

Sun Life Participating Account

Backed by our strength, stability, investment performance and management style

Since 1871, many changes have occurred in the economy and Sun Life Financial's participating (par) account has remained and continues to remain stable, compared to other financial investment vehicles. As a financially strong, prudently managed Canadian life insurance company, we can assure you that this strength, stability, and philosophy carries through to the management of our par accounts.

As a participating policyholder (owner), the policy you own may be eligible to earn a policyholder dividend. The premiums you pay for your policy are pooled with those from other participating policyholders. The amount not required to pay for benefits and expenses is invested in the Sun Life Participating Account. The performance of the par account over the long-term is important as it affects all of the non-guaranteed values in your policy.

There are a number of key factors affecting participating account performance, including:

- mortality,
- expenses (including taxes),
- lapses, and
- investment returns.

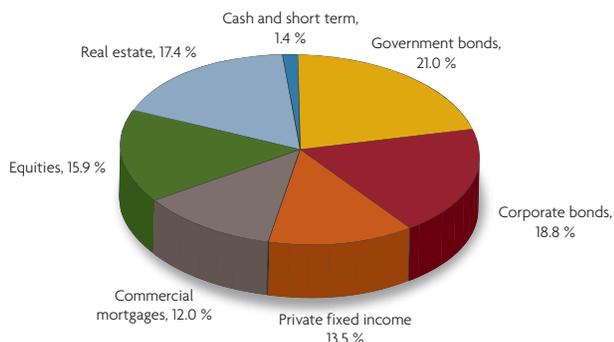
While these factors are important in determining the dividend scale, investment returns typically have the most impact on the dividend scale, due to the variability associated with investments.

The **dividend scale** is the outcome of a series of calculations. It determines how the available earnings for a group of participating policies will be allocated to each individual policy in the form of policyholder dividends.

HOW IS THE SUN LIFE PARTICIPATING ACCOUNT MANAGED?

The Sun Life Participating Account is managed to meet the long-term needs of our participating policyholders. Due to the long-term investment philosophy of this account and the stable cash flows into this account, Sun Life Financial can invest in longer-term holdings such as real estate, equities, bonds (long- and short-term) and mortgages.

This chart shows you the invested asset mix of the Sun Life Participating Account as of March 31, 2012.



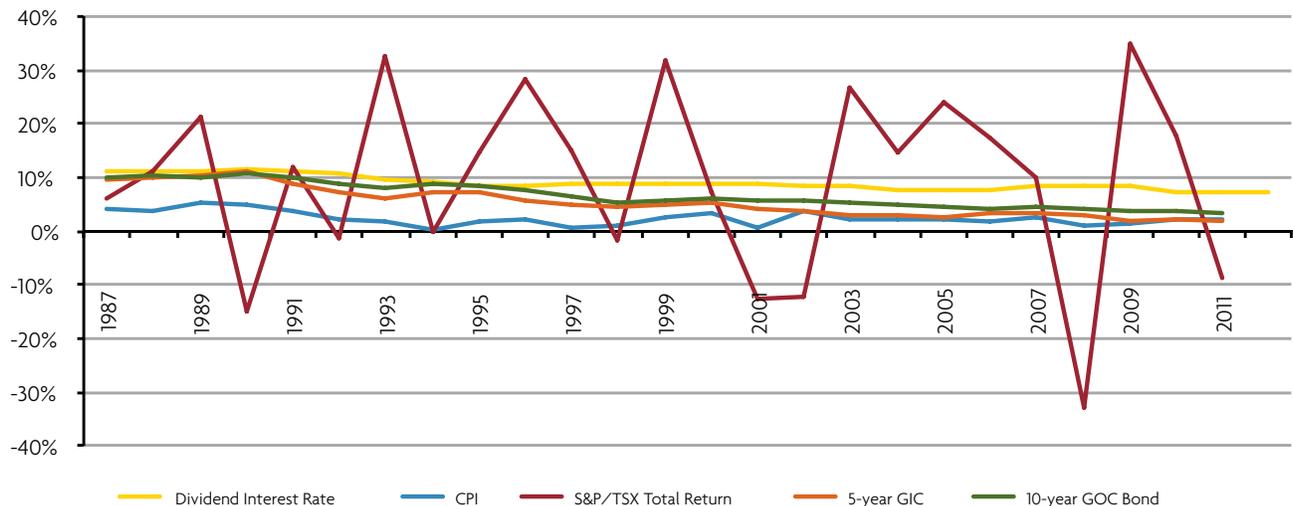
HISTORICAL RETURNS

The performance of the Sun Life Participating Account affects the non-guaranteed values in your participating life insurance policy. Sun Life Financial's long-term strategy and the accounting rules that govern participating policies contribute to providing a stable par account return.

The following chart and graph compare the Sun Life Participating Account dividend interest rates (in percentages) to Government of Canada (GOC) 10-year bonds, S&P/TSX, five-year guaranteed investment certificate (GIC) returns and the Consumer Price Index (CPI).

The dividend scale interest rate is based on the portfolio yield of the Sun Life Participating Account and takes into account other factors such as surplus levels and returns expected over the near term. We also employ smoothing techniques that help keep the dividend scale interest rate more stable over time.

Year	Sun Life Par Account dividend interest rate	Government of Canada 10-year bonds	S&P/TSX total return	Five-year GIC	Consumer Price Index
1987	11.30	9.95	5.88	9.42	4.19
1988	11.00	10.22	11.08	10.00	3.88
1989	11.00	9.92	21.37	10.17	5.26
1990	11.50	10.85	-14.80	10.98	4.99
1991	11.15	9.76	12.02	8.94	3.75
1992	10.80	8.77	-1.43	7.33	2.17
1993	9.75	7.85	32.55	6.20	1.65
1994	9.11	8.63	-0.18	7.34	0.23
1995	8.37	8.28	14.53	7.06	1.74
1996	8.40	7.50	28.35	5.64	2.16
1997	8.83	6.42	14.98	4.71	0.78
1998	8.93	5.47	-1.58	4.38	1.00
1999	8.91	5.69	31.71	4.81	2.63
2000	8.85	5.89	7.41	5.34	3.20
2001	8.88	5.78	-12.57	4.05	0.72
2002	8.38	5.66	-12.44	3.91	3.80
2003	8.38	5.28	26.72	3.13	2.08
2004	7.51	5.08	14.48	2.92	2.13
2005	7.51	4.39	24.13	2.71	2.09
2006	7.51	4.30	17.26	3.16	1.67
2007	8.40	4.34	9.83	3.31	2.38
2008	8.40	4.04	-33.00	3.01	1.16
2009	8.40	3.89	35.05	1.95	1.32
2010	7.40	3.66	17.61	1.97	2.35
2011	7.40	3.21	-8.71	1.87	2.30
2012*	7.15				



* Sun Life Par Account 2012 rate applicable from April 1, 2012 to March 31, 2013.

Historical average returns as of December 2011

	Sun Life Par Account dividend interest rate	Government of Canada 10-year bonds	S&P/TSX total return	Five-year GIC	Consumer Price Index
1-year (2011)	7.4	3.2	-8.7	1.9	2.3
5-year	8.0	3.8	1.3	2.4	1.9
10-year	7.9	4.4	7.0	2.8	2.1
25-year	9.0	6.6	8.2	5.3	2.4
Standard deviation since 1986	1.3	2.3	16.7	2.8	1.3

Notes:

1. The dividend interest rate is based on the Sun Life Participating Account (open and closed blocks).
2. The dividend scale interest rate used in determining the investment component of policyholder dividends is based on the smoothed returns on assets backing the participating account liabilities.
3. The dividend scale interest rate is not guaranteed and is based on factors that are certain to change. The dividend scale interest rate is neither an estimate nor a guarantee of how the products will perform in future.
4. Government of Canada bond returns are nominal yields to maturity taken from Statistics Canada, CANSIM series V122487.
5. S&P/TSX composite index returns include the reinvestment of dividends as taken from the Canadian Institute of Actuaries Report on Canadian Economic Statistics, Published May 2012.
6. Five-year GIC returns are nominal yields to maturity taken from Statistics Canada CANSIM series V122526.
7. Consumer Price Index is taken from Statistics Canada CANSIM series V41690973.

How do par portfolio investments respond to market conditions?

The investment return experience is normally the most important factor that influences the earnings available to be credited as dividends. Sun Life Financial applies a long-term investment strategy, which together with a large well-established participating account, contributes to more stable investment returns. As a result, these investment returns tend to fall more slowly than actual interest rates and equity markets. They can also recover more slowly when actual interest rates increase or as equity markets enter periods of growth.

Achieve strong and stable returns for a lifetime

The combination of a long-term investment strategy, a large, well-established par account and a prudent management philosophy contributes to strong, stable returns for par policyholders. In addition, smoothing techniques are applied to pass the effect of gains and losses in the asset portfolio through the dividend scale more slowly. Using this approach can help to absorb the impact of short-term market fluctuations on dividend scale performance. The overall result is a dividend scale that tends to be less volatile and less extreme than the market itself.

Why choose Sun Life Financial for participating life insurance?

Sun Life Financial is a leading international financial services organization with over 145 years experience in participating life insurance. Our first participating policy was issued in 1871 and policyholder dividends have been paid every year since 1877.

Our experience and financial stability have helped make Sun Life Financial the most trusted life insurance company in Canada for three years in a row, according to a poll commissioned by Reader's Digest for its 2012 Trusted Brand™ awards program.



Questions? We're here to help.

Talk to your advisor about Sun Life Financial today!
For more information and resources visit www.sunlife.ca | Call 1 877 SUN-LIFE / 1 877 786 5433

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