



# BUILDING SUSTAINABLE SHAREHOLDER VALUE

Second Quarter, 2017

SUN LIFE FINANCIAL

  
Sun  
Life Financial  
Life's brighter under the sun



# BUSINESS OVERVIEW

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SUN LIFE FINANCIAL INC.

# SUN LIFE FINANCIAL IN 2017

A **\$29 billion<sup>1</sup> leading, international** financial services provider... operating through a **balanced and diversified** model... focused on creating **shareholder value** now and in the future





# THE SUN LIFE STORY: AMBITIOUS AND ACHIEVABLE

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1

We have four strong pillars that can each compete, win and grow in their respective sectors and which leverage each other

2

Bound together by a strong balance sheet and risk culture, including no direct U.S. Variable Annuity or Long-Term Care

3

Underpinned by a strong performance culture that is humble, but ambitious; driven by results, but not yet satisfied

4

Led by a proven management team that can execute on growth with disciplined capital allocation

5

Galvanized by a new objective – to become one of the best insurance and asset managers in the world through a step-change around Clients

6

Building on momentum created by past organic investments and acquisitions that will help drive earnings growth

7

With the objective of generating 8-10% average annual underlying EPS growth and a 12-14% underlying ROE, while maintaining a strong dividend payout ratio



# SETTING A BOLD NEW OBJECTIVE

**“ Our ambition is to be ONE OF THE BEST insurance and asset management companies globally ”**

**Each pillar viewed as one of the best in its markets**

**Top Quartile Client Experience**

**Disproportionate Share of Top Talent**

**Top Quartile TSR**



## CLIENT FOR LIFE: A STEP

From:	To:
▪ Customers	▪ Clients
▪ Product sale	▪ Advice and solutions
▪ One-time interaction	▪ A lifetime relationship
▪ Reactive	▪ Proactive: Sun Life has my back
▪ Insurance jargon	▪ Language that people understand
▪ Complex paper driven processes	▪ Simplified digital process

***THIS WILL FEEL  
DIFFERENT***

- Relationship with Clients will change
- Relationship with Advisors will change
- Innovation and adoption, test and learn
- New key performance indicators, communications, incentives, investments – in short, everything changes

# AMBITION TO BE “ONE OF THE BEST” INSURANCE AND ASSET MANAGEMENT COMPANIES IN THE WORLD

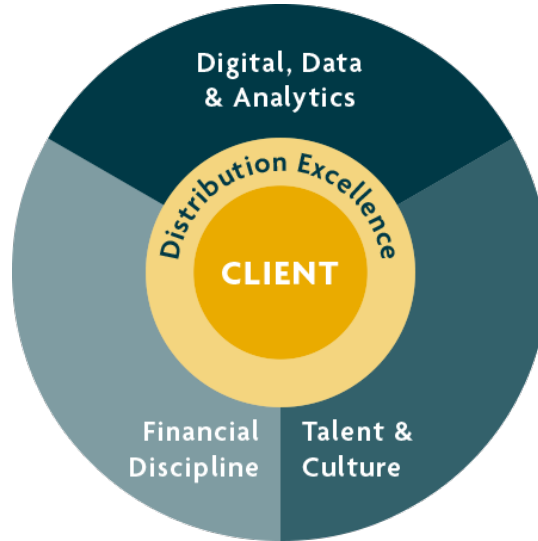
A growth strategy focused on **high ROE** and **strong capital generation** through **leading positions** in **attractive markets globally**



**A Leader** in Insurance and Wealth Solutions in our **Canadian home market**



**A Leader** in global **Asset Management**



**A Leader** in **U.S. Group Benefits** and **International** high net worth solutions



**A Leader** in **Asia** through **Distribution Excellence** in Higher Growth Markets

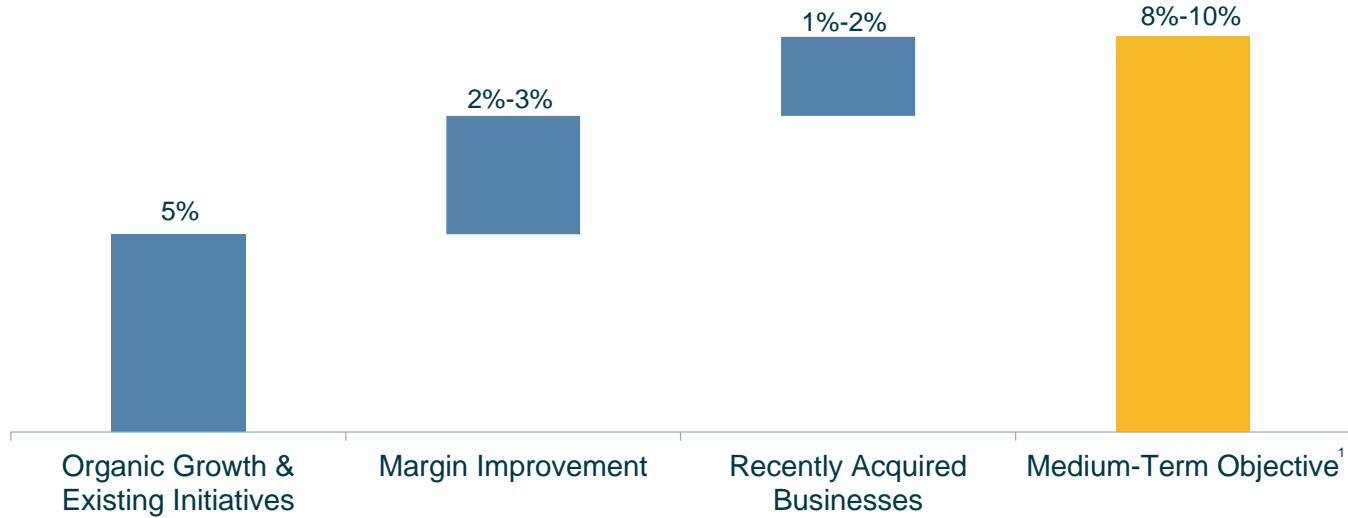


## MEDIUM-TERM FINANCIAL OBJECTIVES<sup>1</sup>

EPS growth: 8-10% -- Underlying ROE: 12-14% -- Dividend payout ratio: 40-50%

<sup>1</sup> The objectives are forward-looking non-IFRS financial measures based on underlying net income and are not earnings guidance. See “Medium-Term Financial Objectives” in the appendix to these slides.

# KEY DRIVERS SUPPORT MEDIUM-TERM EPS OBJECTIVES

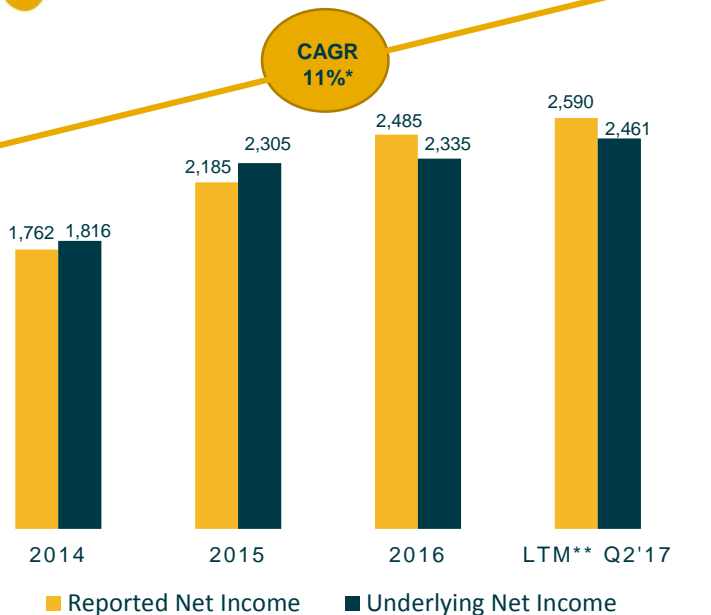


*Additional opportunities through effective capital deployment*

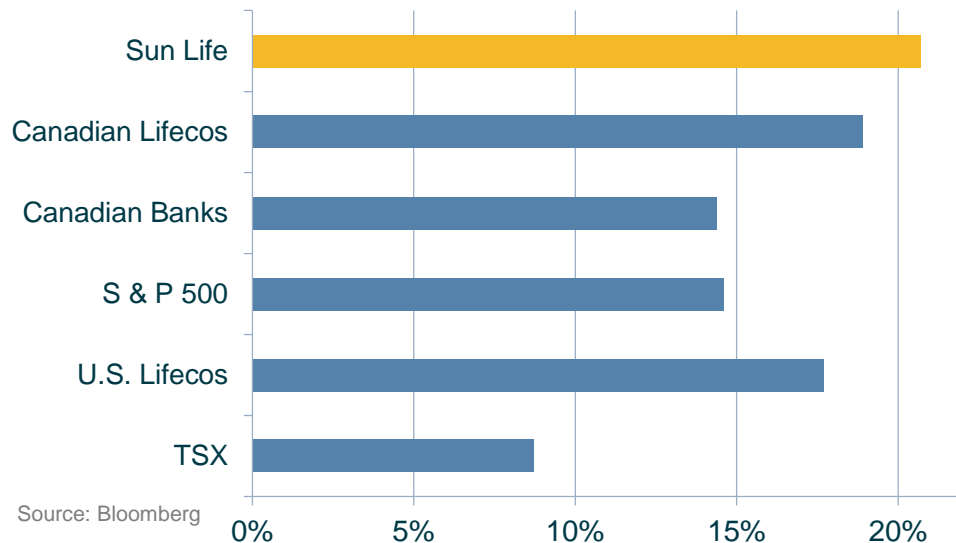


# DELIVERING VALUE TO SHAREHOLDERS

NET INCOME<sup>1</sup>  
(C\$ MILLIONS)



TOTAL SHAREHOLDER RETURN  
FIVE YEARS AS OF  
JUNE 30, 2017  
(ANNUALIZED RETURN)



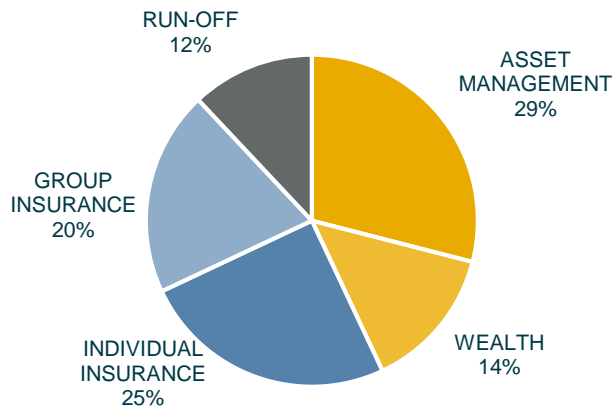
\* CAGR for underlying net income

<sup>1</sup> Underlying Net Income represents a non-IFRS financial measure. See "Use of Non-IFRS Financial Measures" and "Reconciliation of Net Income measures" in the appendix to these slides.

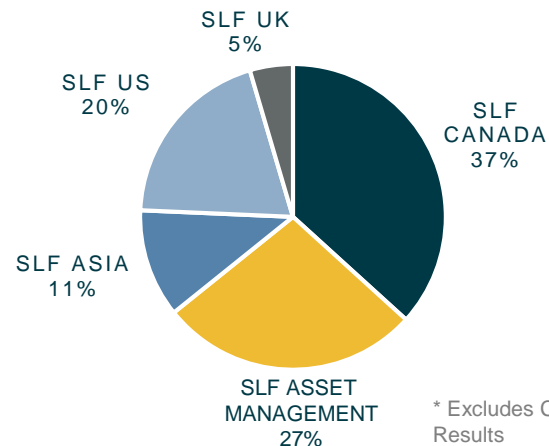
\*\* LTM – Last Twelve Months

# BALANCED AND DIVERSIFIED BUSINESS

**BUSINESS  
DIVERSIFICATION  
Q2'17 UNDERLYING NET INCOME**



**GEOGRAPHIC  
DIVERSIFICATION  
Q2'17 UNDERLYING NET INCOME\***



\* Excludes Corporate Support Results

**01**

No direct U.S. Variable Annuity or Long-Term Care Exposure

**02**

Relatively low market risk exposure

**03**

248% MCCR (SLF), \$1.4B of Holdco cash, 22.5% leverage ratio

**04**

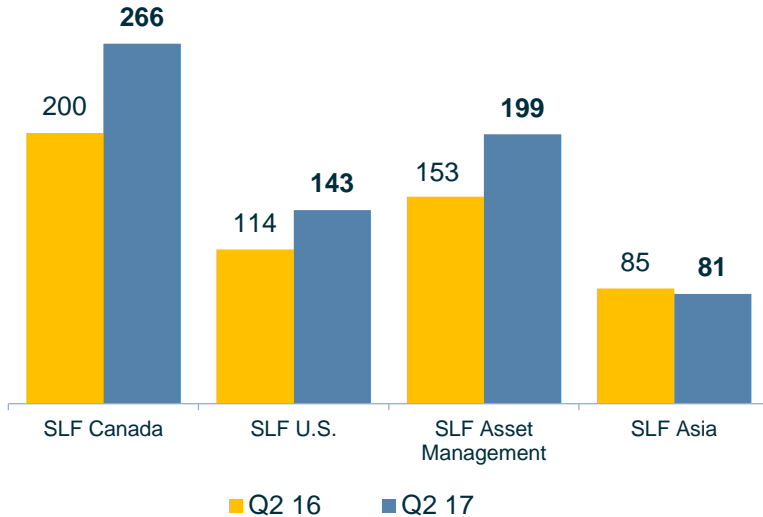
Strong risk management culture

**05**

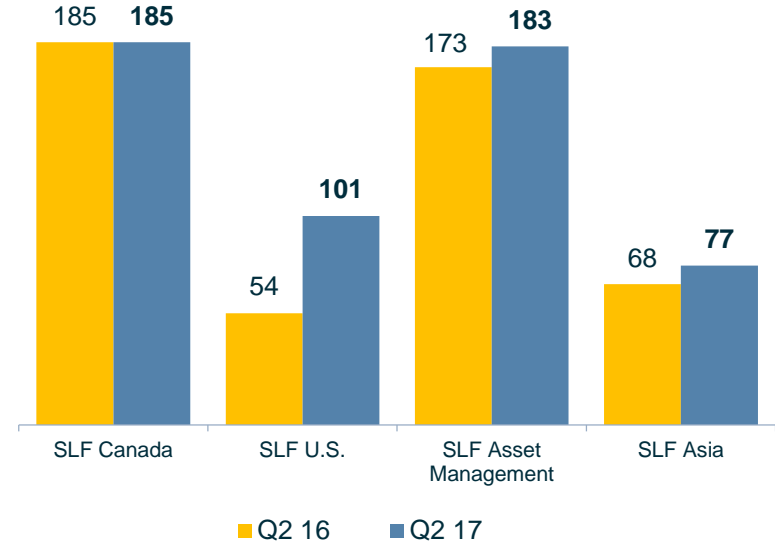
Balanced and diversified portfolio to deliver across cycles

# BUSINESS GROUP PERFORMANCE

## UNDERLYING NET INCOME (C\$ MILLIONS)



## REPORTED NET INCOME (C\$ MILLIONS)

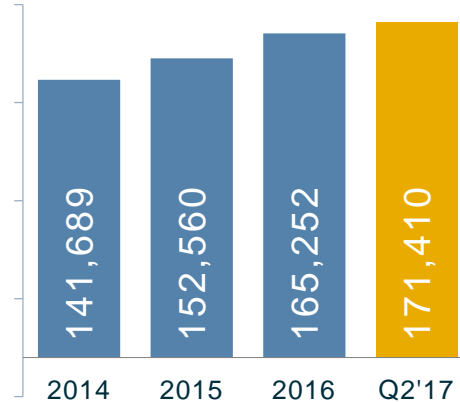


# SLF CANADA: GROWING EARNINGS POWER

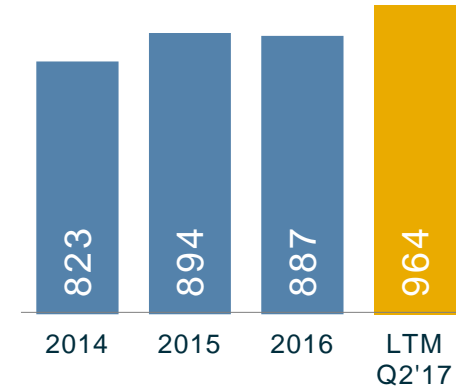
## Q2'17 HIGHLIGHTS

- Group Benefits business ranked #1 in premium revenue in the Fraser Group Universe Report for the 8<sup>th</sup> year in a row
- Group Retirement Services sales increased by more than 50%
  - Defined Benefits Solutions largest ever single-day annuity purchase in Canada
  - Strong Client retention activity
- Individual Wealth sales up 17% across fixed products, mutual funds, and segregated funds

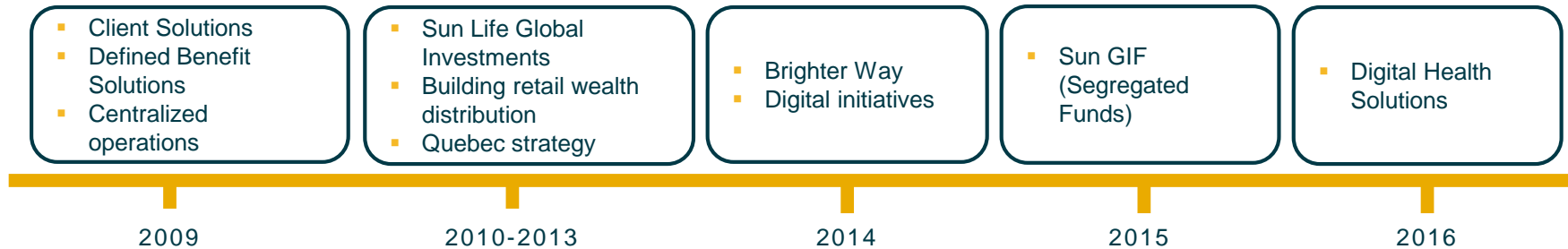
ASSETS UNDER MANAGEMENT  
(C\$MILLIONS)



UNDERLYING NET INCOME  
(C\$MILLIONS)



# SLF CANADA: NEW ENGINES ACCELERATING GROWTH AND ALREADY SEEING THE RESULTS

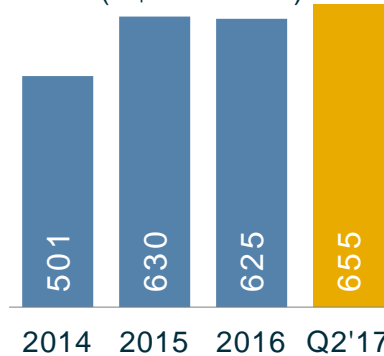


# SLF ASSET MANAGEMENT: PREMIER GLOBAL ASSET MANAGEMENT OPERATIONS

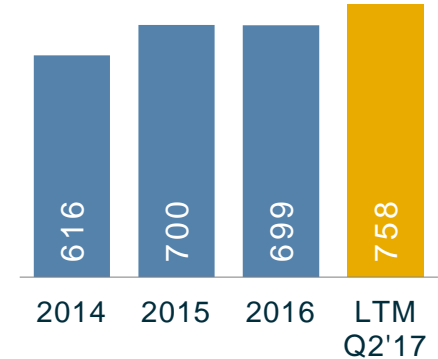
## Q2'17 HIGHLIGHTS

- MFS AUM up 9% from Q2'16 to US\$462 billion, underlying net income up 26% from Q2'16
- Strong fund performance across asset management businesses
- Net sales at Sun Life Investment Management of \$3 billion in the first six months of 2017 have more than tripled over the prior year

ASSETS UNDER MANAGEMENT (C\$BILLIONS)



UNDERLYING NET INCOME (C\$MILLIONS)



## SUN LIFE FINANCIAL ASSET MANAGEMENT



**MFS AUM C\$599 billion**



**SLIM AUM C\$56 billion**



Note: All data as at June 30, 2017

Underlying net income and AUM are Non-IFRS financial measures. See "Use of Non-IFRS Financial Measures" and "Reconciliation of Net Income measures" in the appendix to these slides.

# MFS HAS A SINGLE, GLOBAL INVESTMENT PLATFORM



## MFS' PATH TO NET INFLOWS

- Normalization of Retail Redemption Rates
- Non-U.S. Retail Sales back to pre-Brexit Levels
- Growth of Institutional Sales: Blended Research; Fixed Income
- Capacity Management

# SLF ASSET MANAGEMENT: SUNLIFE INVESTMENT MANAGEMENT WELL POSITIONED FOR GROWTH

## TARGET 100



Target

**\$100 billion** of AUM and **20+%**  
operating margin by **2020**

- **Institutional demand** for liability-driven investing, alternative fixed income and real estate is **strong and growing**
- Sun Life Investment Management is **well-positioned** to capitalize on trends to **increase AUM and expand margins**
- **Leveraging capabilities** across the Sun Life Investment Management group of companies to **accelerate growth**
- Sun Life is **recognized** as a good **owner of asset managers**

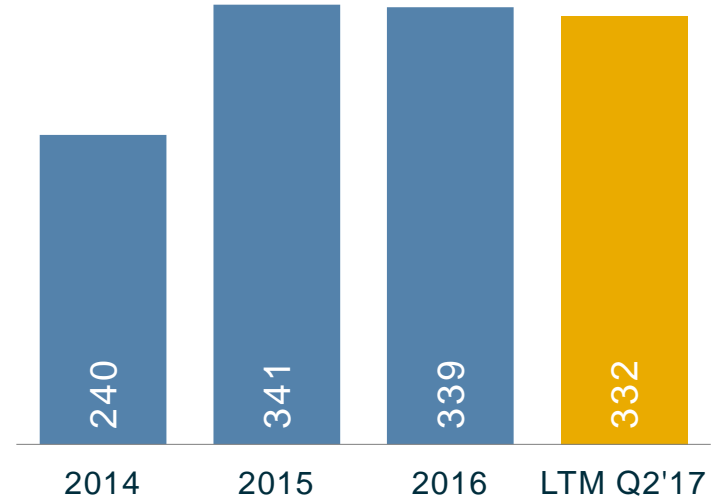


# SLF U.S.: EXECUTION OF KEY INITIATIVES

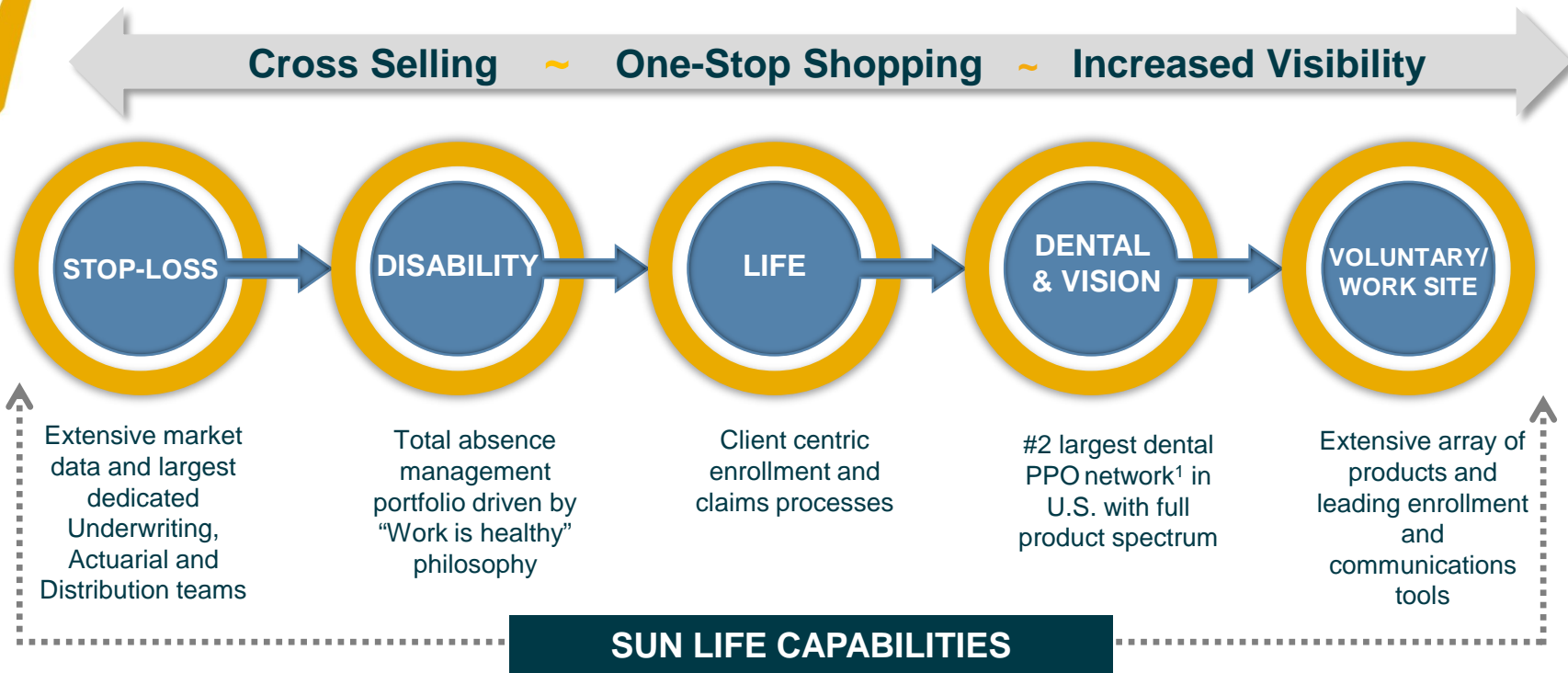
## Q2'17 HIGHLIGHTS

- Improved claims experiences in Stop-loss, seeing impact of price increases in life and disability
- Continued progress on Group integration:
  - Rolled out combined portfolio of employee benefits products and services, representing the best offerings under the Sun Life brand
  - Achieved greater than 50% of the expected expense synergies announced at the time of the acquisition

SLF U.S. UNDERLYING NET INCOME (US\$MILLIONS)



# SLF U.S.: UNIQUELY BROAD PRODUCT PORTFOLIO AND CAPABILITIES IN GROUP BENEFITS

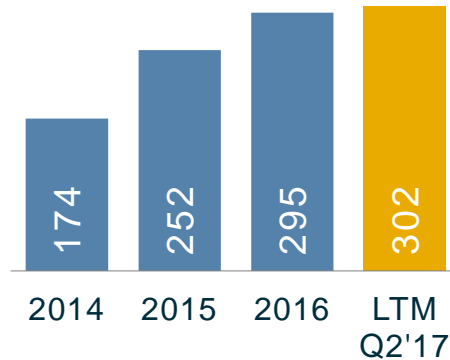


# SLF ASIA: GROWING OUR ASIA BUSINESS

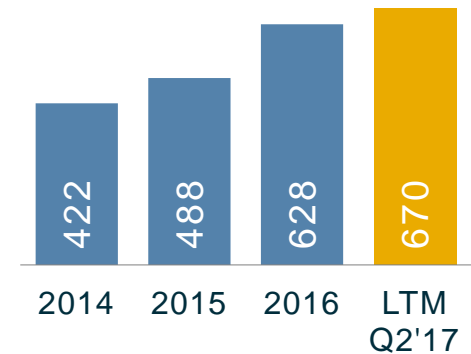
## Q2'17 HIGHLIGHTS

- Announced a telco-insurance partnership with U Mobile, that will allow Malaysians to apply and manage their life insurance coverage on their mobile devices
- Wealth sales increased by over 65% over the prior year to \$2.9 billion from growth in mutual fund sales in India and growth in pension sales in Hong Kong

UNDERLYING NET INCOME (C\$MILLIONS)



INDIVIDUAL LIFE AND HEALTH INSURANCE SALES<sup>1</sup> (C\$MILLIONS)



# SLF ASIA MARKET PRESENCE



- Since 2002
- Joint venture with the China Everbright Group
- Insurance & Asset Management Company established in 2012
- ~ 3,300 advisors



## Birla Sun Life

- Since 1999
- Insurance & Asset Management
- Joint Venture with Aditya Birla Group
- ~ 72,000 advisors



- Since 2013<sup>(1)</sup>
- Joint venture with Khazanah Nasional Berhad
- Exclusive Bancassurance partnership with CIMB Bank Life & Takaful business

## Vietnam

- Since 2012
- ~ 2,900 advisors



## Hong Kong

- Since 1892
- ~ 1,900 advisors



- Wholly owned Third Party Pensions Administrator (TPA)
- Ranked #1 in TPA<sup>(2)</sup>



## Philippines

- Since 1895
- ~ 9,400 advisors



- Since 2011
- Joint venture with the Yuchengco Group of Companies

## Indonesia

- Since 1995
- ~ 9,100 advisors
- Bancassurance partnership with CIMB Bank



<sup>1</sup> Acquisition of the joint venture was completed in April 2013.

<sup>2</sup> TPA Ranking – The Gadbury Report of MPF Market Shares as of March 31, 2017



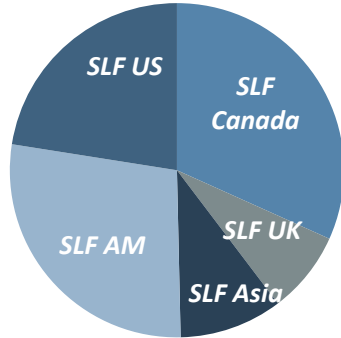
# CAPITAL MANAGEMENT

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SUN LIFE FINANCIAL INC.

# STRONG CAPITAL GENERATION WITH BALANCED APPROACH TO DEPLOYMENT

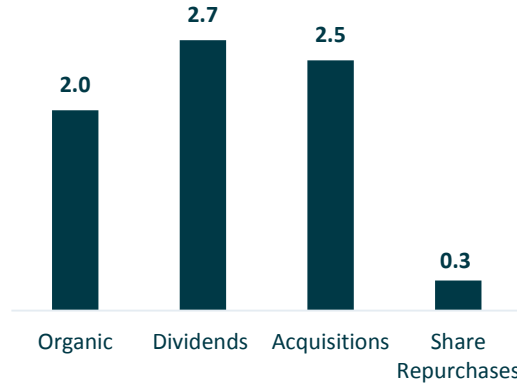
## EXPECTED ANNUAL CAPITAL GENERATION



**Net capital generation of \$700 million per annum<sup>1</sup>**

## CAPITAL DEPLOYMENT (2014 - 2016)

(C\$ billions)



## FINANCIAL STRENGTH RATINGS

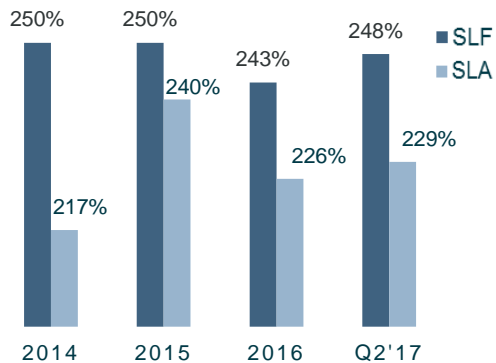
Sun Life Assurance Company of Canada	Q2'17
Standard & Poor's	AA <sup>(2)</sup>
Moody's	Aa3
A.M. Best	A+
DBRS	AA(low)

<sup>1</sup> Net capital generation is based on 200% MCCSR.

<sup>2</sup> On March 13, 2017 S&P revised outlook to Positive from Stable.

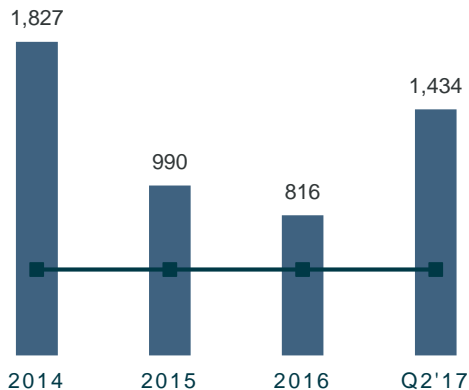
# STRONG CAPITAL ADEQUACY AND FLEXIBLE BALANCE SHEET

## MCCSR RATIOS <sup>(1)</sup>



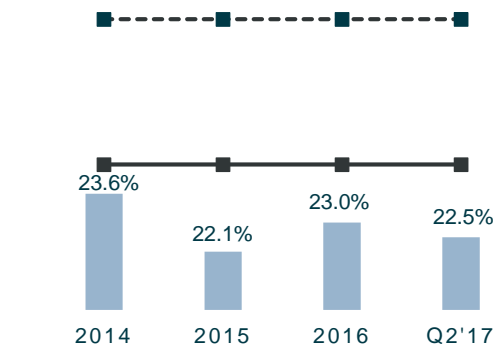
## HOLDING COMPANY CASH <sup>(1)</sup>

(C\$ millions)



Minimum Cash Target

## LEVERAGE RATIO <sup>(1)</sup>



Target Leverage Ratio

Upper Range of Target

<sup>1</sup> 2016 (SLF only): Pro forma \$800 million subordinated debt redemption on March 2, 2017.

# CAPITAL MODEL

\$1.4 billion cash at Holding Company

**SLF**

**MCCSR 248%**  
**Leverage 22.5%**  
**Leverage Capacity to 25/30%: ~\$0.9/\$2.9B**

**MCCSR of 229%**

**SLA**

## SLA - External Capital Securities

Subordinated Debt	Coupon	Outstanding Balance	First Call Date
CLI Series 2 Sub Debenture	6.30%	\$150	15-May-28
		<b>\$150</b>	
Innovative Tier 1 Securities			
SLEECs Series B	7.09%	\$200	30-Jun-32
SLEECs Series 2009-1	5.86%	\$498	31-Dec-19
		<b>\$698</b>	

**SLF Asset Management**

**MFS**

**Sun Life Investment Management**

**Book value excl. from MCCSR**

**U.K**

**Canada**

**Bermuda**

**Asia**

**U.S. Branch**

## SLF - External Capital Securities

Subordinated Debt	Coupon	Outstanding Balance	First Call Date
SLF T2B (Series 2007-1)	5.40%	\$398	29-May-37
SLF T2B (Series 2008-1)	5.59%	\$400	30-Jan-18
SLF T2B (Series 2014-1)	2.77%	\$249	13-May-19
SLF T2B (Series 2015-1)	2.60%	\$497	25-Sep-20
SLF T2B (Series 2016-1)	3.10%	\$348	19-Feb-21
SLF T2B (Series 2016-2)	3.05%	\$995	19-Sep-23
		<b>\$2,888</b>	

## Preferred Shareholders' Equity

SLF Series 1	4.75%	\$394	31-Mar-14
SLF Series 2	4.80%	\$318	30-Sep-14
SLF Series 3	4.45%	\$245	31-Mar-15
SLF Series 4	4.45%	\$293	31-Dec-15
SLF Series 5	4.50%	\$245	31-Mar-16
SLF Class A, Series 8R	2.28%	\$127	30-Jun-20
SLF Class A, Series 9QR	Floating	\$147	30-Jun-20
SLF Class A, Series 10R	2.84%	\$169	30-Sep-21
SLF Class A, Series 11QR	Floating	\$26	30-Sep-21
SLF Class A, Series 12R	3.81%	\$293	31-Dec-21
		<b>\$2,257</b>	

Capitalized to meet local capital rules

All information as at June 30, 2017



# OPERATING AND FINANCIAL LEVERAGE

## Operating Leverage

Tier 2

Tier 1

Tier 1

Operating Leverage Debt (C\$ millions)	Q2 2017
Debt supporting reserve financing	
Senior Debt	599
Bilateral Senior Financing <sup>1</sup>	2,034
<b>Total Operating Leverage Debt</b>	<b>\$2,633</b>
Capital (C\$ millions)	Q2 2017
Subordinated Debt	\$3,038
SLEECs (Innovative Tier 1 Securities)	698
Preferred Shareholders' Equity	2,257
<b>Total Capital Securities</b>	<b>5,993</b>
Common Shareholders' Equity and Par <sup>2</sup>	20,687
<b>Total Capital</b>	<b>\$26,680</b>
<b>Financial Leverage, %</b>	<b>22.5%</b>

1. As of December 31, 2016 as disclosed in SLF Inc.'s 2016 Financial Statements.

2. Participating policyholders' equity and non-controlling interest.



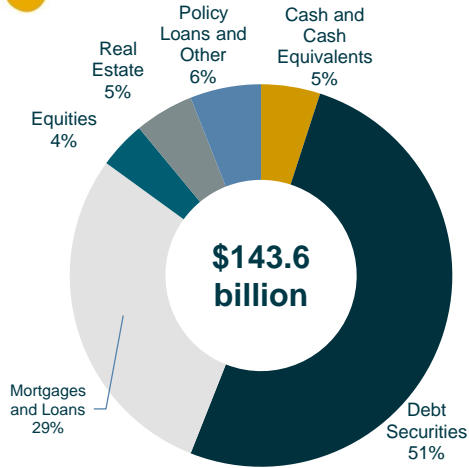
# ASSET PORTFOLIO

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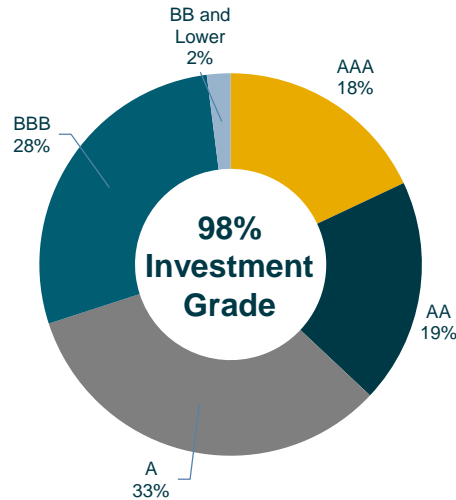
SUN LIFE FINANCIAL INC.

# HIGH QUALITY, WELL DIVERSIFIED INVESTMENT PORTFOLIO

## INVESTED ASSETS



## DEBT SECURITIES BY RATING



## COMPETITIVE ADVANTAGES

- Leading non-public portfolio with significant origination capabilities
- Strengthened real estate and commercial mortgage capabilities with Bentall Kennedy acquisition
- Deep credit research resulting in strong credit experience



# APPENDIX

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SUN LIFE FINANCIAL INC.

# SUSTAINABLE, HEALTHIER COMMUNITIES FOR LIFE

## STANDARD & POOR'S

Sun Life has been named one of 12 Canadian companies and the only North American life insurer to be included in the Standard & Poor's Long Term Value Creation Global Index.



For the eighth year in a row, Sun Life has received the Reader's Digest Most Trust Brand™ award.



Sun Life has appeared on this annual ranking by Corporate Knights magazine 11 of the 15 years since its inception. The 2016 edition ranks Sun Life, the only major life insurance company on the list, ninth overall.



For the eighth consecutive year in 2016, Sun Life ranked among the Global 100 Most Sustainable Corporations in the World, as selected by Corporate Knights.



Sun Life was ranked in the top ten in The Globe and Mail Report on Business' 2016 Board Games, for the eighth consecutive year.



FTSE4Good

Since 2001, Sun Life has been a member of the FTSE4Good Index Series, an equity index series that is designed to facilitate investment in companies that meet globally recognized corporate responsibility standards.



In 2016, for the sixth consecutive year, Bentall Kennedy has been ranked among the top firms around the globe for its commitment to sustainable investing.



In December 2014, Sun Life Assurance Company of Canada became the first major Canadian life insurer to sign on to the United Nations supported Principles for Responsible Investment (PRI).



Sun Life has been recognized with the 2015 Ethical Boardroom Best Corporate Governance – Financial Services – North American award for our dedication and enduring efforts in fostering good corporate governance practices and ethical behaviour in our operations.



For the 10<sup>th</sup> consecutive year, Sun Life was included on the Dow Jones Sustainability Index (DJSI) – North America.



# THE FOUR PILLARS OF OUR SUSTAINABILITY STRATEGY



## ORGANIZATIONAL RESILIENCE

We believe that putting the Client at the centre of all we do, and supporting our talent and culture, contributes to a resilient organization that is forward-thinking and built for the long term.



## ENVIRONMENTAL RESPONSIBILITY

We are accountable for the impact of our operations on the environment, so we're taking even more steps to measure, manage and reduce that impact.



## COMMUNITY WELLNESS

We believe that by actively supporting the communities in which we live and work, we can help to build a positive environment for our Clients, employees, advisors and shareholders.



## GOVERNANCE AND RISK MANAGEMENT

A well-run organization contributes to a stable operating platform for the Company, and positions us to meet our obligations to stakeholders. Pro-active risk management and an embedded risk culture are essential to our long-term success.

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

#### 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. 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. Additional information concerning these non-IFRS financial measures and reconciliations to the closest IFRS measures are included in our annual and interim management’s discussion and analysis (“MD&A”) and the Supplementary Financial Information packages that are available on [www.sunlife.com](http://www.sunlife.com) under Investors – Financial results & reports. Reconciliations to IFRS measures are also available in this document under the heading Reconciliation of Non-IFRS Financial Measures.

#### Updates to Non-IFRS measures

Beginning in the first quarter of 2017, we will no longer report operating net income and its related measures, operating EPS and operating ROE, in order to streamline our use of non-IFRS financial measures. The adjustments previously used to derive operating net income will continue to be used to derive underlying net income.

#### 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 return on equity (“ROE”), are non-IFRS financial measures. Underlying net income (loss) removes from reported net income (loss) the impact 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, which include: (i) the impact of returns in equity markets, net of hedging, above or below our best estimate assumptions of approximately 2% per quarter in the reporting period and of basis risk inherent in our hedging program for products that provide benefit guarantees; (ii) the impact of changes in interest rates that differ from our best estimate assumptions 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 impact of changes in the fair value of real estate properties in the reporting period. Additional information regarding these adjustments is available in the footnotes to the table included under the heading Q2 2017 vs. Q2 2016 in the Financial Summary section of the Q2 2017 earnings news release.
- (b) assumption changes and management actions, which include: (i) the impact of revisions to the assumptions used in determining our liabilities for insurance contracts and investment contracts and (ii) the impact 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;
- (c) certain hedges in SLF 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;
- (d) 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;
- (e) acquisition, integration and restructuring amounts (including impacts related to acquiring and integrating acquisitions); and
- (f) other items that when removed assist in explaining our results from period to period.

Underlying EPS also excludes 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, life and health sales, premiums and deposits, adjusted premiums and deposits, assets under management (“AUM”), assets under administration, pre-tax operating profit margin for MFS, measures based on a currency adjusted basis, real estate market sensitivities, assumption changes and management actions, and effective income tax rate on an underlying net income basis.

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

<b>Reconciliation of Net Income Measures</b>	<b>Q2'17</b>	<b>Q1'17</b>	<b>Q2'16</b>
<b>Common shareholders' reported net income (loss)</b>	<b>574</b>	<b>551</b>	<b>480</b>
Impact of certain hedges that do not qualify for hedge accounting	(10)	(2)	(6)
Fair value adjustments on share-based payment awards at MFS	(16)	(12)	20
Acquisition, integration and restructuring	(26)	(20)	(8)
Net equity market impact	5	20	14
Net interest rate impact	(92)	(24)	(95)
Net increases (decrease) in the fair value of real estate	13	15	9
Assumption changes and management actions	11	1	(8)
<b>Common shareholders' underlying net income (loss)</b>	<b>689</b>	<b>573</b>	<b>554</b>

## 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 presentation include (i) statements relating to our strategies, (ii) growth initiatives and other business objectives, (iii) statements that are predictive in nature or that depend upon or refer to future events or conditions, and (iv) statements that include words such as “aim”, “anticipate”, “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. 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 risk factors set out in SLF Inc.’s 2016 AIF under the heading Risk Factors and the factors detailed in SLF Inc.’s other filings with Canadian and U.S. securities regulators, which are available for review at [www.sedar.com](http://www.sedar.com) and [www.sec.gov](http://www.sec.gov), respectively.

## Risk Factors

Important risk factors that could cause our assumptions and estimates, and expectations and projections to be inaccurate and our actual results or events to differ materially from those expressed in or implied by the forward-looking statements contained in this presentation, 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. Factors that could cause actual results to differ materially from expectations include, but are not limited to: credit risks - related to issuers of securities held in our investment portfolio, debtors, structured securities, reinsurers, counterparties, other financial institutions and other entities; 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 mortality, morbidity, longevity and policyholder behaviour; product design and pricing; the impact of higher-than-expected future expenses; and the availability, cost and effectiveness of reinsurance; business and strategic risks - related to global economic and political conditions; changes in distribution channels or Client behaviour including risks relating to market conduct by intermediaries and agents; the impact of competition; the design and implementation of business strategies; changes in the legal or regulatory environment, including capital requirements and tax laws; tax matters, including estimates and judgments used in calculating taxes; the performance of our investments and investment portfolios managed for Clients such as segregated and mutual funds; 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; operational risks - related to breaches or failure of information system security and privacy, including cyber-attacks; our ability to attract and retain employees; the execution and integration of mergers, acquisitions and divestitures; legal, regulatory compliance and market conduct, including the impact of regulatory inquiries and investigations; 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; the environment, environmental laws and regulations and third-party policies; and liquidity risks - the possibility that we will not be able to fund all cash outflow commitments as they fall due.

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 presentation or to reflect the occurrence of unanticipated events, except as required by law.

## Medium-Term Financial Objectives

The Company’s medium-term financial objectives are forward-looking non-IFRS financial measures. Our ability to achieve those objectives is dependent on our success in achieving growth initiatives and business objectives and on certain key assumptions that include: (i) no significant changes in the level of interest rates; (ii) average total equity market return of approximately 8% per annum; (iii) credit experience in line with best estimate actuarial assumptions; (iv) no significant changes in the level of our regulatory capital requirements; (v) no significant changes to our effective tax rate; (vi) no significant change in the number of shares outstanding; (vii) other key assumptions include: no material changes to our hedging program, hedging costs that are consistent with our best estimate assumptions, no material assumption changes including updates to the economic scenario generator and no material accounting standard changes, and (viii) our best estimate actuarial assumptions used in determining our insurance and investment contract liabilities. Our underlying ROE is dependent upon capital levels and options for deployment of excess capital. Our medium term financial objectives do not reflect the indirect effects of interest rate and equity market movements including the potential impacts on goodwill or the current valuation allowance on deferred tax assets as well as other items that may be non-operational in nature.

Our target dividend payout ratio of 40%-50% of our underlying net income assumes that economic conditions and our results will enable us to maintain our payout ratio in the target range, while maintaining a strong capital position. The declaration, amount and payment of dividends is subject to the approval of SLF Inc.’s Board of Directors and our compliance with the capital requirements in the Insurance Companies Act (Canada). Additional information on dividends is provided in the section in this MD&A under the heading Capital and Liquidity Management – Shareholder Dividends.

Although considered reasonable by the Company, we may not be able to achieve our medium-term financial objectives as the assumptions on which these objectives were based may prove to be inaccurate. Accordingly, our actual results could differ materially from our medium-term financial objectives as described in this MD&A under the heading Financial Objectives. Our medium-term financial objectives do not constitute guidance.

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.