Basel III Pillar 3 Disclosures

September 30, 2018

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This document represents the Pillar 3 disclosures for DirectCash Bank (the "Bank") as at September 30, 2018 pursuant to the Office of the Superintendent of Financial Institutions' ("OSFI") requirements. This report is unaudited.

I. Capital Adequacy

OSFI requires banks to measure capital adequacy in accordance with guidelines for determining risk adjusted capital and risk-weighting assets. The Bank complies with the Basel III framework.

Risk Based Capital Ratio	**2018 Q3**
Assets	
Total Assets	**$ 34,935,077**
Basic Indicator Approach	
Charge for Operational Risk	9,246,863
Charge for Credit Risk	9,827,447
Total Risk Weighted Assets	**$ 19,074,310**
Regulatory Capital	**$ 8,415,780**
Total Risk Based Capital Ratio	***44.1%***
Tier 1 Risk Based Capital Ratio	***44.1%***

The Bank has used the basic indicator approach to determine operational risk which calculates operational risk to be 15% of the Bank's three-year average annual income multiplied by 12.5. This is a permitted approach under the Basel III framework.

The Bank has taken a charge for credit risk. This amount is calculated as 20% of the Bank's cash and securities held with Canadian deposit-taking institutions and 100% of the Bank's remaining assets.

The Bank's total risk based capital ratio is 44.1% as at September 30, 2018 which is compliant with OSFI's ratios and the Bank's internal targets.

The Bank has adopted and reported using the new Leverage Requirements (LR) report to OSFI effective Q1 – 2015**.** The bank's leverage ratio is 24.1% as at September 30, 2018 which is compliant with OSFI's ratios and the Bank's internal targets. The Bank's Leverage Ratio is calculated by dividing total Tier 1 Capital by total assets.

Leverage Ratio	2018 Q3
Assets	
Total Assets	**$ 34,935,077**
Capital	
Common Shares	5,500,000
Retained Earnings	2,915,780
Total Tier 1 Regulatory Capital	**$ 8,415,780**
Leverage Ratio	***24.1%***

Capital is managed in accordance with policies and plans that are regularly reviewed and approved by the Board of Directors and take into account forecasted capital needs. The goal is to meet or exceed minimum regulated capital, protect individual and corporate deposits and provide capacity for internally generated growth.

II. Basel III Capital Disclosure

The Basel Committee on Banking Supervision has published the Basel III rules supporting more stringent global standards on capital adequacy and liquidity (Basel III). OSFI has implemented the Basel III rules for Canadian banks and has issued guidance and advisories on its implementation plan for all Canadian financial institutions on an accelerated basis. Significant changes under Basel III that are most relevant to the Bank include additional capital buffers and new requirements for levels of liquidity and new liquidity measurements.

Management believes that the transition to Basel III will not significantly impact the Bank as the Bank's equity consists solely of tier 1 components (common shares and retained earnings). As a result, there will be no phasing-out of non-qualifying regulatory capital instruments or phasing-in of regulatory adjustments. In addition, the strengthening of the risk weights for several asset categories will not affect the Bank due to its conservative investment policies, and the fact that there is no loan portfolio in the Bank. Pro forma Basel III calculations for the Bank confirm that the Bank will comply with Basel III's new minimum capital ratios for the next 5 years. Management also believes that the Bank will exceed the regulatory Basel III capital targets throughout the remainder of the transitional period (through 2018) and at the date of full implementation.

Basel III Pillar 3 Capital Disclosures

The new 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 on the All-in Capital Disclosure template (Annex 1) provided in OSFI's Public Capital Disclosure Requirements. The template has been modified to exclude line items that are not relevant. However, for purposes of comparability, row numbering has been maintained from the OSFI template.

Basel III All-in Capital Disclosure Template			
	Common Equity Tier 1 capital: instruments and reserves		Cross-Reference[1]
1	Directly issued qualifying common share capital (and equivalent for non-joint stock companies) plus related stock surplus	5,500,000	a
2	Retained earnings	2,915,780	b
3	Accumulated other comprehensive income (and other reserves)	n/a	
4	*Directly issued capital subject to phase out from CET1 (only applicable to non-joint stock companies)*	n/a	
5	Common share capital issued by subsidiaries and held by third parties (amount allowed in group CET1)	n/a	
6	**Common Equity Tier 1 capital (CET1) before regulatory adjustments**	8,415,780	
	Common Equity Tier 1 capital: regulatory adjustments - n/a		
28	Total regulatory adjustments to Common Equity Tier 1	0	
29	**Common Equity Tier 1 capital (CET1)**	8,415,780	
	Additional Tier 1 capital: instruments - n/a		
36	**Additional Tier 1 capital before regulatory adjustments**	0	
	Additional Tier 1 capital: regulatory adjustments n/a		
43	**Total regulatory adjustments applied to Additional Tier 1 capital**	0	
44	**Additional Tier 1 capital (AT1)**	0	
45	**Tier 1 capital (T1 = CET1 + AT1)**	8,415,780	
	Tier 2 capital: instruments and provisions - n/a		
51	**Tier 2 capital before regulatory adjustments**	0	
	Tier 2 capital: regulatory adjustments - n/a		
57	Total regulatory adjustments to Tier 2 capital	0	
58	**Tier 2 capital (T2)**	0	
59	**Total capital (TC = T1 + T2)**	8,415,780	
60	**Total risk weighted assets**	19,074,310	
	Capital ratios		
61	Common Equity Tier 1 (as a percentage of risk weighted assets)	44.1%	
62	Tier 1 (as a percentage of risk weighted assets)	44.1%	
63	Total capital (as a percentage of risk weighted assets)	44.1%	
	OSFI all-in target		
69	Common Equity Tier 1 all-in target ratio	7.0%	
70	Tier 1 capital all-in target ratio	8.5%	
71	Total capital all-in target ratio	10.5%	
	Amounts below the thresholds for deduction (before risk-weighting)		
72	Non-significant investments in the capital of other financials	n/a	
73	Significant investments in the common stock of financials	n/a	
74	Mortgage servicing rights (net of related tax liability)	n/a	
75	Deferred tax assets arising from temporary differences (net of related tax liability)	n/a	
	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*	n/a	
81	*Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)*	n/a	
82	*Current cap on AT1 instruments subject to phase out arrangements*	n/a	
83	*Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)*	n/a	
84	*Current cap on T2 instruments subject to phase out arrangements*	n/a	
85	*Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)*	n/a	

(1) Cross-referenced to Statement of Financial Position

Statements of Financial Position as at September 30, 2018 (as reported to Shareholders)

	Balance Sheet as reported to Shareholders	Under regulatory scope of consolidation	Cross-Reference to Definition of Capital Components
Assets			
Cash resources:			
Cash in bank	**$ 17,457,664**	$ 17,457,664	
	17,457,664	17,457,664	
Securities:			
Short term investments	**9,250,000**	9,250,000	
Long term investments	**4,500,000**	4,500,000	
Accrued interest	**176,873**	176,873	
	13,926,873	13,926,873	
Other:			
Trade and other receivables	**1,253,311**	1,253,311	
Prepaid expenses	**319,342**	319,342	
Property and equipment	**1,977,887**	1,977,887	
	3,550,540	3,550,540	
	$ 34,935,077	$ 34,935,077	
Liabilities and shareholders' equity			
Deposits (non-interest bearing):			
Corporate	**$ 24,437,037**	$ 24,437,037	
Individual	**341,326**	341,326	
	24,778,363	24,778,363	
Other:			
Trade and other payables	**1,736,631**	1,736,631	
Deferred income tax payable	**4,303**	4,303	
	1,740,934	1,740,934	
Shareholders' equity:			
Share capital	**5,500,000**	5,500,000	a
Retained earnings	**2,915,780**	2,915,780	b
	8,415,780	8,415,780	
	$ 34,935,077	$ 34,935,077	

Basel III Transitional Capital Disclosure Template		
29	**Common Equity Tier 1 capital (CET1)**	8,415,780
45	**Tier 1 capital (T1 = CET1 + AT1)**	8,415,780
59	**Total capital (TC = T1 + T2)**	8,415,780
60	**Total risk weighted assets**	19,074,310
61	Common Equity Tier 1 (as a percentage of risk weighted assets)	44.1%
62	Tier 1 (as a percentage of risk weighted assets)	44.1%
63	Total capital (as a percentage of risk weighted assets)	44.1%

Description of the Bank

Founded in 2007, DirectCash Bank (the "Bank") is a Schedule 1 Canadian chartered bank. It was issued its letters patent of incorporation on October 3, 2007 and was granted its Order to Commence and Carry on Business on January 24, 2008 pursuant to the Bank Act (Canada). The Bank's registered head office is located at 736 Meridian Road NE, Calgary, Alberta, T2A 2N7.

The Bank's mission is to provide innovative payment and banking solutions to its clients. The Bank works closely with its clients, providing personalized service and customized programs that deliver increased value and diverse financial and payment solutions to its clients. DCBank is a deposit taking financial institution, which provides deposit accounts and banking services to individual and corporate clients. The Bank does not engage in any lending activities.

III. Risk Summary

The Board of Directors has overall responsibility for the establishment and oversight of the Bank's risk management framework.

The Bank's risk management policies are established to identify and analyze the risks faced by the Bank, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions, products and services offered. The Bank, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Conduct Review and Risk Policy Committee and the Audit Committee are responsible for monitoring compliance with the Bank's risk management policies and procedures, and for reviewing the adequacy of the risk management framework in relation to the risks faced by the Bank. The Audit Committee is assisted in these functions by Internal Audit. Internal Audit undertakes an annual review, the results of which are reported to the Audit Committee.

a. Counterparty/Concentration risk

A significant portion of the Bank's operating revenue currently consists of variable and fixed fee revenue received pursuant to the terms of the DC Payments Agreements. These contracts have been extended and expire October 31, 2027. The Bank's income would be negatively impacted if DC Payments' contracts were not fulfilled or terminated early.

The risk is mitigated by the fact that the revenue streams from these contracts have been consistent for the past several years and the contracts are exclusive. In addition, the contracts contain minimum monthly fee provisions. DC Bank has a 180 day notice period to re-negotiate any contracts.

b. Market risk

Market risk is the risk of a loss resulting from changes in interest rates and market prices and volatilities that arise from the Bank's funding and investment activities. The Bank does not engage in any foreign exchange or trading activities. As such, the Bank's principal risk arises from interest rate risk.

c. Interest rate risk

The Bank does not currently pay interest on its deposit accounts and does not engage in any lending which eliminates its exposure to interest rate spread fluctuations. However, the Bank's interest income could be negatively impacted by declines in interest rates earned on short term investments. Deposits are due on demand.

d. Liquidity risk

Liquidity risk is the risk that the Bank will encounter difficulty in meeting obligations from its financial liabilities.

The Bank's approach to managing liquidity is to ensure that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Bank's reputation. The Bank's cash and short-term investments exceed its financial liabilities.

e. Reputational risk

Reputational risk is the impact on the Bank's earnings and capital arising from negative public opinion; thereby affecting the Bank's ability to establish new relationships or continue servicing existing customers. The Bank's value is only minimally exposed by reputational risk. Exposure from reputational risk is expected to remain low in the foreseeable future; however, the Bank continues to exercise an abundance of caution to effectively monitor these risks.

f. Litigation risk

The Bank has litigation risk arising from its prepaid card agreements with end users, its program manager agreements, its agency agreements as well as various other agreements with third parties.

g. Regulatory risk

The Bank has regulatory risk arising from new or changing regulations in the markets that the Bank's clients operate in.

IV. Capital Structure

The Bank's regulatory capital is comprised of share capital and retained earnings (Tier 1 Capital). In accordance with the Bank's letters patent of incorporation, the Bank's initial share capital is $5,500,000. As at June 30, 2018, the Bank's total capital is $8,189,845.

V. Statement of Risk Appetite

The Bank has a low tolerance for risk and its risk tolerance is reviewed quarterly by management and the board of directors.

VI. Remuneration

Key management personnel (which is comprised of senior executive officers and directors) receive compensation in the form of short-term employee benefits. For the year ended December 31, 2017 the Bank has paid out executive personnel remuneration of $1,107,024 plus $126,003 of other short-term employee benefits (2016 - $891,193 and $113,863 respectively). As at December 31, 2017 key management personnel had deposits of $155,012 outstanding with the Bank (2016 - $345,459).