

2019  
Q2

Building  
sustainable  
shareholder  
value



Life's brighter under the sun



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## BUSINESS OVERVIEW



2

## CAPITAL MANAGEMENT



3

## ASSET PORTFOLIO



4

## ENVIRONMENTAL, SOCIAL, GOVERNANCE



# THE WORLD OF SUN LIFE

A \$32.1 billion<sup>1</sup>  
leading international  
financial services  
organization...

operating through a  
**balanced** and  
**diversified** model...

focused on creating  
**shareholder value**  
now and in the future



## THE SUN LIFE STORY



A diversified business model, with four strong pillars that can each compete, win and grow in their respective sectors and which leverage each other



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



Digital transformation that is deeply embedded throughout the organization



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

# EXECUTING ON OUR AMBITION TO BE ONE OF THE BEST INSURANCE AND ASSET MANAGEMENT COMPANIES GLOBALLY



Each pillar  
viewed  
as a leader



Top  
quartile Client  
experience



Disproportionate  
share of top  
talent



Top quartile total  
shareholder  
return

# A GROWTH STRATEGY FOCUSED ON HIGH ROE AND STRONG CAPITAL GENERATION THROUGH LEADING POSITIONS IN ATTRACTIVE MARKETS



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

UNDERLYING  
EPS GROWTH  
**8-10%**

UNDERLYING  
ROE  
**12-14%**

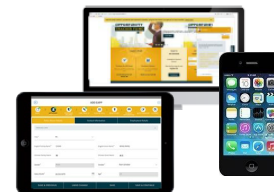
DIVIDEND  
PAYOUT RATIO  
**40-50%**



# DIGITAL TRANSFORMATION DEEPLY EMBEDDED THROUGHOUT THE ORGANIZATION

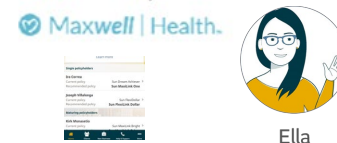
## Digitizing current interactions and processes

- **Asia** point of sale tools (needs, illustration, application, fulfillment)
- Web and mobile functionality in **Canada** and **Asia**
- **U.S.** dental provider access



## Use digital to be personal, predictive, and proactive

- Predictive models for advisor recruiting and Client retention in **Asia**
- Digital Benefits Assistant and Ella in **Canada**
- Leveraging Maxwell Health to drive voluntary benefits enrolment in **U.S.**



## Build new digital models

- **Asia** direct business models, including telco micro-products
- Digital Health Solutions in **Canada**
- Small Case integrated offering in **U.S. Group Benefits**



## Partnership ecosystem

- Building digital expertise and ecosystems
- Making equity investments in early stage partners
- Investing in key technologies to drive global growth
- Exploring partnerships with start-ups and accelerators



# WELL-POSITIONED TO LEVERAGE GLOBAL TRENDS

## Demographic Shifts

Changing population including the aging of Baby Boomers and growth of Millennials

## Digital Transformation

Digital, data and analytics changing Client behaviours and expectations

## Downloading of Responsibility

Increasing shift in responsibility from governments and employers to individuals

## Growing Prosperity in Asia

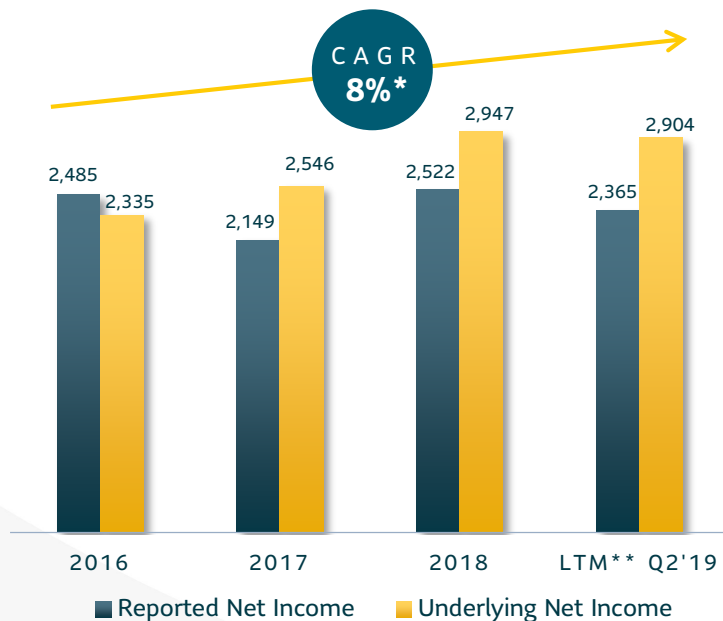
Growing demand for products and services as hundreds of millions in Asia move to the middle class



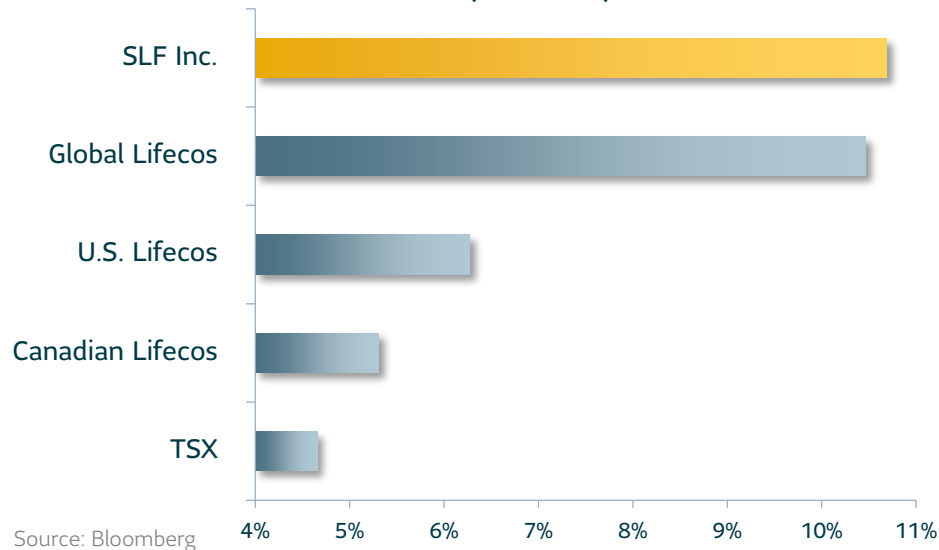
# DELIVERING VALUE TO SHAREHOLDERS

## NET INCOME<sup>1</sup>

(\$ millions)



## TOTAL SHAREHOLDER RETURN FIVE YEARS AS OF JUNE 30, 2019 (Annualized)



Source: Bloomberg

Companies included in these peer groups are listed in the appendix

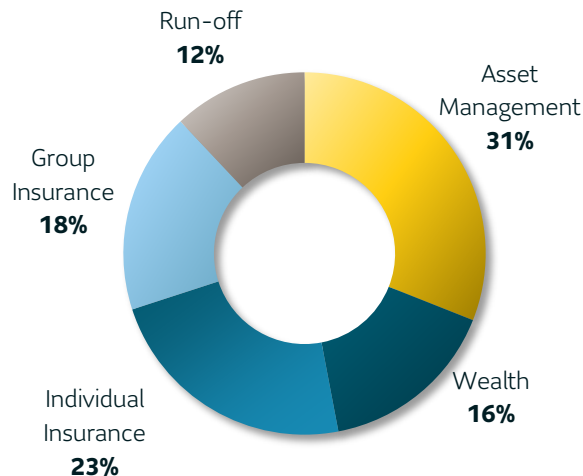
\*Compound Annual Growth Rate ("CAGR") for Underlying Net Income

\*\* LTM – Last twelve months

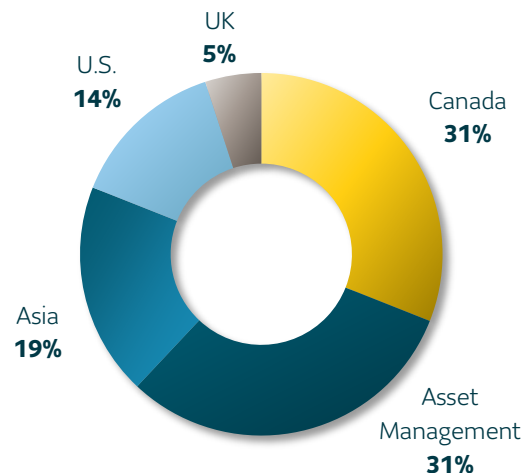
<sup>1</sup> Underlying Net Income represents a non-IFRS financial measure. See "Use of Non-IFRS Financial Measures" and "Reconciliation of Net Income measures" in the appendix to these slides.

# BALANCED AND DIVERSIFIED BUSINESS

**BUSINESS DIVERSIFICATION**  
Q2'19 UNDERLYING NET INCOME<sup>1\*</sup>



**GEOGRAPHIC DIVERSIFICATION**  
Q2'19 UNDERLYING NET INCOME<sup>1\*</sup>



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

Relatively low  
market risk exposure

144% LICAT Ratio (SLF  
Inc.); \$2.2B of Holdco<sup>2</sup>  
cash; 20.4% financial  
leverage ratio<sup>1</sup>

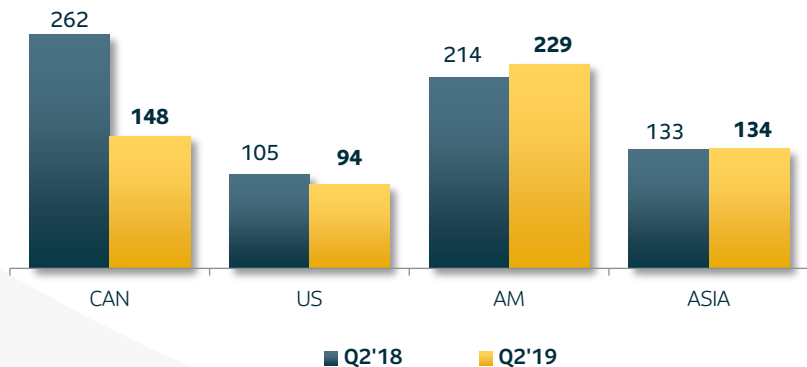
Strong risk  
management culture

Balanced and  
diversified portfolio  
to deliver across  
cycles

# BUSINESS GROUP PERFORMANCE

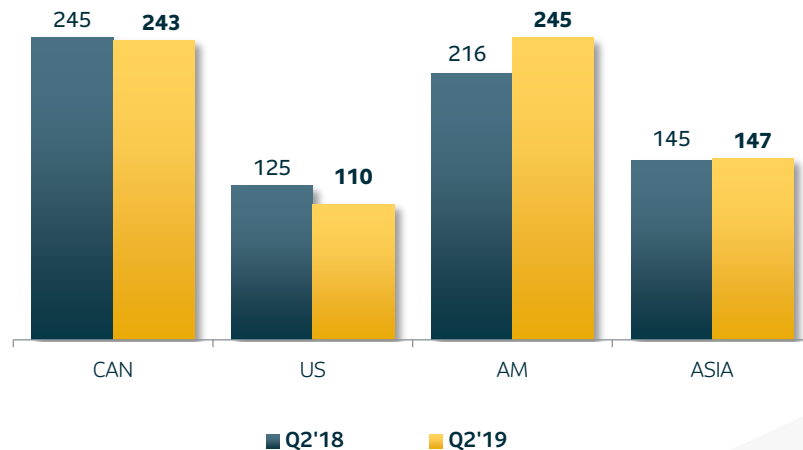
## REPORTED NET INCOME (\$ millions)

*Impact of currency increased reported net income by \$15M*



## UNDERLYING NET INCOME<sup>1</sup> (\$ millions)

*Impact of currency increased underlying net income by \$16M*

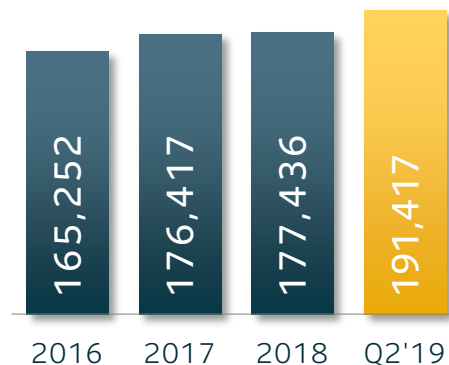


# CANADA IS A GROWTH MARKET FOR SUN LIFE

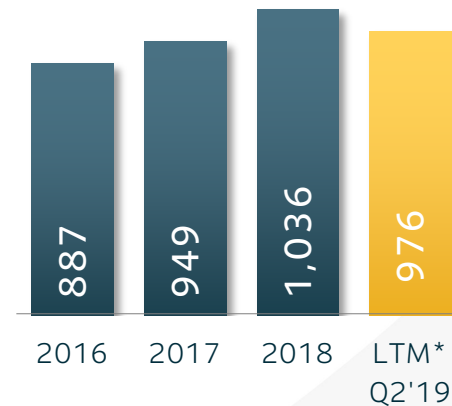
## Q2'19 HIGHLIGHTS

- Across our digital platforms in Canada, reached a milestone of over 10 million cumulative health care provider user ratings, with average search volumes of approximately 10,000 per day
- 97%, 95% and 100% of Sun Life Global Investments Granite Managed Portfolios retail assets<sup>1</sup> exceeded peer median for five-, three-, and one-year performance, respectively
- Sun Life Global Investments (SLGI) AUM of \$26 billion<sup>2</sup>; 16% growth over prior year

ASSETS UNDER  
MANAGEMENT <sup>2</sup>  
(\$ millions)



UNDERLYING NET  
INCOME <sup>2</sup>  
(\$ millions)



\*LTM – Last twelve months

<sup>1</sup> Sun Life Global Investments ("SLGI") Granite Managed Portfolios - Series F

<sup>2</sup> 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.

# SUN LIFE IS WELL-POSITIONED TO SHAPE THE INDUSTRY AND CAPITALIZE ON OPPORTUNITIES IN CANADA

Supporting Clients with holistic advice at moments that matter



Personal, proactive and predictive touchpoints driving improvement in Client Index scores<sup>1</sup>

Client Index  
Score

**48<sup>2</sup>**

+8 since 2016

## Shaping the market through Innovation and Digital Capabilities



- Digitally enabled Client touchpoints provide on demand services
- Investment in digital capabilities enabling a seamless Client experience
- Making it easier for our Clients to do business with us
- Delivering personalized, relevant advice to our Clients
- Empowering Canadians to manage their health and well being

## Optimizing our business through financial discipline and focused prioritization to drive strong earnings growth



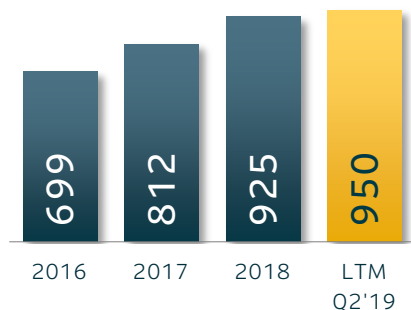
- Engaged employees driven by attracting, developing and retaining diverse top talent
- Leveraging our worksite advantage
- Defined Benefit Solutions is a leader in a growing market
- Sun Life Global Investments expanding wealth presence
- Strong expense management while increasing strategic investments



# EXPANDING CAPABILITIES ACROSS OUR ASSET CLASSES AND DELIVERING EXCEPTIONAL INVESTMENT PERFORMANCE

## UNDERLYING NET INCOME<sup>2</sup>

(\$ millions)



## Q2'19 HIGHLIGHTS

- On June 18, combined our fixed income institutional asset management businesses into SLC Management, creating a new Top 100 Global Asset Management Firm<sup>1</sup>
- On July 1, completed the acquisition of our majority stake in BentallGreenOak following the merger of Bentall Kennedy and GreenOak Real Estate, a global real estate investment firm
- 93%, 92% and 84% of MFS's U.S. retail fund assets ranked in the top half of their Lipper categories for ten-, five- and three-year performance, respectively
- Positive net retail fund flows of \$2.6 billion (US\$2.0 billion) at MFS
- Pre-tax net operating profit margin ratio for MFS of 37%<sup>2</sup> as at June 30, 2019

## MFS AUM<sup>2</sup> C\$640 billion

- Active management in public markets
- A broad range of equity and fixed income products
- Solution-based opportunities (multi-sector, target date funds)



## SLC Management AUM<sup>2</sup> C\$68 billion<sup>3</sup>

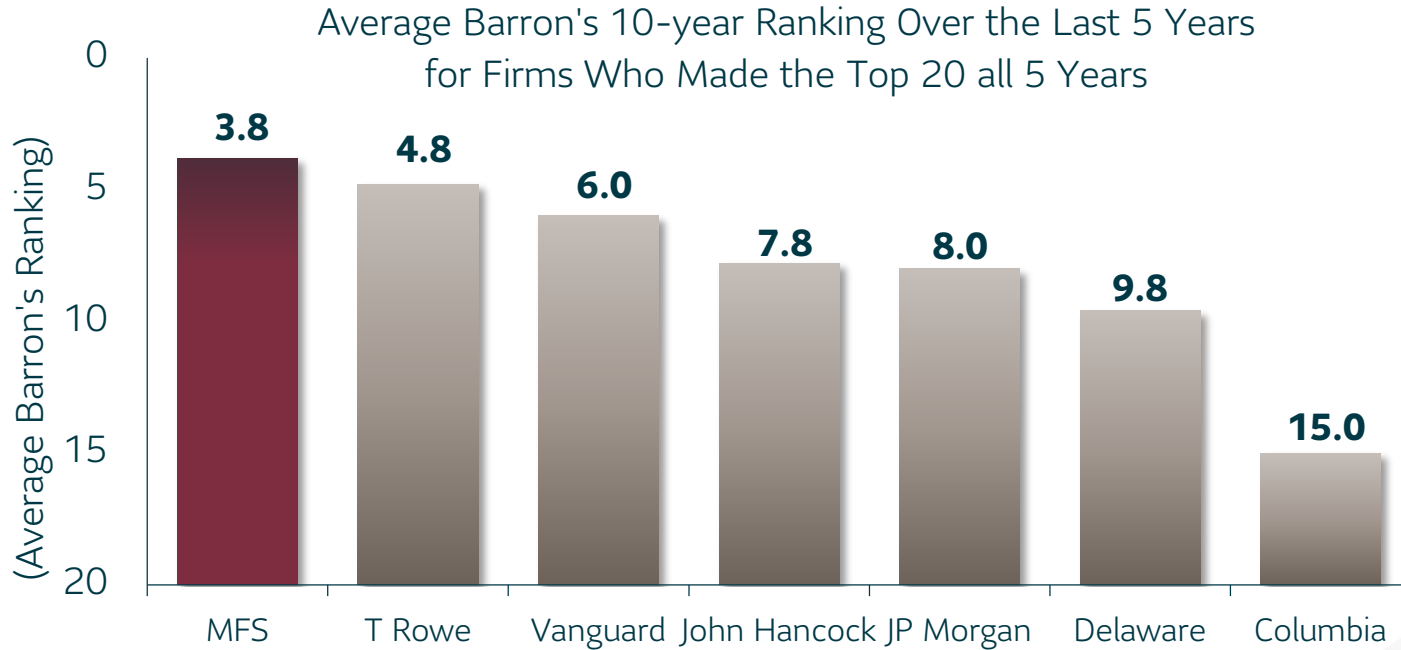
- Fixed income
  - SLC Management (Sun Life Institutional Investments (Canada and U.S.), Ryan Labs Asset Management and Prime Advisors)
- Real estate:
  - BentallGreenOak

<sup>1</sup> Ranking based on SLC Management's assets under management and Willis Towers Watson 2018 Report of the World's Asset Managers.

<sup>2</sup> 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.

<sup>3</sup> Excluding the General Account of Sun Life.

## MFS IS A LEADER IN LONG-TERM PERFORMANCE



Barron's rankings of MFS Family of Funds (based on performance as of 12/31/18 for 2018) 10-Year # 8 OUT OF 49 5-Year # 9 OUT OF 55 1-Year # 12 OUT OF 57  
Source: Barron's, "Best Fund Families of 2018," March 8, 2019. Barron's rankings are based on asset-weighted returns in five categories — US equity funds; world equity funds (including international and global portfolios); mixed equity funds (which invest in stocks, bonds and other securities); taxable bond funds; and tax-exempt funds — as calculated by Lipper. Barron's did not include sales charges in calculating returns. Each fund's return was measured against those of all funds in its Lipper category, resulting in a percentile ranking which was then weighted by asset size, relative to the fund family's other assets in its general classification. To qualify for Lipper/Barron's Fund Survey, a group must have had at least three funds in Lipper's general equity category, one world equity category, one mixed-asset (such as balanced or target-date fund), at least two taxable-bond funds and one national tax-exempt bond fund. Beginning in 2017, previously-excluded single-sector and country equity funds are factored into the rankings as general equity. The rankings exclude all passive index funds, including pure index, enhanced index, and index-based, but include actively managed ETFs and so-called smart-beta ETFs, which are passively managed but created from active strategies. Past performance is no guarantee of future results.

# SLC MANAGEMENT IS LEVERAGING A STRONG FOUNDATION FOR CONTINUED GROWTH



## SLC Management strategy

Leverages Sun Life's experience in LDI strategies and alternative asset classes



## Develop capabilities

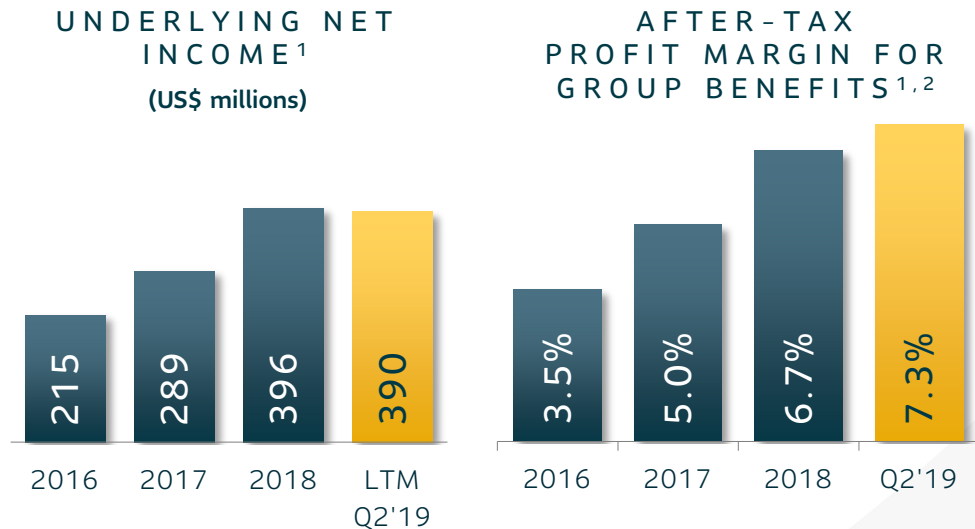
Develop capabilities, launch new products and maintain strong performance



# EXTENDING OUR REACH AND DEEPENING CLIENT RELATIONSHIPS IN U.S. GROUP BENEFITS

## Q2'19 HIGHLIGHTS

- U.S. Group Benefits sales<sup>1</sup> of US\$168 million in the second quarter of 2019 increased 40% compared to US\$120 million in the second quarter of 2018, driven by strong momentum and our leadership position in medical stop-loss
- In medical stop-loss, business in-force increased to US\$1.8 billion, up 22% from the same period in 2018
- Introduced employee auto-enrollment for disability coverage, providing additional income protection and financial security, helping close coverage gaps for Clients
- After-tax profit margin for Group Benefits of 7.3%<sup>1,2</sup>



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

<sup>2</sup> After-tax profit margin for Group Benefits calculated on underlying net income as a percentage of net premiums on a trailing four quarters basis.

# WELL-POSITIONED TO GROW THROUGH U.S. MARKET OPPORTUNITIES

## U.S. Employee Benefits Market Opportunity



**Employees** responsible for more health and benefits costs but lack education and experience



Growing life insurance coverage gap, estimated in the **trillions**<sup>1</sup>



**US\$350 billion**<sup>1,2</sup> out-of-pocket health expenses

## U.S. Stop-Loss Market Opportunity



**61%**<sup>3</sup> of U.S. employees are covered by a self-insured plan with a trend of smaller employers moving in this direction<sup>4</sup>



**US\$1 trillion+**<sup>1</sup> of costs covered by self-insured health plans



**6-8%**<sup>5</sup> annual growth in health care costs



<sup>1</sup> Based on Oliver Wyman research, 2016

<sup>2</sup> Includes employee and individual contributions to health plans

<sup>3</sup> Henry J. Kaiser Family Foundation Employer Health Benefits Survey

<sup>4</sup> EBRI Feb 2018, Self-Insured Health Plans: Recent Trends by Firm Size, 1996–2016

<sup>5</sup> PwC's Health Research Institute (HRI)



# WELL-POSITIONED IN ASIA'S LARGEST AND FASTEST GROWING MARKETS

## Q2'19 HIGHLIGHTS

- Asia individual insurance sales<sup>1</sup> in our 7 local markets up 20% from the prior year, driven by our Most Respected Advisor program and digital enhancements to advisor apps
- Launched two new apps in Asia: a pension app in Hong Kong with paperless registration and e-statements and a group medical app allowing Clients to digitally submit outpatient claims

UNDERLYING NET INCOME<sup>1</sup>  
(\$ millions)



## INSURANCE & WEALTH

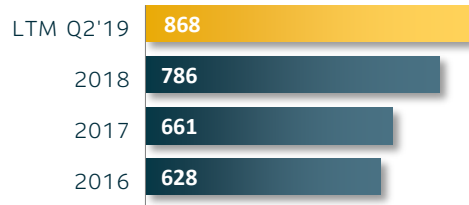
AUM<sup>1</sup>

\$71B

+7% YoY\*

\* Year over Year ("YoY")

INDIVIDUAL INSURANCE  
SALES<sup>1,2</sup>  
(\$ millions)

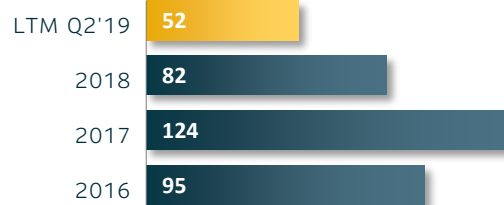


## INTERNATIONAL

AUM<sup>1</sup>

\$16B

INDIVIDUAL INSURANCE  
SALES<sup>1</sup>  
(\$ millions)



# WELL-POSITIONED TO CAPTURE GROWTH OPPORTUNITIES

# 17%

Total Company Underlying Net Income\* from Asia\*\* over the last twelve months



**PHILIPPINES**

- **#1** ranked insurance<sup>1</sup> company for 8 years in a row
- **3<sup>rd</sup>** largest mutual fund<sup>2</sup> provider based on AUM\*



**HONG KONG**

- Insurance: **9<sup>th</sup>** in Agency<sup>3</sup>
- **2<sup>nd</sup>** largest MPF based on net inflows, #4 based on AUM<sup>4,\*</sup>



**MALAYSIA**

- **3<sup>rd</sup>** in Bancassurance<sup>5</sup>, up one position from 2018
- Sun Life Malaysia grew at 37% vs industry growth of 15%



**CHINA**

- Insurance: **7<sup>th</sup>** among foreign JVs<sup>6</sup>
- Surpassed 9,800 advisors, 64% year-on-year growth



**INDONESIA**

- **8<sup>th</sup>** in Agency<sup>7</sup>
- Sun Life Indonesia has market share of 3.3%, up by 0.5% a year ago



**INDIA**

- Insurance: **8<sup>th</sup>** in individual insurance and **6<sup>th</sup>** in group<sup>8</sup>
- **4<sup>th</sup>** largest mutual fund provider in the country based on AUM<sup>9,\*</sup>



**VIETNAM**

- **#13** in Agency<sup>10</sup>
- Sun Life Vietnam grew at 26% vs industry growth of 19%<sup>11</sup>



**INTERNATIONAL**

- A **leader in high-net-worth** insurance

Footnotes 1-11: See appendix to these slides for information on source data

\*Represents Non-IFRS financial measures. See "Use of Non-IFRS Financial Measures" and "Reconciliation of Net Income measures" in the appendix to these slides.

\*\*Based on results as at June 30, 2019; excluding Corporate Support. SLF Asia underlying net income includes the results of International

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## ENVIRONMENTAL, SOCIAL, GOVERNANCE



## CAPITAL GENERATION PROVIDES GOOD CAPITAL FLEXIBILITY



**Funding Organic Growth**



**Target Dividend Payout  
ratio of 40-50%**



**M&A Opportunities  
and Strategic  
Investments**



**Share Buybacks**

**Strong Capital Generation**

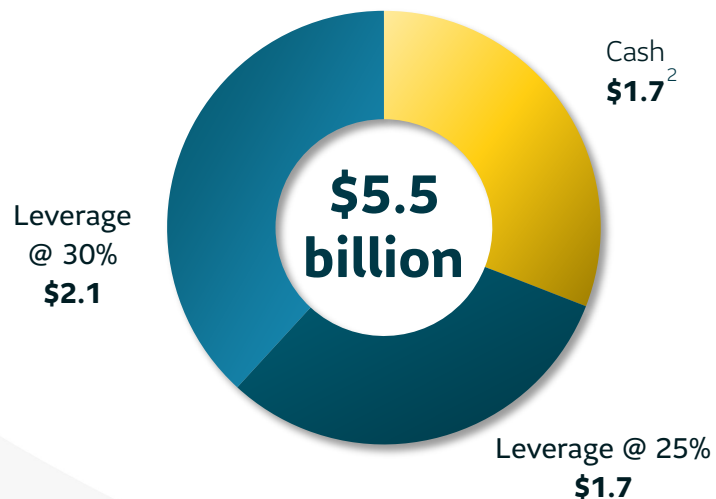
**Capital Flexibility**

- Capital deployment priorities unchanged
- Target minimum cash at the holding company of \$500 million
- Capital generation equal to or greater than \$800 million

# STRONG CAPITAL POSITION WITH SIGNIFICANT DEPLOYMENT POTENTIAL<sup>1</sup>

## CAPITAL DEPLOYMENT POTENTIAL

(\$ billions)



DEPLOYMENT OPPORTUNITIES	DESCRIPTION/CONSIDERATIONS
Organic Investments	Making further investments in building out new business models and advancing our leading digital capabilities
Mergers & Acquisitions	Actively seeking out potential targets aligned with our strategic goals and meeting financial hurdles
Share Buybacks	Utilize excess capital build up for share repurchases in the near term
Reinsurance Transactions	Repatriating certain reinsurance arrangements with potential to increase earnings



# FINANCIAL FLEXIBILITY UNDER CAPITAL MODEL

\$2.2 billion cash and other liquid assets at holding company<sup>1</sup>

**SLF**

LICAT 144%  
Financial leverage ratio 20.4%  
Leverage Capacity to 25/30%: ~\$1.7/\$3.8B

LICAT of 133%

**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%	\$500	31-Dec-19
		<b>\$700</b>	

**Asset Management**

**MFS**

**SLC Management**

Book value  
excl. from  
LICAT

ALL CAPITAL SECURITIES  
CONTINUE TO QUALIFY  
UNDER LICAT

**UK**

**Canada**

**Bermuda**

**Asia**

**U.S. Branch**

Capitalized to meet local capital rules

## SLF - External Capital Securities

Subordinated Debt	Coupon	Outstanding Balance	First Call Date
SLF T2B (Series 2007-1)	5.40%	\$399	29-May-37
SLF T2B (Series 2015-1)	2.60%	\$499	25-Sep-20
SLF T2B (Series 2016-1)	3.10%	\$349	19-Feb-21
SLF T2B (Series 2016-2)	3.05%	\$996	19-Sep-23
SLF T2B (Series 2017-1)	2.75%	\$398	23-Nov-22
		<b>\$2,641</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>	

# STRONG OPERATING AND FINANCIAL LEVERAGE

## Operating Leverage

### Operating Leverage Debt (C\$ millions)

Q2 2019

Debt supporting reserve financing

Senior Debt

600

Bilateral Senior Financing<sup>1</sup>

2,066

**Total Operating Leverage Debt**

**2,666**

### Capital (C\$ millions)

Q2 2019

Subordinated Debt

2,791

SLEECs (Innovative Tier 1 Securities)

700

Preferred Shareholders' Equity

2,257

**Total Capital Securities**

**5,748**

Common Shareholders' Equity and Par<sup>2</sup>

22,401

**Total Capital**

**28,149**

**Financial Leverage Ratio<sup>3</sup>**

**20.4%**

Tier 2

Tier 1

Tier 1

<sup>1</sup> As of December 31, 2018 as disclosed in SLF Inc.'s 2018 Financial Statements.

<sup>2</sup> Participating policyholders' equity and non-controlling interest.

<sup>3</sup> 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.

# LICAT CAPITAL FRAMEWORK

**TOTAL  
RATIO**

$$\frac{\text{Available Capital} + \text{Surplus Allowance} + \text{Eligible Deposits}}{\text{Base Solvency Buffer}}$$

**TOTAL RATIO (SLF Inc.) = 144%**



## AVAILABLE CAPITAL

- Similar to MCCSR
  - Retained earnings / common and preferred equity continue to be largest components
- Main changes relate to adjustments and deductions to Tier 1 capital
  - (+) Accumulated OCI
  - (+) Value of Joint Ventures
  - (-) Non-temporary DTAs



## SURPLUS ALLOWANCE + ELIGIBLE DEPOSITS

- Essentially the provisions for adverse deviation (PfADs) for non-economic risks
  - Insurance (mortality, morbidity, lapse) + interest
- Discounted at the rate used in the valuation of actuarial liabilities



## BASE SOLVENCY BUFFER

- Sum of aggregate capital required for:
  - credit, market, insurance, segregated fund and operational risk
- Total solvency requirements for a 1:200 year tail event, with some allowance for diversification
- Discounted on a basis prescribed by OSFI, then grossed up by a scalar of 1.05

**Total Capital Resources**

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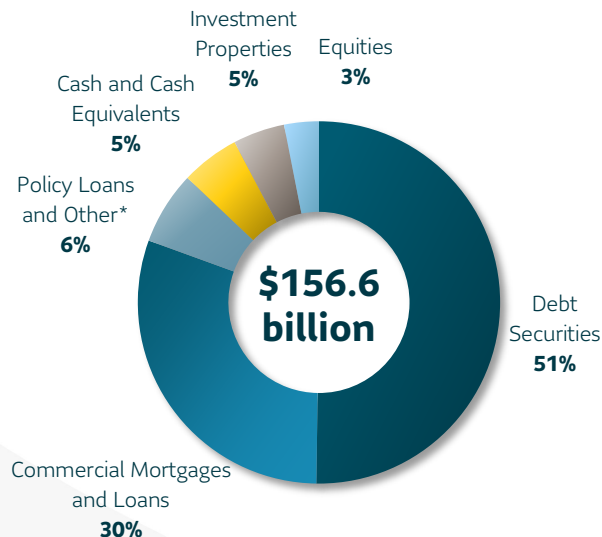
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## ENVIRONMENTAL, SOCIAL, GOVERNANCE



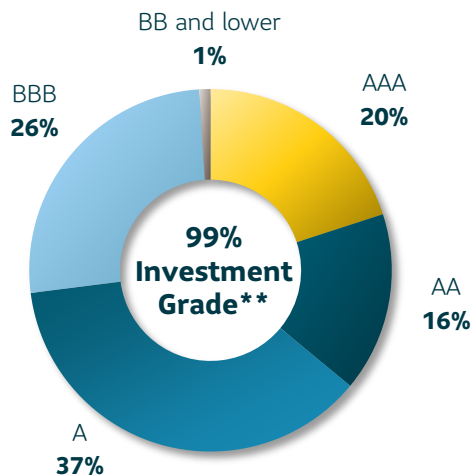
# HIGH QUALITY, WELL-DIVERSIFIED INVESTMENT PORTFOLIO

INVESTMENT PROFILE  
(as at June 30, 2019)



\*Consists of: Other invested assets (3%), Policy loans (2%), Derivative assets (1%)

DEBT SECURITIES BY CREDIT RATING  
(as at June 30, 2019)



\*\*BBB and higher

- Leading non-public portfolio with significant origination capabilities
- Strong Real Estate capabilities
- Deep credit research resulting in strong credit experience
- Commercial mortgages and loans underwritten and secured by underlying collateral
- No direct exposure to Canadian single-family residential mortgages



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## ENVIRONMENTAL, SOCIAL, GOVERNANCE



# STRONG COMMITMENT TO SUSTAINABILITY



## Sustainable Investing

**\$15 billion**

Invested in sustainable infrastructure to date

**20%**

Reduction in GHG emissions by 2020, 30% by 2030<sup>1</sup>



A leader in UN PRI scores and most ESG-friendly funds



## Financial Security



**Financial literacy** campaigns in Asia

**3k+**

Documents rewritten to simplify **Client** experience



**Public advocacy** for financial security



## Healthier Lives

**\$25 million**

Committed to diabetes globally



Ella, our digital coach, **nudges & incents** Clients to live healthier lives

**\$11 million**

Donated to community organizations in 2018



Most Sustainable Corporations in the World



FTSE4Good

MEMBER OF

**Dow Jones Sustainability Indices**

In Collaboration with RobecoSAM



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". Sun Life Assurance Company of Canada is referred to as "SLA".

## Use of Non-IFRS Financial Measures

We report certain financial information using non-IFRS financial measures, as we believe that these measure 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 available in section M - Non-IFRS Financial Measures of the Earnings News Release. Non-IFRS Financial Measures and reconciliations are also included in our annual and interim MD&A and the Supplementary Financial Information packages that are available on [www.sunlife.com](http://www.sunlife.com) under Investors – Financial results & 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 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 that differ from our best estimate assumptions, which include: (i) impact 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 impact 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 impact of changes in the fair value of investment properties in the reporting period;
- (b) assumption changes and management actions, which include: (i) the impact of revisions to the methods and 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; 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.

### Use of Names and Logos of Third Parties

Names and logos of third parties are used for identification purposes and do not imply any relationship with, or endorsement by, them. Third party trade-marks are the property of their respective owners.

Reconciliation of Select Net Income Measures	Q2'19	Q1'19	Q2'18
<b>Common shareholders' reported net income (loss)</b>	<b>595</b>	<b>623</b>	<b>706</b>
Impact of certain hedges that do not qualify for hedge accounting	(5)	1	1
Fair value adjustments on share-based payment awards at MFS	(11)	(8)	(2)
Acquisition, integration and restructuring	(11)	(7)	(31)
Net equity market impact	20	58	9
Net interest rate impact	(114)	(133)	(37)
Net increases (decrease) in the fair value of real estate	(3)	6	36
Assumption changes and management actions	(20)	(11)	1
<b>Common shareholders' underlying net income (loss)</b>	<b>739</b>	<b>717</b>	<b>729</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 statements (i) relating to our strategies, (ii) relating to our growth initiatives and other business objectives, (iii) relating to our potential new normal course issuer bid, (iv) relating to the expected impact of the acquisition of BentallGreenOak on Total shareholders’ equity, (v) relating to our annual review of actuarial methods and assumptions, (vi) relating to our expected tax range for future years, (vii) set out in our interim management’s discussion and analysis for the period ended June 30, 2019 under the heading H - Risk Management - 1. Market Risk Sensitivities - Interest Rate Sensitivities, (viii) that are predictive in nature or that depend upon or refer to future events or conditions, and (ix) 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. 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 matters set out in our interim management’s discussion and analysis for the period ended June 30, 2019 under the headings, C - Profitability - 5 - Income taxes, E - Financial Strength and H - Risk Management and in SLF Inc.’s 2018 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 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; **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; 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; **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; 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.

## Currency

All amounts are in Canadian dollars unless otherwise noted

## Peer Groups included in TSR chart

Canadian Lifecoss – Manulife Financial Corporation, Great-West Life & Industrial Alliance; U.S. Insurers – Hartford Financial Services Group, Lincoln National Corporation, MetLife Inc., Principal Financial Group, Inc., Prudential Financial, Inc., Unum Group & Voya; Global Lifecoss – All Canadian & U.S. Lifecoss, AXA SA, Prudential PLC, Allianz SE, Aviva PLC, Legal & General Group PLC, Assicurazioni Generali SpA, AIA Group Ltd., China Life Insurance Co. Ltd, China Pacific Insurance Group (H Shares) & Ping An Insurance Group

## Source Information for Slide 21

- (1) Ranking for Sun Life of Canada (Philippines). Insurance Commission of the Philippines, Premium Income of Life Insurance Companies, 2018
- (2) Philippine Investment Funds Association, based on March 31, 2019 ending assets under management
- (3) Insurance Authority of Hong Kong, Provisional Statistics on Hong Kong Long Term Insurance Business, based on 2018 annualized first year premiums at March 31, 2019
- (4) Mercer MPF Report (as at June 30, 2019)
- (5) Life Insurance Association of Malaysia; Insurance Services Malaysia Berhad, based on 2018 annualized first year premium for conventional and Takaful business at March 31, 2019
- (6) China Insurance Regulatory Commission, based on gross premiums for March 31, 2019 year to date (excluding universal and variable universal life insurance deposits and pension companies)
- (7) Indonesia Life Insurance Association industry report, based on first year premiums at March 31, 2019
- (8) Insurance Regulatory Authority of India, based on 2018 first year premiums among private players on calendar year basis at March 31, 2019
- (9) Association of Mutual Funds in India, based on average assets under management for the quarter ended at June 30, 2019
- (10) May 2019 year to date annualized first year premiums, based on data shared among Vietnam industry players
- (11) May 2019 year to date annualized first year premiums, based on data shared among Vietnam industry players