

Financial and operating results

For the period ended December 31, 2017

Sun Life Financial Inc. (Unaudited)

Supplementary Financial Information

Sources of Earnings Supplemental Information and Illustrative LICAT Disclosure



CONSOLIDATED SOURCES OF EARNINGS - SUPPLEMENTAL INFORMATION

SLF U.S. SOURCES OF EARNINGS - Updated for SLF International becoming part of SLF Asia and SLF U.S. SOE methodology change

(US\$ millions)

	For the Quarter Ended								For the Year Ended	
	2017				2016				2017	2016
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1		
Expected profit on in-force business ⁽¹⁾	80	79	76	77	75	78	67	58	312	278
Impact of new business ⁽¹⁾	(1)	(1)	(1)	(7)	(1)	—	(1)	(2)	(10)	(4)
Experience gains (losses)	(38)	44	(14)	(54)	12	(16)	(45)	10	(62)	(39)
Assumption changes and management actions ⁽²⁾	(354)	(47)	(273)	(5)	6	(32)	—	(1)	(679)	(27)
Other ⁽³⁾	(13)	(18)	(29)	(13)	(18)	(17)	(12)	(17)	(73)	(64)
Earnings (loss) on operations (pre-tax)	(326)	57	(241)	(2)	74	13	9	48	(512)	144
Earnings on surplus	17	15	24	15	8	20	19	11	71	58
Earnings (loss) before income taxes	(309)	72	(217)	13	82	33	28	59	(441)	202
Income tax (expense) benefit	260	(15)	82	7	(21)	4	(9)	(13)	334	(39)
Earnings (loss) before preferred share dividends and non-controlling interest	(49)	57	(135)	20	61	37	19	46	(107)	163
Preferred share dividends and non-controlling interest	—	—	—	—	—	—	—	—	—	—
Common shareholders' reported net income (loss)	(49)	57	(135)	20	61	37	19	46	(107)	163
Underlying Net Income Adjustments:										
Market related impacts	(25)	2	(12)	(9)	27	4	(20)	(3)	(44)	8
Assumption changes and management actions ⁽²⁾	—	(30)	(177)	(3)	4	(21)	—	(1)	(210)	(18)
Other adjustments:										
Acquisition, integration and restructuring	(8)	(12)	(19)	(13)	(12)	(11)	(8)	(11)	(52)	(42)
Other ⁽²⁾	(90)	—	—	—	—	—	—	—	(90)	—
	(123)	(40)	(208)	(25)	19	(28)	(28)	(15)	(396)	(52)
Common shareholders' underlying net income (loss)	74	97	73	45	42	65	47	61	289	215

⁽¹⁾ Reflects a change in presentation for our U.S. Stop Loss business effective Q1 2018. We have updated all the quarters and two years to reflect this change in presentation.

⁽²⁾ U.S. tax reform of \$90 million includes \$(231) million of ACMA, which is excluded from the ACMA of nil. Pre-tax ACMA of \$(354) million includes \$(356) million from U.S. tax reform.

⁽³⁾ Represents pre-tax adjustments related to acquisition, integration and restructuring amounts.

SLF U.S. SOURCES OF EARNINGS - Updated for SLF International becoming part of SLF Asia and SLF U.S. SOE methodology change

(C\$ millions)

	For the Quarter Ended								For the Year Ended	
	2017				2016				2017	2016
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1		
Expected profit on in-force business ⁽¹⁾	100	103	102	102	97	101	87	80	407	365
Impact of new business ⁽¹⁾	(1)	(1)	(1)	(8)	(2)	(1)	—	(2)	(11)	(5)
Experience gains (losses)	(50)	52	(13)	(75)	18	(18)	(60)	11	(86)	(49)
Assumption changes and management actions ⁽²⁾	(450)	(58)	(367)	(6)	8	(42)	—	(2)	(881)	(36)
Other ⁽³⁾	(16)	(23)	(39)	(27)	(23)	(22)	(16)	(23)	(105)	(84)
Earnings (loss) on operations (pre-tax)	(417)	73	(318)	(14)	98	18	11	64	(676)	191
Earnings on surplus	21	17	32	21	10	26	25	17	91	78
Earnings (loss) before income taxes	(396)	90	(286)	7	108	44	36	81	(585)	269
Income tax (expense) benefit	333	(18)	108	18	(27)	3	(10)	(18)	441	(52)
Earnings (loss) before preferred share dividends and non-controlling interest	(63)	72	(178)	25	81	47	26	63	(144)	217
Preferred share dividends and non-controlling interest	—	—	—	—	—	—	—	—	—	—
Common shareholders' reported net income (loss)	(63)	72	(178)	25	81	47	26	63	(144)	217
Underlying Net Income Adjustments:										
Market related impacts	(34)	4	(16)	(12)	36	4	(25)	(4)	(58)	11
Assumption changes and management actions ⁽²⁾	—	(38)	(238)	(4)	5	(27)	—	(1)	(280)	(23)
Other adjustments:										
Acquisition, integration and restructuring	(10)	(15)	(25)	(18)	(15)	(15)	(10)	(15)	(68)	(55)
U.S. tax reform ⁽²⁾	(114)	—	—	—	—	—	—	—	(114)	—
	(158)	(49)	(279)	(34)	26	(38)	(35)	(20)	(520)	(67)
Common shareholders' underlying net income (loss)	95	121	101	59	55	85	61	83	376	284

⁽¹⁾ Reflects a change in presentation for our U.S. Stop Loss business effective Q1 2018. We have updated all the quarters and two years to reflect this change in presentation.

⁽²⁾ U.S. tax reform of \$114 million includes \$(293) million of ACMA, which is excluded from the ACMA of nil. Pre-tax ACMA of \$(450) million includes \$(452) million from U.S. tax reform.

CONSOLIDATED SOURCES OF EARNINGS - SUPPLEMENTAL INFORMATION
SLF ASIA SOURCES OF EARNINGS - Updated for SLF International becoming part of SLF Asia

(C\$ millions)

	For the Quarter Ended								For the Year Ended	
	2017				2016				2017	2016
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1		
Expected profit on in-force business	111	113	106	105	111	115	106	103	435	435
Impact of new business	(10)	(17)	(29)	(25)	(18)	(11)	(15)	(23)	(81)	(67)
Experience gains (losses)	3	21	31	(13)	(21)	41	(12)	(14)	42	(6)
Assumption changes and management actions	—	74	221	(11)	(12)	129	(4)	1	284	114
Other ⁽¹⁾	—	—	—	—	(1)	3	—	31	—	33
Earnings (loss) on operations (pre-tax)	104	191	329	56	59	277	75	98	680	509
Earnings on surplus	34	36	42	48	35	34	39	40	160	148
Earnings (loss) before income taxes	138	227	371	104	94	311	114	138	840	657
Income tax (expense) benefit	(17)	(11)	(15)	(19)	(11)	(13)	(19)	(15)	(62)	(58)
Earnings (loss) before preferred share dividends and non-controlling interest	121	216	356	85	83	298	95	123	778	599
Preferred share dividends and non-controlling interest	—	—	—	—	—	—	1	—	—	1
Common shareholders' reported net income (loss)	121	216	356	85	83	298	96	123	778	600
Underlying Net Income Adjustments:										
Market related impacts	15	12	12	(1)	2	36	(38)	(5)	38	(5)
Assumption changes and management actions	—	74	221	(11)	(12)	129	(4)	1	284	114
Other adjustments:										
Acquisition, integration and restructuring	—	—	—	—	(1)	3	—	31	—	33
U.S. tax reform ⁽²⁾	(5)	—	—	—	—	—	—	—	(5)	—
	10	86	233	(12)	(11)	168	(42)	27	317	142
Common shareholders' underlying net income (loss)	111	130	123	97	94	130	138	96	461	458

⁽¹⁾ Represents pre-tax adjustments related to acquisition, integration and restructuring amounts.

⁽²⁾ U.S. tax reform consists of a charge of \$5 million relating to the revaluation of International's deferred tax balances.

LICAT RATIO - SUN LIFE ASSURANCE COMPANY OF CANADA
Capital Resources

Tier 1 capital

Retained earnings and contributed surplus
 Adjusted accumulated other comprehensive income
 Common and preferred shares
 Innovative instruments
 Other

Less:

Goodwill
 Tier 1 deductions

Net tier 1 capital

Tier 2 capital

Preferred shares and subordinated debt
 Other tier 2

Less:

Tier 2 deductions

Net tier 2 capital

Surplus allowance and eligible deposits

Total capital resources

Capital Requirements

Credit risk
 Market risk
 Insurance risk

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

Total participating product risk including par credits (before other credits and diversification)

Less:

Credits and diversification benefits

Total Non-participating and participating product risk

Segregated fund guarantees risk
 Operational risk

Total before scalar

Base solvency buffer (Total before scalar x scalar [1.05])

LICAT ratio

Sun Life Financial Inc.

Illustrative disclosure of the LICAT Ratio.
The LICAT Ratio will be provided on a prospective basis effective Q1 2018.