

Basel III, Pillar 3 Disclosures

FOR SUN LIFE FINANCIAL TRUST INC.

Effective January 1, 2013 the Office of the Superintendent of Financial Institutions Canada (OSFI) requires financial institutions to manage and report regulatory capital in accordance with Basel III requirements. Under Basel III, Pillar 3 financial institutions are required to provide modified minimum composition of capital disclosures. The new public capital disclosure requirements are intended to improve both the transparency and comparability of institutions' capital position. The following table is based on disclosure requirements provided by OSFI for non-Domestic Systemically Important Banks. All figures are unaudited (in thousands of dollars) and are based on Sun Life Financial Trust's quarterly financial results, for the period ending December 31, 2019.

Modified Capital Disclosure Template		
Common Equity Tier 1 capital: instruments and reserves		Amounts
1	Directly issued qualifying common share capital (and equivalent for non-joint stock companies) plus related stock surplus	\$ 136,611
2	Retained earnings	\$ (22,331)
3	Accumulated other comprehensive income (and other reserves)	\$ 955
4	<i>Directly issued capital subject to phase out from CET1 (only applicable to non-joint stock companies)</i>	\$ -
5	Common share capital issued by subsidiaries and held by third parties (amount allowed in group CET1)	\$ -
6	Common Equity Tier 1 capital before regulatory adjustments	\$ 115,235
Common Equity Tier 1 capital: regulatory adjustments		
28	Total regulatory adjustments to Common Equity Tier 1	\$ -
29	Common Equity Tier 1 capital (CET1)	\$ 115,235
Additional Tier 1 capital: instruments		
30	Directly issued qualifying Additional Tier 1 instruments plus related stock surplus	\$ -
31	of which: classified as equity under applicable accounting standards	\$ -
32	of which: classified as liabilities under applicable accounting standards	\$ -
33	<i>Directly issued capital instruments subject to phase out from Additional Tier 1</i>	\$ -
34	Additional Tier 1 instruments (and CET1 instruments not included in row 5) issued by subsidiaries and held by third parties (amount allowed in group AT1)	\$ -
35	<i>of which: instruments issued by subsidiaries subject to phase out</i>	\$ -
36	Additional Tier 1 capital before regulatory adjustments	\$ -
Additional Tier 1 capital: regulatory adjustments		
43	Total regulatory adjustments to Additional Tier 1 capital	\$ -
44	Additional Tier 1 capital (AT1)	\$ -
45	Tier 1 capital (T1 = CET1 + AT1)	\$ 115,235

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Modified Capital Disclosure Template (cont'd)		
Tier 2 capital: instruments and allowances		Amounts
46	Directly issued qualifying Tier 2 instruments plus related stock surplus	\$ -
47	<i>Directly issued capital instruments subject to phase out from Tier 2</i>	\$ -
48	Tier 2 instruments (and CET1 and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third parties (amount allowed in group Tier 2)	\$ -
49	<i>of which: instruments issued by subsidiaries subject to phase out</i>	\$ -
50	Collective allowances	\$ -
51	Tier 2 capital before regulatory adjustments	\$ -
Tier 2 capital: regulatory adjustments		
57	Total regulatory adjustments to Tier 2 capital	\$ -
58	Tier 2 capital (T2)	\$ -
59	Total capital (TC = T1 + T2)	\$ 115,235
60	Total risk-weighted assets	\$ 602,392
60a	Common Equity Tier 1 (CET1) Capital RWA	\$ -
60b	Tier 1 Capital RWA	\$ -
60c	Total Capital RWA	\$ -
Capital ratios		
61	Common Equity Tier 1 (as percentage of risk-weighted assets)	19.1%
62	Tier 1 (as percentage of risk-weighted assets)	19.1%
63	Total capital (as percentage of risk-weighted assets)	19.1%
OSFI target		
69	Common Equity Tier 1 capital target ratio	7.0%
70	Tier 1 capital target ratio	8.5%
71	Total capital target ratio	10.5%
Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2013 and 1 Jan 2022)		
80	<i>Current cap on CET1 instruments subject to phase out arrangements</i>	\$ -
81	<i>Amounts excluded from CET1 due to cap (excess over cap after redemptions and maturities)</i>	\$ -
82	<i>Current cap on AT1 instruments subject to phase out arrangements</i>	\$ -
83	<i>Amounts excluded from AT1 due to cap (excess over cap after redemptions and maturities)</i>	\$ -
84	<i>Current cap on T2 instruments subject to phase out arrangements</i>	\$ -
85	<i>Amounts excluded from T2 due to cap (excess over cap after redemptions and maturities)</i>	\$ -

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Item		Leverage Ratio Framework
On-balance sheet exposures		
1	On-balance sheet items (excluding derivatives, SFTs and grandfathered securitization exposures but including collateral)	\$ 1,108,754
2	(Asset amounts deducted in determining Basel III "all-in" Tier 1 capital)	-
3	Total on-balance sheet exposures (excluding derivatives and SFTs) (sum of lines 1 and 2)	\$ 1,108,754
Derivative exposures		
4	Replacement cost associated with all derivative transactions (i.e. net of eligible cash variation margin)	\$ 3,619
5	Add-on amounts for PFE associated with all derivative transactions	\$ 3,788
6	Gross up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the operative accounting framework	\$ -
7	(Deductions of receivables assets for cash variation margin provided in derivative transactions)	\$ -
8	(Exempted CPP-leg of client cleared trade exposures)	\$ -
9	Adjusted effective notional amount of written credit derivatives	\$ -
10	(Adjusted effective notional offsets and add-on deductions for written credit derivatives)	\$ -
11	Total derivative exposures (sum of lines 4 to 10)	\$ 7,407
Securities financing transaction exposures		
12	Gross SFT assets recognised for accounting purposes (with no recognition of netting), after adjusting for sale accounting transactions	\$ -
13	(Netted amounts of cash payables and cash receivables of gross SFT assets)	\$ -
14	Counterparty credit risk (CCR) exposure for SFTs	\$ -
15	Agent transaction exposures	\$ -
16	Total securities financing transaction exposures (sum of lines 12 to 15)	\$ -
Other off-balance sheet exposures		
17	Off-balance sheet exposure at gross notional amount	\$ 29,466
18	(Adjustments for conversion to credit equivalent amounts)	\$ (18,788)
19	Off-balance sheet items (sum of lines 17 and 18)	\$ 10,678
Capital and Total Exposures		
20	Tier 1 capital	\$ 115,235
21	Total Exposures (sum of lines 3, 11, 16 and 19)	\$ 1,126,840
Leverage Ratios		
22	Basel III leverage ratio	10.23%