



Rogers Bank

Basel III Pillar 3 Disclosures

As at March 31, 2014

Table of Contents

DOCUMENT OVERVIEW	3
REPORTING ENTITY.....	3
FINANCIAL RISK MANAGEMENT	3
Risk management framework	3
Credit risk	4
Credit concentration risk	5
Market risk.....	5
Interest rate risk	5
Operational risk	6
Human resources risk	6
Liquidity risk	6
CAPITAL MANAGEMENT	6
Regulatory capital position.....	6
Calculation of Risk-weighted Assets	7
COMPENSATION	7
Share-Based Compensation	7
Compensation of Key Management Personnel	7
Employee Benefits Plans	8
APPENDIX A: BASEL III COMMON DISCLOSURES	9

DOCUMENT OVERVIEW

This document embodies the Pillar 3 disclosures for Rogers Bank (the "Bank") as at March 31, 2014 pursuant to OSFI's Pillar 3 Disclosure Requirements.

As part of Basel framework Pillar 3 – Market Discipline builds on capital requirements and supervisory review process by developing a set of disclosures allowing market participants to assess the capital adequacy of the Bank.

The Bank is not considered Domestic Systemically Important Bank (DSIB) by OSFI and utilises Part 5 of Public Capital Disclosure Requirements related to Basel III Pillar 3 Advisory (July 2013) as the framework for this Disclosure. This report is unaudited and is reported in thousands of Canadian Dollars, unless otherwise noted.

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. (the "Parent"). The Bank received orders to commence and carry on business on August 23, 2013.

The Bank launched two consumer credit card products in late 2013. The initial product has no annual fee and a competitive rewards program which will allow customers to earn and redeem Rogers First Rewards towards goods and services offered by the Parent. The other product also has no annual fee and has a competitive cash back rewards program. The Bank records the credit card receivables and associated funding on its Balance Sheet.

FINANCIAL RISK MANAGEMENT

In its daily operations the Bank is exposed to credit risk, market risk, operational risk and liquidity risk.

Risk management framework

The Bank's 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 Asset and Liability Committee ("ALCO"), Credit Risk Committee ("CRC") and Senior Management Committee ("SMC") are 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 may face. It is used to assess internal capital requirements against regulatory capital requirements in the capital planning process. Capital targets are tied to the ICAAP findings as well as to regulatory capital requirements. The risk quantification process, including stress testing, serves to model potential risks facing the business from both strategic and capital requirements perspectives.

Risks are monitored and communicated to the Board annually. Based on risk monitoring, risk probabilities and identification of any new or escalating risks, capital requirements are assessed frequently and any ICAAP findings and material changes to risk are reported periodically to the Senior Management Committee, and if considered necessary by management, to the Board.

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. Credit risk for the Bank arises principally from the Bank’s credit card loans to customers.

The Board is responsible for the oversight of credit risk management. The CRC, under the oversight of the Board, monitors and approves the credit risk management program.

The CRC supports the Chief Credit Risk Officer and the credit department in the following:

- Development and implementation of sound and prudent policies and procedures to effectively manage and control credit risk. Policies include credit assessment criteria, risk grading and reporting, documentation and compliance for legal, regulatory or statutory requirements.
- Development and implementation of effective credit granting, account management and Collections processes. Processes include approval authority management, diversification of credit limits, credit risk assessment, credit application evaluation, fraud identification and management, and write-offs.
- Development and implementation of comprehensive procedures to effectively monitor and control the nature, characteristics, and quality of the credit portfolio. This includes reporting, portfolio characteristic monitoring, concentration reviews, risk grading monitoring, and credit review processes.

Portfolio metrics

The following table presents the percentage of the Bank’s credit card loan portfolio by credit limit as at December 31, 2014:

Credit Limit	% of Total Number of Accounts	% of Total Receivables
Less than or equal to \$2,000	11%	8%
\$2,001 - \$5,000	18%	21%
\$5,001 - \$9,999	38%	37%
Greater than \$10,00	33%	34%

Total	100%	100%
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Allowance for credit card losses

The Bank maintains an allowance for loan losses (the “allowance”) that represents management’s best estimate of incurred loan credit losses inherent in our loan portfolio. The allowance is increased through a provision for loan losses (the “provision”) and reduced by net charge-offs. Any credit card loan with a payment that is contractually 180 days in arrears, or where likelihood of collection is considered remote, is charged off. The provision reflects credit losses the Bank believes to have been incurred and will eventually be reflected over time in the charge-offs. Charge-offs of uncollectible amounts are deducted from the allowance and subsequent recoveries are added.

In determining the allowance, loans in the Bank’s portfolio with similar credit risk characteristics are disaggregated into pools. Management performs monthly analysis of these loan pools to determine if impairment has occurred and to assess the adequacy of the allowance based on current trends and other factors affecting credit losses. Documented systematic methodologies are applied to calculate the allowance for our credit card portfolio. The allowance consists of components to cover the estimated probable losses based on the results of our detailed review and loan impairment assessment process: a formula-based component for loans collectively evaluated for impairment.

The formula-based component for the allowance is based on a statistical calculation. Because of the homogenous nature of the Bank’s credit card loans, the allowance is established through a process that begins with estimates of incurred losses based on various statistical analyses. Loss forecast models incorporate the impact of exogenous factors evident in the current period which are assumed to remain constant

Credit concentration risk

Asset concentration risk is inherent within the credit card portfolio. To mitigate this risk, the Bank has developed its Credit Risk policy to ensure that its portfolio is well diversified. Diversification guidelines are set out in the Credit Risk policy and are approved by the Board. This includes limits for single account holders and households or groups of related customers. The Bank will closely monitor exposure by geography including assessment of any trends in concentration with reference to population once the portfolio size becomes material. The Bank’s customers will be drawn from the Parent’s national customer base and therefore should be well diversified geographically and demographically.

Market risk

Market risk is defined as loss resulting from changes in interest rates, market prices or foreign exchange rates. The bank assesses market risk by means of management oversight. The Bank’s principal risk arises from interest rate risk and is discussed further below.

Interest rate risk

The Bank is exposed to interest rate risk through possible rate and term mismatch of credit card loans against its funding sources. ALCO monitors this potential mismatch, as well as interest rate environment in Canada, and reports to the Board.

Under current agreement with the Parent the Bank obtains its necessary financing through a demand promissory note at a fixed rate. This substantially mitigates the Bank's exposure to interest rate risk.

Operational risk

Operational risk is defined as loss resulting from inadequate or failed internal processes, people and systems or from external events. The Bank recognizes that operational risk is significant. The Bank will use Operational Risk Self-Assessments that include status meetings designed to identify and assess the top operational risks and where additional mitigation and controls may be required once the portfolio size becomes material.

Human resources risk

Due to the Bank's highly outsourced business structure and early stage of growth, the actual full-time management and especially executive-level personnel is small in number. Departure of a single key person could cause a significant operational disruption. To mitigate this, the Bank has defined clear contingency plans including succession plans for key roles. In addition, the Bank's executive leadership team members have very broad backgrounds and experience and hence would be able to mitigate most business disruptions caused by a key executive departure.

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 governance, policies, and procedures are in place to manage cash on a daily, weekly, and monthly basis. Long-range planning and forecasting tools are used to monitor long-term funding needs. The ALCO monitors both short-term and long-term liquidity needs. A liquidity contingency plan is in place to ensure funding procedures are in place during a crisis.

CAPITAL MANAGEMENT

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 external and internal requirements. The Bank recognizes the need to maintain a balance between higher shareholders' returns and the security afforded by a sound capital position.

The Bank has committed sources of sufficient capital from its Parent to insulate the Bank from unexpected events and support business growth.

Regulatory capital position

The Bank calculates its regulatory capital by managing its credit risk using the standardized approach and monitoring its operational risk using the Basic Indicator Approach.

The Bank's regulatory capital consists of Tier 1 capital only. Tier 1 capital includes common share capital and retained earnings. The Bank aims to be in compliance with all externally and internally imposed capital requirements. Management uses regulatory capital ratios to monitor its capital base. The Bank's capital management policies are reviewed regularly by the Board.

Banking operations are categorised as banking book. The Bank assigns risk weights to assets reflecting different levels of risk and exposures not recognised in the statement of financial position.

The Bank's regulatory capital position under Basel III as at March 31, 2014 is outlined in Appendix A.

Calculation of Risk-weighted Assets

Risk-weighted Assets are composed of two components attributed to Credit and Operational Risk. Credit Risk component consists of Cash and Deposits weighted at 20% (\$5.9M as at March 31, 2014), Net Card Receivables weighted at 75% (\$0.6M) and Other Assets weighted at 100% (\$.2M). Operational Risk component is derived from the average Net Revenue for the last three years at alpha of 15% and multiplier of 12.5 (\$0.4M). Total Risk-weighted Assets are \$7.1M as at March 31, 2014.

COMPENSATION

Share-Based Compensation

The Bank participates in various share-based compensation plans of the Parent, including the Employee share accumulation plan and Restricted Share Unit plan. The Bank's cost of participating in the plans is included as Salaries and employee benefits in the Financial Statements.

(a) Employee share accumulation plan

The Bank participates in an employee share accumulation plan which allows Bank employees to voluntarily participate in a share purchase plan through the Parent. Under the terms of the plan, employees of the Bank can contribute a specified percentage of their regular earnings through payroll deductions. The designated administrator of the plan then purchases, on a monthly basis, Class B Non-Voting shares of the Parent on the open market on behalf of the employee. At the end of each month, the Parent makes a contribution of 25% to 50% of the employee's contribution in the month, which is recorded as salaries and employee benefits expense. The administrator then uses the funds to purchase additional class B shares of the Parent on behalf of the employee, as outlined above.

(b) Restricted share units

The Bank participates in the Parent's plan, under which the Parent may grant restricted share units of the Parent to certain key executives of the Bank. The plan enables employees and officers of the Bank to participate in the growth and development of the Parent. Under the terms of the plan, units are issued to the participant and will vest over a period not to exceed three years from the grant date. The units accumulate dividends at the same rate as the Parent's Class B shares and are restricted as additional units. On the vesting date, the Parent redeems all of the participants' units in cash or by issuing one Class B Non-Voting share for each unit.

Compensation of Key Management Personnel

Key management personnel include the Board of Directors and the most Senior Corporate Officers of the Bank who are primarily responsible for planning, directing and controlling the Bank's business activities. As at December 31, 2013, the Bank had nine key management personnel.

The following table presents compensation of key management personnel of the Bank for the period ended December 31, 2013.

	Period Ended December 31, 2013
(Thousands of Canadian dollars)	
Salaries, pension and other short-term employee benefits	\$ 499
Stock-based compensation expense	189
Total	\$ 688

Employee Benefits Plans

The Parent maintains both contributory and non-contributory defined benefit pension plans and defined contribution plans, in which Bank employees are eligible to participate. The defined benefit plans provide pensions based on years of service, years of contributions and employees' earnings. The Parent also offers certain benefit plans other than pension plans, which include health care, life insurance and dental benefits.

APPENDIX A: 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 following table is prepared using the modified Capital Disclosure template proposed by OSFI as defined in July 2013 Advisory on Public Capital Disclosure Requirements Annex 5.

Capital Disclosure as at March 31, 2014		All-in
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	25,000
2	Retained earnings	(6,440)
3	Accumulated other comprehensive income (and other reserves)	
4	Directly issued capital subject to phase out from CET1 (only applicable to non-joint stock companies)	
5	Common share capital issued by subsidiaries and held by third parties (amount allowed in group CET1)	
Common Equity Tier 1 capital: regulatory adjustments		
28	Total regulatory adjustments to Common Equity Tier 1	(2,791)
29	Common Equity Tier 1 capital (CET1)	15,769
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)	15,769
Tier 2 capital: instruments and allowances		
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)	15,769
60	Total risk-weighted assets	7,061
Capital ratios		
61	Common Equity Tier 1 (as percentage of risk-weighted assets)	223%
62	Tier 1 (as percentage of risk-weighted assets)	223%
63	Total capital (as percentage of risk-weighted assets)	223%
OSFI all-in target		
69	Common Equity Tier 1 capital all-in target ratio	14%
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)	-