

— PARTICIPANTS

Corporate Participants

Leigh Chalmers – Senior Vice President, Head-Investor Relations & Capital Management, Sun Life Financial, Inc.
Dean A. Connor – President, Chief Executive Officer & Director, Sun Life Financial, Inc.
Kevin D. Strain – Chief Financial Officer & Executive Vice President, Sun Life Financial, Inc.
Jacques Goulet – President-Sun Life Financial Canada, Sun Life Financial, Inc.
Daniel Richard Fishbein – President-Sun Life Financial U.S., Sun Life Financial, Inc.
Kevin Morrissey – Senior Vice President & Chief Actuary, Sun Life Financial, Inc.
Léo M. Grépin – President-Sun Life Asia, Sun Life Financial, Inc.
Michael William Roberge – Chairman of MFS Mclean Budden Limited & Co-CEO of MFS Investment Management, Sun Life Financial Inc.
Stephen Clarkson Peacher – President-Sun Life Investment Management, Sun Life Financial, Inc.
Randolph Brill Brown – Chief Investment Officer, Sun Life Financial, Inc.

Other Participants

Gabriel Dechaine – Analyst, National Bank Financial, Inc.
Steve Theriault – Analyst, Eight Capital
David Motemaden – Analyst, Evercore ISI
Meny Grauman – Analyst, Scotia Capital, Inc.
Doug Young – Analyst, Desjardins Capital Markets
Paul Holden – Analyst, CIBC World Markets, Inc.
Tom MacKinnon – Analyst, BMO Capital Markets Corp. (Canada)
Nigel D'Souza – Analyst, Veritas Investment Research Corp.
Scott Chan – Analyst, Canaccord Genuity Corp.
Humphrey Hung Fai Lee – Analyst, Dowling & Partners Securities LLC

— MANAGEMENT DISCUSSION SECTION

Operator: Good morning, ladies and gentlemen. My name is Deketria, and I will be your conference operator today. At this time, I would like to welcome everyone to the Sun Life Financial Q2 2020 financial results conference call. All lines have been placed on mute to prevent any background noise. After the speakers' remarks, there will be a question-and-answer session.

The host of the call is Leigh Chalmers, Senior Vice President, Head of Investor Relations and Capital Management. Please go ahead, Ms. Chalmers.

Leigh Chalmers, Senior Vice President, Head-Investor Relations & Capital Management, Sun Life Financial, Inc.

Thank you, Deketria, and good morning, everyone. Welcome to Sun Life Financial's earnings conference call for the second quarter of 2020. Our earnings release and the slides for today's call are available on the Investor Relations section of our website at sunlifefinancial.com.

We will begin today's presentation with an overview of our second quarter results by Dean Connor, President and Chief Executive Officer of Sun Life Financial. Following Dean's remarks, Kevin Strain, Executive Vice President and Chief Financial Officer, will present the financial results for the

quarter. After the prepared remarks, we will move to the question-and-answer portion of the call. Other members of management will also be available to answer your questions on today's call.

Turning to slide 2, I draw your attention to the cautionary language regarding these forward-looking statements and non-IFRS financial measures, which form part of today's remarks. As noted in the slides, forward-looking statements may be rendered inaccurate by subsequent events.

And with that, I'll now turn things over to Dean.

Dean A. Connor, President, Chief Executive Officer & Director, Sun Life Financial, Inc.

Thanks, Leigh, and good morning, everyone. As communities around the world continue to grapple with the health and economic impacts of COVID-19, our thoughts go out to the many people whose lives continue to be affected. In the midst of that, Sun Life is continuing to help our clients, employees, advisers and communities navigate their way through these times and that sense of shared purpose is stronger than ever. This quarter we've also had many important conversations across Sun Life about underrepresented communities including Blacks, Indigenous and people of color. We know that building diverse teams, creating an inclusive environment free of racial discrimination and providing a sense of belonging are all keys to our success. And we have committed to an action plan. It will take time, but I have high confidence in the ability of people at Sun Life to make this happen.

Turning to slide 4. During this past quarter, we continued on our relentless journey of putting clients at the centre of everything we do. In Asia, we further advanced our digital capabilities, rolling out new virtual sales experiences in Hong Kong, Indonesia, India and the Philippines. Clients don't have to leave their homes in order to connect with their Sun Life advisor. Instead they can transact safely from application submission to digital signing without using paper or meeting face-to-face.

At this year's Asia Trusted Life Agents and Advisors Awards, I'm really pleased to report that we won three awards, all won by our team in Hong Kong including Insurance Company of the Year. During the quarter, we received an insurance license from the Monetary Authority of Singapore, which will enable us to provide life insurance solutions to help high net worth clients grow, protect and transfer their wealth to the next generation. This now expands our presence to eight markets in Asia and we expect to begin our Singapore operations early next year.

In the second quarter, 85% of individual life insurance applications in Canada were processed without the need for lab tests, supported by the introduction of accelerated underwriting last fall and special accommodations for COVID-19. We also launched the Sun eApp, which helps clients and their third party advisors through the process of applying for life and critical illness insurance digitally, a faster process with clients receiving a decision in as little as 24 hours.

In Q1, using our Lumino Health platform we rolled out virtual healthcare from Dialogue, Canada's leading telemedicine provider to Sun Life group plan members across Canada. And then last week we announced a strategic partnership and CAD 33 million equity investment in Dialogue. It's one more example of innovation in a rapidly changing healthcare landscape that supports our purpose of helping clients live healthier lives.

Our Group Retirement Services business in Canada invests over CAD 100 billion of assets in retirement savings for 1.4 million Canadians who are members of a workplace pension or savings plan. And in the quarter, we launched a new ESG framework that helps those clients identify the investment firms that are ESG leaders in every major asset category offered on our platform. We know that a strong focus on ESG by investment managers often means superior investment performance.

In the US, we made it easier to work with us virtually by temporarily waiving the platform fee for employers on our advanced Maxwell Health digital benefits platform. In addition, we launched several new capabilities including enhanced mobile enrollment, text messaging and live chat features and additional integration for employee payroll deductions. We also added other virtual options to enroll members for Sun Life benefits including one-on-one or group enrollment meetings to help ensure they can easily choose their benefits at any time on any device. These investments in digital are making a difference in winning new business, as technology becomes a bigger decision driver for employers and their brokers and advisers. Also in the US, our new disability administration system, Sun-Works, is hitting its stride with 3,500 clients now on the platform with really positive client feedback.

Turning to slide 5, reported net income of CAD 519 million was down 13% from the second quarter of 2019 reflecting lower interest rates and credit spreads with a partial offset from equity market gains in the second quarter. While the economic impact of COVID-19 increased credit charges and we had a higher effective tax rate on underlying earnings in the quarter, underlying net income remained level with prior year at CAD 739 million in part reflecting good underlying business growth as evidenced by the 11% growth in expected profit. We generated an underlying return on equity of 13.4% for the quarter. The LICAT ratio at SLF increased to 146%, a strong level that's well in excess of the supervisory minimum. At Sun Life Assurance, our LICAT ratio ended the quarter at 126%, a decrease from the prior quarter, which was primarily driven by a scenario switch in the LICAT calculation and the subsequent change in market sensitivities for credit spreads. And Kevin will expand on this when he takes us through the results in a minute.

Our strong capital and cash position remain healthy and along with a low leverage ratio of 23.2%, it provides both flexibility and opportunity for capital deployment.

Credit downgrades and impairments amounted to a CAD 58 million charge to earnings for the quarter. Our high quality, well-diversified investment portfolio includes a variety of investment types spread across a broad range of sectors and geographies and we've been actively repositioning the portfolio over the past several years in preparation for an economic downturn. Insurance sales were down 6% from the prior year reflecting lockdowns due to the pandemic, but better than the minus 20% we mentioned on the Q1 call as what we had been seeing in April.

Wealth and Asset Management sales grew 53% over prior year, a very strong result fueled by MFS and SLC Management. We were particularly pleased to see MFS net inflows of USD 5.4 billion including positive flows from US retail products for the sixth consecutive quarter.

VNB, which covers our insurance and wealth businesses ex-Asset Management was down 12% on lower sales volumes offset partly by better mix. We also completed the acquisition of a majority stake in InfraRed Capital Partners on July 1. As a leader in global infrastructure investing, including renewable energy, InfraRed will broaden SLC Management's suite of alternative investment solutions, while also creating the opportunity for InfraRed to access North American investors through our distribution networks. This brings SLC Management's assets under management at June 30 to over CAD 100 billion on a pro forma basis.

COVID-19 has created much economic uncertainty, but we remain confident in our business mix, our financial strength and our ability to execute well through these complex times. Our digital investments have served us well in the early stages of the pandemic making it easy for clients and advisors to virtually access advice and solutions. Over the coming quarters we will accelerate our digital investments to drive even greater ease of doing business for clients and to build on our business momentum.

And with that, I'll now turn the call over to Kevin Strain, who will take us through the results.

Kevin D. Strain, Chief Financial Officer & Executive Vice President, Sun Life Financial, Inc.

Thanks, Dean, and good morning, everyone. Turning to slide 7, our reported net income for the quarter was CAD 519 million, down 13% when compared to the same period a year ago. The drop in reported income was primarily from unfavourable market related impacts resulting from COVID-19, specifically lower interest rates, narrowing credit spreads and changes in the fair value of investment properties partially offset by equity market impacts as markets rebounded from the lows we saw in the first quarter.

Positive equity market impacts also included basis risk, primarily on our Canadian segregated funds, which was negative this quarter, and the impact of lower valuations on private equities. Underlying net income of CAD 739 million and earnings per share of CAD 1.26 remained level with Q2 2019. Our underlying results this quarter, versus prior year, were driven by strong growth in expected profit, investing activity gains, favourable morbidity experience and higher net investment returns on surplus, offset by unfavourable tax impacts on adjustments relating to the prior year's Canadian tax filings of approximately CAD 50 million and lower tax exempt investment income, unfavourable credit experience of CAD 58 million in the quarter primarily driven by downgrades and unfavourable expense experience from lower expense recoveries in our Canadian Group Benefits administration business.

Our underlying return on equity for the quarter was 13.4%, within our medium term objective of 12% to 14%. Assets under management grew by nearly CAD 100 billion in the quarter to over CAD 1.1 trillion, driven by the strong recovery in equity markets and the overall net inflows, partially offset by foreign exchange impacts. Book value per share of CAD 37.56 increased by 4% over the prior year reflecting reported net income and foreign exchange gains in other comprehensive income over the last 12 months. Our capital position remains strong at 146% LICAT at SLF and 126% LICAT at SLA. Our strong capital position gives us flexibility for investments in organic and M&A growth as well as protecting us against economic volatility. Reduction in the SLA LICAT ratio from the prior quarter reflects the impact of a scenario switch in the LICAT calculation.

As we switched scenarios in Q2, we saw approximately a 1 percentage point reduction from the shifting coming through this quarter with a further 3 percentage points that come through over the next five quarters assuming we remain on the new scenario. In addition, under the new interest scenario, narrowing of credit spreads now result in a lower LICAT ratio and this amounted to a 2 percentage point reduction in the SLA LICAT ratio in the quarter. SLF's LICAT ratio experienced similar impacts, but increased quarter-over-quarter to 146% due to the CAD 1 billion subordinated debt offering in May, which added 5 percentage points to the SLF LICAT ratio. Our cash at SLF remains strong at CAD 3.5 billion, and our financial leverage at 23.2% remains below our target of 25% at the end of Q2, both reflecting the CAD 1 billion debt offering in May.

Since quarter end, we completed the acquisition of InfraRed, which reduced our cash position by approximately CAD 510 million and our SLF LICAT ratio by 2.5%. Subject to regulatory approval, we also anticipate redeeming CAD 500 million of subordinated debt callable in September, which will further reduce our cash balance and our SLF LICAT ratio by a further 2.5% and reduce our financial leverage ratio by 1.3%. Pro forma these two transactions, the SLF LICAT ratio would be 141% and leverage would be 21.9%. The SLA LICAT ratio will not be affected as these transactions are funded solely from SLF. No buybacks were completed during the quarter following OSFI's request in March that all federally regulated financial institutions in Canada halt share buybacks and dividend increases. As a result, our normal course issuer bid will expire on August 13 and we will wait until OSFI's halt is lifted before revisiting our share buyback program.

Slide 8 shows business group performance on a reported and underlying net income basis. In Canada, reported net income was down 21% driven by unfavourable market related impacts, primarily reflecting lower interest rates and corporate spreads, partially offset by equity market growth. On an underlying basis, Canada delivered underlying net income that was 16% higher than

the same period in 2019 driven by higher investing activity and strong growth in expected profit, partially offset by credit experience and unfavourable results in Group Benefits.

The unfavourable results in Group Benefits reflected continued long-term disability experience as a result of rising mental health claims and lower transaction fees in our group administration services business from lower dental and extended healthcare claims. This was partially offset by the favourable impact of lower dental and paramedical claims in our fully insured block of business.

Reported net income in the US increased by 23% in US dollars against the same period last year reflecting improved market related impacts and lower integration costs following the completion of the integration relating to the Assurant acquisition at the end of last year. US underlying net income increased by 11% in US dollars driven by business growth, a gain from the conclusion of a legal matter and a favourable morbidity experience in Group Benefits, partially offset by unfavourable mortality and credit experience.

In our Asset Management businesses, we saw reported earnings that were slightly lower than the prior year driven by unfavourable fair value adjustments on MFS share-based payment awards and costs related to accretion of the put liability on the acquisition of BentallGreenOak. On an underlying basis, Asset Management earnings increased by 6% driven by an increase in performance fees at SLC and the contribution from BGO, partially offset by higher sales expenses in MFS.

Asia's reported net income was CAD 8 million lower year-over-year primarily due to the impact of narrowing credit spreads in the quarter. Underlying net income for Asia decreased by CAD 3 million due to unfavourable credit experience and lower AFS gains, largely offset by a gain from a mortgage investment prepayment and favourable morbidity experience.

Our Corporate segment, which includes the UK runoff business, was down CAD 62 million in underlying net income compared to Q2 2019. The decline was primarily due to an unfavourable adjustment relating to the prior year's Canadian tax filings and lower tax exempt investment income in Canada, partially offset by higher net investment returns on surplus of CAD 23 million, predominantly from seed investment gains, where we recovered our losses from the prior quarter related to credit spreads. In the UK, we had unfavourable credit experience offset by higher investing activity and favourable mortality experience in the annuity business.

Slide 9 provides an overview of our sources of earnings. Despite the challenging environment, expected profit increased 11% compared to Q2 2019 driven by widespread growth. Asia grew modestly, Canada grew 12%, the US grew 23% and our Asset Management businesses grew 10%, driven by SLC Management's acquisition of BentallGreenOak. New business strain of negative CAD 5 million in the quarter was in line with the same period a year ago and was mostly impacted by lower sales as a result of COVID-19, offset by strong sales in International Hubs in Asia and repricing of Individual Insurance products in Canada.

Experience losses of CAD 403 million pre-tax were largely driven by unfavourable market related impacts of CAD 432 million pre-tax, primarily relating to the impact of falling interest rates, in particular at the longer end of the yield curve in Canada, the narrowing of credit spreads and impact of appraised values for investment properties, partially offset by the rise in equity markets during Q2. Other experience items, which we have called other notable items, impacted both reported and underlying earnings and were CAD 29 million pre-tax as strong investing activity results offset credit experience. Credit experience was negative CAD 72 million pre-tax, reflecting the impact of downgrades and impairments in our fixed income portfolio.

In addition to our quarterly loan review process, we increased our focus on areas where we saw potential for higher levels of rating migrations, given the impact of the pandemic and the current economic environment. This included those sectors that we highlighted in our MD&A this quarter. We had a small impact from assumption changes and management actions during the quarter of

CAD 3 million. Other of negative CAD 52 million in our sources of earnings includes acquisition and integration costs relating to acquisitions in SLC Management and fair value adjustments on share-based payment awards at MFS.

Earnings on surplus increased year-over-year, primarily driven by gains on seed investments as a result of narrowing credit spreads and higher AFS gains, offset by market losses on real estate investments. Our effective tax rate on a reported basis was 8.6%, reflecting tax exempt investment income within market related impacts, which was partially offset by an unfavourable adjustment relating to the prior year's Canadian tax filings. The latter adjustment also impacted our effective tax rate on an underlying basis which was 26.1%, above our expected range of 15% to 20%.

Slide 10 shows sales results by business group for the quarter. While COVID-19 had an impact across many of our businesses, we saw resilience in a number of channels as we pivoted to digital tools and solutions to meet client needs.

In the US, insurance sales in the second quarter of 2020 were in line with the same period in 2019 on a constant currency basis, reflecting strong performance across all businesses in a challenging environment.

In Asia, insurance sales were also in line year-over-year on a constant currency basis, despite many of the countries in which we operate remaining in lockdown for most of the quarter.

We had strong performance in our high net worth businesses, in International Hubs, as well as higher sales in China and Vietnam. This was mostly offset by lower sales in those markets that experienced more severe lockdowns like the Philippines, Malaysia, Indonesia, and India.

In Canada, fewer group clients coming to market along with lower individual insurance sales, primarily in the third party high net worth channel, reduce sales by 22% year-over-year. Wealth sales increased by CAD 19.7 billion or 53% over the prior year. While Canada saw sales decrease by 20% due to lower sales in Group Retirement Services and Individual Wealth, this was more than offset by a 36% increase in Asia wealth sales and a 56% increase in Asset Management sales, both on a constant currency basis.

Asia wealth sales were driven by fixed income sales in India and money market sales in the Philippines while Asset Management sales were driven by higher mutual fund and managed fund sales in MFS and higher sales in SLC Management. MFS saw positive flows of US 5.4 billion this quarter, driven by retail, making Q2 the sixth successive quarter of positive retail flows. Institutional flows were slightly negative, driven by client rebalancing. Value of new business was CAD 206 million in Q2, a decrease of 12% year-over-year largely driven by lower sales in Canada and Asia due to the impact of COVID-19, partially offset by favourable product mix in Canada Individual Insurance and International Hubs.

Moving to slide 11, operating expenses for the first half of the year increased 3% on a constant currency basis over the same period last year. Controllable expenses are up a modest 2% reflecting savings from lower discretionary spend like travel and conference-related costs due to COVID-19, partially offset by continued investment in digital initiatives across the company.

As we continue to work through the impact of COVID-19, we want to give you a view into what July looks like for sales, claims and other items impacted by the pandemic. In the month of July, sales across our products and businesses were mixed with total individual insurance sales at approximately 95% of the levels in July of 2019 and wealth sales at 110% of July 2019 levels. For group benefits, July premium volumes and business in-force were relatively unchanged from the end of the second quarter.

In July, our mortality and morbidity claims experience from COVID-19 has been small, amounting to less than 5% of our monthly average for mortality and disability claims paid. With Canada and the US gradually reopening businesses and services, health and dental benefit claims have increased compared to the monthly average of the second quarter; however, we're still below historical levels.

For our borrowers and real estate tenants, we have granted interest, principal and rent payment deferrals on a case-by-case basis, with the majority of the deferrals being up to three months. During the second quarter, we collected 99% of our expected investment related cash inflows. Outstanding deferrals as at the end of July were just less than CAD 40 million with additional requests currently under assessment.

To conclude, COVID-19 and associated economic conditions continue to present challenges, but we remain well positioned with strong capital and liquidity supported by a low financial leverage ratio, strong LICAT ratios and excess cash of CAD 2.5 billion after taking into account the InfraRed acquisition and our anticipated debt redemption in September.

Our strong risk management, strong balance sheet, diversified and de-risked business mix and innovative digital solutions and capabilities that support our clients and advisors all contribute to our strong positioning in continuing to manage through these turbulent times.

With that, I'll turn the call back to Leigh for the Q&A portion of the call.

Leigh Chalmers, Senior Vice President, Head-Investor Relations & Capital Management, Sun Life Financial, Inc.

Thank you, Kevin. To help ensure that all of our participants have an opportunity to ask questions on today's call, I ask that each of you please limit yourself to one or two questions and then to re-queue with any additional questions. With that, I'll now ask Deketria to please poll the participants for questions.

QUESTION AND ANSWER SECTION

Operator: Thank you. Your first question comes from Gabriel Dechaine with National Bank Financial.

<Q – Gabe Dechaine – National Bank Financial, Inc.>: Hi, good morning. My first question is for Jacques and Dan I guess. The group business, we spend a lot of time talking about claims. I want to get a sense for the revenue or premium outlook over the next 12, 24 – maybe 12 months that you have for the business considering the trend in unemployment and maybe even business decisions like some employers may choose to cut coverage to offset the premium increases you're probably going to be putting through.

<A – Jacques Goulet – Sun Life Financial, Inc.>: Kevin, should I go first?

<A – Kevin Strain – Sun Life Financial, Inc.>: Yeah Jacques, why don't we start with you and then move to Dan.

<A – Jacques Goulet – Sun Life Financial, Inc.>: Yeah Gabriel. Good morning. Thank you for your question. You point to a bunch of good factors there. Employment levels is something we've been watching. Interestingly, I have to say, Gabriel, we haven't seen much of an impact so far. There have been layoffs and in many cases temporary so benefit coverage has not necessarily stopped. The other issue is looking at the segmentation of clients. As you know in our Canadian business we would have a larger proportion of large national accounts. I think there's been more stability in that part of the economy. Some sectors of the economy of course also have an impact.

We also have what I would describe as mitigating factors where, as you know in our group businesses, when people terminate, they can roll over into individual products. So that sort of plays a bit of an offsetting impact. So at a macro level all the things you say are things that we also think about and are watching. We haven't really seen that much of an impact. Of course, the trajectory of the disease and the impact on the economy going forward is going to have to be watched carefully but as I said, so far not that much of an impact.

<A – Dan Fishbein – Sun Life Financial, Inc.>: And this is Dan Fishbein. Let me add on for the US. To-date, like Jacques is describing, we have not seen much impact. Premiums revenues have stayed fairly close to where we would have expected them to be. We have been watching that very closely. We did give extended grace periods during the second quarter. Those have now largely ended and we have seen clients make the payments for anything that was deferred under those grace periods. So our premium receipts are right about where they would have been without the pandemic.

We think what's happening to some degree is that the CARES Act in the US, the government support, has been very effective. And combine that with the fact that it's clear that our clients value these benefits and want to keep providing them to people. Even those who have furloughed workers have continued paying for benefits during those furlough periods. And certainly the government supports have been very helpful in that regard.

We're obviously watching very carefully what's going on in Washington right now with potential extension of those kinds of supports. That will certainly be important to us. But with that said, as we get into more structural layoffs versus furloughs, we have to keep watching that because that could create a different dynamic in the coming months.

And a final comment I'll make, like Jacques, our mix is somewhat favourable. We've measured that and evaluated that very carefully and the industries we serve are somewhat more resilient in this economy than the economy as a whole.

<Q – Gabe Dechaine – National Bank Financial, Inc.>: Thanks for both responses. And my next question is a bit more morbid but a core one to the life insurance business and mortality. I guess there's a few mortality, or some negative mortality experience this quarter. I get where that's coming from. I'm more curious though about your longer term outlook. And maybe, Kevin, for you, there's some direct impact from COVID and indirect. Economic downturns lead to health issues and mortality rates moving higher. And if it lasts a long time then that could be a secular trend. Just wondering how you think your business is positioned for potentially higher mortality rates over the next few years. You are long, or short mortality I should say, but then the individual product mix and the insured population also plays a role here.

<A – Kevin Strain – Sun Life Financial, Inc.>: Gabe, I'm going to suggest that Kevin Morrissey start with some of the answer to this question and then we can pass it to the business group presidents if there's additional color to add because it is different by...

<Q – Gabe Dechaine – National Bank Financial, Inc.>: Okay.

<A – Kevin Strain – Sun Life Financial, Inc.>: As you note it's a little bit different by country and by market.

<A – Kevin Morrissey – Sun Life Financial, Inc.>: Yes, Gabriel. It's Kevin Morrissey. Thanks for that question. I think when we're thinking about the impacts of mortality, it's important for Sun Life to step back and look at the different types of diversification and risk mitigation that we had. So, so far what we've experienced as a result of COVID-19, we've seen significant product diversification. As you're aware, we have both life insurance and annuity products. And so we are seeing some of that offsetting of risks. We're also benefiting so far from geographic diversification. So to-date the pandemic has been more severe in the US, in the UK and less severe in Canada and the Asian countries where we operate. We're also seeing significant risk mitigation for the impact on the insured population versus the general population. And so across those three dimensions we're seeing some significant risk mitigation.

Also I would highlight we have significant use of reinsurance across a number of our blocks. So when we're looking across all of our businesses, we have the experience to-date. We have had some significant diversification and that has helped us so far in what we've seen in our experience.

Longer term, I guess it's tough to say about the trajectory of what it will do for mortality. I think we're still very early days in the pandemic and I think it's tough to draw conclusions around longer term where this will go. So I think that at this point I'll probably reserve opinion. We are closely monitoring it, both our experience and industry experience, and we'll have to – I think time will tell longer term, but at this stage, a little early to make conclusions.

<Q – Gabe Dechaine – National Bank Financial, Inc.>: Okay.

<A – Dean Connor – Sun Life Financial, Inc.>: Gabe, it's Dean, and that was a great answer Kevin. I don't think we need to go by geography. The only thing I would add to it is a significant part of our mortality exposure is in our group businesses in Canada and the United States where we have the ability to reprice, as you know. So to the extent that trends over the longer period turn negative on mortality, we can catch that up in relatively quick order through pricing.

<Q – Gabe Dechaine – National Bank Financial, Inc.>: Thanks. Thanks for that.

Operator: And your next question comes from the line of Steve Theriault with Eight Capital.

<Q – Steve Theriault – Eight Capital>: Thanks very much. If I could start with a question on Asia, likely for Léo. Léo, on the sales front, Hong Kong is coming through the pandemic very well in terms of top line and sales but more volatility in the local markets. Kevin gave a view from the top of

the house and things are changing pretty swiftly in terms of additional waves. But to the extent possible, can you give us a bit of an update on what you're seeing sort of early Q3? And maybe help us, if you could point to geographies where your outlook's getting better or worse, that would be helpful in terms of how we think in the second half of the year.

<A – Léo Grépin – Sun Life Financial, Inc.>: Okay. And good morning, Steve. Thank you for the question. So if you look at our sales in Q2, maybe I'll start with momentum. If you recall, our Q1 analyst call we shared sales for the month of April at 80% of prior year. We ended up the quarter basically flat to prior year. So that tells you a little bit about the momentum through the quarter, which we feel quite good about. Now as you mentioned, the trends are a little bit different market-to-market. So you talked about International Hub, that's our international business in Hong Kong, being quite strong in Q2. We also had strong results in China and in Vietnam whereas markets like Indonesia, Philippines, Malaysia where we're quite a bit weaker, I think you can link that quite directly to what's happening in terms of COVID-19 measures in these different markets. The Southeast Asian countries had much more severe levels of COVID-19 cases, and therefore much more severe social distancing measures throughout the quarter.

Now despite all of that, I talked about the momentum across the region. You can assign that in part to some of the relaxation of social distancing in Southeast Asia, but also to a lot of the capabilities that we deployed to all of our markets in Q2 where we equipped our advisors with a number of new digital capabilities to allow them to interact with their clients non face-to-face. And to give you a bit of a sense of what that means, for example, if you take the Philippines, in the month of June, 75% of our applications were submitted via digital remote capabilities. We've also seen quite a bit of new, creative and productive activities being rolled out across the region. So for example, one of the ways our advisors operate is that they create client seminars and we typically bring 100 clients together in a conference room and have an educational seminar. In the middle of the crisis, we moved all of that to webinars online and we're having attendance of several thousand clients joining these digital venues. So all of that is fueling good momentum, which is offsetting some of the headwinds related to social distancing measures.

So we see that momentum across the region. And then of course at the same time, we do see quite a bit of uncertainty into Q3. As you would have seen, Vietnam and Hong Kong have had a resurgence of COVID-19 cases. Hong Kong is going through its toughest wave of social distancing measures so far in the last six months. And so that's definitely a headwind. The Philippines announced a new set of social distancing and quarantine measures earlier this week. So that's also going to obviously be a headwind, but we're cautiously optimistic in terms of the momentum of our business, all of these headwinds notwithstanding.

<Q – Steve Theriault – Eight Capital>: Can you give a sense – last quarter you mentioned how April is 80% of prior year. Can you roll that up into something in terms of July?

<A – Kevin Strain – Sun Life Financial, Inc.>: So it's Kevin, Steve. We gave the disclosure for total company at 95%, but we weren't going to break it out by business group. You can imagine that it's – that's pretty current information. We just ended July a few days ago and so we're trying to keep that at the total company level, but maybe Léo can talk a little bit more kind of trends in the quarter, which I think he's sort of addressed by the nature of what's happening.

<A – Léo Grépin – Sun Life Financial, Inc.>: Yeah. I think what you described at a global level, Kevin, is quite in line in terms of momentum April versus July. The trends would be similar in the context of Asia.

<Q – Steve Theriault – Eight Capital>: Okay. Thanks for that. And just if I could – second question going to MFS and thanks, Léo. I want to ask about the institutional business. You had been running at CAD 5 million (sic) [CAD 5 billion] or CAD 6 million (sic) [CAD 6 billion] of quarterly gross sales for a stretch of time there, but the last couple of quarters that's jumped to the CAD 10

billion range through a difficult Q1 and what was a better Q2. So Mike, are you seeing indications that you're turning the corner after a more challenging period for the institutional side? And maybe a bit of color on what's resonating with the institutional client base. Is it as simple as performance or is there some better uptake in some of the initiatives you've been working on for the last year or two?

<A – Mike Roberge – Sun Life Financial Inc.>: Yeah. Good morning, Steve. This is Mike. Yeah, I would just say the work that we've been doing to continue to broaden the opportunity set around the world by client. What's interesting I think with MFS relative probably to what you're seeing broadly in the active marketplace is, much of what we've been distributing institutionally has been equities. And so we are winning in the equity platform. And I would also say from a product perspective is we did see several years of redemptions in the institutional channel. There have been some strategies that were capacity constrained that we've reopened and we've seen some interest in those as well. And so I think there are a number of things that we're doing in terms of prospecting, engaging with clients, cross-selling to existing clients. And I do believe the investment platform and the consistency of the performance and risk management has resonated around the world and we're seeing a lot of interest in a variety of products across the platform.

<Q – Steve Theriault – Eight Capital>: Okay. Thanks for that color. I'll leave it there.

Operator: Your next question comes from the line of David Motemaden with Evercore.

<Q – Dave Motemaden – Evercore ISI>: Thanks. Good morning. Just a question for Léo, and specifically in the International Hubs sales. That was a very strong result. Maybe you can give some color in terms of what was driving that and what region specifically was driving that, because my understanding was it was a lot of Hong Kong driving the international high net worth sales. And I would think that those require more of a face-to-face meeting to close. So just wondering if I could get a bit more color on what was driving that during the quarter.

<A – Léo Grépin – Sun Life Financial, Inc.>: Yeah, thanks. Thanks for the question, David. In terms of International Hubs sales, there's really two factors that I would point you to. The first one is our strategic focus on the high net worth segments over the past few years. And then the second one is more of a technical aspect of the sales cycle of the high net worth products. Right. So on the first point of strategic focus, we've made high net worth one of our key strategic priorities in Asia over the past few years. As you will remember, we brought International into the Asia business group in 2018, given its natural alignment with the Asian markets. Then we launched our high net worth business in Hong Kong onshore in 2018 as well. And then more recently in Q1 of 2020, we brought these operations together under one roof as International Hubs. And through that process, we've really strengthened our product suites. We've enhanced our technology capabilities to support our brokers and distribution partners and we deepened our relationships with banks and international brokers significantly. And so one of the things you're seeing in the momentum of these sales is those efforts paying off.

And then the second thing that you're seeing that's a little bit staggered to maybe other markets given COVID-19 is that it can take 6 to 12 months for a sales cycle of a high net worth sale. And so some of the high net worth sales we saw in Q1 and Q2 of this year are really from our pipeline generated in 2019 and so we're really benefiting right now from the momentum we generated in 2019.

<Q – Dave Motemaden – Evercore ISI>: Got it. Thanks. If I could just follow up, is there a lot of mainland Chinese visitors in that high net worth business in Hong Kong? Is that a big component of the sales?

<A – Léo Grépin – Sun Life Financial, Inc.>: No it's a very small part of the sales at the current time. And it's always been a small part of our business in general.

<Q – Dave Motemaden – Evercore ISI>: Okay. Okay.

<A – Léo Grépin – Sun Life Financial, Inc.>: So it's Hong Kong. It's Hong Kong and it's the rest of Asia really.

<Q – Dave Motemaden – Evercore ISI>: Got it. Okay. Thanks. And then just a bigger, bigger, bigger picture question for Dean. Just wanted to get your insight into what happened in Hong Kong with the Security Act and how that impacts how you're thinking about growth in the country and potential M&A there.

<A – Dean Connor – Sun Life Financial, Inc.>: Yeah. Thanks, David. The National Security Law is clearly a – it's an important development that we've been studying and comparing notes with other financial institutions in the region. I think it's too soon to say what impact. We understand the background, the rationale and the different points of view on it. I think for our business, for the industry it's too soon to say. For the time being, it feels like business as usual in the sense that businesses, the access to capital, the access to courts, the access to talent, all of those things that cause us to want to, for the last 125 years want to be in Hong Kong, all of those continue. And I think the question that we'll watch closely and I know others are watching closely is to what extent will that change. For the time being, we continue to see access to strong talent. We've got a great team in Hong Kong, both in our local business and in the regional office. And we think that will continue for some time. But in some ways I think it's too soon to say whether or not it will have a significant impact on business.

<Q – Dave Motemaden – Evercore ISI>: Great. Thank you.

Operator: Your next question comes from the line of Meny Grauman with Scotiabank.

<Q – Meny Grauman – Scotia Capital, Inc.>: Hi, good morning. Just a question on M&A. I'm wondering if COVID has changed how you view M&A right now just in terms of the potential to be more opportunistic if you're seeing anything. And then specifically – I know you mentioned the investment in Dialogue. That was very small. But I'm wondering larger, in larger terms, your perspective on tech investments and potential to deploy in large tech investments. Has your appetite for that changed and do you see any platforms out there or companies that would potentially make sense?

<A – Dean Connor – Sun Life Financial, Inc.>: Yeah, thanks, Meny. It's Dean. So we continue to be in the mix in discussions on M&A. As Kevin noted and as I've noted and as we've talked about before, we have a balance sheet and a cash and capital position, leverage position that I think puts us in a good place in terms of considering M&A opportunities. We don't have to do M&A. We have good organic growth opportunities as you see coming through these quarterly earnings results. As we look at opportunities, one of the additional lenses that we will apply given we're in the middle of a pretty significant event with COVID and the economic impact is we will apply an additional stress scenario. So if we end up with a severe stress scenario as one of our tail events coming out of this, we want to make sure our capital position remains strong. So that's just an additional lens that we would apply to anything that we look at.

Specific to tech investments, you've seen us make some investments in tech businesses like Maxwell Health, now Dialogue, that provide additional capability that we can integrate to the benefit of our clients – for the benefit of our clients. And we're seeing that with Maxwell Health in the US. It is making a difference in winning business and getting more lines of coverage in place when we take employees through, an employer through a Maxwell Health enrollment process. And similarly, it's quite remarkable, Jacques and his team in Canada have signed up – there's over 0.5 million Canadians who now have access to Dialogue virtual healthcare coverage just in the last quarter because we pushed it out and we made it available and made it easy to connect with. And so I

think – and that is exactly in line with our purpose and our strategy and it kind of fits with the Lumino digital health platform that we've been building. So I think for tech investments, the first filter that we look at is, does it help accelerate our core business, does it help deliver on the purpose of the company? And I think you'd say in the case of Dialogue and the case of Maxwell, it ticks those boxes. So I'll stop there.

<Q – Meny Grauman – Scotia Capital, Inc.>: Thank you.

Operator: Your next question comes from the line of Doug Young with Desjardins Capital Market.

<Q – Doug Young – Desjardins Capital Markets>: Good morning. I guess this is probably for Kevin. I think, Kevin Morrissey, I think you've had negative mortality experience in the US closed block, I think even if you exclude COVID. You can tell me if I'm wrong. Just your thoughts on the trends there, and do you need to make adjustments to your assumptions? And I think that's something that you're studying as part of your Q3 assumption review. Any early insights into that potential impact from that review?

<A – Kevin Morrissey – Sun Life Financial, Inc.>: Thanks for the question, Doug. This is Kevin Morrissey. Yes, you've noted correctly that the US mortality experience, it was negative in the quarter in the US in-force block of life insurance business, and it has had a bit of a negative trend over several consecutive quarters. So as we're looking to the update in Q3 in terms of assumption, I think that's one of the areas where we're seeing some potential stress in terms of strengthening. So I think you're right directionally. And when I look, kind of maybe pull the lens back more broadly on the Q3 ACMA, we're still quite early days and we are seeing some significant positive items as well as significant negative items. And so it is too early to tell now about the Q3 results in total. If we knew about a large net positive or net negatives we would disclose it, but we're not at that point yet to be able to have a clear view on the overall net impact.

<Q – Doug Young – Desjardins Capital Markets>: And can you outline what some of the positives would be? Like so mortality in the US is a negative. What would be some of the positive items that you'd be thinking about?

<A – Dean Connor – Sun Life Financial, Inc.>: Doug, it's Dean. I think it's too early to talk about Q3 ACMA. So think I'll let Kevin off the hook on that one. I – we'll have a full discourse for that as part of our Q3 earnings.

<Q – Doug Young – Desjardins Capital Markets>: Fair point. And then maybe to yourself, Dean, Sun Life Investment Management had CAD 30 million of earnings, CAD 12 million in Q1. When I look back at the 2016 Investor Day, it looks like you've hit the targets on AUM, looks like you've hit your EPS targets roughly speaking. At least you're in trajectory to do so. So what's next for this business? It's been an area, I know, when we think of M&A and a lot of people think of M&A, we think Asia, we think US grew. But also I think this has been an area that's in technology, but this has been an area you've been active. What's next for this business?

<A – Dean Connor – Sun Life Financial, Inc.>: Doug, it's Dean. Thank you for the question. And I'm going to ask Steve Peacher who's President of SLC to comment on that. But I would – before Steve speaks, I would just say that we're very pleased with the progress here. You're right to point out that we've gone from CAD 0 to CAD 100 billion of AUM in a relatively short period of time. And we're starting to see some meaningful net income come from the business. Now, we've allocated a lot of capital here. So we need to see that income grow to generate the kind of ROEs that we expect on that allocation of capital over the fullness of time.

So with that, I'll turn that over to Steve to give you a little more color on how we think about the future.

<A – Steve Peacher – Sun Life Financial, Inc.>: Yeah. Thanks, Dean, and thanks, Doug, for the question. Yeah, I think that I'm really pleased with, as you point out today, with the acquisitions and the organic initiatives we've had. We've built a pretty broad platform today across real estate and fixed income and private credit and now infrastructure with InfraRed. And I think in terms of the future, our – what the opportunity that's in front of us is to start to connect dots across that platform. And one of the things that I've been really pleased about in this, during this pandemic is a, how much new business we're winning, but also the breadth of that business.

So if you look at the last few months, we've won mandates in fixed income, in private credit, in value add real estate in Europe and Asia. We had our first closing on the US core plus real estate fund. And so the breadth is starting to come through. And also, when you look under the covers, we're winning business that no one entity could have won on their own, but we're winning because we're connecting dots across the organization. And I think that's going to be key going forward.

I think in terms of future M&A, one of the things I've said in the past is the one big area that if we could wave a magic wand we'd love to add would be that below investment grade private credit space. And maybe that will – we will be able to slot that in. But even without that I think we've – I'm really pleased with the breadth and depth of the platform we have today.

<Q – Doug Young – Desjardins Capital Markets>: Great. Thank you very much.

Operator: Your next question comes from the line of Paul Holden with CIBC.

<Q – Paul Holden – CIBC World Markets, Inc.>: Thank you. Good morning. So I have a couple more questions on SLC Asset Management. Because of the investments you've made in the last few years, my understanding is the large proportion of the AUM would be in real estate investments. So first maybe you can provide us some context in terms of what proportion of AUM would be real estate. And then second part of that question, probably the more important one is, how are you thinking about risks in the real estate market today as it pertains to both SLC and I guess on balance sheet direct investments as well, and maybe the potential for AUM outflows out of that product category?

<A – Steve Peacher – Sun Life Financial, Inc.>: Yeah. Hi. It's Steve Peacher. I'll take the first part of that and as it relates to real estate on the balance sheet, Randy Brown may want to also comment. In terms of our AUM related to real estate, I would say today, and I don't have the exact number in front of me, but it's probably about a third of SLC's AUM when you think of direct real estate. Now we also have commercial mortgages, which is real estate related, but of course has more fixed income characteristics given the senior nature of the loans that we make against real estate.

In a quarter obviously you're – some of the dynamics you're seeing across the real estate markets on average I think if you look at our third party portfolios and our balance sheet, we probably on average saw values down 2% to 3%. But when you look under the covers, there's a lot there. Obviously retail assets would be down significantly more; office assets would depend significantly based on location. Many industrial assets were actually up in valuation because of the increased demand given the online economy that's emerged in this crisis.

I think you're seeing cap rates actually start to come down because risk-free rates have come down so much. Risk premiums are widening, but you're seeing cap rates come down. So you're seeing a lot of cross currents in terms of the drivers of real estate values. I think – and we are seeing in some of our funds some redemption activity as people think about reallocations. But I think maybe more than that, actually, we're seeing interest in allocating to the sector with the idea that there'll be values in the market going forward.

As I mentioned in response to the last question, we had our first close for a new US core plus fund that BentallGreenOak is running in the past quarter and we've continued to raise significant money in Europe and Asia for our real estate funds there. So I actually think we're seeing investors interested in values that may develop as a result of the current market environment.

<A – Randy Brown – Sun Life Financial, Inc.>: Yeah, and Paul, this is Randy Brown. So with respect to the balance sheet, as you saw, we had a modest write-down in the portfolio for the quarter largely driven by retail down, a couple of idiosyncratic markdowns in office, but broadly office did fine, but an uptick in industrial as Steve said in terms of value. As I think about real estate going forward, I actually think there's quite an opportunity there with interest rates, 10-year interest rates at 54 basis points, long rates in Canada even lower. I think that the return opportunity away from fixed income broadly will become even more attractive than it has been in the past. So I think that the jury – there's a lot of talk on real estate and real estate valuations and the future of office and those types of discussions. But I'm actually quite optimistic. You may get a minor divot here as you looking in prices as we look forward. But if you look as a long-term investor as we are, I think it's a great opportunity and aligns quite nicely with what Steve was talking about with the growth of SLC.

<Q – Paul Holden – CIBC World Markets, Inc.>: Great. Appreciate the color, and I'll leave it there.

Operator: Your next question comes from the line of Tom MacKinnon with BMO Capital.

<Q – Tom MacKinnon – BMO Capital Markets Corp. (Canada)>: Yeah. Thanks very much. Morning. The expected profit – my first question is about expected profit growth. Kevin, you said it looks to be up nicely in both US employee benefits and in Canada. And you said the driver of it was widespread growth. Maybe you can give us a little bit more color, because it seems to be – in the second quarter, expected profit seems to be up nicely year-over-year and running higher than the kind of quarterly run rates we saw in 2019. And to what extent has improving operational leverage helped these numbers as well? And then I have a follow-up.

<A – Kevin Strain – Sun Life Financial, Inc.>: Okay. Well, thanks, Tom. I'll just start – I'll start off by saying that you heard the numbers in my prepared remarks and you know SLC benefited from the addition of BGO and that explains a big part of the growth. But we continue to see good flows inside of SLC. And Steve just talked about that. I'm going to let Jacques talk about the expected profit growth in Canada and Dan talk about the expected profit growth in the US. And Léo maybe a little bit on – I think Léo's probably covered what you've seen anyway. So I think the two key stories there are Jacques and Dan. So maybe we'll start with Jacques on Canada expected profit and then go to Dan.

<A – Jacques Goulet – Sun Life Financial, Inc.>: Thank you, Kevin. And good morning, Tom. So yeah, 12% growth in expected profit Q2 2020 over Q2 2019. And we're pleased with that as you can imagine in terms of absolute number, but we're also pleased because we're seeing expected profit growth across all of our businesses. It's not the case of one business has a strong locomotive for the rest here. We're seeing widespread growth. And by the way, I would point out, Tom, it's the sixth quarter in a row in Canada that expected profit is up either 9% or more. What's happening is essentially a couple of things. It's driven by business growth. I would say that's about half of it. The other half is strong expense discipline.

On the business growth side of things we have a lot of focus. We've just talked a few minutes ago about digital investments; I'll give you a quick fact here. Ella, our digital coach in Canada, in the first six months of this year has driven an extra CAD 500 million of deposits from our plan members. So that's obviously good. Our digital assets are helping us win more business. They're helping us grow the business. We've got some of our growth engines we've talked about in Investor Day, whether

it's SLGI, Defined Benefit Solutions, the – what we call the worksite advantage has been our client solution. All of these are really coming on strong and helping to grow expected profit.

The other side of it is the expenses, as I said. We mentioned in 2018 that we made a pretty significant step change in the financial – in the management of our expenses. And you're seeing that come through as well. So the combination of strong expense discipline and strategic investments in very important growth areas is definitely helping here. In a way I would say, Tom, last few years we've put the right building blocks in place to increase the earnings power of the Canadian segment and that's what you're seeing.

<A – Dan Fishbein – Sun Life Financial, Inc.>: And good morning, Tom. It's Dan Fishbein. Just some comments on the US. First a technical comment: our biggest sales month of the year is January 1, especially for our stop-loss business. So those sales show up in new business gains in the first quarter and then they transition over to expected profit in the second quarter. So when we have a big January, you see a big growth in expected profit in the second quarter. But with that said, like Jacques' comments, we are seeing growth in expected profits across all our businesses except, of course, IFM which is actually a negative by definition each month, so the results are even a little better than the total would appear. A lot of that is being driven by growth, volume growth in the stop-loss business. Obviously that business has been – continues to have great growth over the past few years, both in retention of business and in new sales.

We're also seeing good growth in the group business. A lot of that is coming from achieving our target pricing margins. That is starting to make a really big contribution there. And we're also seeing growth in our Fullscope business. So there is growth across the board in addition to that Q1 to Q2 technical issue.

<Q – Tom MacKinnon – BMO Capital Markets Corp. (Canada)>: Great. And then in terms of my follow-up question, the impact of changes in the fair value of investment properties that's shown on slide 13 to be CAD 55 million pre-tax, now, what I believe this to be is it's your commercial real estate investments that are on balance sheet and they back long tail liabilities and changes in the fair value. These have an immediate impact on earnings. And then the number you show on that slide is really the impact here as it relates to your non-par business. First of all, do I have that correct? And then secondly, what is the split of this between par – what was the decline in the quarter in the fair value? I think you had said it was modest, but what was the fair – and how was that decline split between your par block and your non-par block?

<A – Kevin Strain – Sun Life Financial, Inc.>: Kevin Morrissey, do you want to take that question?

<A – Kevin Morrissey – Sun Life Financial, Inc.>: Sure I'll start and maybe, Randy, I'll ask you if you have any further questions. So where you started Tom was at the non-par, and with that, the answer is yes. You were asking about whether that's backing the liabilities and that's yes as well. So it is backing that. As far as the third part of the question, maybe I'll ask Randy if you want to address that one.

<A – Randy Brown – Sun Life Financial, Inc.>: Sure. Yes, I'll take that one. Thank you. And thanks, Tom, for the question. So the change in the real estate valuation, as Kevin said, is backing long-term liabilities. I think really what – the heart of your question really gets to the return, which was – in terms of valuation, we were down approximately a little under 3% in mark-to-market and we had income, income return to offset that. So if you look at it in total return space, we were actually pretty much unchanged. A roughly zero total return because of the income component. But what you see is the change in valuation. And as I said earlier, that valuation was really driven largely by retail down, industrial up and a couple of those idiosyncratic buildings in the US in office.

<Q – Tom MacKinnon – BMO Capital Markets Corp. (Canada)>: So this is a CAD 7.4 billion portfolio, so a 3% decline is over CAD 200 million pre-tax. You show a CAD 55 million pre-tax. Is that because then about three quarters of that block would back par? Is that – do I have that right?

<A – Kevin Morrissey – Sun Life Financial, Inc.>: Tom it's Kevin Morrissey. Yes, if you're thinking about real estate and the liabilities, how that's splitting across par, non-par, we have a proportionally higher amount in the par blocks. And so I think directionally you're on the right page there in that the majority would certainly be in, if you're looking at real estate, majority would be in par and when you're looking at what happened in the quarter the par impact would have been larger. That's right.

<Q – Tom MacKinnon – BMO Capital Markets Corp. (Canada)>: Okay. Thanks for that.

Operator: And your next question comes from the line of Nigel D'Souza with Veritas Investments.

<Q – Nigel D'Souza – Veritas Investment Research Corp.>: Thank you. Good morning. My first question, I just want to touch on credit experience. And I noted that in the quarter, looks like the impact from changes in ratings and impairments picked up quarter-over-quarter. So I was wondering on credit experience could you speak to what the drivers were and how do you see those two components playing out over the coming quarters.

<A – Kevin Strain – Sun Life Financial, Inc.>: Randy, can you address Nigel's question?

<A – Randy Brown – Sun Life Financial, Inc.>: Sure. Nigel, Randy Brown. Thank you for the question. So what we saw was, as Kevin had mentioned, we took a pretty hard look at the whole portfolio given the impact of COVID and given the global shutdown and therefore the economic impact of that. So migration, as you see in the slides, was post tax, about CAD 60 million; with impairments, about CAD 24 million. The impairments were largely what I'm going to call mostly non-COVID related. They were COVID influenced, but it was largely the same loans that had had issues prior, continuing in their trend.

In terms of migration, what you saw there was largely – the majority were in the sectors that we identify in the MD&A as you would expect. And that ratings migration was really not unexpected. Part of our view has been that in an economic slowdown, the rating agencies would downgrade further and faster than they have in the past, and we're seeing that materialize. And we did that, as I said, a pretty hard look through the quarter.

<Q – Nigel D'Souza – Veritas Investment Research Corp.>: Okay. Great. And then last...

<A – Kevin Strain – Sun Life Financial, Inc.>: Sorry, it's Kevin Strain, and I just might just even stress that we took a really hard look at all the sectors that we thought were most impacted and then we continued to review other sectors as well. So there was – Randy and his team along with the credit risk guys and the finance team took a really, really deep dive on the sector and got through way more loans than we would ever typically get through and made more private fixed incomes on a given quarter. So they worked really, really hard and really accelerated their reviews.

<Q – Nigel D'Souza – Veritas Investment Research Corp.>: Okay. That's really helpful. And the last question I had was on capital restrictions. And Kevin, you touched on this in your prepared remarks. I know it's early, but do you have any sense on when you may get the green light on dividend increases and buybacks? And I can understand that you may not be able to answer that in terms of timing, but maybe in relation to banks' and non-banks financials. And the reason I ask that's because, the peers that you're better positioned on, on capital, balance sheet, credit risk exposures and your earnings stability. So do you see OSFI lifting restrictions for you and other insurers ahead of other financials, or do you expect OSFI, when it does move, to kind of move across the board and for the entire sector once the risks related to COVID are in the clear?

<A – Kevin Strain – Sun Life Financial, Inc.>: So we have a lot of discussions with OSFI and they haven't given any indication yet of what they might do in terms of lifting the restrictions on either the buyback or the dividends. I do know that they look at the insurance industry separately from the banking industry as you're noting, and we have sessions with myself and Colm and Kevin with the CFO, CRO, and Chief Actuaries from the other companies with OSFI. It's something we – we continue to stress our strong capital position. Certainly we stress ours and they stress theirs, our strong capital position and where we're at. But they haven't given any indication in terms of what the timing might be.

<Q – Nigel D'Souza – Veritas Investment Research Corp.>: All right. Appreciate the color. Thank you.

Operator: Your next question comes from the line of Scott Chan with Canaccord Genuity.

<Q – Scott Chan – Canaccord Genuity Corp.>: Good morning. Just on the URR, your competitors have offered some guidance on timing and a potential range and I was wondering if you could update us on that if you can.

<A – Dean Connor – Sun Life Financial, Inc.>: Kevin Morrissey, do you want to give an update on the URR?

<A – Kevin Morrissey – Sun Life Financial, Inc.>: Yes. Thanks for the question, Scott. This is Kevin Morrissey. So as you probably heard, the Actuarial Standards Board is going to be reviewing the URR. So the ASB review and analysis is not done yet. So I don't know if a change will be made, but if change is made by the ASB, it would be promulgated next year and we would make our update at that time. As reminder, the last year URR change was in 2019 where the URR decreased by 15 basis points, about CAD 93 million after tax loss.

<Q – Scott Chan – Canaccord Genuity Corp.>: Great. That's helpful. And then just lastly maybe on MFS, Mike, I guess similar to Steve's question but just on the retail side the gross sales have really picked up the last two quarters, in the USD 25 billion to USD 26 billion range versus a USD 17 billion run rate. Is some of the same factors that you talked about the institutional related to retailers, or something in the industry, or the retail industry that is driving that?

<A – Mike Roberge – Sun Life Financial Inc.>: Yeah, I think it's a little bit different, Scott, on the retail side. And that is what we're seeing is providers consolidating their list of providers our counterparts. And you can see that when you look at flows in the industries, is the flows, and active funds continue to be in outflows, but where you are seeing flows is they continue to consolidate into fewer players. And so we see a number of funds being sold within providers in the marketplace. And so we're benefiting from that.

Really we've seen that trend accelerate through this period of COVID, and we've been expecting this for a number of years and we would expect it to continue to happen. So the platforms are consolidating, the list of providers, they're consolidating the funds that they use and firms like MFS are benefiting from that and I think that's probably the biggest impact year-over-year.

<Q – Scott Chan – Canaccord Genuity Corp.>: Great. Thank you very much.

Operator: Your next question comes from the line of Humphrey Lee with Dowling and Partners.

<Q – Humphrey Lee – Dowling & Partners Securities LLC>: Good morning and thank you for taking my questions. Maybe a question for Kevin, just thinking about expenses, lately we've heard different companies talking about the current environment. You do have a little bit of a tailwind for expenses from a T&E perspective. But looking at the expenses for this quarter, there's a little bit of a negative variance. I was just wondering how you see expenses in this quarter and also as far as

the coming quarter given some of the disruptions and how you're thinking about the expense efficiency.

<A – Kevin Strain – Sun Life Financial, Inc.>: Yeah, thanks, Humphrey. So we obviously have a very strong focus on controlling expenses and we benefit from business group leaders who you've heard earlier who see this as a priority. The uptick this quarter really related to, as I mentioned earlier, the group benefits, the ASO, Administrative Services business, and just the level of claims that has come through and that showed up in the expense line. But we are very focused on expenses. We are seeing a tailwind as you mentioned from some of the COVID things like travel and conferences, but we're also investing in technology, and that's absorbed in that rate. But overall, very modest growth in terms of controllable expenses at 2% which is in line with how we're growing the business, right, or even less than. So we see expenses as having a lot of potential to support the earnings going forward. Expense declines.

<Q – Humphrey Lee – Dowling & Partners Securities LLC>: All right. And question for Mike I guess, for MFS. I guess, looking at the margin for this quarter, normally – I think historically you're talked in the past that when you have a kind of passive market, that tends to be a tailwind to the margin. Just looking at the asset growth, looking at the equity market pro formas this quarter, I probably would expect the margin to be a little bit better. Is there a time lag between how the margin would improve relative to market conditions and AUM growth?

<A – Mike Roberge – Sun Life Financial Inc.>: Hey, good morning, Humphrey. I think there are a couple things. The first is, as you're thinking about the market, most people, as they're thinking about the market like to use the S&P. We've got a significant piece of our assets outside of the US and markets outside of the US lagged. Fixed income markets obviously did not move with the US equity markets. So revenues didn't necessarily move with the S&P. That would be the first.

If you look year-over-year, Q2 does tend to be a lower-margin quarter, because amortization of stock compensation and you tend to see the margin expand in the back half of the year, and that's happened year-over-year for the last number of years. And so I don't think there was anything in the quarter that was any different seasonally than what we've seen historically. Again, revenues would have been impacted by the relative market performance around the world. Expenses were relatively in line. And Kevin did call out the one expense line in the quarter. It's because sales were up so dramatically year-over-year, we had had some sales based expenses that have been higher that are offset by travel and entertainment, technology and other expenses. And so we've guided in the past in a normal market environment – while this certainly hasn't been normal, but if you look, we had the big decline in March, April, big increase off of that base. So as you look at the first six months of the year, we've provided guidance of mid to high 30s is something that we see through a cycle and we're within that range. And so I don't think there's anything extraordinary that I would call out in the quarter.

<Q – Humphrey Lee – Dowling & Partners Securities LLC>: Okay. Got it. Thank you.

Operator: And we have no further questions at this time. I will turn things to Ms. Chalmers for closing remarks.

Leigh Chalmers, Senior Vice President, Head-Investor Relations & Capital Management, Sun Life Financial, Inc.

Thank you. And I would like to thank all of our participants today. If there are any additional questions, we will be available after the call. And should you wish to listen to the recording, it will be available on our website later this afternoon. Thank you and have a good day.

Operator: This concludes today's call. Thank you for your participation. You may now disconnect.

Disclaimer

The information herein is based on sources we believe to be reliable but is not guaranteed by us and does not purport to be a complete or error-free statement or summary of the available data. As such, we do not warrant, endorse or guarantee the completeness, accuracy, integrity, or timeliness of the information. You must evaluate, and bear all risks associated with, the use of any information provided hereunder, including any reliance on the accuracy, completeness, safety or usefulness of such information. This information is not intended to be used as the primary basis of investment decisions. It should not be construed as advice designed to meet the particular investment needs of any investor. This report is published solely for information purposes, and is not to be construed as financial or other advice or as an offer to sell or the solicitation of an offer to buy any security in any state where such an offer or solicitation would be illegal. Any information expressed herein on this date is subject to change without notice. Any opinions or assertions contained in this information do not represent the opinions or beliefs of FactSet CallStreet, LLC. FactSet CallStreet, LLC, or one or more of its employees, including the writer of this report, may have a position in any of the securities discussed herein.

THE INFORMATION PROVIDED TO YOU HEREUNDER IS PROVIDED "AS IS," AND TO THE MAXIMUM EXTENT PERMITTED BY APPLICABLE LAW, FactSet CallStreet, LLC AND ITS LICENSORS, BUSINESS ASSOCIATES AND SUPPLIERS DISCLAIM ALL WARRANTIES WITH RESPECT TO THE SAME, EXPRESS, IMPLIED AND STATUTORY, INCLUDING WITHOUT LIMITATION ANY IMPLIED WARRANTIES OF MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE, ACCURACY, COMPLETENESS, AND NON-INFRINGEMENT. TO THE MAXIMUM EXTENT PERMITTED BY APPLICABLE LAW, NEITHER FACTSET CALLSTREET, LLC NOR ITS OFFICERS, MEMBERS, DIRECTORS, PARTNERS, AFFILIATES, BUSINESS ASSOCIATES, LICENSORS OR SUPPLIERS WILL BE LIABLE FOR ANY INDIRECT, INCIDENTAL, SPECIAL, CONSEQUENTIAL OR PUNITIVE DAMAGES, INCLUDING WITHOUT LIMITATION DAMAGES FOR LOST PROFITS OR REVENUES, GOODWILL, WORK STOPPAGE, SECURITY BREACHES, VIRUSES, COMPUTER FAILURE OR MALFUNCTION, USE, DATA OR OTHER INTANGIBLE LOSSES OR COMMERCIAL DAMAGES, EVEN IF ANY OF SUCH PARTIES IS ADVISED OF THE POSSIBILITY OF SUCH LOSSES, ARISING UNDER OR IN CONNECTION WITH THE INFORMATION PROVIDED HEREIN OR ANY OTHER SUBJECT MATTER HEREOF.

The contents and appearance of this report are Copyrighted FactSet CallStreet, LLC 2020. CallStreet and FactSet CallStreet, LLC are trademarks and service marks of FactSet CallStreet, LLC. All other trademarks mentioned are trademarks of their respective companies. All rights reserved.