

2019 Q2

Financial & Operating Results

For the period ended
June 30, 2019



Life's brighter under the sun

Sun Life Financial Inc. (unaudited)



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

Forward-looking statements

Certain statements in this presentation and certain oral statements made by senior management during the earnings conference call on August 1, 2019 (collectively, this “presentation”), including, but not limited to, statements that are not historical facts, are forward-looking and are subject to inherent risks, uncertainties and assumptions. The results or events predicted in these forward-looking statements may differ materially from actual results or events and we cannot guarantee that any forward-looking statement will materialize. Except as may be required by law, we do not undertake any obligation to update or revise any forward-looking statements made in this presentation.

Non-IFRS Financial Measures

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

Sources of earnings

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

Additional information

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

Currency

Unless otherwise noted, all amounts are in Canadian dollars.

DEAN CONNOR

| President and Chief Executive Officer

PROGRESS ACROSS ALL FOUR PILLARS



Financial highlights

- Q2'19 reported net income of \$595 million; underlying net income⁽¹⁾ of \$739 million
- Underlying ROE⁽¹⁾ of 13.7%
- Wealth sales⁽¹⁾ of \$37 billion increased by 20% compared to Q2'18
- Asia individual insurance sales⁽¹⁾ in our 7 local markets up 20% from the prior year, driven by our Most Respected Advisor program and digital enhancements to advisor apps
- Achieved an after-tax profit margin for U.S. Group Benefits^{(1),(2)} of 7.3%



Key accomplishments

- 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
- Positive net retail fund flows of \$2.6 billion (US\$2.0 billion) at MFS
- 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



Doing more for Clients

- 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
- The U.S. introduced employee auto-enrollment for disability coverage, providing additional income protection and financial security, helping close coverage gaps for Clients
- 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
- 97%, 95% and 100% of Sun Life Global Investments Granite Managed Portfolios retail assets⁽³⁾ exceeded peer median for five-, three-, and one-year performance, respectively

KEVIN STRAIN

| Executive Vice President & Chief Financial Officer

Q2'19 RESULTS

\$ millions (except EPS and ROE)	Q2'19	Q1'19	Q2'18
Reported net income	595	623	706
Underlying net income ⁽¹⁾	739	717	729
Diluted reported EPS (c\$)	1.00	1.04	1.16
Diluted underlying EPS ⁽¹⁾ (c\$)	1.24	1.20	1.20
Reported ROE ⁽¹⁾	11.0%	11.5%	13.5%
Underlying ROE ⁽¹⁾	13.7%	13.3%	14.0%

Business Performance	<ul style="list-style-type: none"> Assets under management⁽¹⁾ of over \$1 trillion up 4% from Q2 2018 Underlying EPS⁽¹⁾ up 3% from Q2 2018 Year-to-date operating expenses up 4% from 2018; up 1% on a constant currency basis Book value per share of \$36.26 up 5% from Q2 2018
Capital Management	<ul style="list-style-type: none"> Strong capital position with a LICAT ratio for SLF of 144%, SLA LICAT ratio of 133%⁽²⁾ \$2.2 billion of cash and other liquid assets at SLF and its wholly-owned holding companies Re-purchased approximately 3.7 million SLF common shares for \$200 million; announced renewal of NCIB to allow for the purchase of up to 15 million shares, subject to regulatory approval⁽³⁾ Financial leverage ratio⁽¹⁾ of 20.4%

(1) Underlying net income/ROE/EPS, assets under management and financial leverage ratio 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) Life Insurance Capital Adequacy Test ("LICAT") ratio of SLF and of Sun Life Assurance Company of Canada ("SLA").

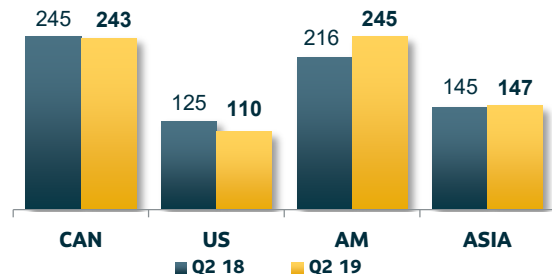
(3) See "Forward-looking statements" in the appendix to these slides.

Q2'19 BUSINESS GROUP PERFORMANCE

UNDERLYING NET INCOME⁽¹⁾

(\$ millions)

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



CAN

- Continued business growth and favourable expense experience, offset by unfavourable morbidity and credit experience
- Reported net income lower than Q2 2018, mainly reflecting unfavourable market related impacts

US

- Less favourable morbidity experience and lower AFS gains, partially offset by improved lapse and other policyholder behaviour experience, and continued business growth
- Reported net income includes unfavourable market related impacts, partially offset by lower integration costs than Q2 2018
- After-tax profit margin for Group Benefits of 7.3%⁽¹⁾⁽²⁾

AM

- MFS pre-tax net operating profit margin ratio of 37%⁽¹⁾
- Increases in both reported and underlying net income were driven by expense discipline, investment income including returns on seed capital, and the favourable impact of foreign exchange; reported net income was also impacted by higher fair value adjustments on MFS' share based payment awards

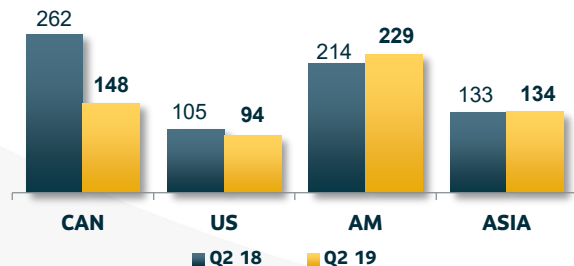
ASIA

- Continued business growth and favourable credit experience offset by lower new business gains in International
- Reported net income in line with Q2 2018, driven by unfavourable market-related impacts, offset by lower acquisition, integration and restructuring costs

REPORTED NET INCOME

(\$ millions)

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



(1) Underlying net income, after-tax profit margin for U.S. Group Benefits, and pre-tax net operating profit margin for MFS 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) After-tax profit margin for U.S. Group Benefits calculated on underlying net income as a percentage of net premiums on a trailing four quarters basis.

SOURCES OF EARNINGS VIEW

Sources of earnings Common shareholders \$ millions	Q2'19	Q2'18
Expected profit on in-force business	784	732
Impact of new business	(5)	13
Experience gains/(losses)	(128)	51
Assumption changes and management actions (ACMA) ⁽³⁾	(27)	4
Other ⁽¹⁾	(42)	(48)
Earnings from operations	582	752
Earnings on surplus	123	153
Earnings before income taxes	705	905
Income tax (expense) or recovery ⁽²⁾	(86)	(176)
Non-controlling interest and preferred share dividends	(24)	(23)
Reported net income	595	706

Expected profit: business growth across all pillars, with particular strength in Canada and the U.S.

New business strain: higher strain in Asia from lower sales in International

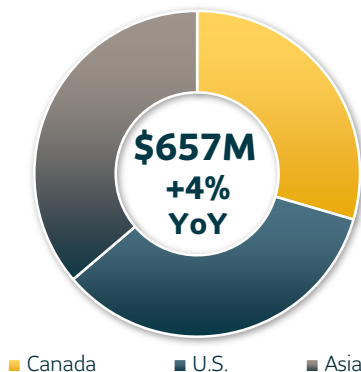
Experience gains/(losses):

- **Q2 2019:** unfavourable market related impacts, morbidity, lapse and other policyholder behaviour, and other experience, partially offset by favourable investing activity, credit, and expense experience
- **Q2 2018:** favourable net market related impacts, investing activity, credit, mortality, and morbidity, partially offset by unfavourable lapse and policyholder behaviour, expense experience, and other

Earnings on surplus: lower AFS and real estate market gains

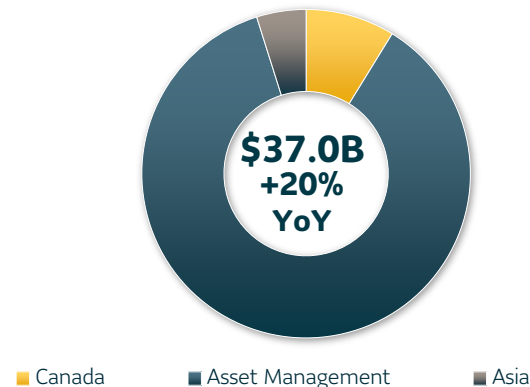
SALES RESULTS BY BUSINESS GROUP

INSURANCE SALES⁽¹⁾ BY BUSINESS



- Canada down 27% as a result of lower sales in Group Benefits and individual insurance
- U.S. sales up 40% in local currency driven by increased medical stop-loss sales
- Asia sales up 10% on a constant currency basis, reflecting 20% growth in individual insurance sales across our seven local markets, and lower sales in International

WEALTH SALES⁽¹⁾ BY BUSINESS

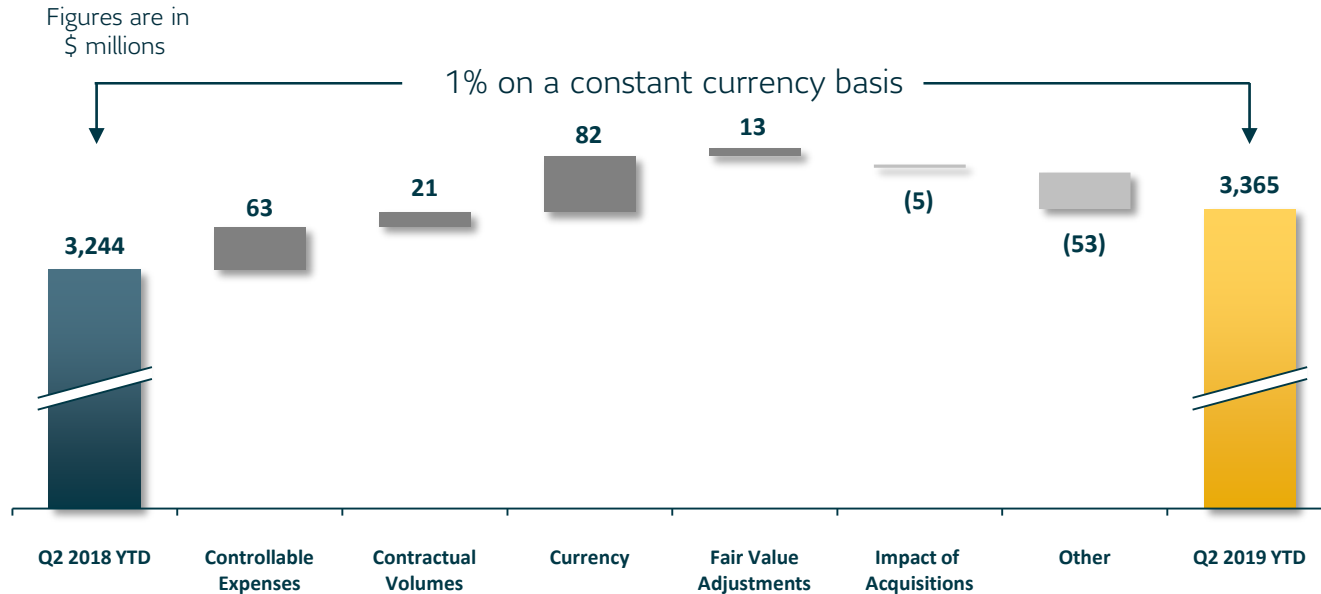


- Canada wealth sales up 7% driven by Group Retirement Services
- Asset Management sales up 22% on a constant currency basis, reflecting higher mutual fund and managed fund sales in MFS
- Asia wealth sales down \$0.7 billion on a constant currency basis, primarily from lower sales in India driven by weak market sentiments

VALUE OF NEW
BUSINESS^{(1),(2)}

-12% YoY

OPERATING EXPENSES



- Increase in controllable expenses reflects investments in growth, partially funded through productivity gains

| APPENDIX

RECONCILIATION OF UNDERLYING NET INCOME

\$ millions	Q2'19 Pre-tax	Q2'19 After-tax
Reported net income		595
Net equity market impact (including basis risk impact of \$6 million) ⁽¹⁾	27	20
Net interest rate impact (including credit spread impact of \$(22) million and swap spread impact of \$7 million) ⁽¹⁾	(165)	(114)
Impact of changes in the fair value of investment properties	(6)	(3)
Assumption changes and management actions ⁽²⁾	(27)	(20)
Other ⁽³⁾	(42)	(27)
Underlying net income⁽²⁾		739

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

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

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

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

OTHER NOTABLE ITEMS

Impact of other items on our net income \$ millions	Q2'19 Pre-tax	Q2'19 After-tax
Experience related items		
Impact of investment activity on insurance contract liabilities	34	28
Credit	9	12
Mortality	-	(3)
Morbidity	(5)	(3)
Lapse and other policyholder behaviour	(4)	(4)
Expenses	17	13
Other	(30)	(9)
Total other notable items		34

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

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 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.

Reconciliation of Select Net Income Measures	Q2'19	Q1'19	Q2'18
Common shareholders' reported net income (loss)	595	623	706
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
Common shareholders' underlying net income (loss)	739	717	729

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 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 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.