related to our acquisition of a majority stake in BentallGreenOak. Underlying net income increased by $79 million or 11% in the third quarter of 2019, compared to the same period in 2018, which includes the favourable impact of tax matters from prior years of $78 million - $58 million in Corporate and $20 million in Canada. Underlying net income also reflected business growth, favourable credit experience, a gain from a mortgage investment prepayment in the U.S. and higher available-for-sale gains, offset by unfavourable morbidity experience in Canada and the U.S., and lower investing activity gains.

Second Quarter 2019
Reported net income of $595 million in the second quarter of 2019 decreased $111 million compared to the second quarter of 2018, primarily reflecting unfavourable market-related and ACMA impacts. Underlying net income in the second quarter of 2019 increased $10 million to $739 million compared to the same period in 2018, primarily driven by business growth, favourable expense experience and benefits from tax-related items primarily in the U.S., partially offset by unfavourable morbidity experience in Canada and the U.S., lower new business gains in International in Asia and lower AFS gains in the U.S.

First Quarter 2019
Reported net income of $623 million in the first quarter of 2019 decreased $46 million from the first quarter of 2018, while underlying net income decreased $53 million to $717 million. This variance was primarily due to interest on par seed capital of $110 million in the first quarter of 2018 and unfavourable credit experience, partially offset by favourable mortality, lapse and other policyholder behaviour, investing activity gains, morbidity experience and other experience.

Fourth Quarter 2018
Reported net income was $580 million in the fourth quarter of 2018, an increase compared to the same quarter in 2017, reflecting the $251 million charge in 2017 related to the enactment of the U.S. Tax Cuts and Jobs Act, positive impacts from other adjustments and ACMA, partially offset by market-related impacts. Underlying net income in the fourth quarter of 2018 increased to $718 million compared to 2017, driven by the effect of the lower income tax rate in the U.S., favourable expense experience that resulted from ongoing expense management and lower incentive compensation costs, and other experience, partially offset by mortality and morbidity experience.

Third Quarter 2018
Reported net income was $567 million in the third quarter of 2018, reflecting a $269 million unfavourable change in ACMA compared to the same quarter in 2017. Underlying net income was $730 million, primarily driven by strong business growth, the lower income tax rate in the U.S. and higher investment income on surplus assets, partially offset by new business strain.

Second Quarter 2018
Reported net income was $706 million in the second quarter of 2018, reflecting an $82 million favourable change in market-related impacts compared to the same quarter in 2017. Underlying net income was $729 million, primarily driven by strong business growth and favourable morbidity experience, partially offset by expenses, credit experience and the impacts of investment activity on insurance contract liabilities.

First Quarter 2018
Reported net income was $669 million in the first quarter of 2018, reflecting a $79 million unfavourable change in market-related impacts compared to the same quarter in 2017. Underlying net income was $770 million, primarily driven by interest on par seed capital of $110 million, strong business growth, the lower income tax rate in the U.S., as well as the impacts of investment activity on insurance contract liabilities, partially offset by weaker mortality and lapse experience.

L. Non-IFRS Financial Measures

i. Underlying Net Income and Underlying EPS

Underlying net income (loss) and financial measures based on underlying net income (loss), including underlying EPS or underlying loss per share, and underlying ROE, are non-IFRS financial measures. Underlying net income (loss) removes from reported net income (loss) the impacts of the following items that create volatility in our results under IFRS and when removed assist in explaining our results from period to period:

(a) market-related impacts that differ from our best estimate assumptions, which include: (i) impacts of returns in equity markets, net of hedging, for which our best estimate assumptions are approximately 2% per quarter. This also includes the 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 impacts of changes in interest rates in the reporting period and on the value of derivative instruments used in our hedging programs including changes in credit and swap spreads, and any changes to the assumed fixed income reinvestment rates in determining the actuarial liabilities; and (iii) the impacts of changes in the fair value of investment properties in the reporting period;

(b) assumption changes and management actions, which include: (i) the impacts of revisions to the methods and assumptions used in determining our liabilities for insurance contracts and investment contracts and (ii) the impacts on insurance contracts and investment contracts of actions taken by management in the current reporting period, referred to as management actions which include, for example, changes in the prices of in-force products, new or revised reinsurance on in-force business, and material changes to investment policies for assets supporting our liabilities; and

(c) Other adjustments:
   (i) certain hedges in Canada that do not qualify for hedge accounting - this adjustment enhances the comparability of our net income from period to period, as it reduces volatility to the extent it will be offset over the duration of the hedges;
   (ii) fair value adjustments on MFS's share-based payment awards that are settled with MFS's own shares and accounted for as liabilities and measured at fair value each reporting period until they are vested, exercised and repurchased - this adjustment enhances the comparability of MFS's results with publicly traded asset managers in the United States;
   (iii) acquisition, integration and restructuring costs (including impacts related to acquiring and integrating acquisitions); and
   (iv) other items that are unusual or exceptional in nature.

All factors discussed in this 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. As noted below, underlying EPS excludes the dilutive impacts of convertible instruments.

The following table sets out the amounts that were excluded from our underlying net income (loss) and underlying EPS, and provides a reconciliation to our reported net income (loss) and EPS based on IFRS. A reconciliation of our underlying net income to our reported net income for the fourth quarters of 2019 and 2018 is provided in this MD&A in section K - Additional Financial Disclosure - 3 - Fourth Quarter 2019 Profitability.

Reconciliations of Select Net Income Measures

($ millions, unless otherwise noted)	**2019**	2018	2017
Reported net income	**2,618**	2,522	2,149
Market-related impacts			
Equity market impacts			
Impacts from equity market changes	**120**	(159)	68
Basis risk impacts	**7**	(15)	(6)
Equity market impacts	**127**	(174)	62
Interest rate impacts[1]			
Impacts of interest rate changes	**(307)**	(116)	(79)
Impacts of credit spread movements	**(45)**	56	(54)
Impacts of swap spread movements	**4**	(31)	(24)
Interest rate impacts	**(348)**	(91)	(157)
Impacts of changes in the fair value of investment properties	**(16)**	77	88
Less: Market-related impacts	**(237)**	(188)	(7)
Less: Assumption changes and management actions	**(46)**	(155)	81
Other adjustments			
Certain hedges in Canada that do not qualify for hedge accounting	**(5)**	5	(16)
Fair value adjustments on MFS's share-based payment awards	**(64)**	(5)	(81)
Acquisition, integration and restructuring[2]	**(87)**	(82)	(123)
Less: Total of other adjustments	**(156)**	(82)	(220)
Less: U.S. tax reform[3]	**–**	–	(251)
Underlying net income	**3,057**	2,947	2,546
Reported EPS (diluted) ($)	**4.40**	4.14	3.49
Less: Market-related impacts ($)	**(0.39)**	(0.31)	(0.01)
Assumption changes and management actions ($)	**(0.08)**	(0.26)	0.13
Certain hedges in Canada that do not qualify for hedge accounting ($)	**(0.01)**	0.01	(0.03)
Fair value adjustments on MFS's share-based payment awards ($)	**(0.11)**	(0.01)	(0.13)
Acquisition, integration and restructuring ($)	**(0.15)**	(0.14)	(0.20)
U.S. tax reform ($)	**–**	–	(0.41)
Impact of convertible securities on diluted EPS ($)	**(0.02)**	(0.01)	(0.01)
Underlying EPS (diluted) ($)	**5.16**	4.86	4.15

(1) Our exposure to interest rates varies by product type, line of business, and geography. Given the long-term nature of our business, we have a higher degree of sensitivity in respect of interest rates at long durations.

(2) 2019 amounts includes acquisition costs for the BGO acquisition and the pending InfraRed transaction, which includes the unwinding of the discount for the Put option and Deferred payments liability of $16 million. As a result of various initiatives to simplify our organizational structure and drive efficiencies, we also recorded a restructuring charge of $25 million in the fourth quarter of 2019.

(3) The U.S. Tax Cuts and Jobs Act ("U.S. tax reform") legislation signed into law on December 22, 2017, which took effect on January 1, 2018, included a reduction to the U.S. corporate tax rate from 35% to 21% for tax years beginning after 2017, and a number of base broadening measures including provisions limiting the deductibility of certain payments to related foreign taxpayers. Interpretive guidance on the base broadening provisions was issued by the U.S. Treasury late in 2018, however it is in the form of Proposed Regulations and is subject to change. As a result of this legislation, the Company recorded a net charge of $251 million ($444 million pre-tax) in the fourth quarter of 2017. This reflected an after-tax charge of $288 million ($444 million pre-tax) to ACMA, and a one-time charge on the deemed repatriation of foreign earnings of $46 million. These are partially offset by a benefit of $83 million relating to the revaluation of deferred tax balances from 35% to 21%, the $83 million excludes $(30) million relating to the net impact on deferred tax balances attributable to participating policyholders. ACMA in 2017 excludes the $(288) million change that is included in U.S. tax reform, shown separately.

The following table shows the pre-tax amount of underlying net income adjustments:

($ millions, unless otherwise noted)	**2019**	2018	2017
Reported net income (after tax)	**2,618**	2,522	2,149
Underlying net income adjustments (pre-tax):			
Less: Market-related impacts(1)	**(383)**	(179)	(79)
Assumption changes and management actions(1)(2)	**(127)**	(246)	(61)
Other adjustments(1)	**(237)**	(150)	(297)
U.S. tax reform(1)(2)	**–**	–	(444)
Total underlying net income adjustments (pre-tax)	**(747)**	(575)	(881)
Tax-related to underlying net income adjustments	**308**	150	484
Underlying net income(3) (after tax)	**3,057**	2,947	2,546

(1) Represents an adjustment made to arrive at a non-IFRS financial measure. See section L - Non-IFRS Financial Measures in this document for a breakdown of components within this adjustment.
(2) In 2017, U.S. tax reform of $(444) million (pre-tax) is shown separately, and is excluded from ACMA of $(61) million (pre-tax).
(3) Represents a non-IFRS financial measure. See section L - Non-IFRS Financial Measures in this document.

Tax related to underlying net income adjustments may vary from the expected effective tax rate range reflecting the mix of business based on the Company's international operations. The aggregate tax effect depends on whether the underlying adjustment increases and reductions to pre-tax income occurred in high or low tax jurisdictions.

ii. Additional Non-IFRS Measures

Management also uses the following non-IFRS financial measures:

Return on equity. 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. The quarterly ROE is annualized.

Financial leverage ratio. This total debt to total capital ratio is ratio of debt plus preferred shares to total capital, where debt consists of all capital qualifying debt securities. Capital qualifying debt securities consist of subordinated debt and innovative capital instruments.

Dividend payout ratio. This is the ratio of dividends paid per share to diluted underlying EPS for the period.

Sales. In Canada, insurance sales consist of sales of individual insurance and group benefits products; wealth sales consist of sales of individual wealth products and sales in GRS. In the U.S., insurance sales consist of sales by Group Benefits. In Asia, insurance sales consist of the individual and group insurance sales by our subsidiaries and joint ventures and associates, based on our proportionate equity interest, in the Philippines, Hong Kong, Indonesia, India, China, Malaysia, and Vietnam and sales from our International business unit; wealth sales consist of Hong Kong wealth sales, Philippines mutual fund sales, wealth sales by our India and China insurance joint ventures and associates, and Aditya Birla Sun Life AMC Limited's equity and fixed income mutual fund sales based on our proportionate equity interest, including sales as reported by our bank distribution partners. Asset Management sales consist of gross sales (inflows) for retail and institutional Clients; unfunded commitments are not included in sales. Sales are also expressed on a constant currency basis, which is a measure of sales that provides greater comparability across reporting periods by excluding the impact of exchange rate fluctuations from the translation of functional currencies to the Canadian dollar. There is no directly comparable IFRS measure.

Value of New Business. VNB represents the present value of our best estimate of future distributable earnings, net of the cost of capital, from new business contracts written in a particular time period, except new business in our 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 based on the higher of Sun Life Assurance's LICAT operating target and local (country specific) operating target capital. VNB is a useful metric to evaluate the present value created from new business contracts. There is no directly comparable IFRS measure.

Adjusted revenue. This measure is an alternative measure of revenue that provides greater comparability across reporting periods, by excluding the impacts of: (i) exchange rate fluctuations, from the translation of functional currencies to the Canadian dollar, for comparisons ("Constant Currency Adjustment"); (ii) Fair value and foreign currency changes on assets and liabilities ("FV Adjustment"); and (iii) reinsurance for the insured business in Canada's GB operations ("Reinsurance in Canada's GB Operations Adjustment").

($ millions)	**2019**	2018	2017
Revenue	**39,679**	26,997	29,334
Less: Constant Currency Adjustment	**349**	–	(34)
FV Adjustment	**7,118**	(3,373)	2,603
Reinsurance in Canada's GB Operations Adjustment	**(580)**	(602)	(3,026)
Adjusted revenue	**32,792**	30,972	29,791

Adjusted premiums and deposits. This measure is an alternative measure of premiums and deposits that provides greater comparability across reporting periods by excluding the impacts of: (i) the Constant Currency Adjustment; and (ii) the Reinsurance in Canada's GB Operations Adjustment.

($ millions)	**2019**	2018	2017
Premiums and deposits	**183,946**	160,108	164,680
Less: Constant Currency Adjustment	**3,426**	–	809
Reinsurance in Canada's GB Operations Adjustment	**(580)**	(602)	(3,026)
Adjusted premiums and deposits	**181,100**	160,710	166,897

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 net operating profit margin ratio and have no impact on the profitability of MFS. There is no directly comparable IFRS measure.

After-tax profit margin for U.S. Group Benefits. This ratio assists in explaining our results from period to period and is a measure of profitability that expresses U.S. employee benefits and medical stop-loss underlying net income 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.

Impacts of foreign exchange translation. Items impacting our Consolidated Statements of Operations, such as Revenue, Benefits and expenses, and Total net income (loss), are translated into Canadian dollars using average exchange rates for the respective period. For items impacting our Consolidated Statements of Financial Position, such as Assets and Liabilities, period end rates are used for currency translation purposes.

Several IFRS financial measures are presented on a constant currency adjusted basis to exclude the impacts of foreign exchange translation. These measures are calculated using the average or period end foreign exchange rates, as appropriate, in effect at the date of the comparative period.

Assumption changes and management actions. In this document, the impacts of ACMA on shareholders' net income (after-tax) is included in reported net income and is excluded in calculating underlying net income, as described in Section D - Profitability in this document.

Note 10.A of our 2019 Annual Consolidated Financial Statements shows the pre-tax impacts of method and assumption changes on shareholders' and participating policyholders' insurance contract liabilities net of reinsurance assets, excluding changes in other policy liabilities and assets.

The view in this document of ACMA is the impacts on shareholders' reported net income (after tax). The Annual Consolidated Financial Statement view is a component of the change in total company liabilities. The following table provides a reconciliation of the differences between the two measures:

($ millions)	**2019**	2018	2017
Impacts of method and assumption changes on insurance contract liabilities (pre-tax)(1)	**(13)**	278	173
Less: Participating policyholders(2)	**1**	533	181
Impacts of method and assumption changes excluding participating policyholders (pre-tax)	**(14)**	(255)	(8)
Less: Tax	**(59)**	(90)	(51)
Impacts of method and assumption changes excluding participating policyholders (after-tax)	**45**	(165)	43
Add: Management actions (after-tax)(3)	**19**	23	(243)
Other (after-tax)(4)	**(110)**	(13)	(7)
Assumption changes and management actions (after-tax)(5)(6)(7)	**(46)**	(155)	(207)

(1) Note 10.A of our 2019 Annual Consolidated Financial Statements shows the pre-tax impacts of method and assumption changes on shareholders' and participating policyholders' Insurance contract liabilities net of reinsurance assets, excluding changes in other policy liabilities and assets. The amount shown in the table above is the shareholders' income impacts related to the amount shown in Note 10.A of our 2019 Annual Consolidated Financial Statements.
(2) Adjustment to remove the pre-tax impacts of method and assumption changes on amounts attributed to participating policyholders.
(3) Adjustment to include the after-tax impacts of management actions on insurance contract liabilities and investment contract liabilities 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. In the second quarter of 2017, management actions were mainly in U.S., primarily comprised of the expected impact of recapturing certain reinsurance treaties and the expected cost of reinsurance in certain other treaties.
(4) Adjustments to include the after-tax impacts of method and assumption changes on investment contracts and other policy liabilities.
(5) Includes the tax impacts of assumption changes and management actions on insurance contract liabilities and investment contract liabilities, reflecting the tax rates in the jurisdictions in which we do business.
(6) ACMA is included in reported net income and is excluded in calculating underlying net income, as described in section D - Profitability - 2019 vs. 2018 in this document.
(7) In 2017, the impact on reported net income of an increase of $81 million is presented as an adjustment to arrive at underlying net income as Assumption changes and management actions. The impact on reported net income of a decrease of $288 million ($444 million pre-tax) related to the U.S. tax legislation changes enacted on December 22, 2017, included in the $(207) million above, is included as part of the U.S. tax reform impact that is reported separately as an adjustment to arrive an underlying net income (see section L - Non-IFRS Financial Measures in this document).

Real estate market sensitivities. Real estate market sensitivities are non-IFRS financial measures for which there are no directly comparable measures under IFRS so it is not possible to provide a reconciliation of these amounts to the most directly comparable IFRS measures.

Other. Management also uses the following non-IFRS financial measures for which there are no comparable financial measures in IFRS: (i) ASO premium and deposit equivalents, mutual fund sales, managed fund sales, insurance sales, and total premiums and deposits; (ii) AUM, mutual fund assets, managed fund assets, other AUM, and assets under administration; (iii) the VNB, which is used to measure the estimated lifetime profitability of new sales and is based on actuarial calculations; and (iv) ACMA, which is a component of our sources of earnings disclosure. 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, OSFI.