



Rogers Bank

Basel III Pillar 3 Disclosures

As at September 30, 2023

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## 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 January 2022.

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 Category 2 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](http://www.rogersbank.com). In addition, OSFI’s Financial Data for Banks website (<https://www.osfi-bsif.gc.ca/Eng/wt-ow/Pages/fd-df.aspx>) contains further information.

## 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 operates several consumer rewards credit card products, including Rogers World Elite Mastercard, Rogers Mastercard, and Fido 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, 2020, 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 (up to December 31, 2021);

(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).

### **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 credit risk capital using the Standardized Approach and operational risk capital using the Simplified Standardized 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 September 30, 2023 the Bank had 340 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.

**KM1: Key Metrics (at a Consolidated Group Level)**

	(Thousands of Canadian dollars)	Sep 30, 2023	Jun 30, 2023	Mar 31, 2023	Dec 31, 2022	Sep 30, 2022
	<b>Available capital (amounts)</b>					
1	Common Equity Tier 1 (CET1)	69,984	65,990	71,770	69,785	68,770
1a	Common Equity Tier 1 with transitional arrangements for ECL provisioning not applied	69,984	65,990	71,770	68,361	67,124
2	Tier 1	69,984	65,990	71,770	69,785	68,770
2a	Tier 1 with transitional arrangements for ECL provisioning not applied	69,984	65,990	71,770	68,361	67,124
3	Total capital	74,538	70,346	75,833	72,548	71,201
3a	Total capital with transitional arrangements for ECL provisioning not applied	74,538	70,346	75,833	72,548	71,201
	<b>Risk-weighted assets (amounts)</b>					
4	Total risk-weighted assets (RWA)	417,025	400,813	447,542	454,229	441,902
	<b>Risk-based capital ratios as a percentage of RWA</b>					
5	CET1 ratio (%)	16.78%	16.46%	16.04%	15.36%	15.56%
5a	Common Equity Tier 1 ratio with transitional arrangements for ECL provisioning not applied (%)	16.78%	16.46%	16.04%	15.05%	15.19%
6	Tier 1 ratio (%)	16.78%	16.46%	16.04%	15.36%	15.56%
6a	Tier 1 ratio with transitional arrangements for ECL provisioning not applied (%)	16.78%	16.46%	16.04%	15.05%	15.19%
7	Total capital ratio (%)	17.87%	17.55%	16.94%	15.97%	16.11%
7a	Total capital ratio with transitional arrangements for ECL provisioning not applied (%)	17.87%	17.55%	16.94%	15.97%	16.11%
	<b>Additional CET1 buffer requirements as a percentage of RWA</b>					
8	Capital conservation buffer requirement (2.5% from 2019) (%)	2.5%	2.5%	2.5%	2.5%	2.5%
9	Countercyclical buffer requirement (%)	n/a	n/a	n/a	n/a	n/a
10	Bank G-SIB and/or D-SIB additional requirements (%)	n/a	n/a	n/a	n/a	n/a
11	Total of bank CET1 specific buffer requirements (%) (row 8 + row 9 + row 10)	2.5%	2.5%	2.5%	2.5%	2.5%
12	CET1 available after meeting the bank's minimum capital requirements (%)	9.78%	9.46%	9.04%	8.36%	8.56%
	<b>Basel III Leverage ratio</b>					
13	Total Basel III leverage ratio exposure measure	925,492	879,790	609,447	609,351	592,649
14	Basel III leverage ratio (row 2 / row 13)	7.56%	7.50%	11.78%	11.45%	11.60%
14a	Basel III leverage ratio (row 2a / row 13) with transitional arrangements for ECL provisioning not applied	7.56%	7.50%	11.78%	11.22%	11.33%

### CC1: Composition of Capital

	(Thousands of Canadian dollars)	Amounts
	<b>Common Equity Tier 1 capital: instruments and reserves</b>	
1	Directly issued qualifying common share capital (and equivalent for non-joint stock companies) plus related stock surplus	340,000
2	Retained earnings	(225,883)
6	<b>Common Equity Tier 1 capital before regulatory adjustments</b>	114,117
	<b>Common Equity Tier 1 capital: regulatory adjustments</b>	
28	<b>Total regulatory adjustments to Common Equity Tier 1</b>	(44,133)
29	<b>Common Equity Tier 1 capital (CET1)</b>	69,984
	<b>Additional Tier 1 capital: regulatory adjustments</b>	
44	<b>Additional Tier 1 capital (AT1)</b>	-
45	<b>Tier 1 capital (T1 = CET1 + AT1)</b>	69,984
	<b>Tier 2 capital: instruments and provisions</b>	
50	Collective allowances	24,724
51	<b>Tier 2 capital before regulatory adjustments</b>	24,724
	<b>Tier 2 capital: regulatory adjustments</b>	
57	<b>Total regulatory adjustments to Tier 2 capital</b>	(20,170)
58	<b>Tier 2 capital (T2)</b>	4,554
59	<b>Total capital (TC = T1 + T2)</b>	74,538
60	<b>Total risk-weighted assets</b>	417,025
	<b>Capital ratios</b>	
61	Common Equity Tier 1 (as a percentage of risk-weighted assets)	16.78%
62	Tier 1 (as a percentage of risk-weighted assets)	16.78%
63	Total capital (as a percentage of risk-weighted assets)	17.87%
	<b>OSFI target</b>	
69	Common Equity Tier 1 target ratio	7.0%
70	Tier 1 capital target ratio	8.5%
71	Total capital target ratio	10.5%

## LR2: Leverage Ratio Common Disclosure Template

(Thousands of Canadian dollars)		Sep 30, 2023	Jun 30, 2023
<b>On-balance sheet exposures</b>			
1	On-balance sheet items (excluding derivatives, SFTs and grandfathered securitization exposures but including collateral)	553,504	524,292
4	(Asset amounts deducted in determining Tier 1 capital)	(44,133)	(37,633)
5	<b>Total on-balance sheet exposures (excluding derivatives and SFTs) (sum of lines 1 to 4)</b>	509,371	486,659
<b>Other off-balance sheet exposures</b>			
17	Off-balance sheet exposure at gross notional amount	1,664,482	1,572,522
18	(Adjustments for conversion to credit equivalent amounts)	(1,248,361)	(1,179,391)
19	<b>Off-balance sheet items (sum of lines 17 and 18)</b>	416,121	393,131
<b>Capital and total exposures</b>			
20	<b>Tier 1 capital</b>	69,984	65,990
21	<b>Total Exposures (sum of lines 5, 11, 16 and 19)</b>	925,492	879,790
<b>Leverage ratio</b>			
22	<b>Basel III leverage ratio</b>	7.56%	7.50%

## 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 ERMCM monitors and approves credit risk initiatives that align with the Bank's strategy and risk appetite or recommends to the Board for approval.

### CRA: General Qualitative Information About Credit Risk

CRA (a): The Bank is a monoline credit card issuer with credit risk exposure primarily to retail customers across Canada.

CRA (b): The Bank's Credit Risk Management Policy, approved by the ERMCM, articulates the Bank's approach to credit risk management. The Bank aims to balance risk and return, taking into consideration the Bank's credit risk appetite. The Bank's credit risk management principles are based on the identification and quantification of risk, the development of strategies to control risks, and the continuous monitoring and reporting of key credit risk measures.

The Bank's Risk Appetite Statement establishes overall credit risk limits based on the Bank's strategic plan and stress testing results. The Credit Risk Management Policy sets out the credit risk limits for credit quality, geographic diversification, among others.

CRA (c): The Board approved credit risk appetite is supported by the establishment of risk approval authorities and risk limits, which are delegated by the Board to the executive management team. To facilitate day-to-day activities, the executive management team can delegate some or all of their authorities onward to others in the organization. Any exceptions are reported to the ERMC and the Risk and Conduct Review Committee (if applicable) and immediately addressed.

CRA (d): All three lines of defence are responsible for managing credit risk (refer to Operational Risk section for additional information on three lines of defence). The first line of defence is responsible for identification, assessment, mitigation, and reporting of credit risk. The second line of defence owns the Enterprise Risk Management Framework, oversees risk management practices and results, and performs independent challenge, analysis and reporting. The Bank's internal audit function is responsible for conducting an independent audit of credit risk management practices on a periodic basis and report any findings and results to the ERMC.

CRA (e): The executive management team and the Board receive regular reporting on credit risk, including, but are not limited to, portfolio composition and quality, portfolio performance, adherence to risk appetite, material changes to risk strategy, as well as any other relevant metrics to monitor material risks as required.

### Credit Concentration Risk

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

### Portfolio metrics

The following tables present the percentage of the Bank's credit card loan portfolio by credit limit, account balance, delinquency buckets, and geography as at September 30, 2023:

Credit Limit	% of Total Number of Accounts	% of Total Receivables
Less than or equal to \$1,000	13%	3%
\$1,001 - \$5,000	45%	24%
\$5,001 - \$10,000	25%	29%
\$10,001 and over	17%	44%
Total	100%	100%



<b>Account Balance</b>	<b>% of Total Number of Accounts</b>	<b>% of Total Receivables</b>
Less than or equal to \$1,000	67%	7%
\$1,001 - \$5,000	25%	43%
\$5,001 - \$10,000	6%	30%
\$10,001 and over	2%	20%
<b>Total</b>	<b>100%</b>	<b>100%</b>

<b>Delinquency Buckets</b>	<b>% of Total Number of Accounts</b>	<b>% of Total Receivables</b>
Current to 30 days	98.6%	96.9%
31 - 60 days	0.5%	1.0%
61 - 90 days	0.3%	0.7%
90+ days past due	0.6%	1.4%
<b>Total</b>	<b>100%</b>	<b>100%</b>

<b>Geography</b>	<b>% of Total Number of Accounts</b>	<b>% of Total Receivables</b>
Ontario	56%	58%
British Columbia	16%	16%
Quebec	12%	9%
Alberta	9%	10%
Other	7%	7%
<b>Total</b>	<b>100%</b>	<b>100%</b>

### **Allowance for loan losses**

The Bank maintains an allowance for loan losses 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 September 30, 2023:

	<b>Amount</b>
Allowance for loan losses, beginning of the quarter	\$28,278
Provision for loan losses	8,939
Charge-offs	(7,790)
Recoveries and other adjustments	999
Allowance for loan losses, end of the quarter	<u>\$30,426</u>

## 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. The Bank has minimal credit risk from these investments.

## Counterparty Risk

Counterparty Risk is the risk that the other party in an investment, credit, or trading transaction may default on its contractual obligations. 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:

	<b>Risk Weight</b>	<b>Amount</b>
Deposits with Regulated Financial Institutions	20%	\$31,578
Government Issued or Guaranteed Securities	0%	\$25,958

## Securitization Risk

Securitization Risk includes all risks arising from originating, structuring, distributing and/or investing in such assets. The Bank has no securitization risk as it does not securitize any of its credit card portfolios.

## 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.

## Operational Risk

Operational Risk is defined as the risk of loss resulting from people, inadequate or failed internal processes and systems, or from external events.

**ORA: General Qualitative Information on a Bank’s Operational Risk Framework**

ORA (a): The Bank’s Operational Risk Management Policy sets out the overall framework for the management of operational risk within Rogers Bank. It follows applicable regulatory rules and regulations, including OSFI Guideline E-21 – Operational Risk Management.

The Bank’s Operational Risk Management Framework (“ORMF”) ensures operational risk management is fully integrated throughout the Bank. The ORMF is risk-based and establishes the foundation for consistent identification and assessment, independent review, and monitoring and reporting of operational risks across the Bank.

ORA (b): The Bank’s operational risk governance structure helps to ensure effective accountability for the management of operational risk across the Bank. The operational risk governance structure includes three lines of defence, as depicted below:

<u>First Line of Defence</u> (Business Functions)	<u>Second Line of Defence</u> (Risk/Compliance/Support)	<u>Third Line of Defence</u> (Internal Audit)
Focus: <i>risk ownership</i> <ul style="list-style-type: none"> <li>Accountable for identification, assessment, mitigation, and reporting of risk in line with risk policies and risk appetite</li> </ul>	Focus: <i>risk oversight</i> <ul style="list-style-type: none"> <li>Owns risk policies and framework</li> <li>Oversight of risk management practices and results</li> <li>Performs independent challenge, analysis, and reporting</li> </ul>	Focus: <i>independent assurance</i> <ul style="list-style-type: none"> <li>Provides independent assurance on the effectiveness of risk management practices and results</li> </ul>

The Bank’s board of directors provides challenge, advice, and guidance to executive management, as appropriate, on matters relating to operational risk management; reviews reports from the three lines of defence with respect to the Bank’s risk profile; and works with executive management on the implementation of corrective action, if needed.

ORA (c): The Bank uses the Simplified Standardized Approach to calculate operational risk capital. As such, the Bank holds capital for operational risk equal to 15% of average annual Adjusted Gross Income over the previous 12 fiscal quarters. The Bank relies on its financial reporting system to calculate Adjusted Gross Income.

ORA (d): The Bank’s three lines of defence provide regular operational risk reporting to executive management and to the board of directors, ensuring that risk exposures and control gaps are identified, escalated, and addressed in a timely manner.

Periodic reports include, but are not limited to, those produced from the Bank’s governance and key control indicators program, which is the Bank’s primary means for measuring, monitoring, managing, and reporting key risks; and the Risk and Control Self-Assessment

program, which helps the Bank identify and evaluate operational risks, and gauge the effectiveness of controls in managing those risks.

ORA (e): The Bank has policies that mitigate operational risks and are aligned with established OSFI guidelines. The Bank's Risk Appetite Framework ("RAF") is an integral part of the Bank's Enterprise Risk Management Framework and is a primary tool to manage and mitigate operational risks. The RAF contains the Bank's Risk Appetite Statement and corresponding risk limits and describes the Bank's governance and key control indicators program. The control framework and key control indicators ensure effective monitoring of the Bank's operational risk exposure and determine if new action plans are required to certify that controls operate as expected and within the Bank's risk appetite.

### **Equity Risk**

Equity Risk is an institution's risk from holding or taking positions in equities within the trading book. The Bank has no Equity Risk as it does not hold any equity portfolios.

### **Interest Rate Risk**

Interest Rate Risk is the risk to the Bank's capital and earnings arising from adverse movements in interest rates. The Bank is exposed to interest rate risk through possible rate changes and the resulting mismatch between credit card loans rate and the funding rate. ERMCM monitors this potential mismatch, as well as interest rate changes, and reports its findings to the Board.

The current funding arrangement provides that the Bank will receive financing from RCI. This mitigates most of the Bank's exposure to interest rate risk. However, the Bank regularly evaluates the effect of fluctuations in interest rates, and its ability to withstand such changes.

### **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. ERMCM 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 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 September 30, 2023 the balance of HQLA was \$25.9 million.