Rogers Bank

Basel III Pillar 3 Disclosures

As at December 31, 2021

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1. Scope of Application

This document presents the Pillar 3 disclosures for Rogers Bank (the "Bank") pursuant to the Pillar 3 Disclosure Requirements by the Office of the Superintendent of Financial Institutions ("OSFI") issued in April 2017.

As part of Basel framework, Pillar 3 (Market Discipline) sets disclosure requirements which will allow market participants to assess key pieces of information on the scope of application, capital, risk exposures, risk assessment processes, and hence the capital adequacy of the Bank.

The Bank is a small and medium-sized deposit-taking institution ("SMSB") and the content of the disclosures are tailored to the nature, size and complexity of the Bank. This report is unaudited and is reported in thousands of Canadian Dollars, unless otherwise noted.

The report is available in the Legal section of the Bank's website at www.rogersbank.com.

Reporting Entity

The Bank is a Schedule I Canadian chartered bank governed by the Bank Act. It was incorporated on April 24, 2013. The address of the Bank's registered office is 333 Bloor Street East, Toronto Ontario M4W 1G9. The Bank is a wholly owned subsidiary of Rogers Communications Inc. ("RCI"). The Bank received orders to commence and carry on business on August 23, 2013.

The Bank offers four consumer rewards credit card products: World Elite Mastercard, Rogers Platinum Mastercard, Fido Mastercard and chatr Mastercard. The Bank records the credit card receivables and associated funding on its balance sheet.

Risk Management Framework

The Bank's Board of Directors (the "Board") and Management establish risk management policies to identify and define the risks faced by the Bank, set out appropriate risk limits and controls, and establish processes to ensure adherence to these limits. The Enterprise Risk Management Committee ("ERMC") is responsible for developing and monitoring these policies.

A comprehensive Internal Capital Adequacy Assessment Process ("ICAAP") is used in understanding and quantifying material risks the Bank faces. It is used to ensure that the quality and quantity of capital is sufficient and adequate. The results of the Bank's ICAAP help ensure that the Bank is adequately capitalised.

COVID-19

In Q1 2020, the World Health Organization declared the outbreak of a novel coronavirus (COVID-19) as a pandemic. On March 27, OSFI announced a series of regulatory adjustments to support the financial and operational resilience of federally regulated banks, insurers and private pension plans. This includes adjusting a number of regulatory capital, liquidity and reporting requirements. As a result, the Bank implemented the following changes:

(1) sovereign-issued securities were excluded from the leverage ratio exposure measure;

(2) loans granted payment deferrals (enrollments before September 30, 2020) were treated as performing under the Capital Adequacy Requirement; and

(3) Tier 1 capital included the transitional arrangements for expected credit loss provisioning. Tier 1 capital has been adjusted to include the after-tax difference of the Stage 1 and Stage 2 allowances between a reporting period and December 31, 2019 subject to a scaling factor (70% in fiscal 2020, 50% in fiscal 2021, and 25% in fiscal 2022).

2-3. Capital Structure and Adequacy

The Bank's policy is to maintain a capital risk management program which ensures adequate capital to sustain ongoing functioning and future development of the business, and to meet both external and internal requirements. The Bank recognizes the need to maintain a balance between shareholder returns and the security afforded by a sound capital position.

The Bank has committed sources of funding for the required capital from RCI. This financial backing insulates the Bank from unexpected events and helps support business growth and strategy.

Regulatory Capital Position

The Bank calculates its regulatory capital by managing its credit risk using the Standardized Approach and it monitors operational risk using the Basic Indicator Approach.

The Bank's regulatory capital consists of Tier 1 and Tier 2 capital. Tier 1 capital includes common share capital and retained earnings. As at December 31, 2021 the Bank had 265 million common shares issued and outstanding. Tier 2 capital includes a portion of the Bank's Stage 1 and Stage 2 Allowance for Loan Losses, up to a maximum of 1.25% of Credit Risk-Weighted Assets.

Calculation of Risk-Weighted Assets

The Bank assigns risk weights reflecting different levels of risk to assets that are recognised in the statement of financial position and exposures that are not recognised. Total Risk-Weighted Assets are $404.3M as at December 31, 2021. Risk-weighted Assets have two components – Credit and Operational Risks.

The Credit Risk component consists of:

- Cash and Deposits are weighted at 20% ($5M);
- Net Card Receivables are weighted at 75% ($294.6M);
- Other Assets are weighted at 100% ($2.6M); and
- Government Securities and Intangible Fixed Assets are weighted at 0% and, therefore, are excluded from this calculation.

The Operational Risk component is derived from the average revenue for the last three years at alpha of 15% and multiplier of 12.5 ($102M).

Basel III Common Disclosures

The Basel III Pillar 3 public capital disclosure requirements are intended to improve both the transparency and comparability of the Bank's capital positions.

The reported data is as at December 31, 2021.

Capital Disclosure		
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	265,000
2	Retained earnings	(189,433)
6	**Common Equity Tier 1 capital before regulatory adjustments**	**75,567**
Common Equity Tier 1 capital: regulatory adjustments		
28	Total regulatory adjustments to Common Equity Tier 1	(13,511)
29	**Common Equity Tier 1 capital (CET1)**	**62,056**
29a	**Common Equity Tier 1 capital (CET1) with transitional arrangements for ECL provisioning not applied**	**58,571**
Additional Tier 1 capital: instruments		
36	**Additional Tier 1 capital before regulatory adjustments**	-
Additional Tier 1 capital: regulatory adjustments		
45	**Tier 1 capital (T1 = CET1 + AT1)**	**62,056**
45a	**Tier 1 capital with transitional arrangements for ECL provisioning not applied**	**58,571**
Tier 2 capital: instruments and allowances		
50	Collective allowances	23,069
51	**Tier 2 capital before regulatory adjustments**	**23,069**
Tier 2 capital: regulatory adjustments		
57	Total regulatory adjustments to Tier 2 capital	(22,777)
58	**Tier 2 capital (T2)**	**292**
58a	**Tier 2 capital with transitional arrangements for ECL provisioning not applied**	**3,777**
59	**Total capital (TC = T1 + T2)**	**62,348**
59a	**Total capital with transitional arrangements for ECL provisioning not applied**	**62,348**
60	**Total risk-weighted assets**	**404,264**
Capital ratios		
61	Common Equity Tier 1 (as percentage of risk-weighted assets)	15.4%
62	Tier 1 (as percentage of risk-weighted assets)	15.4%
63	Total capital (as percentage of risk-weighted assets)	15.4%

Capital ratios with transitional arrangements for ECL provisioning not applied		
61a	Common Equity Tier 1 (as percentage of risk-weighted assets)	14.5%
62a	Tier 1 (as percentage of risk-weighted assets)	14.5%
63a	Total capital (as percentage of risk-weighted assets)	15.4%
OSFI all-in target		
69	Common Equity Tier 1 capital all-in target ratio	7%
70	Tier 1 capital all-in target ratio	8.5%
71	Total capital all-in target ratio	10.5%

Leverage Ratio Disclosure

The Leverage ratio is a transparent non-risk-based ratio that acts as a supplementary measure to the risk-based capital requirements.

The reported data is as at December 31, 2021.**Leverage Ratio Disclosure**		
On-balance sheet exposures		
1	On-balance sheet items (excluding derivatives, SFTs and grandfathered securitization exposures but including collateral)	414,281
4	(Asset amounts deducted in determining Tier 1 capital)	(16,997)
5	**Total on-balance sheet exposures (excluding derivatives and SFTs) (sum of lines 1 to 4)**	**397,284**
Derivative exposures		
11	**Total derivative exposures (sum of lines 4 to 10)**	-
Securities financing 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	1,349,573
18	(Adjustments for conversion to credit equivalent amounts)	(1,214,616)
19	**Off-balance sheet items (sum of lines 17 and 18)**	**134,957**
Capital and Total Exposures		
20	**Tier 1 capital**	**62,056**
20a	**Tier 1 capital with transitional arrangements for ECL provisioning not applied**	**58,571**
21	**Total Exposures (sum of lines 5, 11, 16 and 19)**	**532,241**
Leverage Ratio		
22	**Basel III leverage ratio**	**11.7%**
22a	**Leverage ratio with transitional arrangements for ECL provisioning not applied**	**11.0%**

4-6. Credit Risk

Credit Risk is the risk of financial loss to the Bank if a customer or counterparty to a financial instrument fails to meet its contractual obligations. In the case of the Bank, credit risk arises through the Bank's credit card loans to customers.

Oversight of credit risk management resides with the Board. The ERMC monitors and approves credit risk initiatives that align with the Bank's strategy and risk appetite or recommends to the Board for approval.

Portfolio metrics

The following table presents the percentage of the Bank's credit card loan portfolio by credit limit as at December 31, 2021:

Credit Limit	**% of Total Number of Accounts**	**% of Total Receivables**
Less than or equal to $1,000	10%	2%
$1,001 - $5,000	42%	25%
$5,001 - $10,000	30%	32%
$10,001 and over	18%	41%
Total	100%	100%

The following table presents the percentage of the Bank's credit card loan portfolio by Account Balance as at December 31, 2021:

Account Balance	**% of Total Number of Accounts**	**% of Total Receivables**
Less than or equal to $1,000	62%	8%
$1,001 - $5,000	29%	48%
$5,001 - $10,000	7%	30%
$10,001 and over	2%	14%
Total	100%	100%

The following table presents the percentage of the Bank's credit card loan portfolio by Delinquency Buckets as at December 31, 2021:

Delinquency Buckets	**% of Total Number of Accounts**	**% of Total Receivables**
Current to 30 days	99%	98%
31 – 60 days	<1%	<1%

61 – 90 days	<1%	<1%
90+ days past due	<1%	<1%
Total	100%	100%

Allowance for loan losses

The Bank maintains an allowance for loan losses (the “allowance”) that represents management’s probability-weighted estimate of the expected credit losses in the loan portfolio. The allowance is increased through a provision for loan losses and reduced by net charge-offs. A credit card loan is charged-off when a payment is in arrears for 180+ days, or when the probability of collection is low.

The Bank adopted IFRS 9 on January 1, 2019. The allowance is determined using an Expected Credit Loss (“ECL”) model. The model uses macroeconomic forecasts across multiple scenarios, factors and forward-looking indicators.

The following table presents a summary of changes in the allowance for loan losses for the quarter ended December 31, 2021:

	Amount
Allowance for loan losses, beginning of the quarter	$25,686
Provision for loan losses	4,254
Charge-offs	(3,737)
Recoveries and other adjustments	868
Allowance for loan losses, end of the quarter	$27,071

Credit Concentration Risk

Inherent in the credit card portfolio is concentration risk. To mitigate this risk, the Bank developed its Credit Risk Policy to ensure an appropriate level of diversification in the portfolio.

The following table presents the percentage of the Bank’s credit card loan portfolio by province of cardholder residence as at December 31, 2021:

Province	**% of Total Number of Accounts**	**% of Total Receivables**
Ontario	56%	58%
British Columbia	17%	16%
Quebec	12%	9%
Alberta	9%	10%
Other	6%	7%
Total	100%	100%

7. Credit Risk Mitigation

The Bank’s loan portfolio consists exclusively of credit card loans. These loans are unsecured and are not guaranteed. The Bank invests in government issued or guaranteed securities and deposits with regulated financial institutions.

8. Counterparty Risk

The Bank does not have any material counterparty exposure to financial guarantors, investment banks or derivative counterparties. A conservative approach is taken in managing counterparty credit risk exposures by setting internal limits on total exposure, term and ratings for each of the counterparties.

The following table shows the Bank's possible counterparty exposure by type as at December 31, 2021:

	Risk Weight	Amount
Deposits with Regulated Financial Institutions	20%	$24,968
Government Issued or Guaranteed Securities	0%	$21,997

9. Securitization Risk

The Bank has no securitization risk as it does not securitize any of its credit card portfolios.

10-11. Market Risk

Market Risk is defined as the risk of losses arising from adverse movements in market prices. Normally, the risk stems from all the positions included in a bank's trading book as well as from commodity and foreign exchange risk positions on its balance sheet. The Bank does not have any trading book portfolios and has minimal exposure to market risk from its high-quality liquid assets portfolio.

12. Operational Risk

Operational Risk is defined as the risk of losses resulting from inadequate or failed internal processes, people and systems or from external events. To measure its Operational Risk the Bank uses the Basic Indicator Approach and Operational Risk Self-Assessments.

13. Equity Risk

The Bank has no Equity Risk as it does not hold any equity portfolios.

14. Interest Rate Risk

Interest rate risk represents exposure to instruments whose yield or price varies with the level of volatility of interest rate. The Bank exposure to interest rate risk is limited as credit card loans are at fixed rates and the Bank obtains the necessary financing from RCI through non-interest bearing demand promissory notes and common share subscriptions. This substantially mitigates the Bank's exposure to interest rate risk. The ERMC monitors the interest rate environment in Canada and reports any exposures to the Board of Directors.

Liquidity Risk

Liquidity Risk is the risk that the Bank will not be able to meet financial commitments and obligations when due or may incur significant costs in meeting those obligations. The Bank manages its exposure to short-term and long-term liquidity by ensuring that adequate cash management governance, policies, and procedures are in place. Currently, RCI is the sole source of liquidity for the Bank. ERMC monitors both short-term and long-term liquidity needs. A Liquidity and Funding Policy and Contingency Funding Plan are in place to ensure funding procedures are maintained during a crisis.

The Bank holds liquid assets in the form of high-quality securities and balances with Canadian banks in order to meet its regulatory obligations, operational needs and to maintain a stock of unencumbered High Quality Liquid Assets ("HQLA") as a defense against the potential onset of liquidity stress. As at December 31, 2021 the balance of HQLA was $22.0M.