

*This prospectus supplement, together with the short form base shelf prospectus to which it relates dated April 12, 2011, as amended or supplemented, and each document deemed to be incorporated by reference in the short form base shelf prospectus, constitutes a public offering of these securities only in those jurisdictions where they may be lawfully offered for sale and therein only by persons permitted to sell such securities. No securities regulatory authority has expressed an opinion about these securities and it is an offence to claim otherwise.*

*The securities to be issued hereunder have not been, and will not be, registered under the United States Securities Act of 1933, as amended (the "U.S. Securities Act"), and, subject to certain exceptions, may not be offered, sold or delivered, directly or indirectly, in the United States of America or for the account or benefit of U.S. persons (as defined in Regulation S under the U.S. Securities Act).*

*Information has been incorporated by reference in this prospectus supplement from documents filed with securities commissions or similar authorities in Canada. Copies of the documents incorporated by reference may be obtained on request without charge from the Vice-President, Investor Relations, Sun Life Financial Inc., 150 King Street West, Toronto, Ontario, M5H 1J9, telephone (416) 979-4198 or fax (416) 979-4080, and are also available electronically at [www.sedar.com](http://www.sedar.com).*

**PROSPECTUS SUPPLEMENT  
To a Short Form Base Shelf Prospectus Dated April 12, 2011**

New Issue

November 3, 2011



**10,000,000 Class A Non-Cumulative Rate Reset Preferred Shares Series 12R**

The holders of Class A Non-Cumulative Rate Reset Preferred Shares Series 12R (the "**Series 12R Shares**") of Sun Life Financial Inc. ("**SLF**" or the "**Corporation**") will be entitled to receive fixed non-cumulative preferential cash dividends, as and when declared by the board of directors of the Corporation (the "**Board of Directors**"), for the initial period from and including the closing date of this offering to but excluding December 31, 2016 (the "**Initial Fixed Rate Period**"), payable quarterly on the last day of March, June, September and December in each year, at a per annum rate of 4.25% per share, or \$0.26563 per share per quarter. The initial dividend, if declared, will be payable on March 31, 2012 and will be \$0.41336 per share, based on the anticipated closing date of the offering hereunder of November 10, 2011 in respect of the period from and including such date of initial issue of Series 12R Shares to but excluding March 31, 2012. See "Details of the Offering".

For each 5-year period after the Initial Fixed Rate Period (each a "**Subsequent Fixed Rate Period**"), the holders of Series 12R Shares will be entitled to receive fixed non-cumulative preferential cash dividends, as and when declared by the Board of Directors, payable quarterly on the last day of March, June, September and December in each year, in the amount per share per annum determined by multiplying the Annual Fixed Dividend Rate (as defined herein) applicable to such Subsequent Fixed Rate Period by \$25.00. The Annual Fixed Dividend Rate for the ensuing Subsequent Fixed Rate Period will be determined by SLF on the Fixed Rate Calculation Date (as defined herein) and will be equal to the sum of the Government of Canada Yield (as defined herein) on the Fixed Rate Calculation Date plus 2.73%. See "Details of the Offering".

Subject to the provisions of the *Insurance Companies Act* (Canada) (the "**Insurance Act**") and the prior consent of the Superintendent of Financial Institutions (the "**Superintendent**"), on December 31, 2016 and on December 31 every five years thereafter, SLF may, at its option, redeem all or any part of the then outstanding Series 12R Shares by the payment of an amount in cash for each Series 12R Share so redeemed of \$25.00 plus all declared and unpaid dividends to the date fixed for redemption. See "Details of the Offering."

SLF's corporate office is located at Sun Life Financial Tower, 150 King Street West, Toronto, Ontario M5H 1J9.

### Option to Convert Into Series 13QR Shares

Subject to the Corporation's right to redeem all the Series 12R Shares, the holders of such shares will have the right, at their option, to convert their Series 12R Shares into Class A Non-Cumulative Floating Rate Preferred Shares Series 13QR (the "**Series 13QR Shares**"), subject to certain conditions, on December 31, 2016 and on December 31 every five years thereafter. The holders of Series 13QR Shares will be entitled to receive floating rate non-cumulative preferential cash dividends, as and when declared by the Board of Directors, payable quarterly on the last day of March, June, September and December in each year (the initial quarterly dividend period and each subsequent quarterly dividend period is referred to as a "**Quarterly Floating Rate Period**"), in the amount per share determined by multiplying the applicable Floating Quarterly Dividend Rate (as defined herein) by \$25.00. The Floating Quarterly Dividend Rate will be equal to the product obtained by multiplying (i) the sum of the T-Bill Rate (as defined herein) plus 2.73%, by (ii) a fraction, the numerator of which is the actual number of days elapsed in the applicable Quarterly Floating Rate Period and the denominator of which is 365, all as determined on the Floating Rate Calculation Date (as defined herein). See "Details of the Offering".

### Price: \$25.00 per Class A Non-Cumulative Rate Reset Preferred Share Series 12R to yield initially 4.25%

	Price to Public	Underwriters' Fee <sup>(1)</sup>	Net Proceeds to SLF <sup>(2)</sup>
Per Series 12R Share.....	\$25.00	\$0.75	\$24.25
Total <sup>(3)</sup> .....	\$250,000,000	\$7,500,000	\$242,500,000

- (1) The Underwriters' fee is \$0.25 for each Series 12R Share sold to certain institutions and \$0.75 per Series 12R Share for all other shares which are sold. The totals set forth in the table represent the Underwriters' fee and net proceeds to SLF assuming no Series 12R Shares are sold to such institutions.
- (2) Before deduction of expenses of this issue payable by SLF estimated at \$250,000.
- (3) SLF has granted the Underwriters an option, exercisable at any time prior to 5:00 p.m. (Toronto time) on the second business day prior to the closing date of the offering, to purchase up to an aggregate of 2,000,000 additional Series 12R Shares (the "**Additional Shares**") on the same terms as set forth above. If all of the Additional Shares are purchased, the total price to the public, the total Underwriters' fee and the net proceeds to SLF from the offering will be \$300,000,000, \$9,000,000 and \$291,000,000 respectively. This prospectus supplement qualifies the Additional Shares, if any, issued as a result of the exercise of such option.

<u>Underwriters' Position</u>	<u>Maximum Size or number of securities held</u>	<u>Exercise Period</u>	<u>Exercise Price Per Series 12R Share</u>
Option to increase the size of the distribution	Option to acquire up to an aggregate of 2,000,000 additional Series 12R Shares	At any time on or prior to 5:00 p.m. (Toronto time) on the second business day prior to the closing date of the offering	\$25.00

Scotia Capital Inc., CIBC World Markets Inc., TD Securities Inc., BMO Nesbitt Burns Inc., National Bank Financial Inc., RBC Dominion Securities Inc., HSBC Securities (Canada) Inc., Desjardins Securities Inc., Canaccord Genuity Corp., GMP Securities L.P. and Laurentian Bank Securities Inc. (collectively, the "**Underwriters**"), as principals, conditionally offer Series 12R Shares, subject to prior sale, if, as and when issued by SLF and accepted by the Underwriters in accordance with the conditions contained in the underwriting agreement referred to under "Plan of Distribution" below, and subject to approval of certain legal matters on behalf of SLF by Torsys LLP and on behalf of the Underwriters by McCarthy Tétrault LLP. See "Plan of Distribution".

SLF has been advised by the Underwriters that, in connection with this offering, the Underwriters may over-allot or effect transactions which stabilize or maintain the market price of the Series 12R Shares at levels other than those which might otherwise prevail in the open market. **The Underwriters may offer the Series 12R Shares at a price lower than that stated above. See "Plan of Distribution".**

The Toronto Stock Exchange (the "**TSX**") has conditionally approved the listing of the Series 12R Shares and the Series 13QR Shares subject to SLF fulfilling all of the requirements of the TSX on or before January 31, 2012.

Subscriptions for the Series 12R Shares will be received subject to rejection or allotment in whole or in part and the right is reserved to close the subscription books at any time without notice. It is expected that the closing of this offering will take place on November 10, 2011 or on such other date as SLF and the Underwriters may agree but not later than December 10, 2011. Series 12R Shares will be available for delivery in book-entry form only through the facilities of CDS Clearing and Depository Services Inc. or a successor ("**CDS**"), on or about closing. Purchasers of Series 12R Shares will receive only a customer confirmation from the registered dealer who is a CDS participant and from or through whom the shares are purchased. Purchasers of Series 12R Shares will not have the right to receive physical certificates evidencing their ownership of Series 12R Shares. See "Depository Services".

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In this prospectus supplement, unless otherwise indicated, capitalized terms which are defined in the accompanying short form base shelf prospectus of SLF dated April 12, 2011 (the “**Short Form Prospectus**”) are used herein with the meanings defined therein. Unless otherwise indicated, all references to “\$” or “dollar” are to Canadian dollars.

### CAUTION REGARDING FORWARD-LOOKING STATEMENTS

Certain statements contained or incorporated by reference in this prospectus supplement, including those relating to SLF’s strategies and other statements that are predictive in nature, that depend upon or refer to future events or conditions, or that include words such as “expects”, “anticipates”, “intends”, “plans”, “believes”, “estimates” or similar expressions, are forward-looking statements within the meaning of securities laws. Forward looking statements include information concerning possible or assumed future results of operations of SLF. These statements represent SLF’s expectations, estimates and projections regarding future events and are not historical facts. The forward-looking statements contained or incorporated by reference in this prospectus supplement are stated as of the date hereof, are not guarantees of future performance and involve risks and uncertainties that are difficult to predict. Future results and shareholder value of SLF may differ materially from those expressed in the forward-looking statements contained or incorporated by reference in this prospectus supplement due to, among other factors, the matters set out under “Risk Factors” in this prospectus supplement and the factors detailed in SLF’s other filings with Canadian and U.S. securities regulators, including its annual and interim management’s discussion and analysis and annual and interim financial statements, which are available for review at [www.sedar.com](http://www.sedar.com) and [www.sec.gov](http://www.sec.gov).

Factors that could cause actual results to differ materially from expectations include, but are not limited to, changes in legislation and regulations including capital requirements and tax laws; investment losses and defaults and changes to investment valuations; the performance of equity markets; the cost, effectiveness and availability of risk-mitigating hedging programs; losses relating to real estate

investments; the creditworthiness of guarantors and counterparties to derivatives; changes and volatility in interest rates and credit/swap spreads; other market risks including movement in credit spreads; risks relating to product design and pricing; market conditions that adversely affect SLF's capital position or its ability to raise capital; possible sustained economic downturn; regulatory investigations and proceedings and private legal proceedings and class actions relating to practices in the mutual fund, insurance, annuity and financial product distribution industries; risks related to market liquidity; downgrades in financial strength or credit ratings; the ability to attract and retain employees; risks relating to financial modelling errors; the performance of SLF's investments and investment portfolios managed for clients such as segregated and mutual funds; the impact of mergers and acquisitions; insurance risks including mortality and morbidity, including the occurrence of natural or man-made disasters, pandemic diseases and acts of terrorism; adverse mortality and morbidity experience; uncertainty in the rate of mortality improvement; risks relating to policyholder behaviour; the inability to maintain strong distribution channels and risks relating to market conduct by intermediaries and agents; risks relating to operations in Asia including risks relating to joint ventures; the impact of competition; currency exchange rate fluctuations; business continuity risks; failure of information systems and Internet-enabled technology; breaches of computer security and privacy; dependence on third-party relationships including outsourcing arrangements; the impact of adverse results in the closed block of business; the potential for financial loss related to changes in the environment; the availability, cost and effectiveness of reinsurance; the ineffectiveness of risk management policies and procedures; the impact of higher-than-expected future expense cash flows; the risks relating to the use of significant estimates and judgment in calculating taxes; and the potential for losses from multiple risks occurring simultaneously or in rapid progression. SLF does not undertake any obligation to update or revise these forward-looking statements to reflect events or circumstances after the date of this prospectus supplement or to reflect the occurrence of unanticipated events, except as required by law.

### DOCUMENTS INCORPORATED BY REFERENCE

This prospectus supplement is deemed to be incorporated by reference in the Short Form Prospectus, solely for the purpose of the offering of the Series 12R Shares. The following documents, filed by SLF with the securities commissions or similar authorities in each province and territory of Canada, are incorporated by reference into the Short Form Prospectus and this prospectus supplement:

- (a) the annual information form dated February 16, 2011;
- (b) the audited consolidated financial statements as at December 31, 2010 and 2009 and for each of the years in the three year period ended December 31, 2010, together with the report of the Independent Registered Chartered Accountants thereon and management's discussion and analysis thereon;
- (c) the unaudited interim consolidated financial statements as of September 30, 2011 and for the three and nine-month periods then ended, together with management's discussion and analysis thereon;
- (d) the management information circular dated March 21, 2011; and
- (e) the material change report dated July 4, 2011 announcing the retirement of Donald A. Stewart as the Chief Executive Officer and as a Director of SLF effective November 30, 2011; the appointment of Dean A. Connor as the President and as a Director of SLF effective immediately and his appointment as Chief Executive Officer of SLF effective December 1, 2011; the appointment of James H. Sutcliffe, FIA as Chairman of SLF's Board of Directors effective December 1, 2011; and the stepping down of Ronald W. Osborne as Chairman of SLF's Board of Directors effective November 30, 2011 and his retirement as a Director of SLF to be effective at the 2012 annual meeting.

Any documents of the type described in Section 11.1 of Form 44-101F1 - *Short Form Prospectus* filed by SLF with the securities commissions or similar authorities in Canada after the date of this prospectus supplement and prior to the termination of the distribution of the Series 12R Shares shall be deemed to be incorporated by reference into the Short Form Prospectus and this prospectus supplement.

Any statement contained in this prospectus supplement, in the Short Form Prospectus or in a document incorporated or deemed to be incorporated by reference in this prospectus supplement or in the Short Form Prospectus for the purpose of this offering is deemed to be modified or superseded, for purposes of this prospectus supplement, to the extent that a statement contained in this prospectus supplement or in the Short Form Prospectus or in any other subsequently filed document which also is or is deemed to be incorporated by reference in this prospectus supplement or in the Short Form Prospectus modifies or supersedes such statement. The modifying or superseding statement need not state that it has modified or superseded a prior statement or included any other information set forth in the document that it modifies or supersedes. The making of a modified or superseded statement will not be deemed an admission for any purposes that the modified or superseded statement, when made, constituted a misrepresentation, an untrue statement of a material fact or an omission to state a material fact that is required to be stated or that is necessary to make a statement not misleading in light of the circumstances in which it was made. Any statement so modified or superseded will not be deemed, except as so modified or superseded, to constitute a part of this prospectus supplement.

**Information has been incorporated by reference in this prospectus supplement from documents filed with securities commissions or similar authorities in Canada.** Copies of the documents incorporated by reference may be obtained on request without charge from the Vice-President, Investor Relations, Sun Life Financial Inc., 150 King Street West, Toronto, Ontario, M5H 1J9, telephone (416) 979-4198 or fax (416) 979-4080, and are also available electronically at [www.sedar.com](http://www.sedar.com).

## ELIGIBILITY FOR INVESTMENT

In the opinion of Torys LLP, counsel to SLF, and McCarthy Tétrault LLP, counsel to the Underwriters, the Series 12R Shares if issued on the date hereof, would be, on such date, qualified investments under the *Income Tax Act* (Canada) (the “**Tax Act**”) and the regulations thereunder for a trust governed by a registered retirement savings plan, a registered retirement income fund, a registered education savings plan, a registered disability savings plan, a deferred profit sharing plan and a tax-free savings account.

The Series 12R Shares, if issued on the date of this prospectus supplement, would not be, on such date, a “prohibited investment” for a trust governed by a tax-free savings account provided the holder of the tax-free savings account deals at arm’s length with SLF for purposes of the Tax Act and does not have a significant interest (within the meaning of the Tax Act) in SLF or in any person or partnership with which SLF does not deal at arm’s length for purposes of the Tax Act. Proposals contained in Bill C-13 will extend the prohibited investment rules to trusts governed by registered retirement savings plans and registered retirement income funds, and their annuitants, generally applicable to transactions occurring after March 22, 2011. No assurance can be given that these proposals will be enacted as proposed or at all. Prospective purchasers should consult and rely on their own tax advisors.

## DETAILS OF THE OFFERING

The following is a summary of certain provisions of the Series 12R Shares, as a series, and the Series 13QR Shares, as a series, each of which represents a series of Class A Shares of SLF. See “Description of Share Capital” in the Short Form Prospectus, for a description of the general terms and provisions of the Class A Shares of SLF as a class.

### Certain Provisions of the Series 12R Shares as a Series

#### *Definition of Terms*

The following definitions are relevant to the Series 12R Shares:

“**Annual Fixed Dividend Rate**” means, for any Subsequent Fixed Rate Period, the rate of interest (expressed as a percentage rate rounded down to the nearest one hundred-thousandth of one percent (with 0.000005% being rounded up) equal to the sum of the Government of Canada Yield on the applicable Fixed Rate Calculation Date plus 2.73%.

“**Bloomberg Screen GCAN5YR Page**” means the display designated as page “GCAN5YR<INDEX>” on the Bloomberg Financial L.P. service (or such other page as may replace the GCAN5YR page on that service) for purposes of displaying Government of Canada bond yields.

“**Fixed Rate Calculation Date**” means, for any Subsequent Fixed Rate Period, the 30th day prior to the first day of such Subsequent Fixed Rate Period.

“**Government of Canada Yield**” on any date means the yield to maturity on such date (assuming semi-annual compounding) of a Canadian dollar denominated non-callable Government of Canada bond with a term to maturity of five years as quoted as of 10:00 a.m. (Toronto time) on such date and which appears on the Bloomberg Screen GCAN5YR Page on such date; provided that, if such rate does not appear on the Bloomberg Screen GCAN5YR Page on such date, the Government of Canada Yield will mean the arithmetic average of the yields quoted to SLF by two registered Canadian investment dealers, selected by SLF, as being the annual yield to maturity on such date, compounded semi-annually, which a Canadian dollar denominated non-callable Government of Canada bond would carry if issued in Canadian dollars at 100% of its principal amount on such date with a term to maturity of five years.

“**Initial Fixed Rate Period**” means the period from and including the closing date of this offering to but excluding December 31, 2016.

“**Subsequent Fixed Rate Period**” means for the initial Subsequent Fixed Rate Period, the period from and including December 31, 2016 to but excluding December 31, 2021, and for each succeeding Subsequent Fixed Rate Period, the period commencing on the day immediately following the end of the immediately preceding Subsequent Fixed Rate Period to but excluding December 31 in the fifth year thereafter.

### ***Issue Price***

The Series 12R Shares will have an issue price of \$25.00 per share.

### ***Dividends on Series 12R Shares***

During the Initial Fixed Rate Period, the holders of the Series 12R Shares will be entitled to receive fixed quarterly non-cumulative preferential cash dividends at a per annum rate of 4.25%, as and when declared by the Board of Directors, but subject to the provisions of the Insurance Act, payable on the last day of March, June, September and December in each year. Such quarterly cash dividends, if declared, will be \$0.26563 per share. The initial dividend, if declared, will be payable on March 31, 2012 and will be \$0.41336 per share, based on the anticipated closing date of the offering hereunder of November 10, 2011 in respect of the period from and including such date of initial issue of Series 12R Shares to but excluding March 31, 2012.

During each Subsequent Fixed Rate Period after the Initial Fixed Rate Period, the holders of Series 12R Shares will be entitled to receive fixed quarterly non-cumulative preferential cash dividends, as and when declared by the Board of Directors, but subject to the provisions of the Insurance Act, payable on the last day of March, June, September and December in each year, in the amount per share per annum determined by multiplying the Annual Fixed Dividend Rate applicable to such Subsequent Fixed Rate Period by \$25.00.

The Annual Fixed Dividend Rate applicable to a Subsequent Fixed Rate Period will be determined by SLF on the Fixed Rate Calculation Date. Such determination will, in the absence of manifest error, be final and binding upon SLF and upon all holders of Series 12R Shares. SLF will, on the Fixed Rate Calculation Date, give written notice of the Annual Fixed Dividend Rate for the next succeeding Subsequent Fixed Rate Period and the Floating Quarterly Dividend Rate (as defined below) applicable to the Series 13QR Shares for the next Quarterly Floating Rate Period (as defined below) to the registered holders of the then outstanding Series 12R Shares.

If the Board of Directors does not declare or is prohibited from declaring a dividend, or any part thereof, on the Series 12R Shares on or before the dividend payment date for a particular quarter, then the entitlement of the holders of the Series 12R Shares to receive such dividend, or to any part thereof, for such quarter will be forever extinguished.

The Board of Directors may not declare or pay any dividends on the Series 12R Shares in respect of a quarterly financial reporting period if the Minimum Continuing Capital and Surplus Requirements (established by the Superintendent) ratio of Sun Life Assurance Company of Canada ("**Sun Life Assurance**") was less than 120% at the end of the preceding quarterly financial reporting period.

### ***Redemption***

The Series 12R Shares will not be redeemable by SLF prior to December 31, 2016. On December 31, 2016 and on December 31 every five years thereafter, but subject to the provisions described below under "Restrictions on Dividends and Retirement of Shares", SLF may redeem all or any part of the then outstanding Series 12R Shares, at SLF's option, by the payment of an amount in cash for each share so redeemed of \$25.00, together with all declared and unpaid dividends to but excluding the date fixed for redemption.

SLF will give notice of any redemption to registered holders of Series 12R Shares not more than 60 days and not less than 30 days prior to the redemption date.

Where only a part of the then outstanding Series 12R Shares is at any time to be redeemed, the Series 12R Shares are to be redeemed on a *pro rata* basis, disregarding fractions, or in any other equitable manner as determined by the Board of Directors, subject to obtaining any required regulatory approval.

All redemptions of the Series 12R Shares are subject to the provisions of the Insurance Act and the consent of the Superintendent. See "Insurance Act Restrictions".

### ***Conversion of Series 12R Shares into Series 13QR Shares***

Subject to the right of SLF to redeem the Series 12R Shares as described above, the holders of Series 12R Shares will have the right, at their option, on December 31, 2016 and on December 31 every five years thereafter (a "**Series 12R Conversion Date**"), to convert, subject to the restrictions on conversion described below, and to the provisions of the Insurance Act and to the payment or delivery to SLF of evidence of payment of any applicable tax, all or any of the Series 12R Shares registered in their name into Series 13QR Shares on the basis of one Series 13QR Share for each Series 12R Share held. Notice of a holder's intention to convert Series 12R Shares must be received by SLF not earlier than the 30th day prior to, but not later than 5:00 p.m. (Toronto time) on the 15th day preceding, a Series 12R Conversion Date.

SLF will, at least 30 days and not more than 60 days prior to the applicable Series 12R Conversion Date, give notice in writing to the then registered holders of the Series 12R Shares of the above-mentioned conversion right. On the 30th day prior to each Series 12R Conversion Date, SLF will give notice in writing to the then registered holders of the Series 12R Shares of the Annual Fixed Dividend Rate for the next succeeding Subsequent Fixed Rate Period and the Floating Quarterly Dividend Rate applicable to the Series 13QR Shares for the next succeeding Quarterly Floating Rate Period.

Holders of Series 12R Shares will not be entitled to convert their shares into Series 13QR Shares if SLF determines that there would remain outstanding on a Series 12R Conversion Date less than 1,000,000 Series 13QR Shares, after having taken into account all Series 12R Shares tendered for conversion into Series 13QR Shares and all Series 13QR Shares tendered for conversion into Series 12R Shares. SLF will give notice in writing thereof to all registered holders of Series 12R Shares at least seven days prior to the applicable Series 12R Conversion Date. Furthermore, if SLF determines that there would remain outstanding on a Series 12R Conversion Date less than 1,000,000 Series 12R Shares, after having taken into account all Series 12R Shares tendered for conversion into Series 13QR Shares and all Series 13QR Shares tendered for conversion into Series 12R Shares, then, all, but not part, of the remaining outstanding Series 12R Shares will automatically be converted into Series 13QR Shares on the basis of one Series 13QR Share for each Series 12R Share held on the applicable Series 12R Conversion Date and SLF will give notice in writing thereof to the then registered holders of such remaining Series 12R Shares at least seven days prior to the Series 12R Conversion Date.

Upon exercise by the holder of this right to convert Series 12R Shares into Series 13QR Shares, or upon automatic conversion of Series 12R Shares into Series 13QR Shares, SLF reserves the right not to issue Series 13QR Shares to any person whose address is in, or whom SLF or its transfer agent has reason to believe is a resident of, any jurisdiction outside Canada, to the extent that such issue would require SLF to take any action to comply with the securities, insurance or analogous laws of such jurisdiction.

If SLF gives notice to the registered holders of the Series 12R Shares of the redemption on a Series 12R Conversion Date of all the Series 12R Shares, SLF will not be required to give notice as provided hereunder to the registered holders of the Series 12R Shares of an Annual Fixed Dividend Rate or Floating Quarterly Dividend Rate or of the conversion right of holders of Series 12R Shares and the right of any holder of Series 12R Shares to convert such Series 12R Shares will cease and terminate in that event.

#### ***Conversion of Series 12R Shares into Another Series of Preferred Shares***

SLF may, at any time by resolution of the Board of Directors, constitute a separate series of Class A Shares (“**New Preferred Shares**”) having rights, privileges, restrictions and conditions attaching to them (other than any option or right to convert into Common Shares) which would qualify such New Preferred Shares as Tier 1 capital of SLF under the then current capital adequacy guidelines established by the Superintendent. In such event, SLF may, with the consent of the Superintendent, give registered holders of the Series 12R Shares notice that they have the right, pursuant to the terms of the Series 12R Shares, at their option, to convert their Series 12R Shares on the date specified in the notice into fully-paid and non-assessable New Preferred Shares on a share-for-share basis. SLF will give notice of any option to convert to registered holders not more than 60 days and not less than 30 days prior to the conversion date. See “Insurance Act Restrictions”. SLF will ensure that such New Preferred Shares will not, if issued, be or be deemed to be “short-term preferred shares” within the meaning of the Tax Act.

Upon exercise by the holder of this right to convert Series 12R Shares into New Preferred Shares, SLF reserves the right not to issue New Preferred Shares to any person whose address is in, or whom SLF or its transfer agent has reason to believe is a resident of, any jurisdiction outside Canada, to the extent that such issue would require SLF to take any action to comply with the securities, insurance or analogous laws of such jurisdiction.

#### ***Purchase for Cancellation***

Subject to the provisions of the Insurance Act, the prior consent of the Superintendent and the provisions described below under “Restrictions on Dividends and Retirement of Shares”, SLF may at any time purchase for cancellation any Series 12R Shares at any price.

#### ***Rights on Liquidation***

In the event of the liquidation, dissolution or winding-up of SLF, the holders of the Series 12R Shares will be entitled to receive \$25.00 for each share held by them, together with all declared and unpaid dividends to the date of distribution, before any amounts are paid or any assets of SLF are distributed to the registered holders of any shares ranking junior to the Series 12R Shares. The holders of the Series 12R Shares will not be entitled to share in any further distribution of the property or assets of SLF.

#### ***Restrictions on Dividends and Retirement of Shares***

As long as any Series 12R Shares are outstanding, SLF will not, without the approval of the holders of the Series 12R Shares:

- (a) declare, pay or set apart for payment any dividends on its Class B Shares or Common Shares or any other shares ranking junior to the Series 12R Shares (other than stock dividends on any shares ranking junior to the Series 12R Shares);
- (b) redeem, purchase or otherwise retire any Class B Shares or Common Shares or any other shares ranking junior to the Series 12R Shares (except out of the net cash proceeds of a substantially concurrent issue of shares ranking junior to the Series 12R Shares);
- (c) redeem, purchase or otherwise retire less than all the Series 12R Shares; or
- (d) except pursuant to any purchase obligation, sinking fund, retraction privilege or mandatory redemption provisions attaching to any series of preferred shares of SLF, redeem, purchase, or otherwise retire any other shares ranking on a parity with the Series 12R Shares;

unless, in each case, all dividends on the Series 12R Shares up to and including those payable on the dividend payment date for the last completed period for which dividends are payable and in respect of which the rights of holders have not been extinguished, and all dividends then accrued on all other shares ranking senior to or on a parity with the Series 12R Shares up to the immediately preceding respective date or dates for payment and in respect of which the rights of holders of those shares have not been extinguished, have been declared and paid or set apart for payment. See “Insurance Act Restrictions”.

If SLF does not pay a dividend on the Series 12R Shares in respect of a particular period, then the right to that dividend will be extinguished. In addition, SLF is prohibited from paying dividends on its preferred shares in certain other circumstances. See “Risk Factors”.

#### ***Issue of Additional Series of Class A Shares***

SLF may issue other series of Class A Shares ranking on a parity with the Series 12R Shares or shares of any other class or series without the approval of the holders of the Series 12R Shares. The Series 12R Shares rank equally with the Class A Non-Cumulative Preferred Shares Series 1, the Class A Non-Cumulative Preferred Shares Series 2, the Class A Non-Cumulative Preferred Shares Series 3, the Class A Non-Cumulative Preferred Shares Series 4, the Class A Non-Cumulative Preferred Shares Series 5, the Class A Non-Cumulative 5-Year Rate Reset Preferred Shares Series 6R, the Class A Non-Cumulative Rate Reset Preferred Shares Series 8R, the Class A Non-Cumulative Rate Reset Preferred Shares Series 10R and will rank equally with the Class A Non-Cumulative Floating Rate Preferred Shares Series 7QR, the Class A Non-Cumulative Floating Rate Preferred Shares Series 9QR, the Class A Non-Cumulative Floating Rate Preferred Shares Series 11QR, and the Series 13QR Shares.

#### ***Amendments to the Series 12R Shares***

SLF will not without, but may from time to time with, the approval of the holders of the Series 12R Shares given as specified below and any approval of the TSX as may be necessary, delete, add to or vary any rights, privileges, restrictions or conditions attaching to the Series 12R Shares. In addition, SLF will not without, but may from time to time with, any necessary consent of the Superintendent, make any such deletion, addition or variation which might affect the classification afforded the Series 12R Shares from time to time for capital adequacy requirements pursuant to the Insurance Act and the regulations and guidelines thereunder.

#### ***Shareholder Approvals***

The approval of all amendments to the rights, privileges, restrictions and conditions attaching to the Series 12R Shares as a series may be given in writing by the holders of all of the outstanding Series 12R Shares or by a resolution passed by the affirmative vote of not less than 66 2/3% of the votes cast at a meeting of holders of the Series 12R Shares at which a quorum of the outstanding Series 12R Shares is represented. For this purpose, a quorum at any meeting of the holders of Series 12R Shares will be 25% of the shares entitled to vote at any such meeting, except that at a meeting following an adjourned meeting there is no quorum requirement. At any meeting of holders of Series 12R Shares as a series, each such holder will be entitled to one vote in respect of each Series 12R Share held.

#### ***Voting Rights***

Subject to the provisions of the Insurance Act, the holders of the Series 12R Shares will not be entitled to receive notice of, or to attend or to vote at, any meeting of the shareholders of SLF unless and until the first time at which the rights of such holders to any undeclared dividends have become extinguished, as described under “Dividends on Series 12R Shares” above. In that event, the holders of the Series 12R Shares will be entitled to receive notice of, and to attend, only meetings of shareholders at which directors are to be elected and will be entitled to one vote for each share held in the election of directors only but not in respect of any other business. The voting rights of the holders of the Series 12R Shares will forthwith cease upon payment by SLF of the first quarterly dividend on the Series 12R Shares to which the holders are entitled subsequent to the time such voting rights first arose. At such time as the rights of such



holders to any undeclared dividends on the Series 12R Shares have again become extinguished, such voting rights will become effective again and so on from time to time.

***Tax Election***

The terms of the Series 12R Shares require SLF to make the necessary election under Part VI.1 of the Tax Act so that corporate investors will not be subject to tax under Part IV.1 of the Tax Act on dividends received (or deemed to be received) on such shares. See “Certain Canadian Federal Income Tax Considerations - Dividends”.

***Business Day***

If any action is required to be taken by SLF on a day that is not a business day, then such action will be taken on the next succeeding day that is a business day.

**Certain Provisions of the Series 13QR Shares as a Series**

***Definition of Terms***

The following definitions are relevant to the Series 13QR Shares:

“**Floating Quarterly Dividend Rate**” means, for any Quarterly Floating Rate Period, the rate of interest (expressed as a percentage rate rounded down to the nearest one hundred-thousandth of one percent (with 0.000005% being rounded up)) equal to the product obtained by multiplying (i) the sum of the T-Bill Rate on the applicable Floating Rate Calculation Date plus 2.73%, by (ii) a fraction, the numerator of which is the actual number of days elapsed in the applicable Quarterly Floating Rate Period and the denominator of which is 365.

“**Floating Rate Calculation Date**” means, for any Quarterly Floating Rate Period, the 30th day prior to the first day of such Quarterly Floating Rate Period.

“**Quarterly Floating Rate Period**” means, for the initial Quarterly Floating Rate Period, the period from and including December 31, 2016 to but excluding March 31, 2017, and thereafter the period from and including the day immediately following the end of the immediately preceding Quarterly Floating Rate Period to but excluding the next succeeding dividend payment date.

“**T-Bill Rate**” means, for any Quarterly Floating Rate Period, the average yield expressed as a percentage per annum on three-month Government of Canada Treasury Bills, as reported by the Bank of Canada, for the most recent treasury bills auction preceding the applicable Floating Rate Calculation Date.

***Issue Price***

The Series 13QR Shares will have an issue price of \$25.00 per share.

***Dividends on Series 13QR Shares***

The holders of the Series 13QR Shares will be entitled to receive quarterly floating rate non-cumulative preferential cash dividends, as and when declared by the Board of Directors, but subject to the provisions of the Insurance Act, payable on the last day of March, June, September and December in each year. Such quarterly cash dividends, if declared, will be an amount per share determined by multiplying the applicable Floating Quarterly Dividend Rate by \$25.00.

The Floating Quarterly Dividend Rate for each Quarterly Floating Rate Period will be determined by SLF on the Floating Rate Calculation Date. Such determination will, in the absence of manifest error, be final and binding upon SLF and upon all holders of Series 13QR Shares. SLF will, on each Floating Rate Calculation Date, give written notice of the Floating Quarterly Dividend Rate for the ensuing Quarterly Floating Rate Period to the registered holders of the then outstanding Series 13QR Shares.

If the Board of Directors does not declare or is prohibited from declaring a dividend, or any part thereof, on the Series 13QR Shares on or before the dividend payment date for a particular Quarterly Floating Rate Period, then the entitlement of the holders of the Series 13QR Shares to receive such dividend, or to any part thereof, for such Quarterly Floating Rate Period will be forever extinguished.

The Board of Directors may not declare or pay any dividends on the Series 13QR Shares in respect of a quarterly financial reporting period if the Minimum Continuing Capital and Surplus Requirements (established by the Superintendent) ratio of Sun Life Assurance was less than 120% at the end of the preceding quarterly financial reporting period.

### ***Redemption***

Subject to the provisions described below under “Restrictions on Dividends and Retirement of Shares”, SLF may redeem all or any part of the then outstanding Series 13QR Shares, at SLF’s option, by the payment of an amount in cash for each share so redeemed of (i) \$25.00, together with all declared and unpaid dividends to but excluding the date fixed for redemption in the case of redemptions on December 31, 2021 and on December 31 every five years thereafter, or (ii) \$25.50, together with all declared and unpaid dividends to but excluding the date fixed for redemption in the case of redemptions on any other date after December 31, 2016.

SLF will give notice of any redemption to registered holders of Series 13QR Shares not more than 60 days and not less than 30 days prior to the redemption date.

Where only a part of the then outstanding Series 13QR Shares is at any time to be redeemed, the Series 13QR Shares are to be redeemed on a *pro rata* basis, disregarding fractions, or in any other equitable manner as determined by the Board of Directors, subject to obtaining any required regulatory approval.

All redemptions of the Series 13QR Shares are subject to the provisions of the Insurance Act and the consent of the Superintendent. See “Insurance Act Restrictions”.

### ***Conversion of Series 13QR Shares into Series 12R Shares***

Subject to the right of SLF to redeem the Series 13QR Shares as described above, the holders of Series 13QR Shares will have the right, at their option, on December 31, 2021 and on December 31 every five years thereafter (a “**Series 13QR Conversion Date**”), to convert, subject to the restrictions on conversion described below and to the provisions of the Insurance Act and to the payment or delivery to SLF of evidence of payment of any applicable tax, all or any of the Series 13QR Shares registered in their name into Series 12R Shares on the basis of one Series 12R Share for each Series 13QR Share. Notice of a holder’s intention to convert Series 13QR Shares must be received by SLF not earlier than the 30th day prior to, but not later than 5:00 p.m. (Toronto time) on the 15th day preceding, a Series 13QR Conversion Date.

SLF will, at least 30 days and not more than 60 days prior to the applicable Series 13QR Conversion Date, give notice in writing to the then registered holders of the Series 13QR Shares of the above-mentioned conversion right. On the 30th day prior to each Series 13QR Conversion Date, SLF will give notice in writing to the then registered holders of the Series 13QR Shares of the Floating Quarterly Dividend Rate for the next succeeding Quarterly Floating Rate Period and the Annual Fixed Dividend Rate applicable to the Series 12R Shares for the next succeeding Subsequent Fixed Rate Period.

Holders of Series 13QR Shares will not be entitled to convert their shares into Series 12R Shares if SLF determines that there would remain outstanding on a Series 13QR Conversion Date less than 1,000,000 Series 12R Shares, after having taken into account all Series 13QR Shares tendered for conversion into Series 12R Shares and all Series 12R Shares tendered for conversion into Series 13QR Shares. SLF will give notice in writing thereof to all registered holders of Series 13QR Shares at least seven days prior to the applicable Series 13QR Conversion Date. Furthermore, if SLF determines that there would remain outstanding on a Series 13QR Conversion Date less than 1,000,000 Series 13QR Shares, after having taken into account all Series 13QR Shares tendered for conversion into Series 12R Shares and all Series 12R Shares tendered for conversion into Series 13QR Shares, then, all, but not part, of the remaining outstanding Series 13QR Shares will automatically be converted into Series 12R Shares on the basis of one Series 12R Share for each Series 13QR Share held on the applicable Series 13QR Conversion Date and SLF will give notice in writing thereof to the then registered holders of such remaining Series 13QR Shares at least seven days prior to the Series 13QR Conversion Date.

Upon exercise by the holder of this right to convert Series 13QR Shares into Series 12R Shares, or upon automatic conversion of Series 13QR Shares into Series 12R Shares, SLF reserves the right not to issue Series 12R Shares to any person whose address is in, or whom SLF or its transfer agent has reason to believe is a resident of, any jurisdiction outside Canada, to the extent that such issue would require SLF to take any action to comply with the securities, insurance or analogous laws of such jurisdiction.

If SLF gives notice to the registered holders of the Series 13QR Shares of the redemption on a Series 13QR Conversion Date of all the Series 13QR Shares, SLF will not be required to give notice as provided hereunder to the registered holders of the Series 13QR Shares of an Annual Fixed Dividend Rate or Floating Quarterly Dividend Rate or of the conversion right of holders of Series 13QR Shares and the right of any holder of Series 13QR Shares to convert such Series 13QR Shares will cease and terminate in that event.

### *Conversion of Series 13QR Shares into Another Series of Preferred Shares*

SLF may, at any time by resolution of the Board of Directors, constitute a separate series of Class A Shares (“**New Preferred Shares**”) having rights, privileges, restrictions and conditions attaching to them (other than any option or right to convert into Common Shares) which would qualify such New Preferred Shares as Tier 1 capital of SLF under the then current capital adequacy guidelines established by the Superintendent. In such event, SLF may, with the consent of the Superintendent, give registered holders of the Series 13QR Shares notice that they have the right, pursuant to the terms of the Series 13QR Shares, at their option, to convert their Series 13QR Shares on the date specified in the notice into fully-paid and non-assessable New Preferred Shares on a share-for-share basis. SLF will give notice of any option to convert to registered holders not more than 60 days and not less than 30 days prior to the conversion date. See “Insurance Act Restrictions”. SLF will ensure that such New Preferred Shares will not, if issued, be or be deemed to be “short-term preferred shares” within the meaning of the Tax Act.

Upon exercise by the holder of this right to convert Series 13QR Shares into New Preferred Shares, SLF reserves the right not to issue New Preferred Shares to any person whose address is in, or whom SLF or its transfer agent has reason to believe is a resident of, any jurisdiction outside Canada, to the extent that such issue would require SLF to take any action to comply with the securities, insurance or analogous laws of such jurisdiction.

### *Purchase for Cancellation*

Subject to the provisions of the Insurance Act, the prior consent of the Superintendent and the provisions described below under “Restrictions on Dividends and Retirement of Shares”, SLF may at any time purchase for cancellation any Series 13QR Shares at any price.

### *Rights on Liquidation*

In the event of the liquidation, dissolution or winding-up of SLF, the holders of the Series 13QR Shares will be entitled to receive \$25.00 for each share held by them, together with all declared and unpaid dividends to the date of distribution, before any amounts are paid or any assets of SLF are distributed to the registered holders of any shares ranking junior to the Series 13QR Shares. The holders of the Series 13QR Shares will not be entitled to share in any further distribution of the property or assets of SLF.

### *Restrictions on Dividends and Retirement of Shares*

As long as any Series 13QR Shares are outstanding, SLF will not, without the approval of the holders of the Series 13QR Shares:

- (a) declare, pay or set apart for payment any dividends on its Class B Shares or Common Shares or any other shares ranking junior to the Series 13QR Shares (other than stock dividends on any shares ranking junior to the Series 13QR Shares);
- (b) redeem, purchase or otherwise retire any Class B Shares or Common Shares or any other shares ranking junior to the Series 13QR Shares (except out of the net cash proceeds of a substantially concurrent issue of shares ranking junior to the Series 13QR Shares);
- (c) redeem, purchase or otherwise retire less than all the Series 13QR Shares; or
- (d) except pursuant to any purchase obligation, sinking fund, retraction privilege or mandatory redemption provisions attaching to any series of preferred shares of SLF, redeem, purchase, or otherwise retire any other shares ranking on a parity with the Series 13QR Shares;

unless, in each case, all dividends on the Series 13QR Shares up to and including those payable on the dividend payment date for the last completed period for which dividends are payable and in respect of which the rights of holders have not been extinguished, and all dividends then accrued on all other shares ranking senior to or on a parity with the Series 13QR Shares up to the immediately preceding respective date or dates for payment and in respect of which the rights of holders of those shares have not been extinguished, have been declared and paid or set apart for payment. See “Insurance Act Restrictions”.

If SLF does not pay a dividend on the Series 13QR Shares in respect of a particular period, then the right to that dividend will be extinguished. In addition, SLF is prohibited from paying dividends on its preferred shares in certain other circumstances. See “Risk Factors”.

### *Issue of Additional Series of Class A Shares*

SLF may issue other series of Class A Shares ranking on a parity with the Series 13QR Shares or shares of any other class or series without the approval of the holders of the Series 13QR Shares. The Series 13QR Shares will rank equally with the Class A Non-Cumulative Preferred Shares Series 1, the Class A Non-Cumulative Preferred Shares Series 2, the Class A Non-Cumulative Preferred Shares Series 3, the Class A Non-Cumulative Preferred Shares Series 4, the Class A Non-Cumulative Preferred Shares Series 5, the Class A Non-Cumulative 5-Year Rate Reset Preferred Shares Series 6R, the Class A Non-Cumulative Rate Reset Preferred Shares Series 8R, the Class A Non-Cumulative Rate Reset Preferred Shares Series 10R any Class A Non-Cumulative Floating Rate Preferred Shares Series 7QR, any Class A Non-Cumulative Floating Rate Preferred Shares Series 9QR, any Class A Non-Cumulative Floating Rate Preferred Shares Series 11QR and the Series 12R Shares.

### *Amendments to the Series 13QR Shares*

SLF will not without, but may from time to time with, the approval of the holders of the Series 13QR Shares given as specified below and any approval of the TSX as may be necessary, delete, add to or vary any rights, privileges, restrictions or conditions attaching to the Series 13QR Shares. In addition, SLF will not without, but may from time to time with, any necessary consent of the Superintendent, make any such deletion, addition or variation which might affect the classification afforded the Series 13QR Shares from time to time for capital adequacy requirements pursuant to the Insurance Act and the regulations and guidelines thereunder.

### *Shareholder Approvals*

The approval of all amendments to the rights, privileges, restrictions and conditions attaching to the Series 13QR Shares as a series may be given in writing by the holders of all of the outstanding Series 13QR Shares or by a resolution passed by the affirmative vote of not less than 66 2/3% of the votes cast at a meeting of holders of the Series 13QR Shares at which a quorum of the outstanding Series 13QR Shares is represented. For this purpose, a quorum at any meeting of the holders of Series 13QR Shares will be 25% of the shares entitled to vote at any such meeting, except that at a meeting following an adjourned meeting there is no quorum requirement. At any meeting of holders of Series 13QR Shares as a series, each such holder will be entitled to one vote in respect of each Series 13QR Share held.

### *Voting Rights*

Subject to the provisions of the Insurance Act, the holders of the Series 13QR Shares will not be entitled to receive notice of, or to attend or to vote at, any meeting of the shareholders of SLF unless and until the first time at which the rights of such holders to any undeclared dividends have become extinguished, as described under “Dividends on Series 13QR Shares” above. In that event, the holders of the Series 13QR Shares will be entitled to receive notice of, and to attend, only meetings of shareholders at which directors are to be elected and will be entitled to one vote for each share held in the election of directors only but not in respect of any other business. The voting rights of the holders of the Series 13QR Shares will forthwith cease upon payment by SLF of the first quarterly dividend on the Series 13QR Shares to which the holders are entitled subsequent to the time such voting rights first arose. At such time as the rights of such holders to any undeclared dividends on the Series 13QR Shares have again become extinguished, such voting rights will become effective again and so on from time to time.

### *Tax Election*

The terms of the Series 13QR Shares require SLF to make the necessary election under Part VI.1 of the Tax Act so that corporate investors will not be subject to tax under Part IV.1 of the Tax Act on dividends received (or deemed to be received) on such shares. See “Certain Canadian Federal Income Tax Considerations - Dividends”.

### *Business Day*

If any action is required to be taken by SLF on a day that is not a business day, then such action will be taken on the next succeeding day that is a business day.

## **DEPOSITORY SERVICES**

Except as otherwise provided below, the Series 12R Shares and the Series 13QR Shares will be issued in “book-entry only” form and must be purchased, transferred, converted or redeemed through CDS participants (the “**Participants**”) in the depository service of CDS or its nominee, which include securities brokers and dealers, banks and trust companies. On the date of closing, SLF will cause a global certificate or certificates representing the Series 12R Shares to be delivered to, and registered in the name of, CDS or its nominee. Except as described below, no purchaser of Series 12R Shares or Series 13QR Shares, as applicable, will be entitled to a certificate or other instrument from SLF or CDS evidencing that purchaser’s ownership thereof, and no purchaser will be shown on the records

maintained by CDS except through a book-entry account of a Participant acting on behalf of that purchaser. Each purchaser of Series 12R Shares or Series 13QR Shares, as applicable, will receive a customer confirmation of purchase from the registered dealer from which such shares are purchased in accordance with the practices and procedures of that registered dealer. Practices of registered dealers may vary, but generally customer confirmations are issued promptly after execution of a customer order. CDS will be responsible for establishing and maintaining book-entry accounts for its Participants having interests in the Series 12R Shares or Series 13QR Shares, as applicable. Physical certificates evidencing the Series 12R Shares and Series 13QR Shares will not be issued to purchasers, and registration will be made in the depository service of CDS.

Series 12R Shares and Series 13QR Shares, as applicable, will be issued in fully registered form to holders or their nominees other than CDS or its nominee if (i) SLF determines that CDS is no longer willing or able to discharge properly its responsibilities as depository and SLF is unable to locate a qualified successor, (ii) SLF at its option elects, or is required by law, to terminate the book-entry system through CDS, or (iii) the book-entry system ceases to exist.

Neither SLF nor the Underwriters assume any liability for any action or omission on the part of CDS and/or the Participants in relation to the book-entry system, including (i) any aspect of the records relating to the beneficial ownership of the Series 12R Shares or Series 13QR Shares, as applicable, held by CDS or the payments relating thereto, (ii) maintaining, supervising or reviewing any records relating to the Series 12R Shares or Series 13QR Shares, as applicable, or (iii) any advice or representation made by or with respect to CDS and contained in the Short Form Prospectus and this prospectus supplement and relating to the rules governing CDS or any action to be taken by CDS or at the direction of its Participants. The rules governing CDS provide that it acts as the agent and depository for the Participants. As a result, Participants must look solely to CDS and persons, other than Participants, having an interest in the Series 12R Shares or Series 13QR Shares, as applicable, must look solely to Participants for payments made by or on behalf of SLF to CDS.

As indirect holders of Series 12R Shares or Series 13QR Shares, as applicable, investors should be aware that (subject to certain exceptions) they (i) may not have Series 12R Shares or Series 13QR Shares, as applicable, registered in their name, (ii) may not have physical certificates representing their interest in the Series 12R Shares or Series 13QR Shares, as applicable, (iii) may not be able to sell the Series 12R Shares or Series 13QR Shares, as applicable, to institutions required by law to hold physical certificates for securities that they own, and (iv) may be unable to pledge Series 12R Shares or Series 13QR Shares, as applicable, as security.

#### **Manner of Effecting Transfer, Redemption or Conversion**

A transfer, redemption or conversion of Series 12R Shares or Series 13QR Shares, as applicable, will be effected through records maintained by CDS or its nominee with respect to interests of Participants, and on the records of Participants with respect to interests of persons other than Participants. Purchasers of Series 12R Shares or Series 13QR Shares, as applicable, who are not Participants, but who wish to convert, purchase, sell or otherwise transfer ownership of or other interests in Series 12R Shares or Series 13QR Shares, as applicable, may do so only through Participants.

Depending on the jurisdiction in which a purchaser is located, the ability of a purchaser to pledge Series 12R Shares or Series 13QR Shares, as applicable, and otherwise take action with respect to such purchaser's interest in Series 12R Shares or Series 13QR Shares, as applicable (other than through a Participant), may be limited due to the absence of a physical certificate.

See "Insurance Act Restrictions".

#### **Payment of Dividends and Other Amounts**

Payments of dividends and other amounts in respect of the Series 12R Shares or Series 13QR Shares, as applicable, will be made by SLF to CDS or its nominee, as the case may be, as registered holder of the Series 12R Shares or Series 13QR Shares, as applicable. As long as CDS or its nominee is the registered holder of the Series 12R Shares or Series 13QR Shares, as applicable, CDS or its nominee, as the case may be, will be considered the sole owner of the Series 12R Shares or Series 13QR Shares, as applicable, for the purposes of receiving payments on such shares.

SLF expects that CDS or its nominee, upon the date of receipt of any payment in respect of the Series 12R Shares or Series 13QR Shares, as applicable, will credit the Participants' accounts with payments in amounts proportionate to their respective beneficial interests in Series 12R Shares or Series 13QR Shares, as applicable, shown on the records of CDS or its nominee. SLF also expects that payments by the Participants to the owners of beneficial interests in Series 12R Shares or Series 13QR Shares, as applicable, will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name", and will be the responsibility of Participants. The responsibility and liability of SLF in respect of the Series 12R Shares or Series 13QR Shares, as applicable, issued in book-entry form is limited to making payment of any amount due on such shares to CDS or its nominee.

## Notices

Any notice required to be given to any persons having an interest in the Series 12R Shares or Series 13QR Shares, as applicable, will be given to CDS.

## INSURANCE ACT RESTRICTIONS

The Insurance Act contains restrictions on the purchase or other acquisition, issue, transfer and voting of the shares of an insurance company. Pursuant to these restrictions, no person is permitted to acquire any shares of SLF if the acquisition would cause the person to have a “significant interest” in any class of shares of SLF, without the prior approval of the Minister of Finance of Canada. In addition, SLF is not permitted to record any transfer or issue of shares of SLF if the transfer or issue would cause the person to have a significant interest in SLF, unless prior approval is obtained from the Minister of Finance of Canada. No person who has a significant interest in SLF may exercise any voting rights attached to the shares held by that person, unless prior approval of the Minister of Finance of Canada is obtained. A person has a significant interest in a class of shares where the aggregate of any shares of that class beneficially owned by that person, any entity controlled by that person and any person acting jointly or in concert with that person exceeds 10% of all of the outstanding shares of that class of shares.

Under the Insurance Act, the Minister of Finance of Canada may approve only the acquisition of a significant interest of up to 30% of any class of non-voting shares and up to 20% of a class of voting shares and provided that the person acquiring those shares does not have direct or indirect influence over SLF that, if exercised, would result in that person having control in fact of SLF. Subject to limited exceptions, the Insurance Act prohibits life insurance companies, including SLF, from recording a transfer or issuing shares of any class to Her Majesty in right of Canada or of a province, an agent of Her Majesty, a foreign government or an agent of a foreign government.

## USE OF PROCEEDS

The net proceeds to SLF from the sale of the Series 12R Shares, after deducting estimated expenses of the issue and the Underwriters’ fee (assuming no Series 12R Shares are sold to certain institutions), will amount to \$242,250,000 (or \$290,750,000 if all the Additional Shares are purchased). The proceeds will be added to SLF’s general funds and will be used for general business purposes, including for use within the SLF group of companies and for investment.

## RATINGS

The Series 12R Shares are provisionally rated “Pfd-1 (low)”, by DBRS Limited (“DBRS”). “Pfd-1” is in the highest category available from DBRS for preferred shares. A reference to “high” or “low” reflects the relative strength within the rating category.

The Series 12R Shares are provisionally rated “P-2 (high)” by Standard & Poor’s Rating Services, a division of The McGraw-Hill Companies (Canada) Corporation (“S&P”) using the S&P Canadian scale for preferred shares and “BBB+” using S&P’s global scale for preferred shares. The “P-2” rating is in the second highest of the five categories used by S&P on its Canadian preferred share scale. A reference to “high” or “low” reflects the relative strength within the rating category. The “BBB+” rating is in the fourth highest of the nine categories used by S&P on its global scale. A reference to “(+)” or “(-)” shows the relative standing within the rating category.

Prospective purchasers of Series 12R Shares should consult the relevant rating organization with respect to the interpretation and implications of the foregoing provisional ratings. The foregoing ratings should not be construed as recommendations to buy, sell or hold Series 12R Shares. Ratings may be revised or withdrawn at any time by the respective rating organizations.

## PLAN OF DISTRIBUTION

Pursuant to an underwriting agreement dated November 3, 2011 (the “**Underwriting Agreement**”) between SLF and the Underwriters, SLF has agreed to sell and the Underwriters have severally agreed to purchase on November 10, 2011, or such date as may be agreed upon, but not later than December 10, 2011, subject to the terms and conditions stated therein, all but not less than all of the Series 12R Shares at a price of \$25.00 per share, payable in cash to SLF against delivery of such shares.

The Underwriting Agreement provides that the Underwriters will be paid a fee per share equal to \$0.25 with respect to the Series 12R Shares sold to certain institutions and \$0.75 with respect to all other Series 12R Shares sold. Assuming that no Series 12R Shares are sold to such institutions, the Underwriters’ fee will be \$7,500,000. All fees payable to the Underwriters will be paid on account of services rendered in connection with the issue and will be paid out of the proceeds of this offering.

SLF has granted the Underwriters an option, exercisable at any time prior to 5:00 p.m. (Toronto time) on the second business day prior to the closing date of the offering, to purchase up to an aggregate of 2,000,000 additional Series 12R Shares (the “**Additional**

Shares”) on the same terms as set forth above. The Underwriters will be paid a fee per share of \$0.25 in respect of Additional Shares sold to certain institutional investors and \$0.75 in respect of all other Additional Shares sold. This prospectus supplement qualifies the Additional Shares, if any, issued as a result of the exercise of such option.

The obligations of the Underwriters under the Underwriting Agreement may be terminated at their discretion on the basis of their assessment of the state of the financial markets and may also be terminated upon the occurrence of certain stated events. The Underwriters are, however, obligated to take up and pay for all of the Series 12R Shares if any are purchased under the Underwriting Agreement.

The Underwriters propose to offer the Series 12R Shares initially at the offering price of \$25.00 per share. After the Underwriters have made a reasonable effort to sell all of the Series 12R Shares at that price, the offering price may be decreased and may be further changed from time to time to an amount not greater than \$25.00. Any change to the offering price will not affect the net proceeds to SLF from this offering.

The Underwriters may not, throughout the period of distribution, bid for or purchase the Series 12R Shares. The foregoing restriction is subject to certain exemptions, as long as the bid or purchase is not engaged in for the purpose of creating actual or apparent active trading in, or raising the price of, the Series 12R Shares. These exceptions include a bid or purchase permitted under the Universal Market Integrity Rules administered by the Investment Industry Regulatory Organization of Canada relating to market stabilization and passive market-making activities and a bid or purchase made for and on behalf of a customer where the order was not solicited during the period of distribution. In connection with this offering, the Underwriters may effect transactions which stabilize or maintain the market price of the Series 12R Shares at a level above that which might otherwise prevail in the open market. Such transactions, if commenced, may be discontinued at any time.

The TSX has conditionally approved the listing of the Series 12R Shares and the Series 13QR Shares subject to SLF fulfilling all of the requirements of the TSX on or before January 31, 2012.

The decision to distribute the Series 12R Shares and the determination of the terms of this offering were made through negotiations between SLF and the Underwriters.

**PRIOR SALES**

During the 12 months preceding the date of this prospectus supplement, the only issuance by SLF of preferred shares or securities convertible into preferred shares was the issuance of 8,000,000 Class A Non-Cumulative Rate Reset Preferred Shares Series 10R on August 12, 2011 at a price of \$25.00 per share for a total aggregate purchase price of \$200,000,000. Subject to SLF’s right to redeem the shares, the Class A Non-Cumulative Rate Reset Preferred Shares Series 10R are convertible at the option of the holder into Class A Non-Cumulative Floating Rate Preferred Shares Series 11QR, subject to certain conditions, on September 30, 2016 and on September 30 every five years thereafter.

**TRADING PRICE AND VOLUME OF SLF’S SECURITIES**

The following chart sets out the trading price and volume of SLF’s securities on the TSX during the 12 months preceding the date of this prospectus supplement:

Year	Period	Common Shares – Price Range			Class A Shares – Price Range			Class A Shares – Price Range		
		High \$	Low \$	Volume	High \$	Series 1		High \$	Series 2	
						Low \$	Volume		Low \$	Volume
2010	October	28.97	26.28	24,898,996	21.87	21.18	301,209	22.00	21.48	198,131
	November	29.71	27.63	35,469,556	22.94	21.60	380,890	23.16	21.89	356,176
	December	30.77	27.75	29,107,540	21.99	20.63	428,645	22.20	20.83	279,301
2011	January	31.91	30.15	19,960,180	23.10	21.57	473,443	23.36	21.90	518,379
	February	34.39	31.65	34,689,429	23.84	22.83	411,003	23.99	23.00	328,105
	March	32.25	29.21	36,179,850	23.34	22.50	404,238	23.60	22.81	554,286
	April	31.03	29.14	25,994,166	22.93	22.04	270,330	23.06	22.29	195,695
	May	31.50	29.41	26,403,788	23.79	22.30	319,010	24.16	22.65	357,833
	June	30.48	27.93	24,389,987	23.98	23.03	449,996	24.39	23.31	216,759
	July	29.58	26.41	19,624,535	23.55	22.75	197,703	23.65	23.01	233,388
	August	26.79	24.04	41,482,870	23.84	22.50	514,572	23.98	22.66	202,579
	September	26.69	23.43	33,858,933	23.33	22.28	290,273	23.46	22.59	233,642
	October	26.58	23.21	36,324,580	23.05	21.60	254,010	23.20	21.51	274,650
	November 1 to 2	24.80	23.77	4,133,606	23.05	22.72	13,766	23.20	23.00	14,840

<b>Class A Shares – Price Range</b>										
<b>Year</b>	<b>Period</b>	<b>Series 3</b>			<b>Series 4</b>			<b>Series 5</b>		
		<b>High \$</b>	<b>Low \$</b>	<b>Volume</b>	<b>High \$</b>	<b>Low \$</b>	<b>Volume</b>	<b>High \$</b>	<b>Low \$</b>	<b>Volume</b>
2010	October	20.68	19.95	455,275	20.60	20.03	484,156	20.89	19.99	190,442
	November	21.78	20.60	271,270	21.79	20.51	352,758	21.90	20.74	402,744
	December	20.58	19.31	273,153	20.58	19.33	512,439	20.75	19.54	325,846
2011	January	21.69	20.37	245,489	21.70	20.33	560,119	21.88	20.51	346,317
	February	22.57	21.33	353,285	22.58	21.40	317,211	22.95	21.45	265,959
	March	22.06	21.19	244,166	22.11	21.25	318,388	22.18	21.26	265,333
	April	21.59	20.73	320,428	21.62	20.73	137,549	21.76	20.81	171,589
	May	22.75	21.03	466,154	22.54	21.17	302,428	22.80	20.93	267,460
	June	23.48	22.00	497,027	22.93	21.94	250,822	22.94	22.16	318,539
	July	22.21	21.80	250,649	22.19	21.72	247,322	22.29	21.90	392,422
	August	22.34	21.30	246,619	22.27	21.25	287,261	22.43	21.27	286,113
	September	22.09	20.93	451,096	21.95	20.91	383,568	22.10	21.15	314,787
	October	21.77	19.89	320,712	21.75	19.90	389,202	21.94	20.15	201,563
	November 1 to 2	21.69	21.51	10,731	21.58	21.41	9,265	21.88	21.66	17,364

<b>Class A Shares – Price Range</b>										
<b>Year</b>	<b>Period</b>	<b>Series 6R</b>			<b>Series 8R</b>			<b>Series 10R<sup>(1)</sup></b>		
		<b>High \$</b>	<b>Low \$</b>	<b>Volume</b>	<b>High \$</b>	<b>Low \$</b>	<b>Volume</b>	<b>High \$</b>	<b>Low \$</b>	<b>Volume</b>
2010	October	27.85	27.29	265,047	26.10	25.21	240,956	--	--	--
	November	28.15	27.10	211,566	26.50	25.35	296,217	--	--	--
	December	27.59	26.60	114,836	26.02	24.95	201,852	--	--	--
2011	January	27.79	26.97	147,770	26.00	25.28	165,344	--	--	--
	February	27.75	26.58	250,180	26.25	25.07	188,243	--	--	--
	March	27.35	26.60	545,275	26.05	24.96	224,898	--	--	--
	April	27.40	26.85	135,821	25.74	25.17	134,550	--	--	--
	May	27.77	26.80	162,866	25.96	25.14	229,723	--	--	--
	June	27.35	26.78	104,043	25.58	25.00	337,967	--	--	--
	July	27.46	26.90	121,270	25.98	25.01	73,364	--	--	--
	August	27.30	26.45	79,128	25.85	24.91	210,253	24.87	24.67	1,234,101
	September	27.12	26.36	132,298	25.32	24.69	120,413	24.93	24.25	357,435
	October	26.95	25.88	76,655	25.22	24.37	264,228	24.90	24.00	320,986
	November 1 to 2	27.05	26.69	7,266	25.45	24.90	7,896	24.70	24.60	14,133

<sup>(1)</sup>The Class A Non-Cumulative Rate Reset Preferred Shares Series 10R began trading on the TSX on August 12, 2011.

### CONSOLIDATED CAPITAL AND INDEBTEDNESS

Certain selected financial data set forth below has been derived from SLF's consolidated financial results for the nine months ended September 30, 2011. The following table shows the share capital and consolidated indebtedness of SLF as at that date.

	<b>September 30, 2011<sup>(1)</sup></b> <b>(\$ millions)</b>	<b>September 30, 2011<sup>(1)</sup></b> <b>as adjusted<sup>(2)</sup></b> <b>(\$ millions)</b>
SLF Senior Unsecured Debentures .....	2,149	2,149
Subordinated Debt .....	2,751	2,751
Senior Financing <sup>(3)</sup> .....	1,459	1,459
Innovative Capital Instruments <sup>(4)</sup> .....	1,645	1,645
Preferred Shares.....	2,210	2,210
Series 12R Shares (this offering).....	--	250 <sup>(5)</sup>
Participating Policy Holder Account.....	123	123
Non-Controlling Interests .....	19	19
Shareholders' Equity.....	<b>14,158</b>	<b>14,158</b>
Total Share Capital and Indebtedness.....	24,514	24,764 <sup>(5)</sup>

Notes:

<sup>(1)</sup> SLF adopted International Financial Reporting Standards ("IFRS") effective for interim and annual periods commencing January 1, 2011. All amounts appearing in this table, which are derived from the consolidated financial statements of SLF for the 9 months ended September 30, 2011, are presented in accordance with IFRS.



- (2) As adjusted for the Series 12R Shares.
- (3) This Senior Financing is included under “other liabilities” in, and described in Note 12D of, SLF’s audited consolidated financial statements for the 12 months ended December 31, 2010.
- (4) These securities were issued by Sun Life Capital Trust and Sun Life Capital Trust II. See Note 11 of SLF’s audited consolidated financial statements for the 12 months ended December 31, 2010.
- (5) If all of the Additional Shares are purchased, the total Series 12R Shares as at September 30, 2011, as adjusted for this offering, will be increased to \$300 and the Total Share Capital and Indebtedness will be increased to \$24,814.

Sun Life Capital Trust has announced its intention to redeem at par, on December 31, 2011, all of its outstanding \$950 million principal amount of Sun Life Exchangeable Capital Securities-Series A.

## EARNINGS COVERAGE

SLF adopted IFRS effective for interim and annual periods commencing January 1, 2011. Financial results under IFRS for 2010 and 2011 are unaudited. Prior to the adoption of IFRS, SLF prepared its consolidated financial statements in accordance with Canadian generally accepted accounting principles as in effect prior to January 1, 2011 (“**Canadian GAAP**”). All amounts appearing under this heading, which are derived from the consolidated financial statements of SLF for periods ending on or prior to December 31, 2010, are presented in accordance with Canadian GAAP.

The following earnings coverage ratios set out below are calculated for the 12 months ended December 31, 2010 under both Canadian GAAP and IFRS, and for the 12 months ended September 30, 2011 under IFRS. In each case, they give effect to the issuance of 10,000,000 Series 12R Shares to be distributed under this prospectus supplement.

### Canadian GAAP

The following information was computed under Canadian GAAP. SLF’s dividend requirements on all of its Class A Shares, after giving effect to the issue of Series 12R Shares, and adjusted to a before-tax equivalent using an effective income tax rate of 17.8%, amounted to \$126,100,000 for the 12 months ended December 31, 2010. SLF’s interest requirements for the 12 months then ended amounted to \$423,600,000. SLF’s earnings before interest and income tax for the 12 months ended December 31, 2010 was \$2,518,200,000, which is 4.6 times SLF’s aggregate dividend and interest requirements for this period.

### IFRS

The following information was computed under IFRS. SLF’s dividend requirements on all its Class A Shares, after giving effect to the issue of Series 12R Shares, and adjusted to a before-tax equivalent using an effective income tax rate of 18.9% and 18.1%, amounted to \$127,700,000 and \$132,600,000, for the 12 months ended December 31, 2010 and September 30, 2011, respectively. SLF’s borrowing cost requirements for each of the 12 months then ended amounted to \$442,600,000 and \$425,300,000, respectively. SLF’s profit and loss attributable to owners of the parent before borrowing costs and income tax for the 12 months ended December 31, 2010 and September 30, 2011 were \$2,329,200,000 and \$1,459,600,000, respectively, which is 4.1 times and 2.6 times, respectively, SLF’s aggregate dividend and borrowing cost requirements for these periods.

## CERTAIN CANADIAN FEDERAL INCOME TAX CONSIDERATIONS

In the opinion of Torys LLP, counsel to SLF, and McCarthy Tétrault LLP, counsel to the Underwriters, the following is a summary of the principal Canadian federal income tax considerations generally applicable to a purchaser of Series 12R Shares pursuant to this prospectus supplement (a “**Holder**”) who, for purposes of the Tax Act and at all relevant times, is or is deemed to be a resident of Canada, deals at arm’s length with and is not affiliated with SLF and holds the Series 12R Shares and will hold any Series 13QR Shares, as the case may be, as capital property and is not exempt from tax under Part I of the Tax Act.

Generally, the Series 12R Shares and the Series 13QR Shares will be capital property to a Holder provided the Holder does not hold such shares in the course of carrying on a business of trading or dealing in securities and does not acquire them as part of an adventure in the nature of a trade. Certain Holders who might not otherwise be considered to hold Series 12R Shares or Series 13QR Shares as capital property may, in certain circumstances, be entitled to have them and every other “Canadian security”, as defined in the Tax Act, owned by such Holder in the taxation year of the election or any subsequent taxation year, treated as capital property by making the irrevocable election permitted by subsection 39(4) of the Tax Act.

This summary is not applicable to a purchaser who is a “financial institution” for the purposes of the “mark-to-market property” rules, to a purchaser an interest in which would be a “tax shelter investment” or to a purchaser who determines its Canadian tax results in a “functional currency” (which does not include Canadian currency), each as defined in the Tax Act. Such purchasers should consult their own tax advisors. Furthermore, this summary is not applicable to a purchaser that is a “specified financial institution”, as defined in the Tax Act, that receives or is deemed to receive, alone or together with persons with whom it does not deal at arm’s length,

in the aggregate dividends in respect of more than 10% of the Series 12R Shares or the Series 13QR Shares, as the case may be, outstanding at the time the dividend is received. This summary also assumes that all issued and outstanding Series 12R Shares and Series 13QR Shares are listed on a designated stock exchange (which includes the TSX) in Canada (as defined in the Tax Act) at such times as dividends (including deemed dividends) are paid or received on such shares.

**This summary is of a general nature only and is not intended to be, nor should it be construed to be, legal or tax advice to any particular purchaser and no representations with respect to the income tax consequence to any particular purchaser are made. Accordingly, prospective purchasers should consult their own tax advisors with respect to their particular circumstances.**

This summary is based upon the current provisions of the Tax Act, the regulations thereunder, all specific proposals to amend the Tax Act and regulations publicly announced by the Minister of Finance (Canada) prior to the date hereof (the “**Proposals**”) and counsel’s understanding of the current administrative practices and assessing policies published in writing by the Canada Revenue Agency (the “**CRA**”). This summary does not otherwise take into account or anticipate any changes in law or in administrative practice or assessing policies, whether by legislative, administrative or judicial decision or action, nor does it take into account or consider any provincial, territorial or foreign income tax considerations, which may be different from those discussed herein. No assurance can be given that the Proposals will be enacted as proposed or at all.

### *Dividends*

Dividends (including deemed dividends) received on the Series 12R Shares or the Series 13QR Shares by an individual (other than certain trusts) will be included in the individual’s income and generally will be subject to the gross-up and dividend tax credit rules normally applicable to taxable dividends received by individuals from taxable Canadian corporations, including the enhanced dividend gross-up and dividend tax credit applicable to any dividends designated by SLF as “eligible dividends” in accordance with the Tax Act.

Dividends (including deemed dividends) received on the Series 12R Shares or the Series 13QR Shares by a corporation will be included in computing the corporation’s income and will generally be deductible in computing the taxable income of the corporation.

The Series 12R Shares and the Series 13QR Shares will be “taxable preferred shares” as defined in the Tax Act. The terms of the Series 12R Shares and the Series 13QR Shares require SLF to make the necessary election under Part VI.1 of the Tax Act so that corporate shareholders will not be subject to tax under Part IV.1 of the Tax Act on dividends received (or deemed to be received) on the Series 12R Shares and the Series 13QR Shares.

Dividends received by an individual (including certain trusts) may give rise to a liability for alternative minimum tax.

A “private corporation”, as defined in the Tax Act, or any other corporation controlled (whether by reason of a beneficial interest in one or more trusts or otherwise) by or for the benefit of an individual (other than a trust) or a related group of individuals (other than trusts), will generally be liable to pay refundable tax under Part IV of the Tax Act of 33 1/3% of dividends received (or deemed to be received) on the Series 12R Shares and the Series 13QR Shares to the extent such dividends are deductible in computing its taxable income.

### *Dispositions*

A Holder who disposes of or is deemed to dispose of a Series 12R Share or a Series 13QR Share (including on redemption of the shares or other acquisition by SLF but not including on a conversion) will generally realize a capital gain (or sustain a capital loss) to the extent that the proceeds of disposition, net of any reasonable costs of disposition, exceed (or are less than) the adjusted cost base of such share to such Holder. The amount of any deemed dividend arising on the redemption or acquisition by SLF of a Series 12R Share or a Series 13QR Share will generally not be included in computing the proceeds of disposition to the Holder for purposes of computing the capital gain or capital loss arising on the disposition of such share. See “Redemption” below. If the Holder is a corporation, any such capital loss may in certain circumstances be reduced by the amount of any dividends, including deemed dividends, which have been received on such shares, or a share which has been converted into such share, to the extent and under the circumstances prescribed by the Tax Act. Analogous rules apply to a partnership or trust of which a corporation, trust or partnership is a member or beneficiary.

Generally, one-half of any capital gain will be included in computing the Holder’s income as a taxable capital gain. One-half of any capital loss may be deducted from the Holder’s taxable capital gains subject to and in accordance with the rules contained in the Tax Act. Capital gains realized by an individual (including certain trusts) may give rise to liability for alternative minimum tax under the Tax Act. An amount in respect of taxable capital gains of a Canadian controlled private corporation, as defined in the Tax Act, may be subject to an additional refundable tax of 6 2/3%.

### ***Redemption***

If SLF redeems for cash or otherwise acquires a Series 12R Share or a Series 13QR Share, other than by a purchase in the manner in which shares are normally purchased by a member of the public in the open market, the Holder will be deemed to have received a dividend equal to the amount, if any, paid by SLF, including any redemption premium, in excess of the paid-up capital (as determined for purposes of the Tax Act) of such share at such time. Generally, the proceeds of disposition for purposes of computing the capital gain or capital loss arising on the disposition of such share will be equal to the amount paid by SLF on redemption or acquisition of such share, including any redemption premium, less the amount of the deemed dividend, if any. In the case of a corporate shareholder, it is possible that in certain circumstances all or part of the deemed dividend may be treated as proceeds of disposition and not as a dividend.

### ***Conversion***

The conversion of a Series 12R Share into a Series 13QR Share or a New Preferred Share and the conversion of a Series 13QR Share into a Series 12R Share or New Preferred Share will be deemed not to be a disposition of property and, accordingly, will not give rise to any capital gain or capital loss. The cost to a Holder of a Series 13QR Share, a Series 12R Share or a New Preferred Share, as the case may be, received on the conversion will be deemed to be equal to the adjusted cost base to such Holder of the converted Series 12R Share or Series 13QR Share as the case may be, immediately before the conversion. The adjusted cost base of all the Series 12R Shares, Series 13QR Shares or New Preferred Shares held by the Holder will be determined in accordance with the cost averaging rules in the Tax Act.

## **RISK FACTORS**

There are risks associated with an investment in the Series 12R Shares. In addition to the risks described in this prospectus supplement, reference is made to the section entitled "Risk Factors" in SLF's annual information form dated February 16, 2011, which is incorporated by reference in this prospectus supplement.

SLF and Sun Life Assurance have covenanted that, if a distribution is not paid when due on any outstanding SLEECS issued by Sun Life Capital Trust or Sun Life Capital Trust II, subsidiaries of Sun Life Assurance, Sun Life Assurance will not pay dividends on its "Public Preferred Shares", if any are outstanding, and if no Public Preferred Shares are outstanding, SLF will not pay dividends on its preferred shares, which would include the Class A Non-Cumulative Preferred Shares Series 1, Class A Non-Cumulative Preferred Shares Series 2, Class A Non-Cumulative Preferred Shares Series 3, Class A Non-Cumulative Preferred Shares Series 4, Class A Non-Cumulative Preferred Shares Series 5, Class A Non-Cumulative 5-Year Rate Reset Preferred Shares Series 6R, Class A Non-Cumulative Floating Rate Preferred Shares Series 7QR, Class A Non-Cumulative Rate Reset Preferred Shares Series 8R, Class A Non-Cumulative Floating Rate Preferred Shares Series 9QR, Class A Non-Cumulative Rate Reset Preferred Shares Series 10R, Class A Non-Cumulative Floating Rate Preferred Shares Series 11QR, Series 12R Shares and Series 13QR Shares or its Common Shares, in each case, until the 12th month (in the case of the SLEECS issued by Sun Life Capital Trust) or the sixth month (in the case of the SLEECS issued by Sun Life Capital Trust II) following the failure to pay the required distribution in full, unless the required distribution is paid to holders of SLEECS. "Public Preferred Shares" means preferred shares issued by Sun Life Assurance which: (a) have been issued to the public (excluding any preferred shares held beneficially by affiliates of Sun Life Assurance); (b) are listed on a recognized stock exchange; and (c) have an aggregate liquidation entitlement of at least \$200 million. None of Sun Life Assurance's issued shares currently qualify as "Public Preferred Shares".

The value of each of the Series 12R Shares and the Series 13QR Shares will be affected by the general creditworthiness of SLF. SLF's management's discussion and analysis for the twelve months ended December 31, 2010 is incorporated by reference in this prospectus supplement. This analysis discusses, among other things, known material trends and events, and risks or uncertainties that are reasonably expected to have a material effect on SLF's business, financial condition or results of operations.

Real or anticipated changes in credit ratings on each of the Series 12R Shares or the Series 13QR Shares may affect the market value of the Series 12R Shares and the Series 13QR Shares, respectively. In addition, real or anticipated changes in credit ratings can affect the cost at which SLF can transact or obtain funding, and thereby affect SLF's liquidity, business, financial condition or results of operations. No assurance can be given that any credit ratings assigned to the Series 12R Shares or the Series 13QR Shares will not be lowered or withdrawn entirely by the relevant rating agency.

The Series 12R Shares and the Series 13QR Shares are equity capital of SLF which rank equally with other Class A Shares of SLF in the event of an insolvency or winding-up of SLF. If SLF becomes insolvent or is wound-up, SLF's assets must be used to pay policyholders or creditors before payments may be made on the Series 12R Shares, the Series 13QR Shares and other preferred shares.

Prevailing yields on similar securities will affect the market value of Series 12R Shares and the Series 13QR Shares. Assuming all other factors remain unchanged, the market value of the Series 12R Shares and Series 13QR Shares would be expected to decline as prevailing yields for similar securities rise, and would be expected to increase as prevailing yields for similar securities decline. Spreads

over the Government of Canada Yield, the T-Bill Rate and comparable benchmark rates of interest for similar securities may also affect the market value of the Series 12R Shares or the Series 13QR Shares.

Each of the Series 12R Shares and Series 13QR Shares are non-cumulative and dividends are payable at the discretion of the Board of Directors of SLF. See “Details of the Offering” and “Earnings Coverage”, which are relevant to an assessment of the risk that SLF will be unable to pay dividends on the Series 12R Shares.

Neither the Series 12R Shares nor the Series 13QR Shares have a fixed maturity date and are not redeemable at the option of the holders thereof. The ability of a holder to dispose of its holdings of Series 12R Shares or Series 13QR Shares, as applicable, may be limited. The redemption and conversion of the Series 12R Shares and the Series 13QR Shares is subject to the consent of the Superintendent and other restrictions contained in the Insurance Act. See the section entitled “Regulatory Matters — Canada — Restrictions on Ownership” in the annual information form of SLF dated February 16, 2011.

An investment in the Series 12R Shares may become an investment in the Series 13QR Shares without the consent of the holder in the circumstances described under “Certain Provisions of the Series 12R Shares as a Series – Conversion of Series 12R Shares into Series 13QR Shares” above.

The dividend rate in respect of the Series 12R Shares and Series 13QR Shares will reset every five years and quarterly, respectively. In each case, the new dividend rate is unlikely to be the same as, and may be lower than, the dividend rate for the applicable preceding dividend period.

Upon the automatic conversion of the Series 12R Shares into Series 13QR Shares, the dividend rate on the Series 13QR Shares will be a floating rate that is adjusted quarterly by reference to the T-Bill Rate which may vary from time to time. In addition, holders may be prevented from converting their Series 12R Shares into Series 13QR Shares in certain circumstances. See “Details of the Offering – Certain Provisions of the Series 12R Shares as a Series – Conversion of Series 12R Shares into Series 13QR Shares”.

Stock market volatility may affect the market price of the Series 12R Shares and the Series 13QR Shares for reasons unrelated to SLF’s performance. Also, the financial markets are generally characterized by extensive interconnections among financial institutions. As such, defaults by other financial institutions in Canada, the United States or other countries could adversely affect SLF and the market price of the Series 12R Shares and the Series 13QR Shares. Additionally, the value of the Series 12R Shares and the Series 13QR Shares is subject to market fluctuations based upon factors which influence SLF’s operations, such as legislative or regulatory developments, competition, technological change and global capital market activity.

There can be no assurance that an active trading market will develop for the Series 12R Shares or the Series 13QR Shares after the offering, or if developed, that such a market will be sustained at the offering price of the Series 12R Shares. To the extent that an active trading market for the Series 12R Shares or the Series 13QR Shares does not develop, the liquidity and trading prices of the Series 12R Shares or the Series 13QR Shares may be adversely affected. If the Series 12R Shares or the Series 13QR Shares are traded after the initial issuance, they may trade at a discount from their initial price depending on the prevailing interest rate, the market for similar securities, the performance of SLF, market conditions and other factors.

#### **AUDITORS**

The auditors of SLF are Deloitte & Touche LLP, Chartered Accountants and Licensed Public Accountants, Toronto, Ontario.

#### **TRANSFER AGENT AND REGISTRAR**

CIBC Mellon Trust Company, at its principal office in Toronto, Ontario will be the transfer agent and registrar for the Series 12R Shares.

#### **LEGAL MATTERS**

Legal matters in connection with the issuance of the Series 12R Shares will be passed upon by Torys LLP on behalf of SLF and by McCarthy Tétrault LLP on behalf of the Underwriters.

As of the date of this prospectus supplement, the partners and associates of Torys LLP, as a group, and McCarthy Tétrault LLP, as a group, beneficially own, directly or indirectly, less than 1% of the outstanding securities of SLF.

## **PURCHASERS' STATUTORY RIGHTS**

Securities legislation in certain of the provinces and territories of Canada provides purchasers with the right to withdraw from an agreement to purchase securities. This right may be exercised within two business days after receipt or deemed receipt of a prospectus and any amendment. In several of the provinces and territories, the securities legislation further provides a purchaser with remedies for rescission or, in some jurisdictions, revisions of the price or damages if the prospectus and any amendment contains a misrepresentation or is not delivered to the purchaser, provided that the remedies for rescission, revision of price or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province or territory. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province or territory for the particulars of these rights or consult with a legal advisor.

## CONSENT OF THE INDEPENDENT REGISTERED CHARTERED ACCOUNTANTS

We have read the prospectus supplement of Sun Life Financial Inc. (“**SLF**”), dated November 3, 2011, to a short form base shelf prospectus dated April 12, 2011, relating to the offering of up to \$250,000,000 of Class A Non-Cumulative Rate Reset Preferred Shares Series 12R of SLF (collectively, the “**Prospectus**”). We have complied with Canadian generally accepted standards for an auditor’s involvement with offering documents.

We consent to the incorporation by reference in the Prospectus of our report to the Board of Directors and Shareholders of SLF on the consolidated balance sheets and the separate consolidated statements of segregated funds net assets as at December 31, 2010 and 2009 and the consolidated statements of operations, equity, comprehensive income, cash flows and changes in segregated funds net assets for each of the years in the three-year period ended December 31, 2010. Our report is dated February 16, 2011.

(Signed) Deloitte & Touche LLP

Independent Registered Chartered Accountants  
Licensed Public Accountants

Toronto, Canada  
November 3, 2011

## CERTIFICATE OF THE UNDERWRITERS

Dated: November 3, 2011

To the best of our knowledge, information and belief, the short form base shelf prospectus of SLF dated April 12, 2011, together with the documents incorporated by reference, as supplemented by the foregoing, will, as of the date of the last supplement to the prospectus relating to the securities being offered by the prospectus and the supplement(s), constitute full, true and plain disclosure of all material facts relating to the securities offered by the prospectus and the supplement as required by the securities laws of all the provinces and territories of Canada.

SCOTIA CAPITAL INC.

By: (Signed) David J. Skurka

CIBC WORLD MARKETS INC.

By: (Signed) Shannan M. Levere

TD SECURITIES INC.

By: (Signed) Jonathan Broer

BMO NESBITT BURNS INC.

By: (Signed) Bob Nguyen

NATIONAL BANK FINANCIAL INC.

By: (Signed) Darin E. Deschamps

RBC DOMINION SECURITIES INC.

By: (Signed) Rajiv Bahl

HSBC SECURITIES (CANADA) INC.

By: (Signed) Nicole Caty

DESJARDINS SECURITIES INC.

By: (Signed) A. Thomas Little

CANNACCORD GENUITY CORP.

By: (Signed) Daniel Daviau

GMP SECURITIES L.P.

By: (Signed) Neil M. Selfe

LAURENTIAN BANK SECURITIES INC.

By: (Signed) Michel Richard