

Financial and operating results

For the period ended June 30, 2018

Sun Life Financial Inc. (Unaudited)

Supplementary Financial Information



**SUPPLEMENTARY FINANCIAL INFORMATION
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Reporting Changes

Effective Q1 2018, we strengthened our capabilities in the high net worth insurance market by combining our International business with our SLF Asia business group. As a result, the financial and operating results of SLF International are reported as part of the SLF Asia business group (previously part of SLF U.S.). In addition to including International as part of the SLF Asia business group, other changes reflect: (i) SLF Asset Management amounts being excluded from value of new business; (ii) a change in Sources of Earnings presentation between expected profit on in-force business and the impact of new business for SLF U.S. Group Benefits (Stop Loss); and (iii) The Office of the the Superintendent of Financial Institutions has replaced the Minimum Continuing Capital and Surplus Requirements ("MCCSR") capital adequacy guideline with the Life Insurance Capital Adequacy Test ("LICAT") effective January 1, 2018.

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". We prepare our unaudited Interim Consolidated Financial Statements using International Financial Reporting Standards ("IFRS"), and in accordance with the International Accounting Standard ("IAS") 34 Interim Financial Reporting. Reported net income (loss) refers to common shareholders' net income (loss) determined in accordance with IFRS.

Diluted Earnings per Share – Underlying

Under IFRS, diluted earnings per share ("EPS") include the impact of dilution from the Sun Life Exchangeable Capital Securities ("SLEECs"). Diluted underlying EPS excludes the impact of these convertible securities. No adjustment is reflected for periods in which the SLEECs conversion would have caused an anti-dilutive result. Additional detail on the calculation of diluted EPS can be found on page 7.

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 interim Management's Discussion & Analysis ("MD&A").

Other Adjustments

Acquisition, Integration and Restructuring

In Q1 2018, acquisition, integration and restructuring costs primarily related to integration costs of the U.S. Employee Benefits business. In Q2 2018, acquisition, integration and restructuring costs included integration costs of the U.S. Employee Benefits business, acquisition costs for Maxwell Health and an amount pertaining to a distribution arrangement in India for asset management.

In 2017, acquisition, integration and restructuring costs primarily related to a Q4 restructuring charge of \$44 million post tax (\$60 million pre-tax) and integration costs of the U.S. Employee Benefits business throughout the year.

In 2016, acquisition, integration and restructuring costs primarily related to integration costs of the U.S. Employee Benefits business acquired in 2016. In Q3 2016, acquisition, integration and restructuring costs were partially offset by a non-cash gain related to the increase of our ownership interest in PT CIMB Sun Life in Indonesia from 49% to 100%. In Q1 2016, acquisition, integration and restructuring 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 (Vietnam).

Other

Other includes the U.S. tax reform of \$(251) million, including \$(288) million (\$444) million pre-tax) of ACMA, which is excluded from the ACMA of \$(34) million in Q4 2017. Additional information concerning the U.S. tax reform can be found in the Company's 2017 annual and Q4 interim MD&A.

Non-IFRS Financial Measures

Sun Life Financial Inc. (Sun Life Financial or the “Company”) prepares annual and interim financial statements using IFRS. The Company reports certain financial information that are not based on IFRS (“non-IFRS financial measures”), as the Company believes that these measures provide information that is useful to investors in understanding our performance and facilitate a comparison of our quarterly and full year results from period to period. These non-IFRS financial measures do not have any standardized meaning and may not be comparable with similar measures used by other companies. For certain non-IFRS financial measures, there are no directly comparable amounts under IFRS. These non-IFRS financial measures should not be viewed as alternatives to measures of financial performance determined in accordance with IFRS. Additional information concerning these non-IFRS financial measures and reconciliations to the closest IFRS measures are 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.

Underlying net income (loss) and financial measures based on underlying net income (loss), including underlying EPS or underlying loss per share, and underlying return on equity (“ROE”), are non-IFRS financial measures. Underlying net income (loss) removes from reported net income (loss) the impact of the following items that create volatility in our results under IFRS and when removed assist in explaining our results from period to period: (a) market related impacts, which include: (i) impact of returns in equity markets, net of hedging, above or below our best estimate assumptions of approximately 2% per quarter in the reporting period, and which also includes the impact of the basis risk inherent in our hedging program, which is the difference between the return on underlying funds of products that provide benefit guarantees and the return on the derivative assets used to hedge those benefit guarantees; (ii) the impact of changes in interest rates that differ from our best estimate assumptions in the reporting period and on the value of derivative instruments used in our hedging programs including changes in credit and swap spreads, and any changes to the assumed fixed income reinvestment rates in determining the actuarial liabilities; and (iii) the impact of changes in the fair value of investment properties in the reporting period; (b) assumption changes and management actions, which include: (i) the impact of revisions to the methods and assumptions used in determining our liabilities for insurance contracts and investment contracts; and (ii) the impact on insurance contracts and investment contracts of actions taken by management in the current reporting period, referred to as management actions which include, for example, changes in the prices of in-force products, new or revised reinsurance on in-force business, and material changes to investment policies for assets supporting our liabilities; and (c) Other adjustments, which include: (i) certain hedges in SLF Canada that do not qualify for hedge accounting - this adjustment enhances the comparability of our net income from period to period, as it reduces volatility to the extent it will be offset over the duration of the hedges; (ii) fair value adjustments on MFS’s share-based payment awards, that are settled with MFS’s own shares and accounted for as liabilities and measured at fair value each reporting period until they are vested, exercised and repurchased - this adjustment enhances the comparability of MFS’s results with publicly traded asset managers in the United States; (iii) acquisition, integration and restructuring costs (including impacts related to acquiring and integrating acquisitions); and (iv) other items that are unusual or exceptional in nature. All factors discussed in this document that impact our underlying net income are also applicable to reported net income. All EPS measures in this document refer to fully diluted EPS, unless otherwise stated. Underlying EPS exclude the dilutive impact of convertible instruments.

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

- (1) ROE. IFRS does not prescribe the calculation of ROE and therefore a comparable measure under IFRS is not available. To determine reported ROE and underlying ROE, respectively, reported net income (loss) and underlying net income (loss) is divided by the total weighted average common shareholders’ equity for the period and the quarterly ROE is annualized;
- (2) Financial leverage ratio. This total debt to total capital ratio is a ratio of debt plus preferred shares to total capital, where debt consists of all capital qualifying debt securities, which represent subordinated debt and innovative capital instruments;
- (3) Dividend payout ratio. This is the ratio of dividends paid per share to diluted reported and underlying EPS, respectively, for the period;
- (4) Value of New Business (“VNB”). VNB represents the present value of our best estimate of future distributable earnings, net of the cost of capital, from new business written in a particular time period, except new business in our SLF Asset Management pillar. The assumptions used in the calculations are generally consistent with those used in the valuation of our insurance contract liabilities except that discount rates used approximate theoretical return expectations of an equity investor. Capital required is generally based on Sun Life Assurance’s LICAT operating target. VNB is a useful metric to evaluate the present value created from new business. There is no directly comparable IFRS measure;
- (5) Adjusted premiums and deposits. This measure is an alternative measure of premiums and deposits that provides greater comparability across reporting periods by excluding the impact of: (i) exchange rate fluctuations, from the translation of functional currencies to the Canadian dollar, for comparisons (“Constant Currency Adjustment”), and (ii) reinsurance for the insured business in SLF Canada’s Group Benefits operations (“Reinsurance in SLF Canada’s GB Operations Adjustment”);
- (6) Pre-tax net operating profit margin ratio for MFS. This ratio is a measure of the 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 commission expenses 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 profitability of MFS. There is no directly comparable IFRS measure;
- (7) Pre-tax gross operating profit margin ratio for MFS. This ratio excludes the impact of fair value adjustments on MFS’s share-based payment awards and investment income. There is no directly comparable IFRS measure;
- (8) After-tax profit margin for SLF U.S. Group Benefits. This ratio assists in explaining our results from period to period and is a measure of profitability that expresses SLF U.S. Group Benefits underlying net income (loss) as a percentage of net premiums. This ratio is calculated by dividing underlying net income (loss) by net premiums for the trailing four quarters. There is no directly comparable IFRS measure; and
- (9) Impact of foreign exchange. Several IFRS financial measures are presented on a constant currency adjusted basis to exclude the impact of foreign exchange rate fluctuations. These measures are calculated using the average or period end foreign exchange rates, as appropriate, in effect at the date of the comparative period.

Sun Life Financial also uses the following non-IFRS financial measures for which there are no comparable financial measures in IFRS:

- (1) administrative services only (“ASO”) premium and deposit equivalents, mutual fund sales, managed fund sales, life and health or insurance sales and total premiums and deposits;
- (2) assets under management (“AUM”), mutual fund assets, managed fund assets, other AUM, and assets under management and under administration; and
- (3) MFS pro forma diluted EPS impact, which illustrates the impact on the Company’s diluted earnings per share for the period assuming the MFS liability for share-based compensation is settled in the shares of SLF Inc.

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.

FINANCIAL HIGHLIGHTS

	At and For the Quarter Ended									At and For the Year Ended		
	2018		2017			2016			2017	2016	2015	
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2			
RESULTS												
Common Shareholders' Reported Net Income (Loss) by Segment												
SLF Canada	262	249	172	340	185	266	398	184	185	963	936	824
SLF U.S.	105	96	(63)	72	(178)	25	81	47	26	(144)	217	238
SLF Asset Management	214	210	114	185	183	171	198	181	173	653	729	691
SLF Asia	133	133	121	216	356	85	83	298	96	778	600	406
Corporate	(8)	(19)	(137)	4	28	4	(32)	27	—	(101)	3	26
Total common shareholders' reported net income (loss)	<u>706</u>	<u>669</u>	<u>207</u>	<u>817</u>	<u>574</u>	<u>551</u>	<u>728</u>	<u>737</u>	<u>480</u>	<u>2,149</u>	<u>2,485</u>	<u>2,185</u>
Market related impacts:												
Net equity market impact	9	(45)	19	18	5	20	26	29	14	62	51	(128)
Net interest rate impact	(37)	(27)	(110)	69	(92)	(24)	130	18	(95)	(157)	34	65
Net increases (decreases) in the fair value of real estate	36	4	34	26	13	15	6	10	9	88	22	20
	8	(68)	(57)	113	(74)	11	162	57	(72)	(7)	107	(43)
Assumption changes and management actions (ACMA) ⁽¹⁾	1	(3)	(34)	103	11	1	10	54	(8)	81	45	(9)
Other adjustments:												
Certain hedges that do not qualify for hedge accounting	1	6	2	(6)	(10)	(2)	8	6	(6)	(16)	(5)	21
Fair value adjustments on share-based payment awards at MFS	(2)	(21)	(34)	(19)	(16)	(12)	10	(7)	20	(81)	30	(9)
Acquisition, integration and restructuring	(31)	(15)	(60)	(17)	(26)	(20)	(22)	(12)	(8)	(123)	(27)	(80)
Other ⁽¹⁾	—	—	(251)	—	—	—	—	—	—	(251)	—	—
Total common shareholders' underlying net income (loss)	<u>729</u>	<u>770</u>	<u>641</u>	<u>643</u>	<u>689</u>	<u>573</u>	<u>560</u>	<u>639</u>	<u>554</u>	<u>2,546</u>	<u>2,335</u>	<u>2,305</u>
Common Shareholders' Underlying Net Income (Loss) by Segment												
SLF Canada	245	295	232	222	266	229	243	226	200	949	887	894
SLF U.S.	125	129	95	121	101	59	55	85	61	376	284	287
SLF Asset Management	216	231	226	204	199	183	188	188	153	812	699	700
SLF Asia	145	128	111	130	123	97	94	130	138	461	458	406
Corporate	(2)	(13)	(23)	(34)	—	5	(20)	10	2	(52)	7	18
Total common shareholders' underlying net income (loss)	<u>729</u>	<u>770</u>	<u>641</u>	<u>643</u>	<u>689</u>	<u>573</u>	<u>560</u>	<u>639</u>	<u>554</u>	<u>2,546</u>	<u>2,335</u>	<u>2,305</u>
Profitability Measures												
Basic earnings per common share (EPS)												
Reported	1.16	1.10	0.34	1.33	0.93	0.90	1.19	1.20	0.78	3.51	4.05	3.57
Diluted earnings per common share												
Reported	1.16	1.09	0.34	1.32	0.93	0.89	1.18	1.20	0.78	3.49	4.03	3.55
Underlying	1.20	1.26	1.05	1.05	1.12	0.93	0.91	1.04	0.90	4.15	3.80	3.76
Premiums & Deposits												
Net premiums	4,315	4,645	4,078	3,716	3,923	3,564	4,419	3,888	3,563	15,281	15,048	10,395
Segregated fund deposits	2,703	3,395	2,680	2,235	2,506	3,437	3,691	2,294	2,834	10,858	11,550	12,047
Mutual fund sales ⁽²⁾	19,265	24,056	21,329	20,721	21,285	24,180	22,344	23,115	20,007	87,515	84,728	76,551
Managed fund sales	8,967	12,345	11,170	11,674	11,855	9,394	10,263	9,256	9,886	44,093	40,270	30,079
ASO premium & deposit equivalents	1,767	1,675	1,709	1,805	1,701	1,718	1,705	1,623	1,745	6,933	6,863	7,078
Total premiums & deposits	<u>37,017</u>	<u>46,116</u>	<u>40,966</u>	<u>40,151</u>	<u>41,270</u>	<u>42,293</u>	<u>42,422</u>	<u>40,176</u>	<u>38,035</u>	<u>164,680</u>	<u>158,459</u>	<u>136,150</u>
Total adjusted premiums & deposits ⁽³⁾	<u>38,516</u>				<u>42,014</u>							
Sales & Value of New Business												
Individual Life & Health ⁽⁴⁾												
Group Life & Health ⁽⁴⁾	316	310	366	269	263	338	432	292	260	1,236	1,198	916
Wealth - SLF Asset Management	25,263	32,264	28,514	28,610	29,852	30,306	29,457	30,023	28,182	117,282	116,270	99,523
Wealth - excluding SLF Asset Management ⁽²⁾⁽⁴⁾	5,541	7,561	6,786	7,216	6,730	7,300	7,793	5,138	4,523	28,032	22,049	21,691
Large case longevity insurance sales	—	—	—	—	—	—	—	—	—	—	—	5,260
Value of New Business ⁽⁵⁾	266	334	265	224	227	252	273	202	185	968	860	712

⁽¹⁾ Represents U.S. tax reform in Q4 2017. Refer to the Notes section of this document for additional details.

⁽²⁾ Includes Aditya Birla Sun Life AMC Limited's equity and fixed income mutual funds sales based on our proportionate equity interest.

⁽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 and associates with local partners in SLF Asia based on our proportionate equity interest. Sales in Vietnam are included at 100% in Q4 2016 and 75% for the first three quarters of 2016. Indonesia CSL sales are included at 100% beginning Q3 2016 and Aditya Birla Sun Life Insurance Company Limited's sales are included at 49% beginning Q2 2016. Indonesia CSL sales, Aditya Birla Sun Life Insurance Company Limited's sales and Vietnam's sales were included at 49% prior to Q3 2016, 26% prior to Q2 2016 and 49% prior to Q1 2016, respectively.

⁽⁵⁾ Excludes SLF Asset Management's value of new business.

FINANCIAL HIGHLIGHTS CONTINUED

	At and For the Quarter Ended									At and For the Year Ended		
	2018		2017			2016				2017	2016	2015
Valuation Data	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2			
Book value per common share	34.53	33.82	32.86	32.75	32.69	32.54	32.10	31.57	30.42	32.86	32.10	31.02
Book value per common share excluding AOCI	32.33	31.67	31.05	31.22	30.37	29.89	29.41	28.60	27.80	31.05	29.41	27.00
Tangible book value per common share	22.92	22.35	21.64	21.73	21.47	21.17	20.66	20.19	19.30	21.64	20.66	21.02
Market-to-book value (times)	1.53	1.56	1.58	1.52	1.42	1.49	1.61	1.35	1.40	1.58	1.61	1.39
Total market capitalization (TSX in \$ billions)	32.1	32.1	31.7	30.4	28.5	29.8	31.6	26.2	26.0	31.7	31.6	26.4
Financial Strength												
SLA LICAT ratio ⁽¹⁾	134 %	139 %	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
SLF LICAT ratio ⁽¹⁾	149 %	149 %	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Total debt to total capital ratio	21.8 %	22.2 %	23.6 %	22.5 %	22.5 %	22.6 %	25.2 %	25.6 %	23.5 %	23.6 %	25.2 %	22.1 %
Common Share Information (SLF on TSX)												
High (intraday)	56.09	55.80	52.94	49.95	49.71	53.25	53.75	43.84	46.12	53.25	53.75	45.65
Low (intraday)	50.77	49.62	49.06	45.91	43.51	46.93	42.06	40.00	40.26	43.51	36.64	36.88
Close (end of period)	52.83	52.91	51.88	49.69	46.36	48.56	51.55	42.69	42.44	51.88	51.55	43.15
Number of Common Shares Outstanding (in millions)												
At beginning of period	607.6	610.5	611.9	613.7	613.7	613.6	612.9	612.8	612.6	613.6	612.3	613.1
Common shares issued	0.1	0.2	0.3	—	—	0.1	0.7	0.1	0.2	0.4	1.3	4.5
Common shares purchased and cancelled	(0.7)	(3.1)	(1.7)	(1.8)	—	—	—	—	—	(3.5)	—	(5.3)
At end of period	607.0	607.6	610.5	611.9	613.7	613.7	613.6	612.9	612.8	610.5	613.6	612.3
Weighted average shares outstanding - basic	607	610	612	613	614	614	613	613	613	613	613	612
Weighted average shares outstanding - diluted ⁽²⁾	612	615	617	619	619	619	619	619	619	618	619	618
Dividend per common share	0.475	0.455	0.455	0.435	0.435	0.42	0.42	0.405	0.405	1.745	1.62	1.51
Dividend payout ratio ⁽³⁾												
Reported	41 %	42 %	nm ⁽⁴⁾	33 %	47 %	47 %	36 %	34 %	52 %	49 %	40 %	43 %
Underlying	40 %	36 %	43 %	41 %	39 %	45 %	46 %	39 %	45 %	42 %	43 %	40 %
Dividend yield ⁽⁵⁾	3.6 %	3.4%	3.6%	3.6%	3.8%	3.3%	3.5%	3.9%	3.7%	3.6 %	3.7%	3.6%
Assets Under Management ⁽⁶⁾												
General funds	164,709	163,499	162,720	158,757	161,755	160,044	161,071	164,321	159,453	162,720	161,071	155,413
Segregated funds	108,692	106,221	106,392	102,237	102,066	101,055	97,167	95,386	91,463	106,392	97,167	91,440
Total assets	273,401	269,720	269,112	260,994	263,821	261,099	258,238	259,707	250,916	269,112	258,238	246,853
Other assets under management												
Mutual funds	358,024	351,919	346,659	328,563	329,895	321,790	307,937	307,374	289,000	346,659	307,937	296,438
Managed funds & other	384,978	387,159	386,840	370,853	376,211	370,302	362,513	366,846	349,680	386,840	362,513	374,095
Consolidation adjustments	(30,283)	(29,872)	(27,826)	(26,815)	(26,106)	(25,916)	(25,413)	(25,827)	(24,993)	(27,826)	(25,413)	(26,054)
Total other assets under management	712,719	709,206	705,673	672,601	680,000	666,176	645,037	648,393	613,687	705,673	645,037	644,479
Total assets under management	986,120	978,926	974,785	933,595	943,821	927,275	903,275	908,100	864,603	974,785	903,275	891,332
Total assets under management and administration ⁽⁶⁾	1,033,958	1,027,537	1,023,458	981,719	990,678	977,359	960,771	965,040	929,906	1,023,458	960,771	949,280
Select Constant Currency Measures												
Reported net income	727				574							
Underlying net income	751				689							
Sales - Individual Life & Health	326				263							
Sales - Group Life & Health	324				302							
Sales - Wealth	32,044				36,582							
Premiums & deposits	38,363				41,270							
Reported earnings per share - Diluted	1.19				0.93							
Underlying earnings per share - Diluted	1.24				1.12							
Assets under management ⁽⁶⁾	977,614				943,821							

⁽¹⁾ LICAT ratios are not applicable before January 1, 2018; we previously used the MCCSR guideline, the former capital regulatory guideline.

⁽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 diluted reported EPS and diluted underlying EPS, respectively.

⁽⁴⁾ nm is defined as not meaningful.

⁽⁵⁾ The quarterly dividend yield calculation represents the annualized dividend per share in the quarter over the daily average share price in the quarter. The annual dividend calculation represents the dividend paid in the year over the daily average share price for the year.

⁽⁶⁾ The assets of our joint ventures are included based on our proportionate equity interest.

SUN LIFE FINANCIAL INC.
CONSOLIDATED STATEMENTS OF OPERATIONS

(C\$ millions)

	For the Quarter Ended									For the Year Ended		
	2018		2017			2016				2017	2016	2015
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2			
Revenue												
Premiums - life insurance	2,201	2,078	2,507	2,046	2,084	2,194	2,488	2,249	2,145	8,831	8,894	7,462
Premiums - health insurance	2,255	2,245	2,139	2,121	2,137	2,122	2,052	2,021	1,992	8,519	7,909	6,474
Premiums - annuities	445	894	662	574	835	417	1,052	667	502	2,488	2,624	2,888
Gross premiums	4,901	5,217	5,308	4,741	5,056	4,733	5,592	4,937	4,639	19,838	19,427	16,824
Ceded premiums	(586)	(572)	(1,230)	(1,025)	(1,133)	(1,169)	(1,173)	(1,049)	(1,076)	(4,557)	(4,379)	(6,429)
Net premiums	4,315	4,645	4,078	3,716	3,923	3,564	4,419	3,888	3,563	15,281	15,048	10,395
Net investment income (loss)	1,034	(158)	3,050	395	2,739	2,027	(3,495)	2,594	4,616	8,211	7,945	3,555
Fee income	1,477	1,506	1,520	1,444	1,460	1,418	1,442	1,410	1,354	5,842	5,580	5,324
Total revenue	6,826	5,993	8,648	5,555	8,122	7,009	2,366	7,892	9,533	29,334	28,573	19,274
Policy benefits and expenses												
Gross claims & benefits paid	3,974	4,002	3,890	3,607	3,824	4,032	4,003	3,654	3,848	15,353	15,210	14,086
Change in investment/insurance contract liabilities & reinsurance assets ⁽¹⁾	31	(563)	3,099	(261)	2,414	818	(4,093)	2,040	3,883	6,070	5,204	684
Operating expenses, commissions and other expenses	2,388	2,358	2,561	2,211	2,337	2,386	2,500	2,271	2,188	9,495	9,027	7,751
Reinsurance expenses (recoveries)	(519)	(528)	(1,082)	(1,061)	(1,072)	(1,158)	(1,073)	(1,196)	(1,017)	(4,373)	(4,313)	(6,146)
Total policy benefits and expenses	5,874	5,269	8,468	4,496	7,503	6,078	1,337	6,769	8,902	26,545	25,128	16,375
Income (loss) before income taxes	952	724	180	1,059	619	931	1,029	1,123	631	2,789	3,445	2,899
Income tax expense (benefit)	182	119	(66)	209	(23)	182	201	206	120	302	619	599
Participating policyholders' net income (loss) and non-controlling interest	41	(88)	16	9	45	175	77	155	7	245	245	15
Preferred shareholder dividends	23	24	23	24	23	23	23	25	24	93	96	100
Common shareholders' reported net income (loss)	706	669	207	817	574	551	728	737	480	2,149	2,485	2,185
Common shareholders' underlying net income (loss)	729	770	641	643	689	573	560	639	554	2,546	2,335	2,305
Return on equity - reported	13.5 %	13.1 %	4.1 %	16.2 %	11.4 %	11.0 %	14.8 %	15.4 %	10.3 %	10.7 %	13.0 %	12.2 %
Return on equity - underlying	14.0 %	15.1 %	12.7 %	12.7 %	13.7 %	11.5 %	11.4 %	13.4 %	11.9 %	12.7 %	12.2 %	12.8 %
SOURCES OF EARNINGS - Total Company												
	2018		2017			2016				2017	2016	2015
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2			
Expected profit on in-force business ⁽²⁾	732	734	743	710	702	651	666	699	632	2,806	2,633	2,656
Impact of new business ⁽²⁾	13	(7)	29	21	9	(18)	22	(8)	(1)	41	(11)	(182)
Experience gains (losses)	51	(1)	(152)	207	(80)	(16)	167	100	(97)	(41)	116	189
Assumption changes and management actions	4	(5)	(486)	93	(114)	2	17	20	(10)	(505)	10	(54)
Other ⁽³⁾	(48)	(50)	(137)	(69)	(83)	(58)	(24)	(34)	(21)	(347)	(86)	(147)
Earnings (loss) on operations (pre-tax)	752	671	(3)	962	434	561	848	777	503	1,954	2,662	2,462
Earnings on surplus	153	157	128	102	134	132	91	126	118	496	458	435
Earnings (loss) before income taxes	905	828	125	1,064	568	693	939	903	621	2,450	3,120	2,897
Income tax (expense) benefit	(176)	(135)	105	(223)	29	(119)	(188)	(141)	(118)	(208)	(540)	(612)
Earnings (loss) before preferred share dividends and non-controlling interest	729	693	230	841	597	574	751	762	503	2,242	2,580	2,285
Preferred share dividends and non-controlling interest	(23)	(24)	(23)	(24)	(23)	(23)	(23)	(25)	(23)	(93)	(95)	(100)
Common shareholders' reported net income (loss)	706	669	207	817	574	551	728	737	480	2,149	2,485	2,185
Underlying net income adjustments (post tax):												
Market related impacts	8	(68)	(57)	113	(74)	11	162	57	(72)	(7)	107	(43)
Assumption changes and management actions	1	(3)	(34)	103	11	1	10	54	(8)	81	45	(9)
Other adjustments:												
Impact of certain hedges that do not qualify for hedge accounting	1	6	2	(6)	(10)	(2)	8	6	(6)	(16)	(5)	21
Fair value adjustments on share-based payment awards at MFS	(2)	(21)	(34)	(19)	(16)	(12)	10	(7)	20	(81)	30	(9)
Acquisition, integration and restructuring	(31)	(15)	(60)	(17)	(26)	(20)	(22)	(12)	(8)	(123)	(27)	(80)
Other	—	—	(251)	—	—	—	—	—	—	(251)	—	—
Common shareholders' underlying net income (loss)	729	770	641	643	689	573	560	639	554	2,546	2,335	2,305
EXCHANGE RATES - Average for the period												
U.S. Dollar	1.290	1.264	1.270	1.253	1.345	1.323	1.335	1.304	1.289	1.298	1.325	1.278

⁽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⁾ Reflects a change in presentation for our U.S. Stop Loss business effective Q1 2018. We have updated the prior eight quarters to reflect this change in presentation.

⁽³⁾ Represents pre-tax adjustments related to certain hedges that do not qualify for hedge accounting, MFS fair value adjustments on share-based payment awards, and acquisition, integration and restructuring amounts.

STATEMENTS OF FINANCIAL POSITION
(C\$ millions)

	At the Quarter Ended									At the Year Ended		
	2018		2017				2016			2017	2016	2015
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2			
Assets												
Cash, cash equivalents and short-term securities	8,128	7,837	8,890	8,063	7,826	6,939	8,642	7,992	6,544	8,890	8,642	8,983
Debt securities	72,707	72,607	72,619	70,562	73,407	72,875	71,887	76,039	74,035	72,619	71,887	69,896
Equity securities	5,608	5,699	6,020	5,991	5,912	5,798	5,774	5,731	5,445	6,020	5,774	5,313
Mortgages and loans	44,917	44,073	42,805	41,226	40,735	40,875	40,775	39,707	39,497	42,805	40,775	39,103
Derivative assets	1,182	1,313	1,478	1,510	1,566	1,538	1,608	2,910	2,837	1,478	1,608	1,866
Other invested assets	4,415	4,322	4,154	4,020	4,015	3,970	3,931	3,851	3,442	4,154	3,931	3,111
Policy loans	3,164	3,120	3,106	3,066	3,109	3,135	3,141	3,112	3,082	3,106	3,141	3,151
Investment properties	7,337	7,243	7,067	7,034	6,982	6,595	6,592	6,492	6,511	7,067	6,592	6,540
Total invested assets	147,458	146,214	146,139	141,472	143,552	141,725	142,350	145,834	141,393	146,139	142,350	137,963
Other assets	4,598	4,830	4,408	4,945	5,056	4,930	5,109	4,524	4,507	4,408	5,109	4,567
Reinsurance assets	4,273	4,143	4,028	4,124	4,762	5,029	5,144	5,437	5,122	4,028	5,144	5,386
Deferred tax assets	1,332	1,344	1,295	1,473	1,501	1,386	1,448	1,552	1,616	1,295	1,448	1,372
Intangible assets	1,725	1,685	1,667	1,598	1,647	1,678	1,703	1,672	1,595	1,667	1,703	1,479
Goodwill	5,323	5,283	5,183	5,145	5,237	5,296	5,317	5,302	5,220	5,183	5,317	4,646
Total general fund assets	164,709	163,499	162,720	158,757	161,755	160,044	161,071	164,321	159,453	162,720	161,071	155,413
Investment for account of segregated fund holders	108,692	106,221	106,392	102,237	102,066	101,055	97,167	95,386	91,463	106,392	97,167	91,440
Total assets	273,401	269,720	269,112	260,994	263,821	261,099	258,238	259,707	250,916	269,112	258,238	246,853
Liabilities and Equity												
Insurance contract liabilities	119,374	118,685	117,785	113,997	116,609	115,490	115,057	118,750	115,740	117,785	115,057	110,227
Investment contract liabilities	3,169	3,124	3,082	3,035	3,036	3,049	2,913	2,913	2,904	3,082	2,913	2,913
Derivative liabilities	1,929	1,928	1,756	1,823	2,004	2,226	2,512	2,803	2,697	1,756	2,512	3,378
Deferred tax liabilities	470	428	403	747	768	741	687	634	515	403	687	405
Other liabilities	11,697	11,719	11,987	11,887	12,057	11,391	12,399	12,132	12,367	11,987	12,399	12,332
Senior debentures	599	599	599	599	599	599	599	599	598	599	599	1,548
Senior debentures - Innovative capital instruments	700	700	700	700	700	700	700	700	700	700	700	700
Subordinated debt	3,038	3,037	3,437	3,038	3,038	3,037	3,836	3,835	2,841	3,437	3,836	2,492
Total general fund liabilities	140,976	140,220	139,749	135,826	138,811	137,233	138,703	142,366	138,362	139,749	138,703	133,995
Insurance contracts for account of segregated fund holders	101,496	98,943	99,121	95,282	94,967	94,039	90,388	88,388	84,759	99,121	90,388	83,670
Investment contracts for account of segregated fund holders	7,196	7,278	7,271	6,955	7,099	7,016	6,779	6,998	6,704	7,271	6,779	7,770
Total liabilities	249,668	246,441	246,141	238,063	240,877	238,288	235,870	237,752	229,825	246,141	235,870	225,435
Total equity	23,733	23,279	22,971	22,931	22,944	22,811	22,368	21,955	21,091	22,971	22,368	21,418
Total liabilities and equity	273,401	269,720	269,112	260,994	263,821	261,099	258,238	259,707	250,916	269,112	258,238	246,853
EXCHANGE RATES - Period end rates												
U.S. Dollar	1.313	1.289	1.258	1.247	1.296	1.331	1.343	1.313	1.292	1.258	1.343	1.384

EQUITY AND CAPITAL

(C\$ millions)

	At the Quarter Ended									At the Year Ended		
	2018		2017			2016			2017	2016	2015	
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2			
CHANGES IN COMMON SHAREHOLDERS' EQUITY												
Balance at beginning of period	20,547	20,064	20,041	20,059	19,968	19,699	19,347	18,641	18,480	19,699	18,993	16,474
Common shareholders' reported net income (loss)	706	669	207	817	574	551	728	737	480	2,149	2,485	2,185
Dividends - common shares	(289)	(277)	(274)	(267)	(267)	(258)	(251)	(248)	(248)	(1,066)	(986)	(918)
Common shares issued, net of expenses	5	9	9	3	—	3	25	2	5	15	39	166
Common shares buyback	(40)	(166)	(87)	(88)	—	—	—	—	—	(175)	—	(212)
Share-based compensation	1	2	—	—	1	2	1	—	1	3	4	3
Other ⁽¹⁾	—	45	—	—	—	—	17	—	—	—	(30)	—
Other comprehensive income (OCI) for the period:												
Unrealized foreign currency translation gains (losses), net of hedging activities	137	313	152	(467)	(318)	(97)	189	135	(182)	(730)	(634)	1,645
Unrealized gains (losses) on available-for-sale assets	(93)	(190)	85	(79)	59	70	(317)	75	158	135	(14)	(298)
Unrealized gains (losses) on cash flow hedges	(1)	(1)	—	3	(4)	(4)	7	—	(2)	(5)	(9)	(3)
Share of other comprehensive income (loss) in joint ventures and associates	(41)	17	24	(33)	(32)	10	(46)	19	(19)	(31)	(76)	—
Unrealized gains (losses) on transfer to investment properties	—	—	—	—	139	—	—	—	—	139	—	—
Remeasurement of defined benefit plans	27	62	(93)	93	(61)	(8)	(1)	(14)	(32)	(69)	(73)	(49)
Balance at end of period	<u>20,959</u>	<u>20,547</u>	<u>20,064</u>	<u>20,041</u>	<u>20,059</u>	<u>19,968</u>	<u>19,699</u>	<u>19,347</u>	<u>18,641</u>	<u>20,064</u>	<u>19,699</u>	<u>18,993</u>
Composition of shareholders' accumulated OCI balance												
Unrealized foreign currency translation gains (losses), net of hedging activities	1,453	1,316	1,003	851	1,318	1,636	1,733	1,544	1,409	1,003	1,733	2,418
Unrealized gains (losses) on available-for-sale assets	63	156	346	261	340	281	211	528	453	346	211	250
Unrealized gains (losses) on cash flow hedges	(13)	(12)	(11)	(11)	(14)	(10)	(6)	(13)	(13)	(11)	(6)	3
Share of other comprehensive income (loss) in joint ventures and associates	(55)	(14)	(31)	(55)	(22)	10	—	46	27	(31)	—	—
Unrealized gains (losses) on transfer to investment properties	145	145	145	145	145	6	6	6	6	145	6	6
Remeasurement of defined benefit plans	(258)	(285)	(347)	(254)	(347)	(299)	(291)	(290)	(276)	(347)	(291)	(218)
Balance at end of period	<u>1,335</u>	<u>1,306</u>	<u>1,105</u>	<u>937</u>	<u>1,420</u>	<u>1,624</u>	<u>1,653</u>	<u>1,821</u>	<u>1,606</u>	<u>1,105</u>	<u>1,653</u>	<u>2,459</u>
CAPITAL												
Subordinated debt	3,038	3,037	3,437	3,038	3,038	3,037	3,836	3,835	2,841	3,437	3,836	2,492
SLEECs ⁽²⁾	699	699	699	698	698	698	698	698	697	699	698	697
Participating policyholders' equity and non-controlling interest	517	475	650	633	628	586	412	351	193	650	412	168
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	2,257
Common shareholders' equity	20,959	20,547	20,064	20,041	20,059	19,968	19,699	19,347	18,641	20,064	19,699	18,993
Total capital	<u>27,470</u>	<u>27,015</u>	<u>27,107</u>	<u>26,667</u>	<u>26,680</u>	<u>26,546</u>	<u>26,902</u>	<u>26,488</u>	<u>24,629</u>	<u>27,107</u>	<u>26,902</u>	<u>24,607</u>

LICAT RATIO - SUN LIFE ASSURANCE COMPANY OF CANADA
Capital Resources

Tier 1 capital

Retained earnings and contributed surplus	12,409	13,033
Adjusted accumulated other comprehensive income	1,082	1,091
Common and preferred shares	3,195	3,195
Innovative instruments	699	699
Other	59	60

Less:

Goodwill	2,478	2,464
Tier 1 deductions	3,992	4,020

Net tier 1 capital

	10,974	11,594
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Tier 2 capital

Preferred shares and subordinated debt	2,900	2,900
Other tier 2	2,144	2,109

Less:

Tier 2 deductions	820	820
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Net tier 2 capital

	4,224	4,189
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Surplus allowance and eligible deposits	9,690	9,660
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Total capital resources

	<u>24,888</u>	<u>25,443</u>
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Capital Requirements

Credit risk	3,612	3,606
Market risk	4,073	3,895
Insurance risk	8,151	8,037

Total non-participating product risk (before other credits and diversification)

	15,836	15,538
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Total participating product risk including par credits (before other credits and diversification)	3,345	3,312
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Less:

Credits and diversification benefits	4,058	4,010
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Total Non-participating and participating product risk

	15,123	14,840
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Segregated fund guarantees risk	989	970
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Operational risk	1,619	1,619
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Total before scalar

	17,731	17,429
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Base solvency buffer (Total before scalar x scalar [1.05])

	<u>18,618</u>	<u>18,301</u>
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LICAT ratio

	134%	139%
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LICAT core ratio

	95%	100%
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⁽¹⁾ In Q1 2018, other consists of an \$89 million transfer of seed capital from the participating account to the shareholder account and a \$(44) million change in retained earnings due to the adoption of IFRS 15.

⁽²⁾ 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		
	2018		2017				2016			2017	2016	2015
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2			
WEIGHTED AVERAGE SHARES												
Weighted average shares - basic	607	610	612	613	614	614	613	613	613	613	613	612
Diluted impact of stock options	1	1	1	1	1	1	1	1	1	1	1	1
Weighted average shares - diluted underlying	608	611	613	614	615	615	614	614	614	614	614	613
Diluted impact of convertible securities (SLEECs) ⁽¹⁾	4	4	4	5	4	4	5	5	5	4	5	5
Weighted average shares - diluted	612	615	617	619	619	619	619	619	619	618	619	618
DILUTED EARNINGS PER SHARE ⁽²⁾												
Total common shareholders' reported net income (loss)	706	669	207	817	574	551	728	737	480	2,149	2,485	2,185
Add: Increase in income due to convertible securities (SLEECs) ⁽³⁾	2	3	2	3	2	3	2	3	2	10	10	10
Total common shareholders' reported net income (loss) on a diluted basis	708	672	209	820	576	554	730	740	482	2,159	2,495	2,195
Less Adjustments:												
Impact of SLEECs	2	3	2	3	2	3	2	3	2	10	10	10
Market related impacts:												
Net equity market impact	9	(45)	19	18	5	20	26	29	14	62	51	(128)
Net interest rate impact	(37)	(27)	(110)	69	(92)	(24)	130	18	(95)	(157)	34	65
Net increases (decreases) in the fair value of real estate	36	4	34	26	13	15	6	10	9	88	22	20
Assumption changes and management actions	8	(68)	(57)	113	(74)	11	162	57	(72)	(7)	107	(43)
Other adjustments:												
Impact of certain hedges that do not qualify for hedge accounting	1	6	2	(6)	(10)	(2)	8	6	(6)	(16)	(5)	21
Impact of fair value adjustments on share-based payment awards at MFS	(2)	(21)	(34)	(19)	(16)	(12)	10	(7)	20	(81)	30	(9)
Impact of acquisition, integration and restructuring	(31)	(15)	(60)	(17)	(26)	(20)	(22)	(12)	(8)	(123)	(27)	(80)
Other	—	—	(251)	—	—	—	—	—	—	(251)	—	—
Total common shareholders' underlying net income (loss)	729	770	641	643	689	573	560	639	554	2,546	2,335	2,305
Diluted earnings per share - reported	\$ 1.16	\$ 1.09	\$ 0.34	\$ 1.32	\$ 0.93	\$ 0.89	\$ 1.18	\$ 1.20	\$ 0.78	\$ 3.49	\$ 4.03	\$ 3.55
Less Adjustments:												
Impact of SLEECs	\$ -	\$ -	\$ -	\$ (0.01)	\$ -	\$ -	\$ (0.01)	\$ -	\$ -	\$ (0.01)	\$ (0.02)	\$ (0.02)
Market related impacts:												
Net equity market impact	\$ 0.01	\$ (0.08)	\$ 0.03	\$ 0.03	\$ 0.01	\$ 0.03	\$ 0.04	\$ 0.05	\$ 0.02	\$ 0.10	\$ 0.08	\$ (0.21)
Net interest rate impact	\$ (0.06)	\$ (0.04)	\$ (0.18)	\$ 0.11	\$ (0.15)	\$ (0.04)	\$ 0.21	\$ 0.03	\$ (0.15)	\$ (0.25)	\$ 0.06	\$ 0.11
Net increases (decreases) in the fair value of real estate	\$ 0.06	\$ 0.01	\$ 0.05	\$ 0.04	\$ 0.02	\$ 0.02	\$ 0.01	\$ 0.01	\$ 0.01	\$ 0.14	\$ 0.04	\$ 0.03
Assumption changes and management actions	\$ 0.01	\$ (0.11)	\$ (0.10)	\$ 0.18	\$ (0.12)	\$ 0.01	\$ 0.26	\$ 0.09	\$ (0.12)	\$ (0.01)	\$ 0.18	\$ (0.07)
Other adjustments:	\$ -	\$ (0.01)	\$ (0.05)	\$ 0.17	\$ 0.02	\$ -	\$ 0.02	\$ 0.09	\$ (0.01)	\$ 0.13	\$ 0.07	\$ (0.01)
Impact of certain hedges that do not qualify for hedge accounting	\$ -	\$ 0.01	\$ -	\$ (0.01)	\$ (0.02)	\$ -	\$ 0.01	\$ 0.01	\$ (0.01)	\$ (0.03)	\$ (0.01)	\$ 0.03
Impact of fair value adjustments on share-based payment awards at MFS	\$ -	\$ (0.03)	\$ (0.05)	\$ (0.03)	\$ (0.03)	\$ (0.02)	\$ 0.02	\$ (0.01)	\$ 0.03	\$ (0.13)	\$ 0.05	\$ (0.01)
Impact of acquisition, integration and restructuring	\$ (0.05)	\$ (0.03)	\$ (0.10)	\$ (0.03)	\$ (0.04)	\$ (0.03)	\$ (0.03)	\$ (0.02)	\$ (0.01)	\$ (0.20)	\$ (0.04)	\$ (0.13)
Other	\$ -	\$ -	\$ (0.41)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (0.41)	\$ -	\$ -
Diluted earnings per share - underlying	\$ 1.20	\$ 1.26	\$ 1.05	\$ 1.05	\$ 1.12	\$ 0.93	\$ 0.91	\$ 1.04	\$ 0.90	\$ 4.15	\$ 3.80	\$ 3.76

⁽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		
	2018		2017				2016			2017	2016	2015
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2			
Revenue												
Premiums - life insurance	1,195	1,137	1,239	1,067	1,079	1,108	1,151	996	1,000	4,493	4,107	3,783
Premiums - health insurance	1,321	1,313	1,258	1,251	1,205	1,202	1,115	1,105	1,074	4,916	4,368	4,105
Premiums - annuities	439	889	658	567	828	411	1,049	655	492	2,464	2,585	2,715
Gross premiums	2,955	3,339	3,155	2,885	3,112	2,721	3,315	2,756	2,566	11,873	11,060	10,603
Ceded premiums	(382)	(376)	(995)	(974)	(929)	(973)	(941)	(911)	(911)	(3,871)	(3,671)	(5,582)
Net premiums	2,573	2,963	2,160	1,911	2,183	1,748	2,374	1,845	1,655	8,002	7,389	5,021
Net investment income (loss)	980	442	2,060	(375)	1,378	1,070	(1,492)	1,394	2,106	4,133	3,751	2,527
Fee income	302	300	315	271	275	271	285	253	245	1,132	1,026	998
Total revenue	3,855	3,705	4,535	1,807	3,836	3,089	1,167	3,492	4,006	13,267	12,166	8,546
Policy benefits and expenses												
Gross claims & benefits paid	2,362	2,283	2,369	2,090	2,195	2,261	2,256	1,965	2,158	8,915	8,484	8,338
Change in investment/insurance contract liabilities & reinsurance assets	543	641	2,003	(589)	1,457	269	(1,734)	1,169	1,701	3,140	2,495	1,532
Operating expenses, commissions and other expenses	874	836	894	769	822	911	874	770	779	3,396	3,150	2,887
Reinsurance expenses (recoveries)	(301)	(294)	(903)	(882)	(868)	(904)	(834)	(838)	(829)	(3,557)	(3,332)	(5,227)
Total policy benefits and expenses	3,478	3,466	4,363	1,388	3,606	2,537	562	3,066	3,809	11,894	10,797	7,530
Income (loss) before income taxes	377	239	172	419	230	552	605	426	197	1,373	1,369	1,016
Income tax expense (benefit)	76	42	(6)	80	7	116	135	93	8	197	208	177
Participating policyholders' net income (loss)	39	(52)	6	(1)	38	170	72	149	4	213	225	15
Common shareholders' reported net income (loss)	262	249	172	340	185	266	398	184	185	963	936	824
Market related impacts	15	(44)	(38)	90	(76)	32	130	13	(5)	8	114	(106)
Assumption changes and management actions	5	(7)	(24)	34	5	7	17	(61)	(4)	22	(60)	15
Certain hedges that do not qualify for hedge accounting	1	6	2	(6)	(10)	(2)	8	6	(6)	(16)	(5)	21
Acquisition, integration and restructuring	(4)	(1)	—	—	—	—	—	—	—	—	—	—
Common shareholders' underlying net income (loss)	245	295	232	222	266	229	243	226	200	949	887	894
Return on equity - reported ⁽¹⁾	15.5%	15.1%	9.0%	17.7%	9.7%	13.7%	20.1%	9.3%	9.5%	12.6%	12.0%	10.7%
Return on equity - underlying ⁽¹⁾	14.5%	17.9%	12.2%	11.6%	13.9%	11.8%	12.3%	11.5%	10.3%	12.4%	11.4%	11.6%
PREMIUMS & DEPOSITS												
Net premiums	2,573	2,963	2,160	1,911	2,183	1,748	2,374	1,845	1,655	8,002	7,389	5,021
Segregated fund deposits	2,382	3,066	2,388	1,992	2,269	3,196	3,385	2,000	2,622	9,845	10,527	10,944
Retail mutual fund deposits (Sun Life Global Investments)	503	644	445	397	478	504	463	414	405	1,824	1,735	1,318
ASO premium & deposit equivalents	1,623	1,533	1,563	1,636	1,510	1,538	1,523	1,432	1,467	6,247	5,920	5,889
Total	7,081	8,206	6,556	5,936	6,440	6,986	7,745	5,691	6,149	25,918	25,571	23,172
SALES												
Individual Insurance	110	88	120	87	100	144	203	102	99	451	475	350
Individual Wealth	1,497	1,818	1,470	1,281	1,400	1,733	1,480	1,216	1,192	5,884	5,386	5,398
Group Benefits	156	208	107	130	130	307	105	106	114	674	475	486
Group Retirement Services	1,542	2,007	1,713	2,328	2,381	2,670	3,221	1,520	1,554	9,092	7,814	14,483
ASSETS UNDER MANAGEMENT												
General funds	85,242	84,276	84,698	83,430	83,947	82,171	82,456	83,237	81,640	84,698	82,456	78,109
Segregated funds	90,402	87,763	87,817	84,568	84,047	83,278	79,964	77,679	74,668	87,817	79,964	72,633
Other AUM	4,960	4,748	3,902	3,577	3,416	3,200	2,832	2,547	2,251	3,902	2,832	1,818
Total	180,604	176,787	176,417	171,575	171,410	168,649	165,252	163,463	158,559	176,417	165,252	152,560
Sun Life Global Investments (Canada) Inc.												
Gross Sales												
Retail	689	840	639	553	630	652	605	537	527	2,474	2,247	1,495
Institutional & other ⁽²⁾	559	669	405	426	395	790	645	433	790	2,016	2,479	1,840
Total	1,248	1,509	1,044	979	1,025	1,442	1,250	970	1,317	4,490	4,726	3,335
Net Sales	644	825	585	634	428	820	835	680	958	2,467	3,360	2,100
Assets under management	22,649	21,569	20,042	18,778	18,095	17,442	16,132	15,374	14,272	20,042	16,132	12,281

⁽¹⁾ The adoption of LICAT impacted the capital allocation for SLF Canada. As a result, reported and underlying ROEs increased approximately 1.6% and 1.8%, respectively, for both Q1 and Q2 2018.

⁽²⁾ Institutional & other consists primarily of Group Retirement Services segregated fund deposits.

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

STATEMENTS OF OPERATIONS	At and For the Quarter Ended									At and For the Year Ended		
	2018		2017			2016				2017	2016	2015
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2			
Revenue												
Gross premiums	1,272	1,177	1,282	1,063	1,081	1,153	1,307	1,009	989	4,579	4,259	3,800
Ceded premiums	(146)	(128)	(148)	(122)	(101)	(138)	(161)	(128)	(144)	(509)	(563)	(531)
Net premiums	1,126	1,049	1,134	941	980	1,015	1,146	881	845	4,070	3,696	3,269
Net investment income (loss)	783	253	1,599	(362)	1,070	770	(1,415)	1,051	1,700	3,077	2,668	1,805
Fee income	123	121	136	104	103	98	119	89	85	441	379	380
Total revenue	2,032	1,423	2,869	683	2,153	1,883	(150)	2,021	2,630	7,588	6,743	5,454
Policy benefits and expenses												
Gross claims & benefits paid	799	841	822	725	753	815	810	714	730	3,115	2,991	3,100
Change in investment/insurance contract liabilities & reinsurance assets	691	185	1,626	(612)	993	272	(1,843)	726	1,503	2,279	1,546	801
Operating expenses, commissions and other expenses	495	461	508	416	462	541	511	430	433	1,927	1,763	1,591
Reinsurance expenses (recoveries)	(113)	(111)	(112)	(97)	(99)	(132)	(99)	(117)	(104)	(440)	(425)	(424)
Total policy benefits and expenses	1,872	1,376	2,844	432	2,109	1,496	(621)	1,753	2,562	6,881	5,875	5,068
Income (loss) before income taxes	160	47	25	251	44	387	471	268	68	707	868	386
Income tax expense (benefit)	16	(8)	(23)	41	(23)	84	108	61	(11)	79	134	23
Participating policyholders' net income (loss)	39	(52)	6	(1)	38	170	72	149	4	213	225	15
Common shareholders' reported net income (loss)	105	107	42	211	29	133	291	58	75	415	509	348
PREMIUMS & DEPOSITS												
Net premiums	1,126	1,049	1,134	941	980	1,015	1,146	881	845	4,070	3,696	3,269
Segregated fund deposits	229	256	247	207	212	207	193	196	177	873	763	572
Retail mutual fund deposits (Sun Life Global Investments)	503	644	445	397	478	504	463	414	405	1,824	1,735	1,318
Total	1,858	1,949	1,826	1,545	1,670	1,726	1,802	1,491	1,427	6,767	6,194	5,159
SALES												
Individual Insurance - Career Sales Force	46	39	59	49	50	34	96	52	53	192	242	195
Individual Insurance - Third-party	64	49	61	38	50	110	107	50	46	259	233	155
Total insurance sales	110	88	120	87	100	144	203	102	99	451	475	350
Individual Wealth - fixed products	311	306	272	206	205	394	381	205	206	1,077	1,055	984
Individual Wealth - mutual funds	953	1,260	940	868	983	1,132	906	815	808	3,923	3,569	3,852
Individual Wealth - segregated funds	233	252	258	207	212	207	193	196	178	884	762	562
Total wealth sales	1,497	1,818	1,470	1,281	1,400	1,733	1,480	1,216	1,192	5,884	5,386	5,398
Wealth Manufactured Sales ⁽¹⁾	1,035	1,186	958	799	880	1,084	1,020	766	765	3,721	3,418	2,561
Other wealth sales	462	632	512	482	520	649	460	450	427	2,163	1,968	2,837
Total wealth sales	1,497	1,818	1,470	1,281	1,400	1,733	1,480	1,216	1,192	5,884	5,386	5,398
Career Sales Force - Career Advisor Network	3,677	3,751	3,856	3,900	3,976	4,052	4,168	4,054	4,004	3,856	4,168	4,101
ASSETS UNDER MANAGEMENT												
General funds	57,514	56,441	56,523	55,667	56,130	55,146	55,158	56,218	55,148	56,523	55,158	52,077
Segregated funds	12,173	12,074	12,423	12,248	12,285	12,427	12,341	12,343	11,980	12,423	12,341	12,280
Other AUM	4,960	4,748	3,902	3,577	3,416	3,200	2,832	2,547	2,251	3,902	2,832	1,818
Total assets under management	74,647	73,263	72,848	71,492	71,831	70,773	70,331	71,108	69,379	72,848	70,331	66,175
Mutual fund dealers' assets	20,891	20,496	20,535	19,868	19,700	19,460	18,698	18,125	17,328	20,535	18,698	16,977
Total assets under management and administration	95,538	93,759	93,383	91,360	91,531	90,233	89,029	89,233	86,707	93,383	89,029	83,152

⁽¹⁾ Represent sales of individual wealth products developed by Sun Life, which include Sun Life Global Investment mutual funds, Sun Life Guaranteed Investment Fund segregated funds, Guaranteed Investment Certificates, and Accumulation and Payout Annuities.

SLF CANADA - GROUP BENEFITS
(C\$ millions)

	At and For the Quarter Ended									At and For the Year Ended		
	2018		2017			2016				2017	2016	2015
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2			
STATEMENTS OF OPERATIONS												
Revenue												
Gross premiums	1,446	1,445	1,374	1,379	1,333	1,340	1,238	1,241	1,211	5,426	4,910	4,684
Ceded premiums	(155)	(166)	(765)	(768)	(744)	(749)	(693)	(696)	(679)	(3,026)	(2,756)	(4,684)
Net premiums	1,291	1,279	609	611	589	591	545	545	532	2,400	2,154	—
Net investment income (loss)	100	111	193	(1)	136	153	(68)	167	200	481	492	486
Fee income	59	58	59	55	57	61	60	58	57	232	233	224
Total revenue	1,450	1,448	861	665	782	805	537	770	789	3,113	2,879	710
Policy benefits and expenses												
Gross claims & benefits paid	1,118	1,030	1,082	972	1,056	1,049	959	877	995	4,159	3,820	3,697
Change in investment/insurance contract liabilities & reinsurance assets	26	163	110	42	28	72	(119)	147	90	252	227	121
Operating expenses, commissions and other expenses	276	271	279	258	260	267	259	247	248	1,064	993	930
Reinsurance expenses (recoveries)	(109)	(104)	(711)	(704)	(688)	(688)	(650)	(636)	(639)	(2,791)	(2,564)	(4,446)
Total policy benefits and expenses	1,311	1,360	760	568	656	700	449	635	694	2,684	2,476	302
Income (loss) before income taxes	139	88	101	97	126	105	88	135	95	429	403	408
Income tax expense (benefit)	36	19	23	23	27	24	18	35	24	97	96	84
Common shareholders' reported net income (loss)	103	69	78	74	99	81	70	100	71	332	307	324
PREMIUMS & DEPOSITS												
Net premiums	1,291	1,279	609	611	589	591	545	545	532	2,400	2,154	—
ASO premium equivalents	1,243	1,243	1,244	1,235	1,228	1,230	1,221	1,211	1,200	4,937	4,830	4,660
Total	2,534	2,522	1,853	1,846	1,817	1,821	1,766	1,756	1,732	7,337	6,984	4,660
SALES	156	208	107	130	130	307	105	106	114	674	475	486
ASSETS UNDER MANAGEMENT												
General funds	13,794	13,640	14,156	14,012	13,969	13,712	13,790	13,939	13,706	14,156	13,790	13,511
SUPPLEMENTAL INFORMATION												
Business in-force	10,404	10,297	10,108	9,981	9,886	9,801	9,489	9,380	9,280	10,108	9,489	9,071

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

	At and For the Quarter Ended									At and For the Year Ended		
	2018		2017				2016			2017	2016	2015
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2			
STATEMENTS OF OPERATIONS												
Revenue												
Gross premiums	237	717	499	443	698	228	770	506	366	1,868	1,891	2,119
Ceded premiums	(81)	(82)	(82)	(84)	(84)	(86)	(87)	(87)	(88)	(336)	(352)	(367)
Net premiums	156	635	417	359	614	142	683	419	278	1,532	1,539	1,752
Net investment income (loss)	97	78	268	(12)	172	147	(9)	176	206	575	591	236
Fee income	120	121	120	112	115	112	106	106	103	459	414	394
Total revenue	373	834	805	459	901	401	780	701	587	2,566	2,544	2,382
Policy benefits and expenses												
Gross claims & benefits paid	445	412	465	393	386	397	487	374	433	1,641	1,673	1,541
Change in investment/insurance contract liabilities & reinsurance assets	(174)	293	267	(19)	436	(75)	228	296	108	609	722	610
Operating expenses, commissions and other expenses	103	104	107	95	100	103	104	93	98	405	394	366
Reinsurance expenses (recoveries)	(79)	(79)	(80)	(81)	(81)	(84)	(85)	(85)	(86)	(326)	(343)	(357)
Total policy benefits and expenses	295	730	759	388	841	341	734	678	553	2,329	2,446	2,160
Income (loss) before income taxes	78	104	46	71	60	60	46	23	34	237	98	222
Income tax expense (benefit)	24	31	(6)	16	3	8	9	(3)	(5)	21	(22)	70
Common shareholders' reported net income (loss)	54	73	52	55	57	52	37	26	39	216	120	152
PREMIUMS & DEPOSITS												
Net premiums	156	635	417	359	614	142	683	419	278	1,532	1,539	1,752
Segregated fund deposits	2,153	2,810	2,141	1,785	2,057	2,989	3,192	1,804	2,445	8,972	9,764	10,372
ASO deposit equivalents	380	290	319	401	282	308	302	221	267	1,310	1,090	1,229
Total	2,689	3,735	2,877	2,545	2,953	3,439	4,177	2,444	2,990	11,814	12,393	13,353
SALES												
Sales	965	1,344	956	1,686	1,835	2,090	2,555	957	1,042	6,567	5,542	7,014
Asset consolidation and rollovers	577	663	757	642	546	580	666	563	512	2,525	2,272	2,209
Large case longevity insurance sales	—	—	—	—	—	—	—	—	—	—	—	5,260
Total	1,542	2,007	1,713	2,328	2,381	2,670	3,221	1,520	1,554	9,092	7,814	14,483
ASSETS UNDER MANAGEMENT												
General funds	13,934	14,195	14,019	13,751	13,848	13,313	13,508	13,080	12,786	14,019	13,508	12,521
Segregated funds	78,229	75,689	75,394	72,320	71,762	70,851	67,623	65,336	62,688	75,394	67,623	60,353
Total assets under management	92,163	89,884	89,413	86,071	85,610	84,164	81,131	78,416	75,474	89,413	81,131	72,874
ASSETS UNDER MANAGEMENT AND ADMINISTRATION												
	101,048	98,332	98,223	94,471	93,539	92,315	89,248	86,008	82,912	98,223	89,248	80,097

SLF U.S.

(C\$ millions)

STATEMENTS OF OPERATIONS	At and For the Quarter Ended									At and For the Year Ended		
	2018		2017			2016			2017	2016	2015	
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2			
Revenue												
Premiums - life insurance	404	405	431	414	445	446	465	448	445	1,736	1,792	1,602
Premiums - health insurance	925	920	875	862	923	910	930	907	910	3,570	3,507	2,333
Premiums - annuities	—	—	—	—	—	—	—	—	1	—	1	2
Gross premiums	1,329	1,325	1,306	1,276	1,368	1,356	1,395	1,355	1,356	5,306	5,300	3,937
Ceded premiums	(147)	(137)	(162)	2	(142)	(134)	(155)	(88)	(138)	(436)	(529)	(587)
Net premiums	1,182	1,188	1,144	1,278	1,226	1,222	1,240	1,267	1,218	4,870	4,771	3,350
Net investment income (loss)	25	(283)	433	367	687	377	(853)	365	949	1,864	1,544	636
Fee income	19	14	16	49	18	20	19	17	22	103	71	28
Total revenue	1,226	919	1,593	1,694	1,931	1,619	406	1,649	2,189	6,837	6,386	4,014
Policy benefits and expenses												
Gross claims & benefits paid	1,199	1,246	1,156	1,078	1,226	1,360	1,255	1,249	1,235	4,820	4,858	3,707
Change in investment/insurance contract liabilities & reinsurance assets	(307)	(605)	553	278	716	49	(1,203)	121	681	1,596	397	(204)
Operating expenses, commissions and other expenses	384	387	401	382	428	418	430	412	397	1,629	1,561	922
Reinsurance expenses (recoveries)	(175)	(179)	(169)	(136)	(155)	(216)	(183)	(179)	(162)	(676)	(706)	(729)
Total policy benefits and expenses	1,101	849	1,941	1,602	2,215	1,611	299	1,603	2,151	7,369	6,110	3,696
Income (loss) before income taxes	125	70	(348)	92	(284)	8	107	46	38	(532)	276	318
Income tax expense (benefit)	20	10	(286)	19	(107)	(18)	26	(2)	11	(392)	54	80
Participating policyholders' net income (loss)	—	(36)	1	1	1	1	—	1	1	4	5	—
Common shareholders' reported net income (loss)	105	96	(63)	72	(178)	25	81	47	26	(144)	217	238
Market related impacts	(1)	(25)	(34)	4	(16)	(12)	36	4	(25)	(58)	11	37
Assumption changes and management actions	(4)	3	—	(38)	(238)	(4)	5	(27)	—	(280)	(23)	(86)
Acquisition, integration and restructuring	(15)	(11)	(10)	(15)	(25)	(18)	(15)	(15)	(10)	(68)	(55)	—
Other	—	—	(114)	—	—	—	—	—	—	(114)	—	—
Common shareholders' underlying net income (loss)	125	129	95	121	101	59	55	85	61	376	284	287
PREMIUMS & DEPOSITS												
Net premiums	1,182	1,188	1,144	1,278	1,226	1,222	1,240	1,267	1,218	4,870	4,771	3,350
SALES												
Group Benefits	155	136	627	193	165	121	526	257	157	1,106	1,053	723
ASSETS UNDER MANAGEMENT												
General funds	32,831	32,575	32,259	32,061	32,762	33,417	33,625	35,094	34,442	32,259	33,625	31,818
Segregated funds	488	484	488	479	496	501	502	521	510	488	502	513
Other AUM	53	54	57	58	64	69	80	88	90	57	80	113
Total	33,372	33,113	32,804	32,598	33,322	33,987	34,207	35,703	35,042	32,804	34,207	32,444

SLF U.S.

(US\$ millions)

	At and For the Quarter Ended									At and For the Year Ended		
	2018		2017			2016				2017	2016	2015
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2			
STATEMENTS OF OPERATIONS												
Revenue												
Premiums - life insurance	312	321	339	330	331	337	349	344	345	1,337	1,354	1,254
Premiums - health insurance	717	728	689	688	687	688	697	695	706	2,752	2,652	1,825
Premiums - annuities	—	—	—	—	—	—	—	—	—	—	—	—
Gross premiums	1,029	1,049	1,028	1,018	1,018	1,025	1,046	1,039	1,051	4,089	4,006	3,079
Ceded premiums	(114)	(108)	(128)	4	(106)	(102)	(116)	(68)	(107)	(332)	(399)	(459)
Net premiums	915	941	900	1,022	912	923	930	971	944	3,757	3,607	2,620
Net investment income (loss)	18	(224)	342	290	509	286	(637)	282	738	1,427	1,171	503
Fee income	15	11	13	38	13	16	14	13	17	80	54	22
Total revenue	948	728	1,255	1,350	1,434	1,225	307	1,266	1,699	5,264	4,832	3,145
Policy benefits and expenses												
Gross claims & benefits paid	929	986	911	859	911	1,027	940	958	959	3,708	3,672	2,900
Change in investment/insurance contract liabilities & reinsurance assets	(239)	(478)	434	223	533	39	(899)	94	528	1,229	304	(152)
Operating expenses, commissions and other expenses	297	306	314	304	319	316	322	316	308	1,253	1,180	722
Reinsurance expenses (recoveries)	(136)	(142)	(133)	(109)	(114)	(164)	(137)	(137)	(126)	(520)	(532)	(572)
Total policy benefits and expenses	851	672	1,526	1,277	1,649	1,218	226	1,231	1,669	5,670	4,624	2,898
Income (loss) before income taxes	97	56	(271)	73	(215)	7	81	35	30	(406)	208	247
Income tax expense (benefit)	16	8	(223)	15	(81)	(13)	20	(3)	10	(302)	41	64
Participating policyholders' net income (loss)	—	(28)	1	1	1	—	—	1	1	3	4	—
Common shareholders' reported net income (loss)	81	76	(49)	57	(135)	20	61	37	19	(107)	163	183
Market related impacts	(1)	(20)	(25)	2	(12)	(9)	27	4	(20)	(44)	8	32
Assumption changes and management actions	(3)	2	—	(30)	(177)	(3)	4	(21)	—	(210)	(18)	(71)
Acquisition, integration and restructuring	(12)	(8)	(8)	(12)	(19)	(13)	(12)	(11)	(8)	(52)	(42)	—
Other	—	—	(90)	—	—	—	—	—	—	(90)	—	—
Common shareholders' underlying net income (loss)	97	102	74	97	73	45	42	65	47	289	215	222
Return on equity - reported	11.7%	11.2%	(7.2)%	8.8%	(21.6)%	3.1%	9.4%	5.7%	3.1%	(4.1)%	6.5%	9.8%
Return on equity - underlying	14.0%	15.1%	10.9%	14.9%	11.8%	7.0%	6.5%	10.1%	7.3%	11.1%	8.5%	11.9%
PREMIUMS & DEPOSITS												
Net premiums	915	941	900	1,022	912	923	930	971	944	3,757	3,607	2,620
SALES												
Group Benefits	120	108	494	154	123	92	394	197	121	863	794	554
ASSETS UNDER MANAGEMENT												
General funds	25,004	25,250	25,649	25,717	25,275	25,106	25,037	26,734	26,637	25,649	25,037	22,991
Segregated funds	372	375	388	385	383	376	374	397	395	388	374	371
Other AUM	40	42	45	47	50	52	59	67	70	45	59	82
Total	25,416	25,667	26,082	26,149	25,708	25,534	25,470	27,198	27,102	26,082	25,470	23,444

SLF U.S. - GROUP BENEFITS

(US\$ millions)

STATEMENTS OF OPERATIONS	At and For the Quarter Ended									At and For the Year Ended		
	2018		2017				2016			2017	2016	2015
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2			
Revenue												
Gross premiums	899	914	885	880	880	888	899	897	908	3,533	3,430	2,465
Ceded premiums	(31)	(33)	(39)	(32)	(29)	(33)	(35)	2	(31)	(133)	(107)	(180)
Net premiums	868	881	846	848	851	855	864	899	877	3,400	3,323	2,285
Net investment income (loss)	19	(4)	51	58	84	63	(58)	63	122	256	236	114
Fee income	24	21	20	50	18	20	17	12	16	108	52	10
Total revenue	911	898	917	956	953	938	823	974	1,015	3,764	3,611	2,409
Policy benefits and expenses												
Gross claims & benefits paid	642	696	669	653	664	681	646	688	706	2,667	2,593	1,818
Change in investment/insurance contract liabilities & reinsurance assets	(56)	(74)	(33)	(78)	(2)	(12)	(105)	16	46	(125)	7	(22)
Operating expenses, commissions and other expenses	276	288	283	288	294	292	292	286	283	1,157	1,076	651
Reinsurance expenses (recoveries)	(24)	(54)	(60)	(33)	(26)	(32)	(33)	(34)	(43)	(151)	(164)	(189)
Total policy benefits and expenses	838	856	859	830	930	929	800	956	992	3,548	3,512	2,258
Income (loss) before income taxes	73	42	58	126	23	9	23	18	23	216	99	151
Income tax expense (benefit)	16	9	28	40	7	1	3	4	12	76	26	52
Common shareholders' reported net income (loss)	57	33	30	86	16	8	20	14	11	140	73	99
PREMIUMS & DEPOSITS												
Net premiums	868	881	846	848	851	855	864	899	877	3,400	3,323	2,285
ASSETS UNDER MANAGEMENT												
General Funds	7,508	7,471	7,344	7,395	7,393	7,379	7,409	7,609	7,685	7,344	7,409	4,879
SALES												
Employee Benefits	58	71	163	83	64	60	225	100	66	370	436	202
Medical Stop-Loss	62	37	331	71	59	32	169	97	55	493	358	352
Total	120	108	494	154	123	92	394	197	121	863	794	554
BUSINESS IN-FORCE												
Employee Benefits	2,428	2,433	2,464	2,522	2,573	2,584	2,589	2,611	2,672	2,464	2,589	1,426
Medical Stop-Loss	1,499	1,445	1,404	1,251	1,232	1,204	1,194	1,195	1,177	1,404	1,194	1,155
Total	3,927	3,878	3,868	3,773	3,805	3,788	3,783	3,806	3,849	3,868	3,783	2,581
AFTER-TAX PROFIT MARGIN ⁽¹⁾	6.5%	5.6%	5.0%	4.5%	3.3%	2.8%	3.5%	3.6%	3.0%	5.0%	3.5%	3.7%

⁽¹⁾ The after-tax profit margin is calculated on underlying net income as a percentage of net premiums on a trailing four-quarters basis.

SLF U.S. - IN-FORCE MANAGEMENT

(US\$ millions)

	At and For the Quarter Ended									At and For the Year Ended		
	2018		2017			2016			2017	2016	2015	
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2			
STATEMENTS OF OPERATIONS												
Revenue												
Gross premiums	130	135	143	138	138	137	147	142	143	556	576	614
Ceded premiums	(83)	(75)	(89)	36	(77)	(69)	(81)	(70)	(76)	(199)	(292)	(279)
Net premiums	47	60	54	174	61	68	66	72	67	357	284	335
Net investment income (loss)	(1)	(220)	291	232	425	223	(579)	219	616	1,171	935	389
Fee income	(9)	(10)	(7)	(12)	(5)	(4)	(3)	1	1	(28)	2	12
Total revenue	37	(170)	338	394	481	287	(516)	292	684	1,500	1,221	736
Policy benefits and expenses												
Gross claims & benefits paid	287	290	242	206	247	346	294	270	253	1,041	1,079	1,082
Change in investment/insurance contract liabilities & reinsurance assets	(183)	(404)	467	301	535	51	(794)	78	482	1,354	297	(130)
Operating expenses, commissions and other expenses	21	18	31	16	25	24	30	30	25	96	104	71
Reinsurance expenses (recoveries)	(112)	(88)	(73)	(76)	(88)	(132)	(104)	(103)	(83)	(369)	(368)	(383)
Total policy benefits and expenses	13	(184)	667	447	719	289	(574)	275	677	2,122	1,112	640
Income (loss) before income taxes	24	14	(329)	(53)	(238)	(2)	58	17	7	(622)	109	96
Income tax expense (benefit)	—	(1)	(251)	(25)	(88)	(14)	17	(7)	(2)	(378)	15	12
Participating policyholders' net income (loss)	—	(28)	1	1	1	—	—	1	1	3	4	—
Common shareholders' reported net income (loss)	24	43	(79)	(29)	(151)	12	41	23	8	(247)	90	84
PREMIUMS & DEPOSITS												
Net premiums	47	60	54	174	61	68	66	72	67	357	284	335
ACCOUNT VALUE												
Individual insurance - domestic	4,498	4,511	4,538	4,541	4,545	4,545	4,576	4,592	4,603	4,538	4,576	4,613
ASSETS UNDER MANAGEMENT												
General funds	17,496	17,779	18,305	18,322	17,882	17,727	17,628	19,125	18,952	18,305	17,628	18,112
Segregated funds	372	375	388	385	383	376	374	397	395	388	374	371
Other AUM	40	42	45	47	50	52	59	67	70	45	59	82
Total	17,908	18,196	18,738	18,754	18,315	18,155	18,061	19,589	19,417	18,738	18,061	18,565

SLF ASSET MANAGEMENT

(C\$ millions)

FINANCIAL SUMMARY	At and For the Quarter Ended									At and For the Year Ended		
	2018		2017			2016			2017	2016	2015	
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2			
Revenue												
Net investment income (loss)	(1)	2	10	11	10	14	(12)	6	(2)	45	(3)	4
Fee income	1,022	1,048	1,044	987	1,023	983	1,003	997	953	4,037	3,932	3,727
Total revenue	1,021	1,050	1,054	998	1,033	997	991	1,003	951	4,082	3,929	3,731
Expenses	739	771	771	715	751	739	710	725	674	2,976	2,807	2,616
Income (loss) before income taxes	282	279	283	283	282	258	281	278	277	1,106	1,122	1,115
Income tax expense (benefit)	68	69	169	98	99	87	83	97	104	453	393	424
Common shareholders' reported net income (loss)	214	210	114	185	183	171	198	181	173	653	729	691
Fair value adjustments on share-based payment awards at MFS	(2)	(21)	(34)	(19)	(16)	(12)	10	(7)	20	(81)	30	(9)
Other	—	—	(78)	—	—	—	—	—	—	(78)	—	—
Common shareholders' underlying net income (loss)	216	231	226	204	199	183	188	188	153	812	699	700
Common shareholders' underlying net income (loss)												
MFS	213	222	220	199	193	176	179	181	146	788	670	688
SLIM	3	9	6	5	6	7	9	7	7	24	29	12
Total	216	231	226	204	199	183	188	188	153	812	699	700
GROSS SALES												
MFS	24,061	29,561	25,584	26,307	27,320	27,303	26,291	28,211	26,848	106,514	108,184	96,461
SLIM	1,202	2,703	2,930	2,303	2,532	3,003	3,166	1,812	1,334	10,768	8,086	3,062
Total	25,263	32,264	28,514	28,610	29,852	30,306	29,457	30,023	28,182	117,282	116,270	99,523
NET SALES												
MFS	(14,882)	(5,392)	(5,042)	(3,328)	(5,435)	(14,674)	(12,718)	(1,216)	(1,328)	(28,479)	(16,773)	(20,461)
SLIM	179	335	1,587	1,459	872	2,155	2,260	1,296	519	6,073	4,448	537
Total	(14,703)	(5,057)	(3,455)	(1,869)	(4,563)	(12,519)	(10,458)	80	(809)	(22,406)	(12,325)	(19,924)
ASSETS UNDER MANAGEMENT												
MFS	622,511	621,540	618,292	591,197	598,996	586,907	571,593	578,603	549,174	618,292	571,593	571,877
SLIM	61,514	60,118	59,319	56,513	56,320	55,936	53,222	51,106	48,580	59,319	53,222	57,761
Total	684,025	681,658	677,611	647,710	655,316	642,843	624,815	629,709	597,754	677,611	624,815	629,638

MFS

(US\$ millions), unless otherwise noted

	At and For the Quarter Ended									At and For the Year Ended		
	2018		2017			2016			2017	2016	2015	
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2			
STATEMENTS OF OPERATIONS												
Revenue												
Net investment income (loss)	(1)	1	8	9	8	10	(10)	4	(2)	35	(4)	2
Fee income	729	747	764	737	715	691	696	712	690	2,907	2,762	2,840
Total revenue	728	748	772	746	723	701	686	716	688	2,942	2,758	2,842
Expenses	511	535	556	525	519	512	483	510	480	2,112	1,939	1,982
Income (loss) before income taxes	217	213	216	221	204	189	203	206	208	830	819	860
Income tax expense (benefit)	54	54	144	78	72	65	61	73	79	359	291	329
Non-controlling interest	—	—	—	—	—	—	—	—	—	—	—	—
Common shareholders' reported net income (loss)	163	159	72	143	132	124	142	133	129	471	528	531
Fair value adjustments on share-based payment awards at MFS	(1)	(17)	(27)	(16)	(12)	(9)	7	(5)	15	(64)	22	(9)
Other	—	—	(75)	—	—	—	—	—	—	(75)	—	—
Common shareholders' underlying net income (loss)	164	176	174	159	144	133	135	138	114	610	506	540
MUTUAL FUNDS - CHANGES IN ASSETS UNDER MANAGEMENT												
Opening AUM	247,743	250,231	239,729	232,692	221,716	211,822	217,103	208,905	203,308	211,822	200,463	195,521
Sales	13,225	16,211	14,118	13,878	13,746	16,059	14,717	16,176	14,414	57,801	58,375	55,436
Redemptions	(15,298)	(16,567)	(13,644)	(13,964)	(13,431)	(17,706)	(16,981)	(14,821)	(13,594)	(58,745)	(58,951)	(49,987)
Market movement	1,790	(2,132)	10,028	7,123	10,661	11,541	(3,017)	6,843	4,777	39,353	11,935	(507)
Closing AUM	247,460	247,743	250,231	239,729	232,692	221,716	211,822	217,103	208,905	250,231	211,822	200,463
MANAGED FUNDS - CHANGES IN ASSETS UNDER MANAGEMENT												
Opening AUM	234,407	241,374	234,481	229,425	219,203	213,787	223,670	216,053	215,010	213,787	212,773	235,430
Sales	5,421	7,182	6,028	7,109	6,568	4,576	4,980	5,463	6,421	24,281	23,339	20,379
Redemptions	(14,881)	(11,093)	(10,473)	(9,678)	(10,924)	(14,020)	(12,245)	(7,751)	(8,272)	(45,095)	(35,357)	(41,499)
Market movement	1,706	(3,056)	11,338	7,625	14,578	14,860	(2,618)	9,905	2,894	48,401	13,032	(1,537)
Closing AUM	226,653	234,407	241,374	234,481	229,425	219,203	213,787	223,670	216,053	241,374	213,787	212,773
SUPPLEMENTAL INFORMATION												
Pre-tax net operating profit margin ratio	36 %	38 %	40 %	41 %	36 %	36 %	35 %	38 %	35 %	38 %	36 %	40 %
Pre-tax gross operating profit margin ratio	31 %	32 %	34 %	34 %	31 %	30 %	29 %	31 %	29 %	32 %	30 %	33 %
Total assets under management	474,113	482,150	491,605	474,210	462,117	440,919	425,609	440,773	424,958	491,605	425,609	413,236
Average net assets	480,906	495,042	482,553	468,151	453,197	437,570	426,939	437,802	423,038	460,512	421,730	434,038
Total gross sales	18,646	23,393	20,146	20,987	20,314	20,635	19,697	21,639	20,835	82,082	81,714	75,815
Total net sales	(11,533)	(4,267)	(3,971)	(2,655)	(4,041)	(11,091)	(9,529)	(933)	(1,031)	(21,758)	(12,594)	(15,671)
Liability for share-based compensation ⁽¹⁾	516	566	562	551	536	551	533	555	550	562	533	696
Diluted EPS impact - liability for share-based compensation ⁽²⁾	\$0.01	\$0.01	\$0.00	\$0.01	\$0.01	\$0.00	\$0.01	\$0.01	\$0.01	\$0.01	\$0.06	\$0.04
U.S. GAAP net income	176	188	113	169	147	140	142	148	122	569	539	589
Dividends paid to SLF	126	134	123	122	105	102	103	106	87	452	387	414

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

⁽²⁾ This illustrates the reduction to the Company's diluted 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		
	2018		2017			2016			2017	2016	2015	
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2			
Revenue												
Gross premiums	586	521	815	545	543	624	847	790	682	2,527	2,923	2,132
Ceded premiums	(52)	(54)	(68)	(46)	(56)	(56)	(71)	(44)	(19)	(226)	(153)	(80)
Net premiums	534	467	747	499	487	568	776	746	663	2,301	2,770	2,052
Net investment income (loss)	(34)	(284)	315	354	655	398	(820)	321	918	1,722	1,326	228
Fee income	130	133	133	124	136	131	124	131	119	524	498	488
Total revenue	630	316	1,195	977	1,278	1,097	80	1,198	1,700	4,547	4,594	2,768
Policy benefits and expenses												
Gross claims & benefits paid	256	308	265	292	228	276	342	283	285	1,061	1,182	1,247
Change in investment/insurance contract liabilities & reinsurance assets	(67)	(358)	475	214	441	508	(652)	483	1,077	1,638	1,878	126
Operating expenses, commissions and other expenses	322	274	357	273	273	262	351	298	246	1,165	1,134	965
Reinsurance expenses (recoveries)	(35)	(45)	(49)	(38)	(41)	(57)	(60)	(182)	(25)	(185)	(273)	(34)
Total policy benefits and expenses	476	179	1,048	741	901	989	(19)	882	1,583	3,679	3,921	2,304
Income (loss) before income taxes	154	137	147	236	377	108	99	316	117	868	673	464
Income tax expense (benefit)	19	4	17	11	15	19	11	13	19	62	58	58
Participating policyholders' net income (loss) and non-controlling interest	2	-	9	9	6	4	5	5	2	28	15	-
Common shareholders' reported net income (loss)	133	133	121	216	356	85	83	298	96	778	600	406
Market related impacts	-	4	15	12	12	(1)	2	36	(38)	38	(5)	12
Assumption changes and management actions	-	1	-	74	221	(11)	(12)	129	(4)	284	114	51
Acquisition, integration and restructuring	(12)	-	-	-	-	-	(1)	3	-	-	33	(63)
Other	-	-	(5)	-	-	-	-	-	-	(5)	-	-
Common shareholders' underlying net income (loss)	145	128	111	130	123	97	94	130	138	461	458	406
Return on equity - reported ⁽¹⁾	10.9 %	11.2 %	9.0 %	15.8 %	26.0 %	6.4 %	6.1 %	22.3 %	7.8 %	14.4 %	11.7 %	9.2 %
Return on equity - underlying ⁽¹⁾	11.8 %	10.7 %	8.2 %	9.5 %	9.0 %	7.2 %	6.9 %	9.7 %	11.2 %	8.5 %	8.9 %	9.2 %
PREMIUMS & DEPOSITS												
Net premiums	534	467	747	499	487	568	776	746	663	2,301	2,770	2,052
Segregated fund deposits	300	310	273	223	216	221	281	271	185	933	919	971
Mutual fund sales	1,696	2,926	2,955	2,928	2,320	2,428	2,237	1,612	1,028	10,631	5,742	4,711
Managed fund sales	770	567	585	460	490	336	450	322	278	1,871	1,251	1,078
ASO deposits (pension administration)	144	142	146	169	191	180	182	191	278	686	943	1,189
Total	3,444	4,412	4,706	4,279	3,704	3,733	3,926	3,142	2,432	16,422	11,625	10,001
SALES - Proportionate ownership ⁽²⁾												
Individual life insurance												
Insurance and Wealth	180	200	197	156	142	166	200	162	139	661	628	488
International	26	22	49	26	21	28	29	28	22	124	95	78
Total life insurance sales	206	222	246	182	163	194	229	190	161	785	723	566
Total group life & health insurance sales	6	11	6	7	7	6	8	6	7	26	32	47
Total wealth sales ⁽³⁾	2,502	3,736	3,603	3,607	2,949	2,897	3,092	2,402	1,777	13,056	8,849	7,070
ASSETS UNDER MANAGEMENT ⁽⁴⁾												
Insurance and Wealth	66,371	65,134	64,688	60,050	59,070	57,262	53,469	52,766	48,412	64,688	53,469	46,846
International	16,100	16,011	16,014	15,749	16,674	16,639	16,579	17,340	16,793	16,014	16,579	17,478
Total	82,471	81,145	80,702	75,799	75,744	73,901	70,048	70,106	65,205	80,702	70,048	64,324
ASSETS UNDER MANAGEMENT AND ADMINISTRATION ⁽⁴⁾	93,405	93,780	93,845	89,716	90,580	91,447	86,808	87,449	92,238	93,845	86,808	92,752
Constant Currency Sales ⁽⁵⁾												
Individual life insurance	216	236	262	195	163							
Wealth	2,687	3,975	3,843	3,875	2,949							

⁽¹⁾ As a result of a revision of the capital allocation model for SLF Asia, reported and underlying ROEs increased approximately 1.4% in Q1 2018 and 1.4% and 1.5%, respectively, in Q2 2018.

⁽²⁾ Includes the sales in the Company's joint ventures and associates with local partners in SLF Asia based on our proportionate equity interest. Sales in Vietnam are included at 100% in Q4 2016 and 75% for the first three quarters of 2016. Indonesia CSL sales are included at 100% beginning Q3 2016 and Aditya Birla Sun Life Insurance Company Limited's sales are included at 49% beginning Q2 2016. Indonesia CSL sales, Aditya Birla Sun Life Insurance Company Limited's sales and Vietnam's sales were included at 49% prior to Q3 2016, 26% prior to Q2 2016 and 49% prior to Q1 2016, respectively.

⁽³⁾ 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 Aditya Birla Sun Life AMC Limited's equity and fixed income mutual funds sales based on our proportionate equity interest.

⁽⁴⁾ This includes the general fund assets and segregated fund assets of our insurance businesses, Aditya Birla Sun Life AMC Limited AUM, Sun Life Everbright Asset Management AUM, Hong Kong wealth assets and Philippines mutual and managed funds based on our proportionate equity interest.

⁽⁵⁾ Quarterly sales in constant currency are relative to Q2 2017 foreign exchange rates for each of the quarters.

SLF ASIA - INSURANCE AND WEALTH

(C\$ millions)

	At and For the Quarter Ended									At and For the Year Ended		
	2018		2017			2016			2017	2016	2015	
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2			
STATEMENTS OF OPERATIONS												
Revenue												
Gross premiums	387	305	399	314	348	365	573	494	464	1,426	1,971	1,211
Ceded premiums	(47)	(48)	(62)	(48)	(50)	(50)	(62)	(34)	(10)	(210)	(117)	(40)
Net premiums	340	257	337	266	298	315	511	460	454	1,216	1,854	1,171
Net investment income (loss)	(71)	(241)	215	227	421	281	(470)	211	553	1,144	761	52
Fee income	105	104	102	93	102	97	87	93	81	394	341	306
Total revenue	374	120	654	586	821	693	128	764	1,088	2,754	2,956	1,529
Policy benefits and expenses												
Gross claims & benefits paid	176	200	220	180	179	192	198	200	199	771	789	816
Change in investment/insurance contract liabilities & reinsurance assets	(139)	(372)	110	119	367	259	(357)	398	638	855	1,181	(292)
Operating expenses, commissions and other expenses	266	221	271	213	218	203	274	229	190	905	873	673
Reinsurance expenses (recoveries)	(34)	(36)	(48)	(38)	(41)	(55)	(59)	(172)	(25)	(182)	(262)	(27)
Total policy benefits and expenses	269	13	553	474	723	599	56	655	1,002	2,349	2,581	1,170
Income (loss) before income taxes	105	107	101	112	98	94	72	109	86	405	375	359
Income tax expense (benefit)	17	2	9	10	15	17	9	12	16	51	51	48
Participating policyholders' net income (loss) and non-controlling interest	2	—	9	9	6	4	5	5	2	28	15	—
Common shareholders' reported net income (loss)	86	105	83	93	77	73	58	92	68	326	309	311
PREMIUMS & DEPOSITS												
Net premiums	340	257	337	266	298	315	511	460	454	1,216	1,854	1,171
Segregated fund deposits	300	310	273	223	216	221	281	271	185	933	918	960
Mutual fund sales	1,696	2,926	2,955	2,928	2,320	2,428	2,237	1,612	1,028	10,631	5,742	4,711
Managed fund sales	770	567	585	460	490	336	450	322	278	1,871	1,251	1,078
ASO deposits (pension administration)	144	142	146	169	191	180	182	191	278	686	943	1,189
Total	3,250	4,202	4,296	4,046	3,515	3,480	3,661	2,856	2,223	15,337	10,708	9,109
ASSETS UNDER MANAGEMENT ⁽¹⁾												
General funds	15,502	15,560	15,594	15,089	15,391	15,327	15,103	15,362	14,528	15,594	15,103	13,551
Segregated funds	5,295	5,371	5,393	4,995	4,998	4,859	4,605	4,716	4,268	5,393	4,605	4,278
Other AUM	45,574	44,203	43,701	39,966	38,681	37,076	33,761	32,688	29,616	43,701	33,761	29,017
Total	66,371	65,134	64,688	60,050	59,070	57,262	53,469	52,766	48,412	64,688	53,469	46,846
ASSETS UNDER MANAGEMENT AND ADMINISTRATION ⁽¹⁾	77,305	77,769	77,831	73,967	73,906	74,808	70,229	70,109	75,445	77,831	70,229	75,274
SALES - Proportionate ownership ⁽²⁾												
Individual life insurance												
Philippines	51	49	59	46	36	38	53	51	38	179	179	178
Hong Kong	57	37	57	42	39	42	76	54	49	180	217	144
Indonesia	15	19	20	19	20	15	18	15	12	74	57	45
India	23	45	26	20	18	41	23	17	12	105	68	37
China	19	34	20	15	15	17	17	11	15	67	55	40
Vietnam	3	4	4	2	3	3	3	2	1	12	9	9
Malaysia	12	12	11	12	11	10	10	12	12	44	43	35
Total life insurance sales	180	200	197	156	142	166	200	162	139	661	628	488
Total group life & health insurance sales	6	11	6	7	7	6	8	6	7	26	32	47
Total wealth sales ⁽³⁾	2,502	3,736	3,603	3,607	2,949	2,897	3,092	2,402	1,777	13,056	8,849	7,070

⁽¹⁾ This includes the general fund assets and segregated fund assets of our insurance businesses, Aditya Birla Sun Life AMC Limited AUM, Sun Life Everbright Asset Management AUM, Hong Kong wealth assets and Philippines mutual and managed funds based on our proportionate equity interest.

⁽²⁾ Includes the sales in the Company's joint ventures and associates with local partners in SLF Asia based on our proportionate equity interest. Sales in Vietnam are included at 100% in Q4 2016 and 75% for the first three quarters of 2016. Indonesia CSL sales are included at 100% beginning Q3 2016 and Aditya Birla Sun Life Insurance Company Limited's sales are included at 49% beginning Q2 2016. Indonesia CSL sales, Aditya Birla Sun Life Insurance Company Limited's sales and Vietnam's sales were included at 49% prior to Q3 2016, 26% prior to Q2 2016 and 49% prior to Q1 2016, respectively.

⁽³⁾ 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 Aditya Birla Sun Life AMC Limited's equity and fixed income mutual funds sales based on our proportionate equity interest.

SLF ASIA - INTERNATIONAL

(C\$ millions)

STATEMENTS OF OPERATIONS	At and For the Quarter Ended									At and For the Year Ended		
	2018		2017			2016		2017	2016	2015		
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2			
Revenue												
Gross premiums	199	216	416	231	195	259	274	296	218	1,101	952	921
Ceded premiums	(5)	(6)	(6)	2	(6)	(6)	(9)	(10)	(9)	(16)	(36)	(40)
Net premiums	194	210	410	233	189	253	265	286	209	1,085	916	881
Net investment income (loss)	37	(43)	100	127	234	117	(350)	110	365	578	565	176
Fee income	25	29	31	31	34	34	37	38	38	130	157	182
Total revenue	256	196	541	391	457	404	(48)	434	612	1,793	1,638	1,239
Policy benefits and expenses												
Gross claims & benefits paid	80	108	45	112	49	84	144	83	86	290	393	431
Change in investment/insurance contract liabilities & reinsurance assets	72	14	365	95	74	249	(295)	85	439	783	697	418
Operating expenses, commissions and other expenses	56	53	86	60	55	59	77	69	56	260	261	292
Reinsurance expenses (recoveries)	(1)	(9)	(1)	—	—	(2)	(1)	(10)	—	(3)	(11)	(7)
Total policy benefits and expenses	207	166	495	267	178	390	(75)	227	581	1,330	1,340	1,134
Income (loss) before income taxes	49	30	46	124	279	14	27	207	31	463	298	105
Income tax expense (benefit)	2	2	8	1	—	2	2	1	3	11	7	10
Common shareholders' reported net income (loss)	47	28	38	123	279	12	25	206	28	452	291	95
PREMIUMS & DEPOSITS												
Net premiums	194	210	410	233	189	253	265	286	209	1,085	916	881
Segregated fund deposits	—	—	—	—	—	—	—	—	—	—	1	11
Total	194	210	410	233	189	253	265	286	209	1,085	917	892
SALES												
Individual insurance	26	22	49	26	21	28	29	28	22	124	95	78
ACCOUNT VALUE												
Individual insurance	11,616	11,235	10,802	10,312	10,554	10,644	10,522	10,112	9,679	10,802	10,522	10,006
Investment products	3,947	4,134	4,403	4,544	4,980	5,197	5,177	5,422	5,540	4,403	5,177	6,520
Total	15,563	15,369	15,205	14,856	15,534	15,841	15,699	15,534	15,219	15,205	15,699	16,526
ASSETS UNDER MANAGEMENT												
General funds	12,180	11,905	11,640	11,233	11,725	11,475	11,441	11,958	11,298	11,640	11,441	11,072
Segregated funds	652	676	708	722	764	779	767	780	786	708	767	866
Other AUM	3,268	3,430	3,666	3,794	4,185	4,385	4,371	4,602	4,709	3,666	4,371	5,540
Total	16,100	16,011	16,014	15,749	16,674	16,639	16,579	17,340	16,793	16,014	16,579	17,478

CORPORATE

(C\$ millions)

STATEMENTS OF OPERATIONS ⁽¹⁾	At and For the Quarter Ended									At and For the Year Ended		
	2018		2017			2016			2017	2016	2015	
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2			
Revenue												
Premiums - life insurance	23	23	25	24	23	22	25	26	23	94	99	102
Premiums - health insurance	2	4	3	4	3	4	3	5	4	14	17	20
Premiums - annuities	6	5	4	7	7	6	7	5	8	24	28	30
Gross premiums	31	32	32	35	33	32	35	36	35	132	144	152
Ceded premiums	(5)	(5)	(5)	(7)	(6)	(6)	(6)	(6)	(8)	(24)	(26)	(180)
Net premiums	26	27	27	28	27	26	29	30	27	108	118	(28)
Net investment income (loss)	64	(35)	232	38	9	168	(318)	508	645	447	1,327	160
Fee income	4	11	12	13	8	13	11	12	15	46	53	83
Total revenue	94	3	271	79	44	207	(278)	550	687	601	1,498	215
Policy benefits and expenses												
Gross claims & benefits paid	157	165	100	147	175	135	150	157	170	557	686	794
Change in investment/insurance contract liabilities & reinsurance assets	(138)	(241)	68	(164)	(200)	(8)	(504)	267	424	(304)	434	(770)
Operating expenses, commissions and other expenses	69	90	138	72	63	56	135	66	92	329	375	361
Reinsurance expenses (recoveries)	(8)	(10)	39	(5)	(8)	19	4	3	(1)	45	(2)	(156)
Total policy benefits and expenses	80	4	345	50	30	202	(215)	493	685	627	1,493	229
Income (loss) before income taxes	14	(1)	(74)	29	14	5	(63)	57	2	(26)	5	(14)
Income tax expense (benefit)	(1)	(6)	40	1	(37)	(22)	(54)	5	(22)	(18)	(94)	(140)
Preferred shareholder dividends	23	24	23	24	23	23	23	25	24	93	96	100
Common shareholders' reported net income (loss)	(8)	(19)	(137)	4	28	4	(32)	27	—	(101)	3	26
Market related impacts	(6)	(3)	—	7	6	(8)	(6)	4	(4)	5	(13)	14
Assumption changes and management actions	—	—	(10)	33	23	9	—	13	—	55	14	11
Acquisition, integration and restructuring	—	(3)	(50)	(2)	(1)	(2)	(6)	—	2	(55)	(5)	(17)
Other	—	—	(54)	—	—	—	—	—	—	(54)	—	—
Common shareholders' underlying net income (loss)	(2)	(13)	(23)	(34)	—	5	(20)	10	2	(52)	7	18
PREMIUMS & DEPOSITS												
Net premiums	26	27	27	28	27	26	29	30	27	108	118	(28)
Segregated fund deposits	21	19	19	20	21	20	25	23	27	80	104	132
Total	47	46	46	48	48	46	54	53	54	188	222	104
ASSETS UNDER MANAGEMENT												
General funds	14,965	15,179	14,414	13,111	14,186	13,726	14,169	14,722	13,900	14,414	14,169	16,522
Segregated funds	11,855	11,927	11,986	11,473	11,761	11,638	11,329	11,690	11,231	11,986	11,329	13,150
Other AUM ⁽²⁾	(25,161)	(24,887)	(23,264)	(22,504)	(21,662)	(21,397)	(20,822)	(21,241)	(20,733)	(23,264)	(20,822)	(21,647)
Total	1,659	2,219	3,136	2,080	4,285	3,967	4,676	5,171	4,398	3,136	4,676	8,025

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

⁽²⁾ 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)

	At and For the Quarter Ended									At and For the Year Ended		
	2018		2017			2016			2017	2016	2015	
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2			
STATEMENTS OF OPERATIONS - SLF United Kingdom (U.K.)												
Revenue												
Gross premiums	20	20	18	22	21	20	22	21	25	81	97	114
Ceded premiums	(4)	(4)	(4)	(5)	(4)	(4)	(5)	(4)	(5)	(17)	(19)	(15)
Net premiums	16	16	14	17	17	16	17	17	20	64	78	99
Net investment income (loss)	40	(48)	213	21	(10)	171	(304)	505	582	395	1,205	73
Fee income	34	31	31	30	27	30	30	32	33	118	129	150
Total revenue	90	(1)	258	68	34	217	(257)	554	635	577	1,412	322
Policy benefits and expenses												
Gross claims & benefits paid	134	142	129	128	143	139	133	140	159	539	603	680
Change in investment/insurance contract liabilities & reinsurance assets	(117)	(210)	89	(153)	(188)	3	(430)	275	402	(249)	476	(704)
Operating expenses, commissions and other expenses	29	26	29	24	24	26	28	29	30	103	122	142
Reinsurance expenses (recoveries)	(1)	(5)	(4)	(2)	(4)	(3)	(1)	(3)	(4)	(13)	(13)	(15)
Total policy benefits and expenses	45	(47)	243	(3)	(25)	165	(270)	441	587	380	1,188	103
Income (loss) before income taxes	45	46	15	71	59	52	13	113	48	197	224	219
Income tax expense (benefit)	8	(2)	9	(1)	1	7	(13)	27	16	16	40	19
Common shareholders' reported net income (loss)	37	48	6	72	58	45	26	86	32	181	184	200
STATEMENTS OF OPERATIONS - Corporate Support ⁽¹⁾												
Revenue												
Gross premiums	11	12	14	13	12	12	13	15	10	51	47	38
Ceded premiums	(1)	(1)	(1)	(2)	(2)	(2)	(1)	(2)	(3)	(7)	(7)	(165)
Net premiums	10	11	13	11	10	10	12	13	7	44	40	(127)
Net investment income (loss)	24	13	19	17	19	(3)	(14)	3	63	52	122	87
Fee income	(30)	(20)	(19)	(17)	(19)	(17)	(19)	(20)	(18)	(72)	(76)	(67)
Total revenue	4	4	13	11	10	(10)	(21)	(4)	52	24	86	(107)
Policy benefits and expenses												
Gross claims & benefits paid	23	23	(29)	19	32	(4)	17	17	11	18	83	114
Change in investment/insurance contract liabilities & reinsurance assets	(21)	(31)	(21)	(11)	(12)	(11)	(74)	(8)	22	(55)	(42)	(66)
Operating expenses, commissions and other expenses	40	64	109	48	39	30	107	37	62	226	253	219
Reinsurance expenses (recoveries)	(7)	(5)	43	(3)	(4)	22	5	6	3	58	11	(141)
Total policy benefits and expenses	35	51	102	53	55	37	55	52	98	247	305	126
Income (loss) before income taxes	(31)	(47)	(89)	(42)	(45)	(47)	(76)	(56)	(46)	(223)	(219)	(233)
Income tax expense (benefit)	(9)	(4)	31	2	(38)	(29)	(41)	(22)	(38)	(34)	(134)	(159)
Preferred shareholder dividends	23	24	23	24	23	23	23	25	24	93	96	100
Common shareholders' reported net income (loss)	(45)	(67)	(143)	(68)	(30)	(41)	(58)	(59)	(32)	(282)	(181)	(174)

⁽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, 2018				As at March 31, 2018				As at December 31, 2017			
	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	3,346	2,118	5,464	100 %	3,545	1,912	5,457	100 %	3,366	1,832	5,198	100 %
Canadian Provincial and Municipal Government	12,017	1,161	13,178	100 %	12,135	1,093	13,228	100 %	12,158	1,138	13,296	100 %
U.S. Government and Other U.S. Agency	1,269	1,110	2,379	100 %	1,156	930	2,086	100 %	1,231	818	2,049	100 %
Other Government	4,944	721	5,665	97 %	5,162	762	5,924	97 %	5,361	752	6,113	97 %
Total Government issued or guaranteed debt securities	21,576	5,110	26,686	99 %	21,998	4,697	26,695	99 %	22,116	4,540	26,656	99 %

Corporate Debt Securities by Industry Sector:

Financials	8,095	1,664	9,759	99 %	7,958	1,774	9,732	99 %	7,856	1,705	9,561	99 %
Utilities	6,607	512	7,119	99 %	6,699	535	7,234	99 %	6,756	550	7,306	99 %
Consumer discretionary	2,196	470	2,666	96 %	2,247	534	2,781	96 %	2,352	609	2,961	95 %
Industrials	3,939	604	4,543	99 %	4,029	637	4,666	99 %	4,090	707	4,797	99 %
Consumer staples	1,664	273	1,937	95 %	1,949	334	2,283	96 %	1,920	351	2,271	95 %
Telecommunication services	1,882	303	2,185	99 %	1,778	283	2,061	99 %	1,763	298	2,061	99 %
Energy	3,435	367	3,802	98 %	3,505	385	3,890	98 %	3,657	455	4,112	98 %
Real Estate	2,407	334	2,741	99 %	2,351	337	2,688	99 %	2,213	366	2,579	99 %
Materials	1,267	269	1,536	93 %	1,257	273	1,530	93 %	1,211	262	1,473	91 %
Other	2,619	492	3,111	99 %	2,308	512	2,820	99 %	2,352	591	2,943	99 %
Total Corporate debt securities	34,111	5,288	39,399	99 %	34,081	5,604	39,685	99 %	34,170	5,894	40,064	98 %

Asset Backed Securities

Government and agency	1,629	641	2,270	100 %	1,560	584	2,144	100 %	1,556	533	2,089	100 %
Other	2,272	2,080	4,352	94 %	2,222	1,861	4,083	93 %	2,125	1,685	3,810	92 %
Total asset backed securities	3,901	2,721	6,622	96 %	3,782	2,445	6,227	95 %	3,681	2,218	5,899	95 %

Total debt securities

59,588	13,119	72,707	99 %	59,861	12,746	72,607	99 %	59,967	12,652	72,619	98 %
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Debt Securities by Investment Rating

AAA	8,707	5,824	14,531		8,689	5,149	13,838		8,579	4,870	13,449	
AA	14,162	2,074	16,236		14,222	2,075	16,297		14,006	1,809	15,815	
A	19,401	2,712	22,113		19,458	2,829	22,287		19,603	3,000	22,603	
BBB	16,484	2,361	18,845		16,623	2,543	19,166		16,894	2,674	19,568	
BB and lower	834	148	982		869	150	1,019		885	299	1,184	
Total debt securities	59,588	13,119	72,707		59,861	12,746	72,607		59,967	12,652	72,619	

EQUITY SECURITIES
Stocks

Canada	3,311	37	3,348		3,123	57	3,180		3,282	53	3,335	
United States	611	565	1,176		770	617	1,387		765	671	1,436	
United Kingdom	135	6	141		128	6	134		130	5	135	
Other	780	163	943		812	186	998		901	213	1,114	
Total equity securities	4,837	771	5,608		4,833	866	5,699		5,078	942	6,020	

PROPERTIES, MORTGAGES & LOANS

	As at June 30, 2018			As at March 31, 2018			As at December 31, 2017		
	Investment Property	Owner Occupied Property	Total	Investment Property	Owner Occupied Property	Total	Investment Property	Owner Occupied Property	Total
PROPERTIES									
Canada	5,558	47	5,605	5,448	47	5,495	5,260	87	5,347
United States	1,694	85	1,779	1,709	82	1,791	1,731	78	1,809
United Kingdom	85	—	85	86	—	86	76	—	76
Other	—	36	36	—	37	37	—	38	38
Total properties	<u>7,337</u>	<u>168</u>	<u>7,505</u>	<u>7,243</u>	<u>166</u>	<u>7,409</u>	<u>7,067</u>	<u>203</u>	<u>7,270</u>

MORTGAGES & LOANS

	As at June 30, 2018			As at March 31, 2018			As at December 31, 2017		
	Insured	Non-Insured	Total	Insured	Non-Insured	Total	Insured	Non-Insured	Total
Retail	—	4,256	4,256	—	4,274	4,274	—	4,291	4,291
Office	—	4,447	4,447	—	4,325	4,325	—	4,261	4,261
Multi-family residential	3,017	1,864	4,881	2,912	1,748	4,660	2,921	1,661	4,582
Industrial and land	—	1,706	1,706	—	1,692	1,692	—	1,660	1,660
Other	314	438	752	301	493	794	250	449	699
Total Mortgages	<u>3,331</u>	<u>12,711</u>	<u>16,042</u>	<u>3,213</u>	<u>12,532</u>	<u>15,745</u>	<u>3,171</u>	<u>12,322</u>	<u>15,493</u>
Corporate Loans			<u>28,875</u>			<u>28,328</u>			<u>27,312</u>
Total mortgages & loans			<u>44,917</u>			<u>44,073</u>			<u>42,805</u>

Mortgage and Loans - Impairments/Allowances

	Impaired Loans			Impaired Loans			Impaired Loans		
	Allowances for Losses			Allowances for Losses			Allowances for Losses		
	Carrying Value	Specific	Sectoral	Carrying Value	Specific	Sectoral	Carrying Value	Specific	Sectoral
Mortgages	31	4	20	42	3	20	33	2	20
Loans	158	45	—	153	30	—	89	28	—
Total mortgage and loan impairments/allowances	<u>189</u>	<u>49</u>	<u>20</u>	<u>195</u>	<u>33</u>	<u>20</u>	<u>122</u>	<u>30</u>	<u>20</u>

DERIVATIVES

	As at June 30, 2018		As at March 31, 2018		As at December 31, 2017	
	Total	Net	Total	Net	Total	Net
	Notional Amount	Fair Value Amount	Notional Amount	Fair Value Amount	Notional Amount	Fair Value Amount
Interest rate contracts	30,084	502	31,494	589	31,795	670
Foreign exchange contracts	19,148	(1,324)	18,594	(1,284)	18,091	(1,055)
Equity and other contracts	4,048	75	4,281	80	4,235	107
Total derivatives	<u>53,280</u>	<u>(747)</u>	<u>54,369</u>	<u>(615)</u>	<u>54,121</u>	<u>(278)</u>
Over the counter	47,512	(757)	48,215	(630)	47,978	(300)
Exchange traded	5,768	10	6,154	15	6,143	22
Total	<u>53,280</u>	<u>(747)</u>	<u>54,369</u>	<u>(615)</u>	<u>54,121</u>	<u>(278)</u>

CONSOLIDATED SOURCES OF EARNINGS

(\$ millions)	For the Quarter ended - Q2 2018						U.S. Dollars	
	Canadian Dollars							
	SLF Canada	SLF U.S.	SLF Asset Management	SLF Asia	Corporate	Total Company	SLF U.S.	MFS
Expected profit on in-force business ⁽¹⁾	220	109	297	130	(24)	732	85	228
Impact of new business ⁽¹⁾	23	—	—	(10)	—	13	—	—
Experience gains (losses)	59	(1)	—	(4)	(3)	51	(1)	—
Assumption changes and management actions	6	(5)	—	—	3	4	(4)	—
Other ⁽²⁾	(4)	(17)	(15)	(12)	—	(48)	(14)	(11)
Earnings (loss) on operations (pre-tax)	304	86	282	104	(24)	752	66	217
Earnings on surplus	29	39	—	48	37	153	31	—
Earnings (loss) before income taxes	333	125	282	152	13	905	97	217
Income tax (expense) benefit	(71)	(20)	(68)	(19)	2	(176)	(16)	(54)
Earnings (loss) before preferred share dividends and non-controlling interest	262	105	214	133	15	729	81	163
Preferred share dividends and non-controlling interest	—	—	—	—	(23)	(23)	—	—
Common shareholders' reported net income (loss)	262	105	214	133	(8)	706	81	163
Underlying net income adjustments (post tax):								
Market related impacts	15	(1)	—	—	(6)	8	(1)	—
Assumption changes and management actions	5	(4)	—	—	—	1	(3)	—
Other adjustments:								
Impact of certain hedges that do not qualify for hedge accounting	1	—	—	—	—	1	—	—
Fair value adjustments on share-based payment awards at MFS	—	—	(2)	—	—	(2)	—	(1)
Acquisition, integration and restructuring	(4)	(15)	—	(12)	—	(31)	(12)	—
	17	(20)	(2)	(12)	(6)	(23)	(16)	(1)
Common shareholders' underlying net income (loss)	245	125	216	145	(2)	729	97	164

CONSOLIDATED SOURCES OF EARNINGS

(\$ millions)	For the Quarter ended - Q2 2017						U.S. Dollars	
	Canadian Dollars							
	SLF Canada	SLF U.S.	SLF Asset Management	SLF Asia	Corporate	Total Company	SLF U.S.	MFS
Expected profit on in-force business ⁽¹⁾	211	102	314	106	(31)	702	76	228
Impact of new business ⁽¹⁾	39	(1)	—	(29)	—	9	(1)	—
Experience gains (losses)	(95)	(13)	—	31	(3)	(80)	(14)	—
Assumption changes and management actions	7	(367)	—	221	25	(114)	(273)	—
Other ⁽²⁾	(10)	(39)	(32)	—	(2)	(83)	(29)	(24)
Earnings (loss) on operations (pre-tax)	152	(318)	282	329	(11)	434	(241)	204
Earnings on surplus	35	32	—	42	25	134	24	—
Earnings (loss) before income taxes	187	(286)	282	371	14	568	(217)	204
Income tax (expense) benefit	(2)	108	(99)	(15)	37	29	82	(72)
Earnings (loss) before preferred share dividends and non-controlling interest	185	(178)	183	356	51	597	(135)	132
Preferred share dividends and non-controlling interest	—	—	—	—	(23)	(23)	—	—
Common shareholders' reported net income (loss)	185	(178)	183	356	28	574	(135)	132
Underlying net income adjustments (post tax):								
Market related impacts	(76)	(16)	—	12	6	(74)	(12)	—
Assumption changes and management actions	5	(238)	—	221	23	11	(177)	—
Other adjustments:								
Impact of certain hedges that do not qualify for hedge accounting	(10)	—	—	—	—	(10)	—	—
Fair value adjustments on share-based payment awards at MFS	—	—	(16)	—	—	(16)	—	(12)
Acquisition, integration and restructuring	—	(25)	—	—	(1)	(26)	(19)	—
	(81)	(279)	(16)	233	28	(115)	(208)	(12)
Common shareholders' underlying net income (loss)	266	101	199	123	—	689	73	144

⁽¹⁾ Reflects a change in presentation for our U.S. Stop Loss business effective Q1 2018. We have updated Q2 2017 to reflect this change in presentation.

⁽²⁾ Represents pre-tax adjustments related to certain hedges that do not qualify for hedge accounting, MFS fair value adjustments on share-based payment awards, and acquisition, integration and restructuring amounts.

CONSOLIDATED SOURCES OF EARNINGS - SUPPLEMENTAL INFORMATION

MFS SOURCES OF EARNINGS

This MFS Sources of Earnings is presented with reconciliation details to reported net income.

(US\$ millions)	For the Quarter Ended									For the Year Ended	
	2018			2017			2016			2017	2016
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2		
Expected profit on in-force business	228	242	259	251	228	209	203	222	200	947	827
Impact of new business	—	—	—	—	—	—	—	—	—	—	—
Experience gains (losses)	—	—	—	—	—	—	—	—	—	—	—
Assumption changes and management actions	—	—	—	—	—	—	—	—	—	—	—
Other	—	—	—	—	—	—	—	—	—	—	—
Earnings (loss) on operations (pre-tax)	228	242	259	251	228	209	203	222	200	947	827
Earnings on surplus	—	—	—	—	—	—	—	—	—	—	—
Earnings (loss) before income taxes	228	242	259	251	228	209	203	222	200	947	827
Income tax (expense) benefit	(55)	(57)	(75)	(82)	(74)	(68)	(60)	(74)	(78)	(299)	(286)
Earnings (loss) before preferred share dividends and non-controlling interest	173	185	184	169	154	141	143	148	122	648	541
Preferred share dividends and non-controlling interest	(9)	(9)	(10)	(10)	(10)	(8)	(8)	(10)	(8)	(38)	(35)
Common shareholders' underlying net income (loss)	164	176	174	159	144	133	135	138	114	610	506
Underlying net income adjustments:											
Fair value adjustments on share-based payment awards (pre-tax)	(11)	(29)	(43)	(30)	(24)	(20)	—	(16)	8	(117)	(8)
Income taxes	1	3	6	4	2	3	(1)	1	(1)	15	(5)
Non-controlling interest	9	9	10	10	10	8	8	10	8	38	35
Other	—	—	(75)	—	—	—	—	—	—	(75)	—
Common shareholders' reported net income (loss)	(1)	(17)	(102)	(16)	(12)	(9)	7	(5)	15	(139)	22
	163	159	72	143	132	124	142	133	129	471	528

EXPENSES

(C\$ millions)

	For the Quarter Ended									For the Year Ended		
	2018		2017			2016				2017	2016	2015
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2			
OPERATING EXPENSES, COMMISSIONS AND OTHER EXPENSES												
Operating expenses	1,626	1,618	1,749	1,496	1,567	1,598	1,678	1,510	1,443	6,410	6,000	5,037
Commissions	589	573	631	566	589	617	652	601	579	2,403	2,372	2,100
Premium taxes	95	92	100	94	94	91	90	84	87	379	339	292
Interest expense	78	75	81	55	87	80	80	76	79	303	316	322
Total	2,388	2,358	2,561	2,211	2,337	2,386	2,500	2,271	2,188	9,495	9,027	7,751
OPERATING EXPENSES BY BUSINESS GROUP												
SLF Canada	522	503	537	442	489	550	509	457	470	2,018	1,871	1,706
SLF U.S.	214	218	218	199	219	221	246	224	211	857	842	478
SLF Asset Management	569	572	547	515	542	539	530	523	510	2,143	2,083	1,827
SLF Asia	203	179	229	175	183	171	226	188	158	758	726	592
Corporate	74	90	79	102	61	61	135	72	79	303	360	307
Operating expenses excluding the following:	1,582	1,562	1,610	1,433	1,494	1,542	1,646	1,464	1,428	6,079	5,882	4,910
FV adjustments on MFS share-based payment awards ⁽¹⁾	15	37	55	37	32	26	—	21	(10)	150	11	83
Acquisition, integration and restructuring costs	29	19	84	26	41	30	32	25	25	181	107	44
Total operating expenses	1,626	1,618	1,749	1,496	1,567	1,598	1,678	1,510	1,443	6,410	6,000	5,037
COMMISSIONS BY BUSINESS GROUP												
SLF Canada	237	227	240	215	223	250	253	208	200	928	853	765
SLF U.S.	106	105	103	99	109	112	107	115	122	423	439	307
SLF Asset Management	154	162	169	163	177	174	180	180	175	683	712	705
SLF Asia	93	81	122	91	82	83	115	98	80	378	369	317
Corporate	(1)	(2)	(3)	(2)	(2)	(2)	(3)	—	2	(9)	(1)	6
Total commissions	589	573	631	566	589	617	652	601	579	2,403	2,372	2,100
INTEREST EXPENSE												
Subordinated debt	26	28	30	29	29	35	36	32	30	123	126	111
Liabilities for SLEECs	11	11	11	11	11	11	11	11	11	44	44	44
Interest on senior unsecured debentures/financing	24	19	18	18	17	17	16	15	22	70	79	124
Other ⁽²⁾	17	17	22	(3)	30	17	17	18	16	66	67	43
Total interest expense	78	75	81	55	87	80	80	76	79	303	316	322

⁽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, 2018

SUN LIFE ASSURANCE COMPANY OF CANADA

FINANCIAL STRENGTH RATINGS

	<u>A.M. Best</u>	<u>Moody's</u>	<u>Standard & Poor's</u> ⁽¹⁾	<u>DBRS</u>
	A+	Aa3	AA-	AA (low)

SECURITY RATINGS

Subordinated Debt

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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SUN LIFE FINANCIAL INC.

SECURITY RATINGS

Senior Unsecured Debentures (Series D and E)

a-	not rated	A	A
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Subordinated Debt

bbb+	not rated	A-	A (low)
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(Series 2007 - 1, 2008 - 1, 2014 - 1, 2015 - 1, 2016 - 1, 2016-2 and 2017-1)

Class A Preferred Shares (Series 1-5, 8R, 9QR, 10R, 11QR, and 12R)

bbb	Baa1(hyb)	P-2 (high)/BBB+	Pfd-2
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⁽¹⁾ Positive outlook.

⁽²⁾ Moody's rate Preferred Shares Series 2 only. Preferred share rating was upgraded on May 30, 2018 following a change in Moody's methodology.

General Information

SLF Canada	SLF U.S.	SLF Asset Management	SLF Asia	Corporate
<p>SLF Canada is a leading provider in insurance and wealth solutions in the Canadian market, providing products and services to over six million people via our group and individual businesses. We are the largest provider of benefits and pensions in the workplace, and provide wide range of products to individuals via retail channels. SLF Canada has three main business units - Individual Insurance and Wealth, Group Benefits and Group Retirement Services.</p>	<p>Sun Life is one of the largest Group Benefits providers in the U.S. market, serving more than 13 million Americans at their workplaces with insurance products and solutions. SLF U.S. has two business units - Group Benefits and In-force Management.</p>	<p>SLF Asset Management segment is composed of MFS and SLIM. MFS is a premier global asset management firm which offers a comprehensive selection of financial products and services and actively manages assets for retail and institutional investors around the world. SLIM is an institutional investment management business with operations in the U.S. and Canada. SLIM delivers liability-driven investing, alternative fixed income and real estate solutions to Clients.</p>	<p>Sun Life Financial's history in Asia dates back to the early 1890's. Today, SLF Asia operates in seven markets serving over 16 million Clients offering life, health and wealth management solutions through a multi-channel distribution approach. Sun Life is well positioned in Asia with the seven markets it operates in accounting for over 80% of higher growth markets in Asia's GDP and life insurance premiums with high potential for growth. There is also a growing International business, where we are the leader helping global high-net-worth Clients transfer wealth to future generations.</p>	<p>Corporate includes the results of our United Kingdom business (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 life and pension policies, and focuses on supporting existing Clients.</p>
<p><u>Individual Insurance and Wealth</u> Individual life and health insurance Individual savings products Mutual funds</p> <p><u>Group Benefits</u> Group life and health insurance Voluntary benefits products</p> <p><u>Group Retirement Services</u> Defined contribution plans Defined benefit solutions Voluntary savings plans</p>	<p><u>Group Benefits</u> Group life and health insurance Disability insurance Medical stop-loss insurance Dental insurance Vision insurance Disability risk management products and services</p> <p><u>In-Force Management</u> Individual life insurance</p>	<p><u>MFS</u> Mutual Funds U.S. retail mutual funds MFS Meridian funds Investment Management Services Institutional accounts 401(k) Insurance products</p> <p><u>SLIM</u> Private class funds Customized fixed income portfolios Liability-driven investing strategies Investment advisory and property management services</p>	<p><u>Insurance and Wealth</u> Philippines Hong Kong Indonesia Vietnam Malaysia India China</p> <p><u>International</u> Individual life insurance Wealth investment products (In-force block only)</p>	<p><u>SLF U.K.</u> Individual annuities and pensions (In-force block only) Individual life (In-force block only)</p> <p><u>Corporate Support</u> Run-off reinsurance</p>