

Q2 2020

Building Sustainable
Shareholder Value



Life's brighter under the sun





Business overview & update



Business group results & highlights



Capital management



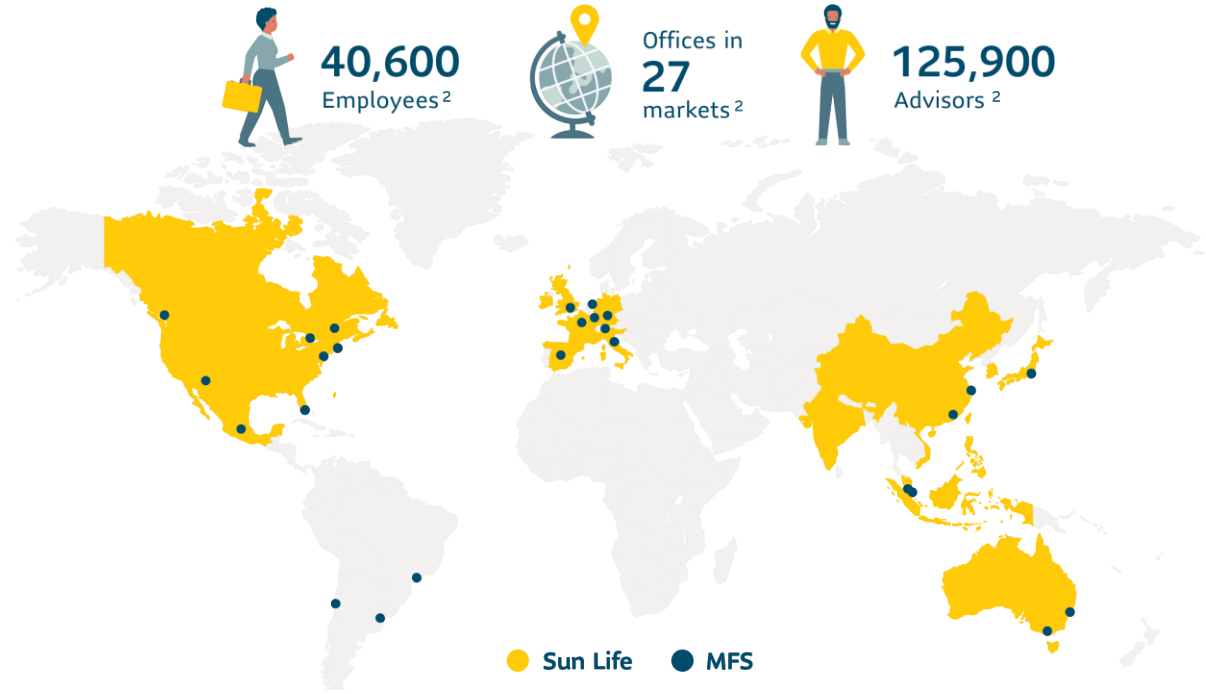
Asset portfolio



Sustainability

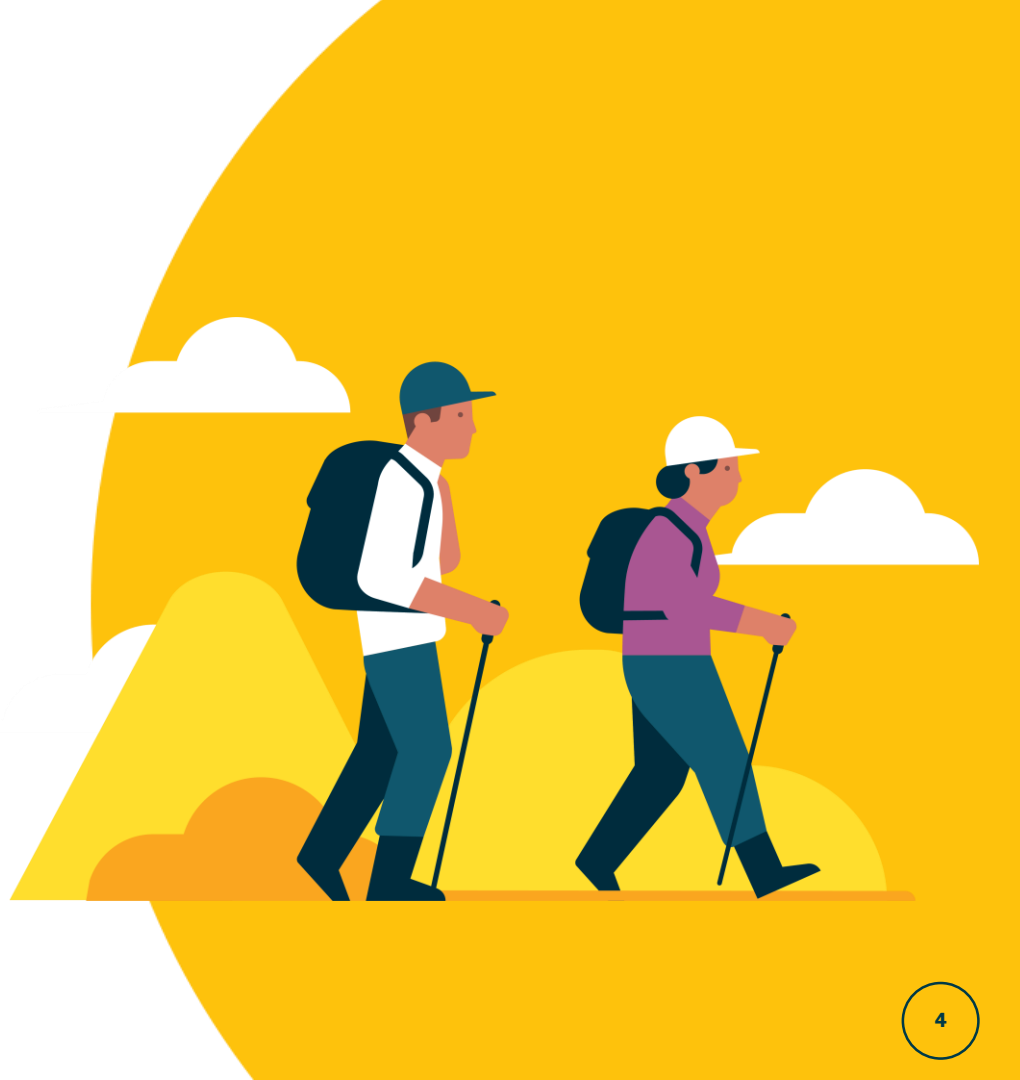
A \$29.2¹ billion leading global financial services organization

Operating through
a **balanced** and
diversified model
and 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 U.S. 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



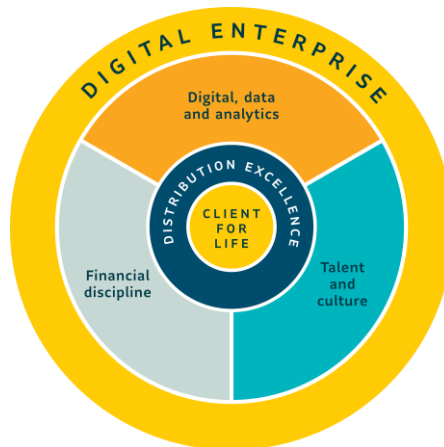
Executing on our ambition to be one of the best insurance and asset management companies globally

A Leader in Insurance and Wealth Solutions in our Canadian Home Market

CAN

A Leader in Global Asset Management

AM



US

A Leader in U.S. Group Benefits

ASIA

A Leader in Asia through Distribution Excellence in Higher Growth Markets

Each pillar viewed as a leader

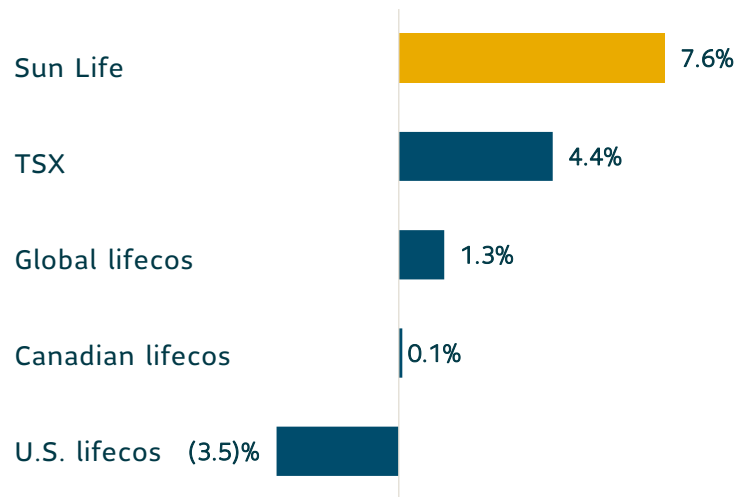
Top quartile Client experience

Disproportionate share of top talent

Top quartile total shareholder return

Consistently delivering value to shareholders

5-year total shareholder return¹ June 30, 2020



Progress on medium-term objectives

Medium-term objective	5-Year ³
Underlying ROE ² 12-14%	13.3%
Underlying EPS growth ² 8-10%	10.1%
Dividend payout ratio ² 40-50%	41%

¹ Source: Bloomberg. Companies included in these peer groups are listed in the appendix

² Underlying ROE, EPS, and dividend payout ratio are non-IFRS financial measures. See "Use of Non-IFRS Financial Measures" and "Reconciliation of Select Net Income Measures" in the appendix

³ At June 30, 2020. Underlying EPS growth is calculated using a compound annual growth rate. Underlying ROE and dividend payout ratio are calculated using an average

Digital transformation deeply embedded throughout the organization

Build new digital models

- **Asia** direct business models, including telco micro-products
- Lumino Health in **Canada**
- New turnkey Absence capabilities through FullscopeRMS in **U.S. Group Benefits**



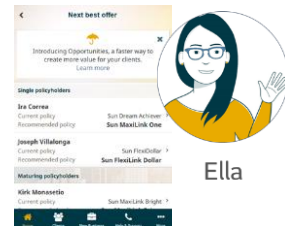
Digitizing current interactions and processes

- **Asia** point of sale tools (needs, illustration, application, fulfillment)
- Web and mobile functionality in **Canada** and **Asia**
- Expanded web capabilities and streamlined claims experience in the **U.S.**
- In **Canada**, launched Sun eApp, an online, sustainable insurance application platform for third party advisors and their Clients



Use digital to be personal, predictive, and proactive

- Predictive models for advisor recruiting and Client retention in **Asia**
- Digital coach Ella in **Canada**
- Accelerated underwriting capabilities to reduce the need for lab tests for life insurance products in **Canada**
- Leveraging Maxwell Health to drive voluntary benefits enrolment in **U.S.**



Maxwell | Health.

Partnership ecosystem

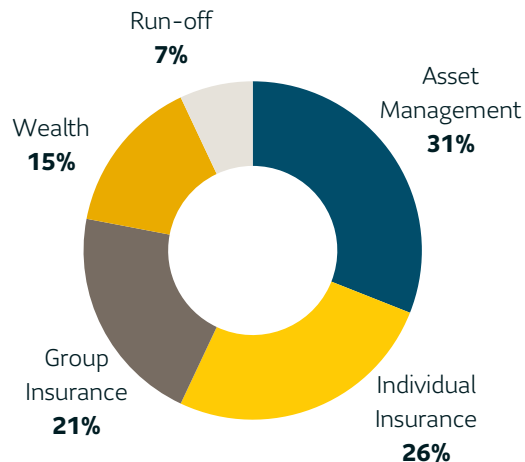
- Building digital expertise and ecosystems
- Making equity investments in early stage partners
- Investing in key technologies to drive global growth
- Exploring strategic collaborations with start-ups, accelerators and established networks



Showcasing a balanced and diversified business

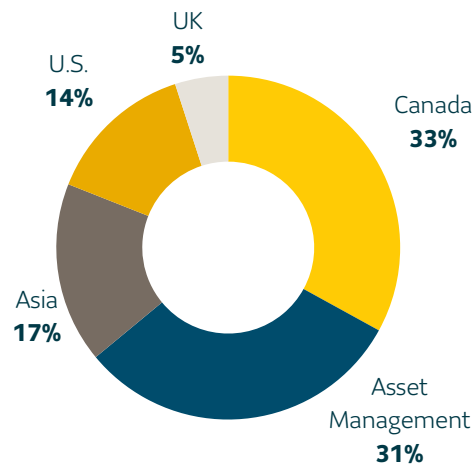
Business diversification

Q2 2020 underlying net income^{1,2}



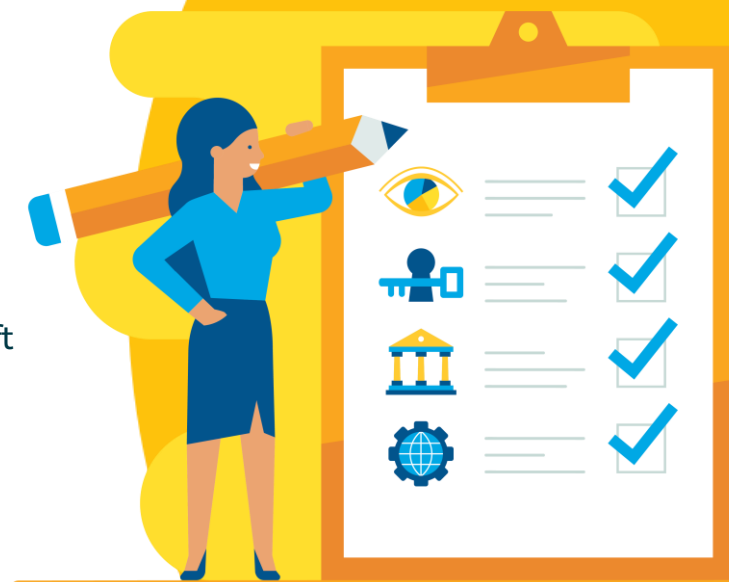
Business Group diversification

Q2 2020 underlying net income^{1,2}



Leveraging 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 of people move to the middle class



Supporting our employees, Clients, and communities

Employees and Advisors



- Majority of North American employees continue to work from home, and we continue to enable employees in Asia to work from home as needed
- Employee engagement scores have increased during COVID-19 from already-strong levels
- Sun Life Hong Kong won Insurance Company of the Year, as well as a Lifetime Achievement award and the Young Executive of the Year award at the Asia Trusted Life Agents and Advisors Awards¹
- Intensified our goal to have 25% of under-represented minorities at senior levels within five years, focusing specifically on Black and Indigenous representation

Clients



- Ella, our digital coach, has proactively connected with Clients over 13.5 million times during the pandemic
- Rolled out new virtual sales experiences in Asia
- Launched the Sun eApp, an online insurance application platform for third party advisors and their Clients in Canada
- In the U.S., enhanced mobile enrollment, text messaging and live chat features, and additional integration for employee payroll deductions on our Maxwell Health digital benefits platform

Communities



- Signed commitments for the BlackNorth Initiative, to remove systemic barriers negatively affecting Black Canadians
- An extension of our Sustainability Plan, Sun Life announced action plan and an additional \$1 million investment this year, focusing on three diversity and inclusion areas: talent and culture, learning and development, Clients and Communities
- Donated to NAACP Legal Defense and Educational Fund, the Smithsonian National Museum of African American History & Culture (Washington) and the Canadian Race Relations Foundation
- Donated \$250k in Asia on World Health Day to help protect frontline medical workers with essential Personal Protective Equipment and provide food security to communities



Business overview & update



Business group results & highlights



Capital management



Asset portfolio

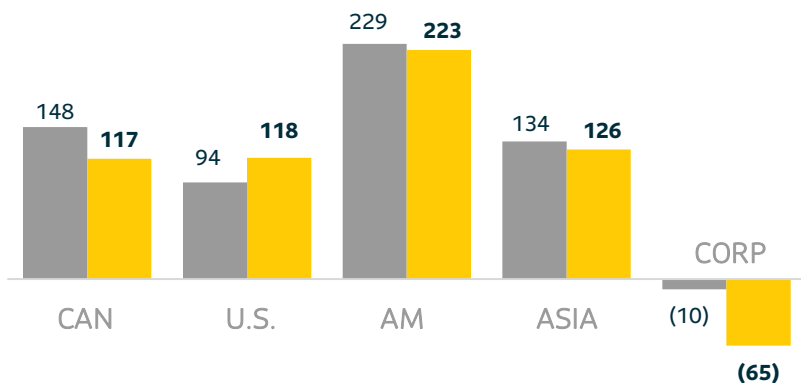


Sustainability

Business group performance

Reported net income (\$ millions)

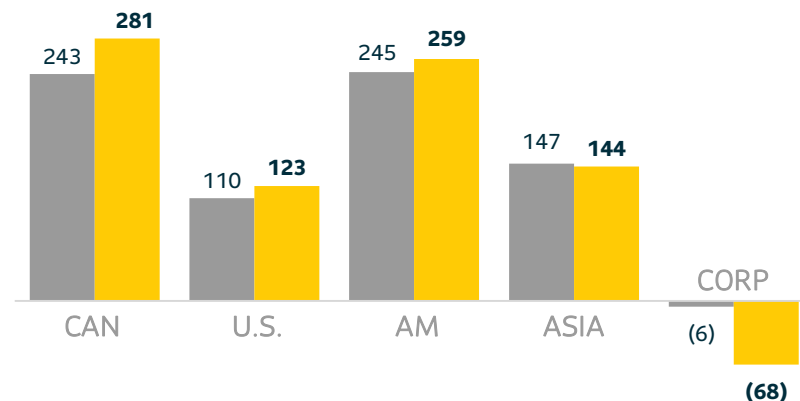
Impact of currency increased reported net income by \$17M



■ Q2'19 ■ Q2'20

Underlying net income¹ (\$ millions)

Impact of currency increased underlying net income by \$21M



Canada is a growth market for Sun Life

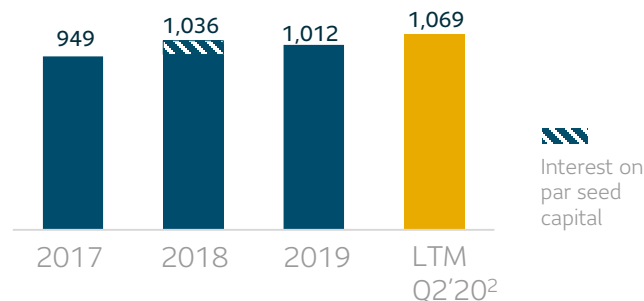
Q2'20 highlights

- In plan wealth sales up 54% year-to-date, resulting \$760 million additional deposits from digital nudges and outbound calls
- Executing on our **sustainability commitment** by launching our proprietary Environmental, Social and Governance (“ESG”) **evaluation framework** for every major asset category on our core GRS investment platform, **empowering Clients and plan sponsors to make informed decisions** on sustainable investment options
- Held over **61,000 virtual Advisor-Client meetings** in the second quarter and **doubled the use of electronic signature** options to complete retail wealth transactions
- Sun Life Global Investments (SLGI) AUM of \$29 billion¹, 12% growth over prior year

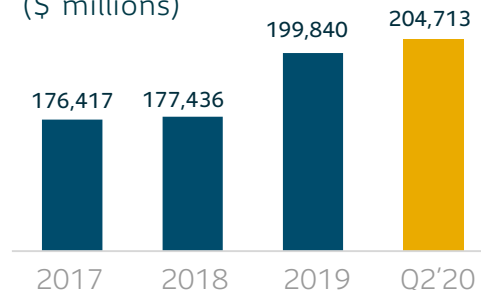
¹ Represents a non-IFRS financial measure. See “Use of Non-IFRS Financial Measures” in the appendix

² Last twelve months ended June 30, 2020

Underlying net income¹ (\$ millions)



Assets under management (AUM)¹ (\$ millions)



Shaping the industry and capitalizing on opportunities in Canada



Shaping the market through innovation and digital

- Introduction of **Lumino virtual healthcare** capabilities including primary care to Group and Retail Clients, and paramedical virtual solutions to providers
 - **Partnered with Dialogue** to offer virtual care to our Clients¹ through a mobile app or online, offering direct access to a care manager, nurse or family physician
 - **Partnered with OnCall Health** to enable paramedical providers on the Lumino Health platform to connect virtually with their patients
 - **Partnered with Teladoc Health** to offer Mental Health Navigator¹, a confidential and personalized service that draws on a team of clinicians including psychologists and psychiatrists to help determine the right diagnosis and treatment for individuals
- 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

- 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



Supporting Clients with holistic advice at moments that matter

Personal, proactive and predictive touchpoints driving improvement in Client Index scores²

Client Index Score²

48

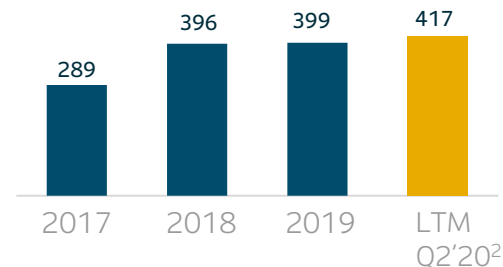
+8 since 2016

Deepening Client relationships in U.S. Group Benefits

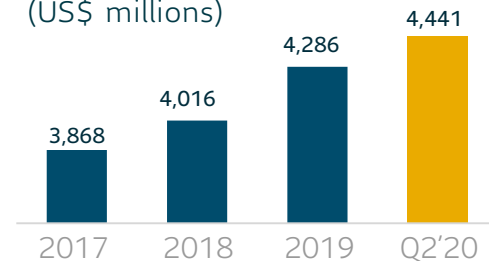
Q2'20 highlights

- Resilient sales supported by 22,000 active employees on our Maxwell Health digital benefits platform; a 74% increase since 2019
- Temporarily waived the platform fee for employers on our advanced Maxwell Health digital benefits platform and launched several updates, including enhanced mobile enrollment, text messaging and live chat features, and additional integration for employee payroll deductions
- Added other virtual options to enroll members for Sun Life benefits, including one-on-one or group enrollment meetings to help ensure they can easily choose their benefits any time on any device
- After-tax profit margin for U.S. Group Benefits of 7.5%^{1,3}

Underlying net income¹ (US\$ millions)



Group Benefits Business-in-force (US\$ millions)



Growing through U.S. market opportunities

Employee benefits



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



Growing life insurance **coverage gap**, estimated in the trillions¹



US\$350 billion^{1,2} out-of-pocket health expenses



50 million working Americans are not covered by a disability policy³

Stop-loss



61%⁴ of U.S. employees are covered by a self-insured plan with a trend of smaller employers moving in this direction⁵



US\$ 1 trillion+¹ of costs covered by self-insured health plans



6-8%⁶ annual growth in health care costs



Prescription drug costs expected to rise 5-6% annually over the next 10 years⁷

¹ Based on Oliver Wyman research, 2016

² Includes employee and individual contributions to health plans

³ Council for Disability Awareness

⁴ Henry J. Kaiser Family Foundation Employer Health Benefits Survey

⁵ EBRI Feb 2018, Self-Insured Health Plans: Recent Trends by Firm Size, 1996-2016

⁶ PwC's Health Research Institute (HRI)

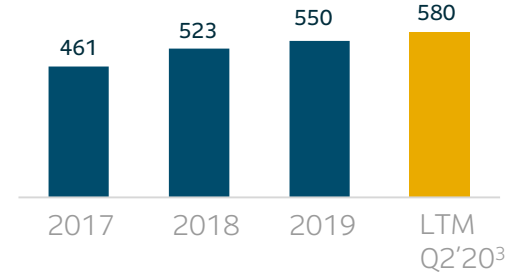
⁷ Kaiser 2019

Positioned in Asia's largest and fastest growing markets

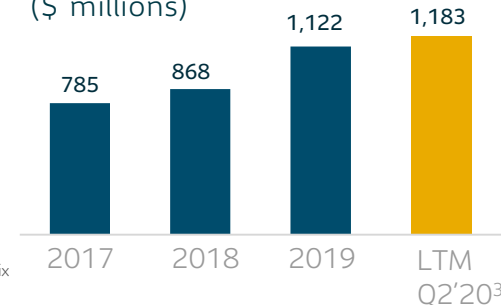
Q2'20 highlights

- **International Hubs sales increase 42%** over prior year, with strong sales in both Hong Kong and International high net worth
- Accelerated **digital development across Asia** to ensure our advisors have the capabilities to provide Clients with much-needed protection solutions
- New **virtual sales experiences** have been rolled out in Hong Kong, Indonesia, India and the Philippines, with Vietnam and Malaysia set to launch virtual engagement capabilities in the coming months
- Clients and advisors are now able to transact comfortably and securely, from **application submission to digital signing**, providing Clients with a quick and seamless experience, all without using paper or meeting face-to-face
- In Hong Kong mandatory provident funds ("MPF"), we are now **ranked #3 in AUM^{1,4}**, and **#2 in net inflows⁴**

Underlying net income¹ (\$ millions)



Individual life sales^{1,2} (\$ millions)



Capturing growth opportunities in Asia

Local Markets



Philippines

- Ranked **1st** in insurance sales^{1,2} for 9 years in a row
- **2nd** largest mutual fund³ provider based on AUM¹



Indonesia

- **9th** in insurance sales^{1,4}
- Overall market share of **3%**



Vietnam

- **14th** in insurance⁵
- Successful launch of bancassurance partnership with TPBank⁶, already contributing **43% of sales**



China

- **Top 10** in insurance among foreign JVs⁷
- Nearly **17,000 advisors**, an increase of 74% over Q2'19



India

- **8th** in individual insurance with an overall market share of **4%**⁸
- **4th** largest mutual fund provider in the country based on AUM^{1,9}



Malaysia

- **7th** in insurance sales^{1,10}
- **3rd** in bancassurance, with a bancassurance market share of **11%**¹⁰

International Hubs



Hong Kong

- **2nd** largest MPF based on net inflows, **3rd** based on AUM^{1,11}
- **Top 10** in insurance sales¹, up 4 places from last year¹²



International

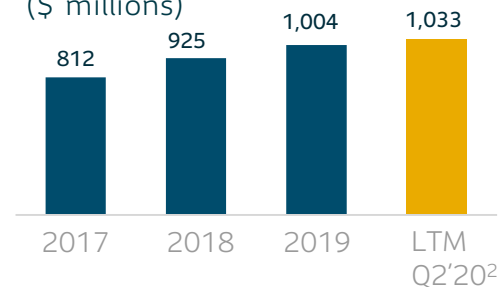
- Leverages the high-net-worth opportunities in Asia to offer Clients and distribution partners best-in-class products and services across all geographies

Expanding asset management capabilities

Q2'20 highlights

- Net inflows of US\$5.4B, with positive U.S. retail flows for the 6th consecutive quarter
- 86%, 88% and 80% of MFS's U.S. retail mutual fund assets ranked in the top half of their Lipper categories based on ten-, five- and three-year performance, respectively
- Pre-tax net operating profit margin ratio¹ for MFS of 36%
- On July 1, 2020, we completed the acquisition of the majority stake in **InfraRed Capital Partners** ("InfraRed"), a global infrastructure and real estate investment manager

Underlying net income¹
(\$ millions)



 **MFS** → **US\$509 billion AUM¹**

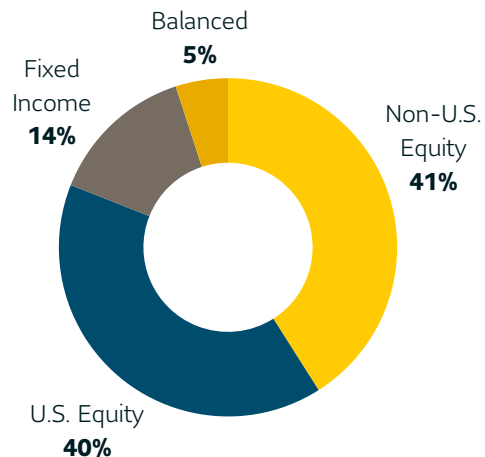
 **SLC Management** → **\$89 billion AUM^{1,3}**

 **BentallGreenOak**

MFS: diversification of assets under management¹

Asset class mix

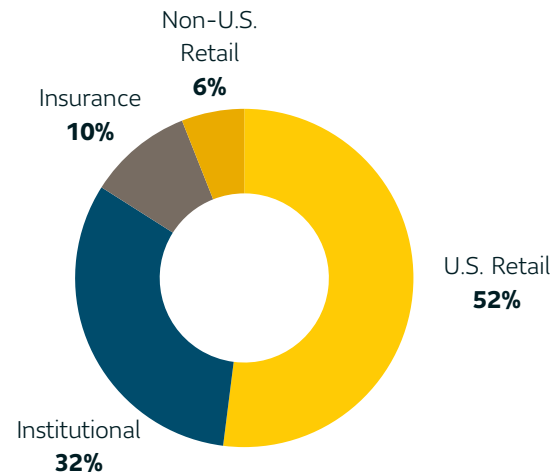
US\$, as at June 30, 2020



US\$509
billion AUM¹

Investor type

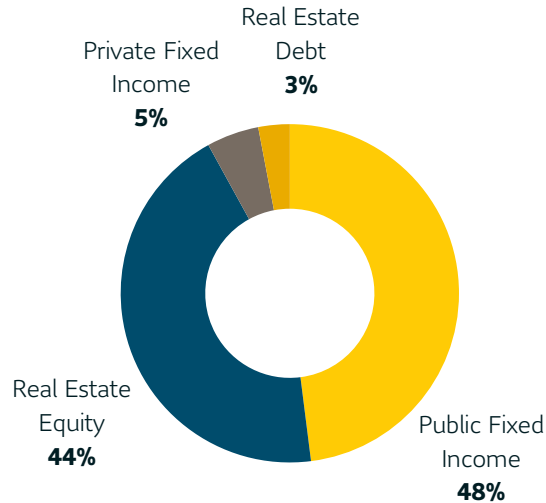
US\$, as at June 30, 2020



SLC Management: diversification of assets under management¹

Asset class mix

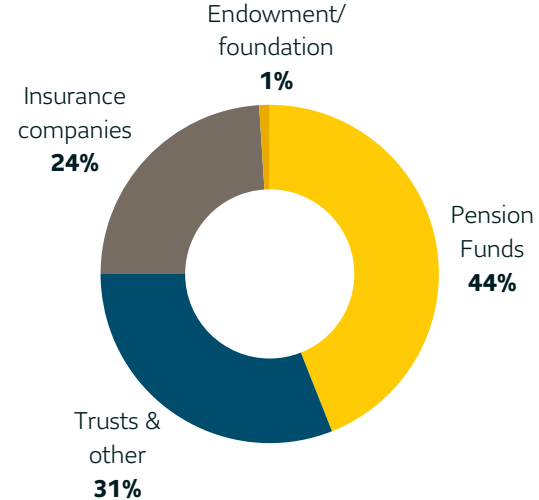
\$, as at June 30, 2020



\$89
billion AUM^{1,2}

Investor type

\$, as at June 30, 2020





Business overview & update



Business group results & highlights



Capital management



Asset portfolio



Sustainability

Capital generation provides good capital flexibility

Capital deployment priorities



Funding
organic
growth



Target dividend
payout ratio of
40-50%¹



M&A
opportunities
and strategic
investments



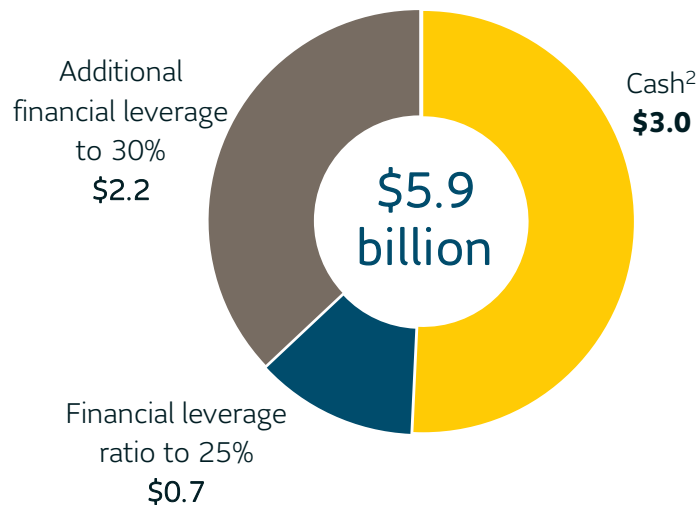
Share
buybacks³

- Capital deployment priorities unchanged
- Target minimum cash at the holding company of **\$500 million²**
- Capital generation equal to or greater than **\$800 million²**

Strong capital position with significant deployment potential¹

Capital deployment potential

(\$ billions, at June 30, 2020)



Deployment opportunities

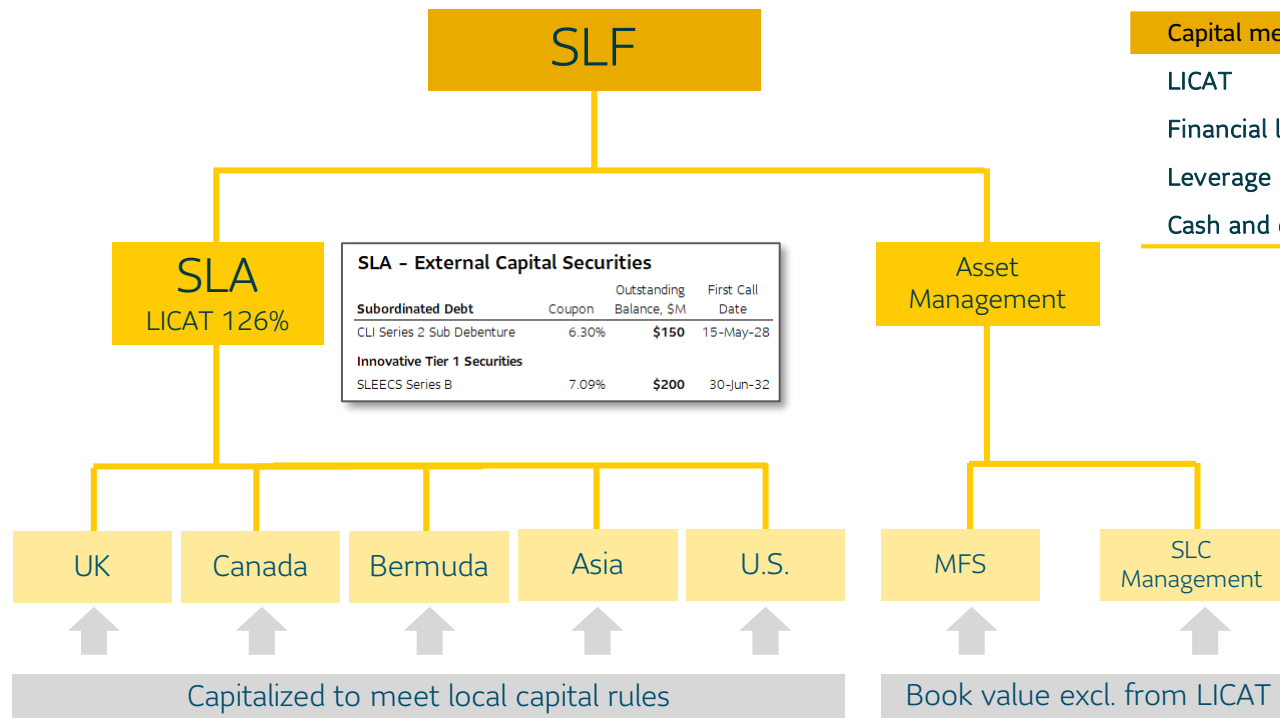
Type	Considerations
Organic investments	Making further investments in building out new business models and advancing our leading digital capabilities
Mergers & acquisitions	Actively seeking out potential targets aligned with our strategic goals and meeting financial hurdles
Share buybacks	Utilize excess capital build up for share repurchases in the near term, when appropriate ³
Reinsurance transactions	Repatriating certain reinsurance arrangements with potential to increase earnings

¹ See "Forward-looking Statements" in the appendix

² Excludes target minimum cash at the holding company of \$500 million

³ On March 13, 2020, OSFI set the expectation for all federally regulated financial institutions that share buybacks should be halted for the time being

Capital model provides financial flexibility



Capital metric	SLF
LICAT	146%
Financial leverage ratio	23.2%
Leverage capacity to 25%/30%	~\$0.7B/\$2.9B
Cash and other liquid assets	\$3.5B

Strong operating and financial leverage

Q2 2020 operating
leverage debt
(\$ millions)

Debt supporting reserve financing	
Senior debt	300
Bilateral senior financing ¹	1,967
Total operating leverage debt	2,267

Q2 2020 capital
(\$ millions)

Subordinated debt	4,534
SLEECs (innovative tier 1 securities)	200
Preferred shareholders' equity	2,257
Total capital securities	6,991
Common shareholders' equity and par ²	23,162
Total capital	30,153
<i>Financial leverage ratio³</i>	<i>23.2%</i>

Tier 2

Tier 1

Tier 1

LICAT capital framework

Total ratio
(SLF Inc.)
146%

Total ratio
(SLA Inc.)
126%



Available capital

- Similar to MCCR
- Retained earnings / common and preferred equity continue to be the 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



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Capital management



Asset portfolio

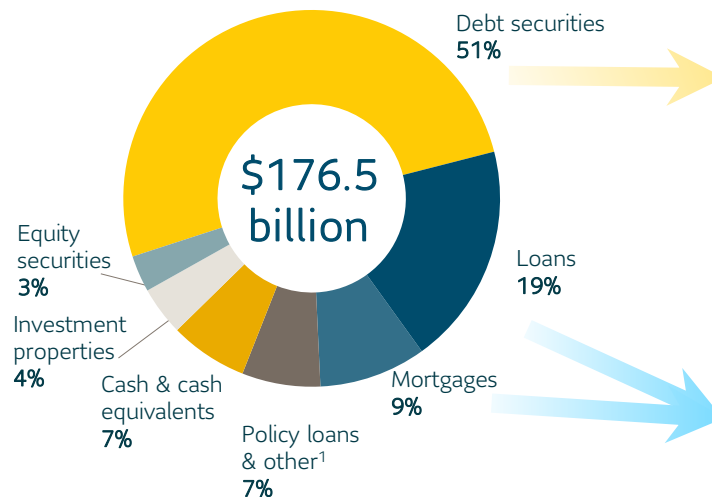


Sustainability

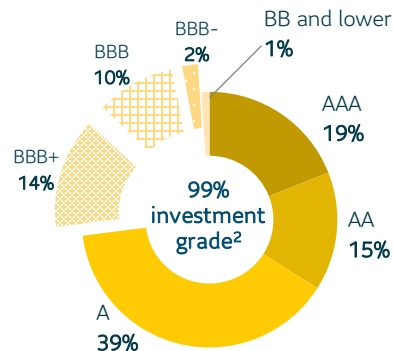
High quality, well-diversified investment portfolio

- Highly diversified with the largest non-government related exposure at 0.4% of total fixed income
- 97% of fixed income rated investment grade²
- Only 5% of fixed income rated BBB-; skewed BBBs to private loans with collateral and covenant protection
- Commercial mortgages 25% CMHC; well-protected with 56% LTV and 1.8x DSCR⁴
- Repositioned real estate debt and equity portfolios to substantially increase resilience

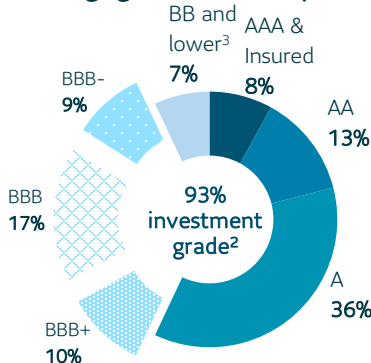
Investment profile As of June 30, 2020



Debt securities by credit rating



Mortgages & loans by credit rating



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

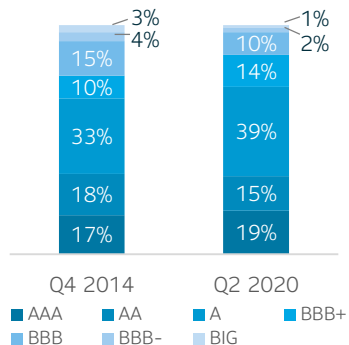
² BBB and higher

³ BB and lower includes impaired mortgages and loans

⁴ LTV: Loan-to-Value; DSCR: Debt-service coverage ratio

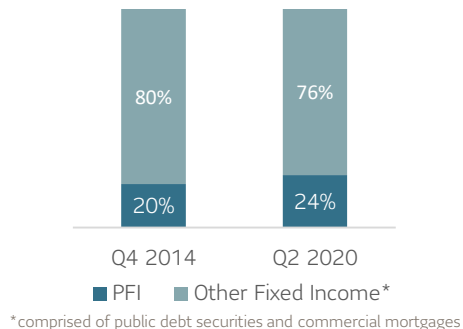
Active repositioning of our portfolio to prepare for a downturn

Public Debt Securities



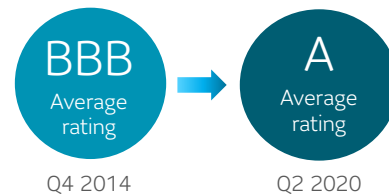
- Reduced BBB- allocation by nearly \$1B since 2014
- Diversified portfolio with an additional \$5.6B of AAA/AA rated structured products¹

Private Fixed Income (Corporate Loans)



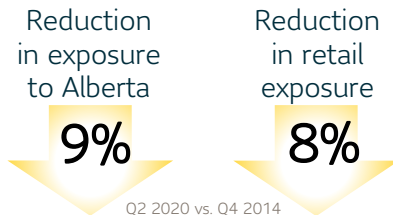
- Increased allocation to private fixed income
- Provides increased protection (i.e. covenants and collateral)
- Diversifies credit exposures

Commercial Mortgage Loans



- Average portfolio rating quality increased from BBB to A
- Reduced retail exposure by 8% and repositioned to focused on urban grocery-anchored tenants
- 5% reduction in exposure to Alberta

Commercial Real Estate



- Canada: Significant repositioning of portfolio - exited suburban and non-core office location in favour of urban; exited non-core and big-box retail for urban core or grocer anchored
- U.S.: Exited 22 non-core cities and unanchored strip centers while increasing industrial; reduced U.S. exposure by 14%

Highlighted exposures – debt securities and loans

Exposure June 30, 2020 (\$ millions)	Oil & Gas		Transportation (Auto & Aviation)		Hotels, Restaurants & Leisure		Real Estate ^{1,2}	
	Value	%	Value	%	Value	%	Value	%
AA	248	5%	374	10%	-	0%	345	14%
A	1,366	25%	1,789	47%	423	39%	934	37%
BBB+	1,123	20%	558	15%	227	20%	581	22%
BBB	1,647	30%	454	12%	71	7%	519	21%
BBB-	838	15%	252	7%	135	13%	38	2%
BB and lower	272	5%	354	9%	222	21%	110	4%
Total	5,494		3,781		1,078		2,527	

*Credit risk ratings were established in accordance with the internal rating process described in the Credit Risk Management Governance and Control section in our 2019 annual MD&A

<i>% of total invested assets</i>	3%	2%	1%	1%
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Oil & Gas

- 95% investment grade
- 59% in pipelines, storage or transport
- 14% in private loans

Transportation

- 91% investment grade
- 55% secured by collateral
- 28% in private loans

Hotels, Restaurants & Leisure

- 79% investment grade
- 56% secured by collateral
- 60% in private loans

Real Estate

- 96% investment grade
- 37% in private loans
- Comprised of public and private REITs

Mortgages and investment property exposures

Mortgages by type and geography¹

As of June 30, 2020

(\$millions)	Office	Industrial ³	Retail	Multi-family residential	Other	Total	% of Total
Canada ²	1,666	979	1,998	3,971	617	9,231	57%
U.S.	2,097	1,059	1,956	1,798	95	7,005	43%
Total	3,763	2,038	3,954	5,769	712	16,236	100%

Mortgages

- 43% of Canadian portfolio is CMHC insured
- Reduced exposure to retail and to Alberta in recent years
- Retail 54% LTV and 1.8x DSCR⁴

Investment Properties

As of June 30, 2020

(\$millions)	Office	Industrial ³	Retail	Multi-family residential	Other	Total	% of Total
Canada	1,975	1,506	930	1,016	565	5,992	81%
U.S.	710	303	254	-	85	1,352	18%
Europe	20	12	26	-	2	60	1%
Total	2,705	1,821	1,210	1,016	652	7,404	100%

Mortgages by type and rating^{1,5}

As of June 30, 2020

(\$millions)	Office	Industrial ³	Retail	Multi-family residential	Other	Total
Insured	-	-	-	3,665	326	3,991
AA	789	370	507	157	40	1,863
A	1,659	1,188	1,681	911	47	5,486
BBB+	362	277	521	398	23	1,581
BBB	366	145	491	266	40	1,308
BBB-	206	50	453	170	139	1,018
BB & below	381	8	301	202	97	989
Total	3,763	2,038	3,954	5,769	712	16,236

Investment Properties

- Reduced exposure to retail and to Alberta in recent years
- Retail focused on experiential and urban centers
- Office weighted to gateway cities

¹ Excludes real estate debt securities and private loans shown on slide 31

² Includes insured mortgages; multi-family residential \$3,665M and other \$326M

³ Includes Industrial and land

⁴ LTV: Loan-to-Value; DSCR: Debt-service coverage ratio

⁵ Credit risk ratings were established in accordance with the internal rating process described in the Credit Risk Management Governance and Control section in our 2019 annual MD&A



Business overview & update



Business group results & highlights



Capital management



Asset portfolio



Sustainability

Strong commitment to sustainability



Sustainable INVESTING

\$19.3B

invested in sustainable real estate and infrastructure

First life insurer globally to issue a sustainability bond



Financial SECURITY

\$360M

of in-plan deposits driven by 18.6M digital nudges from Ella

Launched new digital sales systems across Asia to enable Clients to purchase insurance from their homes



Healthier LIVES

\$31M

committed to diabetes globally since 2012

14M

ratings on 150,000+ health-care providers on Lumino



Trusted and Responsible BUSINESS

85% employee engagement score, exceeding global financial services norm

Met 20% by 2020 GHG emissions intensity reduction target and on track for 30% by 2030¹; TCFD supporter

Client Data Privacy Principles launched, include not selling Client data

35% women in senior roles (VP and up); women represent 36% of the Board

D&I commitments include 40% women in senior roles; 25% of under-represented minorities in senior roles in N.A.

Awards & Recognition



For more information, please visit www.sunlife.com/Sustainability

Appendix



Market movements and impacts in the quarter

Market Movements	QTD June 30, 2020	YTD June 30, 2020
S&P/ TSX	16.0%	(9.1)%
S&P 500	20.0%	(4.0)%
CA 10 - year	(17) bps	(117) bps
CA 30 - year	(31) bps	(77) bps
US 10 - year	(1) bps	(126) bps

Earnings on Surplus (\$millions, pre-tax)	Q2 2020	Q1 2020
Investment income	127	128
AFS gains	33	68
Seed investment gains/(losses)	37	(42)
Investment properties mark-to-market	(4)	(3)
Interest on debt	(38)	(35)
Total	155	116

Equity Market Impacts (\$millions, after-tax)	Q2 2020	Q1 2020
Equity market movement and volatility	105	(303)
Basis risk	(46)	(57)
Total	59	(360)

Interest Impacts (\$millions, after-tax)	Q2 2020	Q1 2020
Interest rate changes	(123)	(87)
Credit spread movements	(72)	127
Swap spread movements	(10)	39
Total	(205)	79

Credit-Related Impacts (\$millions, after-tax)	Q2 2020	Q1 2020
Changes in ratings	(60)	(39)
Impairments, net of recoveries	(24)	(1)
Release of best estimate credit	26	25
Total	(58)	(15)

Market sensitivities

Change in Equity Markets¹

As at June 30, 2020 (\$ millions, unless otherwise noted)	25% decrease	10% decrease	10% increase	25% increase
Potential impact on net income ^{2,3}	\$(350)	\$(150)	\$100	\$250
Potential impact on OCI ³	\$(50)	-	\$50	\$50
Potential impact on LICAT ^{2,4}	1.0% point decrease	0.5% point decrease	0.0% point increase	0.0% point increase
As at December 31, 2019 (\$ millions, unless otherwise noted)	25% decrease	10% decrease	10% increase	25% increase
Potential impact on net income ^{2,3}	\$(350)	\$(150)	\$100	\$250
Potential impact on OCI ³	\$(50)	\$(50)	\$50	\$50
Potential impact on LICAT ^{2,4}	0.5% point decrease	0.0% point decrease	0.0% point increase	0.0% point increase

Change in Interest Rates⁵

	As at June 30, 2020		As at December 31, 2019	
(\$ millions, unless otherwise noted)	50 basis point decrease	50 basis point increase	50 basis point decrease	50 basis point increase
Potential impact on net income ^{2,3,7}	\$(100)	\$50	\$(150)	\$50
Potential impact on OCI ³	\$250	\$(250)	\$250	\$(250)
Potential impact on LICAT ^{2,6}	3.0% point increase	1.5% point decrease	2.0% point increase	3.0% point decrease

Change in Credit Spreads^{8,10}

	As at June 30, 2020		As at December 31, 2019	
(\$ millions, unless otherwise noted)	50 basis point decrease	50 basis point increase	50 basis point decrease	50 basis point increase
Potential impact on net income ⁹	\$(75)	\$50	\$(75)	\$50
Potential impact on LICAT ⁶	0.5% point decrease	0.5% point increase	0.0% point increase	0.5% point decrease

Change in Swap Spreads¹⁰

	As at June 30, 2020		As at December 31, 2019	
(\$ millions, unless otherwise noted)	20 basis point decrease	20 basis point increase	20 basis point decrease	20 basis point increase
Potential impact on net income ⁹	\$50	\$(50)	\$50	\$(50)

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 in isolation from or 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 MD&A. 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 impacts of the following items that create volatility in our results under IFRS and when removed assist in explaining our results from period to period:

- market related impacts that differ from our best estimate assumptions, which include: (i) impacts of returns in equity markets, net of hedging, for which our best estimate assumptions are approximately 2% per quarter. This also includes the impact of the basis risk inherent in our hedging program, which is the difference between the return on underlying funds of products that provide benefit guarantees and the return on the derivative assets used to hedge those benefit guarantees; (ii) the impacts of changes in interest rates in the reporting period and on the value of derivative instruments used in our hedging programs including changes in credit and swap spreads, and any changes to the assumed fixed income reinvestment rates in determining the actuarial liabilities; and (iii) the impacts of changes in the fair value of investment properties in the reporting period;
- assumption changes and management actions, which include: (i) the impacts of revisions to the methods and assumptions used in determining our liabilities for insurance contracts and investment contracts; and (ii) the impacts on insurance contracts and investment contracts of actions taken by management in the current reporting period, referred to as management actions which include, for example, changes in the prices of in-force products, new or revised reinsurance on in-force business, and material changes to investment policies for assets supporting our liabilities; and
- other adjustments:
 - 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;
 - 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;
 - acquisition, integration and restructuring costs (including impacts related to acquiring and integrating acquisitions); and
 - 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	Q2'20	Q1'20	Q2'19
Common shareholders' reported net income	519	391	595
Less:			
Impact of certain hedges that do not qualify for hedge accounting	-	(1)	(5)
Fair value adjustments on share-based payment awards at MFS	(24)	10	(11)
Acquisition, integration and restructuring	(14)	(42)	(11)
Net equity market impact	59	(360)	20
Net interest rate impact	(205)	79	(114)
Net increases (decrease) in the fair value of real estate	(41)	(12)	(3)
Assumption changes and management actions	5	(53)	(20)
Common shareholders' underlying net income	739	770	739

Forward-Looking Statements

From time to time, the Company makes written or oral forward-looking statements within the meaning of certain securities laws, including the "safe harbour" provisions of the United States Private Securities Litigation Reform Act of 1995 and applicable Canadian securities legislation. Forward-looking statements contained in this document include statements (i) relating to our strategies; (ii) relating to our growth initiatives and other business objectives; (iii) relating to the plans we have implemented in response to the COVID-19 pandemic and related economic conditions and their impact on the Company; (iv) relating to our anticipated redemption of the \$500 million principal amount of Series 2015-1 subordinated unsecured debentures; (v) relating to our expected tax range for future years; (vi) set out in our management's discussion and analysis for the period ended June 30, 2020 under the heading H - Risk Management - 1 - Market Risk Sensitivities - Equity Market Sensitivities and Interest Rate Sensitivities and 2 - Credit Spread and Swap Spread Sensitivities; (vii) that are predictive in nature or that depend upon or refer to future events or conditions; and (viii) that include words such as "achieve", "aim", "ambition", "anticipate", "aspiration", "assumption", "believe", "could", "estimate", "expect", "goal", "initiatives", "intend", "may", "objective", "outlook", "plan", "project", "seek", "should", "strategy", "strive", "target", "will", and similar expressions. Forward-looking statements include the information concerning our possible or assumed future results of operations. These statements represent our current expectations, estimates, and projections regarding future events and are not historical facts, and remain subject to change, particularly in light of the ongoing and developing COVID-19 pandemic and its impact on the global economy and its uncertain impact on our business.

Forward-looking statements are not a guarantee of future performance and involve risks and uncertainties that are difficult to predict. Future results and shareholder value may differ materially from those expressed in these forward-looking statements due to, among other factors, the impact of the COVID-19 pandemic and related economic conditions on our operations, liquidity, financial conditions or results and the matters set out in our management's discussion and analysis for the period ended June 30, 2020 under the headings C - Profitability - 5 - Income taxes, E - Financial Strength and H - Risk Management and in SLF Inc.'s 2019 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, which have been further heightened with the current COVID-19 pandemic given the uncertainty of its duration and impact. Factors that could cause actual results to differ materially from expectations include, but are not limited to: **market risks** - related to the performance of equity markets; changes or volatility in interest rates or credit spreads or swap spreads; real estate investments; and fluctuations in foreign currency exchange rates; **insurance risks** - related to policyholder behaviour; mortality experience, morbidity experience and longevity; product design and pricing; the impact of higher-than-expected future expenses; and the availability, cost and effectiveness of reinsurance; **credit risks** - related to issuers of securities held in our investment portfolio, debtors, structured securities, reinsurers, counterparties, other financial institutions and other entities; **business and strategic risks** - related to global economic and political conditions; the design and implementation of business strategies; changes in distribution channels or Client behaviour including risks relating to market conduct by intermediaries and agents; the impact of competition; the performance of our investments and investment portfolios managed for Clients such as segregated and mutual funds; changes in the legal or regulatory environment, including capital requirements and tax laws; the environment, environmental laws and regulations; **operational risks** - related to breaches or failure of information system security and privacy, including cyber-attacks; our ability to attract and retain employees; legal, regulatory compliance and market conduct, including the impact of regulatory inquiries and investigations; the execution and integration of mergers, acquisitions, strategic investments and divestitures; our information technology infrastructure; a failure of information systems and Internet-enabled technology; dependence on third-party relationships, including outsourcing arrangements; business continuity; model errors; information management; **liquidity risks** - the possibility that we will not be able to fund all cash outflow commitments as they fall due; and **other risks** - tax matters, including estimates and judgments used in calculating taxes; our international operations, including our joint ventures; market conditions that affect our capital position or ability to raise capital; downgrades in financial strength or credit ratings; and the impact of mergers, acquisitions and divestitures.

The 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 for slide 6

Canadian Lifecosts – Manulife Financial Corporation, Great-West Life & Industrial Alliance;

Global Lifecosts – AXA SA, Prudential PLC, Allianz SE, Aviva PLC, Assicurazioni Generali SpA, AIA Group Ltd., China Life Insurance Co. Ltd, Great Eastern Holdings & Ping An Insurance Group

U.S. Insurers – Hartford Financial Services Group, Lincoln National Corporation, MetLife Inc., Principal Financial Group, Inc., Prudential Financial, Inc., Unum Group & Voya

Source Information for slide 18

² Ranking for Sun Life of Canada (Philippines). Based on data shared between industry players, at December 31, 2019

³ Philippine Investment Funds Association, based on May 31, 2020 ending assets under management

⁴ Indonesia Life Insurance Association industry report, based on year-to-date first year premiums at March 31, 2020

⁵ March 31 2020 year-to-date annualized first year premiums, based on data shared among Vietnam industry players

⁶ Tien Phong Commercial Bank

⁷ China Banking and Insurance Regulatory Commission, based on gross premiums for Q1'20 YTD (excluding universal and variable universal life insurance deposits and pension companies)

⁸ Insurance Regulatory Authority of India, based on first year premiums among private players on calendar year basis at May 31, 2020

⁹ Association of Mutual Funds in India, based on average assets under management for the quarter ended at June 30, 2020

¹⁰ Life Insurance Association of Malaysia; Insurance Services Malaysia Berhad, based on Q1'20 YTD annualized first year premium for Conventional and Takaful business

¹¹ Mercer MPF Market Shares Report, for the three month period ended March 31, 2020

¹² Insurance Authority of Hong Kong, Provisional Statistics on Hong Kong Long Term Insurance Business, based on Q1'20 YTD annualized first year premiums compared to Q1'19 YTD

Footnotes for slide 37

¹ Represents the respective change across all equity markets as at June 30, 2020 and December 31, 2019. Assumes that actual equity exposures consistently and precisely track the broader equity markets. Since in actual practice equity-related exposures generally differ from broad market indices (due to the impact of active management, basis risk, and other factors), realized sensitivities may differ significantly from those illustrated above. Sensitivities include the impact of re-balancing equity hedges for dynamic hedging programs at 2% intervals (for 10% changes in equity markets) and at 5% intervals (for 25% changes in equity markets).

² The market risk sensitivities include the estimated mitigation impact of our hedging programs in effect as at June 30, 2020 and December 31, 2019, and include new business added and product changes implemented prior to such dates.

³ Net income and OCI sensitivities have been rounded to the nearest \$50 million. The sensitivities exclude the market impacts on the income from our joint ventures and associates, which we account for on an equity basis.

⁴ The LICAT sensitivities illustrate the impact on Sun Life Assurance as at June 30, 2020 and December 31, 2019. LICAT ratios are rounded to the nearest 0.5%.

⁵ Interest rate sensitivities assume a parallel shift in assumed interest rates across the entire yield curve as at June 30, 2020 and December 31, 2019 with no change to the Actuarial Standards Board ("ASB") promulgated Ultimate Reinvestment Rate ("URR"). Variations in realized yields based on factors such as different terms to maturity and geographies may result in realized sensitivities being significantly different from those illustrated above. Sensitivities include the impact of re-balancing interest rate hedges for dynamic hedging programs at 10 basis point intervals (for 50 basis point changes in interest rates).

⁶ The LICAT sensitivities illustrate the impact on Sun Life Assurance as at June 30, 2020 and December 31, 2019. The sensitivities assume that a scenario switch does not occur in the quarter and December 31, 2019 sensitivities are on a different scenario than June 30, 2020. LICAT ratios are rounded to the nearest 0.5%.

⁷ The majority of interest rate sensitivity, after hedging, is attributed to individual insurance products. We also have interest rate sensitivity, after hedging, from our fixed annuity and segregated funds products.

⁸ In most instances, credit spreads are assumed to revert to long-term insurance contract liability assumptions generally over a five-year period.

⁹ Sensitivities have been rounded to the nearest \$25 million.

¹⁰ The credit and swap spread sensitivities assume a parallel shift in the indicated spreads across the entire term structure. Variations in realized spread changes based on different terms to maturity, geographies, asset classes and derivative types, underlying interest rate movements, and ratings may result in realized sensitivities being significantly different from those provided. The credit spread sensitivity estimates exclude any credit spread impact that may arise in connection with asset positions held in segregated funds. Spread sensitivities are provided for the consolidated entity and may not be proportional across all reporting segments.

Sun Life Investor Relations

Leigh Chalmers

Senior Vice-President, Head of Investor Relations
and Capital Management

647-256-8201

leigh.chalmers@sunlife.com

Yaniv Bitton

Vice-President, Investor Relations

416-979-6496

yaniv.bitton@sunlife.com

