

2019 Q4

Financial & Operating Results

For the period ended December 31, 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 February 13, 2020 (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

GOOD PROGRESS ACROSS ALL FOUR PILLARS



Financial highlights

- Q4'19 reported net income of \$719 million; underlying net income⁽¹⁾ of \$792 million
- Reported ROE of 13.6%; underlying ROE⁽¹⁾ of 15.0%
- Wealth sales⁽¹⁾ of \$44.9 billion up 24% from Q4'18; Insurance sales⁽¹⁾ of \$1.4 billion up 7% from Q4'18
- Value of New Business⁽¹⁾ up 9% from Q4'18
- MFS pre-tax net operating profit margin ratio of 40%⁽¹⁾
- After-tax profit margin for U.S. Group Benefits^{(1),(2)} of 7.3%



Key accomplishments

- Announced our intention to acquire a majority stake in InfraRed Capital Partners, a global infrastructure equity and real estate investment manager⁽³⁾
- In Vietnam, signed a 15-year bancassurance partnership with TP Bank, a digital leader in Vietnamese banking
- Completed the integration of the U.S. employee benefits business acquired in 2016 (reaching our full target of US\$100 million in pre-tax run-rate synergies on schedule)



Doing more for Clients

- Defined Benefit Solutions in Canada assists our Clients in de-risking their pension plans. In Q4'19 we completed the largest same-day payout annuities transaction placed with a single insurer in the Canadian market
- 93%, 93% and 98% of MFS's U.S. retail mutual fund assets ranked in the top half of their Lipper categories for ten-, five- and three-year performance, respectively
- 98%, 100% and 84% of Sun Life Global Investments Granite Managed Portfolios retail assets⁽⁴⁾ exceeded peer median for five-, three-, and one-year performance, respectively

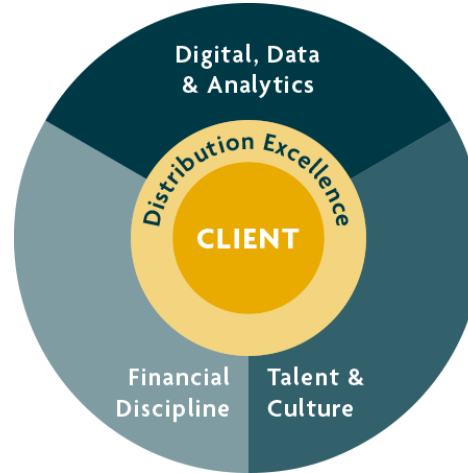
EXECUTING ON OUR AMBITION TO BE ONE OF THE BEST INSURANCE AND ASSET MANAGEMENT COMPANIES GLOBALLY

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

KEVIN STRAIN

Executive Vice President & Chief Financial Officer

Q4'19 RESULTS

\$ millions (except EPS and ROE)	Q4'19	Q3'19	Q4'18
Reported net income	719	681	580
Underlying net income ⁽¹⁾	792	809	718
Reported EPS ⁽²⁾ (c\$)	1.22	1.15	0.96
Underlying EPS ^{(1),(2)} (c\$)	1.34	1.37	1.19
Reported ROE ⁽¹⁾	13.6%	13.0%	10.9%
Underlying ROE ⁽¹⁾	15.0%	15.5%	13.6%

Business Performance

- Underlying EPS⁽¹⁾ up 13% from Q4 2018
- Assets under management⁽¹⁾ of \$1.1 trillion up 16% from Q4 2018
- Year-to-date operating expenses up 9% from 2018; up 8% on a constant currency basis
- Book value per share of \$35.97 up slightly from Q4 2018

Capital Management

- Strong capital position with a LICAT ratio for SLF of 143%; SLA LICAT ratio of 130%⁽³⁾
- \$2.3 billion of cash and other liquid assets at SLF and its wholly-owned holding companies
- Financial leverage ratio⁽¹⁾ of 21.2%

(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) Fully diluted basis

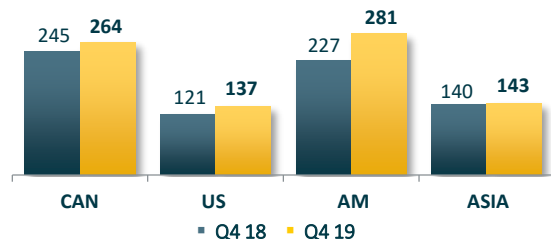
(3) Life Insurance Capital Adequacy Test ("LICAT") ratio of SLF and of Sun Life Assurance Company of Canada ("SLA").

Q4'19 BUSINESS GROUP PERFORMANCE

UNDERLYING NET INCOME⁽¹⁾

(\$ millions)

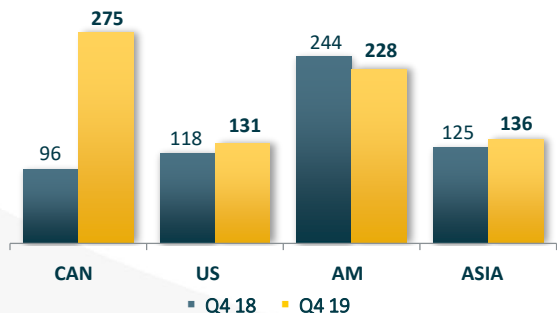
Impact of currency increased underlying net income by \$2M



REPORTED NET INCOME

(\$ millions)

Impact of currency increased reported net income by \$2M



CAN

- Business growth, higher investing activity, favourable credit experience, higher available-for-sale ("AFS") gains and favourable mortality experience, partially offset by unfavourable morbidity experience and a mortgage impairment
- Reported net income higher than Q4 2018, driven by favourable market-related impacts, and less unfavourable ACMA

US

- Favourable morbidity experience and higher AFS gains, partially offset by unfavourable mortality experience in In-Force Management
- Market-related impacts, ACMA and integration costs were in line with the same period last year
- After-tax profit margin for U.S. Group Benefits of 7.3%⁽¹⁾⁽²⁾

AM

- MFS pre-tax net operating profit margin ratio of 40%⁽¹⁾
- Underlying net income increase driven by higher average net assets at MFS and higher income in SLC Management from the acquisition of a majority stake in BentallGreenOak
- Reported net income reflects higher fair value adjustments on MFS's share-based payment awards

ASIA

- Business growth, favourable lapse and policyholder behaviour experience and lower new business strain, partially offset by unfavourable joint venture experience and other investment experience
- Reported net income higher than Q4 2018 driven by favourable market-related impacts, largely offset by unfavourable ACMA impacts

SOURCES OF EARNINGS VIEW

Sources of earnings Common shareholders \$ millions	Q4'19	Q4'18
Expected profit on in-force business	849	744
Impact of new business	22	17
Experience gains/(losses)	(18)	(142)
Assumption changes and management actions (ACMA) ⁽¹⁾	(16)	13
Other ⁽²⁾	(108)	(12)
Earnings from operations	729	620
Earnings on surplus	115	111
Earnings before income taxes	844	731
Income tax (expense) or recovery ⁽³⁾	(101)	(128)
Preferred share dividends	(24)	(23)
Reported net income	719	580

Expected profit: continued business growth across all pillars

Impact of new business: lower strain in Asia driven by higher sales

Experience gains/(losses):

- **Q4 2019:** unfavourable morbidity, expense experience, lapse and other policyholder behavior, mortality and other experience, mostly offset by favourable net market related impacts, credit experience, and investment activity
- **Q4 2018:** unfavourable net market related impacts, mortality, morbidity and expense experience, partially offset by favourable investment activity, credit, and other experience

Earnings on surplus: higher AFS gains, partially offset by real estate market losses and lower investment income

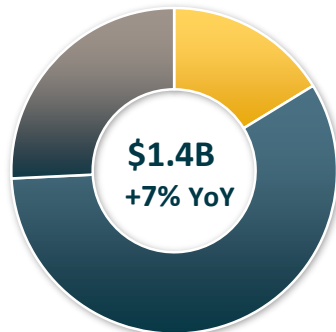
(1) See "Use of Non-IFRS Financial Measures" and "Reconciliation of Net Income measures" in the appendix to these slides.

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

(3) Effective tax rate on underlying net income⁽¹⁾ was 13.9% in Q4 2019 (16.8% in Q4 2018)

SALES RESULTS BY BUSINESS GROUP

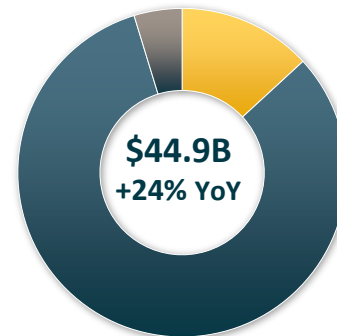
INSURANCE SALES⁽¹⁾ BY BUSINESS



■ Canada ■ U.S. ■ Asia

- Canada insurance sales up 4% driven by individual life insurance
- Asia insurance sales up 43% on a constant currency basis, driven by growth in all local insurance markets and in International
- U.S. insurance sales decreased slightly reflecting lower large case employee benefits sales

WEALTH SALES⁽¹⁾ BY BUSINESS



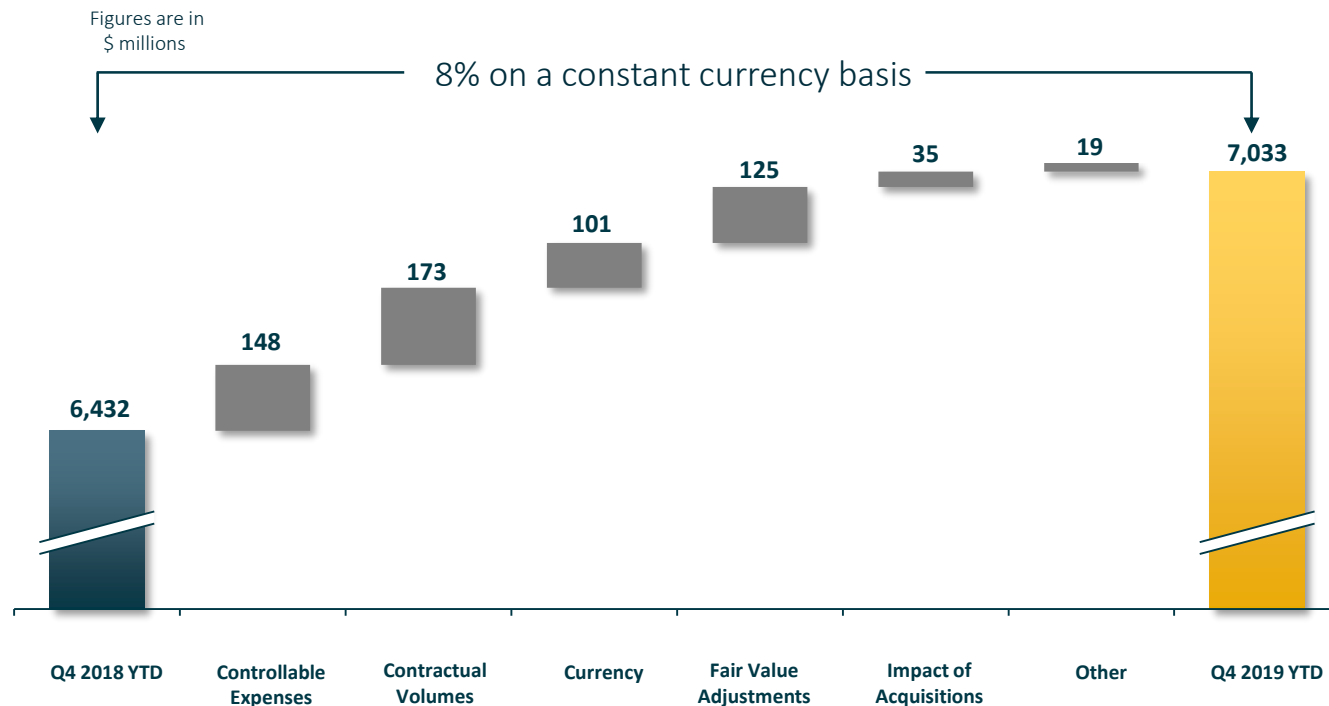
■ Canada ■ Asset Management ■ Asia

- Canada wealth sales up 21% driven by higher mutual fund sales in individual wealth and large case sales in Group Retirement Services
- Asset Management sales up 25% on a constant currency basis, driven by higher mutual and managed fund sales at MFS and higher sales at SLC Management
- Asia wealth sales up 8% on a constant currency basis, driven by money market sales in the Philippines and continued strong growth in the Hong Kong pension business, largely offset by lower mutual fund sales in India

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

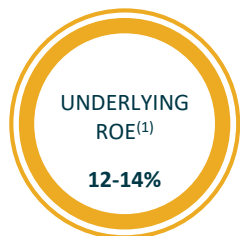
+9% YoY

OPERATING EXPENSES

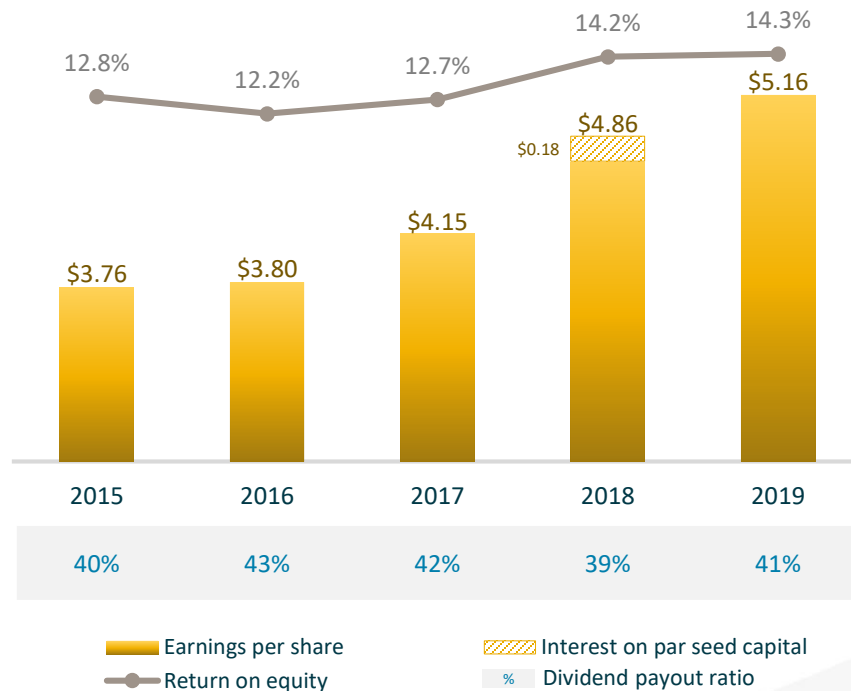


- Increase in controllable expenses reflects investments in growth, partially funded through productivity gains

PROGRESS ON MEDIUM-TERM FINANCIAL OBJECTIVES



1-Year	5-Year ⁽²⁾
14.3%	13.2%
6%	12%
10% growth excluding the impact of interest on par seed capital in 2018	
41%	41%



| APPENDIX

RECONCILIATION OF UNDERLYING NET INCOME

\$ millions	Q4'19 Pre-tax	Q4'19 Post-tax
Reported net income		719
Net equity market impact (including basis risk impact of \$4 million) ⁽¹⁾	49	40
Net interest rate impact (including credit spread impact of \$0 and swap spread impact of \$(29) million) ⁽¹⁾	(24)	(11)
Impact of changes in the fair value of investment properties	(18)	(11)
Assumption changes and management actions ⁽²⁾	(16)	(15)
Other ⁽³⁾	(108)	(76)
Underlying net income⁽²⁾		792

- 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	Q4'19 Pre-tax	Q4'19 Post-tax
Experience related items		
Impact of investment activity on insurance contract liabilities	45	34
Credit	58	47
Mortality	(5)	(3)
Morbidity	(66)	(47)
Lapse and other policyholder behaviour	(7)	(6)
Expenses	(54)	(45)
Other	(12)	(6)
Total other notable items		(26)

- 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 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 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 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:

- (a) 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 impacts 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;
- (b) 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
- (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	Q4'19	Q3'19	Q4'18
Common shareholders' reported net income (loss)	719	681	580
Impact of certain hedges that do not qualify for hedge accounting	4	(5)	(1)
Fair value adjustments on share-based payment awards at MFS	(37)	(8)	28
Acquisition, integration and restructuring	(43)	(26)	(25)
Net equity market impact	40	9	(143)
Net interest rate impact	(11)	(90)	(41)
Net increases (decrease) in the fair value of real estate	(11)	(8)	31
Assumption changes and management actions	(15)	0	13
Common shareholders' underlying net income (loss)	792	809	718

Forward-Looking Statements

From time to time, the Company makes written or oral forward-looking statements within the meaning of certain securities laws, including the “safe harbour” provisions of the United States Private Securities Litigation Reform Act of 1995 and applicable Canadian securities legislation. Forward-looking statements contained in this presentation include statements (i) relating to our strategies, financial objectives, future results of operations, and strategic goals; and concerning our medium-term financial objectives which are described in the 2019 Annual MD&A under the heading B - Overview - 2 - Financial Objectives, (collectively, our “medium-term financial objectives”), (ii) relating to our growth initiatives and other business objectives, (iii) relating to our acquisition of a majority stake in InfraRed, (iv) relating to our expected tax range for future years, (v) that are predictive in nature or that depend upon or refer to future events or conditions, and (vi) that include words such as “achieve”, “aim”, “ambition”, “anticipate”, “aspiration”, “assumption”, “believe”, “could”, “estimate”, “expect”, “goal”, “initiations”, “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 management’s discussion and analysis for the period ended December 31, 2019 under the headings D - Profitability - v - Income taxes, F - Financial Strength and J - 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. 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 following risk factors are related to our acquisition of a majority stake in InfraRed that could have a material adverse effect on our forward-looking statements: (1) the ability of the parties to complete the transaction; (2) failure of the parties to obtain necessary consents and approvals or to otherwise satisfy the conditions to the completion of the transaction in a timely manner, or at all; (3) our ability to realize the financial and strategic benefits of the transaction; (4) the impact of the announcement of the transaction on Sun Life and InfraRed. These risks all could have an impact on our business relationships (including with future and prospective employees, Clients, distributors and partners) and could have a material adverse effect on our current and future operations, financial conditions and prospects.

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.