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, 2022.

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	$ (32,903)
3	Accumulated other comprehensive income (and other reserves)	$ (5,166)
4	*Transitional add-back to CET1 for ECL Transitional Arrangement: Standardized approach*	$ -
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**	$ 98,542
Common Equity Tier 1 capital: regulatory adjustments		
28	Total regulatory adjustments to Common Equity Tier 1	$ -
29	**Common Equity Tier 1 capital (CET1)**	$ 98,542
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	*Directly issued capital instruments subject to phase out from Additional Tier 1*	$ -
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	*of which: instruments issued by subsidiaries subject to phase out*	$ -
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)**	$ 98,542

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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	*Directly issued capital instruments subject to phase out from Tier 2*	$ -
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	*of which: instruments issued by subsidiaries subject to phase out*	$ -
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)**	$ 98,542
60	**Total risk-weighted assets**	$ 425,127
60a	**Common Equity Tier 1 (CET1) Capital RWA**	$ -
60b	**Tier 1 Capital RWA**	$ -
60c	**Total Capital RWA**	$ -
Capital ratios		
61a	Common Equity Tier 1 (as percentage of risk-weighted assets)	23.18%
61b	Common Equity Tier 1 (as percentage of risk-weighted assets) - excluding ECL Transitional Arrangement	23.18%
62a	Tier 1 (as percentage of risk-weighted assets)	23.18%
62b	Tier 1 (as percentage of risk-weighted assets) - excluding ECL Transitional Arrangement	23.18%
63a	Total capital (as percentage of risk-weighted assets)	23.18%
63b	Total capital (as percentage of risk-weighted assets) - excluding ECL Transitional Arrangement	23.18%
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	*Current cap on CET1 instruments subject to phase out arrangements*	$ -
81	*Amounts excluded from CET1 due to cap (excess over cap after redemptions and maturities)*	$ -
82	*Current cap on AT1 instruments subject to phase out arrangements*	$ -
83	*Amounts excluded from AT1 due to cap (excess over cap after redemptions and maturities)*	$ -
84	*Current cap on T2 instruments subject to phase out arrangements*	$ -
85	*Amounts excluded from T2 due to cap (excess over cap after redemptions and maturities)*	$ -

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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)	$ 944,372
2	(Asset amounts deducted in determining Basel III "all-in" Tier 1 capital)	-
3	**Total on-balance sheet exposures (excluding derivaties and SFTs) (sum of lines 1 and 2)**	$ 944,372
Derivative exposures		
4	Replacement cost associated with all derivative transactions (i.e. net of eligible cash variation margin)	$ 302
5	Add-on amounts for PFE associated with all derivative transactions	$ 1,879
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)**	$ 2,181
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	$ 28,990
18	(Adjustments for conversion to credit equivalent amounts)	$ (16,663)
19	**Off-balance sheet items (sum of lines 17 and 18)**	$ 12,327
Capital and Total Exposures		
20	**Tier 1 capital**	$ 98,542
21	**Total Exposures (sum of lines 3, 11, 16 and 19)**	$ 958,880
Leverage Ratios		
22a	**Basel III leverage ratio**	10.28%
22b	**Basel III leverage ratio (excluding ECL Transitional Arrangement)**	10.28%

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