

Financial and operating results

for the period ended June 30, 2016

Sun Life Financial Inc. (unaudited)

Supplementary Financial Information



**SUPPLEMENTARY FINANCIAL INFORMATION
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Basis of Presentation

All amounts in this document are presented in millions of Canadian dollars unless otherwise indicated. Sun Life Financial Inc., together with its subsidiaries and joint ventures, are collectively referred to as “the Company”, “Sun Life Financial”, “we”, “our” and “us”. In accordance with the requirements of the Canadian Accounting Standards Board, we prepare our consolidated financial statements in accordance with International Financial Reporting Standards (“IFRS”). We present results on a continuing operations basis unless otherwise indicated to facilitate a comparison of the quarterly and full year results of the Company’s ongoing operations.

Non-IFRS Financial Measures

The Company prepares its financial statements in accordance with international financial reporting standards. This document includes financial measures that are not based on IFRS (“non-IFRS financial measures”). The Company believes that these non-IFRS financial measures provide information that is useful to investors in understanding the Company’s performance and facilitate a comparison of the quarterly and full year results of the Company’s ongoing operations. These non-IFRS financial measures do not have any standardized meaning, may not be comparable with similar measures used by other companies and should not be viewed as an alternative to measures of financial performance determined in accordance with IFRS. Additional information concerning non-IFRS financial measures is included at the end of this document.

Disclosure Initiative – IAS 1 Presentation of Financial Statements

In December 2014, the IASB issued *Disclosure Initiative*, which amends IAS 1 *Presentation of Financial Statements*. The amendments are designed to encourage entities to use professional judgment to determine what information to disclose by clarifying the guidance on materiality, presentation, and note structure. These amendments are effective for periods beginning on or after January 1, 2016. Certain disclosures were revised, including combining property and equipment into other assets in the Statements of Financial Position. The amendments also require separate disclosure of the share of the other comprehensive income (“OCI”) of joint ventures and associates, which is presented in Changes in Common Shareholders’ Equity and the Composition of Accumulated OCI Balance for Q1 2016.

Diluted Earnings per Share – Operating and Underlying

Under IFRS, diluted earnings per share (“EPS”) include the impact of dilution from the Sun Life Exchangeable Capital Securities (SLECS). Diluted Operating EPS and Underlying EPS exclude the impact of these convertible securities. No adjustment is reflected for periods in which the SLECS conversion would have caused an anti-dilutive result. Additional detail on the calculation of diluted EPS can be found on page 6.

Constant Currency Measures

Constant currency measures are calculated using the average currency and period end rates, as appropriate, in effect in the comparable period. Constant currency measures are non-IFRS financial measures. See Use of Non-IFRS Financial Measures and Reconciliation of Non-IFRS Financial Measures in our Management Discussion & Analysis (MD&A).

SLF Asset Management

This business segment includes the operations of MFS Investment Management (“MFS”), our premier global asset management firm, previously reported as the MFS segment, and the operations of Sun Life Investment Management (“SLIM”), our third-party institutional investment management business. SLIM consists of: (i) Bentall Kennedy, a real estate investment manager operating in Canada and the U.S.; (ii) Prime Advisors, a U.S.-based investment management firm specializing in customized fixed income portfolios primarily for U.S. insurance companies; (iii) Ryan Labs, a New York-based asset manager specializing in fixed income and liability-driven investing; and (iv) Sun Life Institutional Investments (Canada) Inc. (previously called Sun Life Investment Management Inc.), our institutional asset manager, which provides investment expertise in alternative asset classes and liability-driven investing to pension funds and other institutional investors in Canada.

Acquisition, Integration and Restructuring

In the second quarter of 2016, acquisition, integration and restructuring amounts primarily related to integration costs of the U.S. Employee Benefits business acquired in 2016.

In the first quarter of 2016, acquisition, integration and restructuring amounts related to our acquisition and integration costs of Assurant, Inc.’s U.S. Employee Benefits business, the Bentall Kennedy group of companies and Ryan Labs Asset Management Inc. These costs were more than offset by a one-time, non-cash gain of \$31 million as a result of remeasuring our existing investment to fair value upon acquiring control over the operations of PVI Sun Life Insurance Company Limited.

In 2015, acquisition, integration and restructuring amounts primarily related to our acquisitions and integrations of Bentall Kennedy, Prime Advisors and Ryan Labs and our pending acquisition of Assurant, Inc.’s U.S. Employee Benefits business. In the fourth quarter of 2015, the acquisition, integration and restructuring amount of \$63 million (US\$46 million) related to the closing of our wealth business in SLF U.S. International to new sales, which included assumption changes and management actions of \$41 million (US\$30 million) to reflect assumption updates including the expense strengthening associated with closing the business.

In 2014, acquisition, integration and restructuring consisted of transition costs related to the sale of our U.S. Annuity Business.

Acquisition, integration and restructuring in 2013 included assumption changes and management actions of \$27 million related to the sale of our U.S. Annuity Business. SLF Canada had net gains of \$16 million and there were net dis-synergies in SLF U.S., SLF Asia and Corporate of \$31 million (US\$30 million), \$7 million and \$5 million, respectively.

FINANCIAL HIGHLIGHTS

	At and For the Quarter Ended									At and For the Year Ended		
	2016		2015			2014			2015	2014	2013	
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2			
RESULTS												
Common Shareholders' Underlying Net Income (Loss) by Segment												
SLF Canada	200	218	269	174	250	201	181	237	195	894	823	799
SLF U.S.	114	111	158	97	105	81	13	48	111	441	266	291
SLF Asset Management	153	170	183	176	173	168	156	168	145	700	616	481
SLF Asia	85	68	52	67	71	62	50	48	39	252	174	123
Corporate	2	15	(16)	14	16	4	(40)	16	9	18	(63)	(113)
Total Common Shareholders' Underlying Net Income (Loss)	554	582	646	528	615	516	360	517	499	2,305	1,816	1,581
Market related impacts:												
Net equity market impact	14	(18)	(4)	(122)	(11)	9	(9)	(3)	23	(128)	44	76
Net interest rate impact	(95)	(19)	(35)	44	97	(41)	(21)	(50)	(44)	65	(179)	86
Net increases (decreases) in the fair value of real estate	9	(3)	3	(4)	11	10	9	(1)	(1)	20	12	30
	(72)	(40)	(36)	(82)	97	(22)	(21)	(54)	(22)	(43)	(123)	192
Assumption changes and management actions	(8)	(11)	(12)	32	19	(48)	172	4	11	(9)	227	170
Total Common Shareholders' Operating Net Income (Loss)	474	531	598	478	731	446	511	467	488	2,253	1,920	1,943
Operating adjustments:												
Impact of certain hedges that do not qualify for hedge accounting	(6)	(13)	10	(10)	6	15	(6)	2	(8)	21	(7)	38
Fair value adjustments on share-based payment awards at MFS	20	7	(6)	28	(11)	(20)	1	(31)	(44)	(9)	(125)	(229)
Acquisition, integration and restructuring	(8)	15	(66)	(14)	—	—	(4)	(3)	(11)	(80)	(26)	(56)
	6	9	(62)	4	(5)	(5)	(9)	(32)	(63)	(68)	(158)	(247)
Total Common Shareholders' Reported Net Income (Loss)	480	540	536	482	726	441	502	435	425	2,185	1,762	1,696
Profitability Measures												
Basic earnings per common share (EPS)												
Reported	0.78	0.88	0.88	0.79	1.19	0.72	0.82	0.71	0.70	3.57	2.88	2.81
Diluted earnings per common share												
Underlying	0.90	0.95	1.05	0.86	1.00	0.84	0.59	0.84	0.81	3.76	2.96	2.61
Operating	0.77	0.87	0.98	0.78	1.19	0.73	0.83	0.76	0.80	3.68	3.13	3.21
Reported	0.78	0.88	0.87	0.79	1.18	0.72	0.81	0.71	0.69	3.55	2.86	2.78
Premiums & Deposits												
Net premiums	3,563	3,178	3,551	2,114	2,523	2,207	2,701	2,695	2,372	10,395	9,996	9,639
Segregated fund deposits	2,834	2,731	2,523	2,626	4,487	2,411	2,155	1,907	2,611	12,047	9,249	8,470
Mutual fund sales ⁽¹⁾	20,007	19,262	17,598	16,902	19,927	22,124	17,071	14,714	16,267	76,551	66,619	65,030
Managed fund sales ⁽²⁾	9,886	10,865	7,678	7,156	7,002	8,243	7,988	8,170	6,131	30,079	29,868	39,965
ASO premium & deposit equivalents	1,745	1,790	1,770	1,758	1,781	1,769	1,855	1,638	1,495	7,078	6,748	5,973
Total premiums & deposits	38,035	37,826	33,120	30,556	35,720	36,754	31,770	29,124	28,876	136,150	122,480	129,077
Total adjusted premiums & deposits ⁽³⁾	37,330				36,869							
Sales & Value of New Business												
Individual Life & Health ⁽⁴⁾	260	214	276	227	214	199	230	219	198	916	830	768
Group Life & Health ⁽⁴⁾	278	274	491	303	213	249	586	203	197	1,256	1,238	1,112
Wealth - SLF Asset Management	28,182	28,608	23,598	22,397	25,292	28,236	23,294	21,873	21,304	99,523	91,112	98,811
Wealth - excluding SLF Asset Management ⁽¹⁾⁽⁴⁾⁽⁵⁾	4,523	4,595	5,291	4,992	6,424	4,984	6,435	3,521	3,920	21,691	19,439	14,656
Large case longevity insurance sales	—	—	—	—	—	5,260	—	—	—	5,260	—	—
Value of New Business	296	323	347	251	269	308	259	267	246	1,175	1,069	1,111

⁽¹⁾ Includes Birla Sun Life Asset Management Company's equity and fixed income mutual funds sales based on our proportionate equity interest.

⁽²⁾ In the second quarter of 2016, we moved our sales reporting methodology for Bentall Kennedy's real estate investment management operations from an investment property activity basis to a client cash flow basis to be consistent with the method used in our existing asset management operations. Prior periods from Q3 2015 have been restated.

⁽³⁾ Adjusted premiums and deposits are a non-IFRS financial measure that excludes the impact of currency and reinsurance for the insured business in SLF Canada's Group Benefits operations.

⁽⁴⁾ Includes the sales in the Company's joint ventures in SLF Asia based on our proportionate equity interest. Birla Sun Life Insurance Company Ltd.'s sales are included at 49% beginning Q2 2016 and sales in Vietnam are included at 75% beginning Q1 2016. Birla Sun Life Insurance Company Ltd.'s sales and Vietnam's sales were included at 26% prior to Q2 2016 and 49% prior to Q1 2016, respectively.

⁽⁵⁾ Excludes the U.S. investment product sales in SLF U.S.'s International wealth business, which was closed to new sales in December 2015.

FINANCIAL HIGHLIGHTS CONTINUED

	At and For the Quarter Ended									At and For the Year Ended		
	2016		2015			2014				2015	2014	2013
Valuation Data	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2			
Book value per common share	30.42	30.17	31.02	30.03	29.05	28.64	26.87	25.95	25.16	31.02	26.87	24.16
Book value per common share excluding AOCI	27.80	27.42	27.00	26.49	26.07	25.28	24.97	24.51	24.12	27.00	24.97	23.46
Tangible book value per common share	19.30	18.85	21.02	20.15	20.55	20.17	18.70	17.87	17.20	21.02	18.70	16.17
Market-to-book value (times)	1.40	1.39	1.39	1.43	1.44	1.36	1.56	1.56	1.56	1.39	1.56	1.55
Total market capitalization (TSX in \$ billions)	26.0	25.7	26.4	26.3	25.5	23.9	25.7	24.9	24.0	26.4	25.7	22.9
Financial Strength												
SLA MCCR ratio	214 %	216 %	240 %	229 %	223 %	216 %	217 %	218 %	222 %	240 %	217 %	219 %
SLF MCCR ratio ⁽¹⁾	225 %	231 %										
Total debt to total capital ratio	23.5 %	23.7 %	22.1 %	23.4 %	22.3 %	22.6 %	23.6 %	24.2 %	24.8 %	22.1 %	23.6 %	27.4 %
Common Share Information (SLF on TSX)												
High (intraday)	46.12	42.83	45.65	45.44	43.39	42.53	43.44	42.40	39.34	45.65	43.44	38.23
Low (intraday)	40.26	36.64	41.98	36.88	38.56	37.21	35.73	39.15	35.46	36.88	35.17	26.08
Close (end of period)	42.44	41.90	43.15	43.04	41.70	39.03	41.92	40.60	39.22	43.15	41.92	37.52
Number of Common Shares Outstanding (in millions)												
At beginning of period	612.6	612.3	611.2	610.6	611.2	613.1	612.7	611.4	610.6	613.1	609.4	599.6
Common shares issued	0.2	0.3	1.1	0.6	1.6	1.2	1.3	1.3	0.8	4.5	4.6	9.8
Common shares purchased and cancelled	—	—	—	—	(2.2)	(3.1)	(0.9)	—	—	(5.3)	(0.9)	—
At end of period	612.8	612.6	612.3	611.2	610.6	611.2	613.1	612.7	611.4	612.3	613.1	609.4
Weighted average shares outstanding - Basic	613	612	612	611	612	613	613	612	611	612	611	604
Weighted average shares outstanding - Diluted ⁽²⁾	619	618	618	617	618	619	619	619	618	618	619	614
Dividend per common share	0.405	0.39	0.39	0.38	0.38	0.36	0.36	0.36	0.36	1.51	1.44	1.44
Dividend payout ratio ⁽³⁾	52 %	44 %	45 %	48 %	32 %	50 %	44 %	51 %	52 %	43 %	50 %	93 %
Dividend yield (annualized)	3.8%	3.7%	3.6%	3.5%	3.6%	3.7%	3.4%	3.5%	3.7%	3.5%	3.4%	3.8%
Assets Under Management (AUM)												
General funds	159,453	156,849	155,413	151,654	145,472	148,725	139,419	133,623	129,253	155,413	139,419	123,390
Segregated funds	91,463	89,795	91,440	88,248	90,500	89,667	83,938	82,058	82,461	91,440	83,938	76,141
Total Assets	250,916	246,644	246,853	239,902	235,972	238,392	223,357	215,681	211,714	246,853	223,357	199,531
Other Assets Under Management												
Mutual funds	289,000	281,965	296,438	275,959	273,412	274,713	240,397	223,754	215,699	296,438	240,397	199,925
Managed funds & other	349,680	357,193	374,095	354,832	321,871	322,543	291,840	279,046	276,533	374,095	291,840	258,229
Consolidation adjustments	(24,993)	(25,284)	(26,054)	(24,535)	(23,173)	(23,090)	(21,152)	(20,301)	(19,555)	(26,054)	(21,152)	(17,848)
Total Other Assets Under Management ⁽⁴⁾	613,687	613,874	644,479	606,256	572,110	574,166	511,085	482,499	472,677	644,479	511,085	440,306
Total Assets Under Management	864,603	860,518	891,332	846,158	808,082	812,558	734,442	698,180	684,391	891,332	734,442	639,837
Select Constant Currency Measures												
Operating net income	464				731							
Sales - Individual Life & Health	258				214							
Sales - Group Life & Health	271				213							
Sales - Wealth ⁽⁵⁾	31,421				31,716							
Premiums & deposits	36,651				35,720							
Operating earnings per share - Diluted	0.76				1.19							
Assets under management ⁽⁴⁾	846,115				858,247							

⁽¹⁾ Beginning 2016, we have included the MCCR for Sun Life Financial Inc.

⁽²⁾ The number of diluted shares outstanding reflect the impact of dilution from the Sun Life Exchangeable Capital Securities (SLEECS) under IFRS. Where the calculation of diluted EPS has resulted in anti-dilution, the dilutive impact of the SLEECS has been excluded in the number of weighted average number of shares outstanding.

⁽³⁾ The calculation methodology is based on a diluted reported EPS.

⁽⁴⁾ The assets of our joint ventures are included based on our proportionate equity interest. Beginning 2014, we included other AUM of SLF U.S. International.

⁽⁵⁾ Excludes the U.S. investment product sales in SLF U.S.'s International wealth business, which was closed to new sales in December 2015.

SUN LIFE FINANCIAL INC.
CONSOLIDATED STATEMENTS OF OPERATIONS

(C\$ millions)

	For the Quarter Ended									For the Year Ended		
	2016		2015			2014			2015	2014	2013	
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2			
Revenue												
Premiums - life insurance	2,145	2,012	2,180	1,818	1,740	1,724	1,772	1,792	1,731	7,462	7,003	6,882
Premiums - health insurance	1,992	1,844	1,658	1,643	1,572	1,601	1,523	1,470	1,441	6,474	5,916	5,451
Premiums - annuities	502	403	1,325	374	791	398	728	818	586	2,888	2,580	2,739
Gross premiums	4,639	4,259	5,163	3,835	4,103	3,723	4,023	4,080	3,758	16,824	15,499	15,072
Ceded premiums	(1,076)	(1,081)	(1,612)	(1,721)	(1,580)	(1,516)	(1,322)	(1,385)	(1,386)	(6,429)	(5,503)	(5,433)
Net premiums	3,563	3,178	3,551	2,114	2,523	2,207	2,701	2,695	2,372	10,395	9,996	9,639
Net investment income (loss)	4,616	4,230	578	1,241	(2,134)	3,870	3,503	1,808	2,838	3,555	11,315	519
Fee income	1,354	1,374	1,438	1,338	1,293	1,255	1,171	1,111	1,105	5,324	4,453	3,716
Total revenue	9,533	8,782	5,567	4,693	1,682	7,332	7,375	5,614	6,315	19,274	25,764	13,874
Policy benefits and expenses												
Gross claims & benefits paid	3,848	3,705	3,679	3,516	3,461	3,430	3,397	3,080	3,136	14,086	12,816	11,876
Change in investment/insurance contract liabilities & reinsurance assets ⁽¹⁾	3,883	3,374	551	294	(3,145)	2,984	2,845	1,593	2,214	684	8,973	(1,392)
Operating expenses, commissions and other expenses	2,188	2,068	2,104	1,939	1,894	1,814	1,853	1,722	1,727	7,751	7,013	6,396
Reinsurance expenses (recoveries)	(1,017)	(1,027)	(1,508)	(1,662)	(1,523)	(1,453)	(1,378)	(1,357)	(1,351)	(6,146)	(5,411)	(5,098)
Total policy benefits and expenses	8,902	8,120	4,826	4,087	687	6,775	6,717	5,038	5,726	16,375	23,391	11,782
Income (loss) before income taxes	631	662	741	606	995	557	658	576	589	2,899	2,373	2,092
Income tax expense (benefit)	120	92	180	79	245	95	124	116	134	599	491	283
Participating policyholders' net income (loss) and non-controlling interest	7	6	1	21	(2)	(5)	6	(1)	—	15	9	(5)
Preferred shareholder dividends	24	24	24	24	26	26	26	26	30	100	111	118
Common shareholders' reported net income (loss)	480	540	536	482	726	441	502	435	425	2,185	1,762	1,696
Common shareholders' operating net income (loss)	474	531	598	478	731	446	511	467	488	2,253	1,920	1,943
Common shareholders' underlying net income (loss)	554	582	646	528	615	516	360	517	499	2,305	1,816	1,581
Return on equity - operating ⁽²⁾	10.1 %	11.3 %	12.7 %	10.5 %	16.5 %	10.4 %	12.6 %	11.9 %	12.6 %	12.6 %	12.2 %	nm
Return on equity - underlying	11.9 %	12.4 %	13.8 %	11.6 %	13.9 %	12.1 %	8.8 %	13.1 %	12.9 %	12.8 %	11.6 %	n/a

	For the Quarter Ended									For the Year Ended		
	2016		2015			2014			2015	2014	2013	
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2			
SOURCES OF EARNINGS - Total Company												
Expected profit on in-force business	668	674	680	665	672	639	597	609	582	2,656	2,366	2,065
Impact of new business	(37)	(62)	(30)	(63)	(39)	(50)	(43)	(27)	(28)	(182)	(135)	(81)
Experience gains (losses)	(97)	(54)	84	(98)	252	(49)	(207)	(65)	—	189	(318)	88
Assumption changes and management actions	(10)	(17)	(20)	2	22	(58)	214	(7)	14	(54)	277	105
Earnings (loss) on operations (pre-tax)	524	541	714	506	907	482	561	510	568	2,609	2,190	2,177
Earnings on surplus	118	123	112	88	126	109	104	105	110	435	396	287
Earnings (loss) before income taxes	642	664	826	594	1,033	591	665	615	678	3,044	2,586	2,464
Income taxes	(134)	(97)	(190)	(76)	(259)	(104)	(113)	(105)	(145)	(629)	(494)	(359)
Earnings (loss) before non-controlling interest	508	567	636	518	774	487	552	510	533	2,415	2,092	2,105
Non-controlling interest and preferred share dividends	(34)	(36)	(38)	(40)	(43)	(41)	(41)	(43)	(45)	(162)	(172)	(162)
Common shareholders' operating net income (loss)	474	531	598	478	731	446	511	467	488	2,253	1,920	1,943
Operating Adjustments:												
Impact of certain hedges that do not qualify for hedge accounting	(6)	(13)	10	(10)	6	15	(6)	2	(8)	21	(7)	38
Fair value adjustments on share-based payment awards at MFS	20	7	(6)	28	(11)	(20)	1	(31)	(44)	(9)	(125)	(229)
Acquisition, integration and restructuring	(8)	15	(66)	(14)	—	—	(4)	(3)	(11)	(80)	(26)	(56)
	6	9	(62)	4	(5)	(5)	(9)	(32)	(63)	(68)	(158)	(247)
Common shareholders' Reported Net Income (loss)	480	540	536	482	726	441	502	435	425	2,185	1,762	1,696
EXCHANGE RATES - Average for the period												
U.S. Dollar	1.289	1.373	1.335	1.307	1.229	1.240	1.136	1.088	1.090	1.278	1.104	1.030
U.K. Pound	1.849	1.968	2.025	2.025	1.882	1.878	1.797	1.817	1.835	1.953	1.818	1.611

⁽¹⁾ Includes the following income statement line items: Increases/(decreases) in insurance contract liabilities, change in reinsurance assets, increase/(decrease) in investment contract liabilities and net transfers to/(from) segregated funds.

⁽²⁾ The operating ROE measure for the year ended 2013 is not meaningful as it was from Continuing Operations and Discontinued Operations (as described in our 2015 annual MD&A), which is not comparable given the change in the composition of the business.

STATEMENTS OF FINANCIAL POSITION
(C\$ millions)

	At the Quarter Ended									At the Year Ended		
	2016		2015			2014				2015	2014	2013
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2			
Assets												
Cash, cash equivalents and short-term securities	6,544	7,583	8,983	8,052	7,454	6,744	6,818	6,197	5,816	8,983	6,818	7,636
Debt securities	74,035	71,371	69,896	68,386	66,750	70,713	66,214	63,243	61,013	69,896	66,214	54,813
Equity securities	5,445	5,323	5,313	5,232	5,475	5,551	5,223	5,166	5,081	5,313	5,223	5,194
Mortgages and loans	39,497	39,005	39,103	38,274	36,528	35,727	33,679	32,154	31,274	39,103	33,679	30,313
Derivative assets	2,837	2,680	1,866	2,238	1,601	2,378	1,839	1,336	1,276	1,866	1,839	948
Other invested assets	3,442	2,993	3,111	2,764	2,717	2,686	2,375	2,111	2,055	3,111	2,375	1,855
Policy loans	3,082	3,097	3,151	3,087	2,998	3,000	2,895	2,830	2,788	3,151	2,895	2,792
Investment properties	6,511	6,446	6,540	6,505	6,372	6,260	6,108	6,163	6,054	6,540	6,108	6,092
Total invested assets	141,393	138,498	137,963	134,538	129,895	133,059	125,151	119,200	115,357	137,963	125,151	109,643
Other assets ⁽¹⁾	4,507	4,747	4,567	4,689	4,485	4,629	3,984	4,260	3,942	4,567	3,984	3,928
Reinsurance assets	5,122	5,080	5,386	5,110	4,653	4,583	4,042	4,127	3,917	5,386	4,042	3,648
Deferred tax assets	1,616	1,589	1,372	1,280	1,246	1,280	1,230	1,088	1,167	1,372	1,230	1,303
Intangible assets	1,595	1,427	1,479	1,455	929	932	895	878	856	1,479	895	866
Goodwill	5,220	5,508	4,646	4,582	4,264	4,242	4,117	4,070	4,014	4,646	4,117	4,002
Total general fund assets	159,453	156,849	155,413	151,654	145,472	148,725	139,419	133,623	129,253	155,413	139,419	123,390
Investment for account of segregated fund holders	91,463	89,795	91,440	88,248	90,500	89,667	83,938	82,058	82,461	91,440	83,938	76,141
Total assets	250,916	246,644	246,853	239,902	235,972	238,392	223,357	215,681	211,714	246,853	223,357	199,531
Liabilities and Equity												
Insurance contract liabilities	115,740	112,597	110,227	107,827	104,707	107,966	101,228	97,235	94,081	110,227	101,228	88,903
Investment contract liabilities	2,904	2,896	2,913	2,880	2,842	2,864	2,819	2,776	2,729	2,913	2,819	2,602
Derivative liabilities	2,697	2,796	3,378	3,284	2,167	2,671	1,603	1,178	779	3,378	1,603	939
Other liabilities	12,882	12,548	12,737	11,350	10,589	10,288	9,880	9,135	8,890	12,737	9,880	8,340
Senior debentures	598	1,548	1,548	2,148	2,149	2,149	2,149	2,149	2,149	1,548	2,149	2,149
Senior debentures - Innovative capital instruments	700	700	700	700	700	700	700	700	700	700	700	700
Subordinated debt	2,841	2,841	2,492	2,692	2,182	2,184	2,168	2,161	2,153	2,492	2,168	2,403
Total general fund liabilities	138,362	135,926	133,995	130,881	125,336	128,822	120,547	115,334	111,481	133,995	120,547	106,036
Insurance contracts for account of segregated fund holders	84,759	82,754	83,670	80,751	82,713	81,821	76,736	74,955	75,332	83,670	76,736	69,088
Investment contracts for account of segregated fund holders	6,704	7,041	7,770	7,497	7,787	7,846	7,202	7,103	7,129	7,770	7,202	7,053
Total liabilities	229,825	225,721	225,435	219,129	215,836	218,489	204,485	197,392	193,942	225,435	204,485	182,177
Total equity	21,091	20,923	21,418	20,773	20,136	19,903	18,872	18,289	17,772	21,418	18,872	17,354
Total liabilities and equity	250,916	246,644	246,853	239,902	235,972	238,392	223,357	215,681	211,714	246,853	223,357	199,531
EXCHANGE RATES - Period end rates												
U.S. Dollar	1.292	1.300	1.384	1.331	1.249	1.269	1.162	1.120	1.067	1.384	1.162	1.062
U.K. Pound	1.720	1.867	2.040	2.014	1.962	1.880	1.809	1.815	1.824	2.040	1.809	1.758

⁽¹⁾ Includes property and equipment.

EQUITY AND CAPITAL

(C\$ millions)

	At the Quarter Ended									At the Year Ended		
	2016		2015					2014		2015	2014	2013
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2			
CHANGES IN COMMON SHAREHOLDERS' EQUITY												
Balance at beginning of period	18,480	18,993	18,352	17,740	17,504	16,474	15,899	15,384	15,315	16,474	14,724	13,915
Common shareholders' reported net income (loss)	480	540	536	482	726	441	502	435	425	2,185	1,762	942
Dividends - common shares	(248)	(239)	(233)	(232)	(232)	(221)	(221)	(208)	(220)	(918)	(869)	(860)
Common shares issued, net of expenses	6	9	39	25	61	41	47	43	31	166	158	273
Common shares buyback	—	—	—	—	(92)	(120)	(39)	—	—	(212)	(39)	—
Share-based compensation	—	—	—	1	1	1	1	1	—	3	4	8
Other ⁽¹⁾	—	(47)	—	—	—	—	—	—	(4)	—	(4)	—
Other comprehensive income (OCI) for the period:												
Unrealized foreign currency translation gains (losses), net of hedging activities	(182)	(776)	442	546	(110)	767	261	306	(235)	1,645	663	574
Unrealized gains (losses) on available-for-sale assets	158	70	(59)	(208)	(201)	170	70	(45)	103	(298)	219	(275)
Unrealized gains (losses) on cash flow hedges	(2)	(14)	(2)	—	2	(3)	(2)	(1)	(1)	(3)	(7)	—
Share of other comprehensive income (loss) in joint ventures and associates ⁽²⁾	(19)	(30)	—	—	—	—	—	—	—	—	—	—
Remeasurement of defined benefit plans	(32)	(26)	(82)	(2)	81	(46)	(44)	(16)	(30)	(49)	(137)	147
Balance at end of period	18,641	18,480	18,993	18,352	17,740	17,504	16,474	15,899	15,384	18,993	16,474	14,724
Composition of accumulated OCI balance ⁽²⁾												
Unrealized foreign currency translation gains (losses), net of hedging activities	1,409	1,591	2,418	1,976	1,430	1,540	773	512	206	2,418	773	110
Unrealized gains (losses) on available-for-sale assets	453	295	250	309	517	718	548	478	523	250	548	329
Unrealized gains (losses) on cash flow hedges	(13)	(11)	3	5	5	3	6	8	9	3	6	13
Share of other comprehensive income (loss) in joint ventures and associates	27	46	—	—	—	—	—	—	—	—	—	—
Remeasurement of defined benefit plans	(276)	(244)	(218)	(136)	(134)	(215)	(169)	(125)	(109)	(218)	(169)	(32)
Unrealized gains (losses) on transfer to investment properties	6	6	6	6	6	6	6	6	6	6	6	6
Balance at end of period	1,606	1,683	2,459	2,160	1,824	2,052	1,164	879	635	2,459	1,164	426
CAPITAL												
Subordinated debt	2,841	2,841	2,492	2,692	2,182	2,184	2,168	2,161	2,153	2,492	2,168	2,403
SLEECs ⁽³⁾	697	697	697	697	697	697	697	696	696	697	697	696
Participating policyholders' equity and non-controlling interest	193	186	168	164	139	142	141	133	131	168	141	127
Preferred shareholders' equity	2,257	2,257	2,257	2,257	2,257	2,257	2,257	2,257	2,257	2,257	2,257	2,503
Common shareholders' equity	18,641	18,480	18,993	18,352	17,740	17,504	16,474	15,899	15,384	18,993	16,474	14,724
Total capital	24,629	24,461	24,607	24,162	23,015	22,784	21,737	21,146	20,621	24,607	21,737	20,453
MCCSR RATIO - SUN LIFE ASSURANCE COMPANY OF CANADA												
Capital Available												
Retained earnings and contributed surplus	10,964	10,826	10,831	10,632	10,339	9,991	9,791	9,712	9,582	10,831	9,791	9,340
Accumulated other comprehensive income	912	1,139	1,817	1,570	1,164	1,177	600	436	232	1,817	600	234
Common and preferred shares	3,196	3,196	3,196	3,196	3,196	3,196	3,196	3,196	3,196	3,196	3,196	3,196
Innovative instruments	697	697	697	697	697	697	697	696	696	697	697	696
Other	72	73	72	69	62	63	56	55	52	72	56	51
Less:												
Goodwill	2,169	2,366	1,553	1,511	1,444	1,451	1,363	1,331	1,293	1,553	1,363	1,283
Non-life investments and other	2,594	2,500	2,547	2,421	2,517	2,512	2,427	2,231	2,145	2,547	2,427	2,132
Net Tier 1 Capital	11,078	11,065	12,513	12,232	11,497	11,161	10,550	10,533	10,320	12,513	10,550	10,102
Tier 2A	146	156	203	180	277	263	212	195	189	203	212	169
Tier 2B	3,100	2,750	2,750	1,500	1,500	1,500	1,500	1,500	1,500	2,750	1,500	1,500
Tier 2C	1,760	1,801	1,861	1,695	1,751	1,822	1,764	1,547	1,475	1,861	1,764	1,399
Less:												
Non-life investments and other	1,096	948	940	908	932	930	885	874	856	940	885	816
Total Tier 2 Capital	3,910	3,759	3,874	2,467	2,596	2,655	2,591	2,368	2,308	3,874	2,591	2,252
Total capital available	14,988	14,824	16,387	14,699	14,093	13,816	13,141	12,901	12,628	16,387	13,141	12,354
Required Capital												
Asset default and market risks	4,063	4,009	4,078	3,937	3,843	3,859	3,672	3,607	3,485	4,078	3,672	3,568
Insurance risks	1,775	1,743	1,646	1,420	1,439	1,470	1,375	1,349	1,292	1,646	1,375	1,210
Interest rate risks	1,154	1,120	1,095	1,060	1,043	1,075	1,009	949	912	1,095	1,009	861
Total capital required	6,992	6,872	6,819	6,417	6,325	6,404	6,056	5,905	5,689	6,819	6,056	5,639
MCCSR ratio	214 %	216 %	240 %	229 %	223 %	216 %	217 %	218 %	222 %	240 %	217 %	219 %

⁽¹⁾ Transaction with non-controlling interest relating to outstanding shares held by PVI Holdings in our Vietnam operation.

⁽²⁾ Beginning in 2016, share of other comprehensive income (loss) in joint ventures and associates is presented separately in OCI. Included in foreign currency translation gains (losses) and unrealized gains (losses) on available-for-sale assets in prior periods.

⁽³⁾ SLEECs, which are innovative capital instruments issued by Sun Life Capital Trust and Sun Life Capital Trust II, are presented net of associated transaction costs. SLEEC securities qualify as capital for Canadian Regulatory purposes.

DILUTED EARNINGS PER SHARE RECONCILIATION

	At and For the Quarter Ended									At and For the Year Ended		
	2016		2015			2014			2015	2014	2013	
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2			
WEIGHTED AVERAGE SHARES												
Weighted average shares - basic	613	612	612	611	612	613	613	612	611	612	611	604
Diluted impact of stock options	1	1	1	1	1	1	1	2	2	1	2	2
Weighted average shares - diluted operating	614	613	613	612	613	614	614	614	613	613	613	606
Diluted impact of convertible securities (SLEECs) ⁽¹⁾	5	5	5	5	5	5	5	5	5	5	6	8
Weighted average shares - diluted	619	618	618	617	618	619	619	619	618	618	619	614
DILUTED EARNINGS PER SHARE ⁽²⁾												
Total common shareholders' underlying net income (loss)	554	582	646	528	615	516	360	517	499	2,305	1,816	1,581
Market related impacts:												
Net equity market impact	14	(18)	(4)	(122)	(11)	9	(9)	(3)	23	(128)	44	76
Net interest rate impact	(95)	(19)	(35)	44	97	(41)	(21)	(50)	(44)	65	(179)	86
Net increases (decreases) in the fair value of real estate	9	(3)	3	(4)	11	10	9	(1)	(1)	20	12	30
	(72)	(40)	(36)	(82)	97	(22)	(21)	(54)	(22)	(43)	(123)	192
Assumption changes and management actions	(8)	(11)	(12)	32	19	(48)	172	4	11	(9)	227	170
Total common shareholders' operating net income (loss)	474	531	598	478	731	446	511	467	488	2,253	1,920	1,943
Add: Increase in income due to convertible securities (SLEECs) ⁽³⁾	2	3	2	3	2	3	2	3	2	10	10	10
Items excluded from operating net income (loss):												
Impact of certain hedges that do not qualify for hedge accounting	(6)	(13)	10	(10)	6	15	(6)	2	(8)	21	(7)	38
Impact of fair value adjustments on share-based payment awards at MFS	20	7	(6)	28	(11)	(20)	1	(31)	(44)	(9)	(125)	(229)
Impact of acquisition, integration and restructuring	(8)	15	(66)	(14)	—	—	(4)	(3)	(11)	(80)	(26)	(56)
Total common shareholders' reported net income (loss) on a diluted basis	482	543	538	485	728	444	504	438	427	2,195	1,772	1,706
Diluted earnings per share - underlying	\$ 0.90	\$ 0.95	\$ 1.05	\$ 0.86	\$ 1.00	\$ 0.84	\$ 0.59	\$ 0.84	\$ 0.81	\$ 3.76	\$ 2.96	\$ 2.61
Market related impacts:												
Net equity market impact	\$ 0.02	\$ (0.03)	\$ (0.01)	\$ (0.20)	\$ (0.02)	\$ 0.02	\$ (0.01)	\$ (0.01)	\$ 0.04	\$ (0.21)	\$ 0.07	\$ 0.13
Net interest rate impact	\$ (0.15)	\$ (0.03)	\$ (0.05)	\$ 0.07	\$ 0.16	\$ (0.07)	\$ (0.04)	\$ (0.08)	\$ (0.07)	\$ 0.11	\$ (0.29)	\$ 0.14
Net increases (decreases) in the fair value of real estate	\$ 0.01	\$ —	\$ 0.01	\$ —	\$ 0.02	\$ 0.02	\$ 0.01	\$ —	\$ —	\$ 0.03	\$ 0.02	\$ 0.05
	\$ (0.12)	\$ (0.06)	\$ (0.05)	\$ (0.13)	\$ 0.16	\$ (0.03)	\$ (0.04)	\$ (0.09)	\$ (0.03)	\$ (0.07)	\$ (0.20)	\$ 0.32
Assumption changes and management actions	\$ (0.01)	\$ (0.02)	\$ (0.02)	\$ 0.05	\$ 0.03	\$ (0.08)	\$ 0.28	\$ 0.01	\$ 0.02	\$ (0.01)	\$ 0.37	\$ 0.28
Other items	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Diluted earnings per share - operating	\$ 0.77	\$ 0.87	\$ 0.98	\$ 0.78	\$ 1.19	\$ 0.73	\$ 0.83	\$ 0.76	\$ 0.80	\$ 3.68	\$ 3.13	\$ 3.21
Adjustments:												
Impact of SLEECs	\$ —	\$ —	\$ (0.01)	\$ —	\$ —	\$ —	\$ —	\$ —	\$ (0.01)	\$ (0.02)	\$ (0.01)	\$ (0.01)
Impact of certain hedges that do not qualify for hedge accounting	\$ (0.01)	\$ (0.02)	\$ 0.02	\$ (0.02)	\$ 0.01	\$ 0.02	\$ (0.01)	\$ —	\$ (0.01)	\$ 0.03	\$ (0.01)	\$ 0.06
Impact of fair value adjustments on share-based payment awards at MFS	\$ 0.03	\$ 0.01	\$ (0.01)	\$ 0.05	\$ (0.02)	\$ (0.03)	\$ —	\$ (0.05)	\$ (0.07)	\$ (0.01)	\$ (0.21)	\$ (0.38)
Impact of acquisition, integration and restructuring	\$ (0.01)	\$ 0.02	\$ (0.11)	\$ (0.02)	\$ —	\$ —	\$ (0.01)	\$ —	\$ (0.02)	\$ (0.13)	\$ (0.04)	\$ (0.10)
Diluted earnings per share - reported	\$ 0.78	\$ 0.88	\$ 0.87	\$ 0.79	\$ 1.18	\$ 0.72	\$ 0.81	\$ 0.71	\$ 0.69	\$ 3.55	\$ 2.86	\$ 2.78

⁽¹⁾ Represents the number of common shares treated as outstanding in the calculation of diluted EPS, based on the assumed conversion of the SLEECs. No adjustment is reflected for periods in which the SLEECs conversion would have caused an anti-dilutive result.

⁽²⁾ The SLEECs contain features which enable the holders to convert these securities into preferred shares of Sun Life Assurance Company of Canada. Following this conversion, the Company has the option to settle the preferred shares with cash prior to the conversion to common shares of SLF Inc. Under IFRS, diluted EPS are calculated by adjusting income and the weighted average number of shares for the effects of all dilutive potential common shares under the assumption that convertible instruments are converted and that outstanding options are exercised.

⁽³⁾ Represents after-tax interest expense on SLEECs converted into common shares that is added to net income as the SLEECs are assumed to be converted at the beginning of each reporting period in the calculation of diluted EPS.

SLF CANADA
(C\$ millions)

STATEMENTS OF OPERATIONS	At and For the Quarter Ended									At and For the Year Ended		
	2016		2015			2014			2015	2014	2013	
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2			
Revenue												
Premiums - life insurance	1,000	960	1,005	956	916	906	952	878	883	3,783	3,580	3,364
Premiums - health insurance	1,074	1,074	1,032	1,039	1,004	1,030	1,013	979	965	4,105	3,951	3,795
Premiums - annuities	492	389	1,288	345	732	350	679	664	511	2,715	2,227	2,122
Gross premiums	2,566	2,423	3,325	2,340	2,652	2,286	2,644	2,521	2,359	10,603	9,758	9,281
Ceded premiums	(911)	(908)	(1,416)	(1,391)	(1,420)	(1,355)	(1,298)	(1,242)	(1,244)	(5,582)	(5,058)	(4,889)
Net premiums	1,655	1,515	1,909	949	1,232	931	1,346	1,279	1,115	5,021	4,700	4,392
Net investment income (loss)	2,106	1,743	640	202	(741)	2,426	1,705	967	1,569	2,527	6,017	695
Fee income	245	243	276	238	243	241	248	224	221	998	909	824
Total revenue	4,006	3,501	2,825	1,389	734	3,598	3,299	2,470	2,905	8,546	11,626	5,911
Policy benefits and expenses												
Gross claims & benefits paid	2,158	2,105	2,113	1,978	2,153	2,094	2,001	1,824	1,895	8,338	7,699	7,337
Change in investment/insurance contract liabilities & reinsurance assets	1,701	1,359	1,025	(224)	(1,225)	1,956	1,671	882	1,288	1,532	5,079	(336)
Operating expenses, commissions and other expenses	779	727	755	736	717	679	690	650	658	2,887	2,647	2,465
Reinsurance expenses (recoveries)	(829)	(831)	(1,308)	(1,307)	(1,346)	(1,266)	(1,205)	(1,181)	(1,150)	(5,227)	(4,723)	(4,576)
Total policy benefits and expenses	3,809	3,360	2,585	1,183	299	3,463	3,157	2,175	2,691	7,530	10,702	4,890
Income (loss) before income taxes	197	141	240	206	435	135	142	295	214	1,016	924	1,021
Income tax expense (benefit)	8	(28)	29	58	100	(10)	20	55	26	177	129	149
Participating policyholders' net income (loss)	4	—	1	21	(2)	(5)	5	(1)	(1)	15	5	(7)
Common shareholders' reported net income (loss)	185	169	210	127	337	150	117	241	189	824	790	879
Certain hedges that do not qualify for hedge accounting	(6)	(13)	10	(10)	6	15	(6)	2	(8)	21	(7)	38
Acquisition, integration and restructuring	—	—	—	—	—	—	—	—	—	—	—	16
Common shareholders' operating net income (loss)	191	182	200	137	331	135	123	239	197	803	797	825
Market related impacts	(5)	(24)	(56)	(51)	70	(69)	(54)	(33)	(2)	(106)	(77)	89
Assumption changes and management actions	(4)	(12)	(13)	14	11	3	(4)	35	4	15	51	(63)
Common shareholders' underlying net income (loss)	200	218	269	174	250	201	181	237	195	894	823	799
Return on equity - operating	9.8 %	9.5 %	10.5 %	7.0 %	17.0 %	7.1 %	6.6 %	12.9 %	10.7 %	10.5 %	10.8 %	11.3 %
Return on equity - underlying	10.3 %	11.4 %	14.1 %	9.0 %	12.8 %	10.6 %	9.7 %	12.8 %	10.6 %	11.6 %	11.2 %	n/a
PREMIUMS & DEPOSITS												
Net premiums	1,655	1,515	1,909	949	1,232	931	1,346	1,279	1,115	5,021	4,700	4,392
Segregated fund deposits	2,622	2,520	2,260	2,360	4,183	2,141	1,775	1,660	2,364	10,944	8,117	7,383
Retail mutual fund deposits (Sun Life Global Investments)	405	453	383	288	322	325	204	198	173	1,318	750	365
ASO premium & deposit equivalents	1,467	1,498	1,441	1,452	1,500	1,496	1,604	1,368	1,274	5,889	5,776	5,043
Total	6,149	5,986	5,993	5,049	7,237	4,893	4,929	4,505	4,926	23,172	19,343	17,183
SALES												
Individual Insurance	99	71	100	98	85	67	88	75	75	350	303	275
Individual Wealth	1,192	1,498	1,370	1,244	1,327	1,457	1,214	1,075	1,077	5,398	4,768	3,946
Group Benefits	114	150	78	139	102	167	209	81	78	486	540	395
Group Retirement Services	1,554	1,519	2,215	2,177	3,492	6,599	2,999	1,275	1,913	14,483	8,998	4,859
ASSETS UNDER MANAGEMENT												
General funds	81,640	79,147	78,109	76,256	76,071	76,869	73,810	71,707	70,807	78,109	73,810	67,297
Segregated funds	74,668	72,411	72,633	70,329	71,989	70,966	66,859	65,488	66,006	72,633	66,859	60,116
Other AUM	2,251	2,021	1,818	1,590	1,444	1,264	1,020	866	717	1,818	1,020	493
Total	158,559	153,579	152,560	148,175	149,504	149,099	141,689	138,061	137,530	152,560	141,689	127,906
SLGI client-managed AUM ⁽¹⁾	14,075	12,987	12,281	11,252	10,858	10,524	9,526	8,980	8,424	12,281	9,526	7,241

⁽¹⁾ Represent net asset value of mutual fund and segregated fund assets managed by Sun Life Global Investments (Canada) Inc.

SLF CANADA - INDIVIDUAL INSURANCE & WEALTH
(C\$ millions)

STATEMENTS OF OPERATIONS	At and For the Quarter Ended									At and For the Year Ended		
	2016		2015		2014		2013		2015	2014	2013	
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2			
Revenue												
Gross premiums	989	954	1,055	963	897	885	1,040	873	882	3,800	3,725	3,540
Ceded premiums	(144)	(130)	(154)	(122)	(133)	(122)	(144)	(112)	(124)	(531)	(493)	(458)
Net premiums	845	824	901	841	764	763	896	761	758	3,269	3,232	3,082
Net investment income (loss)	1,700	1,332	465	170	(790)	1,960	1,442	753	1,233	1,805	4,821	127
Fee income	85	86	118	87	88	87	106	81	81	380	348	319
Total revenue	2,630	2,242	1,484	1,098	62	2,810	2,444	1,595	2,072	5,454	8,401	3,528
Policy benefits and expenses												
Gross claims & benefits paid	730	737	799	732	769	800	807	696	756	3,100	3,067	2,793
Change in investment/insurance contract liabilities & reinsurance assets	1,503	1,160	298	(18)	(1,208)	1,729	1,268	567	949	801	3,850	(597)
Operating expenses, commissions and other expenses	433	389	418	417	392	364	382	359	359	1,591	1,455	1,324
Reinsurance expenses (recoveries)	(104)	(105)	(111)	(100)	(116)	(97)	(106)	(94)	(87)	(424)	(383)	(368)
Total policy benefits and expenses	2,562	2,181	1,404	1,031	(163)	2,796	2,351	1,528	1,977	5,068	7,989	3,152
Income (loss) before income taxes	68	61	80	67	225	14	93	67	95	386	412	376
Income tax expense (benefit)	(11)	(24)	(5)	10	46	(28)	12	(1)	5	23	28	7
Participating policyholders' net income (loss)	4	—	1	21	(2)	(5)	5	(1)	(1)	15	5	(7)
Common shareholders' reported net income (loss)	75	85	84	36	181	47	76	69	91	348	379	376
Certain hedges that do not qualify for hedge accounting	(4)	(8)	6	(6)	3	9	(4)	1	(5)	12	(5)	22
Acquisition, integration and restructuring	—	—	—	—	—	—	—	—	—	—	—	(3)
Common shareholders' operating net income (loss)	79	93	78	42	178	38	80	68	96	336	384	357
PREMIUMS & DEPOSITS												
Net premiums	845	824	901	841	764	763	896	761	758	3,269	3,232	3,082
Segregated fund deposits	177	197	154	151	144	123	98	98	100	572	436	419
Retail mutual fund deposits (Sun Life Global Investments)	405	453	383	288	322	325	204	198	173	1,318	750	365
Total	1,427	1,474	1,438	1,280	1,230	1,211	1,198	1,057	1,031	5,159	4,418	3,866
SALES												
Individual Insurance - Career Sales Force	53	41	59	46	51	39	54	43	49	195	181	183
Individual Insurance - Third-party	46	30	41	52	34	28	34	32	26	155	122	92
Total insurance sales	99	71	100	98	85	67	88	75	75	350	303	275
Individual Wealth - fixed products	206	263	288	256	215	225	333	251	228	984	1,213	1,287
Individual Wealth - mutual funds	808	1,040	928	836	979	1,109	783	725	750	3,852	3,119	2,240
Individual Wealth - segregated funds	178	195	154	152	133	123	98	99	99	562	436	419
Total wealth sales	1,192	1,498	1,370	1,244	1,327	1,457	1,214	1,075	1,077	5,398	4,768	3,946
Career Sales Force - sales power	4,004	4,039	4,101	3,943	3,869	3,875	3,929	3,881	3,861	4,101	3,929	3,828
ASSETS UNDER MANAGEMENT												
General funds	55,148	53,203	52,077	51,252	51,226	52,080	49,874	48,380	47,713	52,077	49,874	45,351
Segregated funds	11,980	11,882	12,280	12,296	12,924	13,361	13,018	13,136	13,292	12,280	13,018	12,966
Other AUM	2,251	2,021	1,818	1,590	1,444	1,264	1,020	866	717	1,818	1,020	493
Total assets under management	69,379	67,106	66,175	65,138	65,594	66,705	63,912	62,382	61,722	66,175	63,912	58,810
Mutual fund dealers' assets	17,328	16,892	16,977	16,388	16,771	16,655	15,326	14,828	14,505	16,977	15,326	12,869
Total assets under administration	86,707	83,998	83,152	81,526	82,365	83,360	79,238	77,210	76,227	83,152	79,238	71,679

SLF CANADA - GROUP BENEFITS
(C\$ millions)
STATEMENTS OF OPERATIONS

	At and For the Quarter Ended									At and For the Year Ended		
	2016		2015			2014			2015	2014	2013	
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2			
Revenue												
Gross premiums	1,211	1,220	1,171	1,179	1,149	1,185	1,154	1,130	1,120	4,684	4,565	4,431
Ceded premiums	(679)	(688)	(1,171)	(1,179)	(1,149)	(1,185)	(1,154)	(1,130)	(1,120)	(4,684)	(4,565)	(4,431)
Net premiums	532	532	—	—	—	—	—	—	—	—	—	—
Net investment income (loss)	200	193	124	76	34	252	165	129	170	486	668	331
Fee income	57	58	58	54	56	56	47	50	49	224	195	192
Total revenue	789	783	182	130	90	308	212	179	219	710	863	523
Policy benefits and expenses												
Gross claims & benefits paid	995	989	938	894	952	913	918	857	887	3,697	3,582	3,559
Change in investment/insurance contract liabilities & reinsurance assets	90	109	6	35	(143)	223	105	35	109	121	388	(126)
Operating expenses, commissions and other expenses	248	239	240	232	234	224	221	211	218	930	861	844
Reinsurance expenses (recoveries)	(639)	(639)	(1,109)	(1,119)	(1,094)	(1,124)	(1,099)	(1,087)	(1,063)	(4,446)	(4,340)	(4,208)
Total policy benefits and expenses	694	698	75	42	(51)	236	145	16	151	302	491	69
Income (loss) before income taxes	95	85	107	88	141	72	67	163	68	408	372	454
Income tax expense (benefit)	24	19	18	20	32	14	13	38	17	84	82	100
Common shareholders' reported net income (loss)	71	66	89	68	109	58	54	125	51	324	290	354
Certain hedges that do not qualify for hedge accounting	(1)	(3)	3	(3)	2	4	(1)	1	(2)	6	—	11
Acquisition, integration and restructuring	—	—	—	—	—	—	—	—	—	—	—	9
Common shareholders' operating net income (loss)	72	69	86	71	107	54	55	124	53	318	290	334
PREMIUMS & DEPOSITS												
Net premiums	532	532	—	—	—	—	—	—	—	—	—	—
ASO premium equivalents	1,200	1,198	1,193	1,186	1,149	1,132	1,094	1,049	1,039	4,660	4,213	3,989
Total	1,732	1,730	1,193	1,186	1,149	1,132	1,094	1,049	1,039	4,660	4,213	3,989
SALES	114	150	78	139	102	167	209	81	78	486	540	395
ASSETS UNDER MANAGEMENT												
General funds	13,706	13,442	13,511	13,415	13,278	13,330	12,990	12,796	12,674	13,511	12,990	12,275
SUPPLEMENTAL INFORMATION												
Business in-force	9,280	9,221	9,071	8,994	8,822	8,786	8,564	8,336	8,305	9,071	8,564	8,085

SLF CANADA - GROUP RETIREMENT SERVICES
(C\$ millions)

	At and For the Quarter Ended									At and For the Year Ended		
	2016		2015		2014		2014		2015	2014	2013	
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2			
STATEMENTS OF OPERATIONS												
Revenue												
Gross premiums	366	249	1,099	198	606	216	450	518	357	2,119	1,468	1,310
Ceded premiums	(88)	(90)	(91)	(90)	(138)	(48)	—	—	—	(367)	—	—
Net premiums	278	159	1,008	108	468	168	450	518	357	1,752	1,468	1,310
Net investment income (loss)	206	218	51	(44)	15	214	98	85	166	236	528	237
Fee income	103	99	100	97	99	98	95	93	91	394	366	313
Total revenue	587	476	1,159	161	582	480	643	696	614	2,382	2,362	1,860
Policy benefits and expenses												
Gross claims & benefits paid	433	379	376	352	432	381	276	271	252	1,541	1,050	985
Change in investment/insurance contract liabilities & reinsurance assets	108	90	721	(241)	126	4	298	280	230	610	841	387
Operating expenses, commissions and other expenses	98	99	97	87	91	91	87	80	81	366	331	297
Reinsurance expenses (recoveries)	(86)	(87)	(88)	(88)	(136)	(45)	—	—	—	(357)	—	—
Total policy benefits and expenses	553	481	1,106	110	513	431	661	631	563	2,160	2,222	1,669
Income (loss) before income taxes	34	(5)	53	51	69	49	(18)	65	51	222	140	191
Income tax expense (benefit)	(5)	(23)	16	28	22	4	(5)	18	4	70	19	42
Common shareholders' reported net income (loss)	39	18	37	23	47	45	(13)	47	47	152	121	149
Certain hedges that do not qualify for hedge accounting	(1)	(2)	1	(1)	1	2	(1)	—	(1)	3	(2)	5
Acquisition, integration and restructuring	—	—	—	—	—	—	—	—	—	—	—	10
Common shareholders' operating net income (loss)	40	20	36	24	46	43	(12)	47	48	149	123	134
PREMIUMS & DEPOSITS												
Net premiums	278	159	1,008	108	468	168	450	518	357	1,752	1,468	1,310
Segregated fund deposits	2,445	2,323	2,106	2,209	4,039	2,018	1,677	1,562	2,264	10,372	7,681	6,964
ASO deposit equivalents	267	300	248	266	351	364	510	319	235	1,229	1,563	1,054
Total	2,990	2,782	3,362	2,583	4,858	2,550	2,637	2,399	2,856	13,353	10,712	9,328
SALES												
Sales	1,042	988	1,528	1,634	2,957	895	2,518	885	1,562	7,014	7,417	3,514
Asset consolidation and rollovers	512	531	687	543	535	444	481	390	351	2,209	1,581	1,345
Large case longevity insurance sales	—	—	—	—	—	5,260	—	—	—	5,260	—	—
	1,554	1,519	2,215	2,177	3,492	6,599	2,999	1,275	1,913	14,483	8,998	4,859
ASSETS UNDER MANAGEMENT												
General funds	12,786	12,502	12,521	11,589	11,567	11,459	10,946	10,531	10,420	12,521	10,946	9,671
Segregated funds	62,688	60,529	60,353	58,033	59,065	57,605	53,841	52,352	52,714	60,353	53,841	47,150
Total assets under management	75,474	73,031	72,874	69,622	70,632	69,064	64,787	62,883	63,134	72,874	64,787	56,821
ASSETS UNDER ADMINISTRATION												
	82,912	80,365	80,097	76,701	77,937	76,836	74,255	71,984	71,253	80,097	74,255	64,337

SLF U.S.

(C\$ millions)

	At and For the Quarter Ended									At and For the Year Ended		
	2016		2015			2014			2015	2014	2013	
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2			
STATEMENTS OF OPERATIONS												
Revenue												
Premiums - life insurance	662	596	718	560	569	535	540	683	640	2,382	2,491	2,645
Premiums - health insurance	910	760	616	596	560	561	505	483	470	2,333	1,940	1,635
Premiums - annuities	2	2	24	25	51	43	43	144	72	143	325	405
Gross premiums	1,574	1,358	1,358	1,181	1,180	1,139	1,088	1,310	1,182	4,858	4,756	4,685
Ceded premiums	(147)	(156)	(177)	(153)	(151)	(146)	(9)	(130)	(128)	(627)	(388)	(487)
Net premiums	1,427	1,202	1,181	1,028	1,029	993	1,079	1,180	1,054	4,231	4,368	4,198
Net investment income (loss)	1,314	1,523	(6)	814	(797)	801	933	395	800	812	3,089	(247)
Fee income	60	57	58	51	50	51	46	46	45	210	180	158
Total revenue	2,801	2,782	1,233	1,893	282	1,845	2,058	1,621	1,899	5,253	7,637	4,109
Policy benefits and expenses												
Gross claims & benefits paid	1,321	1,199	1,080	1,116	955	987	1,043	935	909	4,138	3,773	3,240
Change in investment/insurance contract liabilities & reinsurance assets	1,120	1,266	(120)	648	(1,004)	690	644	543	730	214	2,808	(381)
Operating expenses, commissions and other expenses	453	381	323	300	295	296	342	337	319	1,214	1,305	1,181
Reinsurance expenses (recoveries)	(162)	(182)	(200)	(183)	(170)	(183)	(170)	(175)	(196)	(736)	(676)	(510)
Total policy benefits and expenses	2,732	2,664	1,083	1,881	76	1,790	1,859	1,640	1,762	4,830	7,210	3,530
Income (loss) before income taxes	69	118	150	12	206	55	199	(19)	137	423	427	579
Income tax expense (benefit)	14	20	50	(52)	72	20	30	(15)	36	90	82	(22)
Participating policyholders' net income (loss)	1	3	—	—	—	—	1	—	1	—	4	2
Common shareholders' reported net income (loss)	54	95	100	64	134	35	168	(4)	100	333	341	599
Acquisition, integration and restructuring	(10)	(15)	(63)	—	—	—	—	—	—	(63)	—	(38)
Common shareholders' operating net income (loss)	64	110	163	64	134	35	168	(4)	100	396	341	637
Market related impacts	(50)	2	15	(23)	29	9	18	(6)	(15)	30	(40)	60
Assumption changes and management actions	—	(3)	(10)	(10)	—	(55)	137	(46)	4	(75)	115	286
Common shareholders' underlying net income (loss)	114	111	158	97	105	81	13	48	111	441	266	291
PREMIUMS & DEPOSITS												
Net premiums	1,427	1,202	1,181	1,028	1,029	993	1,079	1,180	1,054	4,231	4,368	4,198
Segregated fund deposits	—	1	1	1	7	2	1	5	10	11	47	27
Total	1,427	1,203	1,182	1,029	1,036	995	1,080	1,185	1,064	4,242	4,415	4,225
SALES⁽¹⁾												
Group Benefits	157	113	398	154	100	71	371	117	111	723	669	692
International - Individual insurance	22	16	29	15	20	14	10	38	31	78	105	120
ASSETS UNDER MANAGEMENT												
General funds	45,740	44,743	42,890	40,407	37,265	39,021	34,820	35,101	32,805	42,890	34,820	30,640
Segregated funds	1,296	1,305	1,379	1,350	1,353	1,465	1,363	1,333	1,336	1,379	1,363	1,370
Other AUM ⁽²⁾	4,799	5,134	5,653	5,557	5,680	5,847	5,373	5,248	4,987	5,653	5,373	142
Total	51,835	51,182	49,922	47,314	44,298	46,333	41,556	41,682	39,128	49,922	41,556	32,152

⁽¹⁾ Effective Q1 2016, we no longer report U.S. investment product sales in SLF U.S.'s International wealth business, which was closed to new sales in December 2015.

⁽²⁾ Beginning 2014, we included other AUM of SLF U.S. International.

SLF U.S.

(US\$ millions)

STATEMENTS OF OPERATIONS	At and For the Quarter Ended									At and For the Year Ended		
	2016		2015			2014			2015	2014	2013	
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2			
Revenue												
Premiums - life insurance	514	434	536	429	462	432	475	628	588	1,859	2,261	2,566
Premiums - health insurance	706	554	461	456	455	453	446	444	431	1,825	1,758	1,588
Premiums - annuities	1	2	18	19	41	35	37	133	66	113	295	395
Gross premiums	1,221	990	1,015	904	958	920	958	1,205	1,085	3,797	4,314	4,549
Ceded premiums	(114)	(114)	(132)	(117)	(122)	(119)	(9)	(119)	(118)	(490)	(355)	(472)
Net premiums	1,107	876	883	787	836	801	949	1,086	967	3,307	3,959	4,077
Net investment income (loss)	1,020	1,109	(4)	625	(646)	670	823	364	732	645	2,795	(244)
Fee income	47	42	44	39	40	41	40	42	41	164	163	153
Total revenue	2,174	2,027	923	1,451	230	1,512	1,812	1,492	1,740	4,116	6,917	3,986
Policy benefits and expenses												
Gross claims & benefits paid	1,026	873	808	853	777	798	919	859	833	3,236	3,416	3,147
Change in investment/insurance contract liabilities & reinsurance assets	868	923	(88)	498	(816)	591	569	501	669	185	2,551	(369)
Operating expenses, commissions and other expenses	352	277	240	229	242	239	301	309	293	950	1,181	1,145
Reinsurance expenses (recoveries)	(126)	(132)	(148)	(140)	(140)	(149)	(149)	(162)	(179)	(577)	(613)	(495)
Total policy benefits and expenses	2,120	1,941	812	1,440	63	1,479	1,640	1,507	1,616	3,794	6,535	3,428
Income (loss) before income taxes	54	86	111	11	167	33	172	(15)	124	322	382	558
Income tax expense (benefit)	11	15	37	(39)	59	14	26	(13)	31	71	74	(21)
Participating policyholders' net income (loss)	1	2	(1)	1	—	—	—	1	1	—	3	2
Common shareholders' reported net income (loss)	42	69	75	49	108	19	146	(3)	92	251	305	577
Acquisition, integration and restructuring	(8)	(11)	(46)	—	—	—	—	—	—	(46)	—	(37)
Common shareholders' operating net income (loss)	50	80	121	49	108	19	146	(3)	92	297	305	614
Market related impacts	(40)	1	11	(16)	23	8	16	(6)	(13)	26	(37)	59
Assumption changes and management actions	—	(2)	(8)	(8)	—	(54)	121	(42)	4	(70)	102	273
Common shareholders' underlying net income (loss)	90	81	118	73	85	65	9	45	101	341	240	282
Return on equity - operating ⁽¹⁾	5.8 %	10.0 %	17.9 %	7.5 %	16.2 %	2.8 %	22.0 %	(0.4)%	13.7 %	11.2 %	11.3 %	nm
Return on equity - underlying	10.4 %	10.2 %	17.4 %	11.2 %	12.7 %	9.7 %	1.3 %	6.8 %	15.1 %	12.8 %	8.9 %	n/a
PREMIUMS & DEPOSITS												
Net premiums	1,107	876	883	787	836	801	949	1,086	967	3,307	3,959	4,077
Segregated fund deposits	—	1	1	1	5	2	1	5	9	9	43	27
Total	1,107	877	884	788	841	803	950	1,091	976	3,316	4,002	4,104
SALES ⁽²⁾												
Group Benefits	121	82	298	118	81	57	326	107	102	554	599	666
International - Individual insurance	17	12	22	11	16	12	9	35	29	61	97	117
ASSETS UNDER MANAGEMENT												
General funds	35,379	34,366	30,992	30,354	29,833	30,759	29,970	31,351	30,754	30,992	29,970	28,851
Segregated funds	1,003	1,004	997	1,014	1,084	1,155	1,173	1,191	1,252	997	1,173	1,290
Other AUM ⁽³⁾	3,714	3,948	4,085	4,174	4,547	4,609	4,625	4,687	4,675	4,085	4,625	134
Total	40,096	39,318	36,074	35,542	35,464	36,523	35,768	37,229	36,681	36,074	35,768	30,275

⁽¹⁾ The operating ROE measure for the year ended 2013 is not meaningful as it was from Continuing Operations and Discontinued Operations (as described in our 2015 annual MD&A), which is not comparable given the change in the composition of the business.

⁽²⁾ Effective Q1 2016, we no longer report U.S. investment product sales in SLF U.S.'s International wealth business, which was closed to new sales in December 2015.

⁽³⁾ Beginning 2014, we included other AUM of SLF U.S. International.

SLF U.S. - GROUP BENEFITS ⁽¹⁾

(US\$ millions)

STATEMENTS OF OPERATIONS	At and For the Quarter Ended									At and For the Year Ended		
	2016		2015			2014			2015	2014	2013	
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2			
Revenue												
Gross premiums	908	726	622	613	614	616	615	603	592	2,465	2,405	2,237
Ceded premiums	(31)	(43)	(48)	(40)	(40)	(52)	(52)	(41)	(44)	(180)	(182)	(169)
Net premiums	877	683	574	573	574	564	563	562	548	2,285	2,223	2,068
Net investment income (loss)	122	109	25	31	1	57	35	31	49	114	161	86
Fee income	16	7	2	3	2	3	2	3	2	10	10	12
Total revenue	1,015	799	601	607	577	624	600	596	599	2,409	2,394	2,166
Policy benefits and expenses												
Gross claims & benefits paid	706	553	481	468	446	423	466	448	452	1,818	1,783	1,622
Change in investment/insurance contract liabilities & reinsurance assets	46	50	(13)	(3)	(25)	19	95	42	49	(22)	221	(16)
Operating expenses, commissions and other expenses	283	215	160	162	163	166	184	173	168	651	685	647
Reinsurance expenses (recoveries)	(43)	(54)	(62)	(44)	(41)	(42)	(46)	(50)	(73)	(189)	(208)	(170)
Total policy benefits and expenses	992	764	566	583	543	566	699	613	596	2,258	2,481	2,083
Income (loss) before income taxes	23	35	35	24	34	58	(99)	(17)	3	151	(87)	83
Income tax expense (benefit)	12	7	12	8	12	20	(35)	(6)	—	52	(32)	28
Common shareholders' reported net income (loss)	11	28	23	16	22	38	(64)	(11)	3	99	(55)	55
Acquisition, integration and restructuring	(8)	(11)	—	—	—	—	—	—	—	—	—	2
Common shareholders' operating net income (loss)	19	39	23	16	22	38	(64)	(11)	3	99	(55)	53
PREMIUMS & DEPOSITS												
Net premiums	877	683	574	573	574	564	563	562	548	2,285	2,223	2,068
ASSETS UNDER MANAGEMENT												
General Funds	7,685	7,563	4,879	4,965	4,900	4,914	4,746	4,598	4,562	4,879	4,746	4,430
SALES ⁽²⁾												
Group Life & Health	89	62	250	86	70	41	264	66	79	447	454	488
Voluntary	32	20	48	32	11	16	62	41	23	107	145	178
Total	121	82	298	118	81	57	326	107	102	554	599	666
BUSINESS IN-FORCE ⁽²⁾												
Group Life & Health	2,690	2,886	1,959	1,942	1,933	1,906	1,976	1,909	1,912	1,959	1,976	1,943
Voluntary	1,159	1,126	622	572	565	574	579	555	548	622	579	524
Total	3,849	4,012	2,581	2,514	2,498	2,480	2,555	2,464	2,460	2,581	2,555	2,467

⁽¹⁾ Effective March 1, 2016, our results have included Assurant, Inc.'s Employee Benefits acquired business.

⁽²⁾ 2016 sales and business in-force splits between Group Life & Health and Voluntary are based on the respective methodologies of Sun Life and Assurant, Inc.

SLF U.S. - INTERNATIONAL

(US\$ millions)

	At and For the Quarter Ended									At and For the Year Ended		
	2016		2015			2014			2015	2014	2013	
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2			
STATEMENTS OF OPERATIONS												
Revenue												
Gross premiums	170	120	240	137	191	150	127	444	329	718	1,211	1,632
Ceded premiums	(7)	(6)	(9)	(9)	(8)	(5)	(9)	(9)	(7)	(31)	(30)	(26)
Net premiums	163	114	231	128	183	145	118	435	322	687	1,181	1,606
Net investment income (loss)	282	321	(42)	203	(220)	201	226	96	189	142	740	(166)
Fee income	30	32	38	34	35	35	38	38	38	142	150	136
Total revenue	475	467	227	365	(2)	381	382	569	549	971	2,071	1,576
Policy benefits and expenses												
Gross claims & benefits paid	67	58	74	102	74	86	164	114	104	336	483	515
Change in investment/insurance contract liabilities & reinsurance assets	340	342	72	148	(131)	248	98	351	348	337	1,192	621
Operating expenses, commissions and other expenses	44	43	79	48	54	47	47	74	66	228	249	280
Reinsurance expenses (recoveries)	—	—	—	(2)	—	(3)	(6)	(4)	(7)	(5)	(19)	(27)
Total policy benefits and expenses	451	443	225	296	(3)	378	303	535	511	896	1,905	1,389
Income (loss) before income taxes	24	24	2	69	1	3	79	34	38	75	166	187
Income tax expense (benefit)	1	1	2	2	2	1	1	1	2	7	5	3
Common shareholders' reported net income (loss)	23	23	—	67	(1)	2	78	33	36	68	161	184
Acquisition, integration and restructuring	—	—	(46)	—	—	—	—	—	—	(46)	—	25
Common shareholders' operating net income (loss)	23	23	46	67	(1)	2	78	33	36	114	161	159
PREMIUMS & DEPOSITS												
Net premiums	163	114	231	128	183	145	118	435	322	687	1,181	1,606
Segregated fund deposits	—	1	1	1	5	2	1	5	9	9	19	12
Total	163	115	232	129	188	147	119	440	331	696	1,200	1,618
SALES⁽¹⁾												
Individual insurance	17	12	22	11	16	12	9	35	29	61	97	117
ACCOUNT VALUE												
Individual insurance	7,490	7,343	7,230	7,025	6,941	6,798	6,684	6,603	6,298	7,230	6,684	5,797
Investment products	4,287	4,542	4,711	4,744	5,181	5,299	5,338	5,427	5,468	4,711	5,338	5,260
Total	11,777	11,885	11,941	11,769	12,122	12,097	12,022	12,030	11,766	11,941	12,022	11,057
ASSETS UNDER MANAGEMENT												
General funds	8,742	8,476	8,001	7,952	7,720	7,866	7,578	7,411	7,064	8,001	7,578	6,208
Segregated funds	608	621	626	639	707	764	791	821	881	626	791	957
Other AUM ⁽²⁾	3,644	3,868	4,003	4,084	4,453	4,513	4,523	4,579	4,559	4,003	4,523	—
Total	12,994	12,965	12,630	12,675	12,880	13,143	12,892	12,811	12,504	12,630	12,892	7,165
ASSETS UNDER ADMINISTRATION												
	12,994	12,965	12,630	12,675	12,880	13,143	12,892	12,811	12,504	12,630	12,892	11,437

⁽¹⁾ Effective Q1 2016, we no longer report U.S. investment product sales in SLF U.S.'s International wealth business, which was closed to new sales in December 2015.

⁽²⁾ Beginning 2014, we included other AUM of SLF U.S. International.

SLF U.S. - IN-FORCE MANAGEMENT

(US\$ millions)

STATEMENTS OF OPERATIONS	At and For the Quarter Ended									At and For the Year Ended		
	2016		2015			2014			2015	2014	2013	
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2			
Revenue												
Gross premiums	143	144	153	154	153	154	216	158	164	614	698	679
Ceded premiums	(76)	(65)	(75)	(68)	(74)	(62)	52	(69)	(67)	(279)	(143)	(277)
Net premiums	67	79	78	86	79	92	268	89	97	335	555	402
Net investment income (loss)	616	679	13	391	(427)	412	562	237	494	389	1,894	(164)
Fee income	1	3	4	2	3	3	—	1	1	12	3	6
Total revenue	684	761	95	479	(345)	507	830	327	592	736	2,452	244
Policy benefits and expenses												
Gross claims & benefits paid	253	262	253	283	257	289	289	297	277	1,082	1,150	1,009
Change in investment/insurance contract liabilities & reinsurance assets	482	531	(147)	353	(660)	324	376	108	272	(130)	1,138	(975)
Operating expenses, commissions and other expenses	25	19	1	19	25	26	70	62	59	71	247	219
Reinsurance expenses (recoveries)	(83)	(78)	(86)	(94)	(99)	(104)	(97)	(108)	(99)	(383)	(386)	(298)
Total policy benefits and expenses	677	734	21	561	(477)	535	638	359	509	640	2,149	(45)
Income (loss) before income taxes	7	27	74	(82)	132	(28)	192	(32)	83	96	303	289
Income tax expense (benefit)	(2)	7	23	(49)	45	(7)	60	(8)	29	12	101	(51)
Participating policyholders' net income (loss)	1	2	(1)	1	—	—	—	1	1	—	3	2
Common shareholders' reported net income (loss)	8	18	52	(34)	87	(21)	132	(25)	53	84	199	338
Acquisition, integration and restructuring	—	—	—	—	—	—	—	—	—	—	—	(64)
Common shareholders' operating net income (loss)	8	18	52	(34)	87	(21)	132	(25)	53	84	199	402
PREMIUMS & DEPOSITS												
Net premiums	67	79	78	86	79	92	268	89	97	335	555	402
Segregated fund deposits	—	—	—	—	—	—	—	—	—	—	24	15
Total	67	79	78	86	79	92	268	89	97	335	579	417
ACCOUNT VALUE												
Individual insurance - domestic	4,603	4,605	4,613	4,602	4,600	4,588	4,579	4,574	4,562	4,613	4,579	4,575
ASSETS UNDER MANAGEMENT												
General funds	18,952	18,327	18,112	17,437	17,213	17,979	17,646	19,342	19,128	18,112	17,646	18,213
Segregated funds	395	383	371	375	377	391	382	370	371	371	382	333
Other AUM	70	80	82	90	94	96	102	108	116	82	102	134
Total	19,417	18,790	18,565	17,902	17,684	18,466	18,130	19,820	19,615	18,565	18,130	18,680

SLF ASSET MANAGEMENT ⁽¹⁾

(C\$ millions)

FINANCIAL SUMMARY	At and For the Quarter Ended									At and For the Year Ended		
	2016		2015			2014				2015	2014	2013
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2			
Revenue												
Net investment income	(2)	5	3	—	2	(1)	(9)	(13)	3	4	(21)	(3)
Fee income	953	979	1,007	950	901	869	792	770	756	3,727	3,046	2,462
Total revenue	951	984	1,010	950	903	868	783	757	759	3,731	3,025	2,459
Expenses	674	698	723	637	634	622	538	540	572	2,616	2,202	1,938
Income (loss) before income taxes	277	286	287	313	269	246	245	217	187	1,115	823	521
Income tax expense (benefit)	104	109	110	109	107	98	88	80	86	424	332	269
Common shareholders' reported net income (loss)	173	177	177	204	162	148	157	137	101	691	491	252
Fair value adjustments on share-based payment awards at MFS	20	7	(6)	28	(11)	(20)	1	(31)	(44)	(9)	(125)	(229)
Acquisition, integration and restructuring	—	—	—	—	—	—	—	—	—	—	—	—
Common shareholders' operating net income (loss)	153	170	183	176	173	168	156	168	145	700	616	481
Other items	—	—	—	—	—	—	—	—	—	—	—	—
Common shareholders' underlying net income (loss)	153	170	183	176	173	168	156	168	145	700	616	481
Common shareholders' operating net income (loss)												
MFS	146	164	174	173	173	168	156	168	145	688	616	481
SLIM	7	6	9	3	—	—	—	—	—	12	—	—
Total	153	170	183	176	173	168	156	168	145	700	616	481
Gross Sales												
MFS	26,848	26,834	22,034	21,518	24,673	28,236	23,294	21,873	21,304	96,461	91,112	98,811
SLIM ⁽²⁾	1,334	1,774	1,564	879	619	—	—	—	—	3,062	—	—
Total	28,182	28,608	23,598	22,397	25,292	28,236	23,294	21,873	21,304	99,523	91,112	98,811
Net Sales												
MFS	(1,328)	(1,511)	(6,230)	(11,798)	(2,204)	(229)	(2,222)	(2,195)	1,547	(20,461)	1,231	24,714
SLIM ⁽²⁾	519	373	(214)	322	429	—	—	—	—	537	—	—
Total	(809)	(1,138)	(6,444)	(11,476)	(1,775)	(229)	(2,222)	(2,195)	1,547	(19,924)	1,231	24,714
Assets Under Management												
MFS	549,174	543,980	571,877	537,433	550,219	559,936	500,679	475,568	467,837	571,877	500,679	438,404
SLIM	48,580	57,068	57,761	55,617	8,062	—	—	—	—	57,761	—	—
Total	597,754	601,048	629,638	593,050	558,281	559,936	500,679	475,568	467,837	629,638	500,679	438,404

⁽¹⁾ SLF Asset Management includes SLIM's assets under management, gross sales and net sales as of the second quarter of 2015. SLIM's asset under management and gross sales were reported in the Corporate segment in Q1 2015 and previous periods.

⁽²⁾ In the second quarter of 2016, we moved our sales reporting methodology for Bentall Kennedy's real estate investment management operations from an investment property activity basis to a client cash flow basis to be consistent with the method used in our existing asset management operations. Prior periods from Q3 2015 have been restated.

MFS

(US\$ millions), unless otherwise noted

STATEMENTS OF OPERATIONS	At and For the Quarter Ended									At and For the Year Ended		
	2016		2015			2014			2015	2014	2013	
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2			
Revenue												
Net investment income	(2)	4	1	—	2	(1)	(8)	(13)	3	2	(20)	(4)
Fee income	690	664	703	703	732	702	697	708	693	2,840	2,759	2,389
Total revenue	688	668	704	703	734	701	689	695	696	2,842	2,739	2,385
Expenses	480	466	498	467	515	502	474	496	524	1,982	1,995	1,880
Income (loss) before income taxes	208	202	206	236	219	199	215	199	172	860	744	505
Income tax expense (benefit)	79	78	80	82	87	80	78	73	79	329	301	261
Non-controlling interest	—	—	—	—	—	—	—	—	—	—	—	—
Common shareholders' reported net income (loss)	129	124	126	154	132	119	137	126	93	531	443	244
Fair value adjustments on share-based payment awards at MFS	15	5	(5)	21	(9)	(16)	—	(28)	(40)	(9)	(114)	(221)
Acquisition, integration and restructuring	—	—	—	—	—	—	—	—	—	—	—	—
Common shareholders' operating net income (loss)	114	119	131	133	141	135	137	154	133	540	557	465
MUTUAL FUNDS - CHANGES IN ASSETS UNDER MANAGEMENT												
Opening AUM	203,308	200,463	194,260	205,824	204,041	195,521	189,859	191,734	180,249	195,521	172,718	128,844
Sales	14,414	13,068	12,124	11,885	15,117	16,310	13,748	12,838	14,106	55,436	56,351	58,009
Redemptions	(13,594)	(13,555)	(12,548)	(12,191)	(12,815)	(12,433)	(12,035)	(10,515)	(9,197)	(49,987)	(42,170)	(37,981)
Acquisitions/(dispositions)	—	—	—	—	—	—	—	—	—	—	—	—
Market movement	4,777	3,332	6,627	(11,258)	(519)	4,643	3,949	(4,198)	6,576	(507)	8,622	23,846
Closing AUM	208,905	203,308	200,463	194,260	205,824	204,041	195,521	189,859	191,734	200,463	195,521	172,718
MANAGED FUNDS - CHANGES IN ASSETS UNDER MANAGEMENT												
Opening AUM	215,010	212,773	209,461	234,668	237,340	235,430	234,907	246,849	240,376	235,430	240,092	193,941
Sales	6,421	6,475	4,384	4,574	4,952	6,469	6,764	7,263	5,433	20,379	26,156	37,953
Redemptions	(8,272)	(7,089)	(8,629)	(13,293)	(9,047)	(10,530)	(10,435)	(11,602)	(8,923)	(41,499)	(39,171)	(33,948)
Acquisitions/(dispositions)	—	—	—	—	—	—	—	—	—	—	—	(810)
Market movement	2,894	2,851	7,557	(16,488)	1,423	5,971	4,194	(7,603)	9,963	(1,537)	8,353	42,956
Closing AUM	216,053	215,010	212,773	209,461	234,668	237,340	235,430	234,907	246,849	212,773	235,430	240,092
SUPPLEMENTAL INFORMATION												
Pre-tax operating profit margin ratio	35 %	37 %	38 %	40 %	40 %	40 %	39 %	43 %	40 %	40 %	41 %	40 %
Total assets under management	424,958	418,318	413,236	403,721	440,492	441,381	430,951	424,766	438,583	413,236	430,951	412,810
Average net assets	423,038	398,907	420,235	429,514	450,278	436,352	427,257	434,729	427,896	434,038	425,545	367,541
Total gross sales	20,835	19,543	16,508	16,459	20,069	22,779	20,512	20,101	19,539	75,815	82,507	95,962
Total net sales	(1,031)	(1,101)	(4,669)	(9,025)	(1,793)	(184)	(1,958)	(2,016)	1,419	(15,671)	1,166	24,033
Liability for share-based compensation ⁽¹⁾	550	652	696	747	796	829	827	878	852	696	827	784
Diluted EPS impact - liability for share-based compensation ⁽²⁾	\$0.01	\$0.01	\$0.01	\$0.01	\$0.03	\$0.00	\$0.01	\$0.00	\$0.01	\$0.04	\$0.02	\$0.04
U.S. GAAP net income	122	127	141	145	155	148	146	170	147	589	609	499
Dividends paid to SLF	87	91	100	102	108	104	102	119	103	414	426	349

⁽¹⁾ Liability for stock options, restricted shares and outstanding shares of MFS.

⁽²⁾ This illustrates the reduction to the Company's diluted operating earnings per share for the period assuming the MFS liability for share-based compensation is settled in the shares of SLF Inc.

SLF ASIA
(C\$ millions)

STATEMENTS OF OPERATIONS	At and For the Quarter Ended									At and For the Year Ended		
	2016		2015			2014			2015	2014	2013	
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2			
Revenue												
Premiums - life insurance	460	431	436	274	228	257	253	201	183	1,195	823	773
Premiums - health insurance	4	5	4	4	4	4	2	5	4	16	14	10
Premiums - annuities	—	4	—	—	—	—	—	—	—	—	—	—
Gross premiums	464	440	440	278	232	261	255	206	187	1,211	837	783
Ceded premiums	(10)	(11)	(11)	(11)	(9)	(9)	(9)	(8)	(8)	(40)	(33)	(37)
Net premiums	454	429	429	267	223	252	246	198	179	1,171	804	746
Net investment income (loss)	553	467	(21)	(20)	(159)	252	291	99	261	52	832	110
Fee income	81	80	81	77	75	73	64	59	56	306	230	180
Total revenue	1,088	976	489	324	139	577	601	356	496	1,529	1,866	1,036
Policy benefits and expenses												
Gross claims & benefits paid	199	192	252	238	169	157	165	150	144	816	601	543
Change in investment/insurance contract liabilities & reinsurance assets	638	502	(47)	(167)	(276)	198	198	13	193	(292)	524	(134)
Operating expenses, commissions and other expenses	190	180	208	167	149	149	171	135	117	673	535	461
Reinsurance expenses (recoveries)	(25)	(6)	(8)	(5)	(8)	(6)	(6)	(4)	(5)	(27)	(19)	(17)
Total policy benefits and expenses	1,002	868	405	233	34	498	528	294	449	1,170	1,641	853
Income (loss) before income taxes	86	108	84	91	105	79	73	62	47	359	225	183
Income tax expense (benefit)	16	14	11	14	12	11	11	11	10	48	43	33
Participating policyholders' net income (loss) and non-controlling interest	2	3	—	—	—	—	—	—	—	—	—	—
Common shareholders' reported net income (loss)	68	91	73	77	93	68	62	51	37	311	182	150
Acquisition, integration and restructuring	—	31	—	—	—	—	—	—	—	—	—	(7)
Common shareholders' operating net income (loss)	68	60	73	77	93	68	62	51	37	311	182	157
Market related impacts	(13)	(11)	7	(17)	19	10	(8)	3	(1)	19	(12)	27
Assumption changes and management actions	(4)	3	14	27	3	(4)	20	—	(1)	40	20	7
Common shareholders' underlying net income (loss)	85	68	52	67	71	62	50	48	39	252	174	123
Return on equity - operating	7.1 %	6.7 %	8.0 %	9.1 %	11.0 %	8.6 %	8.4 %	7.5 %	5.8 %	9.2 %	6.8 %	6.9 %
Return on equity - underlying	9.0 %	7.6 %	5.6 %	7.8 %	8.4 %	7.7 %	6.8 %	7.1 %	6.1 %	7.4 %	6.5 %	n/a
PREMIUMS & DEPOSITS												
Net premiums	454	429	429	267	223	252	246	198	179	1,171	804	746
Segregated fund deposits	185	181	228	233	263	236	344	219	200	960	950	909
Mutual fund sales ⁽¹⁾	1,028	865	1,033	1,076	1,020	1,582	1,254	546	713	4,711	3,645	4,967
Managed fund sales	278	201	262	297	295	224	307	242	208	1,078	955	852
ASO deposits (pension administration)	278	292	329	306	281	273	251	270	221	1,189	972	930
Total	2,223	1,968	2,281	2,179	2,082	2,567	2,402	1,475	1,521	9,109	7,326	8,404
ASSETS UNDER MANAGEMENT ⁽²⁾												
General funds	14,528	13,583	13,551	12,915	12,456	12,922	11,568	10,845	10,112	13,551	11,568	9,519
Segregated funds	4,268	4,157	4,278	3,899	4,022	3,970	3,383	3,017	2,711	4,278	3,383	2,328
Other AUM	29,616	26,697	29,017	26,290	25,462	24,805	20,750	17,524	16,632	29,017	20,750	18,474
Total	48,412	44,437	46,846	43,104	41,940	41,697	35,701	31,386	29,455	46,846	35,701	30,321
ASSETS UNDER ADMINISTRATION ⁽³⁾	75,445	69,267	75,274	70,537	68,029	67,850	60,706	53,739	48,377	75,274	60,706	36,437
SALES - Proportionate JV ownership ⁽⁴⁾												
Individual life insurance												
Philippines	38	37	49	45	46	38	50	34	25	178	133	117
Hong Kong	49	38	57	30	24	33	42	32	26	144	124	103
Indonesia	12	12	14	9	11	11	12	10	9	45	41	38
India	12	16	8	8	6	15	8	9	7	37	40	52
China	15	12	9	9	10	12	10	12	16	40	49	40
Vietnam	1	3	1	5	2	1	3	2	2	9	7	7
Malaysia	12	9	9	8	10	8	7	7	7	35	28	16
Total life insurance sales	139	127	147	114	109	118	132	106	92	488	422	373
Total group life & health insurance sales	7	11	15	10	11	11	6	5	8	47	29	25
Total wealth sales ⁽¹⁾⁽⁵⁾	1,777	1,578	1,706	1,571	1,605	2,188	2,222	1,146	930	7,070	5,648	5,851
Constant Currency Sales ⁽⁶⁾												
Individual life insurance	138	118	141	111	109							
Wealth	1,774	1,489	1,622	1,506	1,605							

⁽¹⁾ Includes Birla Sun Life Asset Management Company's equity and fixed income mutual funds sales based on our proportionate equity interest (49%).

⁽²⁾ Beginning in the first quarter of 2014, other AUM includes our joint venture investments based on our proportionate equity interest. This includes the general fund assets and segregated fund assets of our insurance businesses, Birla Sun Life Asset Management Company AUM, Sun Life Everbright Asset Management AUM, Hong Kong wealth assets and Philippines mutual and managed funds.

⁽³⁾ Beginning in the first quarter of 2014, assets under administration include Sun Life Everbright Asset Management based on our proportionate equity interest.

⁽⁴⁾ Includes the sales in the Company's joint ventures in SLF Asia based on our proportionate equity interest. Birla Sun Life Insurance Company Ltd.'s sales are included at 49% beginning Q2 2016 and sales in Vietnam are included at 75% beginning Q1 2016. Birla Sun Life Insurance Company Ltd.'s sales and Vietnam's sales were included at 26% prior to Q2 2016 and 49% prior to Q1 2016, respectively.

⁽⁵⁾ Includes Hong Kong wealth sales, Philippines mutual and managed fund sales, China individual wealth and group wealth sales from the India and China insurance companies, and Birla Sun Life Asset Management Company's equity and fixed income mutual funds sales based on our proportionate equity interest.

⁽⁶⁾ Quarterly sales in constant currency are relative to Q2 2015 foreign exchange rates for each of the quarters.

CORPORATE

(C\$ millions)

STATEMENTS OF OPERATIONS ⁽¹⁾	At and For the Quarter Ended									At and For the Year Ended		
	2016		2015			2014				2015	2014	2013
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2			
Revenue												
Premiums - life insurance	23	25	21	28	27	26	27	30	25	102	109	100
Premiums - health insurance	4	5	6	4	4	6	3	3	2	20	11	11
Premiums - annuities	8	8	13	4	8	5	6	10	3	30	28	212
Gross premiums	35	38	40	36	39	37	36	43	30	152	148	323
Ceded premiums	(8)	(6)	(8)	(166)	—	(6)	(6)	(5)	(6)	(180)	(24)	(20)
Net premiums	27	32	32	(130)	39	31	30	38	24	(28)	124	303
Net investment income (loss)	645	492	(38)	245	(439)	392	583	360	205	160	1,398	(36)
Fee income	15	15	16	22	24	21	21	12	27	83	88	92
Total revenue	687	539	10	137	(376)	444	634	410	256	215	1,610	359
Policy benefits and expenses												
Gross claims & benefits paid	170	209	234	184	184	192	188	171	188	794	743	756
Change in investment/insurance contract liabilities & reinsurance assets	424	247	(307)	37	(640)	140	332	155	3	(770)	562	(541)
Operating expenses, commissions and other expenses	92	82	95	99	99	68	112	60	61	361	324	351
Reinsurance expenses (recoveries)	(1)	(8)	8	(167)	1	2	3	3	—	(156)	7	5
Total policy benefits and expenses	685	530	30	153	(356)	402	635	389	252	229	1,636	571
Income (loss) before income taxes	2	9	(20)	(16)	(20)	42	(1)	21	4	(14)	(26)	(212)
Income tax expense (benefit)	(22)	(23)	(20)	(50)	(46)	(24)	(25)	(15)	(24)	(140)	(95)	(146)
Preferred shareholder dividends	24	24	24	24	26	26	26	26	30	100	111	118
Common shareholders' reported net income (loss)	—	8	(24)	10	—	40	(2)	10	(2)	26	(42)	(184)
Acquisition, integration and restructuring	2	(1)	(3)	(14)	—	—	(4)	(3)	(11)	(17)	(26)	(27)
Common shareholders' operating net income (loss)	(2)	9	(21)	24	—	40	2	13	9	43	(16)	(157)
Market related impacts	(4)	(7)	(2)	9	(21)	28	23	(18)	(4)	14	6	16
Assumption changes and management actions	—	1	(3)	1	5	8	19	15	4	11	41	(60)
Common shareholders' underlying net income (loss)	2	15	(16)	14	16	4	(40)	16	9	18	(63)	(113)
PREMIUMS & DEPOSITS												
Net premiums	27	32	32	(130)	39	31	30	38	24	(28)	124	303
Segregated fund deposits	27	29	34	32	34	32	35	23	37	132	135	151
Total	54	61	66	(98)	73	63	65	61	61	104	259	454
ASSETS UNDER MANAGEMENT ⁽²⁾												
General funds	13,900	15,617	16,522	18,777	17,647	17,825	17,100	14,001	13,831	16,522	17,100	14,152
Segregated funds	11,231	11,922	13,150	12,670	13,136	13,266	12,333	12,220	12,408	13,150	12,333	12,327
Other AUM ⁽³⁾	(20,733)	(21,026)	(21,647)	(20,231)	(18,758)	(17,686)	(16,737)	(16,707)	(17,496)	(21,647)	(16,737)	(17,207)
Total	4,398	6,513	8,025	11,216	12,025	13,405	12,696	9,514	8,743	8,025	12,696	9,272

⁽¹⁾ Includes consolidation adjustments for net investment income, fee income and commission & other expenses relating to activities that cross business groups.

⁽²⁾ SLIM's AUM was reported in the Corporate Segment in Q1 2015 and previous periods.

⁽³⁾ Includes consolidation adjustments for assets managed by one area of the Company on behalf of another, and Other AUM not included in other business segments.

CORPORATE

(C\$ millions)

STATEMENTS OF OPERATIONS - SLF United Kingdom (U.K.)

	At and For the Quarter Ended									At and For the Year Ended		
	2016		2015			2014			2015	2014	2013	
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2			
Revenue												
Gross premiums	25	29	26	28	31	29	28	38	25	114	124	301
Ceded premiums	(5)	(5)	(6)	(5)	1	(5)	(4)	(4)	(5)	(15)	(18)	(19)
Net premiums	20	24	20	23	32	24	24	34	20	99	106	282
Net investment income (loss)	582	422	(29)	176	(428)	354	547	341	177	73	1,274	55
Fee income	33	34	37	40	35	38	34	27	43	150	145	145
Total revenue	635	480	28	239	(361)	416	605	402	240	322	1,525	482
Policy benefits and expenses												
Gross claims & benefits paid	159	171	175	167	167	171	166	164	168	680	672	666
Change in investment/insurance contract liabilities & reinsurance assets	402	229	(215)	(33)	(591)	135	331	150	1	(704)	521	(443)
Operating expenses, commissions and other expenses	30	35	37	36	34	35	41	36	36	142	148	148
Reinsurance expenses (recoveries)	(4)	(5)	(3)	(3)	(4)	(5)	(4)	(4)	(4)	(15)	(16)	(22)
Total policy benefits and expenses	587	430	(6)	167	(394)	336	534	346	201	103	1,325	349
Income (loss) before income taxes	48	50	34	72	33	80	71	56	39	219	200	133
Income tax expense (benefit)	16	10	12	2	(4)	9	6	12	2	19	26	(1)
Common shareholders' reported net income (loss)	32	40	22	70	37	71	65	44	37	200	174	134
Acquisition, integration and restructuring	—	—	—	—	—	—	—	—	—	—	—	(2)
Common shareholders' operating net income (loss)	32	40	22	70	37	71	65	44	37	200	174	136

STATEMENTS OF OPERATIONS - Corporate Support ⁽¹⁾

Revenue												
Gross premiums	10	9	14	8	8	8	8	5	5	38	24	22
Ceded premiums	(3)	(1)	(2)	(161)	(1)	(1)	(2)	(1)	(1)	(165)	(6)	(1)
Net premiums	7	8	12	(153)	7	7	6	4	4	(127)	18	21
Net investment income (loss)	63	70	(9)	69	(11)	38	36	19	28	87	124	(91)
Fee income	(18)	(19)	(21)	(18)	(11)	(17)	(13)	(15)	(16)	(67)	(57)	(53)
Total revenue	52	59	(18)	(102)	(15)	28	29	8	16	(107)	85	(123)
Policy benefits and expenses												
Gross claims & benefits paid	11	38	59	17	17	21	22	7	20	114	71	90
Change in investment/insurance contract liabilities & reinsurance assets	22	18	(92)	70	(49)	5	1	5	2	(66)	41	(98)
Operating expenses, commissions and other expenses	62	47	58	63	65	33	71	24	25	219	176	203
Reinsurance expenses (recoveries)	3	(3)	11	(164)	5	7	7	7	4	(141)	23	27
Total policy benefits and expenses	98	100	36	(14)	38	66	101	43	51	126	311	222
Income (loss) before income taxes	(46)	(41)	(54)	(88)	(53)	(38)	(72)	(35)	(35)	(233)	(226)	(345)
Income tax expense (benefit)	(38)	(33)	(32)	(52)	(42)	(33)	(31)	(27)	(26)	(159)	(121)	(145)
Preferred shareholder dividends	24	24	24	24	26	26	26	26	30	100	111	118
Common shareholders' reported net income (loss)	(32)	(32)	(46)	(60)	(37)	(31)	(67)	(34)	(39)	(174)	(216)	(318)
Acquisition, integration and restructuring	2	(1)	(3)	(14)	—	—	(4)	(3)	(11)	(17)	(26)	(25)
Common shareholders' operating net income (loss)	(34)	(31)	(43)	(46)	(37)	(31)	(63)	(31)	(28)	(157)	(190)	(293)

⁽¹⁾ Includes consolidation adjustments for net investment income, fee income and commission & other expenses relating to activities that cross business groups.

INVESTMENTS
DEBT & EQUITY SECURITIES
DEBT SECURITIES
Debt Securities by Sector

Debt Securities Issued or Guaranteed By:

	As at June 30, 2016				As at March 31, 2016				As at December 31, 2015			
	Fair Value through Profit or Loss	Available-for-Sale	Total	Investment Grade	Fair Value through Profit or Loss	Available-for-Sale	Total	Investment Grade	Fair Value through Profit or Loss	Available-for-Sale	Total	Investment Grade
Canadian Federal Government	2,667	1,855	4,522	100 %	2,263	1,665	3,928	100 %	2,383	1,637	4,020	100 %
Canadian Provincial and Municipal Government	12,397	1,000	13,397	100 %	11,562	932	12,494	100 %	10,555	836	11,391	100 %
U.S. Government and Other U.S. Agency	1,251	694	1,945	100 %	1,359	420	1,779	100 %	1,272	430	1,702	100 %
Other Government	5,917	858	6,775	95 %	5,831	741	6,572	95 %	5,916	738	6,654	97 %
Total Government issued or guaranteed debt securities	22,232	4,407	26,639	99 %	21,015	3,758	24,773	99 %	20,126	3,641	23,767	99 %

Corporate Debt Securities by Industry Sector:

Financials	9,818	1,908	11,726	98 %	9,859	2,132	11,991	98 %	9,905	2,351	12,256	97 %
Utilities	7,031	621	7,652	99 %	6,750	623	7,373	99 %	6,628	646	7,274	99 %
Consumer discretionary	2,624	816	3,440	95 %	2,602	848	3,450	94 %	2,375	893	3,268	94 %
Industrials	4,274	714	4,988	99 %	4,113	747	4,860	98 %	3,880	847	4,727	98 %
Consumer staples	2,341	482	2,823	97 %	2,307	545	2,852	96 %	2,100	580	2,680	94 %
Telecommunication services	1,925	336	2,261	98 %	1,978	359	2,337	98 %	1,859	372	2,231	98 %
Energy	3,820	599	4,419	96 %	3,695	685	4,380	95 %	3,727	831	4,558	95 %
Materials	1,205	272	1,477	93 %	1,224	296	1,520	92 %	1,249	319	1,568	95 %
Other	2,319	552	2,871	98 %	2,195	607	2,802	98 %	1,945	687	2,632	98 %
Total Corporate debt securities	35,357	6,300	41,657	97 %	34,723	6,842	41,565	97 %	33,668	7,526	41,194	97 %

Asset Backed Securities

Government and agency	1,312	571	1,883	100 %	948	390	1,338	100 %	869	373	1,242	100 %
Other	2,251	1,605	3,856	85 %	2,169	1,526	3,695	84 %	2,122	1,571	3,693	82 %
Total asset backed securities	3,563	2,176	5,739	90 %	3,117	1,916	5,033	88 %	2,991	1,944	4,935	87 %

Total debt securities

Total debt securities	61,152	12,883	74,035	97 %	58,855	12,516	71,371	97 %	56,785	13,111	69,896	97 %
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Debt Securities by Investment Rating

AAA	7,593	4,748	12,341		8,750	4,369	13,119		8,684	4,283	12,967	
AA	13,072	1,512	14,584		10,687	1,081	11,768		10,046	1,189	11,235	
A	21,248	3,010	24,258		20,696	3,402	24,098		19,526	3,709	23,235	
BBB	17,851	3,038	20,889		17,191	3,078	20,269		16,974	3,316	20,290	
BB and lower	1,388	575	1,963		1,531	586	2,117		1,555	614	2,169	
Total debt securities	61,152	12,883	74,035		58,855	12,516	71,371		56,785	13,111	69,896	

EQUITY SECURITIES
Stocks

Canada	3,102	38	3,140		2,986	42	3,028		2,887	40	2,927	
United States	732	521	1,253		745	587	1,332		706	634	1,340	
United Kingdom	130	5	135		107	5	112		112	5	117	
Other	740	177	917		673	178	851		721	208	929	
Total equity securities	4,704	741	5,445		4,511	812	5,323		4,426	887	5,313	

PROPERTIES, MORTGAGES & LOANS

	As at June 30, 2016			As at March 31, 2016			As at December 31, 2015		
	Investment Property	Owner Occupied Property	Total	Investment Property	Owner Occupied Property	Total	Investment Property	Owner Occupied Property	Total
PROPERTIES									
Canada	4,647	177	4,824	4,546	180	4,726	4,509	179	4,688
United States	1,780	72	1,852	1,810	72	1,882	1,928	78	2,006
United Kingdom	84	—	84	90	—	90	103	—	103
Other	—	45	45	—	47	47	—	50	50
Total properties	<u>6,511</u>	<u>294</u>	<u>6,805</u>	<u>6,446</u>	<u>299</u>	<u>6,745</u>	<u>6,540</u>	<u>307</u>	<u>6,847</u>

	As at June 30, 2016			As at March 31, 2016			As at December 31, 2015		
	Insured	Non-Insured	Total	Insured	Non-Insured	Total	Insured	Non-Insured	Total
MORTGAGES & LOANS									
Non-residential mortgages	158	10,945	11,103	162	11,001	11,163	165	10,951	11,116
Residential mortgages	2,648	1,357	4,005	2,525	1,348	3,873	2,332	1,344	3,676
Total mortgages	<u>2,806</u>	<u>12,302</u>	<u>15,108</u>	<u>2,687</u>	<u>12,349</u>	<u>15,036</u>	<u>2,497</u>	<u>12,295</u>	<u>14,792</u>
Loans			24,389			23,969			24,311
Total mortgages & loans			<u>39,497</u>			<u>39,005</u>			<u>39,103</u>

	As at June 30, 2016			As at March 31, 2016			As at December 31, 2015		
	Impaired Loans	Allowances for Losses		Impaired Loans	Allowances for Losses		Impaired Loans	Allowances for Losses	
	Carrying Value	Specific	Sectoral	Carrying Value	Specific	Sectoral	Carrying Value	Specific	Sectoral
Mortgage and Loans - Impairments/Allowances									
Mortgages	79	16	20	90	21	20	137	21	21
Loans	8	7	—	8	8	—	7	7	—
Total mortgage and loan impairments/allowances	<u>87</u>	<u>23</u>	<u>20</u>	<u>98</u>	<u>29</u>	<u>20</u>	<u>144</u>	<u>28</u>	<u>21</u>

	As at June 30, 2016		As at March 31, 2016		As at December 31, 2015	
	Total	Net	Total	Net	Total	Net
	Notional Amount	Fair Value Amount	Notional Amount	Fair Value Amount	Notional Amount	Fair Value Amount
DERIVATIVES						
Interest rate contracts	34,252	2,028	34,175	1,752	35,938	1,271
Foreign exchange contracts	16,353	(1,899)	17,706	(1,885)	17,586	(2,854)
Equity and other contracts	4,386	11	4,377	17	4,321	71
Total derivatives	<u>54,991</u>	<u>140</u>	<u>56,258</u>	<u>(116)</u>	<u>57,845</u>	<u>(1,512)</u>
Over the counter	48,791	158	50,596	(139)	52,467	(1,534)
Exchange traded	6,200	(18)	5,662	23	5,378	22
Total	<u>54,991</u>	<u>140</u>	<u>56,258</u>	<u>(116)</u>	<u>57,845</u>	<u>(1,512)</u>

SUN LIFE FINANCIAL INC.

CONSOLIDATED SOURCES OF EARNINGS

(\$ millions)

Expected profit on in-force business	192	147	267	82	(20)	668	112	200
Impact of new business	14	(34)	—	(17)	—	(37)	(27)	—
Experience gains (losses)	(27)	(62)	—	(10)	2	(97)	(46)	—
Assumption changes and management actions	(6)	—	—	(4)	—	(10)	—	—
Earnings (loss) on operations (pre-tax)	173	51	267	51	(18)	524	39	200
Earnings on surplus	37	32	—	32	17	118	25	—
Earnings (loss) before income taxes	210	83	267	83	(1)	642	64	200
Income taxes	(19)	(19)	(103)	(16)	23	(134)	(14)	(78)
Earnings (loss) before non-controlling interest and preferred share dividends	191	64	164	67	22	508	50	122
Non-controlling interest and preferred share dividends	—	—	(11)	1	(24)	(34)	—	(8)
Common shareholders' operating net income (loss)	191	64	153	68	(2)	474	50	114
Operating adjustments:								
Impact of certain hedges that do not qualify for hedge accounting	(6)	—	—	—	—	(6)	—	—
Fair value adjustments on share-based payment awards at MFS	—	—	20	—	—	20	—	15
Acquisition, integration and restructuring	—	(10)	—	—	2	(8)	(8)	—
	(6)	(10)	20	—	2	6	(8)	15
Common Shareholders' Reported Net Income (Loss)	185	54	173	68	—	480	42	129

For the Quarter ended - Q2 2016

	Canadian Dollars						U.S. Dollars	
	SLF Canada	SLF U.S.	SLF Asset Management	SLF Asia	Corporate	Total Company	SLF U.S.	MFS
Expected profit on in-force business	192	147	267	82	(20)	668	112	200
Impact of new business	14	(34)	—	(17)	—	(37)	(27)	—
Experience gains (losses)	(27)	(62)	—	(10)	2	(97)	(46)	—
Assumption changes and management actions	(6)	—	—	(4)	—	(10)	—	—
Earnings (loss) on operations (pre-tax)	173	51	267	51	(18)	524	39	200
Earnings on surplus	37	32	—	32	17	118	25	—
Earnings (loss) before income taxes	210	83	267	83	(1)	642	64	200
Income taxes	(19)	(19)	(103)	(16)	23	(134)	(14)	(78)
Earnings (loss) before non-controlling interest and preferred share dividends	191	64	164	67	22	508	50	122
Non-controlling interest and preferred share dividends	—	—	(11)	1	(24)	(34)	—	(8)
Common shareholders' operating net income (loss)	191	64	153	68	(2)	474	50	114
Operating adjustments:								
Impact of certain hedges that do not qualify for hedge accounting	(6)	—	—	—	—	(6)	—	—
Fair value adjustments on share-based payment awards at MFS	—	—	20	—	—	20	—	15
Acquisition, integration and restructuring	—	(10)	—	—	2	(8)	(8)	—
	(6)	(10)	20	—	2	6	(8)	15
Common Shareholders' Reported Net Income (Loss)	185	54	173	68	—	480	42	129

CONSOLIDATED SOURCES OF EARNINGS

(\$ millions)

Expected profit on in-force business	191	131	300	75	(25)	672	103	244
Impact of new business	17	(34)	—	(22)	—	(39)	(27)	—
Experience gains (losses)	160	84	—	24	(16)	252	72	—
Assumption changes and management actions	15	—	—	3	4	22	—	—
Earnings (loss) on operations (pre-tax)	383	181	300	80	(37)	907	148	244
Earnings on surplus	50	25	—	25	26	126	19	—
Earnings (loss) before income taxes	433	206	300	105	(11)	1,033	167	244
Income taxes	(102)	(72)	(110)	(12)	37	(259)	(59)	(89)
Earnings (loss) before non-controlling interest and preferred share dividends	331	134	190	93	26	774	108	155
Non-controlling interest and preferred share dividends	—	—	(17)	—	(26)	(43)	—	(14)
Common shareholders' operating net income (loss)	331	134	173	93	—	731	108	141
Operating adjustments:								
Impact of certain hedges that do not qualify for hedge accounting	6	—	—	—	—	6	—	—
Fair value adjustments on share-based payment awards at MFS	—	—	(11)	—	—	(11)	—	(9)
Acquisition, integration and restructuring	—	—	—	—	—	—	—	—
	6	—	(11)	—	—	(5)	—	(9)
Common Shareholders' Reported Net Income (Loss)	337	134	162	93	—	726	108	132

For the Quarter ended - Q2 2015

	Canadian Dollars						U.S. Dollars	
	SLF Canada	SLF U.S.	SLF Asset Management	SLF Asia	Corporate	Total Company	SLF U.S.	MFS
Expected profit on in-force business	191	131	300	75	(25)	672	103	244
Impact of new business	17	(34)	—	(22)	—	(39)	(27)	—
Experience gains (losses)	160	84	—	24	(16)	252	72	—
Assumption changes and management actions	15	—	—	3	4	22	—	—
Earnings (loss) on operations (pre-tax)	383	181	300	80	(37)	907	148	244
Earnings on surplus	50	25	—	25	26	126	19	—
Earnings (loss) before income taxes	433	206	300	105	(11)	1,033	167	244
Income taxes	(102)	(72)	(110)	(12)	37	(259)	(59)	(89)
Earnings (loss) before non-controlling interest and preferred share dividends	331	134	190	93	26	774	108	155
Non-controlling interest and preferred share dividends	—	—	(17)	—	(26)	(43)	—	(14)
Common shareholders' operating net income (loss)	331	134	173	93	—	731	108	141
Operating adjustments:								
Impact of certain hedges that do not qualify for hedge accounting	6	—	—	—	—	6	—	—
Fair value adjustments on share-based payment awards at MFS	—	—	(11)	—	—	(11)	—	(9)
Acquisition, integration and restructuring	—	—	—	—	—	—	—	—
	6	—	(11)	—	—	(5)	—	(9)
Common Shareholders' Reported Net Income (Loss)	337	134	162	93	—	726	108	132

EXPENSES

(C\$ millions)

	For the Quarter Ended									For the Year Ended		
	2016		2015				2014			2015	2014	2013
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2			
OPERATING EXPENSES, COMMISSIONS AND OTHER EXPENSES												
Operating expenses	1,443	1,369	1,383	1,245	1,229	1,180	1,191	1,099	1,124	5,037	4,537	4,139
Commissions	579	540	566	534	508	492	500	484	465	2,100	1,889	1,669
Premium taxes	87	78	75	74	73	70	68	62	60	292	251	235
Interest expenses	79	81	80	86	84	72	94	77	78	322	336	353
Total	<u>2,188</u>	<u>2,068</u>	<u>2,104</u>	<u>1,939</u>	<u>1,894</u>	<u>1,814</u>	<u>1,853</u>	<u>1,722</u>	<u>1,727</u>	<u>7,751</u>	<u>7,013</u>	<u>6,396</u>
OPERATING EXPENSES BY BUSINESS GROUP												
SLF Canada	470	435	441	431	428	406	405	382	391	1,706	1,564	1,465
SLF U.S.	228	181	133	146	142	150	152	147	140	571	579	521
SLF Asset Management	504	520	519	468	427	413	369	337	365	1,827	1,409	1,146
SLF Asia	141	134	154	124	111	110	123	101	89	499	397	344
Corporate	85	74	86	72	90	59	120	72	62	307	340	322
Operating expenses excluding the following:	1,428	1,344	1,333	1,241	1,198	1,138	1,169	1,039	1,047	4,910	4,289	3,798
FV adjustments on MFS share-based payment awards ⁽¹⁾	(10)	—	22	(12)	31	42	17	56	65	83	217	322
Acquisition, integration and restructuring costs	25	25	28	16	—	—	5	4	12	44	31	19
Total operating expenses	<u>1,443</u>	<u>1,369</u>	<u>1,383</u>	<u>1,245</u>	<u>1,229</u>	<u>1,180</u>	<u>1,191</u>	<u>1,099</u>	<u>1,124</u>	<u>5,037</u>	<u>4,537</u>	<u>4,139</u>
COMMISSIONS BY BUSINESS GROUP												
SLF Canada	200	192	205	197	183	180	180	174	175	765	701	641
SLF U.S.	155	126	125	111	112	107	119	130	118	455	472	429
SLF Asset Management	175	177	182	181	175	167	152	147	142	705	576	469
SLF Asia	47	45	52	43	36	38	47	33	27	169	134	113
Corporate	2	—	2	2	2	—	2	—	3	6	6	17
Total commissions	<u>579</u>	<u>540</u>	<u>566</u>	<u>534</u>	<u>508</u>	<u>492</u>	<u>500</u>	<u>484</u>	<u>465</u>	<u>2,100</u>	<u>1,889</u>	<u>1,669</u>
INTEREST ON BORROWINGS												
Subordinated debt	30	28	30	27	27	27	27	27	26	111	115	148
Liabilities for SLEECs	11	11	11	11	11	11	11	11	11	44	44	44
Interest on senior unsecured debentures/financing	22	26	29	32	31	32	32	31	32	124	127	125
Other ⁽²⁾	16	16	10	16	15	2	24	8	9	43	50	36
Total interest expenses	<u>79</u>	<u>81</u>	<u>80</u>	<u>86</u>	<u>84</u>	<u>72</u>	<u>94</u>	<u>77</u>	<u>78</u>	<u>322</u>	<u>336</u>	<u>353</u>

⁽¹⁾ Represent the operating expenses related to fair value adjustments on share-based payment awards at MFS before tax and the adjustment for non-controlling interest.⁽²⁾ Primarily interest on income taxes and real estate encumbrances and interest on liabilities connected to the consolidated special purpose entities.

FINANCIAL STRENGTH AND CAPITAL ADEQUACY

For the period ended June 30, 2016

SUN LIFE ASSURANCE COMPANY OF CANADA

FINANCIAL STRENGTH RATINGS

	<u>A.M. Best</u>	<u>Moody's</u>	<u>Standard & Poor's</u>	<u>DBRS</u>
	A+	Aa3	AA-	AA (low)

SECURITY RATINGS

Subordinated Debt

C\$ denominated (C\$150 million)

a	A2	A+	A (high)
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Sun Life Exchangeable Capital Securities

Series B

a-	A3	P-1 (low)/A	A
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Series 2009-1

a-	not rated	P-1 (low)/A	A
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A.M. Best

Moody's ⁽¹⁾

Standard & Poor's

DBRS

SUN LIFE FINANCIAL INC.

SECURITY RATINGS

Senior Unsecured Debentures (Series D and E)

a-	not rated	A	A
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Subordinated Debt (C\$2,700 million)

(Series 2007 - 1, 2008 - 1, 2012 - 1, 2014 - 1, 2015 - 1 and 2016 - 1)

bbb+	not rated	A-	A (low)
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Class A Preferred Shares (Series 1-5, 8R, 9QR, 10R, 12R)

bbb	Baa2	P-2 (high)/BBB+	Pfd-2
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⁽¹⁾ Moody's rate Preferred Shares Series 2 only.

GENERAL INFORMATION

SLF Canada	SLF U.S.	SLF Asset Management	SLF Asia	Corporate
<p>SLF Canada is the Canadian market leader in the group market segments and is a leading provider of retail holistic advice, providing products and services to over six million people across Canada. SLF Canada has three main business units - Individual Insurance and Wealth, Group Benefits and Group Retirement Services - which offer a full range of protection, wealth accumulation and income products and services to employers, group members of company sponsored plans and individuals in their communities across Canada.</p>	<p>SLF U.S. has three business units - Group Benefits, International and In-force Management. Group Benefits provides protection solutions to employers and employees including group life, disability, medical stop-loss, dental, and vision insurance products, as well as a suite of voluntary benefits products. Group Benefits also includes Disability Reinsurance Management Services, Inc., which provides turnkey disability risk management products and services to other insurance companies. International serves high net worth clients in international markets, offering individual life insurance products and manages a closed block of wealth products. In-force Management includes certain closed individual life insurance products, primarily universal life and participating whole life insurance.</p>	<p>SLF Asset Management is our asset management segment composed of MFS and SLIM. MFS is a premier global asset management firm that actively manages assets for retail and institutional investors around the world through mutual and commingled funds, separately managed accounts, institutional products and retirement strategies. SLIM is an institutional investment management business, which delivers customized fixed income solutions, including liability-driven investing and a suite of alternative, yield-oriented asset classes, including private fixed income, real estate and commercial mortgages.</p>	<p>SLF Asia operates through subsidiaries in the Philippines, Hong Kong, Indonesia, and Vietnam as well as through joint ventures with local partners in the Philippines, Malaysia, China, Indonesia, and India. We offer individual life insurance products in all seven markets, and group benefits and/or pension and retirement products in the Philippines, China, Hong Kong, India, Malaysia, and Vietnam. We have also established asset management companies either directly or through joint ventures and associates in the Philippines, China, and India.</p>	<p>Corporate includes SLF U.K. and Corporate Support, which includes the Company's reinsurance businesses, as well as investment income, expenses, capital and other items that have not been allocated to the Company's other business segments. Our Run-off reinsurance business is a closed block of reinsurance assumed from other insurers. SLF U.K. manages a large block of in-force annuity and insurance policies, and focuses on supporting existing customers only.</p>
<p><u>Individual Insurance and Wealth</u></p> <ul style="list-style-type: none"> Individual life and health insurance Individual savings products Mutual Funds <p><u>Group Benefits</u></p> <ul style="list-style-type: none"> Group life and health insurance Voluntary benefits products <p><u>Group Retirement Services</u></p> <ul style="list-style-type: none"> Defined contribution plans Defined benefit solutions Voluntary savings plans 	<p><u>Group Benefits</u></p> <ul style="list-style-type: none"> Group life and health insurance Disability insurance Medical stop-loss insurance Dental insurance Voluntary benefits products Disability risk management products and services <p><u>International</u></p> <ul style="list-style-type: none"> Individual life insurance Investment wealth products (In-force block only) <p><u>In-Force Management</u></p> <ul style="list-style-type: none"> Individual life insurance 	<p><u>MFS</u></p> <p>Mutual Funds</p> <ul style="list-style-type: none"> U.S. retail mutual funds MFS Meridian funds <p>Investment Management Services</p> <ul style="list-style-type: none"> Institutional accounts 401(k) Insurance products <p><u>SLIM</u></p> <ul style="list-style-type: none"> Private class funds Customized fixed income portfolios Liability-driven investing strategies Investment advisory and property management services 	<p><u>Markets</u></p> <ul style="list-style-type: none"> Philippines Hong Kong Indonesia India China Vietnam Malaysia <p>Products offered include individual life insurance in all seven markets, and group benefits and/or pension and retirement products in the Philippines, China, Hong Kong, India, Malaysia and Vietnam. There are asset management businesses in the Philippines, China and India.</p>	<p><u>SLF U.K.</u></p> <ul style="list-style-type: none"> Individual annuities and pensions (In-force block only) Individual life (In-force block only) <p><u>Corporate Support</u></p> <ul style="list-style-type: none"> Run-off reinsurance

Use of Non-IFRS Financial Measures

Sun Life Financial Inc. (Sun Life Financial or the “Company”) prepares annual and interim financial statements using International Financial Reporting Standards (“IFRS”). The Company reports certain financial information that are not based on IFRS (“non-IFRS financial measures”), as the Company believes that they provide information that is useful to stakeholders in understanding our performance and facilitate a comparison of the quarterly and full year results of our ongoing operations. These non-IFRS financial measures do not have any standardized meaning and may not be comparable with similar measures used by other companies. For certain non-IFRS financial measures there are no directly comparable amounts under IFRS. They should not be viewed as alternatives to measures of financial performance determined in accordance with IFRS. Additional information concerning these non-IFRS financial measures and reconciliations to IFRS measures are included in the Company’s annual and interim MD&A and the Supplementary Financial Information packages that are available on www.sunlife.com under Investors – Financial Results & Reports.

Operating net income (loss) and financial measures based on operating net income (loss), consisting of operating earnings per share (“EPS”) or operating loss per share, and operating return on equity (“ROE”), are non-IFRS financial measures. Operating net income (loss) excludes from reported net income the impact of the following amounts that are not operational or ongoing in nature to assist investors in understanding our business performance: (i) certain hedges in SLF Canada that do not qualify for hedge accounting; (ii) fair value adjustments on MFS’s share-based payment awards; (iii) acquisition, integration and restructuring amounts (including impacts related to acquiring and integrating acquisitions); (iv) goodwill and intangible asset impairment charges; and (v) other items that are not operational or ongoing in nature. Operating EPS also excludes the dilutive impact of convertible instruments.

Underlying net income (loss) and financial measures based on underlying net income (loss), consisting of underlying EPS or underlying loss per share, and underlying ROE, are non-IFRS financial measures. Underlying net income (loss) removes from operating net income (loss) the impact of the following items that create volatility in our results under IFRS and when removed assist in explaining our results from period to period: (a) market related impacts; (b) assumption changes and management actions; and (c) other items that have not been treated as adjustments to operating net income and when removed assist in explaining our results from period to period. Market related impacts include: (i) the impact of changes in interest rates that differ from our best estimate assumptions in the reporting period on investment returns and 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; (ii) the impact of changes in equity markets, net of hedging, above or below our best estimate assumptions of approximately 2% growth per quarter in the reporting period and of basis risk inherent in our hedging program for products that provide benefit guarantees; and (iii) the impact of changes in the fair value of real estate properties in the reporting period. Additional information regarding these adjustments is available in the footnotes to the table included under the heading Q2 2016 vs. Q2 2015 in the Financial Summary section in the interim Q2 2016 MD&A. Assumption changes reflect the impact of revisions to the assumptions used in determining our liabilities for insurance contracts and investment contracts. The impact on our liabilities for insurance contracts and investment contracts of actions taken by management in the current reporting period, referred to as management actions include, for example, changes in the prices of in-force products, new or revised reinsurance on in-force business, or material changes to investment policies for asset segments supporting our liabilities. Underlying EPS also excludes the dilutive impact of convertible instruments.

Sun Life Financial also uses the following non-IFRS financial measures:

- (1) Return on equity. IFRS does not prescribe the calculation of ROE and therefore a comparable measure under IFRS is not available. To determine operating ROE and underlying ROE, operating net income (loss) and underlying net income (loss) are divided by the total weighted average common shareholders’ equity for the period, respectively;
- (2) adjusted revenue. This measure excludes from revenue the impact of: (i) exchange rate fluctuations, from the translation of functional currencies to the Canadian dollar, for comparisons (“Constant Currency Adjustment”); (ii) Fair value and foreign currency changes on assets and liabilities (“FV Adjustment”); and (iii) reinsurance for the insured business in SLF Canada’s Group Benefits (“GB”) operations (“Reinsurance in SLF Canada’s GB Operations Adjustment”). Adjusted revenue is an alternative measure of revenue that provides greater comparability across reporting periods;
- (3) adjusted premiums and deposits. This measure adjusts premiums and deposits for the impact of (i) the Constant Currency Adjustment and (ii) the Reinsurance in SLF Canada’s GB Operations Adjustment. Adjusted premiums and deposits is an alternative measure of premiums and deposits that provides greater comparability across reporting periods. In the second quarter of 2016, we moved our sales reporting methodology for Bentall Kennedy’s real estate investment management operations from an investment property activity basis to a client cash flow basis to be consistent with the method used in our existing asset management operations;
- (4) MFS pre-tax operating profit margin ratio. This ratio is a measure of the underlying profitability of MFS, which excludes the impact of fair value adjustments on MFS’s share-based payment awards, investment income and certain commission expenses that are offsetting. These amounts are excluded in order to neutralize the impact these items have on the pre-tax operating profit margin ratio, and have no impact on the underlying profitability of MFS;
- (5) Impact of foreign exchange. Financial measures that exclude the impact of currency fluctuations or are prepared on a constant currency basis. These measures are calculated using the average or period end foreign exchange rates, as appropriate, in effect at the date of the comparative period;
- (6) administrative services only (“ASO”) premium and deposit equivalents, mutual fund sales, managed fund sales, life and health sales and total premiums and deposits;
- (7) assets under management (“AUM”), mutual fund assets, managed fund assets, other AUM and assets under administration and business in-force;
- (8) value of new business (“VNB”), which is used to measure the estimated lifetime profitability of new sales and is based on actuarial calculations;

- (9) assumption changes and management actions, which is a component of the Company's sources of earnings disclosure; and
- (10) MFS pro forma diluted EPS impact, which illustrates the impact on the Company's diluted operating earnings per share for the period assuming the MFS liability for share-based compensation is settled in the shares of SLF Inc.

Additional information about these non-IFRS financial measures, including reconciliations to comparable IFRS financial measures can be found in the Company's annual and interim MD&A.

Sources of earnings

Sources of earnings is an alternative presentation of our Consolidated Statements of Operations that identifies and quantifies various sources of income. The Company is required to disclose its sources of earnings by its principal regulator, the Office of the Superintendent of Financial Institutions.