



**2017**  
FINANCIAL & OPERATING  
RESULTS

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For the period ended  
September 30, 2017

Sun Life Financial Inc.  
(unaudited)

Life's brighter under the sun



#### Forward-looking statements

Certain statements in this presentation and certain oral statements made during the earnings conference call on November 9, 2017 (collectively, this “presentation”), including, but not limited to, statements that are not historical facts, are forward-looking and are subject to inherent risks, uncertainties and assumptions. The results or events predicted in these forward-looking statements may differ materially from actual results or events and we cannot guarantee that any forward-looking statement will materialize. Except as may be required by Canadian securities laws, we do not undertake any obligation to update or revise any forward-looking statements made in this presentation.

#### Non-IFRS Financial Measures

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

#### Sources of earnings

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

#### Additional information

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



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# DEAN CONNOR

President and Chief Executive Officer

# STRONG EARNINGS & PROGRESS IN ALL FOUR OF OUR PILLARS



## Financial Highlights

- **Q3'17** reported net income of \$817 million, up 11% from Q3'16, underlying net income<sup>(1)</sup> of \$643 million, up 1% from Q3'16
- Reported ROE of 16.2% and Underlying ROE<sup>(1)</sup> of 12.7%
- Re-purchased and cancelled 1.8 million SLF common shares this quarter and announced a 5% dividend increase
- VNB<sup>(1)</sup> up 12% year to date over the prior year



## Key Initiatives

- SLGI announced acquisition of Excel Funds, a \$700 million AUM mutual fund business
- Progress on U.S. Group profitability
- Launch of the Sun Life Dental Network in the U.S.
- Growing Mandatory Provident Fund in Hong Kong and wealth business in India



## Doing More for Clients

- Announced an interactive digital coach "Ella" in Canada
- Streamlined life insurance application process in Canada with Sun Life Go
- New partnership with Pareto Captive services in the U.S.
- Strong long-term retail fund performance at MFS
- Progress on new telco distribution relationships in Asia



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# KEVIN STRAIN

Executive Vice President & Chief Financial Officer

## Q3'17 RESULTS

C\$ millions (except EPS and ROE)	Q3'17	Q2'17	Q3'16
Reported net income	817	574	737
Underlying net income <sup>(1)</sup>	643	689	639
Diluted reported EPS (C\$)	1.32	0.93	1.20
Diluted underlying EPS <sup>(1)</sup> (C\$)	1.05	1.12	1.04
Reported ROE	16.2%	11.4%	15.4%
Underlying ROE <sup>(1)</sup>	12.7%	13.7%	13.4%

## Business Performance

- Assets under management<sup>(1)</sup> of \$934 billion
- Adjusted premiums and deposits<sup>(1)</sup> of \$42.3 billion up 3% from Q3 2016
- Book value per share of \$32.75 up 4% from Q3 2016

## Capital Management

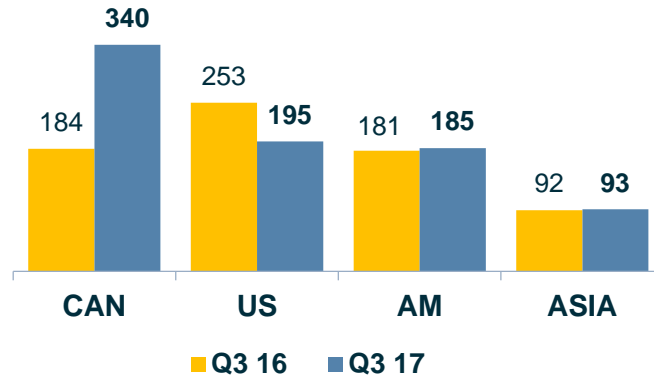
- Strong capital position with an SLA MCCR of 232%, SLF MCCR of 252%<sup>(2)</sup>
- Re-purchased and cancelled 1.8 million SLF common shares
- Announced a common share dividend increase of \$0.02 to \$0.455
- \$1.5 billion cash level at Sun Life Financial Inc.
- Financial leverage ratio<sup>(1)</sup> of 22.5%

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

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

# Q3 2017 BUSINESS GROUP PERFORMANCE

**REPORTED NET INCOME**  
(C\$ millions)

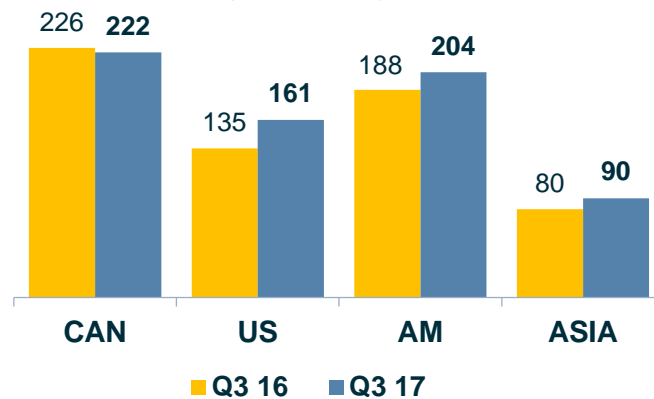


- Strong new business gains in Group Retirement Services and Individual Insurance
- Growth of fee income in wealth businesses
- Unfavourable disability in Group Benefits



- Favourable mortality experience in Group Benefits and morbidity experience in Stop Loss
- Unfavourable lapse experience in In-force Management and International

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



- MFS earnings increased on higher average net assets and pre-tax operating margin ratio<sup>(1)</sup> of 41%
- Net outflows improved to US\$2.7 billion at MFS with net inflows of \$1.5 billion at Sun Life Investment Management



- Growth in wealth businesses across multiple countries, including net inflows of \$1.6 billion in India
- Strong net gains realized on the sale of AFS assets

(1) Underlying net income and pre-tax operating profit margin for MFS are Non-IFRS financial measure. See "Use of Non-IFRS Financial Measures" and "Reconciliation of Net Income measures" in the appendix to these slides

Sources of earnings Common shareholders C\$ millions	Q3'17	Q3'16
<b>Expected profit on in-force business<sup>(1)</sup></b>	<b>724</b>	<b>712</b>
Impact of new business <sup>(1)</sup>	7	(21)
Experience gains/(losses)	207	100
Assumption changes and management actions	93	20
Other	(69)	(34)
<b>Earnings from operations</b>	<b>962</b>	<b>777</b>
Earnings on surplus	102	126
<b>Earnings before income taxes</b>	<b>1,064</b>	<b>903</b>
Income tax (expense) or recovery	(223)	(141)
Non-controlling interest and preferred share dividends	(24)	(25)
<b>Reported net income</b>	<b>817</b>	<b>737</b>

- **Expected profit:** business growth across SLF Asset Management and SLF Canada, partially offset by currency
- **New business strain:** reflects a more profitable mix of sales in SLF Canada
- **Experience gains/(losses):** favourable net market related impacts, mortality, investing activity and credit partially offset by expenses and lapse and policyholder behavior
- **ACMA:** primarily from the favourable net impact of mortality updates and investment related assumptions (including URR update), partially offset by strengthening lapse and policyholder behaviour and expense assumptions
- **Other:** acquisition, integration and restructuring costs, fair value adjustments on MFS's share-based payment awards and hedges in SLF Canada that do not qualify for hedge accounting
- **Earnings on surplus:** lower AFS gains

(1) Q3'16 expected profit on in-force business and impact of new business have been updated to reflect a methodology change for our U.S. Group Benefits business effective Q1'17. Amounts in expected profit on in-force business and impact of new business in Q3'16 were previously \$738 million and \$(47) million, respectively, a net change of \$26 million.



C\$ millions	Q3'17	Q3'16	Change over Q3'16	Constant Currency Change over Q3'16
Individual life and health	269	292	(8)%	(4%)
Group life and health	330	369	(11)%	(8%)
<b>Total Insurance sales</b>	<b>599</b>	<b>661</b>	<b>(9)%</b>	<b>(6)%</b>
<b>Total Asset Management &amp; Wealth sales</b>	<b>35,826</b>	<b>35,161</b>	<b>2%</b>	<b>5%</b>

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



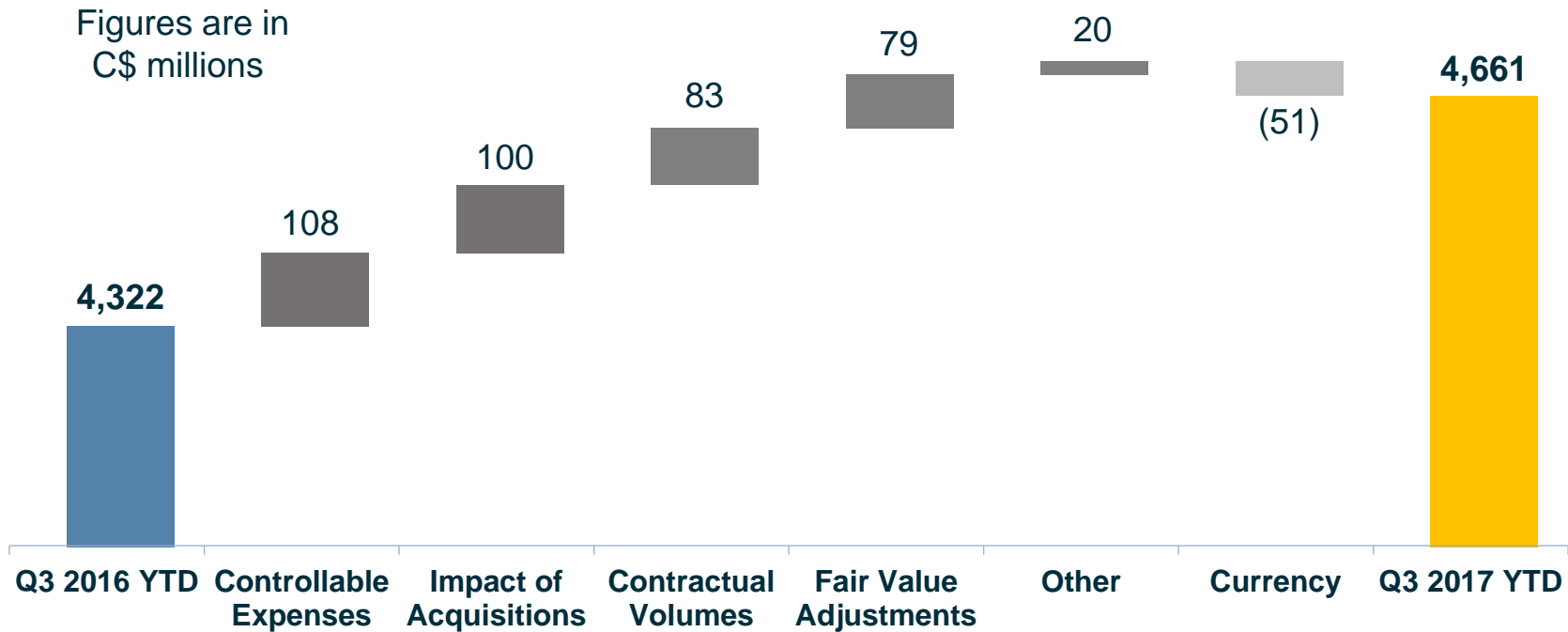
Sun Life Financial

# APPENDIX

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**Q3**  
2017

# OPERATING EXPENSES



- Increase in controllable expenses of 2.5% reflecting investments in growth partially funded through productivity gains
- Higher expenses driven by costs directly attributed to sales and net expenditures associated with acquired businesses

## RECONCILIATION OF UNDERLYING INCOME

C\$ millions	Q3'17 Pre-tax	Q3'17 After-tax
<b>Reported net income</b>		<b>817</b>
Net equity market impact (including basis risk impact of \$(6) million) <sup>(1)</sup>	23	18
Net interest impact (including credit spread impact of \$2 million and swap spread impact of \$9 million) <sup>(1)</sup>	98	69
Net impact of fair value changes of real estate	30	26
Assumption changes and management actions	93	103
Other <sup>(2)</sup>	(69)	(42)
<b>Underlying net income<sup>(3)</sup></b>		<b>643</b>

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

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

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

(3) Underlying net income is an Non-IFRS financial measures. See "Use of Non-IFRS Financial Measures" in the appendix to these slides.

## OTHER NOTABLE ITEMS

Impact of other items on our net income C\$ millions	Q3'17 Pre-tax	Q3'17 After-tax
<b>Experience related items</b>		
Impact of investment activity on insurance contract liabilities	16	12
Mortality	39	30
Morbidity	6	3
Credit	28	22
Lapse and other policyholder behaviour	(17)	(12)
Expense	(25)	(20)
Other	17	(2)
<b>Total other notable items</b>	<b>64</b>	<b>33</b>

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

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

#### Use of Non-IFRS Financial Measures

We report certain financial information using non-IFRS financial measures, as we believe that these 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 in this document. 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.

#### Updates to Non-IFRS measures

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

#### Non-IFRS measures

Underlying net income (loss) and financial measures based on underlying net income (loss), including underlying EPS or underlying loss per share, and underlying ROE, are non-IFRS financial measures. Underlying net income (loss) removes from reported net income (loss) the impact of the following items that create volatility in our results under IFRS and when removed assist in explaining our results from period to period:

- (a) market related impacts, which include: (i) impact of returns in equity markets, net of hedging, above or below our best estimate assumptions of approximately 2% per quarter in the reporting period. Equity market impact 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 rate that differ from our best estimate assumptions in the reporting period and on the value of derivative instruments used in our hedging programs including changes in credit and swap spreads, and any changes to the assumed fixed income reinvestment rates in determining the actuarial liabilities; and (iii) the impact of changes in the fair value of real estate properties in the reporting period. Additional information regarding these adjustments is available in the footnotes to the table included under the heading Q3 2017 vs. Q3 2016 in the Financial Summary section of the Q3 2017 earnings news release.
- (b) assumption changes and management actions, which include: (i) the impact of revisions to the assumptions used in determining our liabilities for insurance contracts and investment contracts and (ii) the impact on insurance contracts and investment contracts of actions taken by management in the current reporting period, referred to as management actions which include, for example, changes in the prices of in-force products, new or revised reinsurance on in-force business, and material changes to investment policies for assets supporting our liabilities;
- (c) other adjustments:
  - (i) certain hedges in SLF Canada that do not qualify for hedge accounting - this adjustment enhances the comparability of our net income from period to period, as it reduces volatility to the extent it will be offset over the duration of the hedges;
  - (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 amounts (including impacts related to acquiring and integrating acquisitions); and
  - (iv) other items that when removed assist in explaining our results from period to period.

Underlying EPS also excludes the dilutive impact of convertible instruments.

Other non-IFRS financial measures that we use include reported ROE, adjusted revenue, administrative services only (“ASO”) premium and deposit equivalents, mutual fund assets and sales, managed fund assets and sales, life and health sales, premiums and deposits, adjusted premiums and deposits, assets under management (“AUM”), assets under administration, pre-tax operating profit margin for MFS, measures based on a currency adjusted basis, financial leverage ratio, dividend payout ratio, adjusted revenue, impact of foreign exchange, real estate market sensitivities, assumption changes and management actions, value of new business, and effective income tax rate on an underlying net income basis.

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

Reconciliation of Net Income Measures	Q3'17	Q2'17	Q3'16
<b>Common shareholders' reported net income (loss)</b>	<b>817</b>	<b>574</b>	<b>737</b>
Impact of certain hedges that do not qualify for hedge accounting	(6)	(10)	6
Fair value adjustments on share-based payment awards at MFS	(19)	(16)	(7)
Acquisition, integration and restructuring	(17)	(26)	(12)
Net equity market impact	18	5	29
Net interest rate impact	69	(92)	18
Net increases (decrease) in the fair value of real estate	26	13	10
Assumption changes and management actions	103	11	54
<b>Common shareholders' underlying net income (loss)</b>	<b>643</b>	<b>689</b>	<b>639</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 document include statements (i) relating to our strategies, (ii) relating to our growth initiatives and other business objectives, (iii) relating to our expected capital position under the new LICAT guideline, (iv) relating to the expected restructuring charge in the fourth quarter of 201, (v) that are predictive in nature or that depend upon or refer to future events or conditions and (vi) that include words such as “aim”, “anticipate”, “assumption”, “believe”, “could”, “estimate”, “expect”, “goal”, “initiatives”, “intend”, “may”, “objective”, “outlook”, “plan”, “project”, “seek”, “should”, “strategy”, “strive”, “target”, “will”, and similar expressions. Forward-looking statements include the information concerning our possible or assumed future results of operations. These statements represent our current expectations, estimates, and projections regarding future events and are not historical facts. Forward-looking statements are not a guarantee of future performance and involve risks and uncertainties that are difficult to predict. Future results and shareholder value may differ materially from those expressed in these forward-looking statements due to, among other factors, the matters set out in our MD&A for the quarter under the headings C - Profitability 3 - Assumption Changes and Management Actions, E - Financial Strength and H- Risk Management and in SLF Inc.’s 2016 AIF under the heading Risk Factors and the factors detailed in SLF Inc.’s other filings with Canadian and U.S. securities regulators, which are available for review at [www.sedar.com](http://www.sedar.com) and [www.sec.gov](http://www.sec.gov), respectively.

## Risk Factors

Important risk factors that could cause our assumptions and estimates, and expectations and projections to be inaccurate and our actual results or events to differ materially from those expressed in or implied by the forward-looking statements contained in this presentation, are set out below. The realization of our forward-looking statements, essentially depends on our business performance which, in turn, is subject to many risks. Factors that could cause actual results to differ materially from expectations include, but are not limited to: credit risks - related to issuers of securities held in our investment portfolio, debtors, structured securities, reinsurers, counterparties, other financial institutions and other entities; market risks - related to the performance of equity markets; changes or volatility in interest rates or credit spreads or swap spreads; real estate investments; and fluctuations in foreign currency exchange rates; insurance risks - related to mortality, morbidity, longevity and policyholder behaviour; product design and pricing; the impact of higher-than-expected future expenses; and the availability, cost and effectiveness of reinsurance; business and strategic risks - related to global economic and political conditions; changes in distribution channels or Client behaviour including risks relating to market conduct by intermediaries and agents; the impact of competition; the design and implementation of business strategies; changes in the legal or regulatory environment, including capital requirements and tax laws; tax matters, including estimates and judgments used in calculating taxes; the performance of our investments and investment portfolios managed for Clients such as segregated and mutual funds; our international operations, including our joint ventures; market conditions that affect our capital position or ability to raise capital; downgrades in financial strength or credit ratings; and the impact of mergers, acquisitions and divestitures; operational risks - related to breaches or failure of information system security and privacy, including cyber-attacks; our ability to attract and retain employees; the execution and integration of mergers, acquisitions and divestitures; legal, regulatory compliance and market conduct, including the impact of regulatory inquiries and investigations; our information technology infrastructure; a failure of information systems and Internet-enabled technology; dependence on third-party relationships, including outsourcing arrangements; business continuity; model errors; information management; the environment, environmental laws and regulations and third-party policies; and liquidity risks - the possibility that we will not be able to fund all cash outflow commitments as they fall due.

The Company does not undertake any obligation to update or revise its forward-looking statements to reflect events or circumstances after the date of this presentation or to reflect the occurrence of unanticipated events, except as required by law.