Pillar 3 Disclosure

For Sun Life Financial Trust Inc

The composition of the measure in this document and the disclosure, including the format of the template herein, are calculated and disclosed pursuant to the Pillar 3 Disclosure Guideline for Small and Medium-Size Deposit-Taking Institutions (SMSBs) issued by the Office of the Superintendent of Financial Institutions (OSFI). Sun Life Financial Trust Inc. (“SLFT” or the “Company”) is classified as Category II SMSBs. It is a wholly owned subsidiary of Sun Life Assurance Company of Canada (“SLAC” or the “parent”), which is a wholly owned subsidiary of Sun Life Financial Inc. (“SLF” or the “ultimate parent”).

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KM1: Key metrics (at consolidated group level)

		December 31, 2023	September 30, 2023	June 30, 2023	March 31, 2023	December 31, 2022
Available capital (amounts)						
1	Common Equity Tier 1 (CET1)	115,910	108,093	104,808	102,637	98,542
1a	Common Equity Tier 1 with transitional arrangements for ECL provisioning not applied					
2	Tier 1	115,910	108,093	104,808	102,637	98,542
2a	Tier 1 with transitional arrangements for ECL provisioning not applied					
3	Total capital	115,910	108,093	104,808	102,637	98,542
3a	Total capital with transitional arrangements for ECL provisioning not applied (%)					
Risk-weighted assets (amounts)						
4	Total risk-weighted assets (RWA)	426,409	438,589	428,615	478,330	425,127
4a	Total risk-weighted assets (pre-floor)	426,409	438,589	428,615	478,330	425,127
Risk-based capital ratios as a percentage of RWA						
5	CET1 ratio (%)	27.18	24.65	24.45	21.46	23.18
5a	Common Equity Tier 1 ratio with transitional arrangements for ECL provisioning not applied					
5b	CET1 ratio (%) (pre-floor ratio)	27.18	24.65	24.45	21.46	23.18
6	Tier 1 ratio (%)	27.18	24.65	24.45	21.46	23.18
6a	Tier 1 ratio with transitional arrangements for ECL provisioning not applied (%)					
6b	Tier 1 ratio (%) (pre-floor ratio)	27.18	24.65	24.45	21.46	23.18
7	Total capital ratio (%)	27.18	24.65	24.45	21.46	23.18
7a	Total capital ratio with transitional arrangements for ECL provisioning not applied (%)					
7b	Total capital ratio (%) (pre-floor ratio)	27.18	24.65	24.45	21.46	23.18

KM1: Key metrics (at consolidated group level)

		December 31, 2023	September 30, 2023	June 30, 2023	March 31, 2023	December 31, 2022
Additional CET1 buffer requirements as a percentage of RWA						
8	Capital conservation buffer requirement (2.5% from 2019) (%)	2.50	2.50	2.50	2.50	2.50
9	Countercyclical buffer requirement (%)	0.00	0.00	0.00	0.00	0.00
10	Bank G-SIB and/or D-SIB additional requirements (%) [Not applicable for SMSBs]					
11	Total of bank CET1 specific buffer requirements (%) (row 8 + row 9 + row 10)	2.50	2.50	2.50	2.50	2.50
12	CET1 available after meeting the bank's minimum capital requirements (%)	19.18	16.65	16.45	13.46	15.18
Basel III Leverage ratio						
13	Total Basel III leverage ratio exposure measure	1,035,527	1,024,620	966,571	987,801	958,880
14	Basel III leverage ratio (%) (row 2 / row 13)	11.19	10.55	10.84	10.39	10.28
14a	Basel III leverage ratio (row 2a / row 13) with transitional arrangements for ECL provisioning not applied					

Modified CC1 – Composition of capital for SMSBs

		December 31, 2023
Common Equity Tier 1 capital: instruments and reserves		
1	Directly issued qualifying common share capital (and equivalent for non-joint stock companies) plus related stock surplus	136,611
2	Retained earnings	(20,155)
3	Accumulated other comprehensive income (and other reserves)	(546)
4	Directly issued capital subject to phase out from CET1 (only applicable to Federal Credit Unions)	-
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	115,910
Common Equity Tier 1 capital: regulatory adjustments		
28	Total regulatory adjustments to Common Equity Tier 1	-
29	Common Equity Tier 1 capital (CET1)	115,910
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 (applicable only to Federal Credit Unions)	-
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 (applicable only to Federal Credit Unions)	-
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)	115,910

Modified CC1 – Composition of capital for SMSBs

		December 31, 2023
Tier 2 capital: instruments and provisions		
46	Directly issued qualifying Tier 2 instruments plus related stock surplus	-
47	Directly issued capital instruments subject to phase out from Tier 2 (applicable only to Federal Credit Unions)	-
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 (applicable only to Federal Credit Unions)	-
50	Collective allowances	-
51	Tier 2 capital before regulatory adjustments	-
Tier 2 capital: regulatory adjustments		
57	Total regulatory adjustments to Tier 2 capital	0
58	Tier 2 capital (T2)	0
59	Total capital (TC = T1 + T2)	115,910
60	Total risk-weighted assets	426,409
60a	Credit Valuation Adjustment (CVA) Risk-weighted Assets (RWA)	-
Capital ratios		
61	Common Equity Tier 1 (as a percentage of risk-weighted assets)	27.18%
62	Tier 1 (as a percentage of risk-weighted assets)	27.18%
63	Total capital (as a percentage of risk-weighted assets)	27.18%
OSFI target		
69	Common Equity Tier 1 target ratio	7.0%
70	Tier 1 capital target ratio	8.5%
71	Total capital target ratio	10.5%

CRA: General information about credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss.

Comprehensive Investment and Credit Risk Management Policy, guidelines and practices are in place. Specific investment diversification requirements are in place, such as defined investment limits for asset class, geography, and industry. Limits are set relative to the capital base of the Company and overall investment objectives.

SLAC's investment policy framework and governance defines required approval authority at various management levels for new loans and refinancing which are commensurate with the credit risk involved. Individuals involved in loan management have the appropriate level of experience and expertise.

Governance of credit risk is done through the Three Lines of Defence (TLD) model. The First Line is the business, who has ultimate ownership of the various risks and accountability for day to day management of those risks. The Second Line is Risk Management, whose responsibilities include designing overarching risk management frameworks, oversight and monitoring the first line's management of risk, challenging strategies and risk management effectiveness, and advising on risk. The Third Line is Internal Audit who is responsible for providing independent assurance to Senior Management and the Board and/or Board Committees on the design and operational effectiveness of the risk management practices and internal controls carried out by first Line of Defence (LOD) and second LOD.

Portfolio performance with respect to credit risk is monitored closely by management and the Board. Detailed reports are provided to the Board on a quarterly basis.

Loans are monitored on an on-going basis. The portfolio is stratified using a risk rating system.

ORA: General qualitative information on a bank's operational risk framework

Operational Risk is the risk of loss, financial and non-financial resulting from inadequate or failed internal processes, people and systems or from external events. The Company has an established Operational Risk Management Framework ("ORMF") approved by the Board that prescribes a comprehensive set of protocols and programs that need to be followed in conducting business activities. The ORMF sets out lines of responsibility and authority for risk-taking, governance and control.

The Company has adopted the Three Lines of Defence ("LOD") model to provide a consistent, transparent and clearly documented allocation of accountability and segregation of functional responsibilities. The first line of defence is represented by the business segment management who own the risks that are intrinsic to the business and have the primary responsibility to identify, measure, manage, monitor and report these risks. The second line of defence includes the Chief Risk Officer ("CRO") and heads of the oversight functions who are responsible for providing independent oversight of our Company-wide risk management programs. The third line of defence responsibilities are distinct from first and second LOD responsibilities. The Internal Audit function is the third LOD and is responsible for providing independent assurance to Senior Management and the Board and/or Board Committees on the design and operational effectiveness of the risk management practices and internal controls carried out by first LOD and second LOD.

The Company follows the Basic Indicator Approach for operational risk. The quantification of capital would depend on the cost of a specific scenario and its probability of occurrence. The regulatory capital model uses a proxy applied to average income which assumes that as the business grows, so will the exposure to operational risk. The Company has extended this approach to its modeling of ICAAP capital through the use of scenario testing. This method gives broad coverage over the range of applicable operational risks.

In order to support the effective communication, implementation and governance of our ORMF, we have codified our processes and operational requirements in a comprehensive series of risk management frameworks, policies and operating guidelines. These frameworks, policies and guidelines promote the application of a consistent approach to managing risk. The Board and Management Committee regularly review and approve significant changes to the ORMF and policies and regularly review management's reporting and attestation on compliance to these policies. In support of Operational Risk responsibilities of the Board there regular standing topics on the Board or Board Committee agenda for discussion, including but not limited to, CRO Risk Report, Risk Policy updates, Finance and Capital Reporting, and Investment updates.

While all risks cannot necessarily be eliminated or known with certainty, the Risk Framework seeks to ensure that risks to a business undertaking are appropriately managed to achieve the Company's business objectives over time and are not expected to exceed pre-established boundaries for risk taking. We have a process to identify and monitor key risks that may have a material impact on our business. Monitoring processes include oversight by the Board and the Three Lines of Defence.

Sun Life Global Investments

LR2: Leverage ratio common disclosure

		December 31, 2023	September 30, 2023
On-balance sheet exposures			
1	On-balance sheet items (excluding derivatives, SFTs and grandfathered securitization exposures but including collateral)	1,020,787	1,015,599
2	Gross-up for derivatives collateral provided where deducted from balance sheet assets pursuant to the operative accounting framework (IFRS)	-	-
3	(Deductions of receivable assets for cash variation margin provided in derivatives transactions)	-	-
4	(Asset amounts deducted in determining Tier 1 capital)	-	-
5	Total on-balance sheet exposures (excluding derivatives and SFTs) (sum of lines 1 to 4)	1,020,787	1,015,599
Derivative exposures			
6	Replacement cost associated with all derivative transactions	6,500	-
7	Add-on amounts for potential future exposure associated with all derivative transactions	3,591	1,397
8	(Exempted central counterparty-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 6 to 10)	10,091	1,397
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	9,298	19,060
18	(Adjustments for conversion to credit equivalent amounts)	(4,649)	(11,436)
19	Off-balance sheet items (sum of lines 17 and 18)	4,649	7,624
Capital and total exposures			
20	Tier 1 capital	115,910	108,093
21	Total Exposures (sum of lines 5, 11, 16 and 19)	1,035,527	1,024,620
Leverage ratio			
22	Basel III leverage ratio	11.19	10.55
Disclosure of mean values			