

Financial and operating results

For the period ended June 30, 2017

Sun Life Financial Inc. (Unaudited)

Supplementary Financial Information



**SUPPLEMENTARY FINANCIAL INFORMATION
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Basis of Presentation

All amounts in this document are presented in millions of Canadian dollars unless otherwise indicated. Sun Life Financial Inc., together with its subsidiaries and joint ventures, are collectively referred to as “the Company”, “Sun Life Financial”, “we”, “our” and “us”. 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 Discussion & Analysis (MD&A).

Acquisition, Integration and Restructuring

In 2017 and 2016, acquisition, integration and restructuring amounts 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).

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

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

Updates to Non-IFRS measures

Beginning in the first quarter of 2017, we no longer report operating net income and its related measures, operating EPS and operating ROE, in order to streamline our use of non-IFRS financial measures. The adjustments previously used to derive operating net income will continue to be used to derive underlying net income.

Non-IFRS Financial Measures

Sun Life Financial Inc. (Sun Life Financial or the "Company") prepares annual and interim financial statements using International Financial Reporting Standards ("IFRS"). The Company reports certain financial information that are not based on IFRS ("non-IFRS financial measures"), as the Company believes that 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. Reconciliations to IFRS measures are also available in the Company's annual and interim MD&A under the heading Reconciliation of Non-IFRS Financial Measures.

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) the 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 of basis risk inherent in our hedging program for products that provide 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 real estate properties in the reporting period; (b) assumption changes and management actions, which include: (i) the impact of revisions to the 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; (c) 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; (d) 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; (e) acquisition, integration and restructuring amounts (including impacts related to acquiring and integrating acquisitions); and (f) other items that when removed assist in explaining our results from period to period. Underlying EPS also excludes 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, reported net income (loss), and underlying net income (loss) are divided by the total weighted average common shareholders' equity for the period;
- (2) 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");
- (3) MFS pre-tax operating profit margin ratio. This ratio is a measure of the underlying profitability of MFS, which excludes the impact of fair value adjustments on MFS's share-based payment awards, investment income and certain commission expenses that are offsetting. These amounts are excluded in order to neutralize the impact these items have on the pre-tax operating profit margin ratio and have no impact on the underlying profitability of MFS. There is no directly comparable IFRS measure; and
- (4) 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 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;
- (3) value of new business ("VNB"), which is used to measure the estimated lifetime profitability of new sales and is based on actuarial calculations;
- (4) assumption changes and management actions, which is a component of the Company's sources of earnings disclosure; and
- (5) 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		
	2017		2016			2015				2016	2015	2014
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2			
RESULTS												
Common Shareholders' Reported Net Income (Loss) by Segment												
SLF Canada	185	266	398	184	185	169	210	127	337	936	824	790
SLF U.S.	101	37	106	253	54	95	100	64	134	508	333	341
SLF Asset Management	183	171	198	181	173	177	177	204	162	729	691	491
SLF Asia	77	73	58	92	68	91	73	77	93	309	311	182
Corporate	28	4	(32)	27	—	8	(24)	10	—	3	26	(42)
Total Common Shareholders' Reported Net Income (Loss)	574	551	728	737	480	540	536	482	726	2,485	2,185	1,762
Market related impacts:												
Net equity market impact	5	20	26	29	14	(18)	(4)	(122)	(11)	51	(128)	44
Net interest rate impact	(92)	(24)	130	18	(95)	(19)	(35)	44	97	34	65	(179)
Net increases (decreases) in the fair value of real estate	13	15	6	10	9	(3)	3	(4)	11	22	20	12
	(74)	11	162	57	(72)	(40)	(36)	(82)	97	107	(43)	(123)
Assumption changes and management actions	11	1	10	54	(8)	(11)	(12)	32	19	45	(9)	227
Certain hedges that do not qualify for hedge accounting	(10)	(2)	8	6	(6)	(13)	10	(10)	6	(5)	21	(7)
Fair value adjustments on share-based payment awards at MFS	(16)	(12)	10	(7)	20	7	(6)	28	(11)	30	(9)	(125)
Acquisition, integration and restructuring	(26)	(20)	(22)	(12)	(8)	15	(66)	(14)	—	(27)	(80)	(26)
Total Common Shareholders' Underlying Net Income (Loss)	689	573	560	639	554	582	646	528	615	2,335	2,305	1,816
Common Shareholders' Underlying Net Income (Loss) by Segment												
SLF Canada	266	229	243	226	200	218	269	174	250	887	894	823
SLF U.S.	143	77	87	135	114	111	158	97	105	447	441	266
SLF Asset Management	199	183	188	188	153	170	183	176	173	699	700	616
SLF Asia	81	79	62	80	85	68	52	67	71	295	252	174
Corporate	—	5	(20)	10	2	15	(16)	14	16	7	18	(63)
Total Common Shareholders' Underlying Net Income (Loss)	689	573	560	639	554	582	646	528	615	2,335	2,305	1,816
Profitability Measures												
Basic earnings per common share (EPS)												
Reported	0.93	0.90	1.19	1.20	0.78	0.88	0.88	0.79	1.19	4.05	3.57	2.88
Diluted earnings per common share												
Reported	0.93	0.89	1.18	1.20	0.78	0.88	0.87	0.79	1.18	4.03	3.55	2.86
Underlying	1.12	0.93	0.91	1.04	0.90	0.95	1.05	0.86	1.00	3.80	3.76	2.96
Premiums & Deposits												
Net premiums	3,923	3,564	4,419	3,888	3,563	3,178	3,551	2,114	2,523	15,048	10,395	9,996
Segregated fund deposits	2,506	3,437	3,691	2,294	2,834	2,731	2,523	2,626	4,487	11,550	12,047	9,249
Mutual fund sales ⁽¹⁾	21,285	24,180	22,344	23,115	20,007	19,262	17,598	16,902	19,927	84,728	76,551	66,619
Managed fund sales ⁽²⁾	11,855	9,394	10,263	9,256	9,886	10,865	7,678	7,156	7,002	40,270	30,079	29,868
ASO premium & deposit equivalents	1,701	1,718	1,705	1,623	1,745	1,790	1,770	1,758	1,781	6,863	7,078	6,748
Total premiums & deposits	41,270	42,293	42,422	40,176	38,035	37,826	33,120	30,556	35,720	158,459	136,150	122,480
Total adjusted premiums & deposits ⁽³⁾	40,561				38,714							
Sales & Value of New Business												
Individual Life & Health ⁽⁴⁾	263	338	432	292	260	214	276	227	214	1,198	916	830
Group Life & Health ⁽⁴⁾	302	434	639	369	278	274	491	303	213	1,560	1,256	1,238
Wealth - SLF Asset Management ⁽²⁾	29,852	30,306	29,457	30,023	28,182	28,608	23,598	22,397	25,292	116,270	99,523	91,112
Wealth - excluding SLF Asset Management ⁽¹⁾⁽⁴⁾	6,730	7,300	7,793	5,138	4,523	4,595	5,291	4,992	6,424	22,049	21,691	19,439
Large case longevity insurance sales	—	—	—	—	—	—	—	—	—	—	5,260	—
Value of New Business	347	370	392	325	296	323	347	251	269	1,336	1,175	1,069

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

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

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

⁽⁴⁾ Includes the sales in the Company's joint ventures and associates with local partners in SLF Asia based on our proportionate equity interest. Sales in Vietnam are included at 100% during Q4 2016 and 75% for the first three quarters of 2016. Indonesia CSL sales are included at 100% beginning Q3 2016 and Birla Sun Life Insurance Company Ltd.'s sales are included at 49% beginning Q2 2016. Indonesia CSL sales, Birla Sun Life Insurance Company Ltd.'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.

FINANCIAL HIGHLIGHTS CONTINUED

	At and For the Quarter Ended									At and For the Year Ended		
	2017		2016			2015				2016	2015	2014
Valuation Data	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2			
Book value per common share	32.69	32.54	32.10	31.57	30.42	30.17	31.02	30.03	29.05	32.10	31.02	26.87
Book value per common share excluding AOCI	30.37	29.89	29.41	28.60	27.80	27.42	27.00	26.49	26.07	29.41	27.00	24.97
Tangible book value per common share	21.47	21.17	20.66	20.19	19.30	18.85	21.02	20.15	20.55	20.66	21.02	18.70
Market-to-book value (times)	1.42	1.49	1.61	1.35	1.40	1.39	1.39	1.43	1.44	1.61	1.39	1.56
Total market capitalization (TSX in \$ billions)	28.5	29.8	31.6	26.2	26.0	25.7	26.4	26.3	25.5	31.6	26.4	25.7
Financial Strength												
SLA MCCR ratio	229 %	229 %	226 %	221 %	214 %	216 %	240 %	229 %	223 %	226 %	240 %	217 %
SLF MCCR ratio	248 %	249 %	253 %	247 %	225 %	231 %				253 %		
Total debt to total capital ratio	22.5 %	22.6 %	25.2 %	25.6 %	23.5 %	23.7 %	22.1 %	23.4 %	22.3 %	25.2 %	22.1 %	23.6 %
Common Share Information (SLF on TSX)												
High (intraday)	49.71	53.25	53.75	43.84	46.12	42.83	45.65	45.44	43.39	53.75	45.65	43.44
Low (intraday)	43.51	46.93	42.06	40.00	40.26	36.64	41.98	36.88	38.56	36.64	36.88	35.17
Close (end of period)	46.36	48.56	51.55	42.69	42.44	41.90	43.15	43.04	41.70	51.55	43.15	41.92
Number of Common Shares Outstanding (in millions)												
At beginning of period	613.7	613.6	612.9	612.8	612.6	612.3	611.2	610.6	611.2	612.3	613.1	609.4
Common shares issued	—	0.1	0.7	0.1	0.2	0.3	1.1	0.6	1.6	1.3	4.5	4.6
Common shares purchased and cancelled	—	—	—	—	—	—	—	—	(2.2)	—	(5.3)	(0.9)
At end of period	613.7	613.7	613.6	612.9	612.8	612.6	612.3	611.2	610.6	613.6	612.3	613.1
Weighted average shares outstanding - basic	614	614	613	613	613	612	612	611	612	613	612	611
Weighted average shares outstanding - diluted ⁽¹⁾	619	619	619	619	619	618	618	617	618	619	618	619
Dividend per common share	0.435	0.42	0.42	0.405	0.405	0.39	0.39	0.38	0.38	1.62	1.51	1.44
Dividend payout ratio ⁽²⁾												
Reported	47 %	47 %	36 %	34 %	52 %	44 %	45 %	48 %	32 %	40 %	43 %	50 %
Underlying	39 %	45 %	46 %	39 %	45 %	41 %	37 %	44 %	38 %	43 %	40 %	49 %
Dividend yield ⁽³⁾	3.8 %	3.3%	3.5%	3.9%	3.7%	3.9%	3.5%	3.6%	3.8%	3.7 %	3.6%	3.7%
Assets Under Management ⁽⁴⁾												
General funds	161,755	160,044	161,071	164,321	159,453	156,849	155,413	151,654	145,472	161,071	155,413	139,419
Segregated funds	102,066	101,055	97,167	95,386	91,463	89,795	91,440	88,248	90,500	97,167	91,440	83,938
Total assets	263,821	261,099	258,238	259,707	250,916	246,644	246,853	239,902	235,972	258,238	246,853	223,357
Other assets under management												
Mutual funds	329,895	321,790	307,937	307,374	289,000	281,965	296,438	275,959	273,412	307,937	296,438	240,397
Managed funds & other	376,211	370,302	362,513	366,846	349,680	357,193	374,095	354,832	321,871	362,513	374,095	291,840
Consolidation adjustments	(26,106)	(25,916)	(25,413)	(25,827)	(24,993)	(25,284)	(26,054)	(24,535)	(23,173)	(25,413)	(26,054)	(21,152)
Total other assets under management	680,000	666,176	645,037	648,393	613,687	613,874	644,479	606,256	572,110	645,037	644,479	511,085
Total assets under management	943,821	927,275	903,275	908,100	864,603	860,518	891,332	846,158	808,082	903,275	891,332	734,442
Total assets under administration ⁽⁴⁾	990,678	977,359	960,771	965,040	929,906	914,846	949,280	902,456	858,247	960,771	949,280	783,109
Select Constant Currency Measures												
Reported net income	566				480							
Sales - Individual Life & Health	259				260							
Sales - Group Life & Health	295				278							
Sales - Wealth ⁽⁵⁾	35,200				32,705							
Premiums & deposits	39,817				38,035							
Reported earnings per share - Diluted	0.92				0.78							
Assets under management ⁽⁴⁾	941,653				864,603							

⁽¹⁾ 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.

⁽²⁾ The calculation methodology is based on diluted reported EPS and diluted underlying EPS, respectively.

⁽³⁾ In the fourth quarter of 2016, we changed the calculation methodology and prior periods have been restated. 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.

⁽⁴⁾ The assets of our joint ventures are included based on our proportionate equity interest.

⁽⁵⁾ In the second quarter of 2016, we moved our sales reporting methodology for Bentall Kennedy's real estate investment management operations from an investment property activity basis to a client cash flow basis to be consistent with the method used in our existing asset management operations. Prior periods from Q3 2015 have been restated.

SUN LIFE FINANCIAL INC.
CONSOLIDATED STATEMENTS OF OPERATIONS

(C\$ millions)

	For the Quarter Ended									For the Year Ended		
	2017		2016			2015				2016	2015	2014
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2			
Revenue												
Premiums - life insurance	2,084	2,194	2,488	2,249	2,145	2,012	2,180	1,818	1,740	8,894	7,462	7,003
Premiums - health insurance	2,137	2,122	2,052	2,021	1,992	1,844	1,658	1,643	1,572	7,909	6,474	5,916
Premiums - annuities	835	417	1,052	667	502	403	1,325	374	791	2,624	2,888	2,580
Gross premiums	5,056	4,733	5,592	4,937	4,639	4,259	5,163	3,835	4,103	19,427	16,824	15,499
Ceded premiums	(1,133)	(1,169)	(1,173)	(1,049)	(1,076)	(1,081)	(1,612)	(1,721)	(1,580)	(4,379)	(6,429)	(5,503)
Net premiums	3,923	3,564	4,419	3,888	3,563	3,178	3,551	2,114	2,523	15,048	10,395	9,996
Net investment income (loss)	2,739	2,027	(3,495)	2,594	4,616	4,230	578	1,241	(2,134)	7,945	3,555	11,315
Fee income	1,460	1,418	1,442	1,410	1,354	1,374	1,438	1,338	1,293	5,580	5,324	4,453
Total revenue	8,122	7,009	2,366	7,892	9,533	8,782	5,567	4,693	1,682	28,573	19,274	25,764
Policy benefits and expenses												
Gross claims & benefits paid	3,824	4,032	4,003	3,654	3,848	3,705	3,679	3,516	3,461	15,210	14,086	12,816
Change in investment/insurance contract liabilities & reinsurance assets ⁽¹⁾	2,414	818	(4,093)	2,040	3,883	3,374	551	294	(3,145)	5,204	684	8,973
Operating expenses, commissions and other expenses	2,337	2,386	2,500	2,271	2,188	2,068	2,104	1,939	1,894	9,027	7,751	7,013
Reinsurance expenses (recoveries)	(1,072)	(1,158)	(1,073)	(1,196)	(1,017)	(1,027)	(1,508)	(1,662)	(1,523)	(4,313)	(6,146)	(5,411)
Total policy benefits and expenses	7,503	6,078	1,337	6,769	8,902	8,120	4,826	4,087	687	25,128	16,375	23,391
Income (loss) before income taxes	619	931	1,029	1,123	631	662	741	606	995	3,445	2,899	2,373
Income tax expense (benefit)	(23)	182	201	206	120	92	180	79	245	619	599	491
Participating policyholders' net income (loss) and non-controlling interest	45	175	77	155	7	6	1	21	(2)	245	15	9
Preferred shareholder dividends	23	23	23	25	24	24	24	24	26	96	100	111
Common shareholders' reported net income (loss)	574	551	728	737	480	540	536	482	726	2,485	2,185	1,762
Common shareholders' underlying net income (loss)	689	573	560	639	554	582	646	528	615	2,335	2,305	1,816
Return on equity - reported	11.4 %	11.0 %	14.8 %	15.4 %	10.3 %	11.5 %	11.4 %	10.6 %	16.4 %	13.0 %	12.2 %	11.2 %
Return on equity - underlying	13.7 %	11.5 %	11.4 %	13.4 %	11.9 %	12.4 %	13.8 %	11.6 %	13.9 %	12.2 %	12.8 %	11.6 %

	For the Quarter Ended									For the Year Ended		
	2017		2016			2015				2016	2015	2014
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2			
SOURCES OF EARNINGS - Total Company												
Expected profit on in-force business ⁽²⁾	718	666	679	712	644	651	680	665	672	2,686	2,656	2,366
Impact of new business ⁽²⁾	(7)	(33)	9	(21)	(13)	(39)	(30)	(63)	(39)	(64)	(182)	(135)
Experience gains (losses)	(80)	(16)	167	100	(97)	(54)	84	(98)	252	116	189	(318)
Assumption changes and management actions	(114)	2	17	20	(10)	(17)	(20)	2	22	10	(54)	277
Other ⁽³⁾	(83)	(58)	(24)	(34)	(21)	(7)	(81)	(14)	(25)	(86)	(147)	(255)
Earnings (loss) on operations (pre-tax)	434	561	848	777	503	534	633	492	882	2,662	2,462	1,935
Earnings on surplus	134	132	91	126	118	123	112	88	126	458	435	396
Earnings (loss) before income taxes	568	693	939	903	621	657	745	580	1,008	3,120	2,897	2,331
Income tax (expense) benefit	29	(119)	(188)	(141)	(118)	(93)	(185)	(74)	(256)	(540)	(612)	(458)
Earnings (loss) before preferred share dividends and non-controlling interest	597	574	751	762	503	564	560	506	752	2,580	2,285	1,873
Preferred share dividends and non-controlling interest	(23)	(23)	(23)	(25)	(23)	(24)	(24)	(24)	(26)	(95)	(100)	(111)
Common shareholders' reported net income (loss)	574	551	728	737	480	540	536	482	726	2,485	2,185	1,762
Underlying Net Income Adjustments (post tax):												
Market related impacts	(74)	11	162	57	(72)	(40)	(36)	(82)	97	107	(43)	(123)
Assumption changes and management actions	11	1	10	54	(8)	(11)	(12)	32	19	45	(9)	227
Impact of certain hedges that do not qualify for hedge accounting	(10)	(2)	8	6	(6)	(13)	10	(10)	6	(5)	21	(7)
Fair value adjustments on share-based payment awards at MFS	(16)	(12)	10	(7)	20	7	(6)	28	(11)	30	(9)	(125)
Acquisition, integration and restructuring	(26)	(20)	(22)	(12)	(8)	15	(66)	(14)	—	(27)	(80)	(26)
	(115)	(22)	168	98	(74)	(42)	(110)	(46)	111	150	(120)	(54)
Common shareholders' underlying net income (loss)	689	573	560	639	554	582	646	528	615	2,335	2,305	1,816
EXCHANGE RATES - Average for the period												
U.S. Dollar	1.345	1.323	1.335	1.304	1.289	1.373	1.335	1.307	1.229	1.325	1.278	1.104
U.K. Pound	1.719	1.639	1.659	1.711	1.849	1.968	2.025	2.025	1.882	1.797	1.953	1.818

⁽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⁾ Expected profit on in-force business and impact of new business reflect a change in presentation for our U.S. Group Benefits business effective Q1 2017. We have updated the quarters and full year for 2016 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		
	2017		2016				2015			2016	2015	2014
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2			
Assets												
Cash, cash equivalents and short-term securities	7,826	6,939	8,642	7,992	6,544	7,583	8,983	8,052	7,454	8,642	8,983	6,818
Debt securities	73,407	72,875	71,887	76,039	74,035	71,371	69,896	68,386	66,750	71,887	69,896	66,214
Equity securities	5,912	5,798	5,774	5,731	5,445	5,323	5,313	5,232	5,475	5,774	5,313	5,223
Mortgages and loans	40,735	40,875	40,775	39,707	39,497	39,005	39,103	38,274	36,528	40,775	39,103	33,679
Derivative assets	1,566	1,538	1,608	2,910	2,837	2,680	1,866	2,238	1,601	1,608	1,866	1,839
Other invested assets	4,015	3,970	3,931	3,851	3,442	2,993	3,111	2,764	2,717	3,931	3,111	2,375
Policy loans	3,109	3,135	3,141	3,112	3,082	3,097	3,151	3,087	2,998	3,141	3,151	2,895
Investment properties	6,982	6,595	6,592	6,492	6,511	6,446	6,540	6,505	6,372	6,592	6,540	6,108
Total invested assets	143,552	141,725	142,350	145,834	141,393	138,498	137,963	134,538	129,895	142,350	137,963	125,151
Other assets	5,056	4,930	5,109	4,524	4,507	4,747	4,567	4,689	4,485	5,109	4,567	3,984
Reinsurance assets	4,762	5,029	5,144	5,437	5,122	5,080	5,386	5,110	4,653	5,144	5,386	4,042
Deferred tax assets	1,501	1,386	1,448	1,552	1,616	1,589	1,372	1,280	1,246	1,448	1,372	1,230
Intangible assets	1,647	1,678	1,703	1,672	1,595	1,427	1,479	1,455	929	1,703	1,479	895
Goodwill	5,237	5,296	5,317	5,302	5,220	5,508	4,646	4,582	4,264	5,317	4,646	4,117
Total general fund assets	161,755	160,044	161,071	164,321	159,453	156,849	155,413	151,654	145,472	161,071	155,413	139,419
Investment for account of segregated fund holders	102,066	101,055	97,167	95,386	91,463	89,795	91,440	88,248	90,500	97,167	91,440	83,938
Total assets	263,821	261,099	258,238	259,707	250,916	246,644	246,853	239,902	235,972	258,238	246,853	223,357
Liabilities and Equity												
Insurance contract liabilities	116,609	115,490	115,057	118,750	115,740	112,597	110,227	107,827	104,707	115,057	110,227	101,228
Investment contract liabilities	3,036	3,049	2,913	2,913	2,904	2,896	2,913	2,880	2,842	2,913	2,913	2,819
Derivative liabilities	2,004	2,226	2,512	2,803	2,697	2,796	3,378	3,284	2,167	2,512	3,378	1,603
Deferred tax liabilities	768	741	687	634	515	448	405	340	325	687	405	155
Other liabilities	12,057	11,391	12,399	12,132	12,367	12,100	12,332	11,010	10,264	12,399	12,332	9,725
Senior debentures	599	599	599	599	598	1,548	1,548	2,148	2,149	599	1,548	2,149
Senior debentures - Innovative capital instruments	700	700	700	700	700	700	700	700	700	700	700	700
Subordinated debt	3,038	3,037	3,836	3,835	2,841	2,841	2,492	2,692	2,182	3,836	2,492	2,168
Total general fund liabilities	138,811	137,233	138,703	142,366	138,362	135,926	133,995	130,881	125,336	138,703	133,995	120,547
Insurance contracts for account of segregated fund holders	94,967	94,039	90,388	88,388	84,759	82,754	83,670	80,751	82,713	90,388	83,670	76,736
Investment contracts for account of segregated fund holders	7,099	7,016	6,779	6,998	6,704	7,041	7,770	7,497	7,787	6,779	7,770	7,202
Total liabilities	240,877	238,288	235,870	237,752	229,825	225,721	225,435	219,129	215,836	235,870	225,435	204,485
Total equity	22,944	22,811	22,368	21,955	21,091	20,923	21,418	20,773	20,136	22,368	21,418	18,872
Total liabilities and equity	263,821	261,099	258,238	259,707	250,916	246,644	246,853	239,902	235,972	258,238	246,853	223,357
EXCHANGE RATES - Period end rates												
U.S. Dollar	1.296	1.331	1.343	1.313	1.292	1.300	1.384	1.331	1.249	1.343	1.384	1.162
U.K. Pound	1.688	1.670	1.657	1.703	1.720	1.867	2.040	2.014	1.962	1.657	2.040	1.809

EQUITY AND CAPITAL

(C\$ millions)

	At the Quarter Ended									At the Year Ended		
	2017		2016				2015			2016	2015	2014
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2			
CHANGES IN COMMON SHAREHOLDERS' EQUITY												
Balance at beginning of period	19,968	19,699	19,347	18,641	18,480	18,993	18,352	17,740	17,504	18,993	16,474	14,724
Common shareholders' reported net income (loss)	574	551	728	737	480	540	536	482	726	2,485	2,185	1,762
Dividends - common shares	(267)	(258)	(251)	(248)	(248)	(239)	(233)	(232)	(232)	(986)	(918)	(869)
Common shares issued, net of expenses	—	3	25	2	5	7	39	25	61	39	166	158
Common shares buyback	—	—	—	—	—	—	—	—	(92)	—	(212)	(39)
Share-based compensation	1	2	1	—	1	2	—	1	1	4	3	4
Other	—	—	17	—	—	(47)	—	—	—	(30)	—	(4)
Other comprehensive income (OCI) for the period:												
Unrealized foreign currency translation gains (losses), net of hedging activities	(318)	(97)	189	135	(182)	(776)	442	546	(110)	(634)	1,645	663
Unrealized gains (losses) on available-for-sale assets	59	70	(317)	75	158	70	(59)	(208)	(201)	(14)	(298)	219
Unrealized gains (losses) on cash flow hedges	(4)	(4)	7	—	(2)	(14)	(2)	—	2	(9)	(3)	(7)
Share of other comprehensive income (loss) in joint ventures and associates ⁽¹⁾	(32)	10	(46)	19	(19)	(30)	—	—	—	(76)	—	—
Unrealized gains (losses) on transfer to investment properties	139	—	—	—	—	—	—	—	—	—	—	—
Remeasurement of defined benefit plans	(61)	(8)	(1)	(14)	(32)	(26)	(82)	(2)	81	(73)	(49)	(137)
Balance at end of period	<u>20,059</u>	<u>19,968</u>	<u>19,699</u>	<u>19,347</u>	<u>18,641</u>	<u>18,480</u>	<u>18,993</u>	<u>18,352</u>	<u>17,740</u>	<u>19,699</u>	<u>18,993</u>	<u>16,474</u>
Composition of shareholders' accumulated OCI balance⁽¹⁾												
Unrealized foreign currency translation gains (losses), net of hedging activities	1,318	1,636	1,733	1,544	1,409	1,591	2,418	1,976	1,430	1,733	2,418	773
Unrealized gains (losses) on available-for-sale assets	340	281	211	528	453	295	250	309	517	211	250	548
Unrealized gains (losses) on cash flow hedges	(14)	(10)	(6)	(13)	(13)	(11)	3	5	5	(6)	3	6
Share of other comprehensive income (loss) in joint ventures and associates	(22)	10	—	46	27	46	—	—	—	—	—	—
Unrealized gains (losses) on transfer to investment properties	145	6	6	6	6	6	6	6	6	6	6	6
Remeasurement of defined benefit plans ⁽²⁾	(347)	(299)	(291)	(290)	(276)	(244)	(218)	(136)	(134)	(291)	(218)	(169)
Balance at end of period	<u>1,420</u>	<u>1,624</u>	<u>1,653</u>	<u>1,821</u>	<u>1,606</u>	<u>1,683</u>	<u>2,459</u>	<u>2,160</u>	<u>1,824</u>	<u>1,653</u>	<u>2,459</u>	<u>1,164</u>
CAPITAL												
Subordinated debt	3,038	3,037	3,836	3,835	2,841	2,841	2,492	2,692	2,182	3,836	2,492	2,168
SLEECs ⁽³⁾	698	698	698	698	697	697	697	697	697	698	697	697
Participating policyholders' equity and non-controlling interest	628	586	412	351	193	186	168	164	139	412	168	141
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	20,059	19,968	19,699	19,347	18,641	18,480	18,993	18,352	17,740	19,699	18,993	16,474
Total capital	<u>26,680</u>	<u>26,546</u>	<u>26,902</u>	<u>26,488</u>	<u>24,629</u>	<u>24,461</u>	<u>24,607</u>	<u>24,162</u>	<u>23,015</u>	<u>26,902</u>	<u>24,607</u>	<u>21,737</u>
MCCSR RATIO - SUN LIFE ASSURANCE COMPANY OF CANADA												
Capital Available												
Retained earnings and contributed surplus	12,380	12,110	11,871	11,425	10,964	10,826	10,831	10,632	10,339	11,871	10,831	9,791
Accumulated other comprehensive income	745	1,076	1,143	1,028	912	1,139	1,817	1,570	1,164	1,143	1,817	600
Common and preferred shares	3,196	3,196	3,196	3,196	3,196	3,196	3,196	3,196	3,196	3,196	3,196	3,196
Innovative instruments	698	698	698	698	697	697	697	697	697	698	697	697
Other	59	57	56	73	72	73	72	69	62	56	72	56
Less:												
Goodwill	2,182	2,227	2,242	2,241	2,169	2,366	1,553	1,511	1,444	2,242	1,553	1,363
Non-life investments and other	3,031	3,078	2,876	2,694	2,594	2,500	2,547	2,421	2,517	2,876	2,547	2,427
Net Tier 1 Capital	<u>11,865</u>	<u>11,832</u>	<u>11,846</u>	<u>11,485</u>	<u>11,078</u>	<u>11,065</u>	<u>12,513</u>	<u>12,232</u>	<u>11,497</u>	<u>11,846</u>	<u>12,513</u>	<u>10,550</u>
Tier 2A	177	174	142	174	146	156	203	180	277	142	203	212
Tier 2B	3,100	3,100	3,100	3,100	3,100	2,750	2,750	1,500	1,500	3,100	2,750	1,500
Tier 2C	2,148	2,143	1,977	1,826	1,760	1,801	1,861	1,695	1,751	1,977	1,861	1,764
Less:												
Non-life investments and other	1,124	1,134	1,112	1,107	1,096	948	940	908	932	1,112	940	885
Total Tier 2 Capital	<u>4,301</u>	<u>4,283</u>	<u>4,107</u>	<u>3,993</u>	<u>3,910</u>	<u>3,759</u>	<u>3,874</u>	<u>2,467</u>	<u>2,596</u>	<u>4,107</u>	<u>3,874</u>	<u>2,591</u>
Total capital available	<u>16,166</u>	<u>16,115</u>	<u>15,953</u>	<u>15,478</u>	<u>14,988</u>	<u>14,824</u>	<u>16,387</u>	<u>14,699</u>	<u>14,093</u>	<u>15,953</u>	<u>16,387</u>	<u>13,141</u>
Required Capital												
Asset default and market risks	4,065	4,074	4,109	3,997	4,063	4,009	4,078	3,937	3,843	4,109	4,078	3,672
Insurance risks	1,828	1,787	1,797	1,815	1,775	1,743	1,646	1,420	1,439	1,797	1,646	1,375
Interest rate risks	1,165	1,165	1,156	1,186	1,154	1,120	1,095	1,060	1,043	1,156	1,095	1,009
Total capital required	<u>7,058</u>	<u>7,026</u>	<u>7,062</u>	<u>6,998</u>	<u>6,992</u>	<u>6,872</u>	<u>6,819</u>	<u>6,417</u>	<u>6,325</u>	<u>7,062</u>	<u>6,819</u>	<u>6,056</u>
MCCSR ratio	229%	229%	226%	221%	214%	216%	240%	229%	223%	226%	240%	217%

⁽¹⁾ Beginning in 2016, share of other comprehensive income (loss) in joint ventures and associates is presented separately in OCI. Included in foreign currency translation gains (losses) and unrealized gains (losses) on available-for-sale assets in prior periods.

⁽²⁾ The remeasurement of defined benefit plans reflects a \$13 million transfer to retained earnings in Q2 2017.

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

DILUTED EARNINGS PER SHARE RECONCILIATION

	At and For the Quarter Ended									At and For the Year Ended		
	2017		2016				2015			2016	2015	2014
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2			
WEIGHTED AVERAGE SHARES												
Weighted average shares - basic	614	614	613	613	613	612	612	611	612	613	612	611
Diluted impact of stock options	1	1	1	1	1	1	1	1	1	1	1	2
Weighted average shares - diluted underlying	615	615	614	614	614	613	613	612	613	614	613	613
Diluted impact of convertible securities (SLEECs) ⁽¹⁾	4	4	5	5	5	5	5	5	5	5	5	6
Weighted average shares - diluted	619	619	619	619	619	618	618	617	618	619	618	619
DILUTED EARNINGS PER SHARE ⁽²⁾												
Total common shareholders' reported net income (loss)	574	551	728	737	480	540	536	482	726	2,485	2,185	1,762
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	576	554	730	740	482	543	538	485	728	2,495	2,195	1,772
Less Adjustments:												
Impact of SLEECs	2	3	2	3	2	3	2	3	2	10	10	10
Market related impacts:												
Net equity market impact	5	20	26	29	14	(18)	(4)	(122)	(11)	51	(128)	44
Net interest rate impact	(92)	(24)	130	18	(95)	(19)	(35)	44	97	34	65	(179)
Net increases (decreases) in the fair value of real estate	13	15	6	10	9	(3)	3	(4)	11	22	20	12
	(74)	11	162	57	(72)	(40)	(36)	(82)	97	107	(43)	(123)
Assumption changes and management actions	11	1	10	54	(8)	(11)	(12)	32	19	45	(9)	227
Impact of certain hedges that do not qualify for hedge accounting	(10)	(2)	8	6	(6)	(13)	10	(10)	6	(5)	21	(7)
Impact of fair value adjustments on share-based payment awards at MFS	(16)	(12)	10	(7)	20	7	(6)	28	(11)	30	(9)	(125)
Impact of acquisition, integration and restructuring	(26)	(20)	(22)	(12)	(8)	15	(66)	(14)	—	(27)	(80)	(26)
Total common shareholders' underlying net income (loss)	689	573	560	639	554	582	646	528	615	2,335	2,305	1,816
Diluted earnings per share - reported	\$ 0.93	\$ 0.89	\$ 1.18	\$ 1.20	\$ 0.78	\$ 0.88	\$ 0.87	\$ 0.79	\$ 1.18	\$ 4.03	\$ 3.55	\$ 2.86
Less Adjustments:												
Impact of SLEECs	\$ -	\$ -	\$ (0.01)	\$ -	\$ -	\$ -	\$ (0.01)	\$ -	\$ -	\$ (0.02)	\$ (0.02)	\$ (0.01)
Market related impacts:												
Net equity market impact	\$ 0.01	\$ 0.03	\$ 0.04	\$ 0.05	\$ 0.02	\$ (0.03)	\$ (0.01)	\$ (0.20)	\$ (0.02)	\$ 0.08	\$ (0.21)	\$ 0.07
Net interest rate impact	\$ (0.15)	\$ (0.04)	\$ 0.21	\$ 0.03	\$ (0.15)	\$ (0.03)	\$ (0.05)	\$ 0.07	\$ 0.16	\$ 0.06	\$ 0.11	\$ (0.29)
Net increases (decreases) in the fair value of real estate	\$ 0.02	\$ 0.02	\$ 0.01	\$ 0.01	\$ 0.01	\$ -	\$ 0.01	\$ -	\$ 0.02	\$ 0.04	\$ 0.03	\$ 0.02
	\$ (0.12)	\$ 0.01	\$ 0.26	\$ 0.09	\$ (0.12)	\$ (0.06)	\$ (0.05)	\$ (0.13)	\$ 0.16	\$ 0.18	\$ (0.07)	\$ (0.20)
Assumption changes and management actions	\$ 0.02	\$ -	\$ 0.02	\$ 0.09	\$ (0.01)	\$ (0.02)	\$ (0.02)	\$ 0.05	\$ 0.03	\$ 0.07	\$ (0.01)	\$ 0.37
Impact of certain hedges that do not qualify for hedge accounting	\$ (0.02)	\$ -	\$ 0.01	\$ 0.01	\$ (0.01)	\$ (0.02)	\$ 0.02	\$ (0.02)	\$ 0.01	\$ (0.01)	\$ 0.03	\$ (0.01)
Impact of fair value adjustments on share-based payment awards at MFS	\$ (0.03)	\$ (0.02)	\$ 0.02	\$ (0.01)	\$ 0.03	\$ 0.01	\$ (0.01)	\$ 0.05	\$ (0.02)	\$ 0.05	\$ (0.01)	\$ (0.21)
Impact of acquisition, integration and restructuring	\$ (0.04)	\$ (0.03)	\$ (0.03)	\$ (0.02)	\$ (0.01)	\$ 0.02	\$ (0.11)	\$ (0.02)	\$ -	\$ (0.04)	\$ (0.13)	\$ (0.04)
Diluted earnings per share - underlying	\$ 1.12	\$ 0.93	\$ 0.91	\$ 1.04	\$ 0.90	\$ 0.95	\$ 1.05	\$ 0.86	\$ 1.00	\$ 3.80	\$ 3.76	\$ 2.96

⁽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		
	2017		2016				2015			2016	2015	2014
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2			
Revenue												
Premiums - life insurance	1,079	1,108	1,151	996	1,000	960	1,005	956	916	4,107	3,783	3,580
Premiums - health insurance	1,205	1,202	1,115	1,105	1,074	1,074	1,032	1,039	1,004	4,368	4,105	3,951
Premiums - annuities	828	411	1,049	655	492	389	1,288	345	732	2,585	2,715	2,227
Gross premiums	3,112	2,721	3,315	2,756	2,566	2,423	3,325	2,340	2,652	11,060	10,603	9,758
Ceded premiums	(929)	(973)	(941)	(911)	(911)	(908)	(1,416)	(1,391)	(1,420)	(3,671)	(5,582)	(5,058)
Net premiums	2,183	1,748	2,374	1,845	1,655	1,515	1,909	949	1,232	7,389	5,021	4,700
Net investment income (loss)	1,378	1,070	(1,492)	1,394	2,106	1,743	640	202	(741)	3,751	2,527	6,017
Fee income	275	271	285	253	245	243	276	238	243	1,026	998	909
Total revenue	3,836	3,089	1,167	3,492	4,006	3,501	2,825	1,389	734	12,166	8,546	11,626
Policy benefits and expenses												
Gross claims & benefits paid	2,195	2,261	2,256	1,965	2,158	2,105	2,113	1,978	2,153	8,484	8,338	7,699
Change in investment/insurance contract liabilities & reinsurance assets	1,457	269	(1,734)	1,169	1,701	1,359	1,025	(224)	(1,225)	2,495	1,532	5,079
Operating expenses, commissions and other expenses	822	911	874	770	779	727	755	736	717	3,150	2,887	2,647
Reinsurance expenses (recoveries)	(868)	(904)	(834)	(838)	(829)	(831)	(1,308)	(1,307)	(1,346)	(3,332)	(5,227)	(4,723)
Total policy benefits and expenses	3,606	2,537	562	3,066	3,809	3,360	2,585	1,183	299	10,797	7,530	10,702
Income (loss) before income taxes	230	552	605	426	197	141	240	206	435	1,369	1,016	924
Income tax expense (benefit)	7	116	135	93	8	(28)	29	58	100	208	177	129
Participating policyholders' net income (loss)	38	170	72	149	4	—	1	21	(2)	225	15	5
Common shareholders' reported net income (loss)	185	266	398	184	185	169	210	127	337	936	824	790
Market related impacts	(76)	32	130	13	(5)	(24)	(56)	(51)	70	114	(106)	(77)
Assumption changes and management actions	5	7	17	(61)	(4)	(12)	(13)	14	11	(60)	15	51
Certain hedges that do not qualify for hedge accounting	(10)	(2)	8	6	(6)	(13)	10	(10)	6	(5)	21	(7)
Acquisition, integration and restructuring	—	—	—	—	—	—	—	—	—	—	—	—
Common shareholders' underlying net income (loss)	266	229	243	226	200	218	269	174	250	887	894	823
Return on equity - reported	9.7%	13.7%	20.1%	9.3%	9.5%	8.9%	11.0%	6.5%	17.3%	12.0%	10.7%	10.7%
Return on equity - underlying	13.9%	11.8%	12.3%	11.5%	10.3%	11.4%	14.1%	9.0%	12.8%	11.4%	11.6%	11.2%
PREMIUMS & DEPOSITS												
Net premiums	2,183	1,748	2,374	1,845	1,655	1,515	1,909	949	1,232	7,389	5,021	4,700
Segregated fund deposits	2,269	3,196	3,385	2,000	2,622	2,520	2,260	2,360	4,183	10,527	10,944	8,117
Retail mutual fund deposits (Sun Life Global Investments)	478	504	463	414	405	453	383	288	322	1,735	1,318	750
ASO premium & deposit equivalents	1,510	1,538	1,523	1,432	1,467	1,498	1,441	1,452	1,500	5,920	5,889	5,776
Total	6,440	6,986	7,745	5,691	6,149	5,986	5,993	5,049	7,237	25,571	23,172	19,343
SALES												
Individual Insurance	100	144	203	102	99	71	100	98	85	475	350	303
Individual Wealth	1,400	1,733	1,480	1,216	1,192	1,498	1,370	1,244	1,327	5,386	5,398	4,768
Group Benefits	130	307	105	106	114	150	78	139	102	475	486	540
Group Retirement Services	2,381	2,670	3,221	1,520	1,554	1,519	2,215	2,177	3,492	7,814	14,483	8,998
ASSETS UNDER MANAGEMENT												
General funds	83,947	82,171	82,456	83,237	81,640	79,147	78,109	76,256	76,071	82,456	78,109	73,810
Segregated funds	84,047	83,278	79,964	77,679	74,668	72,411	72,633	70,329	71,989	79,964	72,633	66,859
Other AUM	3,416	3,200	2,832	2,547	2,251	2,021	1,818	1,590	1,444	2,832	1,818	1,020
Total	171,410	168,649	165,252	163,463	158,559	153,579	152,560	148,175	149,504	165,252	152,560	141,689
Sun Life Global Investments (Canada) Inc.												
Gross Sales												
Retail	630	652	605	537	527	578	478	356	336	2,247	1,495	750
Institutional & other ⁽¹⁾	395	790	645	433	790	611	467	457	430	2,479	1,840	1,848
Total	1,025	1,442	1,250	970	1,317	1,189	945	813	766	4,726	3,335	2,598
Net Sales	428	820	835	680	958	887	601	512	473	3,360	2,100	1,665
Assets under management ⁽²⁾	18,095	17,442	16,132	15,374	14,272	12,987	12,281	11,252	10,858	16,132	12,281	9,526

⁽¹⁾ Institutional & other consists primarily of Group Retirement Services segregated fund deposits.

⁽²⁾ In Q1 2017, amounts have been updated for prior quarters to reflect a change in consolidation across funds.

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

STATEMENTS OF OPERATIONS	At and For the Quarter Ended									At and For the Year Ended		
	2017		2016			2015				2016	2015	2014
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2			
Revenue												
Gross premiums	1,081	1,153	1,307	1,009	989	954	1,055	963	897	4,259	3,800	3,725
Ceded premiums	(101)	(138)	(161)	(128)	(144)	(130)	(154)	(122)	(133)	(563)	(531)	(493)
Net premiums	980	1,015	1,146	881	845	824	901	841	764	3,696	3,269	3,232
Net investment income (loss)	1,070	770	(1,415)	1,051	1,700	1,332	465	170	(790)	2,668	1,805	4,821
Fee income	103	98	119	89	85	86	118	87	88	379	380	348
Total revenue	2,153	1,883	(150)	2,021	2,630	2,242	1,484	1,098	62	6,743	5,454	8,401
Policy benefits and expenses												
Gross claims & benefits paid	753	815	810	714	730	737	799	732	769	2,991	3,100	3,067
Change in investment/insurance contract liabilities & reinsurance assets	993	272	(1,843)	726	1,503	1,160	298	(18)	(1,208)	1,546	801	3,850
Operating expenses, commissions and other expenses	462	541	511	430	433	389	418	417	392	1,763	1,591	1,455
Reinsurance expenses (recoveries)	(99)	(132)	(99)	(117)	(104)	(105)	(111)	(100)	(116)	(425)	(424)	(383)
Total policy benefits and expenses	2,109	1,496	(621)	1,753	2,562	2,181	1,404	1,031	(163)	5,875	5,068	7,989
Income (loss) before income taxes	44	387	471	268	68	61	80	67	225	868	386	412
Income tax expense (benefit)	(23)	84	108	61	(11)	(24)	(5)	10	46	134	23	28
Participating policyholders' net income (loss)	38	170	72	149	4	—	1	21	(2)	225	15	5
Common shareholders' reported net income (loss)	29	133	291	58	75	85	84	36	181	509	348	379
PREMIUMS & DEPOSITS												
Net premiums	980	1,015	1,146	881	845	824	901	841	764	3,696	3,269	3,232
Segregated fund deposits	212	207	193	196	177	197	154	151	144	763	572	436
Retail mutual fund deposits (Sun Life Global Investments)	478	504	463	414	405	453	383	288	322	1,735	1,318	750
Total	1,670	1,726	1,802	1,491	1,427	1,474	1,438	1,280	1,230	6,194	5,159	4,418
SALES												
Individual Insurance - Career Sales Force	50	34	96	52	53	41	59	46	51	242	195	181
Individual Insurance - Third-party	50	110	107	50	46	30	41	52	34	233	155	122
Total insurance sales	100	144	203	102	99	71	100	98	85	475	350	303
Individual Wealth - fixed products	205	394	381	205	206	263	288	256	215	1,055	984	1,213
Individual Wealth - mutual funds	983	1,132	906	815	808	1,040	928	836	979	3,569	3,852	3,119
Individual Wealth - segregated funds	212	207	193	196	178	195	154	152	133	762	562	436
Total wealth sales	1,400	1,733	1,480	1,216	1,192	1,498	1,370	1,244	1,327	5,386	5,398	4,768
Wealth Manufactured Sales ⁽¹⁾	880	1,084	1,020	766	765	867	796	655	560	3,418	2,561	1,963
Other wealth sales	520	649	460	450	427	631	574	589	767	1,968	2,837	2,805
Total wealth sales	1,400	1,733	1,480	1,216	1,192	1,498	1,370	1,244	1,327	5,386	5,398	4,768
Career Sales Force - Career Advisor Network	3,976	4,052	4,168	4,054	4,004	4,039	4,101	3,943	3,869	4,168	4,101	3,929
ASSETS UNDER MANAGEMENT												
General funds	56,130	55,146	55,158	56,218	55,148	53,203	52,077	51,252	51,226	55,158	52,077	49,874
Segregated funds	12,285	12,427	12,341	12,343	11,980	11,882	12,280	12,296	12,924	12,341	12,280	13,018
Other AUM	3,416	3,200	2,832	2,547	2,251	2,021	1,818	1,590	1,444	2,832	1,818	1,020
Total assets under management	71,831	70,773	70,331	71,108	69,379	67,106	66,175	65,138	65,594	70,331	66,175	63,912
Mutual fund dealers' assets	19,700	19,460	18,698	18,125	17,328	16,892	16,977	16,388	16,771	18,698	16,977	15,326
Total assets under administration	91,531	90,233	89,029	89,233	86,707	83,998	83,152	81,526	82,365	89,029	83,152	79,238

⁽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		
	2017		2016			2015			2016	2015	2014	
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2			
STATEMENTS OF OPERATIONS												
Revenue												
Gross premiums	1,333	1,340	1,238	1,241	1,211	1,220	1,171	1,179	1,149	4,910	4,684	4,565
Ceded premiums	(744)	(749)	(693)	(696)	(679)	(688)	(1,171)	(1,179)	(1,149)	(2,756)	(4,684)	(4,565)
Net premiums	589	591	545	545	532	532	—	—	—	2,154	—	—
Net investment income (loss)	136	153	(68)	167	200	193	124	76	34	492	486	668
Fee income	57	61	60	58	57	58	58	54	56	233	224	195
Total revenue	782	805	537	770	789	783	182	130	90	2,879	710	863
Policy benefits and expenses												
Gross claims & benefits paid	1,056	1,049	959	877	995	989	938	894	952	3,820	3,697	3,582
Change in investment/insurance contract liabilities & reinsurance assets	28	72	(119)	147	90	109	6	35	(143)	227	121	388
Operating expenses, commissions and other expenses	260	267	259	247	248	239	240	232	234	993	930	861
Reinsurance expenses (recoveries)	(688)	(688)	(650)	(636)	(639)	(639)	(1,109)	(1,119)	(1,094)	(2,564)	(4,446)	(4,340)
Total policy benefits and expenses	656	700	449	635	694	698	75	42	(51)	2,476	302	491
Income (loss) before income taxes	126	105	88	135	95	85	107	88	141	403	408	372
Income tax expense (benefit)	27	24	18	35	24	19	18	20	32	96	84	82
Common shareholders' reported net income (loss)	99	81	70	100	71	66	89	68	109	307	324	290
PREMIUMS & DEPOSITS												
Net premiums	589	591	545	545	532	532	—	—	—	2,154	—	—
ASO premium equivalents	1,228	1,230	1,221	1,211	1,200	1,198	1,193	1,186	1,149	4,830	4,660	4,213
Total	1,817	1,821	1,766	1,756	1,732	1,730	1,193	1,186	1,149	6,984	4,660	4,213
SALES	130	307	105	106	114	150	78	139	102	475	486	540
ASSETS UNDER MANAGEMENT												
General funds	13,969	13,712	13,790	13,939	13,706	13,442	13,511	13,415	13,278	13,790	13,511	12,990
SUPPLEMENTAL INFORMATION												
Business in-force	9,886	9,801	9,489	9,380	9,280	9,221	9,071	8,994	8,822	9,489	9,071	8,564

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

	At and For the Quarter Ended									At and For the Year Ended		
	2017		2016			2015				2016	2015	2014
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2			
STATEMENTS OF OPERATIONS												
Revenue												
Gross premiums	698	228	770	506	366	249	1,099	198	606	1,891	2,119	1,468
Ceded premiums	(84)	(86)	(87)	(87)	(88)	(90)	(91)	(90)	(138)	(352)	(367)	—
Net premiums	614	142	683	419	278	159	1,008	108	468	1,539	1,752	1,468
Net investment income (loss)	172	147	(9)	176	206	218	51	(44)	15	591	236	528
Fee income	115	112	106	106	103	99	100	97	99	414	394	366
Total revenue	901	401	780	701	587	476	1,159	161	582	2,544	2,382	2,362
Policy benefits and expenses												
Gross claims & benefits paid	386	397	487	374	433	379	376	352	432	1,673	1,541	1,050
Change in investment/insurance contract liabilities & reinsurance assets	436	(75)	228	296	108	90	721	(241)	126	722	610	841
Operating expenses, commissions and other expenses	100	103	104	93	98	99	97	87	91	394	366	331
Reinsurance expenses (recoveries)	(81)	(84)	(85)	(85)	(86)	(87)	(88)	(88)	(136)	(343)	(357)	—
Total policy benefits and expenses	841	341	734	678	553	481	1,106	110	513	2,446	2,160	2,222
Income (loss) before income taxes	60	60	46	23	34	(5)	53	51	69	98	222	140
Income tax expense (benefit)	3	8	9	(3)	(5)	(23)	16	28	22	(22)	70	19
Common shareholders' reported net income (loss)	57	52	37	26	39	18	37	23	47	120	152	121
PREMIUMS & DEPOSITS												
Net premiums	614	142	683	419	278	159	1,008	108	468	1,539	1,752	1,468
Segregated fund deposits	2,057	2,989	3,192	1,804	2,445	2,323	2,106	2,209	4,039	9,764	10,372	7,681
ASO deposit equivalents	282	308	302	221	267	300	248	266	351	1,090	1,229	1,563
Total	2,953	3,439	4,177	2,444	2,990	2,782	3,362	2,583	4,858	12,393	13,353	10,712
SALES												
Sales	1,835	2,090	2,555	957	1,042	988	1,528	1,634	2,957	5,542	7,014	7,417
Asset consolidation and rollovers	546	580	666	563	512	531	687	543	535	2,272	2,209	1,581
Large case longevity insurance sales	—	—	—	—	—	—	—	—	—	—	5,260	—
Total	2,381	2,670	3,221	1,520	1,554	1,519	2,215	2,177	3,492	7,814	14,483	8,998
ASSETS UNDER MANAGEMENT												
General funds	13,848	13,313	13,508	13,080	12,786	12,502	12,521	11,589	11,567	13,508	12,521	10,946
Segregated funds	71,762	70,851	67,623	65,336	62,688	60,529	60,353	58,033	59,065	67,623	60,353	53,841
Total assets under management	85,610	84,164	81,131	78,416	75,474	73,031	72,874	69,622	70,632	81,131	72,874	64,787
ASSETS UNDER ADMINISTRATION												
	93,539	92,315	89,248	86,008	82,912	80,365	80,097	76,701	77,937	89,248	80,097	74,255

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(C\$ millions)

STATEMENTS OF OPERATIONS	At and For the Quarter Ended									At and For the Year Ended		
	2017		2016			2015				2016	2015	2014
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2			
Revenue												
Premiums - life insurance	640	705	739	737	662	596	718	560	569	2,734	2,382	2,491
Premiums - health insurance	923	910	930	907	910	760	616	596	560	3,507	2,333	1,940
Premiums - annuities	—	—	—	7	2	2	24	25	51	11	143	325
Gross premiums	1,563	1,615	1,669	1,651	1,574	1,358	1,358	1,181	1,180	6,252	4,858	4,756
Ceded premiums	(148)	(140)	(164)	(98)	(147)	(156)	(177)	(153)	(151)	(565)	(627)	(388)
Net premiums	1,415	1,475	1,505	1,553	1,427	1,202	1,181	1,028	1,029	5,687	4,231	4,368
Net investment income (loss)	921	494	(1,203)	475	1,314	1,523	(6)	814	(797)	2,109	812	3,089
Fee income	52	54	56	55	60	57	58	51	50	228	210	180
Total revenue	2,388	2,023	358	2,083	2,801	2,782	1,233	1,893	282	8,024	5,253	7,637
Policy benefits and expenses												
Gross claims & benefits paid	1,275	1,444	1,399	1,332	1,321	1,199	1,080	1,116	955	5,251	4,138	3,773
Change in investment/insurance contract liabilities & reinsurance assets	790	298	(1,498)	206	1,120	1,266	(120)	648	(1,004)	1,094	214	2,808
Operating expenses, commissions and other expenses	483	477	507	481	453	381	323	300	295	1,822	1,214	1,305
Reinsurance expenses (recoveries)	(155)	(218)	(184)	(189)	(162)	(182)	(200)	(183)	(170)	(717)	(736)	(676)
Total policy benefits and expenses	2,393	2,001	224	1,830	2,732	2,664	1,083	1,881	76	7,450	4,830	7,210
Income (loss) before income taxes	(5)	22	134	253	69	118	150	12	206	574	423	427
Income tax expense (benefit)	(107)	(16)	28	(1)	14	20	50	(52)	72	61	90	82
Participating policyholders' net income (loss)	1	1	—	1	1	3	—	—	—	5	—	4
Common shareholders' reported net income (loss)	101	37	106	253	54	95	100	64	134	508	333	341
Market related impacts	5	(7)	32	35	(50)	2	15	(23)	29	19	30	(40)
Assumption changes and management actions	(22)	(15)	2	98	—	(3)	(10)	(10)	—	97	(75)	115
Acquisition, integration and restructuring	(25)	(18)	(15)	(15)	(10)	(15)	(63)	—	—	(55)	(63)	—
Common shareholders' underlying net income (loss)	143	77	87	135	114	111	158	97	105	447	441	266
PREMIUMS & DEPOSITS												
Net premiums	1,415	1,475	1,505	1,553	1,427	1,202	1,181	1,028	1,029	5,687	4,231	4,368
Segregated fund deposits	—	—	—	—	—	1	1	1	7	1	11	47
Total	1,415	1,475	1,505	1,553	1,427	1,203	1,182	1,029	1,036	5,688	4,242	4,415
SALES												
Group Benefits	165	121	526	257	157	113	398	154	100	1,053	723	669
International - Individual insurance	21	28	29	28	22	16	29	15	20	95	78	105
ASSETS UNDER MANAGEMENT												
General funds	44,487	44,892	45,066	47,052	45,740	44,743	42,890	40,407	37,265	45,066	42,890	34,820
Segregated funds	1,260	1,280	1,269	1,301	1,296	1,305	1,379	1,350	1,353	1,269	1,379	1,363
Other AUM	4,249	4,454	4,451	4,690	4,799	5,134	5,653	5,557	5,680	4,451	5,653	5,373
Total	49,996	50,626	50,786	53,043	51,835	51,182	49,922	47,314	44,298	50,786	49,922	41,556

SLF U.S.

(US\$ millions)

	At and For the Quarter Ended									At and For the Year Ended		
	2017		2016			2015				2016	2015	2014
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2			
STATEMENTS OF OPERATIONS												
Revenue												
Premiums - life insurance	476	533	554	565	514	434	536	429	462	2,067	1,859	2,261
Premiums - health insurance	687	688	697	695	706	554	461	456	455	2,652	1,825	1,758
Premiums - annuities	—	—	—	6	1	2	18	19	41	9	113	295
Gross premiums	1,163	1,221	1,251	1,266	1,221	990	1,015	904	958	4,728	3,797	4,314
Ceded premiums	(111)	(106)	(123)	(75)	(114)	(114)	(132)	(117)	(122)	(426)	(490)	(355)
Net premiums	1,052	1,115	1,128	1,191	1,107	876	883	787	836	4,302	3,307	3,959
Net investment income (loss)	683	375	(898)	366	1,020	1,109	(4)	625	(646)	1,597	645	2,795
Fee income	39	41	41	42	47	42	44	39	40	172	164	163
Total revenue	1,774	1,531	271	1,599	2,174	2,027	923	1,451	230	6,071	4,116	6,917
Policy benefits and expenses												
Gross claims & benefits paid	947	1,091	1,047	1,022	1,026	873	808	853	777	3,968	3,236	3,416
Change in investment/insurance contract liabilities & reinsurance assets	586	228	(1,119)	160	868	923	(88)	498	(816)	832	185	2,551
Operating expenses, commissions and other expenses	360	360	379	368	352	277	240	229	242	1,376	950	1,181
Reinsurance expenses (recoveries)	(114)	(165)	(138)	(145)	(126)	(132)	(148)	(140)	(140)	(541)	(577)	(613)
Total policy benefits and expenses	1,779	1,514	169	1,405	2,120	1,941	812	1,440	63	5,635	3,794	6,535
Income (loss) before income taxes	(5)	17	102	194	54	86	111	11	167	436	322	382
Income tax expense (benefit)	(80)	(12)	22	(1)	11	15	37	(39)	59	47	71	74
Participating policyholders' net income (loss)	1	—	—	1	1	2	(1)	1	—	4	—	3
Common shareholders' reported net income (loss)	74	29	80	194	42	69	75	49	108	385	251	305
Market related impacts	4	(5)	25	27	(40)	1	11	(16)	23	13	26	(37)
Assumption changes and management actions	(17)	(11)	2	75	—	(2)	(8)	(8)	—	75	(70)	102
Acquisition, integration and restructuring	(19)	(13)	(12)	(11)	(8)	(11)	(46)	—	—	(42)	(46)	—
Common shareholders' underlying net income (loss)	106	58	65	103	90	81	118	73	85	339	341	240
Return on equity - reported	8.7%	3.5%	9.0%	22.1%	4.9%	8.6%	11.1%	7.5%	16.1%	11.2%	9.4%	11.3%
Return on equity - underlying	12.4%	6.9%	7.3%	11.7%	10.4%	10.2%	17.4%	11.2%	12.7%	9.9%	12.8%	8.9%
PREMIUMS & DEPOSITS												
Net premiums	1,052	1,115	1,128	1,191	1,107	876	883	787	836	4,302	3,307	3,959
Segregated fund deposits	—	—	—	—	—	1	1	1	5	1	9	43
Total	1,052	1,115	1,128	1,191	1,107	877	884	788	841	4,303	3,316	4,002
SALES												
Group Benefits	123	92	394	197	121	82	298	118	81	794	554	599
International - Individual insurance	16	21	21	21	17	12	22	11	16	71	61	97
ASSETS UNDER MANAGEMENT												
General funds	34,321	33,726	33,556	35,844	35,379	34,366	30,992	30,354	29,833	33,556	30,992	29,970
Segregated funds	972	961	945	991	1,003	1,004	997	1,014	1,084	945	997	1,173
Other AUM	3,279	3,346	3,314	3,573	3,714	3,948	4,085	4,174	4,547	3,314	4,085	4,625
Total	38,572	38,033	37,815	40,408	40,096	39,318	36,074	35,542	35,464	37,815	36,074	35,768

SLF U.S. - GROUP BENEFITS ⁽¹⁾

(US\$ millions)

	At and For the Quarter Ended									At and For the Year Ended		
	2017		2016				2015			2016	2015	2014
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2			
STATEMENTS OF OPERATIONS												
Revenue												
Gross premiums	880	888	899	897	908	726	622	613	614	3,430	2,465	2,405
Ceded premiums	(29)	(33)	(35)	2	(31)	(43)	(48)	(40)	(40)	(107)	(180)	(182)
Net premiums	851	855	864	899	877	683	574	573	574	3,323	2,285	2,223
Net investment income (loss)	84	63	(58)	63	122	109	25	31	1	236	114	161
Fee income	18	20	17	12	16	7	2	3	2	52	10	10
Total revenue	953	938	823	974	1,015	799	601	607	577	3,611	2,409	2,394
Policy benefits and expenses												
Gross claims & benefits paid	664	681	646	688	706	553	481	468	446	2,593	1,818	1,783
Change in investment/insurance contract liabilities & reinsurance assets	(2)	(12)	(105)	16	46	50	(13)	(3)	(25)	7	(22)	221
Operating expenses, commissions and other expenses	294	292	292	286	283	215	160	162	163	1,076	651	685
Reinsurance expenses (recoveries)	(26)	(32)	(33)	(34)	(43)	(54)	(62)	(44)	(41)	(164)	(189)	(208)
Total policy benefits and expenses	930	929	800	956	992	764	566	583	543	3,512	2,258	2,481
Income (loss) before income taxes	23	9	23	18	23	35	35	24	34	99	151	(87)
Income tax expense (benefit)	7	1	3	4	12	7	12	8	12	26	52	(32)
Common shareholders' reported net income (loss)	16	8	20	14	11	28	23	16	22	73	99	(55)
PREMIUMS & DEPOSITS												
Net premiums	851	855	864	899	877	683	574	573	574	3,323	2,285	2,223
ASSETS UNDER MANAGEMENT												
General Funds	7,393	7,379	7,409	7,609	7,685	7,563	4,879	4,965	4,900	7,409	4,879	4,746
SALES ⁽²⁾												
Employee Benefits	64	60	225	100	66	45	91	58	27	436	202	266
Medical Stop-Loss	59	32	169	97	55	37	207	60	54	358	352	333
Total	123	92	394	197	121	82	298	118	81	794	554	599
BUSINESS IN-FORCE ⁽²⁾												
Employee Benefits	2,573	2,584	2,589	2,611	2,672	2,857	1,426	1,459	1,474	2,589	1,426	1,525
Medical Stop-Loss	1,232	1,204	1,194	1,195	1,177	1,155	1,155	1,055	1,024	1,194	1,155	1,030
Total	3,805	3,788	3,783	3,806	3,849	4,012	2,581	2,514	2,498	3,783	2,581	2,555

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

⁽²⁾ In Q1 2017, our sales and business in-force categories have changed to employee benefits and medical stop-loss. Employee benefits includes group life, disability, dental and vision insurance products, as well as Disability Reinsurance Management Services, Inc.

SLF U.S. - INTERNATIONAL

(US\$ millions)

STATEMENTS OF OPERATIONS	At and For the Quarter Ended									At and For the Year Ended		
	2017		2016			2015			2016	2015	2014	
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2			
Revenue												
Gross premiums	145	196	205	227	170	120	240	137	191	722	718	1,211
Ceded premiums	(5)	(4)	(7)	(7)	(7)	(6)	(9)	(9)	(8)	(27)	(31)	(30)
Net premiums	140	192	198	220	163	114	231	128	183	695	687	1,181
Net investment income (loss)	174	89	(261)	84	282	321	(42)	203	(220)	426	142	740
Fee income	26	25	27	29	30	32	38	34	35	118	142	150
Total revenue	340	306	(36)	333	475	467	227	365	(2)	1,239	971	2,071
Policy benefits and expenses												
Gross claims & benefits paid	36	64	107	64	67	58	74	102	74	296	336	483
Change in investment/insurance contract liabilities & reinsurance assets	53	189	(220)	66	340	342	72	148	(131)	528	337	1,192
Operating expenses, commissions and other expenses	41	44	57	52	44	43	79	48	54	196	228	249
Reinsurance expenses (recoveries)	—	(1)	(1)	(8)	—	—	—	(2)	—	(9)	(5)	(19)
Total policy benefits and expenses	130	296	(57)	174	451	443	225	296	(3)	1,011	896	1,905
Income (loss) before income taxes	210	10	21	159	24	24	2	69	1	228	75	166
Income tax expense (benefit)	1	1	2	2	1	1	2	2	2	6	7	5
Common shareholders' reported net income (loss)	209	9	19	157	23	23	—	67	(1)	222	68	161
PREMIUMS & DEPOSITS												
Net premiums	140	192	198	220	163	114	231	128	183	695	687	1,181
Segregated fund deposits	—	—	—	—	—	1	1	1	5	1	9	19
Total	140	192	198	220	163	115	232	129	188	696	696	1,200
SALES												
Individual insurance	16	21	21	21	17	12	22	11	16	71	61	97
ACCOUNT VALUE												
Individual insurance	8,142	7,996	7,835	7,704	7,490	7,343	7,230	7,025	6,941	7,835	7,230	6,684
Investment products	3,842	3,905	3,854	4,130	4,287	4,542	4,711	4,744	5,181	3,854	4,711	5,338
Total	11,984	11,901	11,689	11,834	11,777	11,885	11,941	11,769	12,122	11,689	11,941	12,022
ASSETS UNDER MANAGEMENT												
General funds	9,046	8,620	8,519	9,110	8,742	8,476	8,001	7,952	7,720	8,519	8,001	7,578
Segregated funds	589	585	571	594	608	621	626	639	707	571	626	791
Other AUM	3,229	3,294	3,255	3,506	3,644	3,868	4,003	4,084	4,453	3,255	4,003	4,523
Total	12,864	12,499	12,345	13,210	12,994	12,965	12,630	12,675	12,880	12,345	12,630	12,892

SLF U.S. - IN-FORCE MANAGEMENT

(US\$ millions)

	At and For the Quarter Ended									At and For the Year Ended		
	2017		2016			2015			2016	2015	2014	
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2			
STATEMENTS OF OPERATIONS												
Revenue												
Gross premiums	138	137	147	142	143	144	153	154	153	576	614	698
Ceded premiums	(77)	(69)	(81)	(70)	(76)	(65)	(75)	(68)	(74)	(292)	(279)	(143)
Net premiums	61	68	66	72	67	79	78	86	79	284	335	555
Net investment income (loss)	425	223	(579)	219	616	679	13	391	(427)	935	389	1,894
Fee income	(5)	(4)	(3)	1	1	3	4	2	3	2	12	3
Total revenue	481	287	(516)	292	684	761	95	479	(345)	1,221	736	2,452
Policy benefits and expenses												
Gross claims & benefits paid	247	346	294	270	253	262	253	283	257	1,079	1,082	1,150
Change in investment/insurance contract liabilities & reinsurance assets	535	51	(794)	78	482	531	(147)	353	(660)	297	(130)	1,138
Operating expenses, commissions and other expenses	25	24	30	30	25	19	1	19	25	104	71	247
Reinsurance expenses (recoveries)	(88)	(132)	(104)	(103)	(83)	(78)	(86)	(94)	(99)	(368)	(383)	(386)
Total policy benefits and expenses	719	289	(574)	275	677	734	21	561	(477)	1,112	640	2,149
Income (loss) before income taxes	(238)	(2)	58	17	7	27	74	(82)	132	109	96	303
Income tax expense (benefit)	(88)	(14)	17	(7)	(2)	7	23	(49)	45	15	12	101
Participating policyholders' net income (loss)	1	—	—	1	1	2	(1)	1	—	4	—	3
Common shareholders' reported net income (loss)	(151)	12	41	23	8	18	52	(34)	87	90	84	199
PREMIUMS & DEPOSITS												
Net premiums	61	68	66	72	67	79	78	86	79	284	335	555
Segregated fund deposits	—	—	—	—	—	—	—	—	—	—	—	24
Total	61	68	66	72	67	79	78	86	79	284	335	579
ACCOUNT VALUE												
Individual insurance - domestic	4,545	4,545	4,576	4,592	4,603	4,605	4,613	4,602	4,600	4,576	4,613	4,579
ASSETS UNDER MANAGEMENT												
General funds	17,882	17,727	17,628	19,125	18,952	18,327	18,112	17,437	17,213	17,628	18,112	17,646
Segregated funds	383	376	374	397	395	383	371	375	377	374	371	382
Other AUM	50	52	59	67	70	80	82	90	94	59	82	102
Total	18,315	18,155	18,061	19,589	19,417	18,790	18,565	17,902	17,684	18,061	18,565	18,130

SLF ASSET MANAGEMENT ⁽¹⁾

(C\$ millions)

FINANCIAL SUMMARY	At and For the Quarter Ended									At and For the Year Ended		
	2017		2016			2015				2016	2015	2014
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2			
Revenue												
Net investment income	10	14	(12)	6	(2)	5	3	—	2	(3)	4	(21)
Fee income	1,023	983	1,003	997	953	979	1,007	950	901	3,932	3,727	3,046
Total revenue	1,033	997	991	1,003	951	984	1,010	950	903	3,929	3,731	3,025
Expenses	751	739	710	725	674	698	723	637	634	2,807	2,616	2,202
Income (loss) before income taxes	282	258	281	278	277	286	287	313	269	1,122	1,115	823
Income tax expense (benefit)	99	87	83	97	104	109	110	109	107	393	424	332
Common shareholders' reported net income (loss)	183	171	198	181	173	177	177	204	162	729	691	491
Fair value adjustments on share-based payment awards at MFS	(16)	(12)	10	(7)	20	7	(6)	28	(11)	30	(9)	(125)
Acquisition, integration and restructuring	—	—	—	—	—	—	—	—	—	—	—	—
Common shareholders' underlying net income (loss)	199	183	188	188	153	170	183	176	173	699	700	616
Common shareholders' underlying net income (loss)												
MFS	193	176	179	181	146	164	174	173	173	670	688	616
SLIM	6	7	9	7	7	6	9	3		29	12	
Total	199	183	188	188	153	170	183	176	173	699	700	616
Gross Sales												
MFS	27,320	27,303	26,291	28,211	26,848	26,834	22,034	21,518	24,673	108,184	96,461	91,112
SLIM ⁽²⁾	2,532	3,003	3,166	1,812	1,334	1,774	1,564	879	619	8,086	3,062	
Total	29,852	30,306	29,457	30,023	28,182	28,608	23,598	22,397	25,292	116,270	99,523	91,112
Net Sales												
MFS	(5,435)	(14,674)	(12,718)	(1,216)	(1,328)	(1,511)	(6,230)	(11,798)	(2,204)	(16,773)	(20,461)	1,231
SLIM ⁽²⁾	872	2,155	2,260	1,296	519	373	(214)	322	429	4,448	537	
Total	(4,563)	(12,519)	(10,458)	80	(809)	(1,138)	(6,444)	(11,476)	(1,775)	(12,325)	(19,924)	1,231
Assets Under Management												
MFS	598,996	586,907	571,593	578,603	549,174	543,980	571,877	537,433	550,219	571,593	571,877	500,679
SLIM	56,320	55,936	53,222	51,106	48,580	57,068	57,761	55,617	8,062	53,222	57,761	
Total	655,316	642,843	624,815	629,709	597,754	601,048	629,638	593,050	558,281	624,815	629,638	500,679

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

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

MFS

(US\$ millions), unless otherwise noted

STATEMENTS OF OPERATIONS	At and For the Quarter Ended									At and For the Year Ended		
	2017		2016			2015				2016	2015	2014
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2			
Revenue												
Net investment income	8	10	(10)	4	(2)	4	1	—	2	(4)	2	(20)
Fee income	715	691	696	712	690	664	703	703	732	2,762	2,840	2,759
Total revenue	723	701	686	716	688	668	704	703	734	2,758	2,842	2,739
Expenses	519	512	483	510	480	466	498	467	515	1,939	1,982	1,995
Income (loss) before income taxes	204	189	203	206	208	202	206	236	219	819	860	744
Income tax expense (benefit)	72	65	61	73	79	78	80	82	87	291	329	301
Non-controlling interest	—	—	—	—	—	—	—	—	—	—	—	—
Common shareholders' reported net income (loss)	132	124	142	133	129	124	126	154	132	528	531	443
Fair value adjustments on share-based payment awards at MFS	(12)	(9)	7	(5)	15	5	(5)	21	(9)	22	(9)	(114)
Common shareholders' underlying net income (loss)	144	133	135	138	114	119	131	133	141	506	540	557
MUTUAL FUNDS - CHANGES IN ASSETS UNDER MANAGEMENT												
Opening AUM	221,716	211,822	217,103	208,905	203,308	200,463	194,260	205,824	204,041	200,463	195,521	172,718
Sales	13,746	16,059	14,717	16,176	14,414	13,068	12,124	11,885	15,117	58,375	55,436	56,351
Redemptions	(13,431)	(17,706)	(16,981)	(14,821)	(13,594)	(13,555)	(12,548)	(12,191)	(12,815)	(58,951)	(49,987)	(42,170)
Acquisitions/(dispositions)	—	—	—	—	—	—	—	—	—	—	—	—
Market movement	10,661	11,541	(3,017)	6,843	4,777	3,332	6,627	(11,258)	(519)	11,935	(507)	8,622
Closing AUM	232,692	221,716	211,822	217,103	208,905	203,308	200,463	194,260	205,824	211,822	200,463	195,521
MANAGED FUNDS - CHANGES IN ASSETS UNDER MANAGEMENT												
Opening AUM	219,203	213,787	223,670	216,053	215,010	212,773	209,461	234,668	237,340	212,773	235,430	240,092
Sales	6,568	4,576	4,980	5,463	6,421	6,475	4,384	4,574	4,952	23,339	20,379	26,156
Redemptions	(10,924)	(14,020)	(12,245)	(7,751)	(8,272)	(7,089)	(8,629)	(13,293)	(9,047)	(35,357)	(41,499)	(39,171)
Acquisitions/(dispositions)	—	—	—	—	—	—	—	—	—	—	—	—
Market movement	14,578	14,860	(2,618)	9,905	2,894	2,851	7,557	(16,488)	1,423	13,032	(1,537)	8,353
Closing AUM	229,425	219,203	213,787	223,670	216,053	215,010	212,773	209,461	234,668	213,787	212,773	235,430
SUPPLEMENTAL INFORMATION												
Pre-tax operating profit margin ratio	36 %	36 %	35 %	38 %	35 %	37 %	38 %	40 %	40 %	36 %	40 %	41 %
Total assets under management	462,117	440,919	425,609	440,773	424,958	418,318	413,236	403,721	440,492	425,609	413,236	430,951
Average net assets	453,197	437,570	426,939	437,802	423,038	398,907	420,235	429,514	450,278	421,730	434,038	425,545
Total gross sales	20,314	20,635	19,697	21,639	20,835	19,543	16,508	16,459	20,069	81,714	75,815	82,507
Total net sales	(4,041)	(11,091)	(9,529)	(933)	(1,031)	(1,101)	(4,669)	(9,025)	(1,793)	(12,594)	(15,671)	1,166
Liability for share-based compensation ⁽¹⁾	536	551	533	555	550	652	696	747	796	533	696	827
Diluted EPS impact - liability for share-based compensation ⁽²⁾	\$0.01	\$0.00	\$0.01	\$0.01	\$0.01	\$0.01	\$0.01	\$0.01	\$0.03	\$0.06	\$0.04	\$0.02
U.S. GAAP net income	147	140	142	148	122	127	141	145	155	539	589	609
Dividends paid to SLF	105	102	103	106	87	91	100	102	108	387	414	426

⁽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)

	At and For the Quarter Ended									At and For the Year Ended		
	2017		2016			2015				2016	2015	2014
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2			
STATEMENTS OF OPERATIONS												
Revenue												
Gross premiums	348	365	573	494	464	440	440	278	232	1,971	1,211	837
Ceded premiums	(50)	(50)	(62)	(34)	(10)	(11)	(11)	(11)	(9)	(117)	(40)	(33)
Net premiums	298	315	511	460	454	429	429	267	223	1,854	1,171	804
Net investment income (loss)	421	281	(470)	211	553	467	(21)	(20)	(159)	761	52	832
Fee income	102	97	87	93	81	80	81	77	75	341	306	230
Total revenue	821	693	128	764	1,088	976	489	324	139	2,956	1,529	1,866
Policy benefits and expenses												
Gross claims & benefits paid	179	192	198	200	199	192	252	238	169	789	816	601
Change in investment/insurance contract liabilities & reinsurance assets	367	259	(357)	398	638	502	(47)	(167)	(276)	1,181	(292)	524
Operating expenses, commissions and other expenses	218	203	274	229	190	180	208	167	149	873	673	535
Reinsurance expenses (recoveries)	(41)	(55)	(59)	(172)	(25)	(6)	(8)	(5)	(8)	(262)	(27)	(19)
Total policy benefits and expenses	723	599	56	655	1,002	868	405	233	34	2,581	1,170	1,641
Income (loss) before income taxes	98	94	72	109	86	108	84	91	105	375	359	225
Income tax expense (benefit)	15	17	9	12	16	14	11	14	12	51	48	43
Participating policyholders' net income (loss) and non-controlling interest	6	4	5	5	2	3	—	—	—	15	—	—
Common shareholders' reported net income (loss)	77	73	58	92	68	91	73	77	93	309	311	182
Market related impacts	(9)	(6)	6	5	(13)	(11)	7	(17)	19	(13)	19	(12)
Assumption changes and management actions	5	—	(9)	4	(4)	3	14	27	3	(6)	40	20
Acquisition, integration and restructuring	—	—	(1)	3	—	31	—	—	—	33	—	—
Common shareholders' underlying net income (loss)	81	79	62	80	85	68	52	67	71	295	252	174
Return on equity - reported	7.2 %	6.9 %	5.5 %	9.0 %	7.2 %	10.0 %	8.1 %	9.0 %	11.1 %	7.9 %	9.2 %	6.8 %
Return on equity - underlying	7.6 %	7.4 %	5.8 %	7.8 %	9.0 %	7.6 %	5.6 %	7.8 %	8.4 %	7.5 %	7.4 %	6.5 %
PREMIUMS & DEPOSITS												
Net premiums	298	315	511	460	454	429	429	267	223	1,854	1,171	804
Segregated fund deposits	216	221	281	271	185	181	228	233	263	918	960	950
Mutual fund sales ⁽¹⁾	2,320	2,428	2,237	1,612	1,028	865	1,033	1,076	1,020	5,742	4,711	3,645
Managed fund sales	490	336	450	322	278	201	262	297	295	1,251	1,078	955
ASO deposits (pension administration)	191	180	182	191	278	292	329	306	281	943	1,189	972
Total	3,515	3,480	3,661	2,856	2,223	1,968	2,281	2,179	2,082	10,708	9,109	7,326
Assets Under Management ⁽²⁾												
General funds	15,391	15,327	15,103	15,362	14,528	13,583	13,551	12,915	12,456	15,103	13,551	11,568
Segregated funds	4,998	4,859	4,605	4,716	4,268	4,157	4,278	3,899	4,022	4,605	4,278	3,383
Other AUM	38,681	37,076	33,761	32,688	29,616	26,697	29,017	26,290	25,462	33,761	29,017	20,750
Total	59,070	57,262	53,469	52,766	48,412	44,437	46,846	43,104	41,940	53,469	46,846	35,701
ASSETS UNDER ADMINISTRATION												
	73,906	74,808	70,229	70,109	75,445	69,267	75,274	70,537	68,029	70,229	75,274	60,706
SALES - Proportionate ownership ⁽³⁾												
Individual life insurance												
Philippines	36	38	53	51	38	37	49	45	46	179	178	133
Hong Kong	39	42	76	54	49	38	57	30	24	217	144	124
Indonesia	20	15	18	15	12	12	14	9	11	57	45	41
India	18	41	23	17	12	16	8	8	6	68	37	40
China	15	17	17	11	15	12	9	9	10	55	40	49
Vietnam	3	3	3	2	1	3	1	5	2	9	9	7
Malaysia	11	10	10	12	12	9	9	8	10	43	35	28
Total life insurance sales	142	166	200	162	139	127	147	114	109	628	488	422
Total group life & health insurance sales	7	6	8	6	7	11	15	10	11	32	47	29
Total wealth sales ⁽¹⁾⁽⁴⁾	2,949	2,897	3,092	2,402	1,777	1,578	1,706	1,571	1,605	8,849	7,070	5,648
Constant Currency Sales ⁽⁵⁾												
Individual life insurance												
Wealth	2,804	2,849	3,026	2,386	1,777							

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

⁽²⁾ 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.

⁽³⁾ 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% during Q4 2016 and 75% for the first three quarters of 2016. Indonesia CSL sales are included at 100% beginning Q3 2016 and Birla Sun Life Insurance Company Ltd.'s sales are included at 49% beginning Q2 2016. Indonesia CSL sales, Birla Sun Life Insurance Company Ltd.'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.

⁽⁴⁾ 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.

⁽⁵⁾ Quarterly sales in constant currency are relative to Q2 2016 foreign exchange rates for each of the quarters.

CORPORATE

(C\$ millions)

	At and For the Quarter Ended									At and For the Year Ended		
	2017		2016			2015			2016	2015	2014	
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2			
STATEMENTS OF OPERATIONS ⁽¹⁾												
Revenue												
Premiums - life insurance	23	22	25	26	23	25	21	28	27	99	102	109
Premiums - health insurance	3	4	3	5	4	5	6	4	4	17	20	11
Premiums - annuities	7	6	7	5	8	8	13	4	8	28	30	28
Gross premiums	33	32	35	36	35	38	40	36	39	144	152	148
Ceded premiums	(6)	(6)	(6)	(6)	(8)	(6)	(8)	(166)	—	(26)	(180)	(24)
Net premiums	27	26	29	30	27	32	32	(130)	39	118	(28)	124
Net investment income (loss)	9	168	(318)	508	645	492	(38)	245	(439)	1,327	160	1,398
Fee income	8	13	11	12	15	15	16	22	24	53	83	88
Total revenue	44	207	(278)	550	687	539	10	137	(376)	1,498	215	1,610
Policy benefits and expenses												
Gross claims & benefits paid	175	135	150	157	170	209	234	184	184	686	794	743
Change in investment/insurance contract liabilities & reinsurance assets	(200)	(8)	(504)	267	424	247	(307)	37	(640)	434	(770)	562
Operating expenses, commissions and other expenses	63	56	135	66	92	82	95	99	99	375	361	324
Reinsurance expenses (recoveries)	(8)	19	4	3	(1)	(8)	8	(167)	1	(2)	(156)	7
Total policy benefits and expenses	30	202	(215)	493	685	530	30	153	(356)	1,493	229	1,636
Income (loss) before income taxes												
Income tax expense (benefit)	14	5	(63)	57	2	9	(20)	(16)	(20)	5	(14)	(26)
Preferred shareholder dividends	(37)	(22)	(54)	5	(22)	(23)	(20)	(50)	(46)	(94)	(140)	(95)
Common shareholders' reported net income (loss)	23	23	23	25	24	24	24	24	26	96	100	111
Market related impacts	6	(8)	(6)	4	(4)	(7)	(2)	9	(21)	(13)	14	6
Assumption changes and management actions	23	9	—	13	—	1	(3)	1	5	14	11	41
Acquisition, integration and restructuring	(1)	(2)	(6)	—	2	(1)	(3)	(14)	—	(5)	(17)	(26)
Common shareholders' underlying net income (loss)	—	5	(20)	10	2	15	(16)	14	16	7	18	(63)
PREMIUMS & DEPOSITS												
Net premiums	27	26	29	30	27	32	32	(130)	39	118	(28)	124
Segregated fund deposits	21	20	25	23	27	29	34	32	34	104	132	135
Total	48	46	54	53	54	61	66	(98)	73	222	104	259
ASSETS UNDER MANAGEMENT ⁽²⁾												
General funds	14,186	13,726	14,169	14,722	13,900	15,617	16,522	18,777	17,647	14,169	16,522	17,100
Segregated funds	11,761	11,638	11,329	11,690	11,231	11,922	13,150	12,670	13,136	11,329	13,150	12,333
Other AUM ⁽³⁾	(21,662)	(21,397)	(20,822)	(21,241)	(20,733)	(21,026)	(21,647)	(20,231)	(18,758)	(20,822)	(21,647)	(16,737)
Total	4,285	3,967	4,676	5,171	4,398	6,513	8,025	11,216	12,025	4,676	8,025	12,696

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

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

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

CORPORATE

(C\$ millions)

	At and For the Quarter Ended									At and For the Year Ended		
	2017		2016				2015			2016	2015	2014
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2			
STATEMENTS OF OPERATIONS - SLF United Kingdom (U.K.)												
Revenue												
Gross premiums	21	20	22	21	25	29	26	28	31	97	114	124
Ceded premiums	(4)	(4)	(5)	(4)	(5)	(5)	(6)	(5)	1	(19)	(15)	(18)
Net premiums	17	16	17	17	20	24	20	23	32	78	99	106
Net investment income (loss)	(10)	171	(304)	505	582	422	(29)	176	(428)	1,205	73	1,274
Fee income	27	30	30	32	33	34	37	40	35	129	150	145
Total revenue	34	217	(257)	554	635	480	28	239	(361)	1,412	322	1,525
Policy benefits and expenses												
Gross claims & benefits paid	143	139	133	140	159	171	175	167	167	603	680	672
Change in investment/insurance contract liabilities & reinsurance assets	(188)	3	(430)	275	402	229	(215)	(33)	(591)	476	(704)	521
Operating expenses, commissions and other expenses	24	26	28	29	30	35	37	36	34	122	142	148
Reinsurance expenses (recoveries)	(4)	(3)	(1)	(3)	(4)	(5)	(3)	(3)	(4)	(13)	(15)	(16)
Total policy benefits and expenses	(25)	165	(270)	441	587	430	(6)	167	(394)	1,188	103	1,325
Income (loss) before income taxes	59	52	13	113	48	50	34	72	33	224	219	200
Income tax expense (benefit)	1	7	(13)	27	16	10	12	2	(4)	40	19	26
Common shareholders' reported net income (loss)	58	45	26	86	32	40	22	70	37	184	200	174
STATEMENTS OF OPERATIONS - Corporate Support ⁽¹⁾												
Revenue												
Gross premiums	12	12	13	15	10	9	14	8	8	47	38	24
Ceded premiums	(2)	(2)	(1)	(2)	(3)	(1)	(2)	(161)	(1)	(7)	(165)	(6)
Net premiums	10	10	12	13	7	8	12	(153)	7	40	(127)	18
Net investment income (loss)	19	(3)	(14)	3	63	70	(9)	69	(11)	122	87	124
Fee income	(19)	(17)	(19)	(20)	(18)	(19)	(21)	(18)	(11)	(76)	(67)	(57)
Total revenue	10	(10)	(21)	(4)	52	59	(18)	(102)	(15)	86	(107)	85
Policy benefits and expenses												
Gross claims & benefits paid	32	(4)	17	17	11	38	59	17	17	83	114	71
Change in investment/insurance contract liabilities & reinsurance assets	(12)	(11)	(74)	(8)	22	18	(92)	70	(49)	(42)	(66)	41
Operating expenses, commissions and other expenses	39	30	107	37	62	47	58	63	65	253	219	176
Reinsurance expenses (recoveries)	(4)	22	5	6	3	(3)	11	(164)	5	11	(141)	23
Total policy benefits and expenses	55	37	55	52	98	100	36	(14)	38	305	126	311
Income (loss) before income taxes	(45)	(47)	(76)	(56)	(46)	(41)	(54)	(88)	(53)	(219)	(233)	(226)
Income tax expense (benefit)	(38)	(29)	(41)	(22)	(38)	(33)	(32)	(52)	(42)	(134)	(159)	(121)
Preferred shareholder dividends	23	23	23	25	24	24	24	24	26	96	100	111
Common shareholders' reported net income (loss)	(30)	(41)	(58)	(59)	(32)	(32)	(46)	(60)	(37)	(181)	(174)	(216)

⁽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

	As at June 30, 2017				As at March 31, 2017				As at December 31, 2016			
	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
DEBT SECURITIES												
Debt Securities by Sector												
Debt Securities Issued or Guaranteed By:												
Canadian Federal Government	3,188	1,773	4,961	100 %	3,117	1,801	4,918	100 %	3,117	1,654	4,771	100 %
Canadian Provincial and Municipal Government	12,085	1,199	13,284	100 %	11,621	1,200	12,821	100 %	11,452	1,148	12,600	100 %
U.S. Government and Other U.S. Agency	1,144	751	1,895	100 %	1,108	625	1,733	100 %	1,198	692	1,890	100 %
Other Government	5,512	749	6,261	97 %	5,659	771	6,430	95 %	5,578	766	6,344	94 %
Total Government issued or guaranteed debt securities	21,929	4,472	26,401	99 %	21,505	4,397	25,902	99 %	21,345	4,260	25,605	99 %
Corporate Debt Securities by Industry Sector:												
Financials	7,943	1,619	9,562	99 %	8,030	1,622	9,652	99 %	7,757	1,546	9,303	99 %
Utilities	6,903	553	7,456	99 %	6,709	550	7,259	99 %	6,641	560	7,201	99 %
Consumer discretionary	2,383	573	2,956	96 %	2,548	632	3,180	96 %	2,465	693	3,158	96 %
Industrials	4,066	823	4,889	99 %	4,144	700	4,844	99 %	4,103	708	4,811	99 %
Consumer staples	2,149	409	2,558	95 %	2,229	393	2,622	95 %	2,253	442	2,695	95 %
Telecommunication services	1,805	305	2,110	98 %	1,809	308	2,117	98 %	1,786	288	2,074	98 %
Energy	3,854	494	4,348	98 %	3,820	493	4,313	97 %	3,900	516	4,416	96 %
Real Estate	2,078	348	2,426	99 %	2,055	358	2,413	99 %	1,977	324	2,301	99 %
Materials	1,258	259	1,517	90 %	1,232	250	1,482	90 %	1,203	263	1,466	90 %
Other	2,378	580	2,958	99 %	2,358	545	2,903	99 %	2,368	543	2,911	99 %
Total Corporate debt securities	34,817	5,963	40,780	98 %	34,934	5,851	40,785	98 %	34,453	5,883	40,336	98 %
Asset Backed Securities												
Government and agency	1,478	668	2,146	100 %	1,499	664	2,163	100 %	1,353	590	1,943	100 %
Other	2,356	1,724	4,080	91 %	2,374	1,651	4,025	90 %	2,315	1,688	4,003	88 %
Total asset backed securities	3,834	2,392	6,226	94 %	3,873	2,315	6,188	93 %	3,668	2,278	5,946	92 %
Total debt securities	60,580	12,827	73,407	98 %	60,312	12,563	72,875	98 %	59,466	12,421	71,887	98 %
Debt Securities by Investment Rating												
AAA	8,304	4,932	13,236		8,251	4,695	12,946		8,128	4,567	12,695	
AA	12,284	1,703	13,987		12,365	1,804	14,169		11,905	1,727	13,632	
A	21,298	3,118	24,416		20,875	2,929	23,804		20,798	2,914	23,712	
BBB	17,702	2,751	20,453		17,595	2,771	20,366		17,347	2,778	20,125	
BB and lower	992	323	1,315		1,226	364	1,590		1,288	435	1,723	
Total debt securities	60,580	12,827	73,407		60,312	12,563	72,875		59,466	12,421	71,887	
EQUITY SECURITIES												
Stocks												
Canada	3,198	44	3,242		3,243	36	3,279		3,404	37	3,441	
United States	749	690	1,439		771	562	1,333		757	538	1,295	
United Kingdom	124	6	130		124	5	129		126	5	131	
Other	901	200	1,101		862	195	1,057		729	178	907	
Total equity securities	4,972	940	5,912		5,000	798	5,798		5,016	758	5,774	

PROPERTIES, MORTGAGES & LOANS

	As at June 30, 2017			As at March 31, 2017			As at December 31, 2016		
	Investment Property	Owner Occupied Property	Total	Investment Property	Owner Occupied Property	Total	Investment Property	Owner Occupied Property	Total
PROPERTIES									
Canada	5,117	86	5,203	4,711	174	4,885	4,713	175	4,888
United States	1,786	71	1,857	1,809	72	1,881	1,806	73	1,879
United Kingdom	79	—	79	75	—	75	73	—	73
Other	—	40	40	—	39	39	—	43	43
Total properties	6,982	197	7,179	6,595	285	6,880	6,592	291	6,883

	As at June 30, 2017			As at March 31, 2017			As at December 31, 2016		
	Insured	Non-Insured	Total	Insured	Non-Insured	Total	Insured	Non-Insured	Total
MORTGAGES & LOANS									
Retail	—	4,384	4,384	—	4,424	4,424	—	4,480	4,480
Office	—	4,341	4,341	—	4,448	4,448	—	4,408	4,408
Multi-family residential	2,902	1,403	4,305	2,815	1,376	4,191	2,782	1,398	4,180
Industrial and land	—	1,645	1,645	—	1,686	1,686	—	1,725	1,725
Other	178	387	565	179	412	591	154	449	603
Total Mortgages	3,080	12,160	15,240	2,994	12,346	15,340	2,936	12,460	15,396
Corporate Loans			25,495			25,535			25,379
Total mortgages & loans			40,735			40,875			40,775

	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
Mortgage and Loans - Impairments/Allowances									
Mortgages	37	3	20	38	2	21	39	2	21
Loans	94	31	—	97	31	—	7	7	—
Total mortgage and loan impairments/allowances	131	34	20	135	33	21	46	9	21

	As at June 30, 2017		As at March 31, 2017		As at December 31, 2016	
	Total Notional Amount	Net Fair Value Amount	Total Notional Amount	Net Fair Value Amount	Total Notional Amount	Net Fair Value Amount
DERIVATIVES						
Interest rate contracts	33,368	767	33,726	831	33,655	826
Foreign exchange contracts	17,289	(1,270)	16,538	(1,589)	16,525	(1,829)
Equity and other contracts	4,086	65	4,027	70	4,170	99
Total derivatives	54,743	(438)	54,291	(688)	54,350	(904)
Over the counter	48,916	(446)	48,426	(707)	48,289	(931)
Exchange traded	5,827	8	5,865	19	6,061	27
Total	54,743	(438)	54,291	(688)	54,350	(904)

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	211	138	314	86	(31)	718	104	228
Impact of new business	39	(19)	—	(27)	—	(7)	(14)	—
Experience gains (losses)	(95)	27	—	(9)	(3)	(80)	17	—
Assumption changes and management actions	7	(151)	—	5	25	(114)	(112)	—
Other ⁽¹⁾	(10)	(39)	(32)	—	(2)	(83)	(29)	(24)
Earnings (loss) on operations (pre-tax)	152	(44)	282	55	(11)	434	(34)	204
Earnings on surplus	35	37	—	37	25	134	27	—
Earnings (loss) before income taxes	187	(7)	282	92	14	568	(7)	204
Income tax (expense) benefit	(2)	108	(99)	(15)	37	29	81	(72)
Earnings (loss) before preferred share dividends and non-controlling interest	185	101	183	77	51	597	74	132
Preferred share dividends and non-controlling interest	—	—	—	—	(23)	(23)	—	—
Common shareholders' reported net income (loss)	185	101	183	77	28	574	74	132
Underlying Net Income Adjustments (post tax):								
Market related impacts	(76)	5	—	(9)	6	(74)	4	—
Assumption changes and management actions	5	(22)	—	5	23	11	(17)	—
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)	(42)	(16)	(4)	28	(115)	(32)	(12)
Common shareholders' underlying net income (loss)	266	143	199	81	—	689	106	144

CONSOLIDATED SOURCES OF EARNINGS

(\$ millions)	For the Quarter ended - Q2 2016						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 ⁽²⁾	192	123	267	82	(20)	644	94	200
Impact of new business ⁽²⁾	14	(10)	—	(17)	—	(13)	(9)	—
Experience gains (losses)	(27)	(62)	—	(10)	2	(97)	(46)	—
Assumption changes and management actions	(6)	—	—	(4)	—	(10)	—	—
Other ⁽¹⁾	(6)	(16)	10	—	(9)	(21)	(12)	8
Earnings (loss) on operations (pre-tax)	167	35	277	51	(27)	503	27	208
Earnings on surplus	37	32	—	32	17	118	25	—
Earnings (loss) before income taxes	204	67	277	83	(10)	621	52	208
Income tax (expense) benefit	(19)	(13)	(104)	(16)	34	(118)	(10)	(79)
Earnings (loss) before preferred share dividends and non-controlling interest	185	54	173	67	24	503	42	129
Preferred share dividends and non-controlling interest	—	—	—	1	(24)	(23)	—	—
Common shareholders' reported net income (loss)	185	54	173	68	—	480	42	129
Underlying Net Income Adjustments (post tax):								
Market related impacts	(5)	(50)	—	(13)	(4)	(72)	(40)	—
Assumption changes and management actions	(4)	—	—	(4)	—	(8)	—	—
Impact of certain hedges that do not qualify for hedge accounting	(6)	—	—	—	—	(6)	—	—
Fair value adjustments on share-based payment awards at MFS	—	—	20	—	—	20	—	15
Acquisition, integration and restructuring	—	(10)	—	—	2	(8)	(8)	—
	(15)	(60)	20	(17)	(2)	(74)	(48)	15
Common shareholders' underlying net income (loss)	200	114	153	85	2	554	90	114

⁽¹⁾ 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.

⁽²⁾ Q2 2016 expected profit on in-force business and impact of new business have been updated to reflect a change in presentation for our U.S. Group Benefits business effective Q1 2017. Amounts in expected profit on in-force business and impact of new business in Q2 2016 were previously \$147 million and (\$34) million for SLF U.S. and \$668 million and \$(37) million for the Total Company, respectively, a net change of \$24 million.

CONSOLIDATED SOURCES OF EARNINGS - SUPPLEMENTAL INFORMATION

MFS SOURCES OF EARNINGS

This MFS Sources of Earnings is presented for comparability to the reporting in prior periods, with reconciliation details to reported net income.

(US\$ millions)	For the Quarter Ended					
	2017		2016			
	Q2	Q1	Q4	Q3	Q2	Q1
Expected profit on in-force business	228	209	203	222	200	202
Impact of new business	—	—	—	—	—	—
Experience gains (losses)	—	—	—	—	—	—
Assumption changes and management actions	—	—	—	—	—	—
Other	—	—	—	—	—	—
Earnings (loss) on operations (pre-tax)	228	209	203	222	200	202
Earnings on surplus	—	—	—	—	—	—
Earnings (loss) before income taxes	228	209	203	222	200	202
Income tax (expense) benefit	(74)	(68)	(60)	(74)	(78)	(74)
Earnings (loss) before preferred share dividends and non-controlling interest	154	141	143	148	122	128
Preferred share dividends and non-controlling interest	(10)	(8)	(8)	(10)	(8)	(9)
Common shareholders' underlying net income (loss)	144	133	135	138	114	119
Underlying Net Income Adjustments:						
Fair value adjustments on share-based payment awards (pre-tax)	(24)	(20)	—	(16)	8	—
Income taxes	2	3	(1)	1	(1)	(4)
Non-controlling interest	10	8	8	10	8	9
	(12)	(9)	7	(5)	15	5
Common shareholders' reported net income (loss)	132	124	142	133	129	124

EXPENSES

(C\$ millions)

	For the Quarter Ended									For the Year Ended		
	2017		2016			2015				2016	2015	2014
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2			
OPERATING EXPENSES, COMMISSIONS AND OTHER EXPENSES												
Operating expenses	1,567	1,598	1,678	1,510	1,443	1,369	1,383	1,245	1,229	6,000	5,037	4,537
Commissions	589	617	652	601	579	540	566	534	508	2,372	2,100	1,889
Premium taxes	94	91	90	84	87	78	75	74	73	339	292	251
Interest expense	87	80	80	76	79	81	80	86	84	316	322	336
Total	<u>2,337</u>	<u>2,386</u>	<u>2,500</u>	<u>2,271</u>	<u>2,188</u>	<u>2,068</u>	<u>2,104</u>	<u>1,939</u>	<u>1,894</u>	<u>9,027</u>	<u>7,751</u>	<u>7,013</u>
OPERATING EXPENSES BY BUSINESS GROUP												
SLF Canada	489	550	509	457	470	435	441	431	428	1,871	1,706	1,564
SLF U.S.	238	239	271	245	228	181	133	146	142	925	571	579
SLF Asset Management	542	539	530	523	510	520	519	468	427	2,083	1,827	1,409
SLF Asia	164	153	201	167	141	134	154	124	111	643	499	397
Corporate	61	61	135	72	79	74	86	72	90	360	307	340
Operating expenses excluding the following:	1,494	1,542	1,646	1,464	1,428	1,344	1,333	1,241	1,198	5,882	4,910	4,289
FV adjustments on MFS share-based payment awards ⁽¹⁾	32	26	—	21	(10)	—	22	(12)	31	11	83	217
Acquisition, integration and restructuring costs	41	30	32	25	25	25	28	16	—	107	44	31
Total operating expenses	<u>1,567</u>	<u>1,598</u>	<u>1,678</u>	<u>1,510</u>	<u>1,443</u>	<u>1,369</u>	<u>1,383</u>	<u>1,245</u>	<u>1,229</u>	<u>6,000</u>	<u>5,037</u>	<u>4,537</u>
COMMISSIONS BY BUSINESS GROUP												
SLF Canada	223	250	253	208	200	192	205	197	183	853	765	701
SLF U.S.	139	146	151	155	155	126	125	111	112	587	455	472
SLF Asset Management	177	174	180	180	175	177	182	181	175	712	705	576
SLF Asia	52	49	71	58	47	45	52	43	36	221	169	134
Corporate	(2)	(2)	(3)	—	2	—	2	2	2	(1)	6	6
Total commissions	<u>589</u>	<u>617</u>	<u>652</u>	<u>601</u>	<u>579</u>	<u>540</u>	<u>566</u>	<u>534</u>	<u>508</u>	<u>2,372</u>	<u>2,100</u>	<u>1,889</u>
INTEREST EXPENSE												
Subordinated debt	29	35	36	32	30	28	30	27	27	126	111	115
Liabilities for SLEECs	11	11	11	11	11	11	11	11	11	44	44	44
Interest on senior unsecured debentures/financing	17	17	16	15	22	26	29	32	31	79	124	127
Other ⁽²⁾	30	17	17	18	16	16	10	16	15	67	43	50
Total interest expense	<u>87</u>	<u>80</u>	<u>80</u>	<u>76</u>	<u>79</u>	<u>81</u>	<u>80</u>	<u>86</u>	<u>84</u>	<u>316</u>	<u>322</u>	<u>336</u>

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

FINANCIAL STRENGTH AND CAPITAL ADEQUACY

For the period ended June 30, 2017

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 (C\$150 million)

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

Series B

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

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

Moody's ⁽²⁾

Standard & Poor's

DBRS

SUN LIFE FINANCIAL INC.

SECURITY RATINGS

Senior Unsecured Debentures (Series D and E)

a-	not rated	A	A
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Subordinated Debt (C\$2,900 million)

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

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

bbb	Baa2	P-2 (high)/BBB+	Pfd-2
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⁽¹⁾ S&P affirmed ratings and revised outlook to positive from stable on March 13, 2017.

⁽²⁾ Moody's rate Preferred Shares Series 2 only.

General Information

SLF Canada	SLF U.S.	SLF Asset Management	SLF Asia	Corporate
<p>SLF Canada is the Canadian market leader in the group market segments and is a leading provider of retail holistic advice, providing products and services to over six million people across Canada. SLF Canada has three main business units - Individual Insurance and Wealth, Group Benefits and Group Retirement Services - which offer a full range of insurance, wealth and income products and services to employers, group members of company sponsored plans and individuals in their communities across Canada.</p>	<p>SLF U.S. has three business units - Group Benefits, International and In-force Management. Group Benefits provides insurance solutions to employers and employees including group life, disability, medical stop-loss, dental and vision insurance products. Group Benefits also includes Disability Reinsurance Management Services, Inc., which provides turnkey disability risk management products and services to other insurance companies. International serves high net worth Clients in international markets, offering individual life insurance products, and manages a closed block of wealth products. In-force Management includes certain closed individual life insurance products, primarily universal life and participating whole life insurance.</p>	<p>SLF Asset Management is our asset management segment composed of MFS and SLIM. MFS is a premier global asset management firm that actively manages assets for retail and institutional investors around the world through mutual and commingled funds, separately managed accounts, institutional products and retirement strategies. SLIM is an institutional investment management business, which delivers customized fixed income solutions, including liability-driven investing and a suite of alternative, yield-oriented asset classes, including private fixed income, real estate and commercial mortgages.</p>	<p>SLF Asia operates through subsidiaries in the Philippines, Hong Kong, Indonesia and Vietnam, as well as through joint ventures and associates with local partners in the Philippines, India, China and Malaysia. We offer individual life insurance products in all seven markets, and group benefits and/or pension and retirement products in the Philippines, China, Hong Kong, India, Malaysia and Vietnam. We have also established asset management companies either directly or through joint ventures and associates in the Philippines, Hong Kong, China and India. We distribute these insurance and wealth products to middle- and upper-income individuals, groups and affinity Clients through multiple distribution channels.</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 annuity and insurance 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>International</u> Individual life insurance Investment wealth products (In-force block only)</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>Markets</u> Philippines Hong Kong Indonesia India China Vietnam Malaysia</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>