

# Q1 2021

## Building Sustainable Shareholder Value



Life's brighter under the sun





## ***Business overview***



Business group results & highlights



Capital management



Asset portfolio



Sustainability

# A \$37.2 billion leading global financial services organization<sup>1</sup>

Operating through a **balanced** and **diversified** model and focused on creating **shareholder value** now and in the future



**42,100**  
Employees\*



Offices in  
**27**  
markets\*



**140,900**  
Advisors\*



\*At the end of 2020. Includes Asia joint ventures.

Map is as of March 31, 2021.

# The Sun Life story

- A **diversified business model**, with four strong pillars that can each compete, win and grow in their respective markets and that 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
- Building on momentum created by past **organic investments and acquisitions** that will help drive earnings growth
- **Digital transformation** that is deeply embedded throughout the organization
- **Purpose-driven sustainability plan** focused on what we know best to maximize our contribution to society



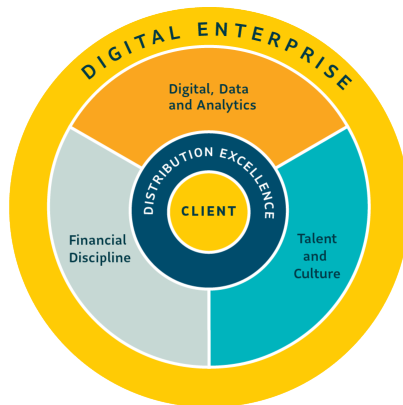
# Executing on our ambition to be one of the best insurance and asset management companies globally

**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

A Commitment to Sustainability

Top quartile total shareholder return

Exceptional Client service

Superior business mix and positioning

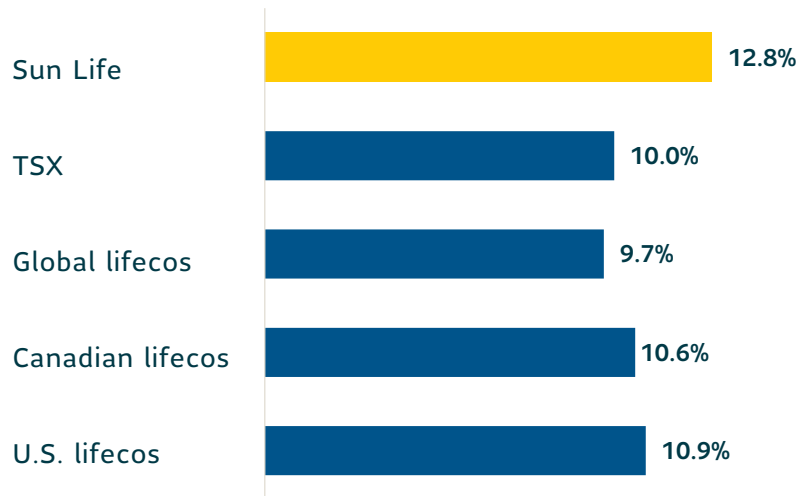
Strong and distinct talent and culture

Superior business execution

# Consistently delivering value to shareholders

## 5-year total shareholder return<sup>1</sup>

March 31, 2021



## Progress on medium-term objectives

Medium-term objective	Q1 2021
Underlying ROE <sup>2</sup>	
<b>12-14%</b>	<b>15.3%</b>
Underlying EPS growth <sup>2</sup>	
<b>8-10%</b>	<b>11%</b>
Dividend payout ratio <sup>2,3</sup>	
<b>40-50%</b>	<b>38%</b>

<sup>1</sup> Source: Bloomberg. Companies included in these peer groups are listed in the appendix

<sup>2</sup> 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

<sup>3</sup> On March 13, 2020, OSFI set the expectation for all federally regulated financial institutions that dividend increases should be halted for the time being

# Digital transformation deeply embedded throughout the organization

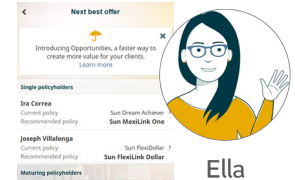
## Building new digital models and a partnership ecosystem

- **Asia** digital sales channels, including affordable products through online marketplace Lazada
- Lumino Health and Sun Life GO in **Canada**
- New turnkey Absence capabilities through FullscopeRMS in **U.S. Group Benefits**
- 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
- Continuing to enhance connectivity into the benefits ecosystem, including APIs with key benefits and HR platforms



## Using 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**
- Leverage Maxwell and predictive analytics that proactively nudge members to close coverage gaps in **U.S.**



## Digitizing current interactions and processes

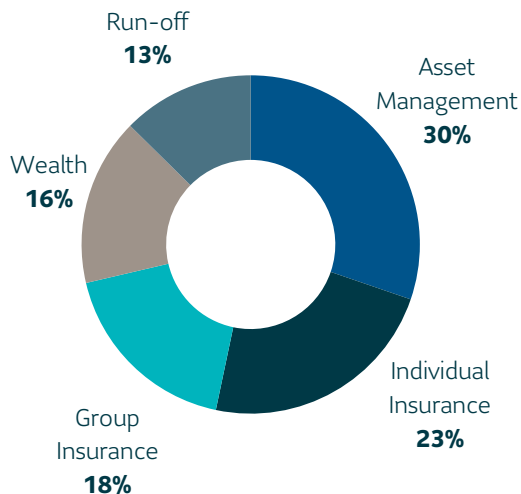
- **Asia** point of sale tools (needs, illustration, application, fulfillment) and new non-face-to-face sales capabilities for advisors
- Web and mobile functionality in **Canada** and **Asia**
- Expanded web and mobile capabilities and streamlined claims experience in the **U.S.**
- End-to-end virtual enrollment solutions with text and chat capabilities in the **U.S.**
- In **Canada**, launched Investment GIF e-App and Sun e-App, streamlining and digitizing end-to-end Client processes



# Balanced and diversified business

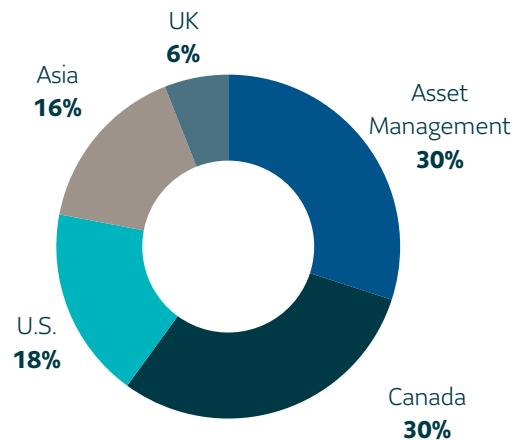
## Business type diversification

Q1 2021 underlying net income<sup>1,2</sup>



## Business Group diversification

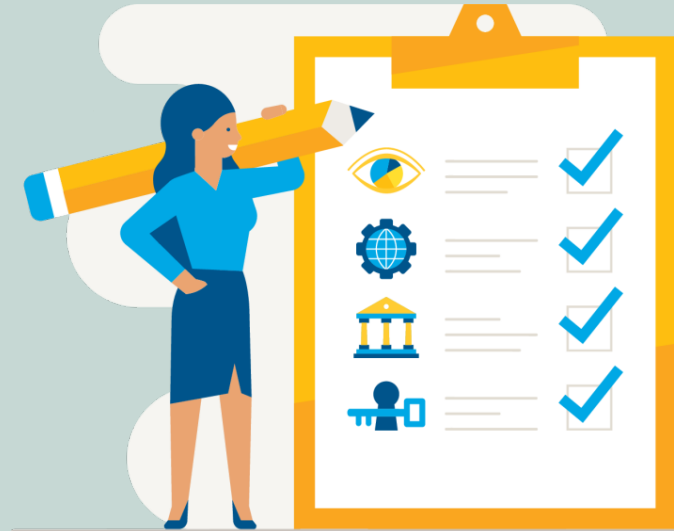
Q1 2021 underlying net income<sup>1,2</sup>





# Leveraging global trends

- **Demographic shifts:** Changing population including the aging of Baby Boomers and growth in wealth/financial needs of Millennials
- **Digital transformation:** Digital, data and analytics changing Client behaviours and expectations
- **Growing prosperity in Asia:** Growing demand for products and services as hundreds of millions of people move to the middle class
- **Attention on health:** Individuals and employers focused on physical, mental, and financial health and wellness
- **Shift in nature of work:** Rise in the gig economy creating opportunities to provide savings, benefits, and protection solutions
- **Continued growth of alternatives:** Economic and market conditions increasing investor demand for alternative asset classes





Business overview



***Business group results & highlights***



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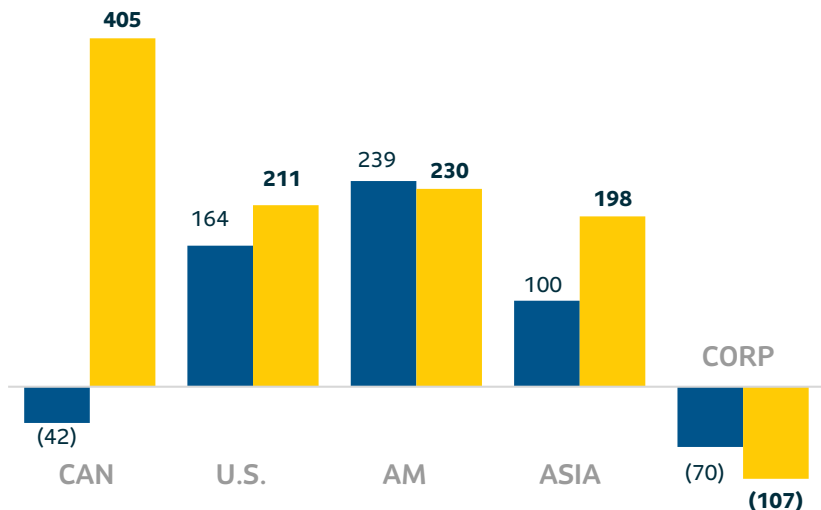


Sustainability

# Business group performance

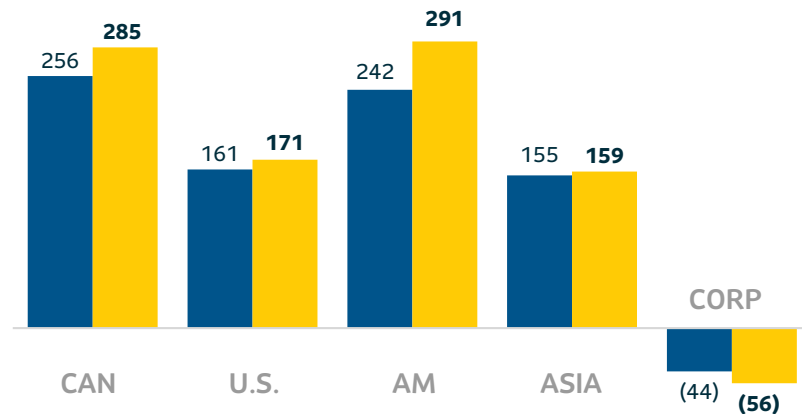
## Reported net income (\$ millions)

Impact of currency decreased reported net income by \$33M



## Underlying net income<sup>1</sup> (\$ millions)

Impact of currency decreased underlying net income by \$31M

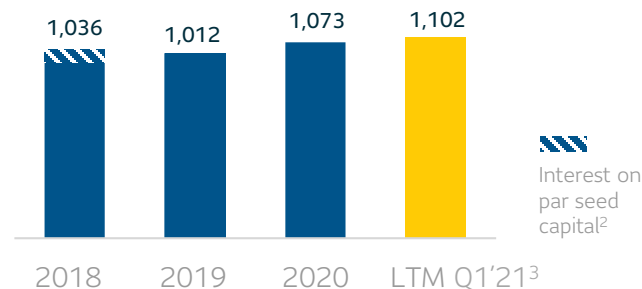


# Canada is a growth market for Sun Life

## Q1'21 highlights

- **Ella**, our digital coach, proactively **connected with Clients over 3.6 million times**, driving an additional **\$294 million in wealth deposits**, and **\$461 million in insurance coverage**
- Launched our **Investment GIF e-App**, a platform that enables Clients and third-party advisors to **digitally manage** investment applications; **streamlining the end-to-end process**, including the integration of e-signature
- **Sun GIF (Guaranteed Investment Fund)** achieved **record** quarterly gross sales<sup>1</sup> of **\$330 million**
- **SLGI (Sun Life Global Investments)** gross retail **sales<sup>1</sup> up 18%**
- **Expanded our Lumino Health** digital health care platform offering by adding **new mental health and paramedical services**, such as social workers, clinical counsellors and psychotherapists

## Underlying net income<sup>1</sup> (\$ millions)



## Market position by business

- 2<sup>nd</sup>** Individual insurance<sup>4</sup>
- 1<sup>st</sup>** Group Benefits<sup>5</sup>
- 1<sup>st</sup>** Group Retirement Services<sup>6</sup>

<sup>1</sup> Represents a non-IFRS financial measure. See "Use of Non-IFRS Financial Measures" in the appendix  
<sup>2</sup> \$75 million of interest on seed capital transferred from the participating account to the shareholder account  
<sup>3</sup> Last twelve months at March 31, 2021

<sup>4</sup> LIMRA Market Share by premiums within individual life and health market as of fourth quarter 2020, on a year-to-date basis  
<sup>5</sup> Based on revenue for year ended December 2019 from 2020 Group Benefits Provider Report  
<sup>6</sup> LIMRA Market Share based on total Capital Accumulation Plan assets as of fourth quarter 2020, on a year-to-date basis

# Shaping the industry and capitalizing on opportunities in Canada



## Executing with financial discipline, and putting Clients at the centre

- Putting our Clients at the centre and creating **proactive, predictive and personal contact** throughout the Client journey
- Balancing **top and bottom line growth** through sustained expense discipline and prioritized investments
- Optimizing our **portfolio of businesses** through strategic actions to enhance our positioning
- Engaged employees driven by attracting, developing and retaining **diverse top talent**



## Making it easier for Clients to do business with us

- Creating a leading **One Sun Life digital experience**, digitizing key steps of our Client, Advisor and Sponsor journeys
- Expanding our reach with proactive and relevant connections through our digital coach, **Ella**
- Building **Lumino Health Virtual Care** capabilities for primary care to Group and Retail Clients, and paramedical virtual solutions to providers
  - Invested in and partnered with Dialogue to offer virtual care to our Clients<sup>1</sup> online and through a mobile app
  - Partnered with GoRendezvous and OnCall Health to enhance our virtual capabilities



## Shaping the market as a leader in our Canadian home market

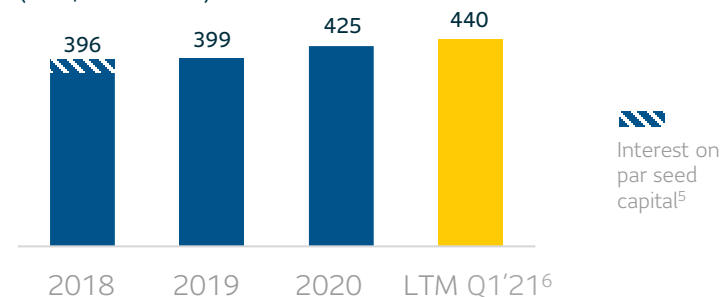
- Leveraging our **worksite advantage** to enhance our Client offerings and develop into adjacent businesses for growth opportunities
- Expanding our **health and well-being role**, to own a space in the healthcare market and proactively build healthy workplaces
- Extending our leadership in the growing pension risk transfer market through our innovative **Defined Benefits Solutions** offering
- Accelerating our **wealth presence** through Sun Life Global Investments (SLGI) and Sun Life's Guaranteed Investment Funds (Sun GIF)

# Deepening Client relationships in U.S. Group Benefits

## Q1'21 highlights

- In April, we entered into an agreement to acquire **Pinnacle Care International, Inc.**<sup>1</sup>, a leading U.S. health care navigation and medical intelligence provider
- **After-tax profit margin** for U.S. Group Benefits of **8.1%**<sup>2,3</sup>
- Recently launched **Stitch** in certain states, enabling members to **buy coverage directly** from Sun Life **online or via mobile**; **helps protect part-time and gig workers**, who typically aren't eligible for employee benefits
- Online **disability claim** submissions through *SunWorks*<sup>4</sup> were **up 26%** from Q4 2020
- More than **46,000 active employees** on our **Maxwell Health** digital benefits platform, a **10% increase** from Q4 2020

## Underlying net income<sup>2</sup> (US\$ millions)



## Market position by business

- #1** Independent medical stop-loss provider<sup>7</sup>
- #1** Turnkey disability provider<sup>8</sup>
- Top 10** Group life and disability benefits provider<sup>9</sup>

# 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 trillions<sup>1</sup>



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



**51 million working Americans** are not covered by a disability policy<sup>3</sup>

## Stop-loss



**67%**<sup>4</sup> of U.S. employees are covered by a self-insured plan with a trend of smaller employers moving in this direction<sup>5</sup>



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



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



**Prescription drug costs** expected to rise 5-6% annually over the next 10 years<sup>7</sup>

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

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

<sup>3</sup> Council for Disability Awareness

<sup>4</sup> Henry J. Kaiser Family Foundation 2020 Employer Health Benefits Survey

<sup>5</sup> EBRI Feb 2018, Self-Insured Health Plans: Recent Trends by Firm Size, 1996–2016

<sup>6</sup> PwC's Health Research Institute (HRI) medical cost trends, 2021

<sup>7</sup> Kaiser 2019

# Positioned in Asia's largest and fastest growing markets

## Q1'21 highlights

- Individual insurance **sales**<sup>1,2</sup> **up 27%** in Local Markets
- Launched **SunCanvas**, an **intuitive virtual solution** for advisors, enabling **stronger engagement** and **easier planning, sales and service** with Clients in the Philippines and Indonesia
- Built new **digital Personal Accident and Cancer solutions** in **Vietnam** in collaboration with one of our bancassurance partners
- Launched a premier **digital on-demand wellness platform, GoWell Studio**<sup>4</sup>, in the Philippines that includes **virtual exercise** programs, guided **meditation** sessions, and **healthcare awareness and education** content
- **66%** of new business **applications** were **submitted digitally**<sup>5</sup>, **up 14%** from the end of 2020

<sup>1</sup> Represents Non-IFRS financial measures. See "Use of Non-IFRS Financial Measures" in the appendix

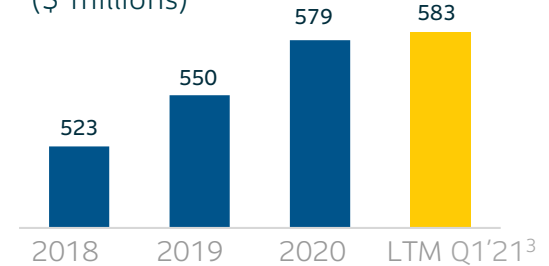
<sup>2</sup> Sales from joint ventures are based on our proportionate equity interest

<sup>3</sup> Last twelve months at March 31, 2021

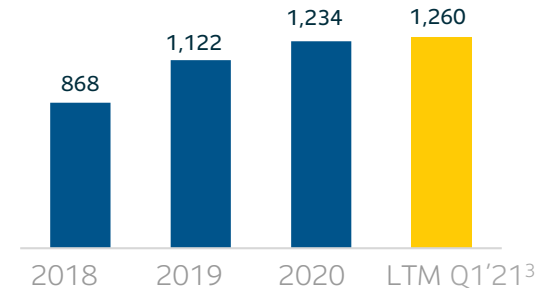
<sup>4</sup> GoWell Studio is a wellness platform offering a variety of features, including virtual exercise programs, guided meditation sessions and healthcare awareness and education content.

<sup>5</sup> Includes eApp submissions and SunSmart, a digital asset for advisors to prepare and submit applications digitally; excluding joint ventures and International.

## Underlying net income<sup>1</sup> (\$ millions)



## Individual life sales<sup>1,2</sup> (\$ millions)





# Capturing growth opportunities in Asia

## Local Markets



### Philippines

- Ranked **1<sup>st</sup>** in insurance sales<sup>1,2</sup>
- The **#1 largest mutual fund provider** based on AUM<sup>1,3</sup>



### Indonesia

- 9<sup>th</sup>** in insurance sales<sup>1,4</sup>
- Overall market share of **3%**<sup>1,4</sup>



### Vietnam

- 6<sup>th</sup>** in insurance sales<sup>1,5</sup>
- Up from 13<sup>th</sup> in Q4 2020, supported by newly launched partnership with Asia Commercial Bank



### China

- 8<sup>th</sup>** in insurance among foreign JVs<sup>1,6</sup>
- Over **22,000 advisors**, an increase of 30% versus Q1 2020



### India

- 7<sup>th</sup>** in individual insurance, with an overall market share of **5%**<sup>1,7</sup>
- 4<sup>th</sup>** largest mutual fund provider in the country based on AUM<sup>1,8</sup>



### Malaysia

- 7<sup>th</sup>** in insurance sales<sup>1,9</sup>
- 3<sup>rd</sup>** in bancassurance, with a bancassurance market share of **12%**<sup>1,10</sup>

## International Hubs



### International

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



### Hong Kong

- 2<sup>nd</sup>** largest MPF provider based on net inflows, **3<sup>rd</sup>** based on AUM<sup>1,11</sup>
- 10<sup>th</sup>** in insurance sales, with a market share of 3%<sup>1,12</sup>



### Singapore

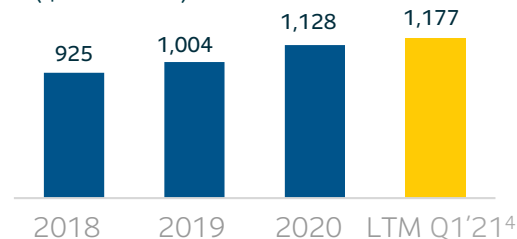
- Established our new business in Singapore to meet the needs of high net-worth Clients, with the first product launched in April 2021

# Expanding asset management capabilities

## Q1'21 highlights

- Strong flows at SLC Management with **fee-eligible inflows** of approximately **\$8.5 billion**
- On April 1, 2021, SLC Management announced that **BentallGreenOak ("BGO") acquired Metropolitan** Real Estate Equity Management creating a **diversified real estate platform for our Clients**
- **Crescent Capital Group** was **awarded** the 2020 **Fundraising of the Year** by Private Debt Investor for its second **European Specialty Lending Fund, which exceeded the target raise by €0.6 billion**
- **97%, 84% and 95%** of MFS's U.S. retail mutual fund assets ranked in the top half of their Morningstar categories based on ten-, five- and three-year performance, respectively

Underlying net income<sup>1</sup>  
(\$ millions)



 **MFS**  **US\$626 billion AUM<sup>1</sup>**

 **SLC Management**  **\$160 billion AUM<sup>1,2</sup>**

<sup>1</sup> Represents a non-IFRS financial measure. See "Use of Non-IFRS Financial Measures" in the appendix

<sup>2</sup> Excludes assets managed on behalf of the Insurance businesses for the General Fund; Effective January 1, 2021, the methodology for gross flows and outflows was updated for SLC Management. Prior period amounts have not been updated. For more details, see Q1 2021 MD&A, section M - Non-IFRS Financial Measures

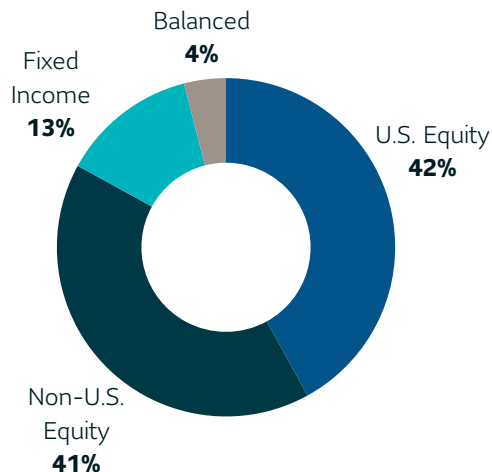
<sup>3</sup> See "Forward-Looking Statements" in the appendix to these slides

<sup>4</sup> Last twelve months at March 31, 2021

# MFS: diversification of assets under management<sup>1</sup>

## Asset class mix

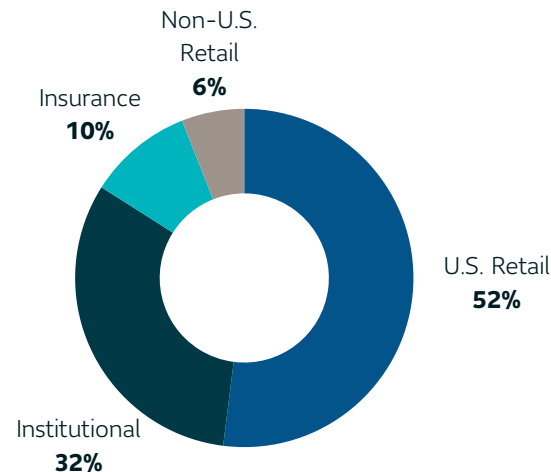
US\$, as at March 31, 2021



**US\$626**  
billion AUM<sup>1</sup>

## Investor type

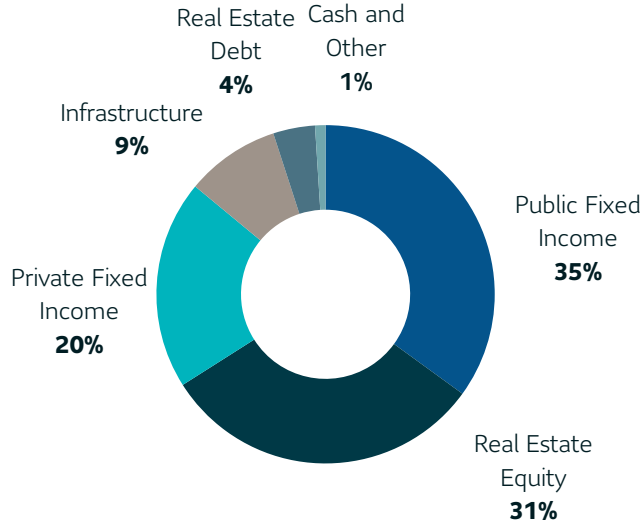
US\$, as at March 31, 2021



# SLC Management: diversification of assets under management<sup>1</sup>

## Asset class mix

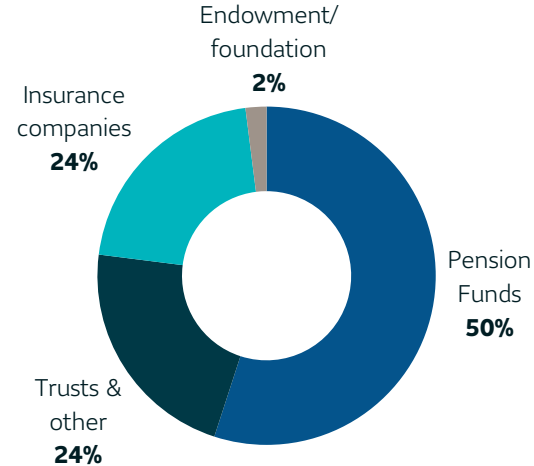
\$, as at March 31, 2021



**\$160**  
billion AUM<sup>1</sup>

## Investor type

\$, as at March 31, 2021





Business overview



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%**<sup>1,3</sup>



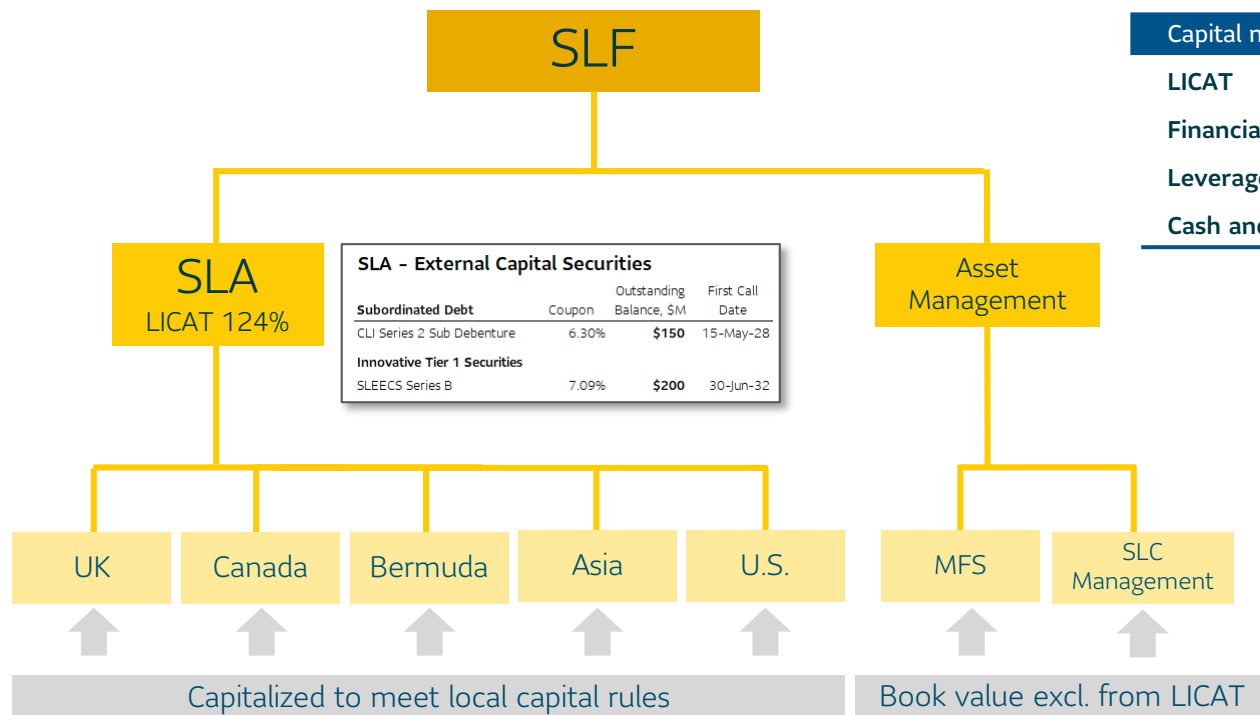
**M&A** opportunities and strategic investments



Share **buybacks**<sup>2</sup>

Target minimum cash at the holding company of **\$500 million**<sup>3</sup>

# Capital model provides financial flexibility



SLA - External Capital Securities			
Subordinated Debt	Coupon	Outstanding Balance, \$M	First Call Date
CLI Series 2 Sub Debenture	6.30%	\$150	15-May-28
Innovative Tier 1 Securities			
SLEECs Series B	7.09%	\$200	30-Jun-32

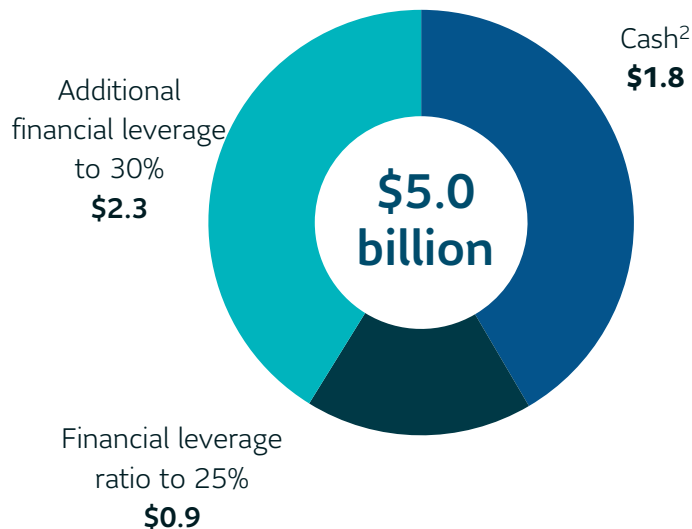
Capital metric	SLF
LICAT	141%
Financial leverage ratio	22.7%
Leverage capacity to 25%/30%	~\$0.9B/\$3.2B
Cash and other liquid assets	\$2.3B

SLF - External Capital Securities			
Subordinated Debt	Coupon	Outstanding Balance, \$M	First Call Date
SLF Series 2007-1	5.40%	\$398	29-Mar-37
SLF Series 2016-2	3.05%	\$998	19-Sep-23
SLF Series 2017-1	2.75%	\$399	23-Nov-22
SLF Series 2019-1 Sustainability Bond	2.38%	\$747	13-Aug-24
SLF Series 2020-1	2.58%	\$995	10-May-27
SLF Series 2020-2	2.06%	\$745	1-Oct-30
		<b>\$4,282</b>	
Preferred Shareholders' Equity			
SLF Series 1	4.75%	\$394	31-Mar-14
SLF Series 2	4.80%	\$318	30-Sep-14
SLF Series 3	4.45%	\$245	31-Mar-15
SLF Series 4	4.45%	\$293	31-Dec-15
SLF Series 5	4.50%	\$245	31-Mar-16
SLF Class A, Series 8R	1.83%	\$152	30-Jun-25
SLF Class A, Series 9QR	Floating	\$122	30-Jun-25
SLF Class A, Series 10R	2.84%	\$169	30-Sep-21
SLF Class A, Series 11QR	Floating	\$26	30-Sep-21
SLF Class A, Series 12R	3.81%	\$293	31-Dec-21
		<b>\$2,257</b>	

# Strong capital position with significant deployment potential<sup>1</sup>

## Capital deployment potential

(\$ billions, at March 31, 2021)



## Deployment opportunities

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

<sup>1</sup> See "Forward-looking Statements" in the appendix

<sup>2</sup> Excludes target minimum cash at the holding company of \$500 million

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



# Low leverage ratios and strong ratings

## Q1 2021 operating leverage debt (\$ millions)

Debt supporting reserve financing	
Senior debt	300
<b>Total operating leverage debt</b>	<b>300</b>

## Q1 2021 capital (\$ millions)

Subordinated debt	4,432
SLEECs (innovative tier 1 securities)	200
Preferred shareholders' equity	2,257
<b>Total capital securities</b>	<b>6,889</b>
Common shareholders' equity and par <sup>1</sup>	23,490
<b>Total capital</b>	<b>30,379</b>
<b>Financial leverage ratio<sup>2</sup></b>	<b>22.7%</b>

Tier 2

Tier 1

Tier 1



## Sun Life Assurance Company of Canada Financial Strength Ratings

<b>A.M. Best</b>	A+
<b>DBRS</b>	AA
<b>Moody's</b>	Aa3
<b>S&amp;P</b>	AA



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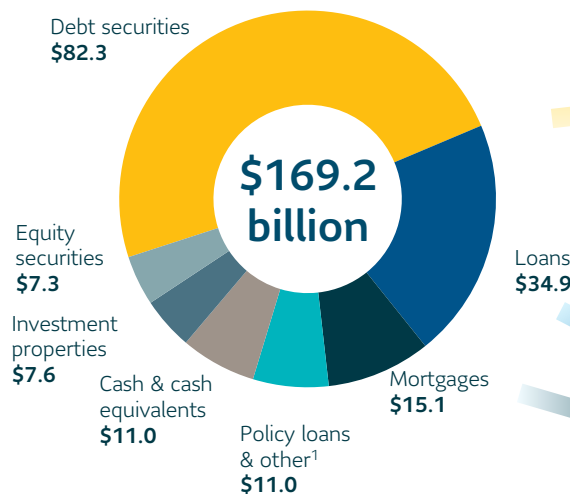
Sustainability

# High quality, well-diversified investment portfolio

- Highly diversified with the largest non-government related exposure at 0.4% of total fixed income
- 96% of fixed income rated investment grade<sup>2</sup>
- Only 5% of fixed income rated BBB-; skewed BBBs to private loans with collateral and covenant protection
- Commercial mortgages 26% CMHC; well protected with 58% LTV and 1.64 DSCR<sup>4</sup>
- Repositioned real estate debt and equity portfolios to increase durability of cash flows

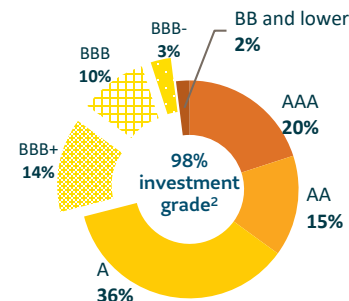
## Investment profile

As of March 31, 2021



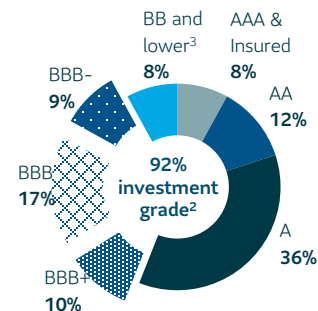
## Debt securities by credit rating

As of March 31, 2021



## Mortgages & loans by credit rating

As of March 31, 2021



<sup>1</sup> Consists of: Other invested assets (\$6.3), Policy loans (\$3.3), Derivative assets (\$1.4)

<sup>2</sup> BBB and higher

<sup>3</sup> BB and lower includes impaired mortgages and loans

<sup>4</sup> LTV: Loan-to-Value; DSCR: Debt-service coverage ratio



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***Sustainability***

# Our sustainability plan brings our Purpose to life

Focused on areas of expertise where we can have the most positive impact:



## Financial Security

- Provide innovative financial products and services
- Proactive financial education
- Expand access to insurance and wealth products

### Goals<sup>1</sup>

- Help Clients take positive financial actions (working towards setting a target)



## Healthier Lives

- Offer products and tools to help Clients and employees live healthier lives
- Invest in community health
- Improve access to health and disability insurance

- Help Clients take positive health actions (working towards setting a target)
- Address regional health issues<sup>2</sup>



## Sustainable Investing

- Manage capital with sustainability embedded in our investment processes
- Offer our Clients sustainable investing opportunities
- Invest our assets to encourage a low-carbon and more inclusive economy

- Rigorous incorporation of ESG considerations in all investment processes and decisions
- \$20B<sup>3</sup> in new sustainable investments from 2021-2025



## Building on our foundation as a **Trusted and Responsible Business**:

- Focus on meeting Client needs
- Build a talented and diverse workforce
- Advance diversity, equity and inclusion
- Mitigate climate change, build climate resilience and demonstrate environmental stewardship
- Safeguard data with robust security and privacy practices
- Identify, measure, manage, monitor and report risks
- Ensure strong governance and an ethical culture

### Goals<sup>1</sup>

- Reduce GHG emissions intensity 30% by 2030<sup>4</sup>
- Carbon-neutral operations from 2021
- 50% women in Vice-President (VP)+ roles globally and 25% underrepresented ethnicities in VP+ roles in North America by 2025

<sup>1</sup> See "Forward-looking Statements" in the appendix

<sup>2</sup> Mental health in Canada, healthcare costs in U.S., diabetes in Asia

<sup>3</sup> Criteria for investments based on market standards

<sup>4</sup> Based on tonnes of carbon dioxide equivalent per square foot, relative to a 2014 baseline



# Strong sustainability achievements and recognition



## Financial Security

- **\$1B of insurance coverage** and **\$700M of savings products** driven by nudges from Ella in 2020
- **~120,000 microinsurance policies** issued since 2018



## Healthier Lives

- **\$38M committed to diabetes** globally since 2012
- **20M ratings** on 150K health-care providers on Lumino



## Sustainable Investing

- **\$60.1B sustainable investment AUM**
- Sun Life and its asset management businesses scored **"A" or higher on all PRI modules** for asset classes that represent 10% or more of AUM<sup>1</sup>



## Trusted and Responsible Business

- One year ahead of schedule, in 2019, **reached our 20% by 2020 target** for cumulative GHG emissions intensity<sup>2</sup> reductions (2014 baseline)
- **Increased transparency on climate change management** by publishing [TCFD-aligned disclosures](#) in our 2020 Annual Report
- **34% women in senior roles** (VP and up); **15% underrepresented ethnicities** in senior roles



(3 years in a row)

A low-angle, upward-looking photograph of several modern skyscrapers. The buildings are made of glass and steel, with their lines converging towards the top of the frame. A bright sunburst effect is visible in the center, where the buildings meet, creating a strong lens flare and illuminating the scene. The sky is a clear, pale blue.

# *Appendix*

# Market movements and impacts in the quarter

Market Movements	YTD Q1'21	YTD Q4'20	YTD Q1'20
S&P/ TSX	<b>+7.3%</b>	+2.2%	(21.6)%
S&P 500	<b>+5.8%</b>	+16.3%	(20.0)%
CA 10 - year	<b>+88 bps</b>	(103) bps	(101) bps
CA 30 - year	<b>+77 bps</b>	(55) bps	(46) bps
US 10 - year	<b>+83 bps</b>	(100) bps	(125) bps

Earnings on Surplus (\$millions, pre-tax)	Q1'21	Q4'20	Q1'20
Investment income	<b>110</b>	125	134
AFS gains	<b>53</b>	9	68
Seed investment gains/(losses) <sup>1</sup>	<b>(14)</b>	18	(48)
Investment properties mark-to-market	<b>(1)</b>	4	(3)
Interest on debt	<b>(40)</b>	(42)	(35)
<b>Total</b>	<b>108</b>	<b>114</b>	<b>116</b>

<sup>1</sup> Reflects a change in presentation for our Seed investment gains/ (losses) effective Q1 2021. We have updated Q4 2020 and Q1 2020 to reflect this change in presentation.

Equity Market Impacts (\$millions, post-tax)	Q1'21	Q4'20	Q1'20
Equity market movement and volatility	<b>67</b>	122	(303)
Basis risk	<b>5</b>	(14)	(57)
<b>Total</b>	<b>72</b>	<b>108</b>	<b>(360)</b>

Interest Impacts (\$millions, post-tax)	Q1'21	Q4'20	Q1'20
Interest rate changes	<b>161</b>	5	(87)
Credit spread movements	<b>(8)</b>	(63)	127
Swap spread movements	<b>(12)</b>	(16)	39
<b>Total</b>	<b>141</b>	<b>(74)</b>	<b>79</b>

Credit-Related Impacts (\$millions, post-tax)	Q1'21	Q4'20	Q1'20
Changes in ratings	<b>(14)</b>	(6)	(39)
Impairments, net of recoveries	<b>-</b>	(6)	(1)
Release of best estimate credit	<b>29</b>	30	25
<b>Total</b>	<b>15</b>	<b>18</b>	<b>(15)</b>



# Market sensitivities

## Change in Equity Markets<sup>1</sup>

As at March 31, 2021 (\$ millions, unless otherwise noted)	25% decrease	10% decrease	10% increase	25% increase
Potential impact on net income <sup>2,3</sup>	\$(400)	\$(150)	\$150	\$350
Potential impact on OCI <sup>3</sup>	\$(50)	\$(50)	\$50	\$50
Potential impact on LICAT <sup>2,4</sup>	0.5% point decrease	0.0% point change	0.0% point change	0.5% point decrease
As at December 31, 2020 (\$ millions, unless otherwise noted)	25% decrease	10% decrease	10% increase	25% increase
Potential impact on net income <sup>2,3</sup>	\$(400)	\$(150)	\$150	\$300
Potential impact on OCI <sup>3</sup>	\$(50)	-	-	\$50
Potential impact on LICAT <sup>2,4</sup>	0.0% point change	0.0% point change	0.0% point change	0.5% point decrease

## Change in Interest Rates<sup>5</sup>

	As at March 31, 2021		As at December 31, 2020	
(\$ 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 <sup>2,3,6</sup>	\$(100)	\$50	\$(100)	\$100
Potential impact on OCI <sup>3</sup>	\$250	\$(250)	\$250	\$(250)
Potential impact on LICAT <sup>2,4</sup>	1.0% point increase	0.5% point decrease	3.5% point increase	1.5% point decrease

## Change in Credit Spreads<sup>7,9</sup>

	As at March 31, 2021		As at December 31, 2020	
(\$ 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 <sup>8</sup>	\$(100)	\$50	\$(125)	\$75
Potential impact on LICAT <sup>4</sup>	0.5% point decrease	0.5% point increase	0.5% point decrease	0.5% point increase

## Change in Swap Spreads<sup>9</sup>

	As at March 31, 2021		As at December 31, 2020	
(\$ 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 <sup>8</sup>	\$25	\$(25)	\$50	\$(50)

# LICAT capital framework

Total ratio  
(SLF Inc.)  
**141%**

Total ratio  
(SLA Inc.)  
**124%**



## 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

In this presentation, Sun Life Financial Inc. ("SLF" or "SLF Inc."), its subsidiaries and, where applicable, its joint ventures and associates are referred to as "we", "us", "our", "Sun Life" and the "Company". Sun Life Assurance Company of Canada is referred to as "SLA".

### Use of Non-IFRS Financial Measures

We report certain financial information using non-IFRS financial measures, as we believe that these measures 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. 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. 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 non-IFRS financial measures and reconciliations to the closest IFRS measures are available in the Non-IFRS Financial Measures section of the Earnings News Release. Non-IFRS Financial Measures and reconciliations are also included in our Q1 2021 MD&A under the heading M - Non-IFRS Financial Measures, our annual MD&A and the Supplementary Financial Information packages that are available on [www.sunlife.com](http://www.sunlife.com) under Investors –Financial results & reports.

### Non-IFRS measures

Underlying net income (loss) and financial measures based on underlying net income (loss), including underlying EPS or underlying loss per share, and underlying ROE, are non-IFRS financial measures. Underlying net income (loss) removes from reported net income (loss) the 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.

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, 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, 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	Q1'21	Q4'20	Q1'20
Common shareholders' reported net income (loss)	937	744	391
Less:			
Impact of certain hedges that do not qualify for hedge accounting	-	-	(1)
Fair value adjustments on share-based payment awards at MFS	(44)	(46)	10
Acquisition, integration and restructuring	(74)	(50)	(42)
Net equity market impact	72	108	(360)
Net interest rate impact	141	(74)	79
Net increases (decrease) in the fair value of real estate	(4)	(14)	(12)
Assumption changes and management actions	(4)	(42)	(53)
Common shareholders' underlying net income (loss)	850	862	770

## 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 sustainable investment commitments, (iii) relating to our anticipated acquisition of PinnacleCare, (iv) relating to our growth initiatives and other business objectives, (v) relating to the plans we have implemented in response to the COVID-19 pandemic and related economic conditions and their impact on the Company, (vi) that are predictive in nature or that depend upon or refer to future events or conditions, and (vii) 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 the Q1 2021 MD&A under the headings C - Profitability - 5 - Income taxes, E - Financial Strength and H - Risk Management and in SLF Inc.'s 2020 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 document, including our medium-term financial objectives, are set out below. The realization of our forward-looking statements, including our ability to meet our medium-term financial objectives, 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 mergers, acquisitions, strategic investments and divestitures; the impact of competition; the performance of our investments and investment portfolios managed for Clients; changes in the legal or regulatory environment, including capital requirements; the environment and social, 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; 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** - COVID-19 matters, including the severity, duration and spread of COVID-19; its impact on the global economy, and its impact on Sun Life's business, financial condition and or results; risks associated with IFRS 17 and IFRS 9; 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 tax matters, including estimates and judgements used in calculating taxes.

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 document 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, and 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, and 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, and Voya

#### Source Information for slide 14

<sup>1</sup> On April 23, we entered into an agreement to acquire Pinnacle Care International, Inc.; the transaction is expected to close in mid-2021, subject to satisfaction of customary closing conditions, including the receipt of regulatory approval. See “Forward-Looking Statements” and “Risk Factors” in the appendix.

<sup>2</sup> Represents a non-IFRS financial measure. See “Use of Non-IFRS Financial Measures” in the appendix.

<sup>3</sup> After-tax profit margin for U.S. Group Benefits calculated on underlying net income as a percentage of net premiums on a trailing four quarters basis.

<sup>4</sup> SunWorks is a new integrated claims and absence management platform with online/ mobile and automated capabilities for Group Benefits and National Accounts.

<sup>5</sup> \$35 million of interest on seed capital transferred from the participating account to the shareholder account.

<sup>6</sup> Last twelve months at March 31, 2021.

<sup>7</sup> Ranking compiled by Sun Life based on data contained in the 2019 Accident and Health Policy Experience Report from the National Association of Insurance Commissioners (“NAIC”). An independent stop-loss carrier is defined as a stop-loss carrier that does not sell medical claim administration services.

<sup>8</sup> Based on annual 2019 NAIC Accident and Health Policy Experience Report and DRMS market expertise.

<sup>9</sup> Based on LIMRA 2019 Annual U.S. Sales & In-Force Reports for group term life, group short-term disability and long-term disability insurance.

#### Source Information for slide 17

<sup>2</sup> Ranking for Sun Life of Canada (Philippines) and Sun Life Grepa Financial, Inc. (@49% ownership). Based on unofficial data from the Insurance Commission of the Philippines, at Sept 30, 2020

<sup>3</sup> Philippine Investment Funds Association, based on Dec 31, 2020 ending assets under management

<sup>4</sup> Indonesia Life Insurance Association industry report, based on year-to-date annualized first year premiums at Dec 31, 2020

<sup>5</sup> March 2021 year-to-date annualized first year premiums, based on data shared among Vietnam industry players

<sup>6</sup> China Banking and Insurance Regulatory Commission, based on year to date gross premiums for 2020 (excluding universal and variable universal life insurance deposits and pension companies)

<sup>7</sup> Insurance Regulatory Authority of India, based on annualized first year premiums among private players on calendar year basis at Dec 31, 2020

<sup>8</sup> Association of Mutual Funds in India, based on average assets under management for the quarter ended at Dec 31, 2020

<sup>9</sup> Life Insurance Association of Malaysia; Insurance Services Malaysia Berhad, based on Q4’20 YTD annualized first year premium for Conventional and Takaful business

<sup>10</sup> Life Insurance Association of Malaysia; Insurance Services Malaysia Berhad, based on Q4’20 YTD annualized first year premium for Conventional and Takaful bancassurance business

<sup>11</sup> Mercer MPF Market Shares Report, for the three month period ended Dec 31, 2020

<sup>12</sup> Insurance Authority of Hong Kong, Provisional Statistics on Hong Kong Long Term Insurance Business, based on Q4’20 YTD annualized first year premiums

#### Footnotes for slide 36

<sup>1</sup> Represents the respective change across all equity markets as at March 31, 2021 and December 31, 2020. 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. 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).

<sup>2</sup> The market risk sensitivities include the estimated mitigation impact of our hedging programs in effect as at March 31, 2021 and December 31, 2020, and include new business added and product changes implemented prior to such dates.

<sup>3</sup> Net income and OCI sensitivities have been rounded to \$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.

<sup>4</sup> The LICAT sensitivities illustrate the impact on Sun Life Assurance as at March 31, 2021 and December 31, 2020. The sensitivities assume that a scenario switch does not occur in the quarter. LICAT ratios are rounded to the nearest 0.5%.

<sup>5</sup> Interest rate sensitivities assume a parallel shift in assumed interest rates across the entire yield curve as at March 31, 2021 and December 31, 2020 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. 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).

<sup>6</sup> 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.

<sup>7</sup> In most instances, credit spreads are assumed to revert to long-term insurance contract liability assumptions generally over a five-year period.

<sup>8</sup> Sensitivities have been rounded to the nearest \$25 million.

<sup>9</sup> 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

## **Yaniv Bitton**

Vice-President, Head of Investor Relations  
& Capital Markets

416-979-6496

[yaniv.bitton@sunlife.com](mailto:yaniv.bitton@sunlife.com)

