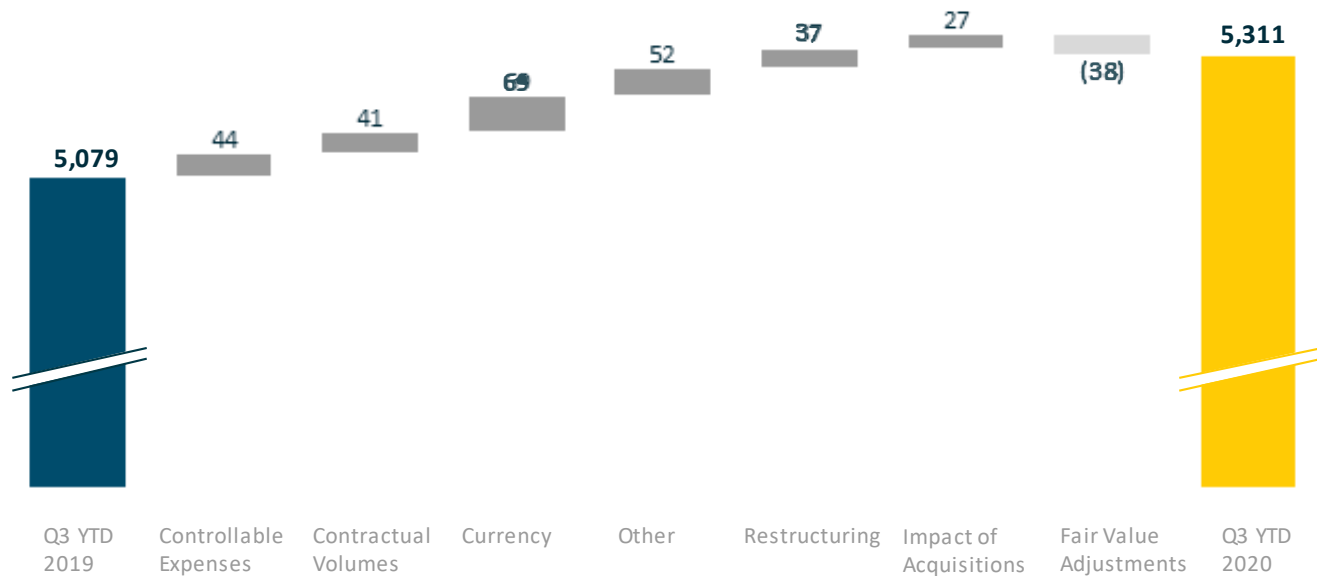
- Asset Management sales increased by 24%, driven by higher mutual and managed fund sales in MFS, partially offset by lower sales in SLC Management
- Canada wealth sales increased by 65%, driven by higher large case sales in Group Retirement Services
- Asia wealth sales increased by 7%, driven by fixed income sales in India, partially offset by lower wealth sales in the Philippines

Value of new business⁽¹⁾⁽²⁾

\$261M
+4% YoY

Operating expenses

Expenses up 3% on a constant currency basis
(\$ millions)



Year-to-date
controllable expenses
increased 1%



SAVE THE DATE

SLC Management Investor Day
March 18, 2021

| Appendix

Reconciliation of underlying net income

\$ millions	Q3'20 Pre-tax	Q3'20 Post-tax
Reported net income		750
Net equity market impact (including basis risk impact of \$8 million) ⁽¹⁾	65	50
Net interest rate impact (including credit spread impact of \$(27) and swap spread impact of \$(5) million) ⁽¹⁾	(68)	(14)
Impact of changes in the fair value of investment properties	(46)	(37)
Assumption changes and management actions ⁽²⁾	(91)	(53)
Other ⁽³⁾	(60)	(38)
Underlying net income⁽²⁾		842

Differences between pre- and post-tax results reflect mix of business based on the Company's international operations

(1) Amounts provided for basis risk, credit spread and swap spread are after-tax.

(2) Underlying net income and assumption changes and management actions are Non-IFRS financial measures. See "Use of Non-IFRS Financial Measures" in the appendix to these slides.

(3) Other includes: fair value adjustments on MFS's share-based payment awards, acquisition, integration and restructuring costs, and the impact of certain hedges in Canada that do not qualify for hedge accounting.

Other notable items

Impact of other items on our net income \$ millions	Q3'20 Pre-tax	Q3'20 Post-tax
Experience related items		
Impact of investment activity on insurance contract liabilities	33	28
Credit	(1)	(2)
Mortality	(26)	(19)
Morbidity	84	65
Lapse and other policyholder behaviour	(10)	(9)
Expenses	(21)	(15)
Other	(27)	(13)
Total other notable items	32	35

Differences between pre- and post-tax results reflect mix of business based on the Company's international operations

Market movements and impacts in the quarter

Market Movements	QTD	YTD
	September 30, 2020	September 30, 2020
S&P/TSX	+3.9%	(5.5)%
S&P 500	+8.5%	+4.1%
CA 10 - year	+3 bps	(114) bps
CA 30 - year	+12 bps	(65) bps
US 10 - year	+3 bps	(123) bps

Earnings on Surplus (\$millions, pre-tax)	Q3'20	Q2'20	Q1'20
Investment income	113	127	128
AFS gains	26	33	68
Seed investment gains/(losses)	2	37	(42)
Investment properties mark-to-market	(4)	(4)	(3)
Interest on debt	(41)	(38)	(35)
Total	96	155	116

Equity Market Impacts (\$millions, after-tax)	Q3'20	Q2'20	Q1'20
Equity market movement and volatility	42	105	(303)
Basis risk	8	(46)	(57)
Total	50	59	(360)

Interest Impacts (\$millions, after-tax)	Q3'20	Q2'20	Q1'20
Interest rate changes	18	(123)	(87)
Credit spread movements	(27)	(72)	127
Swap spread movements	(5)	(10)	39
Total	(14)	(205)	79

Credit-Related Impacts (\$millions, after-tax)	Q3'20	Q2'20	Q1'20
Changes in ratings	(33)	(60)	(39)
Impairments, net of recoveries	3	(24)	(1)
Release of best estimate credit	28	26	25
Total	(2)	(58)	(15)

Use of Non-IFRS Financial Measures

We report certain financial information using non-IFRS financial measures, as we believe that these measures provide information that is useful to investors in understanding our performance and facilitate a comparison of our quarterly and full year results from period to period. Non-IFRS financial measures do not have any standardized meaning and may not be comparable with similar measures used by other companies. For certain non-IFRS financial measures, there are no directly comparable amounts under IFRS. Non-IFRS financial measures should not be viewed in isolation from or as alternatives to measures of financial performance determined in accordance with IFRS. Additional information concerning non-IFRS financial measures and reconciliations to the closest IFRS measures are available in the Q3 2020 MD&A under the heading M - Non-IFRS Financial Measures, our annual MD&A and the Supplemental Financial Information packages that are available on www.sunlife.com under Investors – Financial results and reports.

Non-IFRS measures

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

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

Underlying EPS also excludes the dilutive impact of convertible instruments. All factors discussed in this presentation that impact our underlying net income are also applicable to reported net income.

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

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

Reconciliation of Select Net Income Measures	Q3'20	Q2'20	Q3'19
Common shareholders' reported net income (loss)	750	519	681
Less:			
Impact of certain hedges that do not qualify for hedge accounting	5	-	(5)
Fair value adjustments on share-based payment awards at MFS	(32)	(24)	(8)
Acquisition, integration and restructuring	(11)	(14)	(26)
Net equity market impact	50	59	9
Net interest rate impact	(14)	(205)	(90)
Net increases (decrease) in the fair value of real estate	(37)	(41)	(8)
Assumption changes and management actions	(53)	5	-
Common shareholders' underlying net income (loss)	842	739	809

Forward-Looking Statements

From time to time, the Company makes written or oral forward-looking statements within the meaning of certain securities laws, including the "safe harbour" provisions of the United States Private Securities Litigation Reform Act of 1995 and applicable Canadian securities legislation. Forward-looking statements contained in this document include statements (i) relating to our strategies, (ii) relating to our growth initiatives and other business objectives, (iii) relating to the plans we have implemented in response to the COVID-19 pandemic and related economic conditions and their impact on the Company, (iv) relating to our pending acquisition of a majority stake in Crescent Capital, including statements relating to pro forma AUM, (v) that are predictive in nature or that depend upon or refer to future events or conditions, and (vi) that include words such as "achieve", "aim", "ambition", "anticipate", "aspiration", "assumption", "believe", "could", "estimate", "expect", "goal", "initiatives", "intend", "may", "objective", "outlook", "plan", "project", "seek", "should", "strategy", "strive", "target", "will", and similar expressions. Forward-looking statements include the information concerning our possible or assumed future results of operations. These statements represent our current expectations, estimates, and projections regarding future events and are not historical facts, and remain subject to change, particularly in light of the ongoing and developing COVID-19 pandemic and its impact on the global economy and its uncertain impact on our business.

Forward-looking statements are not a guarantee of future performance and involve risks and uncertainties that are difficult to predict. Future results and shareholder value may differ materially from those expressed in these forward-looking statements due to, among other factors, the impact of the COVID-19 pandemic and related economic conditions on our operations, liquidity, financial conditions or results and the matters set out in the Q3 2020 MD&A under the headings C - Profitability - 5 - Income taxes, E - Financial Strength and H - Risk Management and in SLF Inc.'s 2019 Annual Information Form under the heading Risk Factors and the factors detailed in SLF Inc.'s other filings with Canadian and U.S. securities regulators, which are available for review at www.sedar.com and www.sec.gov, respectively.

Risk Factors

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

The following risk factors are related to our acquisition of a majority stake in Crescent Capital that could have a material adverse effect on our forward-looking statements: (1) the ability of the parties to complete the transaction; (2) failure of the parties to obtain necessary consents and approvals or to otherwise satisfy the conditions to the completion of the transaction in a timely manner, or at all; (3) our ability to realize the financial and strategic benefits of the transaction; (4) the impact of the announcement of the transaction on Sun Life and Crescent Capital. These risks all could have an impact on our business relationships (including with future and prospective employees, Clients, distributors and partners) and could have a material adverse effect on our current and future operations, financial conditions and prospects.

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