

2017

FINANCIAL & OPERATING RESULTS

For the period ended
June 30, 2017

Sun Life Financial Inc.
(unaudited)

Life's brighter under the sun



Forward-looking statements

Certain statements in this presentation and certain oral statements made during the earnings conference call on August 10, 2017 (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 Canadian securities laws, 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.

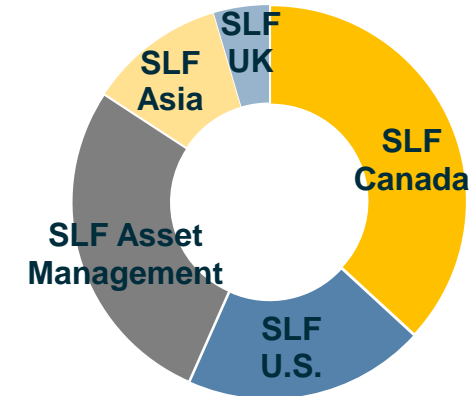


DEAN CONNOR

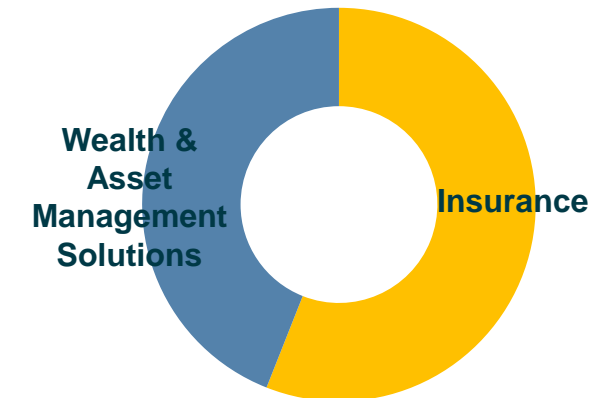
President and Chief Executive Officer

FINANCIAL HIGHLIGHTS

- **Q2'17** reported net income of \$574 million, up 20% from Q2'16, underlying net income⁽¹⁾ of \$689 million, up 24% from Q2'16
- Insurance and wealth sales up 5% and 12%, respectively, over the prior year
- Global assets under management⁽¹⁾ of \$944 billion up 9%, over the prior year
- Reported ROE of 11.4% and Underlying ROE⁽¹⁾ of 13.7%
- Announced a share re-purchase program with the authorization to repurchase up to 11.5 million in shares

Q2 2017 Underlying Income
by Business Group

Business Group excludes Corporate results

Q2 2017 Underlying Income
by Product Type



KEVIN STRAIN

Executive Vice President & Chief Financial Officer

Q2'17 RESULTS

C\$ millions (except EPS and ROE)	Q2'17	Q1'17	Q2'16
Reported net income	574	551	480
Underlying net income ⁽¹⁾	689	573	554
Diluted reported EPS (C\$)	0.93	0.89	0.78
Diluted underlying EPS ⁽¹⁾ (C\$)	1.12	0.93	0.90
Reported ROE	11.4%	11.0%	10.3%
Underlying ROE ⁽¹⁾	13.7%	11.5%	11.9%

Business Performance	<ul style="list-style-type: none"> Assets under management⁽¹⁾ of \$944 billion Adjusted premiums and deposits⁽¹⁾ of \$40.6 billion up 5% from Q2 2016 Book value per share of \$32.69 up 7% from Q2 2016
Capital Management	<ul style="list-style-type: none"> Strong capital position with an SLA MCCR of 229%, SLF MCCR of 248%⁽²⁾ Announced normal course issuer bid, with the authorization to re-purchase up to 11.5 million SLF common shares \$1.4 billion cash level at Sun Life Financial Inc. Leverage ratio of 22.5%

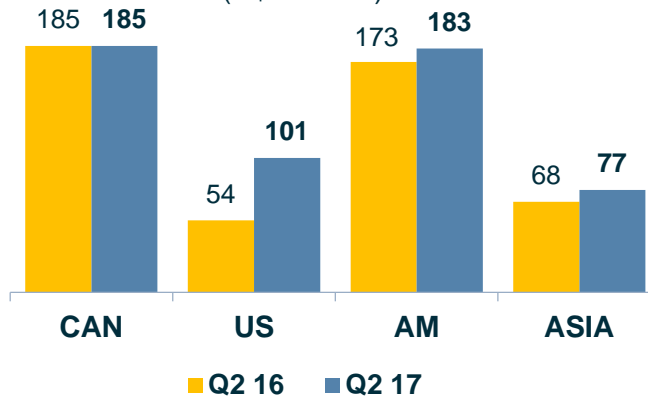
(1) Underlying net income/ROE/EPS, assets under management and adjusted premium and deposits are Non-IFRS financial measures. See "Use of Non-IFRS Financial Measures" and "Reconciliation of Net Income measures" in the appendix to these slides.

(2) Minimum Continuing Capital and Surplus Requirements ("MCCR") ratio of Sun Life Assurance Company of Canada ("SLA") and Sun Life Financial Inc. ("SLF")

Q2 2017 BUSINESS GROUP PERFORMANCE

REPORTED NET INCOME

(C\$ millions)



CAN

- Strong new business gains in Group Retirement Services and Individual Insurance
- Business growth and margin improvement in Group Retirement Services
- Favourable morbidity experience in Group Benefits

US

- Favourable mortality experience in In-force Management and International
- Improved experience in Group Benefits, including in Stop-Loss
- Gains from investment activity on insurance contract liabilities

AM

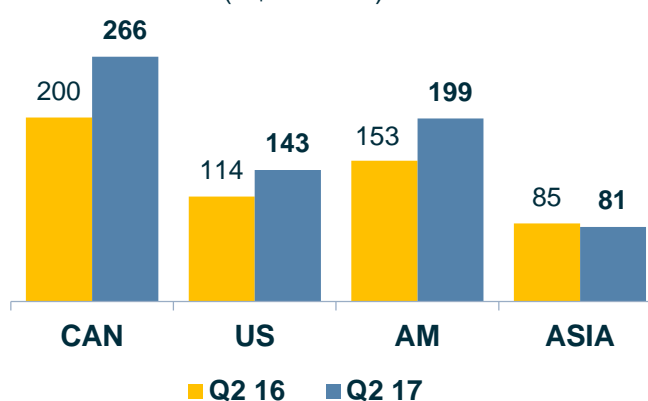
- MFS earnings increased on higher average net assets
- Strong fund performance across asset management businesses
- Positive retail flows at MFS, overall net outflows of US\$4.0 billion
- Net inflows of \$0.9 billion at Sun Life Investment Management

ASIA

- Higher strain in insurance businesses
- Strong growth in wealth businesses
- Favourable net gains realized on the sale of AFS assets

UNDERLYING NET INCOME⁽¹⁾

(C\$ millions)



(1) Underlying net income is a Non-IFRS financial measure. See "Use of Non-IFRS Financial Measures" and "Reconciliation of Net Income measures" in the appendix to these slides

SOURCES OF EARNINGS VIEW

Q2
2017

Sources of earnings Common shareholders C\$ millions	Q2'17	Q2'16
Expected profit on in-force business⁽¹⁾	718	644
Impact of new business ⁽¹⁾	(7)	(13)
Experience gains/(losses)	(80)	(97)
Assumption changes and management actions	(114)	(10)
Other	(83)	(21)
Earnings from operations	434	503
Earnings on surplus	134	118
Earnings before income taxes	568	621
Income tax (expense) or recovery	29	(118)
Non-controlling interest and preferred share dividends	(23)	(23)
Reported net income	574	480

(1) Q2'16 expected profit on in-force business and impact of new business have been updated to reflect a methodology change for our U.S. Group Benefits business effective Q1'17. Amounts in expected profit on in-force business and impact of new business in Q2'16 were previously \$668 million and \$(37) million, respectively, a net change of \$24 million

- **Expected profit: business** growth across all four pillars – SLF Asset Management, SLF Canada, SLF U.S. and SLF Asia
- **New business strain:** reflects higher sales in SLF Canada, offset by lower International sales in SLF U.S. and lower sales in Hong Kong
- **Experience gains/(losses):** favourable investing activity, morbidity and credit, offset by net market impacts and other experience
- **ACMA:** primarily from reinsurance related items and provisions for the discounting of taxes in SLF U.S.
- **Other:** Acquisition, integration and restructuring costs, fair value adjustments on MFS's share-based payment awards and hedges in SLF Canada that do not qualify for hedge accounting
- **Earnings on surplus:** higher levels of investment income and mark-to-market on real estate
- **Taxes:** Reflects geographic mix of businesses – losses in jurisdictions with higher statutory income tax rates and higher income in jurisdictions with lower statutory income tax rates

Sun Life Financial

SALES RESULTS

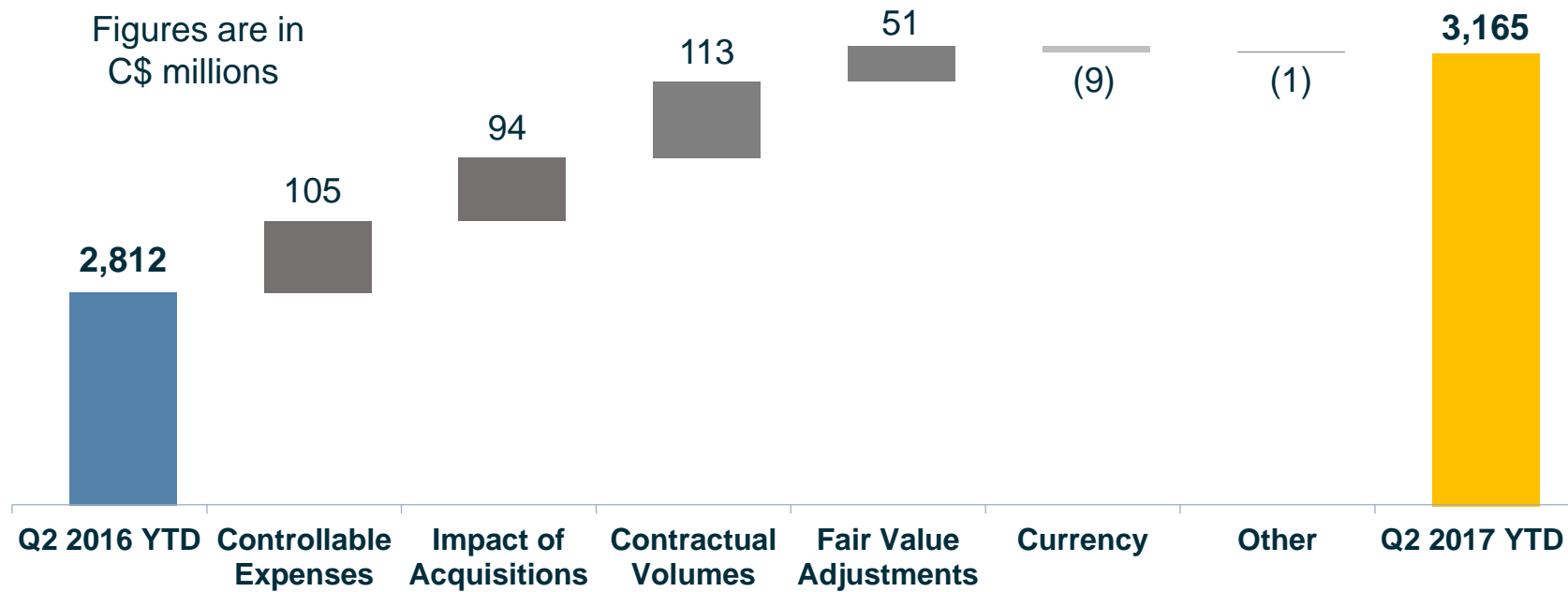
Q2
2017

C\$ millions	Q2'17	Q2'16	Change over Q2'16
Individual life and health	263	260	1%
Group life and health	302	278	9%
Total Insurance sales	565	538	5%
Wealth – SLF Asset Management	29,852	28,182	6%
Wealth – Non SLF Asset Management	6,730	4,523	49%
Total Wealth sales	36,582	32,705	12%

Note: Sales for Asia joint ventures based on our proportionate equity interest
Sales are a Non-IFRS financial measure. See "Use of Non-IFRS Financial Measures" in the appendix to these slides.

OPERATING EXPENSES

Q2
2017



- Increase in controllable expenses of 3.7% reflecting investments in growth partially funded through productivity gains
- Higher expenses driven by costs directly attributed to sales and net expenditures associated with acquired businesses

RECONCILIATION OF UNDERLYING INCOME

C\$ millions	Q2'17 Pre-tax	Q2'17 After-tax
Reported net income		574
Net equity market impact (including basis risk impact of \$9 million) ⁽¹⁾	3	5
Net interest impact (including credit spread impact of \$(19) million and swap spread impact of \$(8) million) ⁽¹⁾	(149)	(92)
Net impact of fair value changes of real estate	17	13
Assumption changes and management actions	(114)	11
Other ⁽²⁾	(83)	(52)
Underlying net income		689

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

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

OTHER NOTABLE ITEMS

Q2
2017

Impact of other items on our net income C\$ millions	Q2'17 Pre-tax	Q2'17 After-tax
Experience related items		
Impact of investment activity on insurance contract liabilities	49	41
Mortality	14	8
Morbidity	28	18
Credit	33	25
Lapse and other policyholder behaviour	(13)	(10)
Expense	(15)	(11)
Other	(31)	(7)
Total other notable items	65	64

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

REPORTED TO UNDERLYING NET INCOME

Q2
2017

C\$ millions	Reported	Par P/H	Markets ⁽¹⁾	ACMA ⁽¹⁾	Other ⁽²⁾	Underlying ⁽³⁾
Income (loss) before taxes	619	51	(129)	(114)	(83)	894
Less:						
<i>Income tax expense (benefit)</i>	<i>(23)</i>	<i>6</i>	<i>(55)</i>	<i>(125)</i>	<i>(18)</i>	<i>169</i>
<i>Net income attributable to participating policyholders and non-controlling interest</i>	<i>45</i>	<i>45</i>	<i>-</i>	<i>-</i>	<i>(13)</i>	<i>13</i>
Preferred shareholders' dividends	23		-	-	-	23
Income (loss)	574	-	(74)	11	(52)	689
Effective Tax Rate	(3.7%)					18.9%

- (1) Market Impacts and ACMA includes: The impact of net equity markets, net interest, net fair value of real estate and assumption changes and management actions (ACMA)
- (2) Other includes: hedges in SLF Canada that do not qualify for hedge accounting, fair value adjustments on MFS's share-based payment awards, and acquisition, integration and restructuring costs
- (3) Underlying Net Income is a Non-IFRS financial measure. See "Use of Non-IFRS Financial Measures" and "Reconciliation of Net Income Measures" in the appendix to these slides.

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 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.

Reconciliation of Net Income Measures	Q2'17	Q1'17	Q2'16
Common shareholders' reported net income (loss)	574	551	480
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)
Common shareholders' underlying net income (loss)	689	573	554

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 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 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.