DF Capital

Distribution Finance Capital Holdings plc Group

Pillar 3 Disclosures
31 December 2020

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1. Overview

1.1 Introduction

DF Capital is a specialist personal savings and commercial lending bank. We provide niche working capital funding solutions to dealers and manufacturers across the UK, enabled by competitively priced personal savings products. We are a team of experts, with specialist knowledge, who have ambitions to support the growth of poorly served SME businesses through a wider range of lending products and services.

We received full authorisation as a bank from the Prudential Regulation Authority ("PRA") on 29 September 2020.

This document is DF Capital's Pillar 3 report for the period ended 31 December 2020.

1.2 Scope

DF Capital Bank Limited (the 'Bank') is authorised by the PRA and regulated by the Financial Conduct Authority ("FCA") and the PRA, FRN number 848291. The Bank is registered in England and Wales, registration number 10198535 and is wholly owned by Distribution Finance Capital Holdings plc, a company registered in England and Wales, registration number 11911574 and listed on the Alternative Investment Market ("AIM"). Registered office is 196 Deansgate, Manchester M3 3WF. The Bank is the only subsidiary of Distribution Finance Capital Holdings plc. References to the 'Group' and 'DF Capital' are in respect of Distribution Finance Capital Holdings plc and DF Capital Bank Limited.

Other than restrictions due to regulatory capital requirements for regulated entities, there are no current or foreseen material practical or legal impediments to the prompt transfer of capital resources or repayment of liabilities when due between Group companies. This document contains references to the Group's Annual Report and Financial Statements. These details can be found at: https://www.dfcapital-investors.com/investors/

1.3 Basis

Pillar 3 disclosure requirements are set out in Part Eight of the Capital Requirements Regulation ("CRR") under EU Regulation 575/2013, and under the fourth Capital Requirements Directive, together known as "CRD IV". This is the 3rd Pillar of the original Basel Accord, designed to promote market discipline through the disclosure of key information relating to capital, risk exposures and risk management. The requirements under Pillar 1 and Pillar 2 are discussed in this document.

The CRR allows the Group to exclude certain disclosures if they contain proprietary or confidential information or if the information is not material. However, the Group has not excluded any information on the grounds of being proprietary or confidential.

The report contains information presented for the year ended 31 December 2020. Since DF Capital received full authorisation as a bank from the PRA on 29 September 2020 there are no prior year comparatives included.

These disclosures are prepared in line with CRR requirements and the associated European Bank Authority ("EBA") guidelines, in a manner proportionate to the size and complexity of the Group. The disclosures are presented on a consolidated basis. Specific disclosures in respect of DF Capital Bank Limited – the Group's only 'significant subsidiary' – on an individual basis are presented in Appendix 1. There are no differences between the basis of consolidation of the Group for accounting and regulatory purposes.

Following the adoption of IFRS 9 from 1 January 2018 the CRR introduced transitional rules to phase in the full effect of the changes on Common Equity Tier 1 (CET1) capital over a five-year period. This transition period was further amended by the CRR COVID-19 Amendment Regulation. The Group and Bank have fully implemented IFRS 9 and are not utilising these transitional rules.

1.4 Frequency and location of disclosures

The Group's policy is to publish the Pillar 3 disclosures on an annual basis. The information is published in conjunction with the Group's Annual Report and Financial Statements. The disclosure will be updated should there be a material change in any approach used for the calculation of capital, business structure or regulatory requirements.

The Group's Pillar 3 disclosures are published on the Group's website and should be read in conjunction with the Group's Annual Report and Financial Statements for the period ended 31 December 2020. These can be found at: https://www.dfcapital-investors.com/investors/

1.5 Verification

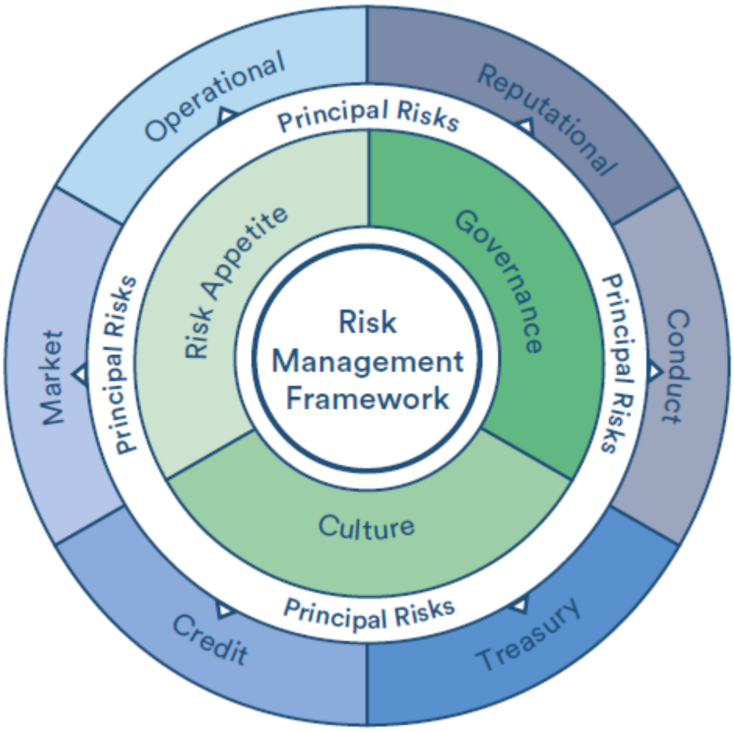
The Group's Pillar 3 disclosures have been reviewed and approved by the Board who are satisfied that the disclosures accurately and comprehensively describe the Group's risk profile. The disclosures are not subject to audit.

2. Risk Management Framework

2.1 Overview

The Group follows a framework which outlines how we define and manage risks which are relevant to the Group's business model and operations. This 'Risk Management Framework' ("RMF") creates a structured approach and common language to support the day-to-day management of risks at the Group. The framework allows us to efficiently and effectively identify, measure, monitor and control risks in line with our governance, culture and risk appetite. We review this high-level framework document as and when needed and at least once a year. Where necessary we update the framework, which may then lead to updates in our policy or governance processes to ensure that the new or amended approach for managing a current or new risk has been consistently implemented across the Group.

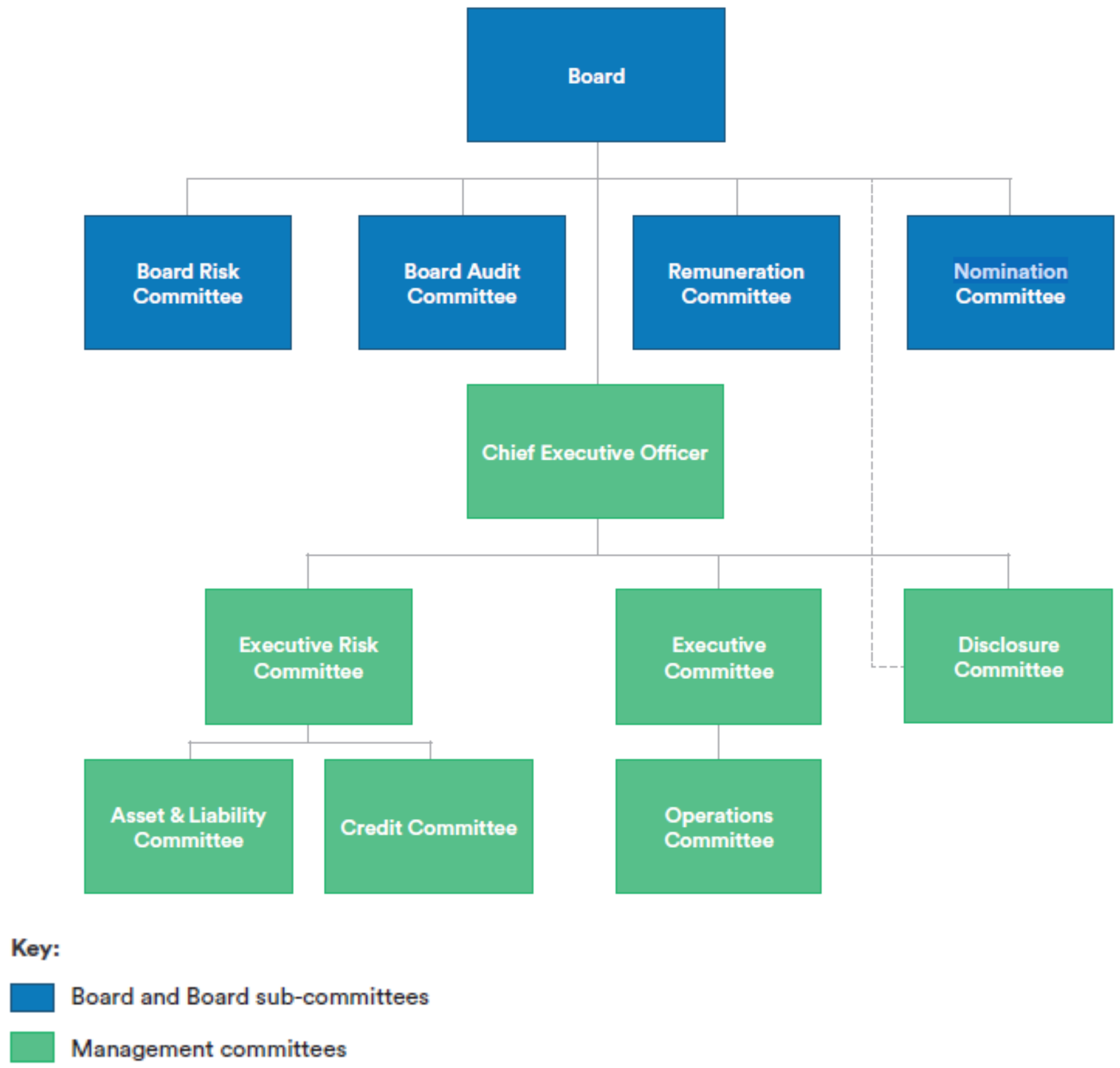
The Board owns and reviews the RMF and its three overarching components – governance, culture, and risk appetite – at least annually. We also have granular policies in place which underpin the effective management of risk and are subject to annual review by relevant Board or management committees.



2.2 Governance

The Group has a well-defined governance framework in place to ensure the effective management of the Group's operations to deliver against its strategic vision and risk appetite.

The Corporate Governance Structure is shown in the diagram below:



The Credit Committee was effective from 1 March 2021.

Details of the Board sub-committees and Management committees and their responsibilities can be found on pages 48-72 of the statutory accounts.

There is a formal overarching governance framework document which outlines the principles of corporate governance followed by the Group, in line with corporate governance best practice. This document specifies the distribution of roles and responsibilities between the Board, executive committees, functions, and individuals. The aim is to create clear accountability and responsibilities, whilst facilitating effective decision making.

The Board has adopted the QCA Code of Corporate Governance, which is an industry code designed for smaller listed companies. However, the Group is committed to maintaining high standards of corporate governance and will take account of recommendations in the

UK Corporate Governance Code and endeavour to adopt those recommendations as far as possible.

2.3 Culture

Culture is a key component of effective risk management. Our Code of Ethics defines our high-level corporate values (aligned to the Group brand values) and provides structure and guidance for decision making. It is consistent with and complements the regulations and control environment under which the Group operates. The Board and management are committed to creating an effective risk culture across the Group, covering all staff, and to that end assess the effectiveness of the Group's risk culture on a regular basis.

2.4 Risk Appetite

The Board has defined a risk appetite which sets the context and the boundaries for the Group's activities and controls. It establishes the quantum and type of risks the Group is willing to accept. There is a formal framework in place which establishes the granularity, requirement, and responsibility to set and allocate the risk appetite across the Group to support its strategic vision. This framework quantifies risk appetite through a number of risk metrics and limits which are monitored by the Group on an ongoing basis.

2.5 Three Lines of Defence

The risk management framework established at DF Capital is based on the 'Three Lines of Defence' ("3LOD") model. This approach ensures a clear delineation of responsibilities between risk ownership, risk oversight, and independent risk assurance.

This 3LOD model is a core component of risk governance at DF Capital as it provides clarity and accountability to individuals and functions across the Group.

First line of defence	Second line of Defence	Third line of defence
Business lines, credit, finance, treasury, and operations functions act as the first line of defence and are responsible for identifying, assessing, mitigating, managing and reporting risk.	Risk and Compliance functions act as the second line of defence and provide oversight, effective challenge, and technical advice to the first line to ensure risks are identified and controlled effectively.	The third line of defence is provided by Internal Audit which independently reviews the design, implementation, and effectiveness of the first and second lines.

2.6 Risk Management Lifecycle

Taking and managing risk is fundamental to our business. DF Capital's risk strategy is based upon a proactive and continuous approach to the management of all risks faced by the Group. Ownership of risk and the responsibilities for risk management and risk oversight are allocated throughout the Group, following the 3LOD model. This risk management approach ensures that both risk taking and management are aligned to our business model and strategy. Risk frameworks, policies, procedures as well as department and individual job descriptions operationalise our approach to risk management. Employees have risk-based objectives incorporated into their personal objectives and these form part of their annual appraisal. The management of risk is undertaken using clearly defined limits, in line with risk appetite, which are measured, monitored, and managed through a robust control environment, risk governance structure and risk awareness culture. This section summarises the core stages of the continuous lifecycle of risk management employed by the Group.

Risk Identification

Risk identification involves continuously identifying risks that might occur in connection with the Group's business, (e.g. changes in services and products, changes in the legislation, market developments) that might have a detrimental impact upon business objectives, customers, staff or the Group's reputation. The identification process takes into account the principal risks described within the RMF. The identification process also considers new and emerging risks which might not already be sufficiently covered by these principal risks and existing controls.

Risk workshops, deep-dives, projects and strategic planning, horizon scanning and stress testing exercises are common points where risk identification will always be incorporated. Risk events are also used as a risk identification tool. This is in addition to the regular committee and department meetings where risk horizon scanning is a standing agenda item. The identification process will consider risks which may be emerging or more remote, to ensure that if these risks became more likely to occur there is already a recognition of the Group's exposure to such risks.

Risk Assessment

This involves assessing the identified risks in terms of the probability and potential impact on the Group. The risk measurement process includes evaluations of existing controls to determine consequences and the likelihood of the risk, as well as assess estimated levels of exposure.

Risks will be scored for their inherent risk. This involves defining the most likely scenario for the event, determining the total exposure (the product of the impact and likelihood) for the risk before controls are taken into account. The risk is then assessed against the controls that are in place to arrive at a quantification of residual risk.

If the risk profile is considered too high once the assessment of risks and controls has been completed, then action will be taken to reduce, share or avoid the risk. Typically, the means to reducing the risk is through tightening and/or improving controls and limits. The assessment process therefore considers the existing risk appetite limits.

Risk Control

The collective of all the risk systems and controls within DF Capital is referred to as the Control Environment. DF Capital enables the Control Environment through the adoption of frameworks, policies, procedures, and systems which are monitored by the risk and compliance function, through the 3LOD model. These risk controls are reported up through oversight Board and management risk committees as outlined in the Corporate Governance Framework. There is a schedule in place which maps out each framework and policy across our principal risks, with the respective document owner, SMF responsible, and approval committee.

An effective Control Environment is a core part of the RMF and is critical to the safe and sound performance of DF Capital and to the management of risk. A successful system of internal controls improves the reliability and effectiveness of operations, supports the strategic objectives, and helps to ensure compliance with external rules and regulations.

Risk & Control Self-Assessment (RCSA)

All risks need to be included within the RCSA, reflecting the risk identification, assessment, and controls in place. The inclusion of all risks in the RCSA helps to identify risk concentrations when underlying risks are aggregated. The RCSA is reviewed by relevant Board and management risk committees on a regular basis to ensure that any rising, new or emerging risks are identified and monitored.

Any risks which are ‘accepted’ but are outside of risk appetite will need to be formally accepted by the relevant management or Board committee as part of the ‘Risk Acceptance’ process defined in the RCSA framework.

Risk Monitoring, Reporting and Escalation

Risk metrics

Reporting covering the risk metrics underpinning all principal risks, including movements in risk exposures and supporting commentary is provided to Board and management risk committees at each regular meeting. This is in addition to the monitoring of any specific risks at the risk committees below the Executive Risk Committee (Asset & Liability Committee and Credit Committee). It is also in addition to more frequent monitoring of certain risk metrics (e.g. daily liquidity reporting).

A Red, Amber, Green (RAG) status is used to measure risk metric performance. However, metric performance is supplemented with commentary and qualitative judgement to ensure there is a balanced and meaningful view of performance relating to the Group's risk appetite. Where any risk appetite trigger or limit has or may be breached this will be escalated in accordance with the defined escalation process within the Risk Appetite Framework.

Enterprise-wide risk dashboard

A risk report showing the main enterprise-wide key and emerging risks is discussed at Board and management risk committees on a quarterly basis. This exercise allows the committees to consider the top risks being faced by DF Capital alongside the associated risk mitigation actions from a top-down perspective.

External environment

A number of macroeconomic and financial metrics are reported to the Executive Risk Committee ("ERC") and Board Risk Committee ("BRC") at each meeting. These include statistics specific to the sectors where DF Capital operates. It is complemented by commentary covering key publications (e.g. Bank of England reports).

Regulatory monitor

The firm maintains a regulatory monitor which lists all new or changes in regulation that can impact DF Capital. This monitor identifies the actions required by each function in response to the new or changed regulation. The regulatory monitor is presented to management and Board risk committees.

Stress Testing and Contingency Arrangements

Stress Testing

Stress testing is a very important risk management tool, with specific approaches documented for the major regulatory exercises in the ICAAP and ILAAP – see below. Stress testing aims to improve the Board and management's understanding of the key risks, scenarios and sensitivities that may adversely impact the financial or operational position of DF Capital.

Stress testing is used to assess the adequacy of DF Capital's financial resources, the potential management actions available to mitigate the effect of adverse events, identify any gaps in DF Capital's RMF (such as potential weaknesses in controls), and provide input into DF Capital's risk appetite setting.

Internal Capital Adequacy Assessment Process ("ICAAP")

The ICAAP is an assessment of DF Capital's total capital requirements based on its risk profile under normal and stressed operating conditions, incorporating all material risks and is based on active cooperation between Finance, Treasury, and the business.

The CFO has executive responsibility for the ICAAP, which is prepared at least annually, with review and challenge led by the CRO. More frequent ICAAP stresses can be run if external or internal factors change materially.

Individual Liquidity Adequacy Assessment Process ("ILAAP")

The ILAAP is an assessment of DF Capital's funding and liquidity position under normal and stress conditions. The ILAAP is used to inform management and the Board of the ongoing assessment and quantification of liquidity risk and the manner in which it is measured, monitored, controlled, and mitigated.

The CFO has executive responsibility for the ILAAP, which is prepared on an annual basis, with review and challenge of the ILAAP led by the CRO. More frequent ILAAP stresses can be run if external or internal factors change materially.

Recovery Plan and Resolution Pack

The Recovery Plan provides an assessment of DF Capital's ability to recover financially following a period of severe stress which threatens the viability of the business. DF Capital develops a Recovery Plan to assess and document the recovery options available in a range of severe stress conditions and to enable such recovery options to be activated and mobilised quickly and effectively.

The Resolution Pack provides regulatory authorities with information and analysis relating to its business, organisation, and structure to enable them to carry out an orderly resolution, if required.

The Recovery Plan and Resolution Pack are owned by the CFO and supported by the CRO.

Contingency Arrangements

Contingency plans exist for unexpected severe events or scenarios when the risk profile of the Group could go beyond acceptable levels, including the Board's risk appetite. In addition to the ICAAP, ILAAP, and Recovery Plan, the Group also prepares a Solvent Wind-down Plan (SWD) which considers a more extreme stress scenario where the Group becomes financially unviable. The plan evidence in such a scenario the business could be wound down in a solvent and orderly manner. The CFO has executive responsibility for the SWD, which is prepared on an annual basis, with review and challenge of the SWD led by the CRO.

Contingency Plans also exist for severe risk scenarios of an operational nature. Incident management plans are in place to cover such events, supported by Business Continuity Plans (BCP) and Disaster Recovery (DR) to deal with more severe business interruption scenarios. These are owned by the COO with review and challenge led by the CRO.

Risk Training

All Employees are required to complete risk management and compliance training as part of new joiner training as well as regular refreshers thereafter. Risk and compliance training may vary depending on the role of the staff member (e.g. SMF role holder, Certified Function, functional manager, or customer-facing role) as well as the business or central function performed. Risk & Compliance, our 2LOD, are responsible for ensuring appropriate risk and compliance training is delivered across the organisation, with support from the People team. Risk and compliance training will continuously look to reinforce the 3LOD risk model principles as well as the core components of the Group's RMF – Governance, Culture, and Risk Appetite.

2.7 Principal Risks

Based on the Group's strategy and business model, there are six principal risk categories used to help shape our policy and control framework. This categorisation creates structure for the risk policy framework and clear ownership/responsibility for assessing and managing risk.

There are certain risks that run across many or all of these risk types and we have chosen at this stage to not pull them out individually but to manage them across the principal risks' framework. A good example of this are the risks created by climate change. Whilst these risks may crystallise in full over longer-time horizons, they are already becoming apparent in our business operations.

Operational Risk is defined as the risk of loss resulting from inadequate or failed internal processes, people and systems errors, or from external events. We have a framework in place which sets out our approach to operational risk, with associated roles and responsibilities further defined in a number of policies and procedures covering the various types of operational risk. Although the overall scope of operational risk would cover areas of conduct and reputational risks, we believe it makes sense to separate these items out as individual principal risks due the importance of these risks given the Group's activities and regulatory environment.

Key risk mitigation tools: operational risk policies and standard operating procedures, Risk and Control Self Assessments ("RCSAs"), risk event analysis, Business Assurance Testing ("BAT" i.e. controls testing), ongoing monitoring of risk metrics and limits, scenario analysis, information security and cyber defences, operational risk training, Operations Committee and Executive Risk Committee oversight

Reputational Risk is defined as the risk of loss or imposition of penalties, damages, or fines from the failure of the firm to meets its legal and regulatory obligations. DF Capital operates within the context of the UK legal and regulatory environment. Our Compliance Framework sets out the responsibilities within the firm to ensure awareness of both current and upcoming legal and regulatory changes and how the firm plans and implements those requirements appropriately.

Key risk mitigation tools: compliance policies, regulatory monitor, enterprise-wide compliance risk assessment, compliance monitoring plan, ongoing monitoring of risk metrics and limits, customer risk assessments, regulatory compliance training, Executive Risk Committee oversight.

Conduct Risk is the risk of detriment caused to DF Capital's customers or wider financial markets due to inappropriate execution of its business activities and processes, including the sale of unsuitable products. Our Conduct Risk Framework outlines the Group's approach and process for ensuring good customer conduct outcomes. It is supported by specific policies on Product Governance, Market Abuse, Complaints, and Whistleblowing which detail the specific steps and responsibilities across the Group. The scope of conduct risk coverage also includes our AIM reporting and disclosure requirements.

Key risk mitigation tools: conduct risk policies, product governance, enterprise-wide conduct risk assessment, ongoing monitoring of risk metrics and limits, monitoring of complaints and customer feedback, BAT, Code of Ethics, conduct risk training, Executive Risk Committee oversight.

Treasury Risk covers three types of risks relating to the bank maintaining sufficient financial resources to ensure it is financially resilient:

- **Funding and Liquidity Risk**: The risk that DF Capital is not able to meet its financial obligations as they fall due or that it does not have the tenor and composition of funding and liquidity to support its assets.
- **Capital Risk**: The risk that DF Capital has an insufficient amount or quality of capital to support the regulatory requirements of its business activities through normal and stressed conditions.
- **Interest Rate Risk in the Banking Book ("IRRBB")**: The risk of financial loss through un-hedged or mismatched asset and liability positions due to interest rate changes.

Roles, responsibilities, and requirements with respect to Treasury Risk management are outlined in relevant treasury management policies, with the setting of risk appetite further supported by the firm's regulatory documents (ILAAP and ICAAP).

Key risk mitigation tools: treasury policies, ICAAP, ILAAP, additional stress testing, ongoing monitoring of risk metrics and limits, financial planning and forecasting, monitoring of external environment, Asset & Liability Committee ("ALCO") and ERC oversight.

Credit Risk is the risk of financial loss arising from a customer or counterparty failing to meet their financial obligations to DF Capital. Credit Risk is considered the most significant risk faced by DF Capital and can be broken down into the following categories:

- Client Default Risk: The risk of loss arising from a failure of a borrower to meet their obligations under a credit agreement.
- Credit Concentration Risk: The risk of loss due to the concentration of credit risk to a specific customer, counterparty, geography, or industry.
- Repurchase Risk: The risk of loss arising from the failure of a third-party to meet a claim under a repurchase agreement.
- Security Risk: The risk that an asset used as security to mitigate a credit loss does not provide the protection to the Group that is expected, leading to unanticipated losses.
- Counterparty Risk: The failure of a bank counterparty or derivative provider.

A number of risk policies are in place setting the key risk controls and covering the roles and responsibilities of the Group's lending and investment activities.

Key risk mitigation tools: credit underwriting criteria, asset audits, sector deep-dive reviews, portfolio monitoring, ongoing monitoring of risk metrics and limits, hindsight reviews of default events, monitoring of external environment, Credit Committee and Executive Risk Committee oversight.

Market Risk is the financial risk deriving from exposures to movements in market prices of trading assets and liabilities. DF Capital does not have trading books and any investments as part of liquidity buffer management are in sovereign bonds, held in the banking book. Interest rate risk is covered under IRRBB (under Treasury Risk). The Group has no exposure to foreign currencies. The Group currently does not have any appetite to run market risk.

2.8 Further details of risk management and governance framework

For further details on the Group's risk management and governance framework please refer to the following sections of the Group's Annual Report and Financial Statements:

- Risk Overview - pages 34-45
- Corporate Governance at DF Capital - pages 47-78
- Board and Board Sub-Committees - pages 48-67
- Management Committees - pages 70-72
- Beyond the Committees – The Business Functions - pages 74-75
- Group's objectives, policies and processes for managing the material risks in respect of financial instruments and the methods used to measure them - pages 130-142

3. Key Regulatory Metrics

The table below summarises the key regulatory metrics for the Group and the Bank as at 31 December 2020.

Table 1 – Key Regulatory Metrics at 31 December 2020

Key Metrics	Group	Bank
	£'000s	*£'000s*
Regulatory Capital		
Common Equity Tier 1 ("CET 1") capital	47,792	54,689
Additional Tier 1 Capital	-	-
Tier 2 Capital	-	-
Total Regulatory Capital	47,792	54,689
Total Risk Weighted Assets ("RWAs")	95,427	99,883
CET 1 Capital Ratio	50.1%	54.8%
Leverage Ratio	23.6%	26.5%
Liquidity Coverage Ratio ("LCR")	6820%	6820%
Net Stable Funding Ratio ("NSFR")	253%	247%

4. Capital Resources

4.1 Capital Resources

As at 31 December 2020 the Group's only component of capital resource is Common Equity Tier 1 ("CET1") capital. This comprises ordinary share capital, share premium, and allowable reserves including retained earnings, with deductions for intangible assets and holdings of own CET1 instruments (under our Employee Benefit Trust).

The table below shows the composition of the Group's regulatory capital resources as at 31 December 2020 as measured under CRD IV. The Group's individual regulated entity (DF Capital Bank Limited) and the Group as a whole complied with all of the externally imposed capital requirements to which they were subject for the period ended 31 December 2020.

Table 2 – Regulatory Capital at 31 December 2020

	31 December 2020
	£'000s
Equity	
Issued Capital	1,066
Share premium	-
Other Reserves recognised for CET1 capital	74,302
Own shares	(364)
Retained loss	(24,115)
Total Equity	**50,889**
Adjustments to Regulatory Capital	
Intangible Assets	(794)
Investments in own shares (if not already subtracted from paid-in capital on reported balance sheet)	(2,303)
Total deductions	**(3,097)**
Total CET 1 Capital	**47,792**
Other Capital	
Additional Tier 1 capital	**-**
Tier 2 capital	**-**
Total Regulatory Capital	**47,792**

In February 2021 through a placing of new ordinary shares the Group raised £40 million of additional capital before expenses and approximately £38.6 million after expenses.

4.2 Capital Requirements

In order to meet their capital requirements, banks must ensure they hold sufficient quantity and quality of capital resources.

Pillar 1 capital requirements

The Pillar 1 requirements set out the rules used to determine the minimum capital requirement for credit, market and operational risks.

The Pillar 1 total capital requirement is 8% of Risk Weighted Assets (“RWA”). The minimum Pillar 1 requirement is 4.5% for CET1 capital and 6% for Tier 1 capital.

CRD IV allows a range of approaches that vary in sophistication to be used to determine RWA amounts. The Group uses the Standardised Approach to determine risk weights for credit risk. The Basic Indicator Approach is used to determine operational risk RWAs. As the Group’s exposure to market risk is less than the de minimis level prescribed by the CRR, the Group does not have a Pillar 1 capital requirement for market risk.

Pillar 2 capital requirements

The Pillar 2 requirements help ensure that institutions hold appropriate levels of capital for the risks they are exposed to. It is determined as part of the Supervisory Review and Evaluation Process (“SREP”). The PRA reviews and evaluates the Group’s capital requirements including the Group’s own assessment of its capital adequacy determined by the Internal Capital Adequacy Assessment Process. (See Section 5.1 for an overview of the ICAAP process).

The Pillar 2 requirement is divided into capital held against risks not captured or not fully captured by Pillar 1 (Pillar 2A) and risks to which a firm may become exposed under a stressed environment (Pillar 2B or PRA Buffer).

Pillar 2A

Pillar 2A requirements are designed to capture the firm specific risks that are not addressed, or not fully captured by the minimum capital requirements under Pillar 1. The PRA informs banks of their Pillar 2A requirements by setting a firm specific Total Capital Requirement (“TCR”). The TCR is the sum of Pillar 1 and Pillar 2A capital.

The Group’s TCR as prescribed by the PRA is 13.14%. This means that in order to meet its TCR, the Group must hold capital equal to 5.14% of RWAs (Pillar 2A) in addition to the 8% minimum requirement under Pillar 1. This requirement applies to DF Capital on both an individual (Bank) and consolidated (Group) basis.

The PRA requires the TCR to be met with at least 56.25% of CET1, no more than 43.75% of Additional Tier 1 capital and no more than 25% of Tier 2 capital. The Group meets the TCR using CET1 capital only.

Pillar 2B - PRA Buffer

All firms will be subject to a PRA buffer assessment as part of the SREP. A bank's ICAAP is the starting point for determining the Pillar 2B - PRA buffer requirement. The PRA will review banks' stressed capital projections and set the total buffer requirement at a level that would allow losses to be absorbed under those stressed conditions, while still allowing banks to meet their specific TCR requirements. For "new and growing, non-systemic banks", such as DF Capital, the PRA can set the Pillar 2B - PRA Buffer using an assessment of wind-down costs.

The PRA buffer takes into consideration the extent to which the Capital Conservation Buffer already captures the risks that are considered as part of the PRA buffer assessment. If the PRA buffer assessment is greater than the Capital Conservation Buffer, the PRA buffer is binding, and an additional buffer add-on is imposed. The PRA Buffer must be met with 100% CET1 capital. The PRA buffer is not disclosable.

Capital Conservation Buffer ("CCB")

The CCB is a general buffer of 2.5% which applies to all banks and can be used to absorb losses in times of stress. The CCB must be met with 100% CET1 capital.

Countercyclical Capital Buffer ("CCyB")

The CCyB rate for the UK is set by the Financial Policy Committee (FPC) of the Bank of England. The rate as of 31 December 2020 was 0%. The CCyB must be met with 100% CET1 capital.

5. Capital Adequacy

The Group's capital planning process is forward looking and takes into account the types and distribution of capital over the 3-year planning horizon that the Group considers adequate to cover the level and nature of the risks to which the Group is or might become exposed. The Group has conducted stress testing and scenario analysis as part of this process and maintains a strong capital base to support the development of the business to ensure it meets the TCR and capital buffer requirements at all times.

The Group currently maintains all its capital as CET 1 capital. The Group CET 1 capital ratio at 31 December 2020 was 50.1%.

5.1 ICAAP

The Group undertakes a group-wide internal capital adequacy assessment on an annual basis which is an integral part of the Group's risk management processes. The main output from the process is an assessment of all material risks faced by the Group, determination of the level of capital required to be held against each major source of risk and an analysis of a number of severe stress tests over a three-year time horizon, which is the Group's standard business planning timescale. The ICAAP is subject to detailed review and challenge by the ALCO, the ERC and the BRC, before approval by the Board.

5.2 Pillar 1 capital requirements

The Group's risk weighted assets consist of credit risk exposures to financial institutions and lending to customers, determined using the Standardised Approach; and operational risk exposures,
calculated using the Basic Indicator Approach.

The Group's Pillar 1 capital requirement as at 31 December 2020 is set out in the table below.

Table 3 – Pillar 1 capital requirement at 31 December 2020

	RWAs	Pillar 1 Capital Requirement
	£'000s	*£'000s*
Credit Risk	90,139	7,211
Operational Risk	5,288	423
Total	**95,427**	**7,634**

5.3 Leverage ratio

The leverage ratio measures the relationship between the Group's Tier 1 capital and the Group's assets (or 'leverage exposure'). The leverage ratio is a transparent, comparable measure which is not affected by risk weightings.

The level of leverage is actively monitored and regularly assessed alongside capital and capital ratios.

The Group has no minimum leverage requirement as it is currently not within the scope of the UK Leverage Ratio Framework as its deposit levels are less than £50 billion.

The following Tables LRSum and LRCom and LRSpl follow the formats that are prescribed by the EBA.

Table 4 - LRSum: Summary reconciliation of accounting assets and leverage ratio exposures

	31 December 2020
	£'000s
Group: CRR Leverage Ratio Exposure	
Total assets as per published financial statements	201,322
Adjustments for off-balance sheet items	1,883
Other adjustments including intangibles	(794)
Total leverage ratio exposure as at 31 December 2020	**202,412**

Table 5 - LRCom: Leverage ratio common disclosure

	31 December 2020
	£'000s
Group: CRR Leverage Ratio Common Exposure	
On-balance sheet items	201,322
Other adjustments including intangibles	(794)
Total on-balance sheet exposures	**200,529**
Other off-balance sheet exposures	1,883
Total Exposures	**202,412**
Capital and total exposures	
Tier 1 capital	47,792
Total leverage exposure	202,412
Leverage ratio	**23.61%**

Table 6 - LRSpl: Split-up of on balance sheet exposures (excluding derivatives, SFT and exempted exposures)

	31 December 2020
	£'000s
Total on-balance sheet exposures (excluding derivatives, SFTs, and exempted exposures), of which:	200,529
Trading book exposures	-
Banking book exposures, of which:	200,529
Covered bonds	-
Exposures treated as sovereigns	66,601
Exposures to regional governments, MDB, international organisations and PSE not treated as sovereigns	-
Institutions	21,233
Secured by mortgages of immovable properties	-
Retail exposures	43,090
Corporate	68,815
Exposures in default	66
Other exposures (e.g., equity, securitisations, and other non-credit obligation assets)	724

6. Credit Risk

Credit risk is the risk of financial loss arising from a customer or counterparty failing to meet their financial obligations to the Group.

As this is a material risk to the Bank, there is significant management focus on setting credit risk appetite and embedding appropriate risk management and controls. See pages 42 and 136-140 of the Group's Annual Report and Financial Statements for further information on the management of credit risk.

Under the Standardised Approach for calculating credit risk RWAs the exposure value is stated net of specific credit risk adjustments. Specific credit risk adjustments are determined in accordance with the IFRS 9 accounting standard.

6.1 Credit risk exposures

The table below show the total exposure value, RWAs and Pillar 1 requirement by exposure class at 31 December 2020.

Table 7 – Credit Risk Exposures at 31 December 2020

	Exposure	RWA	Pillar 1 Capital Requirement	Average Exposure
	£'000s	*£'000s*	*£'000s*	*£'000s*
Central governments or central banks	66,601	0	0	36,904
Institutions	21,233	4,247	340	41,712
Corporates	69,428	59,692	4,775	60,886
Retail	44,360	25,378	2,030	41,442
Exposures in default	66	99	8	414
Other Items	724	724	58	986
Total	**202,412**	**90,139**	**7,211**	**182,344**

The exposures include all drawn facilities and committed pipeline less IFRS9 impairment provisions. These are stated prior to application of any credit conversion factors. The RWA includes application of the SME support factor where applicable as per the 'CRR Quick Fix' issued in June 2020. As stated earlier, the Group uses the Standardised Approach to determine the capital requirements for credit risk.

The Group's main credit risk arises from its loans to customers (classified as either Corporates or Retail) as well as short term credit risk exposure to financial institutions, such as with our correspondent bank.

We do not use External Credit Assessment Institution ("ECAI") ratings for our loan book exposures given the unrated nature of our target client market and therefore apply the standard unrated risk weight for Retail or Corporate asset classes with the appropriate SME overlay. We do use ECAI ratings from Moody's and Fitch for our exposures to institutions.

6.2 Geographical distribution

All of the Group's business is in the UK and all of the Group's customers and associated collateral on all of the Group's loans are located in the UK.

6.3 Sectoral breakdown

The Sectoral break-down of the Group's credit risk exposures as at 31 December 2020 is detailed below.

Table 8 – Credit Risk Exposures Sectoral Breakdown

	Central governments or central banks	Institutions	Customer Lending	Other items	Total
	£'000s	*£'000s*	*£'000s*	*£'000s*	*£'000s*
Central governments or central banks	66,601				66,601
Financial Services		21,233			21,233
Wholesale and Retail trade			113,854		113,854
Other assets				724	724
Total	**66,601**	**21,233**	**113,854**	**724**	**202,412**

All exposures are stated including committed pipeline less IFRS9 impairment provisions and before application of conversion factors. Customer lending includes £96.4 million of exposure to SMEs.

6.4 Contractual maturity analysis

The contractual maturity analysis of the Group's credit risk exposures as at 31 December 2020 is detailed below.

Table 9 – Contractual Maturity Analysis

	On demand	< 3 Months	Between 3 months and 6 months	Between 6 months and 1 year	Over one year	No defined maturity	Total
	£'000s	*£'000s*	*£'000s*	*£'000s*	*£'000s*	*£'000s*	*£'000s*
Central governments or central banks	0	15,003	34,008	0	17,590	0	66,601
Institutions	21,233	0	0	0	0	0	21,233
Corporates	0	10,660	8,344	20,470	29,955	0	69,428
Retail	0	4,649	3,883	16,416	19,412	0	44,360
Exposures in default	0	66	0	0	0	0	66
Other Items	0	0	0	0	0	724	724
Total	**21,233**	**30,378**	**46,235**	**36,886**	**66,957**	**724**	**202,412**

6.5 Impairment of financial assets – IFRS9

As at 31 December 2020 the Group had impairments against loan balances totalling £1,288,000. Please refer to note 20 on pages 119-121 and note 32 on pages 137-140 of the Group's Annual Report and Financial Statements for further information on the IFRS9 provisions and approach.

For accounting purposes, a financial asset is deemed past due when a counterparty has failed to make a payment when that payment was contractually due.

The Group's definition of default for accounting purposes is aligned to the regulatory definition of default to ensure a consistent approach between IFRS9, regulatory reporting, and credit risk management. The Group's definition of default is:

- A counterparty defaults on a payment due under a loan agreement and that payment is more than 90 days overdue;
- A counterparty commits an event of default under the terms and conditions of the loan agreement which leads the lending company to believe that the borrower's ability to meet its credit obligations to the lending company is in doubt; or
- The Group is made aware of a severe deterioration of the credit profile of the customer which is likely to impede the customers' ability to satisfy future payment obligations.

7. Interest Rate Risk in the Banking Book ("IRRBB")

IRRBB is the risk of financial loss through un-hedged or mismatched asset and liability positions due to interest rate changes.

The Group manages the risk of banking book positions in accordance with the risk appetite framework and regulatory constraints. This is performed by governance committees and ALCO who evaluate new initiatives and risks. Interest rate risk is managed and monitored by Treasury with oversight from the Risk function and is reported to ALCO on a monthly basis. Treasury is responsible for balance sheet management and hedging strategies to manage interest rate risk.

The Group is exposed to the risk of loss from fluctuations in the future cash flows or fair values of financial instruments because of the change in market interest rates. The Group's borrowings are either fixed rate or administered (being products where the rate is set at the Group's discretion). The Group has no exposure to LIBOR. These borrowings fund loans and advances to customers at fixed rate. The limited average duration of the loan and deposit book provide a natural mitigant against interest rate risk.

The impact of changes in interest rates is assessed in terms of economic value of equity (EVE) and profit or loss. EVE is a cash flow calculation that takes the present value of all asset cash flows and subtracts the present value of all liability cash flows. This is a long-term economic measure used to assess the degree of interest rate risk exposure. The portfolio sensitivity to interest rate shocks is tested against a range of scenarios including the six prescribed scenarios per the EBA guidelines on the management of interest rate risk arising from non-trading book activities.

Further information on the Groups management of IRRBB is shown in note 32 on pages 141-142 of the Group's Annual Report and Financial Statements. This includes details of interest rate shock sensitivities.

8. Liquidity and funding risk

Liquidity and funding risk is the risk that the Group is not able to meet its financial obligations as they fall due or that it does not have the tenor and composition of funding and liquidity to support its assets.

The Group has in place a policy and control framework for managing liquidity and funding risk. The ALCO is responsible for managing the liquidity and funding risk via a combination of policy formulation, review and governance, analysis, stress testing, limit setting and monitoring. The ALCO meets on a monthly basis to review the liquidity position and risks.

The Group has a comprehensive suite of liquidity management processes in place, which allows the Group to monitor liquidity risk on a daily basis. This is supplemented by Early Warning Indicators and a Liquidity Contingency Plan. Liquidity stress testing is a key risk management tool for the Group and is used to inform the setting of risk appetite limits and required buffers. A range of liquidity stress scenarios has been conducted (as detailed in the ILAAP), which demonstrates that the Group's liquidity profile is sufficient to withstand a severe stress.

The composition of the Group's balance sheet is such that the behaviourally adjusted maturity duration of the asset portfolio is materially shorter than that of its funding. This reduces the liquidity and funding risk.

As at 31 December 2020 the Group held unencumbered high-quality liquid assets of £66.6 million comprising UK Government Treasury Bills and Gilts.

The Liquidity Coverage Ratio ("LCR"), prepared in compliance with EU Regulations 2015/61 and 575/2013, is used by the Group as a stressed measure of 30-day liquidity, it is monitored daily and is reported at ALCO on a monthly basis. At year end, and at all times throughout the period, the Group's LCR was significantly higher than the minimum regulatory requirement. The LCR as at 31 December 2020 was 6,820%.

Table 10 – LCR as at 31 December 2020

	31 December 2020
	£'000s
Liquidity Buffer	66,601
Net Cash Outflows	977
LCR	**6,820%**

9. Operational Risk

Operational risk is defined as the risk of loss resulting from inadequate or failed internal processes, people and systems errors, or from external events. We have a framework in place which sets out our approach to operational risk, with associated roles and responsibilities further defined in a number of policies and procedures covering the various types of operational risk.

The Group uses the Basic Indicator Approach to determine its Pillar 1 requirements for operational risk. The Basic Indicator Approach uses an average of the last three years' operating income to determine the Pillar 1 requirement. The requirement is equal to 15% of the average operating income over the three-year period.

Distribution Finance Capital Holdings plc was incorporated in April 2019. Therefore, to calculate the operating income for the three-year period to December 2020 the results of DF Capital Bank Limited (previously called Distribution Finance Capital Limited until 7 October 2020) are used for the period January 2018 – April 2019, and the results of the Group have been used from April 2019 – December 2020.

Table 3 shows RWAs and the Pillar 1 requirement for operational risk.

10. Securitisation Exposures

At 31 December 2020 the Group had no exposure to securitisation structures.

11. Asset Encumbrance

At 31 December 2020 the Group had no encumbered assets.

12. Remuneration Disclosures

This section details the Group's Remuneration governance policies and practices.

Full details of the Group Executive Directors' remuneration can be found in Notes 8 and 9 on pages 109-112 and in the Remuneration Committee ("RemCo") report on pages 62-65 in the Group's Annual Report and Financial Statements.

12.1 Approach to remuneration

The Group's remuneration objective is to promote the long-term success of the Group and delivery of its strategic plan by attracting, motivating, and retaining high calibre and talented employees, through a market competitive set of benefits, which in turn encourage the delivery of sustainable performance, appropriate and effective management of the Group's risk profile, strong customer outcomes and effective employee engagement.

The Group's approach to remuneration aligns to the relevant remuneration codes and policy statements of the PRA and FCA. Whilst DF Capital is categorised by regulators as a Level 3 firm, i.e. amongst a cohort of smaller and less systemically important banks, its approach to remuneration follows the principles of proportionality as laid out in the PRA's Rulebook and our approach to remuneration is expected to evolve as the size, nature, scope and complexity of the Group's banking and regulated activities change over time.

12.2 Remuneration Committee

The Remuneration Committee ("RemCo") is appointed by the Board and is responsible for considering and recommending to the Board an overall remuneration policy aligned to its long-term objectives and risk appetite. It ensures that remuneration decisions compensate directors, executives, and other employees fairly and responsibly.

Key responsibilities of the RemCo include:

- Ensuring that the remuneration arrangements are aligned to support the implementation of group strategy and effective risk management for the medium to long-term, taking account of the interests of shareholders;
- Overseeing the establishment and maintenance of a remuneration policy and benefits structure that motivates and rewards the right behaviours, values, and culture to support the delivery of business objectives in the short, medium, and long-term;
- Ensuring that the structure and mix of fixed and variable pay meets legal and regulatory requirements and guidelines;
- Satisfying itself as to the adequacy of performance measures that determine incentives and overseeing any performance related pay schemes or share incentive plans in operation;
- Ensuring that remuneration levels are benchmarked to industry peers on a periodic basis and remuneration structures and incentives are adjusted for risk; and

- Ensuring that members of the committee commit sufficient time to the role and develop the necessary skills and knowledge (including, for example, current market practice, taxation, and legal requirements).

The Board Risk Committee has a key role to play in advising the Remuneration Committee regarding the design of variable pay to ensure that any incentivisation does not encourage the taking of undue risk.

12.3 Remuneration components

At this stage of the Group's evolution, its compensation and benefit arrangements lack complexity and are broadly common across all employees. The remuneration arrangements are reviewed annually. The components of the Group's remuneration are:

- **Fixed Pay**: Basic Salary which is paid monthly in arrears; In some instances, and in line with role, car allowance is given;
- **Benefits**: Non-contributory pension of 10% (or cash in lieu); Death in Service benefit of 4x basic salary; Access to Private Medical Insurance; Income Protection Insurance; 30 days annual leave;
- **Annual Incentive Plan ("AIP"):** This discretionary cash bonus is awarded as a percentage of basic salary and is a function of the Group's overall performance, tied also to the delivery of personal financial and non-financial objectives, cultural behaviours and an employee's approach to risk management; and
- **Performance Share Plan ("PSP"):** Employees participate in the Group's PSP scheme by invitation; however, participation is generally for more senior employees or Executive Directors. The aim of the PSP is to incentivise long term valuation creation by issuing shares awards, generally with performance conditions attached, that vest in a three-year performance review window.

Effective from 1 January 2021, new regulatory policies have come into force that requires the variable pay (annual bonus and performance shares) of executives, other material risk takers and those meeting other thresholds to be limited to one times the value of fixed pay (base salary, benefits and pension) in any given financial year.

Given the Group's current remuneration schemes allow for an annual bonus of up to one times the value of fixed pay and additionally the firm's PSP allows for up to two times fixed pay in long term share awards in any given financial year, we have updated the Group's remuneration policy from the start of 2021 to reflect these changes and align with the regulatory requirements.

We understand that as a direct consequence of these regulatory changes, remuneration packages of many senior leaders and executive directors across the sector have been re-weighted away from variable compensation and balanced with increases in fixed pay.

These regulatory requirements do however allow for firm's to increase the regulatory limit on variable pay from one times fixed pay to two times by seeking shareholder approval to do so. Accordingly, the Group is considering the impact of these changes relative to the market and will consider any proposed changes alongside the review of Executive Pay, that is scheduled for later this year. As a Board we are keen to ensure that the Group remains market competitive and continues to attract, motivate and retain talented employees. It is our intention to consult with shareholders in relation to our remuneration plan through 2021.

12.4 Remuneration for 'Code Staff'

A firm must maintain a record of its 'Code Staff' (being those staff whose professional activities have a material impact on the firm's risk profile) and take reasonable steps to ensure Code Staff understand the implications of their status.

At 31 December 2020, the Group employed a total of 27 individuals who were classed as Code Staff. Of these, 8 individuals were Executive and Non-Executive Directors, and 19 individuals were classified as Other Code Staff. The remuneration for these employees is governed under the Group Remuneration Policy.

The following table below shows total fixed and variable remuneration awarded to these Code staff. Although DF Capital Bank Limited did not receive full authorisation as a bank from the Prudential Regulatory Authority ("PRA") until 29 September 2020 the table shows remuneration for these employees for the full year ended 31 December 2020.

Table 11 – Code Staff remuneration

	Financial year ended 31 December 2020		
Remuneration Type	**Executive Directors (2) £'000**	**Non-Executive Directors (6)** £'000**	**Other Code Staff (19) £'000**
Total Fixed remuneration			
- Cash based	792	550	2,706
- Other	12	-	51
Total Variable remuneration			
- Cash based	-	-	89
- Share based long term incentive – deferred*	188	-	5
Pension and insurance	58		246
Total Remuneration	**1,050**	**550**	**3,097**
Total deferred in current year	188	-	5

**Long term incentive awards are all share options schemes and are subject to vesting conditions. The value shown is the fair value of the options awarded during the year.*
*** Non-Executive Directors do not receive variable compensation.*

Details of the Group's share options schemes are shown in the Group Annual Report and Financial Statements in Note 9 on pages 111-112.

The table below shows the amount and severance and guaranteed variable remuneration payments made to Code Staff during the financial year ended 31 December 2020, as well as any individual's remuneration over £1 million.

Table 12 – Severance, guaranteed variable remuneration and remuneration over £1 million

Remuneration Type	Number of individuals
Severance payments	0
Guaranteed variable remuneration payments	0
Individuals remunerated over £1 million	0

13. Own Funds Disclosures

The following table shows the make-up of own funds of the Group as at 31 December 2020 in the format prescribed in Regulation (EU) 1423/2013. Any blank cells in the template have been removed from this disclosure.

Table 13 – Own funds

	31 December 2020
	£'000s
Common Equity Tier 1 (CET1) capital: instruments and reserves	
Capital instruments and the related share premium accounts	1,066
of which: Ordinary shares	1,066
Retained earnings	50,187
Accumulated other comprehensive income (and other reserves, to include unrealised gains and losses under the applicable accounting standards)	(364)
Common Equity Tier 1 (CET1) capital before regulatory adjustments	50,889
Common Equity Tier 1 (CET1) capital: regulatory adjustments	
Intangible assets	(794)
Investments in own shares (if not already subtracted from paid-in capital on reported balance sheet)	(2,303)
Total regulatory adjustments to common equity tier 1 (CET1)	(3,097)
Common equity tier 1 (CET1) capital	47,792
Tier 1 capital	47,792
Total capital	47,792
Total risk weighted assets	95,427
Capital ratios and buffers	
Common equity tier 1 (as a percentage of risk exposure amount)	50.1%
Tier 1 (as a percentage of risk exposure amount)	50.1%
Total capital (as a percentage of risk exposure amount)	50.1%
Institution specific buffer requirement (CET1) requirement in accordance with article 92 (1) (a) plus capital conservation and countercyclical buffer requirements, plus systemic risk buffer, plus the systemically important institution buffer (G-SII or O-SII buffer), expressed as a percentage of risk exposure amount)	7.0%
of which: capital conservation buffer requirement	2.5%
of which: countercyclical buffer requirement	0.0%
Common equity tier 1 available to meet buffers (as a percentage of risk exposure amount)[1]	36.9%

[1] Calculated as CET1 ratio less TCR

Appendix 1 – Disclosures for DF Capital Bank Limited (Company No: 10198535)

In accordance with Article 13 of the CRR, this Appendix sets out the reduced Pillar 3 disclosures of the Bank, the significant subsidiary of the Group. The differences between the Group and the Bank relate primarily to the Group having lower reserves arising from costs Distribution Finance Capital Holdings plc incurred upon an Initial Public Offering on the Alternative Investment Market in May 2019.

Table 14 – Capital Composition as at 31st December

	31 December 2020
	£'000s
Equity	
Issued capital	61,012
Retained earnings	(5,529)
Own shares	0
Total Equity per balance sheet	**55,483**
Adjustments to Regulatory Capital	
Intangible assets	(794)
Total deductions	**(794)**
Total CET 1 Capital	**54,689**
Subordinated Debt Tier 2 Capital	0
Total Regulatory Capital	**54,689**
Total Capital Ratio	**54.75%**
Tier 1 Capital Ratio	**54.75%**
Tier 2 Capital Ratio	**0.00%**
Total Capital Requirement ('TCR')	**13.14%**
	31 December 2020
Reconciliation between statutory equity and total regulatory capital: Bank	*£'000s*
Equity	55,483
Regulatory deductions from equity:	
Intangible assets	(794)
Total Regulatory Capital	**54,689**

	31 December 2020
Movement in Total Regulatory Capital during the year: Bank	*£'000s*
Total regulatory capital at beginning of the year	67,908
Profit in the year/period attributable to shareholders	
Movement in share capital	(13,287)
Movement in intangible assets	68
Total Regulatory Capital at the end of the year	**54,689**

Table 15 - LRSum: Summary reconciliation of accounting assets and leverage ratio exposures.

	31 December 2020
Bank: CRR Leverage Ratio Exposure	*£'000s*
Total assets as per published financial statements	205,616
Adjustments for off-balance sheet items	1,883
Other Adjustments including intangibles	(794)
Total leverage ratio exposure as at 31 December 2020	**206,706**

Table 16 - LRCom: Leverage ratio common disclosure.

	31 December 2020
Bank: CRR Leverage Ratio Common Exposure	*£'000s*
On-balance sheet items	205,616
Other adjustments including intangibles	(794)
Total on-balance sheet exposures	**204,822**
Other off-balance sheet exposures	1,883
Total Exposures	**206,706**
Capital and total exposures	
Total regulatory capital	54,689
Total leverage exposure	**206,706**
Leverage ratio	**26.5%**

Table 17 - LRSpl: Split-up of on balance sheet exposures (excluding derivatives, SFT and exempted exposures)

	31 December 2020
	£'000s
Total on-balance sheet exposures (excluding derivatives, SFTs, and exempted exposures), of which:	204,822
Banking book exposures, of which:	204,822
Exposures treated as sovereigns	66,601
Institutions	21,030
Retail exposures	43,090
Corporate	68,815
Exposures in default	66
Other exposures (e.g., equity, securitisations, and other non-credit obligation assets)	5,221

Table 18 – Credit Risk Exposures at 31 December 2020

	Exposure	RWA	Pillar 1 Capital Requirement	Average Exposure
	£'000s	*£'000s*	*£'000s*	*£'000s*
Central governments or central banks	66,601	0	0	36,904
Institutions	21,030	4,206	336	41,474
Corporates	69,428	59,692	4,775	60,886
Retail	44,360	25,378	2,030	41,442
Exposures in default	66	99	8	414
Other Items	5,221	5,221	418	5,522
Total	**206,706**	**94,595**	**7,568**	**186,642**

Table 19 – Credit Risk Exposures Sectoral Breakdown

	Central governments or central banks	Institutions	Customer Lending	Other items	Total
	£'000s	*£'000s*	*£'000s*	*£'000s*	*£'000s*
Central governments or central banks	66,601				66,601
Financial Services		21,030			21,030
Wholesale and Retail trade			113,854		113,854
Other assets				5,221	5,221
Total	**66,601**	**21,030**	**113,854**	**5,221**	**206,706**

Table 20 – Contractual Maturity Analysis

	On demand	< 3 Months	Between 3 months and 6 months	Between 6 months and 1 year	Over one year	No defined maturity	Total
	£'000s	*£'000s*	*£'000s*	*£'000s*	*£'000s*	*£'000s*	*£'000s*
Central governments or central banks	0	15,003	34,008	0	17,590	0	66,601
Institutions	21,030	0	0	0	0	0	21,030
Corporates	0	10,660	8,344	20,470	29,955	0	69,428
Retail	0	4,649	3,883	16,416	19,412	0	44,360
Exposures in default	0	66	0	0	0	0	66
Other Items	0	0	0	0	0	5,221	5,221
Total	**21,030**	**30,378**	**46,235**	**36,886**	**66,957**	**5,221**	**206,706**

Appendix 2 – Key features of capital instruments

Table 21 – Capital Instruments main features template

1	Issuer	Distribution Finance Capital Holdings plc	DF Capital Bank Limited
2	Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement)	GB00BJ7HMR72	n/a
3	Governing law	English	English
Regulatory treatment			
4	Transitional CRR rules	CET 1	CET 1
5	Post-transitional CRR rules	CET 1	CET 1
6	Eligible at Group or Bank	Group	Bank
7	Instrument type (types to be specified by each jurisdiction)	Ordinary shares	Ordinary shares
8	Regulatory capital value (£'000)	47,792	54,689
9	Nominal amount of instrument	1p	1p
9a	Issue price (£'000)	£95,978	Various
9b	Redemption price (£'000)	n/a	n/a
10	Accounting classification	Equity	Equity
11	Original date of issue	Various	Various
12	Perpetual or dated	Perpetual	Perpetual
13	Original maturity date	n/a	n/a
14	Issuer call subject to prior supervisory approval	n/a	n/a
15	First call date	n/a	n/a
16	Subsequent call dates, if applicable	n/a	n/a
Coupons / dividends			
17	Fixed or floating dividend/coupon	n/a	n/a
18	Coupon rate and any related index	n/a	n/a
19	Existence of a dividend stopper	n/a	n/a
20 a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	Fully discretionary	Fully discretionary
20 b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	Fully discretionary	Fully discretionary
21	Existence of step up or other incentive to redeem	n/a	n/a
22	Non-cumulative or cumulative	Non-cumulative	Non-cumulative
23	Convertible or non-convertible	n/a	n/a
24	If convertible, conversion triggers	n/a	n/a
25	If convertible, fully or partially	n/a	n/a
26	If convertible, conversion rate	n/a	n/a
27	If convertible, mandatory or optional conversion	n/a	n/a
28	If convertible, specify instrument type convertible into	n/a	n/a
29	If convertible, specify issuer of instrument it	n/a	n/a

	converts into		
30	Write-down feature	n/a	n/a
31	If write-down, trigger(s)	n/a	n/a
32	If write-down, full or partial	n/a	n/a
33	If write-down, permanent or temporary	n/a	n/a
34	If write-down, description of write-up mechanism	n/a	n/a
35	Instrument type immediately sold	n/a	n/a
36	Non-compliant transitioned features	n/a	n/a
37	If yes, specify non-compliant features	n/a	n/a

Appendix 3 – Analysis of directorships

The following table shows the number of other directorships held by Group Board members at 31 December 2020. As per CRD IV rules, multiple directorships within the same group are treated as a single role and directorships with bodies that do not predominantly pursue commercial objectives are excluded.

Table 22 – Analysis of directorships

Name of Director	Position	Number of Directorships
John Baines	Independent Chairman	3
Mark Stephens	Senior Independent Non-Executive Director	2
Carole Machell	Independent Non-Executive Director	3
Thomas Grathwohl	Independent Non-Executive Director	-
Stephen Greene	Non-Executive Director	2
Haakon Stenrød	Non-Executive Director	2
Carl D’Ammassa	Executive Director	-
Gavin Morris	Executive Director	-